



SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Sustainable Bond Framework

Tikehau Capital
1 September 2023

VERIFICATION PARAMETERS

Type(s) of instruments contemplated	<ul style="list-style-type: none">▪ Sustainable Bonds
Relevant standards	<ul style="list-style-type: none">▪ Green Bond Principles, as administered by the ICMA (as of June 2021 with June 2022 Appendix 1)▪ Social Bond Principles, as administered by the ICMA (as of June 2023)▪ Sustainability Bond Guidelines, as administered by the ICMA (as of June 2021)
Scope of verification	<ul style="list-style-type: none">▪ Tikehau Capital's Sustainable Bond Framework (August 31, 2023)▪ Pre-issuance verification
Lifecycle	<ul style="list-style-type: none">▪ 1st Update of SPO as of March 17, 2021 (https://www.isscorporatesolutions.com/file/documents/spo/spo-20210318-tikehau.pdf)
Validity	<ul style="list-style-type: none">▪ Valid as long as the cited Framework remains unchanged

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SCOPE OF WORK

Tikehau Capital (“the Issuer”, “the Company”, or “the Group”) commissioned ISS Corporate Solutions (ICS) to assist with its Sustainability Bond by assessing three core elements to determine the sustainability quality of the instrument:

1. Tikehau Capital’s Sustainable Bond Framework (as of August 31, 2023) – benchmarked against the International Capital Market Association’s (ICMA) Green Bond Principles (GBP), Social Bond Principles (SBP) and Sustainability Bond Guidelines (SBG).
2. The Eligible Portfolio – whether the project categories contribute positively to the United Nations Sustainable Development Goals (UN SDGs) and how they perform against proprietary issuance-specific key performance indicators (KPIs) (See Annex 1).
3. Linking the transaction to Tikehau Capital’s overall Environmental, Social, and Governance (ESG) profile – drawing on the issuance-specific Use of Proceeds (UoP) categories.

TIKEHAU CAPITAL BUSINESS OVERVIEW



Tikehau Capital SCA is a global asset management and investment firm that invests and manages assets across four business lines: private debt, real assets, private equity, and capital markets strategies. It is classified under the Asset Management and Brokerage industry, as per ISS ESG’s sector classification. Headquartered in Paris, France, the company has operations in multiple countries including Belgium, Italy, Japan, Singapore, Spain, UK, USA, etc. As of December 31, 2022, the company had an asset under management of € 38 billion.

ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION ¹
Part 1: Alignment with GBP/SBP/SBG	<p>The Issuer has defined a formal concept for its Sustainable Bonds regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is aligned with exceptions with the ICMA GBP, SBP & SBG. Moreover, the eligible ESG funds Use of Proceeds category is, per nature (pursuing general ESG objectives and not specific projects), not fully aligned with the above principles. The disclosure of proceeds by project category is also not provided.</p> <p>Under the ‘Eligible ESG funds’ category, the proceeds of bonds will be allocated to thematic investment funds managed by the issuer or an external asset manager but without direct specification of projects or expenditure categories². ESG Funds managed by an external asset manager have to comply with Tikehau Capital ESG policy and the Sustainable Bond exclusion list. We find that the eligibility and exclusion criteria, alongside processes related to “principal adverse impact” screening, governance and reporting, defined by the issuer’s framework ensure adequate sustainability quality for both investments and funds (re-) financed through the Sustainable Bonds.</p> <p><i>* The project categories identified by Tikehau are aligned with the Principles, except for the categories (i) investment in data centers, (ii) design and introduction of recyclable materials, components, packaging and products, (iii) buildings that have obtained or expected to obtain Energy Performance Certificates (EPCs) grade A or are in the top 15% of the most energy-efficient buildings in the correspondent local market and (iv) environmentally sustainable animal husbandry (improved health and nutrition mix), which are assessed as providing no clear environmental and/or social benefits according to our methodology (cf. Part II of this report).</i></p>	<p>Aligned with exceptions*</p> <p>Moreover, the ‘Eligible ESG funds’ Use of Proceeds is, per nature (pursuing general ESG objectives and not specific projects), not fully aligned with the above principles.</p>
Part 2: Sustainability quality of the Eligibility Criteria	<p>The Sustainable Bond will invest in eligible asset categories which include:</p> <p>Green categories: Renewable Energy, Clean Transportation, Energy Efficiency, Green Buildings, Circular Economy and/or Certified Eco-efficient Products, Environmentally Sustainable</p>	Moderate

¹ The evaluation is based on the Tikehau Capital’s Sustainable Bond Framework (August 31, 2023 version), the analysed Eligibility Criteria as received on August 31, 2023 and on the Indicative Corporate Rating and applicable at the SPO delivery date.

² At the investment date, issuers may derive less than 90% of revenue from sustainable activities and in such instance, one of the investment team objective will be to grow the share of sustainable revenues.

