

# HICL Infrastructure PLC Sustainability Report 2021

Delivering Real Value.





# Contents

1	Introduction	2
2	Approach to sustainability	4
3	Case Study: Climate change impact assessment	10
4	Sustainability disclosures	13
5	Environmental	18
6	Social	20
7	Governance	22
8	Looking Forward	24

Front cover image: **High Speed 1, UK**

Inside cover image: **Wooldale Learning Centre, UK**

# 1 Introduction



**Ian Russell, CBE** Chairman

I am pleased to present HICL's Sustainability Report for the Financial Year to 31 March 2021. Providing well-maintained core infrastructure for communities, which generates sustainable income for shareholders over the long-term, sits at the heart of HICL's Investment Proposition.

The Company's performance is inextricably tied to the delivery of positive stakeholder outcomes, in particular the communities who use, and interact with, the Company's assets in their daily lives.

Through these 116 assets, HICL serves a population of over 20m people globally. In the UK, 1 in 4 citizens interact with infrastructure where HICL is an investor. These touchpoints afford HICL an exceptional vantage point to progress the 'Social' dimension of the ESG framework, in particular.

These last 12 months have been challenging for many of the Company's stakeholders, with unprecedented change across daily life. HICL's continued delivery of essential public infrastructure to communities throughout this pandemic-affected period is direct testament to the high quality of long-term partnerships that we share with our key stakeholders. During this unprecedented time, the Company and its Investment Manager have prioritised the availability of its critical facilities and the health, safety and wellbeing of those employed directly by HICL's portfolio companies or through the supply chain.

Throughout this period, we have not lost sight of building on our commitment to Environmental, Social and Governance ("ESG") considerations. HICL has introduced a suite of metrics across these three pillars to more effectively measure and report our efforts across the portfolio of 116 essential infrastructure assets. The Company has also introduced a specific sustainability focused Key Quality Indicator<sup>1</sup>.

The standard for sustainability disclosure continues to be raised and the Company welcomes the introduction of the EU Sustainable Finance Disclosure Regulation ("SFDR"). The SFDR seeks to provide a framework for greater transparency across those companies that make a genuine contribution to sustainability outcomes. Though the SFDR is an EU-focused and regulated initiative, the Company identifies with its best practice approach and is actively complying with the relevant provisions of the Level 1 requirements of the SFDR.

Our long-term stewardship responsibilities demand an inter-generational perspective on risk, matched to the duration of the Company's assets. This year our Investment Manager, InfraRed, completed a climate change impact assessment across the HICL portfolio. As we now work through its findings, this important exercise will provide valuable insights at asset level and enable further collaboration with relevant stakeholders to improve the resilience of public infrastructure, potentially extending well-beyond HICL's period of stewardship.

**"Providing well-maintained core infrastructure for communities, which generates sustainable income for shareholders over the long-term, sits at the heart of HICL's Investment Proposition."**

HICL voluntarily elected to report against the Task Force on Climate-related Financial Disclosures ("TCFD") in 2020, documenting its progress towards full reporting and signalling the Company's clear intention to embrace best practice in sustainability. HICL's completion in the year of its climate change impact assessment across the portfolio marks the next major milestone in this journey. I am pleased to confirm that HICL has reported against all 11 of the recommended TCFD disclosures, again on a voluntary basis. The Company also formally became a 'TCFD Supporter' in the period.

This report represents a clear step-change in HICL's sustainability approach and demonstrates the Company's express intention to provide leadership on sustainability matters across the infrastructure sector, while acknowledging the need for continuous improvement. We remain committed to further aligning sustainability considerations with our wider commercial objectives, enabling us to provide well-maintained core infrastructure to communities, which generates sustainable income for shareholders over the long-term.



**Ian Russell**, Chairman



**InfraRed**  
Capital Partners

**Harry Seekings**  
Head of Infrastructure,  
InfraRed

InfraRed strives to be a responsible investment manager and to develop and manage long-term, sustainable infrastructure. We believe that we can only achieve long-term success for all stakeholders, including investors, by taking ownership of the environmental, social and governance outcomes across HICL's portfolio. This is essential to our vision and, in this regard, the Investment Manager shares the HICL Board's commitment to embracing sustainability best practice.

The recent completion of the climate change impact assessment across the HICL portfolio is a strategically important initiative: it provides project-level information to inform InfraRed's asset management strategies over time; enables collaboration with public sector clients on climate-driven risks and opportunities; and instructs strategic portfolio construction. We continue to work closely with HICL's portfolio company management teams to evaluate and implement the findings from this important review.

In May 2021, InfraRed renegotiated HICL's revolving credit facility to convert the loan to a Sustainability Linked Loan ("SLL"). The innovative SLL structure links the loan's margin to the Company's performance against five sustainability targets, across Environmental, Social and Governance dimensions. This step further demonstrates our commitment to delivering HICL's sustainability strategy, and further aligns the Company's financial performance with key stakeholder outcomes.

InfraRed has been a signatory of the Principles for Responsible Investment ("PRI") since 2011 and is represented on the Infrastructure Advisory Committee of PRI. The infrastructure business line achieved an A+ rating for its 2020 assessment, its sixth successive year. InfraRed has been carbon neutral since 2019 and offsets its CO<sub>2</sub> emissions using an accredited scheme.

<sup>1</sup> <https://www.hicl.com/wp-content/uploads/2021/05/HICL-Annual-Report-2021.pdf>, page 18



## 2 Approach to sustainability

### HICL's approach to sustainability

As a prominent long-term investor in core infrastructure, HICL has a role in society that extends beyond its shareholders.

The Company is a trusted steward of essential assets and has a responsibility towards the communities that the assets serve and, in many cases, to which the assets will be returned at the end of the defined contractual term. The Board and Investment Manager recognise that operating in a sustainable manner lies at the very heart of the Company's business model, and is fundamental for the successful delivery of its investment proposition.

"The Company's performance is inextricably tied to the delivery of positive stakeholder outcomes, in particular for the communities who use, and interact with, the Company's assets in their daily lives."

Ian Russell CBE, Chairman

The infrastructure in which HICL invests supports individuals, communities, societies and their environment. With this comes a responsibility for HICL, and its portfolio companies to act with care, consideration and integrity.

These responsibilities are discharged by the Board and InfraRed in order to mitigate risks and to create a positive impact which align with and go beyond HICL's commercial objectives.

HICL actively contributes to the United Nations ("UN") Sustainable Development Goals ("SDGs") through the delivery of reliable and resilient infrastructure that supports economic development and human wellbeing.

As a custodian of public, community infrastructure, there is a focus on inclusive, affordable and equitable access for all. The nature of HICL's investment proposition means the Company inherently contributes to developing industry, innovation and infrastructure (SDG 9); and building sustainable cities and communities (SDG 11).

#### Key highlights

Over the course of the year, the Company has taken significant strides to embed sustainability considerations across its activities.

The Board recognises that standards for best practice in sustainability continue to rise, and has set out the Company's recent progress and key sustainability objectives for the coming year on page 8.

Completion of a **detailed, portfolio-wide climate impact assessment**, enabling HICL to respond against all **11 TCFD recommendations**

**Pages 10-12**

Introduction of a suite of dedicated **Sustainability metrics and targets** to track performance and increase accountability

**Page 9**

The signing of an innovative **ESG-linked RCF**, linking sustainability performance to financial outcomes

**Page 52 of the Annual Report 2021**

An enhanced **annual ESG survey**, featuring 20 new questions and covering the whole of HICL's portfolio

**Page 23**

**9 INDUSTRY, INNOVATION AND INFRASTRUCTURE**



**11 SUSTAINABLE CITIES AND COMMUNITIES**





## InfraRed's approach to sustainability

InfraRed strives to be a responsible investor and to develop and manage long-term, sustainable infrastructure.

The Investment Manager believes that long-term success for all stakeholders (including investors) can only be achieved by taking responsibility for the environmental, social and governance impacts of its investment activities. This is essential to InfraRed's corporate vision, and in this regard, the Investment Manager is committed to embracing sustainability best practice. This means recognising and delivering stewardship responsibilities, on behalf of HICL, across the Company's portfolio of essential infrastructure.

“At InfraRed we have always believed that a sustainability-led mindset is essential to delivering outperformance. It is enshrined in our DNA that creating value for all stakeholder groups – not just one – is crucial to the long-term success of any asset.”

**Werner von Guionneau, CEO, InfraRed Capital Partners Limited**

The application of HICL's Sustainability Policy is undertaken by InfraRed. The Investment Manager publishes and regularly updates its own sustainability policy on InfraRed's website. In May 2021, to formalise over a decade of continuous improvement and best practice, InfraRed published its first Sustainability Report<sup>1</sup>. This report is part of the Investment Manager's commitment to provide transparency on its sustainability performance and its desire to be held accountable by all of its stakeholders, which includes those of HICL.

InfraRed has been a certified CarbonNeutral® company since 1 January 2019 and an official TCFD Supporter since October 2020.



