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# 2021 ESG Report

Cathay Capital Private Equity  
Small Cap III & IV



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## Foreword from President & Co-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.**



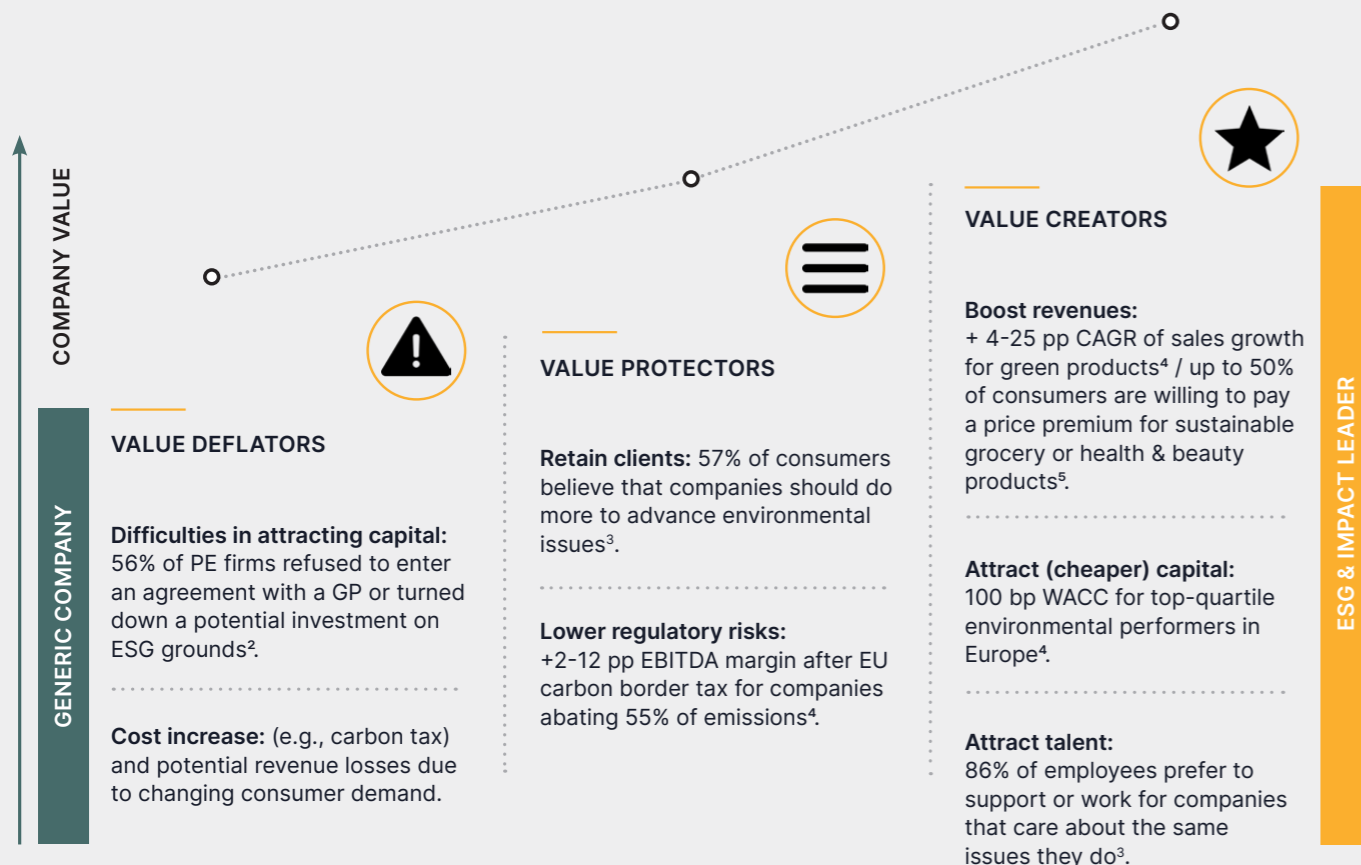


# Creating value through ESG

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 pandemic<sup>1</sup>.

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

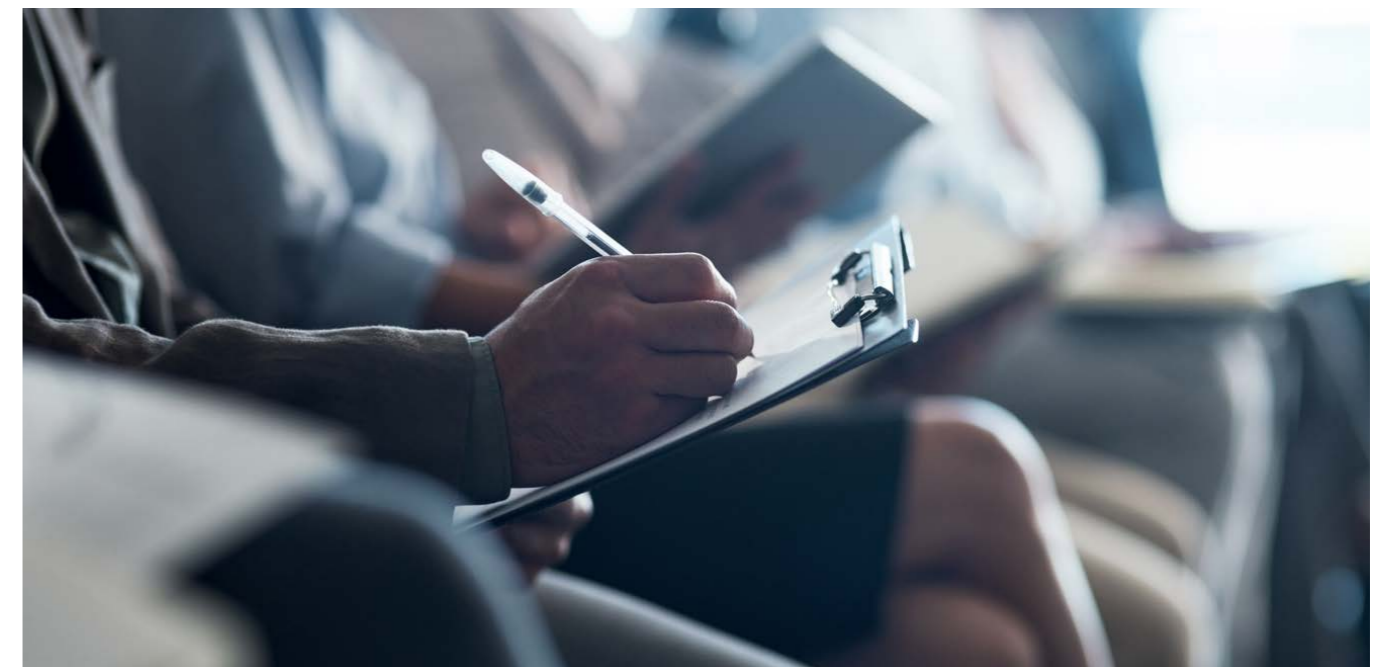
The year 2021 was an opportunity for us to consolidate the actions initiated in 2020 and to strengthen our commitment to our portfolio companies. Main achievements and progress during the year are mentioned below

