



## ESG Review 2023



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# Message from the Managing Partner

## Why we engage in responsible investment

### Our commitment

In 2023, the global landscape witnessed a surge in anti-ESG state lawmaking, increased scrutiny of investment strategies, and a growing demand for tangible evidence linking ESG practices to investor returns. Amidst these challenges, we continued our investment activities, guided by key trends shaping the ESG investing world, including climate change risk, biodiversity loss, social inequalities, and greenwashing controversies.

In alignment with the six principles of the PRI, we undertook a comprehensive review of our ESG integration within investment practices, striving to continuously enhance our firm's environmental, social, and governance standards.

We took decisive actions to formalize climate risk approaches, improve GHG data accuracy, and integrate ESG updates at our annual investor conference and Advisory Committee meeting, and enhancing our data collation processes.

We joined the ESG Data Convergence Initiative and submitted our flagship report in April. The initiative included over 375 private equity GPs, LPs, Investment Consultants, and Private Credit funds in the reporting year. This diverse group of members contributed to the initiative's mission of driving convergence around meaningful ESG metrics for the private markets and generating useful, comparable, performance-based data.

A key focus area was to strengthen the ESG engagement with our portfolio companies to not only advance our responsible investment practices and improved monitoring of ESG risk and opportunities, but to also leave a positive legacy for portfolio companies. In doing so, we supported Phastar on its journey to certify as a BCorporation which it did in June 2023.

We nurture our peer networking and collaborative efforts, recognising that together we achieve alignment to best practices faster and more efficiently. We participated in the regulatory working group of the Initiative Climat International and worked alongside peers on articulating responses to the the iCI/BVCA submission to the SFDR 2.0 consultation.

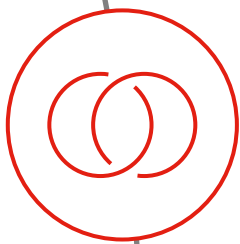
Again in 2023, we hosted our portfolio companies to an insightful agenda and specialist speakers at our ESG Conference, underpinning the theme of holistic ESG integration to manage material and interrelated sustainability factors.

We have a clear focus on continuously improving our sustainability practices. And we do so by collaborating with our portfolio companies, our peers and industry participants. The enthusiasm and commitment we are seeing across our portfolio companies to sustainability, not because of regulation or disclosure requirements, but because of a genuine drive for better outcomes across E, S and G has been impressive.

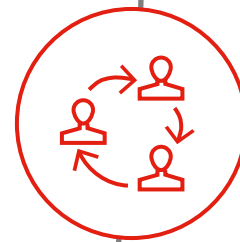


Our approach

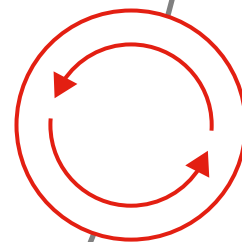
In upholding our PRI signatory duty of active ownership, we focussed on active engagement, engaging with every portfolio company frequently and regularly, to support our portfolio companies in their progression of sustainability roadmaps.



**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 2023

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 2023, we joined the ESG Data Convergence Initiative (EDCI), and submitted our flagship report in April. The initiative is a collaborative effort among various stakeholders, including private equity firms, portfolio companies, and other industry participants, aimed at standardizing Environmental, Social, and Governance (ESG) data reporting. The initiative seeks to improve the quality, consistency, and comparability of ESG data to facilitate better decision-making and foster transparency across the investment landscape. In 2023, more than 375 private equity General Partners, Limited Partners, Investment Consultants, and Private Credit funds had joined the initiative. This diverse group of members contributed to the initiative's mission of driving convergence around meaningful ESG metrics for the private markets and generating useful, comparable, performance-based data.

02

In adherence to the six principles of the PRI, we embarked on a review of our ESG integration within investment practices, aiming to elevate our firm’s environmental, social, and governance standards. Building on our commitment to the Initiative Climat International, we took steps to formalize our climate risk strategies, seeking to refine the accuracy of GHG data, and incorporate ESG updates at our annual investor conference and Advisory Committee meeting, while enhancing the processes for data collation.

03

Strengthening ESG engagement with our portfolio companies was a core focus area in 2023. Meaningful engagement with our portfolio companies in the form of regular (in some cases weekly) video-calls or in-person / onsite meetings not only advance our responsible investment practices , but improve the support we can provide to progressing ESG targets and managing ESG risks and opportunities. .

04

Collaboration is a cornerstone approach for Charterhouse and we value the shared insight and dialogue relating to the adoption of best practices with our peers and the wider private equity investment community. As participants in the Regulatory Working Group of the Initiative Climat International, we contributed alongside peers to the articulation of iCI/ BVCA submission to the SFDR 2.0 consultation.





05

We supported our portfolio company Phastar on its journey to certify as a B Corporation which it achieved in June 2023. We introduced the Phastar to the B Corp framework and presented a selection of suitable specialist consultancies which had passed our due diligence requirements, to partner with the business on this journey.

06

Again in 2023 we hosted our annual ESG Conference for our portfolio companies as a hybrid event at our London office. The one day event was attended by members of C-Suite, ESG, Legal and/or Compliance individuals from our portfolio companies and external specialist speakers presented on agenda session which included, amongst others, best practices to accelerate climate transition, the case for mission and purpose-driven businesses and how to overcome barriers in the diversification of leadership and workforce.

## Major responsible investment commitments:

Charterhouse joined the ESG Data Convergence Initiatives (EDCI), and submitted its flagship report in April 2023. This commitment underpins our drive to improve quality, consistency, and comparability of ESG data to enable better decision-making and foster transparency.





