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# ESG Report 2023-2024

Cathay Small Cap III & IV



**CATHAYCAPITAL**

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# 1. Foreword – Why does ESG matter?



## Letter from our president and co-founder






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



**MINGPO CAI, FOUNDER AND CHAIRMAN,  
CATHAY CAPITAL**

# Why ESG and Sustainability matter

In a rapidly changing world where sustainability has become a critical global imperative, taking proactive steps to integrate ESG factors is crucial for investment strategies. These considerations are essential for:

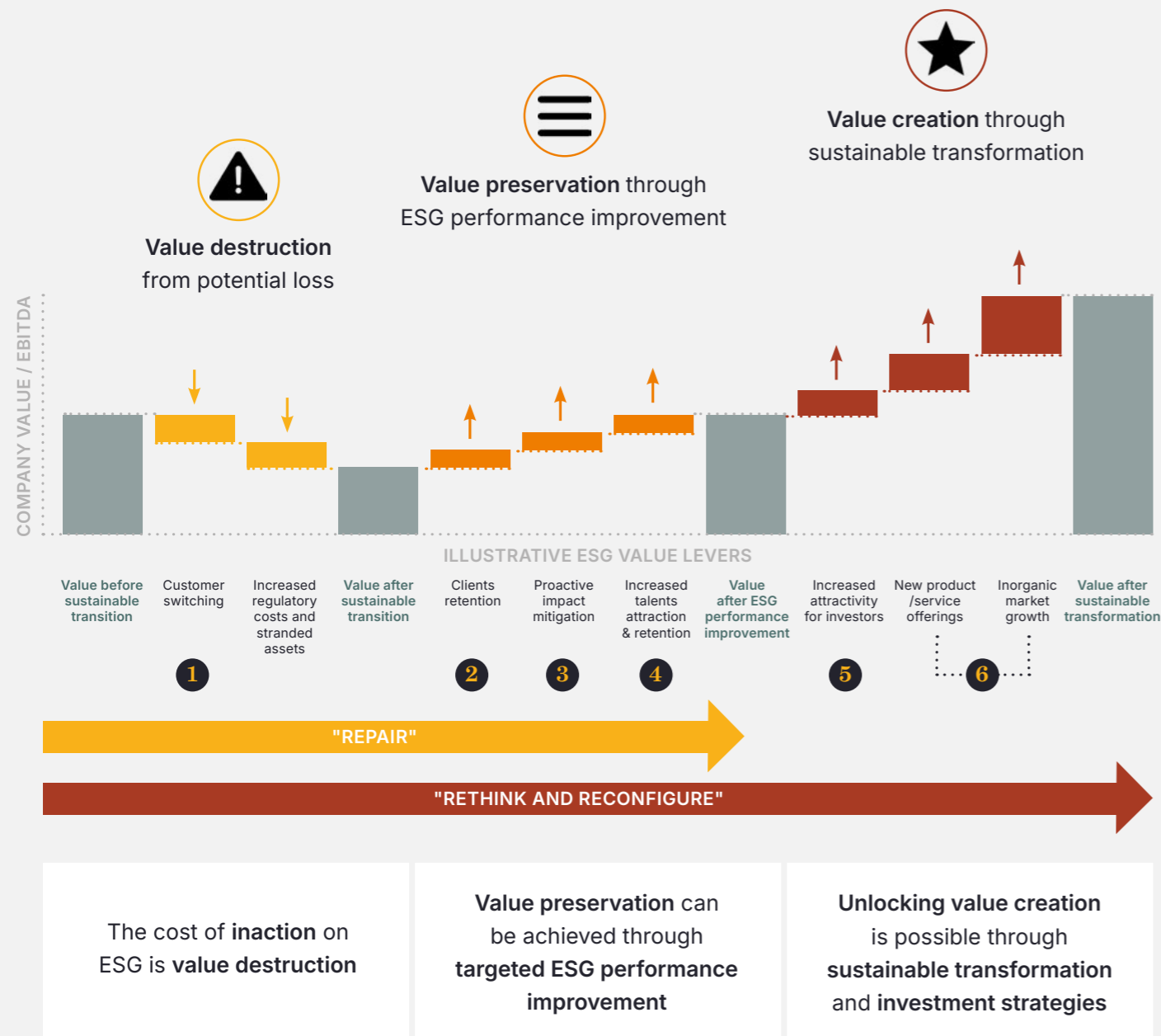
-  managing risks,
-  seizing new opportunities,
-  and ensuring long-term value creation.

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



# Creating value through ESG and impact

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



Considering this strong correlation between ESG and value creation, Cathay Capital Private Equity (hereafter CCPE) has decided to **put ESG at the heart of its operations** by encouraging portfolio companies to continuously improve on these topics.

This report details how CCPE concretely puts ESG front and centre through its sustainability strategy, numerous frameworks, and dedicated governance, and how this priority is reflected in practice by portfolio companies.

## Key figures

**78%**

of buyers are changing their products/services preferences based on sustainability<sup>1</sup>.

**83%**

of companies invested in ESG reported improved customer retention<sup>2</sup>.

**74%**

In 2022, 74% of surveyed CEOs believe that robust environmental sustainability practices improve employee productivity and reduce employee turnover<sup>6</sup>.

**100 bp**

WACC for top-quartile environmental performers in Europe<sup>4</sup>.

**62%**

of PE firms ranks risk mitigation as the top of ESG's benefits<sup>3</sup>.

**1/3**

investors use the UN SDGs to guide their investments<sup>5</sup>.

**12.5%**

Moreover, products with ESG claims achieved up to 12.5% more growth, and customer are willing to pay up to 50% more for green products<sup>7</sup>.

**55%**

Companies abating 55% of emissions experience lower regulatory risks and achieve a +2-12 pp EBITDA margin after the EU carbon border tax implementation<sup>4</sup>.

**79%**

of companies have implemented an ESG strategy to guide their investment decisions or have it in plan<sup>5</sup>.

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

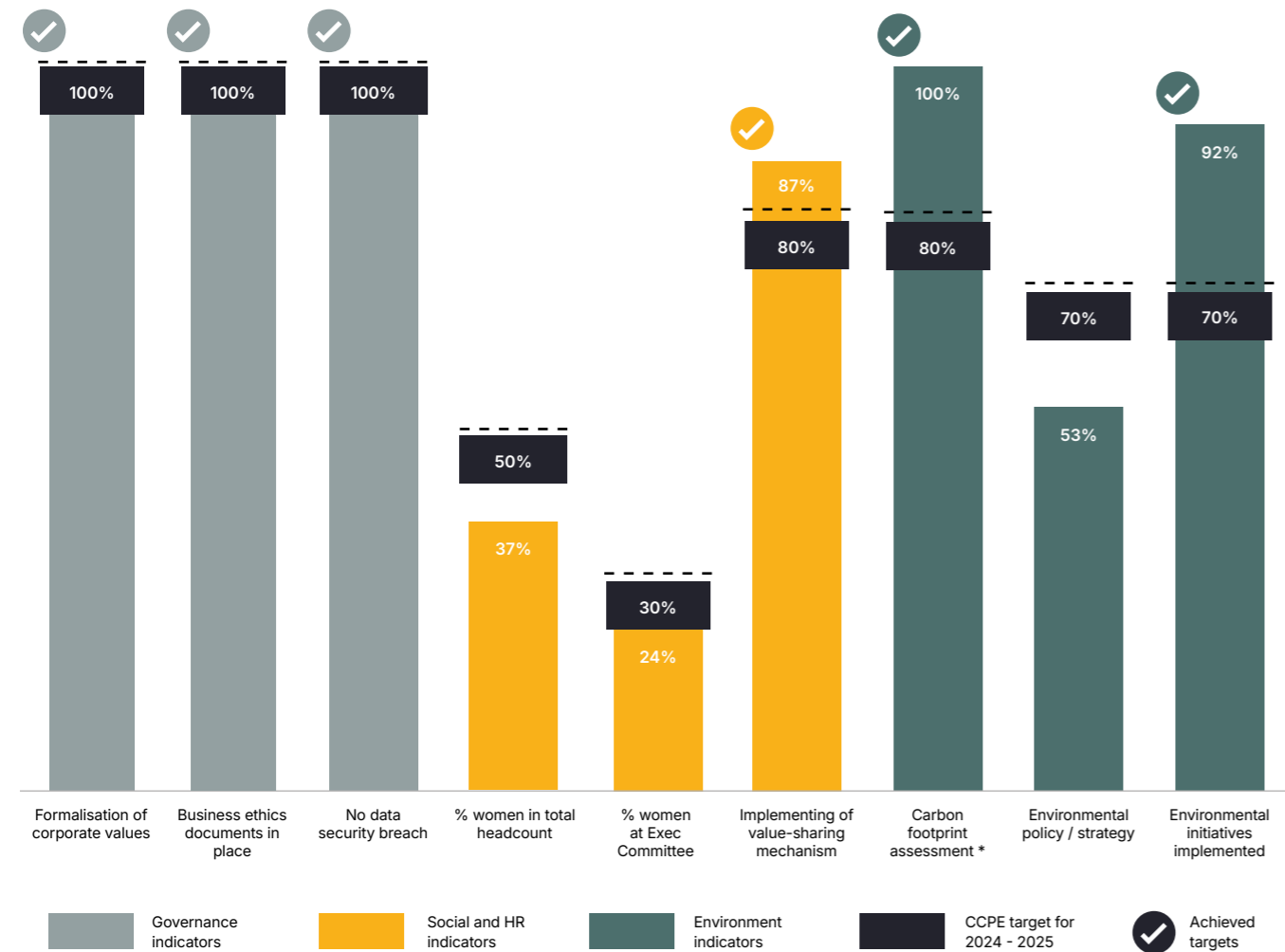
5. European Women in VC – Venture & growth investing empower sustainability & societal change, 2024  
 6. KPMG – ESG in a downturn, 2022  
 7. McKinsey – Consumers care about sustainability, 2023

# 2. 2023 ESG performance overview



# ESG overview

The scorecard below provides an overview of Cathay Small Cap III and Small IV's ESG performance. By providing employment to almost 9,000 collaborators within the funds' portfolio companies, Cathay's ESG commitments aim to foster positive impacts for all stakeholders.



