

# 2023 CLIMATE REPORT

**TK** TIKEHAU  
CAPITAL

Level  
up

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# Executive summary

For decades, the global economy has been driven by a single-minded pursuit of profitability, resulting in a paradigm where cost optimisation took precedence over all other considerations, without accounting for the true value of the resources employed – whether natural or human. This illusion of an infinite growth model has shattered in the wake of recent geopolitical, macroeconomic crises, and environmental disruptions over the last two years. It is imperative that we reshape this model into one that fosters sustainable value creation.

In this transformative context, we firmly believe that the integration of Environmental, Social, and Governance (ESG) principles will evolve into a license to operate for conducting business at every level of asset management, from fund structuring to fundamental company analysis. Alignment of interests across all levels is also instrumental in realizing positive impacts for all stakeholders.

Regarding climate action, Tikehau Capital (the Group) joined the Net Zero Asset Managers (NZAM) initiative, and by early 2023, we had established targets for each of our business lines. Our overarching objective<sup>(1)</sup> is to manage approximately 40% of our total assets under management (AuM)<sup>(2)</sup> in alignment with the global objective of achieving net-zero emissions by 2050, or sooner. This approach involves setting interim targets for each business line, developed using methodologies derived from (i) the Net Zero Investment Framework (NZIF) of the Paris Aligned Investment Initiative (PAII), and (ii) the Science Based Targets (SBT) initiative for financial institutions.

Furthermore, we have made a pledge to manage €5 billion in AuM exclusively dedicated to climate and biodiversity initiatives by 2025. Our proactive approach is exemplified by our pioneering efforts, including the launch of innovative funds focused on decarbonisation within the realms of Private Equity in 2018 and Private Debt in 2022, as well as a fund dedicated to scaling regenerative agriculture in Private Equity. At the end of 2023, we reported €3.0 billion in AuM dedicated to climate and biodiversity, excluding highly efficient real estate assets. As a result, we are well positioned to surpass our target of €5 billion by 2025.

This report presents the actions taken to address climate change and reflects Tikehau Capital's commitment to be part of the solution.

(1) Targets are based on generally prevailing industry conditions. Adverse economic, regulatory and market conditions could negatively impact our business assumptions.

(2) The definition of assets under management vary by strategy. See page 297 of [Tikehau Capital's Universal Registration Document 2023](#) for detailed definitions.



# I Introduction

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

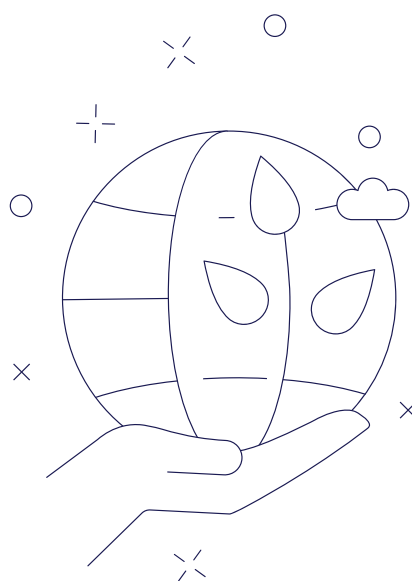
Tikehau Capital's strategy to address climate-related risks and opportunities consists of the following building blocks:

- **Climate governance.** Board oversight and management responsibilities have been defined on climate-related issues. Climate policies guide implementation, supported by remuneration linked to non-financial objectives. For further information, see Section 2.
- **Addressing climate-related risks.** Climate-related risks are addressed throughout the investment cycle. During the pre-investment phase, climate-related risks are addressed through the Group Exclusion Policy and the ESG score. In addition, for certain Private Equity funds, dedicated climate due diligence is conducted where appropriate. During the investment holding period, climate-related indicators are monitored across the portfolio. Furthermore, tools are being developed to assess climate-related risks at a portfolio level. Our approach to climate-related risks is described in Section 3.
- **Exclusions linked to climate change.** Through the Group's Fossil Fuel Exclusion Policy, Tikehau Capital limits its exposure to the most greenhouse gas (GHG) emissions-intensive assets and companies, as detailed in Section 4.
- **Transitioning our investments via our NZAM targets and measuring our carbon footprint.** In early 2023, the Group established targets for each of our business lines. Our overarching objective is to manage approximately 40% of our total AuM in alignment with the global objective of achieving net-zero emissions by 2050, or sooner. This approach involves setting interim targets for each business line to be achieved by 2030<sup>(3)</sup>, as detailed in Section 5. We also measure climate-related metrics of our investment portfolio as presented in Section 6.
- **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, as described further in Section 7.
- **Measuring and managing our operational carbon footprint.** Tikehau Capital's environmental impact primarily stems from its investments. Nevertheless, the Group is committed to implementing best practices in its operations to reduce its footprint. Further details on our approach is described in Section 8.

This report voluntarily applies certain principles included in the following global sustainability reporting frameworks:

- I. The recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD).
- II. IFRS S2 Climate-related Disclosures issued by the International Sustainability Standards Board (ISSB), which builds on and absorbs the TCFD recommendations.
- III. Directive 2022/2464/EU—the EU Corporate Sustainability Reporting Directive (CSRD). Tikehau Capital will issue a report in line with the CSRD in 2025 addressing the 2024 financial year.

In this report, the term “Company” means the company Tikehau Capital SCA, a société en commandite par actions (partnership limited by shares) whose registered office is located at 32, rue de Monceau, 75008 Paris, (France) registered with the Paris Trade and Companies Register under number 477 599 104. The expressions “Tikehau Capital” and the “Group” mean the Company, its consolidated subsidiaries and branches in their entirety.



(3) In line with the approach used by the NZAM and the Net Zero Asset Owners Alliance (NZAOA), targets to be achieved by 2030 throughout this report means that we aim to achieve these targets by the 31.12.2029.



# 2 Climate governance at Tikehau Capital

The Group firmly believes that defining a responsible investing strategy is key to creating sustainable value (i.e. long-term value linked to global societal and environmental challenges) for all of its stakeholders. This belief is demonstrated by the strong involvement across all levels of seniority, from investment and operations teams to the Managers and the Supervisory Board representatives, in the implementation of the ESG and climate policies. This governance is displayed in Figure 1.

FIGURE 1: SUSTAINABLE DEVELOPMENT GOVERNANCE AT TIKEHAU CAPITAL

## GROUP SUSTAINABLE DEVELOPMENT GOVERNANCE



# 2

## BOARD'S OVERSIGHT OF CLIMATE-RELATED RISKS AND OPPORTUNITIES

Tikehau Capital's Supervisory Board regularly reviews the progress of the ESG strategy, which includes climate change. In 2022, a first internal training course was organised for board members covering both climate science and climate change risks and opportunities, and this was followed by a training course in 2024 covering the Group's NZAM targets and the CSRD.

The Supervisory Board relies particularly on its Governance and Sustainability Committee comprised of three independent members, in charge of reviewing the integration of matters related to ESG (including climate and nature-related risks and opportunities) and Corporate Social Responsibility (CSR) into the Group's strategy and its implementation.

In addition, the Group's climate risks were included in the global mapping exercise of major risks and were presented to the Audit and Risk Committee and then to the Supervisory Board in December 2023.

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

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

- The Sustainability Strategy Orientation Committee, composed of experienced Group employees (including one of the co-founders, representing the Managers), sets the guidelines of the ESG, climate and biodiversity policies. It meets at least once a year.
- Operational ESG working groups for each of the Group's business lines were set up to roll out the sustainability strategy with an annual roadmap. These working groups, which include business line managers and the ESG team, meet quarterly. In 2023, 18 meetings were held; a recurring topic in these meetings was climate strategy, including target setting and climate-related impact funds.

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

## CLIMATE-RELATED POLICIES

As of the date of this report, climate-related policies are included in sections dedicated to climate and biodiversity in the Sustainable Investing Charter (with a focus on asset management activities), the Group Exclusion Policy, and in dedicated sections in the Group's annual report (Universal Registration Document) covering both asset management activities and Group operations.

## CLIMATE-RELATED REMUNERATION

Tikehau Capital pays particular attention to the alignment of long-term interests at all levels. All employees are eligible for individual incentives and bonuses. Since 2021, non-financial (ESG) KPIs have been taken into account in the variable remuneration of all employees. In 2023, 20% of variable remuneration was linked to collective targets on human resources and AuM dedicated to climate and biodiversity.

## RESOURCES

In recent years, Tikehau Capital has mobilised human and digital resources to deploy its climate 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;
- Environmental consulting services paid by Tikehau Capital, its asset management companies or its funds (for example, ERM, Carbometrix, Sweep, AXA Climate, and WildTrees);
- For Real Estate assets, the decarbonisation strategy requires energy audits as well as capital expenditure included in work plans, in addition to recurring work with tenants, property managers and other stakeholders involved in the operation of buildings.

# 3 Risk management

## 3.1 TIKEHAU CAPITAL'S GROUP-WIDE RISK IDENTIFICATION APPROACH

Risk management is at the heart of the Group's businesses, and the associated risk management system and internal control organisation are crucial in helping the Managers<sup>(4)</sup> to better determine the strategy and objectives pursued by the Group and the Supervisory Board in the ongoing oversight of the Company's management.

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

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

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

The mapping is based on the assessment of the material financial and non-financial issues identified at Group level, within the funds managed by the Group, and in the investments made by those funds. This process serves as a valuable tool for assessing risks that can be a source of opportunities if they are properly managed. It is also used to define the levels of risk tolerance and appetite, assessed in relation to the strategic financial and non-financial objectives set by the Managers.



