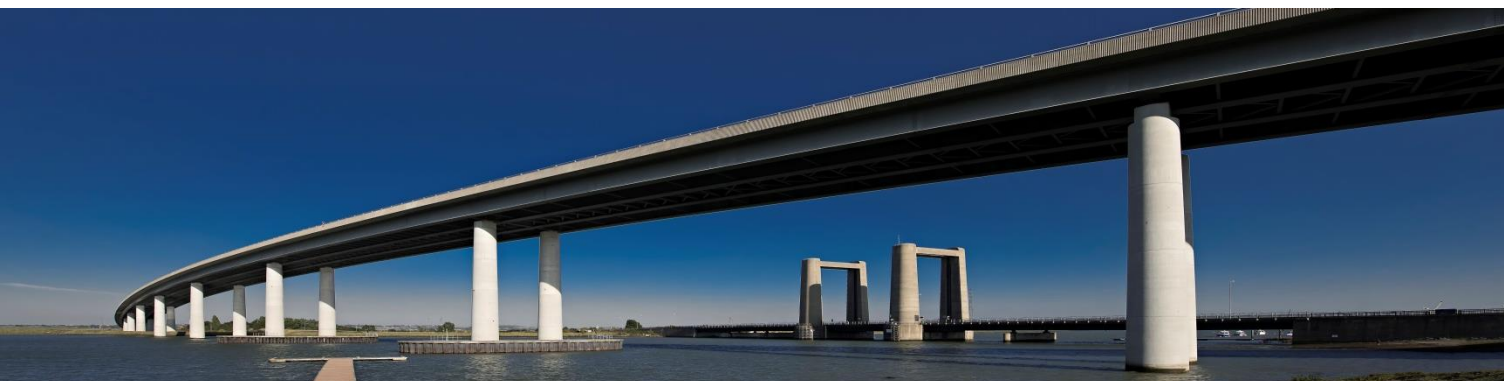


HICL – Investment Objectives & Policy



Investment Objectives

The Company seeks to provide investors with long-term distributions, at levels that are sustainable, and to preserve the capital value of its investment portfolio over the long term with potential for capital growth. The Company targets an annual distribution of at least 7 pence per Ordinary Share, with the prospect of increasing this figure provided it is sustainable with regard to the portfolio’s forecast operational performance and the prevailing macro-economic outlook.

The Company is targeting an IRR of 7 to 8 per cent. on the original issue price of its Ordinary Shares in March 2006, to be achieved over the long term via active management, including the acquisition by the Group of further investments to complement the current portfolio, and by the prudent use of gearing.

‘The Company seeks to provide investors with long-term distributions, at levels that are sustainable, and to preserve the capital value of its investment portfolio over the long term with potential for capital growth.’

Investment Policy

The Group’s Investment Policy is to ensure a diversified portfolio which has a number of similarly sized investments and is not dominated by any single investment. The Group will seek to acquire Infrastructure Equity with similar risk/reward characteristics to the current portfolio, which may include (but is not limited to):

- ▲ public sector, government-backed or regulated revenues;
- ▲ concessions which are predominantly “availability” based (i.e. the payments from the concession do not generally depend on the level of use of the project asset); and/or
- ▲ companies in the regulated utilities sector.

The Group will also seek to enhance returns for Shareholders by acquiring more diverse infrastructure investments. The Directors currently intend that the Group may invest in aggregate up to 35 per cent. of its total assets (at the time the relevant investment is made) in:

- ▲ Project Companies which have not yet completed the construction phases of their concessions but where prospective yield characteristics and associated risks are deemed appropriate to the investment objectives of the Company. This may include investment in companies which are in the process of bidding for concessions, to the extent that such companies form part of a more mature portfolio of investments which the Group considers it appropriate to acquire; and/or
- ▲ Project Companies with “demand” based concessions where the Investment Manager considers that demand and stability of revenues are not yet established, and/or Project Companies which do not have

HICL – Investment Objectives & Policy



public sector sponsored/awarded or government-backed concessions; and

- ▲ to a lesser extent (but counting towards the same aggregate 35 per cent. limit, and again at the time the relevant investment is made) in limited partnerships, other funds that make infrastructure investments and/or financial instruments and securities issued by companies that make infrastructure investments, or whose activities are similar or comparable to infrastructure investments.

Geographic focus

The Directors believe that attractive opportunities for the Group to enhance returns for investors are likely to arise outside as well as within the UK (where the majority of the projects in the current portfolio are based). The Group may therefore make investments in the European Union, Norway, Switzerland, the Americas and selected territories in Asia and Australasia. The Group may also make investments in other markets should suitable opportunities arise.

