

Building Capacity

CORPORATE CITIZENSHIP REPORT 2017





Achieving our goal of integrating environmental, social and governance (ESG) considerations into our investment process requires a combination of a clear **policy**, an internal **process** aligned with our existing investment processes, and the right **expertise**. Today, given our strong policy and existing process, our next phase of integration must focus on **execution**. How do we build the depth and breadth of knowledge so that our investment professionals and our management teams at portfolio companies can effectively spot and manage a wide range of “ESG” issues and ultimately create value for the company?

CONTENTS

2

Founders' Message

4

About Carlyle

8

Our Sustainability
Framework

10

Value Drivers/
Case Studies

26

Diversity
and Inclusion

30

One Community



Building capacity at Carlyle

Building ESG capacity at Carlyle. Increasing the capacity of our investment professionals to identify and monitor environmental, social and governance issues in our funds is a priority for Carlyle and our investors.

Building a diverse workforce. Cultivating a diverse workforce enhances our capacity to spot the best deals, make the best investments and gain varied points of view.

Building capacity in our portfolio companies

Building capacity in our portfolio companies to help their teams understand and manage the intersection of environmental and social issues with their businesses, including their customers and their suppliers.

A Message from the Founders

“Having a best-in-class approach to ESG issues is important to Carlyle because it not only reflects our values but also is important to our investors.”



Building capacity. As a global organization dedicated to serving our investors, we have made it a priority over the past decade to invest in our capabilities around sustainability. There’s much more to do, but we believe we have deepened our ability to help our investors, our investment professionals and our portfolio companies engage meaningfully with Environmental, Social and Governance (ESG) issues.

How have we done this? Nine years ago this fall, we unveiled our Responsible Investment Guidelines at our annual investor conference; the American Investment Council adopted similar guidelines the following year. In 2010, we published our inaugural Corporate Citizenship Report, the first by a major private equity firm. In 2014, we hired our first Chief Sustainability Officer, Jackie Roberts. These were just a few steps on our journey; more significant is the day-to-day sustainability work we are doing across our global portfolio, as well as our efforts to further weave an ESG-focused mindset into our investment processes.

In this, our seventh Corporate Citizenship Report, we share our approach to deeper integration of ESG into our organization and investment processes. We’re doing this at two levels: building Carlyle’s ESG capacity, both as an organization and among our investment professionals, and building ESG capacity at our portfolio companies. A related theme is building the capacity of our own organization by building a more diverse workforce.

As Chief Sustainability Officer, Jackie Roberts provides direct guidance and support both within and outside the firm. The true power of our integrated approach comes from enlisting more than 630 investment professionals. This means helping ensure our fund and industry group heads have a deep enough understanding of sustainability—an ESG “mindset”—to be able to help people on their teams, at our portfolio companies and you, our investors,

Daniel A. D’Aniello, David M. Rubenstein, William E. Conway, Jr.

assess, manage and monitor these issues. This is also a work in progress, but we have seen tangible results as we discuss elsewhere in this report.

The goal is to build capacity within our portfolio companies, where appropriate and to manage ESG issues to both reduce risk and seize more opportunities. Our more than 270 portfolio companies possess a range of ESG capabilities—some have advanced and extensive programs, others may be early in developing such competencies. Building capacity within our investment teams really pays off, because they are the ones dealing most continuously and directly with company management teams.

Finally, we want to highlight our diversity efforts. Supporting a diverse and inclusive workforce is a priority for Carlyle. Diversity of experience, culture, race, ethnicity, gender and sexual orientation provides distinct perspectives that we believe help us make better investment decisions and be better corporate citizens. This year we discuss in particular our efforts to advance gender diversity.

We continue to refine and improve how we recruit, mentor and advance women at Carlyle, and we are encouraged by the concrete results we have achieved, with 71 senior-level women at Carlyle as of early 2017, more than half of whom are on the investment side. Further, 33 female investment professionals are at the level of Managing Director or above.

This extraordinary group of senior women with investment responsibility—a group that we believe is the largest in private equity—includes people like Sandra Horbach, our Co-Head of U.S. Buyout; Lauren Dillard, Head of our Investment Solutions segment; Linda Pace, Head of U.S. Structured Credit; and Janine Feng, Managing Director, Asia Buyout—to name just a few. They—as well as the three of us and other senior professionals—play a critical role in

setting the tone from the top, reinforcing the importance of Carlyle creating an attractive work environment where women can build their careers. We have made progress, and we believe our strategies and the pipeline we are building will increase those numbers over time. But we are far from satisfied, cognizant that we have much more work to do.

Having a best-in-class approach to ESG issues reflects our values. It's important to Carlyle because it's important to our investors. Many of our limited partners are fully engaged on sustainability matters—asking very specific questions and seeking practical guidance as they build their own capacity. They have shown confidence in Carlyle's ability to identify, monitor and manage these issues to reduce risk and seize investment opportunities. We are humbled by the confidence they place in us, and while we are a leader in our industry on ESG issues, we are determined to build on and improve our capabilities.



William E. Conway, Jr., Co-Chief Executive Officer



Daniel A. D'Aniello, Chairman



David M. Rubenstein, Co-Chief Executive Officer

Carlyle by the Numbers

The Carlyle Group (NASDAQ: CG) is one of the world's largest alternative asset managers, with \$162 billion of assets under management across 287 investment vehicles.

31/19

31 offices in 19 countries

630+

Investment professionals

1,550+

Carlyle employees

4

Business segments





11

Key industry sectors

270+

Current portfolio companies

635,000+

Portfolio company employees

1,725+/82

1,725+ investors from 82 countries

How We Create Value

We use our resources. Combining our capital with our One Carlyle culture gives us a powerful edge. One Carlyle fosters collaboration, with professionals working together and sharing their local knowledge and relationships across funds, industries and geographies.

The four pillars of our value creation model. We are distinguished by our global scale and presence, deep industry expertise, extensive network of Operating Executive consultants, and extensive investment portfolio data.

Across four business segments. At Carlyle, we focus our talent and expertise on Corporate Private Equity, Real Assets, Global Market Strategies, and Investment Solutions.

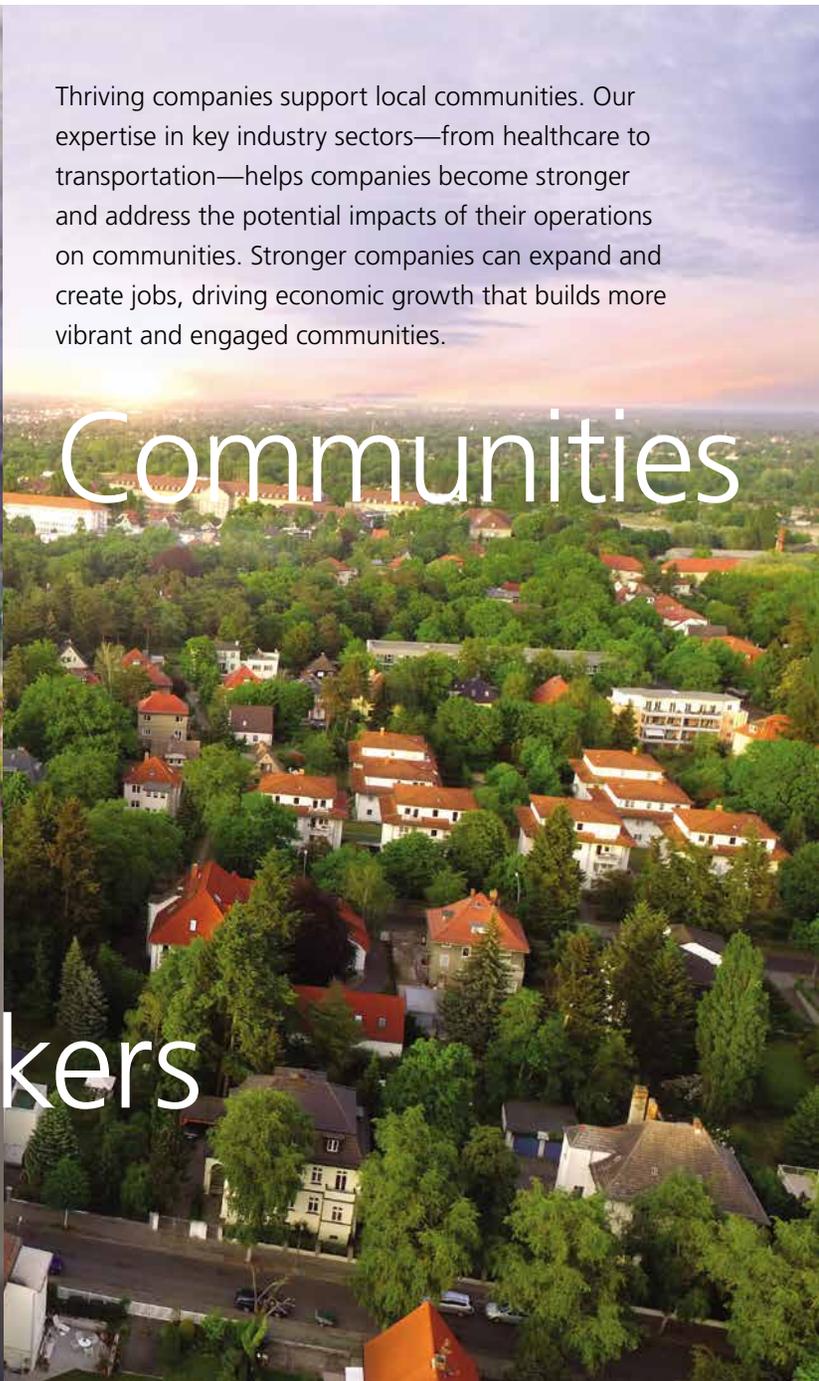
And integrate ESG in two key areas. We build capacity at Carlyle by increasing the capacity of our investment professionals to identify and monitor environmental, social and governance issues in our funds; we build capacity in our portfolio companies by helping them understand and manage how environmental and social issues intersect with their businesses, including their customers and their suppliers.

