Article 29

Of the Energy and Climate Law

2022 Report

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Foreword

Cathay Capital (referred as “Cathay” or "The Group") firmly believes that accounting for Environmental, Social and Governance (ESG) stakes in its activities is fundamental to its role as an investor. Integrating ESG factors in investment decisions is vital in determining risks and opportunities, and ensuring long-term, sustainable value creation for the company, its portfolio companies, their management and employees, the environment, and society on a global level.

As such, **Cathay** formalised a responsible investment approach in 2017 by designing and implementing a dedicated ESG Management system. The approach that was decided upon strengthens **Cathay’s** consideration of ESG issues in all stages of the investment process and allocates Cathay’s roles and responsibilities to accompany portfolio companies in adopting sustainable practices and implementing continuous improvement.

Compliance with the ESG reporting obligations now required by the Article 29 of the Energy and Climate Law (Loi Energie Climat, hereinafter “Art 29 LEC”) is therefore a natural step for Cathay. This is in line with its voluntary approach to extra-financial transparency, which is reflected in the publication of its ESG reports.

Cathay global investment firm organises its activities around two major entities:

- **Cathay Capital Private Equity**, which invests in small to midsize companies across the world to help navigate the challenges and opportunities of globalisation and the digital transformation of industries from healthcare & wellness, consumer goods & services, education, business transformation, and beyond.

- **Cathay Innovation**, which invests in start-ups that positively impact the world and is a global, multi-stage fund that backs companies at the centre of digital revolution from fintech to retail, the future of work, healthcare, mobility, energy, and more.

Managing more than 500M€ of assets, **Cathay Capital Private Equity** and **Cathay Innovation** are subject to all the elements required for this report published in 2023, relating to the financial year 2022. This report constitutes CCPE’s annual compliance as the entity responds to its regulatory requirement through this document.

1. General approach to the consideration of ESG criteria

1.1. Vision and values

Cathay unifies the investment landscape from private equity to venture capital by backing entrepreneurs and established companies across the world. Cathay has built a global platform that brings together entrepreneurs, investors, experts, management teams, and leading corporations to share knowledge and provide the tools, networks, and market access needed to scale, while helping corporate partners innovate. From making the right introductions to designing the best go-to market and M&A strategies, the entire Cathay family supports its portfolio companies at every stage of their lifecycle. This support includes addressing sustainability risks and opportunities, which are key to every business model.

This vision of investment is reflected in **Cathay's** values:

- Being useful: "We build trust by constantly being useful to our ecosystem in achieving their goals."
- Do what you say: "Sincerity is the universal language."
- Determination: "If we don't work hard today, we won't have a rice bowl tomorrow."
- Gratefulness: "When we drink water, don't forget those who dug the well."
- Diversity: "We are one global team, with various backgrounds and cultures, for one world."
- Change the world for the better: "We want to leave the world better than how we found it."

1.2. Consideration of ESG criteria in the investment strategy

Cathay sees tomorrow's greatest companies not as the largest, but as those able to promote sustainable growth and transformation of economies. These companies cannot be built in silos and the transition will take an ecosystem-level response across regions, sectors, and the value chain. Under this overarching sustainability vision, **Cathay's** team sees impact and ESG as value creation drivers and has developed responsible investment approaches tailored to its two main capital management companies:

- For **Cathay Capital Private Equity**, sustainability is a crucial transformation lever through which the entity works jointly with committed entrepreneurs and management teams to promote resilient, future-ready, and global leaders.

- **Cathay Innovation** goes a step further by integrating impact and selects game-changing start-ups that support the global sustainable transition of the economy. Cathay Innovation's teams work together with entrepreneurs to boost impact and ensure that sustainability is woven through operations and the value chain.

For both lines of investments and all asset classes, Cathay formalised a specific ESG Management system in 2017 that integrates ESG issues and criteria in all stages of the investment cycle from pre-qualification to exit stage. All of the ESG initiatives described in this report cover all asset classes. Furthermore, a Sustainable Investment Procedure was formalised and updated at the end of 2022 specifying the sourcing criteria and the qualification of the deal flow, the ESG due diligence process, the ESG tools to be used during the holding period and finally the exit procedure. While risks and opportunities are assessed prior to investment, Cathay's focus is to co-develop actionable roadmaps with its portfolio companies and, most important, make sure they have the resources to turn roadmaps into results.

