

Tikehau Investment Management

Article 29 of the French Energy-Climate Law Report

Reference year: 2023

This report complies with the provisions of Article 4 of Regulation (EU) 2019/2088 on sustainability reporting in the financial services sector (SFDR) as well as with the provisions of Implementing Decree No. 2021-663 of May 27, 2021, of Article 29 of the French Energy-Climate Law.

The information in this report relates to Tikehau Investment Management - LEI: 9695008ZSNJ7URJK4A27

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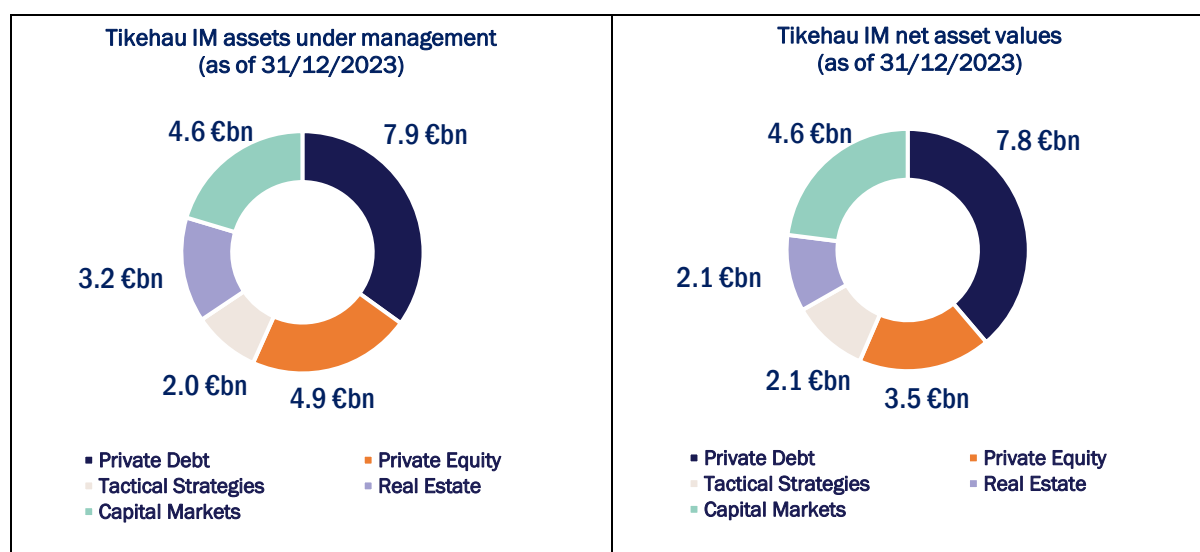
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I. INTRODUCTION

Created by Tikehau Capital (or "the Group") at the end of 2006, Tikehau Investment Management ("Tikehau IM", LEI: 9695008ZSNJ7URJK4A27) is Tikehau Capital's main platform dedicated to asset management. Tikehau IM is approved by the AMF (Autorité des Marchés Financiers) as a portfolio management company since January 2007 (under the number GP-07000006). Tikehau IM has become, in France, one of the reference players in specialized investment on the European debt markets, covering all products of this asset class. Through its different investment strategies, Tikehau IM offers a wide range of products, in various formats and at all levels of the capital structure. As of December 31, 2023, Tikehau IM assets under management¹ amounted and net assets values² amounted to €22.6 billion³ and €20.3 billion respectively, across private debt, private equity, capital markets strategies (fixed income/diversified management and equities), real assets as well as multi-asset and special opportunities strategies (tactical strategies).



Private Debt – Tikehau IM is one of the pioneers of Private Debt transactions in Europe and France. Tikehau IM's Private Debt teams are involved in debt financing transactions (senior debt, unitranche, mezzanine, etc.) for a size between €3 million and €300 million, as arranger or financier.

Private Equity – Tikehau IM invests in the equity capital (equity and hybrid instruments giving access to equity) of primarily non-listed companies.

Real Estate – Tikehau IM's Real Assets activity focuses on office, retail, warehouse, residential, and hotel or leisure/recreational properties, targeting both yield-generating opportunities and potential capital gains on resale.

¹ Assets under management – Depending on the different strategies, assets under management correspond mainly:

- for the Capital Markets Strategies activity: to the net assets of the funds (the net asset value of each type of fund unit being multiplied by the number of units outstanding);
- for the Private Debt activity: to the commitments of subscribers and target expected leverage for certain leveraged funds or the net asset value plus uncalled commitments during the periods of fundraising and investment, (ii) to the higher of the net asset value of the funds or gross asset value for certain leveraged funds and the basis for determining management fees once the investment period has ended, (iii) to the assets of CLO vehicles (including cash), (iv) to subscribers' commitments less commitments allocated to other strategies and (v) to the capital outstanding for crowdfunding platforms;
- for the Real Assets activity: (i) during fundraising and investment periods, to the available appraisal value of the assets held by the funds (or, failing that, to the acquisition cost of the assets) plus uncalled commitments, cash and the fund's other assets, if any, or to the revalued net asset plus uncalled commitments and, once the investment period has ended, to the available appraisal value of the assets held by the funds (or, failing that, to the acquisition cost of the assets); but also (ii) to the commitments of subscribers called up or not called during the investment period and, once the investment period is over, to the capital invested by the funds;
- for the Private Equity activity: (i) during the fundraising then investment periods, to subscriber commitments or to called revalued commitments plus uncalled subscriber commitments, and (ii) once the investment period has ended, generally to the net value of the fund assets.

² Net asset value (NAV) is defined as the value of a fund's assets minus the value of its liabilities.

³ Including commitments of subscribers called up or not called.

Capital Markets Strategies – This business line comprises two activities: fixed-income management and diversified and equities management.

Tactical Strategies – This activity comprises multi-asset and special opportunities strategies across private and liquid credits, real estate and private equity, therefore strongly resonating within each of the Group's business units.

The present statement has been prepared in accordance with the provision of Article 29 of the French Energy-Climate Law which aims at (i) climate change and biodiversity related risks in the sustainability risk policy and (ii) the consideration of Environmental, Social and Governance (ESG) criteria in the investment strategy and on the means implemented to contribute to the energy and ecological transition.

II. INFORMATION ON THE ENTITY'S GENERAL APPROACH

a) Approach for taking account of ESG quality criteria in the investment policy and strategy

Tikehau Capital's Sustainable Investment Charter is fully applicable to Tikehau IM and available [here](#). This charter covers the full spectrum of responsible investment through four pillars ranging from exclusions to product development on the theme of sustainable development. ESG integration is the backbone of the Group's Sustainable Investing strategy and engagement is held on an *ad hoc* basis with a view to helping the portfolio companies improve.

Informed by scientific reports from the IPCC, the IEA and the work carried out on planetary boundaries, Tikehau Capital has set up a sustainability-themed and impact investing platform to help speed up the necessary transitions. This platform focuses on four themes: (i) decarbonisation, (ii) nature & biodiversity, (iii) resilience & cybersecurity and (iv) resilient cities. Please see additional details presented in Tikehau Capital 2023 integrated report [here](#).

b) Content, frequency and means used to inform investors ESG criteria

As a listed company, Tikehau Capital publishes an annual extra-financial performance statement in its activity report as well as a sustainable development report that summarizes the key elements of the sustainable development approach of its main entities, including Tikehau IM.

The 2023 extra-financial performance statement is presented in the Sustainability chapter of Tikehau Capital's 2023 Universal Registration Document [here](#) including TCFD and SASB cross reference tables.

In addition, several Sustainability Policies, fully applicable to Tikehau IM, are available on Tikehau Capital website:

1. Sustainable Investing Charter ([see here](#))
2. Exclusion Policy ([see here](#))
3. Shareholder engagement and voting policy ([see here](#))
4. Code of Conduct ([see here](#))
5. Responsible Purchasing Charter ([see here](#))

At the level of certain Tikehau IM's funds, ESG and Climate reports are integrated into the periodic reports or published separately where relevant.

c) List of SFDR article 8 & 9 products

List of Tikehau IM SFDR Article 8 products as at 31.12.2023

Total Tikehau IM AUMs in SFDR Article 8 funds in €m	15,008
Sub-total Capital Markets Strategies	4,397
Tikehau Short Duration	1,993
Tikehau 2027	672
InCA	416
Tikehau SubFin Fund	374
Tikehau Court Terme	333
Tikehau Credit Plus	273
Tikehau 2025	183
Tikehau Equity Selection	62
Tikehau Impact Credit	36
Tikehau Entraid'Epargne Carac	29
TIKEHAU 2029	17
Tikehau European Sovereignty Fund	10
Sub-total Private Debt	6,142
Tikehau Direct Lending V	2,010
Tikehau Direct Lending IV	876
MACSF Invest	687
Novi 1	321
TDL VI	320
TDL 4L	319
TDL 5L	296
TIKEHAU DIRECT LENDING - 1st LIEN	189
Sogecap Dette Privée	174
SOFIPROTEOL DETTE PRIVEE II	172
TIKEHAU SPD III	150
Tikehau Novo 2018	145
CARAC FEF	128
Tikehau NOVO 2020	115
Tikehau Direct Lending VI 1st Lien	100
TDL V-EI	70
Tikehau Financement Decarbonation	50
Novo 2	19
Sub-total Tactical strategies	1,489
TSO III	669
Tikehau Special Opportunities II Master Fund	618
ATREC I	160
FAMEN	42
Sub-total Private Equity	2,020
AAP Plateforme	426
TIKEHAU GROWTH EQUITY II	385
AAP Support	308
Brienne 4	226
Brienne 3	225
Aerofund 3	184
Aerofundo IV	101
TGE III	67
AAP Side Car Cruzet	32
AAP SIDE CAR LMB	27
TIKEHAU WING	23
APP	16
Sub-total Real Assets	960
Fair Management Turai	331
TIKEHAU REAL ESTATE INVESTMENT COMPANY	245
TRE V France	172
Real Estate World Fund	155
TRE V Lux	58

List of Tikehau IM SFDR Article 9 products as at 31.12.2023⁴

Total Tikehau IM AUMs in SFDR Article 9 funds in €m	3,631
Sub-total Private Debt	446
Tikehau Impact Lending	346
Tikehau SDG Lending	100
Sub-total Private Equity	2,634
T2 ENERGY TRANSITION FUND	960
TDF 2 SLP	585
Regenerative Agriculture RAIF	257
Tikegis (Egis)	174
Regenerative Agriculture SLP	161
Tikehau Green Assets	95
Tikehau Amaren	83
March Logistic Services	76
T2 ELTIF	64
Tikehau Amaren 2	61
TDF 2 SCSp	40
Tikepark	29
TIKEHAU GREEN 1	25
T2 Energy Transition Co-invest	23
Tikegis II	4
Sub-total Real Assets	551
TREO 2	415
Tikehau Hospitality Berri SCSp	136

d) Taking account of ESG criteria in the decision-making process for the allocation of new management mandates

Where relevant for clients, Tikehau IM applies its sustainability by design approach including exclusions, ESG integration and engagement.

However, some clients may opt for SFDR article 6 funds. For such products, the group exclusion policy remains applicable. Please see more details [here](#).

e) Adherence to ESG charter(s), code(s), other ESG initiatives and labels

In 2014, Tikehau IM signed the [six Principles for Responsible Investment](#) (the 'UN PRI'). In 2017, Tikehau Capital replaced its subsidiaries as a signatory to the UN PRIs, which now apply to an expanded scope. In March 2021, the Group joined the global [Net Zero Asset Managers](#) (NZAM) initiative.

Tikehau Capital and/or Tikehau IM representatives play an active role in ESG and impact related working groups (e.g., France Invest, Finance for Tomorrow, One Planet Private Equity Funds (OPPEF) acting alongside the [One Planet Sovereign Wealth fund coalition](#) to promote increased transparency and action on ESG, climate and carbon data etc.).

Tikehau Capital also joined the [United Nations Global Compact](#) in February 2023.

As of 31 December 2023, 1 fund has obtained the French SRI Label, 1 fund has obtained the French Greenfin Label, 1 fund had obtained the Belgian Towards Sustainability Label⁵ and 6 funds have obtained the LuxFLAG ESG Label.

⁴ Excluding Tikehau Ace funds which was merged with Tikehau IM on 1st January 2023

⁵ At end June 2024, 6 additional funds had been awarded the LuxFlag ESG label.

