DIF CAPITAL PARTNERS

ESG Report 2023

UNLOCKING LONG-TERM VALUE

Foreword

It has been a dynamic year at DIF. There's been continued expansion into sectors like the energy transition and digitalisation, the introduction of our new DIF value creation model, and the announcement of a new strategic partnership with CVC.

It has also been a significant year for the climate, with record-breaking temperatures and extreme weather across the world. A backdrop of volatility and disruption continue to create an uncertain future for many. DIF is responding by reaffirming our commitment to make long term investments that deliver positive outcomes for communities, the environment and investors.

We are proud that our investments this year have provided over 9,750 GWh of renewable energy, and provided opportunities for education, improved mobility and digital infrastructure.

The strategic partnership with CVC will help DIF build on our strengths and provide investors with even more opportunities to invest in diversified infrastructure. We are also excited to welcome our new Head of ESG, Lorraine Becker, to the DIF team as we begin this new chapter.

A winding path

Our ESG journey in the last year has continued to be both encouraging and challenging.

Our ESG Path stewardship programme is now in its sixth year, and drove almost 140 individual ESG actions last year across our portfolio, from the rollout of new whistleblowing systems to new safety measures and dedicated budgets for community impact. We can also clearly demonstrate that the longer an investment spends on the ESG Path, the higher the ESG performance. ESG performance has improved by over 20% for investments that have been on the ESG Path for five years or more.

This year also saw us produce our first stand-alone climate report and take meaningful steps towards our interim climate target, in line with the UN-backed Net Zero Asset Managers framework, for 70% of our portfolio to be aligning or aligned with Net Zero by 2030.

There is no instant and simple solution to Net Zero and significantly this year we completed our first six decarbonisation pilots – working with investments across different sectors to develop individual Net Zero roadmaps. This has been a fruitful but challenging exercise showing the depth of innovation and resources required for sectors like roads, rail and fibre to transition to Net Zero.

We are also seeing the rewards on our journey to Net Zero increasingly clearly, from operational cost savings to a lower cost of capital.

"Our ESG Path stewardship programme is now in its sixth year, and drove almost 140 individual ESG actions last year across our portfolio"

This year we reported on how we integrate ESG into decision-making as part of our commitment to the UN-backed Principles for Responsible Investment (PRI) and have received top scores in all modules completed.

The future is ours

Responsible investment has been an intrinsic part of our DNA since the founders of DIF prepared a business plan to manage investments for the European public-private partnership (PPP) sector in 2003. Twenty years later it is at the heart of our new value creation model and core to our investment philosophy.

We know that the investments which most successfully deliver quality infrastructure and services to society, and value creation for investors, are those with proactive management of ESG factors. Just as we have proven our ability to navigate the stormy seas of shifting capital, DIF will continue to chart a course through the transition for infrastructure investing. This is rooted in identifying and converting risks and opportunities into material value for investors, as well as delivering positive impacts for communities and the environment.

We are privileged to bring our experience as a manager together with forward-looking capital, and anticipate continued shared success as we continue our journey through the energy transition, realising new opportunities together.

Gijs Voskuyl
Deputy CEO and member of the Executive Committee

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About DIF Capital Partners

DIF Capital Partners is a leading global independent investment manager, with ca. EUR 17 billion in assets under management across twelve closed-end infrastructure funds and several co-investment vehicles. DIF invests in infrastructure companies and assets located primarily in Europe, the Americas, and Australia through two complementary strategies:

- Traditional DIF funds, of which DIF Infrastructure VII is the latest vintage, target core infrastructure equity investments with long-term contracted or regulated income streams including public-private partnerships, concessions, utilities, and energy transition projects (incl. renewable energy).
- DIF CIF funds, of which DIF CIF III is the latest vintage, target equity investments in small to mid-sized core-plus infrastructure companies in the digital, energy transition, and transportation sectors.

DIF Capital Partners has a team of over 230 professionals, based in eleven offices located in Amsterdam (Schiphol), Frankfurt, Helsinki, London, Luxembourg, Madrid, New York, Paris, Santiago, Sydney, and Toronto. For more information please visit **www.dif.eu**.

About this report

This report covers DIF as a company as well as the investments made by the funds managed by DIF. Where reference is made to investments in this report this relates to investments made by the funds. DIF manages the funds and their investments on behalf of the investors in the respective funds.

We welcome feedback from all stakeholders via ESG@dif.eu to help us on our journey of continuous improvement.

Highlights at-a-glance

9,751 GWh of renewable energy produced

Hundreds of thousands of people served by our social infrastructure investments

Over 13 thousand rail cars facilitating cleaner transportation

Thousands of communities connected through our digital infrastructure investments

Over 23 million people served by our water infrastructure investments

Investments covered by the ESG Path for over a year improved their ESG performance over 5% year-on-year. Average scores are up from 54.8% to 59.9%

Our latest funds reported in line with the EU Sustainable Finance Disclosure Regulation on their contribution to fund-specific Sustainable Development Goals as the environmental and social characteristics promoted by the respective funds

Contributing to the SDGs

We are building sustainable development into the architecture of our approach, and so monitor and report on how our investments contribute to the UN's Sustainable Development Goals (SDGs). For our latest funds, the contribution of prospective investments to fund-specific SDGs is assessed by completing the Intrinsic Benefits Tool (IBT). Post-investment the SDG contribution is further substantiated by annual reporting on indicators specified by the IBT.

In particular, we make measured contributions to SDGs 7, 9, 11 and 13.

SDG 7: Affordable and clean energy

How we contribute: Our funds contribute by investing in the construction or operation of renewable energy and energy storage investments, as well as by pursuing energy efficiency investments and utilities providing energy services.

For example: DIF VII acquired a majority stake in Stockholm-headquartered **Alight**, a leading developer of subsidy-free solar projects in the Nordics. Alight now aims to have 5 GW of PPA-backed solar projects delivered across the Nordics and Europe by 2030.

SDG 9: Industry, innovation and infrastructure

How we contribute: Our funds contribute by investing in basic infrastructure and essential services such as wastewater treatment, transportation, telecommunications and social infrastructure.

For example: CIF III acquired a majority stake in **ruhrfibre**, which will enable the fibre company to develop and operate integrated dark fibre networks in the region of Essen, Germany – with the aim of having 150,000 homes passed by 2030.

SDG 11: Sustainable cities and communities

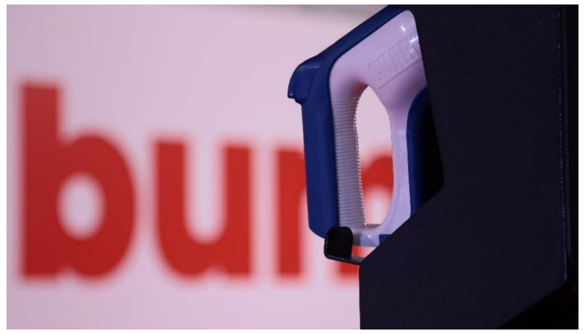
How we contribute: Our funds contribute by investing in integrated city infrastructure, including mobility and utilities, as well as infrastructure that connect rural communities, such as telecom networks and rail.

