EQUISTONE

# Embracing responsibility. Empowering change.

ESG REVIEW 2023

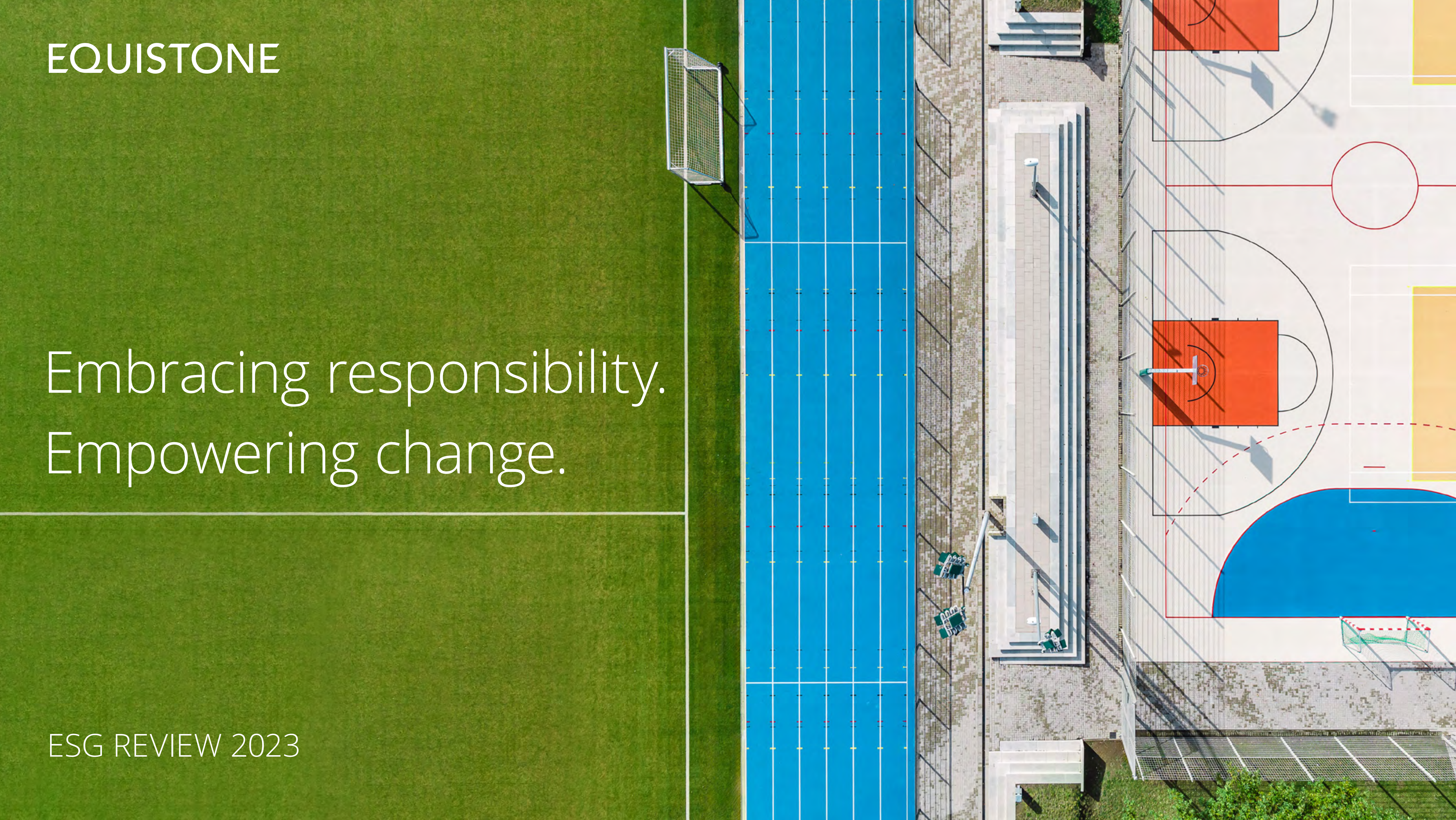

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*Photo:* Vulcain Engineering Group

*Cover image:* Sport Group

# OVERVIEW


Photo: Talon

Foreword

# ESG is fundamental to the way we invest

Guillaume Jacqueau
Managing Partner

Despite considerable challenges for private equity in 2023, Equistone continued to make real progress as a responsible investor. We further integrated ESG factors across the investment lifecycle – and guided our portfolio companies to deliver tangible improvements too.

In many ways, 2023 was a year of unprecedented challenge for our industry. Sharp and rapid interest rate rises led to steep declines in new deals and exits in a challenging fundraising environment, while the Middle East crisis and ongoing Ukraine war heightened broader geopolitical and economic uncertainty.

Despite this, we had a strong year commercially, generating the largest annual proceeds in the firm's history, with six exits signed in the year.

## Managing risk and stakeholder expectations

But in such an environment, strong governance and the effective management of myriad risks – including ESG issues – is essential to protecting and creating value at Equistone and across our portfolio.

At the same time, our investors, employees and wider stakeholders increasingly and rightly expect us to deliver an ambitious ESG programme. This needs to not only support strong financial performance, but allow us and our businesses to meet our environmental and social responsibilities and have a positive impact on society.

## Delivering tangible ESG improvements

I am pleased to report that we made further, significant ESG progress this year, building on the previous 12 months in which we had made our biggest strides to date.

Our three dedicated ESG managers, who joined Equistone in 2022, supported the firm and our businesses to significantly accelerate sustainability performance throughout the year. We:

- Set science-based greenhouse gas reduction targets for the firm and portfolio, and submitted these to the Science Based Targets initiative (SBTi) for validation;
- Became a signatory of the UN Global Compact;
- Brought our Responsible Investing & Stewardship Policy in line with best practice, and activated stronger ESG governance;
- Enhanced ESG data collection and achieved high levels of engagement with our portfolio; and
- Took part in industry forums and initiatives, delivered dedicated ESG training to grow our capabilities, and made disclosure and reporting improvements.

Full details of all our achievements feature throughout this, our third ESG Review.

## Looking forward

We remain convinced that effectively managing ESG factors, and further integrating them across the investment lifecycle, is fundamental to creating long-term, sustainable value for our businesses and stakeholders.

We have a clear and ambitious ESG programme for 2024, focused on climate risk management, biodiversity, portfolio learning, diversity and inclusion, and continued transparent reporting against targets.

I believe we are in a strong position to achieve even more in the year ahead, and I look forward to sharing our progress with you in our next ESG review.

# Investing responsibly

79
Employees across seven offices

€5.5bn
Assets under management

11
Nationalities across firm*

43
Companies in our portfolio

34%
Women across firm

184
Platform investments since 2002

*Note: All figures represent available data as at 31 December 2023.*
**The countries of which a person is considered to hold citizenship*

For more than four decades, Equistone has been investing in European mid-market companies. We support them with our capital and use our expertise to help them grow.

We are an independent firm, acting as a strategic partner to portfolio company management teams across Benelux, France, Germany, Switzerland and the UK. With a core focus on change of ownership deals, we aim to invest between €25m and €200m in businesses with enterprise values of between €50m and €500m.

We are one of the longest-established investors in both the UK and European private equity markets. While most of our investments aid management buyouts, we also have a track record of supporting buy-ins, equity release, expansion capital, and public-to-private deals.

Our business model centres on a Pan-European approach, while maintaining a deep presence in core markets through an investment team focused on deal origination and management that is adapted locally.

In recent years, we have increasingly focused on implementing responsible investment practices across our portfolio. We believe that evaluating and managing ESG considerations across the life of an investment enables us to both mitigate risk and create value.

We also believe that aligning the interests of our clients and portfolio companies with those of wider society can not only enhance returns for our investors and stakeholders, but also strengthen business resilience.

For us, responsible investment is both the consideration of ESG factors when we make investment decisions and the engagement of portfolio companies on the most material issues through active stewardship.

We have steadily improved the way we integrate ESG since developing our first responsible investment policy in 2012 and becoming a signatory to the Principles for Responsible Investment in 2019.

In 2022, we committed substantial, specialist resources to further support our efforts, hiring three ESG managers into the investment team to help drive progress across the firm and portfolio.

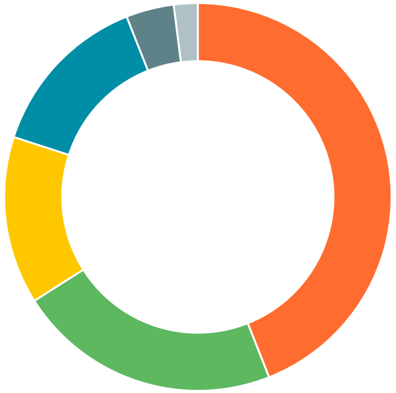
As the ESG landscape continues to evolve, our clients' and broader stakeholders' expectations of Equistone as a responsible investor grow. We are therefore continuously learning and striving to further build out robust processes that support the proactive management of ESG risks and opportunities. We are committed to transparently communicating our progress, including through the publication of this third ESG Review.

In the following pages, we set out our approach to responsible investment, how we integrate ESG across the investment lifecycle, and the specific initiatives we are implementing to drive progress. We highlight our key achievements in 2023 and also provide an overview of our ESG priorities for 2024.

