



ESG Report 2022-2023

Cathay Small Cap III & IV



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1. Foreword - why ESG matters



A note from our president & co-founder



Success is no longer measured only on building the largest company the fastest. 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. 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.”

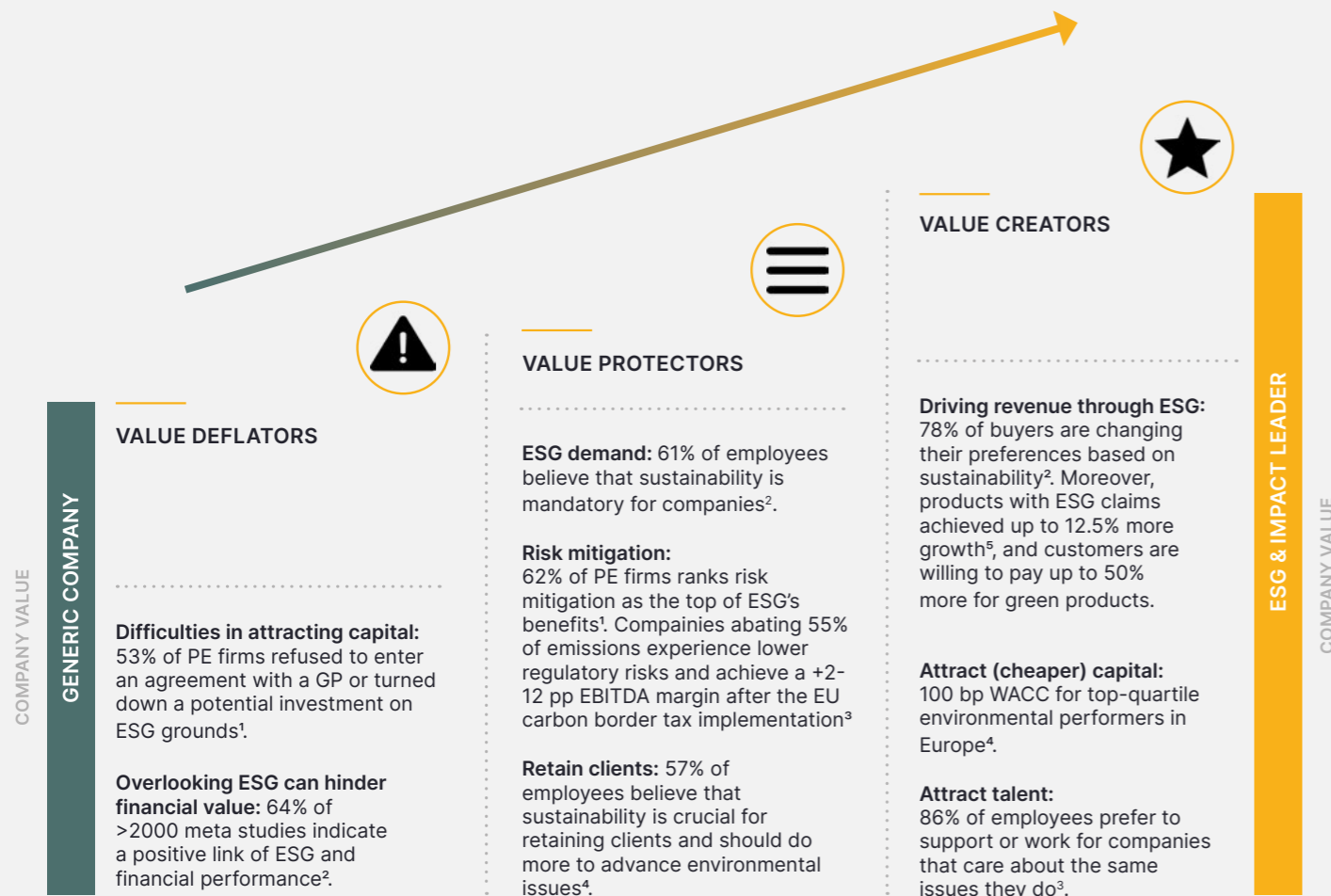


**MINGPO CAI, FOUNDER AND CHAIRMAN,
CATHAY CAPITAL**



Creating value through ESG

In a rapidly changing world where sustainability has become a critical global imperative, taking proactive steps to integrate ESG factors is crucial for investment strategies. Today, investors acknowledge the importance of implementing ESG best practices and prioritising positive impact. At Cathay, we recognise the importance of ESG factors in investing and integrating them into our practices. This integration is driven by the understanding that sustainable investing is both responsible for and beneficial for long-term financial performance, value creation, and value protection.



Considering this strong correlation between ESG and value creation, Cathay Capital Private Equity (hereafter CCPE) places **ESG at the heart of its operations** by encouraging portfolio companies to continuously improve on these topics. This report details how **CCPE concretely puts ESG front and centre** through its sustainability strategy, numerous frameworks, and dedicated governance, and how this priority is reflected in practice by portfolio companies.

