

Sustainable Investing charter

ESG, Biodiversity & Climate change policy



April 2024

This policy is applied by Tikehau Capital and its subsidiaries. The terms “Tikehau Capital” and the “Group” in this document refer to all these companies.

The purpose of this document is to present the Sustainable Investing approach of the Group. The policy describes Tikehau Capital’s governance, policies and processes relating to Sustainable Investing including the management of sustainability (ESG, Biodiversity & Climate change) risks, opportunities, and externalities (adverse and positive impacts).

In line with EU Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (the “SFDR”), the Group discloses:

- how sustainability risks are integrated into the investment decision-making process (Article 3 of SFDR) and
- the due diligence and engagement policies with respect to principal adverse impacts (Article 4 of SFDR).

The policy takes into account the recommendations of the Taskforce on Climate-related Financial Disclosures (the “TCFD”) and provides the main guidelines regarding Tikehau Capital’s response to the climate emergency.

For newly integrated subsidiaries, the Group allows up to 18 months to ensure the seamless integration with its Sustainable Investing charter.

This charter has been approved by Tikehau Capital Sustainability Strategy Orientation Committee (formerly known as “Group ESG Committee”) on May 17th, 2021. Subsequently, the charter was updated.

Contents

1. Foreword	3
2. Approach to sustainable development.....	3
2.1 Group core principles	3
2.2 Sustainable investing governance.....	4
3. Sustainability by Design approach	7
3.1 Exclusions	7
3.2 ESG integration.....	8
3.3 ESG engagement.....	8
4. Sustainability-themed and impact investing.....	10
5. Climate change and biodiversity policy	12
5.1 Solutions for Decarbonisation, Nature & Biodiversity	12
5.2 Increased selectivity to reduce exposure to adverse environmental impacts	12
5.3 Measurement & management linked to environmental impact	13
5.4 Management and mitigation of Biodiversity and Climate change risks	14
6. Reporting and disclosure	15
7. Internal controls.....	15
8. Industry outreach relating to sustainable investing	16
Appendix 1 – ESG score for investments in companies.....	17
Appendix 2 – Sustainability risks	18
Appendix 3 – SFDR - Principal Adverse Impacts (PAI)	19
Appendix 4 – SFDR - Good governance.....	21
Appendix 5 – SFDR - Sustainable investment.....	23

1. Foreword

Tikehau Capital's mission is to direct global savings towards innovative and tailored financing solutions that create value for all stakeholders and accelerate positive change for society.

Through this Sustainable Investing charter, we aim at translating our values into a clear framework to ensure its implementation. Our approach is to cover the complete spectrum of sustainable investing and our strength is the commitment of all hierarchical levels of the organisation.

We believe that integrating ESG criteria has become a license to operate, and that impact is the new frontier. We have built a system that is not sustainable, and we are running against time to shift that. This is why we deploy innovation efforts and partner with experts to provide tailored and profitable investment solutions to tackle some of the world's most pressing challenges, and in particular, climate change.

We are grateful to our employees and partners for their commitment alongside the Group to scale up ESG integration and impact efforts and to ensure that Tikehau Capital remains a leading responsible investor and asset manager.

Antoine Flamarion and Mathieu Chabran
Co-founders of Tikehau Capital

2. Approach to sustainable development

2.1 Group core principles

Tikehau Capital's social and environmental impact relates primarily to its investments and, as such, the Sustainable Investing charter or environmental, social and governance ("ESG"), Biodiversity and Climate change policy constitutes the backbone of the Group's approach to sustainable development. The Group's **Sustainability by Design** approach aims to create sustainable value for all our stakeholders.

Entrepreneurship and the **alignment of interests** with its shareholders and its investor-clients, employees and the corporate partners in its portfolio form the basis of Tikehau Capital's development. The Group has a **multi-local platform**, a **unique ecosystem of partners** and promotes an alternative vision. These key areas help to structure the Group's sustainable development policy and the Sustainability by Design progress approach, integrated throughout the investment cycle.

What sets Tikehau Capital apart

ENTREPRENEURIAL MINDSET	ALIGNMENT OF INTERESTS	MULTILOCAL PLATFORM	ESTABLISHED NETWORK OF PARTNERS	SUSTAINABILITY BY DESIGN
<ul style="list-style-type: none"> ➤ Entrepreneurial DNA ➤ Young and agile organisation ➤ Culture of innovation 	<ul style="list-style-type: none"> ➤ Interests strongly aligned with our clients-investors, shareholders and the management: <ul style="list-style-type: none"> — 79% of our own balance sheet invested alongside our investor-clients and savers — 55% of the capital controlled by the Group's management and employees ➤ 20% of variable compensation linked to people & climate goal ➤ Share of carried interest linked to ESG targets for impact funds 	<ul style="list-style-type: none"> ➤ Global and local presence in 15 countries in Europe, the Middle East, North America and Asia ➤ Diversity of profiles <ul style="list-style-type: none"> — 758 employees — 48 nationalities — 44% of women ➤ Large network of advisors in each of the asset classes we cover 	<ul style="list-style-type: none"> ➤ Partnerships with large companies such as: <ul style="list-style-type: none"> • TotalEnergies (decarbonisation strategy) • Unilever and AXA (regenerative agriculture strategy) • Altarea (European credit real estate strategy) • Airbus, Safran, Dassault Aviation and Thales (aerospace strategy) ➤ Partnerships with banks and insurers to enable private clients to benefit from Tikehau Capital's expertise in private markets. <ul style="list-style-type: none"> • Banca March et Fideuram - Intesa Sanpaolo Private Banking • CNP Assurances, MACSF, Société Générale Assurances and Suravenir 	<ul style="list-style-type: none"> ➤ Sustainability experts are assigned to our investment teams to ensure proximity, agility, refinement and integration of sustainability criteria throughout the process ➤ Investments are assessed based on both sustainability and economic criteria

As at 31 December 2023

Tikehau Capital is guided by international treaties to assess the behavior of companies and aims to act in accordance with:

- the International Bill of Human Rights,
- the UN Global Compact (UNGC), and
- OECD Guidelines for Multinational Enterprises on Responsible Business Conduct.

Since endorsing the United Nations-supported Principles for Responsible Investment ("PRI") in 2014, efforts have been deployed each year to enhance the Group's approach to responsibility, both in terms of investments and in its relations with stakeholders. The Group's core principles and approach to sustainability are further underscored by:

- Tikehau Capital finalised its **Net Zero Asset Manager ("NZAM")** objectives in March 2023. The Group has committed to managing nearly 40% of its assets under management in line with the global target of reaching net zero emissions by 2050;
- the enhancement of the Group's Sustainability-themed and Impact platform,
- The reinforcement of ESG capabilities through the integration of a sustainability risk manager in 2023, the establishment of an ESG data IT platform, and the formalisation of methodological guides and of a RACI responsibility matrix ¹ with the investment and support teams (legal, compliance, customer service, etc.), and
- the inclusion of ESG considerations in the Group's loans and bonds.

2.2 Sustainable investing governance

The Group firmly believes that defining a responsible investing strategy is key to creating sustainable value (i.e., long-term value linked to global societal and environmental challenges) for all its stakeholders. This belief is demonstrated through the strong involvement across all levels of seniority - from investment and operations teams to the Managers and the Supervisory Board representatives - in the roll-out of the ESG and Climate policies.

The Supervisory Board of Tikehau Capital reviews the ESG and CSR strategy by regularly discussing this topic at its meetings. The Supervisory Board also has a "Governance and Sustainable Development Committee" which comprises three independent members and is responsible for assisting the Board in monitoring ESG and CSR issues to better understand and anticipate the challenges, risks and opportunities associated with them.

¹ RACI: Responsible, Accountable, Consulted, Informed.

In March 2021, a Sustainable Bond Allocation Committee was created. In April 2021, the Group launched a Climate Action Centre to mobilise expertise and innovation and to coordinate the global climate and biodiversity strategy.

Over the past years, the Group's governance of sustainability issues was updated to give it a medium-term strategic push and set up operational working groups by business line.

- Comprised of experienced Group employees, the Sustainability Strategy Orientation Committee sets the guidelines of the ESG, climate and biodiversity policy. It meets at least once a year.
- Operational ESG working groups for each of the Group's business lines have been set up to roll out the sustainability strategy with an annual roadmap.
- Working groups on cross-functional issues (e.g. "compliance-legal-risks and ESG" or "ESG transformation and IT") have also been created.

Further, for impact funds, an Impact Committee is in charge of reviewing of the proposed investment, to assess its potential contribution to the fund's mission (or 'theory of change'), the principle of do no significant harm to other objectives and to respect social and governance standards. The Impact Committee can issue an unfavorable recommendation when deemed necessary.

The dedicated ESG team is responsible for supervising the integration of the ESG policy across all the Group's activities. An ESG director has been appointed within each business line and with the support of ESG analysts, they work alongside the investment teams to ensure proximity, agility, and continuous integration of sustainability criteria throughout the life of the investments. The ESG team is responsible for raising awareness of the teams on ESG, impact and Climate-related issues, engaging with portfolio companies and reporting on progress.

