

Sustainable Finance Disclosures

Introduction

On 10 March 2021, Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector ("SFDR") entered into force in the European Union. According to the SFDR, alternative investment fund managers ("AIFM") are required to provide information to investors with regards to the promotion of environmental or social characteristics and sustainable investments, sustainability risk policies, adverse sustainability impacts and report on indicators related to the adverse sustainability impacts.

Equip Capital Fund I GP LP ("Equip Capital") is an alternative fund manager registered in Jersey and has established an alternative investment fund, Equip Capital Fund I LP ("the Fund"), registered in Jersey. Equip Capital is a Sub-Threshold non-EU AIFM, and the Fund qualifies as a non-EU alternative investment fund for the purposes of the Directive 2011/61/EU on Alternative Investment Fund Managers ("the AIFMD"). The Fund had its final closing on 11 December 2020 and is currently not marketed in the EU/EEA.

Despite that Equip Capital is not subject to mandatory requirements in the SFDR, Equip Capital has chosen to voluntarily comply with the disclosure obligations to demonstrate our commitment to promoting sound principles for protection of the environment, social responsibility and proper corporate governance.

The Fund promotes environmental and social characteristics as defined in Article 8 of SFDR and invests partly in sustainable investments. The Website Disclosure for the Fund in accordance with Article 10 of SFDR for financial products referred in Article 8 is available here: www.equip.no/responsibility.

Equip Capital AS ("Equip") is the sole investment advisor to Equip Capital and has as its mission to build better companies – for shareholders, employees, customers, and society. Equip is a signatory of the Principles for Responsible Investment as instituted by the United Nations ("UN PRI"). Equip strives to be the best owner for companies and is strongly committed to raise ESG standards during the ownership period, but also to bring the sustainability perspective into our investment analysis and decision-making processes.

Equip Capital hereby makes the following disclosures in accordance with the requirements of Articles 3, 4 and 5 of the SFDR.

Sustainability Risk Policy (Article 3)

Sustainability risk is defined as “an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment” in Article 2 (22) of SFDR.

As a signatory to UN PRI, Equip is committed to incorporating ESG considerations into our investment analysis and decision making process. To act on our mission to build better companies and create value for all stakeholders, it is thus key to identify any potential risks that could have a material negative impact on the value of our portfolio.

Sustainability is a key part of Equip’s investment policy which is systematically applied across all investment and ownership activities. Already at the deal sourcing stage, Equip seeks to identify sustainability risk and opportunities in its initial screening phase by applying the proprietary Early Deal Assessment Tool and ESG Assessment Tool. These tools allow us to apply a positive screening to ensure that the target performs well on ESG, or has the potential to do so through our active ownership approach, and is aligned with at least one of the Sustainable Development Goals (“SDGs”). Equip seeks to invest in companies that promote growth while protecting the planet and address social needs.

The Equip ESG Assessment Tool is an integral part of the due diligence of a potential investment. The ESG Assessment Tool is a standardized and comprehensive questionnaire based on the guidelines from Invest Europe, and aims to gauge how advanced a company is with its ESG policies and reporting. The tool includes c. 90 questions in total asked on business level, covering the company’s overall approach to and maturity on ESG and sustainability, as well as detailed questions regarding the environmental, social and governmental aspects of the business, including, inter alia, climate change, emissions, working conditions, employee matters, respect for human rights, anti-corruption and anti-bribery. The questionnaire is typically completed with large involvement from the target company’s management team, which allows for alignment and specific discussions on ESG related matters throughout the acquisition process.

The questionnaire will also assist with the identification of potential issues that might require a more detailed technical assessment, as well as opportunities to enhance value and mitigate risks. Based on the output of the tool, Equip considers where deep dive(s) are necessary and whether external resources are required for further investigation.

The tools also allow us to apply negative screening to ensure that no investments conflict with the exclusions in Equip’s Investment Policy. The Investment Policy outlines several activities that could have negative ESG characteristics, including, but not limited to, coal, weapons, firearms and ammunition, nuclear power, companies targeting criminal activities such as money laundering, financing of terrorism, or tax crime, tobacco, drugs, genetic engineering, corruption, animal testing, casinos, internet gambling, pornography, and illegal data access and use.

