



ESG Report 2022-2023

Cathay Mid Cap II



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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.”

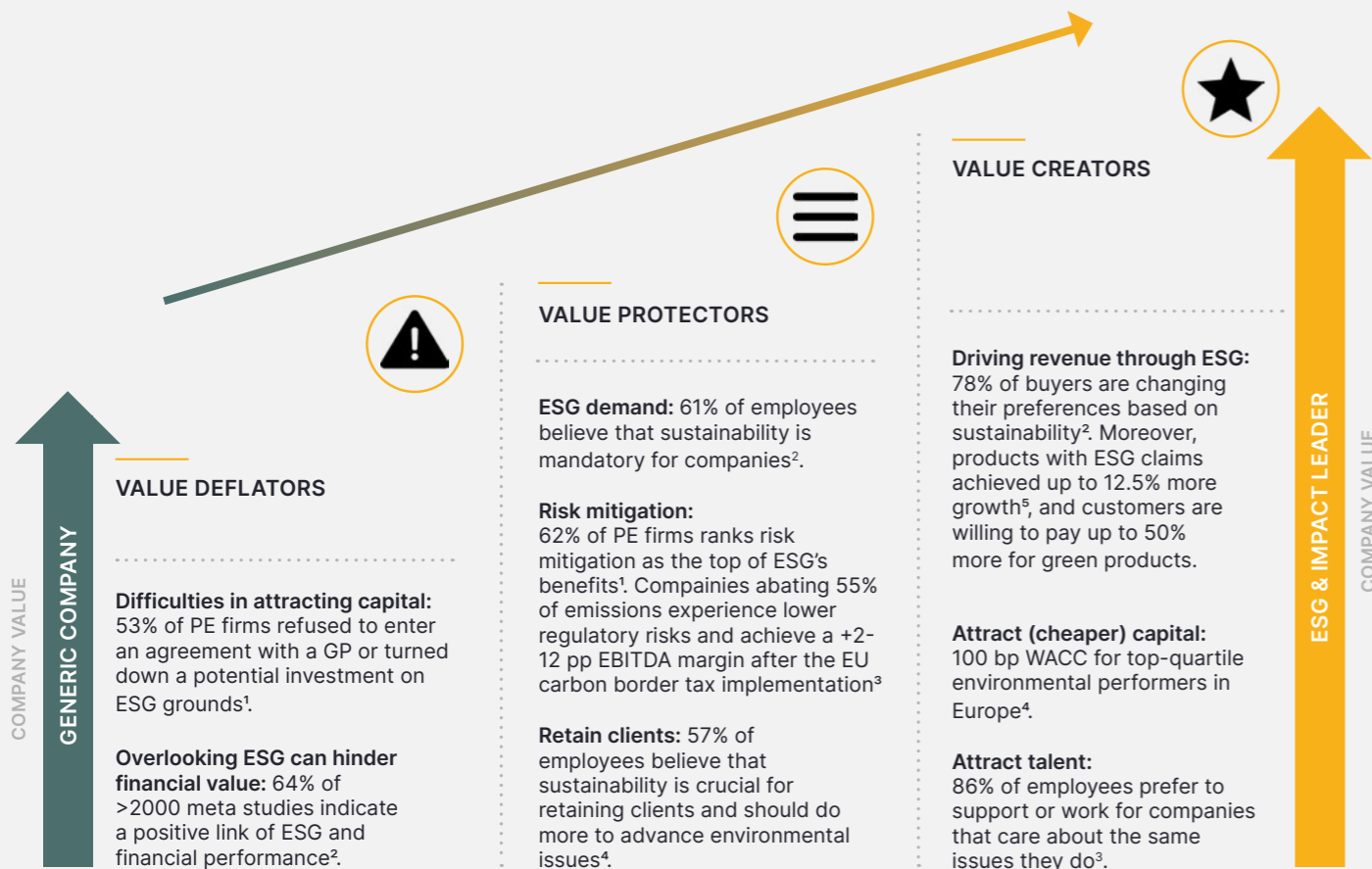


**MINGPO CAI, FOUNDER AND CHAIRMAN,
CATHAY CAPITAL**



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 Innovation, 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 the strong correlation between ESG and value creation, Cathay Capital Private Equity (hereafter CCPE) places **ESG at the heart of its operations** and encourages 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 Mid Cap II ESG performance. Employing nearly 14,000 individuals, Mid Cap II companies underscore our commitment to ESG, aimed at generating positive impacts for all stakeholders, and society as a whole.



