DALMORE CAPITAL

ESG Highlights Report 2021/22

Dalmore Capital

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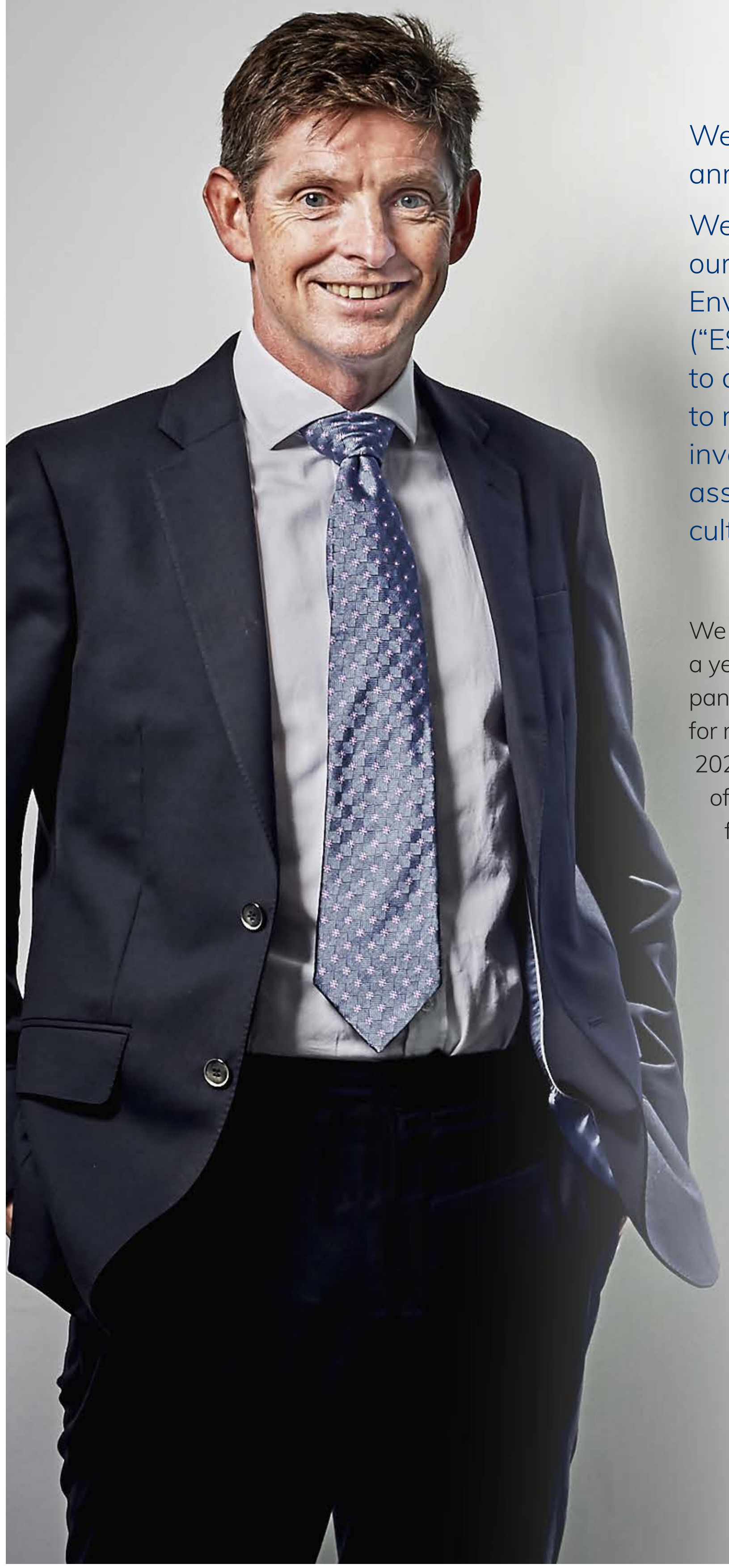
Section 1: Foreword



We are delighted to present our third annual ESG Highlights Report.

We hope that this document provides all our stakeholders with an overview of our Environmental, Social and Governance ("ESG") practices and 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.

We began the year with great optimism, hoping for a year of healing and recovery after the COVID-19 pandemic which led to economic and social hardship for millions across the globe. However, in February 2022, our attention was drawn to the Russian invasion of Ukraine, the ramifications of which are now being felt globally; threatening political stability, security and financial markets.

Emergence from the pandemic, government stimulus and return of market demand drove up UK inflation and this was exacerbated by the Ukraine conflict's impact on the cost of energy, food, and other supplies. In response, the Bank of England began making consecutive rises in the UK Base Rate for the first time since 2007. Infrastructure equity investments typically offer lower correlation to financial markets and the broader economy. Dalmore Capital's ("Dalmore") focus on defensive infrastructure assets that largely benefit from contracted or regulated income streams has insulated our portfolios against the impacts of the global pandemic and Ukraine conflict. Whilst our investors have benefited from the resilience of our portfolio, we are sensitive to the cost-of-living crisis and our important role as stewards of UK infrastructure and in providing affordable services to the public.

As part of a roadmap for recovery from COVID-19 it has been recognised that Britain's infrastructure has suffered from historic underinvestment and hence delivering improved infrastructure is central to the UK Governments 'build back better' commitment. At Dalmore we continue on our mission to focus on infrastructure projects that bring positive socio-economic and environmental benefits and continuously look for ways to work with our portfolio companies to improve their services and engagement with stakeholders. Infrastructure will play a key role in delivering the UK Governments ambitions for a Green Industrial Revolution and Dalmore continues to seek opportunities for investment that supports this ambition.

The overwhelming message from COP27 was that the world is not moving fast enough in its decarbonisation efforts. As a long term infrastructure investor, Dalmore can play an important role in supporting companies with clear decarbonisation transition plans and invest in new infrastructure needed to achieve Net Zero.

Looking forward to the year ahead we have already identified our key priorities. We will report on climate-related risks consistent with the recommendations of TCFD; our progress can be found within the section, 'Climate-Related Disclosures'. We continue to work on the development of a roadmap to net zero carbon emissions for Dalmore and the funds we manage.

Dalmore Capital Fund 4 ("DCF 4") has been categorised as Article 8 under the EU's Sustainable Finance Disclosure Regulation ("SFDR") and during July 2021, the Fund signed its first investment in one of the UK's leading rolling stock leasing companies, Porterbrook. Dalmore continues to raise capital for DCF 4 while simultaneously pursuing a pipeline of UK core infrastructure investment opportunities. At the end of 2022 we successfully completed the fund's second investment in the UK's second largest pure play Energy from Waste platform.

Dalmore continues to recruit in targeted areas and as part of our commitment to responsible investment we welcomed Vanessa Warnock as ESG Director in May 2022. We are delighted to have her as part of the team and look forward to delivering our ESG priorities and ambitions for the coming year.

Our Corporate Social Responsibility ("CSR") strategy and the health and wellbeing of our employees have always been intertwined and we continued to progress with this in 2021/22. Employees have responded well to our hybrid working model and we look forward to continuing to support them in achieving a healthy work-life balance.

We look forward to another successful year for the whole team, delivering on our ESG objectives, supporting our portfolio companies in transitioning to a low carbon economy and engaging with all our stakeholders to deliver benefits to the communities which we serve.

Michael Ryan
Chief Executive

Section 2: Overview of Dalmore Capital

2.1 Who we are

Dalmore is an independent fund manager that acquires, manages and holds infrastructure assets, to deliver long term value for investors, while benefiting all stakeholders. We are an independent infrastructure fund manager with over £5.6 billion of assets under management ("AUM") sourced from leading institutional investors globally.

Our team of 50 staff, based in London and Edinburgh, is comprised of 30 investment professionals and 20 finance and support staff. Collectively, the Dalmore team has over three centuries of experience in infrastructure.

2.2 Our investment focus

We provide 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 2022, our funds have invested in 128 portfolio companies, 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.

Snapshot of assets under management (as of 31 March 2022)

£5.6bn	Number of infrastructure investments per sector
Education	54
Healthcare	33
Justice, Defence and Emergency Services	16
Transport	14
Energy & Utilities	7
Accommodation and other Social Infrastructure	4
Total	**128**

Dalmore Capital manages 10 non-UK investments in Canada, Spain, Netherlands, Belgium, Republic of Ireland, and Slovakia not shown on the map.

We deliver

- Low volatility UK Infrastructure investments with resilient returns
- Long-term stewardship over 15-25 year horizon
- Essential public services
- Energy security and low carbon transformation

Section 3:
Our Approach to Responsible Investment

We bring experience and a diligent approach to managing more than £5.6 billion of institutional capital invested in essential infrastructure, which contributes to economic growth, the energy trilemma, 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.

