

SUSTAINABILITY-RELATED DISCLOSURES

Summary

REQ Capital is a long-term investor that seeks to invest in companies that achieve profitable and sustainable growth over time. We believe that long-term growth is based on sustainable value creation.

REQ Capital's Funds are classified as Article 8 funds according to SFDR and the EU Taxonomy, and promote environmental and social characteristics. REQ Capital's Funds promote environmental and social characteristics, including by taking sustainability into account in investment decisions, both as part of the assessment of a company and through the use of exclusion lists. While the Fund promotes environmental and social characteristics within the meaning of Article 8 of the SFDR, it does not currently commit to investing in any «sustainable investments» within the meaning of SFDR.

Our two funds, REQ Global Compounders and REQ Nordic Compounders, follow REQ Capital's policy for responsible investments. The policy is based on high-level principles. All portfolio managers incorporate these high-level principles into their decision making and document their compliance. The responsible investment policy reflects REQ Capital's commitment to its investors, employees, and all other stakeholders. We define responsible investments as investments that integrate ESG criteria into the investment process. We believe that companies that proactively engage in sustainable development gain a competitive advantage over time. Therefore, we believe ESG factors are critical for sustainable value creation, and for generating value to shareholders.

No sustainable investment objective

While the Fund promotes environmental and social characteristics within the meaning of Article 8 of the SFDR, it does not currently commit to investing in any "sustainable investments" within the meaning of the SFDR.

Environmental or Social ("E/S") characteristics of the financial product

The Fund promotes environmental and social characteristics, including by taking sustainability into account in investment decisions, both as part of the assessment of a company and through the use of exclusion lists, as described in further detail below. In particular, the Fund directly promotes the following environmental characteristics through the use of environmental exclusion criteria:

1. Climate change mitigation
2. Affordable and clean energy
3. Climate change adaptation
4. The transition to a circular economy
5. Pollution prevention
6. Lower deforestation

The Fund directly promotes the following social characteristics:

1. Durable corporate cultures
2. Decent work and economic growth
3. Reduced inequalities
4. Good corporate governance

5. Health and well-being in society
6. The promotion of human rights

Investment strategy

The Fund is a long-only fund which invests in the equity of companies across all market capitalizations and all market sectors. The Fund will seek to invest in companies referred to as “Compounders”, which are companies that reinvest cash flow at high returns over long periods of time.

In identifying companies to invest in, the Investment Manager will focus on companies which, in its opinion, exhibit long-term growth prospects. The Investment Manager seeks to identify such companies by taking into account qualitative criteria, including excellent management teams and strong corporate cultures, proactive engagement in sustainable development and management teams led by the initial founders.

With the growth-oriented profile of the Fund, the Investment Manager will take sustainability into account in investment decisions, both as part of its assessment of a company and through the use of exclusion lists. The REQ Capital investment philosophy is based on the fact that companies which engage proactively in sustainable development gain a competitive advantage and that, by incorporating sustainability into the investment process, sustainability risks are unlikely to have a material negative impact on the investments of the Fund.

When assessing a company, the Investment Manager will consider whether the company’s management team understands the issues of sustainable development and takes responsibility in a proactive way. The Investment Manager will also look at issues such as diversity, in terms of sex, age, ethnicity, labour contracts, and sensible incentive schemes when assessing the company’s management. The Investment Manager will aim to discover how companies measure sustainability and how they actively orient themselves in order to improve on sustainable issues. This will be achieved, for example, by looking at the key performance indicators that the company has in place, confirming whether the company adheres to any international environmental agreements, meeting and questioning management and reviewing annual reports. The Fund will, as an active owner, put sustainability high on the agenda.

As part of its due diligence process, the Investment Manager will seek to identify companies which are led by their initial founders. Founder-led companies tend to take social and environmental aspects more seriously than companies that are purely institutionally owned. For the avoidance of doubt, the Fund may invest in companies that are purely institutionally owned, provided that such companies take social and environmental aspects seriously. By investing in many founder-led companies where the founders or owners have a generational perspective, sustainability aspects should be taken more into account.

