2020 TCFD Disclosure Report

July 2020

Contents

Capital Dynamics' Commitment

Capital Dynamics supports the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD") and is committed to producing annual disclosures that consider these recommendations. This is our inaugural annual TCFD disclosure report. We are taking a staged approach to implementation of the TCFD recommendations and are committed to continuous improvement. We expect our disclosures to evolve over time.

Bryn Gostin
Managing Director,
Head of Product
Development & Strategy
Co-chair RI Committee

Angela Willetts
Managing Director,
Special Adviser,
Co-chair RI Committee

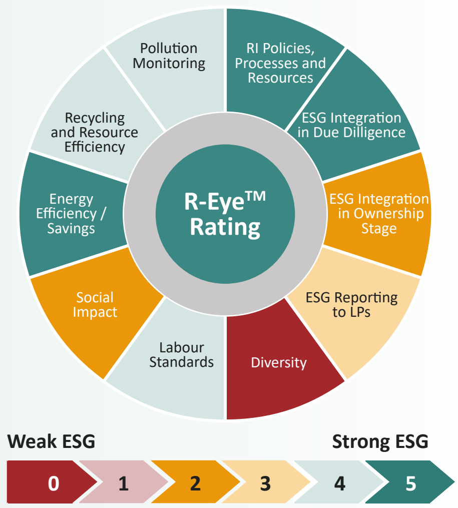
Capital Dynamics has a long-standing commitment to responsible investment. In recognition of the importance of responsible investment, all of the firm's business lines integrate the United Nations-supported Principles for Responsible Investment ("PRI"), the United Nations Sustainable Development Goals ("SDGs") and other environmental, social, and governance ("ESG") factors throughout the investment appraisal, due diligence and monitoring process.

In 2019 **Capital Dynamics' proprietary R-Eye™ Rating System**, based on the United Nations Sustainable Development Goals, was adopted across the entire investment platform to help ensure a consistent and transparent approach to ESG due diligence. Each investment made, 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 and assessed annually thereafter.

Our proprietary rating system, as illustrated below, takes issues that affect climate change seriously as they play a major factor in each rating and ultimately whether we proceed with an investment. Investments that are considered to have the weakest ESG controls (inclusive of climate related factors), are rated 0, while investments which have the strongest ESG controls are rated 5. These ratings are based on standardized due diligence assessments and questionnaires, which were constructed by the investment teams and ratified by the Capital Dynamics Responsible Investment Committee ("RI Committee"). Each investment memorandum that is considered by the relevant Investment Committee contains a summary of the scorecard for consideration as part of the investment decision-making process.

Capital Dynamics is likely to reject an investment on "Responsible Investment ("RI") grounds" if certain essential RI criteria are not met at the point of investment. Each investment strategy also has a response protocol for ESG issues which arise during an investment's monitoring period. For additional information or to share your views with us, please email **esg@capdyn.com** or contact the authors of this report.

R-Eye™ Rating System[1]



[1] Source: Capital Dynamics – in-house illustration. The R-Eye scorecard for each strategy will vary. Only investments beginning in 2019 are evaluated based on the R-Eye Framework. Specific investment processes may vary depending on investment vehicle. The value of the investment can vary and there is no guarantee that target returns will be achieved.

Governance

Responsible investment, inclusive of climate change factors, is part of the standard due diligence conducted on each investment considered. As an equity investor in renewable power projects in North America and Europe, our Clean Energy Infrastructure platform is at the forefront of the energy transition as the global economy shifts from traditional fossil fuels to clean energy.

