



JLEN

John Laing Environmental Assets Group Limited

Sustainability Report
for the year ended 31 March 2019



ENVIRONMENTAL, SOCIAL AND GOVERNANCE

This year marks the fifth anniversary since the launch of John Laing Environmental Assets Group plc, during which time it has invested over £500 million into a diverse portfolio of environmental assets.

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CHAIRMAN'S FOREWORD

Our commitment to environmental, social and governance (“ESG”) matters has been present since the launch of the Fund and this five-year anniversary marks an opportune time to launch our first report on the subject.

In this ESG report we want to demonstrate JLEN's active commitment to managing ESG in its investments. One of the aims of this document is to mark our current approach so that we can track improvements over time and report on progress going forward.

At JLEN we know that appropriate management of ESG does not sacrifice portfolio returns. We pay a quarterly, inflation-linked dividend from the cash flows generated from our environmental assets. Integrating consideration of ESG management into our activities helps to manage risks and identify opportunities, promote resilience of returns, manage reputation in the market and, ultimately, deliver increased value to our investors over the long term.

JLEN has consistently proven that it is possible to offer predictable income growth, preserve capital over the long term and to establish a diversified portfolio while upholding and managing ESG criteria.

UK, European and global markets are increasingly focused on finance as a way to deliver on climate change objectives. Global risks around climate change adaptation, man-made environmental disasters, water crises and biodiversity loss are more commonly recognised as significant risks which could arguably be quite devastating, especially in the long term. JLEN believes that it makes financial sense to develop an investment portfolio that is resilient to these risks.

Our investors are expecting us to deliver a financially resilient portfolio that embraces ESG objectives – particularly assets that deliver resource-efficient, low carbon energy generation. Funds such as JLEN are supportive of the UK Government's drive to a low carbon economy and we have built a 279.2MW portfolio of subsidy-backed wind, solar, anaerobic digestion, wastewater treatment and waste management assets. The market is anticipated to scale rapidly going forward, with the declining cost of these technologies. The UK market alone is predicted to top 200GW by 2050, while globally, over 70% of the electricity market is anticipated to be produced by zero carbon sources by 2050. JLEN's broad geographical mandate and our expertise in investing in environmental assets ensures we are well placed to grow with this market in the coming years.

Within our portfolio, and as a long-term investor, JLEN has the benefit of being able to work closely with our assets to deliver positive environmental and financial benefit. As our portfolio develops into new asset classes, we are able to bring together learning from our different sectors and identify greater opportunities for our investments to meet our ESG criteria and deliver stable financial returns.

ESG criteria have always been an important part of our day-to-day investment activities and this report represents an evolution in our existing process to be more transparent about our approach. Looking forward to the next five years of the Fund, we are exploring ways of building on our current processes to maintain continuous improvement in our activities.



Richard Morse
Chairman

12 June 2019

AT A GLANCE

Environmental performance 2018/19



746,000

MWh energy generated



415,000

waste diverted from landfill (tonnes)



111,000

waste recycled (tonnes)



33,000,000,000

wastewater treated (litres)



160,000

organic fertiliser produced (tonnes)

Social performance 2018/19



4

apprenticeships



£350,000

community funding

Corporate social responsibility 2018/19

£36,000

raised for Children in Need

JLEN'S APPROACH TO ESG

Overall responsibility for ESG resides with the Board of JLEN, with governance of ESG criteria managed by the appropriate Investment Directors and asset managers of the Fund's Investment Adviser John Laing Capital Management ("JLCM").



Assess

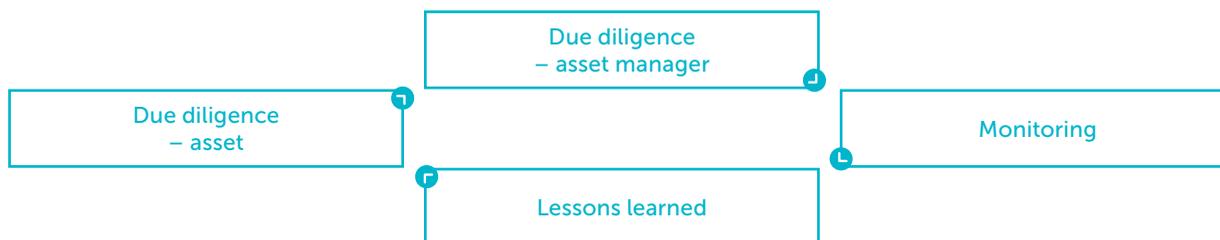
JLEN undertakes thorough due diligence on each of its asset acquisitions and continues to closely monitor them throughout our ownership. This includes assessing a range of ESG criteria – as set out in the following sections.

