

Pareto Klimatfokus Ränta

Sustainability report

1 January – 31 December 2025



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Introduction

If 2025 proved anything, it is that sustainable investing is not immune to the world around it. According to Morningstar, global sustainable fund assets closed 2025 at USD 3.7 trillion, yet the year was marked by persistent outflows across major markets, as a complex geopolitical environment saw sustainability concerns increasingly overshadowed by priorities such as economic growth, competitiveness, and defence, something we had the chance to debate during our institutional investor conference in spring.

"The companies that will survive the disruptions of the next decade, are almost by definition the ones taking their environmental and social responsibilities seriously today."

The anti-ESG backlash, which intensified under the Trump administration's dismantling of climate-related initiatives, pushed many US asset managers to scale back their ESG commitments and distance themselves from sustainability credentials they had spent years building. The political pressure translated into concrete financial consequences: several Republican-led state pension funds moved to terminate mandates with major asset managers over their ESG activities. Indiana's Public Retirement System voted to remove BlackRock from its nearly \$1 billion global inflation-linked bond mandate, citing the firm's participation in climate-focused initiatives such as the Net Zero Asset Managers Initiative as incompatible with state law prohibiting non-financial investment criteria. The pressure was not confined to one firm, since eleven state attorneys general filed a lawsuit against BlackRock, State

Street, and Vanguard over fiduciary duty failure in favour of climate initiatives. Following this, both BlackRock and State Street withdrew their US businesses from the Net Zero Asset Managers initiative and reduced their support for climate and ESG-related shareholder proposals.

In Europe and the Nordic markets, however, the dynamic ran in precisely the opposite direction. Institutional investors in these regions demonstrated a continued and stable commitment to sustainable principles and, strikingly, it was the retreat of US managers from ESG that itself triggered divestments. The Dutch pension fund PME terminated its \$5.9 billion BlackRock mandate over ESG misalignment, joining PFZW. The Dutch pension for the care and welfare sector also terminated BlackRock. In Denmark, AkademikerPension ended a \$503 million mandate with State Street, while the UK's The People's Pension terminated a £28 billion mandate with State Street, awarding the business to Invesco and Amundi, explicitly citing misalignment with its sustainable investing policy.

Morningstar's analysis shows that a significant portion of the sustainable investment outflows recorded in 2025 were not a sign of retreat: large institutional investors were migrating from standard ESG funds toward custom-built sustainable mandates tailored to their specific requirements. Therefore, one could argue that flows did not leave sustainable investing; they simply moved out of the public fund universe and into segregated accounts.

The defence debate, which saw calls to reclassify arms manufacturing as ESG-eligible following NATO's agreement on a new 3.5% of GDP spending benchmark, added complexity but also served as a useful reminder. Stretching the ESG framework until it accommodates everything risks making it mean nothing. Certain parts of the defence industry (not all) are structurally incompatible with ESG criteria, not because of politics, but because of what ESG actually measures. Pretending otherwise is not analysis, it is convenience and maintaining a coherent and honest framework, while responding to our fiduciary duty to minimize risks is precisely what gives ESG its value as an investment tool. We would rather stay true to something meaningful than dilute it in pursuit of a broader mandate. This is the ESG philosophy behind investing for this fund.

On the regulatory front, the most significant development of the year was the European Commission's publication of the SFDR 2.0 proposal in November 2025. The revised framework aims to replace the existing Article 8 and Article 9 classification system with three new product categories;

- Sustainable
- Transition, and
- ESG Basics

and introduces a mandatory minimum investment threshold of 70% across all categories. Implementation is not expected before 2027, pending trilogue negotiations, but the direction is clear: higher standards, greater comparability, and a stronger line between genuine sustainable products and those that have historically benefited from a broad and loosely defined label. For a fund like Pareto Klimatfokus Ränta, which has operated with a rigorous and transparent investment methodology since inception, this evolution is welcome. We have never relied upon a classification used as a label but rather upon the commitment and promise behind it.

For Pareto Klimatfokus Ränta, 2025 only reinforced what we have always believed: ESG is not a theme or a trend, it is an analytical framework, a disciplined way of assessing whether a company is genuinely built to last. The classification debates, the political turbulence, the redrawing of exclusion boundaries are all signs of a framework being stress-tested and refined, not abandoned. Our conviction has not changed. ESG is a lens for identifying the companies that can adapt to rapid technological change, manage the energy transition, retain talent, earn social licence and maintain access to capital in an increasingly scrutinised world. The companies that will survive the disruptions of the coming decade, whether from AI, decarbonisation, resource scarcity or shifting regulation, are almost by definition the ones taking their environmental and social responsibilities seriously today. That is the philosophy behind our investments, and it does not require a political tailwind to hold.

"ESG is not a theme or a trend, it is an analytical framework, a disciplined way of assessing whether a company is genuinely built to last."



Nawel Boukedroun

Head of ESG
& Sustainable investments

Our sustainable investment process

According to the SFDR regulation Article 2(17)*, there are three criteria that must be met for an investment to be considered sustainable:

1. The investment contributes to a sustainable objective
2. The investment does not significantly harm any other environmental or social objective; and
3. The investee follows good governance practices

1. Identification of sustainable contribution

Pareto Klimatfokus Ränta's objective is to only make sustainable investments in companies that operate in line with the Paris Agreement's goal of limiting warming to a maximum of 1.5 degrees. In this way, the overall goal of the fund is to make investments to reduce carbon emissions by investing in companies that have transitioned their operations—or are in the process of transitioning—in a manner consistent with the IEA's "Sustainable Development Scenario." An investment is classified as sustainable if it meets at least of the following criteria:

- Climate targets verified by the Science Based Targets Initiative.
- Annual emissions reduction of at least 7.6% over the past three years (scope 1 and 2).
- Near-zero emissions (carbon intensity < 2 tons CO₂/MEUR).
- Dark green bond program according to Cicero.
- Minimum 25% of an investment's activities are classified as environmentally sustainable according to the EU Taxonomy.

