

Our Journey so Far
and the Way Ahead

Responsible Investment at Capital Dynamics

Annual Report 2019/2020



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A MESSAGE FROM OUR CEO

As I write this introduction, we are living through unprecedented times in which businesses will face greater scrutiny from their stakeholders on what Environmental (E), Social (S) and Governance (G) factors really mean, and how each one will evolve in the coming months and years. During times of turmoil it is easy to think of Responsible Investment (RI) as a luxury but it is precisely at these moments that our actions matter the most.

The COVID-19 pandemic has amplified societal vulnerabilities and brought to light issues previously inadequately addressed- and now the spotlight is shining brightly on the S and G of the ESG equation. We now have undisputable evidence of the painful economic and social costs of too little commitment to these important considerations and axioms. As we rebuild our economies, attitudes towards socially responsible investment need to permanently shift from a “nice to have” to a “necessity.” We recognize that Capital Dynamics has a unique role to play here given how acutely small and medium sized businesses continue to be impacted by the pandemic – a part of the corporate market where we have honed our investment expertise across multiple market cycles.

Similarly, the global economy will require substantial infrastructure investment from both the public and private sectors to aide in the recovery. It is our responsibility to ensure that this investment is a green one, focused on a path to de-carbonization through clean energy, cleaner transportation, and systematic disclosure of meaningful emissions data.

In our company tagline, we describe ourselves as “Truly Invested®,” which reflects not only *who we are, what we do, and how we do it*, as a business partner, but also the way we care for the communities around us. We will do our part and bring to light important ESG issues through the investments we make, our role as an influencer of behaviors in the private markets, and our commitment to communities as a global citizen. Recent events have made it even more apparent that many people are limited in life due to social prejudices. For years, through charitable giving and local community involvement, Capital Dynamics has been unwaveringly committed to supporting individuals reach their full potential regardless of race, ethnicity, socioeconomic status, gender, and all other dimensions of diversity.

We are Truly Invested® in Diversity and Inclusion and are committed to the continued improvement of the firm’s open and inclusive culture. We do not tolerate any form of discrimination, harassment or racial prejudice, internally or externally, and we remain staunchly committed to promoting a diverse, inclusive, fair and equitable workplace. We continue to sharpen our focus on Diversity and Inclusion through proactive measures and are confident that, based on repeated evidence, diverse teams with individuals of varying backgrounds make for a truly successful company and impactful industry leader.



It gives me great pleasure to present Capital Dynamics’ inaugural Responsible Investment Report. RI is a discipline and ethos that has been at the center of our firm’s approach to investing for over a decade and it is a deeply shared value by our staff and leadership.

It is tempting to celebrate our progress report as testament of a job well done, but we know that best-in-class ESG is a constantly increasing target. There is no final destination, just the journey to expand our approach and impact. The road ahead is a series of milestones, each as important as the last, and each to be celebrated as progress.

From increasing diversity in our offices to reducing carbon emissions, there is considerable progress described in this RI report. Our latest efforts help reduce blindness in India, empower women in the workplace, and aid with the COVID-19 relief effort. Importantly our firm is resolute that these efforts are not antithetical to strong performance but rather enhance our ability to deliver strong financial results to our investors.

When it comes to transparency, we are committed to communicating actively with our investors on the topic of ESG. We have an “Environmental Benefits” ticker on our website, and our Responsible Investment policy can be downloaded by any of you who wishes to have a closer look. We include RI in every aspect of our investment process and have recently published the results of our second General Partner RI survey.

At Capital Dynamics, we strive to be different and to encourage the advancement of important RI/ESG initiatives across the private markets. You can be sure that we will continue on this journey, using our strong commitment to RI/ESG principles to improve our investment performance, our company culture, our industry practices and the social health of our local and global communities.

Yours sincerely,

A handwritten signature in black ink that reads "Martin Hahn". The script is fluid and cursive.

Martin Hahn
Chief Executive Officer
Capital Dynamics

AN INTRODUCTION TO THE REPORT

A STRONG START

Environmental, Social and Corporate Governance (RI) is not a new subject for us or a "check the box" which we have simply bolted on to existing processes. It is core to our fundamental belief that strong RI practices enhance long-term value creation for our clients and help further important societal goals.

More than a decade ago, in 2008, we became one of the earliest signatories to the Principles for Responsible Investment (PRI) charter. In the years that followed, our in-house research began to indicate a link between responsible investment and better long-term returns, setting us on a path to a more sustainable and successful future.

We know that best-in-class ESG practices in the private markets help drive risk-adjusted returns for our investors.



Having commenced our RI journey many years ago, we:

1 Are **committed to holding ourselves up to the highest standards**, and **actively participating in RI organizations to help advance RI/ESG** best practices across the private assets industry

2 Understand the correlation between responsible investment and sustainable performance. According to our internal research and market intelligence, RI leads to **enhanced long-term financial returns** for our investors

3 Became **one of the first signatories of the United Nations' (UN) six Principles for Responsible Investment (PRI) in 2008**

4 Created a sophisticated **proprietary RI screening and scoring system, R-Eye™**, based on the United Nations-supported **Principles for Responsible Investment (PRI)** and the United Nations' **Sustainable Development Goals (SDGs)**

5 **Formed a Responsible Investment Committee**, comprised of 16 professionals across Capital Dynamics' business lines, that governs our investment and corporate activity

6 **Operate stringent policies controlling waste and the reduction of greenhouse gas emissions** across all offices

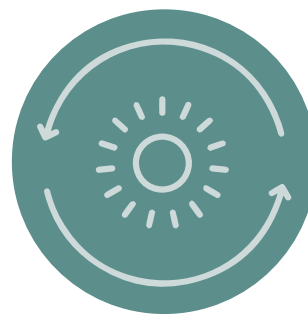
7 Regularly **participate in and contribute to community projects** – our staff is Truly Invested®, a tagline we stand by

FOUR BIG NUMBERS



15
million

metric tons of greenhouse
gas emissions avoided*



7.3
GW

capacity installed in
clean energy projects**



4,000
jobs

created for every GW of
wind power generated***



31
colleagues

form Capital Dynamics'
RI Committee and Sub-
Committees*

*Source: Capital Dynamics, data as of June 30, 2020.

**Source: Capital Dynamics, data as of January 31, 2020 and includes assets operating, partially commissioned or with financing secured. Data shown is total gross GW.

***Source: National Renewable Energy Lab JEDI tool, as of January 31, 2020.

FIRMWIDE APPLICATION OF RESPONSIBLE INVESTMENT

EVERY STEP IS A STEP FORWARD

The first step on our journey was to ensure that everyone at Capital Dynamics adhered to the six Principles for Responsible Investment (PRI) as defined by the United Nations (UN) and outlined below.

- 1 We will incorporate ESG issues into investment analysis and decision-making processes.
- 2 We will be active owners and incorporate ESG issues into our ownership policies and practices.
- 3 We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- 4 We will promote acceptance and implementation of the Principles within the investment industry.
- 5 We will work together to enhance our effectiveness in implementing the Principles.
- 6 We will each report on our activities and progress towards implementing the principles.

