DIF CAPITAL PARTNERS

BUILDING BACK BETTER

ESG Report 2020

About us

DIF is a leading independent fund management company, founded in 2005.

DIF invests in a wide range of international, high-quality infrastructure projects that generate stable, long-term cash-flows. We currently manage around €7.6 billion of assets across nine investment funds. To date we have invested in and managed over 200 infrastructure and renewable energy projects, with a total asset value in the tens of billion euros.

DIF has a team of 140+ professionals, spread acrossoffices in Amsterdam (Schiphol), Frankfurt, London, Luxembourg, Madrid, Santiago, Sydney and Toronto.

About this report

This is DIF's third stand-alone responsible investment report. Responsible infrastructure investment is a complex arena and we recognise that we are in the early stages of a challenging journey when it comes to making our investment portfolio truly sustainable.

We trust this report offers insights into our approach to responsible investment, how we are driving improvements in our assets' ESG performance, and expresses our commitment to deliver sustainable returns through access to high-quality infrastructure assets.

This report covers DIF as a company, including our funds under management, the asset performance covers to the calendar year 2019.

We would very much welcome feedback from all stakeholders via Frank Siblesz: f.siblesz@dif.eu to help us on our journey of continuous improvement.

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Foreword

We will all look back at 2020 as an extraordinary year. The COVID-19 pandemic has called into question some of the foundations of modern societies, from global supply chains to national health services. But most of all, 2020 has put a spotlight on resilience: personal resilience, community resilience, business resilience and, especially for DIF, the resilience of the infrastructure assets in which we invest.

All of us have had to dig deep in terms of personal resilience to navigate the unique experience of lockdown. Many people are dealing with grief or isolation and trying to find the personal resilience required to overcome these challenges.

We have become more appreciative of the essential workers whose tireless work ensures the robustness of our communities. And we have all witnessed individual acts of kindness and selflessness as people volunteered to assist those in our communities who needed support. I'm pleased DIF was able to help where possible through, for example, investing in sanitation provisions for our assets including cleaning machines for our hospitals.

In order to secure their financial resilience, businesses have had to adapt to remote working and to huge changes in consumer behaviour. In our own portfolio, we saw road traffic decline by as much as 70% at the peak of the pandemic. This lead us to re-examine how resilient our investments are from a financial and operational perspective.

However, as with any disaster, the recovery can be as important as the crisis itself. The title of this report, "Building Back Better", references an approach to post-disaster recovery pioneered by the UN. The essential principle is that through thoughtful rebuilding and physical infrastructure, social systems can be not just restored, but made more resilient to future shocks.

Now more than ever, DIF believes that we have a vital role as an investor in improving the societies in which we operate. This is our responsibility; this is our purpose.

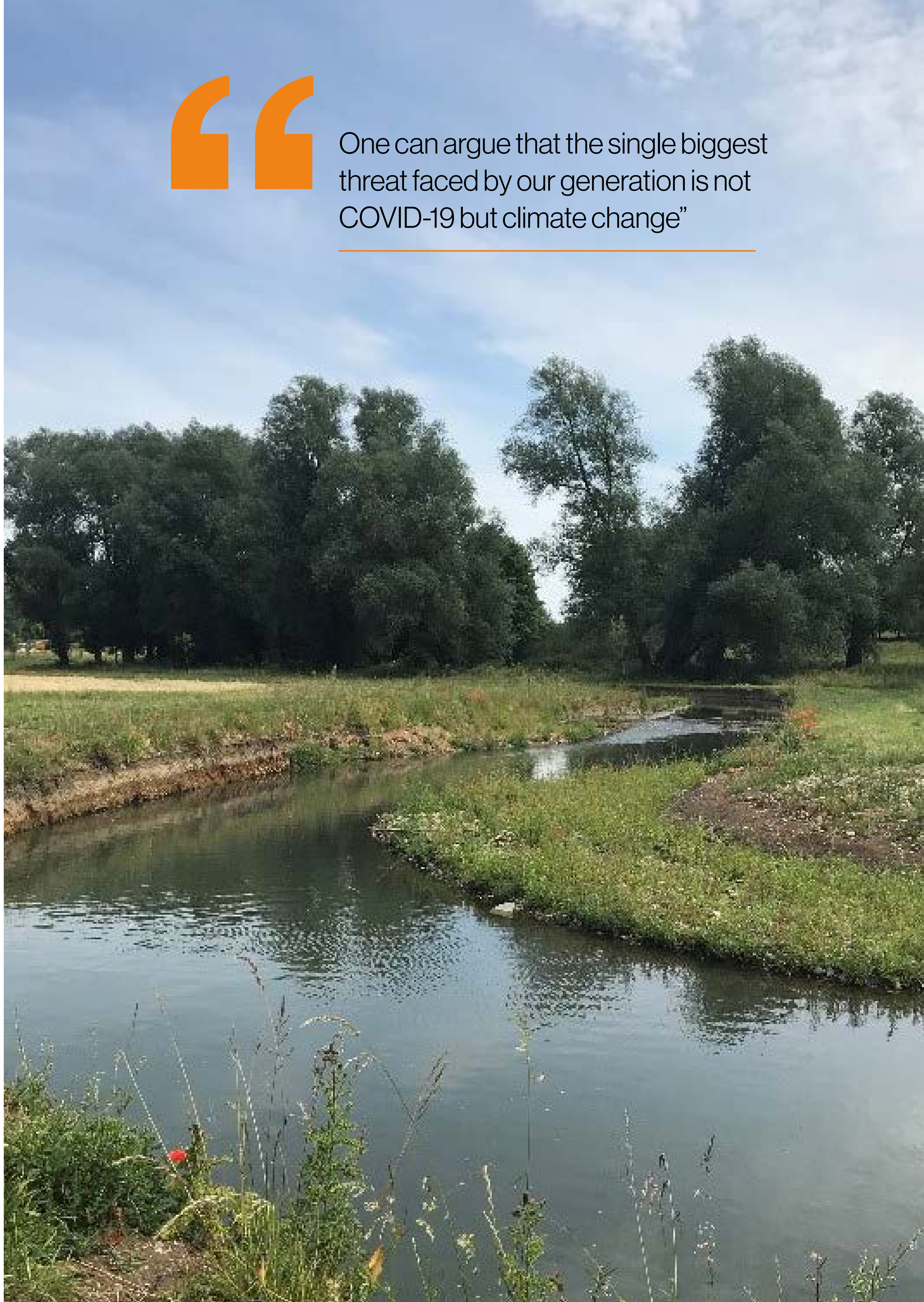
The global nature of the pandemic has encouraged us to widen our horizons when considering our stakeholders. We must recognise that the stakeholders for our roads, for example, include not just their users but all those impacted by their vehicle emissions - both now and in the future. Satellite imagery showing the reduction in pollution levels in cities during the COVID-19 crisis is a stark reminder of the impact we have on the natural world.

Despite the calamities of 2020, one can argue that the single biggest threat faced by our generation is not COVID-19 but climate change. At DIF we see it as our responsibility to apply the same urgency of action to climate issues, as we have done in our response to coronavirus, and we invite all our stakeholders to join us on this journey.

There can be no return to the pre-crisis status quo. The looming threat of climate change demands that we rebuild with greater resilience. So, as we launch DIF's third ESG report, we invite you to join us on our ESG journey and help us contribute to Building Back Better.

Wim Blaasse,
Managing Partner on behalf
of the DIF Partners

"We are delighted that DIF this year achieved its corporate goal to register A+ scores from the UN-supported PRI for its ESG approach."



