Statement on principal adverse impacts of investment decisions on sustainability factors

Financial market participant: Equip Capital AS

Legal entity identifier: n/a

Summary

Equip Capital AS (**Equip**) considers principal adverse impacts of its investment decisions on sustainability factors. The present statement is the consolidated statement on principal adverse impacts on sustainability factors of Equip.

This statement on principal adverse impacts on sustainability factors covers the reference period from 1 January 2022 to 31 December 2022.

The adverse impacts on sustainability factors of Equip's investment decisions are set out in the table below. Equip managed 13 investee companies in its portfolio by 31 December 2022, and completed one new platform investment during 2022. Equip published its annual sustainability report in June 2023, which contains a more comprehensive reporting on the investee companies' performance on sustainability activities and initiatives than the topics and indicators included in this statement.

Equip considers all 13 investments to perform well on the sustainability indicators, but acknowledges that the share of female board representation in several of the portfolio companies is low which is partly explained by Equip as a majority owner holding at least two board seats in each portfolio board and currently all held by males. There are no female senior managers in Equip except the CFO, who does not hold any board positions in the portfolio due to compliance and risk management responsibilities on the level of the investment manager. Equip's ambition is to improve board gender diversity during its ownership period by having at least one female board representative in each portfolio company. During 2022, Equip onboarded three portfolio companies to the carbon accounting software Normative, which is used for estimating carbon emissions for each company. As of 31 December 2022, GHG emissions were reported across scope 1, 2 and 3 by all portfolio companies.

Translations of this summary are included in Appendix 1.

Description of the principal adverse impacts on sustainability factors

Adverse sustainability indicator		Metric	Impact 2022	Explanation	Actions taken, and actions planned and targets set for the next reference period
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS – MANDATORY INDICATORS					
Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions	596	All portfolio companies report on scope 1 emissions. Pro forma figures for the investment closed during 2022 (as if the investment was closed on 1 January).	Cloud Connection, Cautus Geo and Ryde has transitioned completely or partly from fossil driven- to electrical cars, while other portfolio companies have started their journey to transition into electric cars and machinery, where possible. Both NDA and Funplays have installed charging stations for electric vehicles on some of their premises.
		Scope 2 GHG emissions	1,451	All portfolio companies report on scope 2 emissions. Pro forma figures for the investment closed during 2022 (as if the investment was closed on 1 January).	Miles and Cloud Connections switched to renewable energy to reduce scope 2 emissions. Other actions include inter alia; both Rush and Funplays have initiated a process of implementing an energy-optimizing system with the potential of significantly reducing energy consumption. Funplays is also in the process of switching to the latest LED light technology in its locations. One of the NDA subsidiaries has invested in a new energy-efficient recycling unit for directional drilling. Iteam is in the process of consolidating data centres to reduce their energy consumption.
		Scope 3 GHG emissions	24,116	All portfolio companies report on scope 3 emissions. Pro forma figures for the investment closed during 2022 (as if the investment was closed on 1 January).	Rush has worked actively to reduce wastage of food in their restaurants as well as improved waste recycling. Holy Greens and Bastard Burgers is moving away from spend-based scope 3 towards better accuracy by using activity data. Ryde is focusing on their Scope 3 emissions by tracking emissions of their electric scooters and the batteries as well as the emissions from transporting these scooters from their main supplier to Norway. Several companies focus on less business travel and

					increased use of digital meetings. Hot spot analysis of the largest suppliers for each of the portfolio companies identified through the Normative carbon accounting software.
		Total GHG emissions	26,163		Ryde also became climate neutral during the reference period by offsetting full scope 1, 2 and 3 emissions. NDA and Ryde have joined UN Global Compact to demonstrate their strong commitment to climate action and socially and environmentally sustainable economic growth. No Dig Alliance has started measuring its carbon emissions and also measuring the impact of its no dig technology, and thereby being able to document a net climate-positive effect of its business The climate calculator is available free of charge on the Pollex's website, one of the companies within the alliance.
	2. Carbon footprint	Carbon footprint	76		See 1
	3. GHG intensity of investee companies	GHG intensity of investee companies	139		See 1
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	0%	The Fund has no exposure to companies that derive revenues from exploration, mining, extraction, production, processing, storage, refining or distribution, including transportation, storage and trade, of fossil fuels.	Maintain 0%
	5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources	24%	Only scope 2 included.	The share of renewable energy consumption has increased from 61% to 76% across the portfolio since last year. 4 out of 13 portfolio companies had 100% renewable electricity consumption in 2022.