	<p>Management of Land Use and Living Natural Resources, Other Climate Change Mitigation and Adaptation Activities.</p> <p>Social categories: Access to essential services (Healthcare - Supporting Medical Technology and Life Science), Education</p> <p>Product and/or service-related use of proceeds categories³ individually contribute to one or more of the following SDGs:</p>  <p>Process-related use of proceed categories⁴ individually improve (i) the operational impacts of Tikehau Capital’s investees(s) and (ii) mitigate potential negative externalities of their sectors on one or more of the following SDGs:</p>  <p>Under (i) investment in data centers, (ii) design and introduction of recyclable materials, components, packaging and products, (iii) buildings that have obtained or expected to obtain Energy Performance Certificates (EPCs) grade A or are in the top 15% of the most energy-efficient buildings in the correspondent local market and (iv) environmentally sustainable animal husbandry (improved health and nutrition mix), there is no evidence of an improvement on the Issuer and/or end users’ potential negative externalities.</p> <p>The environmental and social risks associated with those use of proceeds categories are partially managed.</p>	
<p>Part 3: Linking the transaction to Tikehau Capital’s ESG profile</p>	<p>The key sustainability objectives and the rationale for issuing Sustainable Bond are clearly described by the Issuer. Majority of the project categories considered are in line with the sustainability objectives of the Issuer.</p>	<p>Consistent with Issuer’s sustainability strategy</p>

³ Renewable Energy, Clean Transportation, Energy Efficiency, Green Buildings, Circular Economy and/or Certified Eco-efficient Products, Environmentally Sustainable Management of Land Use and Living Natural Resources, Other Climate Change Mitigation and Adaptation Activities, Access to essential services (Healthcare - Supporting Medical Technology and Life Science), Education.

⁴ Energy Efficiency and Green Buildings

SPO ASSESSMENT

PART I: ALIGNMENT WITH GBP, SBP, SBG

This section evaluates the alignment of Tikehau Capital’s Sustainable Bonds Framework (as of August 31, 2023) with the Green Bond Principles, Social Bond Principles, and Sustainability Bond Guidelines.

GBP, SBP, SBG	ALIGNMENT	OPINION
<p>1. Use of Proceeds</p>	<p>✓ with exceptions</p> <p><i>Moreover, the ‘Eligible ESG Funds’ Use of Proceeds is, per nature not fully in line with the above principles</i></p>	<p>The Use of Proceeds description provided by Tikehau’s Sustainable Bond framework is aligned with exceptions with the ICMA’s GBP, SBP, and SBG.</p> <p>Moreover, the ‘Eligible ESG Funds’ Use of Proceeds is, per nature (pursuing general ESG objectives and not specific projects), not fully aligned with the above principles. Under this category, the proceeds of bonds will be allocated to thematic investment funds managed by the issuer or an external asset manager but without specification of project or expenditure categories, allowing the borrowing entities / the investees to allocate proceeds to any business activities although they are screened by relevant criteria consistent with the issuer ESG policy in the aspect of either environmental management, business continuity management, or healthcare management, and including specific eligibility and exclusion criteria, alongside processes related to “principal adverse impact” screening, governance and reporting.</p> <p>Under this Framework, the proceeds of the sustainable bonds may be allocated to ESG funds i.e. thematic investment funds managed by Tikehau Capital or an external asset manager, but without direct specification of projects or expenditure categories. ESG Funds managed by an external asset manager have to comply with Tikehau Capital ESG policy and the Sustainable Bond exclusion list.</p> <p>The Issuer’s green and social categories aligned with exceptions with the projects categories as proposed by the ICMA GBP, SBP, and SBG as some categories are assessed as providing no clear environmental and/or social benefits according to our methodology (cf. Part II of this report). Criteria are mostly defined in a clear and transparent manner. Disclosure of distribution is not provided, and environmental and social benefits are</p>

		<p>described. The Issuer defines exclusion criteria for harmful project categories.</p>
<p>2. Process for Project Evaluation and Selection</p>	<p>✓</p>	<p>The Process for Project Evaluation and Selection description provided by Tikehau Capital’s Sustainable Bond Framework is aligned with the Green Bond Principles, Social Bond Principles, and Sustainability Bond Guidelines.</p> <p>The project selection process is defined and structured in a congruous manner. ESG risks associated with the project categories are identified and managed through an appropriate process. Moreover, the projects selected show alignment with the sustainability strategy of the Issuer and clearly shows the intended benefit to the relevant population within 3.1.2 b Eligible Social Activities in the Sustainable Bond Framework.</p> <p>Tikehau Capital’s Sustainable Bond Committee (the “Committee”) will be responsible for selecting projects that fulfill the evaluation and selection criteria outlined in the Framework. The Committee will be comprised of at least one representative from the Finance team as well as members of the Group Sustainability Strategy Orientation committee.</p> <p>Additionally, where relevant, the Issuer intends to assess alignment of eligible green and social projects with the guidance of the EU Taxonomy for Sustainable Activities.</p>
<p>3. Management of Proceeds</p>	<p>✓</p>	<p>The Management of Proceeds provided by Tikehau Capital’s Sustainable Bond Framework is aligned with the Green Bond Principles, Social Bond Principles, and Sustainability Bond Guidelines.</p> <p>The net proceeds collected will be equal to the amount allocated to eligible projects, with no exceptions. The net proceeds are tracked in an appropriate manner and attested in a formal internal process. The net proceeds are managed on an aggregated basis for Sustainable Bonds (portfolio approach). Moreover, the Issuer discloses the temporary investment instruments for unallocated proceeds.</p> <p>Pending the full allocation of proceeds, unallocated proceeds will be held in cash, deposits, and money market instruments in accordance with Tikehau Capital’s internal liquidity guidelines.</p>

