2023

Sustainability report

DIF | CAPITAL PARTNERS

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01 Introduction

1.1 Welcome word by deputy CEO

Dear valued investors,

Welcome to the 2023 DIF Sustainability Report. This year, we've renamed our report from the Environment, Social, and Governance ("ESG") Report to better reflect our comprehensive approach to strategic sustainability management at DIF Capital Partners ("DIF"). This new name encompasses not only our commitment to Responsible Investment and ESG performance but also our broader sustainability initiatives as both a manager and a steward of our funds.

I. Today's world economy and its impact on the infrastructure sector

The infrastructure sector finds itself at a pivotal intersection of significant challenges and vast opportunities. The pressing issues related to sustainability, including the impact of climate change, are no longer future threats but present realities reshaping our world and our approach to business.

In 2023, the global economic environment was characterised by significant volatility and transformative shifts. Heightened geopolitical tensions, supply chain disruptions and increased physical climate risks impacted the investment landscape. We believe that these emphasise the critical role of the infrastructure sector not merely as a market segment, but as an essential foundation that supports the stability and growth of economies worldwide. Addressing these challenges requires innovative and resilient strategies to ensure that infrastructure continues to support global economic resilience and sustainable growth.

II. How DIF creates value in this volatile world

In this dynamic environment, we remain committed to financial excellence, integrating sustainability deeply within our operational ethos. Our investments are embedded in the communities they serve, impacting daily lives and local economies. We see sustainability not just as a responsibility but as a strategic advantage that enhances the long-term value of our investments.

At DIF, we value both financial success and sustainable practices and always seek to demonstrate that the two are not mutually incompatible but mutually reinforcing. By pursuing sustainable long-term value creation for our stakeholders, we seek to ensure that the investments we manage provide excellent services to users, good employment, are resilient, are valued by their communities, and will be valuable investments into the future.

III. What makes DIF unique in optimizing long-term value creation for our stakeholders

Our firm is founded on robust, engaging partnerships and a forward-thinking ethos. These empower us to adopt a holistic approach to investment management, catering to the diverse needs of each investment's stakeholders. Our commitments ensure that the investments we manage are profitable and aligned with broader community and environmental goals. With DIF soon being part of the wider CVC Group, we benefit from CVC's global platform, scale and investor relationships, and can double down on important infrastructure sectors like energy transition and digitalisation. We believe that this approach enriches returns for our investors while enhancing the positive impact of our investments on the communities they serve and the environments in which they operate.

Sincerely,
Gijs Voskuyl

Deputy CEO
DIF Capital Partners

1.2 Reflections from the head of sustainability

I am thrilled to have joined the DIF team as the Head of Sustainability in 2023. With a background in Environmental Science, my journey has led me from exploring the delicate balance between human needs and environmental preservation to leveraging finance as a vital tool for sustainable solutions. The infrastructure sector, in particular, presents a compelling arena where stakeholder value is deeply integrated with delivering optimal risk-adjusted returns for our investors. I am eager to contribute to shaping and deploying capital in ways that will forge a brighter future for both people and the places they live and work.

Lorraine Becker Head of Sustainability
DIF Capital Partners

In a year marked by unprecedented temperature increases and devastating climate events, at DIF, we have been working hard to refine our approach to sustainability. Recognising the significant influence of sustainable practices on our portfolio has led us to formalise our sustainability strategy. This ensures our continued effectiveness in delivering long-term sustainable value and maintaining a portfolio that meets our investors' financial goals within the context of a sustainable future.

The past year has also seen increased regulatory and nongovernmental organisations' demands for sustainability transparency. We are gearing up for reporting under the Corporate Sustainability Reporting Directive ("CSRD") and have launched a portal allowing investments to report their ESG performance directly into the DIF-controlled data environment. We've completed our second year of reporting under the Sustainable Finance Disclosure Regulation, contributed to the Net Zero Asset Managers initiative, and issued our second European ESG Template data report. Reflecting the strategic evolution of our reporting, which now encompasses our sustainability strategy as a firm, our Responsible Investing approach, and the portfolios' ESG performance, we have updated the name of this report from DIF's ESG Report to the DIF Sustainability Report.

The United Nations Principles for Responsible Investment again recognised DIF's responsible investment practices with a 5-star assessment. We continued our journey of embedding sustainable thinking and ESG data within investment decision-making processes, updated our ESG Policy, and renamed it the Responsible Investment Policy. Additionally, we have appointed a cadre of Responsible Investment Champions within the investment team to foster knowledge sharing across different regions.

Since the publication of our last report, we have significantly advanced our people strategy, particularly in the area of Diversity, Equity and Inclusion ("DEI"). We have created a new policy, committed to a range of quantified targets, and elevated DEI to a board-level topic. In 2023, DIF's Charity Program supported the charitable efforts of our employees, several strategic partnerships and direct contributions to causes that resonate with our values and mission.

Looking ahead, the pace of change in 2024 is not slowing. We will collect data for reporting under CSRD for the first time and work on achieving our DEI targets for more balanced gender representation. We will continue reporting our progress on aligning the portfolio with the Paris target of limiting global warming to less than 1.5 degrees Celsius and continue embedding the consideration of sustainability factors more deeply within our firm's DNA. Our belief that our work makes a tangible difference powers our drive forward with our mission to deliver high-quality infrastructure investments that deliver sustainable long-term value for our stakeholders.

1.3 About DIF

DIF Capital Partners is a leading global infrastructure midmarket fund manager[1]. Founded in 2005 and headquartered in Amsterdam, we now have more than €18 billion of assets under management ("AUM")[2].

Our dedicated team, with seasoned leadership and a deeply focused investment team, drive our success. With over 240 professionals in 12 offices, DIF offers a unique market approach combining global presence with the advantages of strong local networks and investment capabilities.

We have a proven track record and our focus on mid-market investments allows us to deliver attractive risk-adjusted returns to investors[3]. We invest in traditional infrastructure classes like public transport concessions and utilities and newer infrastructure classes like renewable energy generation and storage, high-speed fiber rollouts, and data centres. Our closed-end funds and co-investment vehicles offer institutional investors investment opportunities in a wide range of infrastructure sectors.

As a fund manager specialising in essential infrastructure for communities, businesses, and investors, we recognise the pivotal role that private infrastructure investments play in economic development and advancing toward a sustainable future. This involves creating, owning, and managing infrastructure that will sustainably serve communities for many years ahead. Consequently, our mission revolves around providing high-performing infrastructure investment solutions that generate sustainable, long-term value for our the stakeholders involved in each investment.

01 According to Infrastructure Investor (2023), DIF ranks as infrastructure General Partner number 16 across the globe. In DIF's specific niche (midmarket), DIF is among the top 5 players, given most larger General Partners primarily focus on large-cap investments.

02 As of Q1, 2024.

03 Based on DIF's track record since 2005, investing in over 200 investments and realising more than 120 of those investments.

04 Based on unrealized investments in DIF IV-VII and CIF I-III per 23Q4.

Overview of investments made based by EUR invested and committed[4]

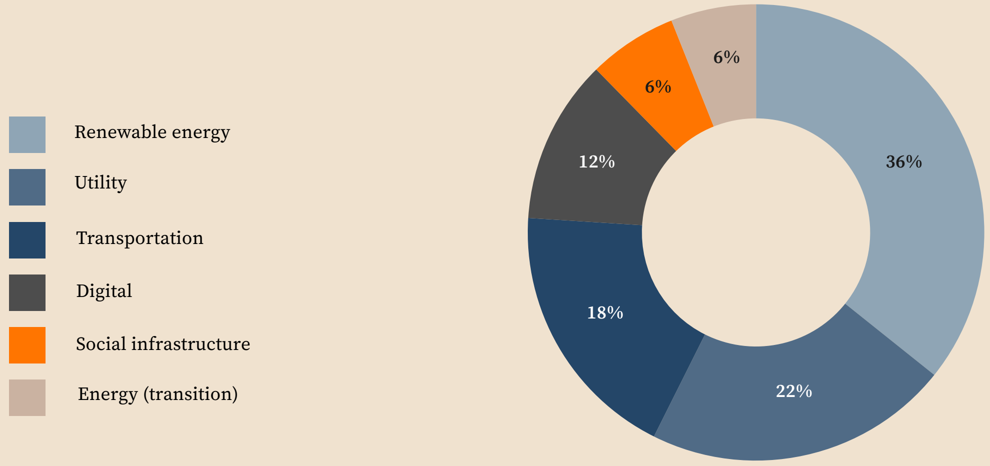


Figure 01 Sector breakdown

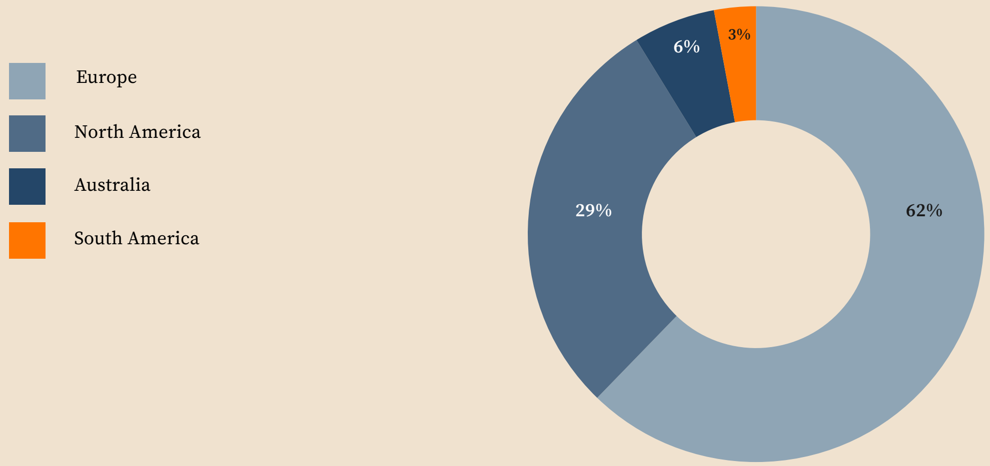


Figure 02 Geographical breakdown

Our commitment to sustainability

Sustainability matters. Investments have impacts on people and the places where they live and work. Sustainability factors can have a material financial impact on the performance of investments. Therefore, we integrate ESG considerations into our responsible investment framework. Within this framework, we identify sustainability risks, including those related to climate change, to the best of our abilities. Previously overseen by the "ESG Team", as of 2024, this team has been renamed to the "Sustainability Team", reflecting our holistic approach to responsible investment in addition to our broader sustainability initiatives as both a manager and a steward of our funds.

CVC acquisition

In September 2023, CVC, a leading global private markets manager, announced that it would acquire a majority stake in DIF Capital Partners. The transaction's closing is subject to regulatory approvals and is expected in early July 2024.

Our key focus areas

We recognise that a comprehensive approach to sustainability is essential for long-term success and resilience. Our strategy is built around four key areas that we believe are crucial to driving growth of sustainable long-term value:

Responsible Investment

Responsible Investment ("RI") is at the core of our sustainability strategy. We are committed to integrating ESG considerations into our investment processes. By doing so, we aim to make informed decisions that not only generate financial returns but also generate financial returns and contribute positively to society and the environment. Our RI approach includes discerning rigorous selection of opportunities, rigorous ESG due diligence, active engagement with portfolio companies, and ongoing monitoring to ensure that our investments align with our sustainability goals. We aim to be as transparent as possible, disclosing regularly to investors and other stakeholders.

Environment

Protecting and enhancing the environment is a critical priority for us. We are dedicated to reducing our environmental footprint and are promoting increased sustainability performance across our operations and investments. Our environmental strategy involves areas such as minimising greenhouse gas emissions and biodiversity. We invest in renewable energy and other climate solutions to aid in and work to accelerate the energy transition. By proactively managing environmental risks and opportunities, we aim to contribute to a sustainable future.

People and Communities

Our people are our greatest asset. We are committed to fostering a diverse, inclusive, and supportive workplace where every employee can thrive. Our people strategy focuses on attracting, developing, and retaining top talent while promoting a culture of continuous learning and innovation. We prioritise employee well-being, offer comprehensive development programs, and ensure that our workplace practices reflect our commitment to equity and inclusion. By investing in our people, we strengthen our ability to achieve our business objectives and create a positive social impact.

The communities where the investments that we manage are located are critical to creating sustainable long term value. We provide vital infrastructure services and work in partnership with communities to ensure good relations with local communities and users.

Governance

Strong governance is the foundation of our sustainability strategy. We are dedicated to implementing robust corporate governance practices that promote accountability, transparency, and ethical conduct across our organisation. Our governance framework includes comprehensive policies and procedures, effective risk management practices, and active oversight. We strive to maintain open and transparent communication with our stakeholders and continuously improve our governance practices to enhance trust and long-term value creation.

1.3 About DIF

Key statistics

75 investments representing over 88% of AUM covered in ESG Path[5] in 2023	**79%** of AUM reported GHG emissions data	**82%** of AUM reported energy consumption data	**83%** of AUM reported health and safety Key Performance Indicators ("KPIs")	**>5k** GWh of renewable energy generated in DIF's portfolio
2.4m tonnes of avoided CO_2 emissions linked to renewable energy generated[6]	**>500** patients treated in care homes	**>12k** electric vehicle ("EV") charging stations installed	**>80m** vehicles utilising our road investments	**>100k** connections served by our fiber investments

05 Through **ESG Path**, DIF engages with the majority of the portfolio; this program annually evaluates the current ESG performance of each investment and engages with them on a plan to improve ESG performance over time.

06 Following Partnership for Carbon Accounting Financials ("PCAF") methodology. Computation based on annual power generation of investments multiplied with country-specific operating margin emission factors published by the International Financial Institution ("IFI") Technical Working Group.

1.4 Our sustainability journey

2006
- Began to deploy capital from our first diversified infrastructure fund

2008
- Made our first investment in renewable energy

2011
- Created our first Responsible Investing Policy
- Became a signatory of the United Nations Principles for Responsible Investment ("UNPRI")

2014
- Completed annual UNPRI assessment for the first time

2017
- Appointed DIF's first Head of ESG

2018
- Created bespoke annual ESG engagement approach, i.e., ESG Path
- Started DIF's charity program

2019
- Created our ESG Committee
- Started quantification & offsetting of DIF's carbon footprint

2020
- Began assessing climate risks at the start of the investment proces
- Achieved top scores in the UNPRI assessment for the first time

2021
- Signed up to the Net Zero Asset Manager ("NZAM") initiative, i.e. committing to be a Net Zero investor by 2050 or sooner

2022
- Managed Sustainable Funds Disclosure Regulation ("SFDR") Article 8 funds for the first time

2023
- Published a standalone report for the year 2022, following the recommendations of the Task Force on Climate-Related Financial Disclosures ("TCFD").

2024
- Changed ESG Team to Sustainability Team and updated related terminology

"Reflecting on my 12-year journey with DIF, I've seen a significant shift in our approach to sustainability. What started as initiatives led by a few dedicated individuals has become a broad, organization-wide commitment. As a compliance officer, I work closely with the Sustainability Team. Seeing our initial goals to address these issues become a core part of who we are is rewarding. This change shows our team's strong dedication to incorporating these principles into our work".

Frits Kuiper
Senior Director, Compliance Officer

1.5 Highlights from 2023

2023

January

CIF III closed its investments in **metrofibre** (formerly known as ruhrfiber) and **RFNow**.

February

We provided **Article 8** reporting for the first time, demonstrating our commitment to transparency in sustainable investment practices. In addition, we had the launch of our **Next Generation Board**, which is a sounding board to the Executive Committee ("ExCo") offering diverse perspectives from DIF's younger generation on business-critical topics and aims to bridge generation gaps and blind spots.

March

A DIF fund closed its investment in **Hemiko**. We also launched the annual data collection element of **ESG Path**, the DIF sustainability outcome tracking program.

April

DIF VII closed its investment in **Green Street Power Partners**.

May

DIF VII closed its investment in **Diverso Energy**. We also provided **European ESG Template ("EET")** reporting on all funds, reinforcing our commitment to ESG transparency.

June

DIF VII closed its investment in **Saur**. We also published our updated **Responsible Investing Policy** (previously known as ESG Policy) and a **stand-alone climate report**, highlighting our proactive approach to climate change.

July

DIF VII closed its investment in **Field**, and CIF III closed its investment in **Valoo**.

August

DIF VI closed its investment in **Ottoway**.

September

The **acquisition by CVC** was announced, marking a new chapter in DIF's growth story.

October

Lorraine Becker was appointed as our new **Head of Sustainability**, bringing a wealth of experience and a fresh perspective to our sustainability efforts.

November

The **Sustainability Team** was moved from within the value creation department to report directly to the Deputy CEO and the Chief Risk Officer.

December

DIF received a **5-star assessment** of our UNPRI submission, reflecting our strong performance in responsible investment practices. DIF VI also closed its investment in **Novar**.

Allard Ruijs
Partner, Chief Investment Officer

"The year 2023 has been pivotal in reinforcing our commitment to embedding climate considerations into every investment decision we make. As DIF's Chief Investment Officer, I am both humbled and inspired by the dedication our team has shown in navigating the complexities of climate-related risks and opportunities. Our progress this year reflects a deeper understanding of how environmental sustainability can drive long-term value, underscoring the importance of our ongoing efforts to adapt and innovate. Though our steps may be incremental, they are deliberate and guided by a commitment to making a positive impact on the environment. As we move forward, we remain focused on our goal of building a resilient portfolio, recognising the critical role we play in contributing to a more sustainable world."

02 Sustainability strategy

2.1 Executive summary

Our strategy of "acquiring with insight" has resulted in a portfolio that significantly contributes to climate change mitigation. Currently, around 50% of DIF's portfolio consists of investments classified as potential climate solutions.

Using the guidance from IIGCC and NZIF, we have determined that almost 30% of our portfolio is aligned with the goals of the Paris Agreement, with an additional 2% aligning. Among the investments classified as "Not Aligning" or having insufficient data, 23% are considered climate solutions.

DIF participates in industry-led initiatives to address climate change, including the Institutional Investors Group on Climate Change, the United National Principles for Responsible Investment, the Paris Agreement, the Net Zero Asset Managers Initiative and the Global Infrastructure Investor Association. DIF provides ESG reporting to investors in line with the ESG Data Convergence Initiative and the European ESG Template.

DIF's three most recent funds are Article 8 funds and have a target that at least 50% of their investments will contribute to UN Sustainable Development Goals ("UN SDGs" or "SDGs") selected by the fund.

DIF does not acquire investments if the potential sustainability impacts, risks and opportunities are not conducive to optimising risk-adjusted returns in the long term.

Our sustainability strategy considers that the valuation of investments within DIF's funds' portfolios is influenced by market dynamics, which are increasingly shaped by sustainability related considerations. We consider sustainability related risks (incl. climate risk) during the design of new fund products, the acquisition of new investments, throughout our holding period, and upon divestment.

DIF's overall sustainability strategy sits at the manager level. This is the basis for the fund-level sustainability strategies and the investment-level engagement that enhances the sustainability performance of each investment during the holding period. Sustainability impacts, risks, and opportunities may be managed purely at the manager level, fund level, investment level, or through a combination of approaches at more than one level. However, the firm-level sustainability strategy is the foundation upon which our approaches are based.

2.2 Our sustainability strategy

DIF is a **responsible infrastructure manager**, aiming to deliver high-performing infrastructure investments that create sustainable long-term value for our stakeholders. We deliver on this by following these responsible investing processes:

We are a responsible infrastructure manager aiming to deliver high-performing infrastructure investments that create sustainable long-term value for all stakeholders by:

Acquiring with insight

We implement a diligent investment selection process, leveraging our agility as a mid-market player, while intentionally scanning a diverse investment space.

Scaling and enhancing investment impact

We evaluate and enhance sustainability, professionalize investments with robust governance, and drive towards decarbonization and Net Zero targets.

Tracking & capturing portfolio performance

We monitor and evaluate our portfolio through robust systems to assess our sustainability milestones and to capture & optimize the value to stakeholders.

DIF's responsible investment approach has resulted in a portfolio with many investments in renewable energy and low-carbon solutions, such as grid-scale batteries and EV charging networks. Infrastructure investments provide essential services to society and, in doing so, may contribute to sustainability outcomes.

While there are many dimensions on which sustainability can be assessed, climate change is one of the most prominent challenges of our time. Below, we reflect on the contribution of our managed investment portfolio to climate change mitigation and progress towards the goal of Net Zero.

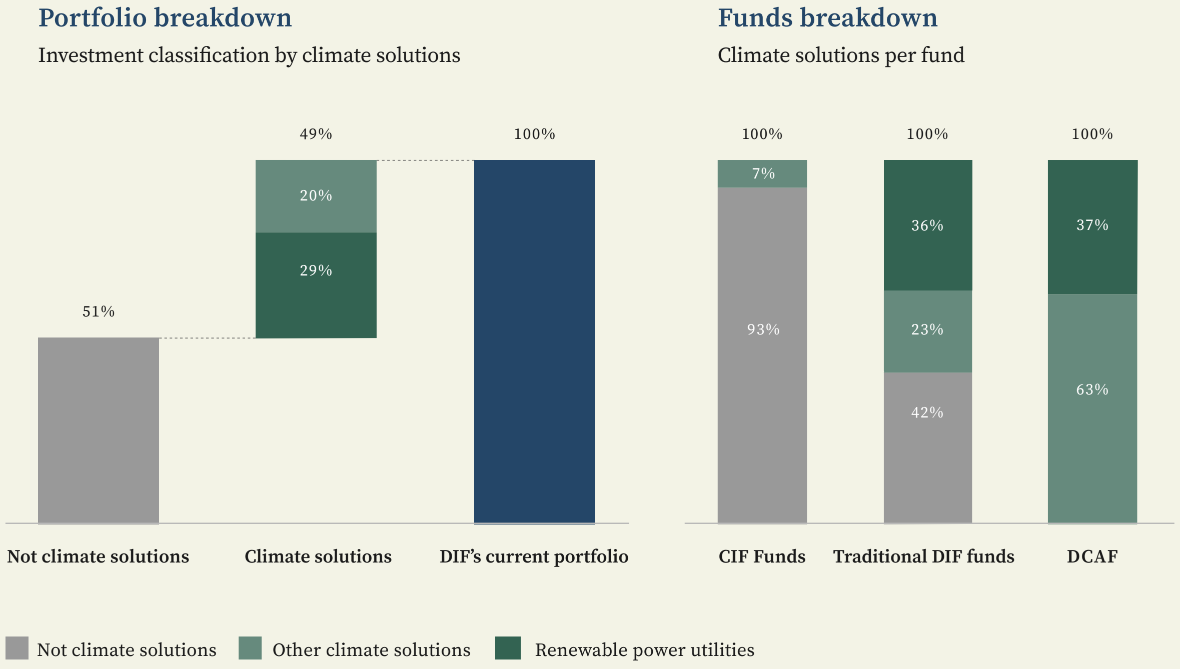
Portfolio contribution to climate change mitigation and Net Zero

Our strategy of "acquiring with insight" has led to a portfolio that contributes to climate change mitigation. Leveraging the ESG data gathered through the yearly engagement with DIF investments, namely "ESG Path", which covers most of DIF portfolios' investments, and with the support of ERM (a dedicated sustainability consultancy) to ensure an accurate and unbiased review and representation of our portfolio, we actively measure our investments' contribution to climate change mitigation and Net Zero as outlined below.

Measuring investments' contribution to climate change mitigation (% of AUM)

To show how investments within the portfolio contribute towards global climate goals, we track the share of our portfolio (% of AUM) in investments that DIF believes contribute positively to climate change mitigation, referred to as "**Climate Solutions**". The following types of investments were considered as Climate Solutions based on a proprietary methodology defined with the support of ERM, which considered investments' potential alignment under the EU Taxonomy[7] framework for the climate change mitigation objective: renewable power utilities (hydro, wind, solar, geothermal); energy storage; renewable fuels of biological and non-biological origin; electric vehicles; energy efficiency solutions providers; and district heating systems with over 50% of renewable heat.