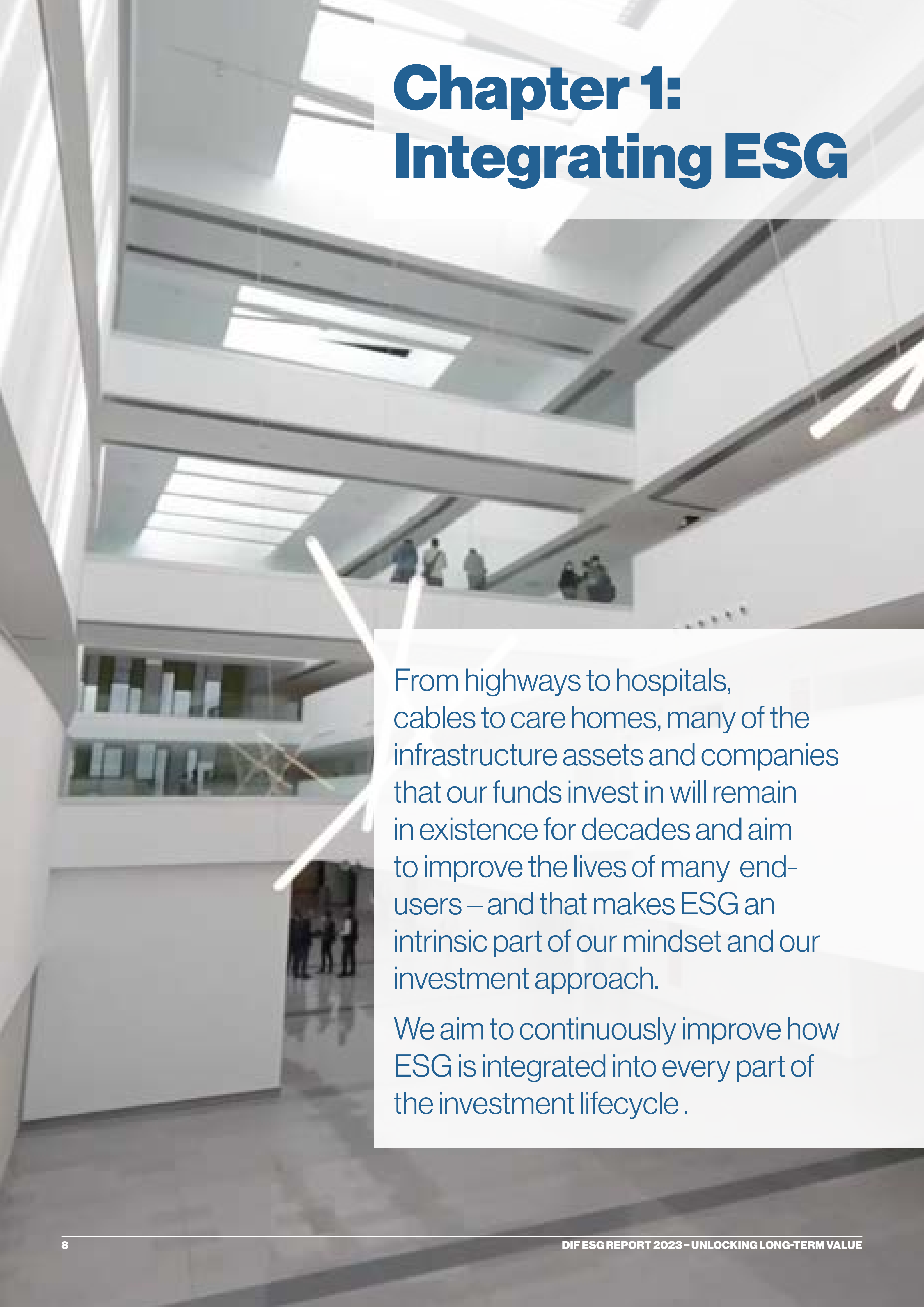
For example: DIF VII made an investment in **Diverso**, an industry leader in the development and operation of geothermal heating and cooling systems. We are able to support a pipeline of more than 85 projects in the Greater Toronto and Hamilton Area, Canada to help drive the decarbonization of multi-unit residential and commercial properties.

SDG 13: Climate action

How we contribute: Our funds contribute by making investments in the energy transition, including renewable energy and clean technologies such as EV charging, as well as by working with investments to develop decarbonization plans.

For example: CIF III made an investment in **Bump**, a fast-growing player in the French electric vehicle charging market. The company launched nearly 100 charging points in its first year of operation and now manages over 3,000 charging points, of which approximately 900 are owned.





Chapter 1: Integrating ESG

From highways to hospitals, cables to care homes, many of the infrastructure assets and companies that our funds invest in will remain in existence for decades and aim to improve the lives of many end-users – and that makes ESG an intrinsic part of our mindset and our investment approach.

We aim to continuously improve how ESG is integrated into every part of the investment lifecycle .

Policies and governance

The latest version of our ESG policy was published on our website in June 2023 and included updated commitments to our ESG Due Diligence process and to Net Zero engagement and reporting.

Organisational ESG Governance

DIF's Executive Committee (ExCo) ultimately has formal oversight and responsibility for the implementation of our ESG Policy, supported by other relevant bodies within DIF, such as the Partner Group and the ESG Committee, and by our dedicated ESG team. All staff receive training on ESG-related topics and processes and are required to set ESG objectives, linked to remuneration.

Policies and Procedures

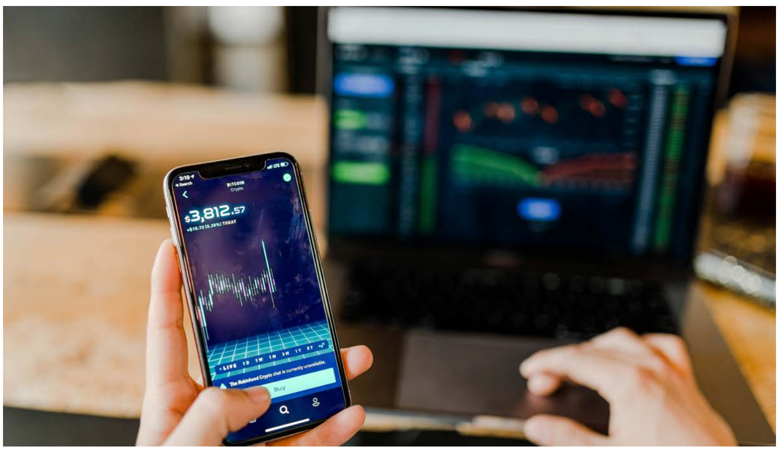
The ESG Policy is an integral part of DIF's compliance framework and is included in our policy library. The policy library includes multiple policies aimed at managing ESG factors at corporate level, such as DIF's Code of Conduct, Whistleblower Policy, Conflict of Interest Policy and Anti-Bribery and Corruption Policy. DIF's ESG policy outlines the integration of ESG factors into the investment cycle as well as DIF's approach as an investment manager.

We are fully committed to transparency and accountability, reporting on our climate risk management in line with the Task Force on Climate-related Disclosures (TCFD) framework and the EU's Sustainable Finance Disclosure Regulation (SFDR). DIF's latest investment funds are classified as Article 8 under SFDR and in 2022 these funds made their first investments. DIF has also provided the first annual reports for these funds including the regulatory disclosure annex in line with requirements set under SFDR. We formally do not consider the Principal Adverse Impact indicators as part of investment decision making, but we have been collecting PAI indicators post-investment to support our investors in meeting their reporting obligations.

Principles for Responsible Investment

DIF has been a signatory to the UN-supported Principles for Responsible Investment (UNPRI) initiative since 2011 and has completed the annual UNPRI assessment since 2014.

In 2023 we were awarded the top 5/5 stars ranking across all the modules we were assessed on including our 'Policy, Governance and Strategy', and our approach to 'Direct Infrastructure' investments and 'Confidence Building Measures.



ESG integration at all stages of an investment

ESG factors are considered in every stage of the investment cycle, from pre-investment to divestment. The management of ESG factors is firmly embedded in our investment strategy, policies and processes.

The integration of ESG factors starts with defining fund-specific ESG strategies which are articulated and embedded within the fund mandate.

During the deal origination phase we apply ESG screening processes for every prospective investment. Our ESG screening tool helps us identify material ESG risks and confirm whether investments comply with our ESG exclusion guidelines. With the latest revision of the ESG policy we enhanced the tool in several ways including adding an ability to question the contribution of an investment to fund-specific SDGs and its potential to align to Net Zero.

Just one example of this process in action was the decision to not invest in an Eastern European energy utility. The investment opportunity still heavily relied on fossil based thermal energy generation and did not have a credible plan to transition to clean alternatives.

Intrinsic Benefits Tool

As infrastructure provides basic and essential services to society we also seek to capture the intrinsic public benefits that many of our investments create. For example, new cables may give disadvantaged students access to online learning for the first time, a new road could divert fast-moving traffic away from congested areas, and a new hospital can provide critical treatments in the place they are needed.

For this our proprietary Intrinsic Benefits Tool helps us to identify and measure these impacts, as well as assess the contribution of prospective investments to fund-specific SDGs.

It is based on a methodology which scores each investment based on an approach that combines both sector- and country-level analysis, using an adapted version of the Impact Radar Tool developed by the United Nations Environment Programme Finance Initiative. More detail on this methodology is provided in our 2022 sustainability report.