\*The carbon footprint assessment indicator is for Small-Cap IV only

Sustainability is at the heart of our investment philosophy. In 2023, we advanced ESG principles and guided our portfolio companies towards actionable plans. Small Cap IV invested in two new companies in 2023 and they are included in this ESG report.

## Building a robust governance

### Corporate governance

In 2023, both Small Cap portfolios maintained their strong performance in corporate governance, with a significant number of portfolio companies formalising their corporate values, mission, and objectives.

In order to align stakeholders' interests, promote collaboration and equitable distribution of benefits, most Small Cap companies (87%)

implemented value-sharing mechanism such as incentive plans and employee-profit sharing.

Even if board gender diversity is still a challenge, Small Cap portfolio companies have been continuing their efforts regarding diversity in executive committees and advisory/supervisory boards.

### Business Ethics & Data protection

The companies of both Small Cap portfolios demonstrated strong business ethics, with all companies having essential business documents in place, including a code of conduct, anti-corruption policy, and ethical guidelines. Additionally, no data security breaches were reported in 2023, despite growing global risks, and 77% of companies have designated roles for data protection.

### ESG governance

This topic drives ESG-oriented business transformation, performance, and risk management. Small Cap firms made steady progress by assigning ESG responsibilities and developing ESG strategies.

## ESG highlights at CCPE level

Cathay has hired a Chief Impact Officer with extensive expertise in the energy and climate field as part of its improvement process to further progress in ESG and the climate topic especially. This growth of the team drives the will to improve knowledge on complicated topics related to energy and the environment

and gives CCPE an additional resource to expand ESG-driven actions. Cathay Capital also introduced the automation of quarterly ID Cards for its Small Cap IV portfolio companies to monitor their ESG engagement and performance.



## Empowering people & Talent



### Human Resources

All Small Cap companies showcase a high maturity regarding HR management, and all have assigned HR responsibilities (100%).

Most of Small Cap companies have conducted at least one satisfaction survey amongst their employees (86% in 2023), showing a positive evolution throughout time (83% in 2022).



### Health & Safety

In Small Cap, 79% of portfolio companies have a Health and Safety (H&S) policy, which aligns with Cathay's goal to facilitate the sharing of best H&S practices.



### Diversity & Inclusion

Small Cap companies are approaching full gender parity at the managerial level (43 %), but there is room for improvement in staff and executive committee representation. Enhancing gender diversity positively affects company performance. Therefore, we will focus on improving this in our European entities to align with upcoming regulations, recognising the impact of executive roles on the whole organisation. This steady progress should lead us to meet our first landmark of having 30% women in portfolio executive committees, which is well above the market statistics.

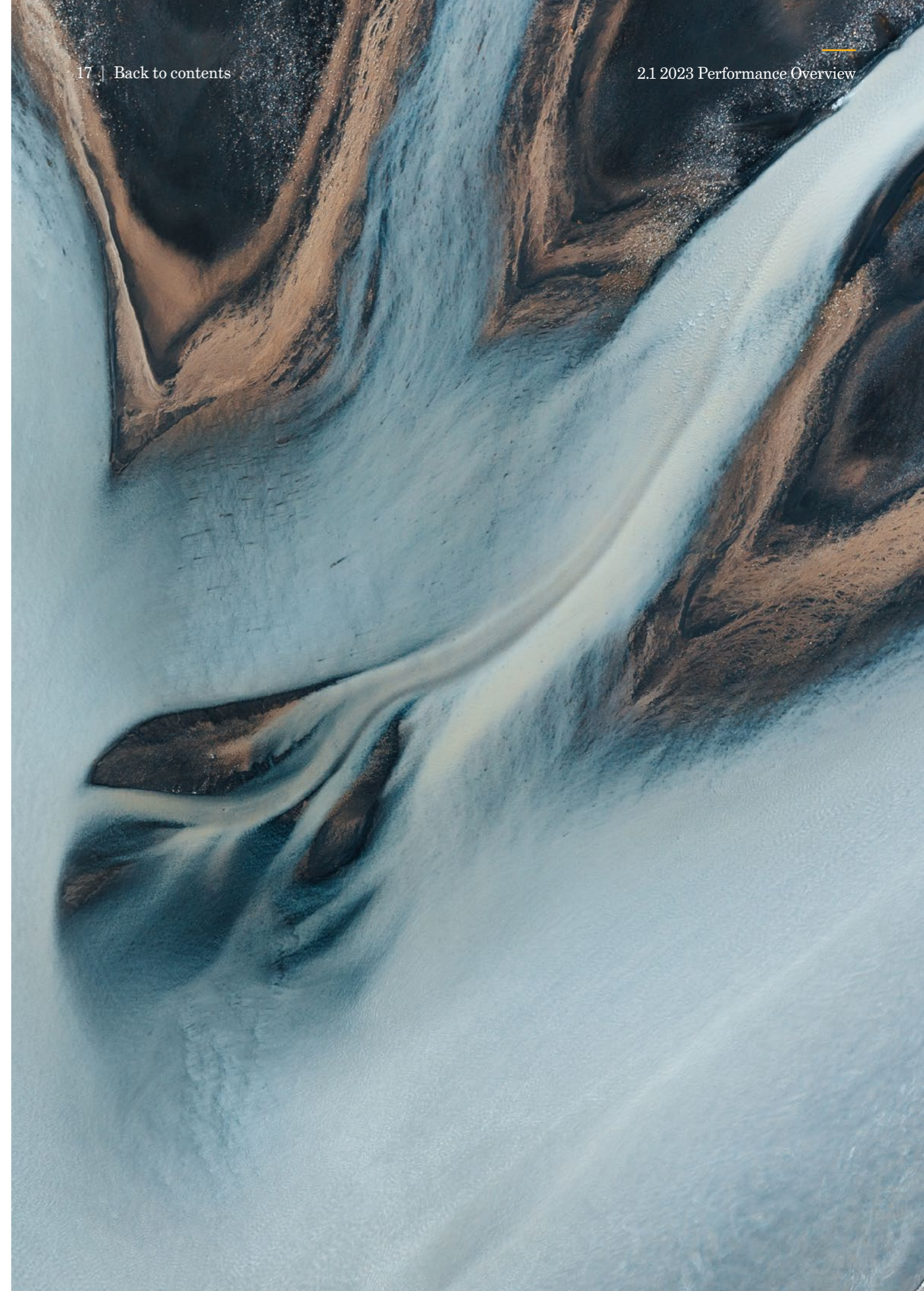
## Engaging in environmental efforts

At Cathay, we are deeply concerned about the environmental impact of our operations and our portfolio. In 2023, we measured our carbon footprint on Scopes 1, 2 & 3 greenhouse gas (GHG) emissions. In order to obtain robust data on our Scope 3 emissions, consisting mainly of portfolio companies' carbon footprints, we support our portfolio companies with our expert partners to carry out these measurements. Moving forward, we will continue supporting companies in measuring their carbon footprint, defining robust decarbonisation strategies, and setting emissions reduction action plans.

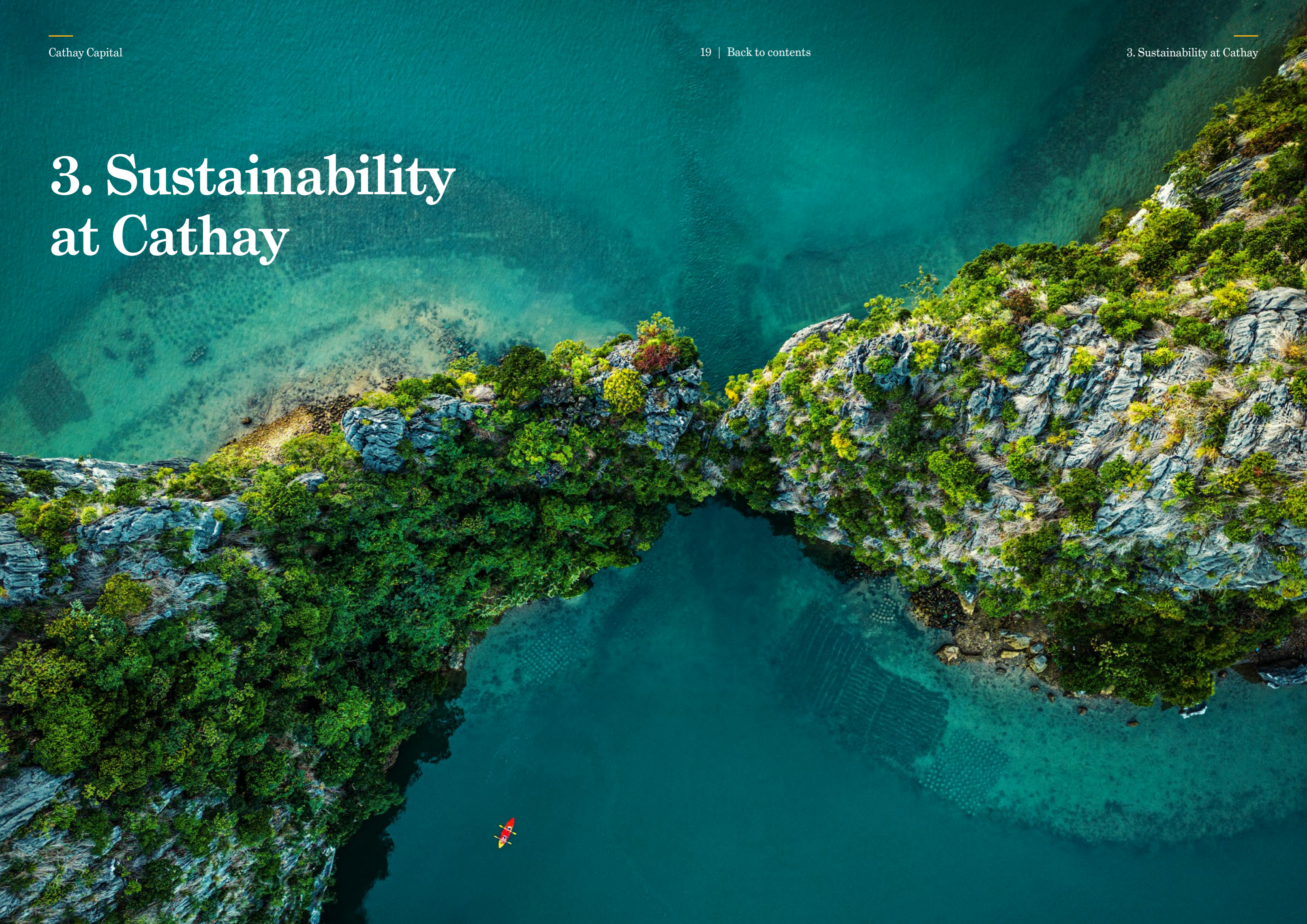
During 2023, companies in the Small Cap Funds continued their commitment to environmental sustainability. Portfolio

