

# HICL Infrastructure PLC

## Introductory Presentation

May 2022



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**Past performance is not a reliable indicator of future returns. Capital and income at risk.**

# Compelling Investment Proposition

Long-term, sustainable income from a diversified portfolio of investments in core infrastructure



## Diversification

>100 assets  
Largest asset 9%<sup>1</sup>

## Sustainability

20m+ people  
access HICL's infrastructure

## Total return

9.0% p.a.  
since IPO

## Yield

~ 5% p.a.

## Inflation correlation

0.8x<sup>2</sup>

## Asset life

29.8yrs  
Weighted average

## Specialist infrastructure investment manager

**\$12bn+**

Equity under  
management

**25+**

Years of investment  
experience



**170+**

Staff representing  
25 nationalities and  
speaking 20 languages

**220+**

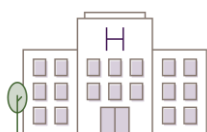
Assets under  
management across  
17 countries

1. By value using Directors' Valuation of £3,311.0m as at 31 March 2022 less the expected proceeds of £108m from the sale of Queen Alexandra Hospital

2. If outturn inflation were 1% p.a. higher than the valuation assumption in each and every forecast period, the expected return from the portfolio (before Group expenses) would increase by 0.8%

# HICL's Vision

Enriching lives through infrastructure



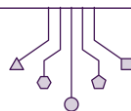
**56%**  
of portfolio

Developing **strong social foundations**



**32%**  
of portfolio

**connecting communities**

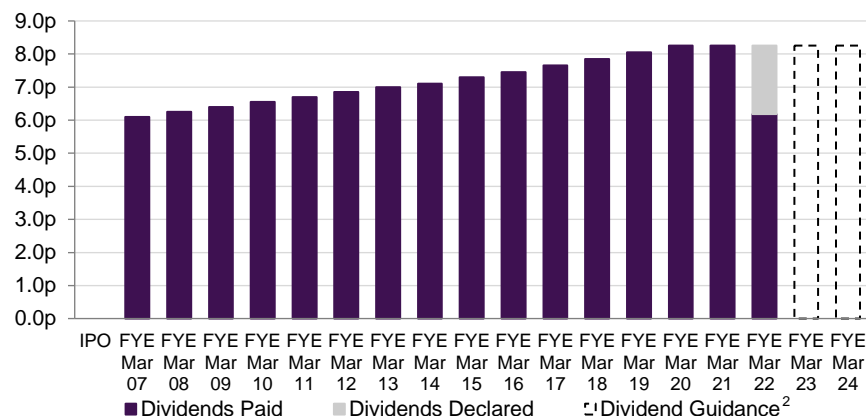


**12%**  
of portfolio

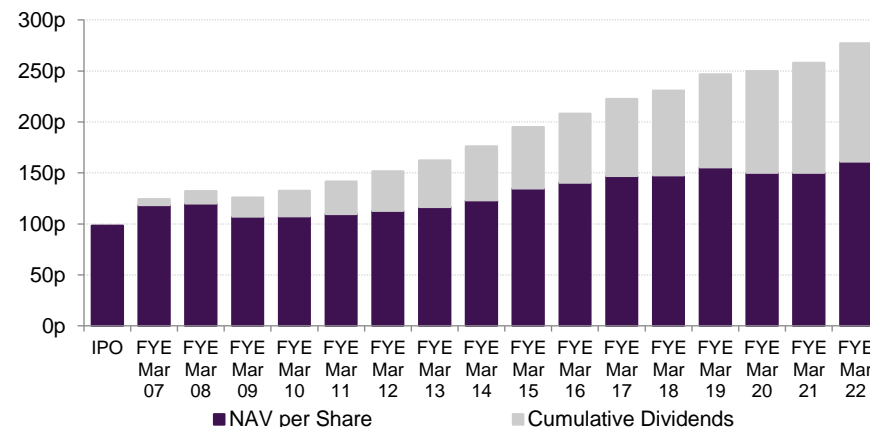
supporting **sustainable modern economies**

# HICL's track record of consistent delivery over 15 years<sup>1</sup>

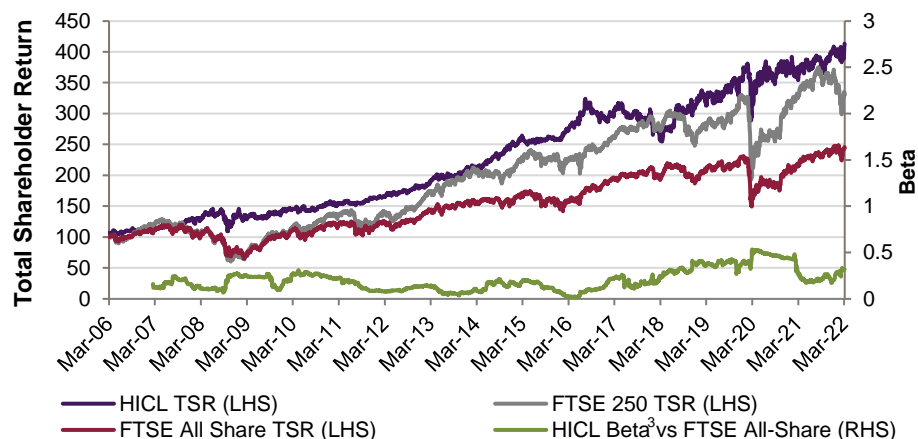
## Dividend increased by 35% over 15 years



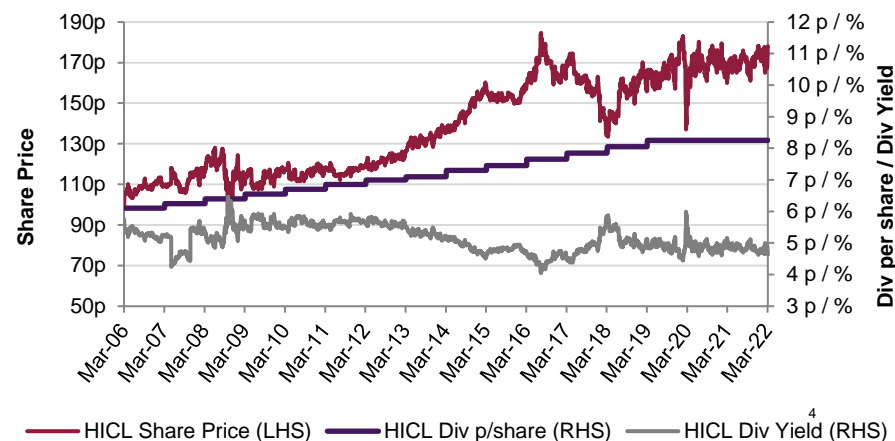
## Total Return (NAV growth and dividends) of 9.0% p.a. since IPO



## HICL has outperformed FTSE All-Share while offering a low beta



## Dividend has maintained a 4 - 6% yield



Source: InfraRed, Thomson Reuters Datastream.

