

# Sustainable Bond Framework



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1. Contents

- 1. Contents..... 2
- 2. Sustainability and responsible investments at Tikehau Capital..... 3
- 3. Tikehau Capital’s Sustainable Bond Framework ..... 8
  - 3.1 Use of Proceeds..... 8
    - 3.1.1. Eligible Green Activities ..... 9
    - 3.1.2. Eligible Social Activities ..... 11
    - 3.1.3. Eligible ESG Funds ..... 12
    - 3.1.4. Eligible Sustainable Investments Exclusions..... 14
    - 3.1.5. Principal Adverse Impacts..... 14
  - 3.2 Project Evaluation and Selection ..... 15
  - 3.3 Management of Proceeds..... 16
  - 3.4 Reporting ..... 16
- 4. External Review ..... 18
  - 4.1 Second Party Opinion ..... 18
  - 4.2 External audit of Sustainable Bond reporting..... 19

## 2. Sustainability and responsible investments at Tikehau Capital

Tikehau Capital is a global alternative asset management group (the “Group”) with €28.5 billion of assets under management (as of 31 December 2020). Tikehau Capital has developed a wide range of expertise across four asset classes (Private Debt, Real Assets, Private Equity and Capital Markets Strategies) as well as multi-asset and special opportunities strategies. Tikehau Capital is a founder led team with a differentiated business model, a strong balance sheet, proprietary global deal flow and a track-record of backing high quality companies and executives. Deeply rooted in the real economy, Tikehau Capital provides bespoke and innovative alternative financing solutions to companies it invests in and seeks to create long-term value for its investors, while generating positive impacts on society. Leveraging its strong equity base (€2.8 billion of shareholders’ equity as of 31 December 2020), the firm invests its own capital alongside its investor-clients within each of its strategies. Controlled by its managers alongside leading institutional partners, Tikehau Capital is guided by a strong entrepreneurial spirit and DNA, shared by its 594 employees (as of 31 December 2020) across its 12 offices in Europe, Asia and North America. Tikehau Capital is listed in compartment A of the regulated Euronext Paris market (ISIN code: FR0013230612; Ticker: TKO.FP). More information at [www.tikehaucapital.com](http://www.tikehaucapital.com).

### *Tikehau Capital Sustainable Approach*

Tikehau Capital is committed to managing the long-term savings entrusted to it by financial institutions, public bodies and individuals all over the world in a sustainable, efficient and responsible manner. These savings are invested by Tikehau Capital through tailor-made and innovative business financing solutions.

The aim of creating long-term value, the cornerstone of the Group’s strategy, leads the Tikehau Capital teams to provide financing and investment solutions, using equity or debt, that are tailored to the needs of companies, the lifeblood of the economy. Companies are selected on the basis of financial and operational data but also on the basis of environmental, social and corporate governance criteria. The consideration of the impacts of portfolio companies on society is an integral part of Tikehau Capital’s approach and that of its employees, across all of the Group’s business lines.

Building on its multi-local platform, Tikehau Capital finances the real economy<sup>1</sup> and provides vital support for businesses. Tikehau Capital aims at promoting the development and growth of companies by offering them tailored financing solutions (either directly or via the capital markets), by investing in their capital, and by releasing financial resources through the purchase or financing of real assets such as real estate. The Group thus contributes to the functioning of the economy and global prosperity.

The Group believes that a responsible investor is also a responsible employer and partner. That being said, it should be noted Tikehau Capital’s social and environmental impact relates primarily to its investments and, as such, the responsible investing policy or environmental, social and governance (“ESG”) investment policy constitutes the backbone of the Group’s approach to sustainable development.

Since signing the United Nations-supported Principles for Responsible Investment (“PRI”) in 2014, efforts have been deployed each year to improve the Group’s approach to responsibility, both in terms of investments and in its relations with stakeholders.

The Group’s approach is recognised by a variety of international standards.

In 2020, the PRI renewed Tikehau Capital’s A+ rating (the highest available) for its ESG strategy and governance module and the Group improved its performance across the different business lines.

The year 2020 was also marked by excellent ESG ratings by leading ESG rating agencies:

- In May 2020, Sustainalytics ranked Tikehau Capital 2nd out of a total of 246 asset managers and custodians, placing it in the top 70% of the +12,000 companies surveyed.
- In November 2020, Vigeo Eiris awarded an A1 rating and a score of 65/100, which would place it in the 95th percentile of Vigeo Eiris’ listed company universe.

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<sup>1</sup>The real economy refers to economic activities that are linked to the production of goods and services or the construction and management of physical assets (Real Estate and infrastructure). Through its disintermediated investment strategies, Tikehau Capital finances companies and projects that seek to create long-term value.

In December 2020, Ethifinance rated the performance of Tikehau Capital as being above average compared to its peers, Tikehau Capital was admitted in the Gaia index, a list from leading European listed SMEs and mid-caps in terms of corporate and social responsibility (“CSR”).

### ***Responsible 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 of its stakeholders.

This belief is demonstrated through the strong involvement at all hierarchical levels - from investment and operations teams to the Manager 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 Group ESG Committee, comprised of eleven experienced members and including one of the co-founders of Tikehau Capital, sets the guidelines for the ESG and Climate policy. It meets at least twice a year and is responsible for defining and overseeing the Group’s ESG and Climate policies.

