2022 CLIMATE REPORT

TIKEHAU CAPITAL | Level up

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Executive Summary

Despite a significant influx of capital towards the low-carbon transition, a massive financing gap still exists at a global level. In the context of the climate emergency and the breach of 6 out of the 9 planetary boundaries highlighted by scientific studies by the Intergovernmental Panel on Climate Change ("IPCC"), the International Energy Agency (IEA) and the Stockholm Resilience Center, **Tikehau Capital has committed to manage €5 billion of assets under management (AUM) dedicated to climate and biodiversity by 2025**. At the end of 2022, AUM in the Climate and Biodiversity platform amounted to €2.3bn, on track with the Group target.

In order to achieve the Paris Agreement target of limiting global warming to 1.5°C by 2100, our collective decarbonisation efforts need to result in net zero emissions by 2050. To align its investment portfolio with this long-term decarbonisation trajectory, Tikehau Capital joined the Net Zero Asset Managers initiative in 2021, and in 2023, the Group defined intermediate targets for its business lines to be achieved by 2030.

The Group has also been a supporter of the Taskforce for Climate-related Financial Disclosures (TCFD) since 2021. In line with this initiative, Tikehau Capital takes into account the risks and opportunities related to climate change including both physical and transition risks.

Over the past year, Tikehau Capital has engaged with an increasing number of stakeholders, including many investors and portfolio companies, on climate change. This report presents the actions taken to address climate change and reflects Tikehau Capital's commitment to be part of the solution.

1 Climate governance at Tikehau Capital

The Group firmly believes that a responsible investment strategy is key to sustainable value creation for all of its stakeholders. This belief is demonstrated through the strong involvement across all levels of the organisation – from investment and operations teams to the Managers[1] and the Supervisory Board – in the development and implementation of our ESG and Climate strategies. This governance is displayed in Figure 1.

FIGURE 1: SUSTAINABLE DEVELOPMENT GOVERNANCE AT TIKEHAU CAPITAL

SUSTAINABLE DEVELOPMENT GOVERNANCE - AT GROUP LEVEL

TIKEHAU CAPITAL SUPERVISORY BOARD	**Governance and Sustainability Committee of the Supervisory Board**	Assists the Supervisory Board in: • Monitoring ESG and CSR issues to better understand and anticipate the challenges, risks and opportunities associated with them for the Group • Examining the main commitments and guidelines of the Group's ESG and CSR policy, monitoring their deployment • More generally, examining the inclusion of ESG and CSR issues in the Group's strategy and its implementation
	Audit and Risk Committee of the Supervisory Board	Assists the Supervisory Board in: • Examining the strategy in terms of risks, notably financial, non-financial, operational and non-compliance risks, including the impact of climate related risks
TIKEHAU CAPITAL MANAGERS	**Sustainability Strategy Orientation Committee**	Is advising the Managers for: • Steering and structuring the Group's sustainability development strategy over the medium term • Identifying strategic collaborations and partnerships to further sustainability topics • Defining sectors flagges for exclusion, as well as watchlist at Group level
BUSINESS LINES	**ESG Taskforces under the leadershop of ESG lead for each business line** • Real Estate[2] • Infrastructure[2] • Direct & Corporate Lending • Leverage loans & CLOs • Capital Markets Strategies • Private Equity	• Define annual sustainability roadmaps at business unit levels • Make decisions specific to asset management companies • Report to the Sustainability Strategy Orientation Committee at least annually

(1) The management of the Company is exercised by two Managers, AF&Co Management, whose Chairman is Mr Antoine Flamarion and MCH Management, whose Chairman is Mr Mathieu Chabran. The Managers of the Company have the broadest of powers to act in all circumstances on behalf of the Company.
(2) Certain entities (Sodidy, IREIT and Star America) have set up dedicated ESG/sustainable committees which also rely on the work of ESG working groups of their reference business line.

