



CASE STUDY SERIES: Innovative Financing for Gender Equality via Bonds



Sweden: SUSTAINABILITY-LINKED BOND ISSUED BY A GLOBAL INVESTMENT FIRM

EQT AB

Euro (EUR)





Issuer	EQT is a global investment firm. As of December 2022, EQT had EUR 113 billion of assets under management within two business segments: Private Capital and Real Assets. ¹ EQT was founded in 1993 in Stockholm, Sweden. The firm has close to 1,800 employees. Some 1,000 clients were invested in active EQT funds as of 31 December 2022. Clients include global fund sponsors, insurance companies and family offices. ^{2,3} EQT has its headquarters in Sweden and a global footprint with offices in 24 countries across Asia-Pacific, Europe and North America. ⁴
Issuance tranche	
Amount issued	EUR 500 million
Date of issuance	14 May 2021
Date of maturity	14 May 2031
Number of issuances	Single issuance
Coupon rate	+ 87.5 basis points (bp)
Listing (domestic or international)	International
Stock exchanges where listed	Luxembourg Stock Exchange (LuxSE), display on Luxembourg Green Exchange: https://www.luxse.com
Future issuances	Non-applicable



Key Performance Indicators and/or Sustainability Performance Targets

The key performance indicators (KPIs) and corresponding sustainability performance targets (SPTs) of the bond are:





- Greenhouse Gas (GHG) emissions reductions
 - Setting Science Based Targets initiative (SBTi)–validated emission reduction targets (no baseline).
- Women investment advisory professionals
 - Increase to 28 per cent women in investment advisory professional roles by 2026 from 21 per cent in 2020.
 - As stated in the EQT Sustainability-Linked Financing Framework (link below), “EQT has a long-term ambition to reach at least 40 per cent of women in its Investment Advisory Professionals population.”
- Women board members appointed at EQT’s portfolio companies
 - Increase to 36 per cent (on average) women board members at EQT’s portfolio companies by 2026 from 21 per cent in 2020.
 - Similarly, “EQT has a long-term target of reaching at least 40 per cent of the average share of women Independent Directors appointed by EQT and has committed to reach at least 90 per cent of that target by 2026.”

Gender considerations in the Key Performance Indicators

Women investment advisory professionals

- KPI – Increase the share of women investment advisory professionals
 - The KPI targets a wide range of levels of seniority (junior, mid and senior positions, associates and partners).
 - “Investment Advisory Professionals” are defined as investment advisory professionals employed within the EQT AB Group in all business lines of the EQT AB Group excluding EQT Exeter and EQT Real Estate, as stated in the Framework.
- SPT – Achieve a 28 per cent share of women investment advisory professionals by December 2026 compared to a baseline of 21 per cent in 2020
 - This is calculated as the number of women investment advisory professionals expressed as a percentage of the total number of investment advisory professionals.



	<p>Women board members appointed at EQT’s portfolio companies</p> <ul style="list-style-type: none"> • KPI – Increase the share of women independent board members appointed at certain of EQT Fund’s portfolio companies⁵ <ul style="list-style-type: none"> - “Independent board members” are expected to be members of the board who are not (i) directors who are direct representatives of the EQT AB Group; (ii) the chief executive officer (if applicable); (iii) directors who are employee representatives of that portfolio company; and (iv) directors directly appointed by other shareholders. • SPT – Reach a 36 per cent share of women appointed at certain of EQT’s portfolio companies by December 2026 compared to an average of 21 per cent of women in 2020 appointed as eligible independent directors in EQT’s eligible funds’ portfolio companies. <ul style="list-style-type: none"> - The share is calculated as the average share of women independent board members appointed by EQT at certain of EQT Funds’ portfolio companies’ boards.
<p>Alignment with the Sustainable Development Goals (SDGs)</p>	<p>The SDGs that are related to this specific issuance are:⁶</p> <div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: center;">  </div> <div style="text-align: center;">  </div> </div> <p>This is shown by the KPIs and related SPTs as described below, under ‘Indicators’.</p>
<p>SDG targets that the bond addresses</p>	<div style="display: flex; flex-direction: column; gap: 10px;"> <div style="display: flex; align-items: flex-start;">  <div> <p>Target 5.5</p> <p>Ensure women’s full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life.</p> </div> </div> <div style="display: flex; align-items: flex-start;">  <div> <p>Target 13.2</p> <p>Integrate climate change measures into national policies, strategies and planning.</p> </div> </div> </div>



