

SUSTAINABILITY REPORT 2024



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Founded in 2004, Denham Capital has raised more than \$12 billion (which includes funds now managed by Trace Capital) across multiple sectors. Denham Capital was an early investor in renewables, having started investing in the sector in 2008 and partnering with several large renewables platforms.

Denham Capital's Sustainable Infrastructure (DSI) platform specializes in private equity and credit investments in sectors that empower the transition to a lower-carbon world.



\$3.3bn

Assets under Management



15+ years

Track record investing in sustainable infrastructure



30+ countries

Geographically diverse investment reach



100+ assets

Acquired, developed and/or built



100%

Sustainability screened and assessed



5.1m

greenhouse gas emissions avoided

LETTER FROM THE PARTNERS

DSI's equity strategy is to invest in portfolio companies that develop, construct, and operate sustainable infrastructure projects. With a global track record investing in sustainable infrastructure assets across multiple market cycles, Denham benefits from a senior management team that has worked together for over 15 years. By partnering closely with management teams, we create value, scale strong companies, and position them for successful exits – ultimately driving strong returns for our investors. We believe now, more than ever, our ability to differentiate ourselves in a crowded market is an important advantage. A prime example is our experience in developing 5 GW of large-scale power generation, which we are now leveraging to collaborate with data center developers.

Since its launch three years ago, the DSI credit team has successfully closed 40+ transactions across diverse asset classes, including solar, wind, batteries, hydro, transmission and biogas. Our reach spans the US, LatAm, Japan, UK and continental Europe. We believe that infrastructure debt will be one of the fastest growing sectors in private credit over the next decade due to major secular trends that are underpinning a multidecade investment opportunity - both in energy markets and the infrastructure supporting digital systems.

As we have discussed in previous sustainability reports, we believe that the term ESG has often been overly and misappropriately used in financial markets, so perhaps it is not surprising to see the recent backlash. However, we do maintain the view that 1) sustainable infrastructure is an attractive class, 2) risk management (including the management of environmental and social risk factors) is essential in managing risks and can help to create value. We explore these themes in greater depth in this year's sustainability report.

As always, we welcome any comments and feedback.



SUSTAINABLE INFRASTRUCTURE AS AN ATTRACTIVE ASSET CLASS

We consider sustainable infrastructure to include renewable energy, battery energy storage, EV charging, and in certain cases, gas-powered projects.

While an ideal sustainable future would exclude all fossil fuels, the reality is that renewables, battery storage, and even nuclear energy cannot today meet rising demand for electricity nor provide reliability on their own. For the first time in 15 years, electricity demand is surging - driven primarily by rapid expansion of data centers and cloud computing (discussed further below), alongside the electrification of transportation, heating and other sectors. To address this growing need, a balanced and pragmatic approach to energy sources is essential.

Diversifying energy supply also strengthens energy security and energy independence.

We discuss the 3 sectors that we find attractive.



1. Renewables and Battery Energy Storage System (BESS)



2. Data Centers



3. EV Charging



SUSTAINABLE INFRASTRUCTURE AS AN ATTRACTIVE ASSET CLASS



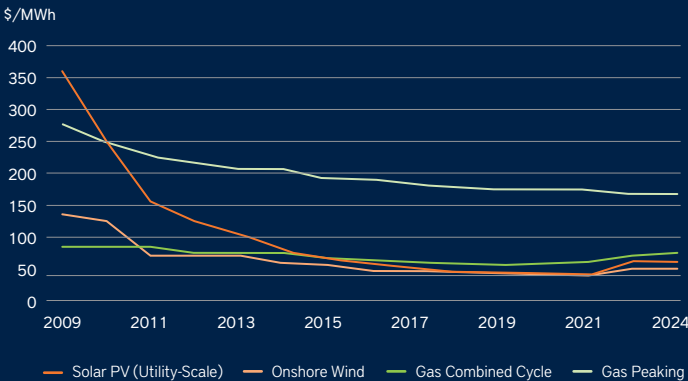
1. Renewables and Battery Energy Storage System (BESS)

The energy transition began with strong environmental consciousness, spurred by feed-in-tariffs in the late 1990s and early 2000s that jump-started the renewables market. Over the last 15 years, scaling and efficiency improvements have driven down levelized costs, with solar falling from \$350/MWh to \$61/MWh and wind from \$135/MWh to \$50/MWh. As a result, renewables are now cost-competitive in most markets. Today, the rapid adoption of renewable energy is no longer reliant on feed-in-tariffs in most geographies renewable energy is an economic opportunity rather than an environmental mandate.

This shift has fueled job creation at an unprecedented scale. Globally, clean energy jobs have increased by 91% over the past decade to 16.2m. In the US, clean energy was the leading driver of employment growth in the energy sector in 2023, with jobs expanding by 4.2- more than twice as much as the already-robust job growth rate of 2.0% in the overall economy. Beyond the 90,000 traditional energy construction jobs, a recent IRENA report highlights an additional 28,000 jobs in new battery and solar module factories, offshore wind infrastructure, and warehouses to store clean energy products.

