

Template pre-contractual disclosure for financial products referred to in Article 9, paragraphs 1 to 4a, of Regulation (EU) 2019/2088 and Article 5, 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 SICAV – Pareto ESG Global Corporate Bond

Legal entity identifier: 213800ZLUK8TYAC4A289

Sustainable investment objective

Does this financial product have a sustainable investment objective?

●●
 ☒ Yes

●○
 ☐ No

☒ It will make a minimum of **sustainable investments with an environmental objective**: 25%

☐ 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

☒ It will make a minimum of **sustainable investments with a social objective**: 25__%

☐ 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
 ☐ with an environmental objective in economic activities that 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

What is the sustainable investment objective of this financial product?

Overall

The Sub-Fund’s investment objective is to create long-term positive return relative to its risk profile, by making investments aligned with its sustainable investment objectives. The Sub-Fund has one environmentally sustainable investment objective and one socially sustainable investment objective. Both sustainable investment objectives have connections to the 2030 Agenda for Sustainable Development with the 17 Sustainable Development Goals (hereinafter “SDGs”) at its core.

The 2030 Agenda for Sustainable Development (hereinafter “the Agenda”) was adopted by the UN General Assembly in 2015. The Agenda is a plan of action for people, planet and prosperity. To achieve the ambitions set out in the Agenda it applies the 17 SDGs.

Sustainability indicators measure how the sustainable objectives of this financial product are attained.

Environmentally sustainable investment objective

The Sub-Fund's environmentally sustainable investment objective is to maintain a decarbonization trajectory.

The fund managers have identified the following activities which contribute to the objective through targeted SDGs:

Climate and environment

The Sub-Fund will make investments that, through its products or services contribute to a sustainable society and reduced impact on climate:

- Producing renewable energy,
- Defining a plan and target to address negative impact on ecosystems, land and ocean safeguard,
- Promoting the sustainable management of agriculture, aquaculture and forestry
- Deployment of a strategy for limiting global warming

These activities target the following SDGs: 7 Affordable and clean energy, 13 Climate action, 14 Life below water and 15 Life on land.

Circular economy

The Sub-Fund will make investments that, through its products or services contribute to a sustainable society and reduced impact on the climate:

- Promoting a model of production and consumption implying, leasing, reusing, repairing, refurbishing, or recycling existing materials and products
- Providing or supporting the development of sustainable or smart infrastructures or cities

These activities target the following SDGs: 9 Industry, innovation and infrastructure, 11 Sustainable cities and communities, 12 Responsible consumption, and production and 13 Climate action.

Innovative and sustainable solutions

The Sub-Fund will make investments that, through its products or services contribute to a sustainable society and reduced impact on climate by:

- Providing a model that promotes sustainable production and consumption
- Promoting product or services innovation enabling energy efficiency, digitalization, and electrification

These activities target the following SDGs: 7 Affordable and clean energy, 8 Decent work and economic growth, 9 Industry, innovation, and infrastructure, 11 Sustainable cities and communities, 12 Responsible consumption and production and 13 Climate action.

Environmentally sustainable funding

The Sub-Fund will make investments that, through its products or services contribute to a sustainable society and reduced impact on climate by:

- Providing funds to develop or improve environmentally sustainable solutions

These activities target the following SDGs 8 Decent work and economic growth, 9 Industry, innovation, and infrastructure, 11 Sustainable cities and communities, 12 Responsible consumption and production and 13 Climate action.

Green Bonds

In addition, the Sub-Fund will make investments in Green Bonds. Such bonds are issued in line with the Green Bond Principles and the use of the proceeds are allocated towards climate related or environmental projects contributing to the objective of the Sub-Fund. For investment in such financial instruments, the Second Party Opinion and the Green Bond Framework developed and applied by the issuer will be evaluated by the fund managers prior to investment.

Socially sustainable investment objective

The Sub-Fund's socially sustainable investment objective is to contribute to a well-functioning society and promote better living standards.

The fund managers have identified the following activities which contribute to the objective through targeted SDGs:

Health and wellness

The Sub-Fund will make investments that, through its products or services contribute to a better society or improvement in people wellness by:

- Providing health care services, medicines, or medical aids
- Improving people everyday life

These activities target the following SDGs: 3 Good health and well-being, 4 Quality education, 5 Gender equality, 10 Reduced inequalities.

