

Task Force on Climate-Related Financial Disclosures (TCFD) Report



CapitalDynamics®



CapitalDynamics

For the year ended 31 December 2025

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1 GOVERNANCE



Our governance around climate-related risks and opportunities

Governance of Climate-Related Risks and Opportunities

At Capital Dynamics, we embed climate-related risks and opportunities into our governance across both our corporate operations and our investment portfolios, particularly within our Clean Energy assets. Our commitment to Responsible Investment (“RI”) is reflected in how we assess and respond to these risks and opportunities. Ultimately, our leadership team is accountable for making climate-conscious decisions that drive meaningful change.

Board Oversight

The Board of Directors of Capital Dynamics Holding AG (“the board”) is responsible for the overall strategic direction of the firm, including climate-related matters. The board has delegated authority over internal controls and risk to the firm’s Chief Executive Officer (CEO), Martin Hahn, who is also a board member and delegate. The CEO has delegated the risk management and the control framework within the group to the firm’s Risks Committee (RC). The RC ensures independent monitoring and reporting of climate-related risks and controls.

Responsible Investment Committee (RIC)

The RC delegates the climate-related responsibilities to the Responsible Investment Committee (“RIC”), which is led by our Chair, who work in close cooperation with the RIC. The RIC is comprised of members of the Executive Committee (“EC”) and senior leadership representing all Capital Dynamics business lines.

The RIC meets periodically to:

- Define the firm’s RI agenda
- Monitor financially material RI risks and opportunities
- Align decisions with the RI alert process

Where appropriate, the RIC is informed about severe RI risks and opportunities by Verena Rossolatos, Director & Head of Client Relations and Chair of the Responsible Investment Committee, who reports to CEO Martin Hahn. As appropriate, Verena briefs the EC about RI-related matters for awareness, including financially material climate matters to the RC. When necessary, these issues are escalated to the CEO or the board’s attention.

Firmwide RI integration

Capital Dynamics fully embeds RI principles across the entire investment lifecycle, dedicating appropriate resources to support their effective implementation. These efforts are led by a specialized team reporting to Verena Rossolatos, who oversees the firm’s overall RI strategy. Together, they ensure consistent integration of these principles across Capital Dynamics’ activities.

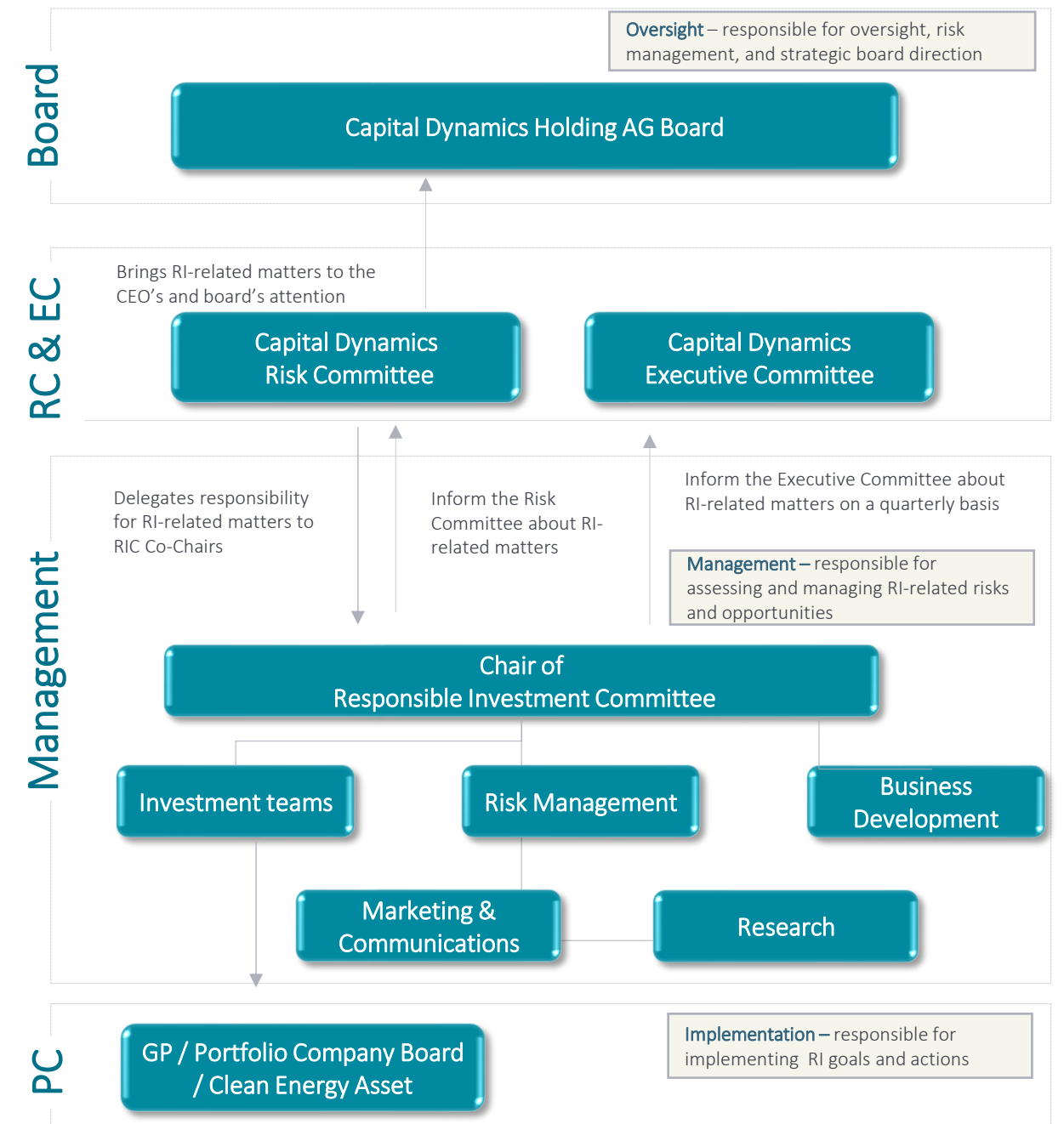


Figure 1: Capital Dynamics’ Governance structure for structure for climate-related risks and opportunities

Management's role in Climate-related Risks & Opportunities Assessment



Firmwide Oversight and Coordination

- Verena Rossolatos, Chair of the Responsible Investment Committee, leads firmwide efforts on climate-related risks and opportunities, including climate initiatives. Verena assesses the climate-related risks and opportunities across functions in our firm and investment funds and reports climate-related issues and progress on targets.
- The Executive Committee (EC) includes representation from Investment Management leadership, firm management, and ownership, and oversees progress against Responsible Investment objectives, including climate-related targets.



Investments Team Engagement

- Senior representatives from our Co-Investments team manage climate risks and opportunities at the portfolio company level, including through board representation where appropriate. They use EarthScan by Mitiga data and the firm's proprietary R-Eye™ rating system during due diligence and ongoing monitoring to identify operational improvement opportunities, track energy efficiency measures, and monitor onsite renewable energy installations.
- Across Primary and Secondary investment platforms, the R-Eye™ rating system is also used to assess managers' Responsible Investment credentials. Co-Heads of the Clean Energy strategy oversee climate-related risks and opportunities across renewable energy assets in the EU and UK, with insights shared with the RIC to inform firmwide oversight.



Responsible Investment Committee (RIC) Oversight, Alerts & Escalation

- The Responsible Investment Committee comprises Executive Committee members and senior leadership across Capital Dynamics' business lines and meets regularly to review and prioritise climate-related risks and Responsible Investment alerts. Climate-related and broader RI risks are identified through a structured alert protocol, supported by close coordination between Risk Management, Investment Management, and RIC teams.
- Risks are identified and monitored across the investment lifecycle, including during pre-investment due diligence and ongoing ownership, using tools such as the firm's proprietary R-Eye™ rating system, annual RI questionnaires with General Partners, and RepRisk media screening. Identified RI issues are referred by the Risk Management team to the RIC, which maintains watchlists for third-party and supply chain risks.
- On a regular basis, the Verena Rossolatos (Chair of the RIC) and Philippe Jost (Head of Risk) review new alerts, key metrics, and high-risk incidents and flag relevant issues to Investment Management or Operations teams for further evaluation. The RIC reviews incidents and recommends appropriate actions but does not make investment decisions. In severe cases, firmwide RI issues are escalated to the Executive Committee for further consideration.

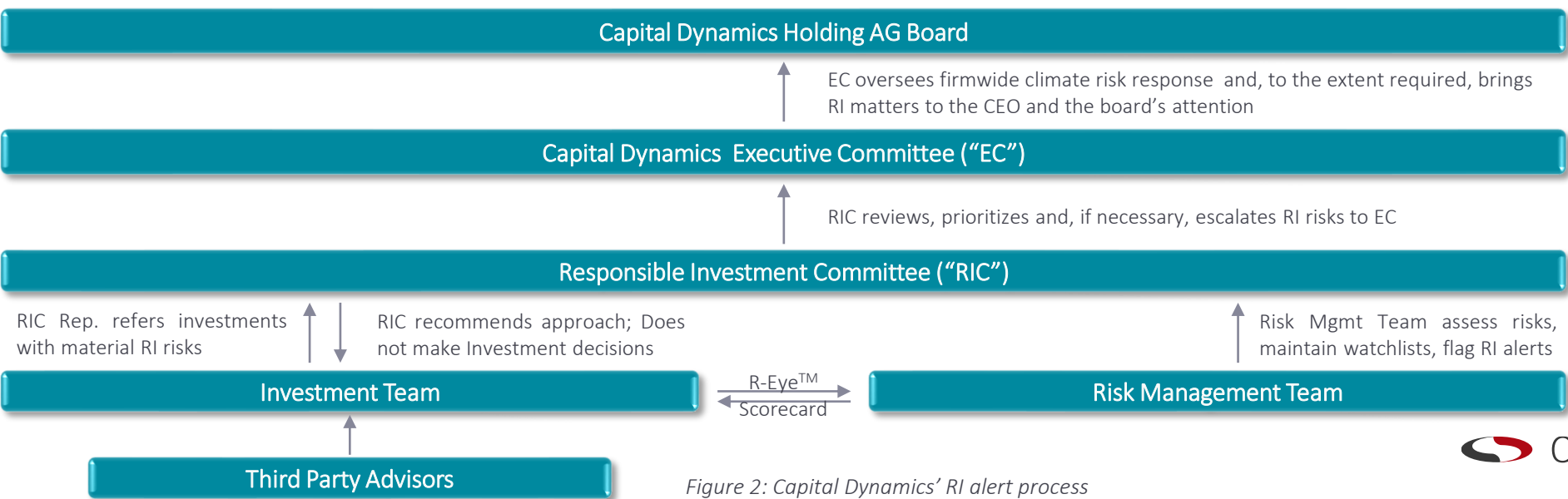
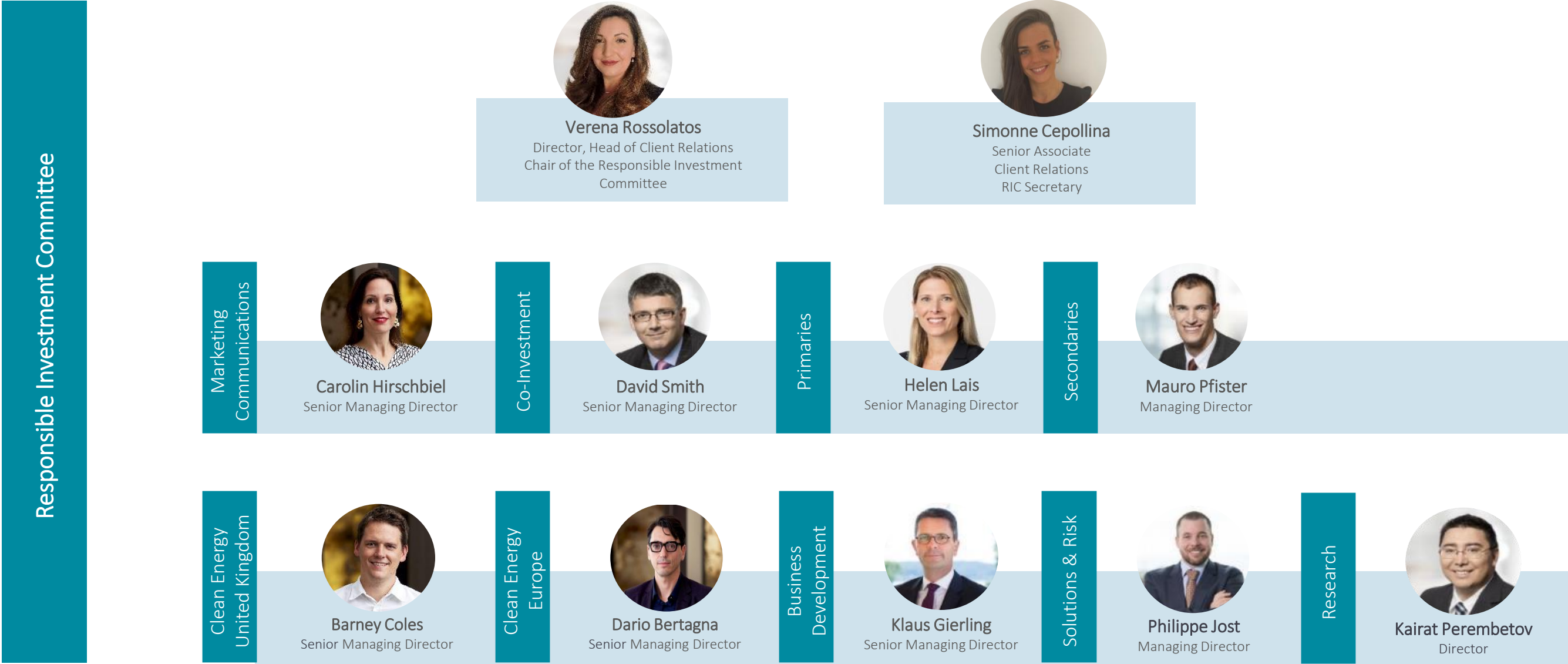


Figure 2: Capital Dynamics' RI alert process



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.



2

STRATEGY



Our climate strategy consists of three main pillars

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

At Capital Dynamics, our climate strategy is built upon three core pillars – **Assess, Integrate and Engage**. This approach enables us to systematically identify and evaluate financially material climate risks and opportunities, forming an essential part of our broader Responsible Investment framework.