## Approach to responsible investment

InfraRed has been a signatory of the Principles for Responsible Investment (“PRI”) since 2011, and continues to take a leadership role in the implementation of responsible investment strategies. During the year, InfraRed's infrastructure business

was awarded the highest attainable A+ rating, as assessed by PRI, for the sixth consecutive year. The six Principles across which InfraRed have been assessed are set out below:

### We will

- ▲ Incorporate ESG issues into investment analysis and decision making processes
- ▲ Be active owners and incorporate ESG issues into our ownership policies and practices
- ▲ Seek appropriate disclosure on ESG issues by the entities in which we invest
- ▲ Promote acceptance and implementation of the Principles within the investment industry
- ▲ Work together to enhance our effectiveness in implementing the Principles
- ▲ Each report on our activities and progress towards implementing the Principles

Signatory of:



<sup>1</sup> <https://www.ircp.com/sites/default/files/2021-05/InfraRed%20Sustainability%20Report.pdf>








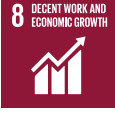
## 2 Approach to sustainability (continued)

### Sustainable Development Goals

The 17 Sustainable Development Goals (“SDGs”) were adopted by all United Nations member states in 2015. The SDGs are an urgent call for action by all countries – developed and developing – in a global partnership. They recognise that ending poverty and other deprivations must go hand-in-hand with strategies that improve health and education, reduce inequality, and spur economic growth – all while tackling climate change and working to preserve our oceans and forests.

### Our contribution

HICL supports all of the UN SDGs. We focus our efforts on the goals which align with our Environmental, Social and Governance objectives, contributing through the investments we make and impacting the local communities around our assets. Although the Company inherently contributes towards developing industry, innovation and infrastructure (SDG 9) and building sustainable cities and communities (SDG 11), HICL’s ESG commitments have a broader reach. The table below demonstrates the Company’s broader contribution to the SDGs, either through the Investment Manager or specific initiatives undertaken by its portfolio companies.

SDG	HICL's assets facilitate	How HICL and InfraRed contribute
 <b>3</b> GOOD HEALTH AND WELL-BEING	<b>12.5 million</b> People with access to HICL’s healthcare facilities, including three major regional trauma centres	In response to Covid-19, we prioritised the health and wellbeing of our own staff, the end-users of our assets, as well as the staff of our clients, delivery partners and other stakeholders (page 21)
 <b>4</b> QUALITY EDUCATION	<b>140,000</b> Places across the school, college and university facilities and accommodation	We encourage our investment companies to implement initiatives that educate young people about job opportunities and infrastructure projects as well as key environmental issues such as climate change. Improving social mobility through quality education is also a key priority of InfraRed’s Community Engagement committee (page 20)
 <b>7</b> AFFORDABLE AND CLEAN ENERGY	<b>1.8 GW</b> Connecting offshore wind generation with enough capacity to power 1.7 million homes	HICL has now completed its fourth investment into offshore transmission assets, further contributing to the UK’s transition to a low-carbon economy (page 18)
 <b>16</b> PEACE, JUSTICE AND STRONG INSTITUTIONS	<b>50</b> Police stations, custody centres, fire stations and training facilities	The Investment Manager works closely with government and civil institutions to support and enable contract variations which materially improve facilities for all stakeholders (page 23)
 <b>6</b> CLEAN WATER AND SANITATION	<b>3.6 million</b> Population served with clean water by Affinity Water	We are actively engaging with our investment companies to ensure that measures are implemented to reduce water consumption (page 18)
 <b>5</b> GENDER EQUALITY	<b>35%</b> InfraRed appointed portfolio company directors are women	HICL’s Board has chosen to adopt definitive policies with quantitative targets for Board diversity. The Investment Manager reports to the Board their progress on inclusion and diversity in the workplace (page 20)
 <b>13</b> CLIMATE ACTION	<b>16,000</b> Tonnes of CO <sub>2</sub> emissions will be avoided over the life of HICL’s concessions	The Investment Manager has concluded a detailed climate change impact assessment and has set clear targets for the collection of greenhouse gas emissions data across the portfolio (page 9)
 <b>8</b> DECENT WORK AND ECONOMIC GROWTH	<b>1,200</b> Staff directly employed by HICL project companies, with thousands more employed through the supply chain	We actively monitor our service providers to ensure that they have appropriate health & safety procedures in place, and HICL’s portfolio companies uphold labour standards and initiate skills development programmes (page 21)





Main  
Entrance



## 2

## Approach to sustainability (continued)

### HICL's sustainability journey

In the 15 years since HICL's IPO, the Company has played a growing role as a long-term investor in essential core infrastructure. The fundamental social purpose of HICL's portfolio companies, such as its schools and hospitals, has ensured that the investment made by the Company's shareholders has a positive and long-lasting impact.

Today, through its portfolio of 116 investments, HICL serves a population of over 20 million people in six countries and, in the UK alone, the infrastructure in which HICL has invested touches the lives of one in four citizens.

This underlines the importance of the commitments made by the Board and the Investment Manager towards sustainability, and the need for continuous improvement.

In order to ensure that HICL remains at the forefront of sustainability best practice, the Company has significantly enhanced its disclosure, processes and risk management during the course of the year. This is summarised in the graphic below, which also sets out the key objectives for the next 12 months.



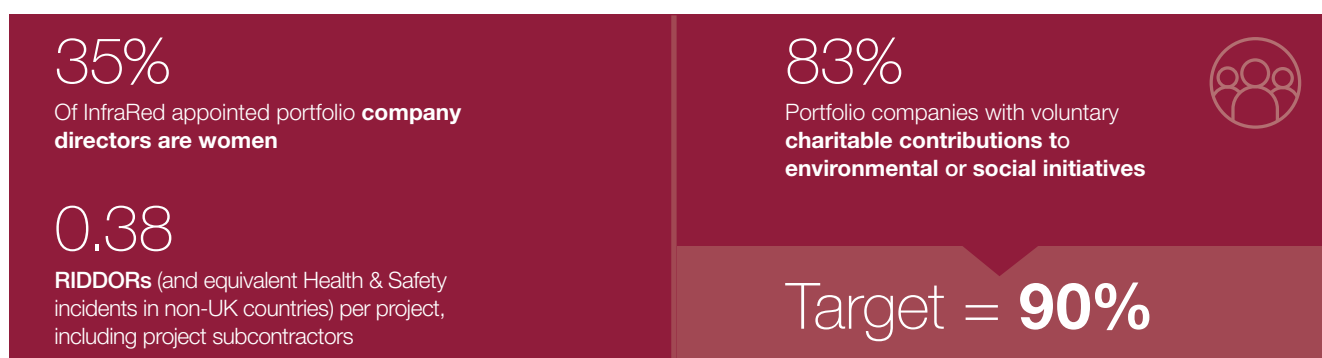
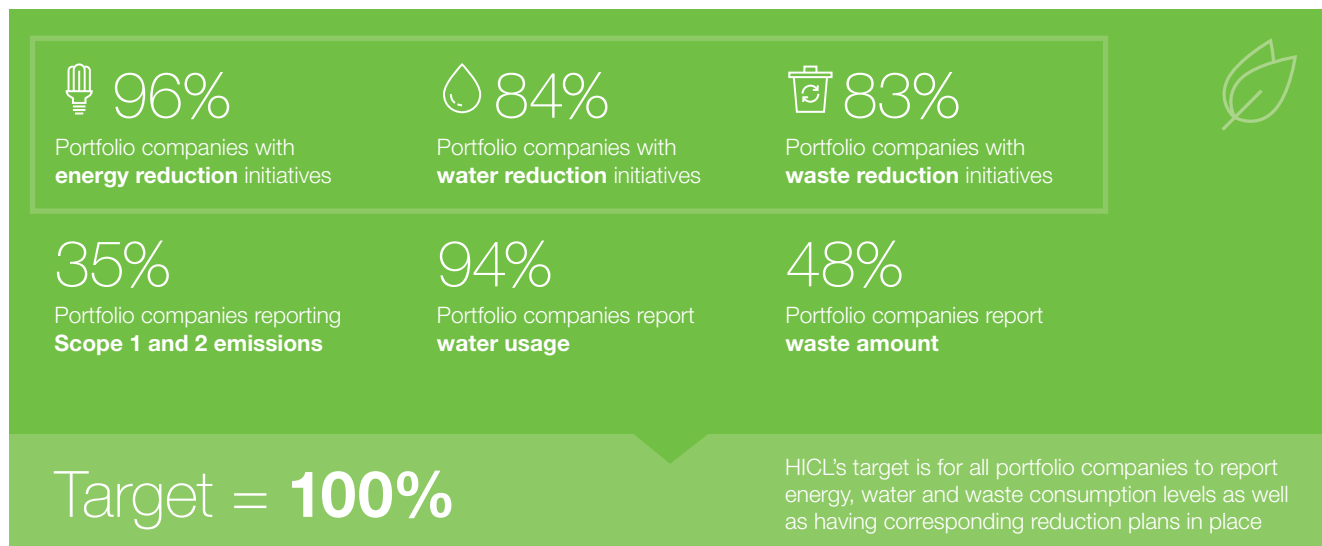


## Tracking and reporting progress

Reporting on sustainability in a manner that is clear and easily absorbed by investors requires continual improvement. In addition to the formal sustainability KQI reported on page 18 of the 2021 Annual Report, HICL has published a full suite of metrics and targets to improve the objective measurement of the Group's Environmental, Social and Governance performance. These efforts will create a feedback loop which allows the Investment

Manager to drive improvements in the portfolio, and are expected to follow a natural sequence over time:

- ▲ Collection and measurement of relevant information
- ▲ Implementation of specific policies around key sustainability themes
- ▲ Implementation of, and delivery against, specific targets



<sup>1</sup> An exception was made where site visits were not conducted in person due to Covid-19 restrictions



# 3

## Case Study: Climate change impact assessment

### Overview

Climate change is emerging as a key risk for infrastructure investors, with the potential to significantly impact infrastructure assets around the world. In 2015, world governments committed through the Paris Agreement to curbing global temperature rise to below 2°C above pre-industrial levels in order to prevent the most severe consequences of climate change.

