

ESG Highlights Report 2020/21

Dalmore Capital



Contents

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1. Foreword

Michael Ryan Chief Executive

Looking back at the year to 31 March 2021, a year in which the COVID-19 pandemic affected billions of lives and infused economic turmoil around the world, I am proud of the investments Dalmore Capital made, the resilience of our portfolio of low-volatility infrastructure assets and the strength and dedication of our team.

We successfully deployed the remainder of Dalmore Capital Fund 3 ("DCF 3") in two follow-on investments in the Thameslink rolling stock project and South East London Police Stations. Deal flow has been largely unaffected by COVID-19 and we continue to pursue a significant pipeline of low-volatility UK infrastructure opportunities for DCF 3's successor fund, Dalmore Capital Fund 4 ("DCF 4"). DCF 4 was launched during 2020 and made its first investment in Porterbrook, one of the UK's leading rolling stock leasing companies, during July 2021.

Our asset management team worked tirelessly throughout the year in managing the COVID-19 response across our portfolio whilst ensuring that essential infrastructure facilities and services continued to be available and that the welfare of employees and users was protected. Thanks to Dalmore Capital's focus on defensive infrastructure assets that largely benefit from contracted or regulated income streams, COVID-19 has not materially affected the long-term performance of the majority of our portfolios.

The 49-strong Dalmore Capital team expanded by four during the year and continued to work together throughout the challenges of 2020 to deliver on our promises to our investors. We focussed on employee well-being during the period of home-working with initiatives such as charitable team events and resilience and mindfulness training.

This is the second ESG Highlights Report Dalmore Capital has published. We see this report as part of our effort to enhance transparency to investors, with a focus on how we are working to deliver our long-standing commitment to responsible investment throughout the investment cycle, in engagement with our assets' management, and in our own culture and operations as a firm.

The cross-functional ESG Committee has continued to build on the work performed in 2019 to further embed ESG in Dalmore Capital's decision making and processes. Building on the pilot ESG Survey we carried out in 2019, we expanded our ESG monitoring activities to cover the entire portfolio. The survey results were instrumental in establishing a baseline of practices and performance

against the nine focus areas of our ESG Framework, in benchmarking individual assets and in identifying areas for further improvement. We also began systematically monitoring the energy use and carbon footprint of our portfolio, its exposure to physical climate-related risks and climate resilience and adaptation measures deployed.

In response to the COVID-19 pandemic, Dalmore Capital's funds mobilised and committed over £470,000 across 57 assets, to support key workers that continued to deliver critical healthcare, justice and education services or in support of communities which use the facilities of our infrastructure assets, such as laptops for underprivileged students. In addition, Dalmore Capital joined the C-19 Business Pledge, which encourages business to be a force for good in tackling the pandemic and its aftermath.

As we look ahead, Dalmore Capital's commitment to protect the future is stronger than ever. We are developing a roadmap to net zero carbon emissions for Dalmore Capital and the funds we manage, and we continue to make progress in implementing the recommendations of the Taskforce on Climate-related Financial Disclosures. The whole team at Dalmore Capital is excited to continue delivering long-term value for investors while having a positive impact on the communities and environment where we do business.

Michael Ryan
Chief Executive
Dalmore Capital Limited



2. Overview of Dalmore Capital

Who we are

Dalmore Capital exists to acquire, manage and hold infrastructure assets to deliver long-term value for investors while benefiting stakeholders. We are an independent infrastructure fund manager with over £5.2 billion of assets under management ("AUM") sourced from leading institutional investors globally.

Our team, based in London and Edinburgh, comprises 49 skilled professionals, half of which focus on acquisitions and asset management. Collectively, the Dalmore Capital team has over three centuries of experience in infrastructure.

Our investment focus

We are committed to providing our institutional investors with access to long-term investment opportunities in limited-volatility infrastructure assets. To do this we take a long-term investment horizon, typically 15 to 25 years. Our focus is on projects that bring positive socio-economic and environmental benefits, through the provision of new infrastructure and careful stewardship of existing infrastructure that improves access to and delivery of essential public services. As part of our Responsible Investment

Policy we have committed as a firm not to invest in infrastructure assets whose primary activity is the extraction of or generation of electricity from fossil fuels.

As of 31 March 2021, our funds have invested in 131 infrastructure assets, the majority of which are in the UK, along with targeted investments in Ireland, continental Europe and Canada. These investments cover a broad range of essential service sectors including energy and utilities, education, healthcare, transport and justice, defence, and emergency services.



We deliver

- Low volatility UK infrastructure investments with resilient returns
- Long-term stewardship over 15 to 25-year horizon
- Essential public services to millions of ordinary people
- Energy security and the low-carbon transformation

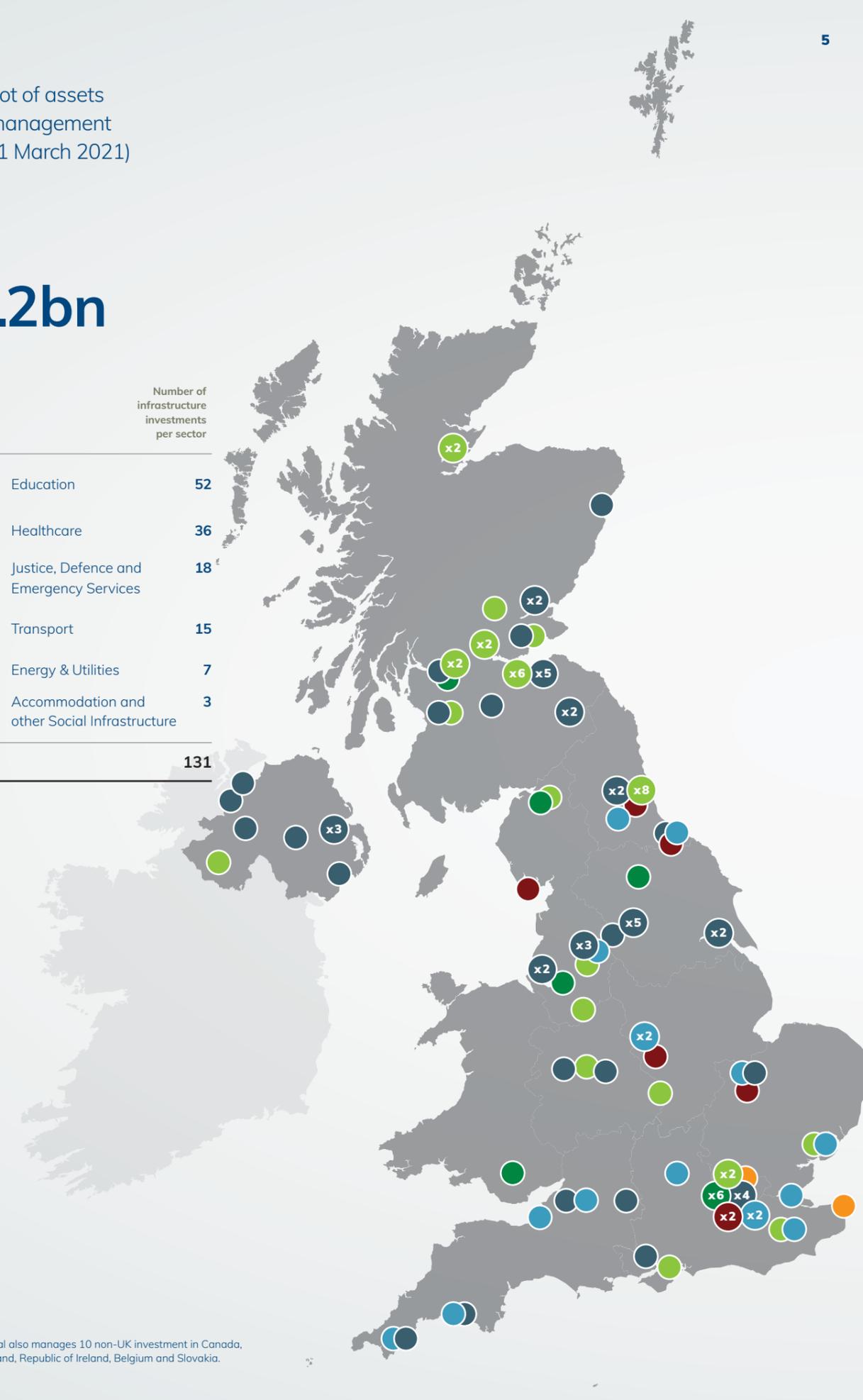
Snapshot of assets under management (as of 31 March 2021)