companies continued to develop an environmental policy or strategy in 2023 (53%). In parallel, Small Cap companies implemented various environmental initiatives, such as within operations (92% of companies) or products and services (77% of companies).

The achievements made in 2023 have motivated CCPE, together with engaged stakeholders, to commit further in the development of ESG fundamentals and guide companies toward concrete actions, especially on climate and environmental topics. These engagements and next steps are detailed in the fourth and fifth parts of this report.



# 3. Sustainability at Cathay



Who we are

# Our vision and values

As a globally integrated and agile team, we sincerely believe in the richness of diversity. We are committed to being useful and sincere advisors, connectors, and stewards to our entire ecosystem.

We also value engagement and devotion and are invested in the long-term success of our partners both in the good times and bad.



**Be the Change**

We're committed to leaving the world better than we found it.



**Stay determined**

We put in hard work every day believing that determination can move mountains.



**Add value, be useful**

We exist to be useful to our stakeholders and partners in achieving their goals.



**One team for one world**

A global company's biggest strength is diversity in cultures, backgrounds, perspectives, and knowledge.



**Do what you say**

Sincerity, transparency, and trust is at the core of how we operate.



**Be grateful**

When we drink water, we don't forget those who dug the well.

# Our ambitions and commitments

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

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



DIVERSITY IN ALL FORMS



ETHICAL CONDUCT



ENVIRONMENTAL FOOTPRINT



CYBER RISK & DATA PRIVACY

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



We are committed to being a **responsible investor**, working with companies that share our vision and respecting recognised international standards on sustainable investment. As such, we signed the **United Nations Principles for Responsible Investment (UN PRI)**, committing to monitor and report on ESG themes.



Cathay is committed to the **UN Guiding Principles on Human Rights and the OECD Guidelines for Multinational Enterprises**. In this context, we address the issue of human rights systematically in our pre-investment due diligence approach. In addition, we encourage our portfolio companies to ensure **compliance with the International Labour Organisation's ("ILO") Core Labour Standards and Basic Terms and Conditions of Work**, as well as the International Bill of Human Rights, in line with **the UN Guiding Principles on Business and Human Rights**.



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

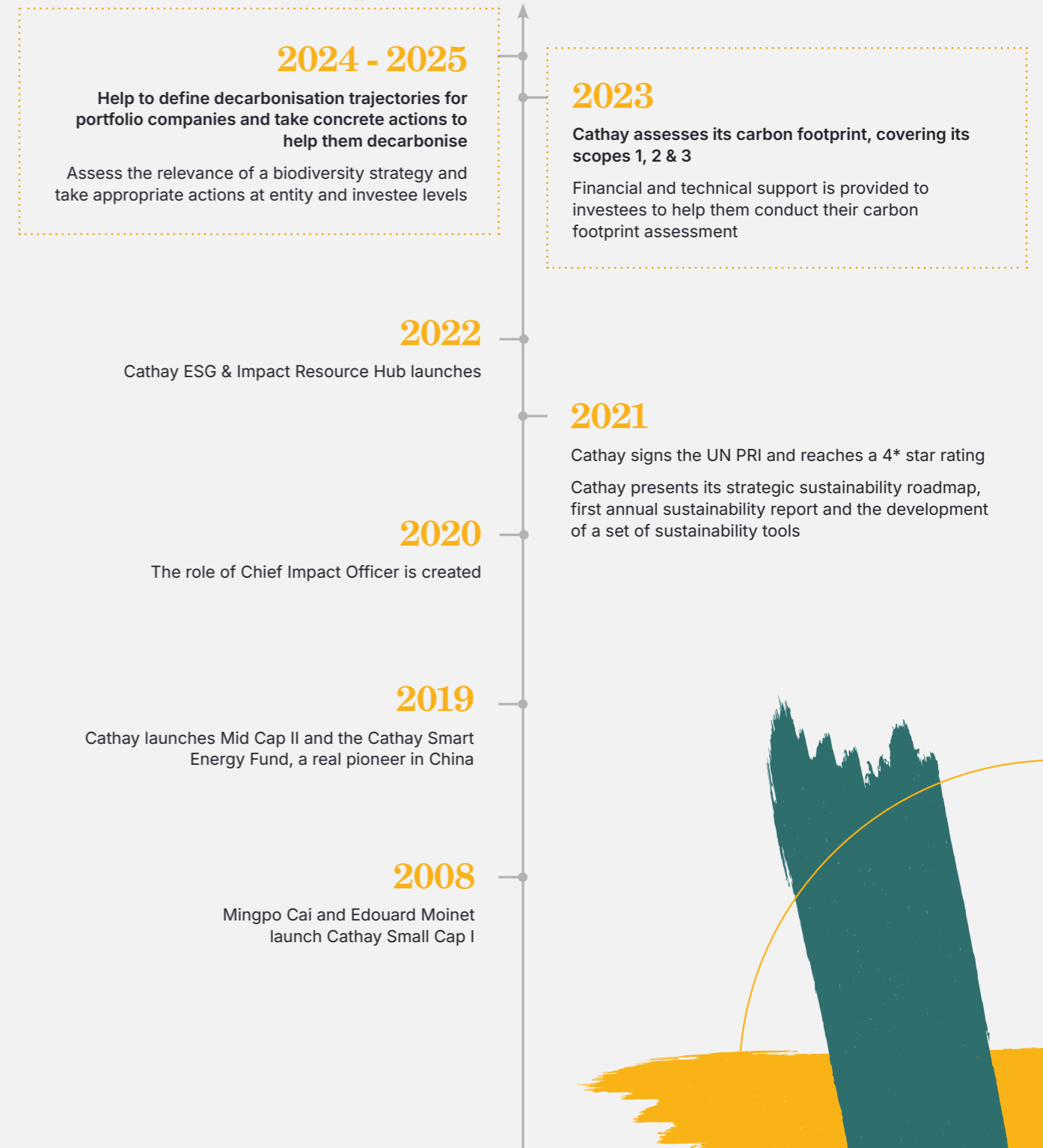
### 3. As an ecosystem partner, our mindset is to share best practices and proven solutions that are set to enable any entrepreneur willing to drive the transition with us.

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

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

## Our sustainability journey

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



## Our impact initiative serves several goals:

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

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

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

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



Becoming a purpose driven company



Adapting a sustainable Data and AI governance



Learning about ESG & Impact frameworks



Selecting the right business partners



Upgrading the workplace



Acting for the environment & the climate



# Sustainability in our investment process

We view the most impactful companies of the future not as the largest, but as those that drive sustainable growth and economic transformation. These companies cannot be built in silos and the transition will take an ecosystem-level response across regions, sectors, and up and down the value chain.

Within this comprehensive sustainability vision, our team perceives ESG as a value creation driver. We have crafted responsible investment approaches specifically tailored to the needs of our capital management company. For us, sustainability is a crucial transformation lever that enables us to work together with committed entrepreneurs and management teams to promote resilient and future-ready global leaders.

We formalised a specific ESG Management System in 2017, which integrates ESG issues and criteria in all stages of the investment cycle, from the pre-qualification to the exit stage. A sustainable investment process has therefore been formally developed and has been updated by the end of 2022. While risks and opportunities are assessed prior to investment, our focus is to co-develop actionable roadmaps with our portfolio companies and, most important, make sure they have the resources to turn roadmaps into results.

The below table outlines Cathay's sustainable investment process:



Acquisition phase

- 1 **Sourcing & deal flow qualification**  
Opportunity screened against Small Cap/ Mid Cap's exclusion list
- 2 **Sustainability (pre-investment) due diligence conducted by an external third-party expert**
  - Assessment of the overall integration of sustainability issues throughout the company's business model
  - Assessment of the company's value proposition impact and recommendations for key impact metrics to follow over time
- 3 **Closing**
  - Inclusion of a **sustainability letter** in the deal's contractual document\*
  - Discussion between the deal team and the company regarding future ESG action plans



Holding phase

- 4 **Knowledge sharing**
  - **Global platform** accessible to all portfolio companies to share knowledge and tools related to impact and ESG
  - **Sustainability hub** for best practice sessions with experienced practitioners
- 5 **Action plan**
  - Deal team to follow up on the relevant Action Plan and on continuous improvement on a regular basis
  - ESG issues reviewed at least once a year by the governance bodies of each portfolio company



Exit phase

- 6 **ESG Exit Memo**
  - Overview of ESG improvements included in the Exit Memorandum\*

\*When the context allows it

# Our ESG governance

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

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

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



# Our portfolio companies

In 2023, Cathay did not acquire new portfolio companies in the **Small Cap III Fund**. This section presents each of the 7 portfolio companies that participated in the 2023 ESG reporting campaign. OrderPlus and Soocas exited the Small Cap III Fund in 2023.



