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# Investing in Startups Impacting the World Sustainability Report 2022-2023

Cathay Innovation Funds II & III



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# 1. Foreword - why ESG matters



## Foreword from president & co-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 in 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 evolving 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 intended.”

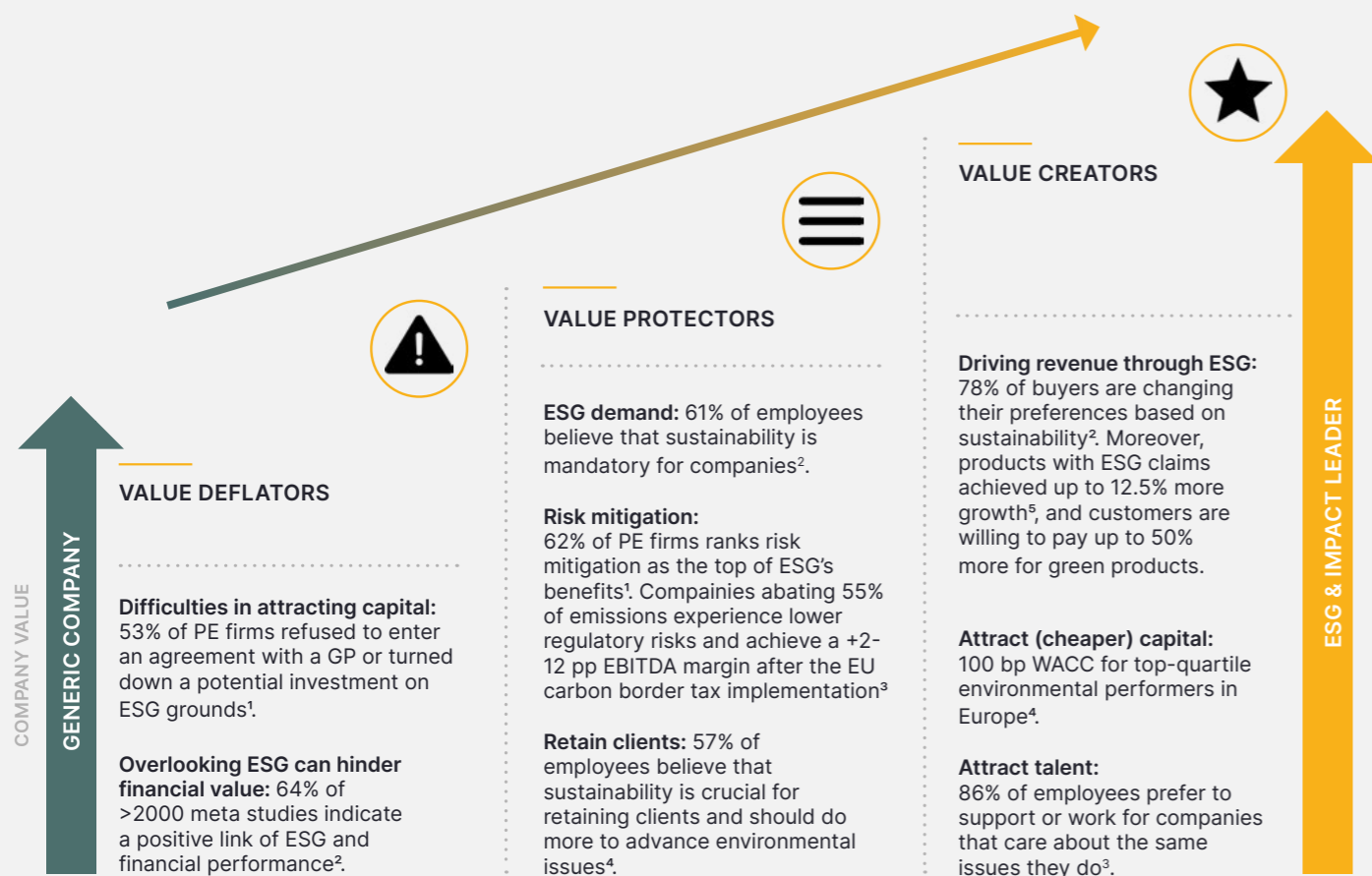
**DENIS BARRIER, CO-FOUNDER, CATHAY INNOVATION.**



# Creating value through ESG and impact

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. Today, investors acknowledge the importance of implementing ESG best practices and prioritising positive impact. At Cathay Innovation, we recognise the importance of ESG factors in investing and integrating them into our practices. This integration is driven by the understanding that sustainable investing is both responsible for and beneficial for long-term financial performance, value creation, and value protection .

Considering the strong correlation between ESG and value creation, Cathay Innovation places ESG at the heart of its operations and encourages portfolio companies to continuously improve on these topics.



1. PwC - Global Private Equity Responsible Investment Survey 2023.  
 2. Bain & Company - ESG Shaping PE 2023.  
 3. EU announcement, based on a BCG analysis 2022.

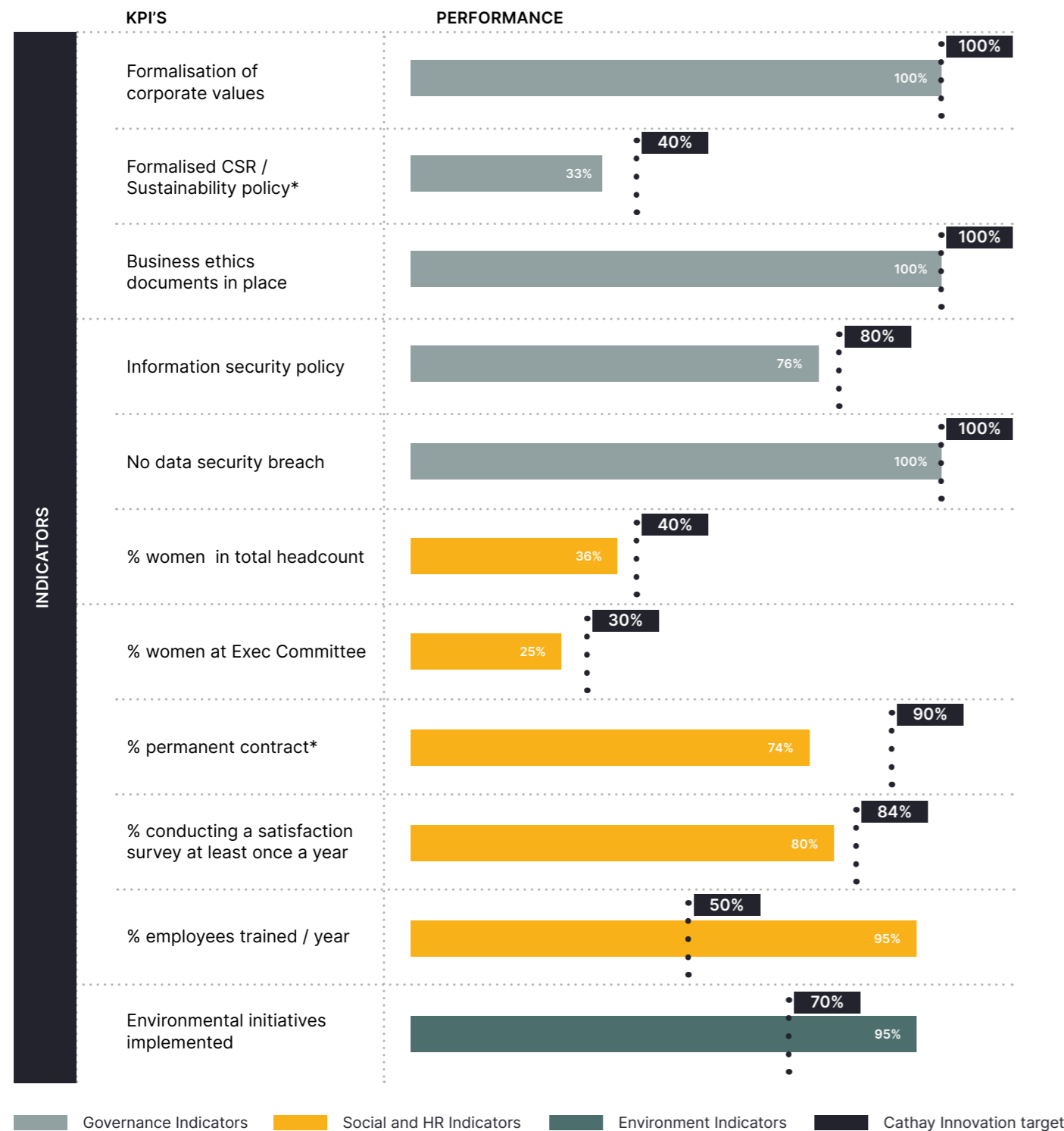
4. PwC (2022), 2021 Consumer Intelligence Series - Survey on ESG.  
 5. McKinsey - Consumers care about sustainability 2023.  
 6. PwC (2022), Global Consumer Insight Survey.

# 2. 2022 ESG Performance Overview



# ESG highlights

The scorecard below provides an overview of Cathay Innovation Fund II's ESG performance. Fund III is not taken into account in this graph as the fund had only one portfolio company in 2022. With Innovation II and III jointly providing employment to more than 11,000 individuals, our ESG commitment is aimed at fostering positive impact for all stakeholders and society as a whole.



(\*\*) Perimeter excluding China due to the country specific context: as per Chinese laws and regulations, employment contracts are re-signed every three years with permanent contracts only possible after the third contract renewal

Sustainability is at the heart of our investment philosophy. In 2022, we made significant progress in advancing ESG principles and guiding our portfolio companies towards actionable plans that contribute to the United Nations Sustainable Development Goals (SDGs). Additionally, we achieved a notable milestone by successfully launching Cathay Innovation III.

## Building a robust governance

In 2022, companies improved corporate governance by formalising corporate values, with most introducing mission statements despite being relatively young companies. This shows that Cathay Innovation's dedication to build robust governance alongside strong growth is paying off to help company development.

In ESG governance, portfolio companies made strides by appointing more ESG managers and adopting responsible procurement policies.

The portfolio showcased robust business ethics, as every company has essential business documents established, such as a code of conduct, anti-corruption policy, and ethical guidelines.

