

## ESG Review 2020



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## Message from the Managing Partner

When we held our ESG Committee meeting in January 2020, we could not have anticipated the tremendous disruption that was to come in the face of Covid-19; impacting every country, business, household and individual. Similarly, we could not have foreseen the subsequent acceleration of ESG interest and its crucial role in shaping responsible investing.

When the **Covid-19 pandemic** first struck, we focused our efforts on supporting our portfolio companies in their responses so as to ensure business continuity. This involved looking at a number of key issues including Health and Safety measures, staff protection plans and impacted supply chains and operations. We implemented additional monitoring and governance processes to reduce the pandemic's impact where possible, helping as best we could to manage in the storm. In general, the Charterhouse portfolio companies have shown good resilience to the challenges posed by Covid-19.

There is no doubt that ESG has become even more firmly integrated into our investment process over the last 12 months. With more comprehensive ESG analysis and data at all stages of decision making together with tangible actions, there is clear evidence of the collective responsibility across the firm. We continue to enhance our **data and reporting framework** and practices in accordance with industry standards, (such as the Principles for Responsible Investment (PRI)) and we have now implemented **specialist data analytical software** to track real time performance to our ESG targets.



## Message from the Managing Partner

We continue to collaborate with parties outside of our firm, valuing the experiences and knowledge that can be shared. In 2020, we held an **ESG-Live discussion** with peers, to share practical solutions to sustainability challenges. We also launched a firm-level **diversity, equity and inclusion (DEI)** programme, led by Equality Group, to support and enhance the firm's DEI-related processes and approach; a strategic step to building and retaining a diverse and equal culture. Our **annual Charterhouse ESG Conference** (held virtually in 2020), featured Level 20's CEO Pam Jackson, who provided valuable insights on the topics of workforce and management behaviours through a DEI lens.

The **Climate Change** related risk and opportunity also progressed, with our CCP X portfolio company, SLR Consulting, leading the programme and training our investment team. We also integrated the Fitwel certification criteria into the design and build of our new office space, reducing environmental impact. We looked to further **reduce our carbon footprint** through reduced business travel and deliberately selected portfolios verified to Gold Standard and the Verified Carbon Standard, which positively contributed to reducing the affected of climate change.

As work from home became the norm, **cyber risk** became an increased threat. We ran cyber risk assessments on each of our portfolio companies, highlighting vulnerabilities whilst ensuring the right measures were in place.

The pandemic and its immediate consequences took a personal toll on a number of individuals even if they successfully avoided catching the virus. We were mindful of the indirect but significant health impacts caused by the pandemic (e.g. anxiety, isolation) and worked with our own personnel and portfolio companies to mitigate these issues where possible.

2020 has demonstrated the necessity of placing **sustainability and ESG considerations** into our daily operations, business strategy and investment processes. The roadmap for businesses – and ourselves – is a clear one: we must act with intent and speed to embed ESG principles into all of our core activities to generate long term value, improve businesses resilience, and deliver positive social and environmental impact. We will continue to support the Charterhouse portfolio companies to achieve their individual ESG goals, adding further value across our portfolio and ultimately, for our investors.

Lionel Giacomotto, Managing Partner







**01**

Our approach  
to responsible  
investment



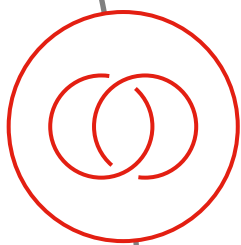
# ESG principles & evolution

We target replicable investment themes across four sectors, leveraging expertise and prior experience to deploy similar growth strategies and accelerate value creation.

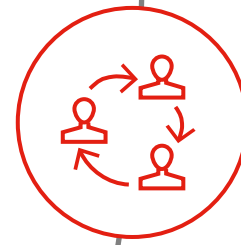
Charterhouse adopted a formal ESG Policy in 2013 and became a signatory to the PRI in the same year. We review and reissue our ESG Policy regularly (most recently in March 2020), to ensure that it remains current with evolving ESG practices, approaches and frameworks. The PRI has established itself as an industry leader and influencer in responsible investment, and we at Charterhouse are committed to its principles.

We believe that – and as became apparent in the face of Covid-19 to global businesses – companies that commit to ESG principles and manage ESG risk and opportunities across all levels of an organisation, are able to respond faster and more efficiently to systemic risks, better equipped to protect their workforce and better placed to harness opportunities.

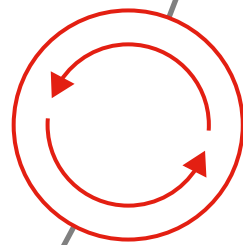
Our ESG approach is aligned with the Charterhouse investment principles:



**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 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 which help promote financial performance as well as resilience and responsiveness to adapt to new challenges.



**Change** – unlocking growth potential by supporting ambitious management teams, and by providing them with support and tools to mitigate ESG risk and recognise ESG opportunities among other things.



## ESG principles & 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 2020 we:

- 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



# Our ESG evolution

## 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

## 2020

- Hired Victoria Proctor as Head of Talent Management
- Refreshed our internal Performance Review process
- Ran four, firmwide, ESG-related training sessions
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## ESG accountability

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; formed to spearhead the firm’s commitment to responsible investing and represented by a wide cross-section of the firm.

The firm has also established an ESG Workgroup to deal with day-to-day ESG matters; coordinating and implementing the activities required to meet Charterhouse ESG principles.

The Investment Team take active ownership of the ESG roadmap on individual investments and across the portfolio, with support from the Portfolio Team and ESG Director.

Jamie Arnell	Partner, Portfolio Committee
Lionel Giacomotto	Managing Partner
Mirja Weidner	ESG Director
Helena Malchione	Director, Investment Team
Cédric Barthélemy	Partner, Investment Team
Paul Burrow	Partner, Finance Director
Ryan Goodbrand	Monitoring Director
Tom Patrick	Partner, General Counsel
Gilles Collombin	Partner, Head of Investor Relations
Tim James	Partner, Portfolio Team
Victoria Proctor	Head of Talent Management

As at 31 December 2020



## A wider **collaborative effort**

No single business can address all ESG matters alone. Charterhouse recognises the value of actively engaging and collaborating with industry peers, subject matter experts and other stakeholders in relation to ESG and responsible investment initiatives; by sharing best practices and ideas, the firm is able to continuously refine and enhance its ESG processes and procedures. We engage with external ESG experts on specific topics, as required during an investment process.

