

SUSTAINABILITY RELATED PRODUCT DISCLOSURES FOR PARETO REAL ESTATE CREDIT FUND SCSP

Summary

Pareto Real Estate Credit Fund SCSp (hereinafter the **Fund**) is an alternative investment fund that promotes, among other characteristics, a combination of environmental or social characteristics, and that is therefore covered by article 8 of Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (the **SFDR**) and its implementing measures in Commission Delegated Regulation (EU) 2022/1288 with regulatory technical standards (the **SFDR RTS**). A sustainability-related product disclosure section is therefore required to be included on the alternative investment fund managers website, pursuant to article 10 of SFDR. The below paragraphs provide the information as required under that article.

The overarching objective of the Fund is to generate the highest possible risk-adjusted return for the investors. In the view of the external alternative investment fund manager, Langham Hall Management S.à.r.l. (the **External AIFM**), that will be supported by Pareto Alternative Investment AS (the **Investment Adviser**), the integration of ESG considerations in the investment strategy is a key component to achieve this objective.

The Investment Adviser will therefore, for all potential investments and as an integral part of the Fund's investment strategy, perform an ESG due diligence and analysis. The ESG due diligence and analysis is included in the basis for investment decisions, as grounds for including any sustainability-linked terms in the loan documentation, and for ESG-related involvement throughout the investment period. In particular, the real estate debt in which the Fund invests will as a main rule be issued in line with the Sustainability-Linked Bond Principles (**SLBP**). Although the Investment Adviser promote a more sustainable real estate through sustainability-linked terms, these would not typically qualify as sustainable investments in accordance with SFDR.

No sustainable investment objective

This financial product promotes environmental or social characteristics, but does not have as its objective sustainable investment.

Environmental and social characteristics of the financial product

The following environmental and social characteristics are promoted by the Fund:

The Investment Adviser will for all potential investments perform an ESG due diligence and analysis, with the aim of identifying:

- ESG risks
- Potential significant negative environmental or social impacts of an investment
- Potential for improvements in the ESG area

The ESG analysis is included in the basis for investment decisions, and (i) may lead to the AIFM deciding not to carry out an investment (for example if there is an unmanageable ESG risk), (ii) constitute part of the grounds for selecting a certain investment and/or (iii) be used as a basis for ESG-related involvement throughout the investment period.

In particular, the Investment Adviser will on the basis of ESG-related parameters identified in the ESG due diligence analysis as a main rule provide for sustainability-linked terms in the loan documentation. Such terms are intended to incentivise the issuers to achieve quantitative, pre-determined and regularly monitored sustainability objectives, and thereby contribute to a transition to environmentally or socially sustainable real estate through e.g. improved energy efficiency, reduced water usage, waste recycling, green building materials, climate resilience and green mobility, among others.

The Fund does not currently consider the principal adverse impacts (PAI) of its investments on sustainability factors as the AIFM assisted by the Investment Advisor cannot assure that all companies it will invest in will have clear and robust data capture systems in place that are necessary to report on PAI. The AIFM assisted by the Investment Advisor will regularly review this decision and reconsider once data from the portfolio companies become sufficiently available such that the RTS recommended content, methodologies, and presentation of information can be accurately implemented without overestimation, and/or it becomes mandatory due to a change in regulation.

Investment strategy

The overarching objective of the Fund is to generate the highest possible risk-adjusted return for the investors. In the Investment Adviser's view, the integration of ESG considerations in the investment strategy is a key component to achieve this objective. ESG factors are integrated and considered in the following manner:

The Investment Adviser will for all potential investments perform an ESG due diligence and analysis with the aim of identifying ESG risks, potential significant ESG-related impacts of an investments as well as potential for improvement in the ESG-area. The AIFM and Investment Adviser will in particular obtain information about the following ESG-related parameters in relation to the underlying real estate assets as part of the ESG due diligence and analysis:

- Energy efficiency (KWh/m² per year energy use)
- Energy mix and alternative energy sources (such as solar PV panels, district heating and biofuels)
- Green mobility
- Climate resilience

- Waste handling
- Water usage (cubic metres of water usage per employee or square metre)
- Working conditions (such as air quality, temperature regulation, lighting and acoustics)
- Nature preservation
- Building materials

The assessment of good governance practices is also part of the ESG analysis, in which the Investment Adviser assesses selected governance related indicators, including whether the issuer has established a policy for social responsibility (covering i.a. social dumping, human rights, equality and diversity), and whether policies and routines for corporate governance have been established.