CCPE's ESG investment strategy is presented below.

AQUSITION PHASE Sourcing & deal	*Exclusion list* Cathay has set up an exclusion list of sectors not aligned with its ESG approach. Each opportunity is screened against this exclusion list and the investment team must confirm that the Company is not operating in any of the excluded sectors before moving to the next stage. The complete list is presented in this document's appendices and is applied to all investment opportunities.

AQUSITION PHASE Sustainability (pre-investment) due diligence	*Sustainability due diligence* During this acquisition phase, a sustainability due diligence is systematically conducted by a third-party expert. It assesses specific risks and opportunities of the company's operations and value chain, regarding environmental, social and governance challenges the company may face. The Investment memo is then sent to the Global Partners Committee to approve next steps. Cathay Capital Private Equity's report offers conclusions regarding the level of risk and opportunities posed by each issue identified (high, medium, or low), based on the Commonwealth Development Corporation (CDC) criteria and sector profiles. For all operations categorised as high risk, the external experts assess the prospective company's compliance with Cathay Capital Private Equity's ESG requirements and carry out a gap analysis by applying relevant standards and guidelines. An ESG Action Plan is also defined and agreed upon with the company's management team. If context and deal timing do not allow the performance of a Sustainability due diligence, a Sustainability one-pager is produced to present priority and strategic issues for the company and any potential red-flag areas. A full Sustainability due diligence is then systematically performed within six months of the investment. This one pager (or the conclusions from the due diligence process if performed pre-investment) are integrated in the Investment Memorandum. *Sustainability Letter* Whenever the investment context permits, a Sustainability Letter is included in the deal's contractual document. Through this letter, the Management agrees to: (1) work with Cathay teams to develop and adopt a sustainability roadmap and, (2) report quarterly on a set of Impact KPIs and annually on a broader set of Sustainability KPIs.

HOLDING PHASE	During the holding period: 1) Cathay monitors portfolio companies' performance on a set of core ESG KPIs, as well as on some Impact KPIs when applicable alongside the Impact Management Project (IMP) framework. This monitoring is conducted thanks to a digital platform where portfolio companies can log in and reply to dedicated questionnaires. 2) In order to develop the ESG and Impact performance of portfolio companies, Cathay has developed an ESG Resource Hub to provide some best practices and benchmark tools, which can help them to achieve a more sustainable path while continuing to grow as expected. To name a few, these useful resources cover SDG awareness, carbon footprint assessment, value sharing examples, diversity initiatives, digital responsibility and data ethics, good governance principles, etc. These resources are the supporting material used during working sessions, where Cathay positions itself as a facilitator. The ownership phase is an opportunity for engagement, support, and network creation around sustainability value creation levers for companies. Therefore, the deal team follows up on the relevant Action Plan and, more generally, on continuous improvements on a regular basis *(see 1.3 "Communication of ESG issues to stakeholders" below for more information on follow-up and reporting).*

EXIT PHASE	At the heart of Cathay's approach is the ambition to grow companies for them to become leaders in their fields and have a positive impact on society. At the exit stage, companies are thus expected to have a robust management of ESG issues and a sustainability-aligned value proposition. Whenever the investment context allows, an ESG Exit Memo is formalised and/or a Vendor Due Diligence (VDD) is performed.

1.3. Communication of ESG issues to stakeholders

Cathay provides their investors with:

- An annual report on their funds' ESG performance (see details below), which are sent to LPs and published on Cathay's website. For 2022, the report will be published mid-2023.
- A trimestral report on the extra-financial criteria of each portfolio company, including an ESG score, an impact score, and an analysis of the exposure to climate risks.
- Information on the implementation of the ESG management system, the ESG analysis performed during ESG due diligences, and the action plans validated with portfolio companies (all upon request).

When relevant, Cathay informs its investors of any event that may have a significant impact on the ESG criteria considered for a portfolio company. None were reported in the 2022 exercise.

