Tikehau Investment Management

Statement on Principal Adverse Impacts of investment decisions on sustainability factors

Reference year: 2022

This report complies with the provisions of Article 4 of Regulation (EU) 2019/2088 on sustainability reporting in the financial services sector (SFDR)
The information in this report relates to Tikehau Investment Management - LEI: 9695008ZSNJ7URJK4A27

Contents

I. Introduction

Created by Tikehau Capital (or "the Group") at the end of 2006, Tikehau Investment Management ("Tikehau IM", LEI: 9695008ZSNJ7URJK4A27) is Tikehau Capital's main platform dedicated to asset management. Tikehau IM is approved by the AMF (*Autorité des marchés financiers*) as a portfolio management company since January 2007 (under the number GP-07000006). Tikehau IM has become, in France, one of the reference players in specialized investment on the European debt markets, covering all products of this asset class. Through its different investment strategies, Tikehau IM offers a wide range of products, in various formats and at all levels of the capital structure. As of December 31, 2022, Tikehau IM assets under management amount across private debt, private equity, capital markets strategies (fixed income/diversified management and equities), real assets as well as multi-asset and special opportunities strategies (tactical strategies).

The present statement is the consolidated statement on **Principal Adverse Impacts ("PAI")** on sustainability factors of Tikehau IM, prepared in accordance with the provisions of regulation (EU) 2019/2088 of the European parliament and of the council on sustainability-related disclosures in the financial service sector ("**SFDR**"). PAI of Table 1 and any relevant indicators of Table 2 and 3 of Annex I of the SFDR Delegated Act are presented for the reference period ending on 31st December 2022. At the date of this report, data coverage remains low for certain indicators and results should be interpreted with caution. A methodological note available on demand provides additional details regarding data sources, calculation and other evaluation criteria retained to calculate ESG indicators at Tikehau IM business line level.

Approach to addressing principle adverse impacts on sustainability factors

As part of its sustainable investing approach, Tikehau IM considers the positive and negative impacts of its investment decisions on sustainability factors. For sustainable investments this means ensuring that negative impacts of its investment decisions are mitigated and that the investments do no significant harm to any environmental or social objectives.

Tikehau Capital, Tikehau IM parent company, strives to develop relevant processes to prioritize and reduce PAIs. Tikehau Capital Exclusion policy takes into account controversial weapons and the violation of the pillars of the United Nations Global Compact ("**UNGC**"). As part of its climate strategy, Tikehau Capital and its affiliates are working to increase the coverage of companies and real estate assets with a carbon footprint and a decarbonisation trajectory.

II. Principal adverse impacts on sustainability factors – investments in companies

The below indicators are presented for the private equity, private debt and capital markets strategies combined and details by business line are available upon request.

Indicators of principal adverse impacts on sustainability		Metric	Impact 2022 Data	Impact 2022 Coverage	Impact 2021	Actions taken, and actions planned, and targets set for the next reference period
GHG emissions	1. GHG emissions	Scope 1	399,443	75%	Not applicable as this is the first periodic report	In early 2023, Tikehau Capital's initial target of managing circa 40% of AUMs in line with the global target of zero net emissions by 2050 was approved by the Net Zero Asset Managers (NZAM) initiative. By 2030, the Group aims to decrease by 50% the weighted average carbon intensity (WACI) of in-scope Private Equity and Private Debt strategies. This corresponds to 20tCO2e/€m revenue, down from a reference baseline of 40tCO2e/€m revenue. Moreover, by 2030, 100% of eligible, in-scope Private Equity portfolio companies will have validated Science Based Targets (SBTs).
		Scope 2	215,589	75%		
		Scope 3	5,316,483	75%		
		Total	5,931,516	75%		
	2. Carbon footprint	Measurement of carbon footprint (tCO2e, *scope* 1,2,3 / €m portfolio value)	536	75%		
	3. GHG intensity of investee company	GHG intensity of investee companies (tCO2e, *scope* 1,2,3 / €m revenue)	634	88%		
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	1%	91%		Rule out investments in the case of significant/increasing exposure to fossil fuels, in accordance with Tikehau Capital's Exclusion Policy (i.e. a relative, absolute and expansion criteria on thermal coal, oil and gas based on Urgewald Coal and Oil & Gas exit lists).
	5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources (%)	78%	33%		As part of the decarbonization strategy to be set up gradually, Tikehau IM encourages the switch to on-site renewable energy e.g., via solar panels, green tariffs, or Energy Attribute Certificates (EACs) where relevant, within its Private Equity and Private debt strategies.
		Share of non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources (%)	50%	48%		
	6. Consumption intensity per high-impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector (GWh / €m revenue)	Data available upon request			Data available upon request

Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas (%)	1%	66%		
Water	8. Rejects in water	Tonnes of emissions in water generated by investee companies, per million EUR invested, expressed as a weighted average	1.5	20%		
Waste	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies, per million EUR invested, expressed as a weighted average	2.4	36%	Not applicable as this is the first periodic report	
Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises (%)	1%	73%		Under former management of one portfolio company, some isolated unethical practices took place during the 2010-2016 period and the company was subject to a conditional non-debarment by the World Bank from Jun-20 to Dec-22. Subsequently, the company implemented measures to enhance its corporate governance and compliance system to prevent such misconduct from recurring and the case was settled. As a result, as of the date of this report, the company is no longer considered to be in violation of the UN Global Compact principles OECD Guidelines. Tikehau IM compliance team is closely monitoring such case.
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance/ complaints managing mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises (%)	57%	62%		Tikehau IM is committed to gathering tangible evidence on this PAI to identify the portfolio companies in breach and set up appropriate remediation plans when needed in the Private Equity strategy.

	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	12%	39%	Not applicable as this is the first periodic report	Where relevant, Tikehau IM promotes transparency on gender balance and gender pay gap and improvements compared to the current state / sector average.
	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members (%)	21%	58%		
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons, and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons (%)	0%	89%		No investments in companies involved in manufacture or selling of controversial weapons. Rule out any potential investment in the case of exposure to controversial weapons defined, in accordance with Tikehau Capital's Exclusion Policy.
Voluntary indicators of principal adverse impacts on sustainability		**Metric**	**Impact 2022 Data**	**Impact 2022 Coverage**	**Impact 2021**	**Actions taken, and actions planned, and targets set for the next reference period**
Emissions	Investments in companies without carbon emission reduction initiatives	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement	64%	56%	Not applicable as this is the first periodic report	Tikehau IM gradually encourages its portfolio companies to set up ambitious decarbonization trajectories, if possible compliant with SBTi for its Private Equity strategy.
Social and employee matters	Investments in companies without workplace accident prevention policies	Share of investments in investee companies without a workplace accident prevention policy	55%	48%		

Note: PAIs on funds classified as article 8 and 9 per the SFDR, are published with the annual report or dedicated ESG reports of each fund. The details on Principle Adverse Impacts (PAIs) by business line can be provided upon request.

III.Principle adverse impact on sustainability – in real estate assets

Indicators of principal adverse impacts on sustainability		Metric	Impact 2022 Data	Impact 2022 Coverage	Impact 2021 Data	Actions taken, and actions planned, and targets set for the next reference period
Fossil fuels	Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport, or manufacture of fossil fuels	0%	100%	Not applicable as this is the first periodic report	No investments in real estate assets involved in the extraction, storage, transport, or manufacture of fossil fuels (i.e., exclusion of all independent gas stations). Rule out any potential investment in the case of exposure to fossil fuels, in accordance with Tikehau Capital's Exclusion Policy.
Energy efficiency	Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets	86%	75%		As a part of its Climate Mitigation strategy, Tikehau IM identifies the most energy-inefficient assets or assets subjects to Tertiary Decree *(Décret Eco-Energie Tertiaire)* held by its Funds and defines actions plans to reduce energy inefficiency (by means of renovation and per type of building use).
Indicators of principal adverse impacts on sustainability		**Metric**	**Impact 2022 Data**	**Impact 2022 Coverage**	**Impact 2021 Data**	**Actions taken, and actions planned, and targets set for the next reference period**
Greenhouse gas emissions	GHG emissions (tCO_2eq)	Scope 1 GHG emissions generated by real estate assets[1]	25,498	100%		In early 2023, Tikehau Capital's initial target of managing circa 40% of AUMs in line with the global target of zero net emissions by 2050 was approved by the Net Zero Asset Managers (NZAM) initiative. For Real Estate, Tikehau Capital aims to align 50% of in-scope AUM as net zero or aligned to net zero by 2030 as defined by the Net Zero Investment Framework.
		Scope 2 GHG emissions generated by real estate assets[2]	1,510	100%	Not applicable as this is the first periodic report	
		Scope 3 GHG emissions generated by real estate assets[3]	19,717	100%		
		Total GHG emissions generated by real estate assets	46,726	100%		
Energy consumption	Energy consumption intensity	Energy consumption in GWh of owned real estate assets per square meter	214 kWh	100%		As a part of its Climate Mitigation strategy, Tikehau IM defines actions plans to reduce energy consumption and greenhouse gas emissions of certain assets.

Note: PAIs on real estate funds classified as SFDR article 8 and 9 are published with the annual report or dedicated ESG reports of each fund. provided in detail for relevant each fund upon request.

[1] Scope 1 constitutes direct emissions from stationary combustion sources (gas and oil consumption) and direct fugitive emissions (refrigerant leaks).

[2] Scope 2 constitutes indirect emissions related to electricity consumption in common areas and indirect emissions related to the consumption of cold or hot steam (centralized heating and ventilation provided by urban networks) for multitenant buildings.

[3] Scope 3 constitutes indirect emissions related to electricity consumption in the private area and indirect emissions related to the consumption of cold or hot steam (centralized heating and ventilation provided by urban networks) for mono-tenant (single tenant) buildings.