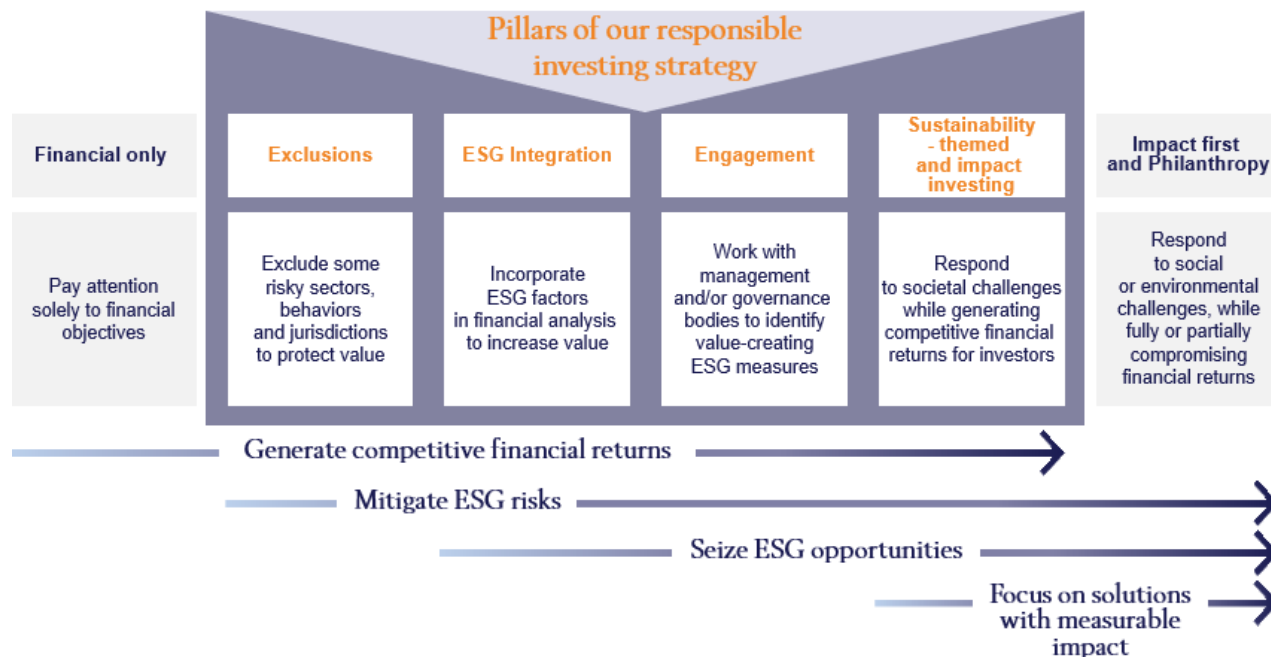
The Group ESG Committee is also tasked with managing the CSR policy (in particular concerning the environment, corporate philanthropy and relations with external stakeholders).

Furthermore, operational ESG committees for each of the investment platforms (Tikehau Investment Management / Tikehau Capital Europe / Tikehau Capital North America, Ace Capital Partners, Sofidy, Star America Infrastructure Partners) have been set up to ensure the consistency of investment decisions with the Group’s policy. Through their right of veto, these committees are responsible for making decisions on complex investments which were identified by the investment teams as potentially representing high ESG risks. Moreover, the members of these committees regularly discuss ESG priority or trending topics.

Generally however, the responsibility for ESG integration and engagement falls to the investment teams (circa 200 FTE as at December 2020) with the support, as needed, of the ESG team. As such, all investment analysts, managers and directors are responsible for integrating the ESG criteria into the fundamental analysis of investment opportunities.

### ***Responsible Investing across Activities***

The Group’s responsible investing policy covers the full spectrum of responsible investment through four pillars ranging from exclusions to the development of sustainability-themed products. While ESG integration is the backbone of the Group’s responsible investing strategy, engagement is held on an ad hoc basis with a view to helping the portfolio companies improve.



### Pillar 1 - Exclusions

In addition to restricted geographies and activities prohibited under applicable national/European Union laws and international treaties, Tikehau Capital has defined an exclusion policy that covers sectors for which negative impacts on the environment or society have been demonstrated. It should be noted that 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, Universal Declaration of Human Rights, recommendations from international agencies, etc.), the Group consults its network of experts wherever relevant. Investments in activities that are listed in the exclusion list are prohibited at Group level.

Four activities were excluded from the Group's investment universe:

- controversial weapons;
- prostitution and pornography;
- thermal coal<sup>2</sup>; and
- tobacco and tobacco-related products and marijuana for recreational purposes<sup>3</sup>.

Furthermore, the Group has defined a three-level watchlist that 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 breaches of the United Nations Global Compact etc.) that may have negative external impacts on the environment or the society.

Level (1) detailed analysis by the investment teams and review by the ESG and/or Compliance teams are recommended for cases presenting moderate ESG risks.

Level (2) optional but highly recommended consultation to the platform's ESG committee on sensitive cases (risk of pollution or other at-risk activity sector).

Level (3) mandatory consultation to the platform's ESG committee on certain highly controversial sectors (e.g., human cloning or armament) or high-risk behaviours (poor governance, disputes or allegations of violation of one of the pillars of the UN Global Compact).