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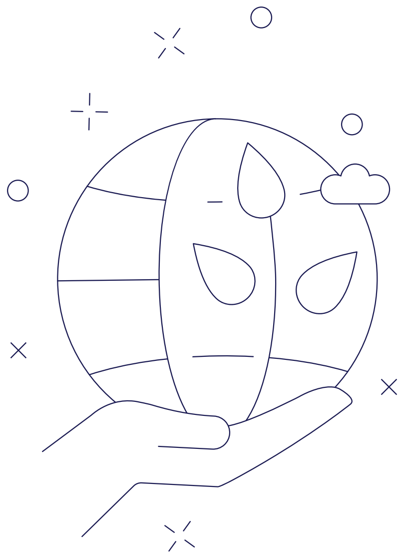
BOARD'S OVERSIGHT OF CLIMATE-RELATED RISKS AND OPPORTUNITIES

The **Supervisory Board** of Tikehau Capital regularly reviews the progress of the ESG and CSR strategy, which includes climate change. The Supervisory Board is trained annually on climate change, and in 2022, this focussed on both climate science and climate change risks and opportunities.

In addition to the meetings of the Supervisory Board, climate-related risks and opportunities are also considered by the two permanent Committees of the Supervisory Board:

- The **Governance and Sustainability Committee**, which is composed of three independent members, in charge of examining the integration of ESG (including climate-related risks and opportunities) and CSR issues in the Group's strategy and in its implementation.
- The **Audit and Risk Committee**, which is in charge of examining the strategy in terms of risks, notably financial, non-financial, operational and non-compliance risks, including the impacts of climate-related risks. An initial analysis of the Group's climate risks was included in the global mapping exercise of major risks and was presented to the Audit and Risk Committee and then to the Supervisory Board in December 2022.



MANAGEMENT'S ROLE IN ASSESSING AND MANAGING CLIMATE-RELATED RISKS AND OPPORTUNITIES

A **Deputy Chief Executive Officer of the Group** holds management-level responsibility for the Group's climate strategy. In addition, the following working groups have been established to advance the Group's sustainability agenda:

- The **Sustainability Strategy Orientation Committee**, composed of experienced Group employees (including one of the co-founders, representing the Managers), sets the guidelines of the ESG, climate and biodiversity policies. It meets at least once a year.
- **Operational ESG working groups** for each of the Group's business lines were set up to roll out the sustainability strategy with an annual roadmap. These working groups include business line managers and the ESG team and meet every quarter. In 2022, 17 meetings were held; a recurring topic in these meetings was climate strategy, including target setting and climate-related impact funds.

Furthermore, for all impact funds, an **Impact Committee** is in charge of reviewing of the proposed investment, to assess its potential contribution to the fund's mission (e.g. decarbonisation) and the principle of do no significant harm to other environmental and social objectives.

2 Risk management

Processes for identifying, assessing and managing climate-related risks and integration into the organisation's overall risk management

TIKEHAU CAPITAL'S GROUP-WIDE RISK IDENTIFICATION APPROACH

Risk management is at the heart of the Group's businesses, and the associated risk management system and internal control organisation are crucial in helping the Managers to better determine the strategy and objectives pursued by the Group and the Supervisory Board in the ongoing oversight of the Company's management.

The Group closely associates risk management and internal control. The Group's risk management and internal control processes are based on a set of tailored resources, procedures and actions to ensure that the necessary steps are taken to identify, analyse and control:

- risks that may have a significant impact on the assets or the achievement of the Group's objectives, whether operational, financial, or aimed at compliance with applicable laws and regulations; and
- activities, efficiency of operations and efficient use of resources.

The mapping process for the risks attached to the Group's activities is carried out each year under the leadership of the Group's internal audit team.

The mapping is based on the assessment of the material financial and non-financial issues identified, at the level of the Group, the funds managed by the Group, and the investments made by these funds. This exercise is a tool in its own right for assessing risks that can be a source of opportunities if they are controlled. It is also used to define the levels of risk tolerance and appetite, assessed in light of the strategic financial and non-financial objectives set by the Managers.

The mapping is prepared based on a combination of the following exercises:

- **Identification of the risk categories** to be taken into account, considering the Group's activities, and observed or anticipated changes in the environment in which the Group operates.
  This environment covers over thirty risk factors which are presented in such a way as to facilitate the identification of risks with consistent definition criteria. This environment is reviewed every year.
- **Top-down approach** – Identification of risks based on macro-processes that could have a significant impact on the Group's consolidated activities.
- **Mapping of major risks** based on a bottom-up approach.

This identification exercise is conducted annually (i) on the one hand, in the form of interviews with the managers of the operational and support activities and, (ii) on the other hand, in the form of a survey conducted among the Group's employees with the rank of Director, Executive Director or Managing Director. As the identification and assessment of risks is an integral part of the Group's key operational issues, this identification exercise involving the teams is very important for the system. 46 interviews were conducted in 2022 (compared to 43 in 2021), with each interviewee indicating the three major risks identified in their activities and/or that could impact the Group as a whole.