AUM

£5.2bn

	Number of infrastructure investments per sector
Education	52
Healthcare	36
Justice, Defence and Emergency Services	18
Transport	15
Energy & Utilities	7
Accommodation and other Social Infrastructure	3
Total	131



Dalmore Capital also manages 10 non-UK investment in Canada, Spain, Netherland, Republic of Ireland, Belgium and Slovakia.

3. Our approach to responsible investment



In 2020:

- Maintained our A+ score with the UN Principles for Responsible Investment (“PRI”)
- Embedded the work of our ESG Committee to lead our delivery of sustainable value
- Formalised our approach to managing climate risk
- Mapped our activities against the UN Sustainable Development Goals (“SDGs”)
- Strengthened our proprietary ESG Survey methodology to track our stewardship activities and performance



We bring experience and a diligent approach to managing more than £5.2 billion of institutional capital invested in essential infrastructure, which contributes to economic growth, the energy transition and security of energy supply, and to improved access to and provision of public services. We believe that seeking to maximise these socio-economic and environmental benefits

enhances long-term returns. It is this philosophy that guides our responsible approach to investment.

As set out in the Dalmore Capital Responsible Investment Policy, integral to our commitment to responsible investment is the careful consideration of environmental, social and governance (“ESG”) risks and opportunities throughout the investment cycle.

ESG in the investment cycle

PRIOR TO INVESTMENT

01 Screening

- > Identify low-volatility infrastructure opportunities that have the potential to deliver socio-economic and/or environmental benefits
- > Screen against investment restrictions or exclusions (as laid out in our Responsible Investment Policy)

02 Due diligence

- > Determine any material ESG considerations specific to the investment opportunity, and engage external advisors, where required
- > Assess opportunities and risks using as a minimum our standard set of ESG due diligence questions which are aligned with Dalmore Capital's ESG Framework

03 Investment decision

- > Ensure material ESG issues are identified in investment papers and considered by the Investment Committee as part of its approval decision
- > Where a material ESG risk is identified, careful consideration is given to how this can be mitigated or whether to proceed with an offer

ACTIVE OWNERSHIP

04 Governance setup

- > Where possible, Dalmore Capital takes a board position and as a shareholder influences behaviour and decision-making to achieve positive ESG outcomes
- > Where Dalmore Capital has significant control over an infrastructure asset, we ensure that the company implements relevant ESG policies and standards

05 Asset monitoring & management

- > Relevant ESG matters are reported to and considered by the Boards of the infrastructure assets
- > Our asset management team engages frequently with the internal management and/or our appointed operations and maintenance service providers of our infrastructure assets on relevant ESG matters, to understand risks and opportunities and drive improvements
- > Our asset management team meets regularly to review asset performance across funds, share best practices and escalate any significant issues, including ESG matters
- > On an annual basis, Dalmore Capital carries out a bespoke ESG Survey across its portfolio. The ESG Survey has a proprietary scoring methodology, designed to measure and track ESG performance and drive improvements across our portfolio

3. Our approach to responsible investment (continued)

Our ESG Framework drives focus and structure



Managing climate risk

In 2020, we updated our Responsible Investment policy to:

- 1) strengthen and formalise our approach to understanding and managing climate risk in both investment decisions and ongoing management and operations of our assets;
- 2) expand our commitment to monitoring performance and external disclosure and reporting;
- 3) highlight our support for the TCFD framework and the UN SDGs; and
- 4) embed our commitment to ESG performance as a factor in the annual performance appraisal for all employees.

As already noted, infrastructure assets whose primary activity is the extraction of or generation of electricity from fossil fuels are excluded from our investment strategy.

Delivering on the UN Sustainable Development Goals ("SDGs")

We undertook a detailed review of our activities and strategy in relation to the 17 UN SDGs – a road map for society to deliver a more just, peaceful and environmentally responsible world. With our exclusive focus on infrastructure that supports public services, Dalmore Capital has a vital contribution to make to Goal 9: Industry, Innovation, and Infrastructure. The core operations of our portfolio of assets also directly contribute to another eight SDGs and support a further six. Please see pages 16 and 17 for an analysis of how our work supports SDG delivery.

Our ESG Committee

Our ESG Committee, established in 2019, is comprised of six senior individuals from across our acquisitions, asset management, investor relations and human resources teams. The Committee is responsible for identifying our ESG risks and opportunities, creating and promoting the action plans to respond appropriately, advising the Board on strategic ESG decisions, and recommending actions to support Dalmore Capital's continued progress in ESG integration.

3. Our approach to responsible investment (continued)

Dalmore Capital's proprietary ESG Survey

We piloted our asset-level ESG Survey on Dalmore Capital Fund's portfolio of 46 PPP assets during 2019. During 2020, we developed and updated the survey and rolled it out to all PPP assets and in 2021 we have extended the survey to cover our entire equity portfolio. This proprietary tool, shaped around our ESG Framework, is a bespoke portfolio monitoring methodology that has allowed us to establish baseline practices and performance statistics at both asset and fund level. The results of the survey enable us to:

- > Assess our assets' commitments, practices and performance against our ESG Framework;
- > Identify areas for improvement for each asset and for groups of assets; and
- > Benchmark assets and demonstrate progress against our ESG Framework at asset and fund level through a proprietary scoring mechanism.

At Dalmore Capital, we recognise we are in a privileged position to drive real change and so have developed our ESG scoring mechanism to provide an objective view of our portfolio, not only to highlight good practice, but also to identify improvement opportunities thus allowing us to align assets with our aspirations of market leading ESG credentials.

We also use the survey to systematically calculate a range of metrics, including the energy use and carbon footprints of the assets we manage, health and safety performance, job creation and support for local community initiatives.

Key findings

The COVID-19 pandemic affected every part of our lives during the year to 31 March 2021 and the operation of the assets in our portfolio was no different. We are immensely proud, in such a challenging year, that we were able to build on the success of our pilot ESG Survey and expand the scope beyond our PPP funds to our entire equity portfolio with the results now covering 99% of our assets under management (by equity value). Our survey gives us valuable insights into our asset-level real-world performance and where to focus our efforts. The value weighted scores of our assets across the nine pillars of our ESG Framework are disclosed on pages 12 and 13.

The biggest challenges we face across our assets are within our Environmental pillars, particularly on our Energy Use and Climate Risk aspirations. This reflects that many of our assets are legacy infrastructure, whose energy strategy and performance may be lagging the high thresholds we challenge ourselves to deliver. We believe one of our primary tasks in improving our overall Environmental Impact will be to deepen the understanding of energy efficiency

and climate risk at asset level and work with our customers and operational teams to find the highest-impact strategies to manage these risks.

