Sustainability-related disclosures

Summary

CEI makes direct equity investments in carbon-reducing renewable power and energy storage projects in the United Kingdom and Europe, with the goals of reducing reliance on carbon-emitting fossil fuels, providing affordable clean energy, and creating jobs during the construction period of projects. CEI has the following sustainable investment objectives:

- environmental objectives:
  - climate change mitigation;
  - climate change adaptation;
  - pollution control and prevention; and
  - the protection and restoration of biodiversity and ecosystems; and
- social objectives:
  - job creation; and
  - worker health and safety,

(the "**Sustainable Investment Objectives**" and each a "**Sustainable Investment Objective**").

By complying with the Binding Elements (defined in "Investment Strategy" below), CEI only makes investments in pursuit of the Sustainable Investment Objectives. CEI does not and cannot make investments that would do significant harm to these Sustainable Investment Objectives, such as in traditional fossil fuels or investments in other sectors/companies that would impede the sustainable investment goals.

Along with compliance with the Binding Elements, Capital Dynamics' CEI business line screens investment opportunities against internal ESG hurdles using the R-Eye™ scorecard, performs additional due diligence where necessary and monitors R-Eye™ criteria throughout the holding period. The CEI team is further supported by a dedicated ESG resource that focuses on ESG monitoring and improvements throughout the investment lifecycle.

The CEI team take into account the following principal adverse impacts on sustainability factors with respect to investments:

- Scope 1 GHG emissions of companies;
- Scope 2 GHG emissions of companies;
- Scope 3 GHG emissions of companies;

- Share of companies active in the fossil fuel sector; and
- Share of companies with sites/operations located in or near to biodiversity sensitive areas.

Capital Dynamics are taking further measures to enable it to measure and report on principle adverse sustainability impact indicators ahead of 1 January 2022.

As Capital Dynamics prepares to develop a methodology for selecting, monitoring and reporting on other adverse impact indicators, it shall also develop and report on the methodology and data used (including any forward-looking climate scenarios) to measure that adherence or alignment, including a description of the scope of coverage, data sources and how the methodology forecasts the future performance of projects.

Capital Dynamics is in the process of implementing RepRisk, the world's largest ESG due diligence database tracking over 135,000 companies and 32,000 infrastructure projects with recorded exposure to ESG risk since 2007 and adding daily new companies and projects with identified ESG risks to their database. Capital Dynamics intends to use RepRisk as part of its wider measures to report on other adverse impact indicators.

Performance in achieving the objective of a reduction in carbon emissions is not measured against any EU Climate Transition Benchmark or EU Paris-aligned Benchmark. Instead, the objective of reducing carbon emissions (in view of the objectives of the Paris Agreement) is ensured through the investment strategy and parameters described in the section "Investment Strategy" below.

No significant harm to the sustainable investment objective

CEI investments do not significantly harm any of the Sustainable Investment Objectives. By complying with the Binding Elements (defined in "Investment Strategy" below), CEI only makes investments in pursuit of the Sustainable Investment Objectives. CEI does not and cannot make investments that would do significant harm to the Sustainable Investment Objectives, such as in traditional fossil fuels or investments in other sectors/companies that would impede the sustainable investment goals.

The CEI team's sustainable investments are aligned with both the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights and this compliance is monitored as part of the Capital Dynamics R-Eye™ criteria.

Sustainable investment objective of the financial product

CEI makes direct equity investments in carbon-reducing renewable power and energy storage projects in the United Kingdom and Europe, with the goals of reducing reliance on carbon-emitting fossil fuels, providing affordable clean energy, and creating jobs during the construction period of projects. Information related to the achievement of sustainable investment objectives is included in quarterly and annual investor reports as well as in the CEI Annual Sustainability Report. CEI has the following Sustainable Investment Objectives:

- environmental objectives:
    - climate change mitigation;
    - climate change adaptation;

  - pollution control and prevention; and
  - the protection and restoration of biodiversity and ecosystems; and
- social objectives:
  - job creation; and
  - worker health and safety.

Investment strategy

In pursuit of the Sustainable Investment Objectives, CEI makes direct equity investments in carbon-reducing renewable power and energy storage projects in the United Kingdom and Europe, with the goals of reducing reliance on carbon-emitting fossil fuels, providing affordable clean energy, and creating jobs during the construction period of projects.

The CEI investment strategy positively impacts climate change mitigation, climate change adaptation, and pollution control and prevention. In implementing the investment strategy, the Binding Elements (defined below) ensure that CEI's investment activity indirectly positively contributes to the protection and restoration of biodiversity and ecosystems, job creation, and worker health and safety.

The following binding elements are used:

- exclusion lists;
- ESG screening checklist assessing selected sustainability indicators*;*
- ESG due diligence assessing selected sustainability indicators; and
- ESG due diligence assessing good governance practices (including sound management structures, employee relations, remuneration of staff, and tax compliance),

(the "**Binding Elements**").

Along with compliance with the Binding Elements, Capital Dynamics' CEI business line screens investment opportunities against internal ESG hurdles using the R-Eye™ scorecard, performs additional due diligence where necessary and monitors R-Eye™ criteria throughout the holding period. The CEI team is further supported by a dedicated ESG resource that focuses on ESG monitoring and improvements throughout the investment lifecycle.

Pre-investment, and as part of the underwriting process, all potential investments are evaluated based on short-, medium- and long-term environmental, social and governance effects and are formally assessed under the firm's R-Eye™ criteria.

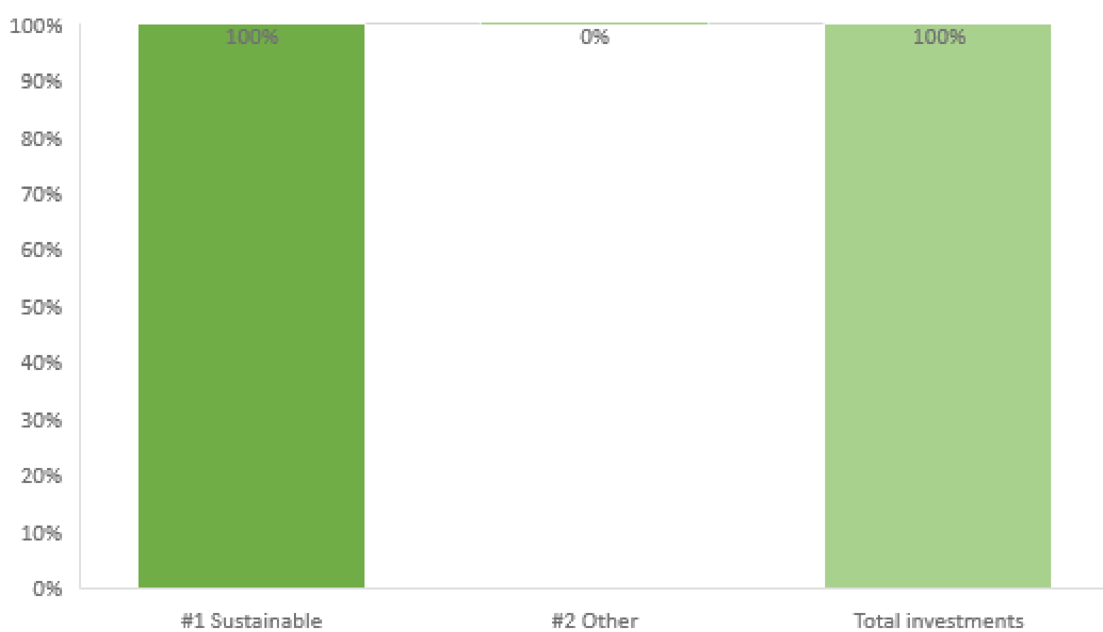
Post-investment, the CEI team continues to monitor projects in partnership with its dedicated asset management teams, CD Arevon UK Ltd.

Each year, Capital Dynamics' CEI business line participates in the internationally recognized GRESB assessment, an industry-standard benchmark or an alternative recognized reporting assessment, designed to capture information regarding ESG performance and sustainability best practices for real estate and infrastructure portfolios globally.

The CEI team places a high importance on good governance and works to promote relationships with local suppliers, regulators, the community and other key stakeholders. Capital Dynamics also complies with local laws and regulations including the Modern Slavery Act. Capital Dynamics analyses, assesses and monitors these areas using the Capital Dynamics R-Eye™ throughout the lifecycle of each investment. Capital Dynamics' R-Eye™ criteria include: (i) sound management structures, (ii) positive employee relations, (iii) fair remuneration of staff, and (iv) tax compliance.

Proportion of investments

By complying with the Binding Elements, CEI only makes investments in pursuit of the Sustainable Investment Objectives. CEI does not and cannot make investments that would do significant harm to the Sustainable Investment Objectives, such as in traditional fossil fuels or investments in other sectors/companies that would impede the sustainable investment goals.



#1 Sustainable *covers investments that qualify as sustainable investments.*

#2 Other *includes investments which do not qualify as sustainable investments.*

There are no investments included in "#2 Other" as only investments that qualify as sustainable investments are made.

The target sustainable investments within the mandate (renewable power and energy storage projects) can help in providing affordable and clean energy, decent work and economic growth, and help reduce carbon emissions that would otherwise be emitted by traditional fossil fuels. These investments are aligned with the Sustainable Investment Objectives of climate change mitigation, climate change adaptation, and pollution control and prevention and do no significant harm to those objectives.

CEI will only invest directly in investments, there will be no indirect or other exposures to such investments.

Monitoring of sustainable investment objective

The Sustainable Finance Disclosure Regulation and, specifically, the draft regulatory technical standards in respect thereof, contains 14 mandatory ESG metrics ('principle adverse sustainability impact indicators'). These indicators should be gathered at portfolio investment level and aggregated at entity level (i.e. Capital Dynamics). These mandatory indicators will be included in the firm's principal adverse impacts statement for the first reference period (i.e. the calendar year 2022).

The firm is taking necessary preparations to gather, monitor and report the mandatory principal adverse impact indicators within the specified time period. The CEI team take into account the following principal adverse impacts on sustainability factors with respect to investments:

- Scope 1 GHG emissions of companies;
- Scope 2 GHG emissions of companies;
- Scope 3 GHG emissions of companies;
- Share of companies active in the fossil fuel sector; and
- Share of companies with sites/operations located in or near to biodiversity sensitive areas.

The CEI team monitor the Scope 1 GHG emissions (i.e., emissions under the direct control of Capital Dynamics with respect to its premises), Scope 2 GHG emissions (i.e., indirect emissions from the energy purchased from suppliers for its offices and other premises) and Scope 3 GHG emissions (i.e., emissions generated with respect to investments in projects) by using the calculator that can be found on EPA.gov web site and report on the statistics that can be found on Capital Dynamics' web site, in quarterly performance reports, and in "Green Certificates" that are provided to investors.

To ensure that the impact of the projects on biodiversity sensitive areas is minimal and mitigated, the CEI team hire independent, third-party environmental biologists to visit project sites regularly and provide the CEI team with reports describing any issues related to local habitat, vegetation, and/or species and how the project location and/or size or scope should be adjusted (or abandoned).

Capital Dynamics are taking further measures to enable it to measure and report on principle adverse sustainability impact indicators ahead of 1 January 2022.

Methodologies

Capital Dynamics intends to have the data verified for all UK and EU projects in 2021 and going forward by a reputable third party consultants. These statistics include:

- metric tons of greenhouse gas emissions avoided as well as CO_2 emissions equivalent to homes' electricity use for one year;

- passenger vehicles driven for one year;

- tanker trucks worth of gasoline avoided; and

- barrels of oil otherwise consumed.

Data sources and processing

As Capital Dynamics prepares to develop a methodology for selecting, monitoring and reporting on other adverse impact indicators, it shall also develop and report on the methodology and data used (including any forward-looking climate scenarios) to measure that adherence or alignment, including a description of the scope of coverage, data sources and how the methodology forecasts the future performance of projects.

Capital Dynamics is in the process of implementing RepRisk, the world's largest ESG due diligence database tracking over 135,000 companies and 32,000 infrastructure projects with recorded exposure to ESG risk since 2007 and adding daily new companies and projects with identified ESG risks to their database. Capital Dynamics is aiming to utilize RepRisk primarily for monitoring purpose by creating watch lists of all portfolio companies and infrastructure project investments each representing the applicable investment strategy. If any of these companies and projects experience a negative ESG event then the appropriate investment management professional would receive an alert. This monitoring process will complement Capital Dynamics' established processes to report ESG-related incidents. RepRisk has been fully implemented for the firm's private equity strategies and will be implemented for the CEI business in 2021.

Limitations to methodologies and data

As noted above with respect to GHG indicators, the CEI team monitor these emissions by using the calculator that can be found on EPA.gov web site.

The principal limitation of this method is that the emissions reduced given by the calculator are indicative. However, the precise amount of emissions reduced by a project is not properly quantifiable and so Capital Dynamics considers this method the most appropriate.

These limitations do not affect the attainment of the Sustainable Investment Objectives as, in Capital Dynamics' view, the benefits of the investment projects on these adverse impact indicators are from the positive impact clean energy projects such as solar and wind have on the transition to a low-carbon economy. Further, Capital Dynamics takes appropriate steps to safeguard against negative impacts on biodiversity and when evaluating potential project partners, the CEI team include diversity and inclusion questions in their EPC questionnaires, and also track job creation and worker health and safety information with respect to projects.

As noted in the section "Data sources and processing" above, Capital Dynamics are still developing a methodology for selecting, monitoring and reporting on other adverse impact indicators.

Due diligence

As noted in more detail in the section “Investment Strategy” above, Capital Dynamics’ due diligence processes include screening investment opportunities against internal ESG hurdles using the R-Eye™ scorecard, additional due diligence is undertaken where necessary, and Capital Dynamics monitors R-Eye™ criteria throughout the holding period.

Engagement policies

With respect to the CEI business line, the firm makes direct equity investments in renewable power and energy storage projects, rather than investments in companies, but the firm does engage with its project partners and suppliers to reduce principal adverse impacts. Additionally:

- The firm conducts ESG analysis of its project offtakers to ensure that its counterparties have sound practices related to sustainability.
- For each of its projects, the firm also has independent, third-party environmental biologists visit project sites before construction and on an annual basis to evaluate the surrounding habitat and local special circumstances. In the past, the firm has had to adjust the location and size/scope of projects due to the findings in these reports.
- The firm’s form EPC agreements with contractors it works with to construct and help oversee its projects include language on the Modern Slavery Act and other ESG requirements that those contractors are required to adhere to. The firm also requests data relating to diversity and inclusion for its EPC contractors.
- Each of its projects has Worker Health & Safety plans and training progams, and the firm reports on any incidents that occur at its project sites.
- The firm analyses sustainability practices of its equipment providers, helping to ensure that it purchases equipment from manufacturers that display commitments to strong sustainability practices.

Attainment of the sustainable investment objective

Performance in achieving the objective of a reduction in carbon emissions is not measured against any EU Climate Transition Benchmark or EU Paris-aligned Benchmark. Instead, the objective of reducing carbon emissions (in view of the objectives of the Paris Agreement) is ensured through the investment strategy and parameters described in the section “Investment Strategy” above.

Investments which are not currently on a 2-degree aligned trajectory, or are on a transition pathway to become 2-degree aligned, will warrant more scrutiny in terms of their principal adverse impacts, particularly in relation to climate and other environment-related indicators.

The measurement of the performance in achieving the Sustainable Investment Objectives does not currently comply with the methodological requirements set out in Commission Delegated Regulation (EU) 2020/1818.