Regarding ESG risks, the mapping helped identify the following:

I. Responsible investment (Communication, reputation, and brand risk),

II. Climate change, biodiversity, and the environment,

III. Talent management and diversity, and

IV. Cybersecurity and information security risks

As a result of the identification of climate change as a risk, climate-related risk management is being integrated into the Group's processes.

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CLIMATE-RELATED RISK MANAGEMENT

To address climate-related risks, climate-related information is considered throughout the investment cycle.

PRE-INVESTMENT ASSESSMENT

The investment under consideration is first subject to the Group Exclusion Policy, prior to the investment decision. Through this policy, Tikehau Capital excludes sectors, types of activities, behaviours or geographies that carry a sustainability risk deemed unacceptable, including climate-related transition risks linked to fossil fuel-related activities.

Sustainability risks, including climate-related risks, are then assessed by assigning an ESG score to the investment target. This score summarises the sustainability risks of the potential portfolio company and identifies specific risks on the 3 pillars of environment, social and governance. The level of net risk is assessed according to any remediation plans and public commitments made by the issuer. If the level of risk is too high in relation to the predefined thresholds (internal rules and extra-financial profile of the portfolio), the investment is not possible. As part of the environment pillar, the Proprietary ESG Tool includes questions on high-level exposure to climate-related risks.

Furthermore, for our Private Equity green assets strategy, and when relevant for other funds, a dedicated climate due diligence is conducted to deep-dive on climate-related information. In 2022, we conducted two climate due diligences for investments in green assets, with a focus on quantified decarbonization potentials of the assets.

Regarding Real Estate, the ESG score takes into account greenhouse gas emissions and energy consumption data. In addition, physical risks are taken into account during the due diligence process through an analysis of assets' exposure to climate risks.

MONITORING DURING THE INVESTMENT PERIOD

Climate-related risks are also monitored throughout the investment through:

- Annual measurement of climate-related KPIs across the group, including the principal adverse impact (PAIs) indicators under the Sustainable Finance Disclosure Regulation (SFDR): GHG emissions, carbon footprint, GHG intensity of investee companies, exposure to companies active in the fossil fuel sector, and investments in companies without carbon emission reduction initiatives.
- Annual reporting by Private Debt and Private Equity portfolio companies to review the company's own sustainability risks, including climate-related risks;
- Annual KPIs (including climate-related KPIs) on sustainability-linked financing ("ESG margin ratchets") are implemented on certain Private Debt investments, impacting the interest rate margins of the companies;
- For Capital Markets Strategies, the weighted average carbon intensity of all funds is monitored and compared to its investment universe with the goal to outperform it.

Tikehau Capital also assesses its exposure to climate-related risks at portfolio-level.

In December 2022, Tikehau Capital commissioned AXA Climate to develop a sector-based screening tool to assess the physical risks and transition risks related to climate change in the baseline (short-term time horizon), 2030 and 2040.

The climate-related physical risk analysis is based on the most pessimistic climate change scenario, Representative Concentration Pathway ("RCP") SSP5 - 8.5 of the IPCC, which assumes continued human activity with carbon emissions at current rates. This scenario is expected to result in warming of greater than 4°C above pre-industrial levels in 2100.

The analysis of climate-related transition risks (regulatory, technological, market and reputation risks) takes into account the Net Zero 2050 scenario of the Network for Greening the Financial System, ("NGFS"). In addition, the Nationally Determined Contributions ("NDC") scenario (including the achievement of national climate targets by 2030) of the NGFS was considered.

The analysis covered 21 sectors of economic activity, derived through a consolidation of Moody's Industry Categories. The level of risk of each sector is assessed taking into account the sector's exposure and vulnerability to these risks, with a focus on Europe given the concentration of assets managed by the Group in this region. Sectors were classified on a four-level risk scale: low, medium, high and very high.

More detailed assessments will be carried out on the sectors identified as being highly exposed to material climate-related risks.

Regarding the Group's real estate investments, since the end of 2022, Tikehau Capital has 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 its real estate assets to heat waves, drought, heavy rainfall and flooding. The analysis of the physical risks was based on the RCP 8.5 scenario. The results enable teams to develop their competencies in identifying and taking into account the physical risks associated with climate change. For example, the risk of drought may be accompanied by the shrinkage-swelling phenomenon of clays, which weakens buildings.

