

IMPACT REPORT

March 2022



DEEP DIVE ON
NET-ZERO ALIGNED FUNDS





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If you are a fund investor

and would like to have a live demo of the Phenix Capital Impact Database, please visit www.phenixcapitalgroup.com/impact-database and register your interest.

If you are an impact fund manager

and would like to be considered for listing on the Phenix Capital Impact Database please email sales@phenixcapitalgroup.com. Listing is free of charge.



ABOUT PHENIX CAPITAL

CATALYSING INSTITUTIONAL CAPITAL TOWARDS THE SDGS

Phenix Capital Group is an impact investment consultant that enables institutional investors to make impact investments.

We assist asset owners and asset managers in aligning their investments with their values, financial objectives, and the Sustainable Development Goals.

www.phenixcapitalgroup.com

Our Vision

We envision a world in which institutional capital helps to end poverty, protect the planet and ensure prosperity for all

Our Mission

Our mission is to enable and catalyse institutional investments that realise financial, social and environmental returns

What we do

To achieve our mission, we enable institutional investors to allocate capital to impact investments through our Events & Webinars, Impact Database, Impact Fund Assessment and Placement Services



ABOUT IMPACT DATABASE

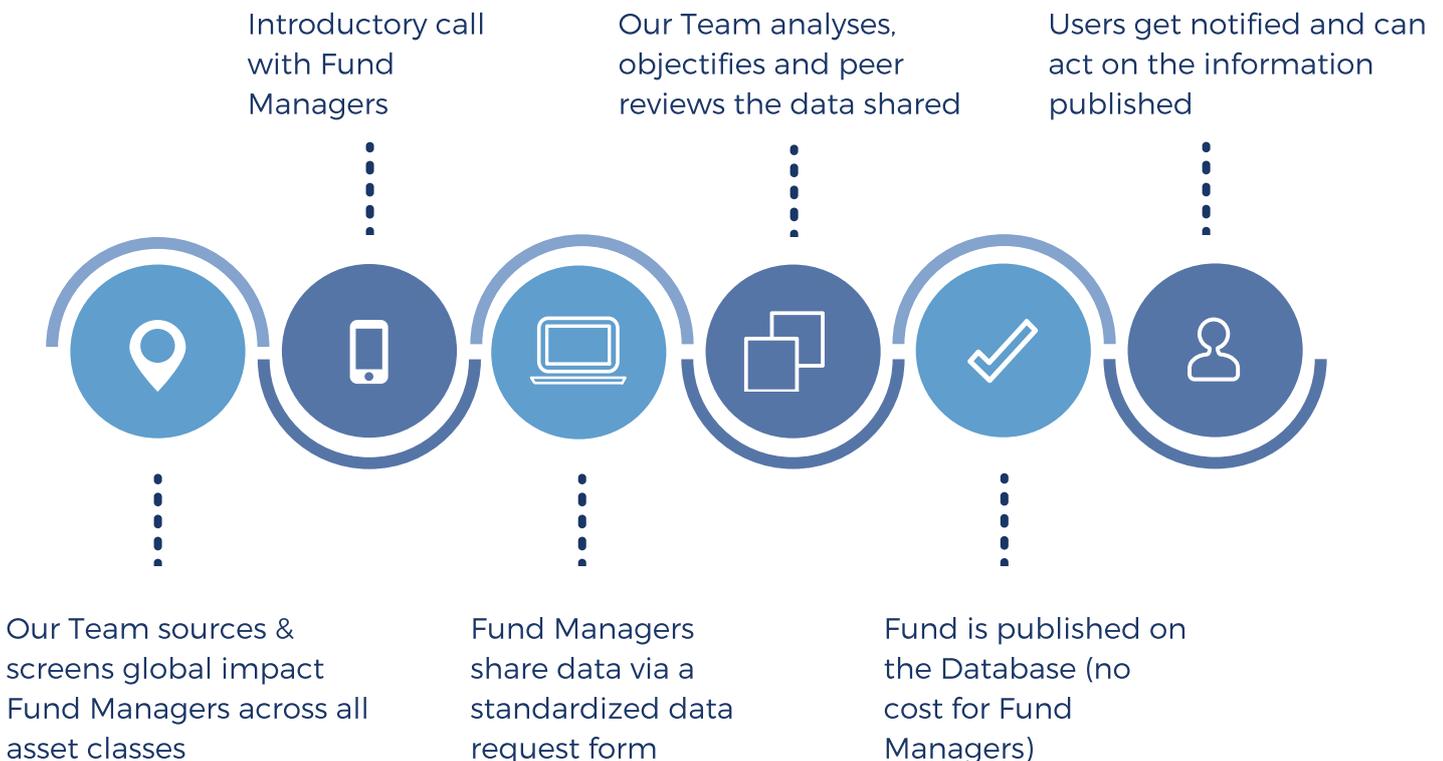
Phenix Capital's mission is to enable the allocation of capital from institutional investors towards social and environmental solutions while supporting the 2030 Sustainable Development Goals (SDGs). With the Impact Database, Phenix Capital aims to provide investors with access to and intelligence on the impact fund market opportunities available to them.

Three main variables have been central to construct, monitor and update the database: **funds considered have an impact proposition, institutional scale, and target market-rate returns.**

Impact Investing goes beyond negative screening and using Environmental, Social and Governance (ESG) integration to reduce harm or avoid risks, to generating intentional positive impact. Phenix Capital defines impact investing as **investing with the dual mandate of financial return and positive societal or environmental impacts**, with the notion of measuring the positive and negative impact of investments, ensuring both **intentionality and additionality** among these.

Phenix Capital's Impact Database features funds that align with this definition through their creation of solutions for global social and environmental issues, whilst prioritising financial returns. This category of impact investments can be referred to as **financial-first impact investments.**

FUND SOURCING PROCESS



INTRODUCTION & KEY TAKEAWAYS



DEEP DIVE ON NET-ZERO ALIGNED FUNDS

This report aims to provide an overview of Net-Zero aligned impact funds. It combines top-down data from the Phenix [Impact Database](#) and interviews with relevant industry players.

Throughout this report, Net-Zero aligned funds represent funds committed to the various net-zero initiatives, such as the UN PRI, TCFD Supporters, CDP, Climate Action 100+, Net-zero asset manager alliance, and many others.

Fostering net-zero investments is essential for financial institutions to deliver on the Paris Agreement. Recently, there has been a surge in net-zero initiatives in the financial market, while many financial institutions are making net-zero pledges.

In the interview section, Manulife Investment Management shares its impact investment strategy rationale and how they measure and report impact to LPs. Moreover, Tikehau Capital Partners shares how the low-carbon transition is embedded in the company's investment strategy and their T2 Energy Transition Fund.

Some essential numbers in this report:

- Of the 2,050+ funds listed on Impact Database, **561 are net-zero aligned funds**, and **€271 billion** has been committed towards net-zero funds since 2015.
- Historically and currently, net-zero aligned funds targeted Global (145bn), Europe (285bn) and North America (74bn) markets.
- Historically, Net-Zero aligned funds are primarily in Public Equity (large caps), followed by Infrastructure and Private Equity. Currently, fundraising targets are focused on Private Equity, followed by Infrastructure and Public Equity.
- **Climate is the leading sector** with more historical capital commitments and current fundraising targets, followed by Renewable Energy. Historically, the third-place is followed by Social Infrastructure, whereas current fundraising targets Agriculture.
- **SDG 13, Climate Action, is the SDG most targeted** by net-zero funds (more than €182 billion in historical capital commitments).

We wish readers to make good use of this data!

DEEP DIVE ON NET-ZERO FUNDS

ASSET CLASS OVERVIEW

561

Net-zero funds listed on
Impact Database
(total: 2,050+)

