



DALMORE CAPITAL

ESG Highlights Report 2019

Dalmore Capital



Contents

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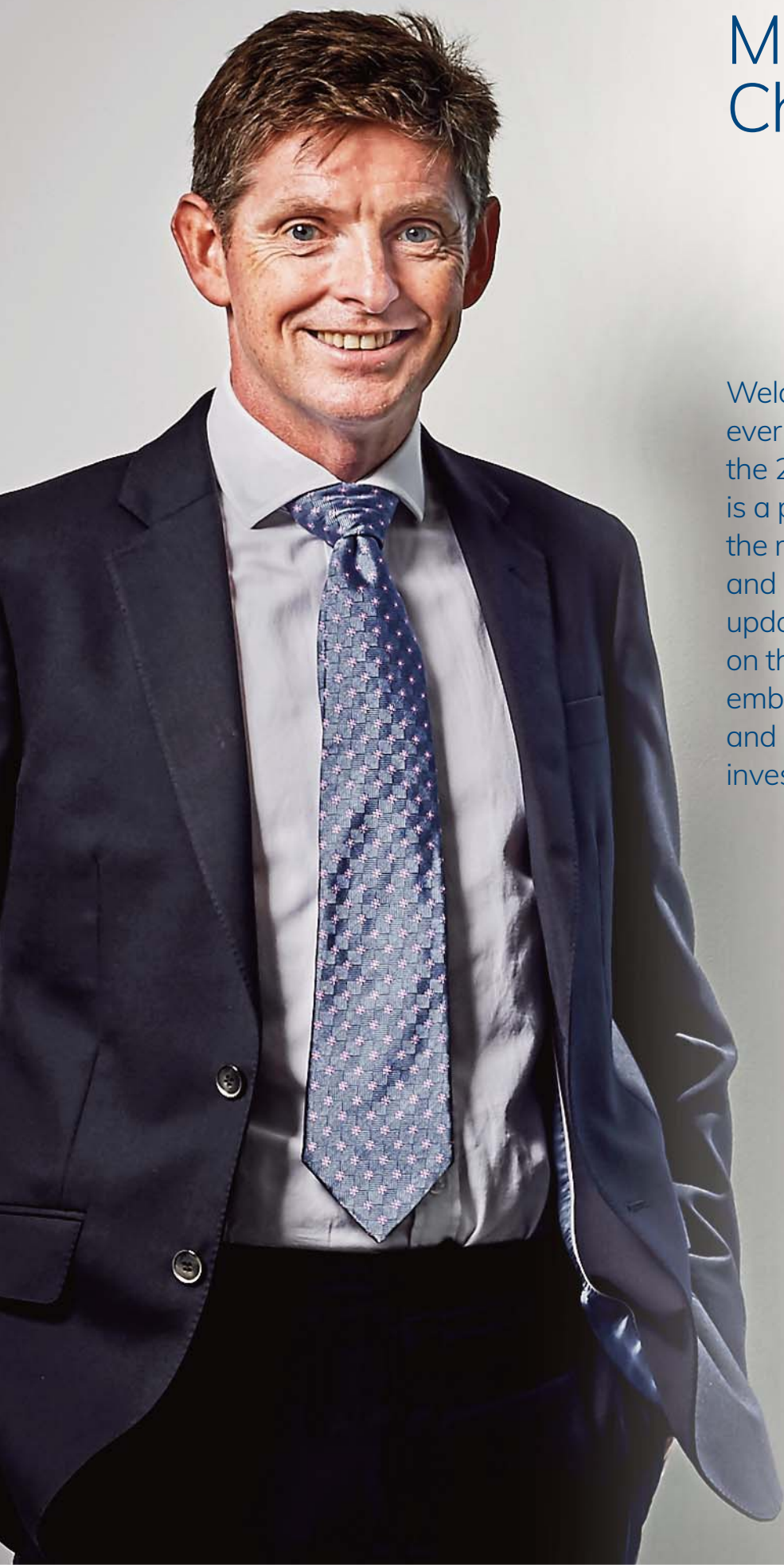
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Foreword

Michael Ryan

Chief Executive

Welcome to Dalmore Capital's first ever ESG Highlights report covering the 2019 calendar year. The report is a product of our firm belief in the merits of investing responsibly and our commitment to regularly update investors and stakeholders on the progress we have made in embedding environmental, social and governance matters in our investment activities.

We live in times of critical transformation. Over the next decade, political and business leaders globally are faced with the challenge of demonstrating significant progress in preserving the health of the planet, while sustaining economic growth and social prosperity. The magnitude of this challenge was further reinforced in the latest Intergovernmental Panel on Climate Change report and the World Economic Forum's Global Risks 2020 report, which for the first time in its 12-year history identified the top five global risks as all relating to the environment.

