



ESG Review 2022

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Message from the Managing Partner

Why we engage in responsible investment

Our commitment

Charterhouse engages in responsible investment, as underpinned by the PRI's six principles, because we continually see first-hand the direct correlation that exists between companies that operate with deeply embedded effective ESG practices and stable, resilient investments that deliver strong returns for investors.

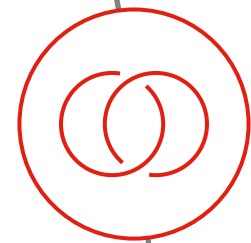
In 2022 we have again seen ESG emerging as differentiator, this because businesses with meaningful sustainability practices and approaches, were enabled to respond or react faster and efficiently to the significant market disruptions and pressures unfolding across global geographies and markets.

With several externalities shaping sustainability practices, we have seen an increased focus on ESG performance from stakeholders, particularly clients and (potential) workforce, an interest which is increasingly shaping the ESG agenda of businesses, and essentially requires ESG to be embedded as a universal, rather than siloed practice. It is our responsibility to universally integrate sustainability not only into our daily operations but also our investment process to positively contribute to the long term value and financial returns for investors, and our portfolio company employees, customers, suppliers as well as the communities in which we and our portfolio companies operate, and to the environment.

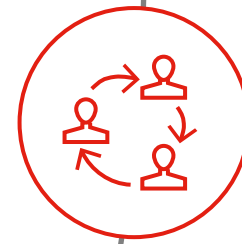
Our approach

With unprecedented levels of disruption and the systemic issue of climate change accelerating into 2022, we continuously assess and adapt the way in which we engage and support our portfolio companies to optimally operate in transformational markets.

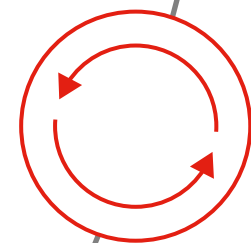
Systemic ESG pressures have generated improved dialogue around sustainability, buoying our approach towards integrating responsible investing principles. Our ESG approach is directly aligned with our investment approach and values, which are summarised as:



Connect – bringing people and capital together in carefully nurtured investment opportunities in which growth potential and value creation is positively influenced by the responsible management of ESG risk and opportunity.



Collaborate – one firm, one team working in partnership with management. We take an open, active and flexible approach, harnessing the skills, knowledge and experience of our entire team to help us support and build businesses over the long term, integrating ESG principles.



Change – unlocking growth potential by supporting ambitious management teams and by providing them with direct and active support and tools to mitigate ESG risk and recognise ESG opportunities.



Annual overview 2022

We achieved the firm's annual ESG milestones, as set out by the ESG Committee, at the beginning of the year. Notable achievements / initiatives included:

01

In 2022, we joined the Initiative Climat International (iCI) to further embed our climate strategy into our firm-wide and investment activities. We continued to progress both the firm's net zero targets and the portfolio-wide strategy advancing portfolio companies towards science-based decarbonisation of operations and value chain. Where companies were not progressing science-based targets, the provision of the necessary support, and engagement of third party specialist to initiate global methodology aligned and comprehensive GHG emissions calculations were required to enable the identification of meaningful reduction targets.

02

We have also continued to enhance the way ESG considerations are embedded in investment decisions and ownership practices. We have held more ESG introductory and due diligence meetings with C-Suite and senior management teams of companies in the pre-acquisition stage which enabled a good understanding of ESG approach and expertise on part of not only Charterhouse, but also the investee company.

03

We continued to enhance the post-acquisition interaction with our portfolio companies and have seen increased engagement frequency (in some cases weekly) with portfolio companies as well as an increasingly senior-level audience at portfolio company level, with the ESG Director in direct dialogue on a regular basis with company founders, CEOs and other C-Suite members in most companies. As a consequence, we have seen more structured and granular ESG reporting to boards of directors with ESG performance reviewed at board meetings.

04

The sustainability dialogue and roadmap progression, one of which requires all our portfolio companies to articulate a sustainability mission strategy and statement which considers stakeholders of the wider value chain, has led to more portfolio companies becoming members of the UN Global Compact, submitting B Impact Assessments to initiate the certification as a B Corporation as well as committing to the Science Based Targets initiative.



05

Having onboarded specialist ESG software, the quality of our ESG data collation, analysis and monitoring continued to improve to ensure alignment to sustainability disclosure requirements, also in preparation to join the ESG Data Convergence Initiative (with our first EDCI submission in April 2023).

We have also actively engaged with industry leaders and bodies to demonstrate and further enhance our capabilities:

- We collaborated as a member of the iCI's regulatory working group with the BVCA and KPMG providing input to the compilation of a TCFD Guide for the Private Equity industry.
- We promoted responsible investing practices as a speaker on conference panels of the BVCA and Private Equity International and introducing the conference audience to the B4SI framework and network as a solution to measure societal impact of the operations of an organisation.
- We presented the annual ESG Conference we host for our portfolio companies as a hybrid event in 2022 in an effort to avoid GHG emissions. The conference agenda featured speakers and sessions on relevant sustainability themes and raised best practice awareness on topics including climate change, biodiversity, the adoption of regenerative sustainability strategies, practical ways to measure societal impact of organisations, life-cycle analysis and circular approaches, amongst others.

06

Major responsible investment commitments:

Charterhouse has formalised its climate strategy and become a member of the Initiative Climat International (iCI) in 2022. This significant commitment underpins our drive to support our portfolio companies in calculating GHG emissions and identifying science-based decarbonising targets.

In summary, ESG and sustainability remain key to our value creation strategy, and we continuously seek to enhance our ESG integration and fiduciary responsibilities to deliver on our mandate to our stakeholders.



01

Our ESG evolution

Our ESG evolution

We are continuously striving to improve the way we integrate ESG into our investment activities and continue to evolve the way we do things in line with the changing landscape.

In 2022, we:

- Joined the Initiative Climat International (iCI)
- Contributed as an iCI regulatory working group member to TCFD Guide for PE in collaboration with KPMG and the BVCA
- Progressed net zero science-based targets
- ESG-related Firm-wide training
- Continued enhancement to data collation framework



Our ESG evolution

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

2020

- Hired Victoria Proctor as Head of Talent Management
- Refreshed our internal Performance Review process
- Ran four, firmwide, ESG-related training sessions
- Actively supported our portfolio companies in their response to Covid-19
- Set up our employees in a sustainable work from home environment, adapting to the new normal
- Rolled out Cyber assessments and subsequent action plans across the portfolio
- Enlisted a specialist consultancy SLR Consulting Ltd to run climate risk and opportunity assessments
- Shortlisted external DEI consultants to lead our DEI programme
- Achieved a score of A A+ in our PRI Assessment

2021

- Integrated the ESG function into the Portfolio Team
- Launched sustainability page on Firm's website
- Launched DEI programme led by specialist DEI consultants
- Identified net zero science-based targets
- Provided ESG-related Firm-wide training
- Embedded SFDR and other indicators in our ESG data framework
- Launched implementation of Greenstone's Investor Portal as our ESG data tool
- PRI score of Investment & Stewardship Policy 66% / 4stars, Direct Private Equity: 70%



02

Our organisation

Organisational details

Charterhouse Capital Partners LLP (the "Firm") is a private equity firm, wholly-owned and controlled by its partners and included in the Charterhouse Group, consisting mainly of UK registered entities.

Several Group entities are authorised and regulated by the UK Financial Conduct Authority.

