

SUSTAINABILITY REPORT 2018



TOWARDS
A SUSTAINABLE FUTURE

ARDIAN



Ardian Sustainability Pledge

At Ardian, our codes of conduct are designed to create
a thriving economy and ensure sustainable success



We put sustainability at the heart of our daily business



We design solutions to maximize alignment of interests



We are committed to transmitting the value we create to future generations



We are proof that good practice is good for business

Ardian empowers individuals to collectively create sustainable value for all stakeholders.

Ardian is one of the world's largest private investment managers, with \$90bn under management or advised. We support economic growth and sustainable development through our investments in private equity, primary and secondary fund of funds, infrastructure, private debt and real estate, operating from a global network of 15 offices.

Ardian has always invested with the view that success involves more than just excellent financial returns. Our approach to business is founded on our view that finance has a responsibility to create positive social outcomes: security for the savers and pensioners whose money we invest; good working conditions for employees and a share in the success in our portfolio companies that they help to create; and, a beneficial impact from our activities on wider society. Our experience over many years proves

that this approach can deliver both financial gains and large non-financial benefits, allowing us to build stronger and more resilient companies that provide more attractive opportunities for our investors and better workplaces for their employees. Since our foundation two decades ago, the importance of this thinking has grown enormously for us, our companies, our investors and for society at large. The world's concern about sustainability and its expectations of companies like Ardian have evolved—and thanks to the success that our approach to investment has brought, Ardian has changed as well. We have now reached a size and global reach that means our activities can have a much greater impact on society, both financial and non-financial. We are excited by the opportunity and the responsibility that our global scale gives us, but we also understand that we do not have all the answers. We are clear in our aims and we will continue to experiment and learn so that we can achieve them more effectively than ever.



Foreword

Finance must operate as a force for good in society. Ardian, the company I founded 22 years ago, has long recognized this truth and for the past decade we have been pioneers in putting our ideals into practice. We have experimented and developed our knowledge step by step, innovating and learning as we go to create the most comprehensive and effective approach to sustainability we can devise.

Our very first step on this journey in 2008 was my decision to start sharing the capital gains we realized on exit with all employees of the companies involved. Distributing a portion of our gains whenever possible is now the norm for Ardian: to date 20,250 employees of 27 companies have received a total of more than €48m. Sharing remains a core value for us because it represents our recognition that success—both for companies and for communities—depends on the collective efforts of everyone involved. Shared responsibilities should bring shared rewards.

Over the past decade our conviction that Ardian must be a leader in sustainability has touched every aspect of our activities. It has changed the way we invest and how we measure the performance of our companies and the GPs in our Fund of Funds portfolio. It has impacted how we operate as a company and the contribution we make to society through the Ardian Foundation. And it has motivated us to become outspoken advocates for sustainability among our industry peers.

We have come a long way and now we believe the time is right to draw together the many sustainability initiatives we have set in motion and crystallize them all into a single vision. Our vision of sustainability—across everything we do—is to empower individuals to collectively create sustainable value for all stakeholders.

Setting out our guiding principle formally is a vital step for us. This statement sums up everything we have learned and achieved on our journey so far and makes clear for everyone within Ardian and outside, the ambition that drives our actions.

Ardian has grown into one of the largest private investment managers in the world, but we cannot exist simply to get bigger: we must ask ourselves what purpose our growth serves. Our employees, especially the Millennial generation, strongly believe that Ardian must be part of the solution to the challenges that our societies face: lack of social mobility, environmental degradation, the universal need for sustainable employment and security in old age.

The vision of sustainability that we have put forward represents Ardian's determination to play our role in addressing these challenges.

Dominique Senequier

PRESIDENT OF ARDIAN

Sustainability is about empowering everyone to make a positive difference



Philippe Poletti: Right from the start in 2008, when Dominique Senequier decided we should share the value we created, we thought sustainability was a very important issue for all stakeholders. That's why we were one of the first private investment companies to sign the UN PRI in 2009. However, we soon realized that the thinking on these issues wasn't evolving quickly enough. We wanted to move faster so we decided that no matter what anyone else was doing, we would have to take the lead on some of these topics—like measuring the financial value companies create by improving their ESG performance. If we've tended to develop our own tools and ways of approaching sustainability, it's not because we wanted to be different; just that we wanted enhance the pace of the transition.