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

- Identification of the risk categories: These are determined by considering the Group's activities, and the observed or anticipated changes in its operating environment. This environment covers approximately 25 risk factors, organised to facilitate clear identification of risks based on consistent criteria. This environment is reviewed annually.
- Top-down approach: Risks are identified based on macro-processes that could significantly impact the Group's consolidated activities.
- Bottom up approach: To map major risks.

This identification exercise is conducted annually in two ways (i) through interviews with managers of operational and support functions; and, (ii) via survey employees at the Director, Executive Director or Managing Director levels. Since risk identification and assessment are integral to the Group's key operational priorities, this identification exercise involving the teams is very important for the system. 51 interviews were conducted in 2023 (compared to 46 in 2022 and 43 in 2021), with each interviewee highlighting the three major risks within their activities or those that could impact the Group as a whole.

Regarding ESG risks, the mapping helped identify the following:

- I. Responsible investment (communication, reputation, and brand risk);
- II. Climate change, biodiversity, and the environment;
- III. Talent management and diversity;
- IV. Cybersecurity and information security risks.

In response to identifying climate change as a risk, the Group is integrating climate-related risk management into its processes.

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.

# 3

## 3.2 CLIMATE-RELATED RISK MANAGEMENT

As a global alternative asset manager with a diverse investment universe, Tikehau Capital is exposed to climate-related risks and opportunities. These risks could impact the Group directly or indirectly through our investments. These risks include:

- Physical risks: exposure to the physical impacts of climate change.
- Regulatory risks linked to compliance with regulations aimed at mitigating climate change.
- Other transition risks and opportunities (notably technological, market and reputational risks).

As part of the risk management process, climate-related information is considered throughout the investment cycle as described below.

### PRE-INVESTMENT ASSESSMENT

Through its Group Exclusion Policy, Tikehau Capital excludes sectors, activities, behaviours and geographical areas that present a sustainability risk deemed unacceptable, notably transition risks related to the climate and to activities related to fossil fuels (for further details, see Section 4).

ESG risks are then assessed by assigning an ESG score to an investment target. Investment teams in the Capital Markets Strategies, Private Equity and Credit business lines<sup>(5)</sup> use third-party tools developed by S&P Global to assess ESG scores. As part of the environmental pillar, the ESG score take into account the company's GHG emissions, its emission reduction target, and its climate risk management.

In addition, for Private Equity investments, pre-investment ESG due diligence is conducted with a third-party, including a component on climate change.

In relation to Real Estate activities, the ESG analysis considers GHG emissions, energy consumption data, exposure to fossil fuel-related activities and climate-related physical risks.

### MONITORING DURING THE INVESTMENT PERIOD

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

- Annual measurement of key climate-related performance indicators at the fund level, notably carbon indicators related to the Principal Adverse Impacts (PAI) under the EU Sustainable Finance Disclosure Regulation (SFDR): GHG emissions, carbon footprint, GHG intensity of companies held, exposure to companies active in the fossil fuel sector, and investments in companies that have not adopted carbon reduction initiatives;
- Annual monitoring of ESG and climate indicators through an ESG questionnaire for Credit and Private Equity portfolio companies to identify sustainability risks specific to the company, including climate-related risks;

- 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 Private Equity business line, implementation of Tikehau Capital's Sustainability Must-Haves is monitored, which includes the assessment of the carbon footprint and the definition of a decarbonisation plan.
- For the Capital Markets Strategies business line, the weighted average carbon intensity (WACI) of certain 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 could directly impact 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.
- Annual measurement of key climate-related performance indicators, notably carbon indicators related to the PAI under the EU SFDR: exposure to fossil fuels through real estate assets, exposure to energy-inefficient real estate assets and GHG emissions.

At the date of this report, the approach for infrastructure assets has not been formalized although climate-related risks are considered on a case-by-case basis.

# 3

## SECTOR SCREENING TOOL FOR CLIMATE-RELATED PHYSICAL AND TRANSITION RISKS, AND NATURE-RELATED RISKS

Tikehau Capital also assesses exposure to climate and nature-related risks at the level of the investments and portfolios of the funds managed by Tikehau IM. 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 scenario (NDC, including national policies pledged through to 2030) of the NGFS. The NGFS aims to strengthen the financial system in managing climate change risks.

The screening tool also assesses three types of nature-related risks:

- I. Nature-related physical risks 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 risks 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).

The analysis covers 21 economic activity sectors, stemming from a consolidation of Moody's industrial categories. The risk level 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 for Tikehau IM as at 31 December 2023 as displayed in Table 1.



# 3

Table 1 Tikehau Capital's exposure through its assets under management

RISK STUDIED	INDICATOR
<b>Climate-related physical risks</b>	<p>By 2030, the most at-risk sector identified is the agri-food industry, which represents approximately 2% of Tikehau Capital's assets under management.</p> <p>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.</p>
<b>Climate-related transition risks</b>	<p>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.</p> <p>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.</p>
<b>Nature-related risks</b>	<p>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.</p>

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

## DEEP DIVE: REAL ESTATE

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

To analyse climate-related risks, since the end of 2022, Tikehau Capital has been using the Resilience For Real Estate (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 scenario also used in the AXA Climate analysis described above.

The results of the exercise are summarised in Table 2 below.

Table 2 Proportion of Real Estate assets at risk of climate hazards in 2050, as a percentage of assets under management<sup>(6)</sup>

CLIMATE HAZARD	LOW OR VERY LOW RISK	MEDIUM RISK	HIGH OR VERY HIGH RISK
<b>Rainfall and floods</b>	25%	13%	63%
<b>Heat waves</b>	4%	15%	80%
<b>Droughts</b>	36%	61%	2%

Source: R4RE. January 2024 analysis, coverage rate of 94%



# 3

## DEEP DIVE: CAPITAL MARKETS STRATEGIES <sup>(7)</sup>

For Capital Market Strategies' funds managed by Tikehau IM, scenario analysis was conducted 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 2023. The four scenarios considered are:

- **Baseline scenario:** The baseline scenario is close to the base economic scenario published by the International Monetary Fund (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.

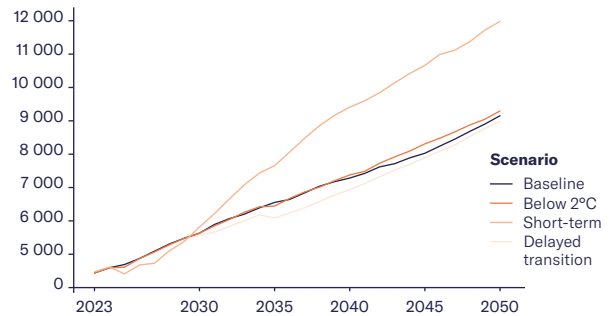
Regarding interest rate evolution, the baseline, delayed transition and below 2°C scenarios have very similar profiles. The short-term scenario stands out more, but only for a brief period of time.

The assessment was based on the portfolio as of 31 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 realisation 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,
- No assumptions on liabilities flows until 2050.

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

Figure 2 Evolution of portfolio market values according to the scenario in millions of euros



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

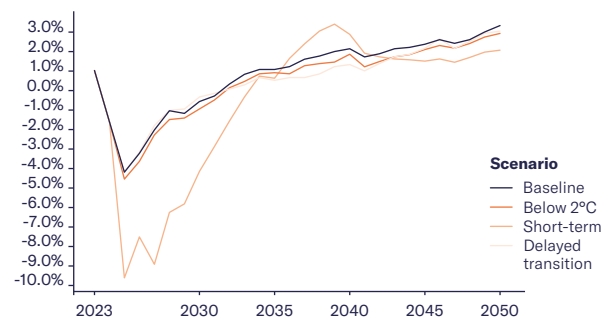
Table 3 Annual maximum deviation of market values compared to the baseline scenario

SCENARIO	WORST YEAR	DIFFERENCE FROM BASELINE
Below 2°C	2025	-1.3%
Delayed transition	2039	-6.9%
Short term	2027	-7.5%

The portfolio market value of the delayed transition 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 transition 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.

Figure 3 Evolution of portfolio latent capital gain and losses rates under different scenarios



# 3

## 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°C 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 portfolio is projected to face relatively minor financial consequences in the delayed transition and below 2°C 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 realisation of any of the scenarios mentioned, leading to a potential extension risk.

# 4 Exclusion linked to climate change

Tikehau Capital's Fossil Fuel Exclusion Policy<sup>(8)</sup> forms part of the Group's approach to managing exposure to climate-related transition risks. Revised at the beginning of 2023, the policy applies restrictions on the financing of new projects dedicated to fossil fuels and related infrastructure, as well as

new direct investments in companies with material exposure to fossil fuels as defined by the NGO Urgewald's Global Coal Exit List (GCEL) and Global Oil and Gas Exit List (GOGEL).

Further details on the policy are displayed in Box 1.

*Box 1 Focus on Tikehau Capital's Fossil Fuel Exclusion*

## Focus on the Exclusion of Fossil Fuels

### AT A PROJECT-LEVEL, THE FOLLOWING RESTRICTIONS APPLY:

- **Thermal coal:** Tikehau Capital excludes direct financing of dedicated thermal coal projects (mines and unabated<sup>(9)</sup> coal-fired power plants), as well as dedicated coal infrastructure including ports, roads and railways.
- **Oil and gas:** Tikehau Capital excludes direct financing of all upstream, midstream and downstream oil and gas projects. Exclusions also apply to unabated natural gas and oil-fired power plants. Investments in dedicated oil and gas infrastructure are also excluded, including liquefied natural gas (LNG) terminals, ports and railways.

### CONCERNING REAL ASSETS:

- Investments in real estate assets involved in the extraction, storage, transport of thermal coal or energy production from thermal coal are excluded.
- Investments in real estate assets involved in the extraction, storage, transport or manufacture of oil and gas are excluded.
- In addition, investments in gas stations are excluded, under the following conditions:
  - Direct holdings of independent gas stations shall be exited by 2030.
  - If there is a change of use planned at the moment of investment, then investment is allowed (2 years maximum to change asset).

