
SUSTAINABILITY
REPORT
2019



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Profile

Tikehau Capital is an alternative asset management and investment group, and a pioneer and key European player in its field. By providing long-term financing solutions to its investor-clients and investing responsibly, **Tikehau Capital acts as a bridge between the world's savings and the financing needs of the real economy.**

For over 15 years, we have been developing our profitable growth model, leveraging a strong equity base as well as disciplined and selective investments in high-performance growth strategies. We work with expert teams in Europe, Asia and North America alongside our investor-clients, across four business lines: Private Debt, Real Estate, Private Equity and Capital Markets Strategies.

We promote an original way of thinking and see our business lines differently. Harnessing this independent thinking and analysis allows us to offer conviction-driven asset management backed by strongly aligned interests between shareholders, management and investor-clients. By investing alongside our investor-clients, we place trust and mutual interest at the heart of our business activities. This proximity, combined with our entrepreneurial DNA, makes Tikehau Capital a unique player in its industry.



Paris, Amsterdam, Brussels, London,
Luxembourg, Madrid, Milan, New York,
Seoul, Singapore and Tokyo

532

Partners and employees

€25.8bn

Assets under management

€3.1bn

Group shareholders' equity

4 business
lines

Private Debt
Real Estate
Private Equity
Capital Markets Strategies

At end 2019

Message from our Co-Founders

In 2020, more than ever, it is increasingly clear to us that **long-term profit and sustainability are closely interconnected** and interdependent.

Environmental, social and governance (ESG) factors are just as important as economic, financial and operational considerations in each strategy. Our investment teams are directly responsible for ESG analysis and considering the impact of the products & services offered by investees.

In the World Energy Outlook 2018, the International Energy Agency (IEA) estimated that we will need an additional €6,000bn over the next 10 years to finance our energy system and limit global warming to 1.5°C. The only industry capable of raising so much capital quickly, and with such an immediate impact, is asset management.

In the face of the unprecedented COVID-19 pandemic that is shaking our systems, institutions and outlook, the need for a **more inclusive and sustainable economy is more urgent than ever**.

To move towards more virtuous models, Tikehau Capital has developed dedicated strategies and vehicles with a positive impact on climate change, healthcare, innovation and social inclusion. At the same time, we continue to work hand-in-hand with portfolio companies from a wide array of sectors committed to defining more sustainable roadmaps.

This shared commitment, expertise and energy will help us contribute to a rapid economic recovery and a low-carbon world.



**Antoine
Flamarion**



**Mathieu
Chabran**

Business model

Solid resources...

MULTI-LOCAL PLATFORM

11 countries
Global **base of investor-clients and savers**
Global **sourcing** of investment opportunities

HIGHLY DIVERSE EXPERTISE

14 years of experience on average
25 nationalities
44% women in the workforce

ROBUST FINANCIAL STRUCTURE

Assets under management: **€25.8bn**
Group shareholders' equity: **€3.1bn**
AT END-2019

... and entrepreneurial DNA...

ALIGNMENT OF INTERESTS BETWEEN SHAREHOLDERS, INVESTOR-CLIENTS AND MANAGEMENT

Leading institutional shareholders committed over the long-term
44% of capital controlled by our management and employees
61% of our portfolio invested in our strategies alongside our clients

Tikehau Capital directs global savings towards financing the real economy and supports the vitality of businesses

... to create sustainable value

3 DRIVERS

Management fees
Performance fees / Carried interest
Dividends / Coupons / Capital gains

LONG-TERM OBJECTIVES

Reach over **€35bn** in assets under management

Achieve a net operating profit **above €100m** from Asset Management activities

BY 2022

CONVICTION-BASED MANAGEMENT

Over 220 companies financed through our long-term strategies

A dedicated impact and thematic investment platform focusing on the **energy and ecological transition** that capitalises on the **first major private equity fund** targeting this issue

... invested through 4 business lines...



* Of which €2.0bn for asset management and €2.2bn for Direct Investments.

... in long-term strategies...

98% of the assets under management in closed-ended funds committed for 3 years or more

Key milestones

Since signing the United Nations-supported Principles for Responsible Investment (UN PRI) in 2014, each year, we have renewed efforts to improve our approach to investments and stakeholder relations.

2014	2015	2016	2017	2018	2019	2020
Sign UN PRI	Publicly disclose ESG policy	Create first proprietary ESG grid	Update ESG policy	Launch T2 Energy Transition Fund*	Set up ESG committee for each investment platform	Launch Tikehau Capital Impact Lending*
	Define CSR policy	Launch ESG working groups	Create a dedicated ESG role	Set up ESG committee at Group level	Publish first impact report for T2 Energy Transition Fund	Set target of developing a platform dedicated to climate & impact investing
			Publish first responsible investment report	Build tailored ESG strategy for each business line	Achieve A+ for UN PRI strategy & governance module	Strengthen carbon assessment and ESG roadmaps for private equity companies
			Launch employee shareholding scheme at Tikehau Capital SCA level	Give all financial analysts ESG responsibilities	LuxFLAG ESG label for all major open-ended funds	Ranked No.2 for ESG risk by Sustainalytics out of 246 asset managers & custodians
				Carry out first carbon footprint analysis at Group level	Achieve 72/100 rating for CSR approach (Gaia Rating)	Decide to compensate carbon emissions at Group operations level

KEY

Responsible investing

CSR approach

External recognition

We actively participate in key responsible investment initiatives



These efforts have been recognised externally



* The T2 Energy Transition Fund and Tikehau Impact Lending are exclusively reserved for professional investors.

ESG/CSR priority themes

Working with key stakeholders, we have identified our main non-financial risks and opportunities. Organised into 4 themes, they unite our priorities into a robust CSR approach aimed at maximising our positive impact on employees, consumers, the environment and wider community.

At the heart of this strategy, our responsible investing approach incorporates ESG considerations, actively contributing to the sustainable value we aim to create. Given that our potential for impact is mainly related to our investment decisions, we have chosen to focus on our responsible investing actions in this report.



Governance
& business
ethics



Climate change



Economic
development,
talent & diversity



Customer
& stakeholder
relations

ESG

Implement responsible investing strategy

Create value for all stakeholders by establishing a responsible investing strategy adapted to the Group's specificities.

- Cover all **4 business lines**
- Steered by our **Group ESG committee** including senior management
- **100%** of investment teams involved in its implementation

CSR

Ensure clear, efficient governance and a strong alignment of interests

Promote strong governance to ensure interests are aligned with the Group's CSR approach. Make business ethics and compliance a priority.

- Management and employees hold **44%** of capital
- **62%** of employees are shareholders
- **Long-term 2022 incentive plan** for senior executives based on our financial & ESG objectives

Promoting a strong corporate culture

We pay particular attention to business ethics and anti-corruption, regularly reviewing policies and practices to encourage flawless behaviour. In 2019, we updated our Code of Business Ethics and, in 2020, we are launching a mandatory training programme focused on preventing corruption and influence peddling.

Ephraïm Marquer
Head of Compliance

ESG/CSR priority themes

Governance
& business
ethics

Climate change

Economic
development,
talent & diversity

Customer
& stakeholder
relations

ESG

Respond to the climate emergency through our investments

Acknowledge and react to the risks and opportunities relating to climate change.

- **T2 Energy Transition Fund**, €510m fund (31/12/2019) financing companies directly tackling energy and the ecological transition
- **Carbon footprint assessment** of major open-ended funds and certain closed-end funds

CSR

Measure, and whenever possible reduce, our carbon footprint while offsetting residual emissions

Determine and reduce the greenhouse gas emissions produced by our operations.

- **1,846 tons of CO₂ equivalent** (tCO₂e) in 2019 – scopes 1, 2 & 3 (upstream) – the equivalent of approximately 1,760 Paris-New York round trips

Carbon Footprint Compensation Scheme

To offset the impact of our operations: for each ton of CO₂ equivalent emitted by our operations, we acquire the equivalent number of Verified Carbon Units from the **Borneo-based Katingan** Forest conservation programme certified by Verra (under the VCS Standard).

This project protects and restores peatland ecosystems to offer local people sustainable sources of income, tackle global climate change and maintain biodiversity including protecting endangered species like Bornean Orangutans.

For more information: <http://katinganproject.com>



ESG/CSR priority themes

 <p>Governance & business ethics</p>	 <p>Climate change</p>	 <p>Economic development, talent & diversity</p>	 <p>Customer & stakeholder relations</p>
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ESG

Finance growth and job creation in the real economy

Through investment activities, finance the real economy and support sustainable projects contributing to development and employment.

- **Over 220 companies** financed through our private equity and private debt (non-CLO) activities
- **€9.2bn** to finance real assets through our real estate activities

CSR

Promote diversity & talent retention

Place diversity and talent retention at the heart of our strategy as key growth drivers.

- **57** net jobs created in 2019 at Tikehau Capital and our subsidiaries
- **44%** of permanent workforce women
- **25** nationalities across our teams

For over 15 years, our steady growth has fostered an inclusive culture. New employees benefit from a dedicated welcome process – including induction sessions and job rotations – to better understand our organisation, culture and strategy, and promote cross-fertilisation and collective emulation.

Emmanuelle Costa
Head of Human Capital

Women-led activities within Tikehau Capital

Women occupy **27% of leadership positions**, outperforming industry averages. We aspire to show by example to support a new generation of industry leadership.



Carmen Alonso
Head of the Iberian region and the UK



Olga Kusters
Head of Private Debt Secondaries



Debra Anderson
Head of CLO Activities



Anne Le Stanguennec
Head of Internal Audit



Nathalie Bleunven
Head of Corporate Lending



Cécile Mayer-Levi
Head of Private Debt



Vanessa Brathwaite
Head of Leveraged Loans



Erika Morris
Senior Co-Portfolio Manager



Emmanuelle Costa
Head of Human Capital



Laure Villepelet
Head of CSR/ESG

ESG/CSR priority themes

 Governance & business ethics

 Climate change

 Economic development, talent & diversity

 Customer & stakeholder relations

ESG

Foster transparency and customer satisfaction

Endeavour to always be transparent and communicate regularly with investor-clients, while ensuring responsible product offerings and marketing to protect client interests and encourage exemplary employee behaviour.

- More than **1,700** investors* at the end of 2019 (140% growth since 2015)
- Product offering and responsible marketing covered by **compliance manuals**

In January 2020, Sofidy was named Best Asset Manager for the 17th consecutive year in the business SCPI category of the 2019 Providers Awards by Gestion de Fortune magazine. As well as celebrating strong financial performance, this award recognises Sofidy's excellent customer service and sales performance.



CSR

Purchase responsibly and engage with societal issues

Commit to building long-term relationships with external stakeholders, in particular, through our responsible purchasing policy and involvement in diverse charitable associations.

Our philanthropy working group has identified **young people, social entrepreneurship and health** as priorities, and seeks to build partnerships with organisations working in these areas.

- **10+** projects and charities supported

* Excluding Sofidy investor base, which comprises more than 50,000 retail investors.

Beyond our business lines

We actively support the initiatives chosen by our cross-functional working group in line with our values including:



Institut de l'Engagement: enable young people committed to civic participation to build an ambitious and inclusive future

Youth Solidarity Days: over 12 events since 2014 focusing on young people including autistic children and those affected by academic failure



Entrepreneurs du Monde: work towards the economic inclusion of financially vulnerable families



In early March 2020, we supported **Assistance Publique-Hôpitaux de Paris** (the public hospital system of Paris and its suburbs) in speeding up Covid-19 research, as well as testing innovative organisational solutions for monitoring homebound patients to respond more quickly and effectively to new epidemics.

