

# Equinox AIFM S.A. Responsible Investment Policy

Version 1.0 – Approved by BoDs on 11 December 2020

## Introduction

Equinox AIFM S.A. (hereafter “Equinox” or the “AIFM”) is an alternative investment fund manager based in Luxembourg, authorized and supervised by the *Commission Surveillance du Secteur Financier* (CSSF), which manages alternative funds (the “Funds”) investing in the Italian mid-market predominantly across the following sectors: industrial and environment, leisure, consumer and retail, life sciences, healthcare, transportation and supply chain.

Equinox adopts this Responsible Investment Policy (hereinafter “the Policy”) as part of its value creation process, to inspire a sustainable development strategy for long-term investments. In particular, Equinox believes that responsible investment can mitigate and lower risks and can help to generate enhanced financial returns and meet investors’ expectations, having a positive impact on people and planet.

Integrating environmental, social and governance (ESG) factors in its decision-making process and across the companies Equinox invests in (hereinafter “portfolio companies” or “portfolio”) represents indeed for Equinox both an opportunity and responsibility to foster a path of long-term commitment to sustainability and to actively promote a virtuous cycle of strategic and competitive advantages’ creation.

Equinox’s commitment in this sense has been formalised by signing the Principles for Responsible Investment (PRI) in 2019, a voluntary and aspirational set of investment principles promoted by the United Nations that offer a menu of possible actions for incorporating ESG issues into investment practices.

The six Principles for Responsible Investment launched in April 2006 at the New York Stock Exchange are listed hereafter:



- |                              |   |
|------------------------------|---|
| <b>Principle</b><br><b>1</b> | We will incorporate ESG issues into investment analysis and decision-making processes.          |
| <b>Principle</b><br><b>2</b> | We will be active owners and incorporate ESG issues into our ownership policies and practices.  |
| <b>Principle</b><br><b>3</b> | We will seek appropriate disclosure on ESG issues by the entities in which we invest.           |
| <b>Principle</b><br><b>4</b> | We will promote acceptance and implementation of the Principles within the investment industry. |
| <b>Principle</b><br><b>5</b> | We will work together to enhance our effectiveness in implementing the Principles.              |
| <b>Principle</b><br><b>6</b> | We will each report on our activities and progress towards implementing the Principles.         |

The Policy is intended to provide a broad framework for Equinox’s approach to integrate ESG considerations into its investment management processes and to address material sustainability topics throughout the whole investment lifecycle - from the evaluation step to the divestment process of each investment.

In particular, material sustainability topics are those economic, social and environmental aspects on which a company has a significant effect (positive or negative) and which could substantially influence stakeholders’ assessments and decisions. For this reason, the path of integration of ESG themes into the investment process takes into account the main areas of ESG commitments formalised in the ESG Policy<sup>1</sup>.

## Scope

The Policy applies to all private equity investments made by Equinox, while focus areas change according to the context and to the industry-specific ESG issues of the portfolio companies. Furthermore, the approach to ESG integration may vary depending on multiple factors, including whether Equinox is a minority investor. In those situations, the AIFM may need to adapt its engagement approach with portfolio companies commensurate with its level of influence. In such cases Equinox makes the best effort to support the broader acceptance and implementation of ESG concerns at portfolio companies’ level.

## Roles and Responsibilities

Equinox is committed to appoint an ESG Responsible who is in charge for ensuring the implementation of this Policy and who supports the Investment Team that is primary responsible for the inclusion of ESG criteria in each step of the investment lifecycle.

Regarding the portfolio companies, Equinox, as an asset manager, commits to introduce processes to handle and increase the sustainability performances of the acquired companies and requires each portfolio company to identify an internal ESG representative.

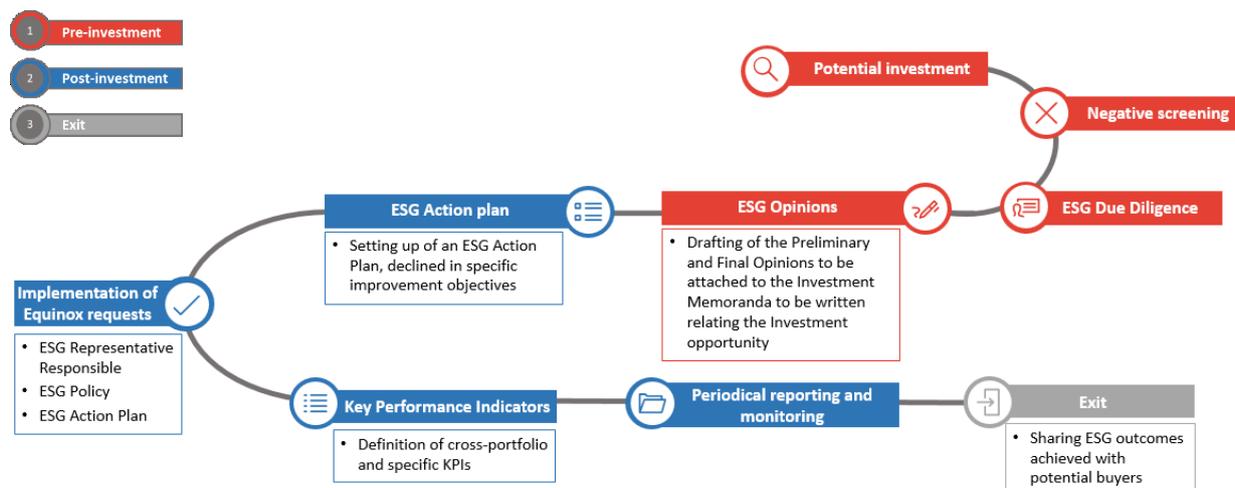
Furthermore, Equinox is committed to set up an ESG Learning Hub, which consists of the Equinox’ ESG Responsible and portfolio companies’ ESG representatives and organize workshops and events to share ideas, initiatives and new trends in the sustainability field.

