CapitalDynamics
TRULY INVESTED.

Responsible Investment Report

2022 - 2023

Delivering long-term prosperity sustainably

CapitalDynamics®
TRULY INVESTED.

Our pursuit of performance requires a commitment to people and planet.

Table of contents

1

Progress with Responsible Investment initiatives

Capital Dynamics at a glance

USD 13BN+	13	550+ / 950+	c.150	c. 50
AUM/ AUA[1]	Offices	Institutional / private clients[2]	Firm-wide professionals[2]	Investment professionals[2]

Global middle-market private assets specialist with local investment expertise

Established early mover in mission-critical renewable energy generation

Early adopter and consistent innovator in Responsible Investment ("RI"), with a trademarked approach to RI underwriting

Distinct advantage to deal sourcing, structuring and execution with proprietary technology and database of over 7,500 funds

Attractive, risk-adjusted investment performance incorporating downside protection through all phases of the market cycle

On-the-ground expertise in fund structuring, operations, reporting and compliance with local specialists based across Europe, USA and Asia

Capital Dynamics comprises Capital Dynamics Holding AG and its affiliates. (1) As of March 31, 2023. Assets Under Management are calculated based on the total commitments as of the final closing date for all funds currently managed by Capital Dynamics, including amounts that have been distributed. Assets Under Advisement includes assets for which Capital Dynamics provides services such as reporting, monitoring and risk management. (2) As of May 2023.

Capital Dynamics' strong values are anchored in our DNA

Message from our Chief Executive Officer

Over the past fifteen years, Responsible Investment practices have been key to our success, and sustainable strategies a cornerstone to achieving attractive long-term returns for our clients.

Capital Dynamics embraces Responsible Investment as a core investment approach and a value driver. Our research demonstrates that companies with strong Responsible Investment credentials tend to outperform their peers and investing in these companies results in improved risk-adjusted returns for our limited partners.

In this report, I'm proud to share with you how our teams at Capital Dynamics strongly commit to make a difference every day, and in doing so drive value in our investments and portfolio companies.

I hope you enjoy reading about our recent achievements and the progress we have made in Responsible Investment. On behalf of all of the Capital Dynamics' workforce, I sincerely thank our partners and prospects for the trust you place in us.

Martin Hahn
Chief Executive Officer

Our history in Responsible Investment

2008 – Early signatory to the UN Principles for Responsible Investment (UN PRI)

2009 – Actively involved in creating the British Private Equity and Venture Capital Association's (BVCA) Responsible Investment guidelines

2010 – Clean Energy business line established

2013 – Incorporating RI in our investment underwriting and due diligence

2016 – Enhanced analysis of RI matters integrated into investment process

2017 – Published inaugural RI–focused GP survey

2018 – Formation of Responsible Investment Committee and launch of the R-Eye™ Rating System

2019 – R-Eye™ Rating implemented across all business lines

2020
- Inaugural Firm-wide RI report and TCFD report
- Adoption of RepRisk monitoring tool

2021
- Co-led the IIGCC Net Zero Investment Framework for Private Equity
- Inaugural climate scenario analysis published in TCFD report

2022
- Commitment to carbon accounting with PCAF
- First RI-linked Credit launched
- Support for SEC rules on climate-related disclosures

Capital Dynamics' RI story by the numbers

$ 425k

Donated to charitable causes in 2021-2022

571.5 tCO2e

Operational greenhouse gas emissions (excluding investments) in 2021 from business travel, employee commuting and energy use

4

Consecutive years as winner of GRESB Sector Leader for CEI III*

117%

Female hiring target achieved based on number of roles forecasted in Jan 2022

100%

Carbon-neutral business travel, employee commuting and energy use

1,276,508 tCO2e

avoided emissions through our Clean Energy assets in Europe and U.S. as of Dec 31st 2021

Emission factors used:
UK: 2021 UK Government GHG Conversion for Company Reporting; Spain: Carbon Footprint Calculator for Municipalities 2007-2021; USA: EPA's Emission factors for Greenhouse Gas Inventories; Canada: Emission Factors and Reference Values by Government of Canada

6,536

Gross MW capacity installed – includes operating assets across U.S., UK and EU as of Dec 31st 2021

*The third-party ratings shown were received by Capital Dynamics in the year indicated, based on activities undertaken in the prior calendar year. Capital Dynamics did not provide any direct compensation in connection with obtaining such third-party ratings, although in certain cases we have paid a fee to become members of an organization, which membership is a precondition to obtaining a rating, or have paid a fee in order to use the issuing organization's logo in our marketing materials

Our Responsible Investment Committee

The Capital Dynamics RI Committee members: (i) are signatories to the Firm's RI policy; (ii) review all CD investments; and (iii) set the Firm's agenda for RI training, community involvement, and thought leadership

Responsible Investment Committee

Bryn Gostin
Senior Managing Director
Chief Product & Strategy Officer &
Co-Chair Responsible Investment

Verena Rossolatos
Senior Vice President
Co-Chair Responsible
Investment

Marketing & Communications

Carolin Hirschbiel
Senior Managing Director

Private Credit

Jens Ernberg
Senior Managing Director

Co-Investment

David Smith
Senior Managing Director

Secondaries

Mauro Pfister
Managing Director

Research

Kairat Perembetov
Principal

Clean Energy United Kingdom

Barney Coles
Managing Director

Clean Energy Europe

Dario Bertagna
Managing Director

Business Development

Carolyn Skuce
Senior Managing Director

Klaus Gierling
Senior Managing Director

Solutions & Risk

Philippe Jost
Senior Director

Meet the RI Co-chairs

Bryn Gostin joined Capital Dynamics in 2018 and is a Senior Managing Director on the Business Development team, where he is the Chief Product & Strategy Officer, Co-Chair of the Responsible Investment Committee and Co-Head of the Environmental Committee. He is also a member of the Executive Committee and the Chair of the firm's Product Committee. Prior to joining Capital Dynamics, Bryn worked at Goldman Sachs in the Investment Management Division where he served as the Head of Business Development for GP stake, secondary, and senior lending strategies.

In the private markets, RI leadership is principally driven by European and mega-cap asset managers. This makes sense because European LPs have held their GPs accountable for their environmental and social footprint. In addition, the mega cap names have also exhibited strong RI commitments because doing it right is both time- and resource-intensive. By contrast, Capital Dynamics is a global firm committed to investing in (and sizing our programs to target) the middle market. This makes our commitment to RI different. It also means we can positively affect parts of the market where sustainable investment strategies are less well understood. We hope our 2022-2023 RI report provides a glimpse into this potential impact.

Bryn Gostin
Senior Managing Director
Chief Product & Strategy Officer and Co-Chair Responsible Investment

Verena Rossolatos joined Capital Dynamics in 2021 and is Senior Vice President on the Business Development team, where she is the Co-Chair of the Responsible Investment Committee and Co-Head of the Environmental Committee. Prior to joining Capital Dynamics she worked at UBS Asset Management, specializing in sustainable finance regulation and Responsible Investment initiatives in alternative investments. Verena is an EFFAS Certified ESG Analyst (CESGA®).

RI creates opportunities to drive long-term risk adjusted returns, while accelerating business transformation that provides solutions to the most pressing societal concerns, such as food and energy security. The year 2022 represented difficult macroeconomic and geopolitical shifts. These underpinned how responsible investment in long-term asset classes has the potential to support companies, building up future-proof resilience in the 21st century. Our 2022 LP survey results also confirm that our investor base views RI-related policies as indispensable.

Verena Rossolatos
Senior Vice President
Co-Chair Responsible Investment

Our perspective on RI trends shaping the industry

Carolin Hirschbiel, Chief Marketing Communications Officer at Capital Dynamics, sat down with our RI leadership team Bryn Gostin and Verena Rossolatos, to discuss RI trends in the industry, how RI and investment performance correlate and Capital Dynamics' perspective on the long-term investment opportunities represented by responsible investment.

Carolin Hirschbiel
Senior Managing Director
Chief Marketing Communications Officer

Bryn Gostin
Senior Managing Director
Chief Product & Strategy Officer and Co-Chair Responsible Investment

Verena Rossolatos
Senior Vice President
Co-Chair Responsible Investment

Carolin: 2022 brought along a challenging macroeconomic and geopolitical environment. Will capital flows towards sustainable investments continue despite the challenges?

Verena: The tensions arising from geopolitical conflicts and inflation certainly remain top of mind for us and our investors. These macroeconomic shifts have a financially material impact on a company's revenue, costs and profitability. But the current market conditions of volatile energy and raw materials prices also show how leaders in sustainability can outperform their peers in their economic performance. For example, businesses that already had improved their energy efficiency are now more protected from volatile energy costs compared to late movers in the industry. The challenges demonstrate the importance of adopting a long-term view and investment approach with responsible investment at its heart, aimed at long-term value creation, reducing risks and capturing attractive return opportunities in a rapidly-changing geopolitical and macroeconomic environment. We also see a steep increase in the demand for private capital strategies focused on climate-related investment strategies.

In a recent study, Campbell Lutyens[1] found that $183 billion have been or are currently being raised for private capital strategies focused on the climate change landscape, so clearly there is a real investment opportunity here.

Carolin: How is Capital Dynamics thinking about some of the increased scrutiny of ESG investing, particularly in the United States?

Bryn: In the U.S., the scrutiny centers on whether pension funds should be permitted to take ESG into consideration in making investment decisions. On one side, some argue that a pension fund should be singularly focused on generating a rate of return to match pensioner liabilities. On the other side, some argue that pension funds should be able to consider environmental and social objectives alongside return targets. Each side of this conversation brings important perspectives but it is our belief that the debate should be reframed. The question is not whether a pension fund should sacrifice some level of return for impact targets but rather how RI, when properly implemented, may be accretive to long-term performance goals.

Carolin: How exactly can Responsible Investment enhance performance?

Bryn: The potential for Responsible Investment alpha is critical to the widespread adoption of RI in the alternatives asset class. Sound RI practices have the potential to drive value creation in at least three ways. First, RI may mitigate risk across the macro-cycle by identifying more institutionalized operations, reducing regulatory risk, and identifying pockets of less elastic customer demand. Second, RI can drive cost savings through energy efficiency, improved manufacturing processes, more resilient supply chains, and employee retention. Third, a growing body of literature indicates that buyers are willing to pay a premium for companies with good RI credentials. A number of considerations drive this valuation premium, not least of which is the cohort data indicating that environmental and social issues influence buying patterns of younger consumers that are entering peak earning, spending, and investing years.

[1] Campbell Lutyens (2022): The rise of specialist climate strategies in private capital. Available at: Sustainable investing: The rise of specialist climate strategies | Campbell Lutyens (campbell-lutyens.com)

An accessible example of this trend is the growing demand for organic produce, which sells at a substantial premium to conventionally-grown fruit and vegetables.

Carolin: How does sustainable finance regulation affect the investment landscape globally?

Verena: The EU's Sustainable Finance Disclosure Regulation (SFDR) and the EU Taxonomy have strengthened the demand for investment strategies with a focus on RI. With the steep rise in RI funds observed in the past few years, it remains a priority for investors to clearly navigate and distinguish between the RI-related ambitions pursued by different financial products. One way to do so is to establish investment labels as proposed by the FCA's Sustainability Disclosure Requirements in the UK. Another way to help navigate the RI investment landscape is to create a common language for classifying investments as sustainable. The EU taxonomy is a great example of such a classification system. It sets out criteria that help identify which economic activities are environmentally sustainable and support the EU's broader ambition to achieve its environmental objectives. Outside Europe, we also see similar regulatory developments. For example, the SEC's proposed rules on climate-related disclosures published in 2022 would require registrants to assess and disclose climate-related financial risks and opportunities in line with the Task Force on Climate-Related Financial Disclosures (TCFD) framework. Ultimately, the regulatory push globally enables investors to make more informed investment decisions. For example, LPs will need to know if and how a GP incorporates RI principles throughout the investment process and obtain regular reporting on the RI progress achieved alongside the financial performance of investments. Standardized disclosures, as introduced by the regulations, help navigate this complex environment.

Carolin: What drives Capital Dynamics commitment to Responsible Investment?

Bryn: Our commitment to Responsible Investment starts with our people. At Capital Dynamics, we truly embrace RI principles in our daily lives. This is intertwined with our commitment to delivering strong financial performance and represents a unique investment opportunity for our clients. Capital Dynamics has been an early adopter of Responsible Investment. We were one of the first alternative asset managers to sign the UN-supported PRI in 2008. We were one of, if not, the first private equity funds business to launch a direct clean energy strategy. In addition, we constantly look for ways to push the boundaries of RI from our trademarked approach to responsible investment to our...

...first-of-its-kind swap mechanism, eliminating economic exposure to an agreed upon prohibited investment list. All of these firsts taken together have one thing in common: they sit at the intersection of client demand, investment innovation, and our core values. These are the distinguishing factors of our commitment to RI.

Carolin: Does Capital Dynamics also support RI initiatives at a Firm level?

Verena: Yes, absolutely. Capital Dynamics is a Firm with strong human values and we make sure our employees are part of our RI journey. For example, in 2022 we surpassed our female hiring target and achieved 117% based on number of roles forecasted at the beginning of the year. We regularly engage with our employees on RI initiatives, for example, we launched our inaugural unconscious bias training in 2022 and conducted a Firm-wide employee survey where we asked our people which carbon offsetting project they would like to support to neutralize our operational carbon footprint. To us it's important to embrace RI principles holistically and authentically at our Firm, which starts with each and every employee at Capital Dynamics.

Carolin: Who else is driving RI leadership in alternative investment?

Bryn: I will say that RI leadership has principally been driven by European managers. This is a byproduct of the fact that, as a group, European LPs have been highly effective at mobilizing their managers to take action on environmental issues. Capital allocators have the power to drive this type of engagement, particularly when they act with one directed voice. Although a bit later to the RI revolution, mega-cap managers have also been active on RI issues in recent years. This engagement is also not surprising because doing RI properly requires a substantial commitment of time, dedicated resources, and capital. Smaller managers often lack these resources. What makes Capital Dynamics' commitment to RI different from that of our peers is where we sit in the market. While our Firm has its roots in Europe and the UK, it is a global Firm with offices around the world. It is also, quite deliberately, not a mega-cap manager. We have remained committed to investing in the lower and middle market, and have set our investment strategies accordingly. As such, we can bring RI considerations to light in under-penetrated areas of the alternatives market. We hope our 2022 - 2023 RI report provides a glimpse into this potential impact.

