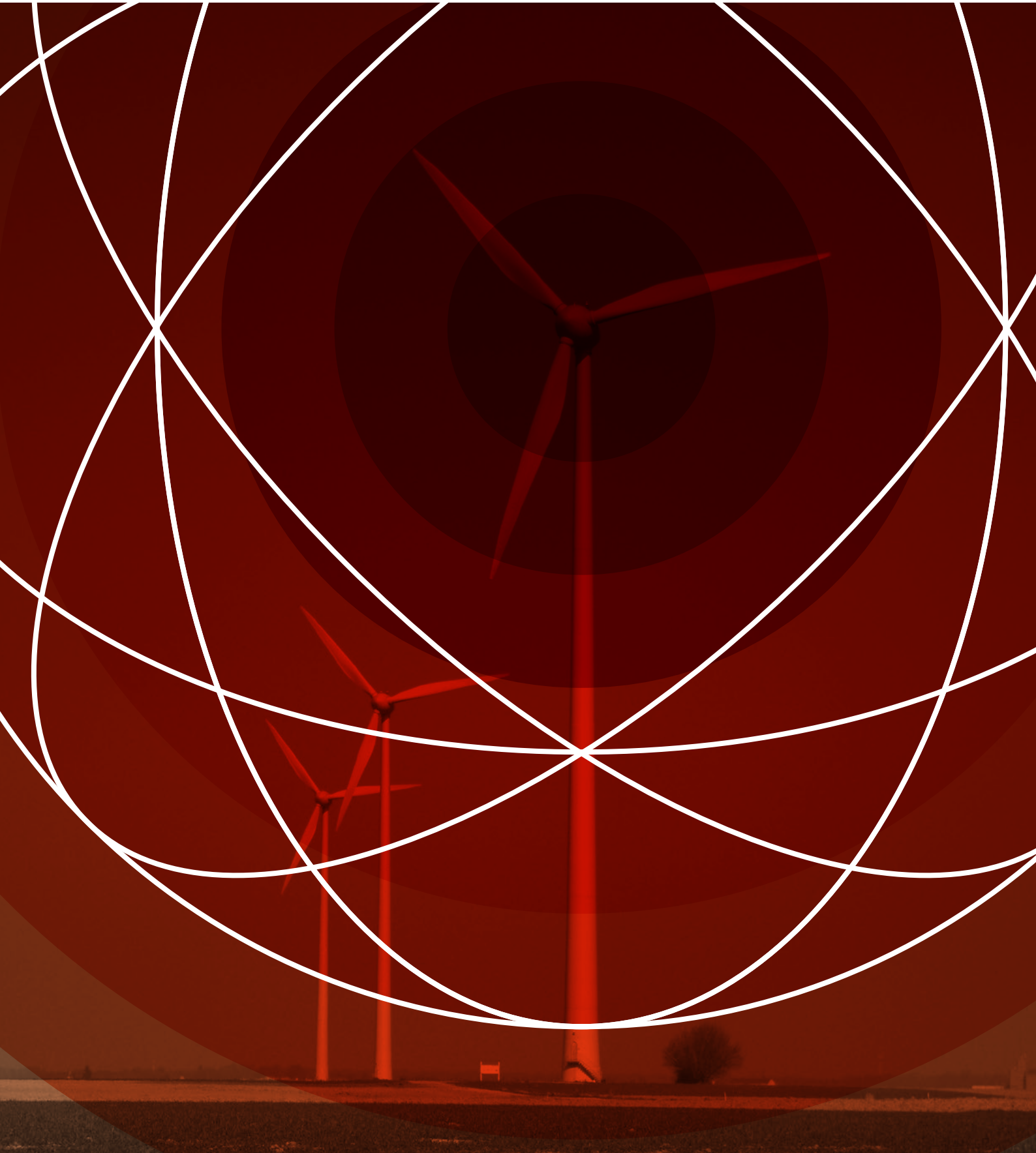
ESG REPORT 2018
DELIVERING RETURNS RESPONSIBLY

DIF



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DIF

ABOUT US

DIF Management B.V. (DIF) is a leading independent fund management company, founded in 2005. We manage approximately €5.6 billion of assets[1] through seven investment funds and have invested in more than 190 infrastructure projects.

DIF invests in high-quality infrastructure assets that generate long-term, stable cash-flows, including Public Private Partnership projects, regulated assets, long-term contracted renewable energy projects and other core infrastructure projects in the telecom, rail and energy sectors in Europe, North America and Australia.

DIF has a team of approximately 100 professionals located across its offices in Amsterdam (Schiphol), Paris, Frankfurt, London, Madrid, Luxembourg, Toronto and Sydney.

ABOUT THIS REPORT

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

We hope this report offers insights into our approach to responsible investment, provides specific details of how we are assessing the ESG performance of our assets and expresses our commitment to deliver sustainable returns through access to high-quality infrastructure assets.

This report covers DIF as a company, including all our funds under management, and applies to the calendar year 2017.

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

1 As of 01 August 2018

FOREWORD: DELIVERING RETURNS RESPONSIBLY

We truly believe that infrastructure investing is about much more than generating stable cashflows. The building and operation of infrastructure forms the backbone of the economies, societies and communities in which we live and work.

At DIF, all our employees realise that our assets will remain for decades after many of us have retired. Lives will be saved in the hospitals we build and operate, lives changed for pupils in the schools we facilitate, and communities empowered by the wind and solar assets we invest in. Understanding the connection between our funds and the end users of our assets creates a sense of civic responsibility that forms part of the DNA of our business.

The long-term nature of most infrastructure assets also makes it essential that we take into account a broad range of environmental, social and governance (ESG) factors as part of our risk management. From safety to stakeholder engagement, biodiversity to board diversity we understand that managing these factors is part of delivering sound financial returns for the pensioners, insurance firms and investors who participate in our funds.

This year we continue our journey on ESG management, and we were reminded in the most severe way of the impact of infrastructure assets in August 2018, when 43 people tragically lost their lives in a road bridge collapse in Genoa. As a company, we see the responsibility towards the millions of our assets every day and we are committed to relentlessly pursue and improve ESG management across our portfolio.

GLOBAL REACH

At DIF we work hard to protect and maintain our reputation as a company that, "Does what we say we are going to do". We pride ourselves on a corporate culture which is, 'Dutch but international' and thus has a strong focus on pragmatism and transparency.

That is why our approach to sustainability is about not only improving the external ESG management of our assets, but also looking internally to help employees and our business itself to think of the environment, participate in local charities and be a responsible global citizen.

This report is part of that culture and I am delighted that for the first time this year we highlight what we are doing as a sustainable business, what some of our assets have been doing, and the areas we see for improvement in the future. We believe that we can, "Deliver returns responsibly" – and have been doing so.

We are continuing an exciting journey and we look forward to engaging with you, our stakeholders, to make this happen together.

Wim Blaasse
Managing Partner

At DIF we work hard to protect and maintain our reputation as a company that, "Does what we say we are going to do".

AT A GLANCE[2]

Governance

DIF has a board position in **all** assets surveyed in 2017, and attended **96%** of board meetings.

93% of assets have at least a partial ESG policy in place.

62% of assets have implemented an ESG management system such as ISO14001 or OHSAS 18001.

Go to page 18 for more on this topic

Environment

DIF funds invested in **28 wind** and **35 solar** projects, together producing over **3.9 terrawatts** of electricity in 2017. Equivalent to providing almost 450,000 homes with electricity.

85% of our road sector assets track energy consumption, with 77% working to reduce it.