The Firm is headquartered in London



Entities included in the organisation's sustainability reporting



Charterhouse Capital Partners LLP

Our 2022 ESG Review provides insight into Charterhouse Capital Partners LLP's approach to ESG integration and the ESG practices undertaken by the Charterhouse team in relation to its investment and ownership activities.



Watling Street Capital Partners LLP

Included in the remit of our ESG integration under the Charterhouse Group is Watling Street Capital Partners LLP, the Group's parent entity as well as our fund entities.



Portfolio

ESG performance at portfolio level is included to the extent that this is explicitly identified as such.

This review is independent of the audited consolidated financial statements or financial information filed for the Group entities.

Reporting period, frequency and **contact**

This is the annual ESG Review for the 12 months ending December 2022. The publication does not align with the financial reporting of the Group entities, given differing reporting periods.

The contact point for questions about the report or its content is the Charterhouse ESG Director, Mirja Weidner
Mirja.weidner@charterhouse.co.uk

Restatements of information

No restatements in respect of previously reported information were required in 2022.



03

The Charterhouse Team and its activities

Our investment **activities**

Charterhouse operates in the private financial sector, with its continued investment strategy of leveraged buyout as enabled levers for transformation and growth: we target high-quality businesses in the Western European Mid-Market with enterprise values of between €200 million and €1.5 billion, which offer 'defensive growth' through the presence of multiple growth levers, strong downside protection, an attractive financial profile and the potential for transformation.

We target replicable investment themes across four sectors - consumer, healthcare, specialised industrials, services - leveraging expertise and prior experience to deploy similar growth strategies and accelerate value creation.

Certain investments are excluded due to express prohibition enshrined in fund terms, side letter obligations entered into in investor side letters, or ethical reputational / ESG concerns.

All our investment activity is conducted through funds comprising limited partnerships whose General Partners are wholly-owned subsidiaries of Charterhouse.

In 2022, Charterhouse continued to manage the deployed CCP X, a 2016 vintage pan-European mid-market buyout fund which invested in 13 assets. The firm also exited several investments from the fund during the year at attractive valuations.

Charterhouse deployed its successor fund, CCP XI, which, in 2022, closed one investment, progressing a further two deals (closing early 2023), and has the same strategy as CCP X.



The Charterhouse **Team**

At a glance (December 2022):



17

partners



26

investment professionals



18

nationalities



15

different languages spoken with over 50% of the team fluent in at least two languages

Charterhouse adopts a **'One Team' mindset** which ensures that resources and capabilities are shared throughout the Firm. Not only is it integral to our investment process in which our high-calibre, experienced multinational private equity professionals operate as one integrated, cohesive team from our office in London, but also does it enable **inclusive** and **collegial** team spirit.



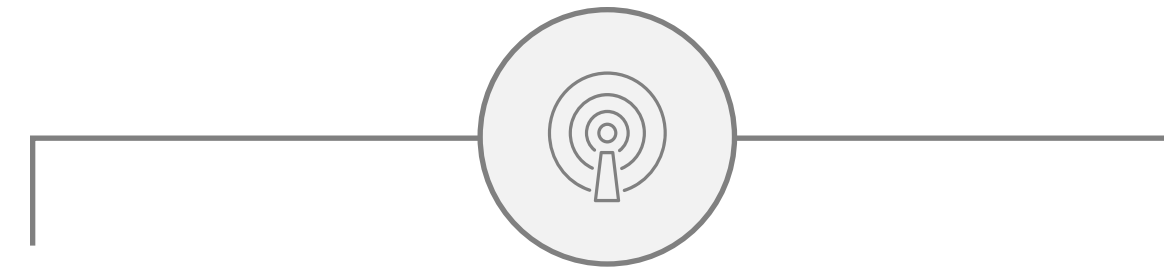
The Charterhouse Team

Our overall gender breakdown **improved** in 2022, with

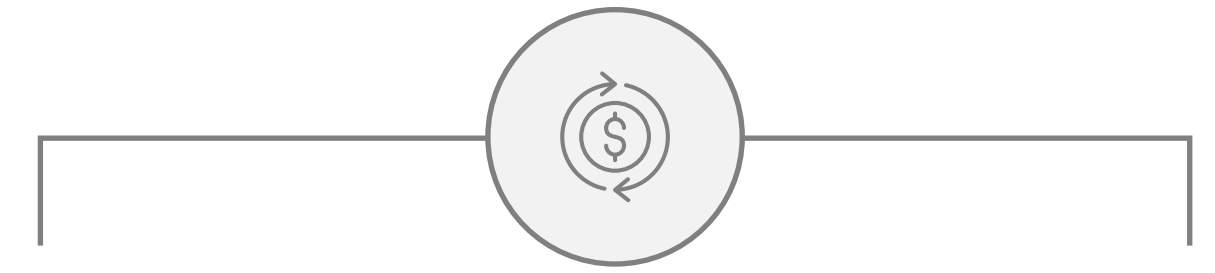
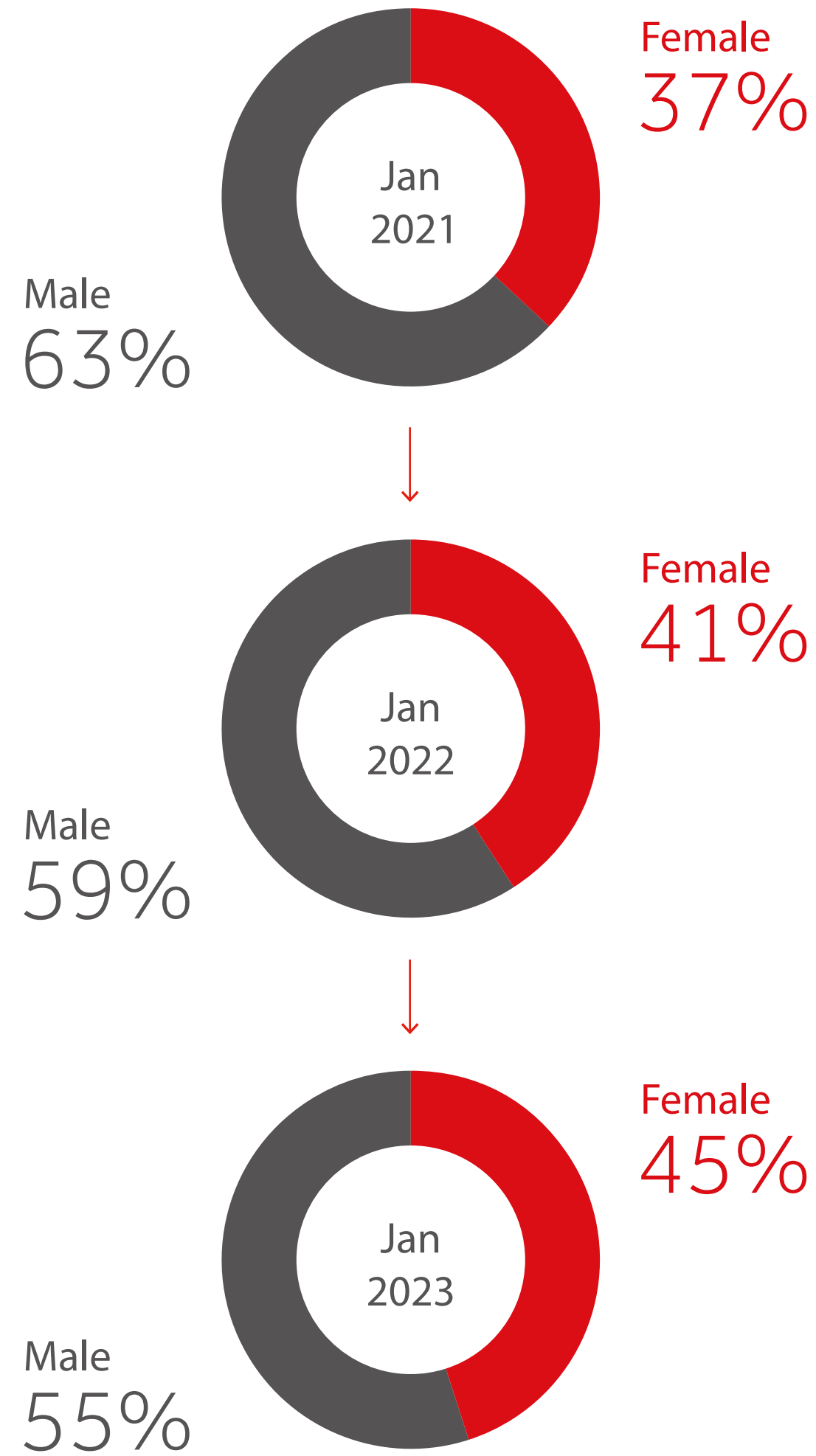
45%