Our Responsible Investment Policy plays a key role in formalising the framework through which we integrate and prioritise ESG risks and opportunities into every stage of the investment cycle.

ESG Integration

"I am delighted to have joined Dalmore and be part of a firm that invests in and manages assets delivering key social infrastructure and in utilities that will be crucial to delivering the UK's climate goals. I look forward to working closely with stakeholders across the business to continue to deliver a high level of ESG integration, engagement and compliance."

Vanessa Warnock
ESG Director

3.1 ESG 2021/22 updates

- UN Principles of Responsible Investment ("PRI") 4 star rating in the Investment and Stewardship Policy and Direct Infrastructure module, showing that we are performing above peers
- Completed the recruitment of our first ESG Director, appointing Vanessa Warnock in May 2022 to take leadership of our ESG strategy and approach to key ESG matters across the firm at both corporate level and across the portfolios we manage
- Dalmore Capital Fund 4 made its first acquisition; a stake in Porterbrook a UK rolling stock company with a clear vision and ambition to innovate and support the decarbonisation of transport sector
- Set out a roadmap to alignment with TCFD reporting and management of physical and transitional climate risk
- Elaborated our mapping of activities to the UN Sustainable Development Goals ("SDGs") to identify both positive and negative impacts and opportunities within our portfolio
- Expanded our proprietary ESG survey to include new metrics aligned with SFDR and TFCD reporting requirements, expanded our collection of GHG data, and oversight and employee health and wellbeing to better track our portfolio impact
- Undertook engagement activities throughout our portfolio holding dedicated workshops to strengthen understanding of the new elements in our annual ESG survey and highlight emerging ESG trends and future areas of focus.

Section 3:
Our Approach to Responsible Investment
(continued)

3.2 Our ESG Framework drives focus and structure

ENVIRONMENTAL

ENERGY USE

Encourage the reduction of energy use and promote efficiency

ENVIRONMENTAL IMPACT

Encourage active management and reduction of negative environmental impacts such as air pollution, waste, and ecological impacts

CLIMATE RISK

Promote climate resilience and future proofing of assets

SOCIAL

HEALTH & WELL-BEING

Demand health, safety and wellbeing of workers and the communities in which we work

DIVERSITY & INCLUSION

Promote diverse and inclusive workplaces, fair and rewarding employment and respect for human rights

COMMUNITY

Encourage strong relations with our neighbours and focus on the welfare of the users of our assets

GOVERNANCE

BUSINESS CONDUCT

Promote responsible business ethics and integrity, which exceed the applicable laws, where possible

GOVERNANCE

Influence appropriate governance structures that seek robust risk management

CYBERSECURITY

Facilitate suitable cybersecurity and data protection

3.3 Oversight and Implementation of ESG

Our CEO, as a member of the Dalmore Board, provides strategic management and leadership of all ESG matters within the firm, both at corporate level and within our investment portfolios. Dalmore's senior management and Investment Committee exercise oversight and are accountable for responsible investment practices and integration of material ESG risks and opportunities into investment decision-making and asset management practices. This includes, where applicable, physical and transition climate-related risks and opportunities, requirements under EU's SFDR and the EU's Sustainable Taxonomy.

Dalmore's ESG Committee reports quarterly to the Board, providing input on all ESG-related matters across the business, covering compliance, performance and strategy. The ESG Committee is comprised of representatives across all areas of the business including representatives from our General Infrastructure, Social Infrastructure, Investor Relations, Human Resources and Legal & Compliance teams.

The day-to-day implementation of responsible investment practices is embedded across key business activities carried out across all teams by all Dalmore employees. To ensure that appropriate actions are undertaken, we assign ESG objectives to staff as part of our annual appraisal process.

Recognising the rapid development and evolution of ESG regulations and growing complexity of performance monitoring requirements across a wide range of ESG themes, the Board decided to further strengthen Dalmore's ESG capabilities in 2022 by appointing a dedicated ESG Director, Vanessa Warnock. Reporting directly to Dalmore's CEO, Vanessa is responsible for overseeing the continuous improvement of Dalmore's ESG strategy and integration.

Section 3:
Our Approach to Responsible Investment (continued)

BOARD OF DALMORE HOLDINGS LIMITED

EXECUTIVE COMMITTEE MEMBERS

ESG COMMITTEE MEMBERS

INVESTMENT COMMITTEE MEMBERS


Michael Ryan
CEO


John McDonagh
COO


Alistair Ray
CIO


John Murphy
CFO


Jennifer McKay
General Counsel


Vanessa Warnock
ESG Director (Chair)
(Invited Attendee)


Stephanie Beard
HR Director


Dani Pires
General Infrastructure


Matthew McLintock
General Infrastructure


Steven McGhee
Social Infrastructure


Matt Templeton
Social Infrastructure


Natalie Wilson
Compliance & Risk


Victoria Gorman
Investor Relations

3.4 ESG in the investment cycle

Prior to investment		
Screening	Due diligence	Investment decision
• 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)	• 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's ESG Framework	• 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	
Governance setup	Asset monitoring & management
• Where possible, Dalmore takes a board position and, as a shareholder, influences behaviour and decision-making to achieve positive ESG outcomes • Where Dalmore has significant control over an infrastructure asset, we ensure that the company implements relevant ESG policies and standards	• Relevant ESG matters are reported to and considered by the Boards of the infrastructure assets • Dalmore 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 managers regularly review asset performance across funds, share best practice and escalate any significant issues, including ESG matters • On an annual basis, Dalmore carries out a bespoke ESG survey across its portfolio. The ESG survey has a proprietary scoring methodology, designed to measure and track ESG and carbon performance and drive improvements across our portfolio

Section 4: Sustainability Outcomes

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

SUSTAINABLE DEVELOPMENT GOALS

Dalmore embed our responsible investment approach and meet our ESG expectations as active owners and stewards of our investors' capital, by managing our risks, maximising opportunities and understanding our impacts. Increasingly, we are also required to align our investments with the broader objectives of society including those set out in the UN Sustainable Development Goals ("SDGs") and the Paris Agreement.

The 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.

We acknowledge that we have significant potential to shape positive outcomes in line with the SDGs. As such, we have undertaken a baseline review of our activities and strategy in relation to the 17 goals and identified areas where our corporate business and portfolio companies could make significant contribution. Over the next year we plan to engage with a selection of portfolio companies in each of the sectors we operate to undertake an SDG alignment analysis, using recommendations from UNPRI, GRESB and SASB. Whilst the core operations of our portfolio of infrastructure assets lend themselves to directly impact SDG 9: Industry, Innovation and Infrastructure, we believe our assets directly contribute to and support across the majority of the SDG's in some form. Our objective is to identify where our most material impacts can be and use this to better target our ESG strategy and actions going forward.

A summary of Dalmore's initial assessment of both positive and negative contributions to material SDGs is provided in Appendix 1.

Key

- 🟢 Makes a positive contribution
- 🟡 Has potential to make a positive contribution
- 🔴 Has potential to make a negative contribution

3 GOOD HEALTH AND WELL-BEING

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

Target	Key
3.6	🟡
3.9	🟢

4 QUALITY EDUCATION

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

Target	Key
4a	🟢

6 CLEAN WATER AND SANITATION

Ensure availability and sustainable management of water and sanitation for all

Target	Key
6.1	🟡
6.3	🟢
6.6	🔴
6b	🟢

7 AFFORDABLE AND CLEAN ENERGY

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

Target	Key
7.2	🟢
7.3	🟡

8 DECENT WORK AND ECONOMIC GROWTH

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

Target	Key
8.5	🟡

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

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

Target	Key
9.1	🟢
9.2	🟢

10 REDUCED INEQUALITIES

Reduce inequality within and among countries

Target	Key
10	🟡

11 SUSTAINABLE CITIES AND COMMUNITIES

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

Target	Key
11.2	🟢
11.6	🟢

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Responsible consumption and production

Target	Key
12.2	🟡
12.3	🟡

13 CLIMATE ACTION

Take urgent action to combat climate change and its impacts

Target	Key
13.1	🟡
13.2	🟢
13.3	🟡

15 LIFE ON LAND

Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss

Target	Key
15.1	🔴

Section 5: Climate Risks and Opportunities

Climate change challenges us all to think long-term, to recognise what's at stake for our assets and for the people who rely on them, and to meet these challenges with action. We consider the identification and management of climate-related risks as intrinsic to our ESG strategy. We believe that the changing climate requires us to frequently review and improve our governance, risk management procedures and performance monitoring to ensure that we create a resilient portfolio of assets that can continue to support socio-economic growth into the future.

