
2021 ESG Report

Cathay Capital Private Equity
Mid Cap II



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Foreword from President & Founder

“ Success is no longer measured only on building the largest company the fastest, smart business models, or disruption for the sake of disruption. In the face of urgent challenges from climate change to health crises and social equity — the world is calling for more sustainable businesses of all sizes. As global investors, our goal at Cathay is to help entrepreneurs everywhere innovate while building more responsible, resilient businesses that will shape the industries, economies and society of tomorrow.”

**MINGPO CAI, FOUNDER AND CHAIRMAN,
CATHAY CAPITAL & CATHAY INNOVATION.**

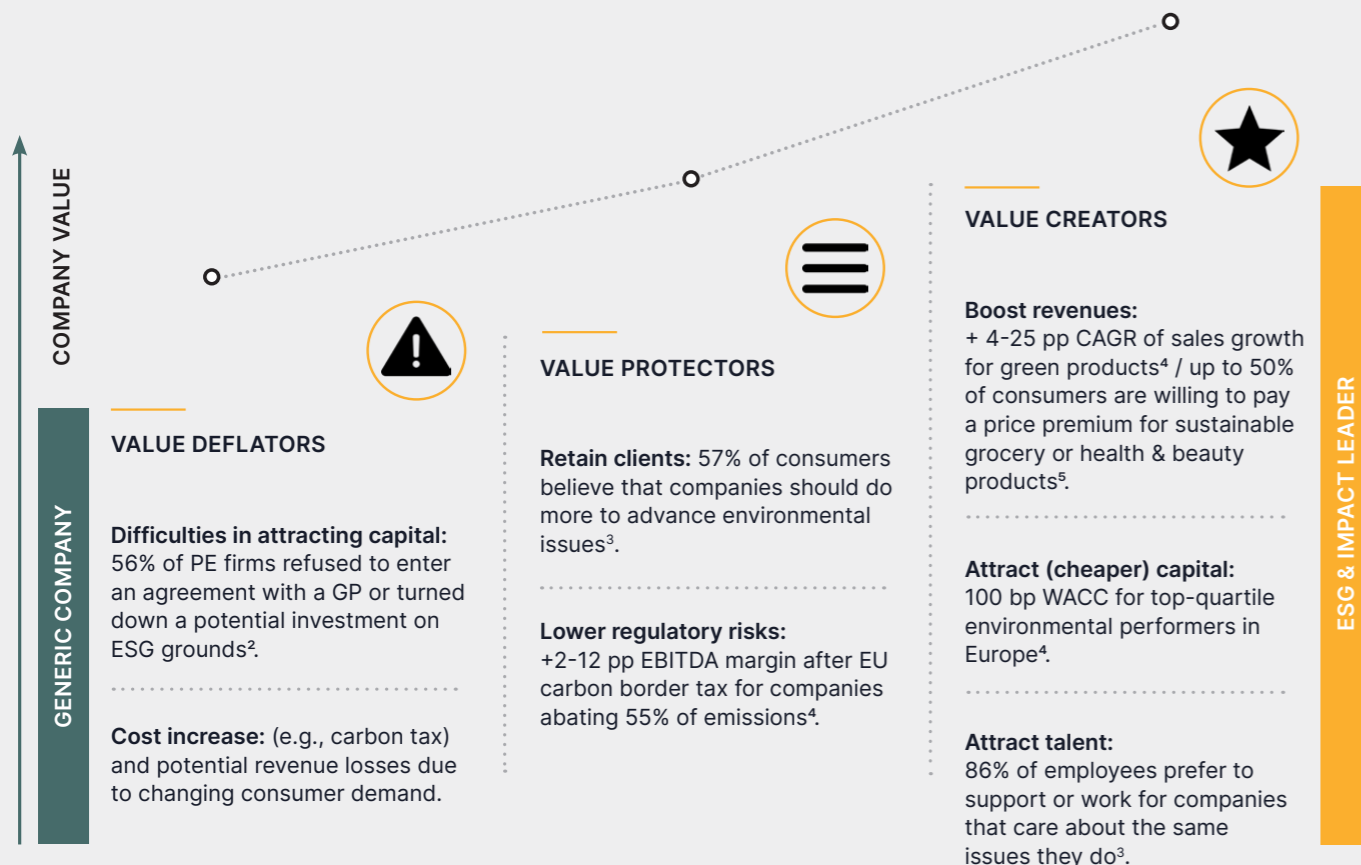


Creating value through ESG

It is becoming increasingly clear to entrepreneurs and investors that, by implementing ESG best practices and focusing on yielding a positive impact, companies can create sustainable value. For one, the recent pandemic has shown how companies that put ESG and impact at the heart of their business model and operations are well-equipped to weather crises and thrive. Case in point: 15 out of MSCI's 17 sustainable indices outperformed their broad market counterparts at the height of the Covid-19 pandemic¹.

Time and time again, it has been shown that companies fostering ESG and impact can preserve and grow their value through three complementary movements:

1. AVOIDING VALUE DEFLATORS
2. ACTIVATING VALUE-PROTECTION LEVERS
3. LEVERAGING VALUE-CREATION LEVERS



1. BlackRock (2020), Sustainable investing: Resilience amid uncertainty.
 2. PwC (2021), Global Private Equity Responsible Investment Survey 2021.
 3. PwC (2022), 2021 Consumer Intelligence Series – Survey on ESG.
 4. EU announcement, based on a BCG analysis.
 5. PwC (2022), Global Consumer Insight Survey.

Considering this strong correlation between ESG and value creation, Cathay Capital Private Equity has decided to put ESG at the heart of its operations by encouraging portfolio companies to continuously up their game. This report details how Cathay Private Equity concretely puts ESG front and centre through its sustainability strategy, numerous frameworks and dedicated governance.

2021 ESG Performance Highlights

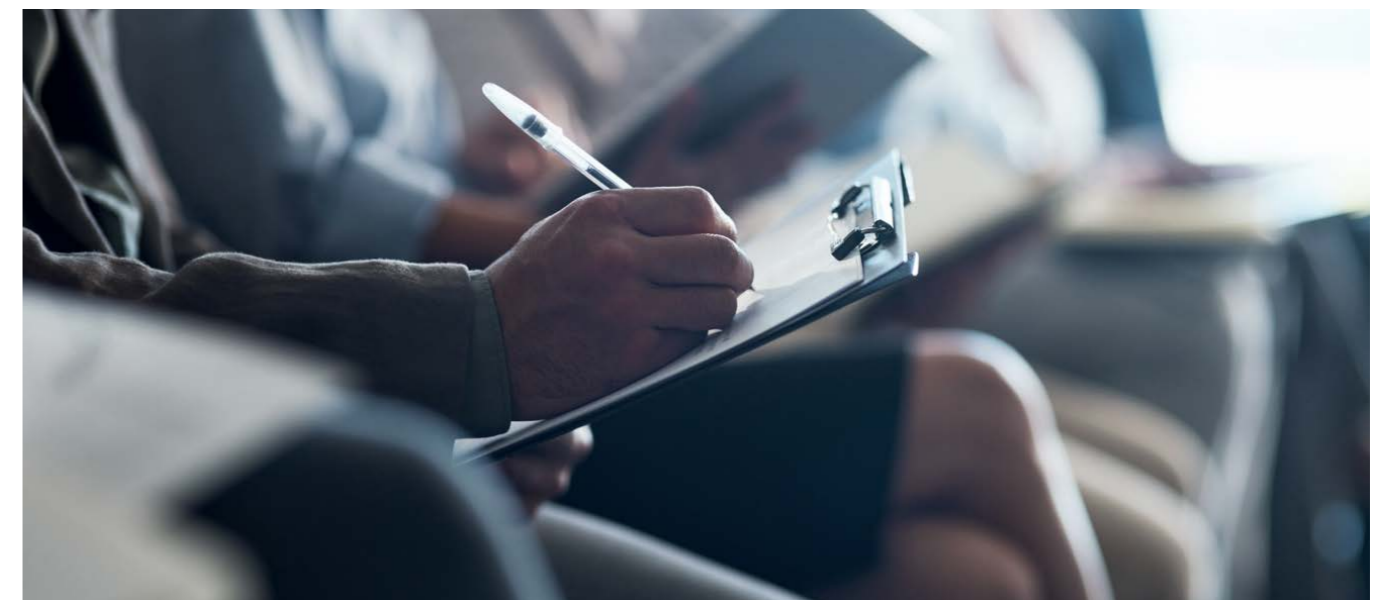
The year 2021 was an opportunity for us to consolidate the actions initiated in 2020 and to strengthen our commitment to our portfolio companies. Main achievements and progress during the year are mentioned below

