Pareto
Asset Management

Pareto ESG Global Corporate Bond

Sustainability report

1 January – 31 December 2022

Our mission

In Pareto Asset Management we spend ever more time thinking about what we want our investment activity to achieve. We think of this as responsible investing. In as much as our portfolio management has a decidedly long-term perspective, it is only natural that we take environmental, social and governance aspects into account. We encourage issuers to offer responsible and transparent practices and we do not make investments which constitute an unacceptable risk of contributing to unethical acts or omissions.

Our view is that acting responsibly is a basic requirement for long-term and sustainable value creation. Responsible investment to us means that environmental, social and corporate governance factors are integrated in the investment process to better manage risks and opportunities.

We believe that our management philosophy is well suited for this purpose. Active management, thorough analyses of a limited number of companies and a long-term perspective form a good starting point for sustainable investments. If you are serious about achieving something by way of your investments, you just can't invest blindly in a broad-based index.

Sustainable investment, however, is a demanding exercise. It raises a lot of dilemmas and provides no clear answers, and it requires a lot of subjective judgement. It also entails erring on our part. We make mistakes, we learn from our mistakes, and we have to admit that we still have a lot to learn.

You can find more information about the Pareto ESG Global Corporate Bond fund and its sustainability work at paretoam.com/en/pareto-esg-global-corporate-bond. Additionally, you can access more information about Pareto Asset Management's sustainability work at paretoam.com/en/about-us.

Historical returns are no guarantee for future returns.

Investment team

Nawel Boukedroun
ESG Analyst

Stefan Ericson
Senior Portfolio Manager

Finn Øystein Bergh
Chief Economist & Strategist

Our sustainability journey

2018

Pareto Global Corporate Bond became the first fixed income fund in Norway and Sweden to receive the ESG Nordic Swan Ecolabel for investment funds.

2020

The fund changed its name to Pareto ESG Global Corporate Bond, in order to reflect the actual investment process in a better way.

2020

Engaged Trucost to calculate the fund's annual carbon footprint. Companies are urged to establish Paris Agreement decarbonisation objectives with the 2020 fiscal year as a starting point in accordance with the Science-Based Target Initiative.

2021

We continued our sustainable journey, defining a sustainable objective alongside the goal to produce positive returns. The fund was classified as an Article 9 ("dark green") fund under the European Union's Sustainable Finance Disclosure Regulations ("SFDR").

2022

The Nordic Swan Ecolabel decided to sharpen its requirements. Pareto ESG Global Corporate Bond became the first fixed income fund to comply with the new requirements and receive the 2.0 license.

Focusing on the Nordic Swan Ecolabel

Why choose the Nordic Swan Ecolabel?

- The Nordic Swan Ecolabel is a well-known and highly respected trademark recognised among the official European ESG labels
- The Nordic Swan Ecolabel means that the fulfilment of the criteria has been checked by an external third party. This is a unique feature in the Nordic and European fund markets.
- The Nordic Swan Ecolabel is an evolutive label which updates its rules in order to be in line with new European regulations

A Nordic Swan Ecolabelled fund represents a sustainability-labelled alternative for all investors, and is an instrument for asset management companies to show that their funds fulfill stringent requirements.

Everything that a Nordic Swan Ecolabelled fund must attain – the exclusion of unsustainable companies, the inclusion of more sustainable companies and acting in a transparent manner – is undertaken to encourage companies and capital markets to act more sustainably in the long run.

The application of the Swan label is conducted by Miljömärkning Sverige AB, which works on behalf of the government. The label does not represent any fund industry interests.

The Nordic Swan Ecolabel was established in 1989 by the Nordic Council of Ministers as a voluntary ecolabelling scheme for the nordic countries Denmark, Finland, Iceland, Norway and Sweden. Nordic Swan Ecolabelling is subject to official regulations adopted by the Nordic Ecolabelling Board. The Nordic Ecolabel is regulated by the Nordic Council of Ministers.
The Nordic Swan Ecolabel is one of the founders of the international network for ISO 14024 Type 1 ecolabels, GEN, the Global Ecolabelling Network.

Carrying the Nordic Swan Ecolabel means

- The fund excludes investments in certain industries and companies that are particularly problematic from a sustainability point of view
- The fund conducts an extensive ESG (Environmental, Social and Governance) analysis of its potential investments and prioritises companies that contribute the most to a better tomorrow
- The fund applies transparency for all its holdings on a quarterly basis. In addition, the fund publishes an annual report on the sustainability performance of the fund.
- The label expects the licensees to define a systematic process to select candidates. Further, the fund managers need to initiate and maintain dialogues with a minimum of holdings.

Receiving the 2.0 licence approval

In 2018, Pareto ESG Global Corporate Bond became the first fixed income fund in Norway and Sweden to receive the ESG Nordic Swan Ecolabel for investment funds. In 2022, the label announced they would tighten the ESG criteria and sent a call to action to all licensees.

In the following months, ESG-analyst Nawel Boukedroun worked together with the fund managers on meeting the label's new, challenging ESG-criteria. On the 25 November 2022 the team was awarded with the formal 2.0 approval at an event in Stockholm.

