DENHAM CAPITAL

ESG REPORT FOR 2021

Signatory of:

PRI Principles for Responsible Investment

ESG Investing WINNER AWARDS 2022

CONTENTS

ABOUT US

DENHAM SUSTAINABLE INFRASTRUCTURE MANAGEMENT BUILDS ON DENHAM CAPITAL'S 15-PLUS YEARS OF INVESTING IN THE RENEWABLE POWER SECTOR AND OTHER INFRASTRUCTURE AROUND THE WORLD.

> If we are to achieve net zero by 2050, investing in infrastructure in a responsible way for all stakeholders, including the environment and communities is fundamental. At Denham Sustainable Infrastructure, we believe in continually evolving our ESG program to drive value for all stakeholders.
>
> JUSTIN DEANGELIS
> PARTNER, CO-HEAD SUSTAINABLE INFRASTRUCTURE

15+
years of investing

+$1bn
of invested capital through Fund VI and SIF 1

$2.1bn
Strategic Partnership with Aflac Global Investments

50%
diversity mandate for all hiring agencies with whom we engage

REFLECTING ON 2021

Each year as we write our ESG report, we reflect on our team's achievements over the last year and priorities going forward. Illustrative of the year, we recently were named best ESG Investment Fund: Energy Transition at the ESG Investing Awards 2022 and shortlisted for the Infrastructure Investor Awards. We are thrilled by this recognition and will continue to strive to be ahead of the curve in the way we look at ESG.

There were many other highlights in 2021 including our strategic partnership with Aflac Global Investments and the launch of a $2 billion Sustainable Infrastructure debt platform which will primarily invest in the senior debt of sustainable infrastructure projects. This has positioned Denham Sustainable Infrastructure to become a leader in bringing both debt and equity investment capital to help satisfy the global demand for assets that support economic growth while protecting the environment.

Despite the challenges COVID-19 brought, our sustainable infrastructure portfolio companies have continued to develop, construct and operate projects in the US, Brazil, Southeast Asia, and Africa. Key year end 2021 performance indicators include 831 MW of operational renewable energy projects, over 3300 GWh of clean energy sold and an estimated 1.2 million tonnes of CO_2 savings (equivalent to offsetting the carbon emissions of 250,000 passenger vehicles in the US over a year).

Our investment strategy focuses on sectors that are supporting the transition to a lower-carbon world – renewable energy, energy storage, clean transportation infrastructure and data centers. Our ESG program goes beyond identifying sustainable sectors and includes being active stewards of our investments. We believe in working closely with our portfolio companies supporting them in implementing the highest ESG standards. One of the initiatives we completed in 2021 with our portfolio companies was carrying out a carbon footprint exercise (covering their Scope 1 and Scope 2 emissions) as well as looking at the physical risks from climate change on a sample of our assets. We intend to continue and refine this work as part of our Climate Policy which is based on the recommendations of the Taskforce on Climate-related Financial Disclosure (TCFD).

In 2021 we held our first internal ESG Steering Committee which includes DSI partners, Legal Counsel, our ESG Director and an external ESG specialist to discuss both portfolio company ESG performance and DSI strategic initiatives. We also held regular investor ESG committees to provide investors quarterly updates on ESG work at the portfolio company. We intend to have similar investor ESG committees for future equity funds.

2021 METRICS

831MW
Operational Renewable Energy Assets

400MW
Operational non-Renewable Energy Assets

4,785 GWh
of Electricity generated, over 70% from renewable resources

~1.2m tCO_2e
Avoided GHG emissions from Renewable Energy Assets

ESG JOURNEY

2012
- Implementation of Denham Capital ESG Policy

2017
- Appointment of DSI ESG Director
- DSI Responsible Investment Policy and Environmental and Social Management System in Place
- Establishment of Investor ESG Sub-committee for DSI 1
- Launch of Denham International Power Fund, renamed Denham Sustainable Infrastructure 1 (DSI 1)

2018
- Member of GRESB Join Infrastructure Benchmark Committee
- DSI releases its first Annual ESG/ Impact Report
- EMPEA Institute: Finalist in the Sustainability and Operational Excellence Challenge

2019
- Signatory to Operating Principles for Impact

2020
- Private Equity Africa award for the development impact of Themis Energy

2021
- Signed up to the Coalition for Climate Resilient Investment
- Integration of SFDR
- Establishment of ESG Steering Committee
- Partnership with Aflac

2022
- ESG Investing Awards 2022: Best ESG Investment Fund: Energy Transition
- Signatory to the Data Convergence Project

2050

The need for sustainable infrastructure investment is projected to be $100 trillion - $150 trillion between now and 2050, as heightened awareness of climate-related issues has increased the urgency for developing additional infrastructure focused on sustainability.

