




Principle	Engagement	Reason for Interaction
LEA 02	Mandatory	<ul style="list-style-type: none"> <li>To the extent consistent with the investor's fiduciary duty, to the extent consistent with the investor's investment objectives, to the extent consistent with the investor's risk management strategy, and to the extent consistent with the investor's overall investment strategy.</li> </ul>
	Type of engagement	
	Individual/ internal staff engagements	<ul style="list-style-type: none"> <li>To the extent consistent with the investor's fiduciary duty, to the extent consistent with the investor's investment objectives, to the extent consistent with the investor's risk management strategy, and to the extent consistent with the investor's overall investment strategy.</li> </ul>
	Collaborative engagements	<ul style="list-style-type: none"> <li>To the extent consistent with the investor's fiduciary duty, to the extent consistent with the investor's investment objectives, to the extent consistent with the investor's risk management strategy, and to the extent consistent with the investor's overall investment strategy.</li> </ul>
	Service provider engagements	<ul style="list-style-type: none"> <li>To the extent consistent with the investor's fiduciary duty, to the extent consistent with the investor's investment objectives, to the extent consistent with the investor's risk management strategy, and to the extent consistent with the investor's overall investment strategy.</li> </ul>

# RI TRANSPARENCY REPORT 2017

## Terra Firma Capital Partners

OO 01	Mandatory	Gateway/Peering	General																																										
OO 01.1	Select the services you offer.																																												
	<input checked="" type="checkbox"/> Fund management																																												
	% of assets under management (AUM) in ranges																																												
	<input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50%																																												
	<input type="checkbox"/> Fund of funds, manager of managers, sub-advised products <input type="checkbox"/> Other, specify <input type="checkbox"/> Execution and advisory services																																												
OO 02	Mandatory	Peering	General																																										
OO 02.1	Select the location of your organisation's headquarters.																																												
	Guernsey																																												
OO 02.2	Indicate the number of countries in which you have offices (including your headquarters).																																												
	<input type="radio"/> 1 <input checked="" type="radio"/> 2-5 <input type="radio"/> 6-10 <input type="radio"/> >10																																												
OO 02.3	Indicate the approximate number of staff in your organisation in full-time equivalents (FTE).																																												
	85																																												
OO 03	Mandatory	Descriptive	General																																										
OO 03.1	Indicate whether you have subsidiaries within your organisation that are also PRI signatories in their own right.																																												
	<input type="radio"/> Yes <input checked="" type="radio"/> No																																												
OO 04	Mandatory	Gateway/Peering	General																																										
OO 04.1	Indicate the year end date for your reporting year.																																												
	31/12/2016																																												
OO 04.2	Indicate your total AUM at the end of your reporting year, excluding subsidiaries you have chosen not to report on.																																												
	Total AUM 11,400,000,000EUR																																												
OO 05	Mandatory to Report, Voluntary to Disclose	Gateway	General																																										
OO 05.1	Provide an approximate percentage breakdown of your AUM at the end of your reporting year using the following asset classes:																																												
	<table border="1"> <thead> <tr> <th></th> <th>Internally managed (%)</th> <th>Externally managed (%)</th> </tr> </thead> <tbody> <tr> <td>Listed equity</td> <td>0</td> <td>0</td> </tr> <tr> <td>Fixed income</td> <td>0</td> <td>0</td> </tr> <tr> <td>Private equity</td> <td>&gt;50%</td> <td>0</td> </tr> <tr> <td>Property</td> <td>0</td> <td>0</td> </tr> <tr> <td>Infrastructure</td> <td>0</td> <td>0</td> </tr> <tr> <td>Commodities</td> <td>0</td> <td>0</td> </tr> <tr> <td>Hedge funds</td> <td>0</td> <td>0</td> </tr> <tr> <td>Forestry</td> <td>0</td> <td>0</td> </tr> <tr> <td>Farmland</td> <td>0</td> <td>0</td> </tr> <tr> <td>Inclusive finance</td> <td>0</td> <td>0</td> </tr> <tr> <td>Cash</td> <td>0</td> <td>0</td> </tr> <tr> <td>Other (1), specify</td> <td>0</td> <td>0</td> </tr> <tr> <td>Other (2), specify</td> <td>0</td> <td>0</td> </tr> </tbody> </table>				Internally managed (%)	Externally managed (%)	Listed equity	0	0	Fixed income	0	0	Private equity	>50%	0	Property	0	0	Infrastructure	0	0	Commodities	0	0	Hedge funds	0	0	Forestry	0	0	Farmland	0	0	Inclusive finance	0	0	Cash	0	0	Other (1), specify	0	0	Other (2), specify	0	0
	Internally managed (%)	Externally managed (%)																																											
Listed equity	0	0																																											
Fixed income	0	0																																											
Private equity	>50%	0																																											
Property	0	0																																											
Infrastructure	0	0																																											
Commodities	0	0																																											
Hedge funds	0	0																																											
Forestry	0	0																																											
Farmland	0	0																																											
Inclusive finance	0	0																																											
Cash	0	0																																											
Other (1), specify	0	0																																											
Other (2), specify	0	0																																											
OO 06	Mandatory	Descriptive	General																																										

OO 06.1	How you would like to disclose your asset class mix.
<input checked="" type="checkbox"/> as percentage breakdown <input type="checkbox"/> as broad ranges	

OO 09	Mandatory to Report, Voluntary to Disclose	Peering	General
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OO 09.1	Indicate the breakdown of your organisation's AUM by market.
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Developed Markets	<input type="checkbox"/> 0% <input type="checkbox"/> <10% <input type="checkbox"/> 10-50% <input checked="" type="checkbox"/> >50 %
Emerging, Frontier and Other Markets	<input checked="" type="checkbox"/> 0% <input type="checkbox"/> <10% <input type="checkbox"/> 10-50% <input type="checkbox"/> >50 %
Total	100%

OO 09.2	Additional information. [Optional]
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Terra Firma is one of Europe's leading private equity firms. We create value for our stakeholders by acquiring, transforming and selling businesses. Terra Firma focuses on making investments in Europe and our current portfolio businesses are based in Western Europe, Australia and the US.

