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 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 and as such its disclosure may 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 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 sets 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	Executive Director
Olivier Decanniere	CF 1 - Director	Executive Director
Michael Ferragamo	CF 1 - Director	Executive Director
Andrew Liau	CF 1 - Director	Executive Director

Risks and mitigating factors are identified through analysis of the Firm's operations and consultation with directors and the investment team. The compliance officer documents each risk and scores it as to probability and impact. The probability and impact are set based on the past occurrence of a risk, the Firm's business activities, and mitigating factors. These aspects of risk management, review and reporting are subject to review by the Board. Due to the direct involvement and oversight by the Firm's four Day to Day Management Directors, the Firm's activities are constantly monitored and any possible risk to the Firm is reviewed and resolved as quickly as possible. The full Board is informed of any possible substantial risk and is actively involved in remedying these situations or matters.

FCA Risk Categorisation	Ardian UK Entity Risk Assessment Definition	How Assessed For CRD Purposes
i) Credit risk	Financial Risk	Ardian UK has counterparty credit risk due to the cash holdings in current accounts in the UK. Counterparty credit risk is allocated capital based on the methodology detailed in the company's full ICAAP
ii) Market risk	Financial Risk	There is limited correlation between distress in public asset markets and the long-term management fees expected by Ardian UK. The Board considers long-term strategic risks associated with lower investor appetite for private equity as an asset class, but this does not have a market risk implication for CRD purposes. Ardian UK has some currency risk because the majority of its fees are denominated in US dollars and some in Euros and its expenses are almost all in UK sterling. These exposures are understood and monitored by the management of Ardian UK in conjunction with the Treasury & Financing function of the parent company and allocated capital based on the methodology detailed in in the full ICAAP.
iii) Operational risk	Business Risk	Ardian UK identifies relevant operational risks within its Entity Risk Assessment, and these are quantified and allocated capital based on the methodology detailed in the full ICAAP.
iv) Liquidity risk	Business Risk	Minimal risk – fees are fixed by contract and most are paid quarterly in advance. Fees are not directly tied to fund performance
v) Insurance risk	Business Risk	N/A
vi) 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 operational payments, where excess USD and EUR are converted to GBP and transferred into the RBS account resulting in a roughly even split. The associated counterparty credit risk is also assigned capital according to the methodology outlined in the full ICAAP.
vii) Residual risk	N/A	N/A - The Company maintains enough capital for an orderly wind-down.
viii) Securitisation risk	N/A	N/A – The business does not securitise assets.
ix) Business risk	Business 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.
x) Interest rate risk	Financial Risk	N/A - Ardian UK has no debt, following settlement of the Intragroup loan in 2016, so no significant interest rate risk.
xi) Reputational risk	Reputational Risk	Reputational risk is mostly tied to the long-term performance of the globally sponsored funds, the Firm's treatment of clients and their information, and actions taken by Ardian UK as a whole (i.e. something leading to bad press, fraudulent acts, etc). Any risk to the Firm's reputation is spread across the Firm globally. Ardian UK has no risks associated with retail investors.
xii) Pension obligation risk	N/A	N/A - There are no pension obligations accruing to the business
xiii) Any other risks identified (for example this may take the form of your standard risk)	Business Risk, Reputational Risk	The danger of cyber attack is a constant presence in the discussions at UK Board level and is also the subject of regular reporting from the Ardian UK IT Security team. This risk is allocated capital under the operational risk methodology detailed separately.

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, 2017 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 its Operational Risk. This position was reached following detailed analysis undertaken which revealed that where there are other forms of risk faced by the Firm, those risks are largely either minor (so as to have no appreciable effect on the Firm), or are simply irrelevant given the nature and relative simplicity of the business activities of the firm. Where the risk was considered to be more pertinent; additional Capital resources have been allocated to further support the ability of the business to 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 firm risk takers. The aggregate remuneration for these individuals is £19,757k.

The summary of accounts reflects the Firm's 31 December 2017 audited financials.

Tier 1 Capital - 2017	**£000**
Share Capital	1,050
Audited Reserves	50,237
Deductions from CET 1	(4,040)
Current available regulatory capital	**47,247**