ESG/CSR priority themes

Other relevant topics

Cybersecurity as a priority

ESG

Ensure an adequate management of cybersecurity risks across our investment portfolios, ranking highly in the 2020 World Economic Forum's Global Risk Report, just after climate risks. Identify and embrace investment opportunities to ensure a more robust and safer cyber economy.

- **Brienne III fund**, managed by ACE Management, finances companies in the digital and cybersecurity sector, and completed its first closing at €80m in June 2019

CSR

Continually strengthen our IT architecture and computer systems including regular external intrusion tests. The security of personal data in compliance with the European General Data Protection Regulation (GDPR) is also a priority.

All personal data is processed in accordance with the existing regulatory framework respecting fundamental rights and freedoms, particularly the right to privacy. An independent external auditor is currently verifying the measures implemented to further strengthen our action plan.

Bringing Tikehau Capital's ESG-by-design approach to ACE Management is key to improving ESG analysis in our portfolio companies. It is clearly a lever to reduce risks and create opportunities.

Marwan Lahoud

Chairman of ACE Management Executive Board



This report focuses on responsible investing. For more details on our CSR approach, consult the Tikehau Capital 2019 Universal Registration Document.



ESG & Climate governance

Integrating responsibility every day

Our responsible investing strategy, or ESG-by-design approach, aims to create sustainable value for all our stakeholders. This long-term commitment is demonstrated by the involvement of team members at every hierarchical level in creating and deploying our ESG and Climate policies.

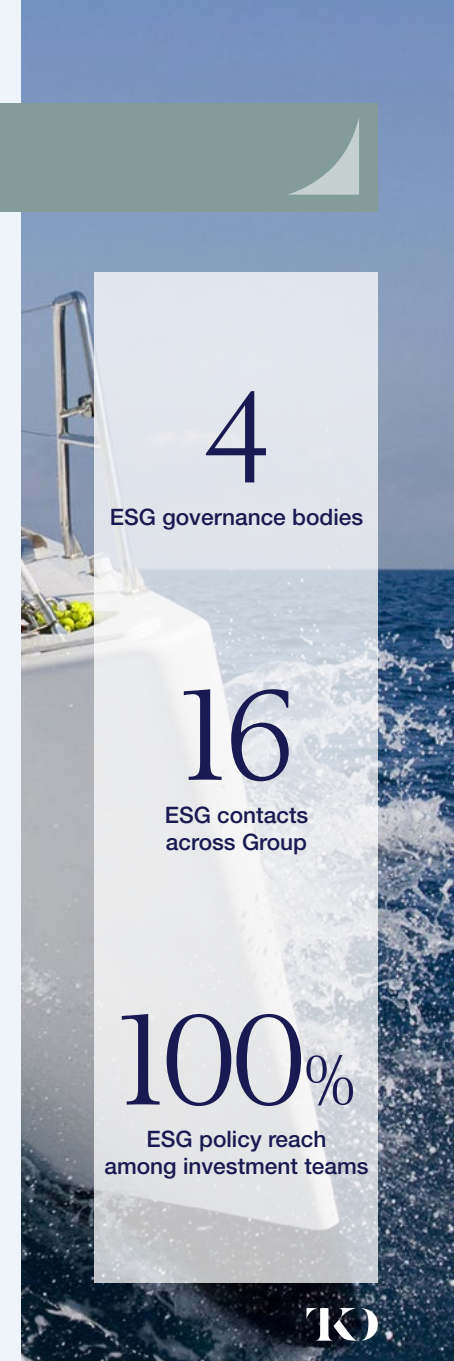
For our integrated ESG strategy to work, we have made these criteria one of the Group's priorities at every level.

Christian de Labriffe
Chairman of Tikehau Capital Supervisory Board

ESG isn't just a strategic concept, it is part of our day-to-day operations. Our role is to engage with investment teams and portfolio companies.

Nathalia Millan
ESG Manager

How does it work?



4

ESG governance bodies

16

ESG contacts across Group

100%

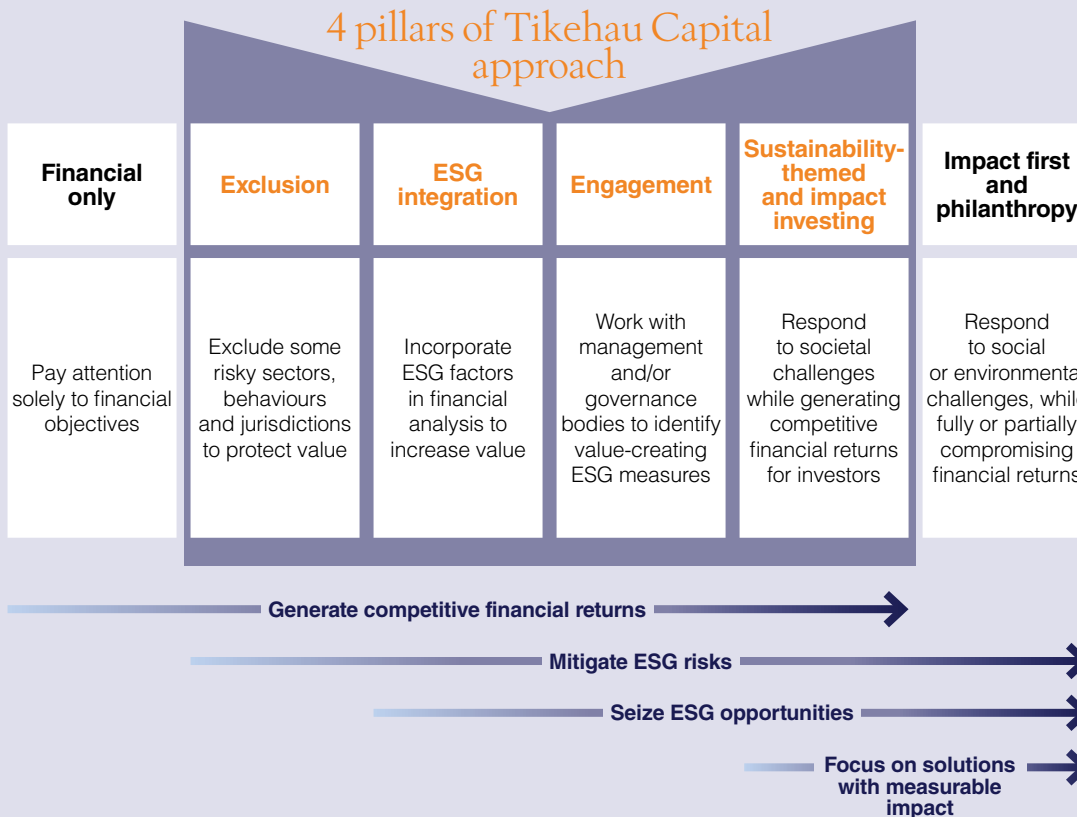
ESG policy reach among investment teams

* Excluding Sofidy employees due to ongoing developments as at 31.12.2019.

Sustainability strategies

Enabling sustainable returns

Based on four pillars, we have developed an efficient responsible investing strategy covering all assets under management. While ESG integration is the backbone, we also engage with portfolio companies to support improvements in their sustainability performance.



100%
investment team members with ESG responsibilities

>400
deals with an ESG score in 2019

1/3
of the private equity assets under management dedicated to sustainability themed funds

More details on page 15

Sustainability-themed and impact investing

For several years now, we've been convinced that ESG criteria need to be integrated into a robust management process. Both the Covid-19 pandemic and extreme climate events remind us that the terms “non-financial” or “extra-financial” are misleading given that ESG imbalances can trigger economic crisis. The next step is to integrate impact measurement, which will require our investments teams to formalise their intentionality.

Laure Villepelet
Head of CSR / ESG

Coordinated action in 2020

Over the coming year, we will focus on developing an impact and thematic investment platform dedicated to four topics at the heart of the post-Covid economic recovery: **climate change**, **social inclusion**, **innovation** and **healthcare**.

To achieve this, our ESG team has reinforced the Group's sustainability roadmap:

- Update responsible investment policy to include impact & climate considerations
- Reinforce impact measurement tools and expand impact assessment across certain private equity and private debt funds
- Enhance training efforts on impact investing across the investment teams



Funds dedicated to sustainable themes

Facilitating an inclusive & sustainable transition

According to the World Business Council for Sustainable Development (WBCSD) pursuing sustainable and inclusive business models could unlock economic opportunities worth at least US\$12 trillion a year by 2030.

To seize this opportunity and move towards more sustainable and more inclusive economy, we have started developing dedicated vehicles to accelerate the transition. Whether through private equity, private debt or venture capital, Tikehau Capital is committed to supporting targeted United Nations' Sustainable Development Goals.

T2 Energy Transition Fund*

Private equity fund

Respond to the climate emergency by focusing on businesses that **improve energy efficiency**, produce **clean energy and develop low-carbon mobility**. T2 2019 impact data is presented in a dedicated report.



TKS I and TKS IIa Funds* (health tech and biotech)

Venture capital funds with SPRIM Ventures (Singapore)

Target companies **contributing to progress in healthcare** – prevention, diagnosis and monitoring – and enabling the life science industry to develop **sustainable, cost-effective therapies** more rapidly.



S.YTIC (Sustainable City)

Listed equity fund managed by Sofidy

Manage **long-term urban expansion** by investing in companies active in vertical cities, urban renovation, infrastructure management and other sustainability trends.



Tikehau Impact Lending*

Private debt – launch 2020

Support European SMEs contributing to a **more inclusive and sustainable economy** through sustainable products & services, and improved resource management.



1/3
of the private equity assets under management dedicated to sustainability themed funds**

1st
impact debt fund

Tikehau Impact Lending is an exciting challenge for our investment teams. They will work hand-in-hand with management, our ESG team and the Tikehau Capital impact ecosystem to suggest relevant impact journeys for each portfolio company.

Nathalie Bleuven
Head of Corporate Lending
(Private Debt Team)

* The Brienne III, Energy Transition Fund, TKS I and TKS IIa and Tikehau Impact Lending are exclusively reserved for professional investors.
** At 31.12.2019, Brienne III dedicated to cybersecurity, T2 Energy Transition Fund and TKS I combined assets under management totalled €645m (out of €2,014m for Private Equity).

Investing in healthcare



Supporting medical technology and life science

With the aim of promoting good health, we support more than 50 companies in the pharmaceutical and healthcare sector with a global exposure of approximately €1 billion* through several private debt and private equity funds.

In 2019, our pan-European growth equity fund invested in Medtrade, which develops dynamic medical devices, advanced wound care and consumer healthcare products. With this investment, the company is set to grow strongly within the advanced wound care market, and leverage industry-leading Celox technology to expand its haemostat offering.



We are delighted to be partnering with Tikehau Capital. Medtrade is well positioned in the market and we believe Tikehau Capital will bring a wealth of capability and global connections to help us accelerate delivering on our mission.

Craig Hardy
Co-Founder of Medtrade

Since 2018, we've been partnering with **SPRIM Ventures** to invest in medical technology and life science companies through venture capital funds. The objective is to provide early stage capital to innovative companies offering solutions that move science forward in the health sector, contribute to the transition from intervention to prediction, diagnosis and monitoring, while enabling life science companies to develop therapeutics faster and more economically.

