

# Corporate Citizenship 2014

As our global reach grows, so does our responsibility to manage the environmental, social and governance aspects of our business. The Carlyle Edge is at work creating not just stronger companies but also better communities.





At Carlyle, sustainability means doing business in a way that meets today's needs while preserving the ability of future generations to do the same.

Managing environmental, social and corporate governance (ESG) issues has become integral to how we invest and conduct business. In 2013, Carlyle worked to increase our active management of ESG issues by:

- Establishing deep expertise in-house, giving portfolio companies new resources and ensuring timely input to our investment professionals at every stage of the investment process.
- Ensuring that 99% of our Carlyle-controlled companies reviewed their operations in accordance with our responsible investment guidelines.
- Launching a sustainability framework for U.S. real estate.
- Continuing using tools, such as EcoValuScreen, to identify cost-effective sustainability opportunities.

Whether we create new ESG programs or help strengthen programs already in place, we believe our ESG efforts create value for investors and buyers of our companies alike. The following pages describe some of the notable impacts of our efforts.

## Introducing Jackie Roberts, Chief Sustainability Officer

As our ESG activities have grown, so has our need to make the most of these activities as we work to create value for our investors. In early 2014, we welcomed Jackie Roberts to Carlyle as our Chief Sustainability Officer, a newly created position. She will lead Carlyle's global ESG efforts and work closely with our portfolio companies to drive understanding and adoption of ESG principles.

A Yale-educated chemical engineer and MBA, Ms. Roberts comes to us from the Environmental Defense Fund (EDF), where she was a 17-year veteran. At EDF, she launched the Corporate Partnerships Program, working with Fortune 500 companies such as McDonald's and FedEx to marry business innovation with environmental strategy. She is a former Senior Faculty Fellow at Harvard Business School, where she focused on corporate sustainability issues. Ms. Roberts also consulted on corporate environmental strategies and worked as an engineer for the U.S. Environmental Protection Agency.

**"We welcome the appointment of a high-caliber Chief Sustainability Officer by Carlyle. This is a move APG encouraged in the past and we are pleased with the outcome. We expect that Jackie will help drive Carlyle to even greater focus on sustainability topics."**

Marta Jankovic  
Head of ESG Integration Alternatives  
APG Asset Management

**"Carlyle has long demonstrated its leadership as a socially responsible organization. Hiring a veteran ESG expert shows that they are serious about creating sustainable solutions."**

Réal Desrochers  
Senior Investment Officer  
California Public Employees' Retirement System (CalPERS)

**"Bringing someone of Jackie's caliber to Carlyle deepens our commitment—a commitment that is critical to our LPs, employees and the communities in which we invest."**

William E. Conway, Jr.  
Co-founder and Co-Chief Executive Officer  
The Carlyle Group





## Responsible investment guidelines are the foundation of our approach.

In 2009, we worked with an outside advisor to create our responsible investment guidelines. The guidelines were developed by taking into account, among other inputs, the UN Principles for Responsible Investment and the UN Global Compact. These guidelines were subsequently adopted by our private equity trade association, the Private Equity Growth Capital Council.

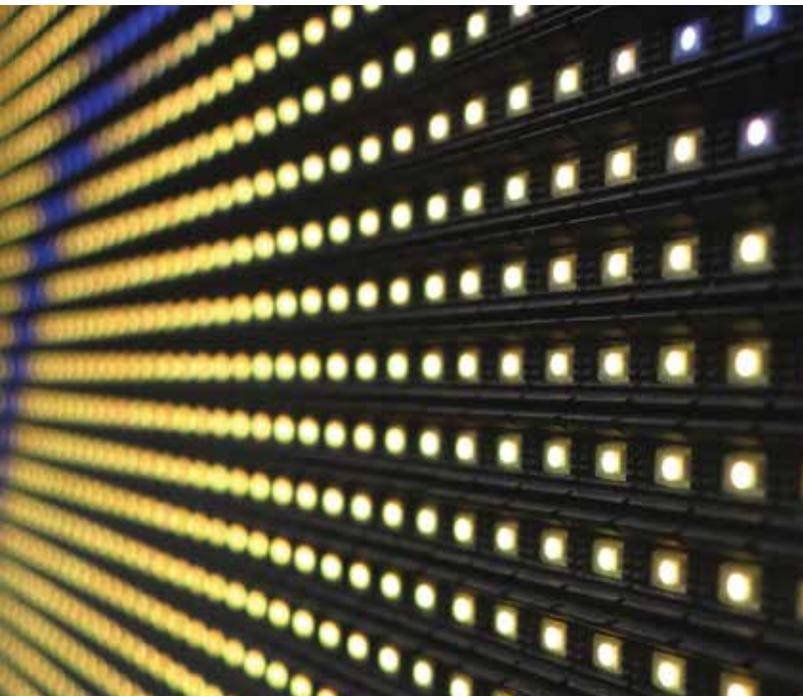
We integrate these guidelines into our investment decision-making process for controlling, corporate buyouts. Each investment team is expected to include an analysis of the guidelines in its final investment committee memorandum seeking approval for an investment. In investments where Carlyle does not acquire a controlling position, we apply the guidelines during the investment analysis in those transactions in which ESG issues play a significant role.

