DIF CAPITAL PARTNERS

ESG Report 2022

Accelerating the transition

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About DIF Capital Partners

DIF Capital Partners is a leading global independent investment manager, with ca. EUR 14 billion in assets under management across eleven closed-end infrastructure funds and several co-investment vehicles. DIF invests in infrastructure companies and assets located primarily in Europe, the Americas, and Australia through two complementary strategies:

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

DIF Capital Partners has a team of over 190 professionals, based in eleven offices located in Amsterdam (Schiphol), Frankfurt, Helsinki, London, Luxembourg, Madrid, New York, Paris, Santiago, Sydney, and Toronto.

For more information please visit www.dif.eu

About this report

This is DIF's fifth stand-alone responsible investment report. Responsible infrastructure investment is a complex arena and we recognise that we are on a constantly-evolving journey when it comes to making our investment portfolio truly sustainable. We trust this report offers insights into our approach to responsible investment, provides specific details of how we are assessing the ESG performance of our investments and expresses our commitment to deliver sustainable returns through access to high-quality infrastructure assets. This report covers DIF as a company, including our funds under management, and applies to the calendar year 2021.

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

Foreword

"In 2021 we committed our firm to being a net zero investor by 2050, and work to make good on that pledge has begun"

At the time of writing the DIF team remains shocked, and united in condemnation of the Russia invasion of Ukraine. We are fortunate not to have any physical assets in those countries and where our supply chain has been affected we have taken steps to support the safety of our people. We stand firmly on the side of all those suffering. This has included making a financial donation this year to the International Red Cross and other charities assisting Ukrainian refugees.

It's clear that the world is changing, indeed some social scientists have researched the link between cultural, economic and social revolutions post-pandemic. At DIF we know the infrastructure we fund will be in operation for decades and must fit into this evolving landscape. It needs to serve a world with more people and fewer natural resources. Our investments have for many years helped power communities with new renewable energy assets, save and improve lives though healthcare and education projects, and improve mobility through our transport assets.

From cleaner energy to digitisation, we have started to see significant amounts of institutional capital flow into those sectors accelerating the low carbon transition. The economics behind the transition now demonstrate a maturity that is key to achieving the scale and pace needed to build a net zero economy.

DIF is an active part of that transition story, seizing the opportunities of a changing world to fund infrastructure that will change the lives of its end-users for the better.

In 2021, with the launch of our new DIF VII and CIF III funds, we started to evolve a broader approach to sustainable infrastructure that invests not only in real assets but also in those companies along the value chain accelerating the transition to a net zero and more connected economy.

Ahead of the curve

In this report we reflect on how our approach to ESG has been integrated into everything we do since it became a strategic priority for our firm back in 2017.

Fast forward to today and we are seeing the world of ESG maturing with regulation such as SFDR (Sustainable Finance Disclosures Regulation) in Europe giving more guidance and transparency to the industry and helping investors to make the right choices.

On climate especially we are seeing rapid progress. In 2021 we joined the Net Zero Asset Managers initiative and committed our firm to being a net zero investor by 2050 or sooner. Work to make good on that pledge has begun with the setting of a target for 70% of our AUM to be aligning with net zero by 2030 , the collection of our portfolio's carbon footprint and discussions about investment-by-investment decarbonisation plans now beginning. We have also recently launched the Dutch Climate Action Fund. A partnership with NN Group to further drive the energy transition and contribute to the Dutch GHG reduction target through a focused investment strategy.

Changing times

This report aims to demonstrate the shifting horizons that allow DIF to invest in a remarkable breadth of opportunities. It is an exciting time to be investing in the sector and we seek to play our part to accelerate the transition to a more sustainable economy. I hope you enjoy reading the report.

Wim Blaasse,
Managing Partner

Our impact in 2021

Over 3,000 beds for patients through our hospital healthcare investments, serving a population of more than one million

More than 5,300 GWh of renewable energy produced by our investments, equivalent to taking 500,000 petrol cars off the road

Over 18 million people benefit from our water infrastructure investments

Waste to energy facilities set to process over 1.3 million tonnes of waste

Education facilities used by over 3,000 students

Over 16,000 people employed by the projects and companies we invested in

OUR ESG JOURNEY

Five years of the ESG Path

This year marks five-years since DIF formally adopted ESG as a strategic priority and launched its ESG Path to drive up ESG performance at each individual investment. The timeline below reflects some of the milestones achieved so far:

All area coverage: **95%** of investments (by AUM) take part in our ESG Path (101 investments since 2017)

Driving improvement: Investments involved since 2017 have increased ESG performance by, on average, **21 percentage points**

Driving improvement: Average safety scores have jumped from under 60% to **over 80%** among those on the Path since 2017

Help on the Net Zero path: The number of ESG Path companies using our greenhouse gas tools **more than doubled** in 2021 to 54

30

2018
ESG Path launches, covering initial **30 assets** with four focus areas (covering reporting year 2017)

2019
ESG path grows to cover **40 assets**, adds fifth focus area: climate resilience and weighted scoring of good practices

2019
New tools: ESG screening tool and first measure of DIF's Carbon footprint

2020
Awarded A+ score by UNPRI for Strategy and Governance. DIF ESG team grows

2021
New tools: Intrinsic Benefits Tool developed. Follows introduction of Climate Change Heat Map; carbon footprint tool for ESG Path firms

2021
DIF **commits to Net Zero**, and joins Net Zero Asset Managers initiative

95%

2022
Assets participating in ESG path up to **95%** of AUM

2022
Launch of **three new 'article 8'** classified funds

2022
Awarded top 5/5 stars ranking by new-format UNPRI assessment ('Investment and Stewardship Policy' and 'Infrastructure').

CHAPTER 1:
STRATEGIC DIRECTION

1.1 Evolving fund strategies

> "In 2021 our investment strategy evolved, beyond real assets and beyond seeing ESG as part of risk management. We now consistently invest in those entities finding and driving sustainable solutions."
>
> *Willem Jansonius, Partner, Head of CIF*

Megatrends such as the digital revolution and climate crisis are moving society towards new ways of working and living. From electric vehicles charging points to elderly care these sweeping transformations require radical-levels of new infrastructure across the world and significant amounts of institutional capital to reach the maturity, scale and scope required.

This offers a compelling growth outlook and attractive investment returns.

That is why we focus our investment strategy on the **energy transition**.

Investing up the value chain

In 2021, we saw some notable new investments, going beyond physical assets to include related firms that are activating the transition with their products and services.

Firms like **Plugit**, one of the largest EV charging infrastructure companies in Finland, **ib vogt** a global solar developer across 40 countries, and **Bernhard** an energy-as-a-service provider in the US.

These investments offer solutions to sustainability challenges and are helping DIF and the wider economy to move towards meeting net zero commitments.

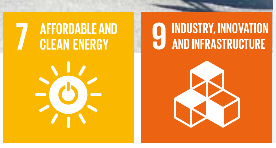
SFDR: Achieving article 8

Both of our new funds (CIF III and DIF VII) were categorised as 'Article 8' under the EU's new Sustainable Finance Disclosure Regulation (SFDR).

SFDR is part of work by the EU to stamp out 'greenwash' in the finance industry with 'Article 8' classification meaning that our funds genuinely promote environmental or social characteristics. With at least 50% of both funds clearly aligning with the achievement of UN sustainable development goals on issues like taking action on climate change and improving global health – we are proud that both funds achieved the classification.

DIF VII

CIF III



AMPING UP ELECTRIC VEHICLE ACCESS

Shifting consumers and cities towards electric vehicles (EV) is a huge step in building the net-zero economy governments have promised. However a lack of accessible charging points for EVs is a **major barrier** to purchase.

In 2021, DIF invested in **Plugit**, who operate **over 4,000** remotely controlled charging points for electric vehicles in Finland. Founded in 2012, Plugit has become one of the leading EV charging infrastructure companies operating in the Finnish market.

By taking a citizen centric rollout approach, and installing charging points at convenient and well placed locations (homes, shops, offices), **Plugit** is making widespread e-mobility usage more or accessible than ever, and helping overcome the charging point barrier.