6 key RI activities to make a difference

1 Issued our second **TCFD report,** for the first time including qualitative scenario analysis at Firm- and asset-level, providing our clients with transparency on climate-related risks and opportunities

2 Co-led the **Institutional Investors Group on Climate Change's (IIGCC) Net Zero Investment Framework for Private Equity**, with final guidance expected to be published in early 2023

3 We are one of the first mid-market U.S. Credit Lead arrangers to introduce an **RI-linked loan** structure

4 We joined the **Partnership for Carbon Accounting Financials (PCAF)** to assess and report transparently our financed emissions with robust methodologies endorsed by the TCFD framework

5 Contributing to the SEC's request for commentary on mandatory climate-related disclosures, expressing strong support for guidance and transparency

6 We signed the **Investor Agenda's 2022 Global Investor Statement to Governments on Climate Crisis**, advocating for early action to ensure that 2030 greenhouse gas emissions are aligned with the goal of keeping global temperature rise to 1.5°C

We are honored to be recognized with prestigious RI awards

In 2022, Capital Dynamics was a winner of the Pensions & Investments 2022 "Best Places to Work in Money Management". This prestigious industry accolade recognizes the strength and success of our workplace culture and underpins our dedication to supporting employees across all stages of their careers, using inclusive hiring practices to secure new talent.

Pensions & Investments partnered with Best Companies Group, a research firm specializing in identifying great places to work, to conduct a two-part survey process of employers and their employees. The first part consisted of evaluating each nominated company's workplace policies, practices, philosophy, systems and demographics. This part of the process was worth approximately 25% of the total evaluation. The second part consisted of an employee survey to measure the employee experience. This part of the process was worth approximately 75% of the total evaluation. The combined scores determined the top companies.

Capital Dynamics is proud to have received numerous Responsible Investment awards* in 2022- 2023, which include:

- LC Publishing Group's Sustainability Awards 2023: **Asset Management** (2023)
- Real Deals: **ESG – LP** (2022)
- Real Deals: **Future 40 Impact Funds** (2022)
- European Pensions: **Diversity** (2022)
- GRESB: **5* rating / Sector Leader** (2022)
- Fund Intelligence: **Diversity & Inclusion** (2022)
- Private Asset Management: **ESG Advocate** (2022)

** The third-party ratings shown were received by Capital Dynamics in the year indicated, based on activities undertaken in the prior calendar year. Capital Dynamics did not provide any direct compensation in connection with obtaining such third-party ratings, although in certain cases we have paid a fee to become members of an organization, which membership is a precondition to obtaining a rating, or have paid a fee in order to use the issuing organization's logo in our marketing materials*

Our latest PRI results

The Principles for Responsible Investment (PRI), supported by the UN, recognize the commitment by institutional investors to act in the best interest of beneficiaries as part of fiduciary duty, which includes the consideration of financially material RI factors in the investment process. Capital Dynamics has been a signatory to the UN-supported PRI since 2008 and is firmly committed to the 6 PRI principles:

1. Incorporate ESG issues into investment analysis and decision-making processes
2. Be active owners and incorporate ESG issues into our ownership policies and practices
3. Seek appropriate disclosure on ESG issues by the entities in which we invest
4. Promote acceptance and implementation of the Principles within the investment industry
5. Work together to enhance our effectiveness in implementing the Principles
6. Report on our activities and progress towards implementing the Principles

We have been consistently awarded top scores by the UN PRI and are pleased to have obtained 5-Stars for our Investment & Stewardship Policy, Private Debt and Clean Energy strategies in 2022*:

Investment & Stewardship Policy	★★★★★
Private Debt	★★★★★
Clean Energy	★★★★★
Indirect Private Equity	★★★★

** The third-party ratings shown were received by Capital Dynamics in the year indicated, based on activities undertaken in the prior calendar year. Capital Dynamics did not provide any direct compensation in connection with obtaining such third-party ratings, although in certain cases we have paid a fee to become members of an organization, which membership is a precondition to obtaining a rating, or have paid a fee in order to use the issuing organization's logo in our marketing materials*

Capital Dynamics named sector leader in Clean Energy for four consecutive years

We are proud to share that Capital Dynamics Clean Energy has received the highest ranking from GRESB, the leading RI benchmark for real estate and infrastructure investments across the world, in multiple categories. Capital Dynamics has been named “Sector Leader” for the fourth consecutive year in 2022*.

Capital Dynamics Clean Energy and Infrastructure III LP (“CEI III” or “the Fund”), invested in renewable energy projects across Europe, was awarded a 5-Star GRESB Rating and was recognized as “Sector Leader” for the Renewable Power sector. The Fund was ranked first in the categories for Renewable Power Global, Renewable Power Europe and Renewable Power Private Equity. The assets ranked first in the category of On-Shore Wind Power Generation, Maintenance and Operation in Northern Europe.

Each Fund launched within Capital Dynamics' Clean Energy platform implements the same responsible investment principles as CEI III, particularly the Firm’s proprietary R-Eye™ scorecard, which was implemented in 2019 to measure RI factors throughout the investment lifecycle.

GRESB
INFRASTRUCTURE
sector leader 2022

#1 IN RENEWABLE POWER GLOBAL

#1 IN RENEWABLE POWER EUROPE

#1 IN RENEWABLE POWER PRIVATE EQUITY

#1 IN ON-SHORE WIND POWER GENERATION, MAINTENANCE AND OPERATION IN NORTHERN EUROPE

** The third-party ratings shown were received by Capital Dynamics in the year indicated, based on activities undertaken in the prior calendar year. Capital Dynamics did not provide any direct compensation in connection with obtaining such third-party ratings, although in certain cases we have paid a fee to become members of an organization, which membership is a precondition to obtaining a rating, or have paid a fee in order to use the issuing organization’s logo in our marketing materials*

Financed GHG emissions and net zero targets for Clean Energy

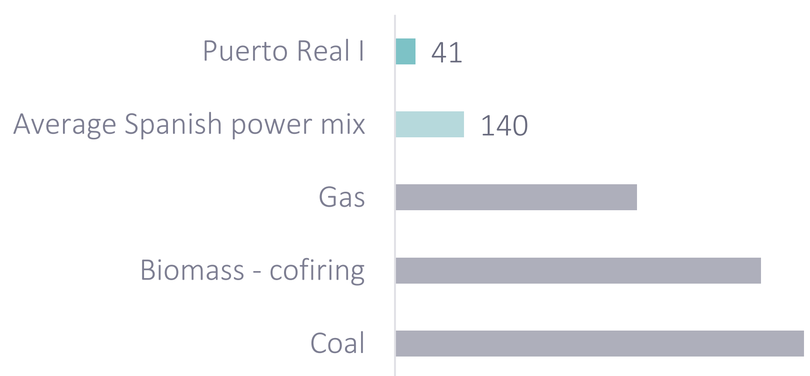
Capital Dynamics joined the Partnership for Carbon Accounting Financials (PCAF) in 2022 and has embarked on a journey to measure financed greenhouse gas emissions in the Firm's investments. We are committed to providing our investors with transparency on the climate-related risk metrics in our funds and report our first set of financed GHG emissions assessments as part of our 2022 TCFD report. Furthermore, in 2022 we engaged with a third party consultant, Carbometrix, on measuring the project lifecycle emissions of one of our Clean Energy projects (refer to next page), which allowed us to understand the materiality of GHG emissions across the different lifecycle stages, from manufacturing and construction, to operations, electricity transmission and asset decommissioning for a typical solar project.

We are pleased to announce that our new Clean Energy funds actively seek to reduce GHG emissions where feasible and aim to offset the residual unavoidable emissions, for example the emissions associated with the construction phase of our projects. Reducing avoidable emissions and scaling green technologies is core to achieving net zero economies and Capital Dynamics is committed to playing a leading role in the transition towards environmental sustainability.

PCAF Partnership for Carbon Accounting Financials

GHG Accounting of a 133 MW solar farm - by Carbometrix

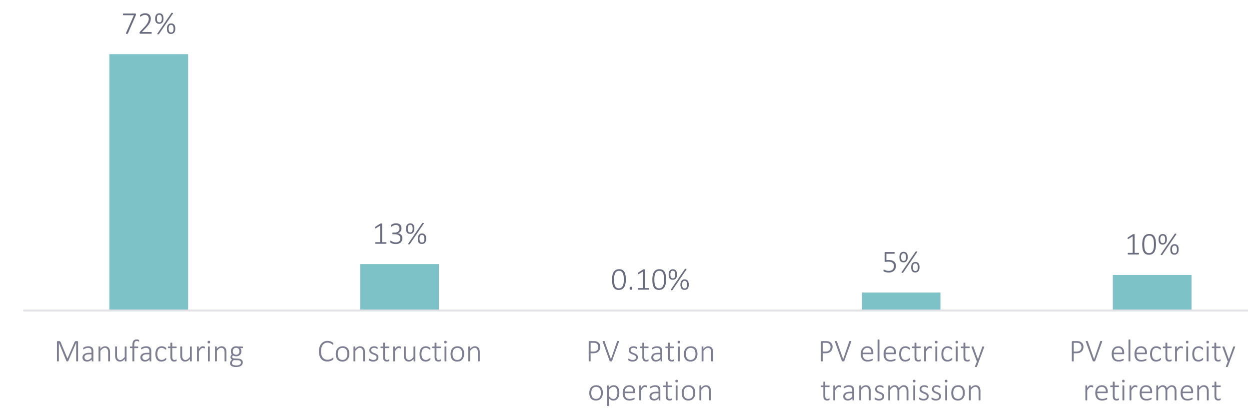
Emissions per kWh electricity per energy source (gCO2e / kWh)



41g CO2e / kWh

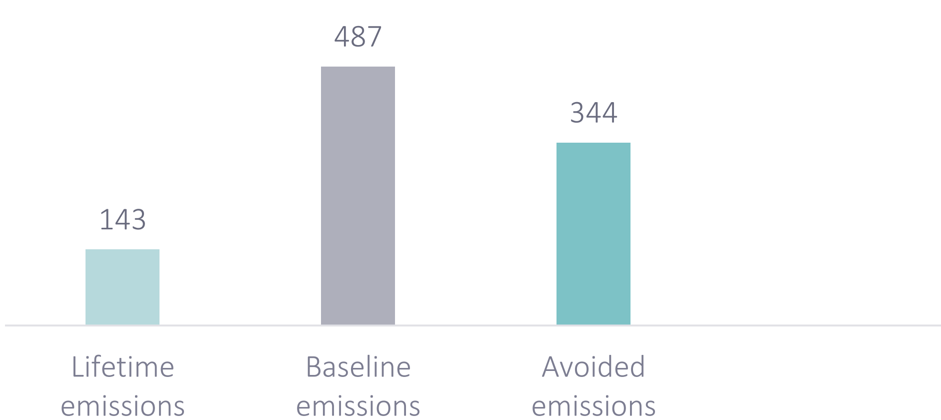
On average, to generate a kWh of electricity, this project will emit 41 grams of CO2e, substantially less than the average energy mix in Spain.

Photovoltaic panel CO2e emissions per lifecycle phase [2]



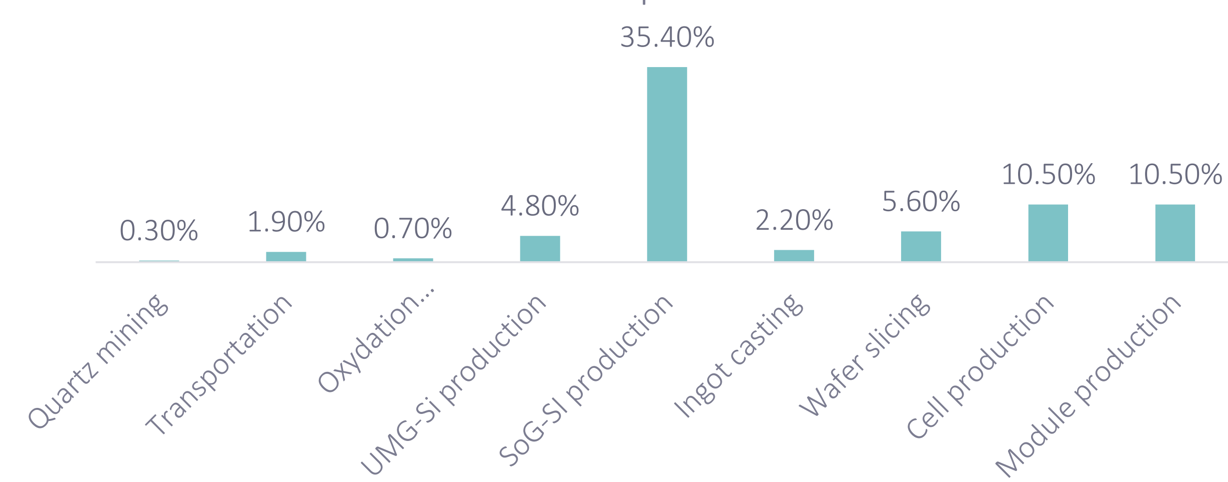
The majority of lifecycle emissions of Puerto Real I occur upstream in the manufacturing and construction phases.

Avoided emissions (ktCO2e)



The projected avoided emissions from Puerto Real I amount to 344 ktCO2e over a lifetime of 20 years

Photovoltaic panel CO2e emissions per manufacturing step [2]



[2] Source: Hou et al., 2016. Chart provided by Carbometrix.

GHG reduction commitments in our Clean Energy funds

At Capital Dynamics, we are strongly committed to supporting the expansion of clean energy in Europe and do our part to reduce greenhouse gas emissions associated with our investments. The majority of project lifecycle emissions of a typical renewable energy project occur during the manufacturing and construction process, whereas operational GHG emissions account for a small portion as part of the electricity transmission process.

In our new clean energy funds, we are committed to taking action to reduce project lifecycle emissions from the construction process and operations. Our commitment is to reduce or offset emissions for all clean energy projects in the fund in line with net zero targets, from the construction date until the exit from that project.