IV. Description of policies to identify and prioritise principal adverse impacts on sustainability factors

Tikehau IM falls within the scope of the SFDR but is also subject to Article 29 of the Energy-Climate Law, codified in Article L.533-22-1 of the French Monetary and Financial Code. In line with the principles of the Sustainable Finance Disclosure Regulation, Tikehau IM strives to improve transparency on the main negative externalities of its investments ("principle adverse impacts") and to consider different sustainability objectives so as not to pursue an objective which risks causing harm ("do no significant harm").

Beyond regulatory requirements, ESG criteria are embedded into the core of its investment process as Tikehau IM teams believes that these criteria have a material impact on the risk-adjusted financial performance of the assets under consideration.

Policies in place include (i) the assessment of the impact of investment opportunities on sustainability factors for certain funds and (ii) monitoring the impact of investment portfolios on sustainability issues (e.g., using the carbon footprint of portfolios). It complements the traditional ESG approach which assesses ESG risks on the portfolio (e.g., pre-investment ESG analysis grids, monitoring ESG questionnaires, etc.).

Table 1: Tikehau Capital Policy Alignment with PAI indicators.

Adverse sustainability indicator	Metric	Actions taken, and actions planned, and targets set for the next reference period
GHG emissions **Carbon footprint** **GHG intensity of investee companies**	Scope 1 GHG emissions Scope 2 GHG emissions Scope 3 GHG emissions Carbon footprint GHG intensity of investee companies	In April 2023, Tikehau Capital's initial target of managing circa 40% of assets under management in line with the global target of zero net emissions by 2050 was approved by the Net Zero Asset Managers (NZAM) initiative. Policies have also been put in place to monitor the carbon footprint of portfolio companies and real estate assets. **The Net Zero targets are applicable to all entities of Tikehau Capital i.e., including Tikehau IM.**
Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	To limit exposure to companies active in the fossil fuel sector, Tikehau Capital implements an Exclusion Policy, which describes environmental exclusions for investments. This policy contains absolute thresholds for thermal coal, oil, and gas. For thermal coal, both absolute and relative thresholds are put in place. **The exclusion policy is applicable to all entities of Tikehau Capital i.e., including Tikehau IM.**
Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	In early 2023, Tikehau Capital joined the United Nations Global Compact and works to strengthen the formalisation of its human rights, labour rights and environmental rights framework. Tikehau IM respects the principles of UNGC as well as guidelines by the Organisation for Economic Cooperation and Development (OECD) for Multinational Enterprises. It also signed the UN PRI in 2014 (and was subsequently replaced by its parent company Tikehau Capital). **The principles of UNGC are applicable to all entities of Tikehau Capital i.e., including Tikehau IM.**
Lack of processes and compliance	Share of investments in investee companies	A Code of Conduct on the prevention of corruption and influence peddling was introduced in 2020 and updated in

mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance/ complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	2022 (Anti-Bribery, Corruption, and Influence Peddling code or "ABC Code"). In addition, Tikehau Capital has an anti-money laundering policy. **The processes and compliance mechanisms are applicable to all entities of Tikehau Capital i.e., including Tikehau IM.** Tikehau IM has also developed a Compliance manual outlining material regulatory obligations as well as the policies and procedures implemented by the asset management company to meet its obligations.
Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons, and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	To limit exposure to controversial weapons, Tikehau Capital has implemented an Exclusion Policy, which describes norm based exclusions for investments. Tikehau Capital has a zero-tolerance standard for companies involved in cluster munitions, landmines, chemical and biological weapons. **The exclusion policy is applicable to all entities of Tikehau Capital i.e., including Tikehau IM.**

ESG Analysis Grid

Tikehau IM formalises its ESG approach through a non-financial analysis grid adapted to each activity. Within the Capital Market Strategies, Private Equity and Private Debt business lines, the research and investment teams take into account a common series of ESG themes that affect the operations, products and services of the companies concerned. For Real Estate activities, the ESG rating grid depend on the stage of completion of the project with a focus on the intrinsic characteristics of the asset in relation to environmental (energy performance, biodiversity footprint) and societal matters.

At the level of the Group, below are some of the themes used by Tikehau Capital, illustrated in an example to prioritise principal adverse impacts of investment decisions on sustainability factors:

Level of integration	Integration of sustainability factors in investment decisions
Products and services	Review of the breakdown of revenue and the main positive and negative externalities, taking into account standards such as the European Taxonomy or the Sustainable Development Goals.
Governance	Ownership and governance bodies (board structure), of the commitments made to support sustainable development (signing of the United Nations Global Compact, formalizing code of conducts), as well as of the exposure to controversies
Social	Human rights, health, and safety and exposure to controversies
Environment	GHG emissions and climate targets and exposure to controversies

ESG Integration

Regarding ESG integration, all investment analysts, managers, and directors are responsible for integrating the ESG criteria into the fundamental analysis of investment opportunities.

