

2021 HKVCA ESG Award of Excellence: Adamantem Capital and Hygain Holdings

Background information - Hygain manufactures and sells specialised, premium horse feed and supplements to horse racing, breeding and equestrian markets through wholesalers and independent retailers in Australia, Asia, the Middle East, Europe and USA. Headquartered in Australia, since Adamantem's investment in 2017 it has grown through the acquisition of Mitavite, a premium brand with a focus on quality and nutrition, expansion into the leisure market and the establishment of a US presence. With a workforce over 100 employees and production volumes above 80,000 tonnes pa, it has developed a robust approach to integrating ESG practices across the business.

ESG initiatives introduced during Adamantem's ownership period – Adamantem's responsible investing approach aims to deliver outstanding financial returns on investments that positively contribute to social and environmental impacts (read more in our [2021 Responsible Investing Report](#)), including through portfolio company stewardship. During our ownership period Adamantem has supported the Hygain management team to develop and implement a range of ESG initiatives designed to both mitigate risks and create long-term sustainable value.

ENVIRONMENT: Reducing greenhouse gas emissions: As part of Adamantem's support of 100% of its portfolio companies to develop GHG emissions reduction approaches, Hygain measured its Scope 1, Scope 2 and material Scope 3 GHG emissions in accordance with the International GHG protocol. The Scope 1 and 2 baseline of 7,752tCO₂e was used to develop forecasts out until 2026 to quantify the emissions reduction challenge. Through a combination of on-site solar panel installations, the transition to green electricity purchases and the purchase of carbon credits to offset gas and fuel consumption, Hygain has developed a fiscally responsible net zero roadmap that could see it achieve Scope 1 and Scope 2 net zero carbon emissions in 2026. Hygain has started implementing this plan, installing 554kW of rooftop solar in 2021, with a projected reduction in annual GHG emissions of 517tCO₂e based on current production schedules, with a second installation currently in feasibility planning stage. **TCFD-aligned transition and physical climate risk assessment and mitigation:** During 2021 Hygain also used Adamantem's TCFD-aligned climate risk assessment framework to assess its physical and transition risks and opportunities, to enable it to mitigate exposure to climate risk and understand how to create value through transition opportunities. This assessment used scenario analysis, including both a higher transition risk scenario (~1.5-1.8°C) and a higher physical risk scenario (~3.2-4.4°C)¹. The results are being integrated into Hygain's risk management approach and future strategic decision-making, with a particular focus on managing physical climate risks in its Australian supply chain given its relatively higher physical climate risk exposure.

SOCIAL: Modern slavery risk management: Hygain has undertaken a detailed, expert-led assessment of the modern slavery risks within its operations and supply chains designed to improve the management of these risks, enhance the integrity, sustainability and quality of its supply chains, and uphold its responsibility to ensure the respect of all human rights. Using a framework incorporating the principles from the United Nations Guiding Principles on Business and Human Rights, Hygain used the findings to conduct senior management training on modern slavery risk management and develop a multi-year modern slavery action plan. This plan has over 15 separate action items, including steps to upgrade policies, improve labour hire agency management and develop Supplier Codes of Conduct and supplier engagement and monitoring tools, with a short term focus on high risk suppliers. **Creating an inclusive and diverse workplace:** As part of Adamantem's portfolio-wide focus on establishing inclusive and diverse workplaces to create opportunities for outperformance as well as social and economic inclusion and engagement across the community, Hygain has developed an Inclusion & Diversity Strategic Plan. This plan focuses on four key pillars of Recruit, Develop, Include and Lead, with a detailed action plan underpinning it which is being overseen by an Inclusion & Diversity Committee established expressly for this purpose. As at 30 June 2021 Hygain's Senior Leadership Team was 38% female. Adamantem recently conducted a review of the gender diversity of all portfolio company Boards, which resulted in the Hygain appointment of a senior female with strong marketing expertise to support the strategic brand and offering refresh. Hygain's Board is currently 33% female. **Animal welfare:** Hygain supports the work of Off The Track, a program which facilitates the placement of retired racehorses in second careers, through the provision of complimentary nutrition advice and the most appropriate feeds and supplements on a subsidised basis. This program is a cornerstone to securing the welfare of horses in the longer term.

¹ For more detail see "Climate Change"(pp31-38) in our [2021 Responsible Investing Report](#).

HKVCA ESG AWARD OF EXCELLENCE 2021 SUBMISSION

ADM Capital Entry: KreditBee – Enabling Credit Access to New Borrowers in India

OVERVIEW

KreditBee, established in India in 2016, is a digital consumer lending business providing personal loan products to working professionals early in their credit history. To date, KreditBee has serviced over 3.0 million customers, disbursing more than USD 1.0bn in loans.

ADM Capital provided growth financing to KreditBee in 2019 which was used to expand the company's loan book.

ESG INITIATIVES

This investment has an inherent strong social benefit given that KreditBee provides young professionals access to credit for the first time, helping them build their credit history. By providing financial inclusion to this otherwise unbanked and underbanked demographic, KreditBee is helping to support various Sustainable Development Goals including, 8 and 10 (Decent Work and Economic Growth; and Reduced Inequalities).

In approaching this investment, ADM Capital engaged external ESG experts, and together worked alongside KreditBee's management team to develop an Environmental and Social Action Plan (ESAP), which included establishing milestones for further actions to be monitored as part of ADM Capital's investment covenant compliance. This included areas such as employee welfare and equality in the workplace, data protection and preventing data breaches, increased hiring of female employees, and initiatives focused on increasing female customer inclusion. Progress was reported quarterly, and additionally, ADM Capital used their position as Observer to the Board of Directors to monitor and provide input on environmental and social issues.

IMPACTS

To encourage female inclusion, who are otherwise under-represented in this sector, under the guidance of ADM Capital, KreditBee introduced initiatives including providing concessional interest rates to female customers. These initiatives succeeded in allowing KreditBee to disburse 11% of their total loan book to women, simultaneously incrementally increasing the number of new female customers acquired every month, all potential customers for new business. Notably, these initiatives have also been financially successful for KreditBee as female borrowers have a lower propensity to default on loans vs their male counterparts.

Inclusion and empowerment are central tenets to ADM Capital's investment ethos and KreditBee's business, both for customers and employees. Under ADM Capital's guidance, KreditBee increased the percentage of female employees in their business from 30% in March 2019 to 40% as of September 2021.

To promote data privacy and prevent data breaches, which could result in the exposure of sensitive information, KB built up its data security infrastructure, including agreeing to a minimum annual investment and building up a full-time designated data security team. The company's data security infrastructure is industry leading and their track record of avoiding data breaches has been impressive.

ADM CAPITAL

Together, these strategic ESG initiatives succeeded in adding significant value to KreditBee's business, ensuring continued growth and access to capital markets via both private equity and private credit investors. ADM Capital exited our loan to KreditBee in August 2021 achieving the contractual return due. ADM Capital remains an equity investor in KreditBee given our conviction on the long term growth potential of this transformative business.

✓ With 45-year history, Shih An Farm is a leading healthy consumer food brand and trailblazing ESG practitioner, with the largest and one of the earliest farming of full animal welfare system in Taiwan.

Basic Information

- Foundation**
- 1976 in Kaohsiung, Taiwan
- Business Introduction**
- A comprehensive product mix including branded fresh egg, processed egg and other chicken products in Taiwan. Produces over 130mn pcs fresh eggs per year, with 700k+ hens.
 - The largest egg supplier of COSTCO and 711 in Taiwan with long-term trusted relationship, receiving high reputation in terms of quality control and ESG standards.
- Investment**
- In 2018, Advantage Partners Asia Fund acquired Shih An Farm and successfully transformed a family-owned business into a leading institution of modern agriculture and food manufacturing business.



Key ESG Initiatives

✓ Guided by Advantage Partners' philosophy of "we nurture our portfolio companies to remain resolutely competitive and contribute to global environmental and social impact even after they have left our funds", tremendous efforts have been made since the investment to position Shih An Farms as the leading ESG player in the industry

Carbon Neutral & Green Energy

- Shih An Farm continually improved and utilized its on-site green energy plant to recycle wastewater and manure to generate electricity (over 3,000 megawatt hours per year) and liquid fertilizer, and reduce carbon emission and wastewater (e.g. processed 19,700 metric tons of chicken manure and 33,200 metric tons of wastewater respectively in 2019).
- Proactively exploring collaborations to supply green energy to external parties such as semiconductor companies and Apple's upstream suppliers in Taiwan.
- Much recognitions has been received for the efforts in carbon neutrality:
 - In 2018, the green energy plant was awarded outstanding winner in low-carbon product competition by EPA in Taiwan.
 - In 2019, the methane electricity generation project was awarded with the Food Innovation Award (FIA) in Taiwan. In the same year, Shih An Farm was cited by EPA in Taiwan for contributions towards the establishment of database of carbon emission index.
 - In 2020, Shih An Farm was invited in to showcase its experience in green energy at Asia's Sustainable Supply & Circular Economy Conference and Exhibition.

Animal Welfare

- In addition to being the most advanced in the industry for enriched-cage egg farming, Shih An Farm started to invest in cage-free farming, 2020, aiming to take Shi An Farm's animal welfare standard into a new level.

Environment Protection & Circular Economy

- Completed the wastewater treatment facility and have achieved full recycling of wastewater with zero wastewater discharge at overall company level.
- Utilized retired layers to produce by-products such as chicken essence and to reduce biological pollution. In Dec 2020, the chicken essence was awarded the SNQ "Symbol of State Quality" in Taiwan.

Product Quality & Safety

- Developed the highest food safety standards in the industry (SQF level 3 & FSSC22000, with one-time pass with high scores by Costco's inspections in 2021 and etc.).
- Introduced and implemented industry-leading processing/grading machines from Japan.
- Helped consummate the overall traceability system with over 400+ testing items.
- Planning to build a new state-level food-safety laboratory in order to further enhance the quality control and food safety management.



Trimco Group (“Trimco”) Enable Sustainable Supply Chains and Traceability in the Fashion and Apparel Industry

Trimco is a global supplier of sustainable brand identity products. It provides trims, packaging and care labels for international fashion and sports brands. Trimco’s technology-enabled labels provide the fashion and apparel industry an essential solution to the issue of supply chain traceability and transparency, connecting brand owners to consumers, and driving positive change throughout the supply chain.

Trimco has a global workforce of more than 1,700 employees in 22 countries, serving more than 740 brand owners and 8,600 manufacturers around the world.

Since Affinity invested in Trimco in 2018, we partnered with Trimco to develop its ESG Playbook and built a suite of strategic ESG capabilities, making sustainability a core pillar of the business.

Key Strategic ESG Initiatives**1. Sustainable Supply Chain in Production**

- Sustainable Materials: 25% of the woven labels and 69% of care labels are produced from recycled material, 54% of paper used is FSC certified.
- Supply Chain Management: Significantly improved supply chain transparency through partnering with the leading external organizations in this area e.g., Higg Index, OEKO TEX, SMETA / SEDEX, BSCI, ISO 9001.
- Human Rights: Active monitoring and zero incidents of child labor forced labor and modern slavery thus we are chosen as a key partner to brands requiring the highest level of supply chain transparency such as Nike and Addias.

2. Supply Chain Traceability and Transparency

- Sustainability Track and Trace IT system: Developed proprietary system to rapidly support brand owners to substantiate any sustainable claims, fulfill regulatory requirements, and increase usage of sustainable materials. Since launch in 2020, Trimco has supported clients and enabled supply chain transparency of over 3 million fashion items sold per week.
- RFID Tags & QR Codes: One of the small number of suppliers worldwide who have pioneered the use of this technology. RFID tags embedded in the care labels help optimize inventory management and reduce stock wastage. QR codes printed on tags or labels help provide consumers with supply chain transparency through scanning the QR code.
- Industry education and promotion of technology: Trimco CEO, Amy Wan, spoke at the SG Innovate panel on Supply Chain Traceability and Transparency in September 2021, to share knowledge and best practices since we are seen as an industry leader on this topic.

3. Environmental Management

- Sustainability Standards: Since 2020, all 11 wholly owned production sites have implemented Higg Index Sustainable Apparel Coalition standards, the gold standard in the apparels industry. In this short time, 2 sites have been fully endorsed by the Higg Index, with the remainder sites to follow soon.
- Climate Change & Renewable Energy: Trimco recognizes the importance of climate change. In 2020, we developed the ability to measure our Scope 1 & 2 emissions and conducted renewable energy feasibility studies on all production sites. As an outcome of the study, we have installed solar panels at the China production site, providing 0.84MWh of renewable energy.
- Waste Reduction: Committed to reduce waste and aiming to eliminate “all industrial waste to landfill” at all production sites.

4. Human Capital: Employee Health & Safety, Talent Development

- Diversity and Inclusion: Committed to create a diverse and inclusive culture with high female staff representation at all levels. 66% “C” level management, 50% board members and 43% overall staff are female.
- Occupational Health and Safety: Established comprehensive safety policy and provided safety training to all employees. Incident rate remains below 0.05%, one of the best in the industry.
- Talent Development: Trimco supports employee talent development through a wide range of learning and development options.

Affinity Equity Partners (“Affinity”) is a responsible investor. We believe that integrating ESG risks and opportunities in our investments while deepening our orientation towards building purposeful businesses is essential for developing a sustainable long-term investment programme. We are signatory of the UN PRI.

Appendix

Examples - Sustainable Materials in Production and the Supply Chain Traceability and Transparency

Sustainable Trims & Badges

Trimco provides a range of options of natural and recycled materials for its trims and badges. For example, vegan leather does not use any animal hides instead recycled materials e.g., pineapple or apple peels are used.



Sustainable Packaging

Trimco provides a range of sustainable packaging materials. Paper is made from FSC certified paper, whereas bags are made from biodegradable materials.

This example bag is made of 100% post-consumer recycled plastic. As well as being home compost certified, it complies with EN13432 standard which requires that 90% of the material will decompose in an industrial composting facility within 180 days.



Sustainable Labels

Trimco provides options for brands to use more ethical and responsible choices in choosing raw materials. This example is a label made of 50% recycled cotton and 50% conventional cotton and is a mix of natural and reused materials.



Enabling traceable and transparent supply chains

Trimco’s sustainability track and trace system enables brands to increase their use of sustainable raw materials and ensure the traceability of any sustainable claims made.

As an example of Trimco’s QR code solution, their B2C platform enables brands to engage consumers by communicating all details of sustainability claims made, including where to recycle the garment when it has reached the end of its useful life.



Interplex (Fund VI)



Executive Summary

Interplex is a Singapore-based global manufacturer of highly engineered precision components serving the automotive, networking, consumer electronics, healthcare, and telecom sectors. The company has c.12,000 employees globally in 33 locations across 13 countries and 12 R&D centers. During BPEA's ownership, Interplex has become an ESG leader in its sector, focusing on creating a sustainable business model, with improving environmental footprint, enhanced governance, and best health & safety practices.

ESG Efforts

BPEA privatized Interplex from the Singapore Stock Exchange in 2016. Post-acquisition, BPEA worked alongside management to transform the business into a higher growth business focused on sustainability and key megatrends around decarbonization of transportation, future mobility, and digitalization.