– We are very grateful and proud to be the first fixed income fund to receive a license approval from the Nordic Swan Ecolabel for the application of the second-generation criteria. In the context of new regulations, the meaning of "sustainable investments" remains abstract and creates divergences. I believe the new generation of criteria came at the right time. Whilst the European leading sustainability group of experts is looking into common standards, our proposition relies on a structured and transparent way of assessing companies' sustainability-related aspects, Boukedroun said in a statement.

– I am convinced that the Nordic Swan Ecolabel is a great visa stamp. For our clients, it is a third-party assurance of coherence between statements and practices, she concluded.

The 2.0 main changes

ESG analysis process

- Stricter requirements towards issuers from heavy GhG emitting industries such as aluminium, aviation, pulp and paper, and several others.
- The fund must track and maintain a minimum proportion of companies with a validated 1.5°C Science-Based framework
- A framework on biodiversity safeguarding is established and reviewed by the label

Stewardship

The Nordic Swan Ecolabel evaluates the fund on the quality of engagement performed.

Transparency

The investment policy is made publicly available. The annual sustainability report must include information on actions taken throughout the period, which involves different themes:

- Exclusions of holdings that no longer fit fund requirements
- Summary of main engagement dialogues
- ESG risk and opportunities with the top holdings
- A description of the transition progress of largest greenhouse gas emitters
- Company laggards in safeguarding biodiversity

Sustainable investments

In 2021, the fund defined a sustainable objective alongside the goal of producing positive returns. The fund was classified as an Article 9 fund under the European Union's Sustainable Finance Disclosure Regulations ("SFDR").

Objective

The fund has an environmentally sustainable investment objective to maintain a decarbonization trajectory. The fund also has a social dimension and therefore defines a socially sustainable investment objective which strives to contribute to a well-functioning society and promote better living standards.

Both sustainable investment objectives have connections to the 2030 Agenda for Sustainable Development with the 17 Sustainable Development Goals ("SDGs").

Framework

In the context of new regulations, the concept of "sustainable investments" remains abstract and creates divergences. Whilst the European Securities and Markets Authority (ESMA) has asked the European commission for more clarity, each investment manager has to come up with a clear definition of how they qualify sustainable investments*. Each regulator is in charge to reviewing and approving processes.

The fund is a Luxembourg domiciled fund, the Commission de Surveillance du Secteur Financier ("CSSF") is the supervisory authority.

The fund has been through a filing process to get the CSSF's approval of its disclosures as an SFDR Article 9 product and the approval has been granted.

*For the time being, it does not exist further guidance related to the definition of "sustainable investments" under SFDR Article 2 (17). Due to this, the Fund's definition of sustainable investments may change when such guidance is provided to ensure that the Fund's definition is compliant with Article 2 (17).

Sustainability process

FRAMEWORK | ACTIVITIES | TARGETED SDGs | ESG | APPROACHES

STEP 1: IDENTIFICATION OF SUSTAINABLE CONTRIBUTION

Environmental objective

Environmentally sustainable activities contributing to a decarbonization trajectory

Climate & environment
- Renewable energy supply
- Ecosystems,land and biodiversity safeguard
- Sustain. management of forestry agriculture & aquaculture
- Strategy deployment within operations to limit global warming

Circular economy
- Production and consumption implying, leasing, reusing, repairing, refurbishing or recycling existing materials & prod.
- Development of sustainable or smart infrastructures or cities

Environmental sustainable solutions
- Model that promotes sustainable production and consumption
- Product/service innovation enabling energy efficiency, digitalisation or electrification

Environmental sustainable funding
- Providing funds to develop or improve environmentally sustainable solutions

Social objective

Socially sustainable activities contributing to a well-fuctionning society and promote better living standards

Health & wellness
- Providing health care services or products, medicines, or medical aids
- Improving people everyday life through social solutions

Social sustainable funding
- Providing funds to develop or improve socially sustainable solutions

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STEP 2: ESG AND DNSH* ANALYSIS

ESG Analysis

Internal model (+25 criteria) overseen by and compliant with the Nordic Swan Ecolabel

Exclusion
- Fossil fuel
- Coal
- Uranium
- Tobacco
- Alcohol
- Weapons
- GMO
- Gambling
- Pornography
- Violations of ethical norms (UN, OECD..)

Integration
- Valuation leads to a score of: "Outperform", "Average" and "Underperform" for each pillars (E,S&G). A company that underperforms on one of the criteria can not be investible
- Stricter criteria for issuers from high emitting industries and or critical for the biodiversity safeguard
- The Principal Adverse impacts risk factors are embedded into the analysis

Active management
- To influence issuers to further develop sustainable management and transparency in reporting practices
- Controversy monitoring model and follow-up for clarifitcation or incident

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SUSTAINABLE INVESTMENT

* Do No Significant Harm

Our sustainable investment process

According to the SFDR regulation Article 2(17)*, there are three criteria that must be met for an investment to be considered sustainable:

1. The investment contributes to a sustainable objective
2. The investment does not significantly harm any other environmental or social objective; and
3. The investee follows good governance practices

For that purpose, we have defined a pass-fail approach to determine whether an investment is sustainable. It is built as follows:

1. Identification of sustainable contribution in economic activities

The issuers must have revenue derived from products/services enabling or positively impacting one of the targeted SGDs and/or have a clearly identifiable strategy and targets that enable or positively impact one of the targeted SDGs as shown in the chart on page 7.