Plugit also provides **e-chargers for buses**, making electrified public transport a wholly sustainable solution to travel.

SHINING A LIGHT ON SOLAR GROWTH

DIF Capital Partners invested in Berlin-based ib vogt GmbH ("**ib vogt**") in October 2021.

ib vogt is one of the world's leading developers in utility-scale photovoltaics (PV) solar. There is currently a project development pipeline in **excess of 40 gigawatts**, with projects based in over 40 countries.

The aim of the partnership with DIF is to accelerate **ib vogt**'s growth programme and asset build-out, whilst also helping fast track its transition towards an independent power producer model.

The development, construction and operation of solar energy and battery storage play a vital role in the decarbonisation of electricity markets globally. DIF's investment will accelerate the conversion of the pipeline potential ib vogt possesses, creating a leading and value-adding independent power platform.

THE RISE OF GREEN BUILDINGS

DIF invested in **Bernhard**, a market leading energy efficiency and solutions business in the US.

Since 2014 the company has shifted its focus to Energy-as-a-Service (EaaS) solutions, upgrading, retrofitting and servicing large existing building energy facilities to achieve substantial energy savings. It's long-term turnkey energy concession contracts have helped the company save over **7 billion** kWh of electricity and over **900 billion** kilos of CO_2.

Bernhard's solutions significantly reduce the carbon footprint of clients' buildings and utility systems by providing them with access to fully integrated and efficient energy solutions. On average, clients save **30% in utility costs**, and in the past year, **Bernhard** has helped save over **$14 million** in energy costs.

In total **Bernhard** have helped customers avoid emissions equivalent to saving over 107,000 million gallons of gasoline.

1.2 Stakeholder engagement

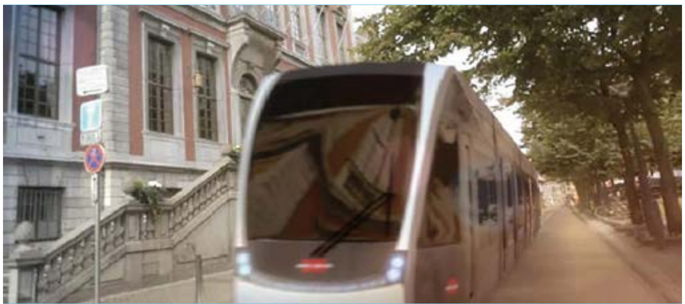
We know we don't have all the answers, so each year we also ensure we listen to our stakeholders for their input to our ESG management – including our investors, investee companies and employees:

Employees

- Engaged through annual employee survey, via annual offsite, departmental offsites, our monthly all-staff call and each individual's annual review process.
- Feedback focused on areas such as diversity and inclusion, clarity on DIF's overall strategy and working more collaboratively across departments. In total, 93% said they were satisfied with DIF as a place to work.

Investors

- Engaged through digital and in-person communications, quarterly update calls, social and traditional media releases and an annual ESG conference.
- ESG has become one of our top three areas of discussion with investors with DIF generally seen as a frontrunner ahead of its peers on ESG integration. Feedback was positive on strong engagement methods and results, with general appreciation of quantified performance improvement via ESG Path.



Investee companies

- Engaged in detail, as discussed in chapter 3 of this report, through our ESG Path.
- Feedback from the majority of our holdings is they appreciate DIF's tailored approach and the support, guidance and tools associated with the action-led approach of the ESG Path.

Peers and co-shareholders

- We engage and collaborate with peers in the industry including through membership of the PRI Infrastructure Working Group, with the GIIA (Global Infrastructure Investor Association) and with the Institutional Investor Group on Climate Change as part of our membership of the Net Zero Asset Manager initiative.

1.3 Realising Net Zero

"Net Zero is on our horizon and we are pulling step-by-step towards it by setting interim emission targets, gathering GHG data and working on investment-by-investment decarbonisation plans."

Frank Siblesz, Head of ESG

Last year's reports from UN scientists at the IPCC left no doubt of the enormous risks and opportunities climate change poses, not least to the infrastructure sector. We are in a unique position to help finance and benefit the low-carbon transition, and so managing these risks and grasping those opportunities is increasingly central to our investment strategy.

We have set a clear direction of travel by committing to become a net zero investor by 2050 and joined the widely-acclaimed Net Zero Asset Managers (NZAM) initiative.

In this section we explain our process for implementing this commitment and to managing climate risks using the recommendations of the Task Force on Climate Related Financial Disclosures (TCFD) as the broad framework for our analysis.

We have set a target for 70% of our assets under management to be aligning with net zero by 2030, as defined by the Net Zero Investment Framework. This means that 70% of investee companies by value will have a long-term goal to be Net Zero by 2050 or sooner, a short-term target, disclosure of current GHG emissions and allocated management responsibility for such targets or reduction pathways.

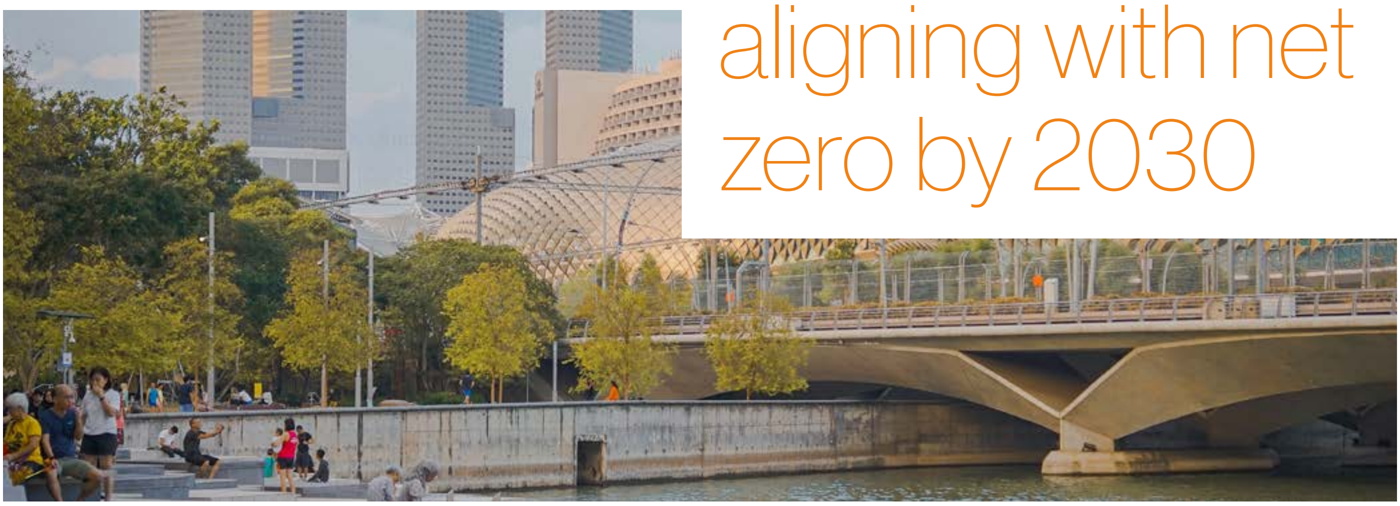
We saw a significant leap forward in 2021, as we begun to work with investee companies to measure greenhouse gases. Our GHG tool was used by 54 ESG Path companies, compared to 25 the previous year.

Our net zero targets

If we are to achieve our net zero ambitions we know that the hard work must start now, and cannot be kicked decades into the future. That is why in July 2022, and as part of our NZAM commitments, we finalised our interim targets for 2030.

This is the first important milestone to reach on our journey to 2050.

We have set a target for 70% of our AUM to be aligning with net zero by 2030



POWERING A PATH TO NET ZERO IN FINLAND

In Finland, district heating provider **Loimua** delivers heating, electricity and natural gas to around 85,000 end users in one of Europe's coldest climates. Loimua has set a target to be carbon-neutral by 2030 and has already made significant progress towards that goal.

