



# **Corporate social responsibility (CSR)**

Report

# **2017**

# CONTENTS

- 1. RESPONSIBLE INVESTMENT AT TIKEHAU CAPITAL 2
  - (a) Background to the ESG process 2
  - (b) ESG & Private Debt and Private Equity activities 4
  - (c) ESG & Real Estate activities 10
  - (d) ESG & Liquid Strategies 13
  - (e) Carbon footprint of certain liquid funds 18
  
- 2. TIKEHAU CAPITAL'S CORPORATE SOCIAL RESPONSIBILITY POLICY 21
  - (a) Background and scope of CSR reporting 21
  - (b) Human Resources 21
  - (c) The Group's environmental footprint and carbon audit 24
  - (d) Societal information 27
  - (e) Societal commitments to equal treatment and sustainable development 27
  - (f) Partnership and philanthropy initiatives 27
  
- 3. CONCORDANCE TABLE (ARTICLE R.225-105-1 OF THE FRENCH COMMERCIAL CODE) 29
  
- 4. REPORT OF THE EXTERNAL AUDITOR 32

# 1. RESPONSIBLE INVESTMENT AT TIKEHAU CAPITAL

## (a) Background to the ESG process

Ever since it was founded, Tikehau Capital has emphasised the personal responsibility of each employee and the sharing of a common entrepreneurial identity. This approach means encouraging employees to take a critical approach to external influences and rely on the fundamental analysis produced by the research teams. Increasingly, environmental, social and governance criteria (“ESG”) form an integral part of the investment recommendations and constitute one of the major focuses of the Group’s corporate social responsibility (“CSR”).

All levels of the Group’s hierarchy are involved in the responsible investment process. For example, an ESG Committee has been set up to steer, oversee and integrate the ESG strategy at all levels of the organisation. This ESG Committee is made up of different senior representatives of the organisation, which demonstrates the importance this subject holds for the management. The Group appointed an ESG/CSR Manager in 2017. Within each operating team, key people work with the Group ESG/CSR Manager and act as representatives to promote the integration of ESG criteria in their investment business line.

In 2014, Tikehau Investment Management (“Tikehau IM”), the Group’s asset management company and Salvepar, the former subsidiary of the Group dedicated to minority investments, signed the six Principles for Responsible Investment (the “UN PRI”). In 2017, following the reorganisation operations that led to the IPO, the Company replaced its subsidiaries as signatory of the UN PRI which are now applied on a wider scope. The Group’s responsible investment policy is formalised in a “Responsible Investment Charter”, available in English and French on the Tikehau Capital website.

### Governance Pillar

The Responsible Investment Charter makes governance one of the cornerstones of ESG analysis within the Group. It states that *“Model governance is based on transparent rules organising power and checks and balances. This type of governance enables the company to ensure the interests of all the stakeholders (employees, executives, financiers, shareholders, the public etc.), to anticipate trends and to improve risk management.”*

In terms of governance, Tikehau Capital is careful to ensure that the conditions under which it invests include clear and proportional rights whenever possible. The Group maintains a constant dialogue with the management of companies in which it has invested. Due to its different business lines and the specific circumstances of each investment, the Group is nevertheless not intended to be systematically involved in the governance of the companies it finances.

### Social Pillar

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

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

Tikehau Capital’s approach rests on the belief that a quality management of human resources is required for a company to be productive, reduce social risks of any kind and therefore prove to be a promising investment. However, Tikehau Capital’s power to influence the social policy of the companies in which the Group invests must be balanced against the specific features of each of the investment strategies deployed to date within the Group.

### Environmental Pillar

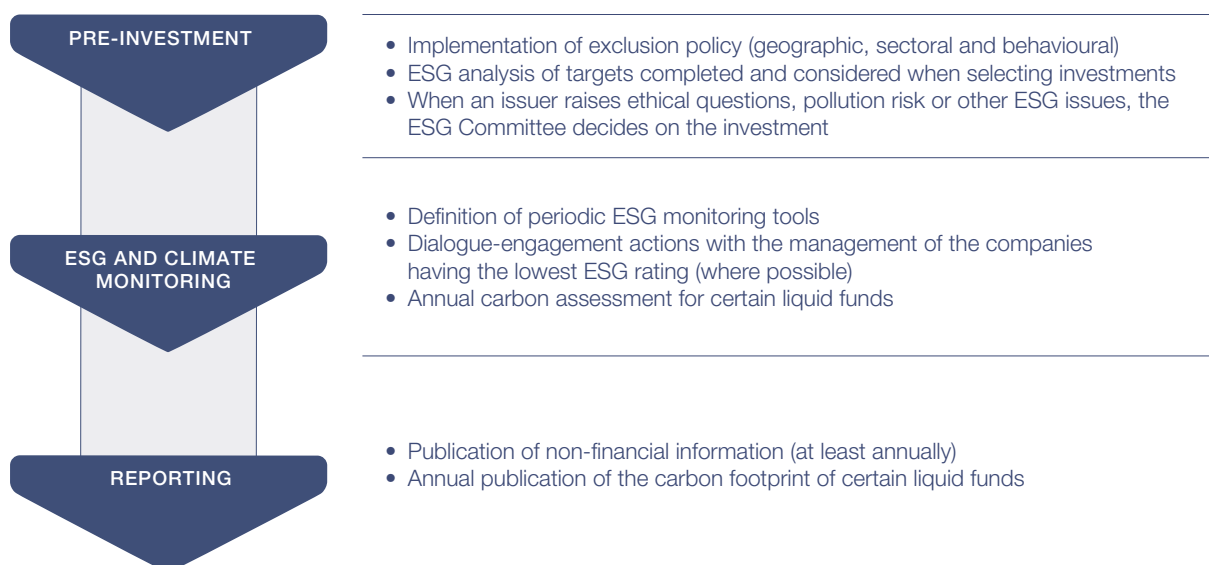
Guided by the recommendations of Decree No. 2015-1850 of 29 December 2015 in application of Article 173 of the law on energy transition, the Group and its five main fixed income management funds commissioned carbon audits from specialist consultants (See Sections 1(e) (Carbon footprint of certain liquid funds) and 2(c) (The Group’s environmental footprint and carbon audit) of this report).

In environmental matters as well, Tikehau Capital’s power to influence the policy of the companies in which the Group invests must be balanced against the specific features of each of the investment strategies deployed to date within the Group.

### Stepping up the ESG process

Since 2016, the Group has been working on various ESG projects with specialist advice, in order to receive guidance in formalising its commitments and its approach in this area. This advice was mainly obtained on the inclusion of ESG criteria in investment transactions and on setting up an annual monitoring of ESG criteria.

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



• **Implementation of the exclusion policy at the investment selection stage** – In addition to polluting industries or sectors at risk, governance perceived as weak or cases of controversy (for example, a proven breach of one of the principles of the United Nations Global Compact) would normally lead the Group to exclude potential investments despite the strategic or financial interest they may represent. In addition, the investment teams refer to geographic or sector-based exclusion criteria, such as regulatory exclusions on controversial weapons (ruling out companies involved in the production and/or marketing of cluster weapons or landmines), as well as the exclusion of issuers from countries classified as non-cooperative by the Financial Action Task Force (FATF). Investments in companies that may incur ethical risks owing to their business sectors or their domicile are subject to the approval of the ESG Committee, based on a case-by-case study.

• **An ESG analysis grid at the stage of analysing investments** – With the backing of a specialist consultant, Tikehau Capital has drawn up an analysis grid specific to the various Group activities (described in greater detail below) for assessing ESG factors on an ongoing basis and to draw up an ESG scoring at the investment stage, to determine a trajectory of improvement with regard to the ESG issues and implement the necessary monitoring tools.

• **ESG monitoring and reporting during the life of the investment** – Once the investment has been made, certain holdings in the investment portfolio are subject to an annual ESG analysis, according to approximately 15 ESG criteria common to all investments (based on the *Recommendations*

*to Facilitate Dialogue between Management Companies and Investors* by the ESG Committee of France Invest, available on [www.franceinvest.eu](http://www.franceinvest.eu)). Where applicable, complementary ESG criteria may be specifically selected from a matrix of indicators if this is relevant.

### Transparency and dialogue with stakeholders

The Company strives to maintain a high level of transparency regarding its own activities to the extent consistent with its business of asset management and investment, in order to allow investors and shareholders to assess the evolution in its position and its prospects.

The Group encourages the use of fair practices by both its teams and service providers and the companies in which it invests. The teams of each of the Group's entities are particularly aware of the risks of non-compliance of any kind and measures have been put in place to prevent some of the economic violations and breaches that might occur in the course of conducting its activities (insider misconduct, fraud, corruption, money laundering, financing of terrorism, etc.). In connection with the listing of the Company's shares on the regulated market of Euronext Paris, a Stock Market Professional Code has been put in place. It supplements all the specific regulatory procedures relating to the asset management activities, investment service contracts, or to the fight against money laundering and terrorist financing. The Group's requirements regarding professional conduct also include the establishment of a balanced governance, prevention of conflicts of interest and stringent internal controls.

## (b) ESG & Private Debt and Private Equity activities

### (i) ESG issues in private debt and private equity activities

Tikehau Capital is one of the pioneers of private debt transactions in Europe and France. The Group's private debt teams are involved in debt financing transactions (senior debt, unitranche, mezzanine, etc.) for a size between €10 million and €300 million, as arranger or financier. This business line also includes securitisation activities dedicated to CLO (Collateralized Loan Obligations), a specialised product consisting of debt securities backed by a portfolio of leveraged loans. As at 31 December 2017, assets under management in Tikehau Capital's private debt funds amounted to €6.0 billion, representing 43% of the Group's assets under management.

As part of its private equity investment activity, the Group invests in the equity capital (equity and hybrid instruments giving access to equity) of listed and non-listed companies. As at 31 December 2017, Tikehau Capital's private equity activity had assets under management amounting to €2.5 billion, and was primarily carried out from the Group's own resources (shareholders' equity and debt). However, the Group's intention is to develop an asset management business on behalf of its investor clients and as at 31 December 2017, it managed €0.1 billion within this framework.

In 2015, following the adoption of the Group's "Responsible Investment Charter", the private debt and private equity teams adopted a procedure to integrate Environment ("E"), Social ("S") and Governance ("G") criteria, focusing on three themes: (i) share ownership, activities and governance, (ii) social and relationships with external stakeholders, and (iii) environment.

The non-listed universe presents its own particular characteristics as regards ESG management. For example, some medium-sized issuers have limited resources for managing and structuring their CSR strategy. In addition, transactions in the non-listed universe are characterised by limited liquidity, thus restricting the possibility of breaking off relations with an issuer whose ESG profile has deteriorated significantly.

In this context, the quality of the management team and the governance are essential. The analysis of these factors is easier in the private equity activity where proximity between the shareholder and the management is the strongest.

In a process of continuous improvement, the ESG procedures for private debt and private equity underwent a methodological review at the end of 2017. Two working groups were formed to review the application of ESG procedures and to update ESG integration procedures throughout the investment cycle. These procedures are intended to be regularly updated taking into account feedback from investment teams and the evolution of best practices.

### (ii) Presentation of ESG procedures applied to private debt and private equity activities

#### ESG pre-investment analysis

Upon any new investment, the team responsible for the analysis of the investment carries out a diagnosis by filling in a grid of questions relating to the three categories E, S and G. The sources used vary according to the size and sector of the issuer (environmental due diligence, ESG due diligence, data room information available) and the availability of management (specific questions on ESG topics during interviews) and the terms of the investment. This analysis grid helps map progress on CSR issues within the Company concerned. Based on a multi-criteria analysis, an overall score is then calculated for the listed risks. This score is used to estimate an overall level of ESG risk for the Company and to identify potential corrective measures. The summary of this analysis grid is included in the file submitted to the Investment Committee responsible for validating it.

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

In the case of Senior Debt and CLO business that come under private debt activities, the ESG analysis has been defined according to the same rules as those for listed fixed income management in view of the constraints on access to information.

#### ESG monitoring

During the holding period, the companies on portfolio are subject to an annual review of their ESG performance. This review makes it possible to identify changes or possible deterioration regarding aspects of ESG and to encourage, where appropriate, the companies invested in to set up a process of continuous improvement in these matters.

In the course of 2017, a new monitoring tool has been designed. This takes into account ESG commitments made by Tikehau Capital and the demands of its stakeholders, in particular: the six UN PRI principles, France Invest's Recommendations on Dialogue between Investors and Management Companies and the requests of certain institutional investors for ESG monitoring of companies on portfolio.