2. No significant harm the attainment of the sustainable objective

In the fund, it is ensured that no investment causes significant harm to environmental or social objectives through a proprietary model where sustainability risks are analyzed. The analysis model consists of five components, each representing a different way to ensure that the investment does not cause significant harm to any environmental or social objective (see table next page).

3. The investee follows good governance practices

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

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

Exclusion	Controversies	Company's sustainability risks	The principal adverse impact indicators	Corporate governance
<ul style="list-style-type: none"> • Violation of international conventions based on the UN Global Compact and the OECD Guidelines for Multinational Enterprises • Inhumane weapons (such as landmines, cluster munitions, and nuclear weapons). • Fossil fuels (including extraction, exploration, or refining of oil, gas, and coal) • Production of pornography • Cultivation and production of tobacco <p>The fund also excludes businesses where more than 5% of revenue comes from the following:</p> <ul style="list-style-type: none"> • Production of alcohol • Distribution of alcohol • Production of commercial casino/gambling operations • Distribution of commercial casino/gambling operations • Distribution of pornographic material • Distribution of Tobacco <p>The Fund also excludes activities where more than 10% of revenue is derived from:</p> <ul style="list-style-type: none"> • Distribution of fossil fuels <p>The Fund excludes activities where more than 50% of the revenue is derived from:</p> <ul style="list-style-type: none"> • Electricity generation with a greenhouse gas intensity exceeding 100 g CO₂/kWh • Exploration, extraction, manufacturing, or distribution of gaseous fuels 	<p>Any reported incidents are assessed on a five-point scale based on the severity of the incident. A process has been established to monitor such events and associated implication.</p>	<p>An assessment of the investment's main sustainability risks and the relevant policies and processes in place to manage them.</p>	<ul style="list-style-type: none"> • Total greenhouse gas emissions • Carbon footprint • Greenhouse gas intensity • Exposure to companies active in the fossil fuel sector • Share of non-renewable energy consumption • Total greenhouse gas emissions • Carbon footprint • Greenhouse gas intensity • Exposure to companies active in the fossil fuel sector • Hazardous waste and radioactive waste ratio • Violations of the UN Global Compact and 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 	<p>An assessment of good corporate governance practices is conducted. The company is evaluated based on parameters such as board composition and competence, ownership structure, compensation structure, and reporting</p>

Our approach to climate change

First and foremost, our approach is based on the understanding that certain sectors and activities are fundamentally incompatible with the sustainable objectives of our fund strategy. As part of our commitment to environmental stewardship, we exclude industries and practices that significantly contribute to environmental harm or prevent progress toward a low-carbon economy. These exclusions include activities related to the oil and gas, coal, and power generation industries that are not aligned with the Paris Agreement. For more details, please refer to our fund exclusion policy.

At Pareto Asset Management, our fund strategies should not make investments in companies that pose a risk of causing severe environmental harm, as outlined in our exclusion policy.

At Pareto Asset Management, our responsible investment approach is based on the concept of "double materiality," which considers both the financial risks associated with environmental, social, and governance (ESG) events and the potential adverse impacts of our investment decisions. The investment team evaluates companies' exposure to climate-related risks and their impact on financial returns, while also assessing the adverse effects of these companies on global warming and society. This includes evaluating companies' climate action plans, their commitment to a low-carbon economy, and the effectiveness of their strategies. We believe that supporting companies already aligned with sustainable ambitions, as well as those on the path to alignment, is key to achieving long-term value creation. Central to our vision is the expectation that portfolio companies demonstrate a strong commitment to addressing climate challenges through actionable and integrated transition plans, which are essential in mitigating operational disruptions, regulatory risks, and reputational challenges in an increasingly climate-conscious world.

High emitting

High emitting industries, often referred to as "hard-to-abate" sectors, are critical to the transition. These industries possess immense potential for impactful decarbonisation, but realising this potential requires significant investment to develop and scale innovative solutions. Investors play a pivotal role in advancing the global climate transition by channelling capital into companies committed to reducing their emissions, rather than exclusively favouring those already operating with a low-carbon footprint.

That said, it is crucial for us that companies which don't demonstrate a genuine effort to transition, according to our expectations, are excluded from our investment universe.

To that end, we have identified sectors that we consider high emitting:

- Aluminium
- Aviation
- Automobiles
- Cement
- Mining
- Pulp and papers
- Shipping
- Steel
- Agriculture, forestry and fishing
- Water supply, sewerage, waste management and remediation
- Construction
- Accommodation and food services

Holding companies operating in the above-mentioned sectors must pass at least one of the following eligibility criteria to be considered investable by the fund:

- At least 30% of the company's economic activity is aligned with the climate change objectives of the EU Taxonomy
- At least 75% of the company's capex, on average for three consecutive years, 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)
- The company is one of the best 15% in GHG intensity

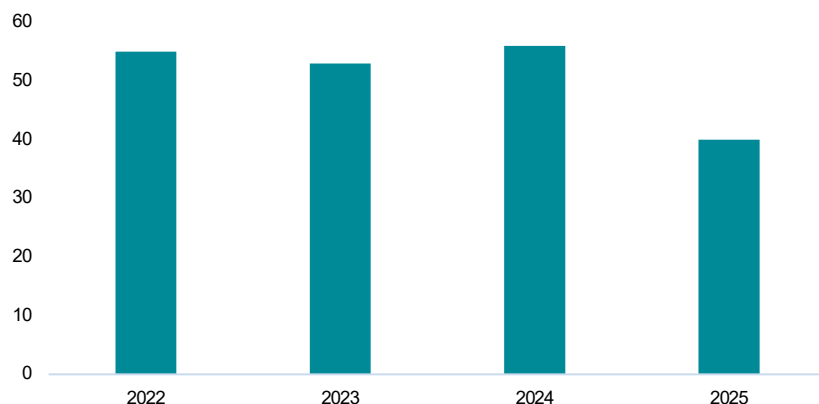
Shaping a meaningful transition for the future

One of the fund's investment objectives is to create long-term positive returns relative to its risk profile, by investing in companies enabling the fund to maintain a decarbonisation trajectory.