About us

# Sector focus

Through our core investment focus on change of ownership deals, we have built a diverse portfolio of growing companies across six key sectors.



Sector breakdown of the current portfolio companies

| | |
|---|---|
| Industrials | 39% |
| Business Services | 21% |
| Consumer | 18% |
| TMT | 14% |
| Financial Services | 5% |
| Healthcare | 3% |

## Business Services

## Consumer

## Financial Services

## Healthcare

## Industrials

## TMT

Note: Unrealised deals as at 31 December 2023.
Equistone reinvested in a minority position through its dedicated Reinvestment Fund in Amadys (Netceed), Bruneau, Charles & Alice and Team ITG.

## ESG framework

# Our most material issues

Our ESG framework guides both our assessment of portfolio companies' material topics and the maturity of their management of associated risks and opportunities. It also helps us to support our businesses to set improvement plans.

### ENVIRONMENT

- Greenhouse Gas (GHG) emissions
- Energy consumption
- Climate risk

### SOCIAL

- Employee engagement
- Diversity and inclusion (D&I)
- Health and safety (H&S)

### GOVERNANCE

- Business conduct
- ESG strategy
- Product and service quality
- Cybersecurity
- Supply chain management

It is based on two core components, the first of which is the Sustainability Accounting Standards Board's (SASB) materiality guidance for the sectors we invest in. The second is our firm-wide commitments determined by our Responsible Investing and Stewardship policy, our alignment to external initiatives, and regulatory considerations.

In reality, the framework provides us with a starting point because material ESG topics vary from investment to investment, and our assessment of each portfolio company may include additional issues not initially covered by SASB or our firm-level commitments. As detailed further in 'ESG Through the Investment Lifecycle' on page 14, the evaluation of material ESG considerations forms the foundation of how we manage those issues throughout the holding period.

We review the framework every year to ensure it captures emerging ESG topics and sustainability regulation, and is aligned with our overall strategy.

# ESG framework continued

## At a glance

Here we set out the material topics covered by the framework and examples of supporting initiatives that portfolio companies undertake. These topics and initiatives may be broadened out to cover additional ESG issues identified during due diligence and to reflect any business model or competitor considerations that may influence materiality.

### ENVIRONMENT

| Material topics | Example portfolio company initiatives |
|---|---|
| **Greenhouse Gas (GHG) emissions**<br>› Short- and long-term strategy or plan to manage and reduce Scope 1-3 emissions, including targets and performance against those targets | › Improving data quality and accuracy for Scope 1-2 emissions, conducting Scope 3 hot spotting and baselining, raising awareness of decarbonisation strategies and science-based targets |
| **Energy consumption**<br>› Environmental impacts associated with energy consumption | › Identifying opportunities to reduce energy consumption and move to more renewable sources |
| **Climate risk**<br>› Strategy to manage risks and opportunities associated with direct exposure of owned or controlled assets and operations to actual or potential physical impacts of climate change | › Introducing portfolio companies to the Taskforce on Climate-related Financial Disclosures (TCFD) recommendations and educating them on climate-related risks and opportunities |

### SOCIAL

| Material topics | Example portfolio company initiatives |
|---|---|
| **Employee engagement**<br>› Creation and maintenance of a workplace environment that fosters strong employee retention and performance | › Tracking workforce satisfaction and employee Net Promoter Score (eNPS) through colleague engagement surveys and action planning to retain talent |
| **Diversity & inclusion (D&I)**<br>› A company's ability to ensure that its culture, hiring and promotion practices embrace the building of a diverse and inclusive workforce | › Developing employee retention and hiring initiatives to improve diversity at all levels. Tracking and improving gender pay gap |
| **Health and safety (H&S)**<br>› Safe and healthy workplace environments that are free of injuries, fatalities, and illness | › Developing health and safety management systems and tracking key performance indicators (KPIs) and action plans to reduce/prevent incidents |

### GOVERNANCE

| Material topics | Example portfolio company initiatives |
|---|---|
| **Business conduct**<br>› Risks and opportunities, surrounding ethical conduct of business, including e.g. anti-corruption and bribery | › Implementing policies and processes, such as code of conduct, anti-bribery and corruption policy and whistleblowing process |
| **ESG Management**<br>› Approach and strategy to manage material ESG risks and opportunities | › Conducting (double) materiality assessments and using findings to inform ESG strategies and roadmaps |
| **Product and service quality**<br>› Issues involving unintended characteristics of products or services that may create risks to end-users | › Analysing positive and negative impacts of products and services on environment and society |
| **Cybersecurity**<br>› Sound management of proprietary customer or user data, as well as IT infrastructure strategy, policies and practices | › Developing and implementing cybersecurity and data protection policies. Conducting portfolio scans |
| **Supply chain management**<br>› Management of ESG risks within a company's supply chain | › Developing supplier codes of conduct and processes for risk assessments in the supply chain |

# Our ESG journey

## Our progress through the years

### 2011
- Adopted first formal ESG policies

### 2012
- Consolidated ESG policies under one Responsible Investing policy

### 2016
- Developed ESG due diligence and monitoring tool
- Included first dedicated ESG section in Annual Investors' Meeting

### 2018
- Began sponsoring the Level20 initiative
- Committed to the Initiative Climat International (iCI)

### 2019
- Signed internationally-recognised Principles for Responsible Investment (PRI)

### 2020
- Expanded industry engagement through membership of Out Investors

### 2021
- Created Equistone's ESG Committee
- Launched the firm's D&I Committee
- Participated in inaugural ESG Data Convergence Initiative (EDCI) submission
- Introduced first Equistone-wide ESG training

### 2022
- Recruited three ESG managers into investment team
- Formalised new responsible investment governance structure
- Expanded ESG data collection across portfolio
- Applied ESG strategy maturity assessment to portfolio companies

### 2023
- Committed to Science Based Targets initiative (SBTi)
- Became supporter of UN Global Compact
- Launched first Article 8 product, committing to promotion of designated environmental and social characteristics across investments
- Represented Equistone on six industry working groups
- Convened first annual ESG session at Management Board

## ESG highlights

# A year of progress

### Responsible investing & stewardship policy

- Comprehensive **update of our policy** to bring it in line with the best practice and strengthen our approach to ESG integration

### ESG data collection

- Launch of our 2023 ESG data collection cycle across the portfolio using a **dedicated ESG data platform - Position Green** - for the first time

### Portfolio engagement

- **ESG data debrief sessions** with **+80% of the portfolio** to introduce benchmarking and our inaugural ESG programme - led to commencement of 23 ESG projects

### Industry engagement

- Participation in **6 industry working groups** and **5 panels and roundtables**, providing Equistone with valuable resources and insight

### Fund VII Article 8 criteria

- Strengthening of our approach to Article 8 disclosures - including our **designated E&S characteristics** - to bring us in line with market practice

### Active governance

- Activating Equistone's approach to ESG governance through **4 ESG committee covenings** and a dedicated **2-hour ESG session with Management Board**

### Learning & development

- **Pan-European webinars** - including on Fund VII's Article 8 strategy for the Equistone Team and on CSRD for the European Portfolio Companies

### External initiatives and commitments

- Official submission of targets to the **Science Based Targets initiative** (SBTi) and acceptance into the **UN Global Compact network**

**100%**
completion rate of our annual ESG questionnaire by portfolio companies

**23**
portfolio companies launched dedicated ESG workstreams

**60%**
of portfolio companies with GHG emissions reduction targets in place

**3**
portfolio companies committed to SBTi or had SBTi-validated targets

**20+**
ESG training sessions provided for Equistone staff

**6**
industry working groups in which Equistone is represented

**4**
ESG committee meetings held

**13**
non-profit organisations and initiatives supported by volunteering and donations from Equistone

*Note: All figures represent available data as at 31 December 2023.*

# ESG highlights continued

Across our portfolio in 2023, companies were very active to make progress on a variety of environmental, social and governance initiatives.

ligentia™

### Strengthening ESG governance and delivery

Founded in 1996, UK-based Ligentia is a global specialist in supply chain management and logistics. With 1,300 staff across 45 locations, its services span ocean, air, road and rail freight, as well as contract, eCommerce and project logistics, and customs clearance.

The company hired its first Global ESG manager in 2023 to solidify its environmental, social and governance strategy, and ensure strong ESG governance is embedded across the group. With expansion into Poland through an acquisition, the manager is now focusing on uniting all ESG initiatives and ensuring a systematic approach to Ligentia's sustainability strategy moving forward.

HERAS

### Dedicated resource and top rating for ESG approach

A leading European supplier of permanent and mobile perimeter protection, Heras operates in more than 24 countries and employs over 1,100 people.

In 2021, it began a group-wide project to better coordinate its environmental, social and governance efforts, translating them into a dedicated ESG strategy and roadmap in 2022.

2023 was a year of further progress. The company recruited a dedicated ESG manager to roll out and further develop the strategy – and it received its first independent ESG rating by Sustainalytics. This confirmed a low ESG risk profile and a score that placed Heras as a top performer in its industry.

