



ESG Review 2021

Contents

Managing Partner's note	02		
01. Our ESG evolution	03		
02. Our organisation	07		
Organisational details	08		
Entities included in the organisation's sustainability reporting	09		
03. The Charterhouse Team and its activities	10		
Our investment activities	11		
The Charterhouse Team	12		
04. Governance	14		
Governance structure and composition	15		
• Compensation and reward structure	16		
Our ESG Committee	17		
• Role	17		
• Nomination and selection of the ESG Committee	17		
Responsibility for ESG integration	18		
Investor and stakeholder engagement	19		
ESG incident reporting	20		
05. Firm-level material topics	21		
How we manage diversity and equal opportunity	22		
Training and Education	23		
• ESG Training	23		
• Programs for upgrading employee skills and transition assistance programs	23		
• Regular performance and career development reviews	23		
Climate & environmental impact	24		
• Net zero	24		
• Waste statistics	24		
• Docusign	24		
		Offsetting	23
		Data security	30
		Forced or compulsory labour	31
		Local communities	32
		• The Charterhouse Charitable Trust	32
		• Other community initiatives	33
		06. Investment strategy and policy	34
		Our overall approach to responsible investment	35
		Policy commitment	36
		Embedding ESG policy commitments	36
		Compliance with laws and regulations	36
		Membership associations	37
		• Principles for Responsible Investment (PRI)	37
		• British Private Equity & Venture Capital Association (BVCA)	37
		07. ESG integration in pre & post investment	38
		Refinement of ESG analysis and incorporation	39
		Engagement with portfolio companies	42
		Monitoring	42
		Climate action at portfolio level	44
		08. Portfolio company ESG news	45
		09. Our focus ahead	48

Message from the Managing Partner

Why we engage in responsible investment



We reflect on 2021 as a mixed bundle. The year started with many geographies and regions still locked-down and subject to COVID-restrictions, and uncertainty lingered. However, the takeaways from the COVID-19 pandemic are clear: companies in which ESG matters are well-managed are resilient to systemic risk, and are able to respond faster and more efficiently to extraordinary pressure and situations.

Ever more so are we now convinced of the importance of embedding ESG considerations into daily operations and investment processes, and the benefits are twofold: generating long-term value whilst simultaneously benefiting wider society and the environment.

There is direct correlation between companies that operate with ESG principles as part of their core agenda and operational and financial resilience. As such, our dialogue and engagement with our portfolio companies has been rooted in the sound business case for greater ESG integration, monitoring and dialogue. The Charterhouse team is fully aware that ESG efforts will be rewarded by superior financial returns for its portfolio and ultimately for its investors. We owe significant responsibilities, not only to our investors, but to our portfolio companies' employees, customers,

suppliers and communities in which they operate. The decisions we make now impact a large number of stakeholders, and our ultimate goal is to exit an investment and leave behind a business that has demonstrably improved in all respects under our ownership.

In this report, we celebrate our ESG successes so far and outline our continued efforts to improve our integration practices. You will read about our enhanced focus on climate, the restructuring of the ESG function, the launch of the Charterhouse DEI Committee under the progressing DEI programme, the refreshed data framework aligned to SFDR and other reporting frameworks, to name but a few items. ESG and sustainability are key to our value creation strategy, and we continuously seek to enhance our ESG integration and fiduciary responsibilities to deliver on our mandate to our stakeholders.





01

Our ESG evolution

Our ESG evolution

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

In 2021, we:

- Integrated the ESG function into the Portfolio Team
- Launched a sustainability page on Firm's website
- Launched DEI programme led by specialist DEI consultants
- Identified net zero science-based targets
- Provided ESG-related Firm-wide training
- Embedded SFDR and other indicators in our ESG data framework
- Implementation of Greenstone's Investor Portal as our ESG data tool
- Achieved PRI assessment score of 66% Investment & Stewardship Policy (peer median 60%) and 70% Direct Private Equity (peer median 66%)



Our ESG evolution

2014

- ESG training for Investment Team

2015

- Implemented ESG Questionnaires as part of all diligence

2016

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

2017

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

2018

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

2019

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

2020

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

2021

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



02

Our organisation

Organisational details

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

The parent entity of the Group is UK-registered Watling Street Capital Partners LLP.

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 2021 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.



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 2021, Charterhouse finished the deployment of CCP X, a 2016 vintage pan-European mid-market buyout fund which has invested in 13 assets. The firm also exited several investments from the fund during the year at attractive valuations.

Charterhouse has started deploying its successor fund, CCP XI, which at year end 2021, made its first investment and has since committed to two more.