72% of our assets have energy saving initiatives in place.

Go to page 24 for more on this topic

2 All statistics of 'our assets' are based on the 2017 ESG questionnaire of assets conducted with 30 assets.

Safety

Over **90%** of projects monitor and report on safety incidents on a monthly basis.

85% of assets have undertaken some Health & Safety training

DIF runs annual health & safety training courses for all its asset managers, covering both legal and behavioural aspects of safety issues.

Go to page 20 for more on this topic

Human capital and community

DIF funds invested in **13 education** projects, providing education from elementary school to university.

DIF funds invested in **10 healthcare** projects, treating patients around the world.

Go to page 28 for more on this topic

ESG in our own corporate culture

In 2017 DIF updated its ESG strategy and policy, set up an ESG Committee and conducted our first annual ESG questionnaire with a selection of 30 large assets.

100% of employees are invited to participate in carried interest and co-invest schemes.

35% of all DIF employees are female.

Sustainability measures including sensors, LEDs, waste recycling and use of recycled paper are being implemented in our offices.

Go to page 30 for more on this topic

01

ESG INTEGRATION

From highways to hospitals, schools to sewers, we believe that the long-term nature of infrastructure projects, and the economic and social significance they tend to have, make infrastructure an asset class particularly compatible with responsible investment.

That is why in 2011 we became a signatory to the Principles for Responsible Investment (PRI) – a UN-supported set of principles that asks investors to integrate ESG factors into their investment process, to engage with underlying assets on these issues and to be transparent about responsible investment practices.

In a rapidly changing world, we also recognise that our management of ESG factors must constantly evolve and it is an area that we have discussed extensively in the last year with our investors and other stakeholders as we grow and expand worldwide.

ESG AS STRATEGIC PRIORITY

In 2017 DIF decided to ramp up our work in this area and adopted ESG as a strategic priority to be anchored in all areas of our business.

From the very start of our investment process to the very end, we are working to evolve rigorous and transparent processes to ensure ESG issues are properly factored into our portfolio. But we also see sustainability as going beyond 'just' our management of assets. It is also critical to DIF as a company, through its role as an employer and as a corporate citizen.

From the very start of our investment process to the very end, we are working to evolve rigorous and transparent processes to ensure ESG issues are properly factored into our portfolio.

OUR GOVERNANCE OF ESG

This year has seen DIF make vital strides forward in our approach to responsible investment, including updating our ESG strategy, publishing a revised ESG policy on our website, setting up an ESG Committee and actively engaging a sample of our assets through the first DIF ESG survey.

These efforts have resulted in an immediate improvement in our PRI reporting process score to a B, including being awarded top marks in responsible investment governance criteria such as 'goals and objectives' and 'responsible investment roles and responsibilities'. We have set a corporate aim to obtain an overall PRI score of A+ by 2020.

Our ESG management starts from the top. We have a board approved ESG policy (available online) that governs all parts of our business, and this year set up an ESG Committee that includes our Managing Partner and our Heads of Investment, Finance, Investor Relations & Business Development and Asset Management among others. We also combine senior leadership on ESG with a bottom up approach whereby all of the DIF staff considers ESG risks and opportunities in their work.

Early 2018, we conducted our first ESG questionnaire with a selection of 30 of our assets. As discussed in detail in the following chapter, this enabled us to engage on a range of ESG factors and has proven to be a very useful tool to discuss risks and opportunities for our portfolio. We intend to expand the sample over time with active engagement across our portfolio.

DIF's ESG strategy identifies four Focus Areas which, based on both our own experiences and feedback from our stakeholders, are the ones most critical to our suite of assets. The four ESG areas are:

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

Environment
Including energy savings, waste, biodiversity and water.

Human Capital & Community
Including issues of training, diversity, labour rights, local employment, charitable giving and profit sharing systems.

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

We also want a deep understanding of ESG issues to be captured in DIF's corporate culture. This has translated into DIF encouraging all its staff to use our professional skills to support local charities and renewable energy projects among others. This is explored further in Chapter 3 of this report.

We have set a corporate aim to obtain an overall PRI score of A+ by 2020.

Solar panels in Lone Valley, California

ESG ACROSS ALL AREAS OF OUR BUSINESS

As illustrated in Figure 1 we apply processes to implement our ESG policy at all stages of our investment cycle.

FUNDRAISING

DIF has been very active fundraising for our CIF I and Infrastructure V funds and found an increased emphasis on ESG from investors in all geographies. We have a shared understanding with our investors that a sound ESG strategy translates into long-term value preservation and enhancement of their investments.

> We see an increasing interest from investors to understand how sound ESG management can improve the value of their infrastructure investments.

Barend Bloemarts, Director, Investor relations, Schiphol office

ORIGINATION

DIF has developed and implemented an ESG screening tool to determine if, and what, ESG due diligence needs to be performed for each new investment opportunity. During 2017, we decided not to pursue a number of investment opportunities mainly due to ESG factors. These included investment opportunities in assets related to fossil fuels and in countries with serious issues around human rights or counter parties involved in fraud.

> It is important to identify any major ESG topics at an early stage of the investment process in a transparent and consistent way.

Stephanie Benhamou, Senior Director, Origination, Paris office

ASSET MANAGEMENT

Post investment, our asset managers are required to flag and report ESG issues, such as serious accidents or pollution, as part of the quarterly reporting. DIF uses the rights and obligations it has through governance positions (such as seats on a management board) to ensure ESG matters are being addressed, and is continually engaging with stakeholders, management teams and sub-contractors to improve performance. The next steps on our ESG journey include using our new annual questionnaire with a wider sample to track, monitor and improve ESG issues at each individual asset through constructive engagement.

> The ESG questionnaire has identified best practices across our portfolio that we can cross fertilize geographically and across sectors, including best-in-class processes on health and safety surveys, LED lights and community engagement. Each learning helps us find new areas to improve sustainability in our assets and to progress on our journey towards sustainable investment.

Angela Roshier, Partner and Head of Asset Management, London office

EXIT

We believe that exit represents a real opportunity to demonstrate where ESG management has added value, and we are committed to instilling confidence in potential buyers by showing them the steps that have been taken to enhance or mitigate ESG impacts.

> We want to make the presentation of material ESG risks and opportunities a transparent part of our exit process, and an area that should inspire the acquirer that the asset in question is well prepared to manage ESG issues into the future.

Andrew Freeman, Managing Director, Head of Exit, London office

Figure 1: ESG at all stages

DIGGING INTO THE DETAIL

This year, DIF also created a detailed scoring methodology to help us understand and track ESG performance for each of the four Focus Areas in DIF's high-level ESG strategy.

In keeping with DIF's corporate philosophy we wanted to ensure this methodology was rigorous enough to 'do what it said it would do', i.e. to accurately assess ESG performance for both individual assets and the wider portfolio. Therefore we worked with leading sustainability consultancy ERM to evolve a set of detailed indicators within each Focus Area.

As shown in Figure 2 this methodology explored a detailed set of indicators for each Focus Area from employment practices to energy use, contractors to community relations. This methodology was the foundation for our ESG questionnaire and our aim is to continue to evolve and refine this methodology in the years to come.

The methodology not only enables us to track progress within individual assets, it also provides insight into ESG performance levels among thematic clusters of assets such as roads or social infrastructure.

The ongoing challenge for us is to develop a methodology that is pragmatic and applicable to all our wide variety of assets in accommodation, renewable energy, roads and beyond.