The rapid expansion of renewables has exposed critical infrastructure challenges, particularly the growing interconnection bottleneck. Long queues for grid access, under-investment in transmission infrastructure and the intermittent nature of renewables has been creating bottlenecks. While DSI has historically invested in platforms developing and constructing utility scale renewable projects, we are now favoring and prioritizing the distributed generation sector, where projects face fewer interconnection hurdles and operate in more competitive offtake environments. DSI is actively pursuing bolt-on acquisitions to owned businesses, as well as de novo platform investments. For example, in 2025, our Brazilian wind energy company, Pontal Energy launched [Thopen Energy](#), following its acquisition of RZK Energia. Thopen is expected to exceed 800MWp in renewable distributed generation by the end of 2027.

Levelized Cost of Energy for Solar and Wind



Note: assumes \$3.45 fuel price, 8,000-9,000 Btu/KWh heat rate for gas peaking and 6,750-7,500 Btu/KWh heat rate for gas combined cycle, 8% cost of debt, and 12% cost of equity.

Source: IRENA Renewable Energy and Jobs Annual Review (2024)

SUSTAINABLE INFRASTRUCTURE AS AN ATTRACTIVE ASSET CLASS

INFRASTRUCTURE



1. Renewables and Battery Energy Storage System (BESS) cont.

Interconnection and grid stability challenges also support the critical role of battery energy storage systems (BESS). As renewable energy sources like solar and wind become more prominent, their inherent intermittency creates fluctuations in power supply. BESS helps bridge these gaps by storing excess energy when generation is high and dispatching it when demand peaks, thereby enhancing grid stability and resilience. The cost of BESS has also seen a dramatic decline - between 2013 and 2023, BESS levelized costs dropped by an astonishing 650%. Beyond reliability, BESS plays a key role in improving grid efficiency by reducing reliance on costly peaking power plants, which are typically fossil-fuel based and expensive to operate.

Despite these advantages, challenges remain, particularly in certain geographies where regulatory uncertainties, permitting constraints, and market structures pose hurdles to widespread adoption. However, as technology advances and policies evolve, we anticipate that BESS will become an integral component of a diversified and resilient energy system, supporting the transition to a more sustainable and secure power grid.

A common question we receive is whether the Trump administration will result in a full rollback of the Inflation Reduction Act (IRA), Biden's climate law that provided historic incentives for renewables in the US. The IRA has been a significant driver of job creation and domestic manufacturing, particularly in Republican-led states, therefore we do not expect a full repeal. However, we could see a scenario where the new administration targets the amendment to certain provisions - such as a reduction in the 10-year qualification period for tax credits on new construction projects to something shorter, such as five years.

In early 2025 we witnessed US project developers accelerating construction timelines for 2025 and 2026 to secure safe-harbor status for renewable energy assets. However, this acceleration of construction activity has been tempered in by the uncertainty revolving around tariffs, and we expect it will resume as developers gain clarity on the outcome of trade policy and tax reform.



SUSTAINABLE INFRASTRUCTURE AS AN ATTRACTIVE ASSET CLASS



2. Data Centers

According to McKinsey, US data center power demand is expected to increase by 55 GW of 224% from 2024 to 2030, representing more than 50 gigawatt-scale power plants over the next 5 years alone. The same study estimates that EU data center power demand will increase 35 GW by 2030, up from 10 GW in 2024, accounting for about 5% of total European power consumption in 2030 (from approximately 2% in 2024). The US is likely to develop larger data centers faster than Europe, due to several factors including lower power costs generally and better access to land.

Data center developers and owners that previously relied on cost-effective and timely grid interconnections are now encountering the many challenges associated with building complex power plant configurations required to meet 99.9%+ reliability requirements and queues to interconnect that are also competing with renewable power applications.

Whilst breakthroughs such as DeepSeek technology out of China in early 2025 has raised questions about the resiliency of the theme of powering data centers, DSI believes that there is substantial room to run for multiple reasons, the first being the Jevons Paradox, that argues that improvement in efficiency of technology leads to higher utilization of those technologies. Secondly, we believe that the use of large language models and

artificial intelligence is constrained by the number of challenging problems in our society rather than power demand. Given that these tools seem to be at an early point of penetration in solving these problems, yet alone in our daily lives, we conclude that power demand will continue to increase in the foreseeable future.

Whilst sustainability remains a critical priority for data-centers, especially hypersalers who have set ambitious net zero targets, we expect power solutions to include a mix of renewables, gas-powered energy, BESS, and small nuclear reactors. Data centers can no longer rely on the power procurement method (simply connecting to the grid) but need to consider power development, turning to ‘behind- the-meter’ initiatives to have direct access to reliable power. This fits well into DSI’s expertise, having built and / or developed over 5 GWs of large-scale power stations around the globe spanning every major technology in use today beside nuclear.