Both HICL and InfraRed support the Paris Agreement and are committed to reducing carbon emissions where possible.

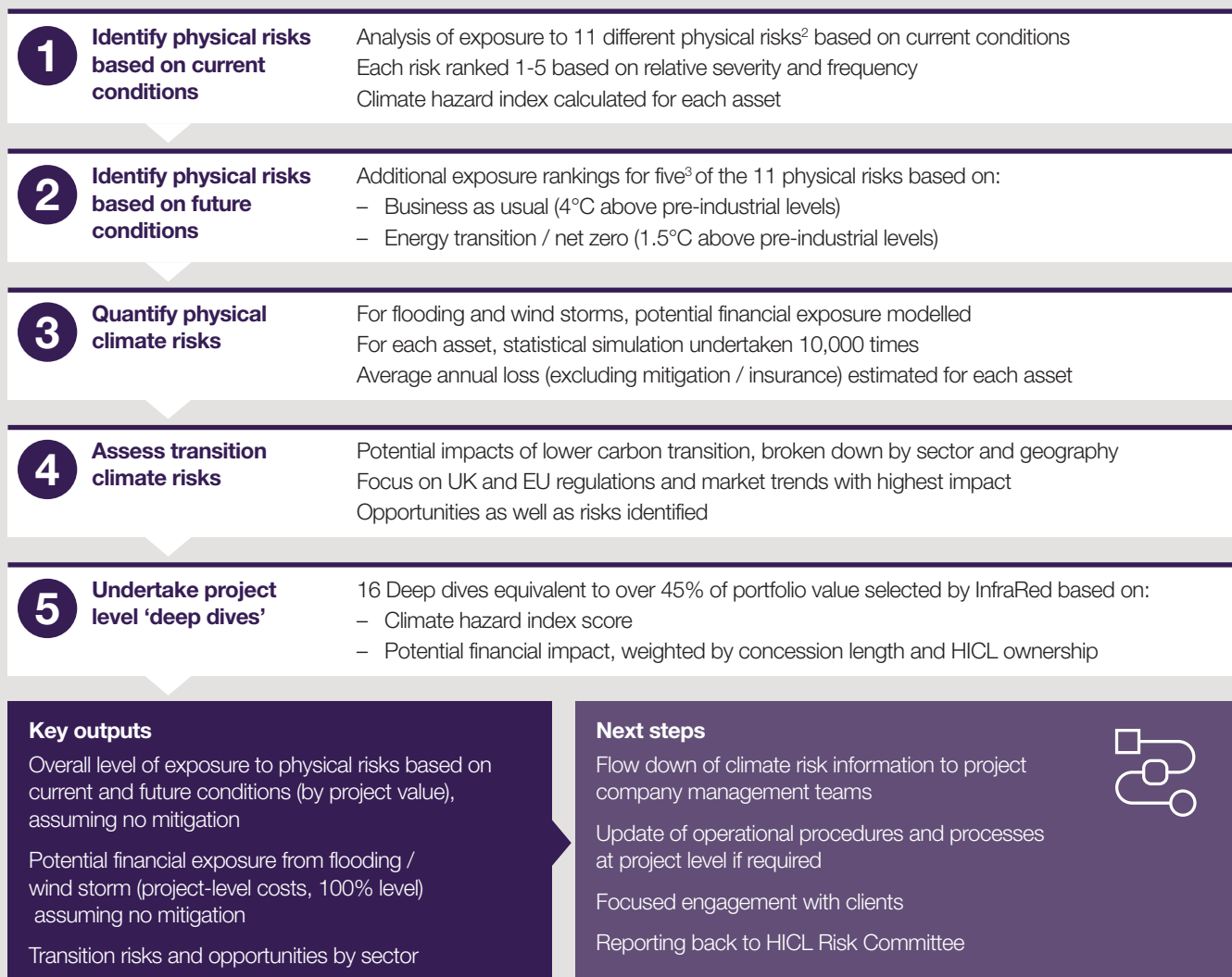
For HICL, climate change and the response to climate change are likely to impact the Company in two ways:

- ▲ **Physical risks:** “acute” physical damage to the Company’s infrastructure investments from variations in weather patterns and “chronic” impacts such as sea level rises and drought
- ▲ **Transition risks:** policy, legal, technological, market and reputational risks associated with the transition to a lower carbon economy

The Investment Manager incorporated climate-related risks into the Company’s risk management framework in 2019 and, in September 2020, engaged Willis Towers Watson (“WTW”) to conduct a detailed climate change impact assessment, the scope of which included the entirety of HICL’s portfolio<sup>1</sup>.

### Process and methodology

The flow chart below sets out the process undertaken by the Investment Manager and WTW:



<sup>1</sup> Excluding the Company’s investments in the Defence Sixth Form College and A13 senior bonds

<sup>2</sup> Coastal flood, river flood, heat stress, drought stress, tropical cyclone, winter storm, hailstorm, lightning, tornado, wildfire, flash flood

<sup>3</sup> Coastal flood, river flood, heat stress, drought stress, tropical cyclone (4°C scenario only)





## Findings and outputs

Key findings from the climate impact assessment, based on the scenarios run, are:

- ▲ HICL's main exposures based on current climate conditions are to winter storm, river flood and coastal flood, which is expected based on the weighting of the portfolio towards Northern Europe. Geographical location is also an inherent mitigant against other physical risks such as drought and heat stress
- ▲ Although some assets have very high exposure to flooding, significant physical mitigation already exists in the form of flood defences, particularly in low-lying countries such as the Netherlands
- ▲ Only eight projects have a current physical impact index rated 'medium' or higher. This increases to 19 projects under a 4°C scenario

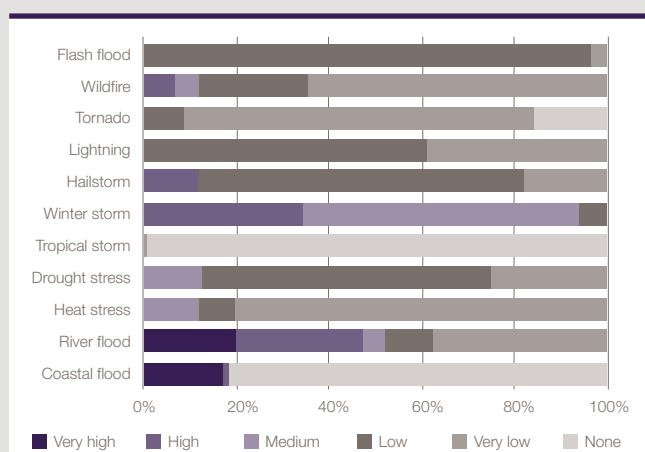
- ▲ Potential annual loss across the portfolio from wind storms and flooding is not expected to be material, with mitigation measures further reducing any impact in 'severe' years

- ▲ Under a 4°C scenario, a small number of projects may be more exposed to certain physical risks. Under a 1.5°C scenario, exposure to physical risks does not increase significantly but projects are potentially exposed to transition risks; in some cases there are potential opportunities linked to this scenario

- ▲ Effective mitigation measures are already in place in a number of cases

At a fund level, the results demonstrate the overall financial resilience of the portfolio, enable better reporting and Board-level feedback on risk and instruct future acquisition screening and strategic portfolio construction.