**01**

Our ESG evolution



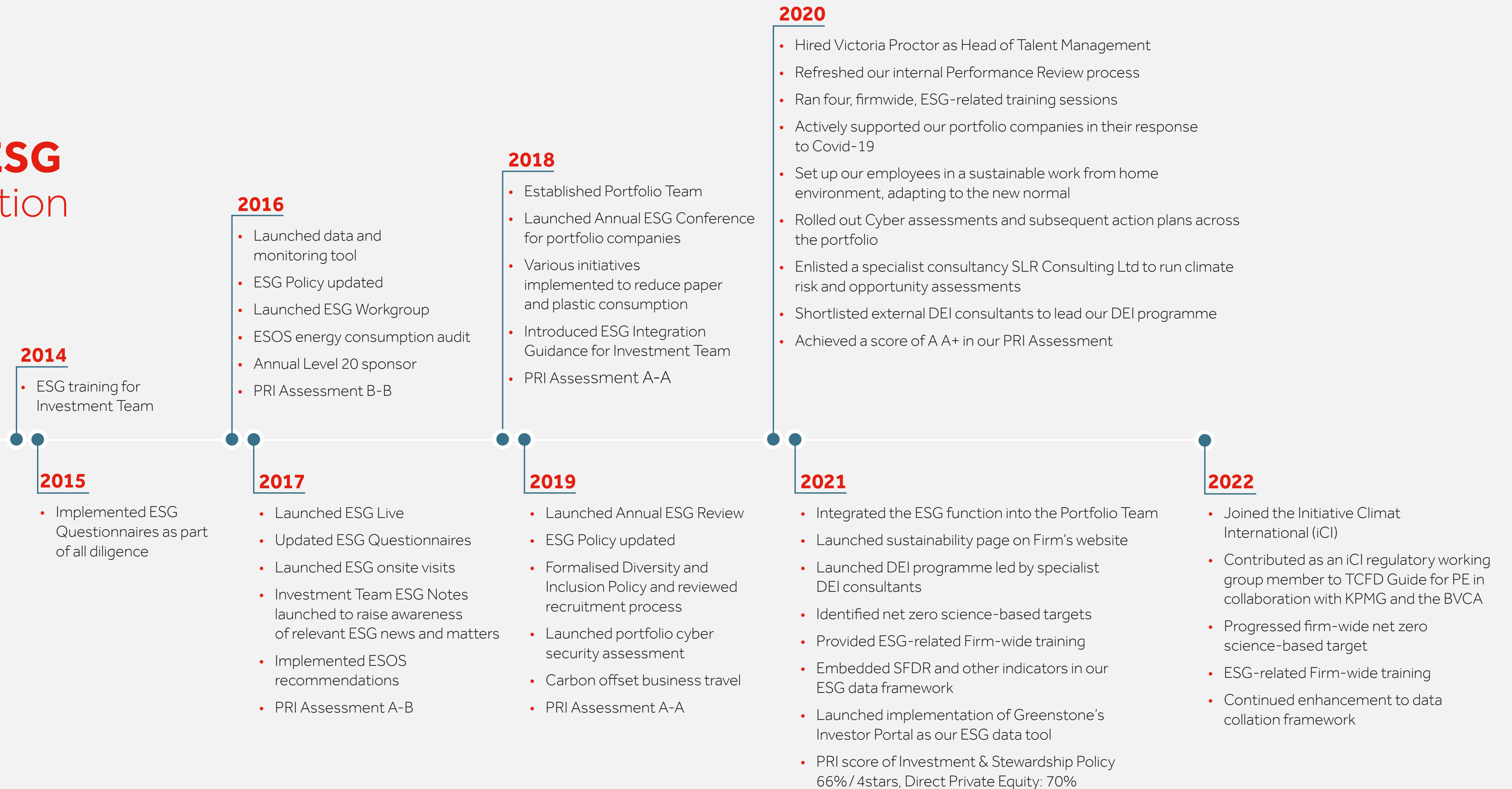
# Our ESG evolution

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.





# Our **ESG** evolution







## 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 2023. 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 2023.





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 2023, Charterhouse continued manage the deployed CCP X, a 2016 vintage pan-European mid-market buyout fund invested in 13 assets. The firm was extremely active driving liquidity in the portfolio, completing four full or partial exits over the year. Charterhouse also held a Final Close of CCP XI in June 2023, and invested in three new deals over the year.





# The Charterhouse Team

At a glance (December 2023):



16  
partners



22  
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.