The investment committee will have a first review and assessment of the opportunity at the deal sourcing stage, and if approved by Equip Capital, a more thorough due diligence process is completed to identify material risks associated with the potential investment, including any sustainability risks. During this phase, Equip Capital will also screen any key people and shareholder in a potential portfolio investment against EU, UN and OFAC sanctions lists before entering business relationships or presenting an investment proposal to Equip Capital.

During the due diligence, external risks related to for instance market, politics and macroeconomic factors and internal risks related to for instance financials aspects of the company, human resources, operational risk in the business model and legal compliance are identified and considered.

Equip has established a comprehensive risk framework which seeks to identify and assess all risks for a given investment opportunity. The results from the due diligence and ESG Assessment Tool are fed into our risk framework, allowing us to identify both the impact and the probability for all significant risks. Environmental, social and governance aspect as detailed above, are some of the core risks to be assessed. Based on the assessment, KPIs are established to monitor the risks throughout the ownership period of each portfolio company.

The results of the due diligence are reviewed and assessed by both the investment committee and the compliance committee before any investment proposal is made to Equip Capital, which is responsible for all investment decisions. If material risks, including sustainability risks, related to an investment cannot be satisfactorily resolved or are deemed unacceptable by Equip, Equip will abstain from the potential investment.

Further information and examples of Equip's active engagement on sustainability within the existing portfolio is available on www.equip.no/responsibility where the annual ESG Report is also publicly available.

Principal Adverse Impacts Statement (Article 4)

Adverse sustainability impacts are defined as “those impacts of investment decisions and advice that result in negative effects on sustainability factors”, i.e. environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters according to Recital 20 and Article 2(24) of SFDR.

Equip Capital considers principal adverse impacts of its investment decisions on sustainability factors.

Equip Capital monitors and reports on several adverse impact indicators as part of the regular management reporting from portfolio companies as well as the annual ESG Report, including, inter alia, greenhouse gas emissions, share of renewable energy, gender diversity, number of days lost to injuries, accidents or fatalities, violations of anti-bribery or anti-corruption laws.

Equip Capital is preparing for reporting under article 4 of SFDR in accordance with the detailed requirements in the Regulatory Technical Standards and will adhere to and report pursuant to the Regulatory Technical Standards as and when this requirement enters into force in the European Union. Currently, such reporting is expected to include reporting on the below sustainability indicators:

1. GHG emissions (scope 1, 2 and 3 and total)
2. Carbon footprint
3. GHG intensity of investee company
4. Exposure to companies active in the fossil fuel sector
5. Investments in companies producing chemicals (additional)
6. Investments in companies without carbon emission reduction initiatives (additional)
7. Share of non-renewable energy consumption and production
8. Energy consumption intensity per high impact climate sector
9. Activities negatively affecting biodiversity-sensitive areas
10. Water emissions
11. Hazardous waste ratio
12. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises
13. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises
14. Unadjusted gender pay gap
15. Board gender diversity
16. Exposure to controversial weapons (anti- personnel mines, cluster munitions, chemical weapons and biological weapons)
17. Days lost to injuries, accidents, fatalities or illness (additional)
18. Insufficient whistle blower protection (additional)
19. Lack of anti-corruption and anti-bribery policies (additional)
20. Number of convictions and amount of fines for violation of anti-corruption and anti-bribery laws (additional)
21. Lack of due diligence / Share of investments in entities without a due diligence process to identify, prevent, mitigate and address adverse human rights impacts

Policies to identify and prioritise principal adverse impacts

As set out in our Article 3 disclosure, ESG is a core part of Equip Capital's investment policy, which is consistently applied across all our investment and ownership activities. It is a key part of our pre-investment process to identify adverse sustainability impacts related to potential investments. Principal adverse impacts are identified during the pre-investment and due diligence process by applying our proprietary risk framework and ESG tools, including the ESG Assessment Tool covering principal adverse impacts on environmental, social and governance related indicators (as further described in the Article 3 disclosure).

The outputs from the ESG assessment and risk assessments are reviewed and discussed together with the results from the due diligence by both the Investment Committee and the Compliance Committee before any investment proposal is made to the General Partner, who is responsible for all investment decisions. Through the results from the due diligence and a comprehensive risk mapping, both the impact and the probability are assessed for significant adverse impacts.