The new ESG monitoring questionnaire includes three sections:

- analysis of governance policies and practices;
- analysis of human resources indicators; and
- analyses of environmental initiatives and in relation to external stakeholders.

Going beyond the analysis of quantitative and qualitative indicators common to all companies, this new monitoring tool allows companies to share any innovative ESG initiative that was adopted during the year.

**(iii) Results of the annual ESG monitoring of Private Debt activities**

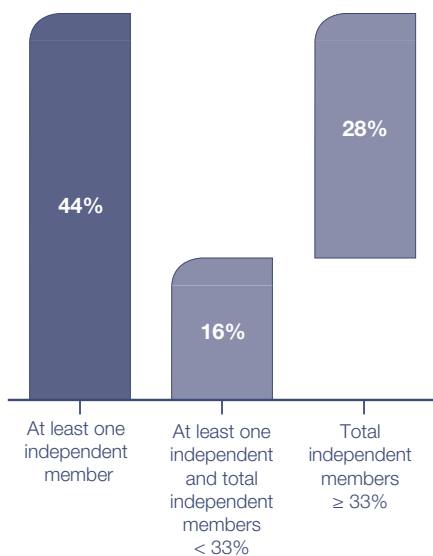
The scope of ESG monitoring has been defined according to the size of the investing fund and the investment policies of these funds. It thus covers 61 companies representing approximately 31% of the exposure in private debt business as at 31 December 2017 (excluding Senior Debt and CLOs). 47 of them answered most of the questions, giving an overall

response rate of 77%. The answers and response rates by indicator presented below concern the 47 companies responding on a declarative and unaudited basis.

**Governance**

Convinced that corporate governance is an essential factor in performance and risk management, Tikehau Capital's teams promote the adoption within companies of transparent rules including reasonable checks and balances.

**Presence of independent members on governing bodies\***

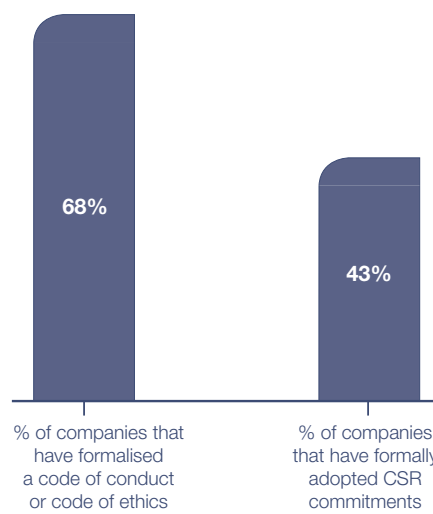


\*Response rate 91%.

The presence of independent members can foster greater dynamism on governing bodies. Moreover, they play a role as guarantors of objectivity and ethics in the running of a company.

Of the companies responding, 44% have appointed at least one independent member to the Supervisory Board or Board of Directors. In 28% of the companies, independent members represent more than one third of the members. This can be considered as very good practice.

**Formalisation of commitments on ethics and social responsibility\***



\*Response rate 100%.

The formalisation of commitments on business ethics and social responsibility reflects a desire to structure social, ethical or environmental practices and better understand non-financial risks.

Among the companies responding, 68% have formalised a code of conduct or code of ethics, and 43% have taken the next step by adopting CSR commitments. In addition, eight companies invested in have signed the United Nations Global Compact.

**Social**

Tikehau Capital is convinced that a pro-active management of human resources is required for a company to be productive, reduce social risks of any kind and therefore prove to be a promising investment.

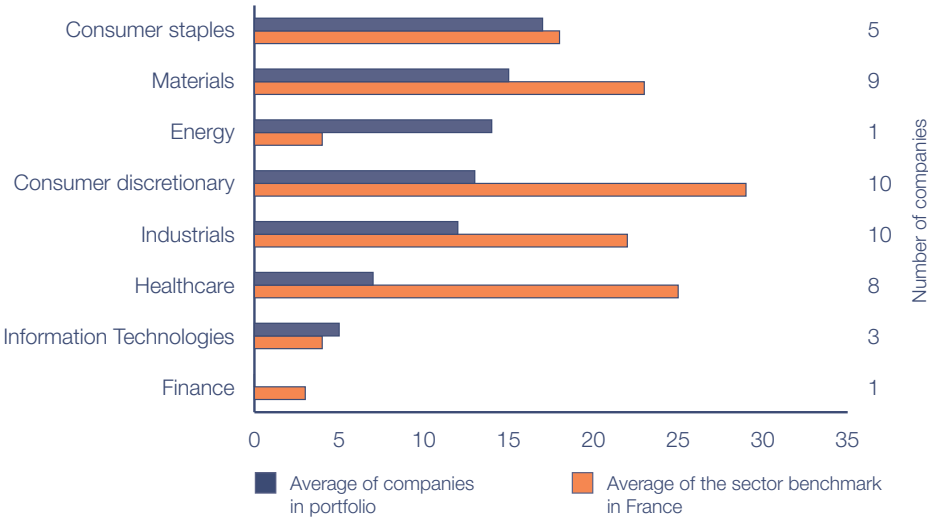
**Number of employees and job creation**

Number of employees in the companies responding*	131,487
Job creation in companies responding**	3,006

\*Response rate 98%.  
\*\* Response rate 83%.

The five largest companies employ 63% of employees in the portfolio of companies responding. One company alone (the independent public works group NGE) created 1,520 jobs in 2017, including 902 in France.

**Accident frequency rate compared to the sector average in France\***



\*Response rate 74%.

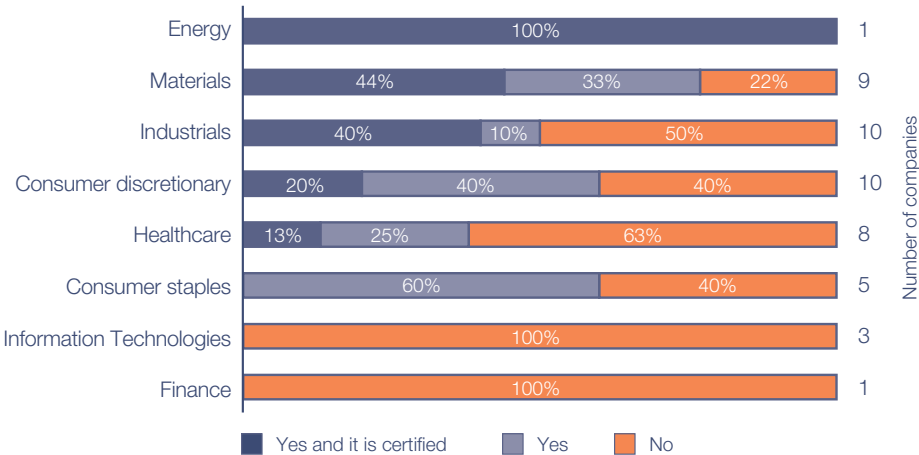
The sector benchmark reflects the average of work-related accidents of the French Health Insurance index applied to the Global Industry Classification Standard (GICS) classification.

Companies on portfolio in the consumer staples and materials sectors are the most exposed to accidents at work with frequency rates of 17 and 14 accidents per million hours worked respectively, although this seems to be lower than the respective French averages for these sectors, of 18 and 23 accidents per million hours worked. In the energy sector, the Company on portfolio is underperforming according to the criterion of the frequency rate of accidents at work. However, this relates exclusively to commuting accidents without serious consequences.

**Environmental**

Tikehau Capital is attentive to the control of environmental risks related to the sector of activity and the size of the Company.

**Implementation of an Environmental Management System (EMS)\***

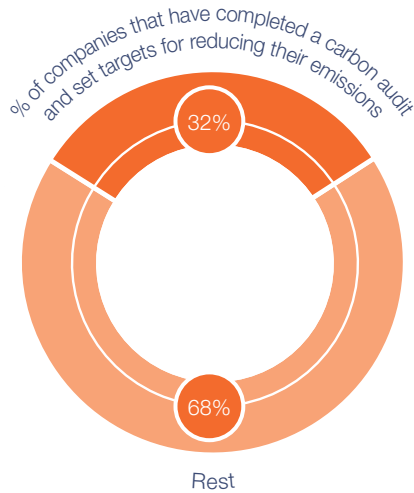


\*Response rate 100%.

53% of companies responding have implemented an environmental management system. 40% of industrial companies, 44% of companies in the materials sector and 100% of companies in the energy sector (sectors with high environmental impact) have obtained certifications such as ISO 14001.

A carbon footprint analysis is a necessary step before committing to an emission reduction target.

**Monitoring the carbon footprint and setting emission reduction targets\***



32% of companies responding have completed a carbon audit and formalised targets to reduce their CO<sub>2</sub>.

\*Response rate 100%.

**DIRECT ENERGIE**

France's leading alternative energy player, Direct Energie places the satisfaction of its customers, innovation and the development of future energies at the core of its strategy. With a presence in France and Belgium, the group supplies more than 2.6 million residential and non-residential sites with electricity and gas. Direct Energie is also an electricity producer using renewable energy sources (onshore wind, solar, hydraulic, biogas) as well as conventional (natural gas combined cycle).

In January 2016, Tikehau IM participated in a private placement (Euro PP) for Direct Energie via Novo 2, a *fonds de prêts à l'économie* ("FPE", economic development loan fund) intended for SMEs and intermediate-sized companies. This Euro PP allowed Direct Energie to speed up its commercial development plan and implement its vertical integration strategy (notably with the acquisition of the Bayet power station described below).

**Sustainable innovation** – The group is committed to developing new less carbon-intensive modes of energy consumption. Following the introduction of the "Pass Recharge", which allows its customers to charge their electric vehicles anywhere in France, Direct Energie has announced the launch of an intelligent electric vehicle charge/discharge experiment with the PSA automobile group. The energy company has also created an ecosystem dedicated to managing consumption for energy savings on a daily basis.

**Access to energy for all** – Direct Energie is an active member of the Observatoire National de la Précarité Énergétique (ONPE, the French Observatory on Energy Poverty) and helps to put into perspective and to produce data on fuel poverty and solutions to limit its extent. Direct Energie has actively contributed to the "energy cheque" experiment in 2017 and has assumed the responsibility of ensuring the effectiveness of this reform for its customers.



**Responsible production** – With the Quadran acquisition in 2017, Direct Energie opted for renewable energies to become a global player with a diversified and balanced production mix aligned with the energy transition.

This mix also relies on two natural gas combined cycle power plants, one in Bayet and the other in Marcinelle in Belgium. Currently one of the lowest CO<sub>2</sub>-emitting technologies, these plants contribute directly to the supply of the French electricity generation stock and offer a flexible response to the intermittence of renewable energies.

Both plants are ISO 14001 certified. This standard is based on the principle of continuous improvement of environmental performance by controlling the impacts related to the Company's activity.





**Carbon neutrality** – Several actions have been put in place at headquarters to limit the carbon footprint: reduction of printing, promotion of the use of responsible transport (partial reimbursement of subscriptions to bicycles and electric vehicles in Paris).  
To offset the remaining emissions, Direct Energie is providing financial support for a greenhouse gas reduction project in China.

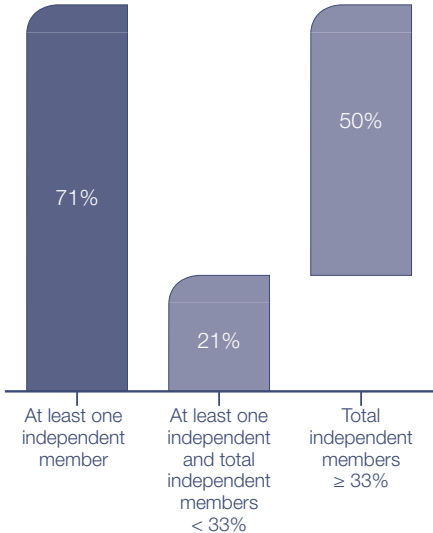
**(iv) Results of the annual ESG monitoring of Private Equity activities**

The scope of the ESG monitoring has been defined according to the size of the amounts invested and specific requests from investors. It covers 14 companies, representing approximately 40% of the exposure of private equity activities as at 31 December 2017. Among the companies selected, six are listed on Euronext (Paris or Brussels) and their questionnaires were filled in from the information publicly available at 28 February 2018. The other questionnaires were completed by the companies and thus the information provided below is on a declarative and unaudited basis.

**Governance**

Good governance is the core of Tikehau Capital's investment strategy. As part of its private equity activities, which enable a privileged relationship with corporate management, Tikehau Capital's teams encourage the adoption of best practices in governance, including the appointment of external members to governing bodies and the adoption of commitments on ethics and social responsibility.