3 Climate strategy

As a global alternative asset manager with a diverse investment universe, Tikehau Capital is exposed to climate-related risks and opportunities. These include physical risks, and transition risks (notably regulatory, technological, market and reputational risks).

To manage these risks and opportunities, Tikehau Capital has developed a climate strategy which consists of four pillars:

1 Exclusion linked to climate change

Through the Group's Fossil Fuel Exclusion Policy, Tikehau Capital limits its exposure to the most GHG emissions-intensive assets and companies, and as a consequence, manages its exposure to climate-related transition risks. Revised at the beginning of 2023, the policy applies restrictions on the financing of new projects dedicated to fossil fuels and related infrastructure, as well as new direct investments in companies with 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). Further details on the policy are displayed in Box 1.

2 Addressing climate-related risks

Climate-related risks are addressed throughout the investment cycle. During the pre-investment phase, climate-related risks are addressed through the Group Exclusion Policy and the ESG score. In addition, for certain Private Equity funds, dedicated climate due diligence is conducted where appropriate.

Concerning the investment holding period, climate-related indicators are monitored across the portfolio. Furthermore, tools are being developed to assess climate-related risks at a portfolio level.

Further details on the Group's approach to climate-related risks are provided in Section 2.

3 Carbon footprint measurement and management

In March 2021, Tikehau Capital joined the Net Zero Asset Managers initiative and, in this context, the Group has undertaken to define decarbonisation trajectories in line with the Paris agreement to limit global warming to 1.5 °C with intermediate targets (by 2030 or before) for its business lines.

On March 7, 2023, Tikehau Capital Sustainability Strategy Orientation Committee validated an initial target to manage 39% of the Group's assets under management in line with the goal of achieving net zero emissions by 2050. Further details of these targets are presented in Section 4 Metrics and Targets.

4 Impact investment in transition and the development of solutions

Tikehau Capital has identified the response to the climate emergency as a pressing call for action in terms of risk management, but also a significant investment opportunity. To capture this opportunity, Tikehau Capital has set itself the goal of developing a €5 billion platform by 2025 that will be dedicated to climate action the protection of biodiversity through its various business lines. As of 31 December, 2022, the assets under management of Tikehau Capital's impact platform amounted to €3 billion, including €2.3 billion dedicated specifically to climate and biodiversity.

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Box 1: Focus on Tikehau Capital's Fossil Fuel Exclusion Policy

Focus on the Exclusion of Fossil Fuels

AT A PROJECT-LEVEL, THE FOLLOWING RESTRICTIONS APPLY:

- **Thermal coal**: Tikehau Capital excludes direct financing of dedicated thermal coal projects (mines and unabated coal-fired power plants), as well as dedicated coal infrastructure including ports, roads and railways.
- **Oil and gas**: Tikehau Capital excludes direct financing of all upstream, midstream and downstream oil and gas projects. Exclusions also apply to unabated(3) natural gas and oil-fired power plants. Investments in dedicated oil and gas infrastructure are also excluded, including liquefied natural gas (LNG) terminals, ports and railways.

FOR COMPANY-LEVEL RESTRICTIONS, THE FOLLOWING CRITERIA ARE APPLIED:

(a) Companies with revenues from thermal coal - Tikehau Capital excludes:

- companies planning new or expanding existing thermal coal mining, coal-fired power generation capacity and coal-related infrastructure according to the thresholds defined by Urgewald, or
- companies generating 20% or more of their consolidated annual revenues from thermal coal as well as utilities whose electricity production is 20% or more from coal-fired power plants, or
- companies whose annual thermal coal production exceeds 10 million tonnes or whose installed thermal coal capacity exceeds 5 gigawatts.

(b) Companies with revenues related to oil and gas - Tikehau Capital excludes:

- companies planning new or expanding existing upstream or midstream oil and gas capacity. This applies to conventional and unconventional oil and gas production according to the thresholds defined by Urgewald, or
- companies whose annual unconventional oil and gas production exceeds at least 2 million barrels of oil equivalent ("Mboe"), or
- companies whose total hydrocarbon production is greater than 20 Mboe per year.

