



2018

SUSTAINABILITY REPORT

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1.

PROFILE OF TIKEHAU CAPITAL

1.1 General overview of Tikehau Capital

Tikehau Capital is an Asset Management and investment group which was set up in Paris in 2004, with shareholders' equity of €4 million, by Mr Antoine Flamarion and Mr Mathieu Chabran. Fifteen years later, Tikehau Capital directly or indirectly manages assets of €22 billion⁽¹⁾, with shareholders' equity of €2.3 billion. The Group has expanded dynamically firstly, in its Asset Management activity comprising four business lines: Private Debt, Real Estate, Liquid Strategies (bond management/diversified management and equities) and Private Equity, and secondly, in its Direct Investments activity, with the Group aiming to invest increasingly in the funds managed by the Group's Asset managers. The Group provides its investor clients with alternative investment opportunities targeting long-term value creation.

Tikehau Capital's independent positioning has consolidated its value and reputation within the alternative Asset Management industry year after year. Its independence has enabled the Group to develop a differentiating business model through its flexible approach, allocating capital primarily across all four business lines.

By allocating its equity to support the Group's various investment strategies, Tikehau Capital creates the conditions for a clear alignment of interests between the Group's balance sheet and investments made by its investor clients. This approach is key to building a relationship of trust with its shareholders and investor clients. The Group is majority owned by its management, alongside leading institutional partners, which ensures that an alignment of interests is instilled in its culture. Since its creation, the Group has focused on the core entrepreneurial values of dedication, high standards and reliability, coupled with its recognised investment skills.

Across all of its strategies, Tikehau Capital's unique approach focuses primarily on fundamental analysis and highly selective investments. Furthermore Tikehau Capital has always focused on bespoke solutions adapted to the needs of its investor clients.

Created in Paris, Tikehau Capital has continued its development abroad in recent years by opening offices in London, Brussels, Madrid, Milan, Seoul, Singapore, New York, and Tokyo in 2019. At the end of 2018, the Group's total workforce (including Tikehau Capital Advisors) amounted to 434 employees.

1.2 Tikehau Capital's activities

Asset Management

Within its Asset Management activity, the Group operates through four business lines:

- **Private Debt** – Tikehau Capital is one of the pioneers of Private Debt transactions in Europe and France. The Group's Private Debt teams are involved in debt financing transactions (senior debt, unitranche, mezzanine, etc.) for a size between €10 million and €300 million, as arranger or financier. This business line also includes securitisation activities dedicated to CLO (Collateralized Loan Obligations), ("CLO"), a specialised product consisting of debt securities backed by a portfolio of leveraged loans. As at 31 December 2018, assets under management in Tikehau Capital's Private Debt funds amounted to €8.3 billion, representing 37.9% of the Group's assets under management;
- **Real Estate** – Tikehau Capital's Real Estate activity mainly focus on commercial property through investment vehicles, which act as purchasers of high-quality assets, with a yield-generating potential as well as a potential capital gain on resale. These vehicles are managed by Tikehau Investment Management ("Tikehau IM") or Sofidy, acquired in December 2018. Tikehau Capital's Real Estate investment activity has historically been developed through the establishment of dedicated acquisition vehicles for each transaction, while Sofidy's Real Estate activity has been in development since 1987, primarily through the establishment of SCPI (*société civile de placement immobilier*, Real Estate Investment Companies). As at 31 December 2018, assets under management in Tikehau Capital's Real Estate activity amounted to 7.6 billion, representing 34.5% of the Group's assets under management;
- **Liquid Strategies** – This business line comprises two activities: fixed income management and diversified and equities management, and has the particular characteristic of being carried out through what are known as open-ended funds, that is, from which investors may decide to withdraw at any time by requesting redemption of their units. As part of its fixed income management activity, Tikehau Capital invests in bonds whether or not issued by private companies (corporate bonds), as well as investment grade securities (*i.e.*, corresponding to companies with a high rating) or high yield securities. As part of its diversified and equities management business, Tikehau Capital manages open-ended funds offering access to a flexible balanced management in the equity and credit markets.
As at 31 December 2018, assets under management in Tikehau Capital's Liquid Strategies totalled €3.3 billion, *i.e.* 14.8% of the Group's assets under management.

(1) Assets under management as at 31 December 2018.

1. PROFILE OF TIKEHAU CAPITAL

Tikehau Capital's activities

Private Equity – As part of this activity and on behalf of its investor clients (Private Equity), the Group invests in the equity capital (equity and hybrid instruments giving access to equity) of primarily non-listed companies. The Group is continuing to develop its Asset Management business on behalf of its investor clients and as at 31 December 2018, managed €1.2 billion (including assets under management from ACE Management, acquired in December 2018) within this framework, representing 5.7% of the Group's assets under management. This proportion is expected to increase over the coming years, as new strategies are implemented.

Direct Investments

As part of its Direct Investments activity made from its balance sheet, the Group makes balanced investments in both listed and unlisted companies, or in investment vehicles. As at 31 December 2018, the Group's investments accounted for €1.6 billion in assets, representing 7.1% of the Group's assets under management.

The Group's activities are summarised in the following table:

	Asset Management				Direct Investments
	Private Debt	Real Estate	Liquid Strategies	Private Equity	
Assets under management ⁽¹⁾	€8.3 bn <i>(i.e. 37.9% of assets under management)</i>	€7.6 bn (o/w €5.1 bn from Sofidy) <i>(i.e. 34.5% of assets under management, o/w 23.2% from Sofidy)</i>	€3.3 bn <i>(i.e. 14.8% of assets under management)</i>	€1.2 bn (o/w €0.4 bn from ACE Management) <i>(i.e. 5.7% of assets under management, o/w 2% from ACE Management)</i>	€1.6 bn <i>(i.e. 7.1% of assets under management)</i>
Employees ⁽¹⁾	51 employees (including 8 in research)	19 employees (excluding Sofidy) 148 (Sofidy)	17 employees (including 8 in research)	20 employees (excluding ACE Management) 13 employees (ACE Management)	20 employees (excluding ACE Management) shared with the Private Equity activity
Investment universe	At all levels of capital structure Senior loans, stretched senior, unitranche, mezzanine, preferred equity Target companies Revenues (€30m – €2 bn) Value (€50m – €2 bn) All sectors in Europe	All classes of Real Estate assets (offices, retail, logistics, hospitality, residential), existing or to be redeveloped based on Core, Core+ or Value Added strategies	Credit High yield, Investment Grade Corporate and subordinated instruments Mainly European and Asian Equities Selection of "Value" stocks	Minority investor Non-takeover situations in an extensive sector universe with wide geographic coverage Special situations	Investments in an extensive sector universe with wide geographic coverage
Key differentiation factors	<ul style="list-style-type: none"> • A pioneer in alternative financing • Solid partnerships with banks and Private Equity funds • Capacity for flexible and innovative structuring 	<ul style="list-style-type: none"> • Flexible and innovative approach • Solid track record • Capacity for customised financing • Cross sourcing, local sourcing and European platform 	<ul style="list-style-type: none"> • Allocation and selection based on conviction management • Fundamental top-down and bottom-up analysis 	<ul style="list-style-type: none"> • An entrepreneurial spirit shared with companies that are invested in • Capacity for structuring ability and flexible investment • Strong origination capacity 	<ul style="list-style-type: none"> • Strong origination capacity

(1) As at 31 December 2018 (including Sofidy and ACE Management).

2.

BACKGROUND TO THE ESG AND CSR PROCESS

Tikehau Capital is a bridge between the world's savings and the local economy. It relies on its economic roots and a long-term approach to fulfil two needs: to provide a return on savings and financing for companies and projects.

The Group provides financing solutions across the whole capital structure in an effort to align the interests of different stakeholders and allow its partners to meet their strategic goals.

Tikehau Capital acts as a long-term financial partner. This stems from strong local roots and an entrepreneurial spirit shared with its employees.

The Group's independent model is based on active management and rigorous fundamental analysis: assessment of the economic,

financial and operational factors as well as environmental, social and governance ("ESG") criteria.

Tikehau Capital's social and environmental impact is mainly in the field of its investments and the ESG policy is the foundation of the Group's corporate social responsibility ("CSR") process.

Tikehau Capital invests in corporate growth and/or development projects and anticipates that its investments will also promote job creation. The United Nations Sustainable Development Goals ("SDGs") are a response to the global challenges we face and Tikehau Capital naturally wishes to support SDG 8 — *Decent work and economic growth*. The Group is working to incorporate other SDGs as it develops new products.

17 The United Nations Sustainable Development Goals (SDGs)



ESG and CSR policies are expressions of Tikehau Capital's DNA

The Group was founded in 2004 by entrepreneurs from the financial sector and has since seen considerable growth in its activities. Today, it continues to develop while retaining its original focus. This is expressed in the ESG and CSR policies, which are grounded in the principles of entrepreneurship, convictions-based management and an interdisciplinary outlook.

Entrepreneurship

Tikehau Capital promotes innovation, responsiveness, and accountability in its employees.

- The investment teams are encouraged to take full ownership of the process to integrate non-financial criteria, rather than relying on a team of ESG analysts;
- A high proportion of employees at Tikehau IM and Tikehau Capital Advisors are shareholders of the Group, reflecting Tikehau Capital's encouragement of employee shareholding, notably through the free share programme. Employees of Credit.fr, Sofidy and ACE Management will soon also be able to hold shares in the Group.

Active management

The Group bases its investment and management decisions on its own convictions.

- ESG themes are handled like financial or operational indicators using tools and procedures developed for the Group and tailored to each activity;
- The Group is looking to strengthen its Asset Management platform by acquiring other targeted players with complementary expertise, such as Sofidy in real estate or ACE Management in private equity.

One team culture

Tikehau Capital seeks to implement a homogeneous approach amongst its teams and encourages intra-Group communication.

- The Group has a comprehensive investment platform (listed and unlisted equities, credit and Real Estate assets) which creates diversity in respect of ESG implementation. Best practice is shared between teams in different asset classes through internal training sessions;
- Internal mobility in all its forms (horizontal, vertical or geographical) is encouraged within the Group.

Non-financial reporting framework and applicable regulations

The Group is subject to Article 173 (VI) of the French Energy Transition for Green Growth Act ("LTECV") (codified under Article L.533-22-1 of the French Monetary and Financial Code). This report on CSR and ESG integrates the recommendations of Decree no. 2015-1850 of 29 December 2015 implementing Article 173 (VI) of the LTECV, which considers both ESG issues and those relating to climate change (hereinafter referred to under the term "Climate").

This report strives to integrate the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD") advocated by the G20 Financial Stability Board. Moreover, the SDGs provide a shared reporting framework. Where appropriate, the Group links up ESG and CSR issues with the relevant SDG(s).

Rise of socially responsible investment

Besides the regulatory requirements on financial firms to structure their ESG and Climate policies, the Group has identified three key elements that should influence the allocation of global savings:

- 1) the climate:** the latest IPCC⁽¹⁾ report indicates that global warming could reach the critical threshold of 1.5 degrees by 2030. Key players around the world are mobilising their efforts to curb global warming and the financial industry should contribute;
- 2) generational differences:** millennials (those born between 1980 and the early 2000s) will make up 75% of the global workforce by 2025. This generation is subjecting corporations to structural distortions to the point of threatening their very existence. If they want to last, they have to adapt to the new requirements of their customers and employees alike, who are in search of meaning; and
- 3) the rise in conviction investors:** according to a recent study by Legg Mason⁽²⁾, 49% of retail investors worldwide say that they base their investments on ESG considerations, and this percentage climbs to 66% when the analysis is restricted to millennials.

(1) Intergovernmental Panel on Climate Change (IPCC).

(2) Rise of the conviction investor, Global investment Survey 2018, Legg Mason.

3.

RESPONSIBLE INVESTMENT AT TIKEHAU CAPITAL

3.1 ESG and Climate-related governance and strategy

Driving ESG and Climate considerations on all levels

The selected ESG and Climate approach is one of systematic integration via all investment activities in line with the strategy instigated by the Manager of Tikehau Capital.

The Manager representatives are involved in developing ESG and Climate policies. Mathieu Chabran is involved in structuring and formalising ESG and climate policies as a permanent member of the ESG Committee. Antoine Flamarion is also attentive to sustainability-related investments. The private equity fund for the energy transition, T2 Energy Transition Fund, is the result of his joint initiative with the Management of Total SA.

“T2 Energy Transition Fund is a perfect fit for Tikehau Capital's proactive ESG policy. We are convinced that equity investment is a particularly effective way to complete the energy transition, as it offers companies long-term opportunities to create growth and jobs”. Antoine Flamarion

In 2018, the Managers reviewed the composition and roles of the ESG Committee. The ESG Committee has 12 members, mostly senior and drawn from a wide range of business activities. The Committee's roadmap involves promoting sustainable development through all the Group's activities to create value for all its stakeholders (particularly its investor clients, employees and the companies in which it invests).

The ESG Committee is responsible for defining, conducting and supervising the ESG and CSR policies. It defines the high-risk and excluded sectors and behaviours. It also makes decisions in situations where the teams ask for their opinion. In 2018, eight investment opportunities were referred to the ESG Committee, 2 of which were refused.

Further, the Group introduced an ESG / CSR Officer in 2017 to reinforce and speed up ESG integration. Within each operating team, key people work to promote the integration of ESG criteria in the investment business line. All levels of the Group's hierarchy are involved in the responsible investment process.

Finally, the Tikehau Capital Supervisory Board reviews the ESG and CSR strategy by systematically dealing with this topic at its meetings. For example, at the meeting of 25 May 2018, the Board recommended caution on scientifically controversial sectors such as nuclear or natural gas.

ESG and Climate Commitments

In 2014, Tikehau IM, the Group's Asset Management company, and Salvepar, the Group's former subsidiary specialising in minority interests before being merged into the Company, signed the United Nations' six Principles for Responsible Investment (“UN PRI”). In 2017, following the restructuring in preparation for the initial public offering, the Company replaced its subsidiaries as signatory to the UN PRIs which now cover a wider scope. The Group's responsible investment policy is formalised in a “Responsible Investment Charter”, available in English and French on the Tikehau Capital website.

The Manager representatives and the portfolio management team at Tikehau Capital are convinced that, to be effective, an ESG policy must be completely embedded in an already robust fundamental management process, as non-financial criteria have an impact on the risk-adjusted financial performance of the asset in question.

Defining a climate strategy is one of the priorities for 2019. In addition, the Group aims to implement a platform to review ESG scores for investments by 2020, to enable it to identify ESG and climate risks and opportunities.

3.2 Management of ESG and Climate-related risks and opportunities

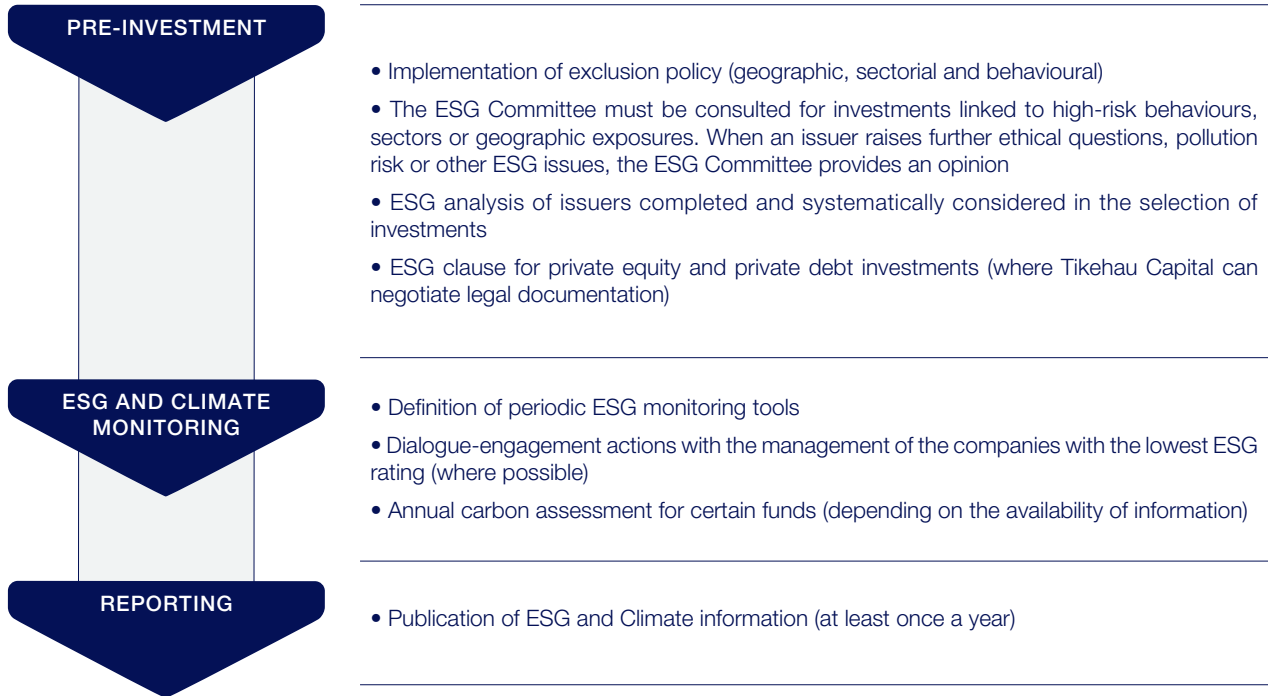
Overhaul of the ESG and Climate policy

Since 2016, the Group has been working on various ESG projects with specialist advice, in order to receive guidance in formalising its commitments and its approach in this area. This advice was mainly obtained on the inclusion of ESG criteria in investment transactions and on setting up an annual monitoring of ESG criteria. For further details on the ESG criteria applied see Section 3.3 (ESG and Climate-related indicators and metrics) of this report.