The Charterhouse Team

At a glance today:



17

partners



36

investment professionals



19

nationalities



16

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

73% or
8 of the 11

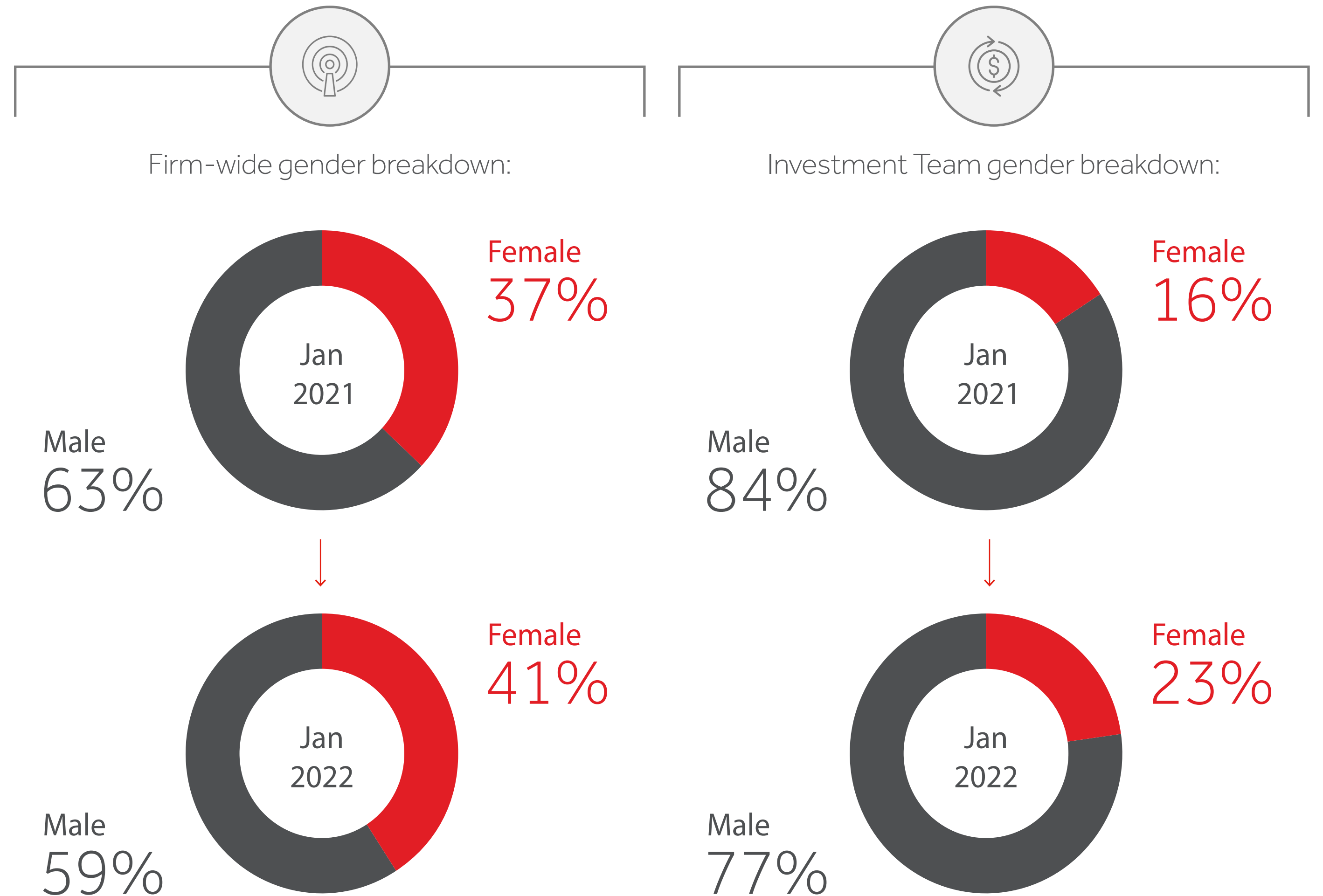
new joiners in 2021 were women.

Our Firm-wide and Investment
Team gender breakdown

improved

in 2021.

We are taking steps to improve the diversity and inclusive behaviour in our team – see Chapter 5/DEI on page 22.





04

Governance

Governance structure and composition

The Charterhouse team is based in London and consists of 70 professionals across our Deal, Portfolio Management, Investor Relations and Operations functions.

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



Governance structure and composition (cont'd)



Our **Investment Team** consists of 36 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 nine senior Partners and meets regularly to evaluate all ongoing investment opportunities.



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



Compensation and reward structure

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

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



Our ESG Committee

Role

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

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

The ESG Committee met five times during 2021 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

During 2021, the following Charterhouse professionals were nominated by ESG Committee members and appointed to the ESG Committee by the Managing Partner:

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

Responsibility for **ESG integration**

ESG accountability and responsibility are executed at all levels of the firm, with leadership and 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**.





Investor and stakeholder engagement

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

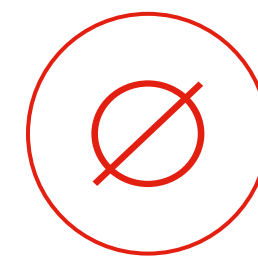
Charterhouse provides frequent updates to its investors on ESG-related issues, both at a firm and portfolio-company level. ESG is always a key topic at Charterhouse's annual Investor Conference, and has an address dedicated to it every year. We also communicate ESG information in our PRI Transparency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

ESG incident reporting

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

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

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



No critical concerns were communicated to investors in 2021.





05

Firm-level material topics

How we manage diversity and equal opportunity

Charterhouse is progressing DEI objectives, and engaged external consultant Equality Group to lead a specific programme, launched in 2021. Our DEI Policy is published on our website and our DEI Committee, launched in the summer of 2021, meets monthly to spearhead the DEI-related actions and activities required to achieve a more diverse and inclusive Charterhouse culture.