Once we own a particular business, we work with controlled portfolio companies to help them evaluate ESG issues related to their businesses. We also share our responsible investment guidelines with these companies and encourage them to review the guidelines at board meetings at least once a year. Over the last year, 99% of Carlyle-controlled companies reviewed their operations in accordance with the guidelines, a 10% increase over the previous year.

Our responsible investment guidelines can be found on our website.

## Chesapeake is committed to preserving the world's resources

Chesapeake, a UK-based global packaging products supplier, is deeply devoted to environmental awareness and responsibility. Carlyle Europe Partners III, L.P. acquired Chesapeake in 2013. The company's environmental commitment is at the heart of its business operations. The commitment is exemplified by the Chesapeake 100 project, a company-wide initiative that has generated more than 100 sustainability projects annually designed to reduce the environmental impact of Chesapeake's global operations. All of Chesapeake's European sites have received Chain of Custody certifications from the Forest Stewardship Council (FSC) and Programme for the Endorsement of Forest Certification (PEFC), allowing the company to offer paper-based products that originate from certified well-managed forests.

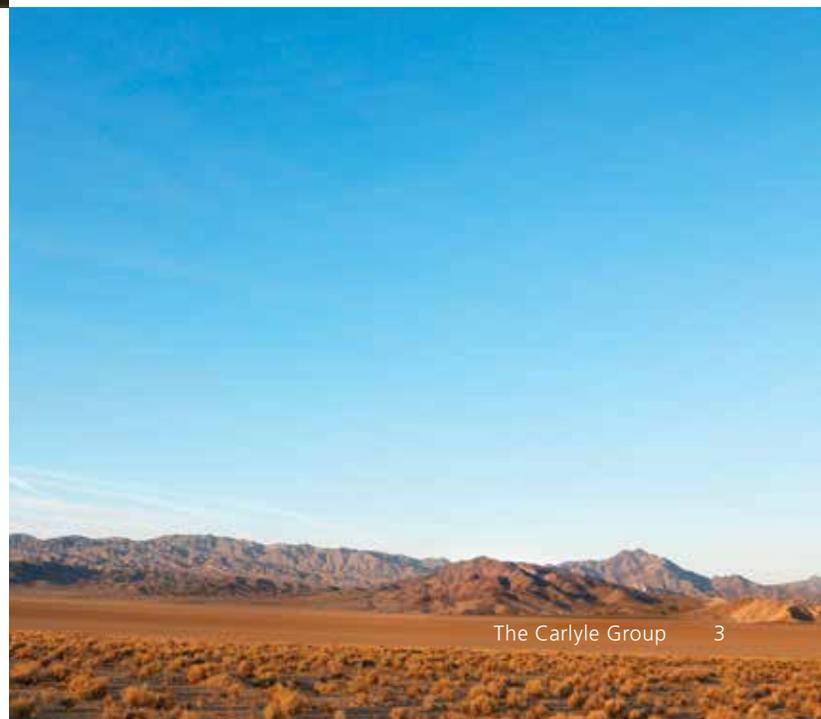


## Redwood Systems develops a bright approach to reducing energy use

Lighting accounts for 35% of the energy used by a typical office building. Redwood Systems has developed a smart building platform using LED lighting technology that improves energy efficiency. CommScope, a Carlyle Partners V, L.P. and Carlyle Europe Partners III, L.P. portfolio company, acquired Redwood in 2013. Redwood's platform provides energy savings that typically average a 75% improvement over traditional fluorescent lighting systems for office buildings and a 90% improvement for data centers. Redwood was acknowledged by the Chartered Institution of Building Services Engineers with a 2013 Building Performance Award. Its selection as the top solution in the energy-using product category underscores Redwood's innovative approach to delivering improved building performance and reducing energy consumption through lighting.

## Apple Valley/Park Water works to keep the desert air clean

Apple Valley Ranchos Water Company earned California's highest clean air stewardship honor in 2013 for reducing air pollution emissions in the high desert. Apple Valley Ranchos is a subsidiary of Park Water Company, a Carlyle Infrastructure Partners portfolio company. In recent years, Apple Valley has implemented new technologies to reduce vehicle emissions. They include remote monitoring equipment at its 39 production sites that eliminates two system operator trips per week to each well, reservoir and booster station, cutting annual company vehicle use—and associated emissions—by more than 8,500 miles. The company also promotes a robust water conservation program and educational outreach.





Our responsible investment guidelines help us assess the ESG risks associated with our corporate investments. We then work with our portfolio companies to enhance environmental performance through improved operational efficiencies.

## EcoValuScreen in action

We developed the EcoValuScreen tool in partnership with Environmental Defense Fund (EDF) to identify opportunities for operational enhancements that will lead to better environmental and financial performance during the early stages of the investment process.

Through the EcoValuScreen program, Chromalloy and Sullair identified a number of cost-effective sustainability opportunities.

