Pareto Securities

SFDR COMPLIANCE STATEMENT

Version 2.0[1]

20 December 2023

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 information on their website about their policies on the integration of sustainability risks in 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.

The disclosure made through this SFDR Compliance Statement (the "**Statement**") applies to Pareto Securities AS with subsidiaries and branches (jointly referred to as "**Pareto Securities**") in their capacity as financial advisers to clients clarified for investment advice in their investment decisions.[2] 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.

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 in 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 the 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, 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.

---

[1] This Statement (version 2.0) replaces our Statement dated 29 June 2022 (version 1.0).

[2] 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".

Sustainability is an integrated part of Pareto Securities' business strategy and one of our fundamental principles. Our various ESG-policies establishes standards and principles to ensure that Pareto Securities operates in a sustainable manner and meets fundamental human rights, labour, environmental and anti-corruption responsibilities as set out in the UN Global Compact. The various ESG policies intend to support the employees in their decisions and daily work, as well as clarifying how sustainability work is integrated with the business activities, management, and control. The ESG policies includes (but are not limited to) the following policies together with other relevant regulations and procedures:

- The Sustainability Policy
- The Ethical Principles
- The Human Rights Policy
- The Anti-corruption Policy
- The Diversity & Inclusion Policy

As per the latest version of MiFID II[3], Pareto Securities is required to integrate sustainability factors, risks, and preferences into our operations. This includes taking certain specific ESG factors into consideration in our:

- internal processes, instructions, and policies,
- assessments, identification, and documentation of, as well as dealings with, conflicts of interest that may arise,
- suitability and appropriateness assessments for investor clients, and
- target market definitions when assisting issuers of financial instruments as part of the product governance regime.

The inclusion of sustainability factors in EU MIFID II builds on both the SFDR and the EU Taxonomy Regulation. During 2023, we have updated our processes and working instructions to accommodate the requirements mentioned in the above.

Transparency of adverse sustainability impacts at entity level

Article 4 of the SFDR requires financial advisers to publish information regarding whether they consider principle adverse impacts ("PAIs") of investment advice on sustainability factors.

Currently, Pareto Securities does not consider PAIs on sustainable factors as described by Article 4 of the SFDR and the accompanying Regulatory Technical Standards ("RTS").

Pareto Securities recognises the importance of integrating sustainability risks in its investment advice. In line with the updated MiFID II requirements, we ask clients that are cleared for investment advice whether they want their investments to be in financial instruments/products that a) are environmentally sustainable as defined by the EU Taxonomy[4] b) are sustainable with a particular emphasis on environmental, social, or corporate governance conditions as defined by the SFDR or c) financial instruments that consider PAIs on sustainability factors. Should the investor state that any of these preferences are important for their investment decision, it is currently challenging to advice on such financial instruments. It is as of today difficult to obtain objectively verified reliable data regarding the scope of products/issuer that consider PAIs, which Pareto Securities may provide investment advice on (as our investment advice typically relates to either shares or bonds). Other instruments such as mutual funds may be accessed through our platforms, but we do not provide investment advice in relation to such products.

[3] Delegated Directive (EU), 2017/593 and 2017/564, EU Regulation 2021/1253 and EU Commission Delegated Directive 2021/1269
[4] EU Regulation 2020/852

Pareto Securities will continuously review our position and monitor further regulatory guidance and the development of industry and market practice in this area.

Remuneration policies

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

The respective Pareto Securities entities have adopted 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 sound 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.