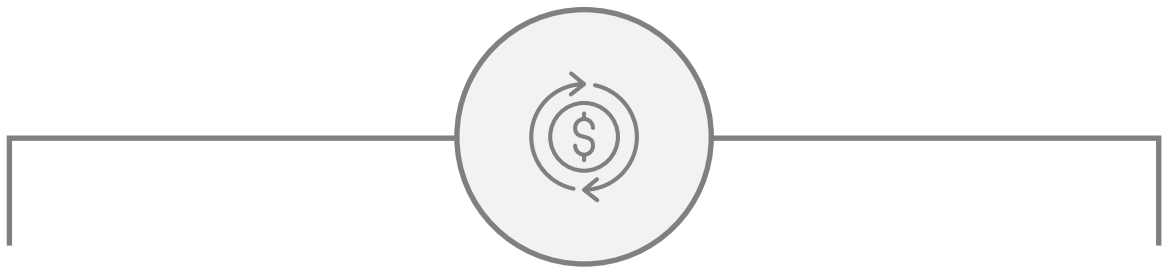
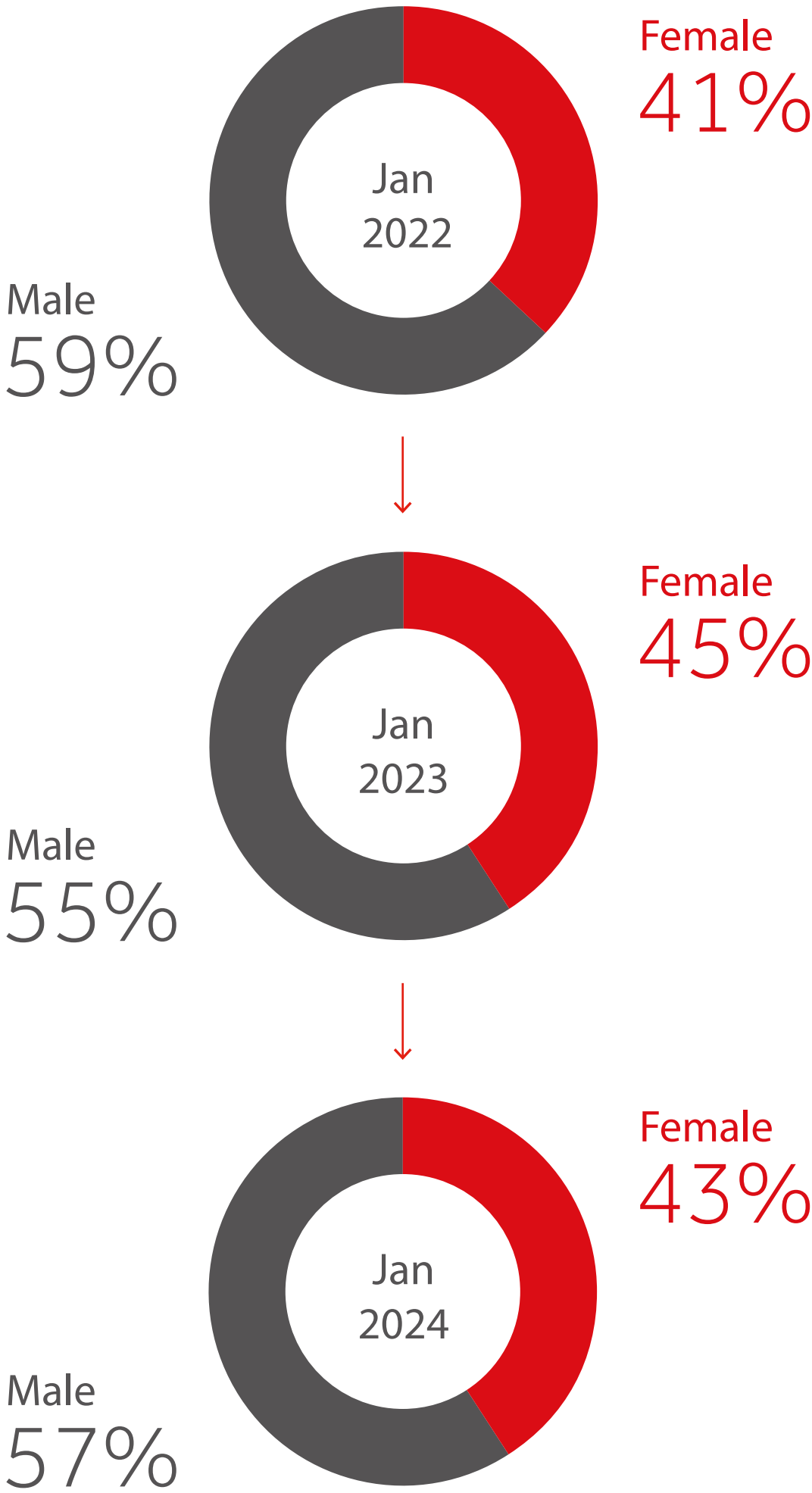
# The Charterhouse Team

Our overall gender breakdown in 2023

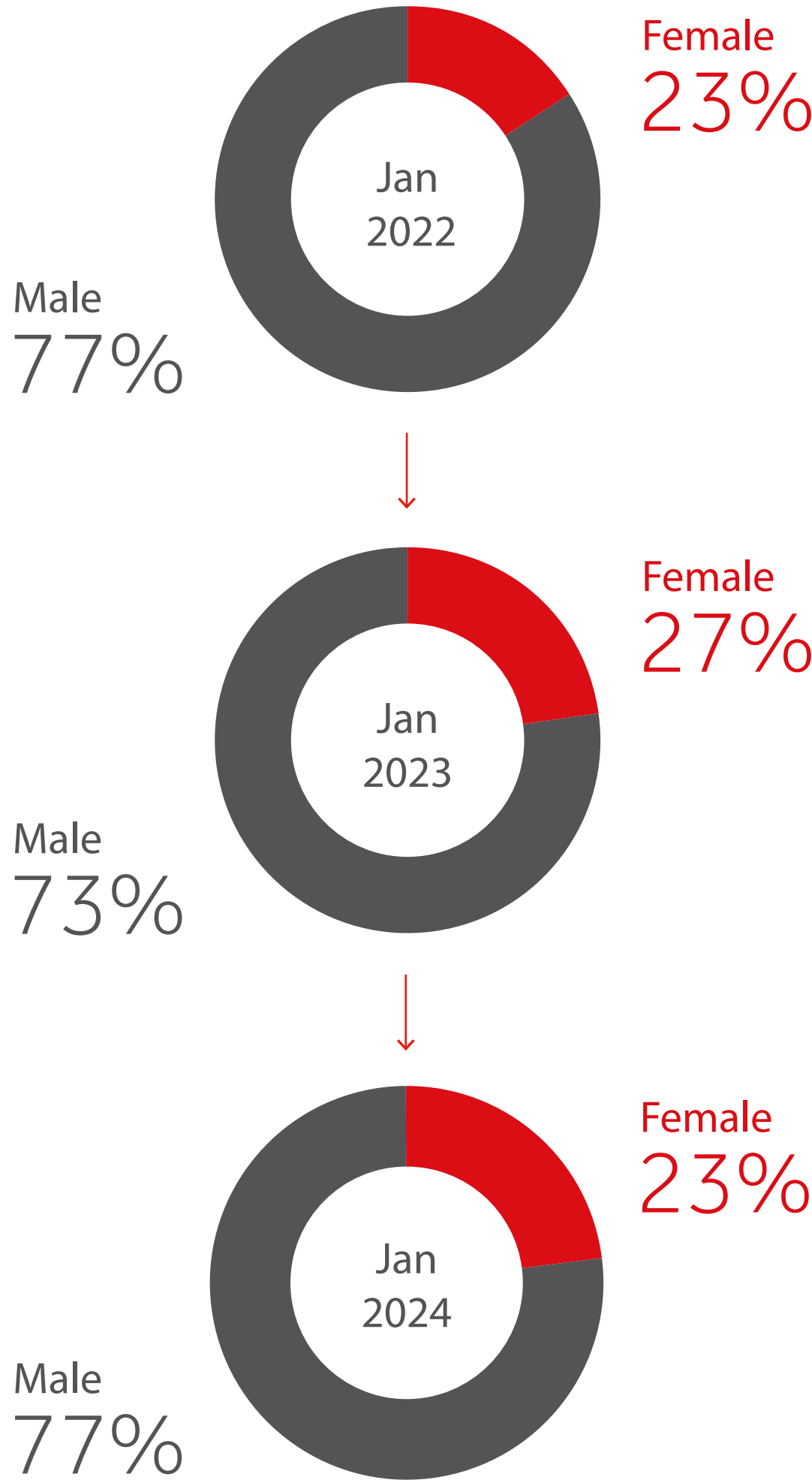
43% women



Firm-wide gender breakdown:



Investment Team gender breakdown:







**04**

Governance



# Governance structure and composition

The Charterhouse team is based in London and consists of 58 professionals across our Deal, Portfolio Management, Investor Relations and Operations functions.