Philippe Poletti, Head of Ardian Buyout and Member of the Executive Committee, Chairman of the Sustainability Committee, discusses Ardian's sustainability vision and ambitions with **Candice Brenet**, Head of Sustainability

Candice Brenet: I agree, and I think that's what led to us develop the Ardian way of doing things. We always refer to the international frameworks for Responsible Investment, but we tailor them to fit our investment strategies so they can help us to create value as efficiently as possible. That has usually meant that we've developed our own tools and processes to track sustainability performance across Ardian's different areas of activity. **A lot of our LPs are very concerned about sustainability and we have ongoing dialog with them about how our performance is evolving.** We also have a very distinct way of working with our portfolio companies—we always take care to respect the culture of every company, to understand how they operate and to have a proper dialog with them in order to co-design an ESG roadmap that's tailored to their needs and future development. It's never a top-down approach where we say, 'you have to do this and this'.



We bring resources and help them and their people to do it for themselves. It's all based on our sustainability vision, which is to empower individuals and companies to create sustainable value together.

PP: That's the key to our engagement, we share a common vision to drive our actions going forward. In areas like environmental awareness and initiatives to address climate change, we have seen major progress in our portfolio companies as well as within Ardian itself, through employee-led initiatives like the Green Challenge. Our people are very focused on efforts to address climate change and they expect Ardian to be led by example.

CB: It's the same with our Fund of Funds portfolio. We have the same ambition to empower our partners to operate more sustainably and we want the GPs in the portfolio to spread best practices through their companies. Our aim is always to promote this approach and we're using our influence to fuel the dynamics for a maximum reach of our impact among other GPs and the industry.

PP: Now we want to go further again. Lots of people are thinking about creating impact funds and we have created a dedicated team to look at this idea too. Impact is an important topic for Ardian and one that we are reflecting on a lot, but we decided early on that in our company, impact should not be a niche activity. We are a global

player and we want to think about impact across everything we do, so we've decided to measure and improve the impact of our portfolio companies without accepting any trade-off in financial performance. We believe our companies should have a positive impact while delivering the same returns. We believe that this ambition will drive distinctive returns in the future.

CB: This year for the first time we plan to measure the impact of the companies in our Buyout portfolio using the UN's Sustainable Development Goals as the overarching framework for our own methodology. Again we are aiming to pioneer new approaches to sustainability in our industry.

PP: We're absolutely determined to remain at the forefront and that's why we're also reinforcing the Ardian Foundation. Social mobility is an important topic and the Foundation has done an amazing job so far. Now we need a Foundation that reflects what we are: a large, international player with a global impact.

CB: As Ardian gets bigger we have the opportunity to make a bigger positive impact and we also have bigger responsibilities. I think this development is completely aligned with our culture. **Our 10-year history in the sustainability field is one of experimenting and taking new initiatives every year, and it's been successful.** We have great ambition in everything we do—without any compromise.

"We are a global player and we want to think about impact across everything that we do."

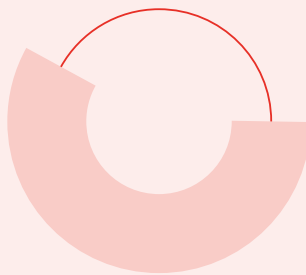
Philippe Poletti

2018 key figures

ARDIAN CORPORATE FIGURES

TOTAL EMPLOYEES:
600 in 15 offices

60%
employees
are shareholders



ARDIAN FOUNDATION

150

employees
are involved
in the Ardan
Foundation

4

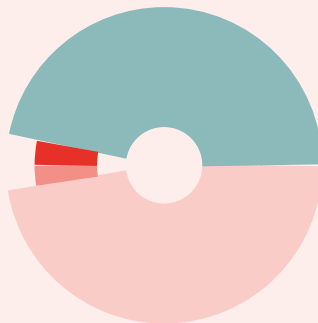


full-time employees in
the Sustainability team
which is responsible
for developing and
implementing the
strategy across all
of Ardan's activities

CARBON FOOTPRINT:
12,320 tCO₂e

4%
Energy

3%
Capital assets



45%
Purchases

48%
Travel



ARDIAN
GREEN CHALLENGE

90% REDUCTION OF THE
MONTHLY CONSUMPTION
OF PAPER CUPS

7,100 cups saved during the Green Challenge
in Paris reaching our target of 90% reduction
compared with a typical month.