Environment:

- The company has made significant efforts to create a more sustainable business, with >80% of revenue today generated from end-markets related to sustainability (including vehicle electrification, 5G, and data centers)
 - Interplex's revenue from the EV industry is six times our initial entry
- Interplex also pursued various initiatives to increase the use of renewable energy and improve its impact on the environment:
 - Converted 65% of lighting in its global manufacturing facilities to LED lighting
 - 37% of Interplex sites in China have solar panels installed
 - Eliminated usage of 100% plastic water bottles in factories, offices, and R&D centers
 - Announced its support for the Task Force on Climate-related Financial Disclosures, demonstrating a commitment to building a more resilient financial system and safeguarding against climate risk through better disclosures

Governance:

- Interplex became one of BPEA's first portfolio companies to publish an Annual Sustainability Report, which provides a comprehensive overview of the firm's ESG efforts and its progress against meeting key performance indicators
- Established a Sustainability Committee, chaired by the CEO and includes CFO, CHRO, Chief Supply Chain Officer, VP of EHS, Regional Vice Presidents and the Group's General Counsel. The Committee oversees and coordinates the implementation of Interplex's ESG initiatives
- Enhanced its Code of Business Conduct and Supplier Code of Conduct to better serve Interplex customers that have increasingly stringent responsible supply chain requirements
- BPEA also enhanced the existing governance structure by nominating two non-executive directors to the board and augmenting the leadership team to help implement and drive the business transformation

Social:

- Interplex has made significant investments to enhance health and safety conditions and controls, resulting in significant improvements in accident rates and other related metrics.
- Introduced program to include retirees and workers over the age of 60 as consultants and contractors
- Achieved 67% reduction in the number of recordable work-related injuries since FY2018

Outcome


BPEA signed an agreement to fully exit the company in September 2021, completing the multi-year transformation and repositioning. We believe that the company's positive ESG focus helped create significant value over our holding period, in particular by attracting well-known clients with similar ESG standards. The exit achieved a 4x multiple of invested capital.

Interplex remains dedicated to pioneering best practices focused on sustainability with a strong customer-centric, innovation, quality, and ESG ethos.

Introduction

Established in 2015 as a start-up company for the production and supply of natural aroma chemicals, essential oils and extracts for the Flavor and Fragrances industry, PT Natura Aromatik Nusantara (NAN) is considering sustainable and ethical business practices a crucial part of our success. So much so, that it is embodied in our company slogan “Doing Well By Doing Good” and takes center stage in our company Vision; **“Become Indonesia’s sustainability leader as producer and supplier for the Flavor and Fragrances industry by offering high quality aroma chemicals, essential oils and extracts, in a sustainable, ethical and transparent manner only.”**

The journey towards sustainability leadership has required a multipronged ESG approach over the past years, that is now bearing fruit and has resulted in multiple Top 5 players in the industry to seek out long terms Partnerships with Natura Aromatik for their sustainable, responsible and traceable supply of natural clove derivatives and essential oils for their consumer product applications. Below is an overview of the accomplished ESG initiatives.

<p>Environment; At the core of our values lies the belief that we are stewards of nature. Nature provides us with the natural raw materials that are critical for the production of aroma chemicals, essential oils and extracts for our customers in the Flavor and Fragrances Industry. It’s our responsibility to do everything we can to protect nature.</p>	
<p>Waste Water Treatment Plant (WWTP)</p>	<p>The production process of clove derivatives requires significant volumes of water (60 M3/day), because of the production of Crude Eugenol. This results in wastewater containing high levels of TDS and COD.</p> <p>NAN has invested USD 150 thousand into a new WWTP, within the factory grounds for complete transparency and compliance with government standards and regulations. In 2021 both local government and SEDEX Auditors have verified and confirmed compliance. (See Appendix A; WWTP photo)</p>
<p>Sustainable Forest Business Initiative</p> 	<p>Partnership with PT REKI, owner of the first Eco Reforestation Concession (ERC) in Indonesia, covering 98,555Ha in Sumatra to collaborate on the cultivation, distillation and off-take of sustainable and traceable Patchouli Oil.</p> <p>NAN is providing REKI with Technical assistance to conduct a trial on 1.5 Ha of land for Patchouli cultivation, with the intent to scale up to 50 Ha and eventually 100 Ha for Patchouli cultivation, harvesting and distillation. Technical assistance consists of advice on use of seedling type, organic pesticides and the design of distillation units, utilizing organic biomass from waste. NAN has also committed to a minimum of 5MT/ month long term off-take contract with REKI, to secure the economic viability of the initiative.</p> <p>Traceability and Fair-Trade principles are adopted up to farmer level, to ensure transparent supply chain practices and fair pricing.</p>

<p>Social; Understanding creating and managing positive social impacts is paramount to creating long term productive and trusting relationships with our employees, our customers, our suppliers and the communities we operate in. We do this by providing jobs, training and knowledge transfer for distillations and by digitalization of the supply chain to establish direct communication with smallholder communities.</p>	
<p>Supply Chain Digitization</p>	<p>Utilizing readily available technology and rolling it out through NAN’s supply chain, has allowed us to achieve significant progress in achieving transparency, efficiency and responsible sourcing compliance within our own supply chain and that of the global supply chain for the Flavors & Fragrances Industry. (See Appendix B).</p> <p>This initiative has a significant impact on Traceability, Data Transparency, reduction of supply chain inefficiency and promotion of Fair Trade at farmer level.</p>
<p>Governance: The long-term success of our customers, is best served with an open, transparent and responsible approach to the management of our business and operations. Ethical business practices, corporate compliance and strict quality and governance controls, provide our customers with the trust and confidence they need to start and maintain long term relationships with us.</p>	
	<p>Assessment of how Natura Aromatik is performing according to SEDEX standards, requires independent, professional experts that are recognized for their knowledge and integrity within the global Flavors and Fragrances Industry and beyond.</p> <p>The reliability of our sustainability claims can be verified through our ability to identify and trace the history, distribution, location and application of our raw materials and finished products. This transparency and traceability extend to areas such as human rights, labor (incl. Health and safety), environment and anti-corruption.</p>
	<p>By partnering with our customers and suppliers and align ourselves with the universal EcoVadis standard, we are able to collectively improve the performance of the Flavor and Fragrances supply chain by focusing on reducing our environmental footprint, provide a positive social impact on the communities we operate in and be completely transparent about our performance in the areas we need to improve in.</p> <p>Once we finalized the SEDEX compliance audit, Natura Aromatik enrolled into EcoVadis Membership, soon after. Albeit similar in many respects, EcoVadis assessment has an even deeper focus on responsible and sustainable sourcing. Something that is close to our heart and equally important for our customers and stakeholders. With our first document submission finalized in early August 2021, we are now awaiting the first assessment results.</p>
	<p>Over the past year, NAN has gone through a complete transformation of its internal (back and front office) business processes, with the intent to create complete transparency of its business and financial operations to stakeholders. Through that transformation, we have achieved full digitalization of our back-office processes and 50% increase in productivity.</p> <p>Any Financial/ Tax and Quality Audit can now be conducted directly from the system.</p>

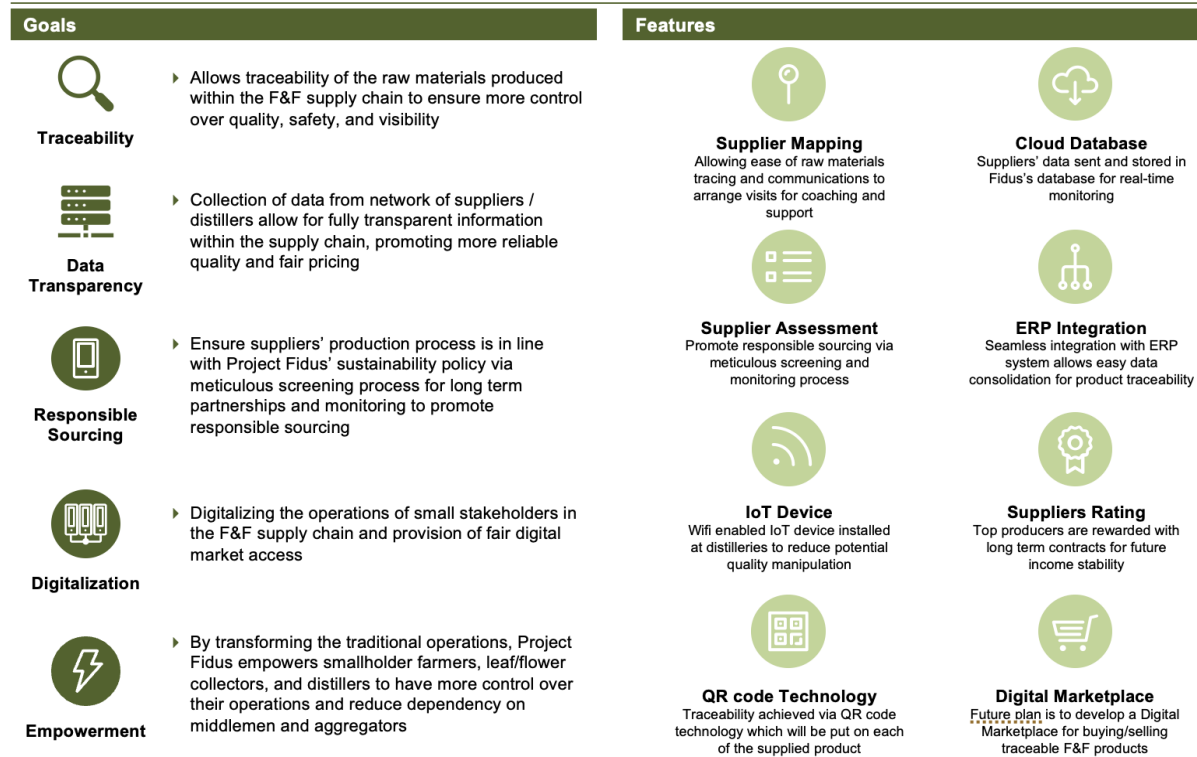
Appendix A: Photo of Waste Water Treatment Plant



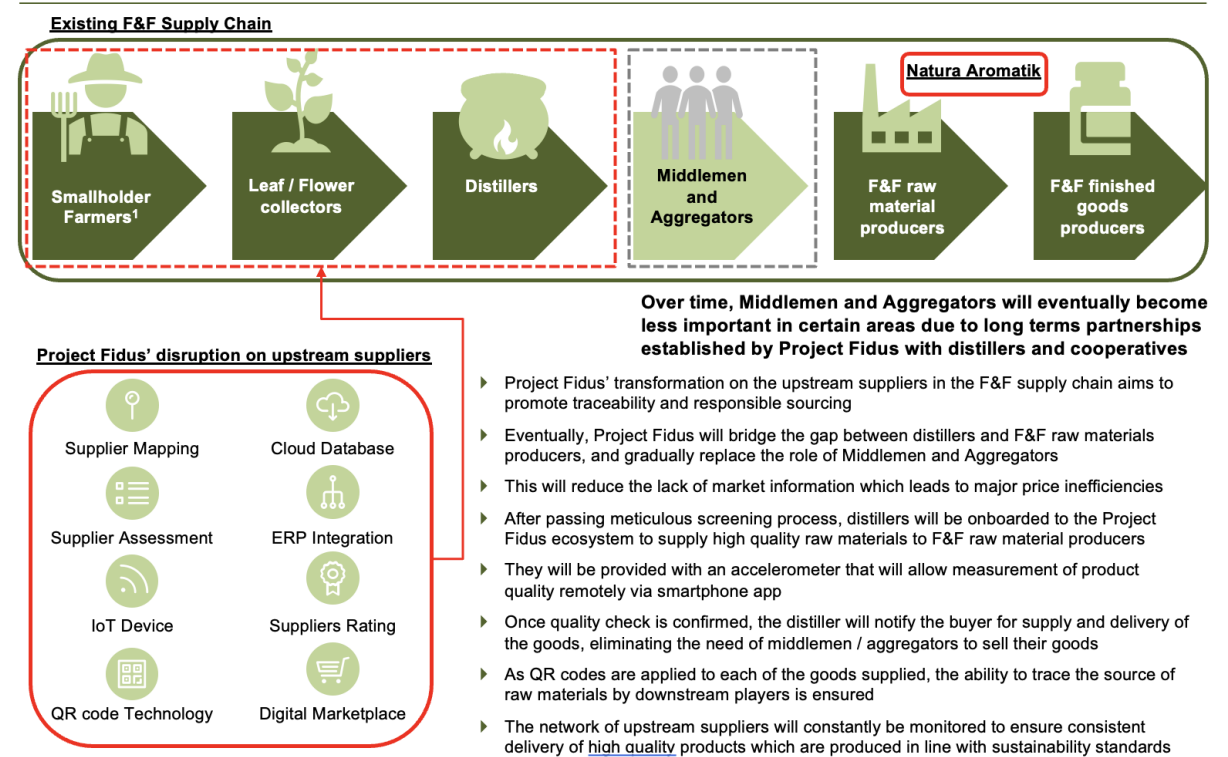
- Keterangan :
1. Grease Trap
 2. Kolam oksidasi dan equalisasi
 3. Reaction Tank
 4. DAF
 5. Kolam Thickner
 6. Drying Bed
 7. Kolam Aerasi 1
 8. Kolam Aerasi 2
 9. Kolam Clarifier
 10. Filter pasir dan filter karbon aktif
 11. Kolam Kontrol
 12. Kolam Buffer bakteri

Appendix B: Digitalization Initiatives

Supply Chain Digitalization Goals and Features



Transforming the F&F Supply Chain through Project Fidus





CBC's ESG philosophy

CBC has viewed ESG factors to be an integral part of our investment decision-making process. As a leading investor-operator in healthcare, CBC believes ongoing consideration of ESG factors during the investment process, as well as management and monitoring of ESG issues post-investment, help reduce our risks and drive value for our investors, partners, and communities.



I-Mab Biopharma background

Founded and incubated by CBC in 2016, I-Mab Biopharma is a dynamic, global biotech company exclusively focused on discovery, development and soon, commercialization of novel or highly differentiated biologics in the therapeutic areas of immuno-oncology and autoimmune diseases. In January 2020, I-Mab successfully completed a NASDAQ IPO, which marked the first Chinese biotech to list in the US in nearly three years. I-Mab's stock has risen by ~418% as of September 30, 2021, with a market cap of over US\$5b.

ESG Initiatives and Achievements

As the builder and shaper of leading healthcare platform companies, CBC prides itself in its ability to drive long term value creation at the portfolio company level including through ESG initiatives. Since incubating I-Mab from scratch in 2016, CBC has helped I-Mab establish its initial operation and governance structures including its initial ESG framework, which was subsequently expanded and refined regularly to incorporate industry best practices. In addition, we continue to share our ESG philosophy and actively engage with I-Mab's management teams to promote and attain better ESG performance. For example, CBC and its ESG advisor "Corporate Balance" conduct annual ESG review for I-Mab, during which process CBC and its advisor engage with relevant teams at I-Mab to identify potential ESG risks and ESG value add opportunities. The results of the review will be shared with I-Mab management team to guide future ESG plans and goal setting.

CBC's portfolio management team (JVC) is responsible for leading ESG initiatives at portfolio companies. For I-Mab, these initiatives included increase healthcare access, management/ board diversity, introduce corporate social responsibility activities, enhance corporate governance structure and employee engagement. Ms. Lan Kang, co-head of JVC team at CBC, serves a Director on I-Mab's board together with CBC's CEO, Mr. Wei Fu, who also serves as the Chair of the Nominating and Corporate Governance Committee. With two key representatives on the board, CBC continues to drive value creation for I-Mab through various ESG initiatives. And we are pleased to see great ESG achievements at I-Mab (listed below).

ESG Committee

I-Mab Announces Establishment of Environmental, Social and Governance Committee on August 19, 2021. Board members including two CBC team members, Fu Wei and Lan Kang were instrumental in pushing through this initiative. As the oversight body for the Company's ESG practices, the committee is responsible for supervising the ESG strategies, policies, long-term sustainability objectives and risks of the Company. In addition, the Company will also establish an ESG working group to address daily ESG workflows.

Diversity & Inclusion

In 2020, I-Mab launched a Women's Leadership Council (WLC) globally to help future female leaders accelerate their career development. Women account for about two-thirds of its employees, with 57 percent holding a master's degree or above, and over 30 percent of I-Mab's Board of Directors are female.