SPRIM Ventures is the Singapore-based venture arm of SPRIM, a global innovation firm focused on healthcare with a team of more than 650 professionals across 17 offices globally.



We are grateful to our partners for supporting our vision and developing therapies that can potentially transform how neurological conditions – many of which are without FDA approved drugs – are treated.

Dr. Michael Shleifer
Co-Founder, Managing Partner, SPRIM

Health investments at a glance

+50
companies supported

~€1bn
global exposure

TKS I key figures

DIGITAL HEALTH AND BIOTECHS

11
portfolio companies

€55m
in assets under management

* As at 31 March 2020

Investing in healthcare



TKS I and TKS IIa allocate significant funds to biotechs leveraging a new biological discovery, the Major Facilitator Superfamily Domain containing the 2a protein (MFSD2a). They also aim to offer diversification through investments in other biotechs and medtechs:

- **ObvioHealth** – first 100% online & mobile app interface for clinical-compliant trials
- **Fibronostics** – non-invasive algorithm-based diagnostics to improve treatment
- **RegAsk** – artificial intelligence to help healthcare firms manage regulatory compliance

€3.5m
R&D spending by TKS I portfolio companies
in 2019

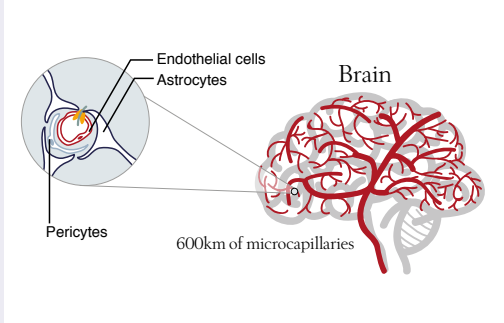
Health investment in action

The Blood-Brain Barrier (BBB) transport platform: a new discovery enabling new treatments

The Blood-Brain Barrier (BBB) keeps the central nervous system safe from various brain diseases, but also makes it difficult to deliver therapeutic treatments to the brain.

A team of researchers at Duke-NUS Medical School Singapore found that omega-3 fatty acid transported by the MFSD2a protein at the BBB plays a physiological role in brain growth and health. This offers a pathway to treat a wide range of diseases.

The Blood-Brain Barrier (BBB)



TKS IIa investments

Based on the promising results, the second vintage TKS IIa is in the fund-raising phase. The first TKS IIa investments will focus on leveraging the Blood-Brain Barrier transporter in neuro-inflammation, mitochondrial delivery, ophthalmology and metabolic conditions.

TKS I investments, leveraging the MFSD2a pathway

Vanteres develops proprietary drugs based on the MFSD2a expression in specific layers of skin to support general skin health and various skin disorders.



Travecta Therapeutics uses the MFSD2a Transport Platform to develop molecules treating central nervous system disorders.



Investing in the energy transition

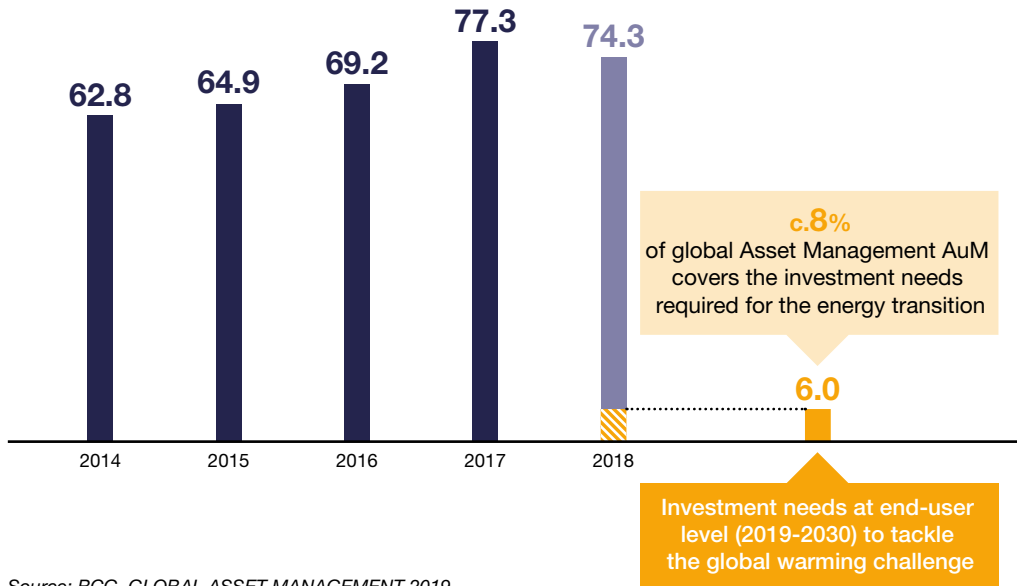


Achieving energy efficiency through private equity

As the first thematic focus within our sustainability-themed approach, the energy transition is at the core of our climate strategy and underpins the way we invest. Our climate strategy irrigates all of our activities regarding both the assessment of climate risks and opportunities. A dedicated climate report will be published in 2020.

Global Asset Management AuM

In trillions



Source: BCG, GLOBAL ASSET MANAGEMENT 2019

Over the next ten years, the International Energy Agency (IEA) estimates that our energy system will require an additional €6 trillion to limit global warming in line with Paris Agreement objectives. Given the earth's inertia, the GHG already emitted will bring global warming to approximately 1.45° by 2040 regardless of what we do in the coming years. To avoid exceeding the targets set out in the Paris Agreement (1.5-2°C), we need to start reducing emissions immediately. Seizing this major sustainable investment opportunity, we decided to create a dedicated private equity growth fund in 2018.

We launched the first private equity fund targeting a comprehensive approach to immediately reducing CO₂ emissions, with a focus on energy efficiency.

Pierre Abadie
Co-Director of the Energy Transition Practice

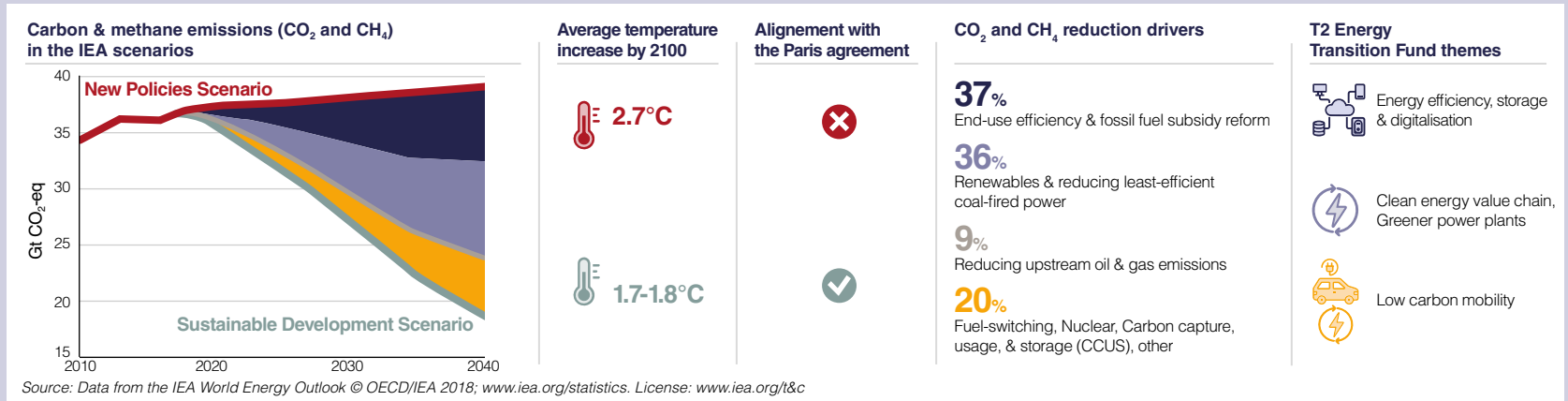
Investing in the energy transition



Prioritising end-use energy efficiency

Our private equity T2 Energy Transition Fund* helps medium-sized businesses focused on the energy transition to finance development, transform the business model and drive growth, especially international expansion.

Based on a targeted, customised approach, the investments focus on companies working on end-use efficiency, clean energy & low-carbon mobility in line with International Energy Agency priorities.



Examples of T2 Energy Transition Fund investments in energy efficiency

Retail & logistics



GreenYellow,
integrated energy services provider
e.g. optimising facilities equipment (lighting, cooling, utilities, heat recovery), monitoring energy consumption, revising contracts and implementing demand-response strategies

Buildings



Rougnon Group,
building specialist
e.g. insulation, climate control (HVAC), replacement windows & doors

Industry



Crowley Carbon,
digital energy and process optimisation
e.g. optimise boilers, compressed air, refrigeration; maintenance, reliability & uptime

* The T2 Energy Transition Fund is exclusively reserved for professional investors.

Conversation with Tikehau IM CEO and co-CIO

Thomas Friedberger explores the economic implications of the devastating of Covid-19 pandemic and accelerating climate change.



Thomas
Friedberger

The energy transition
is not a moral injunction.
It's a key economic
asset.

Is a sustainable transition still only philosophical?

The energy transition is not a moral injunction. For a long time, our economic system has been fuelled by excessive public debt levels, unsustainable growth rates and an over-optimised economic system (over-globalised supply chains in some instances, over consumption of resources and excessive levels of CO₂ emissions). The pandemic has demonstrated that this growth model is no longer compatible with a world of nearly 8 billion inhabitants. Undoubtedly, global warming and climate-related disasters will reinforce the adverse effects of the system. In this context, the energy transition is a necessity. Even before becoming President of China, Xi Jinping rightly declared that “clear waters and green mountains are just as precious as mountains of gold and silver.”

Why do you believe so strongly that the energy transition will be at the heart of the post-Covid recovery?

Weak growth means that competitive pricing will become a determining factor, especially as political pressure grows to relocate the supply chain. The energy transition will become a key economic asset in a less globalised world, allowing companies to save on their energy bill through increased energy efficiency in production processes, buildings and appliances.

Countries therefore have every interest in directing capital flows towards the energy transition to build a more resilient economy. This is not only for ecological considerations or because the sector is growing and potentially creating jobs, but also because the energy transition is an essential weapon for competitiveness in all sectors of the economy.

At Tikehau Capital, we have been actively working to facilitate the energy transition since 2018. We are fully committed to sustainable change and optimistic about its impact, while remaining highly selective and disciplined in our approach.

In the context of Covid-19, there is a lot of talk about the need for a sustainable recovery, what is your takeaway?

We observe that countries that have mobilised massive financial resources very quickly seem better placed to deal with the crisis triggered by the coronavirus. But will those countries be able to pass legislation as rapidly for the energy and ecological transition to unfold? The Intergovernmental Panel on Climate Change (IPCC) explains that we only have ten years to act.

We are running out of time to launch a coordinated global response to address the climate crisis. In this context, the private sector has an important role to play – asset management is the only sector capable, over the next decade, of massively reallocating capital to drive a sustainable recovery. Closing the financial gap would take only 8% of the annual incremental amount of assets under management in the world.

Activity overview

Ensuring maximum coherence, analysis and adoption

Our aim is to develop an ESG approach that is both integrated and customised. To ensure maximum coherence, Group exclusions and our ESG watchlist apply across all investment activities. To encourage our portfolio companies to adopt a progressive approach, each action is adapted to the activity, as well as the size and sector of the issuers.

