

# TCD REPORT 2023



CapitalDynamics®





# A message from our Responsible Investment leadership

Dear Valued Partner,

As leaders in the field of Responsible Investment (“RI”), we are proud to present our latest Task Force on Climate-Related Financial Disclosures (“TCFD”) report highlighting our commitment to addressing climate risks and seizing opportunities for sustainable growth. At the core of our approach lies a deep understanding of the interconnectedness between climate change and financial performance, and a steadfast commitment to actively managing these potential challenges and prospects to achieve long-term, risk-adjusted returns for our clients.

At the forefront of our efforts is our implementation of the cutting-edge climate risk tool, EarthScan™ by Mitiga. This innovative platform empowers us to screen all of our Clean Energy investments and thoroughly analyze the climate hazards present in each asset location across three distinct scenarios, providing invaluable insights into our exposure to climate matters. Additionally, we are actively tailoring and refining the analysis outputs to cater specifically to our requirements and preferences. By customizing various features and functionalities, we ensure that the tool serves as a bespoke solution tailored to our needs. For instance, one of our planned enhancements involves utilizing the platform to improve the geolocation of our projects over time. By integrating geospatial data and advanced mapping capabilities, we aim to precisely pinpoint the ideal locations of our assets pre-development and track any changes or developments in climate risks. This not only forms the basis for our informed decision-making, but also enhances our ability to assess and mitigate risks associated with climate hazards by implementing the appropriate adaptation measures.

In today's rapidly evolving landscape, climate change presents both challenges and advantages for investors. From extreme weather events to regulatory changes and technological innovations, the impacts of climate change are far-reaching and complex. Yet, amidst these potential pitfalls lie immense prospects to invest in renewable energy, sustainable infrastructure, and innovative solutions that not only mitigate climate risks but also drive positive environmental and social impact.

Our strategy reflects our commitment to embracing the challenges and opportunities presented by a changing climate. By integrating resilience into every aspect of our investment approach, we not only safeguard our portfolio but also lead the way towards a sustainable and prosperous future.

This report highlights the core elements of our exposure to financially material climate risks and opportunities, showcasing how we systematically assess, prioritize, and manage these factors to enhance the resilience and sustainability of our investment portfolio. From conducting comprehensive risk assessments and scenario analysis to identifying and capitalizing on emerging climate opportunities, our approach is rooted in rigorous analysis, strategic alignment, and proactive risk management.

As stewards of your capital, we recognize our responsibility to our clients, communities, and planet. By integrating climate considerations into our investment decisions and actively managing these factors, we are not only seeking to generate attractive financial returns but also to create positive environmental and social outcomes that benefit society as a whole.

We invite you to explore the report and join us on our journey towards a more sustainable and resilient future.

Yours sincerely,

,

*Bryn Gostin*



**Bryn Gostin**  
Senior Managing Director  
Co-Chair Responsible Investment

*Verena Rossolatos*



**Verena Rossolatos**  
Senior Vice President  
Co-Chair Responsible Investment



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# GOVERNANCE





# Our governance around climate-related risks and opportunities

At Capital Dynamics, our governance around climate-related risks and opportunities encompass both the governance we implement for our firm, as well as the governance for our funds and portfolio companies and Clean Energy assets in relation to Responsible Investment (“RI”). Our processes ensure that climate-related considerations are regularly communicated to our Executive Committee ensuring that our leadership team is ultimately responsible for climate-related considerations and decision-making to enact change.

## Board’s oversight of climate-related risks and opportunities

The board of directors of Capital Dynamics Holding AG (“the board”) is responsible for setting and overseeing the overall strategic direction of the firm, including matters pertaining to RI. The board has delegated the authority to manage the business, including internal control and risk, to the firm’s Chief Executive Officer (CEO), Martin Hahn, who is also a member and delegate of the board. The CEO has delegated primary responsibilities for the risk and controls framework within the group and the independent monitoring and reporting of risk and controls to the firm’s Risk Committee (“RC”).

The RC delegates the responsibility for assessing and managing climate-related matters to the Responsible Investment Committee (“RIC”) Co-Chairs, who work in close cooperation with the RIC members. The firm’s RIC is comprised of members of the Executive Committee (“EC”) and senior leadership representing all Capital Dynamics business lines.

The RIC meets monthly and on an ad-hoc basis to set the firm’s agenda for RI and monitors financially material RI risks and opportunities. In particular, the RIC is responsible for reviewing RI-related alerts, in line with the RI alert process. The RC is regularly informed about RI risks and opportunities by Bryn Gostin, Chief Product & Strategy Officer and Co-Chair Responsible Investment, who is also a member of the firm’s EC. On a quarterly basis, Bryn informs the EC about RI-related matters for awareness, as well as presents RI-related risks and opportunities, including those pertaining to financially material climate matters to the RC. To the extent required, the RC brings RI matters to the CEO and the board’s attention.

Capital Dynamics fully integrates RI across the entire investment lifecycle and allocates sufficient resources to ESG. Verena Rossolatos, Senior Vice President and Co-Chair of Responsible Investment, reports into Bryn Gostin and collaborates with Linda Monti, the team’s senior analyst, in leading the firm’s ESG strategy. Together, the dedicated ESG team is committed to integrating ESG initiatives at Capital Dynamics.

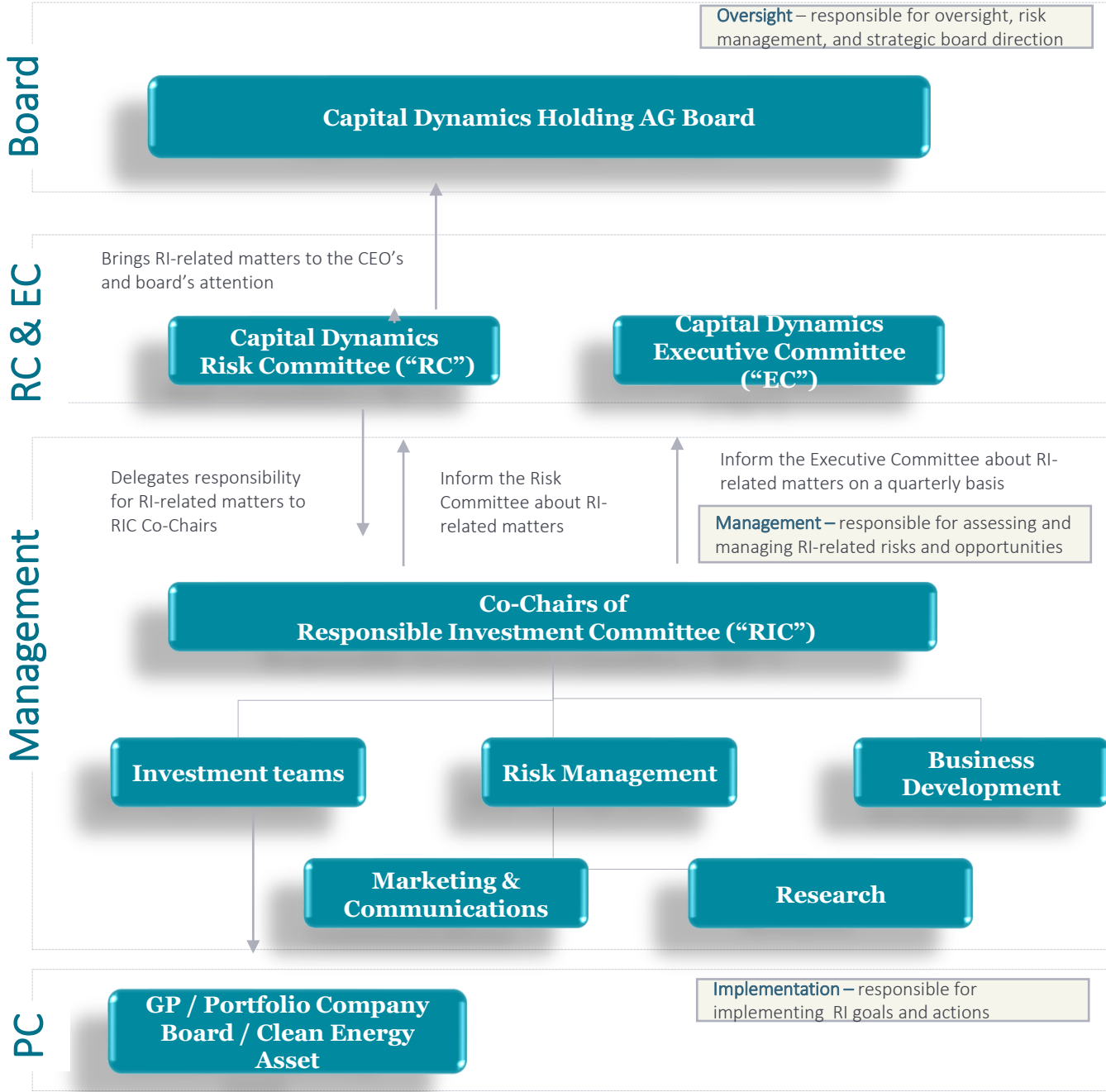


Figure 1: Capital Dynamics’ Governance structure for RI-related risks, including climate-related matters



# Management’s role in assessing climate-related risks and opportunities

Verena Rossolatos, Senior Vice President and Co-Chair of the Responsible Investment Committee, reports into Bryn Gostin. Together, Bryn and Verena assess the climate-related risks and opportunities across functions in our firm and investment funds at least annually, and report climate-related issues and progress on targets to the EC as part of the quarterly Responsible Investment presentation. The presentation is followed by a Q&A from the EC, which includes representation from Investment Management leadership, firm management and ownership.

The EC monitors and oversees progress against the Responsible Investment goals, including climate-related targets through the quarterly update by the RIC Co-Chairs. As a dedicated resource to Responsible Investment and climate-related matters, Verena is also responsible for firm-wide climate initiatives.

Senior representatives from our Co-Investments team are responsible for managing climate-related risks and opportunities at the portfolio company level, where we may hold board seats and meaningful influence to effect change. This includes the identification of improvement targets for the operational improvement plan, utilizing the firm’s proprietary R-Eye™ rating system in the due diligence and monitoring process. Such targets may include the introduction of energy efficiency measures and onsite installation of renewable energy production units. In our Primaries and Secondaries investment platforms, we utilize the R-Eye™ rating system to assess a manager’s RI credentials.

The Co-Heads in our Clean Energy strategy oversee and manage the climate-related risks and opportunities pertaining to our renewable energy assets in the EU and in the UK. The firm’s Responsible Investment Committee is comprised of EC members and senior leadership representing all Capital Dynamics business lines. The RIC meets monthly and on an ad-hoc basis to set the firm’s agenda for RI and climate-related matters and monitors financially material climate risks and opportunities. In particular, the RIC is responsible for reviewing RI-related alerts, in line with the RI alert process.

The RI Alert protocol is designed to assess and manage climate-related risks and opportunities, broader environmental risks, as well as social and governance risks pertaining to our investments. Our Capital Dynamics RI alert protocol involves the close cooperation between the RIC, Risk Management and the Investment Management teams, whereby the RIC representative refers identified RI issues to the RIC. Typically, such issues are identified in the due diligence phase pre-investment, utilizing the R-Eye™ rating system, or through our monitoring process involving annual RI questionnaires sent to General Partners as well as deploying RepRisk, an artificial intelligence platform which screens over 500,000 documents daily in the media for RI matters and allows us to create watch lists to monitor RI risks. The Risk Management team has created watch lists for funds to monitor third parties and their supply chain. Each week, Verena Rossolatos and Philippe Jost, the firm’s Head of Risk, review RI alerts received and

flag material RI risks to the Investment Management teams for further evaluation. The alerts are compiled in a weekly summary and sent to the respective Investment Management or Operations team for alerts related to Capital Dynamics’ supply chain providers.

Capital Dynamics Investment Management memos contain an overview of the major metrics followed by a brief summary of the incidents with high or very high risk. Further, the RIC Co-chairs have observer rights on all Investment Committees to facilitate a swift RI risk response protocol. High risk and very high risk incidents are reviewed by the full RIC, which makes a recommendation for appropriate action, but does not make investment decisions. In the event of severe instances, Bryn Gostin, as a member of the EC, escalates firm-wide RI issues to the EC for further evaluation and consideration.

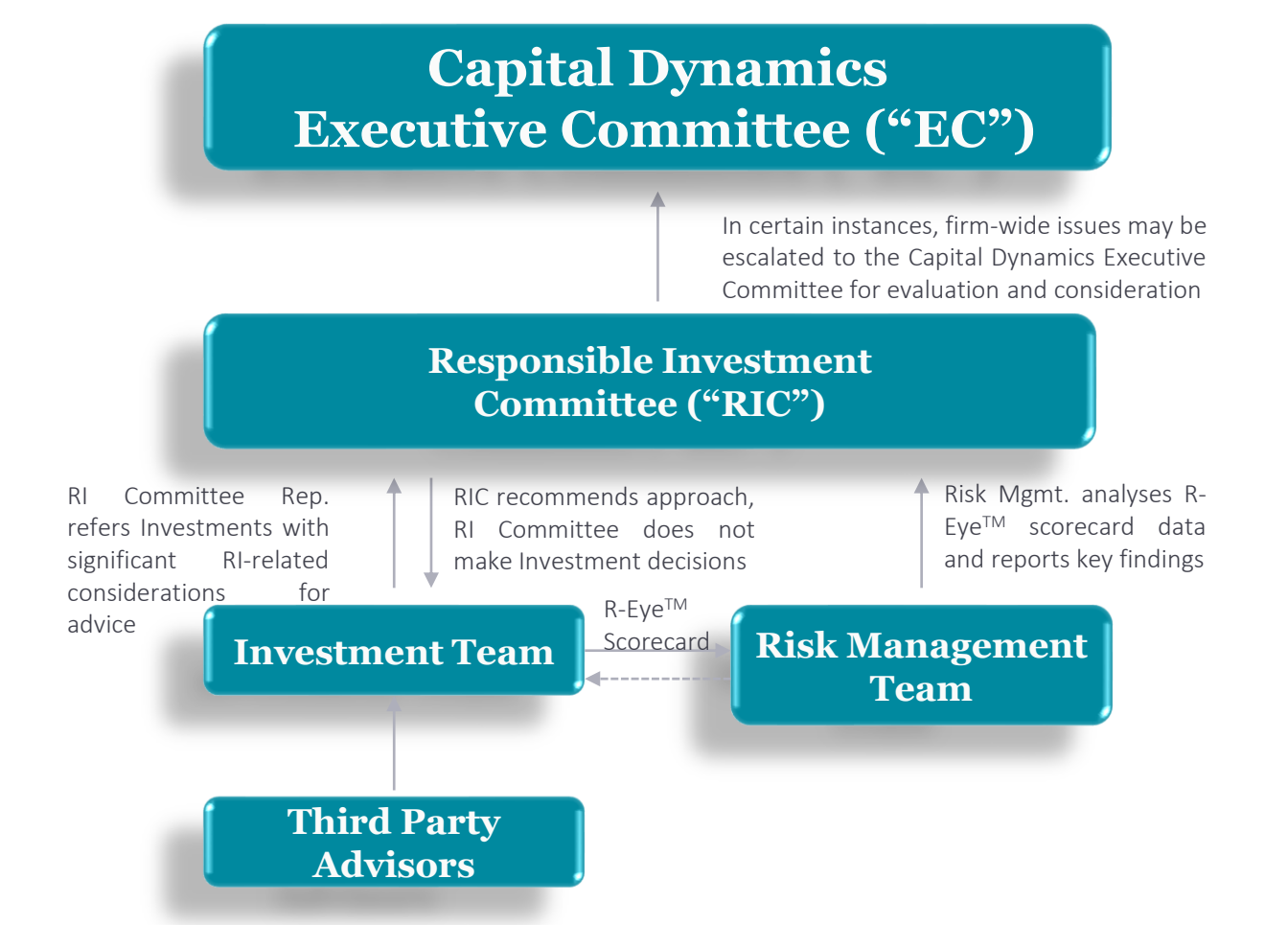


Figure 2: Capital Dynamics’ RI alert process



# Meet the ESG team at Capital Dynamics

Our integrated team is committed to implementing ESG considerations throughout our processes to support our objective of investing responsibly to reduce downside risk and enhance long-term risk-adjusted returns.