Source: <https://www.unpri.org/pri/an-introduction-to-responsible-investment/what-are-the-principles-for-responsible-investment>



While these six Principles represent an excellent starting point for any Responsible Investment journey, we knew we could go further, and we did. On the following pages, we outline the systems we develop and activities we participate in to not only adhere to these guidelines, but to also create our own so that we may go a step further.

The importance of these Principles is embedded throughout our business, and we make our RI policy publicly available on our website for those who wish to read it. Mandatory RI training for all our employees, irrespective of seniority level, team, or location, allows each and every one of our employees, starting from the most junior all the way to the CEO, not only to understand the meaning of each Principle, but also how they relate to his/her day-to-day job and our business as a whole. It is only with the support of every individual in our organization that we can achieve our collective RI goals, because ESG touches every part of what we do. One hundred percent of our employees participated in the 2019 firmwide ESG training course. By investing in the continuous education of our employees we strive

to foster an environment in which curiosity, tenacity, and diversity of thought are valued.

In the coming months and years, as society's expectations evolve, we will continue to lend our support to upholding these important ideas. For us, integrity and performance are inextricably linked – we do well by doing good.

TAKING THE NEXT STEPS

As mentioned in the note from our CEO, Martin Hahn, our work can never be done. While we have built a strong foundation, we know that if we want to continue to lead by example we cannot be passive, especially now.

As we begin to assess the long journey to a new “normal,” we face even greater scrutiny of what the E, S, and G really mean in the wake of our new reality. Companies will increasingly be called on to show flexibility, and a willingness to continuously adapt to changing situations. By working together with our



investors, business partners, and peers, we will help redefine the meaning of these three important factors.

GOING THE EXTRA MILE

In 2015, all UN Member States adopted the 17 Sustainable Development Goals (SDGs) which range from reducing poverty to protecting the oceans, and ensuring the world's population has access to clean water. We have since used these goals as a blueprint for our own RI activities. The result is an investment ethos that is aimed at, amongst other goals, improving education, reducing inequality, spurring economic growth, and creating jobs, all while conducting our business according to the six core Principles for Responsible Investment.

We take an active role helping drive the integration of RI/ESG, and this year signed the Institutional Investors Group on Climate Change (IIGCC) letter, drafted in conjunction with the PRI and the Carbon Disclosure Project (CDP), to leaders of the European Union (EU) calling for a sustainable economic recovery in the region that includes maintaining momentum on the Green Deal and sustainable finance, with at least twenty-five percent of the EU's long-term budget contributing to climate objectives.

We also issued a Modern Slavery statement signaling our support for the UK Modern Slavery Act of 2015 to eradicate forced labor and human trafficking. As a socially responsible investor, we have a long-standing commitment to corporate responsibility. Modern slavery and human trafficking are clearly identified in our RI policy as characteristics of businesses we will never invest in.

RI METHODOLOGY WITHIN THE INVESTMENT PROCESS

It is vital that businesses like ours are guided by the highest ethical standards when investing and managing funds on behalf of investors. This can only happen if everyone involved in the investment process, and the firm, is Truly Invested®. "Truly Invested®," is much more than a tagline for us – it is a part of our firm's ethos; everything we do, no matter how small or large, we seek

to do with integrity. We hold ourselves accountable and succeed without cutting corners.

Our unique approach to RI is one that places these initiatives at the heart of every investment and business decision. We wholeheartedly believe that RI can drive increased long-term performance and closer alignment between the objectives of institutional investors, business stakeholders, and society at large.

As a responsible investor, we are firmly committed to investing in managers, companies and projects that align with our core ESG values. Building on the six Principles for Responsible Investment outlined earlier, all investment decisions are guided by our RI policy that is based on four foundational principles:

- 1 | Responsible Investment leads to enhanced long-term financial returns for our investors*
- 2 | Our investment platform, across all strategies, is required to follow a rigorous approach to ESG investment due diligence, and actively re-underwrite our rating of existing investments
- 3 | The data identified through our ESG investment due diligence must be tracked and analyzed during the holding period to continually improve our RI process across each of our investment strategies
- 4 | We understand the importance of our role as a corporate citizen and prioritize our commitment to the local communities in which we operate and invest in

Our trademarked approach, which received the highest marks from PRI in the category of Strategy & Governance, adheres to the following ideas.

- Our RI framework is based on the UN's Sustainable Development Goals
- A designated RI Committee member reviews every investment using Capital Dynamics R-Eye™ rating system
- Investments with the most complex risk profile get referred to the entire RI Committee for review
- We maintain active and continuous RI monitoring of all investment portfolios

**Based on Capital Dynamics research and market intelligence.*

CAPITAL DYNAMICS AT WORK

CO-INVESTMENT CASE STUDY:

GASES RESEARCH INNOVATION & TECHNOLOGY (GRIT)

GRIT is a company specialising in the development, blending and formulation of industrial gases, along with techniques for storage and distribution. Its products help to reduce ozone depletion and greenhouse gas emissions, making it easier for the industry to comply with mandated EU emissions reductions. In that sense, it is an environmentally friendly business that has arisen in response to challenging regulation, creating a differentiated investment opportunity.



Cases for a greener future

At its plant in Spain, the company markets gases in four sectors: aerosols, propellants, refrigerants and speciality gases. It is a key quota holder in the tight refrigerants market and boasts years of experience in the development and distribution of flammable gases.

Crucially, GRIT has a strong R&D focus that positions it well to respond to further market changes. With untapped opportunity for geographical expansion, strong cash flow, an attractive entry valuation and the reassurance of high barriers to entry for competitors, GRIT is a great example of a market leading approach resulting in a more valuable business.



“ We welcome Capital Dynamics’ focus on responsible investment matters –
which is very much in line with our own approach to this increasingly important area of asset management activity. We have worked closely with Capital Dynamics in a co-investment situation at the board level and have seen the benefits of working together to improve the ESG credentials of the businesses which we invest in firsthand. We have recently adopted the Italian PE association's guidelines on ESG, providing us an all-round standard set of rules on this matter. ”

Lorenzo Stanca

*Managing Partner,
Mandarin Capital Partners*

CAPITAL DYNAMICS AT WORK

SECONDARIES CASE STUDY: PROJECT MAHARAJA

Project Maharaja is an investment that demonstrates the link between ethical benefits and strong returns. The project is comprised of a structured investment in the Asian Healthcare Fund, which holds growth equity investments in Indian healthcare companies that provide access to dentistry, ophthalmologic testing and optician services.

Growth based on ethical performance

The Asian Healthcare Fund includes Forus, a technology company that prevents avoidable blindness by making affordable hardware and software for retinal testing. Microsoft is just one of Forus' many technology partners.

Changing lives while generating returns

Forus developed NEO, a portable scanner designed specifically to combat Retinopathy of Prematurity (ROP) – a disease that may potentially cause blindness by primarily affecting the retinal vessels of premature babies. NEO makes mass screening feasible prior to the onset of the disease and, crucially, can be used by non-specialists. While the treatment of ROP is simple, the disease cannot be detected without the use of a scanner, and with no obvious symptoms prior to the onset of blindness the use of technology such as NEO is critical. So far, NEO has been used on more than 45,000 children, changing lives on an enormous scale.