As part of this program, Charterhouse has conducted workshops on conscious inclusion to highlight, educate and mitigate the risk of bias during the interview process. In addition, other steps are taken to prevent bias in day-to-day practices and conduct.

Where there are multiple incumbents in roles i.e. deal team, there are pay scales according to the role not the incumbent. There are clearly defined job descriptions, development processes and criteria for promotion, all of which are referred to during the performance evaluation process every six months.

The refreshed approach has delivered positive results: we have enhanced our deal team gender diversity from 13% in 2020 to current 23%.

In 2021, gender representation at the most senior level, the ownership partnership, was 4%, a statistic that the firm is striving to improve.





Training and education



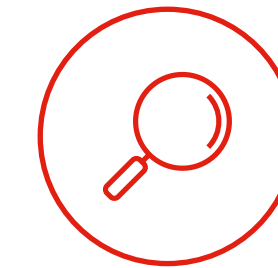
ESG Training

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. During 2021, there were three Firm-wide ESG-related training sessions including a session on the Sustainable Development Goals presented by a UN Global Compact Speaker.



Programs for upgrading employee skills and transition assistance programs

Members of the Charterhouse Investment Team attended the following training programs.



Regular performance and career development reviews

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

Under leadership of the Head of Talent Management, Victoria Proctor, we continued with the finetuning of a six-monthly online performance and career development review process in 2021 for all Charterhouse professionals.

Climate & environmental impact

Net zero

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

Our 2021 air and rail business travel generated an emissions footprint of 110 tCO₂e, which is significantly lower than the 407 tCO₂e emissions generated by our business travel during 2020, in the midst of the Covid pandemic.

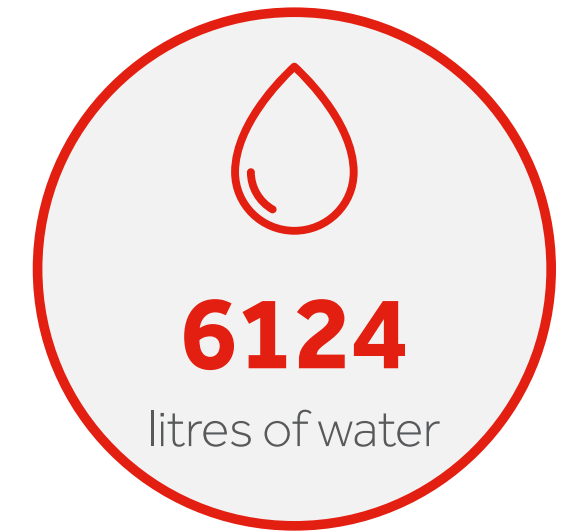


DocuSign

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

In 2021, we achieved the following savings by avoiding paper agreements:

24



Firm-level material topics

In the years preceding 2021, we have offset over 2,000 tonnes of CO₂e by supporting a mixture of renewable energy, cookstoves and nature-based solutions.

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

Offsetting

African Biomass Energy Conservation PoA Malawi Biomass Conservation

Type: Efficient Household Cookstoves

Country: Malawi



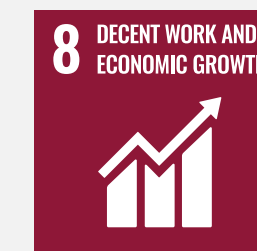
The project aims to disseminate over 8,000 improved energy efficient cookstoves to homes in Malawi. Malawi is classed by the United Nations as a Least Developed Country (LDC). The economy is heavily based on agriculture, and it has a largely rural and rapidly growing population.

The project promotes improved kitchen and firewood management practices e.g. use of less firewood, use of dry firewood, using a pot lid while cooking and soaking legumes before cooking to households in the Northern, Central and Southern Districts of Malawi. The improved technology and practices are intended to replace less efficient technologies and practices and result in biomass conservation and a reduction of greenhouse gas emissions into the atmosphere from the burning of solid biomass.

Ancillary benefits include reduced smoke during cooking, which reduces exposure to health damaging pollutants and reduced time and effort procuring wood fuel. The stoves are attractive to end-users and can result in quicker cooking times. The stoves are locally made using local materials wherever possible, resulting in local income generation and the acquisition of new skills for local people.

The project will result in approximately 10,000 tCO₂e emissions being saved per year.

www.carbonfootprint.com/gs_ver_malawi_cookstove_carbon_offset



Offsetting

Heqing Solar Cooker Project

Type: Household Solar Cooker

Country: China



The Heqing Solar Cooker Project is located on the rural area of Zhangye, Gansu province in northwestern China. The project has installed 49,000 solar cookers for the rural residents.

Coal is overwhelmingly the main energy source for rural residents in this region of China. The proposed project will enable the rural residents to efficiently substitute solar energy for the fossil fuel (coal) used in daily cooking and water boiling, avoiding CO2 emission that would be generated by fossil fuel consumption. It is estimated that 143,762 tCO2e emission reductions will be produced annually.

The rural area in Zhangye is an underdeveloped region and an ideal region for utilizing solar energy. Located at high altitude, this region has many sunny days. It is one of the most suitable regions in China for utilizing solar energy.