1. HICL Infrastructure Company Limited prior to 31 March 2019, HICL Infrastructure PLC from 1 April 2019
2. This is a target only and not a profit forecast. There can be no assurance that this target will be met

3. 250-day rolling beta measured against FTSE 250

4. Dividend yield calculated based on historic dividend paid (shown on the graph in purple) divided by prevailing share price (shown on the graph in red)

# Sustainable Thinking

HICL has a role in society that extends beyond its shareholders



[Click here to read HICL's 2022 Sustainability Report](#)

1. The EU Sustainable Finance Disclosure Regulation

2. Principles for Responsible Investment ("PRI") ratings are based on following a set of Principles, including incorporating ESG criteria into investment analysis, decision-making processes and ownership policies. More information is available at <https://www.unpri.org/about-the-pri>

# HICL's Core Infrastructure Focus

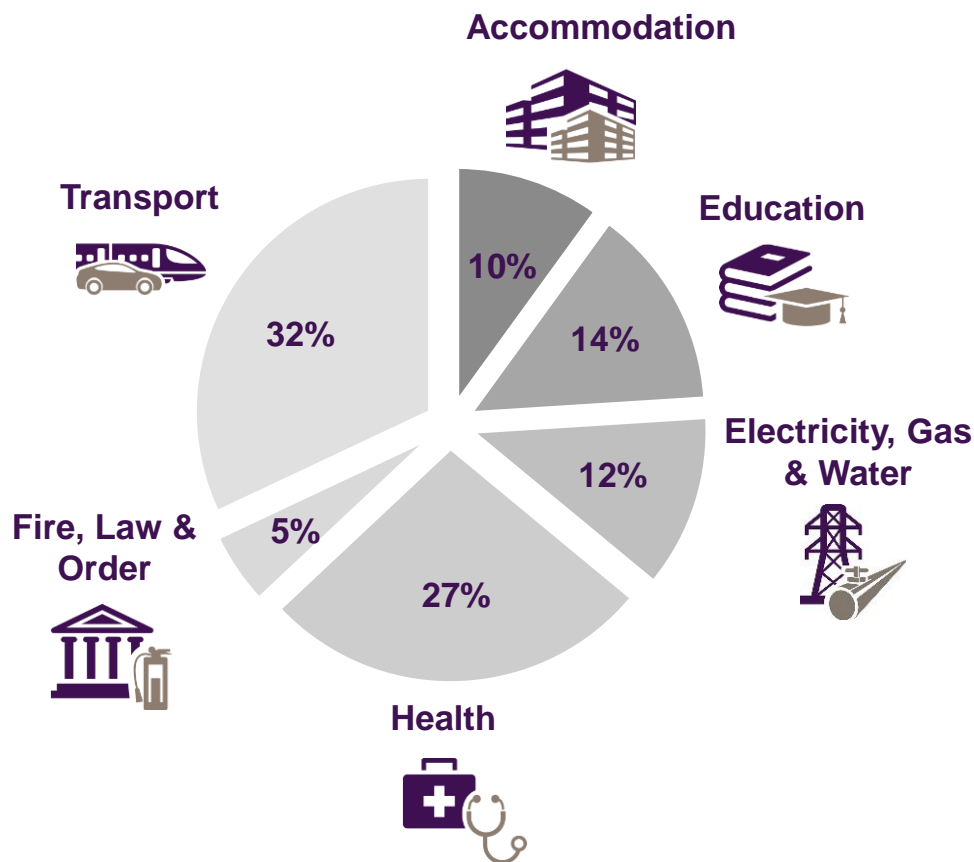
▲ Core infrastructure is a distinct market segment at the lower end of the risk spectrum. By its nature it is located in the heart of communities, underpins economic activity and/or important social function, and comprises long-life, capital intensive assets



Current Portfolio:	PPPs	Regulated	Demand-based
Cash Flow Quality	<ul style="list-style-type: none"> <li>Contracted revenue and costs</li> <li>Public sector counterparty</li> </ul>	<ul style="list-style-type: none"> <li>Cost variability mitigated by regulatory review mechanism</li> </ul>	<ul style="list-style-type: none"> <li>Predictable 'user pays' revenues</li> <li>Low operational gearing</li> </ul>
Market Positioning	<ul style="list-style-type: none"> <li>Operate under exclusive licence/lease frameworks</li> </ul>	<ul style="list-style-type: none"> <li>Regional monopolies</li> <li>Entrenched networks</li> </ul>	<ul style="list-style-type: none"> <li>Strategic positioning with limited alternatives</li> <li>Non-discretionary demand</li> </ul>
Criticality	<ul style="list-style-type: none"> <li>Facilitating the delivery of essential services</li> </ul>	<ul style="list-style-type: none"> <li>Provision of essential goods / utilities</li> </ul>	<ul style="list-style-type: none"> <li>Typically vital transport links</li> </ul>

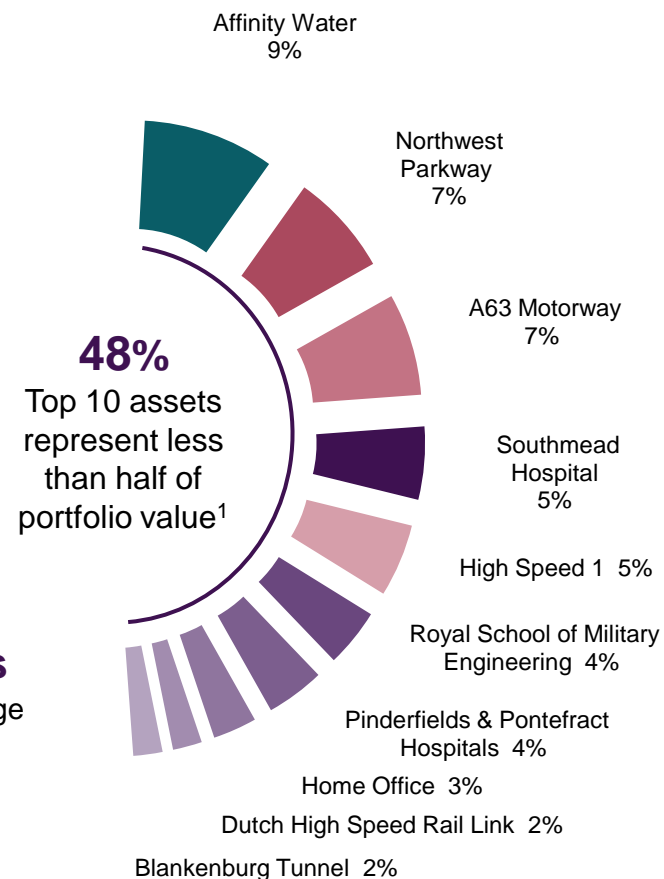
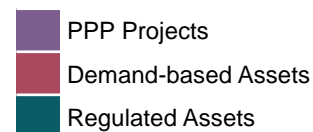
# Diversified Portfolio

Mix of sector exposure, ten largest assets account for c. 48% of the portfolio<sup>1</sup>



**>100**  
Assets in the  
portfolio

**29.8 years**  
Weighted average  
asset life<sup>2</sup>

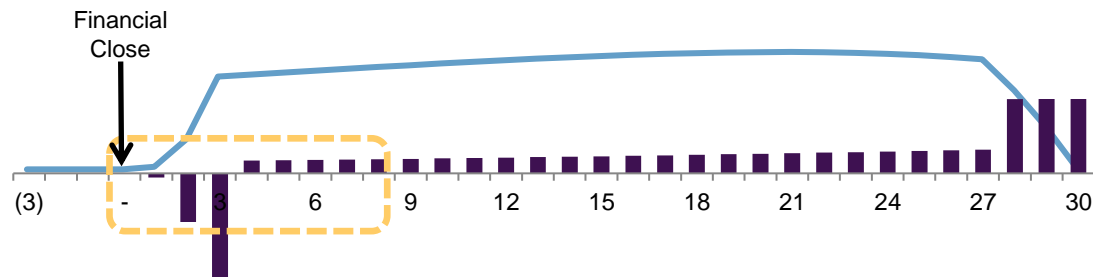


1. By value using Directors' Valuation of £3,311.0m as at 31 March 2022 less the expected proceeds of £108m from the sale of Queen Alexandra Hospital