(*) Only 6 companies reported to this indicator
 (**) 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. Mid Cap II invested in two new companies in 2022, included in this ESG report.

Building a robust governance

In 2022, Mid Cap companies maintained strong performance in corporate governance, with a significant number of portfolio companies formalising corporate values, missions, and objectives.

The portfolio companies also performed well in areas concerning business ethics and data security, with no reported data breaches and the majority of companies having essential business documents in place for both security and business ethics. These include policies such as information security policy, code of conduct, anti-corruption policy or company guidelines.

In ESG governance, Mid Cap II raised the number of portfolio companies with a CSR policy to 100%, improving by 40% from 2021. This shows they're responding to the growing demand for ESG practices.

Mid Cap II made important progress by increasing the number of portfolio companies with an ESG manager, showing strong dedication to ESG principles. The rate grew 21% to 85% in 2022, highlighting the growing importance of ESG for these companies.

Empowering people and talent

Across Mid Cap II companies, every company prioritised employee well-being through initiatives such as individual development plans, training programs, and flexible work hours. These efforts contributed to enhancing employee work quality and fostering professional growth impacting almost 14,000 employees across Mid Cap II companies.

In the field of human resources, portfolio companies maintained their robust performance in 2022. Every company has an HR manager, and more than 94% of the work contracts in Mid Cap II are permanent. Additionally, most companies have implemented value-boosting measures like incentive plans and employee-profit sharing, with employee satisfaction being assessed through surveys.

Mid Cap II companies displayed good gender parity across total headcount and at the managerial level, both around 50%. However, there's potential for improvement specifically in terms of gender diversity within the executive committee. Enhancing gender representation at this level positively influences company performance. Therefore, we will focus on improving this in our European entities not only to align with upcoming regulations, but in recognition of the impact of executive roles on entire organisations.

Engaging in environmental efforts

In 2022, Mid Cap II companies have undertaken numerous initiatives, both at the operational level and within their products and services. For carbon reduction, 100% of Mid Cap II companies have introduced measures, including using data centres with enhanced efficiency and circular IT equipment. Furthermore, most companies have adopted additional strategies like remote work, monitoring air travel, and recycling devices. At the product and service level, companies have implemented measures such as conducting life cycle analyses and optimising supply chains.