ESG GOVERNANCE AND TEAM

ESG STEERING COMMITTEE

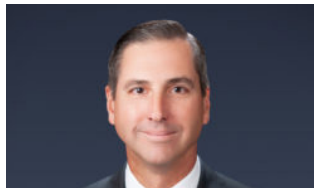
In 2021, Denham Sustainable Infrastructure set up an internal ESG Committee, which includes Partners of DSI, General Counsel, Denham's ESG Director and James Stacey (Partner and Global Director of Climate Change and Low Carbon Transition at ERM). The role of this committee is to oversee and monitor the effectiveness of DSI's ESG framework including the approach to and management of climate-related risks.

The ESG Steering Committee meets on a bi-annual basis.

SCOTT MACKIN
MANAGING PARTNER AND CO-HEAD SUSTAINABLE INFRASTRUCTURE

JUSTIN DEANGELIS
PARTNER AND CO-HEAD OF SUSTAINABLE INFRASTRUCTURE

JORGE CAMIÑA
PARTNER AND HEAD OF SUSTAINABLE INFRASTRUCTURE CREDIT



PAUL WINTERS
PARTNER AND GENERAL COUNSEL

SABINE CHALOPIN
ESG DIRECTOR

TONY FIORE
ASSOCIATE GENERAL COUNSEL

JAMES STACEY
PARTNER AND GLOBAL DIRECTOR OF CLIMATE CHANGE AND LOW CARBON TRANSITION, ERM

ESG LPAC SUB-COMMITTEE

Since 2018, we have been running a quarterly ESG LPAC sub-committee which gives an opportunity for us to share with our investors for SIF1 the ESG work being done at the project level. We have found this forum a great way to provide updates, discuss some of the challenges and keep investors abreast of the initiatives taking place.

Following the success of the first ESG LPAC sub-committee, we intend to set-up similar ESG LPAC sub-committees for all future Sustainable Infrastructure equity funds.

DIVERSITY AND INCLUSION

Denham Capital seeks to maintain a culture filled with diversity not only in gender, race, ethnicity or sexual orientation but also in education, skill set and experience. Since 2018, we have been benchmarking ourselves using the International Limited Partners Association DDQ measuring diversity and inclusion.

Our key achievement is our hiring practice focused on increasing diversity across all levels of the organization. Denham works with collegiate and investment banking programs around the world that embed diversity within their programs from day one. We value networking and public engagement including speaking engagements, career coaching, and internship opportunities that lead to future hiring. We have also taken our commitment one step further via a 50% diversity mandate for all hiring agencies with whom we engage, ensuring a steady pipeline of diverse candidates. Lastly, Denham provides visa sponsorship in all office locations globally to support the creation of a truly global workforce that mirrors the diversity of our Limited Partners and Portfolio Company organizations.

Some of Denham's inclusive employment practices include:

- Eighteen weeks average paid bonding leave for the birth or adoption of a child.
- Flexible return to work arrangements for caregivers of adult or child dependents after new life events.
- Up to date technology to support temporary remote work arrangements, especially helpful for the large population of foreign nationals we employ globally.
- Zero tolerance harassment policy which includes employee education, policy acknowledgement and a culture of accountability and respect
- Promotional opportunities aimed at equal representation of male and female employees. In 2020 60% of the employees promoted were female; in 2021 29% of those promoted were female.

We have continued to increase our participation in network groups aimed at advancing female professionals in the finance and alternative investment space. With these efforts we have continued to see an increase in the pipeline of female talent to roles across the organization.