Across our portfolio, no data security breaches were reported. Furthermore, nearly all companies (94%) have designated roles for data protection, and a significant portion (74%) have formalised information security policies.

## Empowering people and talent

In the area of human resources, portfolio companies continued strong performance in 2022. Every company had an HR manager, and most added value through measures like incentive plans and employee-profit sharing, assessing satisfaction through surveys impacting over 11,000 employees across the portfolio

Portfolio companies are strongly committed to attracting and managing talent with all companies having value-sharing practices and a significant rise in training, reaching almost all employees (95%).

There has been some progress in fostering diversity and inclusion with many companies now having at least one woman on the executive committee. Understanding the need for more progress, we will focus on improving D&I in our European entities to not only align with upcoming regulations, but in recognition of the impact of executive roles on entire organisations. This steady progress should lead us to meet our first landmark of having 30% women in portfolio executive committees, well above the market statistics.

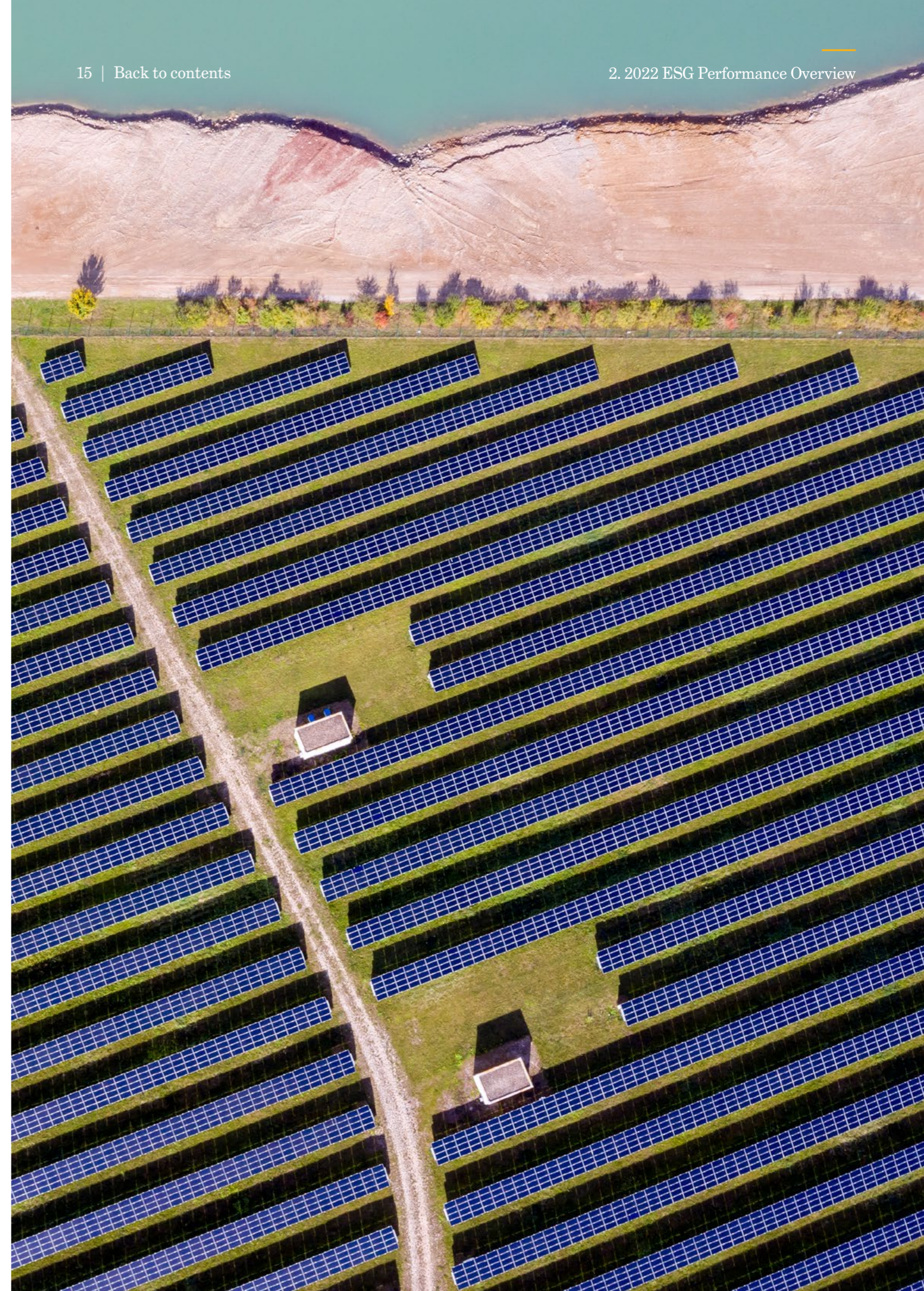
## Engaging in environmental efforts

During 2022, companies continued their commitment to environmental sustainability. Most companies now have operational-level initiatives with more implementing measures in products and services to reduce environmental impacts, such as using recycled materials and eco-friendly products. Additionally, a growing number of companies are assessing risks related to raw materials, indicating increased awareness of ESG risks. Nonetheless, there is an opportunity for further growth to enhance environmental efforts, particularly by formalising aspects like environmental policy and biodiversity initiatives.

In 2023, we initiated a program to help companies assess their carbon footprint, set reduction targets, and monitor progress. Moving forward, we will remain dedicated to supporting companies in their efforts to reduce their emissions, building upon the initiatives mentioned above. The achievements made in 2022 have motivated Cathay Innovation, together with all portfolio stakeholders, to commit further in the development of ESG fundamentals and guide the companies toward concrete actions, especially on climate and environment topics. These engagements and next steps are detailed in section 5.3 of this report.

## ESG highlights at Cathay Innovation level

At Cathay Innovation, our teams collaborate closely with entrepreneurs to maximize impact and integrate sustainability across operations and the value chain. In 2022, we formalized and updated our Sustainable Investment Procedure, delineating sourcing criteria, deal flow qualifications, ESG due diligence, tools for the holding period, and exit procedures. While assessing risks and opportunities occurs before investing, Cathay's main emphasis lies in co-creating actionable roadmaps with portfolio companies, which involves discussing ESG topics at least once a month.





# Impact overview

Cathay Innovation is proud to highlight the commitment and SDG impact of many of our portfolio companies. These companies not only recognise the importance of sustainable practices but also actively strive to enhance their contribution to society. Through their business activities, they play a vital role in working towards broader societal goals.

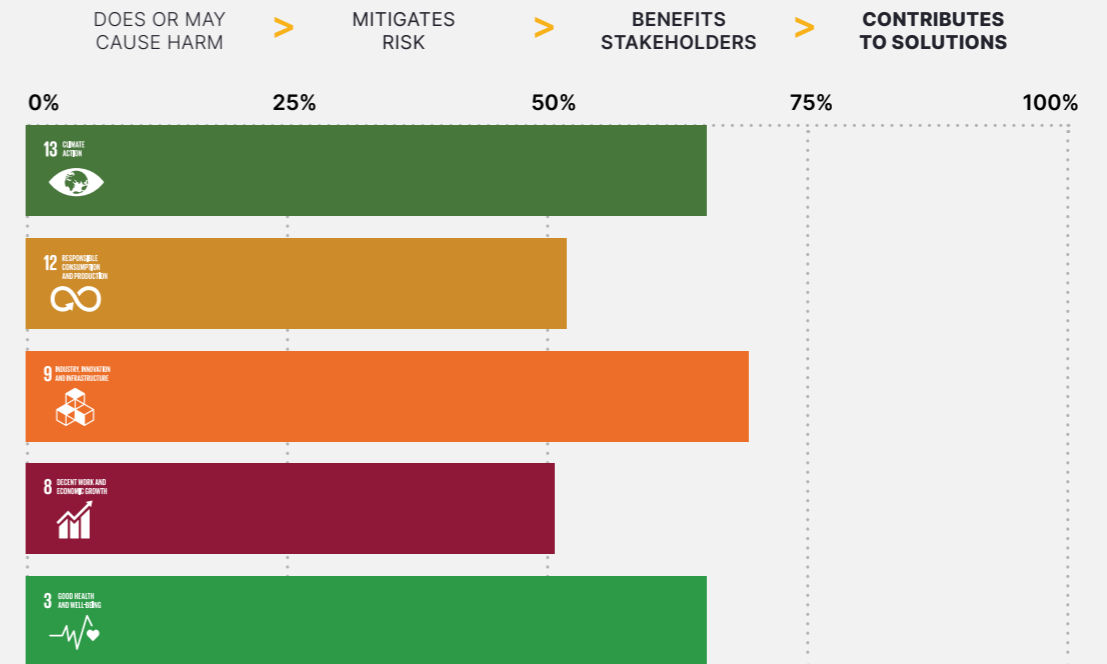
A significant portion of companies within Cathay Innovation II have dedicated efforts towards addressing SDGs. This demonstrates the transformative power of technology companies as they innovate and take concrete actions to address societal and environmental challenges.