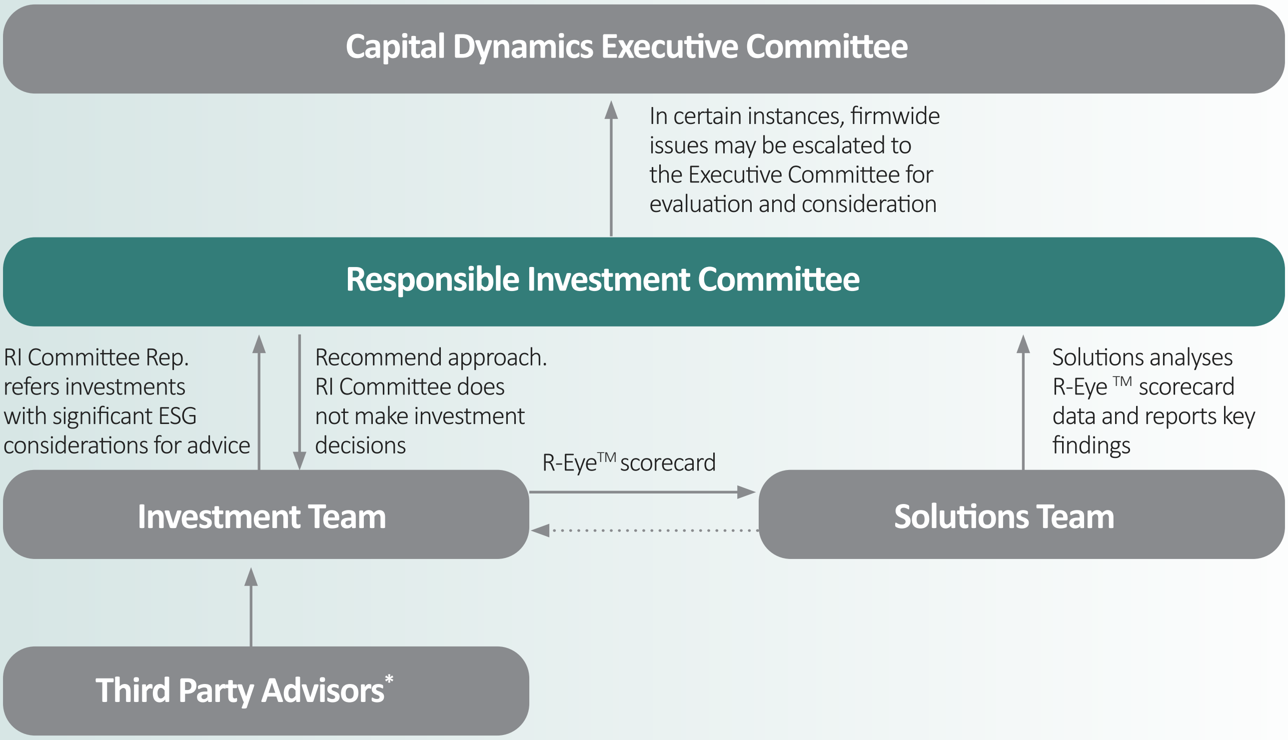
Capital Dynamics is a global private asset manager headquartered in Zug, Switzerland. Our history dates back to 1988[2] and we currently oversee more than USD 16 billion in assets under management and advisement[3] across our private equity, private credit and clean energy infrastructure platforms.

Responsible investment, inclusive of climate change factors, is part of the standard due diligence conducted on each investment considered. Oversight of the proprietary rating system is the responsibility of our **Responsible Investment Committee**, which includes senior investment team representation from each platform. In this section we will touch on how the **Capital Dynamics R-Eye™ Rating System**, overseen by the Responsible Investment Committee and the firm's overall responsible investment initiatives help shape how we address climate change.

Responsible Investment ("RI") and Monitoring Process

This process applies both at the time of investment and during the ongoing monitoring of active investments. All decisions and recommendations are informed by Capital Dynamics RI policy which is updated and recertified on at least an annual basis.

The level of inclusion and control of RI, and by extension climate change factors, will vary by platform. Provided below is a high level look through into each platform's strategy.



*Not all investment decisions across Capital Dynamics engage third party advisors.

[2] Through the acquisition of Westport Management in 1999 by Capital Dynamics.

[3] As of March 31, 2020.

Clean Energy Infrastructure

As an equity investor in renewable power projects in North America and Europe, our Clean Energy Infrastructure platform is at the forefront of the energy transition as the global economy shifts from traditional fossil fuels to clean energy. While we selectively invest in operating renewable energy assets, we primarily focus on bringing new renewable power projects onto the grid to continue to migrate the global economy to clean power and away from more carbon-intense resources.