At Dalmore Capital, we strongly believe that the development and operation of resilient and sustainable infrastructure is vital for delivering this transformation. Given our focus and track record, we are well-placed to continue providing institutional investors with attractive investment opportunities in essential infrastructure that generate socio-economic and environmental benefits and that help deliver a number of the United Nations Sustainable Development Goals ("SDGs").

Looking back at 2019

Looking back at last year, I am proud of the investments we made. We invested over £1 billion across six transactions comprising 62 limited volatility infrastructure assets that improve access to and the provision of essential public services. This included 20 assets in which Dalmore Capital already held an interest and demonstrates our ability to source and execute follow-on transactions. We deployed an additional 30% of Dalmore

Capital Fund 3 ("DCF3") in four transactions, alongside £795 million of co-investment capital. DCF3's deployment now stands at circa 95%, having reached final close in August 2018 at hard cap of £950 million. During the year, we also closed three discretionary separately-managed accounts that will focus on Public Private Partnership ("PPP") assets, all of which have already been significantly deployed.

Last year's success was underpinned by the strength and dedication of our team which expanded by 11 members in 2019. Dalmore Capital has always had a strong sense of identity, and in 2019 we worked on the formal articulation of firmwide culture, values and behaviours. Our core set of values were agreed as being Integrity, Agility and Partnership and these are central to how we recruit, retain and develop our talented professionals.

We also focused on improving the way we deliver our long-standing commitment to responsible investment. We formed a cross-functional ESG Committee to lead efforts in this area. The committee has been instrumental in updating our Responsible Investment Policy and developing our ESG Framework which provides a common and structured approach to how ESG matters are considered throughout the investment process. As part of these improvements, we also made an important commitment not to invest in infrastructure assets whose primary activity is the extraction of or generation of electricity from fossil fuels, given the negative known contribution these have to climate change.

More importantly, I am excited about the future.

Given the level of drawn commitments of DCF3, we will launch Dalmore Capital Fund 4 ("DCF4") and aim to expand on the successful strategy of focussing on limited volatility infrastructure assets predominantly located in the UK.

We have plans to make further improvements to our responsible investment approach and to strengthen our monitoring and reporting, in line with the roadmap we have developed for 2020 and 2021. We will also focus on the difference we can make as an infrastructure investment manager, seeking to minimise carbon emissions from operations (primarily being the running of our offices and business travel), and developing our volunteering programmes and charitable giving.

But most of all, the whole team at Dalmore Capital is excited to fulfil our purpose which is to acquire, manage and hold infrastructure assets to deliver long-term value for investors while benefiting stakeholders.

Michael Ryan
Chief Executive
Dalmore Capital Limited

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 £5.0 billion of assets under management ("AUM") sourced from leading pension funds and institutional investors globally. In the UK alone, we represent the long-term interests of over two million pension holders, including current and former civil servants, across 11 of the 25 largest UK pension funds.

Our team comprises 41 skilled professionals, about half of which focus on acquisitions and asset management, and has over three centuries of collective experience in infrastructure. The team is based in our offices in London and Edinburgh.







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 of 15 to 25 years, which often matches the life of the assets in which we invest. Our focus is on assets 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. When updating our Responsible Investment Policy in 2019 we made a commitment not to invest in infrastructure assets whose primary activity is the extraction of or generation of electricity from fossil fuels.

As of 31 December 2019, our funds have invested in 143 infrastructure assets, the majority of which are in the UK, along with targeted investments in Ireland, continental Europe and Canada. Over the last year alone, we deployed over £1.0 billion across six deals, consisting of investments in new or follow-on interests in 62 assets. 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 December 2019)



Number of infrastructure assets per type*			
	Education	57	20
	Healthcare	36	23
	Transport	15	8
	Justice, Defence and Emergency Services	14	9
	Energy and Utilities	8	2
	Accommodation and Other Social Infrastructure	13	-
Total		143	62

* Includes follow-on acquisition of interests in existing assets owned by funds managed by Dalmore Capital

Our approach to responsible investment



We believe that seeking to maximise these socio-economic and environmental benefits actually enhances long-term returns therefore requiring us to take a responsible approach to investment.

As an experienced investment manager with more than £5.0 billion invested in essential infrastructure, we contribute to economic growth, the energy transition, 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 can enhance long-term returns therefore requiring us

to take a responsible approach to investment.

As set out in the updated Dalmore Capital Responsible Investment Policy¹, 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

Screening

01

- > 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)

Due diligence

02

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

Investment decision

03

- > 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 as to whether to proceed with an offer or to developing appropriate mitigation plans, if possible

ACTIVE OWNERSHIP

Governance setup

04

- > 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

Asset monitoring & management

05

- > Relevant ESG matters are reported to and considered by the Boards of the infrastructure assets
- > Our asset management team engages frequently with the infrastructure assets' internal management and/or our appointed operations and maintenance service providers on relevant ESG matters, to understand risks and opportunities and drive improvements
- > Our asset management team meets regularly to review infrastructure assets across funds, share best practices and escalate any significant issues, including ESG matters
- > Dalmore Capital has piloted a comprehensive ESG survey to assess performance, measure improvement and identify best practices at each of the infrastructure assets in the Dalmore Capital Fund LP. We aim to run the survey at least annually and we will consider expanding it to other funds

¹ <https://www.dalmorecapital.com/spotlight/responsible-investment/>

Our approach to responsible investment (continued)

Key ESG updates in 2019



We formed an ESG Committee to accelerate and coordinate the enhancement of our responsible investment practices.