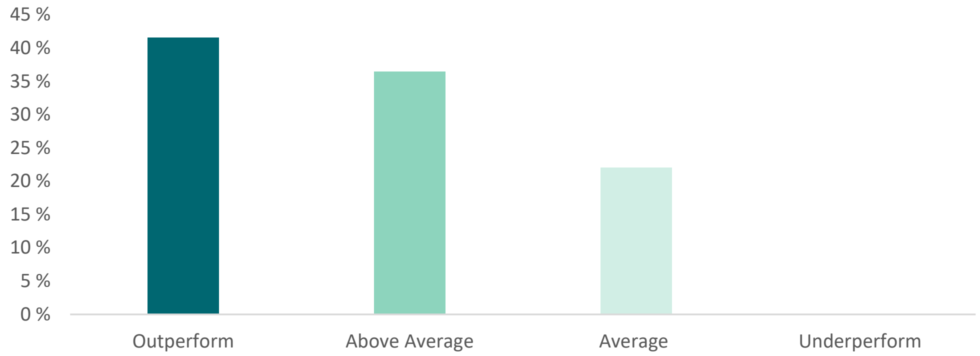
2. The ESG analysis

The issuer has to pass the ESG analysis built on exclusion criteria, inclusion criteria and engagement as described in the Fund's Exclusion Policy, Investment Policy and Engagement Policy.

We have developed a thorough internal ESG analysis model which combines the Nordic Swan Ecolabel's requirements with our own criteria.

Our internal model implies exclusion and inclusion criteria. The first step of the ESG valuation consists of reducing the investment universe according to our exclusion policy. Then, the rating criteria: "Outperform", "Average" and "Underperform" will be given for each category (Environmental, Social, Governance) before a total score is computed.

If a company receives a total score "Underperform", we will not undertake the investment, and an existing holding will be subject for exclusion and reported to the ethics committee.



Source: Pareto Asset Management

3. Do No Significant Harm (DNSH)

The fact that an investment contributes to a sustainable objective does not necessarily entail that the investment is not harmful towards other environmental or social components. Consequently, the "do no significant harm" principle requires that an investment's possible negative impacts as well as its contributions must be assessed prior to an investment decision.

To ensure that all investments made by the fund comply with the "do no significant

Article 2 (17).SFDR Article 2 (17) provides the provisions decisive for what is a sustainable investment according to SFDR.

harm" principle and follow good governance practices, the fund applies the following methodologies:

- All investments from exclusion sectors are filtered out from the fund investment universe, as such investments do not contribute to the Fund's sustainable investment objectives, may cause significant harm to environmental and/or social objectives and such investees' governance practices do not live up to the required standards.

- Issuers not filtered out in the exclusion screening process that fail the ESG analysis, including the principal adverse impact indicators on sustainability factors to the extent such information is available, are not eligible for investment. This is because the risk of the issuer causing significant harm to any environmental or social objective is unacceptable and or the investees' governance practices do not live up to the required standards. The engagement activities may impact whether the issuers pass or fail the ESG analysis.

Examples of investment cases – latest additions

Name	Orsted	Lima corporate
Description	Orsted is a leading Danish company which develops, constructs, and operates offshore and onshore wind farms, solar farms, energy storage facilities, and bioenergy plants, and provides energy products to its customers.	Lima corporate is an Italian medical device company providing reconstructive and fixation orthopedic solutions to surgeons
Sustainable objective	**Environmental objective**	**Social objective**
Sustainable contribution	By the nature of its activities in renewable energy supply, the company provides sustainable solutions that help to limit climate change and environmental issues	By offering orthopedic technology solutions to patients, Lima corporate promote health and wellness
ESG rating	**Outperform**	**Above average**
Pass/fail	Pass	Pass

Active management

Engagement and ownership have historically been an equity investor remit. Pareto ESG Global Corporate Bond is a fixed income fund, so by definition we have no voting rights. However, it is generally easier for fixed income investors to reach companies seeking debt capital. Furthermore, any effect of ESG qualities on capital allocation is more direct in the primary market, which is of larger importance in fixed income. Hence, we believe that fixed income fund managers have an important role to play in positively influencing bond issuers in the right direction.

During which, we have decided to work on strengthening our engagement process and defined a systematic way of identifying candidates to undertake or continue engagement dialogues.

Each formalised dialogue is integrated, updated and reviewed into the ESG analysis. The outcome of the engagement activities may impact the ESG rating. Engagement is not an excuse to keep companies that fall below expectations.

The investment team would expect companies to comply with our governance criteria as we are convinced that quality of corporate governance is revealed by the transparency and accountability of the firm's governance-related issues. When companies fail to comply with our expectations, divestment is an obvious option.

Access more information on our engagement policy here (external link).

Engagement dialogues

Owens-Illinois Glass

O-I Glass is an American Fortune 500 company that operates in container glass products. The company holds the position of the largest manufacturer of glass containers in North America, South America, Asia-Pacific and Europe. Approximately one of every two glass containers made worldwide is made by O-I, its affiliates, or its licensees.

O-I glass is one of the largest contributors of greenhouse gas emissions in the fund. The fund management believe that O-I glass can bring a positive contribution in climate change mitigation, provided that the management could ensure that the company is on the right and sustainable path. Although glass requires a heating process producing a significant amount of GhG emissions, glass can be recycled for infinity, unlike other materials. Moreover, OI's process of melting recycling bottles requires much less emissions than producing glass from raw materials. The company will remain in the fund and we will continue to follow their progress.