## Portfolio exposure to physical risks based on current climate conditions



## Example of transition risks and opportunities for a toll road project

### Risks

Behavioural change (either uptake in mass transit use or overall reduction in journeys), increased car sharing



### Opportunities

Related investment such as rapid charging, reduced congestion through autonomous driving technology





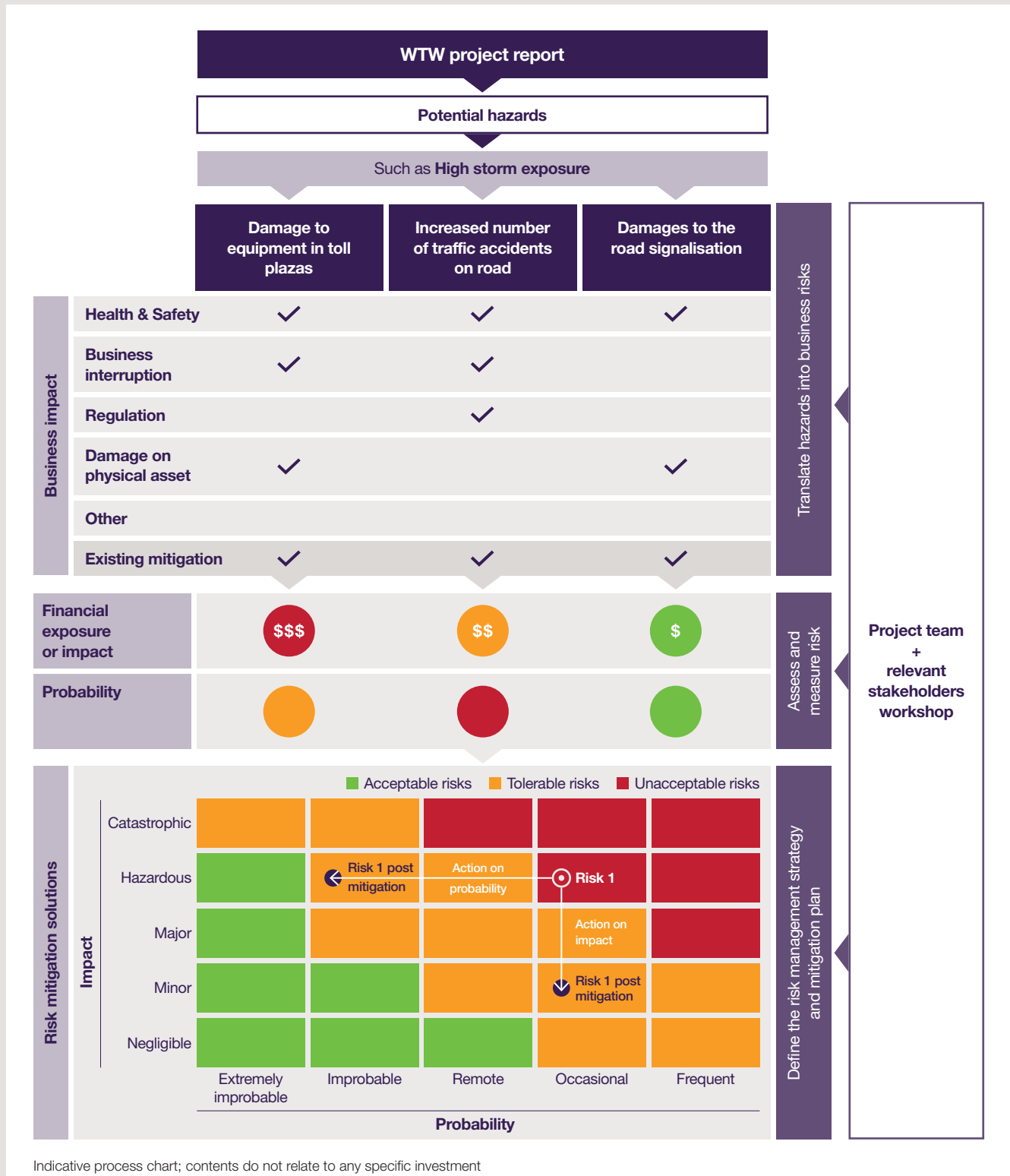
### 3

## Case Study: Climate change impact assessment

### Next steps

The results of the assessment will be used by InfraRed's Asset Management team and the project company management teams to develop and inform risk mitigation strategies over time, increase climate resilience and develop potential transition opportunities.

The graphic below shows how the findings of the WTW project reports (or for certain projects, the results of 'deep dives') will be used by the project teams, supported by InfraRed. Going forward, questions will be added to the annual ESG survey to monitor implementation, and the InfraRed Knowledge Centre will act as a tool to share climate change best practice.



# 4 Sustainability disclosures



## Task Force on Climate-related Financial Disclosure

The recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD"), of which both HICL and InfraRed are supporters, is the established framework for consistent, comparable and clear reporting on a company's approach to climate change and assessing its potential impact on the company.

HICL began voluntarily reporting against a subset of the 11 TCFD disclosure recommendations in its 2020 Annual Report and Financial Statements. Having undertaken a portfolio-wide climate change impact assessment over the course of the year ended 31 March 2021, the Group is now in a position to report against all 11 of the recommended TCFD disclosures, again on a voluntary basis.

The tables below set out our disclosure against the 11 TCFD recommendations, with references to relevant information elsewhere in this report.



## Governance

Recommendation	Disclosure
1 Describe the Board's oversight of climate-related risks and opportunities	<p>The Board has overall responsibility for the oversight of HICL's sustainability risks and opportunities, of which climate change is an important subset. The Board and the Investment Manager meet on a quarterly basis, during which they review the risks facing the Company, including risks related to climate change.</p> <p>Some of the Board's committees also have key roles:</p> <ul style="list-style-type: none"> <li>▲ The Risk Committee oversees and challenges InfraRed's risk management processes and analysis, and has a specific remit to examine 'horizon' risks such as the long-term consequences of climate change</li> <li>▲ The Management Engagement Committee considers how HICL service providers adhere to HICL's Sustainability Policy</li> <li>▲ The Audit Committee reviews the Company's approach to disclosures, including those relating to climate change</li> </ul>
2 Describe management's role in assessing and managing climate-related risks and opportunities	<p>The application of HICL's Sustainability Policy to making new investments and the management of HICL's portfolio is undertaken by InfraRed, as Investment Manager and Operator. This includes the day-to-day monitoring, evaluation and management of risks, including those linked to climate change. The Investment Manager's risk framework explicitly considers climate-related risks across its Portfolio Performance, Political and Operational – Execution risk classes.</p> <p>In September 2020, InfraRed commissioned a detailed climate change impact assessment to identify and assess climate-related risks and opportunities in the current portfolio. The Investment Manager will use the results of this exercise to transform the management and reporting of climate-related risks at portfolio company level.</p> <p>InfraRed is also responsible for incorporating climate-related risks and opportunities into the investment process, which applies for all potential acquisitions as set out in more detail on page 22.</p>



# 4 Sustainability disclosures (continued)



## Strategy

### Recommendation

### Disclosure

- 3** Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term

Through the detailed climate change impact assessment, the Investment Manager has identified that in the short term, based on current climate conditions, a subset of assets in which HICL has invested are exposed to acute and chronic physical risks arising from different extreme weather events, although the overall exposure is limited and mitigations can be put in place. The Company may also be exposed to transition risks if there are rapid, unexpected changes to government policy.

In the medium to long term, based on a 4°C scenario, there is slightly increased exposure to physical risks. Under a 1.5°C scenario the impact of transition risks could be greater, but many assets have inherent protection as they provide vital services and have low direct emissions. Conversely, there is likely to be greater scope to take advantage of opportunities arising from the energy transition, such as asset repurposing and additional investment.

**Further details are provided in the case study on pages 10-12**

- 4** Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning

The primary impact of climate change for HICL is likely to be borne by its portfolio companies: increased operating costs or reduced revenues as a result of physical risks materialising, particularly from flooding and winter storms. In many cases physical mitigation measures already exist and there is a degree of contractual protection from increased costs to implement further mitigation measures. Such risks are likely to be exacerbated under a 4°C scenario, whereas under a 1.5°C scenario assets are more likely to be impacted by transition risks.

The results of the climate impact assessment feed into the Company's strategy in a number of ways. InfraRed has developed Climate Risk Mitigation Guidance and the IRCP Knowledge Centre to improve resilience at the asset level. As set out in more detail on page 11, the risks and opportunities from climate change (including under a 1.5°C scenario) also inform future acquisition screening and strategic portfolio construction.

From a financial planning perspective, the climate impact assessment will enable a review of future insurance costs. Furthermore, in May 2021, HICL's revolving credit facility was renegotiated to incorporate ESG targets, converting the facility to a Sustainability Linked Loan ("SLL"). The innovative SLL structure links the margin applied on the facility to performance against five ESG targets, demonstrating HICL's commitment to its wider sustainability strategy by embedding it within the financing structure of the Company.

- 5** Describe the resilience of the organisation's strategy, taking into consideration different future climate scenarios, including a 2°C or lower scenario

The portfolio-level findings of the climate change impact assessment demonstrate that the Company's strategy is highly resilient to both physical and transition risks associated with climate change.

Under a 'current' climate scenario, only 8 assets have an unmitigated physical impact index above 3.0 (medium). This rises to 19 assets under a 4°C scenario, demonstrating the resilience of the portfolio even in the event of extreme climate change. Under a 1.5°C scenario, the Company is more exposed to transition risks, but these are mitigated through the essential nature of HICL's investments, and the contractual risk allocation that exists through PPP contracts and concession agreements. A transition to a lower carbon economy also presents a number of opportunities.

