Article 29

Of the Energy and Climate Law

2023 Report

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Table of contents

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 2024, relating to the financial year 2023. 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 2023, the report will be published mid-2024.
- 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 2023 exercise.

Annual reporting

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

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

- Corporate and ESG Governance
- Business Ethics
- Human Resources
- 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

In 2023, Cathay Capital Private Equity amounted to a total of 1 263 M€ of assets under management.

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

To date, the Mid Cap II and Small Cap III funds are classified under Article 6 of the Sustainable Finance Disclosure Regulation (SFDR[2]). However, all investments are subject to the UNPRI and to the Group's responsible investment policy, with ESG criteria considered prior to investment or during the holding period (see 1.2 Consideration of ESG criteria in the investment process).

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

100% of Cathay Capital Private Equity's assets under management take ESG criteria into account.

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

[2] Sustainable Finance Disclosure Regulation, which requires obligatory ESG disclosure commitments for asset managers and other financial markets participants with applicable provisions of the regulation operative from 10 March 2022

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. In 2023 (based on 2022 data), 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

Results on 2023 data are pending.

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

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

Cathay Capital Private Equity has been a member of the iCI (*initiative Climat Internationale*) since 2020. The iCI is the first initiative of Capital Investment in favour of companies' management and reduction of greenhouse gas emissions. The signatories of the iCI commit to contribute to the objectives of COP21 to limit global warming to 1.5°C.

2. Internal means deployed to contribute to the transition

2.1. Human resources dedicated to ESG

A central milestone has been the creation of an executive-level sustainability position, Cathay's Chief Impact Officer, highlighting the importance of these issues to the Group. The Chief Impact Officer's first mandate was the steering of 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 regular 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. Furthermore, a third party (We Don't Need Roads) conducted an ESG training session in March 2023. Cathay also conducted several trainings to ensure its teams' business ethics practices, listed below.

- In November 2023, Cathay organised a training session to comply with the Autorité des Marchés Financiers (AMF) requirement to cover the LCB-FT (anti-money laundering and anti-terrorism financing law). This yearly training was conducted by a third party (Kroll).

- Starting in 2024, a training on conflicts of interest and the development of a system for preventing and managing them is planned. It aims 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 will be conducted by a third party (Kroll).

- In May 2023, a cybersecurity and data phishing training was conducted by a third party (iTracing).

- 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).

The total budget dedicated by the Group to ESG, including the above-mentioned efforts, amounts to approximately €380,000.

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 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 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.

On October 16, 2023, a large event was organised by Cathay that included:

- Cathay's Forum, where Cathay welcomed around 400 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 2023, two topics were presented: "Technology is driving e-use energy transition" and "How AI contributes to fight climate change."

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 Venture 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.

As far as variable remuneration is concerned, a biannual interview with individual employees considers all contributions. No key performance indicators are included in this assessment (including regarding ESG issues), as it aims at assessing the overall performance of the employee on the mission the employee is accountable for. ESG criteria are considered to a greater extent for employees whose work addresses ESG issues.

3.3. Use of ESG criteria in governance bodies

To date, there are no sustainability criteria formally integrated into the internal regulations of the management company's governance bodies. However, Cathay already promotes good governance practices, notably through the diversity of experience and skills within its governing bodies. In addition, Cathay’s appointment of a Chief Impact Officer demonstrates that ESG issues are considered and addressed 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 management system.

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.

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.

JHAG first conducted a carbon footprint assessment based on CCPE's recommendation. The carbon footprint assessment revealed that 99% of the company's emissions stem from product purchases (Scope 3). Consequently, Cathay and JHAG collaboratively defined an ESG roadmap, which includes the implementation of a sustainable purchasing policy, the introduction of recycled materials (JHAG has already switched to renewable packaging for some products), and the formalisation of specific ESG related policies (e.g., code of conduct, training policy, etc.).

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

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

- Environmental: resource management, responsible production, energy transition 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.

Cathay does not yet measure its alignment to the EU Taxonomy. However, 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, Cathay has not yet carried out a diagnosis of its carbon footprint. However, Cathay has launched a carbon footprint assessment campaign for its portfolio companies for 2023. Going forward, Cathay will continue to 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. The first results for CCPE show an amount of 490 tCO_2 Scope 1 emissions and 1,820 tCO_2 Scope 2 GHG emissions. Scope 3 emissions are also currently being calculated via the measurement of its investees' carbon footprint. To aid in 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 investees calculate their carbon footprints. The first CCPE Scope 3 emissions results for CCPE show an amount of 24,215 tCO_2, which accounts for Scope 1 and Scope 2 emissions of portfolio companies in Mid Cap II and Small Cap IV who have measured their carbon footprint.

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

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

- Cathay aims to collect the carbon footprint as well as 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 2023, 50% of Mid Cap II portfolio companies have measured their carbon footprint, showing cumulative results of 964 tCO_2 of Scope 1 emissions, 6,247 tCO_2 of Scope 2 emissions, and 53,903 tCO_2 of Scope 3 emissions. On the other hand, 6 out of 8 Small Cap IV companies have measured their carbon footprints, showing cumulative results of 2,672 tCO_2 in Scope 1 emissions, 14,332 tCO_2 in Scope 2 emissions, and 28,588 tCO_2 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.