III. INTERNAL RESOURCES DEDICATED TO ESG CRITERIA CONSIDERATION: DESCRIPTION OF THE DEDICATED FINANCIAL, HUMAN AND TECHNICAL RESOURCES

a) Description of financial, human, and technical resources devoted to ESG quality criteria in the investment strategy

A Director who is an expert in sustainable development is appointed in each business line and is supported by ESG analysts and apprentices, who work alongside the investment teams. As of 31 December 2023, the ESG team comprised 10 people (out of which 9 persons work mostly on Tikehau IM projects).

The ESG team oversees the integration of the ESG policy in all activities, and builds the capacities in ESG, impact, climate and biodiversity of the investment and management teams. However, the responsibility for ESG integration and engagement falls to the investment teams. As such, all investment analysts, managers, and directors are responsible for integrating the ESG criteria into the fundamental analysis of investment opportunities.

In 2022, operational ESG working groups for each of the Group's business lines have been set up to roll out the sustainability strategy with an annual roadmap. These working groups include business line managers and the ESG team and meet every quarter. In 2023, working groups on cross-functional issues (e.g. "compliance-legal-risks and ESG" or "ESG transformation and IT") were formed and meet every month. In 2023, 18 meetings were held.

Annual 2023 ESG Budget at the Tikehau IM level amounted to circa 450k€ excluding ESG spending paid directly by funds (e.g. ESG due diligence, carbon footprint, etc.).

b) Actions taken to strengthen entity's internal capabilities

Tikehau IM has set up actions of awareness and training to the stakes of the ESG analysis.

- Intervention of the ESG team during integration seminars (Tikehau University, team offsites, etc.).
- Training / raising awareness through climate collages (e.g., "Climate fresk", "Inventing our low carbon life").
- Dedicated trainings in case ESG tools are introduced or updated.
- Continuous trainings on case studies.

In 2023, 93% of employees at Tikehau Capital, Tikehau IM parent, received at least one external training course during the year.

Launched in December 2022, 'Tikehau Sustainability University' platform is dedicated to training programmes covering ESG topics. The course consists of e-learning modules focused initially on climate, biodiversity and ESG regulations and are mandatory.

IV. APPROACH TO TAKING ESG CRITERIA INTO ACCOUNT AT THE LEVEL OF GOVERNANCE OF THE ENTITY KNOWLEDGE, SKILLS, AND EXPERIENCE OF GOVERNANCE BODIES

a) Knowledge, skills, and experience of the governance boards in the decision-making to include ESG quality criteria

All levels of seniority from investment and operations teams to the Managers and the Supervisory Board representatives are involved in the roll-out of the ESG and Climate policies. The Supervisory Board of Tikehau Capital, Tikehau IM's parent company, regularly reviews the progress of the ESG and CSR strategy. Made of 3 independent members with expertise on ESG, governance and remuneration issues, the Governance and Sustainability Committee assists the supervisory board in monitoring ESG and CSR issues. For example, Fanny Picard is a graduate of ESSEC and SFAF with a master's degree in law and a former student at the Collège des Hautes Etudes de l'Environnement et du Développement Durable (Sustainable development). She founded and chairs the Alter Equity investment impact funds.

At the beginning of 2022, the Group's governance of sustainability issues was updated to give it a medium-term strategic push and set up operational working groups in each business line.

Composed of experienced Group employees (including one of the co-founders, representing the Managers), the Sustainability Strategy Orientation Committee sets the guidelines of the ESG, climate and biodiversity policy. It meets at least once a year.

Since 2021, a Deputy Chief Executive Officer at Group level is in charge of Group ESG/CSR.



b) Sustainability related risks integration into compensation policies

Since 2021, the remuneration policies of Tikehau IM account for the participation of employees in the relevant management company's ESG criteria policy which integrates sustainability risks, in accordance with SFDR provisions. Please [see here](#).

Non-financial criteria (ESG) are also considered in the variable remuneration of all employees. In 2023, 20% of variable remuneration was indexed to collective targets in terms of human resources and assets under management dedicated to climate and biodiversity.

c) Sustainability related risks integration into the supervisory board internal rules

The Supervisory Board of Tikehau Capital, Tikehau IM's parent, regularly reviews the progress of the ESG and CSR strategy. In 2022, a first internal training course was organised for Board members covering both climate science and climate change risks and opportunities.

The Supervisory Board relies particularly on its Governance and Sustainable Development Committee composed of three independent members, in charge of reviewing the integration of matters related to ESG (including climate and biodiversity-related risks and opportunities) and CSR into the Group's strategy and its implementation. In addition, an initial analysis of the Group's climate risks was included in the global mapping exercise of major risks and was presented to the Audit and Risk Committee and then to the Supervisory Board in December 2022. Lastly, in March 2024, the Governance and Sustainable Development and Audit and Risk Committees carried out a joint review of this statement of non-financial performance.

V. ISSUER ENGAGEMENT STRATEGY

a) Scope of companies concerned by the engagement strategy

Tikehau Capital has a [Shareholder Engagement and Voting policy](#) which applies to all equity investments managed by Tikehau IM.

Where relevant, Tikehau IM investment and ESG teams communicate with portfolio companies with a view to creating long-term value. The level and the quality of the engagement depends on the specificities of the asset class.

b) Overview of the voting policy

The [Shareholder Engagement and Voting policy](#) follows 4 general voting principles:

1. Fair treatment of all shareholders and long-term view: Tikehau Capital's preference is to have a capital structure with a single class of shares, in accordance with the principle of "one share, one vote". However, with a view to the long term or provided duly justified reasons can be given, it is not opposed to awarding dividend premiums or multiple voting rights to long-term shareholders as well as separate share classes providing special rights. In general, Tikehau Capital does not support the introduction of anti-takeover mechanisms. Tikehau Capital encourages stakeholder consultation during structuring operations.
2. Efficient governance of companies: Tikehau Capital has no preference between one-tier structures (board of directors) or two-tier structures (executive board and supervisory board). Tikehau Capital favours the separation of executive and supervisory powers. Where the positions of chairman and chief executive officer are held by the same person, the reasons behind this choice must be explained, and it is important that the board checks for the presence of sufficiently independent members and ensures proper oversight of executive powers.
3. Integrity of information: Accurate and transparent financial information is a pre-requisite. Financial information must be independently audited to the highest standards. ESG criteria allow an assessment of a company's intrinsic value and long-term economic performance. The information provided should address ESG topics and Tikehau Capital supports the production of certified annual reports covering non-financial information.
4. Pragmatic approach: Tikehau Capital adapts its criteria to each local context and company size. For example, the minimum percentage of independent directors required may depend on local rules. Beyond applicable regulations, the cultural or economic environment in which a company operates can be decisive for certain choices.

In 2024, the Engagement and voting policy was revised in order to detail the engagement section.

c) Review of the engagement strategy rolled out

Annual reports on the implementation of the shareholder engagement policy are published on Tikehau Capital's website [here](#).

d) Review of the voting policy

For Capital Markets Strategies equity funds, annual reports on the implementation of the shareholder engagement policy are published on Tikehau Capital's website since 2022. For 2023 onwards, reports will also include a voting report on private equity as well as information on Tikehau IM engagement approach in Capital Markets Strategies, private equity and private debt. Please see details [here](#) in Tikehau IM 2023 Engagement and voting report.

e) Decisions taken on the investment strategy

Tikehau Capital has defined an [Exclusion policy](#), fully applicable to Tikehau IM.

VI. INFORMATION ON EUROPEAN TAXONOMY AND FOSSIL FUELS

a) European Taxonomy aligned activities

As at 31 December 2023, none of the Private equity and Private debt companies met the Non-Financial Reporting Directive (NFRD) requirement: headquartered in Europe, large listed companies, banks and insurance companies ('public interest entities') with more than 500 employees. Moreover, at the Date of this Report only a handful of portfolio companies has voluntarily started an EU Taxonomy Assessment^[6].

As at 31 December 2023, less than 0.5% of Tikehau IM net assets (covering both investment in enterprises and real estate investments) were aligned to the EU Taxonomy based on revenues and CapEx.

This assessment of Taxonomy-alignment is based on the ISS data set for the Capital Market strategies, Taxonomy disclosures of private equity and private debt investee companies as required by reporting requirements Article 19a or Article 29a of Directive 2013/34/EU and Tikehau IM analysis for real estate assets.

		Private Debt	Private Equity	Capital Markets	Real Estate	Tactical Strategies
Share in Tikehau IM AUMs		34.9%	21.8%	20.4%	14.0%	8.9%
Share in Tikehau IM NAV		38.8%	17.7%	23.0%	10.2%	10.3%
Share of the asset manager's investments that are intended to finance taxonomy-aligned activities, or associated with such activities, as a proportion of its total investments	Based on revenues	NA	0.98% ⁶	0.21%	0.00%	NA
Weighted average value of all investments that are intended to finance or are associated with economic activities aligned with the taxonomy, relative to the total value of assets covered by the ICP, with the following weightings for investments in companies:	Based on CapEx	NA	NA	0.47%	1.58% ⁷	NA
Share of exposures to financial and non-financial companies not subject to Articles 19a and 29a of Directive 2013/34/EU, relative to total assets		100%	100%	20.6%	Not applicable ⁸	100%

Regarding the Private equity and private debt business lines, it should be noted that a large share of the portfolio companies will gradually fall in the scope of the Corporate Sustainability Reporting Directive (CSRD).

A webinar on CSRD was conducted in June 2024 to inform private companies of these new requirements including the EU taxonomy.

⁶ One investment in T2 energy Transition Fund has finalised its taxonomy assessment at the date of this Report. GreenYellow has assessed that as at 31.12.2023, 46% revenues are aligned with the EU Taxonomy, 80% of OPEX and 30% of CAPEX. Other portfolio companies such as EGLA has conducted an eligibility assessment (please see details in [EGLA 2023 annual report here Section 3.3. EU Taxonomy](#)) but have not yet communicated the alignment to the EU Taxonomy. As part of the engagement efforts, Tikehau IM supports, where relevant, its portfolio companies to reinforce the EU Taxonomy assessments

⁷ As at December 2023, the CAPEX spent in 2023 for one of the assets of Tikehau Real Estate Opportunity II representing circa 2.5€m are considered aligned with the EU Taxonomy, because they are part of a CAPEX plan that will allow the asset to be aligned with the Taxonomy post-renovation project.

Tikehau Capital considered that 100% of its real estate activities including management, renovation and construction of real estate assets were eligible. It is noted that some of its peers do not consider real estate asset management an eligible activity however, market practice doesn't exclude it either and

Details for the Capital Markets Strategies business line, based on ISS ESG data :

Share of the asset manager's investments that are intended to finance taxonomy-aligned activities, or associated with such activities, as a proportion of its total investments		Percentage
Weighted average value of all investments that are intended to finance or are associated with economic activities aligned with the taxonomy, relative to the total value of assets covered by the ICP, with the following weightings for investments in companies:	Based on revenues	0.21%
	Based on CapEx	0.47%

Complementary information on computation of numerator and denominator	
Share of exposures to financial and non-financial companies not subject to Articles 19a and 29a of Directive 2013/34/EU, relative to total assets	20.6%
Exposure to central governments, central banks or supranational issuers as a proportion of total assets	0.1%

Percentage of the asset manager's investments allocated to activities that make a significant contribution to achieving climate objectives		(1) Climate Change Mitigation	(2) Climate Change Adaptation	(3) Water & marine resources	(4) Circular economy	(5) Pollution Prevention & Control	6. Biodiversity and Ecosystems	Undetailed
Weighted average value of all investments intended to finance or associated with economic activities that make a significant contribution to achieving the environmental objective.	Based on revenues	0.12%	0.001%					0.09%
	Based on CapEx	0.16%	0.002%					0.31%

b) Proportion of outstanding in companies operating in the fossil fuel sector

As at Dec-2023, companies operating in the fossil fuel sector accounted for 0.43%⁹ of Tikehau IM total net assets values made of 87.14 m€ of investments in Capital Markets Strategies (i.e. made of circa 30 issuers) based on ISS ESG data.

As at Dec-2023, no investment across the Private equity, Private debt, Tactical strategies business lines were directly operating in the fossil fuel sector and no real estate asset was involved in the extraction, storage, transport, or manufacture of fossil fuels.