Carbon footprint monitoring:

As part of our carbon emission reduction strategy, we have implemented measurement of principal adverse indicators of carbon footprint. Greenhouse gas emissions calculations allows us to quantify the greenhouse gas emissions embedded within our investments, presenting them as tonnes of carbon dioxide equivalents (tCO2e) apportioned to our investments. These emissions may then be “normalised” by a financial indicator (either annual revenues or value invested) in order to give a measure of carbon emissions.

Carbon intensity (tCO2e/mEUR)



Source: Intercontinental Exchange and companies’ public disclosure. GHG Intensity: Dividing the apportioned CO2e by the apportioned annual revenues. Apportioning, as an approach, is built on the principle of ownership. That is, if an investor owns – or, in the case of debt holdings, finances – 1% of a company, they also ‘own’ 1% of the company’s emissions. The decrease in GHG intensity could be influenced by our decision to discontinue the use of estimated data and instead focus solely on company-reported data. This shift has consequently impacted coverage and should be considered when interpreting the results.

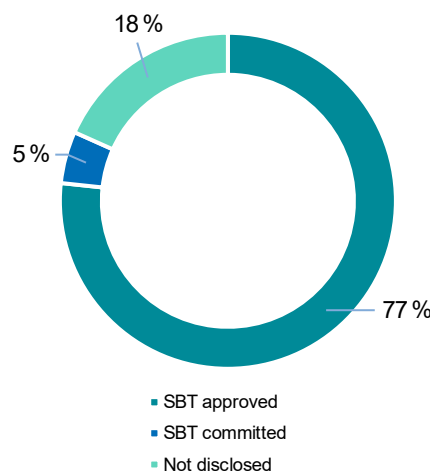
Our team recognises that relying solely on these indicators may not offer a complete view of a company’s true climate impact, especially given the current limitations of climate data, such as gaps in coverage, transparency, and calculation reliability. It is also important to acknowledge that companies remain in the early stages of their journey toward meeting carbon targets. As a result, their climate strategies will evolve over time and may not yet be fully reflected in their short-term carbon footprint.

However, these challenges should not be seen as reasons for inaction. Our team will continue to monitor companies’ progress in decarbonisation efforts as part of the ongoing sustainability risk and opportunity assessments. At the same time, we believe it is crucial to focus on forward-looking indicators, as they provide a clearer understanding of a company’s commitment to mitigating and adapting to climate change.

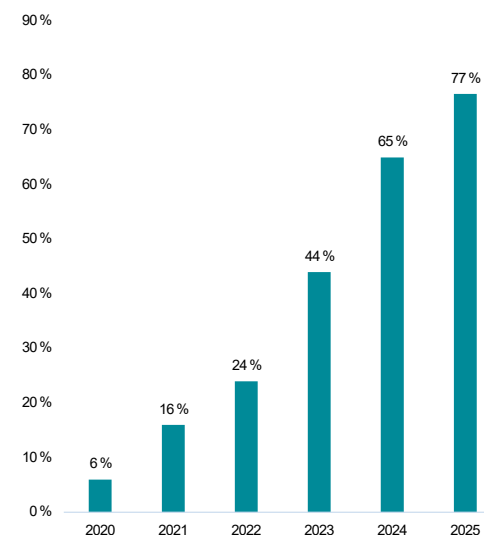
Carbon action plan assessment

The team values companies having a credible and effective climate action plan aligned with the objectives of the Paris Agreement. The Science Based Targets Initiative (SBTi), a reputable and recognised framework, serves as the primary standard for this assessment. SBTi offers guidance and robust criteria for setting science-based targets that align with limiting global warming to 1.5°C or well below 2°C. This ensures corporate climate commitments are transparent, credible, and scientifically justifiable. The team actively encourages portfolio companies to commit to the initiative and work towards submitting and obtaining verification of their targets.

Pareto Klimatfokus Räkna
SBT status breakdown



SBTi - Historic development



Source: Science-Based Targets Initiative and Pareto Asset Management.

Temperature and emissions targets

The Paris Agreement, adopted in 2015, is a landmark international treaty aimed at addressing climate change by limiting global warming to well below 2°C, with efforts to cap the increase at 1.5°C. Achieving these targets requires global cooperation and significant reductions in greenhouse gas emissions. However, despite international commitments, the world is currently on track for a 3.2°C temperature rise by 2100, far exceeding the Paris Agreement’s goals.

To bridge this gap, substantial emission cuts are necessary. By 2030, global emissions must decrease by 15 gigatonnes of CO₂ equivalents per year to align with the 2°C target and 32 gigatonnes per year to meet the 1.5°C target. This equates to annual emission reductions of 7.6% per year for the 1.5°C pathway and 2.7% per year for the 2°C pathway between 2020 and 2030, according to the United Nations Environment Programme (UNEP, 2019).

Scenario	% of reduction	giga ton	Year range
1.5 °C scenario	7.6%	15/year	2020-2030
2 °C scenario	2.7%	32/year	2020-2030

The Science Based Targets initiative offers sector-specific methodologies that allow companies to apply a framework aligned with the Paris Agreement’s ambitions. These methodologies use a fair-share approach, ensuring that emission reductions are distributed equitably while enabling companies to grow sustainably.