MSCI ESG Rating

I-Mab is committed to a corporate culture of diversity, inclusion, social responsibility and outstanding governance. In July 2021, I-Mab was granted a BBB rating, the highest newly initiated rating among China-based biotech companies, by the MSCI ESG assessment.

COVID-19 Contribution

At the peak of COVID-19 outbreak in 2020, I-Mab donated urgently needed medical supplies worth of RMB 800,000 to hospitals and healthcare workers in Wuhan, China and US\$ 50,000 to BayHelix, a non-profit organization focused on global life sciences and healthcare community, to fight against the pandemic globally.

Corporate Social Responsibility

In July 2021, I-Mab donated RMB 1 million to Henan Charity General Federation for the rescue and reconstruction of flood-hit regions in Henan Province.

Human Capital Management

In 2021, I-Mab was honored with the T+ Excellent Employer award based on an assessment of best practices in areas such as technological leadership, organization and talent, and commitment to creating a diversified workplace.

ESG Index Inclusion

I-Mab will be added to the following FTSE ESG (Environmental, Social and Governance) Index Series, in addition to the FTSE Global Equity Index Series ("GEIS"). The inclusions include: FTSE Emerging ESG Low Carbon Select Index and FTSE Asia ex Japan ESG Low Carbon Select Index.

SUBMISSION For HKVCA ESG Award Of Excellence 2021

Climate change issues have become great threats globally. Renewable energy is one of the most effective tools we have in the fight against climate change. CDH hopes to leverage its financial capital to help the development and upgrading of renewable energy.

Case Background

CSI Solar is one of the world's largest solar photovoltaic (PV) products and energy solutions providers. CDH invested in CSI Solar in 2020.

Solution for Clean Future



Contribution to Carbon Neutral Goals

- **Huge Demand-Supply Gap:** According to calculations by the International Renewable Energy Agency, to reach the 1.5-degree Celsius Paris Agreement goal, a minimum of 440 GW of annual solar installations is required, which is well over three times 2020's record global annual installations of approximately 140 GW.
- **Technology and Cost Advantages:**
 - > Solar PV is cheapest source of energy with the most competitive Levelized Cost of Electricity (LCOE) across all major power markets.
 - > CSI Solar is industry leader in module power and cell conversion efficiency.
 - > CSI Solar set the world record three times for conversion efficiency of polycrystalline solar cells.
- **Create Exciting Environmental Values:**
 - > 11.2 GW solar modules pipeline in 2021 globally, indicating clean power generation of 16.5 TWh and equivalent to reduction of 16.5 million tons of CO₂.
 - > ~18% of manufacturing operations powered by renewable energy in 2020, equivalent to 2.7 tons of CO₂ reduction.



Solve Critical Challenges

Energy storage challenges remain unmet and technology is advancing more slowly than energy generation. CDH promotes stored energy development of CSI Solar after investment. Energy storage pipeline of CSI Solar in Q1 of 2021 reaches 10 GWh, far beyond the industry highest level.

Create Broad Social Benefits

Support Gender Equality

- Goal of 40% female workforce and 30% women in management positions by 2025.
- Chief Sustainability Officer of CSI Solar founded Women in Solar Energy (WISE), an industry association to promote the career development of women in the solar industry in China.
- WISE has over 50 female members and organized nearly 10 events in China.



Provide Continuous Learning Opportunities

- “Solar University Program” covered all employees, with over 10 courses provided each year.
- Partner with the University of New South Wales (UNSW) in Australia to promote knowledge sharing and advanced hydrogenation technology application.



Community Responsibility

Society of Entrepreneurs & Ecology (SEE) is a well-known environmental conservation NGO in China, dedicated to restoring the ecologies of deserts and major water bodies. CSI Solar actively supports SEE by sharing its experience in challenges and opportunities brought by low-carbon energy transition.



Looking Forward on Sustainable Development

In comparison with 2020, CSI Solar has developed its 2025's sustainability goals. CDH will support CSI Solar towards achieving those goals.

- Achieving 100% renewable energy.
- Greenhouse gas emission intensity reduction of 37%.
- Energy intensity reduction of 36%.
- Water intensity reduction of 45%
- Waste intensity reduction of 49%.

For further information about this case contact:

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- ✓ **GSD-KY (GSD Technologies Co., Ltd.; stock symbol 6631.TT) The background introduction**
- ✓ GSD Technologies Co., Ltd. was formerly a business subsidiary in China of GSD Industrial Co., Ltd in Taiwan. GSD Industrial was founded in 1975 and has more than 40 years' experience and was originally dedicated to the manufacturing and sales of pumps in areas of environmental protection, fire equipment, hydroelectricity and industry. Subsequently, GSD Industrial established a subsidiary called GSD China Co., Ltd. (GSD China) in 1994 to target the market in China. In 2001, GSD China was transformed and shifted its focus to sewage treatment plant systems and gradually integrated ancillaries into its product line. Meanwhile, its direct-sales network expanded steadily.
- **How CDIB Venture Capital Corp. (CDIB) Has Contributed to ESG Initiatives**
- ✓ **Assisting GSD's Enterprise Transformation—In just over 25 years, GSD grew from a family business to a publicly listed company led by professional managers:** It was in 2001 when GSD China decided to transform its business model to sewage treatment plant systems due to its concern for environmental protection, Hsieh Hung-June took over as general manager of GSD China. Under his proactive leadership, he thoughtfully implemented in-depth marketing strategies and cultivated a Chinese sales team that developed stable revenue and profits with the annual growth rate of 20%. Nevertheless, in 2010 the business had hit a plateau. CDIB approached GSD and had a thorough discussion with its Chinese management team. The outcome shed light on the key which prevented the company from growing was the discrepant views on business development between the Taiwanese shareholders and the Chinese management team. Therefore, together CDIB and the Chinese management team explored the possibility of an MBO (Management buyout) and further designed the proposal for such. As the lead investor, CDIB provided external capital (in April 2015, CDIB invested USD 3.529 million and owned 19% of shareholdings; at the end of September 2021, CDIB owned 7.68% shareholdings.) to complete the MBO process. Under the synergy of the management team and the board of directors, CDIB had transformed this family enterprise into a successful business model led by professional managers—GSD-KY. In September 2018, GSD-KY was listed at Taiwan stock exchange.
- ✓ **Facilitating the Operation of the Board of Directors and the Governance of the Company:** After GSD completed the MBO, the CDIB team participated in the decision making process as members of GSD's board of directors and helped review GSD's strategic marketing plans, a 5-year business plan, business developmental strategies and adjustment of its organizational structure. Since 2015, GSD's revenue and profit increased. From time of the MBO to its publicly listing in 2018, its revenue growth rate was 27.2% and its compound annual profit growth rate rose to 121.4%.
- ✓ **Introducing an Efficacious Strategic Partner to GSD:** In 2018, CDIB introduced GSD to Advantech Co., Ltd. (stock symbol 2395.TT)—the globally preeminent industrial computer enterprise whose market cap was around USD 10.17 billion on November 3, 2021, which prompted their collaboration. Forming a strategic partnership, the two giants worked together to found GSD Environmental Technology Co., Ltd. to leverage Advantech's technological expertise in Artificial Intelligence of Things (AIoT). While GSD is highly reputed for its rich experiences and advance technology in environmental protection, Advantech has specialized in Internet of Things (IoT) and Industrial Automation (IA). With their respective expertise, these two enterprises teamed up and developed a multifunctional Smart Water Control System which incorporated real-time monitoring, remote operation, equipment maintenance and data analysis. In addition, it also enhanced the operational efficiency and efficacy of the equipment, accumulated data to establish of their database for Big Data for the analysis of the equipment and technical process.
- **CDIB's ESG Achievement and Results**
- ✓ **Environmental Initiatives in China**

In 2020, GSD Pinghu factory used solar power to sustain 48% of its electrical operation. Its Yangzhou factory and the upcoming second Pinghu factory have also planned on utilizing solar power and have integrated other energy saving measures. Furthermore, both Pinghu and Yangzhou factories have incorporated environmental initiatives including the use of water-based paint into their buildings; 90% of Pinghu and 30% of Yangzhou factory's paint is water-based. Water-based paint efficiently reduces the use of organic solvents and detergent. With these improved conditions in the work environment, safety at workplace and atmospheric pollution were both addressed.
- ✓ **Green Products**

GSD concentrates its effort on the environmental protection industry and 70% of its revenue comes from this market. Its consistent development on AIoT products serves the purposes of equipment life extension, optimization of operations, energy saving and digitized inspection. For instance, GSD products provided intelligent surveillance that helped an industrial area in central Taiwan to apply smart control to their wastewater blowers. After a simulation on GSD's AI system, results showed a reduction in energy consumption of up to 40% for their wastewater blowers. Moreover, GSD provided AIoT technology to aid an industrial area in southern Taiwan in solving their problems of exceeding ammonia nitrogen effluent standards in wastewater.
- ✓ **Green Investment**

In June 2021, GSD acquired 23.53% of Yuh Shan Environmental Engineering Co., Ltd.'s shares, whose main service includes soil remediation and mechanical and biological treatment (MBT) of household waste. This enterprise has undertaken more than 110 cases and offered effective solutions for soil pollution. Additionally, their MBT extracts reusable resources and turns them into Refuse Derived Fuel (RDF), which tackles the waste issue effectively, helping them to achieve up to 80% waste reduction. To date, Yunlin County in Taiwan has been applying this solution with concrete results. Soon, Pingtung County will also adopt this solution, whose RDF5 calorific value is only 2/3 of heat derived from coal burning and its carbon emission is merely 1/3 that of coal. This solution does not only significantly reduce waste, but also RDF5 can substitute for coal fuel, reduce costs and lower carbon emissions.
- ✓ **Green Awards**

Since GSD established its subsidiary in China, the company has frequently been selected one of the top ten sewage treatment plant suppliers and top 50 enterprises for sewage disposal in China. From 2018 to 2020, it won several awards for environmental protection:

 - The Most Valuable Environmental Facility Brand China—Best Brand in Pump
 - Gold Standard Enterprise-- Sewage Treatment Plant and Technical Service
 - The 2019 Zhejiang Invisible Champions Cultivating Enterprise
 - Most Valuable Brand for Sewage Treatment Units
 - Green Talent Awards—Outstanding Enterprise with Innovative Environmental IoT Techniques
 - Credible and Promise Compliance Unit in Zhejiang province—Level A Honor

HKVCA ESG Award of Excellence 2021 – Submission by CVC Capital Partners

Company Background

On June 2018, CVC Asia acquired a 100% stake in Munchy Food Industries Sdn Bhd (“Munchy’s”). Founded in 1991, Munchy’s is the #1 domestic manufacturer of biscuits and wafers in Malaysia. Its well-loved products range from sandwich cookies such as Lexus to health-oriented cookies made with oats such as Oat Krunch. Munchy’s operates a large manufacturing factory in Batu Pahat which has an annual production capacity of 41,500mt cu ft that manufacture 300+ SKUs which are sold domestically and exported to more than 50 countries.

Embracing ESG

CVC and the Management team at Munchy’s crafted an ambitious ESG roadmap in 2018. Some of the actions taken as an example include:

- Installation of 3,952 pieces of solar panels (area of 8,694 m2)
- Replacement of old servers, old motors, and 2 compressors to energy-efficient ones
- Replacement of all fluorescent lighting to LEDs
- Significant expansion of training offerings, including online-based offerings during COVID-19

The table below compares Munchy’s before implementation of its ESG initiatives and after:

No.		2018	2020	2021YTD Sept
	Environment			
1	Total Greenhouse gas emission (T) / Total Production Volume (T)	1.65	1.29	0.96
2	Electricity consumption, kWh / Total Prod. Vol.	337.4	301.1	276.0
3	Water consumption, m ³ / Total Prod. Vol.	1.58	1.54	1.86
	Cybersecurity			
1	3rd party - Vulnerability assessment & penetration testing	Rating: Moderate		Rating: Secure
	Social			
1	Diversity: Female % of Executive team (Total 14 people)	36%	50%	50%
2	Employee overall satisfaction level (survey)	92%	95%	<i>Conducted annually in Nov.</i>
3	Attrition rate	6.6%	5.0%	3.3%
4	Training hours	9,800	11,864	12,481
5	Training satisfaction (survey)	88%	93%	<i>Conducted annually in Nov.</i>

Lastly, Munchy’s received PlanetMark certification in 2020 based on its environmental efforts. More recently in Q4 2020, Munchy’s employees also began financial and employee support to a children’s orphanage in the Klang Valley (“Persatuan Kebajikan Rakan Lutheran”) which houses children who are abandoned, abused, or economically challenged. This orphanage had suffered from significant funding challenges due to the COVID pandemic.

BACKGROUND

EmergeVest created EV Cargo in 2018, combining a number of different portfolio companies within EmergeVest's funds. EV Cargo is a Hong Kong-headquartered global logistics and technology business with revenue of \$1.4BN per annum. It operates across 22 countries and has more than 3,000 active customers.

ESG INITIATIVES

- EV Cargo became a signatory to the UN Global Compact in May 2021. It commits to uphold the compact's 10 principles, covering human rights, labour, environment and anti-corruption.
- EV Cargo has committed to partnering with the United Nations to support the UN Sustainable Development Goals (SDGs). EV Cargo is making positive contributions to many SDGs, focusing on: Gender Equality; Affordable and Clean Energy; Decent work and economic growth; Industry innovation and infrastructure; Sustainable cities and communities; Responsible production and consumption; and Climate Action.
- EV Cargo has also joined the Science Based Target Initiative and the Net Zero Race. The company recently became a Friend of the Global Logistic Emissions Council Framework, part of the Smart Freight Centre, and has adopted the GLEC Framework methodology to calculate our Scope 3 emissions using the EcoTransIt World accredited tool.
- EV Cargo is focused on becoming Carbon Neutral (Scope 1 and Scope 2) by 2030 and on significantly reducing Scope 3 emissions. EV Cargo is in the process of calculating its 2019 and 2020 baseline to understand its emission reduction targets in line with SBTi and its Sustainability strategy.
- Endorsed Memorandum of Understanding signed in Glasgow at COP26 committing a 30% of new Zero Emissions Mid and Heavy Duty vehicles by 2030 and 100% by 2040 to decarbonise logistics in the road transport sector.

ESG PROGRESS

Progress has been made across multiple areas:

1. Created the position of **Chief Sustainability Officer** to improve sustainability governance and implement sustainability globally at EV Cargo across all divisions and countries.
2. **Monthly Sustainability Committee** meetings to check performance and monitor progress.
3. EV Cargo has taken steps to **increase energy efficiency** at all facilities.
4. Joined the **Arctic Pledge** – a voluntary pledge that invites companies to avoid intentionally routing ships or sending goods through the region as part of a potential new global trans-shipment route.
5. Invested in **electric vehicles**.
6. **Upgraded fleet** to EURO 6.
7. Obtained **ISO14001 certification**, which will underpin EV Cargo's strategy to **reduce carbon emissions**.
8. Implemented a **customer-facing CO2 e calculator**.
9. Introduced a single-use **plastic policy** and replaced single-use plastic vehicle seals with **re-usable electronic combination seals** across the fleet.
10. Producing an **inaugural sustainability report** in 2021 in accordance with the Global Reporting Initiative framework.
11. Published Diversity and Inclusion Policy, **trained 150 staff** on DE&I and in the past 6 months has **improved the gender ratio** at the company from 19% to 25%.
12. Part of the **Climate Accelerator Program** and **Target Gender Equality Program** of UN Global Compact.

EV Cargo also can tailor customer projects to drive supply chain initiatives and optimisation, reducing CO2 emissions. Examples are the conversion of air freight to eco-air, reductions in 20ft containers, route-to-market optimisation and a packaging optimisation solution.