4. Reporting	✓	<p>The allocation and impact reporting provided by Tikehau Capital’s Sustainable Bond Framework is aligned with the Green Bond Principles, Social Bond Principles, and Sustainability Bond Guidelines.</p> <p>The Issuer commits to disclose the allocation of proceeds transparently and to report in an appropriate frequency. The reporting will be publicly available on the Issuer’s website. Tikehau Capital explains that the level of expected reporting will be at project category level and the type of information that will be reported. Moreover, the Issuer commits to report annually, until the proceeds have been fully allocated.</p>
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PART II: SUSTAINABILITY QUALITY OF THE ELIGIBILITY PORTFOLIO

A. CONTRIBUTION OF THE SUSTAINABLE BONDS TO THE UN SDGs⁵

Companies can contribute to the achievement of the SDGs by providing specific services/products which help address global sustainability challenges, and by being responsible corporate actors, working to minimize negative externalities in their operations along the entire value chain. The aim of this section is to assess the SDG impact of the UoP categories invested in by the Issuer in two different ways, depending on whether the proceeds are used to finance:

- specific products/services,
- improvements of operational performance.

1. Products and services



The assessment of UoP categories for investing in products and services is based on a variety of internal and external sources, such as the ISS ESG SDG Solutions Assessment (SDGA), a proprietary methodology designed to assess the impact of an Issuer's products or services on the UN SDGs, as well as other ESG benchmarks (the EU Taxonomy Climate Delegated Acts, the ICMA Green and/or Social Bond Principles and other regional taxonomies, standards and sustainability criteria).

The assessment of UoP categories for investing in specific products and services is displayed on a 3-point scale (see Annex 1 for methodology):



Each of the Sustainable Bond's Use of Proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs:

GREEN CATEGORIES

USE OF PROCEEDS (PRODUCTS/SERVICES)	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS ⁶
<p>Renewable Energy</p> <p><i>Investments in equipment, development, manufacturing, construction, operation, distribution and maintenance relating to renewable energy sources, including onshore and offshore wind energy, solar energy (solar thermal and solar photovoltaic), and geothermal energy.⁷</i></p>	Contribution	
<p>Renewable Energy</p> <p><i>Investments in equipment, development, manufacturing, construction, operation, distribution, and maintenance relating to</i></p>	Contribution	

⁵ The impact of the UoP categories on UN Social Development Goals is assessed with proprietary methodology and may therefore differ from the Issuer's description in the framework.

⁶ The review is limited to the examples of projects spelled out in the FW

⁷ Electricity generation projects within this category will have direct emissions threshold below 100gCO_{2e}/kWh.

bioenergy. (Bioenergy projects can be considered eligible if they meet the EU Taxonomy technical screening criteria for the activity “4.8 Electricity generation from bioenergy”

Clean Transportation

- Investments in equipment, services, construction, and operations relating to clean transportation including: public transport⁸ and zero direct (tailpipe) CO₂ emissions vehicles.
- Services and infrastructure⁹ enabling clean transportation includes investments in charging infrastructure for electric vehicles, infrastructure for personal mobility, cycle logistics,¹⁰ and other dedicated, low-carbon infrastructures in line with the EU Taxonomy activity 6.15 Infrastructure enabling low-carbon road transport and public transport (the transport infrastructure complies with one or more of the following criteria: (a) the infrastructure is dedicated to the operation of vehicles with zero tailpipe CO₂ emissions: electric charging points, electricity grid connection upgrades, hydrogen fuelling stations or electric road systems; (b) the infrastructure and installations are dedicated to transshipping freight between the modes: terminal infrastructure and superstructures for loading, unloading and transshipment of goods; (c) the infrastructure and installations are dedicated to urban and suburban public passenger transport, including associated signalling systems for metro, tram and rail systems. The infrastructure is not dedicated to the transport or storage of fossil fuels)

Contribution



Energy Efficiency

- Investment in data centers (targeting renewable clean energy and with a below average Power Usage Effectiveness (PUE) i.e. below 1.8x at the date of this Framework.