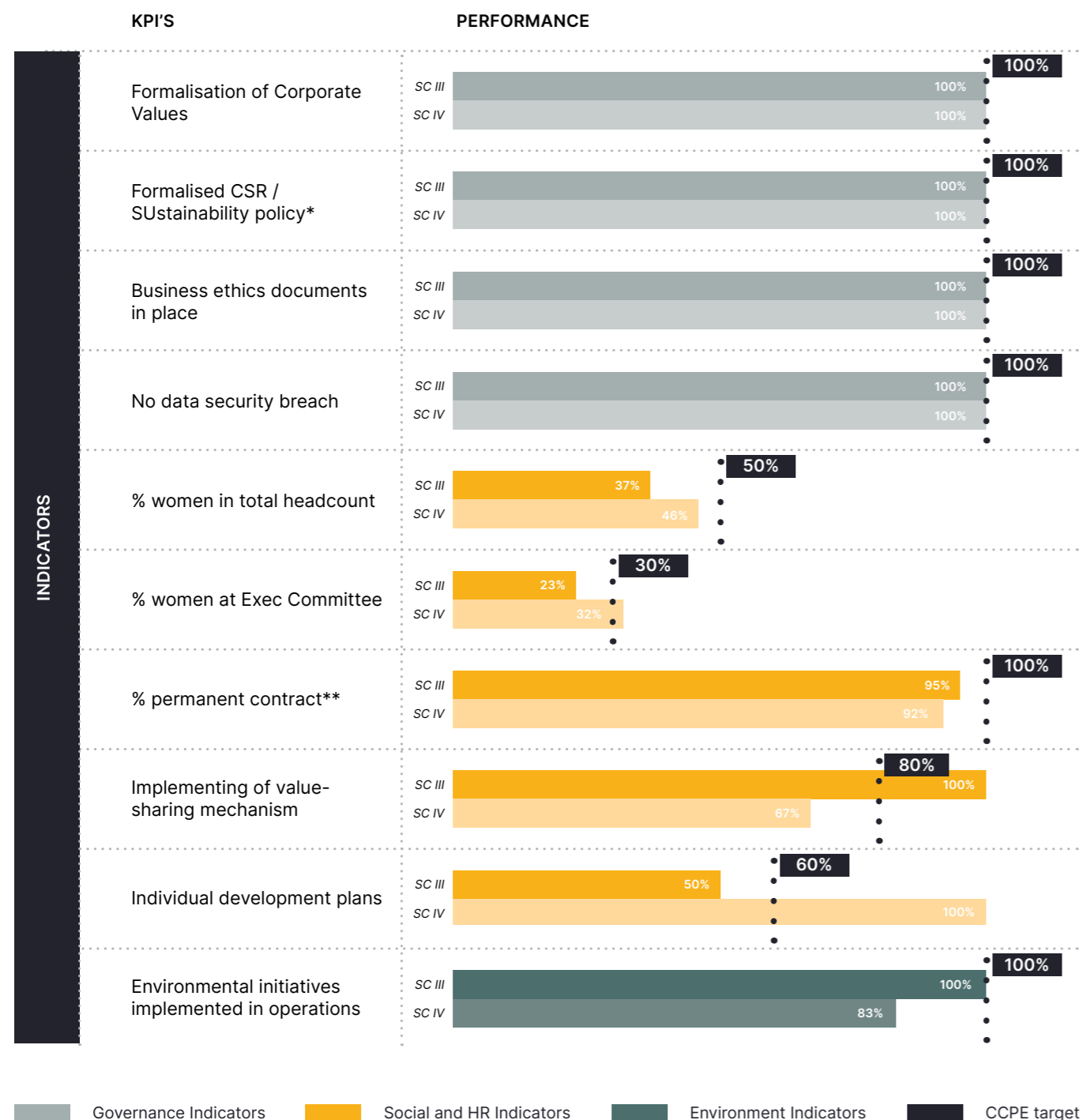
1. PwC - Global Private Equity Responsible Investment Survey 2023.
 2. Bain & Company - ESG Shaping PE 2023.
 3. EU announcement, based on a BCG analysis 2022.
 4. PwC (2022), 2021 Consumer Intelligence Series - Survey on ESG.
 5. McKinsey - Consumers care about sustainability 2023.
 6. PwC (2022), Global Consumer Insight Survey.

2. 2022 ESG Performance Overview



ESG performance 2022 highlights

The scorecard below provides an overview of Cathay Small Cap III and IV's ESG performance. With Small Cap III and IV jointly providing employment to more than 19,000 individuals, our ESG commitment is aimed at fostering positive impacts for all stakeholders and society as a whole.



* Only 2 companies reported to this indicator for Small Cap III and 1 company for Small Cap IV
 ** 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

Sustainability is at the heart of our investment philosophy. In 2022, we made significant progress in advancing ESG principles and guiding our portfolio companies towards actionable plans. Small Cap IV invested in two new companies in 2022, included in this ESG report.

Building a robust governance

In 2022, both Small Cap portfolios maintained strong performance in corporate governance, with a significant number of companies formalising corporate values, mission and objectives.

At the ESG governance level, Small Cap IV made significant progress by increasing the number of companies having appointed an ESG manager, demonstrating a strong commitment to integrating ESG principles and practices.

Small Cap III and IV companies demonstrated strong business ethics, with all having essential business documents in place, including a code of conduct, anti-corruption policy and ethical guidelines. Additionally, no data security breaches were reported despite growing risks.

Empowering people and talent

In Small Cap IV, every portfolio company has a Health and Safety policy. At Cathay, we aim to facilitate the sharing of best H&S practices across the portfolio through our Resource Hub, enabling companies to tailor and compare these practices based on factors such as sector, size, and relevance.

Every company prioritised employee well-being by implementing initiatives like individual development plans, training programs, and flexible work hours. These efforts contributed to enhancing employee work quality and fostering professional growth impacting over 19,000 employees across Small Cap companies.

Small Cap IV's companies showed good gender parity at the managerial level, but there is room for improvement in staff and executive committee representation. Enhancing gender diversity positively affects company performance. Therefore, we will focus on improving this in our European entities to not only align with upcoming regulations, but in recognition of the impact of executive roles on entire organisations. This steady progress should lead us to meet our first landmark of having 30% women in portfolio executive committees, well above the market statistics.