**Further details are provided in the case study on pages 10-12**



## Risk

### Recommendation

### Disclosure

- 6** Describe the organisation's processes for identifying and assessing climate-related risks

For new acquisitions, climate-related risks are considered throughout the investment process by the Investment Manager. At the deal screening phase, the identification of climate-related risks (physical or transition) and the potential impact (positive or negative) are mandatory requirements.

**Further details are provided on page 22**

For existing projects, risks have been identified and assessed through the climate change impact assessment.

**Further details are provided in the case study on pages 10-12**

- 7** Describe the organisation's processes for managing climate-related risks

Following the completion of the climate change impact assessment, InfraRed's asset management team has begun to engage with the management teams of each asset. Using the results from the climate change impact assessment 'one page' reports or 'deep dives', each project will systematically develop a risk mapping, risk prioritisation matrix and then begin to implement mitigation and resilience strategies as appropriate.

Each quarter, the Investment Manager will receive regular updates on progress through its Quarterly Review Meetings on the assets across HICL's portfolio, which give the HICL Investment Committee the opportunity to provide scrutiny and feedback.

The key points arising from the Quarterly Review Meetings are in turn communicated to the HICL Risk Committee through the Investment Manager's regular reporting. This enables direct oversight and challenge at Board level.

**Further details are provided in the case study on pages 10-12**

- 8** Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management

Sustainability considerations are incorporated into the Investment Manager's risk management framework, which is used as the basis of risk reporting to the HICL Risk Committee. In particular, sustainability features as a material risk in the following risk classes:

- ▲ Political risk: in particular, policies associated with the transition to net zero carbon emissions
- ▲ Operational risk – execution: through transaction due diligence and investment decisions
- ▲ Portfolio performance risk: sustainability risks can affect operational performance, including transitional and physical risks associated with adverse climate change

Climate change risk is an explicit building block of portfolio performance risk. Individual project companies will submit regular progress reports to InfraRed on the mitigation measures they are taking in response to the climate change impact assessment. In turn, this will enable the HICL Risk Committee to consider the overall impact and opportunities of climate change at fund level.

**Further details are provided in the 2021 Annual Report Section 3.5 – Risk & Risk Management**



## 4 Sustainability disclosures (continued)



### Metrics

#### Recommendation

#### Disclosure

**9** Disclose the metrics used by the organisation to assess climate-related risks and opportunities

As noted below, HICL has disclosed its Scope 1, 2 and 3 greenhouse gas emissions since 2020, which can be found on page 17 of this report. However, given the clear relationship between the level of greenhouse gas emissions and the future climate risk faced by the Group, the Board has elected to disclose an additional metric relating to the number of portfolio companies that consistently report their Scope 1 and Scope 2 greenhouse gas emissions (see page 9). Over the course of the coming year, the Investment Manager will work to standardise this reporting across the portfolio, such that HICL can disclose additional metrics relating to the overall level of Scope 1 and Scope 2 emissions from the portfolio.

As a result of the climate change impact assessment undertaken in the period, the Company is also able to report additional metrics relating to the portfolio's exposure to physical climate risks. These are set out on page 9, which also includes a chart detailing the level of exposure to 11 climate hazards, based on current climate conditions and the number of assets exposed.

**10** Disclose Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas emissions, and the related risks

Due to the nature of its business, HICL has no Scope 1 or Scope 2 greenhouse gas emissions. The Company has disclosed its Scope 3 greenhouse gas emissions since 2020, and voluntarily includes energy use where individual investments have operational control but where HICL does not have operational control within its Scope 3 data, as set out in the following section.

**11** Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets

One of the key ways in which climate-related risks can be reduced in the long term is through a global reduction in greenhouse gas emissions. HICL has therefore set a clear target, as shown on page 9, that 100% of portfolio companies routinely collect and report Scope 1 and Scope 2 emissions data by 31 March 2022. At this point, the Company plans to set additional targets relating to a reduction in greenhouse gas emissions across the portfolio.

Over the coming year, the Investment Manager will work with HICL's portfolio companies to build on the findings of the climate change impact assessment at the asset level. Given the importance of this study as a risk management tool, HICL has set clear targets relating to its implementation; these are set out on page 9.



### Streamlined Energy and Carbon Reporting (“SECR”)

HICL adopts the operational control boundary approach for the measurement of energy emissions, as the Directors believe this reflects the level of emissions that can be actively controlled and reduced, given the Company’s role as an infrastructure owner rather than service provider. There are no subsidiaries where HICL has operational control and, as a result, HICL is classed as a low energy user.

As part of its commitment to improving carbon reporting, HICL voluntarily includes UK and global energy use where individual investments have operational control, but where HICL does not have operational control itself (Affinity Water, HS1, Belfast College<sup>1</sup> and Northwest Parkway) within its Scope 3 emissions data.

An average UK household uses 14.1 tCO<sub>2</sub>e (year ended 31 December 2019: 14.1 tCO<sub>2</sub>e / year)<sup>4</sup>.

HICL’s Scope 3 carbon emissions have decreased by 19% year on year, primarily driven by lower utilisation of the assets due to the Covid-19 pandemic. Carbon emissions per user has remained consistent compared with the prior period, primarily as a result of lower passenger volumes on HS1 infrastructure.

### Other greenhouse gas (“GHG”) emissions

As a result of the above energy use (i.e. electricity and use of transportation fuels), HICL was also responsible for the following emissions: methane 61 tCH<sub>4</sub>e (year ended 31 December 2019: 58 tCH<sub>4</sub>e), nitrous oxide 125 tN<sub>2</sub>Oe (year ended 31 December 2019: 152 tN<sub>2</sub>Oe). No hydrofluorocarbons, perfluorocarbons or sulphur hexafluoride emissions were made.

### Methodology

Emissions have been calculated in accordance with the GHG Protocol Corporate Accounting and Reporting Standard. UK Government Conversion Factors have been utilised for UK investments and Environmental Protection Agency Conversion Factors to calculate emissions for global (excluding UK) investments.

Energy use has primarily been collected from meter data and invoices from suppliers. In some instances, office energy use has been estimated with reference to the pro rata number of

employees using the office space or benchmarked where data is not directly available. Transport emissions have been based on mileage records or estimated based on distance and type of transport used.

Emissions have been measured over the period 1 January to 31 December. This is not coterminous with HICL’s year end as not all data from underlying projects is available before the reporting date.

### Sustainable Finance Disclosures Regulations

Acting sustainably is fundamental for the successful delivery of HICL’s investment proposition and the Company currently intends to embrace the new requirements of the EU Sustainable Finance Disclosures Regulations (“SFDR”) regime. The Board notes that as a UK-listed, UK-domiciled investment trust, HICL is not legally required to meet these requirements, so all disclosure will be on an entirely voluntary basis.

Over the course of the coming year, the Investment Manager will work closely with HICL’s portfolio company management teams to improve data collection and processes at asset level. In turn, this will enable closer alignment with the full Level 2 provisions of the SFDR, which are currently anticipated to require detailed reporting in May 2023.

The Company is currently actively complying with the relevant provisions of the Level 1 requirements of the SFDR, and in its capacity as Alternative Investment Fund Manager to HICL, InfraRed has updated its remuneration policy in line with the relevant SFDR Level 1 requirements. HICL and InfraRed will also seek to publish information regarding compliance with the SFDR in the upcoming Article 23 Alternative Investment Fund Managers Directive (“AIFMD”) disclosure to investors document.

Additional information and documentation related to SFDR can be found on our website<sup>5</sup>.

The metrics and targets set out on page 9 of this report are an important first step towards closer alignment with the Level 2 requirements of the SFDR, and the Company will continue to enhance the environmental, social and governance data it collects over the coming year.