No Net Impact

⁸ Zero direct emissions land transport activities (e.g. light rail transit, metro, tram, trolleybus, bus and rail) or other fleets if direct emissions are below 50 gCO₂e/pkm until 2025 and only vehicles with net-0g CO₂e/pkm emission intensity from 2026 onward, in line with EU Taxonomy.

⁹ Infrastructure for fossil fuels vehicles are excluded

¹⁰ In line with the EU Taxonomy activity “6.13. Infrastructure for personal mobility, cycle logistics”, this is defined as the construction, modernisation, maintenance and operation of infrastructure for personal mobility, including the construction of roads, motorways bridges and tunnels and other infrastructure that are dedicated to pedestrians and bicycles, with or without electric assist. The infrastructure that is constructed and operated is dedicated to personal mobility or cycle logistics: pavements, bike lanes and pedestrian zones, electrical charging and hydrogen refuelling installations for personal mobility devices.

Energy Efficiency

Investing in energy storage (e.g. battery storage¹¹), smart grids¹².

Energy Efficiency

- Investment in energy savings products and appliances such as the installation, maintenance and repair of zoned thermostats, smart thermostat systems and sensing equipment, including motion and day light control; installation, maintenance and repair of building automation and control systems, building energy management systems (BEMS), lighting control systems and energy management systems (EMS); installation, maintenance and repair of smart meters for gas, heat, cool and electricity; and installation, maintenance and repair of façade and roofing elements with a solar shading or solar charge control function, including those that support the growing of vegetation, in line with the EU Taxonomy's Technical Screening Criteria 7.5.¹³

Investment in district heating or cooling:

- In line with EU Taxonomy 4.15. District heating/cooling distribution: the activity complies with one of the following criteria: (a) for construction and operation of pipelines and associated infrastructure for distributing heating and cooling, the system meets the definition of efficient district heating and cooling systems laid down in Article 2, point 41, of Directive 2012/27/EU; (b) for refurbishment of pipelines and associated infrastructure for distributing heating and cooling, the investment that makes the system meet the definition of efficient district heating or cooling laid down in Article 2, point 41, of Directive 2012/27/EU starts within a three year period as underpinned by a contractual obligation or an equivalent in case of operators in charge of both generation and the network; (c) the activity is the following: (i) modification to lower temperature regimes; (ii) advanced pilot systems (control and energy management systems, Internet of Things).

Contribution



Contribution



¹¹ ISS notes that the Framework allows for investments in grid integration and battery storage projects that do not only include renewable energy projects. Tikehau has further confirmed to ISS that companies storing more than 90% of renewable energy will be eligible for financing. [Placeholder for further information % of RE integration from Tikehau.]

¹² ISS' review and opinion is limited to the projects listed in the Framework.

¹³ Expenditures within this activity are intended to achieve material energy savings of at least 30%.

- *In line with EU Taxonomy 4.25, the activity produces heat/cool from waste heat.*

Green Buildings

Investments in new or recently built buildings that have obtained or expected to obtain one or more environmental certification or label (e.g. BREEAM 'very good', LEED 'Gold' or HQE 'very good' or above).¹⁴

Contribution



Green Buildings

Investments in new or recently built buildings that have obtained or expected to obtain Energy Performance Certificates (EPCs) grade A or are in the top 15% of the most energy-efficient buildings in the correspondent local market¹⁵

No Net Impact

Circular Economy and/or certified eco-efficient products

Design and introduction of recyclable materials, components, packaging and products; circular tools and services

No Net Impact

Circular Economy and/or certified eco-efficient products

Design and introduction of reusable and refurbished materials, components, packaging and products; circular tools and services and/or certified eco-efficient products (e.g. cradle to cradle certified and bluesign® fabric) including:




- *Products based on electronic waste, products based (almost) exclusively on by-products, fibers made from 100% recycled materials, products based (almost) exclusively on recycled input materials, products based (almost) exclusively on recycled materials, products based (almost) exclusively on waste residues (e.g., bio-methanol), products based exclusively on waste residues, products derived from waste residues, products made from 100% recycled materials, products based almost exclusively on recycled fiber, products based (almost) exclusively on waste (includes fibers & fiber-based products and textiles; and*

Contribution



¹⁴ ISS' review and opinion is limited to the certifications listed in the Framework.



¹⁵ Tikehau states that it will conduct a due diligence process to determine the top 15% of the national building stock.