The ESG due diligence and analysis part of the basis for investment decisions and be used as a basis for ESG-related involvement throughout the investment period:

- (i) Where an investment is deemed to be exposed to unmanageable sustainability risks, this will result in an exclusion of the investment. Whether the risks are unmanageable is determined on the basis of an overall assessment. Such exclusions and the parameters will in each case be documented.
- (ii) As further described below, the Investment Adviser will as a main rule select investment prospects with the potential to contribute to a transition to a more environmentally sustainable real estate, either through mitigation of adverse impacts or through positive contributions.
- (iii) As further described below, the Investment Adviser will on the basis of parameters identified in the ESG analysis establish sustainability terms in the loan documentation in order to incentivise such transitions.

The Investment Adviser will on the basis of information obtained in the ESG analysis attempt to identify which parameters incentivise a transition to more environmentally sustainable real estate.

Normally, the Fund will in the loan documentation establish Key Performance Indicators (KPIs) that act as objective, measurable metrics that can be used to measure the performance of selected indicators. Sustainability Performance Targets (SPTs) will then be established, which represent measurable improvements in KPIs to which the issuers commit to within a predefined timeline. KPIs can include a decrease of energy consumption in the property or a property certification such as BREEAM-NOR or BREEAM In-Use. SPTs will then be set to incentivize the issuer to work towards a measurable improvement and towards a more sustainable real estate.

The KPIs and SPTs will relate to the relevant factors identified in the ESG due diligence and analysis as described above, and will be tailored to each property's current status and type of use to ensure that the improvements are meaningful to the stakeholders.

Such loan documentation will have structural characteristics that incentivise the issuers to reach the SPTs, which will trigger a financial and/or structural impact involving trigger events. This may be in the form of variation of the coupon, targeted capex tranches, as well as other positive or negative variations relating to loan repayment or represent an event of default.

The loan documentation will include reporting obligations towards the Fund on the KPIs and the performance relative to the SPTs, enabling the Investment Adviser to monitor performance, as well as report portfolio performance to its investors in an annual ESG report.

The ESG due diligence and analysis will also be used as a basis for other ESG-related involvement throughout the investment period.

Proportion of investment

The AIFM and Investment Adviser will implement the ESG approach in relation to all potential investments, which entails that 100 % of the investments will be aligned with the promoted environmental and social characteristics. The approach, as outlined above, includes an ESG due diligence and analysis of all potential investments and that sustainability-linked terms, as a main rule, will be provided for in the loan documentation. Further, the Fund will not make any sustainable investments as defined in the SFDR and/or EU Taxonomy.

Monitoring of environmental or social characteristics

The Investment Advisor monitors the attainment of each of the above mentioned environmental and social characteristics throughout the investment decision making process:

- Has the Fund made investments with unacceptable sustainability risks or significant negative sustainability effects?
- The number of investments where the loan documentation provided for sustainability-linked terms, such as sustainability related Key Performance Indicators (KPIs) and Sustainability Performance Targets (SPTs).
- Results of sustainability-linked loan terms and other ongoing involvement, including the measurable improvements in KPIs and any STPs reached by issuers within the predefined timeline as reflected in regular (annual) reporting.

Methodologies of environmental or social characteristics The ESG due diligence analysis for each potential investment, including the assessment made in relation to the above parameters, will be documented for each potential investment in the Investment Adviser's internal systems.

The attainment of sustainability-related loan terms will be subject to ongoing monitoring, and regular (annual) reports to investors will be prepared. Such reports will show performance in relation to the KPIs and STPs, including measurable improvements in KPIs and any STPs reached by issuers within the predefined timeline.

Data sources and processing

Information on ESG factors and risks will as a main rule be obtained directly from the potential investees (issuers of real estate debt), and processed by the Investment Adviser as part of the ESG due diligence and analysis. The Investment Adviser will, through dialogue with potential investees, seek to ensure that the data collected is of the highest possible quality. Estimations will be used in situations where it is not possible or unduly burdensome to obtain observable data. Such estimations will be based on the Investment Advisers experience with similar companies, and will aim to reflect the actual as closely as possible.