“Responsible Investment plays a uniquely important role in the private markets – where experienced investors can focus on multi-year value creation plans, set key objectives for management, and benefit from evolving secular trends in favor of enhanced ESG business models.”

Bryn Gostin

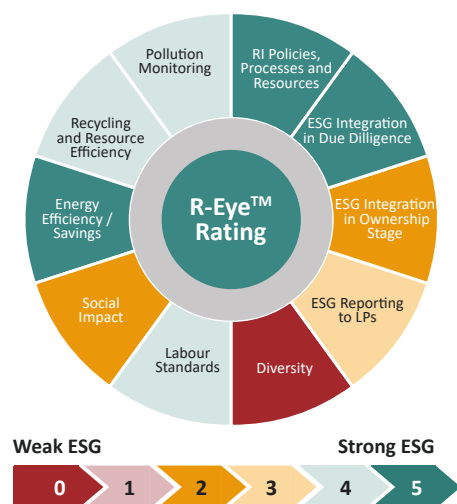
Co-Head of RI Committee,
Head of Product Development & Strategy,
Capital Dynamics



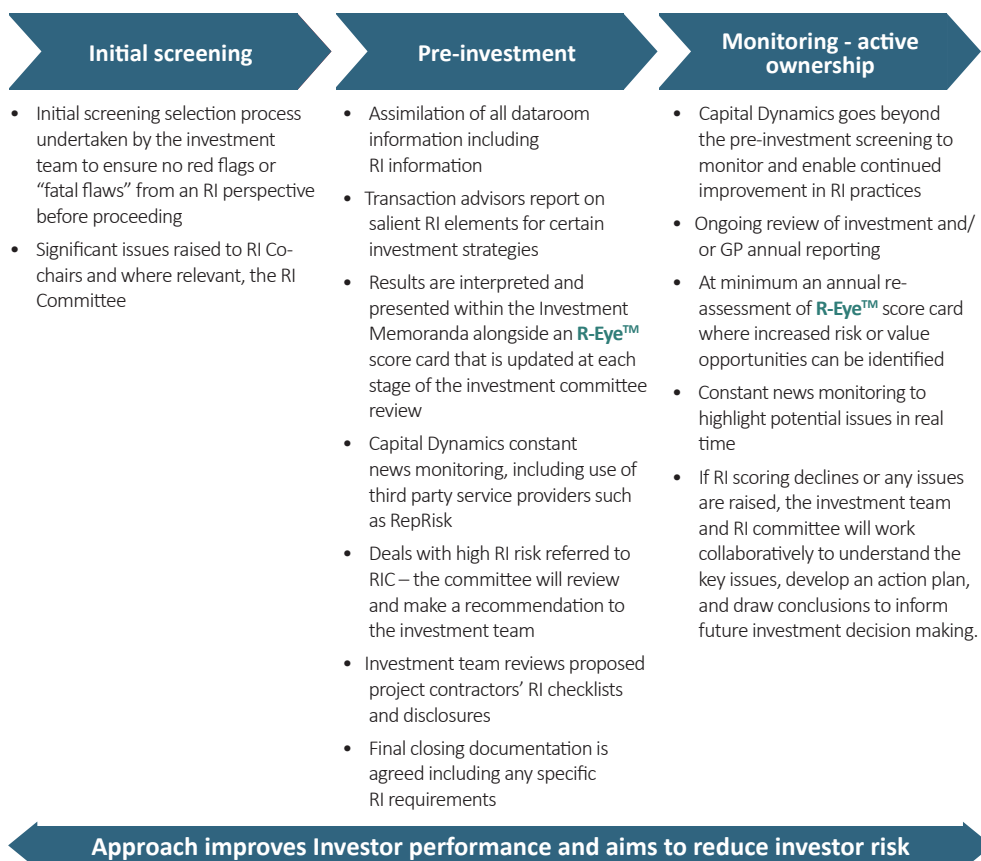
OUR PROPRIETARY INVESTMENT RATING SYSTEM: R-EYE™

Based on the 17 SDGs identified by the UN, we created the **R-Eye™** rating system in 2018, and deployed it across our business lines the following year. The proprietary rating system makes use of ten to twelve criteria, depending on the investment strategy, which are included in a scorecard and the responsible investment evaluation process. By scoring a potential investment against these criteria, we can make an informed decision whether to proceed with the due diligence or refer it to our Responsible Investment Committee for further review prior to the final investment decision. After an investment is made, this R-Eye™ rating is actively monitored and updated during the holding period of an investment. Any change in the rating is reported to our investors and protocols are in place to respond quickly and thoughtfully where any material ESG issues are identified.

Sample R-Eye™ for Private Equity Primaries and Secondaries*



RI THROUGH THE INVESTMENT CYCLE**



*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 and asset class.

** Capital Dynamics – in-house illustration. Specific RI integration processes may vary depending on investment vehicle and asset class.

OUR RESPONSIBLE INVESTMENT COMMITTEE

Our 16 person RI Committee includes representation from each investment strategy, investment risk functions, and senior client and business professionals.

The Committee works closely with each investment team as well as the organization as a whole to make sure our RI philosophy runs through our entire business.

The Committee:

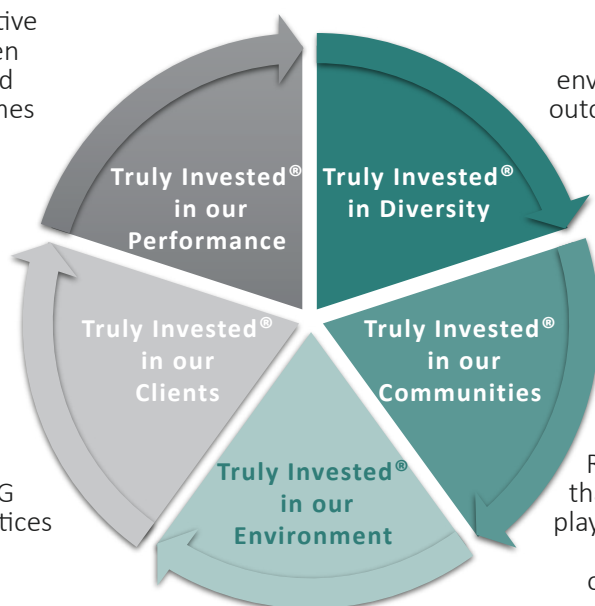
- Votes on items such as RI policy and UN PRI submissions
- Advises Investment Committees on RI best practice
- Evaluates potential RI alerts within our investment portfolios
- Sets the agenda for RI training, community involvement and the advancement of RI thought leadership

FIVE RI SUB-COMMITTEES FOCUSING ON KEY TOPICS

In 2019, the firm formed five Sub-Committees, as outlined below, to focus on key areas of RI within the business.