Target population	<p>Two of the three targets (KPIs and SPTs) aim to advance gender equality. Groups benefiting from the strategies to achieve the bond outcomes are women employees at EQT and women professionals that will be appointed as independent board members at portfolio companies.</p>				
Indicators related to gender equality	<p>As stated in the 2021 EQT Annual and Sustainability Report:⁷</p>				
	KPIs & related SPTs	Target date	Value as at 31/12/2022	In line SPT trajectory	Verified
	<p>Women investment advisory professionals to reach 28 per cent (versus 21 per cent in 2020)</p>	<p>31/12/2026</p>	<p>29.5%</p>	<p>Yes</p>	<p>Yes</p>
<p>Women board members appointed at EQT's portfolio companies to reach 36 per cent (versus 21 per cent in 2020)</p>	<p>31/12/2026</p>	<p>37%</p>	<p>Yes</p>	<p>Yes</p>	
Alignment with international standards	<p>ICMA Sustainability-Linked Bond Principles and LMA Sustainability-Linked Loan Principles</p>				
Link to framework	<p>EQT AB. 2021. To Future-Proof Companies and Make a Positive Impact: Sustainability-Linked Financing Framework. May. https://cdn.sanity.io/files/30p7so6x/eqt-web-prod/64678d3010d1cae133bceefca0bc9afb5a6cb3d2.pdf</p>				



Link to Second Party Opinion	ISS ESG. 2021. Second Party Opinion (SPO): Sustainability Quality of the Issuer and Sustainability-Linked Securities: EQT AB Group. 30 April. https://cdn.sanity.io/files/30p7so6x/eqt-web-prod/dd98f1eb45d296a7cf4211690f19ccf55aaf6926.pdf
Second Party Opinion provider	Institutional Shareholder Services (ISS) ESG
Credit enhancement <i>(yes or no)</i>	No
Was the bond oversubscribed and were there any special considerations?	OVERSUBSCRIBED BY 2.4X The order books were in excess of EUR 1.7 billion. According to the book runner, this issuance drew interest from investors who wouldn't usually access private equity just for the sustainability angle. Anjali Pandit, Primary Markets Sustainability Manager, BNP Paribas commented: <i>"Investors were very positive around the gender KPIs, and these KPIs are very holistic. They have two points of contact, the investment advisory professionals and then the boards of the portfolio companies."</i> ⁸



Partners

Partners include the following as per the legal documentation:⁹

- BNP Paribas (brokerage firm)
- Goldman Sachs Bank Europe SE (brokerage firm)
- Morgan Stanley & Co. International plc (brokerage firm)
- Nordea Bank Abp (brokerage firm)
- Skandinaviska Enskilda Banken AB (SEB) (brokerage firm)
- Deutsche Bank Aktiengesellschaft (brokerage firm)
- DNB Bank ASA (brokerage firm)
- KPMG AB (independent auditor of the issuer)
- Deutsche Bank AG, London Branch (fiscal agent)
- Allen & Overy LLP (legal advisor)
- Latham & Watkins (London) LLP (legal advisor)
- Advokatfirman Vinge KB (legal advisor)



Lessons learned

This issuance constitutes the first bond ever issued by EQT, which paved the way for other sustainability-linked bonds (SLBs) (with different environmental targets only) totalling EUR 1.5 billion as of April 2022.¹⁰

This SLB is particularly noteworthy considering how important the private market sector is towards making progress towards gender equality. Studies suggest that gender balance in investment roles is associated with more gender balance in the leadership of investee companies. Still, women are significantly underrepresented in investment roles, as indicated by the International Finance Corporation (IFC) who reported that in 2020 only 15 per cent of senior investment teams at private equity and venture capital firms were gender-balanced, while female partners invest almost twice as much in female entrepreneurs as their male partners.¹¹

EQT's target to achieve 28 per cent of women investment advisory professionals by 2026, compared to 21 per cent in 2020, is well ahead of the private equity industry at the European level.¹² The target is also more ambitious than private equity peers, as highlighted by the Second Party Opinion.

As for its board member target of 36 per cent women appointed to EQT's portfolio companies' boards, the Second Party Opinion notes the role of EQT's ESG-linked credit facilities for setting up targets for this issuance and future sustainability-linked instruments.¹³ BNP Paribas noted that other issuers were interested to see what figures make good targets.¹⁴

In terms of lessons learned for EQT, which has been on a significant growth journey—organically as well as through mergers and acquisitions—there are complexities associated with long-term targets as the organizational structure and diversity ambitions are constantly evolving. Also, while gender equality is a focus area for EQT, it is a simplification of the overall diversity, equity and inclusion agenda which EQT wants to drive in the industry. The focus on gender equality in this sustainability-linked bond is driven by this being the most mature area with regards to measurability. With that said, this SLB and the SLBs issued thereafter have overall been a positive catalyst for further strengthening the alignment between sustainability ambitions, performance and accountability at EQT, ultimately incentivizing and accelerating performance.