Each of our assets employs a third-party service provider to monitor and manage their ongoing performance. These companies are assessed and chosen on a range of criteria, including ESG performance.

JLCM's asset managers are closely aligned with the investment process. This structure allows us to ensure that lessons learned from the management of assets currently within the portfolio are fed back into the due diligence of potential assets acquisitions, ensuring that their team is able to continually improve the way that JLEN invests in environmental assets.

This learning and monitoring approach is one that we value highly at JLEN, allowing us to manage risk and identify opportunities in a consistent and collaborative way between our investment and our portfolio management teams.

Due diligence and lessons learned process



JLEN'S APPROACH TO ESG continued

Monitor

Third-party service providers, sometimes with the assistance of technical advisers, monitor and manage the ongoing performance of each asset in the JLEN portfolio.

The performance of the service providers themselves is regularly assessed by JLCM as Investment Adviser to JLEN, to ensure they are delivering on their obligations in managing the asset(s) appropriately.

Lessons learned during the management of existing assets in the portfolio are fed back into due diligence and the investment decision-making process for future acquisitions.

As a long-term investor, JLEN is able to build solid partnerships with our third-party service providers, allowing us to manage risk with a long-term perspective. It also allows us to identify opportunities for improvement, as well as to implement those improvements, across our portfolio.

Risk management

By their very nature, the performance of environmental infrastructure projects is dependent on the volume of resource available, be it solar irradiation, wind, feedstock yields, waste or water.

On all potential asset acquisitions, JLEN employs technical consultants to advise on performance assumptions. Additionally, we will ensure that all appropriate measures will be taken to maximise the technical performance of each asset once in our ownership.

Once an asset is acquired, JLEN works with third-party service providers to ensure that each asset is as resilient as possible to variation in resource availability. For example, anaerobic digestion sites will ensure that they have access to substitute feedstocks if weather conditions result in poor harvests.

At the portfolio level, JLEN manages climatic risks by ensuring that returns are not overly dependent on one sector or asset class. We invest in a range of environmental infrastructure technologies to ensure that resource availability risk is managed effectively.

Engage

JLCM regularly liaises with a range of stakeholders, in addition to the JLEN Board. Engagement with stakeholders occurs through a combination of formal (e.g. through contractual obligations or industry events) and informal channels (e.g. through ongoing meetings and discussions).

Industry bodies

Key industry bodies that JLEN engages with include:

- Renewable Energy Association;
- Anaerobic Digestion and Bioresources Association;
- National Farmers' Union;
- Solar Trade Association;
- Energy Networks Association;
- Association of Investment Companies; and
- Guernsey Financial Services Commission.

Investors

JLEN engages with our investors both formally, through results meetings at the half year and full year, and informally through continuous liaison and business updates.

Asset managers

JLEN engages with its third-party service providers both formally, through contractual reporting obligations, and informally through continuous liaison and relationship development.

Going forward

ESG criteria have always been an important part of our day-to-day investment activities. This report represents an evolution in our existing process to be more transparent about our approach. Looking forward, we are exploring ways of building on our current processes to maintain our culture of continuous improvement in our investment and portfolio management activities.

ENVIRONMENTAL

JLEN's investment policy is to invest in a diversified portfolio of environmental infrastructure projects. JLEN defines "environmental infrastructure" as infrastructure projects that utilise natural or waste resources or support more environmentally friendly approaches to economic activity. As a result, environmental criteria are embedded in the structure of our investment and portfolio management activities.

We typically consider the following environmental criteria during due diligence and ongoing monitoring of assets:

- energy management;
- resource and waste management;
- pollution;
- climate change and resilience; and
- biodiversity.