	INITIATIVE	STATUS/OUTCOME
<p><b>CHROMALLOY</b></p> <p><i>Carlyle Partners V, L.P.</i></p> <p>Chromalloy, a global provider of advanced coatings, repairs and replacement parts for gas turbine engines, is the largest business unit of Sequa Corporation, a Carlyle portfolio company.</p>	<p>Reconfigure compressed air systems to eliminate waste and improve maintenance.</p> <p>Replace obsolete cooling tower systems to save 5%–15% on cooling tower energy use.</p> <p>Convert to LED lighting to save approximately \$32,000 per year.</p>	<p><b>IN PROGRESS:</b> Conducted a gas leak detection survey. Repairing the compressed air line network would generate projected energy savings of \$31,000 per year. Other gases were tested and additional savings proposed.</p> <p><b>IN PROGRESS:</b> Refurbishing and consolidating cooling tower systems to eliminate a motor system at each tower location.</p> <p><b>IN PROGRESS:</b> Installing energy-efficient lighting and collaborating with New York State Energy Research Development Authority on a lighting and energy savings program with rebates expected.</p>
<p> <b>SULLAIR</b></p> <p><i>Carlyle Partners V, L.P.</i></p> <p>Sullair, a subsidiary of portfolio company Accudyne Industries, is a global manufacturer of rotary screw air compressors used in industrial manufacturing and in the energy, mining and chemicals industries.</p>	<p>Identify opportunities to reduce energy consumption.</p> <p>Enhance the use of the current building energy management system.</p> <p>Implement the ISO 50001 energy management system.</p> <p>Assess improvements to the building envelope—the physical separators between the conditioned and unconditioned environments of a building.</p> <p>Replace test stand motor starters and evaluate replacing motors with energy-efficient units.</p>	<p><b>IN PROGRESS:</b> Identified initiatives that could provide total savings in excess of \$100,000 per year and reduce greenhouse gas (GHG) emissions by up to 250 tons per year.</p> <p><b>IN PROGRESS:</b> Reinstall and recalibrate the system to monitor more equipment. Potential savings of 5%–10% per unit added and pay back in less than a year.</p> <p><b>IN PROGRESS:</b> Explore upgrading to ISO 50001 to set targets for energy measurement improvements.</p> <p><b>PLANNED:</b> Perform an analysis of the building envelope (walls, roof, foundation) with thermal imaging. Potential costs savings of 2%–4% per year.</p> <p><b>PLANNED:</b> Implementing the improvements would generate potential savings up to 12% on each motor.</p>

## Environmental efficiencies progress report

We are pleased with the progress being made by our portfolio companies to explore ways to improve environmental efficiency. Over the last year, our companies have taken a number of steps, including acting on past EcoValuScreen recommendations, participating in EDF's Climate Corps program, increasing recycling efforts and installing energy-efficient lighting.

	INITIATIVE	STATUS/OUTCOME
 <p><i>Carlyle Partners IV, L.P.</i></p> <p>Allison Transmission is a global designer, manufacturer and supplier of automatic transmissions for medium- and heavy-duty commercial vehicles and specialty military vehicles.</p>	<p>Update facility infrastructure and implement process improvements.</p> <p>Measure energy savings using a proprietary GHG management tool.</p> <p>Improve waste stream efficiency.</p> <p>Implement electronic monitoring and improved operational controls of coolants and lubricants.</p> <p>Reduce the need for compressed air use.</p> <p>Retrofit lighting with energy-efficient fixtures and use solar and wind-powered exterior lighting.</p>	<p><b>IN PROGRESS:</b> Saved \$1.1 million in 2013 by reducing energy use, equivalent to 15.8 million kilowatt hours of energy, enough for 1,403 average-sized homes for a year.</p> <p><b>COMPLETED</b></p> <p><b>IN PROGRESS:</b> Reduced the amount of waste-to-energy recovery by 18%, or 160 tons, with increased recycling.</p> <p><b>IN PROGRESS:</b> Saved \$550,000, over 10 tanker loads of coolants and lubricants.</p> <p><b>IN PROGRESS:</b> Reduced compressed air usage by 15%.</p> <p><b>IN PROGRESS</b></p>
<p><b>Booz   Allen   Hamilton</b></p> <p>delivering results that endure</p> <p><i>Carlyle Partners V, L.P.</i></p> <p>Booz Allen Hamilton is a provider of management and technology consulting services to the U.S. government in the defense, intelligence and civil markets and to major corporations, institutions and not-for-profit organizations.</p>	<p>Engage a 2012 EDF Climate Corps Fellow.</p> <p>Initiate a green office certification program.</p> <p>Leverage the firm's employee network to improve energy efficiency.</p> <p>Expand efforts to ensure supply chain sustainability.</p>	<p><b>COMPLETED:</b> Launched a firmwide awareness campaign as a result of the Fellow's research and recommendations.</p> <p><b>IN PROGRESS:</b> Increased participation, with 24 offices taking part in the program.</p> <p><b>IN PROGRESS</b></p> <p><b>IN PROGRESS:</b> Upcycled 3.1 million coffee packets via a waste-to-energy program, diverting 72.4 tons of waste from landfills, generating 28,138 kilowatt hours of energy and resulting in a 46,440 net ton reduction in carbon dioxide equivalent (CO<sub>2</sub>e).</p>

## Axalta demonstrates the value of lower impact products and operations

Axalta Coating Systems is the world's fifth-largest industrial paint and protective coatings company with a 145-year legacy of industry-leading innovation. Acquired last year as DuPont Performance Coatings in a transaction involving Carlyle's U.S. and Europe Buyout teams, the company was renamed Axalta to underscore its status as an independent company. Axalta's Cromax® Pro waterborne refinish coating is designed to reduce volatile organic compound emissions in the auto body shop by 93% and targeted hazardous air pollutants by 100%. At the same time, Cromax Pro can lower energy costs, paint waste and process times—reducing customers' overall environmental footprint and contributing to productivity.