In the last year we have increasingly adopted usage of the tool, including in the strategies for our new DIF VII and CIF III funds. As of Q2 2023, our aggregate score across all our current funds is 70/100. This shows an upward trend, from a score of 67 in 2021, and helps us to visualise our impacts and monitor progress over time.

Post investment

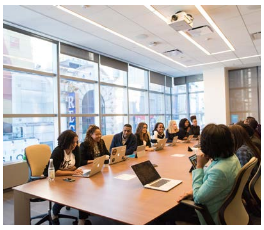
When an investment is made, actions to manage ESG risks and realise opportunities are included in 100-day plans and further embedded into long-term value creation plans for the investment.

Our annual ESG engagement approach, the DIF ESG Path, supports with realising value creation on ESG factors. As detailed in Chapter 2 of this report, the ESG Path measures performance on five ESG focus areas (see figure 1) and identifies and tracks progress on investment specific ESG action plans. Launched in 2018, our bespoke ESG Path has evolved into a tailored and dynamic initiative which sets increasingly

Figure 1: The five ESG Path focus areas

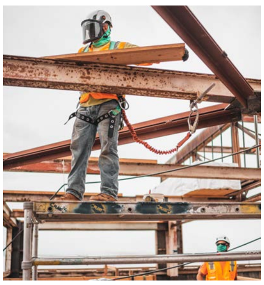
Governance

Safeguarding our investments through good management, for the long-term benefit of all stakeholders



Safety

Ensuring our investments are safe to employees, users and other stakeholders

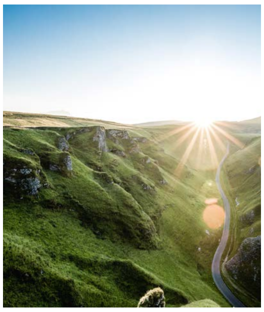


Community and People

Encouraging our investments to proactively engage with, and have a positive impact on, people and local communities

Environment

Promoting renewable energy, energy efficiency and pollution reduction



Climate resilience

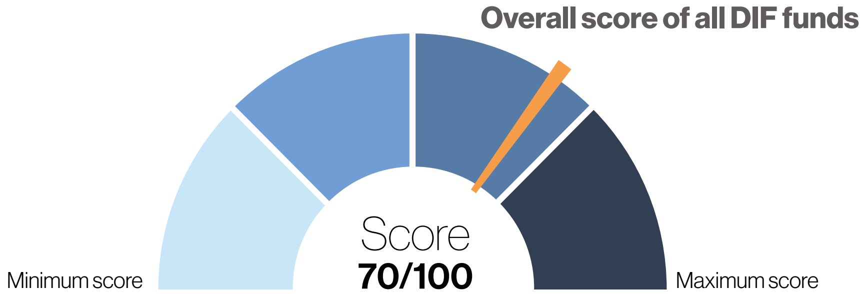
In line with our Net Zero efforts, encouraging our investments to improve resilience via physical and transitional climate-related goals, including through individual decarbonisation plans

ambitious goals and drives performance. As detailed in the following chapter investments that have been on the ESG path for five years have improved their ESG performance by over 20%. Investments are also supported by DIF's Net Zero Programme and by our work to pro-actively share best practices around the investment portfolio.

In the divestment process, potential buyers are provided with relevant information on an investment's ESG performance by including results from the ESG Path and Net Zero programme in the dataroom. Additionally, a dedicated ESG section is included in the investor memorandum and relevant ESG factors are covered in the vendor due diligence report.

We are also conscious that ESG issues are complex and require market-wide solutions. Therefore, we participate in industry-level ESG policy and regulatory advocacy through our membership in the Institutional Investor Group on Climate Change (IIGCC) and the Global Infrastructure Investor Association (GIIA).

Figure2: Intrinsic Benefits Tool: aggregate score across all funds



The score presented represents all funds managed by DIF and is aggregated as a weighted average based on fair value. The intrinsic benefits score is computed as part of pre-investment ESG procedures for our latest funds. For our earlier funds the IBT score has been calculated post-investment and the score has not been considered in investment decision making.

A SHARING CULTURE ON ESG PRACTICES

"How does Finland move to sustainable heating?". "Why do ransomware gangs try to gain access to your company on a Friday afternoon"?

These were just two examples of the detailed ESG issues discussed during our annual DIF ESG Event in November 2022. A gathering that shared ESG good practices across the portfolio and which was held in a hybrid format attracting almost 200 attendees.

A diverse mix of management teams, investors and DIF employees discussed the central themes of Net Zero and cyber security and heard from expert speakers including Simon Mundy (FT Journalist and author of "The Race for Tomorrow") and Erik Westhovens (Cyber Security Expert and author of "13.Ransomwared").

The DIF ESG events are just one of the mechanisms we deploy to spread knowledge and know-how including assembling a library of best practices as part of our ESG Path and innovations such as our quarterly health and safety calls.

Looking through a value creation lens

The big shift this year has been the transitioning of our asset management into a value creation team.

As our portfolio has evolved from mostly physical assets to companies that develop and manage physical assets we have configured our investment process around a value creation model.

We have created and rolled out a toolkit that helps embed value creation across an investment's lifecycle and which helps investment teams at DIF look through a lens focused on where value can be created.

Just one example early on in this journey was our acquisition of Talbot Group who provide residential disability housing in Ireland. Among other benefits the value creation model has helped us shape our thinking on where geographically to expand this Group and which services to concentrate on. One outcome being our efforts to advance their provision of autism services – now accredited by the National Autistic Society UK.

Our Value Creation toolkit identifies several levers that create value, known as 'universal levers' which is something a project or investment must have to deliver the required level of value throughout its lifecycle. ESG is one of these universal levers and includes the investment's ability to mitigate ESG risk and decarbonise effectively at the rate required.

Value creation toolkit

Our value creation toolkit provides investment teams with the essential equipment to identify what levers to identify and how to interact with them. This includes guidance such as:

- ESG-related questions to ask during due diligence
- ESG analysis to perform
- Strategic choices to make
- Core KPIs & data to track
- Approach for sizing value creation opportunities
- Pitfalls to avoid

The toolkit ensures a more structured and formalised process to identifying material ESG factors and harnessing ESG management as a vehicle to drive value for our internal and external stakeholders.

Realising Net Zero

Climate change is transforming the infrastructure sector and we have set a clear direction of travel by committing DIF to becoming a Net Zero investor by 2050, including by joining the Net Zero Asset Managers (NZAM) initiative.

DIF is changing too, and we continue to evolve a broader approach to sustainable infrastructure that invests not only in real assets but also in those investments along the value chain accelerating the transition to a Net Zero and a more connected economy.

As part of our NZAM commitment we have set interim targets for 2030 and 2040. By 2030 our target is for 70% of our assets under management (AUM) by value to be considered Aligning to Net Zero or better and by 2040 our target is for 100% of AUM to be considered Aligned to Net Zero. These interim targets will support us in realising our long-term target of 100% of AUM to be Net Zero in 2050. To be considered Aligning to Net Zero means that investments will have both long and short-term targets in place, will disclose current GHG emissions and have allocated management responsibility for such targets or reduction pathways.

This year our ESG Path showed that 12% of AUM already met these Net Zero requirements, with a further 15% committed to aligning.

This is an encouraging first step on our journey to 2030 and the momentum is increasing. A total of 51 investments took at least one action to improve their Net Zero performance this year, and committed to over 70 actions in 2023.

For example, district heating provider Loimua in Finland has set a decarbonisation plan that accounts for 95% of its Scope 1 and 2 emissions, and which also contributes to emissions reduction for its customers. Regional Rail in Australia has achieved the highest possible score from the country's ISC sustainability rating thanks to a Net Zero plan that includes life cycle assessments, plans to minimise emissions in construction and operations and the use of energy efficiency and solar PV.

Climate reporting

This year we continued to make good on our commitment to full transparency on climate by publishing our first stand-alone Climate Report.

This report is structured to meet the framework set by the Task Force on Climate Related Financial Disclosures (TCFD) and to report against our commitments as Net Zero Asset Managers (NZAM) initiative.

Access our Climate Report for more detail on how we manage climate risk.

Net Zero Programme

There is no 'just add water solution' to decarbonisation, especially given DIF's heterogenous portfolio across varying sectors and countries, and investments with a variety of governance structures.