women in comparison to

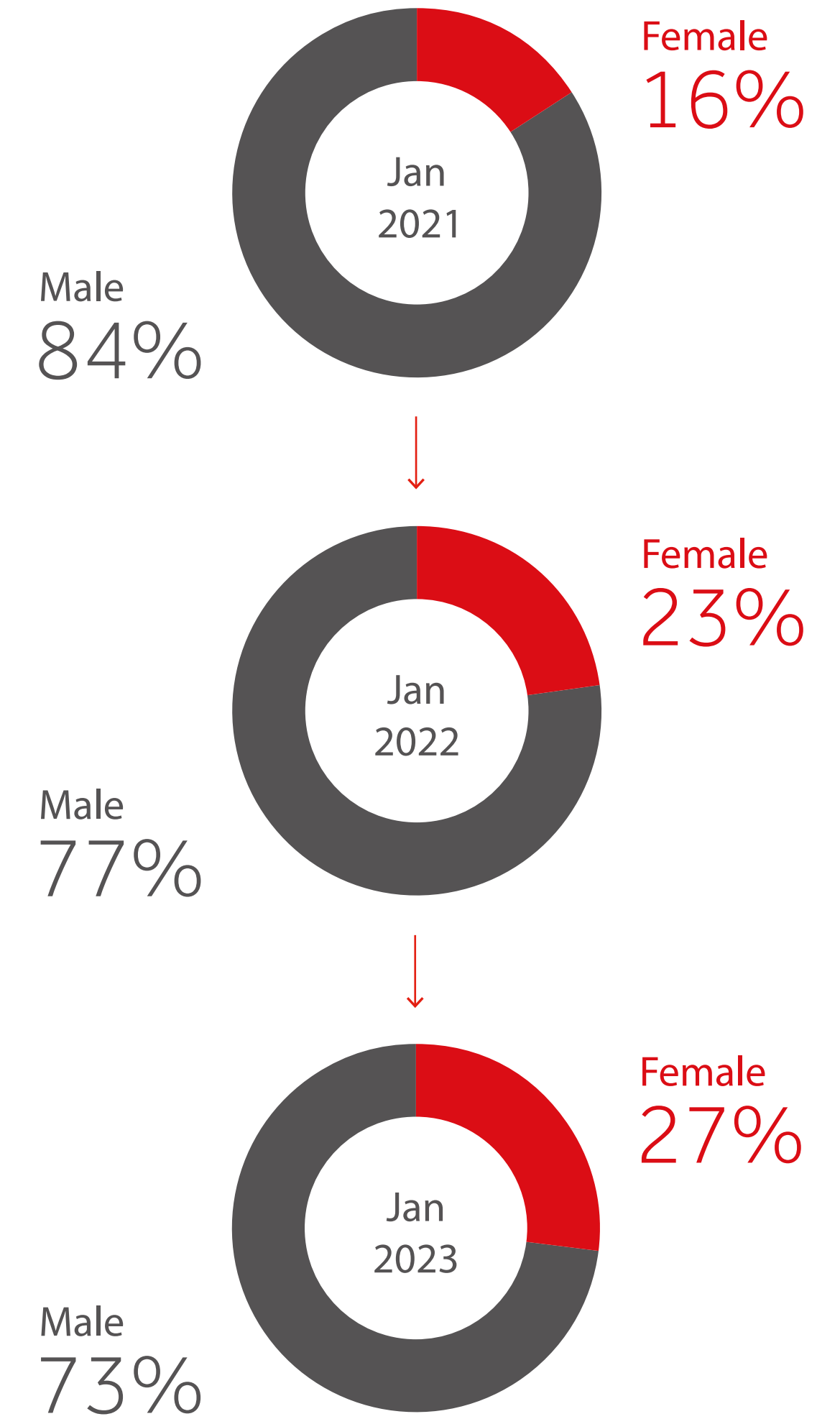
41% in 2021.



Firm-wide gender breakdown:



Investment Team gender breakdown:





04

Governance

Governance structure and composition

The Charterhouse team is based in London and consists of 66 professionals across our Deal, Portfolio Management, Investor Relations and Operations functions.

The Firm is led by a group of 17 highly experienced Partners from across these functions under the direction of the Managing Partner, Lionel Giacomotto. Lionel joined Charterhouse in 1993 and has been the Firm's Managing Partner since 2011. Since early 2015, he has been responsible for the Firm's strategy and for overseeing the origination and execution of Charterhouse Funds' investments.



Governance structure and composition (cont'd)



Our **Investment Team** consists of 26 professionals responsible for sourcing, executing and creating value in our portfolio companies, which includes a multinational, multilingual Deal Team and a dedicated Portfolio Team.

The Firm's **Investment Committee** consists of ten senior Partners and meets regularly to evaluate all ongoing investment opportunities.



Charterhouse has an **Investor Relations Team** of five professionals. The Investor Relations Team is responsible for ensuring frequent and accurate communication with investors in Charterhouse's Funds through regular update meetings, quarterly reporting and the annual investor meeting.



The **Portfolio Team** of ten professionals supports the Deal Team and portfolio companies with the identification and implementation of growth and operational initiatives. The Portfolio Team is led by Alain Vouch and includes one Portfolio Director, two Portfolio Managers and a Portfolio Associate, and an ESG Director, who is responsible for maintaining ESG assessments of each company in the portfolio and for assessing prospective investments.



The **Legal and Compliance Team** of four is responsible for all legal and compliance matters relating to Charterhouse as an organisation and its funds. It also manages the Firm's interaction with law firms on portfolio-related matters and is directly involved in the execution of deals, overseeing legal and regulatory topics and compliance related issues such as know-your-customer and anti-money laundering regulations.



Compensation and reward structure

All senior Investment Team executives are contracted to work for Charterhouse Capital Partners LLP and devote all of their business time to the Charterhouse Group. The dedicated Investment Team within Charterhouse focuses specifically on investing and managing the Fund. All executives within the Investment Team are remunerated primarily by way of monthly Partners' drawings (or monthly salary in the case of more junior executives), bonus and carried interest, with an emphasis on long-term remuneration to help encourage alignment between Charterhouse Funds and investors, and to discourage short-termism.

Charterhouse has a non-hierarchical organisational structure and carried interest in the Fund is widely allocated among members of the Investment Team and certain other qualifying Charterhouse executives. The Firm has a Carried Interest Committee which makes all decisions relating to the allocation of carried interest for Charterhouse personnel.