OO 11	Mandatory	Gateway	General
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OO 11.1	Select the internally managed asset classes in which you addressed ESG incorporation into your investment decisions and/or your active ownership practices (during the reporting year).
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- Private equity
- None of the above

OO 12	Mandatory	Gateway	General
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OO 12.1	Select from below any additional applicable modules or sections you would like to report on voluntarily. You are only required to report on asset classes that represent 10% or more of your AUM.
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Core modules	
<input checked="" type="checkbox"/>	Organisational Overview
<input checked="" type="checkbox"/>	Strategy and Governance
RI implementation directly or via service providers	
Direct - Other asset classes with dedicated modules	
<input checked="" type="checkbox"/>	Private Equity
Closing module	
<input checked="" type="checkbox"/>	Closing module

SG 01.1	Indicate if you have an investment policy that covers your responsible investment approach.
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Yes

SG 01.2	Indicate the components/types and coverage of your policy.
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Policy components/types	Coverage by AUM
<input checked="" type="checkbox"/> Policy setting out your overall approach	<input checked="" type="checkbox"/> Applicable policies cover all AUM <input type="checkbox"/> Applicable policies cover a majority of AUM <input type="checkbox"/> Applicable policies cover a minority of AUM
<input type="checkbox"/> Formalised guidelines on environmental factors	
<input type="checkbox"/> Formalised guidelines on social factors	
<input type="checkbox"/> Formalised guidelines on corporate governance factors	
<input type="checkbox"/> Asset class-specific RI guidelines	
<input type="checkbox"/> Sector specific RI guidelines	
<input checked="" type="checkbox"/> Screening / exclusions policy	
<input type="checkbox"/> Other, specify (1)	
<input type="checkbox"/> Other, specify(2)	

SG 01.4	Indicate what norms you have used to develop your investment policy that covers your responsible investment approach.
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- UN Global Compact Principles
- UN Guiding Principles on Business and Human Rights
- Universal Declaration of Human Rights
- International Bill of Human Rights
- International Labour Organization Conventions
- United Nations Convention Against Corruption
- OECD Guidelines for Multinational Enterprises
- Other, specify (1)
- Other, specify (2)
- Other, specify (3)
- None of the above

No

SG 02.1	Indicate which of your investment policy documents (if any) are publicly available. Provide a URL and an attachment of the document.
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Policy setting out your overall approach

URL/Attachment
<input checked="" type="checkbox"/> URL <a href="http://www.terrafirma.com/responsible-investment-policy.html">http://www.terrafirma.com/responsible-investment-policy.html</a>
<input type="checkbox"/> Attachment (will be made public)

Screening / exclusions policy

We do not publicly disclose our investment policy documents

SG 02.4	Additional information [Optional].
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Policy unchanged from previous year.

SG 03.1	Indicate if your organisation has a policy on managing potential conflicts of interest in the investment process.
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Yes

SG 03.2	Describe your policy on managing potential conflicts of interest in the investment process.
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Terra Firma has a clear policy on conflicts of interest, setting out controls to prevent and manage potential personal and corporate conflicts of interest, including those which may arise during the investment process. This is provided to all staff, who reaffirm their compliance with the requirements relating to the prior disclosure and approval of outside interests and personal investment dealings.

Additionally, the contractual agreements for each of Terra Firma's funds establish the processes for preventing and managing potential conflicts, whether between Terra Firma and the Terra Firma funds, or between separate Terra Firma funds. Such conflicts may arise during the investment, ownership or exit phases. For example:

- A potential conflict of interest could arise during a co-investment, especially if such investments were made on a specific case by case basis. Terra Firma avoids such conflict by contractually prohibiting such situations.
- A second conflict which could possibly arise is fund competition. This situation is avoided by providing priority to the earlier fund, as is laid out in contractual documents.

Each fund has an Advisory Board of a selection of its investors, and funds are prohibited from entering into arrangements giving rise to potential conflicts without the approval of their Advisory Board.

No

SG 04	Voluntary	Descriptive	General
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SG 04.1 Indicate if your organisation has a process for identifying and managing incidents that occur within portfolio companies.

- Yes
- No

SG 05	Mandatory	Gateway/Core Assessed	General
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SG 05.1 Indicate if and how frequently your organisation sets and reviews objectives for its responsible investment activities.

- Quarterly or more frequently
- Biannually
- Annually
- Less frequently than annually
- Ad-hoc basis
- It is not reviewed

SG 06	Voluntary	Descriptive	General
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SG 06.1 List the main responsible investment objectives that your organisation set for the reporting year.

Responsible investment processes

- Provide training on ESG incorporation

Key performance indicator

To ensure that all investment and operational staff were provide with current training in the identification and consideration of ESG factors.

Progress achieved

During the year, all staff were enrolled in ESG training programmes.