That is why last year we launched a new initiative to pilot a Net Zero Programme with six investments across different sectors including roads, rail, fibre and EV infrastructure. The aim was to provide information, resources and guidance to the initial pilot group helping them to form a roadmap to decarbonisation that could then inform a process that was scalable across all the Funds' portfolios.

The process has highlighted the deep challenges of decarbonisation. In each case the process provided a kick-off workshop with DIF's ESG team, exploration of the feasibility and timing of a list of potential emission reduction measures and the development of a credible, financially viable and technically feasible decarbonisation plan to be signed off by the investment's board.

At the conclusion of the pilot three investments identified a near-term timeline to become Aligning or Aligned to Net Zero, two investments will require more time and one investment has not identified a timeline for becoming aligning to Net Zero.

Climate Change Heat Maps

As detailed in our Climate Report, DIF has developed Climate Change Heat Maps (CCHMs) to identify both physical and transitional climate risk across our portfolio.

Physical climate risks are hazards linked to the geographical location of the investment such as flooding or drought. For example, a toll road in Alabama (U.S.) near the Gulf of Mexico may be exposed to significant risk due to storms or cyclones, while it will be immaterial for a road in the Netherlands. Transitional risks are those based on changes in law, technology or market dynamics such as stricter regulation on emissions.

The data published in our 2022 Climate Report showed that wind generation, gas-fired power generation, and rail sectors were all classified as having at least one high physical risk type as well as investments in high physical risk locations e.g. areas prone to extreme heat. Furthermore, a minimal 1.6% of our managed investments pose a high transition risk, mostly due to business models including oil and gas power generation. A significant proportion of our investments is considered an opportunity from a transition risk perspective and we have aligned our investment strategies to realise the opportunities provided by the climate transition.

7 AFFORDABLE AND CLEAN ENERGY

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

13 CLIMATE ACTION

SCALING SOLAR POWER WITH IB VOGT

To accelerate the transition to low-carbon energy systems, DIF is an active investment manager in the renewables market. One such investment is ib vogt, one of the largest global developers in utility-scale PV solar. To date, the platform has over 3.10 GWp PV solutions built or in construction, the equivalent to almost a fifth of all the UK's installed solar, with its projects saving almost 2 million tonnes per annum of CO_2.

Together in 2022, DIF and ib vogt closed the acquisition of a greenfield portfolio of ready-to-build co-located solar and battery projects. The transaction is set to make a significant contribution to the UK's effort to achieve Net Zero, with the UK-based portfolio understood to be the largest co-location portfolio of solar and battery storage in the UK, consisting of seven sites with a total capacity of 720MW (380MW of solar and 340MW of battery storage).

This year, ib vogt was also one of four investments that we used to pilot our new Value Creation Model, a process that helped show how to maximise value from not only its future trajectory but also from organisational and back-office restructuring.

Chapter 2: Active Ownership

89% of AUM participated in our ESG Path this year*

98% participation rate from those invited

16 investments participated for the first time

29	investments: transport
13	investments: renewables and power generation
13	investments: social infrastructure
9	investments: utilities
7	investments: digital infrastructure

* AUM defined as invested and committed capital of our main funds and related co-investment funds as of 22Q4. The DIF Yield fund is excluded from the denominator as it follows a specific ESG approach in line with its fund mandate.

There is no one size fits all solution when it comes to improving ESG performance, and the ESG Path is our tailored engagement programme to identify and drive performance of material ESG factors and value drivers for individual investments across our portfolio.

We have designed the ESG Path to create long-term value rather than short-term gains which is why the programme is set out over multiple years to provide a baseline and support continuous improvement.

It is based on a pragmatic and bespoke questionnaire, centred around our five focus areas, governance, safety, community, environment, and climate resilience, with the questions that investments are asked organised into four levels of ESG practices.

This starts with 'core ESG practices' which we see as the minimum expected from an investment and going all the way up to 'high performers' who have complex strategies that might require dedicated ESG personnel or a certain degree of innovation.

As the ESG landscape evolves, so does our ESG Path. A prime example of this is our recent expansion of the survey to capture material data regarding the Principal Adverse Sustainability Impacts (PAI) defined in SFDR, and Net Zero alignment in line with the Net Zero Investment Framework.

It helps us assess each investments ESG performance and set specific, action-oriented targets to improve performance over the course of our ownership.

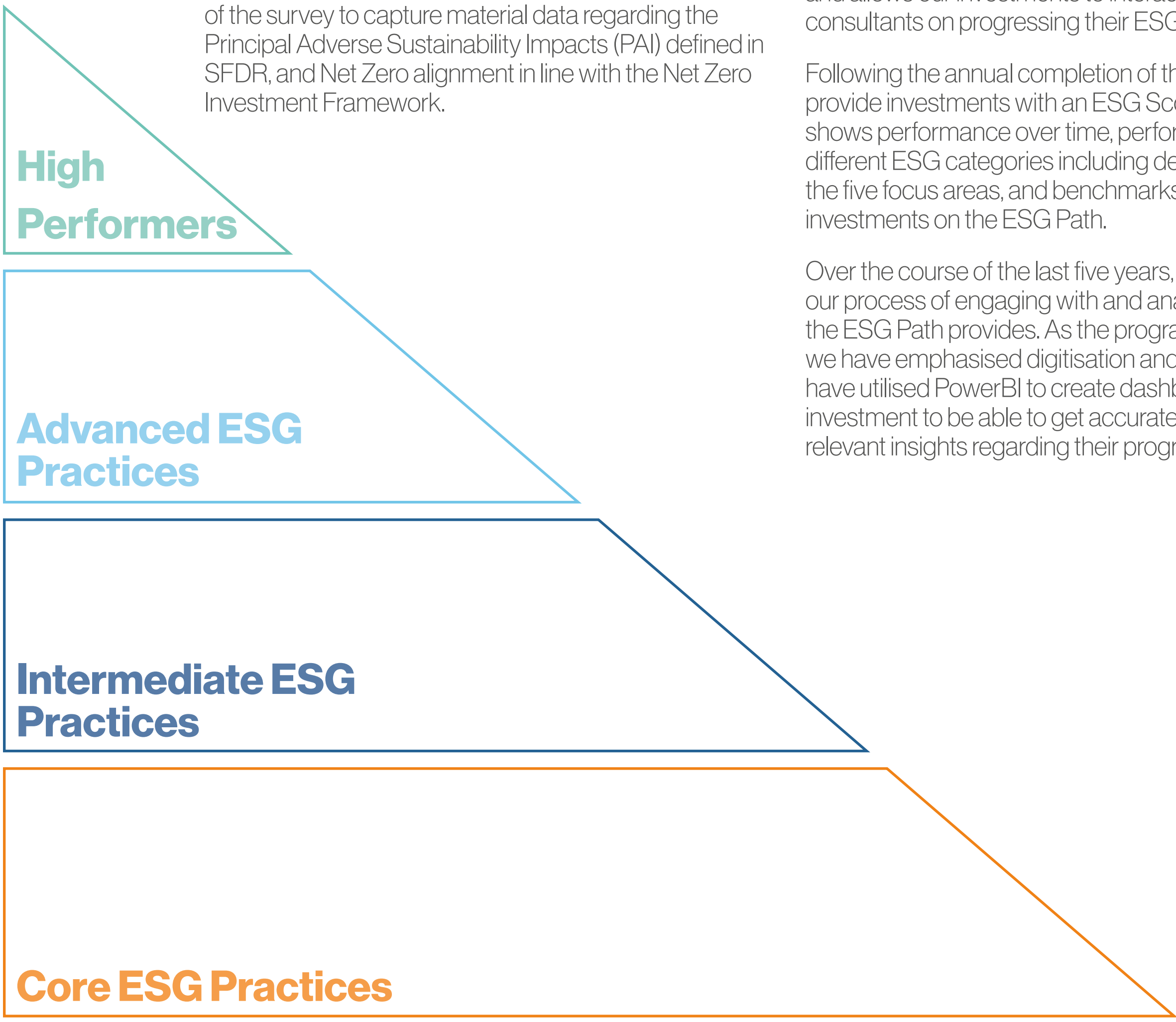
Through the ESG Path, our investments can access the guidance of sustainability experts and tools we have developed to help improve ESG performance. It also results in a database of good practices, enabling us to share ideas and knowledge between peers as we seek to raise ESG standards for all.