Tikehau IM believes that active shareholding stimulates communication and contributes to the creation of value. In this context, Tikehau IM is committed to voting at shareholder meetings of all companies held in funds it manages (excluding funds of funds). The investment teams and the ESG team maintain dialogue with the portfolio companies with a view to creating sustainable value.

V. Engagement policies

Tikehau IM establishes an engagement approach with companies. Starting at the investment decision and throughout the holding period of the investment, Tikehau IM promotes the adoption of practices that align financial performance with social and environmental impact. The 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, the Group is committed to voting at shareholder meetings of all companies held in funds it manages (excluding funds of funds). Portfolio managers have access to ISS, a leading platform to vote.

With regard to investments in listed companies (equity funds of the Capital Markets Strategies activity and investments through the balance sheet), 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 can systematically exercise their voting rights.

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

ESG monitoring

In Private Equity and Private Debt, the Group aims to work together with the management team of the companies in the portfolio, 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 lists Tikehau Capital's commitments to responsible investment and binds executives to adopt a progressive approach based on their resources.

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.

Depending on the level of proximity between the teams and the 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.

ESG roadmap

When the teams benefit from a close relationship with the management of companies, through private equity and private debt activities, 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. Where possible, qualitative objectives and management indicators are monitored annually.

VI. References to international standards

For reference to international standards, please refer to Table 1 in Section VIII of this document that explains Tikehau Capital's policy alignment with the principles adverse impact indicators. Several of the PAI indicators are being dealt with in direct compliance with international standards such as the principles of the UNGC, OECD guidelines as well as initiatives such as the NZAM.
The Group's non-financial performance statement also considers two other global sustainability reporting frameworks:

- The Task Force on Climate-Related Financial Disclosures ("TCFD") standard, a working group on climate reporting led by the G20 Financial Stability Board. At the date of this document, TCFD alignment is monitored at the level of the Group and not separately at the Entity level.
- The Sustainability Accounting Standards Board (SASB) standard, which provides companies with a grid of material sectoral indicators on ESG topics.

Aligning Tikehau Capital's portfolio with the objectives of the Paris Agreement

To respond to the climate emergency and align our portfolio with the objectives of the Paris Agreement, the Group has developed a climate strategy that consists of working on four dimensions: exclusions, climate risk management, measurement and management of our portfolio's climate impact, and the commitment and launch of funds dedicated to solutions and the transition.

Regarding exclusions, the Group has revised its fossil fuel exclusion policy to limit the financing of new projects dedicated to fossil fuels and related infrastructure. In addition, Tikehau Capital excludes 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). One of the criteria for inclusion on these lists is expansion of thermal coal mining, or expansion of oil and gas production. This is in line with the International Energy Agency's (IEA) Net-Zero Emissions Scenario, and the 1.5°C scenarios considered in the Intergovernmental Panel on Climate Change's (IPCC) Sixth Assessment Report which found that the carbon dioxide emissions from existing fossil fuel infrastructure would exceed the carbon budget for 1.5°C.

In March 2021, Tikehau Capital joined the Net Zero Asset Managers initiative, and, in March 2023, Tikehau Capital's Sustainability Strategy Orientation Committee validated an initial target to manage around 40% of the Group's assets under management in line with the goal of achieving net zero emissions by 2050. The targets were set using the Paris Aligned Investment Initiative's Net Zero Investment Framework, and the Science Based Target initiative's portfolio coverage methodology for private equity. Both these methodologies considered forward-looking 1.5°C-aligned scenarios from the IPCC's Special Report on Global Warming of 1.5°C. The proportion of the Group's AUM to be managed in line with net zero will increase over time as new funds will be introduced with net zero strategies where possible.

Adverse sustainability indicator	Metric	Standards, initiatives and public policies relevant to assess PAIs
Table 1: #1, 2, 3, 4, 5, 6	GHG emissions (Scope 1, 2, 3) Carbon footprint	Paris Agreement on Climate Sustainable Development Goals (SDG) 7 and 13

Table 2: #4	GHG intensity of investee Companies Exposure to companies active in the fossil fuel sector Share of non-renewable energy consumption and production Energy consumption intensity per high impact climate sector Investments in companies without carbon emission reduction initiative	EU Taxonomy Net Zero Asset Managers (NZAM) initiative and Institutional Investors Group on Climate Change (IIGCC) Carbon Disclosure Project (CDP) Task Force on Climate-related Financial Disclosures (TCFD)
Table 1: #7, 8, 9	Activities negatively affecting biodiversity sensitive areas Emissions to water Hazardous waste ratio	CDP Forest CDP Water
Table 1: #10, 11	Violations of UN GC principles and OECD Guidelines for Multinational Enterprises	UN Global Compact UN Guiding Principles on Business and Human Rights OECD Guidelines on Multinational Enterprises
Table 1: #12, 13	Unadjusted gender pay gap Board gender diversity	France invest Diversity Charter Afep Medef Governance code
Table 1: #14	Exposure to controversial weapons	Ottawa and Oslo treaties

VII. Historical comparison

The regulation's guidelines recommend historical comparison of the period reported on with the previous period reported on and, subsequently, with every previous period reported on up to the last five previous periods. Tikehau IM is committed to improve its transparency on the main negative externalities of its investments ("principle adverse impacts") and to consider different sustainability objectives so as not to pursue an objective which risks causing harm ("do no significant harm").