The responsibility for ESG integration and engagement falls to the investment teams. As such, all investment analysts, managers, and directors are responsible for integrating the ESG criteria into the fundamental analysis of investment opportunities. To that extent, ESG-related objectives are considered in the appraisal and training processes across the firm.

Finally, ESG governance includes first and second level controls through reviews carried out by the risk, compliance, and internal audit teams.

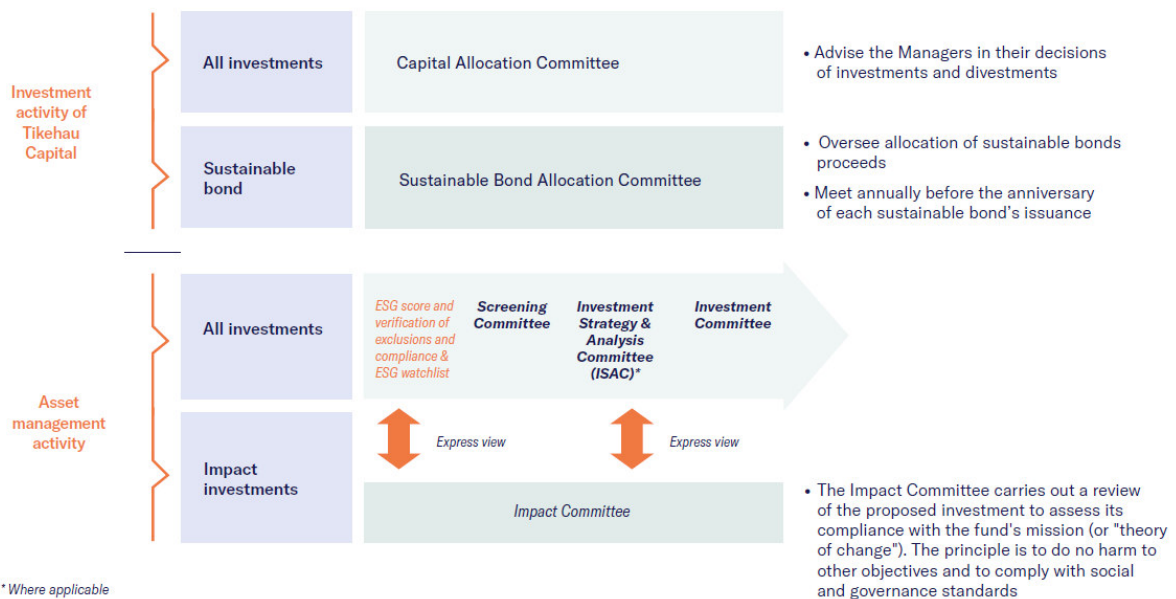
A working group made of representatives of Tikehau Capital's Compliance, Risk and ESG teams ("the Compliance-Risk-ESG working group") is in charge of making recommendations where ESG cases are exposed to risky activities and geographies. Where necessary, this working group can escalate cases to the Impact Committee for further investigations.

Periodic updates are conducted and are an integral part of the sustainable investing processes.

Group sustainable development governance



Sustainability governance at the level of investment opportunities



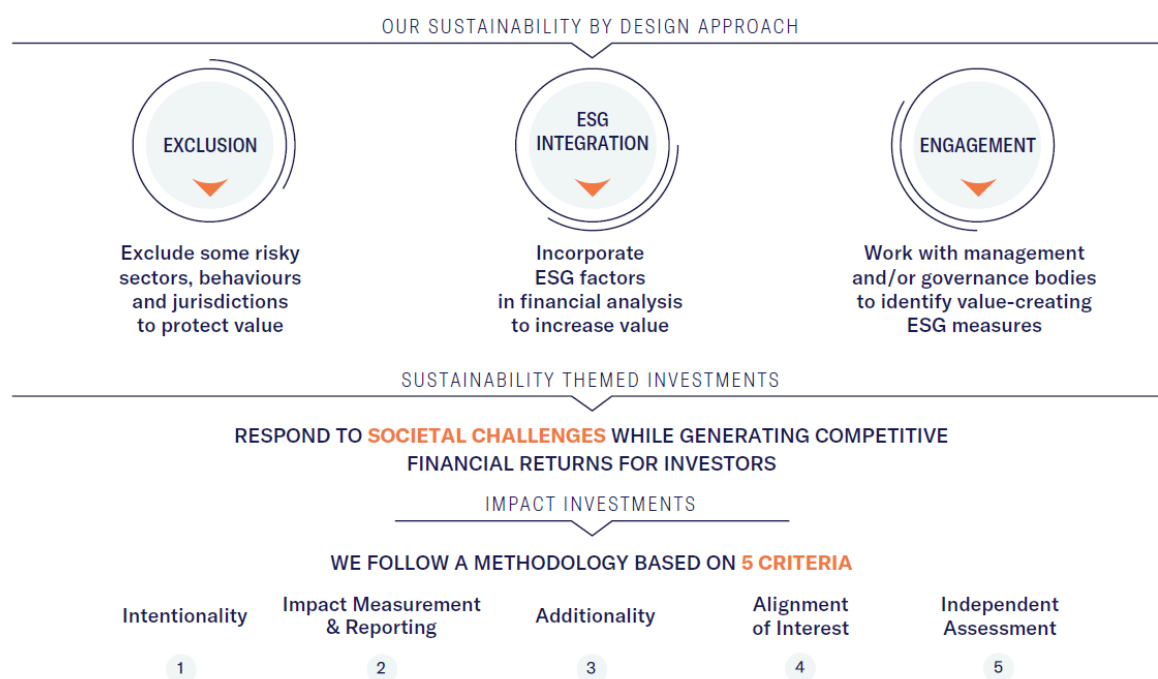
* Where applicable

3. Sustainability by Design approach

The Group's Sustainable Investing charter covers the full spectrum of responsible investment strategies through four pillars ranging from exclusions to the development of sustainability-themed products. ESG integration is the backbone of the Group's Sustainable Investing strategy and engagement is held on an *ad hoc* basis with a view to helping the portfolio companies improve.

The Group's Sustainable Investing charter covers all investments and, since the beginning of 2022, reinforced procedures have been put in place for the allocation of sustainable bond issues as well as for the opportunities considered for impact funds.

Tikehau Capital's rigorous Sustainability by Design approach and impact framework



There is no guarantee that investments objectives will be met.

3.1 Exclusions

The Group's Exclusion Policy has been developed on the basis of the most objective criteria possible. In addition to existing regulatory and international frameworks e.g., national laws and regulations, the International Bill of Human Rights, or recommendations from international agencies, the Group consults its network of experts wherever relevant.

The group exclusion category comprises:

Exclusion category	
Norm based	Country exclusion test
	Fundamental Principles compliance test
	Controversial weapons
Environmental exclusions	Thermal coal
	Oil and gas
Social exclusions	Adult entertainment
	Tobacco
ESG Label driven exclusions	Depending on label

For additional details on criteria and thresholds for corporate and real estate assets, please refer to **Tikehau Capital Exclusion Policy** available on the Group website [here](#).²

In addition, Tikehau Capital seeks to identify the industries, geographical areas (e.g., non-cooperative or sanctioned countries) and behaviours (e.g., allegations of corruption, tax evasion or money-laundering and other allegations of

² https://www.tikehaucapital.com/~/_media/Files/T/Tikehau-Capital-V2/documents/sustainability/esg-publication/tikehau-capital-exclusion-policy.pdf

breaches of the United Nations Global Compact, etc.) that may have negative external impacts on the environment or society. The Group refers notably to:

- Activities and geographies flagged by national financial intelligence units as exposed to corruption, money laundering and terrorism financing and requiring a compliance approval for closed funds. For additional details, please refer to [Tikehau Capital AML policy](#) available internally.
- Activities listed as potential exclusions in the European ESG Template (EET) by FinDatEx (Financial Data Exchange Templates) and the ESG Integrated Disclosure Project (ESG IDP) by ACC/LSTA/PRI.

Upon performing an ESG and compliance assessment, investment team members must consult the Exclusion list, the ESG & Compliance Watchlist of activities flagged by the Group and the list of high-risk geographies.

Where mitigants for risky activities and geographies are not deemed satisfactory, investment team members must consult a working group made of representatives of Tikehau Capital's Compliance, Risk and ESG teams ("the Compliance-Risk-ESG working group") for a recommendation. This working group can advise (i) not to invest or divest in the best interest of shareholders, (ii) to monitor the case with a deadline for review, or (iii) to engage with the investee company to discuss. Controversies are treated on a case-by-case basis. Where an escalation is needed, the Tikehau Capital Impact Committee (made of senior members in the organization) is in charge of making a recommendation on a joint view from the underlying teams involved and further steps required. The Compliance-Risk-ESG working group has a specific mailbox ensuring separate archiving of the cases.