**Bryn Gostin**

*Co-Chair of Responsible Investment Committee  
&  
Co-Head of the Environmental Committee*

18+ years industry experience

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.



**Verena Rossolatos**

*Co-Chair of Responsible Investment Committee  
&  
Co-Head of the Environmental Committee*

12+ years industry experience

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. Verena is responsible for sustaining Capital Dynamics ESG strategy and integrating these considerations into our investment policies.

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®) and a GRI Certified Sustainability Professional and holds a number of certifications in the field of climate change, Net Zero and RI in private markets.



**Linda Monti**

*Senior Analyst, Responsible Investment & ESG  
&  
Member of Responsible Investment Committee*

5+ years industry experience

Linda Monti joined Capital Dynamics in 2023 as a Senior Analyst, where she works closely on ESG data collection efforts and assisting in the preparation of regulatory and investor reporting. Linda works closely with Verena driving forward our ESG strategy across the platform. Further, she is a member of the Responsible Investment Committee.


Prior to joining Capital Dynamics, she worked at Newmark, where she underwrote commercial real estate loans for Freddie Mac and Fannie Mae. During her tenure, she was involved in the green advantage program, which provided financing benefits to encourage sustainability improvements in real estate.




# 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




**Simonne Cepollina**  
Senior Associate  
Client Relations  
RIC Secretary

Marketing Communications




**Carolyn Hirschbiel**  
Senior Managing Director

Co-Investment




**David Smith**  
Senior Managing Director

Primaries




**Helen Lais**  
Senior Managing Director

Secondaries




**Mauro Pfister**  
Managing Director

Responsible Investment




**Linda Monti**  
Senior Analyst

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**  
Managing Director

Research



**Kairat Perembetov**  
Director

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# STRATEGY





# Three pillars of our climate strategy

As an asset-manager specialized in the mid-sized private markets, we recognize the critical importance of integrating climate considerations into our investment decisions.

At Capital Dynamics, our climate strategy is built upon three pillars, which allows us to effectively identify and assess financially material climate risks and opportunities and forms an integral part of our holistic approach to Responsible Investment.



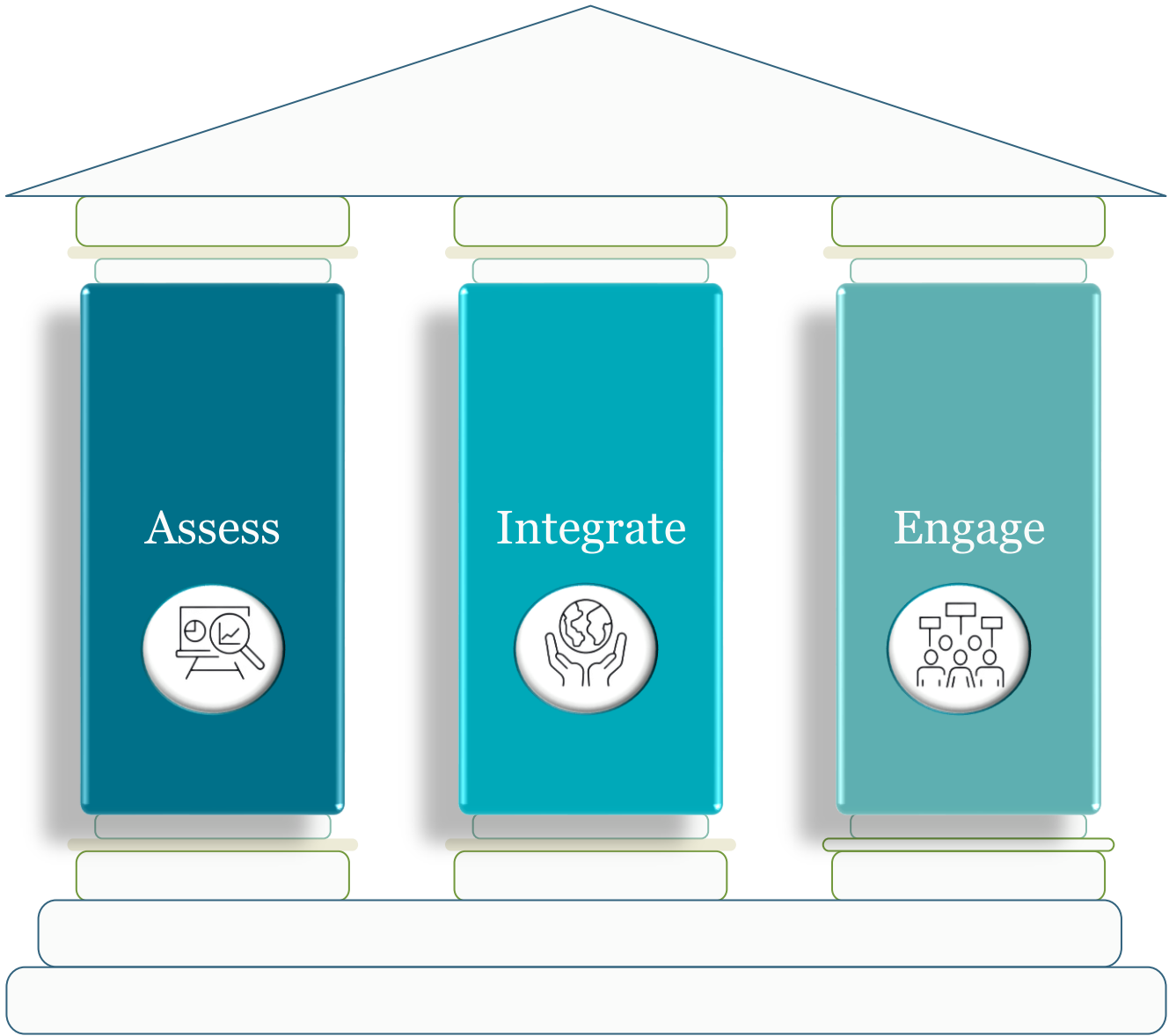
We assess climate-related risks and opportunities in our investments and across our own operations. We consider climate scenario analysis a valuable tool for assessing climate matters in a range of possible future states and disclose the results in our annual TCFD reports



The impact of climate-related risks and opportunities is integrated in our Responsible Investment approach across our strategies, and forms part of our firm's financial planning and business strategy and assessment of Capital Dynamics' resilience to climate factors



We use the results of our analysis to engage with our portfolio companies on sustainability improvements. We also promote best-in-class RI practices among our GPs, regularly engage with policy-makers on sustainable finance regulations and play an active part in advancing net zero considerations in private markets





# Our approach to assessing climate risks and opportunities

Our evaluation of financially material climate risks and [opportunities](#) employs a comprehensive framework that considers the short-, medium- and long-term time horizons. This approach enables us to anticipate evolving climate dynamics and strategically position our investments to achieve optimal risk-adjusted returns for our clients. By adopting this forward-looking approach, we aim to enhance resilience and performance of our investments while fulfilling our fiduciary duty to our clients.

## Short-term (2025)

For the purposes of our analysis, we define the short-term as the year 2025. This timeline corresponds to the holding period of many of our assets, necessitating a focused examination of immediate climate-related risks and opportunities. Our primary objective during this period is to identify and implement climate adaptation measures aimed at mitigating risks and enhancing resilience. By doing so, we aim to safeguard our investments and position them for sustainable long-term growth.

## Medium-term (2030)

The medium term, extending to the year 2030, serves as a crucial juncture in our investment strategy. This timeframe aligns with exit timings for certain assets of our current funds raised and invested today (with a typical holding period of 3-4 years), prompting a comprehensive evaluation of climate-related factors that may impact exit prices. Our analysis during this period delves into the potential effects of climate risks on asset valuations, enabling informed decision-making regarding portfolio adjustments. By integrating climate considerations into our exit strategies, we aim to optimize long-term risk-adjusted returns for our clients.

## Long-term (2050)

Looking further ahead, the long-term horizon extends to the year 2050, aligning with the overarching goals of the Paris Agreement. At this juncture, our focus shifts towards assessing the alignment of our investments with the long-term objectives of global climate action. By evaluating the degree to which our portfolio supports the goals of limiting global warming and other physical effects of climate change, we seek to position ourselves as responsible stewards of capital and contributors to sustainable development. Our commitment to aligning our Clean Energy investments with the Paris Agreement underscores our dedication to generating positive environmental outcomes while creating value for our clients.

## What are financially material climate risks?

**Physical climate risks** refer to financially material physical impacts of climate change and the adverse effects of global warming. Physical risks can be acute (i.e. event-driven risks, such as increased severity and frequency of extreme weather events) or chronic (i.e. the longer-term shifts in climate patterns, such as rising global temperatures that cause chronic heat waves and rising sea levels). Once realized, physical climate risks can cause early asset impairment, damages to facilities and infrastructure, force migration, increase raw material prices and cause operational disruptions (for instance through the disruption in supply chains).

**Transition risks** refer to financially material risks that can arise due to the adjustment process towards a lower carbon economy. Such risks arise because a transition to net zero requires adjustments in behavior (for example consumer demand towards green products), technology (for instance substituting existing products for more sustainable options) and policy (for example carbon pricing schemes). Further, the transition can represent reputational challenges for firms operating in high emitting sectors, or companies that lack the ambition to work towards decarbonization. Many of the drivers of transition risks are global, however, some drivers vary in national contexts, such as the implementation of environmental legislation. The realization of transition risks could result in financially material impacts, including stranded assets, financial penalties, increased costs, reduced return on investment and loss of market share.

## What are financially material climate opportunities?

**Climate opportunities** refer to the attractive financial opportunity represented by the transition towards a lower carbon economy and result from climate change mitigation and climate change adaptation proceedings. As an asset manager, our financially material climate opportunities arise from investing into clean energy projects and investing into companies that reduce their GHG emissions across the value chain in line with the goals of the Paris Agreement. Such companies are less exposed to transition risks and represent attractive investment opportunities.



# Integration of Climate Scenario Analysis

In our analytical framework, we incorporate three distinct climate scenarios to enhance our understanding of potential future trajectories and their implications for investment outcomes. Climate scenarios are projections of future greenhouse gas emissions, allowing for examination of how climate change might unfold under different socioeconomic circumstances.

The climate scenarios used for the physical climate risk assessment of our European Clean Energy portfolio are based on the Scenario Model Intercomparison Project (“ScenarioMIP”). These scenarios provide foundational insights for the Paris Agreement and the IPCC 6<sup>th</sup> Assessment Report. The scenarios encompass both the Shared Socioeconomic Pathways (SSPs) and the Representative Concentration Pathways (RCPs), each serving distinct roles in our analysis:

## Shared Socioeconomic Pathways (SSPs)

SSPs outline different future socioeconomic conditions, including demographic, technological, economic and policy trends. They provide a range of plausible narratives for how society may evolve, offering insights into the underlying drivers of greenhouse gas emissions and climate impacts.

## Representative Concentration Pathways (RCPs)

RCPs specify different greenhouse gas concentration trajectories, representing various emission scenarios over time. They are based on assumptions about future human activities, such as energy use, land use and technological advancements. RCPs enable the assessment of how different emission pathways may lead to varying levels of global warming and associated climate impacts.

In summary, SSPs describe the socioeconomic context within which emissions occur, while RCPs depict the resulting greenhouse gas concentrations and their potential climate consequences. By considering both SSPs and RCPs, we gain a comprehensive understanding of the interplay between societal trends, emissions trajectories and climate outcomes.

On the subsequent pages, we present the findings from our comprehensive analysis of physical and transition risks, alongside climate opportunities, and their corresponding financial implications, specifically focusing on our European Clean Energy investments. Additionally, for a summary of climate risks and opportunities inherent in our Private Equity strategies, please refer to our 2022 Task Force on Climate-related Financial Disclosures (TCFD) report, accessible at: <https://www.capdyn.com/news/2022-task-force-on-climate-related-financial-disclosures-tcfd-report/>

Scenario	SSP / RCP	Description
Business as usual	SSP5-8.5 / RCP-8.5	Worst-case scenario: Emissions continue to rise over the 21 <sup>st</sup> century.
Emissions peak in 2040	SSP2-4.5 / RCP-4.5	Emissions do not increase beyond 2040. This scenario closely resembles current policy commitments
Paris-aligned	SSP1-2.6 / RCP-2.6	Best-case scenario: Emissions are aligned with the goals of the Paris Agreement

“Embracing climate scenarios is not just about projecting a possible future, it is also about empowering our clients to navigate it with foresight and resilience, leading to better investment decisions in a world where sustainability will play an increasingly prominent role.”

**Verena Rossolatos**  
Senior Vice President  
Co-Chair Responsible Investment





# Climate risks and opportunities in the context of Clean Energy

As an investor in clean energy assets, we capture attractive climate-related opportunities, as economies scale up the transition towards lower-carbon energy supply.

This transition represents an attractive investment opportunity in Europe and exhibits positive impacts on revenue potentials (i.e. strong financially material climate opportunity). Since the operation of renewable energy assets is associated with minimal carbon emissions and water consumption, the overall transition risks associated with our Clean Energy assets remain low.

Nonetheless, as investors in real assets, our Clean Energy business is exposed to physical climate risks, which could cause damage to solar PV modules or wind turbines, leading to higher repair costs and insurance premiums in high risk locations. Extreme weather events and chronic physical climate risk could represent a possibility of early asset retirement.

Overall, our European Clean Energy portfolio is well diversified in terms of geographic exposure to manage physical climate risks and we implement a range of climate adaptation measures to enhance resilience.