- In addition to the Chief Impact Officer position created last year, an ESG referee has been appointed within Cathay Capital Private Equity teams enabling an action-driven momentum even stronger within portfolio companies.
- CCPE also continued progress towards gender parity with a 2021 ratio of 44%.
- We reinforced our ESG processes to bring even greater focus on ESG-related opportunities and sustainable value creation early in the investment cycle. As such, we strived to bring exchanges on ESG as early as possible in the investment process and we created a common framework for ESG Due Diligence. This was implemented concretely during the acquisition of our new portfolio companies.
- We also strengthened our ESG reporting system with new reporting KPIs and new processes to validate data and ensure its consistency.
- As evidence of our growing engagement toward sustainability, our latest fund Small Cap IV (first closing in Q1 2021) is classified under the Article 8 of the SFDR. Our Management Company CCPE intends to further strengthen its commitment to sustainability for next Private Equity funds to come.

Just like last year, our sustainability path drives genuine impact for existing portfolio companies and new investments, which is reflected throughout this report via positive evolutions of the reported ESG KPIs.

Highlights of 2021 main portfolio results

- We report overall a very positive evolution of most of ESG KPIs, **especially regarding Health & Safety (H&S) and HR.**
 - Formalisation efforts were made among the Mid Cap II portfolio and **almost all companies now present clear corporate values and mission, formalised information systems security policy, and H&S policy.**
 - Moreover, **most portfolio companies, including new investments, have implemented a value-sharing mechanism**, thus highly contributing to employee's engagement and retention.
 - **Good levels of performance can also be observed regarding gender equality**, even though there is still room for improvement in highest hierarchical levels.
 - The Mid Cap II portfolio is distinguished by the **numerous initiatives implemented regarding employees' wellbeing and development initiatives** following the COVID-19 crisis.
 - More and more portfolio companies also strive to better understand and limit their products' and operations' impact on the environment through dedicated actions.
- Such results give us confidence that actions undertaken in the last years have paid off and that companies will keep improving in 2022.
- We have included in this 2021 ESG report four new invested companies. This inclusion has an impact on the evolution of many of the reported KPIs.



Sustainability is a journey

The progress achieved in 2021 creates a strong incentive to further articulate ESG fundamentals, drive forward sustainability values, and guide our portfolio companies toward greater awareness and concrete action plans.

Cathay is indeed committed to improve even further core KPIs with Mid Cap portfolio companies. As such, the core axes we would like to focus on within the next 18 months are:

- **Formalisation of a CSR / Sustainability policy** – *From 60% in 2021 to 80% in 2024:* Indeed, defining a CSR policy is key to structuring a sustainability approach and addressing the growing expectations of various stakeholders. Moreover, it favours the deployment of other specific actions on CSR sub-themes such as HR, business ethics or environment.
- **% of women at Executive Committee** – *From 24% in 2021 to 30% in 2024:* At Cathay Capital, we are convinced that diversity is a key corporate performance driver. According to a study led by McKinsey¹ in 2020, companies having the best results regarding gender diversity on executive teams were 25% more likely to have above-average profitability than companies with the lowest results.
- **Business ethics document systematically set in place** – *From 82% in 2021 to 100% in 2024:* Establishing a strong ethical culture is indeed essential, both because it helps to mitigate risks but also because it increases stakeholders' satisfaction.

1. McKinsey (2020), Diversity wins: How inclusion matters



Highlights of 2021 main portfolio results



	KPI'S	PERFORMANCE	TARGET	COMMENTS	
DIVERSITY	# direct jobs supported	7,373 (FY21)	10,000	12,475 (FY21)	Mid Cap II's aggregated performance on this indicator far exceeds the target set by CCPE due to the strong growth experienced by portfolio companies (up to 51%) as well as new investments.
	% women in total headcount	48% (FY20)	50%	53% (FY21)	Most companies in the Mid Cap II portfolio register an increase in the share of women among their workforce between 2020 and 2021 (up to 3%). Moreover, new investments almost all already reach gender parity.
	% women at Exec Committee	24% (FY21)	30%	25% (FY20)	The number of women at Executive Committee either stagnated or increased among portfolio companies. However, the annual share decreased due to lower performances registered in new investments.
HR / WELL-BEING	% of permanent contracts (**)	92% (FY20)	90%	93% (FY21)	Overall, European and US companies in the Mid Cap II portfolio register high share of permanent contracts among their workforce, which favours local economic development.
	Implementation of value-sharing mechanism		70%	73% (FY21)	Most portfolio companies, including new investments, have implemented a value-sharing mechanism, which highly contributes to employee's engagement and retention.
	Individual development plans	63% (FY20)	70%	70% (FY21)	Portfolio companies are engaged in employee training and development. In 2021, one additional portfolio company has started to set individual development plans for its employees.
GOOD GOVERNANCE	Formalisation of Corporate values	71% (FY20)	100%	90% (FY21)	The vast majority of portfolio companies have formalised corporate values. This is a good practice that sets the tone for internal and external stakeholders and ensures alignment around a shared vision.
	Formalised CSR / Sustainability policy		80%	63% (FY21)	Two portfolio companies made progress in 2021 by defining a sustainability policy. Moreover, most new investments have a structured approach to CSR and have already defined such policy.
	Business ethics documents in place	71% (FY20)	100%	82% (FY21)	One additional company formalised a Code of Conduct in 2021 and most new investments are engaged regarding business ethics issues. Documents formalised by portfolio companies are mainly Code of Conducts or Anti-corruption policies.
	No data security breach	70% (FY21)	100%	88% (FY20)	In 2021, only three portfolio companies reported a data security breach and only one involved customer personally identifiable information. The company took all appropriate action to prevent this kind of incident to happen again.
CLIMATE ACTION	Environmental initiatives implemented		90%	100% (FY20 & FY21)	All companies implement environmental initiatives, both on the products and services and on the operations sides. These initiatives mainly aim at lowering companies' GHG emissions.

(*) FY21 reporting includes new investments. (**) Perimeter excluding China due to the country specific-context: as per Chinese laws and regulations, employment contracts are re-signed every three years with permanent contracts only possible after the third contract renewal

Who we are

Our values

We are one globally integrated, agile, and diverse team driven by the underlying principles of sincerity, doing what we say and being useful advisors, connectors, and stewards to our entire ecosystem.

As a deeply engaged and devoted team, we are invested in the long-term success of our partners both in the good times and the bad.



Be the Change
We're committed to leaving the world better than we found it.



Stay determined
We put in hard work every day believing that determination can move mountains.



Add value, be useful
We exist to be useful to our stakeholders and partners in achieving their goals.



One team for one world
A global company's biggest strength is diversity in cultures, backgrounds, perspectives, and knowledge.



Do what you say
Sincerity, transparency, and trust is at the core of how we operate.

Our commitments



We are committed to being a responsible investor, working with companies who share our vision and respecting recognized international standards on sustainable investment. As such, we signed the United Nations Principles for Responsible Investment (UN PRI), committing to monitor and report on ESG themes.



We are committed to the UN Guiding Principles on Human Rights and the OECD Guidelines for Multinational Enterprises. In this context, we address the issue of human rights systematically in our pre-investment due diligence approach. In addition, we encourage our portfolio companies to ensure compliance with the International Labor Organization's ("ILO") Core Labor Standards and Basic Terms and Conditions of Work, as well as the International Bill of Human Rights, in line with the UN Guiding Principles on Business and Human Rights.