We understand that the changing climate brings not only risks to be managed, but also opportunities. We are eager to further expand our portfolio going forward in projects which support the transition to a low-carbon economy. We believe the key opportunities are as follows:

- **New investments in energy transition** are needed as we move to a low-carbon economy, in particular new energy infrastructure such as electricity production, storage and transport via hydrogen and batteries, clean mobility, and EV charging infrastructure and carbon capture and storage capability necessary to reach net-zero by 2050
- Improved availability of low-carbon and renewable **energy sources** to maintain our assets
- Innovation in the delivery of vital public services that reduce climate impacts and improve resilience
- **Resource efficiency** improvements, such as better construction methods, energy efficient design, and improvements in asset longevity

Dalmore has already taken steps towards achieving a climate resilient portfolio by excluding infrastructure assets whose primary activity is the extraction of or generation of electricity from fossil fuels from our investment strategy.

Dalmore became a formal supporter of TCFD in August 2021 and we provided initial disclosures in our 2020/21 ESG Highlights Report. As part of our progress to continually improve our alignment with the recommendations of the TCFD, we updated our ESG Survey to better understand our portfolio companies' current alignment with TCFD (see Section 6: ESG Performance for more details).

Dalmore intends to publish a standalone TCFD report in 2023 including each of the eleven recommended disclosures ahead of regulatory obligations in 2024.

Section 5:
Climate Risks and Opportunities
(continued)

5.1 Governance

Dalmore's Board has overall responsibility for defining our organisational structure and accountabilities, ensuring our risk identification and management capabilities are robust, implementing internal controls, and taking strategic decisions that reflect the firm's best interests.

These governance activities have clear and specific relevance for climate-related considerations. The board has taken steps to ensure our climate governance is fully embedded in formal decision-making through several key committees and executive reporting functions:

- The **ESG Committee** is chaired by our ESG Director and leads all of Dalmore's ESG-related activities in line with strategy objectives approved by the Board. The ESG Committee develops and leads progress against its work plan, coordinates teams 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, risks and opportunities are specifically considered in:

- **Investment Committee** approval of all acquisitions
- **Valuation Committee** agreement of valuation assumptions for all new and existing assets
- **Performance Review Committees** in undertaking performance appraisals of our assets and direct engagement via our participation on company Boards
- **Risk Management Committee** when overseeing Dalmore's key risks and reviewing the effectiveness of Dalmore'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.

5.2 Strategy

Climate change has the potential to directly impact our assets and the strategic context in which we consider new acquisitions and identify opportunities.

Over the course of 2021/22 Dalmore engaged directly with portfolio companies through interviews and our annual survey to complete a gap analysis of TCFD alignment at the asset level across our portfolios. All our large Energy & Utility portfolio companies (Cadent, Anglian Water, Tideway and Cory) showed a high level of awareness and progress in their alignment with TCFDs key recommendations, all of which have voluntarily provided TCFD disclosures as part of their 2021 Sustainability or Annual reporting.

To further develop our climate awareness and resilience we have committed to undertake physical risk analysis using forward looking climate scenarios for all our portfolio companies. Given the diverse sectors that comprise our portfolio, we will take a top-down approach to identifying key transition risks specific to each sector within which we invest. Table 5.1 provides a high level overview of the types of transition risks that will be reviewed.

A summary of the potential datasets, scenarios, and time horizons that we will be reviewing can be found in Table 5.2 on page 19.

5.3 Risk Management

The Risk Management Committee, reporting to the Board, provides oversight and challenge to ensure inherent risks (including climate) have been identified, assessed and appropriately managed. Climate Change presents a recognised and significant risk in its own right which is why all UK-based enterprises are now mandated to report on climate risk under TCFD by 2025. Our established ESG Framework ensures that climate risks are considered throughout the investment cycle. The Investment Committee considers potential climate risks and scope mitigation measures available. Where possible, Dalmore takes a board position and as a shareholder influences behaviour and management decision-making to identify and consider climate related risks. Our Performance Review Committees report quarterly on a company's performance including managements activities on climate risk mitigation.

5.4 Measuring performance

Our proprietary ESG Survey and scoring methodology gives us detailed knowledge of our performance across the firm and in relation to individual assets. We believe this knowledge is essential to provide 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; and
- Any adaptation and resilience measures that may be in place.

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

Overall, 88% of assets surveyed reported on their GHG emissions for period April 2021 to March 2022. Increased rainfall was classified as being the most common climate stressor among portfolio companies (11.5% of respondents). Overall, 10 portfolio companies have made a commitment to manage exposure to climate related risk through the TCFD.

Section 5: Climate Risks and Opportunities (continued)

Table 5.1 Climate Transition Risks and Opportunities

Transition Risk	Mitigation / Opportunity
Policy	
Climate policy actions typically fall into two categories - those that attempt to mitigate climate change by preventing or reducing the emission of GHG into the atmosphere or those that seek to promote adaptation to the effects of climate change. Policy change around climate could potentially lead to an increase in operating costs through higher compliance costs, although it will depend on the nature and timing of the change. Carbon pricing policies may increase costs for organisations with significant carbon emissions, while other natural resources legislation (such as water and biodiversity) may become more stringent as scarcity increases.	Dalmore has collected carbon emissions data directly from our portfolio companies across our AUM for the last two years. Each year we continuously work to improve our carbon data and expand the scope of emissions captured to identify the material emissions source in each of the sectors we manage. This means that we will reduce the likelihood of penalties from incoming future legislation and policy requirements. Key to the development of our net zero carbon strategy will be the establishment of a robust carbon footprint against which to set a baseline and track future performance.
Legal	
The failure to mitigate the impact of climate change and/or adapt to climate change, or insufficient disclosure on material financial risk could see increased litigation against companies and government for damages caused by climate change impacts.	Our investment strategy is focussed on the acquisition of low volatility critical infrastructure. A key component of our investment process is to assess potential risks. At a portfolio company level we continue to work with partners and stakeholders to explore opportunities to lower emissions through new technologies, work practices, energy efficiency and design, and access to green tariffs and renewable energy.
Technology	
The timing of technology development and deployment required to achieve significant carbon emissions reductions remains a key uncertainty in assessing technology risk. As well as the cost and the unproven nature of integrating new technologies into existing assets, rapid changes in technology can also be challenging to integrate into development timeframes.	Our investments, and particularly those in the energy and utility infrastructure space, are actively investing and undertaking trials to demonstrate the feasibility of technologies that will allow them to transition to a low carbon economy. For example: • Cadent has a site in development which is one of two projects shortlisted to be the UK's first Hydrogen Village. • Cory is developing its plans for a carbon capture storage solution, to help decarbonise the North West region of the UK.
Market	
Investors and markets are increasingly redirecting capital away from products and services that contribute to climate change, impacting stock and asset values which could also result in stranded assets	Dalmore investment screening process specifically identifies projects that meet our ESG Framework with climate risk and resilience as a core pillar. We look to future proof our existing portfolio companies where possible through improved energy and water performance (design and operational). Our exclusion policy has been agreed to avoid short term investment in projects that are at high risk of becoming stranded in a low carbon economy.
Reputation	
An organisation's action or inaction in transitioning to a lower carbon economy poses a potential source of reputational risk, as customers and communities continue to expect more from big businesses. Interest groups such as Extinction Rebellion may specifically target sectors and projects with no clear decarbonisation pathway. Reputational risk has a wider-ranging impact to our business: attracting high-quality partners may become more difficult, governments and communities may resist working with us, and it will be harder to attract and retain top talent.	Our ESG Framework identifies Climate Risk as one of the key areas of focus within our Responsible Investment Policy demonstrating to our stakeholders that we understand the importance of transparency and disclosure around climate change. Dalmore has publicly supported TCFD and continues to improve public reporting on climate risk ahead of our legal obligation in 2024. We are committed to developing a Net Zero strategy and are currently assessing sector guidelines.