	PRIVATE EQUITY	PRIVATE DEBT	CAPITAL MARKETS STRATEGIES	REAL ESTATE	DIRECT INVESTMENTS
Assets under management	€2.0bn (o/w €0.3bn from ACE Management)	€8.6bn	€3.8bn	€9.2bn (o/w €6.2bn from Sofidy)	€2.2bn
Investment universe	<ul style="list-style-type: none"> Minority investor Non-takeover situations in an extensive sector & geographic universe Special Situations 	<ul style="list-style-type: none"> At all levels of capital structure Senior loans, stretched senior, unitranche, mezzanine, preferred equity 	<ul style="list-style-type: none"> High Yield credit, Investment Grade Corporate & subordinated instruments mainly European & Asian Equities Selection of "Value" stocks 	<ul style="list-style-type: none"> All classes of real estate assets (offices, retail, logistics, hospitality, residential), existing or to be redeveloped based on Core, Core+ or Value Added strategies 	<ul style="list-style-type: none"> Investments in an extensive sector & geographic universe
Key differentiation factors & ESG features	<ul style="list-style-type: none"> An entrepreneurial spirit shared with portfolio companies Capacity for structuring ability & flexible investment Strong origination capacity 	<ul style="list-style-type: none"> A pioneer in alternative financing Solid partnerships with banks & private equity funds Capacity for flexible & innovative structuring 	<ul style="list-style-type: none"> Allocation & selection based on conviction management Fundamental top-down & bottom-up analysis 	<ul style="list-style-type: none"> Flexible & innovative approach Solid track record Capacity for customised financing Cross-sourcing, local sourcing & European platform 	<ul style="list-style-type: none"> Strong origination capacity
No. ESG contacts in investment teams	5	4	2	4	1
Asset management employees	<ul style="list-style-type: none"> 27 employees (Tikehau Investment Management) 16 employees (ACE Management) 	<ul style="list-style-type: none"> 62 employees 	<ul style="list-style-type: none"> 20 employees 	<ul style="list-style-type: none"> 19 employees (Tikehau Investment Management & IREIT) 194 (Sofidy) 	On an as needed basis

Activity overview

	PRIVATE EQUITY	PRIVATE DEBT	CAPITAL MARKETS STRATEGIES	REAL ESTATE	DIRECT INVESTMENTS
Assets under management	€2.0bn (o/w €0.3bn from ACE Management)	€8.6bn	€3.8bn	€9.2bn (o/w €6.2bn from Sofidy)	€2.2bn
ESG exclusion compliance	✓ 100% of AuM	✓ 100% of AuM	✓ 100% of AuM	✓ 100% of AuM	✓ 100% of AuM
ESG integration in the pre-investment phase	✓ 100% of AuM for Tikehau IM funds	✓ 100% of AuM	✓ 100% of AuM	✓ 100% of AuM	✓ For certain investments
ESG integration throughout life of investments – monitoring & reporting	✓ 22 companies in Tikehau IM funds & 14 companies in ACE Management funds participated in 2019 reporting campaign	✓ 48 companies in Tikehau IM funds participated in the 2019 reporting campaign	<ul style="list-style-type: none"> • Carbon assessments for all main liquid funds • 2° scenario and physical risks assessments for InCA and TTV 	<ul style="list-style-type: none"> • Annual ESG reporting campaign at Tikehau IM fund level • Monitoring tools at Sofidy level under development 	
Engagement	✓ ESG clause & sustainability roadmaps	✓ ESG clause & ad hoc sustainability roadmap	✓ Systematic voting in AGMs	✓ Green clause in majority of large lease agreements	✓ Systematic voting in AGMs
Themed & impact investment	✓ Brienne III, T2 Energy Transition Fund and TKS I & IIa	✓ Tikehau Impact Lending fund recently launched	✗	✓ S.YTIC dedicated to sustainable cities	✓ Direct investment in impact funds*
Labels & recognitions	✓ A score in the UN PRI report	✓ A+ score in the UN PRI report	✓ 100% of main funds have received the LuxFlag ESG label**	✓ B score in the UN PRI report	

* Alter Equity 3P, Alter Equity 3P II, Blue Like an Orange Sustainable Capital or Essential Capital Consortium Fund from DWS.

** Luxembourg Finance Labelling Agency (LuxFLAG) ESG label awarded to our 8 main liquid funds in 2019 and renewed in 2020: Tikehau Credit Plus for the period starting on 01.04.2020 and ending on 31.03.2021, Tikehau Income Cross Assets (InCA), Tikehau Global Value, Tikehau Taux Variables (TTV), Tikehau SubFin Fund, Tikehau Global Short Duration, Tikehau Court Terme and Tikehau 2022 for the period starting on 01.07.2020 and ending on 30.06.2021. In addition, the private debt funds Tikehau Direct Lending V and Tikehau Impact Lending received the ESG applicant fund status label for the period starting on 01.07.2020 and ending on 30.06.2021.

Private Equity

Unleashing growth potential through engagement alongside management teams

We accompany private companies with significant growth potential by offering stable capital and operational support aimed at creating conclusive and sustainable value for all stakeholders.

The Private Equity team's expertise is deployed around several growth equity and thematic funds. The team integrates ESG factors across the entire investment life cycle and aims to suggest sustainability roadmaps to all companies by the end of 2020.

How do we integrate ESG & maintain engagement across the investment lifecycle?

Screening phase

- Proactively consider ESG factors in the **fundamental analysis** of each investment opportunity
- Create an **ESG profile** for each target company and include it in the investment memorandum

Investment and holding period

- Negotiate an **ESG clause** in the legal documentation
- Communicate our responsible investment **approach**
- Encourage enhanced non-financial disclosure and **recommend an ESG action plan**
- Assess and define a **climate strategy** (impact measurement and mitigation) when relevant
- Monitor **ESG KPIs** and action plan implementation on an annual basis, as a minimum

Exit phase

- Disclose **relevant ESG information** to future investors e.g. ESG due diligences and climate-related assessments

We have started a journey to define the private equity team's mission. We believe that formalising our intentionality is not a nice-to-have but rather a necessary foundation for a robust sustainability strategy.

Emmanuel Laillier
Head of Private Equity activity

Private Equity

Highlights: 2019 ESG reporting campaign

The 2019 ESG questionnaire was completed by all the companies in Tikehau IM flagship funds* (14 companies as at end 2019). In addition, 5 companies with more than 50 employees managed by ACE Management contributed to the reporting campaign.

Our reporting campaign serves 2 main objectives:

1. engage with our portfolio companies on ESG topics and offer dedicated tools and support
2. assess and communicate on ESG performance at a fund level

Impact of products & services

Familiarise the investment team with the SDG framework, so they can systematically integrate SDG considerations into their investment approach.



OUR PORTFOLIO COMPANIES

21% of companies contributed to positive environmental outcomes
21% of companies contributed to positive social outcomes

Total of 8 companies out of 19 active in energy efficiency, renewable energy, plant-based chemistry, affordable sports, insurance for SMEs, co-living and healthcare

Governance & business ethics



Promote transparent, accountable and inclusive business models in collaboration with the portfolio company management, fostering best practices in relation to governing bodies, business ethics and CSR policies.

OUR PORTFOLIO COMPANIES

68% of companies have at least one independent member on the Board of Directors
63% of companies have at least one woman on the Board of Directors
74% of companies have at least one woman in the Executive Team
59% of companies have defined a CSR or business ethics approach

Human capital & external stakeholders



Provide capital to growing companies committed to sustainable projects that contribute to employment and decent working conditions.

OUR PORTFOLIO COMPANIES

>450 jobs created in **19** portfolio companies
 Average **26%** of workforce are women

We collected more than 60 datapoints from each portfolio company that responded on a declarative and unaudited basis.
 More details on the reporting campaign are available for investors upon request.

Environmental management & climate change



Offer tools and tailored support to help companies measure their environmental footprint and mitigate negative impacts, in partnership with leading service providers.

OUR PORTFOLIO COMPANIES

21% of companies conducted a carbon footprint assessment
2 carbon footprint and 2 Life Cycle Analysis (LCA) assessments in progress

* Comprising Tikehau Growth Equity 2 (TGE 2), Tikehau Growth Equity Secondary (TGES) and T2 Energy Transition fund (T2), which are exclusively reserved for professional investors.

Private Equity



Private equity & energy efficiency in action

In only 13 years, **GreenYellow**, an intrapreneurial subsidiary of the Casino Group, has become a major player in the energy transition in France and abroad. The company's cross-cutting expertise covers **all components of the energy bill**: decentralising energy production, reducing energy consumption and providing energy-related services like consumption monitoring and energy policy consulting. In 2018, Tikehau Capital acquired a stake to accelerate the next growth phase.



CSR is deeply rooted in our core business and an integral part of our company's operations. It is designed as a continuously improving approach fuelled by exchanges with both the operational and CSR managers of our clients, suppliers and investors.

Alexandra Mannai

Head of Mergers & Acquisitions and CSR, GreenYellow

What does Tikehau Capital bring?

In addition to supporting the company's new **sustainability roadmap**, we focused on helping GreenYellow assess its **carbon footprint** and analyse the **physical climate-related risks**. GreenYellow has been able to estimate the positive impacts of each project and provide its clients with tangible benefits for their own carbon footprint.

Supporting the energy transition of companies and communities

Through its products & services and geographic exposure, GreenYellow contributes to the fight against climate change and United Nation's Sustainable Development Goals 7 and 13.



TARGET 7.1

By 2030, ensure universal access to affordable, reliable and modern energy services

100+ solar plants built in developing countries including Brazil, Colombia, Thailand, Madagascar and Senegal



In 2019, GreenYellow's renewable energy and energy efficiency projects prevented the emission of **200,000 tCO₂e**, the equivalent of 345 ha of tropical forest protected from deforestation.



Private Debt

Supporting business development through direct lending, corporate lending and leveraged loans

We structure, finance, and implement a variety of deals focusing on senior debt, stretched senior, unitranche financing, mezzanine debt and preferred equity.

2019 was a key milestone as we prepared to launch the fifth vintage of the Tikehau Direct Lending fund. We also started developing the first impact lending fund, Tikehau Impact Lending, supporting companies contributing to the fight against climate change, sustainable innovation and social inclusion.



How do we integrate ESG & maintain engagement across the investment lifecycle?

Screening

- Systematically assess **ESG risks and opportunities** using our proprietary tool to incorporate private debt specificities e.g. role of equity sponsors

Pre-investment

- Negotiate an **ESG clause** and include whenever possible in the credit documentation

Holding period

- Offer tailored support to portfolio companies looking to define **sustainability roadmaps**
- Monitor **ESG KPIs** on an annual basis through an ESG questionnaire comprising approx. 20 indicators
- Present **results of reporting campaign** during quarterly calls with fund investors (new in 2019)

2019 at a glance

100%

of deals going through investment committee are ESG assessed

55

companies contributed to the reporting campaign

The LuxFLAG ESG applicant fund label awarded to the Tikehau Direct Lending V fund recognises that ESG considerations are embedded in our investment process.

Cécile Mayer-Lévi
Head of Private Debt activity

Private Debt

Promoting ESG best practices

To better **integrate ESG and impact** across the private debt asset class, our teams participate in various ESG-related working groups. For example, they promoted the Group's ESG clause to members of the private debt working group at France Invest, led by Cécile Mayer-Lévi, which was featured in the **UN PRI guidelines for private debt responsible investment**.