**Presence of independent members on governing bodies\***

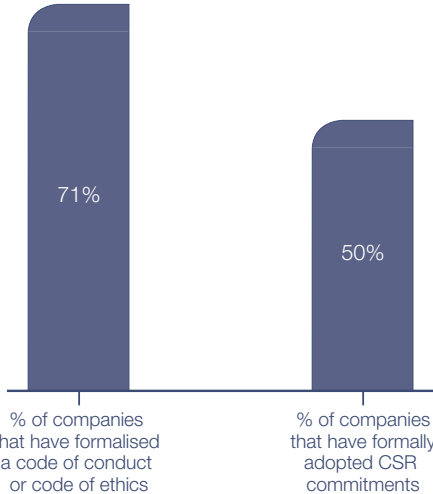


\*Response rate of companies responding to the indicator 100%.

Of the companies responding, 71% have appointed at least one independent member to the Supervisory Board or Board of Directors.

In 50% of the companies, independent members represent more than one third of the members. This can be considered as very good practice related to the size and characteristics of the companies (43% of companies are listed).

**Formalisation of commitments on ethics and social responsibility\***



\*Response rate of companies responding to the indicator 100%.

Among the companies responding, 71% have formalised a code of conduct or code of ethics, and 50% have taken the next step by adopting CSR commitments. In addition, four companies invested in have signed the United Nations Global Compact.

**Social and societal**

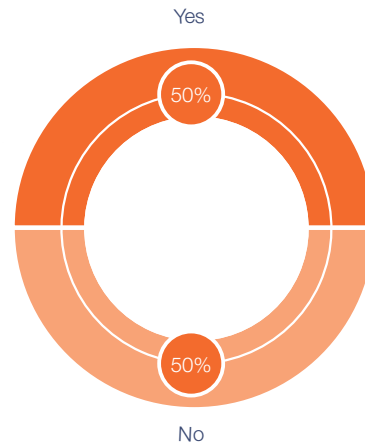
Managing human resources and controlling the risks of corporate relationships with its external stakeholders is part of Tikehau Capital's overall investment approach.

Number of employees* in the companies responding	41,052
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\* Response rate of companies responding to the indicator 100%. Based on the responses by private companies and corporate data available for listed companies as at 28 February 2018.

The three largest companies employ 62% of employees in the portfolio of companies responding. At the publication date of this report, the consolidated figure for jobs created for 2017 was not available.

**Implementation of a responsible purchasing process\***

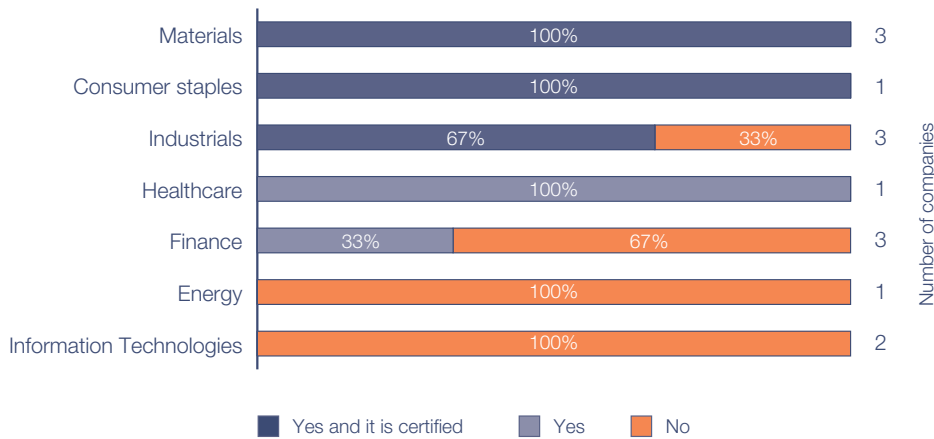


Of the companies responding, half have a responsible purchasing policy in place. This involves identifying non-financial risks related to the Company's supply chain and adopting ESG criteria in supplier relationships.

**Environmental**

Controlling the environmental impact of Tikehau Capital's investments, and in particular that of companies in industrial sectors, is a central issue in the Group's investment policy.

**Implementation of an Environmental Management System\***



\*Response rate of companies responding to the indicator 100%.

57% of the companies invested in have set up an environmental management system and six have received environmental certifications (for example, ISO 14001). The implementation of an environmental management system is particularly important for our companies in the materials and industrial sectors. Most of the companies in these two sectors have received environmental certifications.

## DRT

Specialised in plant chemistry, since 1932 DRT has developed rosin and turpentine extracted from pine resin. DRT supplies a range of high value-added products to over 20 leading industries (perfume, adhesive, rubber, chewing gum and food supplements, etc.) with a variety of more than 250 consumer products.

After becoming a shareholder of DRT in 2014, Tikehau Capital supported its growth strategy (notably through the acquisition of Pinoa Inc. in the United States in 2016). DRT is a leading company in terms of sustainable development, which was a key element in the acquisition agreed with Ardian at the end of 2017.

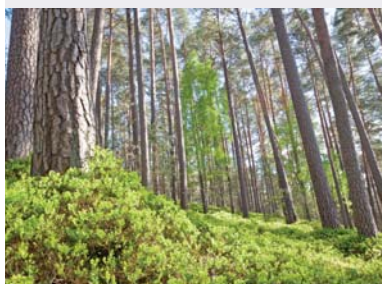
**Sustainable innovation** – The substitution of fossil products by natural products is the main focus of DRT's R&D strategy. Polyterpene resins and rosin esters are replacing fossil-origin hydrocarbon resins. In the construction industry, tall oil pitch has become part of the composition of bitumen, and bio-based resins improve the performance of tyres without compromising their physical properties. Many examples of this type illustrate the sustainable alternative that DRT offers its customers with its bio-based products.

**Sustainable sourcing** – Thanks to supplies from sustainably managed pine forests (FSC and PEFC certified), DRT is a leading industrial player in the promotion of renewable resources and respect for the environment. In addition to the raw material extracted from pine resin, an important part of the supply comes from the paper industry and the by-products arising from paper production. In 2017, 85% of DRT's products were 100% bio-sourced.



**Responsible production** – Since 2012, DRT has invested more than €18 million in renewable energies:

- installation of a biomass cogeneration plant to meet 95% of the steam requirement of the DRT site in Vielle Saint Girons (40);
- installation on the Castets site (40) of a steam generator powered by biomass-produced by-products;
- installation of 3,000 m<sup>2</sup> of photovoltaic panels equivalent to more than 50% of the electricity consumption of the Action Pin site (subsidiary of DRT) in Castets (40).



**Social impact and security** – DRT is one of the leading private employers in the Landes region in South West France (around 55% of the total workforce) with a strong commitment to the region. Since the creation of DRT, no social conflict has erupted, and the culture of negotiation and compromise prevails. The four French factories and the Chinese factory are certified (e.g., ISO 9001, ISO 22000).

## (c) ESG & Real Estate activities

### (i) ESG issues in real estate activities

Tikehau Capital's real estate investment activities mainly focus on commercial property, seeking particularly sale and lease-back transactions in which the Group's vehicles act as purchaser and involving quality counterparties (sellers, and subsequent to the transaction, tenants) with a yield-generating potential as well as a potential capital gain on resale. Tikehau Capital's real estate investment activity is undertaken through the establishment of dedicated acquisition vehicles for each transaction.

Tikehau Capital's real estate activities consist of (i) real estate funds managed by Tikehau IM, (ii) TREIC, a permanent real estate investment company dedicated to real estate co-investments, and (iii) the assets of IREIT Global, a real estate

trust listed in Singapore. As at 31 December 2017, assets under management in Tikehau Capital's real estate activity amounted to €2.2 billion.

Real estate is a sector with a strong environmental but also social footprint.

The sector is one of the main indirect emitters of greenhouse gases due to energy consumption used in the construction and running of buildings (heating, air conditioning, lighting). In France and the rest of Europe, thermal regulations are increasingly strict. For Tikehau Capital, compliance with and anticipation of environmental standards are essential.

In social and societal terms, the accessibility of buildings and the well-being of its occupants are issues that are at the heart of the concerns of the sustainable city. Thus, as

member of the jury for the contest “Inventons la Métropole du Grand Paris” in the locality of Charenton, Tikehau Capital participated in the selection of UrbanEra, the Bouygues Immobilier vehicle focusing on eco-districts, for a development project including offices, housing and shops on the Escoffier site.

Lastly, the fight against fraud and corruption is central to the Group’s concerns and goes hand in hand with the protection of its reputation.

**(ii) Presentation of ESG procedures in real estate activities**

**ESG pre-investment analysis**

Supported by a specialist advisor, a working group has drawn up an ESG analysis grid for the real estate activity, making it possible to prepare an inventory and to identify the main areas of focus for improvement and non-financial monitoring. This tool was designed based on the Global Real Estate Sustainability Benchmark (GRESB) and is compatible with the UN PRI standards.

Once completed, this analysis grid will be filled in by the team in charge of the analysis for any new investment and included in the file submitted to the Investment Committee.

The ESG criteria listed in the grid are organised around the following stakeholders, according to their presence and role in the different projects:

- Investors – They call for ESG criteria in the same way as Tikehau Capital, and have an influence on the overall strategy and the ESG approach of the Group’s funds.
- Local partners and external asset managers – They play an important role in the analysis and proposal of ways to improve the performance of buildings, the choice of partners (property manager or developer) and must exert vigilance in the fight against corruption.
- The developer – Plays a decisive role in the integration of sustainable development issues at the stage of the construction or major renovation project.
- The property manager – The practices of the property manager have a direct impact on the characteristics of the buildings. The degree of influence held by the property manager varies according to the type of investment and the number of tenants. They may be required to control the management of buildings as is the case with multi-tenant shopping centres, or to delegate it to the main tenant as in the case of offices. The property manager acts in all aspects of ESG, including the monitoring of building performance, the monitoring of social/societal issues or the fight against corruption and money laundering.
- The tenants – A responsible strategy for management of the building must be shared with the tenant including, for example, commitments to reduce energy consumption or waste management. It is important that the tenant’s ESG strategy should be in line with the expectations of the

investors and the property manager, especially for the main tenants of a building.

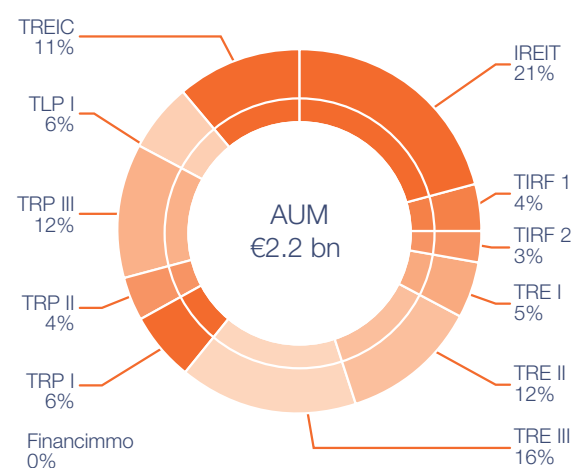
- The real estate asset itself and its social and environmental characteristics – the Government, regional authorities and local communities also influence the ESG performance of a building (regulatory watch and compliance, good relationship with the local community, etc).

**ESG monitoring**

During the holding period, an ESG questionnaire will be sent annually to operating partners (property managers or local partners) with the aim of enabling Tikehau Capital to keep track of ESG progress on real estate assets. It was rolled out in the test phase in early 2018 (using data at the end of December 2017) on a limited number of funds, presented below. It will be extended to all new funds raised starting from the reporting year for 2018.

**(iii) Results of the annual ESG monitoring of Real Estate activities**

**Funds covered by the ESG analysis**

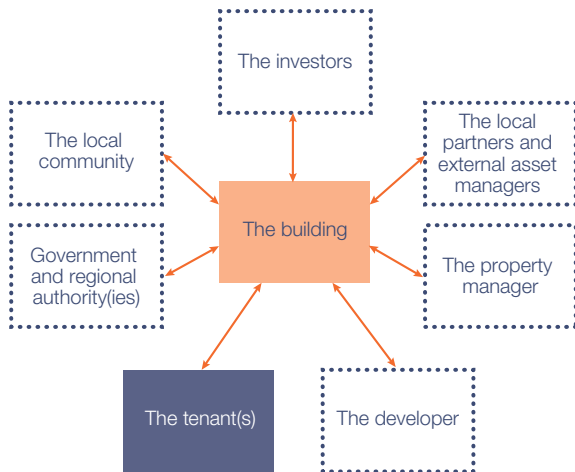


For this first year of ESG reporting, the scope of ESG monitoring covers approximately 33% of the Group’s real estate assets under management.