The Group will seek to mitigate country risk by concentrating on investment opportunities in jurisdictions where it considers that contract structures and enforceability are reliable and where (to the extent applicable) public sector obligations carry what the Investment Manager believes to be a satisfactory credit rating and where financial markets are relatively mature.

Single investment limit and diversity of clients and suppliers

For each new acquisition made, the Company will ensure that such investment acquired does not have an acquisition value (or, if it is a further stake in an existing investment, the combined value of both the existing stake and the further stake acquired is not) greater than 20 per cent. of the total gross assets of the Company immediately post acquisition. The total gross assets will be calculated based on the last published gross investment valuation of the portfolio plus acquisitions made since the date of such valuation at their cost of acquisition.

The purpose of this limit is to ensure the portfolio has a number of investments and is not dominated by any single investment.

In selecting new investments to acquire, the Investment Manager will seek to ensure that the portfolio of investments has a range of public sector clients and supply chain contractors, in order to avoid over-reliance on either a single client or a single contractor.

HICL – Investment Objectives & Policy



Other investment restrictions

The Company is subject to certain investment restrictions pursuant to the Listing Rules which are reflected in the Investment Policy. Such investment restrictions are set out in more detail in the Company's March 2019 prospectus.

Gearing

The Group intends to make prudent use of leverage to finance the acquisition of investments, to enhance returns to investors and to finance outstanding investment obligations. Under the Articles, the Group's outstanding borrowings, excluding intra-group borrowings and the debts of underlying investee companies but including any financial guarantees to support subscription obligations, are limited to 50 per cent. of the Adjusted Gross Asset Value (meaning the fair market value, without deductions for borrowed money or other liabilities or accruals, and including outstanding subscription obligations) of its investments and cash balances at any time. The Group may borrow in currencies other than GBP as part of its currency hedging strategy.

Amendments

Any material amendments to the Investment Policy will require the approval of Shareholders.

New investments and conflicts of interest

It is expected that further investments will be sourced by the Investment Manager and it is likely that some of these will be investments that have been originated and developed by, and may be acquired from, the Investment Manager (or its affiliates) or from a fund managed by the Investment Manager (or its affiliates). In order to deal with these potential conflicts of interest, detailed procedures and arrangements have been established to manage transactions between the Group, the Investment Manager (or its affiliates) or funds managed by the Investment Manager (or its affiliates) (the "Rules of Engagement"). If the Group invests in funds managed or operated by the Investment Manager (or its affiliates), the Group shall bear any management or similar fees charged in relation to such fund provided, however, that the value of the Group's investments in such funds shall not be counted towards the valuation of the Group's investments for the purposes of calculating the fees/profit share payable to the Investment Manager or the General Partner (as described in the Company's March 2019 prospectus).

It is possible that in future the Group may seek to purchase certain investments from funds managed or operated by the Investment Manager (or its affiliates) once those investments have matured and to the extent that the investments suit the Group's investment objectives and strategy. If such acquisitions are made, appropriate procedures from the Rules of Engagement will be put in place to manage the conflict.

HICL – Investment Objectives & Policy



Key features of the Rules of Engagement include:

- ▲ the creation of separate committees within the Investment Manager. These committees represent the interests of the vendors on the one hand (the “Sellside Committee”) and the Group on the other (the “Buyside Committee”), to ensure arm’s length decision making and approval processes. The membership of each committee is restricted in such a way as to ensure its independence and to minimise conflicts of interest arising;
- ▲ a requirement for the Buyside Committee to conduct an independent due diligence process on the assets proposed to be acquired prior to making an offer for their purchase;
- ▲ a requirement for any offer made for the assets to be supported by a report on the fair market value for the transaction from an independent expert;
- ▲ the establishment of “Chinese walls” between the Buyside and Sellside Committees with appropriate information barrier procedures to ensure information that is confidential to one or the other side is kept confidential to that side; and
- ▲ the provision of a “release letter” to each employee of the Investment Manager who is a member of the Buyside and Sellside Committees. The release letter confirms that the employee shall be treated as not being bound by his/her duties as an employee to the extent that such duties conflict with any actions or decisions which are in the employee’s reasonable opinion necessary for him/her to carry out as a member of the Buyside or Sellside Committee.

In considering any such acquisition the Directors will, as they deem necessary, review and ask questions of the Buyside Committee and the Group’s other advisers, to ensure that the Directors are satisfied that the terms of any such acquisitions are negotiated on an arm’s length basis.

March 2019