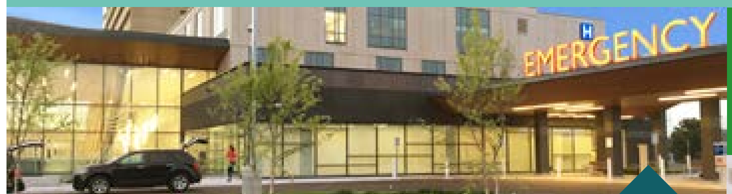
At-a-glance summary

Awarded A+ score from the PRI for both its 'Strategy & Governance' and 'Infrastructure' modules

50 assets invited to attend the DIF ESG Path - up from 40 last year[1]

1 Plus a further 20 assets through a mapping of their GRESB assessment

In 2019 our investments provided:



Education facilities used by 30,000 students in 50 schools

Over 3,600 beds for patients across at our healthcare assets

Started to roll out over 300,000 broadband connections, and utility services such as gas and water to over 18 million end users

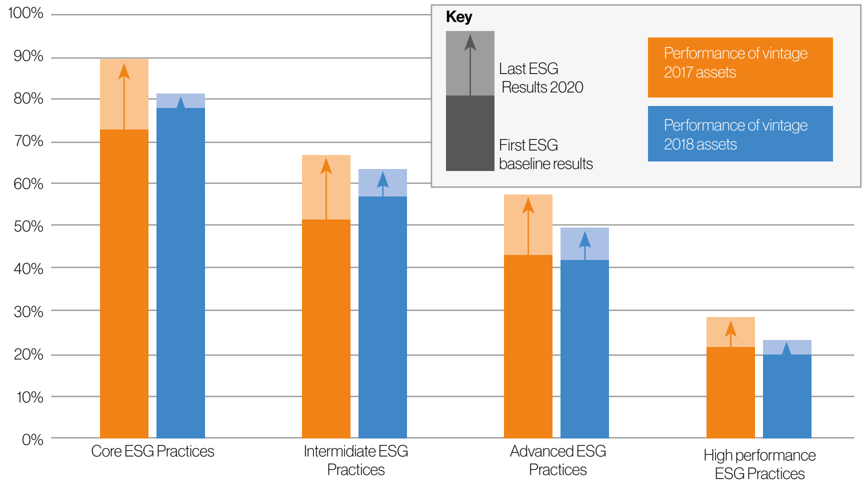
More than 3,300 GWH of green electricity generated by our renewable energy projects, equivalent to almost 400,000 homes' annual electricity use

Over 4,800km of roads to improve transport networks

Our progress so far

Our engagement is driving ESG performance in all assets. But crucially, those assets which we have been engaging with since 2017 show greater improvements than those which joined the ESG Path later.

In other words, the longer that assets are exposed to our engagement, the more impact we have.



Sector[2]

19 roads assets (toll, road, tram, railway)

9 renewable assets (wind farm, solar farm)

10 social infrastructures assets (hospital, school, accomodation)

8 other assets (waste, energyplant, heat distribution, network data center)

Governance

Almost all assets have formalized ESG commitments within policies and report regularly their ESG performance at BoD meetings. All except one (94%) has a whistleblowing system in place, up **by 12%** on last year[3].

Safety

Almost all assets have a safety policy and associated management system in place. The number of assets introducing voluntary initiatives for workers to improve safety **rose from 43% to 71%** in 2019[3]

Environment

Three quarters **(75%)** now monitor energy consumption in some form, **up from 66%** last year, and six introduced new energy saving initiatives this year[3].

Human capital and community

More assets are undertaking user surveys, and **over 50%** now have a system in place to ensure sub-contractors receive the minimum wage, **up from 41%** last year[3].

Climate resilience

50 DIF assets were analysed by our new Climate Change Heat Map, finding that no asset had 'very high' climate risks, but **18%** face 'high' physical risks.

2 This applies to the 46 assets who were invited and participated in our ESG Path in 2019
3 Note this applies to assets engaged via the ESG Survey continuously over the last three years

Our alignment with the Sustainable Development Goals

As an international leader in responsible infrastructure investment, we monitor and report on how our work aligns with the UN's Sustainable Development Goals (SDGs).

Last year we assessed DIF's alignment with the goals and identified seven priority SDGs which correspond with our ESG focus areas. This year we assessed the performance of our assets and our own business and corporate culture against these seven SDGs. Most of our assets contribute to SDG 9, while many also contribute to SDG 3, 7 and 11, among others.

SDG 3: Ensure healthy lives and promote well-being for all at all ages

Nine of our investments projects provided health services through 55 locations in 2019, providing more than 3,600 beds. Healthcare facilities have been in the spotlight more than ever during the COVID-19 pandemic and we have been active in trying to help them meet the enormous challenge, for example providing funding for extra cleaning machines and other sanitation products at the height of the outbreak.

SDG 4: Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

By building and operating schools and universities we improve access to and quality of education. The 50 schools and education facilities we helped finance in 2019 provided education to over 30,000 students. By supporting and sharing best practices on training we also empower other assets to contribute to this Sustainable Development Goal.

SDG 6: Ensure availability and sustainable management of water and sanitation for all

All of our investments in water and wastewater infrastructure are geared toward providing safe, clean water and sanitation facilities. UK-based Affinity Water, for example, is working on 26 river restoration projects which will safeguard 125km of rivers.

SDG 7: Ensure access to affordable, reliable, sustainable and modern energy for all

Last year our 13 portfolios of renewable energy projects had a combined capacity of nearly 1.9GW, generating over 3300 GWh of green electricity, equivalent to over 5 million barrels of oil. Beyond this, we also share best practice between all our assets to encourage greater use of renewable energy and improved energy efficiency. Our A1 road in Poland, for example, reduces energy consumption by using heat from computer servers to heat water.

SDG 9: Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation

We think about the end-user of our infrastructure from the very beginning of a project to ensure inclusive schools to educate children, resilient healthcare facilities for patients, sustainable energy for our power supply and safe roads for people to travel on. We also encourage our investees and their suppliers to adopt responsible policies and process themselves.

SDG 10: Reduce inequality within and among countries

We recognise that the long-term infrastructure we fund must build in practices to ensure they are accessible for all. This includes building social housing, asking public transport or road schemes to make provisions for vulnerable or disadvantaged users, and encouraging water providers to consider reduced tariffs for those on low incomes.

SDG 11: Make cities and human settlements inclusive, safe, resilient and sustainable

Cities and regions around the world are benefiting from our investments in roads, public transport, street lighting and waste-to-energy projects. Our network of 24 road projects has increased connectivity between cities. The A150 in France has implemented 21 initiatives to prevent biodiversity and reduce environmental impacts

Global snapshot

France: The A150 road management company has implemented 21 initiatives to protect biodiversity and reduce environmental impacts. These include the creation of a wetland for the benefit of migrating birds and other species; measures to combat the spread of Japanese Knotweed; fences to prevent animals being hit by traffic; a tree-planting programme; and the development of non-stop electronic toll lanes to reduce air pollution from stationary vehicles.

USA: Idaho Wind Partners, a network of 11 small wind power farms, is replacing the use of fossil fuels and driving down emissions from homes and businesses across the state. The project has a total capacity of 183MW – enough to power a small city.