Exemptions from these exclusions may be granted if the company has a transition plan compatible with a 1.5 °C climate scenario. In addition, instruments issued by excluded companies that exclusively finance green activities aligned with the European taxonomy are not excluded (e.g. green bonds).

(3) Unabated coal, natural gas or oil-fired power plants are fossil fuel power plants that are not equipped with carbon capture, utilisation and/or storage (CCUS) technologies. Investments in CCUS-equipped fossil fuel power plants or companies with such plants would be subject to due diligence. The plant would need to demonstrate lifecycle greenhouse gas emissions of electricity generation (including fuel-related emissions, e.g. fugitive methane) of less than 100gCO_2e/kWh over at least one year of commercial operation at full capacity.

Metrics and targets

used to assess and manage climate-related risks and opportunities

Metrics and targets are assessed and monitored at the level of the Group asset management activities and at the level of the Group's operations. The majority of the Group's carbon footprint stems from the Group's investment activities (also presented as investment portfolio below) i.e. representing more than 8 millions tonnes of CO_2 equivalent (tCO_2e) in 2022 with 78% coverage (or 341 tCO_2e / € million invested or 623 tCO2e / €m revenue). On the other hand, the carbon footprint from the Group's operations (human capital and offices enabling the group activities) represented less than 11,000 tCO_2e in 2022 (or 18 tCO_2e / €m revenue[4]).

INVESTMENTS

ADVERSE IMPACTS ON CLIMATE CHANGE

METRICS

Tikehau Capital monitors climate-related metrics of its investment portfolio in alignment with the Principal Adverse Impact indicators defined by the European Union's Sustainable Finance Disclosure Regulation (SFDR). These metrics provide an indication of the Group's exposure to climate-related 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 CO_2e 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 CO_2e. 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 CO_2e 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. SBTi, 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 our 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, covering Tikehau Capital's asset management activities at Group level and per business line, are displayed in Table 1.

In addition, following the strengthening of the Group's fossil fuel exclusion policy, the Group will begin to monitor exposure to companies listed on the NGO Urgewald's Global Coal Exit List and Global Oil and Gas Exit List.

TARGETS

The Net Zero Asset Managers (NZAM) initiative[5] 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 31 December 2022, the NZAM initiative has 301 signatories, which collectively represents US$59 trillion in assets under management. Refer to the Appendices for further details on the NZAM commitment.

Tikehau Capital first joined the initiative in 2021 and published its initial targets in H1 2023. **The Group's initial headline target is that 39% of 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[6], which were developed using methodologies developed by the Net Zero Investment Framework (NZIF) and the Science Based Targets (SBT) initiative for financial institutions. The targets are as follows:

- **Capital Markets Strategies**: 50% of in-scope AUM considered net zero or aligned to net zero by 2030 as defined by the NZIF's portfolio coverage target approach.
- **Real Estate**: 50% of in-scope AUM considered net zero or aligned to net zero[7] by 2030 as defined by the NZIF's portfolio coverage target approach.
- **Private Equity**: 100% of eligible[8] portfolio companies with validated Science Based Targets (SBTs) by 2030.
- Private Equity and Private Debt: 50% reduction in weighted average carbon intensity (WACI) of in-scope AUM by 2030 vs 2021 baseline. This corresponds to 20tCO_2e/€m revenue, compared to a baseline of 39tCO_2e/€m revenue[9].

The Group will aim to increase the proportion of assets under management to be managed in line with net zero over time as new funds will be introduced with net zero strategies and the net zero target will be updated periodically.

(4) Based on a Group's revenue of €602.4m in 2022.
(5) The NZAM commitment is displayed in the Appendices.
(6) To be achieved by 31.12.2029 and reported in 2030
(7) Net zero or aligned status will be determined using version 1 of the pathways defined by the Carbon Risk Real Estate Monitor (CRREM). Version 2 of the pathways was not available at the time of analysis; we will consider the use of these pathways in future iterations of this target. This target aims to reduce energy and emissions intensity in both landlord and tenant-managed areas, meaning that target achievement is dependent on decarbonisation actions taken by both parties. As such, this commitment is made in the expectation that tenants reduce their energy and emissions intensity.
(8) Drawing from the Science Based Targets initiative's (SBTi) Private Equity Sector Science-Based Target Guidance, eligible portfolio companies are those that a) have been in the portfolio for more than 24 months; and b) for buyout and growth portfolio companies, Tikehau Capital holds > 25% share and at least 1 board seat; for venture capital portfolio companies, Tikehau Capital holds >15% share and at least 1 board seat, and the portfolio company has a headcount > 50 FTE, €10 million turnover or balance sheet, and has been existence for >5 years. During the target period, it is possible that alternative target setting methodologies attain a similar level of market recognition as SBT. Inclusion of such target setting methodologies could be considered in potential revisions to the Group's NZAM target.
(9) The WACI reduction target is initially set using the baseline from the private equity strategies that are managed in line with net zero. The target or baseline will be recalculated on a regular basis to take into account the expansion of AuM managed in line with net zero or other material changes in line with market practices.