OUR PORTFOLIO COMPANIES AND FUNDS

130

COMPANIES IN OUR DIRECT
FUND PORTFOLIOS

1,500

FUNDS



€48m+

were shared by Ardian
from its capital gain with

20,250

employees of 27 portfolio
companies since 2008

SCOPE OF OUR PORTFOLIO ENGAGEMENT PROGRAM

101

portfolio companies have benefited
from a tailored Sustainability
roadmap since 2009

229+

GPs' Sustainability Performance
have been assessed and monitored
since 2011



56

companies were part of Portfolio
Engagement Program in 2018,
comprising 82% of the NAV of both
our Buyout and Expansion portfolios,
100% of the Infrastructure portfolio
and 100% of our Real Estate portfolio



170

GPs participated in our
annual ESG monitoring
survey representing 90% of
our portfolio NAV for Fund
of Funds in 2018



76%

of GPs have best-in-class
ESG results
(3 or 4 stars
out of 4 stars)

Ardian's sustainability story



PROFIT-SHARING

Policy created on the initiative of Dominique Senequier, to better align interests of all stakeholders



Launch of the ARDIAN FOUNDATION

First
**ESG
PORTFOLIO
REVIEW**
of five
companies
in the Buyout
portfolio



Ardian becomes an **EMPLOYEE CONTROLLED COMPANY**

2008

2009

2010

2011

2012

2013



Ardian is one of the first PE firms to become a signatory to the
UN PRI

Transparency to LPs increased by incorporating
ESG SECTION
in Funds' management reports

First
**ESG
MONITORING
CAMPAIGN**
sent to our GPs

Creation of the
**ARDIAN
SUSTAINABILITY
COMMITTEE**



Co-founding
of Initiative
Climat
IC20

ESG training
incorporated in
Ardian University

Publication
of Ardian's
**RESPONSIBLE
INVESTMENT
POLICY**

Ardian
becomes
a member
of the

**UN PRI PE
ADVISORY
COMMITTEE**

Portfolio
mapping
according
to the

**UNITED
NATIONS
SUSTAINABLE
DEVELOPMENT
GOALS**



2014

2015

2016

2017

2018

**FINANCIAL
ASSESSMENT**
of ESG initiatives



**CARBON
FOOTPRINT**
of Ardian
calculated for
the first time

Creation of the
**MILLENNIAL
EXECUTIVE
COMMITTEE**



Launch of the
**ARDIAN
GREEN
CHALLENGE**

Our people are committed to leading by example

Being a leader in the investment industry, it is both desirable and necessary for Ardian to be at the forefront of how sustainability is ingrained within the core of the business.

THE GREEN CHALLENGE: REDUCING THE ENVIRONMENTAL IMPACT OF ARDIAN'S OFFICES ONE STEP AT A TIME

We want to promote our sustainability agenda inside the company and outside, and especially to reduce the impact our everyday activities have on the environment. We have developed the Green Challenge to set ourselves small, easily achievable goals that in the long term will deliver meaningful improvements.

The challenge created great employee engagement, reinforced our commitment to taking concrete actions to support our beliefs and showed the impact we can have when we all change our behavior in small ways. For the next round of our Green Challenge, we plan to reduce our use of plastic bottles in the Paris office, organize an internal conference on Zero Waste, and extend the initiative to our international network in collaboration with the Millennial Executive Committee.

PROFIT SHARING

We have been encouraging wider profit sharing by our portfolio companies for more than a decade and have recently extended the internal profit-sharing program from our French entity to include every Ardian employee globally, regardless of whether or not they are shareholders in our company. As a result every member of staff shares in the profits Ardian generates.

Each year Ardian allocates a portion of its profit to each employee. While this is a mandatory requirement for companies of a certain size in France, what's innovative at Ardian regarding this approach is:

- The amount distributed to each employee is equal and does not depend on seniority in the company or rank or salary.
- It has been extended beyond legal requirements to all other offices abroad so all employees at Ardian can benefit from this profit sharing.

EMPLOYEE OWNERSHIP

One of Ardian's most important and distinctive features is our ownership structure: we are an employee-controlled company in which staff own **55% of the share capital. Around 60% of our staff are shareholders** and we are constantly adding to that number as new joiners take the opportunity to invest.



ARDIAN WOMEN'S CLUB

We launched Ardian Women's Club in May 2018 to create a mutual support network for female employees that enables them to meet regularly, expand their professional networks and discuss topics of common interest. The club provides female volunteers to act as mentors to its members, 30 of whom are now receiving a one-year program of one-to-one support and advice. It also holds debating workshops, conferences and sponsored sports events in support of charity. The first chapter of Ardian Women's Club was launched in Paris but we intend to expand the club to our international offices.

30

female employees received one-year's mentoring from a senior female employee

PREVENTING DISCRIMINATION

In order to attract and retain the most talented people, we believe that it is important to develop innovative HR policies that prevent discrimination on the grounds of personal characteristics, qualities and beliefs. We encourage diversity among our employees and look to our Equal Opportunities Officer to take the lead in supporting our efforts and ensuring everyone receives the same fair and transparent treatment. We have a formal statement of equal professional opportunities between men and women and quality of working life.

We apply this in three major areas:

- **Recruitment:** where we apply selection criteria based solely on personal skills and ability.
- **Training:** where we ensure equal access to opportunities to develop skills and attain qualifications.
- **Career Development:** our annual staff reviews are undertaken by managers trained to assess progress and propose professional development programs objectively and without discrimination.