Limitations to methodologies and data

The methodologies and data described above have limitations, including that estimations, which are less reliable than observable data, may be used and that observable data will in most cases not be verified by external third party sources.

However, the ESG due diligence and analysis will in any event be integrated in the investment process with respect to any potential investments and sustainability-linked terms will as a main rule be included in the loan documentation. As the integration of these ESG factors are the environmental and social characteristic promoted by the Fund, these limitations do not affect the characteristics promoted.

Due diligence

As further described above, the Investment Adviser will for every potential investment, perform an ESG due diligence and analyses of potential investees. As a result of this analysis and screening, the Investment Adviser may firstly exclude companies which are assessed to be exposed to unmanageable sustainability risks. As a main rule, the Investment Adviser will seek to make investments that have potential to make contributions to a transition to environmentally or socially sustainable real estate, either through mitigation of adverse impacts or through positive contributions. Further, the Investment Adviser will on the basis of parameters identified in the ESG due diligence and analysis process establish sustainability terms in the loan documentation in order to incentivise such transitions.

The ESG assessment will usually be performed by the Investment Adviser. No established controls of the process has been established, but the screening and analysis process may be subject to monitoring and review by the Board of Directors of the Investment Adviser, External AIFM or of the Fund.

Engagement policies

The ESG due diligence and analysis will be used as a basis for other ESG-related involvement throughout the investment period. The Investment Adviser will support underlying properties and promote ESG-related factors through dialogue with the management of the properties. The Investment Adviser will may engage with underlying properties inter alia to:

- encourage increased focus on ESG factors, including the implementation of ESG policies and practices in the underlying properties;

- influence the properties to reduce adverse impact on ESG factors;
- increase understanding and integration of ESG related risks in the properties; and/or
- improve ESG disclosures and reporting from the properties.

Below follows a translation of the Summary section in German. If any differences exist between the below and the English version of the Summary or in case of any errors in the below German translation, the English version shall prevail.

Der Pareto Real Estate Credit Fund SCSp (im Folgenden der Fonds) ist ein alternativer Investmentfonds, der neben anderen Merkmalen eine Kombination aus ökologischen oder sozialen Merkmalen fördert und daher unter Artikel 8 der Verordnung (EU) 2019/2088 über nachhaltigkeitsbezogene Offenlegungspflichten im Finanzdienstleistungssektor (die SFDR) und ihre Durchführungsmaßnahmen in der Delegierten Verordnung (EU) 2022/1288 der Kommission mit technischen Regulierungsstandards (die SFDR RTS) fällt. Daher muss gemäß Artikel 10 der SFDR ein Abschnitt zur Offenlegung nachhaltigkeitsbezogener Produkte auf der Website des Managers alternativer Investmentfonds enthalten sein. Die folgenden Absätze enthalten die Informationen, die gemäß diesem Artikel erforderlich sind.

Das übergeordnete Ziel des Fonds ist die Erwirtschaftung der höchstmöglichen risikobereinigten Rendite für die Anleger. Nach Ansicht des externen Verwalters alternativer Investmentfonds, Langham Hall Management S.à.r.l., (der externe AIFM), der von Pareto Alternative Investment AS (der Anlageberater) unterstützt wird, die Integration von ESG-Überlegungen in die Anlagestrategie ist eine Schlüsselkomponente, um dieses Ziel zu erreichen.

Der Anlageberater wird daher für alle potenziellen Anlagen und als integralen Bestandteil der Anlagestrategie des Fonds eine ESG-Due-Diligence und -Analyse durchführen. Die ESG-Due-Diligence und -Analyse wird in die Grundlage für Investitionsentscheidungen aufgenommen, als Begründung für die Aufnahme von nachhaltigkeitsbezogenen Bedingungen in die Kreditdokumentation und für die ESG-bezogene Einbeziehung während des gesamten Investitionszeitraums. Insbesondere werden die Immobilienanleihen, in die der Fonds investiert, grundsätzlich in Übereinstimmung mit den Sustainability-Linked Bond Principles (SLBP) begeben. Obwohl der Anlageberater nachhaltigere Immobilien durch nachhaltigkeitsbezogene Begriffe fördert, würden diese in der Regel nicht als nachhaltige Anlagen gemäß SFDR gelten.

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