CATHAYCAPITAL

ESG REPORT

CATHAY MIDCAP II
ESG REPORT 2020

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I. Foreword

At Cathay Capital, we are committed to a strong set of values which structure the way we do business.

The concept of being useful is central to everything we do, including our approach to responsible investment. This approach is therefore deployed systematically across activities, funds, and asset classes. Our goal is to add value throughout the investment cycle.

We have built a global platform, bringing together entrepreneurs, investors, experts, management teams and leading corporations across continents and cultures, to share knowledge and provide the tools, networks and market access needed to scale while helping our corporate partners to innovate. From making the right introductions to designing the best go-to-market and M&A strategies, the Cathay family supports portfolio companies at every stage of their lifecycle. This includes addressing sustainability issues – both risks and, more importantly, opportunities – key to their business model. **Throughout this report, we use the word sustainability beyond ESG, to encompass impact. We believe that a responsible investment team must both understand and promote the highest ESG standards and strive to maximise the positive impact that its investee companies can achieve.**

Over the last few years, our teams have increasingly adopted a new perspective on financial returns, and we have arrived at the pivotal point where impact and ESG have become tangible value creation drivers. As a direct consequence, **we see tomorrow's greatest companies as not the largest, but the extraordinary that promote sustainable growth and the transformation of economies for a more open and inclusive world.** But extraordinary 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, we have developed responsible investment approaches tailored to each of our two main investment strategies. For Cathay Capital Private Equity's small- and mid-cap funds, sustainability is a transformation lever through which we work jointly with successful and committed entrepreneurs and management teams to promote resilient, future-ready, and global leaders.

The publication of our first ESG Report in 2017 was a milestone for Cathay Capital. It enabled us to unlock insight into how the Fund and our invested companies were performing on Environmental, Social and Governance (ESG) aspects. Since 2017 onwards, we measure our improvement, year on year, and leverage the knowledge of our ESG footprint to pursue efforts and further embed ESG in our activities.

This is why Cathay Capital is publishing its second ESG report for Cathay Midcap II – which will not only reaffirm our commitment to responsible investment, in line with our company values, but also allow us to measure the progress we have made on key, material ESG issues.

Among our Cathay Midcap II 2020 investments, we are proud to welcome five new companies the scope of this new report, acquired over the course of 2020 and early 2021: Colori, Deerma, Geoskincare, Marle Group, Universal Imaging. This brings the total number of investments included in this report to seven portfolio companies across Europe, the US and China.

At Cathay Capital, our hope is that our portfolio companies – whether already involved in the process in 2019, or new to the scope of the 2020 report, will continue to demonstrate progress on ESG matters over time.

MING-PO CAI
Founder, Chairman and CEO at Cathay Capital

II. 2020 ESG Impact Highlights

2020 has been an active year during which ESG matters have progressed significantly. Main achievements and progresses during the year include:

• We signed the United Nations Principles for Responsible Investment (UN PRI), committing to monitor and report on ESG at an even more granular level than we did before;

• We also expanded our ESG perimeter and decided to commit to the UN Guiding Principles on Human Rights and the OECD Guidelines for Multinational Enterprises;

• Also, the management company created an executive-level sustainability position and recruited a Chief Impact Officer. In parallel, CCPE significantly moved towards parity with a 2020 ratio of 47%;

• We have reviewed and reinforced our ESG reporting system, with upgraded reporting KPIs (data security, actions promoting employee's wellbeing, sensitivity to raw materials reducing emission of greenhouse gas...) together and with the implementation of the Reporting21 software tool: this digital platform enables us i) to collect data in a more consistent way and ii) to share it back with management teams and boards;

• We have introduced Sustainability Development Goals (« SDG ») to our portfolio companies with the objective to help them to measure their respective impact footprint. Progress will be measured annually at board level.

• In a very concrete way, the sustainability path we have engaged has already generated genuine impact on some portfolio companies:

- **Moose Knuckles** has built a very thorough ESG approach, with a particular focus on environmental footprint as early as in product design. This led to a public announcement of no further use of "fur" by end of 2022;

- **Jieli** has decided to focus on climate change through recycling and environmentally friendly product material;

• Highlights of 2020 main portfolio results:

- We report stability of most of ESG KPIs for the historical portfolio perimeter of the Fund showing the consistency over time;

- We have included in this 2020 ESG report five new invested companies (to reach a total of seven). This inclusion has a significant impact on the evolution of many of the reported KPIs;

- Such results together with the actions we have undertaken in 2021 give us a solid confidence on the ability of portfolio companies to improve significantly in 2021 reporting;

- Key highlights:

Human Resources

48%

Women in total

38%

Women in high-skilled positions

Climate and Environment

43%

Companies implementing initiatives for the reduction of carbon footprint

Community Investment

100%

Companies supporting communities projects

These 2020 progresses create a strong encouragement to further explain ESG fundamentals, carry sustainability values, and guide our portfolio companies towards higher awareness and concrete action plans.

Drawing upon this renewed ambition, our Management Company CCPE elected for the **SFDR art 8 classification** for the latest fund under fund raising (Small Cap 4) and intends to commit under the same classification for next Private Equity funds to come. This choice highlights our commitment towards sustainable investments that promote elected environment and/or social elements.