YOUNG EMPLOYEES

We also believe it is important to take into consideration the youngest generation of employees. Every member of staff under 26 receives mentoring from a senior colleague. In 2016 for its twentieth-anniversary, Ardian decided to take the time to reflect on what the next 20 years should bring Ardian. One of the main outcomes was the **Millennial Executive Committee** which aims to allow younger Ardian employees to propose the projects they want the company to pursue and to have direct input into the decision-making of Ardian's Executive Committee.



Amplifying our contribution to society by increasing social mobility

Through the Ardian Foundation, our company donates a share of its profits to initiatives that promote our vision of social mobility, while more than 150 of our staff support these programs personally by giving their time, money and knowledge.

The Foundation currently funds 24 charities across seven countries, all of which provide educational opportunities to talented primary and secondary schoolchildren from disadvantaged backgrounds and workplace skills for young people. More than 100 of our staff act as long-term personal mentors to the young people these programs support, helping them to develop their personal skills and reach their academic potential.

To reflect Ardian's increasing scale, we have decided to give the Foundation a much larger budget for future years. We aim to significantly increase Ardian's donations to the Foundation's budget from the current €1.3m per year over the next three years.

At the same time, we intend to turn the Foundation into a truly global organization by devolving more responsibility to our network of global offices. We have appointed local country managers for the Foundation in our international markets, enabling staff on the ground to choose the social mobility programs they wish to support and increasing employee engagement with the Foundation's work. This has already led to the Foundation supporting seven projects suggested by members of our staff.

"The Foundation has two major aims. It allows Ardian as a company to give back to the community, and it gives our staff an easy way to dedicate part of their time to philanthropy and voluntary work."

YANN BAK

President of the Ardian Foundation





3,2,1 second edition's contestants

As part of the Foundation's expansion, it now works to promote social mobility through entrepreneurship, as well as education and skills. This links the Foundation's activities even more firmly to Ardian's three founding values: Excellence, Loyalty and Entrepreneurship.

3,2,1 is our flagship entrepreneurship program. Launched in May 2017, it aims to boost the local economy in deprived districts of Greater Paris by supporting unemployed people who want to start their own business. Successful applicants receive six months of training and mentoring from Ardian employees and staff from our partner organizations, after which they pitch to the 3,2,1 Investment Committee for grant funding to launch their business. The program is now working with its second

intake of nine entrepreneurs. The 2019 business proposals include: a textile recycling business, an eco-tourism website, a home organizer, a well-being co-working space, bags and accessories using wax and bathi print, a tennis academy, a furniture design business and a photographic agency.

We plan to expand 3,2,1 further and will carry out an impact study on the results after the end of the second program in May 2019.

Collaborating with our community for sustainable finance

Ardian has a long history as a pioneering advocate of sustainability in the private investment industry.

We have helped to lead major industry-wide sustainability initiatives and contributed our expertise as leaders in this field to help codify and promote the guidance on best practice for both GPs and LPs published by the UN PRI. Candice Brenet, our Head of Sustainability, and senior colleagues regularly speak at international events to promote our sustainability vision to a wider audience.

Ardian has been a member of the UN PRI Private Equity Advisory Committee since 2017 and advises the PRI Executive Board on the strategy and execution of the PRI Private Equity work stream. It is composed of signatories that are demonstrating leadership in the implementation of the Six Principles in PE investing. The work stream is at the forefront of exploring the possibilities of ESG integration within PE investing, working with other industry associations to deliver widespread impact.



ARDIAN'S UN PRI SCORECARD FOR 2018

We achieved industry-leading scores for our Environmental, Social and Governance practices in 2018 from the world's leading Responsible Investment organization, the UN PRI.

A+

Ardian was rated A+ in five of the six modules it reported on: ESG Strategy and Governance, Direct Private Equity, Direct Infrastructure, Fund of Funds Private Equity, and Fund of Funds Infrastructure.

A

In the sixth module, Property, Ardian achieved A against a median score of B. These results demonstrate our global leadership in sustainability performance against the most widely followed industry benchmark, and reflects all the hard work we put into effectively embedding sustainability into the full range of our investment activities.



INITIATIVE CLIMAT 2020

In November 2018, the UN PRI endorsed Initiative Climat 2020 (IC20), the French climate change initiative that Ardian co-founded with four other GPs in 2015, following the COP21 climate change agreement signed in Paris. Since its launch, 27 French private equity companies have joined IC20. By 2020, IC20 signatories are committed to measure the direct and indirect greenhouse gas emissions of all portfolio companies in which they hold a significant or majority interest, and to put in place plans to mitigate and reduce them.