- We systematically evaluate climate-related risks and opportunities across our investment portfolio and internal operations
- Using climate scenario analysis, we model a range of potential future outcomes to better understand climate impacts. The findings are disclosed annually in our TCFD reports



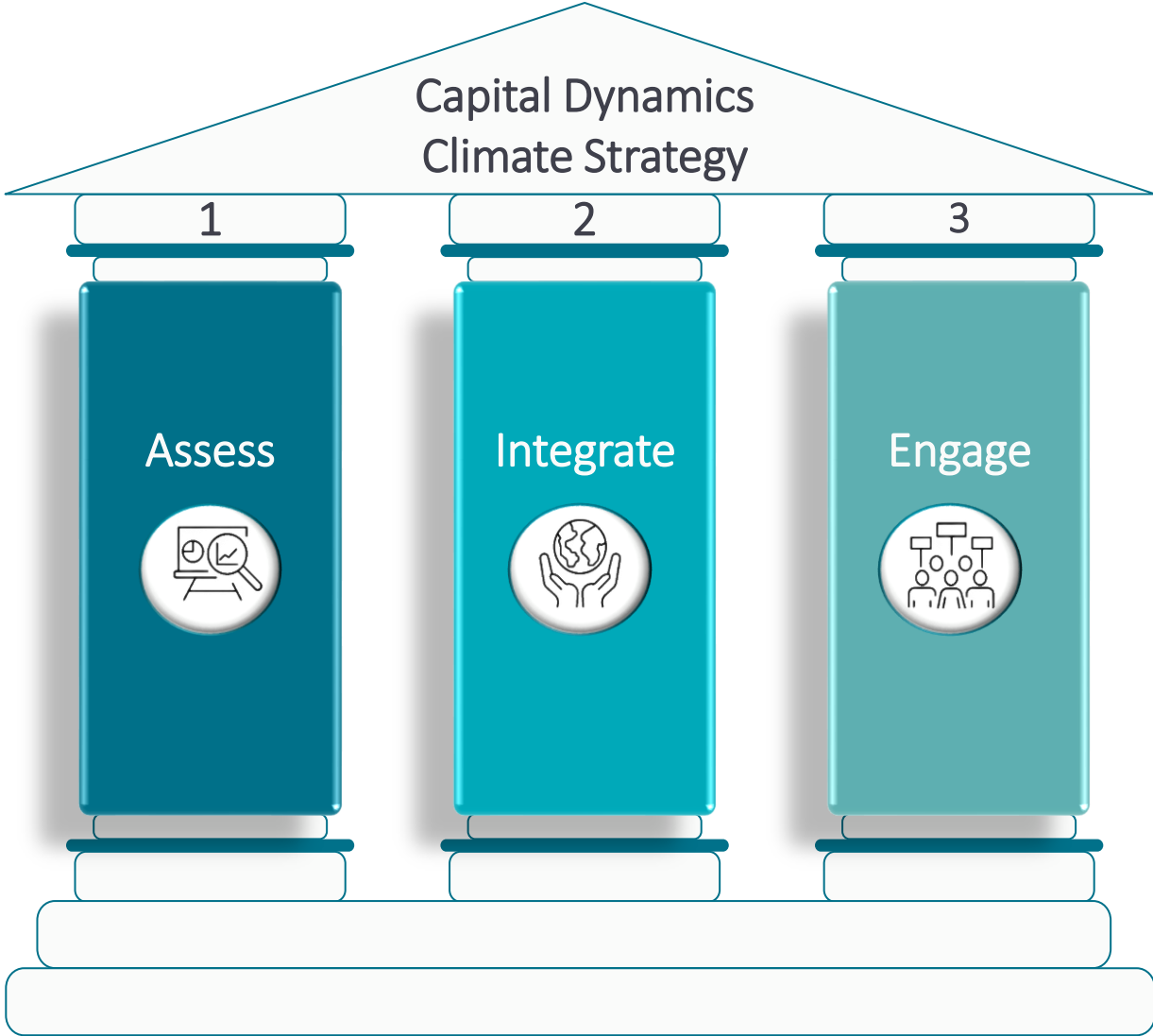
- We embed climate-related risks and opportunities into our Responsible Investment approach across all strategies
- These factors inform our firm's financial planning, business strategy, and assessments of climate resilience across investment decisions



We leverage our insights to engage with portfolio companies on sustainability performance and climate-related improvements

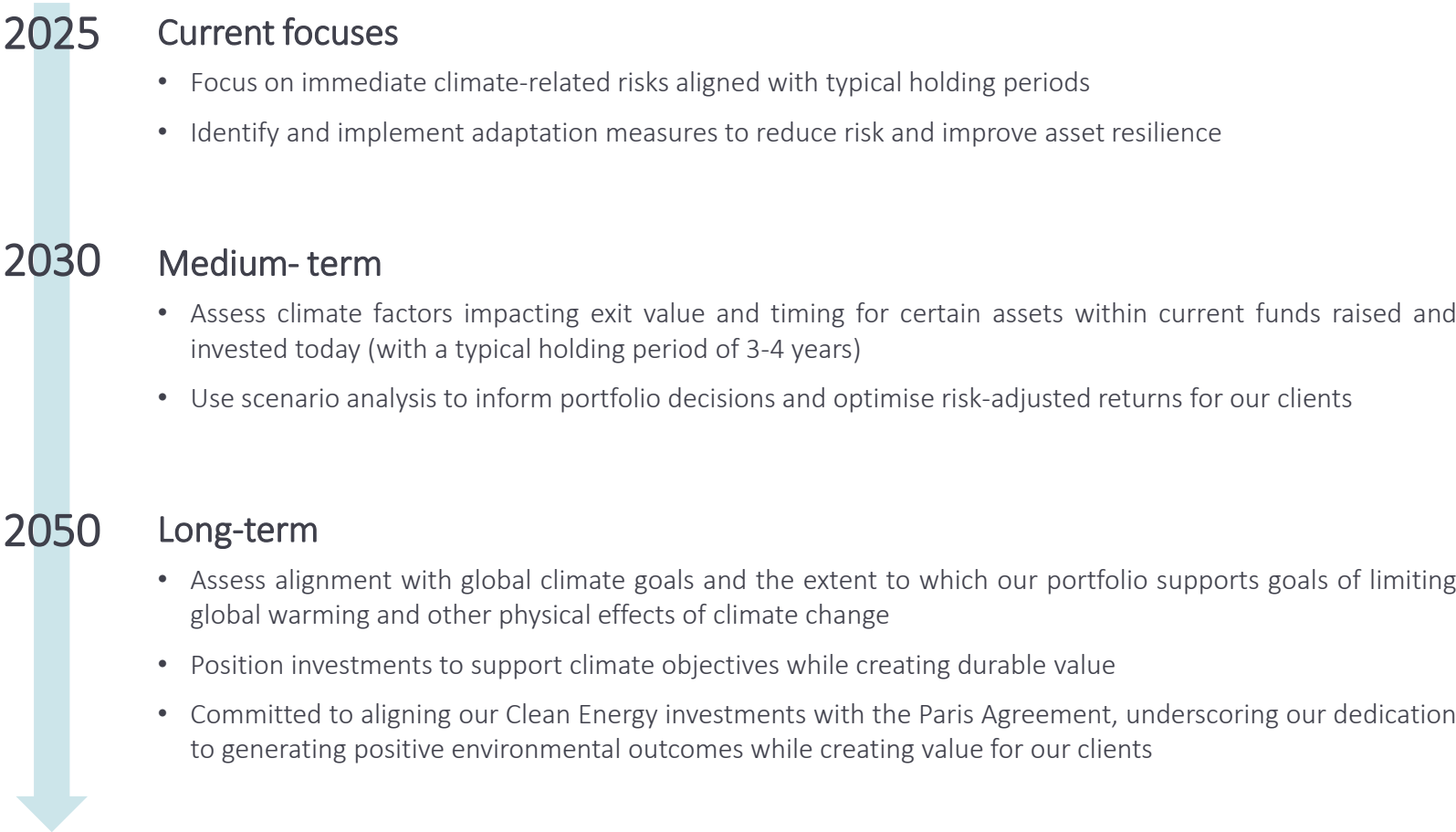
We also:

- Promote best-in-class Responsible Investment practices among our GPs
- Collaborate with policymakers on sustainable finance regulation
- Support the advancement of net zero goals across the private markets



Our approach to assessing climate risks and opportunities for our Clean Energy assets

We use a structured framework to evaluate climate-related risks and opportunities, focusing on short, medium and long-term time horizons. This approach enables us to anticipate evolving climate dynamics and strategically position our investments to deliver strong, risk-adjusted returns for our clients.



What are financially material climate risks?

There are two key categories of climate risk:

Physical risks

- Financially material risks due to direct climate change impacts, including acute events (e.g., floods, wildfires, storms, etc.) and chronic changes (rising temperatures and sea levels)
- Risks can lead to early asset impairment, infrastructure damage, operational disruptions and increased costs

Transition risks

- Financially material risks stem from market, economic and regulatory shifts in the net zero transition
- Examples include evolving consumer preferences, green technological innovation, and policies (e.g., carbon pricing)

What are financially material climate opportunities?

- Investments benefiting from the transition to a low-carbon and climate-resilient economy
- Strong long-term return potential through clean energy and emissions-reduction solutions

Integration of Climate Scenario Analysis



Clean Energy: Asset-level scenario analysis

We incorporate three distinct climate scenarios to enhance our understanding of potential future trajectories and their implications for investment outcomes of our European Clean Energy portfolio.

The climate scenarios are based on the Scenario Model Intercomparison Project (“ScenarioMIP”), which supports the goals of the Paris Agreement and the IPCC 6th Assessment Report. They help us explore how climate change may unfold under different socioeconomic circumstances, and focus on two key types of scenarios:

1. **Shared Socioeconomic Pathways (SSPs):** Describe alternative socioeconomic futures that drive emissions and climate outcomes
2. **Representative Concentration Pathways (RCPs):** Model different greenhouse gas concentration trajectories and associated warming levels

By considering both SSPs and RCPs, we gain a comprehensive understanding of the interplay between societal trends, emissions trajectories and climate outcomes.

Scenario	SSP / RCP	Description
Business as usual	SSP5-8.5 / RCP-8.5	Continued emissions growth throughout the century (worst-case scenario)
Emissions peak in 2040	SSP2-4.5 / RCP-4.5	Emissions stabilize in line with current policy trajectories
Paris-aligned	SSP1-2.6 / RCP-2.6	Emissions are aligned with Paris Agreement goals (best-case scenario)



Private Equity assets: Portfolio-level scenario analysis

For private equity investments, including primaries, secondaries, and direct investments, we apply a pragmatic, sector-based scenario approach to assess transition risks. This reflects the nature of limited control and data availability at the asset level and focuses on identifying financially material exposures across relevant industries. The approach aligns with how climate-related risks are expected to manifest at portfolio level.

The methodology used to complete the transition risk analysis is explained on [Page 21](#).

The following sections assess physical and transition risks, climate opportunities, and their potential financial implications

Clean Energy assets: Physical climate risks and opportunities

As an investor in clean energy assets...

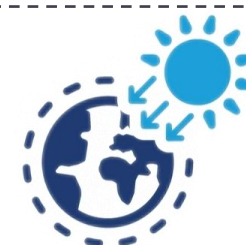
We see compelling climate-related opportunities as economies accelerate the shift toward low-carbon energy systems. This transition creates strong investment potential, particularly in Europe, with positive impacts on revenue outlooks - representing a financially material climate opportunity.

As the operation of renewable energy assets typically produce minimal carbon emissions and use limited water, the transition risks associated with our Clean Energy portfolio are relatively low.

As an investor in real assets...

Our Clean Energy investments remain exposed to physical climate risks, such as damage to solar PV modules or wind turbines caused by extreme weather. This may result in increased repair costs, reduced output, and higher insurance premiums - especially in high-risk regions. Chronic climate risks, like rising temperatures or sea levels, may even lead to early asset retirement.

To address this, our European Clean Energy portfolio is geographically diversified, helping to manage physical climate exposure. We also apply a wide range of climate adaptation measures to strengthen asset resilience.



Physical climate risk exposure

Acute (event-driven) and chronic (long term) climate risks can damage assets and disrupt supply chains, leading to reduced output or sales, revenue loss, higher operating costs and potential asset uninsurability.



Transition risk exposure

Transition risks emerging from policy changes, technological shifts, market dynamics and reputational pressure. These can increase costs, reduce demand for goods and services and reduce revenue.



Climate opportunities

Clean Energy investments offer attractive, financially material opportunities aligned with sustainability megatrends such as resource efficiency, innovative products and services, expanding low-carbon markets and system-wide resilience.

Physical climate risks assessed using advanced scenario analysis

Using EarthScan™ to quantify physical climate risks and inform resilience measures

Capital Dynamics' Clean Energy business uses Mitiga's EarthScan™ platform to assess physical climate risks across the European Clean Energy portfolio. The tool, customized in collaboration with Mitiga, enables asset-level analysis of financially material climate hazards and supports the identification of appropriate adaptation measures.

Physical climate risks are assessed across near- (2025), medium- (2030) and long-term (2050) horizons.