3.2 ESG integration

The Group includes ESG criteria (risks, opportunities, impacts, and externalities) at the heart of its investment lifecycle and formalizes its ESG objectives and approach. Tikehau Capital and its asset management subsidiaries tend to integrate sustainability risks (please see Appendix 2) into their investment decision-making process and apply reasonable efforts regarding the principal adverse impacts (please refer to Appendix 3). This approach considers regulatory provisions including the SFDR.

ESG score

Tikehau Capital is convinced of the importance of an ESG assessment and has formalised its approach for each business line.

Within the Capital Markets Strategies, Private Equity and Private Debt business lines, the research and investment teams consider a series of ESG themes that affect the operations, products and services of the companies concerned. In addition, ESG criteria are also monitored on a periodic basis through ESG monitoring questionnaires or updates of the ESG score. The identification of material sustainability risks or adverse impacts may lead to engagement strategies. Please see additional information on the ESG score for investments in companies in Appendix 1.

For the Real Estate activity, the Group has developed proprietary ESG grids with external experts. The grids have been tailored to meet regulatory and strategic needs of each asset management company. The grids are also dynamically adjusted to the project stage (development, major renovation or operation) with a focus on ESG issues linked to the asset and its stakeholders. Finally, these grids also establish a correspondence to the GRESB, the leading ESG benchmark for real estate and infrastructure investments.

Raising teams' awareness of ESG topics

Placing ESG at the core of the investment policy requires continuous training of the teams (trainings and awareness-raising with experts and sharing experiences) and defining a formal approach to non-financial criteria (application of a ESG score and a systematic summary of ESG issues in investment memos). Beyond the awareness sessions, investment teams across the private equity and private debt activities are involved in carbon footprint workshops to strengthen their approach to the environmental analysis of their assets.

In December 2022, Tikehau Sustainability University was launched with a dedicated mobile application prioritising the strengthening of climate and regulatory knowledge, in addition to other topics for continuous training for the Group's investment teams and other functions.

3.3 ESG engagement

In addition to monitoring ESG risks and opportunities, Tikehau Capital has established an engagement approach with its portfolio companies. Starting at the investment decision and throughout the holding period, Tikehau Capital promotes the adoption of practices that align financial performance with social and environmental impact. The Tikehau Capital investment and ESG teams maintain dialogue with the portfolio companies with a view to creating sustainable value.

Voting policy

The Group believes that active shareholding stimulates communication and contributes to the creation of value. In this context, the Group is committed to voting at general meetings of the shareholders of companies held in the funds it manages (excluding funds of funds). Portfolio managers have access to a leading platform to vote.

Regarding **investments in listed companies** (equity funds of the Capital Markets Strategies activity and Direct Investments), the Tikehau Capital analysts and fund managers analyse the resolutions of the general meetings. They may use proxy advisors to help assess problematic resolutions.

With regard to **Private Equity** investments, whether Tikehau Capital has a minority or majority stake in the share capital in a given company, the teams shall systematically exercise their voting rights.

Resolutions added to the agenda by external shareholders (including resolutions on ESG-related topics) are analysed on a case-by-case basis and approved if they contribute to the improvement of business practices or have the potential to create value for shareholders.

ESG monitoring

In its **Private Equity and Private Debt** business lines, the Group aims at working together with the management teams, the equity sponsors and/or potential co-investors on ESG-related topics.

To raise management's awareness in the early stages of the investment relationship, an ESG clause is included wherever possible in shareholders' agreements or credit documentation. This clause informs on Tikehau Capital's commitments to Sustainable Investing and binds executives to adopt a progressive approach as far as they are able.

During the holding period, the portfolio companies are subject to an annual review of their ESG performance through a dedicated questionnaire. Thanks to companies' responses, Tikehau Capital can identify risks and/or opportunities relating to ESG factors. Where appropriate, the investment teams and ESG team may be encouraged to engage in dialogue with the companies to help identify the risk management strategies in place. For example, as a minimum, the Group encourages the establishment of formal Codes of Ethics to promote an exemplary approach within companies.

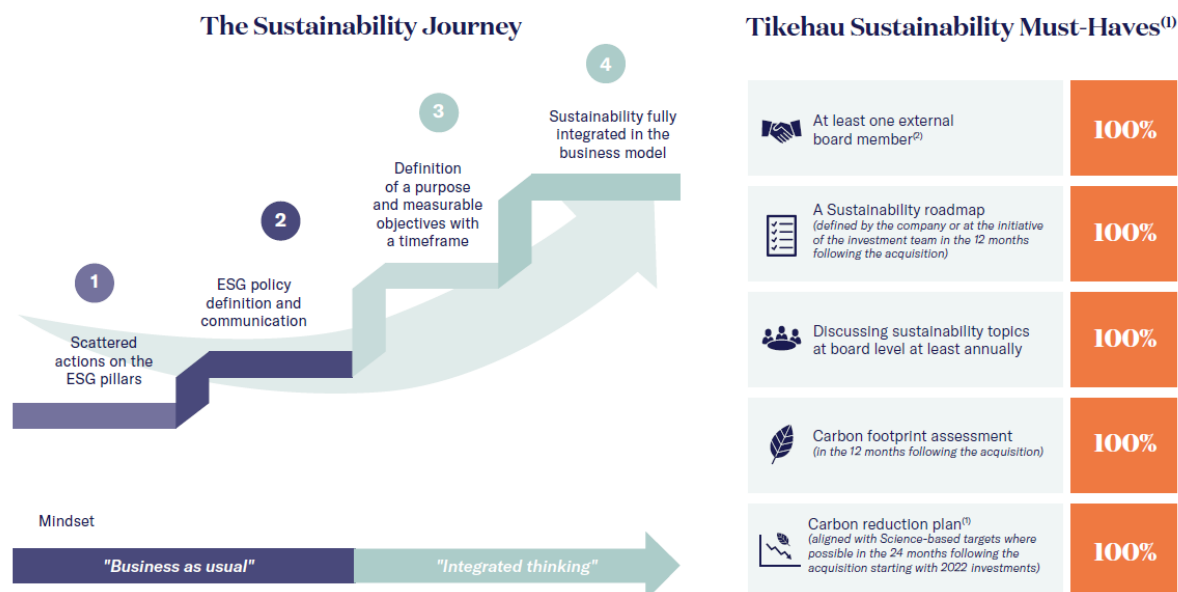
For real estate activities, ESG indicators at the asset level are monitored by property and asset managers and analysed by Tikehau Capital teams on a periodic basis.

ESG roadmaps

Tikehau Capital intends to position itself as a partner on ESG issues.

On the **Private Equity** side, Tikehau Capital teams work closely with portfolio companies to develop tailor-made sustainable development roadmaps. Targets are defined according to the activity, size, and geographical location of each company. The Tikehau Capital teams assess the company's position in relation to a sustainable transformation trajectory and in relation to the achievement of five objectives defined for private equity investments.

Four key steps to achieve sustainable transformation and private equity objectives



(1) There is no guarantee that the sustainable objectives will be achieved, but Tikehau Capital makes its best efforts to encourage portfolio companies to achieve these objectives.

(2) To be considered as an external member of the Board of Directors, the person must not be an employee of the Tikehau Capital Group, nor of the Company, and must not own more than 5% of the Company's shares.

The **Private Debt** team has consistently included ESG clauses that commit borrowers to an ESG progress and reporting process. In 2020, the team further advanced this initiative by introducing **ESG ratchets** in the transactions structured by the team, positioning the Group as a pioneer in this field for direct lending deals. Such ratchets serve as trigger that lowers or increases the interest rate margin of a loan by a predefined amount when an ESG objective is met or unmet. Typically, the Group's Private Debt team negotiates between three and five relevant ESG objectives per year with the company and/or with the private equity sponsor. This ESG-based interest rate adjustment mechanism complements existing ratchets that focus on financial criteria, such as the leverage ratio.

Regarding **Real Estate activities**, the asset management teams aim to identify and implement relevant ESG action plans to enhance the non-financial performance of the real estate assets during their holding period with the objective to improve performance at the asset management entities level. Tikehau Capital has defined a common ESG management framework for all its real estate subsidiaries. This strategy is based on three main commitments (Environment, Social and Governance), broken down into objectives applicable to all subsidiaries.

ESG framework for the Group's Real Estate activities

E TAKING ACTION FOR CLIMATE AND BIODIVERSITY: TOWARDS A SUSTAINABLE REAL ESTATE SECTOR

- Reducing energy consumption and the carbon footprint
- Building resilience to climate change
- Targeting ambitious environmental standards and certifications
- Preserving biodiversity in and around assets

S PLACING HUMAN INTERACTIONS AT THE CENTRE OF CITIES AND COMMUNITIES

- Promoting local integration
- Promoting sustainable mobility

G MEETING ESG CHALLENGES BY PROMOTING EXEMPLARY GOVERNANCE

- Integrating environmental and social objectives into internal governance
- Engaging external stakeholders

4. Sustainability-themed and impact investing

Tikehau Capital has set the foundation for its impact strategy with a robust operational ESG approach that has been integrated within the investment process.

What does impact investing mean to Tikehau Capital?