Our methodology first establishes whether a company has SBTi-approved targets. If so, it receives a temperature score aligned with either the 1.5°C or 2.0°C scenario, contributing to the overall temperature alignment score of the portfolio. At this stage, some companies have not yet adopted SBTi targets, often due to resource constraints or the lack of an established SBTi framework for certain sectors and niches. To address this, we have developed a process to assign default temperature scores to these companies, following SBTi recommendations to ensure a consistent and scientifically robust assessment. Information on our methodology can be shared upon request.

Estimated temperature of the portfolio (Scope 1 & 2)

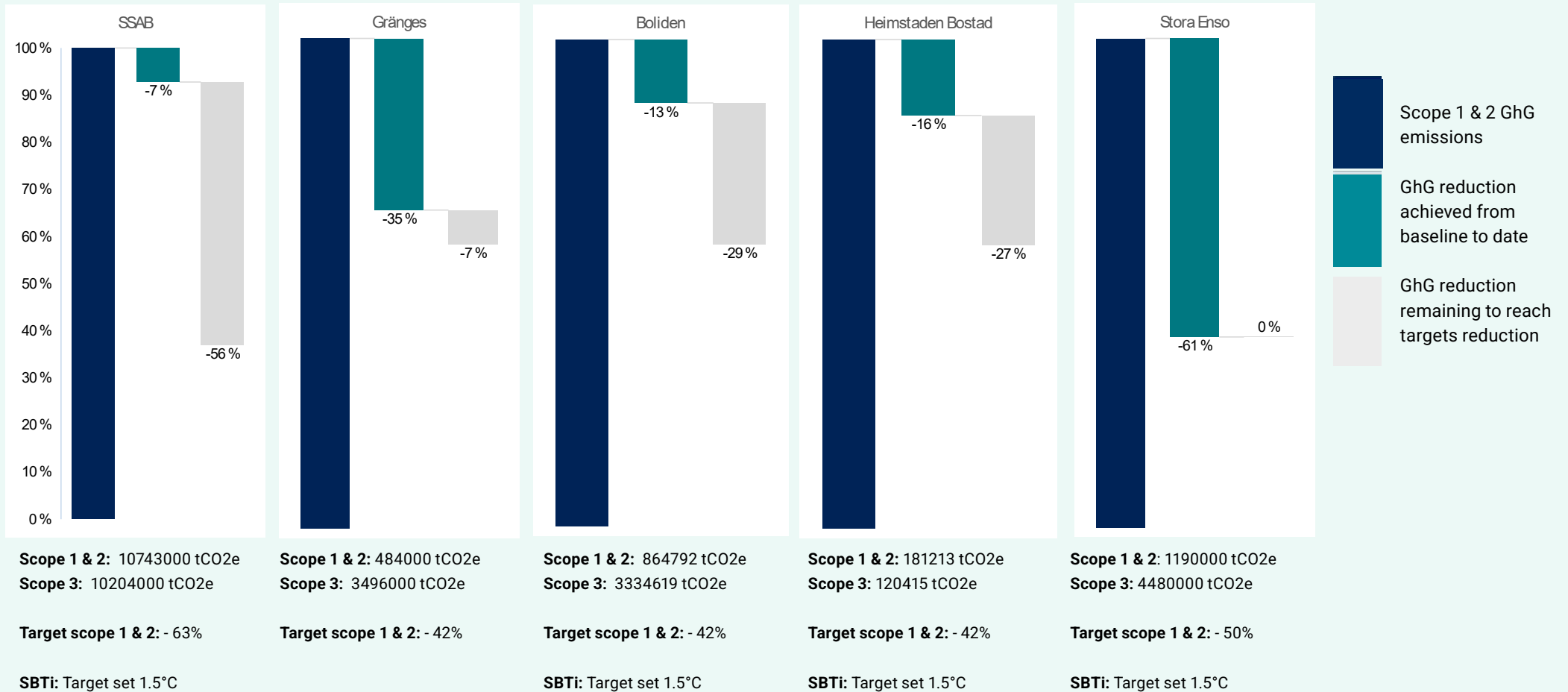


Source: SBTi, companies’ disclosures and Pareto Asset Management. The methodology relies on historical data that was not available for all portfolio companies, as some have only recently started reporting on GHG emissions. Currently, the coverage represents 60% of the fund.

Tracking target achievement among high emitters

As part of our ongoing monitoring of the portfolio's carbon footprint, we have identified the five largest emitters. While these companies generate significant emissions, they play a critical role in enabling the transition to a low-carbon economy. It is precisely for this reason that we choose to fund these companies, actively supporting their efforts to deliver meaningful impact for both the climate and society.

That said, being a transition enabler is not, in itself, sufficient. We continuously monitor how these companies are progressing against their climate commitments, holding them accountable for translating strategic intent into concrete action.



Active management

At Pareto Asset Management, we seek to invest in companies that have good quality of operations and management. The companies should have a clear focus on ethical issues in their attitudes and actions, as well as having a value base for the business that complies with the guidelines. The companies must exert good corporate governance, comply with national legislation as well as international conventions, and show an open and complementary information policy. This means we emphasise social conditions, the environment, sustainability and good corporate governance when considering a company.

Sustainability risk assessments must be conducted before an investment can be made. Information regarding our sustainability risk assessments process can be found in our sustainability risk policy and our adverse impact policy.

Pareto Asset Management shall exercise active ownership in the portfolio companies in order to promote responsible business operations. This means that we will use our ownership rights and influence in the companies to help move the companies in a positive direction in terms of social relations, environmental issues, sustainability, and good corporate governance.

