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# Investing in Startups Impacting the World

Sustainability Report  
2021 - 2022

Cathay Innovation Fund II



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## Foreword from President & Founder



Success is no longer measured only on building the largest company the fastest, smart business models, or disruption for the sake of disruption. In the face of urgent challenges from climate change to health crises and social equity — the world is calling for more sustainable businesses of all sizes. As global investors, our goal at Cathay is to help entrepreneurs everywhere innovate while building more responsible, resilient businesses that will shape the industries, economies and society of tomorrow.”

**MINGPO CAI, FOUNDER AND CHAIRMAN,  
CATHAY CAPITAL & CATHAY INNOVATION.**



As technology continues to gain power and adoption, it’s critical to ensure that startups stay true to intentions. At Cathay, we’re committed to supporting rapid, but sustainable growth. Through our framework, combining risk, returns and sustainability, we hope to nurture a new kind of investor-founder relationship — one that helps the latter make the right decisions throughout the journey to achieve the impact originally imagined. While the framework is sure to evolve, we believe it’s a solid foundation in our own path in becoming a better, purpose-driven partner for growth-oriented startups around the world.”

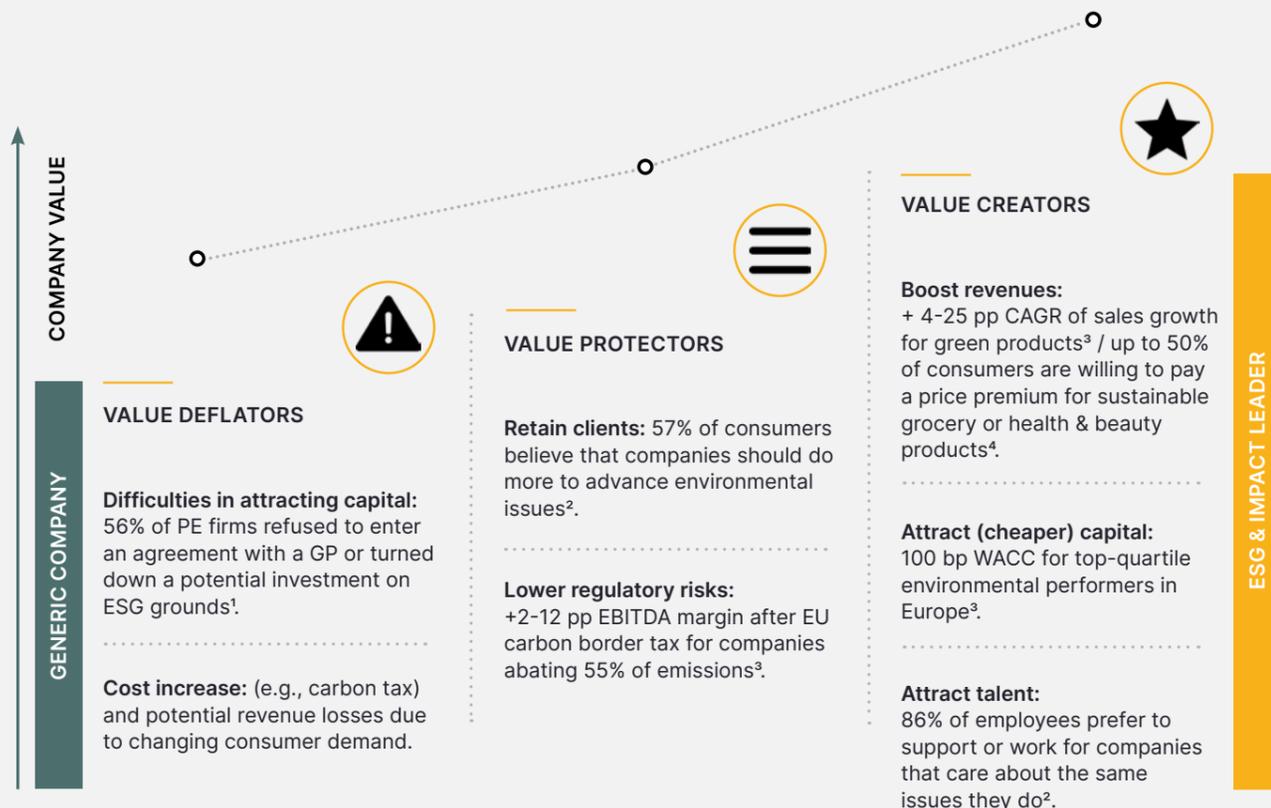
**DENIS BARRIER, CO-FOUNDER CATHAY INNOVATION.**

# Value Creation Through Esg & Impact

It's become clear to entrepreneurs and investors that, by implementing ESG best practices and focusing on yielding a positive impact, companies can **create sustainable value**. The recent pandemic proved how companies that put ESG and impact at the heart of their business model and operations are **well-equipped to weather crises and thrive**.

Case in point: 15 out of MSCI's 17 sustainable indices outperformed their broad market counterparts at the height of the Covid-19 pandemic (BlackRock (2020), Sustainable investing: Resilience amid uncertainty). Time and time again, it has been shown that companies fostering ESG and impact can **persevere and grow their value through three complementary movements**:

1. AVOIDING VALUE DEFLATORS
2. ACTIVATING VALUE-PROTECTION LEVERS
3. LEVERAGING VALUE-CREATION LEVERS



(1) PwC (2021), Global Private Equity Responsible Investment Survey 2021.  
 (2) PwC (2022), 2021 Consumer Intelligence Series – Survey on ESG.  
 (3) EU announcement, based on a BCG analysis.  
 (4) PwC (2022), Global Consumer Insight Survey.

1. BlackRock (2020), Sustainable investing: Resilience amid uncertainty.

Considering the strong correlation between ESG / impact and value creation, Cathay Innovation places ESG and impact at the core of its operations, from selecting companies that demonstrate a strong ESG performance to encouraging portfolio companies to continuously up their game. This report details how Cathay concretely incorporates ESG and impact through its sustainability strategy, numerous frameworks and dedicated governance.



Entrepreneurs put trust in investors to help them succeed. With success closely linked to sustainability — responsible investment teams should understand and promote the highest ESG standards to maximize impact. Beyond the planet and society as a whole, what is at stake is also companies' valuation. Therefore investors must play an integral role in helping startups instill the right goals, habits and processes into the organization's DNA and employee mindset."

MATTHIEU VAN DER ELST, CHIEF IMPACT OFFICER

While this report meets Art 29 of the Energy Climate Law requirements (see correlation table in Appendix E), it goes well beyond regulations or current trends by addressing key questions on purpose and impact.

In summary, the report highlights:

- How sustainability is embedded in Cathay Innovation operations with the support of **methodologies and analytics developed with PwC and Sirsa** (Reporting21)
- How Cathay **brings impact at scale globally** using the Impact Management Project (IMP)'s recognized framework
- How Cathay and Fund II portfolio companies are **embracing key ESG topics** including data protection, climate change or diversity & inclusion
- How **tech is a powerful means** to bring ESG and globalization to a higher and more meaningful level

# A Year in a Nutshell: Esg Scorecard & Impact Overview

The scorecard below shows a simple and comprehensive overview of Cathay Innovation Fund II portfolio's ESG performance and highlights the progress that has been achieved since 2020.

The overall ESG performance is particularly positive considering the Fund supports young innovative companies focusing on fast development in a set of vastly different market maturities. In a context of rapid growth with total headcount more than doubling in 2021, portfolio companies maintained and strengthened engagement, leading to improved

aggregate performance on key indicators such as the representation of women in the Executive Committee or training. Looking forward, the investment team will continue to work with entrepreneurs to make further improvements towards the targets Cathay Innovation has set for its portfolio companies.

|                 | KPI'S   | PERFORMANCE          | TARGET   | COMMENTS   |
|-----------------|---|----------------------|----------|--|
| DIVERSITY       | # direct jobs supported                                 | 7758 (FY21)          | 3000     | Aggregated number of direct jobs supported <b>far exceeds the initial target, growing from 4,007 jobs in FY20 to 7,758 jobs in FY21</b> , largely due to strong growth of portfolio companies and new investments.   |
|                 | % women in total headcount                              | 48% (FY21)           | >40%     | With a slight increase over the last year, <b>from 47% to 48%</b> , portfolio companies continue to be important providers of employment opportunities for women in tech   |
|                 | % women at Exec Committee                               | 28% (FY21)           | >30%     | Women represent <b>28%</b> of Executive Committee members on average across portfolio companies, <b>up from 21% in FY20</b> and outperforming <b>the industry average</b> of 24%.  |
| HR / WELL-BEING | % of permanent contracts (**)                           | 90% (FY21)           | >90%     | The vast majority of portfolio companies offer permanent contracts to employees, which is key to fostering <b>job security</b> .   |
|                 | % conducting a satisfaction survey at least once a year | 87% (FY21)           | >80%     | <b>87%</b> of portfolio companies, <b>up from 80% in FY20</b> , regularly conduct an employee satisfaction survey. This is significant given the strong connection between engagement, innovation, performance and employee well-being.  |
|                 | % employees trained / year                              | 65% (FY21)           | >50%     | <b>Substantial progress</b> has been achieved over the last year, with <b>portfolio companies now far exceeding the target</b> . This illustrates how portfolio companies ensure their workforce <b>stays afloat of the fast-paced tech environment</b> .  |
| GOOD GOVERNANCE | Code of Ethics in place                                 | 70% (FY21)           | 100%     | Cathay strives to ensure that <b>100% of portfolio companies adopt a Code of Ethics up to 12 months after investment</b> . By making good governance a cornerstone of dialogue, Cathay has managed to <b>double the share</b> of companies with a Code of Ethics, from <b>30% to 70%</b> , in just one year. |
|                 | Data security breach                                    | 0 breach (FY20 & 21) | 0 breach | Portfolio companies have put in place a <b>strong governance and robust procedures</b> to prevent data security breaches. In 2021, <b>no breaches were recorded</b> .  |
|                 | IS-IT cyber security risk policy in place               | 72% (FY21)           | 80%      | <b>Growing from 60% in FY20 to 72% in FY21</b> , the fund approaches its target for companies establishing IS-IT cybersecurity policies.   |
| CLIMATE ACTION  | Formalized CSR / Sustainability policy                  | 56% (FY21)           | 40%      | Cathay Innovation has seen <b>56%</b> of portfolio companies formalize CSR and Sustainability policies, <b>up from 42% in FY20</b> . This highlights that the 1st lever of a purpose - driven fund is to act upon awareness amid entrepreneurs mindset   |
|                 | Environmental initiatives implemented                   | 56% (FY21)           | 70%      | From <b>53% FY20 to 56% in FY21</b> , a growing number of companies are putting <b>initiatives in place to reduce impact on the environment</b> (e.g., Green Cloud, monitor plane travel, etc.). Nevertheless, further progress needs to be achieved to meet the target.                                     |