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Table 1: Climate-related metrics covering Tikehau Capital's asset management activities[10]

INDICATOR[11]	UNIT	SCOPE	VALUE IN 2022	COVERAGE[12]
Weighted average carbon intensity (Scope 1, 2 and 3)	tCO_2e / €m revenue	Total (excluding Real Assets)	623	85%
		Capital Markets Strategies	914	85%
		Private Debt	580	86%
		Private Equity	541	94%
		Tactical Strategies	411	58%
Weighted average carbon intensity (Scope 1 and 2)	tCO_2e / €m revenue	Total (excluding Real Assets)	48	68%
		Private Debt	73	81%
		Private Equity	21	90%
		Tactical Strategies	13	42%
Greenhouse gas emissions (Scope 1, 2 and 3)	tCO_2e	Total	8,548,131	78%
		Capital Markets Strategies	1,267,541	66%
		Private Debt	6,516,063	60%
		Private Equity	493,818	94%
		Tactical Strategies	75,202	41%
		Real Estate	195,508	94%
Carbon footprint (Scope 1, 2 and 3)	tCO_2e / €m invested	Total	341	83%
		Capital Markets Strategies	349	66%
		Private Debt	674	79%
		Private Equity	261	94%
		Tactical Strategies	200	41%
		Real Estate	15	94%
Companies active in the fossil fuel sector	€m invested	Total (excluding Real Assets)	188	85%
		Capital Markets Strategies	113	94%
		Private Debt	70	64%
		Private Equity	0	94%
		Tactical Strategies	6	100%
Investments in companies without carbon emission reduction initiatives	%	Total (excluding Real Assets)	65%	46%
		Capital Markets Strategies	44%	84%
		Private Debt	76%	25%
		Private Equity	41%	88%
		Tactical Strategies	91%	22%
Real Estate Carbon Intensity (Scope 1, 2 and 3)	$kgCO_2e$ / m^2	Total	43	100%
		Sofidy	49	100%
		IREIT	29	100%
		Tikehau Investment Management	61	100%

(10) Group-level figures were evaluated by taking the average of business line figures, weighted by the total AUM of the business line.
The carbon footprint for Real Estate activities covers Scope 1, 2 and Scope 3 emissions related to tenant-controlled energy consumption (i.e. downstream leased assets).
(11) The Group is committed to assessing asset level eligibility and alignment to the EU taxonomy. At the date of this report, data is available on a very limited number of assets and hence, reporting is not meaningful.
(12) Coverage represents the % of AUM covered by company/real asset data or data estimates.

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CLIMATE-RELATED OPPORTUNITIES

METRICS

Regarding climate-related opportunities, Tikehau Capital monitors the assets that are dedicated to climate action and the protection of biodiversity. Funds in scope are Sustainable Finance Disclosure Regulation (SFDR) Article 8 or 9 funds, which consider and/or promote ESG characteristics, with at least one priority objective related to decarbonisation, nature, biodiversity or another environmental theme.

TARGET

Tikehau Capital aims to manage €5bn in such assets by 2025. This target forms part of the Group Objectives that contribute to the determination of the variable component of employee compensation packages.

As of 31 December 2022, €2.3bn of AUM was dedicated to climate action and the protection of biodiversity was €2.3bn. The strategies that contribute to this target are displayed in Table 2 below.