The survey results also demonstrate our assets continue to have a positive Social impact in the areas they operate. We see in our results how COVID-19 and social distancing rules affected our asset's ability to engage with the community on a personal level. Despite this, we were pleased at how assets were able rise to this challenge and find new and innovative ways of positively impacting the community. We recognise how important our people are to the performance of our assets, so take great pride in the fact our Health & Well-being and Diversity & Inclusion pillars have seen strong year-on-year improvements on comparable data.

At a macro level, the survey demonstrates assets continue to deliver excellent results across our Governance pillars, with Business Conduct, Governance and Cyber Security all delivering strong results. In addition to the challenges presented by COVID-19, our assets reported an increase in cyber-attacks in the year, which reflects the global increase in cybersecurity incidents affecting businesses globally. While our operational teams managed to successfully mitigate the impact of these attacks, strengthening cyber security resilience will be a key focus of assets in the year ahead.



3. Our approach to responsible investment (continued)

ESG Survey Results

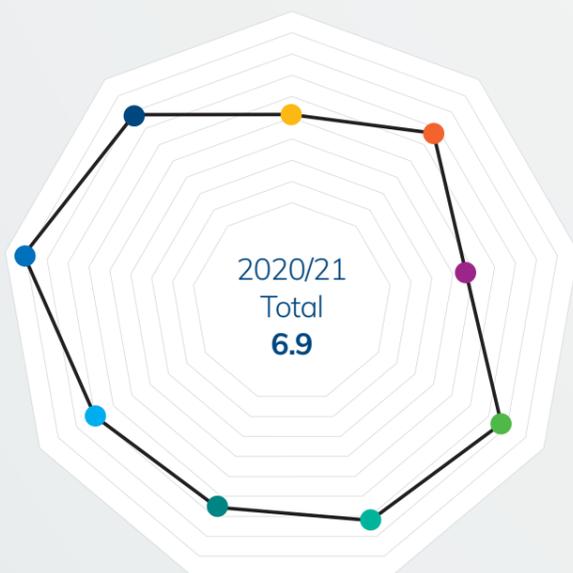
The value weighted scores of Dalmore Capital's three main multi-investor funds are disclosed below as well as the value weighted score of Dalmore Capital's total portfolio. The survey was carried out on PPP assets only during 2020 and was expanded to include non-PPP assets during the year to 31 March 2021.

Each asset receives an overall ESG score out of 10 and individual asset scores are then weighted according to their contribution to total portfolio value to calculate an overall weighted average portfolio score for each of the nine pillars of our ESG Framework.



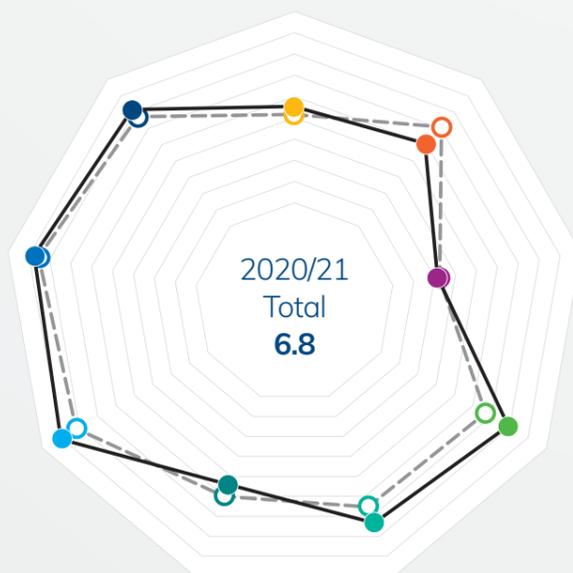
Dalmore Capital Total Portfolio

£5.2bn deployed in a portfolio of 131¹ infrastructure investments. 99% ESG Survey response rate by value for the year to 31 March 2021.



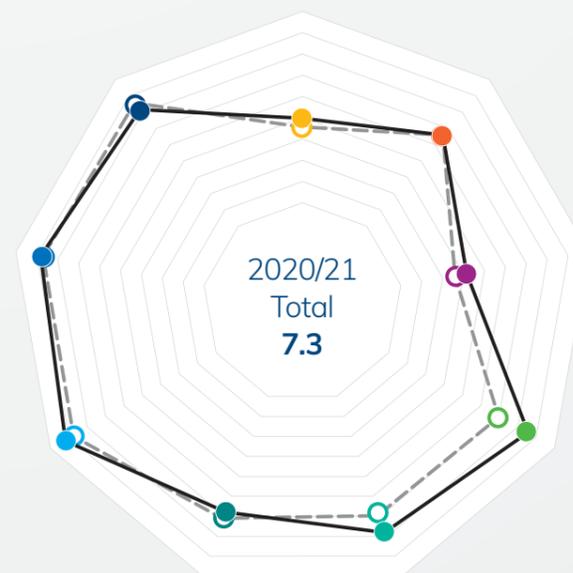
Dalmore Capital Fund

£248.6m fund raised in 2012 and invested in a portfolio of 46 operational PPP assets in the UK. 100% ESG Survey response rate by value for the year to 31 March 2021.



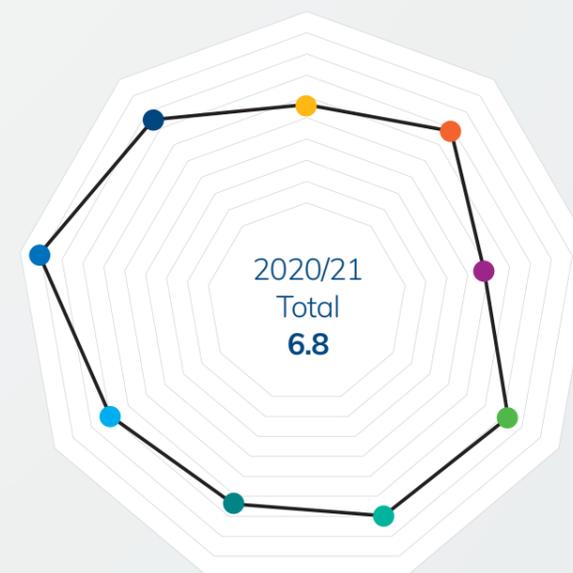
PPP Equity PIP

£534.4m fund raised in 2014 and invested in a portfolio of 31 operational PPP assets in the UK. 100% ESG Survey response rate by value for the year to 31 March 2021.



Dalmore Capital Fund 3

£950m fund raised in 2017 and invested in a diversified portfolio of 11 investments in low volatility UK infrastructure assets. 99% ESG Survey response rate by value for the year to 31 March 2021.



1. Assets in which Dalmore Capital only holds a debt interest were not surveyed.

3. Our approach to responsible investment (continued)

Dalmore Capital's climate-related disclosures

At Dalmore Capital, we are building our resilience across our governance, strategy, risk management and performance measurement, to help us minimise the risks related to climate change, operate in a responsible and transparent fashion,

align our business with the goals of the Paris Agreement to limit global heating to under 2°C, and generate sustainable returns for our investors. In future reports, we intend to expand this section in line with the recommendations of the

Taskforce on Climate-related Financial Disclosure ("TCFD") and in advance of Dalmore Capital's reporting obligations under the UK's forthcoming climate-related disclosure requirements, anticipated in 2023.

Governance

Dalmore Capital's board has taken steps to ensure our climate governance is fully embedded in formal decision-making:

- > **The ESG Committee** is charged with leading all of Dalmore Capital's ESG-related activities in line with strategy decisions set by the board. The ESG Committee develops and leads progress against its work plan, coordinates teams and functions across the business to implement agreed actions, and provides advice and recommendations related to ESG matters, including climate, to the Board, the Executive Committee and other committees.