In total 90% of its fuels are renewables and significant investment has been made to green production facilities including new bio-boilers at its Vanaja power plant, that have seen it reduce emissions by 73% in the last five years.

Its path to 100% carbon neutrality is clearly mapped out and includes:

- Increasing the use of renewable fuels and replacing use of peat, oil and natural gas with bio-based solutions or electric boilers.
- Localised plans to use more waste heat and increase heat storage facilities.
- Introduction of heat pumps and other developing technologies.
- Utilization of a cloud-based data platform to empower customers to drive net zero solutions.

Climate risk management

The management of climate risk is overseen at the highest levels of our company, and firmly embedded in our day to day practices. This includes:

Assessing: Using our 'Climate Change Heat Map' to assess all new assets and all those in the ESG path for both 'physical risks' such as flooding or drought, and 'transitional risks' such as stricter regulation across our portfolio. In the data published in 2021 our Climate Change Heat Map showed that 11% of assets analysed were exposed to high levels of physical risk, and a small minority of 8% face notable levels of transition risks.

Improving data: There was a 116% increase in investee companies using our greenhouse gas emissions tool to calculate their carbon footprint and we have also begun to measure the direct emissions (scope 1 and 2) of all other clusters we invest in. Last year was our first to take a portfolio carbon footprint and we were able to measure or estimate emissions for nearly 89% of our portfolio (by value).

Net zero direction: New fund mandates have increased focus on the energy transition. Around 26% of our portfolio is currently invested in renewable energy, as of final quarter 2021.

Next year we will help as many investee companies as possible to develop individual decarbonisation plans, as we've already seen Affinity Water do (see box).

Transparent approach: TCFD aligned reporting included in this ESG report and fund-level ESG reporting cover our Net Zero progress in detail.

6 CLEAN WATER AND SANITATION

11 SUSTAINABLE CITIES AND COMMUNITIES

AFFINITY WATER'S 'LIVING' NET ZERO PLAN

Affinity Water is the UK's largest water-only supply company, typically providing 900 million litres of water a day to over 3.6 million people.

The firm has recognised the risk climate change poses to its business including in the form of potential droughts, more extreme weather and rising sea levels.

To help manage this climate risk **Affinity** has set a route map to net zero and, unusually, made this a 'living document' – meaning it is regularly updated based on the innovations and partnerships needed for delivery and in response to policy and regulation changes.

Affinity's plan includes an ambition to achieve net zero operational emissions by 2030 through measures such as renewables development, sequestration (e.g. regrowing seagrass forests in the estuaries of Essex) and purchasing green electricity tariffs. **Affinity** has also committed to plant 110,000 trees by 2030.

For example, the firm has commissioned Centrica Business Solutions, to install solar panels to generate nearly 1MW of renewable energy to power its water production site in Chertsey, UK.

As an active investor DIF is closely following implementation of this plan and offering our support.

Managing climate risk: Summary table based on the Task Force on Climate-Related Financial Disclosures (TCFD)

Governance	**Management of climate risk is set and overseen at the highest levels of our firm, and firmly embedded in our governance structures**
Structures to ensure climate risk and opportunities are integrated into our decision-making and performance	- Our Partner team holds ultimate responsibility for the firm's climate strategy - Oversight is led by our ESG Committee, which reviews and approves all targets and policies in relation to climate risk and includes several of our Partners, including Managing Partner Wim Blaasse and Head of Asset Management Angela Roshier - Climate risk is now part of our risk framework and these issues feature regularly on the agenda of both our ExCo (Executive Committee) and the ESG Committee. The ESG committee meets at least quarterly and reports direct to the ExCo - A formal Charter for our ESG Committee is **available online** - Our Head of ESG Frank Siblesz, alongside the ESG team, is responsible for the implementation of the ESG strategy, working across DIF's team of over 190 professionals, around the world - Climate resilience if one of the five core focus areas of our ESG Path process
Strategy	**Net zero is our long-term vision and we are integrating climate opportunities into our business, building on our existing strengths and capabilities**
Net-Zero part of the long-term vision for our firm	- We have set a clear and ambitious strategy to become a net zero investor by 2050 or sooner - We have joined the Net Zero Asset Managers (NZAM) initiative and the Institutional Investors Group on Climate Change (IIGCC) to collaborate with peers on best practices - Autumn 2022 we aim to publish our 'interim 2030 targets' setting out the milestones we expect to achieve by the end of this decade on net zero
Progressing our climate strategy	- Around a quarter of our invested capital is already invested in renewable energy assets and infrastructure to support the global energy transition and we will continue to invest in this sector - We are also now looking to invest along the value chain of our assets to maximise decarbonisation potential, including participating in the value created during the development phase - Conversely, we aim to avoid new investment in infrastructure most exposed to climate risk – including those associated with fossil fuels. For example, we do not invest or plan to invest in any coal-related infrastructure assets. For natural gas, we believe the risk is longer term and will accelerate from 2040
Active ownership to engage our value chain on net zero progress	- A central pillar of our strategy is also to engage with each asset to set tailored decarbonisation plans that feed into our overall net zero goal - We already engage with our investee companies on areas such as climate resilience in our annual ESG Path questionnaire and, as of last year, begun to measure GHG emissions footprints. As explained in Metrics & Targets below we recognise that the quality of our GHG data still needs to be improved - In the months and years ahead we aim to support investee companies to develop and deliver decarbonisation plans
Building climate into our own corporate culture	- The final piece of our strategy involves 'walking our talk' as an organisation. Since 2019, DIF has been measuring its own GHG emissions, taking steps to reduce its per capita emissions and offsetting the remainder
Risk Management	**We consider climate change to be a significant material risk including both physical risks such as extreme weather or flooding, and transition risks such as increased volatility, regulatory risk, increased cost of capital and stranded asset risk**
Processes in place to consider climate risk	- Climate considerations are incorporated into our environmental and social risk framework. At our Investment Committee we already take a view on any new potential investments implications for our Net Zero commitment - This year all the assets on our ESG Path (95% of total AUM) were subject to our 'Climate Change Heat Map', performing a high-level screening of the main physical and transition risks to which DIF assets are exposed - This includes climate scenario analysis using the Climatewise Infrastructure Exposure Matrix, which assesses the potential financial impacts of transition risks to infrastructure assets in a variety of future climate scenarios, ranging from 2°C to 3.7°C of warming - Our Climate Change Heat Map (CCHM) in 2021 showed that 11% of assets analysed were exposed to high levels of physical risk, and a small minority (8%) faced medium transition risks
Engaging with stakeholders on climate	- Discussed climate-related risk as part of our stakeholder engagement including with employees, investors and investee companies
Metrics and Targets	**We track and report on opportunities and risks associated with climate change**
Accurately quantifying the GHG footprint of our portfolio and shorter term net zero targets	- In July 2022 we set our interim Net Zero targets for 2030. - The target focuses efforts on developing decarbonisation plans for each investee companies. Even if many current investee companies will likely be exited before 2030, having a credible decarbonisation plan is expected to have positive impact on investment valuation - Our target is for 70% of our portfolio to b aligning with net zero by 2030 or sooner - 54 investee companies used the greenhouse gas tools we provide to measure their carbon footprint in 2021 - We aim to expand and refine this dataset in 2022 and are committed to working with investee companies and the wider sector to reduce Scope 3 emissions throughout our value chain - This measurement will become a critical plank in how we measure progress towards becoming a net zero investor by 2050.

CHAPTER 2:

BUILT-IN ESG INTEGRATION

2.1 What ESG integration looks like at DIF

"We have put in place governance measures that hardwire ESG into our decision-making at all levels"

Anne Snel, Partner, Head of Risk, Legal and Compliance

At the heart of our investment activity has always been a firm belief that if we are to deliver sustainable returns, we need to invest in companies and assets that provide an essential service to the community in a sustainable way.

It means the environmental and social impacts of an investment are taken into account at every point in our process from pre-investment to exit, and that ESG management is firmly embedded in our investment principles, strategy, policies and processes.