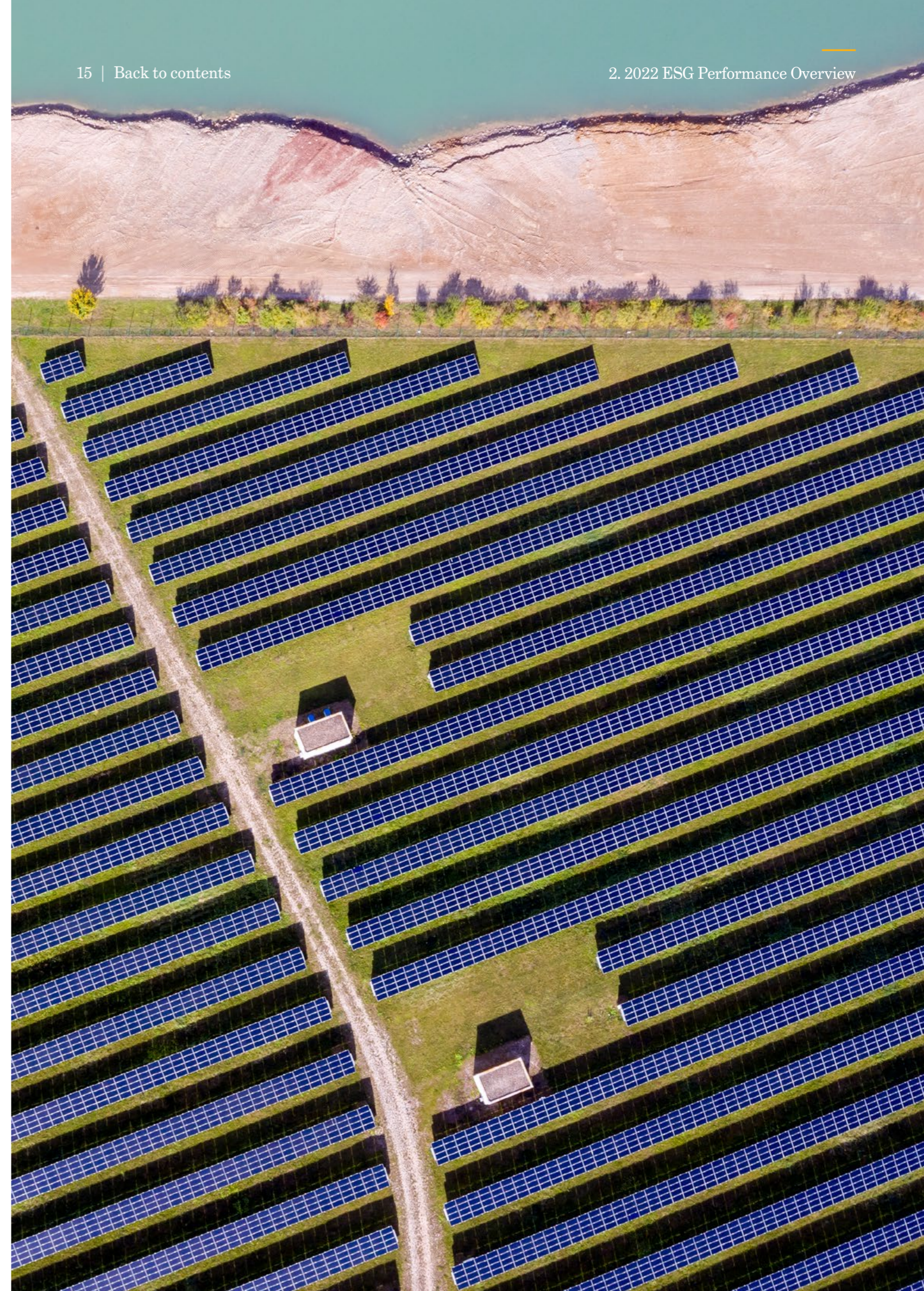
Engaging in environmental efforts

In 2022, Small Cap companies continued their commitment to environmental sustainability. A noteworthy improvement was observed compared to 2021, with a greater number of companies now adopting formal environmental strategies and initiatives, both in their operations and at the product or service levels. All Small Cap III companies embraced operational initiatives such as remote work and energy efficiency. Moreover, the majority of companies across portfolios adopted environmental initiatives across their products and services including incorporating recycled materials and eco-friendly offerings, demonstrating our strong commitment to sustainability.

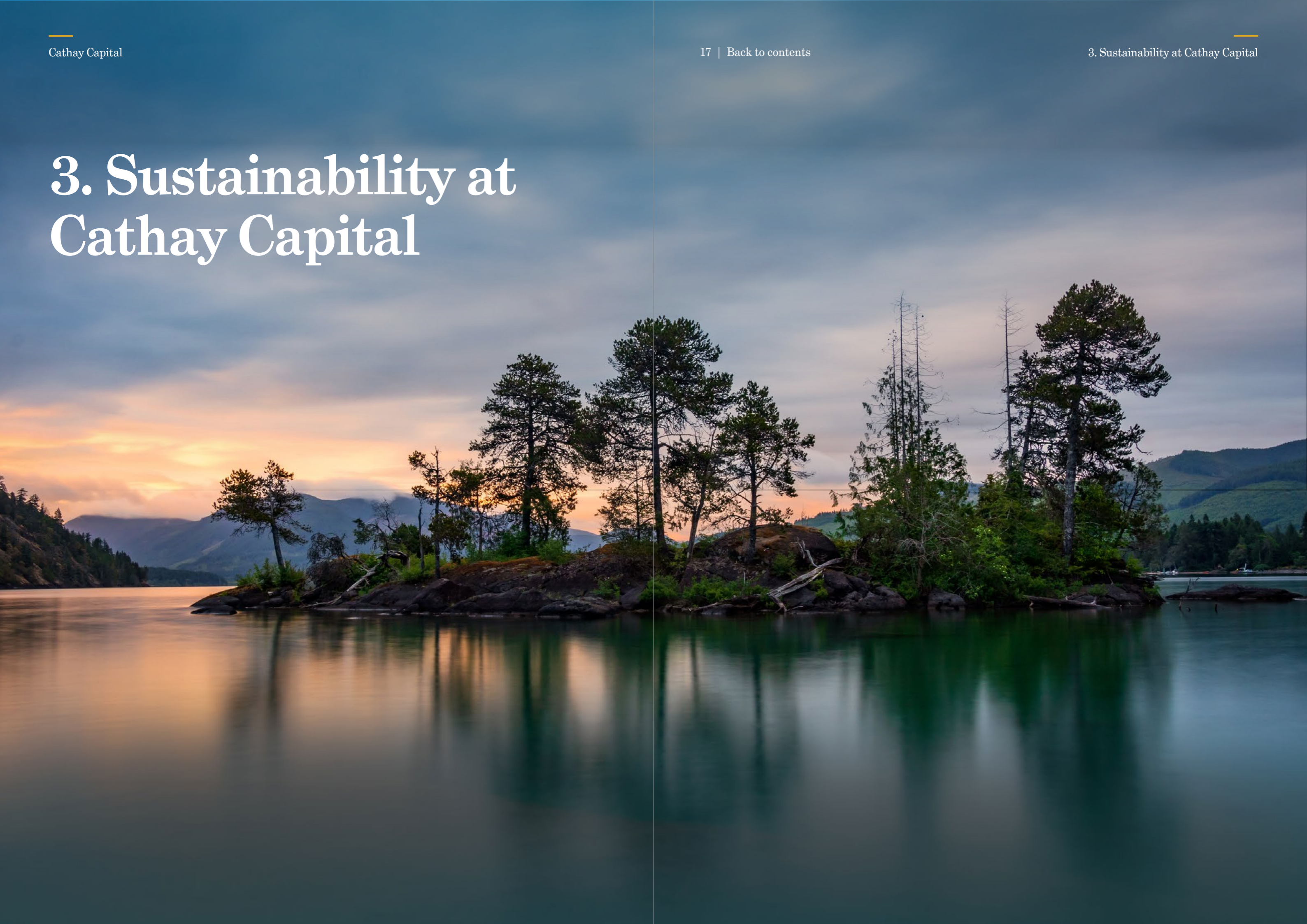
In 2023, we initiated a program to help companies assess their carbon footprint, set reduction targets, and monitor progress. Moving forward, we will remain dedicated to supporting companies in their efforts to reduce their emissions, building upon the initiatives mentioned above. The achievements made in 2022 have motivated Cathay Capital, together with all portfolio stakeholders, to commit further in the development of ESG fundamentals and guide the companies toward concrete actions, especially on climate and environment topics. These engagements and next steps for CCPE are detailed in the 5th part of this report.