Annual reporting

Cathay is committed to regularly monitoring both positive and adverse impacts on the environment and stakeholders. Information regarding the ESG performance of the portfolio companies is published on an annual basis in dedicated annual sustainability reports. By publishing these reports, Cathay aims to provide full transparency on their portfolio companies' impact on the environment and society and to encourage continuous improvement.

In this framework, portfolio companies are required to fill in a yearly questionnaire through the Reporting 21 software tool[1] to track progress as well as exposure to risks and opportunities on the following dimensions:

- Corporate and ESG Governance
- Business Ethics
- Human Resources
- Environment
- Health & Safety
- Supply Chain
- Community Involvement
- Economic sanctions

Companies also provide qualitative information and KPIs to illustrate their answers.

Finally, Cathay answers to its Limited Partners on an annual basis through questionnaires and surveys to provide them with information on funds' practices.

For better visualisation and monitoring, several documents are drafted and provided within the quarterly reports, including:

- An aggregated dashboard on ESG KPIs monitored related to diversity & jobs created, HR & well- being, good governance (related to business ethics and data management), and climate actions.
- Dedicated scorecards on ESG issues, climate-related risks & opportunities, and impact *(see 2.3 "Technical resources dedicated to ESG" for more details).*

1.4. Financial product driven by ESG criteria

In 2022, Cathay Capital Private Equity amounted to a total of 1 263 M€ of assets under management:

[1] Reporting 21 is a digital platform that facilitates data collection and analysis and allows to share it back with management teams and boards.

	Name of the fund	SFDR Classification	Assets under management (M€)	Share taking into account ESG criteria
Cathay Capital Private Equity	Cathay Midcap II	Article 6	793	100
	Cathay Smallcap III	Article 6	230	100
	Cathay Smallcap IV	Article 8	240	100
	TOTAL	-	**1263**	**100**

As of today, the Mid Cap II and Small Cap III funds are classified under Article 6 of the Sustainable Finance Disclosure Regulation (SFDR). However, all investments are subject to the UNPRI and to the Group's responsible investment policy, with ESG criteria considered prior to investment or during the holding period (see 1.2 Consideration of ESG criteria in the investment process). 100% of Cathay Capital Private Equity's assets under management take ESG criteria into account.

Cathay Management selected the SFDR article 8 classification for its newest fund Small Cap IV (first closing was in Q1 2021) and intends to commit future funds to the same classification.

1.5. Joined initiatives or obtained ESG labels

Cathay's ESG Management strategy encompasses internationally recognised standards that drive investment decisions, including:

- The Universal Bill of Human Rights, in line with the United Nation Guiding Principles on Business and Human Rights
- The United Nations Principles of Responsible Investment
- The OECD Guidelines for Multinational Enterprises
- The Commonwealth Development Corporation standards
- The conventions of the International Labour Organisation: Core Labour Standards and Basic Terms and Conditions of Work
- The Rio Declaration on Environment and Development
- The United Nations Sustainable Development Goals
- The United Nations Convention against Corruption

Cathay's ESG reporting also relies upon recognised international reporting standards:

PRI Principles for Responsible Investment

Cathay signed the United Nations Principles for Responsible Investment (UN PRI) in December 2020, committing to monitor and report on ESG at an even more granular level. In 2022, Cathay achieved a score of 4 out of 5 (based on 2021 data). Results on 2022 data are pending.

In parallel, Cathay's sustainability framework uses the United Nation Sustainable Development Goals (UN SDGs) with the objective to help the portfolio companies to measure their respective impact footprint.

Cathay has signed 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 the Cathay Investment Directors is an active member of the Sista Initiative.

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.

2. Internal means deployed to contribute to the transition

2.1. Human resources dedicated to ESG

A central milestone has been the creation of an executive-level sustainability position, Cathay's Chief Impact Officer, highlighting the importance of these issues to the Group. The Chief Impact Officer's first mandate was the steering of a structural and strategic processes, with the help of external experts and advisors, to define a broader sustainability vision, roadmap, investment procedure, and investment tools applicable to CCPE. Building upon solid track records, this large-scale, strategic project has involved all of Cathay's management. Cathay's management performs as sponsors to actively promote the implementation of ESG procedures within their teams through several committees, mainly the Investment Committee. In addition, Cathay organises several internal committee meetings for the management of its investments covering a wide range of themes (e.g., Portfolio Valuation Committee and Investors Committee (LPAC), which brings together designated investors as often as necessary).