3. RESPONSIBLE INVESTMENT AT TIKEHAU CAPITAL

Management of ESG and Climate-related risks and opportunities

The process of integrating ESG issues is common to all of the Group's activities and takes place during the key stages of investment transactions, namely:



• Implementation of the exclusion policy, when selecting investment operations

The investment teams refer to geographic, sectoral and behavioural exclusion criteria. This policy is threefold:

- (1) optional but recommended referral of sensitive cases (pollution risk or other high-risk sector of activity) to the ESG committee for consultation
- (2) mandatory consultation of the ESG for certain highly controversial sectors (defence, cloning) or high risk behaviour (poor governance, disputes or allegations of violation of one of the pillars of the UN Global Compact)
- (3) exclusions applicable at Group level. The Group excludes controversial weapons as well as issuers with over 30% of revenues from thermal coal (mines, trading, energy production), tobacco and recreational cannabis (cultivation and production).

The investment teams refer sensitive cases to the ESG Committee, which takes decisions on a case-by-case basis.

• ESG and climate analysis during the analysis of investment transactions

When considering a new investment, the team in charge of the analysis performs an assessment by completing a grid of questions which fall under three categories: Environment, Social and Governance. The sources used vary according to the size and sector of the issuer or real asset (public information and/or available in the data room, environmental or ESG due diligence), the access to the management team (specific questions on ESG topics during interviews), and the terms of the investment. This analysis grid helps map progress on ESG/CSR issues within the Company concerned. Based on a multi-criteria analysis, an

overall score is then calculated for the listed risks. This score makes it possible to determine an overall ESG risk and opportunity level. The summary of this analysis grid is included in the memo submitted to the Investment Committee responsible for validating it.

There are many non-financial criteria and their materiality depends on the location, size and sector of the investment opportunity. Therefore, the *scoring* grids at the pre-investment stage mainly result from a qualitative study designed to capitalise on the analysis ability of the investment teams.

The teams receive ESG information through internal awareness-raising with experts and the sharing of cases.

• ESG clause for Private Equity and Private Debt activities

In addition, in order to raise the management teams' awareness about these issues in the early stages of the investment relationship, an ESG clause is included wherever possible in shareholders' agreements or credit documentation. This clause informs on Tikehau Capital's commitment to responsible investment and commits executives to adopt a progressive approach as far as they are able.

• ESG monitoring and reporting during the lifetime of the investment

Throughout the lifetime of the investment, the ESG performance of portfolio companies and assets is reviewed each year. This review makes it possible to identify changes or possible deterioration regarding ESG factors and to encourage, where appropriate, the companies or assets invested in to set up a process of improvement in these matters.

Identification of climate change risks and opportunities

The TCFD has provided a consistent framework for understanding climate issues and the Group has taken its recommendations into account since the end of 2017.

S&P Trucost Limited (“Trucost”), a leading expert in environmental impact analysis, was hired by the Group to conduct a carbon assessment on the main liquid funds. This work backs up the environmental risks and opportunities analysis.

In early 2019, a climate specialist was hired to work on the 2°C strategy (above the pre-industrial temperature level) of the private equity fund, T2 Energy Transition Fund. This study constitutes the first stage in defining the Group’s climate strategy, which will be completed in due course.

Impact of climate change on investments

Through its investments in companies and real assets, the Group is exposed to two types of climate change risk identified by the TCFD:

- 1) physical risks: climate events (fires, floods, storms) and rising sea levels have consequences on the value of companies and real assets (devaluation of high-risk buildings and infrastructures, indirect consequences when the value chain is affected and risks of liability of parties suffering loss or damage); and
- 2) transition risks: regulatory changes (rapid depreciation of fossil fuel assets), new market trends (e.g. appearance of replacement products), technological problems, reputational issues.

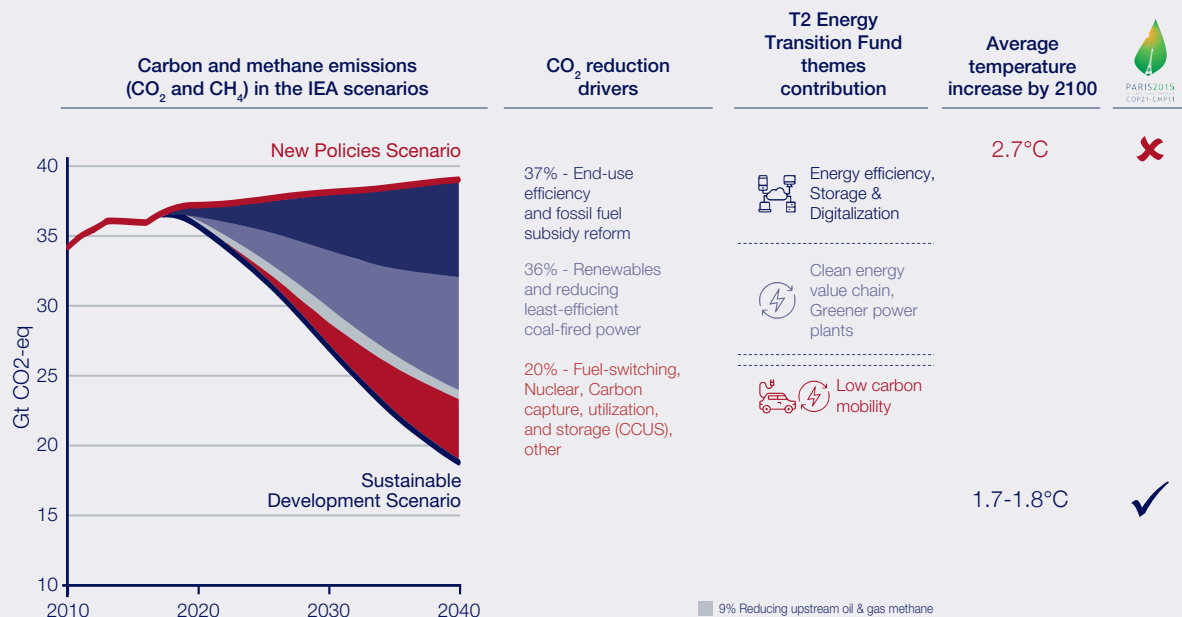
Impact of investments on pollution and climate change

In 2018, the Group decided to exclude mining companies, trading companies and producers of energy that derive over a certain threshold of their revenues from thermal coal (initial threshold of 30%). Moreover, the ESG Committee must be systematically consulted for investments exposed to polluting sectors such as the extraction of fossil energy due to its source (e.g. shale and bituminous sands, oil areas that are difficult to acidify) or its technology (e.g. fracking, dumphlood). Caution is also advised on scientifically controversial sectors such as nuclear or natural gas.

T2 Energy Transition Fund’s 2° C strategy

Beyond the negative, even catastrophic, consequences of climate change, the energy transition also creates a significant investment opportunity. The International Energy Agency (“IEA”) estimates the cumulative investment needed to keep global warming under 2°C at 68 trillion dollars by 2040.

In the World Energy Outlook 2018, the New Policies Scenario (“NPS”), based on countries’ known public policies, is presented by the IEA as the most likely global warming scenario. However, the NPS leads to levels of over 2.5 degrees by 2100. To reduce greenhouse gas emissions effectively, the Sustainable Development Scenario (“SDS”) requires lower carbon energy sources (renewables and fuel switching) and energy efficiency improvements, specifically in the Real Estate and transport sectors. The SDS supports a global warming of around 1.7 to 1.8 degrees, in line with the Paris Agreement.



Source: Data from the IEA World Energy Outlook © OECD/IEA 2018, www.iea.org/statistics, License: www.iea.org/t&c

3. RESPONSIBLE INVESTMENT AT TIKEHAU CAPITAL

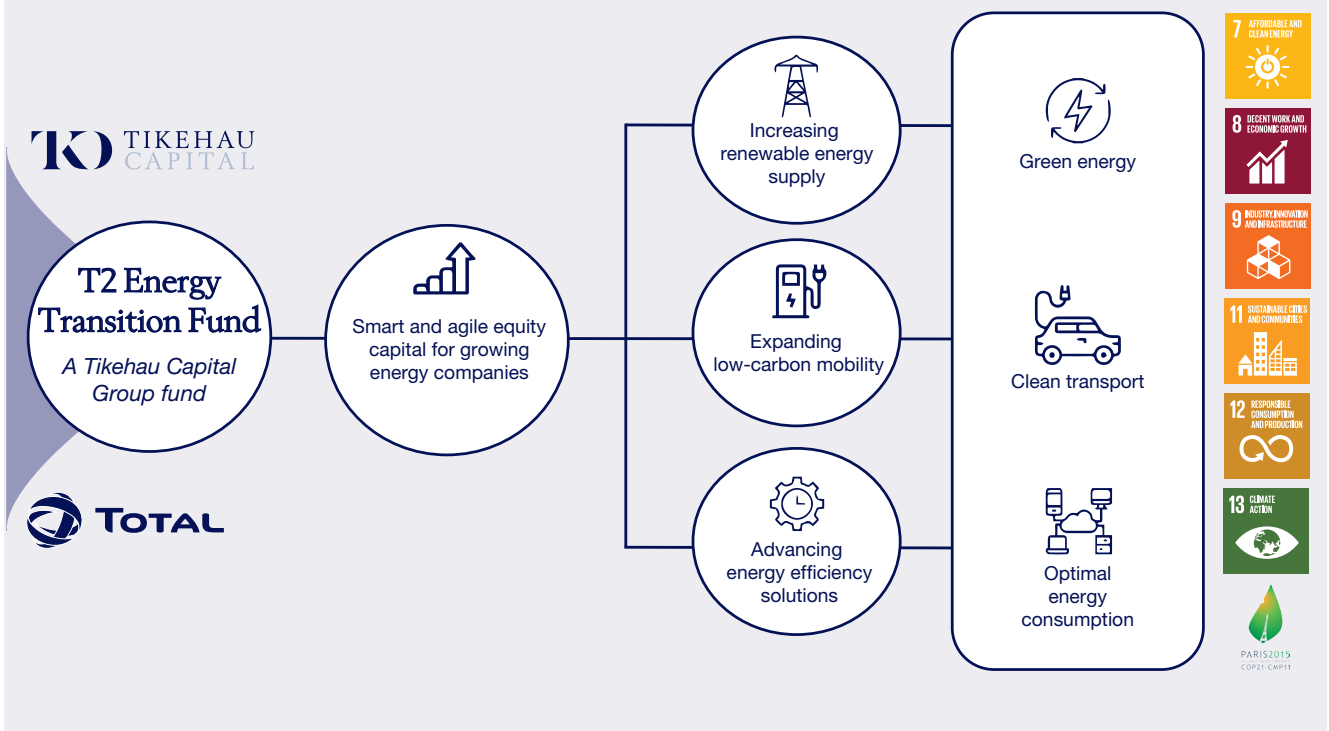
Management of ESG and Climate-related risks and opportunities

The private equity investments of T2 Energy Transition Fund will focus on companies working in three catalyst industries to further the progress from the NPS to SDS:

- clean energy production: use of solutions to diversify the energy mix, projects to produce energy from renewable resources;
- low-carbon mobility: development of infrastructure to accommodate electric vehicles, increase of equipment manufacturers and service providers in the field of low-carbon mobility, and developments in the use of natural gas for transport, replacing diesel and marine fuel;
- improved energy efficiency, storage and digitalization: research and application of solutions to implement and optimise energy storage, and minimise the energy consumption of buildings and companies.

At the end of 2018, Tikehau Capital appointed the impact expert Steward Redqueen to develop a framework to measure T2 Energy Transition Fund's contributions to the SDGs based on the fund's Theory of Change.

T2 Energy Transition Fund Theory of Change



3.3 ESG and Climate-related indicators and metrics

While some of the ESG criteria are objective, others rely on the fundamental analysis and opinion of the teams.

Governance Pillar

Tikehau Capital's Responsible Investment Charter makes governance one of the cornerstones of ESG analysis within the Group. It states that "model governance is based on transparent rules organising power and checks and balances. This type of governance enables the Company to ensure the interests of all the stakeholders (employees, executives, financiers, shareholders, the public etc.), to anticipate trends and to improve risk management."

Analysis of governance includes exposure to high-risk countries in terms of corruption and human rights violations, quality of management (ability to deliver the strategy, key person risk) and governance (expertise and diversity of members of the Board of Directors or Supervisory Board), and sustainable development commitments (signature of the Global Compact, CSR policy) exposure to proven or potential controversy.

Among private companies, some medium-sized issuers have limited resources to manage and structure their CSR strategies. Additionally, reduced liquidity limits the possibility of terminating relations with an issuer whose ESG profile deteriorates significantly. In this context, the quality of the management team and the governance are essential.

In terms of governance, Tikehau Capital promotes clear and proportional rights. The Group generally maintains a dialogue

with the management of the companies in which it has invested and with the other stakeholders. Due to its different business lines and the specific circumstances of each investment, the Group nevertheless does not intend to be systematically involved in the governance of the companies it finances.

Social Pillar

Tikehau Capital adheres to the principles laid down in the fundamental conventions of the International Labour Organisation ("ILO") concerning (i) respect for the freedom of association and right to collective bargaining, (ii) the elimination of discrimination in respect of employment and occupation, (iii) the elimination of forced and compulsory labour, and (iv) the effective abolition of child labour.

The Group endeavours to ensure that human resources play an integral part of its own strategy and of that of the companies in which it invests. Depending on the nature of the businesses and their industries, qualitative or quantitative criteria used in regard to social aspects may vary: human resources policy, social risk, employee safety and work-related accident rates.

Tikehau Capital's approach rests on the belief that high-quality management of human resources is required for a company to be productive, reduce social risks of any kind and therefore prove to be a promising investment.

In terms of the societal analysis of the issuers, Tikehau Capital not only considers the risks relating to health and safety in the supply chain, but also the exposure to proven or potential controversies relating to suppliers and the use of products and services.