In line with its engagement, Tikehau IM will publish its first quantitative results on its PAIs in June 2023 as a part of its 2022 Entity Report, in line with the Article 29 of the Energy-Climate Law, codified in Article L.533-22-1 of the French Monetary and Financial Code.

Thus, Tikehau IM's first historical comparison will be made in its next Entity report.

ANNEX 1 - Methodological note

Assets under management are carried forward to 31 December. Social and environmental indicators are reported over a rolling 12-month reference period, from 1 January to 31 December of the year (N).

'Current value of all investments' include holdings in related undertakings, including participations, equities, bonds, collective investment undertakings, derivatives, deposits other than cash equivalents, other investments, assets held for index-linked and unit-linked contracts, loans and mortgages, deposits to cedants and cash and cash equivalents.

The SFDR requires the disclosure of PAI indicators to be based on, at a minimum, the average of four data points computed as at the last trading day of each quarter (in most cases as of March 31st, June 30th, September 30th, and December 31st) of a financial year, that constitutes a 12-month reference period. While such approach is relevant for funds with corporate assets, i.e., across Capital Market Strategies, Private, Tactical Strategies and Private Equity, it was not deemed relevant for Real Estate assets and Q4 2022 data are used instead.

Capital markets strategies ESG data

For the capital markets strategies, Tikehau IM has selected ISS ESG for PAI calculations and ISS ESG uses the below:

- Enterprise Value Including Cash (EVIC) used is the most recent available. EVIC refers to the sum, at fiscal year-end, of the market capitalisation of ordinary shares, the market capitalisation of preferred shares, and the book value of total debt and non-controlling interests, without the deduction of cash or cash equivalents, in capital markets.[4]
- For the PAI indicator "GHG intensity of investee companies", Carbon emissions and revenue data used are the latest available, i.e., N-1 for Q4, N-2 for other quarters compared to the calendar year reference period
- The Taxonomy indicators, which belong to the 'EU Taxonomy solution' is used to report the Taxonomy related data. This uses the latest available data with a variable temporality depending on the indicators.
- The other indicators use the latest available data with a variable temporality depending on the indicators.
- As disclosed in ISS ESG's methodologies, in some occurrences, proxies are used, and the definitions of the indicators do not exactly match the regulatory definitions. Most of the time, the use of proxies is justified by lack of data availability at portfolio companies' level.
- For Green Bonds and Sustainability Linked Bonds, the PAI and Taxonomy indicators reported are those of the corporates that have issued the sustainable instruments but are not specific on the project or activities covered by the Bond framework. This is due to data availability.

The WACI of the funds and their investment universe is monitored as part of CMS funds non-financial approach. To ensure the highest possible coverage, TIM uses several data sources. TIM uses the corporate data (greenhouse gas ("GHG") emissions scope 1,2 and 3 per million euros of turnover) when it is available from ISS ESG and, if not, TIM rely on the corporate's sector average provided by S&P Trucost. Following the regulatory clarifications on the computation of the PAI "GHG

[4] In private markets, the Enterprise Value (EV) is calculated based on the valuation computed by the Risk team at Tikehau IM in the absence of a regulatory definition i.e., a sum of total valued equity and debt at the end of Q4. Where no data is available (new investments), the valuation at cost is performed.

intensity of investee companies” which is the same indicator as the weighted average carbon intensity (WACI), TIM changed its methodology and there is no more rebalancing of the weight of the fund’s investment to exclude investment with non-disclosed values and investments not promoting Environmental and Social characteristics (for example cash). Derivative instruments are not contributing to the promotion of E/S characteristics and thus are included in "other" investment as per SFDR regulation. Net long positions, net short positions and long positions are then not considered in the “all investments.

Private equity, private debt& tactical strategies ESG data

For private equity, Tikehau IM relies on data reported by portfolio companies and carbon calculation by external experts (ERM, Carbometrics, etc.[5]).

For private debt and tactical strategies, Tikehau IM uses S&P Trucost for the scope 1,2 and 3 sectoral averages6 of each Global Industry Classification Standard (GICS®) sector.

For private equity and private debt investments, where portfolio companies do not provide information on the Reporting21 SaaS platform or do not report PAI data for the following indicators: (i) Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD guidelines; (ii) Investments in companies without carbon emission reduction initiatives (additional KPI chosen), and (iii) Investments in companies without workplace accident prevention policies (additional KPI chosen). Tikehau IM assumes that the missing data accounts for a lack of policy for the respective portfolio company.

