
ESG Report 2023-2024

Cathay Mid Cap II



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1. Foreword - why ESG matters



Letter from our president and co-founder






As the world faces increasingly complex challenges, ESG and sustainability are now essential factors for businesses of all shapes and sizes. In the private equity and venture capital world, this means redefining success around the creation of responsible, resilient companies that not only deliver financial returns but also contribute to a sustainable future. Cathay Capital is an organization built on trust — from the founders we support to the investors and large industrial companies we partner with. We see it as our duty to help entrepreneurs and executives integrate these values, building businesses that drive long-term value and positive impact across industries and society."



MINGPO CAI, FOUNDER AND CHAIRMAN,
CATHAY CAPITAL

Why ESG and Sustainability matter

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. These considerations are essential for:

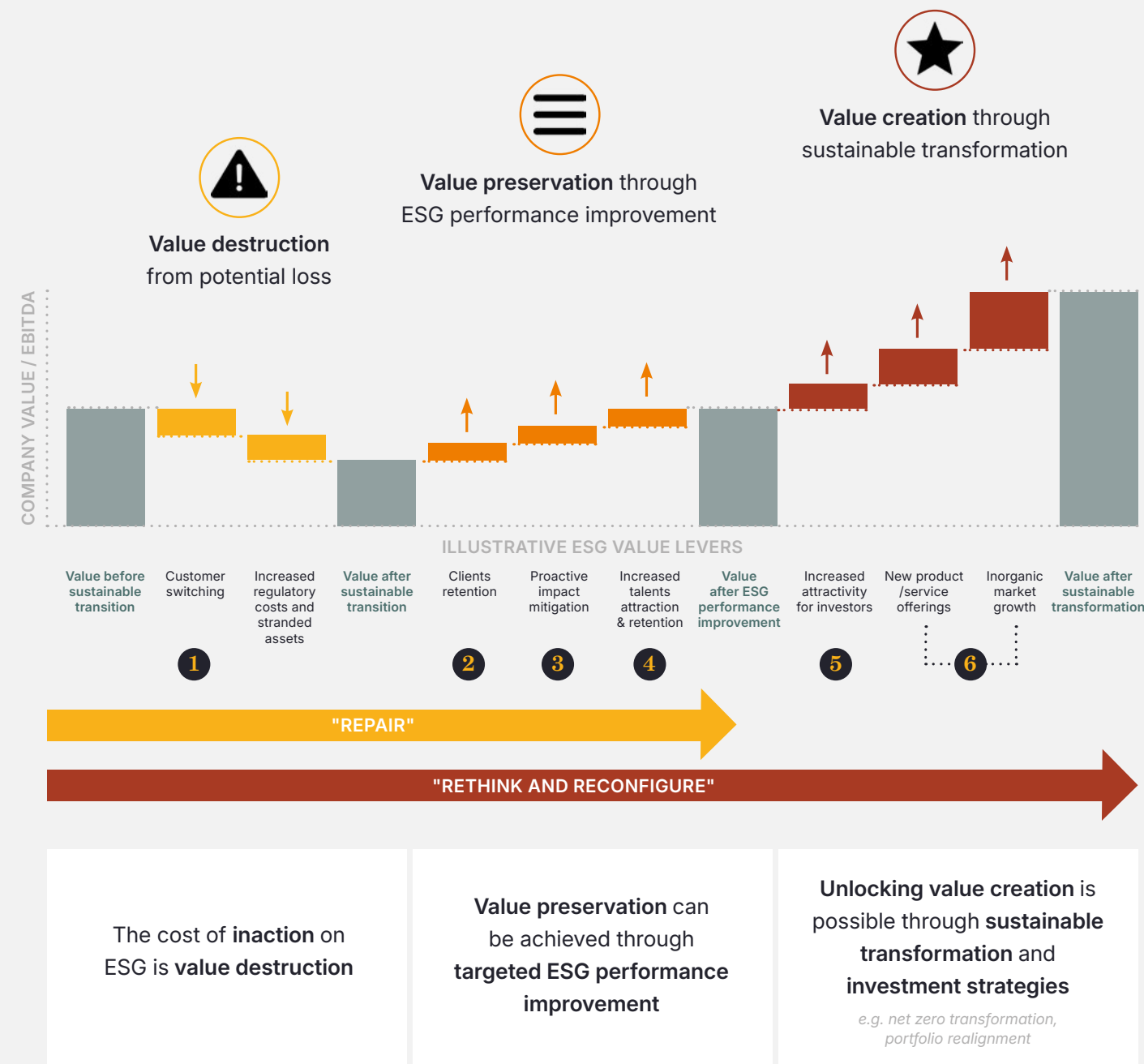
-  managing risks,
-  seizing new opportunities,
-  and ensuring long-term value creation.

Today, Limited Partners (LPs), employees, and investees acknowledge the importance of implementing ESG best practices and prioritising positive impacts. Regulators are putting pressure on financial actors to report on sustainability matters. As stakeholders place increasing emphasis on ESG factors, as detailed in the graph below, Cathay's commitment to ESG and sustainability becomes a significant differentiator, relying on 5 essential pillars:



Creating value through ESG and impact

At Cathay, we recognise the importance of integrating ESG into our practices, and especially throughout our investment process. This integration is driven by the understanding that sustainable investing enhances long-term financial performance, value creation, and value protection.



Considering this strong correlation between ESG and value creation, Cathay Capital Private Equity (hereafter CCPE) has decided to **put 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.

Key figures

78%

of buyers are changing their products/services preferences based on sustainability¹.

83%

of companies invested in ESG reported improved customer retention².

74%

In 2022, 74% of surveyed CEOs believe that robust environmental sustainability practices improve employee productivity and reduce employee turnover⁶.

100 bp

WACC for top-quartile environmental performers in Europe⁴.

62%

of PE firms ranks risk mitigation as the top of ESG's benefits³.

1/3

investors use the UN SDGs to guide their investments⁵.

79%

of companies have implemented an ESG strategy to guide their investment decisions or have it in plan⁵.

12.5%

Moreover, products with ESG claims achieved up to 12.5% more growth, and customer are willing to pay up to 50% more for green products⁷.

55%

Companies abating 55% of emissions experience lower regulatory risks and achieve a +2-12 pp EBITDA margin after the EU carbon border tax implementation⁴.

1. Bain & Company – ESG Shaping PE, 2023
2. International Accounting – \$4 trillion increase in revenue for businesses placing greater importance on ESG, 2022
3. PwC – Global Private Equity Responsible Investment Survey, 2023
4. EU announcement, based on a BCG analysis, 2022

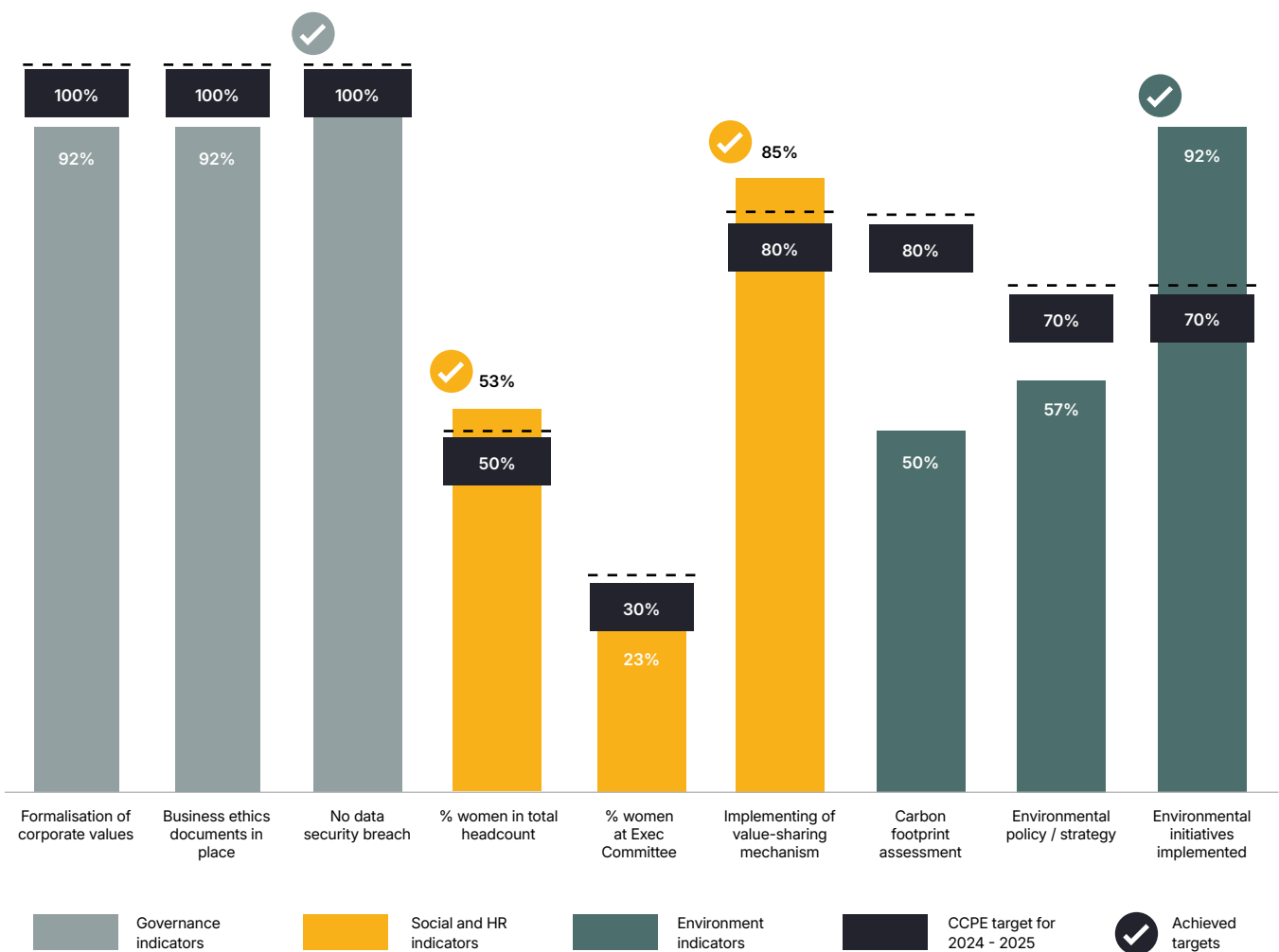
5. European Women in VC -Venture & growth investing empower sustainability & societal change, 2024
6. KPMG – ESG in a downturn, 2022
7. McKinsey – Consumers care about sustainability, 2023

2. 2023 ESG performance overview



ESG overview

The scorecard below provides an overview of Cathay Mid Cap II's ESG performance. By providing employment to over 14,000 individuals, ESG commitment at CCPE aims to foster positive impacts for all stakeholders.