253

**Net-zero funds open for
investment** that are listed
on Impact Database

245

Organisations with
net-zero funds

€271 billion

Total Capital Committed
to net-zero funds

182

Organisations with open
net-zero funds

€86 billion

Fundraising target
net-zero open funds

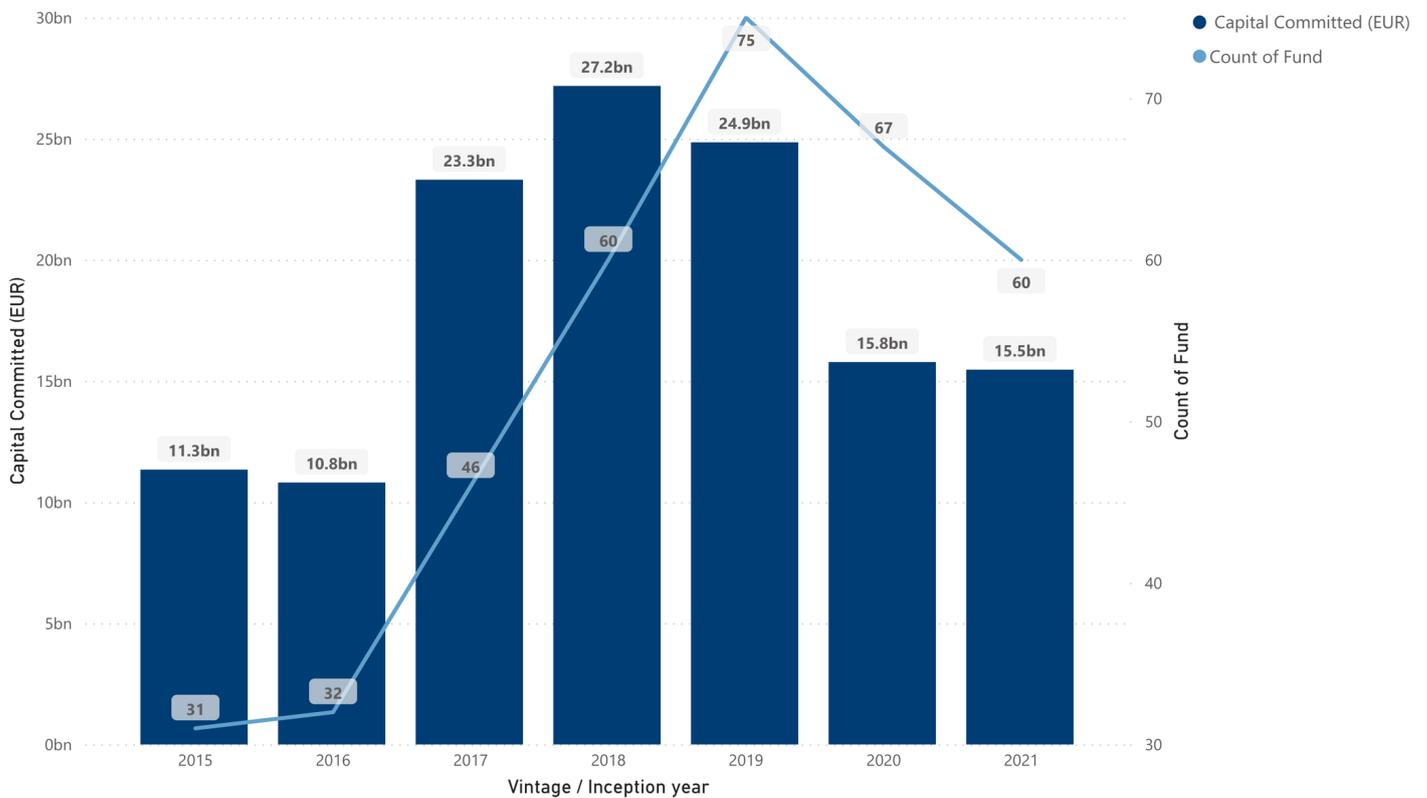
67

Net-zero funds
launched in 2020

60

Net-zero funds
launched in 2021

Evolution of commitments towards net-zero funds



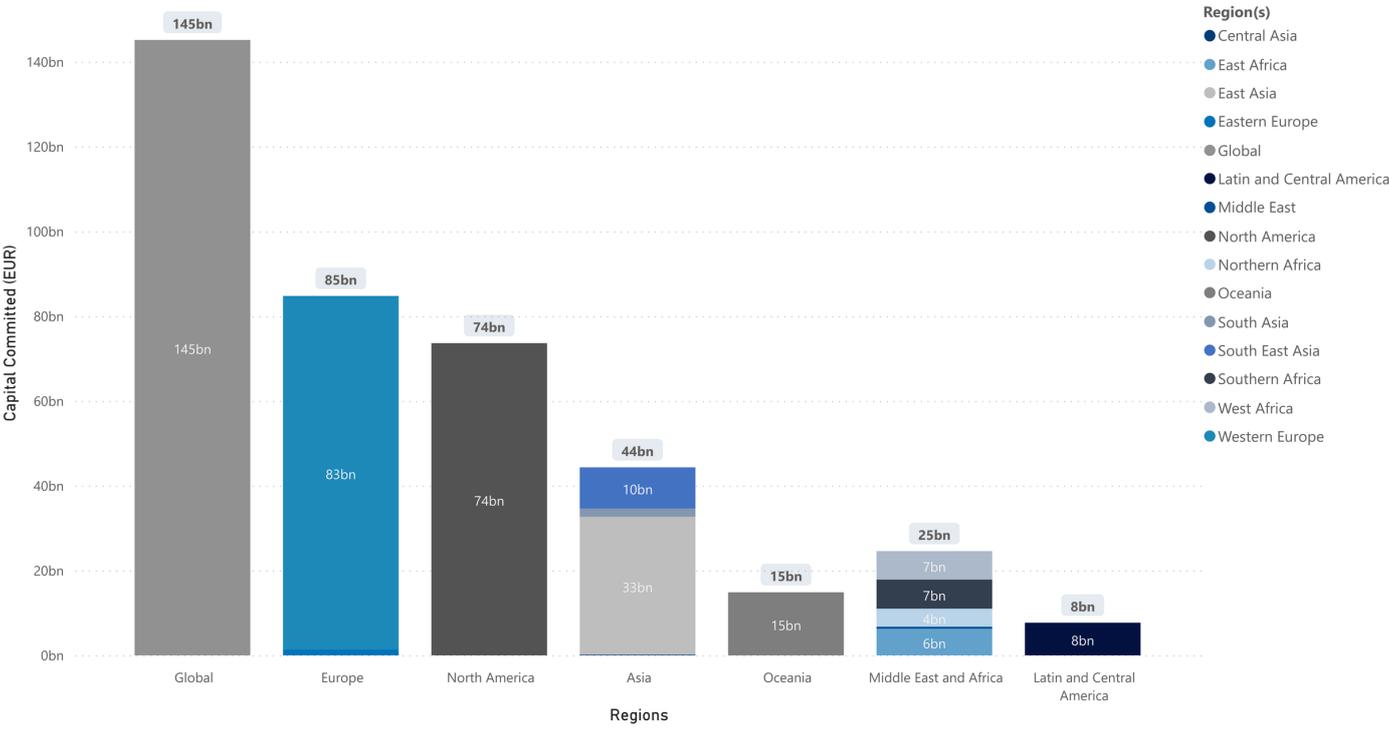
Historical Capital Committed (EUR) by Asset Class



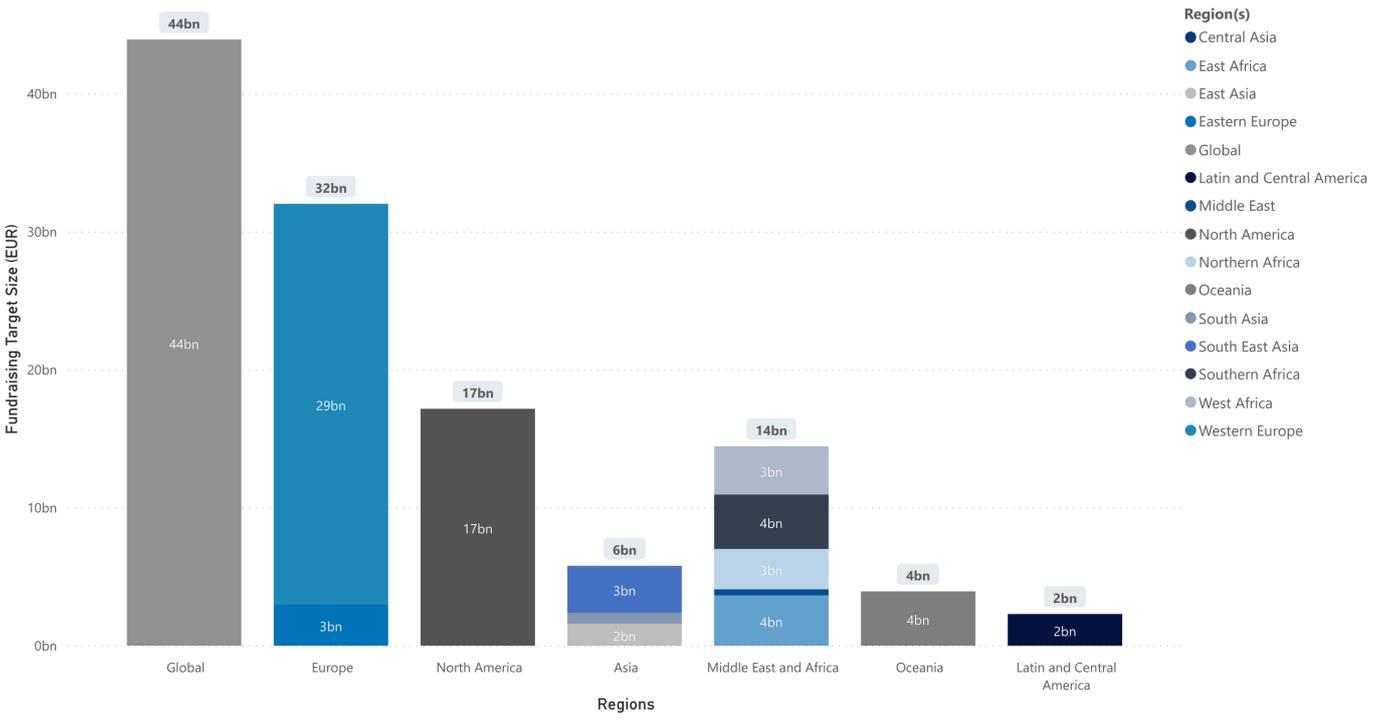
Capital currently being raised by net-zero funds (EUR) by Asset Class