The next steps will be i) reinforcing our ESG Due Diligence process to bring even greater focus on ESG-related opportunities and sustainable value creation early in the investment cycle, ii) initiating climate change accountability and mitigation by working closely with portfolio companies to develop low-carbon products and services and diminish their overall environmental footprint, iii) develop a set of specific ESG/Impact metrics & targets that we will track closely with portfolio companies.

III. 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.

We pride ourselves on **being good people** and we are **invested in the long-term success of our partners** both in the good times and the bad.

BEING USEFUL
We build trust by constantly being useful to our ecosystem in achieving their goals.

DO WHAT YOU SAY
Sincerity is the universal language.

DETERMINATION
If we don't work hard today, we won't have a rice bowl tomorrow.

GRATEFULNESS
When we drink water, don't forget those who dug the well.

DIVERSITY
We are one global team, with various backgrounds and cultures, for one world.

CHANGE THE WORLD FOR THE BETTER
We want to leave the world better than how we found it.

IV. 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.

We are committed to the **UN Guiding Principles on Human Rights** and the **OECD Guidelines for Multinational Enterprises**.

In this context, as explained below, 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.

V. Sustainability Governance

A central milestone of the past year has been the creation of an executive-level sustainability position, Cathay Capital's Chief Impact Officer, highlighting the importance of the issue to the Group. Our Chief Impact Officer's first mandate was the steering of a structural and strategic process, with the help of external experts and advisors, to define a broader sustainability vision, roadmap, investment procedure, and investment tools applicable to both Cathay Capital Private Equity and Cathay Innovation. Building on solid track records on both sides, this large-scale, strategic project has involved all of Cathay's management team and is ongoing at this stage

VI. Our Approach

CCPE formalised its ESG Management system in 2017. It integrates ESG issues in all stages of the investment process and allocates Cathay's roles and responsibilities for accompanying portfolio companies in adopting sustainable practices and in implementing continuous improvement with regards to these issues.

The ESG Procedure sets out CCPE's commitments and key ESG criteria considered in investment decisions:

SAFEGUARDING
its activities from risks posed by ESG matters, thus minimizing any subsequent negative externalities

PROMOTING
good practices and encouraging positive externalities on all stakeholders

ENCOURAGING
the efficient use of natural resources, reducing greenhouse gas emissions in portfolio companies' value chains, and protecting the environment

COMPLYING
with ESG-regulations and standards, such as the International Labor Organization Core Labor Standards, and aligning with good industry practices

ENCOURAGING
portfolio companies' in seizing the potential for positive impacts and opportunities in their business activities, such as strengthening their supply chain structures and management

In 2019, CCPE's ESG approach has been extended to the Cathay Midcap II.

6.1. AS A RESPONSIBLE INVESTOR

This section, in accordance with article 173 of the French Law on the Energy Transition and Green Growth ("Loi sur la transition énergétique et la croissance verte"), outlines how Cathay Capital integrates environmental and social issues within its activities as an investor.

The first pillar of Cathay's ESG approach focuses on ensuring that ESG issues are accounted for at all stages of the investment process, from the pre-qualification to the exit stage.

In the initial stages of investments (deal qualification and LOI stages), potential portfolio companies' activities are screened to ensure compliance with CCPE's Exclusion List (e.g., trade in wildlife or wildlife products regulated under CITES, or gambling, casinos and equivalent enterprises). In no event will an investment be made in a company engaged in any of the activities on the Exclusion List.

A formal company report is then developed on any associated material ESG based on the initial review and investigation of public information regarding any adverse impact on local communities or the environment. The findings from the ESG report are discussed at the Local Executive Committee Level to identify any potential NO GO decisions.

If a company passes the initial qualification stages, Cathay Capital then launches ESG due diligence which is performed by qualified, independent, external experts to assess the ESG risks and impacts of the proposed portfolio company's operations. Notably, this report contains an assess-ment of operations into high, medium, and low risks, based on the Commonwealth Development Corporation (CDC) criteria and sector profiles.

For all operations categorized as high risk, the deal team requests the independent external experts to assess the prospec-tive company's compliance with Cathay Capital's ESG requirements, and to carry out a gap analysis by applying relevant standards and guidelines. For example, for existing operations, risks and impact must be assessed through an environmental and social audit.

If any material adverse impact or performance has been identified, an ESG Action Plan is defined and agreed upon with the potential portfolio company's management team, to prioritize and define key actions, responsibilities, deliverables, compliance indicators and a reasonable time frame to remedy any areas of non-compliances. The key takeaways from ESG due diligence are then summarized and presented to the Global Partners and Advisory Committees along with the assessment of compliance with Cathay's ESG Requirements and an ESG Action Plan if appropriate.

During the closing stage, the deal team will only complete an investment in a proposed portfolio company if:

- The portfolio company has agreed and signed the ESG Action Plan if relevant; or
- Any material adverse impact has been resolved in accordance with the ESG requirements.

