BELFIUS PRIVATE EQUITY - TIKEHAU AEROSPACE & DEFENSE II

Sustainability-related Disclosure

1. Summary

BELFIUS PRIVATE EQUITY - TIKEHAU AEROSPACE & DEFENSE II (the "**Compartment**") is a compartment of DELIO SCS – RAIF. The purpose of the Compartment is to invest at least 85% of its available assets in units of Ace Aéro Partenaires II S.L.P. managed by Tikehau Investment Management and established under French law ("**the Master Fund**") which is characterized by making Investments, directly or through Investment Holding Company(ies), in companies serving the civil and defence aeronautical markets.

The investment philosophy of the Compartment is aligned with that of the Master Fund, which seeks to finance companies contributing to the French Aerospace & Defence supply chain. In particular SMEs with reference annual turnover below EUR 70 million active in mechanics, surface treatment and special processes, electronic manufacturing services and/or critical components, as well as companies playing an essential role in the supply chain of major players in the aeronautical and defence industry.

2. No sustainable investment objective

The Master Fund promotes environmental and/or social characteristics but does not and will not make investments with a sustainable objective.

3. Environmental or social characteristics of the financial product

The investment objective of the Compartment is to invest at least 85% of its available assets in units of Ace Aéro Partenaires II S.L.P ("**the Master Fund**"). Pursuant to the Master/Feeder structure, the Compartment adopts and follows the SFDR approach of the Master Fund as described hereafter.

The Master Fund promotes both the environmental and social characteristics by:

1. The Master Fund promotes certain minimum environmental and social guarantees by applying exclusion criteria for commercial products and practices the negative impact of which for the environment or for society has been demonstrated.;
2. The Master Fund encourages commercial activities undertaken in accordance with the UN Global Compact (UNGC), and closely scrutinises companies which do not observe these principles.
3. The Master Fund does not invest in companies which have a high ESG risk, and limits its investments in companies with a medium ESG risk. Investments in companies classified as medium ESG risk are examined by an "ESG Risk Compliance" working group which has specific expertise. This working group

gives a favourable or unfavourable opinion which will be acted on when making investment decisions.

Pursuant to the Master/Feeder structure, the environmental and social characteristics are attained at the level of the Master Fund. Their attainment is measured through the following sustainability indicators, based on the Master Fund's integration of ESG processes:

- proportion of portfolio companies with one or more members external to the board of directors (or any other equivalent body);
- proportion of portfolio companies which discuss ESG subjects within the board of directors (or any other equivalent body) at least once per year;
- proportion of portfolio companies with a sustainable development roadmap;
- proportion of portfolio companies with an assessment of their carbon footprint;
- proportion of portfolio companies with a carbon reduction roadmap aligned with recognised frameworks (such as science-based targets).

Other relevant sustainability indicators:

- Compliance with the exclusion policy: number of the Master Fund's portfolio companies identified as breaching Tikehau Capital group's exclusion policy;
- Breaches of the United Nations Global Compact: number of the Master Fund's portfolio companies identified as breaching the United Nations Global Compact, assessed at least annually;
- ESG score coverage: number of Master Fund portfolio companies which obtained an ESG score during the pre-investment phase.

The above list may change when performance indicators which are more relevant to the company are identified during the investment period of the Master Fund.

The Compartment takes into account the principal adverse impacts (PAI) of its investment decisions on sustainability factors, consistent with the approach adopted by the Master Fund. The detailed list of PAI indicators considered by the Master Fund is set out in the pre-contractual annex to the Compartment Terms.