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

- **Companies with revenues from thermal coal - Tikehau Capital excludes:**
  - companies planning new or expanding existing thermal coal mining, coal-fired power generation capacity and coal-related infrastructure according to the thresholds defined by Urgewald;
  - companies generating 10% or more of their consolidated annual revenues from thermal coal as well as utilities whose electricity production is 10% or more from coal-fired power plants; or
  - companies whose annual thermal coal production exceeds 10 million tonnes or whose installed thermal coal capacity exceeds 5 gigawatts.
- **Companies with revenues related to oil and gas - Tikehau Capital excludes:**
  - companies planning new or expanding existing upstream or midstream oil and gas capacity. This applies to conventional and unconventional oil and gas production according to the thresholds defined by Urgewald;
  - companies whose annual unconventional oil and gas production exceeds at least 2 million barrels of oil equivalent (Mboe);
  - companies whose total hydrocarbon production is greater than 20 Mboe per year; or
  - companies developing at least 100 MW of new gas-fired power capacity.

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

(8) The Fossil Fuel Exclusion Policy forms part of the [Group Exclusion Policy](#)

(9) Unabated coal, natural gas or oil-fired power plants are fossil fuel power plants that are not equipped with carbon capture, utilisation and/or storage (CCUS) technologies. Investments in CCUS-equipped fossil fuel power plants or companies with such plants would be subject to due diligence. The plant would need to demonstrate lifecycle greenhouse gas emissions of electricity generation (including fuel-related emissions, e.g. fugitive methane) of less than 100gCO<sub>2</sub>e/kWh over at least one year of commercial operation at full capacity.



# 5

## Net Zero Asset Managers (NZAM) initiative targets

Tikehau Capital joined the NZAM initiative in March 2021. NZAM signatories commit to manage a proportion of their assets in line with achieving net zero emissions by 2050. This is operationalised by setting interim targets by 2030 for this scope of assets. Refer to Annex 1 for further details on the NZAM commitment.

On March 7, 2023, Tikehau Capital's Sustainability Strategy Orientation Committee validated interim targets defined for each business line, covering 39% of the Group's AuM (as of 31.12.2022). These targets were initially set covering

Tikehau Capital's strategies and asset portfolios where carbon footprint data is reliable, and net zero methodologies are relevant and applicable. Due to growth in AuM in the initially defined scope, and the inclusion of new funds, as of 31.12.2023, Tikehau Capital's interim targets cover 42% of Group AuM, as displayed in Table 4.

The Group aims to gradually increase the proportion of AuM to be managed in line with net zero over time as new funds with net zero strategies are introduced. The Group plans to periodically review and update its targets.

Table 4 Scope of interim targets (AuM managed in line with the global goal of achieving net zero emissions by 2050)

METRIC	AS OF 31.12.2022 <sup>(10)</sup>	AS OF 31.12.2023
<b>AuM in scope (€)</b>	€15.2 bn	€18.0bn
<b>AuM in scope (% of Group AuM)</b>	39%	42%



# 5

## 5.1 OVERVIEW OF INTERIM TARGETS

The approach to managing assets in line with net zero consists of interim targets for 2030<sup>(11)</sup>, which were developed using the most appropriate target setting methodologies for each asset class. As recommended by the Glasgow Financial Alliance for Net Zero (GFANZ)<sup>(12)</sup>, we consider multiple metrics to track progress towards interim net-zero targets. This reflects increasing recognition from climate-related investment initiatives that targets based on portfolio emissions could lead to unintended consequences, such as reducing investments in emissions-intensive sectors that require financing to decarbonise. Table 5 summarises the types of climate-related metrics currently used by asset managers, and how we use them in our NZAM interim targets and for disclosure, including reporting PAIs under SFDR. We believe that climate indicators will continue to evolve as more experience is gained on financing the transition.

Table 5 Examples of portfolio-level climate metrics and their utilisation at Tikehau Capital in target setting and disclosure

	<b>BACKWARD-LOOKING METRICS</b> Metrics that consider historical climate performance	<b>FORWARD-LOOKING METRICS</b> Metrics that are indicators of future climate performance
<b>Examples of metrics and what they measure</b>	<ul style="list-style-type: none"> <li>Financed emissions (tCO<sub>2</sub>e) – absolute GHG emissions from assets attributed to the portfolio</li> <li>Financed emissions intensity (tCO<sub>2</sub>e/€m invested) – GHG emissions from assets per €m invested</li> <li>Weighted average carbon intensity (WACI) (tCO<sub>2</sub>e/€m revenue) – carbon intensity of portfolio companies based on revenue</li> <li>Real estate carbon intensity (kgCO<sub>2</sub>e/m<sup>2</sup>) – carbon intensity of real assets per m<sup>2</sup></li> </ul>	<ul style="list-style-type: none"> <li>% of portfolio with a decarbonisation target – share of assets that have targets to reduce their GHG emissions aligned with achieving net zero emissions by 2050</li> <li>% of portfolio with a decarbonisation plan – share of assets covered by an action plan of measures to decarbonise</li> </ul>
<b>Pros</b>	<ul style="list-style-type: none"> <li>Financed GHG emissions have a direct connection to global climate target</li> <li>Intensity-based metrics allow for comparability by adjusting for size</li> </ul>	<ul style="list-style-type: none"> <li>Decarbonisation targets are relatively simple to assess via frameworks such as the Science-based Targets initiative (SBTi), and the Carbon Risk Real Estate Monitor (CRREM)</li> <li>Simple to communicate</li> </ul>
<b>Cons</b>	<ul style="list-style-type: none"> <li>Past performance is not indicative of future results</li> <li>Link to financial metrics (revenue or enterprise value), means that the metrics can change due to diverse factors, e.g. market movements or inflation, that are not linked to real world decarbonisation</li> <li>Metrics can cause unintended consequences, including aversion to investments in high emitting sectors that require financing to decarbonise</li> </ul>	<ul style="list-style-type: none"> <li>Portfolio companies might not achieve their targets or fully implement their decarbonisation plan</li> <li>Decarbonisation plans lack standardisation</li> </ul>
<b>TARGET SETTING METRICS AT TIKEHAU CAPITAL</b>		
<b>Capital Markets Strategies</b>	Integrated in net zero alignment category criteria: <ul style="list-style-type: none"> <li>Disclosure of scope 1, 2 and material scope 3 carbon footprints</li> <li>Demonstrated progress towards emission reduction targets</li> </ul>	Integrated in net zero alignment category criteria: <ul style="list-style-type: none"> <li>Medium-term emission reduction targets have been established</li> <li>Quantified transition plan outlines measures to achieve emission reduction targets</li> <li>Capital expenditure plans are aligned with achieving net zero by 2050</li> </ul>
<b>Real assets</b>	Integrated in net zero alignment category criteria: <ul style="list-style-type: none"> <li>Energy/GHG emissions performance aligned with CRREM pathway</li> </ul>	Integrated in net zero alignment category criteria <ul style="list-style-type: none"> <li>Asset with a target to achieve consistency with CRREM pathway and a strategy to achieve this</li> </ul>
<b>Credit</b>	<ul style="list-style-type: none"> <li>Weighted average carbon intensity (WACI target)</li> </ul>	<ul style="list-style-type: none"> <li>For certain funds, we target 100% of portfolio companies with SBTi validated targets</li> <li>For other funds in scope of NZAM as of 30.6.2024, we target 50% of portfolio with validated SBTs</li> </ul>
<b>Private equity</b>	<ul style="list-style-type: none"> <li>Weighted average carbon intensity (WACI target)</li> </ul>	<ul style="list-style-type: none"> <li>100% of eligible portfolio companies with SBTi validated targets by 2030</li> </ul>
<b>DISCLOSURE METRICS AT TIKEHAU CAPITAL</b>		
<b>Corporate issuers</b>	<ul style="list-style-type: none"> <li>Financed emissions (SFDR PAI GHG emissions)</li> <li>Financed emissions intensity (SFDR PAI carbon footprint)</li> <li>Weighted average carbon intensity (SFDR PAI GHG intensity of investee companies)</li> </ul>	<ul style="list-style-type: none"> <li>SFDR PAI investments in companies without carbon emission reduction initiatives</li> </ul>
<b>Real estate</b>	<ul style="list-style-type: none"> <li>Financed emissions from building use (SFDR PAI GHG emissions)</li> <li>Real estate carbon intensity</li> </ul>	-

(11) To be achieved by 31.12.2029 and reported in 2030

(12) GFANZ 2022, Financial Institution Net-zero Transition Plans – Fundamentals, Recommendations, and Guidance



# 5

A summary of our NZAM interim targets and performance towards the targets is displayed in Table 6. Further details on the target and actions to achieve the target are described below.

Table 6 Summary of NZAM interim targets and performance towards target

BUSINESS LINE	TARGET TYPE	TARGET SETTING FRAMEWORK	TARGET DESCRIPTION	PERFORMANCE TOWARDS TARGET 31.12.2022	PERFORMANCE TOWARDS TARGET 31.12.2023
<b>Capital Markets Strategies</b>	Portfolio coverage	Net Zero Investment Framework (NZIF) 1.0	50% of in-scope AuM considered net zero or aligned to net zero by 2030	0%	0% <sup>(13)</sup>
<b>Real Estate</b>	Portfolio coverage	Net Zero Investment Framework (NZIF) 1.0	50% of in-scope AuM considered net zero or aligned to net zero by 2030 <sup>(14)</sup>	25%	25%
<b>Private Equity</b>	Portfolio coverage	SBTi Private Equity	100% of eligible portfolio companies with validated SBTs by 2030	0%	31%
<b>Private Equity, Credit</b>	Portfolio reference decarbonisation target	Net Zero Investment Framework (NZIF) 1.0	Average 8.3% y-o-y reduction in WACI (scope 1 and 2) over a constant portfolio from 2021 to 2030	33% WACI reduction	15% WACI reduction

The achievement of these targets is subject to certain challenges and uncertainties. In particular, it requires a significant acceleration in action by governments and companies in all sectors to collectively deliver the objectives of the Paris Agreement. While significant progress has been made since the signing of the Paris Agreement, global policy is currently off track to deliver these objectives<sup>(15)</sup>, and there are uncertainties in how this will evolve.