ATRenew is the first mover with the largest collecting network in 3C products recycling market and standardises the collecting process and ensure data security, providing convenient and trustworthy one-stop recycling services for used mobile phones and other 3C products.



**Investment date:**  
December 2016  
**Headcount:**  
2055

**Sector:**  
Consumer products /services



FuturMaster is the leading APS (Advanced Planning and Scheduling) software developer in France.



**Investment date:**  
June 2020  
**Headcount:**  
196

**Sector:**  
E-commerce / logistics



Le Wagon is a coding school open to all, offering short and intensive on-site trainings or "coding bootcamps" in web development and data science.



**Investment date:**  
March 2020  
**Headcount:**  
224

**Sector:**  
Education / Future of work



Brass Master is an original designer and manufacturer of brass-made handicrafts.



**Investment date:**  
September 2018  
**Headcount:**  
1300

**Sector:**  
Consumer products / services



Easyvista offers two IT Service Management software: Service Manager (software to manage IT back-office tasks) and Self-Help (knowledge bases that employees can use in troubleshooting).



**Investment date:**  
September 2020  
**Headcount:**  
377

**Sector:**  
Business / digital services



Yeelight is a leading innovative smart lighting company that develops and produces smart home lighting products and provides smart lighting solutions.



**Investment date:**  
October 2018  
**Headcount:**  
419

**Sector:**  
Consumer products / services



Righton Gene is a leading IVD company focused on the development, manufacturing, and distribution of molecular diagnostic test kits. The company's product line covers diagnostic, prognosis, drug selection, and therapeutic monitoring of leukemia, lymphoma, and solid tumor patients.



**Investment date:**  
January 2018  
**Headcount:**  
501

**Sector:**  
Healthcare

In 2023, Cathay's Small Cap IV Fund consists of 8 companies: AD Education, Chowsing, Wenext, Mistine, Onventis and Parkview Dental; the last two companies were acquired in 2023.



The AD Education Group is a French leader of higher education in art professions, design, culture, and communications.



**Investment date:**  
March 2021  
**Headcount:**  
2650

**Sector:**  
Education / Future of work



ChowSing is a company that owns the well-known pet nutrition & food brand, Nourse, pet product brand, ChowSing, and a pet product distribution channel, BRGON.



**Investment date:**  
April 2021  
**Headcount:**  
201

**Sector:**  
Consumer products / services



Created in Thailand, Mistine is a reputable beauty brand, well known for its tropical, affordable and high-quality beauty products, notably for sunscreen and foundations.



**Investment date:**  
March 2022  
**Headcount:**  
374

**Sector:**  
Consumer products / services



WeNext provides professional services such as 3D printing, CNC Machining, injection molding, and vacuum casting for various industries.



**Investment date:**  
December 2021  
**Headcount:**  
220

**Sector:**  
Business / digital services



SNOCKS is a leading digital native brand for everyday basics. The company offers socks, underwear, basics and branded apparel for men and women through its main online sales channels (own website and Amazon).



**Investment date:**  
March 2022  
**Headcount:**  
86

**Sector:**  
Consumer products / services



Founded in 2000 in Stuttgart, Onventis offers source-to-pay processes of direct and indirect materials in strategic and operational procurement. Onventis is a cloud pioneer in digital transformation of purchasing and finance processes.



**Investment date:**  
January 2023  
**Headcount:**  
130

**Sector:**  
Procurement



Founded in 2018 in Sarasota, Florida, Parkview is a dental service company that currently manages 22 dental practices that provide both general dentistry and specialty dental services.



**Investment date:**  
November 2023  
**Headcount:**  
172

**Sector:**  
Healthcare



TransCure bioServices is a European CRO based in France offering preclinical predictive in vivo pharmacology testing services to international large pharmaceutical, biotech and academic customers.



**Investment date:**  
February 2022  
**Headcount:**  
87

**Sector:**  
Healthcare



# The Cathay Foundation, a Commitment to Global Community

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

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

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

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

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

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



## Our collaborations

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



### PwC: Sustainability Strategy

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

Learn more:  
[www.pwc.fr/fr/vos-enjeux/conseil-en-developpement-durable.html](http://www.pwc.fr/fr/vos-enjeux/conseil-en-developpement-durable.html)



### Cority (ex-Sirsa): Reporting 21

Founded in 2014 in France, Sirsa is a consulting firm specialised in sustainable transformation. Its method is based on data activation to help organisations become more transparent and impactful. A team of over 30 consultants guides financial actors and companies of all sizes on ESG issues across their value chains, from analysing risks to reporting results. Sirsa's SaaS platform Reporting 21 facilitates data collection and analysis, among many other functionalities.

Learn more:  
[www.sirsa.io/en](http://www.sirsa.io/en) | [www.reporting21.com](http://www.reporting21.com)



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

Learn more:  
[www.greenly.earth.fr](http://www.greenly.earth.fr)

## SKYTECH

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

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

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

Learn more:  
[www.sinosoft-technology.com](http://www.sinosoft-technology.com)

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

For instance, a sustainable supply chain specialist was mobilized for Snocks to provide insights on organic cotton sourcing. Similarly, a Vendor Due Diligence specialist helped to assess Biose's biodiversity impact with a focus on river water.

# 4. 2023 ESG performance results

Disclaimer: The published numbers are on a respondent basis, which means that the percentages provided refer to the companies that gave a response on specific questions or indicators each year (2022 or 2023) using the Reporting21 platform. This data may not represent companies that did not report anything for the indicator in question.

The results presented in this report are categorised based on the portfolio companies of Cathay Capital Private Equity Small Cap III and Small-Cap IV Funds. Small Cap III comprises a total of 7 companies in the portfolio, while Small Cap IV currently has 8 portfolio companies. Results for the 15 portfolio companies are consolidated in this section under "Small Cap".

Major societal challenges contribution



The companies in Cathay's Small Cap IV portfolio have worked to manage important sustainability themes and improve ESG performance. Some companies go beyond ESG issues and contribute to wider social goals through their business. Half of the Small Cap IV portfolio companies contribute to the United Nations' Sustainable Development Goals (SDG).

To illustrate this point, **AD Education**, which has developed a network of schools with around 35,000 students every year across Europe, contributes to **SDG 4** on Quality Education. Their schools are increasingly including sustainability across curriculum and each school defines ESG engagements. One of the Group's schools, Ecole de Condé, annually formalises an ESG review to highlight initiatives implemented (e.g., zero waste, energy efficiency). Another school, Accademia Italiana, conducts satisfaction surveys among students, staff and professors and a program coordinator facilitates dialogue between professors and staff.




Regarding the contribution to **SDG 3** on Good Health and Well-being, **TransCure**, through its offering of in vivo pharmacology studies, supports international clients developing medicines across various therapeutic areas, including immuno-oncology, infectious diseases and inflammatory auto-immune diseases. The company implemented measures to reduce impact on the environment, such as working with local suppliers and strict waste treatment implemented following an external waste audit.

**WeNext**, which was founded by a group of software and algorithm engineers who use digitalisation to improve the efficiency of factory operations, contributes to **SDG 8** on Decent Work and Economic Growth. Most of the WeNext's ESG engagement is related to human resources and business ethics and formalised in the Employee Handbook as well as in business ethics documents. Several initiatives have been implemented such as training programs and a profit-sharing scheme.

Building a robust governance

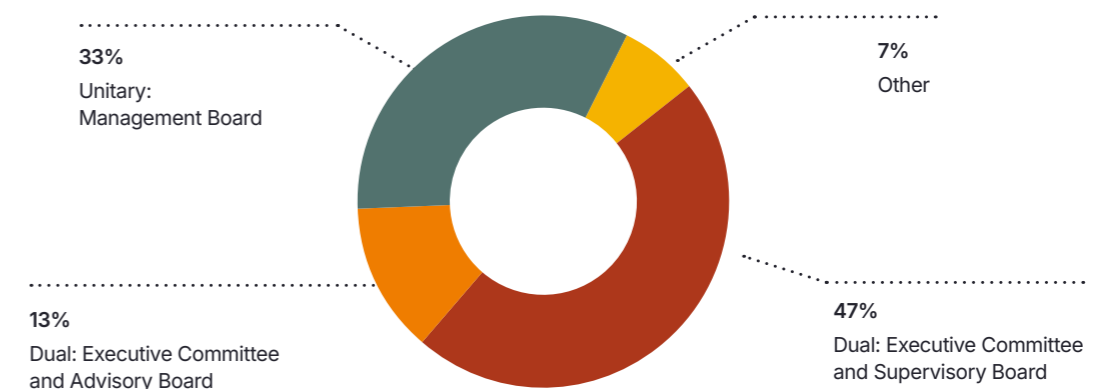
Best practices: Governance

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

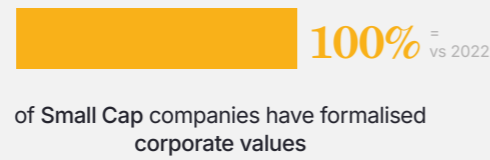
- 
**INDEPENDENT BOARD MEMBER**  
 Have at least one independent member in the overseeing governance body to provide an external point of view and sectorial expertise.
- 
**DIVERSITY IN GENDER AND BACKGROUNDS**  
 Increase diversity in leadership teams and governance bodies, which has shown to increase revenue by bringing different perspectives on innovation.
- 
**OVERSEE SUSTAINABILITY ISSUES**  
 The board should be the first place where the social role of the company is shared and will set the tone for the entire company by making it a priority.