<sup>2</sup>Companies with more than 30% of their turnover linked to thermal coal.

<sup>3</sup>Companies with more than 30% of their turnover linked to tobacco and recreational cannabis.

Topics linked to climate change are also taken into account in the risk analysis. Finally, this watchlist is reviewed and updated periodically by the Group ESG committee to anticipate new non-financial risks or provide further clarifications based on the cases that have been seen or discussed recently.

## Pillar 2 - ESG integration

Beyond the exclusions, Tikehau Capital's approach is to integrate ESG criteria in its investment approach not because certain investors demand it, but because the Group believes that these criteria have a material impact on the financial risk-adjusted performance of the assets concerned.

### A proprietary analysis grid

Tikehau Capital is convinced of the importance of an independent and fully embedded assessment in the fundamental research, and it has decided to formalise its approach to ESG using a proprietary non-financial analysis grid tailored to each activity.

Within the **Capital Markets Strategies, Private Equity and Private Debt** business lines, the research and investment teams consider a common series of ESG themes that affect the operations, products and services of the companies concerned.

For the **Real Asset** business line, the grids depend on the stage of progress of the project with a focus on the parties involved (builders, management companies, tenants) and their environmental and societal practices.

#### Example of ESG criteria analysed:

- Governance – Analysis of the exposure to at-risk countries with regard to corruption and breaches of human rights, the quality of the management (ability to deliver the strategy, key person risk) and the governance bodies (expertise and diversity of Board members), and the commitments made to support sustainable development (signing of the Global Compact, CSR policy), or even the exposure to known or potential controversies.
- Social – Analysis of sectoral and/or business risks relating to human rights, health and safety within the supply chain but also exposure to controversies linked to the products and services, human resources and/or other stakeholders across the value chain.
- Environment – Consideration of issues relating to climate change, resource conservation and the energy transition, exposure to known or potential environmental controversies and analysis of risks associated with real assets.

### *Raising teams' awareness on ESG topics*

This approach, which characterises Tikehau Capital, is based on the corporate culture. Placing ESG at the core of the investment policy implies educating the teams (awareness-raising with experts and sharing experiences) and defining a formal approach to non-financial criteria (application of a proprietary grid and systematic summary in investment memos). With regard to the environment, financial analysts are not expected to carry out complex assessments themselves (for instance, energy audits), but rather are expected to systematically consider and identify the risks associated with the assets they are valuing. This analysis is the natural corollary to a financial appraisal.

## Pillar 3 - Engagement

In addition to monitoring ESG risks and opportunities, Tikehau Capital engages with certain 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 teams and the ESG team 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, in 2019, the Group reinforced its engagement and voting policy and committed to voting at the General Shareholders' Meetings of companies held in its funds (excluding funds of funds). In particular, portfolio managers have access to a recognised shareholders services platform to cast their votes in listed companies.

### ***ESG monitoring***

**In Private Equity and Private Debt** – the Group aims at working together with the management team, the equity sponsor and/or potential co-investors on ESG-related topics.

To raise the 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 responsible investment 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 is able to 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.

Depending on the level of proximity between the teams and management, and when the investment teams have a seat on the corporate governance bodies of portfolio companies, the most material ESG topics are included at least annually on the agendas of such bodies.

**Real Estate activities** – In late 2019, IREIT Global decided to work on an ESG clause inspired by France's green leases in order to increase transparency on buildings' consumption (energy, water, waste), and to identify areas for improvement. In addition, the Sofidy and IREIT Global teams took the decision to work on a best practices guide to be made available to all of their tenants.

### ***ESG targets & roadmap***

**In Private Debt** – In 2020, the Group pioneered the inclusion of ESG ratchets in deals within its flagship private debt funds. This new feature demonstrates the Group's ambition to further include sustainability-related considerations in investment decisions. This mechanism complements existing ratchets that are focused on financial criteria such as leverage. Currently, ESG ratchets are rare among lower-rated companies and there are some questions as to whether SMEs and mid-size companies are equipped to set relevant and ambitious targets. However, the Group's management believes that its role is to act as sparring partner to accelerate positive change.

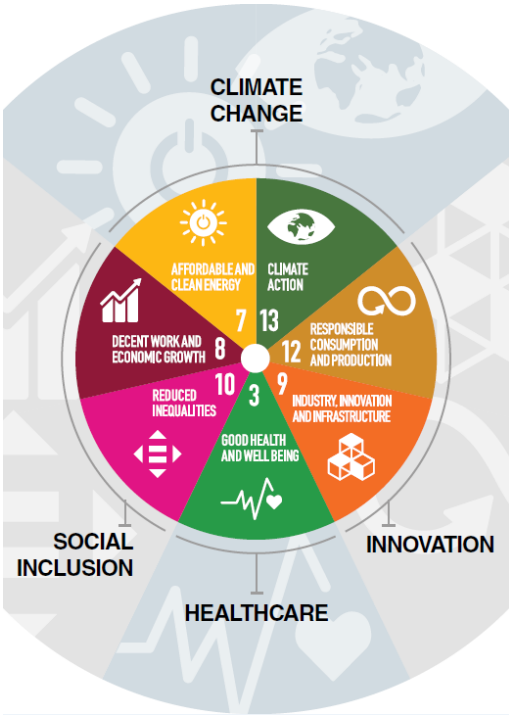
**In Private Equity and Private Debt** – When the teams benefit from a close relation with the management, ESG roadmaps are developed in collaboration with the portfolio companies. The definition of these plans is based on a materiality analysis of ESG topics according to the activity, size and geographical exposure of the companies. Qualitative objectives and management indicators are monitored annually.