For Our Stakeholders



More than 1,725 investors from 82 countries rely on Carlyle to invest their money wisely. Our investors range from public and private pension funds to university endowments and sovereign wealth funds to unions and corporations. Pension funds are our largest group of investors. Their stakeholders are pensioners who rely on strong, sustainable investment performance.

Investors



Thriving companies support local communities. Our expertise in key industry sectors—from healthcare to transportation—helps companies become stronger and address the potential impacts of their operations on communities. Stronger companies can expand and create jobs, driving economic growth that builds more vibrant and engaged communities.

Communities



Across our Corporate Private Equity and Real Assets segments, we have investments in more than 270 portfolio companies that employ more than 635,000 people worldwide. This large employee base is often a critical force in advancing sustainability initiatives.

Workers

Our Sustainability Framework

How we Integrate Environmental, Social and Governance Considerations into Our Investment Process

Our overriding objective is to identify and monitor the most relevant ESG issues, both to reduce risk and create value. To that end, we provide our deal teams and portfolio companies with the resources and information they need to manage ESG issues effectively.

We have formalized this approach through internal policies and processes that track ESG integration. Our extensive experience, deep knowledge and expertise, and ongoing dialogs with our investors are all essential ingredients in ensuring that our strategy succeeds in reducing risks and enhancing value creation wherever possible.

The more we execute on this approach, the more deeply ESG aspects are integrated into every investment—and the more valuable this integration becomes for the firm, our clients and our portfolio companies.

Our sustainability framework leverages our Guidelines for Responsible Investment, strong governance, dedicated Chief Sustainability Officer, and close involvement from due diligence through ownership.

Guidelines for Responsible Investment

Our Guidelines for Responsible Investment lead us through each transaction. Developed in 2008 and later adopted as the industry standard by the American Investment Council (AIC), these guidelines provide our global deal teams with a clearly defined policy to follow during the investment process.

The guidelines draw on international standards, including the UN Principles for Responsible Investment and the UN Global Compact, and align with General Partners' roles and responsibilities as owners and Board members. You can view our Guidelines for Responsible Investment on our website (www.carlyle.com/citizenship).

We require Carlyle-controlled portfolio companies to review the guidelines once a year at a board meeting and affirm that company practices are consistent with this policy. For the past three years, 100% of Carlyle-controlled buyout and infrastructure companies reviewed their operations in accordance with our responsible investment guidelines.

Experienced leadership and strong governance

Our founders recognize the value and benefits of maintaining a business model grounded in investment fundamentals, strong governance and transparency. We maintain strong internal corporate governance processes and fiduciary functions and are subject to regulatory supervision.

Carlyle professionals receive regular and targeted training on many issues related to corporate governance and compliance, including anti-corruption, conflicts of interest, economic sanctions and anti-money laundering. All employees certify their understanding of and compliance with Carlyle's global policies and procedures annually. Our Office of General Counsel provides expertise and support on all governance issues.

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.

PRINCIPLE 7, FROM CARLYLE'S
GUIDELINES FOR RESPONSIBLE
INVESTING

Progress

A CORPORATE CITIZENSHIP TIMELINE



2008

Carlyle Guidelines for Responsible Investment released to Limited Partners at Investor Conference.



2009

Similar guidelines adopted by members of the American Investment Council (formerly the Private Equity Growth Capital Council).



2010

EcoValuScreen developed with Environmental Defense Fund.

First "Corporate Citizenship Report" published.



A dedicated Chief Sustainability Officer

Our Chief Sustainability Officer (CSO) supports deal teams, portfolio companies and our LPs on environmental and social issues, and engages with the broader financial and ESG community to advance sustainability in finance. Senior External Affairs team members provide support on a variety of related issues. We engage external experts as appropriate for environmental and social assessments in due diligence, and to help develop mitigation plans in areas needing corrective action.

Executing in due diligence and ownership

Our formal procedures ensure that every deal includes a review of material issues during due diligence that is shared in the investment committee memo. Deal teams access relevant expertise through several channels: input from our CSO, expert consultants who may conduct specific ESG assessments, and/or by using third-party guidance, such as the Sustainability Accounting Standards Board (SASB) standards.

Throughout our ownership, we support the management teams of our portfolio companies in their journeys to take sustainability to the next level, whether their sustainability programs are developing or mature. Our CSO and/or outside experts can provide more detailed ESG support to reduce risks or create value.

Our investment process seeks to deliver three outcomes:

Risk management. We strive to ensure that Carlyle and our investment professionals understand and can monitor current and emerging risks. While risk management strategies frequently evolve over time, we are increasingly confident in our ability to identify and manage ESG risks, including responding to incidents if they occur.

Capacity building in companies around ESG management. We support portfolio companies in building internal capacity in sustainability. Customers, employees, suppliers, competitors and other stakeholders expect companies to manage ESG issues related to their business.

Value creation. We continuously look for sustainability initiatives that can support the three key areas of customers, cost and competition while focusing on the core role of employees. Increasingly, portfolio companies see sustainability as an effective tool for creating value by improving products, addressing customer needs and desires, building brands to beat the competition, recruiting and retaining the best workforce, and lowering costs through more efficient operations.



2011

2012–2013



2014



2015



2016



Published second “Corporate Citizenship Report.”

More than 90% of Carlyle-controlled companies reviewed their operations in accordance with the AIC guidelines.

Published first integrated “Annual Review and Corporate Citizenship Report.”

Hosted our first Sustainability Roundtable for portfolio companies, as well as ESG-focused events for fund investors in London, Amsterdam and Stockholm.

Hired Jackie Roberts, our first Chief Sustainability Officer.

Introduced four Value Creation pillars: Customer Satisfaction, Brand Equity, Operational Efficiency and Workforce Strength.

We were among the first private equity general partners to endorse and support the new investor reporting guidelines from the Institutional Limited Partners Association (ILPA).

Sustainability Value Drivers

A future-looking framework for building value

To build capacity and concentrate ESG management on creating value, Carlyle increasingly looks for sustainability initiatives to deliver results in these four core categories.

Customer Satisfaction

For a notable segment of our portfolio companies, customer expectations now include a desire for more sustainable products and services in addition to assurances that suppliers are effectively managing their environmental and social performance. We have seen this increased demand in a range of sectors including consumer products, telecom and media, business services and the auto and broader manufacturing sectors.

Brand Equity

Brand equity and customer satisfaction often go hand-in-hand. For some Carlyle portfolio companies, sustainability initiatives particularly enhance their brand equity because more consumers are insisting on responsibly sourced products. These companies not only develop innovative products that reduce a customer's—and their own—environmental footprint, but also disclose details about raw materials and work to ensure ethical practices throughout the supply chain. By making “green” and social sustainability a priority, they build brand loyalty and can deliver greater value and smarter solutions.



Operational Efficiency

In today's competitive markets, companies need to achieve maximum productivity with minimum waste. Operational efficiency benefits the bottom line and can safeguard the environment as well. Savings in energy, water, and waste often require new expertise or an infusion of capital, and Carlyle's ability to bring such resources to the table can help modernize a plant quickly. Our investments frequently result not only in greater efficiency for a company, but also measurable environmental gains.



Workforce Strength

ESG initiatives can help engage employees, and cultivating an engaged workforce creates stronger companies that can generate sustainable value. A strong workforce also reflects the important role employees play in a company's brand and customer relations. Workforce strength captures the range of ways we work with portfolio companies to invest in their people—and the value we believe these investments bring. We also recognize that poor labor practices can erode value, including deep in the supply chain.