<p><i>products made from waste/bi-products (except biofuels)</i></p> <ul style="list-style-type: none"> ▪ <i>Products/services with a clear reuseability focus (reusable insulation materials, reusable products, refillable products, reusable cups/mugs, plates, bowls, utensils, rental operations (equipment rental sub-sector);</i> ▪ <i>Secondhand products (clothing, apparel, books).</i> 	<p>No Net Impact</p>	
<p>Environmentally sustainable management of land use and living natural resources</p> <p><i>Environmentally sustainable animal husbandry (improved health and nutrition mix)</i></p>		
<p>Environmentally sustainable management of land use and living natural resources</p> <p><i>Production of organic products certified to credible third-party certifications: EU organic, USDA organic, and labels accredited by IFOAM (International Federation of Organic Agriculture Movements).</i></p> <p><i>Investments in biological crop protection, and biological yield enhancers</i></p>	<p>Contribution</p>	
<p>Other Climate Change Mitigation and Adaptation activities</p> <p><i>Carbon credits (with certification such as VCS, Gold Standard for Global Goals, American Carbon Registry and Climate Action Reserve Standard Plan Vivo)¹⁶</i></p>		<p>Contribution</p>
<p>Other Climate Change Mitigation and Adaptation activities</p>	<p>Contribution</p>	 

¹⁶ ISS Corporate Solutions is not specifically opining on the credibility of the different certification schemes that are included in the criteria (i.e - ISS Corporate Solutions notes that the standards mentioned in the Framework are endorsed programs from Green-e Climate and/or are accredited by the ICROA. However, ISS Corporate Solutions is not explicitly opining on the credibility of the mentioned schemes).

Manufacturing, installation and the provision of associated services for leakage control technologies; water supply, sewage, waste management and remediation activities; urban wastewater treatment and sustainable urban drainage systems in line with the EU Taxonomy activities “Water supply, sewage, waste management and remediation” (where relevant, the net average energy consumption for abstraction and treatment equals to or is lower than 0.5 kWh per cubic meter produced water supply. Net energy consumption may take into account measures decreasing energy consumption, such as source control (pollutant load inputs), and, as appropriate, energy generation (such as hydraulic, solar and wind energy); the leakage level is either calculated using the Infrastructure Leakage Index (ILI) rating method and the threshold value equals to or is lower than 1.5, or is calculated using another appropriate method. That calculation is to be applied across the extent of water supply (distribution) network where the works are carried out, i.e. at water supply zone level, district metered area(s) or pressure managed area(s).

SOCIAL CATEGORIES

USE OF PROCEEDS (PRODUCTS/SERVICES)	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
<p>Access to essential services- Healthcare- Supporting medical technology and life science</p> <p>Target innovative pharmaceuticals and healthcare companies contributing to progress in prevention, diagnosis, therapies, and monitoring and enabling the life science industry to develop sustainable, cost-effective therapies more rapidly. Target medical technology and bio-technology leveraging a new discovery in relation to healthcare.</p> <p>Target Population: All populations (including access for vulnerable or disadvantaged populations or including other social benefits)</p>	<p>Contribution</p>	
<p>Access to essential services- Education</p> <p>Increase access to affordable and quality technical, vocational and tertiary education, including university and associated core education infrastructure (e.g. schooling products & services, education platform or schools).</p>		

Target Population: All populations (including access for vulnerable or disadvantaged populations or including other social benefits)





2. Improvements of operational performance (processes)

The below assessment aims at qualifying the direction of change (or “operational impact improvement”) resulting from the operational performance projects (re)financed by the UoP categories, as well as related UN SDGs impacted. The assessment displays how the UoP categories are mitigating the exposure to the negative externalities relevant to the business model and the sector of the Issuer’s clients.

Tikehau Capital invests in operations/processes in a variety of third-party sectors which are not listed in the Issuer’s Framework. As such, we are not in a position to display the exposure to negative externalities linked to the sector of the operations/processes financed. Negative externalities, if present, could have an impact on the overall sustainability quality of the issuance.

The table below aims at displaying the direction of change resulting from the operational performance improvement projects. The outcome displayed does not correspond to an absolute or net assessment of the operational performance.

GREEN CATEGORIES

USE OF PROCEEDS (PROCESSES)	OPERATIONAL IMPACT IMPROVEMENT ¹⁷	SUSTAINABLE DEVELOPMENT GOALS
<p>Energy Efficiency</p> <p><i>Investments in energy efficiency of existing buildings: heating systems renovation, geothermal energy systems, insulation retrofitting, LED lightening.</i></p>	<p>✓</p>	
<p>Green Buildings</p> <p><i>Investment in major renovation of existing buildings in order to obtain at least one environmental certification or label and/or upgrade them in to the top 15% of the most energy-efficient buildings in the correspondent local market and/or demonstrate at least 30% of energy consumption savings.</i></p>	<p>✓</p>	

¹⁷ Limited information is available on the scale of the improvement as no threshold is provided. Only the direction of change is displayed.

B. MANAGEMENT OF ENVIRONMENTAL & SOCIAL RISKS ASSOCIATED WITH THE FINANCIAL INSTITUTION AND THE TIKEHAU CAPITAL SUSTAINABLE BOND FRAMEWORK

The table below evaluates the Tikehau Capital's Sustainable Bond Framework against issuance-specific KPIs. Most of the assets are and will be located in Europe.