3. RESPONSIBLE INVESTMENT AT TIKEHAU CAPITAL ESG and Climate-related indicators and metrics

Environmental Pillar

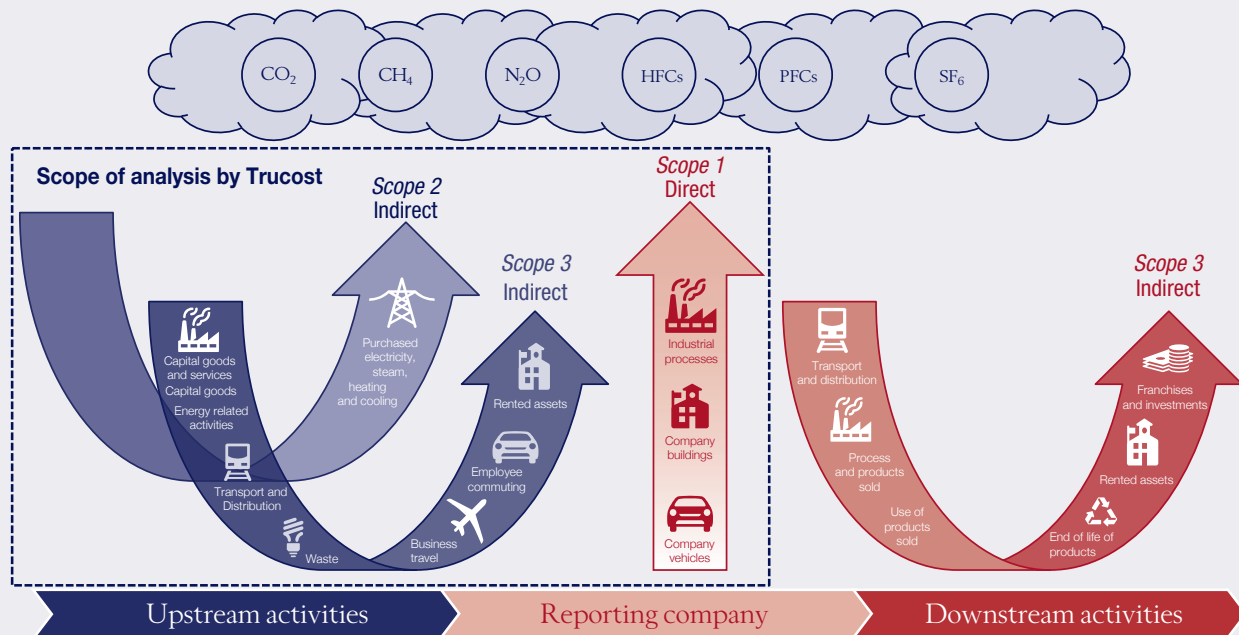
During the environmental analysis of the issuers, Tikehau Capital considers risks and opportunities related to climate change, the types of Real Estate assets and energy efficiency. The Group also takes account of the exposure to proven or potential environmental controversies.

In terms of physical climate risk, the analysts attempt to understand the financial risk inherent in the destruction of an industrial site, facilities or offices during an extreme climate event. An insurance policy for fire or flooding mitigates the associated financial risk.

When analysing transition risks, analysts seek to identify risks and opportunities arising from regulatory changes or new technologies and market trends. In Private Equity, this analysis is incorporated into strategic due diligence.

In line with the recommendations of Decree no. 2015-1850 of 29 December 2015 implementing Article 173 (VI) of the French Energy Transition for Green Growth Act, Tikehau Capital has commissioned S&P Trucost Limited ("Trucost"), a leading expert in environmental impact assessments, to conduct carbon assessments on its main liquid funds.

The calculation of the carbon footprint aims at estimating the amount of greenhouse gas ("GHG") or carbon emissions (measured in tonnes of CO₂ equivalent – tCO₂e) allocated to the fund. The assessment conducted by Trucost includes GHGs emissions from fixed or mobile sources owned or controlled by the organisation ("Scope 1") as well as indirect emissions linked to energy used to produce their goods and services ("Scope 2"). Finally, Trucost includes leading suppliers to capture all expense items in the income statement and avoid an outsourcing bias ("Scope 3 upstream" – direct suppliers).



Source: Greenhouse Gas (GHG) Protocol.

In line with the recommendations of the TCFD, Tikehau Capital uses three methods:

- 1) Relative Carbon Footprint (also called Carbon to Value ratio):** allocated carbon footprint per € million invested that captures the absolute impact of the portfolio per € million invested;
- 2) Carbon Intensity (also called Carbon to Revenue ratio):** allocated carbon footprint per € million of revenues

held (total of the carbon emissions held divided by total revenues attributed to the portfolio) which assesses the efficiency of the portfolio;

- 3) Weighted Average Carbon Intensity:** arithmetical average carbon intensities of portfolio companies weighted by their portfolio weights which allows exposure to high emission companies to be assessed.

3.4 Main results of annual ESG and Climate monitoring by activity

Sofidy and ACE Management were added to the Group perimeter in December 2018 and are therefore not included in the Group's ESG standard reporting exercise for the year. However, both Sofidy and ACE Management already had ESG procedures in place at the time of their acquisition and are currently adopting the Group's ESG processes.

(a) Results of the annual monitoring of the Private Debt activity

(i) Direct lending and corporate lending - Annual ESG and Climate monitoring

As at 31 December 2018

Assets under management in the Private Debt activity, solely including direct lending and corporate lending ⁽¹⁾	€4.0 billion
Share of the activity in the Group's total assets under management	18.2%
Number of investments in 2018 ESG reporting scope ⁽²⁾	64
Number of responding investments	48
Main funds concerned	Tikehau Direct Lending IV (TDL IV), Tikehau Direct Lending III (TDL III), Sofiprotéol Dette Privée, Groupama Tikehau Diversified Debt Fund, NOVI 1, NOVO 2

Notes:

(1) ESG procedures for the senior debt investments (leveraged loans) and CLOs are similar to those for Fixed Income Liquid Strategies.

(2) Not including financial holdings companies and investments where early redemptions and/or other transactions are under negotiation or in progress (review of legal documentation, merger or acquisition) making it difficult to collect ESG data.

For the 2018 ESG campaign, 48 companies responded to a majority of questions. At the publication date of this report, the 2018 ESG reporting process for two investments with an equity sponsor was ongoing. The answers and response rates by indicator presented below are for companies responding on a declarative and unaudited basis.

ESG priority in reporting

In private debt, for capital development and LBO transactions, the Group favours collaboration on the ESG topics with the management team, the equity sponsor, any co-investors, other debt funds, the LBO banks and mezzanine investors.

The equity sponsor acts as the go-between with management to avoid duplication of requests on financial and non-financial matters. Thus, for private debt transactions with a sponsor, the good governance and ESG approach of the equity sponsor constitute key elements and must be taken into account. During the holding period/duration of the loan, the Tikehau Capital

teams base their reports on those of the equity sponsor. This allows the management team to focus on tackling ESG challenges.

In transactions without a sponsor, or when the sponsor has no ESG policy, Tikehau Capital submits its own reports and/or collaborates with the other debt provider(s).

This approach is in line with work done at the level of France Invest, the main French trade association for private investors, on the collaboration between stakeholders.

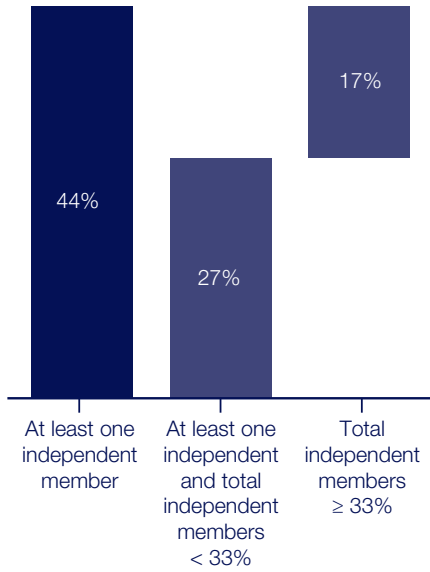
Governance

Of the companies responding, 44% have appointed at least one independent member to the Supervisory Board or Board of Directors. Moreover, 67% have prepared a formal code of conduct or a code of ethics, and 46% have gone a step further by making CSR commitments.

3. RESPONSIBLE INVESTMENT AT TIKEHAU CAPITAL

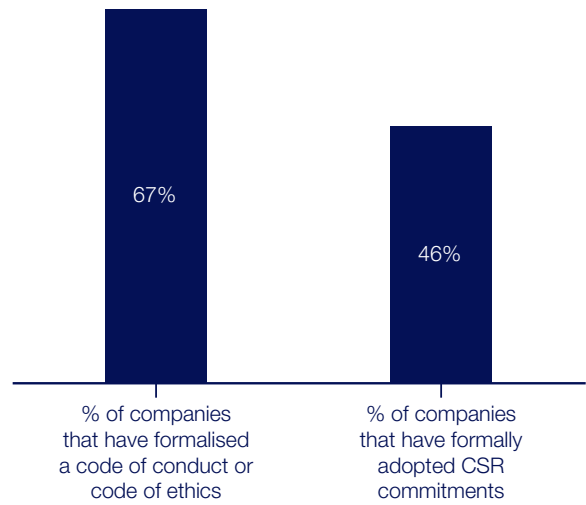
Main results of annual ESG and Climate monitoring by activity

Presence of independent members on governing bodies (Supervisory Board or Board of Directors)⁽¹⁾



(1) 81% response rate.

Formalisation of commitments on ethics⁽²⁾ and corporate social responsibility⁽³⁾



(2) 98% response rate.

(3) 96% response rate.

Social

Number of employees and job creation

Number of employees in the companies responding at 31 December 2018 ⁽¹⁾	123,909
Job creation in companies responding in 2018 ⁽²⁾	953

(1) 94% response rate.

(2) 98% response rate.

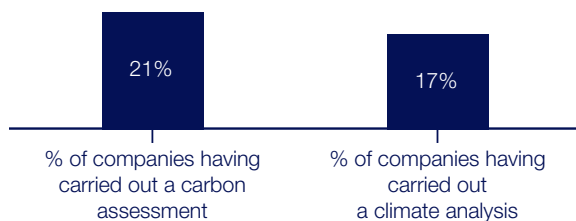
The five largest companies employ 68% of employees in the portfolio of companies responding.

The companies in the portfolio of the non-cyclical consumer goods and materials sectors are the most exposed to workplace accidents, with frequency rates of 25.4 and 26.9 accidents per million hours worked respectively.

Environment

33% of companies responding have implemented an environmental management system ("EMS") and 8% were in the process of implementing an EMS. 60% of companies in the materials sector, 50% of companies in the energy sector and 33% of industrial companies have obtained certifications such as ISO 14001 or ISO 9001.

Monitoring of the carbon impact⁽¹⁾ and assessment of exposure to climate risks⁽²⁾



(1) 94% response rate.

(2) 96% response rate.

21% of respondent companies have carried out a carbon assessment. During the next financial year, Tikehau Capital plans to launch an initiative to support companies that wish to implement a simplified carbon footprint calculation for main greenhouse gas emissions sources.

17% of companies have done a climate analysis. Of these eight companies, three analysed physical risks and five analysed transition risks. Tikehau Capital intends to promote the recommendations of the TCFD to its private debt investments to increase this percentage.

CARBONEX

From charcoal merchant/producer to wood refiner with eyes on European expansion

Carbonex specialises in the environmentally responsible production of charcoal, green electricity and heat.

Run by the Soler-My family, which is the majority shareholder, Carbonex aims to quadruple its production capacities by 2022 and meet the growing demand for environmentally responsible products.

Sustainable innovation – In 2010, Carbonex commissioned a study on high-yield carbonisation from its engineers, with the practical specifications of introducing triple generation processes based on the clean, simultaneous production of charcoal, heat and electricity. This study resulted in six patents and a review of the full operational installation: from the preparation of the wood (delivery, cutting and drying), to carbonisation and production of electricity with the pyrolysis gas produced by carbonisation. Using cogeneration, Carbonex has transformed the management of pollutant fumes into an asset.

Carbonex continues to focus on innovation and now has eight R&D employees, out of a total of around 60.

“This innovation has created a breakthrough technology, making charcoal production economically viable once again in Western Europe, under conditions which respect an environmentally-friendly energy transition”. Pierre Soler-My

Local and responsible production – Buoyed by its new technology, Carbonex has been able to relocate the production of wood charcoal and briquettes in France, improve quality control, significantly reduce the use of fossil energy and avoid deforestation. In partnership with local forestry operators and the French forestry office (ONF), the Company sources sustainably-managed wood (wood from tree thinning which improves the health of the remaining trees and PEFC-certified) within an average 60 km radius.

Carbonex is competitive compared to operators in Eastern Europe and other low-cost countries, while meeting demanding environmental and social standards. A Carbone 4 study also shows the effectiveness of Carbonex's processes, as they avoid carbon emissions in relation to alternative production scenarios (wood from Eastern Europe or Africa).



Cogeneration plant at Gyé-sur-Seine with pyrolysis kilns and wood-drying silos behind on the right.

Carbonex's biomass power generation projects were selected for the *Grenelle de l'Environnement* (French environmental pact) in 2010 and for the French Energy Transition for Green Growth Act (wood-energy call for tenders) in 2017.

Training for young people – Carbonex maintains special relationships with students (IUT, BTS and Groupe ESC Troyes) and regularly welcomes apprentices (forklift drivers, mechanics, electricians, engineers, etc.). It also employs these young people at the end of their studies whenever possible.

Cogeneration and energy transition

“Our new production plant means we can make twice as much wood charcoal as our first factory, while recovering all the pyrolysis gas for transformation into electricity”. Pierre Soler-My

Wood refining facilities have an annual unit production capacity of several tens of thousands of tonnes of renewable carbon, and provide the option of generating several MW of electricity. 20-year supply agreements have been signed with EDF, and currently account for a third of the revenue of Carbonex (€12 million in 2018).

The heat generated by carbonisation is also used to dry the wood, briquettes and heat the buildings.

3. RESPONSIBLE INVESTMENT AT TIKEHAU CAPITAL

Main results of annual ESG and Climate monitoring by activity

(ii) Collateralised loan obligations (CLO) - Annual ESG monitoring

As at 31 December 2018

Assets under management of the Private Debt activity, solely including CLO activities	€1.8 billion ⁽¹⁾
Share of the activity in the Group's total assets under management	7.4 %
Main funds concerned	CLO I, CLO II, CLO III, CLO IV

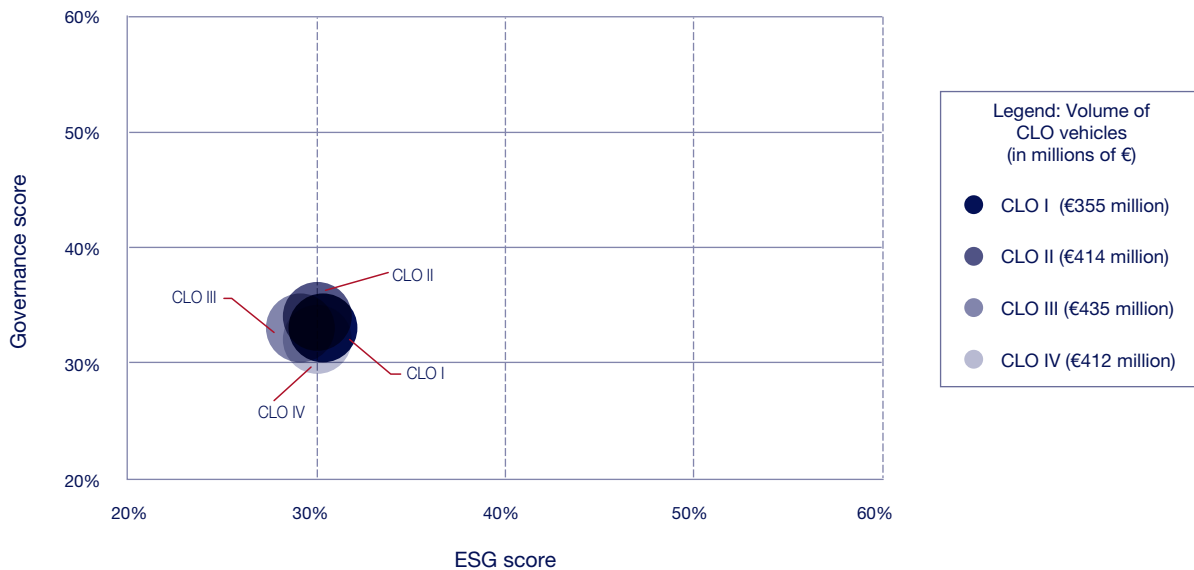
Notes:

(1) Including the CLO V, which is in the warehousing phase.

At 31 December 2018, the credit research team rated all issuers held in the CLO funds. Thus, for each CLO vehicle, the portfolio issuers' weighted average ESG score was calculated on a scale ranging from 0% (maximum opportunity) to 100% (maximum risk). The graph below shows the ESG scores of each of the four CLO vehicles on the horizontal axis (CLO V, which is in the warehousing phase, is not included in the report). The vertical axis shows the scores for the governance pillar, which accounts for 40% of each issuer's ESG score.

At 31 December 2018, the weighted averages of the CLO vehicles appeared relatively low in terms of both Governance score and overall ESG score. In addition, the ESG scores of the CLO vehicles are very close, reflecting a common investment strategy and the choice of relatively ESG risk-free issuers. At 31 December 2018, no issuer present in the CLOs had an individual ESG score above 60%.