Establishing a positive correlation between RI underwriting and investment outcomes

More effectively communicating ESG risks and best practices with our clients



A more diverse & inclusive work environment improves outcomes for both firm and individual

Recognizing the role that Capital Dynamics plays as a global citizen and representative of the private assets community

Taking steps to reduce Capital Dynamics' environmental footprint

CAPITAL DYNAMICS AT WORK

CLEAN ENERGY INFRASTRUCTURE CASE STUDY: CALIFORNIA FLATS

In 2017, our Clean Energy Infrastructure Investment team acquired the California Flats Solar Project from First Solar. A 280 MW solar park located on Jack Ranch in Southeast Monterey County, the project has been designed for minimal impact on the surrounding ecosystems and countryside. Powered by First Solar's Series 6 thin-film modules, the panels themselves have around half the carbon footprint of conventional crystalline PV panels, while the entire array is invisible from public roads. The project was chosen as an investment for Capital Dynamics following a rigorous review of factors such as the availability of existing electrical infrastructure, the hours during which sunlight could be collected and current land use.

Today, the project powers 10,000 homes, displacing 109,000 tons of carbon dioxide emissions every year. It also helped to keep the 73,000-acre ranch open in a sustainable manner; sheep graze freely on the grass so that machines are not required to cut it, for example. As a result, there has been no need for commercial development of the ranch.

Environmental benefits

The California Flats Solar Project is a great example of the biodiversity of our sustainable investments, and also demonstrates how nature and large-scale solar projects can go hand-in-hand. The project site occupies 3 percent of Jack Ranch and was designed to sit close to the ground to minimize visual impacts. The project, designed to avoid critical habitat areas, has become a safe haven for kit foxes, badgers, and other small mammals as a result of wildlife-friendly fencing that keeps out coyotes, one of the main predators of the small animals.

The site is home to multiple breeding pairs of the endangered San Joaquin Kit Fox. In 2017, ten pups were born from two pairs, and in 2018 this number grew to 13 pups from three pairs. Many other species such as golden eagles, vernal pool fairy shrimp, along with owls and many other animals have found sanctuary on the site.

“In 2019, our Clean Energy Infrastructure team continued our leadership in the Renewable Energy Sector by adding over **1.5 GW** of additional solar capacity to our portfolio, which now includes **7 of the 20** largest solar projects in the U.S., as well as mid-sized projects in every major region and a broad portfolio of DG (Distribution Generation) projects. In addition, we are now playing a leading role in the storage sector with nearly **3 GWh** of batteries in our construction pipeline.”

John Breckenridge

Head of Clean Energy Infrastructure,
Capital Dynamics



CAPITAL DYNAMICS AT WORK

PRIMARIES CASE STUDY: **FUTURE ESSENTIALS**

Sustainable future investment returns lie at the heart of the Future Essentials program that was developed to address the demands of a discerning investor group in the DACH (Germany, Austria, Switzerland) region, requiring the highest degree of RI/ESG integration in its investment process. The unique investment program aims to provide investors with a broad and diversified investment solution with which to access global private equity opportunities across strategies and transactions, with a strong emphasis on middle-market companies.

Target funds selection criteria

The Future Essentials program's manager selection criteria is based on RI/ESG and seeks out private equity managers who:

- Incorporate responsible investment principles into their corporate culture and processes
- Evaluate and consider ESG factors during the due diligence of potential investment opportunities, monitor their portfolio companies' performance across a variety of ESG factors, and have formally recognized the value creation potential from an improvement of portfolio companies' ESG ratings
- Have a proven track record of strong operational value creation
- Can demonstrate their expertise and network to support companies in achieving sustainable growth by stimulating research, innovation and product development, expanding services, and entering into new markets

By focusing on private equity managers who exhibit these attributes and adhere to strong responsible investment principles, the Future Essentials program strives to deliver performance and purpose simultaneously.

“ We have been very pleased to work with Capital Dynamics – they understand that RI best practices create value for all stakeholders and mitigate risk for portfolio companies, and hence make RI factors an integral part of their due diligence on managers. ”

Ambienta

European Mid-Market General Partner





CORPORATE RESPONSIBLE INVESTMENT INITIATIVES

WALKING THE TALK, EVERY DAY.

While the United Nations' guidance on ESG best practices has been critical in the evolution of our business, we also continue to look inward for ways to play our role as a corporate citizen and influencer in the private markets. As RI evolves and takes on new meaning over time, we will continue to push ourselves to go a step further and lead by example.

GLOBAL COMPANY INITIATIVES

From reducing waste to boosting our employees' well-being, we undertake a range of activities and practices that help ensure we practice what we preach.

For example, at the 2019 Annual UK Investor Meeting we made a concerted effort to work with the venue provider to make the event as environmentally friendly as possible. Plastic and paper use was kept to a minimum, with presentation materials provided in electronic format and paper made out of apple peels and other vegetable fibers used for notetaking. For the buffet, we offered limited meat options opting instead to serve our guests with vegetarian and vegan dishes. We made a conscious choice to use our existing stock of items whenever possible to reduce waste. Even the selection of speaker, Ben Fogle, an outdoor adventure enthusiast, was done with an ESG perspective in mind.

On the following pages you will see some of the company wide initiatives we have undertaken to further align our actions with the six PRI.

RESOURCE CONSERVATION

We recognize that the earth's natural resources are limited. It is our responsibility as citizens of the world to make sure that we use only what is needed and recycle what we can. We are committed to reducing our footprint on the planet, and have instituted various waste reduction policies governing the use of plastic, paper, and energy.

Plastic and Paper:

We track trends to help us reduce the usage of paper and have instituted a policy of "Think before you print." Portable devices such as laptops and tablets allow us to go a step further by enabling more onscreen sharing rather than printing for meetings.

The removal of single use plastic water bottles from all of our offices has translated into an annual estimated savings of more than 25,000 kg of CO2 per annum. Each office also maintains clearly marked recycling points.

Energy:

Each one of our eleven offices worldwide makes every effort to use clean energy through renewable providers. Where this is not possible, the firm purchases Renewable Energy Credits (RECs) to offset our carbon-based energy usage.

In 2019, we used more than 250,000 Kwh of electricity. This energy consumption will be more than offset with the purchase of two hundred and sixty 2019 Green-e certified RECs from a Capital Dynamics' wind farm at a fair market price. The purchase of RECs is equivalent to buying renewable energy and is a simple way companies, other institutions, and individuals can offset their carbon footprint and support clean energy.

That being said, we understand that offsetting is not enough. We are fully committed to reducing overall emissions and are in the

process of updating our firmwide travel and energy policies to continue reducing emissions where possible.

ONE FIRM. ONE TEAM.

In the midst of recent racially motivated tragedies and social unrest, it is important that companies remain staunchly committed to promoting a diverse, inclusive, fair and equitable workplace. We believe that the best run organizations bring together people from diverse backgrounds and experiences – with each member being Truly Invested® in the success of the whole.

The initiatives we undertake, and the organizations we support such as those focused on equitable access and opportunities for women, Historically Underrepresented Groups (HUGs) and LGBTQ+ individuals are part of an ongoing effort to make our offices a place where people can thrive and feel valued, regardless of race, sexual orientation, religion, age, gender, disability, and all other dimensions of diversity. Our foremost priority is building deep and sustained partnerships with our employees, clients, and third parties to create and sustain a culture where all are given an equal opportunity. We understand the need and value in creating a more diverse and inclusive environment and both our Responsible Investment Committee and our Truly Invested® in Diversity & Inclusion Sub-Committees have taken a leading role in implementing sustained change for both our employees and the communities in which we operate.