# Impact Overview

Many portfolio companies go beyond ESG and seek to enhance impact. Through their business activities, these companies contribute to the achievement of broader societal goals. Of note, nearly half of Fund II portfolio companies tackle UN Sustainable Development Goals. This highlights the powerful impact tech companies can have, through innovation and action, as a major transformation lever that addresses critical needs of people and the planet.



\*All companies listed are part of Cathay Innovation Fund II apart from Allsense, from Cathay Innovation's Smart Energy Fund

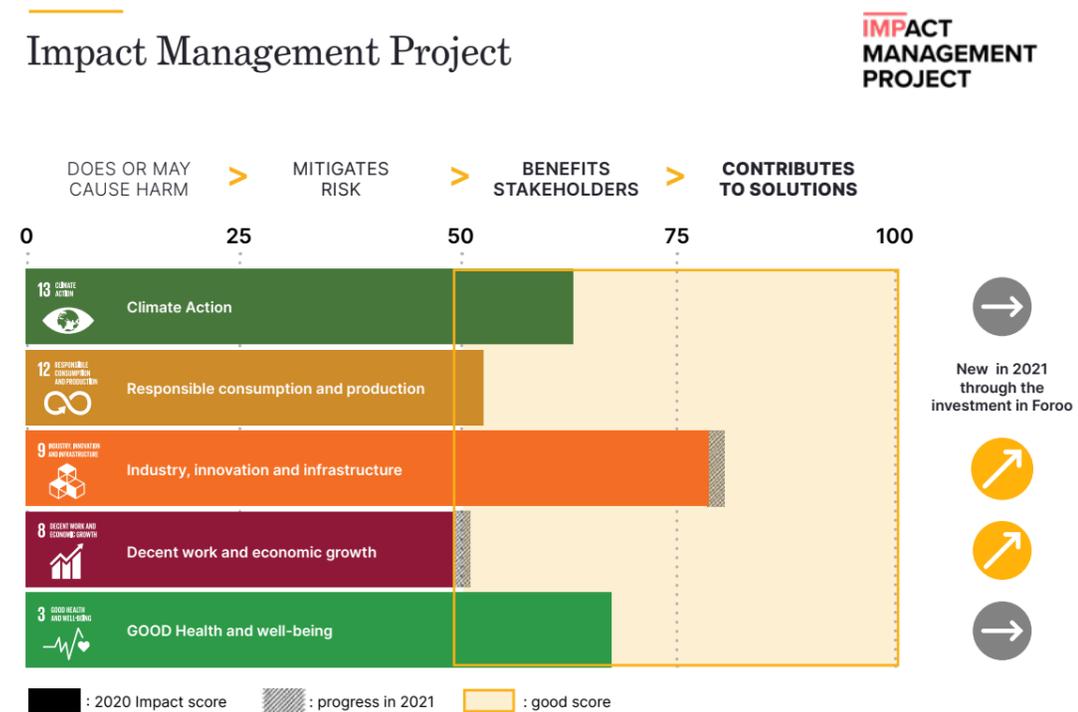
Cathay measures portfolio companies' societal impact against UN SDGs using its own measurement methodology based on the widely recognized framework developed by the Impact Measurement Project (IMP).

on a spectrum ranging from "causing harm" to "contributing to a solution", reflecting the extent of contribution towards SDGs. A score greater than 50 indicates a significant and positive impact on stakeholders.

For every new investment, Cathay assesses whether the company contributes to a specific SDG and calculates its associated impact score at acquisition and every year following. Based on total impact score (out of 100) and in line with the IMP methodology, the company is positioned

See Appendix B for more information on Cathay's impact measurement methodology and tool.

The graph below provides an overview of the aggregate impact of portfolio companies\* on 5 SDGs. Of note, the portfolio's impact is already largely positive today and should continue to increase as companies scale



\*The aggregate impact corresponds to the average of Cathay Innovation Fund II portfolio companies' impact score on a specific SDG.

In 2021, Cathay Innovation made four new investments out of Fund II (Resilience, Yuanbao, Bouffalo Labs) while portfolio companies experienced sustained growth, expanding impact and contributions to key SDGs.

Please refer to the Portfolio Impact Section (pg 18), for more details including short descriptions of companies, key impact metrics and year-on-year progress.

# Sustainability at Cathay Innovation

## The Vision

### Driving Change Through Technology

As investors, our goal is to back tomorrow's greatest companies that think globally, operate responsibly and innovate with purpose. Cathay Innovation can make a difference by helping entrepreneurs build and grow resilient businesses that will lead the markets of the future while contributing to the transition to a more sustainable and inclusive economy. Through our global venture capital platform, we're unifying the technology investment landscape to effectively identify, support and scale startups everywhere out to transform industries and society for the better.

## Values

PURPOSE | PRINCIPLES | PEOPLE



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



**Add value, be useful**  
We exist to be useful to our stakeholders and partners in achieving their goals.



**Do what you say**  
Sincerity, transparency, and trust is at the core of how we operate.



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



**One team for one world**  
A global company's biggest strength is diversity in cultures, backgrounds, perspectives, and knowledge.

# Ambitions & Commitments

Compliance is the baseline, not the goal. We believe in delivering value with values and aim to be a useful global actor across operations:

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



DIVERSITY IN ALL FORMS



ETHICAL CONDUCT



REDUCE 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 in every portfolio company.**

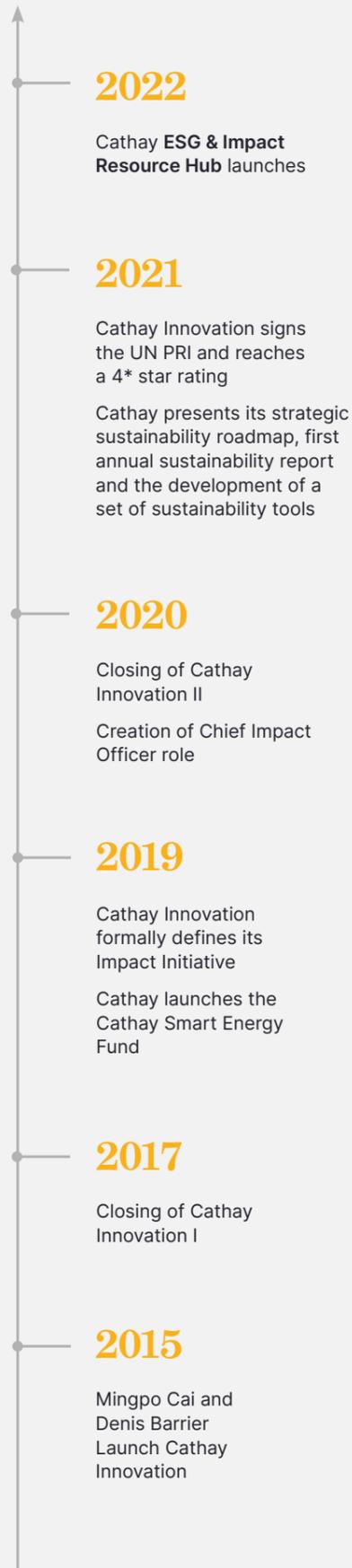


We are committed to being a responsible investor. As such, we signed the United Nations Principles for Responsible Investment (UN PRI), committing to monitor and report on ESG. We align our sustainability framework with UN Sustainable Development Goals to measure our impact against global challenges.



We are 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 Right systematically in our pre-investment due diligence approach.

**3.** As an ecosystem partner, we **provide set-enabled solutions**, available to all, that any company can implement to drive the transition forward with us.



## The Journey

Since 2019, we've been refining our impact initiative to better define and measure the economic and social impact of portfolio companies and their ability to foster sustainable development.

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.

In 2021, we launched the Cathay ESG & Impact Resource Hub, an online platform sharing informational content, best practices and templates with portfolio companies.