CLO vehicles – ESG score versus Governance score at 31 December 2018



Source: Tikehau Capital research.

NB: Details on ESG scores of the CLOs are available upon request.

(b) Results of the annual monitoring of the Real Estate activity

At 31 December 2018

Assets under management of the Real Estate activity (excl. Sofidy)	€2.5 billion
Share of the activity (excl. Sofidy) in the Group's total assets under management	11.4%
Funds that responded to the ESG 2018 questionnaire	Tikehau Real Estate I (TRE I), Tikehau Real Estate II (TRE II), Tikehau Real Estate III (TRE III), Tikehau Retail Properties I (TRP I), Tikehau Retail Properties II (TRP II), Tikehau Retail Properties III (TRP III), Tikehau Italy Retail Fund I (TIRF I), Tikehau Italy Retail Fund II (TIRF II)
Companies with ESG procedures	IREIT Global, Tikehau Real Estate Investment Company (TREIC)

The Group's Real Estate activity comprises (i) real estate funds managed by Tikehau IM, (ii) TREIC, a permanent capital real estate company dedicated to real estate co-investments, (iii) the assets of IREIT Global, a real estate investment company listed in Singapore, (iv) real estate funds managed by Sofidy and (v) Selectirente, a real estate investment firm listed in Paris created by Sofidy and a number of real estate investment professionals.

Sofidy joined the Group in December 2018 and the real estate funds managed by Sofidy will be reported under the Group's ESG methodology in 2019.

Since the end of 2018, a working group of Tikehau Capital's and Sofidy's investment and real estate management teams have developed a "Responsible Real Estate investment charter". The charter reminds Group teams to consider ESG criteria through all stages of the real estate investment cycle:

- at the stage of analysing investments, the teams perform a detailed review of each potential investment using an ESG grid based on the GRESB (Global ESG Benchmark for Real Assets) framework;
- during the holding period, teams monitor ESG key indicators for selected real estate assets. Where possible, teams also engage with property managers and/or tenants.

At 31 December 2018, the ESG monitoring grid covered 362 real estate assets, representing around 1,131,000 m² held by the funds managed by Tikehau IM, excluding development projects. All of the real estate managers surveyed in 2018 responded.

Tikehau Real Estate Opportunity 2018 (TREO 2018) invested in the renewal programme of the Charenton Bercy site in October 2018. This 360,000 m² mixed-use project (offices, housing, retail and leisure) is still in the development phase, so ESG reporting

will be launched in due course. The Charenton Bercy project is a sustainable urban design at both district and building level, which will qualify for Eco Quartier, HQE and international DiverCity environmental certifications.

The ESG grid comprises a review of the governance, the social/societal and environmental factors based on around 20 criteria. The responses set out below are from property managers responding on a declarative and unaudited basis.

Governance

Depending on the stakeholders' presence and role in the different projects, their good governance and ESG approach must be taken into consideration:

- investors – Investors demand ESG criteria in the same way as Tikehau Capital, and influence the overall strategy and ESG approach of the Group's funds;
- local partners and external asset managers – They play an important role in the analysis and proposal of ways to improve the performance of buildings and the choice of partners (developers and/or real estate managers) and must exert vigilance in the fight against corruption;
- the developer – The developer plays a decisive role in the integration of sustainable development issues at the construction or major renovation stage of the project;
- the property manager – The practices of the property manager have a direct impact on the building's characteristics. The extent of the property manager's influence varies according to the type of investment and the number of tenants. They may be required to control the building management, as is the case for shopping centers with several tenants, or to delegate it to the main tenant, which is often the case for offices;
- the tenant – The responsible building management strategy must be shared with the tenant, including for instance energy reduction or waste management commitments.

At 31 December 2018, two thirds of real estate manager respondents had policies in place to monitor social/societal, governance and compliance issues including the fight against corruption and money laundering and personal data protection.

3. RESPONSIBLE INVESTMENT AT TIKEHAU CAPITAL

Main results of annual ESG and Climate monitoring by activity

Social/societal

For real estate assets, the accessibility of buildings and the well-being of its occupants are core issues for a sustainable city. As at 31 December 2018, the real estate managers noted the absence of social disputes and governance-related problems with tenants.

IREIT, focus on tenants

IREIT is a Singapore-based company listed on the Singapore Stock Exchange (SGX) which invests in offices located, mainly in Germany.

In the case of offices, the most important stakeholder group for IREIT consists of all its tenants. Deutsche Telekom, which accounted for more than 51% of IREIT's gross rental income as at 31 December 2018, has set ambitious targets for reducing its energy consumption and won the National German Sustainability Award in 2017. However, due to the limited availability of data relating to the tenants, IREIT's sustainability report focuses on the property.

Further information can be found on the IREIT website: <http://ireitglobal.listedcompany.com/ar.html>.

Environment

The real estate sector has a high environmental footprint. The sector is one of the main sources of indirect greenhouse gas emissions due to the energy consumption needed during the construction and operation of the building (heating, air conditioning and lighting). In France and the rest of Europe, thermal regulations are becoming increasingly stringent. For Tikehau Capital, anticipating and complying with environmental standards is essential.

Tikehau Italy Retail Fund I and II and Tikehau Real Estate Properties II - focus on Real Estate managers

TRP II acquired the Bercy 2 shopping centre in October 2015. TIRF I and TIRF II acquired the "I Petali di Reggio Emilia" and "Area12" shopping centres in February 2016 and May 2017, respectively.

These are multi-tenant shopping centres and the most important stakeholders in these funds are the property managers Catella, in the case of Bercy 2, and CBRE, for the Italian shopping areas.

Catella and CBRE have formal energy, water and waste management policies. Initiatives are under way to improve the environmental performance of the shopping areas.

Shopping areas' energy consumption (in kWh/m²/year)

	From 1 January to 31 December 2018	From 1 January to 31 December 2017
Area12	147.4	135.0
Bercy 2	94.0	119.3
I Petali di Reggio Emilia	95.0	96.6

*Sources: CBRE (for Area12 and I Petali di Reggio Emilia) and Catella (for Bercy 2).

Shopping areas' water consumption (in m³/m²/year)

	From 1 January to 31 December 2018	From 1 January to 31 December 2017
Area12	0.96	1.04
Bercy 2	0.65	0.53
I Petali di Reggio Emilia	1.09	1.39

*Sources: CBRE (for Area12 and I Petali di Reggio Emilia) and Catella (for Bercy 2).

(c) Results of the annual monitoring of the Liquid Strategies activity

As at 31 December 2018

Assets under management for Liquid Strategies activity	€3.3 billion
Share of the activity in the Group's total assets under management	14.8%
Main funds concerned	Tikehau Taux Variables (TTV), Tikehau Credit Plus (TC+), Tikehau Court Terme (TCT), Tikehau SubFin Fund (TSF), Tikehau Income Cross Assets (InCA), Tikehau Global Value (TGV)

(i) Mandatory management – annual ESG monitoring and Climate

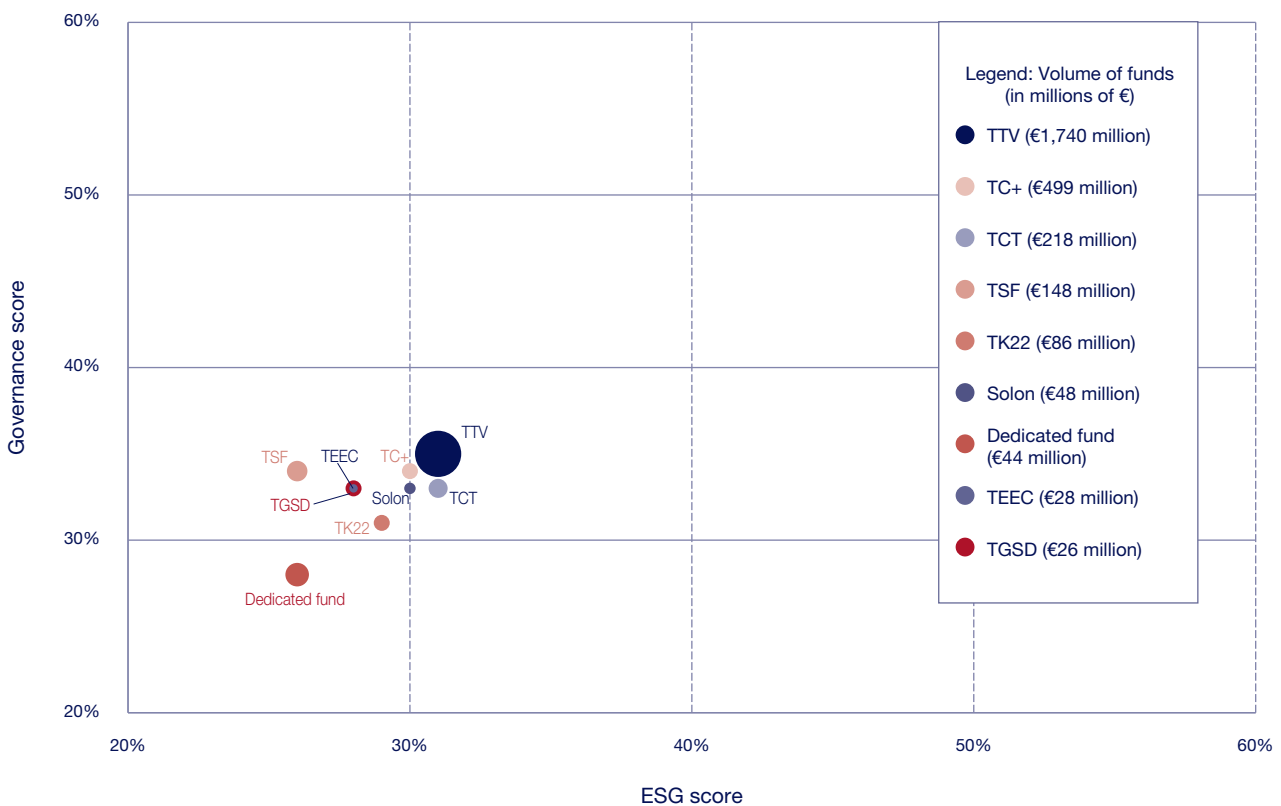
Extract of the ESG analysis of the main bond funds

At 31 December 2018, the credit research team rated more than 400 issuers for bond activities. Thus, for each fund, the weighted average ESG score of portfolio issuers' was calculated on a scale ranging from 0% (maximum opportunity) to 100% (maximum risk). The graph below shows the ESG scores of the main bond funds on the horizontal axis. The vertical axis shows the scores for the governance pillar, which accounts for 40% of each issuer's ESG score.

At 31 December 2018, the Group's main fixed-income funds had fairly modest levels of ESG risk due to the small number of risky

issuers based on the Group's analysis model (of more than 200 issuers in the funds at year-end, only five had an ESG score above 60% - considered at risk - but none exceeded 80% - considered high risk). The Group's bond funds are heavily exposed to the financial sector which helps performance due to the relatively limited social and environmental risks for banks, insurers and other financial intermediaries. For instance, at 31 December 2018, the financial sector represented 36% of TTV exposure and 22% of TC+ exposure.

Main bond funds – ESG score versus Governance score at 31 December 2018



Source: Tikehau Capital research.

NB: Details of the ESG scores of the main bond funds are available upon request (and are presented in the respective 2018 annual reports of these funds).

3. RESPONSIBLE INVESTMENT AT TIKEHAU CAPITAL

Main results of annual ESG and Climate monitoring by activity

Carbon footprint of the main bond funds

Tikehau Capital commissioned Trucost to carry out a carbon assessment of its main liquid funds as at 31 December 2018. According to the three methods used, TC+, TSF; TK22, Solon, Guenegaud and TEEC outperformed their benchmarks due to their low exposure to the most polluting sectors (energy, materials, industries). TTV, TCT and TGSD are specific cases.

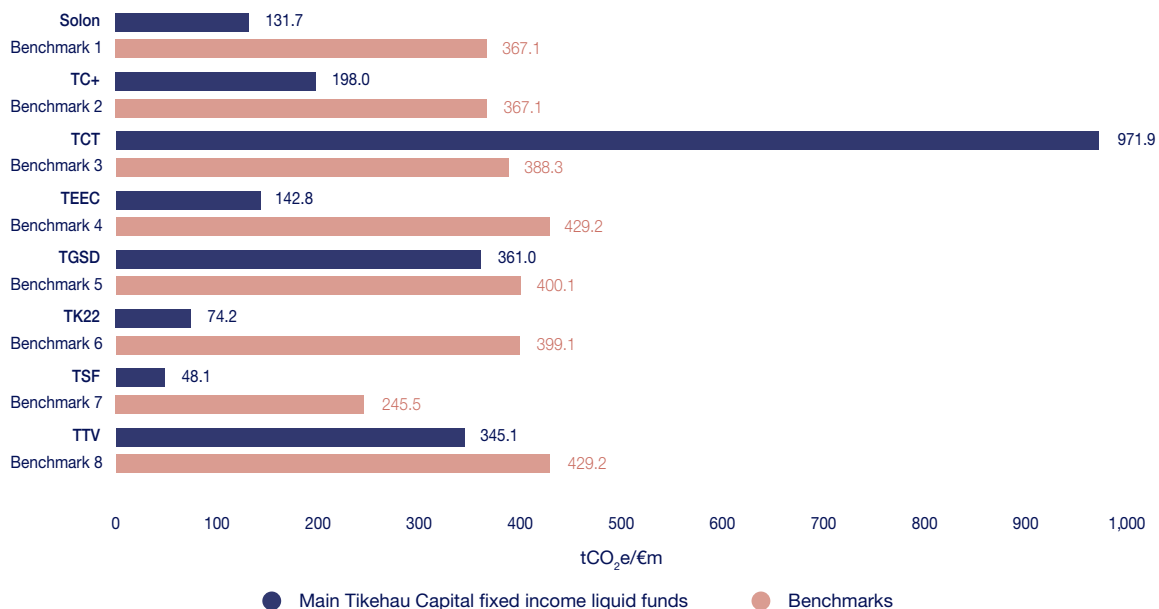
TTV - At 31 December 2018, TTV held seven Commercial Papers ("CP") for a total value of around €172 million. As these instruments are cash equivalent, they were removed from the corporate section of the portfolio analysed by Trucost. After adjustment, according to the three methods TTV outperformed its benchmark.

TCT - At 31 December 2018, Trucost's analysis covered 20 out of 35 issuers. The TCT portfolio appears to be carbon-intensive due to the presence of (public or private) issuers related to the energy sector (Engie and PPC Finance, affiliate of Public Power

Corporation) or the materials sector (Heidelberg Cement). Trucost had to exclude 15 issuers from its scope due to the limited availability of information related to their balance sheet items. However, Trucost's "uncovered" portion comprised 7 issuers from the financial sector, with limited carbon emissions. Thus, a more comprehensive coverage would be required in order to draw conclusions.

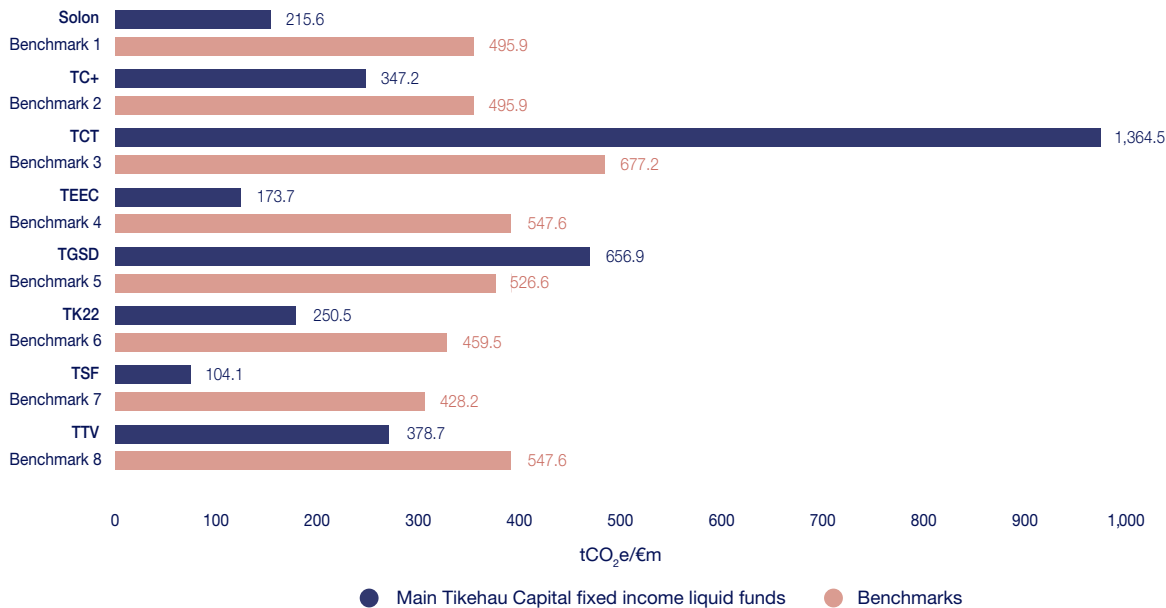
TGSD - At 31 December 2018, TGSD's portfolio was relatively carbon-intensive due to the presence of West China Cement and JSW Steel. The operations of these two companies emit high levels of carbon due to the energy required by the rotary cement kilns and steel blast furnaces. Nonetheless, the efforts made by West China to invest in its production facilities and comply with local standards (the group also suspends its production during the winter to reduce emissions) are notable. As for JSW, it makes a significant contribution to India's economy and employment. It also invests in new technologies and the transfer of expertise from its US factories.