The investment process

We see tomorrow's greatest companies as not the largest, but as those able to promote sustainable growth and transformation of economies. These companies cannot be built in silos and the transition will take an ecosystem-level response across regions, sectors and up and down the value chain. Under this overarching sustainability vision, our team sees ESG as a driver of value creation and has developed responsible investment approaches tailored to our capital management company needs. For us, sustainability is a crucial transformation lever through which we work jointly with committed

entrepreneurs and management teams to promote resilient and future-ready global leaders. CCPE formalised a specific ESG Management System in 2017, integrating ESG issues and criteria in all stages of the investment cycle, from the pre-qualification to the exit stage. As such, a Sustainable Investment Procedure has been formalised and will be updated by the end of 2022. While risks and opportunities are assessed prior to investment, CCPE's focus is to co-develop actionable roadmaps with its portfolio companies and, most importantly, make sure they have the resources to turn roadmaps into results.



Our sustainability governance

A central milestone of 2020 was the creation of an executive-level sustainability position, Cathay Capital's Chief Impact Officer, highlighting the importance of the issue to the Group. With the help of external experts and advisors, the Chief Impact Officer led the definition of a broader sustainability vision and associated roadmap, procedure, and tools applicable to CCPE. Building on solid track records on both sides, this large-scale, strategic project has involved all of Cathay's teams, who act as sponsors to actively promote the implementation of ESG procedures within the company.



At Cathay Capital, sustainability is not the sole responsibility of dedicated analysts but rather is embraced by each frontline investor who embeds sustainability in their daily work. As such, they are responsible for defining an ESG roadmap with the management of portfolio companies and for monitoring its progress over time. In this context, an ESG referee has been appointed in 2021 and plays a key role by acting as a reference point for colleagues in the deployment of the company's ESG strategy. Twice per month, the teams discuss ESG issues during weekly deal flow meetings.

Regular training sessions are also held with the front office teams for them to be in position to roll out our Sustainable Investment Procedure properly, as well as to receive support from our sustainability ambassadors whenever needed.



Our portfolio companies

For the year 2021, Cathay extended the reporting scope to include four new portfolio companies acquired in 2021: Artefact, DIOT-SIACI, CPAP.com and Liesheng. This section presents each of the 11 portfolio companies that participated in the 2021 ESG reporting campaign.



DIOT-SIACI is a leading insurance brokerage and consulting group in France, operating in more than 40 countries.



Investment date: November 2021
Headcount: 2282
Sector: Business /digital services



Artefact is a next-generation end-to-end data services company specialising in data transformation and data & digital marketing, creating impact across the value chain.



Investment date: December 2021
Headcount: 758
Sector: Business /digital services



Deerma is a leader in small home appliances in China, engaging in the development, production, and sale of innovative products with attractive designs and competitive price levels.



Investment date: July 2020
Headcount: 2701
Sector: Consumer products /services



Moose Knuckles is one of the world's leading brands of luxury outerwear, sportswear, and accessories.



Investment date: June 2019
Headcount: 219
Sector: Consumer products /services



Geoskincare is a natural skincare brand founded by a dermatologist Penny Vergeest in New Zealand in 2000.



Investment date: November 2020
Headcount: 360
Sector: Consumer products /services



Based in Houston, CPAP.com is the top internet retailer of Sleep Apnea equipment in the world.



Investment date: December 2021
Headcount: 95
Sector: Business /digital services



Universal Medical Imaging, founded in 2011, is the first third-party imaging center in China. It provides professional image investigation and deep physical examination service.



Investment date: December 2019
Headcount: 772
Sector: Healthcare



Jieli is one of the top three global suppliers of casings for cosmetic pens with an annual output of about 200 million units, equivalent to 8%–10% of the global market supply.



Investment date: August 2019
Headcount: 1353
Sector: Advanced manufacturing /industry



Founded in 1986, Suzhou Colori manufactures and distributes beauty and personal care products.



Investment date: July 2020
Headcount: 2716
Sector: Consumer products /services



Liesheng focuses on smart wearable devices and is mainly engaged in the design, production, and sales of TWS earphones and smart sport watches.



Investment date: July 2020
Headcount: 550
Sector: Consumer products /services



Marle is the leading contract manufacturer organization ("CMO") of orthopedic implants in Europe and among the top global implant CMOs.



Investment date: December 2019
Headcount: 669
Sector: Healthcare

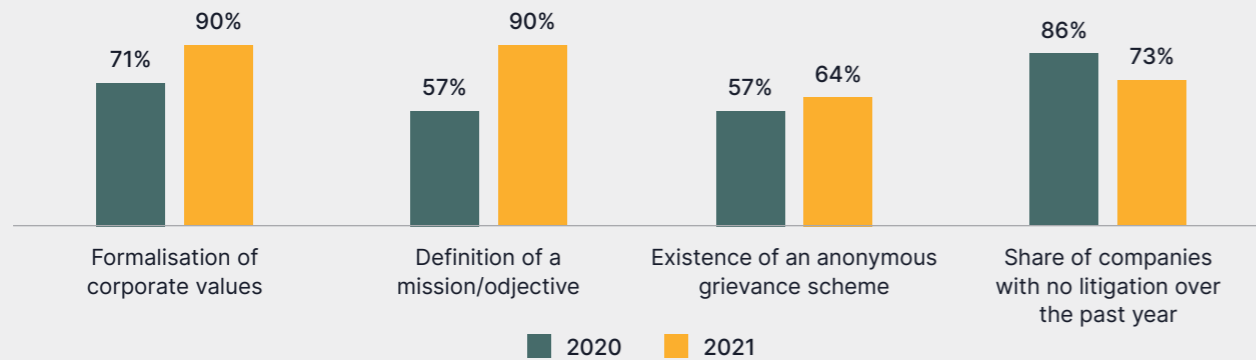
2021 ESG Performance Results



Building a robust governance

Corporate governance

Mid Cap II Corporate Governance KPIs



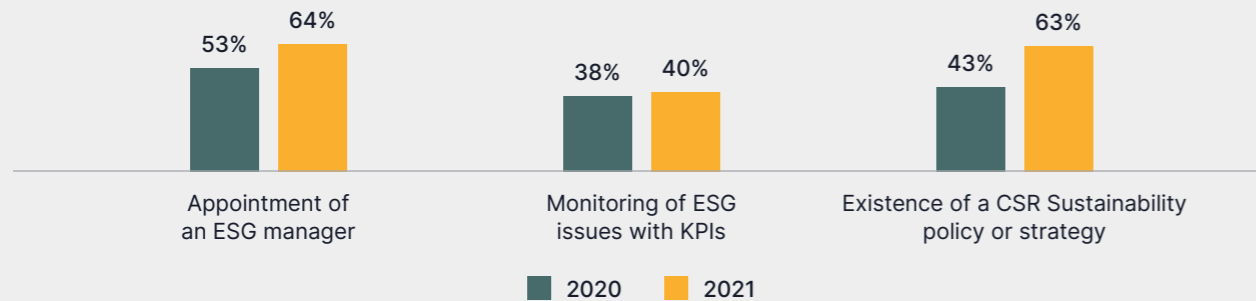
Companies in the Mid Cap II Fund evolved positively during 2021 in terms of corporate governance by implementing formal objectives and anonymous grievance schemes. This evolution shows a push towards transparency and that portfolio companies have thoroughly considered their companies' future directions and business integrity, which further builds trust with investors and in the community.

ESG governance

Cathay Capital also firmly believes that a governance system for ESG issues within a company is highly beneficial. This ensures that ESG policies, procedures and initiatives are

appropriately implemented and managed while measuring the companies' ESG performance through a dedicated set of key performance indicators.

Mid Cap II Corporate Governance KPIs



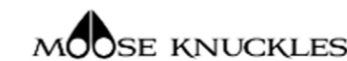
In 2021, 64% of the portfolio companies have appointed a person responsible for ESG issues, an increase from 2020. 63% of portfolio companies answered positively when asked if they have formalised a CSR policy or strategy, an important increase from 2020, showing that concrete management processes have been built to handle ESG issues and opportunities.