Carbon reduction targets - construction

1. **Measurement of construction emissions** at project level (excl. manufacturing of materials and transport to site)
2. **Reduction of construction emissions** through stakeholder engagement to reduce carbon emitting activities (*e.g.*, through solar powered temporary offices, use of electric vehicles for worker transportation and waste reduction)
3. **Offsetting carbon emissions** with verified carbon removal project

Carbon reduction targets - operations

1. **Measurement of operational emissions** (e.g. electricity used onsite, waste generation)
2. **Reduction of operational carbon emissions**: reduce own energy usage of investments and increase procurement of renewable energy at asset level (e.g., through REGOs)
3. **Offsetting carbon emissions** with verified carbon removal project

Our perspective on green policies in the U.S., UK and the EU

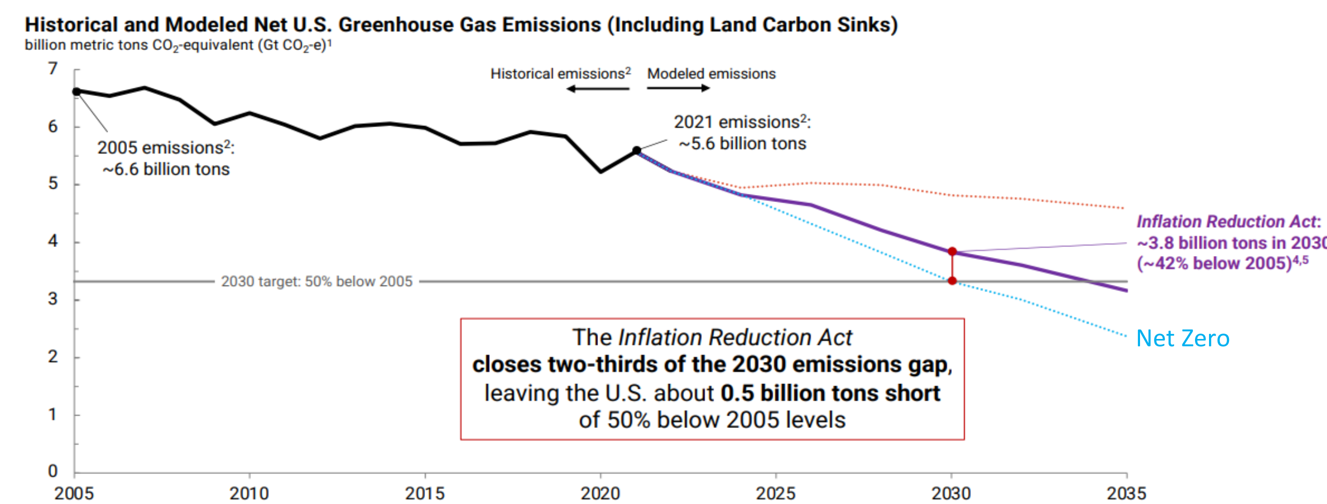
Green policies gain traction to drive environmental sustainability

The year 2022 has seen significant developments in support of the net zero transition in the U.S. through the introduction of the US Inflation Reduction Act ("IRA"). The US IRA is a USD 391 billion package consisting of tax and healthcare reforms and most notably climate subsidies in support of electric vehicles purchases, the manufacturing of clean technologies and the production of renewable energy. From a Responsible Investment point of view, the new climate subsidies represent a significant milestone towards reducing greenhouse gas ("GHG") emissions and generate a number of environmental and social benefits. It is estimated that the US IRA closes two-thirds of the 2030 emissions gap[3] in the US and will lead to numerous social benefits for communities. Shortly after the introduction of IRA, the European Union introduced its Net Zero Industry Act ("NZIA") and the Critical Raw Materials Act ("CRMA") aimed at simplifying the regulations for EU production of green technologies and strengthening the EU supply chains of critical raw materials. The EU sets specific targets for manufacturing and self-sufficiency in the supply chain, which strengthen the targets previously committed under the Fit for 55 package and RePower EU (see next page).

Responsible Investment benefits of climate policies

- GHG emissions reduction
- Strengthening innovation and maturation of energy industries
- Build clean energy manufacturing and supply chains
- Enhance investment and economic opportunities in local communities

Projected climate benefits IRA[3]



EU targets – NZIA and CRMA (extract)

40% of EU's annual green deployment to be manufactured in Europe

85% of EU's annual wind turbines deployment needs to be manufactured in Europe

85% of EU's annual EU battery's demand to be manufactured in Europe

10% Extraction
Extract 10% of annual mineral demand by 2030 in the EU

40% Processing
Process 40% of annual mineral demand by 2030 in the EU

15% Recycling
Recycle 15% of annual mineral demand by 2030 in the EU

[3] Source: Rapid Energy Policy Evaluation and Analysis Toolkit (September 2022): The Inflation Reduction Act and the Path to Net Zero America

EU Fit for 55 and RePowerEU

The EU aims to achieve net zero GHG emissions by 2050 and has introduced a number of policy measures that support the scaling of renewable energy, achieving energy independence and raising its climate action. Most notably, the Fit for 55 package aims to achieve a reduction in GHG emissions by at least 55% by 2030. The package also includes a RES target of 32% by 2030 and introduced a €17.5 billion Just Transition Fund. The RePowerEU program from May 2022 creates a path to energy independence by 2027 and aims to double the share of wind and solar energy from currently 33% to 67% by 2030. Together with the EU's NZIA and CRMA targets, the region is on a path of rapid growth in clean energy investment opportunities and substantial reductions in GHG emissions.

UK Governance framework for emission reductions

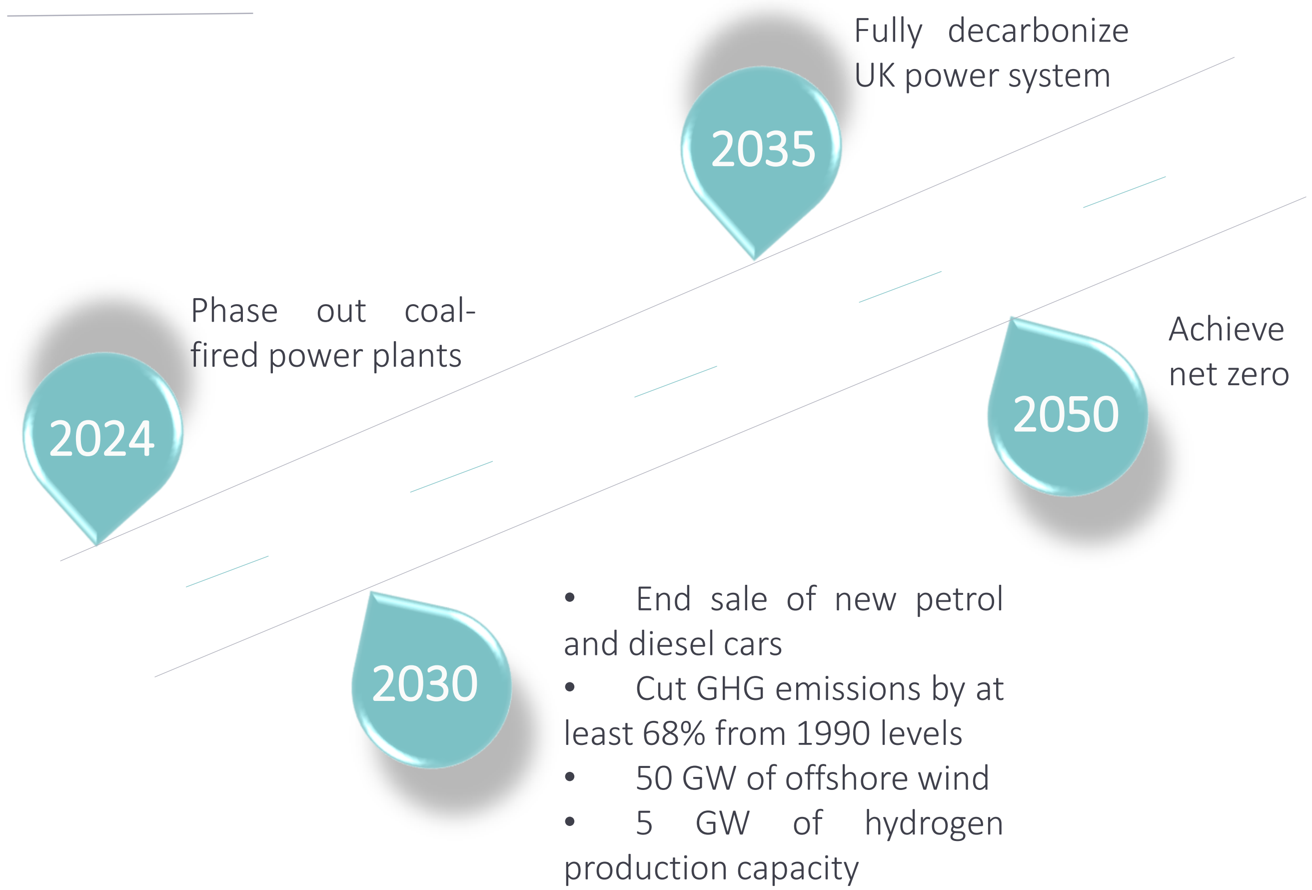
The UK was the first major country to establish a clear governance framework for GHG emission reductions through three pillars:

(1) Ten Point Plan for a Green Industrial Revolution (2020) – aimed at supporting green jobs and accelerating the path to net zero post COVID-19
(2) Net Zero Strategy: Build Back Greener (2021) – includes policies and proposals to meet net zero target by 2050, with a clear decarbonization pathway to 2037
(3) British Energy Security Strategy (2022) – providing immediate support on energy bills and commits to phasing out Russian oil and coal

The three strategies aim to facilitate by 2030:

£26 billion	£100 billion	480,000
Government capital investment	Private sector investment	New jobs

UK Net Zero Targets



Concluding remarks

In the long run, we expect the U.S., EU and UK schemes to make a substantial contribution towards global net zero ambitions and result in an interesting set of investment opportunities for Clean Energy investors, as the spotlight on the energy transition continues to grow.

2

Responsible Investment at Capital Dynamics

Our perspective on value creation through RI

As an early adopter of Responsible Investment principles in the private markets, Capital Dynamics recognizes the important role that alternative asset managers like us can play in leading the industry. It is our belief that we can both benefit a broader set of constituents which will be affected by environmental and societal change and generate enhanced long-term investment returns for our clients. Research[4] shows that strong RI factors have the potential to enhance risk-adjusted long-term returns through five pillars:

Top-line growth & valuation

Portfolio companies with strong RI credentials attract customers with more sustainable products and can charge a premium based on positive attributes to the brand

Cost reductions

Portfolio companies that implement RI initiatives can benefit from cost reductions, for example energy efficiency measures reduce energy bills, and companies may have a lower cost of capital. Investee companies can also avoid accidents and shutdowns by implementing strong health & safety measures

Regulatory & legal interventions

Portfolio companies that implement RI initiatives can reduce litigation risks and achieve greater strategic freedom through deregulation. Further, they may benefit from public support or subsidies

Investment & Asset Optimization

Portfolio companies with strong RI processes have the potential to reduce absenteeism and boost employee motivation through engagement. They also attract talent through greater social credibility

Productivity uplift

Investment returns can be enhanced by better allocating capital for the long-term (*e.g.*, more sustainable plant and equipment), and achieve multiple expansion through enhanced RI credentials.

[4] Source: McKinsey & Company, McKinsey Quarterly ''Five ways that ESG creates value'' November 14, 2019. https://www.mckinsey.com/business-functions/strategy-and-corporate-finance/our-insights/five-ways-that-esg-creates-value

Responsible Investment and the link to performance

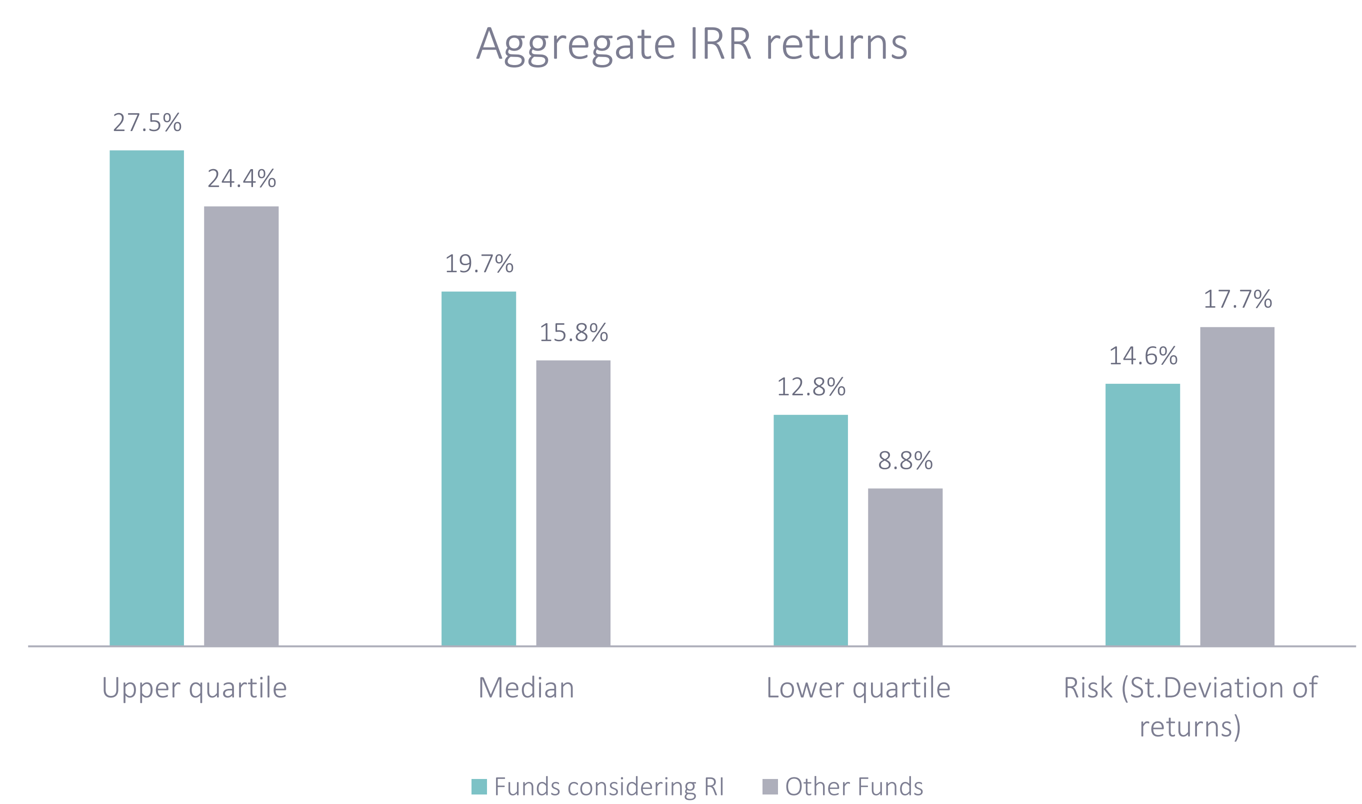
In 2023, we conducted a quantitative study to test the hypothesis that Responsible Investment has the potential to enhance long-term risk-adjusted returns. We analyzed the fund performance of GPs who are UNPRI signatories *versus* the fund performance of managers who are not actively promoting RI. Our study found that funds considering Responsible Investment factors demonstrated more attractive risk and return profiles. The downside protection and variation of returns was consistently better since funds started considering RI. Also, return enhancement through RI implementation has manifested in more recent vintages. The results confirm our approach of incorporating Responsible Investment factors in our processes has the potential to generate enhanced downside risk protection and higher long-term risk-adjusted returns for our clients. We are determined to continue studying the quantitative link between RI and performance in private markets and plan to provide further insights to our clients during the course of 2023.