ESG highlights at CCPE level

Cathay Capital has hired an Operating Partner with extensive expertise in the energy and climate field as part of its improvement process to further progress in ESG and the climate topic especially. This growth of the team drives the will to improve knowledge on complicated topics related to energy and the environment and gives Cathay Capital an additional resource to expand ESG-driven actions.



3. Sustainability at Cathay Capital



Our vision and values

As a globally integrated and agile team, we sincerely believe in the power of diversity. We are committed to being useful and sincere advisors, connectors, and stewards to our entire ecosystem.

We also value engagement and dedication and are invested in the long-term success of our partners both in the good times and 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.



Be grateful

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

Our ambitions and commitments



We are committed to being a **responsible investor**, working with companies that share our vision and respecting recognised 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 Labour Organisation's ("ILO") Core Labour 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.



CCPE is a signatory of the Sista pledge (France), which aims to promote diversity in tech. Through the pledge, the Group committed to measuring gender metrics in its investments and adopting inclusive practices in investment and recruitment processes. One of Cathay's Investment Directors is an active member of the Sista Initiative, bringing valuable insights and expertise to further drive diversity and inclusion in tech-related investments.



Cathay Capital Private Equity is a member of the iCI (initiative Climat Internationale) since 2020. The iCI is the first initiative of Capital Investment in favour of companies' management and reduction of greenhouse gas emissions. The signatories of the iCI have hence decided to contribute to the objectives of COP21 to limit global warming to 1.5°C.

Sustainability in our investment process

We see tomorrow's greatest companies not as the largest, but as those able to promote sustainable growth and the 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. Within this comprehensive sustainability vision, our team perceives ESG as a value creation driver. We have crafted responsible investment approaches specifically tailored to the needs of our capital management company. For us, sustainability is a crucial transformation lever that enables us to work together with committed entrepreneurs and management teams to promote resilient and future-ready global leaders.



*When the context allows it

We formalised a specific ESG Management System in 2017, which integrates ESG issues and criteria in all stages of the investment cycle, from the pre-qualification to the exit stage. A sustainable investment process has therefore been formally developed and has been updated at the end of 2022. While risks and opportunities are assessed prior to investment, our focus is to co-develop actionable roadmaps with our portfolio companies and, most importantly, make sure they have the resources to turn roadmaps into results.

Our ESG governance

Since 2020, Cathay Capital has incorporated the role of a Chief Impact Officer (CIO) in its senior management team, highlighting the importance of ESG and impact to the group. The CIO has overseen the definition and concrete implementation of a broader sustainability strategy and vision, with the help of external experts and advisors. The CIO has also defined an associated ESG roadmap, tools, and procedures applicable to CCPE. This project has involved the active participation of the entire Cathay Capital team.

At Cathay Capital, the investment team members are responsible for **defining an ESG roadmap** with the management of portfolio companies and for **monitoring its progress** over time. In this context, three ESG referees are appointed with the aim to serve as a reference point for colleagues in the implementation of company's ESG strategy. Twice per month, the teams engage in discussions on ESG issues during weekly deal flow meetings.

Regular training sessions are also held to with the front office team to help them deploy the Sustainability Investment Procedure properly.



Our portfolio companies

In 2022, Cathay did not acquire new portfolio companies in the **Small Cap III Fund**.

This section presents each of the 9 portfolio companies that participated in the 2022 ESG reporting campaign. The Independents and Biose Industrie exited the Small Cap III Fund in 2022.



ATRenew is the first mover with the largest collecting network in 3C products recycling market and standardises the collecting process and ensure data security, providing convenient and trustworthy one-stop recycling services for used mobile phones and other 3C 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



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



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

In 2022, **Cathay's Small Cap IV Fund** consisted of six companies: AD Education, ChowSing, Wenext, Mistine, Snocks, and Transcure; the last two companies were acquired in 2022.



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



SNOCKS is a leading digital native brand for everyday basics. The company offers socks, underwear, basics and branded apparel for men and women through its main online sales channels (own website and Amazon).



Investment date:
March 2022
Headcount:
86

Sector:
Consumer products
/services



TransCure bioServices is a European CRO based in France offering preclinical predictive in vivo pharmacology testing services to international large pharmaceutical, biotech and academic customers.



Investment date:
February 2022
Headcount:
87

Sector:
Healthcare



Our contribution 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 underprivileged 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 the Cathay team 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.

Our collaborations

In order to build and refine its methodologies, along with the compilation of this report, Cathay received guidance, collaboration and recognised industry expertise from the leading organisations PwC and Sirsa. To further improve its support to portfolio companies, Cathay continues to build its collaboration network and has, for example, started looking for a carbon accounting expert.



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 PW 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.



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

4. 2022 ESG performance results

Disclaimer: The published numbers are on a respondent basis, which means that the percentages provided refer to the companies that gave a response on specific questions or indicators in a given year (2021 or 2022) using the Reporting21 platform. This data may not represent companies that did not report anything for the particular indicator in question.

Major societal challenges contribution



The companies in Cathay’s Small Cap IV portfolio have worked to manage important sustainability themes and improve ESG performance. Some companies go beyond ESG issues and contribute to wider social goals through their business. Half of the Small Cap IV portfolio companies contribute to the United Nations’ Sustainable Development Goals (SDG).

To illustrate this point, **AD Education**, which has developed a network of schools with around 35,000 students every year across Europe, contributes to **SDG 4** on Quality Education. Their schools are increasingly including sustainability across curriculum and each school defines ESG engagements. One of the Group’s schools, Ecole de Condé, annually formalises an ESG review to highlight initiatives implemented (e.g., zero waste, energy efficiency). Another school, Accademia Italiana, conducts satisfaction surveys among students, staff and professors and a program coordinator facilitates dialogue between professors and staff.

