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**, 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 **Cathay Innovation'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.

Cathay Innovation'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.

Screening questionnaire

A screening questionnaire is performed to assess the impact and ESG potential of companies during the first stage of the investment cycle. This screening is performed by the investment team using a set of simple screening questions, meant to ensure the consideration of the full scope of issues when looking into investment opportunities. Whilst early in the process, this step is key in Cathay Innovation's decision to go further with a company.

Impact 1-pager

When relevant (e.g., most of our investments show low to very low materiality issues), analyses performed at this sourcing and deal flow qualification stage are embedded in an Impact 1-pager and presented to the Investment Committee prior to moving to the due diligence phase of the pre-investment process. To be considered as a qualified deal, the Impact 1-pager must include:

Any activity listed in the exclusion list.

A report on any known material ESG matters, based on the initial review and investigation of public information regarding any adverse impact on local communities or the environment associated with the proposed portfolio Company. The findings are then discussed at the Investment Committee Level to identify any potential No-Go decision.

Letter of Intent / deal sheet

The Letter of Intent memo is first sent to the Local Partners Committee for approval. The Letter of Intent includes a report on any known material environmental and social matters.

Whenever the investment context allows it, a sustainability clause is included in the Letter of Intent stating the importance of sustainability alignment for **Cathay** and, in that sense, that investment is conditional on satisfying sustainability due diligence procedures.

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 Innovation’s report presents:

- Preliminary insights on the overall level of integration of sustainability issues throughout the company’s business model.
- An assessment of the company’s value proposition impact and recommendations for key impact metrics to track over time.
- A sustainability roadmap with prioritised actions, timeframes, milestones, and KPIs.

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.

During the closing stage, the deal team will only complete an investment in a proposed portfolio company if any material adverse impact has been resolved in accordance with the ESG requirements.

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, 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 tool[1] to track progress as well as exposure to risks and opportunities on the following dimensions:

- Impact
- 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.

In addition, Cathay Innovation asks its portfolio companies to report KPIs quarterly. Cathay Innovation then shares the results with local partners through the funds' Quarterly Reports to visualise each company's impact & ESG situation.

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 the monitored ESG KPIs 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 allows to share it back with management teams and boards.

1.4. Financial product driven by ESG criteria

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

Starting Q3 2022, the Management Company set up a new generalist fund, Cathay Innovation III. Cathay Management selected the SFDR Article 8 classification for its most recent funds. On December 31st 2024, the fund deployed 284 M€ of assets under management (with soon achieved 1€ Bn to target by Q2 2025). This amount represents 15% of Cathay Innovation's 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 Cathay Innovation. 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 brings together designated investors as often as necessary).

Operational responsibility for sustainability topics is assigned within Cathay Innovation teams. Sustainability ambassadors act as reference points for their colleagues to help deploy the current procedure in deal contexts and contribute to the annual portfolio performance assessment process. All teams in contact with companies are also engaged in carrying out the Group's ESG strategy by sharing the ESG issues/policy with the company's management.

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 Innovation's approach to these challenges, as well as Cathay Innovation'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 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 Ethic 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 (support in defining the Sustainable Investment Procedure, and 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 recognized procedures across its funds. A dedicated online platform (Reporting 21) has also been set up to facilitate reporting on ESG & Impact KPIs.

Moreover, specific ESG and impact screening methodologies and scorecards have been designed for Cathay Innovation portfolio companies and are reviewed quarterly.

The ESG screening methodology

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

The Climate screening methodology

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, Cathay 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 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 (Sustainability Accounting Standards Board) Climate Risk Technical Bulletin and climate indexes. It is also aligned with the "Initiative Climat International."

<u>The Impact screening methodology:</u>

For Cathay Innovation's portfolio companies, a tailored Impact Questionnaire is circulated 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 Innovation's own impact measurement methodology—based on the widely recognised impact framework developed by the Impact Measurement Project (IMP). For each new investment, Cathay Innovation 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), Cathay Innovation 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 on board 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 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 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 Innovation'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; and Denis Barrier, Cathay Innovation's CEO. 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, Matthieu van der Elst, Michelin Ventures' former CEO, is Cathay Capital' Chief Impact Officer.

