



## ESG Review 2019

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## Message from the Managing Partner

We operate and invest in a rapidly changing environment, and one which requires urgent action to address the environmental and social issues we face.

We believe that embedding Environmental, Social and Governance ("ESG") considerations into our daily operations and our investment process will help generate long-term value, and also benefit wider society and the environment.

Charterhouse is one of the longest established private equity managers in Europe, and much of the firm's enduring success can be attributed to our responsible investment approach and our core values. ESG considerations have been a key focus for the firm in 2019, and we have refreshed and enhanced our ESG Policy and introduced this new Annual ESG Review, as well as committing to do more on important issues such as diversity and inclusion, cyber security and climate change. This, our first, Annual ESG Review provides an insight into how we integrate ESG considerations into our daily operations and our investment process from screening through to exit, and how our firm encourages collaboration and takes collective responsibility for ESG issues.

We recognise the invaluable advantage of collaborating with parties beyond our firm and portfolio, with peers, subject specialists and by participating in industry-wide initiatives. Charterhouse is committed to refining and improving our approach to ESG considerations in the coming year and we believe that this commitment will help create further value across our portfolio and for our investors.

Lionel Giacomotto, Managing Partner







# 01

## Overarching ESG principles



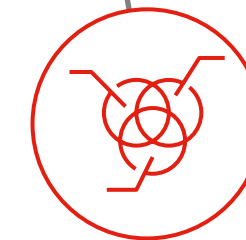
# Integrating **ESG** criteria

Charterhouse adopted a formal ESG Policy in 2013 and became a signatory to the Principles for Responsible Investment ("PRI") in the same year. Year-on-year we have strengthened our ESG commitment and this year we formally refreshed and enhanced our ESG Policy.

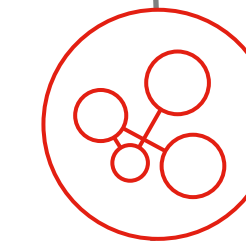
We are fully committed to the PRI investment principles to act in the long-term interests of our investors, our portfolio companies and the societies in which they operate and our Charterhouse team and staff members.

Individually, each Charterhouse individual is expected to act in a manner which upholds our core social and governance values and in a manner which is consistent with our ESG commitment.

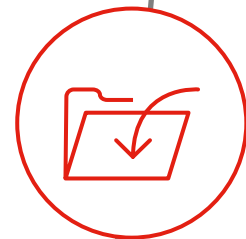
By integrating ESG criteria into every stage of the investment life cycle, we can positively influence the long-term financial success of our portfolio companies whilst also encouraging broader objectives of society. To this end, we:



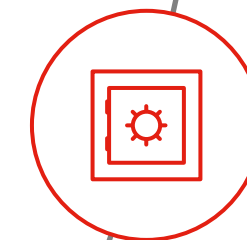
Incorporate ESG issues into the investment analysis and decision-making process, by identifying and assessing ESG risks and also opportunities.



Take an active ownership role and encourage and actively support our portfolio companies to integrate ESG principles into their operations.



Obtain ESG related disclosures and reporting from our portfolio companies.



Actively promote ESG and the implementation of ESG principles within the investment industry.



Work together to improve our effectiveness in implementing the ESG principles.



Report our efforts and progress in implementing ESG principles.





02

Our ESG Approach



# The **ESG** Principles

Charterhouse believes that there is a direct correlation between companies that commit to ESG principles and companies that are well-managed and are likely to succeed. There is a clear business case for greater ESG integration, monitoring and dialogue and we consider that this will encourage superior financial returns for our portfolio companies and ultimately, our investors.

 click on each circle to read more

Our ESG approach is aligned with the Charterhouse investment approach and values:

Whether launching new products, investing to grow a business unit, entering adjacencies, expanding internationally or improving efficiency, we draw from our expertise in implementing transformational change alongside management to create value.