Socially sustainable solutions funding

The Sub-Fund will make investments that, through its products or services contribute to a better society or reduce inequalities:

- Providing fund to develop or improve socially sustainable solutions

These activities target the following SDGs: 1 No poverty, 2 Zero hunger, 3 Good health and well-being, 4 Quality education, 5 Gender equality, 6 Clean water and sanitation, 8 Decent work and economic growth and 10 Reduced inequalities, 16 Peace, justice and strong institutions, 17 Partnerships for the goals.

At the time of this Annex no eligible or appropriate benchmark with similar investment universe and in accordance with Regulation (EU) 2016/1011 is available. Due to this, no reference benchmark has been designated for the purpose of attaining the sustainable investment objective. However, the Sub-Fund solely makes investments that by the fund managers are considered to contribute to one of the sustainable investment objectives.

Further, such investments cannot cause significant harm to any environmental or social sustainable investment objective. In addition, the issuer must follow good governance practices.

The Sub-Fund has an environmentally sustainable investment objective as one of its objectives, but it is not part of the Sub-Fund's investment strategy to make sustainable investments in economic activities that qualify as environmentally sustainable under the EU Taxonomy to attain the investment objective.

The Sub-Fund is however permitted to allocate to Taxonomy-aligned sustainable investments, which would form part of its overall allocation to sustainable investments with an environmental objective.

Further, the Sub-Fund intends to make socially sustainable investments according to the Sub-Fund's social objective.

- ***What sustainability indicators are used to measure the attainment of the sustainable investment objective of this financial product?***

Sustainability indicators used to measure the attainment of the environmentally sustainable investment objective

- Percentage of NAV in investments aligned with the SDGs [SDG 7, SDG 8, SDG 9, SDG 11, SDG 12, SDG 13, SDG 14, SDG 15]
- Percentage of NAV committed to Science-Based Targets (hereinafter "SBTs")
- Percentage of NAV approved SBTs
- Percentage of NAV climate action plan
- Percentage of NAV Green bonds and Sustainability-linked bonds
- Carbon Footprint assessment executed by a designated third party

Sustainability indicators used to measure the attainment of the socially sustainable investment objective

- Percentage of NAV in investments aligned with the SDGs [SDG 1, SDG 2, SDG 3, SDG 4, SDG 5, SDG 6, SDG 8, SDG 10, SDG 16, SDG 17].

Further, the Sub-Fund will use the principal adverse impacts on sustainability factors, where such information is available, to over time compare the portfolio's results and progress when the Sub-Fund has obtained sufficient basis of comparison.

- ***How do sustainable investments not cause significant harm to any environmental or social sustainable investment objective?***

As part of the investment strategy, the fund managers apply the following measures to ensure that the sustainable investments do not cause significant harm to any environmental or social sustainable investment objective:

- Exclusions;
- ESG analysis;
- Principal adverse impact on sustainability factors; and
- Carbon footprint assessment.

For further details reference is made to section "What investment strategy does this financial product follow".

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

The fund managers' methodology aims to continuously evaluate the principal adverse impacts on environmental, social and governance issues related to the issuers' operation activities. This entails that the Sub-Fund will collect and measure any relevant quantitative and qualitative information enabling to measure principal adverse impacts on sustainability factors.

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.

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

As the Sub-Fund is managed under the requirements of the Nordic Swan Ecolabel and Pareto Asset Management's guidelines for responsible investments, every issuer must comply with the OECD Guidelines for multinational Enterprises and the UN Guiding Principles on Business and Human Rights.

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

☒ Yes,

The fund managers' methodology aims to continuously evaluate the principal adverse impacts on environmental, social and governance issues related to the issuers' operation activities where such information is available. The principal adverse impact indicators are taken into account in the initial investment decision making process and are likewise monitored manually during the holding period. In this regard, the fund managers will obtain all available data from an external designated data provider.

The Sub-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 Sub-Fund has selected 2 additional principle adverse impact indicators, namely:

- Share of securities not issued under Union legislation on environmentally sustainable bonds; and
- Lack of human rights policy.