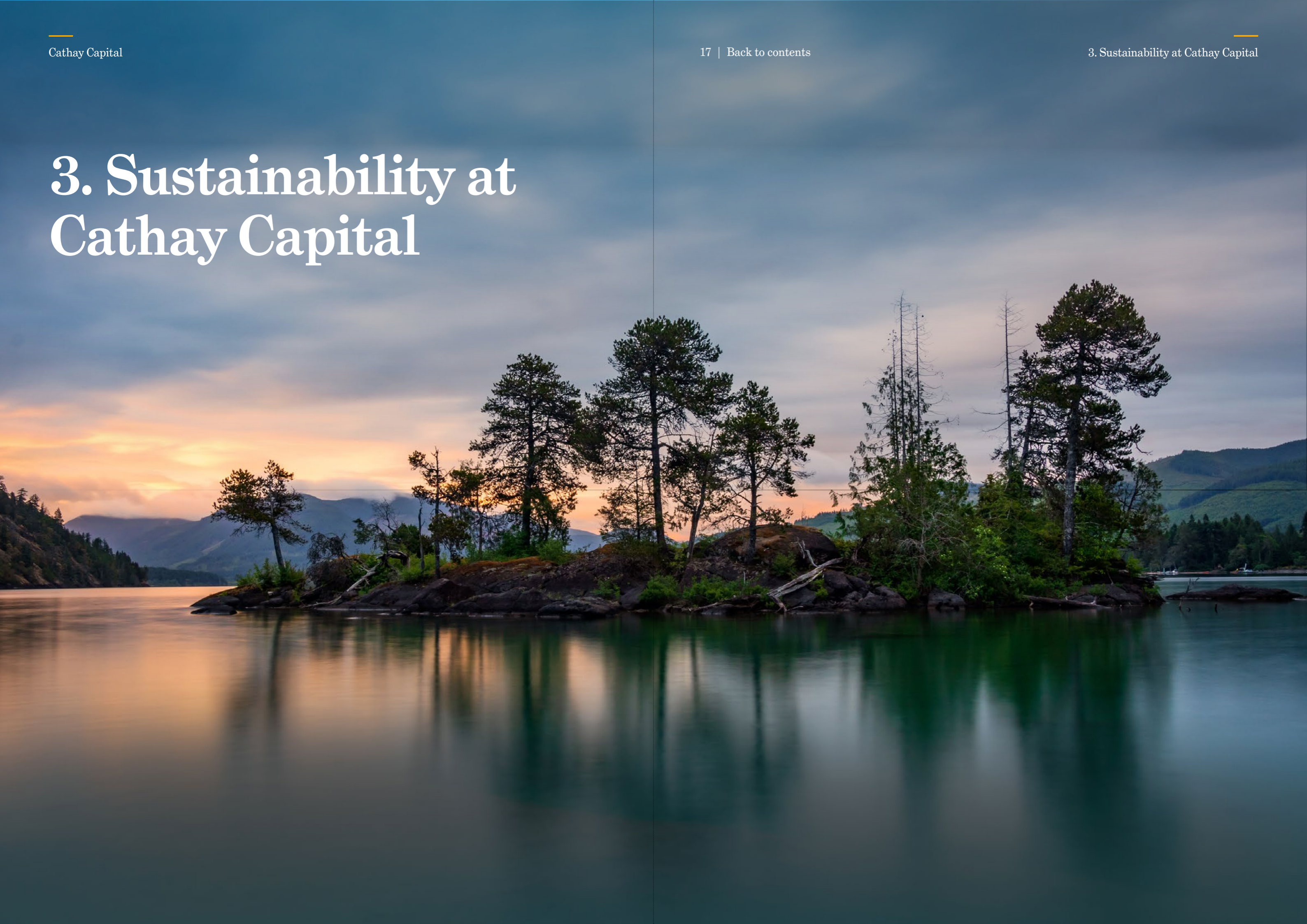
In 2023, we initiated a program to help companies assess their carbon footprint, set reduction targets, and monitor progress. Moving forward, Cathay will remain dedicated to supporting companies in their efforts to reduce their emissions, building upon the initiatives mentioned above. The achievements 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



Who we are

Our vision and values

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

We also value engagement and devotion 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 by 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 important, make sure they have the resources to turn roadmaps into results.

Our ESG governance

Since 2020, Cathay Capital has incorporated the function 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 extended the reporting scope to include two new portfolio companies: Dilitrust and Shiro Games. This section presents each of the 13 portfolio companies that participated in the 2022 ESG reporting campaign. Medifa exited the portfolio in 2022.



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



Investment date:
November 2021

Headcount:
2282

Sector:
Business
/digital services



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



Investment date:
December 2021

Headcount:
758

Sector:
Business
/digital services



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



Investment date:
July 2020

Headcount:
2701

Sector:
Consumer products
/services



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



Investment date:
June 2019

Headcount:
219

Sector:
Consumer products
/services



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



Investment date:
November 2020

Headcount:
360

Sector:
Consumer products
/services



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



Investment date:
December 2021

Headcount:
95

Sector:
Business
/digital services



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



Investment date:
December 2019

Headcount:
772

Sector:
Healthcare



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



Investment date:
August 2019

Headcount:
1353

Sector:
Advanced
manufacturing
/industry



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



Investment date:
July 2020

Headcount:
2716

Sector:
Consumer products
/services



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



Investment date:
July 2020

Headcount:
550

Sector:
Consumer products
/services



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



Investment date:
December 2019

Headcount:
669

Sector:
Healthcare



DiliTrust is a software provider specialised in governance and legal management solutions. The Company aims to accelerate digital transformation and enable to the automation of legal activities.



