SFDR COMPLIANCE STATEMENT

Background and scope

The Regulation (EU) 2019/2088, also known as the EU Sustainable Finance Disclosure Regulation ("**SFDR**"), requires financial market participants and financial advisers to publish on their website information about their policies on the integration of sustainability risks into their investment decision-making and investment advice, including whether and how adverse impacts of investment advice are considered and how remuneration policies are consistent with the integration of sustainability risks in investment decision-making and investment advice.

This disclosure applies to Pareto Securities AS (with Branches), Pareto Securities AB and Pareto Securities Oy (jointly referred to as "**Pareto Securities**") in their capacity as financial advisers to clients clarified for investment advice in their investment decisions.[1] The information is provided solely for the purpose of compliance with the SFDR and shall not form the basis of any contract and shall not be binding against or create any obligations or commitment on the part of Pareto Securities.

This statement applies as of 29 June 2022. It will be reviewed at least annually.

Transparency of sustainability risk policies

Article 3 of the SFDR requires financial advisers to publish information about their policies on the integration of sustainability risks into their investment advice.

Sustainability risk is defined as an environmental, social or governance event or condition that, if it occurs, could cause an actual or potential material negative impact on the value of investments pursuant to Article 2 (22) of SFDR.

Examples of sustainability risks which are potentially likely to cause a material negative impact on the value of an investment, should those risks occur, are as follows:

- Environmental sustainability risks may include climate change, carbon emissions, air pollution, rising sea levels or coastal flooding or wildfires;
- Social sustainability risks may include human rights violations, human trafficking, child labour or gender discrimination;
- Governance sustainability risks may include a lack of diversity at board or governing level, infringement or curtailment of rights of shareholders, health and safety concerns for the workforce, or poor safeguards on personal data or IT security

The sustainability risk can either represent a separate risk category or have a reinforcing effect on other risk categories, such as market risk, liquidity risk, credit risk or operational risk.

Sustainability is an integrated part of Pareto Securities Group's (the "**Group**") business strategy and one of the Group's fundamental principles. The Group's Sustainability Policy establishes standards and principles to ensure that the Group operates in a sustainable manner and meets fundamental human rights, labour, environmental and anti-corruption responsibilities as set out in the UN Global Compact.

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[1] SFDR includes investment firms which provides investment advice as defined in Article 2, point (16), which refers to Article 4 (1), point (4) of Directive 2014/65/EU, namely "the provision of personal recommendations to a client, either upon its request or at the initiative of the investment firm, in respect of one or more transactions relating to financial instruments." Consequently, Pareto Securities is subject to obligations laid down in Articles 3 (2), 4 (5) point b, 5, 6 (2), first subparagraph, point a, including potential effects of the second subparagraph of that Article 6 (2), 12 (2) and 13 (1) of the SFDR, even though Pareto Securities solely provides investment advice regarding instruments that are not "financial products".

The Sustainability Policy is intended to support the employees in their decisions and daily work, as well as clarifying how sustainability work is integrated with the activities, management and control. The Sustainability Policy is supplemented by the Group's Ethical Principles, Anti-corruption Policy, Diversity & Inclusion Policy and other relevant policies and standards.

Pareto Securities is currently considering how sustainability risks may be integrated when providing investment advice regarding instruments that are not financial products, cf. footnote above. The delegated Commission Regulation 2021/1253, which amends MiFID II and integrates sustainability factors, risks, and preferences into the organizational and operational requirements for investments firms, will be a natural starting point for Pareto Securities' integration of sustainability risks in our investment advice. This regulation enters into force in the EU on 2 August 2022.

Transparency of adverse sustainability impacts at entity level

Article 4 of the SFDR requires financial advisers to publish information regarding whether or not they consider principle adverse impact of the investment advice on sustainability factors.

Pareto Securities recognizes the importance of integrating sustainability risks in its investment advice. For the time being, Pareto Securities has elected not to consider principal adverse impacts in its investment advice on sustainability factors in the manner contemplated by Article 4 (1) a[2] of the SFDR, primarily as the regulatory technical standards supplementing the SFDR which will set out the content, methodology and information required in the principal adverse sustainability impacts statement remain in draft form and their application has been delayed. Pareto Securities will review this position following the coming into effect of the regulatory technical standards.

Remuneration policies

Article 5 of the SFDR requires financial advisers to include in their remuneration policies information on how those policies are consistent with the integration of sustainability risks.

The respective Pareto Securities entities have adopted separate remuneration policies in line with local regulations. Under the remuneration policies, partners and employees receive a fixed remuneration and may in addition receive a discretionary remuneration. The remuneration policies are designed to promote good and efficient risk management and is in line with Pareto Securities' strategic objectives. This includes incentives to promote long-term commitment and accountability among the employees, as well as ensuring that the structure of remuneration does not encourage excessive risk-taking with respect to sustainability risks and is linked to risk-adjusted performance.

[22] The information duty under article 4 (1) only applies to financial advice on financial products.