Table 5.2 Climate Scenario Analysis

	Transition Risks	Physical Risks
Database	Network for Greening the Financial System (NGFS) climate scenarios	IPCC Shared Socioeconomic Pathways (SSPs)
Scenario	NGFS Net Zero 2050 and NGFS Current Policies for transition risks	SSP1-2.6 and SSP5-8.5
Time Horizon	2030, 2040, 2050	2030, 2050, 2080

Section 5:
Climate Risks and Opportunities
(continued)

GHG Emissions by Fund (tCO_2e)

April 2021 to March 2022[1]	**Dalmore Capital Fund**	**PPP Equity PIP**	**Dalmore Capital Fund 3**
	£248.7m fund invested in a portfolio of 46 operational PPP project companies in the UK	£534.4m fund invested in a portfolio of 30 operational PPP project companies in the UK	£950m fund invested in a well-diversified portfolio of 11 investments in low volatility UK infrastructure companies
Scope 1 (tCO_2e)	12,844	14,669	109,343
Scope 2 (tCO_2e)	5,095	8,655	8,894
Total (tCO_2e)	**17,939**[2]	**23,324**[3]	**118,237**[4]

1 Emissions have been calculated based on the GHG Accounting Protocol on a net ownership basis. Reliance is placed on data reported by the assets, a total of 88% provided Scope 1 and 2 data. Data may include energy consumption by the asset users as we intend to show total emissions generated by the assets operations even though the asset's legal entity may have no control over actual consumption. https://ghgprotocol.org/corporate-standard

2 Total emissions reported in the Fund is based on a 72% response rate by value to questions on Scope 1 and 2

3 Total emissions reported in the Fund is based on a 98% response rate by value to questions on Scope 1 and 2

4 Total emissions reported in the Fund is based on a 96% response rate by value to questions on Scope 1 and 2

It is our objective over the next year to use this analysis to:

1

Engage with our portfolio companies to quantify the implications of the identified risks

2

Develop a road map for climate resilience

Section 6:
ESG Performance

In 2022, Dalmore undertook its third annual proprietary ESG Survey. Bespoke to Dalmore's ESG strategy, the survey allows us to monitor and measure various ESG impact areas across the portfolio and evaluate progress towards alignment to Dalmore's nine ESG focus areas on an annual basis. The survey captures the portfolio companies' data through a range of metrics including energy use, health and safety performance, carbon emissions, governance, job creation and support for local community initiatives. The survey results enable us to:

1. Update and educate portfolio company management teams on Dalmore's ESG strategy and commitments, and explain expectations upon them to deliver our reporting requirements.
2. Engage directly with portfolio companies to understand their opinions and concerns regarding ESG.
3. Understand the existing commitments to ESG made by portfolio companies and the steps they are taking to meet such commitments.
4. Capture key ESG data points required to meet our existing mandatory reporting requirements and future expectations, such as the TCFD aligned reporting and SFDR.
5. Benchmark portfolio companies and demonstrate progress against our ESG Framework at portfolio company and fund level, through a proprietary scoring mechanism.
6. Identify key areas of improvement for each portfolio company and put a bespoke action plan in place to support progress.

We continually look for ways to improve the ESG Survey to incorporate emerging ESG trends and reporting requirements. This year we streamlined the survey and ensured the questions were relevant for all portfolio companies, regardless of sector or strategy. We aligned the survey to recommended industry benchmarks that will allow us to better compare ESG performance of our portfolio companies to their global peer group, as well as internal comparisons against similar investment types. We feel that this alignment will help us to incorporate best practise recommendations from across the industry.

As we develop our ESG Survey, new questions were included to improve data, introduce new topics relevant to SFDR and aid the future development of Key Performance Indicators ("KPIs"). Areas covered by the new questions included:

- Alignment with TCFD to gain a better understanding of our portfolio companies' awareness and understanding of climate risks.
- Questions around biodiversity to identify how many of our portfolio companies may be directly impacting or managing protected or vulnerable habitats.
- Gender pay.
- Stakeholder engagement.

In order to have comparable data sets between this year's results and last year's, new questions have not been scored but will be as part of next year's survey.

Section 7:
Key Findings

Dalmore's ESG Survey gives us valuable insights into asset-level real-world performance and where to focus our efforts.

Pages 24 and 25 show the value weighted scores of three of Dalmore's four commingled multi-asset funds as well as the value weighted score of Dalmore's total portfolio across the nine pillars of our ESG Framework. Dalmore Capital Fund 4 reached first close in the summer of 2021 and is 74% deployed in one portfolio company, Porterbrook. Porterbrook was surveyed but results have not been disclosed on a Fund level.

At a macro level, portfolio companies score strongly across the governance dimensions, with energy use and climate risk areas offering the best opportunity for improvement. This reflects that a large part of our portfolio consists of established infrastructure whose energy strategy and performance are governed by long term contracts and any low carbon solutions would require retrofitting / refurbishment to bring in line with today's new builds. It should be noted that the contractual nature of these PPP assets means that operationally reducing energy use and carbon is more complex than for operating fixed portfolio of buildings. The way in which a public sector authority uses the building is outside of Dalmore's immediate control and any changes to the building requiring capital investment to improve energy efficiency involves multiple stakeholders and public sector buy-in. However, these challenges can be overcome with close cooperation and engagement across stakeholders to achieve Net Zero, as demonstrated at our Newcastle Schools Project (see Section 8: Responsible Investment in Practice). Dalmore will work with the assets and other investors to determine financed emissions and responsibilities to develop a mutually agreed carbon reduction plan in line with nationally set net zero ambitions.

We believe one of our primary tasks in improving our overall ESG performance and capacity will be to deepen the understanding of energy efficiency and climate risk at portfolio company level and find the highest-impact strategies to support our portfolio companies to transition to energy efficient and low carbon solutions where possible. We are actively addressing climate awareness and resilience by taking steps to assess climate physical and transition risks across our portfolio in 2022 (see Section 5: Climate Risk and Opportunities).

Creating a work environment where employees feel they can excel in what they do and feel free to express themselves is of major importance, which is why we are pleased that our Diversity and Inclusion pillar has continued to make year-on-year improvements. Cybersecurity has also made steady improvements, which helps to promote the overall safety of infrastructure assets and reduce risk of disruption to their operation, availability and the services they provide. This is particularly important in light of the heightened threat and use of cyber-attacks.

It is also noted that this year's survey has shown a reduction in scores for health and safety, and governance, which should remain consistent year on year. Dalmore is engaging directly with each portfolio company to set improvement actions in each area. Community engagement also reduced. As this year's survey encompassed the tail end of COVID-19 lock down, it is likely that this resulted in a reduction in community initiatives.

resolis.

During the reporting period Dalmore established subsidiary company, Resolis, which has taken over the management services of a large proportion of our PPP assets. Bringing together the majority of our social infrastructure projects under one management company allows us to increase our direct engagement with portfolio companies. Working with Resolis, we will establish a set of ESG policies and KPIs to provide us with a common understanding and strategy across a diverse range of social infrastructure assets.

Section 7:
Key Findings
(continued)

Each of the 9 themes which make up our ESG Framework are scored based on responses to our ESG survey. Each theme is scored out of a total of 10 points.

2021/22 2020/21

- Energy use
- Environmental Impact
- Climate Risk
- Health & Well-being
- Diversity & inclusion
- Community
- Business Conduct
- Governance
- Cybersecurity

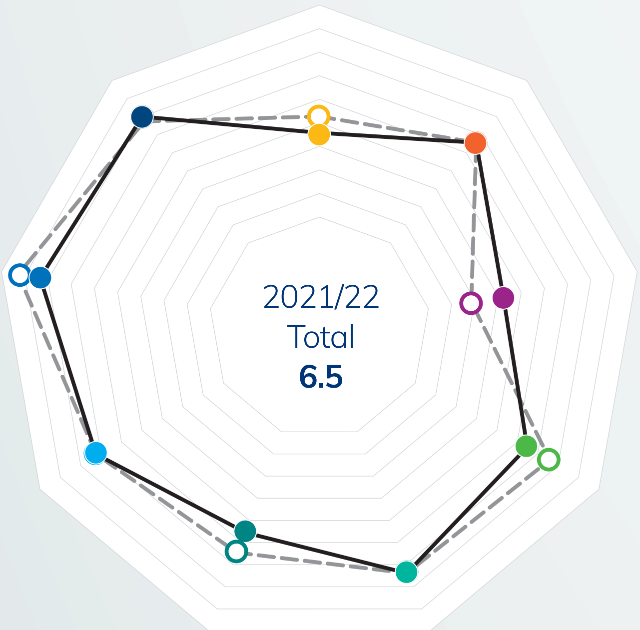
Dalmore Capital Total Portfolio[5]

£5.3bn

deployed in a portfolio of 128 assets infrastructure investments

95%

ESG Survey response rate by value for the year ended 31 March 2022



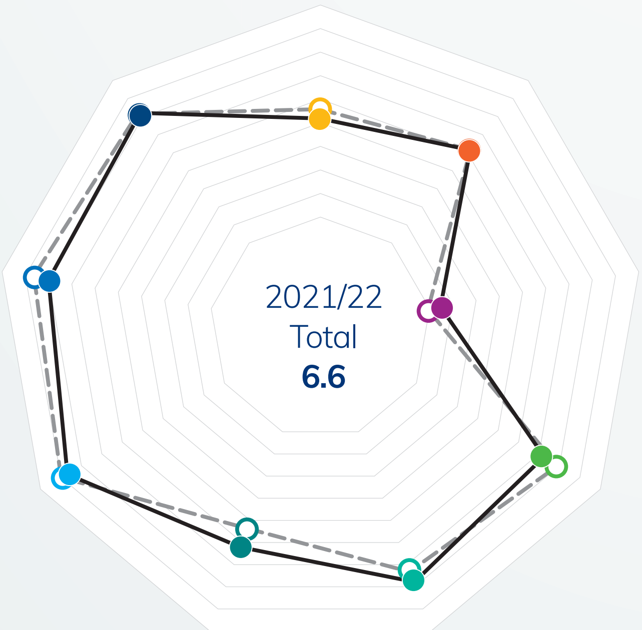
Dalmore Capital Fund (2012)

£2.487m

funds invested in a portfolio of 46 operational PPP project companies in the UK

90%

ESG Survey response rate by value for the year ended 31 March 2022



5 Assets in which Dalmore Capital only holds a debt interest and any assets which expired within the reporting period were not surveyed.