We see the ESG Path as a symbiotic relationship between us and the investments who are currently enrolled in the programme. They provide us with accurate ESG data from a range of sectors, and without, as we provide them with clear, actionable guidance informed by said data.

After completing the annual survey, the answers provided are reviewed by consultants who also plan an engagement call with the investment to validate results and discuss actions to be included on the ESG action plan. The validation process ensures we can have confidence in the results obtained from the ESG Path and allows our investments to interact with sustainability consultants on progressing their ESG performance.

Following the annual completion of the ESG Path, we provide investments with an ESG Scorecard which shows performance over time, performance over different ESG categories including detailed results in the five focus areas, and benchmarks them against all investments on the ESG Path.

Over the course of the last five years, we have refined our process of engaging with and analysing the data the ESG Path provides. As the programme has grown, we have emphasised digitisation and recently, we have utilised PowerBI to create dashboards for each investment to be able to get accurate, up to date, relevant insights regarding their progress and goals.



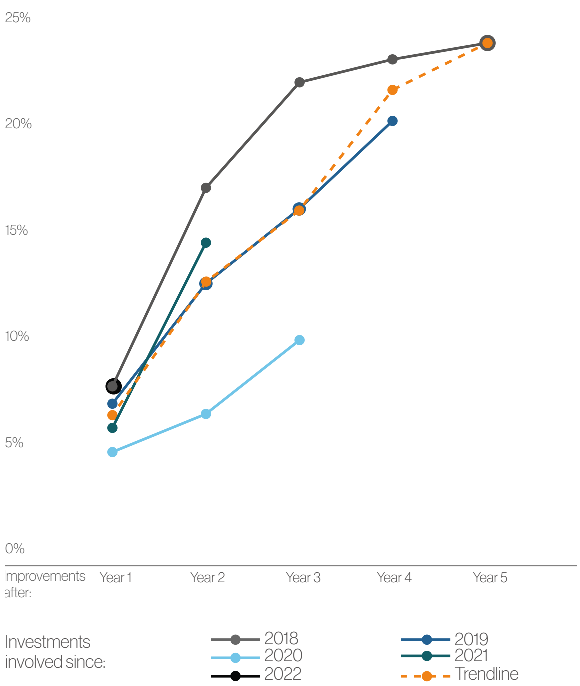
Paving the way for strong performance

With over five years of data, it is clear that the longer our investments stay on the ESG Path the more their ESG performance improves. As shown in Figure 3 those on the ESG Path for five years or more tend to have improved ESG performance by over 20%.

Among the activities this year:

- 139 individual actions taken from the roll out of a new whistleblowing system, to new committees on safety or dedicated budgets for community impact
- On average 74% of all actions assigned as part of ESG Action plans were completed, slightly up from 73% last year
- 100% of participating investments were screened against climate transition and physical risks
- Over 300 individual ESG actions collectively agreed for the year ahead.

Figure 3: Consistent ESG performance improvement the longer investments stay on the ESG Path



The following pages outline the results across our five ESG focus areas this year.

Governance

We focus on investing in businesses that have strong and transparent governance to manage ESG risks and opportunities. Through our ESG Path we monitor metrics such as whistleblowing, cybersecurity, ESG reporting to the Board, and level of training in topics regarding business ethics, and score our investments on their performance.

Generally, our investments perform well on governance, with sustained improvement in governance scoring over the past three years. Average score for governance in 2022 was 71%, compared with 73.3% in 2021 and 73.1% in 2020.

Notably, 87% of investments now have ESG discussions in Board meetings (up from 85% last year) and 94% of investments have a process for reporting incidents to the Board of Directors. The proportion of investments with a formalised whistleblowing procedure in place is 69%, down from 77% due to few new investments joining this year having this governance.

Affinity is one investment that has rolled out a new and accessible whistleblowing system ('Luminate') throughout the company this year with a dedicated and confidential helpline, showcased during ethics training sessions throughout 2022.

It is also notable that more investments have dedicated ESG personnel. Over 40% of investments have at least one full time ESG/CSR manager. Training on governance topics including business ethics, anti-corruption and cyber security for employees and training hours on business ethics has increased by 25% since last year.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Exercising Good Governance: Training at Unitank

Employees are an important stakeholder group for our investments and as part of our ESG Path programme we work with our investments to establish strong governance practices focused on employees. One investment that is going even further to engage its employees is Unitank, a German infrastructure and services provider with strategic fuel storage facilities placed to service both Germany and Belgium.

As part of its continued commitment to good governance Unitank has created its own, specialised training programmes covering anti-bribery, fraud and corruption for all employees with management responsibilities. Following the success of this project Unitank is developing new governance policies that will be supported by bespoke training for employees over the coming years.

Health and Safety

Safety is a top priority for DIF, and we continually engage with our investments to ensure the frameworks are in place to protect employees and suppliers. Our ESG Path monitors metrics such as whether relevant Health and Safety policies are in place, whether audits occur and levels of relevant training on Health and Safety for all workers.

As part of this commitment, we provide guidance and hold regular safety calls as an opportunity for our value creation team to learn from incidents across our portfolio in a peer to-peer setting. For example, Spanish road investment Aragon saw safety improvements this year when it introduced shock barriers behind roadwork markings to protect workers, and it has duly shared this with UK-based road projects and other investments in recent months.

The average safety performance for investments that have been on the ESG Path for over a year increased from 68% to 73%. Encouragingly 93% of investments have reported that safety performance has either improved or remained similar to the previous year.

Nearly three quarters (74%) of investments have safety incident monitoring and reporting in place that covers all fieldworkers, with 75% of investments participating in a safety audit in the last 2 years.

Tackling safety issues on the straits of Gibraltar

This year the team at Algeciras, who manage a large Container Terminal on the Spanish side of the Strait of Gibraltar reduced its injury frequency rate from over 229 (injuries per million hours worked), to just over 78.5.

This achievement was facilitated by developing and strengthening its health and safety training plan and introducing attendance monitoring for its employees to ensure that all workers have the most comprehensive knowledge on how to stay safe at work.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Environment

Many of our investments have an implicitly positive impact on the environment, for example our clean energy investments. However, as part of our role as an infrastructure investor we also work with projects that have a less environmentally positive reputation. Through our ESG path we monitor metrics such as implementation of energy saving initiatives, use of renewable energy and biodiversity.

Our investments perform encouragingly on environment, with average scores improving from 47% in 2021 to 51% in 2022 (for investments on the ESG Path for over a year). Of those enrolled this year, 68% of them monitor at least one environmental KPI and 61% have undertaken energy saving initiatives with the number of investments using renewable electricity remaining stable compared to the previous year.

Recently, solar developer Alight has collaborated with the Swedish University of Agricultural Sciences and a manufacturer of outdoor power products to work on a pilot project developing electrified fossil-free maintenance of solar farms, using autonomous mobile work machines for vegetation cutting.

In 2022 we also introduced a new metric on biodiversity, and 30% of investments have adopted a biodiversity policy while 20% have implemented action informed by their assessments of biodiversity risks and opportunities.

Dublin Waste to Energy

Dublin WtE are taking waste management a step further and putting a new spin on the idea of clean energy: creating electricity from our waste.

One man's trash is another man's treasure and the facility, located in the Republic of Ireland, has the capacity to process 600,000 tonnes of residual waste annually and generate over 60MW, which is enough to power 100,000 homes.

The environmental impacts of landfill are numerous, from toxic leaks into the groundwater under the sites, to the release of methane gas as the substances decompose. This is why the facility, which diverts around 574 kt of non-recyclable waste from landfill, is such an important environmental undertaking.

Community

Our investments are responsible for tens of thousands of employees and provide essential services to many local communities. Our ESG Path looks at indicators such as levels of employee engagement, including whether formal diversity policies are in place and the extent that local communities are supported.

The average score for this category was 64.6% in 2022, compared to 61.9% in 2021. Half (50%) of ESG Path participants have dedicated policies for relations with local communities and 19 have implemented an action plan relating to risk assessments undertaken regarding this topic. Almost two-thirds (65%) are financing positive community impact initiatives either through ad-hoc donations or through a dedicated programme or budget.

A standout example is the team at the A150 road in Normandy, France which developed its first specific "Community relationships" policy, together with a set of dedicated procedures aimed at better managing relations with local communities and responding to their requests and complaints.