FOCUS: ARTEFACT



Artefact has implemented a "Data for Impact" CSR policy, which is centred around programmes that use data to create a positive impact in the face of social issues. The company has identified targets for reducing its carbon footprint and has also created 10 principles to guide its commitment to proactive ethical behaviour during every step when processing data. Some of these principles include accountability, transparency, privacy, safety, trust, and bias avoidance. Further environmental initiatives can be found in the "Engaging in Environmental Efforts" section.

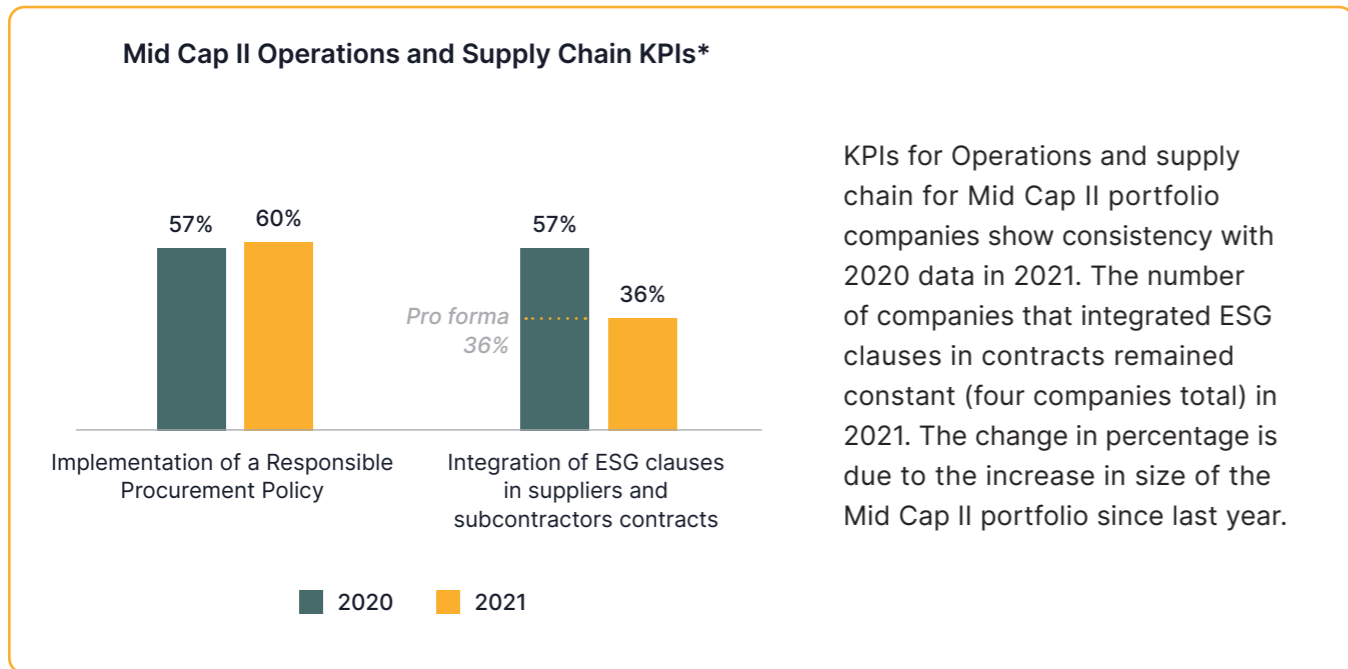
FOCUS: MOOSE KNUCKLES



Moose Knuckles has announced in 2021 a range of environmental and social initiatives focused on the long-term sustainability of its global footprint. The Moose Knuckles sustainability strategy commits the company to innovation and leadership across six impact streams:

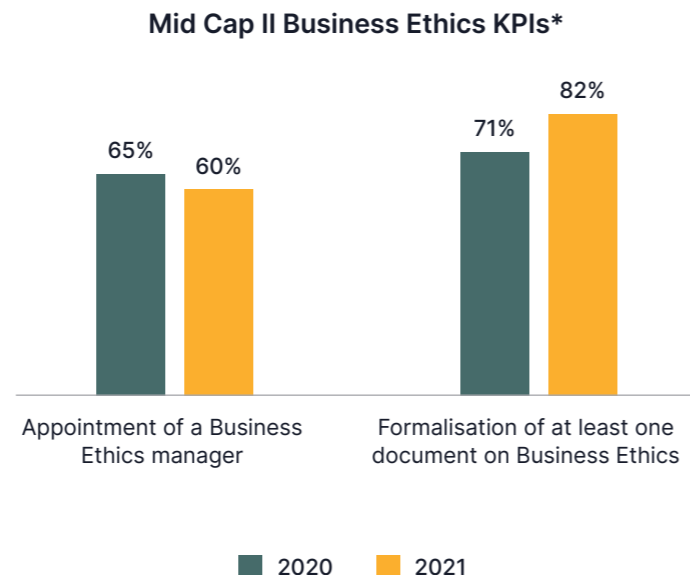
- (i) Battling Climate Change, including the total mitigation of all carbon emissions by the end of 2025;
- (ii) Making & Moving Product Sustainably, including the complete elimination of conventional cotton, virgin polyester, and virgin nylon in its garments by the end of 2025;
- (iii) Circular Business Models, to ensure all of Moose Knuckles' products will qualify for take-back, re-commerce, and recycling programs by the end of 2025;
- (iv) Protecting Nature and Enhancing Biodiversity (see more information in the "Biodiversity among our portfolio companies" section);
- (v) People & Communities, prioritizing the global challenges of diversity & inclusion;
- (vi) Living & Working Sustainably, including developing all Moose Knuckles' real estate investments to meet LEED silver standards.

Additionally, Cathay believes that ESG principles should be embedded within portfolio companies' operations and supply chains, particularly since environmental and social issues are widespread and may not be limited to a company's primary practices. We thus encourage our portfolio companies to implement a Responsible Procurement Policy, alongside integrating ESG clauses within contracts with suppliers and subcontractors.



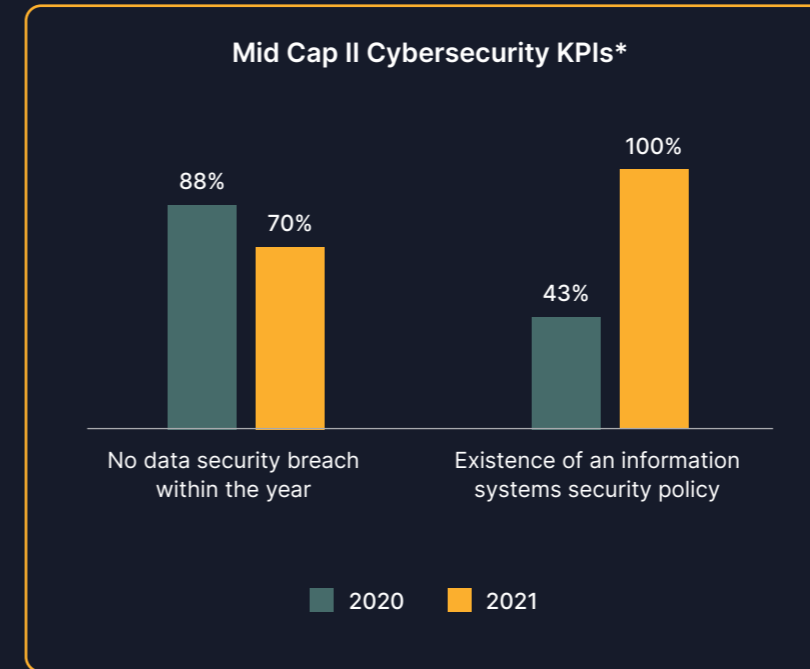
Business ethics

The management and monitoring of business ethics helps to safeguard a company from any risks associated with its activities, while having better control over risks should they arise. In addition, the adoption of a code of conduct or ethical guidelines is considered good practice. These codes or guidelines are useful in defining companies' core values and in encouraging professional attitudes both in the workplace and through relationships with company stakeholders.



Cybersecurity

On the rising subject of cybersecurity, indicators developed in 2020 show that companies treat the topic seriously.



