

CARLYLE

# Environmental, Social & Governance Statement

*As of February 2023*

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*Any reference herein to environmental or social considerations is not intended to qualify our duty to maximize risk-adjusted returns. The ESG or impact goals, commitments, incentives, initiatives and value creation plans outlined in this presentation are purely voluntary, are not binding on investment decisions made by any Carlyle funds and/or Carlyle's management of investments made by such vehicles and do not constitute a guarantee, promise or commitment regarding actual or potential positive impacts or outcomes associated with investments made by any fund managed by Carlyle. Carlyle has established, and may in the future establish, certain ESG or impact goals, commitments, incentives, initiatives or value creation plans including but not limited to those relating to diversity, equity and inclusion and greenhouse gas emissions reductions. Any measures implemented in respect of such ESG or impact goals, commitments, incentives, initiatives and/or value creation plans may not be immediately applicable to the investments of any funds managed by Carlyle and any implementation can be overridden or ignored at the sole discretion of Carlyle. There is no guarantee that Carlyle's ESG policy is successful or that its investments create a positive ESG impact. In addition, applying ESG factors to investment decisions is qualitative and subjective by nature, and there is no guarantee that the criteria utilized by Carlyle or any judgment exercised by Carlyle reflects the beliefs or values of any particular investor. There are significant differences in interpretations of what positive ESG characteristics mean by region, industry and issue, and these interpretations are rapidly evolving.*



# Our Philosophy & Commitment

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*As a global investment firm, our impact is rooted in building better businesses around the world – we believe ESG integration is one of our core tools in this work. From due diligence through exit, our approach at The Carlyle Group has always been to partner with management teams to seek to improve multiple aspects of a business. We do this because we believe that building better businesses generates lasting value creation – which has been the focus of Carlyle since our founding.*

Our approach remains grounded in our long history of ESG integration, as we believe that strong ESG competencies are a hallmark of management excellence. In 2008, Carlyle first created our Guidelines for Responsible Investment. Our industry trade association, now the American Investment Council, used our guidelines as the basis of their own, published a year later. In 2010, we became the first private equity firm to publish an ESG report; our most recent edition, Carlyle's 2023 ESG Report, can be found [here](#). In 2020 we also became the first major private equity firm to publish a Task Force on Climate-Related Financial Disclosures (TCFD) report; our latest TCFD report is enclosed in our [ESG Report](#).

As part of our approach to ESG integration, we announced portfolio-wide climate goals in 2022. These goals are detailed further [here](#).

As our ESG activities have grown, our resourcing and internal expertise has increased commensurately. In early 2014, Carlyle hired its first dedicated ESG professional. Our specialized ESG team has now expanded globally. In 2019, Carlyle further strengthened this team and strategy, bringing on a Global Head of Impact to help drive more systematic improvement in multiple dimensions of business impact across our global portfolio. As of Q1 2023, Carlyle has ten dedicated ESG professionals.

This document outlines Carlyle's approach to ESG integration, and our resourcing, scope and investment application.



# Corporate ESG Strategy

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*While the focus of this document is our investment process, we also believe it is important to lead by example in the financial sector.*

Because diverse teams and experiences can bring tremendous value to our firm and the alternative asset industry, we seek to cultivate an environment rich in different backgrounds, perspectives and experiences. We are proud to rank above industry averages in the representation of women across levels and roles in our firm, but we are committed to do even more.

Both at Carlyle and in our portfolio, we work to cultivate diverse and inclusive teams—with diverse perspectives, knowledge bases, interests and cultural identities—who can examine ideas from multiple angles to generate competitive business insights and make better decisions.

In 2013, we were one of the first private equity companies to establish a Diversity, Equity and Inclusion (DEI) Council. In 2018, we made our DEI Council global, which is led by our CEO and comprised of 17 of our most senior leaders. Starting in 2019, each segment/function at Carlyle developed a specific DEI Plan that drives action and accountability. These plans outline DEI priorities, actions to date and key next steps that are reviewed annually by the DEI Council, which also champions implementation of the strategy and monitors and rewards progress. In 2021, we formally linked compensation to diversity, equity,

and inclusion objectives. Please view additional details on Carlyle's DEI strategy and impact [here](#).