Sustainability is at the heart of our investment philosophy. In 2023, we made significant progress in advancing ESG principles and guiding our portfolio companies towards actionable plans. Mid Cap II invested in one new company, Juliette has a Gun, in 2023, which is included in this ESG report.

Building a robust governance

Corporate governance

In 2023, Mid Cap companies further improved their strong performance in corporate governance, with a significant number of portfolio companies formalising their corporate values, missions, and objectives. (92% in 2023), showing a positive evolution since last year (85% in 2022).

To align stakeholders' interests, promote collaboration and equitable distribution of benefits, most of Mid Cap II companies (86%) implemented value-sharing mechanisms, such as incentive plans and employee-profit sharing.

Business Ethics & Data protection

The portfolio companies showcased robust business ethics, as 100% of Mid Cap II companies have essential business documents established, such as a code of conduct, anti-corruption policy, and ethical guidelines.

Across our portfolios, no data security breaches were reported for Mid Cap II. Furthermore, nearly all companies (92%) have designated roles for data protection.

ESG governance

ESG Governance is a prerequisite for a successful ESG transformation, ESG performance and for risk management. Mid Cap II companies made steady progress on the topic, as 58% of them assigned ESG responsibilities and have developed ESG policies or strategies.

Empowering people & Talent



Human Resources

In the field of human resources, the portfolio companies maintained their robust performance in 2023. Every company has assigned HR responsibilities, and most of Mid Cap II companies have conducted at least one satisfaction survey amongst their employees (85% in 2023), showing a positive evolution since last year (75% in 2022).



Health & Safety

In 2023, a high percentage (77%) of Mid Cap II companies have formalised a Health and Safety (H&S) policy and 64% of the fund's portfolio companies also actively track H&S KPIs.

³ PwC – Global Diversity, Equity & Inclusion Survey, 2022



Diversity & Inclusion

Mid Cap II companies displayed good levels gender parity across the total headcount of employees (53%) and at the managerial level (52%). However, there is potential for improvement specifically in terms of gender diversity within governance instances, such as executive committees and advisory

boards. Enhancing gender representation at this level positively influences company performance¹. Therefore, we will focus on improving this in our European entities to align with upcoming regulations, recognising the impact of executive roles on the whole organisation.

Engaging in environmental efforts

At Cathay, we are deeply concerned about the environmental impact of our operations and our portfolio. In 2023, we measured our carbon footprint, on Scopes 1, 2 & 3 emissions. To obtain robust data on our Scope 3 emissions, consisting mainly of portfolio companies' carbon footprints, we financially and operationally supported portfolio companies to measure their carbon footprints, by offering the potential for financial support, and connecting them with our expert partners in carbon footprint measurement. Moving forward, we will continue supporting companies in measuring their carbon footprint, defining robust decarbonisation strategies, and setting emission reduction action plans. As of 2023, 50% of Mid Cap II companies measured their carbon footprint, showing a great improvement since last year (17%).

During 2023, companies in the Mid Cap II Fund continued their commitment to environmental sustainability. Portfolio companies continued developing environmental policy or strategy in 2023 (57%). In parallel, companies keep implementing environmental initiatives, should it concern operations (91%) or products and services (77%).

The achievements made in 2023 have motivated CCPE, 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 are detailed in sections 4 and 5 of this report.

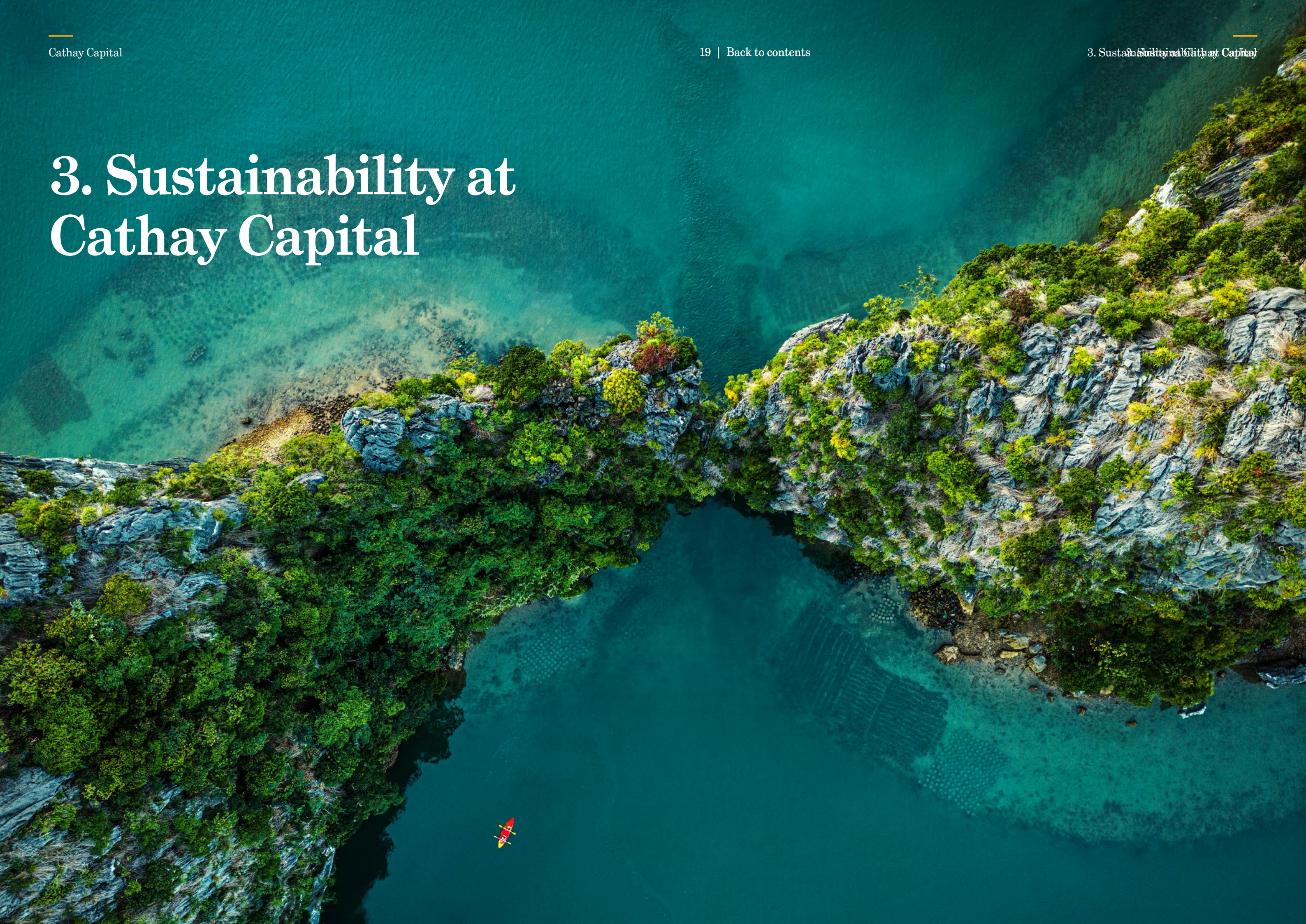
ESG highlights at CCPE level

Cathay has hired a Chief Impact Officer 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 CCPE 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

At Cathay, we recognise that compliance is not only a goal to achieve, but also a fundamental baseline in our journey towards sustainability. We strongly believe in delivering value with high standards and endeavour to create a positive impact across all our operations, aspiring to act as a catalyst for sustainable change.

1. As a company, we operate globally with agile and diverse teams, with a **sense of responsibility** everywhere.



DIVERSITY IN ALL FORMS



ETHICAL CONDUCT



ENVIRONMENTAL FOOTPRINT



CYBER RISK & DATA PRIVACY

2. As an investor, we create value for society by ensuring that **sustainability is embedded not only in our processes, but also in every portfolio company.**



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.



Cathay is 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**.



Cathay has been 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 decided to contribute to the objectives of COP21 to limit global warming to 1.5°C.

3. As an ecosystem partner, our mindset is to share best practices and proven solutions that are set to enable any entrepreneur willing to drive the transition with us.