SUSTAINABLE INFRASTRUCTURE AND BACK OFFICE DIVERSITY

27%	58%	11%
Racial & Ethnic Diversity	Female Representation	Female Representation in Leadership

SUSTAINABLE INFRASTRUCTURE AND BACK OFFICE HIRING

avg. 60%	avg. 50%	avg. 100%
Overall percentage of Diverse hires	Percentage of Diverse hires – Investment Professionals	Percentage of Diverse hires – Non-Investment Professionals

OUR PORTFOLIO

DSI investments through Fund VI and the Sustainable Infrastructure Fund 1 (SIF 1, fka Denham International Power) includes operating wind projects in Brazil and Australia, hydro power projects in Cote d'Ivoire and Vietnam and gas projects in Thailand, Brazil and Australia.

Our decision in Fund VI to invest in thermal projects in geographies such as Guinea and Ghana were driven by the wider sustainability need for power in these geographies. For example, Guinea is considered a Least Developed Country (LDC) with an electrification rate of 42.4%. It is well known that access to competitively priced power is a major enabler of industrial economic growth and improvement in living standards, in particularly in economies currently experiencing or on the cusp of high growth.

Our other consideration for gas projects is whether a project supports intermittent renewable energy capacity. For example, in 2020, South Australia generated 60% of its electricity from renewables, requiring significant grid balancing due to renewables intermittency. Our Nexif portfolio company is developing the Lincoln Gap wind project paired with a 154MW+ gas peaker and 100MW+ battery energy storage system to provide firm energy offtake. We believe that the hybrid generation model will power the next 30 years.

As our investment strategy has evolved over time, we have become more stringent with our requirements on thermal power. For example, in SIF 1, which we closed in 2017, we made the decision that the only type of thermal power projects we would invest in would be gas (which is the cleanest form of thermal power, emitting almost 50% less CO2 than coal). In addition, we set a threshold for the carbon intensity of any gas projects. Going forward, in future funds, we expect that if we invest in gas, it will be under even more stringent criteria, with consideration of EU taxonomy requirements.

We continue to work with our portfolio companies to make sure that projects are being developed to the IFC Performance Standards and implementation of additional ESG requirements. Priorities include strong health and safety practices and ongoing COVID-19 measures to protect both the workforce and local communities. In 2021, we also worked with our portfolio companies to support them in calculating Scope 1 and Scope 2 emissions. Avoided greenhouse gas emissions from our portfolio are calculated to be an estimated 1.2 million tCO2e (the equivalent of offsetting the carbon emissions of 250,000 passenger vehicles in the US over a year).