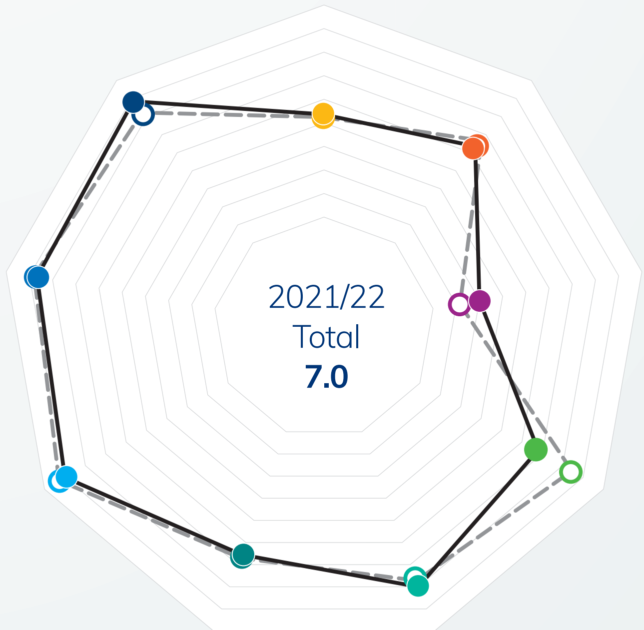
PPP Equity PIP (2014)

£534.4m

fund invested in a portfolio of 30 operational PPP project companies in the UK

98%

ESG Survey response rate by value for the year ended 31 March 2022



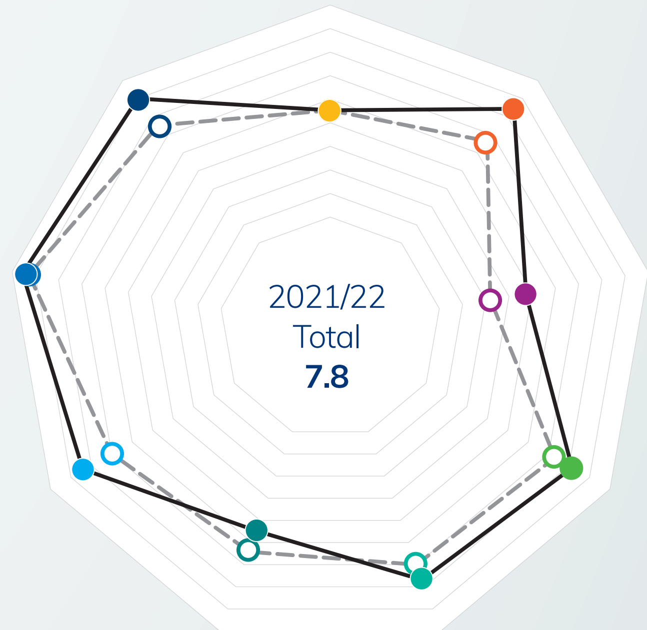
Dalmore Capital Fund 3 (2017)

£950m

fund invested in a well-diversified portfolio of 11 investments in low volatility UK infrastructure assets

95%

ESG Survey response rate by value for the year ended 31 March 2022



Section 8:
ESG in the Way We Operate

The aim of our ESG Framework is to enable Dalmore to create value and long-term returns for all of our stakeholders. We accept that our business has a direct influence on the environment, and wide-reaching impacts on our employees, supply chain and the communities in which we operate. As such we take our responsibility to serve these stakeholders very seriously. 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 as a place to work.

8.1 Reducing our environmental footprint

We recognise that we must lead by example, as such we calculate our corporate carbon footprint on an annual basis. This help us to see trends in our energy consumption and identify efficiency improvements to reduce carbon impact from our office-based and business travel activities.

The calculation of Scope 1 and 2 emissions follows the GHG Protocol. GHG Protocol Scope 3 guidance methodology was used to calculated financed emissions.

Our total GHG emissions have increased by 77% for 12 months to 31 March 2022, compared to last year. This was driven by Dalmore employees' return to work in our corporate offices on a hybrid basis, post COVID-19 lock-downs. We also returned to business travel in 2021/22 as restrictions were lifted and we regularly visit portfolio companies to enhance collaboration with management teams. Where possible we use public transport and green alternatives to reduce our carbon impact in this area.

In our operational business we ensure that all energy is procured via REGO-backed green tariffs for electricity (where available). We also stipulate the use of high-efficiency equipment in day-to-day procurement and during the refurbishment of our offices. Employee awareness is also championed through the provision of training and eco-friendly signage around our offices. Although we do not collect data on commuting and home-working, we have launched numerous schemes to address our operational Scope 3 impact such as the cycle-to-work and electric car schemes.

In 2022 we fully offset our operational corporate GHG emissions detailed above through the purchase of 'A-standard' certified carbon credits through Climate Impact Partners.

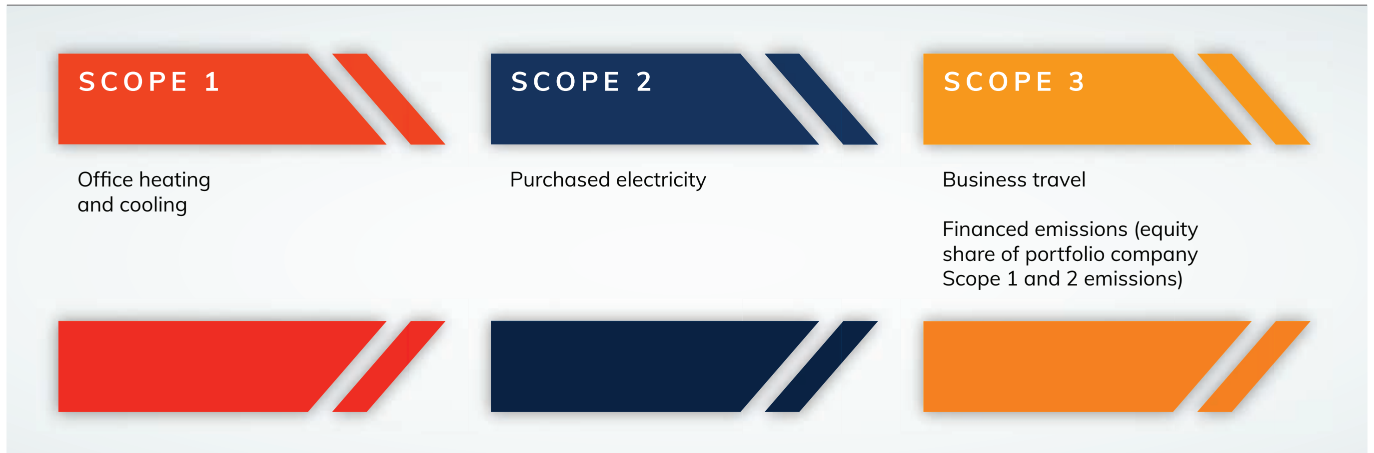
We have directly supported nature based solution though a community based reforestation projects in East Africa. The project involves over 90,000 farmers in Kenya and Uganda. Forestry project such as this combine carbon sequestration with sustainable development, helping to improve community livelihoods thorough education and training, and create additional sources of income beyond smallholder's farming.

For the first time this year, we have added financed emissions to Dalmore's Scope 3 emissions in accordance with the GHG Protocol Scope 3 Guidance. Financed emissions account for the Scope 1 and 2 emissions of our portfolio companies and are calculated based on our equity share of a portfolio company. Our financed emissions represent 99.99% of our total emissions. The difficultly of quantifying these is well recognised across the industry given the reliance on data provided by portfolio companies. At Dalmore we believe in taking a bottom-up approach and we will work, together with stakeholders, over the coming year to improve the data available to better quantify our total emissions.