The proposed project will significantly contribute to sustainable development of this region. It will serve as a model for future project. It will promote the use of clean energy, educate and train the rural population on solar energy technology, and build awareness in environmental protection among the rural population. 49,000 low-income households/about 196,000 villagers (average household has 4-5 people) directly benefit from the project. The rural residents will get clean and reliable energy supply for their daily cooking.

www.carbonfootprint.com/vcs_china_solar_cooker



Offsetting

Energising India Using Solar Energy Projects

Type: Renewable Energy – Solar Power

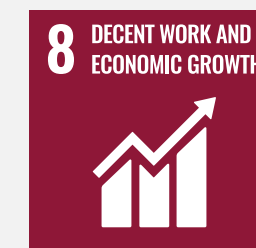
Country: India



The project is a step towards supporting the implementation and installation of five grid connected renewable solar energy power plants in India. The main goal of project activity is to implement renewable energy projects in the country and the significant importance of revenues from sale of carbon credits to achieve this goal forms the basis of the implementation of this project.

The total capacity of the project activity is 480 MW and the power produced displaces an equivalent amount of power from the activity and is expected to reduce emissions by around 850,000 tonnes of CO₂e each year.

High-res images required



Offsetting

UK Tree Planting

Type: Tree Planting

Country: England, Wales and Scotland



This project provides an opportunity to plant trees in the UK and the majority of trees planted are cell grown whips (between 40-80cm high dependent on species) to give them the best chance. All trees are native UK species that have been grown from UK seeds in UK nurseries. The trees are typically planted across school grounds, parks, farms, woodlands and other biodiversity sites, providing wildlife habitats and often bringing additional educational and community benefits. Typical species planted include: Hawthorn, Sessile Oak, Hazel, Downy Birch, Guelder Rose, Field Maple, Rowan, English Oak, Blackthorn, Wild Cherry.