- Provide training on ESG engagement

Key performance indicator

To ensure that all investment and operational staff were provide with current training in the identification and consideration of ESG factors and implementation

Progress achieved

During the year, all staff were enrolled in ESG training programmes.

- Improved communication of ESG activities within the organisation
- Improved engagement to encourage change with regards to management of ESG issues

Key performance indicator

CO2 footprint

Progress achieved

For several years, Terra Firma has been a carbon neutral organisation, measuring the equivalent emissions impact of our activities and offsetting them through carbon credits. Whilst our direct environmental impact is relatively small, we aim to be an example to our investees and to others.

- Improved ESG incorporation into investment decision making processes
- Other, specify (1)
- Other, specify (2)
- Other, specify (3)

Other activities

- Joining and/or participation in RI initiatives

Key performance indicator

Contributions to industry initiatives promoting ESG consideration

Progress achieved

Over the year, we have continued to engage with our peers, with trade bodies, and with advisors on ESG topics. For instance we supported the creation of an online ESG training tool for private equity staff.

- Encouraging others to join a RI initiative
- Documentation of best practice case studies
- Using case studies to demonstrate engagement and ESG incorporation to clients
- Other, specify (1)
- Other, specify (2)
- Other, specify (3)

**SG 07.1** Indicate the roles present in your organisation and for each, indicate whether they have oversight and/or implementation responsibilities for responsible investment.

**Roles present in your organisation**

- Board members or trustees
- Oversight/accountability for responsible investment
- Implementation of responsible investment
- No oversight/accountability or implementation responsibility for responsible investment
- Chief Executive Officer (CEO), Chief Investment Officer (CIO), Investment Committee
- Oversight/accountability for responsible investment
- Implementation of responsible investment
- No oversight/accountability or implementation responsibility for responsible investment
- Other Chief-level staff or head of department, specify  
Managing Directors
- Oversight/accountability for responsible investment
- Implementation of responsible investment
- No oversight/accountability or implementation responsibility for responsible investment
- Portfolio managers
- Oversight/accountability for responsible investment
- Implementation of responsible investment
- No oversight/accountability or implementation responsibility for responsible investment
- Investment analysts
- Oversight/accountability for responsible investment
- Implementation of responsible investment
- No oversight/accountability or implementation responsibility for responsible investment
- Dedicated responsible investment staff
- External managers or service providers
- Investor relations
- Other role, specify (1)  
Finance, Compliance and Operations Departments

**Other description (1)**

- Oversight/accountability for responsible investment
- Implementation of responsible investment
- No oversight/accountability or implementation responsibility for responsible investment
- Other role, specify (2)

**Other description (2)**

- Investor Relations
- Oversight/accountability for responsible investment
- Implementation of responsible investment
- No oversight/accountability or implementation responsibility for responsible investment

**SG 07.2** For the roles for which you have RI oversight/accountability or implementation responsibilities, indicate how you execute these responsibilities.

The Boards of the General Partners and Investment Advisory entities have responsibility for the operation of Terra Firma's investment activities and other operations, including those related to responsible investment. All other members of the investment and operational teams have responsibility for the implementation of the firm's Responsible Investment Policy. Members of our Operations, Investor Relations, Compliance and Finance teams have responsibility for implementing our approach to transparency.

**SG 07.3** Indicate the number of dedicated responsible investment staff your organisation has.

0

**SG 08.1** Indicate if your organisation's performance management, reward and/or personal development processes have a responsible investment element.

- Responsible investment included in personal development and/or training plan
- None of the above
- Responsible investment KPIs and/or goals included in objectives
- Responsible investment included in appraisal process
- Variable pay linked to responsible investment performance

- Responsible investment included in personal development and/or training plan
  - None of the above
- Managing Directors
- Responsible investment KPIs and/or goals included in objectives
  - Responsible investment included in appraisal process
  - Variable pay linked to responsible investment performance
  - Responsible investment included in personal development and/or training plan
  - None of the above
  - Responsible investment KPIs and/or goals included in objectives
  - Responsible investment included in appraisal process
  - Variable pay linked to responsible investment performance
  - Responsible investment included in personal development and/or training plan
  - None of the above
  - Responsible investment KPIs and/or goals included in objectives
  - Responsible investment included in appraisal process
  - Variable pay linked to responsible investment performance
  - Responsible investment included in personal development and/or training plan
  - None of the above
- Finance and Operations Departments
- Responsible investment KPIs and/or goals included in objectives
  - Responsible investment included in appraisal process
  - Variable pay linked to responsible investment performance
  - Responsible investment included in personal development and/or training plan
  - None of the above
- Investor Relations
- Responsible investment KPIs and/or goals included in objectives
  - Responsible investment included in appraisal process
  - Variable pay linked to responsible investment performance
  - Responsible investment included in personal development and/or training plan
  - None of the above

**SG 08.3** Provide any additional information on your organisation's performance management, reward and/or personal development processes in relation to responsible investment.

In 2016 online ESG training was provided for all Terra Firma colleagues.

SG 09	Mandatory	Core Assessed	PRI 4,5
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**SG 09.1** Select the collaborative organisation and/or initiatives of which your organisation is a member or in which it participated during the reporting year, and the role you played.