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 Cathay Innovation 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 8.3). 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, Cathay Innovation's investment in David Energy, a cutting-edge energy company founded in 2019 based in New York City. David Energy leverages advanced technology to optimise energy consumption and reduce costs for its customers. By integrating software and hardware solutions, David Energy provides a comprehensive platform for energy management, enabling users to monitor, control, and reduce their energy usage in real time. The company focuses on sustainable practices, promoting the use of renewable energy sources, and helping clients achieve their energy efficiency goals. Cathay Innovation provided strong support to David Energy to allow it to determine the share of electricity consumed sourced from coal-powered plants in the United States (as per Cathay's by-laws). Along with Cathay Innovation's investment team, David Energy also set up an approach to monitor this electricity sourcing over time.

As an example, following Cathay Innovation's investment in the Singaporean refurbished marketplace Reebelo in 2022, the Deal Team and the Chief Impact Officer started to work with the management to address the carbon footprint associated with manufacturing new devices in the following ways:

- Encouraging eco-responsibility of refurbished products to reduce e-waste and carbon footprints by empowering users to purchase refurbished devices at affordable price.
- Implementing an eco-responsible carbon compensation, which results in an emission compensation plan to reduce the carbon footprint associated with every purchase (plant trees, etc.).
- Monitoring impact KPIs on a quarterly basis, such as greenhouse gases saved (35,100 tonnes CO_2eq), water saved (43.2 million litres) and devices sold (430K) as of Q3 2023.

Other examples do exist: Beatbot (improved manufacturing practices), Ghost (improved supply chain to avoid sending textile to landfill), and Entalpic (business development to accelerate sustainable material discover).

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 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 Innovation has verified the possibility of collecting Taxonomy-related KPIs from investee companies and has performed internal analysis on the alignment with Substantial Contribution Criteria and Do No Significant Harm criteria for all investee companies. However, the information collected does not allow to draw conclusions on the alignment of the Fund's investments with the EU Taxonomy. Consequently, no investment is qualified as Taxonomy-aligned to date.

According to the by-laws, 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.

The entire Cathay Innovation III portfolio has been assessed against the DNSH framework.

According to Cathay internal analysis, five investments have potential for taxonomy alignment:

Investments	Sector	Associated taxonomy objective	Potential associated taxonomy activities
Reebelo	Refurbished tech devices	Circular economy	Marketplace for the trade of second-hand goods for reuse
David Energy	Energy, Mobility & Industry	Climate mitigation	Installation, maintenance and repair of energy efficiency equipment
Descartes	InsurTech helping businesses build resilience against climate risk	Climate adaptation	Non-life insurance: underwriting of climate-related perils
Wallbox	Manufactures smart charging solutions for electric vehicles.	Climate adaptation and mitigation	Installation, maintenance and repair of charging stations for electric vehicles in buildings
Ghost	B2B platform facilitating the exchange of surplus inventory by leveraging technology and industry-specific data	Circular economy	Marketplace for the trade of second-hand goods for reuse

6. Alignment with the objectives of the Paris Agreement

Given its activity as a management company, Cathay Innovation has carried out a diagnosis of its own carbon footprint (see below). According to analysis conducted, Cathay Innovation 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, Cathay Innovation will establish specific targets at the management company, entity, and portfolio company levels regarding climate change.

At the management company and Cathay Innovation 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 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 227 tCO_2, while scope 3 emissions represent 9,600 tCO_2. As of 2024, scope 3 emissions calculations are still partial; 21% of Cathay Innovation's investees have calculated their carbon footprints. As mentioned in section 4.3, Cathay Innovation's commitment to financing investees' carbon footprint measurements will encourage remaining investees to carry out these assessments in 2024.

- Furthermore, once carbon footprint assessments are fully finalised, 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.

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

- Climate-related indicators are monitored through the annual reporting campaign. (High impact climate sector, environmental policy or strategy, formalized Climate policy, formalized greenhouse policy, environmental certification, Environmental initiatives - Products & services & operations, Renewable energy consumption/production, share of renewable energy consumption/production, Energy and fuel consumption, company's carbon footprint (Scope 1, 2 and 3).