Table 2: Strategies dedicated to climate action and the protection of biodiversity

STRATEGY	LAUNCH DATE
The **T2 Energy Transition Fund** is a private equity fund focused on companies operating in three sectors critical to achieving the long-term temperature target of the Paris Agreement: (1) energy efficiency, storage and digitization (2) clean energy production and (3) low-carbon mobility.	Dec-2018
Tikehau Impact Credit is a high-yield bond fund that pursues both a financial objective and an objective of accelerating the transition to a circular and low-carbon economy by investing in issuers that explicitly intend to make a positive and measurable contribution through their products and services, their operations or through certain projects (green bonds). The fund not only finances solutions, but above all the transition of the current ecosystem, i.e. the decarbonisation of production plants, buildings and mobility.	Jul-2021
The **green assets strategy** is dedicated to capital investment in real assets to reduce the carbon footprint of their end users: low carbon technologies (LED lighting, new refrigeration units, heat recovery systems, etc.), infrastructure (charging stations for electric vehicles, batteries, etc.) or more specific projects (vertical farms, recycling units, etc.). This strategy forges partnerships with players wishing to decarbonise or with companies providing a decarbonisation solution, in order to meet the financing needs of their asset portfolios with a tailor-made offer.	Apr-2021
The **value-add impact** real estate strategy aims for more sustainable bu ildings and neighbourhoods for life, work and enjoyment, while seeking value-added opportunities in a variety of asset classes (offices, retail outlets, residential, logistics, industry, storage, healthcare, hotels). The impact materialises through the development of multi-year action plans to improve the response of each real estate investment to at least one of the three impact objectives, namely (1) climate action, (2) the protection of biodiversity, and (3) inclusive neighbourhoods.	Jun-2022
SG Tikehau Private Debt is a unit-linked vehicle that enables individual investors to finance selected unlisted French and European companies while supporting the reduction of their greenhouse gas emissions. The companies financed must commit to a decarbonisation trajectory aligned with the Paris agreement based on the Science Based Targets methodology.	Dec-2022
The **Regenerative Agriculture strategy** focuses on three main areas: (i) protecting soil health to strengthen biodiversity, preserve water resources and participate in the fight against climate change, (ii) contribute to future supply of regenerative ingredients to meet the needs of a growing global population, on the one hand, and consumer demand for increasingly sustainable products, on the other, and (iii) contribute to the progress of technological solutions that look to accelerate the transition to regenerative agriculture.	Dec-2022

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OPERATIONS

METRICS

Tikehau Capital mandated ERM to carry out a carbon footprint assessment of the Group in line with the Greenhouse Gas Protocol ("GHG Protocol") for the 2022 financial year. The scope chosen for the analysis is the same as the one for the Group's operations: it includes Scope 1, covering direct emissions from fixed or mobile sources controlled by the organisation; Scope 2 covering indirect emissions linked to energy consumption; and Scope 3, upstream, covering indirect emissions linked to the upstream value chain. The carbon footprint for 2022 is displayed in Table 3.

In 2022, environmental data was collected for eight offices (Evry, London, Madrid, Milan, New York, two offices in Paris and Singapore) representing more than 85% of the Group's permanent and non-permanent employees and more than 85% of the surface of offices. For the other offices, estimates were made on the basis of an extrapolation using physical data available for the offices covered and/or data collected during the previous year.

Scope 3 upstream emissions were calculated taking into account the following upstream categories: purchased goods and services, capital goods, activities consuming fuel / other energy sources, waste generated, business travel and employee commuting.

TARGETS

Tikehau Capital has set a target to reduce the Group's Scope 1 and 2 emissions from its operations by 38% by 2030 compared to the 2022 baseline[13]. The target was set using the methodology defined by the Science Based Targets initiative for Scope 1 and 2 emissions[14].

Table 3: Carbon footprint from Tikehau Capital's operations in 2022 (Scope 1, 2 and 3 upstream)

INDICATOR	GHG Emissions (tCO_2e) in 2022
Scope 1	222
Scope 2 (location-based)[15]	274
Scope 2 (market-based)[16]	330
Scope 3 purchased goods and services	7,759
Scope 3 capital goods	702
Scope 3 fuel and energy-related activities	95
Scope 3 waste	8
Scope 3 business travel	1,435
Scope 3 employee commuting	318
Total Scope 1 and 2 (market-based)	**552**
Total Scope 1, 2 (market-based) and 3	**10,868**

Scope 3 downstream emissions linked to asset management activities (rather than linked to the Group's operations) represented 8,548,071 tCO_2 in 2022. They represent the focus of Tikehau Capital climate action and are treated in a separate section and displayed in Table 1 page 11.

