

Annex V - Pre-contractual disclosure for Tikehau European Sovereignty Fund referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

Product name: Tikehau European Sovereignty Fund (the "Sub-Fund")

Legal entity identifier:
9845000B870104137
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Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Environmental and/or social characteristics

Does this financial product have a sustainable investment objective?

● ● **Yes**

- It will make a minimum of **sustainable investments with an environmental objective:** ____ %
 - in economic activities that qualify as environmentally sustainable under the EU Taxonomy
 - in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
- It will make a minimum of **sustainable investments with a social objective:** ____ %

● ● **No**

- It promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of 40 % of sustainable investments
 - with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
 - with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
 - with a social objective
- It promotes E/S characteristics, but **will not make any sustainable investments**



What environmental and/or social characteristics are promoted by this financial product?

The Sub-Fund considers the following environmental/social characteristics:

1. The Sub-Fund promotes certain minimum environmental and social safeguards through applying exclusion criteria with regards to products and business practices that have been demonstrated to have negative impacts on the environment or society.
2. The Sub-Fund promotes business activities practices conducted in accordance with the United Nations Global Compact (UNGC) and OECD guidelines for Multinational Enterprises, by scrutinizing companies that violate these principles.
3. The Sub-Fund refrains from investing in companies embedding a high ESG risk and places limitations on investments in companies with a medium ESG risk. Investments in companies classified as medium ESG risk are subject to a review by the Compliance-Risk-ESG working group, leveraging its members' specific expertise. This working group issues a favourable or unfavourable opinion, which will be considered for the investment decision.

These elements are further described in the following sections.

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.

Sustainability indicators measure how the environmental or social characteristics promoted by the financial product are attained.

● ***What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?***

The sustainability indicators of the Sub-Fund are as follows:

- Companies' carbon intensity (as defined below).
- The number of holdings in the Sub-Fund's portfolio found to be in breach of the Exclusion Policy adopted by the Tikehau Capital (the "**Group**") or when applicable exclusions required by the label to which the Sub-Fund is subject.
- The number of companies that are in violation of UNGC and OECD Guidelines for Multinational Enterprises.
- The ESG Profile according to the in-house analysis grid (as defined and described below).

● ***What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?***

The Sub-Fund contemplates to making sustainable investments in companies that aim at positively contributing to different social and environmental objectives through their products and services, as well as their practices in line with recognised frameworks. The Group

methodology incorporates various criteria into its definition of contribution to take into account the various dimension of environmental and social objectives that can be contributed to.

In practice, based on a *pass-fail* approach, the Sub-Fund shall consider that a company has a positive contribution (a "**Positive Contributor**") to the extent that, at company's level at least one of the criteria described below:

- Aligning with at least one of the United Nations' Sustainable Development Goals (SDGs) – Alignment of a Positive Contributor is verified through a pass-failed test pursuant to which a minimum threshold of company's revenues or Opex/Capex must be contributing to one of the SDGs.
- Aligning with the European Taxonomy - Alignment of a Positive Contributor is verified through a pass-failed test pursuant to which a minimum threshold of company's shares of revenues or Opex/Capex must be aligned with the European Taxonomy.
- Aligning with a Net Zero Framework²⁰. Alignment of a Positive Contributor is verified through a pass-failed test pursuant to which the company must meet a certain decarbonisation status. The Management Company has selected eligible status defined by the Institutional Investors Group on Climate Change (IIGCC) Net Zero Investment Framework. The pass-fail test performed by the Management Company relies on a qualitative analysis considering elements such as the companies' emission reduction targets, and carbon footprint.
- Aligning with best environmental and social practices - Alignment of a Positive Contributor is verified through a pass-failed test pursuant to which (i) the company must be considered "best in class" in its sector on recognised KPIs such as one Principal Adverse Impact²¹ taken into account by the fund and (ii) the company's ESG Score must be above its sector average.

These criteria may be amended at a later date to take into account improvements, for example in data availability and reliability, or any developments, including, but not limited to, regulations or other external benchmarks or initiatives.

Finally, companies identified as Positive Contributors may only be qualified as sustainable investment to the cumulative conditions that (i) they must not significantly undermine other environmental or social objectives (so called "do no significantly harm principle" or "DNSH") and (ii) they must apply good corporate governance practices.