Investment date:
April 2022

Headcount:
256

Sector:
Business
/Digital services



Shiro Games is an independent video game development studio based in Bordeaux, France.



Investment date:
October 2022

Headcount:
57

Sector:
Consumer products
/services

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

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

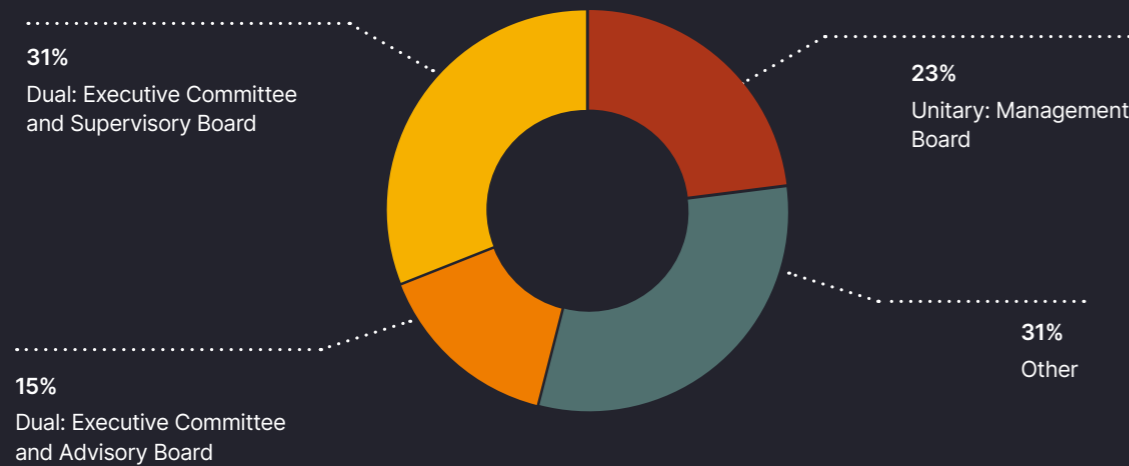
4. 2022 ESG performance results

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.

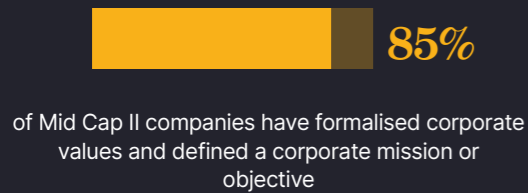
Building a robust governance

Corporate governance

Strong corporate governance ensures long-term resilience and growth. There are several approaches: dual governance, with separate bodies for the Executive Committee and Supervisory Board; a dual approach, involving separate bodies for the Executive Committee and Advisory Board; or unitary governance, where a single Management Board oversees both executive and oversight functions. The choice among these approaches depends on the company's specific situation and structure. Some of our companies have opted for a structure that combines or slightly differs from the options mentioned above.

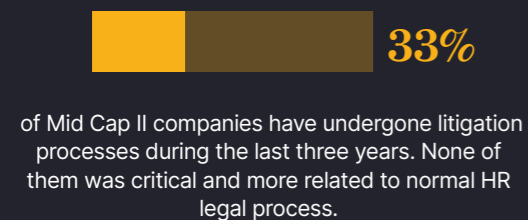


Strengths and achievements



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



Due to economic conditions, Mid Cap II companies faced more litigation processes in the last three years. To limit the occurrence of such events, we are currently investigating how to strengthen a more formalised and timely risk assessment process.