⁹ At year end, difference with PAI figure for exposure to fossil fuel linked to PAI average of 4 quarters

VII. INTERNATIONAL SUSTAINABILITY OBJECTIVES ALIGNMENT STRATEGY TO LIMIT GLOBAL WARMING AS SET OUT IN THE PARIS AGREEMENT

Climate strategy

To respond to the climate emergency, the Group has developed a climate strategy that consists of working on four dimensions:

- **Exclusions related to climate change:** With its policy of excluding fossil fuels, Tikehau Capital limits its exposure to the assets and companies that emit the most greenhouse gases and, consequently, manages its exposure to climate-related transition risks. By 2030, Tikehau IM will divest from and cease investments in electric utilities and mining companies with known thermal coal activities in OECD countries. By 2040, this policy will also be applicable to activities in non OECD countries.
- **Addressing climate-related risks:** Physical and transition risks related to climate change are taken into account throughout the investment cycle. Tools are being developed to strengthen the assessment of climate-related risks at portfolio level. Further details on this approach are provided in Section IX (Approach to taking ESG criteria into account in risk management).
- **Net zero strategy:** The Group set itself the target of 39% of its assets under management being in line with the objective of achieving zero net emissions by 2050. These objectives are broken down by business line, and a dedicated annual report will be made available to stakeholders.
- **Supporting the transition and developing solutions:** the climate emergency is a challenge for humanity and, at the same time, a significant investment opportunity. Tikehau Capital is well on the way to achieving its target of dedicating €5 billion to climate action and biodiversity protection by 2025.

For additional details, see Tikehau Capital's [Universal Registration Document](#) Section 4.3 on climate change and biodiversity.

Net zero strategy

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

In March 2023, Tikehau Capital Sustainability Strategy Orientation Committee validated an initial target to manage 39% of the Group's assets under management in line with the goal of achieving net zero emissions by 2050. This objective was also validated by NZAM¹⁰. The Group will strive to increase the proportion of assets under management in line with the net zero objective, with the introduction of new funds with net zero strategies. The NZAM objective will be updated periodically.

The NZAM initiative recognises several approaches to the definition of intermediate decarbonisation targets, two of which were retained by the Group: (i) the Net Zero Investment Framework (NZIF) of the Paris Aligned Investment Initiative (PAII), which takes into account the CRREM (Carbon Risk Real Estate Monitor) methodology, and (ii) the Science Based Targets (SBT) initiative for financial institutions.

Tikehau Capital developed intermediate objectives, through to 2030, by business line, as follows:

1. Real Estate: 50% of assets under management in the scope of application¹¹ are considered net zero or aligned with net zero by 2030, in accordance with the CRREM 1.5 °C decarbonisation trajectories, and in line with the NZIF's portfolio coverage approach. The Group aims to improve the energy and carbon intensity of its real estate portfolio by working on action plans for energy efficiency, as well as on tenant behaviour, as soon as possible;
2. Private Equity: 100% of portfolio companies in the scope of application¹² have validated SBT targets by 2030. In addition to this objective of covering the companies in the portfolio, there is a carbon intensity objective, described below;
3. Private Equity and Private Debt: 50% reduction in the weighted average carbon intensity per million euros of turnover (WACI), on Scopes 1 and 2, of assets under management in the scope of application¹³ by 2030 compared to the 2021 baseline. This corresponds to 20tCO_{2e}/million euros of turnover, compared to a baseline of 39tCO_{2e}/million euros of turnover;

¹⁰ <https://www.netzeroassetmanagers.org/signatories/tikehau-capital/>

¹¹ All real estate assets are included (Tikehau IM, Sofidy, IREIT), except residential assets and funds managed on behalf of third parties.

¹² Companies in the portfolio for at least two years and whose shareholding threshold is equal to or greater than 25%, and excluding venture capital funds, i.e. a scope of around 80% of assets under management in Private Equity.

¹³ Including six Private Equity funds (and their related co-investment vehicles) and three Private Debt funds as at 31 December 2023.

4. Capital Markets Strategies: 50% of companies in the scope of application¹⁴ are considered net zero or aligned with net zero by 2030, in line with the NZIF's portfolio coverage approach.

Given that net zero targets have been finalized in April 2023, the first reporting will be performed in 2024 on FY23 data in line with the reporting timeline for the NZAM initiative. For such purposes, the project "carbon dashboard" has been launched with transformation and IT teams under the sponsorship of the ESG team.

For all these targets, Green House Gases (GHG) scope 1 and 2 are covered. For the portfolio coverage targets, material scope 3 is also covered. For Real Estate, the CRREM¹⁵ pathway includes tenant-related energy consumption. For listed equity and corporate fixed income, the PAII Net Zero Investment Framework criteria for net zero or aligned to net zero requires portfolio companies to set targets on material scope 3 sources as well. Finally, for Private Equity, the SBTs' approach requires portfolio companies to set scope 3 material targets. Thus, in regard to the portfolio decarbonisation target, scope 3 will be monitored and gradually included in the target.

In recent years, Tikehau Capital has mobilised human and digital resources to deploy its decarbonisation strategy:

- hiring of a climate and biodiversity director in May 2022;
- participation in specialised working groups: One Planet Private Equity Funds (OPPEF), Institutional Investors Group on Climate Change (IIGCC), Entreprises pour l'Environnement (EPE) and Convention des entreprises pour le climat - Monde financier, with four full days and more than ten meetings in 2023;
- digitalisation with the development of two carbon footprint and decarbonisation modules launched in 2023 (estimate of 130 man-days of development in 2023 and 200 planned for 2024); and
- costs related to environmental consulting services paid by Tikehau Capital, its asset management companies or its funds (ERM, Carbometrix, Sweep, AXA Climate, Greensoluce, WildTrees).

For real estate assets, the decarbonisation strategy requires energy audits (budget of around €500,000 in 2024 for Tikehau IM) as well as capex included in work plans, in addition to recurring work with tenants, property managers and other stakeholders involved in the operation of buildings.

Supporting the transition and developing solutions

Tikehau Capital considers the response to the climate emergency as a pressing call for action in terms of risk management, but also as the greatest investment opportunity of recent decades. Tikehau Capital began investing in renewable energy a decade ago, and notably contributed equity to Quadran, EREN, GreenYellow and Amarenco.

Through the first vintage of the Private Equity fund dedicated to decarbonisation, the T2 Energy Transition Fund, the Tikehau Capital teams were able to demonstrate the relevance of investing in the fight against climate change (from a financial and impact point of view) and helped to reinforce the Group's impact approach. From 2018, Tikehau Capital multiplied the number of vehicles under management contributing to this theme. By adopting a holistic impact approach, the Group has extended the approach to take into account biodiversity-related issues. In this context, Tikehau Capital launched its first fund dedicated to the transition to regenerative agriculture, at scale, in partnership with AXA and Unilever.

In 2021, the Group announced the objective of managing €5 billion in assets under management dedicated to climate and biodiversity by 2025. With €3.0 billion in assets under management dedicated specifically to climate and biodiversity at the end of 2023, Tikehau Capital is on track to achieve its target.

VIII. LONG-TERM BIODIVERSITY OBJECTIVES ALIGNMENT STRATEGY

a) An analysis of the contribution to reducing primary pressures and impacts on biodiversity

The Kunming-Montreal Global Biodiversity Framework (GBF), adopted by the 15th Conference of the Parties to the Convention on Biological Diversity (COP 15) in 2022, represents the strategic plan for the implementation of the Convention on Biological Diversity. The GBF lays out four long-term goals for 2050 and 23 action-oriented targets for 2030, including Target 19 which is relevant for investors: increasing the level of financial resources, including private sector investment in biodiversity, including through impact funds.

Tikehau IM will monitor policy developments including revised National Biodiversity Strategies and Action Plans (NBSAPs) which should be submitted by COP 16 in 2024. Tikehau IM is also analysing private sector frameworks including the

¹⁴ Including 50% of the assets under management of funds classified as SFDR Articles 8 and 9 of the Capital Markets Strategies business line.

¹⁵ The Carbon Risk Real Estate Monitor (CRREM) is a tool which provides decarbonization pathways for real estate assets based on their energy or carbon intensity. The targets vary depending on the asset location and typology. These decarbonisation pathways are aligned with Paris agreement objectives.

Taskforce on Nature-related Financial Disclosures (TNFD) and the Science-Based Targets for Nature. Finally, the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services' (IPBES) Business and Biodiversity assessment, scheduled to be published in 2025, will strengthen the knowledge base to support business efforts to achieve the GBF.¹⁶ The development of this assessment stemmed from the IPBES' identification that initiatives have emerged to support business efforts to address biodiversity, yet further clarity is needed to the scientific robustness of these approaches and measurement gaps. These policies, frameworks and assessments will guide the development of Tikehau IM's biodiversity strategy.

In June 2022, as part of the Act4nature initiative, Tikehau Capital made biodiversity commitments at several levels; the first concrete results include:

- 1. Launch of climate and biodiversity strategies:** the regenerative agriculture strategy launched in December 2022 focuses on forms of agriculture that promote biodiversity through healthy and living soils.
- 2. Nature-related risks analysis:** AXA Climate carried out a first nature-related risk analysis at sector level in 2023. The study took into account three types of risks related to nature, in accordance with the recommendations of the international initiative for nature, the Taskforce on Nature-related Financial Disclosures (TNFD): (i) physical risks, which result from a degradation of nature and the resulting loss of ecosystem services on which economic activity depends; (ii) transition risks, which arise from a misalignment between economic actors and actions aimed at protecting, restoring and/or reducing negative impacts on nature; (iii) systemic risks, which arise from the breakdown of the entire system and are characterised by modest tipping points that combine indirectly to produce significant failures and cascading interactions of physical and transition risks. The analysis revealed that a small proportion of assets under management are located in sectors with high nature risks;
- 3. Employee awareness-raising:** launch of a training module of 10 courses dedicated to the collapse of biodiversity in 2023;
- 4. Contribution to financial sector ESG coalitions:** notably through the Sustainable Markets Initiative's Natural Capital Investment Alliance (NCIA) in the United Kingdom and the One Planet Business for Biodiversity (OP2B) of the World Business Council for Sustainable Development (WBCSD).

Tikehau Capital is aware of the impact of its real estate activities on biodiversity and aims to preserve it within its real estate assets portfolios. In 2023, a mapping exercise was carried out with a consulting firm specialized in biodiversity within Real Estate, Gondwana, to identify ecological issues across the Group's entire real estate portfolio. This initiative led to the development of a specific biodiversity charter for real estate assets as described below:

- 1. Knowing the natural environment** associated with our real estate assets
- 2. Limiting the impact** of our real estate activities in order to preserve biodiversity
- 3. Enhancing the ecological value** of our portfolio
- 4. Sustaining biodiversity** on our sites during the operating phase
- 5. Communicating** on commitments **to enhance the value of these actions and get stakeholders on board**
- 6. Integrating biodiversity into Tikehau Capital corporate culture** to unite its employees around the protection of biodiversity

b) Mention of the use of a biodiversity footprint indicator and how this indicator is used to comply with international biodiversity targets

As of 2023, Tikehau Capital has not chosen a biodiversity footprint indicator due to lack of maturity of the tools currently available on the market.

Tikehau IM is committed to use its best efforts to report on Principal Adverse Impacts ("PAI") on sustainability factors listed on [Table 1 and any relevant indicators of Table 2 and 3 of Annex I of the SFDR Delegated Act](#), including "Activities negatively affecting biodiversity-sensitive areas" defined as "Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas".

¹⁶ <https://www.ipbes.net/document-library-catalogue/scoping-report-methodological-assessment-impact-and-dependence-business>

IX. APPROACH TO TAKING ESG CRITERIA INTO ACCOUNT IN RISK MANAGEMENT

a) Process of managing ESG risks and integrating it into the entity's conventional risk management

The sustainability risk control system is based on several levels of control:

- i. At the first level, the research and investment teams, assisted by the ESG teams, are in charge of defining the risk budgets of the managed portfolios, in line with Tikehau IM's ESG strategy, and of identifying the specific risks of the investment opportunities studied. The investment teams are also responsible for defining the necessary engagement and support measures with the portfolio companies and for ensuring that these objectives/roadmaps are achieved.
- ii. At the first level bis, the Risk Management team ensures that exclusions are respected and that Compliance and ESG cases are reviewed. For the Capital Markets Strategies, the Risk Management team also participates in the definition of internal indicators for monitoring sustainability risks and ensures that they are respected. For private Debt, the Risk Management team considers ESG as part of their review at investment committee level. The Risk Management team monitors and consolidates the portfolios' risk indicators and presents them at the Risk Committees alongside the financial risk monitoring indicators.
- iii. At the second and third levels, the Compliance and Internal Audit teams have integrated sustainability risk into their control plans and monitor them, alongside the other risks they already control.