BUKO. TRAFFIC & SAFETY

### Linking sustainable finance with ESG results

BUKO provides outsourced traffic and safety management solutions. Founded in 1991 and based in the Netherlands, its 400 employees deliver thousands of projects every year.

In 2023, BUKO developed a sustainability framework for an ESG-linked loan, six months after signing of the acquisition by the Equistone Funds. The framework contains targets related to BUKO's most material ESG topics in the areas of health, safety and environment. The ESG-linked loan allows for lower interest rates in return for the company making tangible ESG progress.

Moreover, BUKO formalized its ESG Strategy, which revolves around four themes: Employees, sustainable business, environmental performance, and the (living) environment. A range of projects aligned to these themes are planned for 2024.

NOVARES

### Stepping up to decarbonize its operations and products

Novares is a global supplier of plastic components for the automotive industry. It employs 9,000 people in 22 countries and 37 production facilities across EMEA, Asia and the Americas.

In 2023, the Company appointed a CSR and Energy Director to intensify efforts towards decarbonizing its business and heighten its ESG performance. This has led to the first comprehensive carbon footprint assessment of the Group, including a full Scope 3 baselining, which has been verified by a third party.

A number of initiatives have also been launched to address the main sources of GHG emissions, going beyond long-standing efforts to reduce energy consumption:

- Voluntary reporting to the Carbon Disclosure Project (CDP)
- Equipping two factories in China and Mexico with solar PV power plants, with more in the pipeline
- Integrating eco-design principles in the development of products, including lifecycle assessments (LCAs), the use of recycled and/or bio-sourced materials
- Supporting vehicle electrification with many new products designed to optimize ePowertrain systems.

Finally, Novares contributes to and benefits from knowledge sharing across the industry through its participation in the Convention des Entreprises pour le Climat (CEC), which aims to help industrial companies build regenerative business models that reconcile environmental, economic and social needs.

BOAL GROUP

### Joint venture expands sustainable product offering

Founded in 1970, BOAL Group is a leading manufacturer of high-tech greenhouse roofing solutions for the global horticulture and floriculture markets. Based in the Netherlands, it employs 550 people.

In 2023, the company further developed its sustainable product portfolio by entering into a joint venture with Flexibell Systems and Wouter de Roos to form Energy Ports. Promoting multiple land use, Energy Ports harnesses solar power to transform parking lots and other covered areas into energy sources, whilst respecting local ecosystems.

BOAL Group was also named in the global top 50 by Sustainalytics, as well as being top rated in its region and industry. And it published its second sustainability report whilst continuing to develop and implement its evolving ESG strategy.

# ESG highlights continued

UNITED INITIATORS

### Achieving ESG progress on multiple fronts

United Initiatorsis the world's largest manufacturer fully focused on peroxide-based specialty chemicals. With 13 sites across Europe, North America and Asia-Pacific, it has around 900 full-time employees.

In 2023, the company made concrete ESG progress on three fronts. Its first global ESG manager who has been appointed in 2022 took up work, providing dedicated resource to support its environmental, social and governance efforts.

The business further developed its ESG strategy, built on established environment, health and safety structures, and including a GHG reduction target aiming for a 30% reduction of Scope 1 & 2 emissions by 2030 relative to 2021 emissions levels, backed up with an action plan to deliver by the target year.

The achieved EcoVadis silver rating reflects the quality of its sustainability management and confirming it is heading in the right direction on ESG.

NYLACAST

### Global recognition for sustainability progress

Nylacast is a leading manufacturer of low-weight, low-friction polymers and award-winning solutions for safety critical applications, with over 530 employees around six worldwide sites.

In 2023, the company completed its first submission to EcoVadis, the world's largest provider of sustainability ratings that assesses business in four categories: environmental impact, labour and human rights standards, ethics, and procurement practices.

Nylacast Engineered Products obtained a silver accreditation, placing it in the top 15% of companies for sustainability, and the company's Auto division secured a bronze rating. The group followed EcoVadis accreditation with an external advisor-support workstream to define a roadmap to strengthen its score over time.

WILLERBY

### Pioneering all-electric holiday home a UK first

Willerby is the UK's largest manufacturer of holiday homes and lodges. Founded in 1946 and based in the UK, it employs around 1,000 people.

In 2023, the company announced a UK first with the launch of its pioneering all-electric holiday home. The All-E model uses intelligent technology to ensure optimum electricity use with minimum waste. For customers, it feels exactly the same as being in a traditionally-powered holiday home whilst being better for the environment.

It was the latest milestone in Willerby's ESG journey. It had already launched a ground-breaking GreEn Standard specification for its models to cut their carbon emissions and make them more energy-efficient and cheaper to run.

This year, the company also published its first sustainability report, outlining its progress and commitment to a sustainable, low-carbon future.

vertbaudet

### Embracing circularity to reduce emissions and waste

Vertbaudet is a leading European e-commerce distributor of children's clothing, accessories and homeware. Headquartered in northern France, it employs 990 people.

In 2023, the company furthered its efforts to reduce waste and emissions by launching its second circular economy initiative in two years – a new partnership with Youzd and VIR by JP.

When customers return furniture purchased from Vertbaudet, it can be sold on Youzd's website. This helps Vertbaudet do more for the planet by preventing products such as children's desks and beds from going to waste, while Youzd's users can buy unused or little-used furniture at a discounted price. VIR by JP helps to manage the logistics.

The initiative follows the 2022 launch of re(Vertbaudet), the company's second-hand e-shop that embraces circular fashion by selling children's clothes for parents and families. In 2023, close to 250,000 items were collected and sold through (re)Vertbaudet.

sicame GROUP

### Supporting diversity and inclusion in the field of energy transition

Sicame Group is a world leader in the supply of equipment and services for electrical networks. Founded in 1955 in France, it employs around 3,600 staff across 26 countries.

It is committed to supporting diversity and inclusion. The Group has strengthened its commitment by signing an agreement with the Agefiph[1] Agency to increase access to work and career development opportunities for people with disabilities and go beyond the legal requirements.

Sicame Group promotes youth employment amid a growing need to recruit to address the energy transition. The company is participating in a national programme which aims to anticipate and support the recruitment needs of the sector. To date, two sites have signed an agreement with vocational colleges to host young people on training courses, an initiative that is set to expand.

*[1] Agefiph is the French Agency in charge of promoting the professional integration of disabled people.*

# Stakeholder engagement

Throughout 2023, we engaged in new and existing industry initiatives to contribute to wider collaborative dialogue on change within private equity, as well as inform our ESG strategy.

## UN Global Compact

We became supporters to the UN Global Compact, joining the world's largest voluntary corporate sustainability initiative of over 24,000 participants in more than 160 countries. We committed to incorporating the Global Compact's Ten Principles into our strategies, policies and procedures, and encouraging our portfolio companies to do the same. Equistone is among the top eight largest independent European private equity firms to have made this commitment.

## Science Based Targets initiative (SBTi)

We formally committed to the internationally-recognised Science Based Targets initiative (SBTi) in 2023 in our drive to help tackle the climate emergency. We submitted emissions reduction targets to SBTi for validation, which is expected in 2024. See page 17 for full details.

## Principles for Responsible Investment (PRI)

Equistone has been a signatory to the PRI's six principles since 2019, committing us to integrating ESG factors into investment decision making and ownership practices. We report annually against the PRI framework.

In 2023, UK ESG Manager Jessica Clavette was appointed to the PRI's Stewardship Resourcing Technical Working Group. Its objective was to develop a calculation methodology to estimate the appropriate levels of resources that investors should be prepared to dedicate to direct and market stewardship activities.

## Initiative Climat International (iCI)

Since 2018, we have been a member of iCI, the first private equity initiative to support the reduction and management of GHG emissions by portfolio companies.

It is a global, practitioner-led community of private markets investors, and seeks to better understand and manage the risks associated with climate change. The iCI has over 260 members globally, representing USD 4 trillion as of January 2024.

In 2023, Jessica Clavette co-led iCI's Scope 3 Decarbonisation Working Group, which is part of a wider Net Zero Working Group. The former produced a Scope 3 decarbonisation playbook for portfolio companies – a first of its kind in the industry, providing practical insights to help cut emissions across the value chain.

## ESG Data Convergence Initiative (EDCI)

The EDCI aims to streamline private equity's approach to collecting ESG data and produce meaningful, performance-based, comparable ESG insights. Equistone has participated since its launch in 2021, collecting and submitting standardised ESG metrics across our whole portfolio for the last two years. France ESG Manager Diane Vignalou participated in the Net Zero Working Group, recommending a new net zero metric to be included in the EDCI data set from 2024.

## France Invest

This association brings together private equity firms in France. Equistone has been a participant in its ESG Commission since 2019 and Talents & Diversity Commission since early 2023. Diane Vignalou is a member of the Decarbonisation Working Group, which develops materials to support portfolio companies to reduce their emissions.

## Level20

Throughout 2023, we continued to support this not-for-profit dedicated to attracting and retaining more women in the European private equity industry. Our employees participated in initiatives including the mentoring programme as mentees and mentors.

## Out Investors

We also maintained our support for this global organisation, founded to make the direct investing industry more welcoming for LGBT+ professionals.