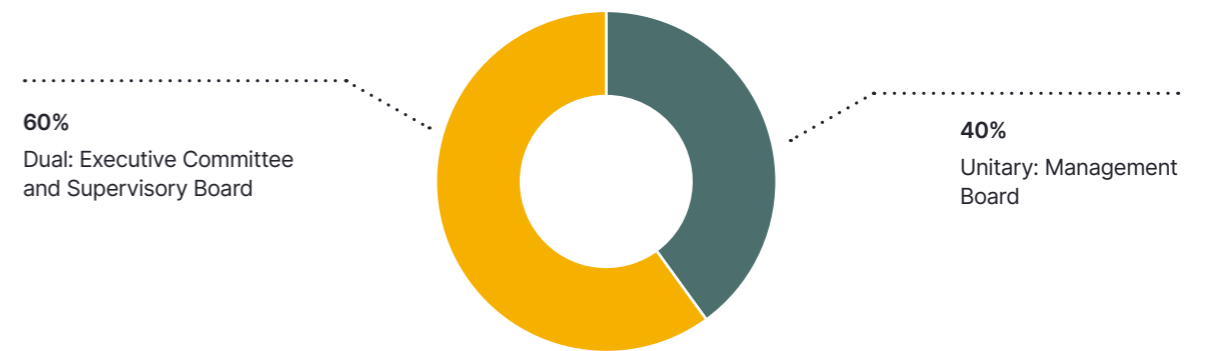
Regarding the contribution to **SDG 3** on Good Health and Well-being, **TransCure Bioservices**, through its offering of in vivo pharmacology studies, supports international clients developing medicines across various therapeutic areas, including immuno-oncology, infectious diseases and inflammatory auto-immune diseases. The company implemented measures to reduce impact on the environment, such as working with local suppliers and strict waste treatment implemented following an external waste audit.

WeNext, which was founded by a group of software and algorithm engineers who use digitalisation to improve the efficiency of factory operations, contributes to **SDG 8** on Decent Work and Economic Growth. Most of WeNext’s ESG engagement is related to human resources and business ethics and formalised in the Employee Handbook as well as in business ethics documents. Several initiatives have been implemented such as training programs and a profit-sharing scheme.

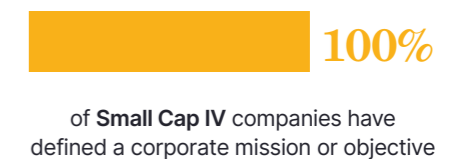
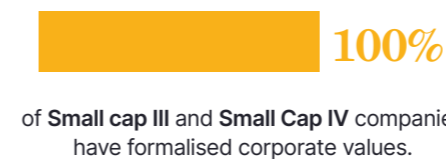
Building a robust governance

Corporate governance

Strong corporate governance ensures long-term resilience and growth. There are two main approaches: dual governance, where there are separate bodies for the Executive Committee and Supervisory Board, and unitary governance, where a single Management Board oversees both executive and oversight functions. The choice between these approaches is based on the company’s situation and structure.

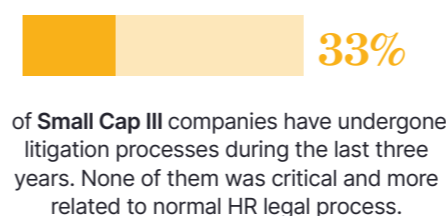


Strengths and achievements:



Robust corporate values and a defined mission contribute to employee engagement, a sense of belonging, and team spirit. This allows companies to foster a positive work culture, attract and retain top talent, drive innovation, and ultimately enhance company performance.

Areas of improvement:

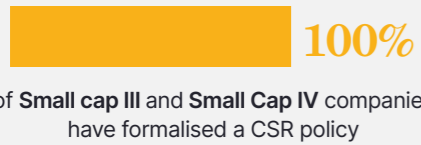


To limit the occurrence of such events, we are currently investigating how to strengthen a more formalised and timely risk assessment process.

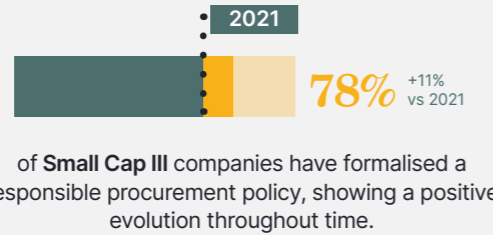
ESG governance

We firmly believe that a governance system for ESG issues is beneficial to achieving an ESG transformation. ESG procedures and initiatives that are appropriately implemented and managed help to measure ESG performance. When ESG principles are embedded within portfolio companies' operations and supply chains, this can help manage risks in the long term.

Strengths and achievements:



While we have seen an increasing number of companies in our portfolio formalising CSR policies, limited companies have reported on this indicator. As part of our commitment to sustainability and social responsibility, we support and guide companies in establishing effective CSR practices, recognising that a CSR policy reflects a company's dedication to responsible business practices and long-term sustainability.

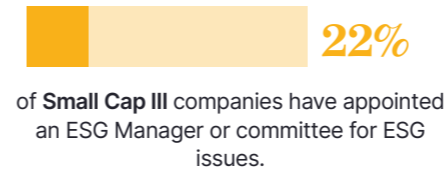


A procurement policy is important for companies as it ensures transparency, cost savings, risk management, legal compliance, and ethical sourcing, allowing companies to optimise resource allocation and achieve long-term success.



This shows that ESG issues are taken increasingly seriously within portfolio companies. Having a dedicated position for ESG shows that companies understand the crucial importance of ESG topics and of deploying resources to make the company progress in its sustainability journey, thus improving ESG performance in the short, medium, and long run.

Areas of improvement:



We will continue to promote and encourage the appointment of ESG Managers within portfolio companies, as it is proven that having someone in charge – and recognised as such within an organisation – tremendously helps awareness, advocacy, support and sharing best practices.

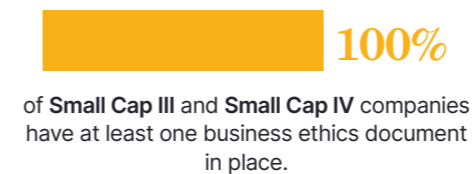


Monitoring ESG issues with key performance indicators (KPIs) at executive and/or advisory board meetings is important, as studies indicate that companies with ESG embodied and monitored at the highest level demonstrate better ESG performance. To further promote ESG integration, we will encourage Small Cap IV portfolio companies to address ESG topics at the highest governance levels in the future.

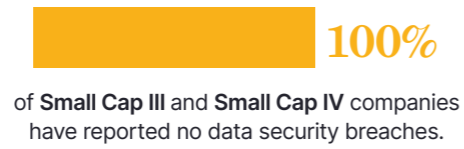
Business ethics

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. Formalisation of ethical guidelines is useful in encouraging professional attitudes in the workplace and through relationships with stakeholders. In addition, to ensure French portfolio companies' compliance with the Sapin II law (French anti-corruption law), Cathay Capital will step up its engagement to ensure the implementation of anonymous grievance schemes.

