



## The Charterhouse ESG Policy

This is a statement of our commitment and approach to integrating Environmental, Social and Governance (“ESG”) into our operations and investment process and it reflects our strongly-held belief that the long term financial success of our portfolio companies can be positively influenced by robust management of ESG opportunities and risks. It applies to Charterhouse and its funds.

Charterhouse became a signatory to the UN Principles for Responsible Investment initiative (“PRI”) in November 2013. We are fully committed to integrating the PRI principles in our operations and investment processes and to act in the long-term interests of our investors, our portfolio companies, the societies in which they operate and our Charterhouse team. To this end we:

- incorporate ESG issues into the investment analysis and decision-making process, by identifying and assessing ESG risks and opportunities;
- take an active ownership role and encourage and actively support our portfolio companies to integrate ESG principles into their operations;
- collate ESG related information from our portfolio companies and seek appropriate reporting;
- actively promote ESG and the implementation of ESG principles within the investment industry;
- work together to improve our effectiveness in implementing the ESG principles; and
- report our efforts and progress in implementing ESG principles.

### **Our ESG approach**

Charterhouse embeds ESG Best Practices throughout our firm-wide operational and investment activities. We share and encourage our portfolio companies to integrate our ESG principles into their operations and we believe that by integrating ESG criteria into every stage of the investment life cycle, we can positively influence the long-term financial success of our portfolio companies whilst also encouraging broader objectives of society.

We define relevant ESG criteria as the identification and management of any material environmental, social or governance-related risks or opportunities over the life of an investment which, if not appropriately managed, could result in significant negative or potentially disruptive consequences, or which alternatively, if managed well, could achieve a positive impact on the company, its employees, the surrounding community, other stakeholders and/or the environment. Therefore, we take into account applicable material ESG factors when making investment decisions (alongside other considerations).

Our responsible investment and reporting processes are constantly developing and improving to ensure that we act in the long-term interests of our investors and we recognise that our investors have their own fiduciary obligations which we also strive to support through these processes.

### **Principles and values supporting our ESG approach**

We believe our core principles - ethical conduct, fairness, accountability, responsibility and transparency - are fully aligned with our ESG approach and practices:

**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 to recognise ESG opportunities, among other things.

### **ESG oversight**

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

Our ESG Committee spearheads our commitment to responsible investment principles and a wide cross-section of the firm is represented on the ESG Committee, including senior partners and Investment Team members. ESG oversight, accountability and implementation responsibility is executed at various levels within Charterhouse under the supervision of the Charterhouse ESG Committee which meets four times a year and ensures senior oversight of ESG matters. Our ESG committee formulates our ESG approach and policy and oversees ESG integration at all levels of activity within Charterhouse as well as at a portfolio company level throughout the investment lifecycle. All members of the Investment Team also take responsibility for ESG across our investments and portfolio companies.

We also have an ESG Workgroup which provides day-to-day support to our ESG Committee and our ESG Manager in implementing and achieving the Charterhouse ESG objectives.

### **ESG integration in the investment process**

All members of the Investment Team are individually responsible for ESG across our portfolio companies. The commitment and integration efforts of each Investment Team member are considered as part of our annual performance appraisal and remuneration considerations.

### **Formalised pre-acquisition ESG guidance**

We have tailored Charterhouse ESG guidance which assists and guides the Investment Team and helps them to consider the most relevant questions to enable us to identify ESG risks and opportunities on a bespoke basis for each potential investment. This ESG guidance provides insight into:

- environmental factors (climate change-related physical and transition risks as well as other environmental impacted criteria for example);

- social factors (employee health and safety, career progression, community impact, diversity and inclusion for example); and
- governance factors (anonymous whistle-blowing processes, compliance and control structures and accountability, cyber security measures for example).

### **Pre-acquisition**

Every effort is made during the investment origination and due diligence phase to identify all potential risks and opportunities that are material and relevant to a target portfolio company, including ESG matters. The Charterhouse investment process requires the Investment Team to confirm the absence of ESG concerns relating to a potential investment or explain what these are and what is being done to address them, and Investment Committee papers specifically address ESG issues. If ESG concerns are identified at any stage of a transaction, further due diligence is undertaken and, where necessary, specialist consultants may be instructed.

### **Post-acquisition**

ESG matters are managed, monitored and progressed at portfolio level by:

- **Active ownership**: Charterhouse takes a very active ownership role and our appointed investor directors are able to ensure that ESG matters are considered at board level for each of our portfolio companies and they can help establish or enhance each respective company's ESG framework and action plan at an early stage in an investment's life cycle, in order to minimise risks and maximise opportunities. Where we see really good ESG action in one of our portfolio companies, we seek to learn from that company, spreading such good practice both to ourselves and to our other companies.
- **Engagement**: the ESG Manager and members of the Legal and Compliance Team engage directly with portfolio companies to assist with the ESG integration process as well as subsequent ESG monitoring and reporting. Onsite ESG and Compliance meetings establish open dialogue and information exchange on ESG matters and support the agreement and progression of ESG priorities and action plans, as well as establishing open dialogue and information exchange.
- **Monitoring**: ESG-related information is gathered using our comprehensive ESG questionnaires and mapped to our in-house monitoring tool tracking c. 200 ESG data points. which helps ensure efficient management of ESG matters.
- **Collaboration**: Charterhouse hosts an annual ESG conference for our portfolio companies which encourages collaboration and the sharing of ESG ideas and best practices. Evolving themes such as Climate Change, the UN Sustainable Development Goals and reporting initiatives are introduced to portfolio company management with a view to integrating these tailored to each company.

### **Exit**

Our commitment to ESG principles is embedded throughout the entire investment process to ensure that all our portfolio companies move on to new ownership in a far better ESG condition than when we acquired them. 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 divestment.

We believe that addressing and managing ESG matters of our portfolio companies helps to secure financial returns for our investors.

## Climate Change

As PRI signatories, we have adopted the PRI guidelines of the Task Force on Climate-related Financial Disclosures (TCFD), to identify and manage the climate change-related physical and transition risks and opportunities of portfolio companies as these may have a significant financial impact if ignored.

We are committed to integrating climate change issues throughout our investment process. As part of our overall portfolio company risk management, physical and transition climate change risks and opportunities are assessed on a case-by-case basis and the findings are translated into an action and strategy plan for each portfolio company, which is reviewed regularly.

## ESG integration at firm-level

### Reducing environmental impact

Charterhouse explores continuously ways to reduce our environmental impact, for example by:

- Enhancing waste management practices in our offices;
- Eliminating single-use plastics;
- Implementing measures to reduce paper and toner usage;
- Implementing initiatives to reduce our energy consumption; and
- Offsetting the carbon emissions from our corporate rail and air travel annually.

### Social principles

Charterhouse is committed to upholding the highest standards of business conduct and to be a responsible employer. We believe that responsible social principles underpin everything we do, and we expect respectful, dignified and non-discriminatory conduct towards every individual we meet or work with. We are committed to promoting diversity and inclusion in the workplace and all Charterhouse staff must comply with our Diversity and Inclusion Policy.

Charterhouse seeks to contribute to society through discrete programmes including the Charterhouse Charitable Trust (registered charity no. 210894). **The Charterhouse Charitable Trust** (registered charity no. 210894) donates to various charities in London benefitting children and youths in challenging circumstances.

This Policy has been reviewed and approved by the ESG Committee.

March 2020

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