- Principles for Responsible Investment

Your organisation's role in the initiative during the reporting period (see definitions)
Basic
<input type="checkbox"/> AFIC – La Commission ESG
<input type="checkbox"/> Asian Corporate Governance Association
<input type="checkbox"/> Australian Council of Superannuation Investors
<input type="checkbox"/> BVCA – Responsible Investment Advisory Board
<input type="checkbox"/> CDP Climate Change
<input type="checkbox"/> CDP Forests
<input type="checkbox"/> CDP Water
<input type="checkbox"/> CFA Institute Centre for Financial Market Integrity
<input type="checkbox"/> Code for Responsible Investment in SA (CRISA)
<input type="checkbox"/> Code for Responsible Finance in the 21st Century
<input type="checkbox"/> Council of Institutional Investors (CII)
<input type="checkbox"/> ESG Research Australia
<input type="checkbox"/> Eumedion
<input type="checkbox"/> EVCA – Responsible Investment Roundtable
<input type="checkbox"/> Extractive Industries Transparency Initiative (EITI)
<input type="checkbox"/> Global Investors Governance Network (GIGN)
<input type="checkbox"/> Global Impact Investing Network (GIIN)
<input type="checkbox"/> Global Real Estate Sustainability Benchmark (GRESB)
<input type="checkbox"/> Green Bond Principles

- Institutional Investors Group on Climate Change (IIGCC)
- Interfaith Center on Corporate Responsibility (ICCR)
- International Corporate Governance Network (ICGN)
- Investor Group on Climate Change, Australia/New Zealand (IGCC)
- International Integrated Reporting Council (IIRC)
- Investor Network on Climate Risk (INCR)/CERES
- Local Authority Pension Fund Forum
- Principles for Sustainable Insurance
- Regional or National Social Investment Forums (e.g. UKSIF, Eurosif, ASRIA, RIAA), specify
- Responsible Finance Principles in Inclusive Finance
- Shareholder Association for Research and Education (Share)
- United Nations Environmental Program Finance Initiative (UNEP FI)
- United Nations Global Compact
- Other collaborative organisation/initiative, specify

SG 10	Mandatory	Core Assessed	PRI 4
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**SG 10.1** Indicate if your organisation promotes responsible investment, independently of collaborative initiatives.

Yes

**SG 10.2** Indicate which of the following actions your organisation has taken to promote responsible investment, independently of collaborative initiatives.

- Provided or supported education or training programmes for clients, investment managers, broker/dealers, investment consultants, legal advisers or other investment organisations
- Provided financial support for academic or industry research on responsible investment
- Encouraged better transparency and disclosure of responsible investment practices across the investment industry
- Spoke publicly at events and conferences to promote responsible investment
- Wrote and published in-house research papers on responsible investment
- Encouraged the adoption of the PRI
- Wrote articles on responsible investment in the media.
- Other, specify

No

**SG 10.3** Describe any additional actions and initiatives that your organisation has taken part in during the reporting year to promote responsible investment [Optional]

We are proud of our reputation for transparency and strong governance. In 2007 following recommendations from Sir David Walker in his report on Disclosure and Transparency in Private Equity, Terra Firma became one of the first private equity groups to publish an annual review of our business. In addition, the majority of Terra Firma's portfolio companies produce annual reports in line with the Walker guidelines, even when this is not mandatory.

Terra Firma became a signatory to the Global Investor Statement on Climate Change in 2015.

During 2015 and 2016, Terra Firma contributed to the development of an online training programme related to ESG and has rolled that training out across our firm.

SG 11	Voluntary	Additional Assessed	PRI 4,5,6
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**SG 11.1** Indicate if your organisation - individually or in collaboration with others - conducted dialogue with public policy makers or regulators in support of responsible investment in the reporting year.

Yes

No

SG 12	Mandatory	Descriptive	PRI 1
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**SG 12.1** Indicate if your organisation executes scenario analysis and/or modelling in which the risk profile of future ESG trends at portfolio level is calculated.

- We execute scenario analysis which includes factors representing the investment impacts of future environmental trends
- We execute scenario analysis which includes factors representing the investment impacts of future social trends
- We execute scenario analysis which includes factors representing the investment impacts of future governance trends
- We execute other scenario analysis, specify
- We do not execute such scenario analysis and/or modelling

**SG 12.2** Indicate if your organisation considers ESG issues in strategic asset allocation and/or allocation of assets between sectors or geographic markets.

- We do the following
- Allocation between asset classes
- Determining fixed income duration
- Allocation of assets between geographic markets
- Sector weightings
- Other, specify
- We do not consider ESG issues in strategic asset allocation

SG 13	Mandatory to Report, Voluntary to Disclose	Additional Assessed	PRI 1
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SG 13.1	Some investment risks and opportunities arise as a result of long term trends. Indicate which of the following you act on.
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- Changing demographics
- Climate change

SG 13.2	Indicate which of the following activities you have undertaken to respond to climate change risk and opportunity
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- Established a climate change sensitive or climate change integrated asset allocation strategy
- Targeted low carbon or climate resilient investments
- Reduced portfolio exposure to emissions intensive or fossil fuel holdings
- Used emissions data or analysis to inform investment decision making
- Sought climate change integration by companies
- Sought climate supportive policy from governments
- Other, specify
- None of the above

SG 13.3	Indicate which of the following tools you use to manage emissions risks and opportunities
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- Carbon footprinting
- Scenario testing
- Disclosure on emissions risk to clients/trustees/management/beneficiaries
- Target setting for emissions risk reduction
- Encourage internal and/or external portfolio managers to monitor emissions risk
- Emissions risk monitoring and reporting are formalised into contracts when appointing managers
- Other, specify
- None of the above
- Resource scarcity
- Technology developments
- Other, specify(1)
- Other, specify(2)
- None of the above

SG 14	Mandatory to Report, Voluntary to Disclose	Descriptive	PRI 1
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SG 14.1	Indicate if your organisation allocates assets to, or manages, funds based on specific environmental and social themed areas.
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- Yes

SG 14.2	Specify which thematic area(s) you invest in, indicate the percentage of your AUM in the particular asset class and provide a brief description.
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Area
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- Clean technology (including renewable energy)
- Private equity  
15% of AUM

Brief description and measures of investment
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Terra Firma has been a large investor in renewable energy generation, with portfolio businesses in onshore wind, solar PV and landfill gas generation.