We have already achieved multiple ESG milestones to date. However, we are committed to doing more and we recognise that we must redouble our ESG commitment in light of the rapidly changing investment environment and emerging issues and problems, including the global issues of loss of biodiversity, sustained demand on limited resources, climate change, growing and ageing urban populations among many others.



# Charterhouse **ESG** Timeline

**2013**

- Signed up to UN PRI
- Implemented ESG Policy
- Gap analysis of firm's ESG processes

**2014**

- ESG training for Investment Team

**2015**

- Implemented ESG Questionnaires as part of all diligence

**2016**

- Launched data and monitoring tool
- ESG Policy updated
- Launched ESG Workgroup
- ESOS energy consumption audit
- Annual Level 20 sponsor
- PRI Assessment B-B

**2017**

- Launched ESG Live
- Updated ESG Questionnaires
- Launched ESG onsite visits
- Investment Team ESG Notes launched to raise awareness of relevant ESG news and matters
- Implemented ESOS recommendations
- PRI Assessment A-B

**2018**

- Established Portfolio Team
- Launched Annual ESG Conference for portfolio companies
- Various initiatives implemented to reduce paper and plastic consumption
- Introduced ESG Integration Guidance for Investment Team
- PRI Assessment A-A

**2019**

- Launched Annual ESG Review
- ESG Policy updated
- Formalised Diversity and Inclusion Policy and reviewed recruitment process
- Launched portfolio cyber security assessment
- Carbon offset business travel
- PRI Assessment A-A





03

## ESG Oversight





# The **ESG** Committee

Charterhouse believes that senior management engagement and support is fundamental in setting the tone for our ESG efforts across the firm and also our portfolio. Our partners are responsible for driving our ESG commitment and this top-down approach is reflected by the composition of the ESG Committee.

Our ESG Committee was formed to spearhead our commitment to responsible investment principles and a wide cross-section of the firm is represented on the ESG Committee, including senior partners and Investment Team members. ESG oversight,

accountability and implementation responsibility are executed at various levels within Charterhouse under the supervision of the Charterhouse ESG Committee which meets four times a year and ensures senior oversight of ESG matters.

## Members

Jamie Arnell*	Partner, Chair of ESG Committee
Lionel Giacomotto	Managing Partner
Gilles Collombin*	Partner & Head of Investor Relations
Tom Patrick*	Partner & General Counsel
Paul Burrow	Partner & Finance Director
Tim James	Partner, Portfolio Team
Mark Tentori	Partner, Portfolio Team
Cédric Barthélemy	Director, Investment Team
Sheena Pattni*	Investment Manager, Investment Team
Ryan Goodbrand	Monitoring Director, Portfolio Team
Mirja Weidner*	ESG & Compliance Manager