Private Equity (Inclusive of Primaries, Co-investment and Secondaries)

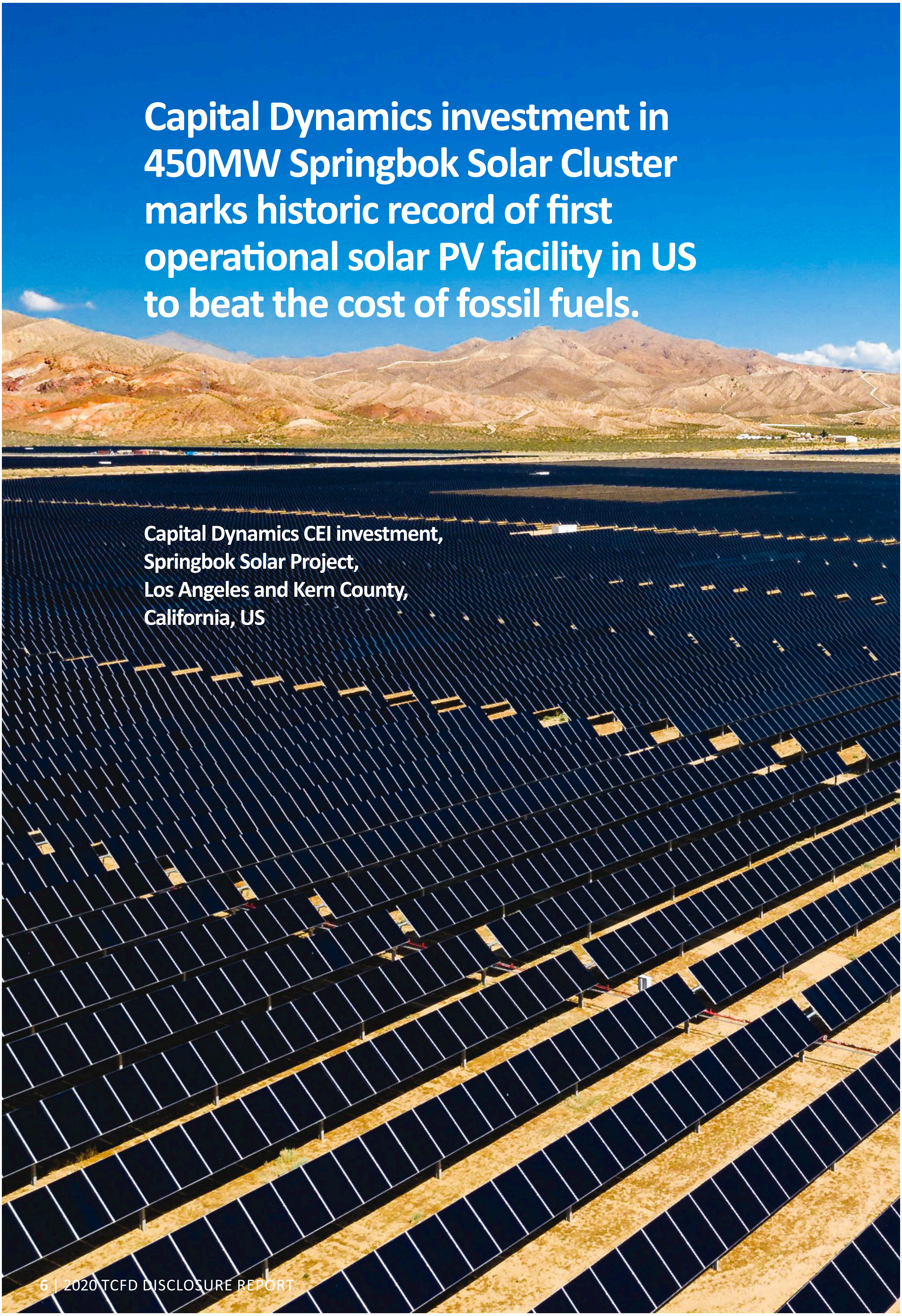
In our indirect private equity business lines, we strive to work in concert with our general partners to address climate change related factors and use our internal proprietary rating system to screen such factors, where applicable, as part of the initial and ongoing investment diligence.