SUSTAINABILITY PLAN

GOAL: BE SCOPE 1 & 2 CARBON NEUTRAL BY 2030

PLANET			PEOPLE		
Emissions	Waste	Supply chain	Diversity	Compliance	Community
Objective: Cut overall GHG emissions every year in line with SBTi targets.	Objective: Minimise waste and water usage.	Objective: Only work with suppliers who share our values.	Objective: Create a diverse, inclusive workplace.	Objective: Embed culture of employee safety and regulatory compliance.	Objective: Fully engaged in our communities, making a positive impact.
Key measures: Our direct Scope 1 & 2 emissions.	Key measures: Volume of unrecycled waste to landfill.	Key measures: % procurement spend with suppliers with a verified ESG policy and GHG target.	Key measures: Average gender pay gap. Employer Net Promoter score on diversity, equality & inclusivity.	Key measures: Reportable injuries per 100,000 FTE vs industry benchmarks. Number of prosecutions, fines & warnings.	Key measures: Money raised for charities/community initiatives. Hours of volunteer work per year.
Our indirect Scope 3 GHG emissions.	Amount of single-use plastic in workplace.				

PRACTICAL PROGRESS: CASE STUDIES

MARKS AND SPENCER

M&S had over 3,800 carton sizes and very limited standardisation, adding significant cost and complexity throughout the supply chain. The range of sizes meant it was difficult to achieve high load-fill rates.

EV CARGO SOLUTION

EV Cargo worked with M&S to reduce the number of different carton types from 3,800 to just 12 – a **99% reduction** – in a bid to increase load fill in order to cut the number of container units needed.



RESULTS

- Improved shipping container load by 15%, to a market-leading 95%.
- **Reduction of 1,000 TEUs** (20ft equivalent container units) **shipped a year**.
- **Reduction of 1,070 MT of CO2 emissions**.
- Carton confirmation lead time reduced from three days to minutes.
- More than **15% reduction in costs for M&S**.
- Improved container and carton fill reduces freight and haulier costs and reduces total miles travelled for the contract.

PRIMARK

EmergeVest created the PAC-D team, based in Hong Kong, within EV Cargo to provide eco-friendly packaging solutions. PAC-D worked with Primark to develop a programme to train its factories to accurately measure products and efficiently package them into shipping cartons, eliminating waste.

RESULTS

- 3.8% reduction in packaging volume (more than 90,000 cubic metres) of shipped and received goods.
- 4% reduction in corrugate material (2.26 million square metres) produced and shipped.
- A reduction of **9 million kilograms CO2 equivalent**.

REACTION

- "We are delighted with the results of this programme, which has reduced our overall volumes of packaging and greenhouse gas emissions." **Simon Luxmoore, head of central supply chain at Primark**.
- Primark's packaging optimisation programme won the **Environmental Improvement award** at the 2019 Supply Chain Excellence Awards in London, 2019.

HKVCA ESG AWARD OF EXCELLENCE 2021

WSAudiology

Company background

WSA is a global leading hearing aids manufacturer with strong R&D heritage, unique high-growth channel approach combined with broad brand portfolio to improve lives and reduce inequalities for people with hearing disabilities. WSA's purpose is **Wonderful Sound for All**.

Headquarters	Singapore and Denmark
Entry	2019 (created through the merger of previous EQT portfolio company Sivantos and Widex, with Sivantos (Siemens Hearing) created as a carve out from Siemens in 2015)
Size	2.1bn EUR bn in revenue and 11,844 employees in 2021
Geographical scale	Operations in 40+ countries. Serve people in 130+ countries. Main manufacturing sites in China, Singapore, Philippines, Poland and Denmark.

Four key ESG initiatives as a result of EQT ownership

The four key ESG initiatives – both addressing existing weaknesses and creating value for the business – are outlined below with key sustainability metrics and/or targets set during ownership.

- 1 Sustainability governance** – EQT has facilitated high quality sustainability governance ensured by appointing a Board member responsible for ESG, Karen Prange, from the EQT Advisor Network. Karen has supported the hiring of a high-quality sustainability team who have executed the extensive sustainability work at WSA.

 - ✓ Board ESG Champion appointed by EQT in June 2020
 - ✓ Sustainability committee consists of half of the top management team incl. CEO & CFO
 - ✓ Global Head of Sustainability, Chaojun Li, recruited in October 2020
- 2 Key connection between business model and sustainability** – EQT has supported WSA to develop its company purpose - “wonderful sound for all”, to identify the biggest sustainability impact areas that the company’s business model can address and has set transformational KPIs to ensure the change. These are:

 - ✓ **Awareness of hearing loss:** By 2050, WHO projects that one in four people will be living with some degree of hearing loss, however, awareness remains low. By 2021, 1.5 million additional people became aware of hearing loss through our advanced hearing test platform, both online and offline. Target is to make 500 million people aware by 2030.
 - ✓ **Affordability** of hearing devices: By 2021, 1.3 million people were served with affordable hearing devices (basic segment), and target to serve 4 million by 2025. EQT has encouraged a new category “lower-than-basic” to be developed at even lower price point to target broader audience.
 - ✓ **Accessibility** of hearing devices: Hearing aid access was expanded to 7 million people by 2021, with the target to serve 20 million by 2025.
- 3 Diversity** – EQT has driven an increase in senior level gender diversity within WSA.

 - ✓ Clearly defined and publicly stated gender diversity targets of 30% female by 2025 in top management. In 2021, share of female in top management increased from 8% to 15%.
- 4 SBTs and circularity** - EQT has encouraged WSA to evolve towards a circular business model, including addressing climate emissions and reducing waste in the manufacturing process.

 - ✓ First hearing aid company in the world to commit to setting a science-based carbon target
 - ✓ 100% renewable electricity directly consumed by 2025. In 2021, share of renewable electricity increased from 16% to 23%.
 - ✓ Being the industry leader in developing rechargeable hearing aids which save 65% of environmental impact compared to non-rechargeable hearing aids.



方源資本
FOUNTAINVEST
PARTNERS



THE PURE
GROUP

Submission for HKVCA ESG Award of Excellence 2021

Background of Pure

Pure is a leading premium lifestyle brand in Asia, with 42 clubs in Hong Kong, Singapore and China, providing yoga, fitness, apparel, food and online yoga content (PureCast).

Pure has always been an active advocator of healthy and environmental-friendly lifestyle. FountainVest Partners invested Pure in 2017 and has worked together with Pure on ESG efforts.

ESG Efforts

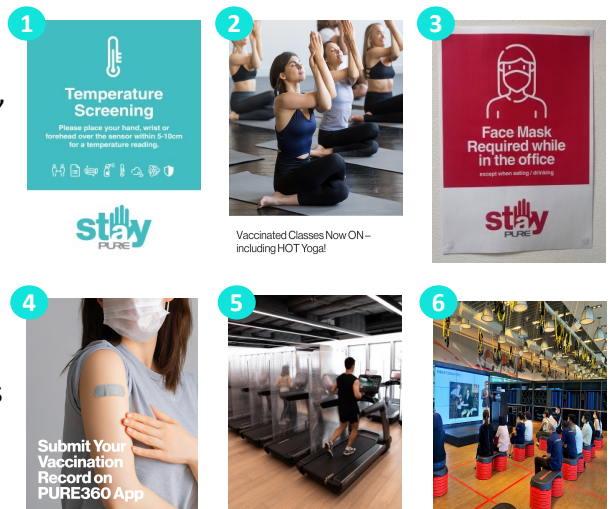
Since our investment in Pure Group in end of 2017, Pure has continued to focus on reducing energy consumption and embracing diversity and inclusion. During the COVID pandemic, Pure puts the safety of its customers and employees as priority by proactively adopting new measures to ensure a safe and fair environment.

Fighting COVID-19 to ensure community safety

Although business was severely impacted by COVID, Pure stays committed to prioritize community safety, and proactively takes actions that become best practice for the industry.

Initiatives include: 1) Daily mandatory temperature check; 2) Fully vaccinated classes; 3) Encourage members to get vaccinated (96% staff have been vaccinated already); 4) Mask-wearing requirement; 5) Safe distance policy such as separation board between equipment; 6) Invited Dr Alexander Chiu, AXA's Chef Medical Officer, to conduct presentations to public and clear misconceptions about COVID.

Pure also launched online classes to meet demands for quarantined or work-from-home members.



Protecting green environment

Pure has continued efforts to reduce energy, power and plastic consumption. Since Pure launched its Think! Campaign in August 2018, it has **suspended the use of plastic bags** for soiled workout/yoga gear, **removed disposable razors, replaced plastic Q-tips with wooden ones**. Its Nood outlets **replaced plastic cutlery with wooden ones**, and eliminated the use of stir sticks.

In 2021, Pure began trying out a smoothie cup designed by "ButterflyCup", which has plastic only in the cup lining resulting in a **95% reduction of plastic usage**.



Promoting good social deeds

Pure has been proactively embracing society : 1) Participating social events, e.g. organized a "Yoga For All" event at K11 MUSEA, with star teacher Marsha Yuan advocating outdoor yoga to community; 2) Pursuing social equality. Pure sets clear boundaries and limits with zero tolerance to unacceptable behaviors; 3) Calling for healthy diet and providing nutritional food and healthy diet advisory services.



ESG KPI tracking in place

FountainVest is working with Pure management team to agree, track and improve several KPIs in order to measure progress.

We are glad to see that Pure progresses well, especially in diversity, equality and environmental areas.

ESG KPI	Progress
Plastic ware saved (piece)	Total 1,194,275 pieces saved since Q2 2020
% woman staff	Maintains more than 57.0%
# of corruption breaches or claims	Zero incidents since tracking started in Q2 2020

History

Founded in 2011 in Bangalore, Kinara Capital is engaged in providing loans to micro enterprises engaged in manufacturing, trading, and services. The MSME segment contributes to 30% of India's GDP and 45% of manufacturing output while employing 40% of the workforce. Despite its predominance it remains severely underfinanced. The company operates 110 branches across 6 states in India, with major presence in Tamil Nadu, Karnataka, and Andhra Pradesh. The company currently has a loan book of INR 9.5 billion, up from INR 1.9 billion in 2017 when Gaja Capital invested.

Social capital initiatives – Access and Affordability

The segment served by the company faces a USD 380Bn credit gap, as per IFC estimates. This gap is largely filled by informal lenders. This borrower segment is particularly vulnerable to informal lenders, with 91% of the borrowers not having loans from a bank or financial institution and average monthly income of INR 15-25k p.m. These are new-to-credit, owners with below 3 years of operating vintage and between 30-40 years of age. SME lending in India is predominantly collateralized, with preference to residential housing as collateral for financing. This narrows the access to finance for SMEs in India, since 2/3rd of India does not own a home. Additionally, access to loans has traditionally been for formal businesses with adequate documentation, ruling out informal businesses. Kinara has bridged this gap through a strong analytics layer, enabling them to employ cash-flow based underwriting instead of collateralized underwriting, and rid of unnecessary documentation in the traditional process. The company's growth has seen many small businesses owners get access to financing at affordable rate.

Impact

Over its 10-year in existence, the company has helped transform 100,000 livelihoods and 1 million lives, through USD 250Mn of loans disbursed to MSMEs.

Social Capital Initiatives – Community relations

Diversity and inclusion are also embedded within the business model and competitive edge of the company. In India, less than 20% of businesses are owned by women. IFC estimates that women-owned SMEs face a USD 158Bn credit gap. In their effort to address this asymmetry, the company started Women Entrepreneurs Only workshops to help in goal setting, business planning and creating a community feeling amongst women entrepreneurs to facilitate sharing of experiences. As a logical next step to helping women harness their entrepreneurial skills through these workshops, the company started a HerVikas program, aimed at lending to women entrepreneurs at 50-100 basis points below their male counterparts to bridge the above credit gap.

Impact

The company has achieved its pledge to disburse USD 15Mn in loans under the HerVikas program, with loans outstanding to women entrepreneurs standing at USD 17Mn. In addition to the program, ~40% of all new jobs generated by the company's lending to the MSME segment went to women, while 50% of employees of the company's borrowers are women. They have taken the 2030 pledge to empower 100,000 women entrepreneurs to promote the UN SDG goals on Gender Equality, Decent Growth and Economic Growth.

Human Capital Initiatives – Diversity and Inclusion

Since inception, the company has made strides in human capital initiatives to improve diversity and inclusion within the organization. The company has adopted diversity and inclusion within the

organisation, implementing a strict policy of equal employment opportunity across religion, caste, gender, differently abled and LGBTQ individuals.

Impact

The company is founded and led by a woman; 65% of the management team are women and 1% of the employees are differently abled; which is testament to the company's commitment to promoting diversity.

Recognition

The company has very prudently managed its growth while remaining socially relevant, ranked in top 100 on the FT500 list of high-growth companies in the APAC region in both 2020 and 2021 as well as recognized as Top 100 among India's growth champions in 2020 and 2021. While dealing with a highly vulnerable segment of borrowers whose financial ability is at a very nascent stage, the company ensures ethical practices in collecting repayments from its borrowers. This discipline has seen the company receive the Smart Campaign Client Protection Certification, under which the company was recognized for their appropriate product design and delivery, prevention of over-indebtedness, transparency, responsible pricing, fair and respectful treatment of clients, privacy of client data and mechanisms for complaint resolution. The company also received a Social Impact Rating of A- from MicroFinanza Rating (MFR), a globally recognized independent agency certifying good social performance management and client protection systems.

Corporate responsibility

Corporate responsibility lies as a central tenet for the company, which came to the fore during the pandemic which took thousands of lives and destroyed millions of livelihoods. Strict and protracted lockdown measures disrupted collection efforts of the company, impacting portfolio quality. While the company worked with its customers to help them tide over temporary exigencies, they also took up initiatives to help women entrepreneurs create masks and sanitizers. The company also funded 13,000 meals for migrant workers living on a daily wage, proving to be responsible corporate citizens. The company has successfully balanced its financial and social obligations, standing by their beliefs during the most testing times.

Gaja Contribution

Since our investment in 2017, we have played an important role in ensuring that the company has adequate access to resources to continue their journey of growth and corporate responsibility. In line with our investment charter which clearly outlines an ESG roadmap for all our existing and potential investments, we have been tracking the company's ESG metrics meticulously. Additionally, capital infusions in 2019 and 2020 during testing times for the financial services industry along with the uncertainty of COVID 19 reflects our commitment to the company's pursuit of both economic and social goals. Our long history of investing in financial services also helped the company access debt capital, while our high-touch model of investing helped guide them in their digital initiatives to become a full-stack, omni-channel digital lender.

Submission for HKVCA ESG Award of Excellence 2021

Company Background:

Gaw Capital Partners is a uniquely positioned private equity fund management company focusing on real estate markets in Asia Pacific and other high barrier-to-entry markets globally. Specializing in adding strategic value to under-utilized real estate through redesign and repositioning, Gaw Capital runs an integrated business model with its own in-house asset management operating platforms in commercial, hospitality, property development, logistics, IDC and Education. Gaw Capital has raised equity of USD\$ 18.5 billion since 2005 and commands assets of USD\$ 32.5 billion under management as of Q2 2021.

Case Study:

People's Place (民坊) - The project consists of 29 neighborhood shopping centers strategically spread across Hong Kong Island, Kowloon and New Territories in Hong Kong. These malls include H.A.N.D.S, Shan King, Siu Hei, Shek Lei, Tai Wo Hau, Cheung Hang, Kwai Fong, Kwai Shing East, Tsing Yi, Kam Tai, Lee On, Chun Shek, Yung Shing, Wah Ming, Wah Sum, Tai Ping, King Lam, Ming Tak, Tsz Ching, Kai Yip, Lions Rise, Shun Tin, Wang Tau Hom, Lei Cheng Uk, Lai Kok, Fortune, Lei Tung and Ap Lei Chau.