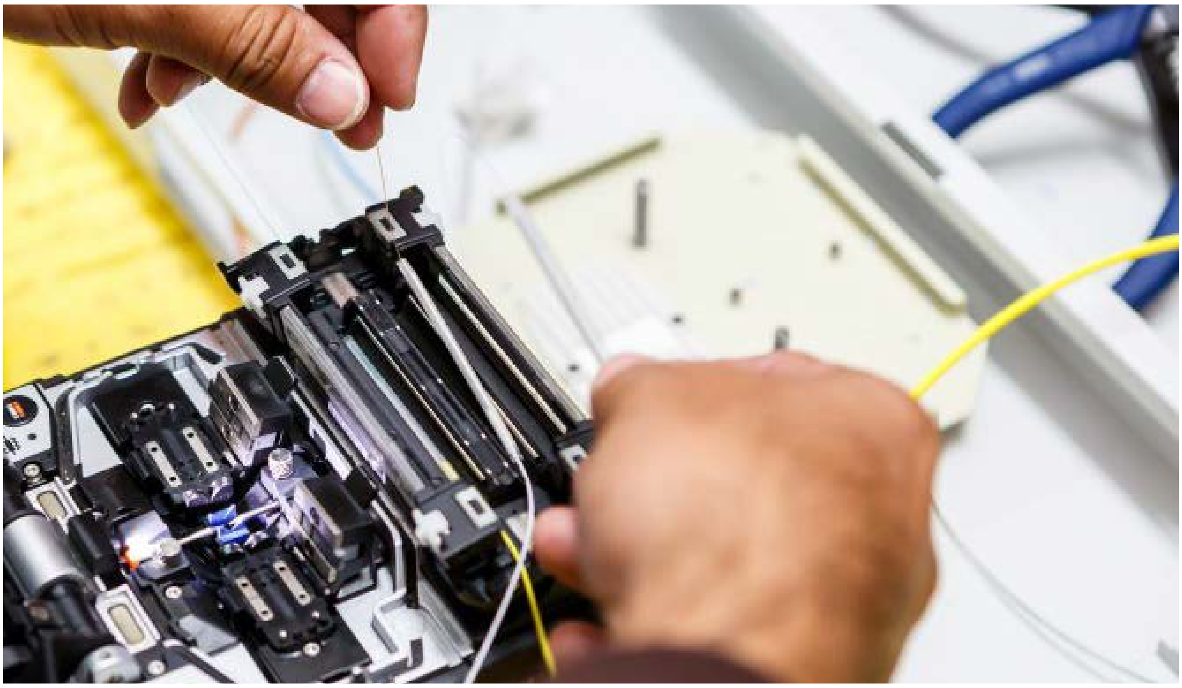
In its first year on the ESG Path, 65% of investments had a dedicated diversity policy and 52% had an active diversity initiative. One such investment is Cross River Rail, who has successfully implemented two unique training programmes aimed at apprentices and school leavers, and at improving the skills of the existing workforce. US energy-as-a-service provider Bernhard has set a strategic goal to strengthen diversity, equity and inclusion (DEI) and this year carried out a company-wide living wage analysis, ensured its career website accommodated visually impaired candidates and provided employee documentation in multiple languages.

Creating Fibre-Optic Connections with IELO

We invested in French independent fiber optic operator IELO through our CIF II fund

Playing its part in building out French digital infrastructure IELO is linking more than 1,000 companies to a rapidly digitising market.

Over the next few years DIF and IELO intend to triple the size of IELO's network by adding 4,500 km of fibre in 95 French cities and economic zones, which will further support commercial connectivity in the region.



Climate resilience

Due to the physical nature of infrastructure assets and their longevity, climate resilience is particularly relevant for our investments. Our ESG Path helps us measure several climate resilience metrics such as whether investments have a physical and transitional risk assessment, greenhouse gas emission disclosure and, most recently, Net Zero alignment (see Chapter 1).

The number of investments with climate physical risk strategies has increased by five percentage points since 2021.

We encourage our investments to self-report emissions data and have found that 4.7 million tCO2e is emitted across the portfolio, which is an increase on previous years but also represents the emissions data of 56 investments, compared to the 40 who submitted in 2021. Therefore, the extent of this increase is encouraging in that we have a larger volume of data to draw from in the future and more investments reporting emissions data.

This year all (100%) ESG Path participants were screened against climate transition and physical risks.

Comment on Net Zero alignment is included in Chapter 1 of this report.

7 AFFORDABLE AND CLEAN ENERGY

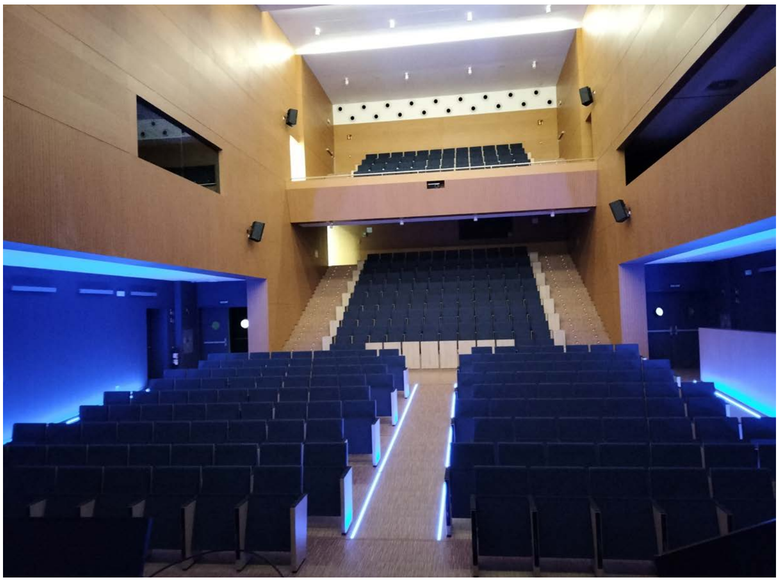
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

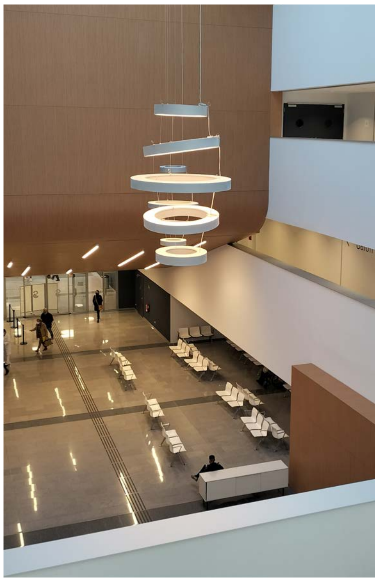
Toledo Hospital: Caring for the Health of our Planet

The life-saving treatment that hospitals provide makes them an invaluable piece of social infrastructure. However they can also have a significant carbon footprint, and the healthcare sector produces 4.4% of global greenhouse gas emissions. Delivering vital services in an environmentally conscious way is therefore a major challenge.