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

## Impact Management Project

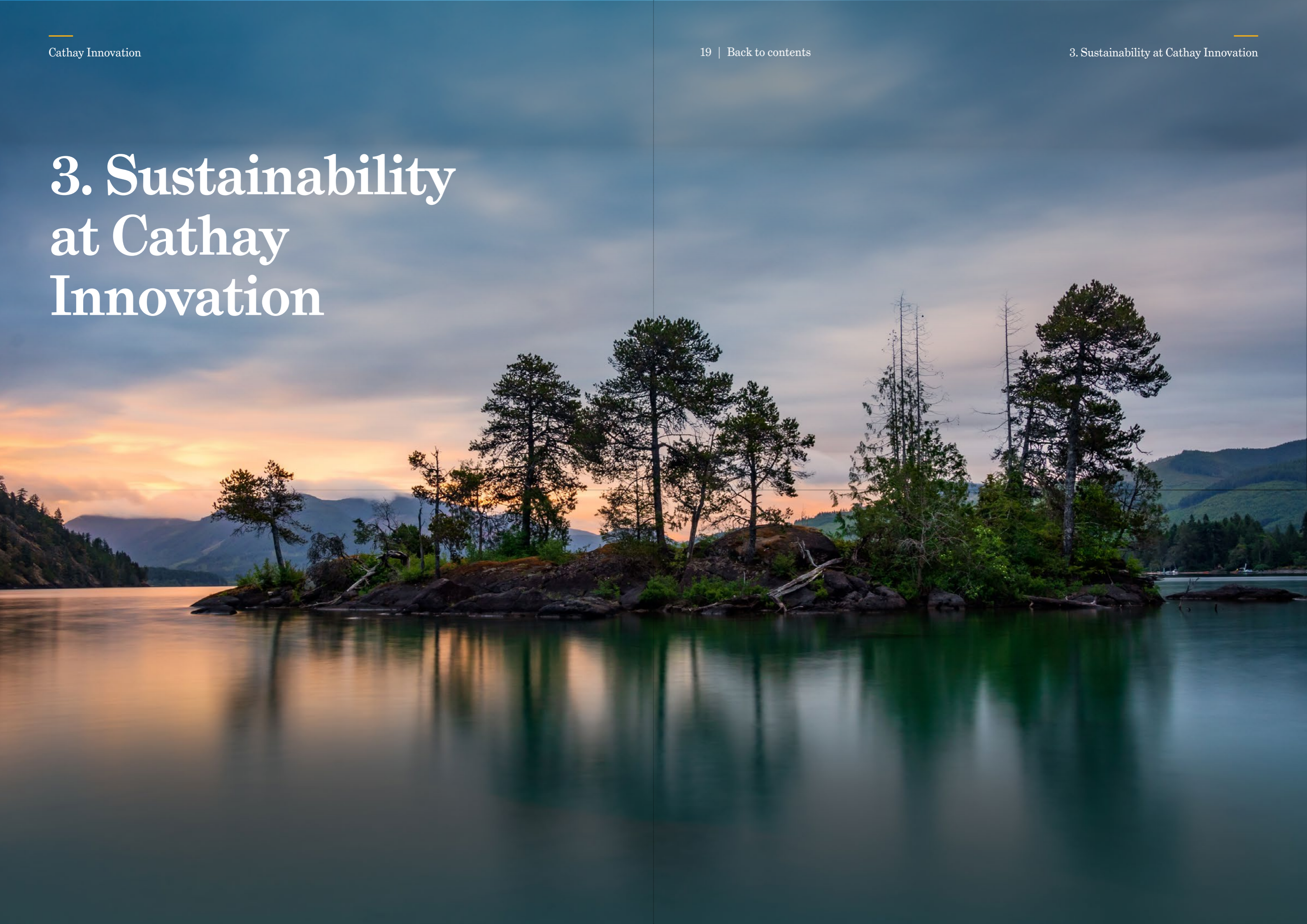
**IMPACT MANAGEMENT PROJECT**



In 2022, Cathay Innovation made a new investment from Fund III in Motic, which has not yet made a commitment to the SDGs. Meanwhile, portfolio companies within Innovation II continued their contribution to the SDGs. Please refer to section 4 (Portfolio Impact), for more details including short descriptions of companies, key impact metrics and year-on-year progress.

Not all companies in the portfolio of Cathay Innovation II and III strictly contribute to solutions linked to the SDGs. However, at Cathay Innovation, we are convinced that they can still play a role in the sustainable development of our society. Therefore, we work with all to ensure they mitigate ESG risks and seize opportunities through the implementation of good ESG practices. More details on how we help our portfolio companies evolve on ESG topics can be found in section 3 (Sustainability at Cathay Innovation) and section 6 (Key takeaways and next steps).

# 3. Sustainability at Cathay Innovation



# Our vision and values

At Cathay Innovation, we envision a future where responsible and purpose-driven companies thrive. As investors, our aim is to identify and support the most promising companies that embrace sustainability principles, operate ethically, and drive meaningful innovation. We firmly believe that by empowering entrepreneurs, we can contribute to the development of resilient businesses that not only lead the markets of tomorrow but also foster a transition to a more sustainable and inclusive economy.

By effectively identifying startups worldwide, we are paving the way for transformative change across industries and society. We believe our vision enables us to create impactful partnerships, scale startups and deliver positive outcomes that benefit both the business world and society at large.



### 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.



### Be grateful

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

# Our ambitions and commitments

At Cathay Innovation, 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 locally



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 in every portfolio company.**



We are committed to being a **responsible investor**, working with companies that share our vision and respect 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.



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.

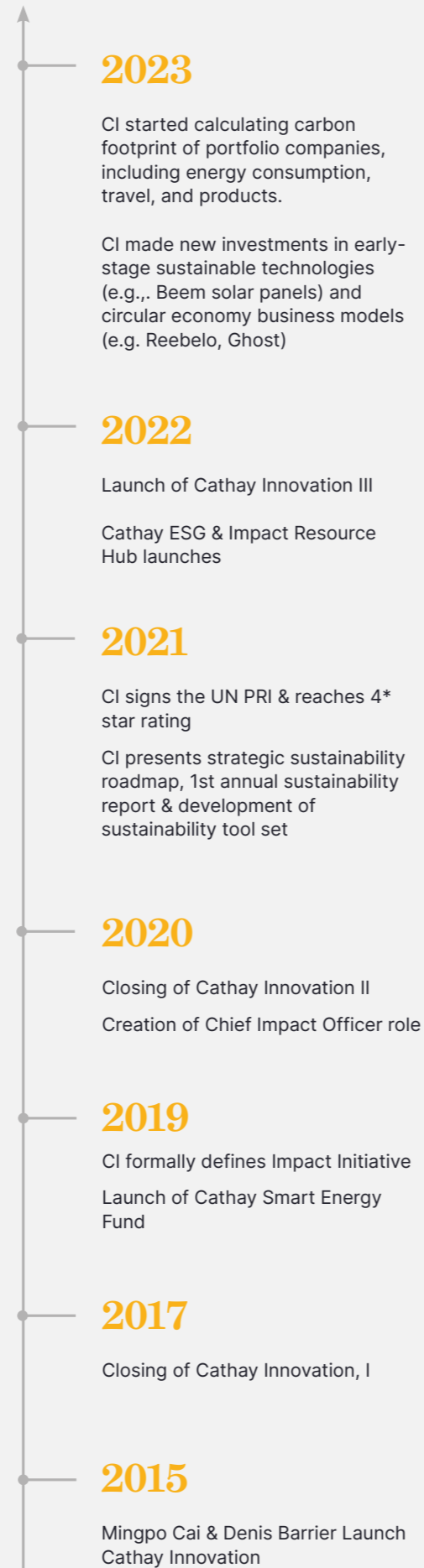
## 3. As an ecosystem partner, we provide **set-enabled solutions**, available to all, that any company can implement to drive the transition forward with us.

# Our sustainability journey

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

## 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?

- |   |   |
|---|---|
|  <b>Becoming a purpose driven company</b>           |  <b>Adapting a sustainable Data and AI governance</b> |
|  <b>Learning about ESG &amp; Impact frameworks</b> |  <b>Selecting the right business partners</b>        |
|  <b>Upgrading the workplace</b>                    |  <b>Acting for the environment &amp; the climate</b> |



## Our ESG governance

At Cathay Innovation, 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, is responsible for overseeing the management of the company, 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, who is responsible for driving the development of our sustainability vision, roadmap, investment process, and tools for both Cathay Innovation and Cathay Capital.

At Cathay, 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.



# Sustainability in our investment process

At Cathay Innovation, we firmly believe that sustainability is not just a separate consideration but an intrinsic part of the investment process. We are dedicated to supporting companies in maximising their impact as they grow, and to achieve this, sustainability is integrated into every step of the investment cycle.

This process provides us with a comprehensive overview of each business, enabling us to identify key risks and opportunities in the short and long-term and to create long-lasting positive change while delivering significant value to all stakeholders.

With the launch of Cathay Innovation III in 2022, these procedures were systematically rolled out during the investment process.



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

# Partnering with startups on sustainability

Cathay Innovation partners with visionary entrepreneurs leveraging technology for positive impact. Our sustainable investment framework guides pre-investment decisions, evaluating alignment with our goals. This ensures we collaborate with startups sharing our commitment to sustainability.

Our sustainable investment framework guides decisions and supports companies on their sustainability journey. We address ESG, climate, and impact across the value chain, fostering innovation and driving positive change. With our partner startups, we aim to create a more sustainable future.

	What is assessed?	Associated sustainability themes
IMPACT	<b>VALUE PROPOSITION</b> 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) including, when relevant, contribution to a low-carbon economy transition</li> <li>• Relative company impact performance</li> </ul>
	<b>BENEFICIARIES</b> 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> 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> 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> 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> 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

## Our collaborations

In order to build and refine its methodologies, along with the compilation of this report, Cathay received guidance, collaboration and recognised industry expertise from 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.