The Resource Hub is a practical toolbox to help companies easily and rapidly implement new ESG policies and initiatives., covering a broad range of topics e.g., climate change, diversity and inclusion and governance.

Cathay's ESG and 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      |

See Appendix A for more information on the Resource Hub

## Governance

Cathay Innovation's sustainability governance is integrated at every level of the investment team. We've created an executive-level sustainability position, Cathay Capital's Chief Impact Officer, whose first mandate was steering a structural and strategic process to define a broader sustainability vision, roadmap, investment procedure and tools for Cathay Capital Private Equity and Cathay Innovation. This large-scale process, with support from external experts and advisors, involved all of Cathay's management.

At Cathay, **each frontline investor** embeds sustainability into daily work from sourcing deals to participating in board meetings. Our **sustainability ambassadors** are key reference points for colleagues in the deployment of the procedure for deals and annual portfolio performance assessments.



# The Investment Process

Sustainability is integrated into **every step of the investment cycle** to help companies **maximize impact as they grow**. Cathay Innovation has developed a revised investment procedure, embedding ESG and Impact in processes that have been systematically rolled out with the launch of Cathay Innovation III in

July 2022. Companies gain considerable value from these initiatives, such as the in-depth ESG due diligence which allows us to provide an overview and a clear roadmap to address key risks and opportunities in the short to long-term for each business.



Please refer to Appendix D for more information on the various tools Cathay Innovation deploys to manage ESG and impact.

# Partnering with Startups

We partner with **visionary and mission-driven entrepreneurs** who can lead and positively impact their domains through technology. Our sustainable investment framework assesses the alignment of each component of a **company's business model** with our **sustainability**

**ambitions** to inform the **decision-making process** during the pre-investment phase. It also allows us to offer **tailored support to companies** throughout their sustainability journey. The framework is holistic and **addresses ESG, climate and impact** across the value chain.

|        | What is assessed, concretely?   | Associated sustainability themes   |
|--------|---|--|
| IMPACT | <b>VALUE PROPOSITION</b><br>Impact of company products and/or services? Value it creates for society? Does it address objectively defined societal needs?   | <ul style="list-style-type: none"> <li>• Societal need addressed</li> <li>• Contribution to SDG target(s)(1), including, when relevant, contribution to a low-carbon economy transition</li> <li>• Relative company impact performance(2)</li> </ul>       |
|        | <b>BENEFICIARIES</b><br>Which stakeholders benefit from company products and services? How underserved are they? What impact are these products and/or services on them?  |  |
| ESG    | <b>FUNDAMENTALS</b><br>In a rapid growth context, what practices and measures are in place to ensure that the company is built upon solid ethical grounds, which in turn inform transparent decision-making?    | <ul style="list-style-type: none"> <li>• Vision and governance</li> <li>• Business and data ethics</li> </ul>  |
|        | <b>HUMAN RESOURCES</b><br>How are key, strategic human resources issues addressed and managed by the company?   | <ul style="list-style-type: none"> <li>• Talent attraction, retention, and development</li> <li>• Diversity, equity, and inclusion</li> </ul>  |
|        | <b>KEY BUSINESS PARTNERS</b><br>What is the company buying or outsourcing and what is the impact of this supply chain? Which business partners is the company working with?                                     | <ul style="list-style-type: none"> <li>• Environmental &amp; social impact of supply chain</li> <li>• Supply chain management</li> <li>• Human rights</li> <li>• Climate risks and opportunities</li> </ul>  |
|        | <b>KEY ACTIVITIES</b><br>What activities is the company handling directly? How can it limit or offset potential adverse environmental impact of its activities? How is the company engaging with its community? | <ul style="list-style-type: none"> <li>• Operational eco-efficiency</li> <li>• Circular economy and eco-conception</li> <li>• Carbon footprint</li> <li>• Climate risks and opportunities</li> <li>• Community relations and thought leadership</li> </ul> |

CLIMATE

# Portfolio Impact



# Tech x Impact: Innovation for Good

The positive impact of portfolio companies is largely due to the areas in which they operate. Cathay Innovation has identified six impactful investment themes – detailed below – all key to the development of a sustainable and inclusive economy. By investing in these sectors, Cathay aims to give companies the means to reshape and improve crucial dimensions of the economy and society.

The following section offers an overview of the impactful startups Cathay Innovation Fund II supports. In 2021, portfolio companies experienced sustained growth, allowing them to further expand their impact and contribution towards key UN SDGs.

## THE FUTURE OF FINTECH

We strive to **financially empower individuals and businesses** by supporting companies that **make an array of financial products more accessible and affordable from credit to helping organisations weather the financial impact of climate change.**



Cathay Portfolio Companies:



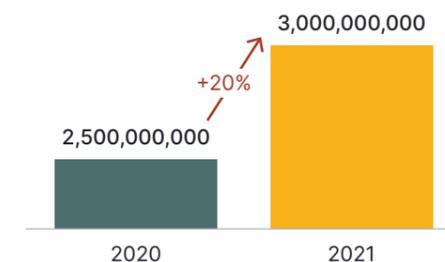
Beneficiaries: SMBs

Unlocking the potential of SMBs by transforming how B2B funding flows

AI-powered financial platform powering SMBs with its B2B payments and credit network.

### The Impact

Total working capital unlocked for SMBs in (\$)



DESCARTES

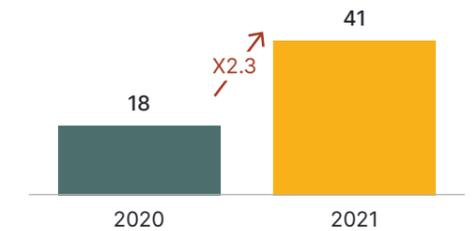
Beneficiaries: Global environment, governments, businesses

### Tech-driven insurance for a more resilient world

Innovative, bespoke and affordable parametric insurance to build resilience against climate and other emerging risks.

### The Impact

Total number of public and private sector clients insured



## In-depth focus



finAccel

Beneficiaries: Individuals

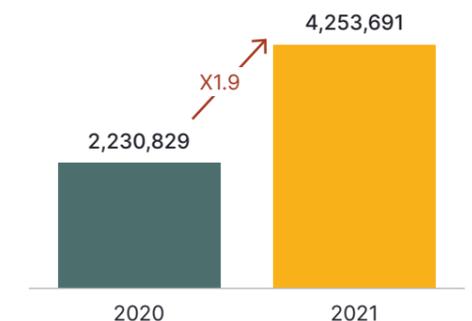
### Faster, cheaper & more accessible financial services for Southeast Asia's underbanked population

The leading AI-enabled consumer credit platform in Southeast Asia granting instant credit financing for ecommerce purchases and personal loans. FinAccel combines three separate businesses: connections to the banks, credit scoring infrastructure and a real-time transaction engine — leveraging deep data analytics to help consumers build credit scores.

### The Impact

By providing users with instant point-of-sale financing and personal loans, FinAccel makes credit accessible to a growing number of individuals across Southeast Asia...

Number of FinAccel customers accessing credit



### The Problem

Formal financial services are failing to meet the needs of many... The global underbanked population is over 4B people ...particularly in emerging markets like Southeast Asia...

Indonesia is one of the most valuable markets in SEA's digital finance market, yet half of the country — or 130M people — do not use a traditional bank account to access financial services and only 9.8% have access to credit (lowest in the region).

...with a **96.4%** repayment rate

## THE FUTURE OF HEALTHCARE

We strive to increase access to high-quality healthcare by supporting companies that operate along the entire value chain from accelerating research or extending coverage to supporting efficient monitoring and treatment of chronic illnesses.

Cathay Portfolio Companies:



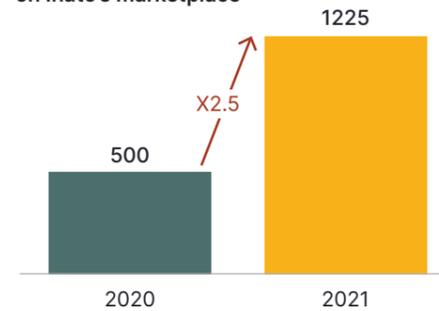
**Beneficiaries:**  
Hospitals/  
Pharmaceutical  
companies

**AI-accelerated clinical trials getting new therapies to patients faster and at lower costs**

Helping biopharmas increase the pool of patients in clinical trials by discovering untapped research potential.

### The Impact

Number of research sites on Inato's marketplace\*



\*increasing the number of patients able to access clinical trials

**16** clinical trials since the company's creation



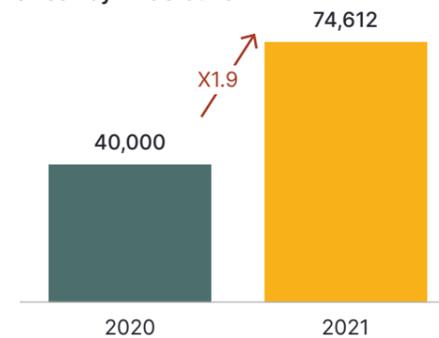
**Beneficiaries:**  
Patients

**Revolutionizing diabetes care with microbiome precision nutrition**

The first evidence-based, actionable, microbiome platform in the market for diet-related chronic illnesses. It is the only precision nutrition solution that tackles the root cause of diabetes, an epidemic affecting **420M** people worldwide.