The information on IREIT comes from the sustainable development section of its 2017 annual report available here: <http://ireitglobal.listedcompany.com>. The information on TIRF I and TIRF II comes from the ESG monitoring questionnaires completed by CBRE to which the day-to-day management of shopping centres has been delegated. CBRE’s responses have not been audited. The commentary on TRE I was prepared in consultation with Atland REIM (Tikehau Capital’s partner in the transaction) and the Elis group (as tenant).

**ESG profiles of some real estate funds**

**Tikehau Real Estate I (4.8% of real estate AUM)**



OPCI TRE I managed by Tikehau IM acquired, in March 2014 17 real estate assets from the Elis group (Europe Linge Service), leader of the rental and maintenance of textile articles and hygiene and well-being equipment which is listed on Euronext Paris. In late June 2014, TREI acquired five additional sites in a second deal, bringing the total number of sites in the portfolio to 22. Foncière Atland REIM is a co-investor and assumes the role of property manager alongside Tikehau IM.

In the case of industrial real estate assets, the most important stakeholder in this fund is the lessee, the Elis group.

Based on the product-service economy, the Elis model is part of the circular economy. One of the mainstays of its sustainable development policy is to limit the environmental footprint of its business. This is manifested as a proactive policy within the real estate portfolio. Elis guarantees proper management of the environmental impacts of the production sites, from their creation until they are decommissioned. Operational deployment is undertaken by the technical managers of each plant, trained in good environmental practices.

Each year, Elis sets targets to reduce its consumption of water, energy and detergent by 3 to 5%, implementing a proactive investment policy. The production sites are equipped with the most efficient technologies:

- Automated laundry detergent distribution – The distribution of the right dose of detergent is computer-controlled. Thanks to adapted technologies and a control of the washing process, an Elis wash consumes seven times less detergent products than a domestic wash;
- Washing tunnels – The tunnel is continuously fed with laundry, making it possible to optimize the energy consumption by increasing the quantity of laundry handled. Air/air and water/water exchangers are installed to save energy and recycling systems are automated to recover water from one stage to the next, wherever possible. Thus, the clean water

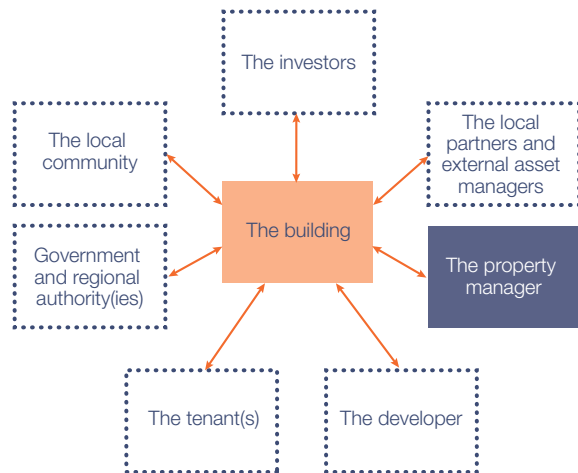
from the rinse is reinjected into the prewash compartments, saving water, detergent and energy.

- Self-monitoring of aqueous effluent discharges – Effluent quality is continuously monitored by periodic analyses carried out by independent laboratories. In addition, pre-treatment equipment is systematically installed to ensure consistency in discharges and their quality.

An energy/water diagnosis is carried out periodically in order to define the objectives to be reached by each site. The indicators for each plant are monitored on a daily basis and consolidated monthly. Of the 22 sites acquired by the OPCI, 20 plants are ISO 50001 certified (intelligent energy management) by Afnor Certification. For Tikehau Capital, a tenant like Elis is an example of environmental performance.

**Tikehau Italy Retail Fund I and II (7.5% of real estate AUM)**

TIRF I and TIRF II respectively acquired the shopping centres “I Petali di Reggio Emilia” in February 2016 and “Area12” in May 2017.



Opened in 2007, the shopping centre “I Petali”, located in Reggio Emilia in northern Italy, covers an area of 27,900 m<sup>2</sup>, which includes about 60 chains, a multiplex cinema, a fitness centre and exterior parking for around 1,500 vehicles. It receives around 4 million visitors a year.

Opened in October 2011, the shopping centre “Area12”, located in Turin, Italy, covers an area of 21,000 m<sup>2</sup> and includes about 60 stores. It receives nearly 4.5 million visitors a year.

In the case of multi-tenant shopping centres, the most important stakeholder in these funds is the property manager CBRE (which undertakes the duties of day-to-day management of the shopping centres).

**Governance**

CBRE formally promotes GRESB and has an Energy and Sustainability team. To the knowledge of Tikehau Capital, CBRE and the tenants of the two shopping centres are not involved in controversies or suspected of corrupt practices.

## Social

Each shopping centre employs approximately 10 employees, more than 70% of whom are women. CBRE has instituted a strategy to promote employee welfare: compliance with local health and safety regulations (acoustic comfort, indoor air quality, access to daylight, thermal comfort, ergonomics, etc.). Employee health and safety indicators are monitored through CBRE's "MY HSE" corporate portal, with particular attention devoted to reporting accident frequency rates.

## Environmental

CBRE monitors energy and water consumption for "I Petali di Reggio Emilia" and "Area12".

CBRE has also formalised the energy, water and waste management policies of "I Petali di Reggio Emilia". The waste management system includes procedures for controlling the amount of waste generated by the tenants and the cleaning company. Environmental audits are conducted three times a year by an external consultant. Initiatives are being undertaken to improve the environmental performance of the shopping centre: progressive replacement of lighting with LEDs, investments in the monitoring of water quality or the maintenance of water tanks. Sustainable development issues are also partially integrated into the purchasing process.

## IREIT (20.6% of real estate AUM)

IREIT is a Singapore-based company whose shares are listed on the Singapore Stock Exchange (SGX). IREIT invests in real estate assets located in Europe, mainly in Germany. IREIT has relied on a leading specialist consultant to support the publication of its first sustainable development report for FY 2017 in response to regulatory requirements in Singapore.

In the case of offices, the most important stakeholder group for IREIT consists of all its tenants. Deutsche Telekom, which accounted for more than 50% of IREIT's gross rental income as at 31 December 2017, has set ambitious targets for reducing its energy consumption and has won the National German Sustainability Award in 2017. However, due to the limited availability of data relating to the tenants, IREIT's first sustainability report focuses on the property and not on its tenants.

IREIT's Board of Directors oversees strategy, performance and communication on sustainable development. A "Sustainability Steering Committee" (SSC), composed of senior executives from IREIT and Tikehau Capital provides support for the deployment of IREIT's sustainability strategy. The SSC has identified the following materiality issues for IREIT:

- **Governance** – IREIT emphasizes on regulatory and socio-economic compliance, and the fight against corruption: ethical code, anti-money laundering and terrorist financing policy, investor relations policy, business continuity management, etc. Employees are made aware of governance and cybersecurity risks through training.
- **Economic** – Integration of ESG considerations into investment decisions, adapting the ESG policy developed for the Group's other real estate funds to IREIT.
- **Social** – The analysis focuses on the employees of IREIT Singapore (fewer than 10 employees), hence the relatively low materiality of this ESG pillar. The social issues identified are the following: professional training, diversity and equal opportunities, and retention of talent.

- **Environment** – The IREIT policy on this question has not yet been formalised. It is notable that in 2016, Concor Park became the first redevelopment project in Germany to receive the prestigious Green Building Gold Certificate from the German Sustainable Building Council.

## (d) ESG & Liquid Strategies

### (i) ESG issues in liquid strategies

The so-called "liquid" strategies are conducted through open-ended funds which investor clients can at any time decide to invest in by buying fund units or to withdraw from by requesting redemption of their fund units. Tikehau Capital's liquid strategies are broken down into fixed income management funds and balanced and equities management funds.

As part of its fixed income management activity, Tikehau Capital invests in bonds whether or not issued by private companies (corporate bonds), as well as investment grade securities (*i.e.*, corresponding to companies with a high rating) or high yield securities. As part of its diversified and equities management business, Tikehau Capital manages open-ended funds offering access to a flexible balanced management in the equity and credit markets. As at 31 December 2017, assets under management in Tikehau Capital's liquid strategies totalled €3.1 billion.

### Fixed income management

Tikehau Capital's fixed income management activity is carried out through Tikehau IM. As part of its fixed income management activity, Tikehau IM invests in bonds issued by public or private companies, as well as investment grade (*i.e.* corresponding to companies with a high credit rating) or high yield securities.

For each investment, the research and management teams perform an in-depth due diligence that focuses on a constant confrontation between their top-down view (directional market analysis) and their bottom-up view (fundamental analysis of each issuer leading to a selection of the securities to be held on portfolio).

The ESG analysis of issuers depends on the availability of information (website, annual report, sustainable development report, press articles, etc.). The quality of the information available also varies considerably, depending on whether they are large groups that have structured their CSR strategy or smaller companies with limited non-financial communication. During roadshows research and management teams have direct access to the management of the issuers and are also able to submit ESG questions and requests for information throughout the life of the bond. However, as with any lender, their influence over corporate social and environmental policy remains limited.

### Equities management

As the investment universe is relatively broad, issuers held on portfolio can be very large groups as well as new entrants into equity markets. As a result, the level of non-financial information can differ widely. Proximity to companies can also vary greatly from one issuer to another. The equity management funds invest only as minority shareholders in the capital of companies and consequently have restricted access to management teams.

These specific features have encouraged the Group to develop its own ESG analysis methods in order to incorporate an analysis of the environmental, social and governance risks and opportunities to which their investment targets are exposed.

**(ii) Presentation of ESG procedures for liquid strategies**

**Fixed income management – ESG pre-investment analysis and ESG monitoring**

With the help of a leading specialist advisor, a working group has developed a rating scale for issuers' non-financial risk. This grid takes into account analysis criteria on the three themes E, S and G and considers any points of contention (in terms of their materiality and their probability). While some of these criteria are objective, others rely on the fundamental analysis and opinion of the research team:

- **Governance** – Analysis of exposure to countries at risk on corruption and human rights violations; quality of management and governance and commitment to sustainable development (whether signatories of the UN Global Compact, CSR policy); or exposure to proven or potential controversies.
- **Social** – Analysis of sector- and/or company-specific health and safety risks in the supply chain but also exposure to proven or potential controversies related to human resources, products or social impact.
- **Environment** – Analysis of the risks related to the types of real estate assets, bearing in mind the issues related to climate change, the resource economy and energy transition or taking into account the exposure to proven or potential environmental controversies.

As the tool is fully operational, it will be used in the process of analysing new issuers. An annual update of the analysis grid for each issuer in the portfolio is planned to ensure monitoring.

The same ESG rating grid is applied when analysing investments in Senior Debts (leveraged loans) and CLOs.

**Equities management – ESG pre-investment analysis and ESG monitoring**

The quality of the management of companies as well as the quality of their governance are two determining criteria in selecting bond and equity securities with a value bias. Thus, in-depth fundamental analysis easily covers the governance pillar. With the support of a specialist advisor, a working group has been set up to formalise the approach on social and environmental factors, in particular through sector comparison points, and a trial will be launched in 2018. Once the tool is fully operational, it will be integrated into the selection process.

At the end of 2017, an evaluation questionnaire on the three themes E, S and G was applied to the companies in the SICAV Tikehau InCA. This tool makes it possible to examine the information published by the issuers on these subjects and therefore constitutes an analysis of the declarations available on the non-financial factors selected and not a performance measure of the companies' positive social or environmental impact. There exists a

size bias since the largest companies are subject to more demanding regulatory requirements on reporting. In the ESG monitoring tool, the same requirement thresholds have been used regardless of the size and sector of the issuer.

**(iii) Results of the annual ESG monitoring on liquid strategies**

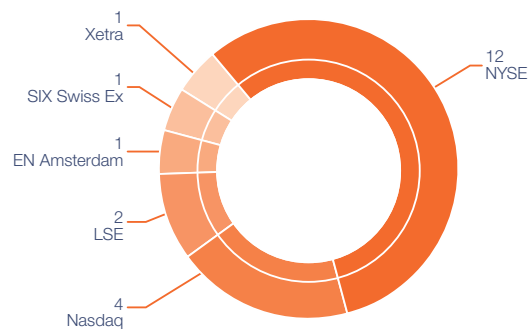
**Fixed income management – Monitoring of ESG performance**

In early 2018, the ESG analysis grid was tested on the portfolio of the Solon SICAV. Because it is a test, it is not presented in this report.