☐ No



What investment strategy does this financial product follow?

Overall about the Sub-Fund's 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:

- The Nordic Swan Ecolabel criteria;
- UN's Principles for Responsible Investments ;
- Pareto Asset Management guidelines for responsible investments; and
- The Sub-Fund's investment policy, exclusion policy and engagement policy.

The Sub-Fund applies the following as the main elements in its investment strategy to ensure that all investments meet the Sub-Fund's investment criteria:

- Exclusion criteria;
- ESG integration (inclusion criteria); and
- ESG engagement

An investment is considered sustainable by the Sub-Fund if:

- The activities (products or services) of the investee contribute to one of the Sub-Fund's sustainable investment objectives;
- The activities (products or services) of the investee do not cause significant harm to any environmental or social sustainable objective; and
- The investees show good governance practices.

Exclusions

First, the fund managers exclude all investments not within the Sub-Fund's investment universe, as such investments do not contribute to the Sub-Fund's sustainable investment objectives, may cause significant harm to environmental and / or social objectives and such investees' governance practices do not live up to the required standards.

The exclusion process is executed through screening with exclusion and observation lists developed by using Bloomberg classification industry sectors ("BICS") applicable to the Sub-Fund's exclusion criteria. The exclusion lists are updated on a monthly basis.

The following exclusions criteria are applied:

Extracting and refining fossil fuels and uranium

The Sub-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 Sub-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.

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.

Generating power

The Sub-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 Sub-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

The aforementioned sectors generate a significant amount of Greenhouse Gas Emissions contributing to accelerate global warming and temperature rising.

High emitting sectors

- Further, the Sub-Fund has identified the following sectors as high emitters of Greenhouse Gases, namely: Aluminum;
- Aviation;
- Automobiles;
- Cement;
- Mining;
- Pulp and papers;
- Shipping; and
- Steel.

If holding companies operating in the above-mentioned sectors shall be considered investable by the Sub-Fund, they must pass at least one of the following eligibility criteria:

- At least 30% of the company's economic activity is aligned with the climate change objectives of the EU Taxonomy (climate change mitigation and adaptation);
- At least 75% of the company's CapEx, on average for three consecutive years including the last financial year, is aligned with the climate change objectives of the EU Taxonomy;
- The company is in a rapid transition and has a validated 1.5 °C Science Based Target (SBT) with near- and long-term or net-zero emission targets or is aligned with a similar internationally accepted framework for transition; and/or
- The company is one of the best 15% in GHG intensity. To calculate intensity the Fund shall consistently use either yearly GHG emission/Enterprise value incl. cash or GHG emission/revenue in a global comparison of its sector with reported GHG emissions. GHG emissions shall be calculated with the GHG Protocol Corporate Standard (scopes 1 & 2, and scope 3 for automobiles).

Conventional weapons

The Sub-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.

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

Tobacco

The Sub-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 Sub-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.

International norms and conventions

ILO's fundamental principles

The Sub-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 Sub-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.

OECD Guidelines for multinational Enterprises

The Sub-Fund may not invest in company if there is an unacceptable risk or systematic violations of the government-backed recommendations on responsible business conduct.

Exclusions specifically applied for government bonds

The Sub-Fund does not invest in government bonds.

In case of investment in government bonds, the Sub-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 Sub-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

The Sub-Fund may 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.

Gross corruption

The Sub-Fund 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".

Produce pornography

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

Produce alcohol

The Sub-Fund may not invest in companies which themselves or through entities they control derive revenue from the production of alcohol.

Gambling

The Sub-Fund may not invest in companies which themselves or through entities they control derive 5% or more of their revenue from gambling.

Genetically modified organism

The Sub-Fund may 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.

The investment contributes to one of the sustainable investment objectives of the Sub-Fund

Issuers still within the Sub-Fund's investment universe after the exclusion screening process are subject to further analysis by the fund managers to disclose whether the investment contributes to one of the sustainable investment objectives of the Sub-Fund.

An investment is considered to contribute to one of the sustainable investment objectives if:

- The products / services / clearly identifiable strategy and targets of the investee enable or positively impact one of the targeted SDGs; and
- The issuer passes the Sub-Fund's ESG analysis.