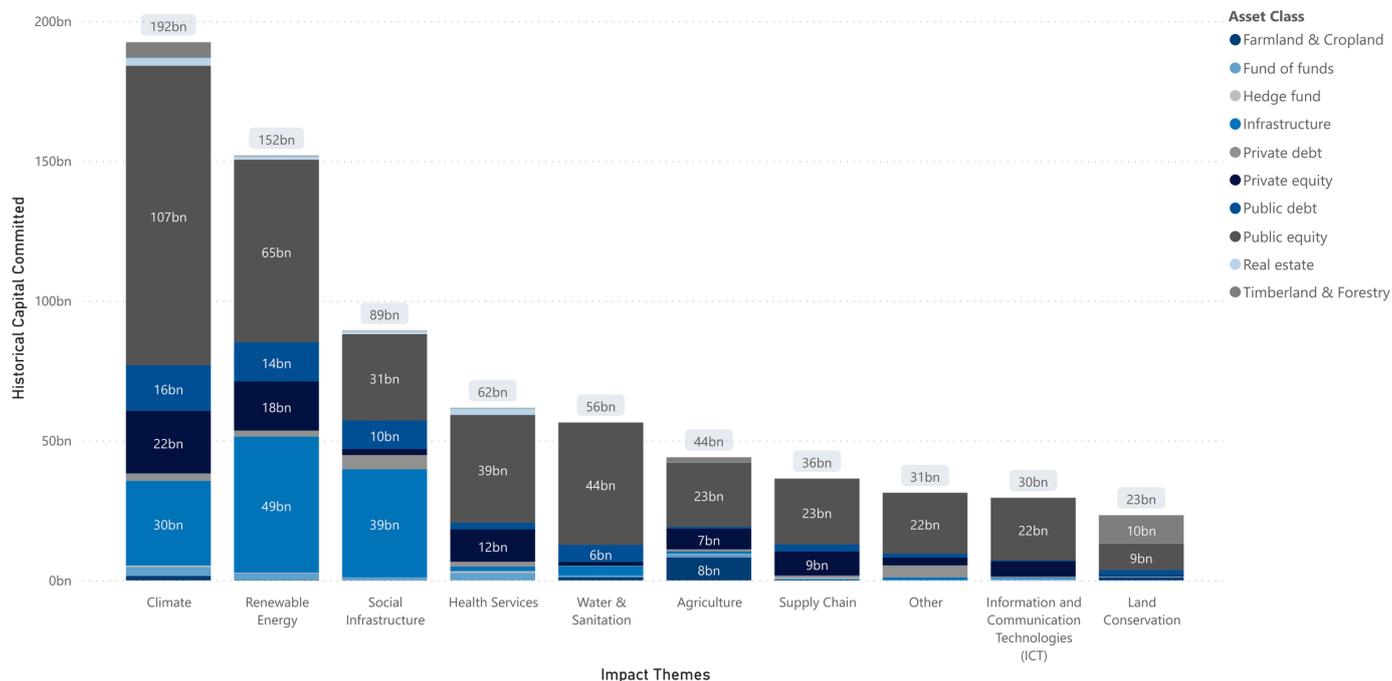
Historical Capital Committed (EUR) by Region



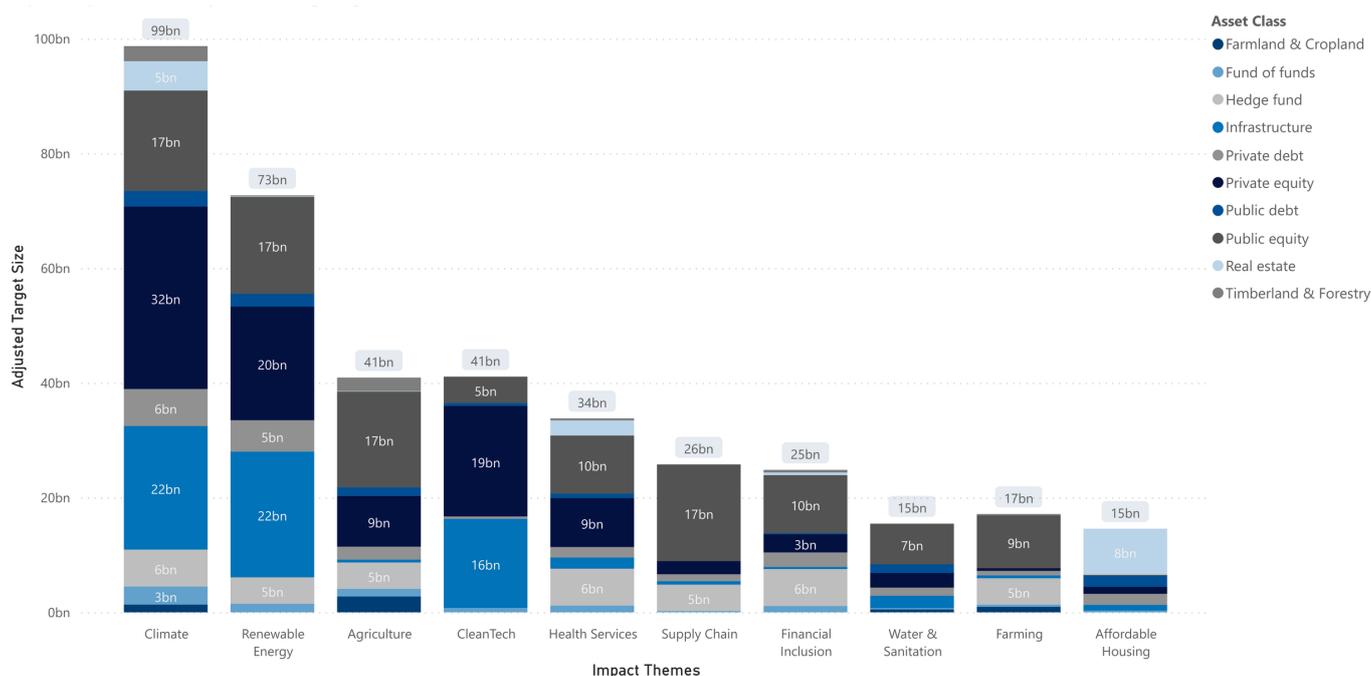
Net-zero capital being raised by Region



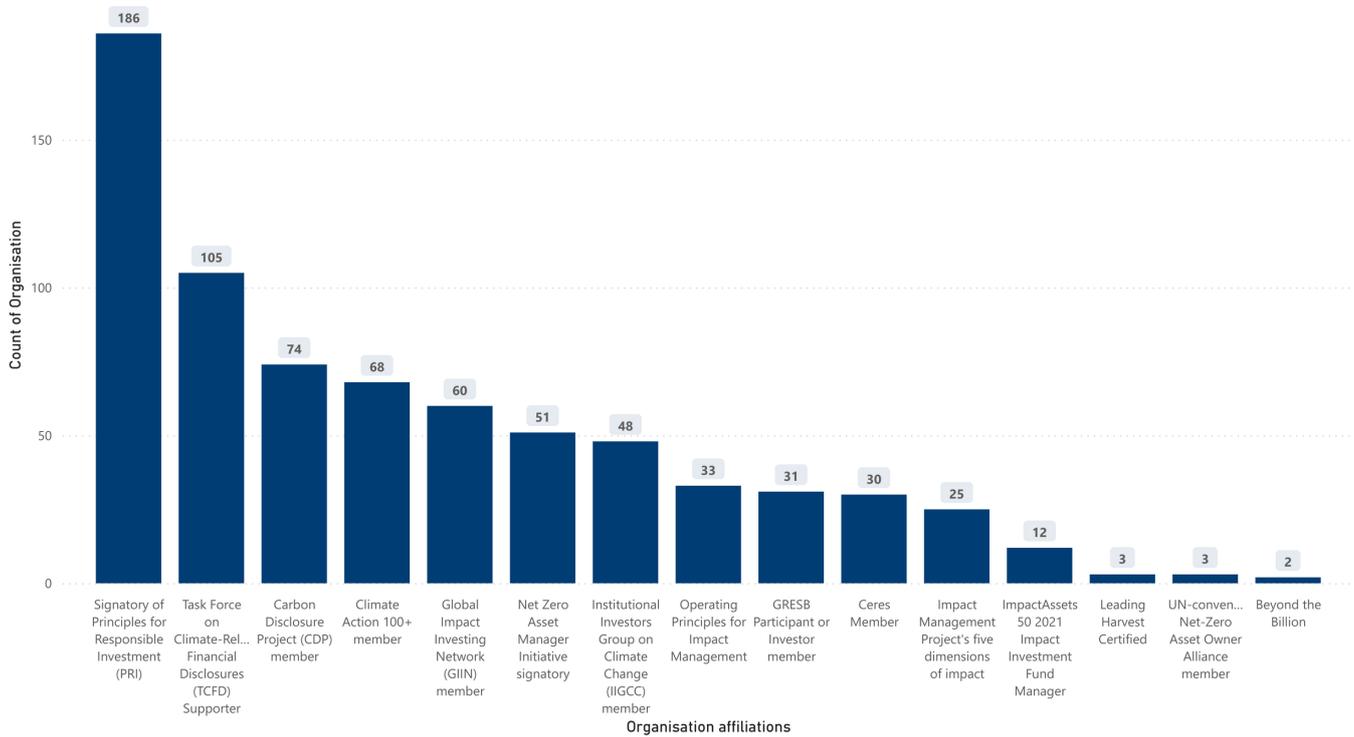
Top 10 Impact Themes by Historical Capital Commitments (EUR) and Asset Class