Our ESG Committee

Role

The Charterhouse ESG Committee is responsible for spearheading the firm’s commitment to responsible investing and represented by a wide cross-section of the firm. It has oversight and is accountable for ESG integration in our Firm-wide practices and the investment process.

It does this by developing an annual ESG roadmap for the Firm, approving and updating our purpose, value or mission statements, strategies, policies and goals related to sustainable development. It also has as remit the review and approval of sustainability-related reporting such as the Principles for Responsible Investment reporting, our Modern Slavery Statement, investor reporting and our ESG Review. Members of the ESG Committee also regularly engage with external stakeholders and investors to provide an update on ESG matters.

The ESG Committee met five times during 2022 to review the Firm’s material topics and progression of the ESG targets it has set at the beginning of the year. It also oversees our due diligence and ownership processes to identify and manage the Firm’s and the portfolio companies’ ESG performance and sustainability outcomes. It regularly reviews the effectiveness of the ESG integration and considers the outcomes of these processes.

Nomination and selection of the ESG Committee

The following Charterhouse professionals, nominated by ESG Committee members and appointed to the ESG Committee by the Managing Partner in 2021, continued to serve in the ESG Committee in 2022:

Tom Patrick Partner, General Counsel

Victoria Proctor Head of Talent

Gilles Collombin Partner, Head of Investor Relations

Vincent Pautet Partner, Investment Team

Sami Kassam Partner, Investment Team

Helena Malchione Director, Investment Team

Alain Vouch Partner, Head of the Portfolio Team

Mirja Weidner ESG Director

The above selection is a good cross-representation of the firm and ensures that ESG practices and integration are progressed in all teams.

Responsibility for **ESG integration**

ESG accountability and responsibility are executed at all levels of the firm, with engagement from Senior Management and under the supervision of the Charterhouse ESG Committee.

The Investment Team takes active ownership of the ESG roadmap on individual investments and across the portfolio, with support from the Portfolio Team and ESG Director. The ESG Director reports to the Head of the Portfolio Team and, as a member of the ESG Committee, updates the Committee on ESG matters. In 2021 the ESG function transitioned into the Portfolio Team which has as remit the monitoring of the value creation strategy in our portfolio, thereby enhancing the embedding of ESG not only as **core focus in strategy and value creation**, but also in the **engagement with our portfolio companies**.



ESG incident reporting

If a material ESG-related incident or critical concern occurs at Charterhouse or a portfolio company, the Firm's Portfolio Committee, the ESG Committee and the relevant Investment Committee (as appropriate) would convene to discuss such incident.

An ESG incident would be reported to the relevant fund's investors to the extent material and necessary. An appropriate remedial plan would be agreed with portfolio company management and Charterhouse would oversee the completion of agreed steps.

To the extent necessary or helpful, the Firm may engage external legal counsel or specialist consultants where additional expertise is required in response to a particular ESG incident. Charterhouse may consider convening an ad hoc group of relevant stakeholders which would meet on a daily / weekly / monthly basis until the relevant ESG concerns have been adequately resolved. Any such group would be convened by the Managing Partner and would be responsible for updating investors, portfolio companies and Charterhouse personnel as appropriate.



**No critical concerns
were communicated to
investors in 2022**





05

Material topics

How we manage diversity and equal opportunity

Charterhouse is progressing DEI objectives underpinning its DEI programme, initially launched in 2021 with the support from an external DEI Consultant Equality Group. Our DEI Committee which was launched in the summer of 2021 and met monthly throughout 2022 to spearhead the DEI-related actions and activities required to achieve a more diverse and inclusive Charterhouse culture.

- As part of this program, Charterhouse has conducted workshops on conscious inclusion to highlight, educate and mitigate the risk of bias during the interview process. In addition, other steps are taken to prevent bias in day-to-day practices and conduct.
- Where there are multiple incumbents in roles i.e. deal team, there are pay scales according to the role not the incumbent. There are clearly defined job descriptions, development processes and criteria for promotion, all of which are referred to during the performance evaluation process every six months.
- The refreshed approach has delivered positive results: we have enhanced our deal team gender diversity from 23% in 2021 to 27% in 2022.
- In 2022, gender representation at the most senior level, the ownership partnership, was 4%.



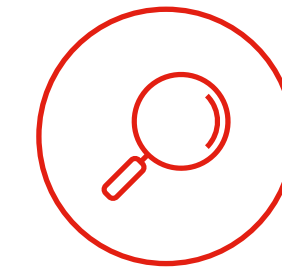


Training and Education



ESG Training

Charterhouse raises 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.



Regular performance and career development reviews

Whilst performance evaluation is continuous, Charterhouse formally reviews performance of its employees and members of the Investment Team every six months. The investment team members' performance is discussed at calibration meetings to ensure fairness and robustness of the process.

Under leadership of the Head of Talent, Victoria Proctor, we continued with our six-monthly performance and career development review process in 2022 for all Charterhouse professionals.

Climate & environmental impact

Net zero

In 2021, Charterhouse engaged external ESG consultants SLR Consulting to establish its carbon footprint and has set a Firm-level target of being net zero by 2030.

Source	2022	2021	2019 tCO2e
TOTAL Scope 1	-	-	-
TOTAL Scope 2	684	58.5	92
TOTAL Scope 3	3544	3317	3,637
TOTAL	4228	3375.5	3,729

DocuSign

We use DocuSign, an electronic signature and agreement solution for the execution of the vast majority of our legal documentation.

In 2022, we achieved the following savings by avoiding paper agreements:

26



For the years October 2019 to December 2022, we have offset business travel emissions of 2,551 tCO₂e by supporting a mixture of renewable energy, cookstoves and nature-based solutions.

Our 2022 air and rail business travel generated an emissions footprint of 410 tCO₂e, slightly higher than 407 tCO₂e emissions generated by our business travel during 2020, in the midst of the Covid pandemic.

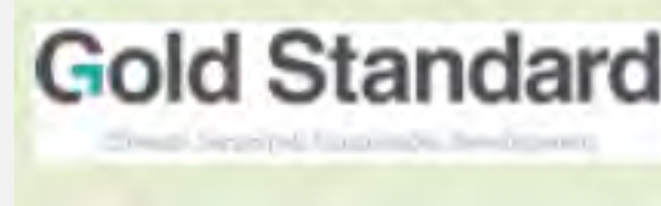
We selected the following carbon offsetting initiatives offered in the Carbon Footprint portfolio to offset our 2022 business travel. In addition, we opted for a further 100 trees planting initiative in the UK and Kenya as a top up.

Offsetting carbon emissions

VPA 211 Sierra Leone Safe Water

Type: Borehole sanitation

Country: Sierra Leone



Sierra Leone faces major challenges in safe water provision, particularly in rural areas where over 50% of the population lacks access to an improved water source. Even where improved sources such as boreholes are available, it is estimated that approximately 95% of sources are contaminated by diseases linked to poor sanitation such as E-coli. As in other parts of sub-Saharan Africa, the lack of access to safe water or to any other means of purification means that rural households are forced to boil water in order to purify it, thereby causing significant damage to ecosystems and releasing carbon dioxide into the atmosphere.

The project team is working closely with CODE-SL, a local organisation in Sierra Leone, to rehabilitate and maintain boreholes and to ensure that good sanitation practices are followed in communities. The sanitation element is crucial, as it is crucial to keep the area around the borehole free of contamination to ensure that safe and clean water continues to flow for the community. The project is initially being implemented in Kono district in the East of Sierra Leone and will hopefully expand to other districts in the coming years.