\*ESG Workgroup



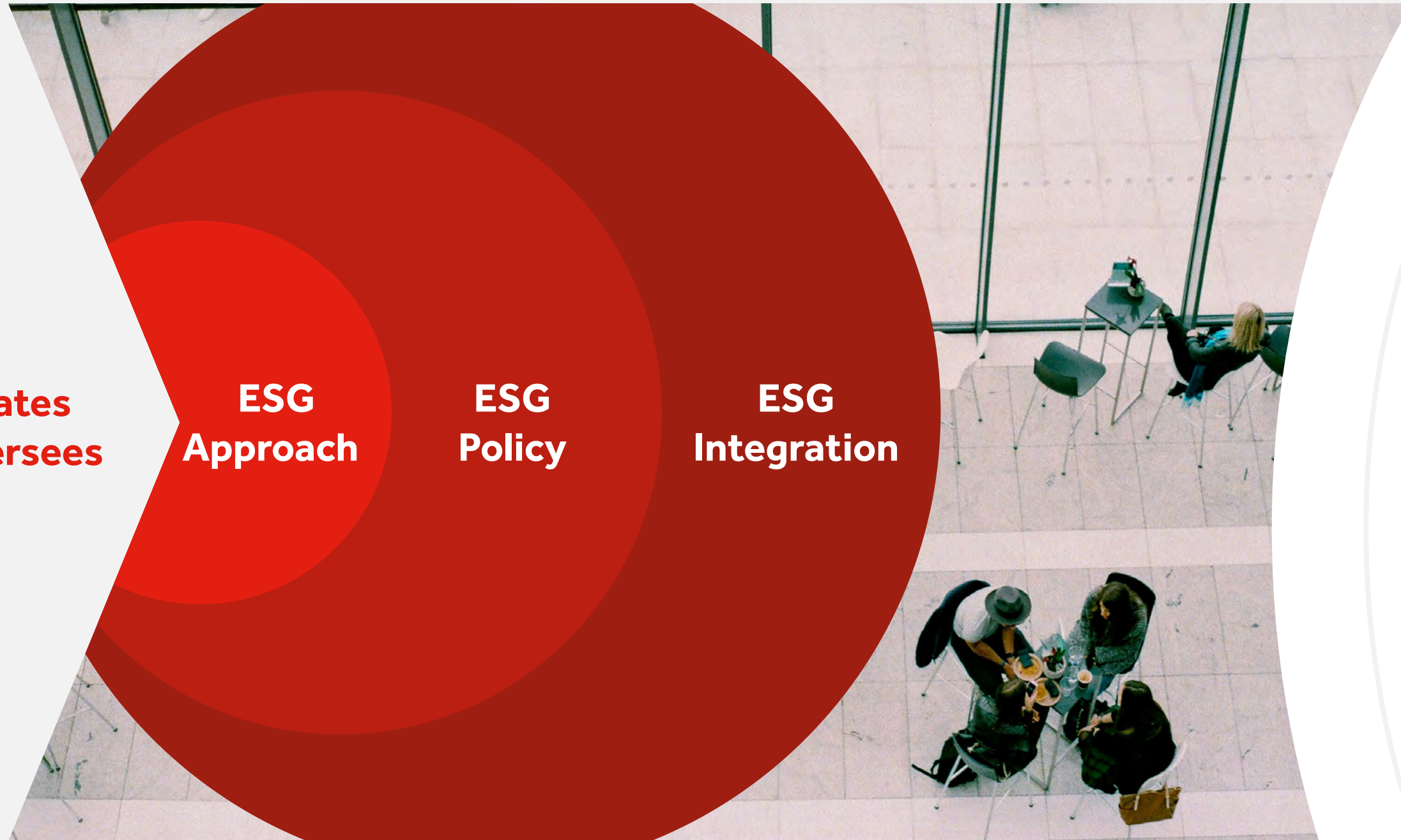
# ESG Committee

**Formulates  
and oversees**

**ESG  
Approach**

**ESG  
Policy**

**ESG  
Integration**



## **Mirja Weidner**, ESG & Compliance Manager

Mirja Weidner is Charterhouse's dedicated ESG & Compliance Manager. She is a member of the Charterhouse ESG Committee and ESG Workgroup and reports to the Chairman of the ESG Committee and the General Counsel, and works with the Charterhouse Portfolio Team and Investment Team on matters such as portfolio company ESG onboarding, monitoring and reporting among other things.

The ESG Workgroup was formed in 2016 to deal with day-to-day ESG matters and to coordinate and implement the activities required to meet the Charterhouse ESG objectives.



# Integration Responsibility and Accountability

The ESG Committee oversees and works with our Investment Team in integrating ESG considerations into our investment processes and by practically implementing our ESG Policy throughout deal processes and the ownership phase.

Our Investment Teams take responsibility for ESG across our portfolio companies. We raise the Investment Team's ESG awareness and skill through training and the team is made aware of material ESG updates as well as emerging issues and evolving best practice through regular communications and team meetings. In addition, bespoke ESG Notes are distributed by the Managing Partner which report

ESG-related industry news and which highlight important ESG considerations to consider through the investment life cycle.