In January 2014, Axalta broke ground on a \$50 million eco-responsible facility in Shanghai to manufacture more sustainable waterborne coatings for China's rapidly growing automobile manufacturing industry. Once operations begin in the first half of 2015, the facility is expected to manufacture and supply up to 25,000 metric tons of its acclaimed waterborne products annually for Axalta's largest-growing customer base in Asia.

"We are very pleased to see that Axalta has continuously invested in expanding its production of technologically superior products tailored specifically to our local demands," said Wang Zhongcheng, Vice President of FAW-VW Chengdu, at the groundbreaking ceremony. "As one of China's leading automobile manufacturers, FAW-VW is moving to a sustainable model for development, and the waterborne products produced at this facility will help us achieve our business objectives in the region."

## Environmental efficiencies progress report *(continued)*

	INITIATIVE	STATUS/OUTCOME
<p><b>COMMSCOPE®</b></p> <p><i>Carlyle Partners V, L.P. and Carlyle Europe Partners III, L.P.</i></p> <p>CommScope is a global provider of communications infrastructure solutions, such as cables and antennas, for wireless, corporate and residential broadband networks.</p>	<p>Shift to wireless programmable thermostats and unit heaters.</p> <p>Reduce high-pressure sodium lighting in seven manufacturing facilities.</p> <p>Reduce GHG emissions from large manufacturing facilities by 25% by the end of 2020.</p>	<p><b>IN PROGRESS:</b> Using wireless devices can reduce energy consumption by an estimated 66,400 therms, a little over 5,000 kilowatt hours on an annual basis, and generate annual costs savings in excess of \$119,000.</p> <p><b>IN PROGRESS:</b> Installed LED lighting in one facility in 2013 and expect installations in two more facilities to be completed in 2014, generating estimated total savings of 3,217 megawatt hours of energy and cost savings of \$262,000.</p> <p><b>IN PROGRESS:</b> Reduced emissions by 19% from 2008 baseline to 2012.</p>
 <p><i>Carlyle Infrastructure Partners, L.P.</i></p> <p>Park Water Company owns and operates two regulated water distribution utilities in California and one in Montana.</p>	<p>Replace almost 38,000 feet—approximately seven miles—of water main.</p> <p>Reduce leaks.</p> <p>Explore new pipe installation practices.</p> <p>Undertake energy-efficiency studies.</p> <p>Implement a paper reduction initiative.</p> <p>Initiate conservation activities.</p>	<p><b>COMPLETED:</b> Reduced friction in the pipes and increased pipe diameters, cutting energy lost in moving the water.</p> <p><b>IN PROGRESS:</b> Reducing leaks through the pipeline replacement program has had a significant impact. In 2013, the Central Basin Division was the first Park Water company to meet the optimized leak ratio standard of fewer than 15 leaks per 100 miles of pipe per year.</p> <p><b>IN PROGRESS:</b> Piloted a pipe-bursting technology project, reducing GHG emissions by an estimated 50%, and decreasing disturbance to the community.</p> <p><b>IN PROGRESS:</b> Initiated two studies to help plan and prioritize future well and motor replacements.</p> <p><b>IN PROGRESS:</b> Reduced copy paper usage by more than 50% and migrating to paperless reporting.</p> <p><b>IN PROGRESS:</b> Offer high-efficiency appliance rebates, implement a cash-for-grass program, install drought-tolerant landscaping at facilities and develop a conservation demonstration garden.</p>
 <p><i>Carlyle Partners IV, L.P.</i></p> <p>PQ Corporation is a worldwide producer of specialty inorganic performance chemicals and catalysts that are used in refinery, petro-chemical and chemical markets.</p>	<p>PQ produces products that reduce energy consumption and improve the quality of emissions from automobiles, heavy-duty diesel trucks and other emission sources. The company produces zeolite, a chemical used in catalytic converters as a less costly and more effective option for reducing nitrogen oxides and CO<sub>2</sub> emissions.</p> <p>Implement energy-efficiency measures.</p> <p>Rebuild furnaces using higher efficiency heat recovery materials and insulation packages.</p> <p>Measure combustion gases and reduce energy consumption and costs associated with silicate furnaces.</p>	<p><b>IN PROGRESS:</b> Based on the amount of zeolites sold in 2013, PQ's products contributed to reducing more than 730,000 tons of total nitrogen oxides and over 1.95 million tons of CO<sub>2</sub>—equivalent to taking more than 390,000 cars off the road per year.</p> <p><b>COMPLETED:</b> Continuing to focus on decreasing the energy needed in daily operations and reducing GHG emissions.</p> <p><b>COMPLETED</b></p> <p><b>COMPLETED</b></p>



Carlyle Europe Partners III, L.P.