In 2021, an ESG referee has also been appointed within **Cathay Capital Private Equity** teams. This person is responsible for the deployment and monitoring of the entity's ESG strategy. Moreover, each investment officer is responsible for defining an ESG roadmap with the management of portfolio companies and for monitoring its progress over time.

At Cathay, we prioritise the continuous development of our team of professionals, and we are dedicated to promoting a culture of ESG values within our organisation. To this end, Cathay has held regular training sessions with the front office teams of portfolio companies on a case-by-case basis, for them to be in position to roll out the Sustainable Investment Procedure properly, as well as to receive support from sustainability ambassadors when needed. On 9 November 2022, Cathay organised a training session to comply with the Autorité des marchés financiers (AMF) requirement to cover the LCB-FT (anti-money laundering and the anti-terrorism financing) law. The training was conducted by a third party (Kroll).

2.2. Financial resources dedicated to ESG

To support internal resources, **the Group** regularly calls on external consultants to accompany the definition and deployment of its ESG strategy, including:

- PwC, which provides a team of consultants specialised in sustainable development. Missions led by the consultants include regulatory compliance reporting under Article 29 of the Energy and Climate Law), annual support (ESG reporting campaign), or ad hoc support (support for the definition of the Sustainable Investment Procedure and ESG scoring frameworks).
- SIRSA, which provides its SaaS platform Reporting 21 and services.
- Greenly which accompanies Cathay in the set up of its carbon footprint assessment (management company + portfolio companies)

Thus, the total budget dedicated by the Group to ESG amounts to approximately €310,000.

2.3. Technical resources dedicated to ESG

Cathay has defined a best-in-class ESG & Impact approach through well-established and recognized procedures across its funds. A dedicated online platform (Reporting 21) has also been set up to facilitate reporting on ESG & Impact KPIs.

<u>The Climate screening methodology</u>

Cathay**,** with the deal team in dedicated sessions, systematically reviews and collectively evaluates the physical and transition risks and opportunities to which the portfolio companies are exposed, to identify if actions are required or if any caveats exit. More precisely, the entity deployed an internal Climate screening tool assessment to identify:

- The portfolio companies' climate-related risks and opportunities on nine major climate-related financial risks and opportunities within a materiality matrix, and a tailored approach to climate change issues (ex: climate deep dive, climate action plan).

- The relevance of performing a carbon footprint assessment for the portfolio companies based on the type of products and services provided, if there are physical products are put on the market by the companies, and any potential avoided emissions.

The Climate screening tool qualitatively analyses the materiality of drivers for potential financial impact on costs, revenues, and assets or capital identified based on SASB's Climate Risk Technical Bulletin and climate indexes. It is also aligned with the "Initiative Climat International."

2.4. Actions taken to strengthen the entity's internal capacity

From an internal perspective, ESG topics are discussed in Cathay's Deal Flow meeting at least once a month on average. In addition, each due diligence presents an opportunity for each deal team to be exposed to ESG requirements, which helps internal teams on board to integrate ESG into their day-to-day activities.

In 2022, on October 17th and 18th, a large event has been organised by Cathay with:

- Cathay's Forum - Cathay welcomes around 350 global investors, friends of the ecosystem and speakers to a programme packed with knowledge-sharing, debate, conferences, and networking.

- Local Limited Partners meetings - the funds' performance and strategy are presented, systematically including a presentation on an ESG-related topic, 2022 topic being "How to combine high growth with high ESG standards in fast growing economies?". Half the day is devoted to innovation, the other half to private equity.

In addition, Cathay receives support from ESG experts to help them assess, report on, and improve their ESG processes.

Cathay also applies a certain number of formalised procedures to advance internal capacity on ESG topics, for example:

- Training on the LCB-FT law to comply with AMF requirements, in which all Cathay employees are trained annually by a third party (Kroll) to raise awareness as well as to apply the procedure.

- Encouraging transparency on personal transactions.

- Having a procedure for the GDPR (General Data Protection Regulation) in place to ensure compliance throughout the company.