## **Pillar 4 - Sustainability themed and impact investment**

In order to be legitimate and effective, an impact strategy must be based on a comprehensive operational ESG approach that is fully integrated within the investment process.

Sustainability-themed and impact investing was launched in 2018 with the creation of the T2 Energy Transition fund.

With a strong conviction regarding its role in helping to boost the economy and the post-Covid recovery, the Group has set the target of developing a platform dedicated to impact investing covering four main themes across seven Sustainable Development Goals ("SDGs"):



### SOCIAL INCLUSION

Finance European SMEs and medium sized companies with the objective to contribute to preserve or create decent employment

Promote an inclusive growth (e.g. enhance diversity, decent employment and equal opportunities, encourage employee training schemes)

### CLIMATE CHANGE

Fight against climate change either by investing in companies with a positive contribution through their products & services or companies with decarbonization initiatives at the level of their operations of supply chain

### HEALTHCARE

Support companies advancing healthcare (prevention and treatment of diseases) and wellbeing (e.g. promoting sports, nutrition)

### INNOVATION

Support companies in R&D and innovation (e.g. green innovation, encourage knowledge transfer)

## 3. Tikehau Capital's Sustainable Bond Framework

In line with Tikehau Capital's commitment to Sustainable Finance, Tikehau Capital has developed this Sustainable Bond Framework ("Framework") under which it plans to raise Sustainable bonds for investments that deliver environmental and social benefits.

The Framework is in alignment with the ICMA's Green Bond Principles ("GBP") 2018, Social Bond Principles ("SBP") 2020, and Sustainability Bond Guidelines ("SBG") 2018.

Sustainable Bonds may be executed in any currency or tenor and with other terms and conditions, including covenants to reflect the financing strategy of Tikehau Capital.

The Framework is presented through the following four core components: (1) Use of Proceeds; (2) Process for Project Evaluation and Selection; (3) Management of Proceeds; and (4) Reporting.

### 3.1 Use of Proceeds

An amount equivalent to the net proceeds of each Sustainable Bond will be used to finance and/or re-finance in whole or in part, new and/or existing "Eligible Sustainable Investments", defined as:

Investments (in equity or debt<sup>4</sup> or in any other form whatsoever) into:

- "Sustainable Assets", i.e., projects, assets or companies dedicated to:

<sup>4</sup> Mostly private debt



- o Eligible Green Activities, as further described in Section 3.1.1 below and including Renewable Energy, Energy Efficiency, Green Buildings, Waste and Water Management and Waste & Pollution control, and/or
- o Eligible Social Activities, as further described in Section 3.1.2 and including Healthcare services and Education,

and/or;

- “Eligible ESG Funds”, as further described in Section 3.1.3 are thematic investment funds managed by the Group, or an external asset manager, which are dedicated to Sustainable Assets and provide measurable environmental and/or social impacts.

An amount equivalent to the proceeds of a Sustainable Bond issued under the Framework will be allocated to Eligible Sustainable Investments:

- that have already been disbursed, with a lookback period of no more than three years from the date of Sustainable Bond issue; or
- that have not yet been disbursed at the date of the Sustainable Bond issue, it being provided that Tikehau Capital will do its best efforts to allocate all of the net proceeds from any Sustainable Bond that may be issued in the future within three years of the issuance<sup>5</sup>.

Should any Eligible Sustainable Investments already allocated cease to meet the eligibility criteria, Tikehau Capital will remove such investment from the allocated amount and replace it with new Eligible Sustainable Investment(s).

Tikehau Capital may choose to extend the categories of Eligible Sustainable Investments in the future. Any such changes will be documented in an updated Framework and published accordingly on Tikehau Capital’s website at <https://www.tikehaucapital.com>. Such extension would however not apply to outstanding Sustainable Bonds issued under a previous Framework.

### 3.1.1. Eligible Green Activities

#### Eligible Green Investments

Green Activities	Eligibility criteria
Clean Energy	Investments in equipment, development, manufacturing, construction, operation, distribution and maintenance [from][relating to] sources (including onshore and offshore wind energy, solar energy, geothermal, biomass energy and green hydrogen) with direct emissions ≤ 100g CO2e/kWh in line with the EU Taxonomy technical screening criteria for electricity generation
Clean Transportation	Investment in clean transportation infrastructures, services and equipment including public mass transportation, electric, hybrid and hydrogen vehicles, charging infrastructure for electric vehicles, electric rolling stock, railway extensions, multimodal transport <sup>6</sup> , public transportation and other low-carbon dedicated infrastructures in line with the EU Taxonomy.