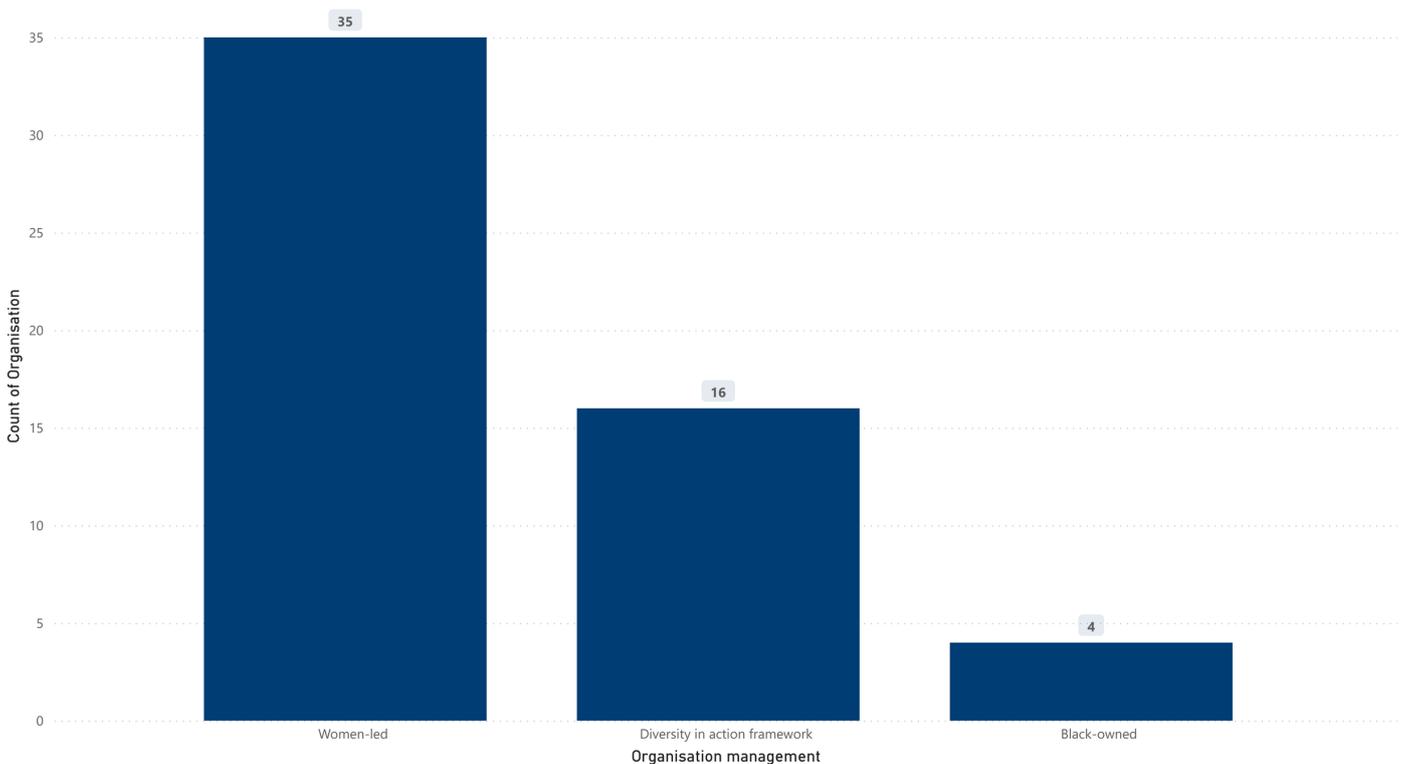
Top 10 Impact Themes by Fundraising Target (EUR) and Asset Class



Breakdown of organisations managing net-zero funds by their affiliation to impact organisations



Breakdown of organisations managing net-zero funds by management style



HISTORICAL TOP 5 - SDGs targeted

by net-zero funds

€182
billion

€142
billion

€87
billion

€66
billion

€56
billion



Total

242bn

CURRENT TOP 5 - SDGs targeted

by net-zero funds

€92
billion

€83
billion

€42
billion

€39
billion

€34
billion



Total

124bn



A deep-dive interview with **Eric Cooperström**, Managing Director of **Impact Investing and Natural Climate Solutions** at Manulife Investment Management, **Timberland and Agriculture**.

They cover **6.3 million acres of timberland and agriculture** across the United States, Australia, New Zealand, Brazil, Canada, and Chile. As of 31 December 2021, total **assets under management** were **US\$15.4 billion**.

“

You can't successfully run a business based on biological assets profitably over the long-term unless you keep those assets healthy.

”

Can you share a bit of your personal journey?

I began my career in investment banking and private equity, which helped ground me in the fundamentals of finance, investing, and client service. Since high school, I've also had a deep commitment to giving back and volunteering, which led me to launch and run an education non-profit in my spare time while still working in finance. **Ultimately, I saw the opportunity to combine my interest in driving impact and my finance day job**, so I pivoted my career to impact investing about 12 years ago.

Since then, I've held positions advising a range of clients on deploying private foundation capital and developing and executing impact investment strategies at the world's largest conservation nongovernmental organization. **Forests and farms have been a core focus for me** throughout, which led me to my current role leading impact investing and natural climate solutions in timberland and agriculture for Manulife Investment Management.

“

(...) forests are increasingly recognized as economic and scalable natural climate solutions (...).

Rapid increases in corporate and investor **net-zero commitments** are leading to new opportunities to manage forests for **carbon value**.

”

Manulife has been a net-zero player longer than its competitors. What's your additionality proposition that differentiates you from traditional timberland managers?

Manulife's effort to combat climate change is embedded across our business strategy and, as outlined in our Climate Action Strategy [1] we're taking steps to becoming a net-zero company through our operations, our investments, and our products and services. Within our timberland and agriculture business, we take action to minimize our operational footprint to lessen our environmental impact and reduce operating costs. Operationally, we've been able to leverage the investments of Manulife's general account—our company's own assets, which support our policyholder liabilities—in forests and farms to realize more carbon removals than we emitted over the past five years. For example, Manulife's general account acquired 89,800 acres of timberland in Maine in 2021. This investment will provide access to tools such as carbon credits and the option to retire carbon credits directly against our financed emissions (insets).

In addition to our investments on behalf of Manulife's general account, Manulife Investment Management has experience managing carbon projects registered in the compliance and voluntary carbon markets on investors' timberland properties. We work with leading carbon project developers and accredited third-party verification and validation bodies to identify new carbon project opportunities, conduct feasibility studies, timber inventories and project calculations, and compile documentation for ongoing monitoring, reporting, and verification. Our carbon projects adhere to Manulife Investment Management's timberland and agriculture carbon principles that we adopted in 2021, which are aligned with the Taskforce on Scaling Voluntary Carbon Markets Core Carbon Principles [2] Our principles provide a framework for high-integrity, high-quality carbon sequestration, and for crediting across our carbon project activities for both forest and soil carbon. In addition to managing investments for timber value, we're able to develop portfolios of forest investments managed primarily for carbon value, which are based on these high-integrity carbon principles focused on additionality, permanence, monitoring, and reporting and verification, among other criteria.

[1] <https://www.manulife.com/en/about/sustainability/climate-change.html>

[2] <https://www.iif.com/tsvcm/Main-Page/Publications/ID/4254/Taskforce-Establishes-Core-Carbon-Principles-Publishes-Roadmap-for-Scaling-Voluntary-Carbon-Markets>.

How is sustainability incorporated into the company's investment process?

Sustainability is fundamental to our investment process and integrated into our in-house property management. Our investment teams use our proprietary sustainability tool kit (see page 12 of our sustainability and responsible investing (SRI) report^[1]), co-developed by our sustainability team and our acquisitions professionals, to evaluate all potential investments.

The assessment is undertaken in two stages, beginning with an initial review conducted by the acquisitions team in preliminary due diligence and valuation. Relevant risks and opportunities are assigned low, medium, or high ratings across likelihood and impact dimensions. This preliminary assessment is included in the information package prepared for review and voting by the investment committee.