Physical hazards assessed



Heat stress



Extreme wind



Extreme precipitation



Flooding (coastal & riverine)



Drought



Wildfire

This analysis enables us to:

- Identify asset-level vulnerabilities
- Prioritise resilience and adaptation measures
- Inform strategic climate risk responses

EarthScan™ climate scenario outputs are used to:

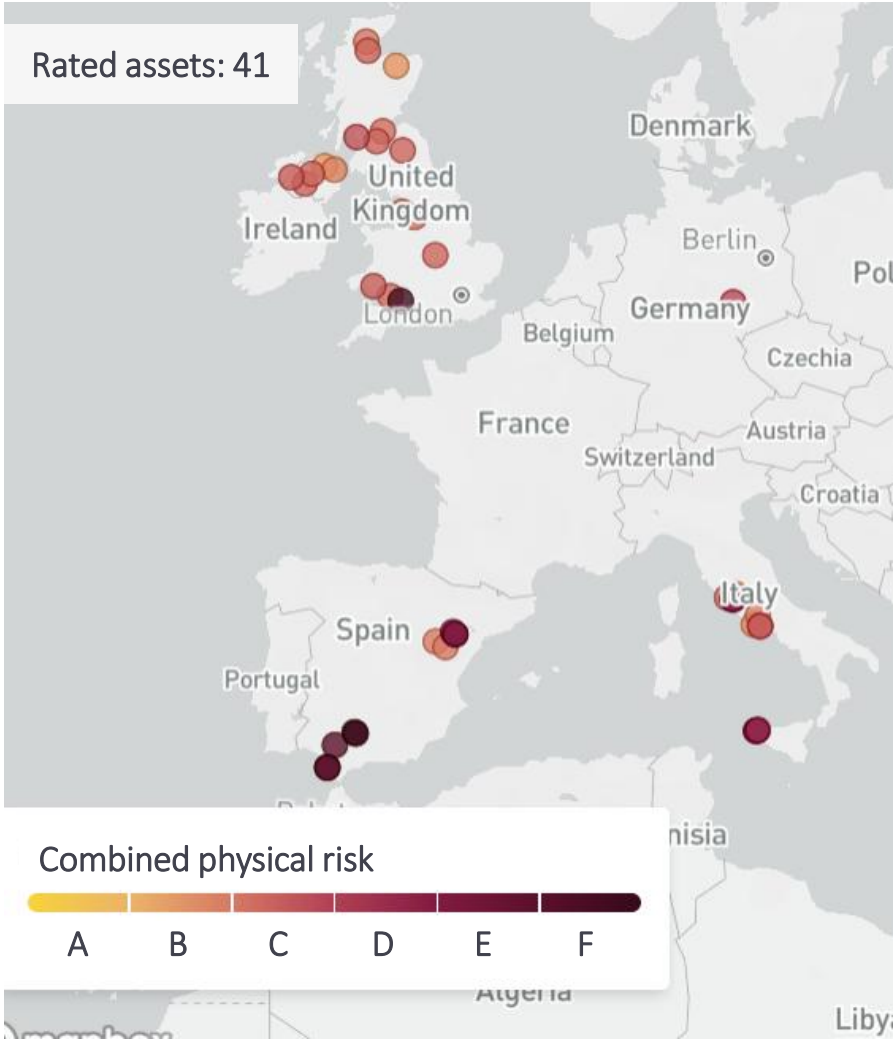
- Support TCFD-aligned and EU Taxonomy-consistent climate risk reporting
- Inform pre-transaction due diligence and investment decision-making
- Produce internal and external reporting on financially material physical risks
- Support asset siting, protection, and long-term value preservation



Physical climate risk exposure assessment: our European Clean Energy portfolio¹

The map below showcases the **asset distribution** across Europe¹, 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.



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 (BAU), 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	C	D	D	C	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	B	B	C	B	B	B	B	B	B
Wildfire	A	A	A	A	A	A	A	A	A

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

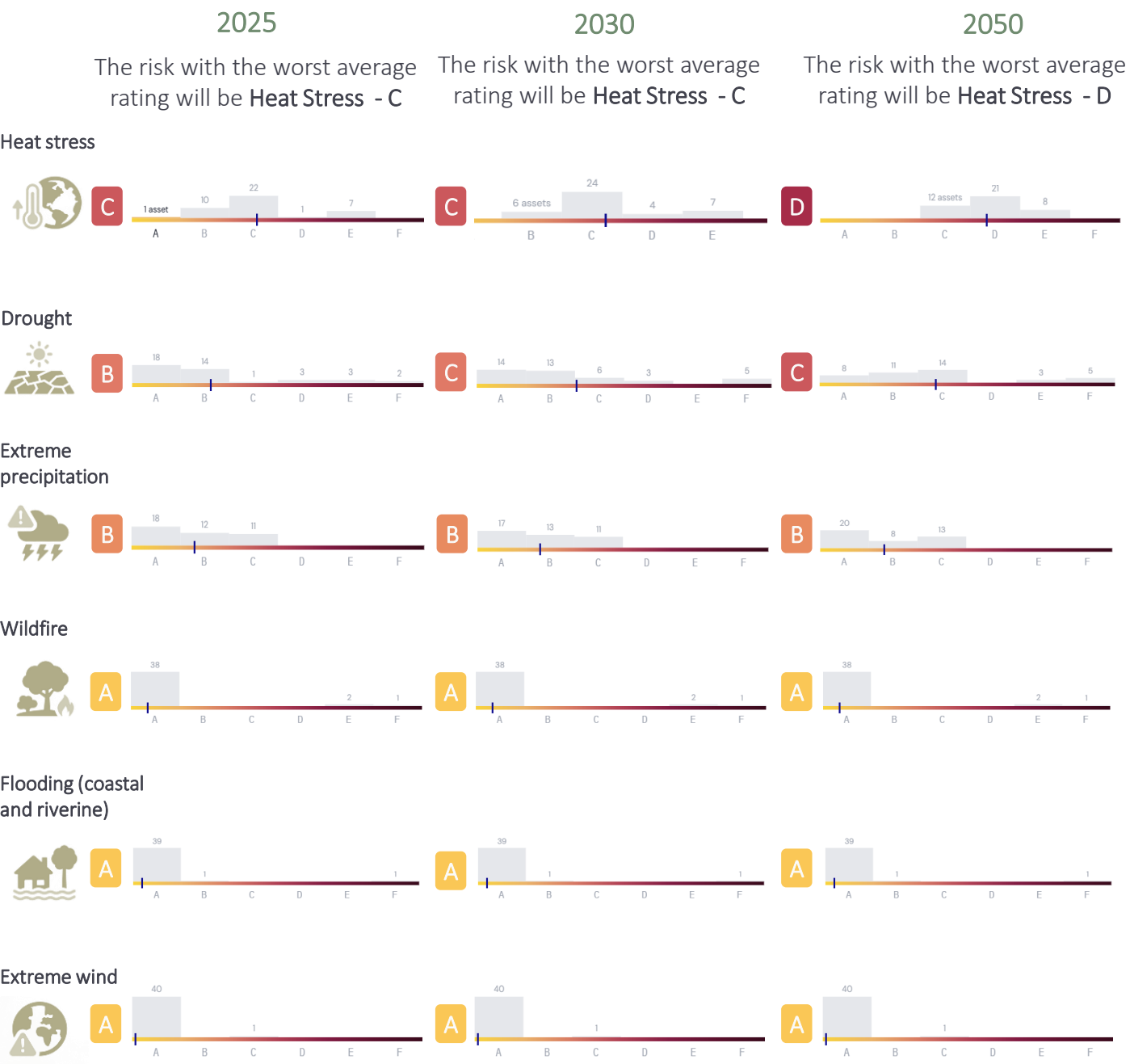


On the subsequent As I was incorporating them, I noticed that they appear to relate to the 2024 report rather than the 2025 report. That said, a number of the comments were still relevant to the 2025 report, and I've incorporated those where applicable, we disclose the outputs from the scenario analysis from each of the climate scenarios: Business-as-usual, Emissions peak by 2040, and Paris Alignment.

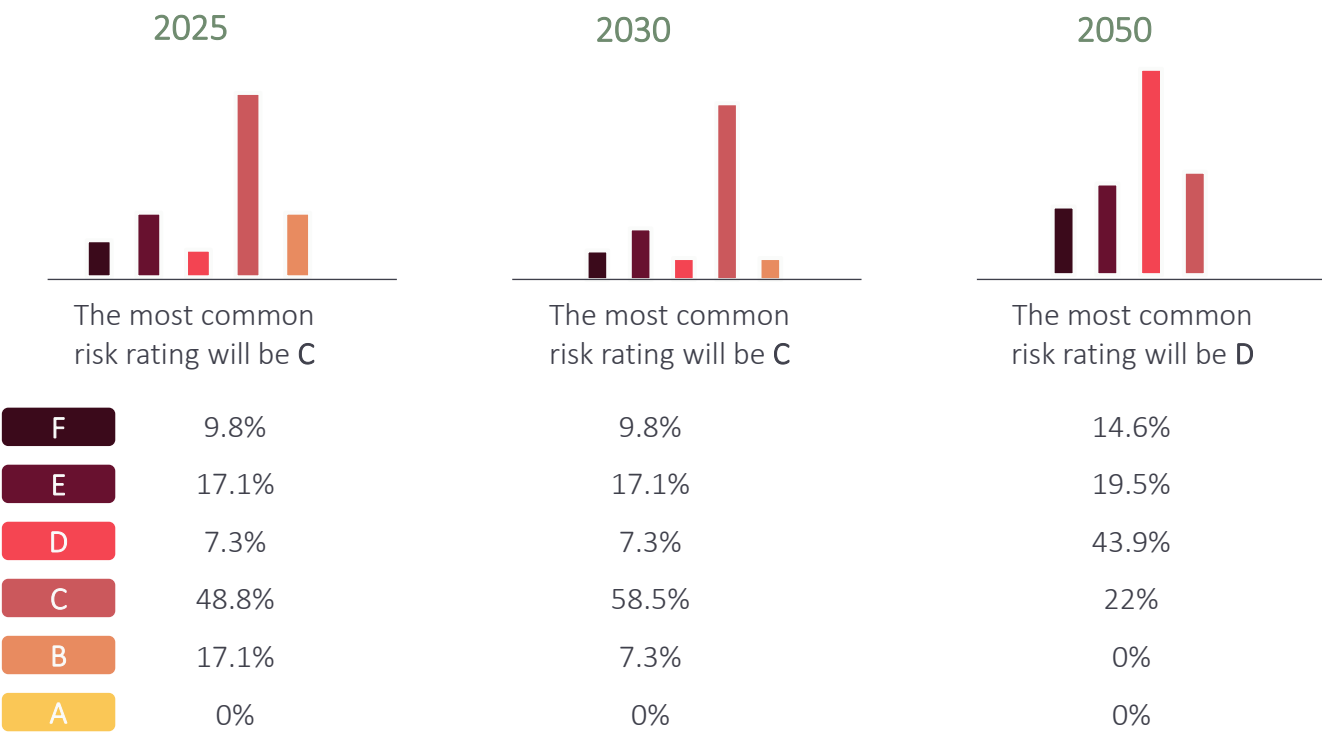
EarthScan™ ratings range from A = very low risk to F = extremely high risk.

Climate scenario analysis results: Business as usual

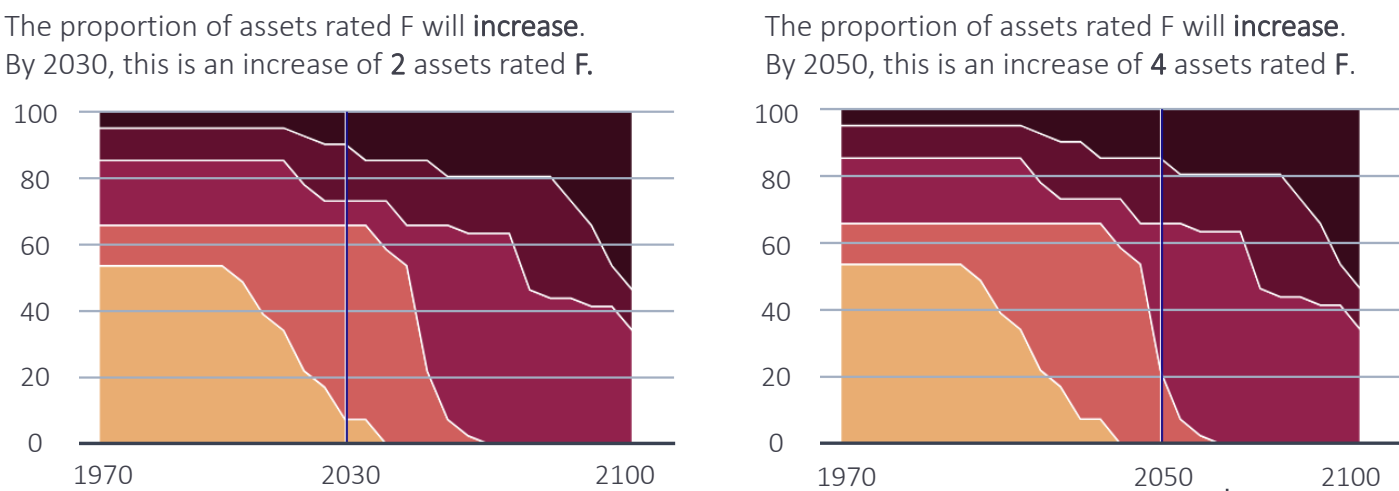
Climate hazard risk distribution



Risk rating distribution (41 assets)