Value at Exit



Leveraging ESG issues to build brands.

In two recent exits, new capacity around ESG issues and management enhanced the brands. Capacity building played a role in each case.

Axalta. Carlyle created a stand-alone company after carving out a division from DuPont and rebuilt an ESG program including investing in new products with lower environmental footprints.

Vogue International. Carlyle mentored employees at a small, founder-owned company as they learned to navigate the world of sustainability expectations, particularly from large customers such as Walmart and Target. Environmental considerations were integrated seamlessly into key business objectives such as customer satisfaction, brand equity, marketing and communications and new product development.

New products meet customer needs

Carlyle Partners V, L.P. & Carlyle Europe Partners III, L.P.

Carlyle acquired Axalta, formerly known as DuPont Performance Coatings, in February 2013 and took the company public in late 2014. One of the first orders of business in the carve-out of Axalta was drafting an inaugural sustainability report. Carlyle supported the Axalta team in telling the company's story in a way that resonated with various stakeholders, from customers to environmental groups.

In 2016, Axalta published its second sustainability report, spanning developments in 2014 and 2015. Significantly expanding on the scope of the first report, Axalta was able to successfully connect sustainability to its brand because of earlier efforts to understand emerging customer preferences related to sustainability and early insights into larger environmental trends affecting its customers.

Axalta's sustainability focus resulted in a range of new products:

3-Wet Coating System. This system saves customers time, space and energy by reducing drying time during painting, typically the most energy-intensive part of car manufacturing.

Waterborne and low-VOC coatings. Due to increased attention from regulators and the public, volatile organic compounds (VOCs) are an emerging environmental concern. Axalta directed its R&D efforts to find ways to reduce the environmental footprint of paints and coatings and succeeded in developing paint lines based on either waterborne or higher solids systems—which can eliminate or reduce VOC emissions significantly. Axalta is now a market leader, with

close to 30 percent of the global waterborne coating market. In 2015, approximately 3.5 million vehicles in 31 automotive assembly plants, operated by many of the world's leading light vehicle manufacturers, were painted using low-VOC coatings applied with Axalta's Harmonized Coating Technologies™.

Vacuprime®. These powder primers offer a revolutionary technology that provides a foundation for a bright chrome appearance, replacing time-consuming, toxic chrome plating. There are virtually no VOCs or hazardous air pollutants used or generated in the process. In addition to environmental benefits, the use of Vacuprime® technology can significantly reduce

“Sustainability drivers have been integral to new product development at Axalta, and our strong and expanding product line helped us achieve a highly successful IPO in 2014.”

CHARLIE SHAVER
CHAIRMAN AND CEO
AXALTA COATING SYSTEMS



Leveraging sustainability to improve position with customers

Carlyle Partners VI, L.P.

the weight of the finished part, which improves fuel efficiency.

Alesta® Cool™ powder coatings.

When darker colors are required in architectural applications, metal temperatures can heat up. Axalta developed its Alesta® Cool™ range of powder coatings to reduce heat transfer with darker colors. This product decreases the total solar reflection and heat transfer by as much as 20% and surface temperature by as much as 20° C, reducing energy costs for cooling and increasing the lifespan of the coating on the structure.

With robust reporting practices established and the bevy of value-adding ESG innovations described here, Axalta was well positioned for its IPO.

20%

Amount Axalta's Alesta Cool powder coatings reduce total solar reflection and heat transfer

In 2014, Carlyle invested in Vogue International, a fast-growing personal care company that sells its products into the food, drug and mass channels, including Walmart and Target.

That same year, Walmart expanded its “Sustainability Index” program to personal care products, scoring suppliers on the sustainability performance of their products. Because other retailers such as Target also score products on sustainability, Vogue and Carlyle quickly realized that it would be important to perform well on these supplier scorecards—and that there was room

to improve on Vogue's initial scores, particularly given Vogue's focus on unique and natural ingredients.

Carlyle shared its resources to help Vogue improve its sustainability scores and support the team in understanding sustainability issues and opportunities. The Vogue team, with Carlyle support, developed sustainability policies for the company and its suppliers, codifying certain practices already in place.

The company increased its commitment to transparency through its website, which began disclosing detailed lists of ingredients. To seek healthier ingredi-

ents, Vogue began a new initiative for integrating sustainability criteria into product development and continuously monitoring evolving cosmetic science. Vogue also expanded its use of greener packaging labels and began reporting to CDP (formerly known as the Carbon Disclosure Project) which required surveying its own energy consumption and the practices of suppliers.

In addition to facilitating the creation of great products, these changes moved Vogue from the bottom quartile into or near the top quartile in Walmart's sustainability indexes.

In May 2016, Vogue founder and CEO Todd Christopher and Carlyle agreed to sell the company to Johnson & Johnson Consumer Inc.

“We are pleased to have enhanced Vogue's sustainability efforts during our ownership, creating value and impact for all stakeholders, including the company, its retail partners and its consumers.”

JAY W. SAMMONS, MANAGING DIRECTOR AND HEAD OF CARLYLE'S GLOBAL CONSUMER AND RETAIL TEAM

Top 25%

Vogue's position on many recent sustainability indexes



Progress Report

How our portfolio companies are performing in core categories of sustainability

Moving millions of people efficiently with a focus on low-impact fleet operations

Carlyle Europe Partners III, L.P.

Addison Lee gets more than 10 million people where they need to go each year in London alone. In addition to being one of Europe's largest car hire companies with a growing global footprint, it is working to be a leader in environmental and social performance. Carlyle invested in Addison Lee early in 2013.

The company calculates its overall environmental footprint by measuring five areas: energy use, water use, CO₂ emissions, waste produced and waste sent to landfills. It committed to reduce this footprint by 50% compared to 2008 levels by 2020, and as of the end of 2016, had already achieved a 40% reduction.

Addison Lee has undertaken new initiatives since Carlyle's acquisition. The company maintains a fleet with the vast majority of cars no more than three years old, taking advantage of new vehicle technologies that are more efficient. Further, starting in 2012, the company began to expand its fleet from 290 to 675 hybrid vehicles, which in 2016 accounted for 12% of the overall fleet, cutting emissions by half. To reduce emissions in the City of London, Addison Lee has "ring-fenced" four high-pollution

areas and committed to only using electric drivetrains there. Between 2015 and 2016, Addison Lee reduced its emissions by over 500 tons.

In addition, drivers are trained in energy-efficient driving by instructors accredited by the Royal Society of the Prevention of Accidents (RoSPA). This manner of driving saves 15% of fuel per tank. Another process innovation pioneered by Addison Lee is called "Going Home," which enables drivers to request a job going in the direction of their home when they intend to finish for the day. This helps to eliminate unnecessary driving and dead mileage.

The sum total of these initiatives from 2012 to 2016 reduced emissions by 1.2 million metric tons of CO₂ and 49.2 MT of NO_x, and saves over 8.4 million liters of fuel every single year.

Addison Lee's commitment to efficient, low-impact fleet operations has earned it Green500's first-ever "Diamond" certification, the 2016 Gold Award for Environmental Sustainability from the Professional Driver Awards, Green Fleet's Private Hire/Taxi Company of the Year in 2015, and Gold recognition from the British Safety Council.



2012 to 2016 total electric miles = 47,716,354
saving CO₂ of 14,877 MT and 5 MT of NO_x

2012 to 2016 total hybrid miles = 954,327,075

From its combined initiatives, Addison Lee to date has removed from London's air **1,208,048 MT CO₂** along with **49.2 MT NO_x**.

2012 to 2016

1,208,048

metric tons of CO₂ removed

8,413,645

liters of fuel saved annually

18,000

"Dead miles" avoided per day through auto-allocation software



Emphasizing safety to reduce accidents

Carlyle Asia Partners IV, L.P. & Carlyle Partners VI, L.P.

ADT is an advanced security solutions company that operates a fleet of almost 400 vehicles in Korea. Carlyle's investment in ADT Korea in May 2014 provided new resources to help the company develop sustainability goals, including the reduction of fuel consumption per account and improving employee safety.

With 2014 as a baseline year (the year of Carlyle's investment), by the end of 2016, ADT Korea had reduced fuel consumption by 16.5%. New initiatives included re-allocating patrol cars based on historical dispatch data and leasing more fuel-efficient patrol cars (15.8km/liter for new vehicles vs. 14.1km/liter for old).

