

Template pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, 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

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.

Productname: Pareto Småbolag

Legal entity identifier: 549300KTKQQ6NFMS1B33

Environmental and/or social characteristics

Does this financial product have a sustainable investment objective?

Yes

No

It will make a minimum of **sustainable investment with an environmental objective:** ___%

in economic activities that qualifies 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:** ___%

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 **25%** of sustainable investments

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

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

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 considering and measuring each investment's contribution to the UN Sustainable Development Goals (hereinafter referred to as the Global Goals) and the Paris Agreement's target of limiting global warming to a maximum of 1.5 degrees.

Additionally, the fund promotes environmental and social characteristics by considering each investment's principal adverse impacts on sustainability factors.

Sustainability

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

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

To measure the fund's promotion of environmental or social characteristics, the following sustainability indicators are considered:

- Total greenhouse gas emissions
- Carbon footprint
- Greenhouse gas intensity
- Exposure to companies active in the fossil fuel sector
- Share of non-renewable energy consumption
- Share of non-renewable energy production
- Energy consumption intensity per sector with significant climate impact
- Activities negatively affecting biodiversity sensitive areas
- Emissions to water
- Hazardous waste and radioactive waste ratio
- Violations of the UN Global Compact and the OECD Guidelines for Multinational Enterprises
- Lack of processes and compliance mechanisms with UNGC and OECD MNE Guidelines
- Unadjusted gender pay gap
- Board gender diversity
- Exposure to controversial weapons
- Exposure to fossil fuels through real estate
- Exposure to energy-efficient real estate
- Investments in companies without initiatives to reduce carbon emissions
- No supplier code of conduct
- Long-term climate targets
- Verified climate targets by the Science Based Target Initiative

Additionally, the investment's exposure to the following activities is measured:

- Production and distribution of alcohol
- Production and distribution of tobacco
- Production and distribution of commercial casino/gambling activities
- Production and distribution of pornography
- Fossil fuels

The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.

The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

Any other sustainable investments must also not significantly harm any environmental or social objectives.



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

✘ Yes. Principal adverse impacts on sustainability factors are considered in the fund through a proprietary model in which sustainability risks are analyzed. The analysis model consists of five parts, each representing a different way to ensure that the investment does not cause significant harm to any environmental or social objective. The analysis consists of the following parts:

- **Exclusions**

The fund never invests in certain activities, as these are considered to have inherently negative consequences for sustainability factors. For instance, the fund does not invest in companies that violate international conventions based on the UN Global Compact and the OECD Guidelines for Multinational Enterprises in the areas of environment, human rights, labor rights, corruption, and inhumane weapons (e.g., landmines, cluster munitions, and nuclear weapons). Additionally, the fund continuously excludes businesses with any revenue derived from:

- Fossil fuels (including extraction, exploration, or refining of oil, gas, and coal)
- Production of pornography
- Production of tobacco

Furthermore, the fund excludes businesses where more than 5% of revenue comes from:

- Production of alcohol
- Distribution of alcohol
- Production of commercial casino/gambling activities
- Distribution of commercial casino/gambling activities
- Distribution of pornographic material
- Distribution of tobacco

- **Principal Adverse Impact (PAI) Indicators**

All mandatory indicators for principal adverse impacts, as outlined in Table 1 of Annex 1 to Regulation (EU) 2022/1288, are considered as part of the analysis model.

- **Incidents**

Any identified incidents are assessed on a five-grade scale based on their severity.

- **Company’s Principal Risks**

An evaluation of the investment’s key sustainability risks and the relevant policies and processes in place to manage these risks.

- **Corporate Governance**

An assessment of good corporate governance practices is conducted. The evaluation considers factors such as board composition and competence, ownership structure, remuneration policies, and reporting standards.

No

What investment strategy does this financial product follow?

Pareto Småbolag is an actively managed equity fund with a focus on Swedish companies. The fund is managed based on a model characterized by a high degree of specialization, structure, and collaboration to achieve long-term sustainable value creation.

Sustainability analysis is an integral part of the investment process, from the initial investment decision and throughout the entire investment period. The analysis is based on a proprietary sustainability model that can be divided into two parts. One part aims to identify the investment's principal sustainability risks, while the other seeks to identify the investment's contribution to sustainable objectives.