2021/22 GHG emissions of Dalmore Capital
Covering period April 2021 to March 2022

	GHG emissions (tCO_2e)	CO2e (tonnes) 2021	CO2e (tonnes) 2022
Operational			
Scope 1 Direct Emissions	Heating (gas consumption)	27.6	37
Scope 2 Indirect Emissions	Electricity consumption (market based)	0	0
	Electricity consumption (location based)	22.6	27.5
Scope 3 Indirect Emissions	Business travel	2.7	16.5
Total Operational GHG Emissions	Total Scope 1, 2 & 3 emissions (market based)	30.3	53.5
GHG Intensity	GHG intensity (tCO_2e per employee)	1.07	1.65
Financed			
Scope 3 Financed Emissions	Equity share of portfolio companies absolute emissions tCO_2e[6]		539,194
Financed carbon footprint	tCO_2e/£m invested		102

6 Absolute emissions from portfolio companies are total Scope 1 and 2 emissions.



Section 8:
ESG in the Way We Operate
(continued)

8.2 Our approach to Corporate Social Responsibility

Whilst our ESG practices are primarily focused on our investments and the ongoing operation of our assets (as this is where our impact and our opportunity to make a difference is greatest), we have also focused on embedding ESG within all areas at Dalmore.

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 ("CSR") strategy:

ENVIRONMENTAL COMMUNITY EMPLOYEES

- **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 wellbeing.

Health and Wellbeing of our Employees:

Our dedicated employees are intrinsic to the work we do. We therefore take every precaution possible to ensure that they receive the health and wellness support that they require. As we recovered from the COVID-19 pandemic, we launched our new hybrid working model after consultation with our employees, to enable employees to more easily balance their home / work commitments. This transition to a 'new normal' working pattern has been managed by a working group to ensure employee satisfaction. Since our return to the office, Dalmore continues to offer support related to ensuring good physical, mental and financial health.

Employee interaction and team-building is key to our success, and we regularly hold staff socials and team-building sessions. Many of these events have focused on our charitable initiatives including:

- **Fundraising**: Throughout the course of the year, Dalmore supported two charities: Mental Health UK and The Conservation Volunteers. In total, these charities received £47,956 through our employees' generosity and matched funding from Dalmore. Employee-led events (many virtual) included a Christmas Quiz, 10,000 steps per day challenge and indoor cycle relay race (with our Edinburgh office competing against our London office)
- Of particular note, in May 2022, 35 Dalmore employees completed 'The Edinburgh 7 Summits' challenge; a tough 35km trek that included 900m of ascent of Edinburgh's surrounding hills (including the famous Arthur's Seat). The challenge was one of the first opportunities since COVID-19 to bring both our London and Edinburgh offices together and spend valuable time connecting with each other in incredible surroundings whilst raising valuable funds for our two charities.

The Edinburgh 7 Summits

"I think these events are great for team morale as well as supporting good causes."

"The walk was challenging, but the scenery, camaraderie and good humour shown by everyone made the day very special, and enabled us to have a chance to really get to know new colleagues."

Section 8:
ESG in the Way We Operate
(continued)

- **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. In addition, Dalmore employees in both London and Edinburgh have undertaken group volunteering at Russia Dock Woodland and at Drylaw Neighbourhood Centre respectively. The volunteering tasks saw employees plant trees, build fences, undertake garden maintenance and plant beds for the upcoming growing season.
- **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 matches 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

All Dalmore employees are provided with access to personal and professional development through a variety of means, including online training and in person training, either 1:1 or group sessions. Employees are encouraged to consider what personal development they require to allow individuals to steer their own career development as encouraged and supported by line managers and the leadership team.

All employees at Dalmore are required to attend compliance training on an annual basis, including information on ESG expectations. In addition, internal sessions and team meetings have given employees the opportunity to learn more about the direction of our own internal ESG strategy and how each individual has a part to play.

Sustainable Transport

We provide two sustainable transport salary sacrifice options for employees. Firstly, our cycle-to-work scheme provides not only a tax efficient programme for employees to purchase bicycles for commuting to / from work but also encourages employees to cycle, improving health and wellbeing. Secondly, we provide a salary-sacrifice scheme for leasing electric vehicles, with the aim to reduce our scope 3 emissions.

Fostering an inclusive culture and promoting diversity

At Dalmore, 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 continue with mandatory diversity and inclusion training for all employees and a robust recruitment processes to ensure an inclusive culture. We continue to focus on improving the gender split with Dalmore Capital and over this reporting period, we increased the number of women in Dalmore, and improved overall gender split.

Section 9: Responsible Investment in Practice

Tideway

Reducing the environmental impact of construction spoil and creating a positive impact on biodiversity.
Activities and outcomes contribute to our core ESG pillar of reducing environmental impacts.

Asset description:	Construction of a 25km "super sewer" under the River Thames in London
Fund:	Dalmore Infrastructure Investments 42 and 44 LP
Infrastructure sub-sector:	Energy and Utilities
Dalmore Capital investment:	36.64%
Year of investment:	2015 and 2022
Representation on Board	Yes

Tideway committed from its inception to manage and re-use 85% of all spoil material generated from tunnel excavation works and reduce construction generated lorry movements by transporting 90% of spoil material by river. In collaboration with RSPB and Land & Water, 1.5 million tonnes of chalk and clay have been transported by river and reused to transform 110 hectares of a historic dredging disposal facility in Rainham.

"As we work to protect the River Thames from sewage pollution, we want to be an environmental project not just in what we're doing, but in how we're doing it. That's why our collaboration with the RSPB and Land & Water, to ensure the spoil we're excavating is being reused in the best way possible, has been so important." Samantha Freelove, Legacy and Sustainability Manager at Tideway.

Thought to be the largest habitat creation scheme within Greater London, the site will create an impermeable layer to retain water in new lakes, while the chalk excavated from the east of London is being used to create a varied landscape. Sitting close to existing RSPB sites of Rainham Marshes and Wennington Marches Nature Reserve, it is expected that the new habitat will create opportunities for a range of species by increasing the availability of good quality habitats within which to flourish.

"Many bird species are returning and we fully expect the wildlife here to flourish as the site develops over the coming years. Tideway's commitment to beneficially re-use their excavated material is great to see, and it's encouraging that other projects are following this approach." Alan Johnson, RSPB's Area Manager for Kent and Essex

Newcastle Schools

Supporting Net Zero goals in Private Financed Infrastructure ("PFI")

Activities and outcomes contribute to our core ESG framework pillars of climate risk mitigation and energy use

Asset description:	Operation of 11 Schools (secondary, primary and special needs) in Newcastle
Funds:	Dalmore Capital Fund & PIP Equity PIP
Infrastructure sub-sector:	Social Infrastructure
Dalmore Capital investment:	99%
Year of investment:	2007
Representation on Board	Yes

Newcastle Schools' is a PPP project consisting of 11 schools within Newcastle City Council's ("NCC") school estate. NCC have set an ambitious target to be carbon neutral by 2030. To support the delivery of this target the Newcastle Net Zero Schools programme was established to decarbonise the school estate across the city.

'NCC - in collaboration with Aura Newcastle Ltd (Dalmore's Project Management Company) and Robertsons FM (Facilities Management Company)- bid for and successfully secured funding from the Public Sector Decarbonisation Scheme (first launched in 2020). Through this collaborative effort Newcastle Schools secured grant funding of just over £5m to fund decarbonisation plans for 11 schools, to install a range of decarbonisation options including solar panels, air source heat pumps, LED lighting and thermal insulation. Newcastle Schools supported the development of initial surveys, design and costings in applying for the funding and subsequently managed the procurement and construction of the works. Installation of agreed decarbonisation works began in 2021 with completion expected in November 2022. In total, across the 11 schools, the decarbonisation measures installed are expected to result in total CO2e reduction of 60.73 t/CO2e per year and CO2e of 7,044 t/CO2e across the asset lifetime. As an example, at St Mary's school the solar panels are expected to generate 199,844 kWh every year which improves energy resilience enabling the school to generate 28% of its own electricity needs.

"The City Council sees this as an incredibly positive step towards demonstrating that the complexity of PFI arrangements does not mean that we cannot work together to improve energy efficiency and improve carbon reduction." Farah Hussain, Capital Investment Team, NCC

Dalmore is engaging with stakeholders within our PPP portfolio to identify other opportunities for similar collaborative initiatives that can help to unlock the challenges of decarbonising public sector buildings. Dalmore as part of the Infrastructure and Projects Authority's ('IPA') Net Zero Working Group are engaging across the sector and with other investors to identify pathways for net zero in social infrastructure projects we manage.

Porterbrook

Supporting transport transition to Net Zero

Activities and outcomes contribute to our core ESG pillar of reducing energy efficiency and environmental impacts

Asset description:	Provider of rail leasing and asset management support
Fund:	Dalmore Capital Fund 4
Infrastructure sub-sector:	Transport
Dalmore Capital investment:	20.0%
Year of investment:	2021
Representation on Board	Yes

Coupled with the need to reduce greenhouse gas emissions, air quality impacts are of growing concern to the rail industry to protect the health of passengers, rail staff and communities served by railways.

To provide an interim decarbonisation solution that improves air quality, Porterbrook partnered with Rolls Royce and Chiltern Railways to develop HybridFLEX, Britain's first hybrid-powered train.