Scatec

Scatec solar is a Nordic leading renewable supplier that develops, owns, and operates renewable power plants with a focus on solar, hydro, wind power projects and other naturally related activities, including financial and physical power trading. Scatec as well as the entire solar panel industry is exposed to a risk of human rights abuse within their supply chain.
According to the International Environmental Agency, more than 70% of polysilicon – a key component of the solar panel wafers – is produced in China. Of the Chinese production, Xinjiang represents 63%, or roughly half of the global polysilicon capacity. The province Xinjiang in China is constantly alleged to have widespread use of forced labour.

Last year we had our initial conversation with Scatec, during which the company explained that they were reviewing all their contracts and had engaged specialists to develop a strategy for better traceability with suppliers and reduce the risk of human rights abuse.

Lately, Scatec has undertaken a three year programme with EcoVadis, a global management platform dedicated to assessing suppliers on key ESG aspects, including labour and human rights. This is a tool enabling Scatec to engage with suppliers. In addition, the company is collaborating with peers in order to align approaches and escalate supply chain engagement to ensure compliance. Scatec will remain on the funds' watchlist and we will continue to follow the progress.

Avaya

Avaya is an American multinational technology company headquartered in North Carolina that provides cloud communications and workstream collaboration services. The company's platform includes unified communications, contact center other services. At the end of July, Avaya suddenly announced that they expected to miss the earnings forecast by 60% and decided to fire their CEO. The audit committee at Avaya had opened internal investigations into financials results based on a whistleblower letter. The company announced, "substantial doubt about the company's ability to continue as a going concern".

At that time, Pareto ESG Global Corporate Bond held bonds in the company.
In August, disappointed by the governance, transparency, and accountability of the company, with little hope of contributing to bring these up to the required quality, the fund management team decided to sell its position in Avaya.

Hapag-Lloyd

Hapag-Lloyd is one of the worlds's leading container liner shipping companies by global market coverage. The company is headquartered in Hamburg, Germany. The shipping company operates a fleet of about 255 vessels. Hapag Lloyd aims to reach carbon neutrality by 2045 with the intermediate target to reduce CO2-intensity of the entire fleet by 30 per cent before 2030 compared to 2019.

This year we strengthend our climate requirements towards heavily emitting industries such as shipping. Hapag-Llyod has ambitious plans to mitigate GhG emissions with vessel replacements and the use of biofuel in its ships. However, results are not in line with what we would expect, based on the company's initial announcements. The company was one of our largest GhG contributors and Pareto ESG Global Corporate Bond therefore decided to exit the bond to mitigate our carbon footprint.

Sustainability indicators

The following sustainability indicators are used to measure the attainment of the sustainable investment objective of the fund:

1. Environmentally sustainable investment objective

- Investments aligned with associated SDGs
- Science-Based Targets
- Approved SBTs
- Climate action plan
- Green bonds and Sustainability-linked bonds
- Carbon footprint assessment executed by a designated third party

2. Socially sustainable investment objective

- Investments aligned with associated SDGs

Furthermore, the fund will use the principal adverse impacts on sustainability factors, where such information is available, to over time compare the portfolio's results and progress when the fund has obtained sufficient basis of comparison.

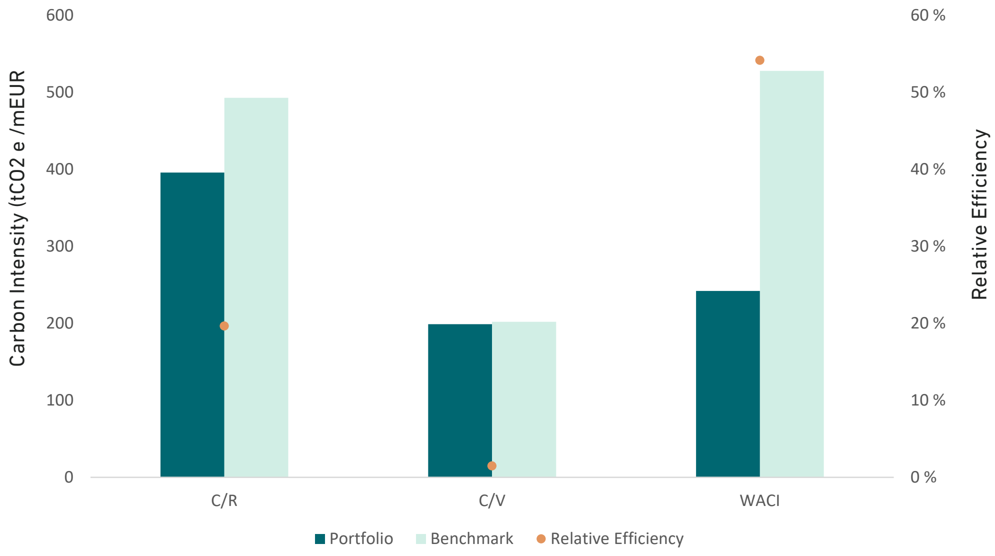
Carbon footprint

One of fund's investment objective is to create long-term positive returns relative to its risk profile, by investing in companies enabling the fund to maintain a decarbonisation trajectory. A specific approach is dedicated to mitigating exposure to climate risk by assessing companies' capability to align their activities with the Paris Agreement.