In 2018, we became the first major private equity firm to achieve carbon neutral operations, and are in our fifth year of footprinting and offsetting our most material Scopes 1 and 2 greenhouse gas emissions from operations across our global offices and employees. We seek to continually improve environmental stewardship within our firm, particularly in the areas of energy and materials use. We also encourage our employees to get involved where they live, work and invest through our volunteer and wealth sharing programs. In addition to these programs, we have a dedicated ESG Employee Interest Group, created to address ESG issues within Carlyle's footprint, people, and communities.

In 2020, we published our first corporate ESG disclosures, utilizing Global Reporting Initiative (GRI) Standards, which provide an internationally recognized framework to communicate our material ESG issues as a firm to our stakeholders with improved disclosure and transparency. As part of an initial materiality assessment, we took into account the expectations and requirements of our stakeholders, the knowledge and experience of our in-house ESG team members, and the Sustainability Accounting Standards Board (SASB) Asset Management & Custody Activities Standards. Our most recent corporate disclosures can be found in our [2023 ESG Report](#).

We also participate in ESG events and organizations, aiming to stay at the forefront of emerging ESG themes.

# Governance & Resources

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We believe it is important to have both dedicated in-house ESG expertise, as well as broad-based responsibility for ESG matters across our investment teams. Carlyle has a dedicated global team of internal ESG professionals based between Washington DC, New York, and London, led by Carlyle's Global Head of Impact, who reports directly to the firm's Chief Operating Officer. The ESG team works closely with our deal teams and our Global Legal Investments team as they diligence potential investments. Following an appropriate investment, we work closely with portfolio companies to drive understanding and adoption of ESG principles and to create tailored value-creation plans, and with investors and broader stakeholders to drive industry learnings and strive for best practices.

Carlyle's Board of Directors oversees the firm's approach to ESG and impact. The Board receives updates on ESG strategy and investment implications at least annually, and receives reports on thematic issues, such as Carlyle's approach to climate risk and opportunity and diversity, equity and inclusion. One of the members of our Board of Directors has been appointed as the ESG and Impact lead, directly responsible for overseeing the firm's work in this area.

Additionally, Carlyle portfolio companies benefit from our Global Portfolio Solutions team, a dedicated group of Carlyle professionals deploying the firm's global network, scale and resources to help drive revenue growth and operational improvements at portfolio companies, through, amongst other things, providing guidance to the portfolio companies on

how they can make operations improvements, which frequently concern material ESG issues (e.g., energy management). This team includes a Chief Performance Officer, Chief Digital Officer, Chief Information Officer, Chief Procurement Officer, and Head of Government Affairs, as well as dedicated professionals providing guidance on healthcare and benefits, and real estate and energy usage, amongst other ESG areas of focus. In 2018, Carlyle also welcomed its first Chief Diversity, Equity, and Inclusion Officer, who leads Carlyle's in-house inclusion efforts and provides guidance to our portfolio companies, with a particular focus on their management teams and boards.

In addition to these dedicated resources, when specialized expertise is needed for ESG issues, our ESG team uses its network and experience to identify the appropriate external resource. In the past, Carlyle has drawn on outside firms with dedicated expertise in a host of specific ESG competencies, such as climate risk modeling, accounting firms with ESG practices, law firms with specialization in labor or human rights issues, and more. We think it is important to continue to build an internal team with a breadth of experience to help identify critical material ESG issues, as well as a network of expertise to enable our investment teams to go deeper when appropriate for a given investment.

Carlyle has also created an ongoing monitoring program for ESG incidents that is managed by the ESG team and internal legal counsel. Where necessary, we seek expertise from dedicated external counsel who can provide guidance and review as requested.







