

Responsible investments

Report 2-2025



Contents

2	Introduction: Corroding gold standard
5	The Science Based Targets initiative
6	Engagement campaign: Pareto ESG Global Corporate Bond
7	Engagement campaign: Pareto Nordic Cross Credit
8	Engagement dialogues: DFDS
10	Engagement dialogues: Præmia Healthcare Rexel
12	Engagement dialogues: Rexel
13	Engagement dialogues: NIBE
15	Guidelines for responsible investments
19	Investing in a responsible and ethical manner
19	Our product-based exclusion criteria
20	Our product-based precautionary principles
22	Conduct etc.
23	Corporate governance
24	Company assessments
27	Common acronyms in ESG investment



INTRODUCTION

Finn Øystein Bergh
Chief economist & strategist

Corroding gold standard

For many years now, a large number of asset managers in Norway have followed the exclusion list of the Norwegian Government Pension Fund Global, often stating this explicitly in their official guidelines. Due to the size of the fund and the resources put into the necessary research, it has been considered somewhat of a gold standard.

A recent article in the European Accounting Review reveals that many institutional investors in other countries have been doing the same in practice. While they haven't stated that they automatically follow these guidelines, it is obvious that they dance to the same beat:

“Using a novel dataset of exclusion decisions by 86 major institutional investors, we document substantial institutional alignment in exclusion decisions. Firms excluded by NBIM face five times more institutional investor exclusions than other excluded firms in our data set.” NBIM refers to Norges Bank Investment Management, the asset management arm in question.

The article even reports that news of new exclusions affects the wider market in a notable, or at least discernible, way. Over a three-day exclusion disclosure event window, the excluded stocks have a cumulative abnormal return of -0.5%. The effect is almost three times as strong

for environmentally related exclusions as it is for social exclusions, indicating that it's not all due to investors following the NBIM disclosures blindly. But they certainly pay attention.

This year, events have unfolded that seem to have reduced the glittering of this gold standard. The Gaza war triggered a number of exclusions and divestments, apparently in response to mounting political pressure. And then exclusions were questioned as being politicized. In particular, the exclusion of US construction equipment manufacturer Caterpillar seems to have gotten finance minister Jens Stoltenberg thinking. He then suspended the Council on Ethics or rather put exclusion decisions on hold for at least one year, more likely two years, asking the parliament (Stortinget) to draft new guidelines.

In an interesting coincidence, we revised our guidelines (*see page 15*) just a couple of months before NBIM in early August announced the divestment from 11 Israeli companies and the termination of contracts with external managers in Israel. We believe the ensuing months have provided confirmation that this revision was the right move.

For one, these events have highlighted the challenge for NBIM of keeping exclusions and divestments independent of political pressure of all sorts, or of political considerations. While decisions related to Israel and the Gaza war came about after increased pressure from the political left, it is obvious that the following reactions from the US – some of which apparently behind closed doors – were taken into account when deciding to put the Council on Ethics on hold.

I am in no position to criticize these decisions. Judging from the sidelines, following events from day to day, they seem perfectly logical. They do, however, serve as a reminder that real NBIM independence is an illusion. A fund that now owns 1.5 per cent of all listed equity in the world is not just a financial investor. It is a high-profile actor on the global stock market stage, impacting companies and, indirectly, governments in a large number of countries. While

simply owning companies might make for a lower profile, its emphasis on sustainability and active ownership ensures that it will stir up a lot of reactions from the general public.

When we first started following the NBIM guidelines, the situation was different. The fund was still a lot smaller, and the Council on Ethics was rather unique in its strategic goals and efforts. Following NBIM made good sense. Ironically, now that many investors around the world follow them in practice, this is not as straightforward as it was.

We still follow them, in the sense that their exclusion list is a point of departure, a very important input to our own sustainability work. We will, however, as we underlined in our previous report, let our own judgment have the last word. The events of the last few months have simply served to underscore the scope of this decision. We must, as we illustrated a couple of years ago with a reference to the movie “Life of Brian”, think for ourselves.

Now, this focus on exclusions may obscure the most important facet of sustainable investment. After all, it’s not about what you don’t invest in. It is – of course – about what you do invest in. Here, the choices are not dictated by some kind of list. They are the outcome of ongoing analysis and evaluation by our portfolio managers and analysts. They involve a lot of dilemmas, like weighing present climate emissions against investments in renewable energy or food production, and of course more traditional financial analysis.

We don’t believe, however, that sustainability will come at the expense of returns. We still believe firmly that sustainable investments are likely to produce the best risk-adjusted returns for our clients.

We just feel less convinced that we can lean on NBIM’s Council on Ethics in defining our applicable investment universe.

The Science Based Targets initiative



The Science Based Targets initiative (SBTi) is a globally recognised and trusted framework that guides companies in setting greenhouse gas (GHG) emissions reduction targets grounded in climate science.

Its goal is to align corporate climate strategies with the global ambition to limit temperature rise to 1.5°C, or well below 2°C, in accordance with the Paris Agreement.

SBTi provides companies with clear, science-based criteria for setting and validating emissions targets that are credible, transparent, and aligned with the latest climate data. By following this framework, companies ensure their climate commitments are not only ambitious but also measurable and accountable.

Our team actively supports and encourages portfolio companies to commit to the SBTi, helping them navigate the process of setting, submitting, and gaining approval for their science-based targets.

To remain within the 2°C pathway, global annual emissions must fall by 15 gigatonnes of CO₂-equivalent by 2030. To limit warming to 1.5°C, this figure increases to

32 gigatonnes, implying yearly reductions of 2.7% and 7.6% respectively, based on estimates by the United Nations Environment Programme (UNEP, 2019).

The concept of a global carbon budget, representing the total amount of CO₂ that can be emitted without exceeding key temperature thresholds, requires fair distribution across countries and sectors. This distribution must consider historical emissions, current output, and each region or industry's capacity to reduce emissions. Some sectors, such as energy and manufacturing, have greater potential for rapid decarbonisation, while others, like aviation, may face more gradual and complex transitions.

SBTi applies a "fair share" methodology, ensuring that emissions targets reflect each company's share of the global effort, while accounting for future growth and sector-specific pathways.

The five steps to set Science Based Targets



Engagement campaign

Pareto ESG Global Corporate Bond



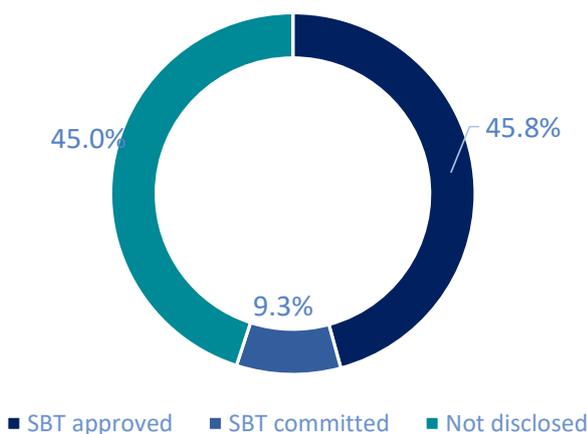
Currently, Pareto ESG Global Corporate Bond has a significant level of SBTi alignment, with 46% of the portfolio companies having approved science-based targets and an additional 9% having formally committed to setting such targets. However, 45% of the holdings have not disclosed any targets, reflecting the diversity of issuers in the fund, which includes companies of varying sizes, sectors, and sustainability maturity. Some issuers may have limited resources or reporting practices that delay the development and validation of SBTi-aligned targets.

as relevant, as it constitutes a first step toward establishing targets. Five issuers – Picard Groupe, Techem, Belden, Boels Topholding – currently have no plans to set SBTi targets in the near term.