The company focused equally on reducing traffic accidents to improve employee safety. Accidents had increased in number between

2014 and 2015, as the company was developing its mitigation plan. But Carlyle, ADT Korea and the company's labor union worked together to implement new efforts starting in 2015 to reduce traffic accidents. These included:

- A regular traffic safety training program for patrol guards and installation staff
- In-car black box cameras to enforce safety standards and monitor driving habits. Worked with labor union to install this equipment in all vehicles. Monitored vehicle speed and driving activity through telematics and implemented 24/7 ADT Mapping System.

Since these new measures were introduced, the company has seen strong results: traffic accidents have decreased by 16% since 2015.

16.5%

Reduction in fuel consumption from 2014 to 2016

16%

Reduction in traffic accidents since 2015

“For ADT Korea, a business reliant on a fleet of vehicles, efficiency and safety have a strong link to the company’s bottom line. Saving 16% on a major input cost, such as fuel, in any department is a success, but these innovations come with the bonus of environmental benefits. Other initiatives made it possible for ADT Korea to achieve similar gains on employee safety.”

SANGHYUN LEE
MANAGING DIRECTOR
ASIA BUYOUT



Offering sustainability attributes to customers

Carlyle Europe Partners IV, L.P.

Cupa Group's history in Spain goes back to 1892, but the company is solidly in the 21st century. Historically a provider of 100% natural slate for roofing systems, Cupa has developed several new products that are characterized by a clear focus on reducing energy consumption and CO₂ emissions. Carlyle's acquisition of Cupa Group in 2016 enables the company to continue investing in expansion and new products, including those that respond to increasing customer expectations on sustainability performance of building materials.

For example, Cupa's THERMOSLATE® unglazed solar thermal collectors made of natural slate delivers a unique system that generates renewable energy providing over two-thirds of a home's domestic hot water and heating needs.

Energy efficiency advantages also extend to the company's CUPACLAD® systems, which enable the construction of efficient, sustainable ventilated facades, and to STONEPANEL™, external thermal insulation for building walls.

Slate itself offers a range of more sustainable attributes. Independent international studies, such as one conducted by the University of Bath,

highlight natural slate as the primary building material with the least negative effects on the physical environment. Slate is subject only to extraction and working processes and does not need any additional treatment. The simplicity of its production process, which does not need any artificial materials, furnaces or chemical products, makes it the sustainable alternative for any project.

The increasing need for high-quality buildings that meet sustainability criteria make Cupa Group well positioned in the roofing and cladding markets. In fact, in 2016, both the U.S. Green Building Council's LEED v4 building certification program and the International Living Building Future Initiative's Living Building Challenge (LBC) approved natural stone products such as slate to earn points for "responsible sourcing of materials."

With the FDES certification of Cupa's quarry in Portugal, as much as 75% of Cupa's production is certified as eligible for sustainable building certifications. The Inies FDES certificate is the French national reference database for environmental and health data on construction products and equipment.

2/3

Cupa's Thermoslate slate roof tiles can provide over two-thirds of a home's domestic hot water and heating needs

75%

Amount of production eligible for sustainable building certifications



"Natural stone rates high on an environmental scale. It is reusable, low maintenance, emits no volatile organic compounds (VOCs) and is one of the most durable and most beautiful materials on the planet."

DUKE POINTER
EXECUTIVE DIRECTOR OF
THE NATURAL STONE COUNCIL



Investing capital with strong operating companies

Carlyle Energy Mezzanine Opportunities Fund I

Houston-based Hilcorp Energy Company is one of the largest privately held oil and natural gas exploration and production companies in the country, and has been consistently recognized for its strong culture, values and ethics, both within the firm and in the communities in which it operates. Carlyle's first investment with Hilcorp in 2013 focused on the gas-rich Utica shale in Ohio and Pennsylvania. Hilcorp has drilled and completed more than 100 wells over the past three years, and environmental stewardship and community engagement have been priorities at every turn. More recently, Carlyle formed a second, \$1.24 billion joint venture with Hilcorp in 2015 to acquire, operate and develop onshore oil and gas properties in North America. Through both partnerships, Carlyle is actively leveraging the expertise of Hilcorp's management and technical staff to operate with maximum efficiency and minimum risk, with a focus on reducing its emissions and environmental footprint.

A case in point: Water is a major component in drilling and completing oil and gas wells. The ability to recycle and treat water used in fracture stimulation eliminates the expense of hauling water off location for disposal while reducing the amount of water consumed in the drilling and completion process. Hilcorp employs a recycle/re-use water-handling strategy in its Utica shale development operations that saves more than \$200,000 in monthly operating expenses while at the same time lessening the impact on local water resources by not using fresh water.

In addition, Hilcorp incorporates best practices in field operations in its Utica development area, including using field gas or natural gas produced at the well for compression operations. All producing wells are currently on compression, increasing production and lowering costs on a unit basis while reducing flaring of natural gas.

By using pad drilling—drilling multiple wells on a single pad—Hilcorp reduces

its environmental footprint. This results in less surface damage and less truck traffic on local roads. Utilizing pad drilling saves capital costs, concentrates the facilities for more efficient monitoring and reduces the amount of pipeline right-of-way needed for production gathering.

Hilcorp has been instrumental and influential in working with state and local governments to implement regulations and operating procedures for response to seismic activity. Hilcorp has been commended by state-level regulators for its proactive response to any issues related to minor seismic activity near some of its Utica shale operations.

Carlyle is proud to be partnering with Hilcorp to minimize environmental impacts and establish best practices to develop domestic natural resources.

\$200,000

Monthly operating expenses saved by recycling water

1,500
employees

Advocating for sustainable international supply chains

Carlyle Europe Partners IV, L.P.

Hunkemöller is the leading European lingerie brand, with over 700 stores and a state-of-the-art e-commerce platform. The business has a clearly defined signature with a strong in-house design team that drive fashion and product innovation. The company has its own stores in Germany, Austria, Belgium, Denmark, France, Luxembourg, the Netherlands, Spain, and Sweden, as well as franchise stores in Aruba, Bahrain, Belarus, Curaçao, Egypt, Greece, India, Morocco, Oman, Panama, Russia, Saudi Arabia, Ukraine, and UAE.

Carlyle acquired Hunkemöller in 2015. In 2016, Hunkemöller signed the Agreement on a Sustainable Garment and Textile Sector to encourage sustainable international supply chains. The agreement was proposed by the Dutch government in conjunction with a broad coalition of 75 clothing and textile companies, their trade associations, NGOs and trade unions.

Signing the five-year agreement significantly expands the company's sustainability and transparency efforts, covering a wide scope of stakeholder concerns regarding labor conditions, environmental impact and animal welfare within the supply chain. Progress is periodically examined by an independent organization.

A first step in this process is to increase the company's level of transparency. To

this end, Hunkemöller will disclose all of its factory locations to the Secretary of the Agreement (an independent organization), which will be published in an aggregated list online. In addition, due diligence forms the starting point of prioritizing the sustainability risks in the supply chain, to be addressed in the roadmap the company is currently drafting. Hunkemöller plans to submit its strategy for evaluation by the Secretary of the Agreement in summer 2017.

In 2016, Hunkemöller also developed new supplier policies, including responsible chemical management, with a goal of reducing the use of hazardous and legally restricted substances in the textile and apparel supply chain. It also enrolled 95% of supplier factories in an auditing process.

Hunkemöller's commitment to managing its supply chain began as early as 2004. That year, it introduced a Supplier Code of Conduct (2004) and joined the Business Social Compliance Initiative (BSCI), the European social monitoring system for ethical sourcing initiated by the Brussels-based Foreign Trade Association (FTA). The BSCI is based on International Labour Organization (ILO) labor standards and supports the continuous improvement of suppliers' social performance. The BSCI audit measures performance in 13 areas that correspond to the principles in the BSCI Code of Conduct.

“Monitoring supply chains is of the utmost importance in the apparel sector, and participating in the ‘Dutch Agreement on Sustainable Garment and Textile’ is the next step toward being a more sustainable brand. It’s important to our customers and our investors that we lead whenever possible.”

MARCO DE BENEDETTI
MANAGING DIRECTOR AND CO-HEAD
CARLYLE EUROPE PARTNERS

BSCI audits 13 performance areas

1. Social Management System and Cascade Effect
2. Workers Involvement and Protection
3. The Rights of Freedom of Association and Collective Bargaining
4. No Discrimination
5. Fair Remuneration
6. Decent Working Hours
7. Occupational Health and Safety
8. No Child Labour
9. Special Protection for Young Workers
10. No Precarious Employment
11. No Bonded Labour
12. Protection of the Environment
13. Ethical Business Behaviour



Innovating to meet customers' sustainability goals

Carlyle Europe Partners IV (CEP IV)

“The Ecover Ocean Bottle is an excellent, sustainable product that deals with the problem of plastic waste in the ocean and brings the topics of recycling and sustainability to a higher level. An exemplary solution.”