Figure 03 Investments contributing to climate change mitigation[8] (% of AUM)



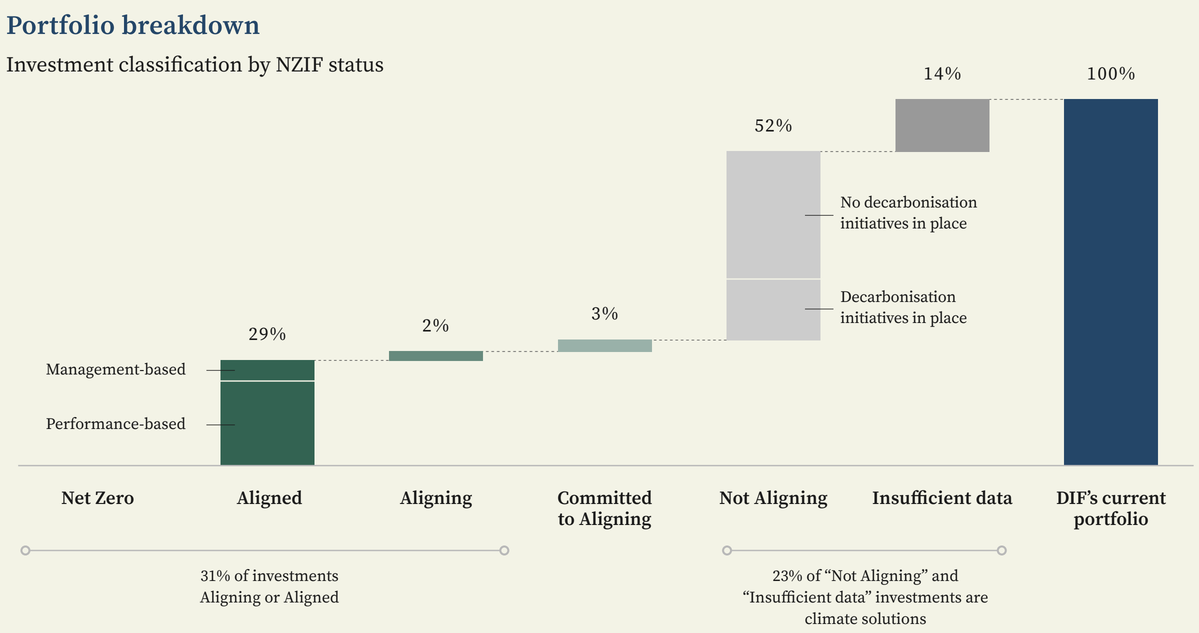
07 Note that this assessment is not meant to demonstrate alignment with EU Taxonomy requirements, but it is used as an indication of DIF's portfolios' positive contribution to climate change mitigation. To be classified as climate solutions, investments needed to demonstrate more than 75% alignment of their activities (by Capex, Opex or Revenues) to the climate mitigation objective.

08 Funds were classified as: (1) CIF funds: CIF I-III and co-invest vehicles; (2) DIF funds: DIF IV-VII, co-invest vehicles, and yield; (3) DCAF.
09 Data as of 2023 Q4.

Measuring investments' alignment to IIGCC's NZIF Framework (% of AUM)

Using guidance by the Institutional Investors Group on Climate Change ("IIGCC") combined with NZIF's infrastructure guidance, we track the level of alignment to Net Zero of DIF's portfolio (% of AUM) and underlying investments through our annual ESG Path engagement. This is done both for investments in operation and under construction. With regards to DIF's 2030 targets (70% of AUM Aligning to Net Zero or better), investments classified as "**Aligning**" to Net Zero refer to those that have a Net Zero commitment for Scope 1 and 2 and material Scope 3 emissions (a precondition for "**Committed**" status); long and short-term targets in place; comprehensive GHG emissions disclosures; and allocated management responsibilities for such targets or reduction pathways. To be classified as "**Aligned**", investments need, in addition, to demonstrate the adoption of credible decarbonisation plans in line with their commitments for Scope 1 and 2 and material Scope 3 emissions, and demonstrate an emissions' performance consistent with a Net Zero pathway (based on the investment's baseline emissions). Investments may also be classified as "**Aligned**", if their GHG emissions are aligned with, or below, a recognised sectoral decarbonisation pathway[9]. The latter approach has been used for DIF's renewable power-generating investments[10]. It should be noted that, under the former approach (management-based), 6% of AUM results as "Aligned". The latter approach (performance-based), integrated as of this year, add a further 23% AUM to the "Aligned" portion of the portfolio. The portion of DIF's investments classified as "**Not Aligning**" and with "**Insufficient data**"[11] was further analysed to determine the share of "Climate Solutions" (% of AUM) and the share of assets with decarbonisation initiatives not fully aligned with NZIF[12] (% of AUM), showcasing their contribution to Net Zero beyond NZIF compliance. Specifically, of the 52% of AUM resulting as "Not Aligning", 35% relates to investments with decarbonisation initiatives in place. This analysis shows the broader contribution of the portfolio towards addressing climate change mitigation beyond their Net Zero alignment status.

Figure 04 Investments alignment to IIGCC's NZIF framework (% of AUM)



09 Such as those outlined by the Transition Pathway Initiative ("TPI"), the Science-Based Targets initiative ("SBTi") sector guidance, or the Carbon Risk Real Estate Monitor ("CRREM") as per NZIF guidance.

10 Renewable assets are assessed using Scope 1 and 2 emissions intensity for electricity generated (tCO2e/MWh electricity generated) and benchmarked against the 1.5°C sector.

11 The absence of data for certain assets arises from the ESG engagement strategy employed by the parent fund, as well as the scale and ownership percentage of the specific investments. Specifically, assets within the DIF Yield Fund were evaluated using the GRESB questionnaire, which does not comprehensively cover the NZIF alignment assessment. Additionally, several assets in other funds are subject to a more limited engagement approach due to their relatively small size or minority ownership stakes, rendering the data collection process more complex.

12 Assets assigned to this category reported at least one of the following: 1) Long Term Net Zero Goal only for Scope 1 and 2; 2) Short and/or medium-term targets only for Scope 1 and 2; 3) Net Zero Governance structure; 4) Detailed decarbonisation plan to address only Scope 1 and 2; 5) Identification of high-level opportunities to reduce Scope 3 emissions.

Caine Bouwmeester
Partner, Head of Renewable Energy

"Since our initial investment in renewable energy back in 2008, we have demonstrated exceptional foresight in recognising the potential of this sector. Fast forward to today, renewables and energy transition solutions are the largest subsector within our portfolio, proving our commitment to sustainable development. As we look to the future, our focus remains on delivering investment opportunities that align with the values and expectations of investors, ensuring strong growth, sustainability, and shared success."

DIF commitments

Responsibility in DIF's investment practices is reflected in our engagement with key industry bodies and adherence to ambitious climate targets.

IIGCC: As a member of the IIGCC, DIF seeks to ensure that we are part of the solution to climate change and to stay current on industry thinking on this topic. We contribute to the creation of sector-specific Net Zero implementation guidance and actively participate in working groups developing best practices with our industry peers.

UNPRI: Our signature on the UNPRI underscores our pledge to responsible fund management. We are committed to continuously refining our approach to integrating ESG considerations into our investment analysis and decision-making processes, ensuring that responsibility is at the heart of our operations.

Paris Agreement: Aligned with the global ambition set forth by the Paris Agreement, DIF aims for Net Zero greenhouse gas emissions by latest 2050. This goal mirrors the international resolve to mitigate climate change on a global scale.

NZAM Initiative[13]**:** DIF is a member of the NZAM Initiative, having joined a consortium of leading asset management firms in the pledge to achieve Net Zero greenhouse gas emissions by 2050 or sooner. For DIF this commitment is a target for 70% of our AUM to be 'Aligning', 'Aligned', or 'Net Zero' by 2030 and 100% by 2040. The initiative, spearheaded by the IIGCC and the UNPRI, reflects our drive to be part of the solution.

13 Being a Net Zero Asset Manager means we have committed to work in partnership with our portfolio companies on decarbonisation goals to achieve Net Zero emissions by 2050 or sooner across all AUM; set interim targets for Net Zero; and review these targets every five years to progressively increase AUM coverage until 100% of assets are included.

Global Infrastructure Investor Association ("GIIA"): DIF is a member of the GIIA. GIIA is a global non-profit association that brings together private sector investors, fund managers and service providers to promote sustainable infrastructure investment and development.

Data reporting initiatives: DIF is providing its investors with ESG data in line with relevant reporting initiatives. This includes the EET, which was provided for the first time in 2023. Recently, DIF has also implemented reporting in line with the ESG Data Convergence Initiative ("EDCI") template.

Through these initiatives, DIF reaffirms its dedication to responsible investment and the pursuit of a sustainable, low-carbon future. Our actions and commitments are integral to our identity.

DIF funds' strategies

For each fund, DIF develops a fund-specific ESG approach that is in alignment with the fund's mandate. The ESG approach for the fund is outlined in the fund's Private Placement Memorandum and the fund's documents and is based on the objectives of the target investors for that fund. For instance, the decision to exclude certain sectors (e.g., coal) is made at the fund level. We develop our strategies with careful consideration of investor needs, striving to align every aspect of our approach with their objectives and preferences. DIF has committed to all new funds being at a minimum Article 8 under the SFDR, meaning that they will promote environmental and social characteristics. Our latest funds, DIF VII and CIF III, and the Dutch Climate Action Fund are Article 8 funds.

DIF offers two main types of diversified infrastructure fund strategies:

Traditional DIF funds

This strategy targets midmarket high-quality infrastructure investments that generate long-term, predictable, and typically inflation-linked cashflows and, as such, generate attractive risk-adjusted returns and strong cash yield.

The portfolios are well-diversified across investment classes, geographies, and sectors. Within the broader infrastructure market, the strategy focuses on investing in renewable energy investments, broader energy transition investments, digital investments, transport investments and utilities. In terms of geography, this fund will predominantly target investments across Europe and North America. The majority of companies invested in this strategy typically comprise operational assets. Furthermore, the strategy targets investment platforms providing access to healthy development pipelines and construction-ready assets, as well as operational/construction asset portfolios.

CIF funds

This strategy focuses on (lower) mid-market core-plus infrastructure companies with strong growth potential and, as such, offer high return potential while still providing downside protection[14]. The CIF funds focus on certain sectors such as digital, transport, energy transition, and care. These funds are well-diversified across investment classes, geographies and sectors. In terms of geography, CIF funds will predominantly target investments across Europe and North America. The CIF funds pursue an active value enhancement strategy with a particular focus on buy-and-build and platform investments.

14 Downside protection from for example contract exposure, monopolistic market position, etc.

In addition, DIF manages the Dutch Climate Action Fund ("DCAF"), which is also an Article 8 fund, that promotes environmental and social characteristics by focusing on investments that contribute to reducing greenhouse gas emissions in the Netherlands. DCAF targets investments aligned with national emission reduction targets and contributes to climate action initiatives.

DIF's current Article 8 funds are committed to aligning with our sustainability philosophy and selected UN SDGs. The funds promote environmental and social characteristics by making investments that contribute to a set of SDGs selected by the fund as aligned with its investment mandate. DIF VII promotes environmental and social characteristics by making investments that contribute to SDG 7 Affordable and Clean Energy, SDG 9 Industry, Innovation & Infrastructure, SDG 11 Sustainable Cities & Communities, and SDG 13 Climate Action. CIF III focuses on SDG 9 Industry, Innovation & Infrastructure, SDG 11 Sustainable Cities & Communities, and SDG 13 Climate Action. The funds have committed to deploy at least 50% of their capital in investments that promote these characteristics. For 2023, the investments[15] made by the DIF VII, CIF III and DCAF funds were aligned 100% with one or more of the fund-specific SDGs.

15 Measured by invested and committed capital in portfolio companies, excluding cash and working capital.

Figure 05 UN SDGs promoted by selected DIF funds

DIF Article 8 funds

CIF Article 8 funds

Thijs Verburg
Managing Director, Co-head Investor Relations

"At DIF, we are committed to responsible investing and recognise the increasing importance of sustainability to our investors. As the landscape for responsible investment constantly evolves, we value our collaborative approach with investors on how to improve strategies and adapt our reporting to meet their objectives. We've designed a dynamic platform capable of crafting diverse products that align with the evolving needs of our investors. This adaptability is not just our strength—it's our promise to be at the forefront of responsible investment, today and tomorrow."

2.3 Sustainability related risks & opportunities and their impact on DIF

The valuation of investments within DIF's funds' portfolios is influenced by market dynamics, which are increasingly shaped by sustainability related considerations.

Sustainability factors can ultimately impact valuations through mechanisms such as subsidies, tax breaks, and market demand. As the appetite for low-carbon and sustainable investments grows, DIF believes that strengthening the positive environmental and social characteristics of the investments will contribute to an increase in their value. Conversely, investments with significant negative impacts – such as those in industries with high carbon emissions, poor labour practices, or significant environmental degradation – may decline in value as investor preferences shift. DIF stays ahead of these trends by engaging in active market analysis, and by ensuring its portfolio is resilient and capable of adapting to these shifts. This forward-looking approach positions DIF to capitalise on sustainability related opportunities while mitigating potential risks.

Below is a dedicated section on DIF's strategic response to climate-related risks and opportunities, as per the TCFD guidelines. Whilst we also consider broader sustainability related risks in our investment decisions, in this section we will only focus on climate-related risks. This year, we organised an extensive internal engagement exercise with ExCo and leaders heading up our investment teams and investor relations, to explore these challenges and prospects. The process yielded insights into the climate risks and opportunities relevant to our operations, summarised below.

Consideration of climate-related risks and opportunities

Transition risks and opportunities

We have considered the following risks and opportunities on our overall firm strategy[16]:

Risk and opportunity of regulatory changes
Regulatory changes (e.g., changes in regulations, laws and policies) present risks by potentially increasing operational costs and affecting profitability. For example, carbon pricing mechanisms might significantly raise expenses for companies in high-emitting industries. Conversely, the opportunity arises from enhanced environmental standards, which can spur innovation and open new markets. Investments driven by stricter environmental regulations, for instance, encourage the adoption of cleaner technologies and can improve competitive positioning in the market. Perversely, the DIF strategy is also at risk where regulatory changes are promised by governments but are not meaningfully implemented, meaning that firms that incur costs to adapt to new requirements that are not enforced universally may put themselves in a less competitive position in the short term.

Risk and opportunity of shifts in market dynamics
Market dynamics can shift investor preferences, posing a risk of stranded assets in sectors slow to adapt to new norms. Investments in fossil fuel power generation, for instance, may become stranded as the market shifts its focus towards sustainable alternatives. On the opportunity side, increased demand for environmentally friendly options opens up new investment avenues, such as in green buildings and renewable energy solutions, which are seeing heightened consumer and investor interest. Therefore, resource efficiency & energy sources pose significant opportunities for DIF's investment space.

Risk and opportunity of technological advancements
Rapid advancements in technology present risks by potentially rendering existing technologies obsolete. An example of this risk is seen in the solar industry, where continuous improvements in panel efficiency might sideline older installations. However, this process of creative destruction also presents firms like DIF with new opportunities, for example battery technology for energy storage.

16 This section refers to transition risks (policy and legal; technology; market; and reputation) and opportunities (resource efficiency, energy source, products/services, markets, and resilience) as defined by TCFD, however we are using wording that aligns with our internal risk framework. Note that this is not an exhaustive list but rather an overview of some of the key risks and opportunities we covered during the engagement exercise.

Risk of incurring reputational damage or opportunity for brand enhancement
Improperly managing changing customer or community perceptions of an organisation's contribution to or detraction from the transition to a lower-carbon economy can potentially cause reputational damage. For example, we might face additional scrutiny if our climate impact assessments are seen as inadequate. However, effectively managing these risks offers the opportunity to enhance DIF's brand value. By properly managing climate-related risks, we improve the resilience of our investments, which enhances our ability to provide stable returns to our investors, even if climate events become more extreme.

Physical risks

Physical risks mainly apply within our portfolios as they are intricately tied to the vulnerability of any physical investments and the geographical locations in which these companies operate. Understanding investment vulnerability is crucial for assessing the potential impact of physical climate risks on infrastructure investments. In the following section, we consider this critical aspect of climate risk management:

Investment vulnerability
Investment vulnerability refers to how susceptible infrastructure investments are to physical climate risks. It depends on factors such as design, location, and exposure to environmental hazards. For example, a bridge built in a flood-prone area may be highly vulnerable to extreme weather events, while an underground fiber-optic network may be less exposed, even if in the exact same location.

Hazard level of geographic location
The geographical context significantly impacts risk. Different regions face varying hazards, such as storms, earthquakes, wildfires, or rising sea levels.

For investments, DIF considers both acute and chronic physical risks:

Acute risks result from sudden, extreme weather events. These include flooding, cyclones and hurricanes, heat waves, and wildfires.

Chronic risks stem from gradual environmental changes over time. These include sea-level rise, prolonged droughts, more frequent and severe heat waves, desertification, and the gradual degradation of ecosystems.

Timeframes considered

Following the TCFD guidelines, DIF identifies and evaluates climate-related risks and opportunities across varying timeframes. Establishing consistent timeframes for assessing short-, medium-, and long-term risks in a diversified portfolio presents unique challenges as investment cycles and external conditions evolve. Key considerations include:

Longevity of infrastructure investments
Infrastructure investments typically have long lifespans, which means their value is significantly influenced by their projected future performance. Although the lifespan of investment funds may be shorter, this anticipated value is taken into account in annual valuations—or more frequently if necessary—and at the time of divestment.

Adaptability of investments
Investments facing significant climate-related risks may undergo transformation or repurposing to align with a low-carbon economy or to enhance climate resilience. Consequently, assessing risks over short, medium, and long terms is subject to change, influencing strategic decisions, including those related to divestment timing decisions.

Development and construction timelines
The extensive time required to develop and construct new investments means that existing investments are not quickly replaced, placing the most significant transition risks in the long term. For investments under development with notable climate impact, the current legal and market conditions may not reflect the eventual operational environment.

Considering these factors, we assess climate-related risks and opportunities within the following time horizons, in line with the NZIF[17]:

Short term (up to 2030)
DIF's funds' typical holding period and general characteristics suggest that the short term encompasses the most critical timeframe for active climate risk management and mitigation. It is expected that investments in more mature funds will be divested within this timeframe, subject to the specific fund maturity dates. Short-term market volatility can significantly impact the risk assessment of long-lived investments. For example, sudden changes in regulatory policies or market sentiment can lead to immediate revaluation of investments.

17 The time horizons outlined in this document align with the NZIF rather than the CSRD. We believe the NZIF horizons provide more strategic insights for assessing long-term climate risks, as they are specifically designed to reflect the timeframes over which climate impacts become significant, which is crucial for effective climate risk management and aligning with Net Zero objectives.

Medium term (2030 to 2040): This period will likely see the sale of most investments by the respective funds. DIF's funds may face physical and transition risks affecting the divestment values of their investments. Physical risks could become more pronounced and transition risks could potentially lead to discounts for investments at risk of becoming stranded. Regulatory changes, such as introducing carbon pricing, election outcomes in either direction, or subsidies for renewable energy, could substantially alter the performance and valuation of investments.

Long term (2040 to 2050): This timeframe is considered post-divestment and is not expected to significantly impact DIF's funds due to the holding period. However, during this period, the most substantial climate-related risks and opportunities have a high likelihood of affecting the underlying investments in some scenarios. In addition, stakeholders who have bought our investments may want to sell during this timeframe, meaning that even that climate-related risks expected to occur in this time horizon could impact decision-making by investors in the medium-term.

Transition risks and opportunities

The investment landscape for DIF is filled with opportunities, especially related to the energy transition and climate adaptation. On the flip side, DIF faces a complex array of risks intertwined with the evolving climate landscape. Both will be described in this section. Note that this is not an exhaustive list of risks and opportunities.

Risk and opportunity of regulatory changes

On the opportunity side, we have an extensive renewables-focused team backed by a strong track record and deep expertise in the renewable investments market. This positions us well relative to many competitors in conducting informed assessments of potential changes relevant to these investments. Additionally, our team's technical capabilities enable us to make well-informed estimates regarding the required capital and likely returns, taking into account the evolving legal and policy landscapes. For many of our investments, we have historically benefitted from regulatory incentive schemes, e.g., subsidies for solar investments, when such energy sources were not yet competitive compared to fossil fuels.

We continue to monitor our portfolio's investments for regulatory developments that can lead to tailwinds.

For example, the ACM[18] in The Netherlands recently announced measures to address grid congestion by promoting flexible electricity use, enabling greater network capacity. This includes regulatory decisions enabling both consumers and businesses to adapt their electricity usage to off-peak times, thereby enhancing the efficiency of the existing grid infrastructure. Such proactive measures are crucial for managing the increasing demand for electricity and the growing supply from renewable sources.

One of the key risks we closely monitor is the evolving landscape of political uncertainty. Unexpected changes in political power, such as the upcoming US election, and the resulting shifts in policies and regulations—whether becoming more stringent or more lenient—could significantly impact investment strategies and erode financial returns.

In addition, the potential introduction of carbon taxes is an important development we are monitoring, as it represents a significant risk factor for companies involved in industries with substantial carbon emissions. Whilst a large part of our funds' portfolios are renewables and climate solutions with low carbon emissions, recognising the risk is crucial because of the direct financial impact and operational complexities it can introduce. These include increased production costs, challenges with cross-border trade adjustments (for example, steel into the EU), and shifts in competitive landscapes.

The emerging demands for climate-related financial disclosures necessitate updates to generally accepted accounting methodologies, such as revising investment impairment assessments to incorporate climate-related risks. This evolution presents significant challenges in maintaining precise financial reporting and investment valuation. Whilst significant updates may begin to emerge from professional accounting organisations within the short-to-midterm, the complete adaptation and widespread implementation of revised accounting methodologies may extend into the long term.

In the mid-to-long term, increased uncertainty stemming from climate-related risks can complicate the accurate prediction of future cash flows from investments. Additionally, the long-term impacts, such as decreased investment valuations due to climate hazards, necessitate updates to traditional valuation models. Moreover, the need for enhanced disclosure requirements to address climate risks may prompt companies to develop new metrics and models for assessing investment value, demanding significant investment in data collection and reporting systems.

We monitor the regulatory landscape together with our risk department, leveraging legal and compliance expertise where relevant.

18 The Netherlands Authority for Consumers and Markets ("ACM") ensures fair competition between businesses, and protects consumer interests.

Risk and opportunity of shifts in market dynamics

Within our investment landscape, a significant opportunity exists to capitalise on the growing demand for infrastructure that is climate-resilient or aligned with the energy transition. By strategically investing in renewable energy projects, electric vehicle charging networks, or energy-efficient buildings, we align with evolving market preferences and create long-term value for our investors. These forward-looking opportunities allow us to contribute positively to financial returns while the investments promote environmental and social characteristics. The shift towards cleaner energy sources aligns well with DIF's aim to deliver robust financial returns while creating sustainable value creation for our stakeholders. Investments in solar and wind energy projects provide avenues for sector diversification and long-term stability in an increasingly carbon-conscious market. Additionally, energy efficiency business models, such as IoT-enabled HVAC systems and demand-side management, can yield tangible financial benefits for consumers through reduced operational costs and, therefore, become valuable investments.

Other attractive investment subsectors which may develop into investable opportunities are enterprises that alleviate grid congestion, addressing a critical infrastructure challenge in the renewable energy sector. Companies that support energy affordability, especially as renewables become the cheapest source, may become attractive investments.

DIF's potential to facilitate the transformation of companies from brown to green presents an opportunity to align financial returns with environmental performance.

Looking ahead to the long term, DIF could explore opportunities in new types of infrastructure, such as infrastructure investments that deal with adaptation to climate change (e.g., improved flood barriers). These potential projects could, for example, address emerging climate challenges for people whilst offering long-term portfolio growth and diversification potential.

Through the strategic investment of the funds' capital and proactive risk management, DIF can capitalise on these opportunities to maintain financial resilience while contributing to a sustainable future. However, we also face many risks.

Divergence among investors in their sustainability preferences can strain relationships and impact fundraising efforts. These uncertainties are compounded by societal polarisation around ESG issues, where divergent stakeholder views complicate decision-making processes.

Risk and opportunity of technological advancements

Technology is a key risk to manage from a climate perspective. In the dynamic renewable energy sector, DIF has, for example, strategically leveraged advancements in battery technology to enhance its portfolio with investments such as Field. These investments not only represent smart investments but also play a crucial role in mitigating grid congestion – which we see as a key risk – by stabilising energy supply and enhancing grid management[19]. This capability is increasingly important as advancements in battery technology often outpace other energy solutions like hydrogen, necessitating ongoing revisions to investment strategies.

Moreover, rapid technological evolution challenges the viability of older equipment, such as less efficient solar panels, compelling continual updates to our technology adoption and portfolio management to maintain our strong market position. Not managing this technology risk properly may lead to higher capital expenditures by portfolio companies to upgrade their technology or alternatively lead to less competitive positions upon sale.

Risk of incurring reputational damage or opportunity for brand enhancement

By transparently communicating our commitment to long-term sustainable value creation, actively participating in climate initiatives, and aligning our investments with SDGs, we have built a strong reputation. This positive reputation helps us attract like-minded investors and foster long-term partnerships with a range of stakeholders. Companies recognise the value of partnering with a responsible and forward-thinking infrastructure investment firm, strengthening our position as a trusted industry leader.

However, misinterpreting market or policy signals could tarnish our reputation for delivering attractive returns. For instance, the acquisition of an investment that becomes stranded due to market dynamics and then fails to meet our exit multiple expectations presents a considerable risk. To mitigate such risks, we rigorously monitor the trends that increase the risk of stranded investments. For example, the perception of natural gas as a transition fuel varies significantly based on factors like timing, geography, and policy interpretations.

19 For more information on our view with regards to grid congestion, please refer to our publication: "Global Insights Series: the Future of Renewable Energy."