As an investment's contribution to the Sub-Fund's sustainable investment objectives is assessed based on, among others, the targeted SDGs for each sustainable investment objective, the fund managers will perform an analysis of the issuer to determine whether the issuer has revenue derived from activities enabling or positively impacting one of the targeted SDGs and / or has a clearly identifiable strategy and targets that enable or positively impact one of the targeted SDGs.

Further, the investment is subject to the Sub-Fund's adapted ESG analysis. The issuer is assigned an ESG rating as either "underperformer", "average", "above average" or "outperformer" relative to the result of the analysis, including all E, S and G aspects. If an issuer is rated as "underperformer", the issuer is not eligible for investment.

The ESG analysis' methodology is developed according to the requirement of the Nordic Swan Ecolabel. An annual review of the Sub-Fund's analysis is performed, signed, and released by the Chief Compliance Officer. This review is verified by the Nordic Swan Ecolabel.

The ESG analysis is conducted based on information disclosed in several sources. Given the amount of available information, the fund managers prioritize data collection from the following sources:

- Companies' public disclosures and publicly available reports;
- Sell-side research;
- Third party research;
- Academic studies;
- White papers;
- Climate research centers; and / or
- Non-governmental organisations (NGOs) research.

The first step of the valuation model is to assign the issuer an individual environmental score, social score and governance score based on the following associated factors:

Environmental factors

Support a precautionary approach to environmental challenges

- The issuer provides a code of conduct or practice for its operations and products that confirms commitment to care for health and the environment.

Undertake initiatives to promote greater environmental responsibility

- Through a defined company vision, policies strategies and actions to include sustainable development including climate action plan and potentially circular economy, preserve biodiversity and local communities.
- Develop sustainability targets and indicators. A valuation of relevant Principal Adverse impact indicators and EU Taxonomy alignment will be conducted at this stage to the extent such data is available.

Encourage the development and diffusion of climate friendly technologies

- The issuer aims to implement technologies to help reduce the use of raw materials and increased efficiency.

Ratings:

(+) Environmental: The issuer satisfies all the three criteria and associated factors.

(0) Environmental: The issuer satisfies at least one out of the three criteria and associated factors.

(-) Environmental: The issuer does not satisfy any of the above criteria and associated factors.

Social factors

Support and promote practices in human rights

- The issuer should support and respect the protection of internationally proclaimed human rights: 1) Issuer is not causing or contributing to adverse human rights impacts, 2) Issuer promotes employment, income equality and employee's safety.
- Make sure that they are not complicit in human rights abuses.

Support and promote practices in labour rights

- The elimination of all forms of forced and compulsory labour; Clear policy not to use, be complicit in, or benefit from forced labour.
- The effective abolition of child labour; 1) Act according to the ILO conventions and / or Un Global Compact or 2) Publish an annual modern slavery statement. Identify whether child labour is a problem within the business. Aware of countries, regions, sectors, economic activities where there is a greater likelihood of child labour.

Make publicly available guidelines on how the company handles human rights and labor rights both within its business as well as through entities they control

- Guidelines should be provided by company via reporting and/or from website.

Support inclusions, diversity and employee's well-being

- Guidelines should provide policies and elements that emphasize inclusion and diversity Disclosures should provide elements such as third-party recognition that the company is a good place to work.

Ratings:

(+) Social: The issuer satisfies all the three criteria and associated factors.

(0) Social: The issuer satisfies at least one out of the three criteria and associated factors.

(-) Social: The issuer does not satisfy any of the above criteria and associated factors.

Governance

Actively fight corrupt practices, such as extortion and bribery

- Issuer provides policy explaining how it will actively fight corrupt practices, such as extortion and bribery.

Have a system of compliance/ committee

- All employees should be aware of the issuer's code of ethical business conduct. The issuer should have a well-defined system.
- The issuer should have a well-defined system of compliance and/or committee that ensures a commitment to maintain good values, which adheres to a code of conduct and complies with relevant laws and regulations.

Promote good governance practices

- The issuer establishes a corporate governance practice in relation to national law and standards.
- Provide transparency in board members and missions.
- Promote diversity and independency.