Based on the pre-investment assessments, KPIs are established to monitor the development throughout the ownership period of each portfolio company. After acquiring a portfolio company, Equip will typically take the Chairperson position and appoint other board members with extensive industry expertise which can support the management team in the implementation of a value creation plan developed in close cooperation between Equip and the portfolio company. The boards of the Equip portfolio companies challenge the management teams to set ambitious targets and measure the progress towards the set goals through comprehensive reporting on both financial and non-financial parameters. The current management reports include reporting on several adverse impact indicators including, inter alia, greenhouse gas emissions, share of renewable energy, gender diversity, number of days lost to injuries, accidents or fatalities, violations of anti-bribery or anti-corruption laws as well as additional company specific KPIs related to their respective SDG commitment.

All portfolio companies are required to conduct a materiality assessment to prioritise KPIs and targets as well as identify potential mitigating actions, if needed, related to ESG based on their respective business model. The materiality assessment is based on the industry standards prepared by the Sustainability Accounting Standard Board ("SASB"), which are designed to better identify, manage and communicate sustainability information that is financially material to company within a certain sector or industry, regardless of location.

Equip will request additional reporting from the portfolio companies as part of the preparation for reporting under article 4 of SFDR in accordance with the detailed requirements in the Regulatory Technical Standards and will adhere to and report pursuant to the Regulatory Technical Standards as and when this requirement enters into force in the European Union.

Board meetings are held regularly, typically every second month, with open discussions and a direct line of communication between the board and the management team. The Equip investment team also interact frequently with the management team as a sparring partner outside the board room. The independence between the operational management team and the board alongside clear roles and responsibilities defined in the set of policies that Equip requires to be operationalised by each portfolio company are seen as effective preventive measures to minimise the risk of fraud, corruption, bribery and manage potential conflicts of interests.

As described above, Equip Capital closely monitors adverse impacts during the ownership period and will gather, process and report data relating to the sustainability indicators as described above.

Adverse impacts are monitored through regular reporting and active engagement with the portfolio companies, and reporting on progress both to the Investment Committee and the General Partner. Equip Capital also provides regular reporting to investors and other stakeholders on the portfolio's sustainability impacts as part of our quarterly investor report and/or the annual ESG report, which is publicly available at www.equip.no/responsibility.

Engagement Policies

Equip Capital has an ESG Policy and a Sustainability Risk Policy that provide guidance on how we work to promote environmental and social characteristics across our portfolio and demonstrate sound principles for good governance.

Equip actively engages with portfolio companies on sustainability matters through the ownership period. As an active owner within Private Equity, we ensure that policies and best practice standards are implemented either as part of our 100-day plan post the investment or as soon as practically possible during the initial phase of our ownership.

Equip supports the portfolio companies with the implementation of ESG Policies, conducting materiality assessments and defining portfolio-wide and company specific ESG goals and relevant indicators to measure progress on ESG and sustainability matters, as well as digital solutions to streamline data collection. Equip holds board position in each of our portfolio companies, and requires portfolio companies to implement procedures for regular reporting to the Board and to Equip to allow Equip to monitor and measure the implementation of policies and the performance on the defined ESG and sustainability goals.

Being an active owner, Equip also actively engage with the management team and other board members when analysing sustainability risks and any adverse impacts of the portfolio's operations and supports the portfolio companies on implementing measures to improve the performance on relevant KPIs in order to mitigate adverse impacts .

International standards

Equip is a signatory of Principles for Responsible Investment as instituted by the United Nations ("UN PRI"). Being a UN PRI signatory, we report on Equip's climate strategy, governance around climate-related risks and opportunities, risk management and sustainability metrics and targets, all anchored around TCFD recommendations. Equip aligns our responsible ownership approach with standards and guidelines such as, inter alia, the UN's Sustainable Development Goals, the 10 Principles of the UN Global Compact, OECD Guidelines for Multinational Enterprises and aim to align the operations of our portfolio with the objective of the Paris Agreement.

Equip Capital measures and monitors the carbon emissions of the portfolio as defined by the GHG Protocol, and seeks to minimise environmental impact and encourages environmental consciousness.

Remuneration Policy (Article 5)

The remuneration practices of Equip are founded on principles of equal opportunity and appropriate risk-taking in line with our investment philosophy. The employees of Equip that have decision-making authority do not receive variable remuneration. All investment decisions made by Equip and Equip Capital are subject to internal policies and procedures, including the Sustainability Risk Policy and ESG Policy.