Integration of sustainability risks – key pillars

The internal framework for the monitoring of sustainability risks relies on the three following pillars:

i. Exclusion policy

The sustainability risk management system is based primarily on Tikehau Capital's exclusion policy. Through this policy, Tikehau IM excludes sectors, types of activities, behaviours or geographies that carry a sustainability risk deemed unacceptable. These exclusions cover the three types of risks mentioned above: environmental, social and governance pillars. For additional details, please refer to the Tikehau Capital [Exclusion policy](#).

ii. Monitoring of controversies

In addition, Tikehau IM checks controversies related to the investment targets under review. The objective is to identify real or strongly suspected serious incidents involving the issuer related to the above-mentioned sustainability criteria. During the investment process, a reputation check is carried out to identify potential or proven risks created by possible serious controversies involving or impacting the issuer. The net risk is assessed against existing mitigating factors (e.g., remediation plan put in place by the company) and is taken into account in the investment decision. Where the assessed risk does not preclude investment, it may be monitored to ensure that it is gradually mitigated.

iii. Integration of sustainability risks into remuneration policy

Finally, Tikehau IM's remuneration policy integrates extra-financial criteria, which can have an impact on the variable remuneration of employees to promote sound and efficient management of these risks and to prevent excessive risk-taking. The compensation policy is available on the website of Tikehau Capital.

Integration of sustainability risks into investment approach

The sustainability risks, including climate and biodiversity risks, are integrated into the investment decisions of the portfolios (funds and mandates) managed by Tikehau IM as follows:

i. Pre-investment assessment

The investment under consideration is first subject to the Exclusion policy, prior to the investment decision. Sustainability risks are then assessed by assigning an ESG score to the investment target. This score summarises the sustainability risks of the issuer studied and identifies specific risks on the 3 pillars of environment, social and governance. The level of net risk is assessed according to any remediation plans and public commitments made by the issuer. If the level of risk is too high in relation to the predefined thresholds (internal rules and extra-financial profile of the portfolio), the investment is not possible.

ii. Monitoring during the investment period

Sustainability risk is monitored during the investment period through:

- Controversy monitoring,
- Annual reporting by private debt and private equity portfolio companies to review the company's own sustainability risks,
- Annual KPIs on Sustainability linked financing ("ESG margin ratchets") implemented on certain Private Debt investments, impacting the margins and rating of the companies, where applicable,
- Periodic updating of the ESG score of the investment targets.

b) Description of the principal ESG risks considered and analysed

The 'sustainability' risks monitored by Tikehau IM fall into three categories:

i. Environmental risks: These include the adverse effects on living organisms and the environment of effluents, emissions, waste, resource depletion, etc. resulting from an organisation's activities. Climate risks include both the effect of an organisation's activities on climate change and the effect of climate change on an organisation or on real assets as explained below.

ii. Social risks: these include health and safety risks (including accident prevention, product quality and safety, sales practices), social risks in the supply chain, management of the social climate and human capital development, management of quality and consumer safety risks, management and materiality of social controversies, management of innovation capabilities and intangible capital, and more generally, risks related to social events (e.g., inequality or inclusion).

iii. Governance risks: These are risks related to the functional management of an organisation, regulatory risks, management, and the integration of sustainability into the quality of the company's strategy. Governance failures (e.g., significant breach of international agreements, human rights violations, corruption and bribery issues, etc.) result in significant sustainability risks. This category also covers cybersecurity risks that result from the increasing use of digital technologies in all sectors.

In 2023, Tikehau IM conducted the following exercises to identify major ESG risks:

Tikehau Capital conducts every year a review to identify the major risks attached to the Group's activities. Regarding ESG risks, the mapping helped identify the following:

- i. Responsible investment (communication, reputation, and brand risk);
- ii. Climate change, biodiversity, and the environment;
- iii. Talent management and diversity; and
- iv. Cybersecurity and information security risks.

In line with the TCFD recommendations, Tikehau Capital takes into account climate-related risks and opportunities, namely: (i) physical risks, defined as the exposure of real assets to the physical consequences directly induced by climate change (chronic events – such as warming and rising water levels – and extreme events – such as fires and cyclones) and (ii) transition risks, including regulatory, technological, market and reputational risks. Climate-related information is taken into account throughout the investment cycle.

Climate risks: assessment prior to investment

Through its exclusion policy, Tikehau Capital excludes sectors, types of activities, behaviours or geographical areas that carry a sustainability risk deemed unacceptable, notably transition risks related to the climate and to activities related to fossil fuels.

ESG risks are then assessed by assigning an ESG score to an investment objective. As part of the environmental pillar, the ESG score takes into account the company's greenhouse gas emissions, its emission reduction target, and its climate risk management.

In addition, for the decarbonisation strategy in Private Equity and, where applicable, for other funds, an audit (due diligence) with a climate component is carried out by an external advisor.

Regarding Real Estate activities, the ESG analysis takes into account greenhouse gas emissions, data on energy consumption, and exposure to fossil fuel-related activities. Moreover, physical risks are considered during the due diligence process through an analysis of the assets' exposure to climate risks.

Climate risks: monitoring during the investment period

For investments in companies, climate-related risks are taken into account throughout the investment process:

- Annual measurement of key climate-related performance indicators, notably carbon indicators related to the Principal Adverse Impacts (PAI) under the SFDR regulation: greenhouse gas emissions, carbon footprint, intensity of greenhouse gas emissions of companies held, exposure to companies active in the fossil fuel sector, and investments in companies that have not adopted carbon reduction initiatives;
- Annual key performance indicators (notably climate-related key performance indicators) on financing related to sustainable development (ESG ratchets or Sustainability Linked Loans) are implemented for certain private debt investments, which has an impact on corporate interest rate margins;
- For the Capital Markets Strategies business line, the weighted average carbon intensity of Tikehau IM funds is managed and compared to their investment universe, with a view to being 20% lower.

For investments in real estate assets, climate-related risks are also considered throughout the investment cycle. The physical risks associated with climate change impact directly the real estate assets (mainly offices, shops and housing) held by the Group. Since the end of 2022, Sofidy, Tikehau IM and IREIT have been using the R4RE tool (Resilience for Real Estate or Bat-ADAPT of the *Observatoire de l'immobilier durable*, OID) to assess the exposure of their assets to heat waves, droughts, and rainfall and floods, at the time of investment and during the holding period of the assets.

Sector screening tool for climate-related physical and transition risks, and nature-related risks

Tikehau Capital assesses exposure to climate and nature risks at the level of the investments and portfolios of the funds managed by the Group. At the end of 2022, Tikehau Capital commissioned AXA Climate to develop a **sector-based screening tool to assess the physical and transition risks related to climate change** by 2030 and 2040, based on scenarios developed according to their relevance for the risk studied:

- A. The physical risk analysis is based on the most pessimistic climate change scenario, Representative Concentration Pathway ("RCP") SSP5 - 8.5 of the IPCC, which assumes continued human activity with carbon emissions at current rates. This scenario is expected to result in warming that is 5 °C above pre-industrial levels in 2100;
- B. The analysis of transition risks and opportunities (regulatory, technological, market and reputational risks) takes into account (i) the Net Zero 2050 scenarios of the Network for Greening the Financial System ("NGFS") and (ii) the "Nationally Determined Contributions" ("NDC", including national policies pledged through to 2030) of the NGFS network. This network aims to strengthen the financial system in managing climate change risks.

The nature-related risks analysis covers three types of risks:

- (i) Nature-related Physical Risk resulting from dependence on nature and occurring when natural systems are compromised, due to the impact of climatic events (e.g., flooding) or the collapse of ecosystem services.
- (ii) Nature-related Transition Risk resulting from the impact of the changing regulatory, policy or societal landscape.
- (iii) Systemic risks arising from the breakdown of the entire system, with one loss triggering a chain of others and stops systems from recovering their equilibrium after a shock (e.g., the loss of a keystone species leading to the disruption of an ecosystem).

c) An indication of the frequency of the risk management framework review process

At Group level, the mapping process for the financial and non-financial risks attached to the Tikehau Capital's activities is carried out each year under the coordination of the internal audit team.

In the context of CSRD implementation, Tikehau Capital launched a double materiality assessment in early 2024 to identify which sustainability matters were most material to the organisation and its stakeholders. Sustainability matters include (i) impact of the organisation on people and the environment, as well as (ii) ESG risks and (iii) ESG opportunities for the organisation.

d) An action plan to reduce the entity's exposure to the main ESG risks

In early 2023, an ESG risk manager was appointed to increasingly integrate ESG and climate risks into the risk analysis during the investment process and the holding period of the assets.

Following the assessment led in coordination with AXA Climate, detailed assessments are carried out on the sectors identified as being highly exposed to material risks. Tikehau IM will work in 2023 to define and set up actionable due diligence measures and post-investment actions to prevent potential risk to materialize and reduce the actual level of risk.

The action plan considered at the date of this report involves the investments, ESG and Risk Management teams:

- (i) Adapt pre-investment due diligence to
 - analyse the physical and transition risk disclosures of the target companies, the related potential impact assessment and adaptation measures.
 - review the historical impact of physical risks (e.g., business interruptions, damages, losses) for the target companies.
 - assess the risk evolution based on publicly available information (e.g.: public online tools).
 - assess if the companies have a strategy to benefit from the opportunities related to the transition to a low-carbon economy and that they are developing products targeting the low-carbon transition.
- (ii) engage with portfolio companies to
 - promote the adoption of a decarbonisation trajectory aligned with the Paris agreement and where possible, assist them invest in decarbonisation solutions, energy efficiency technologies, equipment, processes, and facilities to reduce their exposure to transition risks and benefit from transition opportunities.

e) A quantitative estimate of the financial impact of the main ESG risks

Sector screening tool for climate-related physical and transition risks, and nature-related risks

As noted above, Tikehau Capital assessed exposure to climate and nature risks at the level of the investments and portfolios of the funds managed by the Group.

The analysis covers 21 economic activity sectors, stemming from a consolidation of Moody's industrial categories. The level of risk of each sector is assessed taking into account the exposure and vulnerability of the sector to these risks, with a focus on Europe given the concentration of assets managed by the Group in this region. The sectors were classified on a four-level risk scale: low, medium, high and very high. It should be noted that this study was carried out at the sector level and does not take into account the location of the assets or their mitigation factors. In February 2024, this analysis was updated on the basis of the sectoral breakdown of assets under management as at 31 December 2023.

Risk studied	Indicator
Climate-related physical risks	By 2030, the most at-risk sector identified is the agri-food industry, which represents approximately 2% of Tikehau Capital's assets under management. The real estate, high tech, health, construction and public works, and consumer goods end sectors, which are classified as having an average level of risk, represent approximately 57% of Tikehau Capital's assets under management.
Climate-related transition risks	By 2030, the sectors most at risk are the transport, automotive, construction and public works, aerospace and defence, electricity and non-renewable energies sectors, which account for approximately 10% of Tikehau Capital's assets under management. The recurring transition risks identified are particularly related to compliance with climate-related policies, as well as the costs of transitioning to lower-emissions technologies.
Nature-related risks	The sectors most at risk (all medium-level) are the agri-food, steel and mining sectors, which account for approximately 2% of Tikehau Capital's assets under management.

Source: Tikehau IM, based on the work of AxaClimate

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

Deep dive: real estate

Regarding Real Estate assets, complementary analysis were carried out and combined with AXA Climate analysis:

To analyse climate risks, since the end of 2022, Tikehau IM has been using the R4RE tool (Resilience for Real Estate or Bat-ADAPT of the *Observatoire de l'immobilier durable*, OID) to assess the exposure of its Real Estate assets to rainfall & floods, heat waves, and droughts. The analysis of the physical risks presented below is based on the SSP5-8.5 (one of IPCC's scenarios), which presumes the continuation of human activities with carbon emissions at current rates, with a 2050-time horizon. For example, the risk of droughts may be accompanied by the shrinkage-swelling phenomenon of clays, which weakens buildings. The results of the exercise are summarised in the table below.