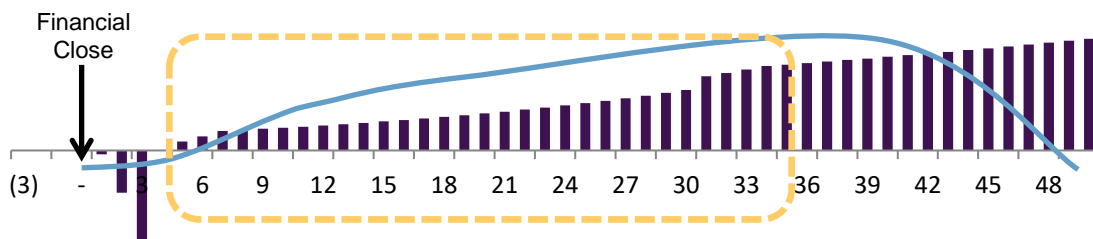
2. Assumes a 100-year asset life for Affinity Water. Excluding Affinity Water and Northwest Parkway, the weighted average asset life of the portfolio would be 17.3 years

# Illustrative investment cashflow profiles

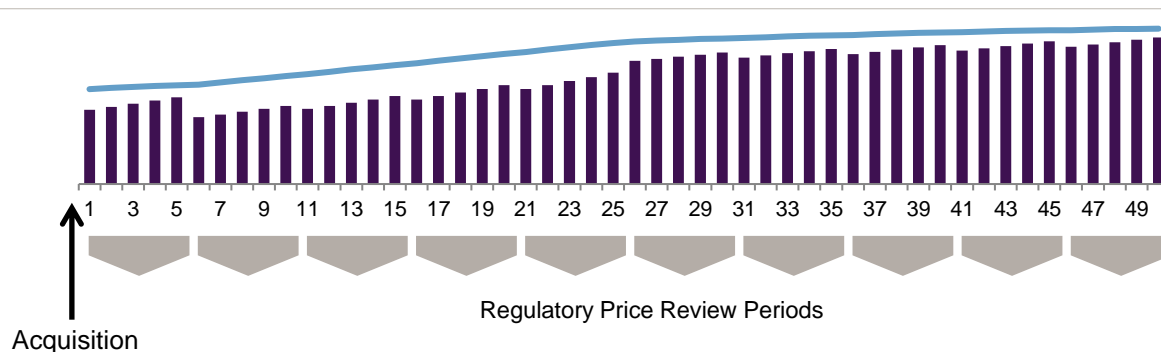
## Typical PPP Cashflow Profile



## Typical Toll Road Cashflow Profile

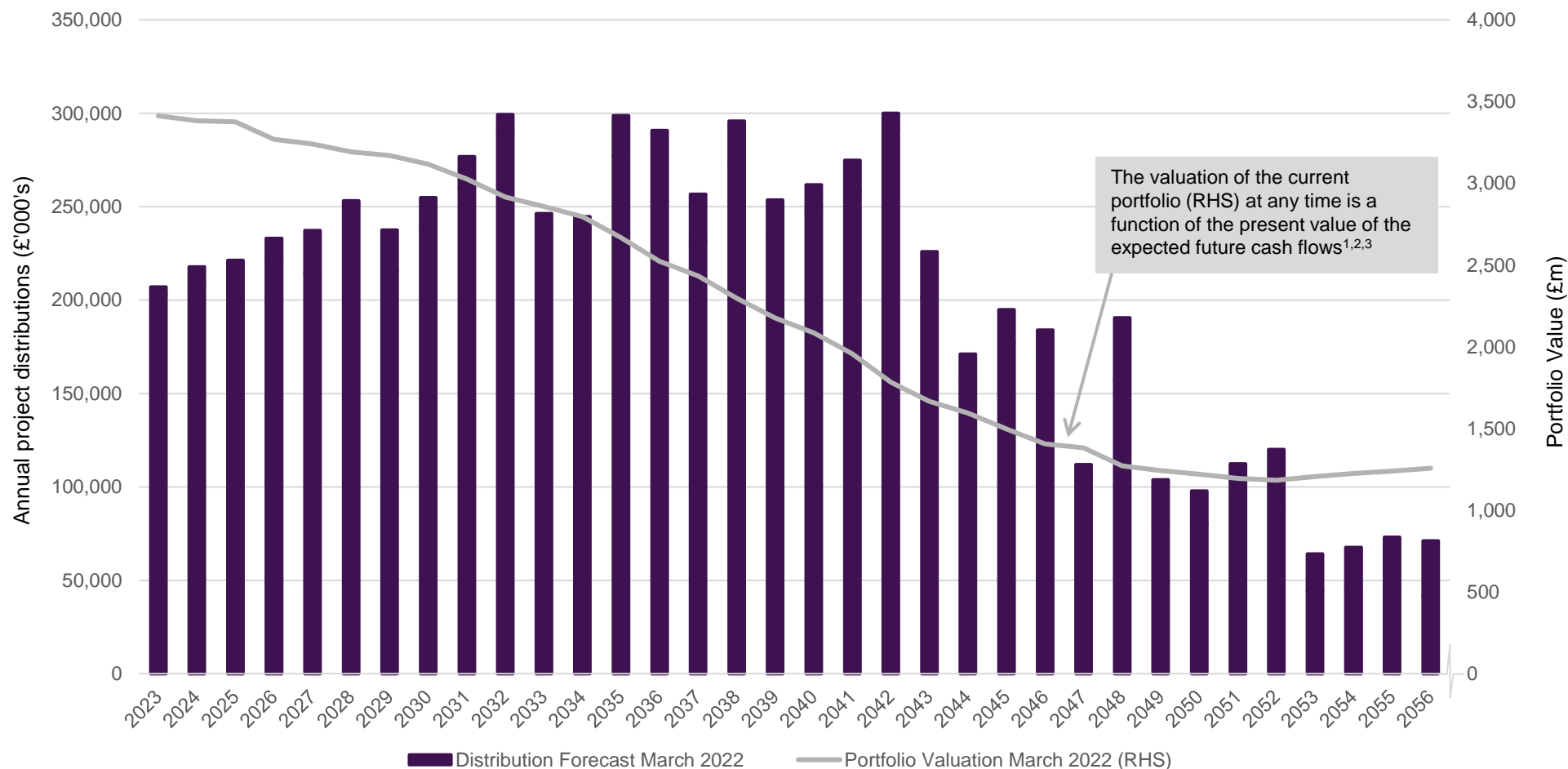


## Typical Regulated Asset Cashflow Profile



# Cash Flow Profile

Sustainable long-term cash flows and a stable portfolio valuation in the medium term