RAC is the second-largest roadside assistance provider in the United Kingdom with more than seven million members.

**INITIATIVE**

Improve fuel efficiency of patrol force.

Introduce telematics.

Reduce energy consumption as a result of opportunities identified in the EcoValuScreen program.

Reduce paper use.

**STATUS/OUTCOME**

**IN PROGRESS:** Reduced fuel usage per job by 5% in 2013 and over 10% since Carlyle acquired RAC in 2011 by replacing older vehicles with new, more fuel-efficient ones and improving training and monitoring.

**IN PROGRESS:** Deploying an improved, second-generation product across the fleet in 2014.

**IN PROGRESS:** Reduced gas and electricity consumption by 12%. Initiatives include installing a reporting system to ensure PCs are shut off overnight, switching to LED lighting, implementing a strict temperature control policy, and improving water pumps and drainage.

**IN PROGRESS:** Reduced printing volumes by 50% in 2013 by introducing automatic double-sided, black-and-white printing and controlling printer usage via security tags.



Carlyle Partners V, L.P.

Sequa Corporation is a diversified aerospace and industrial company that, among other products, manufactures highly engineered aeroengine components and coatings for commercial and military aerospace companies.

Ensure that the company is using the appropriate amount of water.

Measure energy usage more accurately.

**IN PROGRESS:** Initiating a water balance project.

**IN PROGRESS:** Implementing a metering project.



Carlyle Partners V, L.P.

Syniverse provides technology and business solutions to the global telecommunications industry.

Consolidate customer support personnel to one floor during evening and weekend shifts.

Engage a 2013 EDF Climate Corps Fellow.

Raise the temperature set-point for the corporate data center.

Introduce a carpooling website.

Survey employees to gauge interest in electric vehicle charging stations.

Reduce paper use.

Apply for Earth Charter U.S. Sustainable Business Award.

Reduce emissions associated with supply chains.

**COMPLETED:** Generated annual savings of 290 tons of GHG emissions and 445,000 kilowatt hours of energy, and eliminated 4,576 hours of cooling and lighting.

**COMPLETED**

**COMPLETED:** Eliminated up to four computer room air conditioning units.

**COMPLETED:** Reduced 13,005 miles driven and 11,426 pounds of CO<sub>2</sub> at headquarters.

**COMPLETED:** Obtained charging station estimates for future implementation based on employee need.

**COMPLETED:** Realized quarterly savings of 43,295 sheets of paper.

**COMPLETED:** Won award for large business category.

**IN PROGRESS:** Reduce supply chain emissions by 10% for 2015 goal.



Carlyle Partners IV, L.P.

Veyance Technologies manufactures engineered rubber products, such as conveyor belts, industrial hoses and rubber vehicle track.

Replace two boilers and move to a more efficient steam production process.

**COMPLETED:** Generated savings of more than \$3.4 million annually, reducing utility expenses by an estimated 75%, and decreasing annual CO<sub>2</sub>e emissions by 14,000 tons—representing a total reduction of 47%.



Environmental management and innovation offer competitive advantages for Carlyle and our portfolio companies while creating value for our investors.

### The greening of Carlyle

Large savings in energy use and GHG emissions often come from making a number of smaller steps. For example, renovations at our Washington, DC office included installing light sensors and energy-efficient lighting, and achieving 80% effective recycling and trash sorting during construction. New water coolers have eliminated 3,100 plastic bottles and 1,250 aluminum cans per year, generating annual reductions of 0.3 tons in CO<sub>2</sub> emissions and \$75,000 in costs. In addition, approximately 40% of the office's printers use remanufactured toner cartridges and 100% of copier toner is recycled.

**IT Conservation Efforts** In 2013, we set out to virtualize the IT infrastructure to reduce our overall environmental footprint, consolidate our infrastructure, and ease our server maintenance and management needs. During the first quarter, we decommissioned 39 servers—each with two 500-watt power supplies—in one of our data centers. We will soon retire two more core switches that each use four 1,000-watt power supplies. The department's ongoing virtualization effort will further reduce the number of physical servers in our environment. In addition, our voice over Internet protocol (VoIP) and network refresh projects are replacing all Carlyle desk phones and wireless equipment with Power over Ethernet devices that consume less power than previous generations.



### Connecticut plugs in to a cleaner way to travel

Tesla supercharging stations are part of improvements being made to Connecticut's 23 highway service plazas relating to Carlyle Infrastructure Partners' 35-year public-private partnership with the state. The project involves redeveloping, operating and maintaining the service areas. At right is a Tesla charging station at the newly renovated I-95 Darien Southbound plaza, which reopened in August 2013.





## A new U.S. real estate sustainability framework to enhance returns and environmental efficiencies

We believe that real estate investments offer a number of opportunities for sustainable investing. That's why we developed a new real estate sustainability framework for our investments in the United States. The framework, introduced in 2013, establishes sustainability goals for both real estate acquisitions and ongoing asset management. The objective is to enhance investment returns by increasing environmental efficiencies and reducing waste.