# Scope

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This document applies to Carlyle's direct equity and credit investment processes. As the materiality of ESG factors varies across asset classes, time horizons, geographies, industries, and companies, Carlyle takes a bespoke approach to integrating ESG in order to seek to optimize long-term value creation. Academic research has increasingly demonstrated that there is a correlation between firm performance on material ESG issues and financial performance – with a stronger correlation for firms able to parse material ESG issues from those that are immaterial for their business.<sup>1</sup>

We also recognize, however, the need for more systematic and strategic action on ESG issues that are material across our global portfolio, such as climate change and the energy transition, and diversity, equity and inclusion; mobilizing the unique tools of private capital across our full portfolio we believe will create more scalable improvement, while helping to ensure our companies are well positioned to navigate these emerging challenges. We continue to explore ways to design and implement more ambitious goals for systemically important ESG issues across our platform, where we believe this is likely to have a positive impact on the risk adjusted returns of our investments.

For example, we believe that our diverse and inclusive community makes us better partners and ultimately, helps us to build better businesses. We accomplish this by providing guidance and support to portfolio company management teams and boards on effective diversity, equity and inclusion strategies, including having a written policy addressing workplace diversity, equity and inclusion and enhancing supplier diversity. Thanks to multiple years of investment, we are making progress on the composition of the boards of our

portfolio companies. In 2016, we created a goal within US Corporate Private Equity (CPE) to have diverse boards for all of our majority-owned company boards within 2 years of taking control of the company. At the time, 38% of the boards met the goal. Five years later, that figure has risen to 80% overall and 100% in US Buyout, our largest family of funds. In 2020, we expanded our portfolio company diversity goal to achieve 30% diversity of all directors in CPE controlled companies by 2023.

Due to our different business models, this policy does not apply to related entities Alpinvest, Carlyle Aviation, or passive investment NGP.



<sup>1</sup>Khan, Mozaffar and Serafeim, George and Yoon, Aaron. Corporate Sustainability: First Evidence on Materiality (November 9, 2016). *The Accounting Review*, Vol. 91, No. 6, pp. 1697-1724. Available at SSRN: <https://ssrn.com/abstract=2575912> or <http://dx.doi.org/10.2139/ssrn.2575912>.

# ESG Integration Process

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*Effective ESG is a continual component of our investment process – from deal sourcing to exit – not a point-in-time check. It can provide an additional lens to help us assess and mitigate risk and identify and capitalize on opportunities as the world around us changes.*

It is important to therefore note that our ESG integration is tailored to specific investment strategies. For example, our Global Credit platform generally focuses predominantly on how ESG data and analysis can help reduce downside risks, whereas our Global Private Equity platform is focused both on areas of ESG risk as well as equity upside from ESG opportunities. Our ability to influence the consideration and tailored integration of ESG factors may be limited in certain cases by ownership structure – such as where we are lenders or minority equity owners – and our access to data. We are committed, however, to driving toward continuous improvement in our approach and application of ESG integration across our investment teams and strategies.

## **INVESTMENT EXCLUSIONS & PARAMETERS POLICY**

We believe that investing wisely and creating inclusive long-term growth require us to pay a higher level of scrutiny to areas where investments

may create undue risks for our organization and the broader world, or where we could potentially find disproportionate value through our ability to drive positive change in the business model.

For deals that fall within the parameters for additional review categories, the investment team, in conjunction with our Legal and Fund Management teams, will determine if there is a need for further analysis by an ESG Review Committee, comprised of senior Carlyle leaders across legal, risk, investment, operations, and ESG functions.

We see this policy as a tool for highlighting deals where our particular expertise could potentially help mitigate risks or unearth potential value by driving positive impact in the business model, as well as facilitating deal execution, making it easier to focus our time and efforts.

## **CARLYLE'S APPROACH TO ESG DATA**

We believe data is a critical component to effectively integrating, improving, and monitoring material ESG issues across our investments. We aim to collect data that has specific use cases and applications, as opposed to collecting data for data's sake. We track bespoke, material ESG key performance indicators (KPIs) for certain investments. We also track broad-based KPIs that are relevant across our diverse geographies and assets for our Global Private Equity investments, such as data on the diversity of company boards. In 2020, we initiated bottom-up carbon footprinting for



our majority-owned companies in the most recent vintages of our three primary corporate private equity strategies: US Buyout, Europe Buyout, and Asia Buyout, which we seek to conduct on an annual basis. Both approaches – company-specific data and cross-portfolio information – play different but increasingly vital roles in our investment process. Tailored, materiality-based data may help us identify risks and opportunities, create bespoke value-creation plans, and measure progress over time for companies. Portfolio-wide data can help us understand and manage systemic risks, such as those posed by climate change, and perform more comprehensive research on value creation drivers, such as the research we performed which quantified the correlation between board diversity and annual earnings growth across our portfolio companies. This data is also useful for communicating with our investors and broader stakeholders.