- 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

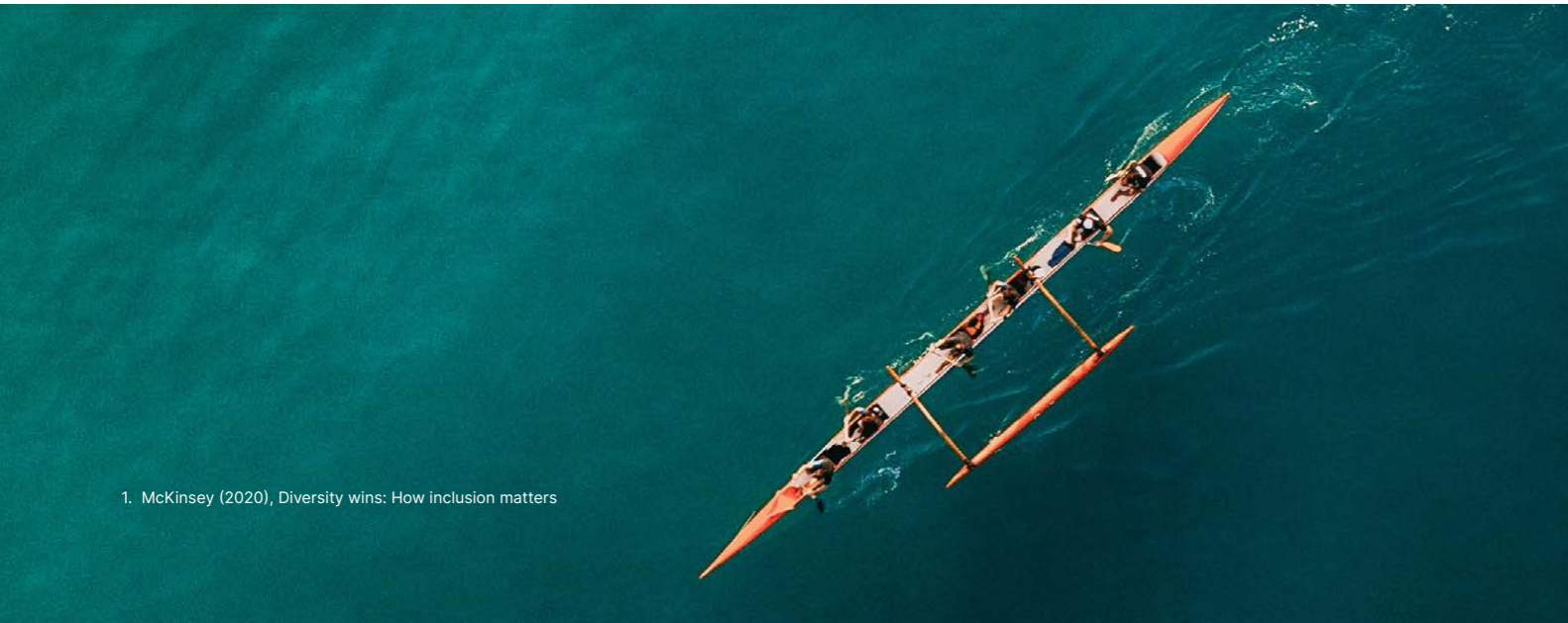
- We report overall a **very positive evolution of most of ESG KPIs, especially regarding business ethics, Health and Safety (H&S) and HR issues.**
  - The Small Cap III portfolio is distinguished by the companies' commitment to **value sharing and the numerous HR initiatives implemented** following the COVID-19 crisis and **aiming at promoting employees' well-being and development.**
  - More and more portfolio companies also **strive to better understand and limit their products and services' impact on the environment through dedicated actions.**
- We have included in this 2021 ESG report four companies belonging to the Small Cap IV portfolio. For this first year of reporting, the fund's companies register overall good level of performance on ESG issues, especially regarding business ethics, HR and societal engagement.
- Several companies **stand out for their broader impact on society**, such as Le Wagon and AD Education with their extensive educational offering, or Biose and Righton Gene which help bring quality sustainable healthcare and improve health globally.
- Such results give us confidence that actions undertaken in the last years have paid off and that companies will keep improving in 2022.