(13) Criteria for aligned to net zero are being defined in 2024. As a result, the share of AuM meeting the target is currently 0%.

(14) Alignment was assessed using both reported and estimated energy consumption. A breakdown of alignment based on both approaches is provided in Table 9.

(15) United Nations Environment Programme (2023). Emissions Gap Report 2023: Broken Record – Temperatures hit new highs, yet world fails to cut emissions (again). <https://doi.org/10.59117/20.500.11822/43922>.



# 5

## 5.2 CAPITAL MARKETS STRATEGIES

### TARGET SCOPE

The asset classes in scope are listed equities and corporate fixed income, covering all sectors. The portfolio coverage target does not apply to holdings in sovereign bonds, cash and derivative instruments. We review the funds in scope annually, with a particular focus on adding funds with AuM over €500 million. Funds of this size are in scope of the decree of Article 29 of the Energy-Climate Law (Article 29 LEC)<sup>(16)</sup>, which requires asset managers to disclose a strategy to align the fund with the Paris Agreement objectives. Asset managers are also required to disclose a Paris Agreement alignment strategy at the entity-level. Currently, mandates and funds managed for partners are excluded from the scope of the target, but we are aiming to conduct engagement with our clients and partners to progressively increase the scope of our target.

### TARGET AMBITION AND PERFORMANCE TO DATE

For the Capital Markets Strategies business line, the NZIF portfolio coverage approach was used to set a target of 50% of in-scope AuM<sup>(17)</sup> to be net zero or aligned to net zero by 2030.

The NZIF approach defines five categories, each a progressive step towards alignment with a net zero pathway, as displayed in Figure 4. The portfolio coverage target aims to transition portfolios towards issuers that are categorised as net zero or aligned to net zero, as determined by a set of backward- and forward-looking indicators<sup>(18)</sup>. Issuers that are aligning to net zero or committed to aligning are issuers that are in earlier stages in their net zero journey.

In 2023, we focused our efforts on defining data sources for committed to aligning and aligning to net zero, and in 2024 we are evaluating criteria for the aligned to net zero category. As of September 2024, there are difficulties with identifying companies that are aligned to net zero in high impact sectors due to the lack of data availability on criteria 6—capital allocation alignment with achieving net zero by 2050<sup>(19)</sup>.

Figure 4 Net zero alignment categories and assessment criteria<sup>(20)</sup>

NET ZERO ALIGNMENT	CRITERIA	DESCRIPTION
Net zero	Criteria 7 Achieved net zero targets	Emissions are at or near net-zero, and there is a long-term strategy to maintain net zero
Aligned	Criteria 6 Emissions performance	Demonstrated progress towards emission reduction targets
	Criteria 5 Capital allocation alignment	Capital expenditure plans are aligned with achieving net zero by 2050 (high impact sectors only)
Aligning	Criteria 4 Strategy	A quantified transition plan outlines measures to achieve emission reduction targets
	Criteria 3 Disclosure	Disclosure of Scope 1, 2, and material Scope 3 carbon footprints
	Criteria 2 Targets	Medium-term emission reduction targets have been established
Committed to aligning	Criteria 1 Ambition	Commitment to aligning with the Paris Agreement goal of achieving net zero emissions
Not aligned	No criteria met	Has not started a net zero transition

(16) Official Journal of the French Republic (2021). Decree no. 2021-663 of 27 May 2021 implementing - Article L.533-22-1 of the Monetary and Financial Code.

(17) Capital Markets Strategies aims to include at least 50% of its assets under management in SFDR Article 8 and 9 funds within the scope of the target.

(18) The Institutional Investors Group on Climate Change, 2021, Net Zero Investment Framework: IIGCC's Supplementary Guidance on Target Setting

(19) MSCI, 2024, [Steering Toward an Aligned Portfolio](#).

(20) Adapted based on The Institutional Investors Group on Climate Change, 2021, Net Zero Investment Framework: IIGCC's Supplementary Guidance on Target Setting



# 5

The alignment status of the Capital Markets Strategies funds in scope of the NZAM commitment is summarised in Table 7.

Table 7 Net zero alignment status of in scope Capital Markets Strategies funds as a percentage of AuM

NET ZERO ALIGNMENT CATEGORY <sup>(21)</sup>	31.12.2022	31.12.2023	TARGET: 31.12.2029
<b>Net zero</b>	0%	0%	50%
<b>Aligned to net zero</b>	0%	0%	
<b>Aligning</b>	9%	19%	-
<b>Committed to aligning</b>	40%	35%	-
<b>Not aligned</b>	52%	46%	-

## ACTIONS TO ACHIEVE INTERIM TARGETS

To drive gradual progress towards the 2030 target, trajectories have been defined specifying the share of the portfolio in each alignment category for each fund per year of the target period. The trajectories will be recalculated every year depending on performance towards the target. These trajectories have been validated by the Director of Climate and Biodiversity, the Head of ESG of Capital Markets Strategies and relevant portfolio managers.

The two main levers to meet the targets are asset engagement and asset selection.

Engagement with portfolio companies will have different goals depending on the degree of net zero alignment. For companies without decarbonisation targets, engagement will focus on the adoption of SBTs. For those already committed to set SBTs, engagement is aimed at encouraging target submission, with the appropriate level of disclosure on transition plans. Finally, for companies with emission reduction targets, we encourage disclosure on performance towards their targets, appropriate governance structures and financial resources (e.g. a capex plan) to achieve their targets. Tikehau Capital will also engage with members of the Net Zero Banking Alliance (NZBA) to encourage target setting and reporting. In addition to engagement with portfolio companies, we engage with industry peers to advance net zero alignment through the following industry initiatives: the CDP non-disclosure campaign, and the IIGCC's net zero banking and bondholder stewardship working groups.

Selection of assets based on the net zero alignment status of companies will also be important to achieving these targets.

To enable portfolio managers to consider these targets when making investment decisions, digital tools are being developed to provide information on the alignment status of companies, and performance of the fund compared to the target trajectory.

Achievement of the target is facilitated by the type of portfolio companies that are in scope of the target. These are mostly European medium and large cap companies, with a relatively high share of financial institutions. As a result, most assets are in scope of mandatory ESG reporting regulations, in particular the CSRD, and are hence expected to be disclosing their carbon footprint. We believe that these reporting requirements as well as the policies introduced via the European Green Deal are essential to driving climate action by our portfolio companies and hence support our target achievement.

Nonetheless, we anticipate several challenges and uncertainties in achieving our net zero targets. Linked to engagement, as bondholders or small shareholders, we have a limited influence on our portfolio companies' decarbonisation strategies. To address this, we intend to engage with companies individually, as well as via collaborative engagement initiatives, which may result in a bigger impact.

There are also challenges related to the selection process. A balance will need to be struck between financing companies in the early stages of their low-carbon transition, and companies that have made more progress on their journey.



# 5

## 5.3 REAL ASSETS

### TARGET SCOPE

Tikehau Capital, through its three subsidiaries Sofidy, Tikehau IM and IREIT, manages a large number of real estate assets (around 6,000 as of 31 December 2023). While the assets are concentrated in France, there are also investments in assets located across the rest of Western Europe and the United States. Regarding the building type, half of the assets are offices, and the remainder consist of the following type of assets: retail, warehouses, residential, and hotels or other leisure/recreation buildings.

The scope of the target covers all real estate assets managed by Tikehau IM, Sofidy and IREIT, except residential assets and assets managed on behalf of third parties. The scope accounts for 93% of the AuM of the real estate portfolio of these entities. Residential assets are not included in the scope of the target due to the data collection challenges related to tenant energy consumption. Furthermore, it is also more difficult to implement energy reduction action plans for residential assets and assets managed on behalf of third parties.

Infrastructure assets are currently not in the scope of the NZAM targets.

### TARGET AMBITION AND PERFORMANCE TO DATE

For the Real Assets business line, the NZIF's portfolio coverage approach was used to set a target of 50% of in-scope AuM considered net zero or aligned to net zero<sup>(22)</sup> by 2030.

Under this approach, real estate assets are classified into net zero alignment categories based on their alignment with the 1.5°C energy intensity and GHG emissions intensity pathways defined by the Carbon Risk Real Estate Monitor (CRREM), as described in Table 8 below. The CRREM pathways are defined at the building-level, covering energy consumption and GHG emissions in the building use-phase.

We report the share of AuM that are aligned to net zero based on both reported energy consumption (i.e. a carbon footprint with a Partnership for Carbon Accounting Financials (PCAF) data quality score of 2) and estimated energy consumption (i.e. with a carbon footprint with a PCAF data quality score of 4). Assets with more than 80% of reported energy data were classified as PCAF score 2, whereas other assets were classified as PCAF score 4. As the estimated energy consumption is calculated using a country and building-type specific benchmark, we consider that the resulting performance is broadly representative of the building's actual energy consumption.