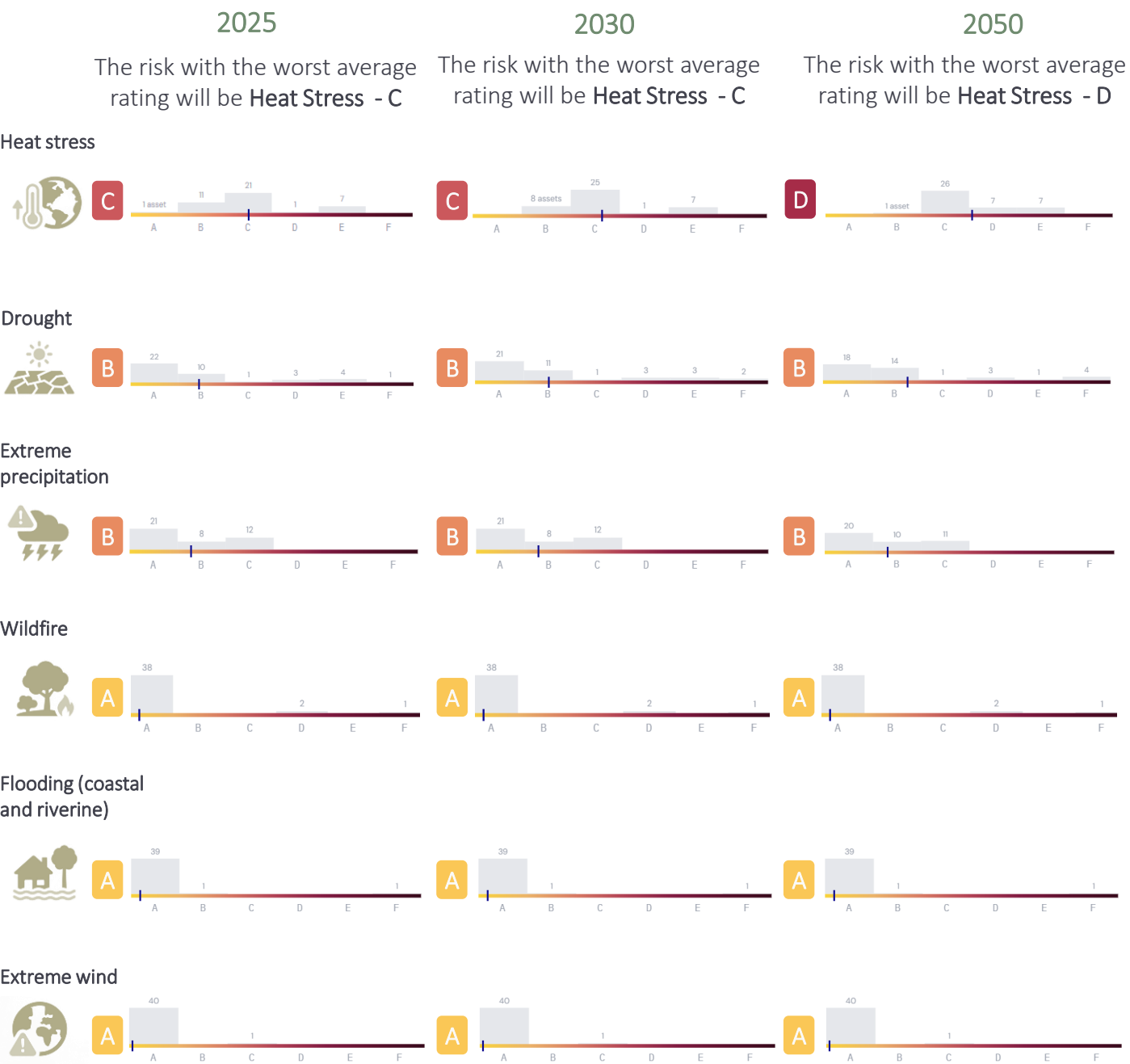


Risk distribution over time



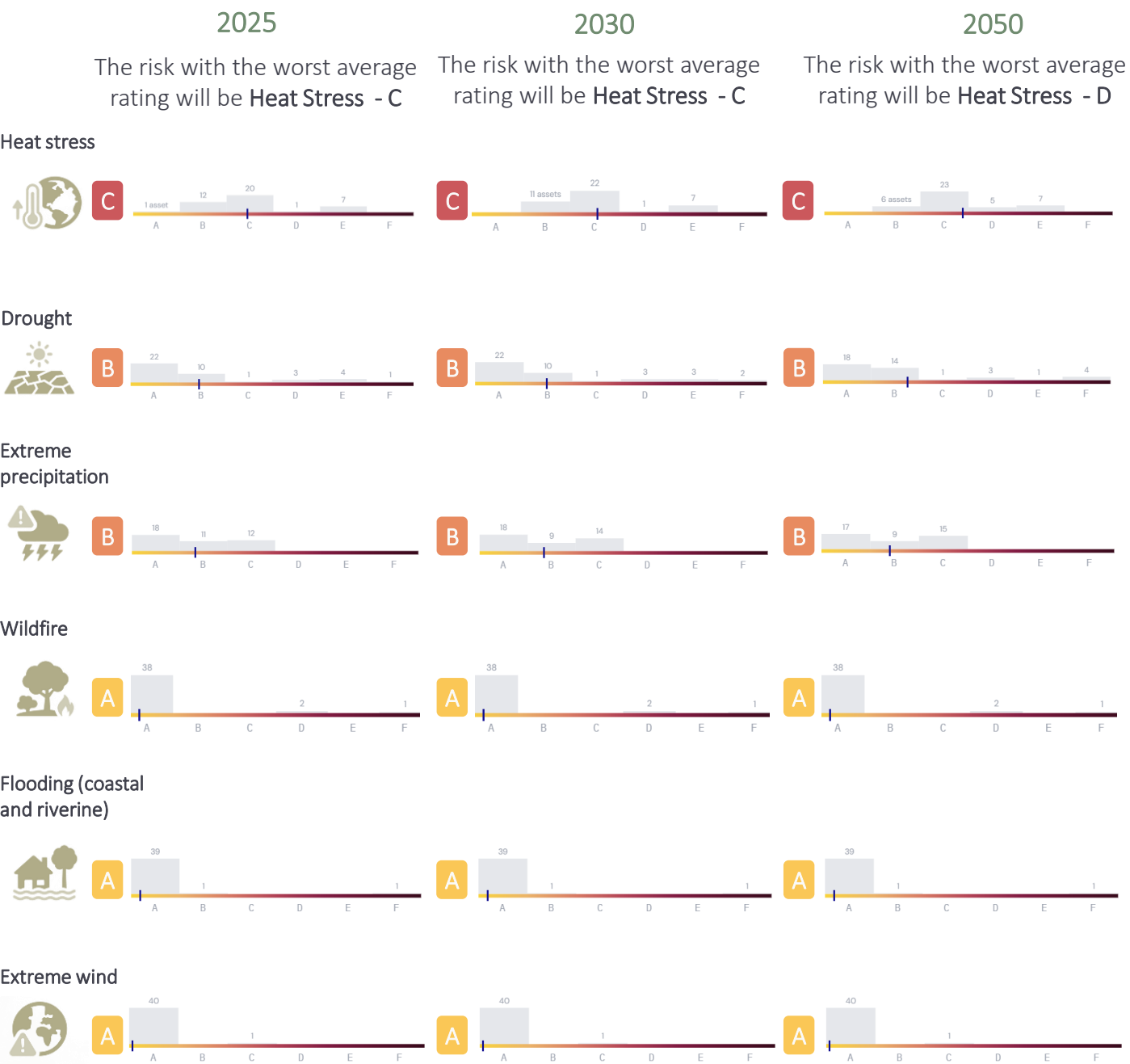
Climate scenario analysis results: Emissions peak by 2040

Climate hazard risk distribution

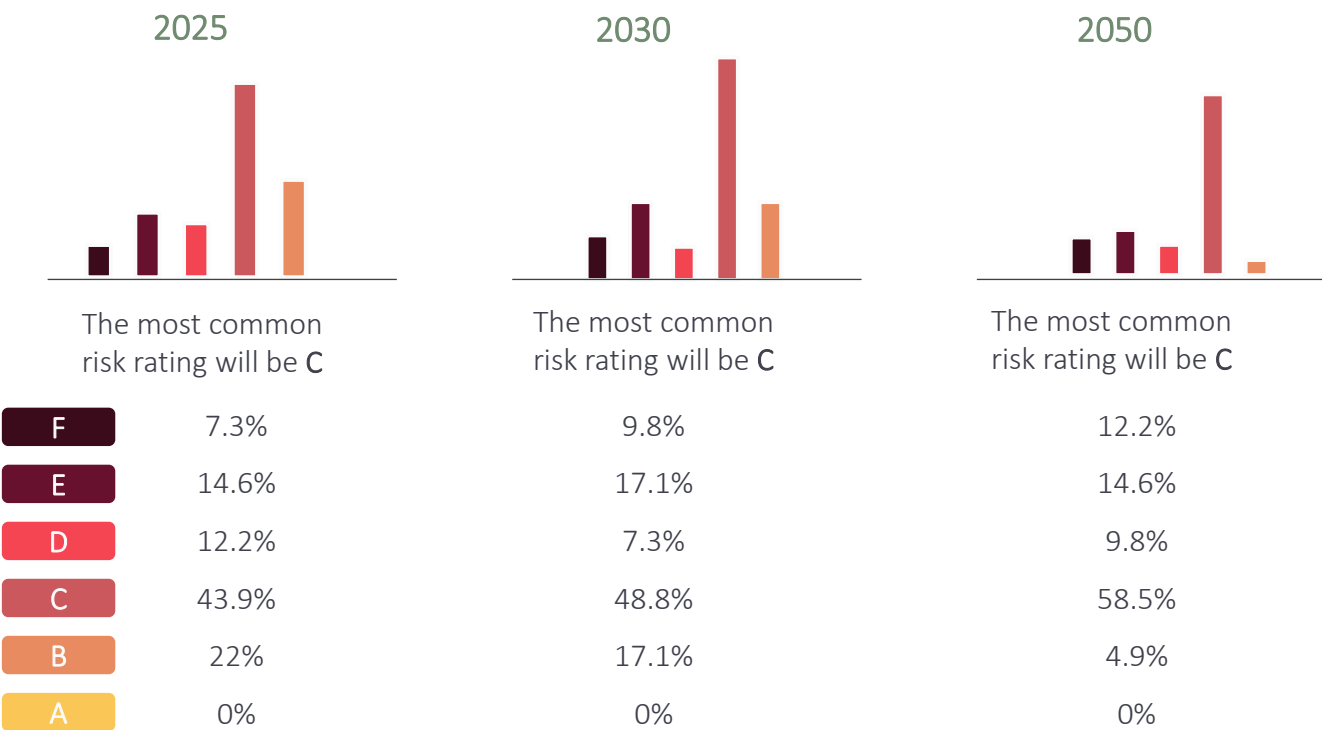


Climate scenario analysis results: Paris-aligned

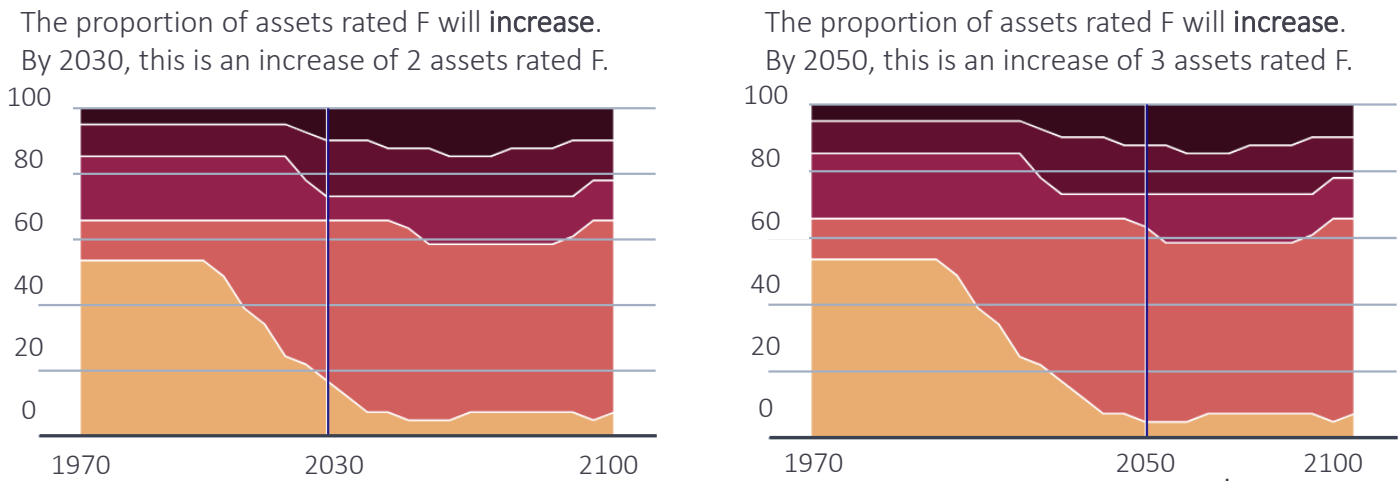
Climate hazard risk distribution



Risk Distribution (41 assets)



Risk distribution over time



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

Clean Energy: Advancing the financial quantification of physical climate risks

Physical climate risks could result in significant financial impacts on real assets, such as solar and wind projects, potentially influencing both costs and revenue.

Capital Dynamics, with the support of Blunomy, is aiming to explore how to go one step further in translating physical climate risk into decision-useful financial insights for Clean Energy assets. This reflects the growing need to strengthen TCFD-aligned disclosure, support risk-informed investment decisions and identify resilience-driven value creation opportunities.

Our approach includes:

- **Refining hazard insights:** Leveraging the EarthScan outputs and critically challenging results
- **Assessing asset-level vulnerability:** Mapping physical risks to quantified financial impacts for assets exposed
- **Identifying value creation levers:** Translating resilience and adaptation actions into financial performance and downside protection

For the 2025 TCFD report, we have illustrated this methodology through a detailed example of a Clean Energy asset.

Key financial impacts specific to Clean Energy investments may include:



Higher insurance premiums and reduced coverage

- Increased risks in regions prone to acute climate hazards (e.g., floods) could lead to higher insurance premiums for renewable energy projects
- Insurers may also tighten coverage limits or criteria, potentially resulting in coverage gaps and financial exposure



Reduced revenue from lower production capacity

- Severe weather (e.g., storms, heavy rain) may limit energy generation, causing downtime or underperformance of solar and wind projects
- This could affect delivery commitments to off-takers or utilities, leading to lost revenues



Increased operating and maintenance costs

- Harsh weather conditions (e.g., extreme heat or drought) may increase maintenance costs of renewable energy projects in our portfolio
- For example, heat and equipment degradation of solar panels could increase maintenance and cooling expenses



Asset damage, impairment or early retirement

- Extreme weather has the potential to cause physical damage to infrastructure, possibly leading to costly repairs, full write-offs or premature retirement of infrastructure
- These may result in impairment charges and financial losses

Case study: Identifying value creation levers from physical climate risks

Assessing asset-level vulnerability under different scenarios – 2030 horizon

Risks factors on the value chain : Onshore wind asset located in Spain				
	 OEM supply chain	 Onsite generation assets	 Grid connection infrastructure	 Power offtake/customers
Type of player	Global manufacturing of blades, transformers	Wind turbines, inverters, transformers, internal substations	Transmission lines, grid substations, interconnection points	Utilities, corporate PPAs, wholesale market buyers
Typology	Diversified suppliers, geographically distributed production hubs	Activities directly dependent on ambient conditions	Benefits from redundancy & system-level resilience measures	Demand diversified; limited direct physical exposure
Impact of physical climate risks under different scenarios	BaU <i>Potential risk</i> Primarily logistical delays & input cost volatility	<i>Material risk</i> Operational exposure from sustained high ambient temperatures	<i>Potential risk</i> Dependent on regional grid resilience; curtailment risk during extreme heat	<i>No material risk</i> Indirect exposure through price volatility rather than direct disruption
	Emissions peak in 2040 <i>Potential risk</i>	<i>Material risk</i>	<i>Potential risk</i>	<i>No material risk</i>
	Paris – aligned <i>No material risk</i> Indicative impact - Potential logistical delays or input cost volatility under higher warming scenarios - Direct operational exposure at the installed asset level is limited	<i>Material risk</i> Indicative impact - Sustained heat exposure may affect turbine efficiency and electrical components - Existing operational controls reduce the likelihood of equipment failure	<i>Potential risk</i> Indicative impact - Potential grid congestion or curtailment during extreme weather events - System resilience & network redundancy mitigate operational exposure	<i>No material risk</i> Indicative impact - Limited direct physical exposure - Financial impacts primarily linked to electricity market conditions rather than climate hazards

 Key considerations for different sectors

- Renewable infrastructure is **directly exposed** to ambient climatic conditions
- For wind assets, **heat stress affects performance more than flooding or extreme wind**, due to built-in engineering tolerances
- Grid resilience plays a critical role in translating asset-level risk into revenue impact
- Physical risks can create **value creation opportunities**, including:
 - Performance optimization through predictive maintenance
 - Cooling retrofits and equipment upgrades
 - Storage integration to reduce curtailment risk

Case study: Financial implications of climate risks for infrastructure assets

P&L impacts

Revenues



Reduced energy yield

Sustained heat exposure may reduce turbine efficiency, leading to lower electricity generation. Existing mitigation measures reduce the likelihood of significant operational disruption.