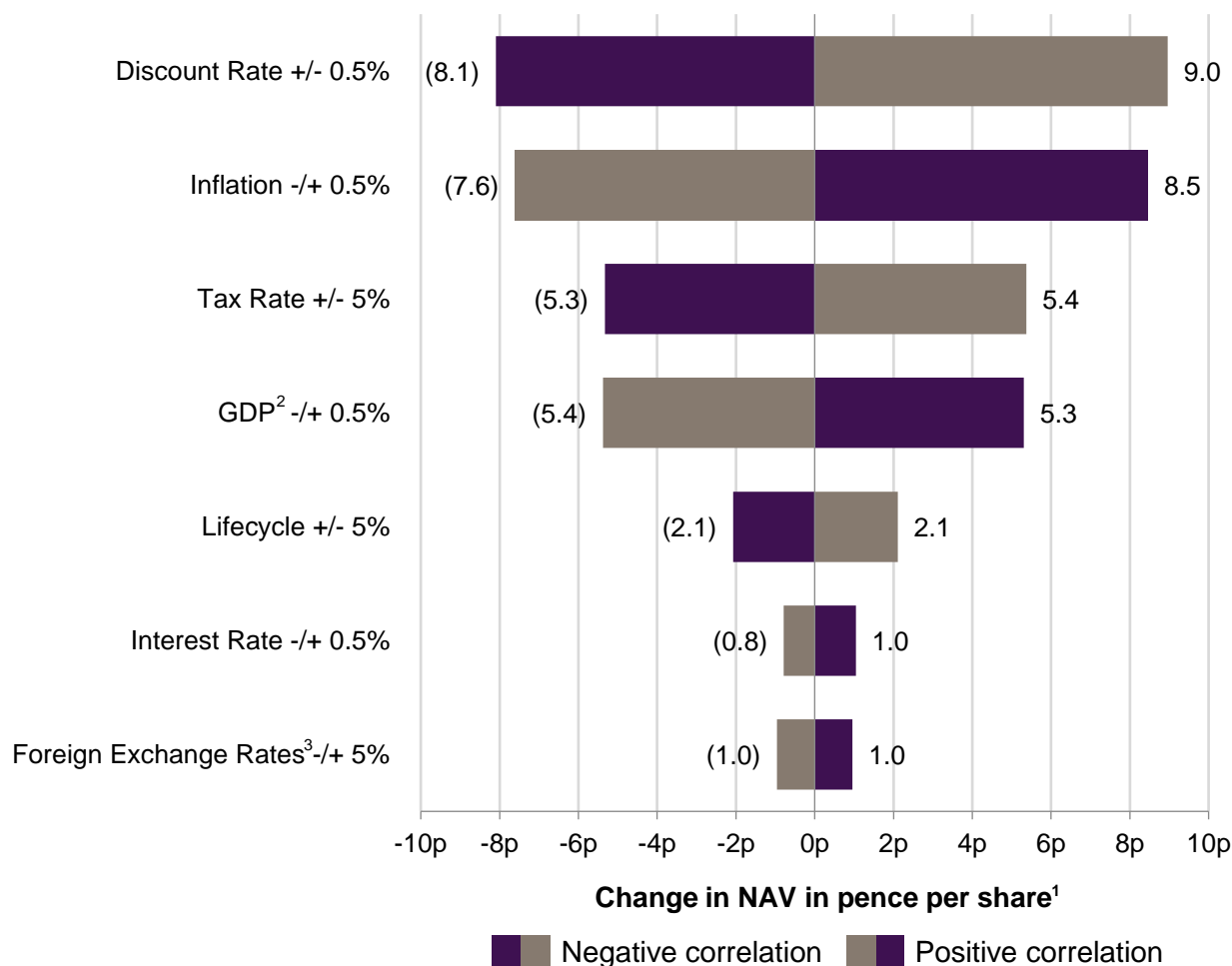
**1. The illustration represents a target only at 31 March 2022 and is not a profit forecast. There can be no assurance that this target will be met and this information is not a reliable indicator of future performance. Capital and income at risk**

2. Valuation considers cash flows beyond 2056

3. Subject to certain other assumptions, set out in detail in HICL's Annual Report 2022

# Sensitivities

Key macroeconomic sensitivities in the valuation



1. NAV per share based on 1,937m ordinary shares in issue at 31 March 2022

2. Impacts High Speed 1 (UK), Northwest Parkway (USA), A63 Motorway (France), M1-A1 Link Road (UK) and RMG Roads (UK)

3. Foreign exchange rate sensitivity is net of the Group hedging at 31 March 2022

# Risk and Risk Management<sup>1</sup>

<b>Portfolio performance</b>	<ul style="list-style-type: none"> <li>▲ PPP projects may experience reduced income through revenue deductions, either as a result of poor operational performance or an adversarial approach to contract management from clients and advisers</li> <li>▲ InfraRed's Asset Management team proactively oversees operational issues; when these do arise, corrective actions are taken in coordination with the client to minimise any potential reputational or financial impact</li> <li>▲ Payment deductions for unavailability or poor service delivery are typically passed down to subcontractors (see below)</li> <li>▲ For demand-based assets, actual usage below valuation assumptions could lead to adverse financial performance; this is considered by InfraRed as part of the due diligence process at the time of acquisition</li> </ul>
<b>Counterparties<sup>2</sup></b>	<ul style="list-style-type: none"> <li>▲ Service delivery obligations are typically passed through to specialist subcontractors. Poor performance or financial stress from a subcontractor may lead to revenue deductions or the requirement for subcontractor replacement</li> <li>▲ Construction defects detected within the statutory limitations period are lodged with the construction subcontractor for remediation</li> <li>▲ The risk of remediation of construction defects typically falls to the project company following the expiry of the statutory limitations period or if a construction counterparty were to become insolvent</li> </ul>
<b>Macro-economic risk</b>	<ul style="list-style-type: none"> <li>▲ Inflation levels below HICL's long-term assumptions would result in a reduction in the valuation of the portfolio</li> <li>▲ A discounted cash flow methodology is used to value the majority of HICL's investments; all other things equal, higher discount rates would result in a reduction in the portfolio valuation</li> <li>▲ A subset of HICL's assets have an exposure to GDP; there is a risk that this is below the Company's forecast</li> </ul>
<b>Political &amp; Regulatory Risk</b>	<ul style="list-style-type: none"> <li>▲ Political risk is inherent in HICL's business model due to the role that essential infrastructure plays in society</li> <li>▲ There is a risk that clients choose to terminate contracts, although most PPP projects have a right to receive market value compensation which would be expected to be equal to the prevailing value of the asset in the portfolio</li> <li>▲ For regulated assets, severe periodic price control reviews may negatively impact financial performance</li> <li>▲ Taxation legislation or treaty changes may adversely impact the portfolio value</li> </ul>

1. The key risks and the strategies employed by InfraRed to manage and mitigate those risks are set out in detail in Section 3.4 of the Annual Report 2022, which is available on the Company's website

2. HICL's counterparty exposures are provided on page 36

## ▲ Healthy pipeline covering the breadth of HICL's acquisition focus:

- Attractive pipeline of core infrastructure assets spanning UK, Europe, North America, Australia and New Zealand (ANZ)
- c. £510m<sup>1</sup> of equity at exclusivity, preferred bidder, or shortlisted stage
- Two origination partnerships now in effect with key industry relationships; a further one at advanced stage

### Strong Social Foundations



- Focus on incremental acquisitions across the operational PPP portfolio (UK, Europe)
- Visible greenfield PPP pipeline across Europe, Canada, ANZ

### Connecting Communities



- Communications infrastructure in mature geographies: wholesale FTTH assets in France, Nordics, Iberia; towers in UK, Europe, ANZ
- Incremental acquisitions on demand-based transport assets on a case-by-case basis

### Sustainable Modern Economies



- New and incremental acquisitions spanning HICL's core markets across regulated utilities, electricity transmission/distribution and OFTOs
- Select district heating/utilities opportunities (North America and Europe) which demonstrate core infrastructure characteristics

## Key takeaways

①

HICL has a well-diversified portfolio

②

The portfolio offers sustainable, long-term yield

③

HICL acts as a trusted steward to run essential infrastructure at the heart of communities