<sup>5</sup> In the case of Eligible ESG Funds, the drawdown of Tikehau’s capital committed to the relevant Funds is being made overtime and could occur beyond the three-year objective above

<sup>6</sup> Zero direct emissions land transport activities (e.g. light rail transit, metro, tram, trolleybus, bus and rail) or other fleets if direct emissions are below 50 gCO2 e/pkm until 2025 and only vehicles with 0g CO2 e/pkm emission intensity from 2026 onward, in line with EU Taxonomy

Energy Efficiency	<ul style="list-style-type: none"> <li>- Investment in energy storage, smart grids, district heating or cooling<sup>7</sup>, data centers, energy savings products and appliances such as sensors, demand response equipment, smart meters that achieve material energy savings<sup>8</sup>.</li> <li>- Investments in energy efficiency of existing buildings: heating systems renovation, geothermal energy systems, insulation retrofitting, solar panels installation, LED lightening.</li> </ul>
Green Buildings	<ul style="list-style-type: none"> <li>- Investments in new or recently built buildings that have obtained or expected to obtain one or more environmental certification or label (e.g. Energy Performance Certificates (EPCs) grade A, BREEAM 'very good', LEED 'Gold' or HQE 'very good' or above).</li> <li>- Investment in major renovation of existing buildings in order to obtain at least one environmental certification or label and/or upgrade them in to the top 15% of the most energy-efficient buildings in the correspondent local market and/or demonstrate at least 30% of energy consumption savings.</li> </ul>
Water and Wastewater Management	Water and wastewater treatment infrastructure and facilities including pipework, infrastructure to support distribution efficiency and water conservation such as leakage detection and repair equipment, apparatus and products, smart meters and other efficiency enabling infrastructure, equipment, apparatus and products that achieve material efficiency savings using the best available techniques in line with the future EU taxonomy.
Waste & Pollution Control	Waste prevention & reduction such as collection, sorting, recycling and material recovery facilities, waste to energy from biological method where food waste is diverted from landfill.
Environmentally sustainable management of land use and living natural resources	<ul style="list-style-type: none"> <li>- Sustainable forestry: afforestation, reforestation, restoration and rehabilitation, and forest management practices with a certification or international standard (PEFC, FSC, and/or in line with EU taxonomy).</li> <li>- Sustainable agriculture (e.g. biocontrol, bio-stimulant, alternative proteins and dairy) in line with the EU taxonomy.</li> </ul>
Other Climate Change Mitigation and Adaptation activities	<ul style="list-style-type: none"> <li>- Professional, scientific and technical activities dedicated to climate change and environmental consultancy services, in line with EU taxonomy (e.g. climate modelling, adaptation technologies and solutions to mitigate or increase resilience of impacts of climate change).</li> <li>- High-emitting manufacturing sectors adapting to the EU taxonomy thresholds (manufacture of cement, aluminium, iron and steel, hydrogen, other chemicals, fertilizers and nitrogen compounds and plastics in primary forms).</li> <li>- Sustainable packaging (demonstrate significant reduction of resources consumption and waste, significantly increase re-use and recyclability well above market practice in Europe (e.g. 30% improvement threshold for chosen environmental indicator such as GHG emissions, or in line with the future EU taxonomy)<sup>9</sup>.</li> <li>- Sustainable distribution and retail (system-wide integration in the entire supply chain to achieve material reduction of the environmental impact of the distribution of goods and services well above market practice in Europe (e.g. 30% improvement threshold for chosen environmental indicator such as GHG emissions, or in line with the future EU taxonomy)<sup>10</sup>.</li> </ul>

<sup>7</sup> Comprising (i) combined heat and power (CHP), (ii) district heating including energy from waste and excess heat utilization, small-scale and / or heat generating only geothermal and / or geothermal combined with other renewable technologies for instance

<sup>8</sup> Material energy savings are defined as achieving at least 30% energy consumption savings on average

<sup>9</sup> e.g. Paper based packaging and trays (FSC certified, recyclable, compostable); biopack for flowpack and sealing; ecological moulded cellulose for fresh products

<sup>10</sup> e.g. Vegetarian grocery store stocking seasonal local fresh vegetables, fruits and goods that are either organic or pesticide-free; retailer focusing on essential products with zero waste supply chain from producer to consumer; second-hand clothing or furniture (online) store

### 3.1.2. Eligible Social Activities

Social Benefits	Target population	Eligibility Criteria
Access to essential services - Financial Inclusion	- Underserved defined as: low income population, young people, elderly people, people who suffered from natural disasters, people with disabilities, single parent families and asylum seekers or refugees	- Increase access to financial services for underserved individuals and organisations
Access to essential services - Healthcare - Supporting medical technology and life science	- All populations	- Target innovative pharmaceuticals and healthcare companies contributing to progress in – prevention, diagnosis, therapies and monitoring – and enabling the life science industry to develop sustainable, cost-effective therapies more rapidly - Target medtech and biotechs leveraging a new discovery in relation to healthcare
Access to essential services - Education	- All populations	Substantially increase access to affordable and quality technical, vocational and tertiary education, including university and associated core education infrastructure (e.g. schooling products & services, education platform or schools).
Socioeconomic empowerment - Promotion of diversity	- Women and/or sexual and gender minorities - Ethnic minorities - Other disadvantaged groups (low income population, young people, elderly people, people who suffered from natural disasters, people with disabilities, single parent families and asylum seekers or refugees)	Invest with a clear objective of increasing access to and control over assets, services, resources, and opportunities; participation and integration into the market and society, including reduction of income inequality (e.g. invest in businesses led by woman; facilitate access essential services for disadvantaged group. Eligible project should do not significant harm on any of other SDGs).
Employment generation and preservation	- Unemployed - SMEs and medium sized companies based in regions with high unemployment rate - SMEs and medium sized companies impacted by the consequences of extreme events (pandemic, natural disaster)	Projects designed to prevent and/or alleviate unemployment stemming from economic downturns or more acute socioeconomic crises, including through the potential effect of SME financing and microfinance