Volatility of financial results

Extreme weather conditions may introduce variability in generation performance and maintenance costs

Costs



Operational resilience investments

Climate resilience measures such as monitoring systems and cooling upgrades may increase short-term operating costs but help preserve long-term asset performance. Climate impacts force firms to incur new types of costs: extra cooling, increased number of workers



Insurance premiums

Increasing frequency of climate-related risks may contribute to higher insurance costs over time

Balance sheet impacts



Financing conditions

Investors and lenders increasingly evaluate climate resilience when assessing infrastructure assets



Depreciation of assets and activities

Repeated exposure to extreme climatic conditions may accelerate wear on certain components, affecting asset life cycles

For this Capital Dynamics onshore wind asset, existing operational controls significantly mitigate the immediate impact of heat stress, although sustained climate change may still create gradual efficiency pressures over the long term.

Case study: Operational resilience measures addressing material climate risks

 Existing operational controls can mitigate much of the immediate heat-stress risk

Adaptation solution ¹		Description of the solution
Existing solutions	Temperature monitoring & predictive maintenance	Continuous monitoring of turbine temperature, transformers and cables to detect abnormal heat stress and trigger maintenance
	Cooling and ventilation upgrades	Enhancing cooling systems in substations and electrical components to prevent overheating during prolonged heat events
	Operational curtailment protocols	Temporary reduction of turbine output during extreme heat periods to prevent equipment overheating and extend asset life
	Enhanced preventive maintenance	Increased inspection frequency for electrical components exposed to sustained high ambient temperatures



 Additional resilience measures could further enhance long-term asset performance under higher warming scenarios

	Adaptation solution	Description of the solution	CapEx investment	Adaptation outcome
Process & strategic improvement	Heat-resistant component upgrades	Replacement of vulnerable electrical components (cables, insulation, transformers) with equipment designed for higher temperature tolerance		
	Advanced component cooling systems	Installation of enhanced cooling technologies (e.g., liquid cooling or improved airflow systems) for transformers, converters & power electronics to maintain performance during extreme heat events		
	Integration into asset management strategy	Embedding climate resilience into long-term maintenance planning and asset life-cycle management		

Existing operational controls provide a strong foundation for managing heat-stress risks; targeted technical upgrades could further strengthen long-term asset resilience under higher warming scenarios.

¹ Adaptation outcome: Indicates the relative effectiveness of each measure in reducing long-term climate-related operational and financial risks (e.g., asset failure, downtime, reduced generation and associated revenue impacts) under higher warming scenarios.

Assessing climate transition risks across our investment portfolios

We assess transition risks across our portfolios using the four TCFD-defined risk categories, illustrated below with representative examples relevant to our investments.

Transition risk category	Policy & Legal	Technology	Market	Reputation
Description	Regulatory and legal changes linked to climate policy	Risks from deployment of low-carbon technologies	Demand, pricing and cost shifts during the transition	Stakeholder perception and brand risks
Examples	- Carbon pricing and emissions trading - Higher compliance and reporting costs - Changes to subsidy regimes	- Capital investment requirements (e.g. storage) - Obsolescence of existing assets	- Changing customer preferences - Volatility in critical raw materials - Investor demand impacting valuations	- Increased investor and media scrutiny - Challenges attracting capital or talent



Clean Energy assets

For Clean Energy assets, transition risks are assessed using a blended approach that considers both sector-level dynamics and asset-specific exposures. The analysis covers regulatory exposure, technology adoption, market conditions, and reputational sensitivity, reflecting geographic and operational characteristics across the European portfolio.



Private Equity assets

For Private Equity assets, a sector-based approach is applied, reflecting the structure of the portfolio and data availability across primaries and secondaries. Transition risks are assessed based on sectoral exposure of underlying companies, with a focus on sectors with higher transition sensitivity, including Information Technology (c. 18% of all Private Equity investments), Industrials (c. 16%) and Consumer Staples (c. 14%) and Healthcare (c.13%).

This approach enables consistent identification of financially material transition risks across different asset classes and informs portfolio-level risk management and investment decision-making.

Clean Energy: Transition risk exposure

Policy & Legal

- Changes to feed-in tariffs affecting long-term revenue certainty; most investments are merchant, and while government support is expected, uncertainty remains around future schemes
- Delays from permitting and environmental requirements (e.g., biodiversity, land use), with key risks including slow permitting, administrative delays, and strict land-use rules
- Grid access and interconnection issues exposing projects to higher costs and scheduling delays
- Import tariff uncertainty under current trade rules presenting a material risk to clean energy investments

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Market

- Price volatility of raw materials (e.g., critical metals) driving procurement risk; despite recent declines, import cost exposure persists
- Electricity price fluctuations in high-renewables markets increasing risks of price cannibalization and curtailment; merchant revenue streams (e.g., ancillary markets) remain uncertain
- Evolving customer and investor preferences shaping expectations for clean energy offerings

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Technology

- Risk of early obsolescence of existing assets due to rapid innovation cycles, particularly for older or less efficient technologies
- Dependency on imported technology and raw materials (e.g., critical minerals) exposing projects to supply chain disruptions and geopolitical risks
- Performance uncertainty associated with the deployment of new or unproven technologies affecting project outcomes and financing
- Grid integration risks and challenges with government capacity to upgrade and manage infrastructure

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Reputation

- Growing stakeholder expectations on biodiversity, social impact, and lifecycle emissions, alongside rising concerns around labor practices, human rights violations, and greenwashing in the renewable energy sector
- Community resistance to large-scale solar and wind projects due to visual, noise, and environmental concerns, particularly in populated or heritage areas.

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Time horizon:

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Near-term (2025)

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Medium-term (2030)

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Long-term (2050)

Private Equity: Transition risk exposure

Policy & Lega

- **IT, Financials, Health Care:** Increased exposure to evolving disclosure regulations (e.g., SFDR, CSRD)
- **Industrials, Consumer Staples:** Compliance risk from energy intensity and reporting obligations at the portfolio company level

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Market

- **Consumer Discretionary and Staples:** Rising costs from low-emission material sourcing, packaging innovation, and demand volatility linked to shifting consumer preferences
- **IT, Communication Services:** Market preference shift toward digital, low-carbon solutions challenge legacy tech or unsustainable digital infrastructure
- **Industrials, Materials:** Cost impacts due to carbon pricing, raw material scarcity, and supply chain decarbonization expectations

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Technology

- **Industrials, Materials:** Demand for large-scale industrial innovation and retrofits to meet decarbonization targets (e.g., electrification, circular economy)
- **Financials, IT:** Disruption risk due to rise of green fintech & blockchain-led reporting platforms, and for AI-enabled sustainability analytics and reporting solutions (relevant across all sectors)
- **Consumer Discretionary:** Risk of product obsolescence in non-sustainable categories as green design and transport tech (e.g., EVs) gain traction

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Reputation

- **Consumer Discretionary, Consumer Staples:** Increased brand risk due to increasing consumer climate awareness and sustainability-driven market competition
- **IT, Healthcare, Materials, Industrials:** Mounting pressure for carbon footprint transparency and performance while maintaining quality of services

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Financial impacts of transition risks

The financial performance of our assets are 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 for both our Clean Energy and Private Equity assets:



Clean Energy assets



Private Equity assets

Policy & Litigation	• Rising compliance costs related to enhanced GHG reporting, grid integration metrics, and country-level taxonomy alignment (e.g., EU Taxonomy) • Regulatory uncertainty around long-term subsidy schemes (e.g., feed-in tariffs, contracts for difference) affecting cash flow predictability and investor appetite. • Legal costs or delays due to permitting challenges, especially in ecologically sensitive areas
Technology	• Increased costs from underperforming or prematurely aging installations due to rapid innovation cycles (e.g., low-yield turbine models) • Integration costs for complementary technologies (e.g., battery storage, grid-balancing solutions)
Market	• Procurement cost volatility linked to raw materials (e.g., polysilicon, rare earths) and global trade tensions affecting turbines and solar modules • Cannibalization of wholesale market prices in high-penetration regions (e.g., solar overproduction in Iberia) • Curtailement losses from grid congestion or underdeveloped transmission infrastructure, especially in remote or land-rich areas
Reputation	• Opposition-related delays or re-permitting requirements due to visual, noise, or land-use concerns—especially near populated or heritage zones • Increased costs from negative impacts on workforce management (for example labor conditions in supply chain) • Investor confidence impacts from community backlash or NGO scrutiny leading to stricter environmental and social due diligence expectations

• Increased asset-level compliance costs driven by evolving disclosure requirements (e.g., SFDR, CSRD), especially for data-intensive, highly regulated sectors • Devaluation risk for companies in Industrials not meeting future environmental performance thresholds • Legal costs related to non-compliance at the operational level, especially in regulatory sectors (e.g., finance, healthcare)
• Sunk costs from companies failing to adopt or scale low-carbon technologies (e.g., electrification in Industrials, modern medical tech in Healthcare) • Asset write-downs for legacy IT infrastructure or non-sustainable operations • CapEx to modernise assets and maintain competitiveness (e.g., smart buildings) • Investment required in AI-enabled sustainability analytics platforms to meet evolving market and stakeholder expectations
• Margin pressure in sectors reliant on high input costs (e.g., materials, energy in food & beverage, retail operations) • Revenue risk from consumer shifting away from high-emission or low-transparency brands • Reduced access to capital as investors and financial institutions experience more stringent climate driven requirements
• Demand decline for products and services perceived as environmentally or ethically misaligned • Exit risk through reduced buyer interest or lower multiples for companies without credible transition strategies

Unlocking value for our Clean Energy assets: Financially material opportunities

European Clean Energy investment opportunities

Europe's clean energy transition presents financially material opportunities for long-term value creation. Accelerating deployment of wind and solar is driven by ambitious climate targets, supportive regulation, and declining technology costs.

Clean energy investments benefit from strong demand fundamentals, portfolio diversification, and resilient performance characteristics. Compared to conventional assets, renewable energy is less exposed to fuel price volatility and certain physical climate risks, supporting stable cash flows.

As decarbonisation accelerates, Clean Energy assets are well positioned to deliver attractive risk-adjusted returns while supporting Europe's climate and energy security objectives.

The following pages summarize key opportunity areas and impact assessments across the Clean Energy portfolio.



CLEAN ENERGY ASSETS
(Wind, Solar, Storage)



RESOURCE EFFICIENCY
(Technology, O&M optimisation)



MARKETS
(Power prices, demand, offtake)



RESILIENCE & PERFORMANCE
(Operational stability, uptime)



PRODUCTS & SERVICES
(Green power, flexibility, PPAs)

Clean Energy: Climate opportunities and impact assessment



CLEAN ENERGY ASSETS

Transition to clean energy sources, such as wind & solar PV electricity generation

S

M

Identified opportunities

- **Low-emissions generation growth** enable customer partnerships seeking to reduce emissions
- **Operational resilience vs. fossil infrastructure** under transition scenarios, supporting stable, reliable energy supply
- **Technology cost curve improvements** enhancing long-term competitiveness and investment attractiveness

Financial impact (deemed material)

- **Reduced operational cost base** from economies of scale
- **Limited carbon price exposure** due to low emissions sources
- **Attractive long-terms returns on investment** supported by structural demand
- **Increased capital inflows** toward clean energy investments
- **Enhanced brand positioning** with LPs and investors due to increased demand for clean energy funds



RESOURCE EFFICIENCY

Direct cost savings from sustainable efficiency measures

S

M

- **Energy & water optimisation** reducing resource intensity and operating costs
- **Real-time monitoring and asset optimisation** improving tracking of energy production, resource availability, health & safety and environmental conditions
- **Carbon pricing advantage** strengthening competitiveness of assets without increasing direct costs

- **Reduced operating costs** from efficiency gains
- **Higher production capacity** leading to improve asset productivity and increased revenues
- **Lower H&S and compliance costs** through operational optimisation



RESILIENCE & PERFORMANCE

Ability to respond to climate-related risks, improve efficiency, build resilience across supply chains and develop new products

S

M

- **Energy system independence** reducing reliance on imported fossil fuel and exposure to energy price volatility
- **Climate adaptation integration** of renewable energy into adaptation planning with extreme weather preparedness measures, reduces asset downtime and damage risk
- **Resilience-driven value creation** strengthen operational resilience across portfolio

- **Higer asset valuations** through risk-adjusted resilience planning
- **Revenues upside from new products and services** linked to resilience and climate adaptation
- **Reduced insurance and disruption costs**

Time horizon:

S

Near-term (2026)

M

Medium-term (2030)

L

Long-term (2050)

Clean Energy: Climate opportunities and impact assessment

Identified opportunities

Financial impact (deemed material)



MARKETS

Increased diversification through access into new markets and financing new clean energy infrastructure projects

S

- **Geographic expansion** of Clean Energy portfolio into high-growth renewable energy markets
- **Long-term revenue visibility** via Power Purchase Agreements (PPAs) providing stable cashflow predictability while enabling decarbonization
- **Green financing structure** linked to sustainability KPIs and monetization of renewable energy certificates

- **Revenue growth** through access to new and emerging markets
- **Improved cashflow stability** via long-term contracts
- **Increased diversification of financial assets** (e.g. green loan facilities)



PRODUCTS & SERVICES

Increased demand for green products and services (e.g., green financial products)

S

M

- **Expansion of low-emission investment strategies**
- **Climate adaptation solutions** embedded in asset strategy to enhance resilience and deliver long-term risk-adjusted returns for clients
- **Growing investor preference** for low-impact renewable energy providers enhances the appeal and marketability of our Clean Energy offerings

- **Improved competitive positioning** due to shift in investor demand in favor of renewable energy investments, resulting in increased revenues
- **Enhanced long-term client retention**

Time horizon:

S

Near-term (2026)

M

Medium-term (2030)

L

Long-term (2050)

Unlocking value for our Private Equity assets: Financially material opportunities

Private Equity investment climate opportunities

Climate transition dynamics are creating financially material opportunities across our Private Equity portfolio, supporting long-term value creation, resilience, and competitive positioning. As economies move toward lower-carbon models, businesses across key sectors - including IT, healthcare, consumer goods, and industrials—are undergoing structural transformation.