Climate hazard	Low or very low risk	Medium risk	High or very high risk
Rainfall and floods	34.5%	16.0%	49.5%
Heat waves	0.0%	9.0%	91.0%
Droughts	26.0%	65.9%	8.2%

Coverage rate (in AuM) : 78%

Source: R4RE and TIM analysis as of 31/12/2023

Deep dive: Capital Markets Strategies

For Capital Market Strategy funds, Tikehau IM mandated SOLFICA to assess the impacts of climate change on portfolio valuation under different climate scenarios through to 2050. These scenarios were published by the French Prudential Supervision and Resolution Authority (*Autorité de contrôle prudentiel et de résolution*, ACPR) in July 2023¹⁷. The four scenarios considered are:

Baseline scenario: The baseline scenario is close to the base economic scenario published by the IMF. This scenario does not bear any transition costs since no specific climate policies are implemented, and no financial impact of physical risks is taken into account.

Short-term scenario: abrupt and immediate transition. The financial consequences of an abrupt transition are significant but short-lived for risky assets. The main climate impacts are financed by government budgets, which explains the persistently high level of government rates until the benefits of the climate transition are felt in the economy, leading to an improvement in the situation of companies and states.

Delayed transition: The delayed transition scenario involves delayed climate action, which only starts from 2031 onwards, at which point sovereign spread starts to rise. As a result, companies feel the negative effects in a more gradual and much more modest movement than in the short-term scenario.

Below 2°C: This scenario presents rather limited levels of market shocks compared to the two delayed and especially short-term scenarios, particularly on risky assets.

Regarding interest rate evolution, the baseline, delayed transition and below 2°C scenarios have very similar profiles. The short-term scenario stands out more, but only for a brief period of time.

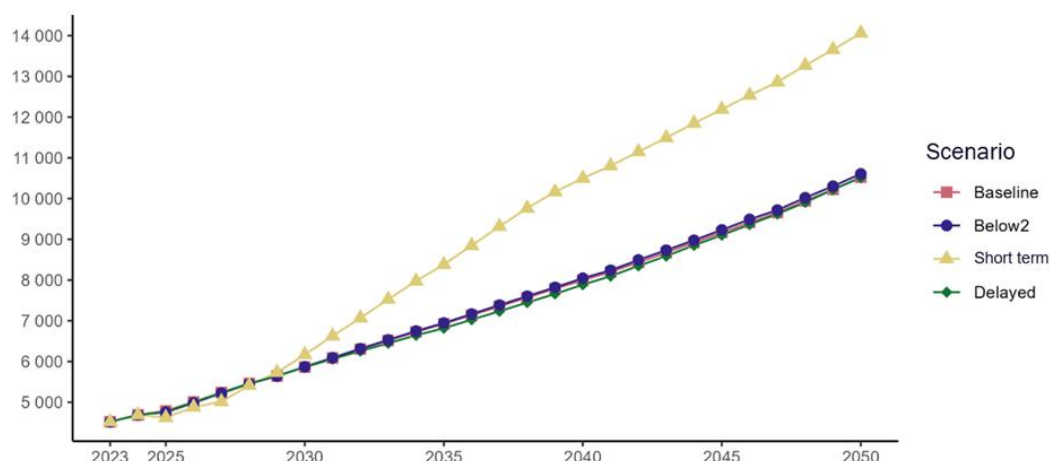
The assessment was based on the portfolio as of the 31st of December 2023, and the following assumptions:

- Allocations to liquid asset classes by sector and geographic region are maintained,
- Duration of bond portfolios maintained,
- No voluntary realization of capital gains,
- No consideration of business plan assumptions,
- Use of estimated call dates for callable at par bonds (source: Tikehau IM),
- Consideration of potential defaults based on spread levels associated with each scenario, and
- No assumptions on liabilities flows until 2050.

The following graphs illustrate the evolution of Tikehau's portfolio's aggregate market value (AUM) and the rate of unrealized capital gains (excluding coupons and dividends) throughout the projected timeframe.

¹⁷ https://acpr.banque-france.fr/sites/default/files/medias/documents/2023_main_assumptions_and_scenarios_of_the_acpr_climate_exercise.pdf

Evolution of portfolio market values according to the scenario in millions of euros



Source: Climate stress test report 2023, Solfica, June 2024

Annual maximum deviation of market values compared to the baseline scenario

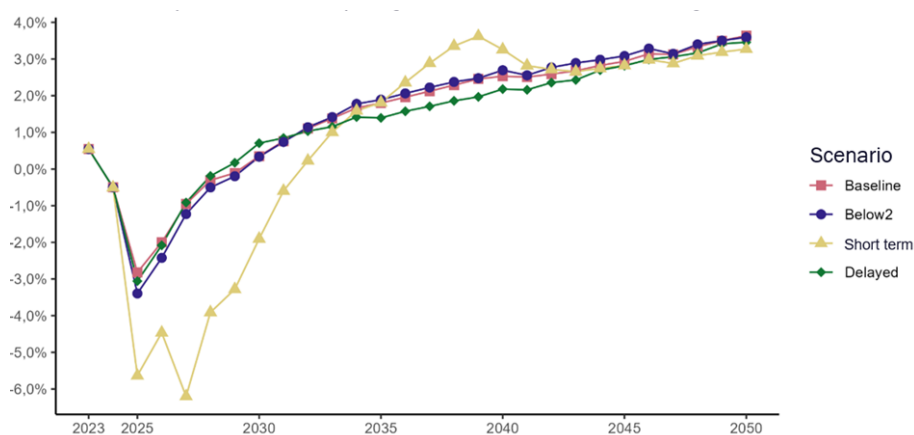
Scenario	Worst Year	Difference from baseline
<u>Below 2°C</u>	2025	-1.3%
<u>Delayed transition</u>	2039	-6.9%
<u>Short term</u>	2027	-7.5%

Source: Climate stress test report 2023, Solfica, June 2024

The portfolio market value of the delayed scenario remains lower throughout the entire projection, while the short-term scenario ends much higher. This is because bond reinvestments in the short-term scenario are made instantly at high-rate levels, which slowly decrease starting from 2027. In the delayed scenario, the shock occurs later, is less pronounced, and the decrease happens very slowly.

The market values of the baseline and below 2°C scenarios evolve at very similar levels, as the assets have a limited sensitivity to the shock factors in the below 2°C scenario.

Evolution of portfolio latent capital gain and losses rates under different scenarios



Source: Climate stress test report 2023, Solfica, June 2024

Summary of results:

- The results of the long-term projections differ little and only show a slight variation in the portfolio over time. The short-term scenario, however, is very marked: unrealized gains and losses decrease by more than 10% in 2025 compared to the 2023 situation. The return to the initial level of unrealized gains occurs after 9 years.
- The delayed transition scenario records a slight shock in 2031 whose effects are very modest compared to those observed in the short term in 2025, but they extend until the end of the projection and do not return to the levels of the baseline and below 2° scenarios.
- The differences between the scenarios are mainly visible in the unrealized gain rate. The latent rate of the short-term scenario is notably out of step with the other scenarios, but the shock suffered by equities in 2025 is caught up after 9 years before falling again.

Given the significant presence of the banking sector, which exhibited lower vulnerability in the stress tests, the global portfolio is projected to face relatively minor financial consequences in the delayed and below 2-degree warming scenarios. Furthermore, the absence of substantial holdings in sectors like oil and gas, transportation, and construction, which are anticipated to experience significant disruptions, contributes to the portfolio's resilience by 2050.

These results are sensitive to the underlying assumptions. The estimated call date at par may be affected by the realization of any of the scenarios mentioned, leading to a potential extension risk.

f) An indication of the changes in the methodological choices and results

Tikehau IM contemplates using climate stress testing methodologies for private assets, including the potential financial impacts of climate risks and opportunities (impact on portfolio valuation) as well as the impact on their credit risk when relevant.

X. IMPROVEMENT MEASURES

In the context of the implementation of the EU Corporate Sustainability Reporting Directive (CSRD) at Tikehau IM parent level, a detailed mapping of extra-financial risks will be carried out in 2024, covering the three pillars of environmental, social and governance risks. Such detail mapping will inform a strategic review.

XI. ECONOMIC AND PROFESSIONAL EQUALITY (RIXAIN LAW)

As of 31 December 2023, the investment teams at Tikehau IM were composed as follows:

Entity	Share of Women
Tikehau IM France	21%
Tikehau IM International	21%

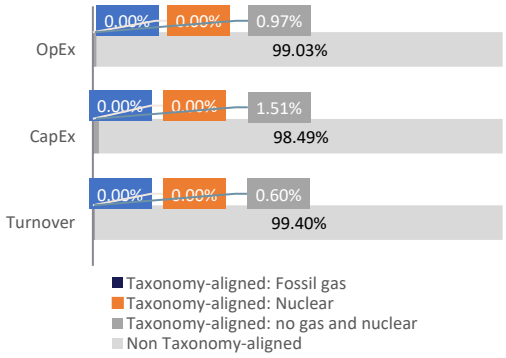
Tikehau IM's parent company, Tikehau Capital, has defined an objective of 60:40 balanced representation between men and women in the investment teams; in line with the [France Invest Parity Charter](#).

Annexes - Article 29 reports at Tikehau IM fund levels

In December 2022, Tikehau IM has the following funds larger than 500 million (> €500mn) in assets:

1. Tikehau Short Duration
2. Tikehau 2027
3. Tikehau Direct Lending IV
4. Tikehau Direct Lending V
5. MACSF Invest
6. Tikehau Special Opportunities III
7. Tikehau Special Opportunities II Master Fund
8. T2 Energy Transition Fund
9. Tikehau Real Estate Opportunity 2018 SCSp

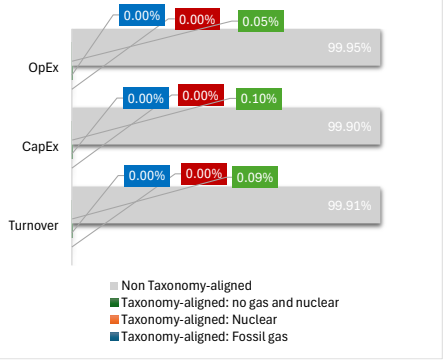
These fund reports are presented as part of the individual funds' sustainability reports and/or as separate annex to this report.

Disclosure	Comment
<p>Article 1, III, 5° Information on the strategy of alignment with the international objectives of limiting global warming set by the Paris Agreement</p>	<p>In March 2023, Tikehau Capital defined an initial target to manage 39% of the Group's assets under management in line with the goal of achieving net zero emissions by 2050. This objective was also validated by NZAM. The Group will strive to increase the proportion of assets under management in line with the net zero objective, with the introduction of new funds with net zero strategies. The NZAM objective will be updated periodically.</p> <p>The NZAM initiative recognises several approaches to the definition of intermediate decarbonisation targets, two of which were retained by the Group: (i) the Net Zero Investment Framework (NZIF) of the Paris Aligned Investment Initiative (PAII), which takes into account the CRREM (Carbon Risk Real Estate Monitor) methodology, and (ii) the Science Based Targets (SBT) initiative for financial institutions.</p> <p>Tikehau Capital developed intermediate objectives, through to 2030, by business line, as follows:</p> <p>- Portfolio coverage target: Capital Markets Strategies: 50% of in-scope AUM considered net zero or aligned to net zero by 2030. Real Estate: 50% of in-scope AUM considered net zero or aligned to net zero by 2030. Private equity: 100% of eligible, in-scope portfolio companies with validated SBTs by 2030.</p> <p>-Portfolio decarbonisation target: 50% of the weighted average carbon intensity (WACI) of in-scope Private Equity and Private Debt strategies.</p>
<p>a) Share of AuM aligned to the EU Taxonomy (assess against the technical criteria)</p>	<p>Taxonomy-alignment of investments excluding sovereign bonds</p>  <p>Source: ISS, regulatory data</p>
<p>b) Share of AuM in the fossil fuel sector</p>	<p>1.50% based on ISS data (coverage of 88.9%)</p>
<p>Article 1, III, 6° Information on the strategy of alignment with the international objectives of limiting global warming set by the Paris Agreement</p>	
<p>a) Definition of a climate quantitative objective in line with a recognised methodology</p>	<p>For the Capital Markets Strategies business line, the NZIF's portfolio coverage approach was used to set a target of 50% of in-scope AUM to be net zero or aligned to net zero by 2030. This approach defines five categories, each a progressive step towards alignment with a net zero pathway. The portfolio coverage target aims to transition portfolios towards issuers that are net zero or aligned to net zero, as determined by a set of backward- and forward-looking indicators. Tikehau Short Duration is within the scope of the target.</p>