Real estate ESG data

Tikehau IM relies on Property Managers and external service providers to collect the ESG data required for PAI disclosures. Data coverage in real assets business unit, is the proportion of real estate assets where data is collected in relation to the total perimeter of the real estate assets managed by Tikehau IM. While data is collected relying on the above sources, due to operational limitations, the data coverage may not be equal to 100% for every indicator.

The business unit uses the definition provided in the SFDR Technical Standard Document and calculates each PAI. It relies on:

- A real-estate ESG data tool called Deepki Ready, as well as its Property Managers to collect energy consumption data (in kWh). Where energy consumption data is not available, Tikehau IM uses proxies based on asset typology and geography criteria. These proxies are calculated by the external provider responsible for the Carbon Footprint of Tikehau IM’s real estate portfolio.
- External providers (consulting agencies) to compute its Greenhouse Gas emissions (in tCO_2e) for Scopes 1,2 and 3[7], generated by real estate assets, based on real and proxy

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[5] The data on the carbon footprint is provided directly by these external providers. In some cases, portfolio companies conduct a carbon footprint evaluation using their own resources or by soliciting a consultant of choice. In this case, Tikehau IM relies on the carbon footprint evaluation communicated by the portfolio companies. The carbon footprint data computed by the portfolio companies does not include indirect USP (Use of Sold Products).

[6] When S&P sectorial averages are used, there underlies a period difference i.e., at the date of this document, the sectorial averages published by S&P in year N are based on year N-1 data.

[7] The scopes repartition for Tikehau Investment Management’s real estate assets is as follows:

a) Scope 1 constitutes direct emissions from stationary combustion sources (gas and oil consumption) and direct fugitive emissions (refrigerant leaks).

energy consumption data. Where energy consumption data is not available, Tikehau IM uses proxies based on asset typology and geography criteria. These proxies are calculated by the external provider responsible for the Carbon Footprint of Tikehau IM's real estate portfolio.

- Property managers for Energy Performance Certificate (EPC) grade. Energy efficiency is measured in thresholds and each threshold is assigned a grade. The EPC grade is a score assigned to an asset based on its energy efficiency.
- Asset management software tool as well as property managers to identify assets which are categorised as 'independent gas stations'. These assets are taken into account to calculate the exposure to fossil fuels.

For the calculation of exposure to fossil fuels through real estate assets, the share of assets under management (in euros) of the real estate assets involved in the extraction, storage, transport, or manufacture of fossil fuels is calculated as a percentage of the total assets under management (in euros).

The regulation defines the calculation of inefficient real estate assets as the total of (i) value of real estate assets built before 31/12/2020 with EPC of C or below; and (ii) value of real estate assets built after 31/12/2020 with PED below NZEB in Directive 2010/31/EU, divided by value of real estate assets required to abide by the EPC and NZEB rules.

Tikehau IM does not have information on real estate assets built after 31/12/2020 with PED below NZEB in Directive 2010/31/EU and on real estate assets required to abide by the EPC and the NZEB rules. Therefore, Tikehau IM applies this regulatory method of calculation by dividing the assets under management (in euros) for real estate assets with an EPC of C or below on total assets under management (in euros).

The total greenhouse gas emissions generated by real estate assets (scopes 1, 2 and 3 based on real and proxy data) is expressed as the sum of each individual Tikehau IM real estate asset's GHG emissions, in tCO2e.

The energy consumption intensity of the real estate portfolio is expressed as the weighted average (by value of assets i.e., AuM) of each individual real estate asset's energy consumption intensity (calculated as kWh/sqm). The final energy consumption intensity is expressed in GWh/sqm in line with the regulation.

Methodological limitations

We encourage stakeholders to exercise caution and consider this potential margin of error when interpreting and utilizing the provided information.

ISS ESG is committed to attempt to follow the regulatory-prescribed metrics as closely as possible within the SFDR Principal Impact Solution but in some occurrences, calculation logics doesn't exactly match the regulatory requirements. The following shortcomings have been identified:

- Based on Tikehau IM analysis, the computation of the PAI "Carbon footprint" is not consistent with the latest ESMA guidelines: the value "for all investments" used by ISS ESG does not include cash, liquidity ancillary, and derivatives instruments. It can lead to a slight overestimation of the indicator compared to the regulatory guidelines.

b) Scope 2 constitutes indirect emissions related to electricity consumption in common areas and indirect emissions related to the consumption of cold or hot steam (centralized heating and ventilation provided by urban networks) for multitenant buildings.

c) Scope 3 constitutes indirect emissions related to electricity consumption in the private area and indirect emissions related to the consumption of cold or hot steam (centralized heating and ventilation provided by urban networks) for mono-tenant buildings.

- The PAI “GHG intensity of investee companies” which can also be designated as Weighted Average Carbon Intensity is manually retreated at fund level as described in the section “Sustainability indicators of the fund - weighted average carbon intensity (WACI)” of this document and the value of all investments is consistent with the regulatory requirements.

Specific case of Sustainable Instruments

For Green Bonds and Sustainability Linked Bonds, the PAI and Taxonomy indicators reported are those of the corporates that have issued the sustainable instruments but are not specific on the project or activities covered by the Bond framework. This is due to data availability.