The remaining companies have not responded so far. Fund managers have been informed and will continue to raise the topic in future discussions with the respective management teams. Our goal is to encourage these companies to begin reporting on GHG emissions in the short term and to establish targets in the medium term.

We observe that issuers with existing capacity to report on sustainability and GHG emissions are more likely to commit to setting SBTi targets. Encouragingly, the ongoing engagement with these companies could significantly improve SBTi coverage in the fund. Assuming all else remains equal, SBTi alignment in the fund could rise to 56.3% by 2026 if all engaged issuers meet their stated targets.

Pareto ESG Global Corporate Bond - SBT



Engagement campaign

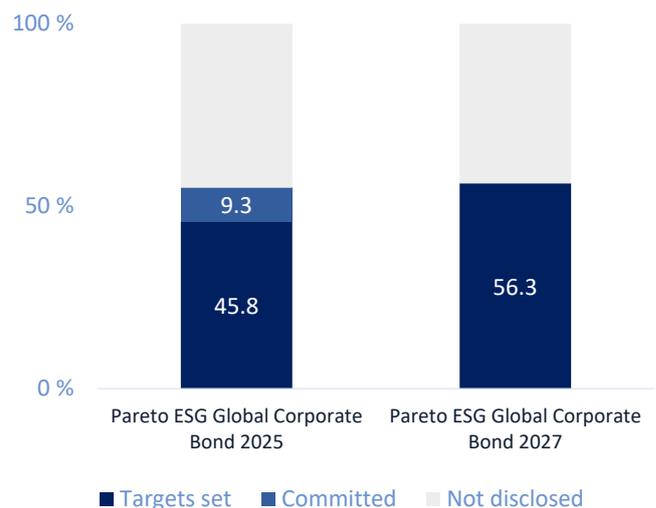
At Pareto Asset Management, we have launched an engagement campaign targeting all portfolio companies in the fund that do not yet have validated SBTi targets.

As part of this campaign, we have reached out to 30 bond issuers that currently do not have validated SBTi targets. Our findings from the outreach are as follows: Three issuers – Swedish Orphan Biovitrum, Progroup and Solenis – have indicated that they intend to validate or set SBTi targets within the next two years, with submissions planned for 2026.

Issuers such as Verisure, Belden and Profine informed us that they are currently prioritising compliance with the CSRD (Corporate Sustainability Reporting Directive).

These companies are in the process of establishing GHG reporting systems and plan to evaluate SBTi alignment at a later stage. This rationale is welcomed by the team

SBTi breakdown (in % AUM)



Our team will continue to actively engage with all issuers in the campaign, encouraging near-term GHG emissions reporting and supporting the medium-term development of validated SBTi targets. Engagement efforts will be regularly tracked, and fund managers will raise the topic in ongoing discussions with company management teams.

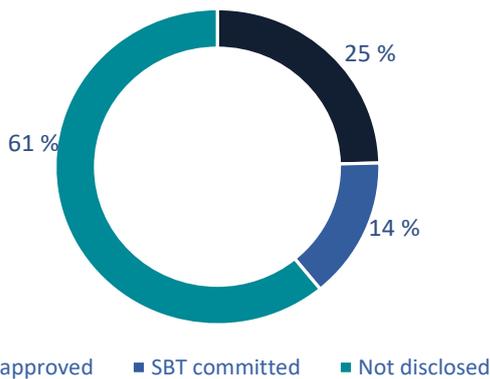
Engagement campaign

Pareto Nordic Cross Credit



Currently, Pareto Nordic Cross Credit has a moderate level of SBTi alignment, with 25% of the portfolio companies having approved science-based targets and an additional 14% having formally committed to setting such targets. However, 61% of the holdings have not disclosed any targets, reflecting the diversity of issuers in the fund, which includes companies of varying sizes, sectors, and sustainability maturity. Some issuers may have limited resources or reporting practices that delay the development and validation of SBTi-aligned targets.

Pareto Nordic Cross Credit - SBT



Engagement campaign

At Pareto Asset Management, we have launched an engagement campaign targeting all portfolio companies in the fund that do not yet have validated SBTi targets.

As part of this campaign, we have reached out to 47 bond issuers that currently do not have validated SBTi targets. Our findings from the outreach are as follows: Five issuers BN Bank, DFDS, OBOS Banken, OBOS Boligkreditt and Swedish Orphan Biovitrum have indicated that they intend to validate or set SBTi targets within the next two years, with submissions planned for 2026.

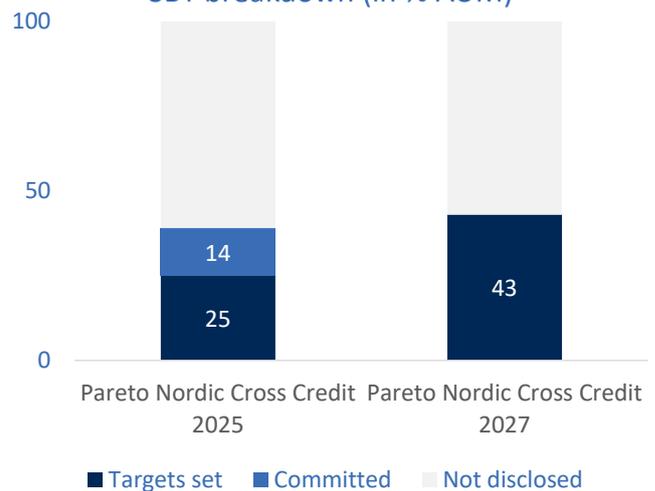
Issuers such as Advanzia Bank, Ellos Group, Peab Finans, Bonheur, Hospitality Invest and Nyfosa informed us that they are currently prioritising compliance with the CSRD (Corporate Sustainability Reporting Directive). These companies are in the process of establishing GHG reporting systems and plan to evaluate SBTi alignment at a later stage. This rationale is welcomed by the team as relevant, as it constitutes a first step toward estab-

lishing targets. Five issuers – Hoist Finance, Kvika Bank, Public Property Invest and Brage Finans – currently have no plans to set SBTi targets in the near term.

The remaining companies have not responded so far. Fund managers have been informed and will continue to raise the topic in future discussions with the respective management teams. Our goal is to encourage these companies to begin reporting on GHG emissions in the short term and to establish targets in the medium term.

We observe that issuers with existing capacity to report on sustainability and GHG emissions are more likely to commit to setting SBTi targets. Encouragingly, the ongoing engagement with these companies could significantly improve SBTi coverage in the fund. Assuming all else remains equal, SBTi alignment in the fund could rise to 43% by 2026 if all engaged issuers meet their stated targets.

SBTi breakdown (in % AUM)



Our team will continue to actively engage with all issuers in the campaign, encouraging near-term GHG emissions reporting and supporting the medium-term development of validated SBTi targets. Engagement efforts will be regularly tracked, and fund managers will raise the topic in ongoing discussions with company management teams.

Engagement dialogues

DFDS



DFDS is a leading European transport and logistics company, providing ferry and road transport services across Northern Europe, the Mediterranean, and beyond. The company operates an extensive fleet of freight and passenger ferries and offers complementary logistics solutions via road and rail. DFDS's operations span maritime transport, port terminal services, and land-based logistics, supporting efficient and sustainable movement of goods and passengers across its network.