5
Regions, including Africa, Australasia, Europe, Latin America and North America

1GW+
Operational Projects

~3GW
Nearly 3GW Development Projects

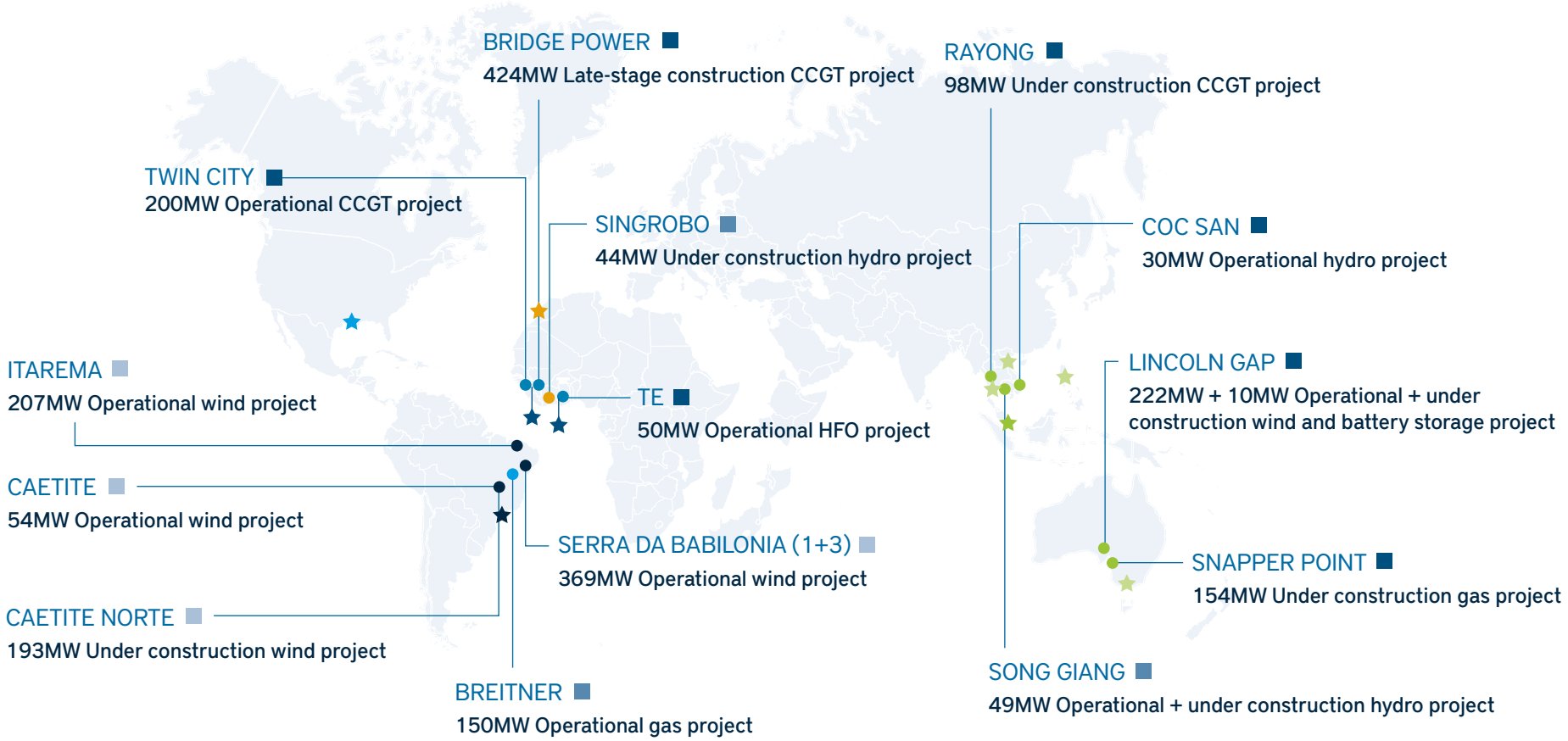
2,800
Jobs at the project level

OUR PORTFOLIO

OPERATIONAL AND UNDER CONSTRUCTION PROJECTS

- Fund VI
- SIF 1
- Fund VI/ SIF I

Rio Energy
CEIBA Energy
NEXIF ENERGY
THEMIS
ENDEAVOR



★ Rio Energy Headquarters ★ Ceiba Energy Headquarters ★ Nexif Energy Headquarters ★ Nexif Energy Regional Offices ★ Themis Headquarters ★ Endeavor Regional Offices

OUR PORTFOLIO

UN SDGs

The DSI investment strategy contributes to **UN SDG 7** "Affordable and Clean Energy" by providing clean power which contributes towards a low-carbon future. The DSI investment strategy also contributes towards **UN SDG 9** "Industry, Innovation and Infrastructure".

Ancillary contributions include **UN SDG 8** "Decent Work and Economic Growth" as a result of the provision of jobs and decent working conditions. The implementation of community related projects contributes towards a number of UN SDGs. For example, the COVID-19 pandemic has meant that the focus of our portfolio companies has been very much around supporting medical infrastructure in the geographies in which they operate, contributing towards **UN SDG 3** "Good Health and Well-Being".

OUR ESG PROCESS FOR EQUITY INVESTMENTS

DEVELOPMENT STAGE → FINANCIAL CLOSE

SCREENING	ENVIRONMENTAL & SOCIAL IMPACT ASSESSMENT (ESIA) AND MANAGEMENT PLANS	ESG DUE DILIGENCE	MONITORING AND REPORTING	EXIT
• Exclusion List • Understanding of key ESG factors • Completion of screening checklist	• Assessment of risks and opportunities • Identification of mitigation measures • Environmental and Social Management Plans (e.g. Stakeholder engagement plan) • Implementation of an Environmental and Social Management System for the project	• Assessment of any gaps • Corrective Action Plan • Covenants incl. in Shareholders Agreement	• Construction phase: close monitoring • Operation • Encouragement of the use of GRESB reporting for operational projects	• Transfer of ESG documentation

AN INTEGRATED APPROACH TO MITIGATE RISK

ESG integration is more sophisticated in private equity investments compared with private debt as a debt investor typically has less control over a portfolio company and limited access to ESG data. However, we seek to have a similar ESG process for debt investments (screening, review of ESG due diligence reports, monitoring and reporting), albeit at a higher level.