At Climate Finance Day in November 2018, the PRI formally backed the IC20 initiative and its chairman, Martin Skancke, urged private equity managers worldwide to adopt it. IC20 is now hosted on the PRI's online collaboration platform and the PRI is working to raise awareness of it globally.

"IC20 is an effective driver for GPs, alongside private companies, to foster concrete action to preserve the planet."

CANDICE BRENET

Head of Sustainability,
Ardian



FRANCE INVEST

Ardian is a leading supporter of sustainability initiatives at regional level. Candice Brenet serves as Chairwoman of the France Invest ESG Commission, a national industry organization that includes almost all the private equity, infrastructure and venture capital investment managers operating in France.



Sustainability

in our investments

Ardian is a pioneer of Responsible Investment in Private Equity and Real Assets.

Our Sustainability team consists of four full-time specialists and the leadership of our company is deeply involved in implementing our Responsible Investment agenda.

We believe that Ardian is in a position to be a very influential force for improving sustainability performance, thanks to its major ownership positions in scores of companies. This gives our efforts a 'multiplier effect' that few other businesses of our size can match.

To ensure we use our position as effectively as possible, we have developed proprietary ESG tools and

measurement systems for each of our activities to monitor and improve performance in our portfolio companies. In applying them, we take a highly pragmatic, tailored approach that identifies and addresses the most material issues for each company, depending on their situation. We have never believed that 'one size fits all' where ESG is concerned.

Our portfolio engagement program has included pioneering analysis quantifying the financial value we created through ESG improvement programs.

These efforts are a reflection of our collective ambition as well as of the strategic importance sustainability has gained within Ardian over the past decade.

Maximizing the positive impact of our investments with a tailored approach

Ardian follows distinct policies and processes for each of our investment activities which we apply at every stage of the investment process.



ONE STEP FURTHER FOR SOCIAL AND ENVIRONMENTAL GOOD



CLIMATE CHANGE

Climate change is clearly one of the most important collective challenges for the foreseeable future. In order to address this, Ardian has been extremely active over the past few years, engaging with climate change issues on numerous fronts and especially at industry level; we are a co-founder of Initiative Climat 2020 (IC20), which calls on GPs based in France to measure and reduce the carbon footprint of their majority owned companies. Ardian leveraged its position within the UN PRI and France Invest organizations to promote IC20 as an international framework for the global PE industry to contribute to COP21 objectives. The UN PRI has endorsed IC20 and recommends that GPs globally adopt it.

We receive increasing scrutiny from LPs during due diligence on our treatment of climate change risks and we see increasing appetite for regular reporting on this subject. Our existing company-level ESG engagement program identifies climate-related issues for each business and addresses them through the improvement plans we agree with the management team.

IMPACT

During 2018, alongside our largest Portfolio Engagement Program to date, we also undertook our first-ever mapping of the impact of Ardian's Buyout, Expansion and Infrastructure portfolio companies, using the framework provided by the UN's 17 Sustainable Development Goals for 2030*. This exercise widened the scope of our previous work, focusing not only on how sustainably each company operates its business but also on the wider social impact they have through their supply chains and the products and services they sell.

The next step is to develop a methodology to measure and monitor our companies' impact on society from acquisition to exit for our existing funds, with impact scores at portfolio company level and fund level. We will start with the Buyout portfolio and hopefully increase the scope in upcoming years. In launching this work, Ardian is once again well ahead of other generalist GPs in making sustainability principles an integral part of its investment process.

We believe that by monitoring and improving our companies' social and environmental impact, and setting specific goals to improve our impact during the holding period, we will have a positive impact on society as a whole.



*THE UN'S 17 SUSTAINABLE DEVELOPMENT GOALS

Also known as 'Global Goals', UN SDGs help to focus on what needs to be achieved and measured in order to address global challenges. Designed by the UN General Assembly and adopted by 193 states, the UN SDGs shape the debate by providing the framework used by more than 65% of PE investors when an additional 71% of businesses have already planned how they will engage with the SDGs.

CASE STUDY: BUYOUT

Seeking opportunities in fighting climate change



ITALMATCH

Global producer of specialty
chemical additives



Headcount:

552

Turnover:

€400m



Main sites:
Belgium, Germany, Italy,
Poland, Spain, UK,
Brazil, US, China,
Japan

Ardian Buyout invested in Italmatch, a specialty chemicals company making additives for lubricants, plastics, water and oils, in 2014. Initially, we worked together to set a group CSR policy and strategy, implement common environmental reporting and management systems, and conduct energy audits at all sites. Then in 2017 we supported Italmatch in a project to identify opportunities to create innovative products to respond to environmental change.