**Acquisitions** For new developments, Carlyle will strive to implement energy-efficient and/or sustainable systems and development standards, working with local governments and/or other regulatory agencies.

For existing real estate, Carlyle will strive to identify physical improvements needed for energy efficiency during investment underwriting using energy audits and/or property condition reports.

Some of the ways we are implementing these ideas include educating and training Carlyle professionals and joint venture partners on standards and best practices, and developing web-based sustainability training for Carlyle professionals.

**Asset Management** Carlyle will strive to operate investments in an environmentally sustainable manner.

We are implementing this objective by creating a baseline of energy efficiencies; utilizing WegoWise (an online tool for benchmarking a building's energy and water use) or Retroficiency (an energy audit software for commercial buildings) for operating assets; considering utility audits on select investments; and integrating sustainability practices and thinking into relationships and practices.

In addition, we are:

- Establishing a U.S. Real Estate Sustainability Committee that meets regularly to identify new practices and ideas.
- Developing a questionnaire for our operating partners to better understand their sustainability practices.
- Identifying vendors that align with our sustainability goals.
- Quantifying and cataloging success cases for internal and external communications.



Our investments in more than 200 portfolio companies have a meaningful impact on over 600,000 employees and on the communities in which we invest.

**Yashili strengthens product quality and corporate integrity**

Guangdong Yashili Group, which Carlyle Asia Partners III, L.P. exited in 2013, is one of China's largest infant formula companies. Carlyle professionals worked closely with Yashili's management team on a number of key strategic initiatives to help the company fulfill its commitment to product quality and corporate integrity for sustainable growth. As part of these efforts, Carlyle helped Yashili establish the Food Quality and Safety Advisory Committee, the first of its kind in the Chinese dairy industry. Carlyle also worked with Yashili to strengthen its management team by recruiting experienced talent to lead the company toward further growth and success, including a Chief Quality Advisor to oversee implementation of product quality control protocols.



## An EDF Climate Corps Fellow helps Syniverse develop global sustainability strategies

Building on continuing efforts to improve environmental sustainability, Syniverse, a Carlyle Partners V, L.P. portfolio company, participated in EDF's Climate Corps 2013 program, along with more than 100 top companies, cities and universities. This was the second consecutive year that Syniverse took part in the summer fellowship program, which places specially trained master's degree students with select organizations to identify energy-saving opportunities. For 10 weeks, Syniverse hosted Mona Benisi, a graduate student at Columbia University studying sustainability management. She identified and analyzed energy-efficiency strategies the company can use to implement more eco-friendly business practices at its offices and data centers worldwide.

## RAC works to lower the carbon footprint of drivers across the UK

With more than seven million members, RAC is the second-largest roadside assistance provider in the United Kingdom. RAC, a Carlyle Europe Partners III, L.P. portfolio company, is constantly looking for ways to encourage greener driving. The company has participated in the EcoValuScreen program, rolled out speed limiters across its fleet and uses satellite navigation and intelligent deployment systems to reduce fuel consumption. RAC is also a sponsor of the annual GreenFleet awards, which recognize companies excelling in the field of environmental fleet management and green transport. In 2013, RAC sponsored the Leasing Company of the Year award, which was presented to the leasing company that has made the biggest strides toward environmental considerations in its leasing policies.



## Fostering positive union relations

Carlyle invests in many sectors of the U.S. economy, some of which include workers who are organized, including the communications, auto, industrial, chemicals and aerospace industries. Carlyle's current U.S. buyout portfolio companies employ thousands who are represented by more than 16 international unions, including the SEIU, UAW, USW and Teamsters.

We have enjoyed positive relations with unions for our 27-year history and were honored in 2013 when Jim Savage, President of the Philadelphia USW Local 10-1, gave the Solidarity and Appreciation award to David Marchick, Carlyle Managing Director and Global Head of External Affairs; Leo Gerard, International President of the USW; and Philip Rinaldi, CEO of Philadelphia Energy Solutions (PES), in appreciation of the work they and Rodney Cohen, Managing Director and Co-Head of Carlyle's U.S. Equity Opportunities team, did to save the Philadelphia refinery. A Carlyle-Sunoco joint venture that began in 2012, PES is investing more than \$300 million in capital expenditures, strengthening the refinery's capacity and creating jobs. The refinery processes 330,000 barrels of crude oil a day and employs more than 1,000 workers.



Leo Gerard (left), International President of the USW; Philip Rinaldi (middle), CEO of Philadelphia Energy Solutions; and David Marchick (right), Carlyle Managing Director, receive the Solidarity and Appreciation award from Philadelphia USW Local 10-1. Mr. Gerard praised the Carlyle-Sunoco joint venture for helping to rescue the struggling Philadelphia refinery.



We work with portfolio companies to help strengthen corporate governance consistent with international best practices.