During the holding stage, the deal team follows up on the relevant Action Plan and more generally on continuous improvements on a regular basis, while ESG topics are addressed by the company's Board of Directors on a yearly basis at minimum.

Lastly, at the exit stage, the Exit Memorandum for the portfolio company will contain an overview of the ESG improvements made along the investment period.

6.2. AS A PARTNER TO OUR PORTFOLIO COMPANIES

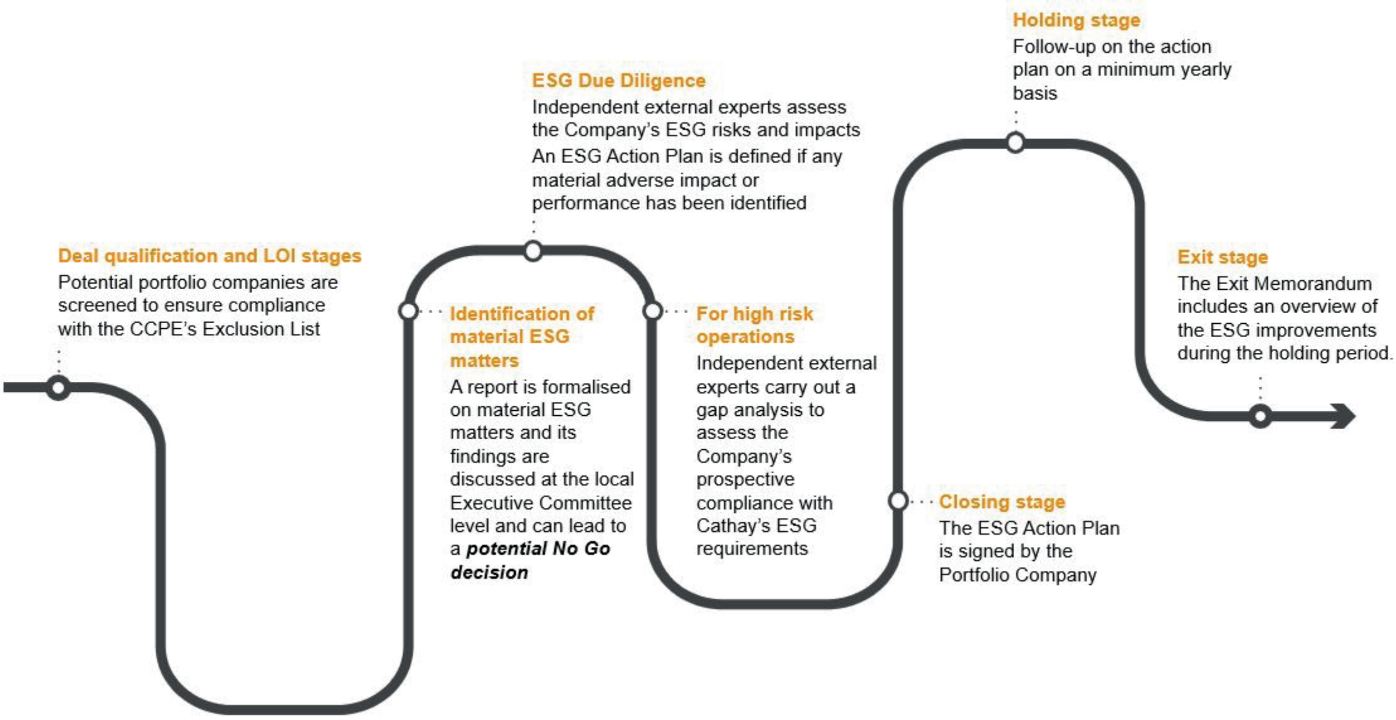
Cathay Capital is also committed to accompanying its portfolio companies in the adoption of sustainable practices, controlling for adverse impact, and embracing opportunities linked to ESG. In order to do so, Cathay monitors both positive and adverse impact on the environment and all stakeholders (including employees and any affected communities) on a regular basis. As mentioned previously, ESG topics are addressed usually once a year by the companies' Boards with meeting minutes being shared with Cathay's ESG Officer.

Cathay Capital has taken this mature approach one step further, by publishing on an annual basis, information regarding the ESG performance of the portfolio companies composing its Cathay Midcap II, with the goal of extending the publication of information to all future Funds. By publishing reports, CCPE aims to provide full transparency on their impact on the environment and society to its key stakeholders, and to implement continuous improvement.

Thus, for the second year in a row, in March 2021, Cathay's teams in both France and China distributed an ESG questionnaire to each portfolio company, as part of its 2020 reporting campaign. The data was consolidated for publication in the present ESG Report.

The annual questionnaire was reinforced in 2020 with a selection of new indicators with the entire reporting process being implemented on Reporting 21 online platform. Taking inspiration from the aspects covered in ESG due diligence at the time of investment, the questionnaire includes the following dimensions: Corporate and ESG Governance, Business Ethics, Human Resources, Environment, Health & Safety, Supply Chain and Community Involvement. The companies were also asked to provide qualitative information and comments as part of the questionnaire to illustrate and explain their answers.

