

SFDR FUND STATEMENT

Pareto Nordic Cross Credit
2025



Fund Statement

Summary

This document provides sustainability-related disclosures according to the Sustainable Finance Disclosure Regulation Article 10 regarding Pareto Asset Management's fixed income product branded as Pareto Nordic Cross Credit. The Sub-fund is categorised as an Article 8 fund.

Overall, the Sub-Fund is subject to the requirements made at company level through Pareto Asset Management's guidelines for responsible investments. Furthermore, 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. At fund level, Pareto Nordic Cross Credit builds on these guidelines.

Pareto Nordic Cross Credit promotes environmental and social characteristics by investing in companies that align with Pareto Asset Management's guidelines for responsible investments. The fund managers believe that responsible investments are important for achieving the best possible risk-adjusted return for the investors. Responsible actions and sound corporate governance give companies competitive advantages and contribute to long-term value creation.

No sustainable investment objective

This financial product promotes environmental and/or social characteristics but does not have as its objective a sustainable investment.

Environmental or social characteristics of the financial product

The Sub-Fund promotes environmental and social characteristics by making responsible investments according to Pareto Asset Management's guidelines for responsible investments. When making such investments, the Sub-Fund promotes environmental and social standards by emphasizing social conditions, the environment and good corporate governance.

The Sub-Fund is actively managed, and no specific index has been designated as a reference benchmark for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.

Investment strategy

Overall about the Sub-Fund's investment strategy

The Sub-Fund's investment strategy is based on being an active investment manager, emphasizing fundamental analysis on company level. Furthermore, it is considered important to integrate ESG assessments into the Sub-Fund's investment process, as this can also affect the long-term value of the Sub-Fund's investments.

The investment strategy must be exercised in accordance with the following frameworks for all investments made by the Sub-Fund:

- UN's Principles for Responsible Investments; and
- The Investment Manager's guidelines for responsible investments

Negative tilt

First, the fund managers exclude all investments not within the Sub-Fund's investment universe, as such investments may contribute to / enable violation of human rights, labor rights, corruption, environmental damage and other unethical actions.

The Sub-Fund applies the following binding exclusion criteria:

Prior to including a company within the investment universe, the fund managers shall consider whether 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

The Sub-Fund shall not invest, on behalf of our customers, in companies which themselves or through entities they control which:

- 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
- 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

The fund managers shall exercise a precautionary principle in connection with investments in biotechnology companies, gambling, and alcohol.

The screening is done according to the Norges Bank Investment Management (hereinafter "NBIM") exclusion list with the associated guidelines provided in guidelines Norwegian Government Pension Fund Global. The Head of Risk maintains an exclusion and observation list that is cross-checked against the exclusions list on a monthly basis. In addition, the Head of Risk receives news from NBIM via email alerts and will get a notification if a new company were to be excluded.

In addition, the Investment Manager has an Ethics Committee. The Ethics Committee is authorised to exclude companies from the Sub-Fund's investment universe beyond the scope of NBIM's exclusion list.

Positive tilt

As a second step, the fund managers apply the positive tilt to emphasise social conditions, the environment and good corporate governance according to the Investment Manager's guidelines for responsible investments. A dedicated ESG team is working closely with fund managers to identify ESG risks and opportunities.

Environmental

The following elements are considered:

- Demonstrate a clear focus on environmental issues in operations. Considerations: evidence of environmental policies, codes, certifications, or practices promoting environmental consciousness
- Undertake initiatives to promote greater environmental responsibility. Considerations: 1)

development of a sustainability strategy or explicit commitment, along with details to prioritize and address environmental issues, and 2) provide environmental adverse impact indicators, set targets, and demonstrate tangible progress

- Promote and widespread adoption of environmentally friendly technologies. Considerations: foster innovation to minimize waste of raw material, enhance energy efficiency and develop use of greener technologies

Social

The following elements are considered:

- Implement a comprehensive framework for Human and Labor rights. Considerations: support and respect the protection of internationally proclaimed human and labor rights in direct operations and supply chain
- Cultivate a constructive workplace promoting the health and well-being of employees. Considerations: develop inclusion, diversity, equality, and empowerment principles and practices

Governance

The following elements are considered:

- Mitigate ethical misconduct in operations. Considerations: provide policy or guidelines promoting business ethics
- Manage critical corporate governance cornerstones. Considerations: evidence of a well application and monitoring of process
- Promote good corporate governance principles. Considerations: develop practices in line with respective market standards

The investment team has defined a process based on a materiality assessment that is applied to all companies to evaluate whether a company is eligible for investment.

