Pareto
Alternative Investments

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"). PAI is subject to SFDR both as a financial market participant when it manages alternative investment funds and provides portfolio management, and as a financial adviser when it provides investment advice. This statement describes PAI's approach under Articles 3, 4 and 5 of SFDR at entity level in both capacities. References to investment decision-making concern PAI's activities as financial market participant. References to investment advice concern PAI's activities as financial adviser.

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, and to investment advice provided by PAI in its capacity as financial adviser.

Where PAI provides investment advice, sustainability risks are integrated into the advisory process as part of PAI's overall assessment of the relevant financial product or investment opportunity. PAI considers whether environmental, social or governance events or conditions may have an actual or potential material negative impact on the value, risk profile, liquidity, refinancing prospects or suitability of the relevant investment.

The assessment is proportionate to the nature of the advice, the type of financial product or strategy, the investor context and the information available to PAI. In the context of alternative investment funds and other private market strategies, relevant sustainability risks may include physical climate risk, transition risk, regulatory risk, energy performance, environmental permitting, health and safety, labour and working conditions, human rights, anti-corruption, conflicts of interest, tax compliance, governance arrangements and counterparty conduct.

Where sustainability risks are material to the advised product or strategy, PAI takes such risks into account in the basis for its advice and, where a suitability assessment is required or performed, in its assessment of whether the product or strategy is suitable for the relevant investor. PAI may request additional information, seek clarification from the relevant investment team, manager, issuer, borrower, asset company or external adviser, reflect the risk in the advice provided, or refrain from giving a positive recommendation where the sustainability risk cannot be adequately assessed, explained or addressed.

The integration of sustainability risks in investment advice is documented in a manner proportionate to the advisory service provided. The responsible advisory personnel are accountable for identifying and assessing relevant sustainability risks. Risk and Compliance provide challenge, oversight and regulatory review as part of applicable internal control processes.

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 across both PAI's portfolio management and advisory activities, and ensures that investment committee materials and, where relevant, advisory documentation 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, where appropriate, to the Board through ordinary risk and compliance reporting, and without undue delay where the matter is material, 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 on sustainability factors
Financial market participant capacity
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 SFDR Article 4(1)(b). This position reflects current constraints in obtaining sufficiently consistent, complete and verifiable portfolio-wide data from private market counterparties, borrowers, asset companies, project companies and other relevant parties to report against the mandatory indicators set out in Annex I to Commission Delegated Regulation (EU) 2022/1288 (the "RTS"). In particular, the breadth of the mandatory indicators and the requirement to apply the RTS methodologies across heterogeneous real asset, private market and credit exposures would currently result in material data gaps or significant reliance on estimates that PAI does not consider sufficiently robust for an entity-level public statement.

PAI therefore does not publish an entity-level statement on principal adverse impacts of investment decisions on sustainability factors in the format set out in the RTS. PAI has not set a specific date for when it will consider principal adverse impacts in accordance with SFDR Article 4(1)(a). PAI will reassess this position at least annually, taking into account the nature and scale of its activities, the types of financial products it makes available, regulatory developments, investor expectations, data availability, data quality and proportionality. If PAI later determines that the data basis, methodology and internal processes are sufficiently robust, PAI will update this disclosure and publish an entity-level statement on principal adverse impacts in accordance with SFDR and the RTS.

Financial adviser capacity
Where PAI provides investment advice, PAI does not currently consider principal adverse impacts on sustainability factors in the manner prescribed by SFDR Article 4(5)(a). PAI therefore applies SFDR Article 4(5)(b) in respect of investment advice. The reason for this position is that PAI's advisory activities relate primarily to alternative investment funds and private market strategies where full, comparable and verifiable data for the principal adverse impact indicators is often not available at the time advice is provided. In addition, the relevance and availability of such indicators may vary materially across asset classes, fund structures, borrowers, project companies, real estate assets and infrastructure-related investments. PAI therefore does not currently consider it proportionate or sufficiently robust to integrate the full RTS principal adverse impact framework systematically into its investment advice.

This does not mean that PAI disregards sustainability considerations in investment advice. As described under Article 3 above, PAI integrates sustainability risks into its advisory process where relevant and proportionate, and may also consider specific adverse sustainability matters qualitatively where such matters are relevant to the financial product, strategy or investor. Such qualitative consideration is not equivalent to considering principal adverse impacts under SFDR Article 4(5)(a). PAI will review this position at least annually. PAI has not set a specific date for when it will consider principal adverse impacts in investment advice in accordance with SFDR Article 4(5)(a).

Product-level disclosures
Product-level SFDR disclosures should be read separately from this entity-level Article 4 position. Where relevant, such disclosures describe the sustainability characteristics, indicators and periodic reporting applicable to the relevant fund, but they do not imply that PAI considers principal adverse impacts at entity level unless expressly stated.

Article 5 — Remuneration policy and sustainability risks
PAI maintains a remuneration framework that complies with the requirements applicable to PAI as an alternative investment fund manager and, where relevant, as a financial adviser 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 the design and effectiveness of these arrangements may be reviewed by Compliance or internal audit as part of PAI's ordinary control framework. 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 is taken into account positively as part of the overall qualitative assessment of performance and conduct.

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.

Review and updates
PAI reviews this SFDR Compliance Statement on a regular basis and updates it as required to reflect changes in PAI's activities, organisation, business model, regulatory environment, ESA and Finanstilsynet guidance, available data and methodologies. PAI will update the statement without undue delay where a material change to the information disclosed makes the current version misleading or incomplete.