### The Impact

Number of diabetic therapy units booked since Day Two's launch



### Patient Benefits

**0.91%** clinical trials since the company's creation

**11 lbs** weight loss, within 3 months

**74%** time-in-range\*\*

\*A1C reduction within 6 months \*\*Amount of time spent in the target blood sugar range



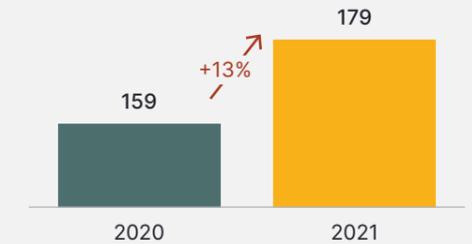
**Beneficiaries:**  
Hospitals/  
Pharmaceutical  
companies

**Transforming health records into big data to accelerate health science**

Grants providers the power to unlock clinical value trapped in electronic health records with maximum privacy and security.

### The Impact

Number of hospitals in Savanna's ecosystem



Enabling **12** research projects since company's creation



**Beneficiaries:**  
Patients

**Inclusive, affordable insurance**

Empowers consumers to shop around for the care they need and can afford with price transparency, choice and customization through a mobile app and debit card.

### The Impact

**Sidecar Health allows individuals to significantly cut healthcare spending with:**

**40%** savings for beneficiaries



**Beneficiaries:**  
Patients

**New Investment**

**Connecting patients to cost-effective, inclusive health insurance products and services**

Powered by big data and AI, Yuanbao Insurance matches users to the most suitable health coverage program at the best price possible.

### The Impact

Yuanbao already reaches

**20m+** patients

## In-depth focus



Beneficiaries:  
Patients

New Investment

### Remote patient monitoring platform to better support cancer patients

Enabling doctors and nurses to remotely monitor patients, follow-up on treatment and identify at-risk cases. Resilience offers patients a direct line of contact with their medical team along with educational content and a support network to better understand symptoms and connect with others with similar experiences. This comprehensive solution improves the health outcomes and quality of life of cancer patients.

### The Problem

The healthcare system is overwhelmed... 67k oncologists worldwide care for 18m new cancer patients every year (with huge disparities worldwide) \*

... impacting the quality of care.. On average, patients see their oncologists 7min every 6 months, leading some to stop chemotherapy treatment\*\*

...and it's getting worse... 52% expected increase in new cancer cases worldwide between 2020 and 2040\*\*\*

### The Impact

Remote Patient Monitoring (RPM) solutions like Resilience can lead to a significant improvement in patients' health outcomes.

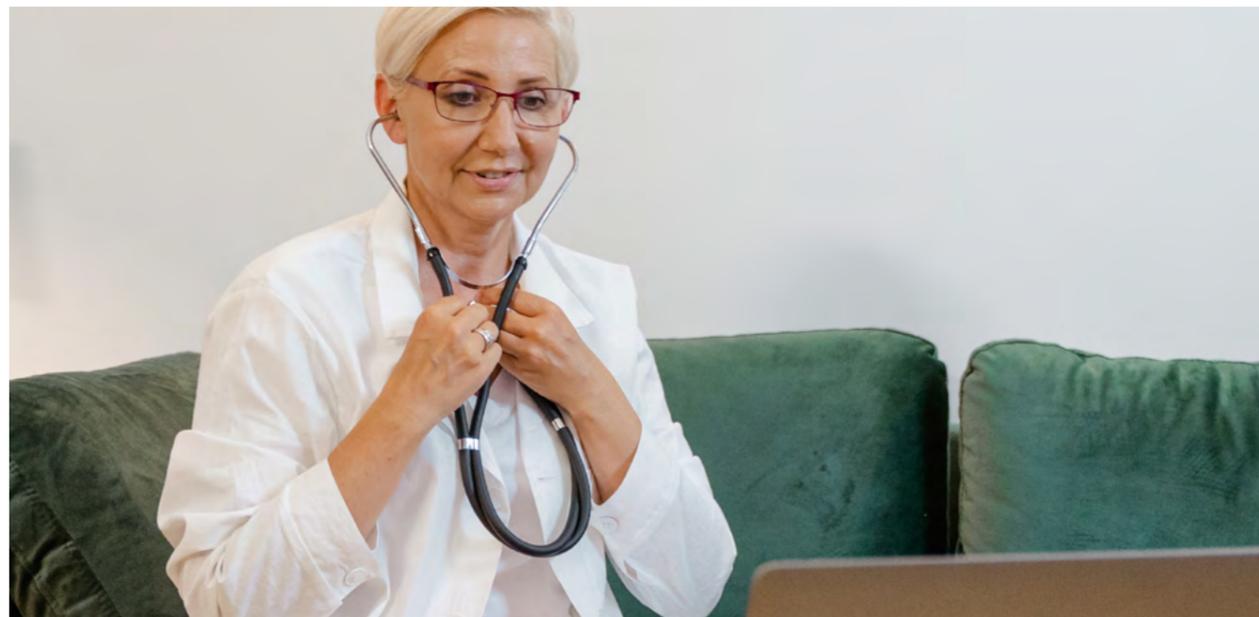
**+5%**  
treatment adherence\*\*\*\*

**-10%**  
occurrence of grade > 2 toxicities

**-2.6 days**  
of hospitalizations per patient per year\*\*\*\*

**+6 months**  
overall survival for patients\*\*\*\*

\*IQVIA (OneKey) survey  
\*\*Information provided by Resilience  
\*\*\*American Cancer Society, World Health Organisation  
\*\*\*\*based on three randomised clinical trials studying the effects of RPM



## THE FUTURE OF MOBILITY & LOGISTICS



We strive to accelerate the transition to a more sustainable transport system by investing in companies supporting the decarbonisation of the sector.

Cathay Portfolio Companies:



## In-depth focus



Beneficiaries:  
Global environment

### EV charging infrastructure reducing the world's dependence on fossil fuels

Wallbox designs and manufactures smart chargers for electric vehicles (EVs) to be installed in homes, businesses and cities. It also offers a cloud platform, "My Wallbox," allowing users to view data in real-time, control and optimize charging and consumption when energy is cleanest, most affordable and fastest. Wallbox is building the integrated ecosystem and infrastructure needed to fuel the EV boom and shift to sustainable mobility.

### The Problem

While the EV market is taking off... Global passenger plug-in electric car sales increased in March 2021 by 173% year-over-year to over 531K with some estimating that 35-50% of all vehicles will be electric by the end of the decade.

Driving the market are economic and climate factors as well as consumer preferences for vehicles that use less fossil fuels and reduce greenhouse gas emissions.

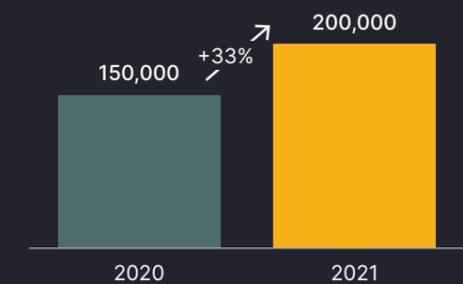
Yet, the EV adoption curve has been hampered by challenges...

- Lack of charging stations
- Dysfunctional chargers (1 out of 2 public chargers in Paris don't work!)
- Time commitment - it can take 30 minutes to an hour to complete a full charge
- Costs

### The Impact

Wallbox is installing an ever-increasing number of EV chargers...

Number of EV chargers installed



...and in doing so is lifting one of the main obstacles to EV adoption in

**95+** countries

Since inception, Wallbox has made possible:

**810m**

kms driven by EVs, charged using Wallbox chargers

**57.5m**

L of fuel avoided

**105k**

tons of CO2 avoided

## THE FUTURE OF WORK

We strive to support companies fostering economic development by helping entrepreneurs make their ambitions a reality and facilitating access to employment opportunities.

Cathay Portfolio Companies:



zenbusiness

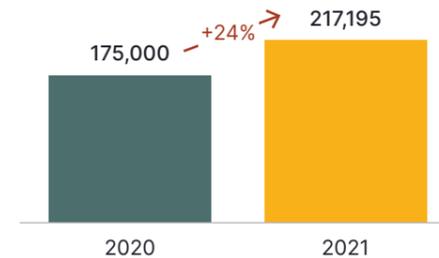
Beneficiaries: SMBs

Enabling aspiring entrepreneurs to become business owners

One-stop platform that makes starting, running and growing a business simple and accessible.

### The Impact

Number of new businesses created since ZenBusiness' launch



Terminal

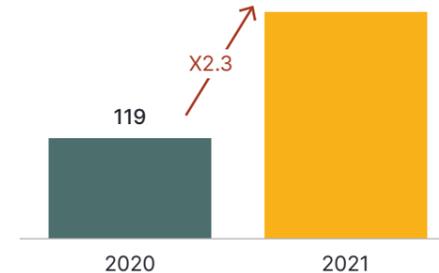
Beneficiaries: Workers

The remote teams' engine for fast-growing companies

World's first tech-enabled remote teams' engine connecting companies with top talent wherever they are.

### The Impact

Number of new engineers on Terminal's platform



**+25%**

of new joiners were based in emerging markets (Mexico, Colombia and Chile)



MEDWING

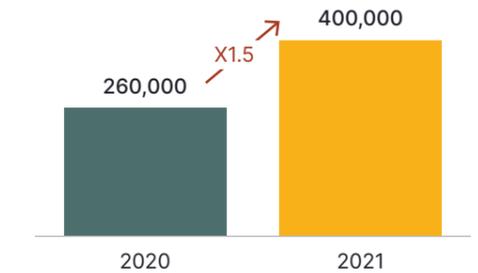
Beneficiaries: Healthcare staff

Combining tech & recruitment to solve the global healthcare talent shortage

Europe's leading job matching and career consulting tech company for healthcare professionals.