The ESG Committee has developed a bespoke ESG Questionnaire to assist the Investment Team in the pre-investment due diligence phase, as well as specific integration guidance to support ESG integration post-investment.





# ESG implementation at portfolio level

We are able to drive and monitor ESG-related change and performance across our portfolio in several ways.



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## 04

A collaborative effort:  
engagement and  
promoting ESG



## Active engagement and collaboration

No single business can address all environmental, economic and social issues that it faces alone. Charterhouse recognises the value of actively engaging and collaborating with industry peers, policy makers and other stakeholders in relation to responsible investment initiatives and ESG; by sharing best practices and ideas we are able to continually evolve and enhance our ESG policies and procedures.



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## 05

Integrating ESG  
into our operations



# Improving our **ESG** performance

We strive continuously to improve our own ESG performance, whether in relation to reducing environmental footprint or enhancing procedures relating to governance or social matters, such as diversity, with the intention of reinforcing the culture of the firm.

Several initiatives have been adopted over recent years which have encouraged a shift in dialogue and tone, such that Charterhouse and our personnel increasingly view ESG as an opportunity to embrace best practice in our daily operations and to add value, and not simply as a means of risk mitigation. These ESG-enhancing efforts occur both at the level of the firm itself, as well as in the firm's investment process and across our portfolio companies (which is addressed in the following section of this Review).





# Our environmental impact

## Carbon footprint

Following an audit in 2016 relating to the Energy Savings Opportunities Scheme (ESOS 1), we implemented multiple energy efficiency actions. We have also engaged Carbon Footprint Limited to offset our business travel emissions from February 2018 – September 2019.

This company specialises in global carbon offset projects and is certified to international standards (ISO 14001:2015 for its carbon neutral status and ISO 9001:2015 for its commitment to quality), combatting global climate change as well as caring for local communities.

We selected offsetting portfolios based not only on their local nexus to Charterhouse, but also on the basis of their positive impact on communities and their positive contribution to several of the UN Sustainable Development Goals ("SDGs").



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# Our environmental impact

## Minimising waste & recycling

We continuously seek ways to avoid waste generation and reduce our environmental impact.

Our first water filling station for refilling reusable glass bottles was implemented in 2016 and we have since avoided ordering the delivery of approximately 19,000 bottles of water (for the period to year end 2019). Having replaced all plastic drinking cups with glassware in early 2018, we avoid an estimated 10,000 single-use plastic cups per annum.

We have also enhanced the recycling programme in our offices, avoiding the use of approximately 9,000 recycling bags for individual under-desk waste bins annually.

With the UK discarding 2.5 billion coffee cups each year (BBC, March 2019) we have provided each Charterhouse individual with reusable bamboo cups.

In a move towards reduced paper consumption, we provided the Investment Team, Portfolio Team, Investor Relations, Legal Team and ESG & Compliance Manager with iPads in 2018 and appropriate software allowing digital editing of documentation. To the extent that printing is required, desk-top printing defaults to black and white and double-sided, and we have encouraged our portfolio companies to share board packs for meetings digitally in an effort to support our paper and toner consumption reduction efforts.

We implemented the recommendations to reduce our energy consumption established under ESOS I. All non-reusable IT equipment, having erased all data, is disposed at the WEEE-recycling facility provided by building management. During 2017 we consolidated several physical servers to reduce our energy consumption. Such measures contribute to the following SDGs:





# Diversity and inclusion

Diversity and inclusion have been an important focus for Charterhouse in 2019 and we have established and implemented a new Diversity and Inclusion Policy as well as enhancing the awareness of the Charterhouse partners and Investment Team, in particular around topics such as unconscious bias.

Charterhouse is committed to promoting diversity and inclusion within our firm and portfolio companies and we endeavour to provide equal opportunities to all. We are committed to promoting equality across all dimensions, including gender, sexual orientation and identification, race and ethnicity, nationality, religion, disability, age, marital or civil partner status and socio-economic background.