ESG governance

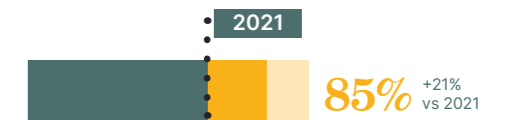
We firmly believe that a governance system for ESG issues is beneficial to achieving an ESG transformation. ESG procedures and initiatives that are appropriately implemented and managed help to measure ESG performance. When ESG principles are embedded within portfolio companies' operations and supply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

Strengths and achievements



of Mid Cap II companies have formalised a CSR policy, showing a positive evolution throughout time.

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 actively 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.



of Mid Cap II companies have appointed an ESG Manager or committee for ESG issues, showing a positive evolution throughout time.

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



of Mid Cap II companies monitor ESG issues with KPIs at executive and/or advisory board meetings

As we continue to make progress, we remain committed to promoting and encouraging the appointment of ESG Managers within our portfolio companies, as studies indicate that companies with ESG embodied and monitored at the highest level demonstrate better ESG performance.



of Mid Cap II companies have formalised a responsible procurement policy, showing a positive evolution throughout time.

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.

FOCUS:



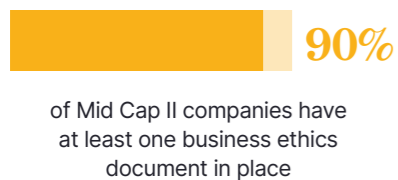
Marle is dedicated to advancing sustainable practices and has taken significant steps towards achieving its ESG goals through the implementation of an ESG Roadmap in 2022. On governance, Marle conducted a corruption risk assessment to ensure compliance with the AFA

(Anticorruption Agency of France) guidelines in July 2022. Furthermore, Marle has developed a comprehensive action plan for 2023, encompassing the establishment of a code of conduct, training initiatives, and the implementation of a whistleblowing scheme.

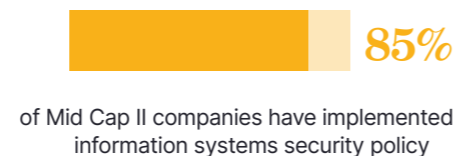
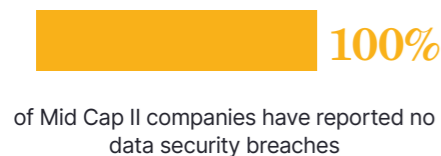
Business ethics

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

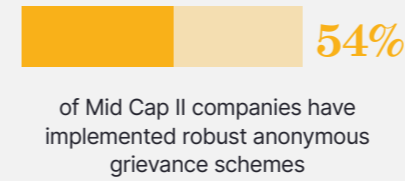


These documents include a code of ethics, code of conduct, ethical guidelines, or anti-corruption policy, which are instrumental in defining companies' core values and promoting professional attitudes both within the workplace and in relationships with stakeholders.

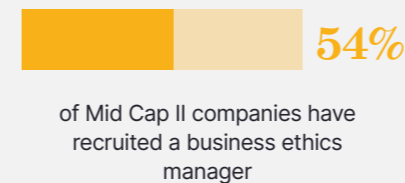


While no companies reported data security breaches despite growing risks, we will keep supporting the integration of such policies among companies across the portfolio to further limit risks.

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.



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:



As part of its core value proposition to facilitate workflows for governance and legal corporate functions, DiliTrust has contributed to improving governance systems at enterprise and public institution levels; the governance pillar of ESG has been a key criteria since the company's inception and is ingrained in its culture and ethics policies. DiliTrust has recently recruited

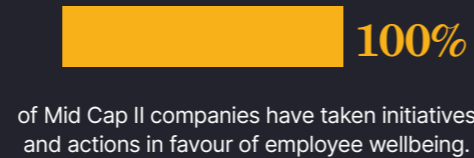
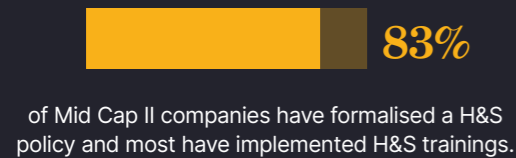
a Head of Legal to oversee the ESG roadmap implementation, starting with a Code of Conduct, which was finalised at the end of 2022 and signed by all new employees from January 2023 onwards. In 2023, the Company will focus on communication and education regarding this new Code of Conduct to all employees.