In 2021, we co-founded the [ESG Data Convergence Initiative](#). The group's objective is to streamline the private equity industry's historically fragmented approach to collecting and reporting ESG data in order to create a critical mass of material, performance-based, comparable ESG data from portfolio companies. This will allow General Partners (GPs) and portfolio companies to benchmark their current position and accelerate progress toward ESG improvements, which the group believes drives better financial outcomes. This will also enable greater transparency and provide more comparable portfolio information for Limited Partners (LPs).

In addition to sharing ESG data directly with LPs, we now aggregate anonymized ESG data from our portfolio companies centrally through the ESG Data Convergence Initiative to help develop industry insights and the first-ever private equity ESG benchmark.

While ESG data is relevant across our investment activity, for certain investment strategies that align with impact themes, such as our Renewable and

Sustainable Energy platform, we also track bespoke impact metrics, such as megawatts of clean energy installed and greenhouse gas emissions avoided.

## BUSINESS SEGMENT-SPECIFIC ESG INTEGRATION

### *Global Private Equity – Corporate Private Equity and Global Infrastructure*

Integrating ESG data, analysis, and action may help us drive value across four major components of our private equity investment process:

**01** Investment Deal Sourcing: In a changing world we are constantly evaluating our investment opportunity set, led by the thematic expertise of our specialized investment teams. Increasingly, ESG and impact themes can be tools to help our investors realize value from shifts such as:

- Emerging growth markets – for example, technologies driving better health outcomes at a lower cost
- Market disruptions – for example, the electrification of the vehicle fleet
- Changing consumer preferences – for example, growing demand for sustainable and transparent goods and services





We believe integrating ESG and impact research and analysis into our investment deal scoping work helps us identify emerging investment opportunities.

**02** Investment Due Diligence: ESG integration in due diligence is led by our investment teams, with analysis and input from our dedicated ESG experts. Where needed, we bring in specialized external ESG partners to help dive deeper on specific issues, such as climate risk modelers to help us assess potential physical risks from climate change. We generally focus on what we believe are the most material ESG issues for a company (or asset) and its sector, using the SASB sector guides as a starting point to focus our diligence. As part of due diligence, we provide most companies or assets with an ESG risk rating based on factors such as inherent

sector ESG risk, climate exposure risk, operational complexity, and other considerations. In addition to the ESG risk rating, most potential investments within our Global Private Equity platform undergo a climate risk triage that considers elevated exposures to sector risk, physical risk, carbon-related regulatory considerations, and other considerations. Additionally, we recently developed a human rights triage. For most investments across our Global Private Equity platform, an analysis of relevant ESG issues for the target or project is required to be included in the final Investment Committee memorandum seeking approval for the investment. Due diligence also provides an opportunity to include discussions of ESG- or impact-related value creation opportunities that may be embedded into a company's broader value creation plan.