HybridFLEX is an upgrade of an existing diesel operated train with a new battery pack and a low emissions engine to enable low noise and zero-emissions operation in urban areas. Changeover between diesel and battery mode is triggered automatically by GPS to ensure optimisation of the hybrid mode, helping to achieve zero emissions in urban areas.

In July 2021, Chiltern Railways celebrated its 25th anniversary by launching the first HybridFLEX train. The unit entered passenger service in February 2022. Porterbrook estimates that the rollout of HybridFLEX across its fleet of 497 Turbostars could deliver a carbon saving of c.700k tonnes of CO_2e by 2040, equivalent to around six months' worth of diesel traction emissions across the industry.

Another innovation is Porterbrook's development of bi-mode and tri-mode FLEX units which improve operational flexibility across electrified and non-electrified routes by fitting a low emissions engine to an electric train. FLEX allows Porterbrook to extend the functional life of trains (thereby reducing whole-life emissions), whilst supporting the incremental electrification of the railway.

FLEX units are in passenger service with Transport for Wales and Northern and entered commercial service at Great Western Railways in Spring 2022. In October 2021, FLEX won the Environment and Sustainability award in the Modern Railways' Innovation Awards.

Section 9:
Responsible Investment in Practice
(continued)

Supporting Communities
Dalmore Capital Fund 3 portfolio company
EDF Renewables: Dorenell Wind Farm Community Benefit Fund

Launched in July of 2020, the Dorenell Wind Farm Community benefit fund has, as of March 2022, provided grants to local communities totalling £853,134.

Established as a charitable fund for the benefit of residents living within four communities local to the wind farm, the grants are managed on behalf of Dorenell Wind Farm project company by Foundation Scotland. Grant applications are open three times a year with focus around five core themes of: 1) Environment and Heritage, 2) Community and Recreation, 3) Local Economy and Tourism, 4) Housing and Sustainable Development, and 5) Transport and Access Services. Some of the projects funded between April 2021 and March 2022 have included:

- Restoration of local Cairn Memorial Garden
- Cabrach Lives project engaging and training the local community in collecting oral history to maintain local heritage and make this accessible through online archives and books
- Dufftown community centre funding for toilet upgrades and storage to improve facilities for users
- Speyside community car share scheme to continue to provide volunteer-based transport services, reducing isolation and improve access to local services and medical appointments

The funding delivered by the Project Company plays a key role in providing an additional benefit sharing mechanism to the local communities within which the wind farm is located.

PPP Equity PIP portfolio company
Colchester Garrison: Colchester Memorial Garden

Photographs credited to Cpl Danny Houghton

Colchester Garrison is a Ministry of Defence facility providing living and working accommodation for 3,500 military personnel and 750 civilian staff in Colchester, Essex.

The project site is 185ha encompassing 137 new buildings and refurbishment of some existing buildings. Facilities include training buildings, headquarters, mess buildings and accommodation, an indoor swimming pool and sports pitches.

A service of dedication was held at the barrack's memorial garden in June 2022 to unveil the 16 purple birches, planted as part of the Queen's Green Canopy initiative. The number of trees planted and the colour of their leaves represent the maroon berets of Colchester-based 16 Air Assault Brigade Combat Team.

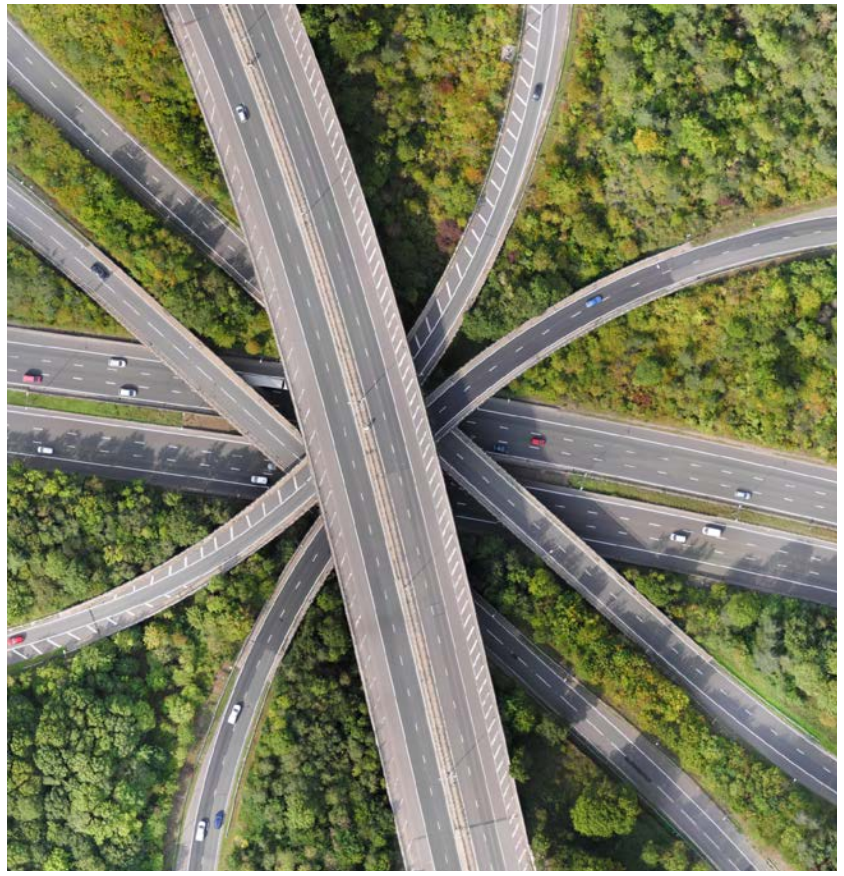
The trees were planted as part of a renovation of the memorial garden and funded by Dalmore's project company RMPA Services, which manages the Colchester Garrison PPP contract.

Lieutenant Colonel Ed Rankin, Commander of Colchester Garrison, said: "The Maroon Canopy has been a fantastic way for the Garrison to mark the Platinum Jubilee celebrations and improve biodiversity on the barracks, with a unique twist that honours the identity and history of airborne forces. I hugely appreciate the work put in by our industry partners to deliver this project."

Greg Thomas, Chief Executive of RMPA Services, said: "We're proud to support the men and women of 16 Air Assault Brigade Combat Team, and the memorial garden is a small contribution we have made to demonstrate that. These trees will grow to become a significant element of the garden, to both remind future generations of soldiers of the Queen's Platinum Jubilee and to enhance this area of reflection and remembrance."

The Queen's Green Canopy is a unique tree planting initiative created to mark Her Majesty's Platinum Jubilee in 2022 which invites people from across the United Kingdom to "Plant a Tree for the Jubilee". The intent is to create a lasting legacy from the celebrations to benefit future generations.

Section 10: Looking Ahead



The road ahead includes a number of priorities which we will be working to implement during 2022 and beyond:

SFDR, EU Taxonomy and SDR

Both the European Union and the UK Government have committed to redirect capital flows to sustainable investments and to bring about a common framework under which sustainable investments can be defined and compared. The EU green finance roadmap is defined under the EU Taxonomy and the Sustainable Financial Disclosure Regulations ("SFDR") which are supported by Regulated Technical Standards ("RTS") which set out specific categories of alignment known as Article 8 and Article 9 (light green and dark green characteristics).

In parallel, the UK Government and Financial Conduct Authority ("FCA") have been developing its own Sustainable Disclosure Requirements ("SDR") and taxonomy. At the time of writing, the FCA had published it's consultation paper with draft regulations which are planned to come into force in early 2023. The Government has stated it will seek to link the requirements directly to the guidance of the TCFD, for which the UK is the first government to mandate compliance across the whole economy. It has also stated it will link requirements for climate action / mitigation to requirements to protect nature and biodiversity via a new standard under development called Taskforce on Nature Related Financial Disclosures ("TNFD"). It is expected that reporting requirements will be aligned to the newly established International Sustainability Standards Board ("ISSB").

Dalmore Capital Fund 4 and future funds will be required to implement either SFDR or SDR and we will continue to work on updating our internal processes to capture these requirements and the alignment of any new investments to the EU Taxonomy where relevant.

TCFD

Improving our understanding and disclosure of climate risk and opportunities is a key step in helping us understand the risk to our portfolio and developing a net zero strategy. Over the next 12 months we will be undertaking physical and transition risk scenario analysis across our portfolio and engaging directly with our portfolio companies on the findings. We will be focusing our engagement at board level for those portfolio companies who have to date not provided their own TCFD disclosures. Working with our portfolio companies, we will be looking to define appropriate measures and targets to mitigate any risks identified. Equally, we see this as a way of engaging with portfolio companies on potential opportunities that can be pursued in addressing climate change risks. We will be reporting on the results of our analysis as part of a standalone TCFD report in 2023.