We are fully committed to transparency and accountability, reporting on our climate risk management using the globally-recognised TCFD Framework and the EU's SFDR (Sustainable Finance Disclosure Regulations) criteria.

Governance of ESG

Our comprehensive ESG policy is approved by all Partners, with implementation overseen by DIF's ESG Committee and a Head of ESG. The policy sits within our compliance platform which brings together all of our critical policies, relevant training and compliance tools, including Standards of Business Conduct, Conflicts of Interest, Whistle-blower, Gifts and Entertainment, GDPR and KYC/AML.

All staff receive training on ESG-related topics and processes and are invited to set ESG objectives, linked to remuneration.

Pre-investment

All prospective investments are passed through our ESG screening tool which allows us to flag material ESG risks at the outset of the acquisition process. The tool highlights ESG topics that require further due diligence and confirm whether the potential investment complies with DIF's ESG exclusion guidelines.

In 2021 for example our ESG screening tool played a part in our decisions to decline opportunities to invest in a port in South America that had a long term exposure to coal transportation and a water pipeline serving the oil & gas industry.

Our pre-investment process is not just about screening out risks. Tools like our Intrinsic Benefits Tool (see 'Measuring public benefits') are applied at this stage to help us track our impact and understand how we comply with frameworks such as the EU's 'article 8' definition of a sustainable fund.

CIF III HAS SDGs IN ITS SIGHTS WITH FOCUS ON DIGITAL

By 2050, 70% of the world's population will live in cities. To transform urban environments for sustainable living and working, global infrastructure markets expect trillions of Euros of new build and modernization opportunities, however this lower mid-market infrastructure space is currently underserved.

Our new CIF III fund aims to seize the opportunity to tap into this lower mid-market, by putting ESG factors firmly at the centre of its strategy. It looks for investments that need between €30 million to €150 million in capital and with characteristics that help achieve SDGs: 9 (industry, innovation and infrastructure), 11 (sustainable cities and communities and 13 (climate action).

From fibre networks to online healthcare, rail projects to EV charging, the Fund's investments enable essential services to society, while financial returns can be generated in a responsible manner.

For example, the fund has invested in **Airtower Networks**, a US wireless company providing the next generation Wi-Fi networks required for smart, sustainable cities (SDG 11) and for cloud migration which reduces the need for emissions-intensive local servers (SDG 13).

ESG have been essential to the formation of the fund. From good governance to environmental excellence, at least half of CIF III's capital deployed actively contributes to achieving the UN Sustainable Development Goals and as such is classified as meeting article 8 under SFDR.

Post investment

As investors, we are in a position to drive real change, and we do this by active and tailored engagement via our 'ESG Path'.

Originally started in 2017, our ESG Path is a bespoke survey for each investee to help us accurately assess their ESG performance and to set unique action-orientated targets that improve performance over time.

The aim of the ESG path is to enhance the ESG performance of each organisation over the course of our ownership.

Examples of the ESG related actions or goals include asking investee companies that don't have an energy saving initiative to implement one, or encouraging relevant assets to improve their safety performance scores year-on-year.

Managing these tailored paths keeps our ESG activity streamlined and action-oriented as documented in Chapter 3 of this report.

Crucially, the ESG Path is a flexible and dynamic initiative and the longer our holdings have been on the path the more ambitious ESG targets they are set. A new investee will likely be judged on the minimum Level 1 (Core) standards, but the longer they are on the path the more they will be expected to reach 'Intermediate', 'Advanced' and then 'High Performer' practices.

The ESG Path also provides our portfolio holdings with the guidance of sustainability experts and access to tools developed by DIF to help improve ESG performance. It creates a database of good practices, that enables us to share ideas and knowledge between peers and raise ESG standards for all.

Exit strategy

On exit, we are transparent about ESG risks and opportunities throughout the exit process and build sound ESG management into an asset's exit strategy. We also make relevant ESG data in the data room for prospective buyers.

The five ESG focus areas of our ESG Path

Governance

Safeguarding that our business and investments are well managed to the long-term benefit of all stakeholders

Safety

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

Community and People

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

Environment

Advocating renewable energy, energy efficiency and pollution reduction

Climate resilience

As part of our Net Zero efforts we encourage our investments to improve resilience to the physical and transitional risks of climate change. Individual decarbonisation plans will help each investee company to mitigate these risks

As explored in Chapter 4, we also try to lead by example in our own organisation through measuring, offsetting and reducing the carbon footprint of DIF itself, and by giving voluntary staff expertise and financial support to charities that help build sustainable communities.

2.2 Measuring public benefits

> "Having state-of-the art facilities and custom-designed wards makes life at our hospital so much easier and creates time for nurses to focus on patient care. Toledo has made an enormous difference to healthcare in the area and saw thousands of residents through the pandemic"
>
> *Cristina Estevez, Head of ESG, Toledo SPV*

New cables allow disadvantaged students to access online learning for the first time. A new road diverts fast-moving traffic away from congested areas. A new hospital gives a cancer patient the medical treatment they need. Infrastructure delivers real benefits that are critical to economic development, to connecting people and to accelerating the low-carbon transition.

Most ESG activity focuses on how our sector minimises ESG risks, for example helping a wind farm to improve health and safety or working with the transport sector to reduce biodiversity loss. But there is a risk that we fail to capture the inherent public benefits that many of our investments create. This is especially important given new legislation in the EU that asks investors to categorise the extent their funds benefit society.

That is why in 2021 we created our *Intrinsic Benefits tool* that aims to identify the public benefits many of our investments bring to society.

The methodology

Our methodology produces a score for each asset based on a comprehensive and credible approach that combines both a sector- and country-level analysis.

The sector level analysis is based on the international standard Impact Radar Tool developed by the UNEP-FI, and adapted for the DIF investment universe. The score holistically measures both positive and negative impacts that can be linked back to the SDGs - with industries such as renewables and green transport scoring highly.

Independent subject matter experts at sustainability consultancy ERM prepared and ensured the consistency of the sector specific impact mapping.

For the country level analysis the tool take each countries' specific needs or issues into account. For example, an educational project would score higher in a country lacking teaching capabilities. For each impact category, up to four indicators are selected to assess the country performance in that impact category.

Impact categories range from helping a population to access water, healthcare or quality education, to improving biodiversity, air quality or resources efficiency.

The key impact categories included in the framework are:

- Water
- Health/ Sanitation/ Wellbeing
- Education
- Energy
- Mobility
- Information access
- Air
- Biodiversity
- Resources efficiency/ security
- Climate
- Waste

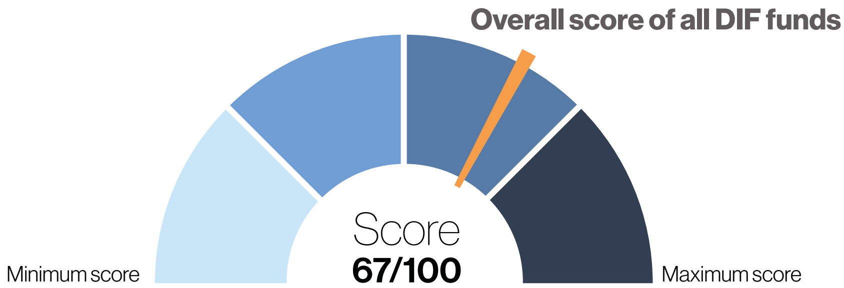
"There is increasing interest from regulators, investors and civil society to understanding the actual societal benefits of our investments. Our Intrinsic Benefits tool is designed to capture exactly that. From schools to smart grids we want to ensure the positive benefits of an investment are systematically considered, rated and incorporated into every investment decision"

Allard Ruijs, Partner, Head of Investor Relations & Business Development

Results

We have increasingly adopted usage of the tool in 2021 including embedding use of the tool into the strategies for our new DIF VII and CIF III funds.

Applying the methodology on an aggregate basis across all our current funds, shows a score of **67/100**. This is a useful score in helping us visualise our ultimate impacts and we will observe how this changes over time.



2.3 SDG focus

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

We use our Intrinsic Benefits tool, for example, to ensure the majority of investments made by the new DIF VII and CIF III funds contribute to the SDGs they aim to promote.