Team Initiatives:

Our colleagues may be spread out in offices across the globe but we are one team. Regular team off-sites, workshops, local office social events such as lunches, and now Zoom coffee breaks, help us maintain a sense of unity even if we cannot always be physically together.

Health and fitness is also an important aspect





that we support through employee benefits and various sponsorship opportunities to encourage a healthy lifestyle, enhance and promote relationships, and give back to the communities of which we are a part.

Continuous Training:

By investing in the continuous training and education of our staff we not only promote an environment of intellectual curiosity but also help foster the next generation of Capital Dynamics' leaders. In 2019, we allocated a budget of USD 290,000 for the training of our 100 plus staff worldwide. In 2020, the budget was increased by 15% to allow employees to continue advancing their knowledge and honing their skill-set.

TRULY INVESTED® IN OUR COMMUNITIES

At Capital Dynamics, we understand the importance of our role as a corporate citizen and prioritize our commitment to the local communities in which we operate and invest.

The three pillars below shape us as a company and serve as guiding principles for our outreach programs and embody the Truly Invested® spirit:

- **A culture of performance and drive.** We seek to support and reward the passion, hard work and diligence that people exhibit, regardless of their financial constraints, in order to help them succeed and perform.
- **Building deep and sustained partnerships.** We value the importance of lasting relationships and strive to be a supportive partner working shoulder-to-shoulder with organizations and committed individuals.
- **Being a different type of firm.** Much like we attract and motivate entrepreneurial and innovative thought leaders and

builders, we strive to partner with organizations and individuals that are found "off the beaten track" and distinguish themselves through their passion and drive.

Based on these, we support unique organizations and individuals that align with two key areas of engagement:

TRUE PERFORMERS

Individuals are often limited in life due to circumstances beyond their control. Whether directly or through an organization focused on education, arts and culture or the workplace, Capital Dynamics is committed to supporting individuals around the globe to reach their full potential.

TRUE VISIONARIES

Capital Dynamics also supports organizations and/or individuals striving to make revolutionary and inspirational changes in their fight to positively impact our environment/ climate by going above and beyond, and thus, being role models for "walking the talk."

The Truly Invested® in our Communities Sub-Committee has put together a robust program that will continue to support and encourage charitable giving, at both the firm and employee-level, that will aid in the fight against inequalities in our society. We have supported, and will continue to support and identify, organizations that ensure individuals from disadvantaged backgrounds get the resources they need to succeed in school, work and life.

Below are some of the organizations we support that are aligned with these two key areas of engagement.

The Talisker Whisky Atlantic Challenge

We support a team of four women that will be rowing more than 3,000 miles in a bid to raise awareness of the plight of our oceans against plastic pollution. If successful, this will also represent the first full ocean crossing in a boat reliant on solar panels to power its electrical equipment.

Impetus

The Private Equity Foundation (Impetus - PEF) - brings strategic resources to non-profit organizations working to improve the lives and opportunities of young people in poverty in the UK. Our Zug, London and Birmingham offices will continue our tradition of competing in the Impetus – PEF Private Equity Triathlon. All money raised helps support 11 to 24-year-olds from disadvantaged backgrounds, providing them with the resources and tools to find jobs.

The Astona International Music Academy

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

National Future Day

For two decades, as part of our support of this Swiss event, we have welcomed Swiss 11 to 13-year-olds to our Zug office to spend a day with us and learn more about the private asset industry.

Cycle for Survival

For the last three years, staff from our New York office has taken part in the high-energy “Cycle for Survival” event to raise money for research into rare cancers at Manhattan’s Memorial Sloan Kettering Cancer Center.

Summer Search

Summer Search seeks out students with great potential, but limited opportunities, partnering with them to ensure their success in school, work, and life. In March 2020, we supported the Summer Search Leadership Gala hosted by the Summer Search NY Board of Directors.





THE WAY AHEAD

OUTLOOK

In 2016, we completed our first survey to explore the views and policies of private market managers with respect to RI principles. Given the meaningful developments in ESG over the past two years, we released an updated survey* this year speaking with more than 150 General Partners from Europe, Asia and the Americas. The findings serve as a useful guide illustrating how far ESG has come in the private markets in a short period of time and also where it is heading.

INSIGHTS FROM THE TEAM

While no one can predict the future, the COVID-19 pandemic has forced us to realize that the ways in which companies, and to some degree governments, function needs to change.

There is no denying that we are in a period of constant change, especially where RI issues are concerned. While this can make the future difficult to predict, we believe that by continuing the work we do, we move closer to our goals. Being driven by our ESG goals means that we must continue to reflect on where we have been and be flexible on how we move forward.

*Source: <https://www.capdyn.com/news/embracing-esg-as-a-value-driver/>

RI TRENDS AND LOOKING AHEAD

We understand that best-in-class ESG is a constantly moving target and seek to stay current with recent developments and ahead of industry trends. As we write this, there is an ongoing initiative to improve RI reporting and the associated drive to collect meaningful and accurate metrics. There have also been significant developments focused on new reporting standards and requirements. One example is the Task Force on Climate-related Financial Disclosures (TCFD), an initiative set up to develop a set of recommendations for voluntary and consistent climate-related financial risk disclosures in mainstream filings. Another is the EU Action Plan on Sustainable Finance, developed to integrate environmental, social and governance considerations into the EU financial policy framework and to mobilize finance for sustainable growth. Longer-term topics such as addressing RI factors in the supply chain, and the growing consideration of assurance/verification of RI policies and metrics are also gaining attention.

Perhaps the most pertinent today is the need to undertake an assessment of what the pandemic means for the corporate world, and how we do business. Recent events have placed a much-needed spotlight on the racial injustices still present around the world. Despite unconscious biases that individuals may have, we are each accountable for our actions and the will to acknowledge, educate, learn and respond to this in a meaningful way. In turn, we should equally encourage our peers to do so as well and collectively we will make a difference for each other, our firm and our society. As the world is forced to slow down and reflect, now is the time to re-evaluate what aspects of our old "normal" we want to incorporate into our "new" reality – as well as where change is needed.

As our RI journey continues, we can move forward in many directions and must be agile enough to adjust our course. Over the next 12-18 months, however, our focus is on: (i) continuing to improve our regular and real-time ESG communications with our clients; (ii) collecting data gathered through our proprietary R-Eye™ rating system to better understand the relationship between strong RI fundamentals and performance outcomes; and (iii) enhancing our ongoing monitoring of active investments including utilizing tools such as RepRisk, a leading business intelligence provider that specializes in dynamic environmental, social and governance risk analytics. We will also be issuing our first TCFD report and other important and evolving ESG reporting obligations. We have also started to explore external verification and assurance of our RI processes and data as part of our company goals.

SOME KEY INITIATIVES

As Martin Hahn noted in his introduction, it is essential that we recognize the direct impact we have on communities in which we work, live, and invest. The pandemic has shined a spotlight on issues of fairness and equality that have been ignored for too long.

In an effort to play our part to help address these issues, we are planning to introduce a number of charitable/community initiatives including a matching gift policy as well as identifying several charitable partnerships and sponsorships within areas that align with the core themes of True Visionaries and True Performers mentioned in the previous section. We will also continue to focus on addressing diversity as part of our hiring process and in representation at senior levels of the Firm. Whether it is by supporting YangBiZi, a Chinese elementary school, or empowering women in the workplace by supporting Dress for Success, an international not-for-profit organization, we will work together with our **partners towards a**



better and more inclusive and egalitarian future.