**Examples of ESG issues we may consider include:**

ENVIRONMENT	SOCIAL CAPITAL	HUMAN CAPITAL	BUSINESS MODEL & INNOVATION	LEADERSHIP & GOVERNANCE
<ul style="list-style-type: none"> <li>• GHG Emissions</li> <li>• Air Quality</li> <li>• Energy Management</li> <li>• Water &amp; Wastewater Management</li> <li>• Waste &amp; Hazardous Materials Management</li> <li>• Ecological Impacts</li> </ul>	<ul style="list-style-type: none"> <li>• Human Rights &amp; Community Relations</li> <li>• Customer Privacy</li> <li>• Data Security</li> <li>• Access &amp; Affordability</li> <li>• Product Quality &amp; Safety</li> <li>• Customer Welfare</li> <li>• Selling Practices &amp; Product Labeling</li> </ul>	<ul style="list-style-type: none"> <li>• Employee Health &amp; Safety</li> <li>• Labor Practices</li> <li>• Employee Engagement, Diversity &amp; Inclusion</li> </ul>	<ul style="list-style-type: none"> <li>• Product Design &amp; Lifecycle Management</li> <li>• Business Model Resilience</li> <li>• Supply Chain Management</li> <li>• Materials Sourcing &amp; Efficiency</li> <li>• Physical Impacts of Climate Change</li> </ul>	<ul style="list-style-type: none"> <li>• Business Ethics</li> <li>• Competitive Behavior</li> <li>• Management of the Legal &amp; Regulatory Environment</li> <li>• Critical Incident Risk Management</li> <li>• Systemic Risk Management</li> </ul>

**03 Investment Period:** Once we own a particular portfolio company or asset, we seek to monitor material ESG issues and assess opportunities to generate value from ESG initiatives and growth markets, where appropriate. During onboarding, a subset of portfolio companies or assets within our Global Private Equity platform complete an ESG diagnostic to set a baseline for performance on material ESG issues, and identify potential risks and areas for value creation. Where appropriate, we provide guidance to portfolio companies and other investments such as infrastructure assets, to both evaluate ESG issues related to their businesses and develop their own internal capacity to manage these issues and opportunities, if not already in place. Our goal is to unlock value by providing resources and guidance that allow portfolio companies to develop ESG and impact approaches beyond what they may have otherwise: capital injections to upgrade equipment and advance R&D, guidance from our dedicated internal ESG professionals, connections to leading experts in ESG issues in their sector, institutional knowledge of best practices and reporting, and the leverage of other firm resources including cross-portfolio collaboration between our companies. Examples of resources include playbooks covering key ESG issues (e.g., the Carbon and Energy Management playbook), assistance with

carbon footprinting, webinars, workshops, and an online portal housing ESG resources and materials. For certain investments, ESG data is a core tool we use during the hold period to drive value, as described above. Furthermore, our Global Infrastructure team follows a Responsible Contractor Policy, which guides our engagement with contractors and labor.

As part of ongoing monitoring, where applicable, on a quarterly basis we seek to evaluate if any material ESG incidents have occurred within a given company or asset, as well as any remediation actions.

**04 Exit:** ESG implications for investment exits are rapidly emerging. We increasingly see valuation premiums for business models and competencies that reflect ESG best practices. For instance, our research has shown that increasing an oil and gas company’s share of total revenue from renewable energy from zero to 40% could lead to a doubling of the typical energy company’s trailing EBITDA valuation multiple.<sup>2</sup> We work with our companies to integrate, measure, and communicate their bespoke approach to ESG, as we believe we will see these characteristics increasingly valued in investment exits.

<sup>2</sup>[https://www.carlyle.com/sites/default/files/2020-02/From%20Impact%20Investing%20to%20Investing%20for%20Impact\\_022420.pdf](https://www.carlyle.com/sites/default/files/2020-02/From%20Impact%20Investing%20to%20Investing%20for%20Impact_022420.pdf)



*Real Estate: U.S.*

**01 Investment Sourcing and Due Diligence:** For managing ESG risk and opportunities during the acquisition process, the U.S. Real Estate team, when applicable, conducts an ESG due diligence assessment on topics including physical climate risk, as well as a property's ESG attributes (e.g., green spaces, fitness centers, and bike storage). Additionally, applicable assets undergo an energy assessment to identify and quantify the return on investment (ROI) of different energy use strategies. The assessment measures the building's utility demand and determines the optimized grouping of energy conservation measures to enhance the efficiency of the investment. These strategies can include implementation of LED lighting, installation of ENERGY STAR appliances, and adding higher quality insulation in key areas. The process also identifies opportunities to reduce water usage through installation of water-efficient irrigation systems, water re-use systems, and high-efficiency fixtures. Once identified, these opportunities often become part of the business plan for implementation after acquisition.