Corporate governance

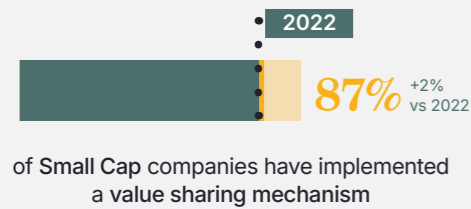
Strong corporate governance ensures long-term resilience and growth. There are several approaches: dual governance, with separate bodies for the Executive Committee and Supervisory Board; a dual approach, involving separate bodies for the Executive Committee and Advisory Board; or unitary governance, where a single Management Board oversees both executive and oversight functions. The choice among these approaches depends on the company's specific situation and structure.



Strengths and achievements



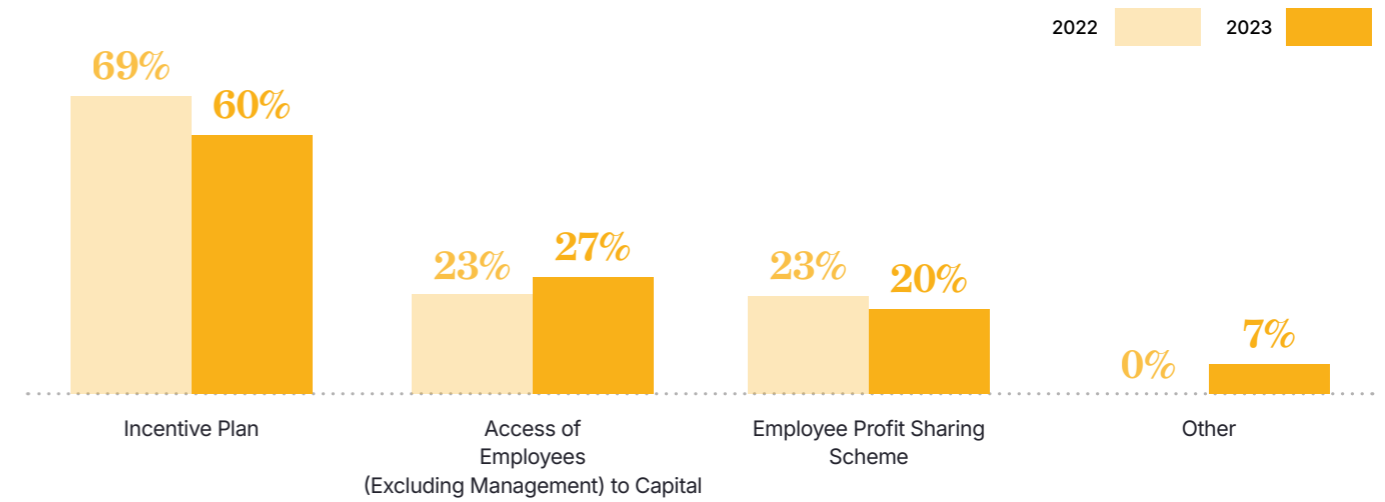
Robust corporate values and a defined mission contribute to employee engagement, a sense of belonging, and team spirit. This allows companies to foster a positive work culture, attract and retain top talent, drive innovation, and ultimately enhance company performance.



At Cathay, building a positive work environment is important since we impact over 9,000 employees across our Small Cap funds, and value-sharing mechanisms play a pivotal role in driving employee engagement, talent retention, and fostering innovation.

Of the 87% of Small Cap companies with a value-sharing mechanism, several approaches have been adopted and combined by portfolio companies:

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

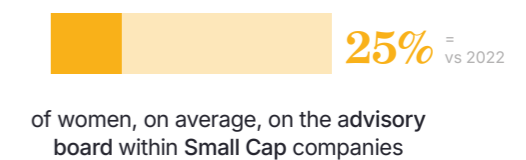


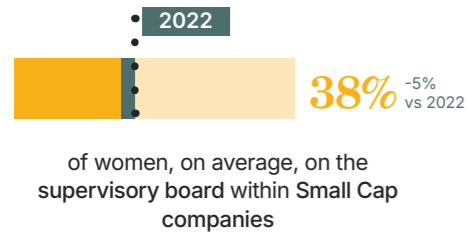
A value sharing mechanism aligns stakeholders' interests, promotes collaboration and equitable distribution of benefits. It enhances corporate culture and transparency, making companies more attractive to investors and promotes responsible governance by encouraging ethical decision-making and stakeholder trust, which are essential for the company's long-term viability and reputation.

Areas of improvement



To limit the occurrence of such events, we are currently investigating how to strengthen a more formalised and timely risk assessment process.



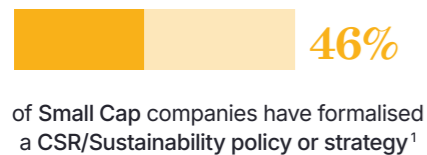


While 2023 has shown limited progress in the area of gender diversity, there remains substantial potential to further improve gender diversity in company leadership. In fact, some portfolio companies increased the size of certain governance bodies with new men members (such as AD Education and EasyVista), thus reducing the representation of women in those instances. Cathay Capital Private Equity will continue to support portfolio companies to ensure equal opportunities within company leadership and career development. With a more diverse board in portfolio companies, decision-making is enhanced thanks to more diverse perspectives, innovation is spurred, and risk management is better monitored<sup>1</sup>.

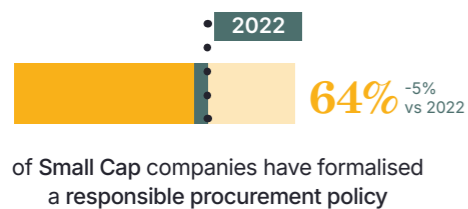
## ESG governance

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

### Strengths and achievements



As part of our commitment to sustainability and social responsibility, we support and guide companies in establishing effective CSR practices, recognising that a CSR policy reflects a company's dedication to responsible business practices and long-term sustainability.



A procurement policy is important for companies as it ensures transparency, cost savings, risk management, legal compliance, and ethical sourcing, allowing companies to optimise resource allocation and achieve long-term success. The 2023 figure is below the 2022 result due to the integration of 2 new portfolio companies that have not formalised responsible procurement policies yet.

<sup>1</sup>The change of format and the increased scope of this indicator in this year's questionnaire explain the lower result compared to the 2023 report.

## FOCUS:

### SNOCKS

Snocks is a brand for basic apparel, based in Germany, and relies on online sales. The Company has made significant efforts to prioritize responsible procurement in various ways, primarily through a supply chain risk analysis in 2023, conducted as part of Snocks' involvement with the German Partnership for Sustainable Textiles (Textilbündnis). This analysis entailed:

- **Risk identification**, in counties like China, Pakistan, Turkey, and India (60% of suppliers' locations). The risks included labour rights violations, environmental non-compliance, and lack of enforcement of union rights. As a form of medication, Snocks conducted audits for 85% of its Tier 1 suppliers in 2023, revealing 20 critical issues that were addressed and amended within three months.
  - **The creation of a risk mitigation roadmap through 2025** that aims to reduce environmental impact, increase transparency in production processes, and further integrate sustainability in the business model in 2024. In 2025, the objective is to produce with 100% of organic cotton and have 10% of overall products sourced from recycled materials, amongst other targets.
- Snocks plans to mandate bi-annual audits, ensure GOTS (Global Organic Textile Standard) or GRS (Global Recycled Standard), and ensure compliance with ILO conventions on freedom of association and collective bargaining for all Tier 1 suppliers.
- By 2025, Snocks aims to achieve transparency for Tiers 2 to 4 suppliers through obtaining detailed audit and certification information from at least three main suppliers from these tiers. The objective is to verify audit data for at least 50% of these suppliers within the next two years.

### Areas of improvement



The assignment of ESG responsibilities emphasises that ESG issues are taken increasingly seriously within portfolio companies. Having a dedicated position for ESG shows that companies understand the crucial importance of ESG topics. The 2023 figure is lower than the 2022 result due to the integration of 2 new portfolio companies that have not appointed ESG responsibilities yet. We will continue to promote and encourage the appointment of ESG Managers within the portfolio companies.

## Data protection and business ethics

The management and monitoring of business ethics helps to safeguard a company from any risks associated with its activities, while having better control over risks should they arise. Formalisation of ethical guidelines is useful in encouraging professional attitudes in the workplace and through relationships with stakeholders. In addition, to ensure French portfolio companies' compliance with the Sapin II law (French anti-corruption law), Cathay Capital will step up its engagement to ensure the implementation of anonymous grievance schemes.

### Best practices: challenging data ethics

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



#### Data collection

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



#### Data storage

Data security, right to be forgotten, data retention.



#### Analysis of data

Missing perspectives, bias, honest representation, privacy.



#### Modelling

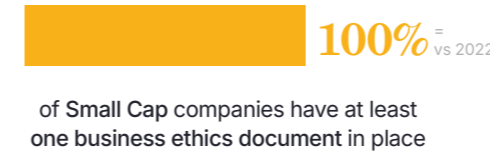
Non-discrimination through proxy, fairness across groups, metric selection, explain ability.



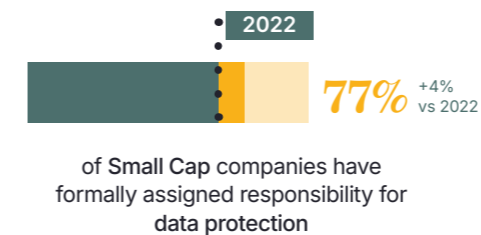
#### Deployment

Prevent harm to users, concept drift.

### Strengths and achievements

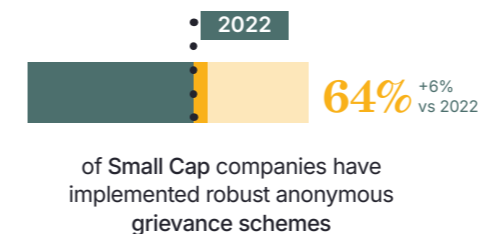


Code of ethics, code of conduct, ethical guidelines, or anti-corruption policies are instrumental in defining companies' core values and promoting professional attitudes both within the workplace and in relationships with stakeholders.