STUDY METHODOLOGY

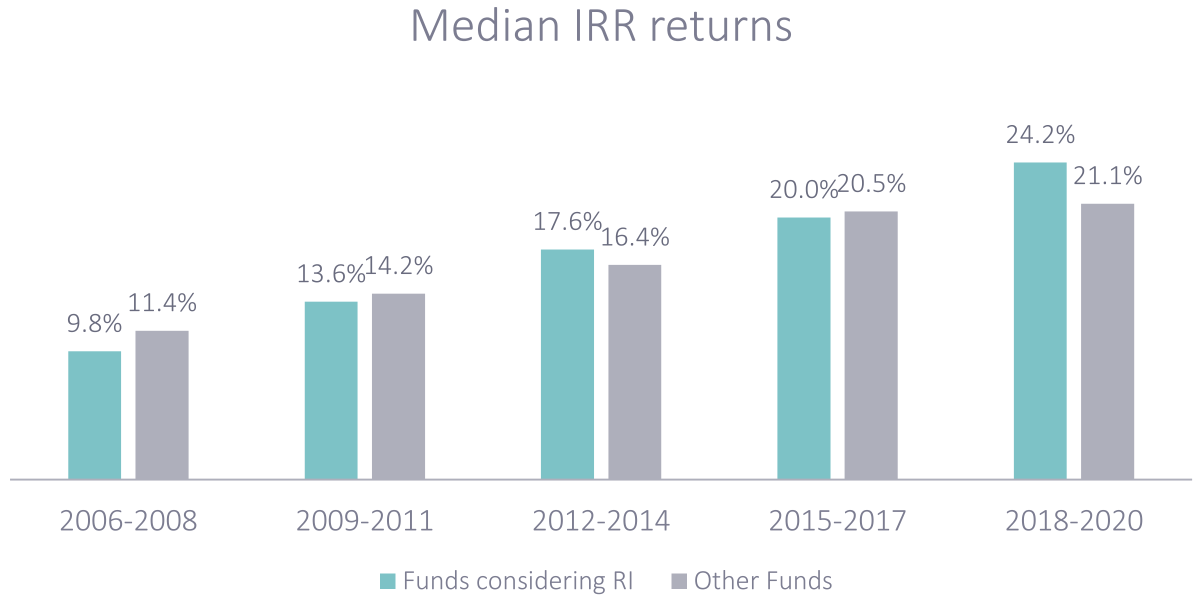
We analyzed the relationship between private equity fund returns and Responsible Investment by making a hypothesis that managers reporting to the UNPRI (i.e., signatories to the UNPRI) have established RI processes that could impact their return profile. We mapped a list of UNPRI managers and their year of joining the initiative with buy-out funds and performance data available on Preqin. The performance of 1,556 buy-out funds of vintage years 2006 - 2020 were analyzed, providing us 15 years worth of data. Out of these funds, 679 were managed by signatories to the UNPRI, amounting to 44% of the sample size. For the purpose of our study, a fund was classified as considering RI factors, if the manager joined the UNPRI during the investment period of a fund (5 years). This resulted in 328 funds (21% of total sample) being classified as funds considering responsible investment factors. Our study produced five key insights that demonstrate the link between strong RI factors and long-term risk adjusted performance in private markets:

STUDY RESULTS

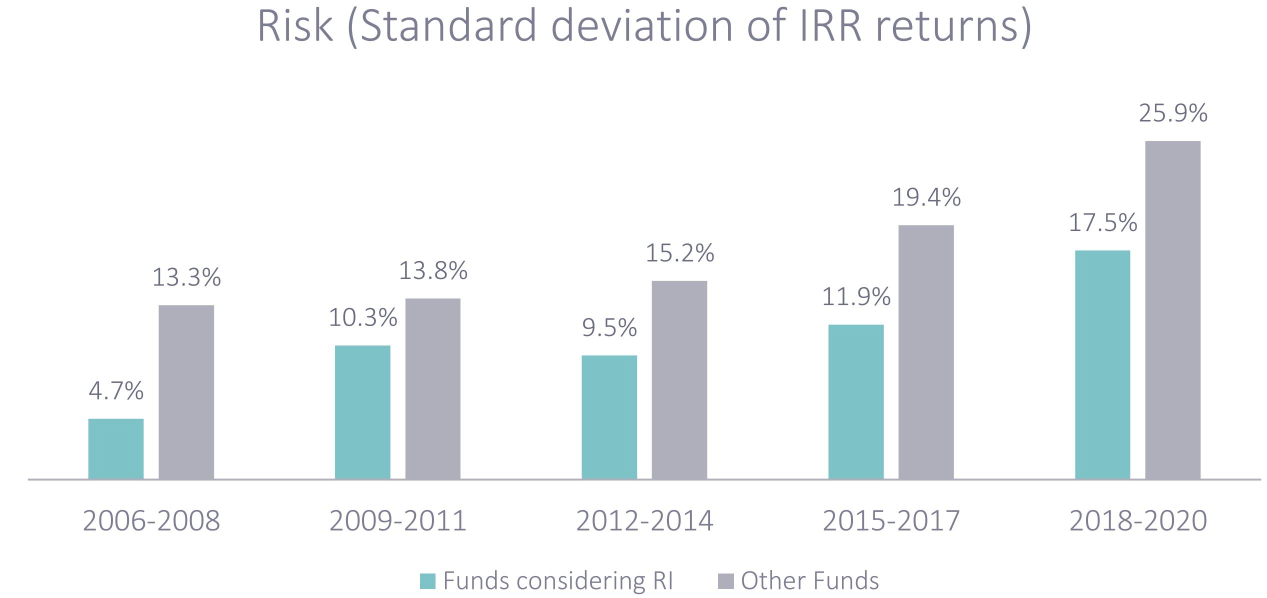
#1 Overall, funds considering RI factors outperformed other funds and demonstrated better risk profiles



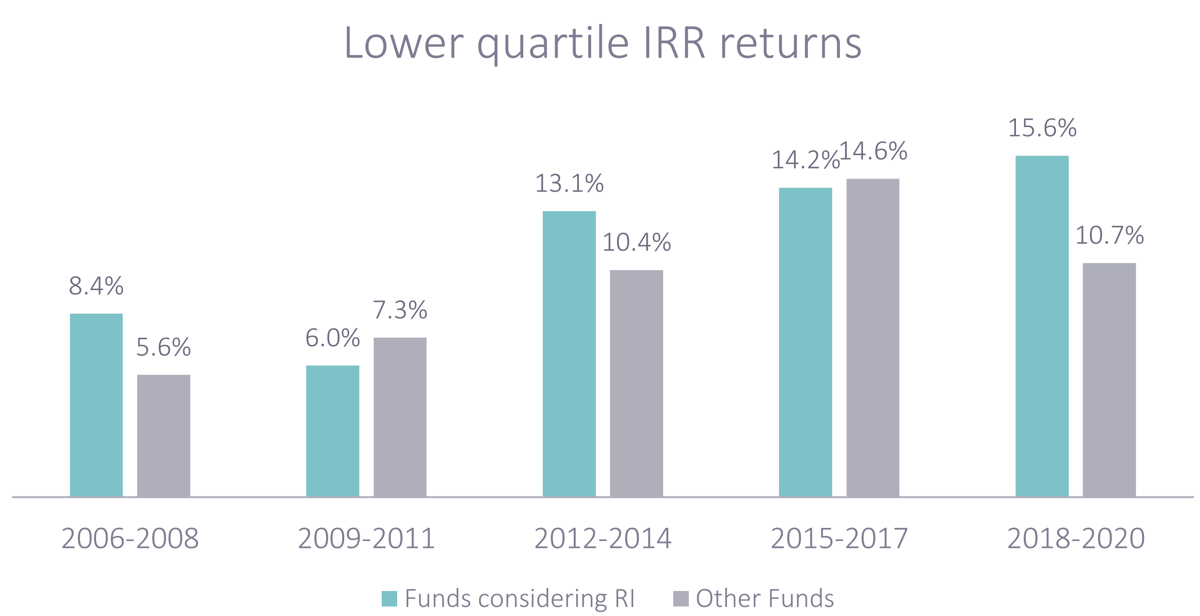
#2 Funds with Responsible Investment experience increasingly have an edge



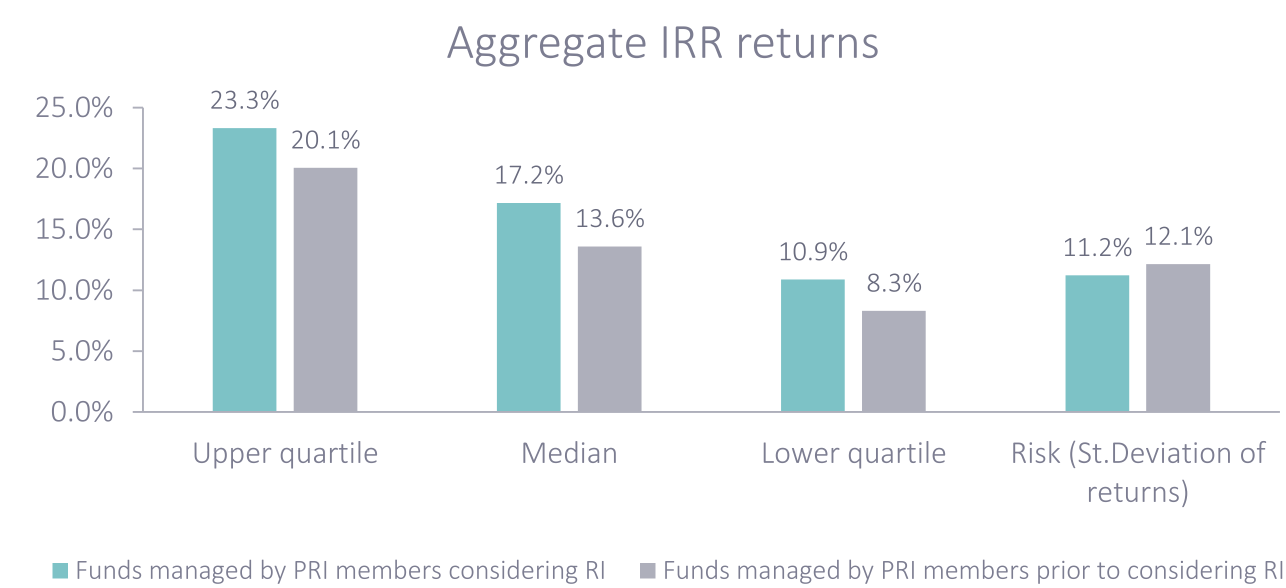
#4 Funds with RI consideration demonstrated more attractive risk profiles (less variation in returns)



#3 Funds with RI consideration generally provided higher downside protection



#5 RI consideration contributed positively to returns of PRI members



Our tailored RI approach offers clients the benefits of RI

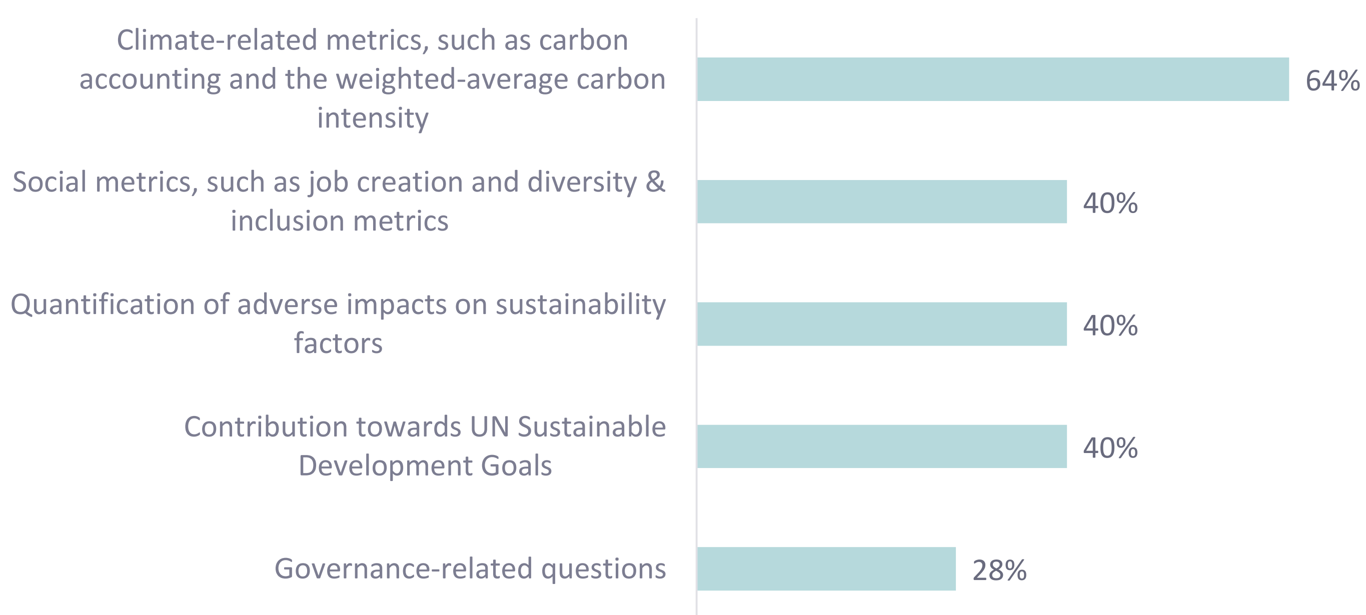
	RI APPROACH	IMPACT ON PERFORMANCE	SFDR
Global Secondaries	SUSTAINABILITY RISK INTEGRATION: • Exclusions of controversial activities • RI risk screening with R-Eye scoring	• Enhances downside risk protection	Art. 6
Mid-Market Credit	SUSTAINABILITY RISK INTEGRATION: • Exclusions of controversial activities • RI risk screening with R-Eye scoring BEST-IN CLASS SCREENING: • Borrowers / sponsors exhibit strong RI credentials, policies and processes	• Enhances downside risk protection • Borrower companies with lower levels of financially material RI risks and greater resilience in economic cycles	Art. 6
Mid-Market Direct	SUSTAINABILITY RISK INTEGRATION: • Exclusions of controversial activities BEST-IN-CLASS SCREENING: • Identification of portfolio companies with strong RI credentials, policies and processes through R-Eye scoring • Improvement of financially material RI factors during holding/stewardship period	• Financially material RI factors incorporated in business model for improved profitability (revenue growth, cost reduction) • Enhances exit multiple • Enhances downside risk protection	Art. 8
Future Essentials	SUSTAINABILITY RISK INTEGRATION: • Exclusions of controversial activities BEST-IN-CLASS SCREENING: • Commitments with PE managers with strong RI credentials, policies and processes SUSTAINABLE INVESTMENT: • Measurable contribution to SDGs	• Financially material RI factors and SDG contribution incorporated in business model for improved profitability (revenue growth, cost reduction) • Enhances downside risk protection	Art. 8+
Clean Energy	IMPACT: • Climate solution to facilitate the energy transition and decarbonization of the real economy	• Environmental benefits beyond returns with carried interest linked to impact targets for strong GP financial alignment	Art. 9