Charterhouse regularly attends and contributes at peer events and private equity forums, such as BVCA events, the PRI in Person Conference, and the PEI Responsible Investor Forum where, in 2020, Jamie Arnell (Partner, Portfolio Committee) featured as a panel speaker and Mirja Weidner (ESG Director) led an ESG roundtable discussion.

The 2017-launched Charterhouse ESG Live, an initiative for a closed-member group of private equity firms to share ESG approaches and best practices in private equity, held a virtual meeting at the onset of the Covid-19 pandemic to explore an initiative of systematically transmitting Covid-related data collated from the portfolio companies of asset managers to the government for analysis.

Charterhouse also encourages its funds' portfolio companies to collaborate with one another to share ideas and best practices. The annual Charterhouse ESG Conference, established in 2018, which the firm hosts for relevant members of its portfolio companies, was held as a virtual event in 2020. This day-long event has previously included sessions on supply chain management, antitrust issues, mental health, diversity and inclusion, unconscious bias and how business strategy and operations can align with the Sustainable Development Goals (SDGs). The 2020 event covered climate change, biodiversity, gender diversity, cyber security and BCorp certifications.







## 02

# ESG and our investment process



# Investment **process**

## Identifying and managing ESG risks and opportunities to create value

The Investment Team is responsible for integrating ESG into each phase of the investment process. Strategically, members of the Investment Team, who serve as Board Directors of acquired portfolio companies, are well-placed to influence and progress the agenda. Alongside the ESG Director, the Investment Team is supported by the Portfolio Team, the ESG Committee and the Legal and Compliance Team.

We raise the Investment Team's ESG awareness and knowledge through training, and provide regular updates on emerging issues and evolving best practices. In 2020, the team received four training sessions, relating to climate change, cyber risk, modern slavery and evolving ESG themes, including the SDGs.

We consider an ESG factor to be material if it may result in a financial, reputational or other adverse impact to a portfolio company, our employees, the environment or society, our funds and their investors. Similarly, the firm considers an ESG factor to be material if it may have a positive impact. The evaluation of the materiality will depend on the likelihood that an adverse or positive impact will arise, and the severity of such impact.

ESG factors identified as material in CCP X assets include supply chain management, enhancing diversity at senior management level, waste management, reducing energy consumption and gas emissions, managing cyber risk and employee engagement.





## Pre-acquisition

Charterhouse undertakes rigorous due diligence prior to acquiring a target company and ESG risks and opportunities are identified and reviewed by the Investment Committee. This process starts at the preliminary deal screening phase with a bespoke ESG questionnaire, completed by the Investment Team to identify ESG risks and opportunities which are material and which may impact the investment decision-making process.

### ESG due diligence workflow

The Firm has established and implemented ESG guidelines ("The ESG Responsibilities of the Investment Team") which outline how ESG considerations should be included at each phase of the investment lifecycle, starting with pre transition due diligence.

The ESG Director engages with Investment Team members early in the process to provide a first, high-level ESG analysis of the relevant sector and company. This analysis will identify material ESG factors, as well as any key questions, where responses are critical to complete the pre-acquisition analysis. If ESG concerns are identified, further due diligence is undertaken and, where necessary, we may engage independent ESG consultants to further explore and establish the materiality of any relevant ESG factors.

The ESG-relevant data is then assimilated into a detailed ESG analysis and incorporated into the Investment Committee papers. These papers highlight material ESG factors relevant to the company and sector, as well as an assessment of the company's strengths and weaknesses. Additionally, it contains any critical actions that should be integrated in a 100 day plan and any other areas for opportunity and enhancements.

The Charterhouse Investment Committee comprises ten members, four of whom are currently members of the ESG Committee. This representation helps strengthen the integration of responsible investment principles throughout Charterhouse's investment processes.







# ESG factors considered in due diligence

As part of the due diligence phase, Charterhouse maps company-specific information to a range of ESG sources and standards to help understand the relevance and materiality of potential ESG risks. Examples include the Sustainability Accounting Standards Board ("SASB") Materiality Map or the Robeco SAM Corporate Sustainability Assessment.

The identification of ESG-related opportunities is further advanced by mapping ESG profiles of portfolio companies to the global SDGs which serve as a global blueprint and tool. The Task Force on Climate-related Financial Disclosures ("TCFD") aligned climate change risk and opportunities assessment also helps us establishes potential ESG opportunities.

Examples of ESG factors we consider in the pre-acquisition phase



### Environment

- Environmental policies, processes and management system
- External certifications/initiatives (e.g. ISO 14001/CDP)
- Climate change risk and opportunities & net zero plans
- Carbon footprint, generation & reduction initiatives
- Use of raw, critical materials
- Water consumption
- Waste and hazardous waste volume and management



### Social

- Diversity statistics across all workforce bands, as well as progression
- Community engagement
- Health & safety
- Employee remuneration, benefits, progression & retention initiatives
- Workforce engagement initiatives and surveys
- Supply chain management & supplier jurisdictions
- Human Rights in workforce and supply chain



### Governance

- Policies and processes relating to bribery and corruption, anti-trust & competition, compliance & control structures.
- Responsibility and oversight for governance
- Whistle-blowing policies, processes and anonymous whistle-blowing hotlines.
- Gifts and entertainment policies, and related expense policies
- Frequency and scope of compliance related training
- Information and data security
- Implementation and content of risk registers



## 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.

Pre-Covid, Charterhouse conducted onsite ESG visits with all of its portfolio companies which promoted positive engagement and collaboration. In 2020, the majority of these meetings had to be held virtually instead. ESG data updates were collated either during these online engagement sessions or in tailored questionnaires. Results were completed using our in-house monitoring tool, allowing us to calibrating into an ESG scorecard.



## Shaping sustainability outcomes

We recognise that our actions, and those of our portfolio companies, lead to positive or negative sustainability outcomes.

We recognise our role in mobilising our businesses into deliberate action and one which extends the ESG focus to desired outcomes at a society and environmental level, and which positively supports the UN Global Development Goals (SDGs). Studies reveal that, even pre-Covid, the world was off-track in achieving the goals by 2030, and with the halted progression of the SDGs during the pandemic, more has to be done across the 17 goals.