Relative Carbon Footprint of the main bond and mixed funds (also called Carbon to Value ratio)

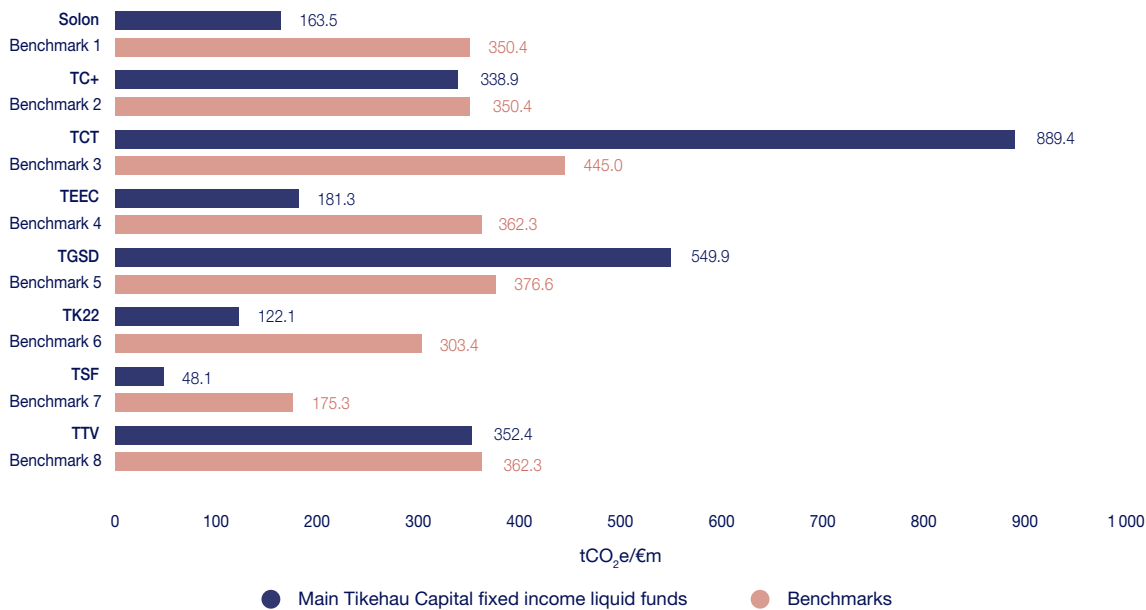


Source: S&P Trucost Limited.

Carbon Intensity per € million of revenues held (also called Carbon to Revenue ratio)



Weighted Average Carbon Intensity per € million of revenues held



Source: S&P Trucost Limited.

Notes:

1 - Detail on scope 1+2 and 3 upstream is available on request or in the individual annual reports of the funds.

2 - Composition of the benchmarks

Benchmark 1: includes the following six indices: (1) 50% HECO (ICE BofAML Euro High Yield Constrained Index), (2) 15% COCO (ICE BofAML Contingent Capital Index), (3) 15% ACHY (ICE BofAML Asian Dollar High Yield Corporate Index), (4) 10% ER00 (ICE BofAML Euro Corporate Index), (5) 5% HEBC (ICE BofAML Euro Financial High Yield Constrained Index) and (6) 5% ELT2 (ICE BofAML Euro Lower Tier 2 Corporate Index).

Benchmark 2: includes the following six indices: (1) 50% HECO (ICE BofAML Euro High Yield Constrained Index), (2) 15% COCO (ICE BofAML Contingent Capital Index), (3) 15% ACHY (ICE BofAML Asian Dollar High Yield Corporate Index), (4) 10% ER00 (ICE BofAML Euro Corporate Index), (5) 5% HEBC (ICE BofAML Euro Financial High Yield Constrained Index) and (6) 5% ELT2 (ICE BofAML Euro Lower Tier 2 Corporate Index).

Benchmark 3: ER01 ICE BofAML 1-3 Year Euro Corporate Index.

Benchmark 4: includes the following five indices: (1) 30% ER01 (ICE BofAML 1-3 Year Euro Corporate Index), (2) 30% H1EC (ICE BofAML BB-CCC 1-3 Year Euro Developed Markets High Yield Constrained Index), (3) 30% HEBC (ICE BofAML Euro Financial High Yield Constrained Index), (4) 5% ACHY (ICE BofAML Asian Dollar High Yield Corporate Index) and (5) 5% ELT2 (ICE BofAML Euro Lower Tier 2 Corporate Index).

Benchmark 5: includes the following four indices: (1) 30% ACHY ICE BofAML Asian Dollar High Yield Corporate Index (2) 30% H1EC ICE BofAML BB-CCC 1-3 Year Euro Developed Markets High Yield Constrained Index (3) 30% HEBC ICE BofAML Euro Financial High Yield Constrained Index and (4) 10% ELT2 ICE BofAML Euro Lower Tier 2 Corporate Index.

Benchmark 6: includes the following two indices: (1) 75% HECO (ICE BofAML Euro High Yield Constrained Index) and (2) 25% COCO (ICE BofAML Contingent Capital Index).

Benchmark 7: includes the following three indices: (1) 60% COCO (ICE BofAML Contingent Capital Index), (2) 30% HEBC (ICE BofAML BB-CCC 1-3 Year Euro Developed Markets High Yield Constrained Index) and (3) 10% ELT2 (ICE BofAML Euro Lower Tier 2 Corporate Index).

3. RESPONSIBLE INVESTMENT AT TIKEHAU CAPITAL

Main results of annual ESG and Climate monitoring by activity

Benchmark 8: includes the following five indices: (1) 30% ER01 (ICE BofAML 1-3 Year Euro Corporate Index), (2) 30% H1EC (ICE BofAML BB-CCC 1-3 Year Euro Developed Markets High Yield Constrained

Index), (3) 30% HEBC (ICE BofAML Euro Financial High Yield Constrained Index), (4) 5% ACHY (ICE BofAML Asian Dollar High Yield Corporate Index) and (5) 5% ELT2 (ICE BofAML Euro Lower Tier 2 Corporate Index).

Environmental analysis of Tikehau Taux Variables (TTV)

At 31 December 2018, TTV was the biggest Liquid Strategies fund with €1,740 million assets under management. TTV is a fixed income fund seeking to maximize yield on the short end of the curve of the European rate, while restricting the high yield allocation to 35% maximum, and minimizing the interest rate risk by using primarily floating rate notes, as well as short maturity bonds. For this fund, the Group commissioned Trucost to carry out an environmental analysis that looked beyond the carbon assessment.

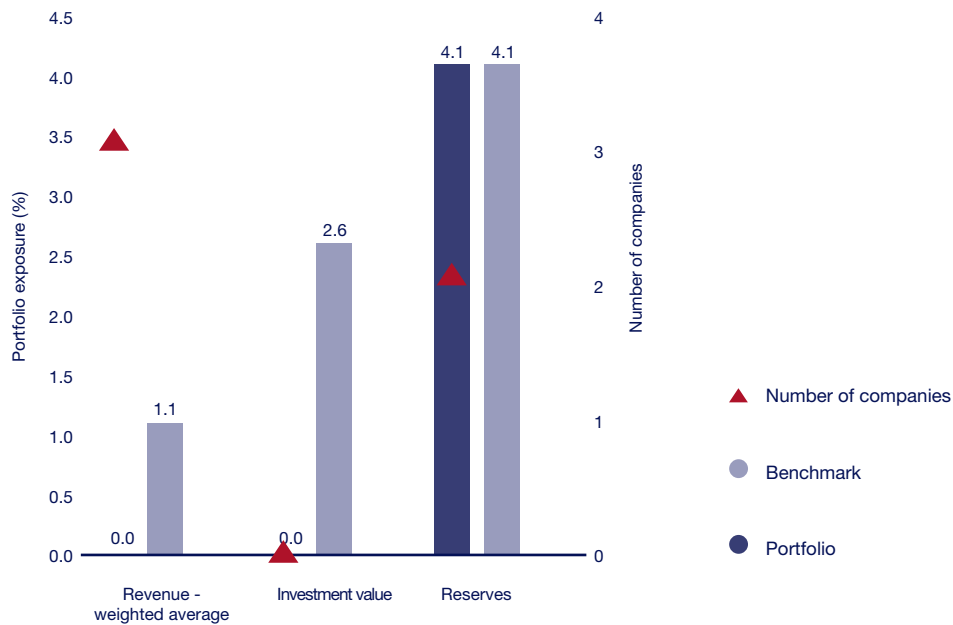
Extracts from the analysis of the “brown assets” of TTV (investments in carbon-intensive assets e.g. production of fossil energy, mines and metals) and the “green” assets (e.g. companies “contributing to the energy transition”) are set out

below. This analysis does not take into account the energy mix related to the electricity consumption of the TTV portfolio issuers.

Brown assets of TTV

At 31 December 2018, exposure of the TTV portfolio to fossil energies was relatively limited in terms of portion of revenue (weighted average) and value of investments. In terms of reserves, TTV is as exposed as its benchmark (see Benchmark 8) above. At 31 December 2018, three issuers make up the TTV “brown share” – ArcelorMittal, Engie and Public Power Corporation – and none of these companies derived more than 10% of its revenue from thermal coal during the TTV holding period.

Exposure of TTV portfolio to fossil fuels as at 31 December 2018



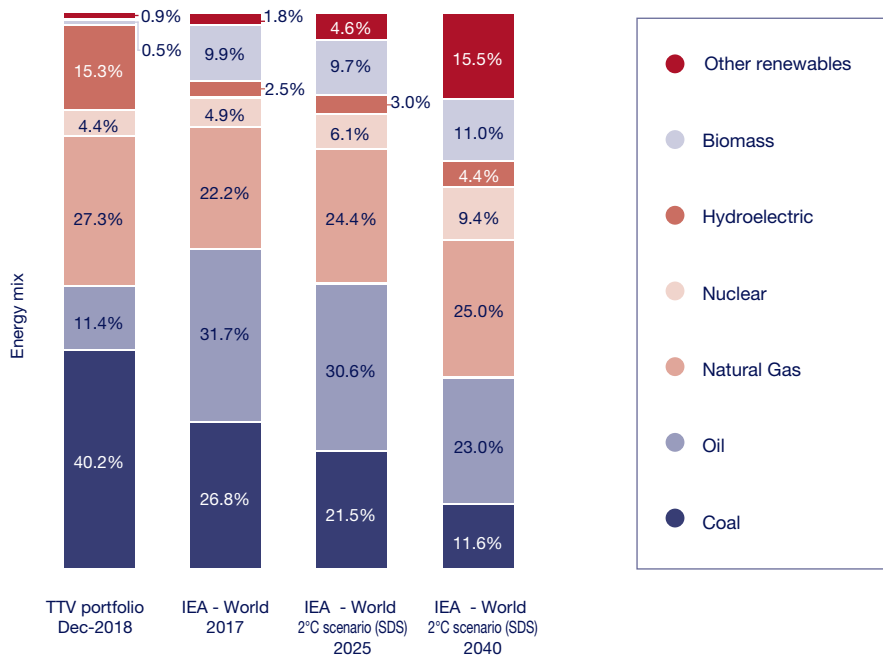
Source: S&P Trucost Limited.

Green assets of TTV – companies “contributing to the energy transition”

At 31 December 2018, the clean energy value chain made up 16.6% of the TTV energy mix, which lies below the target of the 2°C scenario (SDS) of the IEA presented in Section 3.2 (Management of ESG and Climate-related risks and opportunities) of this report. Solar or wind energy companies are rare in the high yield investment universe and typically only derive

a lower rating due to a risky jurisdiction. Companies clearly supporting the energy transition increasingly benefit from finance at preferential rates (e.g. green bonds) which do not meet the yield objectives pursued by TTV. Therefore, other than electricity companies exposed to hydraulic energy, the market depth related to green companies in the high yield compartment of TTV is limited.

TTV 2 °C analysis



Sources: S&P Trucost Limited and data from the IEA World Energy Outlook © OECD/IEA 2018, www.iea.org/statistics, Licence: www.iea.org/t&c.

(ii) Balanced and equities management

With €392 million of assets under management at 31 December 2018, the Tikehau Income Cross Asset (InCA) mutual fund was the Group's biggest diversified and equities fund. The investment strategy consists in managing, on an active and discretionary basis, a portfolio of equities (between -50% and 110% of net assets), money-market instruments and bonds (between 0% and 100% of net assets) in all economic sectors and geographies. Excerpts of InCA's ESG analysis are presented below. The full results of the ESG scores of the InCA mutual fund and TGV fund are presented in their respective 2018 management reports.

Extract from the ESG analysis of InCA Fund

At 31 December 2018, InCA held 24 equity securities, each scored on Environmental, Social and Governance pillars based on information publicly available on 31 January 2019. 15 performance criteria were selected with a minimum completion rate of 94%. Excerpts from the InCA report concentrates on the 3 most significant criteria:

1) Employer attractiveness: 16 issuers received at least one regional award for the quality of their HR policy and social climate. The HR policy of Admiral Group Plc is particularly noteworthy. In 2018, the company was named, for the 15th consecutive year, as a Great Place to Work® in Europe which is based on both a quantitative (diversity, staff turnover, benefits in terms of cover or leave, etc.) and qualitative study (recruitment and employee development policy, etc.).

2) Carbon assessment and Science Based Targets: 17 issuers have published a carbon assessment, 11 of them on a complete scope (1, 2 and 3) and 6 on a limited scope (1 and 2). The aim of the Science Based Targets initiative is to drive ambitious climate action in the corporate world. It reconciles its participants' greenhouse gas emissions reduction targets (typically varying by 10% to 75% on scope 1 and 2) with the science-based climate data. Five issuers, all from the non-cyclical consumer goods sector, took part in the Science Based Targets initiative.

3) Consideration of the Sustainable Development Goals: 13 out of 24 issuers have made at least one SDG commitment. PepsiCo and Unilever are driving forward the Refrigerant, Naturally! initiative to combat the ozone layer depletion by eliminating fluorinated gases (CFC, HCFC and HFCs) from refrigerated distribution points and by moving forward the research into alternative technologies. Microsoft, Nestlé, PepsiCo and Unilever have also joined the Business Alliance for Water and Climate ("BAFWAC"), which commits them to reducing water consumption in their respective supply chains in three ways: analysing, measuring and reducing. These two initiatives impact five SDGs: Clean water and sanitation (SDG 6), Sustainable cities and communities (SDG 11), Responsible consumption and production (SDG 12), Climate action (SDG 13) and Partnerships for the goals (SDG 17).