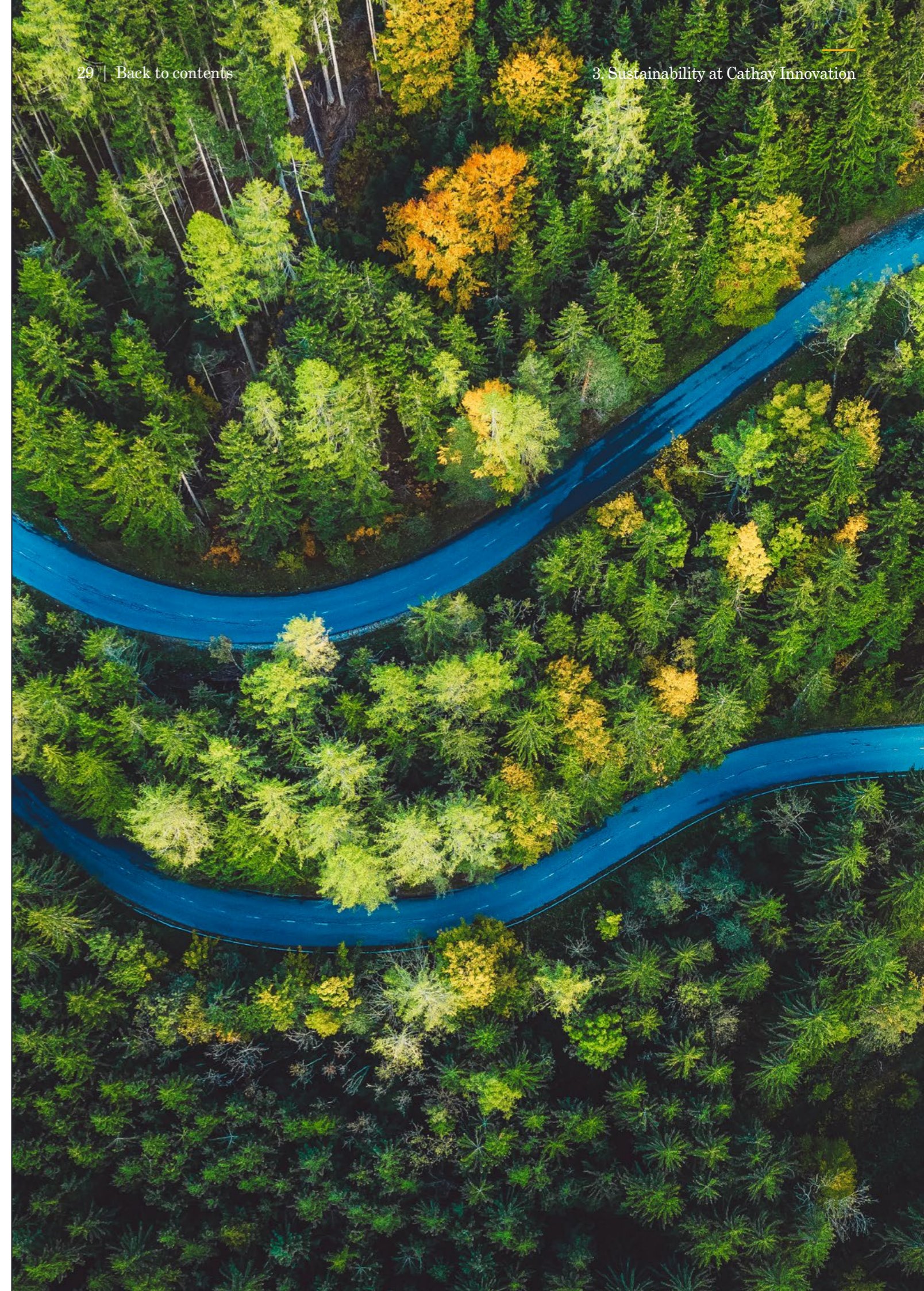
Learn more:

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



### Sirsa: Reporting 21

In order to build and refine its methodologies, along with the compilation of this report, Cathay received guidance, collaboration and recognised industry expertise from the leading organisations PwC and Sirsa.



# 4. 2022 Portfolio impact





# Portfolio impact

In this section, we highlight the impactful companies supported by Cathay Innovation that leverage technology to address sustainability challenges and contribute to the UN SDGs. Guided by six impactful investment themes, we support companies reshaping industries and improving crucial aspects of the economy and society. In 2022, these portfolio companies achieved consistent growth, enabling them to expand their influence and contribute to key SDGs.

## 1. THE FUTURE OF FINTECH

SDGs Supported:



Our mission is to empower individuals and businesses through improved access and affordability of financial products. From credit services to addressing the financial implications of climate change, we make financial empowerment a reality.

Cathay Portfolio Companies:



Beneficiaries: SMBs

### The solution

Unleashing the potential of SMBs by revolutionising the flow of B2B funding.

Fundbox's AI-powered financial platform empowers SMBs with a robust B2B payments and credit network

### The impact

**\$ 3 billion**  
**Total Working Capital**  
unlocked for SMBs

Provided flexible working capital solutions to

**500,000+**  
**Small Business**



### DESCARTES

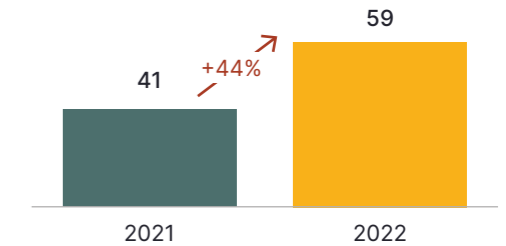
Beneficiaries: Global environment, governments, businesses

### Tech-driven insurance solutions to contribute to a more resilient world.

Innovative, customised, and affordable parametric insurance solutions to enhance resilience against climate change and other emerging risks

### The impact

Total number of public and private sector clients insured



## In-depth focus



### finAccel

Beneficiaries: Individuals

### The challenge

Formal financial services are inadequate in meeting the needs of a large portion of the global population. In Southeast Asia, particularly in Indonesia, 130 million people (half of the country's population) lack access to traditional bank accounts, and only 9.8% have access to credit, the lowest in the region. This underscores the urgent need to enhance financial inclusion\*.

### The solution

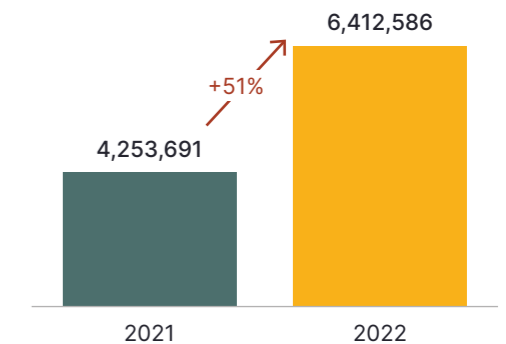
FinAccel is dedicated to delivering faster, more affordable, and easily accessible financial services to the underbanked population in Southeast Asia.

As the leading AI-enabled consumer credit platform in the region, it provides instant credit financing for ecommerce purchases and personal loans. By leveraging deep data analytics, FinAccel helps consumers build credit scores and improves financial inclusion.

### The impact

FinAccel is enabling a growing number of individuals throughout Southeast Asia to access credit by offering instant point-of-sale financing and personal loans.

Number of FinAccel customers accessing credit



...with a

**91.1%**  
**repayment rate**

\*Worldbank 2022, Adaption of digital financial services

## 2. THE FUTURE OF HEALTHCARE

SDGs Supported:



Our mission is to enhance healthcare accessibility by providing support to companies involved in every aspect of the value chain. This includes accelerating research, expanding coverage, and facilitating efficient monitoring and treatment of chronic illnesses.

Cathay Portfolio Companies:



**Beneficiaries:**  
Hospitals/  
Pharmaceutical  
companies

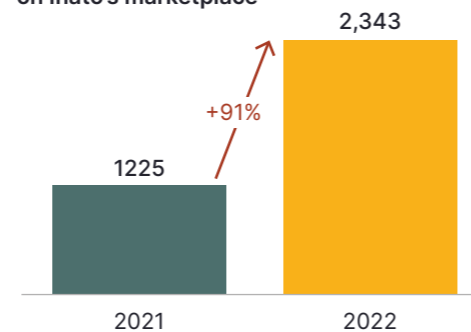
### The solution

Accelerating clinical trials through AI, delivering new therapies faster and more affordably to patients.

Enabling biopharmaceutical companies to expand their patient base in clinical trials by unlocking untapped research opportunities.

### The impact

Number of research sites on Inato's marketplace\*



**26 clinical trials** since the company's creation.



**Beneficiaries:**  
Patients

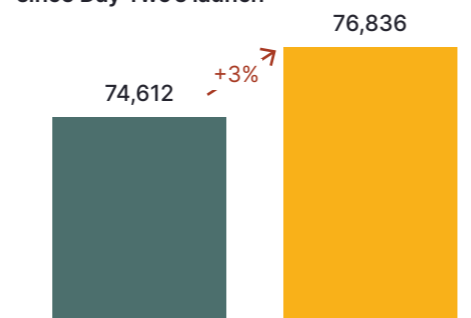
### The solution

Revolutionising diabetes care through precision nutrition guided by the microbiome.

The world's first evidence-based microbiome platform for diet-related chronic illnesses, tackling the root cause of diabetes, affecting 420M people worldwide.

### The impact

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



**Beneficiaries:**  
Hospitals/  
Pharmaceutical  
companies

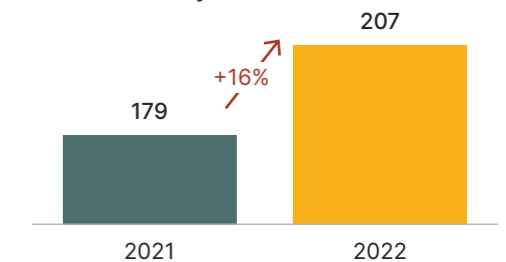
### The solution

Transform health records into valuable big data, driving the acceleration of health science breakthroughs.

Empowering providers with the ability to extract clinical value from electronic health records, ensuring maximum privacy and security.

### The impact

Number of hospitals in Savanna's ecosystem



**19 research projects** since company's creation



**Beneficiaries:**  
Patients

### The solution

Affordable and inclusive insurance

Enabling consumers to make informed decisions about their healthcare by providing price transparency, choice, and customisation through a mobile app and debit card.

### The impact

Sidecar Health allows individuals to significantly cut healthcare spending with:

**4,078,408 Claims covered**



**Beneficiaries:**  
Patients

### The solution

Facilitating the connection between patients and affordable, comprehensive health insurance products and services.

Yuanbao Insurance leverages the power of big data and AI to seamlessly connect users with tailored health coverage programs at the most competitive prices.

### The impact

Yuanbao already reaches

**49m+ patients**

## In-depth focus



**RESILIENCE**  
DIGITAL ONCOLOGY

Beneficiaries:  
Patients

### The solution

Advanced remote patient monitoring (RPM) platform specifically designed to enhance support for cancer patients.

Resilience offers cancer patients a remote monitoring platform that connects them with their medical team, provides educational content, and fosters a supportive community.

Resilience's RPM solutions deliver significant improvements in health outcomes and quality of life of cancer patients.

### The problem

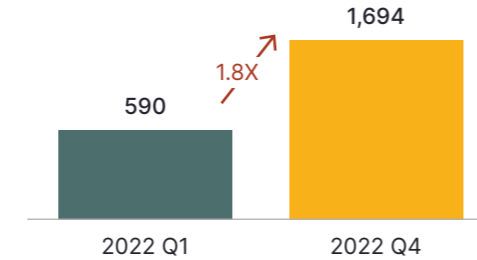
The healthcare system is facing immense challenges with an overwhelming number of cancer patients worldwide. With 67k oncologists caring for 18M new cancer cases annually, causing disparities in care\*.