If the deal passes the vote, it proceeds to feasibility and confirmatory diligence. The tool kit is then used for a second stage, which includes the acquisitions team as well as sustainability, value-added services, and environmental policy teams.

In addition to likelihood and impact dimensions, these teams may use various external resources and tools to conduct deeper sustainability diligence and will develop plans to mitigate risks and realize opportunities.

The results of our sustainability-related due diligence are included in investment memos that are voted on by investment and transaction committees.

We've also developed a carbon tool kit that's aligned with our carbon principles, which all new carbon projects and acquisitions with existing carbon projects will be screened against to ensure alignment with our high-integrity carbon focus.

[1] <https://www.manulifeim.com/institutional/global/en/timberagsri>

As a U.S.A.-based manager, is it challenging to reach European investors who may be more likely to make demonstrated impact an investment condition?

We've seen increasing interest in impact investing from investors across the globe, and we have a number of European clients in our client base. Our long-term experience of both investing in and sustainably operating timberland and farmland assets has shaped and refined our approach to managing for impact, which resonates with impact investors regardless of their domicile. As early as 1990, we formally established our sensitive lands^[1] program for preserving unique and sensitive lands; as of 2021, we've preserved over 470,000 acres.

We were also an early adopter of sustainable timber certification, and we worked collaboratively with other farmland managers and landowners to launch Leading Harvest,^[2] a non-profit organization to advance sustainable agriculture.

- In 2002, we were the first timberland investment manager to have our holdings throughout North America certified to the Sustainable Forestry Initiative (SFI) Standard.
- In 2014, recognizing a dearth of global sustainable agriculture certifications similar to those in forestry, we released agricultural stewardship principles to guide development of our sustainable agriculture program (SAP). Over the subsequent four years, we spearheaded a sector-wide effort to turn the SAP into a global sustainable agriculture standard. In 2019, the Leading Harvest Farmland Management Standard was launched.

Impact is critical and can also be challenging to demonstrate. What is it, who decides, and how is it measured? The answers to these questions frame the remainder of the conversation. The field of impact measurement is maturing so that, increasingly, investors aren't simply looking at metrics but instead look at key performance indicators (KPIs). While a metric is merely a measurement, a KPI is a measurement with meaning.

[1] Lands with critical habitat for sensitive or endangered species, or lands with high scenic, historical, cultural, or recreational value.

[2]<https://www.leadingharvest.org/>

What tools and processes does Manulife Investment Management have in place to reach its impact objective?

I mentioned that Manulife Investment Management's timberland team has experience managing carbon projects across various markets and protocols on our forests.

We actively integrate carbon management into our due diligence and investment management using the carbon tool kit and into our client reporting through greenhouse gas (GHG) and carbon credit accounting. In addition to carbon, our dedicated sustainability team tracks and reports on a range of ecological and social impact metrics.

Some of the most important tools in our toolbox for helping us reach our impact objective include:

- Our culture – We've said that good stewardship is good business since our founding in 1985. Stewardship shapes our values and our value proposition: **You can't successfully run a business based on biological assets profitably over the long-term unless you keep those assets healthy.** We're committed to conducting all our business activities in accordance with leading industry standards and certification systems as we seek to:
 - Maintain the long-term health and productivity of our properties
 - Preserve and enhance the quality of our environment & local communities
 - Empower our people
 - Provide competitive returns for our investors
- **Our investment processes** – Our sustainability tool kit is used by our acquisitions teams to conduct detailed ESG due diligence on every transaction.
- **Our property management** – Our global stewardship program of policies and procedures implemented across our timberland and agriculture investment platforms to ensure a consistent approach to sustainability in property/asset management.

- **Our certification** — We adhere to third-party certification with SFI,[1] Forest Stewardship Council [2] Programme for the Endorsement of Forest Certification [3] and Leading Harvest [4] management standards.
- **Our compensation** — Our incentive compensation program calibrates bonus awards for both company and individual performance; a key factor that determines company performance is our stewardship of people and the environment.

[1] <https://forests.org/> ; [2] <https://fsc.org/en> ; [3] <https://www.pefc.org/>
[4] <https://www.leadingharvest.org/>

How are you measuring impact and reporting to your limited partners?

We consider performance measurement and monitoring a core component of sustainability. We formulate short- and long-term objectives, track our progress, and compare our performance with industry benchmarks.

The sustainability dashboard in our SRI report[1] tracks our progress across the five pillars of our SRI program: climate stability, ecosystem resiliency, watershed protection, people empowerment, and community prosperity. Additionally, reports from third-party audits to credible certification standards are publicly available.

We believe the KPIs below provide a reasonably clear picture of how we do business from an impact perspective. We aim for continuous improvement in both the metrics we track and our performance against them.

We report on impact through our annual SRI report[2] and we also track third-party certifications and various metrics—such as GHG emissions and carbon sequestration—at the investor, fund, and property levels, and we’re expanding the use of additional metrics.

[1] <https://www.manulifeim.com/institutional/global/en/timberagsri>

[2] <https://www.manulifeim.com/institutional/us/en/sustainability>

The data below is as of December 31, 2020, unless otherwise indicated.

- 100% of our forests are certified sustainable
- 100% of our U.S. farmland is certified sustainable [1]
- 472,000 acres of sensitive forest lands are protected
- 172 acres of pollinator habitat are managed across our California orchards
- 100% of our permanent crop farms use water conservation practices
- 20,000 miles of stream frontage are protected
- 2.2 million metric tons (MMT) of CO₂ were removed annually through our managed forests and farmland over the past five years
- 2.9 MMT of CO₂ stored in wood products were harvested in 2020
- 6.1 MMT of forest carbon credits have been sold by our timberland management group since 1985
- 2.3 million acres of land are open to unrestricted public access

Our reporting includes our performance against metrics aligned with each of our five key SRI priorities as well as other external standards, such as selected UN Sustainable Development Goals and third-party agriculture and timberland certification system objectives.

We produce a climate disclosure report [2] consistent with the recommendations of the Task Force on Climate-related Financial Disclosures.

For carbon-focused investments, we measure and report on climate benefits, including carbon credits generated and conservation easement sales for long-term habitat and biodiversity protection, as well as other value-added strategies such as mitigation banking and renewable energy projects.

[1] As of May 17, 2021.

[2] <https://www.manulifeim.com/institutional/us/en/sustainability>

Can you talk a bit about Manulife Investment Management's multiregional diversification?

Diversification by both geography and species/crop type can help to mitigate non-systematic risk while maximizing the returns in a portfolio. We've long recognized the benefits of multiregional diversification for timberland and farmland investing, and we've developed portfolios diversified across countries, or within regions of the United States, as well as by species/crop type, end market, and management style.

Our carbon-focused timberland investing builds on our experience of constructing geographically diversified timberland portfolios. For carbon-focused investments, we're targeting the United States, where timber markets are deepest and most liquid and where carbon markets are well developed, as well as geographies such as Australia, New Zealand, and select South American countries, where we have an extensive acquisition and operational track record. New geographies, such as Europe, may also open up additional opportunities for investment through a carbon lens.

Can you give more information about the social impact of Manulife Investment Management's work?

Forests and farms are often located in rural areas, and the commercial operation of these investments can deliver significant economic benefits to these more isolated, and sometimes less economically resilient, communities.

Institutional investor capital can help accelerate the deployment of new technology, improved genetics and management regimes such as integrated pest management, and regenerative practices to enhance soil health and precision agriculture that allow farmers and foresters to achieve higher yields while being more efficient in their use of water, fertilizer, and other inputs.

Additionally, as a global business with many of our operations situated in rural areas, we have the privilege of working alongside many Indigenous communities.

For example, in Queensland, Australia, one of our timberland portfolio companies helped develop the Butchulla Indigenous Industries Group (BIIG), a commercial contracting group. BIIG has built a silvicultural contracting business with a full safety management system and a team of workers trained in silvicultural activities, accredited for prescribed burning and fire management.

Additionally, in the state of Washington, we manage land for the Muckleshoot Tribe, seeding plants the tribe has determined to have medicinal benefits along roads, landings, and throughout our commercial thinning operations. We work with the Muckleshoot Tribe to offer on-the-job-training and internships, implement K-12 forestry education, plan forestry field trips and tree plantings, and collaborate on efforts to maintain wildlife habitat.

What challenges and opportunities are you expecting to face in 2022?

For timberland, we're seeing a sea change whereby forests are increasingly recognized as economic and scalable natural climate solutions in addition to their historic fundamental value and uses. **Rapid increases** in corporate and investor **net-zero commitments** are leading to new opportunities to manage forests for carbon value.

Meanwhile, fundamental timberland value is being driven by a range of opportunities, including a strong housing market supported by strong demographics and chronic underbuilding; home renovation, repair, and new construction trends accelerated by the COVID-19 pandemic; historic profitability for lumber and other wood panel producers leading to investment in new capacity; and innovative wood-based, low carbon footprint construction systems opening new tiers of demand.