Tikehau Capital distinguishes between 'sustainable investment' according to the SFDR Regulation and 'impact investment'. Tikehau Capital relies on international reference frameworks to define its impact approach e.g., Global

Impact Investing Network or GIIN, IRIS+, Sustainable Development Goals (“SDGs”), Impact Management Project (“IMP”), UN PRI:

As part of its impact investing strategy, the Group established a structured framework

WE FOLLOW A METHODOLOGY BASED ON 5 CRITERIA



- The first pillar of an impact approach is intentionality. This involves combining strong financial performance with a response to global and societal challenges such as the climate emergency and biodiversity. Our investment and ESG teams work with experts in this sector (including Blunomy or AXA Climate) to define a “theory of change” or logical impact framework;
- The second pillar of the impact approach is impact measurement. In addition to monitoring financial performance, impact measurement contributes to transparency for investors regarding the companies under consideration. Impact measurement therefore has several advantages: (i) at the investment level, it provides a management tool to encourage companies to take action; (ii) at fund level, it provides a clear and actionable view of the investment thesis; and (iii) at the communication level, it contributes to improving transparency vis-à-vis interested stakeholders (in other words underwriters, companies, the general public) with regard to non-financial matters;
- The third pillar of an impact approach is additionality. It is not limited to financing a company or an asset while waiting to assess its non-financial results, but rather it actively contributes to improving its impact. In addition to financial support, many companies and assets financed through impact funds also benefit from tailor-made support to encourage progress on their sustainability journey.

In addition to these three traditional impact blocks, Tikehau Capital is adding two additional bricks:

- The fourth pillar of the impact approach is alignment of interests, which is at the heart of the Tikehau Capital model. The Group is committed to investing in all of its impact funds. At the beginning of 2022, to reinforce the approach, the Managers introduced a standard, according to which at least 50% of the carried interest allocated to the asset manager of new impact funds must be indexed to ESG and impact performance criteria;
- Lastly, Tikehau Capital carries out independent assessments or external audits of the roll-out of non-financial commitments for all impact funds.

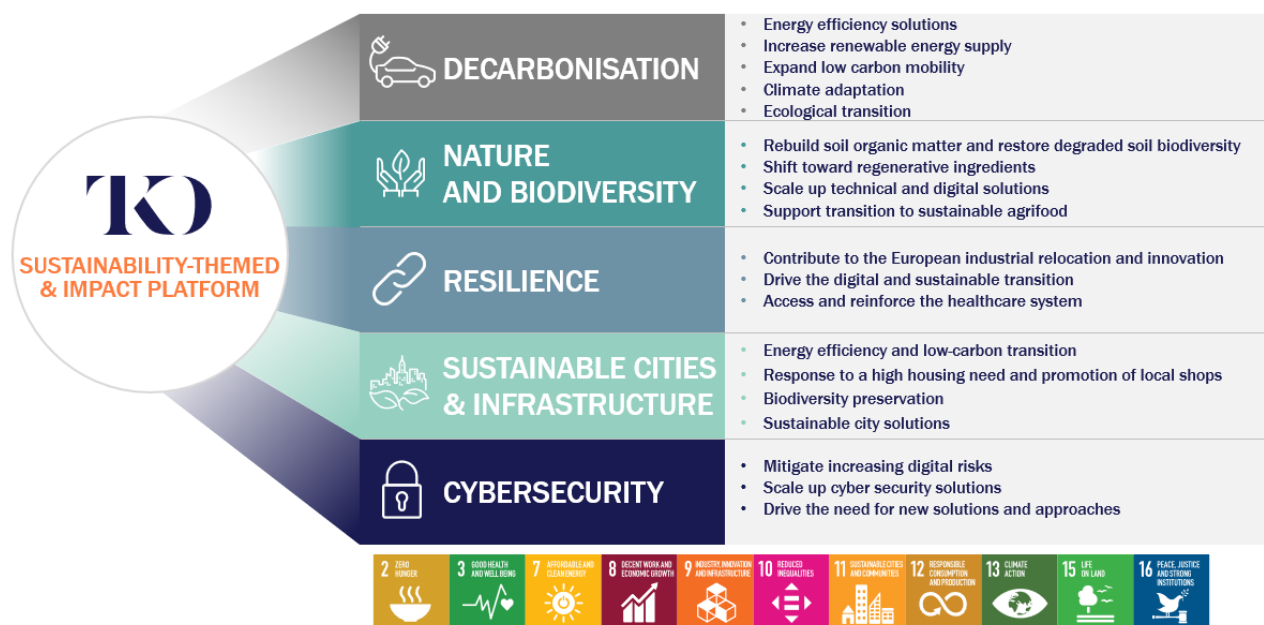
Given the increasing number of impact initiatives and to avoid “greenwashing” practices, actively participating in working groups is found essential to harmonise the definitions of this emerging investment practice.

Impact priorities

The Group has set up a Sustainability-themed Impact platform to reinforce its impact priorities across business units.

The Sustainability themed and impact investing approach was initiated in 2018 as part of the creation of a private equity Energy Transition strategy and the Group is now well positioned to develop its impact strategy across its various business lines.

With a strong conviction regarding its mission to support the real economy, the Group has developed a sustainability-themed and impact platform around four themes: (i) decarbonization, (ii) nature & biodiversity, (iii) cybersecurity (iv) resilience. Moreover, the Group is working on a sustainability-themed strategy dedicated to sustainable cities.



5. Climate change and biodiversity policy

Acknowledging the responsibility of asset managers in climate change mitigation and adaptation, nature conservation and regeneration, and biodiversity preservation, Tikehau Capital seeks to address climate change in a holistic way.

The Group joined the Net Zero Asset Managers (NZAM) global initiative accredited by the United Nations Framework Convention on Climate Change's (UNFCCC) "Race to Zero" campaign, thus joining the largest global alliance of credible climate commitments. In April 2023, Tikehau Capital's initial **target of managing 39% of assets under management in line with the global target of zero net emissions by 2050** was approved by the NZAM initiative.

Tikehau Capital has identified 4 relevant pathways to materialise its commitment:

1. Solutions: Developing funds dedicated to (i) the decarbonisation of our economy and to (ii) carbon sinks to fight climate change and preserve biodiversity
2. Negative screen: Strengthening our selection criteria with regard to adverse impacts on climate change, nature and biodiversity
3. Measurement & management: Measuring and proactively managing our portfolio's carbon footprint and assess biodiversity impacts where possible
4. Managing risks: Managing and mitigating climate and biodiversity-related risks on our portfolio

5.1 Solutions for Decarbonisation, Nature & Biodiversity

Tikehau Capital has identified the response to the climate emergency both as a pressing call to act in the context of its risk management, but also as the greatest investment opportunity of recent decades. Since 2014, Tikehau Capital has provided equity to renewable energy developers. The Group's management companies are incentivised to develop investment vehicles dedicated fully or partially to finance companies and assets contributing to the decarbonisation of the economic system through their products and services, operations, or value chain.

The Group is committed to actively allocating capital towards financing solutions that contribute to pressing challenges of climate change mitigation and adaptation, nature conservation and regeneration, and biodiversity preservation. As part of this commitment, **the Group aims to manage €5 billion in assets by 2025 earmarked for climate and biodiversity.**

5.2 Increased selectivity to reduce exposure to adverse environmental impacts

Tikehau Capital is committed to limiting its exposure to the most polluting companies, assets, or projects where alternatives exist.

In early 2023, Tikehau Capital implemented a revised fossil fuel exclusion policy that restricts new direct financing of fossil fuel-dedicated projects and related infrastructure globally, as well as new direct investments in companies that have significant exposure to fossil fuels. Tikehau Capital excludes new direct investments in companies that have material exposure to fossil fuels as defined by the NGO Urgewald's Global Coal Exit List (GCEL) and Global Oil and Gas Exit List (GOGEL) and according to expansion criteria and/or absolute criteria.

Tikehau Capital is equally committed to limiting its exposure to projects and assets which are known to threaten endangered species or to significantly disrupt ecosystem balance.

For additional details, please refer to Tikehau Capital Exclusion policy available on the Group website [here](#).³

5.3 Measurement & management linked to environmental impact

Biodiversity-related impacts

Where relevant and necessary, the Group conducts assessments to identify impacts on nature and biodiversity (e.g., lifecycle analysis for industrial companies, environmental impact assessment for projects and real assets).

The Group regenerative agriculture strategy takes a holistic approach to evaluate its impact, considering it in the context of key outcomes pertaining to nature and people. Biodiversity is a key outcome and can be measured through (i) avoided deforestation, (ii) biodiversity footprint (percentage or fraction of a species that are no longer found due to a man made impact of some kind) or (iii) avoided ecotoxicity.

For new real estate investments, biodiversity indicators are analysed. For example, for new assets Sofidy real estate teams analyse the following biodiversity-related indicators at the pre-investment stage: (i) percentage of open-ground plot; (ii) biodiversity-friendly facilities; (iii) biodiversity-friendly management processes; and (iv) availability of an ecological survey.