Impact

JLEN is proud of the contribution of our assets to the low carbon economy. JLCM, on behalf of the Fund, works with third-party technical advisors to maximise the technical performance and operational life of each asset in our portfolio. This focus on technical performance and

longevity helps to maximise the environmental benefit delivered by each asset through generation of renewable electricity and heat, production of organic fertiliser from our AD plants, treatment wastewater, waste recycled and waste diverted from landfill. Figures for 2018/19 performance are set out on page 61.

In order to quantify some of the benefits being delivered by our portfolio, JLEN commissioned Aardvark Certification Ltd to undertake an independent, third-party assessment of the environmental impact of each asset currently in our portfolio. Individual reports for each asset, as well as a portfolio summary report, are published on our website.

JLCM, on behalf of JLEN, works with third-party service providers to ensure that habitat management plans for each asset are being implemented appropriately and effectively, helping to conserve biodiversity.

Portfolio electricity and carbon performance⁽¹⁾

To date, the assets in our portfolio have generated 1.5TWh electricity. In 2018/19 our wind and solar assets generated 484GWh, which equates to the average annual electricity usage of 140,000 households. Detailed information on portfolio energy performance is provided on pages 33.

A summary of the greenhouse gas benefits delivered by our portfolio is provided in the table below. Our portfolio is forecast to result in the avoidance of 370ktCO₂e per year, the equivalent of taking almost 170,000 cars off the road.

Asset portfolio by sector	Greenhouse gas emissions reduction tCO ₂ e		
	Emissions avoided to date	Average annual emissions avoided	Lifetime emissions avoided
Wind assets	481,550	119,400	2,946,000
Solar assets	104,200	21,650	476,800
AD assets	116,750	29,750	594,700

Our portfolio is forecast to deliver, per year

520

GWh electricity

Equivalent to

140,000

households' annual electricity

And avoid the emissions of

370

kt CO₂e

Equivalent to

170,000

cars off the road

(1) Greenhouse gas emissions calculations, household and car equivalents are aggregated from the Aardvark reports, accessed on our website.

CASE STUDIES

Soil resilience and protection



Key environmental criteria:

- commitment to energy management;
- climate change resilience; and
- management of natural resources.

Liquid digestate is a by-product from the anaerobic digestion process and can be used as an organic fertiliser in farming. Digestate from our AD plants is sold to local farmers as an organic fertiliser.

Our partners, Future Biogas, have been part of a trial study investigating the effect of liquid digestate on soil quality in Norfolk. The three-year study was undertaken between 2016 and 2018 and involved regular application of liquid digestate as a fertiliser to trial fields. The results of the study have shown that use of liquid digestate results in:

- increased availability of nutrients in the soil;
- reduced need for inorganic fertiliser;
- increased soil health through increased micro biological soil life;
- increased resilience to drought due to increased organic matter, which holds water effectively; and
- improved yields.

All of this resulted in increased financial benefit to the farmer.

Management of resources



Key environmental criteria:

- resource management; and
- diversion from landfill (waste hierarchy).

The ELWA asset accepts municipal waste from four Borough Councils: Redbridge, Havering, Newham & Barking and Dagenham. In 2018/19 it treated household and commercial black bag waste, street cleaning and highway waste, green and park waste, bulky household waste, and fly tipped and other waste.

The product from the treatment process, refuse derived fuel ("RDF"), is delivered to energy from waste facilities, principally located in the Netherlands. These facilities produce a mix of heat – for district heating schemes, and energy – for export to the grid.

445kt
waste treated

93%
diverted from landfill

25%
recycled

- Paper & card
- Cans & metals
- Plastics
- Clothing & shoes
- Electrical equipment

SOCIAL

In 2018/19 our portfolio delivered



4

apprenticeships



£350,000

community funding

We typically consider the following social criteria during due diligence and ongoing monitoring of assets:

- health and safety;
- skilled labour;
- employee relations;
- community engagement; and
- customer relations.

Impact

Health and safety

The governance of each asset requires the Directors of the Company, often including JLCM employees, to monitor health and safety standards. JLEN takes its responsibility in this regard seriously and works to ensure that reporting and liaison arrangements between the project and the Directors are appropriate. The Group engages the Investment Adviser to carry out a rolling programme of independent audits of the health and safety policies and compliance of its projects and all major suppliers. Further information on this can be found on page 68.