	<p>Net zero alignment status of in scope Capital Markets Strategies funds in % of AUM</p> <table border="1"> <thead> <tr> <th colspan="2"></th> <th>31.12.2022</th> <th>31.12.2023</th> <th>Target: 31.12.2029</th> </tr> </thead> <tbody> <tr> <td rowspan="5">Net Zero Alignment Category¹⁸</td> <td>Net zero</td> <td>0%</td> <td>0%</td> <td>50%</td> </tr> <tr> <td>Aligned to net zero</td> <td>0%</td> <td>0%</td> <td></td> </tr> <tr> <td>Aligning</td> <td>9%</td> <td>19%</td> <td>N/A</td> </tr> <tr> <td>Committed to aligning</td> <td>40%</td> <td>35%</td> <td>N/A</td> </tr> <tr> <td>Not aligned</td> <td>52%</td> <td>46%</td> <td>N/A</td> </tr> </tbody> </table>			31.12.2022	31.12.2023	Target: 31.12.2029	Net Zero Alignment Category ¹⁸	Net zero	0%	0%	50%	Aligned to net zero	0%	0%		Aligning	9%	19%	N/A	Committed to aligning	40%	35%	N/A	Not aligned	52%	46%	N/A
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f) Methodological developments	<p>The actions listed below were carried out by Tikehau IM in 2023 in order to support the investment process by respecting environmental and social characteristics:</p> <p>ESG integration and monitoring of ESG constraints</p> <ul style="list-style-type: none"> • Improvement of our ESG analysis: project to migrate our internal ESG grid to an external ESG score. This project is implemented from January 2024. • Improvement of our tool to monitor carbon metrics with the creation of a “carbon dashboard” to automatize the computation of various carbon metrics at funds and benchmarks level and improve performance analysis. This solution will be rolled out in 2024. <p>Exclusions</p> <ul style="list-style-type: none"> • Addition of new third-party data providers to monitor our exclusions. • Automatization of controls to identify companies that would be subject to sector or controversial exclusions. <p>Engagement</p>																										

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Article 1, III, 8° bis – Minimum standards to ensure the quality of the data, the assessment of climate-related risks and biodiversity-related risks	Tikehau Capital has developed proprietary tools and appoints ESG and environmental experts to contribute to the quality of data. Climate risks and opportunities are considered as part of the fundamental analysis of investment targets and during the holding period.
Article 1, III, 9° - Action plan to ensure the compliance with the Article 29 recommendations	Tikehau Capital hired a Climate and Biodiversity director in May 2022 as well as an ESG risk manager in early 2023 to reinforce policies, processes and monitoring of climate and biodiversity on one hand and on ESG risks on the other hand.

Disclosure	Comment																								
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<p>a) Share of AuM eligible to the EU Taxonomy (assess against the technical criteria)</p>	<p>As at December 2023, none of Tikehau Direct Lending IV's company has finalized its taxonomy alignment assessment.</p>
<p>b) Share of AuM in the fossil fuel sector</p>	<p>As at December 2023, Tikehau Direct Lending IV had a 0% exposure to companies that derive revenues from exploration, mining, extraction, production, processing, storage, refining or distribution, including transportation, storage and trade, of fossil fuels (coverage rate 64% for companies' responses)</p>
<p>Article 1, III, 6° Information on the strategy of alignment with the international objectives of limiting global warming set by the Paris Agreement</p>	
<p>a) Definition of a climate quantitative objective in line with a recognised methodology</p>	<p>The target for in-scope Private Equity and Private Debt strategies is an average 8.3% y-o-y reduction in WACI (scope 1 and 2) over a constant portfolio from 2021 to 2030. The scope currently covers the latest vintage of flagship strategies in private debt and tactical strategy excluding Tikehau Direct Lending IV.</p>
<p>b) The role of the assessment in the investment strategy</p>	<p>The NZAM targets will have an impact on the investment strategy, both for the selection of new investments and for the engagement with portfolio companies.</p>
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<p>a) Share of AuM eligible to the EU Taxonomy (assess against the technical criteria)</p>	<p>As at December 2023, none of Tikehau Direct Lending V's company has finalized its taxonomy alignment assessment.</p>
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<p>a) Share of AuM eligible to the EU Taxonomy (assess against the technical criteria)</p>	<p>As at December 2023, none of MACSF invest company has finalized its taxonomy alignment assessment.</p>
<p>b) Share of AuM in the fossil fuel sector</p>	<p>As at December 2023, MACSF invest had a 0% exposure to companies that derive revenues from exploration, mining, extraction, production, processing, storage, refining or distribution, including transportation, storage and trade, of fossil fuels (coverage rate 32% for companies' responses)</p>
<p>Article 1, III, 6° Information on the strategy of alignment with the international objectives of limiting global warming set by the Paris Agreement</p>	
<p>a) Definition of a climate quantitative objective in line with a recognised methodology</p>	<p>The target for in-scope Private Equity and Private Debt strategies is an average 8.3% y-o-y reduction in WACI (scope 1 and 2) over a constant portfolio from 2021 to 2030. The scope currently covers the latest vintage of flagship strategies in private debt and tactical strategy excluding MACSF invest.</p>
<p>b) The role of the assessment in the investment strategy</p>	<p>The NZAM targets will have an impact on the investment strategy, both for the selection of new investments and for the engagement with portfolio companies.</p>
<p>c) The main updates of the responsible investing strategy to promote alignment with the Paris agreements</p>	<p>Tikehau Capital, Tikehau IM parent, continuously reinforces its responsible investing charter to further include climate and biodiversity considerations. In addition, the Group developed its NZAM target. In this context, 4 main pathways will be used to materialise commitments:</p> <ul style="list-style-type: none"> ▸ Invest in solutions (>€ 5Bn targets of investments in climate and biodiversity strategies by 2025 at Tikehau Capital level) ▸ Reinforce negative screening ▸ Measure impacts and engage ▸ Identify and manage climate-related risks

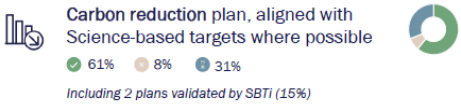
Article 1, III, 7° Information on the strategy of alignment with long-term objectives related to biodiversity	As of 2023, Tikehau Capital has not selected a biodiversity footprint indicator.
Article 1, III, 8° Information on the procedures for taking environmental, social and governance quality criteria into account in risk management	
a) ESG risk management and process of integration into the investment cycle	The internal framework for the monitoring of sustainability risks relies on the three following pillars: (i) the exclusion policy (For details, please refer to the Tikehau Capital Exclusion policy); (ii) monitoring of controversies; and (iii) integration of sustainability risks into remuneration policy.
b) A description of main ESG risks	Please refer to Tikehau IM Sustainability Risk Management Policy available here .
c) An indication of the review frequency of the risk management framework	The Tikehau Capital proprietary ESG tools are reviewed periodically to include and update sources and benchmarks.
d) An action plan to reduce exposure to main ESG risks	ESG risks are considered in portfolio definition and monitoring, however they are not systematically considered in financial modelling.
e) A quantitative estimate of the financial impact of the main ESG risks	Investment teams are invited to assess the financial impact of material sustainability risks and opportunities. Tools must be reinforced to ensure effective integration.
f) Methodological developments	These may be shared upon request.
Article 1, III, 8°bis - Minimum standards to ensure the quality of the data, the assessment of climate-related risks and biodiversity-related risks	Tikehau Capital has developed proprietary tools and appoints ESG and environmental experts to contribute to the quality of data. Climate risks and opportunities are considered as part of the fundamental analysis of investment targets and during the holding period.
Article 1, III, 9° - Action plan to ensure the compliance with the Article 29 recommendations	Tikehau Capital hired a Climate and Biodiversity director in May 2022 as well as an ESG risk manager in early 2023 to reinforce policies, processes and monitoring of climate and biodiversity on one hand and on ESG risks on the other hand.

Disclosure	Comment
<p>Article 1, III, 5° Information on the strategy of alignment with the international objectives of limiting global warming set by the Paris Agreement</p>	<p>In March 2023, Tikehau Capital defined an initial target to manage 39% of the Group's assets under management in line with the goal of achieving net zero emissions by 2050. This objective was also validated by NZAM. The Group will strive to increase the proportion of assets under management in line with the net zero objective, with the introduction of new funds with net zero strategies. The NZAM objective will be updated periodically.</p> <p>The NZAM initiative recognises several approaches to the definition of intermediate decarbonisation targets, two of which were retained by the Group: (i) the Net Zero Investment Framework (NZIF) of the Paris Aligned Investment Initiative (PAII), which takes into account the CRREM (Carbon Risk Real Estate Monitor) methodology, and (ii) the Science Based Targets (SBT) initiative for financial institutions.</p> <p>Tikehau Capital developed intermediate objectives, through to 2030, by business line, as follows:</p> <p>- Portfolio coverage target: Capital Markets Strategies: 50% of in-scope AUM considered net zero or aligned to net zero by 2030. Real Estate: 50% of in-scope AUM considered net zero or aligned to net zero by 2030. Private equity: 100% of eligible, in-scope portfolio companies with validated SBTs by 2030.</p> <p>-Portfolio decarbonisation target: 50% of the weighted average carbon intensity (WACI) of in-scope Private Equity and Private Debt strategies.</p>
<p>a) Share of AuM eligible to the EU Taxonomy (assess against the technical criteria)</p>	<p>As at December 2023, none of Tikehau Special Opportunities III's company has finalized its taxonomy alignment assessment.</p>
<p>b) Share of AuM in the fossil fuel sector</p>	<p>As at December 2023, Tikehau Special Opportunities III had no exposure to companies that derive revenues from exploration, mining, extraction, production, processing, storage, refining or distribution, including transportation, storage and trade, of fossil fuels (12% coverage for companies responses)</p>
<p>Article 1, III, 6° Information on the strategy of alignment with the international objectives of limiting global warming set by the Paris Agreement</p>	
<p>a) Definition of a climate quantitative objective in line with a recognised methodology</p>	<p>The target for in-scope Private Equity and Private Debt strategies is an average 8.3% y-o-y reduction in WACI (scope 1 and 2) over a constant portfolio from 2021 to 2030. The scope currently covers the latest vintage of flagship strategies in private debt and tactical strategy including Tikehau Special Opportunities III.</p>
<p>b) The role of the assessment in the investment strategy</p>	<p>The NZAM targets will have an impact on the investment strategy, both for the selection of new investments and for the engagement with portfolio companies.</p>
<p>c) The main updates of the responsible investing strategy to promote alignment with the Paris agreements</p>	<p>Tikehau Capital, Tikehau IM parent, continuously reinforces its responsible investing charter to further include climate and biodiversity considerations. In addition, the Group developed its NZAM target. In this context, 4 main pathways will be used to materialise commitments:</p> <ul style="list-style-type: none"> • Invest in solutions (>€ 5Bn targets of investments in climate and biodiversity strategies by 2025 at Tikehau Capital level) • Reinforce negative screening • Measure impacts and engage • Identify and manage climate-related risks

Article 1, III, 7° Information on the strategy of alignment with long-term objectives related to biodiversity	As of 2023, Tikehau Capital has not selected a biodiversity footprint indicator.
Article 1, III, 8° Information on the procedures for taking environmental, social and governance quality criteria into account in risk management	
a) ESG risk management and process of integration into the investment cycle	The internal framework for the monitoring of sustainability risks relies on the three following pillars: (i) the exclusion policy (For details, please refer to the Tikehau Capital Exclusion policy); (ii) monitoring of controversies; and (iii) integration of sustainability risks into remuneration policy.
b) A description of main ESG risks	Please refer to Tikehau IM Sustainability Risk Management Policy available here .
c) An indication of the review frequency of the risk management framework	The Tikehau Capital proprietary ESG tools are reviewed periodically to include and update sources and benchmarks.
d) An action plan to reduce exposure to main ESG risks	ESG risks are considered in portfolio definition and monitoring, however they are not systematically considered in financial modelling.
e) A quantitative estimate of the financial impact of the main ESG risks	Investment teams are invited to assess the financial impact of material sustainability risks and opportunities. Tools must be reinforced to ensure effective integration.
f) Methodological developments	These may be shared upon request.
Article 1, III, 8° bis - Minimum standards to ensure the quality of the data, the assessment of climate-related risks and biodiversity-related risks	Tikehau Capital has developed proprietary tools and appoints ESG and environmental experts to contribute to the quality of data. Climate risks and opportunities are considered as part of the fundamental analysis of investment targets and during the holding period.
Article 1, III, 9° - Action plan to ensure the compliance with the Article 29 recommendations	Tikehau Capital hired a Climate and Biodiversity director in May 2022 as well as an ESG risk manager in early 2023 to reinforce policies, processes and monitoring of climate and biodiversity on one hand and on ESG risks on the other hand.