We will keep supporting companies across all portfolios to further limit risks related to data protection and security breaches.

### Areas of improvement



Grievance mechanisms are important especially for French companies, since the law requires that companies with 50+ employees implement them. Though this year's figure represents an improvement since 2022, companies should keep in mind the importance of employee protection. We will share good practices through the Resource Hub and assist in selecting providers to implement anonymous grievance schemes.

### FOCUS:



WeNext is a prominent digital manufacturer in China. As part of their commitment to ethical business practices, WeNext has developed and

implemented an internal "Sunshine Code of Conduct," which outlines the company's business ethics and anti-bribery policies and guidelines.

Empowering people and talent

### Health & safety

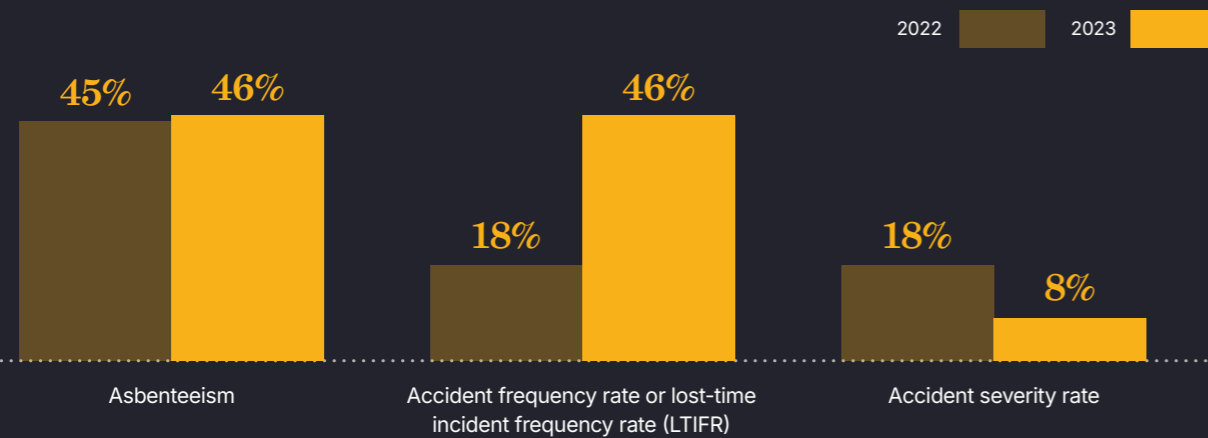
Ensuring health and safety (H&S) of portfolio companies' employees is crucial to guarantee their wellbeing. Cathay monitors portfolio companies through qualitative and quantitative indicators to assess companies' H&S practices.

#### Strengths and achievements



Health and safety policies create a safe working environment for all employees, reducing the risk of workplace incidents and ensuring compliance with legal health and safety regulations. Through our Resource Hub, we aim to share best H&S practices across the portfolio, which can be tailored and compared based on specific factors like sector, size, and relevance.

#### Areas of improvement



Monitoring health indicators makes it possible to guarantee a safer working environment (e.g., by reducing the accident rate), since more effective action can be taken to tackle problems.

### FOCUS:

#### SNOCKS

Employee health and safety are of utmost importance to Snocks and they have partnered with Argumed, a third-part occupational health and safety organisation, to ensure comprehensive work and health protection measures are in place. Snocks has also collaborated with Nilo Health to prioritise the holistic wellness

and mental health of their employees. An anonymous feedback form has been implemented for employees to express concerns and provide feedback, emphasising Snocks' commitment to fostering an open and transparent culture where everyone's voices are heard and valued.





## Human resources

We are dedicated to fair and just processes within human resources among our portfolio companies. These efforts highly contribute to employees' engagement and retention. We understand the importance of implementing a strong human resources management framework and leveraging strategies to nurture talent, ensuring sustainable growth and long-term success.

### Best practices: boosting employee satisfaction

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



Develop a company culture based on respectful treatment of all employees



Open communication between employees and management



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



Provide challenging and exciting work opportunities

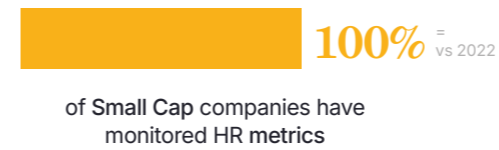


Recognise work done through feedback and incentives

#### Strengths and achievements



At Cathay, building a positive work environment is important given we impact over 9,000 employees across our Small Cap funds. An HR manager enables actions and initiatives to advance company goals, such as talent attraction and retention and contribute to this work environment.



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



At Cathay, we recognise that such surveys allow companies to gather valuable insights and feedback directly from their workforce. This helps in understanding employee sentiments and identifying areas for improvement. We will continue our efforts to ensure that 100% of companies conduct at least one satisfaction campaign/survey among their employees.

## Diversity, equity, and inclusion

As shown by numerous studies<sup>2</sup>, diversity and inclusion are drivers of performance. At Cathay, we are committed to promote diverse and inclusive workplaces among our portfolio companies, specifically through gender parity.

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

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



Establish clear **policies** to ensure all employees understand the expected behaviours and standards



Provide regular **training** on DE&I with a particular focus on raising awareness on unconscious biases



**Adapt recruitment processes** to attract candidates from diverse backgrounds by using varied recruitment channels and setting diversity targets



Create **mentoring and sponsorship programmes** to support the career development of employees from underrepresented groups, offering networking opportunities and career advancement



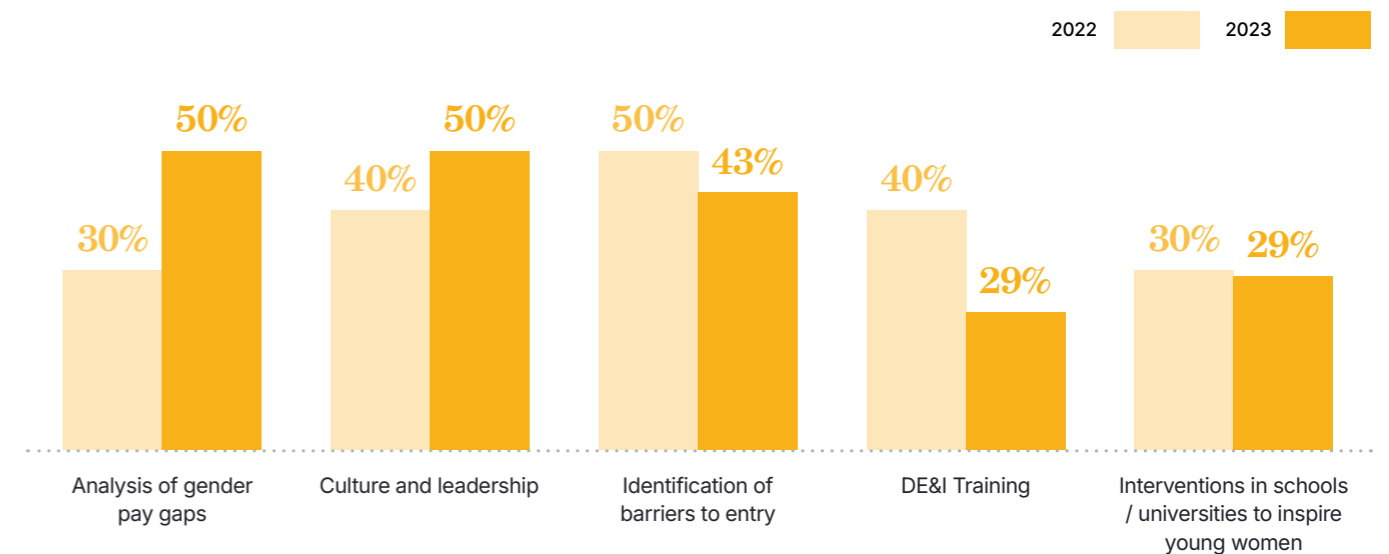
Regularly track progress on diversity and inclusion through **key performance indicators** and use this data to refine and improve existing strategies

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

### Strengths and achievements

Companies have deployed several actions to encourage DE&I with a gender focus:

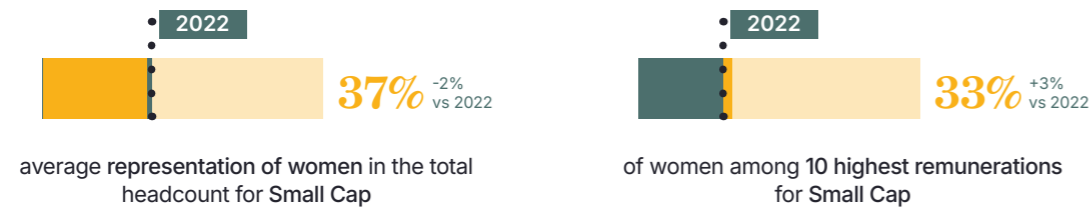
- **Identification of barriers to entry:** Identify and address obstacles preventing women from joining or advancing within the company.
- **Culture and leadership:** Promote an inclusive culture and diverse leadership committed to gender equality.
- **DE&I Training:** Provide trainings on unconscious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



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



Areas of improvement



Improving gender representation is crucial, as studies<sup>3</sup> show that higher diversity in companies drives better performance. It is particularly important at the executive level, as it exemplifies and creates role models. Also, promotion of women at executive level does not only favour diversity but also improves gender pay gap KPIs.

Though this indicator shows improvement in 2023, further efforts could be made to promote women at the management and executive levels. We will specifically focus on enhancing gender representation in European companies, especially with forthcoming regulations on the horizon

<sup>3</sup> PwC – Global Diversity, Equity & Inclusion Survey, 2022

FOCUS:



WeNext has strived to create equal employment opportunities for people with disabilities in post-processing, administrative, warehouse management

and other positions. Out of the 220 employees, 4.5% employees within the company have disabilities.

FOCUS:



Soccas, a consumer electronics brand specialising in personal care products, has had a 367% increase in the number of women among internal promotions.