- Cathay Innovation 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. (see David Energy example in section 4.3).

Moreover, Cathay Innovation makes a point to back companies that can make a difference for the planet. It has launched the pioneer Cathay Smart Energy Fund in China, which invests in companies that are fighting climate change with innovative carbon neutral solutions. For example, taking action to fight climate change was key in the decision to invest in companies such as Wallbox and Kayrros, along with the hydrogen fuel cell mobility company, Refire, classified as a Cathay Smart Energy investment. Similarly, Cathay decided to invest in Reebelo with the aim of contributing to the development of the circular economy and the reconditioning of electronic devices (smartphones, computers, etc.). Since 2019, Reebelo has already helped to save 20 tonnes of e-waste which is equivalent to 5,000 fewer greenhouse gas emissions and 824 million litres of drinking water.

In 2023, Cathay invested in Ghost, a B2B platform for brands and retailers to exchange surplus inventory, especially in the textiles, cosmetics, and electronics sectors. Ghost’s mission is to unlock the potential of the 92 million tonnes of garments that end up in landfills. Therefore, Ghost's business model promotes resource efficiency and waste reduction by repurposing and refurbishing garments, with the aim of reducing CO_2 emissions. It is a testament to Cathay’s commitment to circular economy and climate change.

Additionally, in April 2024, Cathay invested in David Energy, a technology-driven retail energy provider (REP) with the mission of running the grid on clean energy, making it cheaper, cleaner, and more reliable than ever before. By building a network of connected devices that respond to the fluctuations of clean energy generation in real-time, it is decarbonizing the largest contributor to climate change – the energy sector. It currently serves the electricity needs of residents in Texas as well as multi-unit business owners in New York, New Jersey, Massachusetts, and Texas. Through this investment, Cathay Innovation is aligned with its strategy to invest in assets that contributes to the energy transition.

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, Innovation II **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

Given its activity as a management company and its sectoral focus on technology start-ups, **Cathay Innovation'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** prevents the fund 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 Innovation** include a **materiality impact assessment** covering biodiversity risks and actions are implemented whenever risks are identified. No significant biodiversity risk has been identified among portfolio companies in 2024.

- **Cathay Innovation** applies a no-go policy at due diligence stage when risks linked to biodiversity issues are considered too high, which is determined on a case-by-case basis. During the holding period, the fund's yearly reporting questionnaire includes questions related to biodiversity. This raises awareness among companies' management teams and helps monitor progress and initiatives at company level. In 2024, two company conducted a biodiversity assessment, which is not surprising given the industry sectors of Innovation II's portfolio companies.

At management company level, Cathay Innovation 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

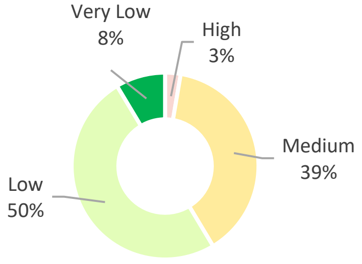
- **Sectorial analysis** conducted using the **ENCORE** tool to identify the **pressures** and **dependencies** of economic activities in the portfolio, classified according to the ISIC[1] system. The impacts were assessed across **five pressure levels** (ranging from very low to very high) and categorized 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, as well as resource exploitation, largely due to the manufacturing of electronic components. This process poses risks of toxic substance discharge and significant water usage. Additionally, climate change is at high risk due to greenhouse gas emissions from the transport sector.

As previously mentioned, within the Innovation Fund's portfolio companies, the activities that potentially have high impacts on biodiversity include the manufacturing of electronic components and land transport.

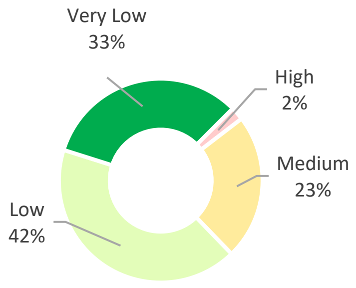
However, **none of these activities are operated in close proximity** to **biodiversity-sensitive areas** or adjacent **watercourses**. These assessments are currently being further refined to better reflect portfolio companies' specificities and confirm risks posed by companies' activities on biodiversity.