Climate-related impacts

Tikehau Capital monitors climate-related metrics of its investment portfolio in alignment with the Principal Adverse Impact indicators (PAI) defined by the SFDR and the TCFD. These metrics provide an indication of the Group's climate-related impacts and exposure to transition risks.

These metrics are:

- **Weighted average carbon intensity (WACI)**, also known as GHG intensity of investee companies, which measures the portfolio's exposure to carbon-intensive companies. It is expressed in tonnes of CO₂e per million euro of revenue.
- **Greenhouse gas emissions** is a measure of the absolute greenhouse gas emissions associated with a portfolio expressed in tonnes of CO₂e. Portfolio companies' emissions are allocated to investors based on the ratio of net asset value divided by enterprise value for listed companies and the net asset value or loan value divided by the company's total equity and debt for private companies.
- **Carbon footprint** is the greenhouse gas emissions normalised by the value of the portfolio. It is expressed in tonnes of CO₂e per million euro invested.
- **Companies active in the fossil fuel sector** covers companies that derive any revenues from exploration, mining, extraction, production, processing, storage, refining or distribution (including transportation, storage and trade).
- **Share of investments in companies without carbon emission reduction initiatives.** Carbon emission reduction initiatives include emission reduction targets that are validated under a recognised framework, e.g. Science Based Targets (SBT) initiative, as well as decarbonisation roadmaps/targets that have been developed internally by portfolio companies.
- **Real estate carbon intensity** is an indicator of GHG emissions intensity due to the use of buildings in the Group's real estate portfolio, normalised by surface area. It includes emissions from energy consumption of common-areas and tenant-occupied areas, as well as refrigerant leaks from building cooling systems.

These metrics are published in the Group's annual [Climate reports](#)⁴ available on Tikehau Capital website.

Management of climate-related impacts

The Net Zero Asset Managers (NZAM) initiative is a group of international asset managers committed to supporting the goal of achieving net zero emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5 degrees Celsius. As of September 2023, the NZAM initiative had more than 300 signatories, which collectively represented more than US\$60 trillion in assets under management.

³ <https://www.tikehaucapital.com/~media/Files/T/Tikehau-Capital-V2/documents/sustainability/esg-publication/tikehau-capital-exclusion-policy.pdf>

⁴ <https://www.tikehaucapital.com/~media/Files/T/Tikehau-Capital-V2/documents/sustainability/esg-publication/tikehau-capital-climate-report-2022.pdf>

Tikehau Capital first joined the initiative in 2021 and published its initial targets in H1 2023. Our initial headline target is that 39% of the Group's total AUM will be managed in line with the global goal of achieving net zero emissions by 2050 or sooner.

The approach to managing assets in line with net zero consists of interim targets for 2030, which were developed using methodologies developed by the Net Zero Investment Framework (NZIF) and the Science Based Targets (SBT) initiative for financial institutions. Further information on the Group's targets are published in the annual Climate reports available on Tikehau Capital website (Please see [2022 Climate Report](#)⁵).

The Group considers that SBT is one of the main methodologies for enabling non-financial companies to set targets in line with the Paris agreement. Hence, the Group systematically collaborates with private equity portfolio companies and, when feasible, private debt companies to advocate for and facilitate the adoption of this initiative, fostering the development of ambitious decarbonization plans.

5.4 Management and mitigation of Biodiversity and Climate change risks

In line with the recommendations of the TCFD, Tikehau Capital considers the following risks related to climate change:

- **transition risks**, especially regulatory, technological, market and reputational risks, are considered in the analysis carried out by investment teams. The **Private Equity** teams systematically carry out in-depth analyses on the main issues related to climate change (including the evolution of energy prices or technological changes linked to the low-carbon transition).
- **physical risks**, defined as exposure to physical consequences directly caused by climate change (chronic events - such as global warming and rising sea levels - and acute events - such as fires and cyclones).

During the pre-investment stage for investments in companies, the ESG scores for corporate investments include questions related to the company's processes for identifying and managing climate-related risks, and climate-related targets.

As part of the monitoring of investments, climate-related analyses are conducted for certain assets or certain funds with the help of specialised service providers. The results enable the investment teams to increase their skills in identifying and managing the physical risks associated with climate change.

For investments in real estate assets, climate-related risks are also considered throughout the investment cycle. The physical risks associated with climate change impact directly the real estate assets (mainly offices, shops and housing) held by the Group. Since 2022, Sofidy, Tikehau IM and IREIT have been using the R4RE tool (Resilience for Real Estate or Bat-ADAPT of the Observatoire de l'immobilier durable, OID) to assess the exposure of their assets to heat waves, droughts, and rainfall and floods, at the time of investment and during the holding period of the assets.

Further, in 2022, the Group commissioned an external expert (Axa Climate) to develop a sector-based screening tool to enhance climate-related transition and physical risk assessment and screen the portfolio at a sectoral level for climate risk hot spots.

- The physical risk analysis is based on the most pessimistic climate change scenario, the IPCC's Representative Concentration Pathway ("RCP") SSP5 - 8.5 which assumes continued human activities with carbon emissions at current rates. This scenario is projected to lead to a warming of 5°C above pre-industrial levels by 2100,
- The analysis of transition risks and opportunities (regulatory, technological, market and reputational risks) considers the Nationally Determined Contributions (NDC) and Net Zero 2050 scenarios of the Network for Greening the Financial System ("NGFS"). This network aims to strengthen the financial system in the management of risks related to climate change.

⁵ <https://www.tikehaucapital.com/~media/Files/T/Tikehau-Capital-V2/documents/sustainability/esg-publication/tikehau-capital-climate-report-2022.pdf>

In 2023, as part of its Real Estate initiatives, the Group has formulated a biodiversity charter, complemented by specific action plans by asset type.

Focus on the real estate biodiversity charter

As part of its real estate activities, Tikehau Capital undertakes to implement six key principles, thus defining its commitments in terms of biodiversity conservation.

1. **Knowing the natural environment** associated with our real estate assets
2. **Limiting the impact** of our real estate activities in order to preserve biodiversity
3. **Enhancing the ecological value** of our portfolio
4. **Sustaining biodiversity** on our sites during the operating phase
5. **Communicating** on commitments **to enhance the value of these actions and get stakeholders on board**
6. **Integrating biodiversity into Tikehau Capital corporate culture** to unite its employees around the protection of biodiversity

These action plans will be deployed from 2024 onwards, with the objective of preserving and enhancing biodiversity across our real estate assets. Furthermore, the group has set up a monitoring system to track land artificialization (encompassing both built-up and covered area).

6. Reporting and disclosure

Tikehau Capital is a signatory of the UN PRI since 2014 and reports annually on its responsible investment activities. The Group considers the UN PRI assessment as a relevant tool to steer its Sustainable Investing charter and is committed to a continuous improvement approach.

The Group proactively discloses its sustainable investing governance, strategy, and results (including climate-related disclosures) within official publications (e.g., Universal Registration Document, Activity report or Sustainability report, Climate report).

Tikehau Capital considers relevant regulatory frameworks (the EU SFDR, the French Article 29 of the Law on Energy and Climate⁶). Tikehau IM and Sofidy publish sustainability-related disclosures at entities level (e.g. PAI statement). In addition, the Group considers relevant responsible investing frameworks (e.g., SASB (Sustainability Accounting Standards Board) and Task Force for Climate-related Financial Disclosures (TCFD), both recognised by the International Sustainability Standards Board (ISSB) etc.).

For flagship funds, the Group is committed to providing relevant sustainability information to investors through fund reports on at least an annual basis. In addition to the fund's specific approach to ESG, sustainability information is reported at portfolio level and where relevant, at portfolio company level.

7. Internal controls

The internal controls on ESG processes are set up as follows:

First level of controls:

Across business lines, investment and/or research teams perform ESG scores on issuers and assets, with the support of the ESG team where needed. Their analysis includes sustainability risks and principal adverse impacts where possible using reasonable efforts. ESG criteria are monitored on a regular basis during the investment cycle, using tools, such as monitoring questionnaires, and the ESG grids are updated periodically.

Second level of controls:

Across business lines and using a risk-based approach, the Risk and Compliance teams have implemented control points of the investment cycle on a pre- and post-trade basis where applicable, to ensure compliance with the defined ESG processes. A Compliance-Risk-ESG working group has been created to review cases submitted by teams. Where necessary, such working group can escalate to the Group Impact Committee.

⁶ See details in n° 2019-1147, Articles L.225-102-1, L.22-10-36, R.225-105, R.225-105-1 and R.22-10-29 of the French Commercial Code

Third level of controls:

The Internal Audit Department periodically ensures the regularity, security, and efficiency of operations as well as the management of all types of risks across all Group entities. It conducts cross-functional control over all activities and business flows. Controls take place according to a multi-year schedule covering the main processes identified at least once per three-year period. This schedule is based on either (i) a full review of an independent entity (company, branch) by country, or (ii) a cross-functional Department approach (business line teams or support functions).