224% ↗

expected increase of US data center
power demand from 2024-2030



SUSTAINABLE INFRASTRUCTURE AS AN ATTRACTIVE ASSET CLASS



3. EV Charging

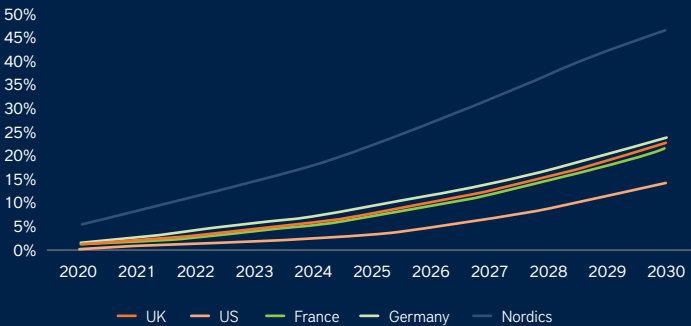
Transport is the most carbon-emitting sector in the UK economy, causing 28% of domestic CO2 emissions in 2022. Policy drivers in the UK have encouraged accelerate electric vehicle (EV) growth compared to other markets in Europe. For example, the government has committed to phase out new petrol and diesel car sales by 2030, with all new cars and vans sold being zero-emission from 2035. By 2030, 10 million electric vehicles are expected in the UK, increasing to 18 million by 2035. As a result of this expected growth, it has been estimated that between 280,000 and 480,000 public charge points will be needed by 2030.

EV charging infrastructure can be delineated into two categories, rapid chargers (>50kW, that charge a car in 30 minutes or less) and fast chargers (<22kW, that charge a car in 2 hours or more). While rapid charging models take a view on future utilization, expecting up to 30 EVs to charge at each rapid socket per day when the market matures, fast sockets focus on a captive audience seeking to serve 1 customer a day when the market matures.

Rapid chargers require high grid connection capacity to deliver required charging power. Given the interconnection constraints in most markets, this limits the location of rapid chargers. It also necessitates substantially higher capex for each socket as grid connections carry high electricity standing charges. In comparison, fast chargers are easy to install in a wide range of locations, resulting in lower capex and more competitive tariffs for the end consumer.

DSI has a differentiated focus on the EV charging sector through its investment in the EV charging platform, [Roam](#). Roam focuses on fast destination charging at locations with a captive audience where people already park, for example, multi-family apartments, hotels and workplaces. Customers already park at these locations and leave their cars stationary for long periods of time. This model does not require a change of behavior or driving habits – in fact, it is more convenient than refilling a petrol or diesel car.

Regional Forecast Passenger EV Adoption Rate



Source: Bloomberg Long Term Electric Vehicle Outlook 2024

RISK MANAGEMENT AND VALUE CREATION

As we have outlined in previous reports, our approach to sustainability is grounded in practicality. A one-size-fits-all approach simply doesn't work – each asset's environmental and social risk profile must be assessed based on multiple factors, including geographical location, technology and project specifics. However, certain key considerations apply across our portfolio, such as regulatory compliance, fostering a strong health and safety culture, and proactive stakeholder engagement. Ignoring these factors can lead to project delays, cost overruns and reputational issues, ultimately eroding investment value.

Assessing the physical risks of climate change on an asset has also become a priority. We believe that this is a risk that is still being under-assessed by investors and can potentially lead to value destruction. Evaluating climate-related risks early in the investment process allows portfolio companies to explore alternative, lower-risk location or implement adaptation measures that enhance resilience.

Our approach is rooted in value protection. By proactively mitigating risks, we safeguard investments and position businesses for long-term success. Once risk management is in place, we focus on identifying opportunities to add value. For example, we believe that developing a net-zero transition plan for our EV charging

business can serve as a competitive advantage, increasing its ability to win tenders from local councils and other clients with ambitious net zero targets. Importantly, these sustainability initiatives do not hinder growth but instead help businesses to adopt strategies that align expansion with long-term resilience.

Of course, our risk management differs between our equity and credit platforms. In our equity investments, where we are typically majority owners with board representation, we have direct influence over risk management strategies. We will consider and manage material risk factors throughout the investment lifecycle – from initial screening and due diligence to active ownership and exit.

In our credit transactions, risk oversight is primarily conducted during screening and due diligence. We assess each asset's eligibility under our Sustainable Finance Framework and evaluate any material environmental and social risks that could impact its creditworthiness. While our level of control differs from equity investments, our risk assessment process ensures we remain aligned with long-term sustainability goals while safeguarding investment performance.



The following are KPIs for our equity funds: SIF I and Fund VI and does not include KPIs related to our credit platform.

	2024		2023	
	SIF I	Fund VI	SIF 1	Fund VI
Power generation (GWh)	1,500	2,600	1,600	2,500
Avoided GHG emissions (tCO2)	91,000	282,000	115,000	355,000
Estimated number of people powered by clean energy	146,000	452,000	184,000	570,000
Scope 1+2 emissions	599,000	439,000	560,000	370,400
Biodiversity Action Plans	100%	100%	100%	100%
Employment				
Board gender diversity	25%	25%	25%	25%
Project employment (contractors)	380	110	980	790
Of which female	16%	9%	14%	11%
Health and safety				
Fatalities	0	0	2	0
Lost time injuries	2	5	5	1
H&S management plans	100%	100%	100%	100%

Note: All figures (except fatalities) are provided pro-rata to fund ownership.