Breakdown of Innovation portfolio pressure



[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

Breakdown of Innovation portfolio dependency levels



Regarding biodiversity dependency, **98% of the Innovation portfolio has a moderate or low level of dependency** on ecosystem services.

The main dependency within the Innovation portfolio relates to provisioning services and regulating and maintenance services.

One asset shows high dependency on ecosystem services, namely sourcing/maintenance and regulation 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)
Transportation and storage	2,8	2,0
Wholesale and retail trade	2,3	1,5
Professional, scientific and technical activities	2,2	2,3
Manufacturing	2,1	2,3
Information and communication	2,0	1,0
Financial and insurance activities	1,3	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. Use of a biodiversity footprint indicator

At this stage, the main biodiversity indicator monitored by Cathay Innovation 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, Cathay Innovation 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.

Cathay Innovation'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.

In particular, the **Innovation II and III funds'** risk management approach considers:

- Financial risks, linked to physical risks and transition risks for the business models of portfolio companies, are analysed through a dedicated Climate screening tool. This tool conducts analyses of climate-related risks and opportunities through a materiality matrix to propose a tailored and relevant approach to climate change issues. It is based on SASB's Climate Risk Technical Bulletin and aligned with the "Initiative Climate International" initiative. Additionally, the methodology assesses the relevance of performing a carbon footprint for the portfolio companies.

- 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. Moreover, by focusing primarily on technology start-ups, **Innovation II** is well positioned to generate positive societal impacts through its investments.

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. Description of the main ESG risks considered

For each company, Cathay Innovation systematically reviews and evaluates the following set of risks and opportunities:

Physical Risks:

- Increased operating costs (e.g., due to inadequate water/resources supply).
- Reduced revenues from decreased production capacity (e.g., transport difficulties, supply chain interruptions).

Transitions Risks:

- Increased operating costs (e.g., higher compliance costs, increased insurance premiums, fines).
- Increased production costs due to changing input prices and output requirements.
- Reduced revenues from decreased demand for goods and services due to reputational issues.
- Reduced revenues from decreased demand for goods and services due to shifts in consumer preferences.
- Impact on the value of core assets due to changes in policy leading to asset impairment and early retirement of existing assets.

Transition opportunities:

- Reduced operating costs due to resource efficiency and shift to alternative energy sources.
- Increased revenue through demand for low emissions products/services and solutions for energy efficiency or adaptation needs.
- Increased capital availability (as more investors favour low emissions producers/solution providers).

8.3. 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 some investors, including Cathay, must adhere to investment commitments that require them to consider environmental, social, corporate, and governance standards when investing in and managing companies, 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

Cathay’s Innovation III fund is classified under Article 8 of the SFDR. It aims to become a €1 billion global venture capital fund (one of the largest multi-stage venture capital funds in the world).

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
- 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;
- Companies which realise their turnover in any Prohibited Activities;
- Companies which would not represent due compliance with the minimum requirements relating to Employment Conditions or regarding which the Management Company would reasonably determine that they would not comply with these conditions;
- Companies which are established or have part of their businesses activities in any country listed as a non-cooperative country and territory by the Financial Action Task Force on anti-money laundering and terrorist financing;
- Companies which are established or have part of their business activities in any country which is subject to sanctions imposed by the European Union pursuant to the procedure set forth in articles 96 and 97 of the agreement amending the Partnership Agreement between the members of the African, Caribbean and Pacific Group of States, of the one part, and the European Community and its Member States, of the other part, signed in Cotonou;

- Companies which are established or have a substantial part of their business activities in any country listed as tax heaven or a non-cooperative jurisdiction by the OECD; or
- Other investment funds or other pooled investment vehicles, except that the Fund may invest its available cash in money market funds or other short-term negotiable instruments for non-speculative purposes.
- Companies that generate more than ten percent (10%) of its turnover in coal activities, including but not limited to, coal mining and /or energy production and / or coal electricity. *

* Only applicable to Innovation III fund