### The Impact

Number of new applications on Medwing's platform



iziwork

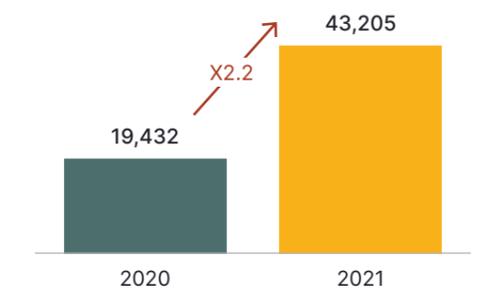
Beneficiaries: Workers

Reducing the worker shortage in France

By combining the expertise of its recruitment team and the company's algorithm, Iziwork identifies the best candidates for open positions clients need to urgently fill.

### The Impact

Staffed workers (annual basis)



## THE FUTURE OF TECH & DIGITAL

We strive to support companies building software and hardware solutions to tackle a broad range of societal challenges from reducing GHG emissions to Internet access for all.

Cathay Portfolio Companies:

KaiOS

ALLSENSE 全应



Beneficiaries:  
Individuals

New Investment

### Accelerating the transition to a smart economy

Top-class AIoT chip manufacturing company offering a single-chip solution for multiple technologies, resulting in lower costs and power consumption.

### The Impact

Only 5

Bouffalo chips are needed to cover the IoT needs of an entire house, significantly less than conventional IoT chips

Bouffalo chips are

up to 2 times

more energy-efficient than comparable products.



ALLSENSE 全应

Beneficiaries:  
Global environment

### Energy production optimization to reduce carbon emissions

Allsense offers services and products to monitor, analyse and optimize electricity production by coal-powered thermal plants in China. By using Allsense's products and services, thermoelectric energy production plants are able to make energy efficiency gains and reduce GHG emissions.

### The Problem

Coal is the world's primary source of energy despite it being by far the most carbon intensive\*. Approximately 1/3 of the global 1°C increase of surface-level temperature above pre-industrial levels is attributable to coal\*. According to the UNDP, efficiency gains could enable the global economy to achieve 40% of the emissions cuts it needs to reach its climate goals.

### The Impact

By using Allsense's solutions...

39m

tons of CO2 will be avoided by 2023

\*Global Energy & CO2 Status Report, IEA (2019)

## In-depth focus



KaiOS

Beneficiaries:  
Individuals

### Internet access for the next billion people

Develops lite operating systems powering a global ecosystem of affordable digital products and services with the mission of bringing mobile connectivity to the billions without Internet in emerging markets. KaiOS has been recognized on FastCompany's Most Innovative Companies 2020, Time's Best Inventions 2019 and Fortune's Change the World List 2018.

### The Problem

In 2016, the UN declared that access to Internet is a basic human right – yet half the world remains offline...

4B+ people have no access to internet

...partly due to the high costs of smartphones & data plans...

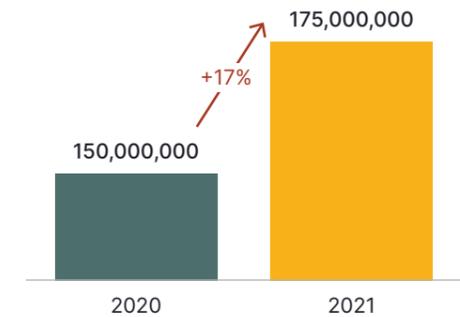
The average smartphone cost in India & Tanzania represent 16% of income for people who earn less than US \$2 per day\*

\*Accelerating Affordable Smartphone ownership in Emerging Markets Report, GSMA (2017)

### The Impact

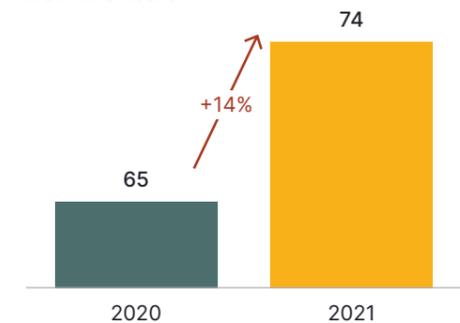
KaiOS is connecting a growing number of users to the internet...

Number of users connected to the internet



...and offering first-time users access to free positive apps on a broad range of topics including agriculture, health or education.

Number of free positive apps for internet first-time users



## THE FUTURE OF CONSUMER & RETAIL

We strive to support companies looking to transform the consumer experience and accelerate the shift to a more sustainable consumption model such as diverting e-commerce surplus stock from landfill.

Cathay Portfolio Companies:



Beneficiaries:  
Individuals

New Investment

### Giving a second life to overstocked inventories to reduce waste

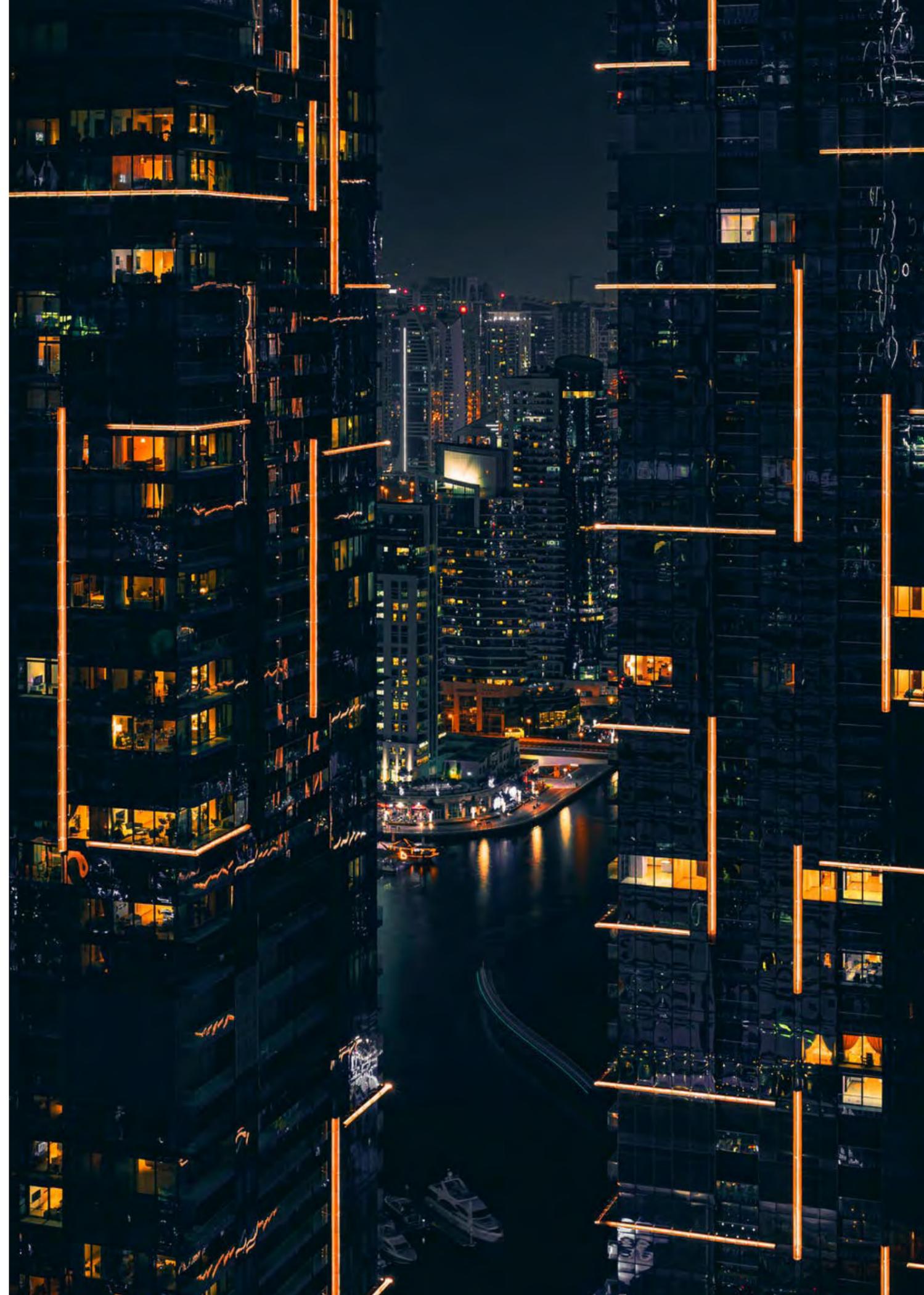
Online platform selling overstocked e-commerce furniture that would have been landfill or incinerated. Foroo not only gives a second life to products, but lowers price barriers to reach a broader consumer base.

### The Impact

In 2021,

**162,361**

products were given a new life via Foroo.



# ESG in Practice



# Sustainability Governance: Portfolio Companies

## Solid governance supports growth & protects vision

The first step in a startup's sustainability journey is to implement a **robust and adapted governance** structure to ensure **long-term resilience and growth**. As such, we support the adoption of **dual governance structures**, with either a supervisory board or advisory board, to support the executive committee.