ASSESSMENT AGAINST KPIs

ESG Guidelines into investment process

The Issuer has a pre-investment assessment which involves initial ESG screening using both the exclusion policy and controversies check on the investee's industries, geographical areas and governance practices. In addition, the investment teams will be responsible for performing a check against the exclusion policy, which will be further reviewed by the risk team on a sample or portfolio basis. The Issuer will then conduct ESG Analysis through an internal scoring tool to assess the borrower's ESG performance & risks, and finally the Investment Committee will evaluate the findings for a final decision. The stakeholders involved in the pre-investment assessment involves the investment team, ESG Team, Risk Team, Compliance team, and the Impact Committee.

When an ESG risk is identified, the Issuer will:

- **Negotiate Contract Terms:** Depending on the severity of the ESG risk, the Issuer will negotiate specific ESG contractual terms and implement an ESG ratchet that require the borrower to meet certain ESG performance targets or provide regular reporting on their ESG practices.
- **Collaboration and Engagement:** Work collaboratively with the borrower to develop a plan for addressing the ESG risk. This could involve suggesting best practices, sharing resources, or providing guidance on improving their ESG performance.
- **Escalation:** If the borrower fails to adequately address the ESG risk, the Issuer will escalate through further engagement to reduce waiver requests or solicitation.

Labour Rights



Tikehau Capital enforces labour rights as a part of its exclusion policy in assessing behaviour of companies. The fundamental principles in its exclusion policy are guided by the International Bill of Human Rights, the UN Global Compact, and the Organization for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises. Companies that are in breach of the fundamental principles will be excluded from investment. For companies that are currently invested, the Compliance-Risk ESG Working group will request engagement with the company, and if the engagement is not successful within 1 year, the investee will be excluded from investment.

Health and safety

- There is limited information in how the Issuer can systematically ensure health and safety for employees is part of the due diligence process while investing in the companies.

Biodiversity

- There is currently limited information that the Issuer can systematically ensure investee mitigate biodiversity risks during the planning stage. However, the Issuer states that it is monitoring ongoing policies development that will shape the Issuer's biodiversity strategy. The Issuer has a biodiversity charter for Real Estate activities to ensure future construction or densification projects in biodiversity sensitive areas will require ecologic studies.

Community dialogue

- There is limited information in how the Issuer can systematically ensure community dialogue is part of the Investee's planning process. However, the Issuer considers the IFC standards as part of due diligence process while investing in the companies.

Inclusion

- There is limited information available relating to measures in place at investees level to promote inclusion and non-discriminatory access to services.

Exclusion criteria

The Issuer has a Group Exclusion Policy that exclude certain criteria from being financed, the categories include but are not limited to thermal coal, oil and gas, tobacco, and controversial weapons. The Issuer also has a ESG & Compliance Watchlist to identify countries, industries, and behaviors that may have negative external impacts on the environment or society. The Issuer also has an Anti-Money Laundering Policy to prevent exposure to corruption, money laundering and terrorism financing.

PART III: LINKING THE TRANSACTION TO TIKEHAU CAPITAL'S ESG PROFILE

A. CONSISTENCY OF SUSTAINABLE BONDS WITH TIKEHAU CAPITAL'S SUSTAINABILITY STRATEGY

Key sustainability objectives and priorities defined by the Issuer

Tikehau Capital has identified the following four priority areas to inform its investment strategy:

- *Exclusion*- Tikehau Capital has enforced negative screening to exclude financing for activities that pose significant environmental and social risks. The exclusion policy includes divesting away from fossil fuel projects and activities that may result in the destruction of critical habitat. Furthermore, Tikehau Capital revised its fossil fuel exclusion policy in 2023 and limits financing for new projects related to fossil fuels and investments in companies with material exposure to fossil fuels.
- *Assessment of Risk*- The Group conducts a sustainability risk assessment to identify physical and transition risks related to climate change, as per the recommendation of the Task Force on Climate-Related Financial Disclosures (TCFD). In 2022, Tikehau Capital commissioned the development of a sector-based screening tool to assess risks related to biodiversity, physical and transition risks related to climate change by 2030 and 2040.
- *Measurement and Engagement*- Tikehau Capital embeds ESG performance and objectives in its private equity and debt investment decisions. The Group has identified five private equity objectives for all new portfolio companies including a sustainable development action plan, carbon footprint measurement, and decarbonization plan aligned with the SBTi targets. In reference to direct and corporate lending, Tikehau Capital has introduced an incentive mechanism, ESG ratchet, that lowers the interest rate margin of a loan when an ESG objective is met. The ESG ratchet can also result in an upward adjustment of the interest rate if the ESG targets are not met.
- *Impact Investment in Transition and The Development of Solutions*- The Group integrates impact measurement and assessment as a part of its investment decisions. In 2018, Tikehau Capital developed a sustainability-themed and impact platform that focuses on four themes: (i) decarbonization, (ii) resilience, (iii) cybersecurity, and (iv) nature and biodiversity. As at 2022, the Group has invested over EUR 3 billion in the platform, and EUR 2.3 to climate and biodiversity related projects. Furthermore, Tikehau Capital has set a goal of developing an asset platform of EUR 5 billion by 2025 to provide financing for energy and ecological transition, and biodiversity conservation projects.