Over the last 3 years, we have introduced and discussed alignment and integration of SDGs at the Charterhouse ESG conference. Several of our portfolio companies are

already monitoring their contribution to the SDGs, with 3 companies reporting on SDG performance to the UNGlobal Compact.

To ensure that this becomes a standard practice adopted by all, we have deliberately selected Greenstone's Investor Portal data analytical tool as our ESG monitoring tool. This product integrates the mapping of objectives and company activity to the SDGs. Integration of SDGs in the sustainability roadmap, agreed with our portfolio companies, ensures that the focus on SDG contributions is a core element of the overall sustainability agenda.

Shaping sustainability outcomes is not limited to the actions of our portfolio companies, and we as a firm take steps to address environmental impact and positively contribute to society.





## The importance of data

ESG-relevant data from portfolio companies is collated in our data collation tool. Several of these data points are applicable to and monitored for all portfolio companies; these include gender diversity at board level, employee retention, health & safety statistics, data security, ethical conduct and environmental impact reduction initiatives.

Whilst “what is measured can be monitored” has established itself as an essential catalyst in enhanced transparency and systematic driver of sustainability targets, our data also captures the qualitative value the actions of our companies create. Qualitative value creators are unique to each of our companies. For example, actions we have tracked include the employee focussed initiatives implemented to nurture a healthy workforce culture and employee engagement, the methodology implemented to encourage employees to anonymously alert activity in breach of policy, initiatives to achieve positive impact at a community level, or collaborating to raise awareness about loss of biodiversity.

We ensure that the data we hold tells these stories as an important part of the sustainability progression of our companies. We also recognised that the management of our ~200 ESG indicators can be enhanced with an automated, intuitive data analytical platform to improve our data analysis, presentation and enable tailored reporting. To this end, we engaged Greenstone, a reputable third-party service provider, to migrate our data to their Investor Portal.

The Investor Portal is a purpose-built, Software-as-a-Service solution that enables the collection, management and analysis of customisable ESG data, with enhanced ESG performance visibility for our portfolio

companies and our investors. The platform also ensures that our data indicators and metrics remain aligned to leading sustainability frameworks, such as PRI, SDGs, TCFD and the GRI, as well as to the more recent EU Sustainable Finance Disclosure Regulation (SFDR). This ensures that the SFDR indicators such as carbon (GHG Scope 1-3) and water footprint data are integrated into our data monitoring across the portfolio.





## Engaging for improvement

Charterhouse's ESG engagement and monitoring has facilitated many ESG-related initiatives and improvements for its portfolio companies; including:

- the enhancement or implementation of anti-bribery;
- corruption and compliance policies;
- the introduction of effective whistle-blowing procedures (which guarantee anonymity);
- enhancement of governance;
- control structures and delegation of authority;
- the establishment of group-wide compliance functions;
- enhanced focus on counterpart screening;
- the implementation of a climate change action plans, drawing from the findings of a TCFD-aligned climate change risk and opportunities assessment, to help portfolio companies mitigate risk and seek out opportunities.

One example of existing "best practice" initiated at Sagemcom is the adoption of a circular model-based production process of a set top box which, based on preceding lifecycle analysis and anticipation of changing consumer preferences, helps reduce waste levels and energy consumption and increases recycling and operational efficiencies.

Other examples of best practices across portfolio companies relate to workforce, energy reduction and decarbonisation targets; diversity and inclusion initiatives; alignment of objectives to identified UN Sustainable Development Goals, providing progress updates; and strong senior management commitment to sustainability matters.

More than ever, the business case for greater ESG integration, monitoring of data, dialogue and engagement is clear to positively contribute to social and environmental matters which in turn will influence long-term financial returns of our portfolio companies.



## Incidents response

We had no material ESG-related incidents at Charterhouse or a portfolio company to report during 2020.

Our approach in handling any incidents remains in place: in the case of a material ESG-related incident at Charterhouse or a portfolio company, our Portfolio Committee, the ESG Committee and the relevant Investment Committee would convene. An ESG incident would be reported to the relevant fund's investors as necessary. An appropriate remedial plan would be agreed with portfolio company management and Charterhouse would oversee the completion of agreed steps. The firm may engage external legal counsel or specialist consultants where additional expertise is required in response to an incident. Charterhouse may consider convening an ad hoc group of relevant stakeholders, to meet regularly until the relevant ESG concerns have been resolved. Such group would be convened by the Managing Partner and would be responsible for updating investors, portfolio companies and Charterhouse personnel as appropriate.







## 03

# ESG themes of 2020

Despite the disruptions, challenges and remote working, we progressed several ESG-related projects in 2020, both at a portfolio and firm-level and will highlight three key areas.



## Diversity

Creating value is the overarching driver of the Charterhouse objectives and our social beliefs are integral to this. We believe that a diverse workforce can promote a more open and enriched workplace with varied perspectives leading inevitably to more enlightened decision-making. We are committed to promoting and progressing diversity, equality and inclusion within the firm. Gender, sexual orientation and identification, race and ethnicity, nationality, religion, disability, age, marital or civil partner status and socio-economic background differences should be embraced and cannot be barriers to progression.

Our multi-cultural team spans multiple nationalities and backgrounds. Additionally, the firm does not operate rigid sector or geographic investment teams, preferring to foster one cohesive team in London, with an emphasis on transparency and integrity. This

is considered as fundamental to the success of our pan-European strategy and we pride ourselves on our collegiate and inclusive culture; fostering a welcoming, respectful and open environment.

Charterhouse is a financial sponsor of Level 20, a not-for-profit organisation dedicated to improving gender diversity in the European private equity industry. Charterhouse executives support and participate in Level 20's mentoring programme, mentoring, inter alia, women in the Private Equity industry and encouraging female members of our team to work with an outside mentor.

Charterhouse is also a member of Out Investors, a global organisation that was founded with a mission to make the direct investing industry more welcoming for LGBT+ individuals and by holding networking events and facilitating mentorship in the industry.





# Diversity

## Steps we are taking at firm-level

Whilst endeavouring to provide equal opportunities to all and seeking to empower all personnel to reach their full potential, we have identified areas and processes we would like to improve, to enhance the diversity of the Charterhouse team. We recently hired Victoria Proctor as **Head of Talent Management**, who is responsible for recruitment, training and development of all individuals within the firm. Victoria was appointed in this role at the beginning of 2020; and previously spent ten years as Head of HR at European Capital in London and nine years in HR at BNP Paribas. Victoria also has previous experience at Bunzl Plc and Arjo Wiggins Appleton. During 2020, Victoria enhanced our performance review process to support transparent and meritocratic career progression and development.