We are committed to continuous improvement in this regard and are developing an online monitoring and reporting tool which will aggregate health and safety information across our portfolio, allowing us to better identify trends and opportunities for improvement.

Apprenticeships

Apprenticeships provide a valuable opportunity to ensure that future generations have the skills we need in order to run our environmental assets in the long term. A strong base of qualified engineers is required in order to support increased capacity for environmental assets, both in the UK and abroad.

As a specialist investor into environmental assets, JLEN is committed to ensuring that those assets are managed and maintained by skilled teams. The apprenticeships provided by our AD assets represent part of that commitment.

Community funds

Most of JLEN's assets have a community fund associated with them. Some of these are triggered by planning conditions, while others have been put in place by JLEN in order to drive good practice in community engagement. Each community fund is managed by the local parish council, with funds allocated to projects designed for the betterment of the local community – with a preference for projects which promote sustainability.

To date, community projects that JLEN assets have contributed to include:

- heating units for residential care homes;
- equipment and support for community organisations; and
- refurbishment of local sports facilities and heritage buildings.

Cost reduction

Thanks to subsidies catalysing a supply chain industry, the cost of low carbon energy has dropped drastically in the last 10 years and is now competitive with conventional generation. As more competitors enter this market, the prices will fall further and JLEN, as a relatively new entrant, is contributing to that. In addition, our approach to maximising performance efficiency ensures that the cost of renewable electricity generated by the assets in our portfolio remains competitive.

CASE STUDIES

Apprenticeships



Key social criteria:

- commitment to skilled labour.

JLEN supports and encourages its assets to provide opportunities for skills development. One way in which this can occur is through provision of apprenticeships. Ensuring future supply of skilled labour with experience in low carbon energy is essential to securing the future of this industry.

Our portfolio of anaerobic digestion plants, run by Future Biogas, provides an apprenticeship programme.

Following the successful completion of their 2014 programme, this year Future Biogas launched their 2018 apprenticeship programme. This will provide four applicants with the opportunity to undergo a four-year Engineering Maintenance Apprenticeship. The apprentices will learn valuable skills on site, working alongside the Future Biogas maintenance team.

Apprenticeships provide a valuable opportunity to ensure that future generations have the skills we need in order to run our environmental assets in the long term.

Community funds



Key social criteria:

- community engagement.

The majority of our assets have a form of community fund associated with them. Whether prompted by planning requirements or through JLEN's commitment to community engagement, these funds provide local community groups with access to a source of funding for projects which help the community either academically, culturally, economically, environmentally, recreationally or socially, with a preference for projects which promote sustainability.

New Albion wind farm is located near Kettering in Northamptonshire. Its community fund provides funding each year to the local community for a range of projects. The fund panel is made up of local representatives, who meet once a year to determine applications.

Since 2016, New Albion wind farm's community fund has committed over:

£60,500
to

9
projects

Including:

- superfast broadband;
- pocket park maintenance;
- refurbishment of community buildings; and
- improvement of sports facilities.

ENVIRONMENTAL AND HEALTH AND SAFETY INCIDENTS

JLEN takes its environmental and health and safety responsibilities very seriously and seeks to ensure effective management of these issues in both its own operations and in its investment portfolio. JLEN aims to manage risks and incidents in a fair and transparent manner with appropriate action to reduce risk wherever possible.

Each of JLEN's renewable energy sites has an environmental or habitat management plan agreed with the relevant local authorities under planning approvals, which ensures the projects mitigate habitat damage and protect local wildlife.

This report identifies the material environmental, health and safety incidents in the JLEN portfolio in 2018/19.

There was one reportable health and safety incident during the year. This involved a mechanical failure at our waste asset. The area affected is an operative free zone so there was no risk or injury resulting from the incident. The incident was reviewed and a plan put in place to prevent it happening again.