Context

Our engagement with DFDS focused on the company's preparedness for evolving European climate regulations, particularly the expansion of the EU Emissions Trading System (EU ETS) and the introduction of the FuelEU Maritime regulation. These upcoming policies could have implications for the maritime sector, including possible effects on operational strategy, cost structure, and customer relationships. The discussion explored how DFDS integrates these regulatory changes into its decarbonisation strategy, and how it manages related financial risks. The dialogue also covered questions related to the achievability of the climate transition plan and how emerging technologies are incorporated into its long-term transition planning. In addition to climate-related matters, the engagement also covered biodiversity management, vessel noise impacts, and the company's approach to EU Taxonomy alignment.

Engagement & outcomes

DFDS has conducted scenario assessments to understand how the inclusion of maritime transport under the EU ETS and the introduction of FuelEU Maritime could affect its business model. The company anticipates that higher carbon prices will inevitably increase operating costs across the sector, though these costs are expected to be largely passed through to customers over time. DFDS also explained that rising costs could influence transport mode choices, with some freight potentially shifting from sea to road. However, the company emphasised that improving fuel efficiency and operational optimisation remains the most effective way to mitigate exposure to carbon costs.

For the company, operational efficiency is a key focus area according to the Head of Sustainability. DFDS continues to invest in technical upgrades such as new propel-

lers, advanced control systems, and energy management technologies to reduce fuel consumption. The company's "every minute counts" initiative aims to optimise vessel speed to achieve the lowest possible fuel use without compromising service quality. In parallel, DFDS is expanding the use of biodiesel and exploring zero-emission solutions, including hydrogen and e-fuel-powered vessels. While the company recognises that these technologies are not yet commercially viable at scale, they are central to its long-term decarbonisation roadmap.

DFDS has committed to the Science Based Targets initiative (SBTi) for its Scope 1, 2, and 3 emissions and is currently updating its targets to align with the SBTi's latest methodology. On land, the company is testing electric and hydrogen-powered trucks within its logistics division. It also recognises that driver performance significantly affects fuel efficiency and has implemented training programmes to support optimal driving behaviour. Beyond climate considerations, DFDS is addressing its impact on marine biodiversity. The company has identified underwater vessel noise as a material environmental risk and is collaborating with researchers to better understand its effects on marine ecosystems. DFDS noted that slower speeds and newer "jingling" vessels produce less radiation noise, although quantifying the impact remains complex. The company does not currently have restoration programmes in place but expressed openness to exploring this area further. During the dialogue, we encouraged DFDS to consider developing measures to restore or mitigate ecological impacts in marine environments and to evaluate how its biodiversity management could align with the emerging Science Based Targets for Nature framework.

Some of DFDS's routes operate near Natura 2000 protected areas. To assess potential impacts, the company

conducts internal research to identify local species and evaluate risks associated with its operations, such as the effect of vessel lighting on wildlife. These initiatives reflect an emerging focus on biodiversity management, which DFDS aims to strengthen over time. DFDS is also assessing its eligibility and potential alignment with the EU Taxonomy. On the maritime side, the company plans to invest in zero-emission vessels which, although not yet reflected in the current data, will contribute to higher taxonomy alignment in the future. On land, DFDS is focusing on measures such as the deployment of electric trucks and the use of energy-efficient tires to enhance alignment. The company expects to disclose more detailed information on capex alignment in future sustainability reporting. Sustainability governance is embedded within DFDS's organisational structure. The company's sustainability and investor relations teams highlighted that work is ongoing to strengthen ESG data collection and reporting systems to improve transparency and comparability over time.

Next steps

We will continue our engagement with DFDS to follow its progress on climate transition planning, particularly as the EU ETS expansion and FuelEU Maritime regulation take effect. Future discussions will aim to deepen understanding of DFDS's financial exposure to carbon costs, the feasibility and timing of its zero-emission vessel strategy, and

the outcomes of ongoing research into biodiversity impacts. We also encouraged the company to explore participation in the Science Based Targets for Nature initiative and to consider integrating restoration and mitigation actions into its biodiversity strategy. Further enhancement of EU Taxonomy reporting and improved transparency on CapEx alignment will also remain key areas of focus. Through this ongoing dialogue, we aim to support DFDS in advancing its decarbonisation and biodiversity objectives and maintaining leadership in sustainable maritime transport.



Engagement dialogues

Praemia Healthcare



Praemia Healthcare is a specialist real estate investment platform focused on healthcare infrastructure. It is part of the group Praemia REIM France. The division manages a broad portfolio of healthcare assets such as Medicine-Surgery-Obstetrics (MSO) clinics and Medical Care and Rehabilitation (MCR) facilities across France.

Context

We met the team of Praemia Healthcare at their headquarters in Paris. Our engagement focused on understanding the company's current ESG practices and disclosure efforts following up on our previous dialogue, which took place when the division today known as Praemia healthcare was sold by ICADE to Praemia REIM France. At that time, Praemia healthcare was lagging in terms of disclosures. After a review of the recent sustainability report released by the company, we wanted to discuss diversity and inclusion and encouraging further progress aligned with stakeholder expectations such as climate and transition planning and evolution of reporting standards.

Engagement & outcome

During the meeting, we were joined by Elsa Couteaud, Head of Corporate Social Responsibility, and Laumara Felicien, Head of Energy and Carbon, from Praemia REIM France. The company confirmed that it currently lacks formal diversity targets at both the board and executive levels. Female representation on the board remains limited, with only one woman among seven members, underscoring a significant gender imbalance. While the company acknowledged this gap, it has yet to establish concrete initiatives or timelines to address the issue. We therefore encouraged Praemia to adopt measurable diversity objectives to promote more inclusive management and corporate governance.

On climate strategy, we sought to understand how the company plans to reduce energy consumption and greenhouse gas emissions across its portfolio. As part of the discussion, the company informed us of the appointment of an energy engineer, a new role focused on enhancing energy data collection and identifying opportunities to improve efficiency across the portfolio. This role supports the company's broader ambition to reduce energy consumption within its healthcare assets, many of which are

older buildings. The engineer is tasked with mapping the age and energy performance of each asset, prioritising those with the greatest need for upgrades. This includes conducting energy and technical audits to inform renovation planning.

Energy reduction in medical environments is inherently complex due to high operational demands, including energy-intensive medical equipment and the need for continuous service delivery. Recognising this, Praemia is also working to raise tenant awareness and encourage the adoption of innovative energy technologies. This tenant engagement strategy is central to driving operational improvements and supporting long-term sustainability across the portfolio.

In line with these efforts, Praemia complies with the Rapport Tertiaire ("Tertiary Report"), a mandatory annual reporting requirement under France's Tertiary Decree (Décret Tertiaire). This regulation applies to owners and tenants of large tertiary-use buildings (over 1,000 square meters) such as offices, shops, and healthcare facilities. The report aims to track and demonstrate progress in reducing final energy consumption, setting long-term reduction targets of 40% by 2030, 50% by 2040, and 60% by 2050 compared to a baseline year. Praemia aligns its energy management objectives with these legally mandated targets, reinforcing its commitment to sustainable energy use across its portfolio.

We also raised the topic of science-based targets during our discussion. Prior to its acquisition by Praemia REIM, the healthcare portfolio was part of ICADE and had committed to Science Based Targets initiative (SBTi) goals. Since the acquisition, the portfolio has maintained the same GHG emissions trajectory as under ICADE. However, Praemia REIM France has not yet initiated the process to submit new or updated SBTi targets for this portfolio. We

emphasised the importance of establishing science-based targets to align with international standards and demonstrate continued leadership in the sector.