(13) To be achieved by 31.12.2029 and reported in 2030.
(14) At the date of this report, the Group's target on scope 3 upstream emissions has not been defined.
(15) In the location-based approach, the electricity emission factors correspond to the average of the network in the area where the company is located.
(16) In accordance with the GHG Protocol scope 2 guidance, the market-based approach used electricity emission factors corresponding to the grid residual electricity mix where available; in the absence of these factors, the location-based electricity emission factors were used.

Appendices

The Net Zero Asset Manager Commitment

In line with the best available science on the impacts of climate change, we acknowledge that there is an urgent need to accelerate the transition towards global net zero emissions and for asset managers to play our part to help deliver the goals of the Paris Agreement and ensure a just transition.

In this context, Tikehau Capital commits to support the goal of net zero greenhouse gas ('GHG') emissions by 2050, in line with global efforts to limit warming to 1.5°C ('net zero emissions by 2050 or sooner'). It also commits to support investing aligned with net zero emissions by 2050 or sooner.

SPECIFICALLY, TIKEHAU CAPITAL COMMITS TO:

a. Work in partnership with asset owner clients on decarbonisation goals, consistent with an ambition to reach net zero emissions by 2050 or sooner across all assets under management ('AUM')

b. Set an interim target for the proportion of assets to be managed in line with the attainment of net zero emissions by 2050 or sooner

c. Review our interim target at least every five years, with a view to ratcheting up the proportion of AUM covered until 100% of assets are included

IN ORDER TO FULFIL THESE COMMITMENTS TIKEHAU CAPITAL WILL:

For assets committed to be managed in line with the attainment of net zero emissions by 2050 or sooner (under commitment b)

1. Set interim targets for 2030, consistent with a fair share of the 50% global reduction in CO_2 identified as a requirement in the IPCC special report on global warming of 1.5°C
2. Take account of portfolio Scope 1 & 2 emissions and, to the extent possible, material portfolio Scope 3 emissions
3. Prioritise the achievement of real economy emissions reductions within the sectors and companies in which we invest
4. If using offsets, invest in long-term carbon removal, where there are no technologically and/or financially viable alternatives to eliminate emissions
5. As required, create investment products aligned with net zero emissions by 2050 and facilitate increased investment in climate solutions

Across all assets under management

6. Provide asset owner clients with information and analytics on net zero investing and climate risk and opportunity
7. Implement a stewardship and engagement strategy, with a clear escalation and voting policy, that is consistent with our ambition for all assets under management to achieve net zero emissions by 2050 or sooner
8. Engage with actors key to the investment system including credit rating agencies, auditors, stock exchanges, proxy advisers, investment consultants, and data and service providers to ensure that products and services available to investors are consistent with the aim of achieving global net zero emissions by 2050 or sooner
9. Ensure any relevant direct and indirect policy advocacy we undertake is supportive of achieving global net zero emissions by 2050 or sooner

Accountability

10. Publish TCFD disclosures, including a climate action plan, annually, and submit them to the Investor Agenda via its partner organisations for review to ensure the approach applied is based on a robust methodology, consistent with the UN Race to Zero criteria, and action is being taken in line with the commitments made here

We recognise collaborative investor initiatives including the Investor Agenda and its partner organisations (AIGCC, CDP, Ceres, IGCC, IIGCC, PRI, UNEPFI), Climate Action 100+, Climate League 2030, Paris Aligned Investment Initiative, Science Based Targets Initiative for Financial Institutions, UN-convened Net-Zero Asset Owner Alliance, among others, which are developing methodologies and supporting investors to take action towards net zero emissions. We will collaborate with each other and other investors via such initiatives so that investors have access to best practice, robust and science based approaches and standardised methodologies, and improved data, through which to deliver these commitments.

We also acknowledge that the scope for asset managers to invest for net zero and to meet the commitments set forth above depends on the mandates agreed with clients and clients' and managers' regulatory environments. These commitments are made in the expectation that governments will follow through on their own commitments to ensure the objectives of the Paris Agreement are met, including increasing the ambition of their Nationally Determined Contributions, and in the context of our legal duties to clients and unless otherwise prohibited by applicable law. In some asset classes or for some investment strategies, agreed net zero methodologies do not yet exist. Where our ability to align our approach to investment with the goal of net zero emissions by 2050 is, today, constrained, we commit to embark with determination and ambition on a journey, and to challenge and seek to overcome the constraints we face.

TIKEHAU CAPITAL

Level up

www.tikehaucapital.com