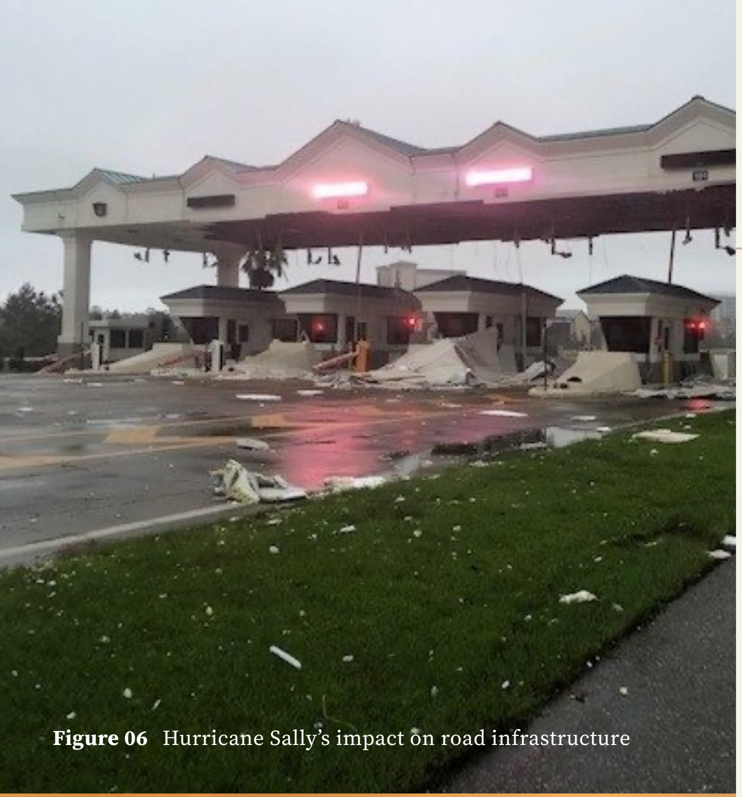


Figure 06 Hurricane Sally's impact on road infrastructure

Figure 07 Wildfire near Royalla Solar Farm

Physical risks

Acute risks

Understanding investment vulnerability is key in assessing the potential impact of physical climate risks on our infrastructure investments. These risks are closely tied to the geographical locations in which our investments operate. Given that every investment, regardless of sector or location, is susceptible to climate-related physical risks, DIF must maintain a proactive stance across its entire portfolio.

For instance, consider the aftermath of Hurricane Sally in August 2021, which struck Alabama and inflicted damage on our funds' road infrastructure and toll booths in the region. Conversely, fiber-optic networks situated in disaster-prone areas may experience less impact. This illustrates the importance of understanding investment vulnerability and its implications for our investments.

Similarly, in February 2020, New South Wales, Australia, was ravaged by wildfires. The Royalla Solar Farm, a 20 MW AC photovoltaic solar plant located nearby in the Australian Capital Territory, had to be evacuated to ensure the safety of personnel. Thankfully, no personnel were injured, and the fire did not impact the facility. While wildfires of this magnitude are less common in other geographies where we operate, this underscores the need for robust risk management strategies across all regions of operation.

Chronic risks

For many investments, chronic climate risk management is key.

For example, consider Loimua, a Finnish energy company specialising in heating and cooling solutions. Even a modest one-degree Celsius shift in the average winter temperature can significantly affect their revenue generation and associated costs.

Likewise, for Affinity, a water utility company operating in southeastern England, a decrease in rainfall could have profound implications for water availability and, consequently, their potential revenue. These examples underscore the importance of considering both acute and chronic physical risks in our investment strategies to ensure the resilience of our portfolio in the face of evolving climate dynamics.

Chronic risks require diligent management and will be a key consideration in all future acquisitions. We acknowledge that chronic risk is heavily contingent upon the specific scenarios that may unfold. Therefore, we actively engage technical due diligence partners, as and when necessary, to gain insights into the potential impact of factors such as average temperature on our present and prospective investments. By leveraging their expertise, we enhance our understanding of the long-term implications and strengthen our ability to make informed decisions regarding investment resilience and sustainability.

In summary, we consider climate-related risks during the design of new fund products, the acquisition of new investments, throughout our holding period, and upon divestment. We assess these risks at the outset by examining the respective industry's future beyond our holding period to inform our exit strategies. During the holding period, we manage risks through our annual ESG Path programme. The strategy for each fund is tailored based on the perceived opportunities and risks and will set out the expectation for sector allocations or exclusions for that fund. For example, to address transition risk, our most recent funds exclude opportunities involving coal power generation, the extraction and production and production of fossil fuels (coal, oil and gas), and may hold up to 40% of the fund in renewable energy.

Resilience of strategy towards different scenarios

Last year's climate report detailed our investments' exposure to climate-related transition risks and physical risks. Given that our scenarios and investment portfolio have largely remained the same, we did not repeat this analysis this year. Instead, we continue to update our exposure internally and apply the climate risk tool for new investments.

This year, we've broadened our approach by holding a climate risk engagement process to evaluate strategic adjustments under different transition scenarios. We have focused on impacts within funds (DIF & CIF) and sectors like renewables, digital platforms, and social infrastructure (e.g., hospital buildings and student accommodation).

The climate scenarios we have used to guide our discussions and strategy refinement are:

UNPRI Inevitable Policy Response 1.5°C Required Policy Scenario (1.5°C)

This scenario anticipates aggressive policy measures aimed at capping global warming at 1.5°C, highlighting both transition risks and opportunities.

IPCC Representative Concentration Pathway 8.5 (4.3°C)

This pathway projects a "business-as-usual" trajectory with significant warming, underscoring severe physical risks.

By analysing these scenarios, we aim to understand their implications for the infrastructure sector, discern how each can shape investment risks and opportunities, and guide our strategic decision-making. This approach ensures our senior executives are equipped with the necessary knowledge to navigate an uncertain future, align investment portfolios with global climate objectives, and enhance the resilience and adaptability of our investments.

We recognise that our thinking on investing in certain sub-sectors will need to be agile in response to the scenario that unfolds. For instance, in a 1.5°C scenario, we might opt to abstain from investments that are (heavily) dependent on gas, as governments could push to shift away from this energy source. Conversely, in a 4.3°C scenario, where use of gas persists longer, our investments' dependence on this energy source may not be considered a major financial risk. In both cases, guarding against stranded investment risks becomes paramount, requiring a comprehensive evaluation encompassing exit multiples and operational considerations such as anticipated carbon taxes.

During the holding period, the prevailing climate scenario will also influence our decision-making. In a 4.3°C scenario, gas-dependent investments might face a lower short-term risk of being stranded, but the uncertainty surrounding the timing of the eventual transition to greener alternatives introduces long-term risks. Conversely, in a 1.5°C scenario, the imperative to shift away from gas is shorter term, leading to earlier stranding of gas. We will, therefore, carefully monitor how the scenarios unfold and adjust the timing of investment and exit decision-making in relation to the speed of transition in order to minimise the risk of stranded investments.

Under a 4.3°C scenario, the financial ramifications of climate change could reverberate across our entire portfolio, impacting traditional infrastructure like roads and hospitals, energy transition initiatives, and digital investments. This could manifest in heightened operational costs, such as maintenance, recovery from extreme weather events, and increased insurance premiums. Conversely, the financial impact under a 1.5°C scenario would likely be more contained.

Another notable disparity between scenarios lies in the reliance on policies and subsidies. In the 4.3°C scenario, where decision-making may diverge from anticipated policies, it would require tempering any reliance on the continuity of subsidies. Additionally, forecasting the pace of the transition becomes more challenging, necessitating decisions resilient to varying transition speeds, given the unpredictability and sporadic nature of transition trajectories in this scenario.

Whilst we see many more challenges under both scenarios, the key conclusion is that our strategy would need to be adjusted depending on the scenario that unfolds over the coming years, with different decisions made in terms of acquisition, holding period, and exit. In addition, our strategy to address such risks and opportunities would need to change, e.g., removing subsidies from financial models. Finally, the financial impact of risks and opportunities under each scenario will have to be closely monitored for impacts on our ability to raise money and the risk-return profile we can offer our investors. We believe that our diversified and agile strategy, for both the DIF and CIF funds, is the best approach to manage the uncertainties of which scenario could play out and at what pace across sectors and geographies.

Note that this section specifically addresses climate-related risks and opportunities.

While we also identify, monitor, and incorporate other sustainability-related risks and opportunities into our investments' value creation plans, **for the purpose of TCFD reporting, we are focusing exclusively on climate-related risks and opportunities here.**

Asset not bought

due to sustainability related considerations

In our continuous evaluation of potential investment opportunities that align with our sustainability strategy and the funds' investment strategies, we encountered a prospect involving a gas plant in the Northeastern United States.

The investment was initially appealing due to its excellent return profile. It offered steady revenues with low risk, presenting a seemingly advantageous financial proposition in a market with limited alternatives.

Our investment analysis framework requires a rigorous examination of sustainability factors alongside economic considerations. During our due diligence process, we focused on the gas plant's sustainability trajectory, particularly its alignment with our commitment to achieving Net Zero carbon operations.

Key ESG concerns were identified during the assessment:

Transition story absence: The gas plant lacked a credible transition story. Unlike other gas investments in our funds' portfolios that demonstrate potential for integration with renewable energy sources or carbon capture technologies, this facility showed no future-proofing possibilities.

Risk of stranded investment: The evolving regulatory and environmental landscape poses a significant risk to gas-focused investments. Without a clear path to reducing its carbon footprint, the plant faced a substantial risk of becoming a stranded investment, undermining its long-term financial viability.

Impact on Net Zero targets: Investing in the plant could jeopardise our ability to meet our Net Zero targets. These targets reflect our sustainability commitments and are crucial in maintaining the confidence and support of our investors, many of whom have Net Zero targets themselves.

We believe that responsible investment and robust investor returns are inseparable. In this case, potential regulatory changes and the lack of a transition plan could adversely affect the investment's projected cash flows and increase the likelihood of the investment becoming financially unattractive.

While our policy does not specifically exclude gas plants, the lack of a sustainable transition plan for this particular investment – thereby imposing significant financial risks in the long term - and its potential to conflict with our Net Zero ambitions made the investment untenable. After careful analysis, we chose not to proceed with the investment.

Despite its initially appealing financial metrics at the point of acquisition, the sustainability issues were critical. They posed too great a risk to the investment's long-term financial value, reinforcing our commitment to responsible investment and fulfilling our fiduciary duty.

Investment bought

after carefully examining sustainability related considerations

DIF, in collaboration with EDF Invest and KLP, identified a promising investment opportunity in Fjord1, the owner and operator of ferries in Norway.

With a large fleet of more than 80 vessels, Fjord1 leads the market in electrified ferry transport, handling about 40% of the nation's ferry passengers and electrified ferries in Norway. This investment exemplifies how we manage and mitigate ESG risks while optimising shareholder value.

During the acquisition stage, the financial appeal of this investment opportunity was particularly compelling for several reasons. It represented a significant investment in a core sector and jurisdiction—European transport—known for its stability and growth potential. Additionally, the investment boasted strong cash flow predictability, underpinned by concession contracts that provide revenue security. The presence of reliable counterparties, mainly public transport authorities backed by the Norwegian government, further underscored the investment's financial robustness. The potential to add a cash-yielding investment to the portfolio added to its appeal.

ESG risks and management

While the investment was highly attractive, several ESG risks were identified:

Partial non-electric fleet
A segment of Fjord1's fleet still relies on traditional fuels, posing potential regulatory and environmental challenges.

Transition and technology risks
The company's ambitious target to fully electrify its fleet by 2030 requires significant operational and technological updates.

Market and regulatory pressures
Norway's aggressive emissions regulations demand careful navigation to avoid operational disruptions.

Despite these concerns, the decision to proceed with the acquisition was based on the expected manageable nature of the identified risks and the significant potential for positive impact through further electrification, particularly given Fjord1's industry-leading position in electrification. Notably:

Advancements in electrification
Fjord1 has significantly advanced in fleet electrification, boasting almost 40 electric vessels, which represent approximately 65% of its fleet, a substantial increase from 0% in 2017. This transition has already cut the company's carbon emissions by nearly half over the past three years.

Future emissions reductions
Under the modelled DIF base case scenario, emissions are projected to reduce by approximately 50% during our ownership, driven by the planned increase in electric vessels to approximately 85% by 2030.

Sustainability and community impact
Fjord1 plays a critical role in reducing environmental impact and supporting the vitality of coastal communities and the preservation of the natural beauty of Norwegian fjords.

The acquisition of Fjord1 by DIF, EDF, and KLP exemplifies our strategic approach to fulfilling our fiduciary duty by optimising returns while effectively managing risks.

Fjord1

Through this investment, we demonstrate a commitment to integrating ESG considerations into our decision-making process, ensuring that we capitalise on opportunities for innovation and compliance with environmental standards. This approach not only mitigates potential liabilities but also enhances the investment's value, driving long-term profitability and delivering maximum shareholder value.

Neil Marvell
Senior Director & investment team member on Fjord1

"We are very excited to have invested in Fjord1, the leading operator of ferry transportation in Norway. We were initially attracted to the business due to its robust cashflows, underpinned by long-term concession agreements and backed by strong counterparties. As we began our discussions with the Fjord1 management team, we were equally impressed by their focus on sustainability and the steps they have taken to decarbonise Fjord1's ferry fleet. Fjord1 are now the leader in electrification with the largest fleet of electrified vessels in Norway, and we are proud to support the company on its journey."

Fjord1

03 Investing responsibly

3.1 Executive summary

DIF incorporates responsible investment practices throughout the investment cycle, from origination to value creation, reporting and divestment.

During origination, the exclusion screens help investment teams identify sound investments that are in line with our private placement memoranda. If the investment passes the non-binding offer stage, the ESG screening checklist is leveraged to identify the right scope of work for the ESG DD.

DIF's investment teams integrate sustainability considerations into the value creation plan for investments on dimensions where this is relevant.

During the divestment phase, we consider risks stemming from sustainability-related factors in timing decisions; aim to provide ESG data proactively; and share how sustainability is integrated into portfolio companies' business plans if and where relevant.

3.2 Responsible investment practices

Integration of responsible investment practices in DIF's investment cycle

Integrating sustainability factors throughout the infrastructure investment cycle aligns with DIF's overarching commitment to responsible investment and long-term value creation for our stakeholders. By incorporating sustainability factors into decision-making processes at every stage of the investment lifecycle, DIF aims to mitigate risks, capture opportunities, and enhance its investment portfolio's long-term resilience and performance.

Recognising the interconnectedness of sustainability factors with financial outcomes, DIF prioritises investments that can generate attractive returns and have the potential for positive environmental and social outcomes. This integrated approach not only aligns with evolving stakeholder expectations but also positions DIF to navigate emerging market trends, regulatory requirements, and societal demands, ultimately fostering sustainable growth and value creation.

Figure 08 Integration responsible investment practices in DIF's investment cycle

Investment team

Origination

An investment team led by a designated investment sponsor is appointed for each investment opportunity. The investment team evaluates each investment opportunity's alignment with the fund's exclusion screens. We implement diversified fund management strategies and consider a vast range of investment opportunities. During origination, we assess investments using three exclusion screens. The first part contains a check to ensure that the target does not operate within the fund's **industry exclusion list**. For example, the Members' Agreement for a particular fund may exclude coal(-related) projects. The key question answered here is:

"Does the investment opportunity comply with the fund's exclusion list per the respective fund Private Placement Memorandum?".

The second exclusion screen pertains to our **commitment to be a Net Zero** investor by 2050 or sooner. The Net Zero Screen that an investment opportunity must pass is:

"Would investing in this opportunity make it more difficult for DIF to achieve our Net Zero goal: to have 70% of AUM adopt a Net Zero 2050 Plan by 2030?".

If the answer is "yes" or "not clear", the origination team must consult with the Sustainability Team to discuss potential options for decarbonisation within the opportunity. If economically viable pathways to Net Zero are not possible within the investment horizon for the investment, the Sustainability Committee should be consulted on whether to proceed with the investment. The decision of this Committee is binding.

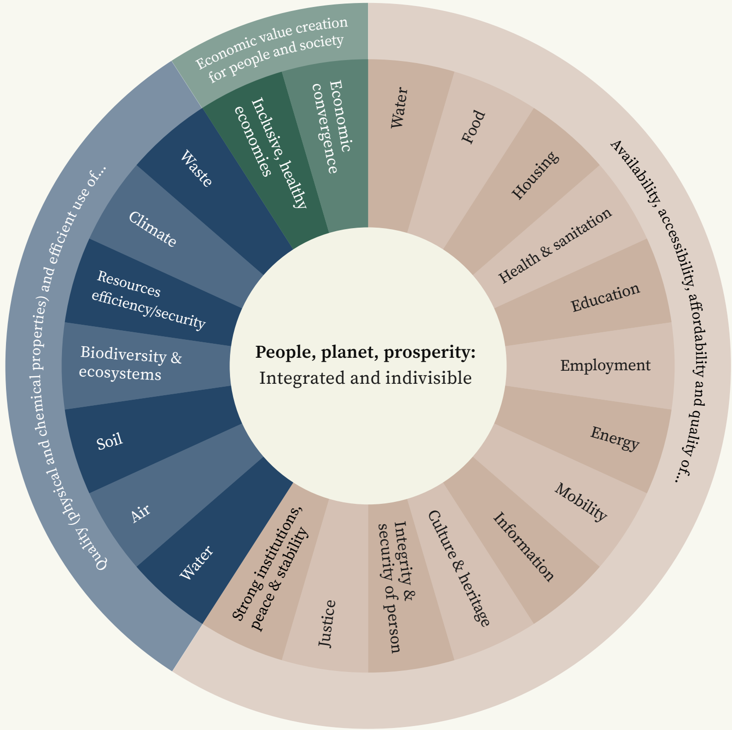
The last step within the exclusion screen is relevant to our Article 8 funds. For our Article 8 funds, the team conducts an analysis using the **Intrinsic Benefit Tool ("IBT")**. The DIF IBT has been developed to identify and score the intrinsic benefits of infrastructure investments. The tool considers positive and negative impacts and is based on the UNEP FI[20] impact tool. The IBT is a binding element in the ESG approach of DIF's current Article 8 funds and part of ESG integration for all DIF investments in those funds.

The impact areas considered cover three areas: Economic (prosperity), Social (people) and Environment (planet) and link impact areas back to SDGs, as depicted in the following figure.

20 United Nations Environment Program - Finance Initiative.

Figure 09 UNEP-FI Impact Categories and linkage to the promoted SDGS

Source
United Nations Environment Program - Finance Initiative, Positive Impact, Impact Radar 2018



SDG	UNEP-FI impact categories
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	**Industry, Innovation And Infrastructure** **Social:** Mobility, Information, Water, Health & Sanitation, Energy, Education **Environmental:** Climate, Resources Efficiency/Security, Waste
11 SUSTAINABLE CITIES AND COMMUNITIES	**Sustainable Cities And Communities** **Social:** Mobility, Information, Water, Health & Sanitation, Energy, Education **Environmental:** Climate, Resources Efficiency/Security, Waste
13 CLIMATE ACTION	**Climate Action** **Environmental:** Climate

The outcome of the IBT is a single score per combination of sector and country on a scale of 0-100 against a universe of investable sectors. For DIF funds that are classified as Article 8 under the SFDR, the IBT is used to embed the promotion of environmental and/or social characteristics in the investment process.

After having conducted these screens, assuming the origination team decides to pursue the investment, pre-transaction approval must be granted. If this happens, the transaction can move on to the next phase of the investment cycle.

In this next phase, the investment team conducts an **ESG screening checklist**. This checklist aids in determining the scope for ESG due diligence, providing an overview of non-financial factors that could impact the investment's financial performance over the investment holding period, including risks and value creation opportunities.

Some examples of questions included in the ESG screening checklist are:

- What level of physical risk was identified by DIF's Climate Risk Tool?
- What level of transition risk was identified by DIF's Climate Risk Tool?
- Is the opportunity located in or near a high biodiversity sensitivity area?

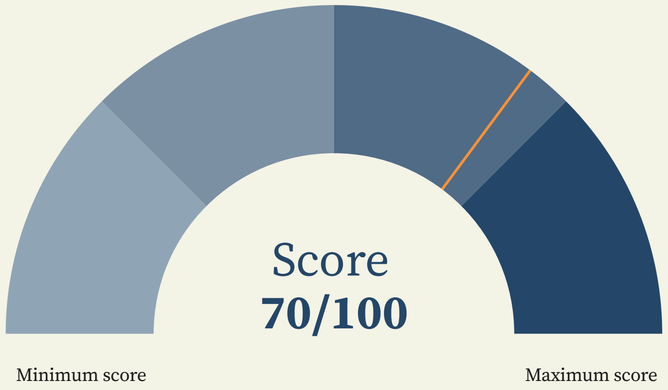
Subsequently, the investment team conducts **ESG due diligence** as part of their investment analysis, including assessing climate risks where relevant. The level of the ESG due diligence and the topics included are determined using the ESG screening checklist. The checklist includes a proprietary materiality matrix of ESG topics tailored to DIF's investment types based on SASB's[21] Materiality Finder.

The findings of this due diligence and recommendations for risk management and mitigation strategies are presented in the Investment Committee paper. These recommendations may lead to adjustments in the proposed investment structure or documentation. The due diligence outcomes inform the development of the post-closing value creation plan, ensuring alignment with insights gained during the assessment process.

It is important to note that the Sustainability Team is not responsible for investment decisions or determining acceptable risk levels. Instead, the Investment Sponsor, accountable to the Investment Committee, ensures adequate ESG due diligence integrated with the technical and commercial due diligence. Each investment team is tasked with scoping and assessing relevant ESG factors for the investment. As such, ESG has been embedded in the investment team's ways of working, not separately managed by the Sustainability Team. The Sustainability Team acts as a centre of excellence providing expert advice where needed.

21 SASB: Sustainability Accounting Standards Board, a non-profit organisation.

Figure 10 IBT: 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.

Figure 11 ESG tools in origination phase

Loimua

Introduction

Loimua is an energy services company headquartered in Hämeenlinna, Finland, specialising in the production and distribution of district heating across 16 networks. The Company also owns a natural gas sales and distribution business. Loimua also develops tailored heating and cooling solutions, in addition to offering comprehensive energy, control room, operation, and maintenance services for the industrial and property sectors.

In 2023, Loimua reported district heating sales of 862 GWh and a natural gas distribution volume of 88 GWh[22], with a sales volume of 47 GWh. Loimua addresses the high structural demand for heating in Finland, attributed to the country's average annual temperature of around 2°C. This situational context underscores the importance of district heating in meeting the nation's energy needs efficiently and sustainably.

Loimua operates within Finland's unique climatic and regulatory environment. As a part of DIF's investment strategy, a comprehensive due diligence ("DD") was conducted, emphasising the integration of sustainability related considerations to identify, evaluate, and manage potential risks and opportunities.

This case study aims to illustrate how DIF integrates ESG factors into our acquisition decision-making process, using Loimua as an example.

Environmental considerations

Renewable energy and biomass utilisation

The ESG DD process prioritised the analysis of Loimua's fuel mix, with a particular focus on its biomass usage, which is notably higher than the industry average. This aligns with global sustainability targets and positions Loimua advantageously in the market. The plan to increase biomass utilisation and respectively reduce the usage of peat and natural gas post-acquisition was scrutinised, considering future biomass availability and price fluctuations. Predictions by the ESG and commercial DD provider informed projections of biomass prices and availability, guiding strategic planning and financial forecasting.

Climate change and energy efficiency

Climate change impacts and energy efficiency improvements were significant factors in the ESG DD. These considerations led to the projection of a slight annual decrease in district heat volumes. A detailed analysis, supported by external advisors, incorporated these factors into the valuation model, ensuring a realistic and forward-looking assessment of consumption trends and their financial implications.

Regulatory compliance and market position

The ESG DD extended into regulatory compliance, given the lack of formal price regulation in Finland's district heating market. Loimua's adherence to FCCA[23] guidelines and the potential for future regulatory scrutiny were thoroughly examined. This aspect was crucial in assessing the investment's regulatory risk profile and ensuring alignment with fair competition principles.

Environmental and health & safety management

Loimua's environmental and health & safety practices were also a focus, highlighting its commitment to minimising environmental risks and maintaining high safety standards. The company's longstanding certifications and successful bioconversion processes, resulting in a significantly lower CO_2 footprint, were key considerations, reflecting its environmental stewardship and operational excellence.

22 Note: Gas business is only a minor part of Loimua's overall business mix.

23 Finnish Competition and Consumer Authority.

Value Creation

After an opportunity passes through the Investment Committee and the company is acquired, members of the investment team who were part of the origination process become responsible for the performance of the new portfolio company.

Sustainability integration into value creation plans

One of the initial and pivotal steps post-acquisition is formulating a robust value creation plan ("VCP"). At DIF, we champion creating a comprehensive VCP grounded in a deep understanding of the portfolio company's current landscape, potential disruptors—including sustainability related risks unearthed during the due diligence phase—and a thorough analysis of the macroeconomic environment.

Our VCP approach goes beyond traditional value creation levers, such as board composition and talent optimisation. DIF integrates sustainability factors that encompass risk mitigation, the identification of sustainability-driven value opportunities, and a strategic decarbonisation roadmap. Presently, we provide overarching recommendations for all investments, enabling our investment teams to integrate these considerations throughout the holding period.

Throughout the investment lifecycle, the investment team engages with portfolio companies to execute VCPs, ensuring the implementation of pertinent climate-related actions. They also propose updates to these plans as necessary, ensuring alignment with evolving sustainability objectives and market dynamics.

The investment team provides a thorough analysis of investment performance and progress against the value creation plan to the Portfolio Performance Committee. Their assessments cover a broad range of sustainability areas, including but not limited to decarbonisation initiatives, assessing their effectiveness and impact on investment outcomes. By managing and monitoring these diverse sustainability factors, the investment team plays an important role in enhancing the long-term success and resilience of the portfolio.