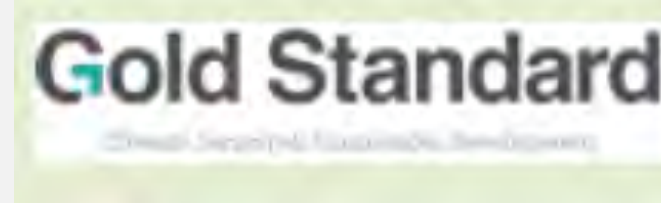
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Offsetting carbon emissions

**Methane Gas Capture and Electricity
Production, Kubratovo Wastewater**

Country: Bulgaria



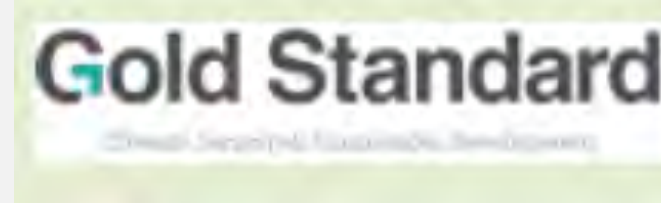
The project is both a methane emissions reduction and energy production project. Methane produced in Kubratovo wastewater treatment plant is captured in common methane tanks serving as a buffer and then supplied to the installed Combines Heat and Power (CHP) gas engines for electricity and heat production, which in turn substitutes both the plant's electricity purchases from the grid and fossil fuel usage. Excess electricity is supplied to the grid.

The main purpose of the project is to transform the existing low tech sludge treatment process at Kubratovo that existed before implementation of the project into a modern advanced treatment process matching the best sludge treatment practice available in Western Europe. This transformation has a major effect on the environment through dramatically reducing the existing methane gas emissions at the plant while also reducing the volume of sludge (to as much as 50%) that needs to be transported, hence reducing GHG emissions from transportation as well (not included in GHG abatement calculations).

The overall objective of the project is to provide an environmentally friendly sludge treatment process reducing methane and carbon dioxide emissions that – without the project – would have continued.

This project is expected to reduced emissions by around 61,000 tCO₂e per year.





The project is a 300 MW solar power project, by Clean Solar Power (Bhadla) Pvt. Ltd. at Bhadla, Rajasthan, India. The project will replace anthropogenic emissions of greenhouse gases (GHG's) estimated to be approximately 492,382 tCO₂e per annum, thereon displacing 525,600 MWh/year amount of electricity from the generation-mix of power plants connected to the Indian electricity grid, which is mainly dominated by thermal/fossil fuel based power plant.

Offsetting carbon emissions

300 MW Solar PV Plant

Type: Solar Power

Country: Rajasthan





This project provides an opportunity to plant trees in the UK and the majority of trees planted are cell grown whips (between 40-80cm high dependent on species) to give them the best chance. All trees are native UK species that have been grown from UK seeds in UK nurseries. The trees are typically planted across school grounds, parks, farms, woodlands and other biodiversity sites, providing wildlife habitats and often bringing additional educational and community benefits.

Typical species planted include: Hawthorn, Sessile Oak, Hazel, Downy Birch, Guelder Rose, Field Maple, Rowan, English Oak, Blackthorn, Wild Cherry

Offsetting carbon emissions

UK Tree Planting

Type: Tree Planting

Country: England, Wales and Scotland





This project provides an opportunity to plant trees in Kenya's Great Rift Valley. Over the last ten years, the project in Kenya has planted over 200,000 trees and rehabilitated over 160 hectares of the forest helping in restoring the water catchment ecosystem function of the forest. While doing this, over 20 community members who directly work in the forest make their livelihoods from the project. Many more from their families benefit from being dependent on them. The project includes an empowerment scheme, where the members are now owners of dairy cows from which they get additional income from the sale of milk to their villagers. The project is strongly focused on empowering women, who make up over 50% of the project team.

www.carbonfootprint.com/plantingtreesinkenya

Offsetting carbon emissions

Kenya Tree Planting

Type: Reforestation

Country: Kenya



Data security

Charterhouse recognises the significant and disruptive risk of cyber-related threats and breaches, which can impair businesses and result in financial and reputational damage.

The Charterhouse Risk Management Committee, a committee independent and separate from the Investment Team, monitors and reviews the effectiveness of our risk management and internal control systems, including cyber security and data protection.

During 2021, and in reference to the external specialist firm-wide cyber risk assessment of preceding years, we continued to test and monitor the cyber threat landscape, with particular focus on:

- Continued cyber awareness training for all Charterhouse staff & contractors;
- Increase in the frequency of vulnerability assessment and penetration testing;
- Improvements in identity management.

We have also enhanced the cyber-related analysis by incorporating a 74-question cyber-specific questionnaire to prompt inclusion of relevant questions, particularly during pre-acquisition due diligence.



Forced or Compulsory Labour

Charterhouse issues an annual Modern Slavery Statement pursuant to section 54 of the Modern Slavery Act of 2015.

In our commitment as responsible investors, we take steps to address and mitigate the risks of any modern slavery or human trafficking in our business and our supply chains. We are committed to acting ethically and with integrity in all our business relationships and we take the opportunity to encourage others to do so. We regularly review the systems and controls we have in place to ensure that the risk of modern slavery and human trafficking in our business and supply chains is eliminated to the maximum possible extent.

We engage with a range of suppliers to deliver our investment mandate.

Our suppliers are mostly UK-based, including a few multi-national companies with a UK-presence. We have established long-term relationships with our suppliers based on a blend of contractual and project-based engagements.

As an investment business, our suppliers include professional services such as lawyers, accountants, other consultants, IT providers, office equipment, maintenance services, and transport. Suppliers also include the businesses which help us run our premises, such as building managers, caterers, cleaners and security providers

We periodically review our relationship with key suppliers and assess their performance. Every year, we assess our current exposure to modern slavery and human trafficking risk by examining the supply chain of the Charterhouse Group. The modern slavery risk to our sector is considered to be relatively low, and we deemed it appropriate to apply risk-based approach to due diligence of our supply chain.

For the risk assessment of the Group's own operations we:

- Focussed the bulk of our risk assessment analysis on high spend / high frequency suppliers, differentiating between low and significant slavery and human trafficking risk, and prioritising any supplier for which an aggregate spend in excess of a monetary threshold was recorded in 2022;
- Considered other factors such as industry-specific risk, product risk and jurisdictional risk in relation to modern slavery / human trafficking exposure; and
- Scrutinised modern slavery statements issued by suppliers and identified certain suppliers who were required to provide information relating to steps they take to address modern slavery risk.

There were no significant changes in our sector, value chain or business relationships compared to the previous reporting year.



Local Communities

The Charterhouse Charitable Trust

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

Members of the Charterhouse team are appointed trustees and secretary of the Trust:

- Tom Patrick
- Willem du Toit
- Laali Vadlamani
- Mirja Weidner
- Irina Watson

During 2022, the trust made charitable donations to a number of charities and initiatives, some of which are reflected below:



Disaster Emergency Committee (DEC) (Ukraine Humanitarian Appeal)

Donations are a lifeline for millions of people affected by the conflict in Ukraine, and refugees in neighbouring countries.

DEC charities are supporting the local aid effort to provide cash assistance, food, healthcare, clean water, shelter,

<https://www.dec.org.uk/>



Build Up Foundation

Build Up runs practical construction projects for young people aged 10 – 23 to design and build structures in their local communities.