More details about the Group Sustainable Investment Framework in particular the methodology, thresholds and data source is available on the Group Sustainable Investing Charter:
<https://www.tikehaucapital.com/~/media/Files/T/Tikehau->

²⁰ A Net Zero framework defines how companies need to steer their climate action in order to achieve global net zero emissions in line with existing instruments and methodologies. A company is considered to achieve Net zero emissions, or to reach carbon neutrality when it has reduced its greenhouse gas emissions to the maximum possible level so that the residual emissions can be neutralized by carbon removal. The concept of it was framed by the Intergovernmental Panel on Climate Change (IPCC) in 2018 as the principal means of meeting the Paris Agreement of 2015. This seeks to limit global warming to a maximum of 2 degrees Celsius above pre-industrial levels by 2100, and ideally to 1.5 degrees.

²¹ See PAI presented in [Table 1, 2 and 3 of Annex I of the SFDR Delegated Act available at https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX32022R1288&from=FR](https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX32022R1288&from=FR)

● **How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?**

To ensure the sustainable investments comply with the DNSH in relation with any environmental or social sustainable investment objective, two pillars are used:

The first pillar relies on the Exclusion Policy, which applies to any investment and covers the following topics that are directly related to some mandatory PAI indicators in Annex 1, Table 1 of the RTS of the SFDR: Controversial weapons, Violations of UN Global Compact principles, and Fossil Fuel involvement (coal and oil and gas).

The second pillar is based on a DNSH test based on mandatory PAI indicators in Annex 1, Table 1 of the RTS of the SFDR where robust data is available.

How have the indicators for adverse impacts on sustainability factors been taken into account?

To ensure that the sustainable investments comply with the DNSH in relation with any environmental or social sustainable investment objective, the Sub-Fund shall take into account indicators for adverse impacts on sustainability factors belonging to the two following pillars:

The first pillar relies on exclusions and covers the following topics: Controversial weapons, Violations of UN Global Compact principles, and Fossil fuel involvement (coal and oil and gas). In addition, the ESG score incorporates other mandatory PAIs not covered by the Exclusion Policy.

The second pillar relies on a DNSH test based on mandatory PAI indicators where robust data is available. The combination of the following indicators must be met to pass the DNSH test:

- GHG intensity: the company does not belong to the last decile compared to other companies within its sector.
- Board diversity: the company does not belong to the last decile compared to other companies within its sector.
- Controversies: the company is cleared of informed and verified controversy in relation to work conditions and human rights, environment, labour rights and corruption.

This analysis is performed using available data from data providers.

How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:

The OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights are integrated into the Exclusion Policy. Furthermore, the Management Company conducts controversy monitoring on a, at minimum, quarterly basis which includes companies identified for human rights violations. The analysis is based on the data from external provider. When controversies arise, an internal working group composed of team members from the Compliance, Risk and ESG teams is consulted to determine the best course of action based on their

area expertise. The DNSH criteria also encompass a pass-fail test on controversies which include work conditions and human rights.

The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.

The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

Any other sustainable investments must also not significantly harm any environmental or social objectives.



Does this financial product consider principal adverse impacts on sustainability factors?

Yes,

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

The Sub-Fund monitors carbon related indicators both as ESG characteristics and as principal adverse impacts (“PAI”). The Sub-Fund considers in particular:

- Total GHG emissions and split by scope 1 (emissions generated from fixed or mobile sources that are controlled by the company that issues the underlying assets), 2 and 3 emissions (PAI indicator 1),
- Carbon footprint (PAI indicator 2),
- GHG intensity of portfolio companies (PAI indicator 3), and
- Share of investments in companies that have not taken steps to reduce their carbon emissions (optional PAI indicator).

As part of the sustainable investment alignment option defined above, the Sub-Fund monitors the following social indicator both as a contribution and as a PAI:

- Board gender diversity (PAI indicator 13)

Other PAI are directly related to the Exclusion Policy and as a result, they are monitored in the extra-financial profile rating scale:

- Share of investments in companies active in the fossil fuel sector (PAI indicator 4),
- Share of investments in companies with operations located near biodiversity-sensitive areas (PAI indicator 7),
- Share of investments involved in violations of UNGC and OECD Guidelines (PAI indicator 10),
- Share of investments in companies involved in the manufacture or selling of controversial weapons (PAI indicator 14).

More information on the principal adverse impacts on sustainability factors will be made available in the periodic report in accordance with Article 11(2) of the SFDR.

No



What investment strategy does this financial product follow?

The investment strategy guides investment decisions based on factors such as investment objectives and risk tolerance.

