CATHAYCAPITAL
凯辉基金

Article 29

Of the Energy and Climate Law

2024 Report

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Foreword

Cathay Capital (referred to 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** (referred to as “CCPE”), 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 funds with more than 500M€ of assets, **Cathay Capital Private Equity** and **Cathay Innovation** are subject to all the elements required for this report published in 2025, relating to the financial year 2024. 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 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 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 flow qualification

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 (only for certain impact investments) 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 2024, the report will be published mid-2025.
- A quarterly report on the extra-financial criteria of each portfolio company (only for Small Cap IV fund), 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 2024 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 tool1 to track progress as well as exposure to risks and opportunities on the following dimensions:

- Corporate and ESG Governance
- Business Ethics
- Human Resources
- Climate & environmental footprint
- Health & Safety
- Value Chain
- 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] Reporting 21 is a digital platform that facilitates data collection and analysis and ease the monitoring by management teams and boards.

1.4. Financial product driven by ESG criteria

[This section only relates to Article 8 and Article 9 funds]

Cathay Management selected the SFDR Article 8 classification for its most recent fund Small Cap IV (first closing was in Q1 2021). The fund gathers €190m of assets under management. This amount represents 16,2% of CCPE total assets under management.

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:

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. Cathay achieved the following scorecard:

- A score of 3 out of 5 in Policy Governance and Strategy
- A score of 4 out of 5 in Direct – Private Equity
- A score of 4 out of 5 in Confidence building measures
- Not applicable in Direct – Listed equity - Other

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

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 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 acts 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 bring together designated investors as often as necessary).

In 2021, an ESG referee was appointed within **Cathay Capital Private Equity** teams, followed by a second in 2023. These professionals are 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 then monitoring its progress over time.

Cathay prioritises the continuous development of its professionals and is dedicated to promoting a culture of ESG values within the organisation. To this end, Cathay has held training sessions with the front office teams of portfolio companies on a case-by-case basis, so they can carry out the Sustainable Investment Procedure properly and receive support from sustainability ambassadors when needed. In 2024, Cathay organised two training sessions focused on sustainable finance regulations. These sessions helped participants understand the present context and the increasing significance of ESG in the Venture Capital market and Cathay's approach to these challenges, as well as Cathay's ESG ambitions and upcoming initiatives.

Cathay also conducted several trainings in order to ensure its teams' business ethics practices, listed below:

- In 2024, a training on conflicts of interest and the development of a system for preventing and managing them took place. It aimed to: (i) understand Cathay 's obligations regarding the management of conflicts of interest; (ii) understand individual responsibilities; (iii) understand situations that can lead to conflicts of interest; (iv) identify conflicts of interest; and (v) know who to report conflicts of interest to and how to manage them. This training was conducted by a third party (Kroll).
- In January 2024, a training session on market abuse was conducted by Cathay's legal team for CCPE members, with presentations on the Market Abuse Directive (MAD) II directive and Market Abuse Regulation (MAR) as well as a presentation on market abuse prevention systems.
- New employees of Cathay must complete a global Ethics and Compliance training program held by the Cathay Compliance team.

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 (aiding in defining the Sustainable Investment Procedure, ESG scoring frameworks, and training).
- SIRSA, which provides its SaaS platform Reporting 21 and services.
- Greenly, which accompanies Cathay in carbon footprint assessments (management company + portfolio companies).

2.3. Technical resources dedicated to ESG

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

The ESG screening methodology

An ESG rating tool provides a preliminary maturity score for CCPE portfolio companies and identifies actions that need to be taken to ensure that key ESG issues are appropriately managed.

The Impact screening methodology:

For CCPE's Small Cap IV fund, CCPE circulates a tailored impact questionnaire to portfolio companies whose business plans contribute to a UN SDG on a quarterly basis. This questionnaire focuses on each company's specific value proposition and aims to capture key metrics. The portfolio companies' societal impact is then assessed against the UN SDGs using Cathay's own impact measurement methodology based on the widely recognised impact framework developed by the Impact Measurement Project (IMP). For each new investment, Cathay assesses whether the company contributes to the attainment of a specific UN SDG and, if so, calculates the company's associated impact score at acquisition and every year thereon.

To obtain a company's impact score (out of 100), CCPE evaluates the company based on IMP framework's five complementary dimensions:

(1) *WHAT* – Which is the main UN SDG that the company contributes to? What is the company's performance on the associated metrics of this UN SDG?

(2) *WHO* – Who is experiencing the outcome? How underserved are stakeholders?

(3) *HOW MUCH* – How positive (or negative) is the company's contribution? How many beneficiaries does it reach?