The following chart depicts the Equinox Responsible Investment process approach:

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<sup>1</sup> For further details about Equinox commitment to sustainability please refer to Equinox ESG Policy which is available at the following link : XXX.

# ESG APPROACH



## Pre-investment stage

The integration of ESG factors in the pre-investment phase is based on the following approaches:

### Negative screening

Equinox shall not invest, guarantee or otherwise provide financial or other support, directly or indirectly, to companies or other entities:

	whose business activity consists of an illegal economic activity (i.e. any production, trade or other activity, which is illegal under the laws or regulations applicable to the Fund or the relevant company or entity, including without limitation, human cloning for reproduction purposes <sup>2</sup> );
	which substantially focus on the production of and trade in tobacco and distilled alcoholic beverages and related products, excluding – for the sake of clarity – wines and beers;
	which substantially focus on the financing of the production of and trade in weapons and ammunition of any kind, it being understood that this restriction does not apply to the extent such activities are part of or accessory to explicit European Union policies;
	which substantially focus on the management of casinos, on-line gambling and equivalent enterprises;
	<p>which substantially focus on the research, development or technical applications relating to electronic data programs or solutions, which aim specifically at:</p> <ul style="list-style-type: none"> <li>supporting any activity referred to under items above;</li> <li>internet gambling and online casinos;</li> <li>pornography;</li> </ul> <p>or are intended to enable to illegally:</p> <ul style="list-style-type: none"> <li>enter into electronic data networks; or</li> <li>download electronic data.</li> </ul>

<sup>2</sup> In addition, when providing support to the financing of the research, development or technical applications relating to (i) human cloning for research or therapeutic purposes or (ii) genetically modified organisms (GMOs), we shall ensure the appropriate control of legal, regulatory and ethical issues linked to such human cloning for research or therapeutic purposes and/or GMOs”.

The AIFM's exposure to the sectors above identified would be reduced to a minimum, so that critical issues, as well as specific unmitigated risks, could lead to stop the acquisition process. In this respect, the Investment manager may seek the Equinox's Investors Committee prior advice in all cases in which it is willing to carry out an investment in a business whose exclusion from the restricted sectors above is uncertain or when the incidence of the restricted activities on the overall business of the Target is low or minimizeable. Moreover, AIFM might depart from the aforementioned investment restrictions subject to the prior approval of the Investors Committee which, in any case, cannot waive the minimum legal and diversification requirements.

### ESG Due diligence

During the due diligence, Equinox analyses the risks and opportunities related to ESG issues of the target company and of its industry, also considering current and future sustainability trends, along with a careful and thorough assessment of the ethics and reputation of its corporate management.

Due diligence analysis mainly focus on:

- the relevant risks for the sector and for the target;
- the context where the target operates;
- ESG best practices in relation to the target sector;
- alignment with the most up-to-date internationally recognized standards;
- any mitigation actions taken by the target.

### ESG Opinions

The results of the ESG due diligence are presented into the ESG opinion, to be included in the Preliminary Investment Memorandum and the Final Investment Memorandum; the ESG opinion reflects the risks and opportunities related to the target company that have to be considered jointly to its financial valuation. Specific criteria and best practices will be included in order to prioritise the activities to be implemented relying on the company's ability to cope with the issues identified. These documents are subject to preliminary evaluation by the Equinox Corporate Bodies.

### Post-investment stage

#### ESG Action Plan

Once the acquisition is completed, Equinox selects the issues with the highest risks to be mitigated and/or the issues characterized by the greater potential of improvements and, alongside the management of the portfolio company, defines goals to be achieved and the related reasonable time scheduling of actions to be taken.

After the acquisition, an ESG Action plan, declined in specific improvement objectives, will be set up; Equinox requires portfolio companies to start implementing and adopting the ESG Action Plan actively engaging with portfolio companies' management: at this stage engagement is an essential driver in order to make each company responsible and accountable on ESG topics.

On this basis, each portfolio company, with the support of Equinox, is required to:

- as stated above, identify an ESG representative responsible for the adoption and monitoring of ESG issues within the portfolio company with the aim of encouraging and promoting the management of these issues;

- adopt an ESG policy to formalise the company's sustainability principles and commitments;
- implement the Action Plan, addressing general and specific ESG issues for the company; the performance of the company in completing the Action Plan will be monitored through a periodical collection of ESG Key Performance Indicators (KPIs).

In this regard, KPIs common to all portfolio ("cross portfolio KPI") and any company-specific KPIs ("company-specific KPIs") are defined on the basis of international non-financial reporting standards (e.g. GRI Standards).

#### Periodical reporting and monitoring

Equinox is committed to collect portfolio companies' periodical reporting to monitor the status and progress of their respective ESG Action Plans, which are presented to Equinox Board of Directors for review at least once per year. The information collected is disclosed in the Fund's reporting documents for the investors: relevant issues and related corrective actions implemented could also be included.

Furthermore, on an annual basis, Equinox fills in the PRI's Transparency Report, made publicly available on the PRI website.

#### Exit

Equinox strongly believes in the value generated through the implementation of a responsible investment process and, for this reason, it is committed to share ESG outcomes achieved by portfolio companies with potential buyers, in order to outline the path of continuous growth of its portfolio after their exit from the Fund.

## Review

The Responsible Investment Policy will be reviewed on annual basis.

The Policy was first approved on 11 December 2020 by the Board of Directors of Equinox.