Patients spend an average of 7min with their oncologists every 6 months, leading to treatment discontinuation\*\*.

Additionally, there is a projected 52% increase in new cancer cases worldwide by 2040, rising to 29.5M\*\*\*.

### The impact

Number of hospitals in Savanna's ecosystem



**+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 and Cancer.Gov  
 \*\*\*\*based on three randomised clinical trials studying the effects of RPM

## 3. THE FUTURE OF MOBILITY & ENERGY

SDGs Supported:



Our mission is to expedite the shift towards a sustainable transport system by investing in companies that actively support the decarbonisation of the sector.

Cathay Portfolio Companies:



## In-depth focus



**wallbox**

Beneficiaries:  
Global environment

### The challenge

Global electric car sales are soaring, exceeding 10 million in 2022, and are projected to account for 35% of total car sales by 2030\*.

Despite the consumer demand driven by economic, climate, and environmental factors, the widespread adoption of EVs faces obstacles, including:

- Insufficient charging infrastructure
- Dysfunction of chargers (50% of public chargers in Paris are non-functional)
- Time-consuming charging process (30 minutes to an hour for a full charge)
- High costs associated with EV ownership

### The solution

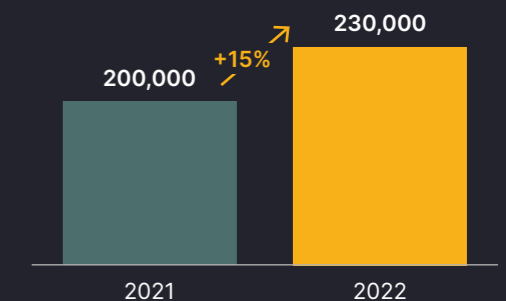
Developing robust EV charging infrastructure to diminish the world's reliance on fossil fuels.

Wallbox designs smart EV chargers and a cloud platform for real-time monitoring, control and optimisation of charging. They play a key role in the EV market, driving sustainable mobility.

### The impact

Wallbox is rapidly installing a growing number of EV chargers:

Number of EV chargers installed



...and in doing so, it is effectively overcoming one of the primary hurdles hindering the widespread adoption of electric vehicles (EVs) in 115 countries\*\*.

And contributing to reducing transportation emissions as optimised EV charging potentially save 800 pounds of CO2 per vehicle each year up to 28.1mil tons annually\*\*.

\*\*Information provided by Resilience  
 \*\*\* RMI, More EVs, Fewer emissions 2022



## 4. THE FUTURE OF WORK

SDGs Supported:



We are committed to empowering companies that drive economic development by enabling entrepreneurs to transform their ambitions into reality and providing access to employment opportunities.

Cathay Portfolio Companies:



zenbusiness

Beneficiaries:  
SMBs

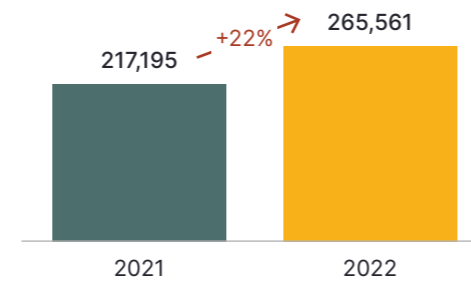
### The solution

Empowering aspiring entrepreneurs as business owners.

The platform acts as a one-stop solution, simplifying and making the process of starting, running, and growing a business accessible to entrepreneurs.

### The impact

Number of new businesses created since ZenBusiness' launch



Terminal

Beneficiaries:  
Workers

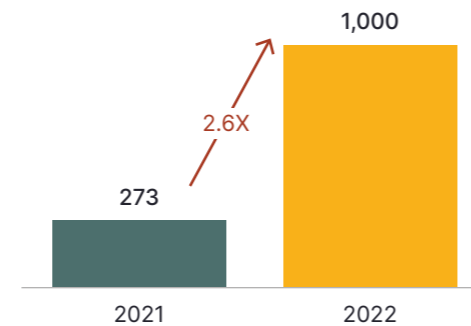
### The solution

Enabling remote teams to collaborate effectively and achieve remarkable growth.

Introducing the world's first tech-enabled engine for remote teams, connecting companies with exceptional talent regardless of their location.

### The impact

Number of engineers on Terminal's platform



MEDWING

Beneficiaries:  
Healthcare staff

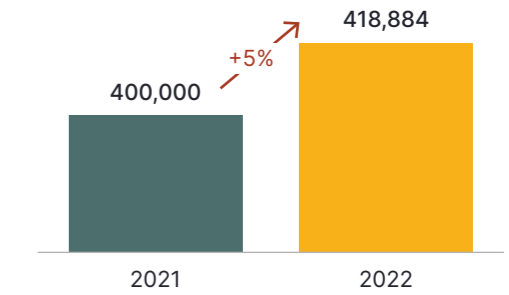
### The solution

Combination of technology and recruitment providing a solution to the global healthcare talent shortage

Europe's leading job matching and career consulting technology company for healthcare professionals, offering unparalleled services and support in the industry.

### The impact

Number of new applications on Medwing's platform



## 5. THE FUTURE OF TECH & DIGITAL

SDGs Supported:



We are committed to supporting companies that develop software and hardware solutions to address a wide array of societal challenges, ranging from reducing greenhouse gas emissions to ensuring universal internet access for all.

Cathay Portfolio Companies:



### In-depth focus



Beneficiaries:  
Individuals

#### The challenge

Despite internet usage growing to reach **63%** of the global population, over **2 billion people** still lack access to the internet.

5% of the world's population cannot connect to the Internet. In Africa, the share is 18%. A further 32% of people on the planet (49% in Africa) are within range of a broadband network but are not online, due to lack of **affordability, lack of access to a device, and/or lack of awareness, skills, or purpose\***.

#### The solution

Internet access for the next billion people, creating opportunities for global connectivity.

KaiOS develops lightweight operating systems, enabling affordable digital products and services for global connectivity. Recognised on FastCompany's Most Innovative Companies list, KaiOS aims to bring mobile connectivity to billions in emerging markets. KaiOS is particularly well developed in India where the affordable digital connectivity challenge is the most pressing.

#### The impact

KaiOS is playing a vital role in connecting an increasing number of users to the internet with\*\*:

**160m devices**  
connected worldwide

Active in more than **150 countries**

**10b hrs of internet**  
usage/month

**>584m GB data**  
delivered/month

\*Sources: ITU; UNCTAD database; UNESCO-UIS database  
\*\*Information provided by KaiOS



Beneficiaries:  
Individuals

#### The solution

Driving the rapid transition towards a smart economy.

Bouffalo Lab offers a single-chip solution that integrates multiple technologies. This innovative approach benefits customers by leading to cost reduction and lower power consumption.

#### The impact

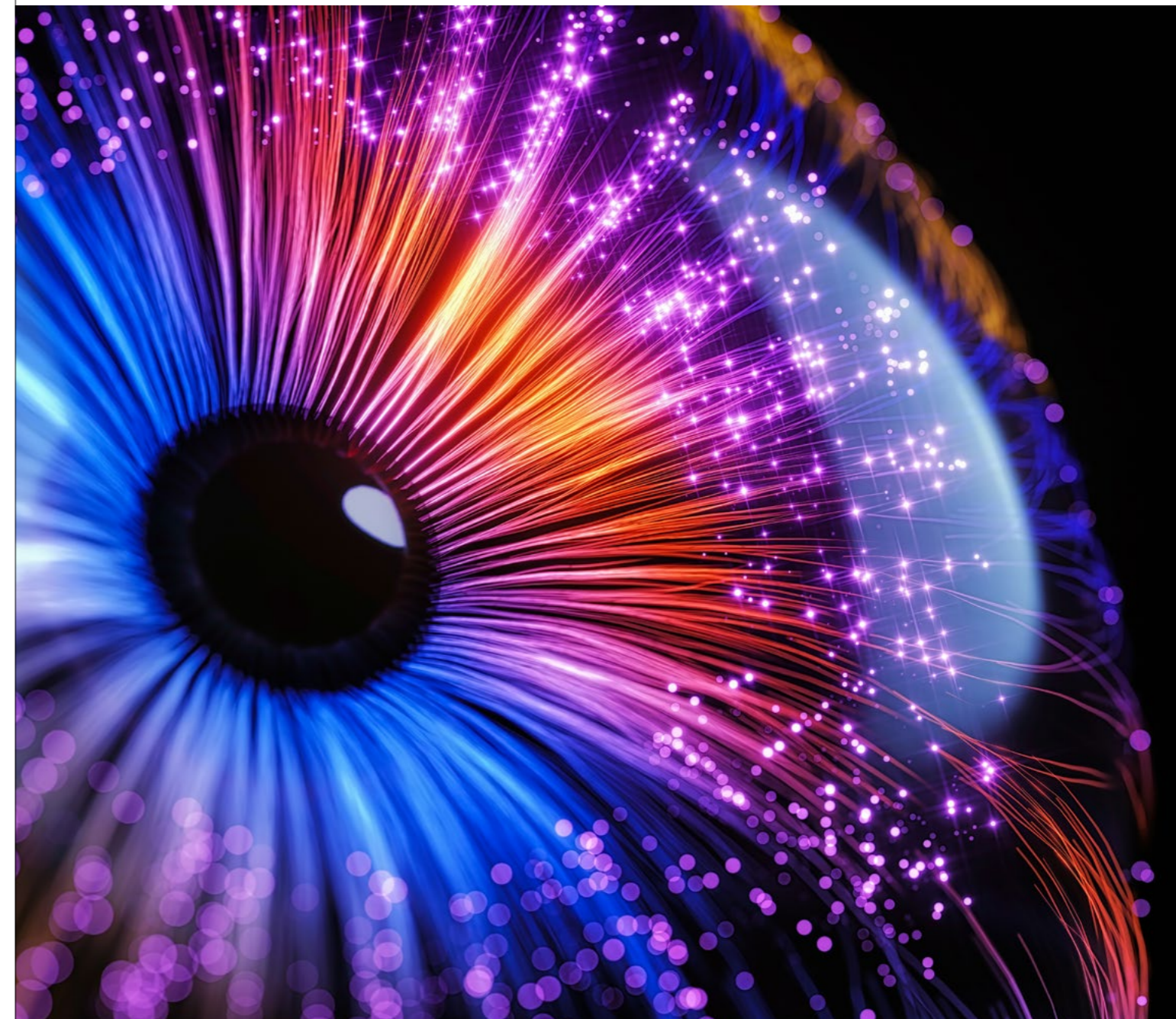
**Only 5**

**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.



## 6. THE FUTURE OF CONSUMER & RETAIL

SDGs Supported:



Our mission is to empower companies that aim to revolutionise the consumer experience and expedite the transition towards a sustainable consumption model. This includes initiatives such as diverting surplus e-commerce stock from ending up in landfills, reducing waste and promoting circular economy practices..