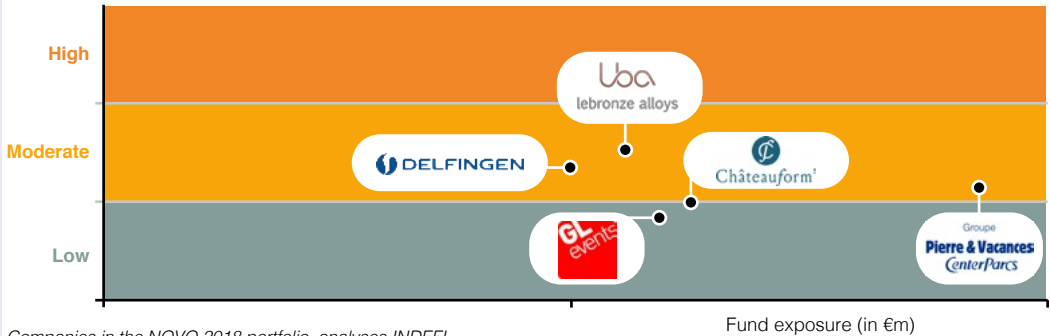
Through our ESG provisions, we are committed to investing responsibly and supporting our clients in adopting a progressive approach to CSR and sustainable growth. As this is not yet a market standard, we also focus on raising awareness to facilitate further acceptance. In addition, we've started developing sustainability-linked margin ratchets to further incentivise ESG performance.

Victoria Gillam
Senior Counsel, Head of Legal Investment

Climate-risk assessment

In 2019, we appointed INDEFI to conduct a pilot of a climate-risk assessment for the NOVO 2018 corporate lending fund to identify the companies with the highest exposure to climate-related risks. Out of 11 companies in the portfolio as at year-end, we selected 5 based on a materiality assessment.

Average climate risks



Companies in the NOVO 2018 portfolio, analyses INDEFI.

According to this assessment, French tourism operator Pierre & Vacances, which represents a significant share in the portfolio, is most exposed with moderate exposure to climate-related risks:

- Physical risks linked to sea resorts subject to sea level rise and floods
- Regulatory risks linked to stricter energy efficiency standards for buildings
- Market risks related to potential energy price increases

We engaged with Pierre & Vacances on the topic and were very satisfied to find that they had proactively launched an assessment with Carbone 4 on climate related risks and opportunities (e.g. attractiveness of mountain regions and growing domestic customer base). Actions plans will be discussed in a second step.

Pierre & Vacances climate profile

Physical risks		Moderate
Transition risks	Regulatory	Moderate
	Technological	Low
	Market	Moderate
	Reputational	Moderate
Climate-related opportunities		Moderate

Private Debt



Highlights: 2019 ESG reporting campaign

Our reporting campaign serves 2 main objectives:

1. engage with our portfolio companies on ESG topics and offer dedicated tools and support
2. assess and communicate on ESG performance at a fund level

Impact of products & services

Familiarise the investment team with the SDG framework, so they can systematically integrate SDG considerations into their investment approach.



OUR PORTFOLIO COMPANIES

19% of companies contributed to positive environmental outcomes

20% of companies contributed to positive social outcomes

23 out of 55 companies are involved in recycling, sustainable construction and agriculture, low carbon and safe mobility, innovative services for SMEs, services for critical infrastructure, education, affordable sports, well-being and healthcare

Governance & business ethics



Promote transparent, accountable and inclusive business models

OUR PORTFOLIO COMPANIES

55% of companies have at least one independent member on the Board of Directors

60% of companies have at least one woman on the Board of Directors

75% of companies have at least one woman in the Executive Team

68% of companies have defined a CSR or business ethics approach

Human capital & external stakeholders



Provide capital to growing companies committed to sustainable projects that contribute to employment and decent working conditions.

OUR PORTFOLIO COMPANIES

>2,400 jobs created in **55** portfolio companies

Average **35%** of workforce are women

Environmental management & climate change



Offer tools and tailored support to help companies measure their environmental footprint and mitigate negative impacts, in partnership with leading service providers.

OUR PORTFOLIO COMPANIES

32% of companies conducted a carbon footprint assessment

35% of portfolio companies conducted or launched a climate risk assessment

The answers presented are for companies of more than 50 employees as at year-end, which responded on a declarative and unaudited basis to more than 60 datapoints.

More details on the 2019 reporting campaign are available for investors on request.

In addition, Tikehau Capital ESG team has analysed the SDGs exposure of the product & services of circa 90 private debt portfolio companies.

Private Debt

Private debt & sustainability in action

ba&sh is a French affordable luxury brand specialising in clothing, footwear and accessories. In 2015, when the Private Equity fund L Catterton acquired a stake in the capital, Tikehau Capital supplied unitranche financing and contributed to the brand's expansion and internationalisation. The brand's turnover rocketed from €22m in 2013 to €209m in 2019.



Developing a structured approach to ESG in line with employee aspirations and customer expectations

From its inception, ba&sh has been empowering women and supporting female causes (e.g. breast cancer, moral support to female survivors of war). ba&sh is also committed to reducing its impact on the environment in line with the United Nation's SDG 12.

TARGET 12.2

By 2030, ensure natural resources are managed sustainably and used efficiently
Gradually transform the value chain through an in-setting approach that involves identifying and managing impacts on its ecosystem and transforming the raw material supply chain.



Combining performance & sustainability

Committed to structural change, ba&sh worked with PUR Project to assess the environmental, social and geopolitical impacts of the raw materials used in its fabrics, select labels (e.g. GOTS, OCS) and define sustainable product specifications, as well as a minimum percentage of certified raw materials. At its suppliers' level, ba&sh targets to increase social and environmental audits to cover more than 80% of its volumes by end-2022.

Promoting alternative business models

In late 2019, ba&sh launched a white label website offering items for rent (rybc.ba-sh.com). ba&sh is also about to launch an integrated digital service that will enable its customers to easily resell their items on selected 2nd hand marketplace. The target is to promote slow fashion and to give access to ba&sh high quality creations to new audiences.

22%
of the 2020 spring-summer collection is eco-friendly

>50%
of the 2021 collections will be eco-friendly

What does Tikehau Capital bring?

Since 2019, our ESG team has shared its experience, convictions and resources with ba&sh to map top priorities, implement and track KPIs linked to the United Nations Sustainable Development Goals, and discuss issues relating to non-financial communication and reporting.

Tikehau Capital's ESG expertise nourishes and strengthens our ambitious sustainability journey.

Pierre-Arnaud Grenade
CEO, ba&sh

Private Debt

Leveraged loans & collateralised loan obligations

This year, we continued to support the vitality of financial markets through leveraged loans and collateralised loan obligations (CLOs).

How do we integrate ESG in our CLOs?

For each investment, our research and investment teams:

1. Perform in-depth due diligence focusing on the confrontation between top and bottom-up view
2. Score new issuers using a proprietary model broadly in line with ELFA (European Leveraged Finance Association) ESG Fact Sheet

As at 31 December 2019, the CLO V included **approximately 117 issuers** rated on Environment, Social/Societal and Governance pillars with a score ranging from 0% (maximum ESG opportunity) to 100% (maximum ESG risk). Issuers exceeding **80%** are excluded, while those scoring **between 60% and 80%** are subject to an in-depth review. This score also reflects company-specific performance.

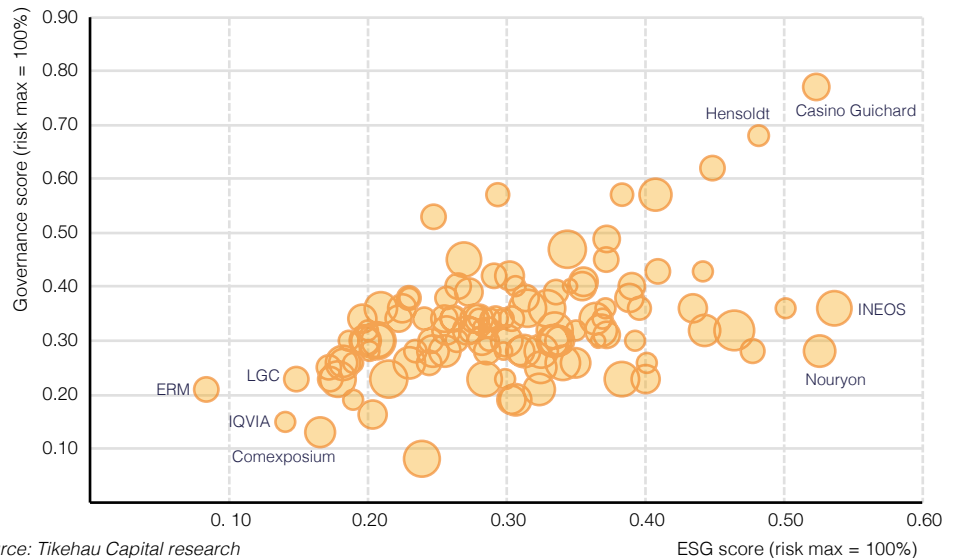
IN ACTION

Clearly an ESG leader, the debt issuer ERM advises on environmental, health & safety, social and sustainability matters and applies best practices to its own operations.

In 2019, we issued a fifth CLO amounting to €440m, utilising our well developed investment process including both financial and non-financial criteria, which appealed to an international investor base.

Debra Anderson
Head of CLO Business

CLO V ESG scores vs. Governance score as at 31 December 2019



Source: Tikehau Capital research

Capital Markets Strategies

Towards more transparency on our environmental impact


Our experienced Capital Markets Strategies team manages open-ended funds in the equity and fixed income markets. On top of our internal ESG integration approach, we worked with S&P Trucost Limited (Trucost) in 2019 to extend our climate, carbon footprint and risk analysis to better understand the environmental impact of our assets.

Our independent and contrarian approach encourages us to deep dive into each investment target. This comprehensive assessment – including financial, ESG and other operational criteria – enables us to provide fund managers with informed recommendations.

Rodolfo Caceres
Head of Fixed Income Research Team

How do we integrate ESG and maintain engagement across the investment lifecycle?

Our research and investment teams are responsible for considering financial and ESG criteria according our proprietary ESG grid

- Identify companies that could present **ESG-related risks** based on initial ESG assessment and submit cases to the ESG Committee when necessary
- Systematically vote at shareholders meetings (equity investments)
- Review ESG assessments during **annual reporting campaign**
- Conduct **carbon footprint analysis** for major open-ended funds
- Publish **results of ESG and climate analysis** for each fund in our Tikehau Capital 2019 Universal Registration Document 

The LuxFlag ESG label

Reflecting our commitment to Responsible Investing, **all our major open-ended Capital Markets Strategies funds obtained the LuxFlag ESG label.**



Supporting sustainable finance, this independent, international non-profit association was created in Luxembourg in July 2006 by seven private and public founding partners.