The charity gives young people the opportunity to run and manage construction sites, make real decisions and see the real-life impact they can have. Working locally in schools, community centres and playgrounds, Build Up enables young people to take on roles and skills they never have had access to before.

<https://www.buildup.org.uk/Generation>



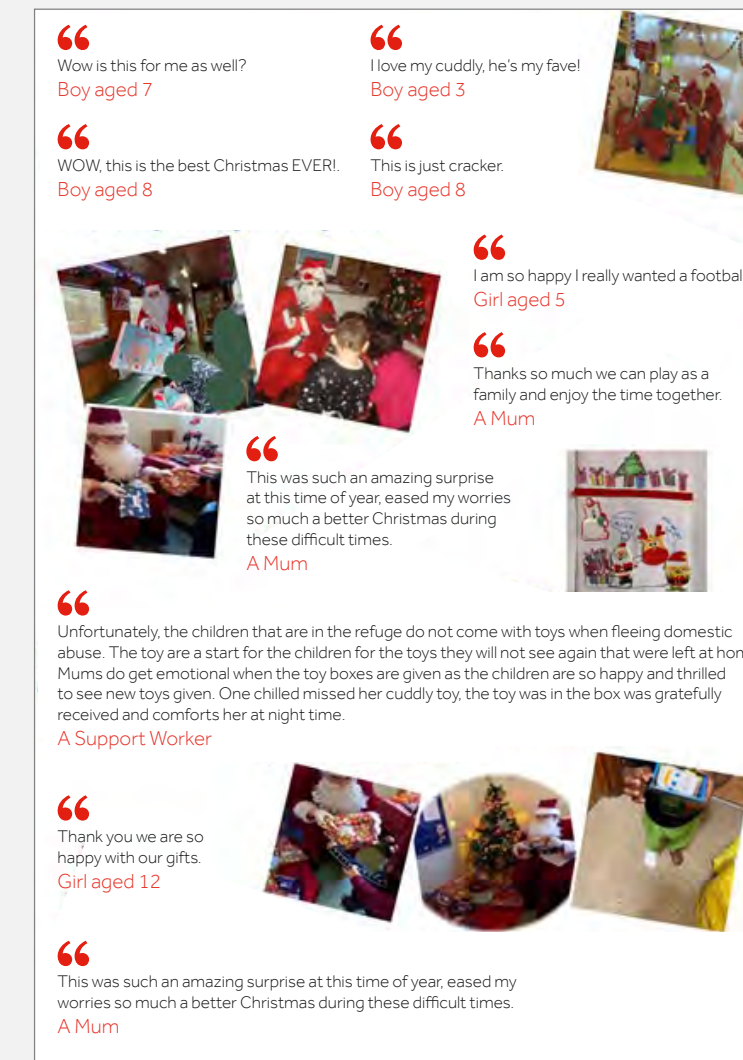
Gingerbread is a national charity working to support single parent families to understand their challenges and ensure that their needs are met. The charity provides expert information and advice, practical support, membership and training opportunities.

<https://www.gingerbread.org.uk/>

Local Communities (cont'd)

Other community initiatives

- The Charterhouse team members individually supported local initiatives, notably the **KidsOut 2022 Giving Tree** at Christmas which sent out over 90000 toys to children exposed to domestic violence in the festive period.
- **Belgrave House Tree Planting 2022:** The charities project "Brighten Up London" aims to improve green spaces across London and help increase access for all green space users especially families living in confined spaces, schools, community and exercise groups, and dog walkers.
- **Beach Clean Up 2022:** Charterhouse team member participated in Belgrave House's Beach Clean Day in support of World Oceans Day. The purpose of the event was to help raise awareness of the impact caused by waste, particularly plastic that ends up in the ocean.





06

Strategy policies and practices



Our overall approach to responsible investment

We ensure that ESG is part of every stage of our investment cycle as opposed to a stage to be 'passed' on one or more occasions in the investment process.

As a PRI signatory Charterhouse is committed to integrating the six PRI principles throughout its operations and investment processes. Our ESG approach is aligned with the Charterhouse investment approach and values which is in the 3 C's:

01

Connect

Bringing people and capital together in carefully nurtured investment opportunities in which growth potential and value creation is positively influenced by the responsible management of ESG risk and opportunity.

02

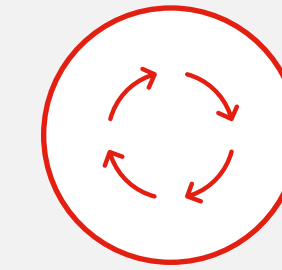
Collaborate

One firm, one team working in a true partnership with management. We take an open, active and flexible approach, harnessing the skills, knowledge and experience of our entire team to help us support and build businesses over the long-term, integrating ESG principles.

03

Change

Unlocking growth potential by supporting ambitious management teams, and by providing them with direct and active support and tools to mitigate ESG risk and recognise ESG opportunities among other things.



We are consistent in our ESG approach to minority and majority investments in the same asset class. Charterhouse recognises that ESG integration needs to be a universal rather than a siloed practice. Given the added focus on systemic risk over the last year, and the need to harness opportunities, sustainability and the positive or negative consequence of decisions is considered more than ever in our firm-level as well as in our investment processes.

Policy commitment

Our ESG Policy and commitment is communicated to Charterhouse Team and business partners in induction and team meetings, ad hoc requests and since 2021 is published on the sustainability page of The Firm's website.

Compliance with laws and regulations

There were no known non-compliance with laws and regulations during 2022.



Embedding ESG policy commitments

ESG implementation is the responsibility of all Charterhouse individuals.

In relation to the investment process, this responsibility lies primarily with the Investment Team, which is supported by the Portfolio Team. Mirja Weidner, Charterhouse's dedicated ESG Director, reports to the ESG Committee and the Head of the Portfolio Team.

The ESG function transitioned in 2021 into the Portfolio Team, which monitors performance and value creation in our portfolio companies, and thus ensures that sustainability is core to the value creation. In practice, the ESG Director includes, and provides regular updates to, the Portfolio Team and the relevant Deal Team members of her engagement with portfolio companies.

Membership associations

Principles for Responsible Investment (PRI)

Charterhouse became a signatory to the PRI in 2013.

We continuously seek ways in which we can enhance the practices underpinning our signatory commitments to the PRI's six investment principles.

Signatory of:



Some of our 2022 initiatives, underpinning the PRI principles, and further described in Chapter 7, include:

- 01** Incorporate ESG issues into investment analysis and decision-making processes
 - Materiality analysis & definition review
 - More pre-acquisition ESG meetings with management teams
- 02** Be active owners and incorporate issues into our ownership policies and practices
 - More engagement and dialogue sessions with portfolio companies
- 03** Seek appropriate disclosure on ESG issues by the entities in which we invest
 - Migrating ESG data to a data analytical tool
 - Data framework refresh
- 04** Promote acceptance and implementation of the Principles within the investment industry
 - Sensitising stakeholders, including incumbent management
- 05** Work together to enhance our effectiveness in implementing the Principles
 - Enhanced exchange of information and ESG analysis
 - Joined the Initiav Climat International, working together with peers to enhance the way we address climate change
- 06** Report in our activities and progress towards implementing the Principles
 - Increased reporting to stakeholders

British Private Equity & Venture Capital Association (BVCA)

Charterhouse has been a member of the BVCA since 25 March 2010.





Investor and stakeholder engagement

Charterhouse regularly engages directly with various stakeholders in its investment process, notably investors, business partners and management teams, employees, suppliers and local communities.