Assets with a vacancy rate of 50% or more, based on occupancy either during the reporting year or of the total surface of the asset, are reported separately as partial energy consumption of such assets is not representative of the building's energy performance. However, they are included as part of the headline target (i.e. the total AuM being managed in line with net zero), as assets are temporarily vacant (due to change in tenant, renovations etc).

Table 8 Description of Net Zero Alignment Categories for Real Estate

NET ZERO ALIGNMENT CATEGORY	DESCRIPTION
<b>Net Zero</b>	In the current reporting year, the asset is aligned with the CRREM energy and GHG emissions intensity in 2050
<b>Aligned to net zero (PCAF score 2)</b>	In the current reporting year, the asset is aligned with the CRREM energy and GHG emissions intensity in 2030, with a carbon footprint PCAF score of 2
<b>Aligned to net zero (PCAF score 4)</b>	In the current reporting year, the asset is aligned with the CRREM energy and GHG emissions intensity in 2030, with a carbon footprint PCAF score of 4
<b>Aligning to net zero</b>	Asset with a target to achieve consistency with CRREM pathway and evidence of a strategy to achieve this
<b>Vacant assets</b>	Assets that are vacant for 50% or more, based on occupancy either during the reporting year or of the total surface of the asset
<b>Not aligned</b>	All other assets

(22) Net zero or aligned status will be determined using version 1 of the 1.5°C pathways defined by the Carbon Risk Real Estate Monitor (CRREM). Version 2 of the pathways was not available at the time of analysis; we will consider the use of these pathways in future iterations of this target.



# 5

The alignment status of the AuM in scope of the target is summarised in Table 9 below.

Table 9 Net zero alignment status of in scope Real Estate assets as a percentage of AuM

NET ZERO ALIGNMENT CATEGORY <sup>(23)</sup>	31.12.2022	31.12.2023	TARGET: 31.12.2029
<b>Net zero</b>	0%	0%	
<b>Aligned to net zero (PCAF data quality score 2)</b>	9%	12%	50%
<b>Aligned to net zero (PCAF data quality score 4)</b>	16%	14%	
<b>Aligning</b>	44%	45%	-
<b>Not aligned</b>	22%	21%	-
<b>Vacant Assets</b>	8%	9%	-

In parallel to the NZAM commitment, the Group also aims to comply with the requirements of the French regulation *Décret Eco-Energie Tertiaire* (DEET) which requires all non-residential buildings of more than 1,000 m<sup>2</sup> to reduce their energy consumptions either by 40% in 2030 compared to a reference year or achieve an emissions intensity target. Sofidy aims to go beyond the regulatory requirements by committing to achieving this objective on all its European non-residential assets with a surface area over 1,000 m<sup>2</sup>. This regulation requires asset owners and tenants to share energy consumption data and to work together to improve the energy performance of the asset. There is a strong degree of alignment between the NZAM and DEET requirements. As a result, in many cases, reducing the energy consumption of an asset to meet its DEET requirement will also allow this asset to meet its CRREM 2030 target, and therefore be considered aligned to net zero under the NZIF.

## ACTIONS TO ACHIEVE INTERIM TARGETS

The main levers to achieving the target set for the real estate portfolio are:

- Measuring building energy consumption and carbon footprint
- Reducing energy consumption
- Switching to renewable energy
- Stakeholder engagement

To manage and reduce the portfolio's energy consumption and carbon footprint, Tikehau Capital monitors the energy performance of its portfolio by gathering data on Energy Performance Certificates (EPC) and energy consumption, using solutions such as Deepki and ImoGate. Energy consumption is used for annual operational carbon footprint calculations, covering scope 1 and 2, as well as scope 3 emissions from tenant energy consumption. In addition, on a case-by-case basis, Sofidy is using solutions such as iQspot to collect real time energy consumptions data, enabling more granular monitoring and analysis of energy reduction action plans.

Data collection challenges are an important barrier to overcome. In 2023, 71% of energy consumption from Tikehau Capital's Real Estate portfolio was estimated, making it more difficult to monitor progress and measure the effectiveness of energy efficiency measures. Working in partnership with stakeholders including tenants, property managers and asset managers is essential to overcoming this issue.

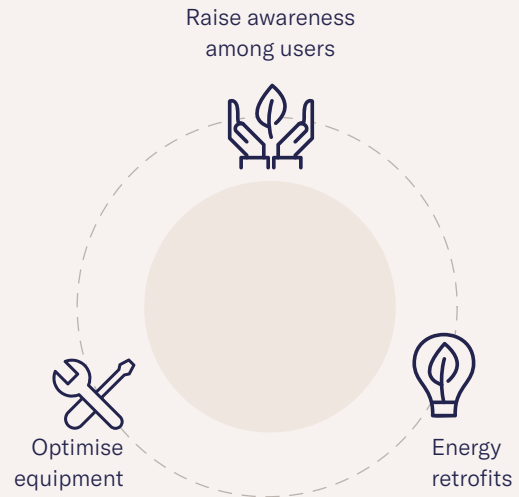
To reduce energy consumption and greenhouse emissions from the portfolio, energy audits and action plans are developed for each asset within the scope of the DEET, as well as Sofidy assets outside of France with a floor area greater than 1,000m<sup>2</sup>. The action plans detail the measures required to achieve the DEET and CRREM targets by 2030. The measures will be included in the assets' multiyear capital expenditure plans.



# 5

There are three main types of measures to reduce energy consumption:

- **User behaviour:** users generally have control of around 50% of on-premises energy consumption. This means it is essential that occupants and property managers are fully engaged with and involved in efforts to reduce energy consumption.
- **Equipment** is also key because it can contribute to high energy consumption. There are various systems for automating and optimising how equipment is used to reduce consumption.
- **Renovations:** building envelope improvements are vital to achieving optimum performance.



Furthermore, Tikehau Capital plans to use renewable energy to reduce the carbon footprint impact of its Real Estate assets. Two actions are envisaged: deploying on-site renewable energy such as solar panels or purchasing renewable electricity, where appropriate, for the building areas that are within the operational control of Tikehau IM, Sofidy and IREIT.

Tikehau Capital's Real Estate targets aim to reduce energy and emissions intensity in both landlord and tenant-managed areas, meaning that target achievement is dependent on decarbonisation actions taken by both parties. As a result, stakeholder engagement is an essential lever to achieve these targets. The following measures are used to engage with stakeholders:

- **Tenants:** green leases are negotiated to encourage tenants to provide their energy consumption data and work with the landlord and the property managers to implement energy reduction action plans on the assets, through green committees for instance. Furthermore, eco-guides are provided to all tenants, describing best practice actions to reduce energy consumption and GHG emissions.
- **Asset and property managers:** clauses are included in management contracts requiring them to collect energy consumption data in common areas and tenant-occupied areas, and work with the landlord and the tenant to implement energy reduction action plans on the assets, through green committees for instance.

Achievement of the climate targets set for Real Estate requires both financial and human resources. For example, in 2024, the budget for energy audits for Tikehau IM was around €500,000. In addition, capital expenditure will be incurred, and human resources are also needed to engage with tenants, property managers and other stakeholders involved in building operations.



# 5

## 5.4 CREDIT AND PRIVATE EQUITY

### TARGET SCOPE

NZAM targets have been set for selected funds in the Credit (including Private Debt and Tactical Strategies) and Private Equity business lines.

### CREDIT

Tikehau Capital's Private Debt activity covers private credit to mostly private companies and covers all parts of the debt structure (i.e. senior / unitranche / junior tranches). The strategy aims to provide exposure to a diversified portfolio of direct financings to predominantly sponsor-backed European mid-sized companies. The third vintage of Tikehau Capital's special opportunities strategy is based on a flexible mandate that targets both liquid secondary markets via the acquisition of discounted assets and private markets by offering tailor made capital solutions. Most of the portfolio companies are located in Western Europe.

The scope of the NZAM commitment currently covers the latest vintage of flagship strategies in Private Debt and Tactical Strategies. Collateralised loan obligation funds are excluded due to the nature of the asset class, which constrains engagement opportunities with portfolio companies. Legacy Credit funds are excluded from the commitment as the capital has been deployed, whereas lender influence is strongest prior to deal closing.

### PRIVATE EQUITY

Tikehau Capital's Private Equity activity is currently driven by five structural growth strategies: decarbonisation, regenerative agriculture, growth equity, cybersecurity and aerospace. The majority of investments are in European companies, however, some strategies such as the second vintage of Tikehau Capital's decarbonisation strategy and regenerative agriculture can also pursue opportunities in North America.

The scope of the NZAM target currently includes the first vintage of the Tikehau Capital's decarbonisation strategy launched in 2018, as well as the flagship funds that have been launched since 2022. Currently, the scope covers decarbonisation, regenerative agriculture, growth equity and aerospace strategies, including related co-investment vehicles. Cybersecurity strategies are excluded due to the nature of the asset class, venture capital, for which target setting methodologies are not applicable. Furthermore, legacy funds are excluded from the NZAM commitment as the capital is already in deployment, which hinders our ability to negotiate emission reduction targets. In such funds, we will deploy best efforts to engage with the portfolio companies without formalised targets.

### TARGET AMBITION AND PERFORMANCE TO DATE

We used the SBTi Private Equity approach<sup>(24)</sup> to set a portfolio coverage target for Private Equity strategies. As a validated SBT is a forward-looking decarbonisation indicator, we also used the NZIF to set a portfolio decarbonisation reference target as this is a backward-looking indicator that can be used to demonstrate that the decarbonisation achieved is consistent with a net-zero pathway. This portfolio decarbonisation reference target is also extended to the Private Debt and Tactical Strategies funds in scope of our NZAM commitment. We have made adjustments to the portfolio decarbonisation reference target metric so that it considers only real-world decarbonisation. These targets are described in further detail below.