- Green buildings
- Sustainable forestry
- Sustainable agriculture
- Microfinance
- SME financing
- Social enterprise / community investing
- Affordable housing
- Education

- Global health
  - Water
  - Other area, specify
- No

SG 17	Voluntary	Descriptive	General
SG 17.1	Indicate whether any specific features of your approach to responsible investment are particularly innovative.		
<input type="radio"/> Yes			
<input checked="" type="radio"/> No			

PE 01.1	Provide a breakdown of your organisation's internally managed private equity investments by investment strategy.
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Investment strategy	Percentage of your internally managed private equity holdings (in terms of AUM)
Venture capital	<input type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input checked="" type="radio"/> 0%
Growth capital	<input type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input checked="" type="radio"/> 0%
(Leveraged) buy-out	<input checked="" type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> 0%
Distressed/Turnaround/Special Situations	<input type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input checked="" type="radio"/> 0%
Secondaries	<input type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input checked="" type="radio"/> 0%
Other investment strategy, specify	<input type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input checked="" type="radio"/> 0%
Other investment strategy, specify	<input type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input checked="" type="radio"/> 0%
<b>Total</b>	<b>100%</b>

PE 02.1	Indicate the level of ownership you typically hold in your private equity investments.
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- a majority stake (>50%)
- 50% stake
- a significant minority stake (between 10-50%)
- a minority stake (<10%)
- a mix of ownership stakes

PE 02.2	Additional information. [Optional]
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Terra Firma typically makes control investments which allow us to deliver strategic and operational change. Subsequent exit routes may lead to reduced ownership levels.

PE 03.1	Provide a brief overview of your organisation's approach to responsible investment in private equity.
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Terra Firma seeks to generate value for stakeholders through acquiring and transforming businesses, and believes the best way to achieve this is by creating sustainably improved businesses, and through being aligned and transparent with investors.

Terra Firma are direct investors who take an active management approach and invest significant time in working with each business to improve strategy and operational performance.

Terra Firma views responsible investing as one element of an overall approach to responsible business, with other important elements including being a responsible corporate citizen that makes a positive impact on local communities, and being a responsible employer, developing and supporting a diverse team.

Terra Firma has a specialty in making large scale investments in renewable energy generation businesses across technologies such as onshore wind, solar PV, hydro and landfill gas.

Terra Firma has formalised and published our Responsible Investment Policy, which covers responsible business, responsible investing and responsible portfolio management. We aim to have high levels of transparency for our investors, we structure our funds to ensure our interests and those of our investors are aligned, we consider ESG factors when we make new investments, and we work with existing portfolio companies to improve ESG performance and transparency.

PE 04	Mandatory	Core Assessed	PRI 2
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**PE 04.1** Indicate if your organisation's investment guidelines for private equity refer to responsible investment.

Our investment guidelines do refer to responsible investment

**PE 04.2** Describe how your organisation's investment guidelines outline your expectations on staff and portfolio companies' approach towards ESG issues [Optional].

Our staff are informed of our approach towards ESG through the Responsible Investment Policy, which describes our strategy regarding the consideration of ESG factors. This strategy is put into practice through the requirement for investment papers to include ESG assessments at various points in the investment review process.

The process is widely communicated and we have developed in-house tools to assist in the implementation of the policy, and provide training in ESG.

Steps have also been taken to ensure Terra Firma's portfolio businesses approach ESG issues with consideration and due care. All portfolio businesses are sent Terra Firma's Responsible Investment Policy, and each CEO signs an annual affirmation of their commitment to core principles and affirming that they do not engage in certain high ESG risk activities. Terra Firma also collects ESG data annually from portfolio businesses.

Our investment guidelines do not refer to responsible investment

We do not have investment guidelines

PE 05	Mandatory	Core Assessed	PRI 1,4,6
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**PE 05.1** Indicate if your most recent fund placement documents (private placement memorandums (PPMs) or similar) refer to responsible investment aspects of your organisation.

Yes

**PE 05.2** Indicate how your fund placement documents (PPMs or similar) refer to the following responsible investment aspects of your organisation:

Policy and commitment to responsible investment

Approach to ESG issues in pre-investment processes

Approach to ESG issues in post-investment processes

No

Not applicable as our organisation does not fundraise

PE 06	Voluntary	Additional Assessed	PRI 4
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**PE 06.1** Indicate whether your organisation makes formal commitments in fund formation contracts, Limited Partnership Agreements (LPAs) or in side letters relating to responsible investment when requested by clients.

We always make formal commitments to responsible investment in fund formation contracts, LPAs or side letters

In a majority of cases we make formal commitments to responsible investment in fund formation contracts, LPAs or side letters

In a minority of cases we make formal commitments to responsible investment in fund formation contracts, LPAs or side letters

We do not make formal commitments to responsible investment in fund formation contracts, LPAs or side letters

We do not make formal commitments to responsible investment in fund formation contracts, LPAs or side letters because our clients do not request us to do so.