Additionally, the Group also developed the T2 Energy Transition Fund to target investments in European SMEs to support decarbonization projects. Tikehau Capital has directly invested in activities such as solar energy, electric vehicle motors and building renovation. The transition fund closed at EUR 1.4 billion and has provided nearly EUR 927 million in investments. The Group also developed the Tikehau Impact Credit sub fund to provide financing to Issuers issuing green and sustainable bonds. Tikehau Capital has also identified an exclusion policy for the impact credit including restricting financing to fossil fuel producers. As of August 31, 2023, the impact credit has nearly EUR 38 million

in assets under management. In addition, the Group also issued a EUR 500M sustainable bond in March 2021, and established a private placement memorandum of USD 180M in the US market to finance proceeds in line with the eligibility criteria of the 2021 sustainability bond. Furthermore, Tikehau Capital is also a signatory of the UN Principles for Responsible Investment, the Net Zero Asset Managers Initiative, and the UN Global Compact, and reports in line with TCFD, and SASB frameworks.

Rationale for issuance

In line with Tikehau Capital's sustainability strategy and responsible investment policy, the Framework aims to provide dedicated funding for debt and equity investments.

Tikehau Capital has developed the Sustainable Bond Framework, under which it is considering issuing sustainable bonds and using the proceeds to finance projects that are expected to deliver positive environmental and social outcomes. In line with Tikehau Capital's sustainability strategy and responsible investment policy, the use of proceeds will support the Group's initiatives to transition to a low carbon economy and promoting social and financial inclusion.

Opinion: *The key sustainability objectives are clearly described by the Issuer. Majority of the project categories financed are in line with the sustainability objectives of the Issuer.*

B. TIKEHAU CAPITAL'S BUSINESS EXPOSURE TO ESG RISKS

This section aims to provide an overall level of information on the ESG risks to which the Issuer is exposed through its business activities, providing additional context to the issuance assessed in the present report.

ESG risks associated with the Issuer's industry

Key challenges faced by companies in terms of sustainability management in this industry are displayed in the table below. Please note, that this is not a company specific assessment but areas that are of particular relevance for companies within that industry. The Issuer is classified under Asset Management and Brokerage industry, as per ISS ESG's sector classification.

ESG KEY ISSUES IN THE INDUSTRY
Business ethics
Customer and product responsibility
Employee relations and work environment
Social and environmental impacts of products and services
Sustainable investment criteria

ESG strengths and points of attention related to the Issuer's disclosures

Leveraging ISS ESG's Research, the following strengths and points of attention¹⁸ have been identified:

STRENGTHS	POINTS OF ATTENTION
The company has a comprehensive code of business ethics that covers topics such as anti-corruption, insider dealings, conflict of interest, validity of financial information, and money laundering in varying degree of detail.	The company conducts compliance training, provides confidential reporting channels, and has a non-retaliation policy against whistleblowers; however, details on further aspects such as business ethics awareness, compliance risk assessments and audits, and third-party anti-corruption due diligence are missing.
The company has implemented elements of Information Security Management System (ISMS), including structure and responsibilities, training and awareness-raising, physical and technical safeguards, and audits.	The company has provided a basic commitment to responsible marketing, however, a commitment to clear and correct pricing, transparency regarding product risks, and to refrain from using small prints is not available.

¹⁸ Please note that Tikehau Capital SCA is not part of the ISS ESG Corporate Rating Universe. Thus, the information is based on a disclosure review conducted by the analyst in charge of the Asset Management and Brokerage industry. No direct communication between the Issuer and the analyst has taken place during the process. The below is not based on an ISS ESG Corporate Rating but considers ISS ESG Research's methodology.

	<p>There is no evidence of the company's Information Security Management System being certified to an international standard. Additionally, there is no information on procedures to ensure information security in outsourced data processing. Further, the company's policy on responsible sales practices, and their stand on offshore banking and tax compliance is also missing.</p>
<p>The company has implemented elements of health and safety management system, including a formal health and safety policy, training and awareness-raising, emergency response, and a data compilation system. Additionally, the company has implemented measures to prevent and alleviate mental health issues and offers dependent care support and special leaves to its employees.</p>	<p>The company offers workplace flexibility, further details on tenure and telecommuting options are missing. There is limited disclosure of different types of employment. There is no evidence of the company's Health and Safety Management System being certified to an international standard. Further, company's position on non-regular employment and its policy on employment security is not available.</p>
<p>The company offers a limited range of socially responsible investment products and services and has an exclusion criterion in place. Its activities are supported by social and environmental benefits. Further, the company has taken measures to integrate sustainability aspects into investment due-diligence and decision-making, and in its non-controlled holdings.</p>	<p>The company's environmental and social guidelines cover exclusion criteria for its mainstream asset management services; however, the scope of positive criteria remains missing. The company is committed to integrating environmental and social criteria in its investment business such as investment due-diligence, controlled holdings, and non-controlled holdings, and has an exclusion criterion in place; however, detail on positive screening is not disclosed. Further, the company's engagement and shareholder advocacy activities such as engagement tools and reporting on engagement outcomes are partially disclosed.</p>

Please note that the consistency between the issuance subject to this report and the Issuer's sustainability strategy is further detailed in Part III.A of the report.