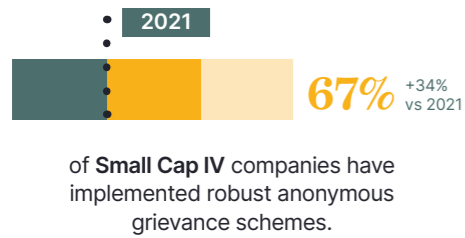
Strengths and achievements:



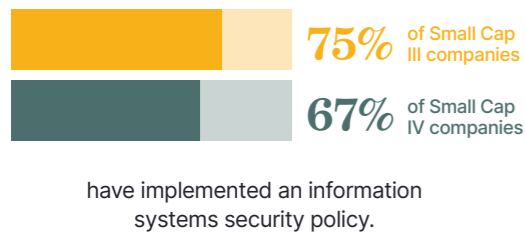
These documents include a code of ethics, code of conduct, ethical guidelines, or anti-corruption policy, which are instrumental in defining companies' core values and promoting professional attitudes both within the workplace and in relationships with stakeholders.



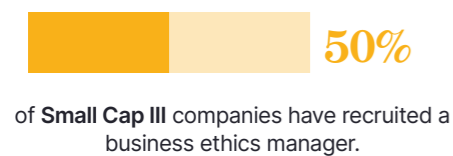
Areas of improvement:



Grievance mechanisms are important, especially for French companies, as they empower stakeholders by providing them with a platform to express their concerns. This fosters positive relationships between companies and stakeholders. Moreover, it is a requirement by regulation for French companies with more than 50 employees. To support companies, we will share good practices through the Resource Hub and assist in selecting providers to implement anonymous grievance schemes.



While progress has been made, and no companies reported data security breaches despite growing risks, we will keep supporting the integration of such policies among companies across the portfolio to further limit risks.



A business ethics manager plays an important role in providing guidance to employees, fostering a speak-up culture, and contributing to attracting and retaining top talent. Overall, this fosters a culture of ethical behaviour within companies, builds trust with stakeholders, and enhances their reputation.

FOCUS:



OrderPlus is one of the leading players in China's export e-commerce sector. To enhance customer data security, the company pursued and successfully obtained PCI (Payment Card Industry) certification by implementing enhanced management protocols, showing the

company's commitments to maintain the highest standards of data security. Through these efforts, the company has elevated its credit card user data management practices to safeguard against any potential leaks or omissions of user information

FOCUS:



WeNext is a prominent digital manufacturer in China. As part of their commitment to ethical business practices, WeNext has developed and implemented an internal «Sunshine Code of Conduct,» which outlines the company's business ethics and

anti-bribery policies and guidelines. Throughout 2022, WeNext maintained a record of no violations of the Sunshine Code of Conduct, reflecting a dedication to upholding high standards of integrity in all aspects of their operations.

Empowering people and talent

Health & safety and employee wellbeing

Ensuring health and safety (H&S) of portfolio companies' employees is crucial to guarantee their wellbeing, engagement, and, ultimately, company-wide resilience. Cathay Capital monitors portfolio companies through qualitative and quantitative indicators to assess companies' health and safety management systems. Additionally, wellbeing initiatives have the potential to improve employee retention and contribute to company success in the long run. They show that companies are dedicated to improving the work-life balance of employees.

Strengths and achievements:



100% of Small Cap IV companies have formalised a H&S policy and most have implemented H&S trainings.



100% of Small Cap III and Small Cap IV companies have taken initiatives and actions in favour of employee wellbeing.

100% of Small Cap IV companies have implemented individual development plans, while 50% of Small Cap III companies have done the same. Other common initiatives encompassed soft skills and management trainings, flexible work hours, wellbeing policies, and teambuilding activities. These measures collectively contribute to enhancing employee well-being and fostering professional growth.

Areas of improvement:



56% of Small Cap III companies have formalised a H&S policy. Among the companies with an H&S policy in place, most have implemented H&S training.

We are committed to providing focused support to companies for which H&S issues are particularly material, such as those in the healthcare sector which includes manufacturing and distribution aspects. Through our Resource Hub, we aim to share best H&S practices across the portfolio, which can be tailored and compared based on specific factors like sector, size, and relevance. These practices can potentially be compared by sector, size, and other relevant factors.

FOCUS:

SNOCKS

Employee health and safety are of utmost importance to Snocks and they have partnered with Argumed, a third-party occupational health and safety organisation, to ensure comprehensive work and health protection measures are in place. Snocks has also collaborated with Nilo Health to prioritise the holistic wellness

and mental health of their employees. An anonymous feedback form has been implemented for employees to express concerns and provide feedback, emphasising Snocks' commitment to fostering an open and transparent culture where everyone's voices are heard and valued.

Human resources

We are dedicated to fair and just processes within human resources among our portfolio companies. These efforts highly contribute to employees' engagement and retention. We understand the importance of implementing a strong human resources management framework and leveraging strategies to nurture talent, ensuring sustainable growth and long-term success.

Strengths and achievements:

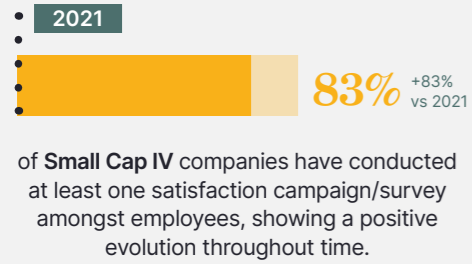


100% of Small Cap III and Small Cap IV companies have a HR manager.

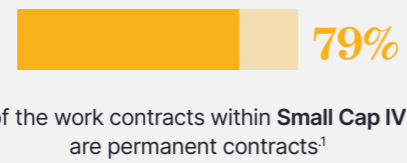


100% of Small Cap III companies have implemented a value sharing mechanism.

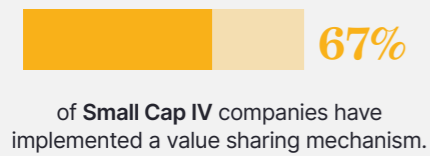
At Cathay, building a positive work environment is important given over 19,000 employees are impacted across our Small Cap portfolio, and value-sharing mechanisms play a pivotal role in driving employee engagement, talent retention, and fostering innovation. The most common initiatives included an incentive plan, providing employees access to capital and employee profit-sharing, thereby contributing to fostering a sense of ownership and engagement among employees.



