

Tax Strategy

HICL Tax Strategy

Scope and introduction

This strategy applies to HICL Infrastructure plc (“HICL”) and to its subsidiaries (“the Group”) for the period to 31 March 2023.

HICL is a FTSE 250, Listed UK investment trust company (“ITC”) that seeks to offer investors stable, sustainable long-term returns from investments in core infrastructure that is critical to the functioning of society. The company follows an active strategy to manage and selectively grow a portfolio of investments in essential real assets with a protected market position, that deliver investors resilient, high-quality cashflows.

As an ITC, HICL is required to meet several conditions set out in UK tax legislation in order to obtain, and thereafter maintain, its approved status. These conditions include, among others:

- a) undertaking portfolio investment activity that aims to spread investment risk; and
- b) that the Company’s shares must be listed on an approved exchange.

If the conditions are met, certain profits of the company (broadly, for HICL, its income from investments) are exempt from tax in the UK. For this reason, approved investment trust companies are particularly suitable as investment vehicles, because their tax status means that investors’ investment returns do not suffer double taxation, once at the level of the investment trust company itself and then again in the hands of the investors. In other words, investors in the Company do not pay more tax than they would have incurred if they had been able to invest directly in the Group’s underlying portfolio of investments.

This allows HICL to gain:

1. An exemption from UK corporation tax on chargeable gains; and
2. The ability to notionally designate a proportion of the dividends distributed to shareholders as interest distributions (which can then be used to offset any underlying taxable profits generated by the ITC).

This Tax Strategy applies to all taxes applicable to the Group and the document is owned by the Board of Directors of HICL. It is reviewed annually, updated as appropriate and approved by the HICL Board. The HICL Board is responsible for setting and monitoring the strategy.

Objective

Our objective is to manage the Group’s tax affairs in a responsible and transparent manner complying with relevant legislation in the jurisdictions in which we operate. This includes, but is not limited to, UK, USA, Canada, the European Economic Area, having due regard to HICL’s investment objective and our reputation and thus promote the medium to long term success of HICL. HICL is committed to full compliance with all statutory obligations and full disclosure to relevant tax authorities. The Group’s tax affairs are managed in line with HICL’s high standards of governance.

The HICL Tax Strategy focuses on four key areas:

- Tax Governance
- Risk Management
- Tax Planning and the level of acceptable risk

- Relationships with Tax Authorities

Tax Governance

- Ultimate responsibility for HICL's Tax Strategy and compliance sits with the HICL Board;
- HICL's Audit Committee monitors the integrity of HICL's financial reporting system, including those elements that relate to tax;
- HICL's Risk Committee is responsible for the Company's risk management framework including those elements relating to tax;
- Management of the Group and its tax affairs is delegated by the HICL Board to the Investment Manager, InfraRed Capital Partners Limited;
- The Investment Manager's CFO leads the financial management of the Group including tax management and is the Senior Accounting Officer including a UK-based in-house tax team;
- The Investment Manager is staffed with appropriately qualified individuals;
- The Investment Manager ensures that HICL's Tax Strategy is one of the factors considered in all investments and significant business decisions taken;
- The CFO reports to the Audit Committee, Risk Committee and the HICL Board on the Group's tax affairs and risks periodically during the year. Every year the Group's tax approach and principles are reviewed by the Audit Committee in the context of the Group's wider risk and control framework.

Risk Management

- The HICL Risk Committee is responsible for risk management across the Group. The Group operates a system of tax risk assessment and controls as a component of the overall internal control framework applicable to the Group's financial reporting system;
- HICL seeks to increase the level of tax certainty arising from the Group's operations as far as is reasonably practicable by ensuring that reasonable care is applied in relation to all processes which could materially affect its compliance with its tax obligations;
- A key risk mitigant is the monitoring for business and legislative changes which may impact the Group so that changes to processes and/or controls are made when required;
- HICL ensures that responsibility for the management or processing of matters which have tax implications is carried out by persons with the appropriate training; and
- Advice is sought from external advisers, where appropriate.

Tax Planning and level of acceptable risk

HICL manages risks to ensure compliance with legal requirements in respect of all tax matters. When entering into commercial transactions, the Group seeks to comply with relevant tax legislation and maintain the spirit in which tax legislation is intended.

The Group's main returns are interest and dividend distributions from projects which, under Investment Trust rules, are exempt from tax. The investment trust rules and the economic intention behind those rules underpin the Group's tax approach.

The level of risk which HICL accepts in relation to taxation is consistent with its overall objective. At all times the Group seeks to comply fully with its regulatory and other obligations and to act in a way which upholds its reputation as a responsible corporate citizen. The Investment Manager is involved in the planning, implementation and documentation of all project acquisitions and disposals, changes in corporate and capital structure and material operational changes within the Group. The Investment Manager undertakes this role taking appropriate professional advice as applicable.

Relationship with Tax Authorities

HICL seeks to have an open and constructive relationship with HMRC and tax authorities worldwide. HICL acts lawfully and with integrity and seeks to maintain a relationship with Tax Authorities that is based upon mutual trust and respect.

When submitting tax computations and returns to the relevant Tax Authorities, HICL discloses relevant facts and identifies transactions or issues where it considers that there is potential for the tax treatment to be uncertain. Any inadvertent errors in submissions made to the relevant Tax Authorities are fully disclosed as soon as reasonably practicable after they are identified.

The Group considers that the publication of the above Tax Strategy complies with its duty under paragraph 16 (2) of schedule 19 of the Finance Act 2016.

February 2022