Disclosure	Comment
<p>Article 1, III, 5° Information on the strategy of alignment with the international objectives of limiting global warming set by the Paris Agreement</p>	<p>In March 2023, Tikehau Capital defined an initial target to manage 39% of the Group's assets under management in line with the goal of achieving net zero emissions by 2050. This objective was also validated by NZAM. The Group will strive to increase the proportion of assets under management in line with the net zero objective, with the introduction of new funds with net zero strategies. The NZAM objective will be updated periodically.</p> <p>The NZAM initiative recognises several approaches to the definition of intermediate decarbonisation targets, two of which were retained by the Group: (i) the Net Zero Investment Framework (NZIF) of the Paris Aligned Investment Initiative (PAII), which takes into account the CRREM (Carbon Risk Real Estate Monitor) methodology, and (ii) the Science Based Targets (SBT) initiative for financial institutions.</p> <p>Tikehau Capital developed intermediate objectives, through to 2030, by business line, as follows:</p> <p>- Portfolio coverage target: Capital Markets Strategies: 50% of in-scope AUM considered net zero or aligned to net zero by 2030. Real Estate: 50% of in-scope AUM considered net zero or aligned to net zero by 2030. Private equity: 100% of eligible, in-scope portfolio companies with validated SBTs by 2030.</p> <p>-Portfolio decarbonisation target: 50% of the weighted average carbon intensity (WACI) of in-scope Private Equity and Private Debt strategies.</p>
<p>a) Share of AuM eligible to the EU Taxonomy (assess against the technical criteria)</p>	<p>At the date of this report, none of Tikehau Special Opportunities II's company has finalized its taxonomy alignment assessment.</p>
<p>b) Share of AuM in the fossil fuel sector</p>	<p>As at December 2023, Tikehau Special Opportunities II had no exposure to companies that derive revenues from exploration, mining, extraction, production, processing, storage, refining or distribution, including transportation, storage and trade, of fossil fuels (41.10% coverage for companies responses)</p>
<p>Article 1, III, 6° Information on the strategy of alignment with the international objectives of limiting global warming set by the Paris Agreement</p>	
<p>a) Definition of a climate quantitative objective in line with a recognised methodology</p>	<p>The target for in-scope Private Equity and Private Debt strategies is an average 8.3% y-o-y reduction in WACI (scope 1 and 2) over a constant portfolio from 2021 to 2030. The scope currently covers the latest vintage of flagship strategies in private debt and tactical strategy excluding Tikehau Special Opportunities II Master fund.</p>
<p>b) The role of the assessment in the investment strategy</p>	<p>The NZAM targets will have an impact on the investment strategy, both for the selection of new investments and for the engagement with portfolio companies.</p>
<p>c) The main updates of the responsible investing strategy to promote alignment with the Paris agreements</p>	<p>Tikehau Capital, Tikehau IM parent, continuously reinforces its responsible investing charter to further include climate and biodiversity considerations. In addition, the Group developed its NZAM target. In this context, 4 main pathways will be used to materialise commitments:</p> <ul style="list-style-type: none"> • Invest in solutions (>€ 5Bn targets of investments in climate and biodiversity strategies by 2025 at Tikehau Capital level) • Reinforce negative screening • Measure impacts and engage • Identify and manage climate-related risks

Article 1, III, 7° Information on the strategy of alignment with long-term objectives related to biodiversity	As of 2023, Tikehau Capital has not selected a biodiversity footprint indicator.
Article 1, III, 8° Information on the procedures for taking environmental, social and governance quality criteria into account in risk management	
a) ESG risk management and process of integration into the investment cycle	The internal framework for the monitoring of sustainability risks relies on the three following pillars: (i) the exclusion policy (For details, please refer to the Tikehau Capital Exclusion policy); (ii) monitoring of controversies; and (iii) integration of sustainability risks into remuneration policy.
b) A description of main ESG risks	Please refer to Tikehau IM Sustainability Risk Management Policy available here .
c) An indication of the review frequency of the risk management framework	The Tikehau Capital proprietary ESG tools are reviewed periodically to include and update sources and benchmarks.
d) An action plan to reduce exposure to main ESG risks	ESG risks are considered in portfolio definition and monitoring, however they are not systematically considered in financial modelling.
e) A quantitative estimate of the financial impact of the main ESG risks	Investment teams are invited to assess the financial impact of material sustainability risks and opportunities. Tools must be reinforced to ensure effective integration.
f) Methodological developments	These may be shared upon request.
Article 1, III, 8° bis - Minimum standards to ensure the quality of the data, the assessment of climate-related risks and biodiversity-related risks	Tikehau Capital has developed proprietary tools and appoints ESG and environmental experts to contribute to the quality of data. Climate risks and opportunities are considered as part of the fundamental analysis of investment targets and during the holding period.
Article 1, III, 9° - Action plan to ensure the compliance with the Article 29 recommendations	Tikehau Capital hired a Climate and Biodiversity director in May 2022 as well as an ESG risk manager in early 2023 to reinforce policies, processes and monitoring of climate and biodiversity on one hand and on ESG risks on the other hand.

Disclosure	Comment
<p>Article 1, III, 5° Information on the strategy of alignment with the international objectives of limiting global warming set by the Paris Agreement</p>	<p>In March 2023, Tikehau Capital defined an initial target to manage 39% of the Group's assets under management in line with the goal of achieving net zero emissions by 2050. This objective was also validated by NZAM. The Group will strive to increase the proportion of assets under management in line with the net zero objective, with the introduction of new funds with net zero strategies. The NZAM objective will be updated periodically.</p> <p>The NZAM initiative recognises several approaches to the definition of intermediate decarbonisation targets, two of which were retained by the Group: (i) the Net Zero Investment Framework (NZIF) of the Paris Aligned Investment Initiative (PAII), which takes into account the CRREM (Carbon Risk Real Estate Monitor) methodology, and (ii) the Science Based Targets (SBT) initiative for financial institutions.</p> <p>Tikehau Capital developed intermediate objectives, through to 2030, by business line, as follows:</p> <p>- Portfolio coverage target: Capital Markets Strategies: 50% of in-scope AUM considered net zero or aligned to net zero by 2030. Real Estate: 50% of in-scope AUM considered net zero or aligned to net zero by 2030. Private equity: 100% of eligible, in-scope portfolio companies with validated SBTs by 2030.</p> <p>-Portfolio decarbonisation target: 50% of the weighted average carbon intensity (WACI) of in-scope Private Equity and Private Debt strategies.</p> <p>Moreover, by 2030, 100% of eligible, in-scope Private Equity portfolio companies will have validated Science Based Targets (SBTs).</p>
<p>a) Share of AuM eligible to the EU Taxonomy (assess against the technical criteria)</p>	<p>Several T2 Energy Transition Fund portfolio companies have activities that are eligible to the EU taxonomy objectives including climate change mitigation and adaptation (e.g. Amarenco, GreenYellow, EGLA, Egis, etc.) however at the date of this report, only one of the Fund's portfolio companies had finalized its EU taxonomy analysis.</p> <p>2023 EU taxonomy alignment (based on turnover) = 5%</p> <p>GreenYellow has assessed that as at December 2023, 46% revenues are aligned with the EU Taxonomy, 80% of OPEX and 30% of CAPEX. Other portfolio companies such as EGLA has conducted an eligibility assessment (please see details in EGLA 2023 annual report here Section 3.3. EU Taxonomy) but have not yet communicated the alignment to the EU Taxonomy.</p> <p>As part of the engagement efforts, Tikehau IM supports, where relevant, its portfolio companies to reinforce the EU Taxonomy assessments.</p>
<p>b) Share of AuM in the fossil fuel sector</p>	<p>As at December 2023, T2 Energy Transition had no exposure to companies that derive revenues from exploration, mining, extraction, production, processing, storage, refining or distribution, including transportation, storage and trade, of fossil fuels.</p>
<p>Article 1, III, 6° Information on the strategy of alignment with the international objectives of limiting global warming set by the Paris Agreement</p>	
<p>a) Definition of a climate quantitative objective in line with a recognised methodology</p>	<p>By 2030, Tikehau Capital targets that 100% of eligible, in-scope Private Equity portfolio companies will have validated Science Based Targets. At the end of 2023, 61% of T2 Energy Transition fund companies had carbon reduction plans.</p> <div data-bbox="862 1209 1321 1316" style="text-align: center;">  <p>Carbon reduction plan, aligned with Science-based targets where possible</p> <p>61% 8% 31%</p> <p>Including 2 plans validated by SBTi (15%)</p> </div> <p>Moreover, there is a portfolio decarbonisation target of a 50% reduction of the weighted average carbon intensity (WACI) of in-scope Private Equity and Private Debt strategies.</p>

b) The role of the assessment in the investment strategy	The NZAM targets will have an impact on the investment strategy, both for the selection of new investments and for the engagement with portfolio companies.
c) The main updates of the responsible investing strategy to promote alignment with the Paris agreements	Tikehau Capital, Tikehau IM parent, continuously reinforces its responsible investing charter to further include climate and biodiversity considerations. In addition, the Group developed its NZAM target. In this context, 4 main pathways will be used to materialise commitments: <ul style="list-style-type: none"> • Invest in solutions (>€ 5Bn targets of investments in climate and biodiversity strategies by 2025 at Tikehau Capital level) • Reinforce negative screening • Measure impacts and engage • Identify and manage climate-related risks
Article 1, III, 7° Information on the strategy of alignment with long-term objectives related to biodiversity	As of 2023, Tikehau Capital has not selected a biodiversity footprint indicator.
Article 1, III, 8° Information on the procedures for taking environmental, social and governance quality criteria into account in risk management	
a) ESG risk management and process of integration into the investment cycle	The internal framework for the monitoring of sustainability risks relies on the three following pillars: (i) the exclusion policy (For details, please refer to the Tikehau Capital Exclusion policy); (ii) monitoring of controversies; and (iii) integration of sustainability risks into remuneration policy.
b) A description of main ESG risks	Please refer to Tikehau IM Sustainability Risk Management Policy available here .
c) An indication of the review frequency of the risk management framework	The Tikehau Capital proprietary ESG tools are reviewed periodically to include and update sources and benchmarks.
d) An action plan to reduce exposure to main ESG risks	ESG risks are considered in portfolio definition and monitoring, however they are not systematically considered in financial modelling.
e) A quantitative estimate of the financial impact of the main ESG risks	Investment teams are invited to assess the financial impact of material sustainability risks and opportunities. Tools must be reinforced to ensure effective integration.
f) Methodological developments	These may be shared upon request.
Article 1, III, 8° bis - Minimum standards to ensure the quality of the data, the assessment of climate-related risks and biodiversity-related risks	Tikehau Capital has developed proprietary tools and appoints ESG and environmental experts to contribute to the quality of data. Climate risks and opportunities are considered as part of the fundamental analysis of investment targets and during the holding period.
Article 1, III, 9° - Action plan to ensure the compliance with the Article 29 recommendations	Tikehau Capital hired a Climate and Biodiversity director in May 2022 as well as an ESG risk manager in early 2023 to reinforce policies, processes and monitoring of climate and biodiversity on one hand and on ESG risks on the other hand.