**02 Investment Management:** Once an asset is acquired, when applicable, Carlyle works with venture partners and operators to implement ESG strategies and leading practices with a view towards maximizing the performance and value of that asset. In addition to the capital improvements noted above, Carlyle seeks to encourage the implementation of operational best practices by asset operators and users. Some of these include promoting green transportation for residents, training on water management to residents and staff, and developing recycling programs. Further, many properties within the U.S. Real Estate portfolio use LED lighting systems and high-efficiency appliances (such as ENERGY STAR certified), and a significant number have electric vehicle charging stations on-site, green spaces and fitness centers.

*Real Estate: European*

Carlyle's European Real Estate team follows a similar approach to that of Carlyle U.S. Real Estate team. The team reviews material ESG findings during the due diligence phase of investment sourcing and formulating an improvement plan which is implemented post-closing in order to improve the long-term sustainability and efficiency of our investments which we believe helps drive value for our LPs.

*Global Credit*

Carlyle's Global Credit platform manages credit investments across the risk return spectrum: from liquid, to illiquid, to real asset strategies. Our primary investment focus is on minimizing downside risk while achieving an attractive return through our rigorous approach to due diligence and credit selection. We find that ESG factors can play an increasingly important role in this analysis. We believe ESG tools provide additional sources of information and a more thorough understanding of risks so that we can better price investments, and understand where we may be able to mitigate certain risks. ESG is not a "binary" decision for us – it is instead an integrated part of our broader investment process, where material.

In credit, we consider ESG factors the most relevant for identifying and assessing potential downside risks. ESG issues can affect a host of business dimensions – from operational continuity to litigation or regulatory risk – which could negatively impact a borrower's ability to repay debt. During diligence, where appropriate, we focus on material ESG issues for a sector, industry, geography, and company (or asset), with guidance from our dedicated ESG team, where needed. In certain instances, we may also draw upon external ESG expertise in assessing specific risks. This ESG assessment is included in the Investment Committee memos as a part of our investment process, where applicable.

Over the course of 2020, we built a proprietary ESG Materiality Analysis Tool for Global Credit investments using the SASB framework, which helps us to identify an industry and sector's material ESG issues. Launched across the majority of our Global Credit platform in January 2021,<sup>3</sup> the tool also integrates several country-level ESG risk data sets for geographies where an asset has major operations or supply chains. This gives additional color on issues such as corruption, anti-money laundering, and the physical risks of climate change. Where applicable, our analysts use this tool as an input to their fundamental diligence to help efficiently understand a company or asset's exposure to material ESG risks, as well as evaluate how well risks are managed. Using the SASB data and our own proprietary inputs, the tool guides credit research analysts through potential engagement topics and questions.

In 2021, we introduced an ESG Risk Rating system that provides an overall rating based on a combination of factors such as inherent sector risk, operational risk factors and geography. We use this system across most investments within the Global Credit platform to understand the overall ESG risk allocation in a portfolio by assigning one of four risk levels: Low, Neutral, Moderate, or High.<sup>4</sup>

While our ESG Materiality Analysis is a valuable tool for identifying the general scope of potential ESG risks, it is no replacement for deeper diligence in cases where it is warranted. When potentially significant ESG issues are identified, investment teams typically work closely with our in-house ESG team and/or engage an external consultant to assess a particular area of focus.

Our ESG integration process is tailored to each credit team, as our strategies differ in terms of duration, liquidity, geography, and structure, all which may have implications for the materiality of certain ESG risks. Our investment structure can also limit our access to ESG

data and ability to engage with management on ESG issues, as well as our ability to address or influence ESG issues during our hold period. As a result, we may allocate significant time on ESG assessments during our due diligence process, and increasingly explore mechanisms such as information rights in order to enable more visibility into material ESG issues over our hold period. Where possible we monitor ESG issues that may arise in our credit investments over our hold period, and may take steps, if necessary, to address these. Please see below a short description for how each credit team integrates ESG into their process:

**01 Liquid Credit:** Carlyle's liquid credit platform invests primarily in performing senior secured bank loans through structured vehicles and other investment products. ESG is typically evaluated as part of our investment due diligence process. Due to the liquid nature of this business, we focus more on short- to medium-term ESG risks which could adversely impact a borrower's ability to repay debt or the price of that debt, as we are able to more easily exit positions if ESG risks emerge or increase over the longer term.