These opportunities are driven by tightening climate regulation, shifting consumer and investor preferences, advances in low-carbon technologies, and increasing scrutiny of environmental and social performance. Together, these trends are reshaping business models and capital allocation priorities.

We apply a sector-based approach to identify companies that are well positioned to adapt to or lead the transition, focusing on opportunities that support growth, operational resilience, and future-proofed business models. This approach helps prioritise where climate-aligned transformation is both feasible and financially impactful.

The following pages summarize key climate-related opportunities and impact assessments across our Private Equity sector exposure.



ENERGY-EFFICIENT BUILDINGS
(Operating cost savings, asset value)



GREEN LOGISTICS
(Supply chain efficiency, emissions reduction)



CIRCULAR ECONOMY MODELS
(Material efficiency, cost & waste reduction)

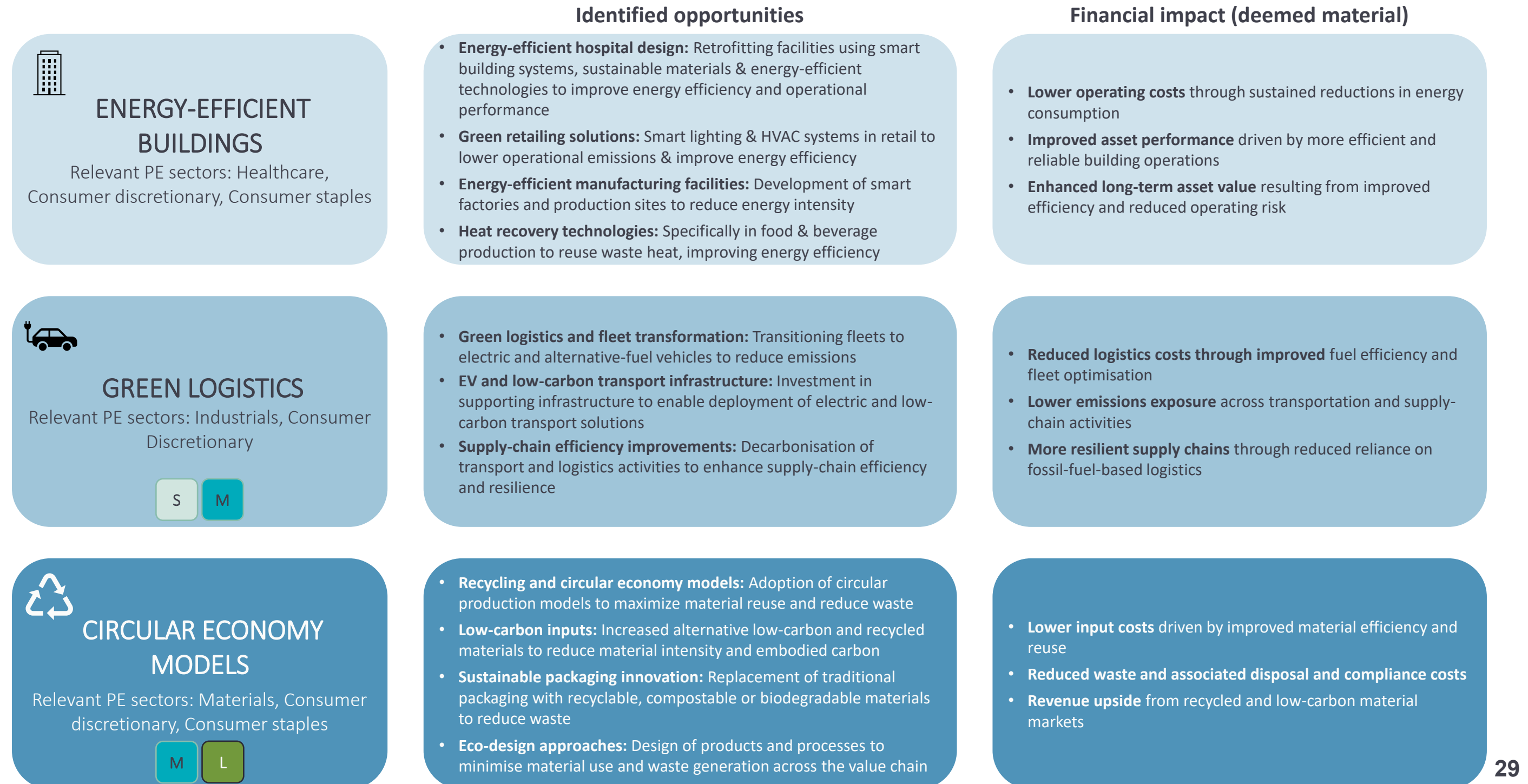


SMART GRID OPTIMISATION
(Digital efficiency, system optimisation)



PROCESS ELECTRIFICATION
(Energy cost reduction, decarbonisation)

Private Equity: Climate opportunities and impact assessment



Time horizon:



Near-term (2026)

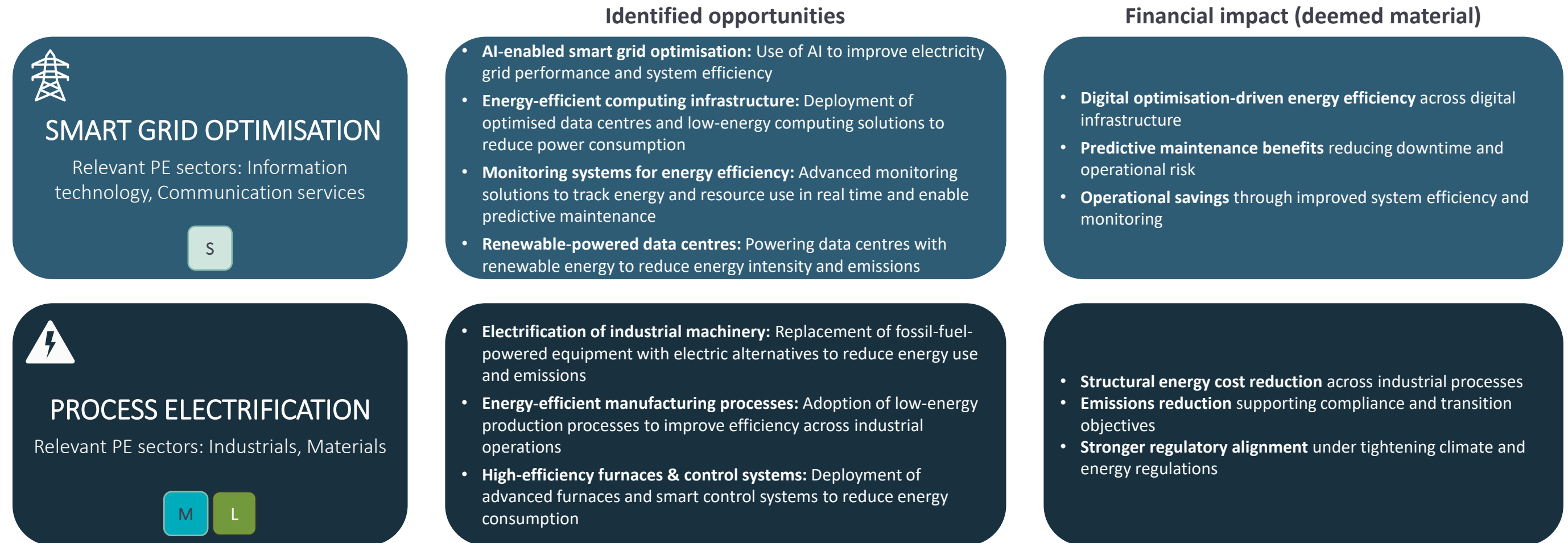


Medium-term (2030)



Long-term (2050)

Private Equity: Climate opportunities and impact assessment



Time horizon:



Near-term (2026)



Medium-term (2030)



Long-term (2050)

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



Climate-related matters in our business strategy and financial planning

At Capital Dynamics, we embed climate-related risks and opportunities into our business strategy and financial planning processes to support long-term value creation and resilience.

- **Integration into financial planning:** Forecasts of assets under management (AUM), typically projected over a five-year horizon, incorporate assumptions related to climate-driven shifts in investor demand and market dynamics
- **Product strategy alignment:** Expansion of our fund range under SFDR Articles 8 and 9 supports our broader climate adaptation strategy and responds to increasing demand for sustainable investment solutions
- **Revenue and growth considerations:** Revenue forecasts account for climate-related trends, including rising energy demand and increased investment in renewable energy projects, particularly within our Clean Energy business line
- **Fund-level actions:**
 - Expansion of Clean Energy fund offerings
 - Integration of environmental sustainability standards, including EU Taxonomy alignment
 - Setting decarbonisation targets at the fund level

In parallel, we manage climate-related risks through portfolio construction, including maintaining limited exposure to carbon-intensive sectors and taking a cautious approach where transition risks are elevated.

Within Private Equity, our Mid-Market Direct Investment team supports portfolio companies in enhancing sustainability performance, including GHG monitoring, target setting, and progress tracking. These activities are embedded in our investment research and development processes, enabling proactive management of climate-related risks and opportunities and supporting the delivery of strong, risk-adjusted returns for our clients.



Climate-related matters in our own operations

Climate-related considerations are also embedded within our internal operations and operational planning.

- **Governance and oversight:** Our Chief Operations Officer oversees the integration of financially material climate-related matters into operational planning
- **Operational initiatives:** These include reducing unnecessary business travel, sourcing renewable energy for offices, and promoting responsible resource use
- **Scenario analysis and monitoring:** Financial planning incorporates scenario analysis to identify and address operational climate risks while capturing material opportunities
- **Measurement and engagement:** We measure and monitor our internal carbon footprint and support climate-related reporting and staff engagement through Corporate Social Responsibility initiatives
- **Operational resilience:** Adoption of hybrid working models enhances business continuity during extreme weather events, reduces commuting-related emissions, and contributes to lower operational costs while maintaining uninterrupted service to clients

Our resilience to climate-related risks and opportunities

Resilience embedded across our investment approach

Our strategy is designed to embed resilience to climate-related risks while capturing opportunities from the transition to a low-carbon economy.

- **End-to-end integration:** Climate considerations are embedded across the full investment lifecycle - from due diligence and portfolio construction to active management and exit
- **Cross-platform application:** Applied consistently across both Clean Energy and Private Equity investments
- **Value focus:** Supports long-term value creation while mitigating downside climate-related risks.

1

Scenario Analysis



Scenario analysis is a core component of our climate resilience approach and provides a structured basis to assess risk and opportunity under different future states.

- Our analysis spans business-as-usual and Paris-aligned pathways
- Analysis of physical and transition risks
- Evaluates implications for asset performance, sector resilience, and strategic positioning
- **Clean Energy:** Asset-level assessment of physical and transition risks using advanced tools (e.g., EarthScan™)
- **Private Equity:** Sector-based analysis of macroeconomic, policy and market shifts, with implications for portfolio performance and valuation

2

Evaluation Process



1. Risk Identification

- Identification of material risk exposures across asset classes
- Transition risk assessment structured across four categories: Legal & Policy, Market, Technology, Reputational
- Prioritisation of risks based on financial materiality

2. Resilience Planning

- Development of mitigation and adaptation measures
- Clean Energy: infrastructure durability and geographic diversification
- Private Equity: portfolio steering toward lower-carbon business models and enhanced climate governance

3

Strategy Integration



Resilience insights are embedded into investment selection, development and active management, ensuring portfolios remain financially robust and aligned with long-term climate objectives.

3 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 systematically assess the potential impacts of climate change on our portfolio to manage risks and capture emerging opportunities.

For Clean Energy, we assess physical and transition risks using scenario analysis and asset-level tools.

For Private Equity, we apply a sector-based screening approach to identify material climate exposures and transition opportunities.

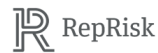
Throughout the investment lifecycle, we apply robust tools and processes to identify, assess, and integrate climate-related risks and opportunities. By following a rigorous approach, we enhance decision-making, manage risks and achieve sustainable financial returns for our clients.

Pre-acquisition / Due Diligence

Climate-related risks and opportunities are assessed through the following processes and tools:



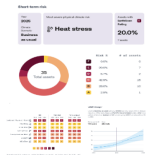
Proprietary R-Eye™ Scorecard
(Investment Management)



RepRisk screening of RI-related risks
(Risk Management)



RI Alert Process
(Responsible Investment Committee)



Climate scenario analysis for Clean Energy asset location planning

Hold period / Post hold period

Climate risks are monitored and managed during the hold period or in the period post planned divestment:



Proprietary R-Eye™ Scorecard
(Investment Management)



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



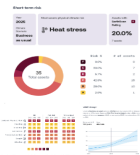
RI Alert Process
(Responsible Investment Committee)



Climate scenario analysis informing Board discussions

Long-term portfolio alignment

We assess portfolio resilience to long-term climate risks under multiple scenarios to evaluate the impact of transition risks and how our investment strategies contribute to the shift toward a low-carbon economy:



Climate scenario analysis
(Chair of Responsible Investment, presentations to the Board)

Tools to identify and integrate climate-related risks and opportunities

R-Eye Scorecard



Our proprietary R-Eye™ Rating System, aligned with the UN SDGs, assesses RI risks during due diligence and throughout ownership.

- Investments rated 0 - 5 across 12 RI criteria
- Reviewed annually by the RI Committee
- Used to guide engagement and mitigation actions
- Embedded impact targets within new Clean Energy funds link to carried interest to ensure strong financial alignment between investment performance and outcomes
- To achieve this, we target average score: 4 out of 5, and portfolio companies must demonstrate progress toward reduced greenhouse gas emissions, in line with the fund's overarching net zero commitments¹

Climate scenario analysis

The RI Committee conducts periodic scenario analysis for Clean Energy assets to assess long-term climate risks and opportunities. Findings inform asset management, business strategy, and financial planning, and is incorporated into our ongoing risk reporting.

Monitoring of regulatory developments

We monitor global sustainability and climate regulations (e.g., SFDR, UK Green Finance)

- Identify emerging regulatory risks and opportunities
- Support compliance and engagement strategy
- Contribute to industry consultations where relevant

RepRisk



We use RepRisk, a global AI-driven platform, to monitor RI risks across companies, sectors and supply chains. The platform covers over 200,000+ companies and 55,000+ infrastructure projects, and provides daily alerts to identify RI issues, support due diligence, and flag risks for RI Committee review.