ESG Initiatives:

Gaw Capital has incorporated ESG in the process of revitalization of People's Place. Gaw Capital has invested over millions of dollars in transforming the old shopping malls in public estates to vibrant community hub and once obsoletes basketball courts to multi-purpose sportsground to cater the community's recreation needs.

The once obsolete markets are now converted to community hubs which bring together diverse dining and shopping options in the shopping centers that embody the spirit and tastes of local community. The former roof space / public spaces have been refashioned into a multi-purpose sportsground to cater the community's recreation needs. With intention of creating public spaces that promote health and happiness, we engaged nearby schools and non-profit organizations to re-imagine and co-create a space for the community.

What we have adopted in People's Place:

- **Revitalization of the shopping centers** - Gaw Capital revitalized community hub in People's Place and built sustainable communities through diversification of tenant mix and the implementation of community initiatives. In response to the rising demand from local community for more diverse retail, dining options as well as improved facilities, we transformed the vacated dry market into an air-conditioned cooked food street stall, offering up to 16 dining options while preserving local mom-and-pop stores. Recreation spaces plays a huge role not only in People's Place but also population-dense cities under the pandemic. Through placemaking initiative, we

Submission for HKVCA ESG Award of Excellence 2021

transformed the obsolete recreation space into a multi-functional sportsground.

- **Sponsor the underprivileged children for sports training** - To foster sense-of-belonging, Gaw Capital engaged over 50 children to participate in co-creation of a feature art wall. Recreation areas in People's Place not only serve as a sporting ground for nearby schools and community, but also one of the most popular outdoor space in Hong Kong.
- **Installation of energy-saving and monitoring devices** - Unlike other facilities at public estates, lighting control devices are installed at the shopping centers, including timers on lighting and signage. LED lighting are also used wisely.
- **Building the shared space for sports** - Sustainability is not only about the well-being of the Earth, but also the health and well-being of people and community. Gaw Capital endeavors to enable our residents to utilize the shared space to exercise, hang out and organize all kinds of recreational activities. We are particularly committed to empowering youths through sports. For instance, we sponsor and support "Well Dunk!", a public estate basketball league and training programme for youths pioneered by the local charity InspiringHK Sports Foundation by offering the basketball courts for training and competition use and supporting the creation of a local basketball team named Siu Hei Guardians.
- **Adoption of solar panels and BMS** - Gaw Capital adopts green initiatives in the community malls, such as solar panels for generation of electricity and adopts Building Management System (BMS) to monitor the air conditioning system to achieve a better energy performance. To save energy, lighting control devices are installed, including timers on lighting and signage. LED lighting are also used wisely.

Impact on the company and its stakeholders:

- **Design for durability and efficient use of limited space** - The revitalized community hub in People's Place has demonstrated Gaw Capital's effort in driving innovation and growth without losing sight of addressing societal needs through diversification of tenant mix and the implementation of community initiatives. For example, Siu Hei Commercial Center is located in Tuen Mun district, one of the resource-scarce districts in Hong Kong with limited public recreation facilities. The asset has been left uncared for, thus when we took over the asset was vacated, amenities and public spaces were worn off, pushing residents away to spend. The project vision was to bring joy and happiness to the community. A complete transformation has made these public estates a well-facilitated hub with diverse retail and dining options. The under-utilized covered space has been uplifted to an energetic area where residents can hang and chill. The deserted roof floor has been rejuvenated into a multi-functional sportsground, and now serves as the most popular play space in Tuen Mun. The newly renovated Siu Hei brings joy to the Tuen Mun district, and how small changes can generate a big impact on community sustainability.
- **Better utilization of Hong Kong's public spaces** - Various cross-generation community activities are held, such as balance bike training for kids, basketball league for teenagers and shuttlecock

Submission for HKVCA ESG Award of Excellence 2021

sessions for elderlies. Amidst COVID-19, outdoor space for recreation-usage has become utterly important for a healthy community.

- **More vibrant community is formed** - The increasing footfall (up to 800,000 visitors within its first month of opening) has demonstrated our potential to attract new visitors to and create new opportunities in Sham Shui Po, one of the poorest districts in Hong Kong. This innovative retail complex with its container-themed design and unconventional product offering has successfully attracted young people to explore the old district. The reshuffling of trade mix has responded to the rising local demand for more diverse retail, dining and social welfare options, as well as improved facilities and economic opportunities. The growing new business activities in the neighborhood has driven community economy and created employment opportunities, especially for local female residents. The rezoning of the retail complex has made way for a new 40,000 sq ft “welfare zone” dedicated for charitable organizations serving different target groups and covering comprehensive services in food recycling, youth development, women’s empowerment, and elderly care etc.
- **Partnership with NGOs to create a sustainable local community** - Gaw Capital has partnered with various NGOs in the public estates to develop social programs that can foster a greater sense of belonging towards a more sustainable local community, e.g. recycling programme, food recycling and women empowerment programme that match unemployed women in Lai Kok community with the available job opportunities in the shopping center.

Supporting evidence that contributes to the narrative and quantifiable results or milestones achieved (whether financial, operational, or social):

The feedback from the media and local residents are well received. News clippings are provided in the additional information part. Please refer to the attachment. For example, the utilization rate is 50% higher after the renovation.

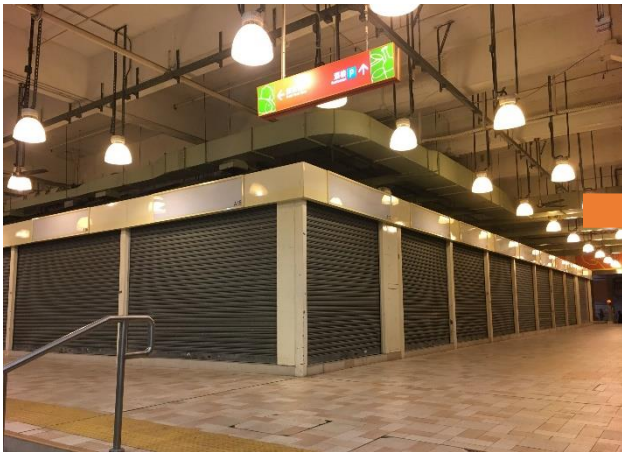
Lai Kok Shopping Center (Before)



Lai Kok Shopping Center (After)

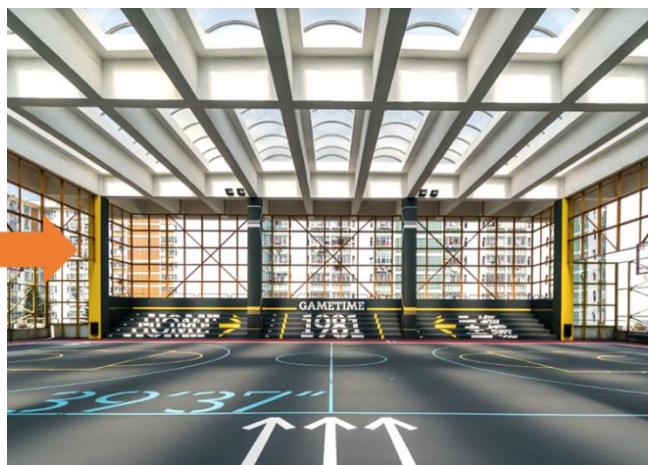


Submission for HKVCA ESG Award of Excellence 2021



Kai Yip Recreation Center (Before)

Kai Yip Recreation Center (After)



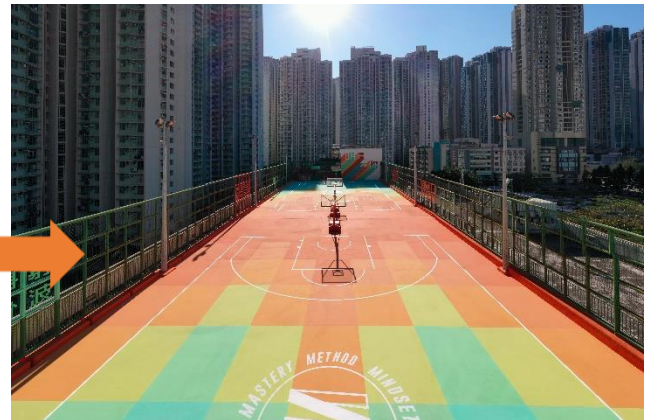
Submission for HKVCA ESG Award of Excellence 2021



Ming Tak Sports Court (Before)

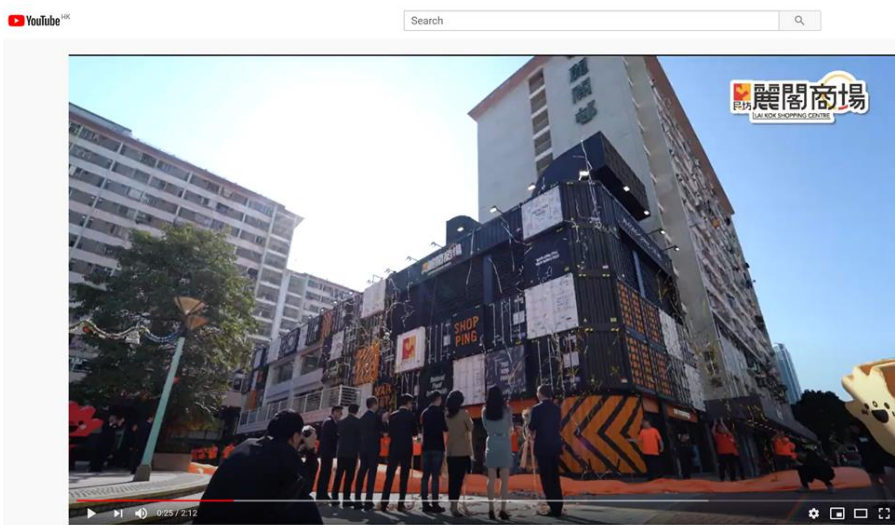


Ming Tak Sports Court (After)



YouTube Video Submission: Lai Kok Shopping Center (Opening)

Please click: <https://www.youtube.com/watch?v=Zoxc-Zp-io0>



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Invesco Real Estate (IRE) Overview

Invesco Real Estate, a wholly owned subsidiary of Invesco Ltd has USD85.8 billion in real estate assets under management (AUM), 592 employees and 21 regional offices across the U.S., Europe and Asia. In Asia Pacific, IRE has USD8.7 billion across 6 markets and 78 assets. The firm's focused platform and business model, which allows it to execute real estate investment strategies globally, is critical to its success. Our primary responsibility is to maximize financial returns for our clients' investments. As a key part of this objective, we recognize that addressing climate change will require significant and continued capital deployment, to finance the transition to a sustainable and climate-neutral economy in line with the Paris Agreement.

Asia ESG Strategy

IRE has long prioritized ESG in its investment approach. We invest in preferred markets across the Asia Pacific region—yet our impact reaches much further. By incorporating Environmental, Social, Governance and Resilience ("ESG+R") factors into our operations, we have the opportunity to make a positive impact through sustainable operations, healthy environments, and responsible corporate citizenship. Additionally, ESG considerations are an integral part of IRE Asia's investment process.

321 Exhibition St. Certifications



Design and As Built
5 Star certification



NABERS

ENERGY



NABERS

WATER



NABERS

INDOOR ENVIRONMENT

321 Exhibition St. — Melbourne, Victoria Australia

Portfolio holding company wholly owned by IRE



321 Exhibition St., Melbourne

We implemented an integrated approach to ESG at our property at 321 Exhibition St through effective management of the building to optimize sustainability performance of the asset. This is a 30,200 SM, 20-Storey office property located in Melbourne, Australia. It became the first retrofitted office building in State of Victoria to achieve the highest market leading 6 Stars NABERS Energy rating in 2017. It also has 6 Star NABERS Water Rating and 5.5 Stars Indoor Environment Rating. Through modern building systems and controls to optimize operations of key building services such as air-conditioning, ventilation and lighting for more efficient energy usage, the use of an onsite trigeneration plant providing electricity and heating, sub-metering of all substantive energy uses, 321 Exhibition St. is among the top 5% of buildings nationally in terms of emissions per unit of area.

Further ESG enhancements were achieved in 2020 through new LED lightings, water efficient fixtures, a Bin Tracker system which increases waste diversion and an onsite organic waste recycling plant. Modern end-of-trip (EOT) facilities and a wellness centre were added in 2021 to encourage car-lite commuting and healthy lifestyles. The new EOT features include:

- Bike storage (150)
- Grooming area
- Lockers (200)
- Showers (20)
- Bike repair tools
- Shoe racks
- Ironing boards
- Drying cupboards
- Towel service
- Hydration station

Following a dedicated program to maximize the sustainability performance of the building, identifying and implementing all possible measures appropriate with the strategy of the asset to reduce energy consumption and resulting carbon footprint, 321 Exhibition St has been Certified Carbon Neutral under the Australian Government Climate Active Carbon Neutral Standards in November 2021. Through our ESG+R program, we reduced the carbon footprint from building operations down to 860t CO₂ per year. Through a selection process we identified carbon offset projects that protect native habitats in Australia and Wind Farming in Taiwan. In our contribution to a low carbon economy, we have managed to significantly reduce the impact from an existing office building as well as contribute to protecting 1,290m² of biodiversity, which has resulted in a certified carbon neutral building in operations.

321 Exhibition St. is the first asset in Asia Pacific to meet Invesco Real Estate's global commitment to achieve net zero carbon by 2050.

Executive Summary

Founded in 2017, ZGL (ZGL, or the “Company”) is China's largest blockchain-based, asset-light computer and office equipment leasing platform. Compared with traditional leasing companies, ZGL’s platform connects vendors, leasers/financial institutions, and leasing customers with blockchain-enabled smart contracts developed by Alibaba’s Ant Blockchain. ZGL has enhanced the level of transparency and confidence among all parties in the leasing process and provides financial and credit-related services when necessary. Furthermore, with its unique asset-light business model, the Company has employed over 450 staff and has set up direct distribution outlets in over 20 cities nationwide, with accumulated rental equipment of over 200,000 units. In addition, the Company devotes to helping small and medium enterprises address needs for infrastructure and ease fund pressure. Lingfeng Capital backed ZGL in its Series-A financing as lead investor in May 2021. Since Lingfeng’s investment, the Company had increased monthly new contracts in 4Q2021 to over ¥50mn from c. ¥30mn in 1H2021 and had significantly improved its profitability, efficiency, and ESG performance.

Background

China's traditional IT equipment leasing companies are troubled by risk control difficulties, false transactions, overdue payment, and fund shortage, thus incompetent to provide extensive business owners sustainable leasing services. The current number of small and medium enterprises in China exceeds 50,000,000, while the market penetration rate of the commercial IT equipment leasing sector is still disproportionately low. Many sizable corporations have difficulties in disposing of old computers, which causes environmental problems.

ESG Initiatives

ZGL adheres to the national call for a low-carbon economy and green finance. The Company offers MSMEs (micro, small and medium enterprises) the option of renting as an alternative to purchasing, significantly improving the efficiency of national computer use. By now, ZGL has rented office equipment over 200,000 units. It has also developed a SAAS application to allow its staff to provide equipment repair services remotely, which has drastically saved maintenance costs.

Environment

To increase the utilization of equipment parts, ZGL deploys second-hand equipment primarily, which accounts for nearly 73% of the Company's total equipment units. In addition, the Company collaborates with suppliers who principally provide used equipment, such as Lvquan Environmental, Guangzhou Zhizu, and Huanqizuzu.

Also, ZGL promotes the concept of a paperless office by bringing its renting process online.