### Sub-Saharan Africa team shares ESG practices across the continent

When Carlyle made its first investment in Sub-Saharan Africa in 2012, we also developed an environmental and social (E&S) management system specific to the region in partnership with the African Development Bank. In 2013, Carlyle made its second investment in Sub-Saharan Africa under this framework, investing in J&J Africa, a pan-African logistics company specializing in the road transportation of general cargo along the Beira corridor, one of Southern Africa's key trade routes. The Sub-Saharan Africa team anticipates incorporating many of the same programs that were implemented in Carlyle's first investment in the region in Export Trading Group. These programs include adding E&S professionals to the company, encouraging the development of a human resources manual that is responsive to both national labor law and international standards, and implementing an anti-corruption and whistle-blower policy that governs agreements with vendors, employees and acquisition targets.

"In dealing with Carlyle, we have met a truly socially responsible organization, well aware of its ability to shape the future of companies around the globe as well as the well-being of hundreds of employees, households and consumers."

Tim Turner, Director  
Private Sector Operations  
African Development Bank



## Carlyle's Global Senior Leadership Conferences focus on ESG best practices

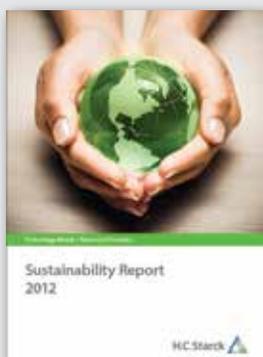
In 2014, Jackie Roberts, Carlyle's new Chief Sustainability Officer, led a presentation for almost 400 of Carlyle's senior professionals. The session focused on building portfolio value with a strong ESG focus—highlighting best, and worst, ESG practices. She also detailed Carlyle's progression from a risk-based approach to a value-creation approach.

During the previous year's conference, Peter J. Clare, Managing Director and Co-Head of U.S. Buyout, and Thomas Rabaut, Carlyle Operating Executive, conducted a session on governance best practices for building boards of directors. The session focused on supporting management teams, recruiting talented and complementary directors, establishing the appropriate board committee structure and integrating the expertise of Carlyle's Operating Executives into board decision making.

## David Rubenstein wins Private Equity International Award



Carlyle Co-founder and Co-Chief Executive Officer David Rubenstein was named Leader of the Year in the 2013 Private Equity International Awards. The award was given based on Mr. Rubenstein's philanthropic contributions and his place at the forefront of an organization that is trying hard to better engage with the wider world as evidenced during the government shut-down, when Carlyle released its own GDP forecasts in the absence of any official figures.



## Reporting on corporate social responsibility efforts

More and more Carlyle portfolio companies see the value of corporate social responsibility reports. One of those companies is H.C. Starck, a German manufacturer of technology metals and advanced ceramics, which published its inaugural report in 2013. H.C. Starck is a Carlyle Europe Partners II, L.P. portfolio company that has defined five key areas for its sustainability activities: raw materials procurement; product quality and innovation; recycling and environmental protection; employee development and occupational safety; and social and community engagement. H.C. Starck's report highlights the company's responsible supply chain management and reiterates its commitment to maintaining conflict-free supply chains, as defined by the U.S. Securities and Exchange Commission.

## Carlyle honored with BVCA Responsible Investment Award



In 2013, Carlyle's corporate citizenship efforts were recognized with a BVCA Responsible Investment Award. The BVCA awards are Europe's only awards that recognize and celebrate outstanding ESG practices within the private equity and venture capital community. The award noted Carlyle's active ESG engagement with portfolio companies and how our established processes—such as EcoValuScreen—contribute to engagement.

## Addison Lee receives GreenFleet Award

Addison Lee, a Carlyle Europe Partners III, L.P. portfolio company, won the 2013 GreenFleet Award in the private hire/taxi category. Addison Lee is a transportation and private hire services company based in London. Judges noted that the company's commitment to the environment from the top down is exceptional. It gets involved in green projects that have no obvious commercial gain and takes every opportunity to seek out efficiencies within its taxi fleet. For example, the company's car share initiatives and traffic avoidance systems keep CO<sub>2</sub>, nitrogen oxides and particulate emissions to a minimum.



## ONE COMMUNITY



We believe it is our fundamental corporate responsibility to support our employees and invest in our communities.

By leveraging our collaborative approach, global reach, industry expertise and access to capital, we are working every day to improve the communities where we live and invest.

This year, Carlyle emphasized employee involvement in local communities. For example, at Junior Achievement's "JA in a Day," nearly 40 employees taught kindergarten through fifth grade classes at Houston Elementary School in Washington, DC. The curriculum, provided by Junior Achievement, focused on financial literacy and entrepreneurship.

Washington, DC and Rosslyn, Virginia volunteers prepare and distribute food for Martha's Table Thanksgiving Pantry Day.



### Global volunteer month

In June, nearly 200 Carlyle employees celebrated the second annual Global Volunteer Month with 12 events in seven locations. Employees cleaned up national monuments, fed the homeless and mentored children from underprivileged or homeless families.

**Washington, DC and Rosslyn, Virginia.** Volunteers from both DC-area offices planted and spruced up the grounds around the monuments on the National Mall. Other employees volunteered at the Smithsonian National Zoo, building wooden bridges for the gibbons and cleaning the Great Bird House. Employees also served meals and cleaned facilities at So Others Might Eat (SOME), a community-based organization that offers comprehensive care for the homeless in the District.