Charterhouse has always applied a non-discriminatory approach in its recruitment process, seeking to find the best candidates regardless of background. We have further enhanced this process and expect all mandated recruitment firms to

consciously consider DEI principles. Charterhouse asks to see diversity and breadth in candidate selection processes to gain access to a wider and diversified pool of potential candidates, at all levels.

The Charterhouse Diversity and Inclusion Policy has enhanced the awareness of the Investment Team in topics such as unconscious bias, particularly during the recruitment process. Charterhouse has recruited since 2018, seven junior female deal team members (of 28 deal team members) who participate in our internal mentoring scheme; which is intended to encourage career development and ensure long-term success for all participants. Also, **since 2019, more than 50% of all new joiners across the firm have been female**. Our recruitment at the junior level has brought a very positive contribution and keen interest from those younger team members in enhancing ESG and engagement across the board.

We have also taken steps to engage a specialist diversity, equality and inclusion (DEI) consultancy to spearhead the **firm's DEI programme**. Their work is intended to bring an objective view of our behaviours and processes, and to support an enhanced and sustained approach to enhance and improve our culture.







## Diversity

### Steps we are taking at portfolio-level

Diversity factors are assessed at portfolio company level. Charterhouse expects its portfolio companies to implement and maintain comprehensive and proportionate diversity-related policies and procedures, and to enhance such policies and procedures over time.

Charterhouse recognises the importance of diversity and we encourage all our companies, even those with strong ESG performance, to ensure that proportionate diversity promotion and progression plans are implemented to ensure future diverse representation across all organisational levels.

Our 2018 and 2019 ESG Conferences featured sessions with external speakers on promoting diversity in senior roles and minimising unconscious bias. We invited the Level20 CEO, Pam Jackson, to speak at our 2020 ESG Conference to share practical ways, including communication methods and support mechanisms, to promote inclusion and enhance gender diversity and minority group representation at senior levels within organisations.



## Climate Change

The Charterhouse climate change strategy and objective is to build a portfolio of sustainable and enduringly successful companies which are resilient to, and prepared for, climate change risk and which are then able to harness climate change-related opportunities. It is becoming increasingly clear that climate change must be a priority for all businesses.

Climate change is integrated into the firm's decision-making process and ownership practices to enable our portfolio companies to adopt business models which will support the global aim of limiting global warming to a maximum of 1.5°C above pre-industrial levels.

Our approach and objectives continuously evolve and we recognise the importance of moving towards decarbonisation of the portfolio and integrating science based targets. As a first step, we have started to align our data indicators and collation to the regulatory sustainability disclosure indicators, such as those which will be reportable under the EU Sustainable Finance Disclosure Regulation which is coming into force in 2021.



### Steps we are taking at firm-level

We continuously seek ways of reducing our environmental footprint. In the austere reverberations of the pandemic across the globe, we recognised the reduction of business travel, albeit involuntarily, as a positive contribution to our efforts.



# Carbon offsetting

Our significantly reduced carbon emissions from business air and rail travel to December 2020 were offset by a selection of the following four carbon offsetting initiatives offered in the Carbon Footprint portfolio and which are verified to the Gold Standard or the Verified Carbon Standard.



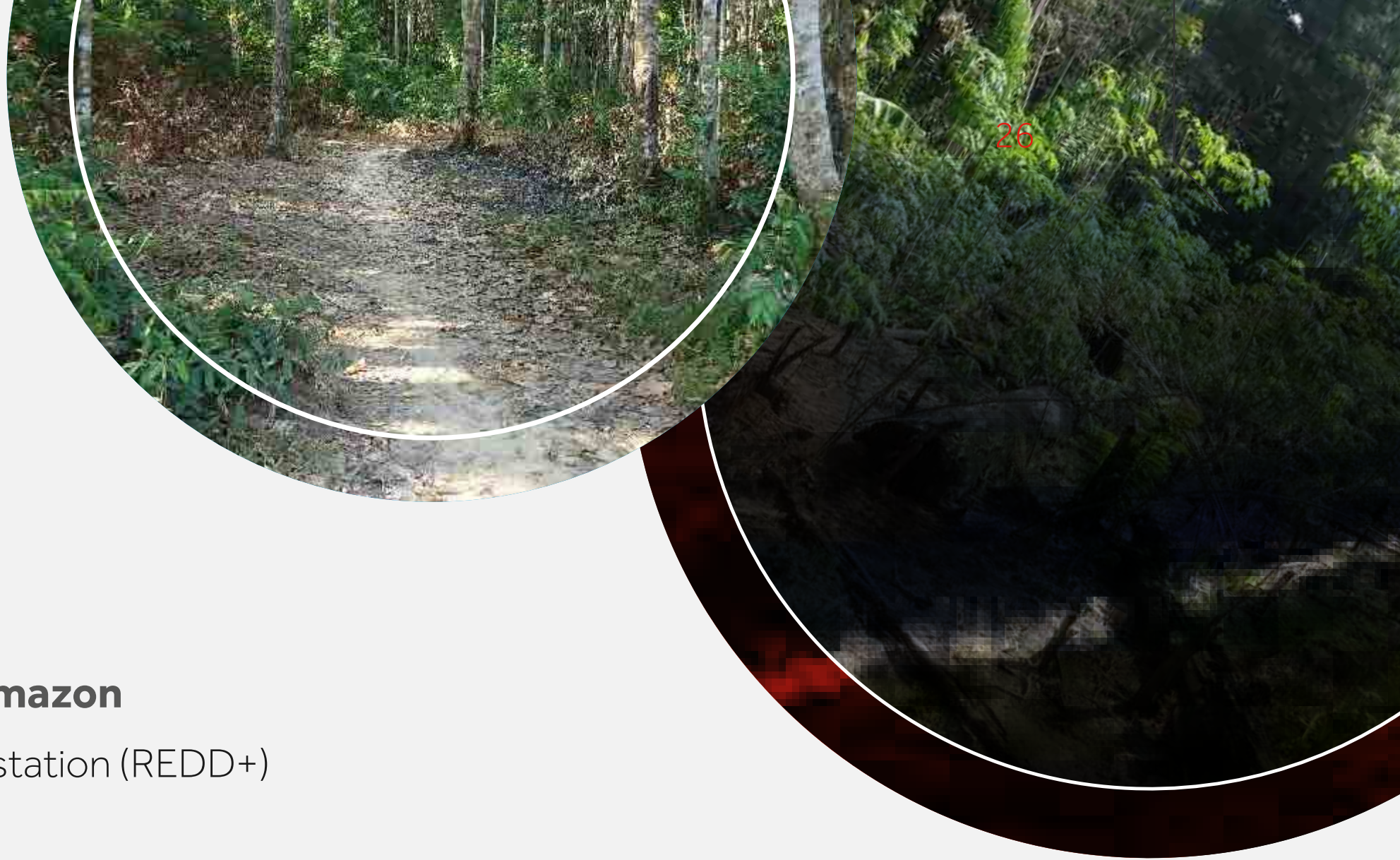
## UK Tree Planting + Protecting the Amazon