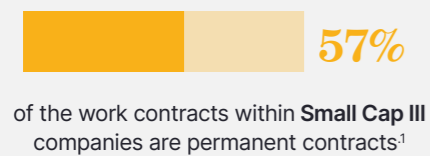
The portfolio has made significant progress since 2021, as no company reported having a satisfaction campaign in that year. Moving forward, our efforts will continue with the target of reaching 100% of companies with at least one satisfaction campaign/survey amongst employees to further enhance employee engagement and satisfaction.



Areas of improvement:



At Cathay, creating a positive work environment is essential, and value-sharing mechanisms are instrumental in driving employee engagement, talent retention, and innovation. In Small Cap IV, the most common initiatives include incentive plans, access to capital, and employee profit-sharing (33%).



Permanent work contracts are important because they provide stability, security, and additional benefits for employees, allowing companies to foster a loyal and motivated workforce.

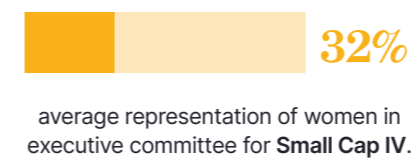
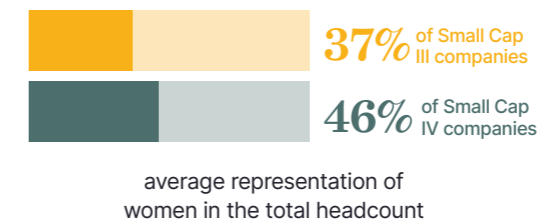
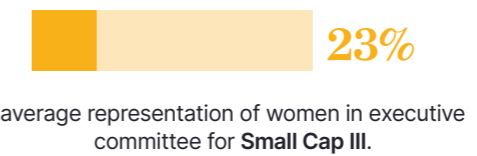
Diversity and inclusion

As shown by numerous studies, diversity and inclusion are drivers of performance. At Cathay, we are committed to promoting diverse and inclusive workplaces among our portfolio companies, specifically through gender parity.

Strengths and achievements:



Areas of improvement:



Improving gender representation is crucial, as studies show that higher diversity in companies drives better performance. It is particularly important at the executive level, as it exemplifies and creates role models. We will specifically focus on enhancing gender representation in European companies, especially with forthcoming regulations on the horizon.

FOCUS:



WeNext has strived to create equal employment opportunities for people with disabilities in post-processing, administrative, warehouse management

and other positions. Out of the 220 employees, 4.5% employees within the company have disabilities.

FOCUS:



Soccas, a consumer electronics brand specialising in personal care products, has had a 367% increase in the number of women among internal promotions.

The company also maintains low dismissal and turnover rates and offers widespread employee training, with a coverage rate of 76%.

FOCUS:



Diversity is a fundamental focus at Snocks, with a commitment to fostering inclusivity at all levels of the organisation. The company is working towards achieving a more balanced representation to promote gender equality and diversity, specifically within C-Suite positions. At the team lead level, Snocks has already

achieved a 50% male and 50% female distribution, highlighting dedication to providing equal opportunities. In coordinator positions, diversity has progressed: 60% of coordinators are women. Snocks values the power of a diverse workforce and aims to create an environment where individuals from all backgrounds can flourish.

Engaging in environmental efforts

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, we strive 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, Cathay encourages them to implement environmental initiatives that are coherent with their activities and their value proposition.

Strengths and achievements:



of Small Cap III and Small Cap IV companies have implemented at least one carbon reduction initiative.



of Small Cap III companies have implemented at least one environmental initiative on the operational level.



of Small Cap IV companies have formalised an environmental strategy or policy.



of Small Cap IV companies have implemented at least one environmental initiative on the operational level.

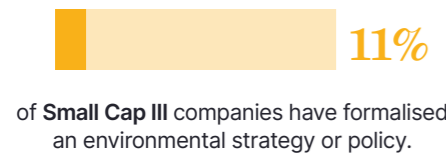
The most common initiatives included promoting remote work, adopting a low-carbon policy, monitoring and reducing air travel, recycling devices, implementing energy-efficient measures, and reducing raw material usage, all of which contribute to environmental preservation.



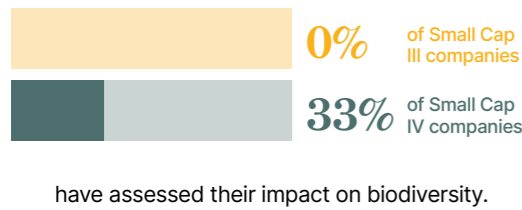
of Small Cap III companies have implemented initiatives in their products and services to reduce environmental impacts.

The most common initiatives included the use of recycled materials, optimising shorter supply chains, conducting life cycle analysis, and eco energetic products or services, thereby contributing to reducing the environmental footprint of their products and services.

Areas of improvement:



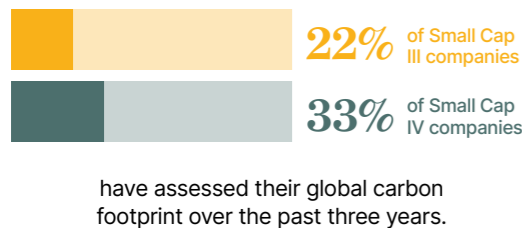
An environmental strategy is vital for companies as it outlines sustainable practices, reducing their environmental impact and ensuring long-term viability. We are committed to assisting companies in formalising robust environmental strategies, providing support through clear roadmaps, objectives, and sharing templates and good practices via our Resource Hub.



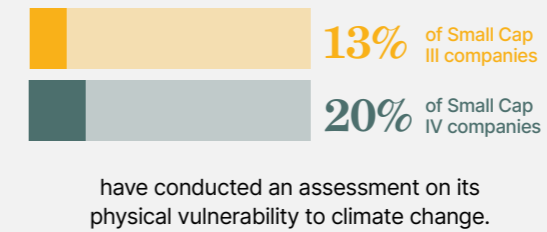
We will conduct a materiality analysis at portfolio level to identify companies for which biodiversity is a material topic and encourage these companies to implement mitigation measures accordingly.



LCA is critical for understanding the environmental impact of companies, allowing them to identify areas for improvement and make data-driven decisions to reduce their environmental footprint. We plan to encourage companies to conduct LCA analysis, possibly by establishing partnerships with external providers.



Conducting a carbon footprint assessment is a prerequisite for assessing a company's contribution to global warming, establishing reduction targets accordingly and effectively tracking climate change mitigation. In 2023, Cathay initiated the process of assisting companies in assessing their carbon footprint to set reduction targets and monitor progress. Moving forward, we will continue to support companies in developing their carbon footprint reduction initiatives, as mentioned above.