Cathay Portfolio Companies:



Beneficiaries:  
Individuals

### The solution

Give a second life to overstocked inventories, actively working towards reducing waste and promoting sustainability.

Foroo is an online platform that specialises in selling overstocked e-commerce furniture, rescuing these items from landfill or incineration. By giving these products a second life, Foroo not only promotes sustainability but also lowers price barriers, making them accessible to a wider consumer base.

### The impact

**162,361**  
pieces of furniture

saved from landfill or incineration.



# 5. 2022 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 in a given year (2021 or 2022) using the Reporting21 platform. This data may not represent companies that did not report anything for the particular indicator in question.

The results presented in this report are categorised based on the portfolio companies of Cathay Innovation Fund II and Fund III. Fund II comprises a total of 39 companies in the portfolio, while Fund III has one portfolio company, Mologic, at the time of publishing. As a result, the report primarily focuses on Innovation II results but will also outline Fund III results whenever relevant.

# 2022 Building a robust governance

## Best practices: Governance for startups

A strong board enhances early-stage companies by challenging founders, 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.

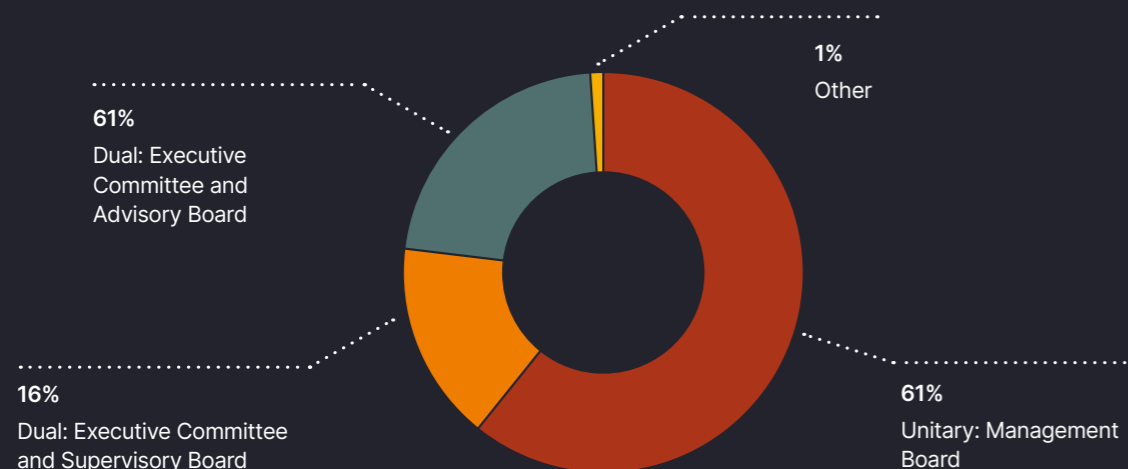


### OVERSEE SUSTAINABILITY ISSUES

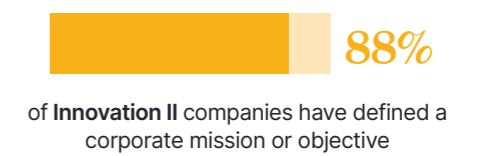
The board should be the first place where the social role of the company is shared and will set the tone for the entire company by making it a priority.

## 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.

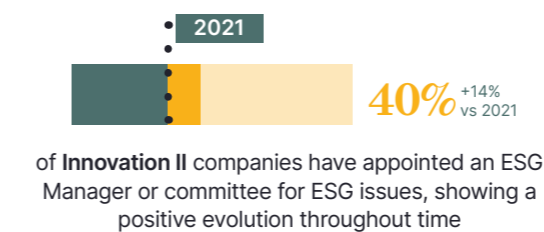
### INNOVATION III

Mogic formalised their corporate values and mission, showcasing their purpose and strategic direction.

## ESG Governance

We firmly believe that a governance system for ESG issues is beneficial to achieving ESG transformation. ESG procedures and initiatives that are appropriately implemented and managed help to measure ESG performance. When ESG principles are embedded within portfolio companies' operations and supply chains, this can help manage risks in the long term.

### Strengths and achievements



This shows 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 and of deploying resources to make the company progress in its sustainability journey, thus improving ESG performance in the short, medium, and long run.



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.

### INNOVATION III

Mogic has a responsible procurement policy in place showcasing their commitment to ethical and sustainable business practices. The company has also appointed a responsible individual to oversee and address ESG issues.



Areas of improvement



of **Innovation II** companies monitor ESG issues with KPIs at executive and/or advisory board meetings.

Monitoring ESG issues with KPIs at executive and/or advisory board meetings is important, as studies indicate that companies with ESG embodied and monitored at the highest level demonstrate better ESG performance



of **Innovation II** companies have formalised a CSR policy/sustainability policy

While these elements can be attributed to the relatively limited size of most companies in the portfolio, Cathay plans to foster sustainability by urging companies to formalise their efforts, adopt ESG strategies, and report on their progress. This includes addressing ESG topics at the highest levels of governance in the future.

FOCUS:



Laiye is a Chinese artificial intelligence company that specialises in robotic process automation and intelligent dialogue solutions.

Laiye has established a board of directors to oversee operations and ensure compliance with laws. In 2022, the company published its first ESG report, highlighting its commitment to ESG principles. To reinforce its ESG efforts, Laiye established internal structures like the Sustainable Development Committee and Working Group,

responsible for developing and implementing ESG policies. Moreover, Laiye follows the ESG General Rules incorporating measures such as promoting energy efficiency and implementing initiatives to reduce carbon emissions in its operations and fostering diversity and inclusion within its workforce. These comprehensive rules exemplify Laiye's commitment to sustainable and responsible practices by guiding the integration of ESG principles into its business operations.

# Data protection and business ethics

Cathay Innovation, a technology investor, prioritises data ethics and security. Effective management and monitoring helps to safeguard a company from any risks associated with its activities, while having better control over risks should they arise. The adoption of a code of conduct or ethical guidelines is considered a best practice.

## 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, particularly for technology companies. 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

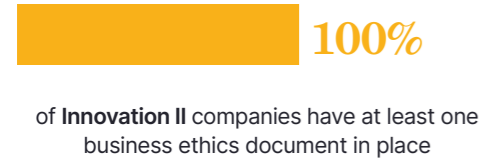
Non-discrimination through proxy, fairness across groups, metric selection, explainability.



### Deployment

Prevent harm to users, concept drift.

Strengths and achievements

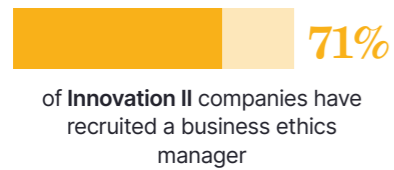


These documents include a code of ethics, code of conduct, ethical guidelines, or anti-corruption policy, which are instrumental in defining companies' core values and promoting professional attitudes both within the workplace and in relationships with stakeholders.

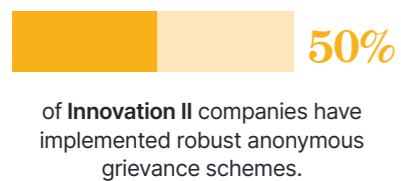


While no companies reported data security breaches despite growing risks, we will keep supporting the integration of such policies among companies across all portfolios to further limit risks.

Areas of improvement



A business ethics manager plays an important role in providing guidance to employees, fostering a speak-up culture, and contributing to attracting and retaining top talent. Overall, this fosters a culture of ethical behaviour within companies, builds trust with stakeholders, and enhances their reputation.



Grievance mechanisms are important, especially for French companies, as they empower stakeholders by providing them with a platform to express their concerns. This fosters positive relationships between companies and stakeholders. Moreover, it is a requirement by regulation for French companies with more than 50 employees. To support companies, we will share good practices through the Resource Hub and assist in selecting providers to implement anonymous grievance schemes.