On regulatory readiness, our discussion addressed the company's approach to the Corporate Sustainability Reporting Directive (CSRD). Praemia was initially expected to fall within the second wave of companies subject to CSRD obligations, beginning in 2026 and covering the 2025 financial year. However, following the European Commission's omnibus proposal to delay implementation, the company has decided to pause its preparatory work. Praemia indicated that they are currently awaiting further clarity and have no immediate plans to resume internal efforts. We expressed disagreement over this decision and encouraged the company to continue working toward CSRD alignment and at minimum, a double materiality assessment, to maintain momentum and ensure future compliance. On a positive note, the company informed us of the maintenance of their transparency obligations through the publication of a duty of vigilance report, which aligns in part with the due diligence expectations under the forthcoming Corporate Sustainability Due Diligence Directive (CSDDD).

Next steps

Our team will continue to engage with Praemia Healthcare to monitor progress in the areas discussed. We encourage the company to review their decision and resume its CSRD preparations for the upcoming years. In the meantime, the company should work on a double materiality assessment to provide a clear understanding of potential transition and climate risks it faces. We also encourage the development of science-based climate targets. Additionally, we look forward to the introduction of formal diversity goals to improve governance balance. Furthermore, we will closely follow how the company progresses on meeting its energy consumption targets in line with the requirements of the tertiary décret.



Engagement dialogues

Rexel



Rexel is a global leader in the distribution of electrical supplies and services, operating across a broad international footprint with a diverse and extensive supplier network. The company distributes wires, cables, ducts, heating tools, light and ventilation equipment, cabinets, household appliances, and accessories. It also offers climate control, security, datacom, photovoltaic, home automation, and sourcing solutions.

Context

Our engagement with Rexel took place at their headquarters in Paris and focused on the company's approach to managing sustainability across its extensive supplier base. Given that supply chain greenhouse gases ("Ghg") emissions (scope 3) constitute a substantial share of Rexel's total footprint, understanding the company's framework for supplier engagement and scope 3 Ghg emissions reduction was a key focus of the dialogue. In addition to environmental considerations, we also discussed social aspects of supply chain management, including working conditions and human rights due diligence, reflecting the increasing expectations for companies to address both environmental and social risks within their value chains.

Engagement & Outcome

Rexel's supplier management is guided by its Sustainable Supplier Charter, which sets ESG expectations for suppliers, particularly those in higher-risk sectors such as mining and raw material extraction. The Charter includes specific targets related to environmental compliance, ethical conduct, and social performance, supporting accountability and continuous improvement across the value chain. To tackle scope 3 emissions, Rexel has developed a decarbonisation roadmap that prioritises collaboration and transparent data sharing with suppliers to improve emissions tracking and reduction efforts. The company also developed a carbon tracker to help customers monitor and reduce their carbon footprints, extending Rexel's sustainability impact beyond its direct operations.

Rexel has established a Science Based Target, which has been approved by the SBTi. It aims for an absolute reduction of Scope 1 and 2 greenhouse gas (GHG) emissions by 60%, and an absolute reduction of Scope 3 GHG emissions from the use of products sold by 45%. The company also has a net zero target by 2050 approved by the initiative. During the dialogue, we aimed to understand

how Rexel plans to achieve these emissions reductions. The company explained that preferred suppliers are those selected based on stringent sustainability, quality, and reliability criteria. These suppliers are required to commit to the Science Based Targets initiative and to provide transparent reporting of their Scope 1, 2, and 3 emissions. This supplier framework supports alignment with international climate goals and enhances emissions measurement accuracy across the supply chain. However, greater transparency about the proportion of suppliers with active SBTi-aligned targets and emissions reporting may give a stronger stakeholder confidence in Rexel's decarbonisation efforts.

Given the diversity of products distributed by Rexel, the company has explicitly identified the presence of workers within its suppliers' value chains, particularly in sectors such as mining and raw material sourcing, who may be exposed to difficult and sometimes high-risk working conditions. This risk is well acknowledged by Rexel as a critical area requiring diligent oversight and proactive management. One issue discussed was the risk exposure to the forced labour in the supply chain. For example, the solar energy industry has come under scrutiny due to the production of polysilicon, a key component in solar panel manufacturing. According to the International Energy Agency, over 70% of global polysilicon production originates in China, with approximately 63% of that occurring in Xinjiang, a region consistently linked to allegations of widespread use of forced labour.

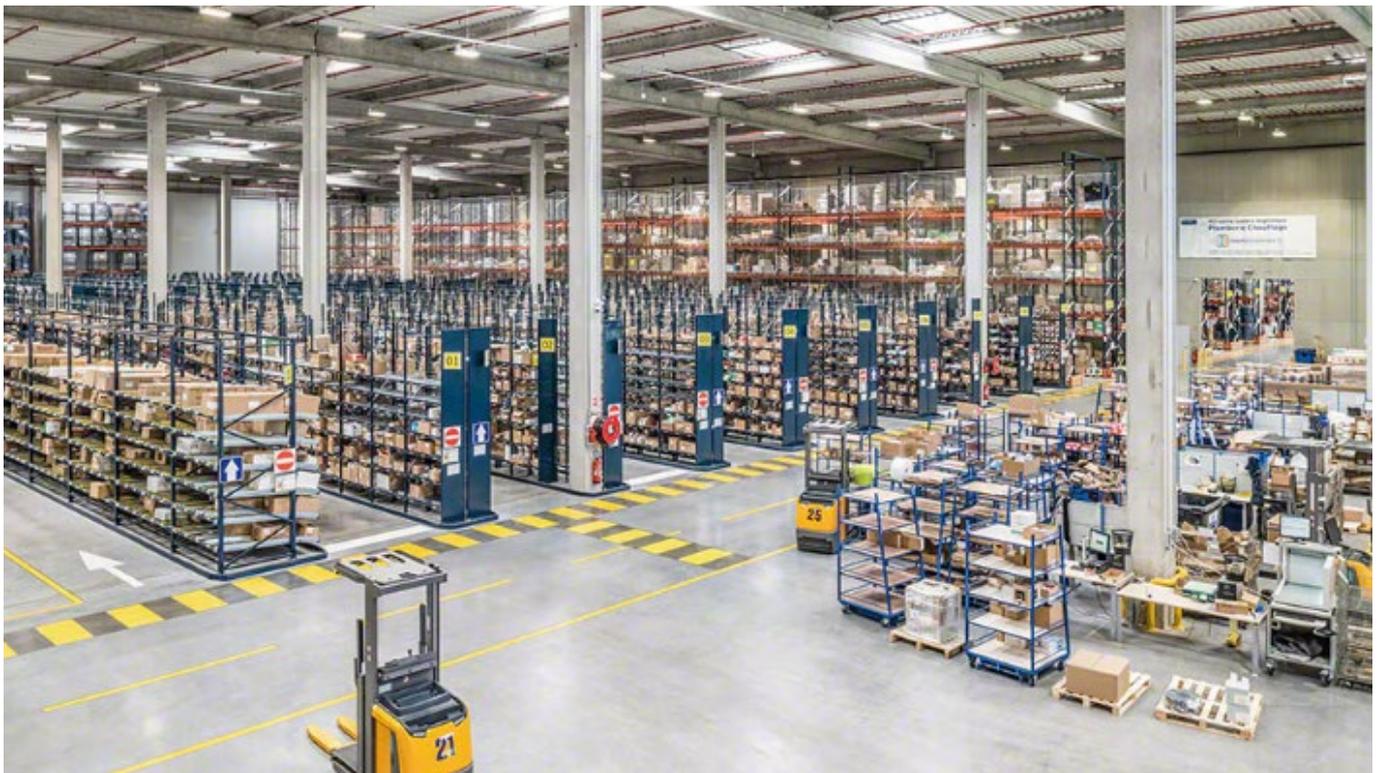
Rexel has confirmed that it is not currently exposed to specific risks related to the solar panel supply chain, such as those associated with forced labour in polysilicon production, as it does not directly source or distribute such technologies. Nevertheless, the company recognises the broader risks of labour and human rights abuses across its global supply chain. As a core safeguard, Rexel has im-

plemented a Sustainable Supplier Charter, which outlines clear expectations on responsible sourcing, labour rights, and environmental stewardship. This framework is supported by on-site audits conducted by local teams to verify that suppliers adhere to international labour standards. Through continued supplier engagement, audit procedures, and compliance monitoring, Rexel proactively works to mitigate human rights risks and uphold ethical standards across its value chain.

