ARDIAN Investment UK Ltd Pillar 3 Disclosure

This disclosure is made by ARDIAN Investment UK Ltd. (the "Firm") which acts as an investment manager and advisor to private equity funds. This document meets the Firm's obligation under Chapter 11 of the BIPRU Sourcebook in the Financial Conduct Authority ("FCA") Handbook of Rules and Guidance.

The Firm's regulator has implemented rules in its Handbook under which authorised investment managers must determine the amount of capital for internal prudential and proper corporate governance and senior management responsibility purposes that must be retained to adequately meet future business activities and mitigate against challenges to the prudential soundness of those firms.

The FCA has created a three Pillar framework in order to address these risk-linked regulatory capital requirements.

> Pillar 1 sets the minimum capital that must be maintained by an authorised entity to meet credit, market and operational risk.
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> Pillar 2 requires a firm to assess firm-specific risks and maintain additional capital as needed to ensure adequate capital will be available in the event that a risk materialises. Pillar 2 sees the creation of an Internal Capital Adequacy Assessment Process ("ICAAP") which links risk to capital for internal capital management purposes.
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> Pillar 3 goes a step further from Pillar 2 and instructs authorised firms to present information about its risk assessment, risk management processes and outcomes, and to publish the resulting capital position in a public disclosure document.

The rules require the disclosure of material information, however recognise that certain information must be excluded from the public disclosure document due to it being proprietary or confidential, in particular when such disclosure could adversely impact the value of a firm's investments, undermine its competitive position, or breach a contractual or other requirement of confidentiality.

Information is considered:

(i) "Material" - if its omission or misstatement could change or influence the assessment or decision of a user relying on that information.

(ii) "Confidential" - if there is an obligation binding a firm to confidentiality.

(iii) "Proprietary" - if sharing that information would undermine a competitive position.

The Firm's Board of Directors possess the appropriate expertise and experience to control the Firm's activities. The Firm's Board in coordination with its Parent and affiliates set the Firm's strategy and risk appetite. The composition of the Board adds to the level of understanding of how the Firm fits into its client relationships with Funds. The Board is composed of the following members:

Dominique Senequier President ARDIAN	CF 1 - Director	Supervisory Director
Vincent Gombault Member of ARDIAN Exec Committee	CF 1 - Director	Supervisory Director
Benoit Verbrugghe	CF 1 – Director	Operations Director
Olivier Decanniere	CF 1 - Director	Operations Director
Michael Ferragamo	CF 1 - Director	Operations Director
Andrew Liau	CF 1 - Director	Operations Director
Ingmar Vallano	CF 1 - Director	Operations Director

Ardian UK has given consideration to the possible risks it may confront over the coming five years, and within the ICAAP process, we make extensive use of the Ardian UK 2019 Entity Risk Self-Assessment (ERSA) conducted by the Risk team. Of the risks examined, we have concluded that most, including any possible market risk or credit risk, have little impact on our ability to create and receive revenue. Our fees are generated by contracts with affiliated products that have at least a 10-year lifespan. The process of assessment and conclusions drawn, have been discussed and documented in detail to support this view.

Ardian Group has a formal process for making risk assessments of its main operating entities. A formal ERSA was duly made for Ardian UK in Q2 2019. Interviews were conducted with senior management and the teams of all support functions to identify, classify and consider the main risks facing the Company, including an evaluation of relevant operational risks. A summary of findings was discussed with the Head of Ardian UK at the end of the process, and was later reflected in the Risk Register before being tabled for discussion by the Board. The 2019 Ardian UK ERSA was used extensively in the ICAAP process / assessment as a basis for the Pillar 2 operational risk model.

Additionally, the Ardian UK Risk Radar is presented at least quarterly to the Board of the UK business, providing clear and consistent information on the risks most pertinent to the business.

In considering the level of financial resources the business should retain, the Company gives continual consideration to the internal operations and to the external operating environment. The Risk Radar and periodic risk assessments provide a structured, coordinated and documented approach by which the leaders of the organisation can consider and respond to changes in the type or scale of risks that we face.