Figure 2: Overview of DIF's ESG scoring methodology

GOVERNANCE

	Initiative implemented?		
Indicator	Yes	Partial	No
Policy in Place	An overarching ESG policy OR several policies covering key aspects including Environment, H&S and ABC (Anti-Bribery and Corruption) as a minimum	No overarching ESG policy, but individual policies covering at least one of the key aspects (environment, H&S, ABC)	None
ESG Management System	A formal management system covering key ESG aspects	Some procedures in place, but not complete	None
Dedicated ESG resources	At least one dedicated ESG person	ESG matters are dealt by management among other duties	None
Internal ESG Reporting (to board)	Report to Board on ESG matters	Report some limited E, S or G matters (eg. HS monitoring, ESG incidents)	No internal ESG reporting
Evidence of Stakeholder Engagement	At least several evidences of one of these: Conduct meetings with key stakeholders (local authority, regulators, users, surrounding community, NGOs...) on periodic basis and document it, be active member of association/organisation, implement a grievance mechanism for local community	Limited engagement with one of these, but not formalised or documented	None
Material Incidents Reporting Process	Formal procedures to report to the board any material ESG incidents	No formal procedure in place but reporting conducted in ad hoc manner	None
Good governance practices (regular meetings, type of attendance, ESG topics covered ...)	• At least 6 meetings/year • Attendance in person mostly • ESG topics covered each time (at least HS performance)	• Between 2 and 6 meetings • Attendance mostly by phone • ESG topics not covered each time	• Less than 2 meeting • Only attendance by phone • No ESG topics covered
Independent Directors on the Board	All independent	At least one of the members in NOT independent	None independent
Regular board review (board effectiveness)	At least once a year	N/A	Never
Delegation of authorities	Existing	N/A	Not existing

SAFETY

	Initiative implemented?		
Indicator	Yes	Partial	No
Health & Safety Policy	Existing	N/A	Not existing
Health & Safety audits	Yes, done by third party or by trained internal resources	Yes, but done internally by employees who aren't trained H&S specialists	Never
Health & Safety Incident Monitoring and Reporting	Monthly report of fatalities, accidents and near misses	Reporting only of serious accidents/ fatalities when they occur	None
Health & Safety training	H&S training for all employees (<100% but relevant/consistent training to main operators)	Limited number of employees trained and/or limited scope (e.g. only fire safety) OR 100% offices only	None
H&S Contractor Management (Incident Monitoring and Reporting, require training to be implemented)	Incident (accident/fatality as minimum) Monitoring and Reporting Require training to be provided to 100% of contractor employees	Limited reporting (not regular or only for big issues) and/or no training provided	None
Other relevant H&S improvement initiatives	At least one pro-active initiative to significantly improve H&S performance	At least one initiative but with limited impact	None

HUMAN CAPITAL AND COMMUNITY

	Initiative implemented?		
Indicator	Yes	Partial	No
Diversity	At least one pro-active initiative to improve diversity	Only monitoring diversity and/or having a policy	None
Community/ Charitable giving	Financial and/or employee pro-bono support to at least one community/charity organisation	N/A	No
Local employment	At least one pro-active initiative to promote local employment	Only having a policy	No
Other relevant positive-impact initiatives for community	At least one pro-active initiative that represents a positive impact for community (not already noted above)	N/A	No

ENVIRONMENT

	Initiative implemented?		
Indicator	Yes	Partial	No
Energy consumption	Monitor accurate data related to each energy stream (electricity, gas, fuel)	Partial monitoring of energy consumption OR limited to offices	No
Energy saving initiatives	At least one pro-active initiative to reduce energy consumption	Limited to offices	No
Renewable energy generated/purchased	Yes, and represents significant (more than 5%) of total energy consumption	Yes, but represents <5% of total energy consumption	No
Waste management and recycling initiatives	At least one pro-active initiative to reduce/minimise waste, and comprehensive recycling programme	Recycling of at least some waste streams	No
Other relevant improvement initiatives (biodiversity, water...)	At least one pro-active initiatives to improve biodiversity, reduce water consumption, etc...	N/A	No

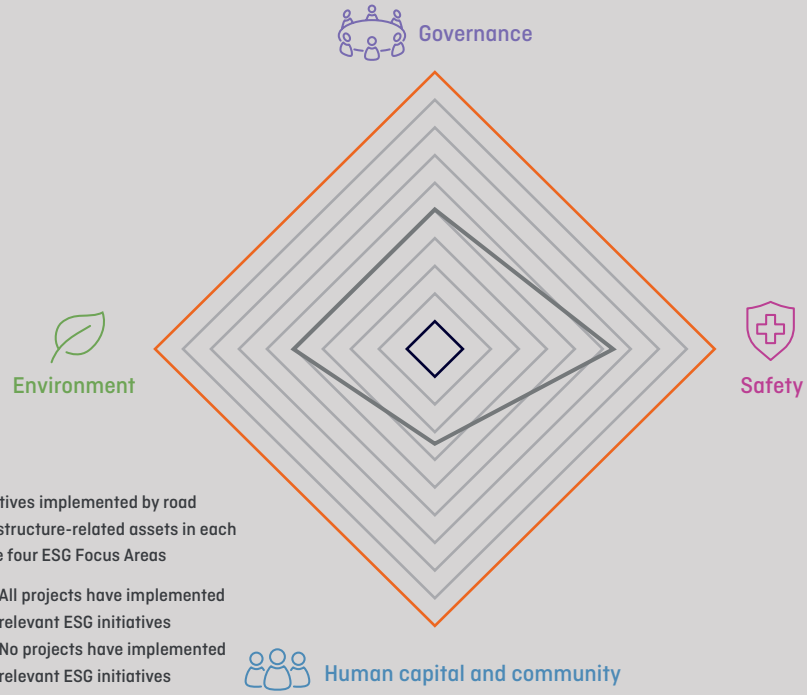
The results of our ESG questionnaire are detailed in the following chapter.

ASSET THEME: ROADS

Understanding the long road to sustainability

Investment in the creation and management of roads is a critical part of DIF's portfolio. Of the 30 assets in our ESG questionnaire, 13 were road-related assets, based in Southern Europe, Germany, Netherlands and USA.

As the tragic road bridge collapse in Genoa in August 2018 demonstrated all too clearly, it is critical that the highest possible standards of ESG performance are achieved in this sector in areas including health and safety and environmental impact.



Initiatives implemented by road infrastructure-related assets in each of the four ESG Focus Areas

— All projects have implemented relevant ESG initiatives

— No projects have implemented relevant ESG initiatives

The results of our ESG questionnaire found some generally encouraging areas of performance among the sample. These included:

Energy management: 85% of the road assets track energy consumption, with 77% having put in place pro-active initiatives to reduce consumption.

Safety management systems: All of the assets have at least some health & safety incident monitoring and reporting systems in place, many are certified to international best practice standards such as OHSAS 18001.

Case studies: The survey also highlighted several individual innovations such as the building-in of "Wattway" solar panels, and the safer road commitments on the A63 highway in southwest France. More information on both innovations are detailed in the case studies in the following chapter.

The survey also highlighted areas for improvement. For example, it found that only 47% of road assessed had health & safety monitoring or reporting, and training in place for all contractor employees. Improving the extension of safety management systems by our assets to contractors will be an area DIF will focus on improving in the next year.