ANNEX 2 - Description of policies to identify and prioritise principal adverse impacts on sustainability factors

Tikehau IM falls within the scope of the SFDR but is also subject to Article 29 of the Energy-Climate Law, codified in Article L.533-22-1 of the French Monetary and Financial Code. In line with the principles of the Sustainable Finance Disclosure Regulation, Tikehau IM strives to improve transparency on the main negative externalities of its investments ("principle adverse impacts") and to consider different sustainability objectives so as not to pursue an objective which risks causing harm ("do no significant harm").

Beyond regulatory requirements, ESG criteria is embedded into the core of its investment process as Tikehau IM believes that these criteria have a material impact on the risk-adjusted financial performance of the assets under consideration.

Policies in place include monitoring the impact of investment portfolios on sustainability issues (e.g., using the carbon footprint of portfolios) and complements the traditional ESG approach which assesses ESG risks on the portfolio (e.g., pre-investment ESG analysis grids, monitoring ESG questionnaires, etc.).

Tikehau IM's policy alignment with principal adverse impacts indicators can be summarised as follows:

Table 1: Tikehau IM Policy Alignment with PAI indicators

Adverse sustainability indicator	Metric	Actions taken, and actions planned, and targets set for the next reference period
GHG emissions **Carbon footprint** **GHG intensity of investee companies**	Scope 1 GHG emissions Scope 2 GHG emissions Scope 3 GHG emissions Carbon footprint GHG intensity of investee companies	In April 2023, Tikehau Capital's initial target of managing circa 40% of assets under management in line with the global target of zero net emissions by 2050 was approved by the Net Zero Asset Managers (NZAM) initiative. Policies have also been put in place to monitor the impact of investment portfolios, that is, by using the carbon footprint of portfolio companies. **The Net Zero targets are applicable to all entities of Tikehau Capital i.e., including Tikehau IM.**
Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	To limit exposure to companies active in the fossil fuel sector, Tikehau Capital has implemented an exclusion policy which describes environmental exclusions for investments. This policy contains absolute thresholds for thermal coal, oil, and gas. For thermal coal, both absolute and relative thresholds are put in place. **The exclusion policy is applicable to all entities of Tikehau Capital i.e., including Tikehau IM.**
Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	In early 2023, Tikehau Capital joined the United Nations Global Compact and works to strengthen the formalisation of its human rights, labour rights and environmental rights framework. Tikehau IM respects the principles of UNGC as well as guidelines by the Organisation for Economic Cooperation and Development (OECD) for Multinational Enterprises. It is also a signatory of the UN PRI since 2014. **The principles of UNGC are applicable to all entities of Tikehau Capital i.e., including Tikehau IM.**
Lack of processes and compliance	Share of investments in investee companies without	A Code of Conduct on the prevention of corruption and influence peddling was introduced in 2020 and updated

mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance/ complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	in 2022 (Anti-Bribery, Corruption, and Influence Peddling code or "ABC Code"). In addition, Tikehau Capital has an anti-money laundering policy. This allows Tikehau IM to have processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD guidelines for Multinational Enterprises. **The processes and compliance mechanisms are applicable to all entities of Tikehau Capital i.e., including Tikehau IM.**
Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	To limit exposure to controversial weapons, Tikehau Capital has implemented an exclusion policy which describes norm-based exclusions for investments. Tikehau Capital has a zero-tolerance standard for companies involved in cluster munitions, landmines, chemical and biological weapons. **The exclusion policy is applicable to all entities of Tikehau Capital i.e., including Tikehau IM.**

ESG Analysis Grid

Tikehau IM formalises its ESG approach through a non-financial analysis grid adapted to each activity. Within the Capital Market Strategies, Private Equity and Private Debt business lines, the research and investment teams take into account a common series of ESG themes that affect the operations, products and services of the companies concerned. For Real Estate activities, the ESG rating grid depend on the stage of completion of the project with a focus on the intrinsic characteristics of the asset and the practices of stakeholders (notably, developer, property manager, tenant) in relation to environmental (energy performance, biodiversity footprint) and societal matters.

At the level of the Group, below are some of the themes used by Tikehau Capital, illustrated in an example to prioritise principal adverse impacts of investment decisions on sustainability factors:

Level of integration	Integration of sustainability factors in investment decisions
Products and services	Review of the breakdown of revenue and the main positive and negative externalities, taking into account standards such as the European Taxonomy or the Sustainable Development Goals.
Governance	Analysis of the exposure to at-risk countries with regard to corruption and breaches of human rights, of the quality of management (ability to deliver the strategy, key person risk) and of the governance bodies (expertise and diversity of Board members), of the commitments made to support sustainable development (signing of the United Nations Global Compact, CSR policy), as well as of the exposure to known or potential controversies (corruption, labour law, competition law, taxation, etc.).
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 products and services, human resources and/or other stakeholders across the value chain.
Environment	Analysis of risks associated with the type of real assets, consideration of issues relating to climate change, resource conservation and the energy transition, and even the exposure to known or potential environmental controversies.