Post-investment, we use RepRisk to monitor RI risks across our investments:

- Watchlists are created for each fund to track third parties and their supply chains
- Alerts are reviewed weekly by Risk Management leadership and the RI Committee
- Material risks are escalated for further evaluation
- Investment memos include high- or very high-risk incidents are shared with relevant Investment Management or Operations teams

RI Alert Process



Material risks identified through R-Eye™ or RepRisk are escalated to the RI Committee for evaluation and resolution.

- Severity of the risk assessed and appropriate actions determined, such as engaging with portfolio companies or, where necessary, considering divestment
- High-risk issues are addressed promptly under our escalation framework.

Please refer to our [Governance](#) section of this report to view the details of our process.

By Together, these tools enable systematic identification, monitoring and integration of climate-related risks and opportunities across the investment lifecycle.

¹ For further information on the R-Eye™ rating system in accordance with Annex III, point 1 of Regulation (EU) 2024/3005 of the European Parliament and of the Council of 27 November 2024, please visit our website at <https://www.capdyn.com/about-us/responsible-investment/>.

Clean Energy: How we manage and prioritize physical climate risks

Managing physical climate risks is central to maintaining the resilience and long-term viability of our Clean Energy assets. We use climate scenario analysis (Mitiga EarthScan) to assess exposure and inform mitigation planning.

Our approach to prioritize and manage physical climate risks can include:



Climate Risk Mapping

- Utilize Mitiga EarthScan tool to evaluate exposure, sensitivity and adaptive capacity of our solar and wind projects to various climate-related hazards
- Analyze future climate projections across three climate scenarios
- Identify potential risk hotspots and inform project development and capital allocation



Emergency preparedness and climate adaptation

- Implement adaptive management practices and resilient equipment designed to better withstand extreme weather conditions
- Develop emergency plans for extreme weather events and natural disasters, and business continuity plans



Insurance and risk transfer

- Mitigate the financial impact of physical risks by securing comprehensive insurance coverage and implementing risk transfer mechanisms
- Transferring a portion of the risk to insurance providers can help reduce our exposure to potential losses associated with asset damage and downtime



Stakeholder engagement

- Engage local communities and authorities to enhance understanding of local climate risks and develop collaborative strategies for climate resilience
- Partnering with stakeholders can contribute to strengthening the resilience of our assets and advancing broader climate adaptation efforts



Engineering and design standards

- Apply resilient engineering and design standards to our Clean Energy assets against physical risks
- Incorporate adaptation measures such as constructing robust infrastructure and practices to better withstand extreme weather events

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 in Clean Energy assets: Climate adaptation measures

Capital Dynamics implements a range of climate adaptation measures across our Clean Energy portfolio to enhance 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:

Asset Design & Engineering

Heat mitigation

- We use Tier 1, AAA solar panels that highly durable and can withstand temperatures of up to 60-65°C
- Ventilated substation to prevent overheating
- Shift schedules adjusted to avoid exposing workers to extreme heat

Components durability

- Our wind turbines constructed with highly resistant materials
- Regular external inspections & preventative maintenance

Technology & Monitoring

Resilience to extreme weather

- Solar trackers adjust panel angle in adverse conditions
- Systems designed to improve cooling and withstand temperature extremes

Operational Risk Management

Vegetation management

- We manage vegetation at our clean energy sites through preventative maintenance programs
- Dry vegetation is regularly cleared, to reduce fire risk
- Firebreaks established around sites and PV modules

Extreme weather preparedness

- All assets develop emergency plans (fire, flooding & high winds)
- Regular fire risk assessments and on-site equipment
- Automated shutdown systems and wind sensors to enhance resilience to excessive wind & high temperatures

Water Management

- Low water across our assets
- On-site water management aligned to operational needs
- Worker safety provisions in place



How we identify, prioritize and manage transition risk

Managing transition risks is essential to sustaining long-term value. We assess financial, regulatory, market and technology risks arising from the low-carbon transition through a structured six-step approach.



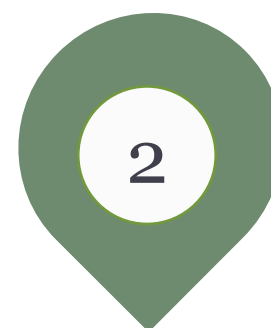
Identify

1 - Comprehensive Risk Assessment

- As part of our systematic processes for climate risks identification, we conduct a thorough transition risk assessments at both macro and asset level
- We analyze regulatory changes, market trends, technological developments and policy shifts that may affect the investment viability and profitability

2 - Scenario Analysis

- We employ scenario analysis to model 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 vulnerabilities



Prioritise & Manage

3 - Stakeholder engagement

- We engage regulators, industry bodies and local stakeholders to anticipate regulatory and market developments
- Monitor evolving disclosure requirements and policy direction
- We integrate stakeholder insights into risk mitigation and investment strategy

4 - Diversification

- We focus on diversification, spreading investment across industries (private equity), geographies, technologies and project types (Clean Energy)
- This mitigates concentration risk and strengthens portfolio resilience to market and regulatory volatility



Monitor & Embed

5 - Long-term perspective

- We maintain a long-term perspective, embedding sustainability considerations into our decision-making process and prioritizing assets with strong performance to capture emerging opportunities

6 - Continuous monitoring and evaluation

- We continuously monitor evolving transition risks through our proprietary R-Eye™ system, including regular reviews of regulatory shifts, technological advancements and climate-related risks
- This ensures our investment decisions remain aligned with our risk appetite and sustainability objectives

Clean Energy assets: How we manage and prioritize climate opportunities

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, while generating attractive financial returns for our investors. We position ourselves to capitalize on the growing demand for sustainable solutions and unlocking long-term value across the portfolio.

Opportunity assessment	• Conduct assessments to identify and evaluate climate opportunities, such as renewable energy, energy efficiency, and green technology • Includes analyzing market trends, policy, technology, and stakeholder preferences to pinpoint areas with strong potential for value creation and environmental impact
Materiality assessment	• Prioritize opportunities based on their relevance to our portfolio and alignment with strategic and sustainability goals • Consider financial, environmental, and social implications, including market size, growth potential, scalability, and risk-return profile
Strategic alignment	• Ensure opportunities align with our investment strategy, risk appetite, and long-term growth vision • Focuses resources on opportunities with the greatest potential to deliver impact and support our broader sustainability mission
Partnerships and Collaboration	• Pursue partnerships with industry groups, governments, and communities to leverage shared expertise and resources • Collaboration expands access to markets, technology, and financing, accelerating climate solution deployment and impact
Continuous monitoring and review	• Continuously monitor and review performance and impact of our climate opportunities, adjusting our strategies and priorities as needed to optimize outcomes and maximize value creation • Iterative process ensures we remain 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.

Private Equity: Managing and prioritizing transition risks and opportunities

Our RI risk management approach begins with the continuous due diligence of the GPs' responsible investment practices, helping to ensure the credibility and robustness of their RI programs. As Capital Dynamics typically does not have direct control over underlying portfolio companies in its Private Equity funds, we implement a structured and proactive process across the investment lifecycle - leveraging the R-Eye™ Scorecard, RepRisk, and the RI Alert Process. This approach supports alignment with long-term sustainability goals, enhances risk mitigation, and maintains transparency with Limited Partners (LPs).

R-Eye Scorecard



The R-Eye™ Scorecard is used both before and after investment as part of the continuous monitoring of the fund:

- **Pre-investment RI due diligence:** Each opportunity is assessed against 12 criteria and scored on a 0 - 5 scale, with some of our funds having varying thresholds or no minimum requirement. For example, in our latest European Primaries fund, an average score of at least 4 out of 5 is required¹.
- **Post-investment:** R-Eye™ Scorecard is updated annually to monitor how risks and opportunities evolve, identify emerging issues, and guide portfolio engagement. Results are shared with LPs to inform oversight and support mitigation planning.

RepRisk



RepRisk, an AI-powered RI risk monitoring platform, is used **pre- and post-investment** to:

- **Pre-investment RI due diligence:** Investment Management (IM) teams use RepRisk screening to evaluate new deals at both the portfolio company and GP levels. The screening produces an analytical RI report, assessing the opportunity against international standards. This forms part of the due diligence process, contributing to the overall assessment of the asset's RI credentials and recommendation for investment.
- **Post-investment:** Provide real-time visibility into emerging RI risks across portfolio companies and their supply chains. Weekly alerts are generated and reviewed by the Risk Management team, then summarized for Investment Management (IM) teams, who determine whether further action is needed. If a high or material risk is flagged, the IM team contacts the GP, and escalation to the Responsible Investment Committee (RIC) is considered.

RI Alert Process



The RI Alert Process ensures that any critical RI risks identified via R-Eye™ or RepRisk are formally escalated to the RIC for cross-functional evaluation. The committee coordinates a timely and appropriate response, which may include targeted mitigation efforts.

Together, these tools provide a structured, transparent and responsive RI risk management framework - ensuring the credibility of GP-level RI programs, enabling decisive action on material risks, and supporting the delivery of long-term sustainability commitments.

For more detail on the tools used to identify and integrate climate-related risks and opportunities, please refer to Page 34.

¹ For further information on the R-Eye™ rating system in accordance with Annex III, point 1 of Regulation (EU) 2024/3005 of the European Parliament and of the Council of 27 November 2024, please visit our website at <https://www.capedyn.com/about-us/responsible-investment/>.

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.

How we integrate climate risks and opportunities into our overall risk management can include:



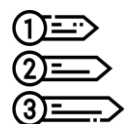
Comprehensive Risk Assessment

- Conduct a risk assessment that may include an analysis of climate-related risks and opportunities alongside other traditional financial and operational risks
- This approach allows us to understand the interconnectedness between climate factors and other risk drivers, ensuring that climate considerations form part of our risk management processes



Scenario Analysis

- 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

- Systematically identify and prioritize climate risks and opportunities based on their materiality to our investment portfolio
- 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

- Develop and implement risk mitigation strategies to address climate-related risks identified through our assessment process
- 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

- Actively seek to capitalize on emerging opportunities presented by the transition to a low-carbon economy
- 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

- 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

Incorporation of climate change into our overall risk management

Climate-related risks may have impacts across several risk metrics monitored by our risk management function.

The summary below details the overlay of financially material climate risks and the intersection with more traditional risk categories:

Credit risk

Climate events—such as floods, storms, or heatwaves—may lead to physical damage at company facilities, disrupting operations and weakening cash flow. This can increase the credit risk of borrower companies and affect their ability to service debt, particularly in sectors with high asset intensity or climate exposure.

Foreign exchange risk

The global shift toward sustainable production and trade may alter supply chains and affect currency values, especially in markets transitioning at different paces. Companies with significant international exposure could face foreign exchange volatility that impacts investment performance and debt servicing.

Product strategy risk

Investor demand and regulation around climate-aligned products are growing, influencing how we design and position investment offerings. Failure to align with standards such as Article 8 and Article 9 of the SFDR could limit our ability to raise capital or meet client expectations in sustainable finance.

Operational risk

The physical effects of climate change—including extreme weather or temperature extremes—may disrupt the operations of portfolio companies or our own business infrastructure. This can lead to downtime, revenue loss, and increased costs related to business continuity, insurance, and recovery.

Reputational risk

Not adequately addressing climate-related risks could damage our reputation with investors, regulators, or stakeholders. Similarly, if our portfolio companies fail to manage these risks, we could be exposed indirectly through perceived misalignment with responsible investment principles.

Regulatory risk

Climate-related regulations continue to evolve rapidly across jurisdictions. Non-compliance—whether due to inadequate disclosure, reporting gaps, or lack of alignment with policy requirements—may result in fines, restrictions, or loss of license to operate in certain markets.

Our engagement on climate change

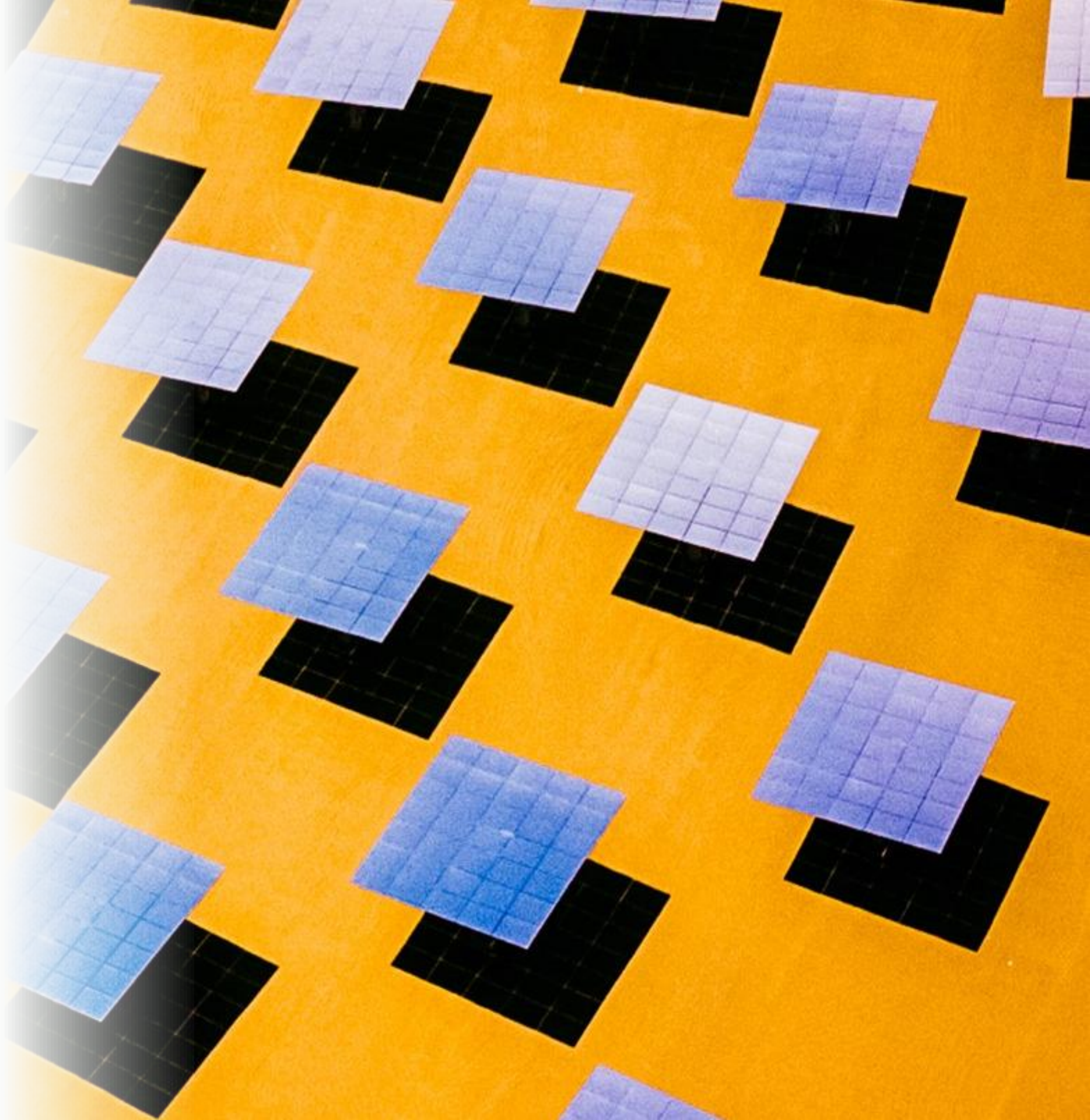
Engagement with stakeholders, portfolio companies, and industry groups is a cornerstone of our climate risk management process. We encourage contractors, suppliers, and portfolio companies to disclose climate-related data, such as GHG emissions, climate risk mitigation actions, and alignment with the 1.5°C target under 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.