4. Investment strategy

The investment objective of the Compartment is to invest at least 85% of its available assets in units of the Master Fund. The primary strategy of the Master Fund is to make Investments, directly or through Investment Holding Company(ies), mainly in companies serving the French civil and defence aeronautical markets. Investments made by the Master Fund will satisfy the following two (2) goals:

1. financing of companies whose reference annual turnover is less than seventy million euros (€70,000,000) (an "SME"), contributing to the supply chain of the French aeronautical and defence industry, where its segment of activities is (i) mechanics (detailed parts, casting, boiler making, metal work), (ii) surface treatment and special processes, (iii) minor EMS, and/or (iv) critical

components (in particular PCB and sensors), achieving a significant proportion of their turnover in the aviation field, to enable these agents to safeguard and develop their expertise and their competitive advantages in a sector in which competition is worldwide, and to meet their operational requirements; and/or

2. financing of companies which play an essential role in the supply chain of the major players in the aeronautical and defence industry, to enable them to consolidate their markets and to become leaders in their fields of expertise. In accordance with its goal to promote environmental or social characteristics, the Master Fund will comply with Tikehau Capital's standard sustainable investment policy, including the exclusion list and the ESG watch list, in addition to ESG integration and engagement.

In addition, bearing in mind that the Master Fund seeks to invest in companies which reconcile financial performance and non-financial performance, the Management Company simultaneously takes account of sustainability risks and of negative effects on sustainability factors, and of adherence of the portfolio companies with world standards in respect of environmental protection, human rights, employment standards, anti-bribery and anti-corruption. The Manager will produce specific reports on these questions, which may result in methodological restrictions.

Furthermore, the Master Fund takes an extra-financial approach, by which it seeks to meet the environmental and social challenges in order to accelerate the transition towards a resilient and sustainable European economy and society, guided by certain sustainable development goals (ODD):

- ODD 9: industry, innovation and infrastructure
- ODD 12: consumption and responsible production
- ODD 13: measures relating to the prevention of climate change

The Compartment does not plan to use derivatives.

5. Proportion of investments

The Compartment's assets are invested in accordance with the following allocation between investments promoting environmental and/or social characteristics and other investments:

a) #1 Investments aligned with E/S characteristics: Minimum 76.5%

b) #2 Other investments: between 0% and 23.5%

'#2 Other' of the Master Fund mainly comprises cash and cash equivalents held on an ancillary basis (including, among other things, money market instruments). These cash assets will not be associated with minimum environmental or social guarantees.

As the Master Fund has a limited life (closed-end fund), the percentage of the '#2 Other' category may be higher at the beginning of the Investment Period or as assets are sold. Therefore, during the portfolio build-up phase, the pre-liquidation period and the liquidation period, the percentage of '#2 Other' should not correspond to the above asset allocation.

In addition to the Master Fund's ancillary liquidity, up to 15% of the Compartment's assets may be held directly (i.e. outside the Master Fund) in investments that do not promote environmental or social characteristics; this portion is also expected to consist mainly of cash and cash equivalents. No minimum environmental or social safeguards apply to the investments included in this sub-category.The investments underlying this Compartment do not take into account the EU criteria for environmentally sustainable economic activities, as defined under the Taxonomy Regulation (EU) 2020/852.

6. Monitoring of environmental or social characteristics

The ESG monitoring framework Tikehau Capital applies reflects material sustainability topics and KPIs. Company profiles give management teams a specific map of priorities, not a general ambition, but measurable metrics with benchmarks against which to track progress.

For as long as the investments are held the portfolio companies are subject to enhanced ESG monitoring, by means of an ESG questionnaire.

The Manager will send an ESG questionnaire to the portfolio companies, which must complete it on a voluntary basis. The ESG monitoring campaign is conducted on an annual basis, and the results are aggregated across the portfolio.

In addition, sustainability risk is monitored during the investment period through: (i) Controversy monitoring, (ii) Annual standard ESG reporting to review the company's own sustainability risks. Moreover, review of annual KPIs integrated into the sustainability roadmaps of certain private equity companies and in the sustainability linked financing implemented for certain Private Debt investments, and (iii) Periodic updating of the ESG score of the investment targets.

7. Methodologies

The restrictive elements are the exclusion policies of the Management Company and the Master Fund.