Carbon footprint monitoring

As part of our carbon emission reduction strategy, we have accredited Trucost to perform the fund's carbon footprint analysis . Trucost is part of S&P Global and extra-financial data expert. Their analysis allows us to use the latest available data in order to quantify the greenhouse gas emissions embedded within our investments, presenting them as tones of carbon dioxide equivalents (tCO2e) apportioned to our investments. These emissions may then be 'normalised' by a financial indicator (either annual revenues or value invested) in order to give a measure of carbon intensity that enables comparison between companies or benchmark, irrespective of size or geography. The metrics represent the first step towards understanding the climate-related risks and opportunities in a portfolio, as well as for engagement processes.

In 2022, Trucost concluded that the fund was less carbon intensive than the benchmark under the three common methodologies used to assess carbon footprint (carbon to revenue, carbon to value and the weighted average carbon intensity). This was due to a combination of "positive sector allocation" and "company selection". The scopes used were scope 1 and scope 2 emissions.

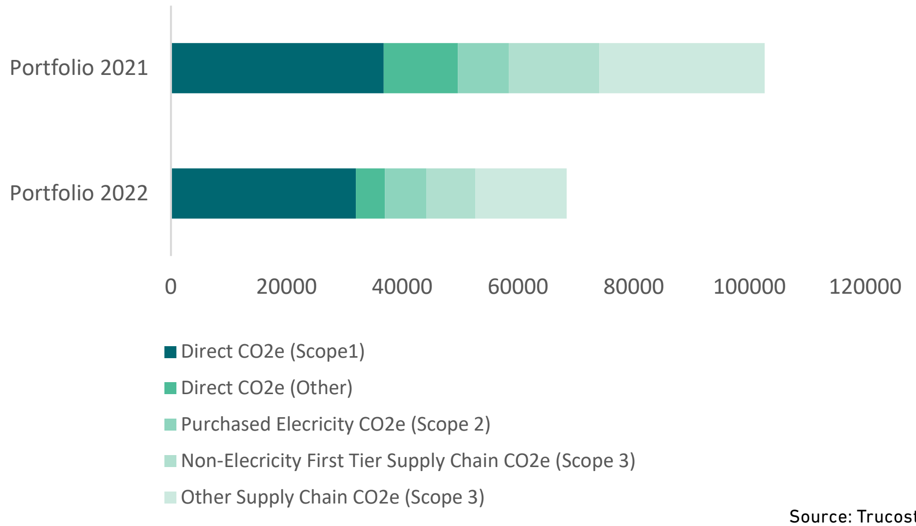


*As of December 2022

Source: Trucost S&P (complete report available upon request). Carbon to Value Invested (C/V): Dividing the apportioned CO2e by the value invested. Carbon to Revenue (C/R): Dividing the apportioned CO2e by the apportioned annual revenues. Weighted Average Carbon Intensity (WACI): Summing the product of each holding's weight in the portfolio with the company level C/R intensity (no apportioning). Apportioning, as an approach, is built on the principle of ownership. That is, if an investor owns - or in the case of debt holdings, finances 1% of a company, then they also 'own' 1% of the company's emissions. Benchmark: S&P US Dollar Global High Yield Corporate Bond.

Sustainability indicators cont.

Trucost also performed a historical comparison that highlighted the progress of the fund in reducing the fund's carbon footprint.



Source: Trucost

Fossil fuel exclusion

In accordance with the exclusion process, the fund shall not invest in, among others, holding companies which themselves or through entities they control derive 5% or more of their revenue from power generation, exploration, drilling, extraction and/or refining (for fuel) of coal (all sorts of thermal coal, e.g. lignite or anthracite), natural gas (conventional and unconventional), crude oil (conventional and unconventional), and/or uranium.

Such activities are not compatible with the environmentally sustainable objective of the fund.

High-emitting industries

Last year, we reinforced our climate change expectations to comply with the Nordic Swan Ecolabels' new requirements. The objective is for the fund management to accelerate the decarbonisation of the portfolio. The fund strives to maintain a low exposure to high greenhouse gas emitting sectors:

- Aluminium
- Aviation
- Automobiles
- Cement
- Mining
- Pulp and papers
- Shipping
- Steel

- At least 30% of the company's economic activity is aligned with the climate change objectives of the EU Taxonomy
- At least 75% of the company's capex, on average for three consecutive years, is aligned with the climate change objectives of the EU Taxonomy
- The company is in a rapid transition and has a validated 1.5 °C Science Based Target (SBT)
- The company is one of the best 15% in GHG intensity

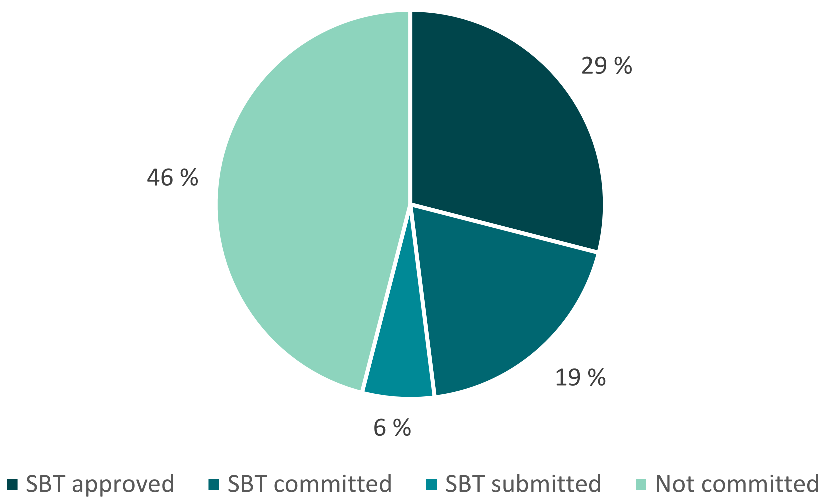
Sustainability indicators cont.