Given the complexity of Rexel's global supplier ecosystem, we acknowledge the strong foundation the company has already built and will continue to promote the importance of ambitious, measurable progress. Additionally, we note the company's efforts appear to be embedded in its governance structure. The company mentioned during the discussion an incentive framework, with 20% of variable pay for executives and senior management tied to ESG targets.

Next Steps

We will continue our engagement with Rexel to support and monitor its progress in supply chain decarbonisation. We encourage the company to increase transparency regarding supplier SBTi commitments and to further strengthen data collaboration with suppliers to enhance the reliability of emissions reporting.



Engagement dialogues

NIBE



NIBE Industrier AB is a Swedish-based global company that develops and manufactures sustainable energy solutions for indoor climate comfort and heating. The company operates through three business areas; NIBE Climate Solutions, NIBE Element and NIBE Stoves, offering products such as heat pumps, water heaters, ventilation systems, and heating elements. With a strong focus on energy efficiency and environmental responsibility, NIBE plays a key role in supporting the transition to low-carbon technologies in residential, commercial, and industrial settings.

Context

Pareto Asset Management was invited to visit NIBE's newly launched production facility at the company's headquarters in Markaryd, Sweden. Opened in 2024, the modern site reflects NIBE's commitment to sustainability and improved working conditions. Our visit took place at the new factory in Markaryd during a regular working day, providing a representative view of the company's daily operations and workplace dynamics.

vanced and therefore offered fewer ergonomic and operational efficiencies compared to the updated setup in the new facility. With the integration of updated automation and modern equipment, such tasks have now been significantly reduced. In areas where manual work remains essential, NIBE has introduced further ergonomic improvements to ensure that these tasks are performed in a more comfortable and health-conscious manner. This includes redesigning workstations to allow greater flexibility in posture enabling employees to alternate between positions. Thereby minimising the strain associated with static or awkward positions. The investment in the new facility allows workers to reduce the strain associated with static or awkward postures, contributing to a healthier and more sustainable working environment.

Next Steps

Pareto Asset Management will continue to monitor NIBE's progress not only within the social dimension, but across all aspects of its ESG performance including environmental impact and governance practices.



Engagement & Outcome

The visit provided valuable first-hand insight into the company's recent investments in automation, advanced machinery, and improved workstation structures. According to the company, these developments have contributed to enhanced ergonomics and better support for employee well-being. Particular attention was given to the ergonomic enhancements implemented at the new facility. The company has made notable progress in strengthening the social dimension of its ESG efforts through these investments. NIBE highlighted that workstations at the previous facility were not as modernised or technically ad-

Guidelines for responsible investments

This document sets out guidelines for responsible investments undertaken by Pareto Asset Management on behalf of our unitholders and individual asset owners.



Guidelines for responsible investments

1. BACKGROUND AND PURPOSE

Pareto Asset Management AS ("Pareto Asset Management") aims at contributing to sustainable development of markets and long-term value creation by investing in a responsible and ethical manner. We believe that responsible investments are important for achieving the best possible risk-adjusted return for our unitholders and customers. Sustainability and sound corporate governance give companies competitive advantages and contribute to long-term value creation.

This document sets out guidelines for responsible investments undertaken by Pareto Asset Management on behalf of our unitholders and individual asset owners. The purpose of the policy is to prevent Pareto Asset Management from contributing to the violation of human rights, labor rights, corruption, environmental damage or other unethical actions. Furthermore, we consider it important to integrate sustainability assessments into our investment processes, as this can also affect the long-term value of our investment.

We expect the companies that we invest in to comply with the same principles.

As part of our efforts to promote responsible investments, Pareto Asset Management has signed the UN Principles for Responsible Investment ("UN PRI"). These guidelines are based on UN PRI, the UN Global Compact, the guidelines for the Norwegian Government Pension Fund Global, the Principles for the exercise of ownership rights in investment companies from the Norwegian Fund and Asset Management Association, as well as internationally recognised principles and conventions.

2. RESPONSIBLE INVESTMENTS

2.1 Priorities

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.

Ethical risk assessments must be conducted before an investment can be made.

2.2 Exclusion of companies

Pareto Asset Management shall not be invested, on behalf of our funds and customers, in companies which themselves or through entities they control:

- Produce weapons that, in normal use, violate basic humanitarian principles
- Produce tobacco
- Sell weapons or military equipment to states subject to sanctions from the UN Security Council or other international measures directed at a particular country that Norway has supported (mandate for the management of the SPU section 2-1 second paragraph letter c)
- Mining companies and power producers that themselves or consolidated with controlled entities receive 30 per cent or more of their revenues from thermal coal, or base 30 per cent or more of their operations on thermal coal activity
- Produce pornography

Pareto Asset Management may decide to exclude a company if there is an unacceptable risk that the company contributes or is responsible for:

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

Pareto Asset Management shall exercise a precautionary principle in connection with investments in biotechnology companies, gambling and alcohol.

2.3 Exclusion decision

Companies listed on the exclusion list of the Norwegian Government Pension Fund Global after the decision of Norges Bank's Executive Board are, as the main rule, automatically excluded from the investment universe of Pareto Asset Management. Nevertheless, if Pareto Asset Management believes that a company listed on the exclusion list of the Government Pension Fund Global does not violate the exclusion criteria listed in section 2.2, Pareto Asset Management may decide that the company shall be reinstated in the investment universe. Such a decision shall be made by Pareto Asset Management's responsible investment committee, cf. section 4. The decision shall be justified and documented. Decisions to reinstate companies shall be published in the subsequent responsible investments report.

If legitimate doubt arises as to whether an investment is in line with the guidelines, a separate ethical risk assessment shall be conducted. This assessment can be based on input from our customers and other stakeholders, as well as various publicly available sources. Pareto Asset Management will nevertheless always draw its own conclusions based on a specific assessment of objective, verifiable facts.

3. CORPORATE GOVERNANCE

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.

When there is a specific reason to believe that a company violates our policy of responsible investments, we will consider addressing the issue with the company's management and encouraging the company to correct the circumstances. If necessary change is not implemented, Pareto Asset Management will normally sell all positions in the company.

4. RESPONSIBILITY FOR MONITORING THE GUIDELINES

Pareto Asset Management has established a responsible investment committee entrusted with the responsibility to ensure that the company's guidelines for responsible investments are up to date and appropriate, as well as assess and decide reinstatement and exclusion of companies in accordance with paragraph 2.3 of the guidelines. It will also assist portfolio managers with training, advice and sparring as needed. In particularly demanding cases, the committee shall inform the CEO.

The committee is headed by the company's Chief Economist & Strategist and consists, in addition, of representatives of different departments as required.

Twice a year, the committee prepares a report on our guidelines for responsible investments and the practice of these. The report reviews specific topics we have worked with as well as relevant company assessments and dilemmas. It shall be available to our customers.

The chairman of the committee shall annually provide the Board of Pareto Asset Management with an overview of the status of ongoing work for responsible investments in the company.