④

HICL is well positioned for an evolving core infrastructure pipeline

# Appendix I

Case Studies

# Regulated Case study: Offshore Transmission Assets

## Regulated Assets - Investment rationale

- ▲ Essential assets that are regulated due to monopoly market positions
  - ▲ Regulated assets have a complementary risk profile to PPP projects and demand-based assets
  - ▲ Assets are subject to licence periods, where operational delivery risk is often retained by portfolio companies, reducing single counterparty exposure
- 
- ▲ OFTOs are regulated assets that form part of the transmission network of renewable energy from offshore windfarms to the UK grid
  - ▲ Four OFTOs acquired to date by HICL, the first was acquired in April 2018
  - ▲ Assets acquired in partnership with Diamond Transmission Corporation (a subsidiary with Mitsubishi Corporation) which commenced in 2017
  - ▲ Assets benefit from:
    - Perpetual licence granted from Ofgem
    - Availability-based revenue stream for 20 years from National Grid (as transmission operator) with ability to earn revenues thereafter (residual value)
    - O&M fully contracted to RES; low operational gearing
    - Fully operational at point of investment; transferred across from offshore wind farm developer to OFTO consortium



# Demand-Based Case study: A63 Motorway

## Demand-Based Assets - Investment rationale

- ▲ Operational assets are at the lower end of the risk spectrum when featuring strong usage history or limited uncertainty in forecast demand (absent widespread movement restrictions)
- ▲ Long-dated, good inflation correlation and returns at a premium to PPP projects
- ▲ Generally less sensitive to political and regulatory risks compared to PPP projects and regulated assets

- ▲ A 40-year toll-road concession to design, upgrade, finance, operate and maintain a 104km section of the existing A63 between Salles and Saint-Geours-de-Maremne, in southwest France
- ▲ Initial stake (13.8%) agreed to be acquired in Feb 2016 from industrial partners Colas and Spie Batignolles. Additional stake (7.2%) acquired from DIF in 2018
- ▲ InfraRed history with the asset; deep experience in greenfield, strong traffic expertise; excellent relationships within the project
- ▲ Asset benefits from:
  - Strategically positioned within the TEN-T trans-European network
  - Strong usage history, non-discretionary usage, predictable traffic (absent widespread lockdown conditions)
  - Long-dated cashflows, inflation linkage, attractive risk-adjusted pricing



# PPP Case Study: Allenby & Connaught

## PPP Assets - Investment rationale

- ▲ Long-term contracts with strong public sector clients in developed economies
- ▲ Availability-based payment mechanisms produce revenues that are uncorrelated to the wider economy
- ▲ Long-term funding arrangements and maintenance contracts allocate risk to those parties that are best placed to manage it

- ▲ 35-year accommodation PFI concession to finance, construct/refurbish, operate, and maintain accommodation for the UK Ministry of Defence ('MoD') across four garrisons on Salisbury Plain and in Aldershot
- ▲ Provision of modern, high quality, fully serviced, purpose built living and working accommodation for 18,700 soldiers
- ▲ **Major variation:** New and improved infrastructure for British troops relocating from Germany and from within the UK:

4,000

soldiers moving to  
garrisons

£1.1<sub>bn</sub>

amendment to  
contract

130

New buildings

4

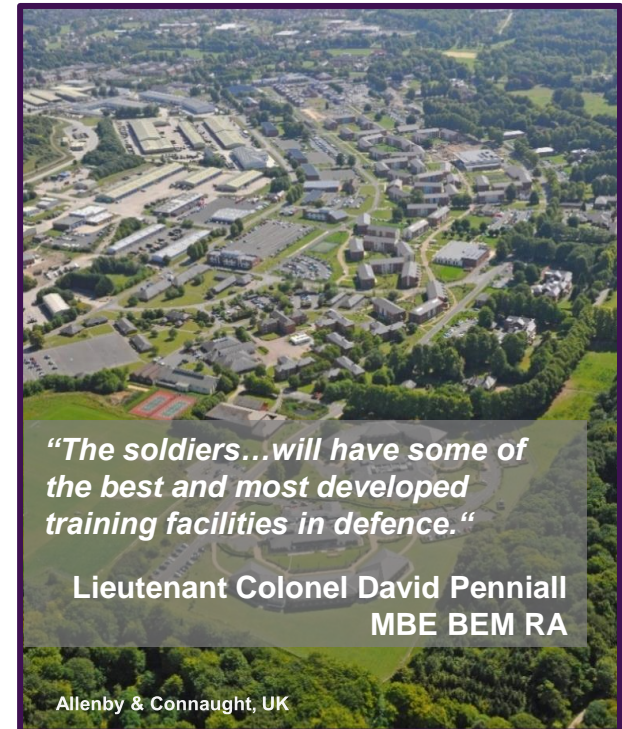
build sites

200

demolitions,  
alterations, extensions

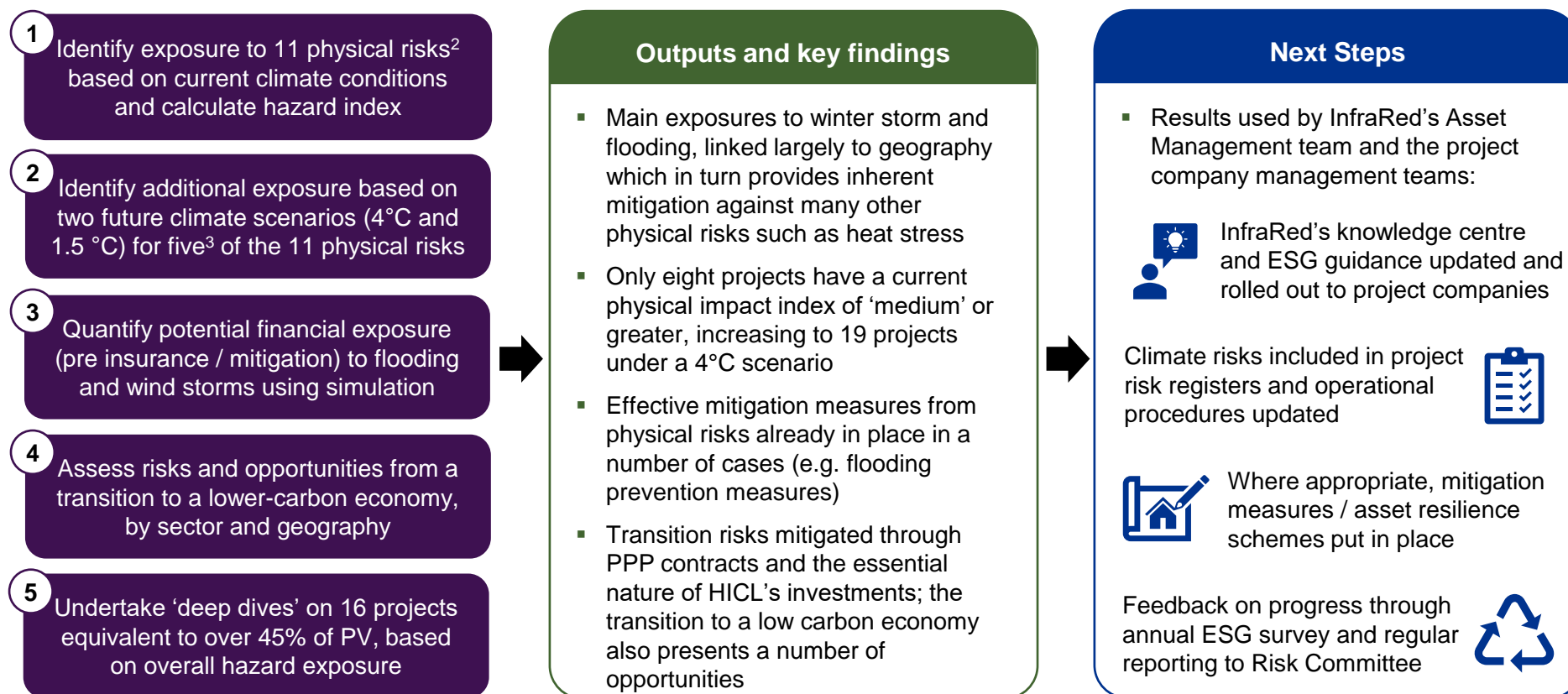
2,600

new bed spaces



# Sustainability Case Study: Climate Change Impact Assessment

- ▲ The Investment Manager has undertaken a detailed climate change impact assessment, supported by Willis Towers Watson, which enables reporting against all 11 recommended disclosures of the Taskforce on Climate-related Financial Disclosure (TCFD)
- ▲ Covering the entire portfolio<sup>1</sup>, this exercise focused on identifying, assessing and mitigating **physical risks** (damage to HICL's investments from variations in weather) **and transition risks** (risks associated with the transition to a lower-carbon economy)



1. Excluding the Company's investments in the Defence Sixth Form College and A13 senior bonds

2. Coastal flood, river flood, heat stress, drought stress, tropical cyclone, winter storm, hailstorm, lightning, tornado, wildfire, flash flood

3. Coastal flood, river flood, heat stress, drought stress, tropical cyclone (4°C scenario only)

# Case study - ADTIM

High quality fibre broadband asset in attractive market framework

- ▲ Controlling interest acquired<sup>1</sup>, representing c. 2% of portfolio value at 31 March 2022
- ▲ Leverages InfraRed's experience in digital infrastructure and longstanding relationship with vendor
- ▲ Roll-out expected by 2025; construction and delivery risk rests with the local authority
- ▲ Strong underlying drivers and supportive public policy for fibre resulting in increasing take-up over time
- ▲ Accretive to a number of HICL's key portfolio metrics

## Core infrastructure of the modern economy



**Predictable long-term, inflation-linked, wholesale cashflows with high quality corporates**



**Sole provider of wholesale broadband, with high barriers to entry and regulated pricing**



**Essential fibre broadband, linking people to education and employment**

## ADTIM: Key Facts

**2** concession contracts in Auvergne-Rhône-Alpes

**350k** homes served following full roll-out

**18,300km** of high speed fibre-optic cable

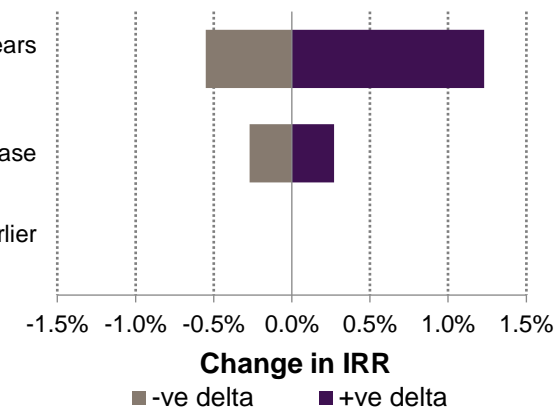


## Sensitivities of Base Case IRR to Key Value Drivers

Take-up of FTTH<sup>2</sup> / + 5.0% in all years vs Base Case

Inflation - / + 0.5% vs Base Case

Roll-out of PIN 2 one year later / earlier than Base Case

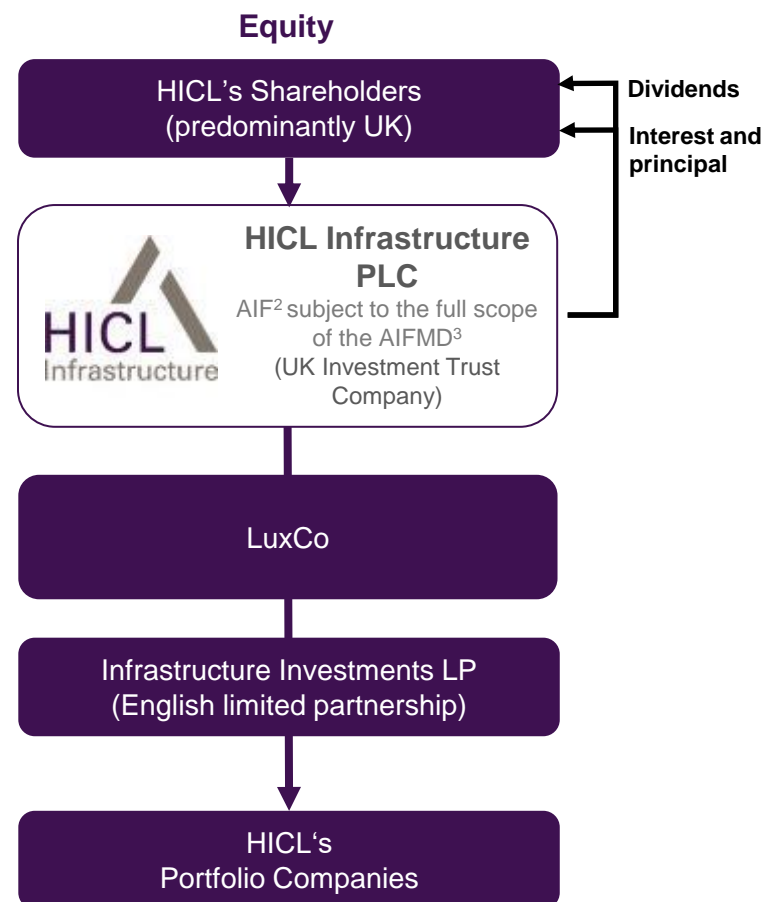


1. Completion of the transaction is expected in Q3 2022 following customary third-party consents  
2. Fibre To The Home

## **Appendix II**

Company Information

# HICL Infrastructure PLC Group Structure Diagram



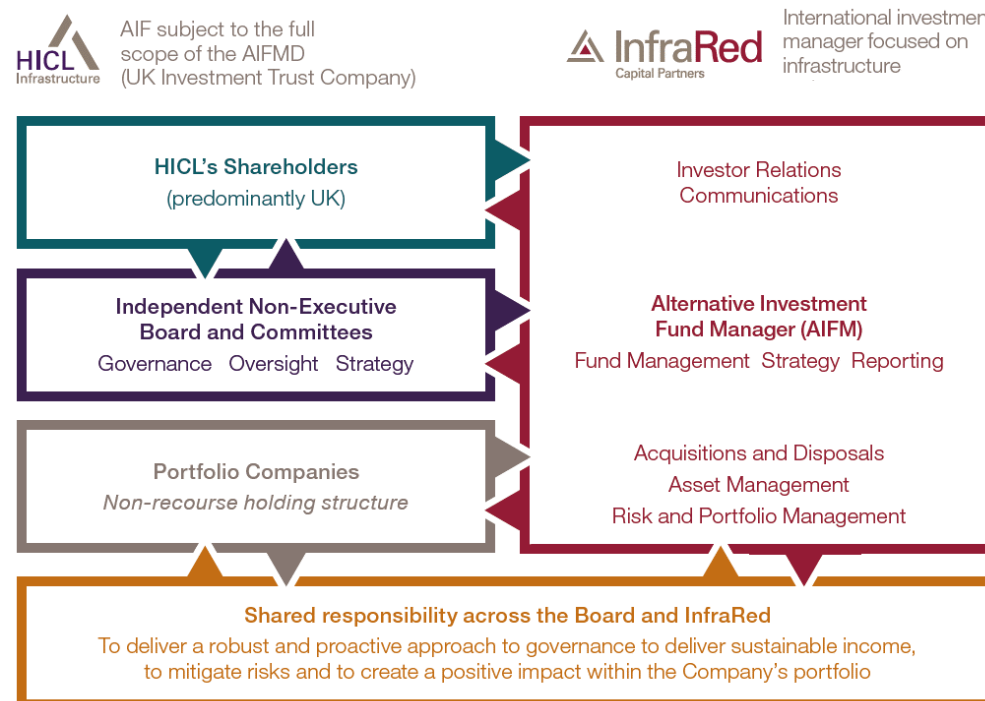
1. Independent of the Investment Manager  
 2. Alternative Investment Fund, as defined by the Alternative Investment Fund Managers Directive  
 3. Alternative Investment Fund Managers Directive