### PORTFOLIO REFERENCE DECARBONISATION TARGET

As both business lines invest primarily in non-listed companies, over an investment period of around 5 years, we used the NZIF to set a portfolio reference decarbonisation target covering the funds in scope of the target across the Credit and Private Equity business lines. We target the equivalent of a 50% reduction in the scope 1 and 2 weighted average carbon intensity (WACI) of in-scope AuM by 2030 compared to the 2021 baseline. In addition to our formal targets, we encourage our portfolio companies to also reduce own Scope 3 emissions.

In the absence of a standardised approach to rebaselining, Tikehau Capital has adapted the target metric to remove the effect of a changing portfolio composition. The 50% reduction in WACI by 2030 compared to a 2021 baseline translates to a year-on-year WACI reduction of 8.3%, to be achieved on average over the target period. The WACI will be calculated based only on portfolio companies that have been in the portfolio and reported carbon footprint data for two consecutive years. In doing so, the metric better represents real world decarbonisation of our portfolio companies. To date, the year-on-year WACI reduction has exceeded the targeted value, as displayed in Table 10.

We believe the WACI metric is most suitable for private companies as the denominator is based on revenue, which is a commonly reported financial metric. This metric demonstrates that the portfolio is decoupling emissions from revenues. Other carbon metrics attribute GHG emissions to investors via enterprise value which can be more subjective and more complex to calculate. However, we also track additional KPIs such as the financed emissions and financed emissions intensity and communicate those to the Fund LPs on a regular basis.



# 5

Table 10 Weighted average carbon intensity metrics for the Private Equity and Credit funds in scope of NZAM <sup>(25)</sup>

METRIC	31.12.2021	31.12.2022	31.12.2023	TARGET 31.12.2029
<b>% annual reduction in WACI scope 1 and 2 over a constant portfolio</b>	-	33% WACI reduction	15% WACI reduction	Average 8.3% over target period
<b>WACI (tCO<sub>2</sub>e/€m revenue) scope 1 and 2 <sup>(26)</sup></b>	39	25	18	-
<b>% coverage carbon footprint data</b>	95%	86%	85%	-

## PORTFOLIO COVERAGE TARGET

We used the SBTi Private Equity approach to set a portfolio coverage target for Private Equity strategies. We aim for 100% of eligible<sup>(27)</sup> portfolio companies to have validated SBTs by 2030. Eligible portfolio companies are those that meet the following criteria: a) have been in the portfolio for more than 24 months; and b) Tikehau Capital holds greater than 25% share and at least one board seat.<sup>(28)</sup> In addition to our formal targets, we encourage other portfolio companies to define decarbonisation trajectories aligned with the Paris Agreement.

As a validated SBT is a forward-looking, leading decarbonisation indicator, the NZIF portfolio decarbonisation reference target described earlier serves as an accountability mechanism to ensure that the overall level of decarbonisation achieved is consistent with a net-zero pathway.

The Credit funds that are in scope of the NZAM commitment will also be driving target achievement by encouraging portfolio companies to set validated SBTs. However, a portfolio coverage target has not been set for across the Credit funds, given that debt investors have less influence compared to private equity investors on a portfolio company's climate strategy.

Our performance to date is shown in Table 11.

Table 11 Share of portfolio companies with a commitment to set or validated SBTs in Private Equity and Credit funds in scope of NZAM <sup>(29)</sup>

BUSINESS LINE	METRIC	31.12.2021	31.12.2022	31.12.2023	TARGET 31.12.2029
PRIVATE EQUITY	<b>% SBT validated – eligible portfolio companies</b>	0%	0%	31%	100%
	<b>% SBT committed – eligible portfolio companies</b>	0%	0%	0%	-
	<b>% SBT validated – all portfolio companies</b>	0%	0%	12%	-
	<b>% SBT committed – all portfolio companies</b>	0%	10%	13%	-
CREDIT	<b>% SBTi validated</b>	-	-	16%	-
	<b>% SBTi committed</b>	-	-	35%	-

(25) The WACI figures have not been adjusted for inflation.

(26) The WACI denominator (current value of all investments) excludes dry powder and companies for which data is not available.

(27) The definition of eligible portfolio companies draws from the Science Based Targets initiative's (SBTi) [Private Equity Sector Science-Based Target Guidance](#). During the target period, it is possible that alternative target setting methodologies attain a similar level of market recognition as SBT. Inclusion of such target setting methodologies could be considered in potential revisions to the Group's NZAM target.

(28) While we use the SBTi's methodology, Tikehau Capital does not have a validated SBT.

(29) Percentages are calculated considering the net asset values of the assets in scope of the target (excluding cash, cash equivalents and dry powder).



# 5

## ACTIONS TO ACHIEVE INTERIM TARGETS

Engagement with our portfolio companies to set SBTs and achieve their target trajectory is the key lever to achieve our NZAM commitment. This is operationalised using mechanisms that are adapted to the characteristics of Credit and Private Equity investing.

### CREDIT

Achievement of the annual scope 1 and 2 WACI reduction target of 8.3% by the Credit funds will require at least half of the portfolio companies to set decarbonisation trajectories in line with limiting global warming to 1.5°C using the SBTi's near-term criteria. Two strategies – the French private debt unit-linked strategy exclusively distributed by SG and the French private debt unit-linked multi distributors strategy – have a mandate to go further, as these strategies only finance companies that have already committed to or have a validated SBT.

In the Credit business line, the main mechanism to drive target performance is via a sustainability-linked loan (SLL), also known as an ESG ratchet, which is a legally-binding contractual debt instrument that provides the potential to drive investees' transition through financial incentives and penalties. In the pre-investment phase, the investment team identifies the company's material ESG issues. An SLL typically covers three ESG issues, and targets linked to these issues are negotiated and agreed to by the company and/or equity sponsor. Where feasible, GHG emissions reduction trajectories following the SBTi methodology are negotiated as part of the SLL. Achievement of these ESG targets is linked to a financial incentive, with an up and down margin adjustment mechanism varying on average between 5 to 25 basis points, depending on the materiality of the KPIs. Finally, performance towards the targets is tracked annually via an audited ESG compliance certificate, and GHG emissions are also monitored through an annual ESG reporting exercise.

SLLs partially address one of the main challenges to climate target setting for private debt managers: the limited influence of private debt managers on portfolio companies, compared to private equity owners or shareholders. Influence levels vary at different stages of the deal. Most influence in a private debt deal lies before the deal itself closes, and the ability to influence is significantly diminished after the deal closing. As a result, it is critical to negotiate the SLL prior to deal closing, as a mechanism to drive action during the holding period. However, negotiations in a competitive deal market could remain challenging as a company that does not wish to implement decarbonisation targets may decide to execute the deal elsewhere.

Overall, SLLs are an efficient tool to engage more proactively with portfolio companies, accelerate change and increase the monitoring of improvement as they are based on quantifiable, measured and audited data. From the investment manager point of view, while financial performance is slightly reduced, the overall impact on fund performance is minimal. Furthermore, if SLLs are negotiated with a focus on material ESG issues, we believe that these ratchets can deliver improved risk-adjusted returns. We also consider that by contracting an SLL, mid-market companies can better communicate their ESG credentials and use this as a tool to differentiate themselves from peers.

Another challenge to achieving the decarbonisation target is the low level of maturity of most portfolio companies in this asset class on climate change, and ESG in general. In particular, most do not have dedicated resources to address this topic. However, we expect progress in the near term, accelerated by regulatory drivers, in particular the CSRD. Concerning our Private Debt activity, over 90% of our portfolio companies will be required to report in line with this regulation in 2025. As such, we view CSRD as a positive driver for portfolio company ESG disclosures, supporting measurement and management of climate impacts.



# 5

## PRIVATE EQUITY

Tikehau Capital's Private Equity team actively engages with its portfolio companies to support their contribution to climate change mitigation and deliver performance towards the NZAM targets set for this business line. This engagement involves aiding companies in measuring their greenhouse gas emissions, setting targets aligned with the Paris Agreement, and developing and executing decarbonisation strategies. The engagement strategy is integrated throughout the investment lifecycle to ensure a consistent and effective approach to sustainability.

During the pre-investment phase, Tikehau Capital evaluates climate-related criteria as part of the investment opportunity assessment. This includes third-party ESG and impact due diligence, which assesses the company's maturity regarding decarbonisation efforts. Since 2023, an ESG clause is incorporated into the shareholder agreement at the investment stage, requiring the company to conduct a carbon footprint analysis and establish a decarbonisation strategy, submitted to the SBTi in the 24 months following the investment. Post-investment, we engage with the portfolio company on their decarbonisation journey, and annually review its carbon footprint, decarbonisation target, and decarbonisation roadmap to evaluate progress as part of the Sustainability Must-Haves.

Similar to Credit strategies, one of the primary challenges in achieving decarbonisation targets within Private Equity is the low level of ESG maturity among portfolio companies at the time of investment. To address this challenge, it is important to educate and encourage portfolio companies and leverage our board positions to build their capacities and support their progression towards these goals.

Another significant challenge is the availability of ESG data, especially since the CSRD regulation does not yet apply to all our portfolio companies. Consequently, comprehensive ESG data is often lacking at the pre-investment stage. To address this, we make concerted efforts post-investment to enhance the company's data collection processes and improve data quality. This includes partnering with third-party experts (such as ERM and Carbometrix) to assess and measure the carbon footprint of our portfolio companies, thereby laying a solid foundation for effective decarbonisation strategies. In 2023 we measured the carbon footprint for portfolio companies in all flagship funds.



# 6 Asset Management Climate Metrics

Tikehau Capital monitors climate-related metrics of its investment portfolio in alignment with the PAI indicators defined by the EU SFDR and IFRS S2 Climate-related Disclosures for asset managers.