The Compliance Manager shall supervise compliance with our guidelines for responsible investments, including the necessary exclusion of companies. In addition, the Compliance Manager will attend meetings of the committee as an observer.

Facts | UN Environment Programme Finance Initiative



Behind the UNPRI principles is the UN Environment Program Finance Initiative (UNEP FI). UNEP FI is a global partnership between the United Nations Environment Program and the financial sector. Among the goals for the collaboration is to identify, promote and realize best environmental and sustainability practices in the financial industry. Central to this collaboration are ESG questions, derived from the English concepts environmental issues, social issues and corporate governance.

Through our signature, we committed ourselves to respond to ESG questions that may follow, to the best of both our customers in the long run and for society as a whole:

1. We will implement ESG issues in our investment analysis and decision-making processes
2. We will practice active ownership and implement ESG in our ownership policy and its exercise
3. We will work for satisfactory reporting on ESG topics from our portfolio companies
4. We will promote acceptance and implementation of the principles in the financial industry
5. We will work with other signatories to strengthen the effect of the principles and their implementation
6. We will report on our activities and our progress in implementing the principles

Our signature also includes a more general, implicit obligation to follow principles and standards anchored in the UN. These are voluntary, non-judicial recommendations that express expectations of good corporate governance, and which provide expectations for good corporate practices in dealing with environmental and social issues. In assessing our investments, these principles and standards will act as a reference framework and guide.

The UN Global Compact contains ten general principles derived from the Universal Declaration of Human Rights, the ILO Declaration of Fundamental Principles and Rights in Work and the Rio Declaration on Environment and Development. The principles are general and state, among other things, that companies must respect human rights and not be involved in violations of them, maintain freedom of association and collective bargaining rights, and eliminate all forms of forced labor, child labor and discrimination in working life.

Investing in a responsible and ethical manner

Pareto Asset Management aims at contributing to sustainable development of markets and long-term value creation by investing in a responsible and ethical manner.

We believe that responsible investments are important for achieving the best possible risk-adjusted return for our unitholders and clients. Sustainability and sound corporate governance give companies competitive advantages and contribute to long-term value creation.

As part of our efforts to promote responsible investments, Pareto Asset Management has signed the UN Principles for Responsible Investment (PRI). These guidelines are based on UN PRI, the UN Global Compact, the guidelines for the Norwegian Government Pension Fund Global,

the Principles for the exercise of ownership rights in investment companies from the Norwegian Fund and Asset Management Association, as well as internationally recognised principles and conventions.

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.

Our product-based exclusion criteria

Weapons and ammunition

A variety of types of weapons, ammunition and warfare methods are prohibited under international law, such as the Geneva Convention. For companies not obviously in breach, Pareto Asset Management will make an individual decision on exclusion.

Tobacco

Tobacco is a legal stimulant, which according to WHO is causing several million deaths in the world each year.

Coal

Pareto Asset Management follows the Norwegian Government Pension Fund in its assessment of coal producing companies.

Pornography

Pareto Asset Management does not invest in companies producing pornography.

Our product-based precautionary principles

Biotechnology

Modern biotechnology touches life's big questions and has an impact on what we think about human worth. It is therefore relevant to the whole global population, and not just doctors and researchers who carry out in vitro fertilisation, map genes and research stem cells. Investments in biotechnology may involve a risk of violation of fundamental ethical norms.

Alcohol

We have considered whether there should also be an absolute ban on investments in alcohol but have concluded that it is neither desirable nor manageable in an ethically consistent and sound manner.

Alcohol as a food additive is generally considered to have many positive aspects. Furthermore, alcoholic beverages are embedded in most societies, with many businesses indirectly profiting from alcohol consumption. Breweries, wineries and distilleries stand out as obvious examples, but also wholesalers, hotels, restaurants, airlines, shipping companies, railways and especially grocery chains may have a significant portion of their profits from the sale or delivery of alcohol. The same applies, of course, to real estate companies with revenue-based rent, such as the listed company Olav Thon Eiendomsselskap (OSE).

An absolute ban on investments in companies with interests in alcohol will therefore likely be perceived as a case of double standards, and insurmountably complicated. In consideration of the significant social and health problems relating to alcohol abuse, the company will nevertheless apply a precautionary principle with investments in alcohol.

Gambling

We have considered whether there should be a ban on investments in gambling. At this point, our assessment is that a general ban is problematic for several reasons.

Gambling has a relatively wide definition, covering everything from games that primarily fills an entertainment function, to more economically active activities where the outcome is largely due to chance and luck.

For the purpose of these guidelines, it's the possible harmful effects that are of importance. The consequences of gambling can be summarised in two words: gambling addiction.

Pareto Asset Management does not want to act in a

way that contributes to increasing and more harmful gambling addiction. As part of the investment process we must therefore always raise the question of whether the company in question operates in such a way that it is likely to create gambling addiction.

In our opinion, a general ban will not contribute to better achievement. An important element is that a significant part of the gambling business largely, or wholly, fills an entertainment function. Although the gains are in the form of money, unlike the teddy bear in the amusement park, the stakes are normally such that participation is for fun, excitement and surprise, not because it nourishes some presumption of getting rich.

Furthermore, gambling, like alcohol, has such an extent that it can be difficult to draw sharp limits. One might imagine a kiosk chain with deployed slot machines of a type approved by the relevant authority, where the kiosks get a lease while the profits are due to a third party. The chain then has no benefit of increased gaming on the vending machines, and their own activity can be claimed to be limited to the letting of floor space.

Similarly, gambling is offered on most cruise ships and passenger ferries, as well as at some hotels. In addition, there are companies producing the game machines used without this being considered gambling. For these reasons, we have concluded that there should be no general ban on gambling. On the other hand, it seems obvious that we should apply a precautionary principle when investing in companies that offer gambling.

Deep sea mining

In responsible investing, we are often faced with dilemmas and paradoxes having no obvious solution. One such dilemma involves deep sea mining.

As the world weans itself off fossil fuels, the demand for critical minerals like cobalt, nickel, and manganese will increase sharply. These minerals are essential for the technologies driving the green transition, including solar panels, wind turbines, and especially electric vehicle batteries. According to the World Economic Forum, mineral requirements for clean energy could rise by as much as 500% in the coming decades.

One potential solution to meet this demand is deep-sea mining, a method of extracting minerals from the ocean floor, where resources can be found in abundance. Deep-

sea mining is primarily focused on small, mineral-rich rocks found in oceanic regions. If fully utilised, these ocean reserves could ease dependence on terrestrial mining, which often leads to deforestation, water pollution, and abuses of human rights. Therefore, besides advancing clean energy progress, deep-sea mining is often viewed as a more sustainable alternative to land-based mining.

On the other hand, deep-sea mining presents significant environmental and ethical challenges. Not least, deep-sea mining poses significant threats to marine biodiversity. The disruption of fragile ecosystems, along with sediment plumes that smother marine life and noise pollution that affects underwater habitats, raises serious environmental concerns.

The EU therefore supports a precautionary approach to deep-sea mining. The European Parliament has called for a moratorium on commercial deep-sea mining until comprehensive regulations and sufficient scientific knowledge on the potential environmental impacts are available. The EU emphasises the need for a thorough understanding of ecosystems before any exploitation begins.

Norway, however, did not concur. In January 2024, the Norwegian parliament approved a plan to open a large part of its continental shelf to seabed mineral extraction. In April, dedicated parts were formally opened for seabed mining, and in June, the government announced plans for a first licensing round in 2025. The proposal would potentially cover 38% of the total area.