Engagement

The Sub-Fund is a fixed income fund. Bonds do not have affiliated voting rights and the fund managers' power of influence in terms of active ownership is consequently limited. However, the Sub-Fund applies a reactive engagement approach when there is a specific reason to believe that a company violates the Sub-Fund's investment criteria. In such cases, the fund managers will consider addressing the issue with the company's management and encouraging the company to correct the circumstances. If the necessary change is not implemented, the fund managers will normally sell all positions in the company.

Proportion of investments

characteristics promoted by the Sub-Fund, which is equivalent to 80% of the total net assets of the Sub-Fund.

The remaining share of the Sub-Fund is not considered to be aligned with the environmental and social characteristics promoted by the Sub-Fund and includes cash and derivatives. Cash may be held as ancillary liquidity or for risk balancing purposes. The Sub-Fund may use derivatives for the purposes described in the "Investment Objective and Policy" section in the Sub-Fund's Annex.

Where it is in the best interests of the investors and in response to market conditions, the Sub-Fund may temporarily deviate from the 80% threshold.

Monitoring of environmental or social characteristics

Pareto Asset Management maintains an exclusion and observation list that is cross-checked against the Norwegian Government Pension fund exclusion list. The Head of Risk receives news from NBIM via email alerts. If a new company were to be excluded, the risk management would be notified immediately.

Pareto Asset Management has established an ethics 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 exclusion of companies in accordance with the guidelines. Twice a year, the Ethics Committee prepares a report on Pareto Asset Management's guidelines for responsible investments and the practice of these. The report reviews specific topics the company has worked with as well as relevant company assessments and dilemmas. Such reports are made publicly available at: <https://paretoam.com/en/investments/fund-documents>

Methodologies

The fund management is exercised in accordance with Pareto Asset Management's guidelines for responsible investments.

The Sub-Fund applies principal adverse impact indicators as sustainability indicators. The Sub-Fund uses the 14 mandatory principle adverse impact indicators, where such information is available, namely:

- GHG emissions;
- Carbon footprint;
- GHG intensity of investee companies;
- Exposure to companies in the fossil fuel sector;
- Share of non-renewable energy consumption and production;
- Energy consumption intensity per high impact climate sector;
- Activities negatively affecting biodiversity-sensitive areas;
- Emissions to water;
- Hazardous waste and radioactive waste ratio;
- Violations of UN Global Compact principles and Organisation for Economic Cooperation and

Development (OECD) Guidelines for Multinational Enterprises;

- Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises;
- Unadjusted gender pay gap;
- Board gender diversity; and
- Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons).

In addition, the Sub-Fund has selected 2 additional principle adverse impact indicators, namely:

- Investment in companies without carbon emission reduction initiatives; and
- Insufficient whistle-blower protection.

Data sources and processing

Data sources used to attain the environmental and social characteristics of this product rely on publicly available information, such as annual and interim reports, investor presentations, or other relevant sources of information such as e.g., management discussions. The portfolio managers seek to verify all information used in the investment selection process by using multiple sources where such information is available.

Further, Pareto Asset Management has designated third-party to provide certain sustainability-related data, including the principal adverse impacts indicators on sustainability factors.

Limitations to methodologies and data

The availability and quality of data differs from case to case. In the event of limited publicly available information with respect to a potential new investment, the portfolio managers may ask the company to provide additional information before they make a final investment decision. The requirements for additional information will often be determined by the risk associated with the issuers business activities, where it operates and complexity of the legal corporate structure etc. In all cases, the fund managers must make sure that the investments are compliant with Pareto Asset Management's guidelines for responsible investments, including the exclusion criteria.

Due diligence

The fund management shall strive for a high level of diligence in the selection and on-going monitoring of investments. Consequently, the portfolio managers seek to verify all information used in the investment selection process by using multiple sources where such information is available. In the selection process the portfolio managers shall assess whether the investment is within Pareto Asset Management's guidelines for responsible investments.

Engagement policies

The Sub-Fund is a fixed income fund. Bonds do not have affiliated voting rights and the fund managers' power of influence in terms of active ownership is consequently limited. However, the Sub-Fund applies a reactive engagement approach when there is a specific reason to believe that a company violates the Sub-Fund's investment criteria. In such cases, the fund managers will consider addressing the issue with the company's management and encouraging the company to correct the circumstances. If the necessary change is not implemented, the fund managers will normally sell all positions in the company.

Designated reference benchmark

No specific index has been designated as a reference benchmark for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.

Guidelines for responsible investments

For more information on our guidelines for responsible investments, please refer to our guidelines:

<https://paretoam.com/uploads/RI-reports/Guidelines-for-responsible-investments.pdf>

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