CLIMATE CHANGE INITIATIVES

In 2017, Ardian supported Italmatch to use the Taskforce on Climate Related Financial Disclosure framework to assess the company's exposure to long-term risks from climate change and look for long-term opportunities. To take this work further, Italmatch created a three-strong Beyond Innovation team to evaluate the likely impact of six major environment-related trends and to assess their long-term impact.

KEY ACHIEVEMENTS

28,000+
of CO₂ emissions avoided

i.e. **50%**
of 2017 total direct emissions,
which represents
€3.9m of energy cost savings

12%
cut in the amount of waste per
ton of raw materials consumed
between 2015 and 2017

Using technology to drive positive change



Safeguarding the marine and land environment and providing information to support sustainable development is at the heart of CLS's business. The company, which Ardian Expansion acquired in 2013, contributes directly to the achievement of the UN's 17 Sustainable Development Goals in numerous areas.

During Ardian's ownership period CLS has refined its mission to focus on contributing to the protection of the planet and the sustainable management of its resources. At the corporate level, the company has also made important progress in its sustainability policies.

KEY ACHIEVEMENTS

In 2017, 60% of CLS's revenues came from activities that directly support the achievement of the Sustainable Development Goals:

41%
of revenues in Climate Change and Biodiversity

Since 2017, CLS satellite services have been used to determine the position of boats using the company's data centers. This activity, accounting for 21% of CLS's revenues, contributes to the detection of illegal fishing and supports the preservation of aquatic animals and marine biodiversity.



Sea turtle equipped with argos satellite transmitter ©CLS

13%

of revenues in Economic Development, Sustainable Cities and Communities

CLS provides hydrology services, monitoring risks such as pollution and floods (1% of revenues) and undertakes crisis mapping of earthquakes and monitors rapid recovery plans (5% of revenues).

6%

of revenues in the Fight Against Poverty and Empowerment of Vulnerable Communities

8,300 humanitarian vehicles are managed thanks to satellite monitoring provided by CLS. This activity, which accounts for 5% of the company's revenues, helps to ensure humanitarian convoys can deliver vital supplies to populations in need, and therefore directly contributes to calling for the eradication of poverty.

CASE STUDY: REAL ESTATE

Ardian's sector-leading ESG framework



Real Estate is Ardian's newest activity and from the outset we have developed a tailored ESG approach for this asset class to ensure that we achieve the highest standards in the real estate industry.

We are committed to delivering measurable improvements in ESG performance for every property in our portfolio during our holding period and to integrating ESG factors at every stage of the investment process, from due diligence to exit. Our approach places special emphasis on monitoring and improving environmental performance and energy efficiency, working to improve our tenants' satisfaction and well-being, and achieving internationally recognized sustainability certification for every asset. We have also set out a Code of Conduct for all suppliers to our Real Estate Funds, covering areas such as employee welfare and business ethics.

We assess ESG performance against our proprietary scoring system—Ardian Real Sustain—developed especially for Real Estate investments. The results are converted into quantitative scores under seven headings, creating a baseline from which our progress in implementing an action plan during the holding period can be regularly assessed to gauge progress.

In 2018, the UN PRI's first assessment of our Real Estate ESG performance awarded Ardian an A—above the median score for the industry—demonstrating that we have implemented best-in-class ESG practices from day one.

PWC HEADQUARTERS VIA COLOMBO 80, ROME

Our first ESG assessment of the property in summer 2017 identified problems with the building's condition, suitability for modern styles of open-plan working, energy efficiency and access to natural light. The tenant, PwC, was dissatisfied with the outdated floorplans and high running costs, and was considering vacating the property.

We consulted PwC to understand their needs and drew up a full refurbishment program with their assistance.

The main changes we undertook improved both working conditions and the building's environmental impact:

- . **We redesigned the façade**, allowing greater use of natural light through light shelves. This increased the internal area reached by natural light by 70% and produced savings of 46% on electricity for lighting and more than 15% on energy use for cooling during the summer;
- . Our internal refurbishment **created a modern, double-height entrance lobby** and flexible open-plan working spaces suited to PwC's smart working concept;
- . **We created a fitness room**, i-work café and a lounge for PwC staff;
- . **We certified the building** to the BREEAM and LEED protocols, the industry standards in Real Estate.

As a result of our work we created 1,200sqm of additional leasable space, signed a new lease agreement with our main tenant at a rate well above our underwriting business plan, and created a unique building in Rome with an international AAA tenant on a long lease.