## Physical climate risk exposure

Acute (i.e. event-driven) and chronic climate risks can cause physical damage to clean energy assets and cause disruptions in the supply chain resulting in reduced output / sales, loss in revenue, increased costs and potentially unavailability of insurance



## Transition risk exposure

Transition risks emerging from policies, technological advancement, new market demands and reputational risks can increase costs, reduce demand for goods and services and reduce revenue



## Climate opportunities

Clean Energy investments represent a highly attractive financially material climate opportunity driven by sustainability megatrends, including:

- Resource efficiency
- Products and services
- Markets
- Resilience



# Capital Dynamics has implemented pioneering climate scenario tech

To effectively analyze climate risks and identify adaptation measures, Capital Dynamics' Clean Energy business line has implemented Mitiga's EarthScan™ platform. This innovative tool, which we have worked with Mitiga to optimize for our business, enables us to comprehensively assess climate-related risks across our European Clean Energy portfolio and provide valuable insights into financially material climate hazards. By leveraging advanced data analytics and scenario modelling, we can proactively identify vulnerabilities and develop targeted strategies to enhance resilience. Additionally, we use the outputs of the climate scenario analysis for the following purposes:

- Offer our clients market-leading climate risks reporting in line with the TCFD and ISSB disclosure frameworks and in accordance with the EU Taxonomy
- Conduct pre-transaction due diligence
- Produce internal and external risk reporting on financially material climate matters
- Undertake physical asset exposure analysis and location planning to protect asset value and generate long-term risk-adjusted returns for our clients

Utilizing the EarthScan™ platform, we identify and assess physical climate risks, which our European Clean Energy assets are exposed to over the short- (2025), medium- (2030) and long-term (2050) time horizons. The following physical climate risks are subject to our analysis:



Heat stress



Extreme precipitation



Drought



Extreme wind

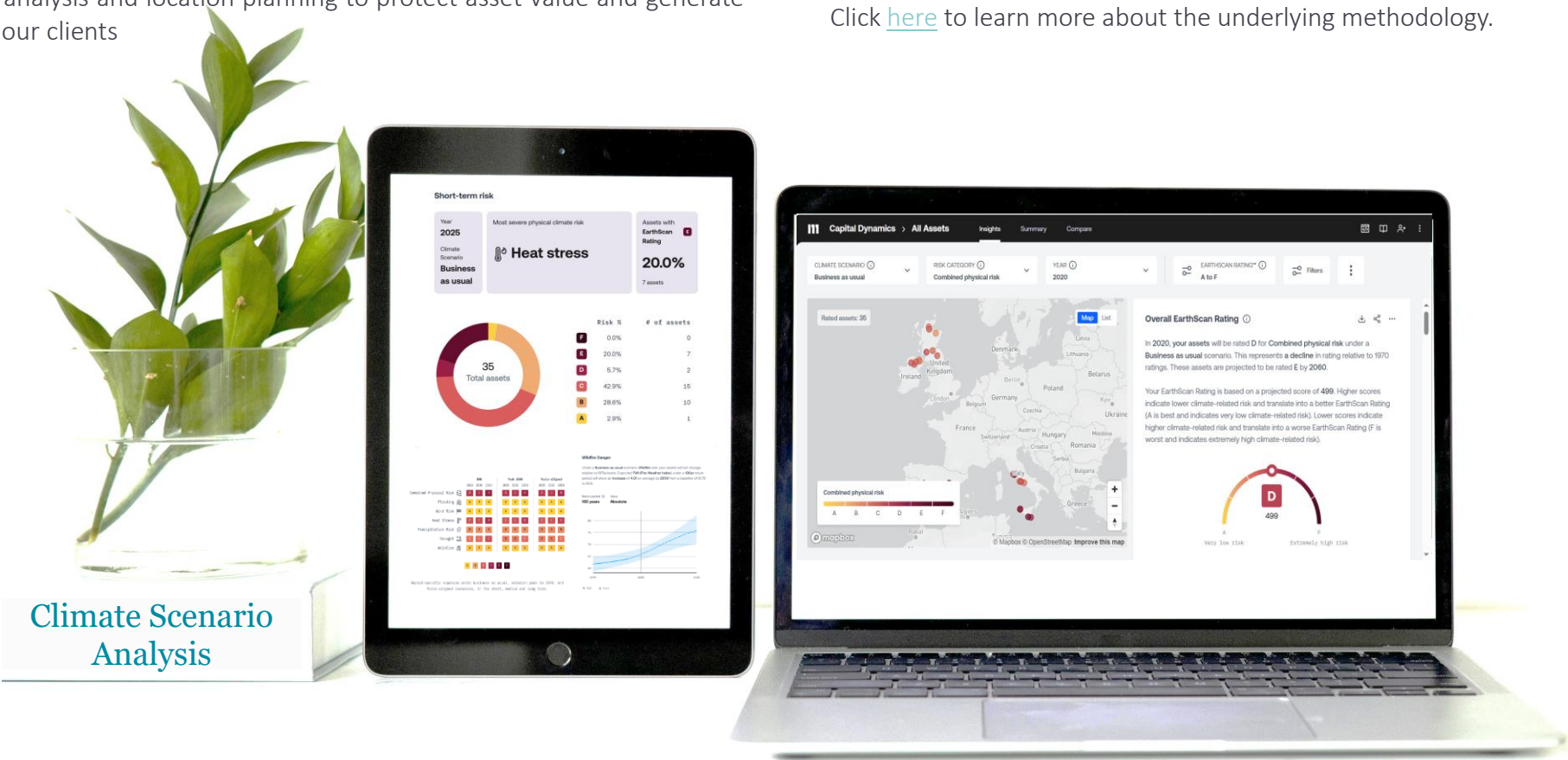


Flooding (coastal and riverine)



Wildfire

Click [here](#) to learn more about the underlying methodology.





# Physical climate risk exposure of our European Clean Energy portfolio<sup>1</sup>

The map below showcases the **asset distribution** across Europe<sup>1</sup>, alongside the EarthScan **rating** from A (very low climate-related risk) to F (extremely high climate-related risk). While some of our solar assets are located in Southern Europe exposed to high risks of heatwaves, we have implemented strong [climate adaptation measures](#) to enhance resilience against climate risks, ultimately ensuring our assets generate optimal clean energy outputs.



EarthScan™ ratings range from A = very low risk to F = extremely high risk

The **risk matrix** shows the portfolio's average EarthScan Rating for each **climate hazard**. This shows how average climate exposure may change over the short, medium and long-term under three scenarios: business as usual, emissions peak in 2040 and Paris-aligned.

		BAU			Peak 2040			Paris-aligned		
		2025	2030	2050	2025	2030	2050	2025	2030	2050
Combined Physical Risk		D	D	D	D	D	D	D	D	D
Flooding		A	A	A	A	A	A	A	A	A
Wind Risk		A	A	A	A	A	A	A	A	A
Heat Stress		C	C	D	C	C	D	C	C	C
Precipitation Risk		B	B	B	B	B	B	B	B	B
Drought		C	C	C	B	B	C	B	B	C
Wildfire		A	A	A	A	A	A	A	A	A

A B C D E F

In the year 2025, the assets were rated D for combined physical risk under **Business as usual** scenario.



On the subsequent pages, we disclose the outputs from the scenario analysis from each of the climate scenarios: Business-as-usual, Emissions peak by 2040 and Paris Alignment.

<sup>1</sup> Coverage: European assets from funds CEI VIII, CEI IX, CE Europe and CE UK



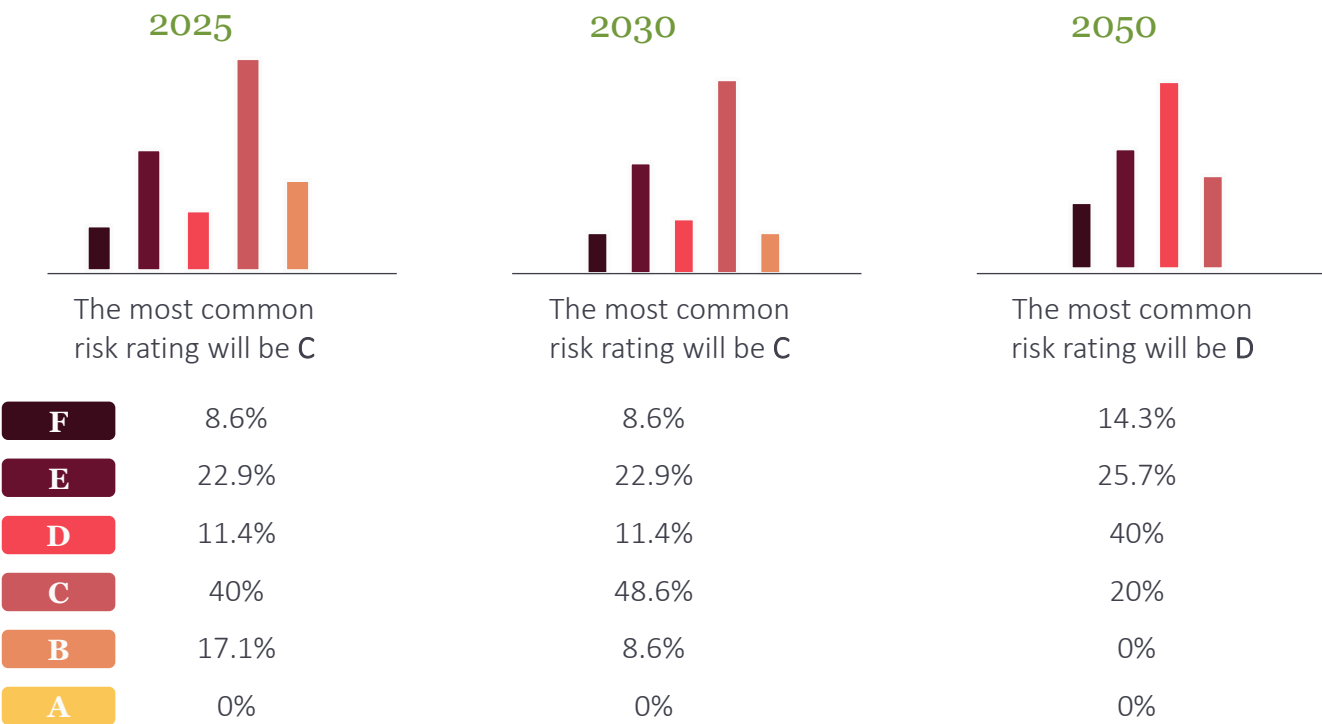
# Climate scenario analysis results: Business as usual

## Climate hazard risk distribution



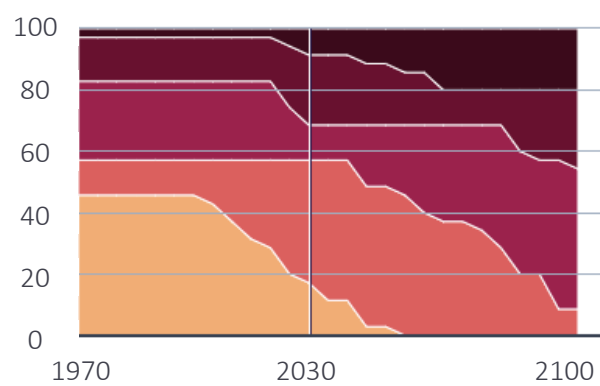
EarthScan™ ratings range from A = very low risk to F = extremely high risk

## Risk rating distribution (35 assets)

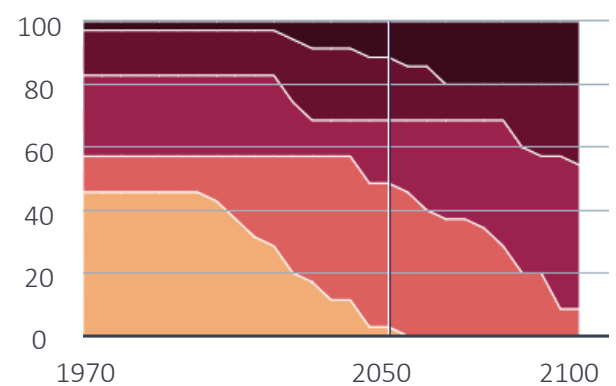


## Risk distribution over time

The proportion of assets rated F will **increase**.  
By 2030, this is an increase of **2** assets rated F.



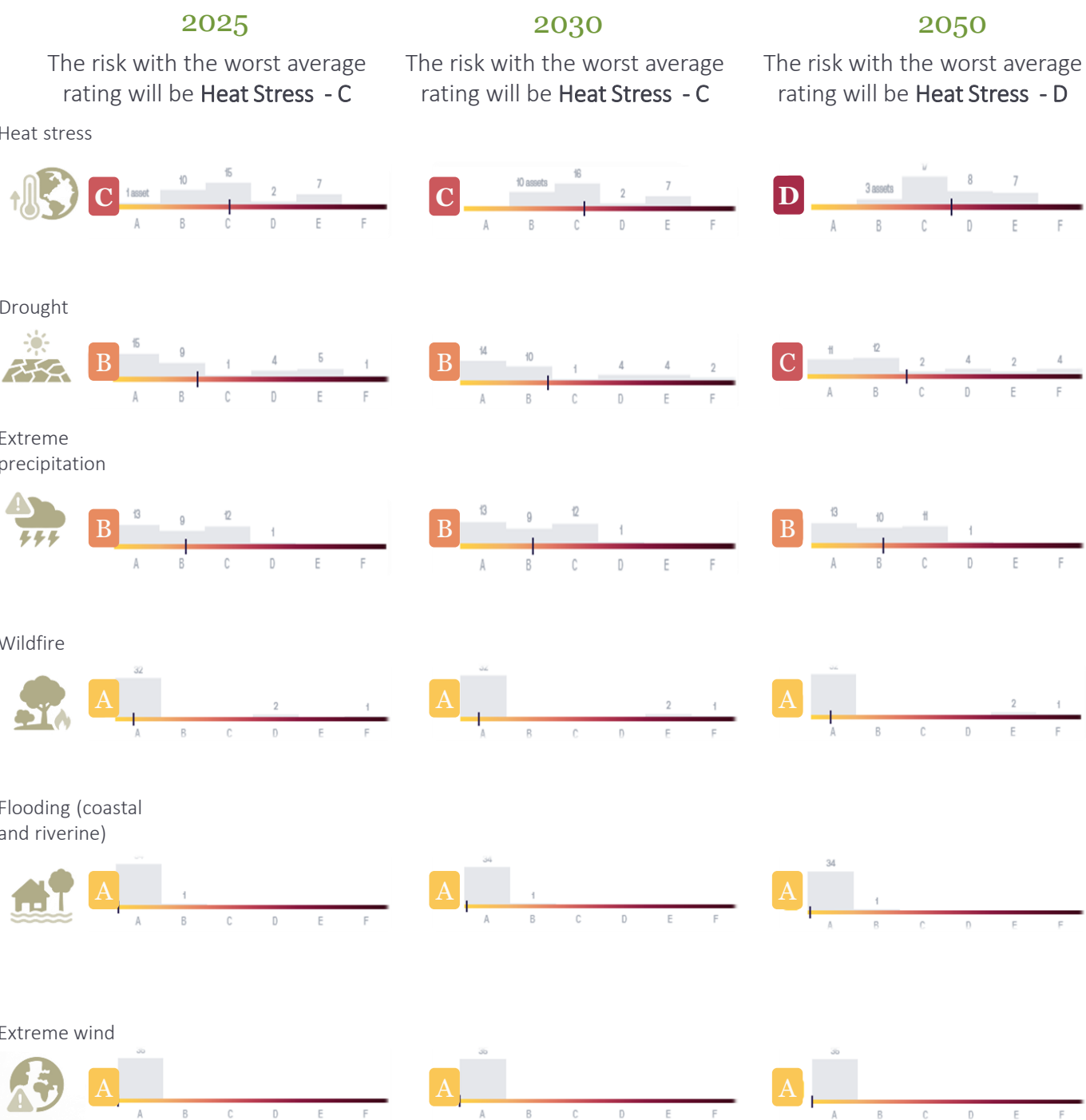
The proportion of assets rated F will **increase**.  
By 2050, this is an increase of **4** assets rated F.