As such, Cathay Capital has also aligned with the common "portfolio companies" ESG indicators elaborated by France Invest in its Recommendations to facilitate the dialogue between GPs and LPs. Besides, considering the geographical specificities of the Cathay Midcap II, Cathay added complementary indicators added to the annual ESG reporting of portfolio companies, which enables the measurement of performance on key matters such as health and safety, and social dialogue, to name a few.



VII. Presentation of the Portfolio Companies

For the year 2020, Cathay extended the reporting scope to include five new portfolio companies acquired in 2020 and early 2021: Marle Group, Universal Imaging, Colori, Deerma and Geoskincare.

The following section presents independently each of the 7 portfolio companies that participated in the 2020 ESG reporting campaign. Section 7 details a series of indicators that consolidate the ESG performance of all portfolio companies.

Jieli

Date of Investment: August 2019

Founded in 1998, Jieli is one of the top three global suppliers of casings for cosmetic pens with an annual output of approximately 200 million units, equivalent to 8% to 10% of global market supply. Thanks to its 21 years of successful development, Jieli has built unparalleled expertise in the research, development, manufacturing and sale of eyebrow pencils, eyeliners, lip liners, concealers, and other cosmetic products and prides itself on its ability to supply massive quantities whilst always respecting its strict quality control processes. Jieli is also a pioneer in its field, as demonstrated by the company's more than 90 domestic and international patents.

Moose Knuckles

Date of investment: June 2019

Founded in 1921, Moose Knuckles is one of the world's leading brands of luxury outerwear, sportswear and accessories specializing in parkas and winter jackets. While based in Canada, Moose Knuckles is now available across the globe (30 countries in 2019). Thanks to its century of successful development, Moose Knuckles is one of the fastest growing luxury outerwear brands, experiencing significant double-digit year-over-year growth over the past five years, and is quickly diversifying its growth across product categories and international markets. With an emphasis on sleek aesthetics, unrivalled craftsmanship and the highest performing materials, Moose Knuckles' unique approach blending Canadian craftmanship and bold cultural narratives is strongly resonating with young consumers globally.

Marle Group

Date of investment: December 2019

Founded in 1964 and headquartered in Lyon, Marle is the leading contract manufacturer organization ("CMO") of orthopedic implants in Europe and among the top global implant CMOs, focus on hips, knee, spine, shoulder, and ankle. Since the mid-80's, Marle has built a unique industrial know-how around two key metal implant manufacturing technologies: precision forging and casting, which are the "upstream" parts of the orthopedic manufacturing value chain. Marle has also developed in the recent years its "downstream" capabilities, e.g., machining and coating.

Universal Imaging

Date of investment: January 2020

Founded in 2011, Universal Medical Imaging is the first third-party image center in China. It provides customers with professional image investigation and deep physical examination services. Universal Medical Imaging positions itself on 3 business lines: (i) Professional image diagnosis, (ii) High-end physical examination and (iii) Individual medical service.

Colori

Date of investment: July 2020

Founded in 1986, Suzhou Colori, spin-off of Longrich's B&PC business entity (restructuring finalized in the end 2019), manufactures and distributes beauty and personal care products. Colori operates 3 main business segments: 1) Online activity including new brands such as Avec Moi (high-end oral care products), LR (haircare) as well as legacy brands (Longrich); 2) Offline activity including both self-owned brands (Longrich) and agency brands (Adidas, Cetaphil); 3) OEM / ODM manufacturing for third-party B&PC brands.

Deerma

Date of investment: July 2020

Founded in 2011 and based in Guangdong, Deerma is a leading player in small home appliances industry in China, engaging in the development, production, and sale of innovative products with attractive designs and competitive price levels. Deerma adopts a digital and multi-brand strategy. The main product lines of Company include cleaning appliances, air humidifiers, water purifiers and other products.

Geoskincare

Date of investment: October 2020

Founded in 2000 in New Zealand and introduced to China market since 2014, Geoskincare is a natural skincare brand experiencing a great success & a skyrocket growth in China market this year (210%+ YOY growth) thanks to an efficient localized operation. The brand proposes natural & effective products with the addition of unique ingredients from New Zealand (i.e Manuka bee peptide, Rotorua volcanic clay). Several star products have achieved booming sales (c.1m units sold in the peak month) and significantly increased the brand awareness & customer base.

VIII. Portfolio 2020 ESG Performance Results

8.1. CORPORATE GOVERNANCE

CCPE portfolio companies are structured with either a one-tier (unitary) board or with a two-tier board. Unitary boards are composed of non-executive and executive members (including the CEO). Dual board structures comprise of a Supervisory Board in charge of monitoring and a Board of Directors (executive management of the company). In 2020 29% of CCPE portfolio companies presented a Unitary Board structure, composed of non-executive and executive members, whilst 43% have a Dual Board structure.

- **29% | Unitary** : Management Board
- **29% | Dual** : Executive Committee and Supervisory Board
- **43% | Other**

Share of the women in executive committee

Cathay Capital is committed to promoting gender equality in portfolio companies' workplaces, particularly by ensuring women are represented on the companies' boards. In 2020, 20% of total portfolio companies' Board members were women (27% at pro forma), which represents a significant increase compared to 2019.