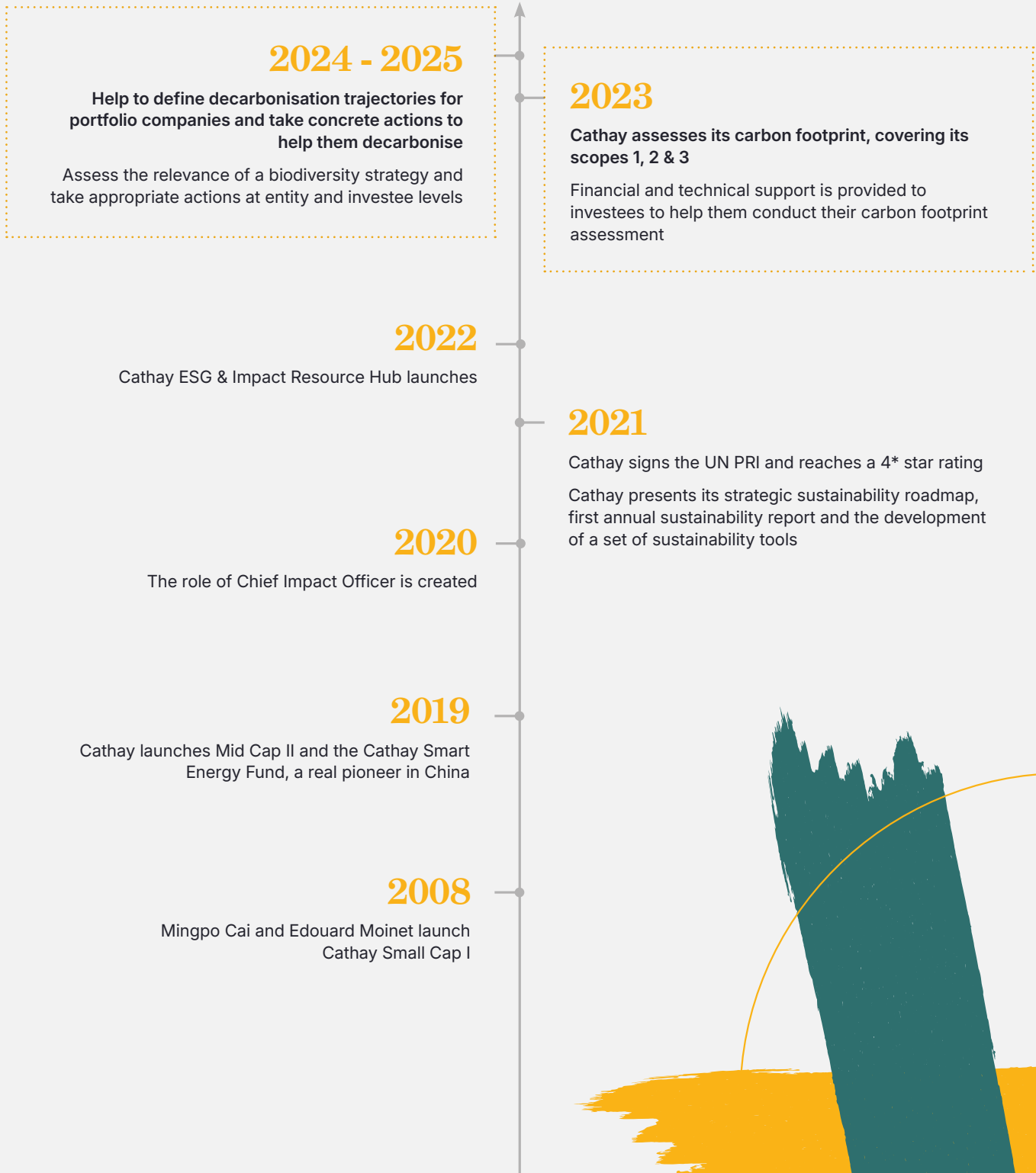
FRANCE INVEST Cathay is a member of France Invest network. This network provides access to financing opportunities, strategic support, and a powerful community of investors and entrepreneurs.

SISTA Cathay signed the Sista pledge (France), which aims to promote diversity in tech. Through the pledge, the Group commits to measure gender metrics in its investments and adopt inclusive practices in investment and recruitment processes. One of Cathay's Investment Directors is an active member of the Sista Initiative.



Our sustainability journey

Throughout our sustainability journey starting in 2019, we have continuously strived to refine and enhance our impact initiatives. Our primary focus has been on defining and measuring the economic and social impacts of our portfolio companies. Through these efforts, we have aimed to assess their ability to promote sustainable development and drive meaningful and lasting positive impacts.



Our impact initiative serves several goals:

- 1 Align portfolio, companies, LPs and fund managers with shared sustainability values and ambitions.
- 2 Define qualitative and quantitative measures to assess and measure impact.
- 3 Provide feedback and reporting on a regular basis to fuel progress.
- 4 Ensure accountability.

Empowering Sustainable Action: Introducing the Cathay ESG & Impact Resource Hub

In 2022, we proudly unveiled the Cathay ESG & Impact Resource Hub, an innovative online platform aiming at fostering knowledge sharing, collaboration, and practical guidance among our portfolio companies. This hub serves as a toolbox, equipping organisations with the necessary resources to swiftly and effectively implement new ESG policies and initiatives.

What can portfolio companies achieve through Cathay’s ESG Impact Resource Hub?



Becoming a purpose driven company



Adapting a sustainable Data and AI governance



Learning about ESG & Impact frameworks



Selecting the right business partners



Upgrading the workplace



Acting for the environment & the climate

Sustainability in our investment process

We view the most impactful companies of the future not as the largest, but as those that drive sustainable growth and economic transformation. 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.

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.

In order to measure and improve the environmental performance of our portfolio, we have launched a carbon footprint assessment for the MidCap II fund in 2023. This initiative aims to quantify the greenhouse gas emissions of our portfolio companies, identify the main sources and drivers of emissions, and provide recommendations for reducing them. We believe that this assessment will help Cathay and its portfolio companies to align with the Paris Agreement goals and contribute to the global transition to a low-carbon economy.

The below table outlines Cathay’s sustainable investment process:



Our ESG governance

At Cathay, ESG is at the core of our investment approach. We prioritise ESG at every level of our organisation, guided by strong governance and decision-making practices.

The leadership team, including the Chairman and Fund General Partner, oversees the management of Cathay, ensuring the integration of ESG principles into our operations, strategy, and decision-making. The Investment Committee plays a pivotal role in driving ESG-focused investment and exit decisions. In addition, Cathay appointed a Chief Impact Officer in 2020, Matthieu Van Der Elst, who is responsible for driving the development of our sustainability vision, roadmap, investment process, and tools for both Cathay Innovation and Cathay Capital.















Sustainability is integrated into every aspect of our work. Front-line investors actively incorporate sustainable practices in deal sourcing, board meetings, and more. Our Sustainability Ambassadors provide guidance to colleagues, ensuring the implementation of sustainable measures during transactions and portfolio reviews.



Our portfolio companies

In 2023, Cathay extended the reporting scope to include Juliette Has a Gun, a new portfolio company that we invested in in April 2023. This section presents each of the 14 portfolio companies that participated in the 2023 ESG reporting campaign.

	Diot-SIACI is a leading insurance brokerage and consulting group in France, operating in more than 40 countries.		Investment date: November 2021 Headcount: 2917	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: 1019	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: 2699	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: 238	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: 183	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: 81	Sector: Healthcare
	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: 838	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: 2074	Sector: Advanced manufacturing / industry
	Founded in 1986, Suzhou Colori manufactures and distributes beauty and personal care products.		Investment date: July 2020 Headcount: 2551	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: 600	Sector: Consumer products / services
	Marle is the leading contract manufacturer organisation ("CMO") of orthopedic implants in Europe and among the top global implant CMOs.		Investment date: December 2019 Headcount: 929	Sector: Healthcare
	DiliTrust is a software provider specialised in governance and legal management solutions. The Company aims to accelerate digital transformation and enable the automation of legal activities.		Investment date: April 2022 Headcount: 258	Sector: Business / Digital services
	Shiro Games is an independent video game development studio based in Bordeaux, France.		Investment date: October 2022 Headcount: 64	Sector: Consumer products / services
	Juliette Has a Gun launched in 2006 with the ambition to propose a disruptive approach to niche perfumery, focusing on women empowerment through beauty.		Investment date: April 2023 Headcount: 32	Sector: Consumer products / services

The Cathay Foundation, a Commitment to Global Community

Since its inception in 2011, the Cathay Foundation has been dedicated to fostering a mutual understanding between Western and Asian cultures. We bring together investors, researchers, and artists who share a passion for curiosity, openness, and philanthropy. Our Foundation proudly sponsors a variety of cultural events, educational programs, and translations of significant works by thought leaders and researchers in both French and Chinese languages.

Our goal is to serve as a bridge for cultural and economic exchange, promoting a network of knowledge-sharing and goodwill that spans continents.

One of our flagship initiatives, the “French Dream” program, launched in 2015, is designed to support young individuals from underprivileged backgrounds. This program helps them unlock their potential through a mentoring system that connects them with business professionals.

In 2021, we decided to partner with Proximité to expand our French Dream initiative. The goal is to establish a local branch in Orléans, a town that played a significant role in the creation of Cathay. This branch aims to amplify our efforts and foster mentoring within a broader network of students, mentors, businesses, and institutions.

This program is producing great results, addressing social inequalities, combatting stereotypes and prejudices, providing individuals with valuable support and opportunities.

By continuing to invest in meaningful projects such as French Dream, the Cathay Foundation aims to make a lasting difference in the lives of individuals and communities, promoting a more inclusive and understanding world.



Our collaborations

In order to build and refine our methodologies, along with the compilation of this report, Cathay received guidance, collaboration and recognised industry expertise from 4 complementary partners (PwC, Sirsa, Greenly and Skytech) to help portfolio companies with specific topics (carbon footprint, biodiversity, etc.).