The Firm is led by a group of 16 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 four times during 2023 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 2023:

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 ESG-related incidents were communicated to investors in 2023.**







**05**

Material topics



## Promoting diversity and equal opportunity

Employee engagement and retention of / ability to attract talent is a material sustainability factor for the Firm. Charterhouse established and implemented a Diversity and Inclusion Policy in 2019. We launched a DEI programme (2021) under the guidance of external specialist consultants and which includes firm-wide commitments and actions on DEI. Our DEI committee convenes regularly to progress the DEI program targets set.

The Firm only works with recruiters/headhunters who have a diversity policy/commitment. Charterhouse initiatives include: i) 50/50 candidate list; ii) Target of female Director/ Partner % in Firm / Deal Team to 30/20% respectively in 5-7 years; iii) Unconscious bias and other DEI-related training; and iv) Regular engagement surveys and increased number of team-building events. The mentoring program has also been extended with more Charterhouse individuals benefitting from mentorship.

We monitor DEI policies and practices at portfolio companies and encourage initiatives to maintain a diverse and engaged workforce. We require annual employee surveys to assess engagement and inclusive behaviour.





## 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.

In 2023, Carbon Intelligence provided training to the Charterhouse team on TCFD and portfolio carbon footprinting for private equity. This training emphasized the substantial financial impact that climate change can have on asset valuation, both in the short and long term, and how the integration of climate considerations into the investment process enables a better understanding and mitigation of the risks associated with climate change.



### Regular performance and career development reviews

Performance evaluation at Charterhouse is an ongoing process. Under the guidance of Victoria Proctor, Head of Talent, we continued our six-monthly performance and career development review process for all Charterhouse professionals in 2023. The performance of investment team members is assessed during calibration meetings to ensure the process remains fair and robust.





# Climate & environmental impact

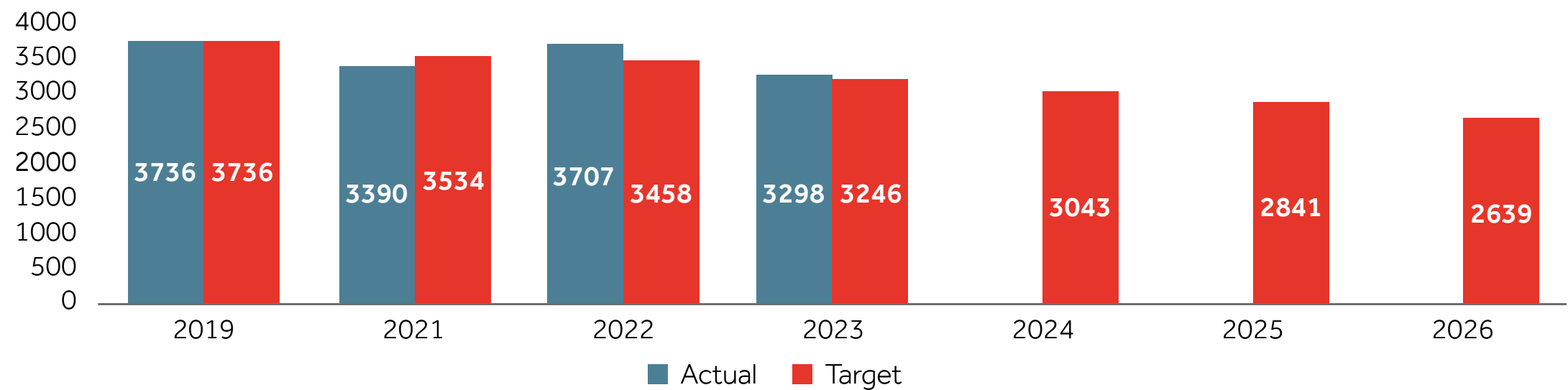
## Net zero

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	2023 tCO2e	2023 tCO2e / employee	2022 tCO2e	2021 tCO2e	2019 tCO2e
TOTAL Scope 1	-	0	-	-	-
TOTAL Scope 2	119	2.05	684	58.5	92
TOTAL Scope 3	3179	54.8	3544	3317	3,637
TOTAL	3298	56.9	4228	3375.5	3,729
% CHANGE FROM PREVIOUS YEAR	-11%	-	-	-	-