**Absolute gross financed emissions**, also called **greenhouse gas emissions**, is a measure of the absolute greenhouse gas emissions associated with a portfolio expressed in tonnes of CO<sub>2</sub>e. Portfolio companies' emissions are allocated to investors based on the ratio of net asset value divided by enterprise value for listed companies and the net asset value or loan value divided by the company's total equity and debt for private companies. Financed emissions and coverage disaggregated by Scope 1, Scope 2 and Scope 3 per business line are presented in Table 12.

Table 12 2023 gross absolute financed emissions (greenhouse gas emissions) and coverage disaggregated per business line and GHG emissions scope

	CAPITAL MARKETS STRATEGIES	CREDIT	PRIVATE EQUITY	REAL ASSETS <sup>(30)</sup>	INVESTMENT ACTIVITY	TOTAL
<b>AuM (€m)</b>	4,649	19,549	5,152	13,464	342	43,156
<b>Financed emissions (tCO<sub>2</sub>e)</b>	129,108	528,874	35,278	29,537	-	722,797
<b>SCOPE 1</b>						
<b>Coverage (€m)</b>	3,517	11,540	3,243	10,257	0	28,556
<b>Coverage (% AuM)</b>	76%	59%	63%	76%	0%	66%
<b>Financed emissions (tCO<sub>2</sub>e)</b>	40,677	256,820	25,676	4,491	-	327,664
<b>SCOPE 2</b>						
<b>Coverage (€m)</b>	3,517	11,556	3,243	10,257	0	28,573
<b>Coverage (% AuM)</b>	76%	59%	63%	76%	0	66%
<b>Financed emissions (tCO<sub>2</sub>e)</b>	1,360,830	5,935,196	2,961,941	78,133	-	10,336,100
<b>SCOPE 3</b>						
<b>Coverage (€m)</b>	3,517	11,275	3,243	10,257	0	28,292
<b>Coverage (% AuM)</b>	76%	58%	63%	76%	0%	66%
<b>SCOPE 1, 2 AND 3</b>						
<b>Financed emissions (tCO<sub>2</sub>e)</b>	1,530,616	6,720,889	3,022,896	112,161	-	11,386,561



# 6

**Financed emissions intensity or carbon footprint** is the absolute gross financed emissions normalised by the total value of investments covered by financed emissions data. It is expressed in tonnes of CO<sub>2</sub>e per million euro invested. The financed emissions intensity and coverage disaggregated by business line are presented in Table 13.

Table 13 2023 financed emissions intensity (carbon footprint) disaggregated per business line

		CAPITAL MARKETS STRATEGIES	CREDIT	PRIVATE EQUITY	REAL ASSETS	INVESTMENT ACTIVITY	TOTAL
SCOPE 1 AND 2	Financed emissions intensity (tCO <sub>2</sub> e/€m invested)	48	68	19	3	-	37
	Coverage (€m)	3,517	11,541	3,243	10,257	-	28,558
	Coverage (% AuM)	76%	59%	63%	76%	0%	66%
SCOPE 1, 2 AND 3	Financed emissions intensity (tCO <sub>2</sub> e/€m invested)	435	595	932	11	-	402
	Coverage (€m)	3,517	11,275	3,243	10,257	-	28,292
	Coverage (% AuM)	76%	58%	63%	76%	0%	66%

**Weighted average carbon intensity (WACI)**, also known as GHG intensity of investee companies, which measures the portfolio's exposure to carbon-intensive companies. It is expressed in tonnes of CO<sub>2</sub>e per million euro of revenue. The WACI and coverage disaggregated by business line are presented in Table 14. By definition, the WACI indicator excludes real assets.

Table 14 2023 weighted average carbon intensity (WACI), also known as GHG intensity of investee companies, disaggregated per business line

		CAPITAL MARKETS STRATEGIES	CREDIT	PRIVATE EQUITY	INVESTMENT ACTIVITY	TOTAL
SCOPE 1 AND 2	WACI (tCO <sub>2</sub> e/€m revenue)	75	77	23	-	67
	Coverage (€m)	4,483	12,656	3,383	-	20,522
	Coverage (% AuM)	96%	65%	66%	0%	69%
SCOPE 1, 2 AND 3	WACI (tCO <sub>2</sub> e/€m revenue)	858	534	1,128	-	704
	Coverage (€m)	4,483	12,205	3,263	-	19,950
	Coverage (% AuM)	96%	62%	63%	0%	67%

# 6

**Real estate carbon intensity** displayed in Table 15 is an indicator of GHG emissions intensity from our real estate portfolio, normalised by surface area. It includes emissions from energy consumption of common-areas and tenant-occupied areas, as well as refrigerant leaks from building cooling systems. All assets in the real estate portfolio were covered by a carbon footprint in 2023.

Table 15 2023 real estate carbon intensity disaggregated by asset manager.

SCOPE	Scope 1, 2 and 3 real estate carbon intensity (kgCO <sub>2</sub> e/m <sup>2</sup> )
Sofidy	27
IREIT	41
Tikehau IM	21
Group (real estate)	27

Finally, Tikehau Capital also monitors **exposure to companies listed on the NGO Urgewald's 2023 Global Coal Exit List and Global Oil and Gas Exit List**. As at 31 December 2023, the group invested €15m in such companies, representing 0.04% of Group AuM with a data coverage rate of 98%.

Tikehau Capital also monitors PAI indicators for SFDR Article 8 and 9 funds and publishes these indicators in fund reports.

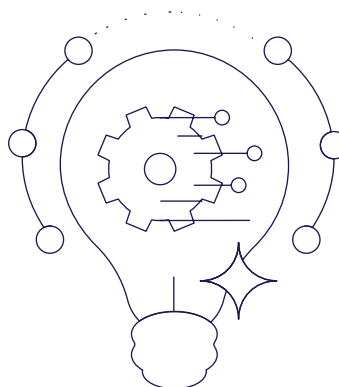
## METHODOLOGICAL FRAMEWORK

The GHG Protocol Corporate Standard categorizes scope 3 emissions into 15 categories. The emissions resulting from a reporting company's loans and investments fall under scope 3 downstream emissions, specifically under scope 3 category 15 (investments).

Tikehau Capital relies on the Partnership for Carbon Accounting Financials' (PCAF) Global GHG Accounting and Reporting Standard for the Financial Industry<sup>(31)</sup> for accounting and/or attributing 'financed emissions' to its asset management portfolios.

The PCAF framework's attribution principle requires financial institutions to account for a portion of the annual emissions of the investee's (or borrower's) annual emissions, based on the ratio of its financial exposure (e.g., ownership stake or loan amount) to the total value of the financed entity (e.g., enterprise value).

Due to methodological revisions, the metrics published in this report are not directly comparable to the 2022 climate report.



# 7 Sustainability-themed and impact investing in enablers and the transition

Tikehau Capital has identified the response to the climate emergency as a pressing call for action in terms of risk management, but also a significant investment opportunity. To capture this opportunity, Tikehau Capital has set itself the goal of developing a €5 billion platform by 2025 that will be dedicated to climate action the protection of biodiversity through its various business lines. This target forms part of the Group Objectives that contribute to the determination of the variable component of employee compensation packages.

As of 31 December, 2023, the assets under management of Tikehau Capital's sustainability-themed<sup>(32)</sup> and impact<sup>(33)</sup> platform amounted to €4.3 billion in funds dedicated to corporate assets, including €3.0 billion dedicated specifically to climate and biodiversity, as displayed in Table 16.

The scope of this target covers strategies that are SFDR Article 8 or 9 funds with at least one priority objective related to decarbonisation, nature, biodiversity or another environmental theme (excluding Sofidy funds) (refer to Table 17 for further details) and green bonds selected for Tikehau Impact Credit and invested via other funds. The 2023 figure excludes Tikehau Real Estate Opportunities II.

Table 16 Evolution of AuM dedicated to climate and biodiversity

	2022	2023
Climate and biodiversity assets under management	€2.3 bn	€3.0 bn



(32) Allocation of capital to themes or assets related to certain environmental or social outcomes. Please see [report on "Definitions for Responsible Investment Approaches"](#) by the Global Sustainable Investment Alliance (GSIA), CFA Institute and Principles for Responsible Investment (PRI), November 2023

(33) Impact investments are investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return. Please see [report on "Definitions for Responsible Investment Approaches"](#), November 2023



