

Pareto Alternative Investments AS – SFDR Compliance Statement pursuant to Article 3, 4 and 5

Regulation (EU) 2019/2088 (the Sustainable Finance Disclosure Regulation (“**SFDR**”)) requires, among other things, alternative investment fund managers to disclose (i) the manner in which sustainability risks are integrated into investment decisions, (ii) whether and how principal adverse impacts of investment decisions on sustainability factors are considered, and (iii) how remuneration policies are consistent with the integration of sustainability risks.

Pareto Alternative Investments AS (“**PAI**”) is an alternative investment fund manager authorised by the Financial Supervisory Authority of Norway (“**Finanstilsynet**”) and is subject to the disclosure obligations set out in SFDR. This statement describes PAI’s approach under Articles 3, 4 and 5 at entity level. The processes, measures and actions outlined below are performed by PAI in respect of its own investment decision-making.

Article 3 — Integration of sustainability risk into investment decision-making

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

This Article 3 disclosure applies at the entity level to all investment decision-making undertaken by PAI in its capacity as an authorised alternative investment fund manager.

Governance and accountability

The Board approves the Responsible Investment Policy and receives periodic reporting on material sustainability risks and related controls. Senior management is responsible for implementation and ensures that investment committee materials contain a clear assessment of identified sustainability risks, proposed mitigants and any residual risk. The independent risk management function provides second-line challenge on identification, materiality and mitigation, while the compliance function oversees regulatory alignment and maintains this policy and its procedures. Investment teams are accountable for integrating sustainability risk in origination, analysis, decision-making and monitoring and for maintaining an auditable record of their assessments.

Risk taxonomy and materiality

PAI considers environmental, social and governance risks that are most relevant to its strategies and underlying assets. Environmental factors include physical climate hazards and transition risks as well as resource efficiency and pollution control. Social factors include health and safety, labour and working conditions, stakeholder and community impacts and, where technology is present, data protection. Governance factors cover business ethics and anti-corruption, tax compliance posture, conflicts of interest, ownership and board oversight and transparency. Materiality is assessed using a structured, evidence-based approach that grades severity and likelihood over the intended holding or loan tenor and determines residual risk after proposed mitigants. The assessment is refreshed if new information emerges or conditions change.

Pre-investment due diligence

Each opportunity is screened to identify relevant sustainability risks given the asset type, location, exposure and counterparties. Proportionate due diligence is performed to evaluate policies and management systems, historical incidents, compliance with permits and regulations, stakeholder

or tenant issues and, where decision-critical, metrics that illuminate potential adverse impacts. Where necessary, PAI commissions external technical or environmental advisers and conducts site visits. Findings are documented in the investment memorandum together with required mitigants, any conditions precedent or subsequent and an outline of the monitoring plan. For lending and other structured transactions, material sustainability risks are reflected in information undertakings, covenants, remediation plans and reporting requirements calibrated to the exposure and risk profile.

Investment decision and valuation

No investment proceeds without an explicit sustainability risk conclusion in the investment committee decision. Where a risk is potentially value-relevant, such as expected capex for climate resilience or efficiency upgrades, exposure to policy changes or the prospect of asset obsolescence, PAI considers valuation and downside sensitivities and, where appropriate, pricing adjustments or structural protections. If residual risk is outside PAI's risk appetite or cannot be mitigated to an acceptable level, the investment is declined.

Post-investment monitoring and stewardship

Identified material sustainability risks are integrated into the portfolio monitoring plan. PAI tracks relevant indicators and compliance with contractual undertakings, records exceptions and follows up with counterparties on remediation actions and timelines. Material incidents, such as serious health and safety events, significant environmental breaches or credible allegations of misconduct, are escalated to senior management and, where appropriate, to the Board; incident resolution is monitored to closure. Where PAI has governance levers (for example, board representation, observer rights or lender influence), it uses them to encourage remediation and continuous improvement proportionate to the strategy and exposure.

Data, methodology and use of estimates

PAI relies on information provided by counterparties, asset companies and external experts, complemented by reputable third-party sources. When direct measurements are unavailable, PAI may use reasonable estimates or models with documented assumptions and an internal hierarchy that prioritises observed data over proxies. Data completeness and plausibility are checked periodically; material limitations and their potential impact on conclusions are recorded.

Integration with risk management and strategy

Sustainability risks are embedded within PAI's broader AIFMD risk management framework alongside credit, market, operational and compliance risks. Where proportionate, PAI considers scenario drivers relevant to real assets and private markets, for example, severe weather patterns, carbon price pathways and regulatory transition dynamics, and uses these to inform risk appetite, monitoring priorities and engagement plans. Climate-related analysis is aligned with the principles of the Responsible Investment Policy and draws on TCFD-style considerations where helpful.