# Sustainability is a journey

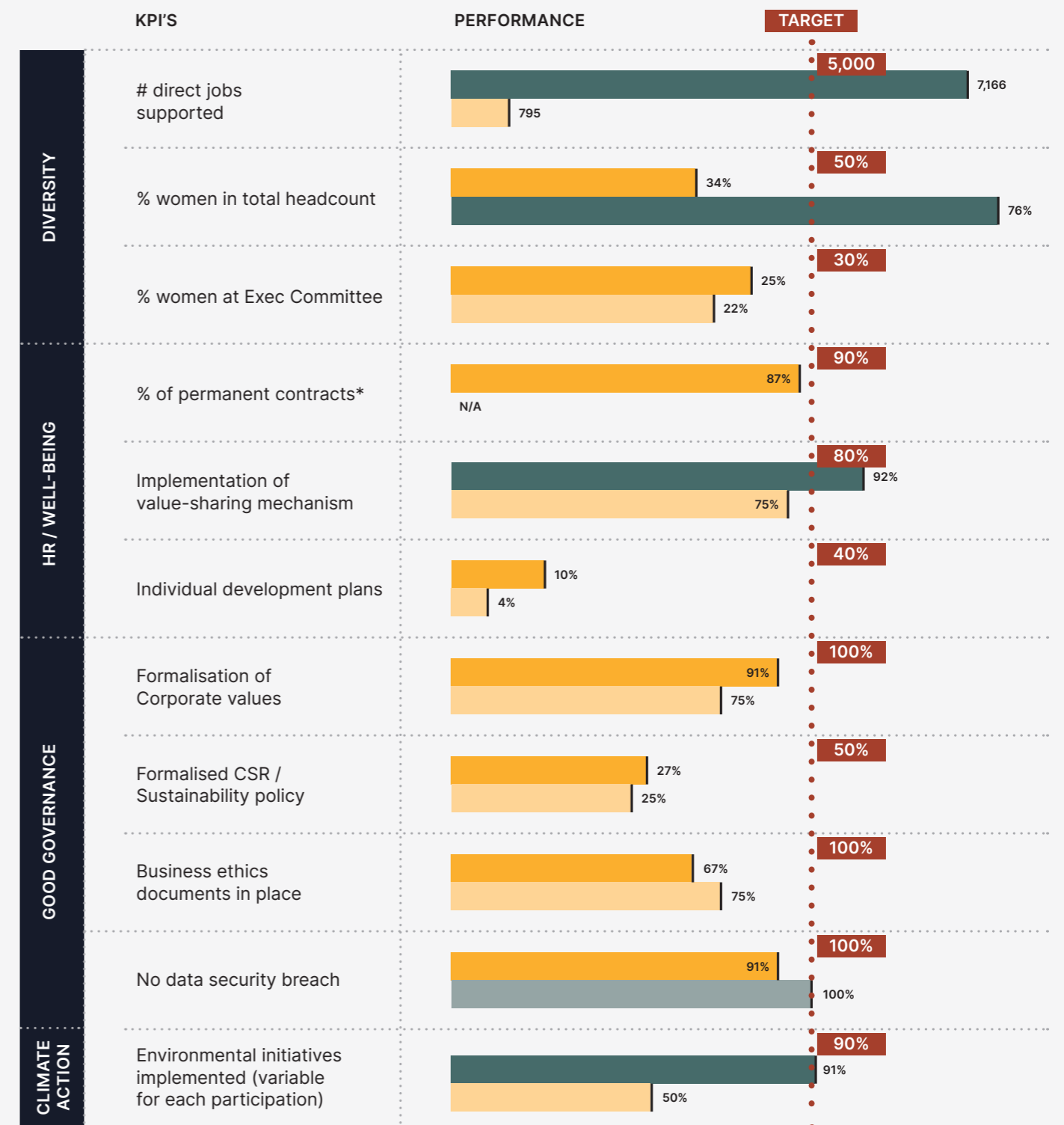
The progress achieved in 2021 creates a strong incentive to further articulate ESG fundamentals, drive forward sustainability values, and guide our portfolio companies toward greater awareness and concrete action plans. Cathay is indeed committed to improve even further core KPIs with Mid Cap portfolio 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 27% in 2021 to 50% in 2025: 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 25% in 2021 to 30% in 2025: At Cathay Capital, we are convinced that diversity is a key corporate performance driver. According to a study led by McKinsey<sup>1</sup> in 2020, companies having the best results regarding gender diversity on executive teams were 25 percent more likely to have above-average profitability than companies with the lowest results.
- **Business ethics document systematically set in place** – From 67% in 2021 to 100% in 2025: 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



\*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.





# Cathay's Small Cap III Fund

For the year 2021, Cathay did not acquire new portfolio companies in the Small Cap III Fund. This section presents each of the 12 portfolio companies that participated in the 2021 ESG reporting campaign. In 2021, Labelium and Guanghua Education exited the Small Cap III Fund.



The Independents is a creative agency that offers communications, event management, and marketing services to its clients in the fashion, luxury, beauty, and lifestyle sectors.



**Investment date:**  
July 2017  
**Headcount:**  
500

**Sector:**  
Business  
/digital services



Aihuishou is one of China's largest electronics recycling services platform, focusing on used cell phones, tablets, laptops, and smart digital products.



**Investment date:**  
December 2016  
**Headcount:**  
2497

**Sector:**  
Consumer products  
/services



FuturMaster is the leading APS (Advanced Planning and Scheduling) software developer in France.



**Investment date:**  
June 2020  
**Headcount:**  
179

**Sector:**  
E-commerce  
/logistics



Le Wagon is a coding school open to all, offering short and intensive on-site trainings or "coding bootcamps" in web development and data science.



**Investment date:**  
March 2020  
**Headcount:**  
127

**Sector:**  
Education  
/future of work



OrderPlus is one of the leading players in China's e-commerce exports sector, primarily targeting the fashion space.



**Investment date:**  
July 2019  
**Headcount:**  
543

**Sector:**  
E-commerce  
/logistics



Medifa is a designer and manufacturer of ready-to-use modular operating room systems, mobile operating tables and accessories for operating rooms and facilities requiring aseptic rooms.



**Investment date:**  
July 2019  
**Headcount:**  
304

**Sector:**  
Healthcare



Brass Master is an original designer and manufacturer of brass-made handicrafts.



**Investment date:**  
September 2018  
**Headcount:**  
1000

**Sector:**  
Consumer products  
/services



Soocas (Shenzhen) Technology Co., Ltd. is a digital native vertical brand dedicated to electronic products for personal care such as electric toothbrushes, water flossers, shavers, and hairdryers.



**Investment date:**  
February 2018  
**Headcount:**  
387

**Sector:**  
Consumer products  
/services



Easyvista offers two IT Service Management software: Service Manager (software to manage IT back-office tasks) and Self-Help (knowledge bases that employees can use in troubleshooting).



**Investment date:**  
September 2020  
**Headcount:**  
269

**Sector:**  
Business / digital  
services



Biose Industrie is a French Contract Development and Manufacturing Organisation (CDMO) dedicated to Live Biotherapeutic Products.



**Investment date:**  
July 2020  
**Headcount:**  
260

**Sector:**  
Healthcare



Yeelight is a leading innovative smart lighting company that develops and produces smart home lighting products and provides smart lighting solutions.



**Investment date:**  
October 2018  
**Headcount:**  
507

**Sector:**  
Consumer products  
/services



Righton Gene is a leading IVD company focused on the development, manufacturing, and distribution of molecular diagnostic test kits. The company's product line covers diagnostic, prognosis, drug selection, and therapeutic monitoring of leukemia, lymphoma, and solid tumor patients.



**Investment date:**  
January 2018  
**Headcount:**  
593

**Sector:**  
Healthcare

# Cathay's Small Cap IV Fund

For the year 2021, Cathay's Small Cap IV Fund consists of four companies: AD Education, ChowSing, Wenext, and Mistine, with the last three acquired in 2021. This section presents independently each of the 4 portfolio companies that participated in the 2021 ESG reporting campaign.



The AD Education Group is a French leader of higher education in art professions, design, culture, and communications.



**Investment date:**  
March 2021  
**Headcount:**  
800

**Sector:**  
Education  
/future of work



ChowSing is a company that owns the well-known pet nutrition & food brand, Nourse, pet product brand, ChowSing, and a pet product distribution channel, BRGON.



**Investment date:**  
April 2021  
**Headcount:**  
201

**Sector:**  
Consumer products  
/services



Created in Thailand, Mistine is a reputable beauty brand, well known for its tropical, affordable and high-quality beauty products, notably for sunscreen and foundations.



**Investment date:**  
March 2022  
**Headcount:**  
374

**Sector:**  
Consumer products  
/services



WeNext provides professional services such as 3D printing, CNC Machining, injection molding, and vacuum casting for various industries.