FOCUS:



Soocas takes measures to minimise its carbon footprint and promote eco-friendly practices. These initiatives include monitoring and minimising air shipping, utilising recycled electronic devices, implementing energy-efficient measures, reducing input consumption, and advocating for waste reduction and reuse. In product development, Soocas conducts thorough life cycle

analyses to shorten supply chains, incorporates recycled materials, and designs products that are easily recyclable, reusable, and repairable. By prioritising environmental sustainability, Soocas demonstrates its commitment to creating innovative personal care products while minimising its ecological footprint.

FOCUS:



ATRenew, a computer, communication, and consumer electronics collecting and recycling company, completed its listing in the U.S. in 2021 as the first Chinese ESG stock. While operating steadily, the company continues to focus on expanding channels, improving operational efficiency, and experimenting with recycling products other than electronic products. In 2022,

ATRenew recycled and disposed of a total of 270,000 units of used electronic equipment, reducing the pollution of electronic products by about 432,000 tons. The company's newly constructed Dongguan automated operation centre has been officially put into operation in 2022, with a daily maximum carbon emission reduction of 1,095 tonnes.

FOCUS:



Snocks is a brand for basic apparel, which ships its products using sustainable materials to promote the reuse of resources. The packaging used for shipping consists of 70% recycled paper and 30% grass fiber for a reduced environmental impact and excludes any plastic. For specific brands within the company, recycled polybags are also used. To minimise waste, approximately 25% of orders can be shipped without any packaging. Snocks aims to conduct supply chain due diligence through sector-specific risk analyses. Water consumption and land use will also be addressed to ensure responsible practices throughout the product lifecycle

Most of the company's products are certified with recognised standards such as GOTS (Global Organic Textile Standard), GRS (Global Recycled Standard), or OCS (Organic Content

Standard). By pursuing these initiatives, Snocks demonstrates its commitment to sustainability and its willingness to continually improve its practices based on environmental considerations and industry best practices.

In addition, Snocks partners with DHL GoGreen, a climate-neutral shipping service that uses compensation initiatives to offset carbon emissions and has a goal to limit air shipping (6.4% of shipping in 2021). Additionally, CO2 reduction is a strategic objective for Snocks in 2023. The company is considering various approaches, such as science-based targets, B-Corp certification, and conducting Life Cycle Assessments (LCA) to evaluate and improve their environmental performance.

Giving back to society

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.

Strengths and achievements:



A few examples of partnerships and mentoring programs by portfolio companies:

1. Le Wagon, a coding school open to all, offering short and intensive on-site trainings or "coding bootcamps," offers skill-based sponsorship for coding, specifically targeting unemployed individuals and women in the tech industry.
2. BrassMaster, a pioneering enterprise dedicated to traditional brass-related handicraft, initiated an apprenticeship program in 2022. This program aimed to provide opportunities for individuals from less-developed villages, recruiting over 500 trainees. Trainees were given comprehensive training in various handicraft skills, empowering them with the knowledge and expertise necessary to contribute to the preservation and continuation of this cherished art form. Through these efforts, BrassMaster contributes to the revitalisation of traditional craftsmanship while simultaneously creating social and economic opportunities for individuals from underprivileged areas.

A few examples of donations of portfolio companies to local organisations:

1. ATRenew donates funds to Fudan University and Tongji University and provided support by donating vegetables and daily necessities to various economically disadvantaged districts, ensuring essential support for the community.
 2. In 2022, Snocks uses financial donations and in-kind sponsorships, including a donation project in Kenya to provide medical assistance and products, donations to support Ukraine, resources towards environmental conservation, and associations dedicated to the inclusivity of LGBT+ communities.
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5. Key takeaways and next steps



Key takeaways and next steps

While recognising achievements in our portfolio, we also explore the next steps to enhance their ESG performance. Our shared dedication to positive change and creating lasting value for stakeholders, the environment, and communities drives our collective efforts.

Governance

In 2022, Small Cap portfolio companies globally maintained their strong foundation of good governance and practices, particularly in corporate governance, business ethics, and data governance. However, there is an opportunity for companies to enhance their ESG governance by developing ambitious ESG roadmaps and strategies and improving their reporting quality to enhance transparency.

→ Next steps

- To promote sustainability at an operational level and foster the right company culture, we will further promote the appointment of ESG Managers within portfolio companies to strengthen ESG Governance.
- To foster a stronger commitment to ESG principles throughout our portfolio, we will further encourage companies to address ESG topics at the highest governance level.

Social

In 2022, Small Cap portfolio companies achieved great results in health and safety, human resources, and employee well-being, fostering a healthy and attractive environment for their collaborators. Several new HR initiatives were implemented, including satisfaction surveys and value-sharing mechanisms, enhancing employees' engagement and retention. Additionally, nearly all portfolio companies now have an HR Manager, further strengthening their commitment to effective human resource practices.

→ Next steps

- We aim to promote a transparent and safe environment across our portfolio companies. To achieve this, we will support companies in implementing anonymous grievance schemes by sharing good practices through the Resource Hub or assisting in the selection of providers.
- To enhance H&S performance and foster a safer, healthier working environment across our portfolio companies, we plan to support companies with material H&S issues by sharing good practices through the Resource Hub.
- We prioritise the establishment of a secure digital environment for both our portfolio companies and stakeholders. We promote the integration of information systems security policies throughout all portfolios.
- We are dedicated to fostering diverse and inclusive workplaces in our portfolio companies, with a special emphasis on achieving gender parity. Enhancing gender representation, especially at the executive level, serves as an example and inspires others. Our main focus will be to enhance gender diversity in European companies, in line with upcoming regulations.

Environmental

Both Small Cap funds have implemented valuable initiatives to reduce their environmental impact, encompassing activities within their operations as well as in the development of products and services. Moreover, the implementation of a carbon footprint reduction strategy emerged as a key action for portfolio companies in 2022.

→ Next steps

- At Cathay, we recognise the significance of assessing carbon footprints and setting reduction targets to address climate change. To contribute to reducing greenhouse gas emissions and fostering a more sustainable future, we initiated the process of assisting companies in assessing their carbon footprint to set reduction targets and monitor progress. Moving forward, we will continue to support companies in developing their carbon footprint reduction initiatives, including the implementation of greenhouse gas emissions reduction action plans in all relevant portfolio companies by 2025.

6. Appendices



Appendix A: Exclusion List

Small Cap 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 Organisation (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.

* Only applicable to Innovation III fund