Challenges do exist in the form of global trade and international carbon policy uncertainty, carbon pricing volatility, the large inventory of sawlog timber in the U.S. South, and spruce beetle infestation in Europe with associated salvage operations that are boosting supply.

About Manulife Investment Management

Manulife Investment Management is the global wealth and asset management segment of Manulife Financial Corporation. We draw on more than a century of financial stewardship to partner with clients across our institutional, retail, and retirement businesses globally. Our specialist approach to money management includes the highly differentiated strategies of our fixed-income, specialized equity, multi-asset solutions, and private markets teams—along with access to specialized, unaffiliated asset managers from around the world through our multimanager model.

This material has not been reviewed by, is not registered with any securities or other regulatory authority, and may, where appropriate, be distributed by the following Manulife entities in their respective jurisdictions. Additional information about Manulife Investment Management may be found at manulifeim.com/institutional

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An interview with **Nathalia Millan**, Head of ESG for Private Equity at Tikehau Capital about their T2 **Energy Transition Fund**.

Tikehau capital is focused on alternative investments. It has **€34.2bn assets under management**, €3bn shareholder equity and 683 employees.



Can you share, in a nutshell, your personal impact journey?

I started my impact journey in Colombia in 2013 working in impact measurement for development projects with local communities. Being on the ground, I realised that while covering urgent local problems such as providing irrigation projects to local communities was important, sustainability is about a systemic transformation and the financial sector has a critical role to play in the transition.

Today, my role at Tikehau Capital is to ensure the robustness of the impact and ESG approach across the private equity funds and to help design impact investing strategies addressing major sustainability challenges.

How is the low-carbon transition embedded in Tikehau Capital's investment strategy as a firm?

For almost ten years, Tikehau Capital has been financing companies that actively support the energy transition, already attracting more than €1.5 billion in capital commitments to combat climate change across multiple investment strategies including private equity, private debt and capital markets strategies.

In 2021, the Group announced its ambition to manage at least €5 billion of AUM by 2025 dedicated to the fight against climate change and biodiversity.

Embedding climate change was a natural move, i) the Group acknowledges the urgency around climate change and the planetary boundaries from the Stockholm Resilience Centre [1] and ii) Tikehau Capital sees the energy and ecological transition as a biggest investment opportunity and responsibility of all time.

What challenges do you see regarding impact measurement and reporting?

Access to data, benchmark and trajectories. Today, when we invest in private companies, they are at different levels on the sustainability journey. Most of them have not conducted impact measurement and do not monitor nor communicate Impact or ESG KPIs.

For our T2 Energy Transition fund, our first impact investing private equity fund with more than 1bn€ AUM investing in European SMEs focused on the energy and ecological transition, one of the first steps after the investment is launching the carbon footprint assessment by taking a holistic approach and covering both induced and avoided CO2 emissions (Scope 1, 2, 3 & 4).

“
Despite the lack of clear methodologies and benchmark, **we engage with portfolio companies and environmental experts** to provide a toolbox for the definition of **decarbonization action plans.**”

[1] <https://www.stockholmresilience.org/research/planetary-boundaries.html>

How do you source and screen investment deals?

The T2 team generates deal flow through:

- A strong network of financial and corporate relationships, built up through Tikehau Capital's strong experience in investing in energy and growth equity,
- A partnership with an energy company and Tikehau Capital's global operations and local relationships, and
- Thorough mapping exercises in each of our geographies.

The T2 team focuses on generating proprietary opportunities, emphasizing on leveraging the Tikehau Capital platform as well as our energy partner's extensive network. However, T2 is also expected to participate in competitive processes, particularly those where it can bring a compelling angle to differentiate it from other capital providers. The team limits the use of third parties during the sourcing stage.

The T2 team conducts specific screenings on market segments deemed of interest in order to identify the most attractive players. Since inception, the team has screened more than 700 deals.

Moreover, the teams leverage on the Tikehau Capital multi-local platform, with more than 170 companies supported in private equity, corporate lending and direct lending and a network of employees and senior advisors. In certain instances, we are selected by companies because they see us as better placed than our peers to accompany them on the sustainability journey.

Tikehau Capital has developed a platform dedicated to impact and climate. Can you explain what it is and its scope?

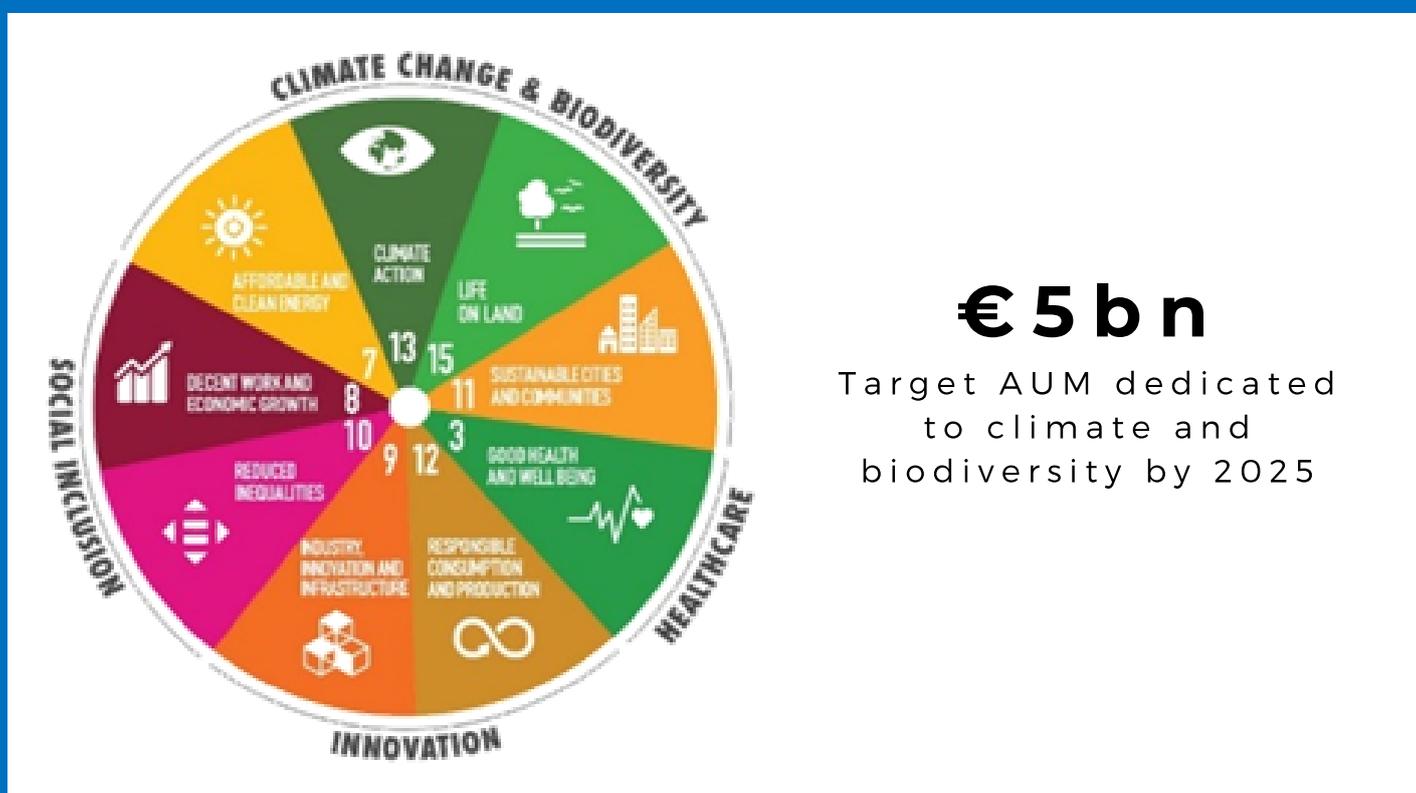
The T2 Energy Transition fund was the Group's first impact investing fund dedicated to climate change. Quickly after the launch of this fund in 2018, we identified both a growing interest from our LPs, but also a growing pipeline fitting the impact strategy.

Meaning, more and more attractive companies both with a proven business model and well positioned to contribute to the fight against climate change.

In addition, raising Impact and ESG standards for this private equity fund contributed to boost the ambition across the Group's other business units.

In 2021, with more than €1.5bn in three impact investing strategies across the private equity, private debt and capital market strategies, the Group announced the launch of a platform dedicated to impact covering (i) climate and biodiversity, (ii) inclusive society, (iii) innovation and (iv) healthcare.

The Group aims to manage at least €5 billion of AUM by 2025 dedicated to the fight against climate change and biodiversity through this platform.



The T2 Energy Transition Fund follows a private equity strategy that aims to accelerate the shift towards a sustainable energy system.

Can you give a brief description of this investment strategy? How does it differentiate from most energy transition strategies in the impact investing space?

The T2 Energy Transition impact thesis follows the guidelines from the existing climate research, for example, the International Energy Agency (IEA) scenarios.