The company also maintains low dismissal and turnover rates and offers widespread employee training, with a coverage rate of 76%.

FOCUS:



Diversity is a fundamental focus at Snocks, with a commitment to fostering inclusivity at all levels of the organisation. The company is working towards achieving a more balanced representation to promote gender equality and diversity, specifically within C-Suite positions. At the team lead level, Snocks has already

achieved a 50% male and 50% female distribution, highlighting dedication to providing equal opportunities. In coordinator positions, diversity has progressed: 60% of coordinators are women. Snocks values the power of a diverse workforce and aims to create an environment where individuals from all backgrounds can flourish.

**Engaging in environmental efforts**

In the context of the rising concerns around climate change and in alignment with Cathay's commitment to protecting the environment per its ESG procedure, we strive to ensure that portfolio companies implement initiatives to measure and reduce their environmental footprint and promote the use of renewable energy. Through continuous exchanges with top management of our portfolio companies, Cathay encourages them to implement environmental initiatives that are coherent with their activities and their value proposition.

**Best practices: climate actions**

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



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



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



Use sustainable web hosting services (Green Cloud)



Source renewable energy for offices



Promote remote working to limit daily commute



Raise awareness among employees



Identify solutions with suppliers to reach climate action ambitions

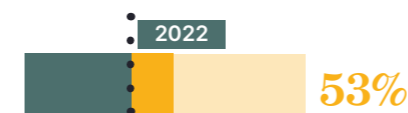
Conducting a carbon footprint assessment is a prerequisite for assessing a company's contribution to global warming, establishing reduction targets accordingly and effectively tracking climate change mitigation.

In 2023, CCPE started measuring its carbon footprint. Its Scope 3 emissions primarily consists of the carbon footprints of its various funds' portfolio companies. 100% of Small Cap IV portfolio companies (except new entries) measured their own carbon footprints, with the following results for 2023:



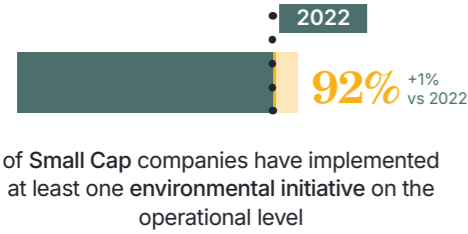
Moving forward, we will continue to support companies in developing their carbon footprint reduction initiatives, with a target of 100% completion by 2024 - 2025.

**Strengths and achievements**



of Small Cap companies have formalised an environmental strategy or policy

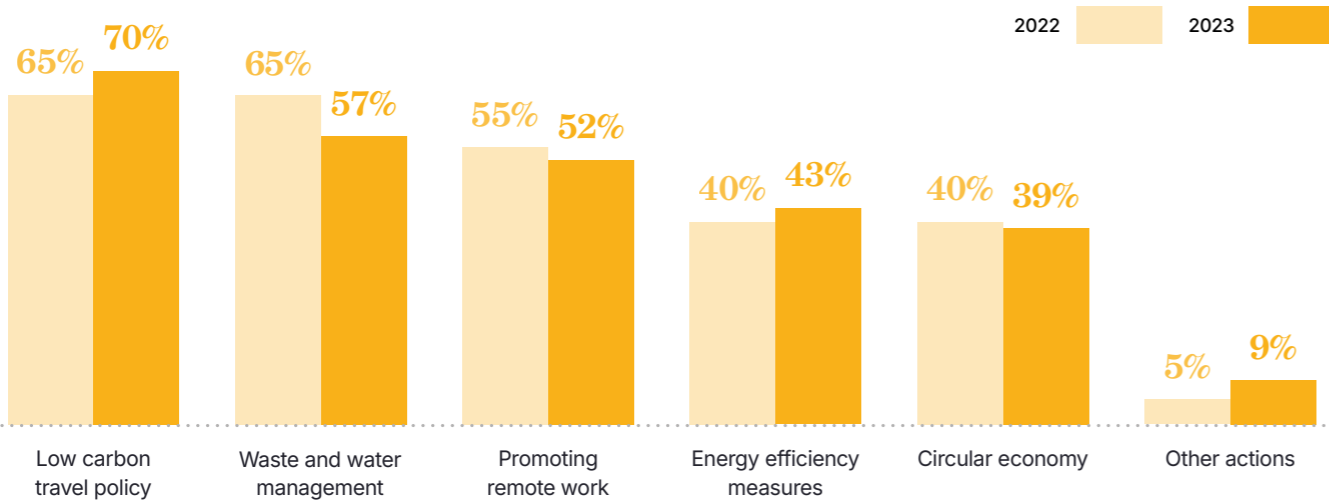
An environmental strategy is crucial for companies as it outlines sustainable practices, providing clear environmental guidelines and thus helping reduce companies' environmental impact. We are committed to assisting companies in formalising robust environmental strategies, providing support through clear roadmaps, objectives, and sharing templates and good practices via our Resource Hub.



The most common initiatives included promoting remote work, adopting a low-carbon policy, monitoring and reducing air travel, recycling devices, implementing energy-efficient measures, and reducing raw material usage, all of which contribute to environmental preservation.

Portfolio companies continue to reduce their environmental impact through several levers at the operational level:

- Promoting **working from home** and videoconference meetings.
- Implementing a **low carbon travel policy** to monitor and reduce the use of car and planes.
- Adopting **circular economy** measures such as the purchase and use of recycled / reconditioned electronic devices.
- Implementing **energy efficiency measures**, such as green cloud hosting, purchase of renewable energies, etc.
- Setting up initiatives to **lower waste and water consumption**.
- **Other actions**: adopting an eco-design approach, reducing the impact on biodiversity, and more.



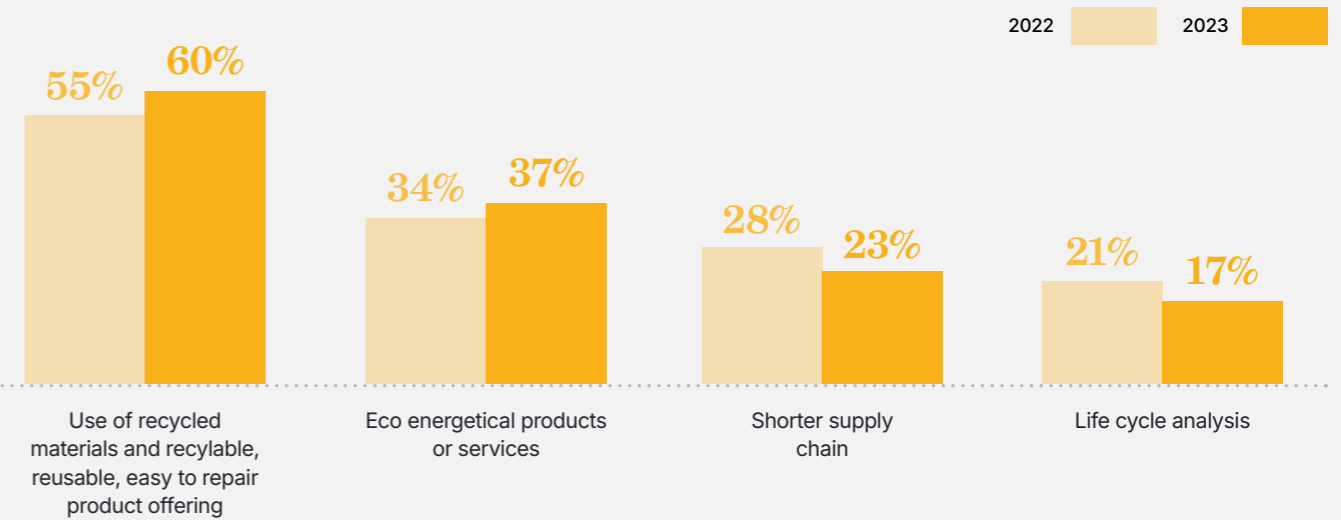
At Cathay, we encourage our portfolio companies to implement environmental initiatives that enable them to significantly reduce their carbon footprint and resource consumption. Through these measures, we aim to inspire a culture of environmental responsibility that benefits both the planet and business performance.



Small Cap companies have implemented initiatives in their products and services to reduce environmental impacts

Following a standout 2022 year marked by extensive environmental initiatives related to products and services implemented by portfolio companies, 2023 is also proving to be significant for such initiatives. Portfolio companies' initiatives cover the following themes:

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



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

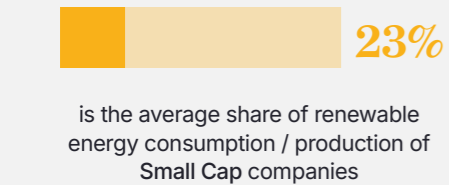


Most of our companies are not located near a sensitive biodiversity area. Nevertheless, we will continue to conduct a materiality analysis at portfolio level to identify companies for which biodiversity is a material topic and encourage these companies to implement mitigation measures.

Areas of improvement



LCA is critical for understanding the environmental impact of companies, especially those involved in manufacturing, allowing them to identify areas for improvement and make data-driven decisions to reduce their environmental footprint.



Increasing the share of renewable energy consumption and production is vital for mitigating climate change and ensuring sustainable development, and Cathay is committed to it to drive a cleaner, more resilient future.

FOCUS:



Mistine, a skincare company, places great importance on environmental consciousness. The company prioritises the production of skincare products that are responsibly sourced and produced, ensuring that customers can enjoy products that align with their

values. Mistine's dedication to this cause drives the company to ensure none of its skincare products contain chemicals or ingredients that pose a threat to delicate ecosystems like coral reefs and marine life.

FOCUS:



Snocks ships its products using sustainable materials to promote the reuse of resources. The packaging used for shipping consists of 70% recycled paper and 30% grass fiber for a reduced environmental impact and excludes any plastic. For specific brands within the company, recycled polybags are also used. To minimise

waste, approximately 25% of orders can be shipped without any packaging. In addition, Snocks partners with DHL GoGreen, a climate-neutral shipping service that uses compensation initiatives to offset carbon emissions and has a goal to limit air shipping (6.4% of shipping in 2021).