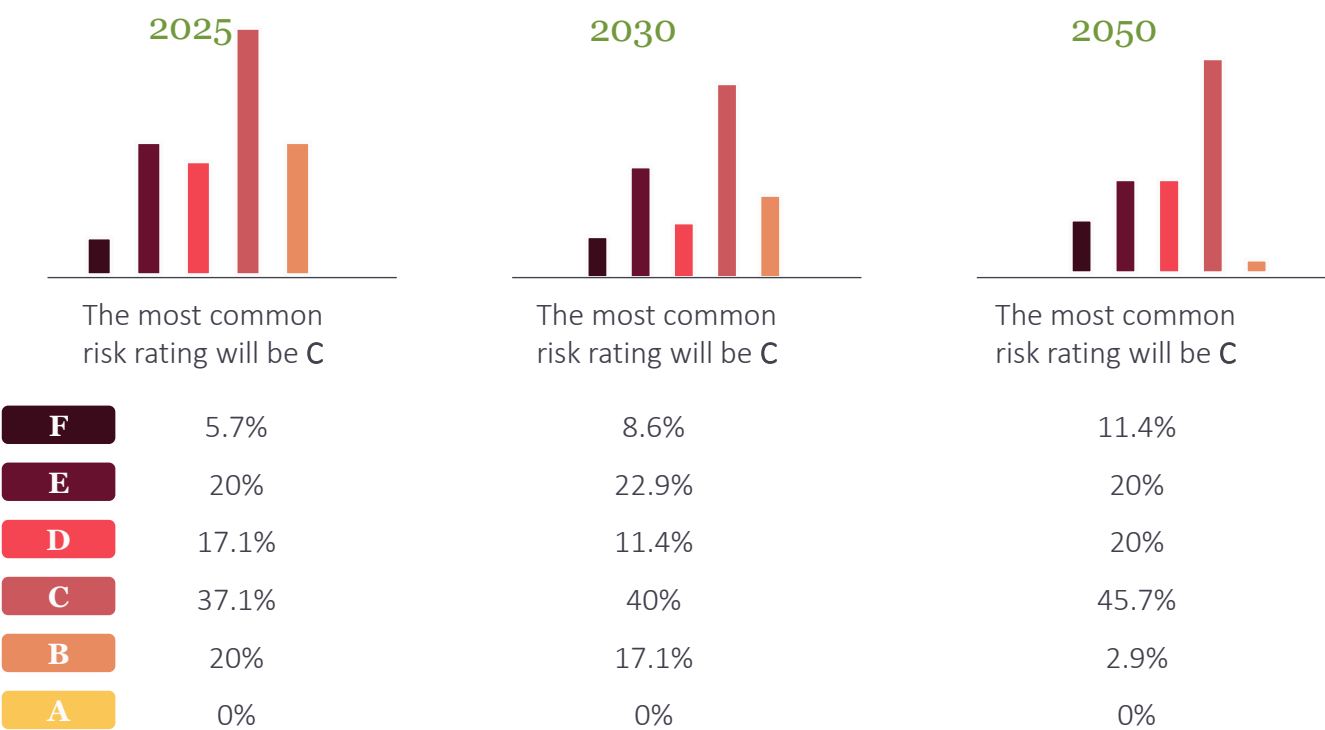


# Climate scenario analysis results: Emissions peak by 2040

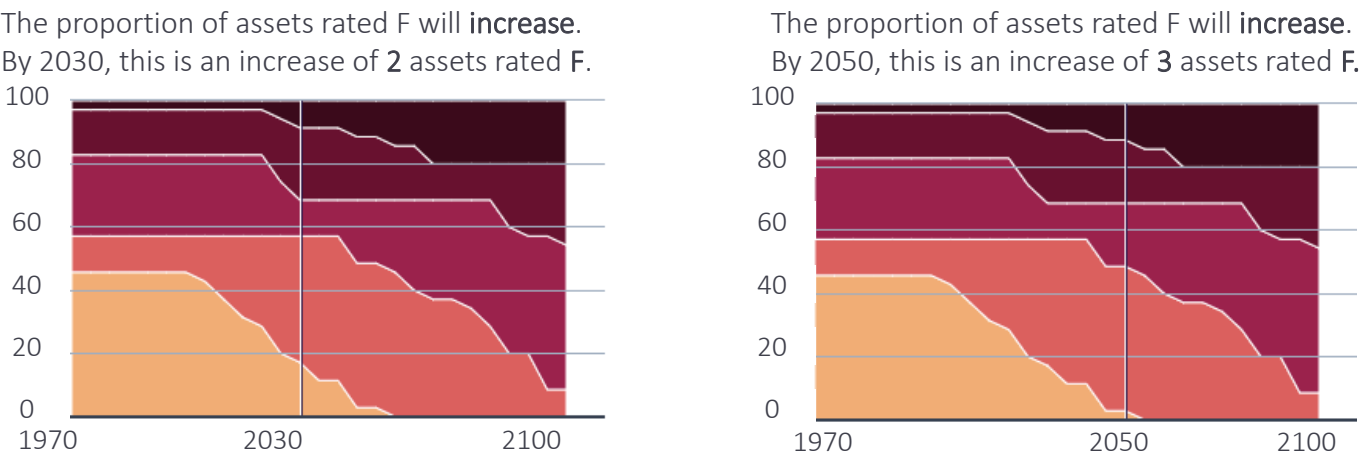
## Climate hazard risk distribution



## Risk Distribution (35 assets)



## Risk distribution over time

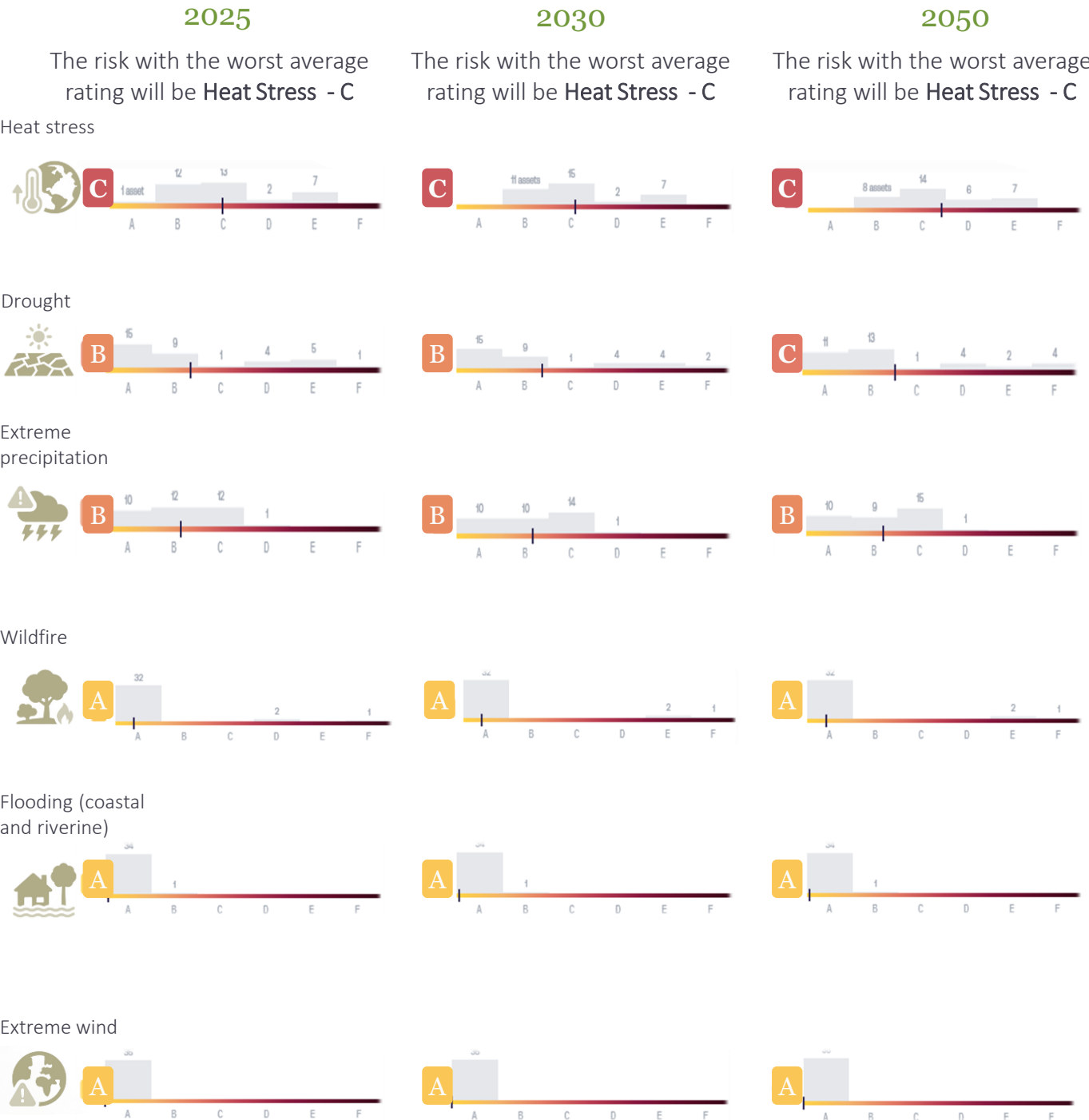


EarthScan™ ratings range from A = very low risk to F = extremely high risk



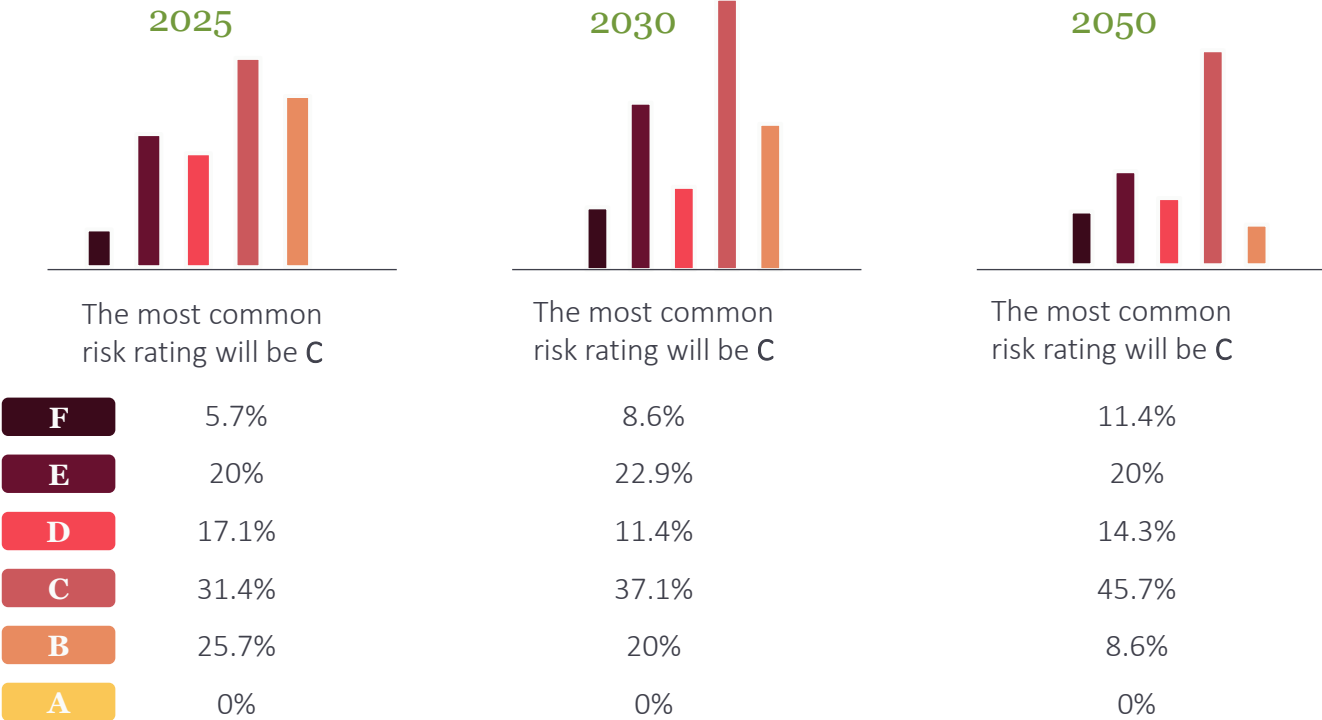
# Climate scenario analysis results: Paris-aligned

## Climate hazard risk distribution

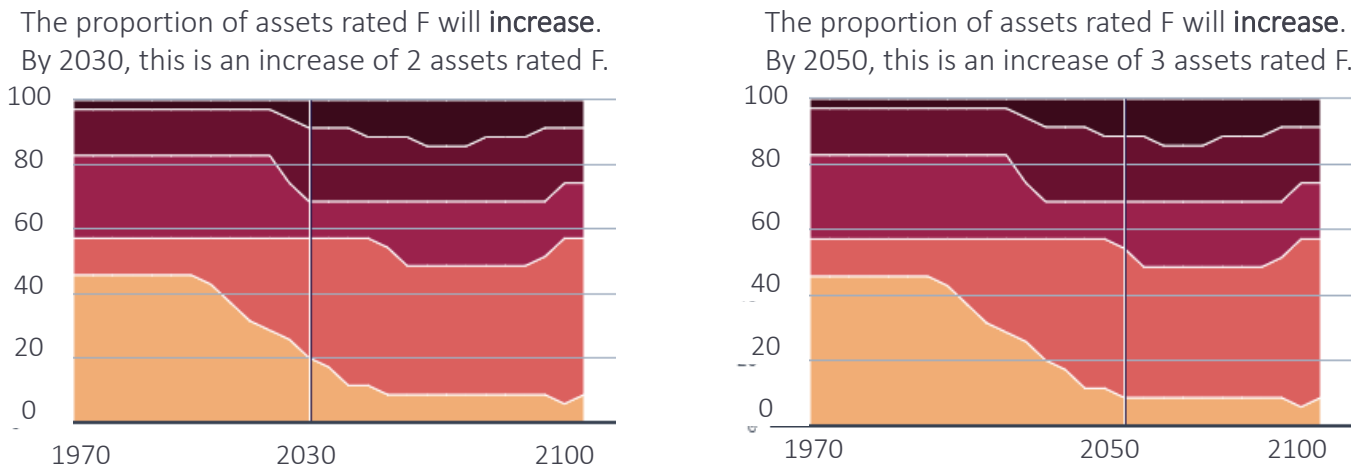


EarthScan™ ratings range from A = very low risk to F = extremely high risk

## Risk Distribution (35 assets)



## Risk distribution over time





# Financial impact of physical climate risks on our Clean Energy assets

Physical climate risks pose significant financial implications for real assets, such as solar and wind projects, encompassing both direct and indirect impacts on project economics.

