

## **Responsible Investment Policy for Pareto Alternative Investments (PAI)**

PAI focuses on illiquid investments in real assets across industries including real estate, infrastructure, shipping, offshore /oil services and renewables. The primary investment target is to generate attractive returns through long-term and stable cash flows. The products offered by PAI comprise of both equity and debt investments.

PAI generally has a position as a majority owner or sole owner of real assets, as well as a position as majority or sole lender to companies owning real assets. Therefore, PAI believes it has a responsibility towards society, as well as its investors, to ensure that such real assets are built, operated and managed in a responsible manner.

To reflect this, PAI has adopted this Responsible Investment Policy.

### **1 Responsible Investment Policy**

PAI's policy is:

- i) At all times to act as a responsible owner or lender promoting appropriate environmental, social and governance standards in its investments.

and

- ii) To consider environmental, social and governance issues, as part of its due diligence when assessing new investment opportunities and to monitor the performance of such issues during its period of involvement.

PAI is a signatory to the United Nations Principles for Responsible Investment (PRI) and will align with the standards promoted by PRI, as well as other international conventions and standards that may be applicable to its investments.

### **2 Responsible Investment Governance**

An essential part of PAI's value creation is the governance of its investments, be it through board representation in companies owning real assets, or through involvement with asset owning companies as majority lender. PAI has established the following guidance and recommendations related to environmental, social and governance ("ESG") matters for its portfolio investments:

- ESG should be part of each investment's agenda, including projects and targets to improve the performance on ESG matters. Such projects and targets may be asset specific to improve on ESG performance, but may also involve tenants and other counterparts to promote responsible investment practices
- If potential ESG risks are identified in the investment process or later, such risks shall be addressed and reported to the relevant decision-making bodies in PAI or the mandates managed by PAI
- PAI's portfolio investments shall comply with applicable local and international laws and regulations, and, where appropriate, align with relevant international principles
- PAI promotes transparency on ESG matters and appropriate disclosure from its investments to enable a corresponding transparency towards PAI's investors and stakeholders

- As a lender to real assets, PAI shall endeavor to incorporate appropriate ESG factors into loan agreements and compliance requirements for its borrowers

### **3 Responsible Investment Factors**

#### **3.1 Environment**

PAI aims to promote an appropriate level of environmental awareness and sound environmental practices for all stakeholders in its investments, including external managers and tenants. This includes:

- Compliance with relevant local and international environmental standards and legislation
- Energy efficiency, sound resource management and pollution prevention
- Monitoring of other material environmental issues
- Supporting value-creating investments, measures and activities that help reduce the environmental impact of its investments

#### **3.2 Social**

PAI aims to promote sound labor and human rights practices for all stakeholders in its investments, including external managers and tenants. This includes:

- Safe and healthy working conditions
- Awareness and compliance with international conventions on human rights
- The elimination of child labor
- Respecting employees' right to freedom of association and collective bargaining in accordance with local labor laws
- Avoiding discrimination based on age, race, gender, religion, sexual orientation or disability
- Complying with international conventions on human rights
- Seeking positive involvement with stakeholders and community

#### **3.3 Governance:**

PAI aims to promote sound governance practices for all stakeholders in the assets it is invested in, including external managers and tenants. This includes:

- Promoting awareness and compliance with relevant laws and regulation
- Avoiding corruption and unethical business practices
- Promote high standards of business ethics

### **4 Responsible Investment Analysis**

When considering the attractiveness and return potential of any investment opportunity, PAI conducts a comprehensive investment analysis. As part of such analysis, PAI considers and identifies performance on relevant ESG factors ("ESG Analysis"). PAI's approach is not only to mitigate risks, but also to find opportunities for return enhancement through various measures, for example through reducing waste, reducing energy usage, among others.

The outcome of the ESG Analysis will be documented in the overall review of the investment opportunity by the relevant investment decision-making body for the mandates managed by PAI.

## **5 Climate Strategy**

PAI has developed a strategy to deal with the risks and opportunities that will emerge from the expected climate changes. The strategy uses the framework developed by the Task Force for Climate-Related Disclosures (TCFD) and deals with risks and opportunities from physical climate changes, as well as transitional risks and opportunities emanating from changes in policies, regulations, markets, technology and reputation in connection with climate change. The strategy has two components; one for PAI as fund manager and one for the portfolios managed by PAI.

The climate strategy is a tool to enable PAI to develop its business in the long-term, recognizing that climate change will play a large part in the future for fund managers. The managing director is responsible for the annual review of the climate strategy.

## **6 Resources, organization and reporting**

The Board of Directors will oversee PAI's performance relative to its Responsible Investment Policy and set goals and targets to be reviewed annually. The senior officers of PAI have responsibility to implement ESG factors in its investment activities and to ensure that adequate reporting of ESG performance is provided to its Board of Directors, as well as to investors.

This Responsible Investment Policy may be amended from time to time.