Despite the growing risks, only three portfolio companies reported a data security breach and only one involved customer personally identifiable information. The company took all appropriate actions to prevent this kind of incident to happen again (work with external expert, website upgrade, implementation of regular IT security checks). Furthermore, the presence of an information systems security policy in all the portfolio companies indicates that the infrequency of breaches is no coincidence and justifies further expansion of related good practices.

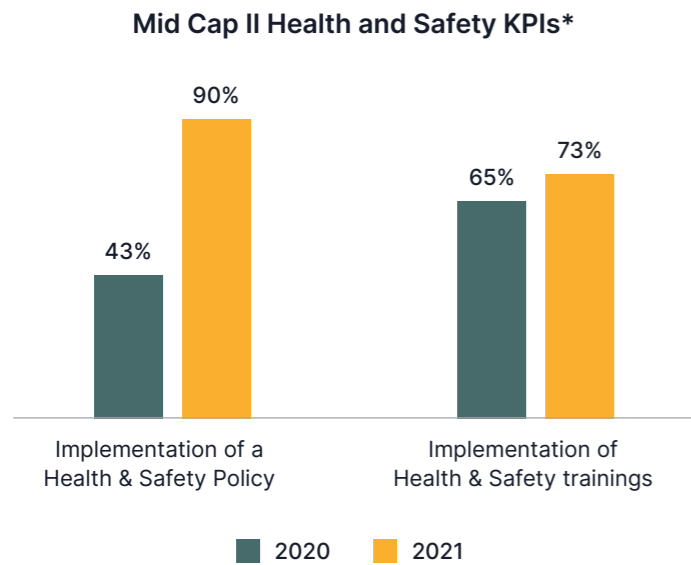
Equipping collaborators to succeed



Health & safety

Ensuring health and safety of portfolio companies' employees is crucial to guarantee their wellbeing. Cathay Capital monitors health and safety at its portfolio companies through both qualitative and quantitative indicators, in order to review the

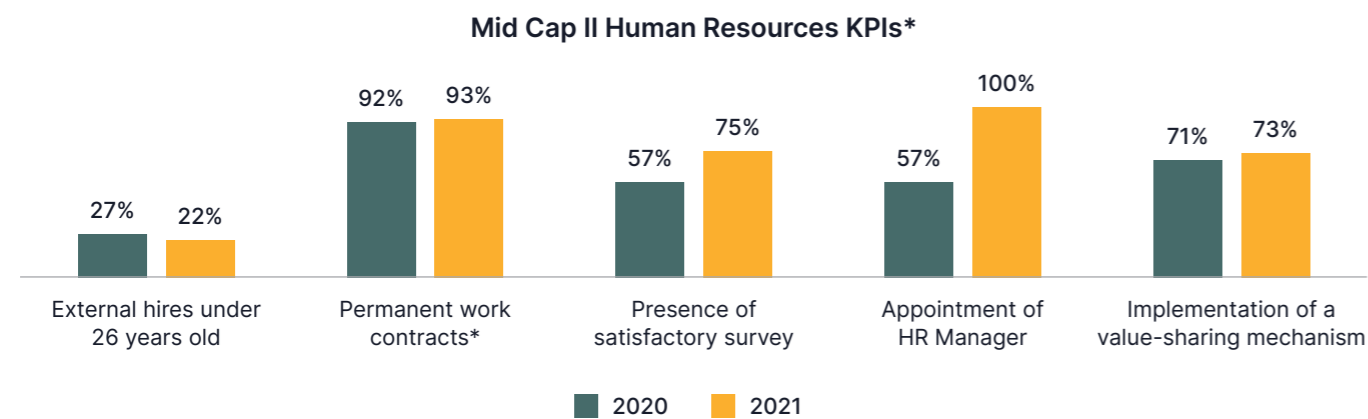
Health & Safety management systems in place and their efficacy. These indicators may have more relevance for certain sectors over others, and thus may not be applicable to all portfolio companies.



Health & Safety issues are duly managed in portfolio companies for which such issues are material. The share of portfolio companies that perform health and safety trainings indeed increased to 73% in 2021 and nearly all companies formalised a health and safety policy, a drastic increase compared to 2020. Nonetheless, Cathay reaffirms its wishes for all its portfolio companies to implement a safety, hygiene, and security policy. During 2021 ESG due diligences concerning new investments, the implementation of health & safety programs was identified as necessary. Therefore, dedicated actions on health and safety were included in the companies' roadmaps for 2022.

Human resources among our portfolio companies

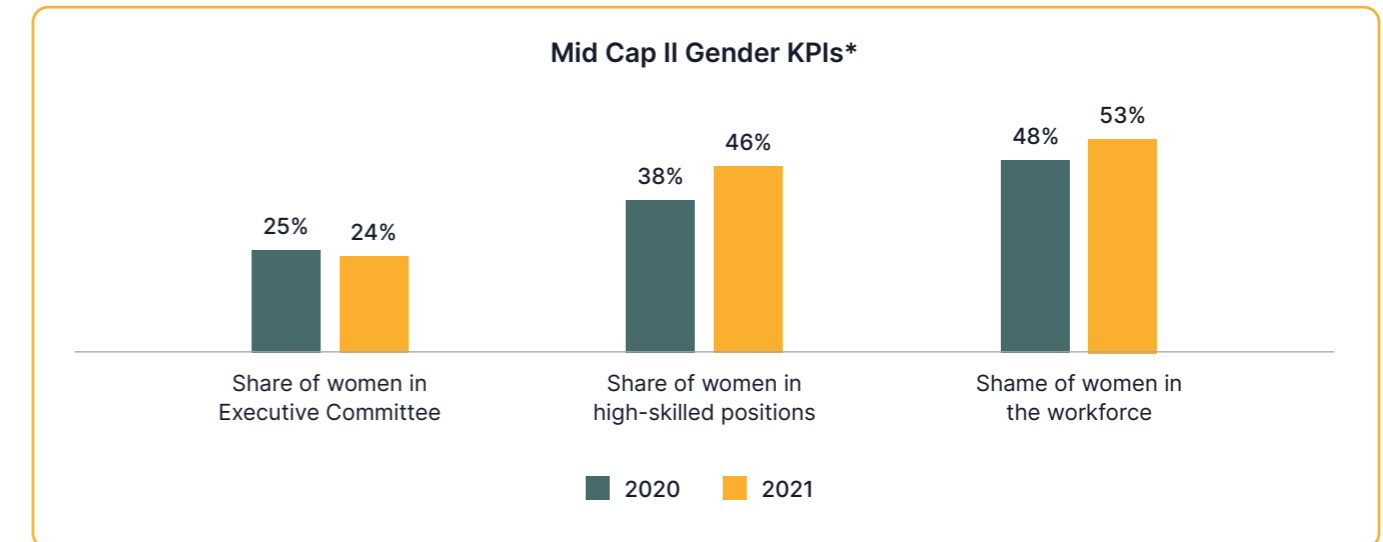
Cathay reaffirms its commitment to fair and just processes within human resources among its portfolio companies.



Many new HR initiatives were implemented in 2021 among portfolio companies such as the launch of satisfaction survey, which highly contributes to employees' engagement and retention. Moreover, 100% of the portfolio companies now have an HR Manager.

*perimeter excluding China due to the country specific-context: as per Chinese laws and regulations, employment contracts are re-signed every three years with permanent contracts only possible after the third contract renewal.

As shown by numerous studies, diversity and inclusion are drivers of performance. Cathay Capital is thus committed to promoting diverse and inclusive workplaces among its portfolio companies. Gender parity is one of our priorities.



In 2021, the portfolio companies reached very positive shares of women in the workforce and in high-skilled positions. Moreover, an encouraging increase can be observed across both categories. Looking ahead at 2022, there is room for improvement regarding the share of women

on Executive Committees. It has to be noted that the decrease observed between 2020 and 2021 is due to the integration of new companies in the portfolio, and not to a decrease in the absolute number of women in Executive Committees.

Human resources at Cathay Capital

In 2021, Cathay performed an organizational audit covering all geographies. As part of the audit, a global survey was sent to all employees in the summer 2021 to collect their view on issues like HR organization, wellbeing, training, and development.