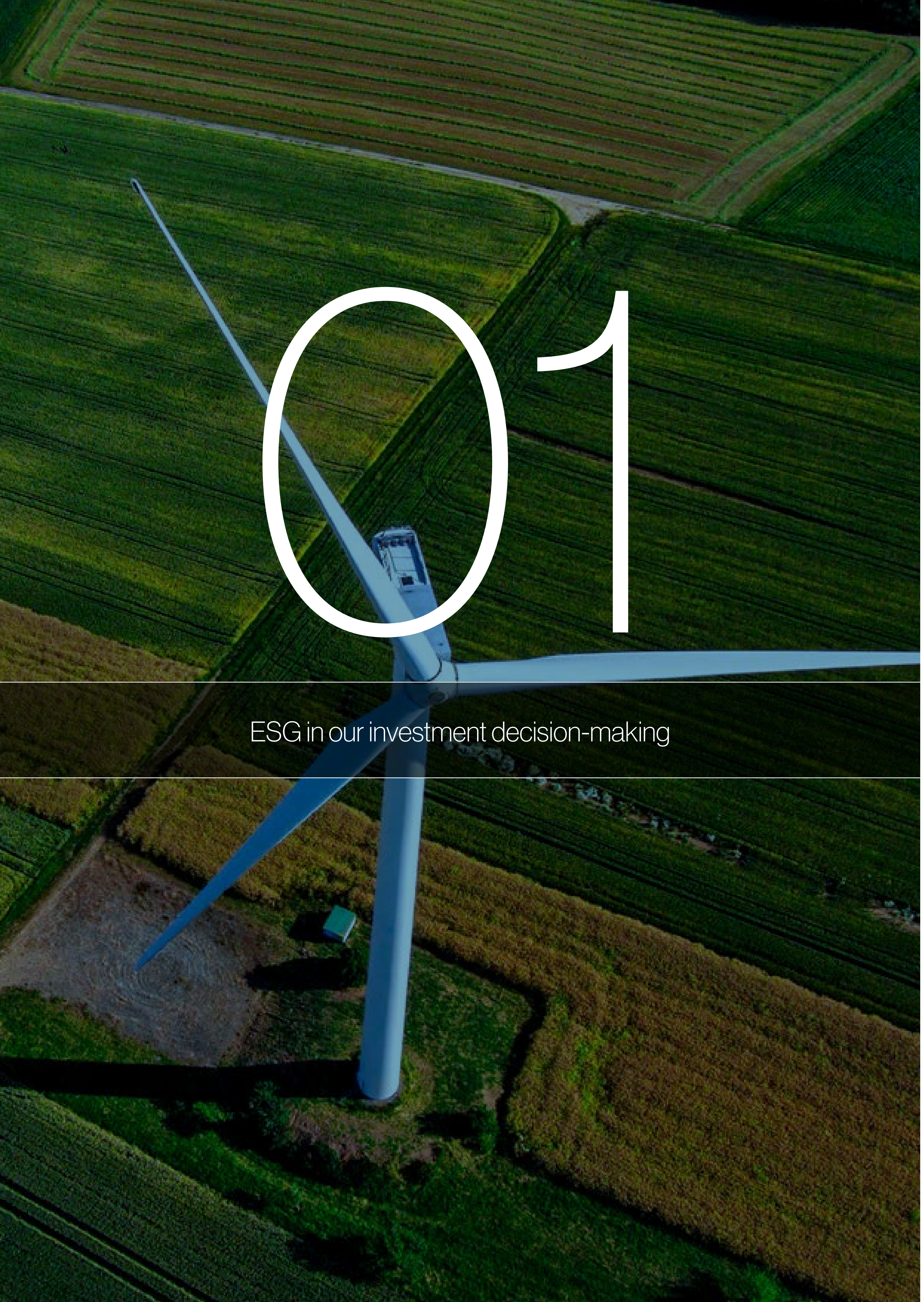
USA: Snow clearing products can create airborne pollution when driven over, so Northwest Parkway uses an environmentally friendly product for clearing snow and ice, certified by the Organic Materials Review Institute. The road was well below the prescribed baseline numbers on air-emissions set by its Regional Air Quality Council.

Ireland: The Dublin Waste to Energy Facility treats waste in a way that minimises harmful environmental effects. In 2019, during the DIF period of ownership, as well as generating electricity the facility helped avoid over 334 kt of waste going to landfill, avoiding 54 KtCO2e.

Finland: At domestic heat provider Loimua Oy, supervisors are specially trained on diversity and discrimination and an annual employee survey monitors the status of equal treatment in the workplace. Flexible working hours are available to facilitate work/life balance, while paid paternity leave is 15 working days – 10 days more than in collective agreements which the energy sector provides.

Belgium: DIF-led consortium LuWa is replacing 100,000 street lights with energy-saving LEDs across 2,700 km of roads. It is part of a modernisation programme that will reduce energy consumption by 76% and CO2 emissions by 166,000 tonnes over the life of the project.

Australia: Karratha Bay Village, a high quality, FIFO workforce accommodation project, is working to install an air quality monitoring system, while the asset also contains a cyclone shelter for residents of the town.



Our approach

> “We are changing the way we invest so that we can play our part in changing the world”

Integrating ESG factors became a strategic priority for DIF in 2017, and it is now firmly embedded in our investment principles, strategy, policies and processes. We firmly believe that good ESG management enhances the value of our assets. We also see that the need for sustainable infrastructure, from smart cities to state-of-the-art hospitals, creates enormous opportunity.

All our of efforts on ESG matters are action-oriented. It's about changing the way we invest so that we can play our part in changing the world.

ESG factors are considered at all points in our investment cycle and are integrated into our governance structure (Figure 1). To ensure we stay true to our commitments we have created an internal ESG Committee appointed a dedicated Head of ESG, and 100% of DIF staff have been trained on ESG topics. We build the completion of ESG-related targets into remuneration of relevant staff and individual ESG objectives are set, and monitored, for each business line and asset manager.

We have also developed an ESG screening tool as part of our due diligence process to help identify ESG risks at the earliest stage. It's a tool that is constantly evolving and adaptable to geographies and sectors – for example it grew to include new labour rights criteria when we started our investment activities in Latin America. Based on this screening process, DIF decided not to pursue several investments related to fossil fuels and human rights in 2019.

DIF has a full suite of policies and internal controls in place to deal with potential conflicts of interest, including a new compliance platform which brings together all our critical policies, e-learnings and compliance tools including Standards of Business Conduct, Conflict of Interest, Whistle-blower, Gifts and Entertainment, GDPR and KYC/AML.

As explored in Chapter 3, we also try to 'walk our talk' through measuring, offsetting and reducing our own carbon footprint and by giving voluntary staff expertise and financial support to charities that help build sustainable communities.

In late 2019 we also reorganised the ESG structure to add KPIs according to maturity of asset. The mandate of our latest fund DIF VI excludes investment in companies primarily involved in the extraction and production of fossil fuels, coal power stations, nuclear energy, tobacco, controversial weapons, gambling and pornography.

Back in 2017 we set a corporate goal to obtain an overall score of A+ in the key parts of the PRI assessment by 2020. We are highly encouraged that in 2019 DIF obtained an A+ for both the strategy and governance module and for the infrastructure module for our report to this UN-supported agency.

> Our A+ scores from PRI achieve a corporate goal set three years ago when we first embarked on our ESG journey.

Figure 1: ESG at all stages

ESG at all stages

Governance

Our ESG policy is approved by the Board, with implementation overseen by DIF's ESG Committee and a Head of ESG. Annual ESG objectives, linked to remuneration. All Directors and employees must comply with our Standards of Business Conduct.

Pre-investment

Our ESG screening tool helps to identify potential ESG issues set specific due diligence objectives if needed. We also put our responsible investment approach front and centre in any fundraising efforts.

"The consistent use of the ESG Screening Tool allows us to efficiently flag material ESG risks at the outset of the acquisition process" – **Gijs Voskuyl, Partner & Head of Infrastructure Equity.**

Post-investment

We baseline assets through a detailed survey, then place them on the DIF ESG Path with bespoke plans and KPIs, and use these to monitor their progress over time.

Exit

We are transparent about ESG risks and opportunities throughout the exit process and build sound ESG management into an asset's exit strategy

Our five ESG Focus Areas

From the start of our ESG journey in 2017 we have been very clear that we do not want responsible investment to be a box-ticking exercise, providing data and information for the sake of it. That is why we have evolved five ESG Focus Areas, that are core to our value creation, and which foster meaningful two-way dialogue with our assets.

Our five ESG Focus Areas are:

Safety
Including the health & safety of workers and surrounding communities.

Human capital & community
Including issues of training, diversity, labour rights, local employment and charitable giving.

Environment
Including energy savings, waste, biodiversity and water.

Governance
Including issues of board independence and conflicts of interest management of ESG, bribery and corruption and cybersecurity.