- Adopting a strict ethical code to hold employees to the highest standards.

3. Integration of ESG criteria at the governance level

3.1. Governance bodies and ESG knowledge

Corporate officers
Main responsibility: Management of the company
The Chairman and the Chief Executive Officer oversee the management (non- investment decisions) of the company, including all decisions relating to strategy, operations, and general administration (*e.g.,* strategic planning, investor relations, human resources, finance, and budget). Their roles and powers are defined by the company's articles of association and are governed by French law.

Investment Committee
Main responsibility: Investment decision
Cathay Capital Private Equity's Investment Committee is the central driver for all investment and exit decisions, including add-on investments and refinancing. It oversees the company's investment strategy and approach to all investment matters, including major portfolio developments, acquisitions, refinancing, etc. The Investment Committee is chaired by Mingpo CAI, Cathay's founder and president. It is managed on a consensual basis with other members, all of whom are partners at Cathay. Transaction teams propose deals to the Investment Committee. Investment Committee meetings are held as often as necessary. The sector and/or country teams report to the Investment Committee.

Other committees
In addition, Cathay has several internal committee meetings for the management of its investments, including: • Semi-annual meetings of the Portfolio Valuation Committee • Investors Committee Meeting (LPAC) that gathers the designated investors as often as necessary • Weekly transaction team meetings during which the teams discuss the performance, development, valuation, exit strategy, and outcome of each investment, which ensures objectivity in the execution of the steps and accountability of the transaction teams. The IC is informed of any substantive issues requiring key investment decisions.

Cathay's management team is made up of highly experienced individuals such as Bruno Bezard, former director of the French Treasury, and Daniel Balmisse, former head of all funds of funds activities at BPI. In addition, the former CEO of the Michelin Group heads Cathay's ESG practice.

3.2. ESG in the remuneration policy

Sustainability risks are not only incorporated into investment processes but are also ingrained into the remuneration policy.

As acting as a portfolio management company approved by the AMF, Cathay Capital has a remuneration policy, including variable compensation linked to risk management and compliance with internal procedures and policies, including ESG issues.

As far as variable remuneration is concerned, the half-yearly individual interview with employees considers all contributions. For all elements of performance (including ESG issues), there are no key performance indicators, as it is the overall performance on the mission of responsibility that is considered. For employees for whom ESG issues are at the heart of their mission, ESG criteria are considered to a greater extent than for others.

3.3. Use of ESG criteria in governance bodies

To date, there are no sustainability criteria formally integrated into the internal regulations of the management company's governance bodies. However, Cathay already promotes good governance practices, notably through the diversity of experience and skills within its governing bodies. In addition, Cathay has a Chief Impact Officer, demonstrating that ESG issues are taken into account at the highest level of management in the company.

4. Integration of ESG criteria at the governance level

4.1. Scope of companies covered by the engagement strategy

100% of CCPE funds benefit from a complete implementation of the ESG management system.

4.2. Voting policy

Cathay 's position is to vote on resolutions that are put to the vote during the general shareholder meetings of their portfolio companies and to report on the voting decisions made in the funds' annual reports. On the board of Cathay's portfolio companies, it participates in annual councils except when acting as observer only. Cathay works continuously alongside the management of its portfolio companies in a collaborative approach to decide whether to develop ESG roadmaps in line with value creation.

CCPE is committed to conducting ESG due diligence, from which concrete ESG action plans are drawn up with a timetable. These action plans are monitored on an annual basis. A recent example of this is the investment in Snocks, where an ESG & Impact roadmap was published, and the company subsequently removed all plastic packaging and revised its supply chain policy to reduce its carbon footprint accordingly.

To date, Cathay Capital does not produce a voting policy report.

4.3 Evaluation of the engagement strategy

Cathay implements sustainability considerations at all steps of the investment life of the portfolio companies, that are accompanied throughout their development and participate in the deployment of a sustainable roadmap.

As an example, the latest companies that joined Cathay Capital Private Equity's portfolios (Dilitrust, Transcure, Snocks, and Juliette Has a Gun) have committed themselves to an ESG roadmap based on the roadmaps established during the ESG Due Diligence at entry with concrete milestones:

- Short term (within the 1st year of investment)
- Mid-term (within the 2 years)
- Longer term (3+ years)

These roadmaps are discussed, shared and validated with the other shareholders of the companies to become an aligned backbone of their engagement strategy.