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

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

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

- ESG Due Diligences performed by Cathay Capital Private Equity include a **materiality impact assessment** covering biodiversity risks. Actions are implemented whenever risks are identified. For example, in 2022 Cathay Capital Private Equity's investment teams had identified risks linked to the use of animal fur in Moose Knuckles' designs and engaged discussions with the management. The company then proactively stopped producing garments with fox fur by the end of the same year.

No significant biodiversity risk has been identified among portfolio companies in 2023.

- 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.

- Cathay is also currently assessing the pertinence of creating a biodiversity strategy and associated KPIs given the sectors in which Cathay Capital Private Equity's portfolios companies operate.

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

In 2023, one of the 14 responding companies in the **Mid Cap II** portfolio declared that it conducted a biodiversity assessment and/or mapping of specific impacts. The company (Juliette has a Gun)evaluated for Key Biodiversity Areas (KBAs) and found that no site is located in or next to KBAs.[3]

One of the 7 responding companies in the **Small Cap III** portfolio declared having conducted a biodiversity assessment in 2023. The company (EasyVista) was evaluated for Key Biodiversity Areas (KBAs) and found that no site is located in or next to a KBA[3].

For the **Small Cap IV** portfolio, none of the 8 responding companies declared having conducted a biodiversity assessment.;

As Cathay is aware of the importance of the subject of biodiversity, it aims to implement concrete actions by 2024-2025 to better assess its contribution to the issue when biodiversity risks are demonstrated and when further biodiversity assessment shows that the company may have an impact. In the majority of cases, there are low to no exposure to biodiversity risks. The actions identified so far are the following:

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

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

7.3. The use of a biodiversity footprint indicator

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

As mentioned above, none of the ESG due diligence conducted on Cathay CCPE assets has identified any material biodiversity risk to date.

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

- Define the most relevant KPIs for measuring biodiversity risk,
- Present the approach adopted and regularly publish the results of the indicators by 2025.

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

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

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

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

the investment.

As part of its investment process, Cathay identifies sustainability impacts, risks and opportunities that may affect the value of its investments in the medium or long term.

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.

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.

Cathay will implement an annual review of its risk management framework between 2024 and 2025 in order to improve it and to review the results obtained.

So far, due to a lack of materiality, Cathay has not judged necessary to make a quantitative estimate of the potential financial impacts related to the main ESG risks identified. However, these risks are assessed on a qualitative approach and the results obtained will be presented transparently in its future ESG and Art 29 LEC reports by 2025.

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

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

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

Appendix

ESG EXCLUSION LIST

- Activities involving any use of forced labour or child labour;
- Activities that are illegal under the law of the host country or under international treaty, convention or regulation, in particular activities not consistent with the Kimberley Process concerning trade in diamonds and activities counter to the International Tropical Timber Organisation (ITTO) agreement;
- Production of, or trade in, arms or ammunition;
- Production of, or trade in, alcoholic beverages (other than beer and wine)
- Production of, or trade in, tobacco; and alternative tobacco products, such as
- Vaporisers and electronic cigarettes (tobacco heating products);
- Gambling, casinos and equivalent activities;
- Trade in wildlife and products within the scope of CITES (the Convention on International Trade in Endangered Species of Wild Fauna and Flora);
- Production of, or trade in, radioactive materials;
- Production of, or trade in, or use of, asbestos;
- Commercial deforestation or purchases of equipment for such purposes in tropical rain forests;
- Production of, or trade in, products containing polychlorinated biphenyl (PCBs);
- Production of, or trade in and storage or transport of significant volumes of dangerous chemicals, or the use of dangerous products for commercial purposes;
- Production of, or trade in, pharmaceutical products subject to international prohibition or destruction requirements;
- Production of, or trade in, pesticides or herbicides subject to international prohibition or destruction requirements;
- Production of, or trade in, ozone depleting substances subject to international destruction requirements;
- Fishing at sea with the use of floating nets of a length exceeding 2.5 km;
- Production on, or investment in, land belonging to, or claimed in an adjudication process by, an indigenous people without the duly documented agreement of the same people;
- Activities contrary to applicable ADS or IFC policies (whichever is stricter in the case concerned)
- Threats to the status of individuals, leases, companies or private institutions;
- Production or distribution of, or trade in, pornographic material;
- Prostitution;
- Products and commodities subject to French or European embargo;
- Production of, or trade in, narcotics (including cannabis and any product with cannabis as an ingredient);
- Production of, or trade in, drugs and substances;
- Upstream or downstream palm oil value chain (it being understood that upstream and downstream palm oil value chain does only refers to companies involved in the extraction, production and distribution of palm oil and not to companies which use palm oil in their products);
- Construction (including expansion and upgrading) of a coal-fired power plant, or
- Power generation sector that owns or operates coal-fired power plants and for which coal- fired power accounts for at least 30% of its total installed power generation capacity;
- Exploration, development, and production of oil sand and/or shale oil and gas, or (ii) arctic oil and gas exploration projects, or (iii) pipelines transporting a significant volume of oil sand and/or shale

oil and gas, as well as LNG export terminals supplied by a significant volume of shale gas; and

- Greenfield and/or expansion of existing mining projects, covering mine planning and development, operation, on-site processing of extracted ore, mine closure and rehabilitation, or (ii) owns mining assets representing a significant share of its total assets and is involved in exploration, development, or operation of such mining assets.