While direct impacts related to increased capital costs associated with climate-resilient infrastructure, indirect impacts manifest across various aspects of project operations and revenue streams. We have identified the following impacts and provide examples applicable to Clean Energy investments below:



## Increased insurance premiums and potential for reduced availability of insurance

In regions prone to acute climate hazards, such as floods, insurance premiums for solar and wind projects may rise due to heightened risk exposure. Additionally, insurers may impose stricter underwriting criteria or reduce coverage limits in high-risk locations, leading to potential gaps in insurance protection and increased financial vulnerability.



## Increased operating costs

Solar and wind projects in our portfolio located in areas susceptible to extreme heat or drought may experience higher operating costs due to increased maintenance requirements, equipment degradation and cooling demands. For instance, frequent dust storms may necessitate more frequent cleaning of solar panels, resulting in higher labor and maintenance expenses.



## Reduced revenue and higher costs from negative impacts on workforce

Extreme weather events, such as wildfires, extreme heat and floods can disrupt project operations and impact workforce, leading to productivity losses, increased absenteeism and higher labor costs associated with recovery efforts. For example, prolonged heatwaves may pose health risks to outdoor workers, necessitating additional safety measures and medical expenses.



## Reduced revenue from decreased production capacity

Solar and wind projects may experience reduced production capacity or downtime due to extreme weather events such as heavy rain. This can result in revenue losses from decreased energy generation and potential penalties for failing to meet contractual obligations with off-takers or utilities.



## Reduced revenue from lower sales / output

Assets located in regions experiencing water scarcity or reduced wind speed due to climate change may face lower energy output and reduced revenue from electricity sales. For example, decreased wind speeds may lead to lower turbine performance and energy production, impacting revenue projections and financial returns.



## Write-offs and early retirement of existing assets

Solar and wind assets facing significant physical damage from extreme weather events or climate-related hazards may require costly repairs or replacements, resulting in write-offs of asset value or premature retirement of infrastructure. For instance, a solar farm damaged by a severe hailstorm may incur substantial repair costs, leading to impairment charges and financial losses.

In conclusion, the financial impact of physical climate risks on solar and wind assets encompasses a range of direct and indirect costs, including increased capital expenditures, higher operating expenses, revenue losses and potential asset write-offs. Nonetheless, as climate risks continue to escalate, our proactive risk management strategies and resilience measures are essential to safeguard project economics. That is why we have implemented a range of [climate adaptation measures](#) to reduce climate-related risks, enhance resilience of our assets and ultimately deliver long-term risk-adjusted returns for our investors.



# Transition risk exposure – Clean Energy



Time horizon:



Short-term (2025)



Medium-term (2030)



Long-term (2050)



# Financial impacts of transition risks

The financial performance of our solar and wind assets is influenced by a myriad of factors spanning policy and litigation, technology, market dynamics and reputation. Understanding the material impacts arising from these domains is crucial for effective risk management and strategic decision-making. Below, we summarize the financial implications of each of these factors:

Transition risk driver	Financial implications of transition risks (deemed material)
Policy & Litigation	<ul style="list-style-type: none"><li>Increased operating costs / costs associated with the construction phase of our projects and operational phase (e.g. energy used by assets (albeit low) and O&amp;M activities)</li><li>Increased operating costs associated with GHG emissions data and reporting</li></ul>
Technology	<ul style="list-style-type: none"><li>Sunk costs associated with unsuccessful investment</li></ul>
Market	<ul style="list-style-type: none"><li>Increased production costs of module manufacturers resulting from change in input prices could be passed on to us as part of procurement</li><li>Change in revenue mix, resulting in decreased revenue and reduced demand for existing services due to change in consumer preferences</li></ul>
Reputation	<ul style="list-style-type: none"><li>Reduced revenue from decreased demand for services and decreased production capacity</li><li>Reduced revenue from negative impacts on workforce management (for example labor conditions in supply chain) and reduced capital availability</li></ul>





# Unlocking value: financially material opportunities in Clean Energy investments across Europe

Investments into the clean energy transition in Europe represent financially material climate opportunities with significant potential for returns and long-term value creation. The transition towards renewable energy sources, such as wind and solar, is accelerating across Europe, driven by ambitious climate targets, supportive regulatory frameworks and declining costs of renewable technologies. These investments offer attractive opportunities for investors to capitalize on the growing demand for clean energy technologies, diversify portfolios and achieve sustainable financial returns. Furthermore, the resilience of green technologies to climate-related risks, such as extreme weather events and energy supply disruptions, enhances their attractiveness as reliable and stable investment assets.

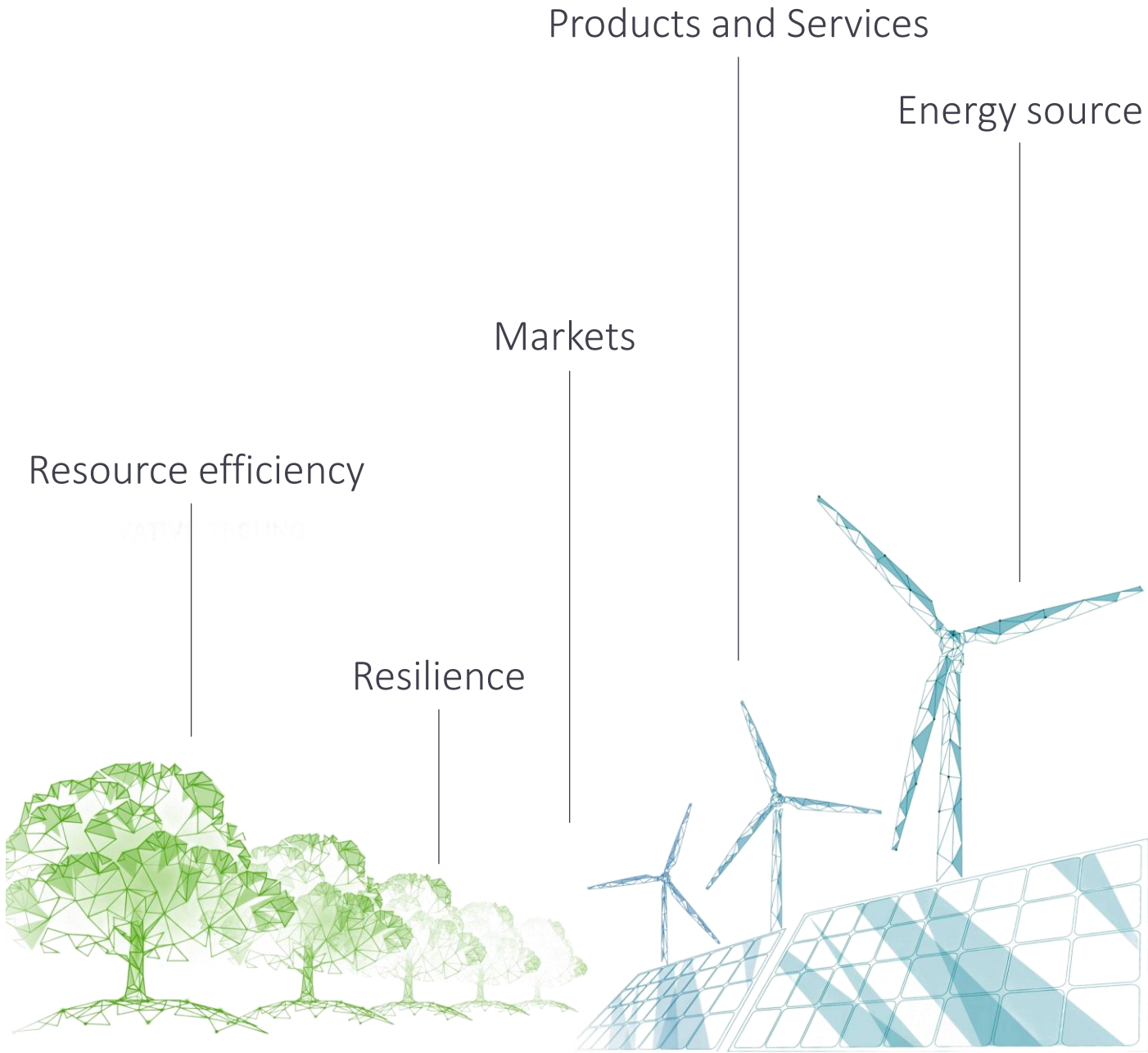
As Europe continues to prioritize decarbonization and clean energy technology deployment, investments into solar and wind projects present compelling opportunities to align financial objectives with climate goals while contributing to a more sustainable and resilient future. The table on the following two pages summarizes the identified climate opportunities and impact assessment for our Clean Energy business line.

“

Capital Dynamics was one of the earliest private market investors in renewable infrastructure because of the potential we saw to play a role in the global energy transition. Our goal was to understand the intersection between investment opportunity and market demand to deliver long-term returns for our investors. By starting early, we were able to gain a first mover advantage in the transition towards renewables as the technology improves, costs over the medium term continue to decline, and demand accelerates.

”

**Bryn Gostin**  
Senior Managing Director  
Co-Chair Responsible Investment





# Climate opportunities and impact assessment– Clean Energy

Climate opportunity	Description	Identified opportunities	Climate-related Opportunities Impact Assessment (deemed material)
Resource efficiency <div>s</div>	<ul style="list-style-type: none"><li>Direct cost savings from sustainable efficiency measures</li></ul>	<ul style="list-style-type: none"><li><b>Reduced water usage and consumption:</b> we utilize rainwater harvesting systems in the UK to reduce water consumption and environmental impact</li><li><b>Energy-efficient equipment:</b> we install energy-efficient components, such as inverters, transformers and monitoring systems to minimize energy losses and improve overall system performance</li><li><b>Resource monitoring and management:</b> we employ advanced monitoring and management systems to continuously track energy production, resource availability, health and safety, and environmental conditions, allowing for real-time optimization of operations to maximize efficiency</li></ul>	<ul style="list-style-type: none"><li>Reduced operating costs through efficiency gains and cost reductions</li><li>Increased production capacity leading to increased revenues</li><li>Benefits to workforce management and planning, including improved health &amp; safety, resulting in lower costs</li></ul>
Energy source <div>sM</div>	<ul style="list-style-type: none"><li>Transition to clean energy sources, such as wind and solar PV electricity generation</li></ul>	<ul style="list-style-type: none"><li><b>Carbon emissions:</b> the usage of lower-emission sources of energy creates an opportunity to partner with companies that are committed to reducing their carbon footprint to meet sustainability targets</li><li><b>Carbon market:</b> Participation in carbon markets</li><li><b>Climate resilience:</b> solar and wind farms are less vulnerable to climate-related disruptions compared to fossil fuel infrastructure, such as power plants that rely on cooling water or are situated in flood-prone areas. This helps ensure a stable and reliable energy supply, even in the event of acute climate risks</li><li><b>Economic opportunities:</b> the deployment of our solar and wind projects creates jobs in manufacturing, installation, operation and maintenance, contributing to economic growth and job creation</li><li><b>Technological innovation:</b> the growth of solar and wind energy industries stimulates innovation and technological advancements, driving down costs and increasing the competitiveness of renewable energy compared to fossil fuels. This technological advancement contributes to the scalability and sustainability of our solar and wind farms, making them viable alternatives to conventional energy sources and representing attractive investment opportunities for our clients</li></ul>	<ul style="list-style-type: none"><li>Reduced operational costs due to economies of scale</li><li>Reduced exposure to fossil fuel price increases</li><li>Less sensitivity to changes in carbon prices as wind and solar projects already are very low emissions sources</li><li>Returns on investment in low-emissions technology (wind and solar projects)</li><li>Increased capital availability, as investors shift focus towards clean energy investments</li><li>Reputational benefits resulting in increased demand for clean energy funds</li></ul>

Time horizon:



Short-term (2025)



Medium-term (2030)



Long-term (2050)





Climate opportunity	Description	Identified opportunities	Climate-related Opportunities Impact Assessment (deemed material)
<b>Products and Services</b>  <div> <div>s</div> <div>M</div> </div>	<ul style="list-style-type: none"> <li>Increased demand for green products and services, for example green financial products</li> </ul>	<ul style="list-style-type: none"> <li><b>Product offerings:</b> development and expansion of low-emissions clean energy funds</li> <li><b>Climate adaptation measures:</b> development of climate adaptation measures to enhance resilience and deliver long-term risk-adjusted returns for our clients</li> <li><b>Increased demand for renewable energy:</b> shift in consumer preferences in favor of clean energy investments</li> </ul>	<ul style="list-style-type: none"> <li>Improved competitive position as a result of shifting investor demand in favor of renewable energy investments, resulting in increased revenues</li> </ul>
<b>Markets</b>  <div> <div>s</div> </div>	<ul style="list-style-type: none"> <li>Increased diversification through access into new markets and financing new clean energy infrastructure projects</li> </ul>	<ul style="list-style-type: none"> <li><b>Access to new markets</b> and expansion of our European Clean Energy portfolio</li> <li><b>Green loans:</b> we received green loan facilities that link credit facilities to the achievement of sustainability goals and pre-defined KPIs</li> <li><b>Power Purchase Agreements (PPAs):</b> through our network and access to PPAs, we supply commercial, industrial and institutional customers with renewable energy. These agreements provide stable revenue streams for our solar and wind farms while enabling customers to reduce their carbon emissions and support renewable energy deployment</li> <li><b>Renewable energy certificates:</b> Our assets generate “renewable energy certificates”, which represent the environmental attributes of renewable energy production. This leads to opportunity by selling the certificates to businesses and organizations looking to reduce their carbon footprint and meet their sustainability goals</li> </ul>	<ul style="list-style-type: none"> <li>Increased revenues through access to new and emerging markets</li> <li>Increased diversification of financial assets (e.g. green loan facilities)</li> </ul>
<b>Resilience</b>  <div> <div>s</div> <div>M</div> </div>	<ul style="list-style-type: none"> <li>Ability to respond to climate-related risks, improve efficiency, build resilience across supply chains and develop new products</li> </ul>	<ul style="list-style-type: none"> <li><b>Renewable energy programs:</b> Participation in renewable energy programs and adoption of energy efficiency measures</li> <li><b>Energy independence and resilience:</b> solar and wind energy offer opportunities for countries to reduce reliance on imported fossil fuels and enhance energy security, thereby reducing vulnerability to geopolitical tensions and market fluctuations associated with fossil fuel dependence</li> <li><b>Climate adaptation planning:</b> our Clean Energy investments can contribute to climate adaptation planning by providing renewable energy solutions that reduce reliance on fossil fuels and contribute to climate resilience. By integrating renewable energy into climate adaptation strategies, we can help communities and organizations prepare for and respond to the impacts of climate change</li> <li><b>Extreme weather preparedness:</b> we implement climate adaptation measures to enhance preparedness for extreme weather events, such as storms, floods and heatwaves. We conduct regular maintenance and inspections to minimize risk of damage and downtime, and have emergency response protocols in place</li> </ul>	<ul style="list-style-type: none"> <li>Increased market valuation through resilience planning</li> <li>Increased revenue through new products and services related to ensuring resiliency</li> </ul>

Time horizon:



Short-term (2025)



Medium-term (2030)



Long-term (2050)

# Embedding climate risks and opportunities into our business strategy and financial planning

At Capital Dynamics, sustainability is a core part of our strategy and firmly integrated into our RI approach across our investment strategies and in our Corporate Social Responsibility initiatives. We consider the impact of climate-related risks and opportunities on our firm's business lines, the strategy and financial planning. In addition, our business planning process assesses the need for business model changes in response to financially material climate matters, where appropriate.