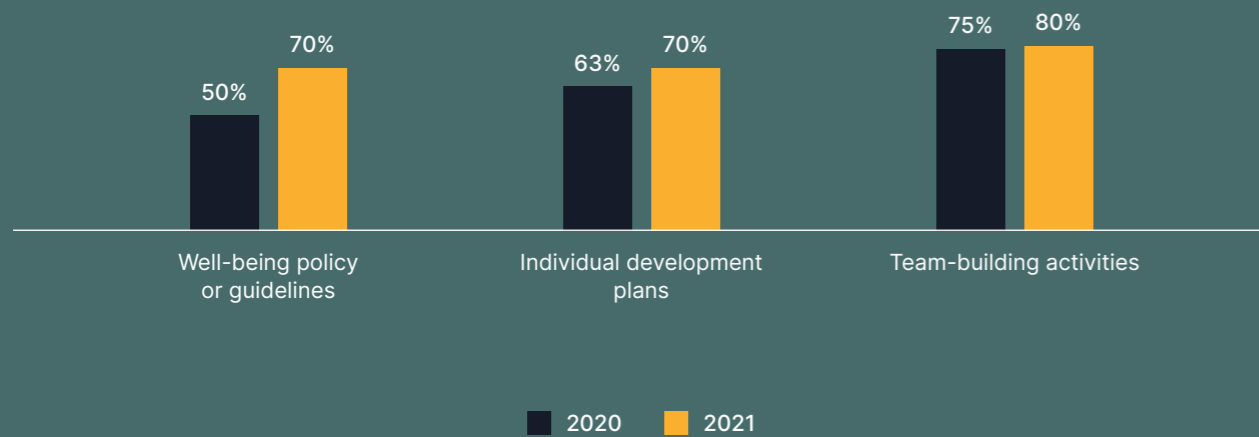
The audit led to the definition of a mid-term roadmap with several actions being implemented in 2021, such as:

- The recruitment of Marika Puppick Rathle as a new Operating Partner CAP and Head of Human Capital,
- The appointment of HR referees for each geography
- The launch of 360-degree rating for partners on three main themes (cultural fit, people leadership, thought leadership).

The results of the audit were presented to all employees during the annual team building event in September. This 2021 event took place in France and gathered teams from the US, France and Germany, as well as teams from China and Singapore remotely.

Well-being among our portfolio companies

Mid Cap II Top 3 well-being initiatives implemented in 2021



As the COVID-19 crisis shook the fundamentals of so many well-established workplace routines, our portfolio companies were emboldened to reinvent themselves. 100% of them promoted employee health and wellbeing through diverse initiatives. In addition to the top three initiatives presented in the graph, several companies offer subsidised mental health support, development courses, and individual gym memberships.

The majority of portfolio companies have special offerings for employees in managerial roles, such as soft skills/management training and 360 or upward performance appraisals. These types of initiatives have the potential to improve employee retention and contribute to company success in the long run.

Well-being at Cathay Capital

At Cathay, we firmly believe that actions to promote employee wellbeing open a direct pathway to long-lasting growth. The COVID-19 pandemic has placed a greater emphasis on the importance of ensuring employee well-being. Remote work is now completely integrated in our processes and we offer soft skill trainings for employees to obtain full satisfaction from

their experience at Cathay Capital. Moreover, the various initiatives related to human resources management mentioned above, and especially the recruitment of Marika Puppick Rathle as our new Operating Partner in charge of Human Capital and Talent Management, also contribute to fostering well-being at work.



Engaging in environmental efforts



Climate action among our portfolio companies

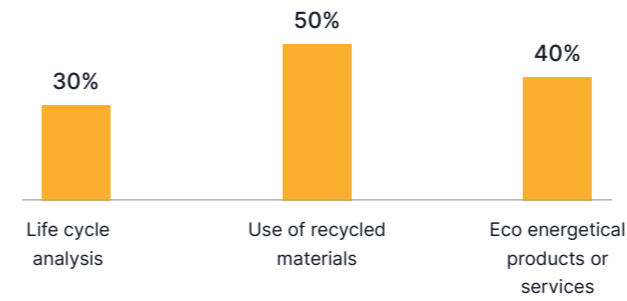
In the context of the rising concerns around climate change and in alignment with Cathay’s commitment to protecting the environment per its ESG Procedure, Cathay Capital strives to ensure that portfolio companies implement initiatives to measure and reduce their environmental footprint and promote the use of renewable energy.

Through continuous exchanges with top management of our portfolio companies, we encourage them to implement environmental initiatives that are coherent with their activities and their value proposition. Our portfolio companies have already started to implement a broad range of initiatives to reduce their GHG emissions including the adoption of travel policies or Green IT principles.

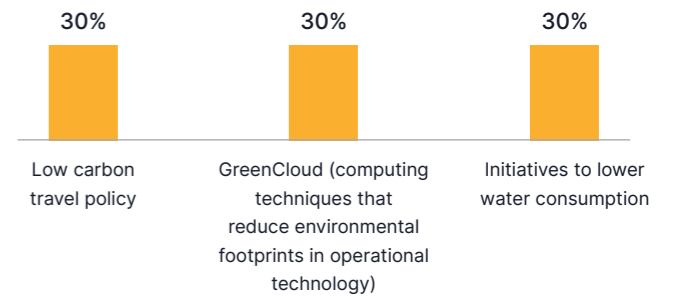
Measuring carbon footprint is complex in particular for the Scope 3 emissions. As a consequence, we had no company in portfolio measuring their carbon footprint in 2020. As a first milestone of improvement, 2 portfolio companies, SIACI and Artefact, calculated their carbon footprint in 2021 and we are considering to systematise the carbon footprint assessment for each of our portfolio company in 2023. The scoping is currently under development with respective management teams.

Once that said, 89% of our portfolio companies have already implemented initiatives to reduce their environmental footprint. Climate actions are on their way.

Mid Cap II
Top 3 Environmental Initiatives – Products & Services*



Mid Cap II
Top 3 Environmental Initiatives – Operations*



In 2021, portfolio companies within the Mid Cap II fund continued to implement environmental initiatives, both on the products and services and the operations sides. Many initiatives aim to lower companies’ GHG emissions overall, as seen through the most-widely implemented initiatives above. In addition to these initiatives, purchasing renewable electricity through

contracts with utilities and promoting energy efficiency in operations are important steps some companies are making to decrease emissions. An increasing number of companies have also shortened supply chains and have developed sustainable products and services to support their clients in adopting more responsible practices.



FOCUS: SIACI



SIACI has exceeded expectations in terms of environmental initiatives, particularly by using 100% renewable electricity in SIACI's sites in France through its contract with EDF. The Company has implemented initiatives to lower water consumption, the control of light and temperatures on site by centralising controls and setting up presence detectors to increase energy efficiency, the replacement of plastic cups in offices, the recycling of cigarette butts, a vehicle policy revised yearly, and a carbon footprint assessment performed every four years. Since 2015, SIACI reports

annually to the United Nations Global Compact on its commitments through its communication on progress (COP), which tracks CSR indicators on a yearly basis. SIACI has measured carbon footprint per employee, which was 3.6 tonnes CO2e/employee in 2020 compared to 5.8 tonnes CO2e/employee in 2016. The Company also supports its clients in their commitments by providing Environmental Liability insurance solutions. The aim is to promote the sustained resilience and functionality of ecosystems in the event of damage or risk of damage.

FOCUS: ARTEFACT



In addition to its "Data for Impact" CSR policy, Artefact also offers a programme called "Data for Sustainability," which provides services ranging from environmental auditing to carbon footprint reduction for clients. The programme was launched to support organisations in their environmental transitions. The company has also measured its own carbon footprint and implemented a new pillar of CSR called GreenFact. GreenFact includes allocation ESG responsibilities

and defining a roadmap to reduce the Company's carbon emissions with the goal of becoming a carbon emission pacesetter by 2025. Artefact's 2021 Data for Impact Report maps out lessons learned from this initiative and sets targets to reduce GHG emissions/employee from 4.6 tCO2eq to 3.4 tCO2eq. Taking into account its projected growth of +30% per year, Artefact's targeted footprint in 2025 is 3,317.9 tCO2eq (1,117 tCO2eq less than a Business-as-Usual scenario).