PwC: Sustainability Strategy

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

Learn more:
www.pwc.fr/fr/vos-enjeux/conseil-en-developpement-durable.html



Cority (ex-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



Founded in 2019, Greenly is a company dedicated to helping businesses and individuals track and reduce their carbon footprints. They offer a platform that automatically calculates carbon emissions, providing actionable insights for sustainability improvements. With a team of over 100 employees, Greenly combines expertise in environmental science, data analysis, and software development to deliver comprehensive sustainability solutions. They have expanded their presence internationally, assisting clients across various countries in their efforts to achieve greener practices and reduce their environmental impact.

Learn more:
www.greenly.earth.fr



Founded in 2018, Skytech is the carbon accounting platform of Sinosoft Technology. It offers a full range of products and solutions:

- Software as a service (SaaS): the Group provides enterprise customers with Monitoring, Reporting, Verification, and Optimization (MRVO) solutions, which includes emission data monitoring, reporting, verifying and carbon asset operating
- Platform as a service (PaaS): oOperations middle platform (account management, customer service, operations overview, etc.) + carbon database (standards, emission factors, modeling, forecasting, etc.)
- Infrastructure as a service (IaaS): all-in-one product solution with sensors and intelligent devices installed in factories to fulfill credibility requirements

Skytech’s platform has served more than 6,000 enterprise customers from different industries such as steel, oil & gas, coal, electricity, photovoltaic, etc. and provided 36,600+ carbon emission reports.

Learn more:
www.sinosoft-technology.com

While we engage with the above 4 regular partners, Cathay also built a network of specialized experts that are called on specific portfolio companies needs when relevant.

For example, the former head of CSR at an international perfume company was brought in to provide insights to Juliette Has a Gun. Similarly, an engineering company specializing in environmental services assisted the Mid-Cap I portfolio company Caillau based on Cathay’s request.

4. 2023 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 (2023 or 2022) using the Reporting21 platform. This data may not represent companies that did not report anything for the particular indicator in question.

The results are reported based on the portfolio companies of Cathay Capital Private Equity Mid-Cap II. Mid-Cap II comprises a total of 14 companies in the portfolio.

Building a robust governance

Best practices: Governance

A strong board enhances small to mid-sized companies by challenging the management, forming partnerships, and ensuring long-term growth. To maximise impact, follow these best practices:



INDEPENDENT BOARD MEMBER
Have at least one independent member in the overseeing governance body to provide an external point of view and sectorial expertise.



DIVERSITY IN GENDER AND BACKGROUNDS
Increase diversity in leadership teams and governance bodies, which has shown to increase revenue by bringing different perspectives on innovation.



OVERSEE SUSTAINABILITY ISSUES
The board should be the first place where the social role of the company is shared and will set the tone for the tone for the entire company by making it a priority.

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.



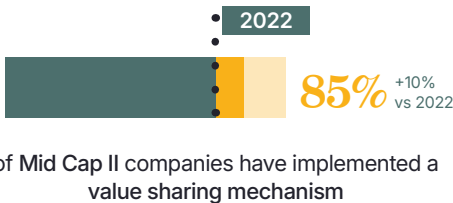
Strengths and achievements



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. The improvement in this indicator shows that companies understand the importance that values bring to the corporate environment.

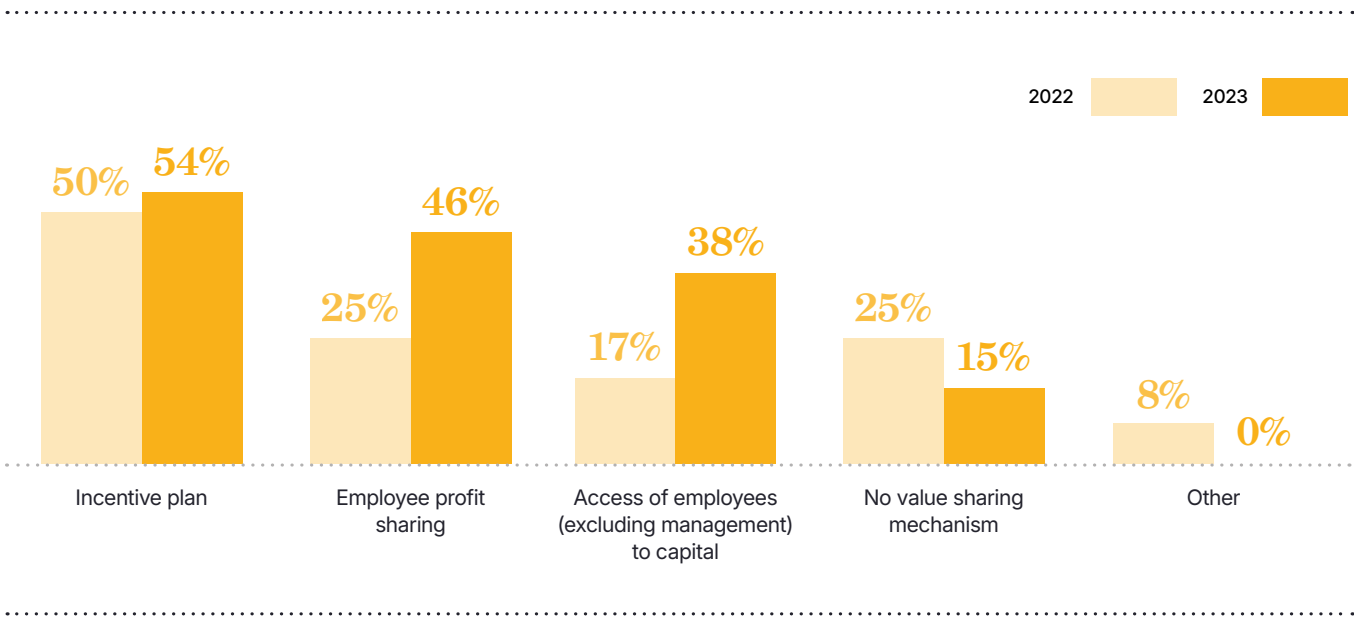


The absence of significant litigation processes indicates sound governance, low legal risk, and a stable operating environment. Furthermore, the improvement from 2022 figures shows that more companies take the matter seriously and make efforts to lower risks to their operations.



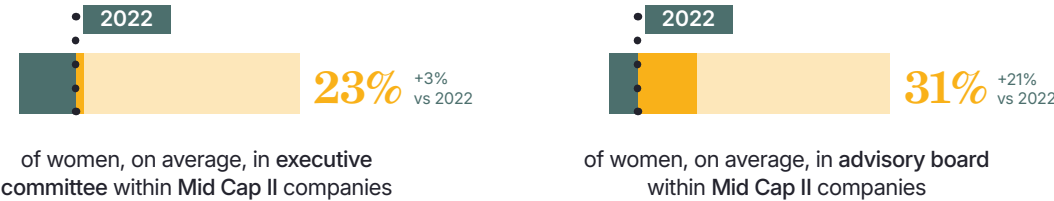
Among the 85% Mid-Cap II's companies that have a value-sharing mechanism, several approaches have been adopted and combined:

- Access of employees to capital:** Employees can acquire stock options or equity, giving them a stake in the company's growth and success.
- Incentive plan:** Performance-based bonuses or rewards align employee efforts with company objectives, driving productivity and engagement.
- Employee profit-sharing scheme:** A portion of company profits is distributed among employees, fostering a sense of ownership and motivating collective achievement.



Value sharing mechanisms align stakeholders’ interests, promote collaboration and equitable distribution of benefits. It is a lever in terms of employee morale, engagement, and retention. It enhances corporate culture and transparency, making the company more attractive to investors. Ultimately, it supports sustainable growth and responsible governance.

Areas of improvement



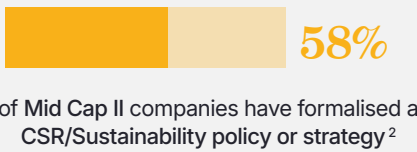
Although there have been improvements in 2023, there is still significant potential for enhancing gender diversity in company leadership. This may be due to the some of the reporting companies’ sectors, like data and game development. Therefore, CCPE will continue to commit to supporting portfolio companies in ensuring equal opportunities within company leadership and career development. Some companies already have future plans to attract more female talents through external partnerships. With a more diverse board in portfolio companies, decision-making is enhanced. Thanks to more diverse perspectives innovation is spurred and risk management is better monitored¹.

¹McKinsey & Company – Diversity wins: How inclusion matters, 2020

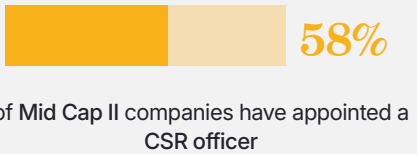
ESG governance

We firmly believe that a sound governance system for ESG issues is beneficial to achieving a successful ESG transformation. ESG procedures and initiatives that are appropriately implemented and managed help to embed ESG principles within companies’ operations and supply chain, and thus to improve ESG performance and business resilience in the long term.

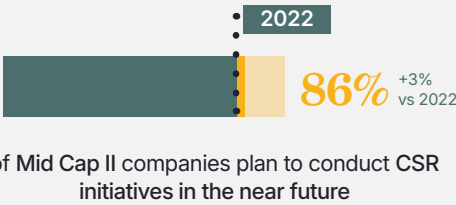
Strengths and achievements



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.



The assignment of ESG responsibilities emphasises 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.

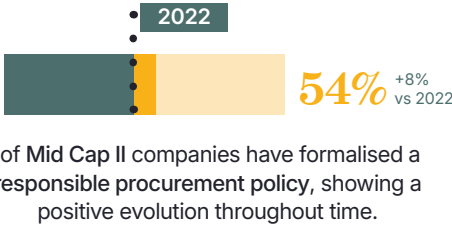


Areas of improvement



CSR labels validate a company’s commitment to sustainability, social topics, and ethical practices, which can enhance stakeholders’ confidence and attract socially conscious investments. If more companies pursue CSR labels, this will increase credibility in sustainability matters and give companies a better reputation in regard to treating sustainability seriously.