Pursuing Net Zero

DIF is committed to achieving Net Zero emissions by 2050, with clear interim targets of aligning 70% of our AUM aligning with Net Zero by 2030 and 100% to be aligned by 2040. This commitment is key to managing climate risk, and we actively engage with companies on this topic during the holding period.

To ensure our portfolio companies can reach their Net Zero goals, our investment teams integrate Net Zero considerations into the VCP for our investments. These plans are tailored to include strategic initiatives for greenhouse gas accounting and reporting processes, as well as the development of Net Zero-aligned business strategies. By doing so, we embed long-term sustainability into the strategy of our investments, fostering resilience and maximising long-term value creation.

Our engagement strategy for portfolio companies on Net Zero goals is multifaceted. We provide technical resources and templates to aid in developing board-approved, financially viable, and technically feasible carbon reduction programs. This support ensures that each company can commit to a Net Zero 2050 Plan, which includes long-term planning, emission disclosures, and reduction targets.

The tools we provide to our investments are designed to facilitate their transition to Net Zero (e.g., scope 1 and 2 calculation templates). This also includes the ESG Path for annual data collection, which aids in monitoring Net Zero alignment and climate-related risks and opportunities. The provision of these tools underscores our belief in the importance of embedding the Net Zero journey into the VCP process, ensuring that transition risks are accounted for, and that sustainability is integrated into the core strategy of each investment.

Loimua

Loimua post-acquisition

DIF's acquisition led to the refinancing of Loimua's acquisition debt facilities, which provided the company with a stable long-term capital structure and operational flexibility aimed at supporting sustained growth aligned with sustainability principles. This strategic financial restructuring under DIF's stewardship enabled Loimua to enhance its focus on sustainable business practices, ensuring strong support from institutional debt providers for its environmentally sustainable heating services.

The financial integration of sustainability

For Loimua, sustainability is fully integrated into the management and financial performance of the investment. The company's commitment to environmental stewardship directly influences its economic outcomes, primarily through its agile response to climate variables. For instance, as climate change alters temperature patterns, it impacts the demand for heating, directly affecting Loimua's operations and revenue streams.

By investing in renewable energy sources and enhancing energy efficiency, Loimua not only mitigates these risks but also capitalises on financial incentives such as reduced energy costs and increased eligibility for green financing. Moreover, the company's robust ESG framework appeals to socially responsible investors and partners, fostering a financial ecosystem that prioritises long-term value creation over short-term gains. This strategic alignment of environmental initiatives with financial objectives ensures that Loimua remains resilient in a rapidly evolving energy market, where sustainability is increasingly becoming a cornerstone of economic viability and competitive advantage.

Financial benefits arising from enhanced ESG performance

Loimua's improved ESG performance has had a distinctly positive impact on its financial health. The company's strategic emphasis on sustainability has enabled it to secure more favourable refinancing terms, reducing capital costs and enhancing financial flexibility for further investments in green technology. This financial restructuring under DIF's fund ownership has attracted strong support from debt providers, emphasising the market's confidence in stable, sustainable businesses like Loimua.

Moreover, by aligning its operations with global sustainability standards[24], Loimua has positioned itself as a leader in the renewable energy sector. This has helped Loimua attract investments and partnerships that not only bring in direct financial benefits but also boost the company's market standing and investor appeal. This virtuous cycle of sustainability leading to financial viability is a testament to the direct link between robust ESG practices and enhanced financial performance, proving that responsible business practices are indeed profitable.

Tom Goossens Partner, Deputy Head of DIF Infrastructure Funds and responsible partner on Loimua

"For Loimua, the temperature and changes in the average temperature over time have a direct correlation with financial performance. This is why we are so adamant about integrating sustainability measures into every facet of our operations. It's not just about meeting targets; it's about understanding that our business is intrinsically tied to the world around us. And in recognising this, we are better equipped to navigate the challenges and opportunities that come our way."

24 GRI: Global Reporting Initiative.

Divestment

For our divestment process, DIF evaluates short-, medium-, and long-term transition risks as part of our divestment timing decisions. These transition risks could potentially devalue investments or render them stranded in the long term. As the market appetite for investments with a negative climate impact may potentially change, the value of these investments could be affected. Conversely, investments aligned with a positive climate impact could experience value changes as market demand potentially evolves. By vigilantly monitoring these transition risks, we look to optimise divestment value.

Another illustration of our ESG integration within our divestment process is our approach to data transparency. Rather than relegating ESG data as an afterthought, we ensure its inclusion in the virtual data rooms provided to potential investors. This ensures that ESG-related information is readily accessible, allowing investors to make decisions that align with their sustainability objectives.

Similarly, sustainability related considerations are seamlessly integrated into our future business plans where relevant, particularly concerning potential buyers' valuation models. We recognise the increasing importance of ESG factors in investment decisions and thus incorporate these considerations into our strategic vision for each investment.

"For us, sustainability plays an important role in our divestment strategies. We integrate ESG considerations into our divestment processes to underscore our commitment to responsible investment and to enhance divestment values. We have seen several examples where we believe that sustainability related enhancements during the holding period, coupled with effective communication at exit, have optimised value. These experiences show us that sustainability effectively complements financial outcomes, aiding us in fulfilling our obligations to our investors."

Andrew Freeman
Partner, Divestments

Thames Tideway

The Thames Tideway Tunnel, commonly referred to as London's "super sewer," is a large infrastructure project designed to reduce sewage overflow into the River Thames significantly[25].

Initiated in response to the capacity limitations of London's ageing Victorian sewer system, this 25-kilometre tunnel extends from Acton in West London to the Abbey Mills Pumping Station in East London, where it connects to the Lee Tunnel. The project aims to tackle the significant pollution issues, thereby safeguarding the river's health, improving water quality, and enhancing the urban environment for future generations.

Before the implementation of the Thames Tideway Tunnel, the River Thames faced significant pollution challenges. The river's Victorian-era sewer system, overwhelmed during heavy rainfall, frequently discharged untreated sewage directly into the Thames. This recurring issue not only affected water quality but also disrupted the river's ecological balance.

To demonstrate the effect of tidal flow reversal in the Thames, consider the hypothetical journey of a rubber duck introduced into the river. Initially, this duck might drift downstream, passing prominent landmarks, but soon it encounters waters tainted by pollutants.

25 Although this case study pertains to a divestment made in 2022, it has been included in the 2023 report due to its significant relevance and its exemplary illustration of our sustainability practices. This example is particularly noteworthy because sustainability is core to Thames Tideway's business model and fundamental to the project's operations. In contrast, for the other two companies we divested in 2023, ESG considerations were more peripheral.

Due to tidal flow reversal, objects like the rubber duck, along with pollutants, are carried out to sea during the ebb tide and then pulled back upstream during the flood tide. It's feasible that the duck seen near a certain landmark one day could return to approximately the same location the next day due to these tidal movements.

The completion of the Thames Tideway Tunnel will significantly alter this cycle. By intercepting sewer overflows before they reach the Thames, the tunnel will markedly reduce the number of pollutants entering the tidal flow. This intervention ensures that post-Tideway, the rubber duck would navigate much cleaner waters, as they are no longer swept up in the cycle of returning pollutants. This improvement in water quality represents a critical enhancement of the river's overall health and urban environmental sustainability.

Our divestment of the Thames Tideway Tunnel project exemplifies our strategic approach to integrating ESG considerations into our investment lifecycle, significantly enhancing the investment's value and appeal at the point of divestment.

Environmental impact

By addressing the city's century-old sewage system issues, the project aims to substantially reduce the 39 million tons of untreated sewage discharged into the river annually. This intervention will help rejuvenate the river's ecosystem, facilitating the return of fish and other wildlife and ensuring cleaner communal spaces along the riverbanks.

Social contributions

The Thames Tideway Tunnel project implemented a number of social impacts, including rehabilitating individuals with past convictions. In addition, the project extends its social benefits to the educational sector by implementing a school project that offers interactive STEM lessons to foster interest in science and engineering among young students. These efforts collectively enhance the local community's social fabric, contribute significant societal value, and demonstrate a strong commitment to responsible and ethical practices.

Governance and ethical standards

The project's governance practices are robust, with a detailed mapping of the project's 54 Legacy commitments against 10 SDGs. This strategic alignment ensured that the project adhered to recognised frameworks and disclosures, enhancing transparency and accountability. Furthermore, the project's active management of supply chain ethics, highlighted by an awards night to honour supply chain partners who excelled in minimising unethical practices like modern slavery, underscored the commitment to high governance standards.

At the point of exit, these integrated ESG elements rendered the Thames Tideway Tunnel an attractive infrastructure project in terms of technical and environmental specifications, with strong alignment to global sustainability goals and tangible contributions to community welfare. This divestment demonstrates how we deliver value with ESG integration, setting a precedent for future projects and reinforcing our leadership in responsible investment practices.

Thames Tideway Tunnel project

Sustainability Team

The Sustainability Team at DIF is essential in steering our commitment to broader sustainability and responsible investment practices. Tasked with leading on DIF's Sustainability Strategy and ESG and regulatory compliance, the team also manages extensive external reporting and continuously updates our policies to align with global sustainability trends. In addition, the Team also provides support to our investment process, including due diligence, capacity building, and strategic data monitoring. This ensures that our business practices not only comply with but stay current in sustainability and responsible investment best practices.

Strategic development and regulatory compliance

The Sustainability Team plays a pivotal role in formulating and advancing our firm's sustainability strategy. This involves ensuring compliance with relevant regulatory requirements and aligning with sustainability related legislation and frameworks. The team is responsible for identifying suitable sustainability frameworks to enhance our firm's commitments to environmental and social standards globally.

External reporting and communication

A primary responsibility of the Sustainability Team is managing extensive external reporting, including aligning reporting with the TCFD. These efforts demonstrate our commitment to transparency and accountability in sustainability practices.

Policies and procedures

The team also develops and continuously updates our ESG policies and procedures. This ensures our practices are in line with the latest global ESG trends and regulations, maintaining our leadership in sustainability.

Operational support, advisory, and capacity building

The Sustainability Team provides essential support and advisory services to our investment teams, enhancing the integration of ESG factors into our investment process, for example, through:

- **Tools and monitoring:** Development of ESG-related tools during the origination phase and monitor their accurate use, ensuring these tools are effectively employed.
- **Due diligence and ongoing support:** Assistance with defining the scope for due diligence and provides continuous support for ESG-related inquiries throughout the investment lifecycle.
- **Expert consultation:** Guidance on complex sustainability issues, enabling informed investment decisions based on solid ESG insights.
- **Capacity building and training:** Building capacity and providing training across the firm, from senior to junior levels. This ensures that ESG knowledge and best practices are deeply embedded across all business functions, reinforcing our comprehensive commitment to sustainability.
- **Data management and strategic monitoring:** Responsibilities also include managing data collection for our annual ESG performance path and monitoring our progress towards sustainability objectives. This involves adjusting our strategic responses as necessary to meet our sustainability targets and respond proactively to changes in the broader ESG landscape.

On a high level, the Sustainability Team ensures that ESG principles are integrated into DIF's culture and operations. The team's efforts keep our strategies aligned with global standards and proactive in generating significant environmental and social impacts. Their expert guidance and comprehensive support position our firm as a leader in sustainable investment practices committed to creating long-term value for our stakeholders.

Investor Relations team

“Our Investor Relations and Sustainability Team work hand-in-hand to navigate the complexities of due diligence questionnaires, shape new fund mandates, and ensure that our investment strategies are robust and responsible. Together, we create investment products that fulfil our limited partners’ specific requirements, ensuring profitability and sustainable thinking are at the core of our product offerings.”

The Investor Relations (IR) team plays a pivotal role in our company’s sustainable growth, serving as the bridge between our firm and the investor community. They are responsible for communicating the funds’ financial performance and strategic direction, including how sustainability is integrated into our business model and fund strategies. By effectively conveying our commitment to responsible investment, the IR team ensures that current and potential investors understand the value and impact of our sustainability efforts.

Furthermore, the IR team actively listens to and engages with investors to understand their needs and expectations regarding sustainable investing. This feedback is crucial for shaping our company’s sustainability strategies and initiatives.

Through these efforts, our IR team not only enhances investor relations but also strengthens our company’s commitment to sustainability, ensuring it remains a core aspect of our strategic dialogue with the investment community.

Paul Adams
Managing Director,
Co-head Investor Relations

Risk team

The Risk Management team evaluates the risk profile of all proposed investments, ensuring that sustainability risks are thoroughly considered. This comprehensive approach helps safeguard our investors’ and DIF’s interests and aligns with our commitment to responsible business practices.

The Risk Management team is pivotal in cultivating a robust risk culture within our company. They work diligently to ensure that awareness and understanding of all types of risks, including those related to sustainability, are fully integrated across all levels of the organisation. They ensure that risk considerations are an inherent part of our decision-making processes, helping to reinforce a proactive approach to risk management and sustain our long-term corporate resilience.

The Risk Management team is also focused on managing risks associated with upcoming legislation, including those that impact our sustainability practices. They play a vital role in ensuring that our company complies with new laws and regulations. This involves a close collaboration with the Sustainability Team to interpret and implement regulatory requirements accurately.

Addressing climate-related risks

DIF recognises the critical importance of addressing climate change as a fundamental component of its risk management framework. Given the multifaceted nature of climate-related risks and their potential impact on DIF’s operations, financial performance, and broader stakeholder interests, climate risk has been integrated into DIF’s risk management strategy. Within DIF’s risk framework, climate risk is categorised and addressed as a sustainability risk, reflecting the interconnectedness of ESG factors with the company’s long-term viability and resilience.

By acknowledging climate risk as a sustainability risk, DIF underscores its commitment to operating in a manner that not only mitigates negative environmental impacts but also contributes to positive social outcomes and maintains strong governance standards. This approach entails a comprehensive understanding of the various dimensions of climate risk, encompassing both:

- **Physical risks** associated with the direct impacts of climate change, such as extreme weather events, sea-level rise, and resource scarcity.
- **Transition risks** stemming from shifts in policy, regulation, market dynamics, and technological advancements aimed at addressing climate change.

“The landscape of sustainability related legislation is rapidly evolving. By staying ahead of regulatory changes, we safeguard our company’s integrity and uphold our commitment to responsible growth. It is through this vigilant approach that we continue to build trust and value for all our stakeholders.”

Linda van Merrienboer
Senior Director Risk Management and Sustainability Regulatory Advisor

“As DIF continues its substantial growth, the deep integration of robust sustainability practices becomes ever more critical to ensure scalability and alignment with our core values. In response, we are intensifying our efforts to weave sustainability even more tightly into our operational fabric. Central to this commitment are key initiatives such as appointing Responsible Investments Champions within our investment teams, who are pivotal in enhancing our sustainability practices. Additionally, this year, we are updating our sustainability strategy to reflect and integrate DIF’s overarching values and business strategy more closely, ensuring these principles truly resonate throughout the organisation.”

Angela Roshier
Partner, Head of Value Creation

3.3 Process enhancements

In pursuit of continuous improvement, DIF is evolving its approach to ESG integration, re-positioning the Sustainability Team this year as a centre of excellence rather than a support function. Engaging closely with newly appointed Responsible Investment Champions, we aim to foster a culture of self-service on sustainability related matters among our investment professionals. The Responsible Investment Champions are key players in further embedding sustainability related considerations within the investment process, ensuring effectiveness and efficiency.

By further increasing the level of sustainability related considerations embedded into our investment processes with the support of Responsible Investment Champions, we are better equipped to assess and manage climate-related risks and opportunities, ultimately enhancing the resilience and sustainability of our investments.

Responsible Investments Champions are investment team members ranging from Associates to Senior Directors fully versed in the investment cycle from origination to divestment. Their tasks include:

- Helping the Sustainability Team identify training needs
- Refining training set-up for optimal learning
- Providing local sustainability related expertise
- Monitoring and reporting on ESG integration efforts
- Attending monthly coordination calls with the Sustainability Team
- Coordinating with the Sustainability Team on needs
- Contributing to tool and process development
- Fostering enthusiasm for ESG integration.

In close collaboration with these Responsible Investments Champions, DIF is setting the next steps to enhance ESG integration further. Notably, we have pinpointed areas for improvement and established priorities to embed ESG practices further into our day-to-day operations. By prioritising these identified ESG initiatives based on urgency and importance, we reinforce our commitment to sustainable and responsible investment, fostering positive impact across our operations efficiently and with a focus on material initiatives. Some specific examples of initiatives to tackle this year include:

- **Advancing clarity on ESG tools:** Elevate the clarity of each ESG tool’s purpose beyond compliance, optimising outcomes, and ensuring alignment with strategic objectives.
- **Refining Investment Team expectations:** We are developing more specific guidance for deal requirements from an ESG perspective to help investment professionals integrate ESG factors.
- **Streamlining ESG screening process:** Updates to the ESG screening checklist template are planned to improve usability and effectiveness to integrate sustainability related considerations more readily into investment decision-making processes.

04 Sustainability outcomes

4.1 Executive summary

DIF measures its greenhouse gas emissions annually. This is separated into emissions by DIF itself and by its portfolio companies.

For DIF's own emissions, we refined our methodology this year (and restated last year upward in line with the new methodology) and saw a decrease in our emissions vis-à-vis last year, driven by a reduction in our scope 3 emissions.

For DIF's portfolio companies, the 7th iteration of the ESG Path covered 75 investments representing over 88% of AUM. The ESG Path is updated every year and consists of an annual survey and an action plan to improve performance. This is demonstrated by investments that participated in the preceding edition improving their overall scores from, on average, 58% to 68%. The section provides more detail on the scores achieved and KPI performance for each of the respective focus areas.

4.2 Metrics & targets at DIF-level

Our carbon footprint

DIF performs an annual evaluation of its greenhouse gas emissions to understand its environmental footprint better. It allows DIF to identify greenhouse gas reduction opportunities.

Manager emissions assessment methodology

The methodology for calculating DIF's managerial emissions follows the protocols established by the **Greenhouse Gas Protocol** ("GHG Protocol"), a globally accepted framework for measuring and managing greenhouse gas emissions. It covers:

Scope 1 **Direct emissions from sources owned or controlled by DIF.**

Scope 2 **Indirect emissions from purchased electricity.**

Scope 3 **Other indirect emissions across DIF's value chain, such as those from employee commuting and business travel.**

Using the GHG Protocol ensures that DIF's emission reporting remains consistent and comparable, enhancing the efficacy of benchmarking and targeted emission-reduction strategies.

Data collection and analysis

DIF uses a combination of bottom-up data collection, surveys, and third-party information, including business travel data from travel booking systems, to monitor and manage emissions. For Scopes 1 and 2, the firm collects detailed energy use data from each office to enable operational-level emission assessments. This year, DIF has improved its Scope 3 emissions tracking by implementing a more integrated method for monitoring business travel emissions.

Data from our North American travel booking system is aligned with the template and methodology of our European travel booking system to enhance data accuracy and usability. This approach improves the accuracy of emissions data and enhances the firm's ability to effectively manage and report these emissions compared to the previous year. Additionally, data on employee commuting is collected through surveys, providing a complete view of the firm's emissions landscape.

What are Scope 1, 2, and 3 Emissions?

Scope 1

Direct emissions from sources that are owned or controlled by an organization.

- Company-owned vehicles
- Fuel combustion

Scope 2

Indirect emissions from the consumption of purchased electricity, heat, or steam.

- Electricity consumption
- Heat/AC consumption
- Steam consumption

Scope 3

Indirect emissions resulting from the activities of an organization, but not included in Scope 2

- Waste disposal
- Purchased goods
- Business travel

Figure 12 Overview of emissions

Emission Statistics for 2023

In 2023, DIF reported a total emission of 1,274 tons of CO_2 equivalent (tCO_2e), broken down as:

Scope 1 30 tCO_2e (2%)

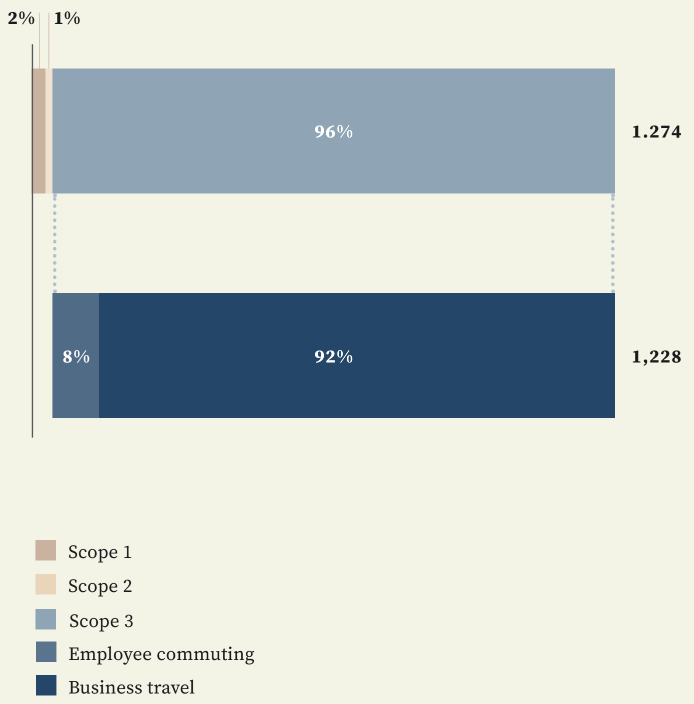
Scope 2 16 tCO_2e (1%)

Scope 3 1,228 tCO_2e (96%)[26]

It is important to note that these Scope 3 emissions figures do not include 'financed emissions'—that is, emissions stemming from our portfolio companies. We have chosen to address these separately to provide a focused analysis. Accordingly, a detailed baseline assessment of emissions from our portfolio companies is provided in a dedicated section of this report. This allows for a clearer understanding and more targeted strategies for managing emissions across our broader investment activities.

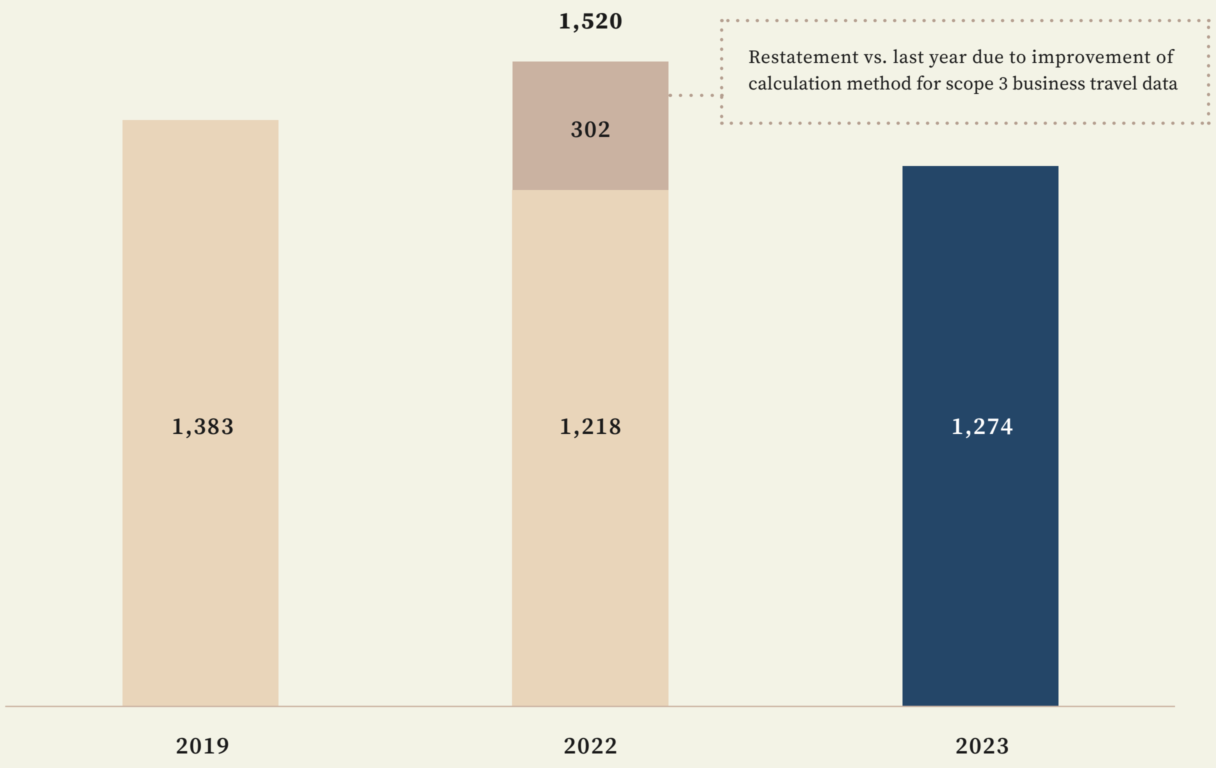
Notably, a significant portion of our total emissions - 96% - falls under Scope 3, of which 92% was business travel (88% of overall emissions), almost all air travel.

Figure 13 Emissions per scope



26 Numbers do not add up to 100% due to rounding.

Figure 14 DIF Manager GHG emissions (tCO2e)



Due to the previously described update in our Scope 3 emission calculations, we now have a more accurate view of our exact emissions. We have (upwards) revised our 2022 business travel emissions as we believe the method used by one of our corporate travel partners underreported the emissions to us. By merging the travel data from both travel partners and calculating emissions the same way, we now achieve consistency in the approach and improve the accuracy of the data.