CASE STUDY: INFRASTRUCTURE

Building a clean power champion

Ardian has a long and successful track record of dynamically owning and operating renewable energy assets. Since 2007, Ardian Infrastructure has built a diversified portfolio across wind, solar, hydro and biomass technologies together totaling 3GW. Investing in renewable energy assets brings together high value features: optimize returns and contribute to address climate change. The team invested in locations in Europe and the Americas that are efficient for renewable energy production. For instance, on the Northern edge of Norway, the South of Italy and the desert of Atacama: our assets are located where irradiation and wind capacity are the best.

Going forward Ardian Infrastructure will continue growing renewable platforms with a buy, build and develop strategy, premised upon an industrial value creation approach.

Our renewables portfolio is a competitive source of green electricity. In North America, the cost of generating electricity from onshore wind and from gas-fired plants is comparable. There is no need for public subsidies. On top, technological improvements will continue to increase renewable assets' efficiency in the future, while the developments in battery and storage are likely to give them the same reliability as fossil fuels for power generation.

OUR GREEN ENERGY TRACK RECORD

(as of first quarter 2019)

3GW

Ardian Infrastructure clean energy production capacity across 9 countries – enough to power more than 1.5 million households



Question to Mathias Burghardt,

Head of Ardian Infrastructure and Member of the Executive Committee

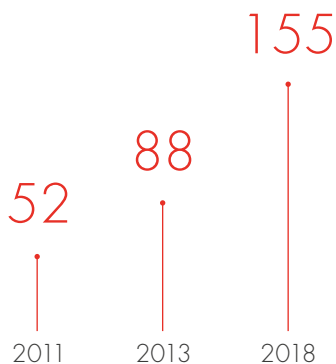
How do you make sure that your companies take ESG factors into account?

"In all our investments we seek to align the interests of all our stakeholders, by ensuring that ESG objectives are included in the variable compensation schemes for every management team running Ardian Infrastructure assets. These KPIs are often linked to the health and safety of employees, including accident rates for example, and also to environmental targets where relevant. We are driven to guarantee the best outcome for our portfolio companies' employees, users, local communities and our investors."

Actively engaging with GPs

We are the world's biggest investor in secondary Fund of Funds assets, with a portfolio of \$51bn, as well as being a major provider of primary capital to General Partners around the world. As such, we have close links with more than 200 GPs, mainly in Europe and North America.

Number of GPs who participate in our annual ESG campaigns:



The scale and importance of our activities in Fund of Funds give us a unique position in these markets as well as the responsibility—as a signatory of the UN PRI and a supporter of the ESG Disclosure Framework—to monitor ESG performance and promote best practice. We have responded by developing a proprietary framework for assessing ESG performance among our GPs. We believe this results in the most comprehensive assessments of this sort carried out by any private investment manager in the world.

Since 2011, we have been gathering information from GPs using a self-completed questionnaire comprising more than 40 questions, and use the results to score each GP on a scale of 1 to 4 stars. We examine each GP both in terms of their investment practices and their application of ESG principles as a company.

This results in two main outputs: a regular ESG benchmark for our entire Fund of Funds portfolio in aggregate, for us to see how its ESG characteristics are evolving; and an individual ESG scorecard for each GP that completes the survey, highlighting best practices and areas for improvement.

“We have very powerful levers to disseminate best practice”



Benoît Verbrugghe,
Head of Ardian US, Head
of Investor Relations and
Member of the Executive
Committee, discusses
the Fund of Funds team’s
approach to working
with GPs to improve
ESG performance

Benoît Verbrugghe: We’ve been monitoring our GPs’ ESG practices for seven years now and we’re clear that ESG integration is here to stay—the trends are positive everywhere and particularly in the US, both in terms of investment activities and among GPs at the corporate level. ESG is becoming mainstream because investors understand that sustainable, long-term growth is possible only if we properly address ESG consideration issues, both to manage risks and create value.

As an investor in Fund of Funds, we have a role to play in ensuring our industry’s growth is sustainable and we have very powerful levers to disseminate ESG best practice across our community of 200-plus GPs.

If we see the ESG performance of our portfolio getting better, it is also because we strive to select GPs with good ESG practices and those willing to work on improving their performance. We assess ESG factors systematically during our due diligence for all transactions, and for primary investments the results account for 10% of the final investment decision, demonstrating the importance we place on sustainability.

Latest campaign shows ESG ratings climbing



80%

of GPs report that
they have a formal
ESG policy

Our most recent GP survey showed that ESG practices are continuing to improve across the portfolio, with almost 80% reporting that they have a formal ESG policy. This figure has been rising steadily since we launched our survey—in 2014 it stood at just 50%.

Similarly, 45% of those who completed our GP survey are signatories of at least one Responsible Investment-related initiative. Within this group, the UN PRI is by far the most frequent choice: 83% say they are signatories, up from 74% previously.