Bryn Gostin, Chief Product & Strategy Officer and Co-Chair of Responsible Investment leads Capital Dynamics' product strategy that addresses climate-related risks and opportunities. The scenario analyses we conduct form a basis to assess and understand the extent to which our investment strategies are exposed to climate-related risks and opportunities and as such form a core part in financial planning across our funds.

## Climate-related matters in our business and financial planning

Forecasted assets under management ("AUM") are considered in our revenue assumptions (usually for a 5-year period) and include the impact of client demand shifts towards sustainable financial product options. An example of financial planning made with consideration of climate-related risks and opportunities is the broadening of our funds range which disclose sustainability information under SFDR Article 8 and Article 9. We consider this part of our adaptation strategy to address climate-related transition risks, in particular in response to market demand shifts and reputational risks.

Climate-related opportunities are financially material for us across all investment strategies, particularly our Clean Energy business line. The revenue forecasts assess the likely impact of climate-related opportunities, such as those arising from shifts in energy source and market shifts towards increased financing of renewable energy projects.

Examples of capitalizing on financially material climate opportunities include:

- the continuous expansion of our Clean Energy fund offerings as increase in AUM allocated to investments in climate solutions;
- the integration of core environmental sustainability aspects in our new Clean Energy funds, including the alignment with the EU Taxonomy criteria for environmentally sustainable investments; and
- setting decarbonization targets at the fund level for our funds.

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 through the exit of that project, based on the actual emissions for each investment or, where such data is not available, the average emissions intensity of all such investments.

Our increased offering of funds that firmly incorporate sustainability enables us to direct more capital in support of the transition to a lower carbon economy, whilst increasing revenues for Capital Dynamics.

A further mitigation action resulting from climate-related risks consideration is the sector exposure in our investment universe. Capital Dynamics has limited exposure to more traditional carbon-intensive energy investments and generally takes a skeptical view with respect to this kind of exposure.

Further, Capital Dynamics' Private Equity Mid-Market Direct Investment team seeks to utilize its influence over portfolio companies to enhance Sustainability performance, including measuring GHG emissions, setting emission reduction targets and tracking progress towards the targets to mitigate financially material climate risks. Capital Dynamics utilizes these adaptation and mitigation steps in the investment research and development process to reduce risks for our clients and enhance long-term risk-adjusted returns, thereby creating value for our clients over time.

## Climate-related matters in our own operations

Across our own operations, we also consider financially material climate-related matters. For example, our Chief Operations Officer leads the firm's operational financial planning, and in this role is focused on reducing unnecessary business travel, procuring renewable energy at our office sites and offsetting our operational carbon footprint to reduce our climate impact. Financial planning also includes sustainability initiatives aimed at reducing the climate-related risks faced in our operations as identified in our scenario analysis and capturing financially material opportunities. These include the measurement of our operational carbon footprint, resource planning for our dedicated Responsible Investment team in support of enhanced reporting of climate-related matters, and opportunities for our workforce to participate in Corporate Social Responsibility projects. Examples of business model changes in consideration of climate-related impacts include the hybrid working options for our own employees that allows our firm to remain operational and resilient in light of disruptions caused by extreme weather events. The hybrid working scheme also reduces carbon emissions arising from employee commuting. Our resilience considerations as part of our business planning processes ensure we lower our costs that otherwise would be incurred, and we continue to serve our client base without interruption.



# Our resilience to climate-related risks and opportunities

Our strategy is meticulously designed to incorporate resilience to climate-related risks and capitalize on emerging climate opportunities presented by the transition to a low-carbon economy. Central to our approach is the integration of climate resilience considerations across all stages of our investment lifecycle, from due diligence to portfolio management and exit.

## Scenario Analysis

At the heart of our resilience strategy lies the use of scenario analysis, a robust analytical tool that allows us to assess the potential impacts of climate-related risks and opportunities on our investment portfolio. Scenario analysis involves the development and exploration of plausible future scenarios, ranging from business as usual trajectories to alignment with the goals of the Paris Agreement, to understand the range of possible outcomes and their implications to our investments.

## Evaluation Process

### 1. Risk identification

We begin by identifying and analyzing the climate-related risks and opportunities that may affect our portfolio, including physical risks and transition risks

### 2. Scenario analysis

We consider three different climate scenarios utilizing the Mitiga EarthScan™ solution in our Clean Energy business line to understand the full spectrum of climate-related risks and opportunities across plausible future outcomes

### 3. Impact assessment

We assess the financial, operational and strategic implications of each climate scenario on our investment portfolio, quantifying the potential risks and opportunities associated with different climate outcomes. This involves analyzing the sensitivity of our portfolio to various climate factors and identifying areas of vulnerability and resilience

### 4. Resilience planning

Based on the insights from the scenario analysis, we develop resilience strategies and adaptation measures to mitigate the identified risks and capitalize on the opportunities presented by climate change. This may include implementing climate-resilient infrastructure, diversifying our investment portfolio, enhancing operational practices and engaging with stakeholders to address climate risks

## Integration into strategy

Our resilience strategy is integrated into our investment decision-making process, guiding the selection, development and management of our portfolio to enhance long-term value creation and mitigate climate-related risks.

By systematically evaluating the resilience of our strategy through scenario analysis, we ensure that our investments are well-positioned to thrive in a changing climate landscape while contributing to global sustainability objectives.

In conclusion, our strategy incorporates resilience to climate-related risks and opportunities through the rigorous use of scenario analysis, enabling us to anticipate, adapt and thrive in a climate-constrained world. By embedding climate resilience considerations into our investment approach, we not only safeguard the financial performance of our portfolio, but also contribute to a more sustainable and resilient future.

“

Our strategy reflects our commitment to delivering consistent returns across market cycles, in a way that mitigates risk for our client portfolios and that can be adapted to meet the local needs and objectives of our clients.

”



**Martin Hahn**  
Chief Executive Officer at Capital Dynamics



# RISK MANAGEMENT





# Identifying and assessing climate-related risks and opportunities

Identifying and assessing climate risks and opportunities is fundamental to our holistic approach to Responsible Investment. We employ a systematic approach to evaluate the potential impacts of climate change on our portfolio, enabling us to manage risks effectively and capitalize on emerging opportunities. We assess climate risks and opportunities through our comprehensive risk assessment of physical and transition risks, and utilize climate scenario analysis to explore the potential impacts on our investments. We engage with stakeholders to understand local climate risks and opportunities and incorporate diverse perspectives on emerging trends and regulatory developments. Additionally, we conduct materiality assessment to prioritize climate risks and opportunities in our portfolio.

This involves evaluating the likelihood and magnitude of potential impacts on financial performance and long-term value creation. Lastly, we integrate climate risks and opportunities into our investment decision-making process to ensure climate considerations are systematically incorporated into asset selection, due diligence and ongoing portfolio management. Throughout the investment lifecycle, we utilize a number of tools and processes to effectively identify, assess and integrate climate-related risks and opportunities, which are detailed below. By following our rigorous processes we enhance our ability to make informed decisions, manage risks and achieve sustainable financial returns for our clients.

## Pre-acquisition / Due Diligence


During the due diligence phase, RI matters including climate-related risks and opportunities are identified and assessed through the following processes and tools:



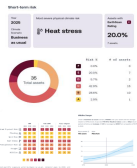
Proprietary R-Eye™ Scorecard  
*(Investment Management)*



RepRisk screening of RI-related risks  
*(Risk Management)*



RI Alert Process  
*(Responsible Investment Committee)*




Climate scenario analysis – as part of location planning  
*(Clean Energy Investment Management)*

## Hold period / Post hold period


Risks arising during the hold period or in the period post planned divestment (if a risk affects the exit multiple) are assessed and monitored as follows:



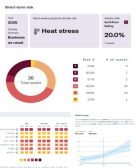
Proprietary R-Eye™ Scorecard  
*(Investment Management)*



RepRisk monitoring of RI-related risks  
*(Risk Management and Co-Chair Responsible Investment)*




RI Alert Process  
*(Responsible Investment Committee)*



Climate scenario analysis  
*(Co-Chairs Responsible Investment, presentations to the Board)*

## Long-term portfolio alignment

We assess long-term climate risks under a range of scenarios to determine how transition risks impact us and how our investment solutions support the transition to a low-carbon economy:



Climate scenario analysis  
*(Co-Chairs Responsible Investment, presentations to the Board)*



## R-Eye Scorecard



Our proprietary R-Eye™ Rating System, based on the United Nations Sustainable Development Goals, was adopted across the entire investment platform to ensure a consistent and transparent approach to Responsible Investment due diligence. Each investment made by Capital Dynamics, regardless of strategy, is rated on a 0 to 5 scale on our trademarked R-Eye Scorecard with 10-12 criteria at the time of investment, which are re-assessed annually thereafter as part of our active monitoring.

If Responsible Investment issues, including financially material climate risks arise during the holding period, Capital Dynamics' RI alert process is triggered (see below). The Investment Management team reviews RI metrics and reports them to the Responsible Investment Committee for governance, advice and recommendation. The output of our R-Eye assessment forms a core part of our engagement strategy with our portfolio companies, GPs and Sponsors. We utilize the scoring to understand improvement potentials and conduct targeted engagement to understand potential mitigation and adaptation actions. In addition, in 2023, we reviewed and updated our R-Eye™ scorecard methodology for Clean Energy and completed a third-party review of it, ensuring our approach to RI continues to align with best market standards.

Additionally, we have introduced impact targets linked to carried interest for our new Clean Energy funds, providing strong GP financial alignment, whereby the R-Eye™ scorecard must be above an average of 4 (out of a possible highest score of 5) for all investments and reduce or offset greenhouse gas emissions in line with our funds' net zero commitments.

## RepRisk

RepRisk is an artificial technology-enabled platform that analyzes public information and identifies material RI risks with its flagship product, the RepRisk ESG Risk Platform, covering 205,000+ public and private companies and 55,000+ infrastructure projects. It provides software which screens over 500,000 documents daily in the media for Responsible Investment matters, including those pertaining to climate risk. We utilize RepRisk during the due diligence phase to collect RI-related information about companies/ funds or major supply chain providers. After an investment has been made, we use RepRisk to monitor our investments. We created watchlists for funds to monitor third parties and their supply chains. Each week, Philippe Jost, Head of Risk Management, and Verena Rossolatos, Co-Chair of the Responsible Investment Committee, review RI alerts received and flag material RI risks for further evaluation. The alerts are compiled in

a weekly summary and sent to the respective Investment Management teams or to the Operations teams for alerts related to Capital Dynamics supply chain providers. Capital Dynamics' Investment Management memos contain a summary of the major metrics followed by a brief summary of the incidents with high or very high risk.

## RI Alert Process



If material Responsible Investment risks are identified through our R-Eye™ Scorecard and RepRisk tools, then Investment Management representatives escalate these matters to the firm's RI Committee. The RIC is headed by Bryn Gostin, Chief Product & Strategy Officer and Co-Chair Responsible Investment, and by Verena Rossolatos, Co-Chair Responsible Investment. Depending on the severity of the RI issue identified, the committee may escalate further to our EC for evaluation and further consideration. Please refer to our [governance](#) section of this report to view the details of our process.

## Climate scenario analysis



As detailed in the strategy section of this report, the Co-Chairs of Responsible Investment utilize climate scenario analysis to identify and assess financially material climate-related risks and opportunities impacting our investment strategies and our firm. The findings of the analysis form part of the quarterly presentation to the EC and are integrated in our assessment of long-term portfolio alignment, business strategy, and financial planning, as well as risks reporting.

## Monitoring of regulatory developments

Capital Dynamics takes a proactive approach in monitoring regulatory developments pertaining to climate change that impact us as an asset manager (e.g., Sustainable Finance regulations in the EU and UK), represent attractive long-term investment opportunities for our clients and could have an impact on our portfolio companies. Our Co-Chairs of Responsible Investment are actively monitoring and assessing the regulatory considerations and manage the implementation of sustainable finance regulations at our firm. We also take the opportunity to be an active voice in the development of upcoming regulations by regularly participating in industry consultations.

# How we manage and prioritize physical climate risks – Clean Energy

Managing and prioritizing physical climate risks associated with our Clean Energy investments is essential for safeguarding the resilience and longevity of these assets in the face of climate change impacts. The climate scenario analysis we perform with the Mitiga EarthScan platform allows us to implement a systematic process for identifying, assessing, managing and prioritizing physical climate risks.

## Our approach to prioritize and manage physical climate risks



### Site Selection and Assessment

We conduct rigorous site selection and assessment processes to identify locations with favorable climatic conditions and low susceptibility to physical hazards, such as hurricanes and sea-level rise. By prioritizing sites with low to moderate exposure to physical risks, we reduce the likelihood of asset damage and operational disruptions



### Climate Risk Mapping

We utilize the Mitiga EarthScan tool and methodologies to evaluate the exposure, sensitivity and adaptive capacity of our solar and wind projects to various climate-related hazards. This includes analyzing historical climate data, future climate projections under three climate scenarios and vulnerability assessment to identify hotspots of climate risk and inform decision-making regarding project development and investment allocation



### Insurance and risk transfer

We mitigate the financial impact of physical risks by securing comprehensive insurance coverage and implementing risk transfer mechanisms. By transferring a portion of the risk to insurance providers, we reduce our exposure to potential losses associated with asset damage and downtime



### Engineering and design standards

We adhere to stringent engineering and design standards to enhance resilience of our Clean Energy assets against physical risks. This includes constructing robust infrastructure to withstand extreme weather events, implementing robust construction practices and incorporating climate adaptation measures, such as vegetation buffers



### Emergency preparedness and response / Climate adaptation

We deploy a variety of climate adaptation measures to enhance the resilience of our projects to climate change. This includes implementing adaptive management practices, incorporating climate risk considerations into project planning and sourcing high quality equipment designed to withstand extreme weather conditions. Additionally, we develop and implement emergency preparedness and response plans to mitigate the impacts of extreme weather events and natural disasters on our solar and wind assets. This includes establishing communication protocols, evacuation procedures and contingency plans for asset protection, personnel safety and business continuity in the event of a crisis



### Stakeholder engagement and collaboration

We engage with local communities, government agencies and other stakeholders to enhance our understanding of local climate risks and develop collaborative strategies for climate resilience. By partnering with stakeholders, sharing best practices and leveraging local knowledge and resources, we strengthen the resilience of our solar and wind assets and contribute to broader climate adaptation efforts

By prioritizing physical climate risks faced by our Clean Energy assets, we aim to enhance resilience and sustainability of our portfolio, protect asset value and ensure long-term viability of our operations in a changing climate landscape.