Sustainability impact of products and services portfolio

Leveraging ISS ESG's Sustainability Solutions Assessment methodology, ISS ESG assessed the contribution of the Issuer's current products and services portfolio to the Sustainable Development Goals defined by the United Nations (UN SDGs). This analysis is limited to the evaluation of final product characteristics and does not include practices along the Issuer's production process.

Social Impact of Product Portfolio:

Tikehau Capital SCA invests and manages assets across four business lines viz. private debt, real assets, private equity, and capital markets strategies. The company has an ESG integration approach and

offers thematic products in the areas of healthcare. The company also provides loans with SME ratchets to SMEs, thereby addressing social challenges. However, limited details are available to estimate the contribution to social SDGs. Therefore, the social impact of its product portfolio is considered neutral.

Environmental Impact of Product Portfolio:

Tikehau Capital SCA invests and manages assets across four business lines viz. private debt, real assets, private equity, and capital markets strategies. The company has an ESG integration approach and offers thematic products in the areas of energy efficiency solutions, and biodiversity. According to the company, € 2.3bn AUM is dedicated to climate and biodiversity (as of 31st December 2022). However, details of assets under management or portfolio holdings on various ESG factors are not available to estimate the contribution to environmental SDGs. Hence, it is difficult to estimate the significance of the environmental impact on the product portfolio and it is therefore considered neutral.

Breaches of international norms and ESG controversies

At Issuer level

At the date of publication and leveraging ISS ESG Research, controversy in which the Issuer would be involved has not been identified.

At industry level

Based on a review of controversies over a 2-year period, the top three issues that have been reported against companies within the Asset Management & Brokerage industry are as follows: Failure to mitigate climate change impacts, Green Washing, and Failure to prevent money laundering.

Please note, that this is not a company specific assessment but areas that can be of particular relevance for companies within that industry.

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ANNEX 1: Methodology

The ISS ESG SPO provides an assessment of labelled transactions against international standards using ISS ESG proprietary methodology. For more information, please visit:

<https://www.issgovernance.com/file/publications/SPO-Use-of-Proceeds-Bonds-and-Loans.pdf>

ANNEX 2: Quality Management Processes

SCOPE

Tikehau Capital commissioned ICS to compile a Sustainable Bond SPO. The Second Party Opinion process includes verifying whether the Sustainable Bond Framework aligns with ICMA's GBP, SBP, and SBG, and to assess the sustainability credentials of its Sustainable Bond, as well as the Issuer's sustainability strategy.

CRITERIA

Relevant Standards for this Second Party Opinion

- Green Bond Principles, as administered by the ICMA (as of June 2021 with June 2022 Appendix 1),
- Social Bond Principles, as administered by the ICMA (as of June 2023),
- Sustainability Bond Guidelines, as administered by the ICMA (as of June 2021)

ISSUER'S RESPONSIBILITY

Tikehau Capital's responsibility was to provide information and documentation on:

- Sustainable Bond Framework
- Eligibility criteria of assets
- Documentation of ESG risks management at the framework level

ISS ESG'S VERIFICATION PROCESS

ISS ESG is one of the world's leading independent environmental, social and governance (ESG) research, analysis and rating houses. The company has been actively involved in the sustainable capital markets for over 25 years. Since 2014, ISS ESG has built up a reputation as a highly-reputed thought leader in the green and social bond market and has become one of the first CBI approved verifiers.

This independent Second Party Opinion of the Sustainable Bond to be issued by Tikehau Capital has been conducted based on a proprietary methodology and in line with ICMA's GBP, SBP, and SBG.

The engagement with Tikehau Capital took place from July to September 2023.

ISS' BUSINESS PRACTICES

ISS has conducted this verification in strict compliance with the ISS Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behavior and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

About this SPO

ISS ESG is one of the world's leading rating agencies in the field of sustainable investment. The agency analyses companies and countries regarding their environmental and social performance.

We assess alignment with external principles (e.g. the ICMA Green / Social Bond Principles), analyse the sustainability quality of the assets and review the sustainability performance of the Issuer themselves. Following these three steps, we draw up an independent SPO so that investors are as well informed as possible about the quality of the bond / loan from a sustainability perspective.

Learn more: <https://www.isscorporatesolutions.com/solutions/esg-solutions/green-bond-services/>

For more information on SPO services, please contact: SPOsales@isscorporatesolutions.com

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