FOCUS: JIELI

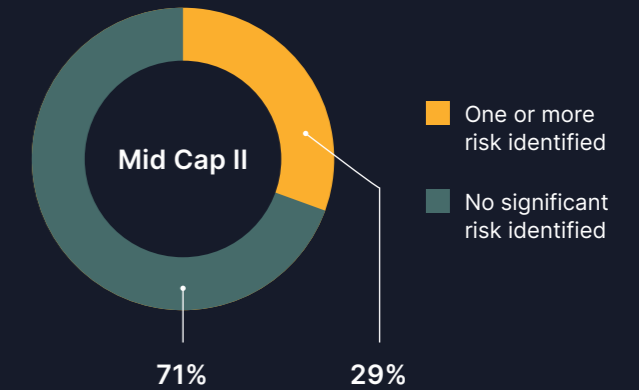


Jieli, as a leader in the development of color cosmetic pencil packaging materials, has been committed to deepening the development of the green recycling industry for many years. The company has a set of effective material recycling management and technological innovation systems, and takes the « 3R principle » (replace, reduce, refine) as a key pillar to break the traditional design thinking, by creating a variety of special packaging materials and working with major brands to promote the development of green circular economy.

Physical vulnerability to climate change



Sensitivity to raw material issues



Due to their size and/or activity, Mid Cap II portfolio companies have little exposure to climate change physical risks and to raw material issues.

Climate action at Cathay Capital

Climate issues are integrated into Cathay Capital Mid Cap II fund's ESG investment processes and the fund supports its participations in their transition:

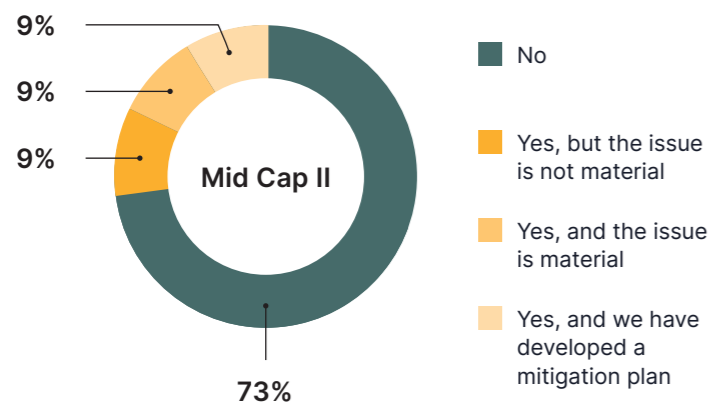
- Climate issues are integrated into Cathay's ESG Management system and are systematically addressed for each investment;
- Climate-related indicators are monitored every year through the reporting campaign (see details above);
- The fund supports companies in their climate transition and encourages them to implement dedicated actions to reduce their emissions. These actions include identifying key carbon intensive activities throughout the company's value chain (travel, data centres, etc.), using renewable energy for offices and car travel, raising awareness among employees, identifying solutions with suppliers to reach climate action ambitions etc.

Cathay Capital's Mid Cap II fund has not yet carried out a diagnosis of its carbon footprint as the issue represents limited materiality for the fund and its investments.

Biodiversity among our portfolio companies

For most Mid Cap II portfolio companies, biodiversity is not a material issue given the sector in which they operate and/or their relatively small scale. Nevertheless, conscious of the fundamental role biodiversity plays in our everyday lives and of the strong dependence of the business world on nature and its services, we strive to raise awareness among companies' management teams and to support them in understanding their impact.

Assessment of the company's impact on biodiversity



Among Mid Cap II portfolio companies, biodiversity has been identified as material for three entities. As a result, two of them have embarked on a journey to assess and manage their impacts on biodiversity. More specifically, Colori has developed a dedicated action plan to mitigate its impact on biodiversity.

FOCUS: MOOSE KNUCKLES



Cathay's investment teams engaged in discussions with the management of Moose Knuckles during the acquisition phase, who proactively announced that the company will no longer use natural animal fur by the end of 2022. As protecting nature and enhancing biodiversity is a key pillar of Moose Knuckles sustainability strategy, the company is also striving to establish sciences-based targets for the health of water, land, oceans, and wildlife.

Biodiversity action at Cathay Capital

Cathay Capital Mid Cap II fund's impact on biodiversity remains limited. Biodiversity issues are however integrated into each step of the investment process:

- At the acquisition stage through the exclusion list, which prevents the fund from investing in activities involved in the destruction of critical habitat or any forest project under which no sustainable development and managing plan is carried out (see Appendix for more details about the exclusion list);
- ESG Due Diligences performed by the fund include a materiality impact assessment covering biodiversity risks and actions are implemented whenever risks are identified (see the example of Moose Knuckles above).
- The fund applies a no-go policy when risks linked to biodiversity issues are considered too high.

Additionally, the entity's yearly reporting questionnaires include questions related to biodiversity (see details above). This raises awareness among companies' management teams and helps to monitor progress and initiatives taken at the companies' level.

FOCUS: SIACI



SIACI has been a member of the Act4nature initiative (a biodiversity preservation initiative) since 2018 and in 2021 has renewed and strengthened its commitments in favour of the preservation of biodiversity. In 2022, the objective is to extend this membership of Act4nature to the DIOT-SIACI Group and continue following biodiversity commitments taken in 2021.

Community involvement of our portfolio companies

Cathay Capital believes that in addition to providing direct benefits to local societies, community involvement has the potential to contribute to key business goals, including employee retention (i.e., boosting employee's pride of belonging, motivation) and improved reputation.

100%
community support

100% of Mid Cap portfolio companies provided community support in 2021, continuing the full participation in community involvement from both 2020 and 2019.

Our portfolio companies' societal engagement can take different forms

Donations to local organisations

- SIACI has a programme in which employees can donate as much as they want from their salaries to humanitarian and environmental non-profit organisations and the Company doubles the employee's donation amount.
- SIACI also donates to the French Red Cross to support projects annually.
- Artefact supports an academic research chair called Good in Tech, aiming at working on data, digital and AI ethics standards.
- In response to the resurgent Covid-19 pandemic outbreak, Colori acted proactively and swiftly by donating 40,000 bottles of hand sanitizer to frontline medical workers and volunteers in Suzhou (China).
- Liesheng donated RMB 23m to the Education Foundation of Chongqing Medical University, a donation aiming to help the school in relevant major education and scientific research, promote the research and application of scientific and technological products, and establish a mechanism for health management of chronic diseases.

Mentoring

- Artefact facilitates entry to the Artefact School of Data to democratise access to careers in data and engages in sponsorship, organizes mentoring, and conducts fieldwork with public authorities.
- SIACI and DIOT signed a partnership with «Nos Quartiers ont du Talent», which enables employees to spend time supporting a young graduate in setting up a first professional project.

Partnerships

- SIACI is a founding member of the HUMANINNOV Foundation, which promotes the development of inclusive management and retention of employees affected by a chronic disease.
- Artefact supports the association Sistech (Techfugees is a program within this association) through donation and skills mentoring.
- Moose Knuckles is a member of the Textile Exchange, a sustainability-focused, non-profit organization. The company is also a signatory to the 2025 Sustainable Cotton Challenge, the 2025 Recycled Polyester Challenge, the UN Global Compact pledge, and is a participant in the Corporate Fibre & Materials Benchmarking program of the Textile Exchange.

Cathay Foundation: a long-standing ESG contribution to the wider community

Since 2011, the Cathay Capital Foundation has sponsored initiatives that deepen mutual understanding between Western and Chinese cultures. Investors, researchers, and artists alike share the qualities of curiosity, openness, and the joy of giving back. The Foundation sponsors cultural events, education programs, and the translation of works from thought leaders and researchers across the French and Chinese languages.

The Foundation seeks to become a vector of exchange between the two great economic and cultural powers of Europe and China, and more broadly to build a network founded upon knowledge-sharing and a spirit of goodwill across continents.