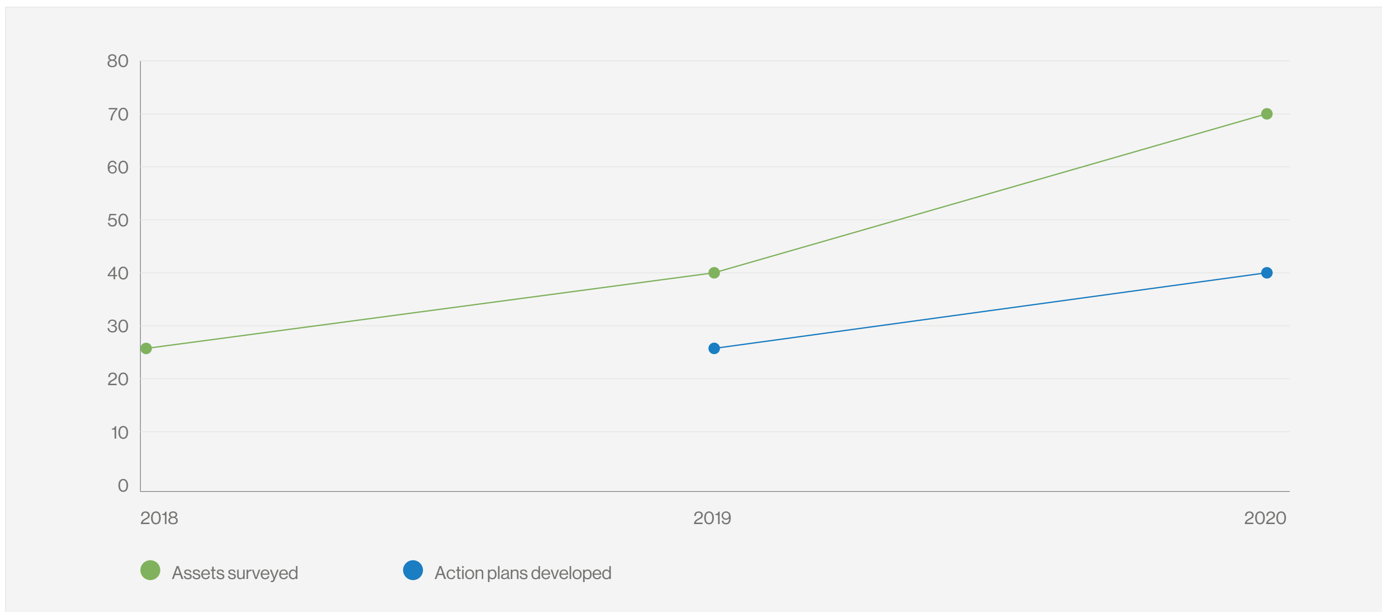
Climate resilience
Including climate risk management and preparation for extreme weather events.

These five themes shape the content of our annual **DIF ESG Survey** and **DIF ESG Path**, which are the foundations of our responsible investment approach. These two elements provide us with a methodology that is practical, measurable, repeatable and evidence-based.

DIF ESG SURVEY

Working with leading sustainability consultancy firm ERM, we have expanded the **DIF ESG Survey** to invite over 90% of assets in our newer DIF V and CIF I funds, while a further 20 assets in the DIF Yield I fund have been invited to participate in the GRESB Infrastructure Assessment. The **DIF ESG Survey** consists of around 40 questions that help us to accurately assess ESG performance for both individual assets and the wider portfolio. It also serves as a channel of communication with our investees.

Figure 2: Number of assets completing the DIF ESG survey



The DIF ESG Path: Catalysing improvement in our assets

Responsible investment is about taking responsibility. We recognise that we are in a position to drive real change, and we do this by active and tailored engagement via our 'ESG Path'.

The ESG Path uses the information captured in the annual survey to set bespoke targets for each asset on its most material sustainability issues. The targets are agreed mutually and we monitor and support the investee throughout the year as action is implemented.

Managing these tailored paths keeps our ESG activity streamlined and action-oriented. As shown in in Figure 3, we saw real improvements in areas such as safety, community and environmental management across the portfolio.

Each asset's individual ESG Path includes:

- A framework for action including defined objectives, the activities that need to be implemented and related timeframes (defined by the asset).
- Suggestions for best practices implemented by other assets where appropriate.
- A flexible and focused approach: with priorities and the level of engagement requested varying based on the maturity of the asset and the sector.

Our approach means we can marry the robust, quantitative data provided by the survey with the qualitative benefits of our bespoke engagement with our assets throughout the **DIF ESG Path**.

Crucially, the ESG Path is dynamic. We are continually expanding coverage to include more of our assets; we have added new assessments such as the climate change heat map (see following page); and as our assets themselves mature, they are set increasingly ambitious ESG targets.

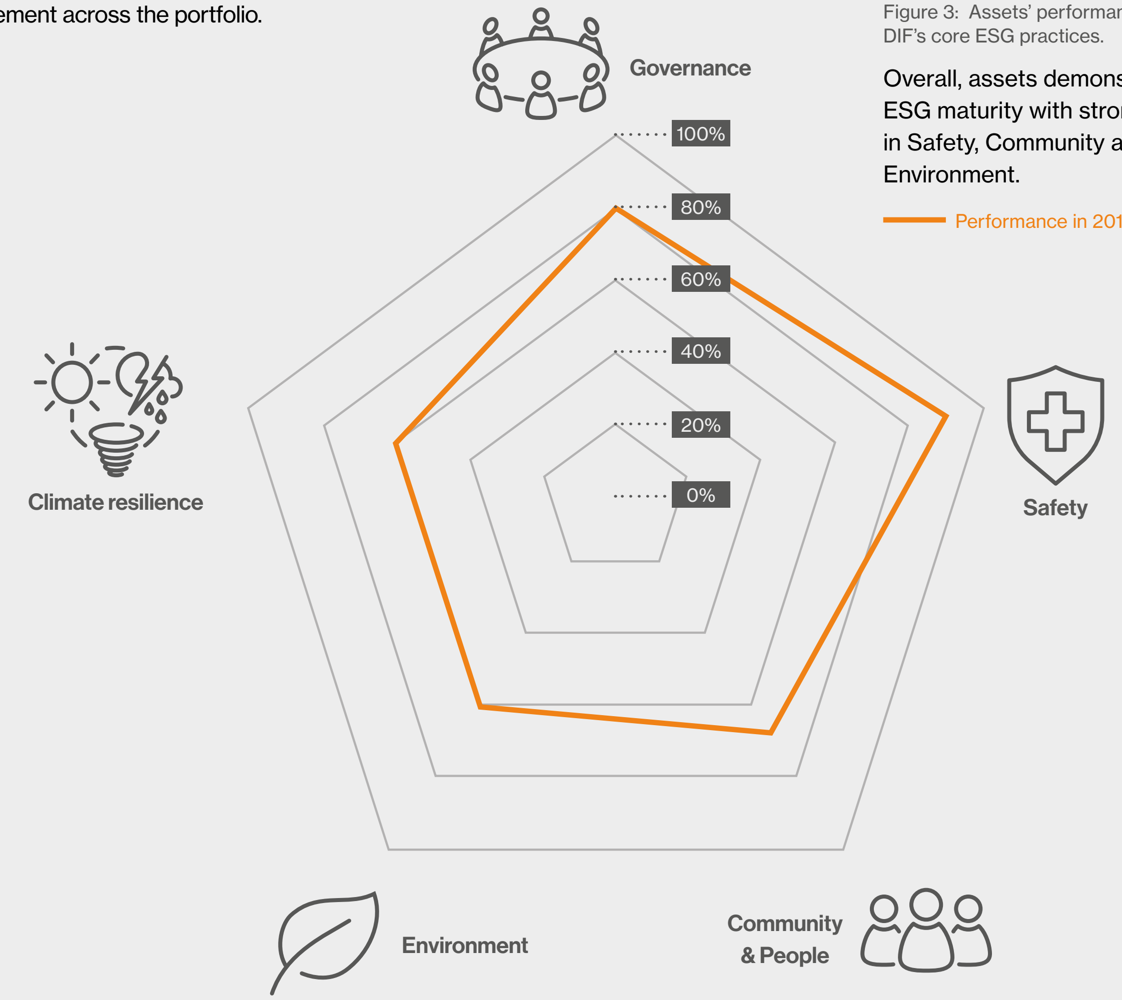


Figure 3: Assets' performance related to DIF's core ESG practices.