ESG Integration

Regarding ESG integration, all investment analysts, managers, and directors are responsible for integrating the ESG criteria into the fundamental analysis of investment opportunities.

Tikehau IM believes that active shareholding stimulates communication and contributes to the creation of value. In this context, Tikehau IM is committed to voting at shareholder meetings of all companies held in funds it manages (excluding funds of funds). The investment teams and the ESG team maintain dialogue with the portfolio companies with a view to creating sustainable value.

Engagement policies

Tikehau IM establishes an engagement approach with companies. Starting at the investment decision and throughout the holding period of the investment, Tikehau IM promotes the adoption of practices that align financial performance with social and environmental impact. The 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, the Group is committed to voting at shareholder meetings of all companies held in funds it manages (excluding funds of funds). Portfolio managers have access to ISS, a leading platform to vote.

With regard to investments in **listed companies** (equity funds of the Capital Markets Strategies activity and investments through the balance sheet), 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 can systematically exercise their voting rights.

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

ESG monitoring

In Private Equity and Private Debt, the Group aims to work together with the management team of the companies in the portfolio, 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 lists Tikehau Capital's commitments to responsible investment and binds executives to adopt a progressive approach based on their resources.

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.

Depending on the level of proximity between the teams and the 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.

ESG roadmap

When the teams benefit from a close relationship with the management of companies, through private equity and private debt activities, 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. Where possible, qualitative objectives and management indicators are monitored annually.

References to international standards

For reference to international standards, please refer to Table 1 above in this document that explains Tikehau IM's policy alignment with the principles adverse impact indicators. Several of the PAI indicators are being dealt with in direct compliance with international standards such as the principles of the UNGC, OECD guidelines as well as initiatives such as the NZAM.

The Group's non-financial performance statement also considers two other global sustainability reporting frameworks:

- The Task Force on Climate-Related Financial Disclosures ("TCFD")[8] standard, a working group on climate reporting led by the G20 Financial Stability Board. **At the date of this document, TCFD alignment is monitored at the level of the Group and not separately at the Entity level.**
- The Sustainability Accounting Standards Board (SASB)[9] standard, which provides companies with a grid of material sectoral indicators on ESG topics.

Aligning Tikehau Capital's portfolio with the objectives of the Paris Agreement

To respond to the climate emergency and align our portfolio with the objectives of the Paris Agreement, the Group has developed a climate strategy that consists of working on four dimensions: exclusions, climate risk management, measurement and management of our portfolio's climate impact, and the commitment and launch of funds dedicated to solutions and the transition.

Regarding exclusions, the Group has revised its fossil fuel exclusion policy to limit the financing of new projects dedicated to fossil fuels and related infrastructure. In addition, Tikehau Capital excludes 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). One of the criteria for inclusion on these lists is expansion of thermal coal mining, or expansion of oil and gas production. This is in line with the International Energy Agency's (IEA) Net-Zero Emissions Scenario, and the 1.5°C scenarios considered in the Intergovernmental Panel on Climate Change's (IPCC) Sixth Assessment Report which found that the carbon dioxide emissions from existing fossil fuel infrastructure would exceed the carbon budget for 1.5°C.

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[8] To view the disclosure published by the Group (see Section 4.9 (Cross-reference table - TCFD) of Tikehau Capital's Universal Registration Document 2022)

[9] To view the disclosure published by the Group (see Section 4.10 (Cross-reference table - SASB) of Tikehau Capital's Universal Registration Document 2022)

In March 2021, Tikehau Capital joined the Net Zero Asset Managers initiative, and, in March 2023, Tikehau Capital's Sustainability Strategy Orientation Committee validated an initial target to manage around 40% of the Group's assets under management in line with the goal of achieving net zero emissions by 2050. The targets were set using the Paris Aligned Investment Initiative's Net Zero Investment Framework, and the Science Based Target initiative's portfolio coverage methodology for private equity. Both these methodologies considered forward-looking 1.5°C-aligned scenarios from the IPCC's Special Report on Global Warming of 1.5°C. The proportion of the Group's AUM to be managed in line with net zero will increase over time as new funds will be introduced with net zero strategies where possible.

Historical comparison

The regulation's guidelines recommend historical comparison of the period reported on with the previous period reported on and, subsequently, with every previous period reported on up to the last five previous periods.

Tikehau IM is committed to improve its transparency on the main negative externalities of its investments ("principle adverse impacts") and to consider different sustainability objectives so as not to pursue an objective which risks causing harm ("do no significant harm").

In line with its engagement, Tikehau IM will publish its first quantitative results on its PAIs in [June 2023] as a part of its Entity Report, in line with the Article 29 of the Energy-Climate Law, codified in Article L.533-22-1 of the French Monetary and Financial Code.

Thus, Tikehau IM's first historical comparison can only be made in its next Entity report.