# ESG through the investment lifecycle

# Integrating ESG

We embed ESG factors across the entire investment lifecycle – from deal screening and due diligence to the holding period and through to exit.

## 1 Sourcing

- Potential acquisitions are screened against exclusionary criteria (detailed in our Responsible Investment policy) that reference international standards and involvement in specific sectors.
- Controversy or ESG critical incident research is conducted to identify early material risks.
- In early dialogue, the Investment Committee considers the risks of serious adverse impacts on the environment and the exploitation of vulnerable groups in society. Thought is also given to alignment with our overall ESG strategy and programme, and how we might be able to advance the company's sustainability performance.

## 2 Due diligence

- An initial ESG assessment is completed that provides a broad review of ESG risks and opportunities, based on our ESG framework, detailed on page 7.
- Further review of material ESG risks and opportunities, including deep dives on specific issues, is completed as more information becomes available.
- Where relevant, external advisors support on carrying out detailed ESG due diligence.
- Findings are included in Investment Committee papers.

## 3 Stewardship during holding period

- Portfolio companies complete a baseline assessment of their ESG performance once a deal is finalised.
- The baseline assessment, along with wider findings from the due diligence phase and further work including a customer/competitor ESG analysis, is used to inform the development of an ESG roadmap. This is updated on a regular basis.
- Where applicable we use our board seat-level influence to dirve ESG integration at portfolio level
- Industry and internal benchmarking, ongoing collaboration with Equistone's ESG managers, and nurturing a learning community across the portfolio supports each business to progress ESG roadmap initiatives and outcomes. See page 15 for full details of our stewardship approach.

## 4 Exit

- Portfolio companies are supported to demonstrate ESG milestones and progress accomplished during the holding period, as well as articulating value created or risks mitigated.
- This may include the integration of an ESG narrative within the Investment Memorandum; a standalone ESG vendor due diligence report; and/or a standalone sustainability or ESG report. It may also include case studies and KPIs.

# Driving value through the portfolio

We collaborate with the companies we invest in and advise them on the management of ESG issues in order to maximise long-term value. Our stewardship approach defines how we go about this and is focused on ongoing dialogue and support with respect for local context and culture.

Throughout the life of an investment, we advise each portfolio company management team to address specific risks and opportunities material to their business, as well as those that we believe are material across all sectors, identified during due diligence. Given local adaptation, precisely how we engage is determined on a case-by-case basis.

Our overall stewardship objectives are to help our companies:

- Realise GHG emission reductions, develop credible decarbonisation and net zero plans, and adopt science-based targets where appropriate;
- Foster strong employee engagement through retention and diversity and inclusion initiatives, and reduce staff attrition;
- Improve practices, processes and policies for safeguarding human rights;
- Develop strong policies and approaches to the management of ESG risks and opportunities, including ensuring board accountability; and
- Build internal expertise and capability in order to own and progress ESG strategies over time.

## A robust process to drive ESG performance

Our data collection cycle informs and guides how our three ESG managers, supported by the wider investment team, work with portfolio companies.

### ESG data collection

We launch our data collection in January for the preceding calendar year, with all companies asked to report. Our questionnaire covers approximately 80 metrics across a number of dimensions. See page 23 for further information.

# Preparation of portfolio benchmark

The data we collect is used to evaluate companies and benchmark them against one another, based on:

**ESG strategy maturity**

- Based on the eight building blocks we have identified as being key to a strong ESG strategy. These are ESG vision and narrative, material topics, ambition and targets, initiatives and measures, organisation and processes, KPIs and performance management, communications and reporting, and systems and tools.

**ESG compliance**

- Presence of foundational policies and processes, and minimum compliance requirements. This represents best practice and reflects what most parties will request as part of basic ESG due diligence.

**ESG performance**

- Assessment of development of ESG KPIs at portfolio company level from 2022 to 2023
- Benchmarking of performance against EDCI benchmark data

We obtain a score for each company that helps to identify where improvements have been realised year on year, as well as gaps that need to be closed through ESG roadmaps.

### Debriefing with portfolio companies and defining next steps

We then allocate time with each company to review our findings, both for their business and the entire portfolio. Trends, key takeaways and major changes are highlighted. As part of this, we develop an ESG roadmap, based on the data, and emphasise the improvements that can be made. Associated targets are defined for the upcoming year.

### Ongoing monitoring and support for portfolio companies

We continue to work with businesses on implementation of their ESG roadmap, sharing regular updates with them and across Equistone to facilitate knowledge exchange across the portfolio and feedback into the investment process.

# ESG AT EQUISTONE

Photo: Camusat

ESG at Equistone

# Environment

**As a responsible business, we recognise the need to take climate action and reduce our greenhouse gas emissions.**

Compared to our portfolio, our direct environmental impact remains small. However, we are still committed to managing and reducing our own carbon footprint, leading by example, and sharing our experience with the companies we invest in.

In 2023, we took a major step forward by officially committing to the Science Based Targets initiative (SBTi) and submitting our targets to SBTi for validation.

We developed these targets over nine months, working with consultants Anthesis and undergoing a thorough internal review process.

We needed to educate the whole firm about Science Based targets, bringing together colleagues from the investment teams and central functions. We also convened Equistone's ESG Committee multiple times to review and challenge our approach before the targets were finally approved by the Management Board.

For the last four years, we have measured Equistone's Scope 1 and 2 carbon emissions. These relate mainly to heating with natural gas for some of our offices and our company cars' fuel consumption.

Our SBTi goals include a target to reduce our Scope 1 and 2 emissions by 42% by 2030 from a 2022 baseline. In 2023, we moved closer to achieving this, reducing these emissions by 8%, compared to 2022, mainly due to reduced energy consumption for heating as well as the exchange of first company cars from conventional drives to more sustainable drives. The increase in Scope 2 emissions is due to the move to a larger office in Munich. We will make further progress by continuing to switch company cars to electric vehicles and plug-in hybrid electric vehicles. We will also maintain alternative, renewable energy sources for our offices, and we commit to sourcing 100% green electricity.

Looking ahead, beyond Scope 1 and 2, we will work on estimating more accurately the firm's Scope 3 emissions in multiple categories beyond financed emissions. We will especially focus on business travel, purchased goods and services, and employee commuting.

| INDICATOR | 2022 | 2023 | Evolution |
|---|---|---|---|
| Scope 1 emissions ($tCO_2e$) | *79.7 | 72.4 | -9.2% |
| Scope 2 emissions (market-based) ($tCO_2e$) | 2 | 3 | 50.0% |
| Total Scope 1 and 2 emissions ($tCO_2e$) | 81.7 | 75.4 | -7.7% |
| Share of renewable electricity consumed | 100% | 100% | 0% |

**2022 adjusted compared to prior year report due to improvements in our calculations*

ESG at Equistone

# Social

We are determined to make positive contributions to the communities in which we operate. That means striving to create working environments that are diverse and inclusive, and in which our colleagues are engaged and supported to succeed. It also means continuing to build on our long history of community engagement and charitable support.

## Diversity and Inclusion (D&I)

We aim to provide employment opportunities for people from all backgrounds. Our ambition is to widen our talent searches and attract top quality applicants from diverse communities so that we can appoint the best possible candidates.

Our D&I Committee has helped to support this by developing recruitment principles that set out our commitments to diversity in hiring. Decisions should be based on objective, job-related criteria to ensure best practice and compliance with all applicable laws.

The principles include ways in which we can widen the recruitment pool, ensure job descriptions are free from bias, and run selection processes that are objective and inclusive.

Beyond recruitment, in 2023 we started to review the firm's approach to D&I policies and procedures internally, with plans to launch a full workstream in 2024. We continued to monitor the proportion of women in the investment teams and at Equistone overall, as well as the number of nationalities represented in our workforce.

| INDICATOR | 2021 | 2022 | 2023 |
|---|---|---|---|
| Share of women in the investment team | 14% | 22% | 18% |
| Share of women at Equistone | 32% | 35% | 34% |
| Number of nationalities among employees* | 10 | 11 | 11 |

*The country of which a person is considered to hold citizenship

Equistone's ESG managers Diane Vignalou, Jessica Clavette and Sophia Nicol

## Employee engagement

Achieving high levels of employee engagement is fundamental to Equistone's success – and giving everyone the opportunity to have a say on how the business is operating is key to this.

We therefore run an annual employee engagement survey, with questions aligned to our Guiding Principles. These principles aim to ensure that the way we act and the decisions we make protect and build our reputation and prioritise long-term success. They span balancing local autonomy with discipline; valuing our investors and management teams; team work; humility; openness and transparency; equality and responsibility; and enjoying what we do.

The survey also includes questions dedicated to measuring D&I and ESG commitment specifically. This year, colleagues were invited to share what they would like to see the business accomplish in ESG over the next year; how clear they are about the intersection of ESG with their role; and how incoming sustainability regulation affects how we do business.

Survey feedback on all topics helps us to understand employee sentiment and identify areas in which we can improve colleague experience. It highlights training needs, learning and development opportunities, and where we have made progress in the last 12 months.

# ESG at Equistone

## Social continued

### Community Engagement
We have a proud history of community engagement at Equistone and tailor our approach in each geography, in line with our locally adapted business model.