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



64% of Mid Cap II companies have implemented individual development plans. 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.

FOCUS:



Moose Knuckles highly values the diversity and well-being of its employees and launched several initiatives in 2022 to address these crucial topics. These initiatives include marketing campaigns featuring diversity in models; cooperation with

mental health service providers; the organisation of a Mental Health week in May; insurance enhancement for its US Office; monthly birthday celebrations to connect and celebrate employees, and monthly Moose Lodges (town halls) to keep company leadership informed.

FOCUS:



Deerma strongly emphasises health and safety as they ensure development, production, and sale of products. They have implemented a three-pillar ESG (Environmental, Social, and Governance) strategy for their factories, with two pillars specifically addressing health and safety. On safety, the company aims for zero work-related injuries, fire incidents, and administrative penalties. To achieve this, Deerma conducts regular employee training, hazard inspections, and emergency drills. In 2022, no

incidents were reported. In terms of occupational health, Deerma has a target of zero cases of occupational diseases and acute poisoning among employees. The company hires a third-party organisation to conduct regular monitoring of occupational hazards and implements various measures such as medical examinations, health check-ups, and providing personal protective equipment. Deerma's commitment to health and safety demonstrates their dedication to high standards and the well-being of their employees.

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.

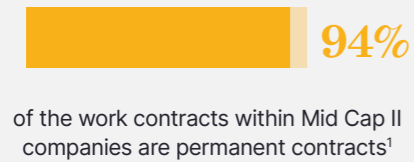
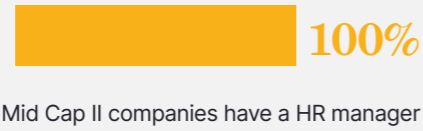
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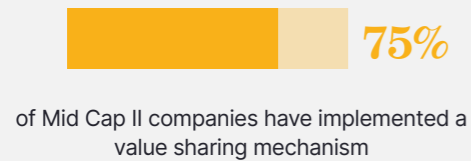
To attract new talent, Artefact has developed partnerships with major French universities such as EPITA, EPITECH and HEC (among others). In addition, Artefact organises regular Happiness Surveys to assess employee satisfaction. The Group

also provides a knowledge platform called "KNOW" where all employees can access trainings. Artefact has created a mobility committee to provide employees with further opportunities to grow professionally.

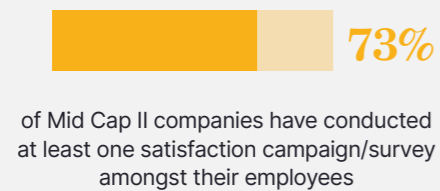
Strengths and achievements



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



At Cathay, building a positive work environment is important given almost 14,000 employees are impacted across Mid Cap companies, 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, employee profit-sharing providing employees access to capital, thereby contributing to fostering a sense of ownership and engagement among employees.



At Cathay, we recognise that such surveys allow companies to gather valuable insights and feedback directly from their workforce. This helps in understanding employee sentiments and identifying areas for improvement. We will continue our efforts to ensure that 100% of companies conduct at least one satisfaction campaign/survey among their employees, further enhancing employee engagement and satisfaction.

FOCUS:

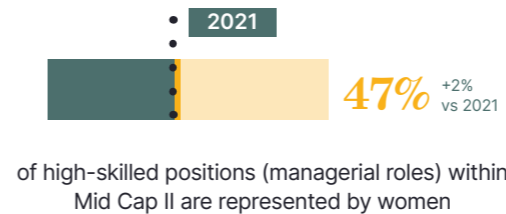
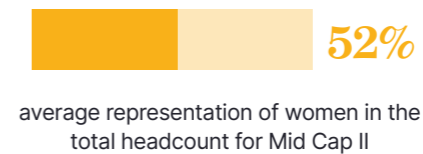


The company has launched a new factory in 2022 that will be put into production starting from 2023, creating more than 100+ local employment opportunities.