INFORMATION	COMMENT
Article 1, III, 6° Information on the strategy for alignment with the international climate change mitigation objectives of the Paris Agreement	
<p>Describe the strategy for aligning the assets managed by the fund with the Paris Agreements and the scope</p>	<p>In March 2021, Tikehau Capital joined the Net Zero Asset Managers (NZAM) initiative and, in this context, the Group has undertaken to define decarbonisation trajectories in line with the Paris agreement to limit global warming to 1.5 °C with intermediate targets (by 2030 or before) for its business lines.</p> <p>In April 2023, Tikehau Capital's initial target of managing circa 40% of assets under management in line with the global target of zero net emissions by 2050 was approved by the NZAM initiative.</p> <p>As an affiliate of Tikehau Capital, Tikehau Investment Management ("Tikehau IM"), the Management Company of TREO 2018 will seek to contribute to the Group decarbonisation targets.</p> <p>For the real estate business line, the Group is thus committed to significantly reducing the greenhouse gas emissions of its buildings in the medium term. In 2022, it has defined the first step in this commitment: to align its French tertiary sector assets of more than 1,000 m² with the CRREM (Carbon Risk Real Estate Monitor)²⁰ trajectory by 2030. In 2023, an advisor specialized in energy-efficient real estate has been hired to carry out energy audits and define energy reduction action plans for all of Tikehau IM assets subject to Tertiary Decree, of which some are owned by TREO 2018.</p>
<p>Measuring the achievement of the objective of alignment with the Paris Agreements and with the National Low Carbon Strategy</p>	<p>Monitoring and reporting of the fund's GHG emissions (scope 1, 2 and 3) is carried out annually, as well as a gap analysis of its results against the CO₂eq emissions targets for 2030 suggested by the CREEM.</p>
Article 1, III, 7° Information on the strategy for alignment with long-term biodiversity objectives	
<p>Describe the fund's strategy for meeting the objectives of the Convention on Biological Diversity</p>	<p>Tikehau Capital is aware of the impact of Real Estate activities on biodiversity and aims at conserving biodiversity on its Real Estate assets. In 2023, a mapping exercise was carried out with the expert consulting firm Gondwana to identify ecological issues across the Group's entire real estate portfolio. This initiative led to the development of Tikehau Capital Biodiversity Charter for real estate assets, applicable since the 1st of January 2024.</p> <p>Tikehau Capital undertakes to implement six key principles, thus defining its commitments in terms of biodiversity conservation for real estate assets:</p> <ol style="list-style-type: none"> 1. Knowing the natural environment associated with our real estate assets 2. Limiting the impact of our real estate activities in order to preserve biodiversity 3. Enhancing the ecological value of our portfolio 4. Sustaining biodiversity on our sites during the operating phase 5. Communicating on commitments to enhance the value of these actions and get stakeholders on board 6. Integrating biodiversity into Tikehau Capital corporate culture to unite its employees around the protection of biodiversity <p>The above charter is accompanied by a practical guide including action plans, adapted to the specific characteristics of each asset, such as the building typology or the presence of green spaces. This guide was also prepared with the support of Gondwana, a biodiversity consulting agency since 2005 specialised in sustainable property. Processes are already implemented on most of the points.</p>

²⁰ The Carbon Risk Real Estate Monitor (CRREM) is a tool with provides decarbonization pathways for real estate assets based on their energy or carbon intensity. The targets vary depending on the asset location and typology. These decarbonisation pathways are aligned with Paris agreement objectives.

For instance:

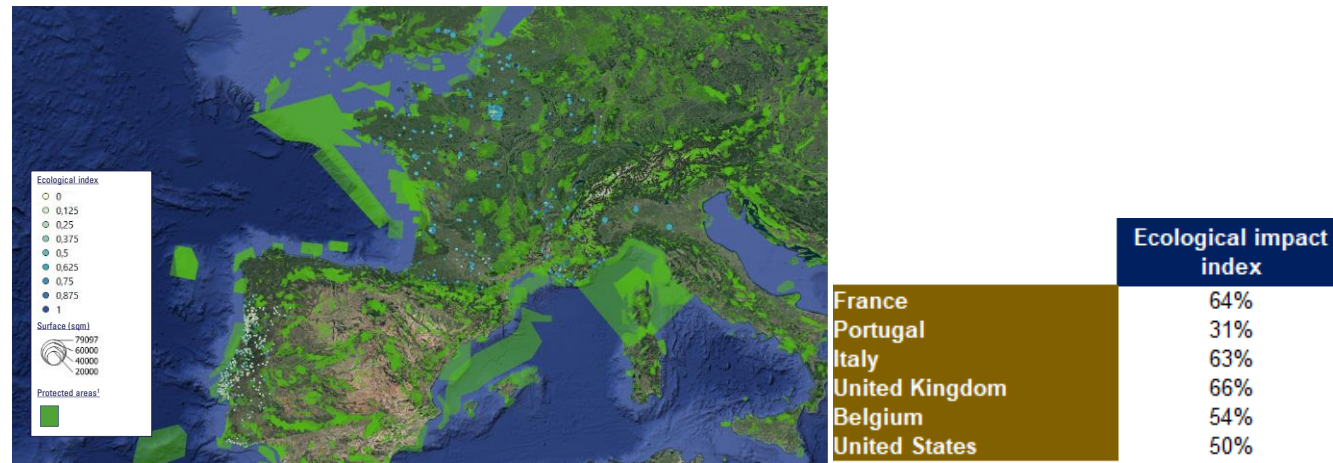
- An analysis on biodiversity criteria (for instance vegetated areas) is performed at investment.
- For development or renovation projects over +2000sqm and of significant ecological interest, the Group is committed to take into consideration biodiversity by working with an environmental and technical consultant with ecological competencies.

In 2024, biodiversity governance tools (such as a Worksite Charter) will be defined with the help of Gondwana. They will be used to effectively implement biodiversity action plans on the assets.

Furthermore, an analysis on nature-related risks was carried out with AXA Climate (see more details in the risks section).

As mentioned in the previous question, Gondwana performed an analysis of Tikehau IM's real estate portfolio (including TREO 2018 portfolio) to identify the most critical assets to implement biodiversity action plans. An ecological impact index was calculated using the assets' surface and proximity to a protected area²¹, using a cartographic database on protected areas. It is not an index in the meaning of benchmark regulation (Regulation (EU) 2016/1011). This index ranges from 0% (low stakes) to 100% (very high stakes). The results of the exercise are summarized in the table and the map below:

Analyse the contribution to the reduction of the main pressures and impacts on biodiversity



Mapping of Tikehau IM's real estate assets as of 31/12/2022 according to ecological index

In 2024, biodiversity action plans will be defined for priority real estate assets, in accordance with Tikehau Capital Biodiversity Charter for real estate assets.

Indicate the indicators used in the framework of the alignment with the Convention's objectives and in the framework of the achievement of the international objectives, and the achievement of the objective

Tikehau IM takes biodiversity criteria into account at acquisition phase and also for priority construction / renovation projects. It should be pointed out that an ESG grid is used at acquisition, that takes biodiversity criteria into account such as for example (non-exhaustive list), land artificialisation.

As an example, when a project includes construction or renovation, the grid allows to check if it will include design/development requirements (such as managing waste by diverting reusable vegetation, rocks and soil from disposal or protecting and restoring habitat and soils disturbed during construction and/or during previous development). Additionally, soil artificialisation is monitored for such projects.

²¹ "Protected areas" include all of Europe's protected natural areas as well as ZNIEFFs in France (ZNIEFF stands for natural zone of ecological, faunistic and floristic interest).

Article 1, III, 8° Information on how environmental, social and governance criteria are taken into account in risk management

In line with the recommendations of the TCFD, Tikehau IM takes account of risks related to climate change.

In December 2022, the Tikehau Capital group, of which Tikehau IM is a subsidiary, commissioned AXA Climate to develop a sector-based screening tool to assess the risks related to climate change by 2030 and 2040.

The level of risk of each sector is assessed taking into account the sector's exposure and vulnerability to these risks, with a focus on Europe given the concentration of assets managed by the Group in this region.

The tool includes an assessment of the following:

- 1) Physical Risks are assessed to enable Tikehau Capital to understand the sectors likely to be most exposed and vulnerable to climate change, and what these risks may be. According to the IPCC (Intergovernmental Panel on Climate Change) definition, Physical Risks can be acute risks (event-driven natural hazards with destructive consequences such as flood, wildfires, or extreme winds), or chronic risks (long term change in the mean and variability of climate patterns, such as changing air temperatures, changing precipitation patterns, or sea level rise). Both acute and chronic risks are assessed in the Physical Risks Analysis, following the TCFD framework (Taskforce on Climate-related Financial Disclosure) and the EU Taxonomy classification.
- 2) Transition Risks and Opportunities are assessed to enable Tikehau Capital to understand the sectors likely to be most exposed and vulnerable to the transition to a low-carbon economy, but also to appraise potential opportunities that this may represent for portfolio investments. Based on the TCFD framework, transition risks and opportunities are classified in the following categories:
 - Policy and Legal (climate-related changes in regulations - including carbon taxes and litigation risks),
 - Market and Technology (shifts in supply and demand for certain services, products, etc. due to increasing climate-related concerns), and
 - Reputation (changes in customers, communities, and stakeholders' perception of an organization from its climate performance).

Detail climate and biodiversity risks

For each sector, transition risks (and opportunities) are assessed based on the sector's characteristics and on relevant climate-related indicators, correlated to the risks and opportunities identified. These indicators are based on transition scenarios provided by the Network for Greening the Finance System (NGFS) to explore a range of plausible outcomes, and are largely used by financial institutions.

- 3) Nature-related Risks at the sectoral level. The study took into account three types of risks linked to nature, in line with the recommendations of the international initiative for nature, the Taskforce on Nature-related Financial Disclosures (TNFD):
 - (i) physical risks, which result from the degradation of nature and the consequential loss of ecosystem services that economic activity depends upon
 - (ii) transition risks, which result from a misalignment between economic actors and actions aimed at protecting, restoring and/or reducing negative impacts on nature
 - (iii) systemic risks, which arise from the breakdown of the entire system, characterised by modest tipping points combining indirectly to produce large failures and cascading interactions of physical and transition risks.

As at year-end 2023, this analysis showed that the Group investment in real estate (30% of total investment) represent:

- A medium physical risk based on SSP5-8.5 scenario in 2030
- A medium transition risk based on Net Zero scenario in 2030
- A medium nature related risk as of today

For Real Estate assets, other complementary analyses were carried out to deepen AXA Climate's analysis. The results were as follows:

- 1) Climate risks:** since the end of 2022, Tikehau IM has been using the R4RE tool to assess the exposure of its Real Estate assets to heat waves, droughts, rainfall and floods. The analysis of the physical risks presented below is based on the SSP5-8.5 (one of IPCC's scenarios), which presumes the continuation of human activities with carbon emissions at current rates, with a 2050-time horizon. For example, the risk of droughts may be accompanied by the shrinkage-swelling phenomenon of clays, which weakens buildings.

During the pre-investment stage, the ESG acquisition grid comprises questions relating to physical risks. Assets are analysed using the R4RE tool²².

- 2) Transition risks:** the risks identified for Tikehau IM real estate assets are linked to existing and potential regulations
- Regulation on energy efficiency and certification (for instance the French eco-energy decree for the tertiary sector “Décret Eco Energie Tertiaire”)
 - Increased pricing of GHG emissions

To monitor those risks, energy consumption data and Energy Performance Certificate (EPC) grades of assets are collected. Furthermore, some assets are analysed using the CRREM (Carbon Risk Real Estate Monitor) tool to determine their stranding year.

- 3) Biodiversity risks:** here are the risks identified for Tikehau IM real estate assets:
- Reduction of mass stabilization and erosion control:
 - Natural capital and ecosystem services help maintain and regulate the state of the environment, including the stability of the land. Therefore, due to the high land use footprint of the Real Estate sector, the deterioration of these ecosystem services could increase the vulnerabilities of the properties.
 - If erosion is a natural phenomenon, it can be amplified by certain anthropogenic activities. The Real Estate sector is dependent on mass stabilization and erosion control (e.g., impact on the stability and maintenance of the building structure).
 - Raw material and biomass scarcity: the Real Estate sector is dependent on the state of natural capital (presence of clean water, natural areas such as forests or parks), as the property values can be affected by the degradation level of the ecosystems.
 - More intense and frequent natural catastrophes

In 2024, an ESG risk director was integrated in the Risk team and he will oversee the review of the risk management framework on a periodic basis. The ongoing project is to:

- Enhance the analysis of the climate risk by quantifying and monitoring the related expected loss. This approach aims to identify critical assets and prioritize action plans effectively.
- Implement pre-trade control on key elements and red flag of the ESG investment grid.
- Implement independent level of control to monitor transition and biodiversity risks.

Article 1, III, 9° Continuous improvement plan

Identification of opportunities for improvement of the current strategy and corresponding concrete actions to improve the current situation

Tikehau IM has identified opportunities to improve its current strategy:

- Carrying out energy audits and implementing action plans to reduce consumption (see in previous questions)

Information on strategic and operational changes introduced or to be introduced as a result of the implementation of corrective actions;

- Implementation of a biodiversity charter and action plans to improve biodiversity on the sites (see in previous questions)

On the date of publication of this report, these actions are already being implemented.

²² Resilience for Real Estate (R4RE) is a climate physical risks analysis tool for Real Estate assets. Based on the location of the asset, the tool assesses the exposure to climate physical risks (such as heat, rainfall and floods or droughts) of the asset on different time horizons and IPCC scenarios.

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