**02 Illiquid Credit:** Our illiquid credit business generally focuses on lending to below-investment grade corporates and is comprised of two business segments: Direct Lending and Opportunistic Credit. In general, ESG information during the diligence phase (and in some cases post-investment) is more limited in these situations, although we may work with sponsors or the borrower to specifically request additional ESG information from management. In these strategies, we are generally focused on understanding short-, medium-, and long-term ESG risks, as the illiquid nature may make it more difficult to exit investment if serious ESG issues arise. We seek to ensure we are being paid an appropriate risk-

<sup>3,4</sup> Given the specific investment styles of the Carlyle Aviation Finance team, our collateralized loan obligations team, and the Real Estate Credit team, they do not utilize the ESG Materiality Analysis tool or risk rating. They instead employ ESG integration tools and processes tailored to their investment approaches.

adjusted return for ESG risks inherent in a company, as we typically have limited influence as a lender. In distressed situations where we may seek to gain control (e.g., debt to equity swaps) we may be able to exert more influence over a company's management of ESG issues. We also may have more exposure to ESG risks, and hence need to manage appropriately.

**03 Real Assets Credit:** Carlyle's real assets credit segment principally focuses on aviation finance and investment in infrastructure assets. Carlyle Aviation<sup>5</sup> manages investments across the risk return spectrum, including mid-to end-of life leasing, aviation securities, aircraft securitizations, pre-delivery aircraft financing and young aircraft leasing. Due to the specialized nature of this business, Carlyle Aviation has a more detailed ESG policy outlining Carlyle Aviation's areas of focus, available upon request. Across our aviation platform, we believe one of the most material ESG factors to focus on is the environmental impact of operations (e.g. aircraft efficiency, fuel usage, GHG emissions, etc.). Our Infrastructure Debt strategy seeks to make investments across the capital structure, providing directly originated, privately negotiated capital solutions to global infrastructure projects in the following sub-sectors: power, energy, transportation, water/waste, telecom and social infrastructure. We believe ESG integration is a core part of our diligence for infrastructure investments, with a particular focus on environmental impacts, local community engagement and economic benefit, physical risks from climate change, and increasingly opportunities facilitating the energy transition (e.g. through renewable energy, rapid transportation, etc.).

#### *Global Investment Solutions*

Within Global Investment Solutions, Carlyle's subsidiary private equity asset manager, Alpinvest, seeks to provide investors with access to the global private markets through primary, secondary, and co-investment opportunities across a range of strategies. While this

policy refers specifically to Carlyle's direct investing businesses, Global Investment Solutions has their own bespoke approach to ESG integration.

Global Investment Solutions seeks to provide investors with access to global private equity co-investment and secondary opportunities across a range of strategies, including buyouts, venture capital, growth capital, energy and mezzanine and distressed investments. Global Investment Solutions has been integrating responsible investment considerations into its investment processes for more than a decade and has its own dedicated Responsible Investment Officer. More information on Global Investment Solutions' approach to ESG and responsible investing can be found on [Alpinvest's website](#).



<sup>5</sup> Given the specific investment styles of the Carlyle Aviation Finance team, our collateralized loan obligations team, and the Real Estate Credit team, they do not utilize the ESG Materiality Analysis tool or risk rating. They instead employ ESG integration tools and processes tailored to their investment approaches.







# Training, Field Building, & Collaboration

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*We believe it is important to have both dedicated in-house ESG expertise to drive learning, leading practice, and education on emerging ESG issues, as well as broad-based responsibility for ESG matters across investment teams so that ESG is embedded into the investment process.*

The ESG team not only works closely with our deal teams on investments – providing hands-on guidance – but also holds regular trainings with investment professionals across levels to provide education on ESG frameworks such as SASB, how to create tailored value-creation plans, and emerging ESG thematic issues. Our recurring training calendar includes: Annual Associate training; ESG due diligence training sessions for deal teams, conducted by fund, where relevant; ESG materiality analysis tool teach-in provided to Global Credit team members; and annual legal and compliance training. Carlyle also hosts a Sustainability Workshop for our portfolio companies and provides on-going education and seminars for portfolio company management on topics such as climate risk and opportunity analysis and reporting. As requested, we also conduct educational sessions for our investors on various ESG and impact topics.