Diversity and inclusion

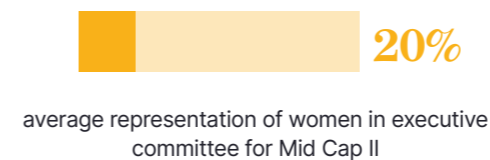
As shown by numerous studies, diversity and inclusion are drivers of performance. At Cathay, we are committed to promoting diverse and inclusive workplaces among our portfolio companies, specifically through gender parity.

Strengths and achievements



This two-point increase compared to 2021 can be considered a strength, given the nature of certain sectors within the portfolio companies, such as information systems and technology.

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.

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 Mid Cap II companies have implemented at least one carbon reduction initiative

More than 50% of our companies indicated that they have chosen data centres with improved efficiency performance and employ circular IT equipment.



of Mid Cap II companies have implemented at least one environmental initiative on the operational level.

The most common initiatives included energy efficiency measures, efforts to reduce water consumption, promotion of remote work, adoption of low-carbon policies, recycling, and monitoring and reduction of air travel, all of which contribute to environmental preservation.



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

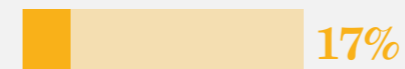
The most common initiatives included the use of recycled materials, conducting life cycle analysis, optimising shorter supply chains, and eco energetical products or services, thereby contributing to reducing the environmental footprint of their products and services.

Areas of improvement



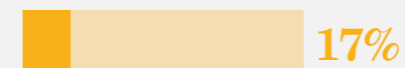
of Mid Cap II companies have formalised an environmental strategy or policy.

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.



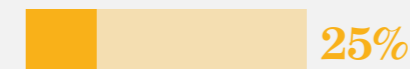
of Mid Cap II companies have assessed their global carbon footprint over the past three years

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.



of Mid Cap II companies have assessed their impact on biodiversity

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.



of Mid Cap II companies have conducted an assessment on its physical vulnerability to climate change.

FOCUS:



In 2022, Liesheng Technology, a leading consumer electronics company, acquired Suunto, a renowned sports watch brand. Under the company's leadership, Suunto highly contributed to sustainability goals and has set timelines and metrics to track progress on these topics. Specifically, the company's commitments include: the

reduction of carbon emissions by 50% by 2030 from a 2020 baseline; the use of 100% renewable energy in factories and the company's headquarters; the implementation of advanced water recycling systems, and the use of sustainable raw materials to minimise carbon footprint in production.

FOCUS:



Marle integrated environmental objectives and new KPIs within its HSE policy in 2022 and is progressively implementing an HSE charter. Regarding climate, the company has planned to monitor its carbon footprint

and define reduction targets by 2024. To promote the adoption of sustainable practices across the supply chain, Marle aims to raise awareness among its key suppliers and assess their ESG standings.

FOCUS



During the reporting year, Colori has upgraded waste gas treatment facilities and has improved dust emission

standards to reduce the emission of particulate matter in its factories.

FOCUS:



The implementation of environmental criteria is an important initiative for Moose Knuckles, both within the company and for community partners. The company focuses on CO2 reduction, fair working conditions, and the use of preferred materials, such as recycled fibres and traceable cotton, throughout the entire value chain. On a brand level, the company is in the process to receive certification from the industry certification body, Textile Exchange, for both the Global Recycled Standard (GRS) and Responsible Down Standard (RDS) by the end of 2023.

To increase supply chain transparency, Moose Knuckles has partnered with a sustainability platform, Sustain.Life, to create and outline the environmental and social requirements for all

their suppliers globally. In shipping and packaging, Moose Knuckles commitments and accomplishments include:

- The use of recycled and biodegradable materials in product packaging with its partner Mainetti.
- The transition to Ocean Bound Plastic hangers for all shipped product that started with Fall 2022 production
- The elimination of toxic silica gel packets to be replaced by biodegradable clay alternatives starting with the Fall 2023 production.



