No consideration of adverse impacts of investment decisions on sustainability factors

Article 4 of the EU Sustainable Finance Disclosure Regulations ("SFDR") requires a "comply or explain" decision on whether to consider principal adverse impacts (PAIs) of our investment decisions on sustainable factors. As permitted under Article 4 of SFDR, REQ Capital AS and REQ Alternative Investment AS (to be merged), hereby referred to as "REQ", has decided not to consider PAIs at present. REQ is therefore required to publish and maintain on our website a statement to explain our reasons for not considering PAIs, and information as to whether and when we intend to consider PAIs.

REQ offers long only equity funds and real estate funds. Currently, there is limited data availability from the companies and assets we invest in, making it challenging to comply with the PAI regime of the SFDR. We continue to monitor data availability to reevaluate our decision to consider Principle Adverse Impacts at entry level. At the moment we do not consider Principle Adverse Impacts.

Listed Equities

When investing in listed equities, we evaluate and monitor indicators that suggest the presence of material negative impacts. We address potential negative impacts by working closely with the companies. We intend to address and identify material adverse impacts through various sources, including annual reports, as well as interaction with management and analysts. At present, we apply an exclusion list of controversial industries based on the company exclusion criteria used by the Council on Ethics for the Government Pension Fund Global, which excludes, for example, producers of coal and coal-based energy. In addition, our funds will have no pure exposure to economic activities associated with nuclear energy production, no pure ownership of fossil fuel reserves, no pure involvement in the production or sale of tobacco or military weapons, and no pure activities in gambling or pornography. We have chosen to exclude several sectors where we believe that the companies comprising these sectors will eventually face intense pressure from consumers, regulators, and society as a whole. These pressures will ultimately result in negative pressure on growth, margins, return on capital, and cost of capital.

Real Estate

Notwithstanding REQ's decision not to comply with the PAI regime, we have selected four focus areas for our direct investment within real estate, based on the following PAIs; water, waste, exposure to fossil fuels through real estate assets and exposure to energy-inefficient real estate assets.

We have developed policies and procedures to identify, prioritise and ensure that the mentioned focus areas are taken into account when making investment decisions and when monitoring and engaging with investments. We have also implemented a screening/exclusion list in order to exclude investments, tenants or products that are associated with significant risks and liabilities from an ESG perspective, and may cause social, environmental or health related harm.

We will continously assess the development of ESG information and data in the real estate sector, and whether such information is readily available in such a way that REQ is able to report on the mandatory PAI indicators in a satisfactory and cost efficient manner.