



ESG and Climate Change policy – delivering returns responsibly

2020

We believe infrastructure projects— from schools to sewers, hospitals to highways – must be sustainable in the most literal sense. That is, they must be designed to be long-lasting. That makes the consideration of environmental, social and governance (ESG) factors such as climate risk, access to water, or community relations, a critical part of delivering them successfully.

Therefore, DIF has formalized its commitment towards ESG matters as part of its ESG strategy. DIF's ESG strategy is aligned to its overall mission and strategy of offering access to high-quality infrastructure assets with stable cash flows that deliver sustainable returns.

DIF also has an ongoing commitment to being a responsible investor, being a signatory to the UN-supported Principles of Responsible Investment (UNPRI).

ESG Focus Areas

DIF has identified five ESG focus areas at both company and asset level, and is integrating these into DIF's business processes. Within each of these ESG Focus Areas, DIF has set topics it will focus on and is adopting key performance indicators (KPIs) to demonstrate progress in these areas.



Safety
Including the health & safety of workers and surrounding communities



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



Environment
Including energy savings, waste, biodiversity and water



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



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

Climate change

While our renewable energy assets are helping reduce greenhouse gas emissions, we also recognise that more response is needed to reduce global warming by emissions reduction, adaptation to its effects, and possible future climate engineering.

In addition to government support to renewable energy generation and policy making around energy efficiency measures in the construction sector we recognise the role of private sector in mitigating the impacts of climate change. Meeting ambitious emissions reduction goals will also require a rapid expansion of renewable energy, sustainable transport and waste management assets which DIF will continue to focus on.

At DIF we are committed to understanding the impact climate change can have on our investments, and to managing the risks and opportunities it presents, including investment opportunities in:

- Energy consumption
- Energy sourcing
- Water treatment and usage
- Waste generation and recycling

We recognise that climate change can be both a risk and an opportunity for our investee companies. We will work with our investee companies to assist them identify risks and implement a climate change policy and consider if there are related opportunities. For this purpose we've developed a Climate Change Heat Map to identify to which physical and/or transitional effects of climate change our assets are exposed.

We believe that ourselves and our portfolio of infrastructure assets can have a positive impact on reducing our collective carbon footprint over time. Therefore, DIF commits to measuring and offsetting its own carbon footprint and reducing its own per capita carbon footprint over time. Also we encourage our investee companies to measure their carbon footprint and work towards reducing and/or offset their carbon footprint over time.

Implementation framework

Procedures

DIF is integrating this ESG policy across its business, including the following:

- ESG Screening Tool for new investment opportunities to identify, at an early stage, any ESG issues, including physical and/or transitional effects of climate change, that should affect a decision on a potential new investment. The tool ensures we set specific ESG due diligence objectives if needed, and that these topics are being reported in the Investment Committee paper;
- Where appropriate and part of Fund mandates, identifying opportunities for investing in infrastructure assets that have a positive impact on climate change;
- Assessing compliance with applicable environmental, social and governance laws and regulations, and, where possible, benchmarking ESG performance and management against relevant international best practice standards (or if investing in non-OECD countries or as warranted consideration of IFC Performance Standards, as applicable);
- Using 'ESG Path' delivering ESG performance improvement by working with the assets that participate in the annual DIF ESG survey to mutually agree bespoke targets to improve sustainability challenges specific to them. We monitor and support the investee throughout the year as action is implemented;
- Seek to share ESG best practices inside and outside our portfolio and engage with stakeholders reasonably across all of DIF's business;
- Encouraging our offices to reuse and recycle waste and to implement energy saving initiatives such as smart printing solutions. Staff are also encouraged to volunteer their own time to support the transition to a low carbon economy if they wish to;
- Furthermore, DIF Management BV is measuring its carbon footprint and offsetting it in addition to pursue a reduction in our carbon footprint where possible; and
- DIF Management BV will work with its investee companies to encourage them to measure their carbon footprint via the ESG Path.

Roles & responsibilities

ESG Committee

A cross-functional ESG Committee has been set-up to promote and review progress against DIF's ESG strategy and policy implementation plan. The ESG Committee is accountable for DIF's ESG strategy, ensuring that ESG matters are addressed during IC meetings, investors receive ESG reporting, ESG is accounted for in the assets in which DIF's funds invest and sufficient funding is available annually to implement the ESG strategy across its business.

Investor Relations & Business Development

IR is responsible for communicating DIF's ESG strategy and approach to DIF's investors, and potentially other stakeholders. IR will also take our ESG strategy into consideration in business development activities and in determining what type of investors to approach for the DIF funds.

Origination

The Origination team is responsible for implementing the ESG policy during the origination phase. This means screening new opportunities for ESG risks and opportunities, ensuring the potential asset complies with the exclusion policy, proper ESG due diligence is conducted, inclusion of ESG matters in contracts (SPA, SHA, MSA) with business partners, and ESG action items are communicated to the asset management team for management and monitoring.

Within the origination process, the IC is responsible for addressing ESG considerations as part of the investment decision process.

Asset management

The asset management team is responsible for implementing the ESG policy during the portfolio management period. We believe that active ownership by monitoring of ESG matters (ESG Focus Areas), including serious accident and incidents we can achieve ESG performance improvement. Activities related to the participation in the DIF ESG Path are being monitored by the Asset Management team.

Exits

When DIF considers exiting an investment or fund, it will take the DIF ESG policy into consideration.

Performance management

Although DIF recognizes that different ESG issues may be material to different infrastructure assets, DIF has chosen to harmonize its approach in the ESG Focus Areas both at company and asset level. DIF seeks to focus on material or relevant issues within these ESG Focus Areas in order to adopt a prioritised approach to implement its ESG policy.

Internal and external communication

DIF will publish the ESG Policy on its website and will report on the implementation of the ESG strategy to relevant internal and external stakeholders and will make sure that the internal stakeholders are actively involved in the implementation of the ESG Policy through appropriate training and information sharing. Through its commitments to UNPRI, DIF will also report annually to UNPRI.

Continuous improvement

In developing this ESG policy, DIF has taken account of international standards and guidelines such as the UN Global Compact, OECD Principles for Corporate Governance, Equator Principles, Sustainable Development Goals, and Principles for Responsible Investment. DIF is committed to periodically reviewing the efficacy of its ESG Policy and Strategy, and to update it where necessary in dialogue with its stakeholders.

Signature:  712EF548D19E4A7...
Date: 13 maart 2020

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Policy Data

This Policy has been approved on: 11 March 2020
Approving Body: ESG Committee
Effective Date: 16 March 2020
Policy is reviewed: at least annually
Next review date: March 2021
Policy Owner: Head of ESG – Frank Siblesz