RI Integration in our investment process

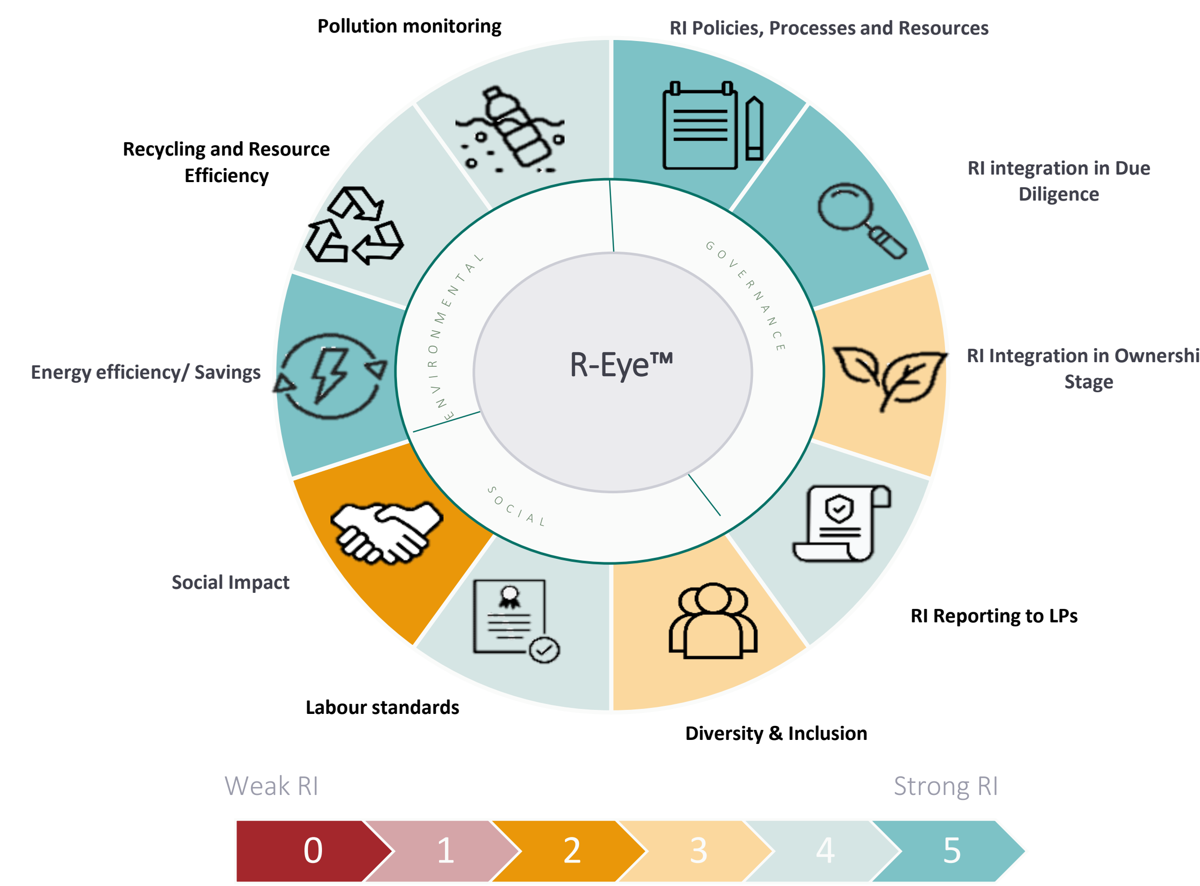
Integrating sustainability risks in the investment process has the potential meaningfully to enhance long-term financial returns. That is why we have implemented our proprietary screening tool, which evaluates all investments from a sustainability risk point of view across all our business lines. Our analytical and repeatable approach pays special attention to social impacts on mid-sized businesses and fair employment practices. The risk scoring is tracked and updated on an annual basis, resulting in enhanced monitoring and improved RI decision-making.

In addition, all investments and key supply chains are monitored using RepRisk. Real time, and regular, client alert protocols are used to keep our investors informed. Our 2022 Capital Dynamics LP survey reveals that RI-related reporting is a top priority for our investors.

Top 5 areas of RI-related reporting that managers should improve – investor views



Trademarked R-Eye™ Rating System



Case Study: Primary Private Equity

Sustainability in action

Capital Dynamics' Future Essentials strategy exhibits a strong focus on Responsible Investment and operational value creation. A recent transaction involved a Pan-European mid-market buy-out manager, which exhibits compelling credentials in measuring and improving the environmental impacts of the underlying portfolio companies.

During the due diligence we applied our proprietary R-Eye™ rating assessment. The manager achieved highest RI scores in all RI criteria, including the RI integration in the ownership stage, energy and resource efficiency and RI reporting to LPs. The impact-oriented fund targets a number of environmental themes and measures robust KPIs for each sustainability objective:

RESOURCE EFFICIENCY: Energy, Water, Materials, Landfill, Food

POLUTION CONTROL: Recycling, Clean air, Clean water, Pollutants, CO2, Biodiversity

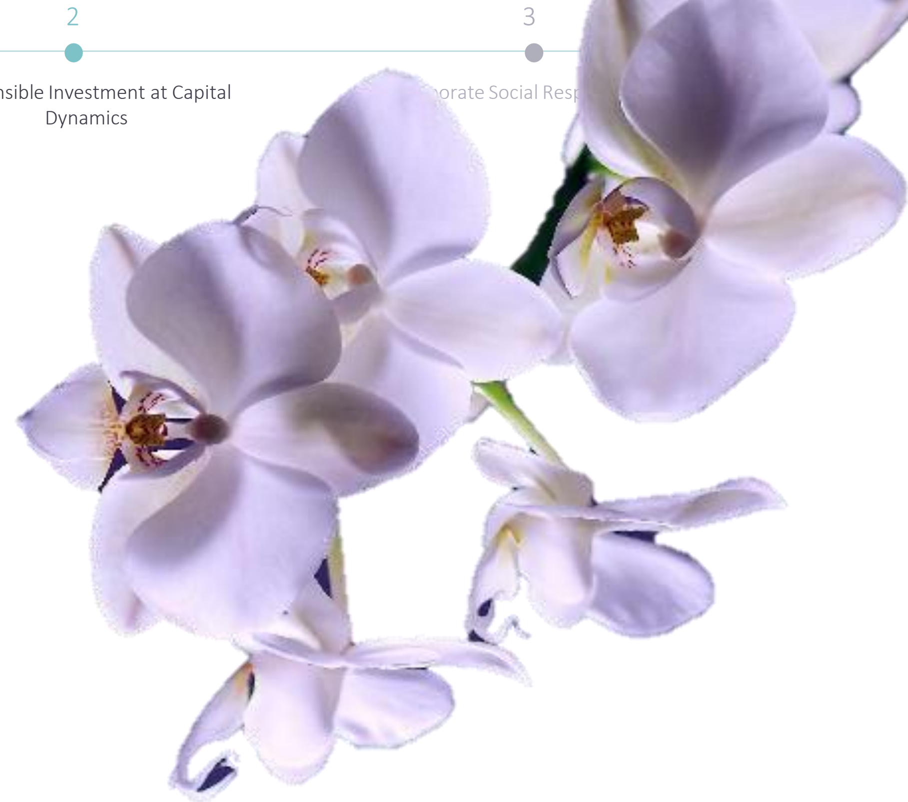
The investment also supports a variety of SDGs:

> We increasingly see mid-market buy-out managers embracing impact investing into the energy transition, decarbonization of industries and advancing healthcare and education. Supporting a variety of Sustainable Development Goals works in tandem with the operational value creation and long-term growth of mid-sized companies and we carefully select managers that share our Responsible Investment ethos.

Andrea Mazzaferro
Managing Director and Head of Primaries Europe

Case Study: Secondaries

Sustainability in action



Capital Dynamics has recently completed a GP-led transaction involving an established Nordic mid-market buy-out manager with a strong track record and experience in managing challenging market conditions. Utilizing our proprietary R-Eye™ rating system in our due diligence, the manager scored the highest marks on Responsible Investment criteria, including its commitment to the PRI, a robust RI policy, RI due diligence performed for portfolio companies and RI reporting to LPs. The transaction involved the sale of four high performance assets and has exposure to several portfolio companies that play an active part in the energy transition, the scaling of green technologies and eco-friendly tourism.

One of the portfolio companies is a leading camping site operator, which recently issued a senior secured sustainability-linked bond. Closely aligned with the company's business model and sustainability goals, the bond requires the Firm to meet three ambitious RI targets upon maturity in 2026, which are measured and tracked with robust KPIs:

- A defined percentage increase of sites that have obtained Green Key Certifications
- A reduction of CO2 emissions (Scope 1 and 2) with prescribed linear annual reduction
- A significant increase the share of non-fossil vehicles in the car fleet

The investment, in which Global Secondaries VI and Future Essentials II participated, contributes towards several SDGs:

> "In GP-led processes, we are uniquely positioned to conduct RI due diligence. This allows us to identify opportunities with attractive return potential which include value creation from integrating environmental and social factors into decision-making and mitigating sustainability risks. We are increasingly seeing GP-led transactions that exhibit strong alignment with the SDGs, which shows that Responsible Investment is maturing."

Mauro Pfister
Managing Director, Private Equity Secondaries

Sustainable Development Goals in action – Mid-Market Direct

In our investment strategies we strive to support the contribution towards the 17 UN Sustainable Development Goals ("SDGs"). In 2023, we assessed the SDG contributions of our portfolio companies, utilizing the five dimensions from the Impact Management Project (IMP) as follows:

1. **What**: focuses on the SDG and sub-target that the portfolio company's revenues from its product or service, or its investments made, positively contribute to
2. **Who**: describes the relevant stakeholder group, such as clients, employees, and the planet that ultimately benefit from the positive contribution
3. **How much**: identifies the significance of outcomes (direct contribution / indirect contribution)
4. **Risk:** the IMP "Risk" dimension is not used in this framework, since the assessment is backward-looking (*i.e.*, did the contribution occur?), whereas the risk dimension in the Impact Management Project methodology is applied in a forward-looking manner (***i.e.***, what are the risks for which the contribution may not occur?)
5. **Contribution**: refers to the recent contributions of our portfolio companies towards specific SDG targets, for example energy efficiency improvement, which we regularly disclose to our investors as part of our quarterly investor reports

We are pleased to provide a summary of the SDG contributions of our two most recent Mid-Market Direct funds:

● Direct positive contribution to SDG
○ Indirect positive contribution to SDG

Fund IV

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
Portfolio company A			●														
Portfolio company B			○			●					●	●					
Portfolio company C												●	●				
Portfolio company D						●	●				○		●				
Portfolio company E			○				●						●				
Portfolio company F												●					
Portfolio company G							●					●					

Fund V

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
Portfolio company H									●						○		
Portfolio company I			●														
Portfolio company J			●														
Portfolio company K									●			●					
Portfolio company L											●	●					
Portfolio company M			●														
Portfolio company N			●														
Portfolio company O									●				●				
Portfolio company P							●		●								
Portfolio company Q												●					
Portfolio company R												●	●				
Portfolio company S			●	●													
Portfolio company T			●														
Portfolio company U							●		●			●					

Case Study: Mid-Market Direct

Sustainability in action

In our Mid-Market Direct business we assess if each portfolio company has carbon reduction schemes in place and if they measure and track their carbon footprint. As part of our capacity as board representatives for certain of our portfolio companies, we also encourage our portfolio companies to strengthen their sustainability approach and disclosures, a key component of our value creation strategy.

An example of our impact is an investment that our Mid-Market Direct team undertook in Alphial, an Italian pharmaceutical glass expert, alongside Entangled Capital in December 2021.

Alphial invested *circa* EUR 450,000 in sophisticated robotic manufacturing equipment to capture increased demand for sterilized vials destined for COVID-19 vaccines in 2022 and the company recorded more than nine-fold growth year-on-year in the sales of its LS5 sterilisation business for 2022 as a result.

Alphial also made an investment of over EUR 150,000, the majority of a *circa* EUR 250,000 total photovoltaics capital expenditure programme spanning two years, in a roof-mounted photovoltaic array at its Felino facility in Q3 2022 (see photo). The 243 kW_p array commenced commercial operation on 31st August, 2022 and is expected to generate *circa* 280,000 kWh, so contributing to an estimated reduction in CO_2 emissions of *circa* 110 tonnes, each stated annually.

An additional benefit was that the photovoltaic array was installed in conjunction with complete replacement of the roof of its Felino facility, as it was revealed that the roof was composed of asbestos-containing materials. In replacing the roof and installing the photovoltaic array, management was able to make two significant environmental improvements simultaneously.

Capital Dynamics encouraged these two developments via its board participation.

Case Study: Private Credit

Sustainability in action

WOWorks is a holding company for a portfolio of primarily franchised and several corporate-owned quick service restaurants ("QSR") in the healthy, fast-casual dining market.

Capital Dynamics' Private Credit team structured an RI covenant into the loan agreement, which links the loan interest rate to targets for minority-owned, women-owned and veteran-owned store locations.

The innovative transaction structure builds upon WOWorks' strong commitment to RI/DEI, as demonstrated by its existing adoption of the "Pathways to Black Franchise Ownership Program" in the United States.

The program, launched in 2020 by the Multicultural Foodservice & Hospitality Alliance with a USD 2.5 million commitment from PepsiCo, is dedicated to helping black entrepreneurs from all backgrounds to develop and operate high-performing franchise businesses.

WOWORKS
watch out world

"Structurally integrating an ESG-related covenant into a credit facility is a first in lower middle-market private lending. At Capital Dynamics, we embrace ESG as a value driver and believe that companies with strong ESG credentials can outperform in several ways, leading to improved risk adjusted returns. We identified a unique opportunity with this transaction and are looking forward to working with WOWorks to achieve its Diversity, Equity & Inclusion targets."

Thomas Hall
Senior Managing Director and Co-Head of Private Credit

Capital Dynamics co-led the IIGCC's Net Zero Investment Framework for Private Equity

What is the IIGCC Net Zero Investment Framework?

The IIGCC's Paris Aligned Investment Initiative (PAII) aims to guide asset owners and asset managers on methodologies to align their investment portfolios to the goals of the Paris Agreement. This requires investors to measure and manage their investments in line with achieving net zero emissions by 2050 or sooner. Up until recently however, the guidance lacked a component for Private Equity.

How can PE investments support the transition to net zero?

Private Equity managers are uniquely positioned to drive value in the transition towards a net zero economy, because they can take a longer term view with respect to investments. This includes the incorporation of RI factors in operational enhancement plans. For example, GPs can help portfolio companies understand the climate-related risks and opportunities their business face and set greenhouse gas reduction targets. Through board membership and strategic RI engagement, PE investments have the potential to achieve higher valuation multiples at exit, which in turn drives more future capital flows towards net zero conscious PE funds.

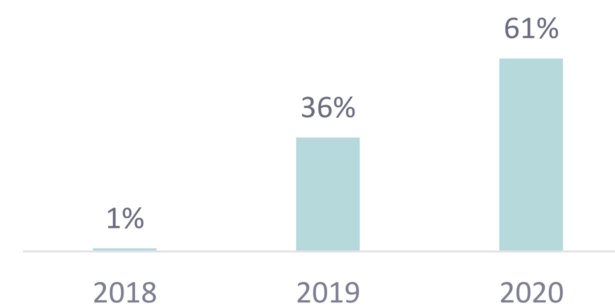
What was Capital Dynamics' role in defining the Private Equity component of the IIGCC Net Zero Investment framework?

We are honored to have co-led the working group to define practical solutions for GPs and LPs to align PE portfolios with net zero. Bringing in our long-standing history in PE strategies, we steered the working group to develop a robust framework that facilitates net zero investment strategies. We are pleased to share our insights into the methodologies in our 2022 TCFD report.