In 2022, our emissions were higher by approximately 10% vs. 2019. This is not surprising given the growth in number of DIF employees, which was 15-20% annually over the same period. This implies that our average emissions per employee have decreased. While our total number of employees also grew between 2022 and 2023 (by approximately 10%), we saw a decrease in emissions. This was mostly driven by the fact that our annual company off-site was held in Amsterdam, where most of our employees are located (ca. 40% in 2023).

Adjustments and Strategy Moving Forward

While our Scope 1 and Scope 2 emissions constitute a small portion (less than 4%) of our total overall GHG footprint, DIF is committed to exploring opportunities to reduce these emissions. Our approach includes considering strategic initiatives that can enhance the sustainability of our operations. For instance, we are evaluating policies for future office spaces that would reduce emissions and increase energy efficiency.

DIF has chosen not to set specific targets for Scope 3 emissions at this time due to difficulty in obtaining and processing accurate business travel emissions data in a timely manner. However, DIF has asked employees to voluntarily report their actions to reduce business travel emissions this year as part of their KPIs. Also, within our travel policy, we suggest our employees use the most cost-effective and lower-carbon mode of transport, taking expected journey time into account.

For trains, we allow 1st class tickets, even on short distances, whereas this is not allowed for aeroplane travel (up to 5 hours, our employees fly economy class). We encourage our employees to take the train on "green routes," which include routes with good service, e.g., Amsterdam – Brussels – Paris or Amsterdam – Düsseldorf – Köln – Frankfurt.

4.3 Monitoring ESG Performance

Regulatory change analysis

DIF, as a licensed Alternative Investment Fund Manager ("AIFM") in the Netherlands, operates under strict adherence to both Dutch and European Union regulatory frameworks. To navigate the complex and evolving regulatory landscape, DIF has established a proactive process to stay informed about new developments and regulatory changes that could potentially impact its operations and the funds it manages.

This process is orchestrated by the dedicated Risk, Legal, and Compliance team at DIF. The team has instituted a structured approach that includes quarterly meetings with a legal advisor specifically focused on discussing new and impending regulatory developments. These sessions are crucial for anticipating regulatory shifts and preparing timely responses.

To ensure a comprehensive understanding of these regulations, internal resources are systematically assigned to scrutinise each regulatory update and assess its implications for DIF and its portfolio of managed funds. This involves detailed analysis to determine the necessary adjustments to compliance and operational strategies.

When the complexity of a regulatory change demands specialised knowledge, DIF does not hesitate to engage external advisors. This step is vital to guarantee the accurate interpretation of the regulations and their correct implementation within the firm's operational framework.

Among the significant regulatory changes currently being monitored by DIF are:

- **CSRD:** This directive emphasises the necessity for organisations to disclose information on how sustainability issues affect their business and how their business practices impact society and the environment.
- **SFDR and ancillary legislation:** Adjustments in how financial products' environmental and social impacts are disclosed continue to be proposed.
- Developments around the **Corporate Sustainability Due Diligence Directive ("CSDDD").**
- **AIFMD II:** Changes in core fund management legislation.
- **Digital Operational Resilience Act ("DORA"):** This aims to strengthen financial entities' IT security.

Completing the 2024 ESG Path, we have recently concluded the 7th iteration of DIF's proprietary ESG engagement program. Over the years, the ESG Path program has evolved significantly in terms of content and the proportion of the AUM covered. However, the focus on improving ESG performance through year-on-year engagement has remained consistent.

The 2024 ESG Path was focused on measuring ESG performance over the calendar year 2023. It consists of an annual survey to measure and a subsequent action plan to improve performance. The ESG Path survey includes qualitative and quantitative KPIs covering the five ESG focus areas identified as material to the infrastructure investments made by our funds.

Figure 15 Overview of ESG Path focus areas

Qualitative KPIs are used to measure the implementation of relevant ESG policies and practices. A weighted scoring methodology, considering sector materiality, is applied to qualitative KPIs to compute a performance score across the five focus areas. These scores are recorded year-on-year to track ESG performance improvements at individual investments. Apart from measuring ESG performance, the survey also covers KPIs needed for regulatory reporting and tracking Net Zero alignment.

The 2024 ESG Path covered 75 investments representing over 88% of AUM. 10 investments were engaged for the first time in 2024. Of the investments recurring on the ESG Path, 89% improved ESG performance year-on-year, with overall scores increasing from 59% to 68%. Most progress has been made on the community and people and climate resilience focus areas.

New participants in the ESG program tend to score lower on the ESG Path metrics compared to recurring participants. This trend suggests that ongoing monitoring and active management of these KPIs fosters accountability and results in subsequent ESG performance improvements.

Year-on-year change per dimension

Figure 16 Year-on-year performance evolution of portfolio companies in ESG Path

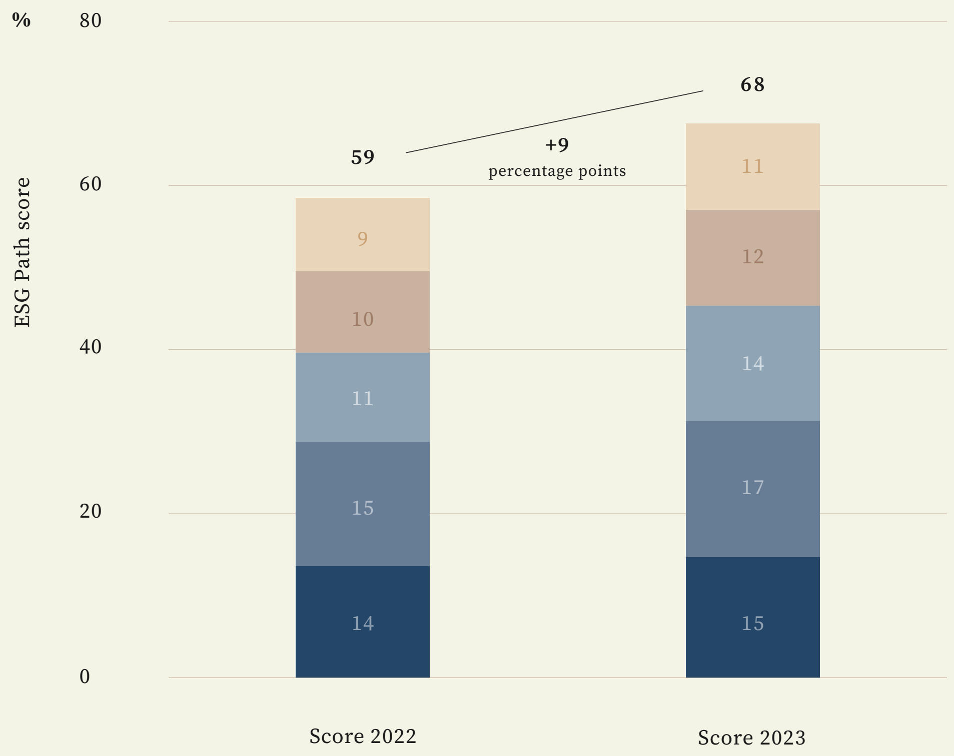
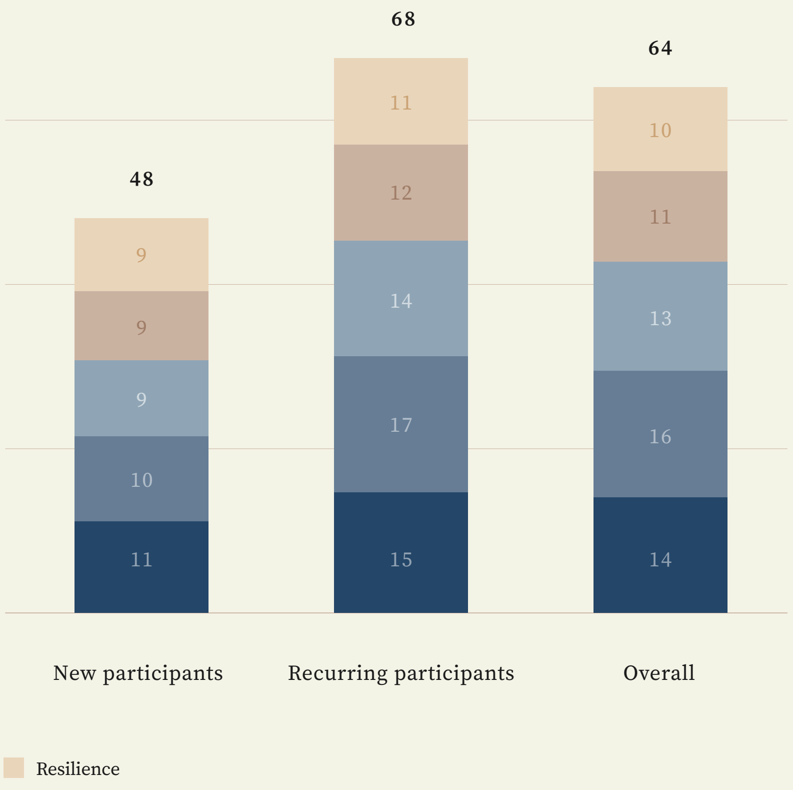


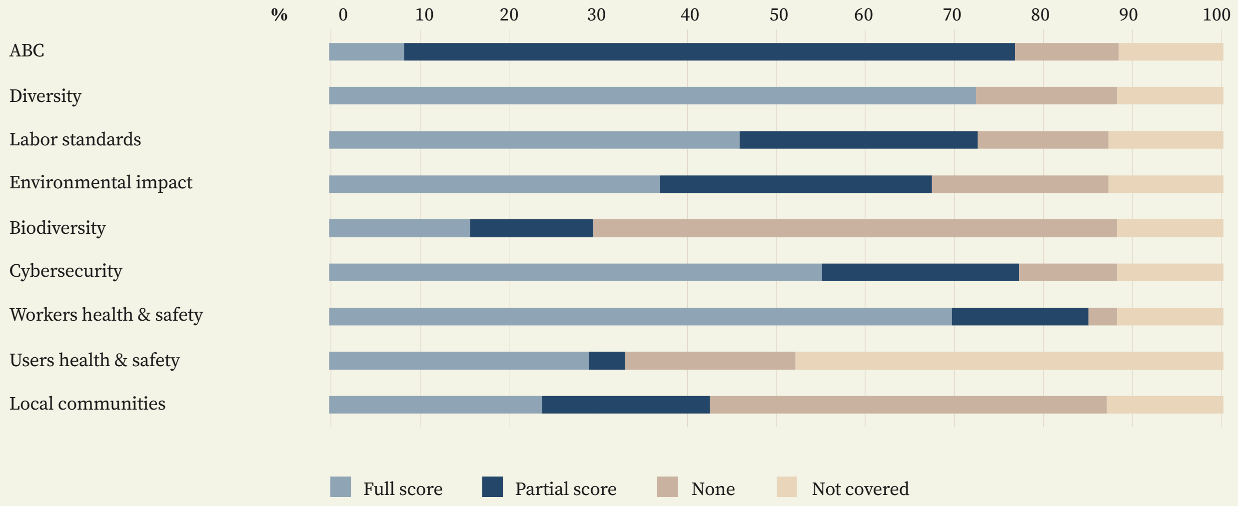
Figure 17 New vs. recurring ESG Path participants



Metrics we track for our investments

Through the annual ESG Path, we track metrics across the five ESG focus areas. This section covers data from the latest edition of the ESG Path, grouped by ESG focus area and theme, and highlights key outcomes for the year[27].

Figure 18 ESG-related policies (% of AUM)



Governance

The governance focus area covers ESG-related policies, Compliance mechanisms and ESG-specific governance. The investments covered by the ESG Path achieved a weighted average[28] score of 70% in the governance focus area. The governance score on recurring investments improved from 68% to 74%, with new investments achieving a score of 56%.

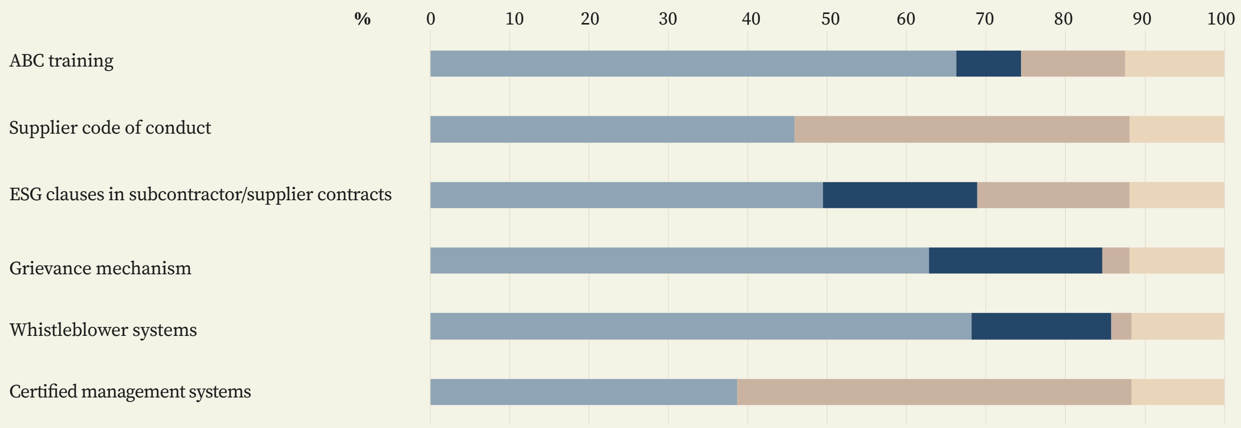
ESG-related policies

Policies help to formalize how the investments made by our funds address specific sustainability factors. Through the ESG Path, DIF tracks whether investments have implemented policies on Anti-Bribery and Corruption, Diversity, Labor standards, Environmental impacts, Biodiversity, Cybersecurity, Worker's health and safety, Users' health and safety and Local communities. At a minimum level these policies will help to ensure compliance with regulatory requirements and address associated risks. However, DIF's view is that policies should not be designed for compliance but should be proportionate and relevant to the investment to bring value.

27 The graphs in this section refer to "Full score; Partial score; None; and Not covered" in the legenda. "Full score" means the investment meets the KPI in its entirety; "Partial score" means the investment meets the KPI to a certain extent; "None" means that the investment did not meet the KPI; "Not covered" means that the KPI was not relevant to the investment or that the investment was not captured in the ESG Path. Performance is depicted as a percentage of the total portfolio based on the Fair Market Value (FMV) of each investment as of Q4, 2023.

28 Historically, ESG Path scores were calculated on an unweighted basis. As of this year this has been adapted to be weighted by investment fair value which aligns better to aggregation approaches used in regulatory standards.

Figure 19 Compliance mechanisms (% of AUM)

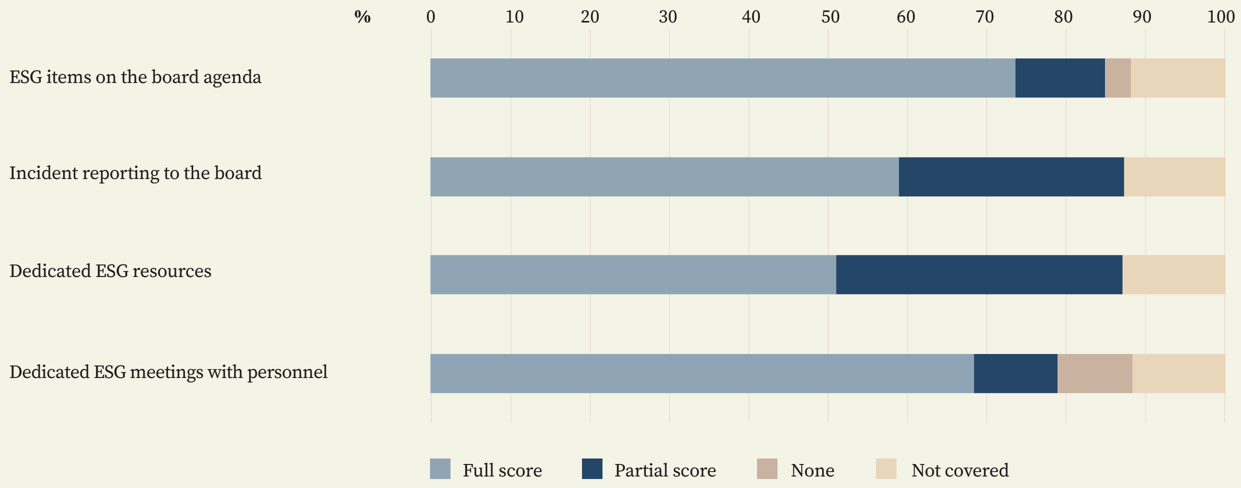


Compliance mechanisms

The compliance mechanisms KPIs cover specific procedures and practices that help to ensure compliance with regulatory requirements and standards. DIF tracks whether investments have implemented Anti-Bribery and Corruption training, a supplier code of conduct, ESG clauses in subcontractor or supplier contracts, grievance mechanisms, whistleblower systems and certified management systems.

Identified best practice: To ensure compliance with ESG laws, regulations, and industry best practices with their key suppliers, a solar PV investment actively works alongside technical compliance, risk, and quality engineering consultancies to research what components are best to use from an ESG perspective. The investment conducts audits, including supply chain traceability and ESG manufacturer audits, with reputable third party advisors.

Figure 20 Dedicated governance (% of AUM)



Dedicated governance

Dedicated governance arrangements ensure that sustainability factors are adequately addressed within the investments made by our funds. DIF tracks whether investments discuss sustainability factors on the board agenda, have a process for reporting sustainability incidents, have dedicated resources responsible for sustainability topics, and whether dedicated meetings with personnel on sustainability factors are held.

Figure 21 KPI Monitoring (% of AUM)

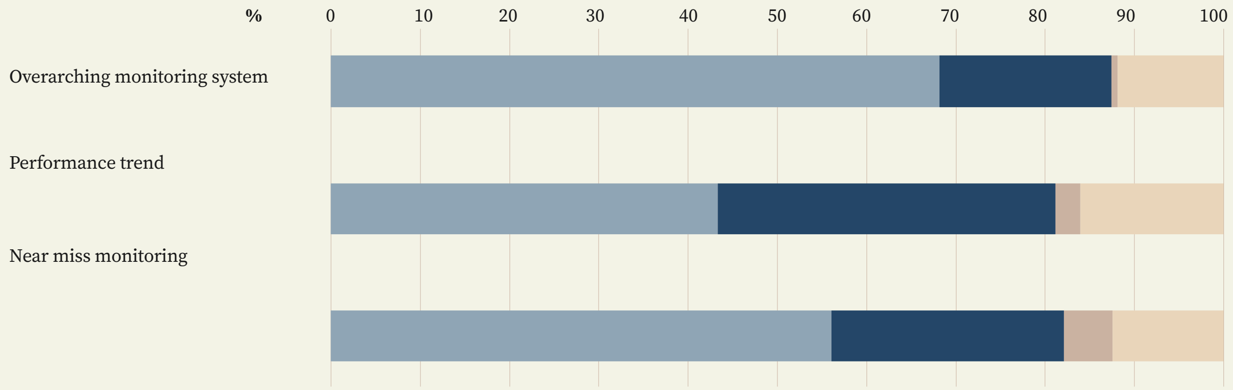
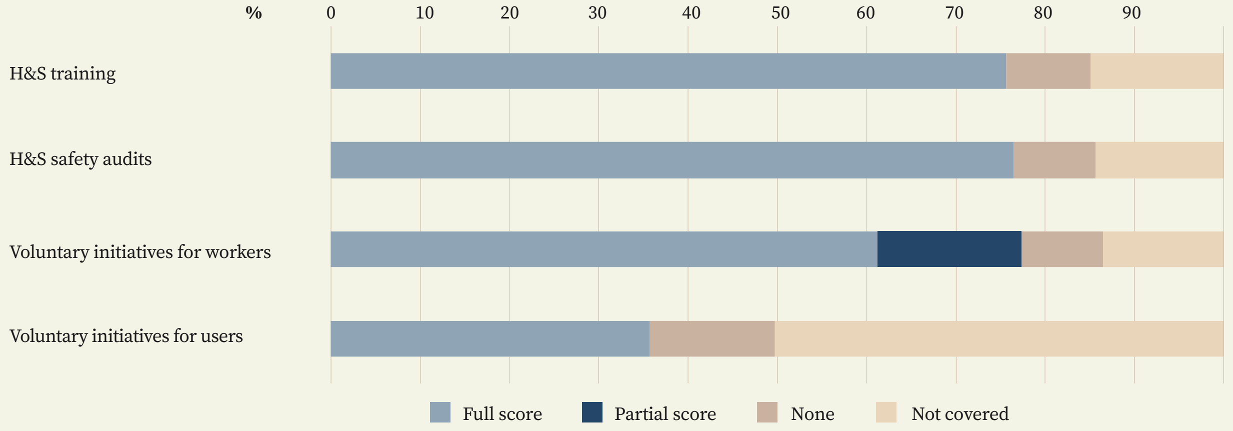


Figure 22 Improvement Initiatives (% of AUM)



Safety

The Safety focus area covers monitoring of health and safety KPIs and initiatives to improve safety performance. The investments covered by the ESG Path achieved a weighted average score of 77% in the safety focus area. The safety score for recurring investments improved from 76% to 83%, with new investments achieving 52%.

KPI Monitoring

Monitoring of health and safety KPIs helps to track trends in safety performance to identify where improvements are needed, as well as contribute to safety culture for the investments made by our funds. DIF tracks whether investments have an overarching monitoring system to monitor health and safety KPIs, whether they have near-miss monitoring in place, what the safety performance trend in those KPIs is, and quantitative KPIs on accidents, injuries and fatalities.

Improvement Initiatives

Improvement initiatives are practices aimed at implementing improvements to safety procedures and as a result safety performance over time for the investments made by our funds. DIF tracks whether investments provide health and safety training to workers, performs health and safety audits, and implements voluntary initiatives to improve safety for workers and where applicable for users.

Identified best practice: To further improve H&S performance, the investment has begun implementing Safe Job Analysis as a tool in line with the Behaviour-based safety ("BBS") methodology. Scientific research has demonstrated that workplaces adopting BBS exhibit lower accident rates and foster a work environment with heightened psychological safety.

Figure 23 People (% of AUM)

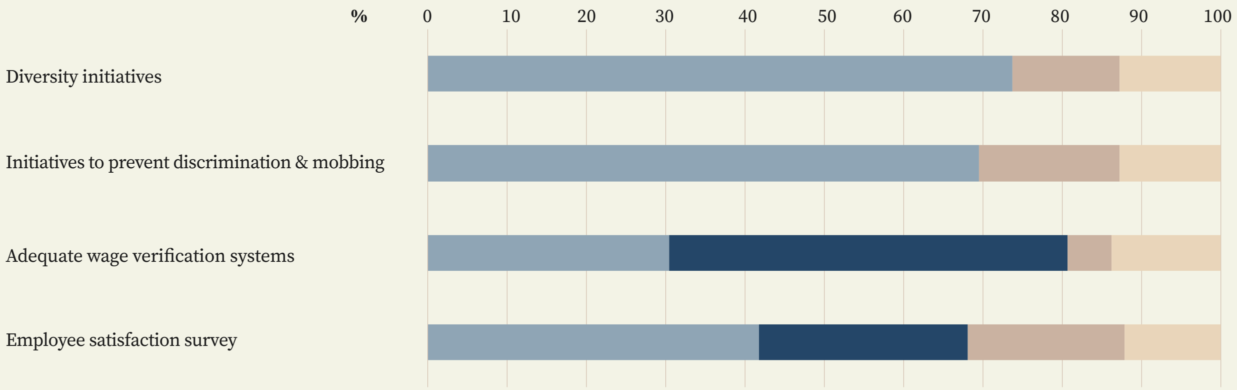
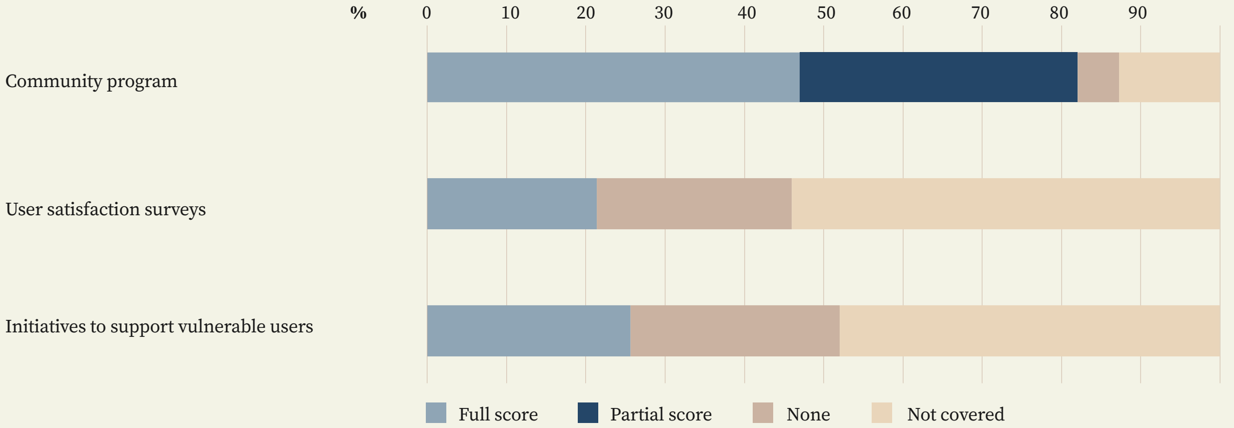


Figure 24 Local communities and users (% of AUM)



Community and people

The community and people focus area covers people-related practices and initiatives as well as local community and user-related initiatives. The investments covered by the ESG Path achieved a weighted average19 score of 61% in the community and people focus area. The community and people score for recurring investments improved from 54% to 70%, with new investments coming in at 46%.