The multi-year audit program is defined according to, on the one hand, the results of the mapping of major risks and the materiality matrix of ESG issues, and, on the other hand, on the assessment of the internal control system expected for each structure or activity. It may be updated and/or amended depending on changes in the Group's scope, the emergence of a risk area identified during an audit, an update of the risk mapping and the materiality matrix of ESG issues, or at the request of the Management or the executive management of the Group entities for specific missions.

8. Industry outreach relating to sustainable investing

As a signatory of the UN PRI, Tikehau Capital is committed to promoting the principles across the investment industry. Tikehau Capital is committed to the fight against climate change and a signatory of the Net Zero Asset Managers Initiative (please refer to Section 5). In addition, the Group is among the signatories of France Invest's Diversity charter.

The Group proactively discloses its sustainable investing governance, strategy, and results on its [website](#) and within official publications (for more information, please refer to Section 6).

Tikehau Capital employees actively participate to industry organisations and working groups to promote sustainable investing and to share best-practice relating to ESG, climate and impact.

The Group contributes to the development of industry standards relating to responsible investing and impact. In particular, the Group is one of the proactive actors in France contributing to the definition of [impact investing standards for the asset management industry](#) and the definition of [standards for sustainability linked loans in private debt](#).

Finally, Group employees regularly participate in conferences, webinars, and events to share sustainable investing best practices, with a large audience including investment professionals, portfolio companies and students.

Appendix 1 – ESG score for investments in companies

Within the **Capital Markets Strategies, Private Equity and Private Debt** business lines, the research and/or investment teams consider a common series of ESG themes. An ESG score must be assigned to each company prior to investment to reflect the risk and opportunities related to environmental, social and governance issues.

In 2023, Tikehau Capital decided to strengthen its ESG rating tool to (i) have a methodology that continually evolves with ESG standards and stakeholders' expectations, (ii) take into account quantitative and qualitative criteria, (iii) take into account a company's performance in relation to its sector, (iv) allow the use of the score by certain companies as a roadmap to improve their ESG performance, (v) strengthen external recognition, and (vi) increase the number of ESG themes taken into account when assessing large companies.

Since January 2024, ESG scores have been based on S&P Global methodologies:

1. S&P Global's CSA (Corporate Sustainability Assessment) measures the performance and management of a company's material ESG risks, opportunities and impacts, based on a combination of information reported by the company, of media and stakeholder analysis, of modelling approaches and of in-depth company engagement;
2. The "Provisional CSA Fundamental Score", adapted for companies not covered by S&P, measures the performance of a company and its management of significant ESG risks, opportunities and impacts, based on a combination of information provided by the company and, where applicable, by due diligence work by Tikehau Capital's research and/or investment teams or third-party consultants.

These quantitative ESG scores are then classified into the following 3 categories: acceptable ESG risk, medium ESG risk, and high ESG risk. Only investments in issuers that represent an acceptable ESG risk are allowed without prior internal approval. Issuers with a medium ESG risk are subject to review by the Compliance-Risk-ESG working group, which provides recommendations on the investment according to their respective area of expertise. Investments representing a high ESG risk are excluded. This approach is aligned with the process applicable prior to January 2024.

These external ESG Scores consider ESG dimensions more deeply compared to Tikehau Capital's proprietary ESG scoring tool which was previously used⁷. Nevertheless, Tikehau Capital considers that it is appropriate to establish a correspondence table due to the common core ESG themes considered by Tikehau Capital's proprietary score and the external ESG Scores including (i) an assessment of governance practices, code of conduct, UN Global compact membership, (ii) social risks including health and safety risks, (iii) environmental risks including a company's climate strategy.

The three-level ESG scale is defined as follows:

ESG risk level	ESG process	Proprietary score, developed with the ESG expert INDEFI	External ESG scores	External ESG scores
		Applicable before Jan-24 for Capital Markets Strategies, Private Equity and Private Debt; still used for CLOs ³ 0 is the max. score out of 100	for Capital Markets Strategies funds investments from Jan-24 ⁸ 100 is the max. score	for Private Equity and Private Debt ⁹ investments from Jan-24 100 is the max. score
Acceptable	Investment allowed without prior internal approval	Score ≤ 60 (ESG risk: ESG opportunity/Low; Moderate, and Average)	Score ≥ 15	Score ≥ 15
Medium	Subject to review by the Compliance-Risk-ESG working group	60 < Score ≤ 80 (ESG risk: Material)	10 ≤ Score < 15	5 ≤ Score < 15
High	Excluded	Score > 80 (ESG risk: Significant)	Score < 10	Score < 5

⁷ An analysis of the most appropriate ESG scores for collateralised loans obligations (CLOs) is ongoing and until further notice, Tikehau proprietary scoring is used. Please note that for private debt secondaries strategies, a proprietary score is also used at GP level.

⁸ Tikehau IM level, this process will be applicable from Q4 2023 for a listed equities fund.

⁹ Excluding investments in fund of funds, collateralised loans obligations (CLOs) vehicles, the Belgian Resilience fund and private equity investment in venture capital. In certain instances, ESG scores prior to 1st Jan 24 may also be revised.

Appendix 2 – Sustainability risks

Sustainability risks are considered in the fundamental analysis of investments in companies and real assets.

A "sustainability risk" refers to an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investments made by the Group. Sustainability risk is one of several risks which may result in unanticipated losses that could affect the Group's investments and financial condition.

Investments in companies

The Group considers the below risks:

- (i) Environmental risks: comprise of adverse impacts on living organisms and the environment by effluents, emissions, wastes, resource depletion, etc., arising out of an organisation's activities. Climate-related risks comprise both an organisation's activities' effect on climate change and the effect of climate change on an organisation or on real assets. The Group specifically considers climate-related events resulting from climate change (such as physical risks related to sustained increased temperatures, sea level rise, flooding, fire, droughts, and other weather calamities) or to the organisation's response to climate change (such as transition risks related to regulatory, technology, market risks, etc.).
- (ii) Social risks: include risks associated with health and safety (including accident prevention, product quality and safety, selling practices), social risks in the supply chain, management of the social climate and development of human capital, management of quality and risks associated with consumers' safety, management and materiality of social/society-related controversies, management of innovation capabilities and immaterial capital and, more generally, risks associated with social challenges (e.g. inequality or inclusiveness).
- (iii) Governance risks: refer to risks around corporate governance, regulatory risks, management, and integration of sustainability into the business' strategy. Governance shortcomings (e.g., significant breach of international agreements, non-respect for human rights, corruption, and bribery issues, etc.) translate into material sustainability risks.

Investments in real estate assets

The Group considers the below risks:

- (i) Physical risks related to climate change, defined as the exposure of real assets to physical consequences directly caused by climate change including chronic events (such as global warming, rising sea levels, water stress and biodiversity loss) and extreme events (such as fires, drought, flooding, heat wave, cold wave, etc.)
- (ii) Transition risks, including those related to climate change, especially regulatory (environmental and noise pollution, activities linked to fossil fuels), technological (building technology obsolescence) and market risks (transition to circular economy, not considering smart and low-carbon city models)
- (iii) Reputational risks linked to health and security of building users and controversies linked to stakeholders (tenants, suppliers, etc.).

Appendix 3 – SFDR - Principal Adverse Impacts (PAI)

The Group and certain of its affiliates (including Tikehau IM and Sofidy) undertake to report on principal adverse impacts¹⁰ of their investments through the funds they manage, unless otherwise specified on a case-by-case basis.

Investments in companies¹¹

Principal Adverse Impact indicators	
1. GHG emissions	Included in ESG due diligence and monitoring. Definition of carbon reduction plans for private equity and certain private debt investments.
2. Carbon footprint	
3. GHG intensity	
4. Exposure to companies active in the fossil fuel sector	Exclusion filter : Exclusion of companies with material or expanding fossil fuel capacities in line with Urgewald Global Coal Exit List (GCEL) and Urgewald Global Oil and Gas Exit List (GOGEL). Please see Exclusion policy here . ¹²
5. Share of non-renewable energy consumption and production	Included in due diligence.
6. Energy consumption intensity per high impact climate sector	Included in due diligence.
7. Activities negatively affecting biodiversity-sensitive areas	Included in the due diligence.
8. Emissions to water	Low data availability and included in the due diligence on a case by case basis.
9. Hazardous waste ratio and radioactive waste ratio	Low data availability and included in the due diligence on a case by case basis.
10. Violations of UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Exclusion filter: <ul style="list-style-type: none"> Capital markets strategies: No investment in companies with severe and material violation of these principles. Private equity and private debt: No investment in companies that are in violation of these principles unless robust mitigation measures have been implemented Please see Exclusion policy here . ¹²
11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Included in due diligence.
12. Unadjusted gender pay gap	Included in due diligence.
13. Board gender diversity	Included in due diligence.
14. Exposure to controversial weapons	Exclusion filter: companies with revenues from production/distribution of controversial weapons are excluded. Please see Exclusion policy here . ¹²
Additional PAIs	
Investments in companies without carbon emission reduction initiatives	Included in due diligence and in the annual ESG monitoring questionnaire. Identified as an ESG engagement topic post-investment through the definition of carbon reduction plans.
Investments in companies without workplace accident prevention policies	Included in due diligence and in the annual ESG monitoring questionnaire. Identified as an ESG engagement topic post-investment.