High-res images required



Offsetting

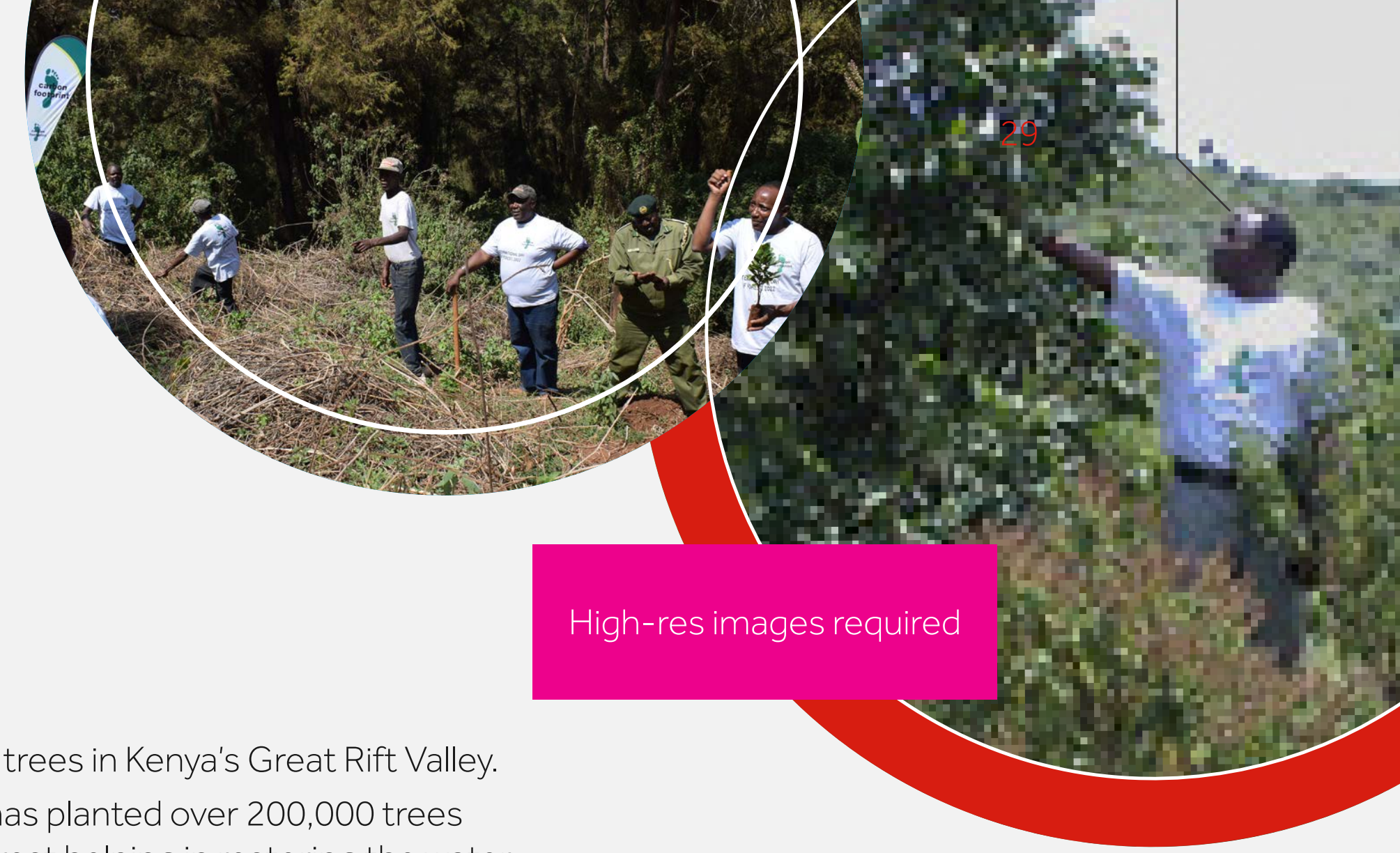
Kenya Tree Planting

Type: Reforestation

Country: Kenya

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

www.carbonfootprint.com/plantingtreesinkenya



Data security

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

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

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

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

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



Forced or Compulsory Labour

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

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

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

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

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

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

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

- Focussed the bulk of our risk assessment analysis on high spend/ high frequency suppliers, differentiating between low and significant slavery and human trafficking risk, and prioritising any supplier for which an aggregate spend in excess of a monetary threshold was recorded in 2021;
- Considered other factors such as industry-specific risk, product risk and jurisdictional risk in relation to modern slavery/human trafficking exposure; and
- Scrutinised modern slavery statements issued by suppliers and identified certain suppliers who were required to provide information relating to steps they take to address modern slavery risk.

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



Local Communities

The Charterhouse Charitable Trust

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

In 2021, the following individuals were trustees of the Charterhouse Charitable Trust:

- Irina Watson (Charterhouse Company Secretary)
- Tom Patrick (Partner, General Counsel)
- Willem du Toit (Finance Director)
- Laali Vadlamani (Investment Team member)
- Mirja Weidner (ESG Director)

During 2021, the trust made charitable donations to a number of charities, some of which are reflected below:



The Charlie Waller Memorial Trust, which provides mental health training, resources and consultancy with a focus on children and young people.

www.charliewaller.org



Street Doctors, a movement of young healthcare volunteers who train young people affected by violence to keep themselves and others safe by becoming lifesavers in their communities.

www.streetdoctors.org



Right to Play provides programs to protect, educate and empower children to heal from the harsh realities of war and abuse, to change their behaviour and protect themselves from disease, to go to school, graduate and create a better future.

www.righttoplay.org.uk/en-uk/impact



Live Unlimited provides support and opportunities to Barnet's looked after children and young care leavers with services to improve their mental health and wellbeing, reduce their social isolation, help develop new skills and provide pathways to finding fulfilling and sustainable jobs.

www.liveunlimited.org.uk

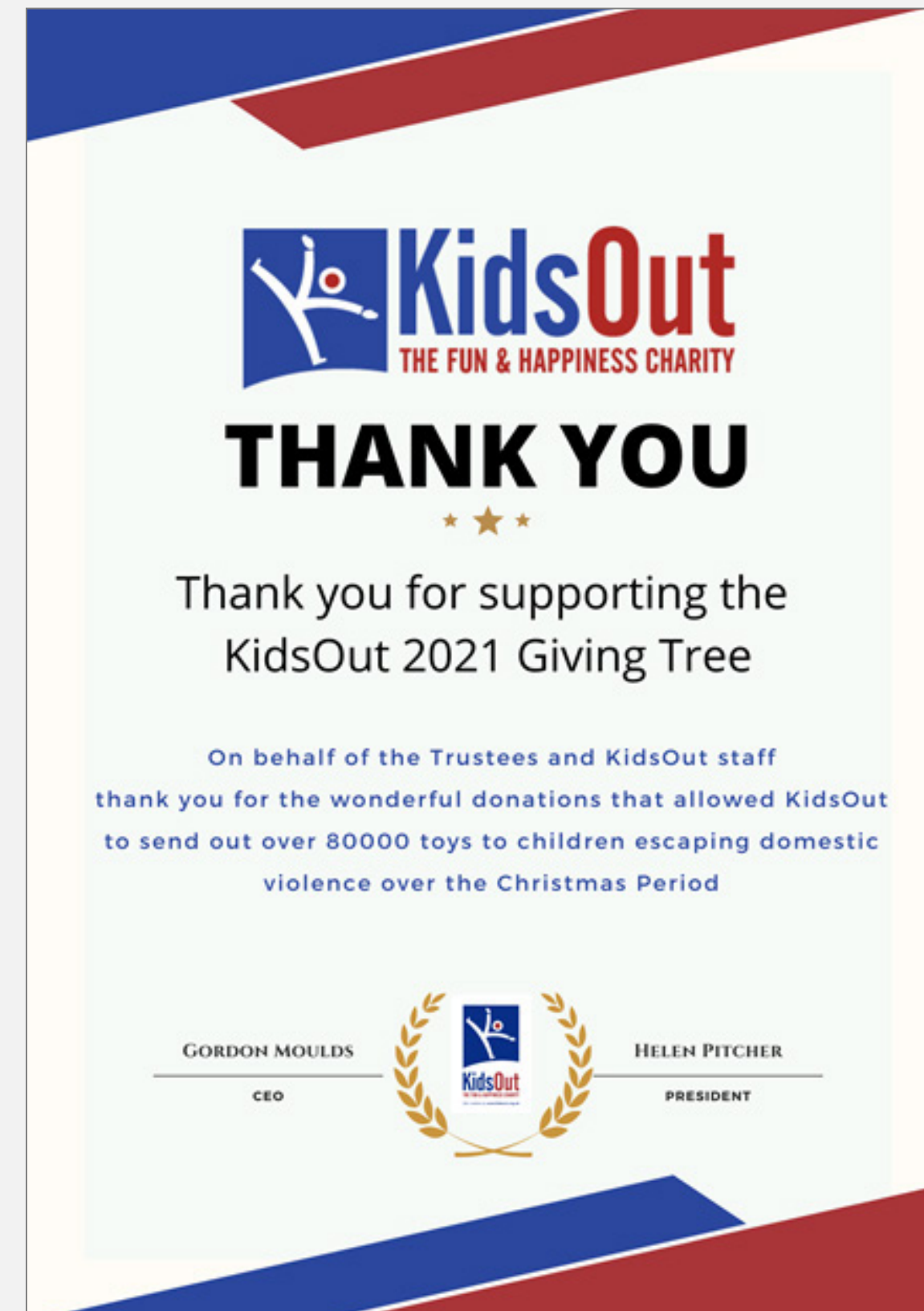
Local Communities (cont'd)