4.4 Sectoral disengagement

Cathay has set up an exclusion list of sectors that are not aligned with its ESG approach. Each opportunity is screened against this exclusion list and investment teams must confirm that it is not operating in any of the excluded sectors before moving to the next stage. Cathay regularly follows the principles outlined in its exclusion list and has dropped out from some investments due to the operation of certain business models.

The complete list is presented in this document's appendices and is applied to all investment opportunities.

5. European Taxonomy and fossil fuels

Investee companies are not subject to the disclosure requirements under Article 8 of Regulation (EU) 2020/852. Cathay has verified the possibility to collect Taxonomy-related KPIs from investee companies by addressing several questions via their annual questionnaire, including one question that asks companies about their eligibility for the EU Taxonomy and a second one that asks companies about their alignment with the EU Taxonomy. However, the information collected does not allow Cathay to draw conclusions on the alignment of the Fund's investments with the EU Taxonomy. Furthermore, no investment is qualified as Taxonomy-aligned to date.

Cathay has no exposure to companies active in the fossil fuel sector (0%).

Cathay's funds do not have a sustainable investment objective, but they promote Environmental and Social characteristics and encourage investments with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy, and/or with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy, and/or with a social objective.

The following environmental and social objectives are promoted by the fund:

- Environmental: resource management, responsible production, energy transition, development and financing of sustainable mobility, sustainable digital transformation.

- Social: health, human rights, gender equality, public health, well-being, disability inclusion, serving the underserved, digital inclusion, ethics.

Cathay Capital does not yet measure its alignment to the EU Taxonomy. However, by 2024, Cathay is considering an action plan to address the Taxonomy requirements more precisely. Moving forward, Cathay intends to identify the portfolio companies that are eligible for the Taxonomy as well as offer a training session to companies that may potentially align with the EU Taxonomy.

6. Alignment with the objectives of the Paris Agreement

Given its activity as a management company and its sectoral focus on technology start-ups, Cathay Capital has not yet carried out a diagnosis of its carbon footprint. However, going forward, Cathay Capital has established specific targets at the management company, entity, and portfolio levels regarding climate change. Cathay is also in the process of assessing its carbon footprint and has a launched carbon footprint assessment campaign for its portfolio companies for 2023.

At the management company level,

- As part of a transparency initiative, Cathay will measure its Scope 1 and 2 emissions through a third-party carbon footprint assessment starting in 2023.

- By the end of 2025, Cathay's ambition is to leverage the collected data and establish a reduction target in line with the 1.5°C Paris Agreement trajectory. These targets will undergo annual reviews to adapt and improve Cathay's overall strategy.

- Furthermore, once the carbon footprint assessment results are obtained, Cathay Capital will publish them and comprehensively evaluate progress in future ESG and Art 29 LEC reports.

Furthermore, climate issues are integrated into ESG investment processes, and **the entity** supports its participations in their transition. Indeed, Cathay has committed to financing the carbon assessment of each of its portfolio companies.

- Climate issues are integrated into Cathay's ESG Management system and are systematically addressed for each investment.

- Climate-related indicators are monitored every year through the reporting campaign. As of 2022, 17% of **Mid Cap II** portfolio companies that responded have measured their carbon footprint. 75% of responding companies have implemented environmental initiatives related to operations and 64% have implemented initiatives related to products & services.

- **The entity** supports companies in their climate transition and encourages them to implement dedicated actions.

- **The entity** supports its portfolio companies and shares best practices about climate action to reduce their emissions, like identifying key carbon intensive activities throughout the company's products, services, and operations and encouraging actions to curb them. These actions include measures such as implementing a low carbon travel policy, reducing main inputs of consumption, carbon compensation, introducing shorter supply chains, performing life cycle analyses, offering easy to repair products, etc.

At the portfolio level,

To meet the growing expectations of investors and to pursue its commitment to society and the environment, Cathay is resolute in driving meaningful change across all its investments.

- First, by working with an external service provider and officially measuring its carbon footprint, Cathay will also measure portfolio companies' carbon footprints, which correspond to Cathay's scope 3 emissions.