Active ownership has historically been an equity investor remit. However, we have observed that fixed income investors often have more direct access to companies in need of capital. This is why we believe that both equity and fixed income fund managers play a crucial role in steering companies in the right direction via an engagement dialogue. As responsible investors, we view engagement dialogues as essential to making meaningful, long-term investments and fulfilling our fiduciary duty. Pareto Asset Management has established two types of engagement:

- Proactive engagement
- Reactive engagement

Although the results of both reactive and proactive engagement are integrated into the sustainability risk assessment of portfolio holdings and can affect the ESG rating, the rationale behind the two types of engagement differ from one another. While the proactive engagement is conducted annually towards a part of the fund's portfolio based on pre-defined selection criteria, an engagement is defined as reactive when it is conducted due to an identified controversy according to our controversy policy.

During the period, we conducted significantly more proactive than reactive engagement dialogues. This reflects our comprehensive ESG analysis and rigorous investment approach. By prioritising investments in companies with strong governance, sound risk management, and responsible business practices, we reduce the likelihood of encountering major controversies that would require reactive engagement.

Our sustainability assessment process enables us to focus on companies with robust sustainability standards, which reduces their exposure to controversies and the need for reactive engagement dialogues. This way, we focus our efforts on proactive engagement. This forward-looking approach enables us to maintain constructive, strategic dialogues with portfolio companies, reinforcing our role of active managers, driving positive change while minimising the need for reactive interventions.

Engagement dialogues

Balancing economic growth and biodiversity: the challenge of sustainable forestry
Forests play a critical role in combating climate change, preserving biodiversity, and supporting local communities. However, balancing industrial forestry operations with environmental conservation remains a persistent challenge. While sustainable forestry practices have evolved significantly, incidents of environmental damage still occur, raising concerns about the effectiveness of regulatory compliance and corporate responsibility. One such case emerged in Finland, where logging activities resulted in damage to a protected river ecosystem, highlighting the risks associated with large-scale forestry operations.



Stora Enso

A key player in this industry is Stora Enso, a global leader in sustainable materials with a long history dating back to the 13th century. The company operates across packaging, biomaterials, wooden construction, and paper, striving to provide eco-friendly alternatives to fossil-based materials. Despite its commitment to sustainability, Stora Enso recently faced scrutiny after an environmental violation was discovered at one of its harvesting sites near the Hukkajoki River in Kainuu, Finland.

The incident, currently under investigation by Finnish authorities, involved forest machinery crossing a protected river, causing damage to an area inhabited by endangered freshwater pearl mussels. In response, Stora Enso took immediate corrective actions, halting all harvesting activities at the site and launching internal investigations. During our engagement, the company acknowledged the seriousness of the violation, reaffirming its commitment to strict environmental policies and ensuring that similar incidents do not occur in the future.

As part of its response, Stora Enso has suspended operations near sensitive areas in Finland until comprehensive site planning and risk assessments are completed. Additionally, the company is collaborating with authorities to review its environmental compliance practices and has introduced enhanced training programmes for employees, contractors, and subcontractors. Moving forward, Stora Enso plans to strengthen its oversight mechanisms through internal and third-party audits aimed at improving planning and control.

While the financial impact of the incident remains uncertain, with media estimates suggesting potential costs of €1 million, the company has stated that it is taking full responsibility for remediation efforts to restore the affected river and mitigate further damage.

We will continue to monitor Stora Enso's progress, particularly its remediation efforts and internal reforms, to ensure that the company effectively addresses the risks associated with its operations. Sustainable forestry must balance economic interests with environmental stewardship, and through continued engagement, we aim to support responsible industry practices.

Accelerating the electrification of heavy machinery: driving sustainable construction

The construction industry is one of the most resource-intensive sectors globally, contributing significantly to greenhouse gas emissions, noise pollution, and local air quality concerns. As demand for infrastructure grows, the pressure on companies to transition toward low-carbon, electric, and more sustainable solutions has intensified. Electrification of heavy machinery represents a transformative opportunity—not only to reduce emissions but also to improve health and safety in urban environments and enhance long-term resilience within the sector.



Volvo Construction Equipment (Part of Volvo Group)

Volvo Construction Equipment (Volvo CE), part of the Volvo Group, is a global leader in manufacturing machinery for construction, mining, and infrastructure. Headquartered in Gothenburg, Sweden, Volvo CE is renowned for its high-quality excavators, wheel loaders, and haulers. The company has committed to cutting greenhouse gas emissions by 50% by 2030 as a milestone toward achieving net zero across its value chain by 2040. Central to this strategy is the electrification of its product portfolio, coupled with innovations in automation and connectivity.

Pareto Asset Management engaged with Volvo CE through a site visit to the company's Eskilstuna facility, where electric construction machines are produced. The visit provided first-hand insight into the company's progress in scaling electrification across multiple product categories and markets. Discussions focused on how Volvo CE is addressing the technical and market challenges of electrifying heavy machinery, including battery development, charging infrastructure, and customer adoption.

Volvo CE has accelerated its sustainability journey by expanding its range of electric products in recent years, positioning itself as a frontrunner in the transition to sustainable construction. The company highlighted that while demand for electric machinery is growing, barriers remain in scaling production and ensuring supportive infrastructure is in place. Nevertheless, Volvo CE is investing heavily in innovation, partnerships, and market readiness to strengthen adoption and reduce environmental impact.

Pareto Asset Management will continue to monitor Volvo CE's progress on electrification, with particular attention to product development, market scaling, and emissions reduction targets. Engagement will remain focused on supporting the company's transition while tracking how it navigates industry-wide challenges and opportunities in the journey toward sustainable construction.

Decarbonising steel production: The transition to fossil free steel

The steel industry is one of the most carbon-intensive sectors globally, responsible for around 7% of greenhouse gas emissions. Traditional steelmaking relies heavily on coal, making the transition to low-carbon methods technically complex and capital-intensive. With demand for sustainable materials rising, steel producers are under increasing pressure to innovate, reduce emissions, and maintain reliable supply chains.