People

The people KPIs cover specific procedures and practices related to direct employees and workers for the investments made by our funds. DIF tracks whether investments have implemented diversity initiatives, anti-discrimination and mobbing initiatives, adequate wage verification systems and employee satisfaction surveys.

Identified best practice: A renewable energy investment has set up high-quality, personalized, and on-demand mental health support for its workforce, with access to psychological support through a specialist app.

Local communities and users

The local communities and users KPIs cover specific procedures and practices that help to ensure good relations with local communities and users. DIF tracks whether investments have implemented community programs, user satisfaction surveys and initiatives to support vulnerable users.

Figure 25 Energy consumption (% of AUM)

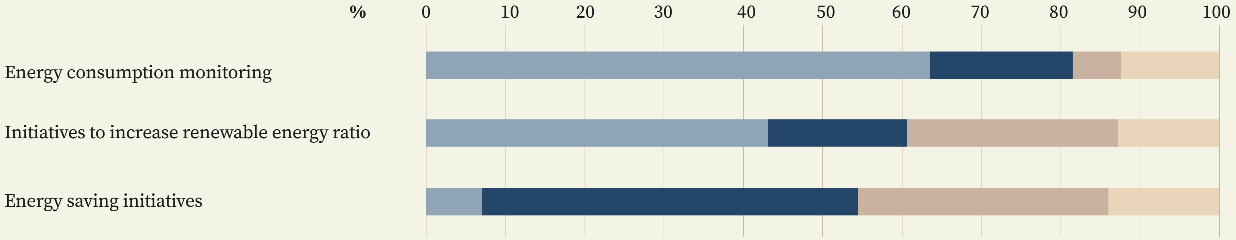


Figure 26 Biodiversity (% of AUM)

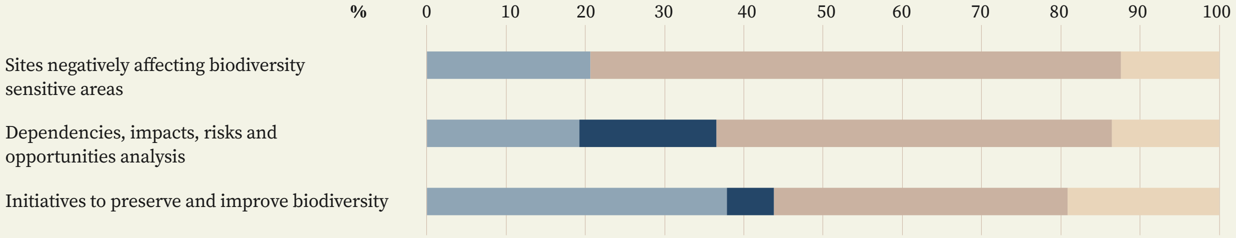
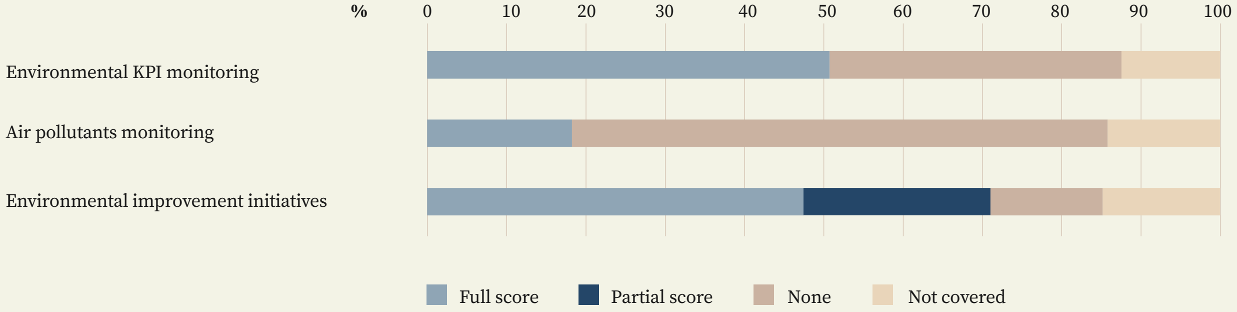


Figure 27 Environmental KPIs (% of AUM)



Environment

The environment focus area covers energy consumption and biodiversity practices, and environmental KPI monitoring. The investments covered by the ESG Path achieved a weighted average19 score of 55% in the environment focus area. The environment score for recurring investments improved from 50% to 58%, with new investments coming in at 43%.

Energy consumption

The energy consumption KPIs cover specific procedures and practices that help to measure and improve energy consumption for investments made by our funds. DIF tracks whether investments have implemented energy consumption monitoring, initiatives to increase renewable energy, energy savings initiatives and renewable energy share.

Biodiversity

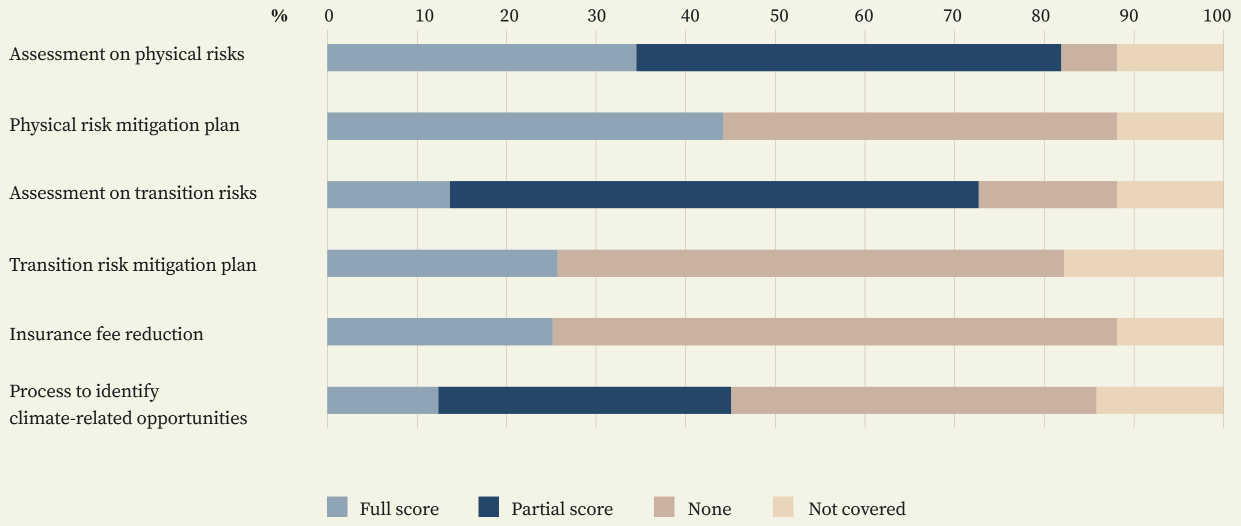
The biodiversity KPIs cover specific procedures and practices that help to assess and manage biodiversity impacts and associated risks for investments made by our funds. DIF tracks whether investments have sites negatively affecting biodiversity-sensitive areas, performed a biodiversity-specific DIRO (dependencies, impacts, risks and opportunities) analysis and implemented initiatives to preserve and improve biodiversity.

Environmental KPIs

The environmental KPIs cover specific procedures and practices to track environmental impacts and improve performance. DIF tracks whether investments have implemented Environmental KPI Monitoring, Air pollutant monitoring and environmental improvement initiatives.

Identified best practice: A road investment has achieved substantial water savings by optimizing preventive road treatments, which rely on applying salt or brine. These treatments are optimized based on the minimum temperature expected and humidity conditions, detected in real-time through five proprietary stations equipped with pavement sensors. By using less water in the application process and reducing the need for extensive cleaning and maintenance, this initiative has led to significant water savings.

Figure 28 Climate risks and opportunities (% of AUM)



Resilience

The climate resilience focus area covers climate risks, opportunities, and Net Zero alignment. The investments covered by the ESG Path achieved a weighted average[19] score of 51% in the resilience focus area. The resilience score for recurring investments improved from 45% to 53%, with new investments achieving a score of 44%.

Climate risks and opportunities

The climate risks and opportunities KPIs cover specific procedures and practices for managing climate-related risks as well as opportunities for the investments made by our funds. DIF tracks whether investments perform physical and transition risk assessments, have implemented actions to mitigate physical and transition risks, engage insurance providers to reduce fees and have processes in place to identify climate-related opportunities.

Identified best practice: A renewable energy investment regularly engages with the analytics team of its insurance brokerage to provide detailed natural catastrophe modelling on all development and construction projects. The investment's employees have independent access to this data. Moreover, the investment's Enterprise Risk Management program assesses material risks to the company, including climate change and weather-related catastrophe risks, and this information is regularly updated and vetted to ensure an accurate understanding of the risks and assess mitigation measures.

"As we wrap up the seventh iteration of our ESG Path for 2024, it's clear that our commitment to enhancing sustainability practices through strong engagement continues to yield tangible improvements. This year's focus on the 2023 performance reaffirms our strategic approach, leveraging both qualitative and quantitative KPIs to not only measure but enhance ESG performance across our investments. The consistent year-on-year improvement in our scores is a testament to the enduring impact of dedicated ESG integration in driving forward our sustainability objectives."

Lorraine Becker
Head of Sustainability

Net Zero alignment

The Net Zero alignment KPIs are consistent with the Net Zero Investment Framework and help to measure alignment to Net Zero. DIF tracks whether investments have (1) adopted a long-term Net Zero goal, (2) disclosed their GHG footprint, (3) set short- and medium-term decarbonisation targets, (4) implemented a Net Zero governance structure, (5) adopted a credible decarbonisation plan and whether their (6) emissions performance is in line with decarbonisation pathways. Performance on the individual criteria determines which of four alignment statuses is assigned to investments.

Committed to Aligning: Investments classified as Committed to Aligning meet at least criteria 1, but are not yet considered Aligning to Net Zero or better.

Aligning to Net Zero: Investments classified as Aligning to Net Zero meet either criteria 1, 2, 3 and 4. They are not yet considered Aligned to Net Zero or better.

Aligned to Net Zero: Investments classified as Aligned to Net Zero meet criteria 1, 2, 3, 4, 5 and 6. Alternatively investments with emissions performance on or below sector-relevant decarbonisation pathways can be classified as Aligned as well. They are not yet considered Net Zero.

Net Zero: Investments classified as Net Zero meet the performance on criteria 6 that is consistent with the Net Zero level defined in sector-relevant decarbonisation pathways.

More detail on the methodology can be found in the section "**Measuring investments' alignment to IIGCC's NZIF Framework (% of AUM)**".

Financed emissions metrics by fund strategy (Scope 1&2, FY2023)

DIF collects GHG emissions data from the portfolio through the ESG Path program. DIF supports investments with calculating their GHG footprint by providing them with the DIF GHG Footprint Tool. A Scope 1, 2 and 3 tool is available for investments in specific sectors, while a more general Scope 1 and 2 tool is available for investments in all other sectors. As a result of this engagement for FY2023, Scope 1 and 2 data has been received for ~80% of the portfolio (% of fair market value). Consistent with prior year Scope 3 data availability and quality is still relatively limited and therefore not disclosed.

As the availability of data and the investments making up the respective portfolio is subject to change, absolute emissions figures are difficult to compare year on year. Therefore we disclose the normalised metrics defined in the TCFD guidance and in relevant regulation.

The following metrics are disclosed, Weighted Average Carbon Intensity ("WACI") and Carbon Footprint, whilst being transparent on data coverage and/or limitations. The results are presented in the below table with the metrics from FY22 shown in brackets.

For the Traditional DIF Funds we see that coverage is roughly consistent, but that both the WACI and Carbon Footprint metrics have decreased year-on-year. For the CIF Funds we see that both coverage and the WACI and Carbon Footprint metrics have increased significantly. Of the two main fund strategies Traditional DIF Funds still reports the highest figures, but the gap is much smaller than preceding year. The Dutch Climate Action Fund has increased the investments made by the fund, which on the short term led to lower data coverage. The fund is still at early stages of investment and therefore the metrics reported are likely to fluctuate significantly.

Figure 29 Overview of NZIF portfolio alignment

Portfolio alignment results for 2023
(Measured by % of AUM) using both management-based and performance-based assessment

Net Zero	Aligned to Net Zero (Management-based assessment)	Aligned to Net Zero (Performance-based assessment)	Aligning to Net Zero	Committed to aligning	Not Aligning / Insufficient data
0%	6%	23%	2%	3%	66%

Figure 30 Financed emissions metrics per fund strategy

Fund strategy	WACI (tCO2e/MEUR revenue)	Coverage (% FMV)	Carbon Footprint (tCO2e/MEUR invested)	Coverage (% FMV)
Traditional DIF Funds	147.5 (166.5)	74% (79%)	17.3 (22.0)	83% (82%)
CIF Funds	131.36 (81.4)	79% (54%)	11.4 (7.1)	79% (57%)
Dutch Climate Action Fund	5.31 (8.0)	63% (100%)	0.4 (0.3)	63% (100%)

From Net Zero to “Climate Value Creation”

This year, we progressed our approach from Net Zero to a more strategic and comprehensive perspective. Reflecting on the Net Zero pilot we executed last year, we recognised the necessity of integrating the Net Zero goal into our Value Creation framework. Additionally, we understood that focusing exclusively on Net Zero across the portfolio could limit the capacity to address the full range of climate-related risks and opportunities.

As a result, we are introducing a new approach that we refer to as “Climate Value.” This initiative will extend beyond decarbonisation opportunities to include performance on physical risks and transition opportunities.

The Climate Value approach will involve DIF’s investment teams working closely with portfolio companies to assess and then monitor and manage climate-related risks and opportunities within the specific business context of that investment. By incorporating Value Creation considerations into the value creation plan, we will be able to develop actionable strategies to mitigate risks and capitalise on opportunities within the overall context of value creation for each investment if this is not already in place within the investment. This methodology will enhance the knowledge and expertise of DIF’s investment managers in relation to climate value and help continue building climate resilience across the portfolio.

Recent examples of weather-related events within the portfolio where DIF’s investment managers supported the investee companies include:

- **Wildfires in Canada** that caused the evacuation of communities near a construction site. This caused delays in construction, which we closely monitored with the investee company in case they needed additional management resources to address the situation.
- **Storms:** Storm Dana resulted in damages to one of our hospital investments in Spain.
- **Heavy rainfall:** A solar and collocated battery development project in construction in the south of England experienced heavy rainfall, which required industrial outdoor matting to be leased to enable heavy machinery to move around the site.

To implement the Climate Value approach, we first needed to set up our network of Responsible Investment Champions. We have scheduled several Climate Value Deep-Dive projects with portfolio companies in the second half of this year to test and hone the Climate Value approach. Once these projects are complete, we will start rolling this out across the portfolio by training the investment teams on how to quantify climate-related risks and opportunities, develop good sector case studies, and provide associated tooling. All of this will be done within the Value Creation Toolkit, incorporating Climate Value as another lever and driver of value creation across the portfolio.

A further challenge we experienced with Net Zero is that the NZIF indicators are hard to achieve for some small companies, especially renewables and climate solutions investments that often have only a skeleton staff involved in day-to-day operations. Small companies find it difficult to have certain management measures in place that would allow them to meet the NZIF maturity criteria.

We are therefore taking several steps to address this situation, including:

- Participating in a working group at IIGCC to develop additional guidance for infrastructure.
- Considering alternative ways in which to report on the contribution to Net Zero, using emission performance in combination with metrics that measure organisational maturity.
- Determining how we can obtain supply chain emissions data and better report on Scope 3 emissions.

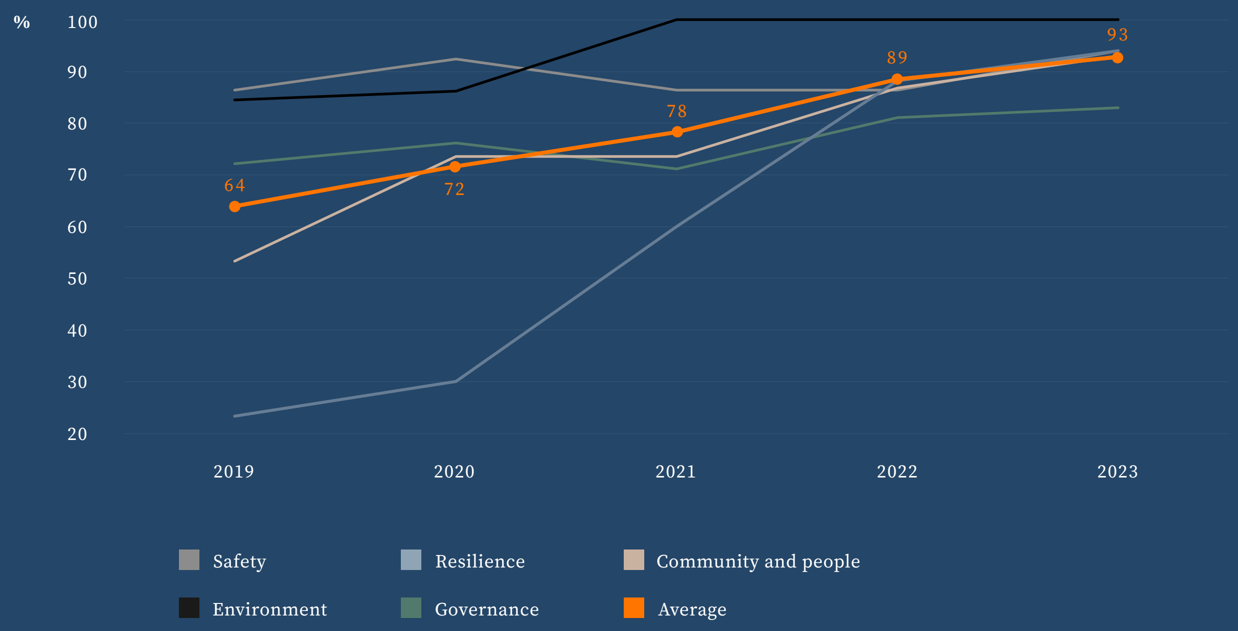
Our case study below is an example of the extent of the work involved in meeting the NZIF criteria, even for companies fully engaged in the low-carbon economy. The company has made significant progress in decarbonising towards the goal of limiting global emissions to 1.5 degrees, and yet is considered “Not Aligning” to Net Zero using the NZIF maturity indicators. This is due to the lack of disclosure and targets on Scope 3 emissions made by the company. Across the portfolio, we will continue work with companies to address data or disclosure gaps so that reporting on alignment of the portfolio with the goal 1.5 degrees better reflects the full contribution of the portfolio to this important goal.

Loimua

Loimua ESG Path

Since 2020, Loimua has actively participated in the ESG Path, a program designed to enhance and track organisations' sustainability performance.

Figure 31 Loimua's ESG Path journey



This case study outlines Loimua's commitment and progress in integrating Environmental, Social, and Governance (ESG) principles into its core operations, highlighting the significant strides the company has made since it first reflected its 2019 performance in the program.

Loimua's journey on the ESG Path began by reflecting on its 2019 performance and has continued robustly to its fifth participation in 2024, showcasing the 2023 performance. Over these years, Loimua has demonstrated steadfast dedication to improving its ESG metrics, culminating in an average annual improvement rate of 11%. This consistent enhancement of its ESG practices has positioned Loimua as one of the standout performers in the ESG Path initiative.

Deliver on ESG action plans

A core component of the ESG Path program involves the creation and execution of specific action plans aimed at bolstering ESG performance. Since the formal introduction of these ESG action plans, Loimua has not only adopted but successfully delivered a significant number of targeted actions:

- Throughout the years of involvement, Loimua has undertaken numerous initiatives as part of its ESG action plan. The team's commitment has resulted in the successful completion of a high percentage of these actions, reflecting the company's effective approach to integrating sustainable practices.
- In the past year, focus areas have included renewing ABC training, developing a biodiversity roadmap, and enhancing calculations of Scope 3 emissions. These are all crucial for reducing environmental impact and fostering sustainable business practices.
- Looking ahead, Loimua is preparing to tackle actions necessary for aligning its reporting with the CSRD, ensuring transparency and compliance with upcoming regulatory changes.

Net Zero Goals and Progress

Loimua has set a firm goal to become carbon-neutral in its heat production by 2030. Progress towards this goal includes substantial increases in the use of renewable resources, with about 88% of its heat production already derived from renewable sources. This is significantly higher than the national average in Finland. The company has also invested in new district heating boilers and heat recovery systems that contribute to increased energy efficiency and reduced carbon emissions. Through these initiatives, Loimua not only advances its Net Zero objectives but also supports the broader transition towards a sustainable energy future, aligning with global efforts to combat climate change.

In 2023, Loimua advanced towards its Net Zero goals through a multi-faceted strategy focused on enhancing sustainability across its operations. The company further advanced its transition towards renewable energy sources, including projects to extensively increase the use of waste heat and electric boilers while also upgrading infrastructure to improve energy efficiency. Additionally, Loimua emphasised engagement with stakeholders to promote sustainable practices along its supply chain, resulting in the creation of a biodiversity roadmap. These concerted efforts underscore Loimua's commitment to achieving its Net Zero ambitions and reducing its environmental footprint.

Risk management in alignment with TCFD

At Loimua, the assessment of climate risks and opportunities is an integral component of their risk management framework, guided by the standards set forth by the TCFD. This process includes a detailed annual review of transition-related and physical climate risks and opportunities, spearheaded by the environmental manager in close collaboration with the management team. This rigorous assessment ensures that all potential climate-related impacts are systematically analysed and integrated within Loimua's overarching risk management strategy.

Each evaluation undergoes a thorough update and review by the management team, which also supervises the implementation of necessary risk management actions. This methodical approach not only fortifies the company's risk management framework but also aligns its operations with international best practices in sustainability and climate risk management.

Conclusion

Loimua's proactive approach to the ESG Path highlights its leadership in sustainability and responsible corporate behaviour. The company's ability to consistently meet and exceed its action plans demonstrates a deep-rooted commitment to not only improving its own ESG performance but also setting industry benchmarks

Matti Tynjälä
CEO Loimua

"As we navigate another year on our sustainability journey, Loimua's unwavering commitment to meaningful environmental stewardship has further deepened. In 2023, our focus has extended beyond our operational boundaries to include vital initiatives like biodiversity projects and advanced emission calculations, ensuring our practices contribute positively to our communities and the planet. Additionally, our focus on strategic risk management, particularly through our alignment with TCFD standards, has ensured that we are not only prepared to handle the challenges of climate change but also poised to leverage the opportunities it presents. As we continue to evolve and adapt, our actions remain firmly rooted in our mission to deliver reliable and sustainable energy solutions to all our stakeholders."

Regional Rail Project

Integrating Cimate Risk Assessment in the DIF-CIMIC Group-CAF Consortium's Regional Rail PPP project

Momentum Trains

Introduction

The DIF-CIMIC Group-CAF Consortium's Regional Rail public-private partnerships ("PPP") project, initiated in 2019, represents a pioneering endeavour in integrating climate risk assessments into infrastructure delivery and operation. Through collaborative efforts, the consortium has demonstrated a proactive approach to addressing climate-related challenges in the transportation sector, aligning with the Transport for New South Wales ("TfNSW") Net Zero and Climate Change Policy and the TCFD recommendations.

Collaborative engagement for climate risk assessments

Recognising the significance of climate resilience throughout the asset life and beyond, the consortium prioritised integrating climate risk assessments from the project's inception. The project team engaged with multi-disciplinary specialists spanning engineering, climate science, asset owners, asset maintainers, network operators, and the Regional Council. Climate Change Risk Assessments ("CCRA") have been conducted in alignment with TfNSW Climate Risk Assessment Guidelines and identified 40 future climate-related impacts that were required to be addressed. The engagement and collaboration with multi-disciplinary specialists and stakeholders have enabled valuable insights and feedback of practical near-future and far-future mitigations to be integrated into the project throughout design and operation. The CCRAs considered factors such as extreme weather/ heat and bushfire risks and supported a holistic understanding of climate risks specific to the Regional Rail project.

Enhancing infrastructure resilience

With the number of hot days over 35°C projected to double annually and rainfall intensities increasing at the Mindyarra[29] Maintenance Centre, the findings of the climate risk assessments guided the design and operation of the regional rail infrastructure to enhance resilience against climate-related threats. Adaptive design features were incorporated into the construction of rolling stock, maintenance facilities, and track infrastructure, ensuring robustness and durability under varying climatic conditions. Innovative design measures include enhanced passive cooling by improving air flows in the train maintenance building's high-level platforms. Also, spot cooling powered by renewable energy from the building's 3,350 solar panels will benefit worker health and contribute to the New South Wales ("NSW") Government's Net Zero targets. Enhanced drainage systems that can accommodate increasing rainfall intensity and potential flooding and selective choice of durable materials all help to mitigate climate impacts and are just some of the adaptations to safeguard operational continuity, passenger safety, and worker health.

Long-term sustainability and economic benefits

By proactively addressing climate risks, the consortium not only enhances the resilience of the regional rail infrastructure but also contributes to long-term sustainability and minimised future costs for the asset owner. Improved infrastructure resilience reduces the likelihood of service disruptions and associated costs, enhancing operational efficiency and passenger satisfaction.