- Starting in 2023 and based on the action plan at management company level defined above, Cathay intends to encourage portfolio companies to carry out a carbon footprint assessment annually and regularly report on progress.

- To make the most of its climate commitments and improve their use in the investment strategy, Cathay aims to collect the carbon footprint, information on the decarbonisation trajectory, and the ESG levers and willingness of target companies during due diligence. If this information is not available during the due diligence process, it will be collected in the 12 months following the investment to obtain an overview of the carbon impact of each company in the portfolio.

- Finally, Cathay aims to support portfolio companies to define concrete actions on their decarbonisation trajectory by 2025.

7. Alignment with biodiversity goals

7.1. Measure of compliance with the objectives of the Convention on Biological Diversity

Cathay acknowledges the importance of biodiversity protection, and the role financial actors must play in this activity. Furthermore, Cathay is willing to do its part in accordance with the objectives defined in the Convention on Biological Diversity of 1992, as outlined below:

- the conservation of biological diversity
- the sustainable use of biological diversity
- the air and equitable sharing of benefits arising from the utilisation of genetic resources

Cathay is committed to integrate the biodiversity dimension into its investment process, specifically by assessing its materiality within all the investments.

7.2. Contribution to reducing the main pressures and impacts on biodiversity

Cathay Capital Private Equity's impact on biodiversity remains limited. However, biodiversity issues are integrated into each step of the investment process:

- At the **acquisition** stage, there is an exclusion list, which prevents the funds from investing in activities involved in the destruction of critical habitat or any forest project under which no sustainable development and managing plan is implemented (see Appendix for more details about the exclusion list).

- ESG Due Diligences performed by Cathay Capital Private Equity include a **materiality impact assessment** covering biodiversity risks and actions are implemented whenever risks are identified. For example, Cathay Capital Private Equity's investment teams identified risks linked to the use of animal fur in Moose Knuckles' designs and engaged discussions with the management, who proactively announced that the company will no longer use animal fur by the end of 2022.

- Cathay Capital Private Equity applies a no-go policy when risks linked to biodiversity issues are considered too high, which is determined on a case-by-case basis. Cathay Capital Private Equity's investment thesis shows low to no exposure to biodiversity impacts from its portfolio companies. If a potential investment shows a high biodiversity risk, Cathay Innovation will not proceed unless a drastic solution plan along with proper financing is presented by the company.

Additionally, **the entity's** yearly reporting questionnaire include questions related to biodiversity. This raises awareness among companies' management teams and helps monitor progress and initiatives taken at company level. **Cathay** performs a full assessment of biodiversity risks when necessary and invests both in time and monetarily when only when risks are demonstrated.

In 2022, two of the 12 responding companies in the **Mid Cap II** portfolio declared that they conducted a biodiversity assessment and/or mapping of specific impacts. One of these companies (Biose) evaluated for Key Biodiversity Areas (KBAs) and found that but no site is located in or next to KBAs.[3]

In 2022, **a** biodiversity diagnosis was launched on one of our portfolio companies during the exit phase. **Biose** conducted a toxicology assessment that showed that there was no threat to surrounding environments based on their practices and location.

The 9 responding companies in the **Small Cap III** portfolio did not declare having conducted a biodiversity assessment in 2022. For the **Small Cap IV** portfolio, two of the 6 responding companies declared having conducted a biodiversity assessment; one of these companies evaluated for Key Biodiversity Areas (KBAs) and found that no site is located in or next to KBAs,[3] and the other company found that the biodiversity issue was material.

[3]Key Biodiversity Areas (KBA) are 'sites contributing significantly to the global persistence of biodiversity', in terrestrial, freshwater and marine ecosystems. The Global Standard for the Identification of Key Biodiversity Areas (IUCN 2016) sets out globally agreed criteria for the identification of KBAs worldwide.

Moving forward, as Cathay is aware of the importance of the subject of biodiversity, it aims to carry out concrete actions by 2024-2025 to better assess its contribution to the issue, when biodiversity risks are demonstrated and when further biodiversity assessment shows that the company may have an impact. In the majority of cases, there low to no exposure to biodiversity risks. Going forward, Cathay plans to implement further practices linked to biodiversity.