We updated our Responsible Investment Policy to reflect our latest investment practices and provide clarity on how we embed ESG within these and our decision-making. When updating the Policy we made a commitment not to invest in infrastructure assets whose primary activity is the extraction of or generation of electricity from fossil fuels.



We developed our ESG Framework (see below), which sets out how ESG is aligned to our corporate purpose and investment strategy and the ESG areas that are of particular focus to us through our investment cycle. As part of the implementation of the Framework, we piloted a comprehensive ESG survey to establish a baseline of current practices and performance of the infrastructure assets in Dalmore Capital Fund LP.

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 well-being 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



We believe in the benefits of transparency and are committed to continuously improving ESG-related disclosures and communication to key stakeholders.

Strengthening our ESG governance

Dalmore Capital's senior management and Investment Committee are ultimately responsible for investment practices and how ESG factors are considered in our investment activities. Our chief executive, who is a member of the Dalmore Capital Board, provides strategic management and leadership of all ESG matters within the firm both at corporate level and within the portfolios we manage.

In 2019, we set up a dedicated ESG Committee comprising members from our acquisitions, asset management and investor relations teams. The committee's objective is to drive forward all ESG-related matters across the firm through the development and implementation of process improvements and opportunities to share best practices both internally and with co-investors and stakeholders.

The day-to-day implementation of responsible investment practices is carried out by all Dalmore Capital employees. To further encourage our colleagues to consider ESG more actively, in 2019 we introduced ESG criteria into our staff appraisal process, and colleagues are expected to show understanding of and to implement our Responsible Investment Policy and relevant procedures.

Increasing focus on transparency

As a firm, we believe in the benefits of transparency and are committed to continuously improving ESG-related disclosures and communication to key stakeholders.

We have been a proud signatory to the UN-backed Principles for Responsible Investment ("PRI") since November 2013. As part of our annual reporting

obligations, the Dalmore Capital Transparency report is publicly available through the PRI Portal.

We update investors quarterly on material ESG events and provide a review of activities and progress at our annual investor day and advisory committee meetings.

Dalmore Capital assesses, compares and ultimately seeks to improve the ESG performance of its assets through a variety of channels, including periodic discussions with management teams at asset level and with our co-investors. We are also currently exploring ways to utilise our newly-developed ESG Framework to provide structured and consistent reporting on ESG to investors and partners.



ESG in the way we operate

Our focus over the past years has generally been on the investments we made on behalf of our investors, as this is where the greatest potential to make a difference lies. However, we understand that ESG best practices must extend beyond our infrastructure assets to our own culture and behaviours as an infrastructure investment manager.

Exercising robust governance and risk management

The primary governance body for Dalmore Capital is its Board, which considers and approves all material matters and decisions and sets the firm's strategy. The Board has delegated the day-to-day management and monitoring of key business activities to the Executive Committee and its supporting sub-committees, other forums and supporting functions. Dalmore Capital implements a robust system of internal controls and takes a risk-based approach to managing the organisation and the funds under

management to ensure the achievement of its objectives, compliance with laws and regulations and that all relevant risks are identified and continue to be adequately mitigated. As a manager and in all our dealings we take a zero-tolerance approach to any forms of bribery and corruption or money laundering, and to the facilitation of tax evasion.

Reducing our environmental footprint

Over the last year, we took steps to reduce the environmental footprint of our operations. We utilised video conferencing for 2,740 hours of meetings minimising travel where not necessary. We also began measuring greenhouse gas (GHG) emissions from the electricity and heat consumed by our offices and our business-related travel. Our London office procures all of the electricity it consumes from renewable generation sources with appropriate Renewable Energy Guarantees of Origin (REGO)².

² REGO provides transparency to users about the proportion of electricity they have sourced from renewable generation and is considered carbon neutral.

ESG in the way we operate
(continued)

2019 GHG emissions of Dalmore Capital,
manager-level only

GHG emissions ³	CO ₂ e (tonnes)
Scope 2: Indirect emissions (from electricity and heat)	71.3
Scope 3: Indirect emissions (from business travel)	186.0
Total Scope 2 and Scope 3 emissions	257.3
GHG intensity (tonnes of CO ₂ e per employee)	6.3

In April 2020, we fully offset the GHG emissions detailed above through the organisation Climate Care, using their Climate+Care portfolio of high-quality emission reduction projects⁴.

