



March 13th, 2020

Ms. Vanessa A. Countryman
Secretary
U.S. Securities and Exchange Commission
100 F Street N.E.
Washington, DC 20549

Re: File Reference No. S7-26-19

Dear Ms. Countryman,

EQT AB (EQT or we) respectfully submits the following comments on the United States Securities and Exchange Commission's (the "Commission" or "SEC") Proposed Rule, *Amendments to Rule 2-01, Qualification of Accountants* (the "Proposed Amendments"). The comments reflect our experience in dealing with the practical challenges that have arisen over time in determining whether an auditor is independent of our portfolio companies under the SEC independence rules.

As background, EQT is a global investment firm with its stock publicly traded on the Stockholm Stock Exchange in Sweden.¹ EQT manages and advises a range of specialized investment funds and other investment vehicles that invest across the world. Since EQT was founded in 1994, EQT has been a thought-leader in the private market industry. As one of the largest private equity firms globally, EQT has grown its geographical presence and scaled strategies such as Infrastructure, Real Estate, Venture Capital and Credit. EQT has also established new investment strategies such as Public Value. EQT conducts business through offices in 15 countries across three continents and has raised EUR 62 billion in commitments since founded. In the United States, EQT Funds has invested \$9.3 billion in equity across 23 companies.²

We understand that the Proposed Amendments intend to more effectively focus the independence analysis on services or relationships most likely to threaten an auditor's objectivity and impartiality. We are encouraged by the Commission's efforts and support the various provisions outlined in the Proposed Amendments which are less burdensome considering current market conditions and industry practices.

We strongly support the Commission's proposal to amend the common control prong of the "affiliate of the audit client" definition in Rule 2 01(f)(4) of Regulation S-X to include a materiality qualifier such that a sister entity would only be deemed an affiliate, if the sister entity is material to the entity that has control over both the sister entity and the entity under audit. We believe this provision will help relieve the

¹ <https://www.eqtgroup.com/>

² The \$9.3 billion excludes ventures, credit and co-invest dollars.

compliance costs and burdens imposed on private equity firms like EQT. As illustrated in *Example 2: Portfolio Companies*, of the fact sheet published by the Commission,³ and consistent with what the Commission has observed, non-audit services and relationships with immaterial sister portfolio companies generally have no impact on the entity under audit. Further, a reasonable investor would not perceive that the auditor's objectivity and impartiality has been impaired. As EQT funds seek to take portfolio companies public in the U.S., EQT has found it difficult to navigate the SEC independence rules and encountered situations where it has been difficult to identify a qualified audit firm that was independent due to prohibited services or relationships with sister entities, even where such sister entities are not material to the common controlling entity. EQT believes the Proposed Amendments will help improve audit quality by increasing the pool of independent and qualified audit firms from which companies could choose.

As noted above, we have encountered certain practical challenges in complying with the Commission's existing auditor independence rules. We would like to share with you experience related to the complexities and the unintended consequences they have had on the ability to secure access to the U.S. capital markets. Specifically, one of the EQT funds planned a public exit for a portfolio company in the U.S. and wanted to engage a top ten audit firm as its auditor. After an in-depth analysis, it was determined that none of the top ten audit firms were independent due to non-audit services they performed at various immaterial affiliates of the portfolio company within the wider EQT structure. Therefore, it was not possible to engage a top ten audit firm. A less experienced audit firm was engaged, which EQT strongly believe adversely impacted the quality of the audit.

Additionally, we commend the Commission's efforts to align its independence requirements with that of the International Ethics Standards Board for Accountants ("IESBA") in select areas. An important part of the investment strategy is to continue deploying capital to the U.S. markets. Alignment of the Commission's rules with those of IESBA will help reduce the barriers to entry as we seek to expand our U.S. footprint and allow us to more confidently access the U.S. capital markets. Further, as a European Union Public Interest Entity, EQT is subject to multiple varying independence requirements based on its global footprint, including those of IESBA, EU, and local countries where its portfolio companies reside, such as the U.S., Sweden, etc. As EQT has established systems and controls to track, evaluate and monitor auditor independence under the different rulesets across our complex global organizational structure including the parent company, funds and portfolio companies, further alignment of the Commission's independence rules with those of IESBA will help increase effectiveness and efficiency as we continue our efforts to promote and achieve compliance from both systems and operational perspectives.

³ <https://www.sec.gov/news/press-release/2019-276>

Further, we agree with the Commission's proposal to amend the audit and professional engagement period definition in Rule 2-01(f)(5) which shortens the lookback period for U.S. domestic companies undergoing an initial public offering ("IPO"). In our experience, the current definition which requires a three-year lookback period puts first-time domestic filers in a disadvantageous position and poses significant compliance challenges for private equity funds that wish to take their U.S. portfolio companies public in the U.S. Requiring a first-time domestic filer to engage an audit firm that is independent under the Commission's rules for all years for which audited financial statements are included in the registration statement increases transaction costs. Further, companies could be forced to delay their IPO due to independence issues that occurred prior to the most recently completed fiscal year and which would likely not impact an auditor's objectivity and impartiality. EQT believes shortening the lookback period for first-time domestic filers to one-year, in alignment with that of foreign private issuers, will serve to both enhance capital formation and auditor choice. Therefore, we support the Commission's proposal to shorten and align the lookback period for companies domiciled in the United States with that of foreign private issuers.

We appreciate this opportunity to comment on the Commission's Proposed Amendments and support the Commission's goals of promoting auditor independence while more effectively identifying and focusing on those services or relationships that are most likely to threaten an auditor's ability to exercise objectivity and impartial judgement. We would be happy to discuss any questions the Commission may have regarding this letter. Any such questions should be directed to Chief Operating Officer of EQT, Caspar Callerström or Chief Financial Officer at EQT, Kim Henriksson.

Sincerely,



Caspar Callerström, COO



Kim Henriksson, CFO