Charterhouse provides frequent updates to its investors on ESG-related issues, both at a firm and portfolio-company level. ESG is always a key topic at Charterhouse's annual Investor Conference, and has an address dedicated to it every year. We also communicate ESG information in our PRI Transparency Report, our ESG Review, the AGM and AdCo and also in adhoc ESG questionnaires.



07

ESG integration
in pre- & post-
investment

ESG integration in pre & post investment

We ensure that ESG forms part of every stage of our investment cycle:

- At the outset of the investment decision phase, our Investment Team members consider sector-specific aspects of the investment in question to assess ESG potential risks and indeed opportunities. This pre-diligence approach allows the relevant team members to drive ESG matters forward at the earliest possible stage.
- Post acquisition, we address and harness immediate risks and opportunities. During the ownership phase, we work collegiately with management teams of portfolio companies to understand their material ESG risk and opportunities, the impact of their operations and how to manage these to reduce negative impact and enhance those factors.
- At exit, we seek to leave a lasting positive legacy for each of our portfolio companies and we encourage them to continue to manage ESG considerations after our divestment.

Fundamentally, we set out to build a meaningful sustainability governance structure in each portfolio company. This requires leadership commitment in the form of formalised sustainability mission statements, board accountability and management oversight of ESG performance and targets. We achieve this via the active engagement of our Investment Team, Portfolio Team and ESG Director with our companies, supporting them in compiling meaningful ESG reporting at board level. We also recognise that being responsible managers requires tailored approaches, as each portfolio company has a unique sustainability roadmap. There is no 'one-size-fits-all' approach to ESG, but the active engagement that we have with our portfolio companies on ESG matters means we have oversight of a number of effective initiatives that can then be applied across different sectors and practices.

ESG analysis for IC, this typically comprising of

- A materiality assessment (listing material ESG themes)
- A summary of what they are doing in relation to these material themes
- A summary of gaps = enhancement potential and
- If identified, any red flags / additional questions we need to ask pre-acquisition.
- Summary of the above into a forecasted value creation plan



ESG issues impacting our investment decisions

The Investment Committee must be informed of any material ESG risks and opportunities which are identified in relation to investment. Final investment approval will not be granted until it has been confirmed that satisfactory ESG due diligence has been carried-out, and any mitigations or required actions have been established. The Investment Committee carefully considers any ESG factors and the extent to which these can be aligned to Charterhouse's ESG principles. Any deal without broad consensual backing will not proceed.

Potential portfolio companies are also screened against global sanctions, financial crimes and reputation database. Screening outcomes are included in the ESG section of the Investment Committee note. This helps mitigate the risk associated with high risk jurisdictions or questionable conduct by any management team member of the target company.

Social and environmental practices that are not aligned to Charterhouse's ESG Policy and principles, whether at the target company level or applicable in any jurisdiction, and which do not enable the firm to exercise its fiduciary and stewardship duties in line with the commitment to the PRI Principles, would negatively impact the Investment Committee's decision. Charterhouse has, on several occasions, declined to invest where it was felt that social and reputational factors could not be adequately addressed. On the other hand, where there has been a strong commitment to sustainability, workforce and governance, the firm's decision has been positively influenced.



Ownership

Charterhouse is an active and control investor, and its Investment Team members serve as directors on the boards of portfolio companies. This means that ESG factors will be discussed at senior management level, which helps ensure 'top-down' support and influence.

How we incorporate ESG into our ownership policies and practices and address stewardship

At the deal structuring and documentation stage, any risks will be carefully reviewed and considered, and contractual protections may be sought (subject to commercial dynamics and considerations).

Material ESG risks and opportunities that have already been identified during due diligence will be included and progressed as part of Charterhouse's 100-day plan, agreed with company management.

Charterhouse's pre-acquisition due diligence typically reveals whether the portfolio company has any existing internal ESG resources and whether ESG-related competence and policies already exist. As one would expect, each of the Charterhouse portfolio companies are at different stages in their ESG development with different risks and opportunities. Portfolio company management teams understand the importance of assigning sufficient resources to managing ESG factors, not only from the input of Charterhouse Investment Team members who serve on the company's board of directors, but also through events such as the annual ESG Conference. Any shortcomings identified in relation to ESG resourcing are discussed at senior management level to ensure that adequate resources are made available as soon as is practically possible.

As part of this onboarding process, the Portfolio Team and ESG Director, in collaboration with the Investment Team members serving on the board of directors of the portfolio company, agree key areas of ESG enhancement with the portfolio company management. An appropriate action plan is agreed and which we help to implement. This early engagement phase is crucial and allows Charterhouse to emphasise the importance of ESG.

An ESG objective we set for all portfolio companies is the implementation of a risk register, a tool used to track real and potential risks. These registers must describe ESG risks, within individuals assigned to own and monitor such risk. These risk registers are 'live' documents which are updated regularly and develop over time.

Engagement with portfolio companies

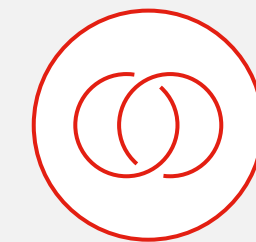
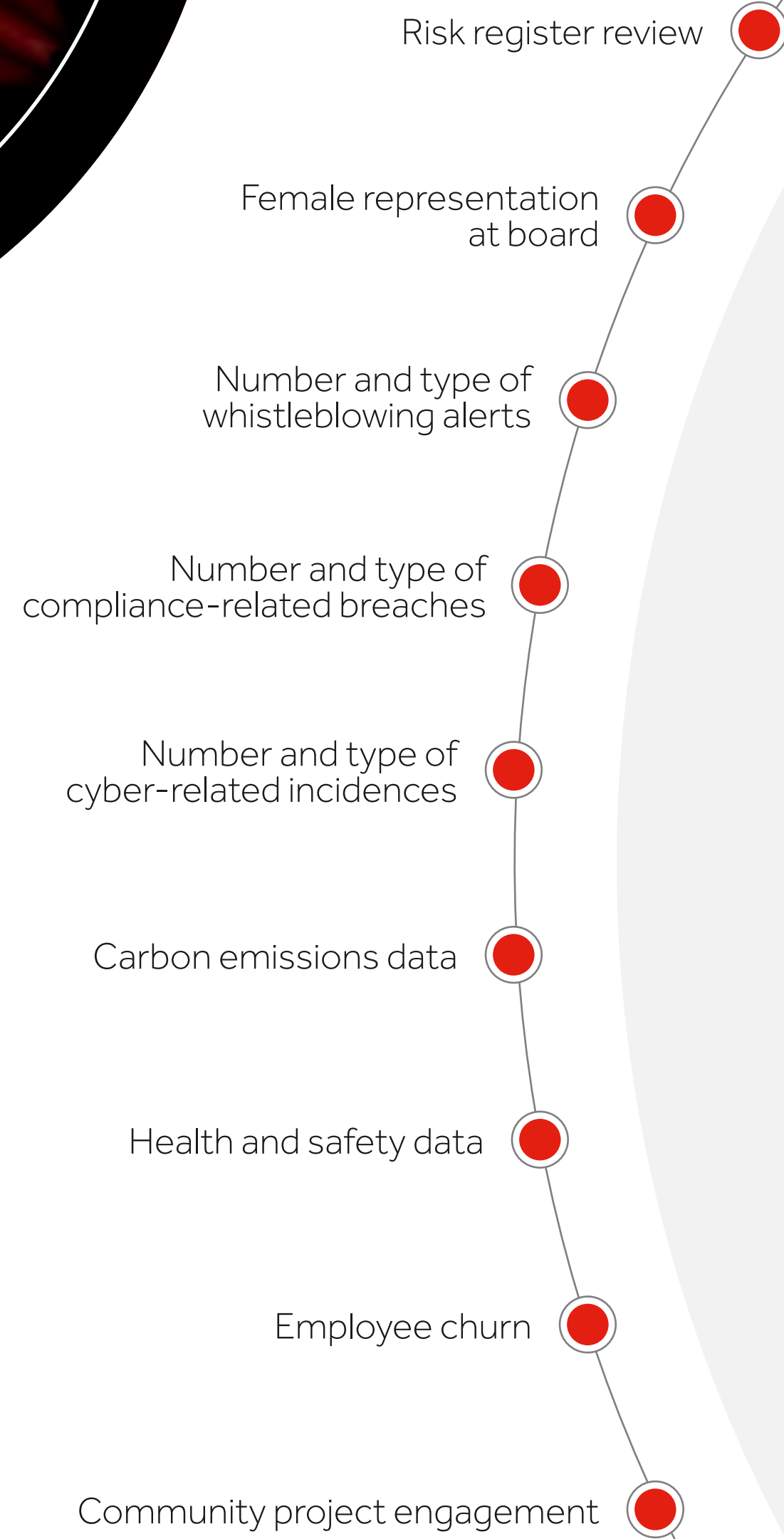
Post-investment