Overall, assets demonstrated growing ESG maturity with strong performance in Safety, Community and People and Environment.

DIF Climate Change Heat Map

This year we developed a ground-breaking new tool, the DIF Climate Change Heat Map, to help us identify and mitigate climate-related risks to our assets. The tool follows the recommendations of the Taskforce for Climate-Related Financial Disclosures (TCFD), by breaking down potential climate risks into two categories: physical risks and transition risks.

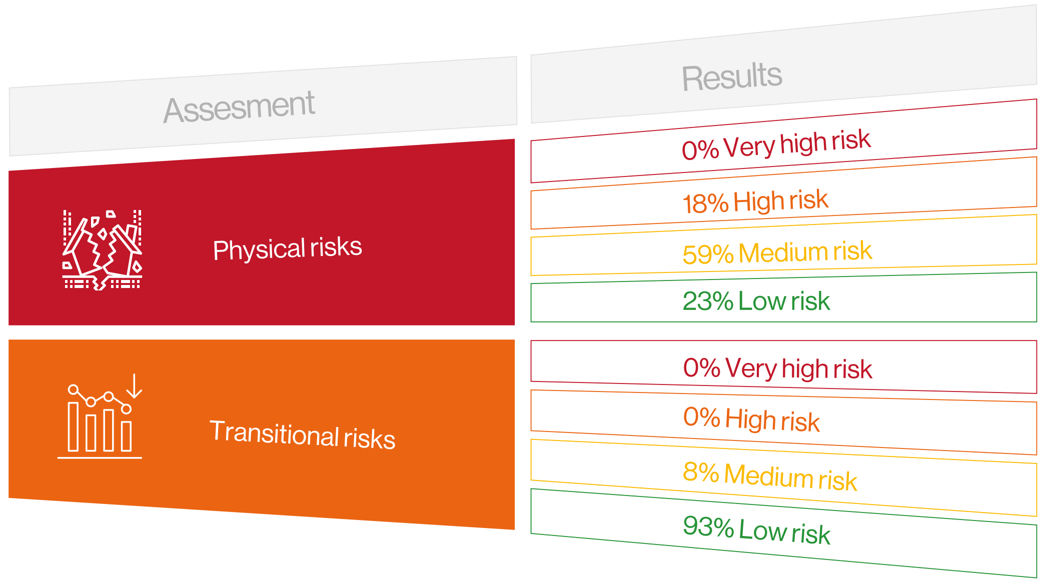
In its first year we analysed 50 assets and we are considering expanding the analysis to cover all of DIF's assets. The Heat Map identifies where the highest risks in our portfolio are, and we act on this information by developing mitigation plans in partnership with our assets. The results are also used by our Origination team in sourcing new transactions so as to avoid investing in new assets that are unlikely to be resilient to the impacts of climate change.

The Heat Map showed that none of the assessed assets were exposed to 'very high' risks and some assets have performed in depth climate-related physical risks assessments, including scenario analyses

Physical risks

On the basis of the asset's sector and location we assess vulnerability to climate-related physical hazards such as extreme temperatures, flooding and wildfires. For each hazard, we assess the likelihood of any adverse impact to both people and built infrastructure, as well as the likely severity of that impact to determine the overall risk profile.

The results told us that over 4/5 of assets face low-medium risks, while under 1/5 face high physical risks. The latter group have been prioritised for mitigation measures and DIF is now developing mitigation plans in partnership with the assets.



Transition risks

Transition risks are those associated with a low-carbon future and include policy changes, reputational impacts, and shifts in market preferences, norms and technology.

Our assessment methodology was based on the Climatewise Infrastructure Exposure Matrix, which assesses the potential financial impacts of transition risks to infrastructure assets in a variety of future climate scenarios, ranging from 2°C to 3.7°C of warming.

The results showed that the majority of DIF's investments face minimal transition risks, but that a small minority (8%) face medium risks. These are primarily pipelines for gas and oil distribution, which may be affected by EU policies to reduce methane emissions, for example. Plans to reduce these risks are now being studied in partnership with the assets.

02

Driving ESG improvements in our assets

The infrastructure assets we invest in are important to society and will be in operation for decades. We believe that pro-actively managing ESG factors at our assets is therefore critical to delivering long-term returns. Our ESG Survey and ESG Path enable us to identify relevant issues for each individual asset and to pragmatically engage with management teams to enhance ESG performance over time.

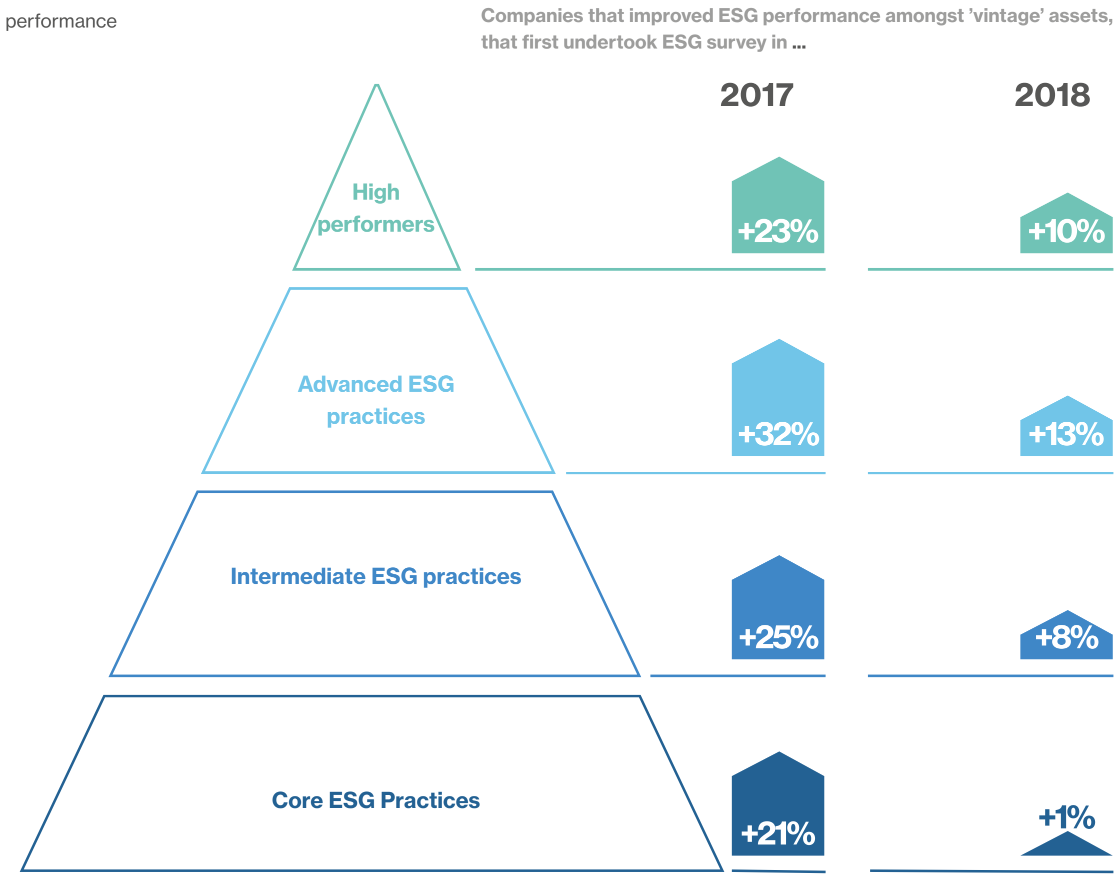
This year we extended our ESG engagement to 50 assets, a 25% increase on last year. 50 assets from the DIF Infra V, Infra IV, Infra III and CIF I funds (as of Q3 2019) were invited to participate in the ESG Survey. Additionally, 20 assets from the DIF Yield I fund were engaged through GRESB, an investor-driven assessment of the sustainability performance of the real assets sector.