3. RESPONSIBLE INVESTMENT AT TIKEHAU CAPITAL

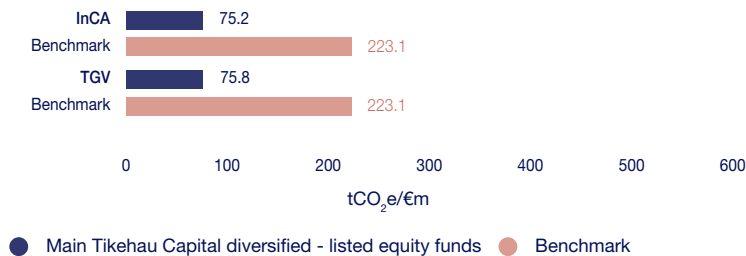
Main results of annual ESG and Climate monitoring by activity

Carbon footprint of the diversified equity funds

Tikehau Capital commissioned Trucost to carry out carbon assessments of its main liquid funds at 31 December 2018. Based on the three methods, InCA and TGV outperform their

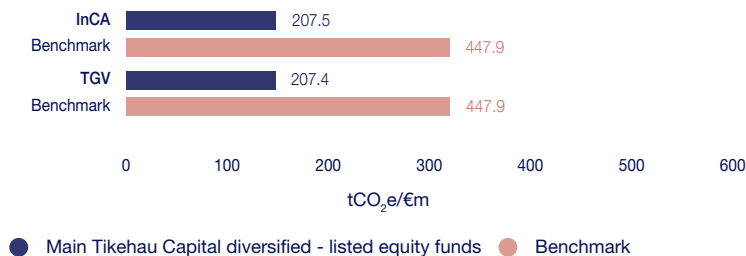
benchmarks thanks to low exposure to the most polluting sectors (energy, materials, industries).

Relative Carbon Footprint of main diversified equity funds (also called Carbon to Value ratio)



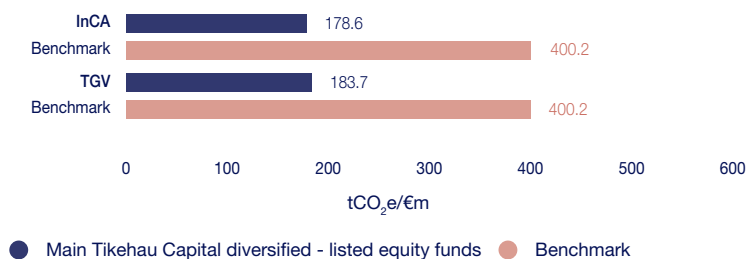
Source: S&P Trucost Limited.

Carbon Intensity per €million of revenues held (also called Carbon to Revenue ratio)



Source: S&P Trucost Limited.

Weighted Average Carbon Intensity per €million of revenues held



Source: S&P Trucost Limited.

Notes:

- 1 – Detail on scope 1+2 and 3 upstream is available in the individual annual reports of the funds.
- 2 – The benchmark is composed of 50% S&P 500 and 50% S&P 350 Europe.

(d) Results of the annual monitoring of the Private Equity activity comprising Direct Investments strategies

In the course of 2018, the Group's Private Equity activity developed on several fronts, including the launch of two funds: Tikehau Growth Equity II and T2 Energy Transition Fund, the Group's first fund focused on a sustainable theme. See the summary of T2 Energy Transition Fund's 2 Degree strategy in

Section 3.2 (Management of ESG and Climate-related risks and opportunities) of this report. ESG integration is being stepped up in this activity with a particular emphasis on the net contribution of investments to SDGs. This work will be presented in the next Sustainability Report.

As at 31 December 2018

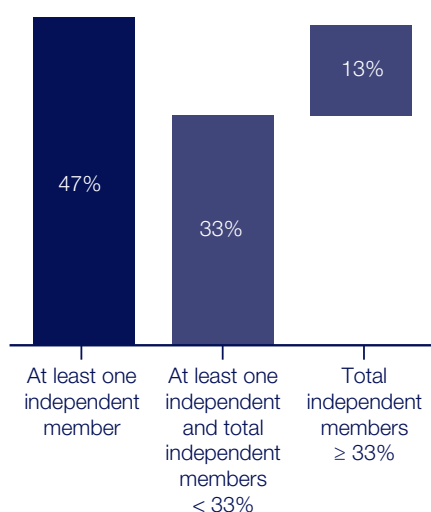
Private Equity activity assets under management (excl. ACE Management)	€0.9 billion
Share of the activity (excl. ACE Management) in the Group's total assets under management	3.6%
Number of investments in the 2018 ESG reporting scope	17
Number of responding companies	15

The ESG monitoring scope covers 15 companies (minority stakes held through funds or on the balance sheet) and excludes listed companies. The questionnaires were completed by the

companies and thus the information provided below is on a declarative and unaudited basis.

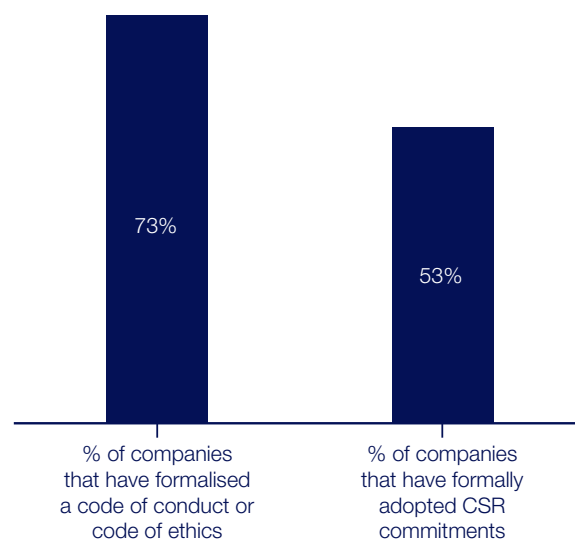
Governance

Presence of independent members on governing bodies (Supervisory Board or Board of Directors) ⁽¹⁾



(1) 93% response rate.

Formalisation of commitments on ethics ⁽²⁾ and corporate social responsibility ⁽³⁾



(2) 93% response rate.
(3) 100% response rate.

Social

Number of employees and jobs created

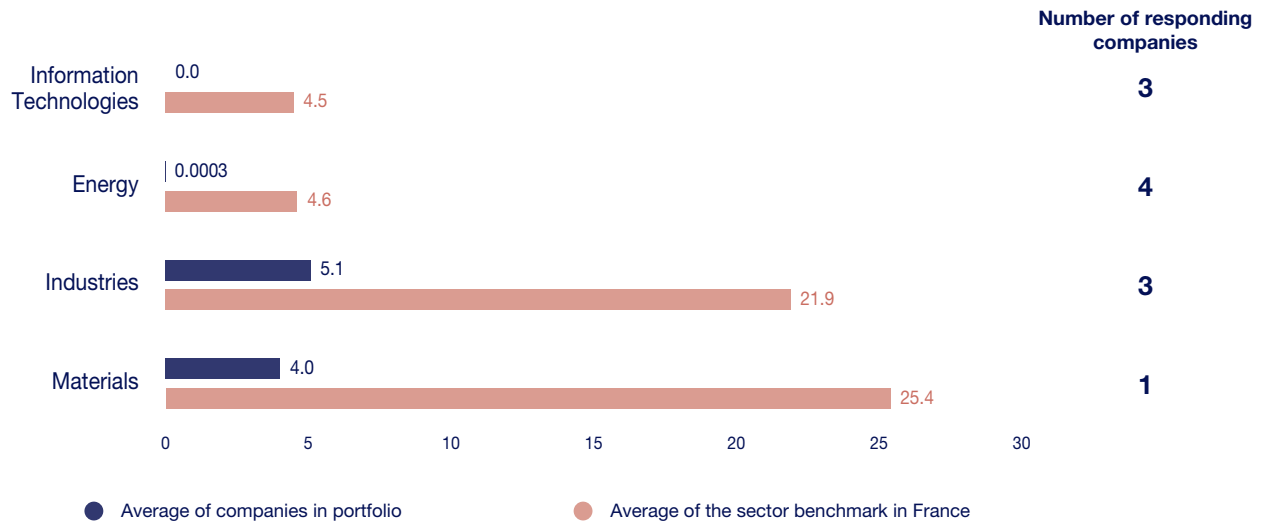
Number of employees in the responding companies ⁽⁴⁾	59,781
Job creation in responding companies in 2018 ⁽⁵⁾	1,042

(4) 93% response rate.
(5) 87% response rate.

3. RESPONSIBLE INVESTMENT AT TIKEHAU CAPITAL

Main results of annual ESG and Climate monitoring by activity

Accident at work frequency rate (per million hours worked) compared to the sector average in France ⁽¹⁾



(1) 73% response rate.

Portfolio companies in the industry and materials sectors are most exposed to accidents at work with frequency rates of 5.1 and 4.0 per million hours worked, respectively, although this

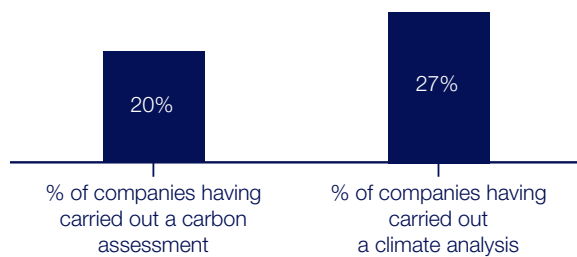
seems to be well below the French sector averages of 21.9 and 25.4 per million hours worked. The portfolio companies in the energy sector have very good accident rates of close to zero.

Environment

40% of the responding companies had an environmental management system (EMS) in place and 7% were in the process of introducing one. 25% of industrial companies and 25% of companies in the energy sector (sectors with high environmental impact) have obtained certifications such as ISO 14001.

Tikehau Capital will monitor avoided and actual greenhouse gas emissions of companies in the T2 Energy Transition Fund. For remaining participations held in private equity funds, the Group intends to launch an initiative to support companies that wish to implement a simplified carbon footprint calculation for main greenhouse gas emissions sources. Tikehau Capital further intends to promote the recommendations of the TCFD to its private equity investments.

Monitoring of the carbon footprint ⁽¹⁾ and assessment of exposure to climate risks ⁽²⁾



(1) 100% response rate.

(2) 100% response rate.

TOTAL EREN

From an entrepreneurial venture to an international leader in clean energy value chain

Total Eren (formerly EREN Renewable Energy) has renowned expertise in the clean energy value chain sector. Together with local partners, the Company is positioned in emerging markets with high potential, in a range of geographic areas with significant wind or solar resources and which face growing energy needs. Total Eren covers a range of disciplines and is involved in the whole clean energy value chain development process. The Group selects, develops, finances, invests in and builds clean energy value chain projects, and operates them over the long term.

Since 2012, Total Eren has built a portfolio of diverse assets (wind, solar and hydraulic) either in operation or under construction representing capacity of over 1.6 GW worldwide. This rapid expansion has been made possible thanks to a 195 million euro capital increase in two tranches in October 2015 and May 2017. Tikehau Capital took part in this fundraising for 32 million euros via Zéphyr Investment, a joint venture with FFP. In December 2017, Total SA, a leading company in the energy sector, acquired a 23% indirect stake in Total Eren.

In April 2019, Tikehau Capital reiterated its support for Total Eren by taking part in the fundraising for the strategic acquisition of NovEnergia Holding Company, an independent clean energy value chain generator mainly active in southern Europe.

Pioneer in the clean energy value chain sector – Total Eren seeks to create and respond to new opportunities to deploy its fleet of power stations internationally, in countries committed to extending their generation capacity using renewables, or to energy-hungry industrial clients looking to cut the cost and environmental impact of their power supply. Total Eren is also promising rural electrification projects that will help local communities and support the development of high-potential rural economic zones, particularly in Africa.



Essakane Solar, a 15 MWc solar power station commissioned in 2018 in Burkina Faso and serving the Essakane gold mine.

A partnership strategy – Total Eren favours exclusive, long-term partnerships with local players in developing their energy projects, at national or regional level. Total Eren partners with developers that have proven expertise, and plant builders and equipment suppliers who are market leaders in the clean energy value chain sector. The Group also supports major industrial companies in seeking to reduce the cost and environmental impact of their energy consumption by replacing, in full or in part, the use of existing thermal power stations with solar power stations developed by Total Eren.



Goritsa, 33.3 MW power station commissioned in 2017 in Greece.

Local engagement & social responsibility – In the context of its development and operation contracts, Total Eren strives on each site under its supervision or organisation to favour local labour and works to implement an ambitious and strict environmental and social policy.

In Brazil, around 150 people from the Bom Jesus da Lapa district in Bahia state were employed in building the local solar power station. Moreover, a revegetation project in the urban district of Bom Jesus da Lapa was conducted in partnership with several universities and local authorities to plant 5,000 trees and protect endangered plant species. Total Eren held workshops on PV power, environmental protection and public health for local communities.

In Burkina Faso, the building of the Essakane Solar power plant in a remote region of the Sahel created around 75 jobs in neighbouring villages. Several local development opportunities are under way, including the creation of 41 permanent local jobs to operate the plant, the allocation of 1% of revenues to social and economic development and the drafting of a cooperation plan with training institutions to develop skills in the solar industry.

3. RESPONSIBLE INVESTMENT AT TIKEHAU CAPITAL

Main results of annual ESG and Climate monitoring by activity

(e) Results of the annual monitoring of other Direct Investments strategies

(i) Portfolio listed investments

The Group periodically reviews the progress of ESG policies at Assystem, DWS, Eurazeo and Latecoère *via* their public communications, and discussion with managers and teams where possible.

(ii) Other Private Equity

Other private equity investments are highly varied in nature. When the Group invests in a fund, it includes an ESG clause requiring the fund to comply with its exclusion policy. In addition, where relevant, the Group asks to discuss best ESG practice.

At 31 December 2018, the Group committed more than €23 million to four impact funds:

(1) *Alter Equity 3P (People, Planet, Profit)* which invests in European companies whose activities address a major social or environmental issue;

(2) *Blue Like an Orange Sustainable Capital* which funds companies with positive social or environmental impacts in Latin America;

(3) *The Clean Energy & Environment Fund* from DWS, which invests in Chinese companies providing solutions to mitigate climate change; and

(4) *Essential Capital Contribution Fund* from DWS which invests in social enterprises in developing countries, which aim to produce goods or provide services that benefit local communities (healthcare, energy or financial services).

4.

TIKEHAU CAPITAL'S CORPORATE SOCIAL RESPONSIBILITY POLICY

Most of Tikehau Capital's social and environmental impact lies in its investments. In addition to a proactive ESG policy, the Group's CSR approach focuses on three areas:

- **Area 1 – Promoting diversity and managing talent.** The Group places particular importance on the diversity of its teams, within which 25 nationalities are represented. The talent development policy is at the heart of the concerns of the management team and the Human Capital Department;
- **Area 2 – Promoting sporting values and corporate volunteering.** The Group promotes sport and the related values such as readiness for personal effort, discipline, teamwork and respect for the rules and other players. On the other hand, the Group frees up employees' working time so that those who so wish can use a certain number of hours for projects supported by the Group;
- **Area 3 – To limit the Group's environmental footprint by fostering the responsibility of its employees.** To take into account the long-term consequences of its operations, Tikehau Capital endeavours to control its environmental impact by limiting paper use and encouraging the sorting of recyclable waste in all offices. All employees are encouraged to participate in initiatives that are meaningful to them and to share best practices.

4.1 Human capital

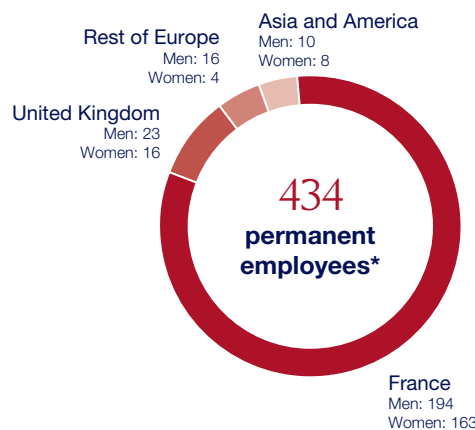
The employees

Neither the Company nor the Manager have any employees and the Group's employees are split between:

- Tikehau IM and its subsidiaries and branches;
- Tikehau Capital Europe;
- Tikehau Capital North America;
- Credit.fr;
- ACE Management;
- Sofidy; and
- IREIT Global Group.

Tikehau Capital Advisors combines the central functions on which the Manager relies for the performance of its duties on behalf of the Company and the Group. For the sake of consistency, the data presented on human resources includes Tikehau Capital Advisors.

Geographical distribution of the Group's workforce at 31 December 2018



*As at 31 December 2018 (including representatives of the Manager).

To support the growing assets under management, headcount has been expanded significantly in recent years. In addition, in

December 2018, the Group acquired Sofidy (148 employees) and ACE Management (13 employees).

4. TIKEHAU CAPITAL'S CORPORATE SOCIAL RESPONSIBILITY POLICY

Human capital

At 31 December 2018, the Group's permanent workforce (incl. Sofidy and ACE Management) was 434 employees compared to 209 at 31 December 2017 and the Group's total workforce (permanent and non-permanent) was 461.