As an example, the Cathay Capital Foundation created the “French Dream” programme in 2015, aiming at supporting young people from unprivileged backgrounds to develop their potential through a mentoring system involving volunteers from the business world. A new step of this program was launched at the end of 2021 with 2 new initiatives led by Cathay Capital Foundation’s new partner, Proximité. In this framework, the association will open a new branch in Orléans, and Cathay teams based in Paris will be able to engage in new mentoring programmes. Through this new partnership, Cathay Capital is proud to provide concrete answers to social inequalities and to contribute to fight against stereotypes and prejudices. Since its creation, Proximité has supported over 5,000 young people.



Collaborations

In order to build and refine our methodologies, along with the compilation of this report, we are thankful for the guidance, collaboration and recognized industry expertise from the leading organisations PwC and Sirsa.



PwC: Sustainability Strategy

Founded in 1993 in France, PwC's Sustainability Strategy team now counts more than 70 dedicated experts and consultants. Our team relies on a strategic Global Sustainability platform, which brings together more than 2,000 sustainability professionals across 70 countries and manages a Sustainability Community of 150 sector and subject-matter experts within PwC France (finance, risk, transformation, supply chain, blockchain, data intelligence, economic modelling, etc.). Building on expertise spanning across all sectors of activity, our consultants support investors, banks, and companies of all sizes, to anticipate, integrate and implement the most innovative sustainability approaches. Learn more:

<https://www.pwc.fr/fr/vos-enjeux/conseil-en-developpement-durable.html>



Sirsa: Reporting 21

Founded in 2014 in France, Sirsa is a consulting firm specialised in sustainable transformation. Its method is based on data activation to help organisations become more transparent and impactful. A team of over 30 consultants guides financial actors and companies of all sizes on ESG issues across their value chains, from analysing risks to reporting results. Sirsa's SaaS platform Reporting 21 facilitates data collection and analysis, among many other functionalities. Learn more:

www.sirsa.io/en | www.reporting21.com

Appendix A: Exclusion list

ESG exclusion list

- Production or trade in any product or activity deemed illegal under host country laws and France or regulations or international conventions and agreements;
- Production or activities involving forced labor or child labor;
- Trade in wildlife or wildlife products regulated under CITES;
- Drift net fishing in the marine environment using nets in excess of 2.5 km in length;
- Destruction of critical habitat and any forest project under which no sustainable development and managing plan is carried out;
- Production or use of or trade in hazardous materials such as asbestos fibers and products containing PCBs;
- Production, use of or trade in pharmaceuticals, pesticides/herbicides, chemicals, ozone depleting substances and other hazardous substances subject to international phase-outs or bans;
- Cross-border trade in waste and waste products unless compliant to the Basel Convention and the underlying regulations;
- Production or trade in i) weapons and munitions, ii) tobacco, iii) hard liquor for human consumption;
- Gambling, casinos and equivalent enterprises;
- Any business relating to pornography or prostitution;
- Any activity involving significant altercation, damage or removal of way critical cultural heritage;
- Production and distribution of racist, anti-democratic or with the intent to discriminate part of the population.

LPA prohibited activities:

- Activities involving any use of forced labour or child labour;
- Activities that are illegal under the law of the host country or under international treaty, convention or regulation, in particular activities not consistent with the Kimberley Process concerning trade in diamonds and activities counter to the International Tropical Timber Organization (ITTO) agreement;
- Production of, or trade in, arms or ammunition;
- Production of, or trade in, tobacco and alternative tobacco products, such as vaporisers and electronic cigarettes (tobacco heating products);
- Gambling, casinos and equivalent activities;
- Trade in wildlife and products within the scope of CITES (the Convention on International Trade in Endangered Species of Wild Fauna and Flora);
- Production of, or trade in, radioactive materials;
- Production of, or trade in, or use of, asbestos;
- Commercial deforestation or purchases of equipment for such purposes in tropical rain forests;
- Production of, or trade in, products containing polychlorinate biphenyl (PCBs);
- Production of, or trade in and storage or transport of significant volumes of dangerous chemicals, or the use of dangerous products for commercial purposes;
- Production of, or trade in, pharmaceutical products subject to international prohibition or destruction requirements;
- Production of, or trade in, pesticides or herbicides subject to international prohibition or destruction requirements;
- Production of, or trade in, ozone depleting substances subject to international destruction requirements;
- Fishing at sea with the use of floating nets of a length exceeding 2.5 km;
- Production on, or investment in, land belonging to, or claimed in an adjudication process by, an indigenous people without the duly documented agreement of the same people;
- Production or distribution of, or trade in, pornographic material;
- Prostitution;
- Products and commodities subject to French or European embargo;
- Production of, or trade in, narcotics (including cannabis and any product with cannabis as an ingredient);
- Production of, or trade in, drugs and substances;
- Upstream or downstream palm oil value chain (it being understood that upstream and downstream palm oil value chain does only refers to companies involved in the extraction, production and distribution of palm oil and not to companies which use palm oil in their products);
- Construction (including expansion and upgrading) of a coal-fired power plant, or (ii) power generation sector that owns or operates coal-fired power plants and for which coal-fired power accounts for at least 30% of its total installed power generation capacity;
- Exploration, development and production of oil sand and/or shale oil and gas, or (ii) arctic oil and gas exploration projects, or (iii) pipelines transporting a significant volume of oil sand and/or shale oil and gas, as well as LNG export terminals supplied by a significant volume of shale gas; and (a) (i) greenfield and/or expansion of existing mining projects, covering mine planning and development, operation, on-site processing of extracted ore, mine closure and rehabilitation, or (ii) owns mining assets representing a significant share of its total assets and is involved in exploration, development or operation of such mining assets.

Appendix B: Energy Climate Law requirements

The Article 29 of the Energy-Climate Law replaces Article 173 – VI TECV and supplements the SFDR. Published in 2021, it provides a framework for extra-financial reporting by defining the information to be published on the inclusion of ESG quality criteria in the investment policy and on the means implemented to contribute to the energy and ecological transition.

As such, all asset management companies must now publish a dedicated annual report on their website.

Managing more than 500M€ euros of assets, Cathay Capital's Mid Cap II fund is subject to all the elements required for the first report published in 2022 and relating to the financial year 2021. This report constitutes the fund's annual compliance by responding to its regulatory requirements, as detailed in the correlation table below.

Correlation table with the provisions of Decree No. 2021-663 of 27 May 2021 pursuant to Article L. 533-22-1 of the Code Monétaire et Financier.

Article 29 of Energy-Climate Law topic	Cathay Capital Private Equity (entity level)	Mid Cap II fund (fund level)	Corresponding section in report
1° Information related to the entity's general approach	x	-	N/A
2° Information on the internal resources deployed by the entity	x	-	N/A
3° Information regarding the approach to taking into account environmental, social and governance quality criteria at the entity's governance level	x	-	N/A
4° Information on the engagement strategy with issuers and its implementation	x	-	N/A
6° Information on the strategy for aligning with the international objectives for limiting global warming set out in the Paris Agreement, in accordance with Article 4(2)(d) of the SFDR	x	x	> 2021 ESG Performance Results > Engaging in environmental efforts > Climate action at Cathay Capital
7° Information on the strategy for alignment with long-term biodiversity objectives	x	x	> 2021 ESG Performance Results > Engaging in environmental efforts > Biodiversity action at Cathay Capital
8° Information on the steps taken to take into account environmental, social and governance quality criteria in risk management	x	x	As part of the fund's due diligence process, each company is assessed regarding the 4 requirements of the Sustainable Investment procedure: 1. Exclusion list 2. Identification of company / sectorial risk level 3. Identification and classification of operations according to key ESG themes 4. Assessment of company operations and action plan As such, environmental, social and governance risks are identified and assessed, and the funds ensures they are well managed before investing in the company.

For more information about Cathay Capital Private Equity's compliance with the ESG reporting obligations required by the Article 29 of the Energy-Climate Law, please see the entity's 2021 report on [Cathay Capital's website](#).





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