**Investment date:**  
December 2021  
**Headcount:**  
220

**Sector:**  
Business  
/digital services





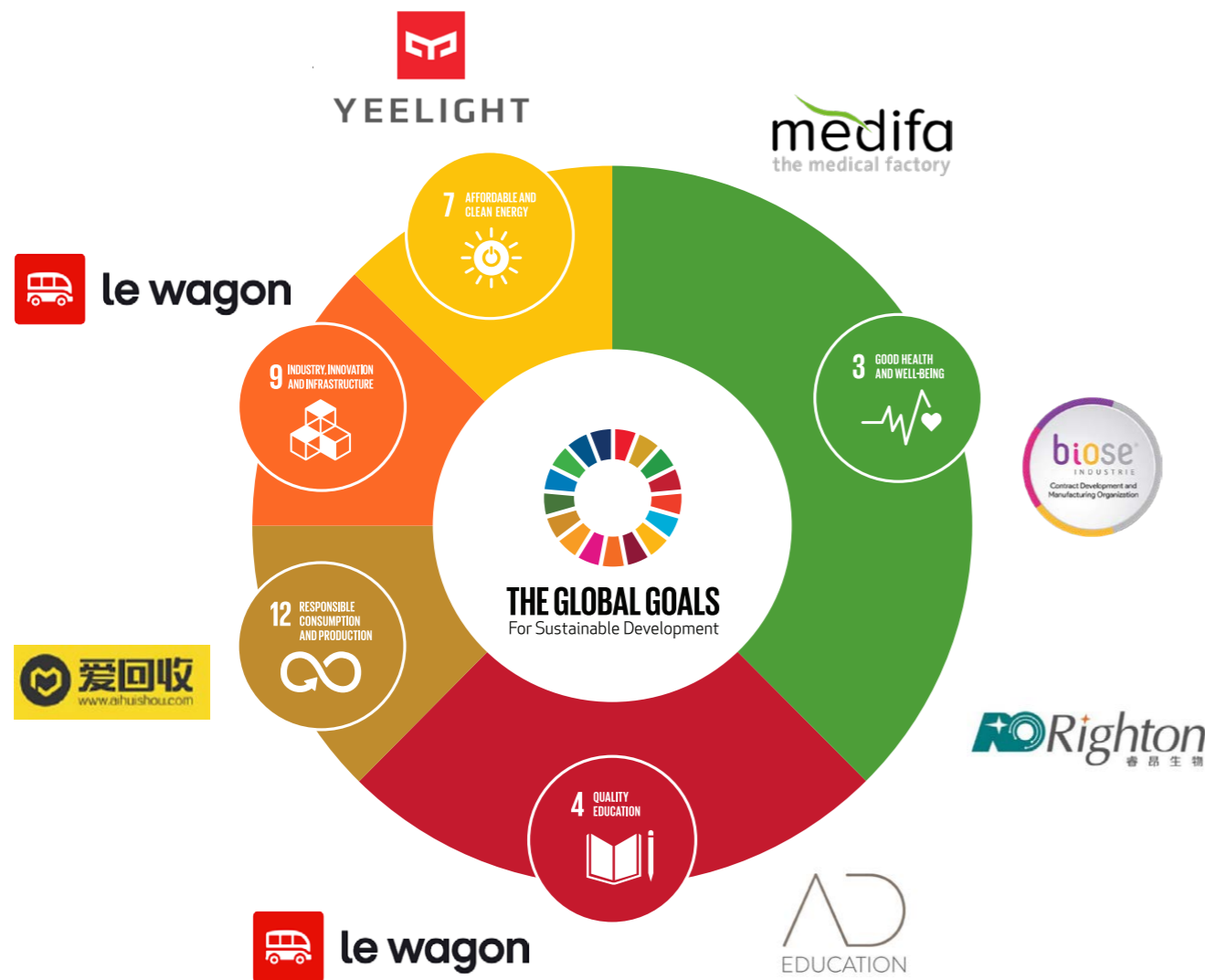
# 2021 ESG Performance Results





# Contributing to major societal goals

Cathay Small Cap III and IV portfolio companies have deployed efforts to manage material extra-financial topics and improve their ESG performance. Several of them however go beyond ESG topics by contributing to the achievement of broader social goals through their business activity. Nearly half of Small Cap portfolio companies tackle UN Sustainable Development Goals.



## FOCUS: AD EDUCATION



With 16 schools and around 60 campuses spread across 10 European countries, AD Education has a strong impact on the professional development of young Europeans. The company works on improving access to education and promoting knowledge and skills related to sustainable development in the framework of its responsible approach:

- AD Education’s schools work on developing offers of scholarships and apprenticeships. As a result, the share of apprenticeships within the Group increased in 2021.
- More and more sustainable development programs are being offered to the schools’ students. Going further, the Group’s ambition is to mainstream the issue across all courses offered, especially when related to art and design professions.

## FOCUS: LE WAGON



Le Wagon has 44 campuses internationally, across 44 cities and 5 countries, and has maintained the same goal since its founding in 2014—to transform the lives of their students through learning to code. Of the 44 cities, 9 are in Africa and offer remote courses, which shows that the company seeks to have a positive global impact and to promote diversity in terms of skill levels, perspectives, and nationalities.

Since its creation, Le Wagon had trained 13,500 individuals in coding fundamentals - 3,442 students completed the coursework in 2021 alone. Benefits of the training offered by Le Wagon are often shown on the job market: 93% of trained students found employment after the bootcamp within an average of 34 days, which demonstrates Le Wagon’s ability to significantly boost the employability rate of its graduates.

Furthermore, thanks to Le Wagon’s Career Services team which works closely with 200 top tech companies, former students have been hired by the best tech companies (e.g. Google, Meta, Microsoft, Apple, N26, Amazon, Lydia, Doctolib, qonto, BackMarket, etc.).