In the coming year Dalmore Capital, as a infrastructure investment manager, plans to further reduce the greenhouse emissions of the firm, through:

- > improving the environmental performance of our offices through reviewing our procurement of consumables, increasing recycling, and further utilising the benefits of video conferencing in reducing unnecessary travel; and
- > off-setting any residual GHG emissions from the above activities through purchasing 'A-standard' certified carbon credits.

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 aim to create a culture that promotes equality and values different perspectives, experiences and backgrounds in all elements of our work.

We recognise that gender diversity is a particular challenge in our industry, and that concerted and collaborative effort is required to make the financial services sector more attractive for women at all levels of seniority. We are taking active steps and in 2019 introduced a requirement for all recruitment partners to focus on presenting a diverse list of candidates across all levels. Over the past year, a third of the 15 new hires were female, which took the overall proportion of women in the team to 31% (up from 26% a year earlier). Among our senior team⁵ 31% are female.

Over the past year, a third of the 15 new hires were female, which took the overall proportion of women in the team to 31% (up from 26% a year earlier). Among our senior team 31% are female.

To further our efforts of fostering an inclusive culture and continuous employee development, in the coming year, Dalmore Capital plans to:

1. Form partnerships with related industry groups to continue to increase the interest of women in the financial services sector more generally and to assist in providing us with access to a diverse pool of candidates.
2. Continue providing development opportunities to all employees in a range of ways, including ensuring female colleagues receive the support and opportunities to progress into more senior roles.
3. Further support our colleagues' involvement in the communities and expression of their interests by expanding our programme of charity events and volunteering and formalising our matching scheme for employee charitable donations and payroll giving.



³ Scope 2 and 3 emissions as defined by the World Resources Institute and the World Business Council for Sustainable Development. 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 the flights taken for business purposes. All figures reported in metric tonnes of CO₂e.
⁴ <https://climatecare.org/our-climatecare-project-portfolio/>
⁵ Dalmore Capital's senior team comprises director level and above.

Responsible investment in practice

IN FOCUS:

Dalmore Capital Fund LP

Dalmore Capital Fund LP reached final close in April 2013, raising £248.6 million to invest in operational PPP assets in the UK. The fund was fully invested within 12 months of final close. The fund's portfolio comprises 46 operational UK PPP assets across a number of sectors: 26 in Education, 17 in Healthcare and three in Justice, Defence and Emergency services.

At the end of 2019, we piloted a comprehensive ESG survey to establish a baseline of current practices and performance of the infrastructure assets in the fund against the areas of focus identified in the Dalmore Capital ESG Framework. The survey demonstrated a high level of engagement on ESG among the fund's portfolio, with a response rate of 89%⁶.



Based on the information provided by the infrastructure assets who participated in the survey, we have laid out below our key findings:

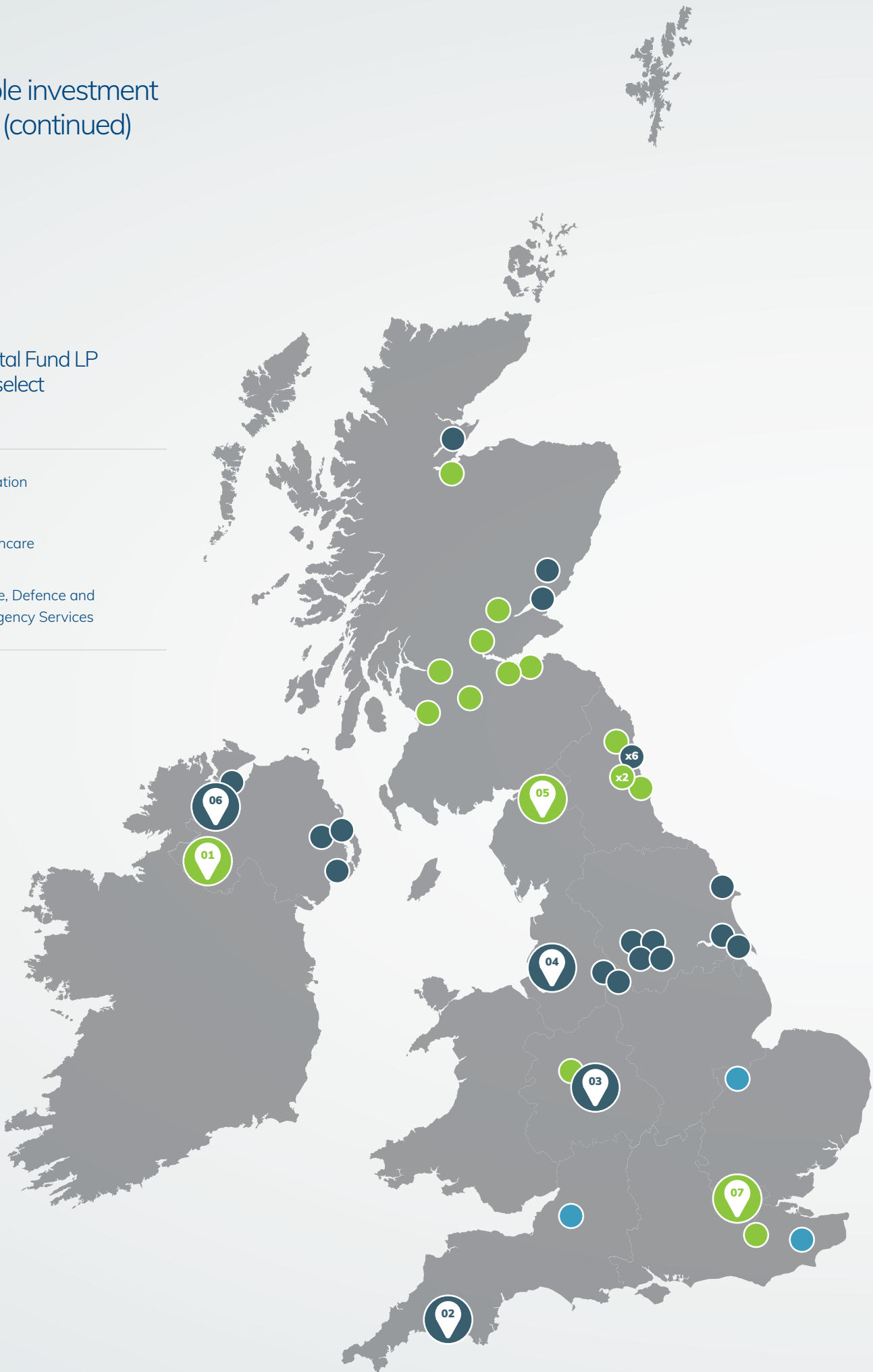
ENVIRONMENTAL	SOCIAL	GOVERNANCE
<div>ENERGY USE 93% of assets have an active energy management plan in place to monitor energy use and identify areas where savings could be achieved through targeted initiatives 40% of assets have a proportion of their energy from renewable sources, such as solar PV or biomass</div>	<div>HEALTH AND WELLBEING 100% of assets have a Health and Safety policy and management system in place 93%⁸ of assets were subject to an independent Health and Safety audit in 2019 88% of assets or their facility managers have implemented initiatives specifically seeking to promote mental health at work</div>	<div>BUSINESS CONDUCT 100% of assets or their facility managers have formal policies or procedures related to anti-bribery and corruption, extortion and whistleblowing 88% of assets or their facility managers have in place policies related to avoiding conflicts of interest, anti-money laundering and preventing financial crimes, and responsible tax practices</div>
<div>ENVIRONMENTAL IMPACT 100% of assets have an environmental management system in place that includes processes to identify and prioritise environmental risks and ensure compliance with relevant regulations 90% of assets have implemented environmental training for staff NO ASSETS have had reportable⁷ environmental incidents in the last two years</div>	<div>DIVERSITY AND INCLUSION 100% of assets are serviced by facility managers that operate an Equal Opportunities and Anti-discrimination policy 98% of assets are serviced by facility managers that ensure their employees have regular access to career development opportunities, such as training, and formal performance reviews</div>	<div>GOVERNANCE 100% of assets have put in place a business continuity or disaster recovery plan 95% of assets have in place asset-specific risk registers that are updated periodically</div>
<div>CLIMATE RISK 63% of assets monitor the greenhouse gas emissions related to their operation 35% of assets have carried out a high-level assessment of their exposure to climate-related risks</div>	<div>COMMUNITY 43% of assets work in collaboration with the asset public-sector partner or on their own to support the needs of local communities and stakeholders, in addition to the essential services delivered by the asset 48% of assets or their facility managers provided non-financial support to the local community, such as staff volunteering their time, in-kind donations and making facilities available for local groups to use</div>	<div>CYBERSECURITY 100% of assets or their facility managers have in place GDPR and cybersecurity policies 43% of assets have cybersecurity resilience regularly reviewed by their asset company Boards NO ASSETS had breaches in data privacy over the last 12 months</div>

6 The survey did not cover an infrastructure asset in which Dalmore Capital owns a stake of less than 5%.
7 Environmental incidents that our infrastructure assets are required to report to respective environmental regulators and agencies, such as the Environment Agency.
8 Some assets have independent Health and Safety audits carried out every three years.

Responsible investment
in practice (continued)

Dalmore Capital Fund LP
portfolio and select
case studies

-  Education
-  Healthcare
-  Justice, Defence and
Emergency Services



01 ENNISKILLEN HOSPITAL

With the support of the asset company, Enniskillen Hospital has invested in on-site biomass boilers that provided almost 90% of the facility's heating demand and approximately 57% of overall energy consumption for the past 12 months. This initiative is driven by the asset's commitment to closely monitor and reduce its environmental footprint and energy consumption.