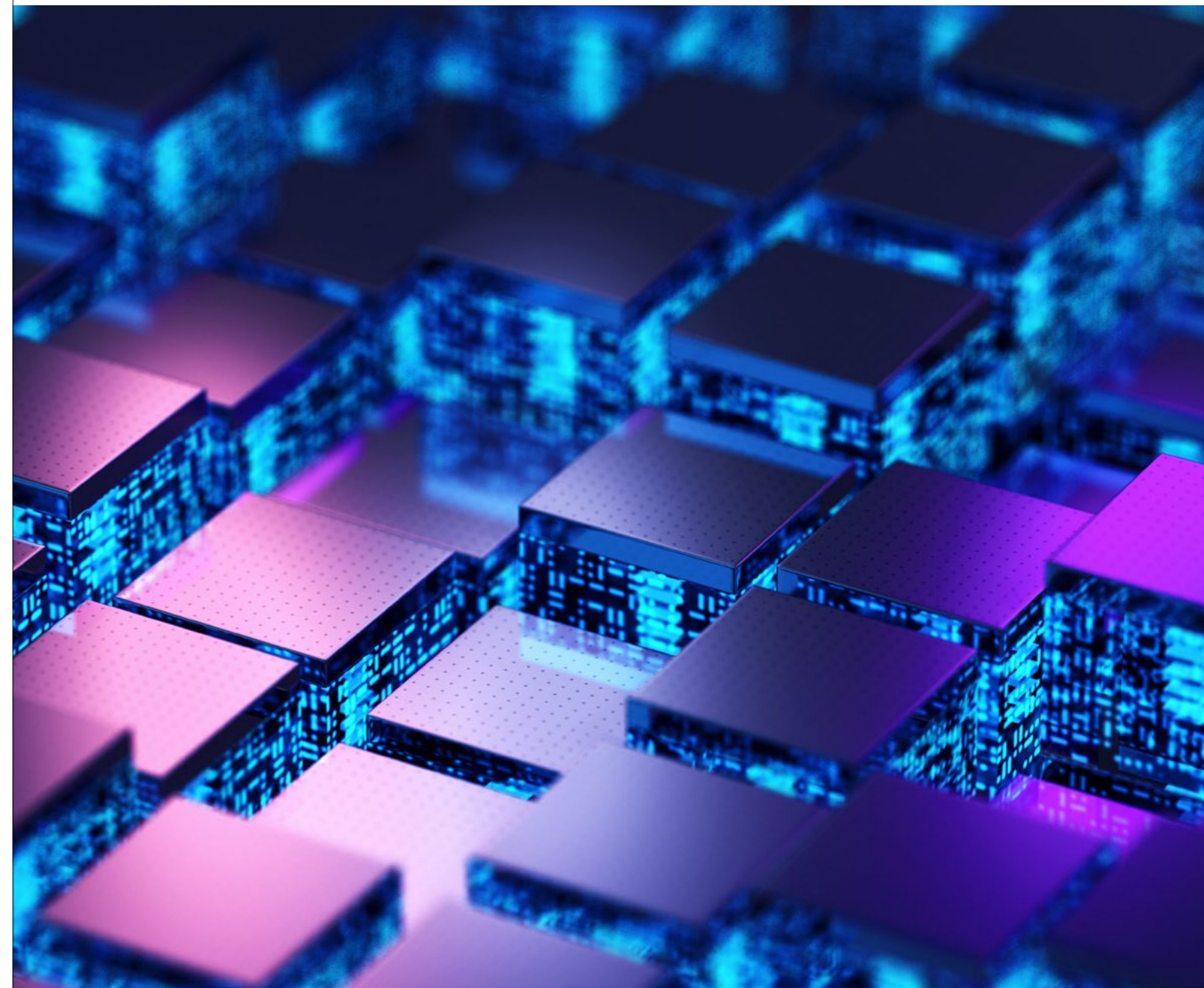
FOCUS:

PING++

Ping++ is a good example of compliance to the international standards, strict data security control measures, and risk management system.

As a matter of fact Ping++ passed the National Information Security Level III, the ISO9001 Quality Management System certification and PCI DSS international security standard certification.

And overall, the entire Cathay Innovation portfolio did not face any data breach reported for the year 2022.

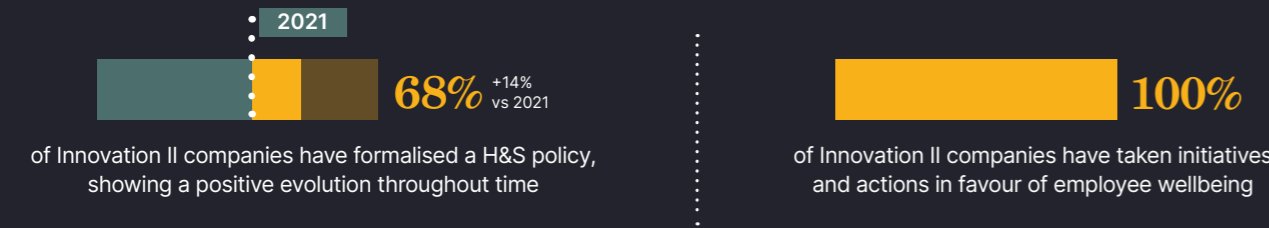


# Empowering people and talent

## Health & safety and employee wellbeing

Ensuring health and safety (H&S) of portfolio companies' employees is crucial to guarantee wellbeing, engagement, and, ultimately, company-wide resilience. Cathay Innovation monitors portfolio companies through qualitative and quantitative indicators to assess companies' health and safety management systems. Additionally, wellbeing initiatives have the potential to improve employee retention and contribute to company success in the long run. They show that companies are dedicated to improving the work-life balance of employees.

### Strengths and achievements



Common initiatives encompassed individual development plans, soft skills and management trainings, flexible work hours, wellbeing policies, and teambuilding activities. These measures collectively contribute to enhancing employee well-being and fostering professional growth.

## 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
- 

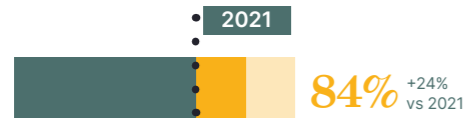
Recognise work done through feedback and incentives

### Strengths and achievements



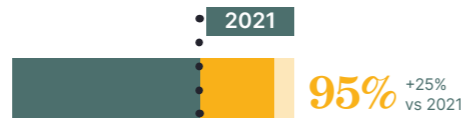
At Cathay, building a positive work environment is important given over 11,000 employees are impacted across the portfolio, and value-sharing mechanisms play a pivotal role in driving employee engagement, talent retention, and fostering innovation. The most common initiatives included an incentive plan, employee profit-sharing providing employees access to capital, thereby contributing to fostering a sense of ownership and engagement among employees.

Strengths and achievements



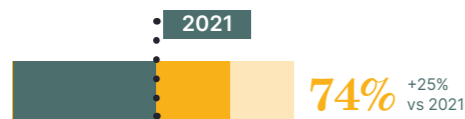
of **Innovation II** companies have conducted at least one satisfaction campaign/survey amongst their employees, showing a positive evolution throughout time

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, further enhancing employee engagement and satisfaction.



Of employees within **Innovation II** companies have received training during the year, showing a positive evolution throughout time

Areas of improvement



of the work contracts within **Innovation II** companies are permanent contracts<sup>1</sup>

At Cathay, we recognise the significance of permanent work contracts as they offer stability, security, and added benefits for employees, enabling companies to cultivate a dedicated and motivated workforce. To enhance the prevalence of permanent work contracts within our portfolio, we encourage portfolio companies to adopt transparent and equitable hiring policies that prioritise extending permanent contracts to candidates.

(1) perimeter excluding China due to the country-specific context: as per Chinese laws and regulations, employment contracts are re-signed every three years with permanent contracts only possible after the third contract renewal.

FOCUS:



As part of their commitment to employee development, Medwing has established the MEDWING Academy, an online learning platform launched in 2021. The Academy offers a variety of courses to help employees stay up to date with industry standards and regulations. Medwing provides a comprehensive employee training program that

combines online and in-person modules, mentorship, and coaching to equip new employees with the necessary skills and knowledge for success in their roles. The MEDWING Academy and employee training program collectively support the professional growth and success of Medwing employees.

FOCUS:



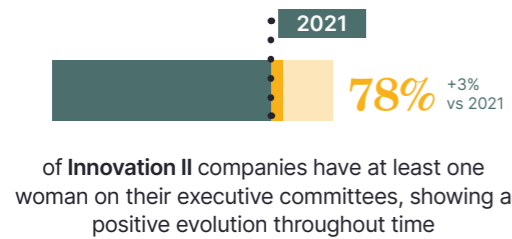
Sidecar Health is a health insurance company that puts members in the driver's seat of their care. The company offers a full-featured, flexible, low-cost major medical insurance plans for individuals and large group employers.

Recognised as one of the Best Startup Employers of 2023 by Forbes, Sidecar Health's ranking in the top 100 highlights its commitment to employee satisfaction, employer reputation, and company growth, reflecting a robust and positive work culture.

## Diversity and inclusion

As shown by numerous studies, 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.

### Strengths and achievements



This three-point increase compared to 2021 is noteworthy, particularly considering the specific sectors represented in the portfolio companies, such as tech and fintech, where the number of women in executive roles is also on the rise.

### INNOVATION III

At Mobic, the company holds a strong commitment to gender equality in the workplace. It firmly believes in providing equal opportunities and treatment for all employees, regardless of their gender. As part of this commitment, Mobic ensures that there is no wage disparity between women and men within the organisation.

### Areas of improvement



Improving gender representation is crucial, as studies show that higher diversity in companies drives better performance. It is particularly important at the executive level, as it exemplifies and creates role models. We will specifically focus on enhancing gender representation in European companies, especially with forthcoming regulations on the horizon.

## FOCUS:

### DESCARTES

Descartes is a French technology company that develops artificial intelligence solutions for the insurance industry.

Descartes is committed to promoting diversity and inclusion within its organisation. As part of this commitment, the company has signed the French Tech «Pacte Parité» in 2022. The «Pacte Parité» is an initiative that promotes gender equality and diversity in the workplace.

With employees from 25 nationalities and less than 50% French representation, Descartes embraces diversity. All managers receive non-discrimination training, and starting from 2023, it will be included in the onboarding process for new employees. Descartes is committed to creating an inclusive and respectful work environment for all.



# Engaging in environmental efforts

At Cathay Innovation, we recognise the significance of actively reducing the digital carbon footprint of the tech sector. We understand that environmental considerations are crucial to address the environmental impact of the technology industry and we strive to ensure that portfolio companies implement initiatives to measure and reduce their environmental footprint and promote the use of renewable energy.

## 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, 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)

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- 

Source renewable energy for offices

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- 

Promote remote working to limit daily commute

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- 

Raise awareness among employees

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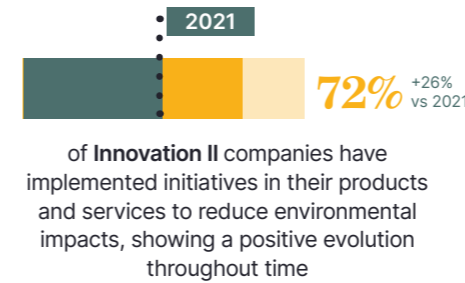
- 

Identify solutions with suppliers to reach climate action ambitions

### Strengths and achievements



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.

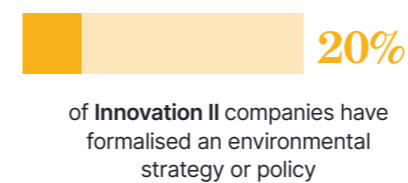


The most common initiatives included the use of recycled materials, optimising shorter supply chains, and eco energetical products or services and conducting life cycle analysis, thereby contributing to reducing the environmental footprint of their products and services.



In Innovation II, no companies have identified risks concerning raw materials, such as scarcity, pricing shifts, and procurement difficulties. The growing number of portfolio companies assessing these issues signifies an increased awareness of risks. Evaluating activity impact on raw materials empowers companies to reduce risks, ensure responsible sourcing, and enhance sustainability efforts.