As illustrated below we make core contributions to SDGs 7, 9, 11 and 13. We also make positive contributions to SDGs 3, 4, 6 and 10

Core contributions

Affordable and clean energy

How we contribute: Investments in renewable energy generating capacity, energy storage capacity, measuring emissions intensity and energy use of assets, pursuing energy efficiency investments and utilities which provide energy services.

For example: We are part of a consortium that recently acquired **Fudura** a leading B2B provider in the Netherlands offering solutions to companies on energy efficiency, security of energy supply and CO_2 neutrality. This includes providing transformers and smart metering devices.

Industry, innovation and infrastructure

How we contribute: Invested capital in basic infrastructure and essential services such as sewers, transportation, telecommunicaitons and housing, promoting inclusive development, accelerating infrastrurure that supports economic development and human well-being with affordable and equitable access

For example: The A$5.4billion **Cross River Rail** infrastructure project is a 10.2km rail line connecting the north and south of Brisbane and the surrounding municipalities. The project will improve the quality of travel and accessibility for thousands of people in South East Queensland using a low-carbon means of transport that will also significantly cut air-pollution levels in urban centres.

Sustainable cities and communities

How we contribute: Investment in integrated city infrastructure, including mobility and utilities including water and waste management. Promoting inclusive development, accelerating infrastructure that supports economic development and human well-being with affordable and equitable access.

For example: Our **Liège Tram** investment involves the design, building, financing and maintenance of a new tram line in the Belgian city of Liège. It will lead to an estimated 50 hectares of Liège city becoming car free. This will lead to less carbon emissions, better air quality and a predicted surge in pedestrian volumes in the city.

Climate action

How we contribute: Net zero targets to be implemented across portfolio, emission reduction plans for investments on the ESG Path, investment in renewable energy generation and considering technologies such as hydroelectric, geothermal and biomass power plants and clean grid supporting infrastructure.

For example: We are the 100% owner of **BluEarth**, a Calgary-headquartered North American renewable energy owner and developer. This includes 723 MW of wind, hydro and solar facilities in operation and under construction and over 5 GW in development.

Other contributions

10 REDUCED INEQUALITIES

Reduced inequalities

We encourage our investments to build in practices to ensure they are accessible for all. For example two newly commissioned schools we are helping deliver in the suburbs of Adelaide are aimed at providing high-quality education to over 1,500 students a year who might otherwise suffer from socio-economic disparities in the city.

3 GOOD HEALTH AND WELL-BEING

Good health and well-being

Our healthcare investments including hospitals and elderly care. For example, we have a 40% stake in Velfra a provider of rehabilitation centres, specialist care homes, that benefit around 2,000 Norwegians per year.

4 QUALITY EDUCATION

Quality education

We invest and support schools and community education facilities such as the Carlow Campus in Ireland, which includes Tyndall College a state-of-the-art facilities for science, the arts, technology and sports in a relatively disadvantaged area.

6 CLEAN WATER AND SANITATION

Clean water and sanitation

We promote best practices on water stewardship in companies such as UK-based Affinity Water. Affinity run a stand alone programme to protect rare chalk streams in the UK which provide important habitats for species such as dragonflies, water voles and otters. The firm is also using nature-based solutions such as restoring seagrass in estuaries to increase carbon capture.

CHAPTER 3: ACTIVATING ESG IN PORTFOLIO COMPANIES

3.1 ESG Path - General results

95%

of assets under managment participated in the ESG Path this year

This includes:

24 investments in transport sector (e.g. railways, toll roads, trams)

18 investments in renewables (e.g. wind, solar)

12 investments in social infrastructure (e.g. schools, hospitals)

5 investments in energy production and distribution

6 investments in fibre networks

9 investments in other sectors (including data centres, street lighting etc)

Our ESG Path is at the heart of our ability to pro-actively manage ESG factors at all our investee companies. It recognises that each investment faces its own unique opportunities and challenges and develops bespoke pathways and targets to enhance ESG performance over time. Ultimately enabling DIF to deliver long-term returns.

In 2021, 74 investments, representing over 95%, of our portfolio by AuM (up from 85%), participated in the ESG Path. Each investee responds to a tailored set of questions, based on our five focus areas, and is ranked on ESG performance depending on the sector, size and maturity of assets. Rankings range from 'core ESG practices' that we expect all assets to meet (such as having adequate safety and environmental management systems in place), to more advanced practices (such as biodiversity footprint assessments or third party verification of the energy system).

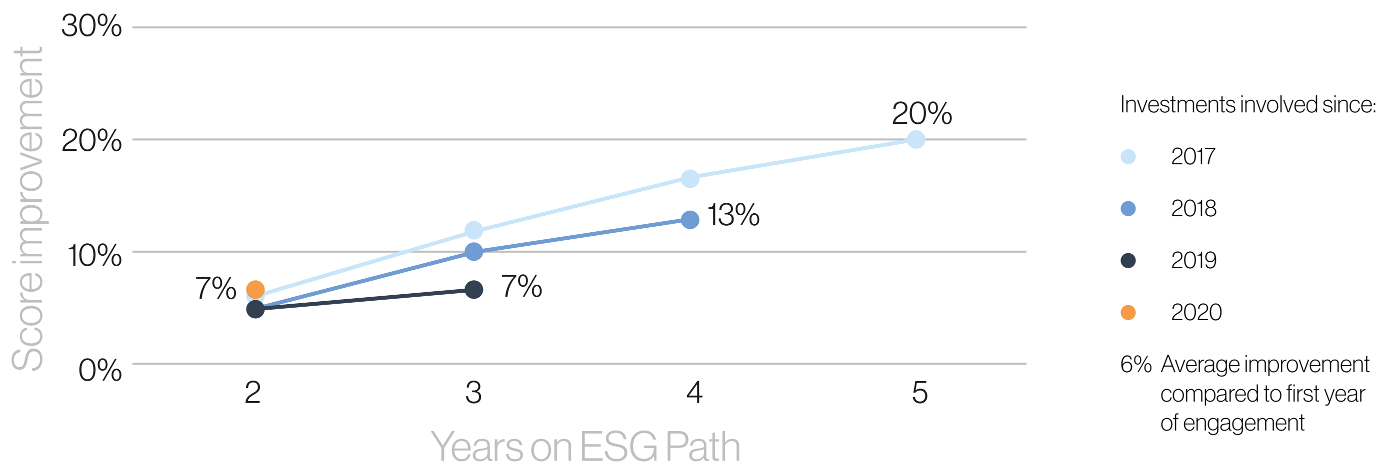
Making companies better

Through the ESG Path, we are able to drive continuous, measurable improvements in ESG Performance.

We see consistent ESG performance improvement year-on-year with, typically, a 6% improvement from an investee company after their first year on the path. The ten investments that have been on the path since 2017 have shown a 20% jump in ESG performance score, and those on the path since 2018 have improved 13%.

It's clear that our bespoke engagements have a real and increasingly powerful effect on our investee companies over time.

Consistent ESG performance improvement



3.2 Governance

Our governance efforts are focused on ensuring the business we invest in has strong, transparent policies and processes in place for the long-term benefit of all stakeholders. Our ESG Path therefore monitors metrics such as whether organisations report on ESG to their Board, whether whistleblowing systems are in place, and levels of training in governance topics such as business ethics.

Our investments generally perform well on governance, with average scores slightly improving from 73.1% in 2020 to 73.3% in 2021 for investments on the ESG path for over a year. This suggests generally strong governance foundations are in place while still demonstrating improvement over time.

High-levels of ESG focus are visible with 69% having a structured system to report on ESG performance to the Board, and 85% of investments discussing more than one ESG topic regularly at Board meetings. In total, 77% have a whistleblowing system .

Training is an important part of our governance indicators and in 2021 our investments trained employees on a wide variety of governance topics including business ethics, anti-corruption and cyber security. There was a 52% jump in average hours of training this year, following declines during the Covid-19 pandemic in the last two years. For example, US toll road Northwest Parkway designed and developed an innovative cybersecurity training programme that involved sending fake phishing emails and dropping USB sticks around the office to raise awareness of potential risks.