A diverse workforce can promote a more open and enriched workplace with varied perspectives and more enlightened decision-making. By nurturing a diverse workforce, we hope to encourage greater diversity of thought, insight and approach which will ultimately benefit our firm, our investors, our portfolio companies and also wider society.

Charterhouse has always applied a non-discriminatory approach in its recruitment process, seeking to find the best candidates regardless of background. Our multi-cultural team spans multiple nationalities and backgrounds and we do not operate rigid sector or geographic teams, preferring to foster one cohesive team in London with an emphasis on transparency and integrity. Our people come from a diverse range of personal and professional backgrounds and we consider that this is fundamental to the success of our pan-European strategy.

As at 31 December 2019, our 69-member team included 16 nationalities speaking 13 languages.

## Female representation in roles of manager or above

**c.12%**

Investment Team

**25%**

Investor Relations Team

**40%**

Legal, Compliance  
and ESG Team

**At present the firm  
has c.32% female  
representation across  
the entire workforce**



# Diversity and Inclusion



Charterhouse is a financial sponsor of Level 20, a not for profit organisation founded by women working in senior roles in private equity, with a vision of improving gender diversity in the industry and to inspire more women to join and succeed in private equity.

The firm participates in Level 20's mentoring programme with some senior personnel acting as mentors to young women in the Private Equity industry and we encourage young female members of the Charterhouse team to work with an outside mentor.

This year we have enhanced our recruitment processes, sensitising interviewers to diversity and inclusion issues and will be providing training on unconscious bias. We expect all mandated recruitment firms to consciously consider diversity and inclusion principles and we will only work with those recruitment firms which share our diversity commitment and values. We ask to see diversity and breadth in all candidate selection processes to ensure that we gain access to a wider and more diversified pool of potential candidates and to ensure that we are presented with diverse shortlists.

Charterhouse prides itself on its collegiate and inclusive culture and we continue to work on cultivating a welcoming, respectful and open environment for our workforce. We take career development very seriously and we have established a mentoring scheme for the benefit of junior Investment Team members which is intended to encourage career development and ensure long-term success for all participants, and we aim to provide transparent career progression opportunities to all. Members of the Investment Team have attended various external training courses in support of their career development over the last year.

With respect to our portfolio companies, we expect and monitor the implementation and evolution of comprehensive and proportionate diversity-related policies and procedures. The 2018 and 2019 Charterhouse ESG Conference (attended by our portfolio companies) featured sessions with external speakers on promoting diversity in senior roles and ways to minimise unconscious bias.





# Charitable Activities

## The Charterhouse Charitable Trust

The Charterhouse Charitable Trust (registered charity no. 210894) was established in 1954. It is a grant-giving charity, donating to various charities in London.

Its Board of Trustees includes our General Counsel, our Company Secretary and several members of the Charterhouse Investment Team. It reviews and approves charitable donations to various causes, many of which benefit children in challenging circumstances.

Next year it is intended that the Charterhouse Charitable Trust will make donations to a number of charities outside the UK, so that we can further support communities and causes which are local to the offices and/or operations of our portfolio companies.

Members of the Charterhouse Team also personally support a variety of private charitable initiatives.

## Donations were made to the following UK charities since July 2018:

ALD Life	No Way Trust
Anthony Nolan	Reverse Rett
Cancer Research UK	Sebastian's Action Trust
Clear Sky	Street Doctors
Ebony Horse Club	TeamUp
Envision	The Access Project
Evelina Children's Hospital	The Charlie Waller Memorial Trust
Half Moon Young People's Theatre	Young Minds
Helen Rollason Heal Cancer Charity Limited	





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## Our Investment Process



# Our Investment Process

We believe integration of ESG considerations in all stages of the investment cycle positively contributes to the long-term value creation and financial success for our investors, our portfolio companies and our firm.