Percentage of portfolio companies in Innovation Fund II



A governance system for sustainability issues is vital to ensure the achievement of impact goals, as well as appropriately implementing and managing ESG policies, procedures and initiatives.



## Best practices: Governance for startups

A strong, well-functioning board adds value to early stage companies by challenging founders, fostering key partnerships and steering long-term resilience and growth.

We recommend the following 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.

# Data Protection & Ethics: Portfolio Companies

As a technology investor, the protection of data is of the utmost importance as it is for the startups we partner with. Over the past year, there were no data security breaches among portfolio companies.

This is the result of solid governance, where 85% of companies have designated responsibility for data protection and implemented data security policies. Similarly, the vast majority have formalised an information systems security policy, with some going as far as defining a data science ethics checklist to guide decision-making. This is a very high percentage given the early-stage nature of our portfolio.

Percentage of portfolio companies in Innovation Fund II



## Best practices: Challenging data ethics

Beyond data protection, **data ethics**, which applies to the way data is collected and used, is a growing theme of public scrutiny and interest for tech companies. A first step in ensuring that ethical practices are in place is using a data ethics checklist to identify potential red flags in the way data is handled. A data ethics checklist should cover the following topics:

- 
**DATA COLLECTION**  
 Informed consent, collection bias, actions taken to limit personally identifiable information, downstream bias mitigation.
- 
**ANALYSIS OF DATA**  
 Missing perspectives, bias, honest representation, privacy.
- 
**MODELING**  
 Non-discrimination through proxy, fairness across groups, metric selection, explainability.
- 
**DATA STORAGE**  
 Data security, right to be forgotten, data retention.
- 
**DEPLOYMENT**  
 Prevent harm to users, concept drift, unintended use.

# Diversity & Inclusion

## D&I | Portfolio Companies

In 2021, portfolio companies improved performance on key gender metrics e.g., average share of women sitting on the executive committee reaching 27%, up from 21% the year prior and above the 24% industry average. Similarly, the share of managerial positions held by women rose from 28% in 2020 to 36% in 2021. These improvements are partly due to the deployment of various initiatives e.g.,

18 portfolio companies focused on fostering the development of a more inclusive culture and leadership and 10 companies analysed gender barriers to entry. Similarly, about one third of companies offered training on gender diversity to raise awareness and equip employees with practical tools to address related issues.

Percentage of portfolio companies in Innovation Fund II

**83%**

of portfolio have at least one woman on executive committee

**27%**

of women on executive committee

**27%**

of managerial roles are held by women

## D&I | Cathay Innovation

Spanning the U.S., Europe, Latin America, Africa and Asia, we are **one global team of diverse people from various backgrounds and experiences**. At **Cathay Innovation**, we count **more than 10 different nationalities** on our team. As a signatory of **France Invest's gender diversity charter**, we promote gender equality and are committed to reach 25% of women in our Investment Committee by 2030, 30% by 2035 and 40% in our investment teams by 2035. While our current metrics and commitments are on par with the industry status quo, we **recognize that it's not enough and strive to beat these thresholds by 2030**.

**41%**

of women among employees

**20%**

of women among managers

**18%**

of women among investment team

Additionally, we've signed the **Sista pledge** to promote diversity in tech at two complementary levels: (i) within portfolio companies and (ii) within Cathay Innovation. As a signatory, we committed to **measure gender metrics in our investments** and to **adopt inclusive practices in recruitment**

**and investment processes**. Cathay Innovation also hosts **Sista Inclusive Hours**, dedicated to female entrepreneurs, and are part of the **Sista x future VC program** that offers internships to underrepresented groups in venture capital.

# Talent Attraction & Retention

## Talent | Portfolio Companies

Cathay portfolio companies strive to create the best working conditions for their employees. Our startups recognize the necessity of establishing a robust human resources management framework as well as levers to grow talent while ensuring sustainability and continued success.

Percentage of portfolio companies in Innovation Fund II

**65%**

of portfolio employees trained over the year

**86%**

have a value sharing mechanism for employees beyond management.

## Talent | Cathay Innovation

Being **attentive to employee development needs** is a priority to reach the level of global excellence and leadership we strive for. A trusting relationship is fundamental and is deeply embedded in our values and belief in a **collaborative ecosystem**. At Cathay, we offer challenging and exciting work opportunities to employees, including

our most junior collaborators, to support professional and personal growth. As part of the AlumnEye x ESSEC 2022 study, Cathay Capital was recognized as one of the funds where interns benefit from the best exposure (staffed on major deals, participated in management presentations, bank pitches, etc.).

## 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**



Provide **challenging and exciting work opportunities**



**Open communication** between employees and management



Offer **competitive compensation, benefits, and incentives**



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



**Recognize work done** through feedback and incentives

# Well-being

## Well-being | Portfolio Companies

Conscious that full flexibility and asynchronous workflow are inherent to startups, we work closely with companies to **ensure a healthy and sustainable workplace**. Portfolio companies implement a broad range of initiatives to ensure that employees can **thrive professionally while maintaining a healthy work life balance**. For instance, nearly all portfolio companies offer flexible working hours, close to a quarter subsidize mental health support and a third **subsidize development courses** for employees.

Percentage of portfolio companies in Innovation Fund II

93%

Organised team building activities.

66%

Offer soft skills/management training

48%

Offer individual development plans

## Well-being | Cathay Innovation

The COVID-19 pandemic placed a greater emphasis on the importance of **ensuring employee well-being**. Remote work is now completely integrated in our processes and we offer **soft skill trainings** for employees to obtain full satisfaction from their experience at Cathay Innovation. Moreover, the various initiatives related to human resources management mentioned above also contribute to fostering well-being at work.



# Climate Action

## Climate | Portfolio Companies

We're mindful of the digital carbon footprint of the tech sector, representing 1.4% of total greenhouse gas emissions, and work closely with companies to reduce GHG emissions. Through continuous exchanges with top management, we encourage portfolio companies to implement environmental initiatives coherent with their activities and value proposition with many already adopting a range of measures including travel policies or Green IT principles. In 2021, 89% of companies had implemented initiatives to reduce GHG emissions and/or the GHG emissions linked to their products or services. This is particularly noteworthy given the early-stage nature of the companies we invest in.

Percentage of portfolio companies in Innovation Fund II

**33%**

Monitor plane travel and have set reduction objectives

**29%**

Design eco-energetical products or services

**17%**

Use Green Cloud

Cathay Innovation encourages portfolio companies, for which it is material, to assess GHG emissions and identify relevant reduction levers they could activate (see below examples).

## Best practices: climate action for tech startups

Early-stage 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, centers, etc.)



**Source renewable energy** for offices



**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



**Promote remote working** to limit daily commute



**Raise awareness** among employees



**Use sustainable web hosting services** (Green Cloud)



**Identify solutions with suppliers** to reach climate action ambitions

Cathay has set an ambitious goal: by 2022, 100% of portfolio companies for which it is material will have conducted a full carbon footprint assessment and by 2025, 100% of relevant portfolio companies will have deployed a GHG emissions reduction action plan.

## Climate | Cathay Innovation

Given its activity as an investment fund and its sectoral focus on technology start-ups, Cathay Innovation Fund II has not yet carried out a diagnosis of its carbon footprint as the issue represents limited materiality for the entity and its investments.

**At Cathay Innovation, we however contribute to fighting climate change in two powerful ways:**

**1. We engage with portfolio companies to encourage the implementation of environmental initiatives that decrease GHG emissions.**

**2. We invest in companies accelerating the transition to a low carbon economy:**



Helps coal-powered thermal plants in China realise efficiency gains and drive down GHG emissions (see page 28).



Develops EV infrastructure necessary to push forward low-carbon mobility solutions (see page 25).

Climate change is expected to have a deep impact on our global economy. Some businesses will be exposed to greater physical risks (e.g., rising temperatures, floods, droughts, etc.) while others face transition risks (e.g., increased operating costs, reduced demand due to shifts in consumer preferences, etc.). Decarbonisation also creates new opportunities (e.g., increased capital availability, increased revenue for low emissions products / services, etc.).

Believing these factors will have an impact on valuation in the medium and long-term, we assess portfolio companies against climate-related risks and opportunities. Conducting this type of assessment allows Cathay to identify companies that are equipped to thrive in tomorrow's world and/or are leveraging these deep-seated changes.

To assess climate-related risks and opportunities, we developed our own climate screening tool based on recommendations from the Task Force of Climate-related Financial Disclosures, the SASB's Climate Risk Technical Bulletin and 2019 Carbon Disclosure Project on "Major risk or rosy opportunity" report.