Other community initiatives

Several Charterhouse team members supported community initiatives in individual or private capacity, for example Charterhouse partner Rob Leeming joined Douglas Emslie, CEO of Tarsus in participating in a running challenge supporting EventWell and The Meeting Industry Fund. This initiative was further supported by donations from The Charterhouse Charitable Trust.

- **EventWell**, a UK charitable social enterprise dedicated to educating, campaigning and supporting better mental health and wellbeing in events and travel industry. This includes education programmes at universities teaching students the importance of mental self-care. www.eventwell.org
- **The Meeting Industry Fund**, a US charitable organisation based in Erie, Colorado, and focused on providing financial support to those individuals who are directly involved in the planning, execution, delivery and support of meetings. www.themeetingsindustryfund.org

- The Charterhouse team members individually supported local initiatives, notably the **KidsOut 2021** Giving Tree at Christmas which sent out over 80000 toys to children exposed to domestic violence in the festive period.



“Wow is this for me as well?
Boy aged 7

“I love my cuddly, he's my fave!
Boy aged 3

“WOW, this is the best Christmas EVER!
Boy aged 8

“This is just cracker.
Boy aged 8

“I am so happy I really wanted a football.
Girl aged 5

“Thanks so much we can play as a family and enjoy the time together.
A Mum

“This was such an amazing surprise at this time of year, eased my worries so much a better Christmas during these difficult times.
A Mum

“Unfortunately, the children that are in the refuge do not come with toys when fleeing domestic abuse. The toys are a start for the children for the toys they will not see again that were left at home. Mums do get emotional when the toy boxes are given as the children are so happy and thrilled to see new toys given. One child missed her cuddly toy, the toy was in the box was gratefully received and comforts her at night time.
A Support Worker

“Thank you we are so happy with our gifts.
Girl aged 12

“This was such an amazing surprise at this time of year, eased my worries so much a better Christmas during these difficult times.
A Mum



06

Investment strategy and policy



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

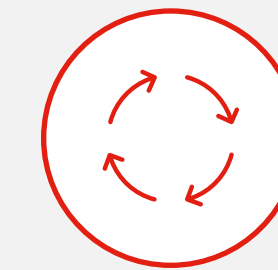
Collaborate

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 2021.



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.

By transitioning the ESG function, previously embedded in the Legal and Compliance Team, into the Portfolio Team in 2021, which monitors performance and value creation in our portfolio companies, we ensure that sustainability is core to the value creation. In practice, the ESG Director provides regular updates to the Portfolio Team and the relevant Deal Team members about her engagement with the portfolio companies.

Membership associations

Principles for Responsible Investment (PRI)

Charterhouse became a signatory to the PRI in 2013.

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

Signatory of:



Some of our 2021 initiatives, underpinning the PRI principles, and further described in Chapter 7, include:

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

British Private Equity & Venture Capital Association (BVCA)

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





07

ESG integration
in pre- & post-
investment

Refinement of ESG analysis and incorporation

In 2021, we continued to refine our ESG integration practices, aligning these particularly to the changing ESG landscape: our ESG data collation framework was refreshed to include indicators in SFDR focus and the Data Convergence Project, amongst others.

We continued to raise the Investment Team's ESG awareness and skill through training and updates of material and emerging ESG factors were regularly communicated in team and ad hoc due diligence meetings.

The reorganisation of the ESG function into the Portfolio team served as an enabler to further incorporate ESG into value creation strategies, streamline the management team dialogue and deal team support in progressing sustainability roadmaps.

Deal team members of the Charterhouse Investment Team serve as directors on the boards of portfolio companies which means ESG factors, including climate change related risks and opportunities, can be discussed at senior management level, which achieves "top-down" support for ESG matters and facilitates interaction and active engagement with management teams.

We have also included, where applicable, ESG and ESG integration in other Charterhouse governance-related documentation, for example the Investment Committee Terms of Reference, as well as the Charterhouse Risk Register to ensure that ESG is a universal, rather than siloed, requirement of our processes.