## Independent board of non-executive Directors

- ▲ Approves and monitors adherence to strategy
- ▲ Monitors risk through Risk Committee
- ▲ Additional committees in respect of Audit, Remuneration, Management Engagement, Nomination and Market Disclosure
- ▲ Monitors compliance with, and implementation of, actions to address regulation impacting HICL
- ▲ Sets Group's policies
- ▲ Monitors performance against objectives
- ▲ Oversees capital raising (equity or debt) and deployment of cash proceeds
- ▲ Appoints service providers and auditors

## Investment Manager: InfraRed

- ▲ Fulfils HICL's AIFM<sup>1</sup> responsibilities under the European Commission's Alternative Investment Fund Managers Directive
- ▲ All ongoing reporting
- ▲ Day-to-day management of portfolio within agreed parameters
- ▲ Utilisation of cash proceeds
- ▲ Full discretion within strategy determined by Board over acquisitions and disposals (through Investment Committee)
- ▲ Authorised and regulated by the Financial Conduct Authority



1. Alternative Investment Fund Manager

# Sustainable Thinking

A long-term approach to investing and managing core infrastructure



**The Board has overall responsibility for HICL's Sustainability Policy** including the potential impact of climate change

**InfraRed applies HICL's Sustainability Policy** applies to making new investments and the management of HICL's portfolio

**Risk Committee**  
oversees risk management process

**Management Engagement Committee**  
ensures service providers adhere to HICL's Sustainability Policy

**Nomination Committee**  
ensures diversity amongst Directors, to bring broad expertise to the Board's discussions and oversight

**Audit Committee**  
oversees approach to disclosures, relating to climate change

Signatory of:



**A+**  
InfraRed's PRI score



Of HICL's portfolio companies:

- ▲ 96% have appropriate policies concerning:
  - Conflicts of interest
  - Whistleblowing
  - Cyber-security
  - Health & Safety
  - Anti-bribery & corruption
  - Recruitment diversity
- ▲ 96%, 87% and 87% have energy usage, water usage and waste reduction initiatives, respectively
- ▲ 39% report complete Scope 1 and Scope 2 emissions
- ▲ 92% made voluntary charitable contributions in the year

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

1. Rating for InfraRed's Infrastructure business. The PRI assessment methodology can be found on the PRI website: [www.unpri.org/report/about-reporting-and-assessment](http://www.unpri.org/report/about-reporting-and-assessment).

InfraRed's Responsible Investment Transparency Report and PRI Assessment Report are both available via HICL's website at: <https://www.hicl.com/about-us/responsible-investment>

2. Best-practice guidelines are developed, and lessons are learned, from both within HICL's portfolio of assets and the portfolio's management service providers who altogether manage a portfolio, including HICL investments, of over 400 assets

# Board of Directors I

Non-executive Directors with a broad range of relevant experience and qualifications



**Ian Russell, CBE**  
**Chairman**

Ian, HICL's Chairman, is resident in the UK and is a qualified accountant. He worked for Scottish Power plc between 1994 and 2006, initially as Finance Director and, from 2001, as its CEO. Prior to this, he spent eight years as Finance Director at HSBC Asset Management, in Hong Kong and London.

Ian is chair of Scottish Futures Trust and National Museums Scotland.

After nine years of service, Ian will be retiring from the HICL Board in July 2022. Ian will be replaced by Mike Bane as HICL Chairman.



**Frank Nelson**  
**Senior Independent Director**

Frank, a UK resident, is a qualified accountant. He was Finance Director of the construction and house-building group Galliford Try plc from 2000 until October 2012, having held the position at Try Group plc from 1987.

After Galliford Try, he took on the role of interim CFO of Lamprell plc in the UAE.

Following his retirement, Frank was appointed as the Senior Independent Director of Eurocell and as a Director of Van Elle Holdings. He is also Chair of a privately owned contracting and property development group.



**Rita Akushie**  
**Director**

Rita Akushie, a UK resident, has more than 20 years' experience acting in leadership and finance roles for housing associations and charities, including at Newlon Group, where she was Chief Financial Officer and then Deputy Chief Executive; and subsequently as Group Finance Director for Thames Valley Housing. Rita has recently served as CFO for Cancer Research UK, and currently serves as CFO & Pro Vice - Chancellor (Operations) for the University of London.

Rita graduated with a BA in Economics and French from the University of Ghana. She is a Fellow of the Institute of Chartered Accountants of England and Wales and a Fellow of the Association of Corporate Treasurers.



**Mike Bane**  
**Director**

Mike, a Guernsey resident, is a chartered accountant with over 35 years of audit and advisory experience in the asset management industry including in relation to infrastructure investment companies. Mike led EY's services to the asset management industry in the Channel Islands and was a member of EY's EMEIA Wealth and Asset Management Board. Prior to EY, Mike was at PwC. Mike was president of the Guernsey Society of Chartered and Certified Accountants from 2015 – 2017.

Mike graduated with a BA in Mathematics from the University of Oxford and is a long-standing member of the Institute of Chartered Accountants in England and Wales.

# Board of Directors II

Non-executive Directors with a broad range of relevant experience and qualifications



**Frances Davies**  
Director

Frances, a UK resident, has more than 30 years of experience across various roles within the banking and asset management industries. Since 2007, she has been a partner of Opus Corporate Finance, a corporate finance advisory business. Prior to that she served as Head of Global Institutional Business at Gartmore Investment Management. Previously she held roles at Morgan Grenfell Asset Management and SG Warburg. Frances currently serves as a non-executive director of JPMorgan Smaller Companies Investment Trust plc and Aegon Investments Ltd; an independent member of the Aviva With-Profits Committee; and is a member of the Hermes Property Unit Trust committee.

Frances Davies has been selected to replace Mike as Chair of the Remuneration Committee.



**Susie Farnon**  
Audit Committee Chair

Sally-Ann (known as Susie), a Guernsey resident, is a Fellow of the Institute of Chartered Accountants in England and Wales, and is a non-executive director of a number of property and investment companies. Susie was a Banking and Finance Partner with KPMG Channel Islands from 1990 until 2001 and Head of Audit at KPMG Channel Islands from 1999. She has served as President of the Guernsey Society of Chartered and Certified Accountants, as a member of The States of Guernsey Audit Commission and as Vice-Chairman of The Guernsey Financial Services Commission, and is a director of the Association of Investment Companies.