Every year, we support a range of charities that make a positive difference. The firm also encourages team members to volunteer and raise money for causes close to their hearts, with match funding sometimes provided.

### Our Charity Committee
Our UK team established a Charity Committee back in 2019 to provide a framework for third sector fundraising and support. Every year, it chooses a local organisation that meets two or more of the following criteria:

- It benefits the local community in either London, Manchester or Birmingham;
- It is personally meaningful to the nominating member of staff; and/or
- It is an organisation where an Equistone donation and volunteering commitment has a direct impact.

## UK Charity of the Year: Working Options

Supporting young people – especially those from under-served communities – to fulfil their potential is something that Equistone colleagues are passionate about. That's why Working Options in Education was chosen as our 2023 UK Charity of the Year. In total, we donated £30,500 to the charity and fundraised an additional £5,500 during the year.

An employability and life skills organisation, its Career Pathways programme is delivered free in state schools, colleges and online by industry volunteers, and helps 14- to 19-year-olds identify and pursue career options. Through practical help and advice, they build skills and confidence. The programme is designed to benefit all young people, but prioritises those from the most under-served areas of the country.

The Equistone team fundraised £5,500 for the charity by trekking 25km in the Peak District in just under eight hours. Colleagues also hosted a taster day at our London office for 13 students, ran employability skills workshops in schools, represented the firm at Working Options events, and allowed the charity to use meeting rooms on our London site.

### Supporting other charities in the UK and France
Colleagues also dedicated their time and fundraising efforts to help other good causes in the UK and beyond throughout 2023, as well as donating a total of £14,000 to six organisations.

Equistone volunteers spent a day at Spitalfields City Farm in London, which provides educational opportunities for children and adults to gain new skills and confidence. The team improved an area near the farm's entrance, clearing weeds, removing litter, and cleaning out animal enclosures.

In France, we donated a total of €20,500 in 2023 to seven associations, including four main charities:

- La Ligue Contre Le Cancer, founded in 1918, is focused on preventing the disease. Its priorities include promoting health, supporting sick people and their loved ones, and advancing cancer research.
- Tout Le Monde Contre Le Cancer, launched in 2005, works to support everyone facing cancer and their families by creating extraordinary moments that bring them joy. The charity provides 14,000 hours of volunteering annually and supports 25,000 patients and caregivers.
- Réseau Paris Entreprendre, a national network of business associations, supports people setting up or taking over companies with job creation potential. It does this by passing on the expertise and know-how of experienced and successful business leaders.
- Démos, launched in 2010, promotes cultural democratisation by helping children from disadvantaged backgrounds to learn to play a classical music instrument. It has been rolled out across France in conjunction with local authorities.

ESG at Equistone

# Governance

**Good governance is fundamental to Equistone fulfilling its role as a responsible investor. We have robust arrangements in place that support effective ESG risk management, decision-making, accountability and reporting.**

Our Management Board has ultimate responsibility for our Responsible Investment programme, ESG strategy and approval of policies, including the Responsible Investment policy. In addition to regular interaction with our three dedicated ESG managers and ongoing reporting, it receives recommendations from the ESG and Diversity and Inclusion (D&I) Committees on the development and implementation of our approach.

The Investment Committee (IC) is accountable for the management of ESG factors throughout the investment process, as defined in the Responsible Investment policy. The IC is supported by our investment team and ESG managers. Together, they assist with appropriate ESG due diligence at the deal-screening stage; linking ESG to risk mitigation and value creation plans during holding; and accounting for ESG milestones in the exit process.

The investment team and ESG managers are also responsible for adherence to the Responsible Investment policy, reporting on this to Management Board, and monitoring portfolio companies' progress on material sustainability issues.

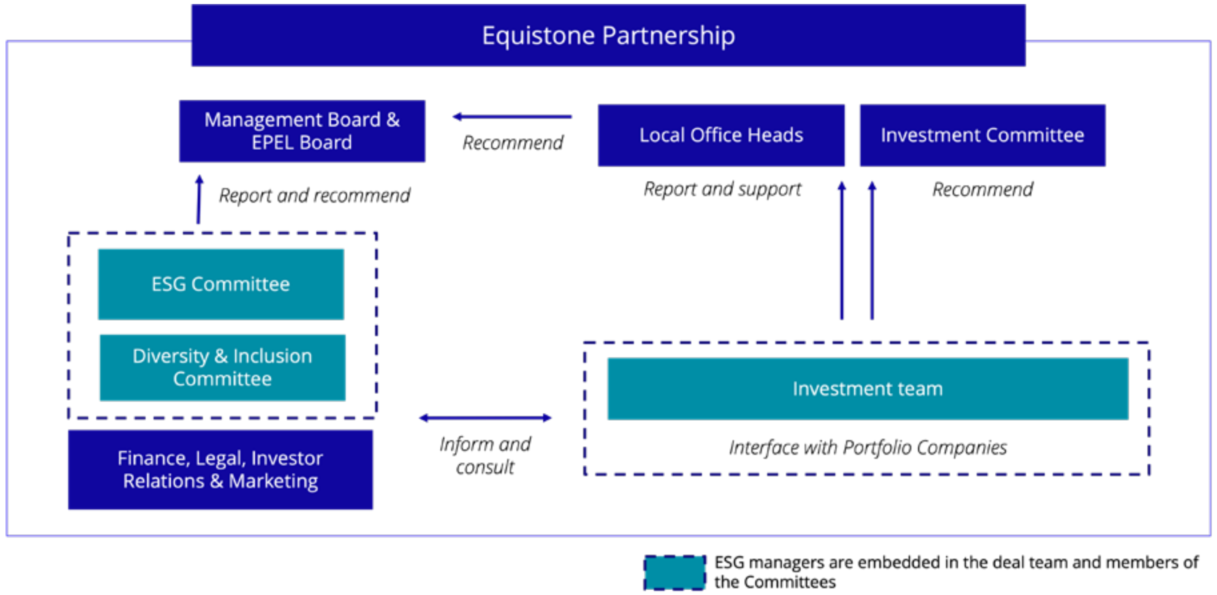
Country Heads support the definition of regional ESG priorities in line with our firmwide programme, while central functions including Finance, Legal, Investor Relations and Marketing, are involved and consulted on relevant sustainability initiatives and priorities.

## Our ESG and D&I Committees

These two committees guide the evolution of our Responsible Investment Policy and our ESG and D&I strategies. Together they maintain active involvement in our programme and make recommendations to Management Board to support our continued progress.

The ESG Committee meets between four to six times a year. It is responsible for the ongoing monitoring of ESG issues and value-creation initiatives across our portfolio; identifying appropriate sustainability training initiatives; and oversight of external reporting on ESG matters.

The D&I Committee meets at least two times a year. It is responsible for monitoring our approach to diversity and inclusion against our objectives. It also regularly reviews and issues recommendations about specific D&I initiatives undertaken in each region, including firm-wide training programmes.



ESG at Equistone

# Governance continued

## Implementing our ESG programme

While we strive to make our ESG approach a shared responsibility across the entire organisation, accountability for day-to-day implementation sits with our three ESG managers.

We are one European team at Equistone, but local context and adaptation is fundamental to our business model. Each manager is therefore embedded in the investment team in the UK, France and DACH/NL region respectively.

This means they have direct operational access to companies in local portfolios and can adapt the ESG programme to meet local requirements, whilst ensuring alignment with our firmwide approach.

The ESG managers feed into all our reporting and decision-making channels and provide specialist input across the investment cycle. Their responsibilities include, but are not limited to investment process & portfolio, firm & strategy and communications.

## Investment process & portfolio

- Supporting the investment team by analysing potential investments based on their ESG risks and opportunities.
- Providing advice to management teams in defining ESG value creation strategies.
- Advising portfolio companies in their efforts to implement strategies and drive ESG performance.
- Collecting and monitoring ESG key performance indicators (KPIs) across the portfolio.

## Firm & strategy

- Supporting the definition of Equistone's ESG strategy in close collaboration with other functions.
- Monitoring relevant regulation and providing oversight of Equistone policy adoption as required.
- Supporting the investment team with ESG training.

## Communications

- Representing Equistone's ESG activities to LPs and the public.
- Supporting the creation of Equistone's annual ESG Review and other formal external reporting.
- Engaging and collaborating with the industry and initiatives to advance and learn from wider dialogue on responsible investment.

## Governance in action in 2023

### ESG Committee

In 2023, our ESG Committee increased its involvement in the development of our programme and remained incredibly active throughout the year, meeting four times. Its members played an essential role in shaping and challenging the development of our initiatives, including our science-based targets approach. Beyond SBTi, the Committee examined detailed examples of ESG in due diligence, provided input on case studies across the portfolio, and served as a sounding board for a range of other projects, including joining the UN Global Compact.

### Management Board

For the first time, we convened a dedicated two-hour ESG session with the Management Board this year. It included a deep dive into our science-based targets and other proposed initiatives, such as incorporating ESG KPIs into remuneration across the firm and portfolio company management teams. The Management Board demonstrated strong buy-in by approving the next series of milestones for our ESG programme. It sought to understand the impact of new sustainability initiatives across the firm and agreed that future dedicated ESG sessions would continue to be valuable.