Science-Based Targets

Prior to investing, the fund managers conduct a full ESG analysis attempting to assess the climate action plan of issuers. The fund management encourages holding companies to adopt a Science-Based methodology and get an approval from the Science-Based Target Initiative. This validation brings relevance and reassures the fund management that companies can align with the recommendation of the Paris Agreement.

The fund has committed to holding a minimum of 25% of holding companies with a Science Based Targets **validated** at all times.

As of December 2022, the fund held 29% of holding companies with a Science-Based Target validated, 6% had submitted targets and were waiting for approval and 19% had made a public commitment to submitting their targets within 24 months.

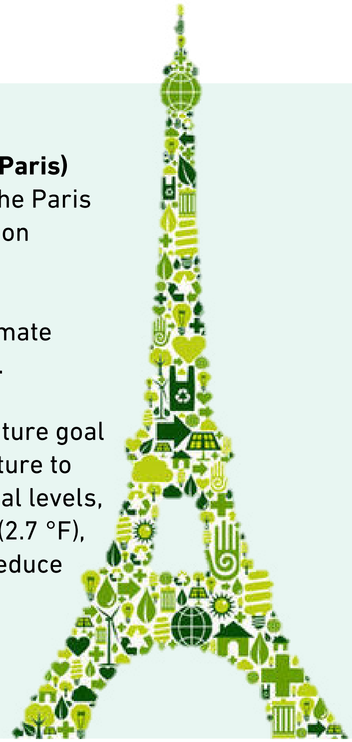


Source: Science Based Targets Initiative website

The Paris Agreement (French: Accord de Paris)
Often referred to as the Paris Accords or the Paris Climate Accords, is an international treaty on climate change.

Adopted in 2015, the agreement covers climate change mitigation, adaptation, and finance.

The Paris Agreement's long-term temperature goal is to keep the rise in mean global temperature to well below 2 °C (3.6 °F) above pre-industrial levels, and preferably limit the increase to 1.5 °C (2.7 °F), recognizing that this would substantially reduce the effects of climate change.

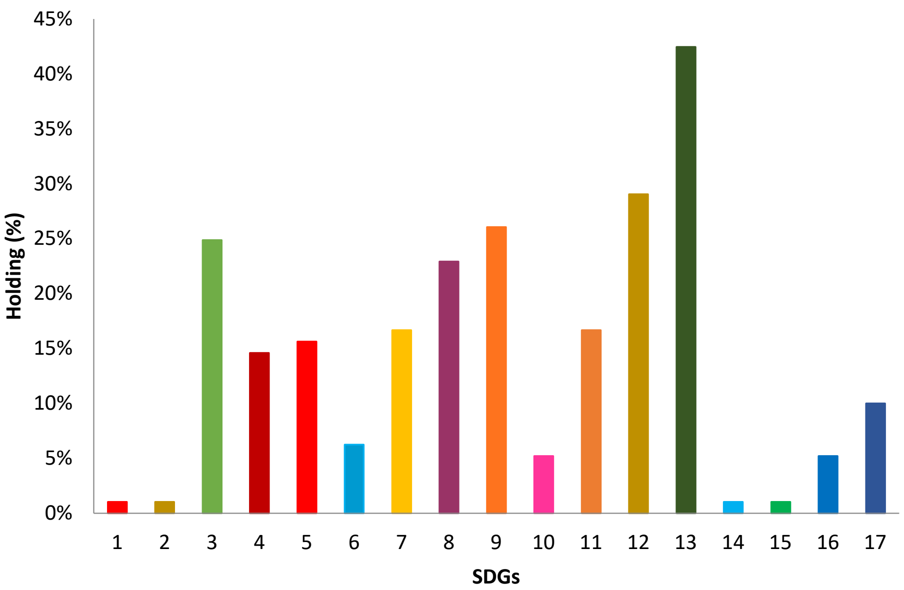


The Science Based Targets initiative ("SBTi")
An alliance created between CDP ("The Carbon Disclosure Project"), the United Nations Global Compact, the World Resources Institute (WRI) and the World Wide Fund for Nature (WWF).
The initiative ensures that companies' net-zero targets are consistent by assessing the robustness of climate action plans via science-based methodologies.

Sustainability indicators cont.

Sustainable Development Goals

The fund has one environmentally sustainable investment objective and one socially sustainable investment objective. Both sustainable investment objectives have connections to the 2030 Agenda for Sustainable Development with the 17 Sustainable Development Goals ("SDGs").



Source: Internal process based on companies reporting and research

As referred to in the section "Sustainable investments", the fund has established several environmentally or socially sustainable activities. Each activity contributes to the achievement of at least one SDG and implies clear materiality through concrete actions, investments or income generation achieved by the companies.