> *The Net Zero Investment Framework for private equity is a catalyst for driving change towards a sustainable future. The guidelines address how GPs and LPs can take meaningful action in aligning investments with the goals of the Paris Agreement and turn pledges into practice.*

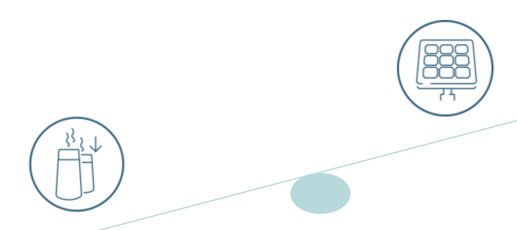
Bryn Gostin
Senior Managing Director
Chief Product & Strategy Officer & Co-Chair Responsible Investment

Market insights: emissions reporting of portfolio companies (scope 1 and scope 2 emissions)



Source: BCG: ESG Data Convergence Project

Risk exposure of high emissions assets



$2.1 trillion
Value in power assets could be stranded by 2050

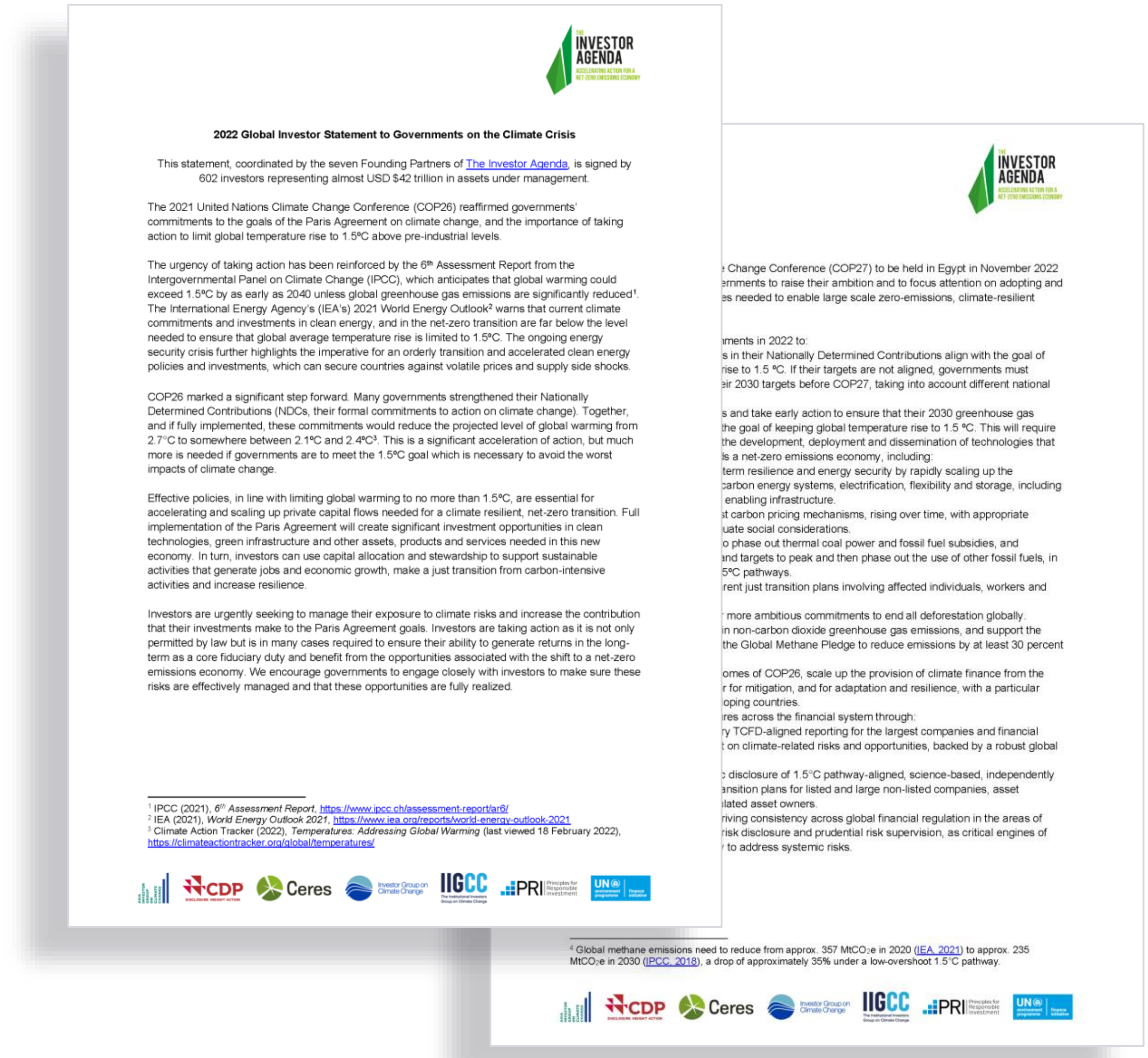
Source: McKinsey & Company (2022): The net zero transition. What is would cost, what it would bring.

Capital Dynamics signs 2022 Global Investor Statement to Governments on Climate Change

Following our belief that strong policy action is needed to address financial risks associated with climate change, Capital Dynamics, alongside a worldwide group of investors collectively managing nearly $39 trillion in AUM, has signed an open letter calling on governments radically to raise their climate ambition ahead of and beyond COP27. This Global Investor Statement urges governments to implement domestic policies and take early action to ensure that their 2030 greenhouse gas emissions are aligned with the goal of keeping global temperature rise to 1.5°C.

The statement outlines key climate policies and actions governments must undertake to support green investment and reduce carbon risk, including:

- Guaranteeing long-term resilience and energy security by rapidly scaling up the deployment of low-carbon energy systems, electrification, flexibility, and storage, including the development of enabling infrastructure;
- Implementing robust carbon pricing mechanisms, rising over time, with appropriate coverage and adequate social considerations;
- Setting a deadline to phase out thermal coal power and fossil fuel subsidies and establishing plans and targets to peak and then phase out the use of other fossil fuels, in line with credible 1.5°C. pathways;
- Developing transparent just transition plans involving affected individuals, workers, and communities; and
- Establishing new or more ambitious commitments to end all deforestation globally.



2022 Global Investor Statement to Governments on the Climate Crisis

This statement, coordinated by the seven Founding Partners of The Investor Agenda, is signed by 602 investors representing almost USD $42 trillion in assets under management.

The 2021 United Nations Climate Change Conference (COP26) reaffirmed governments' commitments to the goals of the Paris Agreement on climate change, and the importance of taking action to limit global temperature rise to 1.5ºC above pre-industrial levels.

The urgency of taking action has been reinforced by the 6th Assessment Report from the Intergovernmental Panel on Climate Change (IPCC), which anticipates that global warming could exceed 1.5ºC by as early as 2040 unless global greenhouse gas emissions are significantly reduced[1]. The International Energy Agency's (IEA's) 2021 World Energy Outlook[2] warns that current climate commitments and investments in clean energy, and in the net-zero transition are far below the level needed to ensure that global average temperature rise is limited to 1.5ºC. The ongoing energy security crisis further highlights the imperative for an orderly transition and accelerated clean energy policies and investments, which can secure countries against volatile prices and supply side shocks.

COP26 marked a significant step forward. Many governments strengthened their Nationally Determined Contributions (NDCs, their formal commitments to action on climate change). Together, and if fully implemented, these commitments would reduce the projected level of global warming from 2.7°C to somewhere between 2.1ºC and 2.4ºC[3]. This is a significant acceleration of action, but much more is needed if governments are to meet the 1.5ºC goal which is necessary to avoid the worst impacts of climate change.

Effective policies, in line with limiting global warming to no more than 1.5ºC, are essential for accelerating and scaling up private capital flows needed for a climate resilient, net-zero transition. Full implementation of the Paris Agreement will create significant investment opportunities in clean technologies, green infrastructure and other assets, products and services needed in this new economy. In turn, investors can use capital allocation and stewardship to support sustainable activities that generate jobs and economic growth, make a just transition from carbon-intensive activities and increase resilience.

Investors are urgently seeking to manage their exposure to climate risks and increase the contribution that their investments make to the Paris Agreement goals. Investors are taking action as it is not only permitted by law but is in many cases required to ensure their ability to generate returns in the long-term as a core fiduciary duty and benefit from the opportunities associated with the shift to a net-zero emissions economy. We encourage governments to engage closely with investors to make sure these risks are effectively managed and that these opportunities are fully realized.

[1] IPCC (2021), *6th Assessment Report*, https://www.ipcc.ch/assessment-report/ar6/
[2] IEA (2021), *World Energy Outlook 2021*, https://www.iea.org/reports/world-energy-outlook-2021
[3] Climate Action Tracker (2022), *Temperatures: Addressing Global Warming* (last viewed 18 February 2022), https://climateactiontracker.org/global/temperatures/

[4] Global methane emissions need to reduce from approx. 357 $MtCO_2e$ in 2020 (IEA, 2021) to approx. 235 $MtCO_2e$ in 2030 (IPCC, 2018), a drop of approximately 35% under a low-overshoot 1.5°C pathway.

The full statement is available here.

Our support for the SEC's proposed rules on climate-related disclosures for investors

In 2022, Capital Dynamics submitted commentary to the SEC expressing strong support for proposed rules regarding the enhancement and standardization of climate-related disclosures for investors.

The commentary outlines, among other things, our beliefs that:

- Investment managers should disclose climate-related risks and opportunities to investors in a succinct, clear and non-misleading form
- Climate-related risks and opportunities are decision-useful information for investors to assess the financial risk and return potential of an underlying business. Transparent disclosures of climate-related risks have the potential to promote greater stability of the financial markets

This commentary on climate-related disclosures aligns with our longstanding support of the TCFD disclosure framework and builds upon Capital Dynamics' numerous RI milestones in 2022. It also underpins our belief that investment managers and financial market regulators have a key role to play to scale sustainable investments and protect the stability of financial markets.

Find out more about our submitted commentary on the proposed SEC rules on climate-related disclosures at:
https://www.sec.gov/comments/s7-10-22/s71022-298787.htm

Case Study: Mid-Market Direct

Sustainability in action

Italcer operates in the ceramics sector and designs and develops high quality products for interior and exterior surfaces and luxury bathroom furnishings, paying particular attention to innovation and respect for the environment.

Prior to making the investment in Italcer, Capital Dynamics used its proprietary R-Eye™ rating system to identify opportunities for making improvements to the environmental performance and effect positive change through board membership.

In 2022 Italcer was classified first amongst the top 100 Italian companies exemplifying sustainability excellence in an award promoted by Credit Suisse and Kon Group in partnership with Forbes Italia, with RI ratings provided by Altis Università Cattolica and RepRisk. This award recognizes Italcer's continuous improvement in key sustainability themes, including resource efficiency, energy saving, a reduction of polluting emissions and a conscious approach to water and waste management.

Moreover, Italcer has recently enhanced its photovoltaic generation capabilities, comprising arrays mounted on parking bays and on the roofs of office/production units at the company's Rubiera and Vetto facilities, such that it expects to generate 2.27 GWh of electricity annually from 2023, so contributing to a reduction in energy costs and CO_2 emissions.

In 2021, Italcer's ADVANCE® ceramic material was confirmed to be capable of eliminating 100% of coronaviruses after six hours of light exposure and 90% after just 15 minutes.

ITALCER GROUP

DESIGN SURFACES

"As a longstanding responsible investor, this is further evidence of the impact that our direct investments in middle-market companies have on the individuals and communities around us, particularly at a time when this is needed most."

David Smith
Senior Managing Director

Case Study: Clean Energy

Sustainability in action

ENVIRONMENTAL BENEFITS

The Puerto Real project exemplifies low carbon generation and is estimated to reduce greenhouse emissions by over 175,000 metric tons once fully operational. There are measures to promote the conservation and breeding of two endangered bird species (Montagu's Harrier and Black-winged Kite) such as planting cereals and placing 20 nest boxes across the solar farm. Further, the project has been rated to have low Human Environmental Impact due to its location being in a rural grass field area.

SOCIAL BENEFITS

300 local contractors from the area around Puerto Real were employed during construction, boosting local employment in the area. The asset was built during COVID lockdowns and was completed successfully using social distancing during the construction phase. New health and safety policies were employed to ensure workers' well-being. In addition, Capital Dynamics is working with the Firm's dedicated Asset Management Affiliate and the asset manager to explore the possibilities of local community engagement initiatives.

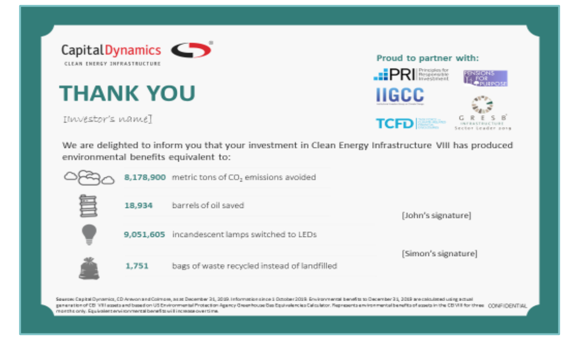
GOVERNANCE FACTORS

As part of project due diligence, Capital Dynamics checked the credentials of counterparties for any RI and reputational risks. Capital Dynamics has employed various measures during the construction and post-construction phases to reduce any conflict of interest between the EPC contractor and construction manager. Moreover, Capital Dynamics has control over the board, and ensures Diversity and Inclusion is taken into account in board composition.

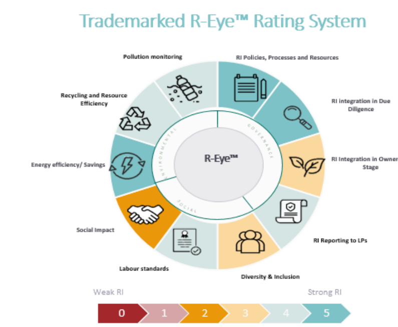
Our Responsible Investment reporting capabilities

Annual RI report provides a summary of our responsible investment initiatives throughout the year

Task Force on Climate-Related Financial Disclosures (TCFD) report provided annually



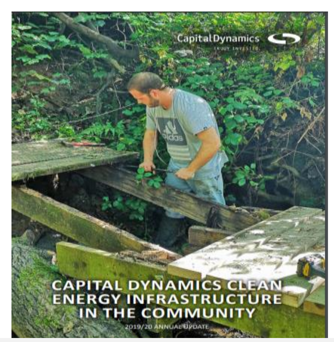
Clean Energy Green Certificates to be issued to LPs annually



Quarterly reports include RI updates

GRESB INFRASTRUCTURE sector leader 2022

Annual GRESB submission report available to LPs



'In the Community' newsletter profiles the support that our European strategy provides to the local communities in which we operate

PRI Principles for Responsible Investment

Annual UN-supported PRI report

Website includes real-time 'Environmental benefits' ticker

Annual Clean Energy Sustainability Report provides a portfolio overview of the clean energy business and manager

Coming in 2023:
European ESG Template (EET) for our direct investment strategies

3

Corporate Social Responsibility

Corporate Social Responsibility at Capital Dynamics

At Capital Dynamics we are proud to be a Firm with strong ethical values. While asset management can be a complicated landscape to navigate, we use this fundamental compass to guide us; we value our planet, our people, and our community.

