

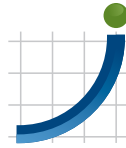


At Carlyle, we have adopted responsible investing practices to make us better investors by identifying and mitigating ESG-related risks during the investment process. To this end, we have begun implementing processes to:

- Assess the ESG risks associated with our corporate investments
- Enhance the environmental performance of our portfolio companies through improved operational efficiencies
- Mitigate the potential negative effects of low-probability, high-impact ESG risks

By evaluating these considerations in the context of a particular investment, we aim to better align the interests of Carlyle, our portfolio companies and our investors, and ultimately produce more attractive returns for our investors.

## A commitment to responsible investing



“I expect that the guidelines will soon be an essential part of best practices and good corporate governance in our industry and beyond. The guidelines demonstrate Carlyle’s commitment and leadership on this important initiative.”

William E. Conway, Jr.  
Co-Founder and  
Managing Director

We believe it is important to consider the ESG implications of our investments. This approach is not just about being good stewards of the capital committed to us by our investors; it is also about being good corporate citizens.

At Carlyle, creating long-term value for our investors means identifying and managing ESG risks and opportunities. That’s why we are undertaking a number of initiatives to better understand the impact our investment decisions will have on people and on the communities in which we invest. To incorporate this commitment into our investment process, we developed our own set of investment guidelines in consultation with an ESG expert, drawing on a variety of existing internationally recognized norms, including the U.N. Principles for Responsible Investment and the U.N. Global Compact. Carlyle’s guidelines were integral to shaping the corporate social responsibility guidelines later adopted by the members of the Private Equity Growth Capital Council.

First and foremost among our investment guidelines:

**Consider environmental, public health, safety and social issues associated with target companies when evaluating whether to invest in a particular company or entity, as well as during the period of ownership.**

We have integrated the guidelines into our investment decision-making process for controlling, corporate buyouts through a top-down and systematic process that reaches across Carlyle’s fund groups. Each investment team must include an analysis of the guidelines in its final investment committee memorandum seeking approval for an investment.

In transactions where Carlyle does not acquire a controlling position, we have applied the guidelines during the investment process to those transactions in which ESG issues play a significant role in the investment risk analysis. Across our portfolio, our investment teams have found that the guidelines can help them identify new ways to enhance a company’s operations and value.



"I share Carlyle's commitment to ESG, and I think it is important to elevate these issues to the board level. The PQ board will review our implementation of the guidelines on an annual basis."

Michael Boyce  
Chief Executive Officer  
PQ Corporation

## PRIVATE EQUITY GROWTH CAPITAL COUNCIL

### Guidelines for Responsible Investment

These guidelines were developed by the Private Equity Growth Capital Council taking into account, among other inputs, the U.N. Principles for Responsible Investment and the U.N. Global Compact and the ten principles derived from it.

Private Equity Growth Capital Council members will:

1. Consider environmental, public health, safety, and social issues associated with target companies when evaluating whether to invest in a particular company or entity, as well as during the period of ownership.
2. Seek to be accessible to, and engage with, relevant stakeholders either directly or through representatives of portfolio companies, as appropriate.
3. Seek to grow and improve the companies in which they invest for long-term sustainability and to benefit multiple stakeholders, including on environmental, social and governance issues. To that end, Private Equity Growth Capital Council members will work through appropriate governance structures (e.g. board of directors) with portfolio companies with respect to environmental, public health, safety, and social issues, with the goal of improving performance and minimizing adverse impacts in these areas.
4. Seek to use governance structures that provide appropriate levels of oversight in the areas of audit, risk management and potential conflicts of interest and to implement compensation and other policies that align the interests of owners and management.
5. Remain committed to compliance with applicable national, state, and local labor laws in the countries in which they invest; support the payment of competitive wages and benefits to employees; provide a safe and healthy workplace in conformance with national and local law; and, consistent with applicable law, will respect the rights of employees to decide whether or not to join a union and engage in collective bargaining.
6. Maintain strict policies that prohibit bribery and other improper payments to public officials consistent with the U.S. Foreign Corrupt Practices Act, similar laws in other countries, and the OECD Anti-Bribery Convention.
7. Respect the human rights of those affected by their investment activities and seek to confirm that their investments do not flow to companies that utilize child or forced labor or maintain discriminatory policies.
8. Provide timely information to their limited partners on the matters addressed herein, and work to foster transparency about their activities.
9. Encourage their portfolio companies to advance these same principles in a way which is consistent with their fiduciary duties.