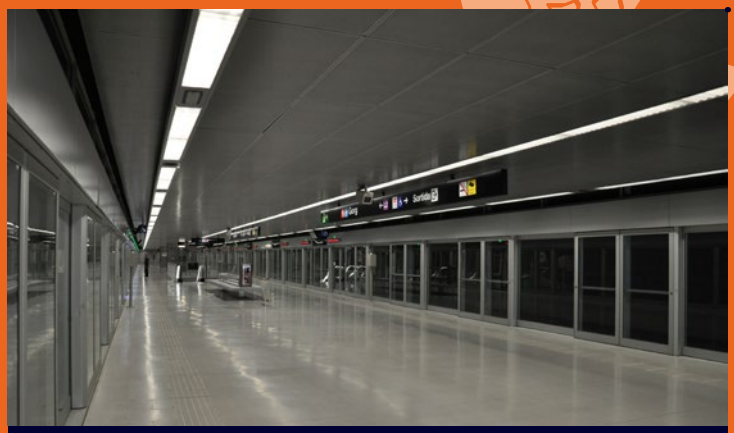
One of our targets for 2019 is to bring together all our road managers together next year to share best practice across all ESG focus areas.

GLOBAL SNAPSHOT

CANADA The new Green Cleaning Programme at the Royal Jubilee Hospital in Victoria has both reduced the hospital's carbon footprint and helped avoid any chemical usage-related worker injuries.

IRELAND A novel approach to street-lighting on the M50 highway has reduced energy consumption by approximately 3 GWh, reducing carbon emissions by 1,450 tonnes – without affecting safety for drivers.

US Innovative financing has helped the 14km Northwest Parkway toll road to install seven solar systems with 62 kW power capacity along the road, offsetting around 635 tons of CO^2 emissions.



SPAIN DIF's Spanish portfolio of public-private partnership includes metro stations in Barcelona. The stations have installed new energy-saving technologies to control power and reduce non-traction energy consumption by at least 5%[4].

UK Innovative health & safety training on the Thames Tideway Tunnel project has helped generate over 7.5 million work hours with no major injuries. The project also has a 21% local employment rate and in November 2017 launched the first public bond issued as a green bond in the UK.

GERMANY The Netz West project has overseen the purchase of more energy efficient rolling stock for the passenger rail network and aims to encourage more travellers off the roads and on to public railways.

FRANCE Work on the A63 highway in southwest France has included support to a start-up developing 'smart' glasses to prevent drivers falling asleep at the wheel and the installation of innovative "Wattway" solar panels awarded a Climate Solutions Award at a UN event.

NETHERLANDS A project to develop the A1 and A6 roads has assisted 20 previously unemployed people find their way back to work.

AUSTRALIA We invest in several renewable energy assets including the 275 MW Bungala Solar PV project, one of the largest solar PV plants in Australia. The project will produce enough electricity to power approximately 82,000 homes, avoiding the emission of about 520,000 tonnes of CO^2.

02

ACTIVE OWNERSHIP

As active owners we are committed to engaging with our assets to help them manage ESG risks and opportunities, and to using our expertise to share best practice across the portfolio.

Achieving this requires two-way dialogue. We must clearly communicate our expectations on ESG management to our assets; but also listen to those working on the ground to ensure we fully understand their challenges, focus on the most relevant issues for the assets, and modify our approach for the asset type.

That is why in 2017 we developed our first annual ESG questionnaire, and reached out to a large selection of over €1 billion of our assets under management. This constituted 30 assets in total including wind and solar projects, toll roads, availability of PPP projects and regulated assets throughout all of our geographies.

The questionnaire was composed of 37 questions, created with input from environmental risk consultancy ERM, and divided into our four focus areas:

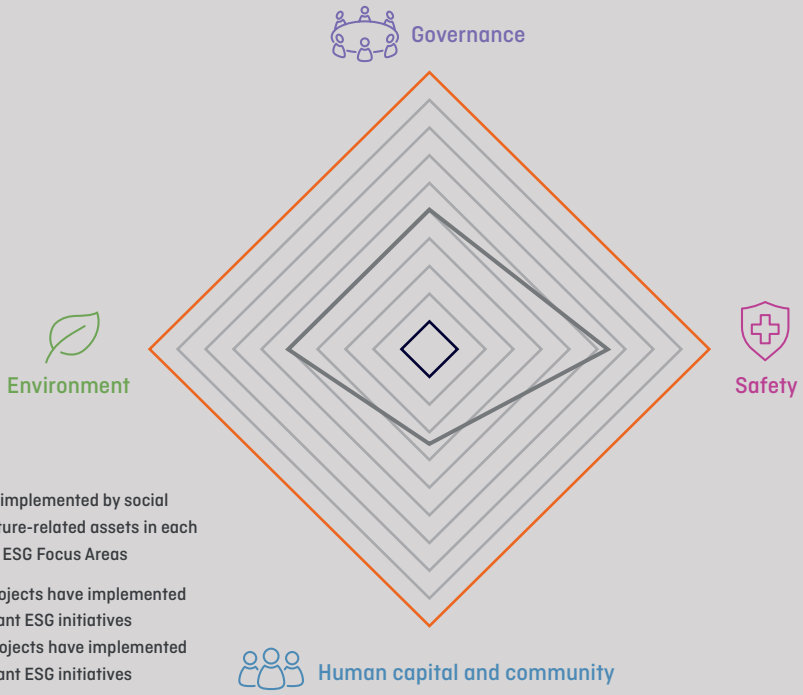
Governance
Safety
People and community
Environment

In this chapter, we convey some of the results of this questionnaire, alongside comments on current performance and future challenges in each area.

ASSET THEME: SOCIAL INFRASTRUCTURE

DIF is proud of its strong tradition of investment in hospitals, schools and other social infrastructure that make a critical difference to thousands of people's quality of life every day.

In total, seven of our social infrastructure assets were covered in the ESG questionnaire this year including social care and front line healthcare facilities in the UK, Netherlands and Canada.



Initiatives implemented by social infrastructure-related assets in each of the four ESG Focus Areas

— All projects have implemented relevant ESG initiatives
— No projects have implemented relevant ESG initiatives

The results of our ESG questionnaire highlighted a range of both strengths and areas for improvement for the assets surveyed this theme. These included:

Excellent performance on policy: All the social infrastructure assets have ESG policies in place and report their performance to the board.

Strong approaches to H&S: 85% of the assets track accidents and conduct external audits on health and safety issues, and 100% request training of and reporting from sub-contractors in relation to accidents.

Need to improve on energy: Only two of the seven assets track energy consumption and none have taken steps to use more renewable energy.

2.1 GOVERNANCE

OUR APPROACH

We believe that strong ESG management starts with strong governance. As with most assets, infrastructure projects are most successful when interests are aligned across the value chain from investors to end users, and this requires sound governance structures including a properly functioning board, with regular meetings and proper documentation.

Governance requirements differ from asset to asset but some of the key items that we monitor are the ESG policies that the project management has in place, the report of breaches of such policies, ESG management systems and reporting levels.

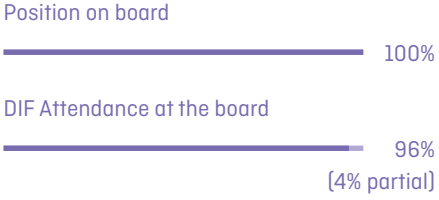


Figure 3: DIF attendance at investee boards among the asset sample

OUR PERFORMANCE

DIF has a board position in all of the projects covered by our 2017 ESG questionnaire and attended board meetings in 96% of these projects, visiting over 80% of the projects at least once.

Our questionnaire also showed that 93% of assets have at least some ESG policies in place. As shown in Figure 4, the most common are those related to governance including codes of conduct and policies related to conflict of interests, bribery, fraud and/or corruption.