Climate impacts, risk and opportunities are specifically considered in:

- > **Investment Committee** approvals of all acquisitions
- > **Valuation Committee** agreement of valuation assumptions for all new assets
- > **Asset Management Committees** in undertaking performance appraisals of our assets
- > **Risk Management Committee** when overseeing the Firm's key risks and reviewing the effectiveness of the Firm's risk management arrangements
- > **The Executive Committee** in discharging day-to-day oversight of management, evaluation of performance against climate-related targets and implementation of the board's strategy.

Strategy

Climate change has the potential to affect our assets and the strategic context in which we consider new acquisitions and identify opportunities in several ways, including:

Risks

- > Transitional risks, including changes to policy and legal requirements in respect of climate performance such as building codes; as well as development of technology that may alter our ability to meet climate-related goals, such as novel materials
- > Physical risks to our assets, for example related to flood/drought patterns or increased storm severity

Opportunities

- > Resource efficiency improvements, such as better construction methods or improvement in asset longevity
- > Improved availability of low-carbon and renewable energy sources to maintain our assets
- > Innovation in new ways of delivering vital public services that reduce climate impacts and improve resilience
- > New investment opportunities through the low-carbon transition, especially in new energy infrastructure, such as hydrogen and EV charging, and carbon capture and storage capability

We are building our knowledge of how these and other risks and opportunities may specifically affect our existing portfolio, our evaluation of new acquisitions, our supply chain and access to capital, and therefore our overall business strategy, through the roll-out of our ESG work plan.



Green House Gas Emissions by Fund (tonnes of CO2e)

12 months to 31 March 2021

	Dalmore Capital Fund	PPP Equity PIP	Dalmore Capital Fund 3
Scope 1	6,204	13,958	185,677
Scope 2	3,368	4,244	7,364
Total	9,572	18,202	193,041

Note:

For PPP assets, Scope 1 and Scope 2 CO2e emissions are calculated on net ownership basis following the GHG Accounting Protocol. Reliance is placed on data reported by assets. Data may include energy consumption by the asset users as we intend to show the total emissions generated by the asset's operations even though the asset's legal entity may have no control over actual consumption. Scope 1 emissions are based on consumer natural gas from the mains, kerosine and/or oil for cooking and heating, gas oil and LPG. Scope 2 emissions are based on purchased electricity.

For non-PPP assets, Scope 1 and Scope 2 CO2e emissions are measured and reported by individual assets. Scope 1 emissions are based on gas/fuel oil consumption, process and fugitive emissions and owned/controlled transport/fleet and where relevant, include biogenic emissions. Scope 2 emissions are based on purchased electricity, purchased heat and purchased steam.

Risk Management

The Risk Management Committee of the Board provides oversight and challenge to ensure inherent risks have been identified, assessed and appropriately managed. Climate change presents risks in its own right, but also may affect consideration of other forms of risk.

Additionally, Dalmore Capital is working with our assets to continuously improve their understanding of climate-related risks, impacts and opportunities. We are also expanding our collection of data, both forward looking and backward-looking, on climate-related goals and performance, which will support asset level improvements and firm-wide understanding of progress.

Measuring performance

Dalmore Capital's proprietary ESG Survey and scoring methodology gives us detailed knowledge of our performance across the portfolio and of individual assets. We believe this knowledge is essential to a credible, real-world understanding of how climate change affects us now and is likely to do so in the future.

Our ESG Survey gathers data related to several areas of climate risk:

- > Operations in areas prone to climate-related conditions and events, such as coastal erosion, floods or drought
- > Board commitment to assessing the asset's exposure to climate risk
- > Processes in place to assess the impact on the asset from climate related change, including scenarios
- > Quantified estimates of asset value that may be at risk due to climate-related factors
- > Any adaptation and resilience measures that may be in place

These indicators are reviewed by the ESG Committee and Asset Management Committees on an annual basis and progress is regularly monitored.

The greenhouse gas emissions data for our three main multi-investor funds is disclosed above.

3. Our approach to responsible investment (continued)

UN Sustainable Development Goals Dalmore supports global efforts toward sustainable development

The Sustainable Development Goals ("SDGs") comprise 17 high-level aims that together are driving global action toward sustainable development, alleviating poverty, increasing equality and opportunity, improving health, education and environmental outcomes, by 2030. Dalmore Capital supports this global effort and is focusing action where our business activities and investments can make the biggest difference.



Core operations of Dalmore Capital's portfolio directly contribute to nine UN SDGs:



Dalmore Capital's portfolio supports a further six UN SDGs:



Support of six additional goals

- > 6 transport assets
- > 1 accommodation and other social infrastructure asset
- > 7 energy and utility assets



Ensure healthy lives and promote well-being for all at all ages

Direct contribution from core operations:

- > 32 healthcare assets
- > 2 accommodation and other social infrastructure assets



Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

Direct contribution from core operations:

- > 53 education assets



Ensure availability and sustainable management of water and sanitation for all

Direct contribution from core operations:

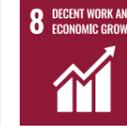
- > 2 energy and utility assets



Ensure access to affordable, reliable, sustainable and modern energy for all

Direct contribution from core operations:

- > 5 energy and utility assets



Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for

Direct contribution from core operations:

- > 8 transport assets



Build resilient infrastructure, promote inclusive and sustainable industrialization, and foster innovation

Direct contribution from core operations:

- > 52 education assets
- > 36 healthcare assets
- > 15 transport assets
- > 18 justice, defence and emergency services assets
- > 3 accommodation and other social infrastructure assets
- > 7 energy and utility assets



Reduce income inequality within and among countries

Direct contribution from core operations:

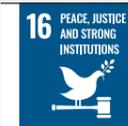
- > 1 accommodation and other social infrastructure asset



Make cities and human settlements inclusive, safe, resilient, and sustainable

Direct contribution from core operations:

- > 6 transport assets
- > 2 justice, defence and emergency services assets
- > 1 energy and utility assets



Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels

Direct contribution from core operations:

- > 14 justice, defence and emergency services
- > 1 accommodation and other social infrastructure asset



4. ESG in the way we operate

Whilst our ESG practices are primarily focused on our investments and on the ongoing operation of our assets (as this is where our impact and our opportunity to make a difference are greatest), we have also focused on embedding ESG within all areas at Dalmore Capital. We believe that not only is it the 'right' course of action to take, but it also strengthens our corporate culture, and builds pride in Dalmore Capital as a great place to work.

Robust governance and risk management

Dalmore Capital's senior management and Investment Committee are ultimately responsible for investment practices and integration of material ESG factors into our investment activities. Our Chief Executive, who is a member of the Dalmore Capital Board, provides strategic management and leadership of our ESG strategy and approach to key ESG matters across the firm at both corporate level and across the portfolios we manage.

Our dedicated ESG Committee reports regularly to the board on key ESG-related matters across the firm, particularly the development and implementation of improvements of a strategic, policy and process nature that strengthen Dalmore Capital's performance and support good practices both internally and with co-investors and stakeholders.

The day-to-day implementation of responsible investment practices is embedded across key business activities carried out across all teams by all Dalmore Capital employees. This is formalised in our updated ESG policy and incorporated as a specific consideration in our annual staff appraisal process. Colleagues are expected to demonstrate a good understanding of our Responsible Investment Policy and relevant procedures and provide examples of their application.