Currently, all three private equity strategies diligence our current and prospective General Partners for Energy Efficiency, Water Usage and Natural Resource Usage as part of the Capital Dynamics R-Eye™ Rating. Our plan is to expand these factors over the next twelve months and formally consider measuring the results, once we have enough data for a meaningful analysis. The next phase of the plan will contemplate how to apply a weighting system to data collected from relevant Climate R-Eye™ Rating questions.

Private Credit

The Capital Dynamics Private Credit platform utilizes both PRI and ESG factors when performing their underwriting process. All potential loans to portfolio companies are evaluated based on short, medium and long term impact across environmental, social and governance issues. The team utilizes a system that rates potential portfolio companies on a scale from 0 to 5 based on a holistic assessment of certain considerations. The team strongly advocates for ESG policies through affirmative covenants and compliance in credit agreements, and continues to monitor these considerations post investment, with response protocols in place should these guidelines be breached.

Capital Dynamics is committed to the expansion of our climate change factor diligence, risk management and metric tracking across each of our investment strategies. This report is the firm's first step in broader commitment to TCFD disclosure. We are targeting a formal roll out of our governance and risk strategy, specific to climate change, by December of 2020 with formalized metric analysis for some of our business lines in 2021.



Capital Dynamics investment in 450MW Springbok Solar Cluster marks historic record of first operational solar PV facility in US to beat the cost of fossil fuels.

**Capital Dynamics CEI investment,
Springbok Solar Project,
Los Angeles and Kern County,
California, US**

Strategy

We view climate change as a global risk, and we want to stay at the forefront of discussions with other managers, investors, and other influential parties seeking to better manage and measure financial risks associated with climate change. In addition to our Clean Energy Infrastructure platform, our firm offers exclusion-based private equity investment strategies and portfolios that do not invest in coal, thermal power generation and other carbon-intensive fossil fuels.

As most experts agree, climate change presents an acute threat to each country along with the broader financial markets. Our responsibility as an investment manager is to ensure we understand these potential risks and try to mitigate them, to the best extent possible, through investment selection as well as ongoing monitoring utilizing both in-house and third party information service providers.

As a firm, we were early to identify the secular global changes occurring in energy transition as economies shift from reliance on traditional fossil fuels to renewable energy. In addition to investing in clean technology through some of our private equity primary and co-investment strategies, we established our Clean Energy Infrastructure platform in 2010 to take advantage of opportunities in energy transition, minimize our exposure to commodity price sensitivity, and implement a sustainable investment strategy dedicated to displacing traditional fossil fuels with cleaner renewable energy and battery storage technology.

The knowledge and data we have acquired by investing in renewable power over the past decade and counting, as well as having a dedicated asset management team to support and oversee our projects through their full lifecycle, has provided us with a sizable information set to help us perform scenario analysis for climate change.

Examples of scenarios related to climate change that are used in our underwriting and monitoring processes on Clean Energy investments include:

- Physical impact on assets, and renewable energy production levels, due to extreme weather events such as:
    - wildfires
    - hurricanes
    - droughts
    - floods
    - dust bowls
- Regulatory and tax changes related to renewable energy, battery storage, and climate change
- Increase/decrease in growth of Renewable Portfolio Standards (RPS) as well as other regional and/or corporate renewable energy goals

In addition to our Clean Energy Infrastructure platform, our firm offers exclusion-based private equity investment strategies and portfolios that do not invest in coal, thermal power generation and other carbon-intensive fossil fuels.

In 2020, Capital Dynamics signed an IIGCC letter from investors to EU leaders to support a sustainable recovery plan from COVID-19

IIGCC
The Institutional Investors Group on Climate Change

To help develop progressive thinking related to climate change and its associated risks and opportunities, members of our firm are involved with the Institutional Investor Group on Climate Change (IIGCC) as well as various smaller local initiatives. In May 2020, The Institutional Investors Group on Climate Change ("IIGCC") invited members to sign a letter to be sent to European Union ("EU") leaders calling for a sustainable economic recovery from COVID-19 in the EU that includes maintaining momentum on the Green Deal and sustainable finance agenda, with at least twenty-five percent of the EU's long-term budget contributing to climate objectives. The letter was prepared by the IIGCC in coordination with the Principles for Responsible Investment (PRI) and Carbon Disclosure Project (CDP). Our firm strongly supports this initiative and signed the letter to show our commitment.