Only a limited number have developed an integrated ESG policy, and for most assets the focus areas of DIF's ESG policy were not fully covered. In particular, we want to encourage more assets to adopt ESG policies that at least cover tax, ethical conduct, diversity, cyber security, anti-corruption and modern slavery.

We also monitor breaches of these policies and during 2017 no breaches were reported.

Encouragingly, over 70% of assets have implemented a management system and dedicated some resources to ESG. For large Special Purpose Vehicles (SPVs) and several road assets management systems are largely ISO certified (9001/14001) and OHSAS 18001.

Reporting of ESG issues to the board is also being conducted on a regular basis. Approximately 60% of the assets have an ESG section on every board agenda, although the level of detail varies significantly. During interviews, 90% of assets mentioned that material incidents are systematically reported to the board.

Figure 4: Which ESG policies are in place

OUR CONCLUSIONS

It is encouraging to note the strong governance in place in most assets surveyed, and that DIF maintains tacit engagement through its board positions, consistent attendance at board meetings and regular visits to the assets every year. Key policies are generally in place and no breaches were reported this year.

There is room to improve however. A significant number of projects would benefit from more specific ESG policies (in areas such as modern slavery or diversity), and the scope, content and coverage of policies across the portfolio can all be progressed.

In particular, more needs to be done to extend ESG policies and processes to contractors and sub-contractors, particularly in the case of Special Purpose Vehicles (SPVs) where contractors are conducting most of the operations.

Another area of progress for DIF should be to drive up its number of visits to the operations of each asset, and to look at producing a more structured format for ESG reporting across all assets.

CASE STUDY

Swarcliffe: Good stakeholder governance makes good neighbours

DIF Investment	**33%**
DIF member on board	**Yes**
DIF fund	**DIF III**
Year of investment	**2013**

DIF invests in Swarcliffe Housing, a social housing project in the UK city of Leeds, that includes over 1,300 flats, houses and communal areas with a mix of private and local authority tenants.

When DIF took over the contract the governance was poor and there were a number of disputes and a lack of trust between various parties on the estate. One major dispute was over who was responsible for completing refurbishments.

To address these issues, a Project Improvement Group was established to provide a common understanding for future collaborative working and to start to build a legacy for the community. This had a really positive impact on the project, with significantly improved relationships and an agreement on how to proceed with necessary repairs and maintenance.

Since the new stakeholder governance was put in place the estate has seen faster decisions and properties returned to lettings faster for families in desperate need. Results have included:

- Over 4,600 repairs completed in the year to March 2018, 98% on time.
- A high level of customer satisfaction – with a survey in February 2018 finding 82% very satisfied and only 3% either dissatisfied or very dissatisfied.
- The creation of a service to enable young offenders to undertake voluntary work on the estate and help create a sense of community.

In recognition of this success, Swarcliffe Housing was awarded the Gold Award at the Partnerships Awards 2018.

The Swarcliffe management team at the Partnership Awards 2018

2.2 SAFETY

OUR APPROACH

Infrastructure projects are dangerous places. Heavy equipment, use of chemicals and treacherous locations such as operations under water all generate significant health and safety risks, and it is of fundamental importance that our assets manage these risks so workers and users know they can return home safely to their families at the end of the day. Experience also shows that high safety standards on the ground tend to translate into safe and stable long-term returns.

Meeting this safety challenge is multi-faceted. It involves having rigorous policies and processes in place, but it is also about individual behaviour and awareness. That is why our scoring in this area looks at both health and safety governance in place – including H&S policies, audits, systems such as accident reporting, and behavioural areas such as training. We also encourage innovations such as the interactive health and safety training facility, EPIC, used on the Thames Tideway Tunnel (see 'Building a culture of safety under the Thames').

OUR PERFORMANCE

Reporting on safety indicators to the board is a key requirement for our assets and our 2017 ESG survey showed that over 90% of projects monitor and report accidents on a monthly basis. Over 70% record near misses.

In 2017 our survey recorded zero fatalities among both direct employees of assets and contractors, with 38 reportable injuries – which are non-critical injuries such as slips, trips and strains. In all cases incidents were investigated and action taken to prevent similar occurrences.

DIF also holds quarterly internal team calls to discuss relevant incidents and invite the asset manager to explain what happened and the corrective actions being taken to prevent such accidents from occurring in the future. Where relevant contractors are also invited to these reviews.

DIF also ensures that 100% of our asset managers receive training on health and safety every year, including consideration of both the legal and behavioural aspects of ensuring high health and safety standards.

We strongly believe that the health & safety (H&S) behaviour of our assets should be anchored in strong governance and our ESG survey shows that:

- 90% of the assets have at least a partial H&S policy in place.
- Over 70% of the assets have undertaken a H&S audit in 2017 either externally or internally. Over 50% of the assets also carried out a H&S audit of its main subcontractor.
- 85% of assets have undertaken some H&S training with their employees or board. This can be in the form of toolbox talks, workshops or safety committees where all employees can suggest ideas.

OUR CONCLUSIONS

With a strong emphasis on health and safety, anchored through solid governance and participatory processes, our assets are generally showing good performance in this area.

We are happy to see that a number of our assets have specific programs aimed at improving safety for their employees and all stakeholders.

We will continue to encourage strong H&S standards and practices in the coming year with some areas for improvement including:

- Achieving a target for 100% of assets to have the required policy and accident and near miss reporting in place. We encourage the reporting of near misses as they can act as an 'early-warning system' to prevent more serious incidents.
- Ensuring HSE training is being provided to all DIF employees and relevant stakeholders
- Sharing knowledge between assets. For example, engaging with all our road projects to see if they can benefit from programs such as the A63 program (see 'Safer road, safer returns')
- Improving the consistency of safety reporting and definitions across all assets.

CASE STUDY

Building a culture of safety under the Thames

DIF Investment	**10%**
DIF member on board	**Yes**
DIF fund	**DIF III & IV**
Year of initial investment	**2015**

The Thames Tideway Tunnel is a major new sewer designed to protect the River Thames from the millions of tonnes of sewage that currently spill into its tidal section every year.

As a major construction project, the health and safety of all employees, contractors and the general public is paramount. From day one, Tideway's leadership team aimed to go beyond the traditional PowerPoint and toolbox briefings on safety and adopt an innovative approach to genuinely engage workers and increase awareness of health and safety.

A core part of delivering this has been the development of an interactive health and safety training facility, known as the **Employee Project Induction Centre (EPIC)**. As part of their project induction, every member of the workforce, from tunnel operatives to delivery drivers and office staff, go through a one day immersive, multimedia health and safety training day, using actors and a structured management training approach to help each individual understand how to more effectively manage health and safety.

In addition to this training, Thames Tideway also has 'stand downs' every 12 weeks where contractors and Tideway have an opportunity to engage on any Health, Safety and Welfare subject that is relevant.

So far over 12,000 employees, contractors and stakeholders have attended EPIC's innovative and interactive course. It has already been widely recognised as industry leading, providing a benchmark for other large projects and programmes that can be adapted to other contexts. Other organisations are also enrolling their employees into this training programme, allowing Tideway to further extend its reach by improving health and safety in the industry.

The success of EPIC has been recognised by winning a number of industry awards, including from **New Civil Engineer** and the Editor's Award at the 2018 **Ground Engineering Awards**.

> We have been very clear that we wanted to be transformationally different on health, safety and wellbeing, using EPIC as the starting point for everyone working on the project. With over 4 million work hours in the year, and over 7.5 million overall, there have been no major injuries to date. There is a very evident culture across all teams that encourages open and honest talk about doing things safely or not at all and understanding what we can do to make tomorrow even better than today.