From an investment perspective, we are also well positioned to contribute in two ways. First, our Firm is committed to reinforcing its investment in the middle market, an area where we have deep capabilities. Small and mid-sized companies are among the most affected by the Covid-19 pandemic and would benefit greatly from the capital and operational expertise of experienced private equity investors. Second, infrastructure investment is critical to the economic recovery resulting from the Great Lockdown. As a market leader in clean energy, our platform can play a part in ensuring that this investment is made in ways that promote decarbonization goals. Importantly both of these investment opportunities are not only socially responsible but, due to the market dislocation, have the potential to deliver differentiated risk-adjusted returns. This return profile is consistent with our core message that good ESG practices translate into long-term outperformance for investors.



CAPITAL DYNAMICS AT WORK

COVID-19 RELIEF

While the full impact of the COVID-19 pandemic is still not understood, the negative effect on the government, economy and individuals is unmistakable. As this crisis continues to unfold we will be identifying and supporting a number of individuals and organizations that are contributing to the fight against the virus, with an emphasis on locations where we have boots on the ground.

By creating a Responsible Investment Committee that helps ensure we invest in companies that strive to “do good,” we have already made a small contribution in the fight against COVID-19. Several of the portfolio companies we hold in the healthcare and pharmaceutical sectors have been providing invaluable services during the pandemic.

This is just the first step of many that we will continue to take as we work with our peers, shareholders, and business partners to contribute and do our part.

U.S.-BASED HEALTHCARE BUYOUT FUND

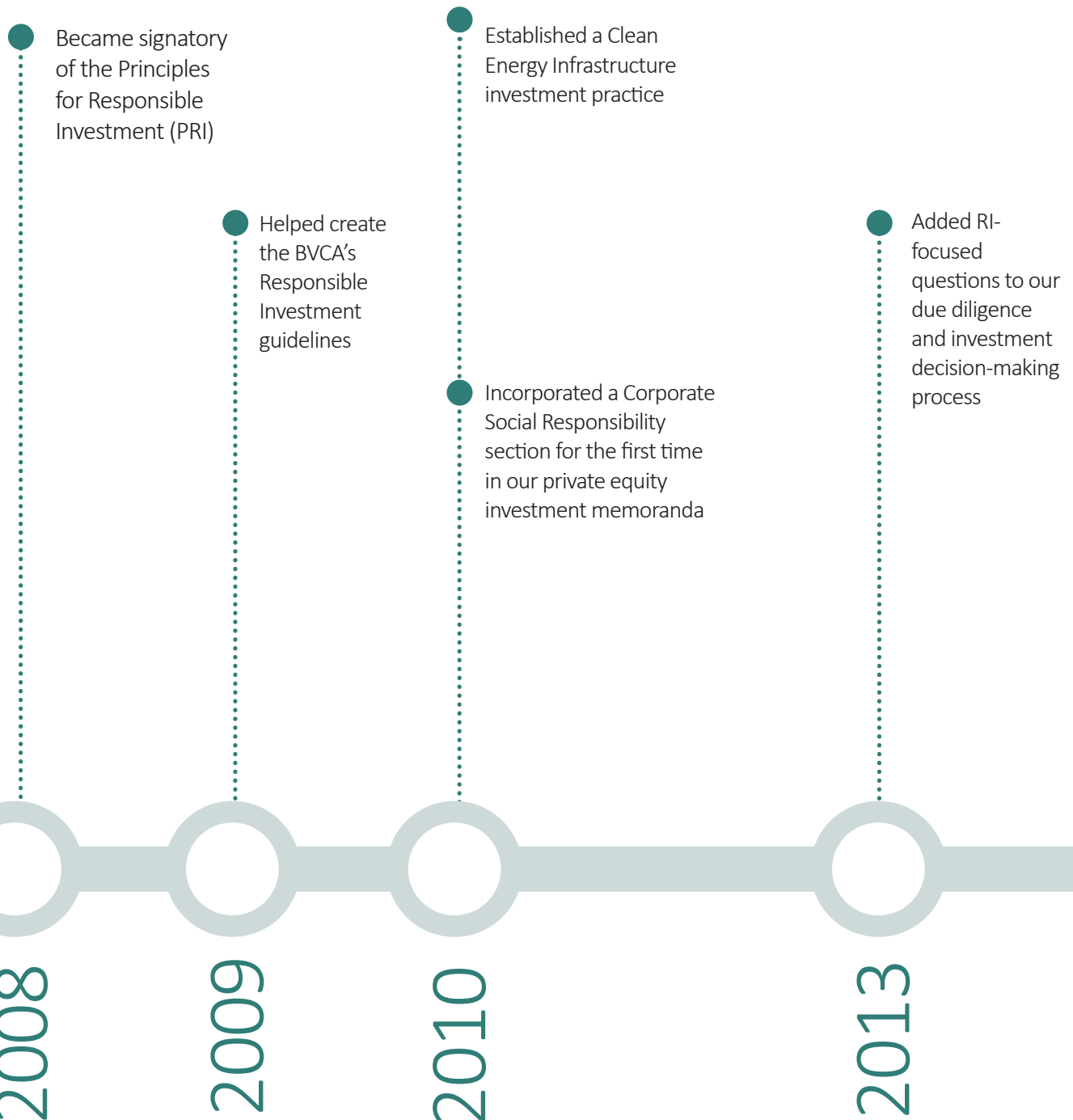
As part of a separate mandate in 2019, Capital Dynamics’ Primaries team made a commitment to a U.S. Healthcare Buyout Fund. The Fund is comprised of U.S.-based portfolio companies working with multiple pharmaceutical and medical diagnostics firms that are trying to provide contract research and clinical services related to COVID-19 treatment and testing.