ELECTING A VICE-PRESIDENT TO DRIVE ESG FORWARD

We believe there is a clear link between governance and ESG progress - with the best performers being those with clear ESG leadership structures in place. New acquisition **Bernhard** is a good example of this.

Bernhard is a US-based Energy-as-a-Service provider with projects that have helped customers save nearly 5 million metric tons of CO_2e, and the firms scored impressively in the governance section of its first ESG Path last year.

Its governance includes a Vice President of ESG role, a dedicated senior hire which focuses on driving forward the company's management of ESG issue. This is part of a growing team with clear responsibilities to manage commitments such as responsible contracting and emissions reduction.

Such dedicated resource means ESG impacts are both measured and managed - which makes our engagement and the likelihood of reaching ESG objectives much more likely.

This governance complements a strong culture of Ethics & Compliance with a publicly available Code of Business Conduct that provides clear, practical guidance on how all employees should demonstrate the firm's core values of Safety, Ethics, Teamwork and Innovation.

Every employee is also empowered to speak up and report any potential Code violations. Employees will not be retaliated against for reporting potential Code violations.

3.3 Health and safety

Safety is a top priority for DIF and we proactively engage with our investments to help them ensure people go home safely at the end of the day. We provide regular guidance and hold quarterly safety calls as an opportunity for our asset managers to learn from incidents across our portfolio in a peer-to-peer setting. Our ESG Path monitors metrics such as whether health and safety audits take place and levels of relevant training on Health and Safety.

Overall the average safety performance score is encouraging, at 77.9% in 2021 (for investments on the ESG path showing year on year improvement), compared to 75.1% in 2020. This is the highest score of our five focus areas.

An overarching health and safety system is in place for most of the investments. Encouragingly, almost 80% of investments have participated in a safety audit in the last two years and 99% of investments have a safety monitoring system for accidents. We welcomed safety innovations such as the introduction by Clare Solar Farm in Australia of cameras on workers' helmets to monitor maintenance operations in real time.

Training of field workers is key to preventing incidents/accidents and average hours of training rose by about two hours for both contractors and employees compared to 2020. It is also worth noting that 100% of those on the ESG Path undertake safety audits.

Looking ahead, DIF will focus attention on the road sector where we saw a notable increase in the number of road incidents. Across 14 holdings there was approximately 500 more incidents last year following increased traffic levels.

Mental health

In the wake of the Covid-19 pandemic we are encouraged to see the widening of Health and Safety to include topics like wellness and mental health.

This has been well received and among other initiatives we saw Canadian cable provider Valley Fiber roll out a 2-day training course on mental health empowering several employees to become a point contact for someone who is experiencing a mental health issue. Australian waste-to-energy firm Avertas launched on-site programmes to discuss suicide in the construction industry and we saw US project Kentucky Fiber set up a working group on prevention of psychological risks and subscribing to a social welfare programme accessible by all staff in need.

ON TOP OF SAFETY, UNDER GROUND

Health & safety systems that encourage individuals to take personal responsibility for safety are often the most effective.

Cross River Rail is an underground railway project through central Brisbane that aims to set a new standard for major infrastructure delivery.

The project is ranked in the top three of all our investments for its safety performance scoring 95% in total last year.

This is because it has a comprehensive health and safety system in place that monitors risks and puts controls in place to mitigate those risks for all types of work involved, including working from heights – which it records as carrying the highest safety risks. It's revised health and safety strategy also aims to manage micro-behaviours such as distractions and rushing that can contribute to low impact events.

Most recently **Cross River Rail** has rolled out 'Active 8', a behavioural safety programme that focuses on 8 'behaviours which incident analysis has shown are vital to safety. For example 'Eyes on hands', a reminder to workers to watch what they are doing to avoid pinching, crushing, cutting, splashing, burning or falling injuries.

Cross River Rail also won first place for Best Communication of a Safety Message in 2021, thanks to a short movie by an employee , entitled 'No Empty Seats'

3.4 People and communities

Our investee companies manage thousands of employees and deliver assets that provide essential services to local communities, but the work can also cause adverse impacts for those living nearby if risks are not carefully managed. Our ESG Path therefore looks at indicators such as levels of employee engagement, whether formal diversity policies are in place and the extent that local communities are supported.

The average score for this category is was 61.9% in 2021, compared to 55.3% in 2020 (for those on the ESG Path showing year on year improvement). Performance is highest in Canadian and Australian investments, likely due to stricter regulatory requirements on indigenous rights.

In total 73% of investee companies have a formal diversity policy, consistent with last year's level (74%), and gender diversity is improving with 1 in 5 managers female at around half of investee companies. American Roads is one of several assets to have implemented corporate training on Diversity, Equality and Inclusion (DEI), including onboarding training materials for new staff, last year.

Several assets also exhibited good examples of taking vulnerable end-users into account. For example, **Affinity Water** (UK) launched an online programme to help sign language users reach customer services, while British broadband provider **4th Utility** developed a proposition for social housing tenants to obtain free at-point-of access internet and US fiber network **Joink** developed a project to connect students of schools in low-income areas.

Over 60% have a community investment programme in place to some extent, including 100% of the 2017 cohort. In 2021, DIF investments donated more than €1.6 million to local good causes.

This is encouraging but we note that average scores on 'people and communities' remain similar to last year so will also want to push for more positive progress next year, as pandemic restrictions hopefully recede.

RAISING STANDARDS IN THE SUPPLY CHAIN

We want all our investee companies to ensure they have transparent and fair labour practices throughout their supply chain.

In late 2019 we invested in the 50 MW **Cerro Grande** wind farm. This impressive renewable energy asset comprises 22 turbines and is located in Cerro Largo, in the North East of Uruguay near the border with Brazil.

As part of its improvement in its people and communities performance, the asset introduced new sub-contractor audits last year to ensure there was no discrimination and no forced labour in their supply chain. They also offer good practice guidance on other aspects of good labour relations and on grievances' management.

Additionally, **Cerro Grande** hosts a yearly meeting with local communities and prioritises hiring local people where possible.

3.5 Environment

Many investments, such as our clean energy assets, make an intrinsically positive contribution to the environment. But we believe it is equally important that we work with projects that have negative environmental impacts, such as roads, to find ways to minimise those impacts. The metrics in our ESG path monitor metrics such as whether the investee company implements energy saving initiatives, uses renewable energy and how it considers biodiversity.

Our investments perform encouragingly on environment, with average scores improving from 53.2% in 2020 to 59.0% in 2021 for investments on the ESG Path for over a year. In total, more than 60% of investments have energy saving initiatives, rising to 100% for all those that have been on the ESG Path for three years or more. These include steps such as replacing older lighting with LEDs, installing solar capacity and use of more energy efficient equipment.

Almost a third (32%) of investee companies now get more than 5% of electricity from renewable energy sources.

With biodiversity loss rising up the agenda, we introduced a new indicator last year to analyse how many investee companies have undertaken biodiversity risk assessments. We found almost 50% of the investments have conducted one – which is encouraging.

Several investments now also proactively work to reduce the number of wildlife fatalities. For example, clean energy producer **BluEarth** has implemented several initiatives such as by-pass channels and fish-friendly turbines to prevent wildlife fatalities in their site of operation. Conservation actions in the road sector have included tunnels for wildlife, sound diversion equipment, and fence maintenance. Among the 21 investments who track wildlife fatalities, 27% have reduced them this year.

CHANGING LIGHTBULBS LEADS TO 42% ENERGY SAVING

One of the most straighforward and profitable ways for road assets to progress on decarbonisation is to use energy-efficient lighting.

Herrentunnel is a 780 metre-long road-tunnel in Northern Germany that connects Lübeck and Travemünde by going underneath the river Trave. In 2020 the asset embarked on a € 264,000 project to upgrade the traditional (HPS) lighting throughout the tunnel to more energy-efficient LEDs.