- First, Cathay intends to carry out a screening via the Encore tool of the main biodiversity impacts and dependencies of its portfolio companies.

- Once this screening has been carried out, Cathay's objective is to carry out an analysis of the proximity of the companies in the portfolio to sensitive areas in terms of biodiversity via the IBAT tool.

7.3. The use of a biodiversity footprint indicator

At this stage Cathay has not yet defined a biodiversity footprint indicator on which to rely and to monitor regularly, except for the indicators reported by the investments in its portfolio.

As part of Cathay's future biodiversity strategy and depending on the results obtained following the Encore analysis, Cathay aims to:

- Define the most relevant KPIs for measuring biodiversity risk,

- Present the approach adopted and regularly publish the results of the indicators by 2025.

8. Consideration of ESG criteria in financial and sustainability risk management

8.1. Process for identifying, assessing, prioritising, and managing ESG risks

Sustainability risks, as defined in Article 2 of the SFDR, are an environmental, social or governance event or situation, which, if it occurs, could have an actual or potential material adverse effect on the value of the investment.

As part of its investment process, Cathay identifies sustainability risks that may affect the value of its investments and whether negative effects that may have a negative impact on the social or natural environment in the medium or long term are considered.

Sustainability risks, as defined in Article 2 of the SFDR, are an environmental, social or governance event or situation, which, if it occurs, could have an actual or potential material adverse effect on the value of the investment.

As part of its investment process, Cathay Capital Private Equity identifies sustainability risks that may affect the value of its investments and whether negative effects that may have a negative impact on the social or natural environment in the medium or long term are considered.

Cathay Capital Private Equity's risk management approach considers extra-financial or non-financial risks analysed through Sustainable due diligences *(see 1.2 Consideration of ESG criteria in the investment process)*. This approach is reinforced by an exclusion policy *(see Appendix)* which aims to limit sustainability risks. A more exhaustive improvement plan to identify opportunities to advance the existing investment strategy will be reported in the Art 29 reports at entity level for Cathay Capital Private Equity.

8.2. Risk management method, review, and action plan

Cathay has implemented several procedures to manage risks, such as required trainings on the LCB-FT law to comply with AMF requirements, in which all Cathay employees are trained annually to raise awareness as well as to apply the procedure. Cathay also has a procedure for the GDPR (General Data Protection Regulation) in place to ensure compliance and reduce risks throughout the company. These procedures represent a method to ensure risk mitigation. In the shareholders' agreement, there is always an obligation on the part of the portfolio company to warn its investors (including Cathay) of any risks arising from their activity. An example of a certain investment risk assessment is provided below during the last round investment period.

The portfolio companies acknowledge that certain investors without limitation, Cathay, are bound by investment commitments whereby their investments in companies and the management thereof have to be made in consideration of environmental, social, corporate and good corporate governance standards, such as:

– use of natural resources;
– environmental impact;
– employment;
– social dialogue;

– human resources;
– attention paid to people;
– relationship with suppliers and clients;
– relationship with the region and “stakeholders” in general;
– governance; or
– management.

To improve its risk management framework, Cathay plans to implement an annual review of its risk management framework between 2023 and 2024 and carry out a review of the results obtained.

In the other hand, Cathay does not make a quantitative estimate of the financial impact of the main ESG risks identified due to a lack of materiality.

- However, between 2023 and 2024, Cathay plans to define the approach used to assess the ESG risks identified, either quantitatively, using Climate VaR (MSCI), or qualitatively.

- Finally, based on the chosen approach, Cathay intends to present the results obtained transparently in its future ESG and Art 29 LEC reports by 2025.

9. List of financial products mentioned in accordance with article 8 and 9 of the SFDR

	Name of the fund	SFDR Classification	Assets under management (M€)	Share taking into account ESG criteria
Cathay Capital Private Equity	Cathay Smallcap IV	Article 8	240	100

As evidence of CCPE's growing commitment to sustainability, the latest Small Cap IV fund (first closing Q1 2021) is classified under Article 8 of the SFDR. CCPE intends to strengthen its commitment to sustainability for future private equity funds.

Appendix

ESG 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.