# Building resilience: climate adaptation measures in Clean Energy

Capital Dynamics implements a variety of climate adaptation measures to enhance our resilience against climate hazards. While certain mitigation measures are only applicable to the operational phase, the following actions form part of our standard procedures across the Clean Energy portfolio:

## Heat mitigation

Capital Dynamics use Tier 1, AAA solar panels, which are composed of the highest quality and durability and can withstand temperatures of up to 60-65°C. In addition, we ensure equipment in substation is adequately ventilated to avoid overheating. Consideration on shift times will be taken into account to ensure workers avoid working during the hot hours of the day.

## Vegetation management

Once operational, all assets create and follow planned preventative maintenance programs. As part of these plans, dry vegetation is cleaned at defined intervals including the perimeter fence vegetation to create a firebreak between the area covered by PV modules and the external vegetation.

## Resilience to extreme weather events

All assets are equipped with trackers that tilt the angle of the solar panel depending on the weather conditions to ensure maximum efficiency of the technology. The added benefits of such trackers is that they can change the position of the panel depending on the weather conditions (extreme wind and sun position) improving the cooling and ventilation of the panels despite the temperature onsite.

## Extreme weather preparedness

All assets develop emergency plans which address fire risks, flooding, high winds and first aid. Moreover, each asset conducts fire risk assessments. Further, to comply with local legal requirements, fire extinguishers are placed within the premises. To enhance the resilience of our wind turbines, they're equipped with sensors, automated control systems, and shutdown mechanisms triggered by conditions such as excessive wind, wind gusts or increased temperatures.

## Components durability

Our wind turbines are built with resistant materials and components. Furthermore, regular external inspections of the blades are conducted to identify and rectify any deterioration, including damage caused by adverse weather conditions.

## Water Management

Water usage is notably low across the CD portfolio. Water is used at welfare facilities and for irrigation purposes. Panels are washed with ionized water, which is brought to the assets in water tanks. Wind turbines operate independently of the main water supply. However, all assets have water bottles to ensure visitors' well-being.



# Our processes for managing and prioritizing transition risks

Managing and prioritizing transition risks associated with our investments is crucial for ensuring the long-term sustainability and success of these ventures. Transition risks refer to the potential financial, regulatory, reputation and market impacts stemming from the global transition to a low-carbon economy. We prioritize transition risks by following the below six steps and by doing so, we aim to enhance the resilience and sustainability of our portfolio while maximizing long-term value creation for our investors and stakeholders.

## 1 - Comprehensive Risk Assessment

As part of our systematic processes for climate risks identification, we conduct a thorough assessment of transition risks at both the macroeconomic and asset-specific levels. This includes analyzing regulatory changes, market trends, technological advancements and policy shifts that may affect the viability and profitability of our investments

1

## 2 - Scenario Analysis

We employ scenario analysis techniques to evaluate the potential impacts of different transition pathways on our investments. By modeling various scenarios, including ambitious climate policies, carbon pricing mechanisms and disruptive technological innovations, we gain insights into the resilience of our portfolio and identify potential areas of vulnerability

2

## 3- Stakeholder engagement

We actively engage with stakeholders, including government agencies, regulatory bodies, industry associations and local communities to stay informed about emerging trends, regulatory developments and stakeholder expectations. This proactive approach enables us to anticipate and adapt to changes in the regulatory and policy landscape, minimizing regulatory risks and enhancing regulatory compliance

3

## 4 -Diversification

We diversify our investment portfolio across industries (private equity), geographies, technologies and project types (Clean Energy) to mitigate concentration risk and exposure to specific transition risks. For example, by investing in a diversified portfolio of solar and wind projects with varying characteristics and locations, we spread our risk and enhance our resilience to market volatility and regulatory uncertainty

4

## 6- Continuous monitoring and evaluation

We continuously monitor and evaluate the evolving landscape of transition risks and monitor our investments through our proprietary R-Eye™ scoring system. This includes regular reviews of regulatory developments, market trends, technological advancements and climate-related risks and opportunities to ensure our investment decisions remain aligned with our risk appetite and sustainability objectives

6

## 5- Long-term perspective

We adopt a long-term investment horizon and incorporate sustainability considerations into our decision-making process. By prioritizing investments in assets with strong ESG performance, we not only mitigate transition risks but also position ourselves to capitalize on emerging opportunities in the transition to a low-carbon economy

5



# Our engagement on climate change

Engagement with our stakeholders, portfolio companies and industry peer groups is a cornerstone of our risk management processes relating to climate matters. We encourage our contractors, third party suppliers and portfolio companies to disclose climate-related data, such as GHG emissions metrics, climate risk adaptation and mitigation actions taken or planned to be taken, whether the portfolio company has transition plans in place in line with the 1.5°C temperature goal, and whether the company discloses its climate-related financial risks and opportunities in line with the TCFD framework. Improving the availability of climate-related data helps us to better identify and assess climate-related risks and opportunities in our investment portfolio, as well as provide our clients with better and more transparent reporting.

In addition to engaging with policy makers on regulatory developments, Capital Dynamics is also a member of key associations that support the transition towards a low-carbon economy, as detailed below. Our engagement with these industry groups are an important part of our climate change risk management process.



We were early adopters of the Principles for Responsible Investment (“PRI”), signing 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 was also a co-chair of an IIGCC committee and had been working on the creation of a framework for private equity firms to achieve net-zero emissions.

An essential aspect of the IIGCC’s approach lies in its emphasis on investing in businesses capable of enhancing their sustainability performance over time, rather than divesting. This approach fosters a proactive stance towards sustainability, encouraging constructive dialogue and collaboration with companies to drive positive environmental and social impact while maintaining financial returns. By aligning investment strategies with long-term sustainability goals, the IIGCC enables stakeholders to actively contribute to the transition towards a lower carbon economy.



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



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 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 (“TCFD”), 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.

# How we manage and prioritize climate opportunities – Clean Energy

In tandem with our approach to managing climate risks, we place significant emphasis on identifying and capitalizing on climate opportunities across our investment portfolio. By strategically prioritizing these opportunities, we enhance our ability to harness the potential benefits of the transition to a low-carbon economy. We manage and prioritize climate opportunities as follows:



### Opportunity assessment

We conduct a comprehensive assessment to identify and evaluate potential climate opportunities, including those related to renewable energy deployment, energy efficiency improvements and green technology innovation. This involves analyzing market trends, policy frameworks, technological advancements, and stakeholder preferences to identify areas with the greatest potential for value creation and positive environmental impact



### Materiality assessment

We prioritize climate opportunities based on their materiality to our investment portfolio and their alignment with our strategic objectives and sustainability goals. This involves assessing the financial, environmental, and social implications of each opportunity, considering factors such as market size, growth potential, scalability, and risk-return profile.



### Strategic alignment

We ensure that climate opportunities are aligned with our overall investment strategy, risk appetite, and long-term vision for sustainable growth. This alignment ensures that we focus our resources and efforts on opportunities that have the greatest potential to generate value and contribute to our broader mission of driving positive environmental and social impact.



### Partnerships and Collaboration

We actively seek partnerships and collaboration opportunities with industry stakeholders, governments and community organizations to leverage collective expertise and resources. Collaboration enables us to access new markets, technologies, and financing mechanisms, accelerating the implementation of climate solutions and maximizing the impact of our investments.



### Continuous monitoring and review

We continuously monitor and review the performance and impact of our climate opportunities, adjusting our strategies and priorities as needed to optimize outcomes and maximize value creation. This iterative process ensures that we remain adaptive and responsive to evolving market dynamics, technological advancements, regulatory changes, and stakeholder expectations.

By actively managing and prioritizing climate opportunities, we position ourselves to capitalize on the growing demand for sustainable solutions and drive positive environmental and social impact while generating attractive financial returns for our investors.



# Integrating climate risks and opportunities into overall risk management

At our core, we recognize that climate risks and opportunities are integral components of our overall risk management framework. By seamlessly integrating climate considerations into our risk management practices, we ensure that we are well-equipped to navigate the evolving landscape of climate-related challenges and opportunities. Below is a summary of how we integrate climate risks and opportunities into our overall risk management:

## Comprehensive Risk Assessment

We conduct a comprehensive risk assessment that includes an analysis of climate-related risks and opportunities alongside other traditional financial and operational risks. This holistic approach allows us to understand the interconnectedness between climate factors and other risk drivers, ensuring that climate considerations are fully integrated into our risk management processes.

## Scenario Analysis

We utilize scenario analysis to assess the potential impacts of different climate scenarios on our portfolio. By simulating various climate change trajectories and their implications for our investments, we gain insights into the range of possible outcomes and identify areas of vulnerability and resilience.

## Risk Identification and Prioritization

We systematically identify and prioritize climate risks and opportunities based on their materiality to our investment portfolio. This involves evaluating the likelihood and magnitude of potential impacts on financial performance, operational efficiency, and long-term value creation, ensuring that we focus our resources on addressing the most significant risks and opportunities.

## Risk Mitigation Strategies

We develop and implement risk mitigation strategies to address climate-related risks identified through our assessment process. This may include investing in climate-resilient infrastructure, diversifying our portfolio, hedging against energy price volatility, and enhancing operational practices to reduce vulnerability and enhance resilience.

## Opportunity Identification and Capture

In addition to managing risks, we actively seek to capitalize on emerging opportunities presented by the transition to a low-carbon economy. This involves identifying opportunities to invest in renewable energy projects, green technologies, and sustainable business practices that align with our climate objectives and contribute to long-term value creation.

## Continuous Monitoring and Review

We continuously monitor and review the effectiveness of our climate risk management strategies and adjust them as needed in response to changing conditions and new information. This iterative process ensures that our risk management practices remain adaptive, robust, and aligned with our evolving understanding of climate-related risks and opportunities.

## Risk Reporting

In 2024 Capital Dynamics launches a new process, whereby we formally integrate the scenario analysis outputs into our risk reporting for Clean Energy funds. This process offers an additional layer of Governance and oversight over climate-related risks and opportunities and ensure transparent reporting of our climate-related risks.

# Incorporation of climate change into our overall risk management

Climate-related risks are projected to have far-reaching impacts across several risk metrics that are monitored by our risk management function. The below summary details the overlay of financially material climate risks and the intersection with more traditional risk categories:

## Credit risk

Credit risk of companies might be impacted, if they are exposed to realized risk events (such as physical damage to production facilities due to extreme weather events). This could cause financial difficulties for borrower companies and impact their ability to service debt

## Foreign exchange risk

Global trade patterns are projected to change due to the shift in supply and demand for more sustainable products in the transition to a low-carbon economy. This affects currency values, which in turn could have a financial impact on portfolio and borrower companies that are exposed to impacted currencies

## Product strategy risk

Climate-related considerations may dominate the regulatory landscape and investor demand for sustainable financial products, which could impact our product offerings more broadly (for example an increasing demand for Art. 8 and Art. 9 products across our investment strategies)

## Operational risk

Physical effects of climate change may impact the operations of our portfolio and borrower companies, as well as our own firm, which could lead to losses in revenue

## Reputational risk

If we are perceived as not sufficiently addressing climate-related risks, we could be exposed to reputational risks with our investors. Likewise, if our portfolio and borrower companies are not managing climate risks appropriately, they could be exposed to heightened reputational risk

## Regulatory risk

Climate-related regulatory requirements continue to be introduced in jurisdictions in which we operate. Failure to meet the requirements could result in regulatory sanctions



# METRICS & TARGETS

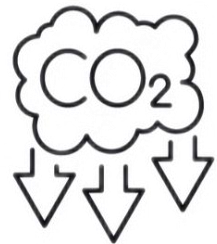




# Metrics and targets – Clean Energy

We use a variety of metrics to assess climate-related risks and opportunities. The below section and subsequent pages refer to the metrics and targets we track for our European Clean Energy portfolio. Data are as of 31<sup>st</sup> December 2023, unless otherwise stated. For a breakdown of metrics in relation to our Private Equity investments, please refer to our 2022 TCFD report available at: <https://www.capdyn.com/news/2022-task-force-on-climate-related-financial-disclosures-tcf-d-report/>

In 2023, the assets in our European portfolio have contributed to producing the following environmental benefits:



**234,240**

tCO<sub>2</sub>e avoided emissions

## Equivalent to...



**93,323**

Number of passenger vehicles removed from roads



**145,248**

Homes powered in a year



**702,430**

Barrels of oil saved

2021, 2022 and 2023 data presented as of 31 December 2021, 2022 and 2023 respectively. Data cover 100% of the European portfolio. Figures are not attributed to Capital Dynamics' share. Homes powered metric accounts for total annual energy use per household. Input data provided by Netro Energy.

The below provides an overview of how the environmental benefits in 2023 compare to the previous two years.

## Energy Generated (MWh)



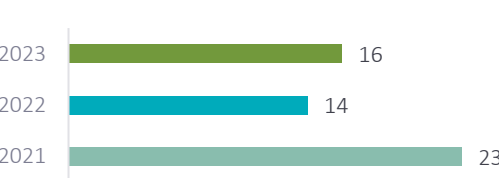
## Homes powered



## Emissions avoided (tCO<sub>2</sub>e)



## Operational Assets



## Water usage (2023)

Water – operational assets (m <sup>3</sup> )	800.22
Water – construction activities (m <sup>3</sup> )	859.39
Total water usage (m <sup>3</sup> )	1,659.61

Data coverage - 97% by net capacity of eligible assets (operational and construction)/ 58% by net capacity of the entire portfolio. Data is adjusted by ownership share.

## Waste (2023)

Recycling – operational, t	53.8
Recycling – construction, t	122.5
General waste – construction, t	254.8
Hazardous waste, t	16.6
Total waste generation t	447.7

Data coverage - 85% by net capacity of eligible assets (operational and construction)/ 57% by net capacity of the entire portfolio. Data is adjusted by ownership share.





# Energy Usage (MWh)

	2023	2022	2021
Fuel/gas usage (MWh)	0.053	0	0
Energy usage (MWh)	3,192.62	2,535.53	2,998.09
Scope 1 GHG emissions (tCO <sub>2</sub> e)	0.01	0	0
Scope 2 GHG emissions (tCO <sub>2</sub> e)	584.67	444.99	725.99
Scope 3 GHG emissions - water (tCO <sub>2</sub> e)	0.293	n/a	n/a
Scope 3 GHG emissions – construction (tCO <sub>2</sub> e)	978.35	n/a	n/a
Total GHG emissions (tCO <sub>2</sub> e)	1,563.37	444.99	725.99

- 2021 data: as of 31 December 2021 - Data cover 100% of the portfolio, excluding scope 3 GHG emissions
- 2022 data: as of 31 December 2022 - Data cover 100% of the portfolio, excluding scope 3 GHG emissions
- 2023 data: as of 31 December 2023
  - Data coverage of Scope 1 and 2 emissions is 100% of the portfolio
  - Data coverage of Scope 3 emissions - water is 98% (by net capacity of the entire portfolio)
  - Data coverage of Scope 3 emissions – construction is 99% (by net capacity of all construction assets)

Data provided by Netro Energy  
Energy usage and Scope 2 emissions have been restated for 2021 and 2022 following an internal review of the source data.

## GHG Inventory

Assets report data immediately upon acquisition and until the exit date. Portfolio emissions are broken down into Scope 1, Scope 2 and Scope 3 emissions.

### Scope 1 | Direct emissions

There was a small quantity of diesel oil usage at one of our assets in 2023 stemming from the need of an energy generator. There were no refrigerant gasses from transformers reported.