ZGL's mission is inherent to the principles of inclusive finance and the emphasis on real economy development. In 2021, the Company has delivered office equipment leasing services to over 35,000 business owners nationwide, among which MSMEs (micro, small and medium enterprises) take up over 80%. Renting at a lower price eases business owners' fund pressure.

Society

To guard its customers' data security, the Company encourages its customers to keep the hard drives of the rental computers when returning them to the leasing platform. It reinstalls a new system on the returned devices for upcoming usage. As a result, the Company has managed to keep its rate of data security crisis close to 0% since the day it entered the market.

ZGL has collaborated with Ant Blockchain to make its transactions transparent and traceable. By employing blockchain technology, the Company has ensured the authenticity of its orders, equipment, and funds. It has succeeded in preventing false transactions and risk control difficulties that trouble traditional leasing companies.

Lingfeng Capital has appointed its Founding Partner, Ma Ning, as a director of ZGL's board of directors to increase the diversity and professionalism of the company's governance framework. Lingfeng Capital has made suggestions on the Company's legal compliance, internal financial control, and other systems and procedures, which have sufficiently improved its efficiency and reduced its financial risk. Moreover, as a significant shareholder with *circa* 10% stake, Lingfeng plays an active role on its board; it urges the Company to set up regular board meetings and regular financial reporting to shareholders to improve transparency.

Governance



HKVCA ESG Award of Excellence 2021

Last but not least, ZGL pays particular attention to diversity and inclusiveness. Since 2017, the Company's female employees have increased from only 10% to 30% of its total staff. And it is aiming to elevate the number to 50% in the short future.

Lingfeng Capital takes a long-term and steadfast commitment to ESG initiatives. We will continuously partner with ZGL to further benefit the environment, society, and communities.



Submission for HKVCA ESG Award of Excellence 2021

Macquarie Asset Management

1 December 2021

Background of the Investment

Company name	AirTrunk
Industry	Data centre
Location	Australia, Hong Kong, Japan, Singapore
Year of Investment	2020
Company description	AirTrunk is the leading hyperscale data centre platform in APAC, and the pioneer of hyperscale data centres in the region. With operations in Australia, Singapore, Hong Kong and Japan, AirTrunk is enabling the rapid growth of cloud across APAC by delivering scalable and sustainable digital infrastructure to the world's largest tech companies.

Macquarie's value-add in company's implementation or introduction of ESG initiatives

Macquarie Asset Management (MAM) has had close engagement with AirTrunk on sustainability matters during the development of AirTrunk's ESG strategy. In mid-2021, a series of MAM-facilitated workshops focused on the benefits and process of developing net zero emissions reduction targets helped inform AirTrunk's decarbonisation strategy. MAM has also proactively engaged with AirTrunk in respect of their landmark sustainability-linked loan and first sustainability report. Quarterly reporting to MAM of scopes 1 and 2 greenhouse gas emissions and energy consumption as well as the annual GRESB Infrastructure assessment this year completed by AirTrunk for the second time have also afforded MAM opportunities to support AirTrunk in continually improving their ESG performance and harnessing sustainability lessons learned from across MAM's global portfolio.

ESG highlights

Sustainability Linked Loan (SLL)	<p>AirTrunk recently converted its more than \$2.1 billion corporate loan facility to a Sustainability Linked Loan (SLL). This is the largest ever sustainability-linked loan of a data centre operator globally and first by data centre operator in APAC. By converting its financing structure to a SLL, the existing loan as well as future increment loans and investment made by AirTrunk will be sustainability linked. This will ensure a long-lasting positive impact on the environment and community as the company embarks on further expansion of its hyperscale data centre platform in the region.</p> <p>AirTrunk has established its loan KPIs across three key areas - diversity and inclusion, carbon neutrality, and energy efficiency.</p> <p>The company is linking financing to sustainability to ensure long-lasting positive impact on ESG.</p>
Energy Saving Initiatives	<p>AirTrunk is committed to continuous improvement in the design and operations of its data centre platform, and the company consistently seeks out improvements for its customers, through efficiency measures and operational enhancements.</p> <p>AirTrunk implemented several energy saving initiatives to proactively manage PUE (Power Usage Effectiveness).</p> <p>AirTrunk's in-house design team undertook early design optioneering with analysis of climate data, energy, and water models to offer a potential customer an industry-leading PUE while balancing impact to the environment and solution costs.</p>
Carbon Neutrality	<p>In FY21, AirTrunk achieved carbon neutrality for 100 per cent of its corporate emissions relating to scope 1 (direct) emissions at its SYD1 and MEL1 data centres, and scope 2 (indirect) emissions for electricity consumption at its head offices and SYD1 and MEL1 data centres, excluding electricity consumption where costs are passed through to customers.</p> <p>In addition to offsetting its FY21 scope 1 emissions, AirTrunk has offset 100 per cent of its estimated scope 1 emissions since 2017 (when it opened its first data centre in Sydney), using Australian Carbon Credit Units from high quality, meaningful, measurable, and certified Emissions Reduction Fund projects in Australia. As a next step, the company will set its emission reduction targets to align with the Paris Agreement in 2022.</p>

Contact

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Overview

China Feihe Limited (“Feihe” or the “Company”; SEHK:6186) is a leading regional infant milk formula producer and distributor in North and Northeast China. Founded in 1962 and headquartered in Beijing, Feihe has over 200 milk collection stations, 6 production facilities with an aggregate milk powder production capacity of approximately 2,020 tons/day and an extensive distribution network that reaches over 100,000 retail outlets throughout China.

On October 3, 2012, Morgan Stanley Private Equity Asia (“MSPEA”) formed a consortium with the Chairman and management team of Feihe and submitted a proposal to Feihe’s board to privatize the Company from New York Stock Exchange (“NYSE”). On June 26, 2013, EGM approved the take-private proposal. On June 27, 2013, the privatization was closed and Feihe was delisted from NYSE. MSPEA became the minority shareholder of Feihe.

With the rapid growth in the Company’s business after MSPEA’s investment, Feihe was re-listed on Hong Kong Stock Exchange in 2019. As of 2Q 2021, **MSPEA has realized c.US\$2.4Bn from the shares and dividends** and continues to own c.US\$1.4Bn of shares. **MSPEA’s total return to-date is c. 91% IRR and c.111x money on money multiple.**

Even being a minority shareholder in Feihe, MSPEA’s Operating Partner and deal team have been actively engaging in the post-investment management and helping Feihe with tremendous effort. Besides the operational improvement on brand revivification, food safety enhancement, supply chain reengineering and cost reduction, MSPEA team **convinced the Company to drive business sustainability through ESG approaches.** MSPEA helped Feihe to **build ESG organization, hire talents and integrate ESG to their daily operation.** Since MSPEA’s investment, Feihe has successfully **reduced over 130k tons of carbon dioxide emission.**

ESG Initiatives – Environmental Protection

MSPEA and Feihe have been working together to take **an ecological approach to achieve sustainability as well as pursue green, low-carbon and high-quality growth.** Besides, Feihe is actively responding to the national goals of “peaking of carbon emissions” and “carbon neutrality”. Feihe has been building an industrial model of ecological cycle and harnessing smart and digital technology to facilitate environmentally friendly production and manufacturing. In recent years, Feihe has demonstrated an impressive performance in reducing harmful gases emission.

ESG Initiatives – Social Responsibility and Governance

Besides environmental protection, social responsibility and governance are always one of the top agenda of MSPEA and Feihe. Feihe is dedicated to enriching the whole value chain, supporting the society and protecting employees’ safety, rights and interests.

- **Value Chain Enrichment:** Since the Chinese milk scandal in 2008, Feihe has been actively **promoting various initiatives to regain customers’ confidence and trust** through food safety enhancement in the whole value chain in Chinese milk products. The Company **has been acting as the industry benchmark** for other milk powder producers. Key initiatives include standardization of agricultural manufacturing (including the use of forage grass, management, harvesting etc.), promotion of digital and smart milk powder production, adoption of World Class Management (“WCM”) in production, environmentally friendly treatment of cow dung, improvement of quality check procedures, promotion of digital distribution channel, customer relationship management upgrade etc. Besides, Feihe has been helping the suppliers to improve their management system in order to build a healthy ecosystem
- **Employment Opportunities:** Feihe has been serving as the **key engine for development** in China infant milk industry. With the expansion of Feihe’s business, Feihe has driven up the value of over 1MM mu (equivalent to c.667MM m²) of cultivated land in provinces. Besides, Feihe’s development has also led to the development of local packaging, transportation and other related industries which created over 150,000 job opportunities in China
- **Donations:** Feihe **cares about the well-being of mothers as well as education and healthcare systems in China.** Feihe donated RMB 21MM to support the provision of treatments for depressed mothers after giving birth. Besides, the Company donated RMB 176MM worth medical equipment to 11

provinces in China which benefits over 1MM of people. For education, Feihe launched “Feihe Student Assistance Program” and donated RMB 28MM to over 80 schools for teachers’ professional development and educational security

- Employee Awareness and Safety: Feihe highly **values safety management**. The Company held 47 professional trainings specifically related to workplace safety and health as well as environmental protection in 2020. Feihe’s general safety trainings covered all employees, averaging approximately 15 hours per person each year. There is zero work-related major injury for years
- Industry Recognition: Feihe is a **reputable enterprise and highly recognized** by the industry. Feihe received over 340 3rd party certificates and awards in last 10 years

Case Studies

Case Study 1: Feihe’s Investment in Environmental Protection (Coal to Gas Projects)

- Feihe has **invested RMB 50MM to replace the existing coal boilers by gas boilers**
- As of 2020, Feihe has **reduced 104k tons of carbon dioxide emission** which equivalent to reducing 40k tons of burned coal
- Other harmful gases emissions reduced by 619 tons and 952 tons in 2019 and 2020 respectively, representing a total of 1,570 tons in last 2 years

Case Study 2: Building an Environmentally Friendly Ecosystem (Factory within Factory)

- Feihe has been **restructuring the transportation route** to improve the efficiency and reduce emission of harmful gases
- Feihe **incorporated milk powder can production units into the milk powder manufacturing plants to lower transportation costs and reduce harmful gases** emitted by the trucks
 - For Feihe (Gannan) Dairy Products Co. (“Gannan”), the transportation distance dropped by 85,700km yoy in 2019. In 2020, Feihe further adjusted the strategy and lowered the frequency of long-haul trucks. As a result, the transportation distance dropped by 100,260km yoy
 - For Heilongjiang Feihe Dairy Co. (“Longjiang”), the transportation distance dropped by 287,500km and 180,000km yoy in 2019 and 2020 respectively
- As of 2020, Feihe has **a total of 5 "factory within factory"** and the 2 pioneer factories (i.e. Gannan and Longjiang factories) have reduced 531 tons of carbon dioxide emission in last 2 years

Case Study 3: Value Chain Enrichment (Environmentally Friendly Treatment of Cow Dung)

- With the scale up of Feihe’s pastures, a large amount of cow dung is produced every year which could pollute the soil and affect the water quality
- To resolve the issues, Feihe collaborated with Qingdao Institute of Bioenergy & Bioprocess Technology **to carry out large-scale bio-natural gas and organic fertilizer recycling projects**. With the use of cow dung as raw materials and through high concentration anaerobic fermentation, **biogas and organic fertilizer are produced efficiently** with low water and heat consumption
- Feihe is **acting as the role model** to other industry players in recycling cow dung and **working towards the Chinese carbon neutrality goal**

NIO Capital is dedicated to creating positive, sustainable outcomes through our investments and actively incorporates ESG & Responsible Investment practice in decision-making and portfolio management.

Inceptio's mission is to build a safer and more efficient line-haul logistics by providing leading autonomous driving technologies and by operating a nationwide autonomous Transportation-as-a-Service freight network.

Backgrounds of the Case

Founded in 2018, **Inceptio** develops full-stack proprietary autonomous driving technologies and works seamlessly with the automotive industry preloading its technologies and systems into mass-produced autonomous trucks. Inceptio focuses on the Chinese market, deeply cooperating with DFCV and Sinotruk, two top heavy-duty truck OEMs in China, and their L3 heavy-duty trucks will start mass production at the end of 2021. Also, Inceptio has already established cooperative relations with many domestic top shippers. Inceptio has received substantial orders in over 300 routes, covering all the five most developed megalopolises in China.

NIO Capital invested in Inceptio in 2018 as an angel investor. Since then, **NIO Capital** and **Inceptio** have been working together closely to implement ESG initiatives and to promote sustainable ESG practices.

ESG Initiatives and Changes



- Traditional freight drivers suffered from poor working environment and high fatigue, leading to high accident rate, of which death rate is up to 1%. 95% of fatal motor vehicle accidents are caused by human error. To solve this pain point, Inceptio has developed the autonomous driving trucks that can significantly relieve fatigue for drivers. The latter will essentially serve as system supervisors in trucks.
- The autonomous driving technology could reduce the complexity of truck driving and thus lower the entry threshold of this job to attract more practitioners to ease the shortage of 10 million freight drivers. Inceptio creates more jobs for people.
- During Inceptio's trial operation of the L3 autonomous trucks, the drivers enjoyed much more comfortable working condition compared with traditional trucks. The trial operation kept a zero-accident rate record.
- 15% of the operation cost would be reduced with Inceptio L3 autonomous trucks, when labor force is reduced from 2 drivers to 1 safety supervisor. In the long term, when L4 autonomous trucks come to volume production, 38% of the operational cost would be reduced. And their daily mileage will be doubled thanks to L4 autonomous driving technology. Automation ensures more efficient delivery, optimizes the asset utilization, and increases significantly the revenue per truck.

Traditional heavy-duty trucks



Source: Internet

Inceptio L3/L4 heavy-duty trucks



Source: Inceptio website, test-ride

- ✓ 1 safety supervisor
- ✓ ADAS technology
- ✓ Safer
- ✓ Lower cost
- ✓ Better experience

Environmental Protection



1.02 million tons of carbon emissions

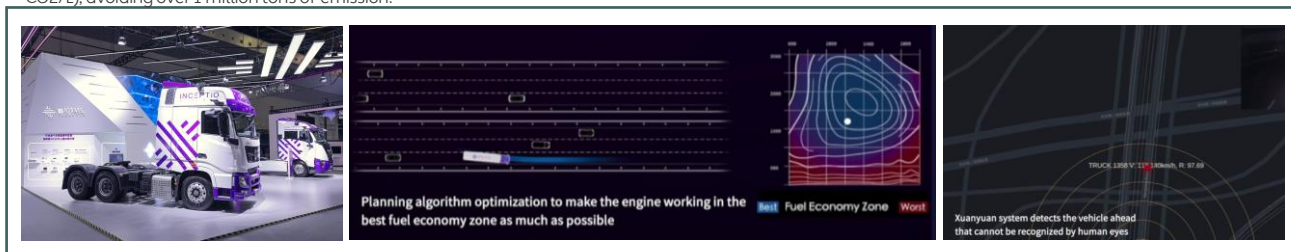
Since a truck's 300 liters daily fuel consumption is approximately 30 times that of a passenger vehicle, Inceptio developed and adopted fuel efficiency autonomous driving algorithm, which makes 5%~10% fuel saved compared with even the most experienced drivers, reducing 1 million tons carbon emissions^[1].



Electrification

In 2020, China's truck market reached an annual sales volume of 4.68 million trucks. Nevertheless, only 28 thousands of them were pure electric. Inceptio plans to engage in an in-depth cooperation with CATL to further develop the electric truck chassis. The transformation from diesel truck platform to pure electric platform will further reduce fossil energy consumption and protect the environment.

^[1] Estimated reduction in cumulative carbon emission from 2021-2024. 10% of increase in efficiency results in less fuel consumption of c.387 million liters (2,639kg CO2/L), avoiding over 1 million tons of emission.