**Type:** Tree Planting and Reducing Deforestation (REDD+)

**Country:** UK + Brazillian Amazon

**Reference:** CFP1

This project provides an opportunity to plant trees in the UK whilst also helping to protect the Amazon Rainforest – the largest remaining rainforest in the world. The Amazon is known for its amazing biodiversity; containing 10% of all species, including many endangered species. For each tCO<sub>2</sub>e offset, one tree is planted in the UK in the region of your choice and an additional tCO<sub>2</sub>e is offset through the Brazillian Amazon Verified Carbon Standard (VCS) Reduced Emissions from Deforestation and Degradation (REDD) project to guarantee the emission reductions. In the UK, the majority of trees are planted in school grounds, bringing further educational and CSR benefits.





# Carbon offsetting



## Kenya Tree Planting + Protecting the Amazon

**Type:** Reforestation and Reducing Deforestation (REDD+)

**Country:** Kenya + Brazillian Amazon

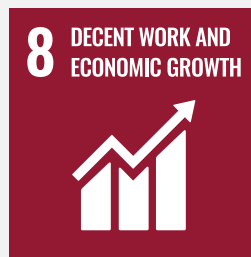
**Reference:** CFP2

This project provides an opportunity to plant trees in Kenya as well as helping to protect the Amazon Rainforest – the largest remaining rainforest in the world. The Amazon is known for its amazing biodiversity; containing 10% of all species, including many endangered species.

For each tCO<sub>2</sub> being offset, one native tree is planted in the Great Rift Valley, Kenya and an additional tCO<sub>2</sub> is offset through the Brazillian Amazon Verified Carbon Standard (VCS) Reduced Emissions from Deforestation and Degradation (REDD) project to guarantee the emission reductions.

Over the last ten years, the project in Kenya has planted over 170,000 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.





# Carbon offsetting



## Fuel Efficient Cookstoves for North Darfur Women

**Type:** Efficient Cooking

**Country:** Sudan

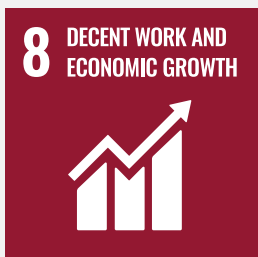
**Reference:** GS 2896

The revenues generated by the sale of the carbon offsets contribute towards expanding the project with 50% of the stove costs, the assembly of the stoves, training for women, monitoring, project management and payment facilities for beneficiaries to keep the costs of the stoves at an affordable price.

The fuel wood issues cause a heavy burden for women and girls who have to venture far from their home and travel up to 13km three times a week to harvest the necessary fuel wood. There are increased conflict over scarce forest and tree resources; and unsustainable exploitation of forest resources. This is increased by the high cost of fuel wood and charcoal on the markets especially when used inefficiently. There is also a health and safety risk associated with cooking on traditional three-stone fires, which can generate toxic smokes, and fires.

Working across 10 villages within two localities, the project alleviates poverty through savings in time and money, advances gender equality by providing managerial capacity development to women and reduces greenhouse gas emissions associated with burning non-renewable biomass in a resource-deprived region.

This cooperative project between the funding partners, the Women Development Association Network (the Implementing entity) and the UN World Food Programme (the technical advisor), is the first of its kind in Sudan.





# Carbon offsetting



## K.R. One in Thailand

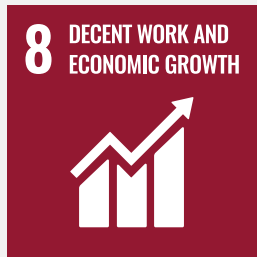
**Type:** Renewable Energy – Wind Power

**Country:** Thailand

**Reference:** VCS 2001

This project generates clean electricity with utilization of wind energy. The project consists of 30 Wind Turbine Generators (WTGs) of 3.0 MW capacities each. The project WTGs are installed in the Nongwang sub district of Thepharak district Nakhonratchasima Province in Thailand.

The electricity generated by the project is exported to the Thailand National grid. The project activity will therefore displace an equivalent amount of electricity which would have otherwise been generated by fossil fuel dominant electricity grid. Since wind power produces zero carbon emissions, the power generated will prevent the anthropogenic gas emissions generated by the dominant fossil fuel based thermal power stations comprising coal, natural gas, diesel and bunker oil.





## Reducing our environmental impact

### Office design for health and reduced environmental footprint

We integrated the Fitwel design and environmental-related criteria in the plans and renovation of our new Victoria (London) offices. Fitwel standards seek to provide a workspace which optimises employee health and well-being as well as reducing the environmental footprint of the project. Factors considered in the Fitwel certification include the availability of cycle parking, access to showers & lockers, indoor air quality, use of eco-label products, workstation design for access to daylight and operable shading, as well as dedicated quiet and well-being rooms.

### Docusign to reduce printing

In addition to the reduced paper use and printing initiatives implemented over recent years, we onboarded Docusign as a tool to manage and execute agreements and business documents which would otherwise be printed. This has significantly reduced paper consumption.







# Addressing climate change at portfolio level

As PRI signatories, Charterhouse has adopted the PRI guidelines on the Task Force on Climate-related Financial Disclosures ("TCFD"), to identify and manage the climate change-related "physical risks" and "transition risks" as well as opportunities of portfolio. The firm is committed to integrating climate change issues throughout its investment processes.