¹⁰ Please refer to Regulation (EU) 2022/1288 for the full list of PAI - <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32022R1288&from=TEXT>

¹¹ Indicators focused on due diligence covering the Capital Markets Strategies, Private Debt (excluding collateralized loan obligations) and Private equity from 1st Jan 2024

¹² <https://www.tikehaucapital.com/~media/Files/T/Tikehau-Capital-V2/documents/sustainability/esg-publication/tikehau-capital-exclusion-policy.pdf>

Investments in real estate assets

Principal Adverse Impact indicators	
17. Exposure to fossil fuels through real estate assets	Exclusion filter: investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels. In addition, investments in independent gas stations are excluded under certain conditions. Please see Exclusion policy here . ¹³
18. Exposure to energy-inefficient real estate assets	Included in due diligence and monitoring
Additional PAIs	
GHG emissions	Scope 1,2 and 3 GHG emissions generated by real estate assets included in due diligence and monitoring
Energy consumption intensity	Included in due diligence and monitoring

Other adverse impacts are considered on a case-by-case basis, using the various tools put in place by the Group (e.g., pre-investment ESG scores, monitoring ESG questionnaires, etc.) and taking into consideration specific issues relating to investments themes and companies' sector, size, and geography.

¹³ <https://www.tikehaucapital.com/~media/Files/T/Tikehau-Capital-V2/documents/sustainability/esg-publication/tikehau-capital-exclusion-policy.pdf>

Appendix 4 – SFDR - Good governance

At the Date of this charter, SFDR defines key areas to be considered when assessing ‘good governance practices’ : **sound management structures, employee relations, remuneration of staff and tax compliance**¹⁴.

Investments in companies

In alignment with the SFDR, Tikehau Capital evaluates various aspects of good governance within its portfolio of investee companies. This evaluation encompasses a review of factors that include the presence of controversies, sound management structures, employee relations, staff remuneration, and adherence to tax compliance.

Notably, a high level of scrutiny is dedicated to controversies pertaining to breaches of the United Nations Global Compact Principles, which encompass human rights, labor standards, environmental stewardship, and anti-corruption measures. Companies found to have committed significant and material violations of these principles face exclusion from our portfolio. In cases where robust mitigation measures have been implemented, the Compliance-Risk-ESG working group is mandated to provide a recommendation and, upon review, may issue a favorable or unfavorable opinion.

The team also considers the country risk rating established by the Compliance team, which includes the list of non-cooperative tax jurisdictions as issued by the EU.

The criteria for evaluating sound management structure, employee relations, staff remuneration, and tax compliance can vary depending on the specific business lines within Tikehau Capital.

Capital Markets Strategies:

This team places particular emphasis on ESG scores. These metrics encompass a wide range of factors, including management structure, employee relations, staff remuneration, and tax compliance. The ESG score serves as a comprehensive proxy for assessing good governance. Tikehau Capital views the assessment of good governance as an ongoing process. If a company falls short on one or more ESG indicators, it may still remain in the portfolio if a subsequent review reveals that the issuer demonstrates good governance practices overall. In making this evaluation, Tikehau Capital also considers any corrective measures taken by the investee company.

Private Debt Team:

The Private Debt team also takes ESG scores into account as a proxy for assessing corporate governance. Additionally, they may receive specific ESG due diligence. Due to the nature of this asset class, ESG due diligence reports may not always be readily available to the private debt teams.

Private Equity Team:

The Private Equity team combines ESG scores with comprehensive ESG due diligences for all new investments. These due diligence assessments are used to evaluate good governance practices and identify areas for potential improvement. Key factors considered include:

- Accurate reporting: Whether the investee company has published unqualified audited financial statements and reports
- Tax compliance: Assessing whether the investee has been involved in significant taxation or accounting controversies.
- Board oversight: The team aims to appoint at least one external member¹⁵ to the board of portfolio companies during the investment's lifetime.
- Employee relations: Turnover rates and employee satisfaction are factors taken into account.
- Transparency on remuneration: This includes examining the structure of remuneration governance bodies, assessing top management remuneration, and addressing significant wage disparities or gender pay gaps where available.

¹⁴ Source: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32019R2088&from=EN>

¹⁵ To be considered External Board Member, the person shall not be employed by Tikehau (or by another investor), nor the investee company, and shall not own more than 5% of the Company's shares. The member may be voting or non-voting.

Investments in real estate assets

Conducting due diligence on the good governance practices of real estate asset tenants can be challenging due to the limited availability of data related to management structure, employee relations, staff remuneration, and tax compliance. Nevertheless, Tikehau Capital ensures that, during the due diligence process, the tenant's primary business activities align with Tikehau Capital [Exclusion policy](#).¹⁶

Additionally, as part of the due diligence phase, an analysis is carried out to assess the asset's exposure to climate risks using a specialized tool that complies with the requirements outlined in the European Taxonomy.

Furthermore, Tikehau Capital is committed to collaborating with its stakeholders to mitigate adverse environmental and social impacts. This commitment is demonstrated through initiatives, such as providing eco-guides to tenants, collaborating closely with property managers, and incorporating environmental addendums into lease agreements.

The above methodologies may be amended at a later date to take into account improvements in methodologies or data availability and reliability, or any developments, including, but not limited to, regulations or other external benchmarks or initiatives.

¹⁶ <https://www.tikehaucapital.com/~media/Files/T/Tikehau-Capital-V2/documents/sustainability/esg-publication/tikehau-capital-exclusion-policy.pdf>

Appendix 5 – SFDR - Sustainable investment

At the Date of this charter, Article 2(17) of SFDR defines a ‘sustainable investment’ as “an investment in an economic activity that **contributes to an environmental objective**, as measured, for example, by key resource efficiency indicators on the use of energy, renewable energy, raw materials, water and land, on the production of waste, and greenhouse gas emissions, or on its impact on biodiversity and the circular economy, **or an investment in an economic activity that contributes to a social objective**, in particular an investment that contributes to tackling inequality or that fosters social cohesion, social integration and labour relations, or an investment in human capital or economically or socially disadvantaged communities, **provided that such investments do not significantly harm any of those objectives** and that the **investee companies follow good governance practices**, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance”¹⁷.

Tikehau Capital’s has defined its sustainable investment framework for both company and real estate investments. Our approach follows a three-step sequence: (1) the assessment of a positive contribution to environmental and/or social objectives, (2) the do no significant harm (“DNSH”) test, and (3) assessment of good governance principles.

The below methodologies may be amended at a later date to take into account improvements in methodologies or data availability and reliability, or any developments, including, but not limited to, regulations or other external benchmarks or initiatives.

Sustainable investment framework for investments in companies

1st step : Assessment of a positive contribution to environmental and/or social objectives

Tikehau Capital has selected 4 **recognized external standards to assess whether an investment has a positive contribution** to environmental and/or social objectives. The Group incorporates various criteria into its definition to take into account the multiple dimensions of environmental and social objectives that can be pursued. To accelerate positive change in the economy and society, Tikehau Capital considers that investors should support companies on their sustainability journey and as a result, transition criteria are also taken into account in our contribution criteria.

Tikehau relies on a pass-fail methodology: the assessment of a positive contribution to environmental and/or social objectives is carried out at the entity level. If a company satisfies at least one of the contribution criteria, it will be considered as having a positive contribution.

Companies need to **meet at least one of the below contribution criteria to satisfy the pass-fail test**.

1. The United Nations’ Sustainable Development Goals (SDGs)

To be considered “SDG aligning”, a company must contribute positively to at least one of the 17 SDGs through the products and services it offers, and meets one of the following criteria:

- (a) at least 20% of the company’s revenues comes from sustainable activities (offering solutions to targeted sustainability challenges identified by the SDGs), or
- (b) at least 10% of the company’s revenues comes from sustainable activities and the issuer has a Capex/Opex plan to increase its share of sustainable activities.

2. The European Taxonomy

To be considered as “EU Taxonomy aligning”, a company must meet one of the following criteria:

- (a) at least 20% of the issuer’s revenues are aligned with the European Taxonomy, or
- (b) the issuers share of taxonomy-aligned CAPEX/OPEX is at least 10% higher than its taxonomy-aligned revenues

3. Net zero framework aligned with the Paris Agreement

To be considered as aligning with a net zero framework, a company must meet one of the following criteria:

- (a) For Capital Markets Strategies – to be considered as “aligning with a net zero framework” a company must meet the criteria to be classified as “achieving net zero”, “aligned to a net zero pathway” status , or “aligning towards a net zero pathway”, as defined by the Paris Aligned Investment Initiative’s Net Zero Investment Framework.¹⁸

¹⁷ Source: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32019R2088&from=EN>

¹⁸ https://139838633.fs1.hubspotusercontent-eu1.net/hubfs/139838633/Past%20resource%20uploads/NZIF_ILGCC%20Target%20Setting%20Guidance.pdf

- (b) For Private Equity and Private debt strategies, the investment team relies on credible science-based frameworks such as Science-Based-Targets. Companies are considered as “aligning with a net zero framework” if they have greenhouse gas emission reduction targets that are aligned with credible science-based frameworks. If companies have already validated such targets, they need to be on track to achieving their targets (subject to a 20% headroom).