This year we further tailored our approach by creating four levels of ESG key performance indicators, depending on the sector, size and maturity of assets (Figure 4). These range from core ESG practices that we expect all assets to meet (such as a system to ensure minimum wage is payed to all employees and contractors), to more advanced practices (such as carbon footprint assessments or third party verification of the energy system).

Through this process of constructively engaging with assets over time, we are able to drive continuous, measurable improvements in ESG performance.

The following pages aim to show where we have made improvements in each of our five focus areas, as well as indicate where we target further improvements going forward, illustrated with real-life examples from our assets.

Figure 4: Our new KPIs on ESG performance



2.1 Governance

> DIF uses its seats on company boards to ensure ESG matters are addressed, and when we visit our assets we make sure to kick the tyres on issues from safety systems to water and waste.
>
> Frank Siblesz, Head of ESG

Our approach

DIF strives to ensure strong governance structures are in place at all assets. While many governance requirements are asset-specific, some are common to all assets including the need for regular board meetings, transparent decision-making and responsible tax practices.

KPIs for our assets aim to ensure that any sub-contractor also adheres to the policies that the project has put in place to ensure governance and behaviour flows down the value chain. We are in the process of developing a sustainable procurement policy to ensure that sub-contractors align with these policies.

Performance in 2019

The DIF team attended or partially attended all Board meetings of our assets in 2019. For the first time we also carried out site visits at every project, giving us first-hand experience of how our assets are implementing ESG processes.

We also saw strong performance in the governance scores of our portfolio, with an increased number of assets demonstrating maturity when it comes to identifying and managing material ESG issues. 87% of our assets now have dedicated ESG resources in place, while 78% now report ESG metrics to the Board.

Among those assets that have participated in the ESG Survey for three years, all except one has a whistleblowing system in place, up by 12% on last year.

Emerging good practices among our assets include:

- **Stakeholder engagement from Liege Tram (Belgium):** As part of a wider programme to inform and engage with local communities the project developed a 24-part video series around the construction of a new tramline in Liege. These contained safety tips for local communities, explanations on the features of the future tramline, interviews with field workers and experts, and updates on the construction progresses. The videos are available on the website of the Tram, on YouTube and were broadcast on a local television channel.

The right amount of tax, at the right time, in the right place

Affinity Water, a UK-based water utility, has been awarded the Fair Tax Mark accreditation. The Fair Tax Mark is an independent, not for profit certification scheme which recognises organisations that pay the right amount of corporation tax, at the right time and in the right place. As part of the accreditation process Affinity improved their tax reporting, increased their tax transparency and progressed closure of an offshore finance subsidiary in the Cayman Islands.

Paul Monaghan, Chief Executive, Fair Tax Mark said: "At a time when the public is growing used to headlines about big corporates shifting profits to tax havens and minimising the contributions they make to the public purse, it's refreshing to see a business that is proud to say what they pay."

In 2019 Affinity also formed a Diversity and Inclusion committee to help drive improvements in its inclusivity across the company. The committee's current focus is on gender and ethnicity with sub-groups for religion and neurodiversity.

Affinity provides management training on discrimination and unconscious bias. They ensure that job adverts are gender neutral and have introduced a programme to review the choice of language in job adverts in order to attract a diversity of applicants. Vacancies are advertised on workingmums.co.uk to help attract more women into the workplace.

2.2 Safety

Our approach

Safety risks are omnipresent in infrastructure and are monitored particularly closely by DIF.

We are active on site, and provide safety guidance to the users of our assets. Every quarter we report and review all safety incidents, inviting contractors and external speakers to explain what happened and what measures are being implemented to avoid repeats. This is an opportunity for our asset managers to learn from incidents across our portfolio in a peer-to-peer setting.

For example, one such review meeting in May 2019 discussed a limited spill of 5cbm diesel, which occurred at the UNITANK diesel storage facility in Berlin. The incident occurred when unloading a railcar and was due to a missing flow reversal protection.

Performance in 2019

Safety is being carefully managed at the asset level through regular safety audits and overarching safety monitoring systems.

Health and safety (H&S) training is provided regularly to all relevant staff including technical and behavioural content, with sector and location-specific guidance. All asset managers are required to carry out health and safety tours on their assets, while we encourage assets to have independent H&S audits.

Over 90% of assets have a safety policy and associated management system in place and there have been strong improvements on H&S training. A system to ensure all field workers go through safety training is in place at 73% of assets engaged since 2018, compared to 64% last year; and the number of assets introducing voluntary initiatives for workers to improve safety rose from 43% to 71% in 2019 among the assets engaged since 2017.

We are seeing effective innovation at our assets. ADTIM developed a lone working app to protect isolated workers, and the Thames Tideway used 'gamification' to enhance their safety culture.

We are committed to constant improvement on safety and much more can be done next year. This includes more effective information exchange along the supply chain as 20% of the assets do not include sub-contractors in their incident reporting system.

Emerging good practices among our assets include:

- **Innovative health, safety & wellbeing training at Thames Tideway Tunnel (UK):** Thames Tideway has developed an innovative, award-winning, induction programme, EPIC, to deliver an immersive experience for everyone before they commence work on the programme. Creative ways to communicate key messages have been implemented including the 'gamified' approach to health & safety site inductions, using a board modelled on the Monopoly® game. An online incident management system distributes health, safety & environmental alerts to all site-based staff, while 'Rightway in Delivery', a recognition programme with monthly awards for best practice in health, safety & wellbeing promotes a positive culture. Such approaches bring health, safety and wellbeing training, communication and performance management to life and are far more memorable than standard safety documents.

- **Road safety at Algarve Roads (Portugal):** A campaign was launched during the summer to raise awareness among road users about the importance of driving safely during the holiday period. It presented information based on the technologies, interventions and procedures developed in areas at most risk of accidents.

Safety first in France

DIF has supported the provision of virtual reality training courses in areas such as environment, health and safety for road workers on the A63 road in France. These include a virtual reality training module for motorway patrollers to train safe practices in real-life scenarios.

The experience begins with total immersion in the working environment, where the surrounding conditions such as traffic noise, vehicle speed and weather events have been reproduced. The patroller spends a few minutes exploring their environment before coming across a random incident such as a broken-down vehicle, an object in the middle of the road or a serious accident causing injuries or involving hazardous substances.

This course is mandatory for any new patrollers at A63, and experienced patrollers will be able to conduct this training twice a year to maintain their knowledge and awareness.

2.3 Environment

> We encourage assets to build in environmental considerations at the earliest planning stages, and it results in inspiring solutions from hybrid train fleets to the creation of new wetlands
>
> Angela Roshier, Partner and Head of Asset Management

Our approach

We have a wide array of green assets such as wind and solar farms along with waste-to-energy facilities in our portfolio. But our contribution to a better environment goes far beyond these projects. We encourage all assets to reduce and offset negative environmental impacts as much as possible.

For example, the A150 road management company has implemented 21 initiatives to prevent biodiversity and reduce environmental impacts. These include the creation of a wetland for the benefit of migrating birds and other species.

Our engagement topics include those related to each asset's energy mix, use of technology and management of climate risks and opportunities. Similarly, we seek to future proof our assets against emerging environmental legislation by utilising technology and innovation to achieve both energy savings and cuts to bottom line costs.