02 PLYMOUTH SCHOOLS

The Plymouth Schools' team has supported a number of charity engagements, including providing and maintaining allotment areas for children with special needs. Give A Day Of Your Time events have been carried out on an annual basis, with colleagues able to contribute their time to enriching the local community.

03 WESTMINSTER SCHOOL, SANDWELL

Westminster School, supported by our facility manager, runs an internship scheme which supports young people with special educational needs (SEN) with building their workplace skills. One example of this has been an apprenticeship with a grounds maintenance contractor. The school provides one or more dedicated job coaches, paid for by the school, to support the student throughout their placement. This programme has been put forward as a scheme for SEN pupils nationwide.

04 RAINFORD HIGH SCHOOL

The asset has focussed on upgrading its lighting. Its full size artificial football pitch has been re-lamped and re-wired using LED lighting, and is utilised by the local village and nearby communities nightly for competitions and practice six days a week. The fitting of LED lighting around the school continues - all external lighting is now LED, and classroom lighting is being updated as existing fittings fail.

05 CARLISLE HOSPITAL

With the support of the asset company, Carlisle Hospital has worked to deliver a GP streaming facility, in line with NHS guidance, to offer a better and more efficient flow of patients through A&E. This has also allowed the hospital to better provide and manage an out of hours doctor on call.

06 HOLY CROSS COLLEGE

Holy Cross College has allowed its site to be used for a weekly Park Run initiative since June 2019, following discussions with the local council and the school authorities. The run is held every Saturday morning with over 100 participants from the local community taking part, and local volunteers supporting the event. The scheme was showcased on a BBC documentary featuring Dame Kelly Holmes.

07 UNIVERSITY COLLEGE LONDON HOSPITAL

The asset team at the University College London Hospital has set a target to complete 100 volunteering/community days per annum. Initiatives have included a Brighton Beach Clean, with 12 colleagues collecting litter across two miles of shoreline, and 10 colleagues volunteering at Oasis Community Farm in London.

Responsible investment
in practice (continued)

Leeds Schools Enriching the local community

Asset profile

Asset description:	Fund:
One primary and five secondary schools in Leeds, providing teaching space for around 5,000 pupils	Dalmore Capital Fund 3 and co-investment vehicles
Infrastructure sub-sector:	Dalmore Capital investment:
Education	100%
Year of investment:	Representation on Board:
2018	Yes

The Leeds Schools project has a sustained focus on community engagement, and a particular interest in furthering the local council's Children and Young People's Plan. Leeds Schools funded and organised the Leeds' Got Talent competition for the first time in 2016 and has continued to organise, compère and fund the initiative over the past four years. The time involved in its organisation and running is provided by the project voluntarily.

The 'red carpet' event provides pupils, aged 10 to 16 years old, with an opportunity to showcase their talent and to engage creatively through performance acts ranging from solo musicians, rock bands, pianists, dance acts, beat boxing acts and choirs. More than 500 pupils from each of the six schools comprising the project, have been able to participate in the shows, instilling positive behaviours, promoting teamwork and physical activity, and fostering relationships between pupils from different schools. Participation in previous events like this has also been shown to help improve social and emotional well-being, helping those taking part to feel they have a voice and opportunity to express themselves. The



event has received critical acclaim from both those taking part and those in the audience:

The organising team have worked closely to support different charities through the event, helping raise awareness of the excellent work they do. These have included Candlelighters, Save the Children, Yorkshire Children's Trust, Bubbles Foundation and the York Teaching Hospital Foundation Trust.

Furthering its commitment to the local community, the project has also

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



supported the Yorkshire-based social enterprise 'Ahead Partnership'. Its 'Make the Grade' programmes focus on bringing ideas and inspiration to young people across the region in terms of career paths and wider development opportunities. Leeds Schools has supported careers programmes through Ahead Partnership with investment of £20,000 per annum since its education programmes started. Leeds Schools further supports the programme through enabling interview practice, workplace visits, careers panels and events, and enterprise competitions.



"You gave these children an experience that no one can ever take away from them and they will carry it with them for the rest of their lives, that is a great achievement and one you should be very proud of, well done."

Leeds City Councillor



"I want to be here while my kid is growing up. I want to set a good example to my family."

Tideway employee benefitting from initiatives to improve employment opportunities for people with convictions

Responsible investment
in practice (continued)

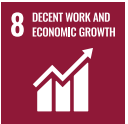
Tideway

Providing sustained employment to people with convictions

Asset profile

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

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



Tideway has been established to deliver the Thames Tideway Tunnel, a major new sewer in central London designed to protect the River Thames from millions of tonnes of sewage that currently spill into its tidal section every year. Integral to the project is a comprehensive legacy programme which aims to deliver sustainable benefits beyond just cleaning up the river. One aspect of this programme is the provision of employment opportunities to vulnerable groups such as people with criminal convictions.