The parliament, not surprisingly, justified this decision by the need to secure critical minerals for the green transition. Norway aims to leverage its strong governance, human rights standards, and environmental regulations—factors often lacking in mineral-rich emerging economies.

However, this decision has raised significant concerns among environmentalists and indigenous communities. Protests have emerged, highlighting fears about the potential degradation of marine ecosystems and the long-

term impacts on biodiversity. Critics argue that the risks associated with deep-sea mining could outweigh the benefits of securing mineral resources, calling for a more cautious approach and stricter safeguards before permitting such activities to proceed. WWF-Norway (the World Wildlife Fund) sued the government a few weeks before the latest decision to open up for licensing.

In our view, deep sea mining is an apt illustration of the dilemmas often embedded in responsible investment decisions. It serves a greater purpose, helping us become less dependent on fossil fuels. It would also reduce reliance on supplies from China, which now dominates the extraction of some of these minerals. On the other hand, the risk of damage to marine ecosystems seems incontrovertibly identifiable.

Given that the impact may depend to a large degree on the regulations adopted and the technologies chosen, we have decided that we simply don't have sufficient information at this point. Hence, as a precautionary measure, we will need to examine each case thoroughly before making an investment decision. In the first case brought to the table, the fund managers decided to exit our position (page 20). However, the company was not formally excluded from our investment universe. We just decided that we needed more information – which is of course what the precautionary principle is all about.

Conduct etc.

Human rights violations

Gross or systematic violations of human rights such as killing, torture, deprivation of liberty, forced labour, the worst forms of child labour. In our reviews, we have not found any circumstances that indicate that any of our portfolio companies contribute to such human rights violations.

Serious environmental damage

Serious environmental damages can be said to include severe climate impact in the form of relatively high greenhouse gas emissions, which is also in line with Norway's international commitments and the government's climate report.

Based on this review, we are not aware of circumstances that indicate that any of our portfolio companies contribute to serious environmental damage. However, we have previously spent a lot of time assessing the situation for Norsk Hydro's operations in Brazil, where heavy rain in February 2018 led to flooding and environmental damage. The company is no longer on our watch list.

Greenhouse gas emissions

The section on climate risk goes into further detail on our assessments in this area. Suffice it to say that we have no company-wide, principled objections to fossil fuel as

such, but we do care that the companies in question work to limit emissions and other side effects of their business. Two of our funds have a stated policy of not investing in fossil fuels.

Gross corruption

It goes without saying that corruption is unacceptable to a responsible investor. The problem is generally one of discovery, which seldom takes place without criminal investigation and proceedings. Our challenge then is to evaluate the quality of governance going forward.

We have had instances of corruption also in partly government-owned companies in Norway. As a general rule, we don't necessarily sell our holdings simply because something unacceptable has happened. We will have to evaluate the risk of the problem repeating itself, whether it was a singular case or a consequence of a permeating problem, and of course what is being done in order to get their house in order.

Other particularly gross violations of basic norms

We have not identified other gross violations of basic norms.



Corporate governance

Engagement policy

Pareto Asset Management conducts meetings with the management and board members in many of the portfolio companies, as well as shareholders, on a regular basis. This dialogue is the most important instrument we use in our work as an active owner.

Grounds for initiating engagement activities may be breach of ESG criteria, substantial investment in the company or a need for more information on critical ESG damage that has already occurred.

Requests from clients can also be grounds for engagement.

Proxy voting

Pareto Asset Management has established its own voting guidelines. These are based on the Norwegian Code of Practice for Corporate Governance.

Please note that we don't vote just for the sake of voting. We see no point in casting the maximum number of votes. Most agenda items are standard, plain vanilla issues. Some may be of greater importance. In some of these cases, the outcome is far from given. If we feel that a certain outcome is important, we will contribute to attaining that outcome by voting.

However, casting votes has a cost. In some cases, more specifically with some global companies, it may be inordinately cumbersome. In that case, casting a vote may not be in the best interest of our investors or unitholders.

After all, that is our guiding light: We do what's in the best interest of our clients and unitholders.



Company assessments

Evolution – gambling and labour issues

This year, Pareto Total invested in the Swedish company Evolution AB, formerly Evolution Gaming. The company develops and licenses software for online casino operators.

As you can see elsewhere in this report, we have a precautionary principle guiding possible investments in companies somehow related to gambling. We do not want to act in a way that contributes to increasing and more harmful gambling addiction.



As a first stop, we notice that Evolution is a pure B2B player, without direct contact with the final customers – the participants in these online games. The primary responsibility for containing addiction rests with the actual operators. That, however, is not enough.

We also note that they have developed systems to monitor and report suspicious activity to their customers, who in turn can suspend players. Reportedly due to improved and more sensitive AI tools, the number of reported cases has increased to 0.014% of net revenues. All new employees undergo training in responsible gambling. Possibly a necessary, but not sufficient condition.

A further point is related to having customers in unregulated markets. We have learned that Evolution has had a large share of customers in unregulated markets – and in fact some unlicensed customers in Great Britain. In the Philippines, its business partner lost a gambling license after just three months – the news of which caused a stock price drop of almost six per cent, demonstrating the financial risk aspect of sustainability.

On top of that, the company has faced criticism for working conditions and labour relations at its plant in

Georgia (the country), where large numbers of employees went on strike in 2024, some of them also resorting to hunger strikes.

At the end of 2025, operations are running as usual. However, a report from the Swedish National Contact Point (NCP) for Responsible Business Conduct raised serious concerns related to wages, working conditions, and the right to organise. Evolution has countered with statements to the effect that “every accusation was proved false”.

In our view, there is no doubt this company deserves closer scrutiny. We have therefore decided to put Evolution on this list, watching out for further information or developments.

Scatec Solar – supply chain issues

Scatec solar is a Nordic leading renewable energy supplier that develops, owns, and operates renewable power plants with a focus on solar, hydro, wind power projects and related activities, including financial and physical power trading. Scatec, as well as the entire solar panel industry, is exposed to a risk of human rights abuse within their supply chain. According to the International Environmental Agency, more than 70% of polysilicon – a key component of the solar panel wafers – is produced in China. Of the Chinese production, Xinjiang represents 63%, or roughly half of the global polysilicon capacity. The province Xinjiang in China is constantly alleged to have widespread use of forced labour.



In 2021 we had our initial conversation with Scatec, during which the company explained that they were reviewing all their contracts and had engaged specialists to develop a strategy for improving traceability with suppliers and reducing the risk of human rights abuse.

In 2022, Scatec undertook a three-year programme with EcoVadis, a global management platform dedicated to assessing suppliers on key ESG aspects, including labour and human rights. This is a tool enabling Scatec to engage with suppliers. In addition, the company was collaborating with peers in order to align approaches and escalate supply chain engagement to ensure compliance.

In 2023, Scatec continued efforts a by entering a collaborative alliance with Position Green, an advisory firm renowned for its expertise in fostering resilience through implementation of ESG software to track sustainability advancement. Scatec proactively collaborates with both their supply chain and insurance

experts to formulate a strategy and tracking system that incorporates the management of human rights risks. This approach enables the company to enhance its monitoring and follow-up mechanisms for these risks at both project and corporate levels. The effectiveness of this action will be assessed in the upcoming year, as outlined in their updated Transparency Act Statement.

We appreciate the company's efforts in this field, while also noticing that precisely these efforts are a demonstration of the challenges inherent in their business. For that reason, we have decided that Scatec deserves to be on our watchlist, and we will continue to follow the progress.

Previous mentions

Rockwool – cloudy on coal

The Danish company Rockwool is probably best known for rock wool for insulating houses, but also produces, among other things, facade panels and roof panel systems intended to reduce noise and fire hazards. Most are products that provide a factual basis for the company's unrelenting emphasis on sustainability and the circular economy. For example, rock wool makes a good contribution to reducing energy needs in homes and offices.