Performance in 2019

Environment presents a large performance distribution. On the positive side we see that (for assets engaged since 2018) 75% of assets now monitor energy consumption in some form, up from 66% last year, and six introduced new energy saving initiatives this year.

We also saw innovation in the way assets are mitigating their environmental footprint, such as the growth of nature-based solutions. For example, the Loyalist Solar Project uses a flock of 300 grazing sheep to ensure weed control around its solar panels.

However while most assets collect data regarding energy consumption, few assets are evaluating greenhouse gas emissions (GHG). For example only one asset has in place a detailed emissions evaluation that covers Scope 1, 2 and 3 types of emissions as per our ESG Policy, we encourage our investee companies to measure their carbon footprint and work towards reducing and/or offset their carbon footprint over time.

A snapshot of emerging good practices among our assets include:

- **Protecting nature at Affinity Water (UK):** Affinity has worked with the UK's Environment Agency to restore chalk stream tributaries of the River Colne in Hertfordshire. Chalk streams are rare biodiversity habitats of international significance. Affinity has committed to deliver 36 restoration projects, which will improve over 125 km of rivers. To reduce pressure on water resources it has committed to cut leakage by 20%, help customers to cut their water use by 12.5%, and reduced the amount of water used from environmentally sensitive sites by 27 million litres a day by 2025.

  Converting waste at Aragon Roads (Spain): Aragon use a bio-crusher to recycle over 370 tonnes of organic waste each year collected from pruning, clearing and brushcutting. The machine converts the waste into a soil additive that generates healthier soil less prone to erosion.

A twin track approach to saving rail power

In Australia DIF is financing the construction of a maintenance facility in Dubbo to upgrade New South Wales' ageing fleet of trains. The facility has been designed to maximise environmental sustainability. For example, 95% of low voltage energy required to power the maintenance facility will come from on-site solar technology.

The new Regional Rail Fleet will be the first fleet of trains in Australia to use bi-mode technology. Bi-mode is a diesel-electric hybrid which will allow the fleet to run on overhead power when operating on the electrified section of the train network.

2.4 Human capital and community

Our approach

We recognise the importance of far-sighted human capital management in the success of our assets. Some of the topics on which we engage in this area include how our assets manage relations with local communities, whether they promote equality of opportunity and whether they take account of the needs of vulnerable users. We believe that this approach is not just the right thing to do, it also positively impacts the value of our investments.

Performance in 2019

Community and stakeholder engagement are a critical part of delivering sustainable infrastructure projects, and we saw good progress in this area with several assets reaching out in effective and innovative ways. The Cross River Rail project developed a popular education hub (see case study) for example, while assets in both North America and Australia continued to build strong relations with indigenous communities (see case study).

Progression in 2019 included a 9% rise (among assets engaged since 2017) in the number of assets who now have a system in place to ensure sub-contractors receive the minimum wage. We also saw increased philanthropic activity at several projects. This has continued in the COVID-19 crisis during 2020 with assets providing money to food banks and medical services and offering other support.

89% of assets now have a system to ensure adequate labour standards, while over 51% have community investment initiatives.

It is also encouraging that almost one in four (24%) now have gender diversity formalized in policy and incorporated in training. Though we would like to see this number rise further.

A snapshot of emerging good practices among our assets include:

- **Education initiatives at Loimua Oy (Finland):** Loimua is participating in the Responsible Summer Work campaign, providing more and better summer jobs for young people aged 14-29. It also co-operates with schools by offering training places.
- **Charity projects at Algarve Roads (Portugal):** Team building exercises for charity purpose are performed annually. For example, in 2019, employees of the asset collaborated as volunteers to build bicycles for a foster home.
- **Learning at Cross River (Australia):** In Australia, the Cross River Rail Experience Centre is a community engagement and education hub developed in partnership with Queensland Museum, providing digital engagement experiences and learning opportunities for visiting members of the public as well as school groups. Visitors can take a driver's-eye trip through Cross River Rail's twin tunnels under the Brisbane River and use touch-screens to understand everything they need to know about why Cross River Rail is being built, how it will be built and what it means for the future of public transport in South East Queensland.

Community partnerships at BluEarth Renewables

BluEarth has formed business partnerships with local Indigenous communities on eight of its renewable energy facilities. For example, the Loyalist Solar Facility is a 50/50 partnership between BluEarth Renewables and the Mohawks of the Bay of Quinte. Commissioned in 2019, the 54MW facility produces enough renewable energy to power about 11,000 homes annually. As part of this project, BluEarth built a new eco passage and has improved over 340 acres of habitat for endangered and threatened species. BluEarth was named one of Canada's Greenest Employers and one of Alberta's top employers in 2020.

Partnering with indigenous communities at Bungala

A respect for cultural heritage was built in from the construction stage of this Solar Farm project in Southern Australia. Construction activity included presentations to workers (aboriginal and non-aboriginal) to raise awareness of local culture, to ensure respect for the place where they worked and of aboriginal artefacts.

In total 35% of the construction workforce was aboriginal and 80 non-specialized aboriginals were trained and employed for the construction of the asset. Following the construction of the asset, a certificate was provided to these workers to facilitate their re-employment in other renewable projects in the future.

In 2019 a partnership with Polly Farmer Foundation enabled 25 aboriginal students from local high schools in Port Augusta to undertake a STEM (Science, Technology, Engineering, and Mathematics) Programme. This included $50,000 of support and student visits to the solar farm with dedicated lessons from on-site personnel.

The students will subsequently develop a model of a solar powered electric vehicle as part of an Australian National STEM Challenge. In parallel, the project has reached out to local communities in 2019 in support of an aboriginal mural painting for the project.

2.5 Climate resilience

Our approach

Limiting climate change to safe levels will require a rapid expansion of low-carbon infrastructure. DIF's renewable energy, sustainable transport and waste management assets play a crucial role in increasing the climate resilience of the communities they serve.

At DIF we are also committed to understanding the impact climate change can have on our investments, and to managing the risks and opportunities it presents. For example, as part of our ESG survey we ask our investments to measure energy consumption and the proportion of energy sourced from renewable sources. In the subsequent ESG enhancement plan we ask the asset to assess applicable investments and initiatives to reduce environmental impacts such as waste and water use. Going forward we plan to measure the carbon footprint of the assets participating in our ESG Path to be able to set reduction or offset objectives.

This year we created the Climate Change Heat Map to perform a high-level screening of the main physical and transitional climate-related risks to which DIF assets are exposed. The results of this analysis are used to develop mitigation measures for those assets deemed to be at risk.

Performance in 2019

The first year of our Climate Change Heat Map showed that 55% of assets performed climate-related physical risks assessments and among those 20% performed an enhanced assessment including climate scenarios.

This is encouraging but it is clear that we need more assets to be more effectively measuring and mitigating their climate risks, including emissions. At DIF we hope the adaptability and innovation shown during the coronavirus pandemic can be applied to the challenge of managing climate change.

A snapshot of emerging good practices among our assets includes:

- **Planning for climate scenarios at American Roads (US):** This US management company identified risks relating to natural disasters such as hurricanes and flooding, and has since worked with an insurance company to develop disaster and recovery plans. The plan is to enhance this process in the future with additional climate prediction models and scenarios.

- **Energy savings at Norte Litoral (Portugal):** This road asset installed solar panels in 2019 to account for 35% of energy consumed by tunnels, while energy consumption was reduced by 6% year on year through the replacement of standard bulbs with LED lights.

Power-to-Gas to harness surplus renewable energy

Thyssengas has the goal to make investment in the construction of the largest power-to-gas plant in Germany possible. In its best form Power-to-Gas is the process of converting surplus renewable energy into carbon-neutral hydrogen gas through electrolysis technology. The hydrogen gas can then be injected into the national gas grid and reach up to 90% of German businesses and homes, reducing the use of fossil fuels and carbon emissions. The region of East Frisia is the ideal location because huge amounts of windpower from the North Sea already come ashore there.