Charterhouse also recognises that climate change may present new opportunities. For example disruptive opportunities which increase exposure to climate change, mitigating technology and solution providers and the wider shift towards a low carbon economy. We have engaged SLR Consulting, as environmental specialist consultants to conduct TCFD-aligned climate change-related risks and opportunities assessments on all our portfolio companies. The assessments findings deliver a summary of physical and transition risks and opportunities (see redacted table below) and suggested strategic responses and/or medium and long-term objectives.

## Risks

No.	Type (Location)	Description and types of impact	Likely timescale	Measure to mitigate risk being incorporated into			
				Business Strategy	Metrics & Targets	Governance	Recommendations
4	Transitional	Will require industrial sites to implement energy efficiency measures. Could be a risk or opportunity depending on requirements.	2020s+	Certified to an energy efficiency standard to mitigate impacts. Regular review of emerging legislation.	Retain ISO50001 certification	Management sponsorship of certification	None
5	Transitional (Europe)	Sites in Europe likely to be subject to higher energy of carbon taxes and hence operational costs increase.	2020s+	Programmes in place to minimise emissions.	C02e emissions being tracked and reported	Progress reported to Senior Management	Internal cost of carbon adopted to prepare for expected legislation
6	Transitional (Global)	Supply chain disruption in geographies sensitive to climatic changes and hence production could be disrupted. The company may need alternatives suppliers or different stock levels to address.	2030s+	Supplier evaluations do not yet include climate vulnerability	None developed to date	Senior management responsibility assigned	Develop lists of critical supply sites and undertake high level assessment of their vulnerabilities.



## Addressing climate change at portfolio level

Some of the risks and opportunities identified relate to site development plans to include adaptation measures to mitigate flood risk and the integration of climate vulnerability in supplier evaluations to establish disruption and collaboration potential to mitigate supply risk. Some of the opportunities identified related to changing consumer demand for products with reduced carbon footprint, as well as engagement potential with stakeholders which influence policy development.

Each portfolio company will be at different stages in its ESG maturity and sustainability roadmap generally so naturally the same applies to their climate change readiness

and responses. Charterhouse has implemented climate change action plans at portfolio company level which draw from the findings of a TCFD-aligned climate change risk and opportunities assessment. The plans are designed to prepare portfolio companies, so that they can mitigate risks and prepare for potential opportunities which arrive as a result of climate change.

Several portfolio companies report their greenhouse gas emissions in CSR reports, UN Global Compact Progress reports, or to supervisory authorities (via a Bilan Carbone/ carbon disclosure report). We recognise that climate change-related reporting, particularly

to climate-related metrics, is instrumental in integrating climate change considerations into routine business activities and strategies. We have aligned the data collation from our portfolio companies, to the extent possible as a first step in preparing for the implementation of science-based targets and net zero plans. Data collated includes climate-related indicators and specifically those included in the Regulatory Technical Standards of the EU Sustainable Finance Disclosure Regulation. This project will advance during 2021 when we launch our science-based net zero plans across our portfolio.







**05**

How our portfolio  
companies drive change





## How our portfolio companies drive change



### Sagemcom

- Ecovadis, awards assigned for circular model manufacturing
- Electrification of west African and Madagascar villages as additional SDG contribution



### Siaci

- SDG mapping and initiatives



### SLR

- Impact enhancing product development



## Sagemcom

French industrial group Sagemcom is a world leader in high added-value communicating terminals and solutions for the broadband, audio video solutions and energy markets.

With several employees globally and its delivery of more than 40 million products to over 50 countries every year, the company has, for many years, embedded CSR best practices in its daily activities, continuously improving these practices, in its commitment and recognition of responsibility to achieve change.

The Sagemcom CSR approach is a holistic approach, driving change in relation to diversity and equal opportunities, employee engagement and well-being, the environment, and ethical conduct, amongst others, with these efforts recognised in the outstanding achievement has been recognised by its Ecovadis gold standard award in 2020.

### Eco-design

In particular Sagemcom's robust and efficient eco- design process initiated in 2007 to improve its environmental performance has led to the certification audit conducted by LCIE Bureau Veritas in 2020 highlighting the robustness of Sagemcom's eco-design process. which found the environmental footprint of the audited product to be between 10% and 50% lower than that of the previous generation.

Each phase of the eco-design of a product, from launch, to design, qualification and production start-up, is subject to a series of tests and internal life-cycle analyses in line with the ISO 14044 and the GHG protocols. Use of different materials and the introduction of recycled plastic since 2018 into plastic

components (a secondary material, made in Europe from electronic waste produced on the old continent, also enables its use in the company's partner production plants in Asia), using packaging made of recycled or FSC cardboard printed with vegetable-based inks, calculating product recyclability and issuing dismantling guides for easier recycling form part of this effort to quantify the environmental impacts of Sagemcom's products. The 2020 LCIE Bureau Veritas audit found the environmental footprint of the audited product to be between 10% and 50% lower than that of the previous generation.

**Sagemcom**



# Sagemcom

## Reducing digital divide

Sagemcom Energy & Telecom develops solutions to deploy electric power grids and telecommunications networks in African countries.

The WeLight partnership with Axian was founded to supply reliable, accessible and renewable energy to the populations in rural Madagascar and sub-Saharan Africa, by deploying innovative technologies and providing means of payment accessible to all.

At the end of 2020, 23 villages were electrified by 22 mini-grids.

Sagemcom's Grid & Infrastructure Solutions (GIS) actively participates in reducing Africa's digital divide by enabling access to the network, the roll-out of the fibre network and the construction of telecommunications sites.

The activity of these telecommunications sites also supplies energy to villages off the grid, offering new possibilities to their inhabitants:

- Better health conditions
- The preservation of food
- Increased local agricultural output
- Business development
- Improved safety

Read more about Sagemcom's CSR programme in its CSR report published on the company website.

Sagemcom



## Siaci

SIACI SAINT HONORE, a leading provider of consulting and brokerage services in corporate property and personal insurance for companies, has formulated a Corporate Social Responsibility approach which spans six clear principles to ensure integration of social and environmental considerations into its decisions and activities:



- Promote human values in the life of the Group.
- Act for health and well-being at work.
- Control the Group's environmental footprint.
- Dialogue and engage with all partners.
- Ensure compliance with strict principles of professional conduct and business ethics.
- Develop solidarity action programmes.