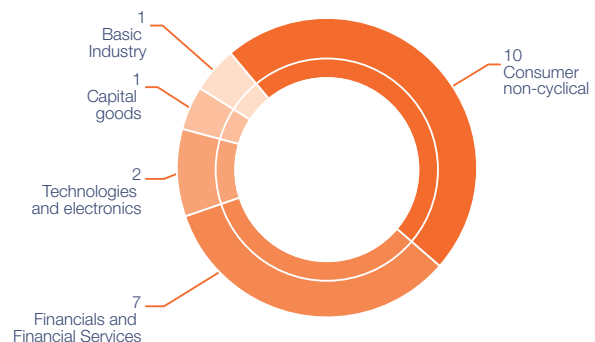
**Equities management – Monitoring of ESG performance**

The SICAV Tikehau InCA is managed on a discretionary basis with a reactive management approach in terms of asset allocation and stock selection, money market and fixed income securities of all economic and geographic sectors. As at 31 December 2017, the InCA SICAV represented €326 million and included 21 equity securities in the portfolio, each rated on the ESG pillars. This is an initial ESG monitoring exercise conducted internally on the basis of the public information available at 28 February 2018. 15 performance criteria were used with a hit rate ranging from 69% to 100%. Due to the size bias described above, it was decided not to assign an overall ESG performance score.

**Breakdown of issuers by listing stock exchange as at 31/12/2017**



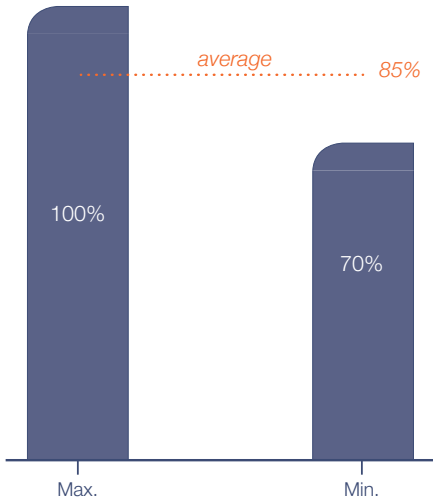
**Breakdown of issuers by sector as at 31/12/2017**



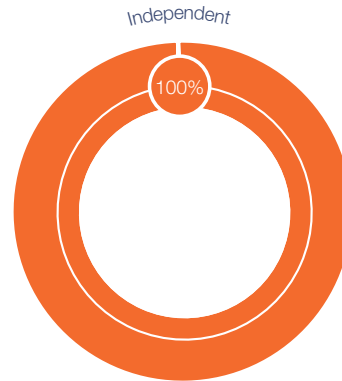
**Governance**

The presence of independent members on governing bodies (Supervisory Board or Board of Directors) is perceived on all stock exchanges as a guarantee for minority shareholders.

**Proportion of independent members on Boards**



**Proportion of Audit Committees with independent chair**



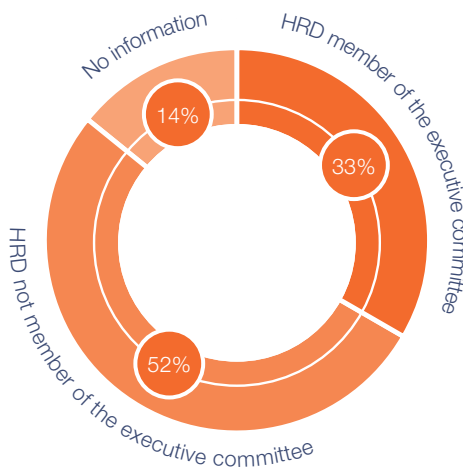
The proportion of independent members on corporate boards in the InCA SICAV varies between 70% and 100%, with an average rate of 85%.

All issuers in the InCA SICAV have set up an Audit Committee and 100% of these Committees are chaired by an independent member.

**Social**

Social issues depend to a large extent on the issuers' business sector and their size. The portfolio includes companies with between 2,000 and 330,000 employees.

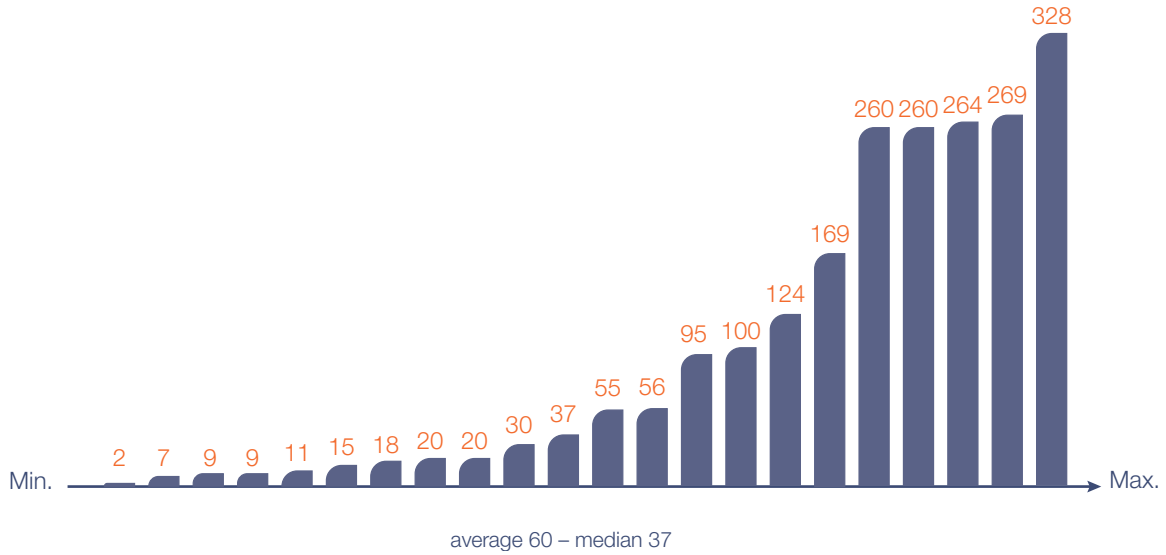
**Presence of HR Director in top management**





**Number of employees of the InCA SICAV (in thousands)**

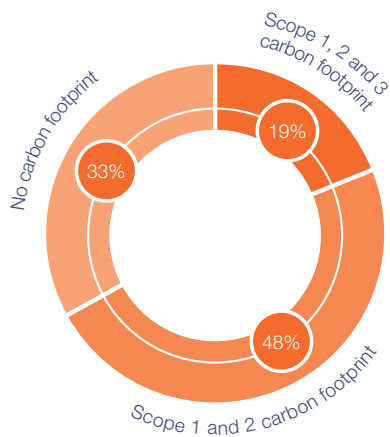
Total portfolio (in thousands): 1,899



**Environment**

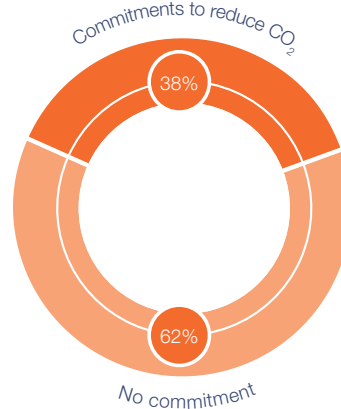
Publishing a carbon footprint and making commitments to reduce environmental impacts are subjects that are increasingly covered. These, however, are less relevant for service companies.

**Carbon footprint of issuers**



67% of the companies in the portfolio have published a carbon footprint, 19% of which on a full scope (1, 2 and 3) and 48% on a limited scope (1 and 2)\*.

**“Science based targets”**



38% of the companies in the portfolio are committed to significantly reducing\*\* their CO<sub>2</sub> emissions by 2020 or 2030.

\* Scope 1: carbon footprint from fixed or mobile sources.  
 Scope 2: indirect emissions related to energy consumption to produce goods and services.  
 Scope 3: other indirect emissions related to the upstream and downstream value chain.  
 See the graph presented in Section I(e) (Carbon footprint of certain liquid funds) of this report.  
 \*\* Reduction targets of 12% to 75% generally on emission Scopes 1 and 2 and on all or part of their activity.

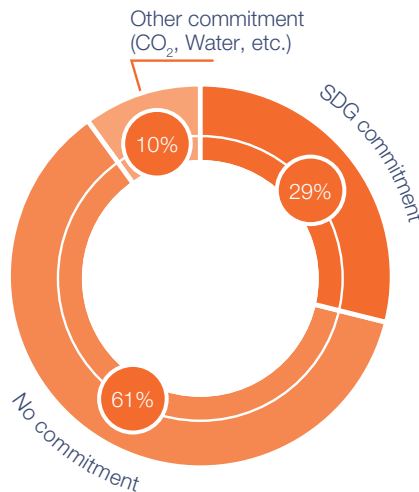
**Taking into account the Sustainable Development Goals**

In 2015, the United Nations defined 17 Sustainable Development Goals (SDGs) as the major challenges that any public or private organisation must meet by 2030. Of the 21 issuers in the portfolio, one-third is committed to all or some of these 17 objectives and has chosen to integrate them into their own sustainable development policy.

**17 United Nations Sustainable Development Goals (SDGs)**



**Proportion of InCA portfolio issuers committed to SDGs**



Three of the issuers in the fund (Coca-Cola, PepsiCo & Unilever) have chosen to join an initiative named *Refrigerant, Naturally!* under which they are committed to combating ozone depletion by removing fluorinated gases (CFCs, HCFCs and HFCs) from chilled distribution points and advancing the search for alternative technologies.

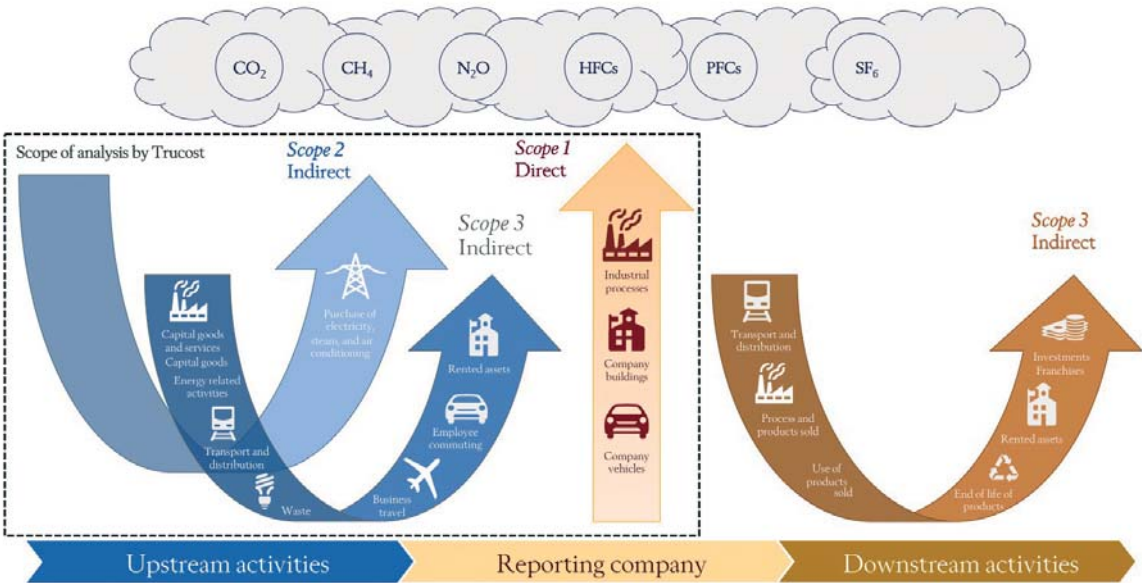
This initiative impacts three SDGs: Responsible consumption and Production (SDG #12), Climate Action (SDG #13), Partnerships for the Goals (SDG #17).

(e) Carbon footprint of certain liquid funds

The calculation of the carbon footprint of a fund aims at estimating the amount of greenhouse gas (GHG) or carbon emissions (measured in tonnes of CO<sub>2</sub> equivalent) allocated to the fund. The proportion of carbon emissions allocated to the fund is calculated as follows:

$$Absolute\ carbon\ footprint_{portfolio_x} = \sum_{inv=1}^{n_{investments}} total\ company\ emissions_{inv} \times \frac{market\ value_{inv}}{enterprise\ value_{inv}}$$

The study by Trucost, a leading environmental footprint expert commissioned by Tikehau Capital, includes GHG in tonnes of CO<sub>2</sub> equivalent (tCO<sub>2</sub>e) directly issued by companies from their fixed or mobile sources (Scope 1) as well as indirect emissions linked to energy consumption to produce their goods and services (Scope 2). Finally, Trucost includes leading suppliers to capture all expense items in the income statement and avoid an outsourcing bias (Scope 3 – direct suppliers).