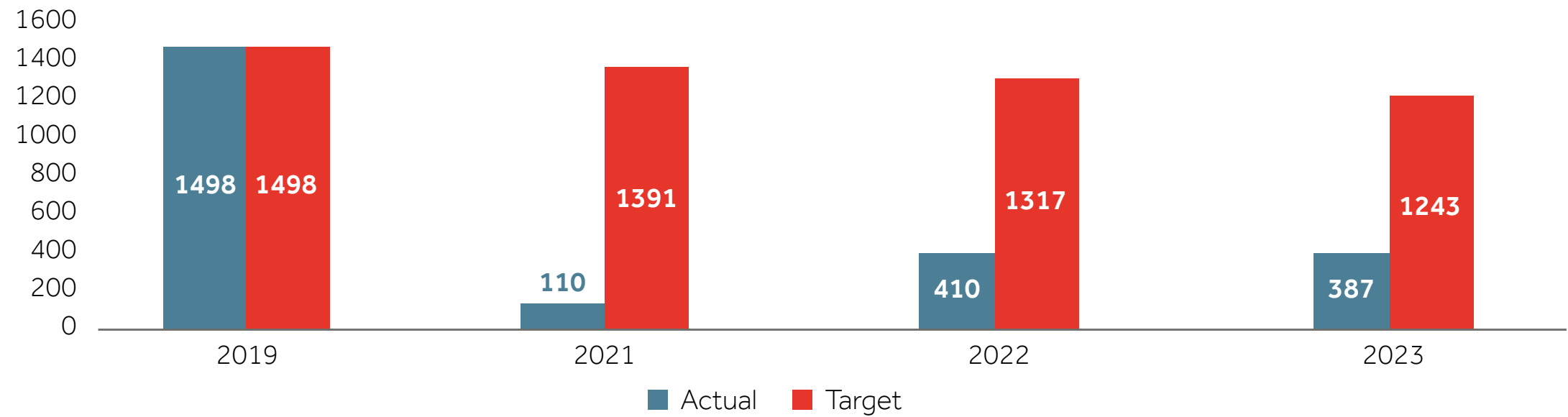
## On a 2030 trajectory reduction

Overall GHG tCO2e



- Science-based trajectory reduction by 2030 / 1.5 °C scenario
- Targets across
  - Purchased goods and services
  - Business travel
  - Energy & utilities

Business travel





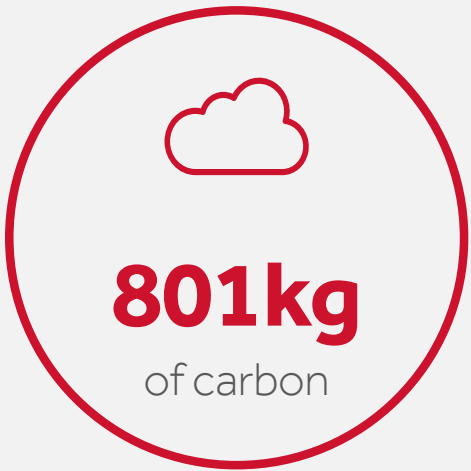
# Climate & environmental impact

## DocuSign

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

In 2023, we achieved the following **savings** by avoiding paper agreements:

2023 savings



2022 savings





For the years October 2019 to December 2023, we have offset business travel emissions of 3041 tCO<sub>2</sub>e by supporting various carbon credit projects over the years.

Our 2023 air and rail business travel generated GHG emissions of 387 tCO<sub>2</sub>e, 5.6% lower than 410 tCO<sub>2</sub>e generated during 2022. We selected the following carbon offsetting initiatives offered in the Earthly portfolio to offset our 2023 business travel.

- Agroforestry - Upper Tana, Kenya
- Highland Restoration - Northern Ethiopia
- Forest adaptation - Luckaitz Valley, Germany

In addition, we opted to offset a further 10tCO<sub>2</sub>e in the biodiversity credit Iford Estate Woodland Creation as a top up.

# Offsetting carbon emissions from business travel

## Agroforestry - Upper Tana

Type: Carbon Removal

Country: Kenya

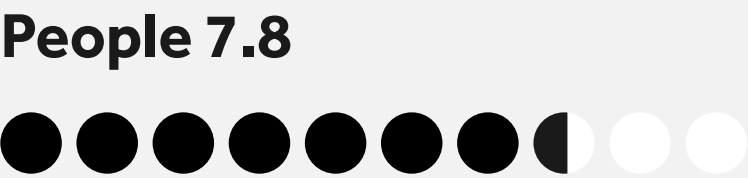
### Overview

The Upper Tana-Nairobi Water Fund is the first “water fund” in Africa, which aims to use nature to address the root cause of diminishing water quantity and quality in the region. The project works with over 165,000 farmers to establish agroforestry systems across 150,000 hectares in the Upper Tana Watershed. In the process, the project is preventing further agricultural expansion that damages water supplies, sequestering carbon and improving the incomesecurity of local farmers.

### Why we love the project?

- The project invests heavily in water access, and has installed nearly 300 drip irrigation kits to improve water efficiency, yields, and farmer incomes.
- The project has protected 2 high biodiversity water towers and is predicted to benefit 1900 freshwater animal species.
- So far, the project has established agroforestry systems on over 150,000 hectares and planted over 1600km of grass strips and terraces to reduce erosion and runoff.

<https://earthly.org/projects/agroforestry-upper-tana-watershed-kenya>



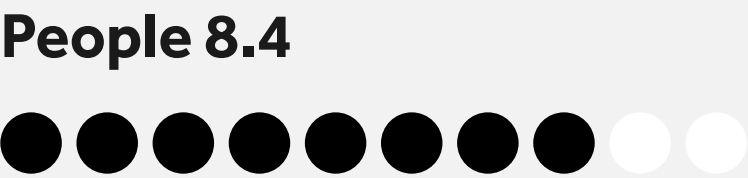




The EthioTrees project aims to restore land in the Tembien Highlands in Tigray which is suffering from land degradation due to drought, erosion of the steep slopes, and overgrazing. The project assists natural regeneration through native tree planting and setting up “exclosures” to prevent livestock grazing. In the process, they are improving biodiversity and connecting other important habitats such as the sacred Orthodox church gardens. The project invests 60% of carbon credit revenue in the local communities, installing crucial percolation ponds to improve water access and even providing life-saving food assistance during the Tigray War (2020-2022).