Siaci has been a signatory to the UN Global Compact since 2015, and, more recently, a member of the Act4NatureInternational by EpE since 2018.

Since 2016, the group voluntarily tests its CSR programme to the Ecovadis 21 CSR indicator standard, improving year-on-year and working towards a silver medal award.





## Siaci

Central to its Corporate Social Responsibility strategy, and in a drive towards a sustainable world and equal opportunities, is the integration of the 10 UN Global Compact principles in its decisions and activities whilst supporting the achievement of the 17 UN Sustainable Development Goals. Every year, the Group progresses specific targets to reduce environmental and carbon footprint and promote human values by ensuring the involvement of all its stakeholders (employees, customers, shareholders and suppliers); during 2020, for example:



- The Group launched a new carbon footprint evaluation for its three largest offices in France and four abroad;
- 68 Group employees participated in a conference on neurodiversity organized by Hipip to enhance awareness of the impacts of cognitive differences on workforce interaction; the insight and understanding was integrated in the formulation of the Group's Disability and Diversity Policy engaging all employees;
- As a founding member, SIACI SAINT HONORE actively participates in the working groups of the Humaninnov Foundation to develop inclusive management practices supporting the retention of employees affected by a chronic illness; and
- As a member of the Act4NatureInternational initiative, Siaci is committed to integrating biodiversity issues into its strategy to reduce the direct or indirect pressure of its activities on ecosystems, limit their deterioration, promote voluntary actions, and ensure that the needs of its various stakeholders are taken into account. The Group expects all its stakeholders, particularly those with activities significantly impacting biodiversity, to contribute to the preservation of biodiversity by limiting and diminishing their impact, not only on biodiversity, but also on climate change. The Group is also committed to enhancing the awareness of its employees in biodiversity matters by way of two annual awareness sessions, sensitising them to the importance of daily choices and practices in this regard.





# SLR Consulting Ltd

SLR Consulting is a leading global pure play environmental consulting business. The company specialises in providing bespoke, technical services requiring significant expertise across the lifecycle of complex asset types.

6  
Regions

100+  
Offices

c.1,800  
Global staff

30+  
Technical services

SLR's clients span several sectors including Financial, Oil & Gas, Built Environment, Manufacturing & Industry, Mining & Minerals, Infrastructure and Power. The company operates across six regions in Europe, US, Canada, Asia Pacific and Africa.



- Recognised as best place to work
- Partner of choice for our Proirity Clients
- ESG Services leader
- Increase presence in Renewables and Infrastructure sectors
- Balanced, sustainable & growing business

The SLR product and service provision has, over time and in anticipation of evolving sustainability pressures, evolved from environmental consultancy services to a comprehensive ESG offering, providing solutions

across ESG Services, EHS Compliance and Sustainable Infrastructure, and which **support clients in achieving their sustainability goals** and regulatory objective.



## SLR Consulting Ltd

### ESG Services

Strategic Advisory, Analytics and Technical Consulting Services that support clients to improve ESG performance and / or managing ESG risks.

- ESG and sustainability advice since 2007 including their Global Citizenship Strategy
- High resolution regional climate change projections to support public data portal
- Innovative approach to ESIA permitting to allow global deployment of renewable and green hydrogen projects



### EHS Compliance

Environmental, Health and Safety monitoring and consultancy services that support clients with permitting, monitoring and compliance

- Coil Coating Line Post-acquisition Air Quality Audit, Emissions Control Strategy and Repermitting
- Compliance monitoring of ground and surface waters associated with operational and closed petrol filling stations
- Ongoing ambient air quality monitoring to demonstrate environmental compliance is achieved

### Sustainable Infrastructure

Planning, Design and Engineering Consultancy Services to support clients deliver sustainable infrastructure projects across Transportation, Power, Mining, Energy and Built Environment Sectors

- Planning and Environmental Specialist Services for Property Portfolio
- Assessing Vulnerability & Risk for Roads and Bridges subject to increased flooding due to climate change
- Plan, assess and design all aspects of the transport network







## 06

### Our charitable initiatives



# Charterhouse Charitable Trust

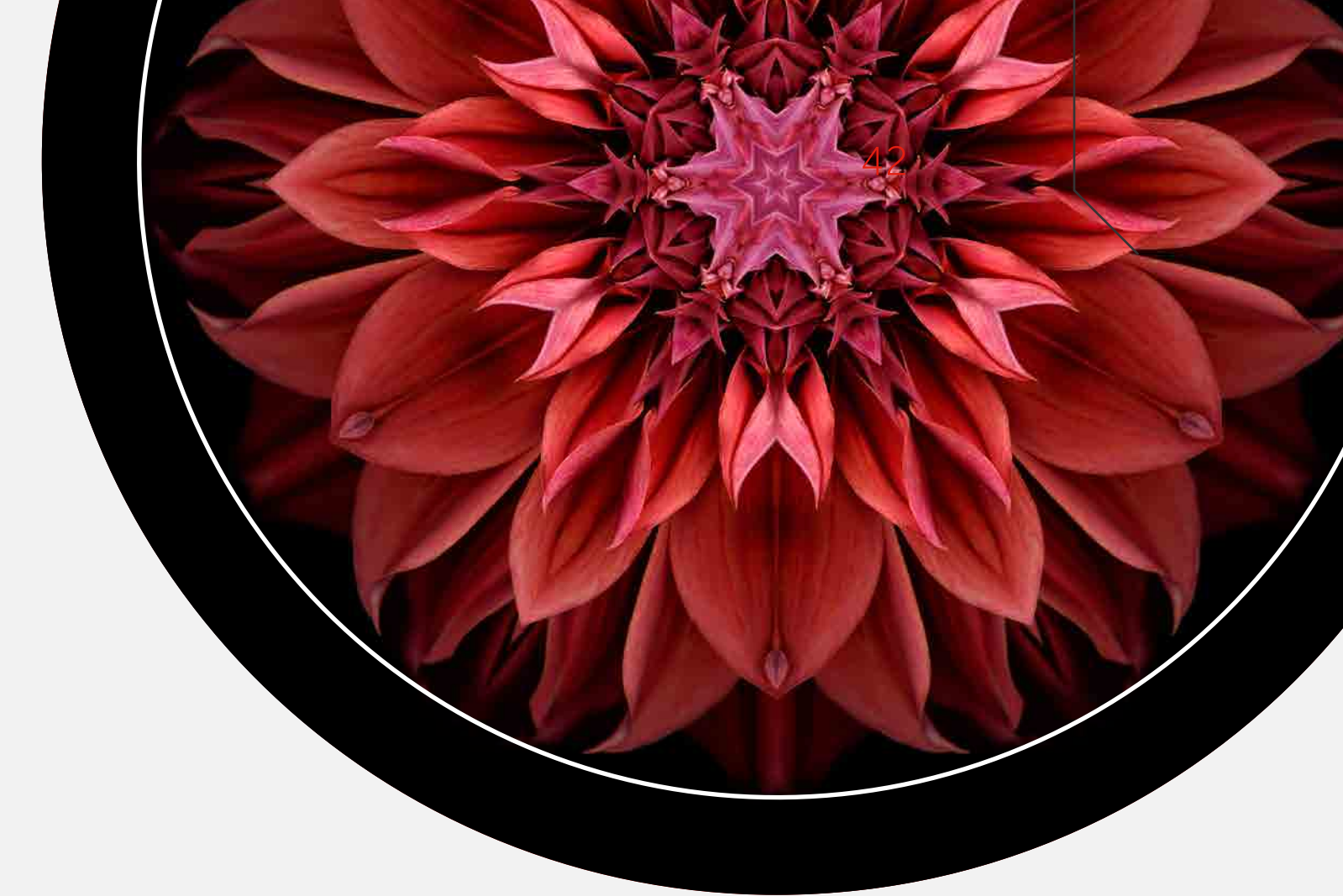
The Charterhouse Charitable Trust (registered charity no. 210894) was established in 1954. It is a grant-giving charity, donating to various charities in London. Its Board of Trustees includes Charterhouse's General Counsel, Deputy Finance Director, an Investment Team Director and ESG Director. Its role is to review and approve charitable donations to charities primarily benefitting young people encountering challenging circumstances.