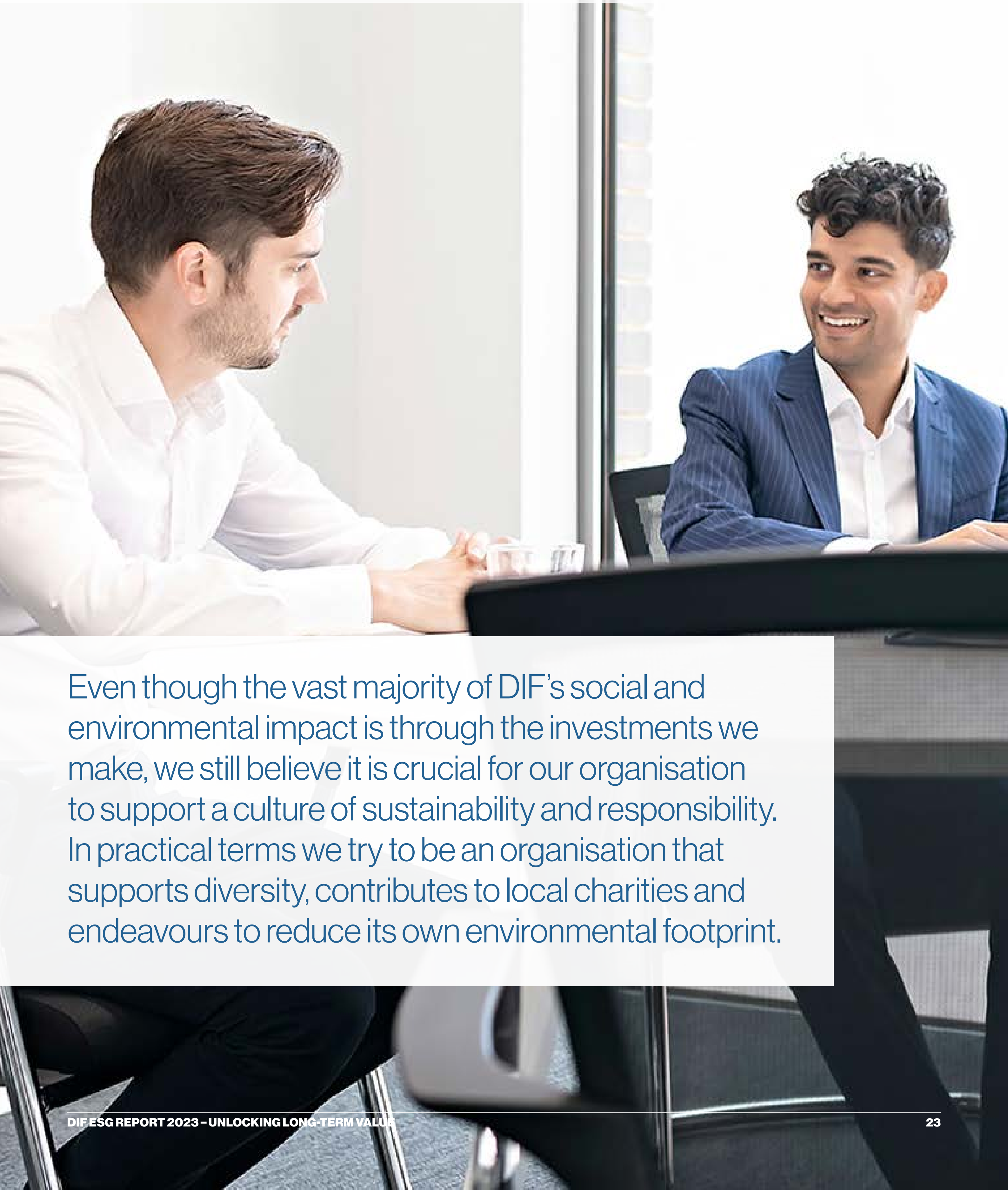
Toledo Hospital has made great strides to offer vital healthcare resources to the local community, all the while working to reduce its emissions.

In 2022 the Toledo Hospital announced their target of Net Zero by 2030 for Scope 1 and 2 emissions. One of the key initiatives is reducing energy expended to heat water with the installation of new faucets and solar-powered water heating systems. This has the potential to reduce the hospital's average energy use by 10%.





Chapter 3: Fostering a responsible culture



Even though the vast majority of DIF's social and environmental impact is through the investments we make, we still believe it is crucial for our organisation to support a culture of sustainability and responsibility. In practical terms we try to be an organisation that supports diversity, contributes to local charities and endeavours to reduce its own environmental footprint.

Diversity & Inclusion

At DIF, we care for and prioritise our people. We are one team with a global mindset and diverse local expertise. We believe that the best ideas are created together and come from championing diverse opinions. Having diversity in the workplace leads to divergent thinking, increased innovation, and sound decision-making. Diversity for us means having a wide range of diverse perspectives, personalities, and backgrounds in the workplace. But not only do we need different voices to be present at the table, these voices should also be able to contribute and be heard. Creating teams where everybody feels welcome, accepted, and has equal opportunities, we believe, is the only way to bring the best out of people, the team, our organisation and society.

We realise that there is still much work to do and room for improvement in the industry we operate in. This is a continuous journey that requires an action-driven approach. This is where Equity comes in. The concept of Equity acknowledges that people don't begin life in the same place and have different needs. We aim to understand what each person needs and wants to be successful in the workplace and to use the right approach needed for different circumstances.

The focus on Diversity, Inclusion and Equity is embedded in core People processes such as recruitment, talent development and performance management. And, we operate with a zero tolerance policy for discrimination, harassment and bullying. Most importantly, we are mindful of individual, specific needs and make sure to arrange the right support needed for each circumstance.

Our employee engagement groups that exist across our various offices, like a dedicated Women at DIF group, Next Generation Board and DE&I Working Group, have undertaken several initiatives in 2023, including DIF's Women's Day panel with inspiring women from the industry and a mentor scheme for all new joiners. Next to this, team sessions have been organised across offices to increase self-awareness, understanding your team members better and improve overall communication.

DIF and the Community

We believe that having a positive impact on the communities we work in and with is just as important as the bottom line. Since the establishment of a charitable programme in 2018, DIF has donated over €1 million to charities to support local communities.

An important pillar of DIF's charity programme is to support employees in making a positive contribution to society. Employees can apply for a matching scheme in which DIF matches their donations to charitable causes and/or apply for volunteering days. Several employees utilised the opportunity, with initiatives ranging from sporting events to raise money for ALS research, a fundraiser for earthquake victims in Morocco, an emergency supply drive for Ukrainian refugees and the establishment of water wells in South-East Asia.

This includes support for Dutch charity Giving Back which encourages our team to help mentor young people, often from disadvantaged backgrounds. This recently included an invite to a group of students to conduct internal research on DE&I within our organisation. We supported Frankfurter Tafel, where colleagues lent their time to the Frankfurt food bank, and in the UK our DIF-Allia Accelerator programme continues to support ambitious start-up charities and social enterprises focused on contributions to the UN Sustainable Development Goals. The programme sees three organisations receive six months of mentoring and share a cash prize pot of £30k provided by our UK office.