In 2017, the Group was already present in London, Brussels, Madrid, Milan, Singapore and Seoul. In 2018, the Group continued its internationalisation strategy with the opening of an office in New York in 2018 and Tokyo in 2019.

Permanent staff includes employees holding permanent contracts (*contrats à durée indéterminée*) for full- or part-time work. At the date of publication of this report, no corporate officer of the Company or representative of the Management was bound by a contract of employment. However, the Manager representatives are included in the permanent workforce.

Non-permanent staff includes employees holding full-time or part-time temporary contracts, including special temporary contracts such as work-study contracts (professionalization and apprenticeship), replacement contracts seasonal work contracts, and internships. Non-permanent staff does not include substitute workers, workers seconded by an outside company and who work at the Company's premises, or temporary workers.

Because of its complex activities, a high percentage of Tikehau Capital's employees hold advanced diplomas and a high percentage of them have managerial status. As at 31 December 2018, the average percentage of senior managers and management-level employees was above 85%. The table below presents the Group's permanent employees as at 31 December 2018 and any changes compared with 31 December 2017.

	Group Workforce		
	As at 31/12/2018 Excluding impact of scope change	As at 31/12/2018	As at 31/12/2017
Number of permanent employees	273	434	209
Percentage of permanent employees in total headcount	91%	94%	90%
Percentage of women in permanent staff	37%	44%	36%
Percentage of executives in permanent staff	93%	86%	94%

The table below presents hires and departures within the Group (France and internationally) in 2017 and 2018.

There were 49 net job creations in 2017 and 66 net job creations in 2018 on the same scope.

	From 1 January: as at 31 December 2018 ⁽¹⁾	From 1 January: as at 31 December 2017 ⁽²⁾
TOTAL HIRES (PERMANENT CONTRACTS)	103	76
Retirements and early retirements	0	1
Departures on the initiative of the employee	21	19
Departures on the initiative of the employer	6	4
Other departures ⁽³⁾	10	3
TOTAL DEPARTURES	37	27

(1) Including Credit.fr. Excluding ACE Management and Sofidy.

(2) Excluding Credit.fr.

(3) Other departures include ending of contracts by mutual agreement, departures during trial periods and deaths.

Tikehau Capital is favourable to adapting working conditions in response to specific situations to maintain employment. Requests to work part time and requests for specific arrangements following maternity leave or exceptional family circumstances are looked upon with care.

Tikehau Capital's activities have a low level of health and safety risks and employee accident risk. The Group incurred no material absenteeism or work-related accident during the last three

financial years. However, health, hygiene and well-being at work are also priorities of the Group. Tikehau Capital holds awareness meetings on these matters with managers, including training sessions on preventing psychosocial risks. Particular attention is paid to the ergonomics of workspaces and a policy to promote the practice of sport has been developed (organisation of sports events, access to gyms at reduced prices for employees, etc.).

	From 1 January: as at 31 December 2018 ⁽¹⁾	From 1 January: as at 31 December 2017 ⁽²⁾
Workplace accident frequency rate ⁽³⁾	0	0
Rate of absenteeism ⁽⁴⁾	0.4%	0.6%

(1) Including Credit.fr. Excluding Sofidy and ACE Management.

(2) France excluding Credit.fr.

(3) Number of accidents with lost time greater than one day per million hours of work.

(4) Including hours of absence for ordinary, work-related illness.

Gender equality

The Group places particular importance in the gender balance and diversity of its teams.

Promoting diversity

The Group believes in a critical and original way of thinking. Thus promoting a culture of diversity is at the heart of its successful recruitment strategy. The teams around the world comprise 25 nationalities.

Over and above academic qualifications, the Group places great importance on the human qualities and professional behaviours of the profiles recruited as well as on the diverse range of professional backgrounds.

The Group trains Human Capital Department employees and raises awareness among all managers and employees involved in recruitment processes to prevent unlawful discrimination in hiring on grounds of race, colour, skin, religion or belief, gender, national or ethnic origin, disability, age, nationality, family status, pregnancy or orientation.

Gender balance

The industry in which the Group operates is marked by an over-representation of men. In this context, the Group's recruitment policy aims to promote, wherever possible, applications from women, whenever there are vacancies, and particularly for investment roles.

As at 31 December 2018

Proportion of women who are executives (France only) ⁽¹⁾	36%
Proportion of women on investment teams ⁽²⁾	22%

(1) Including Credit.fr, Sofidy and ACE Management.

(2) The Group and Tikehau Capital Advisors only. Excluding Credit.fr, Sofidy and ACE Management.

Employment of people with disabilities

In France, the Group's contribution to the employment and integration of disabled people is reflected in its choice of suppliers who employ people with disabilities. The Paris office has thus selected the disability-friendly company *Cèdre* for recycling or *Le panier du citadin* for its fruit baskets prepared by a Sheltered Employment enterprise.

and can discuss a range of topics such as their career development or the business culture.

Between December 2017 and March 2018, a detailed survey on Management with employees from different offices took place with a good participation rate. Most employees expressed alignment with the Group's values. Further, most employees expressed a high level of interest in receiving feedback from their managers.

To meet this expectation, the human capital team has developed a digital tool to promote:

- a culture of ongoing dialogue, throughout the year, between managers and their teams;
- qualitative exchanges (regular performance interviews, project monitoring interviews) with a view to co-development; and
- teamwork on multi-disciplinary projects, improving overall cohesion.

Training

The training delivered is designed to ensure that employees can adapt to their roles and develop their skills. As part of its training plan, the Group works to provide employees with a diverse range of training options.

In 2018, 3,385 hours of external training were delivered at Group level (excl. Sofidy and ACE Management).

Managing talent and developing skills

The talent development policy is at the heart of the concerns of the management team and the Human Capital Department;

In 2018, the Group produced the internal classification grid for positions by level of responsibility, defining objective and explicit criteria. Thanks to this more consistent classification, the Group has reviewed the system for managing talents and promotions. In this exercise, the management team ensured that each appointment was relevant and conducive to ensuring consistency and fairness within the Group.

Permanent dialogue and feedback

All employees have periodic individual evaluation interviews. Employees may also benefit from a mentoring programme wherein they receive advice from more experienced employees

	From 1 January to 31 December 2018 ⁽¹⁾	From 1 January to 31 December 2017 ⁽²⁾
Training (permanent and non-permanent staff) ⁽³⁾		
Total number of training hours	3,385	1,575
Proportion of employees having followed at least one training course during the year	55 %	49 %
Annual training expenditure (in thousands of euros) ⁽⁴⁾	172.1	74.5

(1) Excluding Sofidy and ACE Management. Rest of the France scope, United Kingdom, Belgium with Credit.fr (France) and IREIT (Singapore).

(2) France excluding Credit.fr

(3) Internal training hours are not included.

(4) Training expenses do not include payroll costs of trainees.

4. TIKEHAU CAPITAL'S CORPORATE SOCIAL RESPONSIBILITY POLICY

Human capital

Internally, presentations and training are delivered by Group employees and cover awareness on compliance, explanation of the various business lines and Group products, talent management (management, annual interviews, best recruitment and mentoring practice, welcome meetings for new recruits and business culture, etc.). Finally, ESG and CSR training is organised for all employees, irrespective of rank or activity.

Externally, the 2018 training plan has made it possible to finance training initiatives:

- technical, enabling the upgrading and/or development of the skills required by the positions, including the obligatory certifications to occupy certain regulated positions;
- development of interpersonal skills, including public speaking training (tailored, individual coaching sessions for some managers); and
- managerial, to improve knowledge of Positive Leadership to boost performance and the human aspect of teams.

The Tikehau Young Professional Program is for young promising graduates and involves immersion in the different investment teams within several offices over a 9 to 12 month period. Young analysts on this programme also have access to training from internationally renowned universities, particularly on alternative strategies.

Lastly, the Group has introduced a series of presentations called "Tikehau 360°" essentially calling on high-level external stakeholders from all walks of life to broaden the perspectives of their employees and enrich their general culture. These conferences are an opportunity to discuss various topics such as finance, news, sport, culture, security, but also societal topics such as the environment, well-being at work or the reintegration of former detainees.

Mobility

Tikehau Capital is an organisation which promotes internal mobility:

- horizontal mobility (also called transversal mobility or functional mobility) is characterised by a change of job or business line maintaining the same rank;
- vertical mobility refers to the situation of an employee who changes position in order to benefit from increased responsibilities; and
- geographic/international mobility refers to employees who change geographical location.

At a time when organisations and professions are constantly evolving, internal mobility is a key issue whether it is initiated by the employee or proposed by the employer. It fosters employee loyalty and talent retention and is a way to keep up the Group's competitiveness and level of performance. Mobility is not only a motivational factor for employees, increasing their investment in the workplace, but also an excellent way to develop new skills

and learn. It is also an indicator of health and well-being within the Group.

The degree of involvement and the level of skill of the employee who applies for a job internally are already known or recognised and most importantly, the internal candidate has already absorbed the culture of the Company during their previous position, allowing a faster adaptation on the new position they take on. It allows the Group to convey its corporate culture to new structures opened abroad, for example, and offers diversified career paths valued by employees.

Remuneration and Benefits

The remuneration policy has several goals:

- ensure coherent remuneration within business lines and countries;
- be competitive as regards local market practices, to attract talent and retain loyalty while maintaining the Group's economic competitiveness;
- encourage and recognise collective and individual contributions; and
- promote fair remuneration and build trust.

Tikehau Capital must reconcile the demands of a highly competitive market with the expectations of investors, clients, shareholders and Group employees by ensuring the consistency of the remuneration policy with the Group's strategy and compliance with applicable regulations.

Human capital plays a key role in the Group's activities and the remuneration policy has a strong impact on competitiveness, allowing to both recruit and retain high-quality professionals.

The remuneration policy defines effective and responsible remuneration practices to avoid conflicts of interest, protect the interests of investors and Group clients and ensure there is no encouragement to take excessive risk.

Tikehau Capital pays particular attention to the alignment of long-term interests especially for investment teams and senior managers. The variable remuneration of senior managers is thus directly impacted by the attention they have paid to managing risks within their businesses and strict respect for internal procedures and compliance regulations. The remuneration policy must promote such an alignment.

The motivation and commitment of employees is ensured by a policy of collaboration, shareholding and strong incentives that allows each one to benefit from Tikehau Capital's creation of shareholder value. The Group's employees based in France have benefited from a profit-sharing agreement.

Remuneration and benefits in thousands of euros (permanent and non-permanent staff)	From 1 January to 31 December 2018	From 1 January to 31 December 2017
Total payroll ⁽¹⁾	42,964	26,780
Proportion of employees benefiting from a profit-sharing and collective bonus arrangement ⁽²⁾	42 %	24 %
Percentage of employee shareholders	68 %	-

(1) Consolidated Group (excl. Tikehau Capital Advisors).

(2) France scope.

On 1 December 2017 the Company introduced two free shares plans for the benefit of all employees of the Company and related companies or corporate groups in order to include them in the success of the Group since its creation and in particular to take into account its exceptional growth during the 2016 and 2017 financial years.

On 16 March 2018, the Company put in place a Tikehau Capital free shares plan replicating the terms of the Tikehau IM share plan that had been introduced in June 2016 in Tikehau IM. The allocation of Tikehau Capital free shares under this replacement plan was made in exchange for the waiver of all rights to Tikehau IM shares previously granted under the June 2016 plan.

The Company granted free shares to employees of Credit.fr on 4 July 2018 and Sofidy on 21 December 2018 as part of their initial consolidation.

On 30 March 2018 and 18 February 2019, the Company also set up a free shares plan for the benefit of employees of the Company or companies or groups related to it as part of the variable remuneration for the 2017 and 2018 financial years.

None of the Group subsidiaries have implemented stock subscription or purchase option plans or free shares plans.

Lastly, it should be stated that around 60 senior corporate members have joined together to invest in a structure which owns an equity interest in Tikehau Capital Advisors and which receives 20% of the carried interest available on the funds managed by the Group. The remaining 80% is split equally between Tikehau Capital, Tikehau IM (or the Group's relevant asset management company) and Tikehau Capital Advisors. These carried interests exclusively concern some closed funds (performance fees for open funds are received in full by Tikehau IM or the Group's relevant asset management company) and enable receipt of a portion of the investor yields over and above an internal profitability level set out in the fund documentation. This structure incentivises these employees to achieve performance for the Group and creates solidarity across all business lines, avoiding any silo effect.

Employee relations

Within the Group, discussion is facilitated *via* hands-on management which is accessible and attentive. The survey described in paragraph (Talent management and skills development) above confirmed the strong commitment by employees and support for the Group's culture.

The policies Tikehau Capital has introduced also respect freedom of association and the right to collective bargaining. As there were no candidates in the election of a single personnel representative body in 2016, there is no personnel representative

body in France or other countries in which the Group operates, with the exception of Sofidy's single personnel representative body. Despite this lack of representative institutions in 2018, the social dialogue within the Group is ongoing and is organised around information meetings of the Human Capital Department and ad hoc or formal meetings at the initiative of employees or their managers.

Workplace elections, to vote for the Economic and Social Committee (CSE), merging all personnel representative bodies, are planned in France during 2019.

4.2 Transparency and dialogue with stakeholders

Transparency and interest representation

The Company intends to meet a high level of transparency concerning its own activities when compatible with its role as an asset manager and investor, so that its stakeholders can assess the developments of its situation and outlook (for a presentation of employee relations, see paragraph above).

The Group is active in industry associations which represent its interests (AFG, France Invest, AFEP). In 2018, a Head of Communication and Public Affairs was appointed.

Business Practices

The Group encourages the use of fair practices by both its teams and service providers. An equivalent level of requirement also applies to the companies in which it invests. Further, the Group is committed to adhering to stringent corporate social responsibility standards and adopting an ethical behaviour.

The Group prohibits deals or conduct which could be considered anticompetitive. Conversely, the Company requires its suppliers, service providers, consultancy companies and other third parties to comply with applicable regulations. The Company also requires its trading partners to introduce responsible environmental practices and to abide by the conventions of the International Labour Organization (particularly as regards forced labour and child labour) and the provisions of all anti-corruption laws with international application in force (the French Sapin II Act on transparency, anti-corruption and economic modernisation, the Foreign Corrupt Practices Act and the UK Bribery Act). At the end of 2018, a working group was set up to formalise a Group responsible purchasing charter which should be finalised in 2019.

4. TIKEHAU CAPITAL'S CORPORATE SOCIAL RESPONSIBILITY POLICY

Partnership and philanthropy initiatives

The teams of each of the Group's entities are particularly aware of the risks of non-compliance of any kind and measures have been put in place to prevent some of the economic violations and breaches that might occur in the course of conducting its activities (insider misconduct, fraud, corruption, money laundering, financing of terrorism, etc.).

4.3 Partnership and philanthropy initiatives

Through its policy of partnership and philanthropy, the Group proactively supports initiatives and projects that reflect its values. A dedicated philanthropy working group has identified youth and social entrepreneurship as being priority issues, and seeks to build partnerships between Tikehau Capital and organisations working in this area.

Solidarity days

Since 2014, around ten solidarity days have been held, which have attracted over 150 participants. In 2018, Group employees held events in Paris, London and Singapore.

"More than giving, taking concrete action to support various communities is part of our DNA. In 2018, numerous teams have volunteered and participated in projects across the globe. These projects have been initiated at local level to make a stronger impact and a positive difference on people's lives. We are grateful to all the volunteers and we hope to increase the momentum in 2019!"

Bruno De Pampelonne, Chairman, Tikehau IM

During a day-long event held at the Group's Paris premises, Tikehau Capital employees supported young entrepreneurs involved in a training programme run by the non-profit body *Les Déterminés*. The aim was to promote diversity in entrepreneurship by providing training to young people from suburban and rural areas. This event was an opportunity for enthusiastic discussion about growth and success with these young people.

The Group's employees in London held a solidarity day with Bright Centres. This organisation helps young people from London's disadvantaged districts resume their studies and find jobs. Tikehau Capital employees have worked with young people

Stock Market Professional Code

In connection with the listing of the Company's shares on the regulated market of Euronext Paris, a Stock Market Professional Code has been put in place. This complements all of the specific arrangements linked to Asset Management regulations, the provision of investment services and regulations on the prevention of money laundering and finance for terrorism. Training sessions (e.g. prevention of money laundering or finance for terrorism) take place regularly in line with the regulatory obligations of the Group's asset management companies for all investment teams. Moreover, a whistleblowing system has been implemented and the data fed back in 2018 did not reveal any material problems.