GERMAN DESIGN AWARDS
JURY'S STATEMENT



Logoplaste, a global designer and manufacturer of bottles and other rigid plastic containers, headquartered in Portugal, implements creative solutions to help its many blue-chip clients achieve their growing sustainability goals.

The company pursues two major strategies to improve its environmental footprint: (1) locating its production lines within customers' plants (“plant-in-a-plant”), which eliminates the need for trucks for shipping and secondary packaging, and (2) using innovative design tools to improve the environmental profiles of the bottles themselves. When Carlyle invested in Logoplaste in 2016, Carlyle's investment team saw an opportunity to support expansion of plants and innovative packaging, often meeting customers' sustainability goals.

“Plant-in-a-plant” production model. In 2010, Logoplaste began its partnership with global beverage leader Diageo with an on-site plant at Diageo's Plainfield site near Chicago, which eliminated an estimated 2,327 trucks from the road each year. Logoplaste currently has 44 plant-in-a-plant facilities and nine “nearby” facilities (representing 93% of all facilities) and estimates that every site opened using the plant-in-a-plant model eliminates almost 10,000 trucks from the road per year, based on current typical production rates and average

bottle sizes. With new resources, Logoplaste aims to expand its model. For example, if three on-site plants per year are opened, with average shipping routes at 223 miles, the estimated carbon savings each year amounts to an impressive 11,000 metric tons.

Innovative design. Logoplaste's Innovation Lab works with clients to research and develop the most feasible, viable and sustainable packaging solutions, which include integrating biomimicry methodology into the packaging process to pursue greener design. As one example, the team redesigned the NESTLE/LACTALIS bottle, modeling the label area on fish scales, which reduces the bottle weight and gives more rigidity and flexibility to the bottle. Creative design tools also helped reduce Diageo's carbon footprint per bottle by 53% from 2014 to 2015. In 2016, Logoplaste relaunched its 29/25 bottle neck—which today is used worldwide—reducing the weight by 20%, another step forward in the light-weight design and carbon footprint reduction. In addition, company-wide energy use per bottle produced is down 20%, and the percentage of recycled PET utilized as raw material has increased from 7.8% to 15% from 2012 to 2016—delivering even more carbon benefits.

The company's level of creativity in bottle design isn't just environmentally effective: it's award winning. The

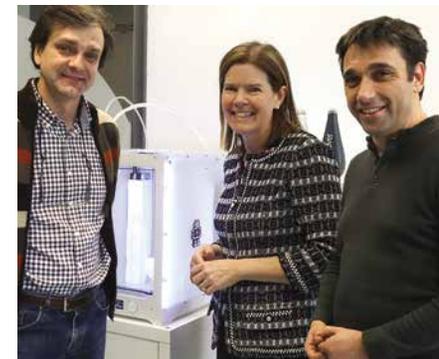
company's Ecover Ocean Bottle is a perfect illustration of both source reduction and recycling. Through new “skeleton” design processes, based on the structure of the very ocean plankton threatened by ocean plastic pollution, the bottle uses 20% less material while retaining the same stability and functionality of a conventional plastic bottle. In addition, 10% of the raw materials come from ocean plastic waste itself, with the remainder from other recycled sources. This innovative solution was recognized with awards from the Green Good Design Awards, the German Design Awards, the European Business Awards for the Environment, and the iF Design awards.

Logoplaste is just as conscious of the labor impact of producing these industry-leading products. In the past year alone, the company's worker safety initiative led to a 37% reduction in the hours of lost time due to workplace accidents.

Client tributes. Proving that sustainable business practices are simply good business, Diageo (2015) and Proctor & Gamble (2016) have each given Logoplaste the award for top supplier within the past two years. Logoplaste also received SC Johnson's 2016 Sustainability Excellence Award for producing the first 100% post-consumer recycled content Windex® bottle.

10%
Percentage of Ecover Ocean Bottle raw material made from ocean plastic waste

10,000
Estimated number of trucks eliminated from the road every year when a new plant-in-a-plant opens



Jackie Roberts, Carlyle's Chief Sustainability Officer, visits with Logoplaste.



HOLLAND & BARRETT

THE NATURE'S BOUNTY co.

Enhancing the brand with new products

Carlyle Europe Partners III, L.P.

Carlyle acquired Holland & Barrett International (H&B), a 147-year-old retail chain, as part of our Nature's Bounty investment in 2010.

In H&B, Carlyle saw an opportunity to strengthen supply chain management, build on H&B's commitment to ethical sourcing and use customers' interest in sustainable and natural product attributes to refresh and strengthen the brand. As a result, a quick succession of advances followed Carlyle's investment, including:

- Packaging: Elimination of plastic bags six years before a UK tax went into effect
- Ingredients: Removal of microbeads from products in 2012, four years ahead of this issue emerging in the UK press
- Product: No genetically modified ingredients in any of its products
- Product: A specially selected array of Free From products and an online filtering system ensuring those customers shopping with particular allergens in mind can do so effectively
- Provenance: 100% Manuka honey ingredients with full supply chain awareness from hive to shelf on Manuka honey

- Reformulation of aromatherapy oils to be 100% pure.

H&B now leads the market with product innovations, many of which include sustainable attributes or natural ingredients. Customers are responding: H&B estimates that in the one-year period from October 2015 to September 2016, the company's Free From products attracted 142,000 new customers into the stores. Customers buying Free From products also bought them more frequently than other products.

The focus on environmental, social and governance issues is driving top-line growth for H&B:

- Sales for the emerging category of "ethical" beauty sales had a compound annual growth rate (CAGR)

of 20% between fiscal years 2013 to 2016.

- Retail revenues from Dr. Organic grew 27% (CAGR) from 2012 to 2016.
- Manuka honey products accounted for 4% of UK sales in fiscal 2016.
- Sales for Free From products grew 29% CAGR from fiscal 2011 to fiscal 2016, with the Free From brand boosting the category of allergen-free items.

H&B's ESG consciousness is paying off, with industry-leading financial performance including 32 consecutive quarters of like-for-like growth and year-over-year sales growth exceeding 10% for H&B retail stores. EBITDA has grown from £78m in 2010 to £151m (25% margin) in 2016.

142,000

Free From products attracted 142,000 new customers

Green Teams help Nature's Bounty increase its operational efficiency

The Nature's Bounty Co. has successfully established Green Teams at 12 of its facilities. Comprising employee volunteers at each site, Green Teams are tasked with improving the sites' overall environmental footprint through sustainability initiatives and advocacy of green practices.

Since July 2015, it has identified and implemented almost 70 initiatives focused on improving the sustainability of its business and decreasing its environmental impact.

These efforts have helped the company use 30% less electricity normalized by hours worked and 10% less energy normalized by sales. High-impact projects included:

- HVAC efficiency replacements
- LED lighting replacements
- More than 30 recycling projects
- Multiple carpooling initiatives

"Involving Nature's Bounty associates in the company's sustainability efforts has a tremendous impact on our ability to achieve our goals. By empowering Green Teams and giving them individual ownership, we created a forum for good ESG ideas to rise to the top to help push The Nature's Bounty Co. forward as a business and as a corporate citizen."

ANITA BALAJI
MANAGING DIRECTOR
U.S. BUYOUT



Ortho Clinical Diagnostics

A commitment to operational efficiency

Carlyle Partners VI, L.P.

Ortho Clinical Diagnostics, a 2014 acquisition from Johnson & Johnson, is a leading global provider of in vitro diagnostics, and is a trusted partner and adviser of hospitals, hospital networks, blood banks and labs around the world. The longstanding responsible business priorities and practices that define the company are embedded in a sustainable operations framework. This framework enables Ortho to help protect the planet by making conscientious choices and implementing effective environmental programs.

The company focuses its environmental efforts on three key areas: reducing waste and energy consumption, using fuel-efficient fleets, and incorporating ESG practices into its product manufacturing and packaging.

Ortho seeks ways to reduce its environmental footprint by designing technology and systems with the highest operational efficiency and therefore the lowest impact on the earth and its resources. In support of that mission, in 2016, Ortho set new

goals to be met by 2018 that build on its impressive record of environmental stewardship. They include:

- 10% reduction of landfilled or incinerated waste
- 10% water reduction
- 5% total energy reduction across all manufacturing facilities

Conserving water. In Ortho’s Global Center of Excellence for R&D in Rochester, New York, the company’s water-use reduction program lowered consumption by 21 million gallons per year in 2014 and 2015. In early 2016, new water pumps were installed, resulting in projected savings of 10 million to 12 million gallons per year.