4. ESG in the way we operate (continued)

Reducing our environmental footprint

Last year we began measuring greenhouse gas (“GHG”) emissions from the electricity and heat consumed by our offices and our business-related travel and we have continued to do so for the 12 months to 31 March 2021. When compared with prior year our energy consumption decreased by 80% reflecting a year unlike any other in Dalmore Capital’s operations. Our use of video conferencing increased dramatically, while our non-essential business travel was all but eliminated. Both our London and Edinburgh offices procure all electricity from renewable generation sources with appropriate Renewable Energy Guarantees of Origin (“REGO”), and we have fully offset the remainder of Dalmore Capital’s manager-level GHG emissions through the organisation Climate Care, using their Climate+Care portfolio of high-quality emission reduction projects. In addition, we offset 1 tonne CO₂e emissions per employee to compensate for home working emissions.

2020/21 GHG emissions of Dalmore Capital, manager-level only

GHG emissions CO ₂ e (tonnes) ¹	12 months to 31 March 2021	12 months to 31 March 2020
Scope 2: indirect emissions (from electricity and heat)	48.6	71.3
Scope 3: indirect emissions (from business travel)	2.7	186.0
Total Scope 2 and Scope 3 emissions	51.3	257.3
GHG intensity (tonnes of CO₂e per employee)	1.0	6.3

1. Scope 2 and 3 emissions as defined by GHG Protocol: A Corporate Accounting and Reporting Standard. Reported Scope 2 emissions cover the energy consumption in our offices and is based on recharges by our landlords, and our Scope 3 indirect emissions are based on car, train and plane journeys taken for business purposes.

Our approach to Corporate Social Responsibility

At Dalmore Capital we are committed to delivering positive impacts through everything we do: with our employees, our local communities and the environment. These three pillars comprise our corporate social responsibility strategy:

- > **Environmental:** Reducing our direct impact on the environment by minimising our waste and emissions
- > **Community:** Supporting communities and charities through fundraising, charitable giving, volunteering and skills transfers
- > **Employees:** Providing a workplace that encourages diversity and equal opportunities for all; that invests in professional development and supports employee health and well-being

Some of the main ways in which we do this include:

- > **Supporting charitable activities**
Fundraising. Throughout the course of the year, Dalmore Capital supported three charities: Children 1st, The Down’s Syndrome Association, and Cris Cancer Foundation. In total, these charities received over £57,000 through our employees’ generosity and matched funding from Dalmore Capital. We are immensely proud of our employees’ enthusiasm for supporting these charities and



their energy and creativity in this area. Employee led events included a Multiathlon, 5K a Day Challenge and a Virtual Relay Race. All the activities promoted health and well-being, ensuring employees stayed physically active and connected during the isolating periods of the COVID-19 pandemic.

Volunteering. All employees are provided with two paid days per year to volunteer at a charity of their choice. These days can be used in a flexible manner to provide as many opportunities for volunteering as possible. This year, employees have used this policy to give their time to a wide range of good causes including the NHS Volunteer Responders programme, local food banks and the Social Mobility Foundation (“SMF”). The SMF aims to make a practical improvement in social mobility for young people, by providing assistance, opportunities and networks to talented students from less-privileged backgrounds. Employees at Dalmore Capital have provided mentoring, mock interviews, and career advice through the Foundation.

Donations. Employees are able to take advantage of tax-efficient charitable giving through the Charities Aid Commission’s Give As You Earn scheme. In addition, Dalmore Capital match employees’ own charitable donations up to £1,000 per employee per year. These donations and matched giving are in addition to the fundraising programme.

- > **Personal and professional development.** When COVID-19 pandemic conditions halted in-person training, Dalmore Capital moved its development initiatives online. All employees were provided with access to an online training portal with over 5,000 courses available, across a wide range of subjects, including technical, people management skills and a variety of personal interest or development courses. Dalmore Capital employees are encouraged to undertake courses throughout the year. The online training portal has allowed us to maintain access to learning on-demand, supporting our commitment to encourage professional and personal development.

- > **Sustainable transport.** We provide two salary sacrifice options for employees. Firstly, our cycle-to-work scheme provides a tax efficient programme for employees to purchase bicycles for commuting to / from work. Secondly, we provide a salary-sacrifice scheme for leasing electric vehicles. Both of these aim to encourage environmentally-friendly choices.

- > **Health and well-being.** Dalmore Capital has a range of measures in place to support physical, mental and financial health. Specific initiatives undertaken in the last 12 months include an 8-week mindfulness course, resilience speakers, access to wide ranging employee assistance programme, and ensuring ongoing awareness of all benefits provided that focus on physical, mental and financial health.

- > **Fostering an inclusive culture and promoting diversity.** At Dalmore Capital, we firmly believe that having a diverse team contributes to better decision-making and is crucial for the success of the business in the long term. That is why we focus on maintaining a culture that promotes equality and values different perspectives, experiences and backgrounds in all elements of our work. To further our efforts in this area, we instituted annual mandatory diversity and inclusion training for all employees and enhanced our recruitment processes further to ensure a robust recruitment framework that supports an inclusive culture.

5. COVID-19 Response

The COVID-19 global pandemic required an urgent response – impacting across businesses and communities everywhere. At Dalmore Capital, our assets were placed under particular pressure to continue to provide high-quality essential public services in extraordinary circumstances. The people who work at our hospitals, schools, prisons, utilities and all our assets are key workers, who have needed extra support throughout this crisis. Many of our communities have unique characteristics and needs, which were in many cases exacerbated by the pandemic.

We mobilised across the firm, and in partnership with our assets, to:

- > Secure the safe, effective and vital functioning of our assets and safeguard the services they provide;
- > Provide financial support and materials to help people local to our assets weather the crisis; and
- > Worked to maintain strong links between our firm, our assets and our communities.

COVID-19 Taskforce

At the outset of the pandemic, we established our COVID-19 Taskforce with a mandate to identify, respond to and manage the challenges our firm and our assets faced, such as service disruptions, staff shortages, operational uncertainty, project delays, increased costs and impact on people's well-being. The COVID-19 Taskforce reached out to our Service Providers, asset directors and managers to ensure connectedness

during the pandemic, share best practice and experiences, particularly challenges in ensuring continuity of critical services. These forums shared technical knowledge on enhancing ventilation supply and increased volume of medical gas supply in hospitals to social distancing strategies in schools so that they could remain open and operational throughout (subject to UK Government guidance/law). The COVID-19 Taskforce encouraged collaborative working with our Public Service Clients, to support them in any way we could through additional cleaning, additional facilities or segregation of clinical pathways. The COVID-19 Taskforce also promoted and managed Dalmore Capital's social benefit initiatives which aimed to support the communities which use our infrastructure facilities and the key workers within the facilities continuing to deliver critical services during unprecedented times.