**PE 06.2** Additional information.

In fundraising materials, reference is typically made to Terra Firma's active strategic engagement and robust governance regimes, together with elements such as responsible investment themes, risk management, reporting, alignment of interests and our corporate citizenship programme.

PE 07	Mandatory	Gateway	PRI 1
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**PE 07.1** During due-diligence indicate if your organisation typically incorporates ESG issues when selecting private equity investments.

Yes

**PE 07.2** Describe your organisation's approach to incorporating ESG issues in private equity investment selection.

During the investment selection process, Terra Firma aims to consider all relevant risks and opportunities, including those related to material ESG factors. ESG risks and opportunities are reviewed and assessed alongside the other factors relevant to the specific deal, and ESG assessments are required in investment papers.

Our Responsible Investment Policy requires that ESG factors are identified and assessed when looking at new investment opportunities and we have developed tools to assist in that identification and assessment. It is also common for external experts to be engaged to assess certain areas related to ESG factors.

No

**PE 07.3** Additional information. [Optional]

As a specific example of the consideration of ESG issues during deal processes, during 2015 we worked on a significant potential acquisition in the hotel industry. In line with our standard process the opportunity was initially assessed using our ESG toolkit, designed to aid in the identification of ESG factors.

No exclusions or 'red flag' risk indicators were identified, and so the opportunity progressed through the investigation and approval processes. As the project progressed into the due diligence phase, areas which were identified for the sector were refined and external advisors were hired to assist evaluation of property, regulatory and employment conditions. As a result of this work on the identification and quantification of potential impacts, we developed a more accurate view of the risks and opportunities available and we were able to make appropriate changes to our valuation.

PE 08	Mandatory	Core Assessed	PRI 1,3
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**PE 8.1** Indicate what type of ESG information your organisation typically considers during your private equity investment selection process.

- Raw data from target company
- Benchmarks against other companies
- Sector level data/benchmarks
- Country level data/benchmarks
- Reporting standards, industry codes and certifications
- International initiatives, declarations or standards
- Engagements with stakeholders (e.g. customers and suppliers)
- Advice from external resources
- Other, specify
- We do not track this information

**PE 8.2** Describe how this information is reported to, considered and documented by the Investment Committee or similar.

At each stage in the investment consideration process, the team assessing a potential investment will present their findings to the appropriate committee. In early stages, ESG profiling highlights the likely areas of relevance or any indicators of high risk, and those areas which may require external diligence support. As a project progresses, the team presents all the relevant operational, strategic and financial findings and implications, including those related to ESG matters. In advanced stages, more detailed analysis of specific issues may be required, and an update on the relevant ESG factors is presented, in order to allow the fund General Partners to approve a potential investment.

PE 09	Voluntary	Additional Assessed	PRI 1,2
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**PE 9.1** During deal structuring, indicate if your organisation typically encourages continuous improvements from potential investees with regard to their management of ESG issues.

- Yes
- In writing
- Verbally/through dialogue
- Other, specify

**PE 9.2** Describe the nature of these improvements and their ESG coverage.

Within the portfolio, Terra Firma encourages improvements in strategy-setting and in operational areas, by way of both our approach to active management and the standard Terra Firma governance and monitoring regime.

The nature of improvements varies from investment to investment. A range of potential strategic and operational improvements are likely to be developed during the investment process, and these are refined and augmented throughout the ownership period. Areas where the standard Terra Firma governance approach typically results in changes include corporate governance, reporting/ transparency, monitoring and the delegation of authorities to and from boards of directors.

Terra Firma introduces strong corporate governance frameworks to all new investments, creating boards with executive, non-executive and Terra Firma members, with documented delegations of authority. Boards receive regular and in depth performance reports, which include key non-financial metrics, often relating to ESG factors.

Terra Firma's portfolio businesses provide data to Terra Firma directly, and via board representatives. Where ESG factors are particularly relevant for a specific business, these are reported on more frequently. Terra Firma drives high quality reporting from investees. ESG monitoring is also undertaken throughout the portfolio, primarily through the reporting of annual ESG performance indicators relevant to each investment.

No

PE 10	Voluntary	Additional Assessed	PRI 1
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**PE 10.1** Indicate how ESG issues impacted your private equity investment selection processes during the reporting year.

- ESG issues helped identify risks
- ESG issues helped identify opportunities for value creation
- ESG issues led to the abandonment of potential investments
- ESG issues were considered but did not have an impact on the investment selection process
- Other, specify
- We do not track this potential impact

**PE 10.2** Indicate how ESG issues impacted your private equity investment deal structuring processes during the reporting year.

- ESG issues impacted the investment in terms of price offered and/or paid
- ESG issues impacted the terms in the shareholder/purchase agreements and/or lending covenants
- ESG issues were considered but did not have an impact on the deal structuring process
- Other, specify
- We do not track this potential impact

PE 11	Mandatory	Gateway/Core Assessed	PRI 2
PE 11.1	Indicate whether your organisation incorporates ESG issues in investment monitoring of portfolio companies.		
<input checked="" type="checkbox"/> Yes			
PE 11.2	Indicate the proportion of portfolio companies where your organisation included ESG performance in investment monitoring during the reporting year.		
<input checked="" type="checkbox"/> >90% of portfolio companies <input type="checkbox"/> 51-90% of portfolio companies <input type="checkbox"/> 10-50% of portfolio companies <input type="checkbox"/> <10% of portfolio companies			
PE 11.3	Indicate ESG issues for which your organisation typically sets and monitors targets (KPIs or similar) and provide examples per issue.		
<input type="checkbox"/> Environmental <input type="checkbox"/> Social <input type="checkbox"/> Governance <input checked="" type="checkbox"/> We do not set and/or monitor against targets <input type="checkbox"/> No			