Source: GHG Protocol.

Tikehau Capital has used three methods to analyse the carbon footprint of its main funds:

1) **relative carbon footprint:** allocated carbon footprint per € million invested that captures the absolute impact of the portfolio per € million invested

$$Relative\ carbon\ footprint_{portfolio_x} = \frac{absolute\ carbon\ footprint_{portfolio_x}}{assets\ under\ management_{"corporate"}\ portion\ portfolio_x}$$

2) **carbon intensity:** allocated carbon footprint per € million of revenues held (total of the issues held divided by total revenues attributed to the portfolio) which assesses the efficiency of the portfolio

$$Carbon\ intensity_{portfolio_x} = \frac{absolute\ carbon\ footprint_{portfolio_x}}{total\ revenues_{portfolio_x}}$$

with:

$$Total\ Revenues_{portfolio_x} = \sum_{inv=1}^{n_{investments}} company\ revenues_{inv} \times \frac{market\ value_{inv}}{enterprise\ value_{inv}}$$

3) **weighted average carbon intensity:** arithmetical average of carbon intensities (total emissions divided by total revenues) of portfolio companies weighted by their portfolio weights which allows exposure to high emission companies to be assessed

*Weighted average carbon intensity*<sub>portfolio<sub>x</sub></sub>

$$= \sum_{inv=1}^{n_{investments}} \text{Inv. Weight "corporate" share in the portfolio}_x \times \frac{\text{total company emissions}_{inv}}{\text{Company revenues}_{inv}}$$

### Tikehau Taux Variables (58.4% of assets under management in liquid strategies)

According to each of the three methods, TTV outperforms the S&P 500® High Yield Corporate Bond Index, which is explained by a low exposure to the most polluting sectors.

<i>(tCO<sub>2</sub>e per €million)</i>	TTV as at 31/12/2017			S&P Eurozone investment grade Corporate Bond Index
	Scope 1 and 2	Scope 3 – direct suppliers	Scope 1, 2 and Scope 3 – direct suppliers	Scope 1, 2 and Scope 3 – direct suppliers
Relative carbon footprint (tCO <sub>2</sub> e/€m)	113.5	47.5	161.0	220.3
Carbon intensity per €million of revenues held (tCO <sub>2</sub> e/€m)	103.6	43.3	147.0	368.7
Weighted average carbon intensity per €million of revenues held (tCO <sub>2</sub> e/€m)	65.2	38.4	103.6	352.7

### Tikehau Credit + (12.2% of assets under management in liquid strategies)

As at 31 December 2017, investments in JSW Steel and Lecta bonds accounted for more than 50% of the absolute emissions of TC+. At the same date, the significant exposure of the portfolio to financial corporations and financial services reduced the weighted average of the fund's carbon intensity.

<i>(tCO<sub>2</sub>e per €million)</i>	TC+ as at 31/12/2017		
	Scope 1 and 2	Scope 3 – direct suppliers	Scope 1, 2 and Scope 3 – direct suppliers
Relative carbon footprint per €million invested	95.9	31.4	127.3
Carbon intensity per €million of revenues held	181.2	59.4	240.6
Weighted average carbon intensity per €million of revenues held	117.8	29.1	146.9

**Tikehau Court Terme (6.9% of assets under management in liquid strategies)**

As at 31 December 2017, investments in Lafarge, Italcementi & Heidelberg bonds accounted for more than 57% of the absolute emissions of TCT.

<i>(tCO<sub>2</sub>e per €million)</i>	TCT as at 31/12/2017		
	Scope 1 and 2	Scope 3 – direct suppliers	Scope 1, 2 and Scope 3 – direct suppliers
Relative carbon footprint per €million invested	209.8	74.6	284.4
Carbon intensity per €million of revenues held	177.0	62.9	239.9
Weighted average carbon intensity per €million of revenues held	353.6	81.5	435.0

**Tikehau Subfin Fund (4.4% of assets under management in liquid strategies)**

In the scope of analysis (direct emissions, indirect emissions related to energy consumption and emissions related to direct suppliers (purchases and services and business travel)), the financial companies appear relatively low in pollution.

<i>(tCO<sub>2</sub>e per €million)</i>	TSF as at 31/12/2017		
	Scope 1 and 2	Scope 3 – direct suppliers	Scope 1, 2 and Scope 3 – direct suppliers
Relative carbon footprint per €million invested	6.4	10.7	17.2
Carbon intensity per €million of revenues held	9.0	15.0	23.9
Weighted average carbon intensity per €million of revenues held	7.8	5.5	13.3

**Tikehau Income Cross Assets (10.5% of assets under management in liquid strategies)**

According to each of the three methods, InCA outperforms the S&P 500 and the S&P 350 Europe, which is explained by low exposure to the most polluting sectors.

<i>(tCO<sub>2</sub>e per €million)</i>	InCA as at 31/12/2017			S&P 500 as at 28/02/2018	S&P 350 Europe as at 28/02/2018
	Scope 1 and 2	Scope 3 – direct suppliers	Scope 1, 2 and Scope 3 – direct suppliers	Scope 1, 2 and Scope 3 – direct suppliers	Scope 1, 2 and Scope 3 – direct suppliers
Relative carbon footprint per €million invested	34.0	28.4	62.5	66.5	129.6
Carbon intensity per €million of revenues held	101.5	84.7	186.3	191.0	220.5
Weighted average carbon intensity per €million of revenues held	64.3	88.0	152.3	195.2	215.1

## 2. TIKEHAU CAPITAL'S CORPORATE SOCIAL RESPONSIBILITY POLICY

### (a) Background and scope of CSR reporting

For Tikehau Capital, CSR policy is part of the Group's overall strategy and is an essential part of its culture. This policy is carried out by Group employees through various initiatives.

A working group was formed at the end of 2017 to define Tikehau Capital's CSR strategy and draw up a plan. This working group will continue the projects started in 2018 in close collaboration with company employees. The first three areas of focus of this plan have already been identified:

- **Area 1** – To support Group employees in their commitments to the societal and environmental causes of their choice. In 2018, Tikehau Capital will free up working time to allow employees wishing to do so, to spend a certain number of hours on an action supported by the Group.
- **Area 2** – Tikehau Capital's support of non-profit associations that serve the Group's values. Tikehau Capital supports associations through financing or skills sponsorship which encourages the development of each individual's potential in a process of independence.
- **Area 3** – To limit the Group's environmental footprint by fostering the responsibility of its employees. In order to take into account the long-term consequences of its business, Tikehau Capital strives to control its environmental footprint in its daily operation.

### (b) Human Resources

#### (i) The employees

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

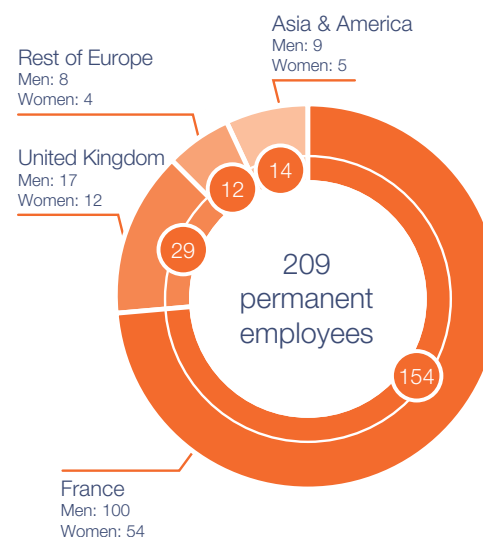
- Tikehau IM and its subsidiaries and branches;
- Tikehau Capital Europe;
- Tikehau Capital North America;
- Credit.fr; and
- IREIT Global.

Tikehau Capital Advisors ("TCA") combines the central functions on which the Manager relies for the performance of its duties on behalf of the Company and the Group. Therefore, for the sake of consistency, the data presented on human resources include Tikehau Capital Advisors. The 2016 data are thus presented under two different scopes: the audited scope for 2016 and the scope including Tikehau Capital Advisors as well as representatives of the Manager.

To support the growth in assets under management, headcount has been expanded considerably in recent years.

As at 31 December 2017, the permanent workforce of the Group (including Tikehau Capital Advisors) was 209 employees compared to 140 employees as at 31 December 2016 and the total workforce of the Group (permanent and non-permanent staff) was 232 employees.

In 2016, the Group was already present in London, Singapore, Brussels and Milan. In 2017, international development accelerated with the opening of a branch office in Madrid and a representative office in Seoul, South Korea. In early 2018, the Group continued its strategy of internationalisation with the opening of an office in New York.



\* As at 31 December 2017 (including representatives of the Manager).

Permanent staff includes employees holding permanent contracts (*contrats à durée indéterminée*) for full- or part-time work. As at the publication date of this report, no corporate officer or Representative of the Manager was under a work contract. However, the representatives of the Managers are included in the permanent workforce.

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

The Group places particular importance in the gender balance and diversity of its teams. The teams around the world comprise 18 nationalities.

The table below presents the Group's employees as at 31 December 2016 and as at 31 December 2017:

	Group Workforce		
	As at 31/12/2016 audited	As at 31/12/2016 including TCA	As at 31/12/2017 including TCA
Number of permanent employees	106	140	209
Percentage of permanent employees in total headcount	84%	88%	90%
Percentage of women	33%	42%	36%

The table below presents hires and departures within the Group (France and internationally) in 2016 and 2017. There were 25 net job creations in 2016 and 49 net job creations in 2017 on the same scope.

	From 1 January to 31 December 2016 audited	From 1 January to 31 December 2016 including TCA	From 1 January to 31 December 2017 <sup>1</sup>
<b>Total hires (permanent contracts)</b>	<b>36</b>	<b>47</b>	<b>76</b>
Retirements and early retirements	0	0	1
Departures on the initiative of the employee	11	14	19
Departures on the initiative of the employer	3	5	4
Other departures <sup>2</sup>	2	3	3
<b>Total departures</b>	<b>16</b>	<b>22</b>	<b>27</b>

<sup>1</sup> Excluding Credit.fr.

<sup>2</sup> Other departures include ending contracts, mutually agreed departures, departures during trial periods and deaths.

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

	From 1 January to 31 December 2017 <sup>1</sup>
Accident frequency rate <sup>2</sup>	0
Rate of absenteeism <sup>3</sup>	0.6%

<sup>1</sup> Excluding Credit.fr.

<sup>2</sup> Number of accidents with a lost time greater than one day per million hours of work.

<sup>3</sup> Including hours of absence for ordinary, professional illness.

However, health, hygiene and well-being at work are among the priorities of human resources, which is reflected in the Internal Rules. At their request, two Group employees adopted part-time work. The Group also organises awareness-raising meetings on these topics with managers. Particular attention is paid to the ergonomics of workspaces and a policy to promote the practice of sport has been developed (organisation of sports events, access to gyms at reduced prices for employees, etc.).

## (ii) Developing skills

The sustained growth of the Group and its international expansion favour the internal mobility of employees. Tikehau Capital is a flexible organisation that stimulates internal mobility in all its forms:

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

- geographical/international mobility refers to employees who change their place of work abroad.

At a time when organisations and professions are constantly evolving, internal mobility is a key issue whether it is initiated by the employee or proposed by the employer. It fosters employee loyalty and talent retention and is a way to keep up the Group's competitiveness and level of performance. Mobility is also a motivating factor for employees who increase their involvement in the work. It is also an indicator of health and well-being within the Group.

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

In order to develop skills, the Group also organises training for the benefit of its employees. In the 2017 financial year, 1,575 hours of external training were provided.

	From 1 January to 31 December 2017*
<i>Training (permanent and non-permanent staff)</i>	
Total number of training hours	1,575
Proportion of employees having followed at least one training course during the year	76

\* Excluding Credit.fr.