Thyssengas also wants to make the vision of a hydrogen gas grid for Germany in addition to the existing national gas grid a reality. To that end Thyssengas is involved in several projects not only to harness renewable energy for the production of carbon-neutral hydrogen gas but also looking into ways to transport it to the relevant end consumers as part of the future energy sector coupling.

To achieve these targets Thyssengas is engaged in an exchange with the relevant stakeholders to come to a fitting economic, legal and technical framework for these activities.

03

ESG in our corporate culture

We know that we cannot ask our assets to consider ESG factors like community and climate, if we do not do so ourselves. That's why we strive to encourage sustainability practices in our own workplace.

We have demonstrated our commitment to good governance by establishing an ESG committee, appointing a dedicated Head of ESG, and adapting our performance review processes to incentivise ESG performance.

On climate change, we publish and offset our carbon footprint through reforestation programmes.

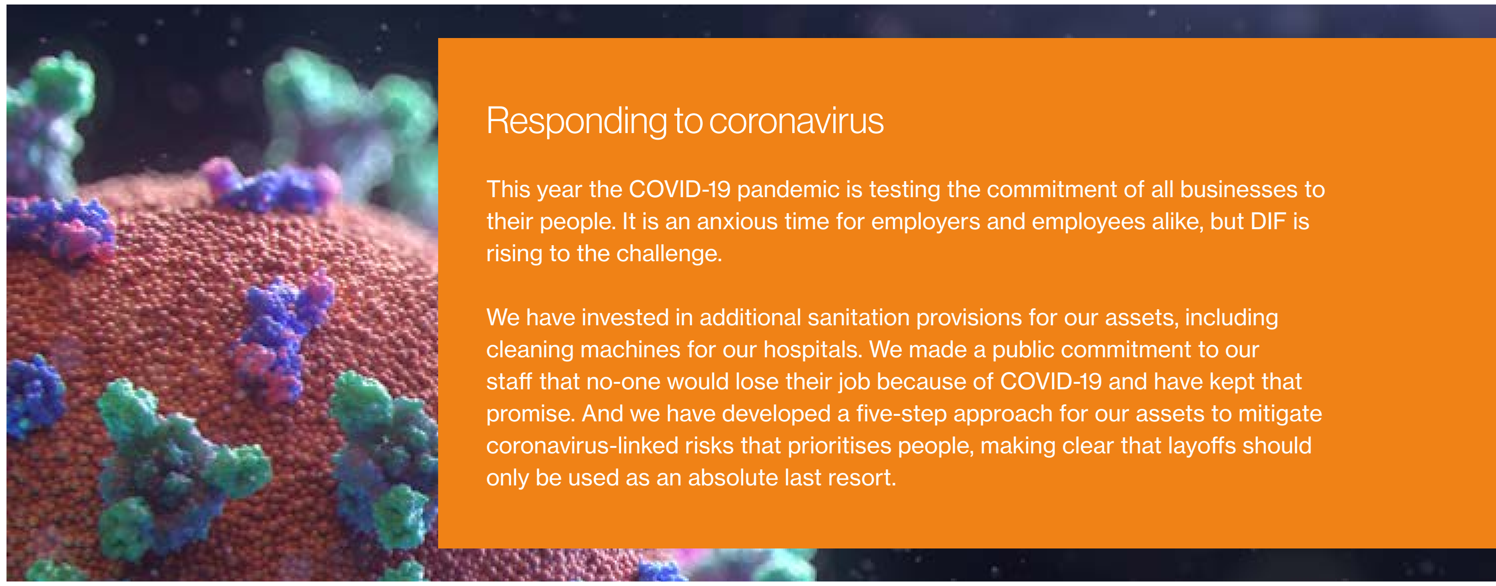
We have also committed to hosting a Climate Change Conference, once the COVID-19 pandemic is over, to share our approach and discuss risks and opportunities for the sector, with over 85 stakeholders from the industry, including DIF's investee companies, peers and investors registered.

We encourage assets to develop their human capital by investing heavily in training our own staff – on issues ranging from compliance, to health and safety, to ESG screening.

But our commitment to human capital does not end at our front door. In consultation with our employees we have identified a number of charities where we can assist financially and through our staff's professional skills to support community goals. To assist this, we have allowed employees up to three volunteering days per annum and the manager has committed to allocate up to EUR 300k to charitable donation. Charities we support through this effort include:

- **Giving Back** – A Dutch charity that connects foreign students with DIF mentors to help realize their ambitions
- **Article 1** – A France-based charity to improve access to the labour market. Article 1 believes that everyone must be able to grow and build their own route from school to the professional world, independent to birth and origins.
- **Synergie Solaire** – An endowment fund with a mission to develop renewable energies solutions for economic, social and environmental humanitarian projects.

Our UK team is also working on a DIF funded competition for early stage social enterprises that contribute to specific SDGs. The UK team will provide mentoring and a financial incentive to several of the best start-ups.



Responding to coronavirus

This year the COVID-19 pandemic is testing the commitment of all businesses to their people. It is an anxious time for employers and employees alike, but DIF is rising to the challenge.

We have invested in additional sanitation provisions for our assets, including cleaning machines for our hospitals. We made a public commitment to our staff that no-one would lose their job because of COVID-19 and have kept that promise. And we have developed a five-step approach for our assets to mitigate coronavirus-linked risks that prioritises people, making clear that layoffs should only be used as an absolute last resort.

We are proud of our achievements over the last three years, our efforts have resulted in a resilient portfolio that is fully engaged on material ESG themes and is showing clear progress over time. These efforts have also been acknowledged by our investors and recognized by the 'A+' scores awarded to DIF by the UN-supported PRI.

It is clear at the time of writing that the need to 'build back better' in the wake of the coronavirus pandemic will be the dominant theme in 2020. ESG factors from worker safety to community support and diversity will be more important than ever across our portfolio of assets next year.

The need to build assets that are resilient to future shocks also puts the spotlight on climate resilience and the wider environment. We will continue to refine and expand our management tools – including our ESG Survey, ESG Path and our Climate Change Heat Map – to cover a wider array of assets. We also have an ambition to work towards carbon neutrality for our portfolio and to consider developing infrastructure solutions for impact investing.

Despite the practical difficulties caused by Covid-19, we remain determined to engage with all our assets on the most material challenges they face, and hope that some planned initiatives, such as our Climate Change conference to share sector best practice – can be rescheduled at some point in the year.

We are very aware of increasing regulation related to climate action in the EU and beyond, and increasing demand for ESG reporting from all stakeholders. Trends likely to be accelerated further by both EU green recovery plans and next year's COP26 climate talks. These trends continue to drive us to ensure our internal processes stay well ahead of the curve.

And finally, as charity involvement is very dear to DIF, we aim to roll out more DIF charity initiatives that we will support both financially and with time allowance granted for DIF employees to be give back to local communities.

Coronavirus support

DIF recognises that the COVID-19 pandemic is an unprecedented challenge that needs immediate action. That's why we have donated $15,000 to the William Osler Health System Foundation in Canada. Additionally, the Etobicoke Healthcare Partnership, of which we are a 50% shareholder, has donated a further $25,000 to the foundation. These gifts are having an immediate impact in providing life-saving medical equipment and critically needed PPE to help protect frontline healthcare staff. We have provided further coronavirusrelated support to the following organisations:

- All United Against Coronavirus foundation, to support healthcare workers, researchers and help the most vulnerable (France)
- Specialised staff to support families with children with progressive muscular diseases that are not well looked after as a result of the focus of the medical system on coronavirus (Netherlands)
- The Vallecas PPP hospital in Spain received support for a cleaning machine (MoonBeam3) that is designed for fast disinfection of surfaces in patient rooms, operating rooms and bathrooms (Spain)
- The Frankfurtel Tafel (foodbank) received financial support to compensate for lack of volunteers (Germany)
- The Barts Hospitals received support for well-being initiatives such as wash kits, relaxation rooms and psychological support for hospital staff (UK)

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