HOW OUR GPS' ESG SCORES ARE EVOLVING

Out of 155 GPs who completed our latest survey, 25 did it for the first time

▲ **40 GPs**

increased their ESG rating compared with last year—this is a marked improvement: only nine GPs managed to improve their score from 2016 in our 2017 survey

▬ **87 GPs**

maintained their score from last year

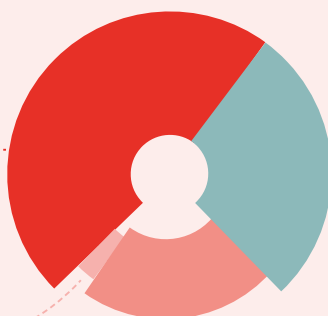
▼ **3 GPs**

saw their rating **fall** (2%)

CURRENT PORTFOLIO BREAKDOWN

★★★★
49%
of NAV
vs. 11% in 2016

★
2%
of NAV



★★★
27%
of NAV

★★
22%
of NAV

We see a close correlation between GPs who achieve 4 stars for their ESG performance as investors, and those who also achieve the same rating for their commitment to ESG at a corporate level.

SURVEY METHODOLOGY

Ardian's ESG Monitoring survey overviews two types of information: commitment to ESG as a company (corporate level) and commitment to ESG as an investor (throughout the investment process). The aim is to assess the Environmental, Social, and Governance criteria integration as well as the Responsible Investment practices of the managers of the funds it invests in. Every question on the ESG Monitoring survey is assigned a specific weight and a specific rating is attached to each answer. For each ESG sphere of activities, GPs can obtain a maximum rating of four stars.

HOW FINANCIAL PERFORMANCE RELATES TO ESG PERFORMANCE

74%

of GPs with outstanding financial performance have best-in-class ESG results (3 or 4 stars out of 4 stars)

★★★★
10% → **33%**

Between 2017 and 2018 the proportion of 4-star rated GPs with outstanding financial performance rose from 10% to 33%

GPs strengthen their commitment to sustainability



CSR Policies



The vast majority of GPs now have a formal CSR policy (78%), although they rarely go beyond general principles – just 30% of CSR policies include specific investment guidelines. GPs based in Western Europe (87%) are the most likely to have a CSR policy, although GPs in North America are adopting them rapidly (73%, up from 51% in 2015).

Only 20% of GPs in our survey have an ESG Board, but **this proportion has risen from 16% in the previous year.**



Diversity



Two-thirds of the GPs in our survey say that between 30% and 49% of their staff are women. But the proportion of woman in executive positions remains low: in this group, just 6% of staff at executive levels are women.

Overall, only one GP reports **having at least 50% of its executive positions occupied by women.**



Philanthropy



70% of our respondents say they pursue philanthropic initiatives. Of this group, a third come from Western Europe, a quarter from North America, 10% from Asia and 32% from the rest of the world.

Some 33% of respondents said their companies' philanthropic programs were overseen by Executive Board members.

In 40% of cases (up from 28%) employees contribute to the management of the GPs' philanthropic projects.

TRENDS AT THE PORTFOLIO LEVEL

Our survey findings demonstrate a number of positive developments in our Fund of Funds portfolio, including widespread integration of ESG considerations at every stage of most GPs' investment process.

93%

of respondents say they incorporate ESG assessment **into their due diligence**, with 77% doing so on a systematic basis (up from 68%)



In the due diligence phase, exclusion of certain activities is still the most popular approach (62%), but we are also seeing growing uptake of specific ESG due diligence (47%) and the use of ESG questionnaires for management teams (19%). These were the two fastest growing answers over the past year, increasing from 39% and 11% of respondents respectively.

92%

of GPs integrate ESG considerations **into their investment decisions** (stable since last year)



In investment decisions, the most frequently used tool is an ESG section in the Investment Memo (57% versus 48% previously). However, the great majority of GPs who integrate ESG into their investment decisions say they do so informally (83%). Some 29% say they include ESG targets in their 100-day plan for each investment.

77%

say they assess ESG **during their holding period** (up from 66%)



During the holding period, some 77% of GPs say they monitor ESG issues (up from 69%), with informal assessments (72%) and ESG monitoring questionnaires (66%) being the most popular tools. Sustainability Officers sit on the management committees of portfolio companies in 17% of cases, though these are mainly part-time CSR Officers who also have investment responsibilities.

- 60% of GPs have a part-time CSR Officer (up from 47%);
- 13% have a full-time CSR Officer (stable).

67%

say they assess ESG **on exit** (up from 61%)



At Exit, GPs increasingly integrate ESG issues into their processes (67% of respondents, up from 51%). A third carry out vendor due diligence that includes an ESG section, 24% assess the ESG impact of potential buyers, and 19% measure value creation due to improvements in ESG practices.

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