# ESG IN THE PORTFOLIO

Photo: BOAL Group

ESG in the portfolio

# Performance

Supporting our portfolio companies to improve their ESG performance is rooted in data. We use it to benchmark their sustainability maturity and progress, review and strengthen their ESG roadmaps, and help them to deliver tangible initiatives that create value. Full details of this stewardship approach are set out on page 15.

Robust data collection is therefore key. In 2023 we used a dedicated ESG software platform for the first time to make the process more streamlined, accurate and user-friendly.

Already, it has helped us to improve data accuracy. Looking ahead, it will also improve our analysis and reporting, allowing us to more deeply explore insights from historical trends. We also introduced third-party reviews and verification to support higher data reliability, including to resolve data discrepancies between years.

The ESG questionnaire that we host in the software platform covers approximately 80 quantitative and qualitative data points. These include standard measures from EDCI; principal adverse impact (PAI) indicators, which have been designed by SFDR to assess the negative impact of investment activity on sustainability factors; and other metrics to help us gauge companies' ESG maturity.

Topics covered span a wide range of issues material to our businesses and stakeholders, such as GHG emissions, D&I and supply chain management.

2023 changes to the questionnaire mainly related to decarbonisation strategy, climate-related risks and opportunities, and ESG regulation readiness. We expect the survey to undergo marginal alterations each year to ensure that we follow industry best practice and can make comparisons between years.

Following this year's data collection, we held debriefing sessions with more than 80% of our companies, ultimately resulting in the launch of 23 new ESG projects.

In the following pages, we share details, including key performance indicators of our portfolio's progress on environmental, social and governance topics throughout the year.

*Photo:* Ligentia

## Methodology

For each performance indicator, we present the following data:

**2022 reported performance**
Equistone portfolio as at 31 December 2022.

**2022 pro forma performance**
2022's reported performance, updated to reflect changes in the portfolio in 2023, i.e., excluding new acquisitions and exits closed in the year. This is to provide more meaningful comparisons with 2023's performance data.

**2023 performance**
Equistone portfolio as at 31 December 2023.

**Data availability for each indicator**
The share of portfolio companies for which data is available for each year.

## ESG in the portfolio

# Environment


### We are committed to limiting our impact on the environment and reducing the greenhouse gas emissions of our firm and the businesses we invest in.

In 2023, we took a significant step forward by developing science-based targets and submitting them to the Science Based Targets initiative (SBTi) for validation. See page 17 for more details.

In addition, engagement with our portfolio on environmental matters focused on three key areas throughout the year:

- Measuring their carbon footprint and improving data quality and Scope 3 coverage over time;
- Reducing their GHG emissions through the creation of credible decarbonisation plans and associated targets; and
- Advising them to identify and manage climate-related risks and opportunities.

### Measuring carbon footprint

With our input – and by connecting them to trusted climate advisors – we supported portfolio businesses to measure and refine their Scope 1 & 2 GHG emissions, and conduct Scope 3 baselining. Our new ESG data collection platform aided this work as it offers a carbon module to estimate companies' emissions following the GHG protocol standards.

Between 2022 and 2023, more of our portfolio was able to provide Scope 1 & 2 data, with an 9ppt increase in the proportion of those reporting it. Some are currently updating their emissions data, so we expect this upward trend to increase when final figures become available later in the year.

Significantly, the share of portfolio companies with a GHG reduction target grew from 57%in 2022 to 60% in 2023. adm Group was the first in our portfolio to have its SBTi targets validated, followed by CH&CO. Camusat also committed to the SBTi and is waiting for its targets to be validated. For more information, see page 26.

| | 2022 REPORTED | | 2022 PRO FORMA | | 2023 | |
|---|---|---|---|---|---|---|
| ENVIRONMENT | Equistone Portfolio | Data availability | Equistone Portfolio | Data availability | Equistone Portfolio | Data availability |
| Average scope 1&2 emission intensity ($tCO_2e$/m€ revenue) | 36 | 74% | 39 | 69% | 26 | 78% |
| Average share of renewable energy | 26% | 72% | 17% | 67% | 34% | 71% |
| Share of PCs with a GHG reduction target | 57% | 94% | 55% | 98% | 60% | 94% |

### Reducing emissions intensity

Efforts by portfolio companies to lower their emissions intensity paid off this year, resulting in a reduction from 36 $tCO_2e$/m€ revenue reported in 2022 to 26 $tCO_2e$/m€ in 2023. As the 2022 pro forma data shows, this was not due to changes in the composition of our portfolio. The increase in renewable energy consumed by companies we are invested in contributed to this development.

### Managing climate-related risks and opportunities

We also started to work with the portfolio to help it identify and manage climate-related risks and opportunities, in line with upcoming requirements in the EU's Corporate Sustainability Reporting Directive (CSRD) and the Taskforce on Climate-Related Financial Disclosures (TCFD).

In particular, the TCFD's 'Metrics & Targets' pillar provided an ideal opportunity for us to present our SBTi work and explain how it will apply to portfolio businesses in the future.

## ESG in the portfolio

# Environment continued

The Science Based Targets initiative (SBTi) provides a clearly defined pathway for companies to reduce GHG emissions in line with the Paris Agreement, which aims to limit global warming to 1.5°C compared to preindustrial levels.

In 2023, Equistone officially committed to the SBTi and submitted for validation our science-based targets for both the firm and portfolio companies. They are:

- To reduce Equistone's own Scope 1 and 2 emissions by 42% by 2030 from a 2022 baseline; and
- For 33.33% of its eligible private equity portfolio by invested capital to set validated SBTi targets by 2028.

We are expecting these targets to be finally validated by SBTi in 2024.

### Portfolio engagement

To ensure we achieve our SBTi goal for portfolio companies, we plan to introduce the initiative early on when considering potential new investments.

With all Fund VII targets, we now inform management teams about our SBTi commitments in the pre-investment phase, and follow this up in one of our first meetings with them after a deal closes. At this point, the relevant ESG manager and deal team members will engage and secure agreement on internal resources and governance needed, any budget for external advisors, and the necessary timeline for the portfolio company to set its science-based targets.

### Ongoing support for the portfolio

For current businesses exploring SBTi target setting and future acquisitions, Equistone's ESG Managers support with the selection of advisors and the development of scopes of work. They meet regularly with both the company and the external specialists when targets are set and beyond.

Accountability at portfolio company board and management level is essential, so our businesses are supported to establish reporting procedures that include regular progress updates on targets being developed, set and delivered.

For all Fund VII investments, we will link the SBTi process and target achievement to variable management compensation where relevant, and provide resources to support portfolio companies in their GHG reduction work. This includes sourcing proposals from trusted advisors and webinars such as iCI's Scope 3 series and playbook. We are also developing a hub to connect those who have gone through the process with others to aid learning.

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*As at 31 December 2023, we were in line with the SBTi pathway.*

*Two of our portfolio companies, adm and CH&CO, received official validation of their science-based targets this year.*

*A third company, Camusat, has committed to SBTi and its targets are currently awaiting validation.*

*Photo:* adm Group

ESG in action

camusat

Country France
Sector Technology, media, and telecommunications
Investment Sep 2016

# Revolutionising telecom with green solutions

Providing sustainable solutions to the telecoms industry has always been central to Camusat Group's business approach. Now the company is enhancing its efforts to address climate change.

The telecommunications sector is facing a big challenge: To guarantee the development and stability of telecoms networks whilst limiting their carbon footprint.

In addition to offering infrastructure solutions & operational platforms, Camusat designs, builds, powers and manages operators' telecoms infrastructure. This includes more than 9,000 sites globally operating on renewable solar and hybrid systems.

Its portfolio of existing solutions and services already has a positive impact on the environment and society. But amid growing stakeholder expectations, Camusat recognises its responsibility to further help customers reduce their carbon intensity – and cut its own emissions too.

## Stepping up the pace

In 2023, the group therefore decided to develop a comprehensive climate strategy, building on environmental commitments it made back in 2014 and the progress it has achieved since.

At its heart is the decision to set robust goals under the Science Based Targets initiative (SBTi), sending a clear message to clients and suppliers that Camusat is determined to accelerate decarbonisation.

## Taking a holistic approach

SBTi was chosen because it is an international standard, recognised for its comprehensive and effective methodology, and offering a clear path to carbon reduction.

Having committed to it, Camusat took the opportunity to develop a full climate strategy, following Assessing low Carbon Transition's (ACT) Step by Step methodology. The company also completed its first Carbon Disclosure Project's (CDP) questionnaire – a way to demonstrate transparency regarding its environmental impact and the steps it is taking to reduce it.

The project progressed through a number of stages, beginning with Camusat examining the maturity of its approach to climate change. It then moved on to

# ESG in action

strategically analyse the business in the context of the transition to a low-carbon economy. This included looking at its strengths, weaknesses and opportunities – incorporating the potential to help more customers decarbonise their supply chains – as well as threats. The group's Executive Committee was also trained on climate issues.