### 3.1.3. Eligible ESG Funds

#### a. Selection process for Eligible ESG Funds

“Eligible ESG Funds” are thematic investment funds managed by the Group, or an external asset manager that meet each of the following steps:

Preliminary step – Funds that comply with Tikehau Capital standard ESG processes described in the ‘Responsible Investing across activities’ section above, including exclusions criteria detailed in Pillar 1.

Step 1 – Funds that comply with the Sustainable Bond Exclusion List described in point 3.1.4 below.

Step 2 – Funds which contribute positively to at least one of the seven “Priority SDGs” defined by Tikehau Capital, i.e., SDG 3 (Good health and well-being), SDG 7 (Affordable and clean energy), SDG 8 (Decent work and economic growth), (SDG 9 Industry, innovation and infrastructure), SDG 10 (Reduced inequality), SDG 12 (Responsible consumption and production) and SDG 13 (Climate action).

Step 3 – Funds which do not significantly harm any of the environmental or social objectives of the seven Priority SDGs defined by Tikehau Capital, as described in section 3.1.4 “Principal adverse impacts” below



In the case of funds managed by other asset managers, Eligible ESG Funds will need to demonstrate they follow substantially the same or more demanding ESG investment criteria and exclusion policies. Should Tikehau Capital choose to allocate Sustainable Bonds proceeds to such Eligible ESG Funds

managed by third party asset managers, the relevant ESG processes will be detailed in the Sustainable Bond report.

#### **b. Examples of themes targeted by Eligible ESG funds**

Below is a non-exhaustive list of potential Eligible ESG Funds, which is presented for illustration purposes:

**Respond to the climate and environmental transition emergency (SDG 7, 13 and 12):**  
Selected Eligible ESG Funds will finance companies and assets, which are directly involved in the global low carbon and environmental transition, including the clean energy transition, thanks to Eligible Green Activities. This may include companies which are already pure players of the green economy (i.e., developing Eligible Green Activities), as well as companies enabling the environmental transition by transforming their business model (i.e., leveraging Eligible Green Activities to transform their activities).

Companies involved in environmental transition demonstrate the following characteristics:

- The environmental transition is already core to their business model or represent a strong potential for the company's development strategy and relevant to the environmentally-material parts of the company's activity, and
- Climate transition strategy is measurable and includes specific targets and pathways, which can be externally verified, and
- Companies provide transparency with regard to the planned capital and operational expenditure decisions which will deliver the proposed transition strategy

**Finance an inclusive growth and employment generation in the real economy (SDG 8 and 10):**

- Selected Eligible ESG funds will primarily finance SMEs and medium sized companies which the objective to contribute to employment generation. Eligible ESG funds may include funds which are labelled by the French government to respond to the COVID 19 pandemic and specific industry recovery plans (e.g., funds that have received the "Relance" label <sup>11</sup>).
- Selected Eligible ESG funds may also promote an inclusive growth (e.g., enhance diversity, decent employment and equal opportunities, encourage employee training schemes) through specific financing mechanism i.e. through ESG ratchets (with a minimum of 75% of instruments with such mechanism targeting either social or environmental objectives or a combination of both).
- Selected Eligible ESG funds may target companies run by women, army veterans and ethnic minorities.

**Finance healthcare & wellbeing (SDG 3):**

Selected Eligible ESG Funds will finance at least 75% of companies advancing medtechs and healthcare (e.g., prevention, diagnosis, treatment of diseases and care of patients) and wellbeing (e.g., promoting sports, nutrition)

**Finance innovation & R&D (SDG 9 and 12):**

Selected Eligible ESG funds will provide SMEs and medium sized companies with investments to promote sustainable innovation (e.g. green innovation, growth of technology start-ups, encourage knowledge transfer...).

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<sup>11</sup> <https://www.economie.gouv.fr/plan-de-relance/profils/entreprises/label-relance>

### 3.1.4. Eligible Sustainable Investments Exclusions

In addition to the Group's exclusion criteria detailed in section 2 (Pillar 1), Tikehau Capital has decided to apply a further level of exclusions to its Eligible Sustainable Investments.

Tikehau Capital will not knowingly allocate Sustainable Bonds' proceeds to assets or projects involved in the following activities:

- Sectors with potentially significant negative impact to the environment and biodiversity:
  - Mining, quarrying and fossil fuel-related assets
  - Nuclear and nuclear related activities
  - Hydro-power with installed capacity >20MW
  - Biomass which is suitable for food source
  - Trade in wildlife and wildlife products
  
- Sectors with potentially significant negative impact to human health or social cohesion, including:
  - Gambling industry
  - Alcoholic beverages
  - Tobacco and tobacco products and marijuana for recreational purposes
  - Human cloning for reproduction purposes

Tikehau Capital will not knowingly allocate Sustainable Bonds' proceeds to assets or projects with severe controversies:

- Serious public allegations of a United Nations Global Compact breach
  - Entities involved in corruption and money laundering
  - Entities involved in violation of human rights
  - Entities involved in violation of international labour standards incl. forced labour and child labour
  - Entities involved in severe environmental damage
  
- Severe governance breach
  - Abuse of management rights or serious conflict of interest
  - Very weak checks and balances compared to market standards
  - Tax evasion

### 3.1.5. Principal Adverse Impacts

Regardless of where the projects, assets or companies are situated, the Group will refer to the European Union mandatory environmental and social standards (e.g. assessment and management of environmental and social impacts and risks).