The table below details the FCA risk categorisations, and the associated assessment of each risk with respect to Ardian UK

FCA Risk Categorisation	Ardian UK Entity Risk Assessment Definition	How Assessed For CRD Purposes
a) Credit risk	Financial Risk	Ardian UK has counterparty credit risk due to the cash holdings in current accounts in the UK and through intra-company fee sharing arrangements. Counterparty credit risk is assessed via a stress test on expected revenue.
b) Market risk	Financial Risk	There is limited correlation between distress in public asset markets and the management fees expected by Ardian UK. Longer-term strategic risks associated with lower investor appetite for private equity as an asset class are considered by the Board, but this does not have a market risk implication for CRD purposes. Ardian UK does have has some currency risk, as the majority of its fees are denominated in US dollars and some in Euros, whereas its expenses are predominantly in UK sterling. Exposure is monitored closely, and an appropriate level of capital is held based on a detailed risk assessment.
c) Liquidity risk	Financial Risk	N/A - fees are fixed by contract and most are paid quarterly in advance. Fees are not directly tied to fund performance. Further, investors do not have redemption rights to withdraw committed capital from Funds.
d) Operational risk	Operational Risk	Ardian UK identifies relevant operational risks within its Entity Risk Self-Assessment, and these are quantified and allocated capital based on our assessment.
e) Concentration risk	Financial Risk	Ardian UK holds cash in two instant access current accounts (HSBC and RBS, both in USD, EUR and GBP). The HSBC account is the main account for receiving income. USD and EUR are periodically converted to GBP within the RBS account, to settle operational expenses. The associated credit risk is also considered within our risk / capital calculations.
f) Residual risk	N/A	N/A - The Company maintains enough capital for an orderly wind-down
g) Securitisation	N/A	N/A – The business does not securitise assets.
h) Business risk	Financial Risk	Loss of clients might impact future earning potential, but would not change current revenue projections because fees are set by contract and are visible for several years in future. Any strategic change to the business would be easily identified by senior management.
i) Interest rate risk	Financial Risk	N/A - Ardian UK has no debt, so no significant interest rate risk.
j) Risk of Excessive leverage	Financial Risk	N/A - Ardian UK has no debt. We also note that none of our funds meet the AIFMD definition of leverage.
k) Pension obligation risk	N/A	N/A - There are no pension obligations accruing to the business
l) Group Risk	Operational Risk	Ardian UK is reliant on group insourcing for different activities such as IT, Tax or Human Resources, which are performed in France. Insourcing is considered as part of the ERSA. Additionally, the UK office provides services to other Ardian entities globally (i.e. Risk), and receives large management fees which are ultimately paid to the Parent in the form of dividends.

The Firm's Pillar 1 capital requirement is the greater of:

- Base capital of €125,000
- The sum of the market risk requirement and credit risk requirement; or
- The Fixed Overhead Requirement.

Within the parameters outlined as an AIFM firm, a secondary 'minimum capital requirement' test is also considered, being;

- The Fixed Overhead Requirement (FOR); plus
- AIFMD Insurance requirement (0.01% of NAV)

The Firm's Fixed Overhead Requirement is the greater of these possible base levels and therefore the market risk and credit risk are considered adequately met.
The Firm holds capital significantly in excess of its Pillar 1 requirement at December 31, 2018 and foresees no impediments to continuing to hold capital in excess of the Fixed Overhead Requirement in the future.

The Firm's Pillar 2 Capital represents its assessment of Operational Risk. This position was reached following completion of a detailed risk assessment of the business. The Risk team summarise this data, and for each risk considered, the final likelihood / impact assessment is presented. This presentation includes commentary explaining the underlying rationale, and also outlines the expected financial loss for Ardian UK based on the internal scenario. This in turn drives the Capital resources which are allocated to further support the ability of the business to manage any likely resultant impact.

Stress Tests were conducted to determine the potential impact of various possible events on the financial viability of the Firm.

The Company has considered several Stress Test Scenarios:

1. Market risk (currency and equity market fluctuations);
2. An Operational risk joint event;
3. A personnel crisis;
4. Loss of clients

The Firm has designated certain individuals as the firm's risk takers. The aggregate remuneration for these individuals is £19,548k.

The summary of accounts reflects the Firm's 31 December 2018 audited financials.

Tier 1 Capital - 2018	**£000**
Share Capital	1,050k
Audited Reserves	21,017k
Deductions from CET 1	(10,508)k
Current available regulatory capital	**11,559k**

15th October 2019