We have introduced a scoring methodology and each new investment is given a score based on its ESG profile. When evaluating potential investments, *ceteris paribus*, the Investment Committee will prioritize investments with higher ESG scores.

The Standards and guidelines we follow include:

- National regulations
- The IFC Performance Standards
- World Bank Environmental, Health and Safety guidelines
- EIB Environmental and Social Standards
- ILO Core Labour Standards and ILO Basic Terms and Conditions of Work
- UN Guiding Principles on Business and Human Rights
- US Foreign Corrupt Practices Act and UK Bribery Act

INDUSTRY ENGAGEMENT

GRESB

Signatory of: PRI Principles for Responsible Investment

OUR ESG PROCESS FOR EQUITY INVESTMENTS

SCREENING

At the early stages of the investment process, all SIF1 investments are screened to make sure an investment is aligned with the Fund's strategy and does not fall in our Exclusion Lists. Initial ESG factors are assessed (including relevant adverse indicators) and as of 2021 a checklist is completed to evaluate a project's eligibility with the EU Taxonomy objective of climate change mitigation.

ENVIRONMENTAL AND SOCIAL IMPACT ASSESSMENT (ESIA)

Each project is required to have an ESIA which complies with regulatory and for projects in non-OECD countries, the IFC Performance Standards. Since 2021, we have worked with our portfolio companies to include climate change assessment as part of the ESIA process.

ESG DUE DILIGENCE

During the due diligence phase, we engage third parties to complete environmental and social due diligence (ESDD), where required. Where lenders have completed ESDD to our standards, we will review those reports. In other cases, we may require ESDD to better understand any additional assessments required. This may include for example, additional biodiversity assessments.

We work closely with our portfolio companies to make sure that this work is done from an early stage as additional assessments may in some cases take time (for example, biodiversity assessments may require surveys across different seasons). The result of the due diligence work is an Environmental and Social Action Plan (ESAP) which forms the basis of regular and ongoing discussions with our portfolio companies. The Investment Committee is informed of key ESG items and any follow up action items.

MONITORING AND REPORTING

Post-investment, our ESG Director has regular calls with the ESG leads in each portfolio company with a quarterly reporting framework in place (for projects under construction), and annual reporting (for operational projects). In addition, any material ESG issues are discussed in regular board meetings. During the ESG Steering Committee and ESG LPAC sub-committee calls, the ESG performance of each asset is discussed.

In 2021, SIF1 reported against the GRESB Fund Assessment (Management Component) for SIF1 (aka Denham International Power Fund) and had two operating assets in Fund VI report against the GRESB Asset Management. We will continue to encourage our portfolio companies to report against GRESB for operating assets.

EXIT

During the exit phase, all environmental and social assessments and reports are provided as part of the buyer due diligence process, with a preference for buyers who have the same commitment towards ESG.

ESG REGULATORY COMPLIANCE

The EU's Sustainable Finance Disclosure Regulation (SFDR) came into force in March 2021. SIF 1 has been classified as an Article 8 product under the SFDR as it promotes environmental and social characteristics. In 2022 we will continue our work on implementing the requirements under SFDR, including Principal Adverse Impact reporting.

OUR APPROACH TO CLIMATE

IN 2021, WE SET OUT OUR CLIMATE POLICY WHICH IS BASED ON TCFD RECOMMENDATIONS (TASKFORCE ON CLIMATE RELATED FINANCIAL DISCLOSURE) COVERING THE FOUR KEY PILLARS: GOVERNANCE, STRATEGY, RISK MANAGEMENT, METRICS AND TARGETS. A SUMMARY OF OUR CLIMATE POLICY IS AS FOLLOWS:

GOVERNANCE

STRATEGY

RISK MANAGEMENT

METRICS AND TARGETS

OUR APPROACH TO CLIMATE

GOVERNANCE

One of the responsibilities of the ESG Steering Committee is to oversee and monitor the effectiveness of our Climate Policy.