<b>102,273</b>	<b>41%</b>	<b>\$335,640</b>
tonnes of CO2 sequestered since the start of the project	increase in the number of tree species	paid to participants since the start of the project

<https://earthly.org/projects/highland-restoration-northern-ethiopia>



# Offsetting carbon emissions from business travel

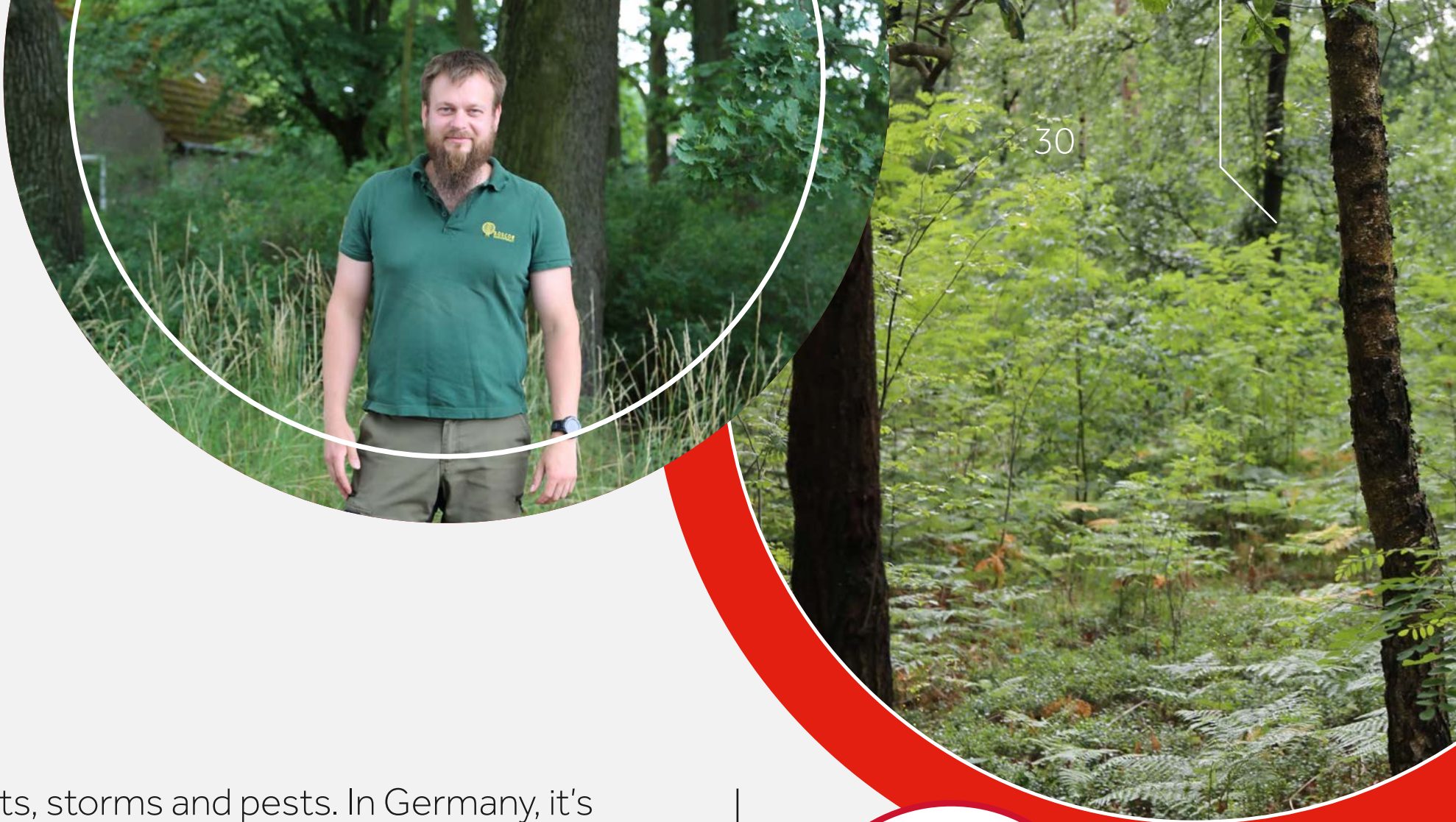
**Highland restoration**  
**Type:** Dryland restoration  
**Country:** Tigray, Ethiopia



# Offsetting carbon emissions from business travel

## Forest Adaptation

**Type:** Forest management  
**Country:** Luckaitz Valley, Germany



30

Climate change threatens forests with droughts, storms and pests. In Germany, it's estimated that as many as four out of five trees are currently afflicted with disease. In the Luckaitztal forest adaptation project, more than 600 ha of pine forest are being converted into a biodiverse, near-natural and climate-resilient forest, thus preparing them for future climatic conditions.

23,684

Tonnes of CO2e sequestered during the project crediting period

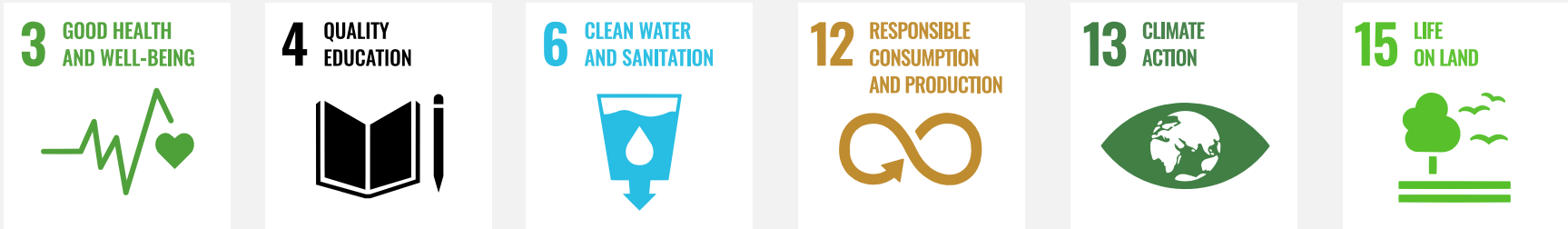
470%

Projected biodiversity increase

680

Hectares of cadastral area preserved for recreational, health, and tourism activities

<https://earthly.org/projects/forest-adaptation-luckaitz-valley>



8.0

Earthly Rating

Carbon 7.7



Biodiversity 7.3



People 8.4







This project operates on degraded farmland within the South Downs National Park which has become unproductive and in need of regeneration. The project aims to restore the historic broadleaf woodland cover of the area, thus sequestering carbon, increasing biodiversity, and providing a home for over 1000 species and over 540 protected species in the area.