ASIA-BASED PRIVATE EQUITY FUND

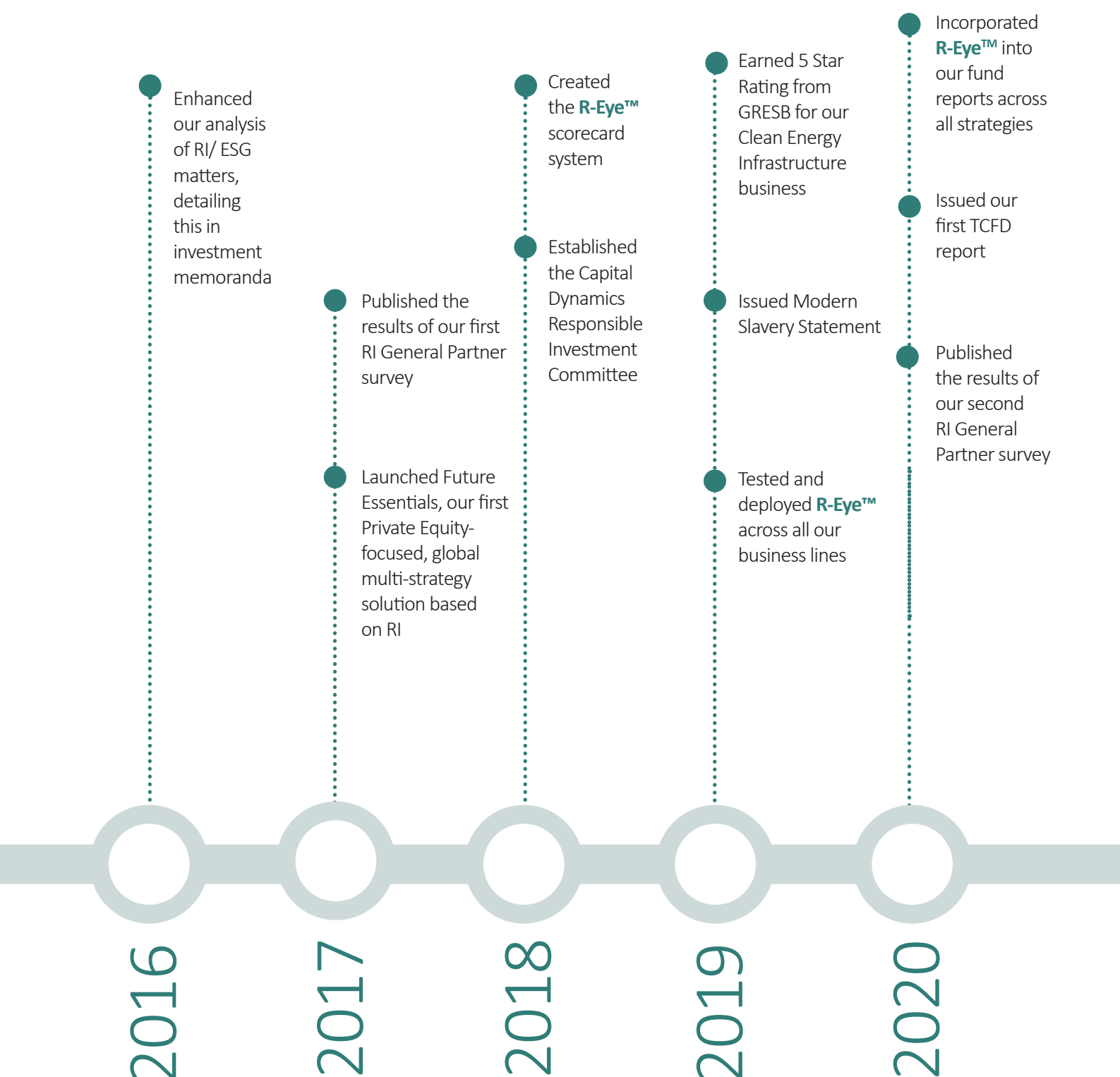
We made a commitment to an Asia-based private equity fund working with a company to establish a dedicated call center allowing consumers to purchase hand sanitizers and disinfectants. Since March 2020, they have distributed over 700,000 bottles. Another portfolio company located in Indonesia began a collaboration with a tele-medicine services company providing users with instant access to medical consultations via a mobile phone app, as well as delivering e-prescriptions from local pharmacies.

OUR COMMITMENT TO RESPONSIBLE INVESTMENT

OUR CONTINUOUS JOURNEY



For us, Responsible Investment is an integral part of who we are and how we deliver performance to our clients. It is not a bolt-on strategy.



CAPITAL DYNAMICS BY THE NUMBERS

To appreciate the scale of our RI commitment, it helps to understand the size of our business. The following numbers provide a snapshot of our presence and capabilities around the world.

Investment strategies

Our investment strategies include Private Equity, Private Credit and Clean Energy Infrastructure.

CAPITAL DYNAMICS BY THE NUMBERS

- Roots go back to 1988
- More than USD 16+ bn in AUM
- 1200+ Clients Worldwide
- 11 Offices Worldwide
- 160 Professionals
- 60 Investment Professionals

3 CORE STRATEGIES

PRIVATE EQUITY

PRIVATE CREDIT

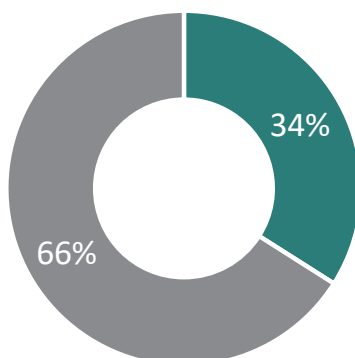
CLEAN ENERGY
INFRASTRUCTURE

Diversity

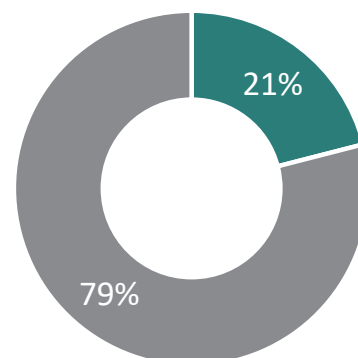
We are a global company with 24 nationalities represented across our staff in 11 offices, spanning North America, Europe, the Middle East and Asia. We believe diversity is key to being better at what we do and, our initiatives are designed to attract, develop, and advance the most talented individuals, regardless of race, sexual orientation,

religion, age, gender, disability status or any other dimension of diversity. **Each year we seek to move closer to equality, and we are proud that 47% of our female staff members currently hold senior positions but appreciate, more work needs to be done.**