During 2020 The Charterhouse Charitable Trust supported several charities including:

- **The Charlie Waller Memorial Trust**, a charity which raises awareness and supports young people in enhancing their mental health and wellbeing.
- **Timebank**, a UK volunteering charity which recruits and trains volunteers to deliver mentoring projects, addressing complex social issues across five key themes: social Isolation, Community Cohesion & Integration, Health & Well-being, Education and Employment, Environmental & Regeneration.
- **YoungMinds**, a UK-based network for young persons to provide mental health support.
- **Half Moon Young People's Theatre**, based in London, produces and presents professional children's theatre as well as eight Youth Theatre groups for 5-18 year olds.
- **The Ahoy Centre**, a London-based watersports based charity changing lives and building life skills through sailing and rowing.

Charitable initiatives outside of the UK supported by The Charterhouse Charitable Trust included:

- **Australian Red Cross**, in support of the citizens fighting the wildfires and;
- **Mothers 2 Mothers**, bolstering the healthcare systems, while delivering empowerment opportunities for women in Africa.





## Donations to **Covid-19 impacted** charitable initiatives



As the Covid pandemic unfolded globally, the trustees of The Charterhouse Charitable Trust made donations to other charitable initiatives which were struggling to raise funds due to the national lockdowns including:

- **The Hygiene Bank**, a grass roots, community initiative giving hygiene, personal care & household cleaning products to those who need them.
- **The Trussell Trust**, a UK network of foodbanks providing emergency food and support to people in crisis.
- **St Mungo's**, a leading UK homelessness charity supporting over 3,150 people every night.

Also, and in line with the Charterhouse Charitable Trust's aim to support charitable initiatives outside of the UK, the trustees, at the onset of the pandemic, decided to make donations to two hospitals in Northern Italy which were overwhelmed by Covid-19 patients.

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





07

Our ESG  
focus ahead



**2020 has set new ground rules: sustainability matters more than ever before. Next year we hope to share further progress in our next report. Until then, we have plenty of work to do...**

## Our **ESG** focus ahead

It is our view that the severe and global impact of Covid-19 to human life and global economies serves, unequivocally, as a stark reminder that, as asset managers, our fundamental duties are clear. We owe it to our portfolio companies, the communities they operate in, to our investors, to our planet and the environment, to ensure that sustainability and ESG are a core part of our decision making and business strategy.

2020 also highlighted the fact that more needs to be done faster if we want to achieve and sustain the fine balance of continued financial returns for investors, whilst working towards achieving SDGs. Putting the planet and environment on track for recovery is an objective which resonates with many people worldwide in a way it might not have been done 12 months earlier.

Charterhouse recognises that integral to improvements we can make, is data. Not only are we aligning our **ESG data** framework to evolving sustainability reporting frameworks,

the most recent being the EU Sustainable Finance Disclosure Regulation (SFDR), but we are migrating the ESG data of our companies to the Greenstone Investor Portal, which **improves our data analysis**, metric setting as well as enhanced reporting functionality. The enhanced reporting output will also facilitate **additional engagement** with our portfolio companies as we plan to regularly share progress updates. By including the review of internal ESG reports in the agenda of board and other senior management meetings progress towards real targets will become easy to measure and a shared core responsibility. The enhanced data management will also enable **improved reporting**, especially in respect of reportable data as may be required by regulation, or by investors and other stakeholders.

We will further enhance **the alignment of portfolio company objectives to the SDGs** in an effort to reduce the negative impact of some business features. The SDG performance monitoring will also be supported by the Greenstone Investor Portal data portal. Essential to an SDG aligned roadmap, we will

be engaging an external specialist consulting firm to lead the implementation of **net zero plans**, at Charterhouse's firm-level as well as for our portfolio companies.

Charterhouse is taking steps to improve its workforce **diversity, equality and inclusion** by implementing a comprehensive programme which will be led by external DEI specialists.

For Charterhouse (and many others) **ESG integration** must continue to be enhanced to ensure that it remains current and aligned to best practices. We recognise the tremendous value and momentum to be gained by the keen interest in ESG matters from our people, who will be encouraged to collaborate on ESG-related internal workstreams, or become members of ESG Workgroup. Charterhouse continues to ensure ESG considerations are universal and core to our approaches and decision-making processes.



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