<https://earthly.org/projects/iford-estate-woodland-creation>

# Offsetting carbon emissions from business travel

## Woodland creation

**Type:** Forest management

**Country:** Ilford Estate, UK



## Data security

Charterhouse acknowledges the substantial and disruptive risk posed by cyber threats and breaches, which have the potential to impair businesses and cause financial and reputational damage. The Charterhouse Risk Management Committee, independent and separate from the Investment Team, oversees and evaluates the effectiveness of our risk management and internal control systems, including cyber security and data protection.

During 2023, all Charterhouse team members and contractors completed cyber security training provided by reputable specialist providers.

Cyber is a material ESG factor for all the businesses we invest in. Alongside the regular collation and monitoring of cyber- and data-security indicators, we introduce portfolio companies to vetted cyber specialist consultancies to conduct cyber risk assessments which result in risk mitigative action plans.





## 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 2023;
- Considered other factors such as industry-specific risk, product risk and jurisdictional risk in relation to modern slavery / human trafficking exposure;

- 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; and
- Selected and engaged with suppliers which fell outside of the risk-based approach selection described above, but for which, based on advancing understanding of human rights risks in specific industries, engagement is necessary.

As responsible investors and a PRI signatory, we continuously seek to influence and support our portfolio companies to mitigate the risk of any modern slavery which may exist in their supply chains.

We have not been made aware of any slavery or human trafficking incidents in our supply chains at the Firm itself or in its portfolio companies in 2023.

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
- Edward Allen
- Laali Vadlamani
- Mirja Weidner
- Irina Watson

During 2023, the trust made charitable donations to a number of charities and initiatives, some of which are reflected below:



### Disaster Emergency Committee (DEC) Papyrus Prevention of Young Suicide

PAPYRUS Prevention of Young Suicide is the UK charity dedicated to the prevention of suicide and the promotion of positive mental health and emotional wellbeing in young people. We beleive that no young person should have to struggle alone with thoughts of suicide.

<https://www.papyrus-uk.org/>



### School Home Support

SHS provide essential support and resources for schools to address attendance issue. When concerns emerge regarding a child’s attendance, the child and their family are referred to School-Home Support practitioners via partner schools. SHS practitioners work with the whole family to identify barriers to good attendance, looking beyond the classroom to find the root causes of absence. Other services include providing support and resources for schools including training and supervision for school staff and leaders and a membership programme for education professionals..

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



### Smart Works

Smart Works helps unemployed women to get the coaching, clothing and confidence they need to secure employment and change the trajectory of their lives. The women they support are at high risk of economic hardship, often struggling with confidence and self-belief in the face of repeated rejection and real barriers to employment.

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





## 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

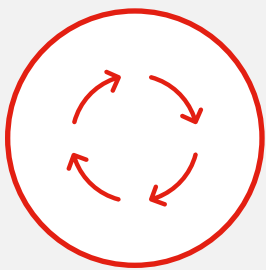
## Collaborate

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 2023.



## 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:



**Initiatives and approaches we continued in 2023, underpinning the PRI principles, and further described in Chapter 7, include:**

- 01** Incorporate ESG issues into investment analysis and decision-making processes
  - Systematic and regular Materiality and gap analysis at due diligence and throughout ownership phase
- 02** Be active owners and incorporate issues into our ownership policies and practices
  - Regular engagement with portfolio companies including onsite visits, where required for meaningful engagement.
  - Key focus on supporting GHG calculation and decarbonisation strategies
  - Vetting external specialist consultancies to facilitate engagement
  - Annual ESG Conference hosted for portfolio companies
  - Promoting networking among portfolio companies to share best practices
- 03** Seek appropriate disclosure on ESG issues by the entities in which we invest
  - Data collation and analysis in SaaS ESG data tool accessible by portfolio companies
- 04** Promote acceptance and implementation of the Principles within the investment industry
  - Participation in ESG-related conferences as panel speaker
- 05** Work together to enhance our effectiveness in implementing the principles
  - Submission of first EDCI data
  - Contributing to regulatory working group of ICI to articulate BVCA / ICI response to the SFDR consultation.
- 06** Report in our activities and progress towards implementing the Principles
  - Regular and ad hoc reporting to stakeholders
  - ESG update at annual Investor Conference and Advisory Committee



## Membership associations



### Initiative Climat International

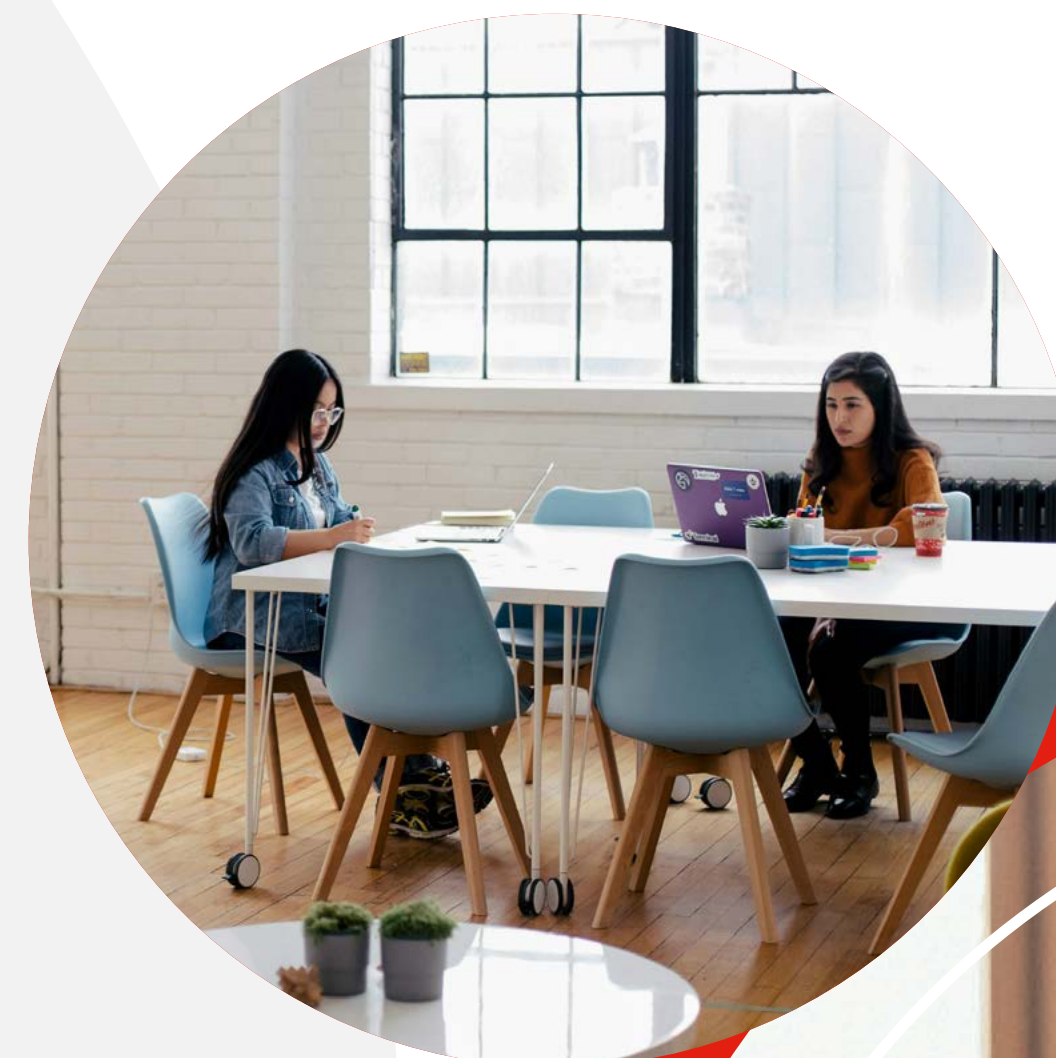
The Initiative Climat International (iCI) is a global, practitioner-led community of private markets investors that seek to better understand and manage the risks associated with climate change.