Climate change issues (both at the fund and asset level) are discussed by the Investment Committee, and as part of this, in 2021, the consultancy ERM was invited to talk to our Investment Committee on climate commitments, risks and opportunities.

In our management process, we screen each investment to make sure that they fall within the investment strategy of DSI (i.e., low carbon transition sector aligned) and key metrics are tracked. From 2022, we require all new equity investments in which we exercise adequate control to report on the following, and will encourage borrowers to do the same:

- Assessment of the physical risk of climate change to the assets. This may be included as part of the environmental and social impact assessment phase or as a stand-alone assessment.
- Measuring Scope 1 and 2 emissions, with the objective of measuring Scope 3 emissions from 2024.
- Reporting on climate related initiatives in board presentations.
- Encouraging our portfolio companies in reducing the carbon intensity of their operations.

STRATEGY

DSI's investment strategy has continuously been evolving to a low-carbon strategy. For example, in our 2017 Sustainable Infrastructure Fund 1, we excluded oil and coal and had specific emission requirements for gas (projects are required to have CO2 emissions below 550gCO2/kWh). We expect future funds to have similar exclusions and tighter requirements for gas (specific circumstances only). In addition, DSI is broadening its investment strategy to include energy storage and EV charging facilities and other low-carbon sectors. Climate-related risks and opportunities are continually being integrated in our investment strategy and we expect our approach to continually evolve.

We define short, medium and long term horizons as follows: short (2025), medium (2030) and long (2050). We use a Climate Risk Register to assess the transition and physical risks throughout the 3 time horizons under different climate scenarios (RCP 4.5 and RCP 8.5). Given the overall transition risk from the DSI portfolio is low (and is actually an opportunity for us), our focus is on potential physical risks from climate change which we assess as part of our risk management process.

OUR APPROACH TO CLIMATE

RISK MANAGEMENT

Physical Risk

In 2021, we engaged ERM to carry out a high-level assessment and overview of the range of potential physical climate-related risks and opportunities across a sample of our assets in different geographies. The exercise involved assigning exposure ratings to the 10 potential hazard types (extreme heat, extreme cold, fluvial flooding, coastal flooding, pluvial flooding, tropical cyclones, storms, wildfires, landslides, water stress & drought) for each asset and producing an overall risk score per asset. By going through this exercise, we have a better understanding of the potential climate risk profile for this sample of assets, and it has allowed us to follow up with portfolio companies in discussing long-term mitigation and management plans

Transition Risk

Our approach to transition risk focuses on key assets which are most likely to be impacted by rapid decarbonisation under the IEA Sustainable Development Scenario compared to a baseline scenario (Stated Policies Scenario). Our Climate Risk Register includes indicators related to policy and legal, technology, market and reputation. For example, potential supply chain constraints as a result of an increase in the demand of clean energy technology (market element) or increased price on greenhouse gas emissions for thermal projects (policy and legal).

METRICS AND TARGETS

In 2021, we worked with our portfolio companies to measure the Scope 1 and 2 emissions of the assets managed by our portfolio companies. We will be calculating this year on year and work towards reducing emissions.

We also refined the metrics we track for our portfolio companies to make sure that they are aligned with indicators as required by recent EU Sustainable Finance Disclosure regulation (SFDR). This includes 'principal adverse impact' indicators with respect to greenhouse gas emissions, carbon footprint, hazardous waste, emissions to water and board gender diversity.