When defining the Fund's Theory of Change for example, three main sectors were identified to pursue the decarbonization of the economic system in coherence with key priorities of the IEA Net Zero Emissions (NZE) by 2050 Scenario[1]: i) Energy Efficiency; ii) Clean Energy and iii) Low-carbon mobility.

“ Intentionality is a key pillar of the strategy, as all the investment decisions must contribute to the Fund's Theory of Change. ”

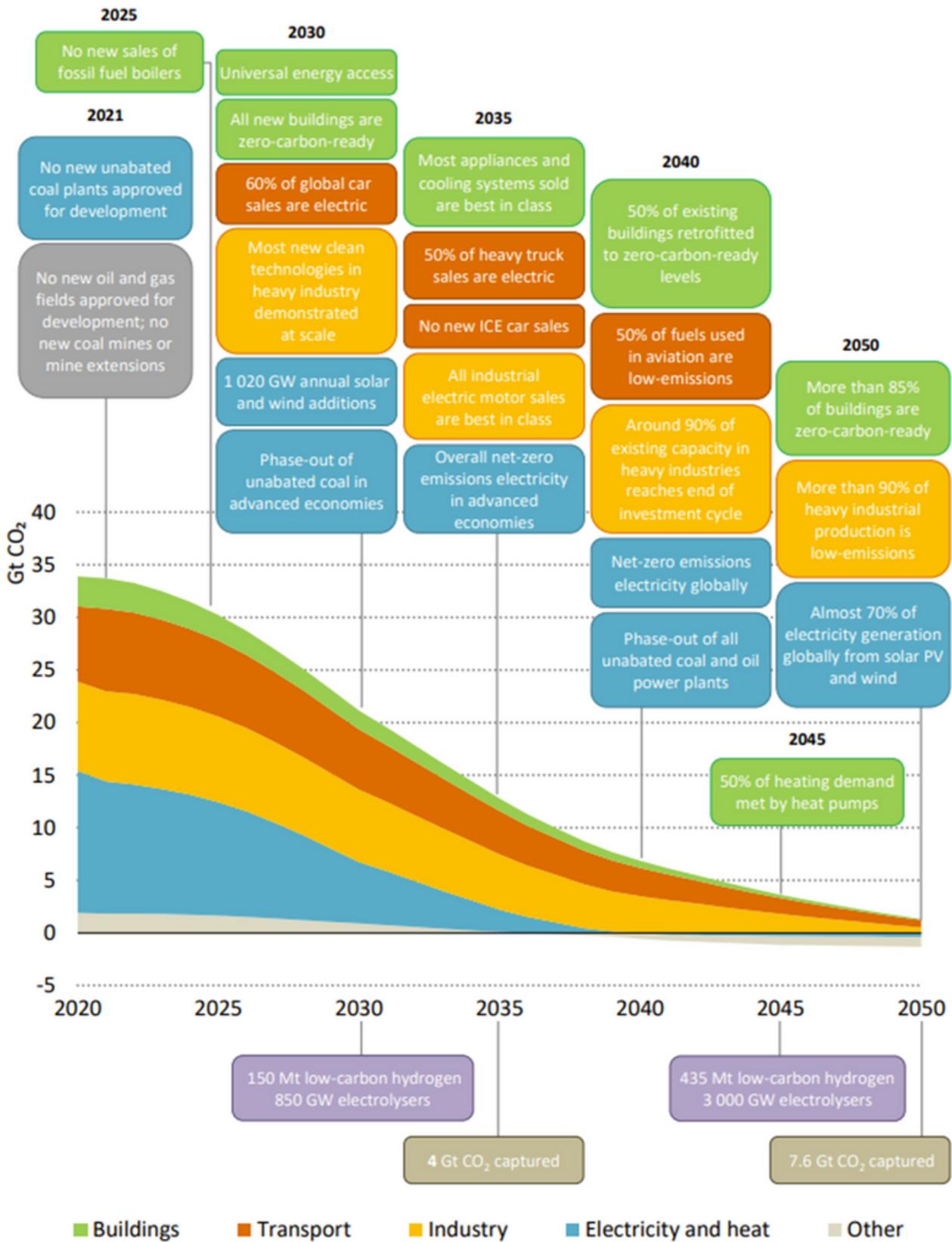
In contrast to many impact investing funds, we do not invest only in innovative low-carbon technologies solutions. Based on the IEA Net Zero Emissions by 2050 scenario we note that technologies that are available on the market today provide nearly all of the emissions reductions required to 2030.

It means that we may invest in companies with a measurable impact roadmap for the transition, if they are already activating key decarbonization levers aligned with the reference scenarios.

This is the case for one of our portfolio companies in the building's energy efficiency area, without providing disruptive technologies, they are providing services linked to the replacing or upgrading boilers or cooling systems for buildings or contributing to the renovation efforts in the building sector, which are among the milestones identified by the IEA ().

[1] In 2018, at launch of T2 strategy, the team referred to the Sustainability development Scenario of the IEA.

Key milestones in the pathway to net zero



SOURCE: IEA, 2021 - [HTTPS://WWW.IEA.ORG/REPORTS/NET-ZERO-BY-2050](https://www.iea.org/reports/net-zero-by-2050)

How are you integrating impact into the due diligence process & during the investment cycle?

Impact is embedded in the investment cycle, from the screening of investment opportunities and during the holding period. Being an impact Fund, for all the investment opportunities, the deal teams need to answer to a simple question:

“Why T2 Energy Transition?” which means that the deal needs both to pass financial performance screening, but also needs to fit the impact investment thesis.

During our screening and due diligence process, the deal teams need to address the company’s alignment with the Fund’s Theory of Change, also to support the “Do Not Significant Harm” principle and other ESG risks and opportunities.

Do you use any frameworks or metric categories to measure the impact of the T2 Energy Transition Fund? How are you measuring impact and reporting to your LPs?

Our first source is the existing research on climate change, we refer to the IPCC reports and the IEA Net Zero Emissions by 2050 Scenario as described above. Such guidelines allow us to feed our impact investing strategy and deal screening criteria.

We monitor impact KPIs recognized by the IRIS+ framework and use the GHG protocol for the assessment of induced and avoided carbon impacts. To ensure the robustness of the strategy, we work hand-in-hand with our ecosystem of environmental experts.



For example, we have set a partnership with ERM for the assessment of the carbon footprint of our PE portfolio companies and with Schneider Electric to set Tikehau Capital’s Science-Based Targets.



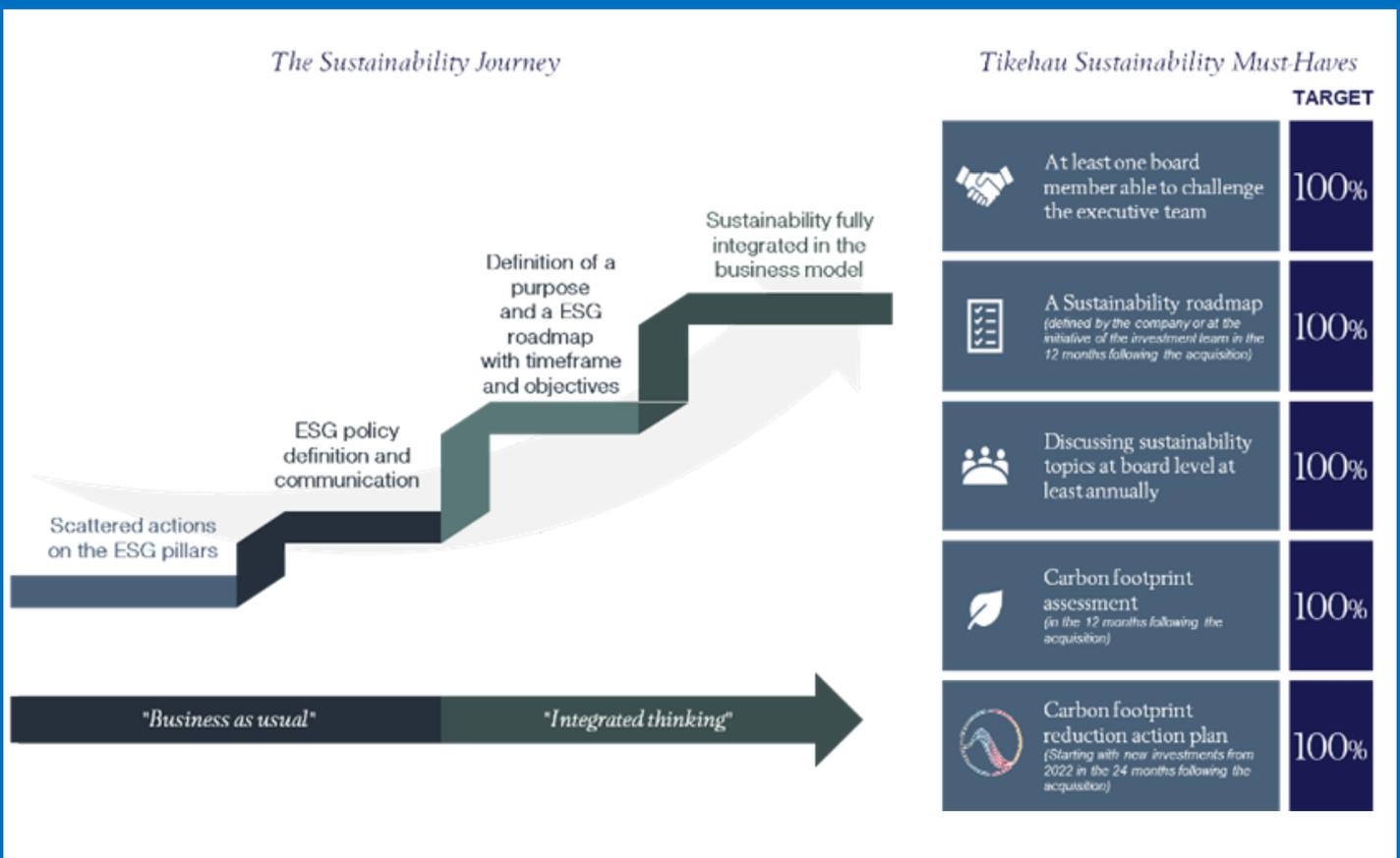
Do you have an engagement strategy to monitor the portfolio companies?