² The change of format and the increased scope of this indicator in this year’s questionnaire explain the lower result compared to the 2023 report.



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:



Diot Siaci drastically refined its CSR policy in 2023. The evolution of the CSR policy has been a significant topic during board meetings throughout the year. The Company has also set up a CSR scorecard based on 11 criteria to be measured regularly, which will help drive

the CSR policy forward. Included in the criteria are aspects such as diversity, climate actions, CSR offers proposed to clients, an ethics & sustainable purchasing policy, and employee engagement rate, amongst others.

FOCUS:



In 2023, Moose Knuckles formed a cross-functional Sustainability Team which now boasts 19 members. The Team works to integrate our sustainability goals into all departments within the company. The firm also

committed to sourcing 50% of all its fabrics from certified, responsible, regenerative, or recycled sources by end of 2025.

Data protection and 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 scheme.

Best practices: challenging data ethics

In addition to data protection, there is an increasing focus on data ethics, which pertains to the collection and usage of data. To establish ethical practices, a crucial initial measure involves the implementation of a data ethics checklist. This checklist serves to identify any potential concerns or problematic aspects in the handling of data. The key areas that a comprehensive data ethics checklist should cover include:



Data collection

Informed consent, collection bias, actions taken to limit personally identifiable information, downstream bias mitigation.



Data storage

Data security, right to be forgotten, data retention.



Analysis of data

Missing perspectives, bias, honest representation, privacy.



Modelling

Non-discrimination through proxy, fairness across groups, metric selection, explain ability.



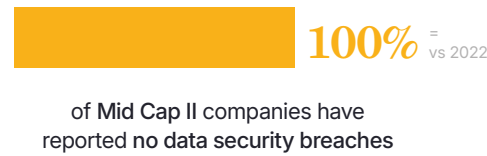
Deployment

Prevent harm to users, concept drift.

Strengths and achievements



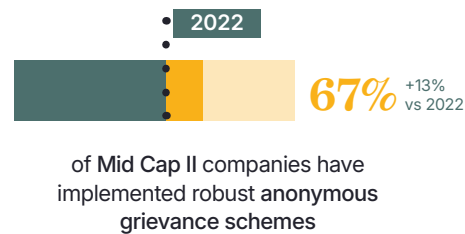
Code of ethics, code of conduct, ethical guidelines, and anti-corruption policies are instrumental in defining companies' core values and promoting professional attitudes both within the workplace and in relationships with stakeholders. As almost all reporting portfolio companies have one of these documents, this ensures that ethics and values are protected and keep standards high for all employees in terms of behavioural conduct.



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



Formally assigning responsibility for data protection ensures accountability, enhances compliance with legal and regulatory requirements, and safeguards sensitive information against breaches.



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. The improvement since last year shows that more companies consider this topic important to protect employees' identities in case of any serious reported event. To support companies, we will share good practices through the Resource Hub and assist in selecting providers to implement anonymous grievance schemes.

Empowering people and talent

Health & safety

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.

Strengths and achievements



Health and safety policies provide guidelines and procedures to prevent accidents and illnesses in the workplace. The objective is to create a safe working environment for all employees, reducing the risk of workplace incidents and ensuring compliance with legal health and safety regulations.

The score for this year is below last year's 83% due to the introduction of Juliette has a Gun in 2023, which was missing an H&S policy at that time (currently under progress).. However, H&S remains a priority for Cathay, which will continue its efforts to promote health and safety initiatives within its portfolio companies.

FOCUS:



Deerma strongly emphasises health and safety throughout their value chain. They have implemented a three-pillar ESG (Environmental, Social, and Governance) strategy for their factories, with two dedicated points within the strategy focussing on 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 terms of

occupational health, Deerma has a target of zero cases of occupational diseases and acute poisoning among employees. The Company hired 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 for 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.

Best practices: boosting employee satisfaction

Employee satisfaction is key to start-up success and retaining talent. We recommend the following best practices:



Develop a company culture based on respectful treatment of all employees



Open communication between employees and management



Offer career development opportunities to all employees (and visibility on next steps)



Provide challenging and exciting work opportunities



Recognise work done through feedback and incentives

FOCUS:

ARTEFACT

To attract new talents, 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.

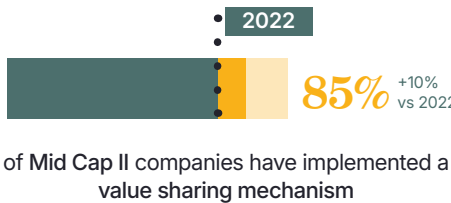
Strengths and achievements

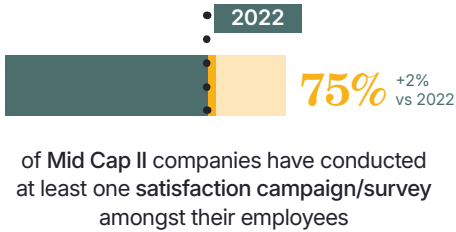


At Cathay, building a positive work environment is important since we impact over 14,000 employees across our Mid Cap companies. **An HR manager** enables actions and initiatives, such as talent attraction and retention, to be put in place to build this positive working environment.



By monitoring HR metrics, companies can pinpoint areas for improvement, streamline operations, and boost overall employee satisfaction and efficiency.





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:



In 2023, Shiro started tracking KPIs related to employee well-being and satisfaction levels. Furthermore, Shiro implemented various initiatives during 2023, including annual workshops with employees to gather ideas and input on how to improve working conditions, as well as a monthly question and answer day with the CEO to address questions on the Company's strategy and upcoming projects. Additionally, it set up a transparent salary rubric and a bonus policy that focusses concretely on achievements of certain objectives.



Diversity, equity, and inclusion

As shown by numerous studies², diversity and inclusion are drivers of performance. At Cathay, we are committed to promote diverse and inclusive workplaces among our portfolio companies, specifically through gender parity.

Best practices: fostering diversity, equity and inclusion (DE&I)

To foster DE&I, several best practices can be implemented to promote an inclusive and equitable work environment:

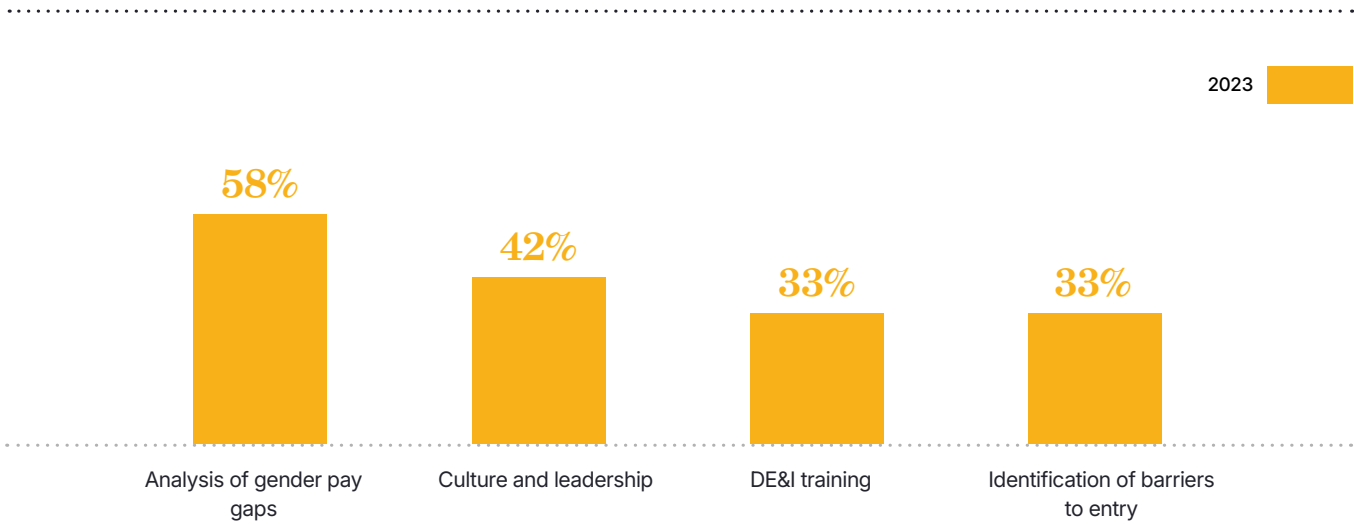
-  Establish clear **policies** to ensure all employees understand the expected behaviours and standards
-  Provide regular **training** on DE&I with a particular focus on raising awareness on unconscious biases
-  Adapt **recruitment processes** to attract candidates from diverse backgrounds by using varied recruitment channels and setting diversity targets
-  Create **mentoring and sponsorship programmes** to support the career development of employees from underrepresented groups, offering networking opportunities and career advancement
-  Regularly track progress on diversity and inclusion through **key performance indicators** and use this data to refine and improve existing strategies