The iCI counts globally over 250 members; representing USD 4.1 trillion as of the end of August 2023. iCI's members share a commitment to reduce carbon emissions of private equity-backed companies and secure sustainable investment performance by recognising and incorporating the materiality of climate risk. In practice, this implies a commitment to effectively analyse and manage climate-related financial risk and GHG emissions in their portfolios, in line with the recommendations of the Financial Stability Board's TCFD. Members commit to sharing knowledge, experience, and best practice, working together to develop resources that will help standardise practices across the industry.



### Licensee of SASB Standards IP

Licensing the SASB Standards materiality framework helps organisations develop a robust and standardised data architecture based on a transparent, market-informed determination of materiality, while still allowing for customization to fit each organisation's needs.





## Investor and **stakeholder engagement**

Charterhouse regularly engages with stakeholders in its investment and firm-level process, including investors, business partners, management teams, employees, suppliers, and local communities. It provides frequent updates to investors on ESG-related issues at both firm and portfolio levels. Charterhouse shares ESG information through the PRI Transparency Report, ESG Review, annual Investor Conference, Advisory Committee meetings, investor meetings and adhoc 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 Investment Committee, 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 our portfolio companies is captured in a data analytical tool, which arrives at an ESG profile and performance summary across 25 ESG-related categories to capture its sustainability approaches and impact to stakeholders.

The ESG data framework in the ESG analytical tool aligns with leading sustainability frameworks, including SASB, GRI, TCFD, SFDR, the EDCI, and the SDGs. Evaluating the data against these frameworks helps identify any ESG enhancement opportunities in addition to the material ESG risks and opportunities already established during due diligence and included in Charterhouse’s 100-day plan, agreed upon with company management.

The Portfolio Team and ESG Director, in collaboration with Investment Team members serving on the board of directors of the portfolio company, agree on key areas of ESG enhancement with the portfolio company management. An appropriate action plan and schedule is implemented. This early engagement phase allows Charterhouse to emphasize the importance of ESG. The identified ESG enhancement opportunities are then recorded as objectives and metrics in the data portal for regular updates and performance monitoring. Meaningful portfolio company engagement is facilitated by regular engagement calls and scheduled onsite visits of the ESG Director and Portfolio Team members with the portfolio companies

## Monitoring

During 2023 we tracked environmental, social and governance KPIs in our investments. The KPIs monitored across our investments include, amongst others.

- Risk register review
- Female representation at board
- Number and type of whistleblowing alerts
- Number and type of compliance-related breaches
- Number and type of cyber-related incidences
- Carbon emissions data
- Health and safety data
- Employee churn
- Community project engagement





# 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.

02

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 and active engagement approach with the companies and in 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 agenda of the 2023 ESG Conference included sessions presented by external specialist speakers relating to climate transition acceleration, the case for purpose-driven businesses, addressing barriers to diversifying leadership and workforce, amongst others.





# Engagement with portfolio companies (cont'd)

In 2023, we assisted companies in monitoring ESG performance and developing methods to disclose metrics to internal or external stakeholders. Climate impact was a primary focus, with portfolio companies being introduced to the Greenhouse Gas Emissions calculator and specialist consultancy services to facilitate regular calculations.



	2023	2022	2021	2020
Number of companies issuing ESG reports	7	5	5	3
Number of companies that increased number of females on board of directors	1	2	2	1
Number of companies committing to the SBTi (Science Based Targets Initiative)	4	3	1	0
Number of companies that have set a net zero target	5	4	3	n/a
Number of UN Global Compact signatories	3	3	3	3
Number of PRI signatories	2	1	1	0
Number of sociétés à missionin the portfolio	2	1		0
Number of Bcorp certified companies	2	1	1	0





# 08

## Our focus ahead



# Plan for the next year

## Plan for the next year

01

Continue to evolve sustainability approaches and practices in our portfolio companies, improving competencies and supporting the setting of time-bound targets, notably in relation to GHG emissions calculations and articulation of decarbonisation targets;

02

Support our portfolio companies in preparing for CSRD through workshops to build competencies relating to double materiality assessments, gap analysis, strengthening data governance to report to relevant ESRS and introduction of suitable partners; and

03

Aligning the ESG practices of the Firm and those of portfolio companies to the B Corp framework as a universally recognised framework measuring sustainability practices and how businesses manage stakeholder impact.





## 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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