The overall training policy is very active and takes different formats:

- In-house presentations and training are regularly provided by Group employees on awareness of the various activities or compliance, easy-to-understand information on our business lines and products, human resources training (management, annual interviews, best practices in hiring and mentoring, orientation meetings for new hires, corporate culture, etc.).
- Employees are eligible for a mentoring programme that avails them of the advice of more experienced employees and allows them to discuss a wide range of topics to help them adjust to the corporate culture or to plan their career paths.
- All employees are eligible for training – whether or not that training leads to certification or diplomas, and within their company or in association with other companies – with external bodies on topics such as technical upgrades, certifications, acquisition of new knowledge when taking on a new position or as part of an internal promotion, enhancement of managerial skills, language learning, etc.
- Promising analysts are selected for the Tikehau Young Professionals Programme which offers immersion in the various investment teams in several offices over a period of 9 to 12 months and access to renowned training courses on alternative strategies.
- Managers may receive coaching, tailored to their needs.
- All employees are invited to participate in CSR and ESG training sessions to better understand these topics in their daily work.

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

### (iii) Remuneration and Benefits

The pay policy has several goals:

- Tikehau Capital must reconcile the demands of a highly competitive market with the expectations of investors, clients, shareholders and Group employees by ensuring the consistency of the pay policy with the Group's strategy and compliance with applicable regulations.
- Human capital plays a key role in the Group's activities and the pay policy has a strong impact on competitiveness, allowing to both recruit quality profiles and retain these talents.
- The pay policy defines effective and accountable remuneration practices to avoid conflicts of interest, protect the interests of investors and Group clients and ensure that there is no incentive for excessive risk-taking (notably at the level of Tikehau IM, manager of Alternative Investment Funds (“AIF”), and undertakings for collective investment in transferable securities (“UCITS”).
- Tikehau Capital pays particular attention to the alignment of long-term interests especially for investment teams and senior managers. Thus, the pay policy must promote such an alignment.

Because of its complex activities, a high percentage of Tikehau Capital's employees hold advanced diplomas and a high percentage of them have managerial status. As at 31 December 2017, the average percentage of managers and management-level employees was above 80%. Autonomous managers are covered by a collective agreement on the establishment of an annual number of days of leave.

The motivation and commitment of employees is ensured by a policy of collaboration, shareholding and strong incentivisation that allows each one to benefit from Tikehau Capital's creation of shareholder value. The Group's employees in France benefited from a profit-sharing agreement for 2014, 2015, 2016 and 2017.



	From 1 January to 31 December 2016	From 1 January to 31 December 2017 consolidated scope*
Pay in thousands of € (permanent and non-permanent staff)		
Total payroll	19,067	26,780

\* Excluding TCA employees and including Credit.fr employees from 29/06/2017 to 31 December 2017.

No trade-union is represented within the Group and no personnel representative body is in place in France or in any other country in which the Group is set up. In France, no candidate has stood for election to combined staff representation.

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

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

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

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

Lastly, it should be stated that around 40 senior corporate members have joined together to invest in a joint company which owns an equity interest in Tikehau Capital Advisors and which receives 20% of the carried interest on the funds managed by the Group. The remaining 80% is split equally between Tikehau Capital, Tikehau IM and Tikehau Capital Advisors. This carried interest is exclusively on certain closed-end funds (the totality of the performance fees for open-ended funds are collected by Tikehau IM) and allow

the investors to obtain a proportion of the return above a level of internal rate of return. This structure incentivises these employees to achieve performance for the Group and creates a solidarity across all business lines, avoiding any silo effect.

### (c) The Group's environmental footprint and carbon audit

For the sake of consistency, the Group's carbon footprint data includes Tikehau Capital Advisors and the two representatives of the Manager.

#### Carbon audit and general environmental policy

For the Group, carrying out a carbon assessment was the preliminary step in improving the control of its environmental footprint and in identifying action that could be implemented. In early 2018, an accredited consultant on Greenhouse Gas Emissions Audits (referred to here by its French acronym "BEGES") conducted an analysis of the offices in Paris, London, Brussels, Milan and Singapore. The data for Madrid, Seoul and New York were considered negligible.

#### Scope 1-2 for the Group

In accordance with version 8 of the implementation methodology published in December 2017 by the French Ministry for Ecology, Sustainable Development and Energy (the "BEGES methodology"), this assessment was conducted on Scope 1, covering direct emissions from fixed or mobile sources, and Scope 2, covering indirect emissions associated with energy consumption. In Scopes 1 and 2, electricity consumption is the most important item, which is in line with a service activity.

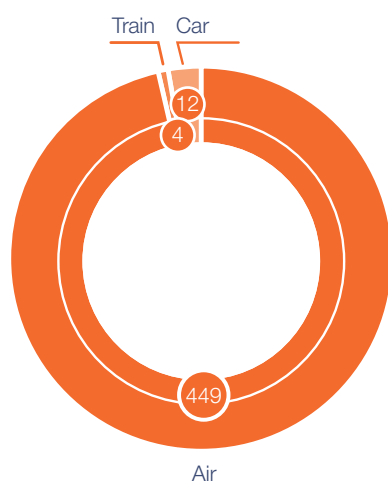
	Scope 1-2 emissions (tCO <sub>2</sub> e)	Floor space in m <sup>2</sup>	Number of employees (permanent and non-permanent)	Emissions Scopes 1-2 (kg CO <sub>2</sub> e) per m <sup>2</sup>	Emissions Scopes 1-2 (kg CO <sub>2</sub> e) per staff member
Paris	53	3,279	156	16	340
London	97	668	33	145	2,927
Brussels	20	247	4	82	5,090
Milan	15	180	7	85	2,194
Singapore	7	450	13	15	525
<b>Total BEGES scope</b>	<b>192</b>	<b>4,824</b>	<b>213</b>	<b>40</b>	<b>902</b>

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

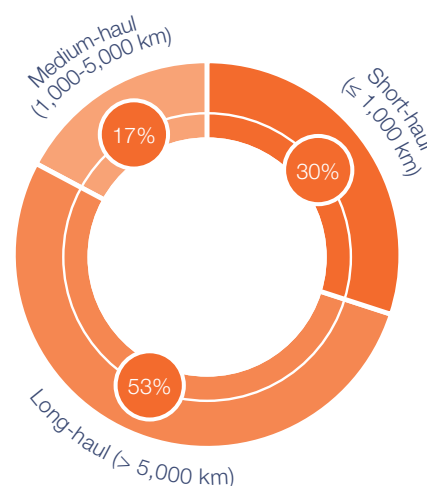
### Scopes 1 and 3 – "Business trips" for the Group

Given the activity of Tikehau Capital, business travel represents a major emissions item for Scopes 1 and 3. Company cars appear in Scope 1 while travel by plane, train, rental cars and taxis are in Scope 3. As business trips are pooled at Group level, an assessment of these emissions has been prepared in accordance with the BEGES methodology. Air travel is clearly the top item with 449 tCO<sub>2</sub>e in 2017.

### Breakdown of emissions from "Business travel" items in tCO<sub>2</sub>e



### Breakdown of emissions (tCO<sub>2</sub>e) by type of flight



25% of flights in 2017 involved short distances (0 to 1,000 km) and this mode of transport is more intensive in emissions (0.29 kgCO<sub>2</sub>e per km) than long and medium distances (0.22 kgCO<sub>2</sub>e per km). However, the destinations chosen were not necessarily accessible by train.

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

### Scope 1-2-3 upstream – for the Paris office

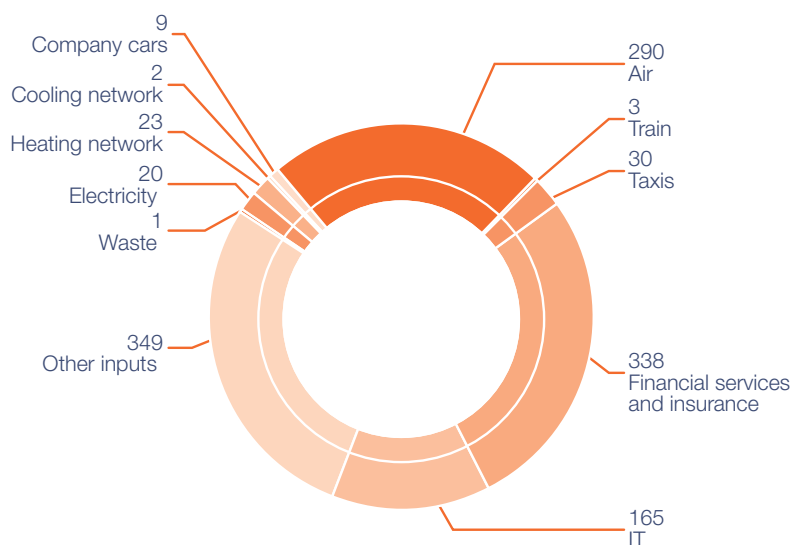
As more detailed information on consumption is available for the Paris office, an analysis extended to part of the indirect emissions in Scope 3 upstream (direct purchases) was carried out in accordance with the BEGES methodology.

BEGES 2017	Scopes 1-2				Scope 3 upstream							TOTAL
	Company cars	Electricity	Heating network	Cooling network	Business trips			Financial services and insurance	IT	Other inputs	Waste	
					Air	Train	Taxis					
Emissions (in tCO <sub>2</sub> e)	9.0	20.0	22.5	1.5	289.7	3.2	30.3	338.4	165.1	348.8	1.2	1229.6
Emissions (in %)	0.7%	1.6%	1.8%	0.1%	23.6%	0.3%	2.5%	27.5%	13.4%	28.4%	0.1%	100.0%

With over 332 tCO<sub>2</sub>e, business trips (company cars, air, trains and taxis) are the second-highest item for emissions at the Paris headquarters for Scopes 1 and 3 upstream. The top item for emissions is linked to the purchase of financial services (insurance, consultancy and fees related to accounting and financial services) and generated

338 tCO<sub>2</sub>e. The third emissions item is related to IT and telecommunication services. However, emissions related to the purchases of these financial and IT services entail a significant degree of uncertainty. Other inputs include emissions related to purchases in hotels and restaurants, furniture, paper and other supplies.

### Emissions of the Paris office Scope 1, 2 and 3 upstream



Tikehau Capital is aware that its major environmental impact lies in its investments. By financing companies through equity and debt, the Group contributes to generating business activity and the related greenhouse gas emissions. (See Section 1(e) (Carbon footprint of certain liquid funds) of this report).

### Pollution

Since 1 January 2014, neither the Company nor any of its subsidiaries has set aside provisions or guarantees for environmental risks. The main activities of Tikehau Capital are asset management and investment. These activities do not release waste that might contaminate water or soil, or cause noise pollution.

### Sustainable use of resources and circular economy

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

- of paper, avoiding printing and by default printing on both sides;
- of plastic bottles, by equipping offices with water fountains when the number of employees allows it.

In 2014, the Paris office launched the sorting, collection and recycling of paper/cardboard, plastics, metals, glass, coffee capsules, etc. with the disability-friendly company Cèdre. In 2017, the recycling of these flows made it possible to preserve 86 trees, save 2,700 kg of CO<sub>2</sub>, 158,000 litres of water and 21,000 kWh. As at the publication date of this report, the offices in Brussels, London, Madrid, Milan and Singapore have set up a recycling programme and the finishing touches are being given to the Group-wide recycling policy.

## (d) Societal information

### Territorial, economic and social impact of the Group's business

Since its creation, the Group has focused on financing SMEs and medium-sized companies in Europe and in 2007 Tikehau IM was the first French asset management company to obtain approval for the management of private debt funds. More generally, as part of its activities, Tikehau Capital intends to participate in business growth and/or development projects and anticipates that its activity will create jobs.

### Employment of people with disabilities

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

### Outsourcing, suppliers, local development and local populations

Because of its activity, Tikehau Capital has a very limited recourse to outsourcing. Where possible, the office managers of the various branches favour local and environmentally-friendly products. A discussion group was created to define a group-wide responsible purchasing policy.

### Fair practices – Human rights and fight against corruption

The Group encourages the use of fair practices by both its teams and service providers and the companies in which it invests. The teams of each of the Group's entities are particularly aware of the risks of non-compliance of any kind and measures have been put in place to prevent some of the economic violations and breaches that might occur in the course of its activities, including cases of attempted fraud.

Group companies are subject to an obligation of vigilance, including the obligation to establish procedures relating to the prevention of money laundering and allowing the identification of the customer (as well as the beneficial owner) for any transaction.

## (e) Societal commitments to equal treatment and sustainable development

### Fight against discrimination

The Group believes in a critical and original way of thinking, and promoting a culture of diversity is at the heart of its success. Tikehau Capital recruits some of the most talented professionals on the market, while paying particular attention to respecting a real diversity of training. In addition to the degrees obtained, the Group attaches great importance to the human and behavioural qualities of the profiles of people it recruits, in order to promote their integration and to reinforce Tikehau Capital's corporate culture.