Sustainability Risks

The process for evaluating sustainability risks has already been described under the section "**Does this financial product consider principal adverse impacts on sustainability factors?**"

Sustainable Investments

A sustainable investment is defined as a company that contributes to sustainable objectives in one of the following ways:

- **The investment makes a significant contribution to the Global Goals:**
The Global Goals consist of 17 main goals divided into a total of 169 targets. The fund management company has identified 43 targets, belonging to 9 main goals, where companies can make a significant contribution through their business, product, or service.
The targets are categorized into four sustainable thematic areas: **sustainable cities, energy & climate efficiency, health & safety, and sustainable consumption & production.**
- **Sustainable Society:**
Investments are categorized as having a significant contribution to Goals: **4.1, 4.2, 4.3, 11.1, 11.2, 11.3, 11.5, 11.6, 16.1, or 16.4.**
To qualify, an investment must positively impact several indicators measured at the national level by the fund management company using data from Statistics Sweden (SCB) concerning sustainable society. The company measures indicators relevant to the fund's other promoted characteristics. Examples of indicators used to assess goal achievement:
 - Share of overcrowded households
 - Access to public transport
 - Number of deaths, injuries, and people affected by disasters
 - Household waste per capita
- **Energy & Climate Efficiency:**
Investments are categorized as having a significant contribution to Goals: 7.1, 7.2, 7.3, 9.1, 9.4, 9.5, 13.1, or 13.3.
To qualify, an investment must positively impact several indicators measured at the national level by the fund management company using data from Statistics Sweden (SCB) concerning energy and climate efficiency. The company measures indicators relevant to the fund's other promoted characteristics. Examples of indicators used to assess goal achievement:
 - Share of renewable energy in total final energy consumption
 - National energy intensity
 - CO₂ emissions per unit of value-added in industry
 - Industrial investments in environmental protection
- **Health & Safety:**
Investments are categorized as having a significant contribution to Goals: 3.4, 3.5, 3.6, 3.8, 3.9, 6.1, 6.2, 6.3, 6.4, 2.1, 2.2, 2.3, or 2.4.
To qualify, an investment must positively impact several indicators measured at the national level

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.

by the fund management company using data from Statistics Sweden (SCB) concerning health and safety. The company measures indicators relevant to the fund's other promoted characteristics. Examples of indicators used to assess goal achievement:

- Mortality due to heart disease, cancer, diabetes, or chronic respiratory diseases
- Treatment efforts for substance abuse-related diseases
- Number of fatalities or injuries in traffic accidents
- Share of the population with access to safely managed sanitation services
- Sustainable Consumption & Production:

- **Sustainable consumption & production:**

Investments are categorized as having a significant contribution to Goals: 8.2, 8.4, 8.7, 8.8, 12.2, 12.3, 12.4, 12.5, 15.1, 15.2, 15.3, or 15.5.

To qualify, an investment must positively impact several indicators measured at the national level by the fund management company using data from Statistics Sweden (SCB) concerning sustainable consumption and production. The company measures indicators relevant to the fund's other promoted characteristics.

Examples of indicators used to assess goal achievement:

- Material consumption
- Amount of recycled material
- Loss of biodiversity, measured by the Red List Index
- Occupational injuries

• **The investment is aligned with the Paris Agreement:**

A company is considered to be operating in line with the Paris Agreement's goal of limiting global warming to a maximum of 1.5 degrees if one or more of the following criteria are met:

- **Targets approved by the Science Based Target Initiative**

The company has set goals to reduce its climate footprint in line with the IEA's "well below 2 degrees" scenario. Additionally, the company's climate targets are verified by the Science Based Target Initiative.

- **Reduction in historical emissions**

The company has demonstrated a reduction of at least 7.6% per year in its own emissions over the past three years. The company's own emissions are defined as carbon intensity according to the TCFD standard, measured as tons of CO₂ emissions in scope 1 and 2, divided by the company's revenue (million EUR).

- **The company already has near-zero emissions**

The company has a carbon intensity below 2.0 tons of CO₂/MEUR. Carbon intensity is defined according to the TCFD standard, measured as tons of CO₂ emissions in scope 1 and 2, divided by the company's revenue (million EUR).