### Areas of improvement



An environmental strategy is vital for companies as it outlines sustainable practices, reducing their environmental impact and ensuring long-term viability. 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.



Recognising that the tech sector contributes to 1.4% of total greenhouse gas emissions, we understand the urgency to take decisive action in reducing these emissions. Moreover, 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, Cathay initiated the process of assisting companies in assessing their carbon footprint to set reduction targets and monitor progress. Moving forward, we will continue to support companies in developing their carbon footprint reduction initiatives, as mentioned above.



FOCUS:

**DESCARTES**

Descartes demonstrates its commitment to environmental responsibility and sustainability by allocating a significant budget to offset indirect emissions, with a particular focus on mitigating greenhouse gas emissions from commercial flights. The company's underwriting guidelines further reflect their dedication to avoiding sectors such as materials and fossil fuels. Additionally, Descartes actively supports the renewable energy sector by providing quotes and binding policies, actively contributing to a more sustainable future.

FOCUS:

**Alma**

Alma is committed to promoting eco-responsibility and sustainability. The company has implemented various initiatives to achieve this goal. This includes regulating business travel by promoting remote working and online meetings, providing incentives for sustainable commuting, and creating energy-efficient workspaces. Alma actively engages employees in environmental actions like clean-up campaigns and charitable events, emphasising responsible waste management through reduction, sorting, and recycling. Their responsible purchasing policy focuses on eco-design and second-hand products, reflecting their dedication to a greener future.

# Giving back to society

At Cathay Innovation, we partner with companies that actively engage in community involvement and societal actions. We believe that participating in volunteering programs, charitable partnerships, environmental initiatives, and social impact campaigns is essential to making a positive difference in society.



A few examples of partnerships, mentoring, and donations initiated by portfolio companies:

**DESCARTES**

commits to a three-year partnership with École normale supérieure Paris-Saclay, emphasising diversity and equal opportunities. They actively support the sponsorship program for primary school classes under the Equal Opportunity School Plan, promoting quality education for all backgrounds. This reflects their commitment to social responsibility and supporting equal opportunities in the community.

**Alma**

invests in early-stage technology companies in Europe and Israel that are making a positive impact on the world. Alma has a strong focus on social impact, and it invests in companies that are addressing some of the world's most pressing challenges, such as climate change, poverty, and inequality. As part of their commitment, Alma has made financial donations to Ensemble Ukraine. Ensemble Ukraine is a non-profit organisation that is providing humanitarian aid to people affected by the war in Ukraine.

**RESILIENCE**

DIGITAL ONCOLOGY

is committed to community engagement and believes that it is important for employees to be able to dedicate a few hours of their time to charitable actions. The company offers employees one paid volunteer day per year to give back to their community. In addition, Resilience encourages employees to start their own employee-led initiatives to support charitable causes. These initiatives can range from fundraising events to mentoring programs.

# 6. Key takeaways and next steps





## Key takeaways and next steps

We acknowledge accomplishments in our portfolio and strive to improve ESG performance, motivated by our joint dedication to creating positive change for stakeholders, the environment, and communities.

Cathay Innovation proudly showcases the commitment and influence of portfolio companies on Sustainable Development Goals (SDGs), with many actively contributing to goals like Climate Action (SDG 13), Responsible Consumption (SDG 12), Innovation (SDG 9), Economic Growth (SDG 8), and Health and Well-being (SDG 3). We consistently support ESG practices within our portfolio companies, guiding their advancement in various ESG areas.

### Governance

Throughout 2022, our portfolio companies continued to uphold strong governance foundations and practices, particularly in ESG governance, business ethics, and data governance. Nonetheless, there lies an opportunity for further improvement by developing ambitious ESG roadmaps that encompass KPIs and executive supervision for execution, which in turn contributes to greater transparency in reporting and the overall progress of ESG initiatives.

#### → Next steps

- To promote sustainability at an operational level and foster the right company culture, Cathay will continue to actively promote the appointment of ESG Managers within portfolio companies, as many 2022 advancements came from ownership at the company level.
- To maintain stakeholder trust in today's digital business landscape, we will persist in offering support for integrating information systems security policies among our portfolio companies.
- To foster a stronger commitment to ESG principles throughout our portfolio, Cathay will further encourage companies to address ESG topics at the highest governance level.

### Social

In 2022, portfolio companies performed well in social issues such as health and safety, well-being human resources, and building a healthy and attractive environment for employees. In 2022, our portfolio companies all introduced well-being initiatives such as individual development plans and training programs. With HR managers in place, along with value-sharing practices and surveys, we are proud that our portfolio companies are dedicated to creating a positive work environment. While we've made strides, there's ongoing potential for growth, particularly in areas like diversity.

#### → Next steps

- We aim to promote a transparent and safe environment across our portfolio companies. To achieve this, we will support companies in implementing anonymous grievance schemes by sharing good practices through the Resource Hub or assisting in the selection of providers.
- We prioritise the establishment of a secure digital environment for both our portfolio companies and stakeholders. We promote the integration of information systems security policies throughout the portfolio.
- We are dedicated to fostering diverse and inclusive workplaces in our portfolio companies, with a special emphasis on achieving gender parity. Enhancing gender representation, especially at the executive level, serves as an example and inspires others. Our main focus will be to enhance gender diversity in European companies, in line with upcoming regulations.

### Environmental

Within Innovation II, our portfolio companies have implemented valuable initiatives to diminish their environmental impact, spanning activities across their operations and the creation of products and services. Furthermore, the adoption of a carbon footprint reduction strategy has emerged as a pivotal measure for our portfolio companies in 2022.

#### → Next steps

- At Cathay, we recognise the significance of assessing carbon footprints and setting reduction targets to address climate change. To contribute to reducing greenhouse gas emissions and fostering a more sustainable future, Cathay initiated the process of assisting companies in assessing their carbon footprint to set reduction targets and monitor progress, while concretely financing the companies' first carbon footprint assessment.
- Moving forward, Cathay will continue to support companies in developing their carbon footprint reduction initiatives, including the implementation of greenhouse gas emissions reduction action plans in all relevant portfolio companies by 2025.

# 7. 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 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

## 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

We have developed internal tools to measure companies’ impact and assess their exposure to climate physical and transition risks. To ensure robustness, we relied on widely recognised standards and frameworks.

For our impact measurement approach, we leveraged the framework developed by the Impact Management Project (IMP), an international organisation that brings together various stakeholders to establish a global consensus on measuring and reporting impact on people and the environment. According to the IMP, there are five complementary dimensions to understand and measure impact:

- WHAT** – This dimension focuses on the main Sustainable Development Goal (SDG) the company contributes to and its performance on associated metrics.
- WHO** – It identifies the stakeholders experiencing the outcome and assesses their level of underservice.
- HOW MUCH** – This dimension quantifies the extent of the company’s positive or negative contribution and the number of beneficiaries reached.
- CONTRIBUTION** – It evaluates how efficiently the company addresses the SDG target compared to alternative solutions.
- RISK** – This dimension explores potential positive or negative unexpected impacts.

Using this framework, we developed our own impact measurement approach, detailed in Appendix D, which provides an overall impact score out of 100 for each portfolio company. Based on this score, companies are positioned on the IMP’s spectrum, ranging from «causing harm» to «contributing to a solution,» reflecting their level of contribution towards attaining the UN-defined SDGs.

#### 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 Organisation (ITTO) agreement;
- Production of, or trade in, arms or ammunition;
- Production of, or trade in, alcoholic beverages (other than beer and wine)
- Production of, or trade in, tobacco; and alternative tobacco products, such as
- Gambling, casinos and equivalent activities;
- Trade in wildlife and products within the scope of CITES (the Convention on International Trade in Endangered Species of Wild Fauna and Flora);
- Production of, or trade in, radioactive materials;
- Production of, or trade in, or use of, asbestos;
- Commercial deforestation or purchases of equipment for such purposes in tropical rain forests;
- Production of, or trade in, products containing polychlorinated biphenyl (PCBs);
- Production of, or trade in and storage or transport of significant volumes of dangerous chemicals, or the use of dangerous products for commercial purposes;
- Production of, or trade in, pharmaceutical products subject to international prohibition or destruction requirements;
- Production of, or trade in, pesticides or herbicides subject to international prohibition or destruction requirements;
- Production of, or trade in, ozone depleting substances subject to international destruction requirements;
- Fishing at sea with the use of floating nets of a length exceeding 2.5 km;
- Production on, or investment in, land belonging to, or claimed in an adjudication process by, an indigenous people without the duly documented agreement of the same people;
- Activities contrary to applicable ADS or IFC policies (whichever is stricter in the case concerned)
- Threats to the status of individuals, leases, companies or private institutions;
- Production or distribution of, or trade in, pornographic material;
- Prostitution;
- Products and commodities subject to French or European embargo;
- Companies which realise their turnover in any Prohibited Activities;
- Companies which would not represent due compliance with the minimum requirements relating to Employment Conditions or regarding which the Management Company would reasonably determine that they would not comply with these conditions;
- Companies which are established or have part of their businesses activities in any country listed as a non-cooperative country and territory by the Financial Action Task Force on anti-money laundering and terrorist financing;
- Companies which are established or have part of their business activities in any country which is subject to sanctions imposed by the European Union pursuant to the procedure set forth in articles 96 and 97 of the agreement amending the Partnership Agreement between the members of the African, Caribbean and Pacific Group of States, of the one part, and the European Community and its Member States, of the other part, signed in Cotonou;
- Companies which are established or have a substantial part of their business activities in any country listed as tax heaven or a non-cooperative jurisdiction by the OECD; or
- Other investment funds or other pooled investment vehicles, except that the Fund may invest its available cash in money market funds or other short-term negotiable instruments for non-speculative purposes.
- Companies that generate more than ten percent (10%) of its turnover in coal activities, including but not limited to, coal mining and /or energy production and / or coal electricity. \*

\* Only applicable to Innovation III fund

## 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 action to be implemented by Cathay Innovation to track

#### 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 maximise 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 portfolio 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 > Climate action
7° Information on the strategy for alignment with long-term biodiversity objectives	x	x	> Fostering good ESG practices among portfolio companies > 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 > 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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