ESG issues impacting our investment decisions

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

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

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



Ownership

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

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

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

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

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

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

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

Engagement with portfolio companies

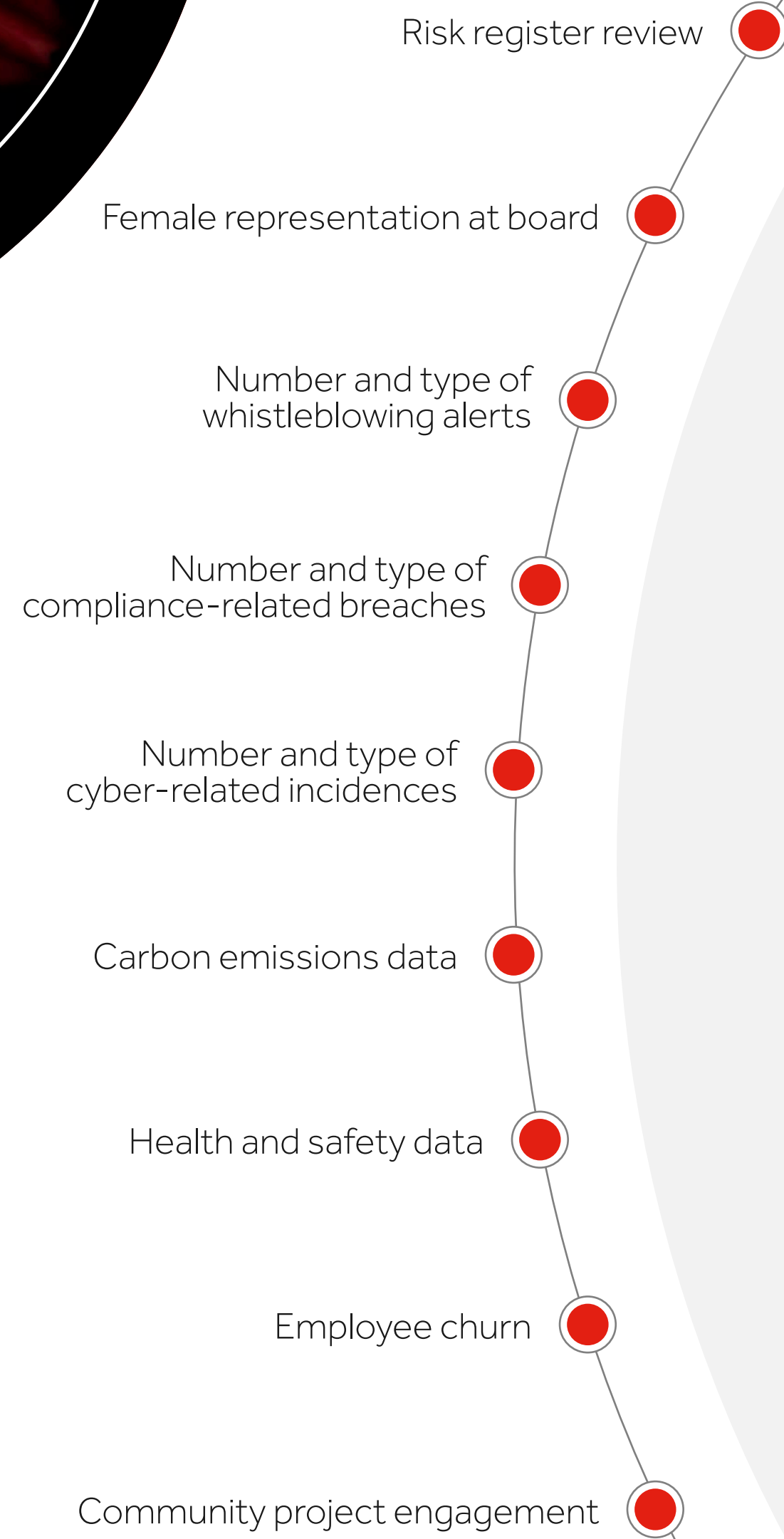
Post-investment

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

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

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

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



Monitoring

During 2021 we tracked environmental, social and governance KPIs in our investments. The KPIs monitored across our investments include, amongst others.

Engagement with portfolio companies (cont'd)

Stewardship activities with portfolio companies

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

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



Engagement with portfolio companies (cont'd)

Climate action at portfolio level

There were several ESG themes which, during 2021, were front of mind, for example the implementation of company-wide and board-approved sustainability mission statements, ESG accountability and oversight at board level, supporting companies on climate action and getting started on carbon footprinting, progressing senior management gender diversity, amongst others.

We supported companies in their ESG reporting and responses to increasing client requests for sustainability disclosure, including Ecovadis and CDP disclosures.

We encouraged companies to action on the findings of external specialist-led cyber risk assessments conducted. We supported one company in its preparation to submit its impact assessment to become a BCorp certified entity.

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





08

Portfolio company
ESG news

Sagemcom

A mission-driven company with long standing commitments to ESG and innovation

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 40million 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.



In 2021, Sagemcom's outstanding achievements were recognised by its **Ecovadis platinum standard** award, ranking the company's **sustainability practices in top 1%**.

In 2021, Sagemcom joined the **SBTi (Science Based Targets initiative)** to drastically reduce its carbon footprint by 2030. This significant achievement to reduce its impact on climate change is enabled by the daily commitments to best practices of its global teams and workforce.

Best practices and innovative solutions also enabled the company's declaration to be a **société à mission**, a purpose or mission-driven business.

The company holds several revered sustainability-related awards and rankings, notably the Bureau Veritas Footprint progress® for its robust and efficient ecodesign process, initiated in 2007, and which delivers audited products with reduced environmental footprint of up to 50% lower than previous product generation.