Overall
gender diversity



Gender diversity
in senior positions

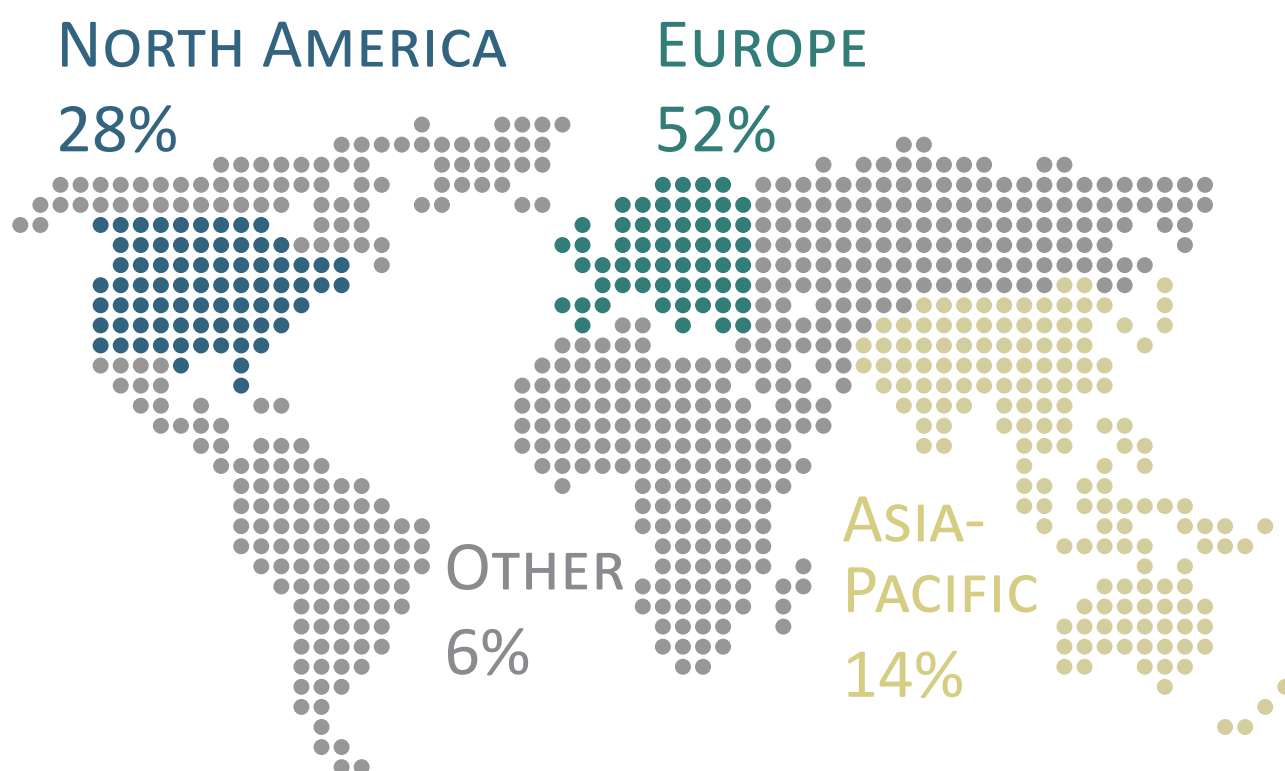


● FEMALE ● MALE

Source: Capital Dynamics. Senior is defined as Vice President and above. Diversity figures are as of May 1, 2020; all other figures shown on this page are as of March 31, 2020.

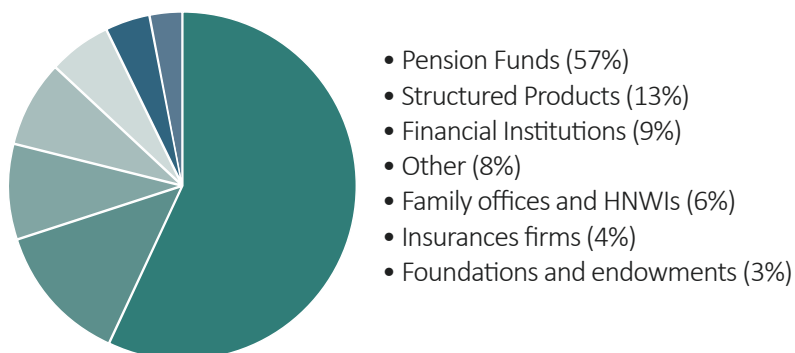
AUM breakdown by region

Together, Europe and North America account for approximately 80% of our AUM base, with Asia Pacific and the Middle East expected to grow in the coming years.



AUM breakdown by investor type

Pension funds make up more than half of our investors, with financial institutions and structured products also accounting for a significant share.



Source: Capital Dynamics. Figures shown on this page are as of March 31, 2020.

CAPITAL DYNAMICS
RI COMMITTEE

Members of the RI Committee

Our 16 person RI Committee includes representation from each investment strategy, investment risk functions, and senior client and business professionals.



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



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



Benoit Allehaut
Managing Director,
Clean Energy Infrastructure



David Smith
Senior Managing Director,
Co-investments



Mauro Pfister
Managing Director,
Secondaries



Manjia Guan
Senior Director,
Head of Primaries, Asia



Barney Coles
Director,
Clean Energy Infrastructure



Bryan Chen
Vice President,
Private Credit



Klaus Gierling
Managing Director,
Head of Business
Development,
DACH & Benelux



Carolyn Skuce
Managing Director,
Business Development,
LGPS



Carolin Hirschbiel
Managing Director,
Head of Marketing
& Communications



Philippe Jost
Director,
Head of Risk & Solutions



Kairat Perembetov
Principal,
Research



Steve Kennedy
Principal,
Product Development
& Strategy



Hasmeen Deol
Vice President,
Product Development
& Strategy



Valentino Bilantuono
Associate,
Product Development
& Strategy

APPENDIX

CAPITAL DYNAMICS

RECOGNITION

We are proud to be recognized by these important industry bodies and organizations for our commitment to the advancement of ESG/RI.

Industry Recognition, 2019 & 2020:

- Received an **A+ rating** from the **PRI** in “Strategy & Governance”
- Private Equity International’s (PEI) **2019 Global Energy Private Equity Firm of the Year Award** and a finalist for *Renewables Deal, Europe - Talasol Solar*
- **Highest ranking from GRESB**, in multiple categories for commitment to sustainability
- Achieved **sector leading GRESB results** for Clean Energy Infrastructure V JV, LLC:
 - #1** in the Renewable Power Private Equity Fund Peer Group
 - #1** of 17 for Renewable Power Funds in the Americas
 - #1** of 20 for Renewable Power Funds Globally
- Our asset-level submissions were ranked 1st, 2nd, 3rd and 7th (**representing a clean podium sweep**)
- Overall, these scores culminated in a **GRESB 5-Star rating** and the official designation of “**Sector Leader**” among Renewable Power
- **S&P Platts Global Energy 2019 Award** for Financial Deal
- Power Finance & Risk’s (PFR), **2019 Private Equity Sponsor**; Renewables Project Finance Borrower; North America Renewables M&A Deal; North American Renewables Project Finance Deal; Project Sponsor Official
- Private Asset Management’s (PAM), **2020 Best Asset Manager Solution for Family Offices**
- Finalists for Unquote’s, *Responsible Investor of the Year Award* and SuperReturn’s, *Sustainability and Diversity Awards*



Hasmeen Deol, Clean Energy Infrastructure Product Specialist, and a member of the Responsible Investment Committee as well as the Diversity & Inclusion Sub-Committee won the **2020 Rising Star Award** from WeAretheCity, a network that encourages women to progress in their careers.

Active members of the RI community

As we continue our RI journey, we look to help actively shape the development of ESG practices in the alternative investment community. For example, the firm has been engaged in several LP initiatives to establish broadly accepted RI/ESG standards, such as the ESG Disclosure Framework for Private Equity and was involved in creating the British Private Equity and Venture Capital Association's (BVCA) RI guidelines. Additionally, we participate in organizations such as:

- Pensions for Purpose
- GRESB
- Task Force on Climate Related Financial Disclosures (TCFD)
- Institutional Investors Group on Climate Change (IIGCC)
- Swiss Sustainable Finance (SSF)
- Italian Forum per la Finanza Sostenibile (FFS)



CAPITAL DYNAMICS CONTACTS

For more information contained in this report or on Capital Dynamics' RI approach please contact:



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When considering alternative investments, such as private equity funds, the Recipient should consider various risks including the fact that some funds may use leverage and engage in a substantial degree of speculation that may increase the risk of investment loss, can be illiquid, are not required by law to provide periodic pricing or valuation information to investors, may involve complex tax structures and delays in distributing important tax information, often charge high fees, and in many cases the underlying investments are not transparent and are known only to the investment manager. Any such investment involves significant risks, including the risk that an investor will lose its entire investment.

By accepting delivery of this document, each Recipient agrees to the foregoing and agrees to return the document to Capital Dynamics promptly upon request.



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