Andy Mitchell CBE, Chief Executive Officer

CASE STUDY

A63: Safer roads, safer returns

DIF Investment	**34%**
DIF member on board	**Yes**
DIF fund	**DIF II, III & IV**
Year of initial investment	**2011**

The A63 is a 40-year toll road concession to design, build, finance, operate and maintain an upgraded 104km section of the A63 highway in southwest France. Road management company, Atlandes is committed to exemplary road safety and has signed up to a nationwide "Route Plus Sure" (Safer Road) commitment.

It means all Atlandes employees have signed a charter to respect the seven Route Plus Sure points:

1. Only use mobile telephones in an emergency;
2. Do not drink alcohol;
3. Wear a seatbelt;
4. Do not speed;
5. Take regular breaks from driving;
6. Consider road safety training; and
7. Ensure motorbikes or other two-wheel vehicles are well-equipped.

In October 2017 Atlandes helped organise an exhibition of crashed service vehicles as part of an awareness raising event for workers' safety on roads and highways. In 2018 an additional campaign will focus on the dangers associated with drowsiness when driving, a leading cause of fatal accidents on the highway.

Atlandes has also provided financial support to a start-up company called Ellcie-Healthy that has developed specialist 'smart' glasses that help prevent drivers from falling asleep at the wheel.

CASE STUDY

No blind spots for safety in care homes

DIF Investment	**67%**
DIF member on board	**Yes**
DIF fund	**DIF III**
Year of investment	**2014**

Avantage manages care schemes for retirement living, with a total of 433 apartments across five locations in the UK.

Whilst all five locations had passive infrared (PIR) sensors fitted at the entrance doors, there were several accidents or near misses involving residents and the auto-sliding entrance doors. After further investigation, it was discovered that these incidents were the result of residents occasionally standing in the "blind spots" of the PIR sensors.

The Avantage Board recognized that additional safety measures were required and funded the installation of additional fail safe detection beams across the thresholds of entrance doors. These were installed at the cost of £3,700. Avantage also agreed to fund the ongoing maintenance costs and the replacement costs for these sensors through the remainder of the contract to 2037, totalling £8,300 and £17,000 respectively.

Following the installation of these additional sensors there have not been any further incidents involving the entrance doors.

2.3 ENVIRONMENT

OUR APPROACH

Our portfolio contains a relatively high number of renewable energy assets such as wind and solar farms, but it is not just clean energy infrastructure where the environment is important.

From water to waste, climate to conservation, environmental issues present both risks and opportunities for all our assets. These include energy saving initiatives to save bottom line costs, and use of technology and innovation to future proof our assets as more national governments continue to work to implement the Paris Agreement and curb emissions intensive activities.

OUR PERFORMANCE

DIF's 2017 ESG survey showed that the main environmental themes at our assets are energy usage, emissions reduction and waste management. Within these areas it is clear that we have some strong areas of performance in terms of sustainable energy use – especially when it comes to our road-related assets – but can work with our assets to do much better on waste management.

Encouraging signs on energy include:

- As shown in Figure 6, nearly two-thirds (72%) of assets have implemented some energy saving initiatives. This includes office-based improvements such as use of sensors, LED lights, or 'switching off' awareness campaigns.
- A significant number of assets are building in energy efficiency measures, especially in the case of roads. For example, a number of road and street lighting projects have introduced LED lighting with the M50 in Ireland receiving an award for reducing energy consumption by 43% (see 'M50: Shining a light on energy savings'). Another good example is our work with the Northwest Parkway toll road near Denver in the US. Innovative financing has helped the asset install solar power capacity 62 kW along the road. This has helped save approximately $25,000 in costs and offset around 635 tons of CO^2 emissions.
- A large minority of assets report that they either source their energy from a sustainable source or that renewable energy production capacity has been installed on site – as is the case with the ground-breaking installation of 'Wattway' panels on the A63 in France (See: 'Paving the way for solar roads).
- Several assets are also undertaking specific emission reduction initiatives, in particular from vehicles. For example, the introduction of lower-emission or electrical cars, incentivising use of public transport and optimising travel plans to reduce distance covered.

However it is also clear that we can do more to promote energy saving across the portfolio. For example, Figure 5 shows that only 66% of surveyed assets had energy saving initiatives in place, which compares to 77% in the case of road assets. Moreover, as shown in Figure 6, only 29% generate or purchase renewable energy.

There is also room for improvement in waste management. Only 46% of assets had waste management and recycling initiatives in place and the survey showed that these were limited to only what was required by local regulation.

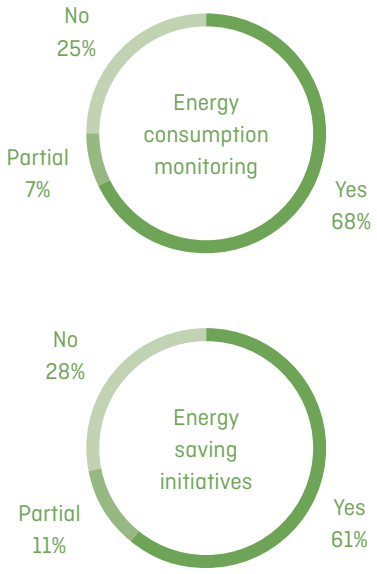


Figure 5: Proportion of assets implementing energy saving or energy monitoring initiatives

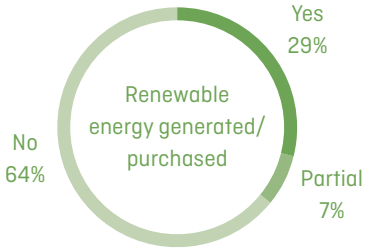


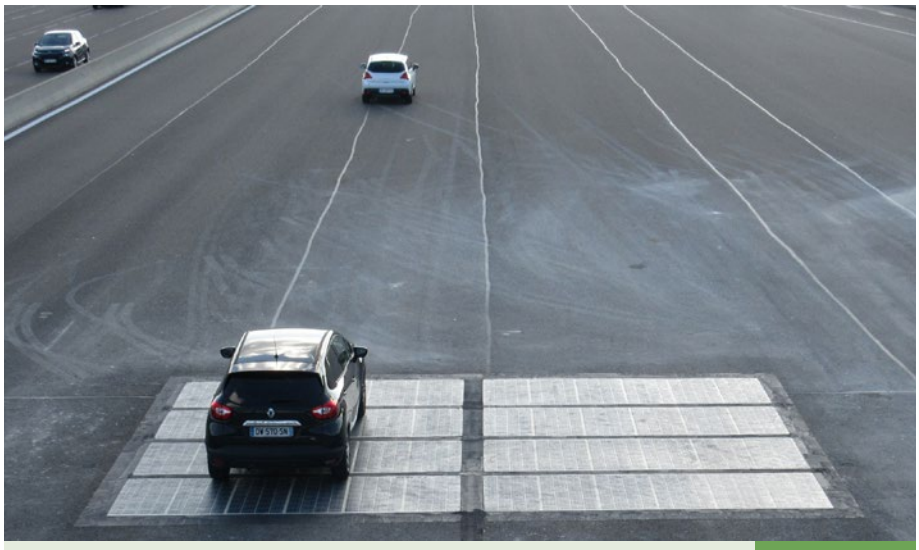
Figure 6: Assets generating or purchasing renewable energy

OUR CONCLUSIONS

Our ESG survey confirmed that most of DIF's projects have high levels of awareness around environmental issues and that many assets, especially in the road sector, have proactive and market-leading approaches to energy efficiency and emissions reduction.