²Forbes – One More Time: Why Diversity Leads to better Team Performance, 2024

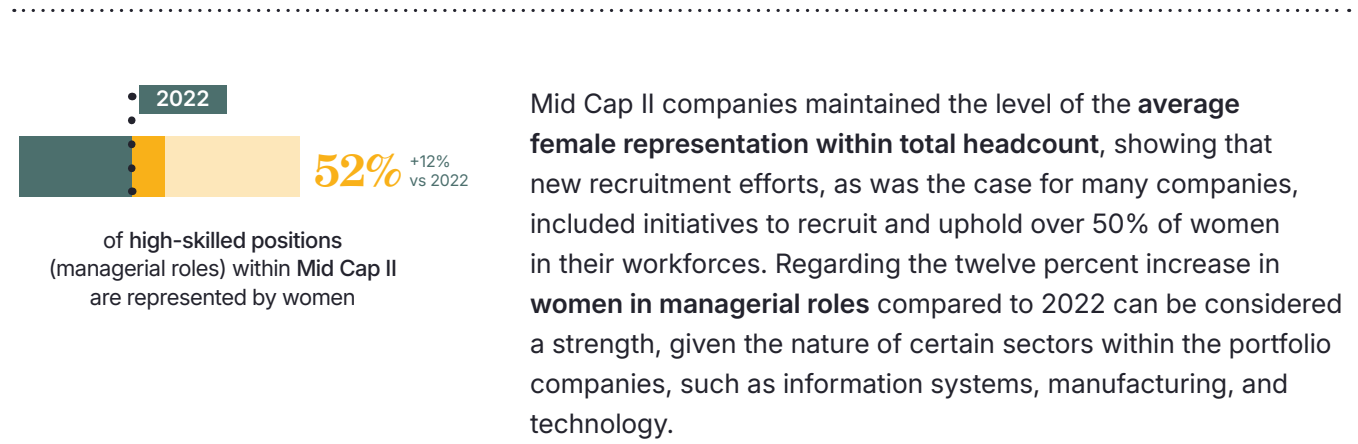
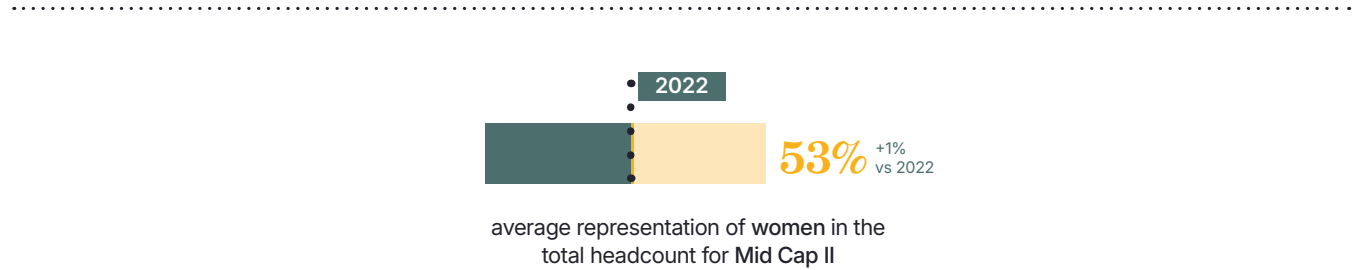
Strengths and achievements

Companies can deploy several actions to encourage DE&I, specifically regarding gender:

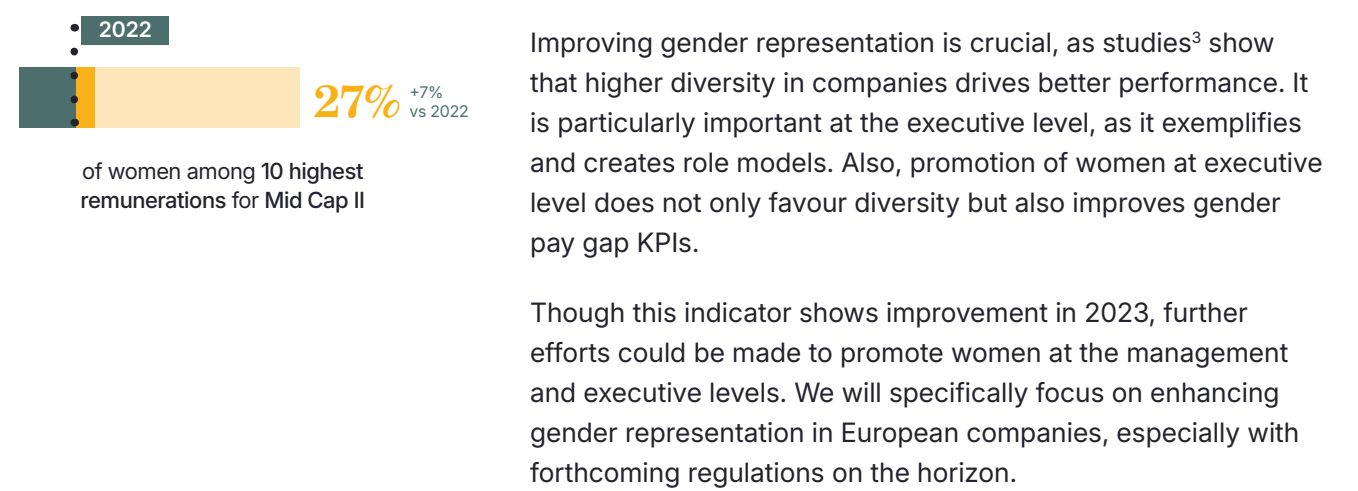
- **Identification of barriers to entry:** Identify and address obstacles preventing women from joining or advancing within the company.
- **Culture and leadership:** Promote an inclusive culture and diverse leadership committed to gender equality.
- **DE&I Training:** Provide trainings on unconscious bias, diversity, and leadership development for women.
- **Analysis of gender pay gaps:** Regularly review gender pay disparities.
- **Intervention in schools / universities to inspire young women:** Engage with educational institutions to encourage young women to reach their full potential, pursue careers in traditionally male-dominated fields, address gender discrimination and several other dimensions through mentorship, career talks, and scholarships.



At Cathay, we acknowledge the importance of gender equality initiatives as they foster an inclusive work environment, enhance employee satisfaction, and drive innovation. By implementing these initiatives, companies can attract and retain top talent, improve decision-making through diverse perspectives, and therefore strengthen their overall performance. To promote gender equality within our portfolio, we encourage portfolio companies to adopt transparent and equitable practices that support the advancement of underrepresented groups and ensure equal opportunities for all employees.



Areas of improvement



² PwC – Global Diversity, Equity & Inclusion Survey, 2022

FOCUS:



Moose Knuckles highly values the diversity and well-being of its employees and launched several initiatives 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:



Shiro implemented gender-focussed diversity initiatives in 2023, such as a partnership with the non-profit organisation “Women in Games,” to advance access to female candidates

within the gaming industry. The Company also holds workshops on women in leadership by partnering with peer studios in Bordeaux, where Shiro’s headquarters are located.

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

Best practices: climate actions

Small to mid-sized companies can take simple steps to reduce their carbon emissions. We recommend the following:



Conduct a carbon footprint assessment to identify key carbon intensive activities throughout the company’s value chain (travel, data, centres, etc.)



Identify business risks and opportunities linked to climate transition and set up an action plan to integrate these elements into the company’s business model



Use sustainable web hosting services (Green Cloud)



Source renewable energy for offices



Promote remote working to limit daily commute



Raise awareness among employees



Identify solutions with suppliers to reach climate action ambitions

Strengths and achievements



Among the companies that are implementing environmental initiatives on the operational level, the primary ones include:

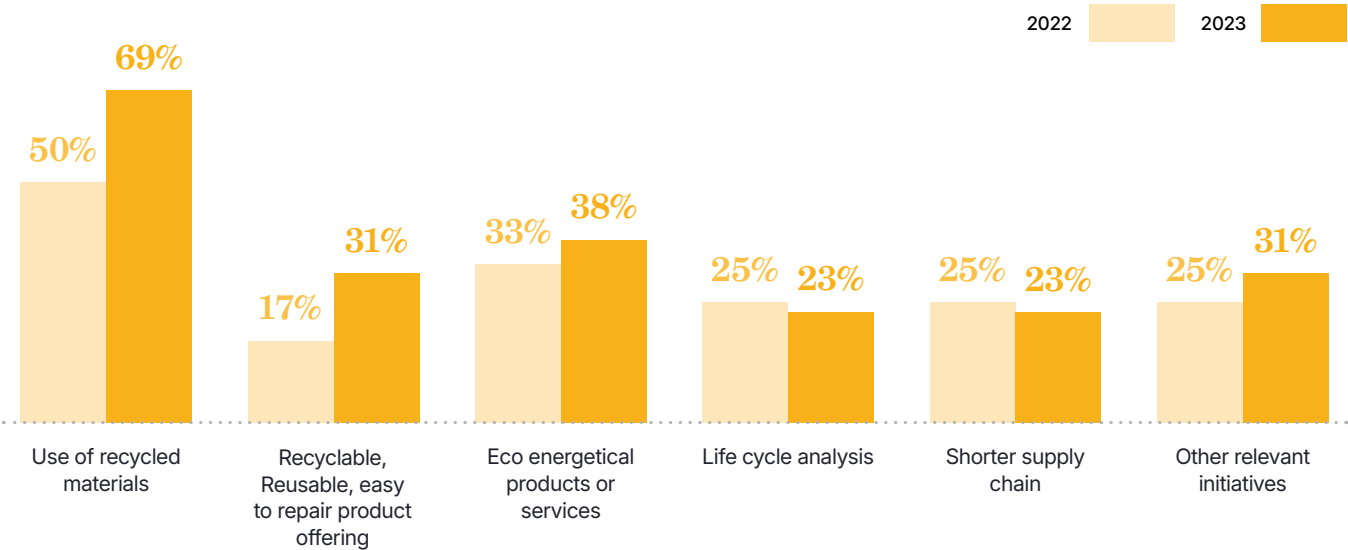
- Promoting **working from home** and videoconferencing meetings.
- Implementing a **low carbon travel policy** to monitor and reduce the use of cars and planes.
- Implementing **energy efficiency measures**, such as green cloud hosting, purchasing of renewable energies, etc.
- **Other actions:** such as adopting eco-design approaches, reducing biodiversity impacts, etc.