Young Talents Program

Inceptio makes every endeavor to contribute to young talents' growth. In the "Yuting Action", Inceptio invites young students from backward areas to come to their company. During this event, Inceptio colleagues shared experiences and insights with the youths and let them experience cutting-edge technology. Inceptio also invites students from various universities to communicate with their technical experts face-to-face in the company.



Career development

Inceptio sets up a CEO mailbox to listen to employees' opinions. There are clear employee promotion path, semi-annual performance evaluations and incentive system, various employee activities and training plans in Inceptio. For the newly recruited technical staff, Inceptio adopts the "mentor-fellow" system to cultivate the talents.



Donations during the COVID-19

Donated 100,000 pairs of medical gloves to the Epidemic Prevention and Control Command in Wuhan East Lake High-tech District to support front-line medical staff fighting the COVID-19.



HKVCA ESG Award of Excellence 2021

Company Overview

Vati, established in 2002, operates an elderly care business which manages nursing homes, elderly housing, and daycare services throughout Japan's Eastern and Central regions. NSSK invested in the business in October 2016, embarking on a multi-faceted transformation program. This included, among other initiatives, a comprehensive human capital development strategy, a broad based compliance initiative and an aggressive diversity and inclusion program. As Vati provides serviced housing for the elderly at the lowest price in the industry in order to reduce the economic pressure on residents, Vati's facilities play an essential role as social infrastructure for the elderly. As a provider of quality and affordable residences and care services in a country short on elderly care facilities, Vati contributes to the communities in which it operates by being a major provider of jobs and tax revenues for the local communities.

NSSK's investment and subsequent operational improvement measures have led to improved corporate governance, value-optimizing human resource management, and strengthened position as an essential social infrastructure platform for Japan's aging society.

NSSK's Approach for Making ESG Impacts in Portfolio Companies

As part of the investment process, NSSK conducts ESG-specific due diligence with the assistance of ESG advisors and evaluates what improvements can be made from the three perspectives of environment, society, and governance, based on a checklist comprised of 66 ESG categories customized for each potential investment. Once an investment is completed, we conduct detailed discussions with the management of the portfolio company and agree on priority targets and specific KPIs for the current year from the 66 ESG categories. KPIs are reported and progress is monitored at monthly Management meetings and monthly Board of Directors meetings.

At Vati, our goal was to (1) improve governance and compliance by establishing clear and transparent corporate objectives, including a commitment to improving the work environment and raising the compliance system and procedures to industry best practice levels, (2) improve employee happiness by implementing procedures to create a more friendly work environment and providing employees with flexible career paths and clear recognition-for-performance measures and (3) driving diversity and inclusion by establishing very clear numerical targets around the hiring of women and promotion of women to managerial positions, which is consistent with our investment theme that gender equality and empowerment drives superior financial performance (and consequently, superior investment returns).

ESG Challenges and Initiatives for Vati

In the elderly nursing care industry, employees are required to provide personal care for bedridden elderly people and dementia patients around the clock, placing a heavy burden on care providers, which results in high turnover rates. In addition, as a private equity investment that can generate 25-30% IRRs, organic growth (build out of facilities) was a core component of the strategy and more facilities meant that Vati needed to be able to hire more care givers as well as attract more elderly patients. Moreover, due to the complexity of the long-term care insurance system where 80-90 percent of elderly care is reimbursable through the government insurance program, a strong governance system is essential to ensure proper operational, legal and financial compliance at each facility.

Employee Retention. NSSK reviewed and overhauled the personnel system to ensure that Vati employees do not leave the company prematurely and that they remain motivated in their work. More specifically, we implemented an in-house education and training system to assist employees to improve their skills and move up in the technical scale, as well as offered competency-based allowances to highly skilled personnel. We also established a system for monthly reporting of overtime hours as a KPI for each Vati facility and created a structure that triggers headquarters to issue alerts to facilities that are generating overtime hours that exceed a certain threshold. We also created a flexible work environment where career focused employees could thrive and employees that desired to work only from “9 to 5” could also find a comfortable status in the company.

Women Empowerment. As part of NSSK’s thesis around gender empowerment driving superior financial returns, we set bold aspirational targets around the hiring of more women (80%) and, more importantly, the promotion of women to managerial positions (65% target). Through these measures, regular employees have become more motivated and have a clearer sense of their future career paths. The turnover rate has decreased by 12% compared to that at the time of investment, and the percentage of women in management positions has increased by 21% to an industry leading 66%.

Governance and Compliance. In terms of strengthening governance and legal compliance of the company, the depth and scope of the Compliance Promotion Division was reinforced with the hiring of additional personnel and an innovative new system that enabled the Division to issue compliance guidance to each facility while being able to conduct unannounced audits. Through these comprehensive compliance and “check and balance” initiatives as well as core initiatives around optimizing power and water usage, Vati has been able to operate in a responsible and sustainable way, as a nursing care provider that is an indispensable part of the social infrastructure.

Key Results and Impacts (2016/10 vs 2021/9)

All of the above ESG initiatives have driven critical outcomes across many critical KPIs as illustrated below. Most importantly, OUR CONVICTION THAT GENDER EMPOWERMENT DRIVES SUPERIOR BUSINESS AND FINANCIAL RETURNS WAS VALIDATED WITH THE OVER 3X MOIC AND 40%+ IRRs. We were able to achieve this with a financing structure that was covenant lite, driving a highly attractive risk return investment. Select ESG and Other KPIs are as follows:

- ◆ We increased the percentage of women in management positions from 45% to 66% (an industry leading figure)
- ◆ We increased the number of employees: from 2,836 to 3,511, with approximately 80% of all employees being women
- ◆ We decreased the employee turnover rate by almost 50% (industry leading levels)
- ◆ We increased the number of facilities we operate to bring low cost quality services to elderly people who require daily care: 122 to 146 facilities
- ◆ We increased facility occupancy rates from 84% to 95%



Company Background

- Kaiyuan is a leading hotel chain operator in China, ranked #2 among domestic operators by hotel room count in the upscale segment, and commands regional leadership with #1 position in Eastern China
- A network of 311 properties and over 59,000 rooms in operation (as of Dec 2020) in 27 provinces with a diversified portfolio of brands spanning mid to high-end and across business and resort categories, achieving a revenue of RMB 1,598mn in 2020
- Ocean Link first invested in Kaiyuan in 2016. In Jan 2021, Ocean Link-led consortium announced the privatization of Kaiyuan from the SEHK, and Ocean Link has taken control of the business post delisting, with Ocean Link’s Partner Mr. Alex Nanyan Zheng appointed as Kaiyuan’s Executive Chairman

ESG Initiatives Introduced by Ocean Link

- As the long-term partner and the controlling shareholder of Kaiyuan post take-private, Ocean Link has been working with Kaiyuan to implement the following ESG initiatives over the years:

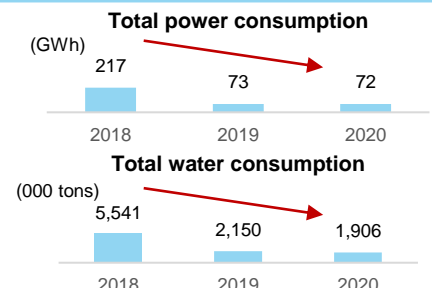
Responsible Procurement

- Introduced “New Century’s Back to Nature 2.0” plan in 2020, with greater focus on green and environmental segment
- To achieve a “no plastic” target across all hotels by 2025 through measurable operational interventions such as:
 - ✓ One-off plastic items such as stirrers and straws no longer provided by 2020, replaced by degradable materials (e.g. bamboo fiber)
 - ✓ Replacing tiny plastic bottles of toiletries with larger pump bottles to reduce plastic packaging consumption

1.7 tons
plastic
materials
saved per year

Energy Conservation


- Formulated Energy Conservation Toolbox as guidelines for energy saving opportunities in hotel operations
- Installed cold and hot water meters in each water use area to monitor water leak or abnormal water consumption
- Upgraded LED lighting system in most of the leased hotels, which saves electricity consumption by ~70%



Year	Total power consumption (GWh)	Total water consumption (000 tons)
2018	217	5,541
2019	73	2,150
2020	72	1,906

Pandemic Support

- Offered free accommodation to healthcare workers who supported the pandemic outbreak in Wuhan in early 2020
- Waived management fees for all managed hotels from Jan 24 to Mar 31, 2020 to relieve franchisees’ pressure from the pandemic
- Released “Operational Guidelines during COVID” in early 2020 and conducted ~3,000 maintenances, ~5,000 times of deep cleaning and special training for ~22,000 staff within one month



Rural Revitalization

- Increased strategic focus on upscale resorts; with the vibe of Chinese traditional aesthetics (“国风”) in its brands, Kaiyuan had successfully integrated local cultures in its resorts, which served as destinations themselves to drive tourists to rural areas and promote rural tourism
- Over 200 resort projects with ~RMB 30bn of invested capital located in the rural areas of Yangtze River Delta, Jiangxi, Chongqing, Gansu and Tibet, attracting ~20mn tourists per year
- Created more than 7,000 jobs in rural areas, with hotels targeting >75% of local hiring



Jintu Chen (left), employed by Kaiyuan as boat captain, originally a local fisherman

Han-style clothing festival organized by Kaiyuan’s Grand House

Submission for – HKVCA ESG Award of Excellence 2021

Summary of the Transaction

Geelong was the 2nd (at the time of our investment) largest toolbox and garage storage manufacturer in the world, in terms of sales and shipment volume. Based in China with 2,000+ employees, Geelong export its products mainly to overseas developed markets in Europe, Canada, Australia and the U.S. The main customers includes – Walmart, Costco, Home Depot, Stanley Tools, and Menards etc. Orchid Asia invested in Oct 2014, and after several major challenges that could have bankrupted Geelong, we have miraculously turned the company around with our ESG action plan. In Jun 2021, Geelong was sold to a strategic buyer and we achieved 8.0x times realized gross return on our cost of investment. Geelong is now No. 1 and the largest player in the world in the toolbox segment.

GEELONG



Pre-Investment

Prior to our investment, Geelong was performing satisfactory, profitable and growing. But through our due diligence with our value-added operational team, we identified a number of ESG issues that could be better managed to improve productivity, such as steel wastage, upgrade safety through automation, and better living/working conditions for its workers to improve morale. We also pinpointed manufacturing areas to increase output capacity on its shipment of approximately 500 containers per month at the time.

Three Major Challenges After Investment

After our investment, we began to put into action our operational changes to improve Geelong's business by implementing various sustainable ways to optimize the manufacturing process. But within 12-18 months of our investment, we encouraged enormous headwinds both internal and external forces that challenged Geelong's growth strategy and fundamental survival in the following:

- **Management team** – proved incapable of growing under the new direction thus the need to restructure the team. Our Operating Director parachuted into the company to resume the role as Interim CEO for 12 months until a new CEO/leadership was identified;
- **Competition** – Waterloo Industries, the largest competitor in the U.S. during the Trump Administration successfully filed an anti-dumping & counter-veiling case against all Chinese and Vietnamese toolbox manufacturers, and prevented Geelong's ability to export its shelving products to U.S. customers, which accounted for over 70% of its revenue;
- **Tariff** – as the Sino-US trade war escalated in 2017-2018, the tariff affected Geelong's exports into the U.S. that increased from 10% to 15% and eventually to current 25%. Geelong's profitability suffered and fell into financial difficulty with a real possibility of liquidation and in breach of bank covenants.



Post-Investment (Attachments for "Before" and "After" photos)

After 4 years of pain staking efforts and working with the new management team and new CEO, we implemented the following operational improvements – with sustainable ESG practices that has turned around Geelong's survival and greatly improved the safety and welfare of its employees. Our ESG efforts made a massive impact, as described by some of the following achievements:

Workers' Safety and Increased Productivity

- Invested about **RMB 100 mln** and over **5,250 new machinery and automation**, which redesigned/avoid dangerous section of the production lines, thus greatly reduced injuries and protect workers while significantly increased productivity output;
- Invested **RMB 5.6 mln** to improve on working conditions and safety measures for its factory;
- Automation doubled production output and improved efficiency from **500 to 1,000+ containers** per month without additional employees and factory-floor space.



SOCIAL

Improved Working and Living Conditions

- Increased all workers' salaries to over RMB 5,000 per month, an **increase of 25-35%** inclusive of all social securities, bonus, food allowance, accommodation etc.
- Invested **RMB 133,000** to renovate/improve living conditions and recreational facilities for workers.

Energy and Waste Management

- Invested **RMB 1.5 mln** on environmental protection, waste management and energy saving equipment/lightings throughout the factory



ENVIRONMENT

Governance Improvement to Shareholders

- Hedged steel prices into procurement system with key suppliers to mitigate price fluctuation risk;
- Structured a cash dividend recap – **returning 2x multiple** of cost to all shareholders before the U.S. tariffs;
- Renegotiated all refinancing terms with the banks, avoided covenants, and achieved early loan repayments;
- Through automation investment, the efficiency improved by **RMB 13.1 mln** and increase capacity of **RMB 75.5 mln**.



GOVERNANCE

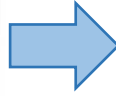
New Production in Thailand and "Out of Scope" Products

- Designed new **"out-of-scope"** products to circumvent tariffs;
- Moved manufacturing of U.S. products to Thailand's new factory to **diversify geopolitical risks and bypassed tariffs**;
- Implemented an ESG assessment policy for customers to perform audit on its manufacturing procedures to comply as a Social Responsible enterprise.

Increased Productivity and Equipment Upgrades

BEFORE

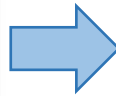
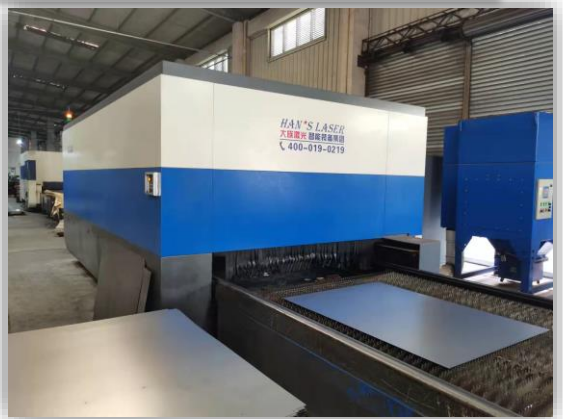
AFTER



Improved Workers' Safety and Conditions

BEFORE

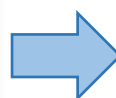
AFTER



Upgraded Energy Efficiency & Waste Management Systems

BEFORE

AFTER



HKVCA ESG Award of Excellence: TPG – Sai Life Sciences

Sai Life Sciences is one of India's fastest-growing drug discovery, development, and manufacturing service providers. They deliver scientific expertise with a greater purpose- to impact tomorrow's healthcare by creating medicines for today's incurable diseases. They work with innovator pharma and biotech companies to accelerate the discovery, development, and manufacture of complex small molecules for a healthier tomorrow. Their vision is to support their pharma and biotech partners to bring 25 new medicines to life by 2025.

7 of the top 10 big global pharma companies work with Sai Life Sciences as well as several small and medium Biotechs. They currently have 150+ customers with programs across various stages of the drug life cycle, including 21 currently in the commercial stage and 9 in development Phase III. The company has started the Sai Next Initiative which is a reinvention program that has transformed multiple facets of the organization including ESG performance. This is exemplified by the fact that they have spent US \$5 million over the past three years on EHS issues which have led to an improvement in environmental performance, green chemistry, social capital & business model innovation, learning & development, and ESG governance & disclosure.

Environment/Green Chemistry-

The company has a commitment to reduce its scope 1 & 2 emissions, waste, and water usage by 10% by 2022; and they are on track to meet most of these targets. Renewable energy adoption has increased from 21% in 2020 to 53% in 2021 in effort to meet these targets. Their CO2 emissions decreased from 338 Tons CO2 / ton FG in 2020 to 210 Tons CO2 / ton FG in 2021 which is a 37% decrease.