Next, Camusat worked on a 2050 vision for what it and its activities will look like in a low-carbon economy, including the ambition to phase out more fossil fuel energy supply by this date. The vision was then translated into a strategic plan for each of the company's core activities, with quantified objectives and policies. At this point, in early 2024, Camusat submitted its climate targets to SBTi for validation.

## Achieving success

This is a major, long-term commitment to taking positive climate action that will significantly influence Camusat's business strategy in the months and years ahead. Submitting the targets to SBTi brought the first phase of the strategy work to an end. Next, the group will focus on implementation, using a fully budgeted and resourced action plan to make progress towards these targets.

The company has highlighted a number of important factors that are essential for it to successfully achieve its environmental ambitions in the long run.

It has already secured the commitment and support of the Executive Committee, and trained senior leaders and the project team on climate issues. It has also communicated regularly with employees on relevant topics and collaborated with them and external stakeholders.

This ongoing collaboration is another critical success factor. For example, reducing Scope 3 emissions will be an essential priority and will rely upon close work between Camusat and its suppliers.

The foundations are now in place to build on the group's environmental record, decarbonise its own operations, and support its customers in their efforts to reduce their own networks' carbon footprint.

"This project has enabled us to gain a much clearer understanding of macro climate issues, their impact on our activities and, above all, the contribution we can make to the transition to a low-carbon economy."

**Elodie Perrigot**
Group Chief HR-ESG & EHS Officer

ESG in the portfolio

# Social

**At Equistone, we believe in making a positive contribution to society and supporting our portfolio companies to do the same. A key component is the provision of quality employment in workplaces where people can thrive.**

To support this, we focused on guiding the portfolio in two areas in 2023: Employee engagement and diversity and inclusion (D&I).

## Employee engagement

We know that employee engagement is fundamental to creating and protecting value in the long-term.

Engaged colleagues who feel a sense of belonging and are motivated to do great work are more likely to be productive, innovative, resilient and remain with their employer.

When assessing engagement levels at portfolio companies, we consider several indicators: staff turnover rate, employee Net Promoter Score (eNPS), and the proportion of team members completing an employee engagement survey.

These quantitative indicators are paired with qualitative analysis. For example, exploring whether there are clear career paths, learning and development programmes, and other relevant processes and initiatives in place.

We highlight the value to portfolio companies of surveying employees about their satisfaction at work in order to inform initiatives that will drive engagement. In 2023, we introduced a third-party software provider upon whose platform our businesses can run surveys, analyse the results, and gather insights to shape HR strategies. This partnership allows them to quickly deploy an employee survey and customise it to their needs.

Our efforts have been fruitful. The proportion of portfolio companies running an engagement survey significantly increased from between 40%-49% (actual and pro forma data) in 2022 to 68% in 2023.

In portfolio debriefing discussions, we are continuing to explore how our businesses can increase survey participation rates, strengthen colleague satisfaction and engagement, and increase eNPS, which measures how likely people are to recommend a company as a place to work.

Portfolio companies' performance on diversity and inclusion (D&I) is also an essential component of our ESG programme.

Building a diverse and inclusive culture in each of our businesses is fundamental. It means providing equal opportunities for people from all backgrounds to succeed and ensuring their psychological safety in environments that are free from harassment and discrimination.

It is linked directly to employee engagement and wellbeing, compliance with relevant legislation, and is the right thing to do. We also know it makes perfect commercial sense because D&I creates value for businesses through diversity of thought, skill and background. Recent research by McKinsey, Diversity Matters Even More, shows a strong correlation between gender diversity, ethnic diversity and financial outperformance.

At Equistone, we track several metrics to measure D&I progress, including: The percentage of female board members across the portfolio, the percentage of women in C-suites, and the proportion of our businesses with a D&I policy.

This year, we continued to engage with the portfolio on the importance of having a policy in place, resulting in more developing one (68% in 2023, up from 53-54% in 2022 – a significant improvement).

However, it unfortunately takes time to translate policy into real-world progress, at least when it comes to D&I in the boardroom and C-suite. Female representation at these levels in our businesses remained stable between 2022 and 2023.

To improve performance, more focus is still needed on widening the talent pool and developing initiatives to prepare women and minority ethnic team members for senior management positions. Our ESG approach will continue to concentrate on this so that we support our portfolio to make tangible progress. We are also actively looking at other issues and indicators, such as tracking.

*Photo:* **Vertbaudet**

| | 2022 REPORTED | | 2022 PRO FORMA | | 2023 | |
|---|---|---|---|---|---|---|
| **SOCIAL** | Equistone Portfolio | Data availability | Equistone Portfolio | Data availability | Equistone Portfolio | Data availability |
| Average share of women at the Board | 6% | 100% | 6% | 100% | 6% | 100% |
| Average share of women C-suite employees | 13% | 92% | 13% | 88% | 13% | 96% |
| Share of PCs with a diversity & inclusion policy | 54% | 92% | 53% | 98% | 68% | 92% |
| Share of PCs with an employee survey | 49% | 94% | 40% | 98% | 68% | 92% |

ESG in action

TIMETOACT GROUP

Country **Germany**
Sector **Technology, media, and telecommunications**
Investment **Jun 2021**

# Empowering diversity

## A clear strategy, strong governance and new initiatives to drive change are helping digitisation and IT specialist TIMETOACT GROUP become a more diverse and inclusive employer.

Amid skills shortages and the war for talent, attracting a broad range of job applicants is essential for TIMETOACT GROUP, as it competes in the traditionally male-dominated world of IT.

To continue its rapid topline growth of 40% year-on-year, it is imperative to tap into new candidate groups. The company is convinced it can stand out as an employer by offering an attractive working environment for women and placing a strong emphasis on equal development opportunities.

Primarily serving medium-sized and large clients in the industrial, financial, service and public sectors, TIMETOACT GROUP advises and works with them in a variety of ways. It provides digital and IT strategies to create value and ensure future competitiveness, and modernises and integrates customers' IT systems to increase their agility and transparency, as well as reduce costs and risks. The company also designs and implements digital business models, opening up new market opportunities.

TIMETOACT GROUP operates in 22 locations in the DACH region and employs about 1,300 people, with 35 nationalities represented in the workforce. In 2023, 27% of colleagues were women, which is significantly better than the 20% industry average.

But the company is committed to increasing female representation – especially among IT consultants – and attracting employees from more diverse social backgrounds. So, it is taking action with support and input from leaders at the most senior level.

### The journey so far

The group's ambition is to embed a sustainable and open approach to diversity and inclusion (D&I) in everyday work, and it began by signing up to the Charta der Vielfalt e.V. in Germany in 2023. This initiative promotes integration of D&I in business culture and recognises that organisations can be more successful and attractive as employers as a result.

The company has developed and adopted a D&I strategy to drive change, focusing on gender diversity and social background as priorities.

Recognising that strong governance is essential, it formed a Diversity Board which has 16 members from across the

# ESG in action

TIMETOACT GROUP


business and is growing. They include Managing Director Hermann Ballé who is accountable for People & Culture and Sales at TIMETOACT GROUP. It meets monthly, is a central contact point for all employees, and develops measures to drive D&I throughout the organisation. It has three working groups – one focusing on integration of D&I into company culture and daily business processes; a second on gender diversity; and a third on social background. The Diversity Board has proven to be an incredibly valuable governance tool when it comes to developing measures that really resonate with employees.

## Turning D&I strategy into action

To raise awareness and anchor D&I in the organisation, TIMETOACT GROUP has rolled out a D&I Policy which is also part of onboarding for new colleagues. It has defined and introduced gender-neutral language and delivered D&I training for the management team. The business also sponsors careers fairs, including Women in Tech, and other activities as a diverse employer.

TIMETOACT GROUP knows that agreeing clear and measurable goals is fundamental, so for 2024 agreed that 30% of the workforce should be women.

In 2024, more than 60 female colleagues joined a day-long networking event to connect and share experiences, and they are now championing gender diversity across the group. An Emerging Leaders' Programme, launching in 2024, will help to ensure that more women are prepared for management positions and promotion. And the business has taken steps to make it a more attractive employer for females, providing childcare allowances, maximum flexibility in working hours and coaching.

To recruit more colleagues from diverse social backgrounds, the company is developing partnerships with NGOs and educational establishments, such as the Hacker School.

## Achieving results

TIMETOACT GROUP recognises that it will take time to fully achieve its D&I ambitions. However, early results are promising, with female representation in the workforce growing slightly to 27% by the end of 2023. The proportion of women among all new permanent employees recruited in the year also increased to 30%.

Looking ahead, the focus is on developing a broader set of key performance indicators to measure the success of the D&I strategy, as well as rolling out further initiatives to drive positive change.

"We are passionate about equal opportunities and becoming a more inclusive employer where everyone can achieve their full potential. By attracting more women to TIMETOACT GROUP and recognising and promoting their contributions to our group and the industry, we can perform better for our customers, help shape the future of IT, and set an example for a fairer working world."

**Hermann Ballé**
Managing Director

ESG in the portfolio

# Governance

Good governance is fundamental to driving ESG performance. We focus on helping portfolio companies to develop and implement policies, processes and procedures to meet the highest standards of business practice.