Risk Management

Capital Dynamics at both the firm and investment level assess and manage climate related risks. The investment due diligence conducted during the R-Eye™ Rating process, highlights potential climate change risks and opportunities. We are also actively working to expand the set of climate change criteria that feeds our rating. Provided below are some examples from the past year.

Firm

We continue to develop and implement our climate resiliency strategy. During second half of 2019 and now in 2020, Capital Dynamics has focused on two important initiatives, the reduction of Greenhouse Gas ("GHG") emissions as well as overall business use plastics.

The first layer of this plan was to identify what actions the business could take to mitigate our negative impact on the environment. As commonly accepted by most scientists, the production and disposal of plastics is having a materially negative impact on both our ecosystem and is a contributing factor to climate change. Armed with this knowledge Capital Dynamics has cut our reliance on plastics by over fifty percent over the past twelve months and intends to bring this number down further by the end of 2020. Key actions taken to reduce our usage of plastics included the following:

Action taken:

- Eliminating plastic water bottles
- Eliminating plastic utensils
- Reduction in plastics cover pages on presentations
- Re-use of plastic toner cartridges

Solution:

- Installation of sparkling water dispensers ; employees receiving re-usable bottles to use instead of plastic cups
- Reusable metal utensils
- Plastic presentation covers replaced with cardboard versions
- New refillable toner cartridges are now used and are part of an exchange program

In terms of GHG emission reduction goals, we have taken an important first step to offsetting our carbon footprint from our investor meeting flights by purchasing carbon credits and have plans to roll this program out broadly across the firm. The next step in this plan, which is currently under development, is reducing the overall number of flights taken by our professionals. We are working to improve and encourage all business partners to utilize video conference more frequently. We are currently targeting a significant reduction of flights taken over next 12-24.

Additionally, Capital Dynamics has formally launched an initiative to utilize renewable clean energy across all offices by purchasing Renewable Energy Credits ("RECs") from a Capital Dynamics-owned renewable power project at a fair market price. Further details are provided in the metrics and targets section of this report.

It should also be noted that at a firm-level, we have incorporated climate-related risks such as adverse weather and flooding into our Business Continuity Plan ("BCP") to help ensure the health and safety of our employees as well as mitigating any impact on our ongoing business operations, from IT to communications with our clients and business partners.

Private Equity

Our Private Equity and Private Credit platforms have undertaken a four step approach to risk management as it relates to climate change with each investment they consider:

1. Assess
2. Identify
3. Implement
4. Monitor

On the indirect private equity side of our business there are limits to the degree to which we can influence our managers with respect to climate change, nevertheless we have taken the approach to be a responsible investor and climate change advocate to the greatest extent possible. If a given investment is determined to be in breach of our RI policy or rates poorly based on our proprietary R-Eye™ criteria, the investment team may choose not to make the investment, put the manager on a watch-list for future fund commitments, or in extreme cases consider selling an existing fund interest on the secondary market. Moreover, we seek side letters with all of our general partners to hold our managers accountable on important ESG and climate change related factors.

Clean Energy Infrastructure

Our Clean Energy Infrastructure team works closely with Arevon Asset Management, our dedicated asset management group that is fully integrated with our Clean Energy Infrastructure investment platform and that helps oversee risk management and performance optimization functions related to our renewable energy and battery storage projects.

Building out Arevon Asset Management's team over the past decade has allowed us to develop and maintain a robust set of data and information related to the prior realized impact of risks associated with climate change (i.e. – impact from wildfires, hurricanes, etc.). This proprietary data and information continues to help us better oversee our existing projects, and is also incorporated as we underwrite and diligence new projects and work with external contractors and other partners to help ensure potential risks are mitigated as we move forward.

Capital Dynamics CEI investment, Middle Balbeggie Wind Project, UK

Our renewable energy fleet in North America and Europe generated enough power to avoid over 10 million metric tons of greenhouse gas emissions.

Capital Dynamics CEI investment
Moapa Southern Paiute Solar Project, Nevada, US

Metrics and Targets

Our firm's Environmental Sub-Committee, composed of members of our Responsible Investment Team and Clean Energy Infrastructure team, undertook an important initiative to ensure that our firm uses clean energy and/or offsets 100% of its electricity consumption.