Moreover, where relevant, certain ESG criteria shall be carefully considered and monitored referring to international standards such as ISO and other leading certifications such as:

- health & safety referring to existing policies for all activities and using ISO 45001/OHSAS 18001 for Green Activities and healthcare
- data protection for healthcare, education and other B2C or B2B services referring to ISO 27000 for cybersecurity

- environmental impact assessment in the planning phase and environmental management system during the operations for large infrastructure projects related to Green Activities, healthcare and education
- quality management ISO 9001 for healthcare, education and other B2C or B2B services

Regarding Social activities, specific attention will also be given to inclusion policies and practices.

In relation to the principle of ‘do not significantly harm’, Eligible Sustainable Investments will consider principal adverse impacts on the climate and the environment as well as on governance, social and employee matters.

A specific process has been implemented with regards to ESG incidents and potential principal adverse impacts pertaining to Eligible Sustainable Investments under the Framework:

- For Eligible Green and Social activities, the Group’s ESG policies will be supplemented by additional, specific and mandatory standards (listed above) so as to avoid the inclusion of such projects into any Sustainable Investment.
- The Sustainable Bond Committee shall meet at least annually. A specific report detailing the decision process for eligible investments approved for allocation as well as report of “no incident” shall be included in the documents provided to Sustainable Bond Committee.
- In case of an identified potential ESG incident or principal adverse impacts for Sustainable Investments already selected, the Sustainable Bond Committee shall be informed by the relevant asset management team as soon as practicable, so that the exclusion of specific investments can be notified and reported in the Sustainable Bond allocation in due course.

For eligible ESG funds, depending on the fund target SDGs, enhanced due diligence will be required on top of the Group’s ESG policies to consider material potential adverse impacts on other SDGs.

Periodic ESG & impact reportings will include adverse impacts identified as most material (e.g., induced GHG emissions or companies and assets’ exposure to biodiversity-sensitive areas, board diversity or gender pay gap where possible).

### 3.2 Project Evaluation and Selection

Tikehau Capital has established a “Sustainable Bond Committee” in charge of:

- Verifying the compliance of potential Eligible Sustainable Investments with the Group’s responsible investing policy and CSR policy;
- Selecting the Eligible Sustainable Investments in line with the eligibility criteria stated in “Use of Proceeds” section of the Framework;
- Monitoring the Eligible Sustainable Investments and replacing investments that no longer satisfy the eligibility criteria with new Eligible Sustainable Investments, if need be;
- Validating the annual reporting publication; and
- Managing future updates of the Framework.

The Sustainable Bond Committee is comprised of at least one representative from the Finance team as well as the members of the Group ESG committee, as described in section 2. The Sustainable Bond Committee shall meet at least once a year and, occasionally, as and when necessary. The Sustainable Bond Committee’s decisions shall be taken in consensus and be subject to a presentation to the Supervisory Board of Tikehau Capital at least once a year.

### 3.3 Management of Proceeds

Tikehau Capital has set up an internal tracking system to facilitate the allocation process during the lifetime of the Sustainable Bonds issued.

For each Sustainable Bond, the internal register will be maintained to keep track of the following:

**a. Sustainable Bonds issued**

Tikehau Capital will include details such as transaction date, principal amount of proceeds, maturity date, Sustainable Bond coupon, Sustainable Bond International Securities Identification Number (ISIN), among others.

**b. Allocation of proceeds**

Tikehau Capital will keep track of the portfolio of Eligible Sustainable Investments which have been allocated to outstanding Sustainable Bonds:

- List of Eligible Sustainable Investments by type (Sustainable Assets and ESG Funds)
- Amount of each Eligible Sustainable Investment allocated to each Sustainable Bond proceeds
- The remaining balance of unallocated net proceeds
- Estimated environmental and social impact reporting metrics (as further detailed below)
- Any other relevant information

Pending the full allocation, unallocated proceeds may temporarily be invested in accordance the Group's liquidity guidelines in cash, deposits and money market instruments.

### 3.4 Reporting

Within one year from the issuance and annually thereafter until the full allocation of the proceeds of each Sustainable Bond issued, Tikehau Capital commits to provide investors with both a reporting on the allocation of each Sustainable Bond 's proceeds (allocation reporting) and the impact of Eligible Sustainability Investments (impact reporting as further detailed below).

These reports shall be made publicly available to all stakeholders on Tikehau Capital's website.

The Sustainable Bond Reporting will include the following key content:



## Summary

The summary will include a list of all Sustainable Bonds outstanding in the reporting period and at the reporting date together with a summary of terms for each transaction.