Green and sustainability-linked bonds

The concept of green bonds has been growing in popularity over the past years. This is the result of concerns about the negative impacts of climate change. This segment of the bond universe has gained recognition through its potential in enabling entities to get and manage financing to improve sustainability in their operations. This instrument, though, has attracted severe criticism from investors questioning the green aspect of certain bonds. The emergence of Sustainability-Linked Bonds ("SLBs") is perceived by certain investors as a way to prevent greenwashing and abuses related to the use of proceeds.

In 2019, following the path of the Sustainability Linked-Loans, the first Sustainability-Linked Bond was issued by the Italian energy distributor ENEL. The International Capital Market Association ("ICMA") defines SLBs as any type of bond instrument for which the financial and/or structural characteristics can vary depending on whether the issuer achieves predefined sustainability or ESG objectives. Although SLBs is a viable alternative, the instruments present some limits.

The "regular" Green Bond framework enables us to measure the impact of our investments via specific projects, whereas for the SLBs, targets are set up at the company level making the investment impact difficult to follow. Our investment strategy strives to deliver a positive impact on society.

Green bonds and SLBs will both remain among our tools to allocate assets in a sustainable manner. As investors, we acknowledge that it is our duty to do our best to assess the bond framework, second-party opinion and the capability of companies in reaching the pre-established sustainability targets. For us, this analysis is the only way to prevent green-washing in relation to Green bonds and SLBs.

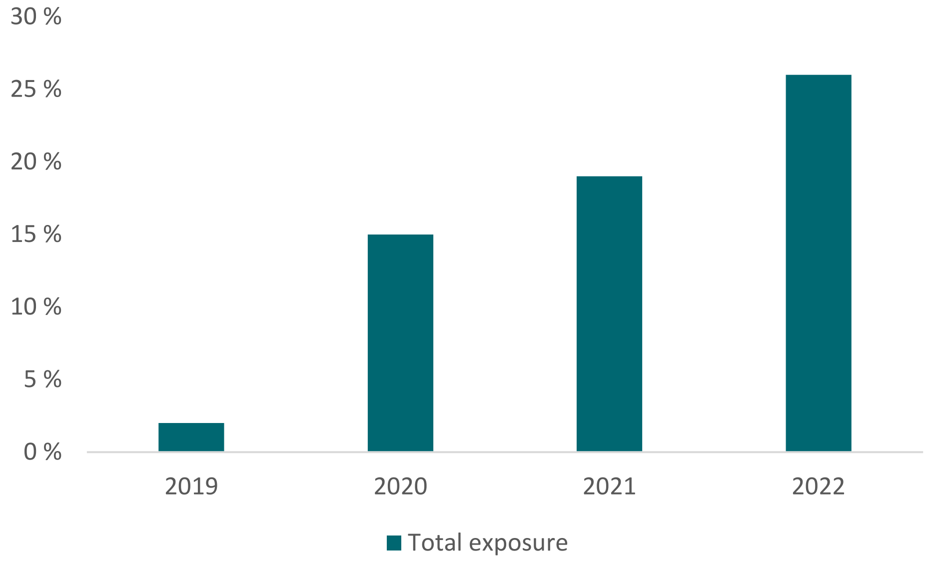
During the period, we have taken part in several green and sustainable issuances.

Sustainability indicators cont.

The need for climate change mitigation led the market to offer a broader spectrum of sustainable opportunities.

In 2022, we managed to increase the proportion of our green and Sustainability Linked Bonds by 7% to reach a total exposure of 26%.

Green debt evolution



Source: Bloomberg

Biodiversity

In 2022, The United Nations Biodiversity conference (COP15) took place in Montreal, Canada. This resulted in the Kunming-Montreal Global Biodiversity framework ("GBF") that has the ambition to halt and restore 30% of the planet's surface by 2030.

Biodiversity and climate change – to be tackled together

Unlike climate (directly translated into temperature rising due to greenhouse gas emissions), the negative impact on biodiversity is quite complex to anticipate. Moreover, without the right metrics it is difficult to measure outcomes and progress on biodiversity loss.

However, the safeguarding of healthy ecosystems and species is critical for limiting global warming. According to the IPCC, around half of the greenhouse gas emissions remain in the atmosphere while the other half is absorbed by land and ocean habitats. Consequently, the two are interconnected and combating climate change is part of the solution to preserve biodiversity.

Our approach to biodiversity safeguarding

Overall, the fund management encourages all issuers to develop and improve practices in operations to halt and restore biodiversity. Further, several components within the Principal Adverse Impact analysis directly and/or indirectly emphasize the importance to conserve and preserve biodiversity.
In accordance with the Nordic Swan Ecolabel framework, the following sectors are considered critical for the conservation and sustainable use of biodiversity:

- Agriculture
- Fishery and aquaculture
- Construction and infrastructure
- Forestry and logging
- Shipping

Biodiversity is related to environmental issues; companies which themselves or through entities they control derive 30% or more of their revenue from the above-mentioned sectors must obtain the maximum score of "outperform" on the Environmental pillar in our internal rating (as described on page 11). Otherwise, the fund will engage systematically and targeted to stimulate the company towards conservation and the sustainable use of biodiversity. The engagement progress will be measured against the goals and milestones as decided and described in the annual sustainability report.