Reportable environmental, health and safety incidents

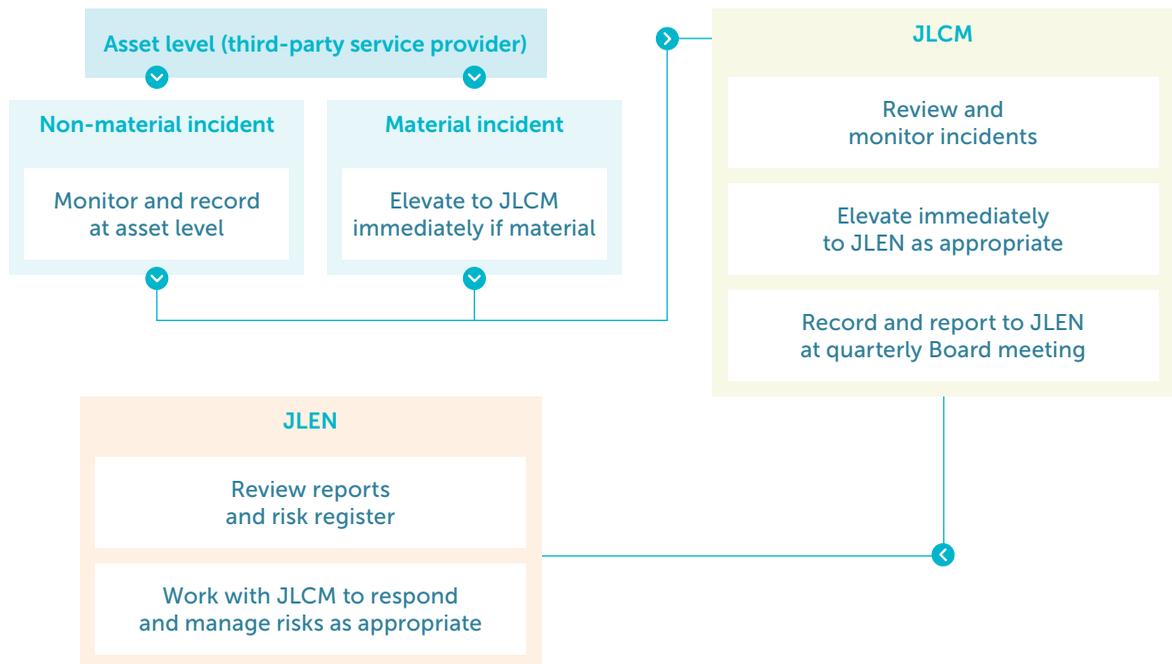
	2018/19
H&S incidents	1
Environmental incidents	0

Health and safety recording and reporting

To date, health and safety has been managed on a sector and asset basis, with risk registers holding asset-specific information and aggregated reporting to the Board. This year, JLEN has worked to move health and safety reporting to an online asset management tool, allowing live reporting and comparisons of health and safety performance across the portfolio.

Response to incidents

Where an incident occurs at any of our assets, this will be dealt with in a number of ways:



GOVERNANCE

Good governance is essential for JLEN's portfolio to achieve its targeted returns.

JLEN holds Board positions for each of its assets, which are fulfilled by JLCM on our behalf. We work to promote good governance as part of our active engagement with projects.

We typically consider the following governance criteria during due diligence and ongoing monitoring of assets:

- board independence and expertise;
- business integrity;
- audit and tax practices; and
- fiduciary duty.

Specialist non-executive Directors

The expertise of project company Board members is of critical importance to JLEN to help ensure the continued technical and financial performance of our assets. JLCM appoints specialist non-executive Directors to assist them in their capacity as both adviser to JLEN and as project company Board members so that additional technical and industry expertise can be utilised.

JLCM employs these industry specialists in onshore wind and solar. Simon Vince (Partnerships for Renewables Ltd) and Giuseppe La Loggia (Senior Adviser to Octopus Investments) have both been working with JLCM for the last two years.

Health and safety governance

JLCM, on behalf of JLEN, commissions a rolling programme of health and safety audits on each of our assets in order to ensure that policies, procedures and management arrangements are being undertaken to good industry practice. These audits provide recommendations for improvements which are then acted on as appropriate. Further information on health and safety practices can be found on page 68.

Anti-bribery practices

We place a contractual obligation on our third-party service providers for them to implement anti-bribery policies and practices for each asset within our portfolio.