Furthermore, the project stimulates economic growth in regional NSW, creating employment opportunities and supporting local communities.

Conclusion

The DIF-CIMIC Group-CAF Consortium's Regional Rail PPP project exemplifies a proactive approach to integrating climate risk assessments into infrastructure development.

Through its collaborative stakeholder engagement, the Regional Rail Project leads the way in addressing the twin challenges of climate change action, namely the operation of resilient infrastructure with significant emissions reductions. Hence, the consortium demonstrates its commitment to addressing climate-related challenges in the transportation sector.

This case study underscores the importance of proactive climate risk management in infrastructure projects, to meet NSW Government commitments, align with TCFD recommendations and contribute to the resilience and sustainability of regional transportation networks.

29 Meaning "to fix or repair" in Wiradjuri – the language spoken by the traditional owners of the land in this region

Comprehensive climate risk assessment created by Regional Rail

Climate Variable	Projected change snapshot: Near future	Projected change snapshot: Far future
Rainfall	Annual **decrease** of rainfall -2% (range -11 to 7) with a **decrease** expected over autumn, winter and spring and an **increase** in summer by 2030	Annual **decrease** of rainfall -4% (range -16 to 6) with a **decrease** in autumn, winter and spring and an **increase** in summer by 2090
	Peak rainfall intensity and storm volume is projected to **increase** in the near future, Indicatively 5.5% by 2030	Peak rainfall intensity and storm volume is projected to **increase** in the far future, Indicatively 11% by 2090
Sea Level	Not applicable to Maintenance Facility site in Dubbo, however NSW Trains operate their fleet in in coastal areas impacted by sea level rise and storm surge.	
	Sea level is projected to increase 0.4 m by 2050, relative to the 1990 mean sea level	Sea level is projected to increase 0.9 m by 2100, relative to the 1990 mean sea level
Forest Fire Danger Index	Average fire weather is projected to **increase** by 2030	Severe fire weather days are projected to **increase** by 2090
	Severe fire danger days are projected to **increase** from 2.2 in 1995 to 3 in 2030	Severe fire danger days are projected to **increase** from 2.2 in 1995 to 4.1 in 2090
	Increased temperatures combined with lower rainfall results in higher drought factor. Across the cluster, the sum of all daily FFDI values over a year (FFDI from July to June) is broadly indicative of general fire weather risk and increase by 9 to 15% by 2030 and by 20% by 2090. Orana Bushfire Risk Management Plan states major fires occur approximately every 10 to 15 years, with the main sources of ignition relating to human activities including use of machinery and campfires. Lightning strikes are also identified as a source of ignition. Major fire events in Dubbo have been recorded in the years: 1926/27, 1951/52, 1957, 1975/76, 1983/84 (including the Christmas Day Section 17 Fire), 1990/91, 1994, 2004 (including the January S44 Fire), and 2007.	
Wind Speed	Wind speeds projected to **decrease** in all seasons.	Wind speeds projected to **increase** in autumn and **decrease** all other seasons.
	Projected annual change of -1% (-5.3 to 1.5%) by 2030	Projected overall annual change of -0.7 (range of -5.3 to 1.7%) by 2090

Figure 32

The image displays a comprehensive climate risk assessment created by Regional Rail, providing projections for various climate variables across two time periods: the near future and the far future. It outlines expected changes in rainfall, including decreases in annual rainfall and increases in peak rainfall intensity and storm volume.

The table projects significant rises in sea levels by the years 2050 and 2100. The assessment also predicts an increase in both the frequency and severity of fire weather days alongside rising forest fire danger indexes. Additionally, wind speed projections suggest a slight decrease overall. These detailed forecasts aim to inform infrastructure planning and risk management strategies in response to evolving climate conditions.

American Roads

American Roads' climate risk assessments and resilience strategies

American Roads

Introduction

American Roads operates toll bridges in Alabama and holds a concession lease for an international tunnel connecting Detroit, Michigan, and Windsor, Ontario.

Climate risk assessment and mitigation

American Roads conducts climate risk assessments to identify and evaluate the severity and likelihood of climate-related risks such as hurricanes, flooding, and other extreme weather events. This enables American Roads to implement proactive mitigation measures. Resilience is enhanced and operational disruptions are minimised through disaster recovery plans, insurance coverage, and vendor screening processes for durable materials.

Integration of TCFD recommendations

American Roads' risk management framework incorporates TCFD recommendations, particularly in assessing climate-related risks and opportunities. Transition risks are systematically evaluated and integrated into the risk register. Third-party reviews conducted by insurance brokers provide additional insights into American Roads' risk matrix, identifying previously unaccounted-for risks and enhancing the robustness of risk management practices.

Stakeholder engagement and reporting:

American Roads provides stakeholders with regular reporting on climate risk assessments, mitigation measures, and resilience strategies to stakeholders. In addition, American Roads has partnered with Alabama's Jacksonville State University to provide students with an experiential research opportunity around the risk of flooding at one of its bridges in Alabama.

Conclusion

American Roads' integration of climate risk assessments and resilience strategies increases the resilience of this infrastructure investment.

05 DIF's people strategy

5.1 Executive summary

Since the publication of our last report, we have made great strides in executing our people strategy, particularly in the area of DEI. We have created a new policy, committed to a range of quantified targets, and elevated DEI into a board-level topic.

We take great pride in our robust employee engagement. This year, an impressive 96% of our employees participated in the DIF Employee Engagement Survey.

In 2023, DIF's Charity Program supported our employees in their charitable efforts and extended our impact through strategic partnerships and direct contributions to causes that resonate with our values and mission.

5.2 Our culture

We love what we do and are committed to continuously improve. As individuals, we are driven to set ourselves the highest standards and to go above and beyond. And as a team, we are dedicated to turning that passion into a positive experience for our investors, businesses and people globally.

We believe our people are our greatest asset

That's why we are dedicated to fostering an environment where every employee has the opportunity to learn, grow and thrive. At the heart of our organisation, you'll find a hands-on mentality ingrained in everything we do. This proactive approach is the driving force behind our fast-growing success story. We are a community of international, passionate individuals that work collaboratively and are driven by excellence.

5.3 Diversity, Equity and Inclusion

At DIF, our people are our priority and our greatest resource. We foster a culture where the spirit of one team with a global mindset is enriched by diverse local expertise. We understand that innovation thrives in a workplace where diverse opinions are welcomed – and where those opinions are essential for sound decision-making and creative problem-solving.

Our commitment is to create an environment where everyone feels welcome and accepted and has equal opportunities — crucial for enhancing our team dynamics and driving forward our organisation and investments.

For DIF, Diversity means having a wide range of visible and non-visible differences among people, for example, age, skin colour, gender identities, cultural, social and ethnic background, competencies, work styles, educational levels, perspectives and personality.

Equity means that every individual is unique and can fully participate and has access to equal opportunities.

Inclusion means that we have a culture in which differences are recognised, valued and made use of. That we have an environment in which everyone experiences the freedom and safety to be themselves and where no one is excluded.

We believe that the best ideas and results are created together and come from championing diverse opinions.

In pursuing this vision, we acknowledge the ongoing challenges within our industry and recognise the continuous effort required to improve. Our strategies are tailored to meet these needs, ensuring that each individual has the support to succeed. This commitment to DEI is integrated into our core people processes, including recruitment, talent development, and performance management – and is underpinned by a zero-tolerance policy for discrimination, harassment, and bullying.

In addition, we have recently added a DEI policy, to clearly outline our commitment. One of the key pillars of creating a diverse workplace is working towards a more balanced gender representation. In order to measure progress, create an open dialogue and hold ourselves accountable, we have set several measurable targets to increase the representation of women at all levels, countries and teams across our organisation, including targets for women at DIF, but also targets for women in senior leadership positions and women in the investment team. To ensure we embed DEI in our core company values, all senior leaders have specific goals in place to increase diversity in their respective teams.

Our efforts in DEI are dynamic and involve various initiatives such as mentoring & networks and ambassador groups such as DIF's Women's Network and the Next Generation Board. In 2023, these groups led several impactful initiatives, including panels for International Women's Day and a comprehensive mentorship scheme for all new joiners.

Finally, one of the key pillars of our commitment to DEI is ensuring pay equity across all levels and positions within the organisation. DIF is committed to ensuring fairness and equity in compensation across all levels and positions. Our principles include transparency, merit-based compensation, regular reviews, and equal pay for equal work. We conduct pay equity analyses and provide training to raise awareness about pay equity and unconscious biases that may influence compensation decisions.

Marlous van Wouwe
Managing Director, HR

"At DIF, we see diversity not just as a metric to achieve but as a journey towards a richer dialogue, a broader perspective, and a more inclusive future. Every policy we implement, and every initiative we introduce is a step towards creating a workspace where every voice is not only heard but is also integral to our collective success. Our commitment to our people—across all dimensions of Diversity, Equity, and Inclusion—is far-reaching because we believe that it is only by nurturing our team that we can truly excel and lead in our industry."

Deep dive on DEI initiative: The Next Generation Board

DIF has established the "Next Generation Board," a dynamic group of younger generation members appointed for one year who serve as a sounding board to the ExCo. This initiative harnesses fresh perspectives to bridge generational divides, introducing new viewpoints on business-critical topics and helping navigate potential generational blind spots within the organisation.

The members come from diverse backgrounds, enriching decision-making processes with their insights.

The Next Generation Board's role is crucial in ensuring that the voices of the younger employees are heard and influential in shaping the company's future.

The Next Gen Board contribute to the organisation through involvement in various initiatives across DIF. A recent interview with the Board explored their important role in fostering innovation, enhancing sustainability efforts, and promoting a more inclusive corporate culture.

Miguel Sánchez de las Matas
Associate Director

Sarah Travis
Associate Director

Tanitha Mulumudi
Associate

Yelda Frapier
Associate

Michel Bartoschik
Associate

Idrees Altaf
Analyst

Interview with The Next Gen Board

What motivated you to join the Next Generation Board, and what unique perspectives do you believe you bring?

Tanitha

I joined the Next Generation Board because I believed it was a good platform to share ideas with my peers and seniors across DIF and help foster a more inclusive, collaborative, and transparent culture.

Idrees

I was eager to work with the other members of the board and to learn from them, and I hoped that my participation would be a valuable asset to the organisation in fulfilling its mission statement.

Miguel

The main reason I joined the Next Generation Board was to be part of a group with the same passion for exchanging knowledge, sharing experiences, and generating creative ideas to collectively make a direct positive impact on the fund's future.

Sarah

My motivation for joining the Next Generation Board was to highlight and improve upon key topics, such as diversity, talent retention, and mentorship, that impact the employee experience at DIF. Additionally, it was an exciting opportunity to collaborate with colleagues from other offices, as well as DIF's senior leadership team, to initiate change throughout the organisation.

What significant contributions has the Next Generation Board delivered to DIF's sustainability efforts?

The Next Generation Board has been involved in advancing DIF's sustainability strategy, providing feedback to DIF's Sustainability Team to ensure our sustainability practices are integrated in all levels of the organization. The Next Generation Board has also raised various sustainability topics, including DEI and ESG, for discussion with DIF's senior leadership team to focus on perspectives from the younger generation at DIF and areas of improvement.

How does the board address challenges that arise from differing viewpoints between generations within the company?

DIF recognises the value of diversity in perspectives, including those stemming from generational differences. To address challenges arising from these differences, the Next Generation Board focuses on creating an inclusive environment where all voices are heard and respected. We ensure that we consistently reach out to our peers through informal and formal communication channels to incorporate multiple perspectives in our feedback and proposals to senior leadership. Regular discussions are held with open communication to understand differing viewpoints.

What are the key goals of the Next Generation Board for the upcoming year, and how do they align with DIF's overall strategic and sustainability objectives?

The overarching mission of the Next Generation Board is to build an environment that fosters transparency, entrepreneurial spirit and diversity that bridges current and future generations at DIF. As part of this mission our focus this year is on elevating certain sustainability topics to DIF's senior management team.

What has been the biggest challenge for the Next Gen Board since its inception?

The biggest challenge has been navigating our role within the organisation, given that this is the inaugural Next Generation Board. It has been crucial to earn the trust of different stakeholders within the company and effectively communicate new ideas and perspectives while still balancing the established norms that have made DIF so successful to date.

What do you see as the most significant contribution of the Next Generation Board to the long-term success of DIF, particularly in bridging the generational divide and advancing sustainability efforts?

We see the most significant contribution of the Next Generation Board is to continue to bring fresh perspectives and a strong passion for sustainability to the table. Hopefully, this continues to challenge the way that DIF operates and helps to drive continuous improvement throughout the company.

5.4 Employee engagement

At DIF, we take great pride in our robust employee engagement. This year, an impressive 96% of our employees participated in the DIF Employee Engagement Survey, underscoring the commitment and involvement of our workforce.

The results from the 2023 Employee Engagement Survey strongly affirm that DIF is highly regarded both as an organisation and as a workplace. Our employees have expressed strong satisfaction with their overall work environment and the array of opportunities available to them. Specifically, feedback indicates that employees feel positive about several key aspects:

- They are **satisfied** with DIF as their place of work
- They are **pleased** with the dynamics and support within their specific departments
- They are **proud** to work at DIF

However, the survey also highlighted areas where we can improve. Communication and DEI have been identified as the domains needing focused attention. In response, we are taking steps to enhance our strategies in these areas. For communication, we are implementing transparent office update calls. Regarding Diversity, Equity, and Inclusion, we are expanding our initiatives and training to ensure a more inclusive culture that embraces and promotes diversity across all aspects of our business. In addition, we have recently implemented the aforementioned DEI policy. DEI is now a board-level topic that is discussed in the ExCo quarterly. Our mission and objectives around Diversity, Inclusion and Equity is a continuous journey that requires ongoing commitment and an action-driven approach. To measure progress and identify potential pitfalls and areas to improve, we take a data-driven approach to measure diversity in the broadest sense. Based on our data, for example, our annual employee engagement survey, we compose an annual dedicated DEI action plan.

These insights are crucial as they help us maintain a positive work environment and evolve to meet our team's diverse needs. While addressing these areas proactively, we remain focused on creating a workplace where everyone feels valued. As we move forward, our goal is to continuously improve based on the feedback from our employees, ensuring our workplace and community benefit from these efforts.

5.5 Learning & development

Continuous learning and development are key to us, offering equal opportunities to everyone. DIF offers an extensive training curriculum tailored to the needs of an employee's role, team, and location, providing people with the tools and training opportunities that foster creativity, innovation and collaboration. Our Learning and Development ("L&D") initiatives at DIF are designed to foster continuous growth across our workforce. We maintain an L&D curriculum that is updated annually to stay current with industry developments, alongside learning journeys tailored to the different experience levels and departmental needs within our team. By tracking attendance and collecting feedback, we continuously refine these educational offerings to ensure their relevance and effectiveness. In January 2023, we introduced the DIF Academy, our dedicated resource centre for all learning, development, and coaching. To ensure that everyone has sufficient time and opportunity for development, we closely monitor participation. We actively check that all employees meet the minimum required learning hours, ensuring everyone has the space and time to grow.

This year, we also introduced **leadership journeys** for every grade level. These journeys enable professional development in leadership at all career levels. The journey starts with learning how to lead oneself and progress to understanding one's impact and influence on the rest of the organisation. An important goal of the senior leadership journeys is to make sure people in leadership positions are equipped with the right skills and tools to manage a diverse workforce and maintain an inclusive culture.

At DIF, we emphasise the importance of training and personal development, recognising that maximising individual potential is crucial for career advancement.

Performance management cycle

At DIF, our commitment to fostering a thriving and equitable workplace is embodied in our comprehensive performance management cycle. To make sure talent can thrive and develop further, we have core people processes in place when it comes to talent development and performance management. Our performance review cycle allows development opportunities to be identified at the right time to enhance an employee's performance.

Our performance management cycle consists of three key steps:

Goal setting

At the beginning of the cycle, employees and managers collaborate to set clear, achievable goals. These goals are designed to align with the company's strategic objectives and are tailored to support individual development.

Mid-year review

The mid-year review provides an opportunity for employees and managers to discuss progress towards goals, address any challenges, and adjust objectives as necessary. This review ensures ongoing alignment and provides a platform for continuous feedback and support.

End-year review

At the end of the cycle, a comprehensive review is conducted to evaluate overall performance against the set goals. This final review not only assesses achievement but also identifies areas for future growth and development.

Figure 33 Performance management cycle

The cycle is guided by three core principles:

Development

We prioritise the growth and development of our employees. Personal and professional development is at the forefront of our performance management strategy, empowering our team members to achieve their full potential.

Consistency and fairness

We strive to create an environment where expectations are clear and uniform for all employees. Our DEI policy is central to this effort, ensuring that all processes are fair and free from bias. Moderation sessions are an integral part of the process where proposed ratings and promotions are checked for unconscious bias and equity.

Alignment with strategic objectives

We ensure that personal objectives are closely aligned with the company's strategic goals. This alignment is crucial for enhancing employee engagement and well-being, as it helps employees understand how their contributions drive the overall success of the company. KPIs are used to track and measure this alignment.

By adhering to this structured performance management cycle, we reinforce our dedication to fostering a supportive, equitable, and high-performing workplace.

While all our employees may exhibit different strengths based on their specific roles and business areas, it is essential that we collectively align our efforts.

By operating within this common performance management cycle, we not only facilitate our own development but also significantly enhance our ability to retain and attract future leaders who will continue to drive sustainability and innovation at DIF. This initiative is essential in promoting a culture of continuous improvement and professional development at DIF.

5.6 Employee health & safety

In our latest employee engagement survey, 83% of DIF employees expressed that they feel they work in a safe environment and are comfortable discussing personal and work-related issues with their managers. This high percentage reflects positively on our workplace culture, emphasising that safety and open communication are effectively upheld in our daily operations. Additionally, 14% of employees reported neutral feelings regarding these aspects, indicating an area where there is potential to enhance feelings of safety and communication further. These insights guide our efforts to strengthen our workplace environment, ensuring every employee feels fully supported and secure. However, 4% expressed discomfort, pointing to areas where improvements can be made. Addressing these concerns is a priority for us. We are actively working to enhance our communication channels and strengthen our support systems to ensure that every employee feels safe and comfortable bringing forward any issues.

Employee wellbeing & mental health

Our Flexible Working and Remuneration Policies support employee wellbeing. We offer substantial flexibility, including options to work from home, complemented by a competitive remuneration package that is regularly benchmarked against industry standards. Family support through our Family Leave Policy further exemplifies our dedication to our employees' personal and professional lives, providing clear and supportive frameworks for various family leave options.

DIF aims to look after the mental health of all its employees with a range of support tools, including shorter-term, one-off tools such as access to clinician-led mindfulness and meditation exercises, in addition to longer-term structured support. These include counselling services, which provide access to experienced counsellors (via the "Employee Assistance Program"), bereavement support and access to mental health support for employees and their families.

In addition to this, two of our employees are qualified Mental Health First Aiders, trained to identify signs and symptoms for a range of mental health conditions, and signpost employees to appropriate support where needed, both internally and externally.

Pavan Punny
Associate, Mental Health First Aider

"As a qualified Mental Health First Aider for the London office, I aim to give peers a safe, non-judgmental and, most importantly, confidential space where I do my best to listen with an open mind, hold supportive conversations, and signpost people to professionals if needed. For me personally, it's crucial to know that I'm in a professional environment where, when things get tough, I have a safe place to go to and someone who will listen. It's a privilege to be able to support the office in this capacity."

5.7 DIF’s charity contributions

In 2023, DIF’s charity program supported our employees in their charitable efforts and extended DIF’s impact through strategic partnerships and direct contributions to causes that resonate with our values and mission.

Our charity program’s activities are structured around meaningful engagement and impactful giving. The year saw a blend of ongoing partnerships and fresh initiatives that broadened our reach and deepened our impact.

A notable advancement was the formalisation of charity agreements, turning ad-hoc activities into a structured, programmatic approach to philanthropy.

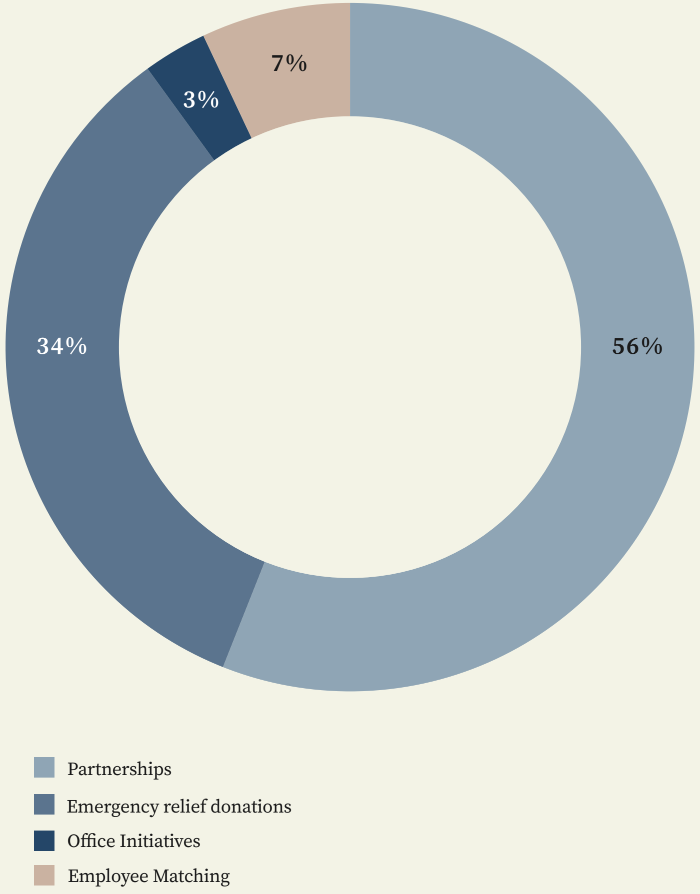
The chart above illustrates the distribution of DIF’s charity donations for the year 2023, highlighting the emphasis on various types of philanthropic support.

A significant portion of our contributions, 56%, was directed towards partnerships, reflecting our commitment to fostering long-term relationships with organisations that align with our core values and charitable objectives. Another 34% of our donations supported emergency relief donations, underscoring our responsiveness to global crises as they occur.

“As Charity Manager, I believe it’s our responsibility to not only contribute to the community but to become a part of it. Our initiatives are focused on creating impacts in the society we partake in by both financial support and our employees’ time, skills, and knowledge. By actively assessing what we can do to help and providing the time and resources, we encourage a culture of helping that extends beyond financial assistance and into meaningful, sustained collaboration.”

Bob Kreder
Associate Director,
Counterparty Due Diligence & Charity Manager

Figure 34 2023 charity donations



At DIF, we recognise that meaningful engagement extends beyond monetary contributions; therefore, we actively promote employee participation in societal betterment through our volunteer day program.

Partnerships

DIF proudly continued its collaboration with **Stichting Giving Back** in the Netherlands, a foundation dedicated to supporting students for whom higher education is not guaranteed. Through this partnership, DIF employees have the enriching opportunity to mentor university students, helping guide them through their academic and early career challenges.

The **DIF-Allia Accelerator Challenge,** initially launched by our London office, has grown significantly. This program supports early-stage charities and social enterprises with development tracks led by DIF staff acting as mentors for the entrepreneurs participating in the program.

Emergency Relief and Responsive Aid

2023 also saw DIF responding swiftly to global emergencies, providing financial support to non-profit organisations, and delivering essential aid to disaster-stricken areas. Noteworthy contributions were made to relief efforts following the devastating earthquakes on the Turkey-Syria border in February and Morocco in September.

Local Office Community Support

Our local offices continued to impact their communities directly through various charitable actions. For example, our Madrid office donated fruit baskets to elderly care homes, while our Toronto and New York offices supported families and elders during the holiday season. Additionally, our Frankfurt and London offices engaged in donations and volunteering at food banks.

Employee Initiatives and Matching Program

A substantial increase in employee-led fundraising initiatives marked the year. The DIF Employee Matching program amplifies these efforts by matching the funds raised by employees for causes close to their hearts. Highlights include a golf tournament raising funds for ALS research, support for earthquake relief in Morocco, funding for water wells in Cambodia, and a cycling event benefiting AMREF Flying Doctors.

This initiative allows employees to take additional paid leave to dedicate their time, skills, knowledge, and expertise to charities and nonprofit organisations. Our team members contribute in various impactful ways, from serving as trustees for charitable institutions to participating in cleanup activities on World Cleanup Day. While involvement with organisations like Transparency International is considered, all engagements are chosen to align with our core values and the broader impact goals of DIF.

Looking ahead

Looking ahead to 2024, DIF is committed to enhancing the impact and reach of our charity program. We plan to **align more closely with the UN SDGs**. This strategic alignment will focus on our charitable initiatives, ensuring they contribute effectively to global priorities such as poverty reduction, environmental sustainability, and quality education.

06 Responsible business practices

6.1 Executive summary

DIF's governance structure takes sustainability into account at every level, from the Supervisory Board to the ExCo, each of its sub-committees, the Sustainability Team and the other departments within DIF.

Our governance framework maintains compliance across issues as diverse as whistleblowing, bribery & corruption, cybersecurity and insider trading.