2019 at a glance

100%
of analysts responsible
for conducting
financial and ESG assessments

194
deals assessed in 2019

and **all**
included an ESG score

Capital Markets Strategies

Carbon footprint assessment of our main open-ended funds

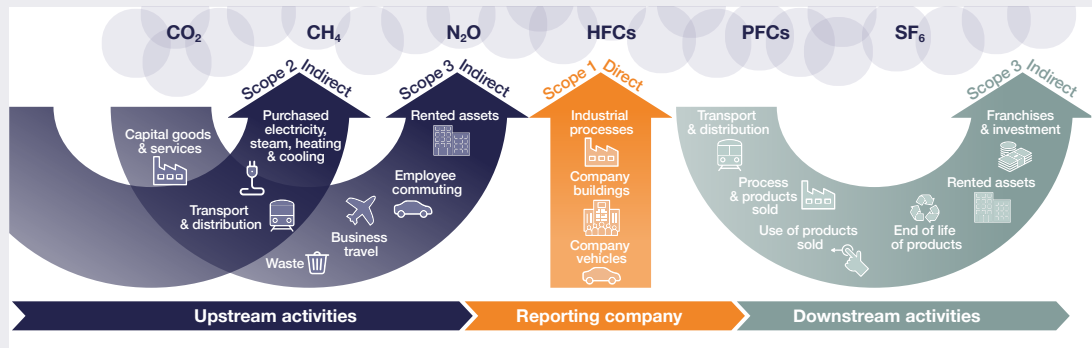
Carbon footprint analysis is an essential tool for measuring the environmental impact of an investment. This approach helps us estimate the amount of greenhouse gases (GHG) or carbon emissions, in tonnes of CO₂ equivalent (tCO₂e), produced by a company or fund.

In 2019, we mandated environmental footprint expert **S&P Trucost Limited** (Trucost) to carry out carbon assessments of our main liquid funds as at 31 December 2019 across different scopes:

SCOPE 1:
Greenhouse gases directly emitted by the company from fixed or mobile facilities

SCOPE 2:
Indirect emissions related to the energy consumed to produce goods and services

SCOPE 3:
Other indirect emissions taking place up or downstream in the value chain



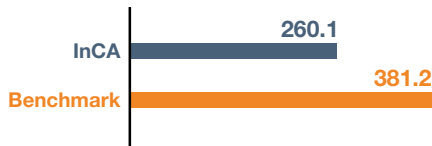
In line with Task Force on Climate-related Financial Disclosures (“TCFD”) recommendations, we use three indicators to calculate the carbon footprint of our funds:

- 1. Relative Carbon Footprint (or Carbon-to-Value ratio):** allocated carbon footprint per € million invested that captures the absolute impact of the portfolio per € million invested
- 2. Carbon Intensity (or Carbon-to-Revenue ratio):** allocated carbon footprint per € million revenues held (total carbon emissions divided by total revenues), to determine the portfolio’s efficiency
- 3. Weighted Average Carbon Intensity:** arithmetical average carbon intensities of portfolio companies weighted by portfolio weights to assess exposure of high-emission companies

Tikehau Income Cross Assets fund (InCA)

According to the weighted average carbon intensity method, InCA – the largest liquid equity fund in our Capital Markets Strategies business line – **performed well above the benchmark** as at 31 December 2019. This is due to sector exposure and allocation choices relating to our fundamental-analysis approach.

Weighted Average Carbon Intensity (tCO₂e)



Date

As at 31.12.2019

Benchmark

InCA benchmark comprises 50% S&P 500 and 50% S&P 350 Europe and was created with S&P Trucost for the sole purpose of comparing the fund’s carbon footprint with relevant indices.

Coverage

InCA: 99.96%

Benchmark: 99.41%

Capital Markets Strategies

2°C alignment

We also worked with Trucost to **conduct an advanced climate assessment of the largest funds in our Capital Market Strategies business line** (InCA and TTV).

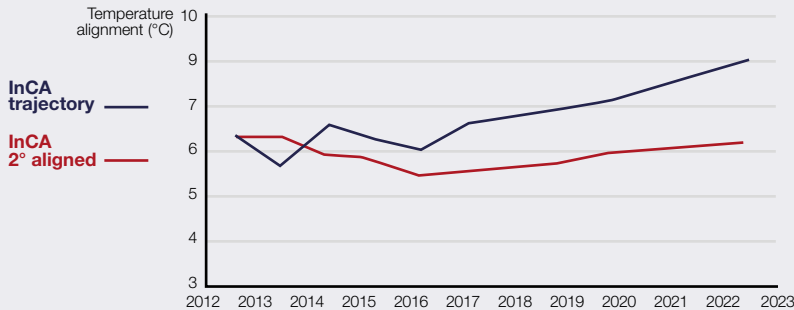
How does it work?

Trucost's Transition Pathway Assessment enables investors to track their portfolios against the goal of limiting global warming to 2°C above pre-industrial levels. The assessment examines the adequacy of emission reductions made by investees compared to 2°C targets.

InCA's Paris Alignment

According to the assessment, InCA's portfolio temperature trajectory is slightly above **the 2°C scenario** over the 2019-2023 timeframe. This is mainly the result of the methodology adopted by Trucost in terms of location-based carbon emissions. The companies' market-based efforts – such as matching local energy consumption with purchase of 100% renewable energy or carbon offsets – are not considered in this approach.

Emission trajectory vs. 2° aligned levels. 2012-2023



Date: InCA Portfolio as at 31.12.2019.
InCA coverage: 75.74%

Climate risk assessment

The TCFD recommends pushing for greater transparency on climate-related risks and opportunities. To achieve this, Trucost helped us **conduct physical risk assessments to determine the exposure of our largest portfolios**.

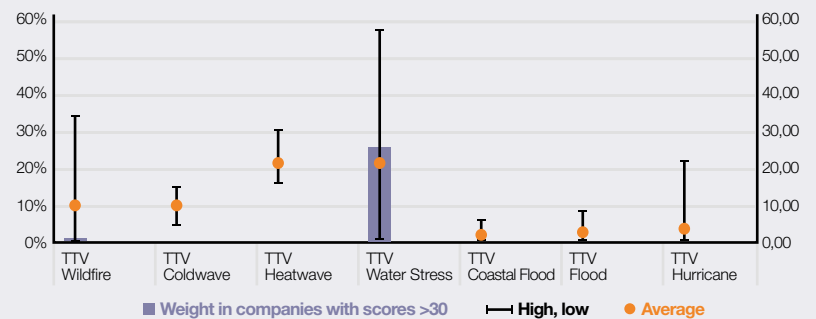
How does it work?

Trucost uses its physical risk assessment framework and dataset to link over 500,000+ built assets to 15,000+ companies in Trucost's CorePlus universe. Assets are scored from 1-100 on their exposure and sensitivity to seven key hazard types – water stress, wildfire, flood, heatwave, coldwave, hurricane, and coastal flood. Assessments are made across three climate change scenarios (high, moderate and low) and three future reference years (2020 or other base year, 2030 and 2050).

TTV physical risk exposure

Our TTV portfolio is mainly exposed to water stress, wildfire and heatwaves. Companies in two main sectors, financials and real estate, are highly exposed to water-stress risks.

Portfolio exposure to high risk companies & raw score range by risk type



Date: TTV Portfolio as at 31.12.2019.
TTV coverage: 73.66%

Real Estate

Combining high returns, energy efficiency and urban renewal

Drawing on years of expertise and experience, our Real Estate team focuses on selecting commercial property assets with strong returns. Given the increasingly interconnected nature of ESG and financial criteria, this also means investments that are energy efficient and have a positive environmental impact.

In 2019, the Tikehau IM Real Estate Opportunity continued to support renewal programmes focused on redeveloping well situated assets and helping to revitalise urban areas. Sofidy developed an ESG scorecard and is implementing energy efficiency solutions across its office buildings portfolio and IREIT developed sustainability targets.

Our real estate investments at a glance

	 Tikehau IM real estate funds	 Sofidy real estate funds	 IREIT Global*
Responsible real estate investment charter	yes	yes	yes
Sustainability clause in standard lease agreements	yes	yes	yes
Action plan to reduce energy consumption for large commercial properties (1,000m ²)	Started in partnership with Catella	Started in partnership with GreenSoluce	Started in partnership with MVGM and Catella

* Listed real estate company in Singapore managed by Tikehau Capital.

We also actively contribute to ESG initiatives. For example, in 2019, Sofidy participated in the ASPIM's discussion on developing an SRI label for the real estate industry.

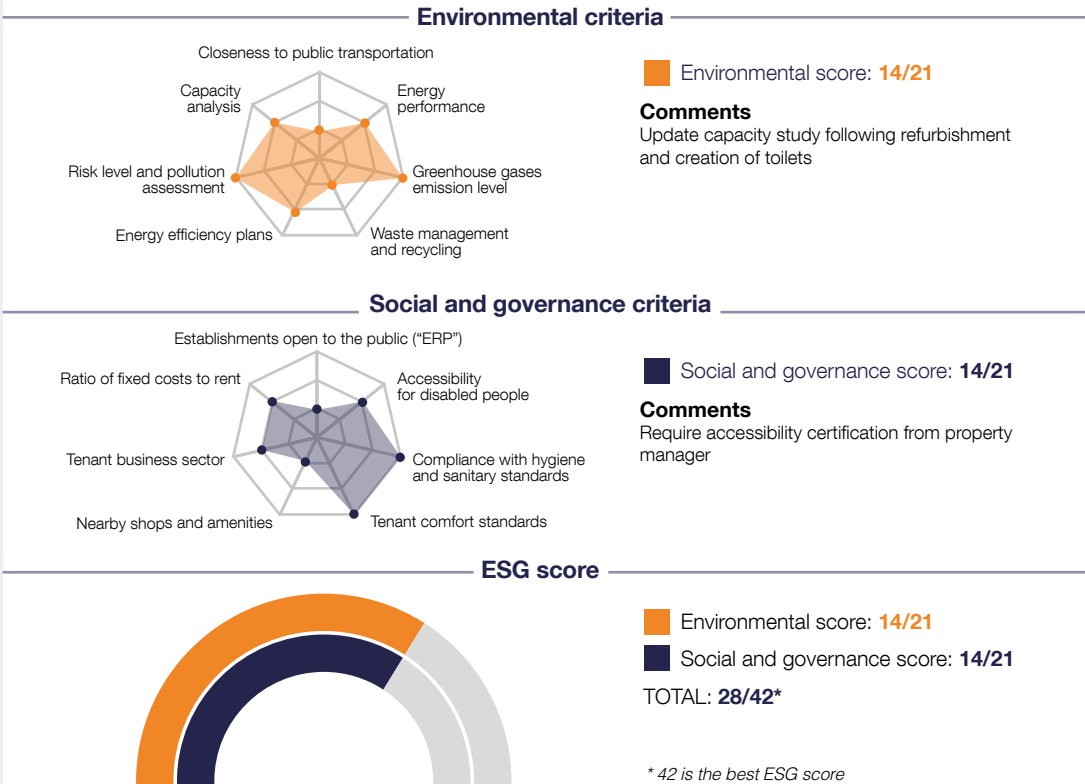
—ASPIM

Real Estate

Monitoring ESG performance

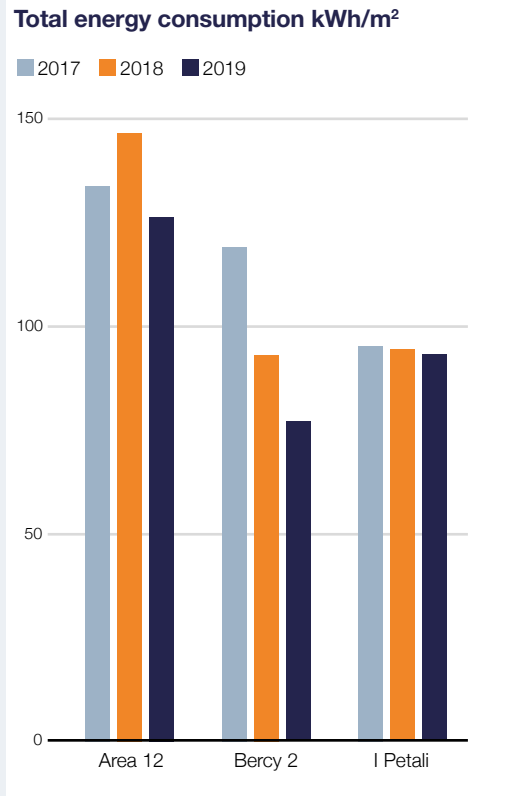
To prepare an inventory and identify areas for improvement and extra-financial monitoring, Sofidy developed its **own ESG analysis grid** this year. Throughout the life of investments, Sofidy continues to encourage property managers to **disclose ESG related information**.