SSAB

SSAB, a global leader in high-strength steel with production facilities in Sweden, Finland, and the United States, has set ambitious climate targets: fossil-free steel production by 2026 and net-zero emissions by 2030. Central to this transition is the HYBRIT project, which replaces coal and coke with hydrogen in steelmaking—a pioneering approach validated by the Science Based Targets initiative (SBTi).

Pareto Asset Management engaged with SSAB to ensure that the transition plan is progressing according to schedule. Discussions focused on short-term targets, recent progress, and challenges, including converting existing facilities and scaling hydrogen production, are a critical concern as some competitors have abandoned similar projects due to high costs. The engagement included a visit to SSAB's production site in Oxelösund, providing first-hand insight into the company's decarbonisation efforts.

Our meeting and site visit confirmed that SSAB's fossil-free steel project is progressing in line with its original goals. The company is on track to deliver fossil-free steel for commercial use by 2026 and has already achieved key milestones. The transition is taking place alongside current operations, ensuring no disruption to production. SSAB has secured the renewable energy supply needed for its goals and has addressed challenges related to energy storage, production stability, and scaling.

In addition to HYBRIT, SSAB is advancing the complementary SSAB Zero initiative, which relies entirely on recycled steel and fossil-free electricity, reducing dependence on HYBRIT's

iron sponge production. At Oxelösund, we observed the construction of a new electric arc furnace designed to produce fossil-free steel using either scrap steel or hydrogen-based iron sponge, powered by renewable electricity and biogas.

Pareto Asset Management will continue to monitor SSAB's progress toward its 2026 fossil-free steel delivery target and alignment with SBTi commitments, with attention to production stability, cost management, and the completion of the new electric arc furnace. The recent appointment of a new CEO will also be followed closely to observe any strategic adjustments. SSAB demonstrates the opportunities and complexities of decarbonising a hard-to-abate sector, where credible ESG strategies and transparent reporting are essential for long-term value creation.

Strengthening workplace well-being through ergonomic innovation

Employee health and well-being are increasingly recognised as central elements of sustainable business practices. Companies that invest in safe, ergonomic, and supportive workplaces not only reduce health-related risks but also foster higher productivity, stronger employee engagement, and long-term organisational resilience. Addressing the social dimension of sustainability has therefore become an integral part of responsible corporate management.

business areas – NIBE Climate Solutions, NIBE Element, and NIBE Stoves – the company offers products such as heat pumps, water heaters, ventilation systems, and heating elements. With its strong focus on energy efficiency and environmental responsibility, NIBE plays an important role in supporting the transition to low-carbon technologies in residential, commercial, and industrial settings.

Our engagement with NIBE included a visit to the company's newly launched production facility at its headquarters in Markaryd, Sweden. Opened in 2024, the modern site reflects both NIBE's commitment to sustainability and its ambition to strengthen working conditions. The visit, conducted during a regular working day, provided valuable first-hand insights into the company's day-to-day operations and workplace dynamics.

A key focus was on the ergonomic enhancements implemented at the new facility. NIBE demonstrated how investments in automation, advanced machinery, and redesigned workstation structures have contributed to improved ergonomics and better support for employee well-being. Compared to the previous factory, which relied on less modern equipment and more repetitive manual tasks, the new setup significantly reduces physical strain.

In areas where manual work is still required, NIBE has introduced further ergonomic improvements, such as adjustable workstations that allow employees to alternate between sitting and standing positions. These changes help to minimise the risks associated with static or awkward postures and create a healthier and more sustainable working environment.

Pareto Asset Management recognises these developments as a meaningful step in strengthening the social dimension of NIBE's ESG practices. Going forward, we will continue to monitor the company's progress, not only on workplace health and safety but also across environmental impact and governance practices, to ensure that these commitments translate into long-term, measurable improvements.



NIBE Industrier AB

NIBE Industrier AB is a Swedish-based global company that develops and manufactures sustainable energy solutions for indoor climate comfort and heating. Through its three bu-

Biodiversity

Our approach to biodiversity risk

Biodiversity loss represents a growing systemic risk with long-term economic and financial implications. While methodologies and data are still evolving, we are in the early stages of developing a structured framework to identify and manage biodiversity related risks.

At Pareto Asset Management, we are working in collaboration with an independent NGO providing external expertise, ensuring that our approach is grounded in scientific principles and best practice. As the field of nature-related risk assessment is still maturing, we view this as an iterative process that will continue to evolve over time.

Our emerging framework for assessing exposure to biodiversity risk is based on two complementary dimensions:

1. Sector-based biodiversity risk

Our starting point was to identify sectors with structurally elevated biodiversity risks due to land use, resource extraction, or ecosystem impact. Companies operating in these sectors are subject to enhanced scrutiny, given their potential impact on ecosystems, habitats, and species.

These include in particular:

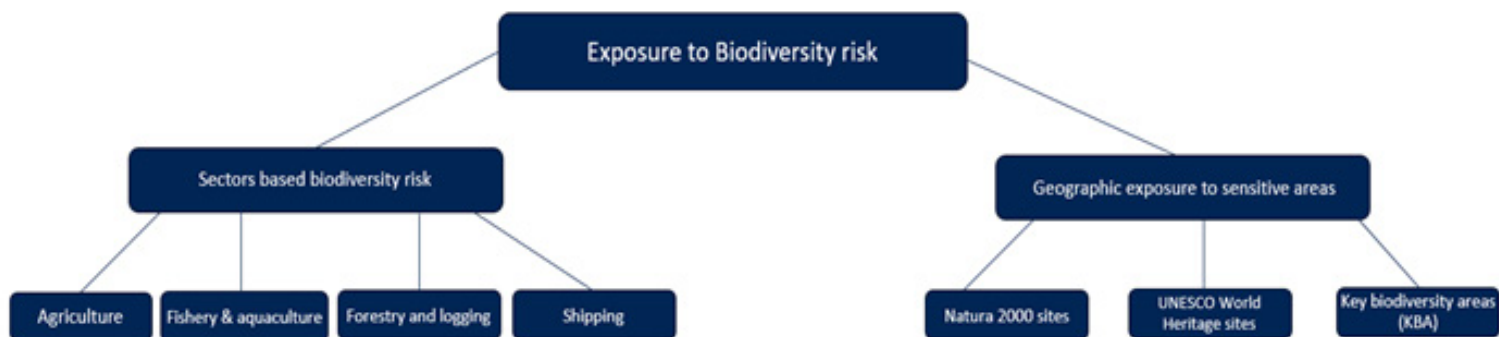
- Agriculture
- Fishery and aquaculture
- Forestry and logging
- Shipping

2. Geographic exposure to biodiversity-sensitive areas

In addition to sector exposure, we assess whether portfolio companies have sites or operations located in or near internationally recognised biodiversity-sensitive areas, including:

- Natura 2000 sites
- UNESCO World Heritage sites
- Key Biodiversity Areas (KBA)

This geographic overlay enables us to identify companies with operations in areas of high ecological value where activities may pose elevated biodiversity risks. Cautious approach to biodiversity risk exposure. We would not invest in companies that pose significant environ-



mental risks, including severe threats to environment and biodiversity.

Monitoring and analysis

Our ongoing monitoring includes alignment with the EU Sustainable Finance Disclosure Regulation (SFDR) Principal Adverse Impact indicator:

PAI 7:

“Share of investments in investee companies with sites/operations located in or near biodiversity-sensitive areas where activities of those investee companies negatively affect those areas.”

This indicator supports systematic tracking of biodiversity-sensitive exposure and strengthens our ability to identify and manage adverse impacts over time.

Forward-looking perspective – TNFD & CSRD

Nature-related risk management is a rapidly developing field. Increasing alignment with frameworks such as the Taskforce on Nature-related Financial Disclosures (TNFD), the Corporate Sustainability Reporting Directive (CSRD), and Science Based Targets for Nature (SBTN) is contributing to improved transparency and governance.

However, biodiversity data remains limited and inconsistent across many companies. We expect data quality, comparability, and disclosure practices to improve significantly in the coming years. We see biodiversity as an increasingly important sustainability theme. As methodologies mature and reporting standards strengthen, we will continue to refine and expand our framework to better integrate nature-related risks into our investment process.

Guiding Companies For a Nature Positive Future: SBTN’s Interplay with Global Initiatives

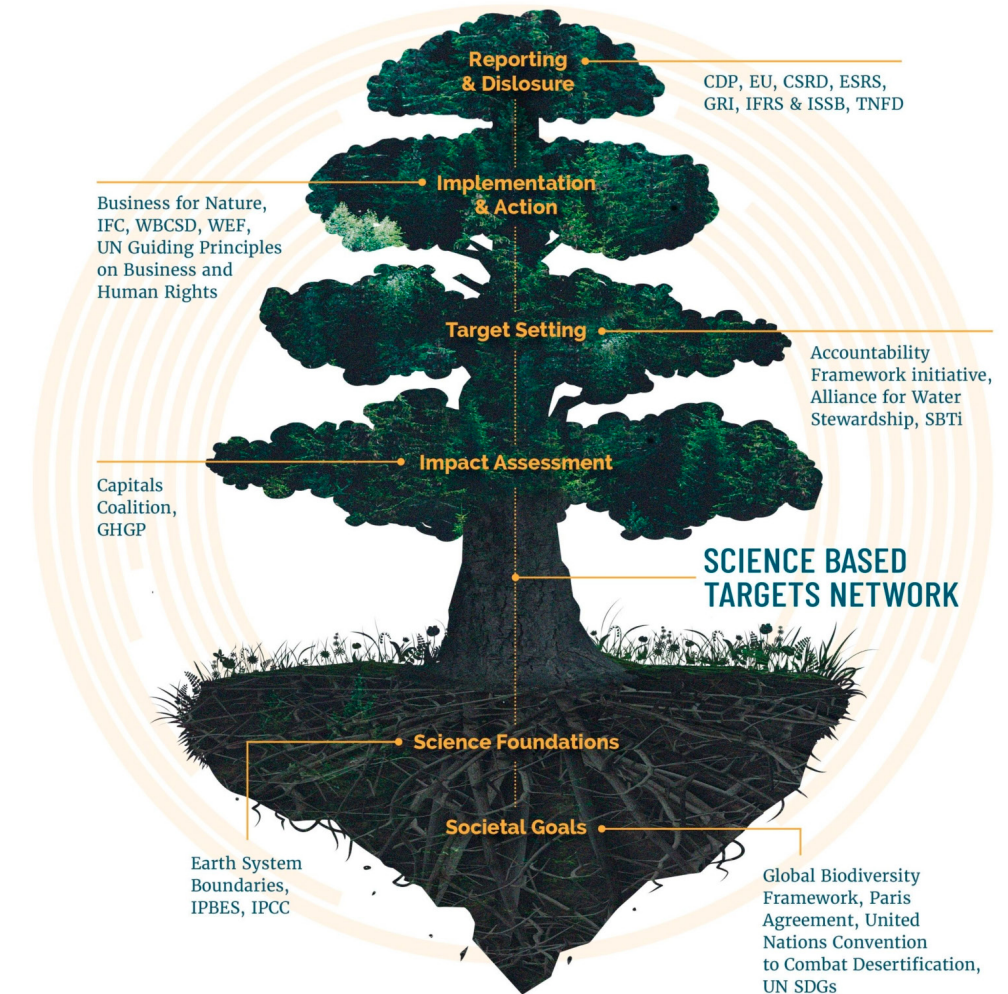












Figure: SBTN and the sustainability system. SBTN and other frameworks complement and reinforce one another, to accelerate corporate action and foster positive change. Source: <https://sciencebasedtargetsnetwork.org/>