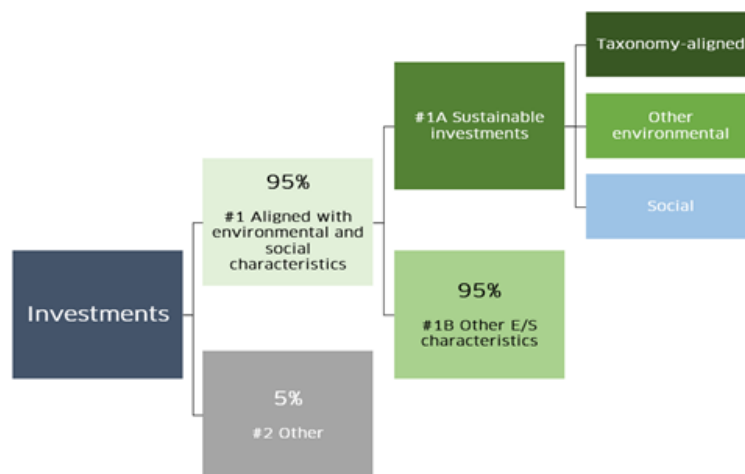
The Fund is actively managed and is not constrained by a reference benchmark.

Proportion of investments used to meet E/S characteristics

The investments of this financial product are expected to directly promote both environmental and/or social characteristics through its investment strategy, but without a minimum commitment of sustainable investments.

The Fund will from time to time have investments that are included under “#2 Other”, which may include cash and cash equivalents (including UCITS eligible money market funds, UCITS eligible passive index tracking ETFs and cash deposits and near cash instruments, such as bank certificates of deposit or bank deposits with credit institutions).

With regard to any minimum environmental or social safeguards applied to these investments, the Investment Manager will continuously assess the risk related to holding such investments, and apply a cautious approach towards investing in such securities.



Monitoring of E/S characteristics

The Investment Manager follows a risk assessment framework which assesses the corporate governance practices of its investee companies prior to making financial investments. This risk assessment framework and corresponding company evaluations are updated at a minimum of once per year. The Fund only invests in companies that follow good governance principles.

Methodologies

REQ Capital’s Funds follow REQ Capital’s policy for responsible investments. The policy is based on high-level principles. All portfolio managers incorporate these high-level principles into their decision making and document their compliance. The responsible investment policy reflects REQ Capital’s commitment to its investors, employees, and all other stakeholders.

REQ Capital’s Funds are classified as Article 8 funds according to SFDR and the EU Taxonomy, and promote environmental and social characteristics. REQ Capital’s Funds promote environmental and social characteristics, including by taking sustainability into account in investment decisions, both as part of the assessment of a company and through the use of exclusion lists.

Data sources and processing

REQ Capital does not use data from third parties to assess or characterize its investments. The Investment Managers engage companies through discussions with the management team, but also liaison with other relevant stakeholders of the company to gather the required information to make a proper assessment of the underlying social and environmental characteristics of the investment.

Limitations to methodologies and data

The screening criteria required to assess the environmental and social characteristics of an investment require the availability of multiple, specific data points regarding each investment. As at the date hereof, there is insufficient reliable, timely and verifiable data available to assess these investments. The Investment Managers gather and assess this information on a “best-effort” basis, but can not guarantee the consistency or reliability of this data.

Due diligence

The Investment Manager follows a risk assessment framework which assesses the corporate governance practices of its investee companies prior to making financial investments. This risk assessment framework and corresponding company evaluations are updated at a minimum of once per year. The Funds only invests in companies that follow good governance principles.

Engagement policies

REQ Capital's Funds follow REQ Capital's policy for responsible investments. The policy is based on high-level principles, which can be found at www.reqcapital.no. All portfolio managers incorporate these high-level principles into their decision making and document their compliance. The responsible investment policy reflects REQ Capital's commitment to its investors, employees, and all other stakeholders. We define responsible investments as investments that integrate ESG criteria into the investment process.