CCPE also believes that corporate values bring coherence and shape culture amongst companies. In 2020, 57% of portfolio companies had defined company values compared to 50% in 2019 (50% at pro forma). These same 57% of portfolio companies also declared having defined a mission or objective.

The share of portfolio companies with no litigation process over the past year has slightly decreased from 100% to 84% since 1 portfolio company reported a litigation on Human Resources issues. However, this indicator remains stable at 100% at pro forma.

KPI	2019	2020 PRO FORMA	2020
Formalisation of corporate values	50%	*50%*	57%
Definition of a mission/objective	-	-	57%
Existence of an anonymous grievance scheme	50%	*50%*	57%
Share of companies with no litigation process over the past year	100%	*100%*	86%

8.2. ESG GOVERNANCE

Impact on the sustainable Development Goals Identified by portfolio companies.

Following the identification of corporate values, 43% of portfolio companies began to identify and map the positive and negative impacts of their activities on the United Nation's Sustainable Development Goals (SDG). While this first result still needs further diligence and appreciation from the company management teams or specialised experts if relevant, it is highly encouraging, and Cathay sees such first attempt as paving the way for very exciting developments in the years to come.

PORTFOLIO COMPANIES	SDGS IDENTIFIED
Marle	Good health and well-being | Decent work and economic growth
Yuyao Jieli Cosmetic Package	Decent work and economic growth
Universal Imaging	Good health and well-being
Deerma	Clean water and sanitation
Colori	Decent work and economic growth
Geoskincare	Responsible consumption and production
Moose Knuckles	Responsible consumption and production

Cathay Capital also firmly believes that a governance system for ESG issues within a company is vital. 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.

In 2020, among the portfolio companies, 53% have appointed a person responsible for ESG issues, a decrease compared to 2019 (100% and 100% at pro forma[1]). Similarly, only 38% of portfolio companies indicated that they are monitoring ESG issues at board level with KPIs compared to a higher percentage in 2019 (i.e., 50% of portfolio companies). This mostly results from a progressive sensibilisation of newly invested companies (5 new in 2020 vs 2 only in 2019).

43% of portfolio companies answered positively when asked if they have formalised a CSR policy or strategy, showing that concrete management processes are emerging to handle ESG issues and opportunities.

[1]*Pro forma new portfolio companies equivalent to 2019 perimeter results.*

KPI	2019	2020 PRO FORMA	2020
Appointement of an ESG manager/responsible	100%	*100%*	53%
Monitoring ESG issues at Board level with KPIs	50%	*50%*	38%
Existence of a CSR Sustainability policy or strategy	-	-	43%

8.3. BUSINESS ETHICS

Appointment of a Business Ethics manager/responsible

2019

2020 pro forma

2020

The management and monitoring of business ethics within a company helps in safeguarding a company from any risks associated with its activities, while having better control over risks should any arise. In 2020, 65% of portfolio companies had appointed a Business Ethics Manager, a slight decrease compared to 100% in 2019 though constant at pro forma level.

The adoption of a code of conduct or ethical guidelines is also considered to be a good practice and is useful in defining companies' core values and in encouraging professional and appropriate attitudes both in the workplace and through relationships with company stakeholders (e.g., clients). In 2020, 71% of portfolio companies have implemented a code of conduct or ethical guidelines (100% pro forma), decreasing compared to 2019 performance (100%), probably due to the few changes in the questions' format between 2019 and 2020 paired with only a recent appropriation of ESG matters in portfolio companies and the various disruptions from the COVID-19 crisis.

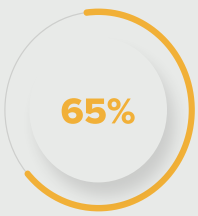
On the rising subject of cybersecurity, both new indicators on the questionnaire revealed interesting developments. Despite the growing risks due to the pandemic, only one portfolio company reported a data security breach. Further, the presence of an information systems security policy in nearly half of the portfolio companies indicates that the infrequency of breaches is no coincidence and advocates for further expansion of such good practices.

KPI	2019	2020 PRO FORMA	2020
Formalisation of at least 1 document on Business Ethics such as Code of Conduct and/or ethical guidelines	100%	*100%*	71%
Data security breaches	-	-	14%
Existence of an information systems security policy	-	-	43%
Person in charge of Data Protection	-	-	14%

8.4. HUMAN RESOURCES

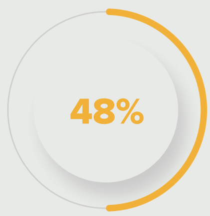
In total, CCPE's portfolio companies' workforce reached 6,073 FTEs, of which 48% are women and 16% are permanent contracts.

Women in total



2019

2020 pro forma



2020

Women in high-skilled positions

2019

2020 pro forma

2020

While the overall share of women has decreased, mostly due to perimeter changes, the percentage of women in high-skilled positions has significantly increased from 29% in 2019, to 38% in 2020 (38% at pro forma).

The share of permanent contracts slightly decreased from 17% in 2019, to 16% in 2020, and remains low overall. However, the low-level of permanent contracts can largely be explained when considering the context of portfolio companies in China: as per Chinese laws and regulations, which establish that employment contracts are re-signed every three years with permanent contracts only possible after the third contract renewal.