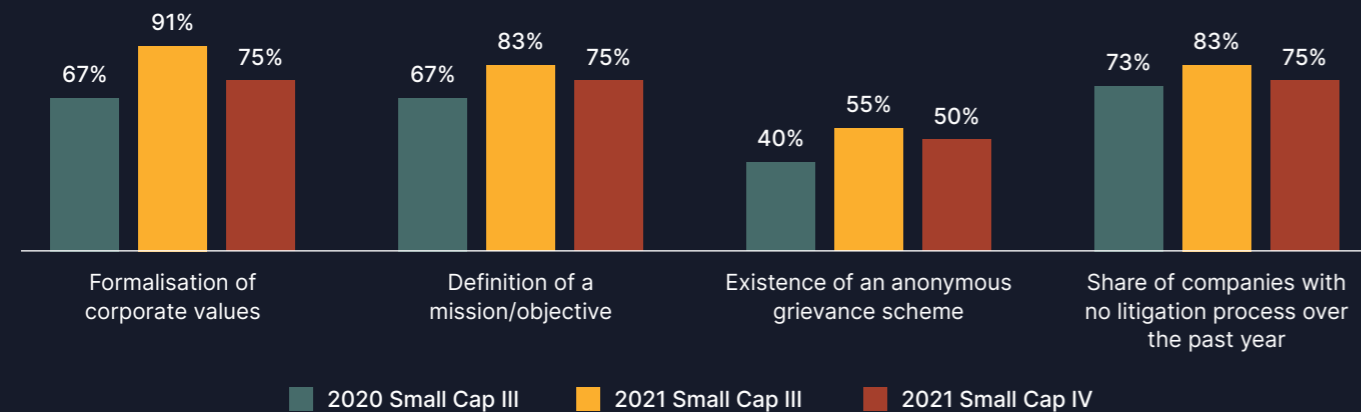


Building a robust governance

# Corporate governance



Small Cap III & IV Corporate Governance KPIs\*



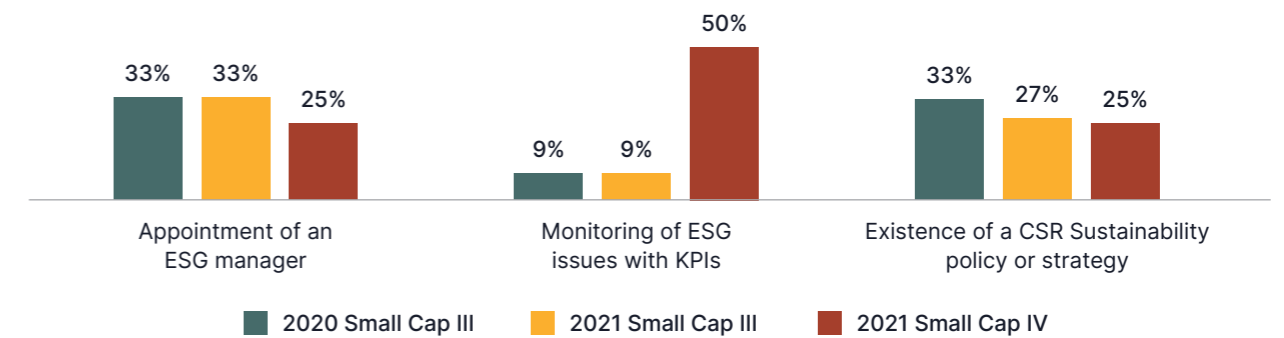
The portfolio companies in the Small Cap III fund all underwent growth in terms of corporate governance since 2020. This evolution shows a push towards transparency and that portfolio companies have thoroughly considered their companies' future directions and business integrity, which further builds trust with investors and in the community.

Small Cap IV companies also show positive participation in key corporate governance initiatives. In order to ensure French portfolio companies' compliance with the Sapin II law, Cathay PE will step up its engagement to ensure the implementation of anonymous grievance scheme.

# ESG governance

Cathay Capital 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.

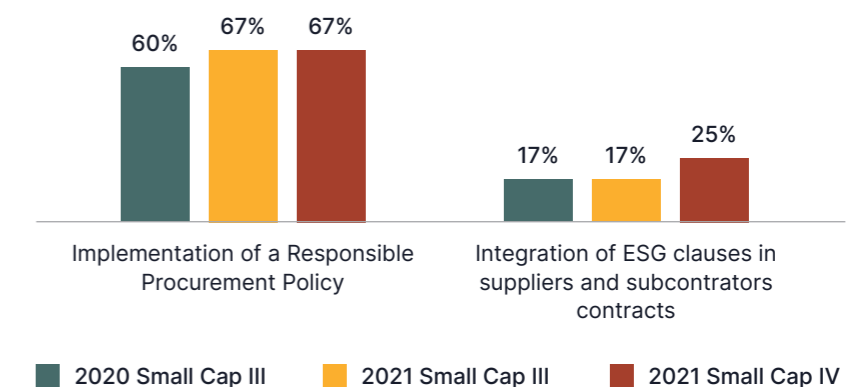
Small Cap III & IV ESG Governance KPIs\*



In 2021, ESG Governance data for Small Cap III companies remained consistent compared to 2020 values. Regarding the existence of a CSR Sustainability policy or strategy in particular, the difference in percentages between 2020 and 2021 can be attributed to the exit of the asset Labelium from the Small Cap III portfolio. Three companies indeed reported such policy in both 2020 and 2021. Half of Small Cap IV companies monitor ESG issues with KPIs, which allows them to remain accountable in tracking their progress in ESG matters.

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.

Small Cap III & IV Operations and Supply Chain KPIs\*



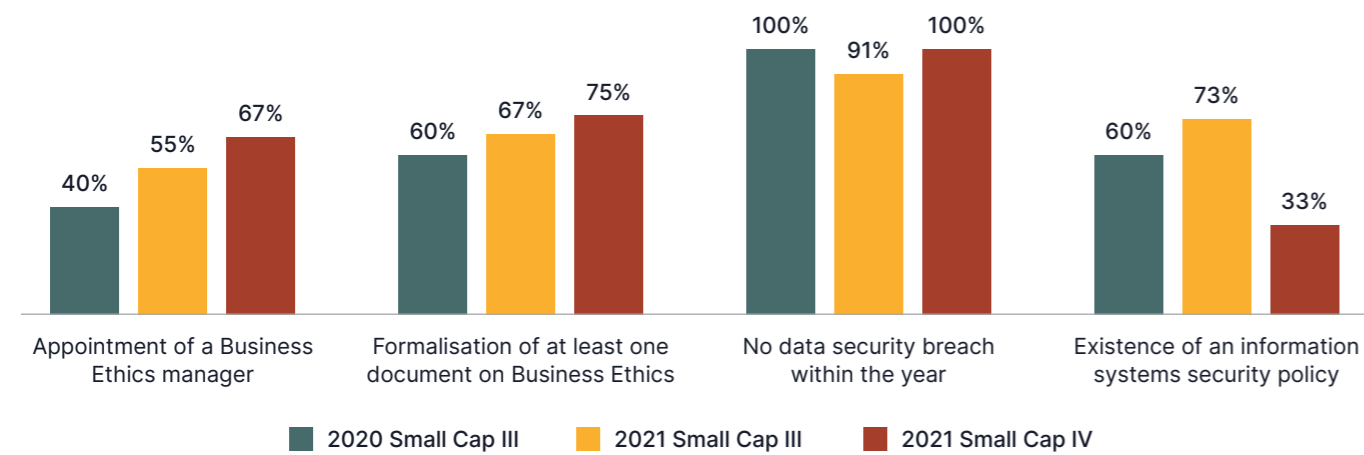
KPIs for Operations and Supply Chain for Small Cap III portfolio companies show consistency with 2020 data in 2021, with growth in the percentage of Small Cap III Companies that implemented a Responsible Procurement Policy.