## Allocation Reporting

Allocation reporting for each respective outstanding Sustainable Bonds shall include the following:

- Amount of the Sustainable Bond proceeds allocated by type of Eligible Sustainable Investment
- Share of financing and refinancing (in %)
- The remaining balance of unallocated net proceeds
- If feasible, example(s) of allocated Eligible Sustainable Investments

## ESG & Impact Reporting

When feasible, and subject to the nature of Eligible Sustainable Investments, confidentiality and regulatory constraints as well as availability of information, Tikehau Capital will report on the environmental benefits and the positive social impacts resulting from the Eligible Sustainable Investments from each respective outstanding Sustainable Bond. Impact indicators may change from year to year.

For investments relating to Eligible Green Activities, the following potential impact indicators will be considered:

Eligible Green Categories	Potential ESG & Impact Indicators
Clean energy	<ul style="list-style-type: none"><li>• Tonnes of CO<sub>2</sub> (or other GHG) induced and avoided</li><li>• KWh of power generated from renewable energy</li></ul>
Clean Transport	<ul style="list-style-type: none"><li>• Tonnes of CO<sub>2</sub> (or other GHG) induced and avoided</li><li>• Number of passengers carried/amount of goods carried</li></ul>
Energy Efficiency	<ul style="list-style-type: none"><li>• Tonnes of CO<sub>2</sub> (or other GHG) induced and avoided</li><li>• KWh of energy saved per year</li></ul>
Green Buildings - New and existing buildings - Upgrades and retrofits	<ul style="list-style-type: none"><li>• Amount of energy saved (MW)</li><li>• Tonnes of CO<sub>2</sub> (or other GHG) induced and avoided</li></ul>
Eco-Efficient and/or Circular Economy Adapted Products	<ul style="list-style-type: none"><li>• Tonnes of CO<sub>2</sub> (or other GHG) induced and avoided</li><li>• Amount of materials recycled</li></ul>
Water and Waste Water Management	<ul style="list-style-type: none"><li>• Volume of water (m<sup>3</sup>) saved</li><li>• Volume of city water (m<sup>3</sup>) network built</li></ul>
Waste & Pollution Control - Pollution prevention and control	<ul style="list-style-type: none"><li>• Amount of waste water (m<sup>3</sup>) treated</li><li>• Amount of waste avoided, managed or treated</li></ul>

For investments relating to Eligible Social Activities, the following potential impact indicators will be considered:

Eligible Social Categories	Potential ESG & Impact Indicators
Access to essential services - Healthcare	<ul style="list-style-type: none"> <li>• R&amp;D spending</li> <li>• Number of patents</li> <li>• Number of people reached with improved healthcare</li> </ul>
Access to essential services - Education	<ul style="list-style-type: none"> <li>• Number of students benefitted</li> <li>• Number of beneficiaries of career training</li> </ul>
Access to essential services - Financial Inclusion	<ul style="list-style-type: none"> <li>• Number of underserved persons benefitted</li> <li>• Amount of credit distributed</li> </ul>
Socioeconomic empowerment - Promotion of diversity	<ul style="list-style-type: none"> <li>• Number of disadvantaged persons benefitted</li> </ul>
Employment generation and preservation	<ul style="list-style-type: none"> <li>• Number of permanent employees and job created and/or maintained</li> <li>• Gender diversity within employees</li> </ul>

For investments relating to Eligible ESG Funds, the indicators listed above for investments in Eligible Green Activities or Eligible Social Activities, as well as the following potential ESG indicators will be considered:

Categories	Potential ESG & Impact Indicators at Fund level
Non-financial objectives	<ul style="list-style-type: none"> <li>• Fund alignment with the UN SDGs and the EU Environmental Objectives (if relevant)</li> </ul>
GHG emissions	<ul style="list-style-type: none"> <li>• Tonnes of CO<sub>2</sub> (or other GHG) induced and avoided</li> <li>• GHG intensity of investee companies</li> </ul>
Green buildings	<ul style="list-style-type: none"> <li>• Shares of revenues derived from building with a green label</li> </ul>
Healthcare	<ul style="list-style-type: none"> <li>• Share of total sales allocated to R&amp;D (%)</li> <li>• Number of patents</li> <li>• Number of people reached with improved healthcare</li> </ul>
Employment generation and preservation	<ul style="list-style-type: none"> <li>• Number of permanent employees and job created and/or maintained</li> </ul>
Promotion of diversity	<ul style="list-style-type: none"> <li>• Average gender diversity on boards</li> <li>• Average gender diversity on executive committees</li> <li>• Average gender diversity within employees by sector</li> <li>• Average gender pay gap</li> </ul>
Human capital management	<ul style="list-style-type: none"> <li>• Average number of hours of training per employee by sector</li> <li>• Percentage of companies with an employee profit-sharing plan</li> </ul>

## 4. External Review

### 4.1 Second Party Opinion

Tikehau Capital has engaged ISS ESG to independently assess the Framework set out herein, in alignment with the applicable guidance and principles in the form of a Second Party Opinion.

This Second Party Opinion will be made available on Tikehau’s website: <https://www.tikehaucapital.com/>

## 4.2 External audit of Sustainable Bond reporting

Tikehau Capital shall commission an external audit of its allocation reporting to be provided by an independent auditor. The audit report will be published as part of the Sustainable Bond reporting.