Reduction of hazardous or non-hazardous waste. In 2016, at its Raritan, New Jersey, and Rochester sites, Ortho shifted an additional 70 tons of medical waste stream to a mixed-waste recovery plant for reuse. Another example is in Pompano Beach, Florida, where Ortho completed a sustainability project in 2016 that led to recycling a waste stream previously managed as medical waste. This resulted in a decrease of 16% of medical waste.

Composting and recycling.

Ortho’s sustainability initiatives have resulted in a 25% increase in composting rates and a 10% increase in recycling rates in 2016.

Zero landfill. In Pencoed, UK, Ortho reduced hazardous waste by 39% from 2011 through 2016. By implementing strict recycling processes, the facility had no waste going to landfills throughout 2016, which led the site to achieve zero landfill status.

Energy management. Ortho has implemented a number of energy efficiency improvements that have resulted in reduced consumption of carbon-intensive fuels.

Raritan, New Jersey. Ortho generated 11 MWh of clean energy in 2016 using onsite solar panels. That amount represents 12% of the site’s energy demand and enough energy to power 11,000 average homes for one year. The continuation of the successful “after-hours lights-out” program, introduced in 2015 at Ortho’s locations in Raritan and Pompano Beach, resulted in a CO₂ emissions avoidance of 94,000 pounds in 2016.

Pencoed, UK. Various energy-efficient projects implemented from 2012 to 2016 led to a 25% annual reduction in CO₂ emissions, representing a reduction of 1.3 million pounds. The facility also reduced natural gas consumption by 24% from 2012 through 2016, and achieved a 2% decrease in water consumption from 2015 to 2016.

Rochester. Working with Ironclad Energy—which completed the acquisition of a nearby power plant that supplies all utilities to key Ortho manufacturing operations—will yield reductions in the plant’s CO₂ emissions by 2018 by converting the coal-powered plant to natural gas.

Fleet Management. The Fleet Management program for company vehicles continues to focus on fuel efficiency and safety. Fuel-efficient vehicles are selected and carbon emissions are monitored. Notably, in 2015, the U.S. vehicle fleet comprised 30% hybrid vehicles.

5%
Total energy reduction across all manufacturing facilities

10%
Reduction in water use

0
Ortho’s facility in Pencoed, UK, achieved a zero-landfill status in 2016



Making Environmental, Health & Safety awareness an all-hands priority

Carlyle Partners V, L.P., Carlyle U.S. Equity Opportunity Fund I, L.P. & Carlyle Strategic Partners II, L.P.

A leading manufacturer of complex machined and fabricated components for gas turbine engines, Paradigm Precision has grown rapidly through several acquisitions since Carlyle's 2013 acquisition.

The company has worked hard to integrate Environmental, Health & Safety (EHS) activities throughout its plants. The challenge? Harmonizing EHS practices to take advantage of global one-company management while maintaining focus on workplace safety and environmental citizenship locally.

EHS managers from all facilities have worked to unify policies across the company. The group conducted a successful policy deployment event that produced specific, measurable assignments designed to help ensure all worksites employ consistent best practices in areas of EHS awareness, training, recordkeeping and audits.

Paradigm is developing an online EHS dashboard to enhance the company's ability to monitor EHS metrics, identify

potential risks, conduct investigations and analyses, and disseminate detailed information. The dashboard will also improve Paradigm's overall EHS management by standardizing data collection and forms used for internal and external reports, presentations and training materials, and by keeping management at all levels informed about EHS issues and focused on EHS activities.

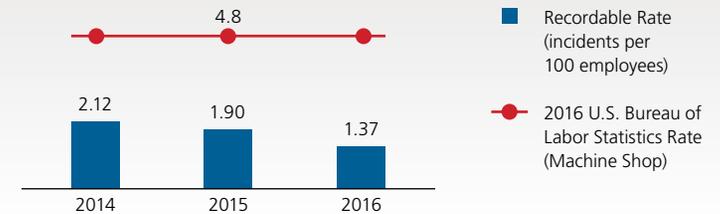
Since Carlyle first began building Paradigm in 2013, the company's safety performance has steadily improved. The recordable and time-lost injury rates are well below industry averages and continue to decline. All employees are involved in EHS, a fundamental part of Paradigm's commitment to cultivating a strong workforce and achieving operational excellence.

Paradigm has reduced lost-time incidents, already below industry averages, by

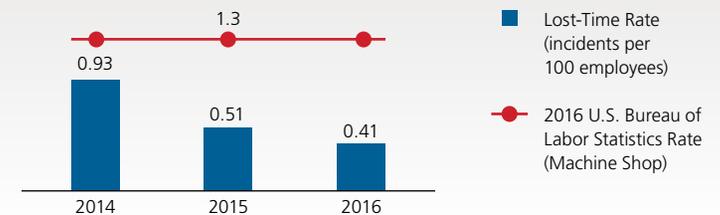
over 55%

in the past two years under Carlyle's ownership.

Recordable Incident Rate by Year



Lost Time Incident Rate by Year





Designing greener glass packaging for customers

Carlyle Europe Partners IV, L.P.

Saverglass' goal is to meet the needs of its market segment—luxury, top-of-the-line bottles—with functional, cost-effective and sustainable bottles. Glass is unique among packaging materials in that it can be recycled without loss of volume or material performance. These attributes make it particularly attractive to customers looking for high-quality, sustainable packaging. Saverglass products have a high level of recycled content. Here are some of the ways Saverglass is meeting its sustainable commitments:

Eco-design. Saverglass adopted an eco-design approach in developing new products for its customers.

This approach takes a container's environmental impact into account at all stages of its life cycle. The aim is to continue creating special, unique and refined containers using innovative design while using a minimum amount of resources, such as glass weight, dimensions and packaging components.

Coating decorations. In one of the first successes for the eco-design technique, the company developed water-soluble varnishes to re-create glass color and acid-etching matches,

in lieu of using traditional enamel decoration, by improving both materials and the screenprinting technique. The new coatings use low-temperature curing, cutting energy demand for this step in half. No heavy metals are required, lowering the amount of liquid waste and issues with compliance with European and American regulations related to volatile organic compounds. This greener alternative, called Savercoat, was recognized with an Apave Environment Award. In 2016, the first year of Carlyle's investment, 73% of products made by Saverglass have selected screenprinted glass with organic inks instead of enamels.

Reduced resource use. Saverglass uses furnaces fitted with a regenerator that recaptures energy from the gas fumes and are cooled by rainwater collected from facility roofs. The company has cut 300 tons of polyethylene use per year by using thinner and more recyclable packaging on shipments. It also encourages sea shipping, which is less carbon-intensive than alternatives and now represents 32.6% of supply. Further, 100% of the waste glass produced at Saverglass facilities is recycled on-site.

Air emission reductions.

Saverglass seeks to further reduce energy and air emission by improving employee practices through tools such as the ISO 50001 standard and equipment upgrades, which new capital from Carlyle will support. For example, newly installed Low-NOx burners have reduced nitrogen oxide emissions by 40% to 50%. Installation of electro filters in each furnace has reduced the environmental impact of air emissions by up to 90%, including the capture of heavy metals. In addition, the facilities treat sulfur oxides through a lime-injection process and have begun to convert from propane to lower-carbon natural gas as a lead source.

“In due diligence, we were impressed by Saverglass’ 25-year track-record and its unique position in the market, including sustainability aspects of its products; when we acquired the company in 2016, we saw an opportunity to support its technological expertise, creative skills and ability to meet customers’ growing sustainability interests.”

JONATHAN ZAFRANI, MANAGING DIRECTOR
CARLYLE EUROPE PARTNERS

100%

Amount of its own glass waste recycled by Saverglass plants

Over 60%

Amount of raw materials used in colored products that are recycled

Up to 50%

Reduction in nitrogen oxide emissions from latest capital upgrades



A continued focus on carbon reductions

Carlyle Partners V, L.P.

Syniverse is a leading global provider of mission-critical connectivity solutions, providing seamless mobile and wireless communications technologies for service providers and enterprises around the world.

Syniverse has been highly focused on managing its carbon footprint, partially in response to enhanced interest from its customers as well as the company's own internal policy, which has been developed under Carlyle ownership. Since Carlyle's acquisition in 2011, Syniverse has reduced the amount of air miles traveled by 50% (normalized for revenue) and 60% (normalized by employee). This has been achieved through increased discipline around limiting non-essential travel, investments in video conferencing technology and a reduction in acquisition activity that required a heightened amount of travel in prior years. In 2016, the CDP (formerly known as the Carbon Disclosure Project), a non-profit that runs the global corporate and governmental disclosure system around governmental impact, introduced a new reporting and scoring system on performance

results in carbon reduction. While the 2016 average score was D (within a range of A to D) for the companies in the reporting pool, Syniverse received a performance score of B, which reflected the significant progress and changes the company had made.