## 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.

Small Cap III & IV Business Ethics KPIs\*

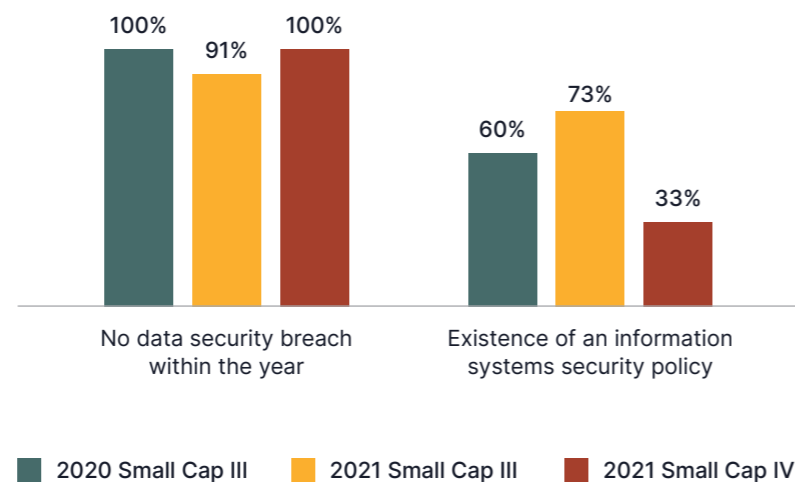


Despite the growing risks, only one portfolio company reported a data security breach. Furthermore, the presence of an information systems security policy in 73% of Small Cap III companies indicates that the infrequency of breaches is no coincidence and justifies further expansion of related good practices.

## Cybersecurity

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

Small Cap III & IV Cybersecurity KPIs\*



Despite the growing risks, only one portfolio company reported a data security breach. Furthermore, the presence of an information systems security policy in 73% of Small Cap III companies indicates that the infrequency of breaches is no coincidence and justifies further expansion of related good practices.





# Equipping collaborators to succeed



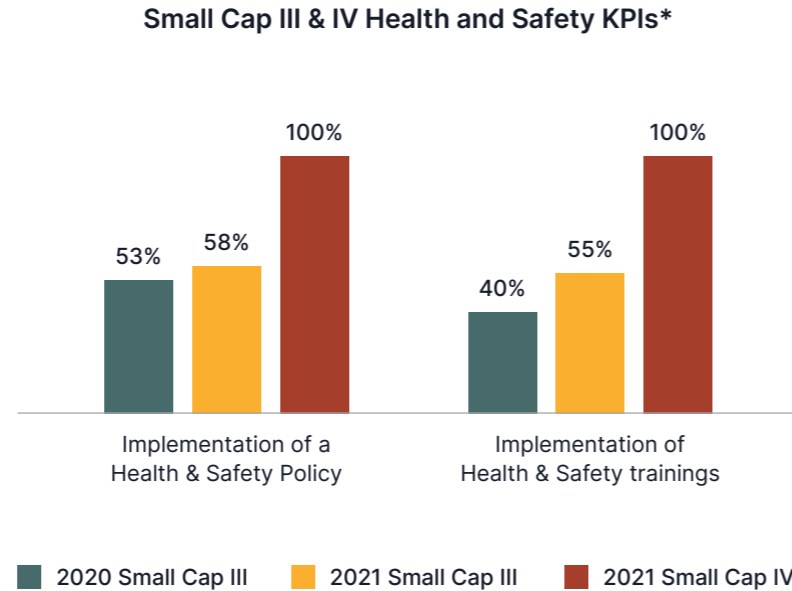


## Health & safety

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

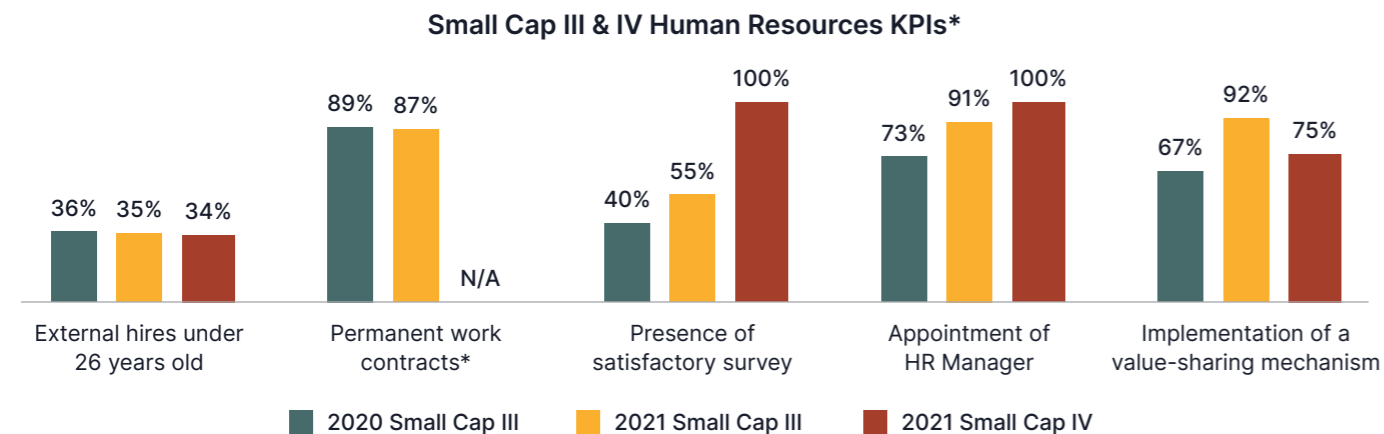
Health & Safety management systems in place and their efficacy. These indicators may have more relevance for certain sectors over others, and thus may not be applicable to all portfolio companies.

Health & Safety issues are duly managed in portfolio companies for which such issues are material. The share of Small Cap III companies that perform health and safety trainings indeed increased to 58% in 2021 and more companies formalized a health and safety policy. Nonetheless, Cathay reaffirms its wishes for all its portfolio companies to implement a safety, hygiene, and security policy. Small Cap IV companies are performing strongly on this topic, with 100% having reported that they have implemented both a health & safety policy and trainings.