Ratings:

(+) Governance: The issuer satisfies all the three criteria and associated factors.

(0) Governance: The issuer satisfies at least one out of the three criteria and associated factors.

(-) Governance: The issuer does not satisfy any of the above criteria and associated factors.

Once the issuer is assigned an individual environmental score, social score and governance score, a total score is computed by using the following ESG rating metric:

Outperformer: [+ ,+ ,+] – all three pillars are outperforming

Above average: [+ ,+ ,0], [+ ,0 ,+], [0 ,+ ,+] – at least two pillars are outperforming and one average

Average: [+ ,0 ,0], [0 ,+ ,0], [0 ,0 ,+], [0 ,0 ,0]

Underperformer: [- , - , -], [0 , - , -], [+ , - , -]

Engagement

Each formalized dialogue is integrated, updated and reviewed into the ESG analysis. The outcome of the engagement activities may impact the ESG rating.

At the time of this Annex, it does not exist further guidance related to the definition of “sustainable investments” under SFDR Article 2 (17). Due to this, the Sub-Fund's definition of sustainable investments may change when such guidance is provided to ensure that the Sub-Fund's definition is compliant with Article 2 (17).

The activities (products or services) of the investee do not cause significant harm to any environmental or social sustainable objective and the investee follows good governance practices

To ensure that all investments made by the Sub-Fund comply with the do no significant harm principle and follow good governance practices, the Sub-Fund applies the following methodologies:

- Exclusions: All investments not within the Sub-Fund's investment universe are excluded, as such investments do not contribute to the Sub-Fund's sustainable investment objectives, may cause significant harm to environmental and / or social objectives and such investees' governance practices do not live up to the required standards.
- ESG analysis: Issuers not filtered out in the exclusion screening but rated as “underperformer” in the ESG analysis are not eligible for investment as the risk of the issuer causing significant harm to any environmental or social objective is unacceptable and / or the investees' governance practices do not live up to the required standards.

- Principle adverse impacts on sustainability factors: Issuers' principal adverse impacts on sustainability factors are assessed prior to an investment and monitored during the holding period, to the extent such information is available.
- Carbon Footprint: A third party is designated to measure the carbon footprint of each investment within the Sub-Fund's portfolio and aggregated at portfolio level.

What are the binding elements of the investment strategy used to select the investments to attain the sustainable investment objective?

Overall, the investment strategy of the Sub-Fund has to be executed in accordance with:

- The Nordic Swan Ecolabel criteria;
- UN's Principles for Responsible Investments ;
- Pareto Asset Management guidelines for responsible investments; and
- The Sub-Fund's investment policy, exclusion policy and engagement policy.

The Sub-Fund applies several binding elements in its investment strategy to select investments to attain the sustainable investment objectives of the Sub-Fund.

- The investment has to contribute to one of the Sub-Fund's sustainable investment objectives: 1) to maintain a decarbonization trajectory, or 2) contribute to a well-functioning society and promote better living standards. Each investment has to enable or positively impact one of the SDGs targeted by each sustainable investment objective and pass the ESG analysis by achieving a rating exceeding "underperformer"
- The investment cannot cause significant harm to any environmental or social sustainable investment objective: The investment has to comply with the Sub-Fund's applied exclusion criteria, pass the Sub-Fund's ESG analysis by achieving a rating exceeding "underperformer" and the principal adverse impacts have to be acceptable opposite the sustainable investment objectives of the Sub-Fund
- The investee has to follow good governance practices: The investment has to comply with the Sub-Fund's applied exclusion criteria and pass the Sub-Fund's ESG analysis by achieving a rating exceeding "underperformer"
- Newsflow analysis: The newsflow analysis is a binding element applied to monitor the Sub-Fund's investments during their holding period. "Newsflow" includes all new information about an issuer disclosed by the issuer or through public sources. The disclosures provided through the newsflow enable the Sub-Fund to continuously assess whether the investment complies with the Sub-Fund's investment criteria.
- Engagement: The fund managers shall engage with the issuers which the Sub-Fund is invested in according to procedures as described in the Sub-Fund's Engagement Policy.