**London.** Carlyle employees kicked off the volunteer season by mentoring a group of teens in the ThinkForward Program, which provides in-school "super coaches" to struggling students from age 14 to 19. The office participated in a clothing and food drive and spent evenings preparing food for Streetlytes, a local homeless shelter. The London office also sent 20 runners to the JP Morgan Corporate Challenge Race to raise money for Wateraid, a charity focused on the water, sanitation and hygiene crisis.

**Tokyo.** Volunteers worked with mentally disabled individuals, providing encouragement while nurturing grape vines at the Coco Farm & Winery; teamed up with Second Harvest Japan to prepare food for soup kitchens, orphanages, emergency shelters and the homeless; volunteered with the Special Olympics; and spent a day cleaning the Shichirigahama beach area.

**Seoul.** Carlyle colleagues volunteered with Babfor to serve free meals to the homeless and elderly. Volunteers made donations for meal expenses, prepared and served the food, and helped with cleanup at the end of the day.

**Mumbai.** Fifteen employees volunteered with the Smile Foundation, spending an entire day with underprivileged children playing games, doing arts and crafts, and serving lunch.

**Shanghai.** Carlyle volunteers participated in the World Expo Green Map Activity, which encourages people to think about their own way of life and how they can live healthier and in a more eco-friendly way.

### Season of giving

During the Season of Giving in November and December, Carlyle offices around the world undertook gift and clothing drives, participated in conservation activities and served the homeless.

**London.** The office donated 81 gifts to the Giving Tree program benefiting Noah's Ark, a children's hospice service, along with stockings, gifts and donations to Help For Heroes.

**Luxembourg.** Carlyle employees organized a Christmas party for children living in a center for patients to receive treatment in a non-hospital setting.

**New York.** Employees collected nearly 150 toys for kids for the Dear Santa Campaign and donated 65 coats for NY Cares. The team also volunteered at Part of the Solution, a local soup kitchen.

**Tokyo.** The office participated in a number of events, including preparing for the Kids Earth Fund 25th anniversary party; cleaning up Akiya beach and the Tokyo Port Wild Bird Park; planting flowers in the Komazawa Park; and serving those in need at Second Harvest Japan.

**Washington, DC.** Employees volunteered with Habitat for Humanity; served the homeless at the Capital Area Food Bank and Martha's Table; donated more than 100 bags of gifts to patients at Children's National Medical Center; provided supplies and food to the Washington Humane Society; cooked and cleaned at the Northern Virginia Ronald McDonald House; and planned a holiday party with Community of Hope.

## A commitment to sharing wealth

Our Wealth Sharing Program supports Carlyle employees in their charitable giving by matching on a dollar-for-dollar basis up to \$2,000 per year for contributions made to educational and humanitarian organizations. This program allows us to work together with employees to give back to the communities in which we live, work and invest across the globe. In 2013, Carlyle matched more than \$200,000 in employee gifts. Charities Trust, a similar matching program in the United Kingdom that matches up to £1,300 per employee per year, raised \$17,500 in 2013—double the amount in 2012. This program enables employees to make one-time or recurring donations as deductions from their earnings to charities of their choice.

## Robert Toigo Foundation: Fostering development of minority professionals

In 2009, Carlyle and the Robert Toigo Foundation launched the Toigo Private Equity MBA Graduate Fellowship, an industry initiative aimed at attracting minority MBA graduates to the sector. Carlyle's very first Toigo fellow, Tanaka Maswoswe, was promoted to Vice President this year. Carlyle's David Marchick serves as Chairman of the Board of the Robert Toigo Foundation.

## Diversity in the workplace

"Carlyle values the opportunity and perspective we gain from an inclusive culture that fosters and nurtures a workplace of diversity," said David Rubenstein, Carlyle's Co-founder and Co-Chief Executive Officer. With 31 women at the Managing Director level or higher—14% of executives—Carlyle has one of the highest proportions of female executives of any global private equity firm. This year, more than half of our Partner promotions were women and minorities and 31% of our Managing Director promotions were women. Our new internal resource, the Diversity & Inclusion Council, sets our strategy and encourages grassroots initiatives. The 13-member steering committee provides an opportunity for leaders from different business areas to develop a strategic diversity plan.

## The Carlyle Brazil Institute: Working to improve education

The Carlyle Brazil Institute is a social initiative of Carlyle employees and collaborators in South America that supports and helps improve education in Brazil. Its mission is to transform education-focused NGOs to enhance the social impact of their efforts. The Institute's distinguishing approach is applying private equity practices to foster social development. The Institute leverages Carlyle's expertise in raising funds, deploying capital and creating value to contribute to the development of select NGOs. For example, through a due diligence process, the Institute selected CEAP PEDREIRA, an NGO that offers courses to students ages 10 to 18 in the district of Pedreira, on the outskirts of São Paulo. Since its inception, CEAP has already benefited approximately 4,500 students.

Hong Kong employees help kids with arts and crafts at the local Ronald McDonald House.





RESPONSIBLE INVESTING



ENVIRONMENTAL STEWARDSHIP



SOCIAL RESPONSIBILITY



GOVERNANCE



ONE COMMUNITY