Disclosure	31 December 2020 UK and offshore	Global (excluding UK and offshore)	31 December 2019 UK and offshore	Global (excluding UK and offshore)
Emissions from investments with control over emissions, for which the Company does not control (Scope 3) / tCO <sub>2</sub> e <sup>2</sup>	20,566 tCO <sub>2</sub> e	202 tCO <sub>2</sub> e	25,416 tCO <sub>2</sub> e	186 tCO <sub>2</sub> e
Emissions from office use and business travel which the Company does not own or control (Scope 3) / tCO <sub>2</sub> e <sup>3</sup>	65 tCO <sub>2</sub> e	2 tCO <sub>2</sub> e	118 tCO <sub>2</sub> e	9 tCO <sub>2</sub> e
Total gross Scope 3 emissions / tCO <sub>2</sub> e	20,631 tCO <sub>2</sub> e	204 tCO <sub>2</sub> e	25,534 tCO <sub>2</sub> e	195 tCO <sub>2</sub> e
Intensity ratio: tCO <sub>2</sub> e (gross Scope 1, 2 & 3) per user	0.001 tCO <sub>2</sub> e / user	0.000 tCO <sub>2</sub> e / user	0.001 tCO <sub>2</sub> e / user	0.000 tCO <sub>2</sub> e / user

<sup>1</sup> HICL owns 75% of Belfast College, but does not have operational control over the asset. This is the only asset in the portfolio that is determined to have operational control and where HICL holds more than 50%. Emissions relating to this asset comprised 14 tCO<sub>2</sub>e (year ended 31 December 2019: 25 tCO<sub>2</sub>e). All other assets in the portfolio that HICL holds greater than a 50% ownership in are not determined to have control over their emissions

<sup>2</sup> Scope 3 investment emissions relate to the operation of assets at the following projects; Affinity Water, Belfast College, HS1 and Northwest Parkway

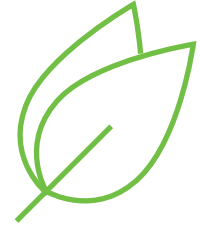
<sup>3</sup> Scope 3 emissions relate to emissions associated with office use and travel of the employees of the Investment Manager, the Board of Directors and the Company Secretary

<sup>4</sup> Source: carbonindependent.org

<sup>5</sup> <https://www.hicl.com/sustainability/>



## 5 Environmental



For HICL, it is vital that the positive social contribution of the Group's assets does not come at the expense of the natural environment.

The Investment Manager, project management teams and project subcontractors are focused on reducing negative environmental impacts and wherever possible, implementing measures which act as a catalyst for positive change, either directly at the asset and / or for the wider community in which that asset is located.

The Company acknowledges the real threat posed by climate change; further details on the potential impacts, risks and mitigants are provided on pages 10-12. Although HICL does not have operational control over any of its subsidiaries, the Company will take steps through the Investment Manager to influence those that do to act against and mitigate climate change, primarily through reducing energy consumption, water usage and waste, and increasing the use of renewable energy sources.

### HICL

Key highlights and progress relating to the Company and its subsidiaries include:

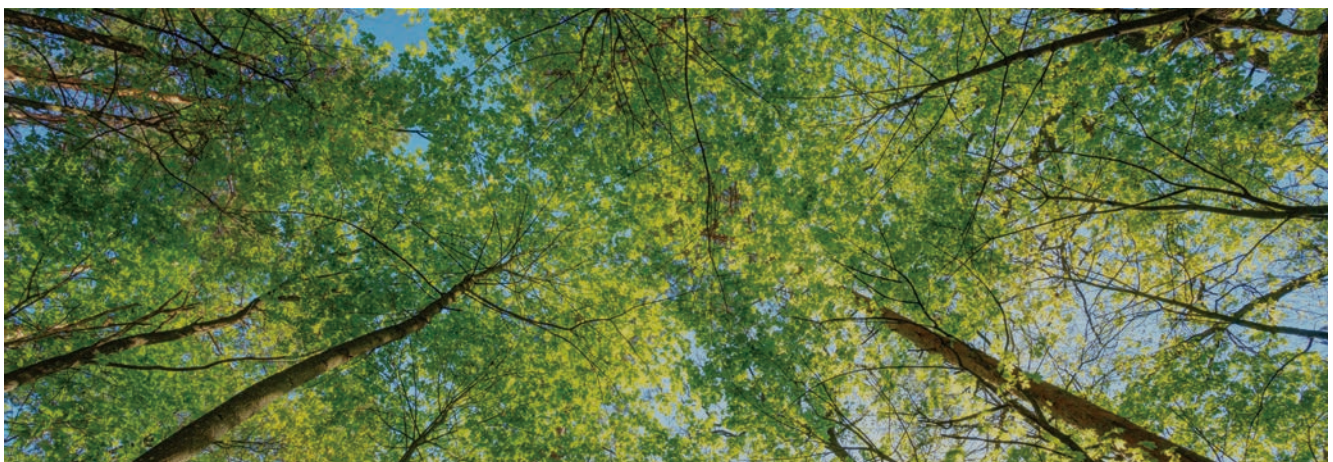
- ▲ Continued implementation of energy saving and waste reduction plans by project companies, which now forms part of HICL's metrics and targets (see page 9), and an enhanced focus on biodiversity (see opposite). The companies voluntarily included in HICL's Scope 3 SECR disclosure delivered initiatives which are forecast to save over 16,000 tonnes of CO<sub>2</sub> emissions over the life of the concessions
- ▲ Continued uptake in renewable energy use by project companies, which now forms part of HICL's metrics and targets (see page 9). The companies voluntarily included in HICL's Scope 3 SECR disclosure used over 23,000MWh of renewable energy in the year ended 31 December 2020, compared with 98kWh in the year ended 31 December 2019

- ▲ The completion of HICL's investment in the Walney OFTO. Alongside the three other OFTOs in HICL's portfolio, this acquisition contributes to the UK's transition to a lower carbon economy by connecting a combined 1.8GW of offshore wind generation to the UK mainland, with energy capacity to power 1.7 million homes
- ▲ To minimise the environmental impact of HICL's corporate affairs, all reporting to the Board and its various committees is now paperless. In addition, the Investment Manager has offset all emissions associated with Directors' travel with an accredited scheme and will continue to do so going forward

### InfraRed

Key highlights and progress relating to the Investment Manager include:

- ▲ Since 1 January 2019, InfraRed has been a certified CarbonNeutral® company and will remain carbon neutral going forward, through the reduction and offsetting of future carbon emissions
- ▲ Shortly after the initial onset of the Covid-19 pandemic, InfraRed enabled all employees to work remotely through the implementation of new software. Going forward, InfraRed will be adopting a flexible approach to working, which will lead to a sustained reduction in the environmental impact from commuting and business travel
- ▲ In May 2020, InfraRed moved into new premises at One Bartholomew in London. The building received a BREEAM 'Excellent' rating, and the internal fit-out of InfraRed's floor was awarded a Gold SKA rating



## Case Study: High Speed 1

“Aiming to be the first UK railway to be powered entirely through renewable energy”



HS1 is the UK's only high-speed rail line, running 109km from St Pancras International to the Channel Tunnel that connects the UK with France.

HS1 operates, manages and maintains the track and four stations along the route, including St Pancras, under a 30-year concession with the Department for Transport (DfT).

HS1 announced its Sustainability Strategy in October 2020, which was developed in close collaboration with InfraRed and launched by the Secretary of State for Transport. The Strategy clearly articulates the key environmental targets that the company has embraced to achieve its ambitious objective of being the most sustainable option for transport between the UK and mainland Europe, with a particular focus on reducing carbon emissions by guaranteeing that all energy used originates from renewable sources.

By 2030, the company expects to be fully carbon neutral, and hopes to deliver a Biodiversity Net Gain by leaving its immediate natural environment in a better condition than it was prior to the construction of the infrastructure.

100%

renewable energy  
used to power trains  
and stations by  
**2022**

90%

of operations and  
project waste  
recycled by  
**2023**

0%

net carbon  
emissions (fully  
carbon neutral) by  
**2030**

## Case Study: Affinity Water

“Protecting and restoring natural environments”



Affinity Water is the UK's largest water-only company.

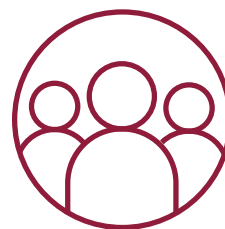
Serving three geographically separate regions in the South East of England, Affinity Water generates income from supplying water to both residential and, via intermediaries, commercial consumers within a 4,515km<sup>2</sup> supply area. In doing so, Affinity Water maintains 95 water treatment works and over 100 reservoirs.

Over the year, the company has developed and implemented a number of initiatives which have made a significant positive contribution towards the natural environment:

- ▲ Voluntarily turning off a major groundwater abstraction site in the Chilterns Area of Outstanding National Beauty which was highly praised by Ofwat, local stakeholders and the Environment Agency
- ▲ The planting and restoration of seagrass in Essex and Suffolk to enhance the stability of the coastal zone, lock carbon into the seabed at a rapid rate, improve water quality and create a habitat for hundreds of thousands of small animals **Winner – Innovation in Water Challenge**
- ▲ Using technology to develop optimised strategies for real-time top-up control for drinking water and rainwater storage tanks. By linking these smaller, decentralised storage assets with the company's centralised control systems and reservoirs, Affinity Water hope to build greater water supply resilience to benefit customers and the environment **Winner – Innovation in Water Challenge**
- ▲ The launch of the company's 'Save our Streams' initiative, targeted at increasing customer awareness and driving a reduction in water consumption. In turn, this will allow Affinity Water to continue to reduce extraction from chalk streams in environmentally sensitive areas



# 6 Social



As a trusted steward of essential infrastructure assets, HICL sits at the heart of communities and plays a key role in modern society.

The Company's diverse range of projects have a real and clear impact on the daily lives of their end users, by:

- ▲ Providing **essential services**, such as water or access to healthcare
- ▲ Facilitating **inter-regional connectivity**
- ▲ Performing important **social purposes**, through the provision of care and social housing
- ▲ Enabling **education and generational change**

The statistics opposite demonstrate the reach of the portfolio and highlight the importance of the Investment Manager's sustainable, long-term approach to asset management.