Top 10 holdings

	Company description	Sustainable development	Sustainability risk	Link to website	Weight (%)
	Vasakronan Largest commercial property company in Sweden.	Focuses on energy-efficient buildings, reducing carbon footprint, and implementing green leases. Targets net-zero emissions by 2040.	Real estate energy & transition risk	vasakronan.se/	2.82%
	Volvo Swedish multinational manufacturing company known for cars, trucks, and construction equipment.	Volvo Group commits to cut absolute scope 1 & 2 GHG emissions 50% by 2030 (2019 base) and reduce scope 3 emissions from sold vehicles and equipment by 30–40% by 2030–2034.	Transition risk and regulatory changes	volvo.com/	2.68%
	If Skadeförsäkring A Nordic insurance company providing property and casualty insurance solutions to individuals and businesses.	If supports sustainable development by promoting climate risk awareness, offering insurance products that encourage loss prevention, and integrating ESG factors into underwriting and investment decisions.	Climate risk exposure	if.se/	2.45%
	Electrolux Global appliance manufacturer (home and professional appliances).	Works on energy-efficient products, circular economy (recycling and reusing materials), and reducing emissions across operations.	Supply chain & product lifecycle impact	electrolux.se/	2.33%
	Gränges Swedish industrial company focused on rolled aluminium products.	Commits to net-zero GHG emissions across the value chain by 2040. Near-term: reduce absolute scope 1 & 2 emissions 42% by 2030 (2021 base) and scope 3 emissions 57% per ton product. Long-term: reduce scope 1 & 2 by 90% and scope 3 by 97% by 2040.	Supply chain & energy transition risk	granges.com/sv/	2.15%

	Company description	Sustainable development	Sustainability risk	Link to website	Weight (%)
	<p>Lantmännen A Swedish agricultural cooperative operating across agriculture, machinery, bioenergy, and food products.</p>	<p>Lantmännen supports sustainable development through sustainable farming initiatives, investments in renewable energy and biofuels, and efforts to reduce climate impact across the value chain. They have set science-based climate targets. The company commits to net-zero GHG emissions across the value chain by 2050, with near-term targets including 50% reduction in Scope 1 & 2 emissions by 2030 (from 2019) and 27.5% reduction in Scope 3 emissions. Additional commitments include supplier engagement, FLAG emission reductions, and no deforestation by 2025.</p>	<p>Agricultural climate risk</p>	<p>lantmannen.com</p>	<p>2.03%</p>
	<p>Fabege Swedish property company specialising in commercial real estate.</p>	<p>Fabege AB commits to reduce absolute scope 1 & 2 GHG emissions by 2030 (2018 base) and to measure and reduce scope 3 emissions.</p>	<p>Climate risk & building efficiency</p>	<p>fabege.se/</p>	<p>2.03%</p>
	<p>Elekta Swedish company specialising in radiation therapy and radiosurgery equipment for cancer treatment.</p>	<p>Elekta aims to reduce scope 1 & 2 GHG emissions by 46.2% by FY2031/32 (2021/22 base), transition to 100% renewable electricity by 2030, and reduce scope 3 emissions from product use and end-of-life by 55% per treatment course by FY2031/32.</p>	<p>Supply chain & product end-of-life</p>	<p>elekta.com/</p>	<p>1.97%</p>
	<p>Nykredit A Danish mortgage lender offering residential and commercial property financing solutions.</p>	<p>Nykredit has committed to the Science Based Targets initiative (SBTi) and set targets to limit global warming to 1.5°C by 2030. The company's targets include reducing absolute emissions from its financed portfolio in line with the 1.5°C scenario, aligning with global climate goals.</p>	<p>Credit & regulatory risk (energy efficiency)</p>	<p>nykredit.com/</p>	<p>1.97%</p>
	<p>Telenor Norwegian multinational telecommunications company.</p>	<p>Telenor commits to reduce absolute scope 1 & 2 GHG emissions by 64% by 2030 from a 2019 base year.</p>	<p>Energy use, supply chain & regulatory risk</p>	<p>telenor.se/</p>	<p>1.94%</p>

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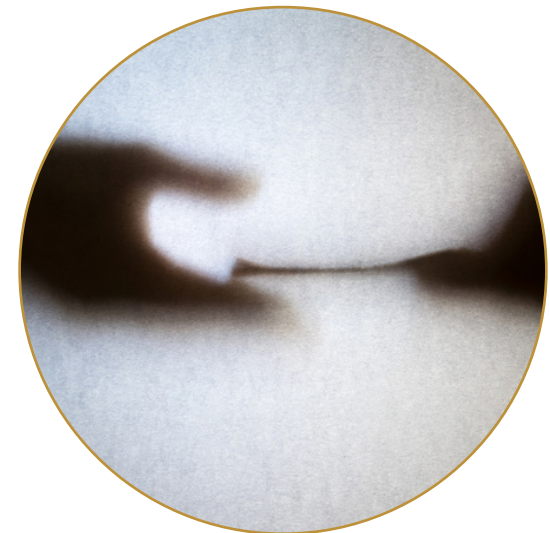
Signatory of:



- Climate changes
- Emissions of greenhouse gases
- Resource extraction
- Waste management and pollution



- Responsible working conditions
- Child labour and slavery
- Local and indigenous communities
- Conflicts



- Corruption
- Lobby activities and donations
- Board composition and diversity
- Tax strategy

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