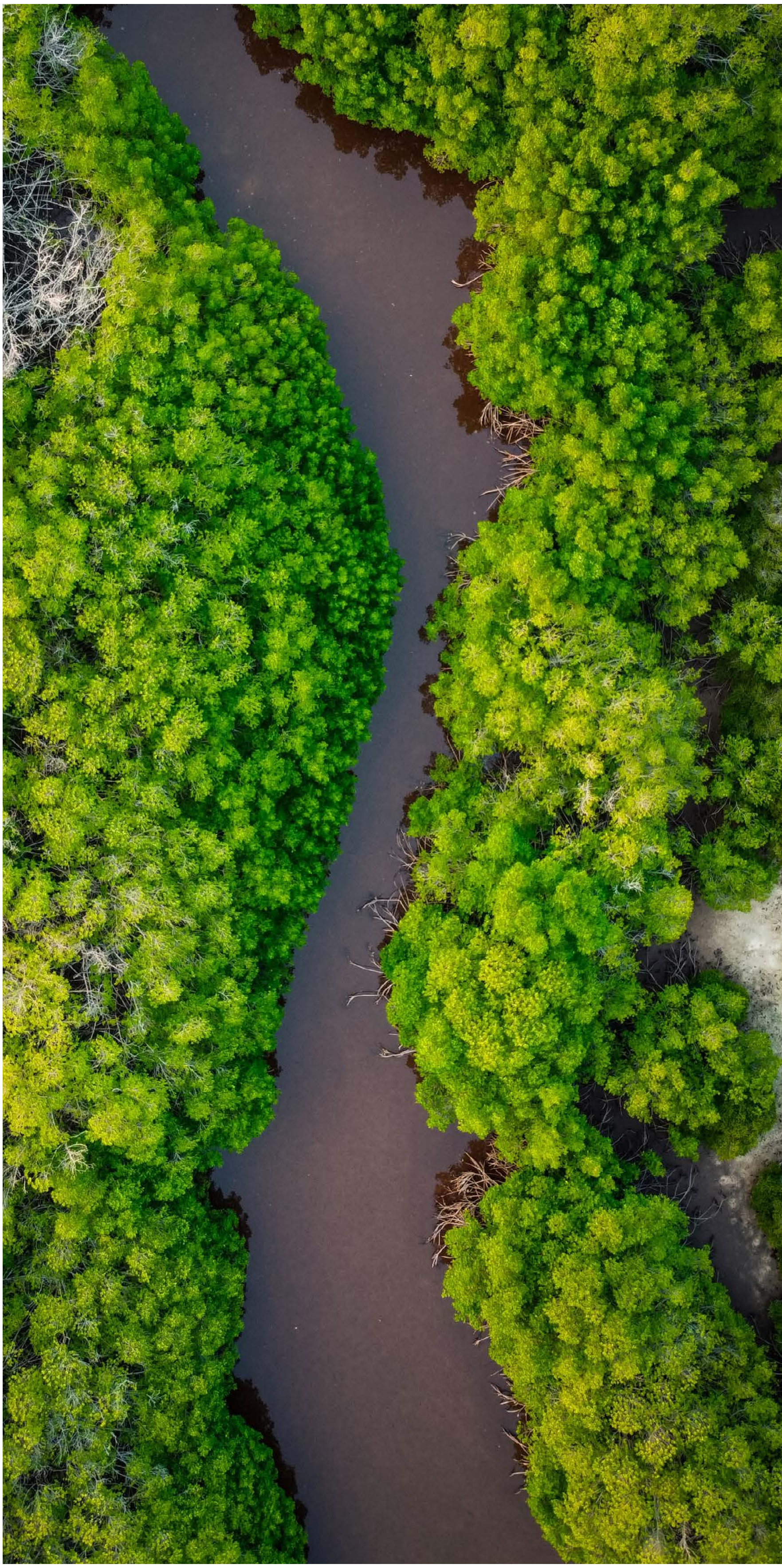
Our carbon footprint

Since 2019, we have quantified and offset our carbon footprint, demonstrating our commitment to taking responsibility for the environmental impact of DIF's carbon emissions. In 2022, as a management firm, we were responsible for emitting slightly over 1,200 tonnes of CO_2e, primarily attributed to business-related travel activities.

We have partnered with The Green Branch to offset our emissions and support sustainable development. The Green Branch, a Dutch B Corporation, specialises in the development and promotion of nature-based solutions projects and serves as a high-quality carbon offset provider. Together we are empowering ecosystems for a better future and healthy planet.

This year, DIF has invested in the Envira REDD+ Amazonia Project. The project preserves tropical forests by mitigating deforestation pressures. The project is designed to strengthen biodiversity and enhance habitat for the diverse Amazonian flora and fauna. Often, offset projects ignore the local communities in which they are located. However, the Amazonia Project values both the planet and the people, providing access to sanitary facilities and job provision, thereby improving the well-being of local communities. Local residents now have convenient access to a range of health services, including a health headquarters with an onsite pharmacy and dental services.

DIF will continue collaborating with the Green Branch to offset any remaining emissions and maintain its carbon neutrality. However, DIF recognises offsetting is not considered as effective in addressing climate change as is reducing emissions.



Looking ahead

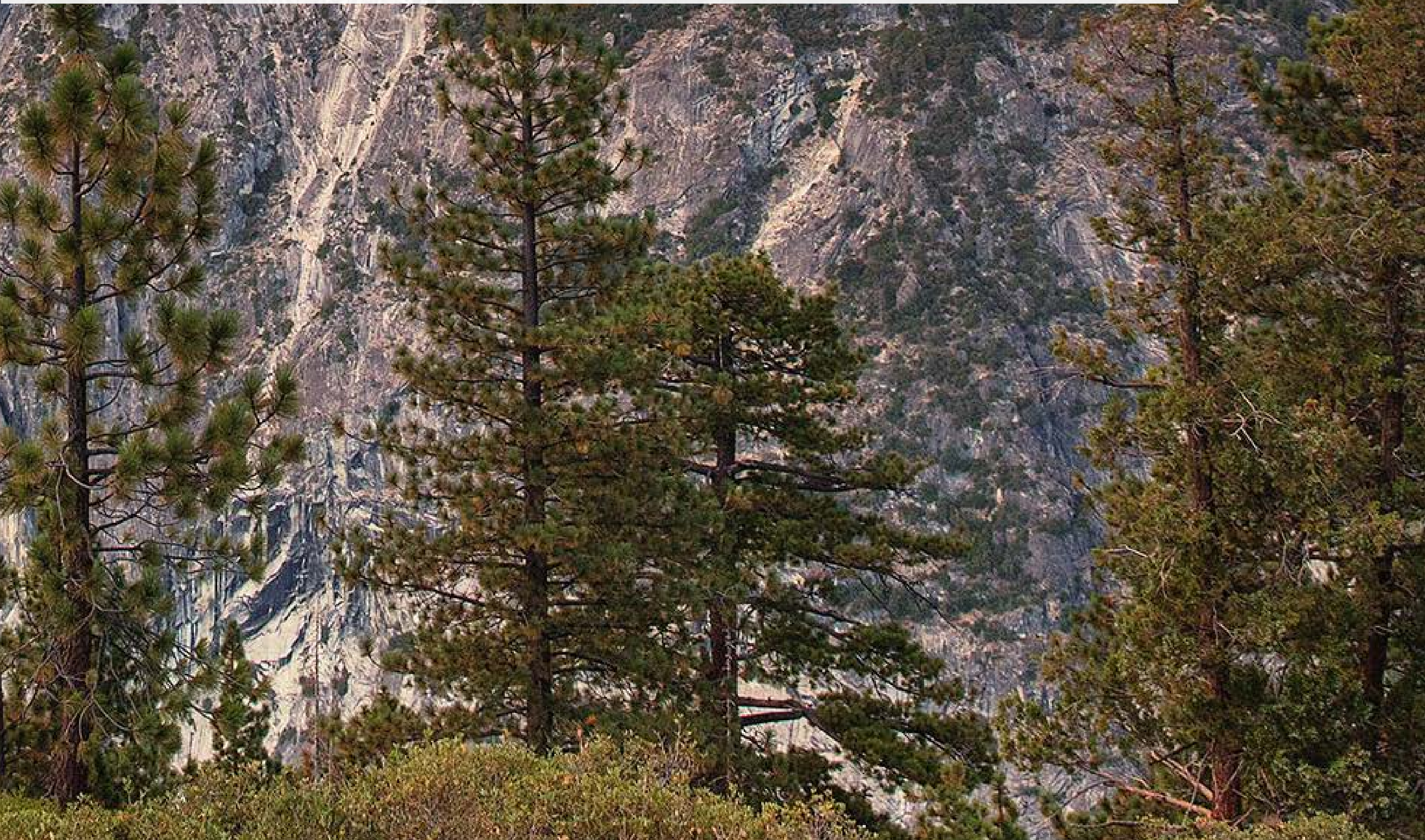
The world continues to change at pace, and we strive to ensure that the investments we manage and DIF as a firm remain resilient and thrive in the transition to a low-carbon future.

The trend towards increased expectations for managers and corporates on ESG and sustainability continues apace, not just in Europe but North America and Australia as well. DIF is preparing for increased sustainability disclosures under the EU Corporate Sustainability Reporting Directive (CSRD), as are several of our investments in the fund portfolios.

In 2024 we intend to enhance our process for assessing physical and transition climate risks across the portfolio and deepen our understanding of climate and transition risks and opportunities for making and managing investments. Our strategic response to climate change in 2024 will include an increased engagement with investments on progress towards our Net Zero goals in 2024, applying a value-led approach focused on cost-effective and value-accretive decarbonisation. We will also seek to broaden our understanding of the interplay between climate and nature and how issues such as biodiversity loss might impact infrastructure investments over time so that we can build these considerations into decision-making to a greater extent.

As this report is being published the COP28 climate change conference has just taken place and many are reflecting on the first "global stocktake" of climate progress since the Paris Agreement with a focus on closing the gaps to 2030, and the COP28 Action Plan calls for a tripling of global renewable energy capacity by 2030. Finance as the enabler of climate action, has emerged as a key theme and DIF plays a key role by providing investment opportunities in diversified infrastructure funds that deliver attractive risk-adjusted returns, as well as impactful outcomes.

In 2024 DIF will continue to drive progression on our responsible investing pathway. We aim to go beyond the integration of environmental, social and governance factors into investment decision-making towards a better definition of the desired outcomes of our responsible investing approach in the context of investor preferences for impact, sustainable and transition taxonomies, and of sustainable finance and sustainability disclosure regulation in the jurisdictions where we operate.



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