Top 10 holdings

	Company description	Sustainable development	Sustainability risk	Link to website	Weight (%)
The Biofore Company UPM	UPM leads the forest-based bioindustry into a sustainable, innovation-driven, and exciting future across six business areas.	In 2020, UPM received the validation by the Science Based Targets Initiative for 2030 responsibility target to decrease the CO2 emissions by 65%. UPM was listed as the most sustainable company of the Paper and Forest Products industry in the Dow Jones World Sustainability Index (DJSI) for 2021–2022.	Changes in operating environment	upm.com	3.4%
HANNON ARMSTRONG	Hannon Armstrong is the first U.S. public company solely dedicated to investments in climate solutions, providing capital to leading companies in energy efficiency, renewable energy, and other sustainable infrastructure markets.	Last year, Hannon Armstrong invested $1.7b in climate solutions. The company joined the Net Zero Asset Managers Initiative and is one of the first investment manager to submit a science-based methodology to the Science-Based Targets Initiative.	Data security	hannonarmstrong.com	3.3%
GETLINK	Getlink (Eurotunnel Group's new corporate brand) is a key player in mobility infrastructures, international transport and leader in eco-responsible transport.	Getlink 2025 action plan aims to reduce direct CO2 emissions by 30% and received approval from the Science-Based Targets Initiative.	Changes in post-Brexit regulations	getlinkgroup.com	2.7%
profine INTERNATIONAL PROFILE GROUP	Profine manufactures plastic window profiles. This German company offers products such as window ventilation, shutter, and screening systems, colour and decor layouts, residential doors, and PVC sheets.	Profine is a founding partner and shareholder of the industry-wide PVC window recycling initiative, which promotes innovation for better energy efficiency.	Changes in operating environment	profine-group.com	2.5%
IRON MOUNTAIN®	Iron mountain is dedicated to storing, protecting, managing information destruction, and data backup and recovery services.	Iron Mountain is listed on the FTSE4Good Index for meeting globally recognized corporate social responsibility standards and joined the RE100 and committed to 100 per cent renewable energy and to reducing greenhouse gas emissions.	Data security and privacy	ironmountain.com	2.5%

Updated: 31 December 2022

	Company description	Sustainable development	Sustainability risk	Link to website	Weight (%)
Scan Global Logistics	A global logistics organisation offering a complete range of transport and logistics, focusing on providing personal advice and tailor-made logistics solutions.	Scan Global Logistics provides freight forwarding services worldwide. The company operates through four segments: Air, Sea, Road, and Solution. Scan Global Logistics is part of the Exponential Roadmap Initiative 1.5°C and commits to the Science-Based Targets Initiative.	Environmental impact and economic instability	scangl.com	2.2%
Virgin Media	Virgin Media Limited is a British company which provides telephone, television, and internet services in the United Kingdom.	In 2021, Virgin Media launched the 2025 sustainability strategy. A zero-waste operation and net zero emission on scope 1 and 2.	Dependence on regulatory approvals for telecom licenses	virginmedia.com	2.2%
Owens-Illinois	O-I Glass, is an American Fortune 500 company that operates in container glass products. Approximately one of every two glass containers made worldwide.	O-I Glass was the first packaging company to obtain the validation from the Science-Based Targets Initiative to reduce scope 1 and 2 GhG emissions by 25% by 2030.	Dependence on municipalities lobbying on bank deposit for bottles collection	OI-glass.com	2.2%
Picard	Picard is the leading French company operating in the manufacture and retail distribution of premium frozen products.	Picard aims to reduce carbon emissions through the value chain and was among the first food distributors to commit to the Freight 21 approach, a system created by the ecological transition agency ADEME to support companies in reducing carbon footprint.	Ownership concentration	picard.fr	2.2%
Catalent	Catalent is a multinational corporation that provides delivery technologies and development solutions for drugs, biologics, and consumer health products.	In 2021, Catalent already achieved the initial goal of reducing its site-based carbon emissions by 15% by fiscal 2023. Catalent is working on a zero waste landfill to be reached in 2024.	Regulatory changes	catalent.com	2.2%

Signatory of:

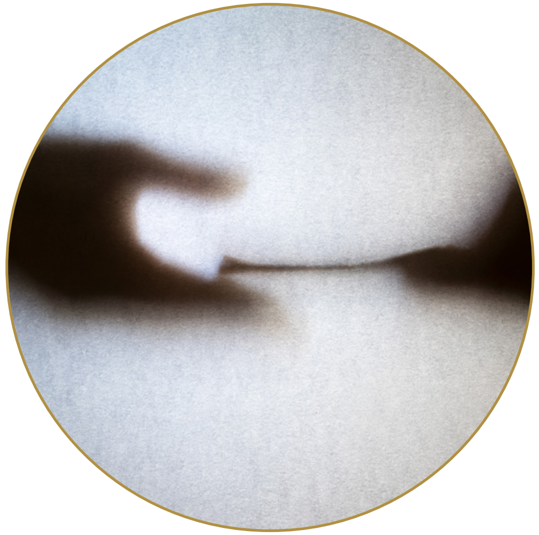
PRI Principles for Responsible Investment

Environment

- Climate changes
- Emissions of greenhouse gases
- Resource extraction
- Waste management and pollution
- Deforestation

Society

- Responsible working conditions
- Child labour and slavery
- Local and indigenous communities
- Conflicts
- Health and safety



Corporate governance

- Corruption
- Lobby activities and donations
- Board composition and diversity
- Tax strategy
- Management salary

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