Over the course of 2020, portfolio companies saw, in total, 3,045 recruitments, of which 27% were people under 26 years old.

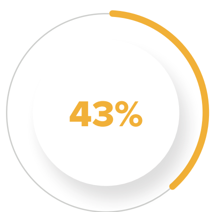
To remain competitive and provide employees with the right working environment, management of human resources is vital. In 2020, 57% of companies have appointed a HR Manager (100% pro forma).

KPI	2019	2020 PRO FORMA	2020
External hires that are under 26 years old	-	-	27%
Permanent work contracts	17%	16%	16%
Employee engagement of satisfaction survey	-	-	57%
Appointment of a HR Manager	100%	*100%*	57%

Implementation of a profit-sharing mechanism

2019

2020 pro forma



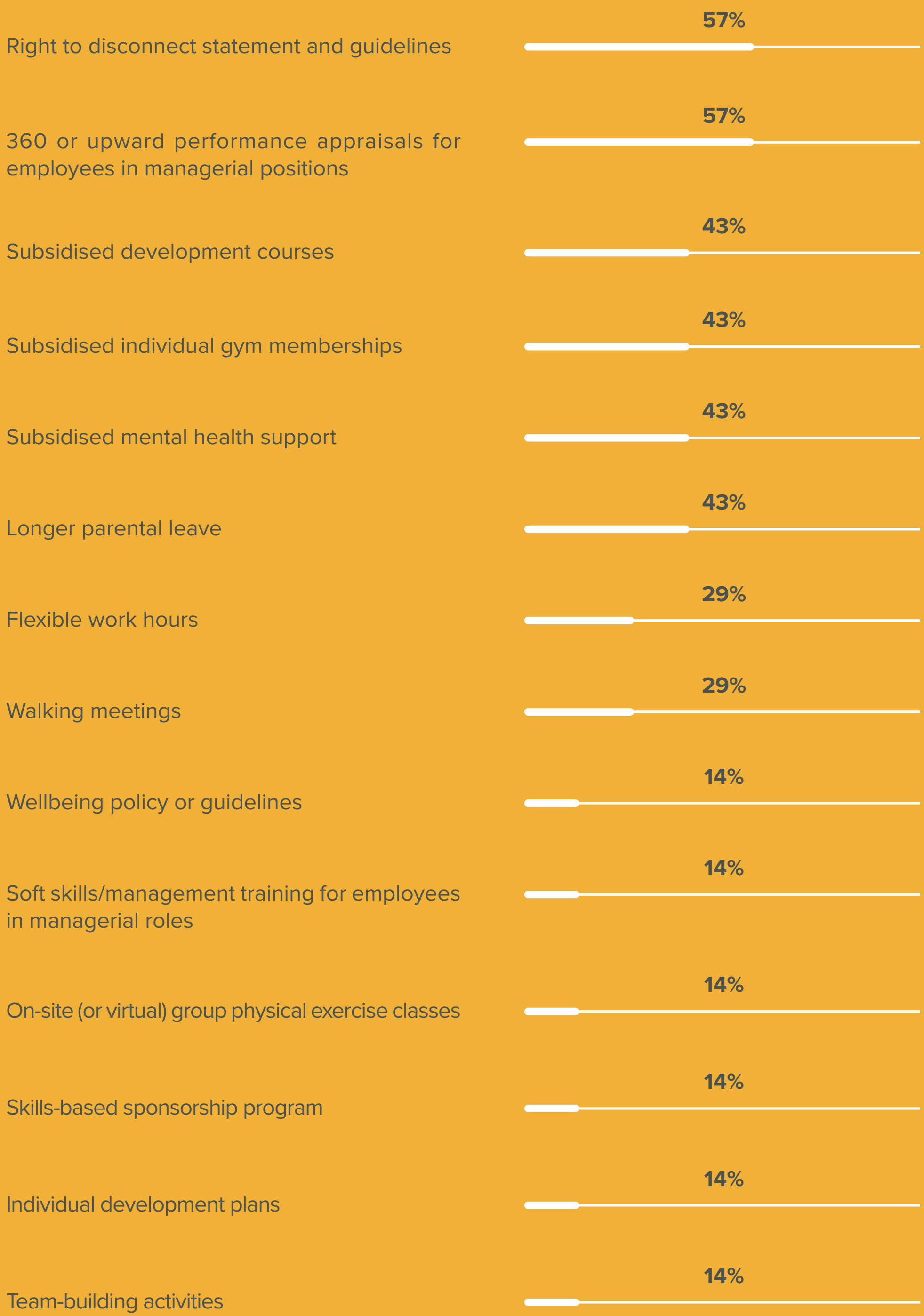
2020

The limited decrease in the percentage of companies that implemented a profit-sharing scheme mechanism, from 50% in 2019 to 43% in 2020, is only due to a perimeter change since it remains stable at pro forma (i.e., 50% in 2020).

At Cathay, we firmly believe that actions to promote employee wellbeing open a direct pathway to long-lasting growth. As the COVID-19 crisis shook the fundamentals of so many well-established workplace routines, our portfolio companies were emboldened to reinvent themselves. New processes were developed and actions to support employees were implemented by 57% of our portfolio companies.

Nearly 50% of our portfolio companies promoted employee health and wellbeing having already introduced guidelines for the right to disconnect, subsidised development courses, gym memberships and mental health support, or lengthened parental leave.

Share of portfolio companies that have implemented employee wellbeing actions



8.5. HEALTH & SAFETY

In 2020, 43% of CCPE's portfolio companies have implemented a Health and Safety Policy, which demonstrates commitment to ensuring a safe and healthy workplace.

65% of the companies have already implemented health and safety trainings for their employees. This is a decrease compared to 2019 explained by perimeter changes.

Implementation of a Health & Safety policy

Implementation of a Health & Safety trainings

8.6. ENVIRONMENT & CLIMATE CHANGE ISSUES

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. Moreover, climate issues are integrated into Cathay Capital's ESG Management system and are systematically addressed for each investment.

To date, for the majority stakes in the Mid Cap Fund II, climate risk has not been identified as a material issue in the ESG due diligence that has been carried out.

Initiatives for the reduction of the environmental footprint

Types of initiatives that were implemented, percentage of portfolio companies

Eco energetical products or services	43%
Recyclable, reusable, easy to repare product offering	43%
Use of recycled materials	43%
Shorter supply chains	43%
Life cycle analysis	43%
Other relevant initiatives	29%
No measures	14%
Not applicable	43%

In 2020, 43% of companies implemented initiatives to reduce their environmental footprint, a slight decrease compared to 2019. However, several portfolio companies have taken this a step further and are implementing an entire series of environmental initiatives. Three of them, Deerma, Colori and Moose Knuckles have implemented at least five of the initiatives presented above.

Climate change related issues:

According to Jieli, the fight against climate change also represents interesting business development prospects for the company. As many of Jieli's customers are implementing CSR policies, Jieli has many opportunities regarding material recycling, environmental protection advocacy, product material update iteration, material research and selection, to be bring new products, new materials and further its development space in the market.

However, to date, portfolio companies have not yet formally assessed their physical vulnerability to climate change nor have they integrated transition risks related to climate change and the energy transition in their decision-making processes.

Yet, Moose Knuckles indicates that the company may develop a competitive advantage through environmental innovation in product design.

Beyond the use of renewable energy, no portfolio companies have formally identified activities in their value chain with a positive impact on the energy and ecological transition.

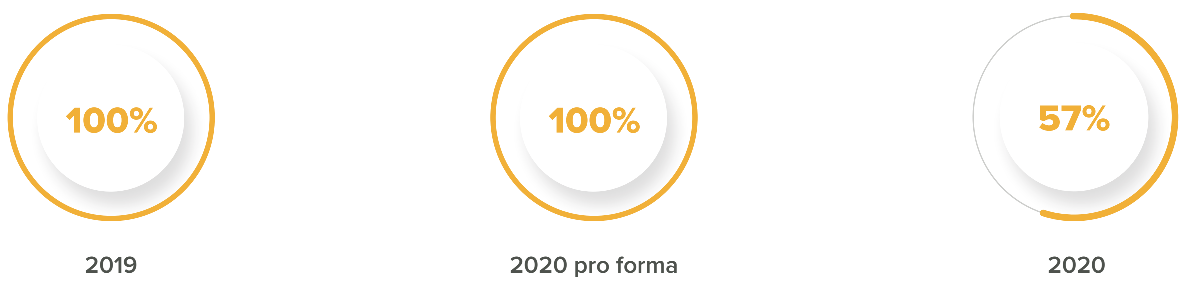
KPI	2019	2020 PRO FORMA	2020	RESPONSIVE RATE
Implementation of an environmental policy/ strategy	-	-	29%	57%
Measurement of carbon footprint	0%	0%	0%	71%
Portfolio companies with products/services that contribute to avoiding CO2 emissions	-	-	43%	43%
Physical vulnerability to climate change with a significant risk identified	-	-	0%	57%
Physical vulnerability to climate change with no significant risk identified	-	-	29%	57%
Sensibility to raw material issues with a significant risk identified	-	-	0%	57%
Sensibility to raw material issues with no significant risk identified	-	-	29%	57%

8.7. OPERATIONS AND SUPPLY CHAIN

In 2020, 57% of portfolio companies have integrated ESG criteria in the selection of suppliers and subcontractors, showing a slight increase compared to 2019. Moreover, in 2020, 57% of companies have implemented a Responsible Procurement Policy which is a significant decrease compared to 100% in 2019, but remains stable at pro forma (100%)..