The investment achieves energy savings of approximately 42% and so will be a major contributor to CO_2 saving measures. It also helps save € 13,000 year at current prices – with maintenance costs also slightly decreased due to the lower number of lights.

Taking the average German CO_2 emissions per kwh of energy in 2019 the upgrade will lead to CO_2 savings of approximately 750 tonnes for the remainder of the concession, equivalent to avoiding the emissions from over 1,500 barrels of oil..

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

13 CLIMATE ACTION

3.6 Climate resilience

Climate resilience is particularly relevant for infrastructure projects which tend to have long-term time horizons. Our ESG Path therefore helps us take account of whether investee companies have a structured strategy to manage climate change, and how changes such as more climate-related regulation, or increased levels of extreme weather, might affect their value.

Our investees rank generally well in this area, with average scores slightly improving from 56.5% in 2020 to 59.6% in 2021 for investments on the ESG path for over a year. There are fewer high performers with a structured strategy for climate change. Performance is mainly driven by DIF through the evaluation of climate-related risks for all investments and the provision of our greenhouse gas emissions calculation tool. The carbon footprint assessment tolls was used by 54 investments in 2021.

In the last five years, 31% of investments have been impacted by extreme weather events (e.g. fire, storm, etc.), with seven investments collectively reporting losses of approximately US$3.5m in that time. Of this, most is attributable to wind energy provider Canadian Hills which lost around US$3m due to extreme cold weather in February 2021 that prevented the wind turbines from functioning.

We are seeing responses put in place too. For example, Spanish road investment **Aragon** has put in place new employees schedules to avoid the warmest hours of the day in line with increasing levels of extreme heat.

Each organisation's responses on climate resilience will be a valuable foundation for the net zero decarbonisation plans that we aim to develop for each asset and throughout 2023.

Plans will focus on Scope 1 and 2 (direct and indirect) emissions, with data quality around scope 3 being a sector-wide issue that we hope to collaborate with peers and industry initiatives to improve on over time.

ENCOURAGING CLIMATE RESILIENCE ON THE ROADS

One of the many benefits of the ESG Path is that it enables us to collect best practice and share it around peers. In the road sector, for example we have seen several climate resilience measures taken up by a swathe of investee companies across the world.

For example many emissions in the road sector are due to the electricity consumed by lighting. Hence we have seen assets including **American Roads** and **Herrentunnel** in Germany install LED lighting in their tunnels. Similarly, **Northwest Parkway** has retrofitted its roadway lights with LEDs as has **VBB**, with the latter saving approximately one million kWh per year from this initiative.

Similarly, several roads have installed renewable energy capacity to generate electricity including US toll road **Northwest Parkway**, **RDD** and **RDA Monza**.

For 113 km Portuguese motorway **Norte Litoral** the installation of solar panels in the tunnels of the A27 motorway has enabled a 30% annual saving in energy consumption.

CHAPTER 4:

OUR ESG CULTURE

"We have an open and collaborative culture, aspiring to encourage independent thinking, to be honest and act with integrity and to build a collaborative culture of shared ownership. We are a diverse team, and that helps set us apart."

Wybren Brouwer, Associate, ESG

We recognise that most of our social and environmental impact is through our investments. However a sustainable mindset is also important to our own corporate culture. In practical terms we try to be an organisation that supports diversity, contributes to local charities and endeavours to reduce our own environmental footprint.

We believe this culture helps strengthen ESG practices in our portfolio management and vice versa.

4.1 Our people

Our people are our most valuable asset and DIF is committed to providing a fair, non-discriminatory working environment and high-quality training to our workforce of over 180 people across the world.

Diversity & Inclusion (D&I)

We firmly believe that a diverse workplace generates different viewpoints and that this leads to better decision-making and a superior workforce.

DIF strives to ensure an inclusive work environment in which we intend to give a fair opportunity to people from various backgrounds and intersectionality to grow and succeed. Rather than seeing inclusion as a topic to be addressed, we would like to see it as an opportunity to embrace.

Our HR team with close oversight of the Partner group has taken the lead in driving D&I within the firm in a way that supports our culture, drive and ambitions.

Our D&I working group, formed in 2020, has generated several initiatives so far including online content, more inclusive recruitment processes and several team workshops. In 2021 we also asked a leading behavioural science firm Mind Gym to manage unconscious bias training for our wider team.

Outside our own office, we have supported Dutch charity Giving Back which encourages our staff to mentor young people (often with a foreign background) and have invited them to provide feedback on whether any of our materials or processes fail to fully reflect the diversity we wish them to.

4.2 DIF and the community

The culture of our team is to strive to make a positive impact on society, thus we strongly value being a good neighbour and giving back to local communities. We encourage each DIF office around the world to engage local charities and our Partners have committed to put 1% of profits towards these activities each year, and each employee is given at least three days to participate in voluntary work.

Since the establishment of a charitable program in 2018, DIF has donated over **€750k** to charities to support local communities. In 2021 some of the local charities we supported included the Giving Back Foundation, which connects students from underprivileged backgrounds with positive role models and the Laptop Desk, an initiative to help underprivileged children get online by recycling pre-owned, refurbished laptops.

Overall 40 people in DIF, around 22% of our workforce, were actively involved in volunteering during 2021.

Our UK office has created the DIF-Allia Accelerator programme to support start-up charities and social enterprises that are focused on solving one or more of the UN Sustainable Development Goals. The programme hosts a competition which over 47 non-profit organisations applied in 2021, and the shortlisted three will receive six months of mentoring and share a cash prize pot of £30k provided by our UK office.

Our Toronto office participated in an online sports event to raise money for local charities and our Americas office donated to the Digital Education for Everyone Foundation.

In response to the crisis in Ukraine last year DIF also made contributions to the International Red Cross, UNICEF & match-funded employee contributions to a number of smaller initiatives helping those suffering from the conflict.

The founder of Grandnanny were the winners of our DIF-Allia Accelerator Challenge. **GrandNanny** recruits and trains job-seeking midlife+ neighbours and connects them with local families who need childcare support, creating rewarding intergenerational connections that contribute to mental-health well-being.

4.3 Our footprint

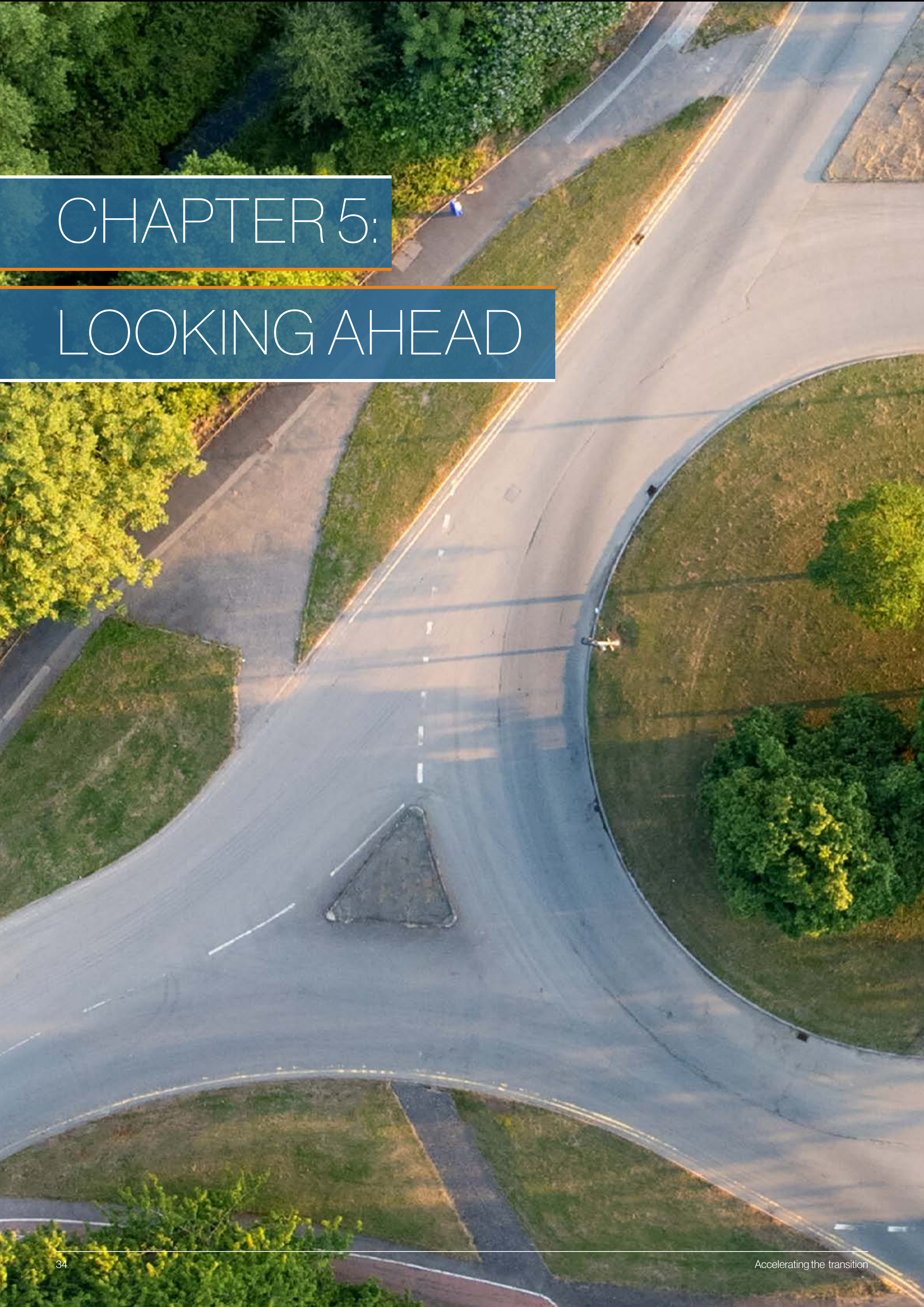
DIF is a net-zero company.