	6. Energy consumption intensity per high-impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high-impact climate sector	Retail: 0.0 Manufacturing: 0.1 Construction: 0.1	Makeup Mekka, Mountain Village and No Dig Alliance are the only portfolio companies operate within high-impact sectors.	Makeup Mekka and Mountain Village had 100% renewable energy consumption in 2022, while NDA increased from 13% in 2021 to 28% renewable energy consumption in 2022.
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	0%	None of the portfolio companies have reported activities negatively affecting biodiversity-sensitive areas.	Maintain 0%
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	0.0	None of the portfolio companies have reported any direct emissions of hazardous substances to water.	Maintain 0%
Waste	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	0.1	The hazardous waste, which fully relates to chargeable batteries to the rentable e-scooters operated by Ryde, is always recycled according to their waste policy.	
INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS – MANDATORY INDICATORS					
Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	0%	No violations of UN Global Compact Principles and OECD Guidelines have been identified.	Maintain 0%
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or	0%	None of the portfolio companies lack processes and compliance mechanisms to monitor compliance with	Maintain 0%

	principles and OECD Guidelines for Multinational Enterprises	grievance/complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises		these principles and guidelines.	
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	8%	The gender pay gap is mainly driven by a higher degree of males in management positions.	The main focus is equal pay for equal work and maintaining a share of women in management positions above 30%.
	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	11%	Equip team members typically hold 2 board positions in each portfolio company, and all Equip partners are currently male.	Aim to have at least one female board member in each portfolio company.
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	0%	None of the portfolio companies are involved in the manufacture or selling of controversial weapons.	Maintain 0%
ADDITIONAL CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS					
Emissions	15. Investments in companies without carbon emission reduction initiatives	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement	8%	One company was in the progress to resolve its ESG Policy	The aim is that all companies should have a carbon reduction plan in place within 12 months of acquisition
Water, waste and material emissions	16. Investments in companies producing chemicals	Share of investments in companies producing chemicals	0%	None of the portfolio companies produce chemicals.	Maintain 0%
ADDITIONAL INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS					
Social and employee matters	17. Insufficient whistle-blower protection	Share of investments in entities without policies on the protection of whistle-blowers	8%	One company was in the progress to resolve its whistle-blower policy	The aim is that all companies should have implemented the Equip onboarding pack with best practise policies and procedures within 12 months of acquisition
Social and employee matters	18. Number of days lost to injuries, accidents, fatalities or illness	Number of workdays lost to injuries, accidents, fatalities or illness of investee companies expressed as a weighted average	2.1	None of the portfolio companies have reported any major injuries, accidents or fatalities. Days lost in 2022	The overall ambition across the portfolio is to have zero major occupational injuries, accidents and fatalities.

				relate to minor injuries.	
Anti-corruption and anti-bribery	19. Lack of anti-corruption and anti-bribery policies	Share of investments in entities without policies on anti-corruption and anti-bribery consistent with the United Nations Convention against Corruption	8%	One company was in the progress to resolve its anti-corruption and anti-bribery policies	The aim is that all companies should have implemented the Equip onboarding pack with best practise policies and procedures within 12 months of acquisition
Anti-corruption and anti-bribery	20. Number of convictions and amount of fines for violation of anti-corruption and anti-bribery laws	Numbers of convictions and amount of fines for violations of anti-corruption and anti-bribery laws by investee companies	0		Maintain 0
Human Rights	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	0%		Maintain 0%

Description of policies to identify and prioritise principal adverse impacts on sustainability factors

Sustainability is a core part of Equip's investment policy, which is consistently applied across all our investment and ownership activities. 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. The current version of the policies was adopted by the Board of Directors of Equip on 16 February 2023. The responsibility for the implementation of Equip's policies within organisational strategies and procedures formally lies with the Managing Partner, however all team members are responsible for embedding the policies in Equip's investment activities.

Equip has selected the following optional indicators:

- Investments in companies without carbon emission reduction initiatives
- Investments in companies producing chemicals
- Insufficient whistleblower protection
- Number of days lost to injuries, accidents, fatalities or illness
- Lack of anti-corruption and anti-bribery policies
- Number of convictions and amount of fines for violation of anti-corruption and anti-bribery laws
- Lack of due diligence

The additional indicators are selected due to their relevance across the entire portfolio, regardless of sector and industry. Credible carbon emission reduction initiatives are fundamental in reaching the objectives on the Paris Agreement, and while Equip generally does not invest in high-emitting sectors, reducing carbon emissions contributes to ensure a resilient and futureproof portfolio. With respect to whistleblower protection, Equip portfolio companies shall be well-reputed employers that are inclusive and promote equal opportunities at all levels of the workforce. Sufficient whistleblower protection as well as sufficient anti-corruption and anti-bribery policies are considered fundamental in ensuring decent working conditions are maintained, and Equip thus has a zero vision for number of convictions and amount or fines for violation of anti-corruption and anti-bribery laws.

Identifying adverse sustainability impacts related to potential investments is a key part of our pre-investment process. 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.

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 of 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 though 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.

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.

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 generally does not invest in publicly traded securities, and has not adopted engagement policies as referred to in Directive 2007/36/EC.

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.

References to 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 and the OECD Guidelines for Multinational Enterprises. 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. Equip assesses climate impacts based on the location of the operation and the value chain of an investment in two different forward-looking climate scenarios; 1) a scenario with an increase in emissions leading to a +3-4ºC rise in average global temperature and 2) transition risks and opportunities based on the sector and the business model in a +1.5-2ºC global warming scenario.

While Equip aims to align the operations of our portfolio with the objective of the Paris Agreement, applying the above international standards does not entail that Equip's investments are aligned with the objectives of the Paris Agreement.

Annex 1

Equip Capital AS (**Equip**) considers principal adverse impacts of its investment decisions on sustainability factors. The present statement is the consolidated statement on principal adverse impacts on sustainability factors of Equip.

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Date	Date	Date
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
30 June 2023	4	Update with PAI indicators for 2022