Other sustainability initiatives include:

- In February 2017, Syniverse committed to purchasing 1,818 Green-E Certified Renewable Energy Certificates (RECs), or the equivalent to 24% of its Tampa headquarters' 2015 electricity usage. Each REC represents one MWh of U.S.-based renewable electricity generation, which will further drive down carbon emissions.
- Awarded a Certificate of Recognition for employees who took the US EPA ENERGY STAR Low Carbon IT Campaign's Computer Power Management Pledge.
- Syniverse converted to using Evernex's service. Evernex is a Carlyle portfolio company that offers a 60% reduction in carbon emissions for servers, as well as avoids the use of raw materials for consumption.

Evernex extends the life of customers' IT infrastructure through maintenance, reduces life-cycle impacts by offering options for product remanufacturing and provides equipment recycling. It also engages in trading and leasing electronic equipment to provide a second life to IT assets.

Evernex's approach can reduce the carbon emissions by more than 60% compared to a typical five-year server replacement schedule.

Carlyle is working to bring this greener computing solution to companies in our portfolio. Last year, eight current and former Carlyle portfolio companies (as well as Carlyle) switched to Evernex's datacenter equipment maintenance solution, including Syniverse. Now under contract for over a year, Syniverse will avoid 700 tons eq. CO₂ and 2,743 tons of ore each year under contract to Evernex, based on the number of servers in the plan.



60%

Reduction in miles traveled and carbon produced per Syniverse employee since 2010

Building an independent brand after a carve-out

Carlyle Partners VI, L.P.

Carlyle acquired Veritas from Symantec in a carve-out transaction worth \$7 billion in 2016. Veritas is at the forefront of delivering next-generation information management solutions.

The Carlyle deal team knew that building an independent Veritas brand was a critical component of an ESG program focused on making Veritas an “Employer of Choice.”

Because the technology sector is quite advanced on ESG issues, and because the former owner had a mature ESG program, there were significant expectations from customers and employees for management to build ESG capacity at Veritas when it became a stand-alone company.

The Carlyle team has worked with Veritas management on driving ESG capacity and building the internal Veritas brand. Veritas has made noteworthy progress to date, including:

- Becoming signatories of the UN Global Compact, Women’s Empowerment Principles, EICC and Business Backs Low-Carbon USA Statement.

- Completing a Global Diversity Footprint and developing Employee Resource Groups to provide a forum for women and minorities to achieve their full potential and empower them to succeed. The company has 28% female employees overall, and 21% of its tech jobs are held by women, equaling or exceeding its peers. (“Tech jobs” is defined as engineering or product development roles in the organization.)

- Creating a comprehensive sustainability strategy while setting baseline data for key performance indicators (KPIs) for different priority focus areas, such as greenhouse gases, waste, pay equity and equipment purchasing. Veritas has also built additional capacity in the new company by assigning existing personnel new ESG responsibilities and hiring a mid-level ESG specialist.

Carlyle supported the new management team and engaged with Carlyle’s membership organization, Businesses for Social Responsibility, to provide ESG benchmarking data

on Veritas peers and competitors. Veritas used this assessment—including insights into the role of UN Sustainable Development Goals in the telecom sector—to conduct a materiality assessment that included input from 30 Veritas employees, Carlyle’s Chief Sustainability Officer and various stakeholders.

As part of its evolving ESG focus, Veritas has also launched an internal environmental responsibility campaign emphasizing the “5Rs”: Refuse, Reduce, Reuse, Repurpose and Recycle.

Additional ESG initiatives include E-waste and equipment donation programs at various sites and a partnership with social enterprise Copia to reduce food waste.

“Veritas’ efforts to build a diverse, inclusive and forward-looking culture are critical to attracting and retaining talent, which is the key to driving a top-performing technology company. I applaud their efforts, particularly in implicit bias training, and look forward to future progress in the coming years.”

RENEE JAMES, VERITAS BOARD MEMBER

Diversity & Inclusion

Building leadership capacity through Diversity & Inclusion



“As founders, we understand that our commitment to diversity must come from the top down. Creating opportunity for everyone is an important part of our culture and makes us better investors. We must also actively encourage women to develop their own voices as they play increasingly important investment and executive roles across the firm and the industry.”

WILLIAM E. CONWAY, JR.
CO-CHIEF EXECUTIVE OFFICER

At Carlyle, we believe that diverse teams and experiences bring tremendous value to our firm and the alternative asset management industry. We recognize that we will ultimately have more success with a team that not only is diverse, but one that values that diversity and leverages it as a competitive advantage.

That’s why we’re committed to growing and cultivating an environment rich in different backgrounds by recruiting, developing and retaining women and men of all ethnicities, sexual orientations, generations and life experiences. It’s an environment that welcomes people with a variety of perspectives, people who provide unique lenses through which to view potential deals.

One Carlyle and Diversity & Inclusion

In 2013, we established our Diversity & Inclusion Council, which we believe was the first of its kind in the alternative investments industry. The mission of the 20 leaders of the Council is twofold:

- To foster an environment of inclusiveness for diversity in all forms to enhance our collaborative One Carlyle culture and ultimately make better business decisions
- To enable Carlyle to hire the most talented professionals in the world

Carlyle values the opportunity and perspective brought by a diverse and inclusive workforce. The very spirit of One Carlyle reflects these values. The idea of collaboration highlights our commitment to the diverse backgrounds, perspectives and experiences that ultimately create value for our investors.

A purposeful approach to fostering diversity

We understand that being in touch with the people and cultures our investments affect is just as important as the deals themselves. That's why individuals from each of the regions in which we invest lead our global funds. We're proud of our solid grounding in diversity throughout the firm, and the foundation we are building in three critical ways:

1. Setting the tone at the top

Our founders have long been strong advocates of a more diverse workforce, and they promote it regularly, both internally and externally. More importantly, they put it into action: Fund and Department Heads teach their teams that they must have a diverse slate of candidates for every position, and then encourage them to add diversity to the team.

2. Partnering externally with world-class diversity organizations

To help identify and develop diverse talent early on, we actively engage with leading organizations such as the Toigo Foundation and Sponsors for Educational Opportunity (SEO). We provide training and mentorship for prospective Carlyle candidates from undergraduate school through business school graduation with fellowship programs, networking events and instructional programs. Carlyle has sponsored a Toigo Fellowship

almost every year since 2010 and since 2007 has hired 36 SEO alums—by far the most in the industry. In 2016 we established two fellowships for minority and female banking analysts with SEO.

3. Establishing grassroots Employee Resource Groups (ERGs)

Our affinity groups nurture our inclusive culture by focusing their activities on recruiting, developing and retaining women and men of all ethnicities, sexual orientations, generations and life experiences. Since the groups began in 2013, they have hosted more than 100 events, including external speaking engagements, charitable fundraising, recruiting and skills training. In addition, our Diversity & Inclusion Council sponsors Carlyle's global mentoring program, which has had over 500 participants from every corner of the firm in the three years of its existence.

Our current ERGs are:

- DC/Rosslyn Women
- NY Women
- African Americans
- Lesbian, Gay, Bisexual, and Transgender (LGBT)
- Veterans
- Young Professionals
- Working Parents

Initiatives that emerged from our ERGs include introducing domestic partner benefits and starting leveraged relationships with Historically Black Colleges and Universities to increase recruitment channels.



“Carlyle is proud to partner with Toigo on this important and innovative effort to increase diversity in the financial services industry. Traditional methods of recruitment do not always bring a diverse slate of candidates for PE firms. Working with Toigo is a great way to tap into a pre-qualified talent pool with high standards of excellence and leadership potential.”

DAVID MARCHICK
CARLYLE MANAGING DIRECTOR
AND TOIGO CHAIRMAN SINCE 2012

A focus on diverse recruiting and hiring

We recruit from diverse channels and foster an environment that supports retention and promotions of a more diverse workforce. We seek to bring diversity in all forms to Carlyle—not only diversity in gender, race, ethnicity, sexual orientation, disability, religion and age, but also in their personal backgrounds, life histories and—significantly—their thoughts and ideas.

We track a range of key performance indicators (KPIs) on diversity and inclusion. These include:

• 2-Year Associate Hiring

In 2017, we completed the hiring of our 2018 incoming U.S. Corporate Private Equity Funds 2-Year Associate class, which will be 64% diverse by gender and race. Our incoming 2-year associate class has been at least 50% diverse each of the past four years. Our goal is continuous improvement in building a pipeline of diverse talent.