Example of ESG assessment



Committing to energy efficiency

Throughout the lifecycle of our assets, we aim to **monitor and optimise energy consumption**, as shown in this graph featuring 3 commercial centres across our Tikehau IM real estate funds.



Real Estate

Through the Tikehau Real Estate Opportunity (TREO) 2018 fund*, we transform obsolete assets into next-generation buildings that are more environmentally friendly and help revitalize urban areas.

Sustainable project development in Charenton-Bercy (France)

We joined forces with Bouygues Immobilier (Urbanera) through the TREO 2018 fund to develop the Charenton-Bercy urban site renewal programme. Based on a collaborative approach, this ambitious project seeks to drive the creation of Greater Paris (le *Grand Paris*), while embracing sustainable and inclusive urban development.



Sustainable neighborhood

Build a low-carbon neighbourhood: recycled construction materials, smart grid, resilient, eco-friendly tower and 100% certified buildings.

Virtual universe hub

Create an economic hub contributing to digital development and innovation e.g. medical imagery, 3D animation, video games. Potential for over 15,000 jobs.

Inclusive and diverse community

Close the urban gap by developing transport facilities and green areas. Fully integrate the neighbourhood into the metropolis (Greater Paris).

Urban regeneration in action in Maidenhead (UK)

In the UK, we have teamed up with urban regeneration specialist Areli Real Estate. With the aim of delivering intelligent, long-term placemaking solutions in partnership with local authorities and communities, we acquired the Nicolson's Centre in Maidenhead and the Walnuts Shopping Centre in Orpington in 2019.

In March 2019, Areli launched a public consultation exercise with support from JTP architects and urban designers and more than 500 Maidenhead residents took part to the community planning events.



* TREO 2018 is exclusively reserved for professional investors.



Appendix 1 – GRI CONTENT INDEX

The following table cross-references information relating to Global Reporting Initiative (“GRI”) Standards with information published in this report (Sustainability Report 2019 abbreviated as “SR”), as well as in the Tikehau Capital 2019 Universal Registration Document (“URD”) and the Group’s website. Material topics were identified using our materiality assessment process (see [URD](#), p. 174). All topics identified pertain directly to Tikehau Capital SCA and our affiliates.

GRI DISCLOSURE NUMBER	DESCRIPTION	REFERENCE	COMMENT
GENERAL DISCLOSURES			
ORGANIZATIONAL PROFILE			
102-1	Name of the organization	URD p. 02, 20, 26	
102-2	Activities, brands, products and services	SR p. 05 URD p. 04-05, 10-11, 20, 26	
102-3	Location of headquarters	URD back cover	
102-4	Location of operations	SR p. 06 URD p. 31 tikehaucapital.com/en/our-group/our-offices	
102-5	Ownership and legal form	URD p.100 tikehaucapital.com/en/site-services/legal-notice	
102-6	Markets served	URD p.04	
102-7	Scale of the organization	URD p.04, 06-07	
102-8	Information on employees and other workers	URD p.04, 07,194-199	
102-9	Supply chain	URD p.199-200 Group Responsible Purchasing Charter	A responsible purchasing policy is key to mitigate a large number of noncompliance, risks, reputational risks and supply chain risks. Promoting such policies is key, specially for our portfolio companies operating in industries such as manufacturing, agri-food, textile or pharmaceutical, with an internal requirement level similar to that of its investments, the Group wishes to adopt a stringent policy based on high standards.
102-10	Significant changes to the organization and its supply chain	-	No significant changes took place during the reporting period
102-11	Precautionary Principle or approach	URD p.84, 104-118	
102-12	External initiatives	SR p. 06, 10 URD p. 183, 192	Tikehau Capital has launched partnerships to encourage the recruitment of new employees. Through the TKO University Coverage Project, Tikehau Capital employees regularly present the Group’s approach at leading universities such as EDHEC or HEC in France. In addition, the Group has a partnership with the French “Institut de l’engagement” which aims at identifying outstanding disadvantaged students with an active engagement towards civil society.
102-13	Membership of associations	SR p. 06 URD p. 192	Industry associations: <ul style="list-style-type: none"> • AFEP (Association française des entreprises privées / French Association of Large Companies) • AFG (Association Française de la Gestion financière / French Asset Management Association) • AIMA (Alternative Investment Management Association) • ELFA (European Leveraged Finance Association) • France Invest • UN PRI (Principles for Responsible Investment)
STRATEGY			
102-14	Statement from senior decision-maker	SR p. 04 URD p. 03	

Appendix 1 – GRI CONTENT INDEX

GRI DISCLOSURE NUMBER	DESCRIPTION	REFERENCE	COMMENT
ETHICS AND INTEGRITY			
102-16	Values, principles, standards and norms of behavior	Tikehau Capital Responsible Investment Charter	
GOVERNANCE			
102-18	Governance structure	URD p.122-126	To note that the Supervisory Board comprises 50% of independent members and 40% of women.
STAKEHOLDER ENGAGEMENT			
102-40	List of stakeholder groups	URD p.32, 174	The groups stakeholder's comprise employees, investors clients (shareholders, fund investors and potential investors), investee companies, suppliers, communities, regulatory bodies as well as financial analysts, rating agencies and media.
102-41	Collective bargaining agreements	URD p.199	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. Tikehau Capital facilitates the exercise of freedom of association and collective bargaining. The Group promotes social dialogue notably through Social and Economic Councils ("Comité Social et Economique" or "CSE") in place at three of its most significant French affiliates. Moreover, circa 50% of the Group employees are covered by collective agreements in France, Italy and Spain.
102-42	Identifying and selecting stakeholders	URD p.174	The first step of Tikehau Capital ESG materiality matrix assessment was to identify key stakeholders.
102-43	Approach to stakeholder engagement	URD p.192	The Company intends to meet a high level of transparency concerning its own activities and regularly communicates to its stakeholders. Tikehau Capital Communication and Investor Relations teams have day-to-day responsibility for communications with key stakeholders. The Legal corporate team also ensures that the Group meets relevant disclosure obligations.
102-44	Key topics and concerns raised	URD p. 84-101, 174	
REPORTING PRACTICE			
102-45	Entities included in the consolidated financial statements	URD p.34-35	
102-46	Defining report content and topic boundaries	SR p. 11	This Sustainability report focuses on responsible investing in line with Article 173 (VI) of the French Energy Transition for Green Growth Act ("LTECV") (codified in Article L.533-22-1 of the French Monetary and Financial Code) which considers ESG issues and those pertaining to climate change. This reports also tends to incorporate the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD"). For more details on Tikehau Capital CSR approach, please consult the consolidated Statement of non-financial performance of Tikehau Capital SCA presented in its 2019 URD .
102-47	List of material topics	SR p. 07-12	
102-48	Restatements of information	-	No significant restatements compared to the previous reporting period.
102-49	Changes in reporting	-	There have been no significant changes from previous reporting periods in the material topics we are reporting on.
102-50	Reporting period	SR cover	Calendar year 2019
102-51	Date of most recent report	SR cover	
102-52	Reporting cycle	Annual	
102-53	Contact point for questions regarding the report	SR last page	
102-54	Claims of reporting in accordance with the GRI Standards		GRI Standards were selected to report specific information.
102-55	GRI content index	-	The GRI content index is in accordance with the GRI Standards.
102-56	External assurance	URD p. 205-206	At this time, Tikehau Capital does not seek external assurance for its sustainability Report. The Statement of non-financial performance of Tikehau Capital SCA presented in its 2019 URD has been audited in accordance with ISAE 3000.

Appendix 1 – GRI CONTENT INDEX

GRI DISCLOSURE NUMBER	DESCRIPTION	REFERENCE	COMMENT
MATERIAL TOPICS			
ECONOMIC PERFORMANCE			
201-1	Direct economic value generated and distributed.	URD p.20-30	
201-2	Financial implications and other risks and opportunities due to climate change	URD p.189-190	Tikehau Capital launched pilot climate-risk assessments at portfolio level. An in-depth climate risks assessment at Group level has not been conducted yet.
ANTI-CORRUPTION AND RESPONSIBLE BUSINESS PRACTICES			
205-2	Communication and training about anti-corruption policies and procedures	URD p.192	<p>Tikehau Capital is subject to a strict regulatory framework regarding anti-money laundering. Asset managers and investment service providers are required to report to an anti-money laundering unit under the authority of the French Minister of the Economy, Tracfin (the acronym translates as "Intelligence Processing and Action Against Circuits of Illegal Financing"), any amounts recorded in their accounts that they suspect may derive from drug trafficking or organised crime, any unusual transactions exceeding certain amounts and all amounts and transactions that they suspect to be the result of an offence punishable by a term of imprisonment for one year or which may contribute to the financing of terrorism.</p> <p>In addition, the Group deploys internal strategies aiming at reinforcing its anti-money laundering approach. Since July 2011, Tikehau Capital has incorporated the principles included in the "UK Bribery Act", which seeks at fighting against corruption and is applied internationally, in its various compliance manuals. In 2019, the professional code of ethics reinforced these principles, reminding people that Tikehau Capital is fully committed to managing its development in accordance with the highest anti-corruption standards at an international level. It takes into account the regulatory framework dictated by the Law Sapin II.</p> <p>A Code of Conduct relative to the Prevention of Corruption and Influence Peddling was finalized in Q2 2020. The employees of each of the Group's entities are especially aware of the risks of non-compliance of all kinds and of corruption.</p>
EMISSIONS			
305-1	Direct (Scope 1) GHG emissions	URD p.193	
305-2	Energy indirect (Scope 2) GHG emissions	URD p.193	
305-3	Other indirect (Scope 3) GHG emissions	URD p.193	
305-5	Reduction of GHG emissions	SR p.9 URD p.193-194	<p>For the Group operations, Tikehau Capital discloses its carbon footprint in terms of carbon emissions per capita (scope 1-2 + business trips per employee). To note that the carbon intensity trend shows an increase between 2017 and 2019 (4 tCO2e per employee). The Group is committed to reducing its environmental impacts where possible (development of low carbon mobility policy, select efficient buildings, responsible purchasing policy at the levels of goods & services). In 2019, the Group committed to offset 100% of its carbon emissions. In addition, for its investment activities, the Group deploys best efforts to measure the greenhouse gas emissions of its portfolios. To that extent, the Group measures and publicly discloses the carbon footprint of its open-ended funds on an annual basis. In addition, the Group is committed to support 100% of the portfolio companies in flagship private equity funds to conduct a carbon footprint assessment and define emissions reduction plans where possible.</p>
ENVIRONMENTAL COMPLIANCE			
307-1	Non-compliance with environmental laws - and regulations		During the reporting period, no instances of non compliance with environmental laws or regulations resulting in fines or non-monetary sanctions from competent authorities were identified.
HUMAN CAPITAL MANAGEMENT			
401-1	New employee hires and employee turnover	URD p.194-197	<p>Tikehau Capital has a Human Capital Department at Group level. The Head of HR directly reports to Tikehau Capital co-founders and representatives of the Manager.</p> <p>The Human Capital team is responsible for calculating the Group turnover based on the number of leaves in 12-month rolling period divided by the average workforce number during the year.</p> <p>2019 Group turnover: 12.4%</p>
TRAINING AND EDUCATION			
404-2	Programs for upgrading employee skills and transition assistance programs	URD p.197-198	<p>The talent management and retention policy involves a range of complementary initiatives: ongoing dialogue concerning career development, training, mobility opportunities, as well as attractive compensation packages and benefits enabling employees to plan for the future.</p> <p>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.</p>