6.2 DIF's sustainability governance

DIF demonstrates leadership and oversight in sustainability governance, with clear accountability and responsibility assigned to senior management, board committees, and relevant stakeholders. This governance structure ensures alignment with DIF's strategic objectives, risk appetite, and commitment to sustainable value creation.

DIF's ExCo has formal oversight and responsibility for the firm's and funds' sustainability strategies. The ExCo submits key business decisions to the Supervisory Board of DIF, such as the sign-off on significant DIF policies. DIF's ExCo has delegated authority of the management of various sustainability related topics to the Sustainability Committee. In addition, every quarter, the ExCo takes on the role of Risk & Compliance Committee ("RCC").

Anne Snel
Partner, Chief Risk Officer ("CRO")

"In my role as Chief Risk Officer, part of our ongoing mission involves refining our risk management framework to better incorporate sustainability related risks. Our quarterly reviews, discussed in the Risk & Compliance Committee, strive to keep our strategy responsive to the evolving landscape of climate risks and opportunities. We acknowledge the complexity of accurately predicting these risks and are committed to continuous improvement in our processes. This approach not only aims to safeguard our investments against unforeseen environmental challenges but also reflects our commitment to learning and adapting in a rapidly changing world."

Figure 35 Sustainability governance

Note: Investment Committee included in tables following, but not in this diagram as it refers to fund governance, rather than manager governance

Executive Committee	
Responsible for achieving DIF's objectives, including overseeing daily operations and ensuring the execution of investment strategies for each fund, where relevant, as outlined in the relevant Fund Agreement.	
Responsible investing oversight	• Approve & monitor the adequacy of all policies and internal procedures to diligently operate, including the Responsible Investment Policy • Involvement in the creation, approval, and monitoring of the Sustainability Strategy and the Sustainability Team's business plan • Approval of budget for sustainability, including budget required for climate needs • Approval of new fund strategies, including SFDR classification commitments • Sign-off on any climate-related (external) commitments that are material to DIF
Key members	Chief Executive Officer ("CEO") | Deputy CEO | Chief Investment Officer ("CIO") | CRO | CFO
Frequency	Weekly and more frequently when needed

Risk & Compliance Committee

Governs the implementation of the Risk Management and Compliance frameworks; Acts as guardian of DIF's risk profile and DIF's risk appetite statement; Ensures DIF's risk and compliance framework is up to date

Responsible investing oversight	• Responsible for ensuring that any sustainability related (incl. climate-related) risks to DIF are identified, assessed and monitored • Provides a regular update of the relevant business risks, including sustainability related risks, and actions mitigating the risks identified • Monitors risk exposures against risk appetite and limits, including sustainability related risks
Key members	CEO | Deputy CEO | CIO | CRO | CFO
Frequency	Quarterly

Sustainability Committee

Responsible for advice and deciding on environmental, sustainability and governance matters

Role and responsibilities	• Oversees responsible investment matters, including climate-related topics • Reviews and updates the Responsible Investment Policy and the sustainability strategy of DIF and the funds • Provides advice on sustainability related matters, opportunities and (incl. climate) risks in each of DIF's business areas, including investor relations, finance, and the investment teams • Develop, review and monitor the implementation of the sustainability strategy and Responsible Investment Policy as reported by the Sustainability Team and for approval by ExCo • Discuss investment opportunities of a fund with significant sustainability risks and decide on or provide a binding opinion on investment opportunities of a fund that scores in the lowest quarter of the applied intrinsic benefit tool • Reviews and approves external sustainability related communication prepared by the Sustainability Team – Includes TCFD reporting, the annual sustainability report, any ESG-relevant policies, UNPRI submissions, and the firm's Net Zero commitments • Set DIF's sustainability objectives, targets and KPIs for DIF Staff • Review and monitor sustainability training for DIF staff
Key members	CEO | Deputy CEO | CIO | CRO | CFO | Head of Sustainability | Other selected partners
Frequency	Quarterly and more frequently when needed

Investment Committee(s) ("IC")

Approving (or declining) any financial commitments at the fund level, which may include investment proposals, follow-on investments and proposals to sell an investment

Responsible investing oversight	• The investment proposals considered by an IC include a dedicated section on ESG, which will cover considerations, findings, conclusions, and justifications, where relevant, of sustainability related risks and opportunities. • This may include details of any physical or transition risks identified during the investment screening process that are flagged as medium or high risk, as well as identified mitigations to these risks, if appropriate. • Additionally, the Net Zero potential of investment opportunities is assessed at IC.
Key members	CEO | CIO | CRO | Other selected members
Frequency	Respective ICs convene on an as-and-when-needed basis

Portfolio Performance Committee(s) ("PPC")

Provides multidisciplinary governance about overall fund performance and objectives and large and/or complex assets individually, monitors portfolio performance, and signs off on key decisions, including exit strategies.

Responsible investing oversight	• The PPC's scope is fund-level and investment-specific, and climate-related risks and opportunities can be discussed to the extent that they are considered material to a fund or investment. This may include, for example, the development of decarbonisation strategies, or if a large investment within a specific fund is at risk of becoming a "stranded" investment, this may be a subject of discussion at the PPC. • The PPC considers a range of risks and opportunities, including climate-related topics and investment decarbonisation (to the extent that these are material to each fund). Additionally, fund optimisation and divestment strategies incorporate material climate-related topics such as the strategic repurposing of investments that do not align with Net Zero targets, consideration of divestment timing, and optimisation of investments at risk of becoming "stranded" investments.
Key members	CEO | Deputy CEO | CIO | CFO | CRO | Fund Head | (Deputy) Head Value Creation | Partner Divestments | Other selected partners
Frequency	Fund meetings: Quarterly; Decisioning meetings: as-and-when-needed basis

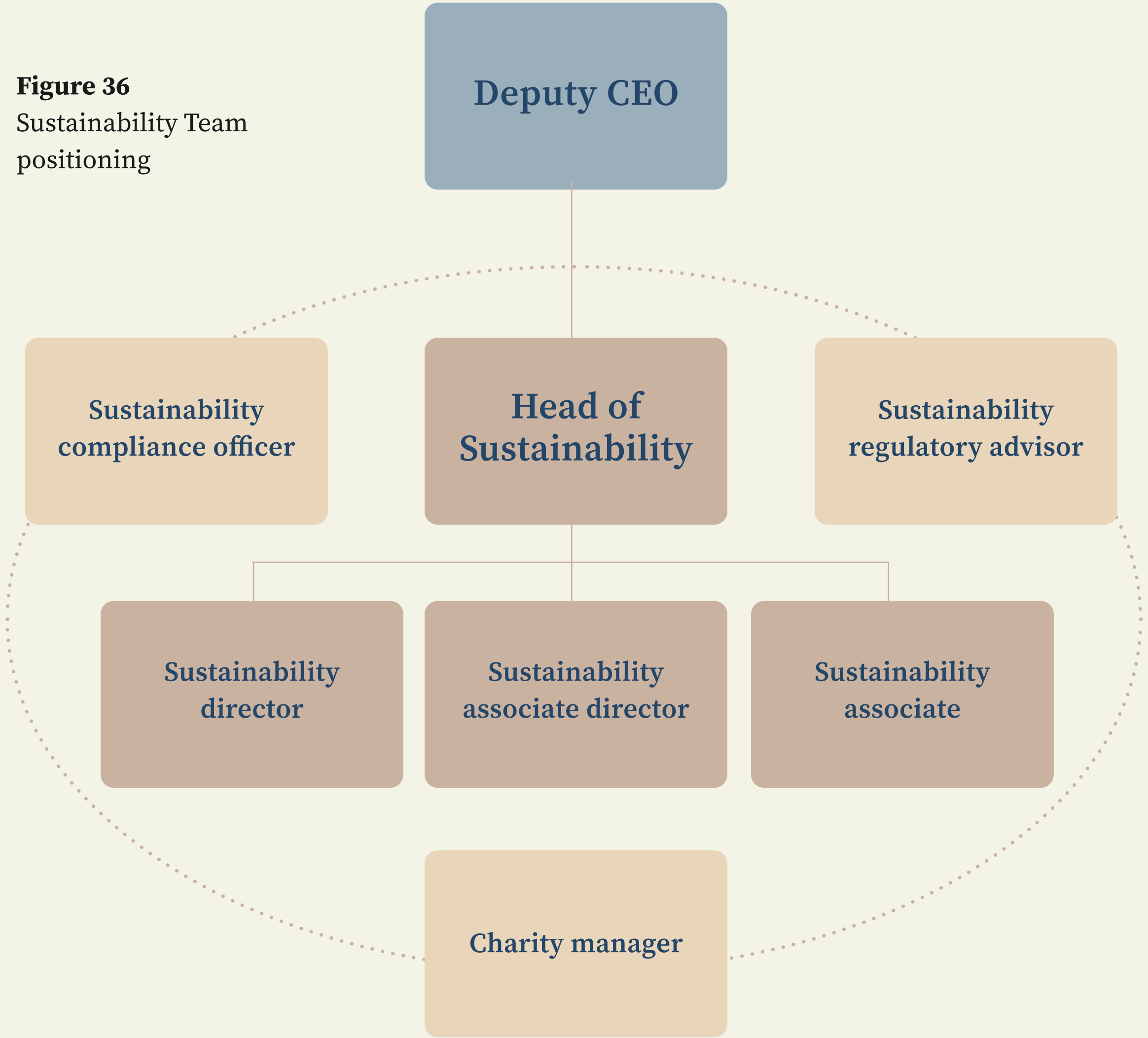
6.3 Sustainability Team positioning

In our organisational structure, the Sustainability Team is pivotal in embedding sustainability thinking across our investment processes and portfolio management. Reflecting the critical importance of sustainability related considerations in our strategic decision-making, the **Sustainability Team reports directly to the Deputy CEO, with a dotted line to the CRO**. This reporting line underscores the high priority our firm places on sustainability issues and ensures that sustainability related considerations are **integrated at the highest levels of our organisation, as well as recognition of the relationship between Sustainability and risk management.**

To enhance the breadth and depth of our sustainability initiatives, the Sustainability Team receives specialised support from various departments within the organisation. Notably, a Sustainability Compliance Officer, a Sustainability Regulatory Advisor, and a Charity Manager contribute their expertise and insights. These individuals collaborate with the Sustainability Team on a dotted-line basis.

In our organisational approach to embedding ESG principles throughout our operations, the dedicated Sustainability Team is strengthened by a collaborative, cross-functional support system. This multidisciplinary backing underscores the integration of ESG across all layers of our firm, ensuring a comprehensive and unified approach to sustainability.

Figure 36
Sustainability Team positioning



6.4 Promoting responsible business practices

Within DIF, compliance is everybody's business. Compliance is not only about complying with applicable laws, regulations, and internal policies; it is also about acting with integrity and showing ethical behaviour and decision-making.

The rationale behind maintaining such a robust compliance management framework is clear: it allows us to navigate the complexities of the financial world with confidence and integrity.

Our compliance principles are ingrained at the pinnacle of our organisation, championed by our leaders to cultivate a culture of transparency and adherence to the highest standards of governance. To enhance awareness of DIF's compliance policies and procedures, we share regular news updates, e-learnings, and face-to-face training for all employees, including C-suite members. Additionally, we created a compliance manual, which provides practical guidance related to each policy.

In addition, our employees have access to all our policies in the policy library. This library also includes our:

- **Business Continuity Plans ("BCP"):** These are comprehensive documents that outline the procedures and strategies to be followed in the event of an emergency or disruption, ensuring that DIF's operations can continue with minimal impact.
- **Governance Documents:** Our repository also includes vital governance-related documents, which are essential for maintaining the high standards of corporate governance that DIF is committed to.
- **Business Control Frameworks ("BCF"):** These are codified processes through which DIF's management structures the organisation to provide reasonable assurance that it will achieve its objectives.

Outside affiliations	Personal transactions in securities	Insider trading & trading in CVC Group
Whistleblowing	Data protection & privacy	Anti-bribery & corruption
Tax	AML, CTF & sanctions	Cybersecurity

In the next section, we will address our response to a set of topics that we find worth highlighting in this report. Note that this is **not an exhaustive list** of our ethics, compliance, and security initiatives.

Outside affiliations

At DIF, we cherish the diverse experiences and interests of our staff. Beyond their roles within the company, they will, of course, take part in activities external to DIF. We ensure our staff is aware of any reputational consequences or potential conflicts of interest that may emerge from these engagements. As such, our personnel register their outside affiliations to uphold our integrity. These external affiliations are categorised mainly into:

Outside business activities

These are professional activities conducted outside of DIF. They may include roles such as serving on boards, engaging in consultancies, or teaching externally. While these ventures can broaden expertise, alignment with DIF's core business areas is essential. Transparency is paramount – staff are expected to disclose such engagements to maintain integrity.

Private investments

Our staff may hold personal investments or affiliations unrelated to DIF. These can be anything from family trusts to nonprofit organisations. Respecting individual autonomy is important, yet it is crucial that these affiliations do not undermine DIF's reputation[30].

30 In principle, outside affiliations need to be disclosed only if they are or could become a (potential) conflict of interest.

A look behind the scenes of our employees' outside affiliations

Paul Enthoven, Senior Director of Investor Relations, dedicates part of his free time to his role as Chairman of the Board for a local playground association.

This playground, established over seventy-five years ago, has evolved from a simple backyard play area into a vibrant community hub offering a variety of activities and facilities for children and their families.

Paul's leadership ensures the playground remains a safe and engaging space for families, reflecting his commitment to fostering community spirit and enhancing local recreational facilities.

His involvement is also a personal one; as a father of two, with children aged four and six, Paul values the importance of play in child development and community building. Despite a demanding role at DIF, he finds great fulfilment in making time for this important community work.

Paul Enthoven,
Senior Director of Investor Relations

Personal transactions in securities

At DIF, we are committed to maintaining the highest standards of integrity and transparency in all aspects of our operations, including personal securities transactions. Our staff members can be privy to confidential and sensitive information that could influence market conditions.

We have implemented a robust policy governing personal securities transactions to prevent conflicts of interest and ensure compliance with Market Abuse Laws

All employees at DIF should adhere to the following guidelines to ensure compliance with our ethical standards and regulatory requirements:

Prohibited trading

Certain securities trading is restricted to prevent conflicts of interest and uphold our ethical standards.

Disclosure requirements

Employees should ensure transparency in their securities transactions to maintain the integrity of our operations.

Pre-clearance of trades

Approval is required for all securities transactions to prevent misuse of information.

By enforcing these guidelines, we ensure that all personal dealings in securities are conducted in a manner that does not compromise the ethical standards we uphold nor the trust placed in us by our stakeholders and investors. Our commitment to ethical practices extends beyond professional activities to encompass our staff's personal integrity, safeguarding our reputation and operational excellence.

Insider trading

At DIF, integrity is at the core of our operations, particularly when managing sensitive information and overseeing personal securities transactions. We initiate every project with a robust evaluation to ensure all team members are aware of the boundaries set by confidentiality agreements and other preliminary documents. This evaluation involves discussions with external advisors and partners to confirm the nature of the information at hand.

In scenarios where the clarity of the information's sensitivity is in question, our senior management, along with the Compliance Officer, are consulted to make an informed decision, ensuring all deliberations are well-documented.

Our strict no-trading policy while in possession of inside information aligns with our commitment to ethical standards and regulatory compliance. Any suspicion of market abuse or insider trading is taken very seriously.

These principles help us foster a culture of transparency and accountability, safeguarding the interests of our stakeholders and reinforcing our commitment to ethical business practices.

Whistleblowing

We prioritise a safe and ethical working environment yet acknowledge that irregularities may occur. We encourage reporting from anyone who is or has been affiliated with DIF, thereby fostering a proactive stance towards identifying and rectifying potential issues. Our whistleblower policy outlines clear procedures for safely reporting suspected irregularities, whether internally or externally. All people involved in a whistleblowing case are entitled to protection from harm.

Irregularities may involve conflicts of interest, harassment, mishandling of confidential information, or procedural noncompliance, potentially escalating to more severe integrity incidents or malpractices, such as theft, bribery, fraud, serious environmental violations, or safety offences.

Multiple reporting channels are available to ensure ease of access and confidentiality. These include direct communication with managers and compliance officers through internal or external confidential advisors or through the designated anonymous reporting line detailed on our internal portal. Our policy also guarantees stringent confidentiality for all individuals involved in the reporting and investigation process, upholding the privacy and integrity of all parties.

This framework not only underscores our commitment to transparency and ethical conduct but also ensures that all concerns are addressed promptly and effectively, safeguarding the interests of our stakeholders.

Data protection & privacy

At DIF, we value privacy and its critical role in maintaining our investors', counterparties', and employees' trust. Our commitment goes beyond mere compliance with regulations like General Data Protection Regulation ("GDPR"); it's an integral part of how we conduct our business, ensuring that all personal data is treated with the utmost respect and care.

In the unlikely event of a data breach, we are prepared with protocols that minimise impact and protect the interests of all parties involved, thereby upholding our reputation for reliability and security in all our dealings.

Anti-bribery & corruption

We uphold a firm stance against bribery and corruption, recognising these as severe offences that can lead to substantial legal consequences and damage our reputation for honesty and integrity. DIF staff are prohibited from influencing others through bribery or unethical or illegal means, including offering, giving, or receiving bribes, facility payments, or kickbacks. We are committed to rejecting any opportunities that could compromise our ethical principles.

Bribery involves any act of offering, giving, or receiving benefits with the intent to induce or reward certain behaviours. It's important to note that a bribery attempt remains a corruption offence even if unsuccessful. Similarly, although small and sometimes culturally expected, facilitation payments are illegal under Dutch and UK law and strictly prohibited by DIF.

Our policies extend to all business dealings involving third parties, such as consultants, agents, and subcontractors, who must also adhere to anti-bribery standards. Given the stringent laws regulating these engagements, we take extra precautions when interacting with public officials.

DIF's commitment to combating bribery and corruption includes mandatory reporting of any suspicious activities and strict gifts & entertainment rules. Staff members are instructed to report any offers of bribes or questionable gifts to their managers or the compliance team or anonymously through our whistleblower tool. This proactive stance ensures that DIF operates with the utmost integrity, safeguarding our operations and the communities we serve.

Tax

Taxation is a key topic for DIF and its stakeholders and is recognised as part of DIF's corporate responsibility. Our tax policy and principles are aligned with our company's purpose and values and support our aim to act with integrity and respect in fulfilling our tax obligations. DIF does not tolerate tax evasion nor the facilitation of tax evasion by those representing DIF.

Effective governance and tax risk management

DIF has an experienced in-house tax team reporting directly to the Head of Tax, which monitors tax regulatory requirements and oversees tax compliance matters with input from high-quality external advisers where required due to the level of complexity or uncertainty. Tax risks are evaluated continuously to facilitate compliance with relevant tax regulations.

The Head of Tax, who reports to the CFO, is responsible for monitoring, designing, and implementing the DIF tax policy and ensuring that the DIF tax team has the skills, resources, and support to execute it. Significant tax-related matters are reported to the Head of Tax and, if needed, raised with the ExCo.

Approach to tax matters

DIF ensures that it is properly taxed in the countries where it has operational activities in accordance with local tax regulations.

DIF aims for its funds to have a tax-neutral profile; this means that the tax paid in the fund's structure more or less equates to the tax paid from a direct investment by an Investor in the underlying investments. It is the firm belief of DIF that managing tax affairs in a responsible and sustainable manner and having a moderate tax risk profile is ultimately in the best interest of the investors in the funds.

Assessment of tax risks

DIF is committed to ensuring that it is fully compliant with the tax laws in all the jurisdictions in which it operates. DIF's tax affairs are conducted within the letter and spirit of the law, taking into consideration the intention of the relevant legislators.

DIF aims for certainty on the tax positions it adopts, but where tax law is unclear or subject to inconsistent interpretation and no certainty can be obtained in advance, DIF uses a risk-based assessment when addressing and managing tax risks. As part of this, DIF has a tax control framework to access and control tax risks. Reputable external tax advisors are consulted to support the decision-making as and when appropriate.

Tax authority engagement

As part of compliance with global tax obligations, DIF seeks to provide tax authorities with timely, accurate, transparent and complete tax information. Where relevant, DIF may also seek advance agreements to obtain certainty. The DIF tax team promotes constructive and responsive relationships with tax authorities built upon mutual trust and respect. DIF collaboratively works with them to achieve early agreement on disputed issues and certainty on a real-time basis, where possible.

Anti-money laundering, counter-terrorist financing, and sanctions

DIF plays a role as a 'gatekeeper' within the financial system and is obligated to adhere to rigorous Anti-Money Laundering ("AML"), Counter-Terrorist Financing ("CTF") regulations and Sanctions under the supervision of the Dutch financial regulator AFM. Our commitments to prevent money laundering and terrorist financing activities are outlined in our AML CTF Policy. Further, during the acquisition process we implement the DIF Policy on Know Your Target Company ("KYTC"), which details our approach to understanding and mitigating potential risks associated with our investments.

For every investor and direct counterparty, we carry out thorough Customer Due Diligence ("CDD"). This process is crucial to avoid any associations that might compromise our integrity or contravene statutory regulations.

Completing CDD before finalising any transaction is a cornerstone of our operational integrity, ensuring we only proceed with entities and individuals that meet our stringent criteria for transparency and legality. This proactive approach is integral to maintaining DIF's reputation as a diligent and responsible participant in the global financial marketplace.

An example day in the life of a senior client due diligence associate at DIF

By Brahim Toutouh

An example day as a Senior CDD Associate at DIF starts early, ensuring our clients meet strict compliance standards. The stakes are high, but so is the satisfaction of preventing financial crimes and maintaining the integrity of our services.

8:00 AM – Morning Prep

I begin by reviewing my schedule and prioritising cases based on urgency and complexity. I check emails for updates from our compliance team or new client submissions that came in overnight.

8:30 AM – Case Review

I dive into my first case of the day, which typically involves assessing new investors and direct counterparties. This meticulous process includes scrutinising their business background and potential risk factors. A key challenge is dealing with international investors and counterparties, often navigating jurisdictions that don't align with Dutch law.

10:00 AM – Meeting with Compliance

I meet with the Compliance team to discuss any ambiguities or issues discovered during my initial checks. We strategise on steps to mitigate any risks identified, ensuring we maintain high compliance standards. Successfully completing a risk assessment with our stakeholders involved is immensely satisfying.

11:30 AM – CDD Reporting

I update our CDD reports with my findings and the Compliance team's recommendations. These reports are vital for documenting our due diligence and are often referenced in audits and regulatory reviews.

12:30 PM – Lunch Break

I take a lunch break, often spending time with colleagues in the cafeteria. It's a good chance to decompress and share insights informally.

1:30 PM – Enhanced Due Diligence

Afternoons are often reserved for enhanced due diligence on higher-risk clients or complex cases. For example, I may focus on examining a corporation with multiple layers of ownership, requiring a deep dive into their corporate structure and potential indirect risks.

3:00 PM – Client Communications

Part of my role involves communicating directly with clients to gather additional information or clarify certain elements of their submissions. These interactions help build trust and ensure transparency between DIF and our clients.

4:00 PM – Work Meetings

I attend work meetings to discuss our team's progress, address ongoing challenges, and plan for upcoming tasks. These meetings ensure we maintain contact with all internal and external stakeholders.

5:00 PM – Wrap-up and Planning

Before leaving, I plan tasks for the next day and ensure all my files are updated and secure. Reflecting on the day's work, I feel a strong sense of accomplishment knowing that my efforts significantly contribute to the ethical standards and security of DIF. I am proud to be part of a CDD Team that is crucial to meeting Dutch law requirements and upholding the highest standards of compliance.

IT, information security, and cybersecurity

DIF's IT & Information Security Policy establishes a structured and robust framework to safeguard our operations and data integrity across all global offices. This policy spans various critical areas, from governance and strategy to specific protocols on physical and logical security measures. These ensure that every facet of our IT operations aligns with the highest security standards. Additionally, the policy outlines responsibilities for ongoing risk management, including identifying and classifying information investments, security incident management, and business continuity planning. This ensures that DIF responds to immediate threats and remains resilient against future vulnerabilities through proactive planning and regular security assessments. Our commitment to these practices reflects our dedication to protecting the interests of our stakeholders and maintaining a secure and trustworthy operational environment.

We encourage our portfolio companies to maintain robust cybersecurity practices beyond minimum requirements. To facilitate oversight, we conduct a comprehensive evaluation when needed, starting with a detailed scan using questionnaires and impact analyses focused on significant and high-risk investments representing about 30% of our portfolio. This initial assessment is then expanded to include all medium-risk investments (albeit in a lighter fashion), acknowledging that no investment is entirely free from cybersecurity threats.

In addition, during due diligence of potential new investments, investment teams can involve IT where deemed relevant. IT can help determine whether dedicated IT-focused due diligence is needed based on a quick scan leveraging the same questionnaires.

After these assessments, investment team members must provide updates on the implementation of required cybersecurity measures for our significant and high-risk investments. This process confirms adherence to our stringent cybersecurity protocols and promotes continuous improvement in their defensive strategies.

Twan van Vlerken
Senior Director of IT

"At DIF, we understand that effective cybersecurity is foundational to the trust our partners and stakeholders place in us. It's our responsibility to maintain robust defences, mostly within our own operations but also across all our portfolio companies. Our proactive approach to cybersecurity ensures we remain vigilant and responsive to emerging threats, preserving the integrity and resilience of our systems."

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