- **The company has a dark green bond program**

The company has a bond program that has received a dark green classification from Cicero (an independent company that evaluates green financing frameworks). A dark green classification means that the framework is aligned with long-term climate goals and that the financing contributes to low-emission solutions and climate adaptation.

To ensure the above criteria are met, relevant sustainability indicators are used. Compliance with the criteria is verified both before and during the investment period. This verification is reviewed by the company's internal audit function.

• **The investment is classified as environmentally sustainable under the EU Taxonomy:**

At least 25% of the investment's activities are classified as environmentally sustainable according to the EU Taxonomy.

Engagement and Active Ownership

Throughout the investment period, the fund engages in active ownership and influence efforts with its investment targets. We believe in a direct and continuous dialogue between the portfolio management team and the companies in which the fund invests. Therefore, this engagement primarily takes place as part of the regular interactions between the management team and the companies.

Occasionally, sustainability-related incidents occur in portfolio companies. In such cases, we address the issue directly with the company and its management, actively following up to encourage improvement. We recognize that corporate transformation requires time and resources, and therefore, we take a long-term perspective on a company's change process.

If, based on our own analysis and insights from external sustainability data providers, we conclude that a company's transformation is not progressing or is failing to deliver the desired results, our default approach is to refrain from investing in or divest from the company. Any divestment will be carried out in a manner that safeguards the best interests of the fund's unit holders.

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

*The fund adheres to the asset management company's **overall sustainability policy**. This means that **no investment** may conflict with the company's **list of excluded industries** or violate **international conventions**. A **full description** can be found under the section titled: *Does this financial product consider principal adverse impacts on sustainability factors?**

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

Corporate governance practices are an evaluation element within the fund manager's sustainability analysis model. Each investment is assessed based on the following criteria:

- Board experience and competence
- Board composition
- Ownership structure
- Compensation structure
- Reporting
- Stakeholder management

The investment's handling of corporate governance issues is then compared to the industry average.



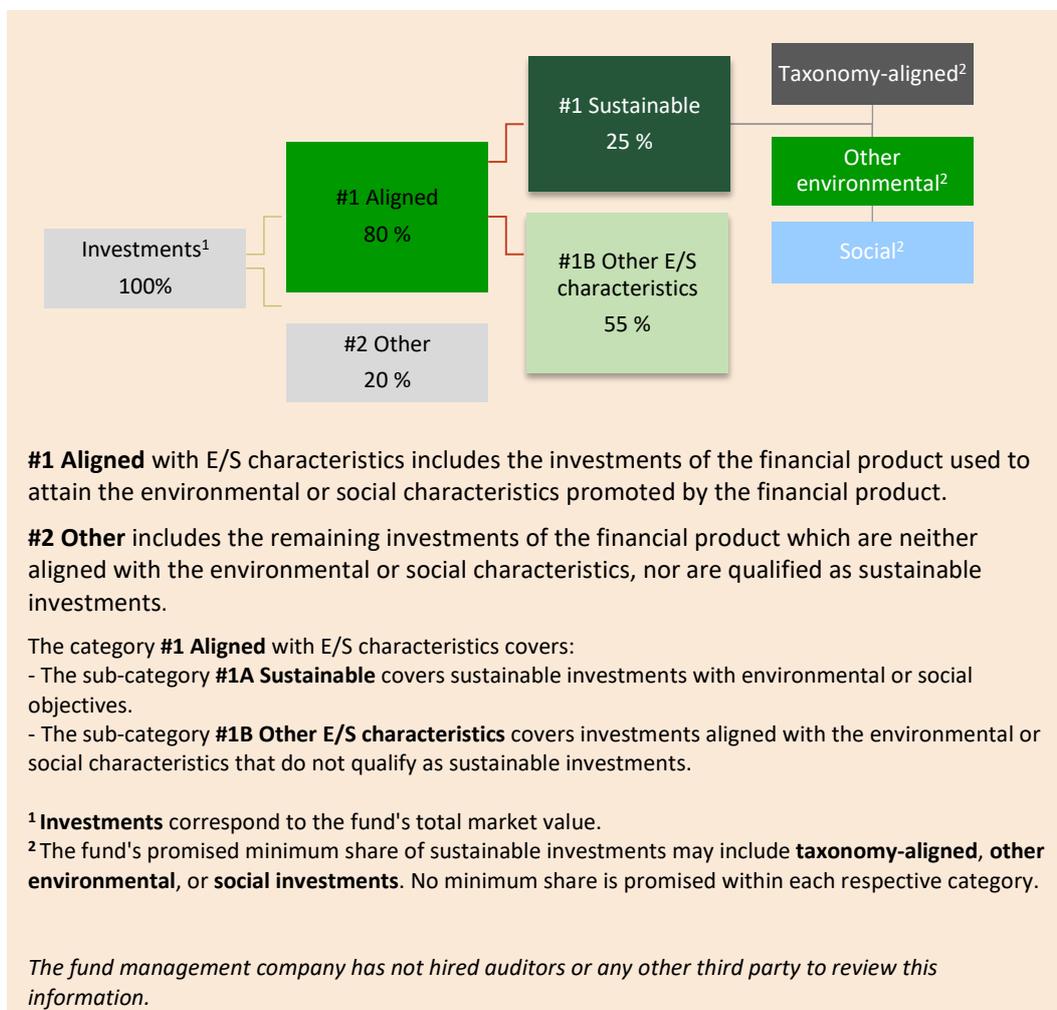
What is the asset allocation planned for this financial product?