For each company, we systematically review and evaluate the following set of risks and opportunities:



### Physical Risks

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



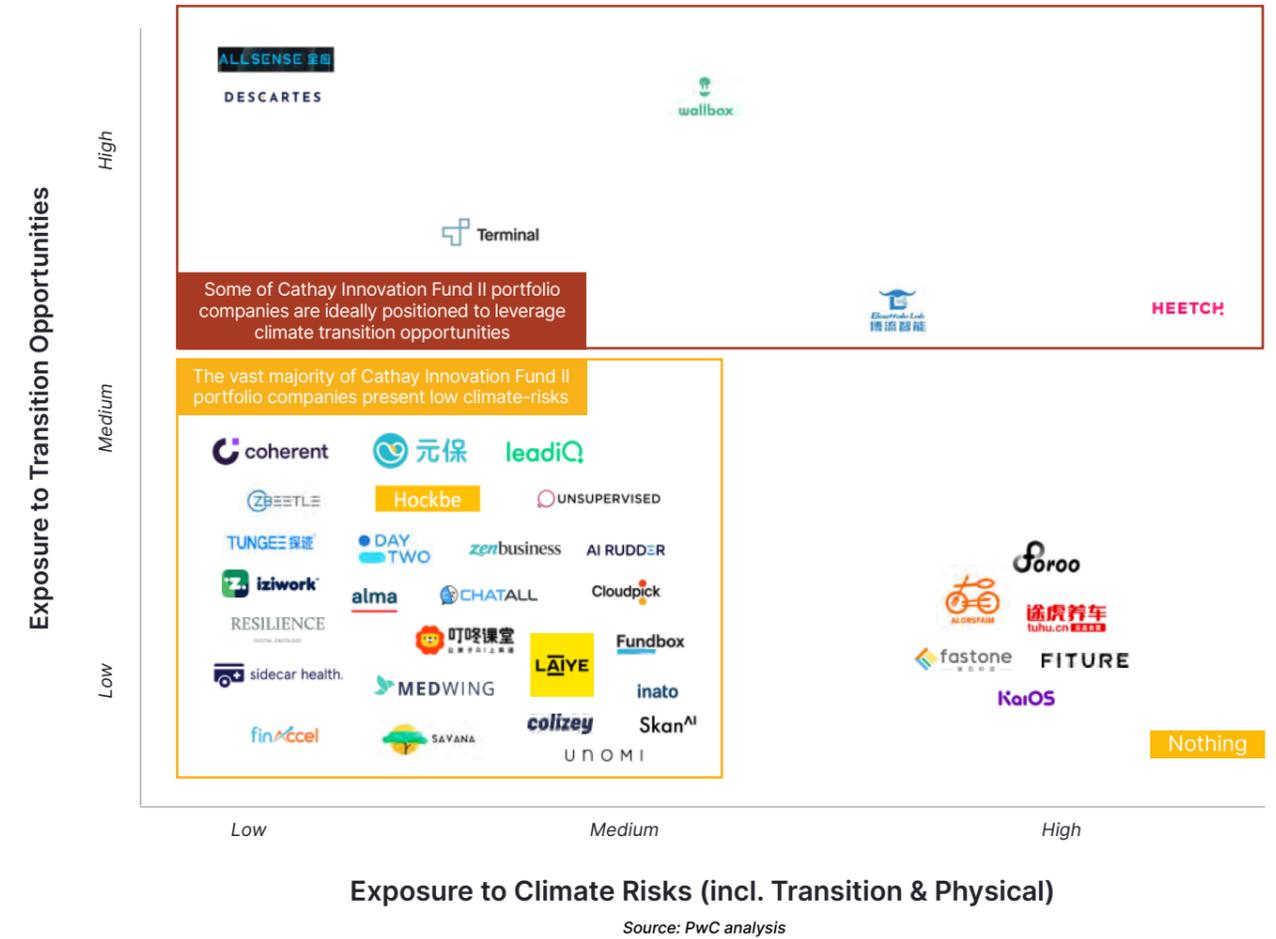
### Transitions Risks

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



### Transition opportunities

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



Most businesses we support have **limited exposure to physical and transition risks (95% show a low or medium material risk)** due to scale and the sector in which they operate. However, Cathay still encourages companies to swiftly address climate change and adapt supply chain, offerings, value propositions or operations accordingly.

### Highlights

#### colizey

Online Marketplace

- **Low climate risk**
- **Adapted value prop by expanding offering to eco-designed shoes** with lower environmental footprint.

#### HEETCH

Ride Hailing Platform

- **Exposed to transition risks** due to nature of activity;
- **Ideally positioned to seize new opportunities** (e.g. fleet electrification) that would **reduce costs and attract new clients**

#### NOTHING

Consumer Tech (phones; earphones)

- **Exposed to climate risks** due to dependence on energy / semiconductors to manufacture products
- Given company's relatively small-scale, **impact on activities should be limited**

## Biodiversity Action

### Biodiversity | Portfolio Companies

For most portfolio companies, **biodiversity is not a material issue** given the sector in which they operate and their relatively small scale. Nevertheless, conscious of the fundamental role biodiversity plays in our everyday lives and of the strong dependence of the business world on nature and its services, we strive to raise awareness and support management teams in understanding their impact. Among Cathay Innovation Fund II portfolio companies, biodiversity has been identified as material for two entities which, as a result, have embarked on the process to assess and manage impact and develop a dedicated action plan.

### Biodiversity | Cathay Innovation

Given its activity as an investment fund and sector focus on technology startups, Cathay Innovation impact on biodiversity remains limited. Biodiversity issues are however integrated into each step of the investment process:

- At the acquisition stage with an exclusion list, which prevents the fund from investing in activities involved in the destruction of critical habitat or any forest project under which no sustainable development and managing plan is carried out (see Appendix X for more details about the exclusion list),
- ESG due diligence includes a materiality impact assessment covering biodiversity risks with actions implemented if risks are identified. No significant biodiversity risk has been identified among portfolio companies to date,
- The fund applies a no-go policy when risks linked to biodiversity issues are considered too high.

## Community Engagement

### Community | Portfolio Companies

The startups we work with are engaged in societal actions through **community involvement**.

Percentage of portfolio companies in Innovation Fund II

# 46%

Involved in community projects (local positive impact projects, employee time allocation, financial donation)

### Community | Cathay Innovation

Since 2011, the Cathay Capital Foundation has sponsored initiatives which deepen and broaden mutual understanding between Western and Chinese cultures. It sponsors **cultural events, education programs and the translation of works from thought leaders and researchers** in French and Chinese. The Foundation seeks to become a **vector of exchange** between the two great economic and cultural powers of Europe and China while building a network founded on knowledge-sharing and a spirit of good-will between continents across the Cathay ecosystem.

Cathay Innovation also supports local community projects through its commercial partnership with sustainable coffee provider Café Brâam along with a forest protection project in Portel Brazil in 2021. On top of fostering the economic and social development of local communities, this type of project contributes to the preservation of crucial carbon sinks.



# Conclusion: Sustainability is a Journey

Last year, we set out to evolve our position as a global actor by focusing on:

- How we operate as a company: providing teams with a set of flexible, adapted and context-fitting tools to thrive and excel in what we do.
- How we invest and act as shareholders: working towards the full integration and systematic application of Cathay's sustainable investment procedure to ensure that we create value with values
- How we partner with our ecosystem: further supporting portfolio companies, and our broader ecosystem, in making concrete progress.

## The foundation has been built, so where do we go from here?

Cathay Innovation Fund III, our recently launched €1B+ fund tagged as article 8 under the SFDR taxonomy, will pave the way to a genuinely purpose-driven fund in line with Cathay's DNA. While we'll continue to improve our investment procedure in this direction, the goals go well beyond compliance or market practice trends. Everyday, we strive to be useful for our entrepreneurs, our investors and wider ecosystem in a concrete and pragmatic way.

To that end, we'll continue to enrich Cathay's recently launched Impact & ESG Resource Hub, providing a full set of useful resources for companies looking to improve their environmental footprint, social practices or governance framework as the latest example of how we're putting sustainability into action.

We'll continue to share our progress.



## Recognitions

In order to build and refine our methodologies, along with the compilation of this report, we are thankful for the guidance, collaboration and recognized industry expertise from the leading organisations PwC and Sirsa.



### *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:

<https://www.pwc.fr/fr/vos-enjeux/conseil-en-developpement-durable.html>



### *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)

# Appendices



## Appendix A: Cathay Innovation’s Resource Hub

In 2021, Cathay Innovation launched the Cathay ESG & Impact Resource Hub, an **online platform** aimed at **sharing informational content and best practices** with portfolio companies. The Resource Hub was designed as a **practical toolbox** to help companies easily and rapidly implement new ESG policies and initiatives. For instance, assets wanting to adopt a Sustainable Procurement Policy can find a checklist of what to include and examples of such policy on the online platform.

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

The Resource Hub is also **available to employees** to further support upskilling and ensure that every frontline investor develops a good understanding of ESG and impact.

### Overview of the content available in the 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  |

## Appendix B: Framework

We’ve developed internal tools to measure companies’ impact and exposure to climate physical and transition risks. To develop these tools, we relied on widely recognised standards and frameworks to guarantee robustness.

### Impact Management Project

To develop our impact measurement approach, we leveraged the framework developed by the Impact Management Project (IMP). The IMP is an international organisation which brings together a range of different stakeholders to build a global consensus on how to measure and report impact on people and the environment.

According to the IMP, there are five complementary dimensions that help understand and measure impact:

- WHAT** – Which is the main SDG the company contributes to? What is the company’s performance on associated metrics?
- WHO** – Who is experiencing the outcome? How underserved are stakeholders?
- HOW MUCH** – How positive (or negative) is the company’s contribution? How many beneficiaries does it reach?
- CONTRIBUTION**- How efficiently is the company addressing the SDG target compared to alternative solutions?
- RISK** – Are there potential positive or negative unexpected impacts?

Based on this framework, we developed our own impact measurement approach (see details in Appendix D) allowing us to obtain an overall impact score out of 100 for each portfolio company. Companies are then positioned on the IMP’s spectrum ranging from “causing harm” to “contributing to a solution”, reflecting the extent to which the company contributes to the attainment of the SDGs defined by the UN.