Engagement and monitoring are key components of our impact strategy, and these contribute to demonstrate our additionally.

Following the investment, the role of the ESG and investment teams collectively are to help the companies advance in their sustainability journey.

To achieve this endeavour, we have set the Tikehau Sustainability Must-Haves^[1] to encourage the definition of ambitious yet pragmatic sustainability strategies with the portfolio companies.

[1] There is no guarantee that the Tikehau Sustainability Must-Haves will be achieved.



SOURCE: TIKEHAU CAPITAL - ESG

What trends do you expect to see in 2022?

The first version of the Taskforce on Nature-related Financial Disclosure (TNFD) framework published in March 2022 marks an important step to tackle the risk of nature loss and incorporate nature-related risk and opportunity analysis into the heart of corporate and financial decision making.

We are currently working on new funds with a biodiversity angle across our real estate (sustainable living) and private equity strategies (regenerative agriculture) and the TNFD framework will certainly contribute to our processes.

Following the pandemic and the current geopolitical crisis, we are also seeing a growing interest in social activities, in particular around the just transition.

About Tikehau Capital

Tikehau Capital is a global alternative asset management group, which has developed a wide range of expertise across four asset classes (private debt, real assets, private equity and capital markets strategies) as well as multi-asset and special opportunities strategies.

Tikehau Capital is a founder-led team. Deeply rooted in the real economy, Tikehau Capital provides alternative financing solutions to companies it invests in and seeks to create long-term value for its investors while generating positive impacts on society.

Leveraging its equity base (€2.9 billion of shareholders' equity as of 30 June 2021), the firm invests its own capital alongside its investor-clients within each of its strategies.

Controlled by its managers alongside leading institutional partners, Tikehau Capital is guided by a strong entrepreneurial spirit and DNA, shared by its 672 employees (as of 30 September 2021) across its 12 offices in Europe, Asia and North America. Tikehau Capital is listed in compartment A of the regulated Euronext Paris market (ISIN code: FR0013230612; Ticker: TKO.FP).

PHENIX IMPACT FUND ASSESSMENT

Phenix Impact Fund Assessment is a proprietary framework developed in close consultation with institutional asset owners and industry leaders, for the purpose of **assessing the robustness of a fund's impact proposition**.

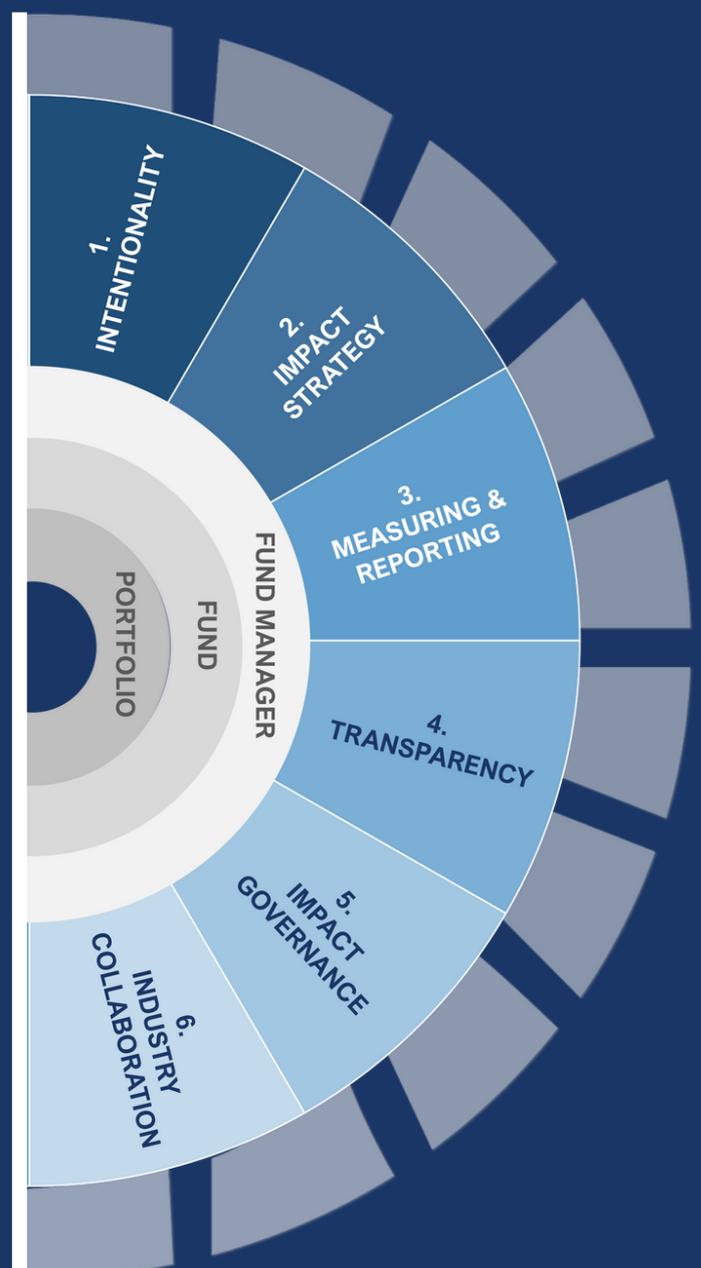
On 6 themes and 33 criteria, it examines to what extent the policies, procedures and human resources are in place to deliver the impact that a fund aims to create.

ASSESSING THE ROBUSTNESS OF IMPACT FUND PROPOSITIONS

Uncover strengths and weaknesses

Adopt industry best practices

Prepare for institutional impact due diligence



[VISIT SITE >>>](#)

GLOSSARY & SYMBOLS

Committed capital: Amount committed in a fund vehicle by its limited partners / investors.

Developed markets: We include Europe (excl. Eastern Europe), North America, Asia Pacific (Singapore, Japan, and South Korea only), Oceania (New Zealand, Australia) Middle East and Africa (Israel only).

Direct lending: A specialised form of private debt, in which loans are made to middle-market companies. It is the private debt strategy with lower risk, achieved by using collateral.

Emerging markets: We include Latin and Central America, Asia Pacific (excl. Singapore, Japan, South Korea), Middle East and Africa (excl. Israel) Europe (Eastern Europe only).

Fund managers: Organisation managing commingled, pooled and customised vehicles invested by institutional asset owners. Also called General Partner or GP.

Global: Funds that have an investment geographic scope encompassing both developed and emerging markets.

Impact investing: Investments with the dual mandate of financial return and positive societal or environmental impacts, with the notion of measuring the positive and negative impact of investments, ensuring both intentionality and additionality among these.

Institutional asset owners: Outsourced CIOs, pension funds, insurance companies, family offices, sovereign wealth funds, endowments, foundations, banks, fiduciary managers, discretionary investment consultants. Also called Limited Partner or LP.

Market targeted: Markets fund managers target for their investments: We include Global, Developed markets, Emerging markets.

Mezzanine: A specialised form of financing in which loans are subordinated to banks, with no collateral. It is the most equity-like form of private debt.

Microcredit: A common form of microfinance, characterised by small loans to individuals or small companies.

Private debt: Debt instruments to companies: direct lending, mezzanine, microfinance strategies.

Public debt: Publicly traded fixed income securities: investment grade or high yield, focused on green bonds and municipal and community infrastructure and affordable housing issuers.

Regions targeted: Regions fund managers target for their investments: We include Asia Pacific (East Asia, Central Asia, South Asia, South East Asia), Europe (Western Europe, Eastern Europe), Global, Latin and Central America, Middle East and Africa (East Africa, Middle East, Northern Africa, West Africa, Southern Africa), North America, Oceania.

Target fund size: Amount the fund manager is targeting when raising capital.

Vintage: Year where the fund manager first calls capital from investors.

Full glossary: www.phenixcapitalgroup.com/impact-investing-glossary

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