The Group's requirements in terms of professional ethics also involve balanced governance, prevention of conflicts of interest and stringent internal control.

to boost their confidence, providing training on topics such as public speaking, entrepreneurial spirit and planning business activities.

In Singapore, Tikehau Capital and IREIT teams took part in the Children's Day at the Pathlight School, the only organisation in the city-state for autistic children offering a general curriculum. This school is attended by almost 1,500 autistic pupils (mild and moderate) aged 7 to 18. Almost 400 children took part in sporting activities, and our teams were delighted to support them and remind them of the rules.

Youth - Building self-confidence and critical thinking through sport, culture and education

Supporting the independence of the most vulnerable with CARAC

In June 2011, Tikehau IM and the Mutuelle d'Épargne, de Retraite and de Prévoyance CARAC ("CARAC"), partnered for the purpose of setting up the bond component of a savings product via the Tikehau Entraid'Épargne Carac fund ("TEEC"). TEEC is a bond fund invested mostly in investment grade bonds issued by private- and public-sector companies located in the euro zone except for Greece and Portugal. The fund may expose up to 35% of its net assets in the high yield bond category. Under the project, 1% of client deposits and 50% of management fees are donated to the five CARAC-partnered non-profit and general-interest associations: *Mécénat Chirurgie Cardiaque Enfants du Monde* (paediatric heart surgery), *Association Arc en Ciel* (realising the dreams of children with cancer), *Association Solidarités Nouvelles face au Chômage* (unemployment solidarity), *Association des Paralysés de France* (paralysis) and the French firefighters' mutual fund (*Fonds d'Entraide*) and orphans' fund (*L'Œuvre Pupilles Orphelins*).

Helping young people from disadvantaged neighbourhoods to emancipate themselves through sport and training with the *Job dans la ville* programme

Since 2014, the Group has been supporting *Job dans la ville*, a programme run by *Sport dans la ville*, the main association promoting inclusion via sport in France. In 2018, more than 1,000 young people aged 15 to 22 from disadvantaged neighbourhoods were enrolled in the programme with the goal of having 85% of them join a training programme or be recruited into a company.

Social entrepreneurship - imparting the courage of entrepreneurship for the common good

Helping the most disadvantaged with *Entrepreneurs du Monde*

In December 2018, the Group decided to support the association *Entrepreneurs du Monde* ("EDM") for two years. This association promotes the economic inclusion of very vulnerable families by providing microfinance services, access to clean energy and practical help to very small businesses. Autonomy and sustainability are at the heart of EDM's work. It empowers the poorest through the creation of local support structures which aim to eventually also become operationally independent from EDM.

4.4 The Group's environmental footprint and carbon assessment

Tikehau Capital is aware that its major environmental impact lies in its investments. By financing companies through equity, debt and purchasing real estate assets, the Group's entities contribute to generating business activity and the related greenhouse gas emissions.

Regarding the environmental footprint of its operations, the Group carries out an annual campaign to collect data on energy consumption in buildings, work-related travel and waste products.

Energy consumption

The Group aims to reduce consumption and seeks regular action from its employees in these areas.

However, the increase in energy consumption also reflects the Group's strong growth.

Energy consumption (kWh)	From 1 January to 31 December 2018 ⁽¹⁾	From 1 January to 31 December 2017 ⁽¹⁾
Paris ⁽²⁾	834,132	693,008
London ⁽³⁾	117,428	150,963
Brussels	73,671	87,409
Madrid	70,173	Unavailable
Singapore ⁽³⁾	32,134	Unavailable
TOTAL	1,127,539	UNAVAILABLE

(1) Consumption of the Milan, New York and Seoul offices were negligible in 2017 and 2018.

(2) Excluding the Paris premises of Sofidy and ACE Management. Also excludes the Credit.fr premises at Levallois and Sofidy's at Evry.

(3) Consumption of air conditioning in the London and Singapore offices was centralised and has not been included.

2017 carbon assessment

In early 2018, an accredited consultant on Greenhouse Gas Emissions Audits (referred to here by its French acronym "BEGES") conducted an analysis of the offices in Paris, London, Brussels, Milan and Singapore. This study will be updated in 2020.

Scope 1-2 for the Group

This assessment was conducted on Scope 1, covering direct emissions from fixed or mobile sources controlled by the organisation, and Scope 2, covering indirect emissions associated with energy consumption. In scope 1 and 2, electricity consumption is the most important item, which is in line with a service activity.

	Scope 1-2 emissions (tCO ₂ e)	Scope 1-2 emissions (kg CO ₂ e per m ²)
Paris	53	16
London	97	145
Brussels	20	82
Milan	15	85
Singapore	7	15
TOTAL BEGES SCOPE (2017)⁽¹⁾	192	40

(1) Consumption of the New York and Seoul offices were negligible in 2017 and Credit.fr is not included in this analysis.

4. TIKEHAU CAPITAL'S CORPORATE SOCIAL RESPONSIBILITY POLICY

The Group's environmental footprint and carbon assessment

The performance level of the Paris and Singapore offices is very good. In addition to being certified "Breeam In-Use", the Paris office benefits from the efficient heating and cooling network of the city of Paris. The Singapore office has been eco-designed and has received the LEED label and Singapore's Green Mark certification.

Scope 1 and 3 – Business trips for the Group

Given the activity of Tikehau Capital, business travel represents a major emissions item for scope 1 and 3. Company cars appear in Scope 1 while travel by plane, train, rental cars and taxis are in Scope 3. As business trips are pooled at Group level, an assessment of these emissions has been prepared in accordance with the BEGES methodology. Air travel is clearly the top item with 449 tCO₂e in 2017.

For economic as well as ecological reasons, the Group encourages employees to use travel responsibly with a travel policy encouraging public transport such as the train for business trips and cycling and public transport for commutes between home and office. In accordance with legal requirements, the Group reimburses 50% of expenses for commuting by public transport for employees of the Paris office. In London, employees who wish to do so can take advantage of a "free loan" to pay for their annual public transport pass and benefit from a tax rebate when they buy a bicycle to commute between home and office.

Scope 1, 2 and 3 upstream – for the Paris office

As more detailed information on consumption is available for the Paris office, an analysis extended to part of the indirect emissions in Scope 3 upstream (direct purchases) was carried out in accordance with the BEGES methodology.

BEGES 2017	Scope 1-2 ⁽¹⁾				Scope 3 upstream ⁽²⁾							TOTAL
	Company cars	Electricity	Heat network	Cooling network	Business trips			Financial services and insurance	IT	Other inputs	Waste	
					Air	Train	Taxis					
Emissions (in tCO₂e)	9.0	20.0	22.5	1.5	289.7	3.2	30.3	338.4	165.1	348.8	1.2	1,229.6
Emissions (as %)	0.7%	1.6%	1.8%	0.1%	23.6%	0.3%	2.5%	27.5%	13.4%	28.4%	0.1%	100.0 %

Reminder:

(1) Scope 1: carbon footprint from fixed or mobile sources controlled by the organisation. Scope 2: indirect emissions related to energy consumption to produce goods and services.

(2) Scope 3 upstream: other indirect emissions related to the upstream value chain.

With over 332 tCO₂e, business trips (company cars, air, trains and taxis) are the second-highest item for emissions at the Paris headquarters for scope 1 and 3 upstream. The top item for emissions relates to the purchase of financial services (insurance, consultancy and fees related to accounting and financial services) and generated 338 tCO₂e. The third emissions item is related to information technologies and telecommunication services. However, emissions related to the purchases of these financial and IT services entail a significant degree of uncertainty. Other inputs include emissions related to purchases in hotels and restaurants, furniture, paper and other supplies.

Sustainable use of resources and circular economy

For reasons that are both economic and ecological, all Group employees are encouraged to limit consumption:

- of paper, avoiding printing, default printing on both sides and restricting printing to identified authorised employees.

Employees are also encouraged to look at their own impact on printing using the PaperCut solution;

- of plastic bottles, by equipping offices with bottles and water fountains when the number of employees so allows.

Group employees are also encouraged to sort and recycle waste:

- in 2014, the Paris office launched the sorting, collection and recycling of paper/cardboard, plastics, metals, glass, coffee capsules, etc. with the disability-friendly company Cèdre. In 2018, the recycling of these flows made it possible to preserve 151 trees, save 4,900 kg of CO₂, 268,000 litres of water and 35,600 kWh;
- the Brussels, London, Madrid, Milan and Singapore offices also introduced recycling programmes.

Special attention is placed on the most polluting waste (electronic and IT waste, ink cartridges, batteries and light bulbs). The average lifetime of a computer is 4 years.

At the end of 2018, a working group was set up to develop a Group responsible purchasing charter which should be finalised in 2019.

5.

REPORT OF THE EXTERNAL AUDITOR

Since the Group had less than 500 employees in 2018, thus remaining below one of the thresholds laid down in Article R.225-104-1 of the French Commercial Code, Tikehau Capital SCA is not required to include a declaration of non-financial performance in its management report, pursuant to Article L.225-102-1 of the French Commercial Code. However, the company's objective is to provide a similar level of information as that required under the declaration of non-financial performance, should it have been applicable to the company. The company has appointed the external auditor FINEXFI to produce an ad hoc report on the contents of Chapter 7 (Corporate Social and Environmental Responsibility) of Tikehau Capital SCA 2018 Registration Document, and to check the accuracy and consistency of the data provided on a voluntary basis. The below report is a free translation into English of FINEXFI's report issued in the French language. It is provided solely for the convenience of English speaking readers and should be read in conjunction with Tikehau Capital SCA 2018 Registration Document.

FINEXFI

Expertise and proximity

Year ended 31 December 2018

To the shareholders,

Following the request made to us by the company TIKEHAU CAPITAL SCA (the "Entity"), as part of a voluntary initiative, in our capacity as an independent external auditor we present our report on the Corporate Social and Environmental Responsibility Report for the year ended 31 December 2018 (the "Report"), presented in the 2018 Registration Document in application of the laws and regulations in Article 173 (VI) of the French Energy Transition for Green Growth Act (LTECV) enacted in Article L.533-22-1 of the French Monetary and Financial Code.

Management responsibility

The Managers have prepared a Report in accordance with Article 173 (VI) of the LTECV act and drawn from the laws and regulations of Articles L.225 102-1, R.225-105 and R.225-105-1 of the French Commercial Code and from the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), which together constitute the framework used (the "Group Framework").

The Report includes a description of the main non-financial risks and opportunities, a presentation of the policies applied to

manage these risks and the results of these policies, including key performance indicators.

The Report was drawn up in accordance with the Group Framework by the Entity and its key points are available on request at the Company's head office.

Independence and quality assurance

Our independence is defined as required by Article L.822-11-3 of the French Commercial Code and the professional code of ethics. We have implemented a quality control system that includes documented policies and procedures to ensure compliance with ethical rules, professional doctrine and applicable law and regulations.

Responsibility of the independent external auditor

Based on our work it is our responsibility to express a reasoned opinion with moderate assurance on:

- the Report's compliance with the Group Framework based on Article R.225-105 of the French Commercial Code;
- the fairness of the information provided pursuant to paragraphs I.3 and II of the Article R.225-105 I.3 of the French Commercial Code, *i.e.* the outcomes of policies, including key performance indicators and actions taken to address the main risks, (the "Information").

It is not our responsibility to express an opinion on:

- the entity's compliance with other applicable laws and regulations, including those on the plan for vigilance and combating corruption and tax evasion;
- the compliance of products and services with applicable regulations.

Nature and scope of work

We conducted the work in accordance with the standards applicable in France determining the conditions under which the independent external auditor conducts its assignment and the ISAE 3000 international standard. Our work was carried out between 30 January 2019 and 12 April 2019 for a duration of approximately seven person/days. We conducted 6 interviews with the people responsible for the Report. Based on our work we are able to express an opinion on the Report's compliance with the Group Framework and the fairness of the Information:

- we have reviewed the activities of all companies in the scope of consolidation, the presentation of the main corporate and environmental risks related to these activities, and, their effects on human rights and combating corruption and tax evasion as well as the resulting policies and their outcomes;
- we assessed the appropriateness of the Group Framework as regards its relevance, completeness, reliability, neutrality and comprehensibility, considering where applicable best practice in the sector;
- we verified that the voluntary Report contains the required information on corporate matters, general environmental policy, climate change and respect for human rights and combating corruption and tax evasion;
- we reviewed the process of identification and validation of principle risks;
- we inquired into the existence of internal control and risk management procedures put into place by the entity;
- we reviewed the consistency of the results and key performance indicators with the principle risks and policies presented;

- we verified that the Report covers the scope of consolidation, *i.e.* all companies included in the scope of consolidation in accordance with Article L.233-16 of the French Commercial Code;
- we reviewed the data collection process put in place by the entity to verify the exhaustiveness and fairness of the Information;
- for the key performance indicators and other quantitative results that we considered most important, we carried out:
- analytical procedures, consisting of verifying the correct consolidation of the data collected and the consistency of their treatment;
- detailed tests, on a sample basis, consisting of verifying the correct application of definitions and procedures and reconciling the data with the supporting documentation. This work was conducted on a selection of contributing entities ⁽¹⁾ and covers between 22% and 90% of the consolidated data of the key performance indicators and results selected for the tests⁽²⁾,
- we consulted the documentary sources and conducted interviews to corroborate the qualitative information (actions and outcomes) which we considered most important;
- we reviewed the overall consistency of the Report in light of our knowledge of all companies in the scope of consolidation.

We consider that the work we have done, in our professional judgement, allows us to form a conclusion with moderate assurance. A higher level of assurance would have required a more extensive audit process. Because of the use of sampling techniques as well as other limits inherent to the functioning of any internal information and control system, the risk of not detecting a material misstatement in the Report cannot be eliminated completely.

Conclusion

Based on our work, with the exception of the points raised above, we have not identified any material misstatements likely to call into question the fact that the Report and Information, taken as a whole, are presented fairly and in accordance with the Group Framework.

Lyon, 12 April 2019

FINEXFI Isabelle Lhoste Partner

(1) *Tikehau Capital SCA and its subsidiaries.*

(2) *Verified CSR issues: information on employees and the general environmental policy.*

Verified ESG issues: Results of the annual monitoring of the Private Debt activity including direct lending and corporate lending, Results of the annual monitoring of the Real Estate activity, Results of the annual monitoring of the Liquid Strategies, Results of the annual monitoring of the Private Equity activity including Direct Investments strategies.

GLOSSARY

“ACE Management”	ACE Management is a public limited company (<i>société anonyme</i>) whose registered office is located at 10-12, avenue de Messine, 75008 Paris, registered with the Paris Trade and Companies Register under number 429 025 422.
“CLO”	Collateralised Loan Obligation, a type of debt securitisation instrument in the form of bonds whose underlying- assets are loans granted to companies.
“CSR”	Corporate Social Responsibility (CSR) is a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.
“Direct Lending”	This is a sub-segment of the Private Debt market in which a- non-banking lender performs the origination, arrangement (or structuring) and investment in its financing for companies.
“EMS”	An Environmental Management System (EMS) is a structured framework that enables an organization to reduce its environmental impacts and increase its operating efficiency.
“ESG”	Environmental, social and governance (ESG) factors are the three pillars of extra financial analysis and responsible investments.
“GHG”	Gases that trap heat in the atmosphere are called greenhouse gases (GHG) and include primarily carbon dioxide (CO ₂), methane (CH ₄), nitrous oxide (N ₂ O) and fluorinated gases.
“IEA”	The International Energy Agency advocates policies with the aim to enhance the reliability, affordability and sustainability of energy in its 30 member countries and beyond.
“SDGs”	The 17 Sustainable Development Goals (SDGs), adopted by all United Nations member states in 2015, provide a shared blueprint for peace and prosperity for people and the planet.
“Sofidy”	Société Financière de Développement de l'Agglomération d'Evry, société anonyme (limited liability company), whose registered office is located at 303, square des Champs Elysées, 91026 Evry Cedex, registered with the Evry Trade and Companies Register under number 338 826 332.
“Tikehau IM”	Tikehau Investment Management, société par actions simplifiée (simplified joint stock company) whose registered office is located at 32, rue de Monceau, 75008 Paris, France, registered with the Paris Trade and Companies Register under number 491 909 446.

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