				
iC International is a French-led collective initiative that supports the measurement and reduction of carbon emissions in private equity-backed companies. As a member, we collaborate to enhance sustainable investment performance across the private equity sector.	The Institutional Investors Group on Climate Change (IIGCC) is the leading European investor group focused on addressing climate change. We co-chaired a committee developing a net-zero framework for private equity firms and also joined EU-level efforts calling for a sustainable recovery. Our involvement has centered on supporting sustainability performance and long-term environmental and financial outcomes across private equity.	The Partnership for Carbon Accounting Financials (PCAF) is a global initiative to harmonize the measurement and disclosure of financed greenhouse gas (GHG) emissions. We joined PCAF in 2022 and adopted its standard—aligned with the GHG Protocol and TCFD—to consistently assess and report financed emissions from our investments.	The Principles for Responsible Investment (PRI) is a global network of investors committed to incorporating RI factors into investment decisions. We became early adopters in 2008 and, in the most recent (2021) assessment, received 5-star ratings for our Investment & Stewardship Policy, Private Debt, and Clean Energy strategies.	The Task Force on Climate-related Financial Disclosures (TCFD) is an international initiative promoting standardized climate-related financial reporting. We are a TCFD supporter, having published our first report in 2020 and a second in 2021, which included both firm-level and asset-level climate scenario analyses.

4

METRICS & TARGETS



Our decarbonization strategy and targets for Clean Energy

Our commitment to energy security

Capital Dynamics supports Europe's energy security and resilience by investing in Clean Energy infrastructure that strengthens domestic energy supply and reduces reliance on imported fossil fuels. Our investments are designed not only to generate attractive risk-adjusted returns, but also to accelerate the deployment of reliable and scalable energy infrastructure across Europe.

Our Clean Energy strategy contributes to strengthening Europe's energy system, supporting the expansion of renewable generation and helping diversify the region's energy mix. Since inception, our Clean Energy investments have contributed to avoiding more than 30 million tonnes of CO₂e, reflecting the role renewable infrastructure plays in strengthening long-term energy resilience.

While renewable assets generate minimal operational emissions, we recognize that a significant share of lifecycle emissions occurs during manufacturing and construction. As such, our focus increasingly includes reducing embedded carbon across the full project lifecycle, while supporting the rapid deployment of energy infrastructure that enhances Europe's energy security.

Asset-level emissions management

In our new Clean Energy funds, we are committed to addressing project lifecycle emissions from construction through to exit. For each investment, we aim to reduce lifecycle emission where feasible, using asset-level emissions data where available, and portfolio-level intensity metrics where necessary.

This commitment is embedded within our investment and procurement processes. Contractors are screened in accordance with our Responsible Contractor Policy, and we require relevant emissions data to support transparency and ongoing monitoring. Our approach reflects a shift from focusing solely on operational and avoided emissions to proactively managing embedded carbon within our assets.

As of 2025, 17 of our assets have dedicated decarbonization targets. We will continue to monitor lifecycle emissions data to assess asset performance and identify opportunities to further reduce emissions and improve overall project efficiency.

Clean Energy Portfolio: Emissions Profile and System Impact

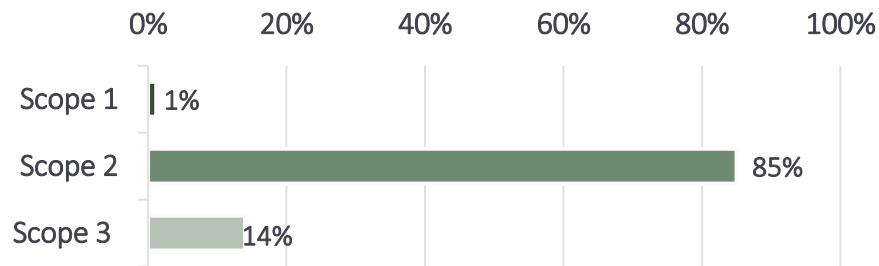
We use a range of metrics to assess climate-related risks and opportunities across our Clean Energy portfolio. In 2025, the number of operational assets increased to 22 (from 20 in 2024). This section outlines the key emissions metrics and targets tracked for our European Clean Energy portfolio¹.



Our Emissions Profile

Total Portfolio Emissions¹: 4,260 tCO₂e

Emissions are predominantly associated with construction-related activities and purchased electricity across the portfolio, reflecting the continued growth of assets under construction during the reporting period.



Scope 1 | Direct emissions

- Scope 1 emissions are limited and relate mainly to minor fuel use at operational sites. All operational assets are within scope, although not all report material Scope 1 emissions

Scope 2 | Indirect emissions (purchased electricity)

- Scope 2 emissions relate to purchased electricity used for operations and maintenance activities across operational assets. Emissions are calculated using the location-based method

Scope 3 | Indirect emissions

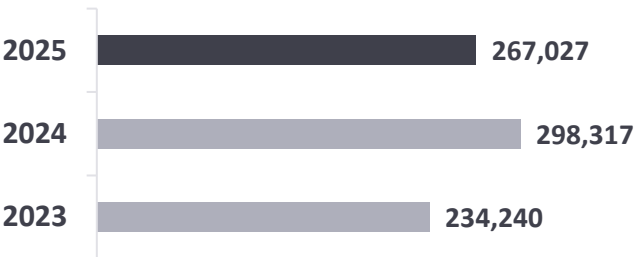
- Scope 3 emissions are predominantly driven by construction-related fuel consumption, with additional contributions from operational fuel use, waste, and water consumption where applicable



System Impact: Avoided Emissions

Total Emissions Avoided: 267,027 tCO₂e

Avoided emissions generated by our European Clean Energy portfolio.



Equivalent to...

 **112k** Number of passenger vehicles removed from roads

 **17k** Homes powered in a year²

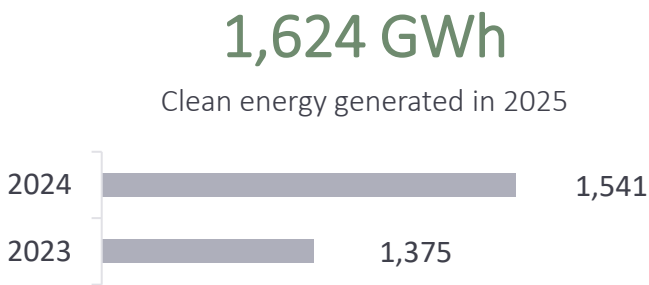
Our portfolio emissions remain limited relative to the significant avoided emissions generated - demonstrating net positive climate impact.

¹ Input data provided by Netro Energy. Data coverage of Scope 3 emissions varies by category and asset stage. Operational data coverage by net capacity of eligible assets includes water (94%), fuel (62%), and waste (95%). Construction data coverage includes water (38%), fuel (50%), and waste (76%). Construction electricity consumption was reported by one eligible asset only, with no electricity consumed by other construction assets. Due to the number of assets under construction, some construction-related data may not be available within the reporting period. Figures may therefore be restated in future reports as data availability improves. Portfolio emissions and avoided emissions are reported on an ownership-attributed basis, reflecting Capital Dynamics’ proportional share of each asset. ² Figures are not attributed to Capital Dynamics’ share. Homes powered metric accounts for total annual energy use per household.

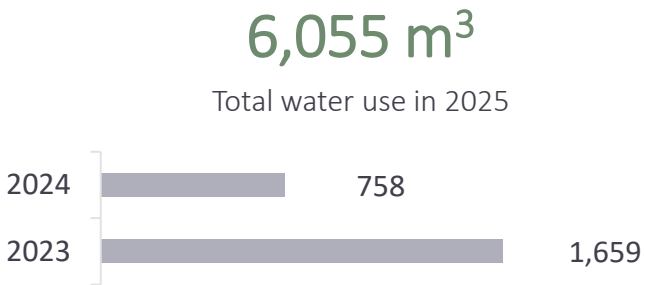
Clean Energy Portfolio: Operational performance & Environmental indicators

In 2025, assets in our European portfolio have contributed to producing the following environmental benefits¹:

Clean Energy Generated



Water use²



Data coverage includes 94% of eligible operational assets by net capacity and 38% of eligible construction assets by net capacity. Data is adjusted by ownership share.

Waste generation³



Data coverage includes 95% of eligible operational assets by net capacity and 76% of eligible construction assets by net capacity. Data is adjusted by ownership share.

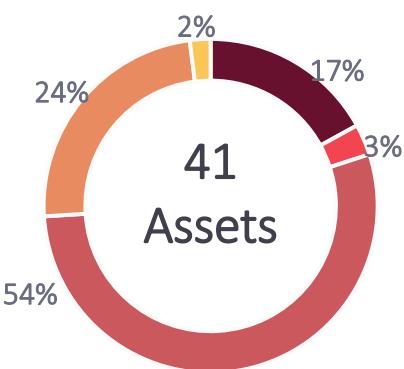
Water emissions

Zero
Emissions to water by our Clean Energy assets in 2025

¹ 2023, 2024 and 2025 data presented as of 31 December 2023, 2024 and 2025 respectively. Figures are not attributed to Capital Dynamics’ share unless otherwise stated. ² Data coverage - 94% of the net capacity of eligible operational assets and 38% of the net capacity of eligible construction assets, based on the total portfolio net capacity. Only solar assets report water-use data, as wind assets have no water use. Data is adjusted by Capital Dynamics’ share. Input data provided by Netro Energy. Large increase from 2024 figure due to change in methodology this year (Construction assets report data annually and not at COD). However, due to the nature of construction activity, there are always gaps when applying this approach, so we expect construction data to always be restated at COD. ³ Data coverage - 67% of the net capacity of eligible operational assets and 76% of the net capacity of eligible construction assets, based on the total portfolio net capacity. Waste data is unavailable for 8 UK operational assets due to limitations in waste service provision associated with their remote location. Data is adjusted by Capital Dynamics’ share. Input data provided by Netro Energy. ⁴ Large increase from 2024 figures, due to maintenance and repairs at operational sites. Hazardous waste reported include PV panels disposed and waste oil.

Clean Energy assets: Metrics and targets

Climate Scenario Analysis



Risk distribution¹

In 2025, out of the selected 41 assets, the most common risk rating will be C for Combined physical risk under a Business-as-usual scenario. At this time, no assets will likely be rated F.

	Risk %	# of assets
F	0	0
E	17%	7
D	3%	2
C	54%	22
B	24%	10
A	2%	1

Top 3 climate hazards

Our assets¹ are exposed to (2025, Business as usual scenario) - Climate hazards rated between medium to high risk



Heat stress



Extreme precipitation



Drought

R-Eye Scorecard



In 2025, 85% of Clean Energy investments achieved a minimum R-Eye score of 4 out of 5, reflecting strong alignment with our net-zero commitments and risk mitigation practices. The remaining assets scored below 4, due to being new acquisitions².

¹ Coverage: European assets from funds CEI VIII, CEI IX, CE Europe and CE UK. ² For further information on the R-Eye™ rating system in accordance with Annex III, point 1 of Regulation (EU) 2024/3005 of the European Parliament and of the Council of 27 November 2024, please visit our website at <https://www.capdyn.com/about-us/responsible-investment/>.

Private Equity assets: Metrics and targets

Latest Mid-Market Direct Funds¹

65%

Female board presentation in portfolio companies²

Latest Primaries and Secondaries Funds¹

75%

Female board presentation in portfolio companies

Zero

Portfolio companies engage in non-renewable energy production

Zero

Portfolio companies engage in activities that negatively affect biodiversity-sensitive areas

Zero

Portfolio companies have been involved in violations of UNGC principles or OECD guidelines

R-Eye Scorecard



In 2025, our Private Equity funds achieved an average R-Eye score of 3.4 out of 5, reflecting our ongoing monitoring of environmental, social and governance issues³.

¹ Mis-Market Direct funds data collection coverage is 94%. Primaries & Secondaries funds data collection coverage is 41%. ² Includes both Mid Market Direct V (60%) and Mid Market Direct VI (70%) fund portfolio companies' female board representation. ³ For further information on the R-Eye™ rating system in accordance with Annex III, point 1 of Regulation (EU) 2024/3005 of the European Parliament and of the Council of 27 November 2024, please visit our website at <https://www.capdyn.com/about-us/responsible-investment/>.

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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. 4-6 p. 5-6
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. 9-23 p. 31 p. 32
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. 34-35 p. 36-37 p. 38-42
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. 45-49 p. 46 p. 45

Methodology – EarthScan climate risk rating

We use EarthScan™ ratings, customized in conjunction with Mitiga, to develop broader insights over risks in our Clean Energy 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	Excellent Minimal risk of climate hazard events that have the potential to cause physical damage and / or disruption to built assets
B	667 – 832	Good Low risk of climate hazard events that have the potential to cause physical damage and/or disruption to built assets
C	501 – 666	Moderate 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	Poor High risk of climate hazard events that have the potential to cause physical damage and/or disruption to built assets
E	167 – 333	Very poor Very high risk of climate hazard events that have the potential to cause physical damage and/or disruption to built assets
F	0 – 166	Extremely poor 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. 4
Figure 2: Capital Dynamics’ RI Alert Process	p. 5

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