Part of the challenge for next year will be to drive up the proportion of the portfolio implementing energy saving initiatives including use of renewable energy. Some of the innovations being used in assets such as the M50 and A63 can be spread to other road assets and beyond, and in 2019 our aim is to apply such environmental innovations across the portfolio.

We also aim to engage with our assets on waste management in 2019 as an area requiring priority improvement.



CASE STUDY

A63: Paving the way for solar roads

DIF Investment	**34%**
DIF member on board	**Yes**
DIF fund	**DIF II, III & IV**
Year of initial investment	**2011**

The A63 toll road in southwest France not only connects the thriving cities of Bordeaux and Biarritz, it is also paving a new way to generate renewable energy on France's roads.

DIF supported our asset with the installation of 60m^2 of "Wattway" solar panels. These are photovoltaic (PV) panels that are inserted into the actual surface of the road. They are able to bear all types of road traffic while also generating solar power.

In total 50m^2 of Wattway panels were installed on the coated surface of the motorway, and 10m^2 were installed, as a trial, on the concrete slab of the toll gate itself. The work was completed in October 2017 and results are being monitored. In ideal conditions, this area should produce the energy needed to power the toll payment machines and gates at the Saugnacq-et-Muret toll station.

The Wattway Solar Road project has been well received by all stakeholders so far and was awarded a prestigious Climate Solutions Award as part of the COP21 United Nations Conference on Climate Change in 2015.

CASE STUDY

M50: Shining a light on energy savings

DIF Investment	**50%**
DIF member on board	**Yes**
DIF fund	**DIF III**
Year of investment	**2013**

The M50 is a 40km C-shaped ring road around Dublin in Ireland, connecting all the National Primary Routes to the capital. It is used by more than 140,000 vehicles per day and is the largest fully lit motorway in Ireland. There are over 4,000 high wattage lamps along the M50, which previously consumed over 7 GWh per year.

We worked with the public–private partnership (PPP) responsible for work to upgrade and maintain the M50 and supported them in work to significantly reduce energy costs, through the M50 Streetlight Dimming Project.

In 2017 a power control unit was installed at each of the 106 supply points on the M50 motorway and adjoining interchanges. The power controllers reduce the energy used for lighting at set times of the night depending on traffic flows and as prescribed by the relevant lighting standards.

Although the dimming effect is barely noticeable to the naked eye, energy consumption has reduced by approximately 3 GWh, or 43%. This has reduced carbon emissions by around 1,450 tonnes – the equivalent of taking over 300 cars off the road.

Comparing the investment cost of €706,830 (including all labour and overheads) to an annual saving of just over €300,000 gives a short payback period of just 2.3 years. Other benefits include reduced light pollution and increased lamp life and reliability, all without affecting the safety or comfort of road users.

In recognition of its achievements in energy reduction, the M50 street light dimming project was awarded the 2017 Sustainable Energy Award in the SME business category from the Sustainable Energy Authority of Ireland.

M50 Concession Street Light Dimming Project Wins the 2017 SEAI Sustainable Energy Award in the SME business category.

CASE STUDY

Royal Jubilee Hospital: Meeting the needs of patients and the environment

DIF Investment	**50%**
DIF member on board	**Yes**
DIF fund	**DIF III**
Year of investment	**2013**

The Royal Jubilee Hospital (RJH) in Victoria, Canada has implemented a Green Cleaning Programme at its Patient Care Centre. This follows the Gold certification the building achieved under the Leadership in Energy and Environmental Design (LEED) standards when the hospital opened in 2011.

Green Cleaning is a system of cleaning that promotes healthy surroundings for workers, patients and building visitors, and is also less detrimental to the environment. It has helped to reduce RJH's carbon footprint and power consumption costs; and avoid any chemical usage-related worker injuries at the facility since it opened.

Some ways the Green Cleaning Programme helps protect health and the environment are by:

- Adopting methods that minimize exposure to Volatile Organic Compounds (VOCs) e.g. spraying applying cleaning products onto a cloth instead of spraying them onto the surface being cleaned, and using dusting techniques involving vacuums or microfiber mops.
- Adopting a schedule to help those with allergies and sensitivities to chemicals. For example, by spot cleaning wall-to-wall carpets during non-work hours to maximize ventilation and minimize exposure to chemicals.
- Eliminating chemical products that contain metals such as zinc and complying with Integrated Pest Management regulations to restrict the use of highly toxic pesticides.

2.4 HUMAN CAPITAL & COMMUNITY

OUR APPROACH

A motivated workforce is a top priority for any business and we recognise the importance of excellent human capital management both for DIF's own 100+ employees and for the many thousands that work on our assets.

We recognise that local communities have the power to 'make or break' a project. Our projects often have a strong impact on local communities, by their physical location or by the fact that they employ people from nearby communities – and we see the building of good community relations as a priority for most assets.

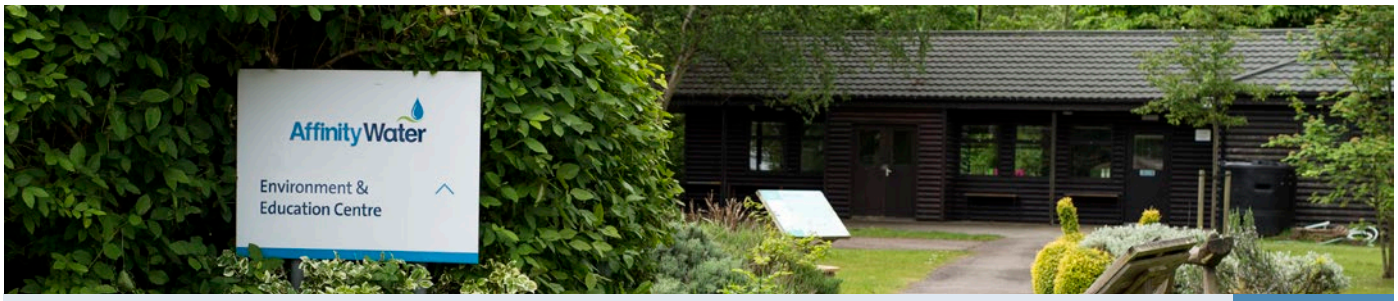
Central to our approach is also a recognition of the importance of employing employees from an asset's local area, maximising diversity and ensuring vulnerable users are catered for. We believe that looking after the human capital involved in these assets and the community they impact helps the value of our investment. This is true both for assets that employ a handful of employees and those that employ hundreds.

OUR PERFORMANCE

Most assets recognise that engagement with communities, including transparent and constant stakeholder relations, is an important part of their day-to-day business. DIF also encourages our assets to contribute to local charities and other initiatives both financially and through volunteering.

Our ESG survey found that 39% of assets donate to charities. Charity donations are typically around local sports, youth and asset related (water, road safety) topics. Some assets do this exceptionally well, as is the case with Affinity Water (see 'Community support that doesn't dry out'). We found that donations are especially strong in the UK and Ireland, and are less widespread on the European continent.

A significant number of assets support and prioritise local employment. This ranges from commitments to engage a certain percentage of workforce from local community to contractors participating in education schemes that can lead to employment.



CASE STUDY

Affinity: Community support that doesn't dry out

DIF Investment	27%
DIF member on board	Yes
DIF fund	DIF IV & V
Year of investment	2017

Affinity Water Limited is an investee of DIF Infrastructure IV and the largest water only supply company in the UK, owning and managing a 4,500km^2 network across South East England.