Modern slavery and human trafficking

As part of John Laing Group, JLCM's policy and practices in relation to modern slavery and human trafficking are included in the Group's Modern Slavery and Human Trafficking statement. The Group reports annually on matters such as policy, training, due diligence processes and the effectiveness of measures taken to combat slavery and trafficking, to drive transparency and promote ethical principles and practices related to the prevention of the exploitation and abuse associated with modern slavery and human trafficking.

CORPORATE SOCIAL RESPONSIBILITY



Carbon offsetting

In addition to the emissions avoided by our portfolio, we recognise the importance of managing our own emissions from necessary travel as part of our business. As such, we have purchased UK woodland tree planting carbon credits to offset the carbon emissions from all flights between our headquarters in Guernsey and our London offices, over the lifetime of the Fund to date.

Community investment

John Laing Group's community investment strategy is delivered through its employees and a number of partners. Since 2006, John Laing has been an active Patron of The Prince's Trust, which has allowed them to support disadvantaged and vulnerable young people across the UK, to help them move into work, education or training. The Group encourages its staff to become involved in activities and initiatives that benefit local communities and environments.

The John Laing Charitable Trust ("JLCT") supports the work of welfare visitors who look after the needs of former employees and their surviving partners. Its trustees set aside considerable funds each year to provide financial



help and assistance. All John Laing employees or members of their immediate family directly involved in a charity are able to apply to JLCT for a grant to support a good cause and additionally JLCT is able, within certain limits, to match charitable donations raised by employees.

As part of John Laing Group, JLEN is committed to being a responsible member of our communities – both local and national. We help and encourage our team to volunteer and to raise money for charity and local communities through individual and team efforts, both internally and with partners.

This year, members of our team have raised money for The Prince's Trust, the Group's chosen charity, by undertaking a cycle ride and getting involved in a 10,000 Step Challenge.

Individuals within JLCM also regularly volunteer within their communities and further afield; for example, one of our team undertook search and rescue operations in Switzerland.

CASE STUDY

Comic Relief's largest ever red nose

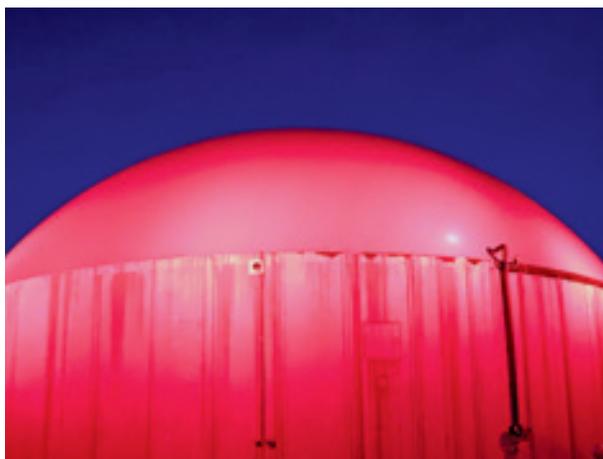


On 15 March 2019, one of the domed storage tanks of the Grange Farm biogas plant was lit up to create the biggest ever red nose for Comic Relief. The event was organised by Future Biogas at our Grange Farm biogas plant.

The red nose measured 38m in diameter and was 17m tall, making it the height and width of three double decker buses. The event raised money from the local Lincolnshire community as well as suppliers and business partners associated with Future Biogas, who run the plant.

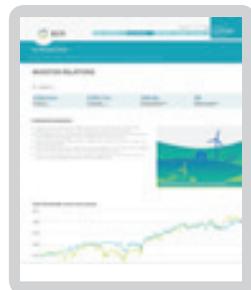
Around 100 local people and staff members were invited for a family fun afternoon, including food and refreshment, a magician, and an event allowing the local Lincoln under-10s rugby team to pelt senior JLCM and Future Biogas team members with digestate.

The event culminated in the switching-on of the red nose – which was so big that the plant needed to notify air traffic control in advance.



A red nose the size of three double decker buses

Raised
£36,000
for Comic Relief



FIND OUT MORE ONLINE
WWW.JLEN.COM