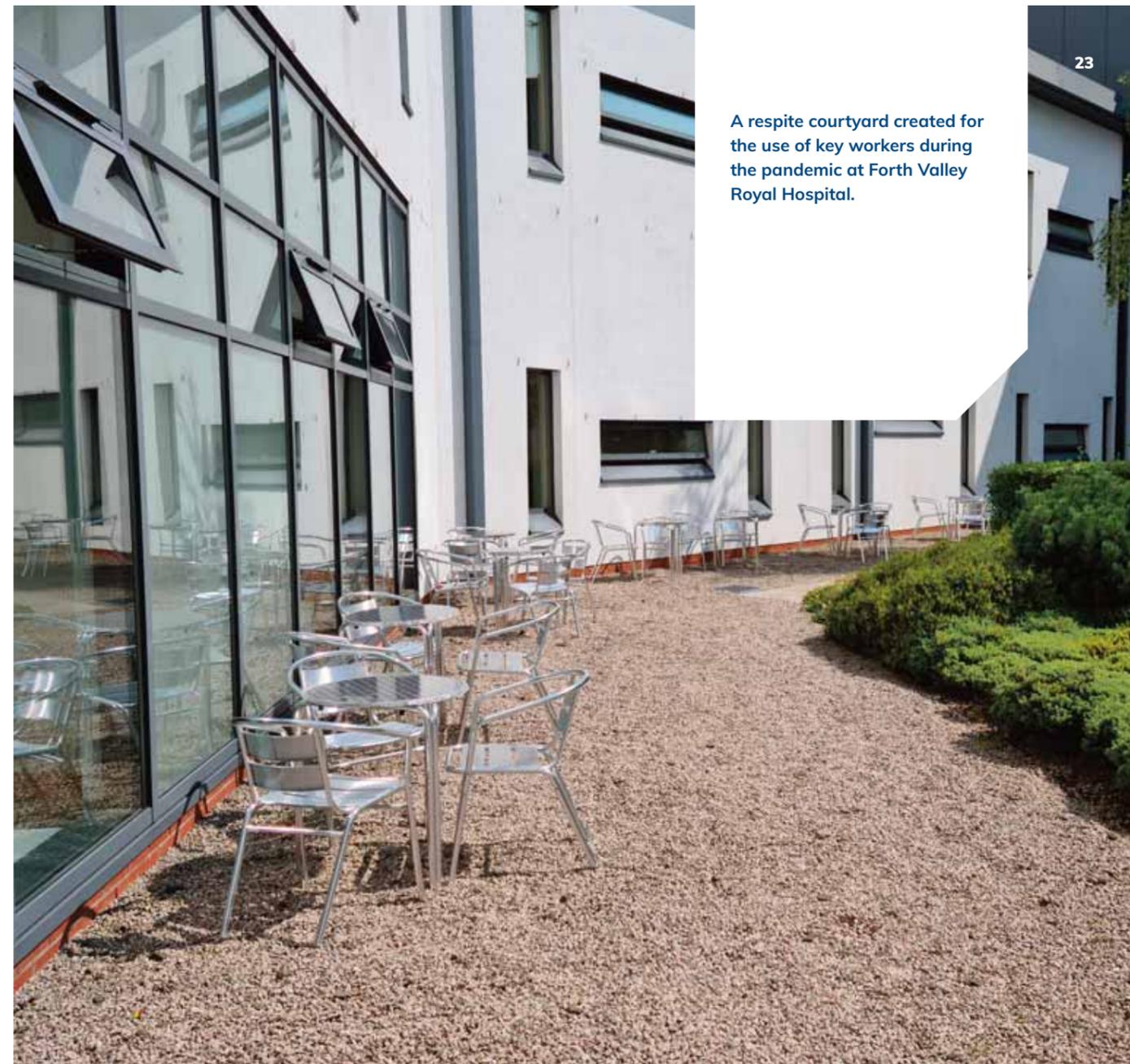
COVID-19 Social Benefit Initiatives

Dalmore Capital made a wide range of contributions to support the key workers within the facilities continuing to deliver critical services, such as nurses and cleaners, or indeed support the communities which use our facilities during this unprecedented time. These donations, totalling over £470,000, came from a combination of our project companies and Dalmore Capital, and were considered on an asset-by-asset basis to maximise their impact.



C19 Business Pledge

In May 2020, Dalmore Capital became a signatory of the C-19 Business Pledge, an initiative of over 300 UK businesses that have committed to being a force good by doing what they can to tackle the effects of COVID-19, not just in the short-term, but also planning and implementing the recovery over the medium to long-term. Dalmore Capital's COVID-19 response aligns with this pledge and was driven by our COVID-19 Taskforce.



A respite courtyard created for the use of key workers during the pandemic at Forth Valley Royal Hospital.

Key highlights:

'100 Laptops': Dalmore Capital launched our 100 Laptops initiative in partnership with our schools in response to the urgent need for students to access materials and lessons via the internet due to the lockdown conditions associated with the global pandemic. In partnership with our IT provider Agilisys, we provided 100 laptops for students, fully kitted up with software and a three-month internet access 4G sim. Through the programme, the schools select the most appropriate student to have a laptop provided to them on a permanent basis, which gives safe access to the school's own learning environment. Following the launch of the '100 Laptops'

initiative, and in consultation with other education providers, Dalmore Capital and assets under our management extended the initiative to provide further donations to support underprivileged students across the country. The total financial donation to support remote e-learning exceeds £150,000 and enabled the issue of more than 300 laptops and devices to young learners.

Courtyard gardens and respite zones: Many of our assets, such as hospitals and care facilities, were in need of COVID-safe respite zones for key workers to relax and recharge given the extremely challenging circumstances they were operating in. We provided custom-built outdoor sheltered spaces

and gardens, 'chill-out zones' and enhanced recreational areas to give people necessary safe spaces to take a break, or to improve their working experience while on-shift.

Food hampers: Cleaning staff at our emergency-services projects and schools, as well as families of lower-income school children, received extra food supplies while shops' shelves ran low and the pressures on vulnerable households increased. We also provided free meals and coffees for staff at assets including NHS key workers.

5. COVID-19 response (continued)

Tideway - Supporting skills for Science, Technology, Engineering and Maths (“STEM”) careers during COVID-19



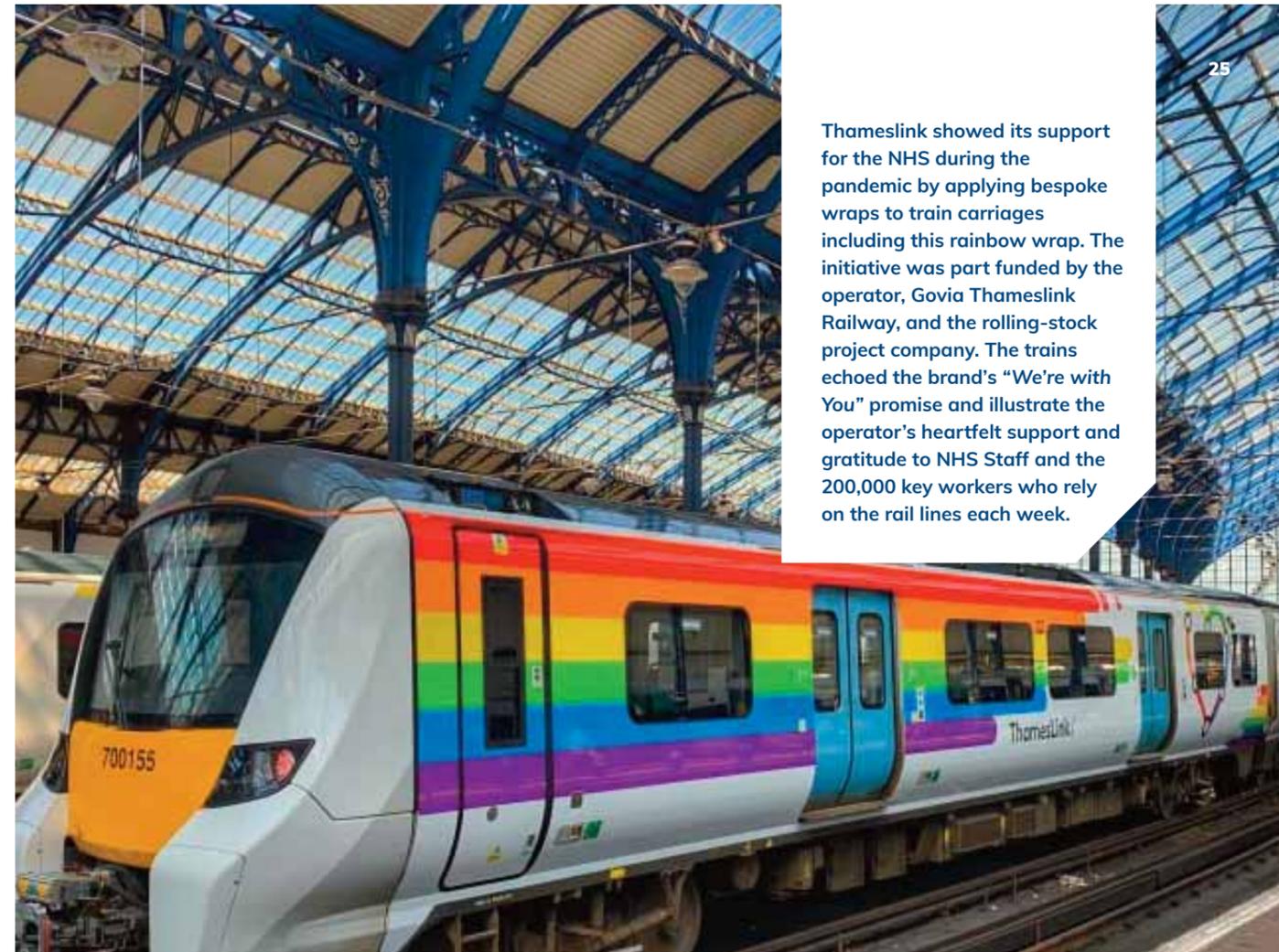
Among the many troubling impacts of the global pandemic, young people's educational and work opportunities took a downturn, with a significant increase in youth unemployment and the withdrawal or cancellation of work experiences and apprenticeships at the height of the pandemic.