Giving back to society

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.

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

1. Artefact actively supports the association Sistech, which includes the programme Techfugees, through donation and skills mentoring.
 2. SIACI and DIOT have continued their partnership with «Nos Quartiers ont du Talent», which enables employees to spend time supporting a young graduate in setting up a first professional project.
 3. Artefact has continued to facilitate entry to the Artefact School of Data to democratise access to careers in data and engages in sponsorship, organises mentoring, and conducts fieldwork with public authorities.
-

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

1. During the 2022 epidemic period, Colori donated a total of RMB 550k of sanitary products to Changshu Red Cross Society and RMB 200k to Changshu Charity Federation, and subsidised RMB 90k to employees, accounting for a total of RMB 840k.
2. Jieli Cosmetics provided student loans to 21 college students and donated a total of RMB 850k to charitable organisations.
3. SIACI, a founding member of the HUMANINNOV Foundation, supports inclusive management for employees affected by chronic diseases. Diot-Siaci's commitment to healthcare includes charitable races, like Strides of Insurance for Adicare and Course des Lumières for Institut Curie. They also contribute to NGOs like la Fondation Roussy, SOS villages d'enfants, and le Secours Catholique, along with donations to the French Red Cross.



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

Throughout 2022, our portfolio companies continued to uphold strong governance foundations and practices, particularly in corporate governance, business ethics, and data governance. Nonetheless, there lies an opportunity for further improvement by developing ambitious ESG roadmaps that encompass KPIs and executive supervision for execution, enhancing transparency in their reporting and ESG progression.

→ Next steps

- To promote sustainability at an operational level and foster the right company culture, Cathay 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, Cathay will further encourage companies to address ESG topics at the highest governance level.

Social

In 2022, portfolio companies performed well in social issues such as health and safety, human resources, employee, gender equality, and building a healthy and attractive environment for employees. In 2022, our portfolio companies successfully ensured the presence of an HR manager in each company, with a significant proportion (94%) of permanent work contracts. Additionally, we achieved good gender balance in total headcount and management, while introducing measures like incentive plans to enhance employee value.

→ 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.
- We prioritise the establishment of a secure digital environment for both our portfolio companies and stakeholders. We actively 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. This steady progress should lead us to meet our first landmark of having 30% women in portfolio executive committees, which is well above the market statistics.

Environmental

Portfolio companies have successfully put into action meaningful environmental initiatives, like strategies to lower carbon footprints, efforts related to products and services, and overall environmental strategies to lessen their impact. Our commitment lies in elevating the environmental performance of our portfolio companies.

→ 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, Cathay initiated the process of assisting companies in assessing their carbon footprint to set reduction targets and monitor progress. Moving forward, Cathay 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

- 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; and alternative tobacco products, such as vaporisers and electronic cigarettes (tobacco heating products);
- Gambling, casinos and equivalent activities;
- Trade in wildlife and products within the scope of CITES (the Convention on International Trade in Endangered Species of Wild Fauna and Flora);
- Production of, or trade in, radioactive materials;
- Production of, or trade in, or use of, asbestos;
- Commercial deforestation or purchases of equipment for such purposes in tropical rain forests;
- Production of, or trade in, products containing 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 refer to companies involved in the extraction, production and distribution of palm oil and not to companies which use palm oil in their products);
- Construction (including expansion and upgrading) of a coal-fired power plant, or Power generation sector that owns or operates coal-fired power plants and for which coal-fired power accounts for at least 30% of its total installed power generation capacity;
- Exploration, development, and production of oil sand and/or shale oil and gas, or (ii) arctic oil and gas exploration projects, or (iii) pipelines transporting a significant volume of oil sand and/or shale oil and gas, as well as LNG export terminals supplied by a significant volume of shale gas; and
- 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.

* Only applicable to Innovation III fund