

Sustainability-related 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 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 AS ("Equip") is a Norwegian limited company authorized by the Financial Supervisory Authority of Norway (Finanstilsynet) as an alternative investment fund manager. Equip is the alternative investment fund manager for Equip Capital Fund I LP ("Fund I"), an alternative investment fund registered in Jersey which had its final closing on 11 December 2020, and Equip Capital Fund II SCSp ("Fund II"), registered in Luxembourg.

Equip 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.

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

Sustainability risk in investment decisions (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 governance 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 the General Partner, 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 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 the General Partner.

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 the General Partner, 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.

Date	Version	Amendment
3 June 2021	1	Publication of disclosure
23 December 2021	2	Updated to include Equip Capital Fund II SCSp, and to reflect Equip Capital AS as an AIFM licensed by the Norwegian Financial Supervisory Authority
12 January 2023	3	Split of Article 3, 4 and 5 disclosures into separate documents. Updated main heading and heading for Article 3 disclosures