1) Exclusions

The exclusion policy of the Group is based on (1) the respect of norm-based filters (such as UNGC principles and OECD Guidelines for Multinational Enterprises); (2) the Group's exclusion of certain sectors (the "**Exclusion Policy**") and 3) when applicable the exclusions required by the label to which the Sub-Fund is subject.

- Norm based filters including the Ten Principles of the UNGC and the OECD Guidelines for Multinational Enterprises. Companies in breach of one or more principles or guidelines are excluded from the Sub-Fund's investment universe. However, if robust mitigation measures have been implemented following this breach, the company may be eligible for investment. In this case, the Compliance-Risk-ESG working group must be consulted. This working group issues a favourable or unfavourable opinion, which will be considered for the investment decision.
- The Management Company believes that certain products and commercial practices have adverse consequences for society and are incompatible with the environmental and social characteristics promoted by the Sub-Fund. Accordingly, the Management Company excludes companies exposed to controversial weapons and those with more than a certain proportion of revenue from activities connected to pornography, prostitution and tobacco, etc.
- The Management Company is also committed to limiting its exposure to the most polluting companies, assets, or projects where alternatives exist, by excluding any direct financing of projects connected to fossil fuel and related infrastructure, as well as any direct investments in companies with significant exposure to fossil fuels as defined in the Exclusion Policy.
- Moreover, the Group has defined a watch list that seeks to identify the business sectors, geographical areas (e.g. non-cooperative or sanctioned countries) and behaviours (e.g. allegations of corruption, tax evasion or money-laundering) likely to have an adverse impact on the environment or society.

The list of activities targeted and the thresholds for determining excluded activities and label specific exclusions can be consulted in the Exclusion Policy, which is available on Tikehau Capital's website: <https://www.tikehaucapital.com/en/our-group/sustainability/publications>.

2) ESG Profile²²

For the purposes of the bottom-up analysis conducted prior to any investment, the Management Company will also assign to each company an ESG profile (the "**ESG Profile**"), reflecting an ESG risk classification, it being provided that the investment process applicable to such company will depend from such ESG Profile:

- Acceptable ESG risk: no restrictions apply to investment in the company.
- Medium ESG risk: consultation with the Compliance-Risk-ESG working group is required. The working group issues a favourable or unfavourable opinion, which will be considered for investment decision.
- High ESG risk: investment in the company is prohibited.

The ESG Profile is based on a company's quantitative ESG score, provided by an external data provider. In cases where the external data provider does not cover the company, the Management Company employs a tool adapted from the same external data provider to generate a quantitative ESG score. These quantitative scores are comparable in *scale* and both measure a company's performance on and management of material ESG risks, opportunities, and impacts. ESG scores are notably based on information provided by companies.

More details about the ESG Profile, scoring methodology and thresholds governing each of the ESG risk categories can be found in the Group Sustainable Investing Charter: <https://www.tikehaucapital.com/~/media/Files/T/Tikehau-Capital/publications/ri-charter-en-2017-12-06.pdf>

ESG Profiles are updated on a periodic basis. A change in an ESG score may or may not prompt a change in the corresponding ESG Profile: (i) if a deterioration of the ESG score triggers a downgrade of the ESG Profile from acceptable to medium risk level, this downgrade will necessitate consultation with the Compliance-Risk-ESG working group; (ii) if the ESG Profile downgrades to a high-risk status, the Sub-Fund is required to exclude the company from its investment portfolio and to sell the positions in it within a 12-month timeframe. Nevertheless, divestment may not occur if the company successfully manages to improve its ESG Profile before the end of this period, or if the Management Company considers that such divestment within this period is not in the best interest of the Sub-Fund's shareholders.

The methodological limitations of the non-financial approach are presented in the Risk Factors section of the Prospectus.

The implementation of this approach may lead to the exclusion of several investment opportunities.

3) Sustainable Investment

The Sub-fund also promotes environmental and/or social characteristics by investing at least 40% in sustainable assets, as defined by the application of Tikehau Capital's Sustainable Investment Framework described above. More details about Sustainable Investment framework can be found in the Group Sustainable Investing Charter: <https://www.tikehaucapital.com/~/media/Files/T/Tikehau-Capital/publications/ri-charter-en-2017-12-06.pdf> <https://www.tikehaucapital.com>

● **What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?**

The Sub-Fund has the following binding elements:

- at least 90% of portfolio securities (as a % of Net Assets) are subject to an ESG and/or carbon footprint analysis, it being specified that (i) bonds and other debt securities issued by public or quasi-public issuers, cash held on an ancillary basis, (ii) derivative instruments for hedging purposes, and (iii) securities whose performances are swapped via TRS over a period exceeding one month, are not taken into account.
- companies are excluded using sectoral exclusions covered by the Exclusion Policy or, where applicable, by the requirements of the label the Sub-Fund is subject to, as described in point 1 in response to the question "What investment strategy does the financial product follow?".
- an ESG Profile must be assigned to companies and the process described in point 2 in response to the question "What investment strategy does this financial product follow?" must be applied.
- when relevant, the Group has pledged to vote at shareholder meetings of all companies held in funds regardless of the nationality of issuing companies, as long as the issuer provides sufficient information and as long as its custodians are able to take its votes into account. Resolutions put on the agenda by external shareholders (including resolutions on ESG topics) are analysed on a case-by-case basis and approved if the resolution helps to improve the company's practices or can enhance shareholder value.
- With respect to the Company, the Group will exercise its active ownership strategies in compliance with article 48 of the Investment Fund Law.
- the Sub-Fund will invest at least 40% of its assets in "sustainable investments" as defined in article 2 (17) of SFDR. The criteria for qualifying an investment as a "sustainable investment" are set out in the question above "What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?

● **What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?**

While the approach described above leads to a reduction of the scope of the investments, there is no committed minimum rate of reduction.

²² During the first quarter of 2024, the rating methodology for the ESG Profile could be subject to a period of transition, during which part of the Sub-Fund's portfolio will continue to be rated on the old proprietary method of the ESG score. The Management Company hereby confirms that the new rating methodology of the ESG Profile is consistent with the method applied prior to January 2024. In order to facilitate this transition, the Management Company has established a correspondence table that is available in the Sustainable Investing Charter of the Tikehau Capital Group: <https://www.tikehaucapital.com/~/media/Files/T/Tikehau-Capital/publications/ri-charter-en-2017-12-06.pdf>.

Good governance practices include sound management structures, employee relations, remuneration of staff and tax compliance.

● **What is the policy to assess good governance practices of the investee companies?**

In assessing good governance practices, the Management Company considers, among other things: the ESG scores of the companies, adherence to international codes of conduct (UNGC signatory, for example) and controversies.

The ESG scores used by the Sub-Fund integrate the four good governance practices specified by the SFDR within their governance and economic pillar or social pillar: sound management structure, employee relations, remuneration of staff and tax compliance.

The Management Company believes that assessing good governance practices is an ongoing process. If a company fails on one or more of the proxy indicators assessed, it could still be included in the portfolio if, upon review, the issuer is exhibiting good governance practices overall (such that the results of the proxy indicator tests do not indicate a material impact on good governance). In reaching this determination, the Management Company may take into account any remedial actions being undertaken by the investee company.

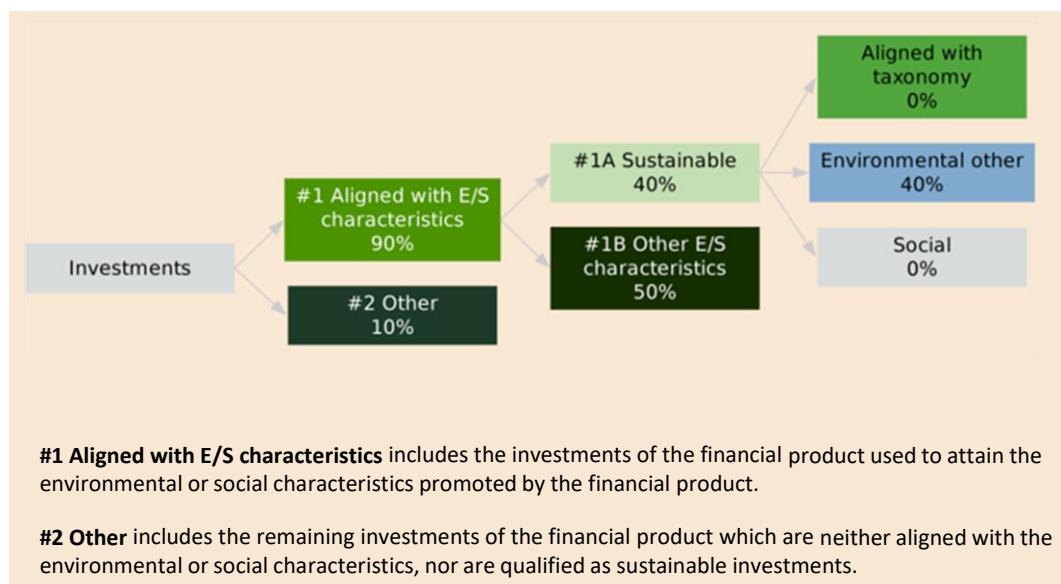
Good governance practices include sound management structures, employee relations, remuneration of staff and tax compliance.