# 7

Table 17 Strategies dedicated to climate and biodiversity

STRATEGY	LAUNCH DATE
<p>The <b>first vintage of Tikehau Capital's decarbonisation strategy</b> is a Private Equity strategy focused on companies operating in three sectors critical to achieving the long-term temperature target of the Paris Agreement: (1) energy efficiency, storage and digitisation (2) clean energy production and (4) low-carbon mobility.</p>	December 2018
<p>The <b>second vintage of the Private Equity strategy dedicated to decarbonisation</b> aims to contribute to the decarbonisation of the economy with a wide range of adapted and impacting solutions, and its investment thesis is twofold, (1) it is based on sectors, i.e. decarbonise the entire economy by focusing on all sectors contributing to the generation of CO<sub>2</sub> emissions (with the exception of agriculture, covered by the regenerative agriculture strategy): energy generation, industry, buildings and transport, and (2) it is solution-based, i.e. targeting the most impactful solutions, as well as catalysers, and identifying key value-added components in the value chain of these solutions. The fund will target the following solutions: efficiency, electrification, low-carbon energy and inputs, and adaptation. In line with the first vintage, this second vintage applies an approach combining Tikehau Capital's sustainable investment policy and an impact reference framework.</p>	June 2023
<p><b>Tikehau Capital's impact credit strategy</b> is a high-yield bond strategy that pursues both a financial objective and an objective of accelerating the transition to a circular and low-carbon economy by investing in issuers that explicitly intend to make a positive and measurable contribution through their products and services, their operations or through certain projects (green bonds). The fund not only finances solutions, but above all the transition of the current ecosystem, i.e. the decarbonisation of production plants, buildings and mobility.</p>	July 2021
<p>The <b>green assets strategy</b> is dedicated to capital investment in real assets to reduce the carbon footprint of their end users: low carbon technologies (LED lighting, new refrigeration units, heat recovery systems, etc.), infrastructure (charging stations for electric vehicles, batteries, etc.) or more specific projects (vertical farms, recycling units, etc.). This strategy forges partnerships with players wishing to decarbonise or with companies providing a decarbonisation solution, in order to meet the financing needs of their asset portfolios with a tailor-made offer.</p>	April 2021
<p>The <b>French private debt unit-linked strategy exclusively distributed by SG</b> enables individual investors to finance selected unlisted French and European companies while supporting the reduction of their greenhouse gas emissions. The companies financed must commit to a decarbonisation trajectory aligned with the Paris agreement based on the Science Based Targets methodology.</p>	December 2022
<p>The <b>French private debt unit-linked multi distributors strategy</b> enables individual investors to finance selected unlisted French and European companies while supporting the reduction of their greenhouse gas emissions. The companies financed must commit to a decarbonisation trajectory aligned with the Paris Agreement based on the Science Based Targets methodology.</p>	July 2023
<p>The <b>regenerative agriculture strategy</b> focuses on three main areas: (i) protecting soil health to strengthen biodiversity, preserve water resources and participate in the fight against climate change, (ii) contribute to future supply of regenerative ingredients to meet the needs of a growing global population, on the one hand, and consumer demand for increasingly sustainable products, on the other, and (iii) contribute to the progress of technological solutions that look to accelerate the transition to regenerative agriculture.</p>	December 2022

# 8 Group operations

## GHG EMISSIONS METRICS

Tikehau Capital mandated ERM to carry out a carbon footprint assessment of the Group's operations in line with the Greenhouse Gas Protocol (GHG Protocol) for the 2023 financial year using the operational control approach.

In 2023, the scope of the environmental analysis covered 24 offices. Environmental data was collected for 15 offices (Aix-en-Provence, Évry, Frankfurt, London, Luxembourg, Lyon, Madrid, Milan, Nantes, New York City, two offices in Paris, Seoul, Singapore and Tokyo), representing 94% of the Group's permanent and non-permanent employees and 92% of its office space. For the other nine offices, estimates were made on the basis of an extrapolation using physical data available for the offices covered and/or data collected during the previous year.

Regarding the scope, the Abu Dhabi office was added after its opening while the GSA Immobilier office was removed following the sale of this entity. Furthermore, data collection was extended to smaller offices whose energy consumption had previously been estimated (Aix-en-Provence, Luxembourg, Lyon, Nantes, Seoul, Tokyo).

The scope chosen for the analysis is the same as the one for the Group's operations. It includes:

- **Scope 1**, covering direct emissions from fixed or mobile sources controlled by the organisation.
- **Scope 2** covering indirect emissions linked to purchased energy (electricity, district heating and cooling).
- **Scope 3**, upstream, covering indirect emissions linked to the upstream value chain.

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

The carbon footprint for 2023 is displayed in Table 18.

Table 18 Carbon footprint from Tikehau Capital's operations (Scope 1, 2 and 3 upstream)

INDICATOR	GHG Emissions (tCO <sub>2</sub> e) in 2022	GHG Emissions (tCO <sub>2</sub> e) in 2023
Scope 1	222	194
Scope 2 (location-based) <sup>(34)</sup>	274	225
Scope 2 (market-based) <sup>(35)</sup>	330	239
Scope 3 - purchased goods and services <sup>(36)</sup>	5,715	5,536
Scope 3 - capital goods	276	263
Scope 3 - fuel and energy-related activities	95	94
Scope 3 - waste	8	29
Scope 3 - business travel	1,435	2,780
Scope 3 - employee commuting	318	441
<b>Total Scope 1 and 2 (market-based)</b>	<b>552</b>	<b>433</b>
<b>Total Scope 1 and 2 (location-based)</b>	<b>496</b>	<b>419</b>
<b>Total Scope 1, 2 (market-based) and 3</b>	<b>8,399</b>	<b>9,576</b>
<b>Total Scope 1, 2 (location-based) and 3</b>	<b>8,343</b>	<b>9,563</b>

(34) In the location-based approach, the electricity emission factors correspond to the average of the network in the area where the company is located.

(35) In accordance with the GHG Protocol scope 2 guidance, the market-based approach used electricity emission factors corresponding to the grid residual electricity mix where available; in the absence of these factors, the location-based electricity emission factors were used.

(36) Scope 3 emissions in 2022 were restated due to the identification of an error in the categories of purchased goods and services and of capital goods.



# 8

Scope 1 and 2 market-based emissions decreased in 2023 by 22% compared to 2022. Other than changes in scope, the main differences from 2023 to 2022 were as follows:

- The connection of the Paris office to the district cooling network in 2023 reduced Scope 1 emissions from refrigerants and increased Scope 2 emissions; the net impact is an overall 6 tCO<sub>2</sub>e decrease in Scope 1 and 2 emissions.
- Renewable electricity in 2023 reported for the following offices: London, New York City, Paris (Homunity), Milan, Luxembourg. Renewable electricity from June 2023 reported for the following Sofidy offices: Evry, Aix-en-Provence, Nantes, Lyon, Bordeaux. Scope 2 emissions from the Sofidy offices increased, despite partial renewable electricity consumption, due to a doubling of the residual market mix emission factor<sup>(37)</sup> in France used in the carbon footprint calculation from 2022 to 2023. The net impact of renewable electricity was a reduction in scope 2 (market-based) emissions of 126 tCO<sub>2</sub>e.
- The change in emission factor also led to an increase in Scope 2 emissions from electricity consumption in the Paris office increased in 2023 compared to 2022.
- Scope 1 Emissions from company cars decreased by 6 tCO<sub>2</sub>e due to lower mileage and fuel consumption.
- An increase in business travel emissions, linked to the increase in the number of flagship funds being raised, contributed to an increase in upstream scope 3 emissions of 1,345 tCO<sub>2</sub>e.
- Scope 3 downstream emissions linked to asset management activities (rather than linked to the Group's operations) represented 11,386,561 tCO<sub>2</sub>e in 2023. They represent the focus of Tikehau Capital climate action and are treated separately in this report.

## ENERGY CONSUMPTION METRICS

Building-related energy consumption from Tikehau Capital's offices in 2023 broken down per source is displayed in Table 19. The data does not include energy consumption from company cars.

Table 19 Energy consumption (MWh) per source in 2023 from Tikehau Capital offices

ENERGY SOURCE	TOTAL ENERGY CONSUMPTION (MWH)
Fuel consumption (natural gas)	421
Electricity	1,461
Renewable electricity	332
District heating	424
District cooling	392
Self-generated energy	0
<b>Total</b>	<b>2,698</b>

## TARGETS

Tikehau Capital has set a target to reduce the Group's absolute scope 1 and 2 emissions from its operations by 38% by 2029<sup>(38)</sup> compared to the 2022 baseline, equivalent to a target emissions level of 343 tCO<sub>2</sub>e.

The target covers 100% of the Group's scope 1 and 2 emissions, and hence the target is consistent with the GHG inventory boundary under the operational control approach. The baseline emissions level is 552 tCO<sub>2</sub>e, comprising of 222 tCO<sub>2</sub>e (40%) of Scope 1 emissions and 330 tCO<sub>2</sub>e (60%) of scope 2 (market-based emissions). In line with the GHG Protocol, the Group takes into account the following greenhouse gases (i) carbon dioxide (CO<sub>2</sub>), (ii) methane (CH<sub>4</sub>), (iii) nitrous oxide (N<sub>2</sub>O) and (iv) fluorinated gases (PFC, HFC, SF<sub>6</sub>, NF<sub>3</sub>).

## ACTIONS TO ACHIEVE TARGETS

Tikehau Capital recognises that the bulk of its climate impact comes through its investment (Scope 3 downstream). Hence, the Group defined a transition plan for its asset management activity (please see Section 5).

The Group also aims to implement a transition plan for its own operations.

Tikehau Capital's Scope 1 and 2 (market based) emissions can be broken down into the following sources: natural gas for building heating, electricity consumption in buildings, district heating consumption, district cooling consumption and company cars.

The main levers to achieve the emission reduction target is to switch to renewable electricity in the Paris, Toulouse and Evry offices. Contracts were signed in 2023 for the transition over 2024 and 2025.

Looking ahead, the expansion of existing offices and establishment of new offices could influence achievement of this target is expansion of existing offices and the establishment of new offices. To manage these impacts, as much as possible, when selecting new offices, the Group is integrating into its elements of review the environment performance of contemplated buildings, alongside other criteria such as location, financial conditions, etc.



# Annex I

## The Net Zero Asset Manager Commitment

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

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

### SPECIFICALLY, TIKEHAU CAPITAL COMMITS TO:

- a. Work in partnership with asset owner clients on decarbonisation goals, consistent with an ambition to reach net zero emissions by 2050 or sooner across all AuM.
- b. Set an interim target for the proportion of assets to be managed in line with the attainment of net zero emissions by 2050 or sooner
- c. Review our interim target at least every five years, with a view to ratcheting up the proportion of AuM covered until 100% of assets are included

### IN ORDER TO FULFIL THESE COMMITMENTS TIKEHAU CAPITAL WILL:

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

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

*Across all assets under management*

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

*Accountability*

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

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

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

## Disclaimer

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