(4) *CONTRIBUTION* – How efficiently is the company addressing the UN SDG target compared to alternative solutions?

(5) *RISK* – Are there any unanticipated potential positive or negative impacts?

Based on its overall impact score, the company is positioned on a spectrum ranging from "causing harm" to "contributing to solution," reflecting the extent to which the company contributes to the attainment of the UN SDG.

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 to integrate ESG into their day-to-day activities.

In 2024, large events were organised by Cathay that included:

- Two Cathay's Forums (Paris in May & Shanghaï in October), where Cathay welcomed around 600 global investors, friends of the investment ecosystem and speakers to a programme dedicated to knowledge-sharing, debate, conferences, and networking.

- Local Limited Partners meetings, during which the funds' performance and strategy were presented, systematically including a presentation on an ESG-related topic. In 2024, two topics were presented: "How digital tech improves longevity?" and "How AI/machine learning contributes to fight climate change?" and a focus was made on circular economy matters.

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 business ethics and compliance, such as the LCB-FT law presented in part 2.1 of this report, to raise awareness and ensure compliance.

- 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 related 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 Investment Committee 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, the former director of the French Treasury, and Daniel Balmisse, the former head of all funds' activities at Bpifrance (French public investments bank). In addition, the former CEO of 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 embedded within the remuneration policy.

Acting as a portfolio management company approved by the AMF, Cathay Capital has a remuneration policy that encompasses variable compensation linked not only to risk management and compliance with internal procedures and policies, but also ESG issues.

Regarding variable remuneration, biannual interviews with individual employees are conducted to assess overall performance and determine the associated variable remuneration. As such, the overall performance assessment is not based on specific Key Performance Indicators (KPIs) and does not formally consider ESG KPIs. Nonetheless, ESG and other performance dimensions may be accounted for during these biannual interviews. For employees whose missions focus on ESG issues, ESG matters are considered to a greater extent.

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, as there is no executive board (single majority shareholder). However, Cathay already promotes good governance practices, notably through the diversity of experience and skills within its governing bodies. In addition, Cathay's appointment of a Chief Impact Officer, demonstrates that ESG issues are considered at the highest level of management.

4. Implementation of the engagement strategy

4.1. Scope of companies covered by the engagement strategy

100% of CCPE funds benefit from a complete implementation of the ESG framework described in previous pages.

4.2. Voting policy

At Group level, Cathay has formalised a voting policy without ESG criteria. The entity aims to integrate ESG matters by 2024-2025 as part of a new risk management framework (see section 8.2). The entity does not produce a voting policy report to date. Cathay's current position for portfolio companies is to vote on resolutions 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 an observer. 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.

4.3 Evaluation of the engagement strategy

Cathay considers ESG topics within each step of the investment cycle of its portfolio companies. The companies are further accompanied throughout their development and Cathay actively participates in the deployment of a sustainability roadmap for them.

In this regard, Cathay offers its portfolio companies financing for their first carbon footprint assessment.

For example, the latest companies that joined Cathay Capital Private Equity's portfolios (Onventis, Parkview Dental and Juliette Has A Gun) have committed to an ESG roadmap, based on the plans established during the ESG Due Diligence process, at entry into the portfolio, with concrete evaluation milestones:

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

These roadmaps are discussed, shared, and validated with the other shareholders of the companies to become a fundamental pillar of their engagement strategy. A recent example of carrying out the ESG roadmap has been seen through the investment process for Juliette Has A Gun (JHAG) in 2023. Cathay also supported the company in reducing its carbon emissions.

Other examples exist, such as Snocks, supported by Cathay on its sourcing and certification strategy.

4.4 Sectoral disengagement

Cathay has 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 activities 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 investigated 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.

According to the bylaws, Cathay has no exposure to companies active in the fossil fuel sector (0% share of investments).

Cathay is considering an action plan to address EU 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, CCPE has carried out a diagnosis of its own carbon footprint (see below). According to analysis conducted, CCPE stands below the sectorial average footprint. Moreover, the management company has launched a carbon footprint assessment campaign for its portfolio companies from 2023. Going forward, CCPE will establish specific targets at the management company, entity, and portfolio company levels regarding climate change.

At the management company and Cathay Capital Private Equity entity levels, Cathay has several environmental initiatives:

- As part of a transparency initiative, Cathay started to measure its Scope 1 and 2 emissions through a third-party carbon footprint assessment in 2023. Scope 3 emissions are also currently being calculated via the measurement of its investees' carbon footprint. To support this effort, Cathay provides operational support to its portfolio companies, via its partners Greenly and Skytech, two of the world's leading carbon management companies, which help them calculate their carbon footprints.