Our Corporate Social Responsibility (CSR) initiatives encompass environmental and social sustainability, such as reducing our operational carbon footprint, improving our diversity, equity and inclusion (DEI) practices as a Firm and supporting charitable causes close to our hearts.

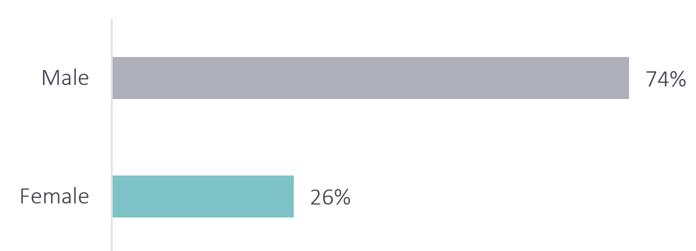
The CSR initiatives are managed and led by our Firm's Responsible Investment sub-committees: the environmental sub-committee, D&I sub-committee and Communities sub-committee, which are guided and overseen by our Firm's Responsible Investment Committee.

Capital Dynamics is deeply committed to Diversity, Equity & Inclusion

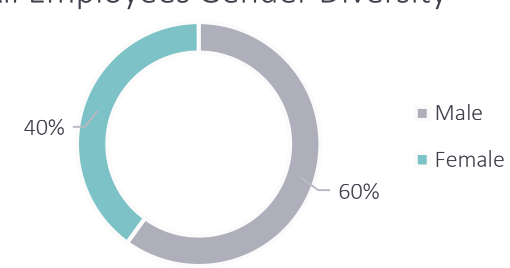
At Capital Dynamics we recognize the importance of continuing to expand the role and opportunity set of women within the Firm and in the private equity industry more broadly. With this in mind, we made ‘female empowerment’ a top priority of the Diversity & Inclusion sub-committee.

The program includes mentorship opportunities, career development and efforts continuously to improve our hiring and promotion practices to support our female talent. All data shown represent the gender diversity at Capital Dynamics from Jan 1st 2021 – Dec 31st 2021:

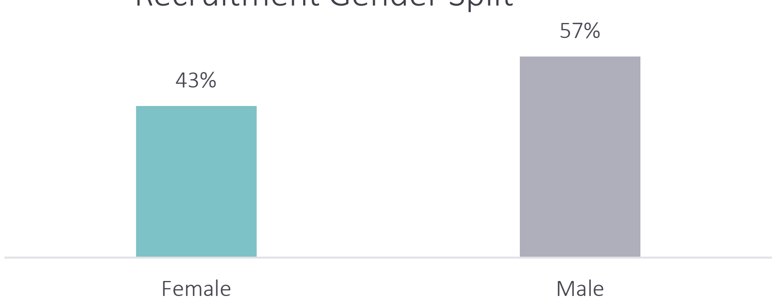
Promotions Gender Split



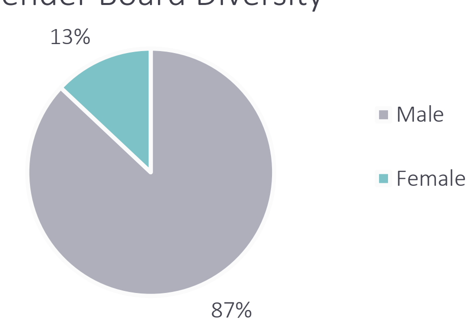
All Employees Gender Diversity



Recruitment Gender Split



Gender Board Diversity



Our Firm adopts inclusive hiring processes, whereby we connect with, interview and hire a diverse set of individuals through understanding and valuing different backgrounds and opinions. We are committed to being a leader in inclusive hiring within the private assets sector and have implemented our inclusive hiring framework. In 2022, our superior hiring processes allowed us to achieve 117% of our female hiring target.

Capital Dynamics’ inclusive hiring framework

Inclusive hiring process

- Embedded inclusive recruitment principles
- Inclusive and structured hiring processes
- Inclusive job descriptions
- Diversified advertising channels

Inclusive selection process

- Clear and consistent evaluation criteria
- Balanced candidate shortlists
- Gender-balanced interview panels
- Evidence-based decision-making

Inclusive partnerships

- Human Capital Business Partnering model, working shoulder-to-shoulder to attract diverse talent
- Agency mandates – CD Recruitment Pledge
- D&I affiliations

Capital Dynamics' inaugural unconscious bias training

Capital Dynamics truly embraces a diverse and inclusive work culture in which all of our staff can thrive. Our focus on RI has always been market-leading and our success is deeply rooted in our efforts to embrace our Diversity & Inclusion ethos. Our people's diverse perspectives, cultures and experiences lead to better decision-making, greater resilience and define our company's success. Each year, Capital Dynamics conducts Firm-wide RI training and in 2022 we again achieved a 100% participation rate. To continue our D&I journey, we have additionally rolled out our inaugural unconscious bias training for all Capital Dynamics employees in 2022.

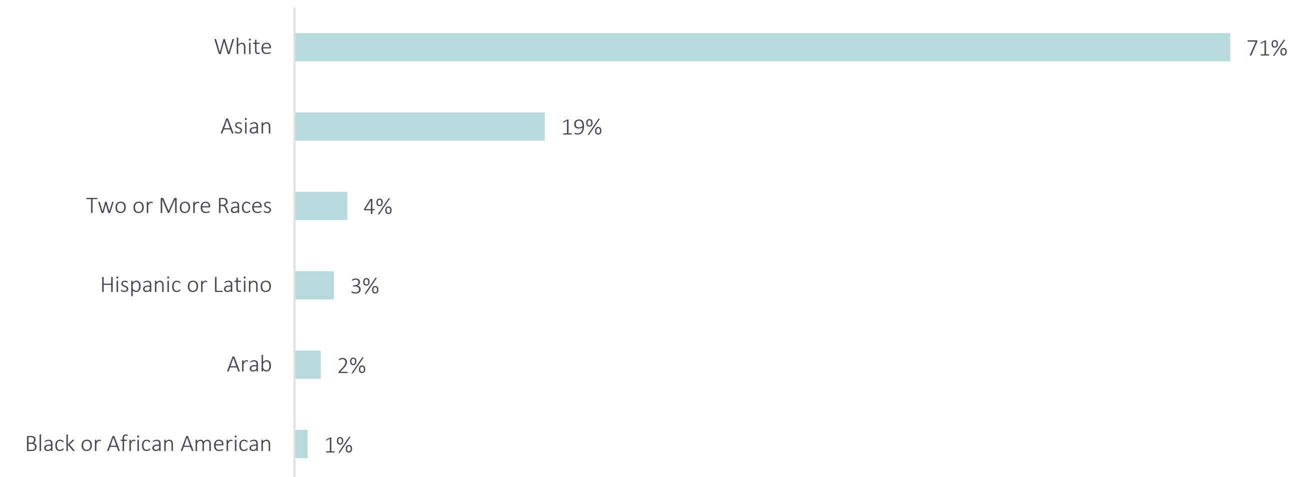
What is unconscious bias?

Unconscious biases are prejudices and stereotypes individuals have about certain groups of people that they aren't consciously aware of having. These biases may exist towards people of various races, ethnic groups, gender identities, sexual orientations, physical abilities and more.

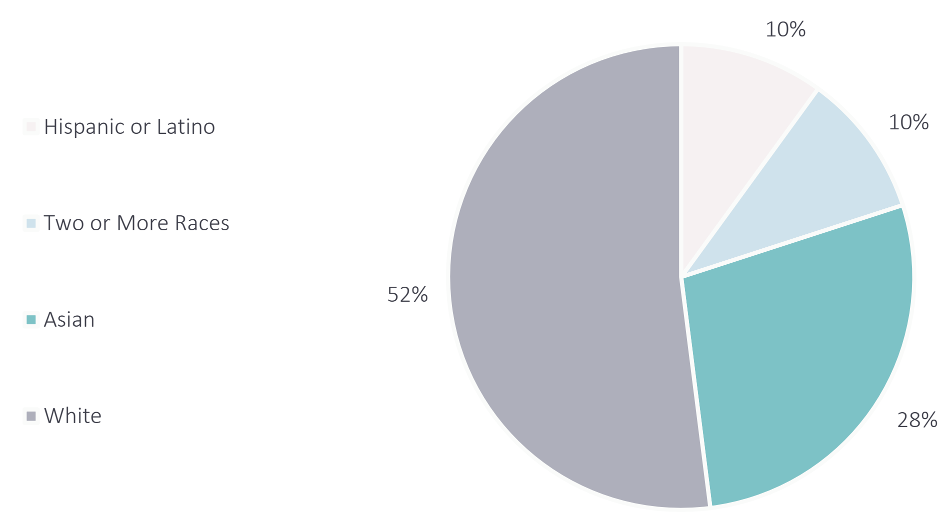
We all have unconscious biases. In the workplace, biases can affect Diversity & Inclusion, hiring practices, career development and even our Responsible Investment decision-making. The best way to reduce unconscious bias is to become aware of it, so that we can all thrive in an inclusive, respectful environment and continue our success story as a leading RI organization.

All staff have completed our unconscious bias training, which is an important milestone in our continuous drive to foster and enhance Ethnicity and Gender Diversity & Inclusion at our Firm.

Ethnicity Diversity



Ethnicity Recruitment Split



All data shown as of Dec 31st 2021

Capital Dynamics' operational carbon footprint

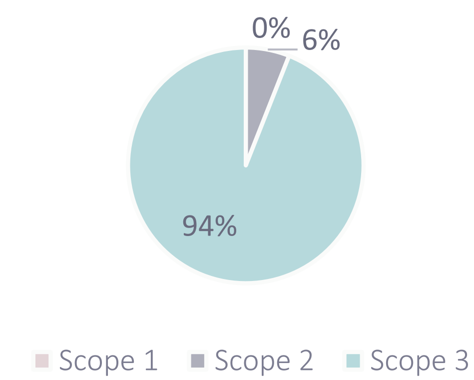
In early 2022, we undertook a Firm-wide employee commuting survey to better understand the commuting habits of our staff. We asked employees about their commuting distance, frequency and choice of transport mode in 2019 and 2021.

Due to the COVID-19 pandemic and the resulting prolonged periods of working from home in 2020, we were interested in understanding our employees' commuting habits prior to the pandemic as a baseline, and the impact our hybrid working model from 2021 has on the commuting patterns.

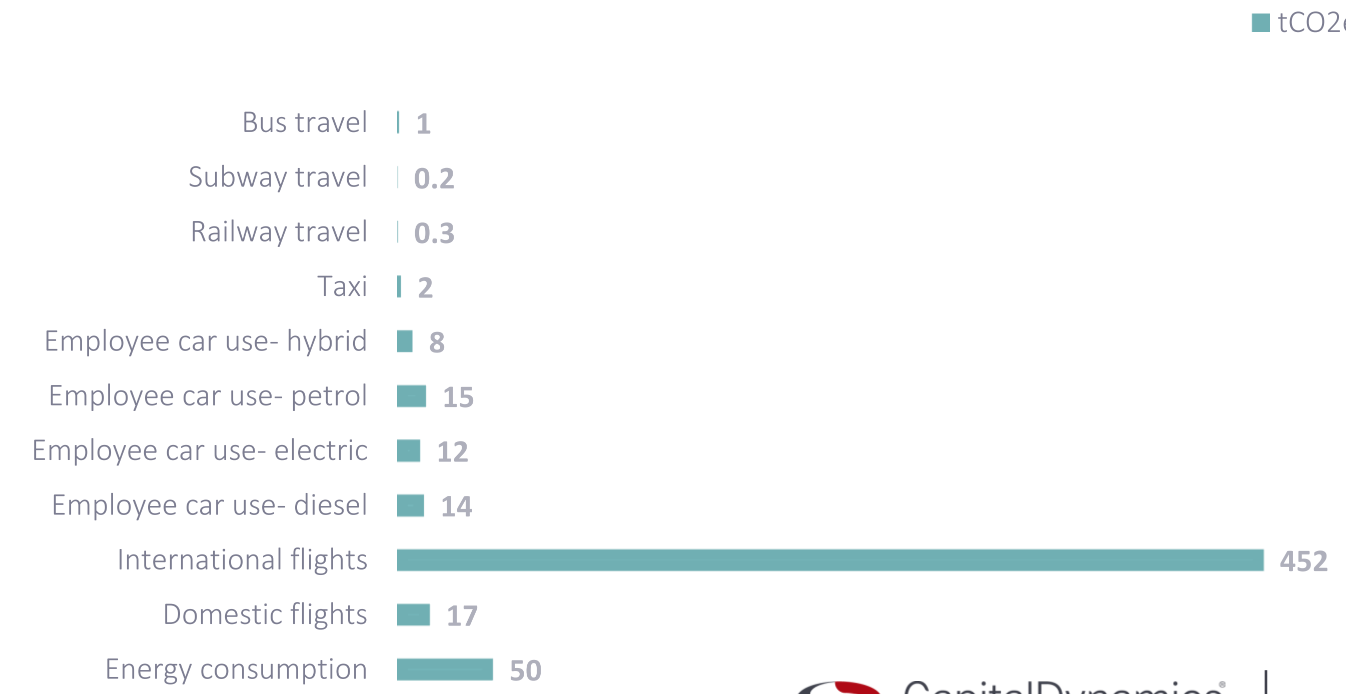
Not only did the survey reveal the effectiveness of our hybrid working model on reducing emissions from employee commuting, it also helps us to identify ways in which we can incentivize employees to make environmentally-conscious choices when commuting to work.

Utilizing the data, we have measured our operational carbon footprint (scope 1, scope 2 and scope 3, excluding category 15 'investments') and identified our main carbon hotspots arising from electricity consumption, business flights and employee commuting. Our energy consumption across our offices were responsible for 50 tCO2e emissions in 2021, as measured by the location-based method in line with the Greenhouse Gas Protocol. Each year, we offset our emissions from electricity consumption with the purchase of REGOs (Renewable Energy Guarantees of Origin). In 2022, Capital Dynamics has offset the remainder of the operational carbon emissions arising from employee commuting and business flights (521.5 tCO2e) with a verified carbon removal project Rimba Raya.
We are also committed to making a positive impact on the environment through our supplier selection. In 2022, we partnered with 'agood company' for the purchase of climate-positive notebooks. Each product sold not only made a positive contribution to the environment, but our order also enabled donations to charity: water (charitywater.org) and has generated 20,000 liters of water to communities.

