

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.

Statement on principal adverse impacts of investment decisions on sustainability factors (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 considers principal adverse impacts of its investment decisions on sustainability factors.

Equip 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 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'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 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 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 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 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.

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 4 disclosures