According to the National Police Database, over 11 million people in the UK have a criminal record.⁹ This equates to around 20% of the working age population. In the UK, 1-in-3 men and 1-

in-9 women have a criminal record by the age of 56.¹⁰ People with convictions make up over 30% of the unemployed population and half of employers would not consider hiring them, regardless of the crime or sentence received.¹¹ Unfortunately, this can lead to re-offending as part of a vicious circle, something which is estimated to cost the UK around £18 billion each year.¹²

To help address this problem, the Tideway Board has decided to set itself a target of employing at least one person with a conviction for every 100 employees in 'sustained employment'.¹³

To achieve this Tideway has introduced initiatives such as working with inmates on Release on Temporary Licence¹⁴ and Ban the Box¹⁵, which removes any tick box from job application forms that ask about criminal convictions. Tideway and its value chain have also partnered with charities such as Changing Paths, Bounce Back and Key4Life to support those that come through this employment route.

In addition, Tideway staff have helped run workshops in prisons designed to grow the confidence of inmates, challenge perceptions around employment prospects post release and teach skills needed to apply for jobs, such as interviewing and CV writing.

To date, these initiatives have supported 34 people with convictions into sustained employment, several of whom have gone on to other jobs after working for Tideway. This represents circa 1% of our workforce. The Social Return on Investment¹⁶ of Tideway recruiting people with convictions is estimated at £6.86 for every £1.00 spent.

Tideway's work with people with convictions has been externally recognised by the Employer's Forum for Reducing Re-offending Award for Business working with Local Communities in 2018. It was also highly commended in the inaugural Corbett Network awards in 2019 that recognise high-quality rehabilitative opportunities for prisoners.

9 National Police Database, <https://www.whatdotheyknow.com/request/423289/response/1060100/attach/3/44921%20Stacey%20Internal%20Review.pdf>
10 Conviction histories of Offenders between the ages of 10 and 52, London: Ministry of Justice (2010)
11 Offending, Employment and Benefits, Ministry of Justice and Department for Work and Pensions (2011)
12 Economic and social costs of reoffending, London: Ministry of Justice (2019)
13 'sustained employment' means for at least six months.
14 Release on Temporary licence, Ministry of Justice and Her Majesty's Prison and Probation Service (2019) <https://www.gov.uk/government/publications/release-on-temporary-licence>
15 Business in the Community, <https://www.bitc.org.uk/ban-the-box-sign-up-form/>
16 Calculated independently by Forever Manchester, in line with the Cabinet Office Guide to Social Return on Investment (2012) and wider technical guidance where relevant.

Responsible investment
in practice (continued)

Cadent

Supporting customers on the clean gas transition

Asset profile

Asset description:

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

Infrastructure sub-sector:

Energy and Utilities

Year of investment:

2017

Fund:

Dalmore Capital Fund 3 and co-investment vehicles

Dalmore Capital investment:

14.3%

Representation on Board:

Yes

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



Cadent
Your Gas Network

In June 2019, the UK became the first major economy to legislate its ambition to achieve net zero greenhouse gas emissions by 2050 ("Net Zero"). This compares to a previous target of an 80% reduction from 1990 levels (under the Climate Change Act 2008). Hydrogen is widely seen as having a key role in the UK's Net Zero strategy, particularly driving benefits in the areas of household heat, heavy transport and industry.

HyDeploy

HyDeploy is a Cadent-led initiative designed to demonstrate that blending hydrogen with natural gas is a safe and reliable low-carbon alternative. As a fuel source, hydrogen offers the same benefits as natural gas - it responds instantly when demand peaks, it is easily stored and delivers high temperature heat for industrial needs - but has the significant advantage of releasing only water vapour when burned.

HyDeploy will seek to demonstrate that with up to 20% hydrogen mix there is no impact on or requirement to change cooking or heating appliances, which would otherwise result in disruption and cost. Working with Keele University and Northern Gas Networks, Cadent is leading the network and appliance

testing of 100 domestic homes and 30 faculty buildings at the university campus. The 10-month pilot commenced in Autumn 2019, with the demonstration gradually increasing the volume of hydrogen in the blend in the months following. This is the first ever practical demonstration of hydrogen in a modern gas network in the UK.

Looking ahead, Phases 2 and 3 of the initiative will involve testing the gas networks with customers representative of the UK as a whole. If successful, and a 20% hydrogen blend were eventually rolled-out across the country, around six million tonnes of carbon emissions could be saved every year, the equivalent of taking approximately 2.5 million cars off the road.

"Hydrogen has the potential to contribute to near-zero carbon energy emissions if used strategically. The Government must now decide whether it wishes to develop a UK hydrogen option, taking decisions now that will see the first deployment in the 2020s."

Lord Deben

Chairman of the Committee on Climate Change, Former Secretary of State for the Environment



Responsible investment
in practice (continued)

Cory Riverside Energy Preserving London’s air quality

Asset profile

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



The company continues to invest in best-in-class technology to ensure that its emissions remain one of the lowest of any EfW plant in the UK.