PE 12	Mandatory	Core Assessed	PRI 2
PE 12.1	Indicate if your organisation tracks the proportion of your portfolio companies that have an ESG/sustainability-related policy (or similar guidelines).		
<input checked="" type="checkbox"/> Yes			
PE 12.2	Indicate what percentage of your portfolio companies has an ESG/sustainability policy (or similar guidelines).		
<input type="checkbox"/> >90% of portfolio companies <input checked="" type="checkbox"/> 51-90% of portfolio companies <input type="checkbox"/> 10-50% of portfolio companies <input type="checkbox"/> <10% of portfolio companies <input type="checkbox"/> 0% of portfolio companies <input type="checkbox"/> No			

PE 13	Voluntary	Additional Assessed	PRI 2
PE 13.1	Indicate the types of actions taken by your portfolio companies to incorporate ESG issues into operations and what proportion of your portfolio companies have implemented these actions.		
<input checked="" type="checkbox"/> Allocate responsibility for ESG issues to board/senior management <input checked="" type="checkbox"/> >90% of portfolio companies <input type="checkbox"/> 51-90% of portfolio companies <input type="checkbox"/> 10-50% of portfolio companies <input type="checkbox"/> <10% of portfolio companies <input type="checkbox"/> We do not track this information <input type="checkbox"/> Composition of board ensure ESG expertise <input checked="" type="checkbox"/> Consider ESG issues in risk management processes <input checked="" type="checkbox"/> >90% of portfolio companies <input type="checkbox"/> 51-90% of portfolio companies <input type="checkbox"/> 10-50% of portfolio companies <input type="checkbox"/> <10% of portfolio companies <input type="checkbox"/> We do not track this information <input checked="" type="checkbox"/> Define performance targets for applicable ESG issues in operations <input checked="" type="checkbox"/> >90% of portfolio companies <input type="checkbox"/> 51-90% of portfolio companies <input type="checkbox"/> 10-50% of portfolio companies <input type="checkbox"/> <10% of portfolio companies <input type="checkbox"/> We do not track this information <input type="checkbox"/> Identify and engage external parties or stakeholders that could add value or decrease risk through ESG issues <input checked="" type="checkbox"/> Developing/implementing an environmental/social management system (ESMS) or similar <input type="checkbox"/> >90% of portfolio companies <input type="checkbox"/> 51-90% of portfolio companies <input checked="" type="checkbox"/> 10-50% of portfolio companies			

- <10% of portfolio companies
- We do not track this information
- Other actions, specify
- None of the above

**PE 13.2** Describe how your organisation contributes to the portfolio companies' resourcing and management of ESG issues.

Terra Firma contributes to the portfolio's management of ESG in a number of ways. Firstly, Terra Firma actively engages with executive management in matters of governance, strategy and operations. We aim to create high standards of operational excellence and encourage discussion of all material factors, whether those be financial, operational or commercial.

Terra Firma staff take seats on investee Boards and share good practices between investee businesses. All of Terra Firma's businesses fall under our standard governance and reporting framework. This requires high levels of corporate governance and transparency, which is a fundamental aspect of our highly active investment management approach.

Secondly, Terra Firma requires its portfolio businesses to report on ESG matters. Each business confirms its compliance with the firm's ESG principles annually and reports ESG metrics relevant to its operations. In addition, where ESG issues are particularly relevant these are reported on more frequently.

**PE 14** Voluntary Descriptive **PRI 2,3**

**PE 14.1** Indicate the type and frequency of reports you request and/or receive from portfolio companies covering ESG issues.

- Overarching portfolio company reports (or similar) where management disclosure, financial and ESG data are integrated
  - Quarterly or more frequently
  - Biannually
  - Annually
  - Less frequently than annually
  - Ad-hoc/when requested, specify
- Standalone reports highlighting targets and/or KPIs covering ESG issues
  - Quarterly or more frequently
  - Biannually
  - Annually
  - Less frequently than annually
  - Ad-hoc/when requested, specify
- Other, specify
  - Weekly reporting to include ESG issues by exception.
  - Quarterly or more frequently
  - Biannually
  - Annually
  - Less frequently than annually
  - Ad-hoc/when requested, specify
- No reporting on ESG issues requested and/or provided by portfolio companies

**PE 14.2** Additional information.

The information Terra Firma requests from portfolio businesses varies from business to business. However, in general Terra Firma asks to be informed about key operational metrics, initiatives and any ESG incidents which have taken place.

**PE 15** Voluntary Additional Assessed **PRI 2**

**PE 15.1** Indicate whether during the reporting year your organisation disclosed information on ESG issues to potential buyers prior to exit for private equity investments.

- We included ESG issues in pre-exit information
- We did not include ESG issues in pre-exit information
- N/A, we did not have any exits in the reporting year

**PE 15.2** Apart from disclosure, describe how your organisation considers ESG issues at exit.

Where performance in an ESG-related topic is relevant to understanding the performance and resilience of the business we will typically use that in marketing the business to potential buyers.

**PE 16** Voluntary Additional Assessed **PRI 1,2**

**PE 16.1** Indicate whether your organisation measures how your approach to responsible investment in Private Equity investments has affected financial and/or ESG performance.