Asset allocation describes the share of investments in specific assets.

What is the asset allocation planned for this financial product?

At least 90% of the Sub-Fund's net assets are aligned with E/S characteristics. The Sub-Fund plans to make a minimum of 40% sustainable investments. Investments aligned with other E/S characteristics (#1B) will represent the difference between the actual proportion of investments aligned with environmental or social characteristics (#1) and the actual proportion of sustainable investments (#1A). The investments in the category Other, estimated between at 10%, are mostly in cash, cash equivalents and derivatives as further described below. The planned asset allocation is monitored continuously and evaluated on a yearly basis.



Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

● **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

The Sub-Fund does not use derivatives in the context of the non-financial approach: neither for the attainment of its environmental or social characteristics promoted nor in a supporting role.



To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

The Sub-Fund does not currently commit to making any sustainable investment within the meaning of the Taxonomy Regulation. However, the position will be kept under review as the regulatory framework is finalised and the availability of reliable data increases over time.

The minimum share of sustainable investments with an environmental objective that are aligned with the EU Taxonomy is set at 0%.

● **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy²³?**



Yes:



In fossil gas



In nuclear energy



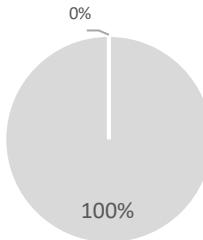
No

²³ Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective - see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.

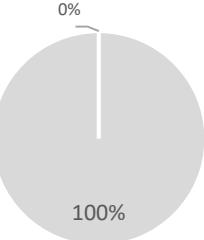
1. Taxonomy-alignment of investments including sovereign bonds*

- Taxonomy-aligned: Fossil gas
- Taxonomy-aligned: Nuclear
- Taxonomy-aligned (no fossil gas & nuclear)
- Non Taxonomy-aligned



2. Taxonomy-alignment of investments excluding sovereign bonds*

- Taxonomy-aligned: Fossil gas
- Taxonomy-aligned: Nuclear
- Taxonomy-aligned (no fossil gas & nuclear)
- Non Taxonomy-aligned



This graph represents x% of the total investments.²⁴

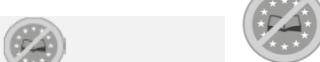
* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

Enabling activities
directly enable other activities to make a substantial contribution to an environmental objective.

Transitional activities are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

● **What is the minimum share of investments in transitional and enabling activities?**

As the Sub-Fund does not commit to making any sustainable investment within the meaning of the Taxonomy Regulation, the minimum share of investments in transitional and enabling activities within the meaning of the Taxonomy Regulation is therefore also set at 0%.

 are sustainable investments with an environmental objective that do not take into account the criteria for environmentally sustainable economic activities under the EU Taxonomy.

What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

The minimum proportion of sustainable investments with an environmental objective not aligned with the taxonomy is 40% of the net assets of the Sub-Fund.

The allocation of investments between environmental sustainable assets not aligned with the taxonomy and social sustainable assets not aligned with the taxonomy is freely allocated and represents at least the total of sustainable investments of 40%.

²⁴ As there is no Taxonomy-alignment, there is no impact on the graph if sovereign bonds are excluded (i.e. the percentage of Taxonomy-aligned investments remains 0%) and the Management Company therefore believes that there is no need to mention this information.



What is the minimum share of socially sustainable investments?

The Sub-Fund does not currently commit to invest in any socially sustainable investment.



What investments are included under "#2 Other", what is their purpose and are there any minimum environmental or social safeguards?

Other investments include bonds and other debt securities issued by public or quasi-public issuers, cash held on an ancillary basis, and joint assets, and derivative instruments for hedging purposes. As such, they are not subject to any minimum environmental or social safeguards. On an ancillary basis, some issuers in the portfolio may not be covered by the carbon intensity analysis or an ESG Profile. However, the Exclusion Policy remains applicable to these issuers.



Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

Reference benchmarks are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

Not applicable. No reference Index has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.



Where can I find more product specific information online?

Further information on the product can be found on the website:

<https://www.tikehaucapital.com/investor-client/our-funds>

<https://www.tikehaucapital.com/en/our-group/sustainability/publications>