• Racial Diversity in Principal/Managing Director positions

27 people of color at the Principal or Managing Director level (16% of total)

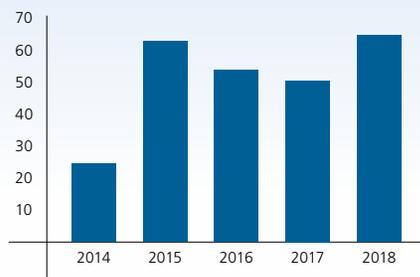
• All global employees

Men 59%, women 41%

• All US employees

15% Black/African-American, Hispanic or Latino, or two or more races; 85% White or Asian

U.S. Corporate Private Equity 2-Year Associates Diversity by Race/Gender
(percent)



Women at Carlyle: a growing force

We recognize that our industry lacks diversity in several areas—including gender—an imbalance that is particularly true on the investment side of the business.

We have focused on building a pipeline of great talent, including female investment professionals.

While we have made good progress, our strategy for how we recruit, mentor and advance women at Carlyle continues to be a work in progress. We are proud that our efforts have begun to show concrete results, with 71 senior-level women globally at Carlyle as of early 2017, and with more than 50% of these positions on the investment side. We define “senior-level” as Principals, Managing Directors and Partners. Of that group of 71 senior women, 33 have been promoted to a level of Managing Director or above and provide a growing group of leaders to support and mentor women in more junior positions at Carlyle.

We believe our strategies and the pipeline of female talent we are building will increase those numbers over time.

Firmwide globally:

- 38 Principals, 16 Managing Directors, 17 Partners are female.
- 18 of 33 female Managing Directors and Partners are investment professionals.
- 37 of 71 of all senior women (or 52%) are on the investment side.

Our U.S. offices include 51 senior-level women, with 23 of them at the Managing Director or Partner level. Of these, 11 are on the investment side.



Corporate Leadership

a Pamela Bentley
Partner, Chief Accounting Officer

b Georgette Kiser
Partner, Chief Information Officer

c Heather Mitchell
Partner, General Counsel, Global Investments

d Lori Sabet
Partner, Chief Human Resources Officer/Head of Corporate RE

e Shannon Stafford
Partner, Head of Global Tax Management

f Catherine Ziobro
Partner, Chief Compliance Officer

“We are working to build and nurture a pipeline of women as future leaders of our firm, expanding gender diversity and enabling our teams to make the best investment decisions based on varied and differing perspectives.”

SANDRA HORBACH
PARTNER, CO-HEAD OF U.S. BUYOUT



Investment Leadership

g Zeina Bain
Managing Director
London

h Anita Balaji
Managing Director
New York

i Karen Bechtel
Partner
New York

j Lauren Dillard
Partner, Head of
Investment Solutions
Business Segment
New York

k Janine Feng
Partner
Hong Kong

l Erica Frontiero
Managing Director
New York

m Nina Zhizhi Gong
Managing Director
Beijing

n Glori Graziano
Partner
New York

o Sandra Horbach
Partner, Co-Head
of U.S. Buyout
New York

Not pictured
Margaret McKnight
Managing Director
San Francisco

p Barbara Murphy
Partner, Head of U.S. Real
Estate Asset Management
Washington, DC

q Linda Pace
Partner, Head of Loans
& Structured Credit
New York

r Grishma Parekh
Managing Director
New York

s Genevieve Sangudi
Managing Director
Johannesburg

Not pictured
Sarah Schwarzschild
Managing Director,
Co-Head of Real Estate
Secondaries Fund
New York

t Ling Yang
Managing Director
Shanghai

u Shirlene Song
Managing Director
Shanghai

v Wendy Zhu
Managing Director
Hong Kong



One Community

One Community Volunteer Program

Carlyle's One Community program encourages employees to volunteer not only at national or global organizations, but also in their own local communities. This year our colleagues shared their time, talent and resources with a variety of charitable organizations—working to improve the communities where they live and invest.

Global Volunteer Month and Spring Volunteering

Employees from across the globe volunteered with 11 different organizations during Carlyle's fifth annual Global Volunteer Month.

Washington, DC, and Rosslyn, Virginia, U.S.A. Employees volunteered with a range of organizations:

- Served meals and cleaned facilities at So Others Might Eat, a local organization that cares for the homeless.
- Prepared meals for families living at Ronald McDonald Houses.
- Helped the National Zoo with outdoor projects in the horticulture department.
- Coordinated a group birthday party with veterans at the VA Hospital in Washington, DC.
- Worked at Junior Achievement Finance Park to help lead a "day-in-the-life" simulation with elementary school students where volunteers guided students to make real-life financial decisions.
- Thirty employees volunteered for a seventh consecutive year with Junior Achievement's "JA in a Day" program to teach financial literacy to kindergarten through fifth-grade classes in a Washington, DC, elementary school.

London. Fifteen London colleagues ran in the JP Morgan Corporate Challenge benefiting Age UK, an organization that supports the elderly. Volunteers conducted a resume workshop for young people alongside Thinkforward, an organization that supports at-risk youth transition from education to employment. Employees held a bake sale with proceeds

benefiting Macmillan Cancer Support. The office also worked with Fight for Peace to secure a three-week work placement within the London IT department.

Hong Kong. Volunteers prepared meal boxes for Food Angel, a food rescue and assistance program that provides meals for underprivileged communities in Hong Kong.

Mumbai. Employees organized a donation drive partnering with Green Yatra, an NGO that distributes clothing and other daily necessities to urban areas and urban slums throughout India.

Season of Giving

Every November and December, Carlyle employees across the globe participate in a variety of volunteer events and giving opportunities during the holiday season.

Washington, DC, and Rosslyn, Virginia. Employees delivered groceries with Martha's Table; helped serve meals and donated over 200 holiday boxes to SOME; worked with House with a Heart Pet Sanctuary to care for the animals and clean the facility; prepared meals for families living at Ronald McDonald House; once again led real-life simulation for children at Junior Achievement Finance Park; hosted a group birthday party for veterans at the Washington, DC, VA Hospital; and donated gifts to the local Boys & Girls Club.

New York. Colleagues held a holiday toy drive and collected toys for over 100 students from a local elementary school.

London. London employees donated gifts to the children at Evelina London Children's Hospital; donated nearly \$12,000 through an office raffle and baking competition to Royal Trinity Hospice; and collected winter coats at local railway stations for Wrap Up London.

Hong Kong. Employees helped clean the Komazawa Olympic Park in Tokyo; spent two days cleaning the Tokyo Wild Bird Park; volunteered



at a soup kitchen with Second Harvest Japan; participated in the Special Olympics Walk & Run Festival; provided administrative support for the Japan International Volunteer Center and the Japan Emergency NGO; collected donations for Operation Santa Claus and helped students at a local primary school with their homework.

A Commitment to Sharing Wealth

Our Wealth Sharing Program supports Carlyle employees in their charitable giving by matching on a dollar-for-dollar basis contributions made to educational and humanitarian organizations. In the United States, Carlyle matches up to \$2,000 per year per employee. In 2016, Carlyle matched nearly \$300,000 in employee gifts. A similar matching program in the United Kingdom raised \$30,000 in 2016.

IT Environmental Improvements

In 2016, we continued to reduce our environmental impact through a number of IT-related initiatives:

- Recycled 130 computers, 100 monitors, 35 pieces of networking equipment, 35 printers and 50 servers.
- Reduced equipment power consumption and cooling requirements by moving from physical to virtual servers.

- Applied automatic turn-off settings on equipment such as monitors, printers and computers.
 - New Microsoft Surface computers reduce personal computing energy consumption by 33% by decreasing the time for the computer to enter sleep mode from 30 minutes to 20 minutes.
 - During our VC/telecom refresh, we configured all of our audio-visual equipment to use 15- to 20-minute timeout intervals.
 - All new and retrofitted conference rooms have occupancy sensors that turn off lights when rooms are empty.
- Purchased energy-efficient audiovisual equipment.
- Reduced power requirements and cables by moving to a wireless environment.
- Eliminated print servers by using IP-based printing technology and reduced printer costs with tablets and touch technology.
- Moved to compact storage arrays that reduce storage footprint while cutting down on power and cooling requirements.
- Recycled and reduced server footprint by 53 servers, further reducing power and cooling requirements.
- Eliminated 20 PBX instances across the US and EMEA.

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THE CARLYLE GROUP

GLOBAL ALTERNATIVE ASSET MANAGEMENT

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The Carlyle Group saved the following resources by using 3,104 pounds of Reincarnation, made with 100% recycled fiber and 100% post-consumer waste, processed chlorine free, designated Ancient Forest Friendly™ and manufactured with electricity that is offset with Green-e® certified renewable energy certificates.

trees	water	energy	solid waste	greenhouse gases
31 fully grown	14,510 gallons	14 million BTUs	971 pounds	2,675 pounds

Calculations based on research by Environmental Defense and other members of the Paper Task Force

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