Photo: BUKO Traffic & Safety

An important building block is the governance arrangements of their own ESG functions, including resourcing, defining responsibilities and establishing decision-making and reporting processes. In debriefing sessions following our 2023 data collection cycle, we shared best practice and guidance to support portfolio ESG teams with this, tailored to the maturity of each company.

At one end of the spectrum, we helped to assign responsibility for ESG oversight at management level and appoint ESG managers for day-to-day implementation. At the other end, we supported portfolio businesses to develop fully-fledged ESG strategies, focused on material topics, with clear targets and action plans.

Incorporating ESG goals into variable management compensation is a key way of holding leadership teams accountable. In 2022, we reported that 14 companies in the DACH/NL region had introduced an ESG bonus component, with targets in areas including emissions reduction, health & safety, and ESG data and reporting. In 2023, we committed to rolling out ESG KPIs into management teams' variable compensation in every Fund VII investment.

## Policies and procedures across the portfolio

Most of our portfolio companies have established the foundations of good governance and some are further advanced.


Photo: BUKO Traffic & Safety

| | 2022 REPORTED | | 2022 PRO FORMA | | 2023 | |
|---|---|---|---|---|---|---|
| GOVERNANCE | Equistone Portfolio | Data availability | Equistone Portfolio | Data availability | Equistone Portfolio | Data availability |
| Share of PCs with a code of conduct | 83% | 94% | 79% | 98% | 88% | 94% |
| Share of PCs with a whistleblowing system | 68% | 94% | 74% | 98% | 94% | 98% |
| Share of PCs with a cybersecurity policy | 70% | 94% | 62% | 98% | 78% | 98% |
| Share of PCs with a supplier code of conduct | 60% | 94% | 53% | 98% | 65% | 94% |

We track progress by reporting on the share of our businesses that have core ESG compliance components in place, including but not limited to a business code of conduct, whistleblowing procedure and supporting grievance mechanism, cybersecurity policy, and supplier code of conduct.

These policies are essential to ensuring good business practice and reducing overall sustainability risk. However, we go beyond focusing on them alone and are increasingly asking portfolio companies to evidence how they are implementing their policies in real terms.

Last year's data collection identified where policies are missing, enabling us to help address the gaps during discussions and as part of our ongoing efforts to support the development of ESG roadmaps across the portfolio. We leveraged our European footprint, sharing examples from comparable and more advanced companies, and connected those who we believe have synergies.

Our 2023 data shows improvements on all the policies, with some reaching very high levels in 2023 (88% of portfolio companies with a code of conduct and 94% of portfolio companies with a whistleblowing mechanism). Progress with regards to cybersecurity policies and supplier code of conducts has been slower, which highlights where we need to focus our efforts in the years ahead.

ESG in action


**TALON_**
Think outside

| | |
|---|---|
| Country | **UK** |
| Sector | **Technology, media, and telecommunications** |
| Investment | **July 2022** |

# Leading the industry in decarbonisation

## After hiring a dedicated Sustainability Manager, Talon is stepping up efforts to deliver greater value for its clients – and lead the Out-of-Home industry's decarbonisation drive.

In the last 18 months, the Global independent Out-of-Home (OOH) media agency Talon, have made significant progress on their sustainability efforts.

The company hired Alice Date as its first Group Sustainability Manager, ensuring it has dedicated, specialist resource to implement its sustainability strategy. It launched a global Sustainability Framework across the business and took on a leadership role at Ad Net Zero, advertising's global drive to decarbonise the industry.

Talon has a clear ambition: to deliver greater value for clients whilst inspiring people and caring for the planet. The company is in no doubt that sustainability is critical to its commercial success. As a leader in media, it a knows the industry has an unprecedented ability to influence behaviour change.

### Addressing the right issues

Talon's global Sustainability Framework is informed by a robust assessment of the issues material to the business and its stakeholders. Climate impact is number one, with diversity, equity and inclusion (DE&I) and positive behavioural change making up the most important topics across each pillar. The framework has three pillars:

- Environment: Minimising the negative environmental impact of Talon's operations and the wider media industry;
- People: Building Talon's purpose-driven culture to attract and retain diverse talent; and
- Community: Addressing the company's responsibility within OOH.

This is underpinned by strategic levers; responsible transformation of the business, value chain collaboration and transparency, and measurement and reporting.

In line with the framework, clear sustainability objectives have been set in the UK, and Talon intends to take a similar approach in other markets.

### Embedding sustainability across Talon

Whilst Group Chief Strategy Officer Sophie Pemberton and

# ESG in action continued

## TALON_
Think outside


Alice Date currently lead Talon's sustainability work, they are well underway with the ultimate ambition that is integral to everyone's job.

Inspiring colleagues and getting everybody to understand their role in sustainability is key. The company took a best-practice approach to launching the Sustainability Framework to UK employees in 2023, raising awareness across the business with an internal event. Sophie and Alice launched the framework, followed by a panel of specialists who discussed how all roles connect with sustainability. This featured Futureproof, an advisory partner that Talon works with, a sustainability representative from MG OMD, and Equistone's UK ESG Manager Jessica Clavette, shared perspectives on how Talon is doing relative to other sectors.

### Taking action
Sustainability is on the agenda at the most senior level, with the management team and directors fully involved, and monthly progress updates reported to the Board.

As a service-led business, Talon is all about people and there is real opportunity to drive positive change for the planet and society whilst improving working life for colleagues as environmental and social programmes are rolled out.

Through their Futureproof partnership, Talon has begun measuring emissions to aid in defining its Net Zero emissions strategy with an aim to set near- and long-term net zero targets, and launch initiatives to achieve them. Other progress includes assessing diversity, equity and inclusion priorities, including work on gender pay gap reporting. Social elements of the Sustainability Framework have gained particular traction among employees, building on Talon's strong culture.

### Leading the industry
Amid a lack of regulatory guidance and fragmented, inconsistent approaches to sustainability across advertising and media, Talon recognises that it pays to lead the conversation. It is therefore contributing through several collaborative forums.

Ad Net Zero is the industry's alliance to tackle the climate emergency, with a five-point action plan to reduce emissions from advertising operations, production, media planning and buying, and awards and events. It also aims to harness advertising's power to support behaviour change.

As well as joining Ad Net Zero, Sophie Pemberton chairs the initiative's SME Forum, and Alice participates in the Institute of Practitioners in Advertising (IPA) Climate Action Group. Talon has also been selected to join the Global Alliance for Responsible Media's (GARM) OOH working group.

### Looking ahead
Talon has clear UK sustainability objectives for 2024, with quarterly reporting metrics to drive climate action, increase workplace diversity, and upskill clients and colleagues on sustainability.

The company plans to build sustainability into job specifications and performance appraisals. Other initiatives include producing a global Sustainability Charter and disclosure requirements for suppliers as the business builds on a strong 12 months of progress.

Read more about sustainability at Talon here.



"Being a dedicated resource allows me time to facilitate both internal and external conversations, including growing awareness amongst our clients and employees, and representing Talon in industry working groups – all of which are garnering momentum around sustainability."

**Alice Date**
Group Sustainability Manager

# LOOKING FORWARD

*Photo:* **WHP Telecoms**

Looking forward

# Looking ahead to 2024

2023 was a year of progress, primarily focused on establishing a strong foundation upon which our ESG team works with portfolio companies. Key achievements included the development of a robust ESG framework, a structure to stewardship, and defining Equistone's priorities as an investor.

In 2024, we will build on this foundation in service of our goals to create value for our businesses and stakeholders, address the climate emergency, and make positive contributions to the communities we are part of. To achieve this, we plan to fine-tune our programme as we gain more experience from implementing it.

Strengthening our approach to climate risk and opportunity management will be a fundamental part of our work. It will involve all our colleagues – in management, our investment teams and central functions – to strive towards an integrated approach to addressing climate risk.

Looking beyond climate issues, we will also refine our approach to biodiversity through our first high-level portfolio analysis. This will help focus our efforts on the companies for which biodiversity is most material.

More resources will be directed to Diversity & Inclusion in 2024. We have identified expert consultants to support us to define our D&I ambitions and implement concrete initiatives to ensure retention of female professionals.

As a fourth priority, and an enabler to the preceding three, we will focus on learning and development internally at Equistone, across our portfolio, and within the wider private market industry because we know this achieves results.

For example, engaging with colleagues across the firm was fundamental to us successfully committing to SBTi and submitting our targets for validation in 2023. We will replicate and expand this engagement approach to drive progress with the 2024 priorities we have outlined above.

The same goes for our engagement with portfolio companies. Introducing new topics, bringing in experts, and creating exchange forums for our businesses is critical to the successful implementation of our ESG framework. Continuing to engage with the wider private equity and sustainability sectors will also ensure that we benefit from others' experiences and can take advantage of best practice.

As we look ahead, our commitment to sustainability could not be clearer. We remain certain that managing and integrating ESG across the investment lifecycle is essential to creating long-term, sustainable value for our businesses, investors and broader stakeholders. And we believe in transparency and demonstrating our progress against the commitments and targets we set.

This is our third ESG Review, and we look forward to continuing to report on our ambitious evolution in 2024 through a variety of methods, as we strengthen even further our performance as a responsible investor.

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