As of 2022, Carlyle serves as a Board member with InvestEurope and participates in its ESG initiatives and guidance, in addition to our leadership role

in the American Investment Council. We are a member of the British Venture Capital Association and a founding signatory in the ILPA Diversity in Action initiative, which brings together LPs and GPs who share a commitment to advancing diversity, equity and inclusion in the private equity industry. The goal of the initiative is to motivate market participants to engage in the journey towards becoming more diverse and inclusive and to build momentum around the adoption of specific actions that advance DEI over time. Further, we are a member of the Bundesverband Deutscher Kapitalbeteiligungsgesellschaften (“BVK”), the German private equity and venture capital trade association. We believe that we are compliant with the BVK Guidelines for Disclosure and Transparency and seek to ensure that our German portfolio companies comply with these guidelines when they are required to do so. In 2020, we joined the One Planet Private Equity Funds Initiative, a group of private equity investors committed to integrating climate change analysis into our investments. In addition, we are members of the UK chapter of the initiative Climat International (iCI). In 2022, we became a signatory of the UN-supported Principles for Responsible Investment (PRI).

We look to advance the field as it relates to critical ESG issues. For example, we are focused on standardization of ESG data across the industry. To this end, in 2021, we co-founded the ESG Data Convergence Initiative, the industry’s first-ever GP-LP partnership to standardize ESG reporting.

The effort, open to any GP or LP, aims to streamline the private investment industry's historically fragmented approach to collecting and reporting ESG data in order to create a critical mass of meaningful, performance-based, and comparable ESG data from private companies.

We actively engage with SASB and license their data, and are also a member of the International Sustainability Standards Board Investor Advisory Group.

Additionally, Carlyle works alongside members in The 30% Coalition to achieve diversity in senior leadership and the corporate boardroom.

As a CEO Action for Diversity signatory, Carlyle is part of the largest CEO-driven business commitment to advance diversity and inclusion in the workplace. By signing on to this commitment, CEOs are pledging to take action to cultivate a workplace where diverse perspectives and experiences are welcomed and respected, where employees feel encouraged to discuss diversity and inclusion, and where best known—and unsuccessful—actions can be shared across organizations via a unified hub, CEOAction.com, in an effort to advance diversity and inclusion in the workplace. Furthermore, our CEO signed the Business Roundtable's Statement on the Purpose of a Corporation in 2019, reaffirming our commitment to all of our stakeholders, and is a board member of FCLT Global (Focusing Capital on the Long-Term), a non-profit organization that develops research and tools that encourage long-term investing and business decision-making.

Additionally, our CEO was the co-chair of the Steering Committee for the World Economic Forum's (WEF) Creating Sustainable Value in Private Markets group, which aims to provide intellectual guidance and set ambition for WEF's sustainability initiatives

with respect to private equity.

Beyond our formal memberships, Carlyle is an active participant in the private equity ESG community, speaking at and sponsoring industry events, attending industry working groups, and engaging with organizations such as SASB and the World Economic Forum. In the past, our ESG team has represented Carlyle's approach at Davos, Bloomberg Invest, Responsible Investment Forums, PEI's Responsible Investor Forums, on Bloomberg TV, and in media outlets including the Wall Street Journal, Bloomberg, Business Insider, Pensions & Investments, Asian Venture Capital Journal, and more. Additionally, we publish research on ESG factors.





# Conclusion

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*We see our approach to impact and our implementation of ESG integration to be continuously improving bodies of work – as such, we view this as a living document intended to help strive for best practices and evolve to meet the changing needs of our global investment set. This policy is reviewed and updated as needed to reflect the dynamic materiality of ESG issues, and our approach to integrating and improving this work.*

**THIS POLICY IS IN EFFECT AS OF FEBRUARY 2023**

CARLYLE