- We measure whether our approach to ESG issues impacts the financial performance of investments
- We measure whether our approach to ESG issues impacts the ESG performance of investments
- None of the above

**PE 16.2** Describe how you are able to determine these outcomes.

Terra Firma does not isolate the financial impact of its ESG policies on ESG performance or on investment values although there is an active measurement of benefits from specific projects, most commonly cost savings. Annual ESG KPI data collected from the portfolio allows us to assess the impacts of activities undertaken across the portfolio. The four areas in which data is typically collected include workplace, community, environment and governance. Terra Firma

works with businesses to improve performance and reporting or fully realise any opportunities for improvement.

PE 17	Mandatory to Report, Voluntary to Disclose	Descriptive	PRI 1,2
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**PE 17.1** Provide examples of ESG issues that you identified in your potential and/or existing private equity investments during the reporting year.

Add Example 1

Investment Stage	Initial screening
ESG issues	ESG issues
	<input type="checkbox"/> Environmental <input checked="" type="checkbox"/> Social We have identified sales practices which may be unsustainable <input type="checkbox"/> Governance
Sector(s)	Services
Impact (or potential impact) on the investment	This led to this investment being viewed as high risk
Activities undertaken to influence the investment and its response	In response to this assessment, additional legal diligence was undertaken.

Add Example 2

Investment Stage	Due diligence
ESG issues	ESG issues
	<input checked="" type="checkbox"/> Environmental We identified properties with risk of flooding <input type="checkbox"/> Social <input type="checkbox"/> Governance
Sector(s)	Service
Impact (or potential impact) on investment	This highlighted the potential for increased operating or capital costs in future.
Activities undertaken to influence the investment and its response	Further expert diligence was required in order to better ascertain the risk and potential impact

Add Example 3

Add Example 4

Add Example 5

**PE 17.2** Describe how you define and evaluate the materiality of ESG factors.

Each investment opportunity, and the relevance of factors associated with it, is assessed individually. Any factor which could have a significant, or long term, impact on the business or its stakeholders, or on a potential investment, is considered to be material.

PE 18	Mandatory	Core Assessed	PRI 6
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**PE 18.1** Indicate whether your organisation proactively discloses ESG information on your private equity investments.

Disclose publicly

<http://www.terrafirma.com/responsibility.html><http://www.terrafirma.com/responsible-investment-policy.html>

**PE 18.2** Indicate whether the type of ESG information you proactively provide to the public is the same as that you provide to your clients (LPs)/beneficiaries.

Yes

No

<b>PE 18.3</b>	<b>Indicate the type of ESG information that your organisation proactively discloses to the public.</b>
	<input type="checkbox"/> ESG information in relation to our pre-investment activities <input type="checkbox"/> ESG information in relation to our post-investment monitoring and ownership activities <input checked="" type="checkbox"/> Information on our portfolio companies' ESG performance <input type="checkbox"/> Other, specify
<b>PE 18.4</b>	<b>Indicate your organisation's typical frequency of disclosing ESG information to the public.</b>
	<input type="radio"/> Quarterly or more frequently <input type="radio"/> Biannually <input checked="" type="radio"/> Annually <input type="radio"/> Less frequently than annually <input type="radio"/> Ad-hoc/when requested, specify
<b>PE 18.5</b>	<b>Indicate the type of ESG information that your organisation proactively discloses to your clients (LPs)/beneficiaries.</b>
	<input checked="" type="checkbox"/> ESG information in relation to our pre-investment activities <input checked="" type="checkbox"/> ESG information in relation to our post-investment monitoring and ownership activities <input checked="" type="checkbox"/> Information on our portfolio companies' ESG performance <input type="checkbox"/> Other, specify
<b>PE 18.6</b>	<b>Indicate your organisation's typical frequency of disclosing ESG information to your clients (LPs)/beneficiaries.</b>
	<input checked="" type="radio"/> Quarterly or more frequently <input type="radio"/> Biannually <input type="radio"/> Annually <input type="radio"/> Less frequently than annually <input type="radio"/> Ad-hoc/when requested, specify
<b>PE 18.7</b>	<b>Describe the ESG information and how your organisation proactively discloses it to the public and/or clients (LPs)/beneficiaries. [Optional]</b>
	<p>Terra Firma discloses a variety of ESG information. With regards to our investments, this includes new ESG initiatives, notable projects in the portfolio and any significant improvements made by the business. This information is disclosed in a number of publications including the Terra Firma Annual Report, portfolio CSR reports and portfolio company Annual Reports.</p> <p>ESG information is disclosed in LP reporting in order to clearly demonstrate the different initiatives taking place across the portfolio. Quarterly fund reports to Limited Partners include updates on topics such as community engagement, employee diversity and training and our approach to transparency, in addition to updates on Terra Firma's broader ESG programme.</p>
	<input type="radio"/> Disclose to investor clients (LPs)/beneficiaries only <input type="radio"/> No proactive disclosure to the public or to clients (LPs)/beneficiaries

<b>PE 19</b>	<b>Mandatory to Report, Voluntary to Disclose</b>	<b>Descriptive</b>	<b>PRI 6</b>
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<b>PE 19.1</b>	<b>Describe your organisation's approach to disclosing ESG incidents in private equity investments to your investor clients (LPs).</b>
	<p>Terra Firma's approach to disclosing ESG incidents to LPs is set out in our Adverse Incident Communication Policy. This sets out the chain of communication for news of significant incidents, relating to ESG or other factors, and sets out where responsibility lies for deciding how to communicate, internally and with LPs and other stakeholders. The policy gives examples of matters which may be significant, although the treatment is fact-specific.</p>