The company's Community Engagement Strategy is embedded across the organisation focusing on education, building community partnerships and protection of local habitats. Last year it saw the business donate £50,000 to 25 local community groups and charitable causes. Many charities are nominated by an employee-driven charitable giving programme called, 'Time to Give' – with Affinity Water matching all funds raised through events.

The firm's Education Services team also work with tens of thousands of young people each year in the Affinity Water area via schools, workshops and their purpose-built Education Centre in Hertfordshire. A recent initiative with local secondary schools included a competition, in partnership with WaterAid, to identify water wasting behaviours in their homes and communities and to design a product or campaign to tackle one of these behaviours.

Finally, Affinity Water helps more than 49,000 vulnerable customers through schemes such as its LIFT social tariff, that offers fixed billing and spread payments to customers with a low household income. Affinity also offers bills in large print or Braille, audio taped services and a password protection scheme to protect customers against bogus callers.

For example, the Thames Tideway Tunnel project has committed that 20% of employees at each drive site should come from the local borough and the project's current local employment rate is 21%. The project also recruits and trains local people to collect data about water quality and litter in the tidal Thames Tideway and was named Corporate Citizen of the Year at the Evening Standard Business Awards 2018 for its sustainability work.

Our ESG survey also showed that our assets are generally taking vulnerable users into consideration. In several cases our assets provide services specifically to vulnerable users (social housing, elderly people) or provide certain facilities for vulnerable users (access for wheel chairs, free phone numbers for assistance at toll booths).

Diversity is not identified as a relevant indicator for most of the assets due to their size (e.g. less than 10 employees). Four assets (14%) implemented proactive initiatives to promote diversity – these were large companies or social infrastructure projects.

OUR CONCLUSION

The response to our questionnaire reflects the large disparity between large assets which may employ hundreds, and projects which may have no employees at all. This means that the human capital is not always identified at the project level and sometimes gets limited attention.

We found generally strong awareness of how the project affects the community it operates in. Many of the assets have initiatives to support local employment or protect vulnerable customers. Furthermore, contribution to local charities further strengthen the relation between assets and their environment. We will continue to support such initiatives in the year to come, and encourage more assets to do so.

CASE STUDY

A1 & A6: Helping the previously unemployed into work

DIF Investment	**43%**
DIF member on board	**Yes**
DIF fund	**DIF III**
Year of initial investment	**2013**

Helping unemployed people, including ex-offenders, into work has a cumulative benefit. It helps not only the individual but wider society by alleviating public benefit costs and making sure the person in question does not turn to crime for an income.

Examples of provisions to help the unemployed include the Social Return to Work plan put in place on the project to extend the A1 and A6 roads in the Netherlands. The plan has already assisted 20 previously unemployed people to find work in various functions, such as facilities and administration at different sites. In addition, the partnership managing the project has developed an education centre for civil concrete construction to give students industry training.

In London, the Thames Tideway project has a stated commitment to employ local unemployed people and currently 19 ex-offenders have been recruited through their work with ex-offender organisations, equating to 1 in 107 employees.

03

ESG – DIF AS A COMPANY

The primary aim of this report is to demonstrate the impact of DIF's investments. However we also believe it is important for us to practice what we preach in our own day-to-day behaviour. It is part of our commitment to, "Do what we say we are going to do".

It is our ambition that 100% of our paper will be recycled.

We want a deep understanding of ESG issues to be captured in DIF's corporate culture. In practical terms this has translated into a commitment to encourage all DIF staff to use our professional skills to support local charities. We also encourage staff diversity and reducing our own environmental footprint.

DIF AND THE COMMUNITY

This year we have consulted with our employees to identify four charities where we can best use our staff's professional skills to support the provision of sustainable infrastructure in the developing world, or to help disadvantaged young people access education or employment.

Support for these charities will involve at least five of our offices and use the professional skills of our staff in a meaningful and structured way. During 2018, DIF has committed to allocate up to €300k to charitable donations. It will also allow employees up to three volunteer days per annum.

The four charities that we have plans to support are:

- **Prince's Trust** – This charity, and particularly its 'Get Into' programme works in partnership with organisations around the world to support young people aged 13-30 into work, education and training for over 40 years. DIF hopes to work with the charity in the UK, Canada and Australia.
- **Article 1** – A France-based charity to improve access to the labour market. Article 1 believes that everyone must be able to grow and build their own route from school to the professional world, independent to birth and origins.
- **Giving Back** – This Dutch charity encourages young people (often with a foreign background) to realize their ambitions by connecting students with mentors.
- **Synergie Solaire** – Synergie Solaire is an endowment fund with a mission to develop renewable energies solutions for economic, social and environmental humanitarian projects. DIF hopes to offer both financial contributions and expertise to support in areas such as feasibility studies and the donation of spare parts.

PROMOTING DIVERSITY

Within our own company and our employees, we firmly believe that diversity leads to better business decisions by giving access to different outlooks and opinions. Thus, we are committed to promoting a modern, diverse workplace at all our offices.

In line with many companies in the financial services sector, we do not excel at gender diversity at the senior levels of the firm. But we are working to improve this and are looking into the business to identify any obstacles for women to transition to a more senior role including a review to ensure benefits policies are family-friendly. We also want to ensure that all employees are supported by us and that we embrace diversity, in all its forms. Currently 35% of all DIF employees are female.

All (100%) DIF employees are invited to participate in the carried interest and co-invest schemes.

DIF AND THE ENVIRONMENT

We work with our local offices to make sure we use recycled paper where possible and recycle our waste. We also implement energy saving initiatives to 'switch off switches', use smart printing solutions and use of sensors.

It is our ambition that all the paper we use and purchase globally should be recycled. We intend to take steps towards this goal in the coming year.

In 2019 we also want to explore options to monitor our own company's carbon footprint and energy use.

04

LOOKING FORWARD

Since the second half of 2017, when DIF decided to make ESG one of our strategic priorities we have made important steps forward. Not only from a policy and organisational perspective but also by engaging with our staff and our assets. The ESG questionnaire has been a great tool to engage with our assets and we found there was generally a shared vision of the importance of sound ESG management.

We now have a good understanding of where we stand on ESG and ready to take the next steps on our responsible investment journey.

Going forward we have clear portfolio-wide priorities across all our focus areas:

Governance

Improve the scope, content and coverage of ESG policies, and encourage their extension to contractors. Increase the number of visits to sites and to standardise ESG reporting.

Safety

To facilitate more best practice sharing between assets, to achieve universal near miss reporting and H&S training levels and to improve the consistency of safety reporting and definitions.

Environment

To encourage more assets to implement energy saving and renewable energy initiatives; and to improve levels of waste management.

Human Capital & Community

To encourage more assets to identify human capital as a priority area and to promote even higher levels of local employment, access for vulnerable customers and support for local charities.

Next year we also intend to extend our ESG questionnaire to an even larger sample of assets within our portfolio. Over time we are hopeful that our work with these assets will help the whole industry to improve its focus on ESG issues.

In our own organisation we look forward to our engagement with the four charities we have committed to support over the year and will continue to take steps to encourage greater diversity and improve our own environmental footprint.

We hope this report captures the progress we have made on our ESG journey, and we look forward to engaging with all stakeholders as we take our next steps in the months and years to come.

> The infrastructure we invest in today will support the healthcare, transport and education systems of tomorrow. It's vital that we continue to look through an ESG lens at all our assets and potential assets if we are to deliver returns responsibly. Business success in the 21st century will be defined by more than financial profit. Issues of ethics, environment and society will also impact economic outcomes.

Frank Siblesz, Head of ESG

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