## HICL

Key highlights and progress relating to the Company and its subsidiaries include:

- ▲ The inclusion of new metrics and targets relating to Health & Safety (see page 9). Health & Safety for all stakeholders, including creating safe environments, is of paramount importance in the operation of portfolio companies. Over the year, external Health & Safety reviews were carried out to ensure appropriate procedures and policies are in place and being adhered to
- ▲ The Company maintained its focus on diversity and expertise at Board level. HICL meets the expectations of both the Hampton-Alexander Review and the Parker Review. As at 31 March 2021, 37% of the Directors were women, and one Director (12%) was from an ethnic minority. At a project level, board gender diversity is now actively monitored through a new metric (see page 9)
- ▲ A number of portfolio companies put in place or enhanced their existing community engagement programmes during the year. Some notable examples where HICL subsidiaries have made a social contribution include:
  - Derby Schools, where the project company and Facilities Management company donated Christmas presents to vulnerable children
  - High Speed 1, where leftover food from retail units at St Pancras international was transported to Kent and distributed to lorry drivers stuck in the UK prior to Christmas
  - Royal Canadian Mounted Police being awarded the Best Operational Social Infrastructure Project in the Americas in the P3 Awards 2020 in recognition of the outstanding performance of the asset and the excellent relationship amongst all stakeholders

**Over 20 million people around the world with access to HICL's infrastructure, including over:**

**12.5m**

with access to healthcare facilities, including three major regional trauma centres

**2.3m**

served by HICL's courts, fire stations and police stations

**4.5m**

unique users of HICL's transport assets<sup>1</sup>

**3.6m**

people provided with clean drinking water

## InfraRed

During the year, the Investment Manager established the InfraRed Charitable Foundation, which has obtained Charitable Incorporated Organisation status from the Charities Commission. The day-to-day operations of the Foundation will be managed by InfraRed's Community Engagement Committee, which has already undertaken a number of initiatives including:

- ▲ The donation of furniture worth approximately £100,000 to a variety of organisations, the majority of which are HICL portfolio companies. This has been well received by both clients and end users, and particularly so where this has allowed them to divert additional funding towards their response to Covid-19
- ▲ The launch of the Lifecycle bike refurbishment initiative for key workers, in collaboration with InfraRed's business partners, HCP, Bouygues Energies & Service as well as the Department for Work and Pensions and HM Prison Service. The project involves the collection of unwanted bikes from the wider community, which are then renovated in prison bike workshops and gifted to key workers and other individuals in need

During the height of the Covid-19 pandemic, over 175 members of InfraRed staff and business partners collectively walked or ran 16,983km (equivalent to the distance between London and Sydney) in order to raise money for charitable causes. Thanks to the generosity of sponsors, over £150,000 was raised for charities across all of InfraRed's office locations that provide vital support to those affected by the pandemic.

<sup>1</sup> Annual estimate based on pre-Covid usage

## Case Study: A63 Motorway (France)

“Actively promoting good health and wellbeing”



The A63 motorway project in South West France forms part of the backbone of the wider European road network, as it provides a critical link between France and the Iberian Peninsula.

Over the past year, the portfolio company has worked together with subcontractors and stakeholders to deliver a number of industry-leading initiatives focused on health and wellbeing. These include:

- ▲ A virtual reality training programme to teach and certify road safety patrollers, which significantly improved staff wellbeing and safety without compromising the experience of the road users **Winner: Private Sector Innovation award – International Bridge, Tunnel and Turnpike Association**
- ▲ The provision of medical care to bus and lorry drivers at roadside service stations, working with Save Assistance and DocStop (an association founded to improve medical care for all bus and truck drivers on trans-European routes)
- ▲ A communication campaign entitled *#He Works #I Care* which promotes the safety and awareness of highway patrol officers by forming links with road users, most notably lorry drivers **Winner: Lauréat des Trophées de la Com Sud-Ouest 2020**

## Case Study: Responding to Covid-19

“Supporting HICL’s stakeholders throughout the pandemic”



Over the past year, the Covid-19 pandemic has had a profound impact on society.

The Company’s investments in hospitals, emergency services buildings and schools have been at the very centre of the public sector’s response to Covid-19, and both the Board and Investment Manager pay tribute to the efforts and sacrifices made by thousands of staff across HICL’s clients, portfolio companies and subcontractors.

At the start of the pandemic, the Investment Manager set out its priorities for responding to the crisis in a dedicated Covid-19 Code of Conduct (the “Code”)<sup>1</sup>. This was developed based on InfraRed’s corporate values, as well as experience and lessons learnt from managing the impact to HICL’s portfolio from Carillion’s liquidation in 2018. The Code also aligns with the Infrastructure and Projects Authority’s Covid-19 guidance in relation to PPP projects.

### Communities

Northwest Parkway toll road (USA) made a \$100,000 donation to local communities struggling with the impact of Covid-19

### Clients

Examples of support to NHS staff across HICL’s project companies include free meals, vouchers and exercise equipment

### Delivery partners

Mental health support provided to subcontracted staff at Ealing Care Homes; prompt payments made to business partners

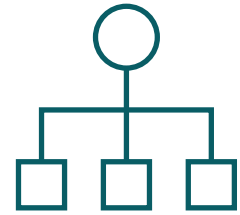
### End users

InfraRed donated 69 laptops to three schools in the portfolio to enable remote learning for less privileged children

<sup>1</sup> <https://www.ircp.com/regulatory>



# 7 Governance



For HICL to act in a sustainable manner, it is critical that each of its portfolio companies (and the Company itself) takes responsibility for the environmental, social and governance impacts they have and the associated risks and opportunities.

HICL's robust and ambitious corporate governance framework helps to ensure this is delivered.

## HICL

As a custodian of essential infrastructure, the Company has a holistic and proactive approach to stakeholder engagement, and intends to work with all relevant parties on matters that extend beyond HICL's period of ownership.

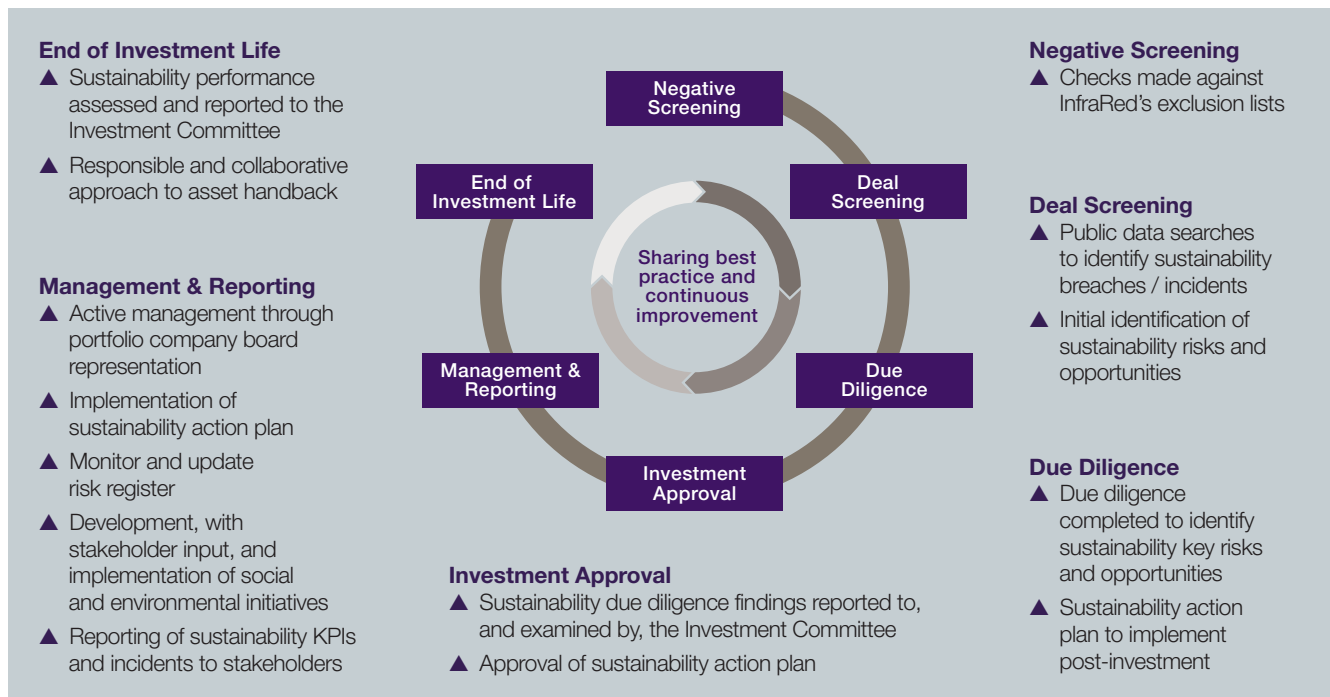
HICL's own approach to the stewardship of its investments, enshrined in HICL's business model, is built on a system of rigorous checks and balances. In accordance with the AIC Code of Corporate Governance (the "AIC Code"), the work and conduct of HICL's Board is regularly reviewed and evaluated. Further details on HICL's approach are provided in Section 4.4 – Corporate Governance Statement (of the Annual Report 2021).