We first measured our organisation's carbon footprint in 2019, calculating that we were responsible for approximately 1,400 tonnes of CO_2e. The largest part of this was generated by business travel.

We aim to reduce these emissions where we can - through energy saving initiatives and reduced travel – and for those emissions we cannot remove, we invest in formally certified carbon offset schemes that fund carbon mitigation projects such as tree planting.

Throughout the pandemic in 2020 and 2021 we did not calculate our carbon footprint but have continued to offset at the same rates as 2019 even with hugely reduced travel.

Our offset project is a reforestation programme in the Great Rift Valley, Kenya, using credits from a Verified Carbon Standard (VCS) project.



CHAPTER 5: LOOKING AHEAD

> "To stay the course in an increasingly uncertain world, it is more important than ever to ensure our infrastructure investments think deeply and act decisively to manage their ESG risks and opportunities"
>
> *Angela Roshier, Partner, Head of Asset Management*

None of us have a crystal ball to tell the future, yet it is very clear we live in a fast-changing world. Inflation and slowing growth dominate the economic outlook, the war in Ukraine will have a lasting impact on energy policies, and we face a world of increasingly extreme weather patterns.

These shifting horizons pose individual challenges for all our individual investments, and creates two key strategic challenges for DIF itself.

The first of these strategic challenges is the work to roll out individual decarbonisation plans for investee companies towards the end of 2023, so we meet the interim Net Zero target we have set for 2030.

We are already discussing with some of our road assets how to facilitate EV charging points and lower costs for electric vehicles, and building similar strategies for all sectors is an enormous undertaking, that will also have to evolve with circumstances as no doubt technology, economic reality and legislation continue to change.

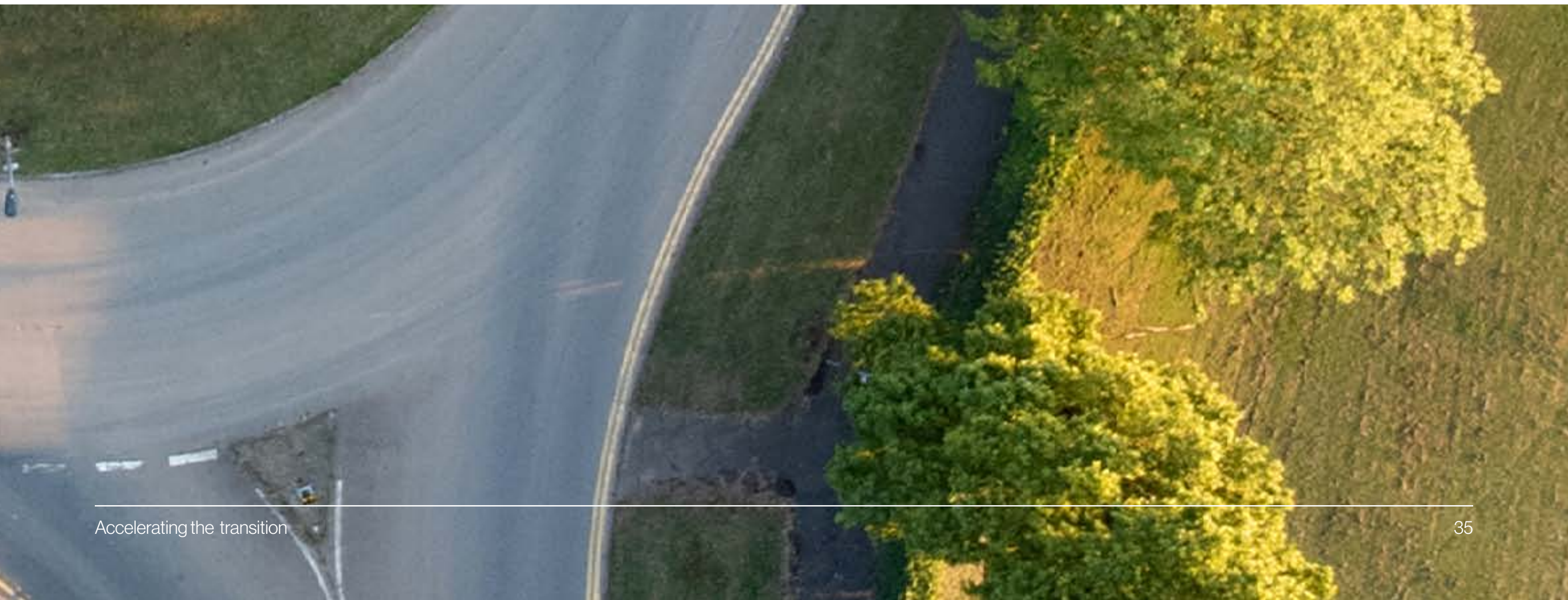
Our priority will be to focus on those emissions that we have the greatest ability to control (Scope 1 & 2) for example, encouraging new hospitals and schools to install low-carbon energy or heating systems. But our aim is also to collaborate with the wider infrastructure industry to see how it can better measure and reduce Scope 3 (i.e. supply chain) emissions, which will require engagement with carbon-intensive parts of the infrastructure supply chains such as producers of cement and steel.

The second strategic challenge for DIF is to stay ahead of the regulatory curve in the world of sustainable finance. We want to, of course, ensure we comply accurately and with full transparency to new rules coming out of Brussels and beyond, and welcome rules that give stakeholders the information they require on ESG issues to help avoid 'greenwashing' in the market. We want to ensure the new processes we have in place - like our Intrinsic Benefits tool - give all our stakeholders the detail and accountability they need.

Looking ahead, our efforts will also include continued activity to improve diversity in portfolio companies, will include extending our ESG team, and working ever more closely with our investors on ESG management.

In our own organisation, with opportunities for business travel returning to pre-pandemic levels, we also want to encourage each DIF employee to think twice about whether there is a more sustainable option such as video conferencing or rail travel, and aim to produce new guidance on this in 2023.

Finally, we recognise that infrastructure has a significant impact on biodiversity, and while we incorporate some tracking of this impact in our ESG Path, an ambition for 2023 will be to explore these existing practices and see whether we can do more to help in the vital challenge of nature conservation.



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