## Human resources among our portfolio companies

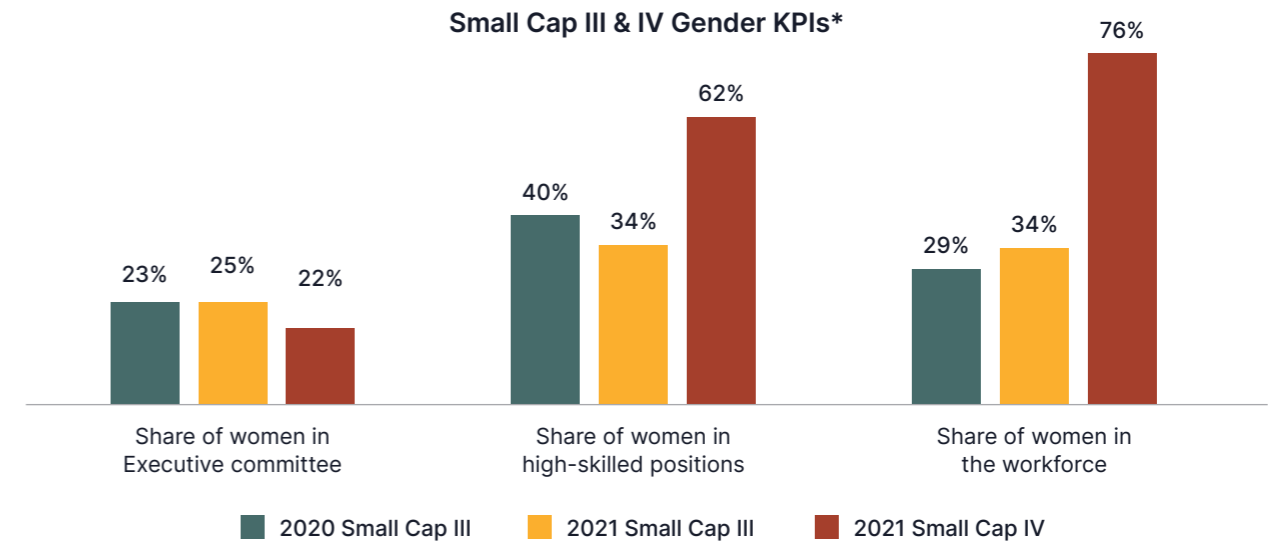
Cathay reaffirms its commitment to fair and just processes within human resources among its portfolio companies.



Many new HR initiatives were implemented in 2021 among portfolio companies, such as the launch of satisfaction survey and the implementation of value-sharing mechanism, both highly contributing to employees' engagement and retention. Moreover, almost all 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 on the Executive Committee. Encouraging levels can be observed across all categories of gender KPIs. Looking ahead at 2022, there is room for improvement regarding the share of women in high-skilled positions, particularly for Small Cap III companies. Small Cap IV companies show exceptionally high shares of women in high-skilled positions and in the workforce.

## 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.

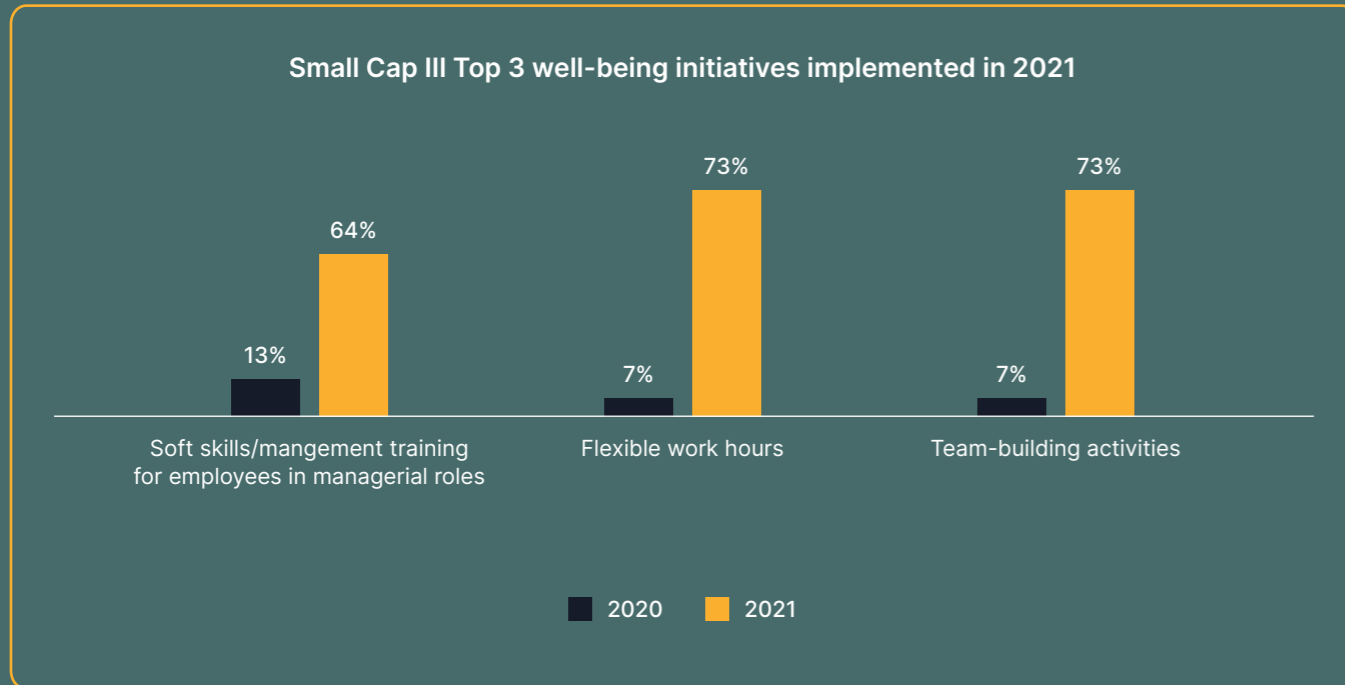
The audit led to the definition of a mid-term roadmap with several actions being implemented in 2021, such as:

- 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



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. Apart from the top three most-implemented initiatives in the graph, the majority of Small Cap III companies offer employees individual development plans, and some provide a skills-based sponsorship programme for employees.

For Small Cap IV, three of the four portfolio companies report having a wellbeing policy or guidelines, management training for employees in managerial roles, flexible work hours, individual development plans, subsidised development courses, team-building activities, and skills-based sponsorship programs. 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 also contribute to fostering well-being at work.