- At Cathay Capital level, scopes 1 and 2 greenhouse gas emissions amount respectively to 20 tCO_2 and 227tCO_2, while scope 3 emissions represent 9,600 tCO_2. As of 2024, scope 3 emissions calculations are still partial; 55% of CCPE's investees have calculated their carbon footprints. As mentioned in section 4.3, CCPE's commitment to financing investees' carbon footprint measurements will encourage remaining investees to carry out these assessments in 2024.

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

In addition, climate issues are integrated into **ESG investment processes**. In this regard, some initiatives are listed below:

- 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.

- CCPE supports its portfolio companies and shares best practices about climate actions 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 the main inputs of consumption, carbon compensation, introducing shorter supply chains, performing life cycle analyses, offering easy to repair products, etc.

- Climate-related indicators are monitored through the annual reporting campaign. As of 2024, 55% of **Mid Cap II** portfolio companies have measured their carbon footprint, showing cumulative results of 795 tCO_2 / employee. With 2,3 tCO_2 / employee of Scope 1 emissions, 2,9 tCO_2 / employee of Scope 2 emissions, and 789,8 tCO_2 / employee of Scope 3 emissions. On the other hand, 54% of Small-Cap companies have measured their carbon footprints, showing cumulative results of 228,9 795 tCO_2 / employee with 7,3 tCO_2 / employee of Scope 1 emissions, 9,5 tCO_2 / employee in Scope 2 emissions, and 212,1 tCO_2 / employee in Scope 3 emissions.

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.

Based on its current practices, and especially on this first biodiversity screening and on its exclusion policy, CCPE **contributes to 3 targets of the Kunming-Montreal Global Biodiversity Framework (GBF):**

- **Targets 14 and 15**, related to integrating biodiversity into policies across all sectors and to monitoring, assessing and transparently disclosing risks, dependencies and impacts on biodiversity.
- **Target 18**, aiming at identifying and eliminating investments harmful for biodiversity.

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, the **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. Actions are implemented whenever risks are identified. No significant biodiversity risk has been identified among portfolio companies in 2024.

- **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 demonstrate low to no exposure to biodiversity impacts from its portfolio companies. If a potential investment shows a high biodiversity risk, Cathay will not proceed unless a drastic solution plan combined with proper financing is presented by the company.

At management company level, CCPE performed a **biodiversity assessment** in order to better understand the impacts and dependencies of its portfolios' direct operations and assess the materiality of the biodiversity topic for its portfolio companies. This assessment was conducted by a third-party using the **ENCORE**[2] and **IBAT**[3] **tools.**

Biodiversity screening methodology

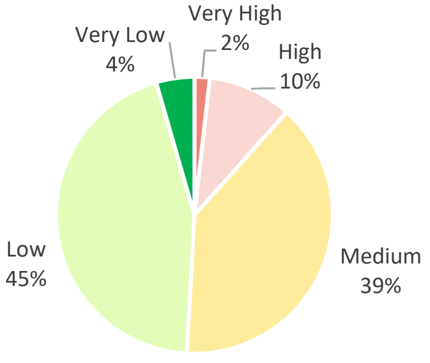
- **Sectorial analysis** conducted using the **ENCORE** tool to identify the **pressures** and **dependencies** of economic activities in the portfolio, classified according to the ISIC[1] system. The impacts were assessed across **five pressure levels** (ranging from very low to very high) and categorized based on the **five factors of biodiversity erosion** as defined by the IPBES[1]: land use change, resource exploitation, climate change, pollution, and invasive species. **Dependencies** were evaluated in line with the **three categories** of the SEEA-EA[1] framework: provisioning, regulation and maintenance, and cultural services.
- **Geographical analysis** performed with the **IBAT** tool to determine the **proximity** of sites to **biodiversity-sensitive areas**, including protected areas (such as Natura 2000 sites), Key Biodiversity Areas (KBA), and other protected areas.
- Companies combining both a **high/very high impact** on biodiversity and **close proximity** to **sensitive areas** or **adjacent watercourse** were classified as **likely** to **negatively impact biodiversity** sensitive areas. Other assets, with lower impacts or greater distances, were considered unlikely to pose such risks.