- **What is the policy to assess good governance practices of the investee companies?**

The investees' governance practices are assessed in the Sub-Fund's ESG analysis. The criteria used to assess potential investees' corporate governance are:

- Anti-corruption policies;
- Political stability and rights;
- Transparency in corporate governance practices;
- Board diversity and independency

Further, the fund managers emphasise the importance of good corporate governance within the investee companies as the quality of such is experienced as substantial for transparency in the disclosures and the companies' awareness of its own operational actions.

What is the asset allocation planned for this financial product?

Asset allocation describes the share of investments in specific assets.

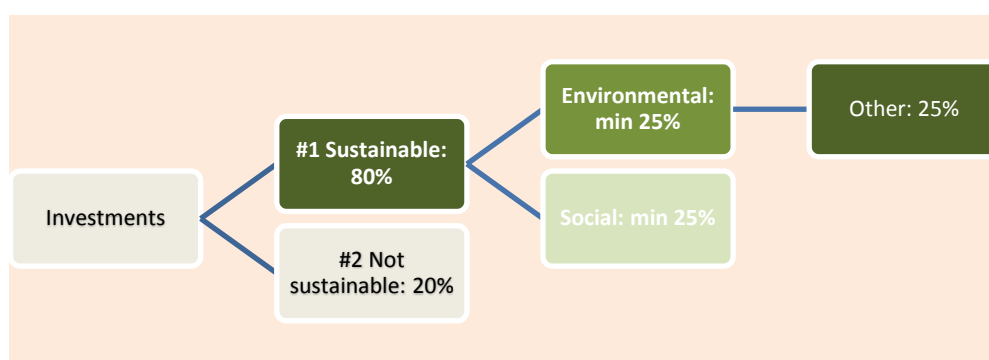
Taxonomy-aligned activities are expressed as a share of:
- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure (CapEx)** showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure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

All of the Sub-Fund's investments in bonds will be sustainable investments, which is equivalent to 80% of the total net assets of the Sub-Fund. The sustainable investments will contribute to one of the sustainable investment objectives of the Sub-Fund.

The remaining share of the Sub-Fund is not considered sustainable 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.

It is emphasised that the actual share of environmental and social objectives may vary over time, but the minimum share of environmental or social objectives will not be less than 25% of the total net assets of the Sub-Fund.

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.



#1 Sustainable covers sustainable investments with environmental or social objectives.

#2 Not sustainable includes investments which do not qualify as sustainable investments.

- **How does the use of derivatives attain the sustainable investment objective?**

Derivatives are not used to attain the sustainable investment objective.



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.

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

0%. The Sub-Fund does not commit to making sustainable investments with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy. The Sub-Fund is however permitted to allocate to Taxonomy-aligned sustainable investments, which would form part of its overall allocation to sustainable investments with an environmental objective.

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 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%. As the Sub-Fund does not commit to making sustainable investments with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy there is no share of investments in transitional and enabling activities.



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

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

25% of the total net assets of the Sub-Fund. The Sub-Fund will make sustainable investments with an environmental objective that is not aligned with the EU Taxonomy. Such investments contribute to another environmental objective in accordance with the Sub-Fund's environmentally sustainable investment objective.

These investments offer products / services and / or has a clearly identifiable strategy and targets that contribute to maintaining a decarbonisation trajectory through enabling or positively impacting targeted SDGs.

Due to the lack of/low numbers of companies reporting on the EU Taxonomy at the time of this Annex, the Sub-Fund does not commit to a percentage of sustainable investments with an environmental objective that are aligned with the EU Taxonomy. Nevertheless, the fund is not prevented from making sustainable investments with an environmental objective that are aligned with the EU Taxonomy.

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

25% of the total net assets of the Sub-Fund.

**What investments are included under “#2 Not sustainable”, what is their purpose and are there any minimum environmental or social safeguards?**

The Sub-Fund’s investments included under “#2 Not sustainable” include the use of 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.

**Is a specific index designated as a reference benchmark to meet the sustainable investment objective?**

- At the time of this Annex no eligible or appropriate benchmark with similar investment universe and in accordance with Regulation (EU) 2016/1011 is available **How does the reference benchmark take into account sustainability factors in a way that is continuously aligned with the sustainable investment objective?**

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

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

**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/>