The Board has overall responsibility for HICL's Sustainability Policy<sup>1</sup> and its application. This stems from its Terms of Reference where "sustainability, including the potential impact of climate change" is set out as a key strategic and financial consideration. HICL's Sustainability Policy is subject to ongoing development, including a formal annual review.

## InfraRed

InfraRed's robust governance framework supports the day-to-day operations of HICL's investments, and is underpinned by an active approach to asset management.

The application of HICL's Sustainability Policy is undertaken by InfraRed. Furthermore, sustainability is integrated into each stage of the Investment Manager's investment process; from negative screening against the firm and fund exclusion lists, deal screening, due diligence, the investment approval, ongoing management and reporting throughout the ownership period until an investment reaches the end of its economic life and is decommissioned or when we exit the investment, as demonstrated in the graphic below.



InfraRed delivers HICL's Sustainability Policy by adherence to InfraRed's sustainability policy. Contributions to sustainability are embedded into staff performance objectives and are taken into

account in annual performance assessment and compensation reviews, including for the members of the HICL Investment Committee.

<sup>1</sup> <https://www.hicl.com/wp-content/uploads/2020/11/Sustainability-Policy-May-2020.pdf>

## Case Study: ESG survey

“Ensuring robust governance  
at the asset level”

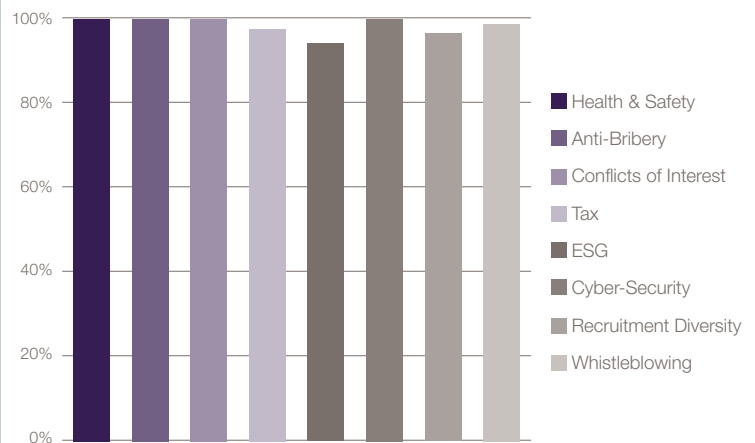


In order to ensure that HICL’s partners adhere to the highest standards of corporate conduct, InfraRed conducts an annual ESG survey.

First launched in 2014, it seeks to ensure that all of the Group’s portfolio companies and subcontractors have appropriate sustainability policies in place and that these are followed in the delivery of the services to clients and end users. InfraRed’s Asset Management team has worked diligently with project company management teams over the last six years to ensure the necessary policies were implemented and remained current, and has also increased the rigour and scope of the assessment each year whilst ensuring very high standards of compliance. The survey was expanded in 2020 to capture business continuity and contingency planning.

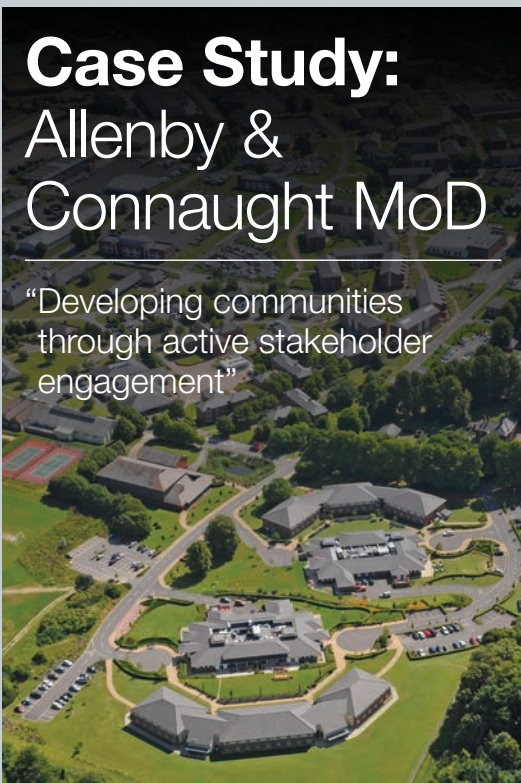
The survey is a key governance tool; the data collected forms the basis of HICL’s sustainability KQI and a number of the metrics and targets on page 9. Project companies are required to provide a copy of each policy, which is then verified by an independent third-party consultant, to ensure that the policy is sufficient and has been updated within the last 18 months.

**Percentage of portfolio companies with the following policies in place**



## Case Study: Allenby & Connaught MoD

“Developing communities  
through active stakeholder  
engagement”



The Allenby & Connaught MoD project is a 35-year PPP which provides high-quality facilities and accommodation for over 20,000 soldiers (just under 20% of the entire British Army).

The past year saw a key milestone of the Army Basing Programme, a four-year project designed to cater for British troops withdrawing from Germany and other units rebasing in the UK by totally transforming a number of existing bases, including Tidworth, Larkhill and Bulford on Salisbury Plain. By working closely with all stakeholders, including local organisations, councils, military personnel and construction contractors, the project company was able to deliver a total facilities package for the benefit of the whole community. Key highlights include:

- ▲ 14 road improvement schemes
- ▲ A new medical centre, day care centre and primary school catering for military and civilians
- ▲ Over 4,000 new single living spaces with en-suite facilities

“Second to none across defence”

**Lt Col Pete Gentles, Deputy Garrison Commander Larkhill**

“The beating heart of Wiltshire”

**Guy Benson, Wiltshire Council’s Military Civil Integration lead**



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## 8

# Looking Forward

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**Edward Hunt**

Director, Infrastructure, InfraRed

Since HICL's inception, sustainability has been central to its business model, not only through the assets we invest in, but also the way in which the Company operates.

It is this commitment to investing responsibly that has enabled us to successfully manage HICL's assets and provide shareholders with long-term sustainable income. Continually progressing our approach to sustainability is the key to maintaining these benefits.

Across the entire portfolio, HICL's assets sit at the heart of their communities and environments. To achieve a positive impact within this context, the Board and InfraRed take responsibility for implementing HICL's sustainability policy. Through this lens, InfraRed has developed and delivered resilient, reliable infrastructure that supports the well-being of society. This process is underpinned by our strong and collaborative partnerships with clients and subcontractors.

Increasingly, there is a greater expectation for investors to use their influence in the wider supply chain, beyond the fair treatment those involved directly in the development and operation of assets. In the next year, InfraRed will be refining its investment processes, remaining cognisant of the UN Guiding Principles on Business and Human Rights, and engaging with stakeholders to promote positive supply chain behaviours.

The coming year will bring further expansion of HICL's sustainability disclosure and reporting, building on – and reporting against – the dedicated sustainability KQI and suite of metrics and targets that are set out in this report. This increased transparency will ensure greater accountability against our targets and enable monitoring of the potential risks and opportunities associated with climate change. In line with best practice, the Company intends to report against the SFDR on a voluntary basis, noting that the industry is still settling on its interpretation of the recently released requirements.

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**“InfraRed remains firm in the belief that the delivery of long-term, resilient returns to HICL's shareholders relies on a steadfast commitment to responsible stewardship and accountability.”**

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Our sustainability strategy continues to accelerate as we seek to further understand the environmental and social impact of our portfolio, particularly with respect to quantifying carbon emissions. In the coming year, InfraRed will be setting a clear path on how net zero carbon emissions can be achieved for HICL's assets using Science Based Targets, with the aim of driving asset-level climate change mitigation for the portfolio. This increased alignment towards the United Nations Sustainable Development Goal (“SDG”) 13 Climate Action is in addition to HICL's core SDG alignments of developing industry, innovation, and infrastructure (SDG 9); and building sustainable cities and communities (SDG 11)<sup>1</sup>.

Continually advancing our approach to investing responsibly and fully understanding the impact HICL has, and can have, on its wider stakeholders is crucial to delivering measurable and positive sustainability outcomes across the portfolio. InfraRed remains firm in the belief that the delivery of long-term, resilient returns to HICL's shareholders relies on a steadfast commitment to responsible stewardship and accountability.

<sup>1</sup> <https://www.un.org/sustainabledevelopment>







Delivering Real Value.

**Registered Address**

HICL Infrastructure PLC  
(Registered number: 11738373)

One Bartholomew Close  
Barts Square  
London  
EC1A 7BL

T +44 (0)203 818 0246  
E [info@hicl.com](mailto:info@hicl.com)  
W [hicl.com](http://hicl.com)