Records, reporting and review

PAI maintains an audit trail of sustainability risk analyses, investment committee decisions, monitoring results and incident logs. Material sustainability risks and significant exceptions are reported to senior management and the Board at least quarterly, together with the status of remediation actions. Investment and risk staff receive periodic training on sustainability risk identification and integration relevant to PAI's strategies and asset classes. This Article 3 policy and associated procedures are reviewed at least annually or sooner if there are material regulatory or business changes.

Limitations

Sustainability risks are dynamic and may evolve due to climate change, regulatory developments, market conditions and stakeholder expectations. Such risks cannot be fully eliminated and, if realised, may adversely affect investment performance, including through increased operating or capital costs, asset obsolescence, refinancing risk, legal liabilities or reputational harm.

Article 4 — Principal adverse impacts (PAIs) at entity level

PAI does not currently consider the principal adverse impacts of investment decisions on sustainability factors in the manner prescribed by SFDR Article 4(1)(a) and therefore applies Article 4(1)(b). This position reflects current constraints in obtaining sufficiently consistent, portfolio-wide data from private market counterparties and asset companies to report against the mandatory indicators set out in the Regulatory Technical Standards (Commission Delegated Regulation (EU) 2022/1288, “RTS”) Annex I. In particular, the breadth of indicators in Table 1 and the requirement to apply RTS methodologies across heterogeneous real-asset and private credit exposures would result in gaps or heavy reliance on estimates that PAI does not consider appropriate for an entity-wide public statement at this time.

PAI reviews this assessment at least annually. If data quality and coverage improve to a level that allows robust, decision-useful reporting in line with the RTS, PAI may elect to consider PAIs in accordance with Article 4(1)(a). In that event, PAI will publish an entity-level “Statement on principal adverse impacts of investment decisions on sustainability factors” on its website by 30 June each year for the preceding calendar year, following the RTS format. The statement would identify the applicable mandatory indicators in Table 1 and at least one additional environmental and one additional social indicator from Tables 2 and 3, explain policies to identify and prioritise adverse impacts, describe actions taken and planned, reference relevant international standards, and provide a historical comparison.

Notwithstanding the above, PAI continues to integrate sustainability risks into decision-making and ongoing monitoring under Article 3 and reflects material sustainability considerations in investment structuring and engagement where appropriate. If investors require product-level information, PAI provides it through the SFDR pre-contractual and periodic disclosures for each fund in scope, which should be read alongside this entity-level statement.

Article 5 — Remuneration policy and sustainability risks

PAI maintains an AIFMD-compliant remuneration framework that promotes sound and effective risk management and does not encourage risk-taking that is inconsistent with the risk profile of PAI or the funds it manages. In accordance with SFDR Article 5, PAI’s remuneration policy includes information on how the policy is consistent with the integration of sustainability risks, and this information is published on PAI’s website. The SFDR requires financial market participants to disclose how their remuneration policies align with sustainability-risk integration and to maintain that disclosure on their websites.

Governance and scope

The policy is approved by the Board and is reviewed at least annually. It applies proportionately to staff, with particular focus on “identified staff” whose professional activities have a material impact on the risk profile of PAI or the assets it manages. The Risk management and Compliance function provide second-line challenge on risk-alignment features (ex-ante and ex-post), and internal audit may review design and effectiveness. This structure reflects the ESMA Guidelines on sound remuneration policies under AIFMD, including expectations for governance, proportionality, risk alignment and disclosure.

Consistency with integration of sustainability risks

Sustainability-risk considerations are embedded in performance assessment and decision-making. For roles where it is relevant, the annual assessment includes qualitative criteria such as adherence to PAI's Responsible Investment Policy, quality of sustainability-risk identification and management in transactions, and escalation of incidents or breaches. Where a material breach of policy or failure to manage sustainability risks is established, variable remuneration may be reduced or not awarded; conversely, strong adherence contributes positively in a balanced scorecard approach.

Risk-limiting features

Variable remuneration is awarded on a discretionary, risk-adjusted basis and is sized with reference to multi-year performance, financial and non-financial criteria, and the overall results of PAI and the relevant business area. Where proportionate, deferral, malus and clawback mechanisms may be applied. Fixed remuneration is set at a level that supports a fully flexible variable remuneration policy, including the possibility of paying no variable remuneration.

Role-appropriate application

For control functions, remuneration is structured to preserve independence and avoid conflicts of interest; performance assessment emphasises the achievement of control objectives rather than the performance of business lines they oversee. For investment and portfolio roles, sustainability-risk integration is assessed in the context of the strategy and exposure type, recognising differences between, for example, real-asset equity positions and lending structures.