At Cathay, we encourage our portfolio companies to implement environmental initiatives that enable them to significantly reduce their carbon footprint and resource consumption, thereby helping to preserve the environment. Our portfolio companies adopt practices that promote remote working, low-carbon travel, circular economy and/or energy efficiency. Through these measures, we aim to inspire a culture of environmental responsibility that benefits both the planet and business performance.



Mid-Cap II companies that have implemented initiatives within their products and services to reduce their environmental impact have, for instance, used the following tools/methods:

- **Life Cycle Analyses:** A method for assessing the environmental impacts associated with all stages in the life of a product.
- **Shorter supply chains:** Reducing the distance and steps involved in production and delivery to minimise carbon emissions and increase efficiency.
- **Use of recycled materials and reusable, easy to repair product offerings:** Buying materials that have been recycled or can be reused.
- **Eco-energetical products or services:** Developing products or services that consume less energy or use renewable energy sources, thereby lowering their carbon footprint.



By adopting these tools and methods, our portfolio companies can reduce the environmental footprint of their products and services and therefore improve their sustainability performance (e.g. long-term cost savings, competitive edge in the market, etc.). Moreover, it reflects Cathay's commitment to fostering innovation and sustainability, ensuring that our investments contribute positively to the environment and society.

FOCUS:

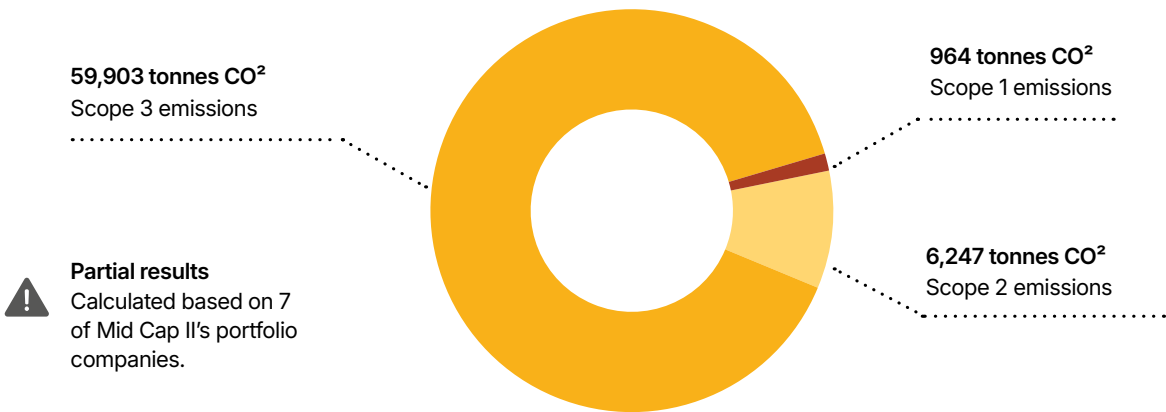


In 2023, Juliette Has A Gun has started to purchase recycled materials to use in manufacturing. This gives materials a second life, reducing the need for new raw materials and lowering overall environmental impact. The Company

already switched to renewable packaging for some of its products, but there is still room for improvement to go further in circular economy initiatives.



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. As this is a new process, it remains a strength that 50% of Mid-Cap II's portfolio companies have assessed their carbon footprint, with the following results:

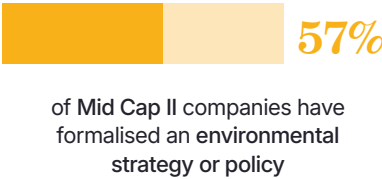


Moving forward, we will continue to support companies in developing their carbon footprint reduction initiatives, with a target of 100% completion by 2024 - 2025.



Most of our companies are not located near a sensitive biodiversity area. Nevertheless, 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.

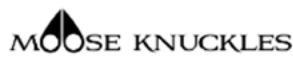
Areas of improvement



An environmental strategy is crucial for companies as it outlines sustainable practices, providing clear environmental guidelines and thus helping reduce companies' environmental impact. 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.



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 got certified to the Responsible Down Standard (RDS) in early 2024 and 100% of their down has been RDS certified since their launch.

To increase supply chain transparency, Moose Knuckles 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:

- 100% of the plastic packaging is either recycled, reusable or biodegradable.
- The transition to Ocean Bound Plastic hangers for all shipped products, which started in 2022.
- The elimination of toxic silica gel packets replaced by biodegradable, non -toxic dri-clay bags in FSC certified paper packets.

FOCUS:



Artefact's "Data for Sustainability" programme was created to help organisations leverage data to enhance their sustainability efforts. The programme offers support in various areas, specifically through:

- **Data structuring for regulatory compliance** to help clients organise sustainability data to meet regulatory requirements, like the CSRD, and ensure data transparency and auditability to simplify ESG reporting.
- **Sustainability KPI measurement** to provide tools and guidance for extra-financial reporting and building sustainability KPIs.

- **Operational footprint dashboards** that develop customisable dashboards to help clients manage their environmental impact.
- **Innovative Solutions and Hackathons** to help clients develop low-carbon solutions quickly and provide solutions to forecast sales and optimise production, reducing environmental impact.

FOCUS:



In 2023, Shiro conducted its first carbon footprint assessment, calculating a total of 2,160 tCO2eq. This total comes primarily from the measurement of Scope 3 emissions, while Scope 1 and Scope 2 emissions measured were mostly related to employee commuting. To improve on these emissions linked to

transportation, Shiro held a bike repair collective workshop at the studio, which provided bike repair kits to employees. The Company also organised a "bike challenge" to encourage bike riding as the main form of commuting to and from the office.

FOCUS:



Juliette Has A Gun performed a carbon footprint assessment in partnership with Greenly in November 2023 to reveal a total of 15,300 tCO2eq. 99% of its emissions come from indirect sources (Scope 3), including 13,400 tCO2eq coming from product purchasing, which encompasses chemicals, metals, minerals, and plastics. Furthermore, three suppliers accounted for 60% of total emissions (9,000 tCO2eq), thus enabling the Company to identify the highest polluting sources. To reduce emissions from these sources, Juliette Has A Gun has decided to switch to bio-sourced ethanol to produce its perfume (70% reduction potential of product purchasing emissions).

In addition, during 2023, Juliette

Has A Gun also took initiatives to raise awareness within its team on environmental topics and has aligned stakeholders around a vision for sustainability.

Juliette Has A Gun and Cathay have defined a roadmap together to tackle the main sources of emissions. Cathay has maintained regular discussions with the Company on ESG workstreams. Moving forward, Juliette Has A Gun aims to structure a decarbonisation policy and a responsible purchasing strategy. Another goal is to set up administrative and monitoring tools, such as a Code of Conduct, a policy on Training, a Restricted Substance List, and a Diversity and Inclusion Policy.

Juliette has a Gun : a case study of Cathay’s ESG processes

Early 2023: Investment date ESG Due Diligence - Completed in May 2023



As for all Small & Mid Cap portfolio companies, Cathay conducted an ESG Due Diligence during the investment process

ESG DD Results:

While JHAG already initiated a number of initiatives that directly address ESG issues, the scope of the actions implemented is limited by a lack of resources both internally and externally and thus the company rated poorly on several aspects, including some environmental topics:

- Carbon Emissions control
- Plastic pollution
- Product safety (e.g. Restricted Substance List)

Several actions were launched in the short-term to start improving the situation, including:

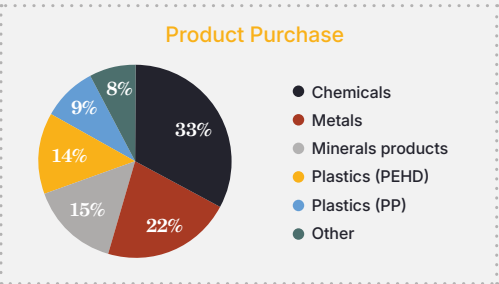
- Alignment of stakeholders’ sustainability vision and sustainability
- Awareness within the team
- Launch of a carbon footprint and plans to structure a decarbonation policy

Late 2023: Carbon footprint Carbon footprint study (2022) - Completed in November 2023

Working with Greenly, Cathay’s dedicated partner for carbon studies, JHAG realized its assessment for 2022 bringing the total amount of direct & indirect CO2 emissions to 15.3 k tons

ESG DD Results:

99% of JHAG carbon emissions stem from indirect sources (Scope 3), product purchase representing 87,6% of the total carbon emissions
3 suppliers generate ~ 9k tons of CO2 representing 60% of total emissions



And identified to work on most polluting sources... improvement venues

2024: ESG roadmap ESG roadmap - Completed in early 2024

Based on the results collected, Cathay and JHAG have collectively defined a roadmap to tackle the main sources of emissions and more generally maintain frequent discussions on ESG workstreams

ESG DD Results:

- Implement eco-conditions in purchasing policy as part of the decarbonation policy:** Given 87% of emissions stem from the purchase of products to distributors, the company is evaluating using **bio-sourced ethanol** to produce its perfume. This evolution could lead within two years to a **reduction of product purchase emissions of 70%**
- Purchase recycled materials:** Give materials a second life, reducing the need for new raw materials and

lowering overall environmental impact. The company already switched to renewable packaging for some of its products, there is still room for improvement

- Formalize other key CSR documents** (including diversity & inclusion policy, Code of conduct, restricted Substance List, etc.) and implementation of **monitoring tools**

Giving back to society

CCPE 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:

- Artefact actively supports the association Sistech, which includes the programme Techfugees, through donation and skills mentoring.
- Diot SIACI continued its partnership with “Nos Quartiers ont du Talent”, which enables employees to spend time supporting a young graduate in setting up a first professional project.
- 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.