The Master Fund will promote environmental and/or social characteristics through the application of the following tools:

1. ESG Exclusions
    a. As part of the initial examination of new investment opportunities, the Manager excludes all investments in prohibited activities and applies Tikehau Capital's exclusion policy, under which:
    b. Subsidiaries of Tikehau Capital are not permitted to invest in restricted activities, and in particular (a) controversial weapons, (b) pornography and prostitution and (c) companies which derive a certain threshold of income from tobacco, (d) companies which have significant exposure to fossil fuels, and which develop new fossil fuel projects, (e) projects which lead to destruction of critical habitats. For more details, see the group's exclusion policy shown on Tikehau Capital's website.
    c. Tikehau Capital also applies standards-based exclusions.
    d. Finally, the management company undertakes ESG due diligence, and cannot invest in companies which may give rise to significant extra-

financial risks which are unmanaged due to their activity, their actions or their domiciliation, on the basis of a watch list of sectors, actions and geographical areas exposed to extra-financial risks.

2. ESG integration
    a. In addition to ESG exclusion and the watch list described above, the Master Fund seeks to invest in companies which reconcile financial performance and non-financial performance. In accordance with the approach of the Manager's parent company, in addition to the financial examination, companies will be assessed on the basis of several ESG criteria, such as the ESG policy implemented by the companies, and the manner in which they manage the extra-financial risks and their main negative impacts on society and the environment throughout the value chain (through their products and services, their transactions and their supply chain). The Manager will therefore include the following non-comprehensive list, which is subject to change, of ESG criteria (risks, opportunities and impacts) for selection of investment targets and monitoring of the Portfolio Companies:
        (i) governance risks and opportunities, including an assessment of good governance principles (on the basis of the SFDR's good governance criteria), corruption and cyber-security risks, controversies, etc.
        (ii) social risks and opportunities, including health and safety risks,
        (iii) environmental risks and opportunities, including regulatory risks and environmental and climatic risks specific to the company.
    b. For each investment the investment teams undertake an ESG-based Due Diligence examination, using a twin approach: (i) assessment of the company's ESG profile using an ESG score table; (ii) ESG Due Diligence by third parties.
    c. The investment team gives an ESG score to each company. These ESG quantitative scores are then put into the following three categories: acceptable ESG risk, medium ESG risk and high ESG risk. Only investments in issuers with an acceptable ESG risk are permitted without prior internal approval. Issuers with a medium ESG risk are submitted to the ESG Risk Compliance working group, which gives recommendations on the investment on the basis of its respective field of expertise. Investments with a high ESG risk are excluded.
    d. More details on the methodology for scoring ESG profiles and thresholds are available in the Group's Sustainable Investment Charter: https://www.tikehaucapital.com/en/sustainability-impact/esg-publication
    e. For as long as the investments are held the portfolio companies are subject to enhanced ESG monitoring, by means of an ESG questionnaire.

3. ESG engagement
    a. The Master Fund takes the ESG criteria into account when engaging with the portfolio companies:
        (i) During the pre-investment phase: if possible by the adoption of an ESG clause in the legal documents of the operation,

to ensure that the companies have a thorough understanding of Tikehau Capital's responsible investment approach, and to guarantee the Master Fund's commitment to deploy a progressive approach in the area of sustainability;

(ii) During the holding period: by different channels, including meetings of the board of directors, and the regular channels between the investment teams and the managerial team of the Portfolio Company. To ensure that dialogue is permanent the Manager's investment team will adjust the degree to which the specific features of the Portfolio Company and its sector of activity are taken into account.

(iii) The Manager will send an ESG questionnaire to the portfolio companies, which must complete it on a voluntary basis. The ESG monitoring campaign is conducted on an annual basis, and the results are aggregated across the portfolio.

(iv) The results of the ESG questionnaire may lead to sustainable development roadmaps being defined with the portfolio companies.

(v) On exit: The ESG criteria are also taken into account on exit, when possible, and are sent to the future purchasers.