### Scope 2 | Indirect emissions (purchased electricity)

Scope 2 emissions originate from purchased electricity used at project level and are calculated using the location-based approach. Our electricity usage is considerably lower than the electricity generated by the assets, since electricity is only used to cover basic operational and maintenance needs of the investments.

### Scope 3 | Indirect emissions

During 2023, we introduced processes to allow us to collect data during the construction stage (excluding manufacturing and transportation) and are now able to report our Scope 3 emissions. Scope 3 emissions currently cover emissions from water usage of operational assets and assets under construction and diesel oil/electricity usage of assets under construction. We aim to further increase our transparency on Scope 3 emissions reporting in future years.

# Zero

investments in companies active in the fossil fuel sector across Clean Energy portfolio

# 100%

of our Clean Energy assets classify as climate solutions in line with the PAII Net Zero Investment Framework

# 1,375,122 MWh

Clean energy generated in 2023

# 3

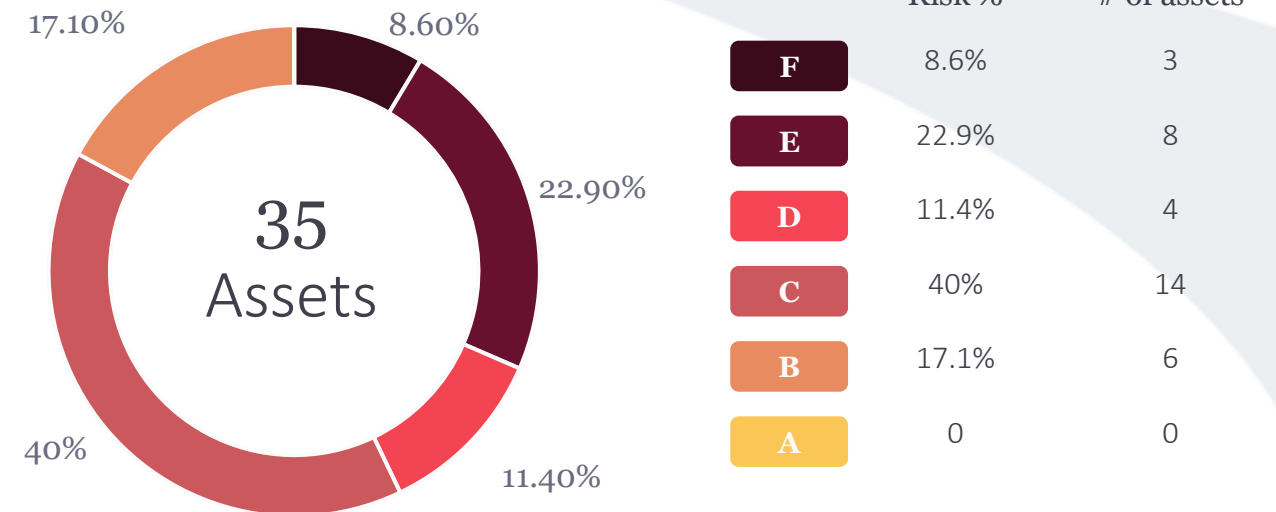
EPC contractors evaluated via Capital Dynamics Clean Energy Responsible Contractor Policy

# Zero

Emissions to water generated by our Clean Energy assets

# Nature-positive

None of our assets negatively impacts to biodiversity-sensitive areas



#### Risk distribution<sup>1</sup>

In 2025, out of the selected 35 assets, the most common risk rating will be C for Combined physical risk under a Business as usual scenario. At this time, 3 (8.6%) assets will likely be rated F.

## Top 3 climate hazards

Our assets<sup>1</sup> are exposed to (2025, Business as usual scenario) - Climate hazards rated between medium to high risk



Heat stress



Extreme precipitation

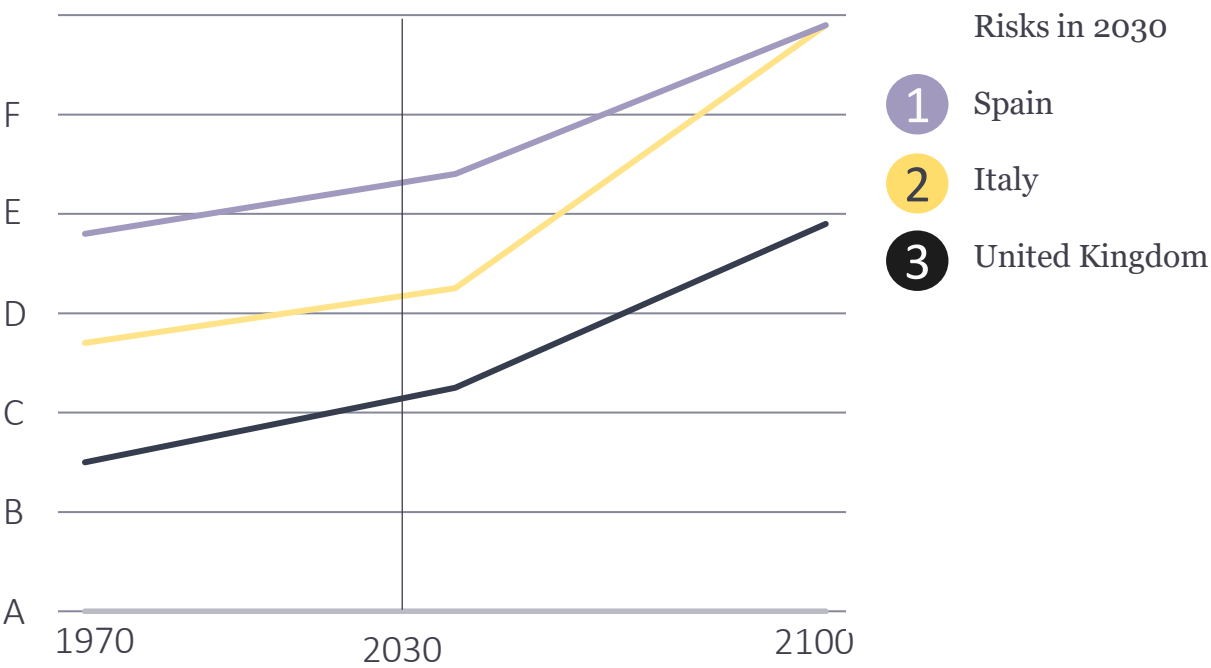


Drought



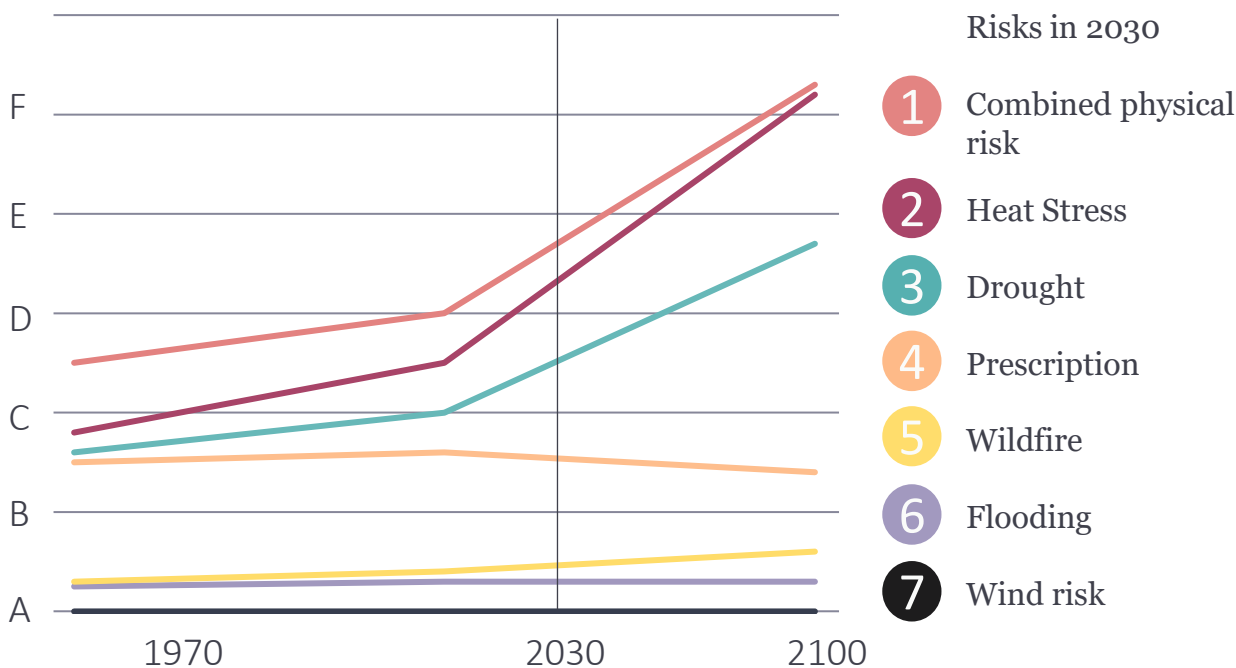
# Risk by Geography<sup>1</sup>

Under a Business as usual scenario, the Combined physical risk will increase across all areas. Italy will undergo the largest increase, and be rated F by 2100.



# Climate hazards through time<sup>1</sup>

Under a Business as usual scenario, the Combined physical risk will on average increase. This represents a decline in rating over your assets from C in 1970 to F in 2100. The specific risk factor changing most over time is heat stress.



For more insights on metrics we track as part of our scenario analysis, please refer to the strategy section of this report.

<sup>1</sup> Coverage: European assets from funds CEI VIII, CEI IX, CE Europe and CE UK

# Our decarbonization targets for Clean Energy

## Our Commitment to Net Zero

Capital Dynamics supports the Paris Agreement and Net Zero through its investment in clean energy projects. Our investments into solar and wind energy projects represent ambitious Net Zero targets aimed at scaling investments into climate solutions with attractive risk-adjusted returns for our clients. Further, our Clean Energy investments help meeting global targets including the SDGs and the Kyoto Protocol, simultaneously providing a solution for members of the RE100, a list of over 370 companies committed to 'go 100% renewable.

All of our clean energy assets contribute substantially to or enable emissions reductions to support decarbonization in line with credible 1.5°C pathways towards Net Zero. Since inception of our Clean Energy business line, our projects have avoided +30 million tons of CO<sub>2</sub>e.<sup>2</sup>

Our focus on wind energy and solar PV projects are crucial to the transition to a Net Zero economy and corresponding policy goals, such as the EU Green Deal and the UK's Net Zero plans.

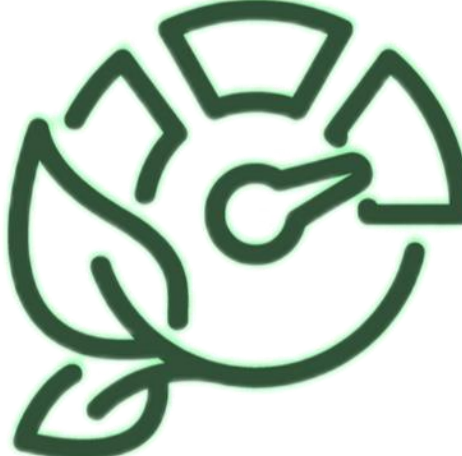
At Capital Dynamics, we are strongly committed to supporting the expansion of clean energy in Europe and doing our part to reduce greenhouse gas emissions associated with our investments. The majority of project lifecycle emissions of a typical renewable energy project occur during the manufacturing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

## Decarbonization targets

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 through the exit of that project, based on the actual emissions for each investment or, where such data is not available, the average emissions intensity of all such investments.

## Decarbonization progress

In 2023, we acquired five assets with a dedicated decarbonization target. All were at pre-construction stage and as such, there are no emissions to be disclosed during the reporting period. The Clean energy team will ensure that all selected contractors are screened in accordance with its Responsible Contractor Policy and that all contractors supply the relevant datasets from their operations.

Net  Zero



# APPENDIX





# Index – TCFD Recommendations

	DESCRIPTION	RECOMMENDED DISCLOSURES	PAGE
GOVERNANCE	Disclose the organization’s governance around climate-related risks and opportunities	a) Describe the board’s oversight of climate-related risks and opportunities b) Describe management’s role in assessing and managing climate-related risks and opportunities	p. 5 p. 6
STRATEGY	Disclose the actual and potential impacts of climate-related risks and opportunities on the organization’s businesses, strategy, and financial planning where such information is material	a) Describe the climate-related risks and opportunities the organization has identified over the short-, medium-, and long-term b) Describe the impact of climate-related risks and opportunities on the organization’s businesses, strategy, and financial planning c) Describe the resilience of the organization’s strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	p. 14-24 p. 25 p. 26
RISK MANAGEMENT	Disclose how the organization identifies, assesses, and manages climate-related risks	a) Describe the organization’s processes for identifying and assessing climate-related risks b) Describe the organization’s processes for managing climate-related risks c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization’s overall risk management	p. 28-29 p. 30-33 p. 35-36
METRICS & TARGETS	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material	a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets	p. 38-41 p. 39 p. 42



# Methodology – EarthScan climate risk rating

We use EarthScan™ ratings, customized in conjunction with Mitiga, to develop broader insights over risks in our portfolio over longer time horizons.

Ratings indicate the probability of climate hazard events with the potential to create a concerning level of physical damage and disruption to an exposed asset and its operations.

Assets and portfolios are assigned one of six EarthScan Ratings, from Rating A (very low climate-related risk) to Rating F (extremely high climate-related risk). Assets experience a concerning level of physical damage and/or disruption when a climate hazard event exceeds a certain threshold, or when they experience hazards at higher levels of intensity than typical conditions. EarthScan Ratings are determined based on a projected score between 0-999. The score is a relative assessment of the potential for climate hazard events to cause physical damage and/or disruption to a given built asset, based on comparison against a representative global benchmark set of assets.

Higher scores represent better EarthScan Ratings with lower climate-related risk. A is the best EarthScan Rating and indicates very low climate-related risk. Lower scores represent worse EarthScan Ratings with higher climate-related risk. F is the worst EarthScan Rating and indicates extremely high climate-related risk.

Rating	Score	Description
A	833 - 999	<b>Excellent</b> Minimal risk of climate hazard events that have the potential to cause physical damage and / or disruption to built assets
B	667 – 832	<b>Good</b> Low risk of climate hazard events that have the potential to cause physical damage and/or disruption to built assets
C	501 – 666	<b>Moderate</b> Medium risk of climate hazard events that have the potential to cause physical damage and/or disruption to built assets (Rating C is the recommended guideline for screening assets)
D	334 - 500	<b>Poor</b> High risk of climate hazard events that have the potential to cause physical damage and/or disruption to built assets
E	167 – 333	<b>Very poor</b> Very high risk of climate hazard events that have the potential to cause physical damage and/or disruption to built assets
F	0 – 166	<b>Extremely poor</b> Extreme risk of climate hazard events that have the potential to cause physical damage and/or disruption to built assets

Source: Mitiga (2023): Combined Signals and Rating Methodology

# List of figures

FIGURE	PAGE
Figure 1: Capital Dynamics’ Governance structure for climate-related risks and opportunities	p. 5
Figure 2: Capital Dynamics’ RI Alert Process	p. 6



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