Implementation of a Responsible Procurement policy

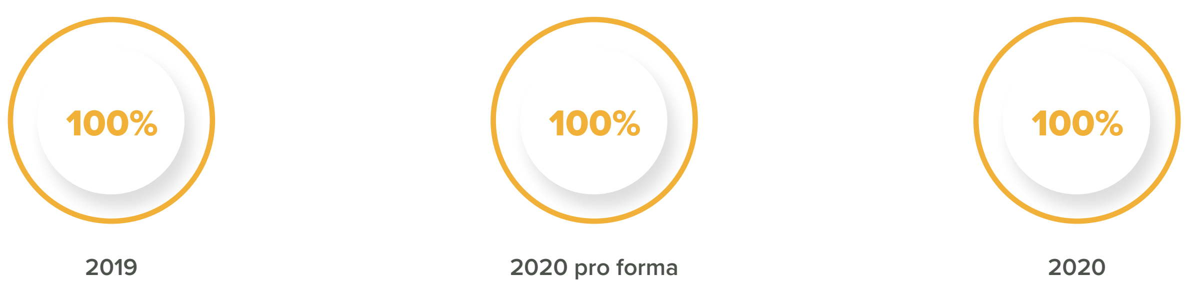
Integration of ESG clauses in suppliers and subcontractors contracts



8.8. COMMUNITY INVOLVEMENT

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 % of portfolio companies brought support in 2020 as in 2019.

Support for community projects



IX. ESG Measures at Management Company Level

Cathay Capital aims to lead by example with its portfolio companies by implementing ESG initiatives at the management company level.

Regarding environmental issues, Cathay Capital has replaced packs of water into a water fountain system and has provided every employee with a glass gourd. Moreover, Cathay Capital's Paris offices are equipped with recycling containers to ensure efficient consumption of paper, coffee grounds and aluminium cans.

At Cathay Capital, Fund Partners are responsible for managing HR-related issues regarding employees which are under their responsibility, and the Group Managing Director oversees the topics, and the general of the company's employees. In 2019, Cathay performed a social audit to verify the company's respect of labour law practices, and adhered to a collective agreement, which will reinforce employees' protection.

Multiple measures have been implemented to foster employees' motivation and engagement within Cathay Capital, and to contribute to talent retention. These include:

- Offering attractive career prospects to employees with the opportunities to progress within the company and develop their skills.

- A biannual performance review, during which employees' performance is assessed, and new objectives are set. Moreover, the company's values are included in the performance assessment grid, notably in the soft skills and attitudes employees are encouraged to adopt.

- The possibility to receive regular linguistic and cultural training sessions: French classes are given to Cathay's Chinese employees, and Chinese classes are offered to French employees, which contributes to reinforcing the bicultural symbiosis within the company. Employees must also follow mandatory training on compliance topics.

- Implementing effective work-life balance strategies is the first step to increase work force participation, Cathay Capital has set up remote-work measures to employees. Every year, the entire team participates in an annual team building event, aiming at bringing the company's employees together, during which the company's culture, values and goals are reaffirmed. The 2019 team building event took place in Paris with location rotating between France and China. During the annual team building event, Cathay Capital provided a workshop on ESG, including a discussion on the notion of impact, to train and raise awareness among all Cathay employees.

9.1. ESG METRICS AT THE MANAGEMENT COMPANY LEVEL

In 2020, the CCPE and CCIC teams together consisted of 85 employees, among which 47% were women, a 10-point increase from 2019. Women account for 15% of the 15-total high-skilled positions (vs 24% in 2019).

85
Employees in CCPE and CCIC teams

15
High skilled positions

47%
Women among Cathay's employees

15%
Women in high-skilled positions

9.2. ESG ACTIONS TOWARDS THE WIDER COMMUNITY

Since 2011, the Cathay Capital Foundation has sponsored initiatives which deepen and broaden mutual understanding between Western and Chinese cultures. Curiosity, openness, and the joy of giving back are qualities which investors, researchers, and artists all share.

Therefore, 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 kindred spirit of good-will between all the continents of the Cathay ecosystem.

X. Our Ambition for the Years to Come

In many aspects, 2020 was an extraordinary year. As companies worldwide were heavily affected by ions of all kinds, from the supply chain to adapting to a completely new way of work, the need to shift to a more sustainable economy and world has never been greater. At Cathay Capital, sustainability was a prevalent topic long before 2020, and the last 12 months have only strengthened our resolve to accelerate the global transition further and faster to foster greater resilience in the face of future challenges.

In 2020, Cathay Capital made significant progress on our own transformation by reviewing and reinforcing our reporting process; adding new indicators on actions related to key topics such as: data security, promoting employee wellbeing and, sensitivity to raw materials or products and services that contribute to reducing greenhouse gas emissions. Portfolio companies were also encouraged to familiarise themselves with the UN's Sustainable Development Goals framework and identify which SDGs they have a substantial impact on, positive or negative. This initiative is a first step towards a pathway where impact and ESG will become Cathay's main value creation drivers.

Looking forward, we plan to reinforce our ESG due diligence process to bring even greater focus on ESG-related opportunities and sustainable value creation early in the investment cycle. Cathay will nourish ambitions towards climate change accountability and mitigation by working closely with portfolio companies on developing low-carbon products and services and diminish their overall environmental footprint.

XI. Appendices

11.1. APPENDIX A - EXCLUSION LIST

Activities involving any use of forced labor or child labor;

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

Vaporizers 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 polychlorinated 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. ;

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);

(i) 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;

(i) 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

(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.

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