8. Data sources and processing

The data used to assess and monitor environmental and social characteristics promoted by the Master Fund are obtained from S&P Global, portfolio companies, Tikehau Capital's research and investments teams and, where applicable, third-party consultants. For companies covered by S&P, the Corporate Sustainability Assessment is based on company-reported information, media and stakeholder analysis, modelling approaches and in-depth company engagement. For companies not covered by S&P, Tikehau Capital applies the Provisional CSA Fundamental Score, based on information provided by the company, and, where applicable, due diligence conducted by its research and/or investments teams or third-party consultants. The data are used to assign an ESG rating before investment and are subsequently monitored through ESG questionnaires, and periodic updates of ESG scores and grids. Data quality is supported by the involvement of the ESG team where needed, pre- and post-trade controls by the Risk and Compliance teams where applicable, and periodic review by Internal Audit.

9. Limitations to methodologies and data

The ESG methodology is subject to data availability constraints. External data sources are used where available. For companies not covered by S&P, the Provisional CSA Fundamental Score is based on information provided by the company and, where applicable, due diligence conducted by Tikehau capital's research and/or investments teams or third-party consultants. Sustainability risks and principal adverse impacts are assessed where possible using reasonable efforts. The methodology does not quantify fund level data coverage or accuracy rates or the proportion of estimated data. These limitations are not expected to affect the attainment of the environmental and social characteristics promoted by the Master Fund: where data availability is limited, the assessment is complemented by due diligence conducted by Tikehau Capital's research and/or investment teams or third-party consultants. Investments with a medium ESG risk are subject to review by the Compliance-Risk-ESG working group and investments with a high ESG risk are excluded. ESG criteria are monitored on a periodic basis through ESG monitoring questionnaires or updates of the ESG score; and compliance with the defined ESG processes is subject to a three-level internal control framework involving the investment and research teams, the Risk and Compliance teams and Internal Audit.

10. Due diligence

In alignment with the SFDR, Tikehau Capital evaluates various aspects of good governance within its portfolio of investee companies. This evaluation encompasses a review of factors that include the presence of controversies, sound management structures, employee relations, staff remuneration, and adherence to tax compliance. Notably, a high level of scrutiny is dedicated to controversies pertaining to breaches of the United Nations Global Compact Principles, which encompass human rights, labor standards, environmental stewardship, and anti-corruption measures. Companies found to have committed significant and material violations of these principles face exclusion from our portfolio. In cases where robust mitigation measures have been implemented, the Compliance-Risk-ESG working group is mandated to provide a recommendation and, upon review, may issue a favorable or unfavorable opinion. The team also considers the country's risk rating established by the Compliance team, which includes the list of noncooperative tax jurisdictions as issued by the EU. The criteria for evaluating sound management structure, employee relations, staff remuneration, and tax compliance can vary depending on the specific business lines within Tikehau Capital.

11. Engagement policies

Tikehau Capital engagement activities focus on decreasing sustainability risks and enhancing value through communication, learning and relationships between investors and companies.

Engagement implies a two-way dialogue with companies. The Group seeks to create long-term and constructive dialogue with the companies' managements by acting as sparring partners, involving our investment teams and ESG experts. Exchanges can take the form of a live dialogue and/or letters/emails and/or negotiating clauses in loans and shareholders agreements and/or formalizing feedback, questions and recommendations.

Tikehau Capital recognises there are three types of engagement:

i. Proactive: dialogue led with priority companies to manage more medium/long-term issues based on their analysis of potentially material ESG issues and megatrends.

ii. Reactive: dialogue with companies in reaction to a recent downgrade, controversy or scandal which is presenting a financial and/or reputational risk. Here the focus is on addressing the most severe controversies by setting targets (quantitative or qualitative), accompanied by specific deadlines, to ensure adherence to the principles of the UN Global Compact.

iii. Opportunistic: engagement may also be performed when invited to attend conferences, roadshows, or field trips.

12. Designated reference benchmark

No reference benchmark has been designated for the Master Fund.