Appendix 1 – GRI CONTENT INDEX

GRI DISCLOSURE NUMBER	DESCRIPTION	REFERENCE	COMMENT
MATERIAL TOPICS			
TRAINING AND EDUCATION			
404-3	Percentage of employees receiving regular performance and career development reviews	URD p. 197	<p>The firm has deployed multiple initiatives aiming at retaining talents. Please find some examples below:</p> <ul style="list-style-type: none"> • Employee shareholding (62% of the Group's employees are shareholders) • Remote working (for all employees with more than one year at the Group) • Sports programmes (organisation of sports events, access to gyms at reduced prices for employees, etc.) • Profit sharing scheme beyond legal requirements (French intéressement see Appendix 2.11) • Flexible work schedules in specific conditions. Tikehau Capital supports 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.
DIVERSITY AND EQUAL OPPORTUNITY			
405-1	Diversity of governance bodies and employees	URD p.125, 156, 195	<p>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.</p> <p>Nationalities among the workforce: 25 Percentage of women in permanent staff: 44% Percentage of women on the executive teams: 36% Proportion of women on investment teams: 22% Percentage of women on the Supervisory Board: 40%</p> <p>Tikehau Capital is a signatory of the Diversity Charter of France Invest, the leading Private Equity association in France. The charter comprises 30 commitments including commitments to increase the alignment of salaries, variable pay and carried interest for woman and men or implementing family friendly policies.</p> <p>The Group has measured gender pay gaps and is proactively working to reduce these gaps across the organisation.</p>
NON-DISCRIMINATION			
406-1	Incidents of discrimination and corrective actions taken	Diversity policy at Tikehau capital board level	<p>During the reporting period, no incident discrimination was recorded.</p> <p>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.</p> <p>In addition, the Tikehau Capital Supervisory Board has adopted a diversity policy that is public.</p>
MARKETING AND LABELING			
417-3	Incidents of non-compliance concerning marketing communications.	URD p.193	<p>The Group has articulated a responsible marketing approach that is incorporated into its compliance manuals. The Group works hard to communicate accurate, clear information that does not mislead investor-clients. The Compliance Department checks all presentations that are prepared with the purpose of promoting the Group, the Company or its funds. The financial and non-financial reports undergo an internal revision process and, in some cases, are subject to independent third-party verification.</p>
CUSTOMER PRIVACY			
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data.	-	<p>During the reporting period, no substantiated complaints regarding breaches of customer privacy and losses of customer data were identified.</p>
SOCIOECONOMIC COMPLIANCE			
419-1	Non-compliance with laws and regulations in the social and economic area.	-	<p>During the reporting period, no incident of non-compliance with laws and regulations concerning social and economic area resulting in fines or legal action.</p>
PRODUCT PORTFOLIO			
FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	SR p. 08 URD p. 68	<p>T2 Energy Transition fund represented €510m of assets under management as at 31.12.2019.</p>
ACTIVE OWNERSHIP			
FS10	Percentage and number of companies held in the institution's portfolio with which the reporting organisation has interacted on environmental or social issues	SR p24-25	<p>For 2020, the Group ESG Committee has set a target to invite 100% companies in flagship funds to perform a carbon footprint (if not already the case), to measure the gender pay gap annually (if not already the case) and more generally to discuss their sustainability roadmap. At the level of the operations, objectives regarding climate action, reduced inequalities, gender equality and good governance have been set.</p>

Appendix 2 – SASB CONTENT INDEX

The following table cross-references information relating to the Sustainability Accounting Standard Board (SASB), and in particular Asset Management & Custody Activities disclosure guidelines, with information published in this report (Sustainability Report 2019 abbreviated as “SR”), as well as in the Tikehau Capital 2019 Universal Registration Document (“URD”) and the Group’s website.

SASB CODE	DESCRIPTION	REFERENCE	COMMENT
TRANSPARENT INFORMATION & FAIR ADVICE FOR CUSTOMERS			
FN-AC-270a.1	(1) Number and (2) percentage of covered employees* with a record of investment-related investigations, consumer-initiated complaints, private civil litigations, or other regulatory proceedings	0	Tikehau Capital Stock Market Professional Code 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.
FN-AC-270a.2	Total amount of monetary losses as a result of legal proceedings associated with marketing and communication of financial product related information to new and returning customers	0	During the reporting period, no incident of non-compliance with financial industry laws or regulations.
FN-AC-270a.3	Description of approach to informing customers about products and services	SR p. 11 URD p. 31; 191	The Group has articulated a responsible marketing approach that is incorporated into its compliance manuals. The Group works hard to communicate accurate, clear information that does not mislead investor-clients. The Compliance Department checks all presentations that are prepared with the purpose of promoting the Group, the Company or its funds. The financial and non-financial reports undergo an internal revision process and, in some cases, are subject to independent third-party verification. The Group provides relevant information on the investment strategy and risk profile for each investment product. Such disclosure is included both in the Group’s website (for open-ended funds) and in the legal documents communicated to investors (for all funds). All the hierarchical levels of the organisations are involved in responsible product offering. To that extent, a dedicated chapter is included in the Compliance Manual for each investment platform.
EMPLOYEE DIVERSITY & INCLUSION			
FN-AC-330a.1	Percentage of gender and racial/ethnic group representation for (1) executive management, (2) non-executive management, (3) professionals, and (4) all other employees	SR p.10 URD p. 196	At year-end, the Group employees represented more than 25 nationalities. More detailed racial/ethnic statistics are not allowed in France. 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, to promote gender equality. Special attention is paid to the recruitment of trainees so that more women are welcomed into the teams, and to the development of women’s careers, with measures such as wage increases and possible promotions on return from maternity leaves.
INCORPORATION OF ENVIRONMENTAL, SOCIAL, AND GOVERNANCE FACTORS IN INVESTMENT MANAGEMENT & ADVISORY			
FN-AC-410a.1	Amount of assets under management, by asset class, that employ (1) integration of environmental, social, and governance (ESG) issues, (2) sustainability themed investing, and (3) screening	SR p.23	100% of the Group’s strategies are covered by the Responsible investing policy. A tailored approach was designed for each of the business lines considering the specificities of each asset class.
FN-AC-410a.2	Description of approach to incorporation of environmental, social, and governance (ESG) factors in investment and/or wealth management processes and strategies	SR p.14-37 URD p. 178-191	The Group’s responsible investing policy covers the full spectrum of responsible investment through four pillars ranging from exclusions to the development of sustainability-themed products. While ESG integration is the backbone of the Group’s responsible investing strategy, engagement is held on an <i>ad hoc</i> basis with a view to helping the portfolio companies improve.

* SASB defines “covered employees” as employees subject to filing forms with the Central Registration Depository (CRD) of the Financial Industry Regulatory Authority (FINRA) or with the Investment Adviser Registration Depository (IARD) of the U.S. Securities and Exchange Commission (SEC). Tikehau Capital Group affiliates also report to other regulators such as the French Autorité des Marchés Financiers (AMF), the UK Financial Conduct Authority (FCA) or the Monetary Authority of Singapore (MAS).

Appendix 2 – SASB CONTENT INDEX

SASB CODE	DESCRIPTION	REFERENCE	COMMENT
INCORPORATION OF ENVIRONMENTAL, SOCIAL, AND GOVERNANCE FACTORS IN INVESTMENT MANAGEMENT & ADVISORY			
FN-AC-410a.3	Description of proxy voting and investee engagement policies and procedures	SR p.14-37 Tikehau Capital Engagement and voting policy	Tikehau Capital has pledged to vote at shareholder meetings of all companies held in funds (fund of funds excluded) regardless of the nationality of issuing companies, as long as the issuer provides sufficient information and as long as its custodians are able to take its votes into account. Depending on the proximity with the management of the portfolio companies, the Group deploys tailored engagement campaigns. See examples in Private Debt and Private Equity activities in this document.
BUSINESS ETHICS			
FN-AC-510a.1	Total amount of monetary losses as a result of legal proceedings associated with fraud, insider trading, anti-trust, anti-competitive behavior, market manipulation, malpractice, or other related financial industry laws or regulations	URD p. 191-193	During the reporting period, no incident of non-compliance with financial industry laws or regulations.
FN-AC-510a.2	Description of whistleblower policies and procedures	URD p. 192-193	Compliance with ethical principles is a fundamental pillar of the Group's investment and Asset Management activities and a key element for its reputation. In all of its actions, Tikehau Capital is committed to complying with rules of conduct with respect to all its stakeholders and in the way it conducts its business. These rules of conduct are laid down in the Group's Code of Ethics. One of the essential principles is combating behaviours or practices that run counter to business ethics, such as corruption or influence peddling. Moreover, a whistleblowing system has been implemented and the data gathered in 2019 did not reveal any material problems.
SYSTEMIC RISK MANAGEMENT			
FN-AC-550a.1	Percentage of open-end fund assets under management by category of liquidity classification		At 31.12.2019, open-end fund assets under management (AUM of €3.8bn) can be classified as follows: (1) 66% of highly liquid investments (one day or less) (2) 33% moderately liquid investments (more than one day or less than seven days), (3) <1% less liquid investments (more than 7 days and less than 31 days), and (4) <1% of illiquid investments (above 31 days)
FN-AC-550a.2	Description of approach to incorporation of liquidity risk management programs into portfolio strategy and redemption	URD p. 95; p.108-111; p.267	Tikehau Capital manages its liquidity risk by maintaining a store of available cash and liquid investments (the current portfolio) that is sufficient for covering its current debts.
FN-AC-550a.3	Total exposure to securities financing transactions	-	Tikehau Capital did not have any exposure to securities financing transactions as of year-end 2019.
FN-AC-550a.4	Net exposure to written credit derivatives	URD p. 41-54	Through its fixed income activities, and namely through its funds Tikehau Credit Plus (€537m as at year-end) and Tikehau Subfin Fund (€175m as at year-end), the Group could have a limited exposure to credit derivatives. As of year-end 2019, Tikehau Capital had no exposure (long or short) through credit derivatives.
ACTIVITY METRICS			
FN-AC-000.A	(1) Total registered* and (2) total unregistered assets under management (AUM)		As of year-end 2019 Total registered AUM: €23.623m Total unregistered AUM: €12m
FN-AC-000.B	Total assets under custody and supervision		Not applicable as at 31.12.2019

* Registered AUM include those subject to the regulations of the Investment Company Act of 1940 (1940 Act), such as mutual funds, managed under the Employee Retirement Income Security Act of 1974 (ERISA), subject to the Undertakings for Collective Investment in Transferable Securities (UCITS) Directive, or managed under the Commodity Futures Trading Commission's (CFTC's) Commodity Pool Operator (CPO) regulations.



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