4. Best environmental and social practices as identified by credible external frameworks

Tikehau relies on the list of Principal Adverse Impacts (PAI) indicators as defined in the SFDR to measure alignment with excellent sustainability practices. Other frameworks may be used in the future.

- (a) For Capital Markets Strategies – a company is considered as “aligning with best environmental or social practices” when it is “best in class” within its sector meaning: (i) a performance ranking in the top 10% of its sector on at least one PAI considered by the fund and (ii) maintaining an ESG score above the sector average. Quantitative data utilized to assess the above criteria may derive from internal analysis, external due diligence and/or external data providers.
- (b) For Private Equity and Private debt strategies, such a test is not performed at the date of this Sustainable Investing charter.

2nd step: Do No Significant Harm (DNSH) test

As a first filter, Tikehau Capital considers specific themes linked to PAI within its **standard Group Exclusion Policy**¹⁹:

- Violations of the UN Global Compact on Human rights, Labour, Environment and Anti-corruption: No investment in companies that are in violation of these principles unless robust mitigation measures have been implemented
- Controversial weapons: Exclusion filter: companies with revenues from production/distribution of controversial weapons are excluded.
- Fossil fuel involvement: Exclusion of companies with material or expanding fossil fuel capacities in line with Urgewald Global Coal Exit List (GCEL) and Urgewald Global Oil and Gas Exit List (GOGEL).

For the DNSH test for investee companies, Tikehau Capital considers PAI indicators from Table 1 of Annex I of the SFDR Delegated Act²⁰. Tikehau has defined a second filter based on additional PAI indicators, where robust data is available:²¹

- (a) **For Capital Markets Strategies** – the following indicators and specific thresholds or rules are used:
- i. GHG intensity of investee companies: the company does not belong to the last decile compared to other companies within its sector
 - ii. Board diversity: the company does not belong to the last decile of companies within its sector
 - iii. Furthermore, sustainable investments must be clear of verified and informed controversies. Analyses are performed using available data from data providers.
- (b) **For Private Equity and Private Debt companies**, data availability on the PAI is low in the preinvestment phase. Beyond the carbon footprint, estimates may not be deemed satisfactory. As a result, the team focuses on GHG intensity of investee companies. Moreover, where deemed relevant and subject to a materiality assessment, other indicators may be considered during the due diligence²².

Where deemed necessary, the investment or ESG teams will engage with companies on the above criteria.

3rd step: Assessment of good governance principles

Please see above Annex 4 for details on the due diligence performed.

¹⁹ <https://www.tikehaucapital.com/~media/Files/T/Tikehau-Capital-V2/documents/sustainability/esg-publication/tikehau-capital-exclusion-policy.pdf>

²⁰ See PAI presented in Table 1 of Annex I of the SFDR Delegated Act available at <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32022R1288&from=FR>

²¹ Company data or estimates may be used

²² The additional indicators may be related to Table 2 and Table 3 of Annex I of the SFDR Delegated Act or to other specific indicators (e.g. patient satisfaction surveys for healthcare facilities and nursing homes, food waste for Food and Beverage companies, etc.)

For **Capital Market Strategies** the following sources and methodologies are used for the 3 steps of sustainable investment assessment

	Data sources	Analysis
Contribution criteria		
SDG alignment		
• Companies with ≥ 20% of SDG-aligned revenues (products & services)	Qontigo	Quantitative analysis
• Companies with ≥ 10% SDG-aligned revenues with Opex/Capex to increase share of SDG-aligned revenues (products & services)		
EU Taxonomy alignment		
• Companies with ≥ 20% of Taxonomy-aligned revenues	ISS ESG	Quantitative analysis
• Companies with Taxonomy-aligned CapEx/Opex at least 10% higher than Taxonomy-aligned revenues		
Net zero alignment		
• Companies « achieving net zero », and companies "aligned to a net zero pathway"	Blend of Bloomberg, ISS ESG and public disclosures	Qualitative analysis
• Companies "aligning towards a net zero pathway"		
Performance on Principal Adverse Impacts (PAI)		
• Companies in the top decile on carbon efficiency vs. sector	ISS ESG	Quantitative analysis
• Companies in top decile on board gender parity vs. sector		
DNSH		
• Companies not in the worst decile on carbon efficiency vs. sector	ISS ESG	Quantitative analysis
• Companies not in the worst decile on board gender parity vs. sector		
• Companies with no significant controversy in relation to work conditions and human rights, environment, labor rights and corruption		
Good Governance		
ESG profile & Controversies	External ESG scores	Qualitative review

Sustainable investment framework for investments in real estate assets

Tikehau Capital has selected 4 **sustainability-related characteristics to assess whether a real estate asset has a positive contribution** to environmental and/or social objectives. To accelerate the transition to sustainable buildings, Tikehau Capital believes that asset improvement on ESG topics should be at the heart of a sustainable strategy. As a result, transition criteria are also taken into account in the below contribution criteria.

An asset will be classified as a sustainable investment if it satisfies at least one of the positive contribution criteria and meets the DNSH and good governance criteria.

1st step: Assessment of a positive contribution to environmental and/or social objectives

Significant positive contributions in terms of environmental and social impact are assessed through at least one of the following criteria:

1. Low Carbon Buildings and Decarbonization Strategy:

(a) European assets exceeding 1,000 sqm aligning with the French Eco Efficiency Tertiary Sector Decree ("DEET", *Dispositif Eco-Energie Tertiaire*) aimed at reducing energy consumption by 40% or achieving DEET-defined energy benchmarks by 2030. They must also comply with at least one of the following – (i) procuring electricity from renewable sources for electricity contracts managed by the fund (e.g., common areas) by 2025, or (ii) conducting a biodiversity assessment and committing to implementing most of the recommendations by 2025.

(b) Asset aligning with a robust decarbonization trajectory in line with the Carbon Risk Real Estate Monitor (CRREM) 2 °C pathway, with an ambition toward the 1.5 °C goal.

(c) Asset aligning to the European Nearly Zero-Emission Building (NZEB) standard at the country level for large reconversion projects

(d) Electrification & district heating: Commitment to heat the asset with 100% electricity or district heating by 2030.

2. Green Spaces and Biodiversity:

Assets exceeding 1,000 sqm with a biodiversity management plan that outlines the percentage of vegetated areas and green space creation. This plan should be developed within 18 months post-acquisition.

3. Social Living:

(a) Assets addressing significant housing needs, which includes: (i) student residences, (ii) senior residences and (iii) housing in high-demand areas as defined by the "zones tendues" in the French Decree no. 2013-392 of May 10, 2013. In other European countries, the need must be demonstrated through a robust study.

(b) For large reconversion projects, documented consultation with local authorities regarding inclusive residential options: (i) student residences, (ii) senior residences, (iii) co-living, or (iv) social housing.

4. Dynamic City Centres and Local Shops:

Assets adhering to the definition of a local business, meaning they are situated in city centres and located within 500 meters of a public transport line.

2nd step: Do No Significant Harm (DNSH) test

For the DNSH test for real estate assets, Tikehau Capital considers PAI indicators from Table 1 of Annex I of the SFDR Delegated Act²³ as well other relevant indicators.

²³ See PAI presented in Table 1 of Annex I of the SFDR Delegated Act available at <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32022R1288&from=FR>

As a first filter, Tikehau Capital considers specific indicators linked to its [Exclusion policy](#)²⁴:

- i. Exposure to fossil fuels through real estate assets²⁵: investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels are excluded. Given Tikehau Capital real estate exposure, this means excluding all independent gas stations
- ii. Assets with tenants involved in controversial weapons
- iii. Assets with tenants whose main activity is related to adult entertainment, tobacco or recreational marijuana

Beyond exclusions, Tikehau has defined a second filter, based on selected mandatory Principal Adverse Impact indicators.

From the investment phase, the group defines PAIs which require mitigation including energy consumption and greenhouse gas (GHG) emissions. Indeed, Tikehau Capital identifies the most energy-inefficient assets or assets subjects to French Eco Efficiency Tertiary Sector Decree (DEET) held by its funds and defines actions plans to reduce energy consumption and GHG of these assets, in terms of renovation works and optimizing building usage.

During the holding period, the teams monitor selected PAI. For the most energy-inefficient assets, actions plans defined to reduce energy consumption and greenhouse gas emissions are implemented. Wherever possible, the teams discuss with property managers and/or tenants to find solutions that improve building use.

3rd step: Assessment of good governance principles

Please see above Annex 4 for details on the due diligence performed.

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²⁴ https://www.tikehaucapital.com/~/_media/Files/T/Tikehau-Capital-V2/documents/sustainability/esg-publication/tikehau-capital-exclusion-policy.pdf

²⁵ Tenant activities are not subject to the fossil fuel exclusion policy. Only the building activity is concerned.