### TCFD / CDP / SASB

Cathay Innovation developed its climate screening methodology based on guidelines from:



- the **Task Force on Climate-related Financial Disclosures (TCFD)** which developed recommendations on the types of information that companies should disclose to help investors appropriately assess and price climate risks,
- the **Sustainability Accounting Standards Board (SASB)’s Climate Risk Technical Bulletin** which provides an overview of climate risks and opportunities per sector and,
- the 2019 **Carbon Disclosure Project (CDP) “Major risk or rosy opportunity” report** which also describes the climate risks and opportunities faced by companies based, among other things, on the industry in which they operate.

## Appendix C: 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 Organization (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
- Vaporizers 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 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;
- 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.

## Appendix D: Scoring & Screening Tools

### Cathay's ESG Scoring Tool at a Glance

#### Objectives

- Assessment of the **Company overall ESG maturity**
- Provide a follow-up actions to be implemented by Cathay Innovation to track the ESG performances of the company (ex: deep dive review, ESG roadmap, etc.)

#### Methodology

- The assessment of the Company is based on answers to questions on the topics of **Governance & ethics, Human Resources, Climate & Environment impact, External stakeholders** (all included in the Reporting questionnaire)

#### Inputs

- Responses on **22 questions** from the **Reporting questionnaire**

#### Outputs

- For each company, the tool calculates a **rating: at risk, starting up (potentially unaddressed ESG risks), formalised approach, leadership**

### Cathy's Impact Scoring Tool at a Glance

#### Objectives

- Identity which companies **positively contribute to the achievement to an SDG target** through their value proposition
- Assess the **extent of contribution & compare** companies across the portfolio
- Issue **recommendations to maximize impacts** (due diligence)

#### Methodology

- The assessment is based on the 5 IMP dimensions: what, who, how much, contribution, risks. Each dimension is scored using a set of qualitative data

#### Inputs

- **Quantitative KPIs** tailored to each SDGs target, Company (collected through the quarterly impact questionnaire) and country context (database update required annually)
- **Qualitative assessment** (by external experts, during due diligence, and deal teams)

#### Outputs

- For each Company, an **Impact score is calculated on a scale from -100 to 100**
- The tools gives an **overview of Cathay Innovation postfolio companies' impact**

### Cathay's Climate Screening Tool

#### Objectives

- Assess the Company **climate-related risks and opportunities on 9 major climate-related financial risks and opportunities** to propose a tailored approach to climate change issues
- Assessment of the **relevance of performing a carbon footprint for the Company** based on the type of products/services provided, whether physical products are put on the market by the Company and potential avoided emissions

#### Methodology

- The approach analyses the materiality of drivers for potential financial impact on costs, revenues and assets/capital identified by the CDP for each Company based on **SASB's Climate Risk Technical Bulletin** and climate indexes
- It is also aligned with the **IC international climate assessment**

#### Inputs

- **Quantitative KPIs** tailored to each SDGs target, Company (collected through the quarterly impact questionnaire) and country context (database update required annually)
- **Qualitative assessment** (by external experts, during due diligence, and deal teams)

#### Outputs

- **Materiality assessment** for transition opportunities, transition risks and physical risks for each Company
- **Level of materiality of a carbon footprint and avoided emissions** for the Company
- **Recommendations tailored to each Company** (ex: climate deep dive, climate action plan)

## Appendix E: Sustainable Finance Regulation & Standards | Cathay Innovation's Response

| 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 <b>transparency in the financial sector</b> and combat greenwashing.</p> <p>To do so, the SFDR creates <b>classification</b> to evaluate the <b>sustainability level of financial products</b>:</p> <ul style="list-style-type: none"> <li>(a) Article 9 – financial products designed to pursue a sustainable investment objective</li> <li>(b) Article 8 – financial products that promotes environmental and social characteristics</li> <li>(c) Article 6 – mainstream products that are not classified as article 9 or 8</li> </ul> <p>The regulation also demands a <b>greater level of transparency</b> at both the <b>entity</b> and the <b>product</b> level. For instance, entities must now disclose their policy on integrating <b>sustainability risks</b> into investment decisions and will have to publish a series of <b>aggregated sustainability KPIs (principal adverse impact)</b> from 2023 onwards. Similarly, at the product-level, <b>new disclosures</b> must be included as part of <b>pre-contractual</b> documents and <b>periodic reporting</b>. Disclosure obligations depend on the financial product's classification.</p> <p>The SFDR applies to <b>financial market participants, credit institutions</b>, as well as <b>investment firms providing portfolio management services</b>.</p> <p>This regulation is <b>currently being rolled out</b> and should fully come into force in 2023.</p> | <p>As of today, Cathay Innovation II 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>(1) How sustainability risks are integrated into investment decisions/investment advice.</li> <li>(2) How the fund takes into account the main negative impacts.</li> </ul> <p>Both are detailed in section xx of this report, as well as in pre-contractual documents.</p> <p>As of now, Cathay Innovation does not offer financial products categorised as article 8 or article 9. As a result, Cathay Innovation does not have to provide additional periodic reports.</p> |
| 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 <b>framework for extra-financial reporting</b> by defining the information to be published on the <b>inclusion of ESG quality</b> criteria in the investment policy and on the <b>means implemented to contribute to the energy and ecological transition</b>.</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, the Innovation Fund II is subject to all the elements required for the first report published in 2022 and relating to the financial year 2021. This report constitutes the fund's annual compliance by responding to its regulatory requirements, as detailed in the correlation table below.</p>  |

| Regulation / Framework | Short Description   | How Cathay Innovation is addressing it  |
|------------------------|---|---|
| EU Taxonomy            | <p>The EU Taxonomy provides <b>clear rules</b> about what activities can be classified as sustainable. The EU Taxonomy's overarching goal is to foster <b>greater transparency, combat greenwashing and funnel capital to sustainable activities</b>.</p> <p>The EU Taxonomy identifies activities that serve <b>six environmental objectives</b>:</p> <ul 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> </ul> <p>To be deemed 'aligned with the EU Taxonomy', activities must:</p> <ul style="list-style-type: none"> <li>(a) be listed among the <b>eligible activities</b>,</li> <li>(b) substantially contribute to at least one of the objectives mentioned above,</li> <li>(c) not negatively impact the other objectives (<i>do no significant harm principle</i>),</li> <li>(d) comply with <b>minimum safeguards</b>.</li> </ul> <p>From <b>2022</b> onwards, financial companies operating in the EU will have to <b>report on specific KPIs</b> related to the first two objectives of the EU Taxonomy (e.g., % of investments that are aligned with the EU Taxonomy).</p> | <p>As Cathay Innovation Fund II does not offer financial products categorised as article 8 or article 9, no disclosure is expected in 2022.</p> <p>However, since the fund manages more than 500M€ of assets, the share of investments aligned with the Taxonomy will need to be disclosed in next year's Energy-Climate Law report (see details about this report below).</p> <p>The entity has planned to evaluate this share by the end of 2022.</p> |
| Paris Agreement        | <p>The Paris Agreement is an <b>international treaty</b> on climate change which was adopted by a <b>vast majority of countries</b> in 2015. Its goal is to <b>limit global warming to well below 2°C</b> – though preferably 1.5°C – compared to pre-industrial levels.</p> <p>Since then, the Paris Agreement has become the <b>reference framework</b> when it comes to climate change. Many countries or groups of countries are using the framework defined by the Paris Agreement to <b>guide policymaking</b>.</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 <b>private sector</b> 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 XX for a detailed description of the efforts deployed by Cathay Innovation to address climate change and move towards the objectives defined by the Paris Accord.</p>  |

\*By design, the descriptions provided are not comprehensive but rather focus on key and material topics for Cathay Innovation. The descriptions are based on information published to date, which could be subject to change.

Correlation table with the provisions of Decree No. 2021-663 of 27 May 2021 pursuant to Article L. 533-22-1 of the Code Monétaire et Financier.

| Article 29 of Energy-Climate Law topic   | Cathay Innovation (entity level) | Innovation Fund II (fund level) | Corresponding section in report   |
|--|----------------------------------|---------------------------------|---|
| 1° Information related to the entity's general approach  | x                                | -                               | N/A   |
| 2° Information on the internal resources deployed by the entity  | x                                | -                               | N/A   |
| 3° Information regarding the approach to taking into account environmental, social and governance quality criteria at the entity's governance level                                      | x                                | -                               | N/A   |
| 4° Information on the engagement strategy with issuers and its implementation  | x                                | -                               | N/A   |
| 6° Information on the strategy for aligning with the international objectives for limiting global warming set out in the Paris Agreement, in accordance with Article 4(2)(d) of the SFDR | x                                | x                               | > Fostering good ESG practices among portfolio companies<br>> Climate action      |
| 7° Information on the strategy for alignment with long-term biodiversity objectives  | x                                | x                               | > Fostering good ESG practices among portfolio companies<br>> Biodiversity action |
| 8° Information on the steps taken to take into account environmental, social and governance quality criteria in risk management  | x                                | x                               | > Fostering good ESG practices among portfolio companies<br>> Climate action      |

For more information about Cathay Innovation's compliance with the ESG reporting obligations required by the Article 29 of the Energy-Climate Law, please see the entity's 2021 report on Cathay Innovation's website.







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