## IMPLEMENTING THE GUIDELINES

Carlyle's Office of Global External Affairs monitors the implementation of the guidelines. The office maintains examples that demonstrate the application of the guidelines to particular transactions and shares these examples across the firm. In addition, investment professionals with specific expertise often assist others across the firm with ESG-related issues.

The office also has developed a network of subject matter experts and consultants that complement our internal resources and help evaluate ESG issues related to particular investments. With their experience and knowledge, these advisors help identify issues and are a vital component of our due diligence process.

## SHARING THE GUIDELINES

One of the Private Equity Growth Capital Council's guidelines for responsible investing dictates that firms should:

**Encourage their portfolio companies to advance these same principles in a way which is consistent with their fiduciary duties.**

At Carlyle, we see the value of working with our portfolio companies to consider the ESG implications of their businesses. That's why in 2010 we began educating some of our portfolio companies in which we have a controlling interest on the guidelines, specifically the environmental and social issues related to their operations. We have worked with the boards of directors of these companies and have encouraged them to review the guidelines and to discuss them at a board meeting on an annual basis. We acknowledge that we can do a better job of sharing these guidelines with our portfolio companies; therefore, in 2011 one of our goals is to implement a more systematic process for extending these guidelines across our portfolio.

Several of our portfolio companies have initiated board-level discussions of the guidelines. For example, the board of directors of PQ Corporation, a Carlyle Partners IV, L.P. portfolio company that manufactures industrial chemicals, initially discussed the guidelines during a meeting in the second quarter. The PQ board developed a report to document its discussion, and it will use this record as a benchmark for future board discussions.

We have also shared the guidelines with the boards of directors of particular companies in which we hold a non-controlling position and encouraged them to consider the guidelines. Some of these companies have incorporated the guidelines into their governance processes. For example, the board of directors of BankUnited, an investment by Carlyle Global Financial Services Partners, L.P., Carlyle Partners V, L.P. and Carlyle Strategic Partners II, L.P., has evaluated the guidelines and has incorporated an annual review of the company's progress against the guidelines into its agenda.

**"I have encouraged the portfolio companies in Carlyle Global Financial Services Partners to address the guidelines at one board meeting each year. Implementing the guidelines across the fund is simply good business practice."**

**P. Olivier Sarkozy**  
Managing Director and Head of Carlyle Global  
Financial Services Partners



“It was clear to us that real, long-term growth cannot be accomplished without fishing in responsible and sustainable ways. We are gratified that The Carlyle Group has recognized this commitment, and welcome the contribution they will make in shaping our sustainability strategy going forward.”

Ng Joo Siang  
Group Managing Director  
China Fishery Group

## RESPONSIBLE INVESTMENT GUIDELINES AT WORK

With \$38.7 billion invested in 279 active corporate transactions across six continents as of September 30, 2010, we are keenly aware of the potential environmental, social and governance impact of our investments. As a result, we are working closely with our portfolio companies to ensure that they operate as responsibly as we invest. China Fishery, Giannoni, Grupo Qualicorp and Yashili provide four recent examples of our responsible investment guidelines at work.

### CHINA FISHERY GROUP: IMPROVING SUSTAINABLE PRACTICES

In July 2010, Carlyle Asia Partners III, L.P. invested in China Fishery Group, one of the world’s largest industrial fishing companies. Employing state-of-the-art technology, China Fishery responsibly harvests, processes and delivers quality fish products to processors and distributors to meet the growing demand of consumers worldwide.

During the due diligence process of this transaction—which represents the largest investment ever by an alternative asset management firm in the seafood/fishing sector—the Carlyle team identified the sustainability of fish stocks as an important environmental, social and business issue. To address these sustainability concerns, Carlyle engaged a leading ESG advisor to recommend appropriate mitigation measures.

In connection with Carlyle’s investment, China Fishery has committed to undertake a sustainability assessment of its operations. An independent third-party organization with knowledge of the relevant fisheries will conduct the assessment, which will involve direct engagement and consultation with stakeholders. The assessment will evaluate:

- Sustainability of the relevant fish stocks
- The role that China Fishery can play in advancing Marine Stewardship Council certification for relevant fisheries
- China Fishery’s operations, including compliance with fishing quotas and regulations

The assessment will include recommendations regarding potential participation in multi-stakeholder initiatives intended to manage the sustainability of these fisheries and operational improvements in accordance with best practices.