All of the fund's investments promote sustainable characteristics, as each investment is analyzed using the asset management company's sustainability analysis model. Additionally, the fund may hold a cash position, which can amount to a maximum of 20% of the fund's total value.

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.

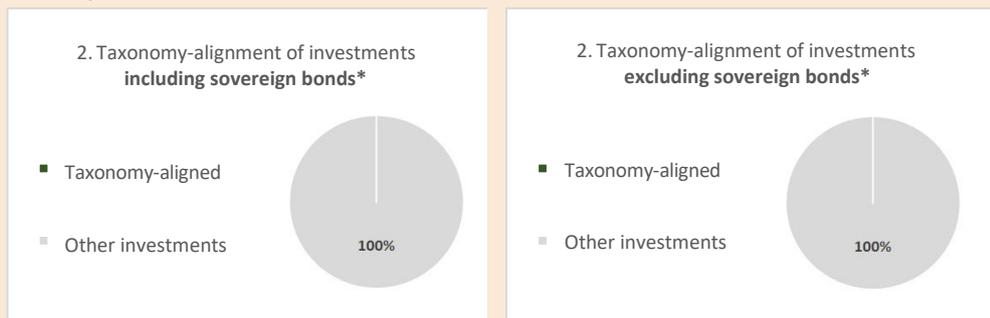
Transitional activities are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.



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

The fund is committed to a minimum proportion of sustainable investments in accordance with Article 2(17) of the SFDR. These investments may be taxonomy-aligned, other environmental objectives, or social objectives. The fund does not commit to a minimum proportion within each category, as the allocation may vary over time. The fund does not guarantee a specific minimum proportion of sustainable investments with environmental objectives aligned with the requirements of the EU Taxonomy.

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.*



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



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

The fund is committed to a minimum proportion of sustainable investments in accordance with Article 2(17) of the SFDR. These investments may be taxonomy-aligned, other environmental objectives, or social objectives. The fund does not commit to a minimum proportion within each category, as the allocation may vary over time. The fund does not guarantee a specific minimum proportion of sustainable investments with environmental objectives that are not aligned with the EU Taxonomy.



What is the minimum share of socially sustainable investments?

The fund is committed to a minimum proportion of sustainable investments in accordance with Article 2(17) of the SFDR. These investments may be taxonomy-aligned, other environmental objectives, or social objectives. The fund does not commit to a minimum proportion within each category, as the allocation may vary over time. The fund does not guarantee a specific minimum proportion of socially sustainable investments.



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

In the category "No. 2 Not Sustainable," the fund's cash position and remaining investments that are not considered sustainable investments are included.



Where can I find more product specific information online?

More product-specific information can be found on the website:

www.paretoam.com/sv/hallbarhetsrelaterade-upplysningar