The problem is that the production of these products consumes a lot of energy. And Rockwool bases part of its production on coal. How much?

Well, that's information that the company has not divulged. For Pareto Asset Management, this is a problem, as our policy does not allow companies that base 30 per cent

or more of their business on thermal coal. That's why we have had this company under observation.

However, Rockwool has for years invested close to 100 million euros annually to reduce emissions. Whatever the share of coal at the outset, it is clearly a lot lower now. We might add that new plants are being built with electric melting technology.

As the path to lower emissions is so clearly embedded in the company's strategy, and as their insulation products are undisputably beneficial to the environment, we have decided to stop highlighting Rockwool here.

It is an interesting example, though, of the dilemmas inherent in sustainable investment and the point of making an independently qualified assessment. Pareto Nordic Equity holds shares in the company.

Danske Bank – a decade of cleanup efforts

In 2014, information emerged on money laundering in Danske Bank's Estonia branch. The following years would see the bank engulfed in criminal investigations, litigation, loads of bad publicity – and extensive cleanup efforts.

The extent and duration of the cleanup efforts illustrate the pervasiveness of the problem and the amount of work needed to ensure something like this does not happen again. We were astonished to see the extent of the misconduct in the first place and we were surprised to see new revelations of an even bigger problems, but we

are now convinced that the massive efforts undertaken by Danske Bank have placed it among the best in class.

Pareto Nordic Corporate Bond, Pareto Nordic Cross Credit, Pareto Obligasjon and Pareto Likviditet all hold bonds in the bank.

Store Enso – wildlife area damage

Stora Enso is a leading global company in sustainable materials, headquartered in Helsinki, Finland, and Stockholm, Sweden. Dating back to the 13th century, the company is one of the oldest in the world with operations in over 50 countries. PNE owns shares in the company, while both PNCC and PNCB hold bonds.



In August 2024, it was discovered that forestry machinery had caused damage to an area in Hukkajoki, Finland, inhabited by endangered freshwater pearl mussels. The company promptly halted all harvesting activities at the site.

The incident triggered a police investigation, which is still ongoing. Logging was suspended in some areas, awaiting a review of the company’s procedures. The company has run an internal investigation, which concluded that the incident was a result of weak information flow, IT system issues and miscalculations. Stora Enso has since announced it would spend 12 million euros to collaborate with the Finnish Forest Administration to

help protect the freshwater pearl mussel. We decided not to exit our positions since the company confirmed it will bear both environmental and financial responsibility and step up efforts to improve its operations.

Nexans – allegations of anti-competitive practices

Nexans was on our list in the previous report, due to allegations of anti-competitive practices. The UK Competition Appeal Tribunal had approved a class action lawsuit against Nexans, Prysmian, and NKT for allegedly forming a power cable cartel. This action followed a 2014 European Commission finding that they inflated high-voltage power cable prices from 1999 to 2009. Issued in May 2024, the decision allowed a claim for £790 million in damages on behalf of about 30 million British consumers.



As none of our funds are now invested in the company, we have decided not to follow this case further. We will, however, have to take a closer look if renewed investment plans were to surface.

Common acronyms in ESG investment and regulations

The emergence of ESG investing and related regulations has spawned a myriad new acronyms. If you don't work in this field, you probably don't know all of them. Here is a short overview:

- CDP: CDP (the Carbon Disclosure Project) is a non-governmental organization (NGO) that runs a global disclosure system to manage the environmental impact for private and public institutions. Nearly 10,000 of companies, cities, and governmental institutions report on their risks and opportunities related to climate change.
 - CSRD: The Corporate Sustainability Reporting Directive. In order to help the financial industry to better assess company extra-financial aspects, the EU Commission requires large public-interest companies with more than 500 employees to report information on how they manage environmental, social and governance issues in their business operations. Companies that fall under the scope of CSRD will have to disclose EU Taxonomy-related information.
 - EU Taxonomy: The EU Taxonomy regulation, which entered into force in the EU in January 2022, has established a classification system of environmentally sustainable activities that translates the EU's climate and environmental objectives into criteria or specific economic activities purposes. The EU Taxonomy recognizes 'environmentally sustainable' economic activities that make a substantial contribution to at least one of the EU's climate and environmental objectives:
 - Climate change mitigation
 - Climate change adaptation
 - The sustainable use and protection of water and marine resources
 - Transition to a circular economy
 - Pollution prevention and control
 - The protection and restoration of biodiversity and ecosystems
- In addition, the investment must respect the do no significant harm criteria and be in line with the minimum safeguard.
- GHG: Greenhouse gases (GHG) are gases that absorb and emit radiant energy within the thermal infrared range, causing the greenhouse effect. Greenhouse gases shall be calculated according to the GhG protocol or similar official standard.
 - GRI: The Global Reporting Initiative publishes GRI Standards, which provide guidance on disclosure across environmental, social and economic factors for all stakeholders including investors. These standards are used by organizations worldwide.
 - PAI: According to SFDR, Principal Adverse Impacts (PAI) are impacts of investment decisions or advice with material, negative effects on sustainability factors. Sustainability factors mean environmental, social and employee matters, respect for human rights, anti-corruption, and anti-bribery matters.
 - PRI: Principles for Responsible Investment is an international network of investors/signatories working together with a common ambition to foster ESG ownership decisions in investment. With 7,000 corporate signatories in 135 countries, it is the world's largest voluntary corporate sustainability initiative.
 - RTS: Regulatory Technical Standards are a set of technical compliance standards that, once endorsed by the European Commission, need to be met by all parties. Under the SFDR, RTS are the rules that financial market participants need to obey to comply with regulations.
 - SBTi: The Science Based Targets initiative ("SBTi") is an alliance created between CDP, the United Nations Global Compact, the World Resources Institute (WRI) and the World Wide Fund for Nature (WWF). The initiative ensures that companies' net-zero targets are consistent, by assessing the robustness of climate action plan via science-based methodologies.
 - SDGs: The Sustainable Development Goals ("SDGs") are 17 goals developed in global partnership to achieve the plan of actions for peoples, planet and prosperity as set out in the 2030 Agenda for Sustainable Development.
 - SFDR: The Sustainable Finance Disclosure Regulation (SFDR), applied in the EU from March 2021, is a European regulation introduced to improve transparency in the market for sustainable investment products, to prevent greenwashing and to increase transparency around sustainability claims made by financial market participants. SFDR sets different kinds of disclosure requirements for three types of funds or other financial products within the scope of the regulation:
 - Article 6: Funds that do not integrate a sustainability focus into the investment process.
 - Article 8: Funds that promote environmental and or social characteristics, referred to as "Light Green" funds.
 - Article 9: Funds that have 'sustainable investment' as their objective, referred to as "Dark Green" funds.
 - TCFD: Task force on Climate-related Financial Disclosures is a market-driven initiative developed to establish and recommend a general framework for identifying, assessing and reporting climate-related financial disclosures. TCFD focuses on four key areas: governance, strategy, risk management, and metrics and targets.

paretoam.com



Oslo

Dronning Mauds gate 3
t: +47 22 87 87 00
e: post@paretoam.com

Stockholm

Regeringsgatan 48
t: +46 8 402 53 78
e: post.se@paretoam.com

Frankfurt

Brüsseler Strasse 1-3
t: +49 69 333 98 35 22
e: post@paretoam.com

Zürich

Bahnhofstrasse 67
t: +41 76 840 2428
e: post@paretoam.com