OPERATIONAL CARBON FOOTPRINT- BY SCOPE



OPERATIONAL CARBON FOOTPRINT- BY CATEGORY

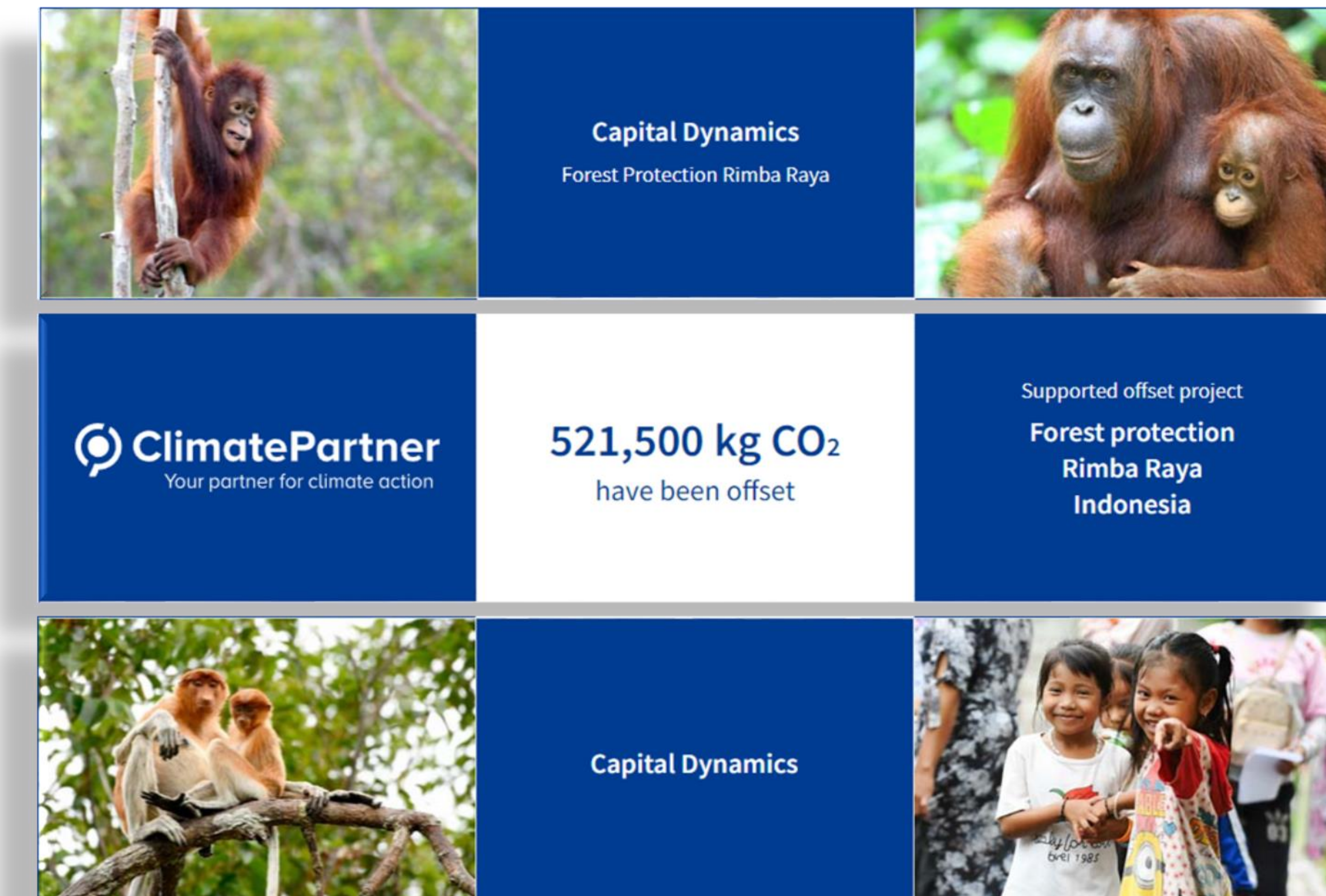


Capital Dynamics achieves carbon neutrality in 2022

At Capital Dynamics we have a responsibility to reduce our own impact on the environment and support local communities most affected by climate change. A fundamental component of contributing towards environmental sustainability is to offset our Firm's carbon footprint with a verified carbon removal project. In summer 2022, we conducted a Firm-wide vote and asked our employees which carbon removal project we should support to remove the equivalent amount of carbon emissions we have emitted as part of our operations.

An overwhelming majority voted for the forest protection project Rimba Raya in Indonesia. With our contributions to the project, we offset all of our operational carbon emissions from 2021, making us a carbon-neutral Firm.

Further, our project support helped protecting biodiversity in the Rimba Raya region and funded local community development and provincial government infrastructure.



What is carbon neutrality?

Carbon neutrality means that the carbon footprint of a company has been calculated in line with internationally recognized standards and was fully offset with a verified carbon offset project. Capital Dynamics has offset its 2021 operational carbon footprint from its energy consumption through REGOs, and the carbon footprint from our employee commuting and business flights. Our actions helped us achieve carbon neutrality at the Firm level.

Find out more about our contribution to Rimba Raya at:
climatepartner.com/20466-2208-1001

Walk for Pia

Capital Dynamics is proud to have sponsored Walk for Pia, a 200-mile Gavin and Stacey-themed fundraising walk between Billericay and Barry Island, to increase awareness of pancreatic cancer and raise vital funds to assist in improving early detection and treatment of this horrible disease.

Inspired by Pia Eaves, the loving wife of Simon Eaves, Capital Dynamics' Co-Head of Clean Energy and mother of two young women, Rhiannon and Emilia, all donations from this walk went to PANCAN U.K.

Pia was diagnosed with pancreatic cancer in October 2020. Being the fighter that she was, she was determined to beat this disease, but sadly lost her battle 11 months later on 8th September 2021.

The Walk for Pia wants to honor her life and make her proud. In doing so, the initiative wants to try and reduce the number of other families that have to go through what Simon, Rihannon and Emilia have, by increasing awareness of the disease and raising vital funds to assist in improving early detection of pancreatic cancer as well as improving treatment for what is a horrible disease.

£51,670
Donated by Capital Dynamics to Walk for Pia

110 employees
walked in support of the initiative

521 miles
Collectively walked by Capital Dynamics employees

Pia Eaves

Our deep commitment to Communities

We invest in the people we interact with – our clients, our employees, and the communities around the globe that we call home. Our company always takes an active role in supporting and nurturing talent and causes close to our hearts. This includes:

HOLIDAY DRIVE

Each year, Capital Dynamics employees select a charity of their choice in the run-up to the festive season. The donations made by our staff are matched by Capital Dynamics to amplify the support for causes our people care most about.

$ 374,000

Donated in 2021 holiday drive – 2.5 times more than the previous year

HELP UKRAINE

We supported a number of organizations that provide help to people most in need due to the conflict in Ukraine.

$ 35,000

Total donation in support of Ukraine

ASTONA

A world-class organization bringing together talented young musicians from around the globe. We have sponsored the Academy since 2011, helping aspiring musicians develop the skills necessary for a professional music career.

$ 40,600

Total donation in support of Astona

AD-HOC PARTNERSHIP SUPPORT

Summer search - $2,000
Power reading - $2,000

$ 4,000

Total donation in support of *ad-hoc* partnerships

Industry engagements

Capital Dynamics is an active member and/or supporter of a variety of stewardship-related initiatives in the private assets industry and has received recognition for our leadership in this space:

We were early adopters of the PRI, signing on in 2008. In the most recent (2021) assessment, we received 5-Star ratings for Investment & Stewardship Policy, Private Debt and Clean Energy.

As a member of IIGCC, Capital Dynamics signed a letter calling upon the leaders of the European Union to include provisions related to a sustainable future, such as green technologies and Clean Energy, in stimulus packages helping European Union nation states in their recovery from the global pandemic.

Capital Dynamics is also a co-chair of an IIGCC committee and has been working on the creation of a framework for private equity firms to achieve net-zero emissions.

Capital Dynamics is an Influencer for Pensions for Purpose, a leading collaborative initiative whose aim is to raise awareness of impact investment among the pensions' community.

Capital Dynamics joined the Partnership for Carbon Accounting Financials (PCAF) in April 2022. PCAF is a global partnership of financial institutions that work together to develop and implement a harmonized approach to assess and disclose the greenhouse gas emissions associated with their loans and investments. The PCAF standard is the only global standard built on and reviewed by the GHG Protocol for measuring and disclosing financed emissions of financial portfolios. Using the standard allows financial institutions to deploy a harmonized, robust method to assess climate-related financial risks in line with the Task Force on Climate-Related Financial Disclosures (TCFD).

Capital Dynamics is a supporter of the Task Force on Climate-Related Financial Disclosures, an initiative created to develop a set of recommendations for voluntary and consistent climate-related financial risk disclosures in mainstream filings. We are proud to have issued our first annual Task Force on Climate-Related Financial Disclosures (TCFD) Report in 2020 and we have produced our second TCFD report including Firm-level and asset-level scenario analysis in 2021.

Industry engagements

The ILPA Diversity in Action initiative brings together limited partners and general partners who share a commitment to advancing diversity, equity and inclusion in the private equity industry. The goal of the initiative is to motivate market participants to engage in the journey towards becoming more diverse and inclusive and to build momentum around the adoption of specific actions that advance DEI over time.

Capital Dynamics is a member of iC International – France, a collective commitment to understand and reduce the carbon emissions of private equity-backed companies and secure sustainable investment performance.

Capital Dynamics is a member of Invest Europe, the world's largest association of private capital providers, and the Firm is active in their Working Group on Accounting Standards, Valuation, and Reporting as well as the Responsible Investment Roundtable that represents Europe's private equity, venture capital, and infrastructure investment firms, as well as their investors, including some of Europe's largest pension funds and insurers.

Authors

To obtain additional information or to share your views, please contact the authors of this report or visit our website www.capdyn.com.

Bryn Gostin
Senior Managing Director
Chief Product & Strategy Officer &
Co-Chair Responsible Investment

BGostin@capdyn.com

Verena Rossolatos
Senior Vice President
Co-Chair Responsible Investment

VRossolatos@capdyn.com

Contact details

North America

New York
Capital Dynamics, Inc.
Capital Dynamics
Broker Dealer LLC
156W – 56th Street,
CitySpire Building, Squad 301
New York, NY 10019
United States
1 212 798 3400

Miami
Capital Dynamics, Inc.
350 Lincoln Rd, 3rd Floor
Miami Beach, FL 33139
United States

San Francisco
Capital Dynamics, Inc.
50 California Street
San Francisco, CA
94111
United States
1650 388 7000

Europe

London
Capital Dynamics Ltd
Whitfield Court, 2nd Floor
30-32 Whitfield Street
London, W1T 2RQ
United Kingdom
44 20 7297 0200

Munich
Capital Dynamics GmbH
Possartstrasse 12
81679 Munich, Germany
49 89 2000 4180

Milan
Capital Dynamics SRG S.p.A.
Via degli Omenoni 2, 1st Floor
Milan 20121, Italy
39 02 3031 771

Zug
Capital Dynamics AG
Bahnhofstrasse 22
6301 Zug, Switzerland
41 41 748 84 44

Luxembourg
Capital Dynamics AG
Luxembourg Office
16, rue Jean-Pierre Brasseur
L-1258 Luxembourg
352 661 261 245

Birmingham
Capital Dynamics Ltd
One Snowhill
Snow Hill Queensway
Birmingham B4 6GB
United Kingdom
44 121 200 8800

Paris
Capital Dynamics France
124 Rue Reaumur
Paris 75002
France
33 1 73 06 25 96

Middle East

Tel Aviv
Capital Dynamics Israel
Ramat Aviv
Tel Aviv
Israel
972 52 618 6598

Asia

Tokyo
Capital Dynamics Co. Ltd
7F Otemachi Park Building
1-1-1 Otemachi Chiyoda-ku
Tokyo, 100-0004
Japan
81 3 6551 2700

Seoul
Capital Dynamics
(Hong Kong Ltd)
10th Floor, Miso Building
Daechi-dong 890-47,
Gangnam-gu,
Seoul 06193
Korea, Republic of
82 2 556 2351

Disclaimer

DISCLOSURE STATEMENT

Capital Dynamics Group is an independent asset management Firm focusing on private assets and comprises Capital Dynamics Holding AG and its affiliates.
For investors based in the **United Kingdom**, this presentation is being communicated to you by Capital Dynamics Ltd (CDL). CDL is a firm authorized and regulated by the UK Financial Conduct Authority.

For investors qualifying as professional investors (as that term is defined under the AIFMD) based in European select countries (**Austria, Belgium, Cyprus, Czech Republic, Denmark, Finland, France, Germany, Greece, Italy, Republic of Ireland Liechtenstein, Luxembourg, Malta, Netherlands, Norway, Poland, Portugal, Spain, Sweden**) this presentation is being communicated to you by Capital Dynamics Ltd (CDL) in agreement with the external AIFM, Alter Domus Management Company S.A. The AIFM is authorized and regulated by the Commission de Surveillance du Secteur Financier (CSSF) in Luxembourg as an Alternative Investment Fund Manager. Capital Dynamics Ltd is authorized and regulated by the Financial Conduct Authority (FCA). Any Recipient not interested in the analysis described herein should return this document to Capital Dynamics Limited, Whitfield Court, 2nd Floor, 30-32 Whitfield Street, London W1T 2RQ, United Kingdom and contact Capital Dynamics as soon as possible (t. +44 20 7297 0200).
For investors based in the **United States**, this presentation is being communicated to you by Capital Dynamics Broker Dealer LLC, a registered broker-dealer with the SEC, and a member of the Financial Industry Regulatory Authority (FINRA) and Securities Investor Protection Corporation (SIPC). Such registration does not imply in any manner whatsoever that Capital Dynamics Broker Dealer LLC has been sponsored, approved or recommended or that its abilities or qualifications have in any way respect been passed upon by the United States or any agency or office thereof.
For all other investors, the presentation is being communicated by the firm entity acting as the manager or general partner, adviser to the client or such other firm entity authorized to make this communication as appropriate.
The information contained herein is provided for informational purposes only and is not and may not be relied on as investment advice, as an offer to sell, or a solicitation of an offer to buy securities. Any such offer or solicitation shall be made pursuant to a private placement memorandum furnished by Capital Dynamics. No person has been authorized to make any statement concerning the information contained herein other than as set forth herein, and any such statement, if made, may not be relied upon. This document is strictly confidential, is intended only for the person to whom it has been and may not be shown, reproduced or redistributed in whole or in part (whether in electronic or hard copy form) to any person other than the authorized Recipient, or used for any purpose other than the authorized purpose, without the prior written consent of Capital Dynamics. The Recipient should not construe the contents of this document as legal, tax, accounting, investment or other advice. Each investor should make its own inquiries and consult its advisors as to any legal, tax, financial and other relevant matters concerning an investment in any fund or other investment vehicle. Capital Dynamics does not render advice on tax accounting matters to clients. This document was not intended or written to be used, and it cannot be used by any taxpayer for the purpose of avoiding penalties which may be imposed on the taxpayer under said individuals tax laws. Federal and state tax laws are complex and constantly changing. The Recipient should always consult with a legal or tax adviser for information concerning its individual situation. When considering alternative investments, such as private equity funds, the Recipient should consider various risks including the fact that some funds may use leverage and engage in a substantial degree of speculation that may increase the risk of investment loss, can be illiquid, are not required by law to provide periodic pricing or valuation information to investors, may involve complex tax structures and delays in distributing important tax information, often charge high fees, and in many cases the underlying investments are not transparent and are known only to the investment manager. Any such investment involves significant risks, including the risk that an investor will lose its entire investment. By accepting delivery of this document, each Recipient agrees to the foregoing and agrees to return the document to Capital Dynamics promptly upon request.