The Group trains human resources employees and raises awareness among all managers and employees involved in recruitment processes to prevent unlawful discrimination in hiring on grounds of race, colour, skin, religion or belief, gender, national or ethnic origin, disability, age, nationality, family status, pregnancy, orientation or gender identity. Articles 225-1 to 225-4 of the French Criminal Code concerning offences against the dignity of persons with regard to discrimination, whatever their nature, appear on the notice-boards of the Paris office.

### Promotion of and compliance with the Convention of the International Labour Organisation (ILO)

The policies put in place by Tikehau Capital respect the main provisions of the ILO Convention, particularly with regard to the elimination of forced or compulsory labour, the abolition of child labour and the absence of discrimination in respect of assigning positions and hiring. These policies also respect freedom of association and the right to collective bargaining.

### Other actions in favour of human rights

In private equity and private debt activities, executives of the companies in which the Group invests are asked to sign a commitment to respect human rights and international labour standards. Moreover, the ESG analysis grids for all activities assess respect for the fundamental standards as a major factor.

## (f) Partnership and philanthropy initiatives

Through a policy of partnership and philanthropy, the Group proactively supports initiatives and projects that reflect its values.

A working group was formed at the end of 2017 to define the Group's CSR strategy. Four potential areas of action have been identified:

- imparting the courage of entrepreneurship for the common good;
- building critical thinking through culture and education;
- increasing self-confidence through sport;
- supporting innovation in health.

### Promoting entrepreneurship for the common good

#### Supporting social entrepreneurship and backing those who take risks for the common good

At the end of 2014, the Company and Salvepar each invested \$500,000 in the "Essential Capital Contribution" fund. The aim of this fund, which is sponsored by Deutsche Bank and specialises in social "impact investing", is to invest in social ventures seeking to benefit poor communities and directly affecting the poor through the production of goods or the provision of services in three areas: financial services for the bottom of the social scale, energy and health. The concept of "financial services for the bottom of the social scale" principally means specialised financing for education, housing and mobile payment services, and innovative micro-credit services.

**Encouraging female entrepreneurship and giving support to those in need**

In 2017, the teams in the Paris office supported the Led by Her association by offering their financial skills during a solidarity day, to women who have suffered violence and are seeking to rebuild their lives through entrepreneurship.

**Building critical thinking through culture and education**

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

Since 2014, the Group has been supporting "Job dans la ville", a programme of Sport dans la Ville, the leading French association promoting integration through sport ([www.sportdanslaville.com](http://www.sportdanslaville.com)). In 2017, 950 young people aged 15 to 22 from disadvantaged neighbourhoods were enrolled in the programme with the goal of having 85% of them join a training programme or be recruited into a company.

Beyond the four mainstays of its planned initiatives, Tikehau Capital responds whenever possible to specific demands from its ecosystem:

**Supporting the independence of the most vulnerable with CARAC**

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

### 3. CONCORDANCE TABLE (ARTICLE R.225-105-1 OF THE FRENCH COMMERCIAL CODE)

Below is a table of concordance between the information published in this report with the provisions of Article R.225-105-1 of the French Commercial Code, as amended by Decree No. 2017-1265 of 9 August 2017 – Art. 2).

As explained in greater detail in the preceding sections, given the Group's activities, which entail limited social and environmental issues, some of the information contained in Article R.225-105-1 of the Commercial Code does not hold any relevance to the Company or was not applicable in financial years 2016 and 2017.

Subject	Relevant section or comment
<b>SOCIAL INFORMATION</b>	
<b>Employment</b>	
The total number and breakdown of employees by gender, age and geographic area	2(b)
Recruitment and dismissals	2(b)
Pay and changes in pay	2(b)
<b>Organisation of work</b>	
Organisation of working time	2(b)
Absenteeism	2(b)
<b>Health and safety</b>	
Conditions of health & safety in the workplace	2(b)
Accidents at work (frequency and seriousness) and occupational illnesses	2(b)
<b>Social relations</b>	
The organisation of employee relations, including procedures for staff information, consultation and negotiation	Employee relations are organised around information points when necessary. Exchanges are made easier because the workforce is small.
Collective bargaining agreements, particularly regarding health and safety at work	None. No trade-union is represented and no personnel representative body is in place in France or in any other country in which the Group is set up.
<b>Training</b>	
Policies implemented with regard to training, in particular on the protection of the environment	2(b)
Total number of training hours	2(b)
<b>Equal treatment</b>	
Measures taken in favour of gender equality	2(b)
Measures taken in favour of the employment and integration of disabled people	2(e)
Anti-discrimination policy	2(e)

Subject	Relevant section or comment
<b>ENVIRONMENTAL INFORMATION</b>	
<b>General environmental policy</b>	
Organisation of the Company to take into account environmental issues and, where appropriate, steps taken for environmental assessment or certification	2(c)
The means devoted to the prevention of environmental risks and pollution	2(c)
Amount of provisions and guarantees for environmental risks (provided that such information is not likely to cause serious harm in any pending litigation)	2(c)
<b>Pollution</b>	
Measures for the prevention, reduction or remedying of discharges into air, water and soil seriously affecting the environment	2(c)
Taking into account all other forms of pollution specific to an activity, including noise and light pollution	2(c)
<b>Circular economy</b>	
Waste prevention and management	
Measures for the prevention, recycling, reuse, other forms of recovery and disposal of waste	2(c)
Anti-food waste action	Because of its activity and the nature of its investments, the Group has very little contact with issues related to food waste.
Sustainable use of resources	
Water consumption and water supply according to local constraints	The theme of water consumption and supply is not relevant to the activities of Tikehau Capital.
Consumption of raw materials and measures taken to improve efficient use	The theme of raw materials consumption is not relevant to the activities of Tikehau Capital.
Energy consumption and measures taken to improve energy efficiency and use of renewable energy	2(c)
Land use	The use of land is not relevant to Tikehau Capital's activities.
<b>Climate change</b>	
Significant sources of greenhouse gas emissions generated due to the activity of the Company, including the use of goods and services it produces	1(d) and 2(c)
Measures for adaptation to the consequences of climate change	Climate change impacts the activities and assets within these activities in a wide variety of ways.
Medium- and long-term reduction targets for reducing greenhouse gas emissions and the means implemented for this purpose	2(c)
<b>Protection of biodiversity</b>	
Measures taken to preserve or develop biodiversity	The subject of biodiversity is not relevant to the activities and nature of Tikehau Capital's investments.

Subject	Relevant section or comment
<b>SOCIETAL INFORMATION</b>	
<b>Societal commitments promoting sustainable development</b>	
Impact of the Company's activity on employment and local development	2(d)
Impact of the Company's activity on neighbouring or local populations	2(d)
Relationships with stakeholders in society and procedures for dialogue with them	2(d)
Partnership or philanthropic activities	2(f)
<b>Outsourcing and suppliers</b>	
The consideration of social and environmental issues in purchasing policy	2(d)
The consideration of social and environmental responsibility in relations with suppliers and subcontractors	2(d)
<b>Fair practices</b>	
Action taken for the health and safety of consumers	By reason of its activities, the Company has very little involvement in these issues.
<b>OTHER INFORMATION</b>	
<b>Information concerning the fight against corruption</b>	
Actions taken to prevent corruption	2(d)
<b>Information concerning actions in favour of human rights</b>	
Promoting respect for the stipulations of the basic conventions of the International Labour Organisation	
Respect for freedom of association and the right to collective bargaining	2(e)
Eliminating employment and professional discrimination	2(e)
Eliminating forced or compulsory labour	2(e)
Effective abolition of child labour	2(e)
Other actions in favour of human rights	2(e)



## 4. REPORT OF THE EXTERNAL AUDITOR

*The below report is a free translation into English of the CSR auditors' report on the report of the Chairman of the Board of Directors of Tikehau Capital SCA issued in the French language and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

**FINEXFI**

**Expertise et Proximité**

**COFRAC**

Certification No. 3-1081  
Scope available on [www.cofrac.fr](http://www.cofrac.fr)

### **Year ended 31 December 2017**

To the Shareholders,

Following the request made to us by the company Tikehau Capital SCA, and in our capacity as an independent external auditor whose certification was approved by COFRAC under number 3-1081 (scope available on [www.cofrac.fr](http://www.cofrac.fr)), we hereby present our report on the consolidated corporate, environmental and social information presented in the annual report prepared for the year ended 31 December 2017, pursuant to the provisions of Article L.225-102-1 of the French Commercial Code.

### **Management responsibility**

It is the responsibility of the Managers to prepare a management report including the consolidated social, environmental and societal information provided for in Article R.225-105-1 of the French Commercial Code (hereinafter the "Information"), prepared in accordance with the standards (the "Standards") used by the Company and available on demand from the registered offices of the Group.

### **Independence and quality assurance**

We adhere to independence rules defined by the regulations, the code of ethics of the profession as well as the provisions of Article L.822-11 of the French Commercial Code. In addition, we have implemented a quality assurance system that includes policies and documented procedures to ensure conformity with the code of ethics, professional standards and the applicable laws and regulations.

### **Responsibility of the independent external auditor**

Based on our work it is our responsibility:

- to certify that the Information required has been included in the annual report or is subject to an explanation if not included in the report pursuant to the third paragraph of Article R.225-105 of the French Commercial Code and Decree No. 2012-557 of 24 April 2012 (Certificate of presence);
- to express an opinion of moderate assurance on the fact that the Information in all material respects is fairly presented in conformity with the Standards used (report of moderate assurance)

### **Certificate of presence**

We conducted the work in accordance with professional standards applicable in France:

- we compared the Information contained in the annual report with the list provided in Article R.225-105 of the French Commercial Code;
- we verified that the information covered the consolidated group, namely the Company and its subsidiaries within the meaning of Article L.233-1 and the companies it controls within the meaning of Article L.233-3 of the French Commercial Code;
- where certain consolidated information was missing, we verified that explanations were provided in accordance with the provisions of Decree No. 2012-557 of 24 April 2012.

Based on these procedures performed, we confirm that the Information is available in the annual report as required.

### **Reasoned opinion on the fairness of CSR Information**

### **Nature and scope of work**

Our work was carried out between 25 March 2018 and 13 April 2018 for a duration of approximately seven days.

We conducted the work in accordance with the standards applicable in France, the ISAE 3000 Standard and the Order of 13 May 2013 determining the conditions under which the independent external auditor conducts its assignment.

We held four interviews with the persons responsible for the preparation of the CSR information of the departments in charge of the information gathering process and, where applicable, those responsible for the internal control and risk management procedures, for the purpose of:

- assessing the appropriateness of the criteria in terms of their relevance, completeness, neutrality, understandability and reliability, taking into account, where relevant, industry best practices;
- we audited the implementation of a collection, compilation, processing and control procedure within the Group, examining the completeness and consistency of the CSR Information. We reviewed the internal control and risk

management procedures relating to the preparation of the CSR Information.

We identified the consolidated information to be tested and determined the nature and extent of tests taking into account their importance in social, societal and environmental impacts related to the business and nature of the Group, its guidelines of CSR and good practices within the sector.

In regard to the CSR information that we considered of greatest importance in regard to the parent company:

- we consulted documentary sources and conducted interviews to corroborate the qualitative information (organisation, policies, actions, etc.);
- we implemented analytical procedures on the quantitative information and verified the calculations and data consolidation on the basis of random checks;
- we implemented detailed tests based on sampling, which consisted of checking the calculations and reconciling the data of the supporting documents, and have verified their consistency with the other information contained in the management report.

Concerning the other consolidated CSR information, we assessed its consistency with our knowledge of the Company.

Finally, we assessed the relevance of the explanations, if any, for the total or partial absence of certain information.

We believe that the methods of sampling and sample sizes that we used exercising our professional judgement allow us to issue a conclusion of moderate assurance. A higher level of assurance would have required more extensive verification work.

Our review covered more than 40% of the consolidated value of quantified indicators relating to social policy and more than 40% of the consolidated value of quantified indicators for the environmental section of the financially integrated companies.

Because recourse was made of the use of sampling techniques as well as other limits inherent in the functioning of any internal information and control system, the risk of not detecting a material misstatement in the CSR Information cannot be eliminated completely.

### Conclusion

Based on our work, we have not identified any significant anomalies likely to call into question the fact that in all material respects the Information is presented fairly and in accordance with the standard.

Lyon, 16 April 2018

FINEXFI Isabelle Lhoste Partner



32, rue de Monceau - 75008 Paris - France

Tel.: +33 (0)1 40 06 26 26

[www.tikehaucapital.com](http://www.tikehaucapital.com)