The results of these analyses reveal that the activities of most portfolio companies have a **low to medium impact on biodiversity**. The primary pressures stem from pollution of water and soil largely due to the manufacturing of chemical and metal products. This process poses risks of toxic substance discharge and significant water usage

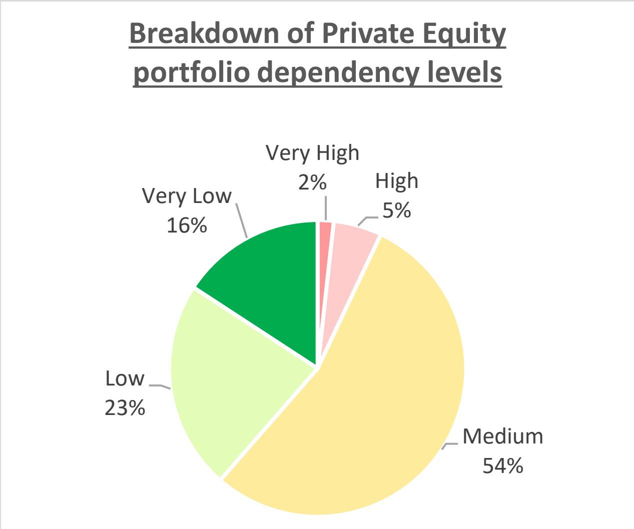
As previously mentioned, within the CCPE Fund's portfolio companies, the activities that potentially have high impacts on biodiversity are focus on **manufacturing** activities of metal, chemical, medical and consumer electronics products.

Among CCPE's portfolio companies having potentially high impacts on biodiversity, **seven are located at close proximity with biodiversity sensitive areas or adjacent watercourse**. These assessments are currently being further refined to better reflect portfolio companies' specificities and confirm risks posed by companies' activities on biodiversity.

Breakdown of pressure levels in the private equity portfolio



[2] Exploring Natural Capital Opportunities, Risks and Exposure: https://encorenature.org/en/explore?tab=impacts
[3] Integrated Biodiversity Assessment Tool: https://app.ibat-alliance.org/users/sign_in



Regarding biodiversity dependency, **93% of the CCPE portfolio has a moderate or low level of dependency** on ecosystem services.

The main dependency within the CCPE portfolio relates to regulating and maintenance services, to safeguard infrastructure against extreme climate events such as floods, storms, landslides.

Average impact and dependencies on biodiversity by sector	Average impact (From 0 to 5)	Average dependencies (From 0 to 5)
Waste Management and Remediation Activities	3,2	2,3
Professional, scientific and technical activities	2,4	2,7
Manufacturing	2,3	2,1
Wholesale and retail trade	2,2	1,5
Human Health and Social Work Activities	2,0	2,0
Information and communication	2,0	1,0
Education	1,8	2,2
Financial and insurance activities	1,2	1,0

Table legend: Scores were consolidated by assigning values to qualitative results as follows: very low = 1, low = 2, medium = 3, high = 4, and very high = 5.

7.3. The use of a biodiversity footprint indicator

At this stage, the main biodiversity indicator monitored by CCPE is the **likelihood of negatively impact biodiversity sensitive areas**. This indicator is aligned with the PAI indicator related to biodiversity. Companies combining a high / very high impact on biodiversity (ENCORE tool) and a close proximity to biodiversity sensitive areas or adjacent watercourse (IBAT tool) are considered as Likely to negatively impact biodiversity sensitive areas. Other assets are considered as Unlikely.

Additionally, CCPE collects information through its annual reporting campaign on three indicators related to the portfolio's primary pressures on biodiversity (water and soil pollution and water consumption):

- Total emissions to water (tons)
- Production of hazardous waste (yes/no)
- Quantity of hazardous waste (tons)

However, the information collected is not reliable enough to allow to draw conclusions on the portfolio's impact on biodiversity.

CCPE's **next steps will focus on engaging in active dialogue** with the most material portfolio companies to discuss their biodiversity impacts and dependencies, and to **encourage the monitoring of relevant indicators and the adoption of mitigating practices.** This will further enhance the management company's contribution to GBF's targets.

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.

If this process has identified negative impacts, CCPE has a specific framework ("ESG toolbox") to help companies in the Small Cap IV portfolio define an action plan to mitigate these impacts. Cathay Capital Private Equity's risk management approach considers extra-financial or non-financial risks analysed through sustainability 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 related risks.

In particular, the CCPE funds' risk management approach considers:

- Extra-financial and/or non-financial risks are analysed through sustainability due diligences. When the context permits, a sustainability due diligence is conducted by an external third-party expert to assess specific risks and opportunities of the portfolio company's operations and value chain. If context does not permit the performance of a sustainability due diligence, a sustainability one-pager is produced with the help of external third-party experts to present any potential red-flag areas, as well as priority and strategic issues for the company.

- Cathay's also set up an ESG monitoring during the holding period to identify and manage risks.

- This approach is complemented by an exclusion policy (see Appendix) that aims to limit sustainability risks.

Cathay's funds do not have a sustainable investment objective, but they promote environmental and social characteristics and objectives such as:

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

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

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 2024 and 2025 and carry out a review of the results obtained.

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

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.