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## ESG and Climate Change policy – Delivering Returns Responsibly –

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2021

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## Introduction

DIF is an independent private markets fund manager currently controlling €8.5 billion of investments. We follow a unique set of private markets strategies, predominantly in infrastructure equity and credit space, with a focus on developing highly diversified portfolios across a broad spectrum of projects in Europe, the Americas and Australasia.

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.

## Purpose

DIF defines its purpose as an organisation which serves its stakeholders ‘to make a positive impact on the communities and in the environments that we, and our investments, operate in whilst delivering strong financial returns to our investors and providing a fulfilling working environment for our employees’.

The ESG and Climate Change policy contains DIFs’ commitment to ESG and our approach to the integration of ESG factors into investment decisions and the subsequent asset management process. The objective of this policy is to deliver returns responsibly through active engagement as part of our fiduciary duty.

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

## Approach

### ESG stewardship

One of the objectives of our ESG strategy is to actively engage with our stakeholders (investments, investors, employees) as ESG advocacy. This translates into transparency on our approach to ESG, annual ESG reporting including at fund level and contributing to internal and external ESG events. We believe that as a global investor we can play a role in sharing good practices in our portfolio and contribute to delivering returns responsibly.

### ESG Focus Areas

DIF has identified five ESG focus areas at both company and investment 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

### Performance management

Although DIF recognizes that different ESG issues may be material to different infrastructure investments, DIF has chosen to harmonize its approach in the ESG Focus Areas. 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.

### Climate change

#### Net zero commitment

DIF is committed to support the objectives of the Paris Agreement, in line with the global effort to achieve net zero GHG emissions by 2050 or sooner. As a fund manager we have been measuring and offsetting our carbon footprint since 2019. We are now taking steps to reduce our per capita footprint and will continue to offset any remaining footprint on an annual basis. We also commit to aligning our investment and asset management activities with the Paris Agreement by taking the following steps:

- Working with our portfolio companies to measure GHG emissions and identifying pathways to reduce emissions with a Paris aligned goal of net zero target by 2050 or sooner
- Continuing our investment programme into renewable energy and related infrastructure to support the global energy transition to decarbonised sources of energy
- Reporting in line with the Task Force on Climate-related Disclosures (TCFD) recommendations
- Reporting on our progress annually

## Risks and opportunities

We will work with our investee companies to assist them to identify risks and implement a climate change policy, and to consider if there are related opportunities. For this purpose, we've developed a Climate Change Heat Map (CCHM) to identify to which physical and/or transitional effects of climate change our investments are exposed.

At DIF we are committed to understanding the impact climate change can have on our investments, including through:

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

## Governance

We believe good Governance is key to achieving our ESG strategy. Therefore DIF has set up the following governance structure on ESG.

A cross-functional ESG Committee has been set up with delegated authority on ESG matters from DIF Executive Committee. The ESG Committee is responsible to promote and review progress against DIF's ESG strategy and policy, ensuring that ESG matters are addressed during IC meetings, investors receive ESG reporting, ESG is accounted for in the investments in which DIF's funds invest and sufficient funding is available annually to implement the ESG strategy across its business. The ESG Committee should also ensure that our policy activities and possible political influence, including through industry associations, are aligned with our ESG strategy.

The ESG team is responsible for the implementation of the ESG strategy in conjunction with the other teams as further explained under Roles & responsibilities below.

## Implementation framework – synchronised with the investment cycle

### Procedures

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

- Where appropriate and part of Fund mandates, identifying opportunities for investing in infrastructure investments that have a positive impact on climate change;
- ESG Screening Tool for new infrastructure investment opportunities containing ESG guidelines to identify 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;
- 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 investments 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;
- Work with its investee companies to encourage them to measure their carbon footprint via the ESG Path;
- 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
- Use of performance targets for all employees linked to ESG

### Roles & responsibilities

#### ESG team

The ESG team is primarily responsible for the implementation of the ESG strategy. This includes assisting other teams with ESG related topics, monitoring and reporting of ESG performance of the portfolio to (internal) stakeholders and acting as ESG advocacy internally and externally.

#### Investor Relations & Business Development

IR&BD is responsible for communicating DIF's ESG strategy and approach to DIF's investors, and potentially other stakeholders. IR&BD 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 investment complies with the fund exclusion list, 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.

### 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. Increasingly the Exit team will make ESG progress and achievements since investment available to prospective buyers via data room materials or sales process documents.

## Reporting

### 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 commitment the 6 principles of the UNPRI, DIF will also report annually to UNPRI.


DIF aims to disclose the activities and analysis it undertakes in relation to climate-related risks and opportunities in line with the TCFD recommendations.

DIF quarterly reporting to investors also includes ESG reporting, in case of major ESG incidents communication to investors will occur as soon as possible once DIF has become aware of the incident.

## Review process

### 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.

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Date: 20 april 2021  
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### Policy Data

This Policy has been approved on: 20 April 2021

Approving Body: ESG Committee

Effective Date: 21 April 2021

Policy is reviewed: at least annually

Next review date: March 2022

Policy Owner: Head of ESG – Frank Siblesz