Net Zero

Although neither the EU SFDR nor the UK SDR mandate are achieving net zero at this time, we wish to align with the goals of the Paris Agreement to limit global heating to under 1.5°C, and generate sustainable returns for our investors. Exploration into how we can achieve this alignment is a key priority in 2022/23. We will be looking at how best to develop net zero targets across the many sectors we invest in. While some of the sectors in which we invest have established transition pathways, many are still in the process of defining what a pathway may look like. One such initiative is the Infrastructure and Projects Authority Net Zero working group, with key industry stakeholders including Dalmore looking to define a suitable pathway for the sector. Dalmore will continue to engage with its portfolio companies and key stakeholders in the development of its approach and in establishing a robust GHG baseline across its portfolio. Quality data coverage will be a key component for both defining existing performance, sign posting improvement areas, setting out pathways and reporting on progress. It is for this reason we have extended the scope of our ESG annual reporting and will increase our active involvement with the day-to-day operations of the portfolio companies we have invested in.

Achieving net zero and demonstrating that our portfolio companies meet wider sustainable investment goals can only be achieved through coordinated and collaborative working across the supply chain. Dalmore's new ESG Director will spearhead this crucial work for us.

At COP26, the UK Government committed to the forthcoming Taskforce on Nature related Financial Disclosures ("TNFD") which is to mirror the TCFD and become integral to the UK's Sustainable Disclosure Regulations, stating that "there is no pathway to net zero without protecting and restoring nature, we are encouraging countries to include nature-based solutions in their climate plans." Looking ahead to 2023, we will be following closely the development of TNFD and how to adopt the recommendations across our business.

Going forward, we will continue to work with portfolio company management teams in managing the risks that climate change presents and we will also consider opportunities to support the transition to a low-carbon economy. As a long-term investor in infrastructure, Dalmore recognises the important role we can play in decarbonisation plans to achieve Net Zero.

Appendix 1: Sustainability Outcomes

3 Good Health and Well-Being — Ensure healthy lives and promote well-being for all at all ages

Target	Contribution Statement	
3.6 Halve the number of global deaths and injuries from road traffic accidents	We invest in road networks across the UK that develop and operate safe and efficient roadways for users. Health and Safety is a number one priority, and all injuries and accidents are recorded and feed into the continuous improvement process.	● (yellow)
3.9 By 2030, substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination	All of our portfolio companies must demonstrate compliance with all applicable covenants, environmental permits and/or regulation surrounding emission of air pollutants and discharges to bodies of water. All portfolio companies must state any legal compliance issues in their quarterly reporting and corrective actions will be taken where required.	● (green)

4 Quality Education — Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

Target	Contribution Statement	
4a Build and upgrade education facilities that are child, disability and gender sensitive and provide safe, non-violent, inclusive and effective learning environments for all	We invest in 54 education assets located across the UK which cater to a range of educational needs, including disability & limited English proficiency. The schools in which we invest ensure inclusive, safe and equitable quality education and promote valuable learning opportunities.	● (green)

6 Clean Water and Sanitation — Ensure availability and sustainable management of water and sanitation for all

Target	Contribution Statement	
6.1 By 2030, achieve universal and equitable access to safe and affordable drinking water for all	We invest in Anglian Water, a supplier of water and water recycling services to almost seven million domestic and business customers in the east of England and Hartlepool.	● (yellow)
6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally	Improved water quality is a key goal of Anglian Water. Recently a new water resource management plan has been implemented which utilises new fibre-optic technology to find and fix leaks faster, saving precious water.	● (green)
6.6 By 2020, protect and restore water-related ecosystems, including mountains, forests, wetlands, rivers, aquifers and lakes	Whilst the objective of our water network asset, Anglian Water, is to run a safe and productive network, we accept that they also carry significant environmental pollution risks. Risk management frameworks are in place to monitor and minimise these risks as far as possible. We also make contributions to ecosystems at these assets, for example, Anglian Water have plans to build two new reservoirs by 2035 that will carry significant ecosystem benefits.	● (red)
6b Support and strengthen the participation of local communities in improving water and sanitation management	Anglian Water has an effective stakeholder engagement programme that applies to the community/public. This includes engagement with local schools.	● (green)

Appendix 1: Sustainability Outcomes (continued)

7 Affordable and Clean Energy – Ensure access to affordable, reliable, sustainable and modern energy for all

Target	Contribution Statement	
7.2 By 2030, increase substantially the share of renewable energy in the global energy mix	We have a number of investments across the energy utilities which focus on renewable energy generation providing reliable supplies to UK markets. Our investment strategy also prohibits investment in infrastructure assets whose primary activity is the extraction of or generation of electricity from fossil fuels.	● (green)
7.3 By 2030, double the global rate of improvement in energy efficiency	Improving energy efficiency across our portfolio and also in the corporate offices that we manage is a key aspect of our ESG strategy. Each year in our ESG Survey we request information from our portfolio companies regarding energy consumption and energy saving measures implemented during the year. This helps us to identify further opportunities.	● (yellow)

8 Decent Work and Economic Growth – Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

Target	Contribution Statement	
8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value	The assets in which we invest have the opportunity to provide decent jobs and employment to those in the surrounding communities. Whilst we currently request information from our assets regarding diversity and inclusion of the workforce, in future we plan to expand this to understand our assets polices regarding equal pay, young people and persons with disabilities.	● (yellow)

9 Industry, Innovation and Infrastructure – Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation

Target	Contribution Statement	
9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and trans-border infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all	Our investment philosophy is 100% aligned to the development of quality, sustainable infrastructure that supports economic growth and brings wider benefit to communities. We achieve this through careful stewardship of existing infrastructure that improves access to and delivery of essential public services.	● (green)
9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities	Our investment focus is on projects that bring positive socio-economic and environmental benefits, through the provision of new infrastructure and careful management of existing infrastructure. Across our portfolio there is a focus on new technologies and adoption of resource-efficiency, particularly in our energy and utility projects that deliver energy security and assist in the pathway to a low-carbon economy.	● (green)

10 Reduced Inequalities – Reduce inequality within and among countries

Target	Contribution Statement	
By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status	At Dalmore we foster a culture of diversity and inclusion as we believe this contributes to better decision making. Therefore we run mandatory diversity and inclusion training on an annual basis, and have enhanced our recruitment process to ensure inclusion is considered at every stage. We are also working to understand our portfolio's impact, hence we have expanded our ESG survey to capture a number of diversity metrics.	● (yellow)

Appendix 1: Sustainability Outcomes (continued)

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

Target		Contribution Statement
11.2	By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons	We invest in six transport assets located across the UK, with a combination of roads and rail (rolling stock). These assets endeavour to provide safe and resilient infrastructure that delivers an essential service to millions of people.
11.6	By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management	One of our investment projects, Cory, ensures that London has a safe, clean and sustainable way of managing its recyclable and non-recyclable waste. The project saves thousands of tonnes of carbon by diversion from landfill and uses waste-to-energy wherever possible to feed power to homes across the UK.

12 Responsible consumption and production

Target		Contribution Statement
12.2	By 2030, achieve the sustainable management and efficient use of natural resources	Resource efficiency within our own operations is considered within our Responsible Investment Policy. We monitor materials sourcing and resource efficiency wherever possible.
12.3	Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle	Our portfolio companies are encouraged to report on their sustainability performance through our annual asset survey. The survey requires information on ESG policy, practises, risk management and performance data.

13 Take urgent action to combat climate change and its impacts

Target		Contribution Statement
13.1	Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries	We have a duty to ensure that through management of our portfolio we deliver resilient infrastructure that is able to cope under the changing climate. One of our portfolio companies, Thames Tideway, captures the flow of storm sewage from overflow points accross the river Thames to intercept pollution events.
13.2	To move towards a climate-neutral economy and implement commitments under the Paris Agreement	Many of our portfolio companies in the energy and utility sector play an active role in the move to a low carbon economy. We at Dalmore Capital are also currently considering our approach to net zero carbon.
13.3	Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning	We have duty to ensure that we raise awareness and provide support across our portfolio to build capacity in understanding climate change risks. By taking an active role in industry groups, working groups and education workshops with our portfolio companies, we can share best practice and support climate literacy.

15 Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss

Target		Contribution Statement
15.1	Ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services, in particular forests, wetlands, mountains and drylands, in line with obligations under international agreements	We understand that some of our portfolio companies may pose a risk to natural ecosystems, especially those involved in construction or the extraction of natural resources. Therefore we are currently gathering data on the exposure of our portfolio companies to areas of protected habitat and/or species. This will help us to ensure that we meet our obligations to conserve these ecosystems, and instigate habitat protection plans where needed.

DALMORE CAPITAL

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