An example of donations of portfolio companies to local organisations:

- Diot 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. Advancing our sustainability journey



Advancing our sustainability journey

As we look towards the future, Cathay Capital Private Equity is committed to deepening its environmental initiatives and reinforcing its role as a player in sustainable investment. Our forthcoming actions reflect both our dedication to environmental stewardship and our strategic response to evolving regulatory and market demands.



Climate Action: Measuring and Reducing Our Carbon Footprint

In 2023, we took a significant step by initiating a comprehensive assessment of our Scope 1 and 2 emissions through a third-party evaluation. This transparency initiative accelerates our journey towards more rigorous climate action. As we progress, we are expanding this effort to include Scope 3 emissions, focusing on the carbon footprints of our investees. By partnering with Greenly and Skytech—global leaders in carbon management—we are equipping our portfolio companies with the tools they need to calculate and manage their own carbon footprints.

Looking ahead, our goal is to leverage this data to set ambitious reduction targets aligned with the Paris Agreement’s 1.5°C trajectory by the end of 2025. This commitment will be a cornerstone of our strategy, driving ongoing improvements and adaptations to enhance our climate impact. Furthermore, we will transparently report our carbon footprint assessments and progress in our future ESG reports, reinforcing our accountability and commitment to sustainability.



Biodiversity: Establishing a Framework for Action

Recognising the critical role of biodiversity, we are currently assessing the relevance of defining a global biodiversity strategy with associated key performance indicators. This strategy will include defining relevant KPIs and taking concrete actions to assess and manage biodiversity impacts and dependencies, especially when material biodiversity impacts and dependencies will be demonstrated.

In the short term, we will utilize the Encore tool to screen the biodiversity impacts and dependencies of our portfolio companies, followed by an analysis using the Integrated Biodiversity Assessment Tool (IBAT) to evaluate proximity to sensitive biodiversity areas. Through these assessments, we will determine the most relevant biodiversity KPIs and develop a comprehensive approach to measure and report on these metrics by 2025.

These initiatives underscore Cathay Capital’s proactive approach to ESG. By measuring portfolio carbon footprints, assessing the opportunity to develop a robust biodiversity strategy, and investing in transformative sustainability solutions, we ensure that we capitalize on emerging opportunities in environmental and social governance, meet the growing expectations of stakeholders and, as a result, ensure value creation for our portfolio companies and LPs.



Midmarket III: Embedding Sustainability in Investments

We are preparing the first closing of our eight Private Equity fund, the Midmarket III fund. With a stronger focus on control operations, the fund will leverage Cathay’s best-in-class framework to incorporate sustainability considerations at every step of the investment journey and drive meaningful, value-generating change across all portfolio companies. Among others, Cathay’s new initiatives for Midmarket III include ESG KPI on debt margin ratchets incentives, systematic carbon footprint assessments, new sustainable KPI-related incentives, and the appointment of an ESG Operating Partner.

These initiatives underscore Cathay Capital’s proactive approach to ESG. By measuring portfolio carbon footprints, assessing the opportunity to develop a robust biodiversity strategy, and investing in transformative sustainability solutions, we ensure that we capitalize on emerging opportunities in environmental and social governance, meet the growing expectations of stakeholders and, as a result, ensure value creation for our portfolio companies and LPs.

Appendixes

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 refers to companies involved in the extraction, production and distribution of palm oil and not to companies which use palm oil in their products);
- Construction (including expansion and upgrading) of a coal-fired power plant, or 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.

Appendix B: Sustainable Finance Regulation & Standards

Regulation / Framework	Short Description	How Cathay Innovation is addressing it
<div>Sustainable Finance Disclosure Regulation (SFDR)</div>	<p>The SFDR's overarching goal is to foster greater transparency in the financial sector and combat greenwashing.</p> <p>To do so, the SFDR creates classification to evaluate the sustainability level of financial products:</p> <div><div>a.</div><div>Article 9 – financial products designed to pursue a sustainable investment objective</div></div> <div><div>b.</div><div>Article 8 – financial products that promotes environmental and social characteristics</div></div> <div><div>c.</div><div>Article 6 – mainstream products that are not classified as article 9 or 8</div></div> <p>The regulation also demands a greater level of transparency at both the entity and the product level. For instance, entities must now disclose their policy on integrating sustainability risks into investment decisions and will have to publish a series of aggregated sustainability KPIs (principal adverse impact) from 2023 onwards.</p> <p>Similarly, at the product-level, new disclosures must be included as part of pre-contractual documents and periodic reporting. Disclosure obligations depend on the financial product's classification.</p> <p>The SFDR applies to financial market participants, credit institutions, as well as investment firms providing portfolio management services.</p>	<p>Cathay Mid Cap II fund is classified under Article 6 of the Sustainable Finance Disclosure Regulation (SFDR).</p> <p>As such, the fund is expected to disclose the following information:</p> <div><div>.</div><div>How sustainability risks are integrated into investment decisions/investment advice.</div></div> <div><div>.</div><div>How the fund considers its main negative impacts.</div></div>
<div>Article 29 of the Energy-Climate Law</div>	<p>The Article 29 of the Energy-Climate Law replaces Article 173 – VI TECV and supplements the SFDR. Published in 2021, it provides a framework for extra-financial reporting by defining the information to be published on the inclusion of ESG quality criteria in the investment policy and on the means implemented to contribute to the energy and ecological transition.</p> <p>As such, all asset management companies must now publish a dedicated annual report on their website.</p>	<p>Managing more than 500M€ euros of assets, Cathay CCPE is subject to all the elements required relating to the financial year 2022. The 2022 report was published end of June 2023 on Cathay's website and on the ADEME platform and constitutes the fund's annual compliance by responding to its regulatory requirements.</p>

Regulation / Framework	Short Description	How Cathay Innovation is addressing it
EU Taxonomy	<p>The EU Taxonomy provides clear rules about which activities can be classified as sustainable. The EU Taxonomy's overarching goal is to foster greater transparency, combat greenwashing and funnel capital to sustainable activities.</p> <p>The EU Taxonomy identifies activities that serve six environmental objectives:</p> <ol style="list-style-type: none">climate change mitigation,adaptation to climate change,sustainable use of water and marine resources,circular economy,pollution prevention and control,prevention and restoration of biodiversity and ecosystems. <p>To be deemed 'aligned with the EU Taxonomy', activities must:</p> <ol style="list-style-type: none">be listed among the eligible activities,substantially contribute to at least one of the objectives mentioned above,not negatively impact the other objectives (do no significant harm principle),comply with minimum safeguards. <p>From 2022 onwards, financial companies operating in the EU will have to report on specific KPIs related to the first two objectives of the EU Taxonomy (e.g., % of investments that are aligned with the EU Taxonomy).</p>	<p>As stated in Cathay CCPE's Article 29 report, Cathay CCPE has verified the possibility to collect Taxonomy-related KPIs from investee companies. However, the information collected does not allow to draw conclusions on the alignment of the Fund's investments with the EU Taxonomy. Consequently, no investment is qualified as Taxonomy-aligned to date.</p>
Paris Agreement	<p>The Paris Agreement is an international treaty on climate change which was adopted by a vast majority of countries in 2015. Its goal is to limit global warming to well below 2°C – though preferably 1.5°C – compared to pre-industrial levels.</p> <p>Since then, the Paris Agreement has become the reference framework when it comes to climate change. Many countries or groups of countries are using the framework defined by the Paris Agreement to guide policymaking.</p> <p>The EU's Green Deal, for instance, was designed to help the union become the first climate neutral continent by 2050 – a necessary condition to keep in line with the Paris objective.</p> <p>The private sector is also embracing the Paris Agreement. SBTi, for instance, measures companies' and investment funds' decarbonisation efforts against the Paris objective.</p>	<p>Please refer to section 4.3 for a description of the efforts deployed by Cathay CCPE to address climate change and move towards the objectives defined by the Paris Accord.</p>

Appendix C: Cathay’s ESG & Impact Resource Hub

In 2021, Cathay launched the Cathay ESG & Impact Resource Hub, an online platform aimed at sharing informational content and best practices with portfolio companies. The Resource Hub serves as a practical toolbox to facilitate the rapid implementation of new ESG policies and initiatives. For example, companies interested in adopting a Sustainable Procurement Policy can access a checklist and policy examples on the platform.

The Resource Hub covers a broad range of ESG topics relevant to companies, including Human Resources, Data Governance and Ethics, and Climate Action.

Furthermore, the Resource Hub is accessible to employees, supporting upskilling and ensuring that every frontline investor develops a good understanding of ESG and impact.

Overview of the content available in Cathay Innovation’s ESG & Impact Resource Hub

CATHAY'S ESG & IMPACT RESOURCE HUB
Becoming a purpose-driven company
→ Purpose and value creation
Learning about ESG & impact frameworks
→ UN SDGs/Formalizing and measuring impact/Getting certified/Educating employees on climate change
Upgrading the workplace
→ Governance
→ Compensation & Benefits
→ Diversity & Inclusion
→ Employee well-being
→ Sustainable workplace
Adopting a sustainable Data & AI governance
→ Data privacy/GDPR
→ Green IT
→ Green cloud
→ Unbiased algorithms
→ Ethical data annotation
→ Synthetic data
Selecting the right business partners
→ Software to assess your business partners
→ Supply chain
Acting for the environment & the climate
→ Carbon footprint analysis
→ Carbon offsetting solutions



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