FOCUS:



AD Education has implemented several measures to address environmental challenges in certain of its campuses in Europe. These include:

- Smart building management to reduce energy consumption in certain buildings by 15%, involving the optimisation of heating schedules, adapting lighting to be automatic and more efficient. This goal is to extend this operation to all campuses.
- Review of electricity contracts to convert to renewable energy sources.
- Installation of solar panels (50 kWh photovoltaic system) at the Madrid campus.
- Certification of the Germany campuses as carbon neutral, thanks to carbon offsetting operations, the use of exclusively renewable energy, and the reduction of their annual carbon emissions. These campuses also adopted a responsible purchasing policy.
- Reduction of electronic waste and better, more responsible management of used electronic devices, in accordance with the French REEN law on Responsible Digital Technology. To do so, the Company established a partnership for its collection service with Zack, enabling France-based AD Education schools to minimise carbon emissions by promoting maximum reuse of computer equipment. As of February 2023, 1,308 kg of electronic waste had already been collected and recycled, avoiding the emission of 117 tCO<sub>2</sub>eq.

## Giving back to society

### Community involvement

Cathay Capital believes that in addition to providing direct benefits to local societies, community involvement has the potential to contribute to key business goals, including employee retention (i.e., boosting employee's pride of belonging, motivation) and improved reputation.

#### A few examples of partnerships and mentoring programs by portfolio companies:

1. **AD Education**, a global network of schools that offers courses in art, design, and digital subjects, has partnered with the organisation "Toutes à l'école," which aims to promote the education of underprivileged, young women in Cambodia. AD Education believes that education is a fundamental right to be accounted for in developing and developed countries alike. The Company makes financial contributions to the organisation with the hopes of bringing a brighter future. In addition to the contributions, AD Education carries out educational programmes, such as a cultural exchange programme with the school "Ecole de Condé." This school welcomes students who are interested in subjects of design, imagery, heritage, or crafts, free of charge, from the Phnom Penh-based Happy Chandara School. These students can then participate in "summer camps" to discover these topics at the Ecole de Condé. The Company plans to expand partnerships with other schools in the same group.
2. **AD Education** also launched a not-for-profit initiative called the Skillers Programme whose mission is to promote the professional integration of young people who are unemployed or missing qualifications into creative careers through job reconversion. The programme offers career advisory, training, and support in their job searches.
3. **Le Wagon**, a coding school open to all, offering short and intensive on-site trainings or "coding bootcamps," offers skill-based sponsorship for coding, specifically targeting unemployed individuals and women in the tech industry.

4. **BrassMaster**, a pioneering enterprise dedicated to traditional brass-related handicraft, initiated an apprenticeship program in 2022. This program aimed to provide opportunities for individuals from less-developed villages, recruiting over 500 trainees. Trainees were given comprehensive training in various handicraft skills, empowering them with the knowledge and expertise necessary to contribute to the preservation and continuation of this cherished art form. Through these efforts, BrassMaster contributes to the revitalisation of traditional craftsmanship while simultaneously creating social and economic opportunities for individuals from underprivileged areas.
5. In 2023, **Snocks** put in place a WASH (water, sanitation, and hygiene) program to improve water and sanitation infrastructure in schools. The goal of the program is to provide safe drinking water, clean and safe sanitation facilities, and spread safe water-related health and hygiene practices. This programme was implemented in five schools and benefitted 1,172 individuals.

#### A few examples of donations of portfolio companies to local organisations:

1. In 2023, **Snocks** implemented financial donations and in-kind sponsorships, including a donation to an association in Turkey to provide earthquake relief, donations to an association that supports the education and empowerment of women and girls, resources towards environmental conservation, and the Austrian branch of Doctors Without Borders. The Company also implemented a tipping system to seamstress employees, given by customers and doubled by Snocks in turn.
2. **AD Education** provided scholarships to 583 students in 2022. In Germany, the Company has set up student loans with repayment conditions linked to family or student income. AD Education is developing apprenticeship courses, allowing students to receive a salary during their studies. The Company's ESG commitments include emphasis on these policies to ensure that no student is forced to give up their studies for financial reasons, with a goal to guarantee that 100% of AD Education schools offer scholarships or financial support by 2026, subject to means testing.

# 5. Advancing our sustainability journey





# Advancing our sustainability journey

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

## Climate Action: Measuring and Reducing Our Carbon Footprint

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

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

## Biodiversity: Establishing a Framework for Action

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

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

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

# Appendixes

## Appendix A: Exclusion List

### Small Cap III: (LPA prohibited activities)

- 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;
- Gaming, 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 polychlorinate 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.

## Appendix B: Sustainable Finance Regulation & Standards

Regulation / Framework	Short Description	How Cathay Innovation is addressing it
Sustainable Finance Disclosure Regulation (SFDR)	<p>The SFDR's overarching goal is to foster greater transparency in the financial sector and combat greenwashing.</p> <p>To do so, the SFDR creates classification to evaluate the sustainability level of financial products:</p> <p>a. Article 9 – financial products designed to pursue a sustainable investment objective</p> <p>b. Article 8 – financial products that promotes environmental and social characteristics</p> <p>c. Article 6 – mainstream products that are not classified as article 9 or 8</p> <p>The regulation also demands a greater level of transparency at both the entity and the product level. For instance, entities must now disclose their policy on integrating sustainability risks into investment decisions and will have to publish a series of aggregated sustainability KPIs (principal adverse impact) from 2023 onwards.</p> <p>Similarly, at the product-level, new disclosures must be included as part of pre-contractual documents and periodic reporting. Disclosure obligations depend on the financial product's classification.</p> <p>The SFDR applies to financial market participants, credit institutions, as well as investment firms providing portfolio management services.</p>	<p>Cathay Small Cap III fund is classified under Article 6 of the Sustainable Finance Disclosure Regulation (SFDR).</p> <p>As such, the fund is expected to disclose the following information:</p> <ul style="list-style-type: none"> <li>- How sustainability risks are integrated into investment decisions/investment advice.</li> <li>- How the fund considers its main negative impacts.</li> </ul> <p>Cathay Management selected the SFDR article 8 classification for its Small Cap IV fund (first closing was in Q1 2021). It is thus subject to additional disclosure requirements and published its first periodic report in May 2023 detailing:- The environmental and social characteristics promoted by the fund and actions taken to meet them;</p> <ul style="list-style-type: none"> <li>- How the fund considers and addresses its main negative impacts on sustainability factors;</li> <li>- Its alignment with the EU Taxonomy.</li> </ul>
Article 29 of the Energy-Climate Law	<p>The Article 29 of the Energy-Climate Law replaces Article 173 – VI TECV and supplements the SFDR. Published in 2021, it provides a framework for extra-financial reporting by defining the information to be published on the inclusion of ESG quality criteria in the investment policy and on the means implemented to contribute to the energy and ecological transition.</p> <p>As such, all asset management companies must now publish a dedicated annual report on their website.</p>	<p>Managing more than 500M€ euros of assets, Cathay CCPE is subject to all the elements required relating to the financial year 2022. The 2022 report was published end of June 2023 on Cathay's website and on the ADEME platform and constitutes the fund's annual compliance by responding to its regulatory requirements.</p>

Regulation / Framework	Short Description	How Cathay Innovation is addressing it
EU Taxonomy	<p>The EU Taxonomy provides clear rules about which activities can be classified as sustainable. The EU Taxonomy's overarching goal is to foster greater transparency, combat greenwashing and funnel capital to sustainable activities.</p> <p>The EU Taxonomy identifies activities that serve six environmental objectives:</p> <ol style="list-style-type: none"> <li>1. climate change mitigation,</li> <li>2. adaptation to climate change,</li> <li>3. sustainable use of water and marine resources,</li> <li>4. circular economy,</li> <li>5. pollution prevention and control,</li> <li>6. prevention and restoration of biodiversity and ecosystems.</li> </ol> <p>To be deemed 'aligned with the EU Taxonomy', activities must:</p> <ol style="list-style-type: none"> <li>a. be listed among the eligible activities,</li> <li>b. substantially contribute to at least one of the objectives mentioned above,</li> <li>c. not negatively impact the other objectives (do no significant harm principle),</li> <li>d. comply with minimum safeguards.</li> </ol> <p>From 2022 onwards, financial companies operating in the EU will have to report on specific KPIs related to the first two objectives of the EU Taxonomy (e.g., % of investments that are aligned with the EU Taxonomy).</p>	<p>As stated in Cathay CCPE's Article 29 report, Cathay CCPE has verified the possibility to collect Taxonomy-related KPIs from investee companies. However, the information collected does not allow to draw conclusions on the alignment of the Fund's investments with the EU Taxonomy. Consequently, no investment is qualified as Taxonomy-aligned to date.</p>
Paris Agreement	<p>The Paris Agreement is an international treaty on climate change which was adopted by a vast majority of countries in 2015. Its goal is to limit global warming to well below 2°C – though preferably 1.5°C – compared to pre-industrial levels.</p> <p>Since then, the Paris Agreement has become the reference framework when it comes to climate change. Many countries or groups of countries are using the framework defined by the Paris Agreement to guide policymaking.</p> <p>The EU's Green Deal, for instance, was designed to help the union become the first climate neutral continent by 2050 – a necessary condition to keep in line with the Paris objective.</p> <p>The private sector is also embracing the Paris Agreement. SBTi, for instance, measures companies' and investment funds' decarbonisation efforts against the Paris objective.</p>	<p>Please refer to section 4.4 for a description of the efforts deployed by Cathay CCPE to address climate change and move towards the objectives defined by the Paris Accord.</p>

## Appendix C: Cathay's ESG & Impact Resource Hub

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

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

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

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

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



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