Sagemcom, entreprise à mission

Notre raison d'être

Partout dans le monde, grâce aux solutions innovantes conçues et fabriquées par nos équipes, nous permettons au plus grand nombre d'accéder au haut débit Internet, aux divertissements, et à une énergie maîtrisée : **c'est notre raison d'être.**

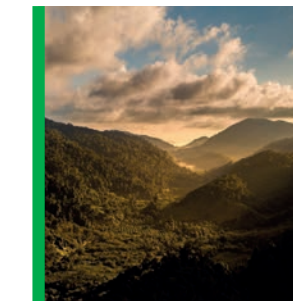
Notre mission est de faire en sorte que la conception, la fabrication et l'utilisation de ces solutions soient faites de manière durable, dans le respect d'engagements environnementaux et sociétaux connus et partagés par l'ensemble de nos équipes, partenaires et parties prenantes.

Notre objectif : contribuer à un monde plus responsable, en nous inscrivant dans les objectifs de développement durable définis par l'ONU.

Scannez le QR Code ci-contre pour découvrir le film entreprise à mission



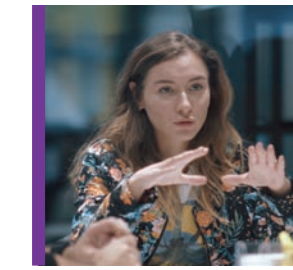
Une mission basée sur 5 piliers



Soutenir l'action en faveur de l'environnement en considérant l'impact de nos activités sur les écosystèmes locaux et en tenant compte des spécificités des situations environnementales et économiques, dans une optique globale de lutte contre le changement climatique.



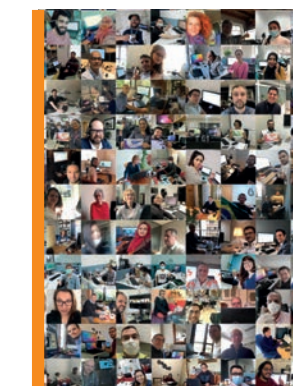
Encourager l'innovation dans nos processus d'écoconception, afin de limiter les impacts de nos produits et services tout au long de leur cycle de vie, et ainsi de contribuer à la préservation de l'équilibre écologique de la planète.



Orienter notre politique achats selon 5 principes fondamentaux (la qualité, la compétitivité, les délais, l'innovation et l'éthique) partagés par les fournisseurs et les sous-traitants du Groupe, et garantis par notre stratégie d'audits et d'évaluation.



Promouvoir un environnement de travail contribuant à préserver la santé et la sécurité de nos collaborateurs et intervenants, et à favoriser leur qualité de vie au travail.



Accompagner nos collaborateurs dans leurs aspirations et dans leurs développements professionnels tout au long de leur parcours au sein du Groupe et ce, dans le partage de nos valeurs ; **valoriser et encourager la diversité dans toutes ses composantes** pour créer des complémentarités opérationnelles durables, sources de performance collective et de bien-être individuel.

Sagemcom



CEO and Senior Management commitment to ESG and driving change



Casa Optima's achievement across E, S and G are attributable to the strong CEO and senior management commitment to sustainability matters. Having reviewed material ESG factors, the CEO launched a task force to deliver on a refreshed ESG roadmap delivering positive outcomes and driving change across environment, its workforce and community.



Environment

Reducing carbon footprint

- 269.000 MWh photovoltaic energy production
- Recaptured steam from production applied in circular less-waste model to heating system
- ISO14001 certified environmental management system



Team culture

Diversity & retention project

- Enhanced performance & career development programme
- Gender diversity improved from 70/30 (2018) to 54/46 (2021)
- Employee awareness & engagement circulars: 'decalogo ambientale' (environmental memorandum)
- Strong ethical conduct commitment; anonymous, multi-lingual independent whistleblowing hotline across all locations since 2018



Community

Education & welfare

- Apprenticeship offered to Academia dell'Arte pastry competition winner, creating pastries for local Italian communities
- Supporting hospitals, the Red Cross, and Italian local municipalities with financial and charitable donations during CV-19.

Transforming 5 tons of plastic

- Recycled Schools Project, Ivory Coast: plastic waste from sweet wrappings & car tyres transformed into bricks, delivering triple-impact outcome
 - **Cleaning the environment**
 - **Job creation:**
 - women collecting plastic rubbish
 - transforming collected plastic into safe, resistant bricks for the
 - construction of schools, in which
 - **Children can learn and play**



09

Our focus ahead

Our focus ahead

We recognise that there are accelerating challenges that need to be addressed; climate change, loss of biodiversity and societal inequalities to name a few. At the same time, we have a limited period of time as business owners in which to identify and act on ESG commitments in a way which leads to sustained and real progress.

Charterhouse must take the necessary action to meet its science-based carbon reduction targets to be net zero by 2030. We must also support our portfolio companies in establishing their carbon footprints which will enable the identification of future reduction targets.

We are very conscious that data gathering is part of the challenge – acting on it while it is still relevant is a key: we shall support our companies in refining their data streams to enhance the reporting to stakeholders.

We shall seek to collaborate and work with others to implement sustainability practices in the industry.



Schedule, Contacts, and Disclaimer

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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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