# Engaging in environmental efforts





# Climate action among our portfolio companies

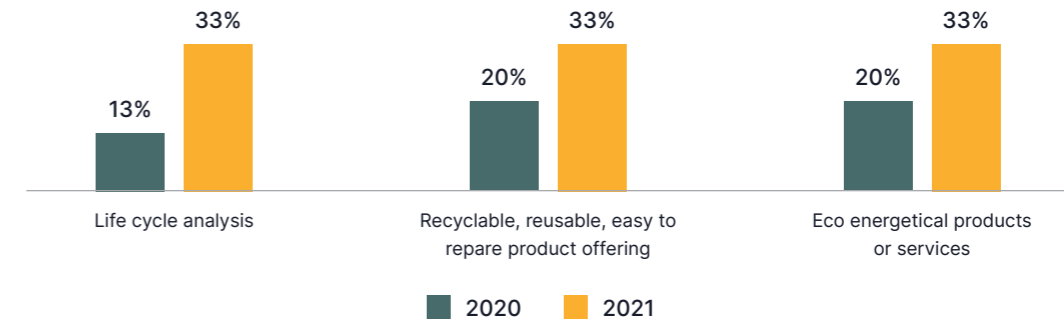
In the context of the rising concerns around climate change and in alignment with Cathay’s commitment to protecting the environment per its ESG Procedure, Cathay Capital strives to ensure that portfolio companies implement initiatives to measure and reduce their environmental footprint and promote the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

Small Cap III  
Top 3 Environmental Initiatives – Products & Services\*



In 2021, portfolio companies within the Small Cap III fund continued to implement environmental initiatives, especially related to products and services. More and more companies use life cycle analyse to better understand their impact and orient strategic decisions. Moreover, one third of the portfolio companies now develop sustainable products and services to support their clients in adopting more responsible practices.

Regarding operations, four companies implemented energy efficiency measures. Beyond these three main initiatives, several portfolio companies have implemented policies allowing employees to work from home, which contributes to reduce their GHG emissions. Some companies have also started to shorten their supply chains and use recycled materials in products and services to lower their environmental footprints.

## FOCUS: THE INDEPENDENTS



The Independents has introduced a CSR policy that focuses on the environment in terms of reducing carbon emissions based on the following key pillars:

- Integration of eco-conception into the design and production of all events and offices
- Reusing materials (e.g. re-using existing décor)
- Upcycling & giving a second life to materials whenever possible
- Sorting and recycling waste
- Single use plastic ban
- Responsible catering
- Minimizing fossil fuel use and favorizing the use of green energy
- Traveling efficiently and reducing non-essential flights
- Implementation of operational carbon compensation

The Company plans to further develop this policy with clearer objectives extending to social aspects to ensure and maximise the wellbeing of employees and favour diversity.

As the impact of most Small Cap IV companies on climate change and the environment is limited, only half of them have implemented related initiatives. For instance, given its activity, Wenext is engaged to favour recycled products and to limit its emissions related to IT and travel.



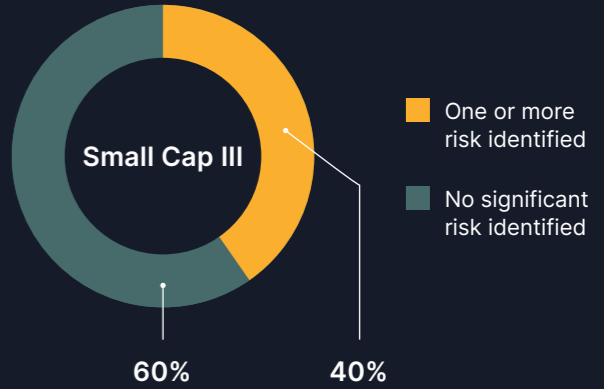


**Physical vulnerability to climate change**  
 (out of 4 companies that conducted an assessment)



To date, most portfolio companies have not yet formally assessed their vulnerability to physical risks (4 companies have done so) or to raw material issues (5 companies), nor have they integrated transition risks related to climate change and the energy transition in their decision-making processes.

**Sensitivity to raw material issues**  
 (out of 5 companies that conducted an assessment)



However, due to their size and/or activity, Small Cap III portfolio companies have little exposure to climate change physical risks and to raw material issues. These issues have not been evaluated for Small Cap IV portfolio companies.



## 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.

### How we provided community support in 2021

58%

Small Cap III portfolio companies

100%

Small Cap IV portfolio companies

## Our portfolio companies' societal engagement can take different forms

### Donations to local organisations

- Medifa supports the local organisations "Kinder ohne Hunger e.V." (Children without Hunger) and "Bildungschance Rastatt e.V." (Education Opportunities Rastatt).
- Aihuishou donated RMB 5.05 million to participate in the flood rescue in Henan Province, China in 2021.
- Brass Master donates to causes including poverty alleviation and student assistance.

### Community service

- Employees of The Independents can use a workday for community service, paid by the employer, to work for an NGO or a dedicated project.
- Le Wagon engages in a Coding for the Unemployed project.

### Partnerships

- Aihuishou carries out public welfare education through «AHS Charity and Love: Digital Education Aid Program for Rural Children," which supported 52 schools, provided educational resources to more than 9,840 children in mountain villages, and delivered 2,952 educational sessions in 2021.



Le Wagon, Unemployed coding project



# Cathay PE's ESG contributions to the wider community: Cathay Foundation

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, Proxité. 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, Proxité 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](http://www.sirsa.io/en) | [www.reporting21.com](http://www.reporting21.com)



## Appendix A: Exclusion lists

### SmallCap III: (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, alcoholic beverages (other than beer and wine)
- Production of, or trade in, tobacco;
- Gaming, 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;
- Activities contrary to applicable ADS or IFC policies (whichever is stricter in the case concerned)
- Threats to the status of individuals, leases, companies or private institutions
- Production or distribution of, or trade in, pornographic material;
- Prostitution;
- Products and commodities subject to French or European embargo.

### SmallCap IV:

- 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, in weapons and ammunition of any kind, it being understood that this restriction does not apply to the extent such activities are part of or accessory to explicit European Union policies;
- Production of, or trade in, tobacco, related products and alternative tobacco products, such as vaporisers and electronic cigarettes (tobacco heating products);
- Production of, or trade in, distilled alcoholic beverages and related products;
- Gambling, casinos and equivalent activities;
- Companies which, at the date of the Fund's investment, derive part of their revenue from coal-based activities, including, but not limited to, coal extraction and/or coal power generation and/or electricity via a coal powered plant and/or coal mining activities;
- Companies which operates any power generation plant and heat networks whose fossil mix represents more than thirty (30)% of the total production mix or whose electricity or emission factor of the heat production is higher than 500 g CO<sub>2</sub> per kWh produced, it being specified that 500 g CO<sub>2</sub> per kWh is the average emission factor of the world's electricity production);
- 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, illicit 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) ownership or operation of one or more coal-fired power plants, (iii) operation of one or more thermal coal mines (electricity production);
- 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
  - (bb) (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;
  - (cc) research, development or technical applications relating to electronic data programs or solutions, which (i) aim specifically at: (A) supporting any activity referred to under (a) to (c) above; (B) internet gambling and online casinos; or (C) pornography; or (ii) are intended to enable to illegally (A) enter into electronic data networks; or (B) download electronic data.









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[www.cathaycapital.com](http://www.cathaycapital.com)