Our Thames Tideway project took a fresh approach to support young people during this time. The Tideway STEM engagement aims to help young people discover career opportunities in STEM fields, and made the move to a virtual platform.

Over the past year, Tideway has worked with over 300 young people, over 65% from ethnically diverse backgrounds and around 50% of which were young women. The programme champions educational goals to help expand inclusivity in the engineering and construction industry.

The program includes virtual work experiences, STEM workshops, career talks, hosted STEM forums and online mentoring sessions, all aimed at encouraging and guiding young people into rewarding STEM careers. Survey results showed that up to 88% of students would consider an apprenticeship route into such a career, compared with only 3% who had previously considered this route.

Tideway's efforts are helping to secure the future of the engineering and construction industry while also providing outstanding career prospects for diverse young people.



Thameslink showed its support for the NHS during the pandemic by applying bespoke wraps to train carriages including this rainbow wrap. The initiative was part funded by the operator, Govia Thameslink Railway, and the rolling-stock project company. The trains echoed the brand's "We're with You" promise and illustrate the operator's heartfelt support and gratitude to NHS Staff and the 200,000 key workers who rely on the rail lines each week.



6. Responsible investment in practice



6. Responsible investment in practice (continued)

Tideway & Cory Riverside Energy Collaboration on alternative renewable fuels

Asset profiles

Tideway
 Asset description:
Construction of a 25km “super sewer” under the River Thames in London
 Fund:
Dalmore Infrastructure Investments LP
 Infrastructure sub-sector:
Energy and Utilities
 Dalmore Capital investment:
33.8%
 Year of investment:
2015
 Representation on Board
Yes

Cory Riverside Energy
 Asset description:
Leading resource management and energy recovery company based in London
 Fund:
Dalmore Capital Fund 3 and co-investment vehicles
 Infrastructure sub-sector:
Energy and Utilities
 Dalmore Capital investment
55.8%
 Year of investment:
2018
 Representation on Board:
Yes

ACTIVITIES AND OUTCOMES DESCRIBED IN THIS CASE STUDY CONTRIBUTE TO THE FOLLOWING SDGs:



Our partners at Tideway and Cory Riverside Energy (“Cory”) are now using tugs fuelled by biodiesel on the River Thames. The biofuel, hydrotreated vegetable oil (“HVO”) is produced from waste materials such as used cooking oil and waste fats. Tideway, working with the supplier GPS, began their trial in May 2020 to transport tunnel lining segments. Cory transports waste from four river based transfer stations located in Battersea, Wandsworth, the City of London and Tower Hamlets to an Energy-from-Waste facility in Belvedere, and also by-products by river to the Port of Tilbury. Using this fuel instead of traditional diesel significantly lowers harmful air emissions including NOx, particulates and carbon monoxide, and dramatically decreases net CO₂ emissions by 90%.

By the end of March 2021, GPS have used over 140,000 litres of the product, which has avoided over 400 tCO₂e compared with traditional diesel. Over the course of a year of using HVO, Cory could expect to reduce CO₂e emissions by 3000 tonnes compared to Marine Gas Oil.

In the process of switching fuels to HVO Tideway and Cory shared the results of their respective fuel trials with each other, as well as feedback on operational performance. This is a great example of Dalmore Capital’s portfolio company management teams collaborating to share ESG best practices.





6. Responsible investment in practice (continued)

Cadent

Supporting the UK's commitment to achieve net-zero emissions by 2050

ACTIVITIES AND OUTCOMES DESCRIBED IN THIS CASE STUDY CONTRIBUTE TO THE FOLLOWING SDGs:



Asset profile

Asset description:

Largest distributor of gas in the UK, owning and operating four of the eight regulated gas distribution networks

Fund:

Dalmore Capital Fund 3 and co-investment vehicles

Infrastructure sub-sector:

Energy and Utilities

Dalmore Capital investment:

14.3%

Year of investment:

2017

Representation on Board

Yes

Cadent is a founding consortium member of the Hynet North West ("Hynet") project, which aims to produce clean hydrogen to replace the fossil fuels used today for industry, transport, businesses, and homes.

Hynet aims to demonstrate and build the infrastructure to supply hydrogen into existing gas networks, alongside carbon capture and storage, to help decarbonise the North West region of the UK.

The initial phases of the HyNet project involve:

- > Direct capture of 400,000 tonnes per year of CO₂ from a major industrial site.
- > Construction of the UK's first low-carbon hydrogen plant to produce 3TWh per year of low carbon hydrogen. This is equivalent to the energy used for heating around a third of a million households with natural gas boilers for a year.
- > Repurposing existing natural gas pipelines for CO₂ and transporting over 1 million tonnes of CO₂ for storage in depleted gas reservoirs under the seabed in Liverpool Bay.

- > Building the UK's first hydrogen pipeline network to supply to local industry and to blend hydrogen with natural gas into local networks. Blending up to 20% hydrogen does not require changes to boilers or cookers, so provides meaningful decarbonisation of buildings with zero disruption for households and businesses.

By 2030, the project aims to deliver up to 10 million tonnes of carbon reduction per year, equivalent to taking four million cars off the road. Hynet will also help maintain existing jobs and create a further 6,000 permanent jobs in the region, and many more during construction and across the wider UK.

Cadent is leading the development of the hydrogen network, and has the capacity to support the future expansion of HyNet into other regional gas networks.

6. Responsible investment in practice (continued)

Leeds Schools Working in communities

ACTIVITIES AND OUTCOMES DESCRIBED IN THIS CASE STUDY CONTRIBUTE TO THE FOLLOWING SDGs:



Asset profile

Asset description:

One primary and five secondary schools in Leeds, providing teaching space for around 5,000 pupils

Fund:

Dalmore Capital Fund 3 and co-investment vehicles

Infrastructure sub-sector:

Education

Dalmore Capital investment:

100%

Year of investment:

2018

Representation on Board

Yes

The Project Company of the educational PPP asset portfolio, Leeds Schools, has been a supporter of the Ahead Partnership for several years. The Ahead Partnership has worked to provide opportunities for thousands of students of all ages and abilities to improve their skills and enhance their employability for future success. The program broadens the horizons of students, helping them build entrepreneurship skills, interview readiness and links with local employers. It is an excellent example of how infrastructure asset management teams and owners can partner with their local communities, dedicating money and resources to support high-impact local priorities.