Our Investment Team members are responsible for addressing ESG concerns encountered in potential and current fund portfolio companies, and material ESG risks and opportunities must be brought to the attention of the Charterhouse Investment Committee pre-investment. Several members of the ESG Committee are also members

of the Investment Committee which helps strengthen the integration of responsible investment principles throughout our investment process.

Post-investment, we monitor and review each portfolio company on a regular basis, and this includes the consideration of ESG matters.





# New **deals**



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# Ownership phase: portfolio management

## ESG deep-dive

Once an acquisition has completed and the ownership phase has begun, we collate more granular data to ensure a detailed and ongoing understanding and assessment of the newly acquired company's actual and potential ESG risks and opportunities.

At this stage, material ESG risks and opportunities may have been identified already, in which case they will be included and progressed as part of Charterhouse's 100-day plan agreed with company management. We have developed a comprehensive ESG Questionnaire which enables us to track c.200 ESG data points in our in-house data tracking and monitoring tool, and which serve to collect and track baseline ESG data.

Following the data collation process, we identify material ESG risks and opportunities and agree key enhancement actions and mitigation strategies with the management team of the respective portfolio company. This early engagement phase is crucial and allows us to emphasise the importance of ESG matters and ensures each company assigns suitable resources to managing ESG factors and associated reporting.






# Ownership phase: portfolio management

## Engaging with portfolio management

As part of the engagement phase post-acquisition, we work with senior members of the portfolio company and agree an action plan and recommended actions in order to minimise ESG risks and maximise ESG opportunities.

Progress in respect of such matters is continuously monitored by our Portfolio Team and the ESG & Compliance Manager. Examples of the ESG risks and opportunities we have identified include:

- Environmental issues and compliance with new regulations
- Reduction of environmental impact/reducing consumption of natural resources
- Waste management and reduction opportunities
- Staff turnover and retention of key personnel
- Reduction of health and safety incidents
- Opportunity to enhance gender diversity
- Opportunity to enhance governance structures
- Strengthening anti-bribery and corruption policies
- Introduction of effective whistle-blowing procedures which guarantee anonymity
- Group-wide compliance functionality to ensure compliance with company policies and applicable regulations

 click on each circle  
to read more



# Ownership phase: portfolio management

## Monitoring

As part of the engagement phase post-acquisition, we work with senior members of the portfolio company and agree an action plan and recommended actions in order to minimise ESG risks and maximise ESG opportunities.



# Case **studies**



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# Ownership phase: portfolio management

## Exit

Our commitment to ESG is embedded throughout the entire investment process and this influences our preparations for exit, as we seek to leave a lasting positive legacy for our portfolio companies and we encourage them to continue to manage ESG considerations post-exit.

By effectively mitigating ESG risks and cultivating ESG opportunities during our ownership phase, we hope to maximise returns for our investors upon exit and ESG-related progress will be highlighted as part of our exit processes.







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ESG, what's next?



## ESG, what's next?

Charterhouse remains firmly committed to enhancing further our ESG initiatives and we are focusing on several key areas in the months ahead. In particular we are formally reviewing climate change issues across our portfolio in order to mitigate material risks and to progress opportunities related to climate change. We also continue to focus on cyber security, in particular assessing the cyber risk across our portfolio.

More generally we continue to work in partnership with our dedicated portfolio company ESG leaders and we ensure ESG matters are included in the regular risk management review conducted by senior management teams throughout our portfolio. Charterhouse also continues to collaborate with peers on ESG-related initiatives to address ESG-related challenges encountered in the investment process.

We believe that our commitment to responsible investment principles and ESG brings clear value to the companies in our portfolio, and we hope to leave a positive and enduring legacy long after Charterhouse's exit.





**Charterhouse Capital Partners LLP**  
**Warwick Court**  
**Paternoster Square**  
**London EC4M 7DX**

+44 (0)20 7334 5300

[www.charterhouse.co.uk](http://www.charterhouse.co.uk)

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