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

3 GOOD HEALTH AND WELL-BEING

11 SUSTAINABLE CITIES AND COMMUNITIES

12 RESPONSIBLE CONSUMPTION AND PRODUCTION



Cory Riverside Energy (“Cory”) is a leading resource management and energy recovery company that manages circa 750,000 tonnes of London’s non-recyclable waste each year. It collects the majority of this waste at four riverside transfer stations and transports it along the River Thames to its Energy from

Waste (“EfW”) facility in Belvedere, South East London. The EfW converts the waste into baseload energy – a process that displaces fossil fuels and allows diversion of waste from landfill. The by-products are re-processed and re-used in the construction industry, and metals extracted to be recycled.

Cory recognises that all EfW processes result in emissions which, if untreated, could be harmful to people’s health and the wider ecosystem. That is why the company continues to invest in best-in-class technology to ensure that its emissions remain one of the lowest in the UK. For instance, Cory’s harmful particulate matter is 94.73% below the limit permitted by the UK’s Environment Agency. Cory also provides funding to

the London Borough of Bexley and London Borough of Barking and Dagenham so that they can engage Kings College London to independently monitor air quality around Cory’s EfW facility at eight separate locations. Their 2018 study confirmed that the UK Air Quality Strategic objectives were met at all locations tested, and none of the monitoring stations detected any readings of NOx, PM10 or PM2.5 (which are the main causes of local air pollution).

Cory has also invested in a fleet of tugboats and barges to transport waste by river. Doing so removes circa 100,000 truck movements from London’s roads each year and helps make the city as a whole, and the local area, a cleaner and safer place to live.



Responsible investment
in practice (continued)

Forth Health

Promoting wellbeing through the arts



Asset profile

Asset description: 860-bed acute hospital in Larbert, Scotland	Fund: Dalmore Capital Fund 3 and co-investment vehicles
Infrastructure sub-sector: Healthcare	Dalmore Capital investment: 50%
Year of investment: 2018	Representation on Board: Yes

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



Forth Valley Royal Hospital is an 864-bed general hospital located in Larbert near Falkirk, Scotland. The hospital was procured through a PPP with NHS Forth Valley and has been fully operational since 2011. Dalmore Capital became a shareholder in the project in 2018.

NHS Forth Valley, part of NHS Scotland, has established a “Wellbeing Through Arts” programme which aims to promote overall wellbeing and better health outcomes for patients by using art as a catalyst for greater social interaction. As part of its long-standing commitment to ESG, the project provides funding to support the programme’s coordination by participatory arts agency, Artlink Central. Furthermore, project staff regularly

volunteer time to ensure that the practical and logistical aspects of the programme are catered for.

The “Wellbeing Through Arts” programme has several threads, including the commissioning of permanent works to be exhibited around the hospital. As part of special exhibitions and events, artists, external groups and hospital staff display their work in the hospital’s public spaces for the benefit and enjoyment of patients, visitors and staff. One recent commission featured a digital projection of a series of dementia-friendly film installations in both the public atrium and the dementia ward at the hospital.





Looking ahead

We have made good progress in 2019 with respect to the further integration of responsible investment within our business activities, reaffirming the central role of ESG to Dalmore Capital in successfully delivering our investment strategy and in how we operate. This progress is something we hope to maintain and we are excited about the plans we have for 2020 and beyond.

A year of responsible growth

We plan to launch DCF4, building on the success of DCF3, providing investors with the opportunity to invest in limited volatility infrastructure assets located predominantly in the UK. DCF4 will continue to focus on those areas of infrastructure that bring socio-economic and environmental benefits, including through improved access to and delivery of essential public services. In so doing, we remain committed to acting in line with and delivering the objectives set out in our Responsible Investment Policy.

A year of further understanding our impact on society and the environment

As a manager of infrastructure assets that facilitate delivery of essential public services, we are proud of the role our investments play in contributing towards socio-economic and environmental prosperity, as set out by the SDGs. During 2020, we will carefully consider how our business activities and investments support the delivery of the SDGs, with a view to communicating our findings in our next ESG report.

Furthermore, we will make use of the insight gained from our pilot ESG survey to keep improving our ESG practices and processes. We will also consider our participation in industry-relevant asset-level assessment and benchmarking frameworks.

A year of further embedding ESG in our culture

At Dalmore Capital, we understand the importance of organisational culture. In the process of defining our purpose as a firm in 2019, we agreed that we should seek (at an investment manager level) to “practice what we preach” to the management teams at our infrastructure assets, in having a purpose that goes beyond just a focus on financial returns to having a positive impact on the communities and environment where we do business. That’s why from 2020, we will be encouraging all staff to support communities and charities through fundraising, charitable giving, volunteering and skills transfer. In addition we will continue to focus on reducing our direct impact on the environment, and ensuring our workplace encourages diversity and equal opportunities for all.

SUSTAINABLE DEVELOPMENT GOALS



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