To provide a framework for their efforts and estimate the 'greenness' of each process, they developed an in-house computational model that can assess projects on their water conservation, resource conservation, solvent management, and waste management. Referred to as Greenness Index this composite metric is computed using several attributes across atom & mass efficiency, e-factor, water conservation, waste minimization, resource conservation, and greenness of solvents used, among others. These indicators are now tracked and monitored by process development teams and included as part of technical packages. The percentage change in the Greenness Index between the pre- and post-development process is considered as the measure of improvement. To further encourage the adoption of green chemistry principles, they initiated an internal awards program, which recognizes teams that develop the greenest processes. Initiated in 2020, the Green Process of the Year Award is given to the team which shows the most significant improvement in Greenness Index during development. Over the past two years, they have had 7 teams and 30 projects being nominated for the awards. The three best projects are awarded each year. The introduction of green chemistry thinking, Greenness Index, and Green Process of the Year Award has ensured that the sustainability of the manufacturing processes used by Sai is built-in "by design" and resulted in significant savings in water and solvent consumption and waste generation. This initiative won the company the 2021 GSK Environmental Supplier Award in the primary manufacturing category.

Social Capital & Business Model Innovation-

Sai Life is the first India-Headquartered CRO-CDMO to join the pharmaceutical supply chain initiative (PSCI). The PSCI is a non-profit business membership organization with a vision to establish and promote responsible practices that continuously improve pharmaceutical supply chains. Sai was welcomed into the PSCI community for embedding Responsible Supply Chain Management into their practices. Furthermore, The ACS GCI Roundtable welcomed Sai Life Sciences as an Associate Member for the integration of green chemistry and engineering in the pharmaceutical industry. Sai is one of the few CRO-CDMO companies to be part of this community.

Learning & Development

Sai Life Sciences has won several awards in the past two years for its L&D initiatives for effectiveness in migrating to online systems. The company has mapped the learning needs of over 100 unique roles across the organization

and provides holistic training across quality, technical, safety, soft skills, and more with interactive audio-visual resources delivered through a robust learning management system.

ESG Governance-

In addition to the various committees that ensure the sustainability of business operations, Sai Life Sciences has 70 full-time employees working on ESG performance. Sai Life Sciences also has a separate Corporate Social Responsibility Committee that oversees their community initiatives. The CSR Committee reviews, monitors, and provides strategic direction to the company's CSR activities. The Committee seeks to guide the company in integrating community engagement objectives with business strategies and assists in crafting unique models to support the creation of sustainable initiatives. The Committee formulates and monitors the CSR Policy and recommends to the Board the annual CSR Plan of the company. Additionally, Sai Life Sciences has become a signatory of the United Nations Global Compact (UNGC).

HKVCA ESG Award of Excellence – ESR

Executive summary

ESR, headquartered in Hong Kong, was co-founded by Warburg Pincus in 2011 with the company's senior management. The company has since grown into a leading responsible, sustainable pan-Asia logistics and new economy real estate platform, capitalizing on China's transition from a manufacturing-based economy to a consumption-based economy. The ESR network spans major economies across the APAC region, including the P. R. China, Japan, South Korea, Singapore, Australia, India, Vietnam and Indonesia. Today, the ESR platform is the largest of its kind by gross floor area and value of assets owned and managed, spanning eight countries that represent over 90% of APAC GDP. In 2019, the company successfully listed on the Hong Kong Stock Exchange.

ESG efforts

ESR's commitment to ESG has been at the heart of its business practices, and it recognizes that the new economy must be built back by purpose-led and responsible operations. ESR and its investors recognized early in the company's development that green buildings would play a significant role in addressing climate change risks. The company prioritized the development and management of sustainable buildings by adopting energy efficient lighting, comprehensive water and waste management systems, expansive green areas, and roof-mounted solar panels.

Development of a Strategic ESG Framework

Through active sponsorship through the board, Warburg Pincus partnered with senior management to drive ESG initiatives. This eventually led to the creation of a formal ESG policy and a five-year ESG roadmap which was fully endorsed by the broader board. ESR's ESG 2025 Roadmap sets out a clear vision and quantifiable targets across three key pillars: Human Centric, Property Portfolio and Corporate Performance. With the five-year ESG roadmap in place, the Group remains committed to constantly improving its ESG performance, with the goal of creating sustainable value for its stakeholders, the environment, and the communities it connects with through a responsible investment approach and strong corporate governance. Learn more about the Group's [ESG 2025 Roadmap](#) and its [ESG Report 2020](#).

Environmental & Social Initiatives and Targets

Specifically, ESR has made a number of public, quantitative goals toward improving its existing corporate social and environmental profile including improving gender ratios, achieving zero workforce fatalities, a 50% increase in solar power generation, a 20% reduction in group-wide energy consumption, and USD\$15 million of social investment in local community foundations by 2030. ESR aims to progress further in ESG reporting each year. In the course of these initiatives, the Group also engaged MSCI to embark on a climate impact study to help formulate its strategic approach to climate adaptation moving forwards. Notable initiatives to date include:

- *Sustainable Financing:* ESR has secured its inaugural Sustainability-Linked Loan of US\$700 million with an option to upsize it to US\$1 billion. It marks the Group's first step into sustainable financing, demonstrating its ongoing commitment to ESG.
- *Energy Efficiency:* Across the region, ESR has 24 properties with total GFA of > 2mm sqm with roof-mounted solar panels. Over 75% of regular occupied floor area have natural day light.
- *Sustainable Construction:* ESR equips new developments with resource-efficient technology such as LED lighting, comprehensive wastewater and waste management systems, expansive green areas, and, wherever possible, rooftop solar panels.
- *Workforce Wellbeing:* In Japan, each of ESR distribution centers >100,000 sqm is equipped with children's day-care centers, known as Barnklübbs, run by licensed day-care providers, offering convenient and high-quality services that are free-of-charge for employees of ESR's tenants. This initiative supports the local economy by facilitating higher female participation in the workforce and enhancing the productivity of working parents.
- *Diversity:* As of November 2020, 35% of the company's 626 employees are female, with a target to reach at least 40% by 2025. At ESR's Hong Kong headquarters and its ESR-REIT Singapore office, women currently represent 62% and 68% of the staff, respectively.

Governance Initiatives

The Group emphasizes sound governance and a culture of responsibility, the tone of which is set by the Board of Directors, who are responsible for and have general powers over management and conduct of the business. Furthermore, ESR engages qualified, reputable and independent third parties to assist in managing operational risks, where appropriate, as well as leveraging ComplySci, the new online compliance management platform being rolled out across all offices that automates manual compliance processes. All employees receive training on Group and regional office policies and guidelines appropriate to their roles and locations and are encouraged and supported to speak up if they have concerns.

Recognition

- The Group's ESG leadership has gained wide recognition by major industry organizations. In the 2021 GRESB (Global Real Estate Sustainability Benchmark) Assessment, ESR has earned GRESB 5 Stars for its various funds, topped several rankings and won various accolades across multiple funds, including Regional Sector Leader in Asia's industrial real estate sector.
- In 2021, the Group was awarded its MSCI ESG Rating of A in its first year of participation, which placed ESR among the top 20% of companies in the real estate development for ESG performance.
- Various portfolio assets of the Group are recognized with sustainable building standards, including LEED (Leadership in Energy and Environmental Design) Gold certifications, WELL (International WELL Building Institute) Gold Certification for logistics real estate, in addition to certifications bestowed by ABINC (The Association for Business Innovation in harmony with Nature and Community), CASBEE (Comprehensive Assessment System for Built Environment Efficiency) and BCA (Building & Construction Authority Green Mark), among others.
- In 2018, ESR Japan received the Social and Environmental Contribution award from British Business Awards by the British Chamber of Commerce in Japan, recognizing its commitment to working mothers.

Appendix

ESG & ESR

"Sustainable business" means integrating ESG considerations into every aspect of decision making.

ESG is integrated into the key processes of ESR's daily operations and decision making. Our leadership teams are studying best practices, setting goals and monitoring performance to facilitate continuous improvement across every market in which we operate.



ESG FRAMEWORK

Our ESG Framework organises material ESG topics for our business into 17 Focus Areas under three pillars. Strategic initiatives and targets are in place for each focus area. This report provides an overview of our management approaches, as well as a status update on our performance.

Human Centric	Property Portfolio	Corporate Performance
<p>Basic human needs are universal. Meeting those needs today while ensuring they can continue to be met in the future, is the cornerstone of sustainable development.</p> <p>Focus Areas</p> <ul style="list-style-type: none"> • Safety, Health & Well-being • Diversity & Inclusion • Community Investment • Managing & Developing Talent • Stakeholder Engagement 	<p>We aspire to develop and manage logistics facilities for the new economy by offering tenants modern, state-of-the-art, focused and integrated real estate platforms.</p> <p>Focus Areas</p> <ul style="list-style-type: none"> • Sustainable & Efficient Operations • Sustainable Building Certifications • Climate Change Resilience • Biodiversity and Habitat Protection • Flexible & Adaptable Properties • Strategic Locations 	<p>Strong corporate performance is the foundation upon which we will achieve sustained and balanced growth giving rise to stable returns over the long term.</p> <p>Focus Areas</p> <ul style="list-style-type: none"> • Financial Performance • Investor Relations • Responsible Investing & Finance • Corporate Governance • Risk Management • Disclosure & Reporting

ESR's vision for sustainable development and ESG Framework aligns with the United Nations 2030 Agenda. We've identified six United Nations goals toward which we feel we can make the most meaningful contribution.



ESG IN ACTION
ESR Amagasaki DC is a landmark logistics warehousing project with a GFA of 388,570 sqm located in the Greater Osaka Metropolitan area. Completed in June 2020, it exemplifies many aspects of ESR's ESG Framework in action.

<p>Stakeholder Engagement</p> <p>28-month build project in collaboration with leading local partners.</p> <ul style="list-style-type: none"> • Taisei Corporation (Architect) • Taisei Joint Venture (Contractor) • Takato Tamagami Architectural Design, Ltd. (Amenity Space Designer) • Mio Watanabe Design Office, LLC. (Landscape Designer) 	<p>Sustainable & Efficient Operations</p> <p>Full array of sustainable elements mitigate environmental impacts.</p> <ul style="list-style-type: none"> • Energy-saving features • Onsite solar power generation • Green spaces • EV charging facilities 	<p>Green Buildings</p> <p>Sustainability credentials certified by leading industry bodies.</p> <ul style="list-style-type: none"> • Comprehensive Assessment System for Built Environment Efficiency • Association for Business Innovation in Harmony with Nature and Community 	<p>Flexible & Adaptable</p> <p>Six-storey distribution centre epitomising the highest specifications for modern logistics.</p> <ul style="list-style-type: none"> • 5.5m clear height • 1.5 ton/sqm floor loading • 418 truck berths • Cargo elevators and vertical lifters 	<p>Strategic Location</p> <p>Exceptional access to Osaka CBD, large national ports and international airports.</p>	<p>Reporting & Disclosure</p> <p>Part of ESR's Redwood Japan Logistics Fund II Limited Partnership (RJLF II) portfolio, which scored 4 out of 5 green stars in GRESB's 2020 Development category.</p>
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ESR's Social Investment Program

Supporting Underprivileged Children in China

The Qin Charity Foundation was founded by ESR and the China Red Cross Foundation to provide educational and extracurricular courses for underprivileged children living in China's rural areas.



Supporting Disadvantaged Youth in Singapore

ESR-REIT has partnered with Kidzcare@Kembangan-Chai Chee (an initiative under the Kembangan-Chai Chee Youth Network) to provide a tuition centre for disadvantaged youths.



Welkin believes that ESG factors are important drivers of long-term investment performance and recognizes that investing can be financially profitable while creating positive social impact. We work closely with our portfolio companies to achieve business goals and ESG objectives.

Welkin invested in Great Leap Brewing (“GLB” or the “Company”) in 2017 and has strongly supported the Company’s ESG initiatives. Most notably, since our investment, GLB has made a commitment to be “China’s greenest brewery”, which has become one of the pillars of the Company’s mission and culture, while also strongly resonating with Chinese consumers.



Great Leap Brewing, founded in 2010, is the first craft beer brand in Beijing and a pioneer in China’s rapidly growing craft beer market. It operates 5 taprooms in Beijing and Chengdu and has built a world-class 17,000 sqm brewery in Tianjin. The brewery is the largest of its kind in Asia and a rare asset in China, enabling GLB to rapidly innovate and produce products to cater to the evolving tastes of Chinese consumers.



First Chinese craft brewery to commit to carbon neutrality. In 2020, GLB began tracking energy usage from its operations, and carbon emissions were audited to track Scope 1 and 2 emissions. In 2021, the Company partnered with Qianyuhui Investments and the Le’An Forestry Bureau for carbon offset via reforestation and carbon sequestration efforts in Jiangxi province. Carbon offset credits are verified in the Verra Registry system. Moving forward, GLB has committed to annually neutralize Scope 1 and 2 emissions.

Minimizing production waste to less than 5%. In 2020, GLB instituted rigorous waste sorting procedures in its brewery to sort both household and production waste. As a result, from January to August 2021, the brewery has sent less than 5% of its total waste to landfill. This encompasses all waste, including spent grains from brewing (which go to pig feed), malt bags, plastic wrap and packaging (which are sold to local recyclers), and employee lunches.

Dedicated to alternative energy. GLB and Krones from Germany jointly designed the brewery with the goal of implementing the Krones EquiTherm system, which recovers the surplus energy from hot wort, thereby replacing primary energy in the mashing process. This results in substantial reduction in energy usage, saving up to 55% of thermal energy and 40% of electrical energy in the brew house. Foundations for this system have been installed, including special mash vessels with dimple plates design and vapor condensers. GLB will install the final components as it expands capacity.

GLB is also working with the Tianjin Xiqing district government to install solar panels on the roof of the brewery, with the goal of reducing energy usage from the grid by 70%.

Promoting sustainable packaging. Unlike traditional steel kegs, 100% recyclable PET kegs lower carbon footprint by eliminating return trips and the use of chemicals for cleaning, while also reducing shipping weight. GLB is the only craft brewery in China with on-site CE/SFDA-approved PET keg production through its exclusive partnership with a renowned keg maker in Europe. Currently, ~33% of keg components are made with recycled materials. Since 2020, GLB has also established a PET keg collection and recycling chain in Beijing, whereby it collects used kegs from channel clients and re-incorporates qualified parts into its PET keg production line. Un-usable components are sent to qualified plastic recyclers to be converted into usable goods such as bags, clothing, and other items. In 2021, over 58% of all kegs sold to channels have been collected and recycled.

GLB only uses aluminum can packaging, instead of glass bottles. Aluminum cans are easier to recycle and lighter to transport than glass bottles. According to the Environmental Protection Agency, recycling aluminum cans saves 95% of the energy needed to make new ones from raw materials, compared to ~33% for glass. They also have almost infinite recyclability and are open-product recyclable, meaning they can be recycled into non-can aluminum products, such as automobiles.

Guiding government on industry standards. As recognition of its professionalism and industry leadership, GLB is the only craft beer brand appointed as 1 of 14 board members of the China Alcohol Drinks Association Beer Committee. As a board member, GLB is actively involved in advising the government on nationwide environmental, production and quality standards for the beer industry.

Embracing values of equality and kindness. 3 out of 5 of GLB’s C-suite executives are women, serving the roles of Chief Brewing Officer, Chief Financial Officer and Chief Marketing Officer. GLB also regularly organizes events to raise awareness for NGOs that improve healthcare and education for poor children in China and the LGBT Center in Beijing.