China Fishery is also forming a new Corporate Social Responsibility Advisory Committee to advise the board of directors on an ongoing basis. The committee will include individuals and advisors with significant experience dealing with sustainability concerns. Dr. Keith Sainsbury, Vice-Chairman of the Board of Trustees of the Marine Stewardship Council and Fishery Commissioner for the Australian Fisheries Management Authority, has agreed to serve as one of the advisors.



Responsible investing incorporates environmental considerations in investment decision making. Our global network enables us to help companies such as China Fishery engage leading experts to address sustainability concerns and improve operational and financial performance. We are committed to finding ways to help companies implement sustainable business practices.



## GRUPO QUALICORP: EXPANDING ACCESS TO HEALTHCARE

In September 2010, Carlyle Partners V, L.P. and Carlyle South America Buyout Fund, L.P. acquired a controlling stake in Grupo Qualicorp, a provider of brokerage, consultancy services and management of private health insurance plans in Brazil. As part of the due diligence process, Carlyle closely evaluated the effect of the investment on key social and governmental issues affecting Brazilian society. In particular, the investment is expected to benefit the community by facilitating the availability of reasonably priced, quality private healthcare to individuals who previously lacked access to affordable private coverage. Carlyle will strengthen Qualicorp's governance structures by establishing audit and compensation committees and by implementing compensation practices that closely align the interests of management, Carlyle and our investors. Carlyle is also committed to reviewing the implementation of the responsible investment guidelines on an annual basis with Qualicorp's board of directors.

## GIANNONI FRANCE: INVENTING ECO-FRIENDLY SOLUTIONS

In July 2010, Carlyle Europe Partners III, L.P. acquired a majority interest in Giannoni. Based in France, the company manufactures stainless steel heat exchangers for condensing boilers in commercial and residential buildings across Europe and North America. The company's energy-efficient heating systems focus on sustainability with products that reduce energy consumption, costs and greenhouse gas emissions. Carlyle's investment will support the company in its commitment to meet and exceed industry standards on environmental, health, safety and social issues established by the relevant regulatory bodies. Giannoni also aims to participate in developing condensing boiler standards for the industry. Carlyle will seek to maintain and enhance the company's commitment to responsible production. By reviewing the implementation of the guidelines annually with Giannoni's board of directors, Carlyle will seek to drive changes in the company's strategy and operations.



EPOfilms European Inventor of the Year Award 2009

## GUANGDONG YASHILI GROUP: ENHANCING PRODUCT QUALITY

In August 2009, Carlyle Asia Partners III, L.P. invested in Guangdong Yashili Group, one of China's largest infant formula companies, and immediately took steps to strengthen the integrity of the company's manufacturing processes.

First, Carlyle helped the company recruit a chief quality officer to supervise product quality control and supply chain protocols. Carlyle also worked with Yashili to establish a Food Quality and Safety Advisory Committee charged with introducing international best practices and providing strategic guidance to the board of directors. The advisory committee, the first of its kind in the Chinese dairy industry, comprises six individuals from academic institutions and industry associations, including Robert E. Brackett, former Director of Food Safety at the U.S. Food and Drug Administration, who serves as the committee's Chairman.

Collectively, Carlyle's initiatives have sought to strengthen product development and quality while supporting Yashili's mission to deliver high-quality nutrition to Chinese families. We believe these efforts can give Yashili a competitive advantage within this sector through enhanced consumer confidence. To further infant nutritional research and product development, Carlyle will also assist Yashili in forming collaborative relationships with top-tier international research institutes.

## STRATEGIC PARTNERSHIPS FURTHER RESPONSIBLE INVESTING

While we are proud of the work we have done to help establish industry-leading practices, we also acknowledge that we can continue to improve and evolve our approach to responsible investing. To bring new, creative thinking and best practices to our investment approach, Carlyle has formed a strategic partnership with Environmental Defense Fund (EDF).

### ENVIRONMENTAL DEFENSE FUND: TEAMING UP WITH AN ESTABLISHED EXPERT

In 2009, we established a working relationship with EDF intended to enhance the business and environmental performance of Carlyle and our portfolio companies. A national non-profit organization representing more than 700,000 members, EDF links science, economics, law and innovative private-sector partnerships to create transformational solutions to the most serious environmental problems.

Given the success of our partnership with EDF, we are seeking to form new collaborations with other ESG experts so that we can continue to expand and refine our corporate citizenship activities.



Finding the ways that work