Endnotes

1. EQT AB Group. 2023. "EQT AB (publ) Year-end Report 2022." 18 January. <https://eqtgroup.com/news/2023/eqt-ab-publ-year-end-report-2022/>.
2. Ibid.
3. EQT AB Group. 2021. EQT Annual and Sustainability Report 2021, p. 16. <https://cdn.sanity.io/files/30p7so6x/eqt-web-prod/2517f65322a56bad909f90dd00f55506db442bea.pdf>.
4. EQT AB Group. 2023. "EQT AB (publ) Year-end Report 2022." 18 January. <https://eqtgroup.com/news/2023/eqt-ab-publ-year-end-report-2022/>.
5. "Certain" refers to "eligible portfolio companies", the definition of which can be found at: EQT AB. 2021. Offering Memorandum. 14 May, p. 40. <https://www.luxse.com/pdf-viewer/102252804>.
6. EQT AB Group. 2021. EQT Annual and Sustainability Report 2021, p. 151. <https://cdn.sanity.io/files/30p7so6x/eqt-web-prod/049fb5942c59363764b0318ff6708926bd4bc51a.pdf>.
7. In the Annual and Sustainability Report 2021, the SDGs are linked to the relevant sections related to the specific sustainability-linked bond (SLB) issuance. EQT AB Group. 2021. EQT Annual and Sustainability Report 2021, p. 151. <https://cdn.sanity.io/files/30p7so6x/eqt-web-prod/049fb5942c59363764b0318ff6708926bd4bc51a.pdf>.
8. BNP Paribas. 2021. "Propelling sustainability-linked bonds into the private equity sector." 14 May. <https://cib.bnpparibas/propelling-sustainability-linked-bonds-into-the-private-equity-sector/>.
9. EQT AB. 2021. Offering Memorandum. 14 May, p. 67. <https://www.luxse.com/pdf-viewer/102252804>.
10. Dominic Webb. 2022. "Bonds and loans: EU raises €6bn in second visit to the green bond market." Responsible Investor. 6 April. <https://www.responsible-investor.com/bonds-and-loans-eu-raises-e6bn-in-second-visit-to-the-green-bond-market/>.
11. IFC. 2019. Moving toward gender balance in private equity and venture capital. https://www.ifc.org/wps/wcm/connect/79e641c9-824f-4bd8-9f1c-00579862fed3/Moving+Toward+Gender+Balance+Final_3_22.pdf?MOD=AJPERES&CVID=mCBJFra.
12. ISS ESG. 2021. Second Party Opinion (SPO): Sustainability Quality of the Issuer and Sustainability-Linked Securities: EQT AB Group, 30 April, citing British Private Equity & Venture Capital Association (BVCA) and Level 20. Diversity & Inclusion Survey 2021. <https://www.bvca.co.uk/Research/BVCA-Publications/Details/Diversity--Inclusion-Survey--March-2021>.
13. ISS ESG. 2021. Second Party Opinion (SPO): Sustainability Quality of the Issuer and Sustainability-Linked Securities: EQT AB Group. 30 April. <https://cdn.sanity.io/files/30p7so6x/eqt-web-prod/dd98f1eb45d296a7cf4211690f19ccf55aaf6926.pdf>.
14. Jon Hay. 2021. "EQT mixes CO2 and diversity in first SLB from private equity." Global Capital. 7 May. <https://www.globalcapital.com/article/28wqdbti97uf1hgpagw/corporate-bonds/eqt-mixes-co2-and-diversity-in-first-slb-from-private-equity>.

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UN Women supports UN Member States as they set global standards for achieving gender equality, and works with governments and civil society to design laws, policies, programmes and services needed to ensure that the standards are effectively implemented and truly benefit women and girls worldwide. It works globally to make the vision of the Sustainable Development Goals a reality for women and girls and stands behind women's equal participation in all aspects of life, focusing on four strategic priorities: Women lead, participate in and benefit equally from governance systems; Women have income security, decent work and economic autonomy; All women and girls live a life free from all forms of violence; Women and girls contribute to and have greater influence in building sustainable peace and resilience, and benefit equally from the prevention of natural disasters and conflicts and humanitarian action. UN Women also coordinates and promotes the UN system's work in advancing gender equality.



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