We have also recently signed up to the ESG Data Convergence Project, an initiative which seeks to standardize ESG metrics and produce an overall benchmark which enables comparative reporting. This year's data covers the following six categories at the portfolio company level:

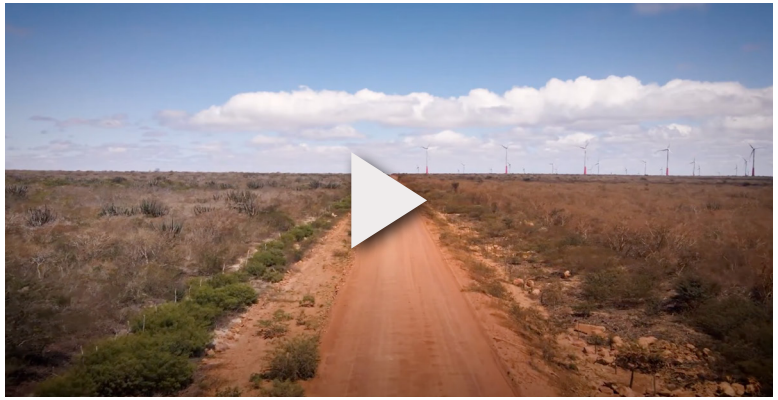
- Greenhouse gas emissions
- Renewable energy
- Board diversity
- Net new hires
- Work-related injuries

WORKING WITH COMMUNITIES

All our projects engage with communities from the early stage of project development, through construction and operations. Engaging with communities and getting their support goes beyond obtaining a 'social license to operate' and is a meaningful opportunity to give back to local communities, especially with the challenges that COVID-19 brought to many. Each portfolio company designs their CSR program according to the needs of a community, with each project seeking to contribute towards at least one of the UN Sustainable Development Goals.

Whilst several community programs were put on hold in 2021 due to COVID-19 restrictions, our portfolio companies continued to focus on COVID-19 support in local communities. For example, Rio Energy, our portfolio company developing wind energy projects in Brazil, donated more than 50,000 BRL (~ $10k) to hospitals located in the Bahia State to help pay for essential person protective equipment for doctors, nurses and staff. In Vietnam, Nexif Energy donated funds to support the vaccination roll-out in the country.

Other notable community projects that Rio Energy has been involved in 2021 include the construction of 65 agroecological toilets for families which previously had no direct access to clean water and sanitation near the Serra da Babilonia project in Brazil, contributing to UN SDG 6 (clean water and sanitation). The company has also provided training to 14 waste pickers in Ourlandia to recycle and re-use donated furniture and materials which are then sold, increasing their monthly income from less than US$75 to nearly US$300, contributing towards UN SDG 1 (no poverty).



Video: Rio Energy's community projects in Serra da Babilônia with support from BNDES

Agroecological toilet for a household near the Serra da Babilônia wind project

Ourlandia Recycling and Artisan Association

HEALTH AND SAFETY

Our investments contribute to providing job opportunities and a continued priority is the health and safety of workforces on projects sites, including COVID-19 management. Each project follows not only regulatory health and safety requirements and for projects in non-OECD countries, the World Bank Group's Environmental, Health and Safety guidelines.

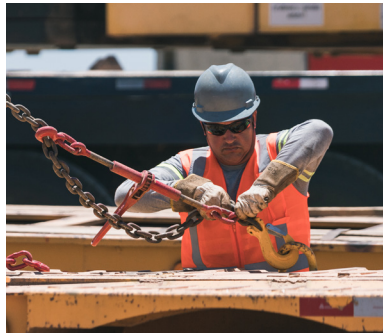
In 2021, COVID-19 management has continued to be a material ESG risk in our portfolio and a priority at all project sites. Our portfolio companies have continued to implement COVID-19 protocols and this has included testing, the provision of masks, social distancing measures and quarantining were needed. This has also meant that community meetings or workshops have been limited to a minimum number of authorized persons.

For projects under construction, our portfolio companies report back on health and safety KPIs for contractors and sub-contractors on a quarterly basis. For projects under operations, which have a limited workforce, health and safety KPIs are reported on an annual basis. In the eventuality of a material health, safety or environmental incident our portfolio companies report to us within 48 hours, with no material incidents occurring in 2021. Health and safety updates are included in regular calls with our portfolio companies and at board meetings.

We will continue to work with our portfolio companies to uphold high standards of health and safety, and to provide decent, fair and safe working conditions for all workers.

HUMAN RIGHTS

During 2021, we worked closely with our portfolio companies to better understand potential human rights issues in supply chains and have supported them in updating their Supplier Code of Conduct. We intend to continue our engagement with the wider industry, our portfolio companies and other stakeholders to strengthen supply chain assessment and management.



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