Since the inception of our Clean Energy Infrastructure platform, the team has measured and reported to both our investors and to the public GHG emission reduction statistics, including:

- Metric tons of greenhouse gas emissions avoided,
- Homes' electricity use for a year powered by renewable energy, and
- Barrels of oil otherwise consumed.

In 2019, Capital Dynamics used more than 250,000 Kwh of electricity across our offices worldwide. Thanks to the initiative and goal set by our Environmental Sub-Committee, this energy consumption was more than offset with the purchase of two hundred sixty 2019 Green-e certified Renewable Energy Credits ("RECs") from a Capital Dynamics-owned renewable power project at a fair market price.

Going forward, we are planning on taking our commitment to protecting the environment a step further by offsetting carbon emissions from travel, and continuing to look for other opportunities to minimize our firm's carbon footprint.

As of December 31, 2019 our renewable energy fleet in North America and Europe generated enough power to provide over two million homes with electricity use for one year and avoid over ten million metric tons of greenhouse gas emissions[4]. Our dedication to climate change and responsible investment helped us earn recognition from GRESB, the ESG benchmark for real assets, as the "Sector Leader" in the "Renewable Power Generation: Global" category in 2019.

Across our Private Equity and Private Credit platforms we are currently gathering data based on our **R-Eye™ Rating System** launched in early 2019. We are tracking factors such as pollution, energy efficiency, recycling and resource efficiency. We also expect over the next six to eight months to incorporate metrics around GHG emissions.

Over the past twelve months we have also been tracking and gathering ratings data across all three platforms. On the 30th June 2020, we released our inaugiral annual **Responsible Investment Report**, which further addresses climate specific metrics and targets.

250,000

Kwh of electricity across our offices were more than offset with the purchase of

260 RECs

GRESB®
Sector Leader 2019

[4]Capital Dynamics and CD Arevon, as at December 31, 2019. Information since inception of CEI in 2010. Environmental benefits to December 31, 2019 are calculated using actual generation of CEI assets and based on US Environmental Protection Agency Greenhouse Gas Equivalencies Calculator. Environmental benefits from January 1, 2020 are calculated using budgeted generation of CEI assets based on US Environmental Protection Agency Greenhouse Gas Equivalencies Calculator. Information is adjusted for actual CEI portfolio generation annually.

Our Path Forward

Climate change is a complex global risk facing our planet. We believe it is crucial that companies and investment managers develop a climate resilience strategy and implement it as soon as feasible.

Our focus, through our RI initiative and Clean Energy Infrastructure platform, is moving toward decoupling performance from increased GHG/Carbon emissions. We believe strong ESG practices can lead to improved performance and mitigated financial risk.

Climate change has been a key consideration of our firm and of our investment strategies for years. We know that reporting in line with TCFD guidelines and continuing to evolve how we measure risks associated with climate change is a long-term process. All members of our firm recognize that climate change not only affects how we run our business and invest, but also how we live our lives. In 2019, we started an annual RI training program, which was required for all employees, to ensure this message was properly communicated throughout the organization. We had a 100% participation rate for this training program.

We embrace the challenge of continuously thinking about how to navigate this complex, global issue for our clients' capital over the near- and long-term.

Capital Dynamics CEI investment, Dunmore Wind Project, UK

For more information, please contact the authors of this report:

Bryn Gostin
Managing Director,
Head of Product
Development & Strategy,
Co-chair RI Committee

BGostin@capdyn.com

Angela Willetts
Managing Director,
Special Adviser,
Co-chair RI Committee

AWilletts@capdyn.com

Steve Kennedy
Principal,
Product Development
& Strategy,
Member RI Committee and
RI Sub-Committee – Truly
Invested® in our Environment

SKennedy@capdyn.com

Matthew Ciambriello
Vice President,
Product Development
& Strategy

MCiambriello@capdyn.com

Capital Dynamics

TRULY INVESTED.

ZUG | MILAN | MUNICH | LONDON | BIRMINGHAM | NEW YORK

SAN FRANCISCO | TOKYO | HONG KONG | SEOUL | DUBAI

WWW.CAPDYN.COM

ESG@CAPDYN.COM