The ESG data of the portfolio company is captured in a data analytical tool - Greenstone's Investor Portal - to arrive at an ESG profile which considers the company's operations, its value and supply chains and the communities in which it operates.

We aligned the ESG data framework in the Greenstone Investor Portal to the leading sustainability frameworks, notably the SASB, GRI, TCFD, SFDR, the Data Convergence Project and the SDGs, and considering the data against these frameworks enables the identification of any ESG enhancement opportunity that may exist in addition to the material ESG risks and opportunities already identified during due diligence and which would be

included and progressed as part of Charterhouse's 100-day plan, agreed with company management.

The Portfolio Team and ESG Director, in collaboration with the Investment Team members serving on the board of directors of the portfolio company, agree key areas of ESG enhancement with the portfolio company management. An appropriate action plan is agreed and which we help to implement. This early engagement phase is crucial and allows Charterhouse to emphasise the importance of ESG. The said ESG enhancement opportunities are then captured as objectives and metrics in the data portal, for regular update and performance monitoring. To enhance the portfolio company engagement, the ESG Director and particularly Portfolio Team members, schedule regular onsite visits.



Monitoring

During 2022 we tracked environmental, social and governance KPIs in our investments. The KPIs monitored across our investments include, amongst others.

Engagement with portfolio companies (cont'd)

Stewardship activities with portfolio companies

There is a 4-way interaction between Charterhouse and the portfolio companies on ESG matters:

- 01** The deal team members serve as **directors** on the boards of the portfolio companies and as such are able to influence and manage ESG progression.
- The ESG Director has **direct contact** with the ESG responsible individuals and teams at portfolio companies, these increasingly being members of the C-Suite. The ESG Director adopts an active engagement approach with the companies and interacts as often as bi-weekly with companies, often supporting ESG implementation with wider company workforce audiences.
- 03** The Charterhouse portfolio team has as remit the value creation engagement and monitoring, and with the ESG function organized within this team, ESG matters are **integral to the value creation** function.
- 04** Charterhouse hosts an **annual ESG conference** for its portfolio companies which is attended by ESG, Legal, Compliance or C-Suite individuals from its portfolio companies. The ESG topics covered at recent ESG Conferences include, amongst others, supply chain management, antitrust issues, climate change, environmental best practices, gender diversity, unconscious bias, employee mental health, the Sustainable Development Goals and cyber security.



Engagement with portfolio companies (cont'd)

During 2022, we continued to support companies in monitoring ESG performance and developing ways to disclose metrics, whether to internal or external stakeholders.

Climate impact remained a key focus and portfolio companies were introduced to Greenhouse Gas Emissions calculator alongside specialist consultancy introductions to enable regular calculations.

	2022	2021	2020
Number of companies which produce regular sustainability reports	5	5	3
Number of companies that have increased board female gender representation	2	2	1
Number of companies that have joined the Science Base Target Initiative (SBTi)	3	1	0
Number of companies that articulated a net zero target	4	3	n/a
Number of UN Global Compact signatories	3	3	3
Number of PRI signatories	1	1	0
Number of companies registered as société à mission	1	1	0
Number of companies preparing for BCorp certification	1	1	0





08

Our focus ahead

Our focus ahead

Charterhouse continues to focus on supporting its portfolio companies improving the integration of sustainability programs into strategic decision-making and operations. We are able to leverage the collaborative understanding and insight gained from our membership to the Initiative Climat International to strengthen our work and support in relation to appropriate climate strategies. We also recognise the accelerated need for reliable data and are exploring converging approaches and frameworks as enablers for consistent metric reporting.

At the core of advancing sustainability programs and performance remains the need to engage with our portfolio companies in a meaningful way, regularly; we shall therefore continue to develop the dialogue and relationships with the management teams and the committees and teams responsible to spearhead the sustainability journeys in the companies.

We shall continue to build collaborative relationships with peers and industry participants to continue the development and understanding in sustainability approaches and practices.



Plan for the next two years

Charterhouse will:

01

Continue to embed evolving sustainability approaches and practices in our portfolio companies to support their development and improved resilience to transformational markets and economies and enhance their awareness of responsibility and contribution to stakeholders, specifically supporting the GHG emissions calculations and articulation of decarbonisation targets in all our portfolio companies;

02

Continue to enhance ESG reporting by improving data quality, consistency and supporting our portfolio companies in capturing ESG data; and

03

Continue to collaborate with and contribute to peer initiatives, notably the Initiative Climat International (iCI) and its regulatory working group as well as the ESG Data Convergence Initiative, all with the broader objective of continually advancing our capabilities and commitment to responsible investment.



Schedule, Contacts, and Disclaimer

This ESG Review (the 'ESG Review') is being communicated by Charterhouse Capital Partners LLP ('Charterhouse'), which is authorised and regulated in the United Kingdom by the Financial Conduct Authority (the 'FCA'), as an 'information only' document for the purpose of providing certain summary information relating to the various ESG initiatives and developments by Charterhouse in relation to itself, its subsidiaries, affiliates and affiliated funds and portfolio companies (collectively, the 'Charterhouse Group'). As such, the ESG Review is not intended to form the basis of any investment decision and may not be relied upon. Charterhouse cannot give any assurances that any initiative or anticipated development as described in the ESG Review will ultimately be successful or applied uniformly across its portfolio companies.

Although ESG is an important consideration for Charterhouse Group when making investment decisions, the Charterhouse Group does not ultimately pursue an ESG-based investment strategy or limit its investments only to those that meet all of its specific ESG standards.

The views expressed and presented in this ESG Review are subject to change and Charterhouse cannot guarantee that they are representative of each portfolio company. In particular, the estimates and forecasts contained herein are subject to significant uncertainties and may prove to be inaccurate in the future. Charterhouse Group does not undertake to update this ESG Review in real time or to correct any inaccuracies herein which may become apparent. No member of the Charterhouse Group, nor their respective directors, officers, partners, members, employees, advisers or agents accept any responsibility or liability or make any representation or warranty (express or implied) or offer any guarantee as to the objectivity, completeness, correctness or accuracy of the information and opinions contained within the ESG Review.



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