During 2019-20, the Ahead Partnership supported over 2,300 students, with learning experiences that include entrepreneurial competitions, careers panels, mock interview preparation, work experience, speed networking and the 'EmployMe' bootcamp. These services and opportunities are being continued in virtual form to help stem the achievement gap between the best- and worst-off young people, and to help prevent it from worsening as a result of the pandemic.





6. Responsible investment in practice (continued)

Anglian Water Supporting sustainable agriculture

Asset profile

ACTIVITIES AND OUTCOMES DESCRIBED IN THIS CASE STUDY CONTRIBUTE TO THE FOLLOWING SDGs:

<p>7 AFFORDABLE AND CLEAN ENERGY</p>	<p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p>	<p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p>
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Asset description:
Supplier of water and water recycling services to almost seven million domestic and business customers in the east of England and Hartlepool.

Fund:
Dalmore Capital Fund 3 and co-investment vehicles

Infrastructure sub-sector:
Energy and Utilities

Dalmore Capital investment:
7.5%

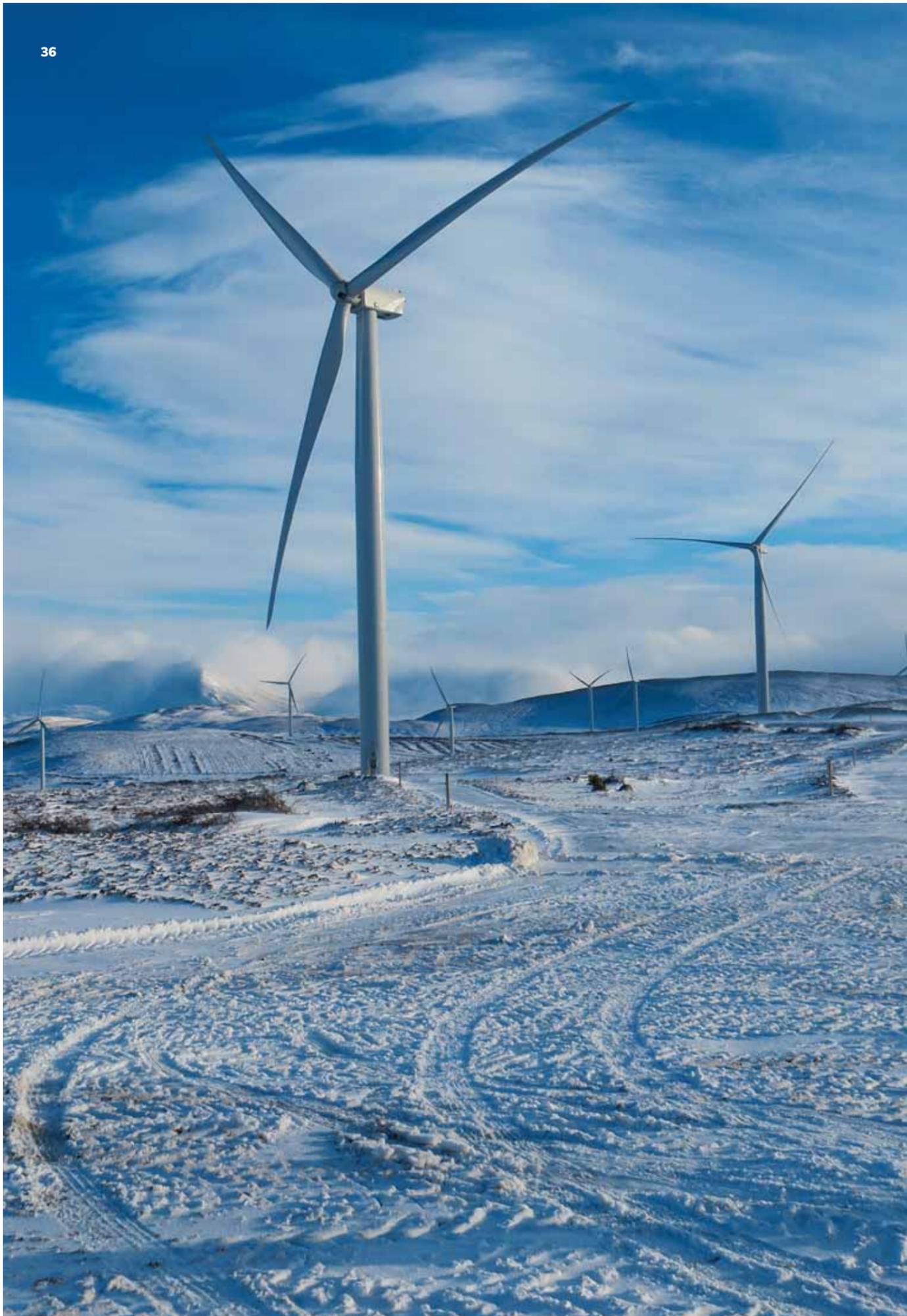
Year of investment:
2018

Representation on Board
Yes

In a world first, Anglian Water has partnered with Oasthouse Ventures to provide a blueprint for sustainable, low-carbon food production. The project will use warm water, the natural by-product of the water recycling process, to heat two of the UK's largest greenhouses, one in Norfolk and the other in Suffolk. Together, they are capable of producing up to 12% of the UK's tomatoes with a carbon footprint 75% lower than a traditional greenhouse, which typically rely on gas-fired boilers.

There are additional environmental benefits as well, since the recycled water that is returned to the chalk stream is cooled, which is better for aquatic organisms and less likely to promote bacterial growth. The project is expected to generate 360 permanent new green economy jobs in Norfolk and Suffolk, and an additional 120 seasonal jobs.

In February 2021, Anglian Water won the "Net Zero Carbon Initiative" award for this project at Utility Week Awards along with "Employer of the Year" and "Supply Chain Initiative". In April 2020, Anglian won the prestigious Queen's Award for Enterprise: Sustainable Development for demonstrating excellent positive impacts across a number of initiatives, including reducing carbon and improving water quality, and continuing to put social and environmental prosperity for communities at the heart of all it does.



7. Looking ahead

Dalmore Capital's Responsible Investment and ESG journey is central to what we do as a firm, and how we do it. The road ahead includes a number of priorities, which we will be working to implement during 2021 and beyond:

- > **Deliver ESG best practices throughout the investment cycle.** Continue to manage our existing portfolio and to deploy Dalmore Capital Fund 4 in a manner which delivers long-term value for investors while having a positive impact on the communities and environment where we do business.
- > **Developing a roadmap to net zero.** Dalmore Capital is taking steps to determine how to manage the business and our portfolio to achieve net zero carbon emissions by 2050, in line with the Paris Agreement.
- > **Strengthen alignment with the TCFD recommendations.** We will continue to improve our data and understanding of our climate risks and opportunities and build these into our future portfolio selection and management approach.
- > **Asset-level improvement action plans.** Our ESG Survey has given us valuable insight into the strengths and challenges of sustainable operations at each individual asset in our portfolio. We will use this data to drive improvements and maximise opportunities, particularly in the areas of energy use and climate risk.
- > **Supporting the sustainable recovery.** We are committed to continuing to be a force for good by playing a role in tackling the lasting effects of the COVID-19 pandemic, supporting our employees, infrastructure assets and their workforces, as well as the broader communities where we operate.

As we look ahead, Dalmore Capital will also be using the knowledge and capability our ESG programme has given us to seek new opportunities in the low-carbon economy. We look forward to updating our investors and stakeholders on our progress in the years to come.



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