REQ Capital is a signatory to the United Nations Principles for Responsible Investments (UNPRI). We are committed to incorporate environmental, social, and corporate governance considerations into our investment analysis and decision-making processes. All investment decisions at REQ Capital include a thorough analysis of a predefined set of ESG criteria, based on the UN Principles for Responsible Investments. These ESG criteria are reviewed annually and include quantitative and qualitative indicators.

Our responsible investment strategy is based on integrating ESG into all investment decisions, engaging with companies, and excluding controversial industries from our investment universe. We are committed to working towards the UN Sustainable Development Goals (SDGs).

Designated reference benchmark

The Fund does not use a designated index to reference benchmark its investments, neither in terms of financial performance, nor in terms of benchmarking whether it is aligned with the environmental and/or social characteristics that the Fund promotes.

REQ Contribution

Through REQ Contribution we will provide 5% of our net profit to make a positive impact. It means a lot to us to know that a profitable relationship with our investors contributes in a positive manner outside our industry. We use the UN Sustainability Development goals as a guideline in REQ Contribution.

SFDR Sustainability Risk Policy disclosure

The EU Taxonomy is part of the “EU Action Plan on Sustainable Finance”. The EU Taxonomy is a common language related to sustainability. Currently, the regulatory focus is on environmental factors. The EU has enacted regulations to provide more transparency on sustainability in the financial industry.

Sustainability risk assessment is an integral part of our investment decision process. For the purpose of SFDR, the funds do not have a pure sustainable investment objective, but the funds do assessment of principal adverse impact. Currently we do monitor adverse impact reporting. For more information, please see document «No consideration of adverse impacts of investment decisions on sustainability factors».

REQ Capital invests in value creators. These are companies that are growing with a significant spread between return on capital and cost of capital. We actively seek out companies that grow in a profitable manner. With the growth-oriented profile of our funds, REQ Capital believes that companies that proactively pursue sustainable development will outperform their peers. Over time, companies that place environmental, social and governance considerations at the top of their agendas will be able to capitalize on growth opportunities, increase returns on capital and reduce the cost of capital. We proactively seek to invest in these types of companies.

Our funds seek to invest in companies with a management team that is knowledgeable about sustainable development issues. As part of the due diligence process, we will seek to identify companies that are run by their original founders. By investing in many founder-led companies where the founder has a generational perspective, we believe many sustainability issues will be addressed. These founders will invest in sustainable products and services if those investments enhance growth prospects, increase return on investment and/or reduce the cost of capital. We believe that sustainable investment and increasing shareholder value are two sides of the same coin.

REQ Capital applies 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 exposure to economic activities associated with the production of nuclear energy, no ownership of fossil fuel reserves, no involvement in the production or sale of tobacco or military weapons, and no activities in gambling or pornography.

REQ Capital has 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.

When investing, we evaluate and monitor indicators that suggest the presence of material negative impacts. We address negative impacts by working closely with the companies. Material adverse impact is identified through a variety of sources, including annual reports, interaction with management, and interaction with analysts. Our priority in mitigating principle adverse impact is to pay close attention to governance structures and management incentives. We believe that many principled negative impacts can be mitigated through good governance structures and alignment of interests.

REQ Capital is a signatory to UNPRI – the United Nations Principles for Responsible Investments.

Remuneration Policy

The remuneration policy at REQ Capital is consistent with the integration of sustainability risks. The remuneration policy has a long-term focus and encourages long-term investment decisions. Variable compensation is a function of long-term investment performance, and a significant portion of variable compensation is invested over several years in funds managed by REQ Capital. We believe that long-term compensation policies at REQ Capital are a prerequisite for achieving the highest standards of sustainability.

In addition to a long-term compensation policy, REQ Capital will give 5% of net profits each year to charitable organizations that seek to achieve the UN sustainability goals.

Signatory of:

