

Sustainability-related disclosures

Summary

The Capital Dynamics Future Essentials Strategy "FE" aims to provide investors with a broad, diversified solution to access private equity opportunities globally, across various strategies and transaction types but with a strong emphasis on the mid-market. Capital Dynamics' Private Equity Team screens all opportunities against an exclusion list and prioritizes those that promote the Environmental or Social Characteristics (defined in "Environmental or social characteristics of the financial product" below).

By complying with the Binding Elements (defined in "Investment Strategy" below), the FE only makes investments that promote the Environmental or Social Characteristics. Along with compliance with the Binding Elements, Capital Dynamics' Private Equity Team 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 Private Equity Team is further supported by a dedicated ESG resource that focuses on ESG monitoring and improvements throughout the investment lifecycle.

Capital Dynamics has implemented RepRisk, the world's largest ESG due diligence database tracking over 135,000 companies with recorded exposure to ESG risk since 2007 and adding daily new companies and projects with identified ESG risks to their database. Capital Dynamics uses RepRisk primarily for monitoring purposes by creating watch lists of all portfolio fund investments (and their underlying portfolio companies) representing the applicable investment strategy.

No sustainable investment objective

This financial strategy promotes environmental or social characteristics, but does not have as its objective a sustainable investment.

Environmental or social characteristics of the financial product

The FE promotes the following environmental or social characteristics:

- the FE applies an ESG framework that supports investments in improving their ESG performance; and
- the FE aims to exclude investments that conflict with its exclusion policy – which excludes industries/activities based on negative environmental or social characteristics in accordance with the firm's Responsible Investment Policy,

(the "Environmental or Social Characteristics" and each an "Environmental or Social Characteristic").

Information related to the FE and its performance with respect to the promotion of Environmental or Social Characteristics is included in annual investor reports.

Investment strategy

The FE aims to provide investors with a broad, diversified solution to access private equity opportunities globally, across various strategies and transaction types but with a strong emphasis on the mid-market. Capital Dynamics' Private Equity Team prioritizes those opportunities that promote the Environmental or Social Characteristics, compliant with the framework and appraisal process as described further in

“Methodologies” below. As a fund of funds, each of the FE’s investments is made in a fund promoted and managed by a traditional fund manager (a “**portfolio manager**”); therefore, such appraisal is of the portfolio manager’s approach to responsible investment.

The following binding elements are used:

- 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**”).

All potential FE investments are formally assessed in the due diligence process under Capital Dynamics’ specific predetermined responsible investment (“**RI**”) criteria, which Capital Dynamics has modelled on the Sustainable Development Goals set by the United Nations General Assembly and which include:

- an assessment of each portfolio manager’s ESG processes, systems and resources;
- an assessment of each portfolio manager’s ESG analysis in its due diligence processes and ownership phase;
- the extent to which each portfolio manager reports on ESG matters to its investors;
- the extent to which each portfolio manager looks at diversity, labour standards and social impact at firm, portfolio company and supplier level; and
- the extent to which each portfolio manager considers energy efficiency savings, recycling and use of natural resources and pollution control at firm, portfolio company and supplier level.

Capital Dynamics aims to identify portfolio managers that offer a combination of stability, experience and governance with expertise in supporting companies. Portfolio managers will typically have incorporated responsible investment principles into their corporate culture and processes, evaluate and consider ESG factors during due diligence of potential investment opportunities, and monitor and aim to improve their companies’ performance across a variety of ESG factors including governance factors. As the FE is a fund of funds, Capital Dynamics does not typically have direct visibility to the underlying portfolio companies of each portfolio fund. While the governance practices of the underlying portfolio companies are not assessed individually, Capital Dynamics monitors their portfolio companies in relation to governance issues where possible through portfolio manager reporting and RepRisk, an external data source.

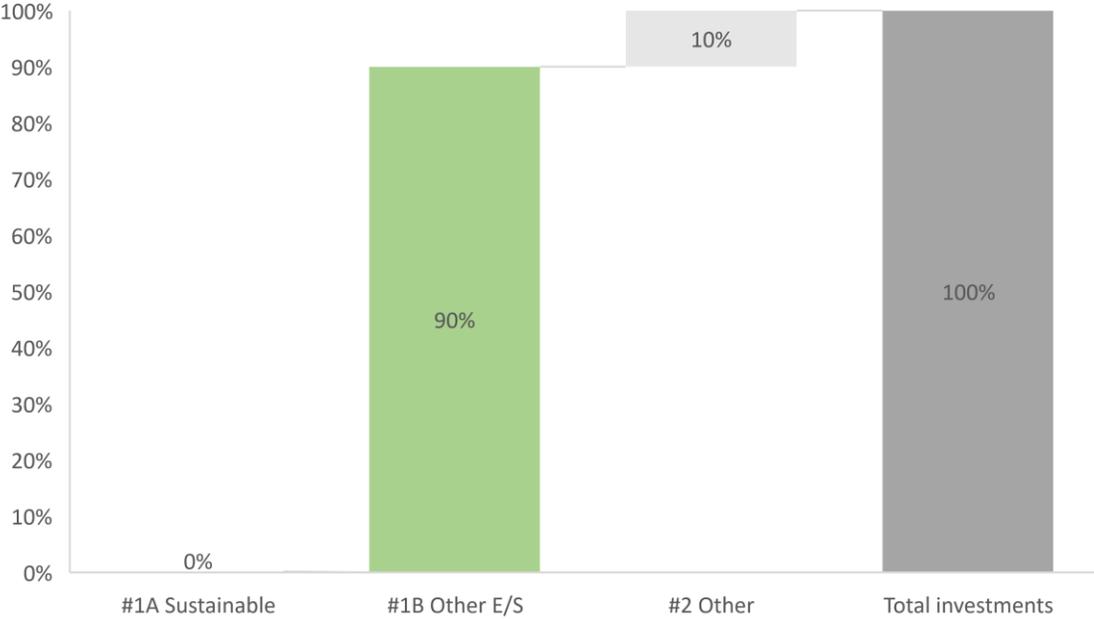
Proportion of investments

The Private Equity Team complies with the Binding Elements to ensure that investments promote the Environmental or Social Characteristics. The FE does not invest in investments that qualify as “sustainable investments”. Further, the Private Equity Team will seek appropriate diversification by the underlying portfolio funds’ vintage years, portfolio managers, regions, strategies, industry sectors, transaction types and portfolio companies.

The FE’s investment mandate, focus and diversification criteria are more fully disclosed in in the section of the FE’s Private Placement Memorandum. The diversification criteria do not directly or specifically delineate between investments that are “Sustainable”, “Aligned with Environmental or Social Characteristics” or “Other” as set out in the bar chart below.

This is in part because in practice the FE will invest into other investment funds (together with select co-investments) and so the Private Equity Team will not have control over the nature of the underlying investments made by portfolio managers. Nonetheless, due to their process for selection of portfolio managers, the Private Equity Team is confident that high proportion of investments made by the FE will be aligned with environmental or social characteristics. The FE may also make investments (indirectly through a portfolio fund) that qualify as “sustainable investments” but the FE is not committed to making sustainable investments. The proportion of investments made by the FE will be aligned with environmental or social characteristics set out in the bar chart below is therefore a reasonable best case projection, based on the Private Equity Team’s assumptions about the investment opportunities available to the FE over its Investment Period and in turn available to portfolio managers of the nature of those with whom the Private Equity Team intends to invest.

The Private Equity Team will report on an annual basis the composition of the FE’s investments that are aligned with environmental or social characteristics.



Monitoring of environmental or social characteristics

As detailed above in “Investment Strategy”, after an investment has been made, the Private Equity Team continues to monitor the Environmental and Social Characteristics of its portfolio company holdings with a range of reviews, periodic meetings and active monitoring using RepRisk, culminating in an at least annual re-assessment of the R-Eye™ ratings for the investments.

Methodologies

The firm's proprietary R-Eye™ (inspired by the shape of the human eye) Rating System (with the pupil of the R-Eye™ containing the average score) has furthered the level of transparency offered to clients.

The firm has created a proprietary R-Eye™ rating system for each business line. This rating system is designed to review a specific set of responsible investment matters, assess sustainability risk and provide transparency to clients. Capital Dynamics' business lines are likely to reject an investment on responsible investment grounds if certain essential R-Eye™ criteria are not met at the point of initial investment appraisal.

The R-Eye™ rating system for the Private Equity business provides a sustainability risk rating for each prospective investment (with both qualitative and quantitative assessments).

The rating system for the FE is found in section 10.1 of the Responsible Investment Policy (which can be found at <https://www.capdyn.com/about-us/responsible-investment/>).

Data sources and processing

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

Limitations to methodologies and data

The Private Equity Team is primarily reliant on the relevant portfolio manager in gathering this data. Although the Team will try to secure contractually binding obligations on the portfolio manager to provide such data, in practice it may not be possible to secure such obligations and even if secured, the portfolio manager may not (or may not be able to) always comply with them. In instances where data cannot be obtained via the portfolio manager, the Team will utilize RepRisk and other industry and sector data to try and establish a benchmark.

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

ESG alerts are reported to RI Committee, discussed at the RI Meeting and remedial actions are made in order to influence the portfolio manager to rectify any ESG-related issues.

As Capital Dynamics aims to identify portfolio managers that will typically have incorporated responsible investment principles into their corporate culture and processes, evaluate and consider ESG factors during due diligence of potential investment opportunities, and monitor and aim to improve their companies' performance across a variety of ESG factors including governance factors, Capital Dynamics expects that engagement with such portfolio managers on an ongoing basis will be transparent and constructive.

However, with respect to all portfolio managers with whom Capital Dynamics invests, the Private Equity Team will still engage with them by way of periodic meetings with them and attendance at their annual investor meetings.

Capital Dynamics also will review periodic reporting to ensure compliance with the underlying transaction documentation, review any responsible investment incidents or infractions and conduct active monitoring of all underlying portfolio companies during the holding period utilizing RepRisk.