After nine years of service, Susie will be retiring from the HICL Board in July 2022. Rita Akushie will replace Susie as Chair of the Audit Committee



**Simon Holden**  
Risk Committee Chair

Simon Holden (British) is a Chartered Director (CDir) accredited by the Institute of Directors. Previously an investment director at Terra Firma Capital Partners, Candover Investments prior to that, Simon has been an active independent director to listed investment company, private equity fund and trading company boards since 2015. In addition, Simon acts as the pro-bono Business Advisor to Guernsey Ports; a States of Guernsey enterprise that operates all of the Bailiwick's critical airport and harbour infrastructure.

Simon is a member of several industry interest groups in both financial services and intellectual property and graduated from the University of Cambridge with an MEng and MA (Cantab) in Manufacturing Engineering.



**Kenneth D. Reid**  
Director

Kenneth, a Singapore resident, has more than 35 years international experience in infrastructure development, construction and investment. Initially with Kier Group, and then from 1990 with Bilfinger Berger AG, Ken served globally in various senior management roles, including as a member of the Group Executive Board of Bilfinger between 2007 and 2010.

Ken graduated in Civil Engineering from Heriot-Watt University with First Class Honours and then Edinburgh Business School with an MBA. Ken is a Chartered Engineer, a non-executive director of Sicon Limited and James Walker Group Limited, and is a member of the Singapore Institute of Directors.

# Investment Manager

Senior InfraRed team, experienced in making and managing infrastructure investments



## **Edward Hunt**

**Head of Core Income Funds, InfraRed**

Edward leads the InfraRed team that manages HICL



## **Helen Price**

**CFO, Core Income Funds, InfraRed**

Helen is responsible for managing the financial activities carried out by InfraRed for HICL

**HICL's Investment Committee** is the principal executive decision making body for HICL within InfraRed and is comprised of:

**Werner von Guionneau** – Chief Executive Officer

**Chris Gill** – Deputy Chief Executive Officer

**Harry Seekings** – Head of Investments

**Keith Pickard** – Chief Operating Officer

**Stewart Orrell** – Head of Asset Management

**Edward Hunt** – Head of Core Income Funds

## **Appendix II**

The Investment Manager

# Overview of InfraRed Capital Partners Ltd (“InfraRed”)

InfraRed is the Investment Manager and Operator



- ▲ Strong, 25+ year track record of launching 19 infrastructure and real estate funds (including HICL and TRIG)
- ▲ Currently over US\$12bn of equity under management<sup>1</sup>
- ▲ London based, with offices in New York, Seoul and Sydney, with over 170 partners and staff
- ▲ In July 2020, a majority stake of InfraRed was acquired by Sun Life Financial Inc. (together with its subsidiaries and joint ventures, “Sun Life”). The Sun Life acquisition provides further support to InfraRed in its role as Investment Manager to HICL over the coming years
- ▲ In August 2021, InfraRed announced the sale of its European Real Estate Investment Management business to ARA Dunedin, which completed in Q4 2021

Infrastructure funds	Strategy	Amount <sup>2</sup> (m)	Years	Status
Fund I	Unlisted, capital growth	£125	2001-2006	Realised
Fund II	Unlisted, capital growth	£300	2004-2015	Realised
HICL Infrastructure PLC (“HICL”)	Listed, income yield	£3,448	Since 2006	Evergreen
Environmental Fund	Unlisted, capital growth	€235	Since 2009	Divesting
Fund III	Unlisted, capital growth	US\$1,200	Since 2011	Divesting
Yield Fund	Unlisted, income yield	£500	Since 2012	Invested
The Renewables Infrastructure Group (“TRIG”)	Listed, income yield	£3,353	Since 2013	Evergreen
Fund V	Unlisted, capital growth	US\$1,200	Since 2017	Fully allocated

1. As at 31 March 2022

2. For HICL and TRIG this relates to market capitalisation as at 31 March 2022. For all others this relates to the initial fund investment amount, and not the current fund valuations

# InfraRed – Infrastructure Team Skills and Experience

- ▲ Proven track record in target markets of UK, Europe, North America, Latin America and Australia / New Zealand
- ▲ Focused teams including:
  - Origination and Execution Team responsible for sourcing, diligencing and acquiring new investment opportunities;
  - Asset Management Team responsible for managing the portfolio;
  - Fund Management Team responsible for strategy reporting and overall management;
  - With support from Finance, Compliance and Risk
- ▲ Strong sector and geographic experience with in-depth technical, operational and investment knowledge

100+

infrastructure  
professionals

4

continent coverage

20

spoken  
languages



## **Appendix III**

The Investment Portfolio

# HICL's Top 10 Assets<sup>1</sup>



## Affinity Water

Affinity Water Limited is the largest water-only supplier in the UK by revenue and population served covering an area of 4,515 square kilometres.

**Sector:** Electricity, Gas & Water  
**Location:** UK  
**% of portfolio:** 9% (March 2021: 8%)  
**HICL holding:** 33.2%  
**Concession length:** N/A  
**Status:** Operational



## Northwest Parkway

The Northwest Parkway is a 14km, four-lane toll road that forms part of the ring road around the city of Denver, Colorado, USA.

**Sector:** Transport  
**Location:** USA  
**% of portfolio:** 7% (March 2021: 5%)  
**HICL holding:** 33.3%  
**Concession length:** 99 years  
**Status:** Operational



## A63 Motorway

The A63 Motorway in South West France includes the upgrade of an existing 105km road linking the towns of Salles (Gironde) and St-Geours de Maremne.

**Sector:** Transport  
**Location:** France  
**% of portfolio:** 7% (March 2021: 7%)  
**HICL holding:** 21.0%  
**Concession length:** 40 years  
**Status:** Operational



## Southmead Hospital

Southmead Hospital PFI project is an 800-bed acute hospital concession on a single site at Southmead in North Bristol.

**Sector:** Health  
**Location:** UK  
**% of portfolio:** 5% (March 2021: 5%)  
**HICL holding:** 62.5%  
**Concession length:** 35 years  
**Status:** Operational



## High Speed 1

HS1 is the rail link between London St Pancras station and the Channel Tunnel. It is currently the UK's only high-speed rail line in operation.

**Sector:** Transport  
**Location:** UK  
**% of portfolio:** 5% (March 2021: 4%)  
**HICL holding:** 21.8%  
**Concession length:** 30 years  
**Status:** Operational

1. Excludes the investment in Queen Alexandra Hospital, the disposal of which completed post year end

# HICL's Top 10 Assets II



6

## Royal School of Military Engineering

The PPP project covers 32 new and 21 existing buildings, and five training areas on behalf of the UK Ministry of Defence.

**Sector:** Accommodation  
**Location:** UK  
**% of portfolio:** 4% (March 2021: 4%)  
**HICL holding:** 100%  
**Concession length:** 30 years  
**Status:** Operational



7

## Pinderfields & Pontefract Hospitals

The PFI project is a two hospital concession for Mid Yorkshire Hospitals NHS Trust, delivering a combined total of 774 beds.

**Sector:** Health  
**Location:** UK  
**% of portfolio:** 4% (March 2021: 4%)  
**HICL holding:** 100%  
**Concession length:** 35 years  
**Status:** Operational



8

## Home Office

The PPP concession commissioned by the UK Home Office to replace its existing headquarters with purpose-built serviced offices in London.

**Sector:** Accommodation  
**Location:** UK  
**% of portfolio:** 3% (March 2021: 3%)  
**HICL holding:** 100%  
**Concession length:** 29 years  
**Status:** Operational



9

## Dutch High Speed Rail Link

The PPP project provides a 96 kilometre high-speed rail connection from Amsterdam (Schiphol Airport) to the Belgian border.

**Sector:** Transport  
**Location:** The Netherlands  
**% of portfolio:** 2% (March 2021: 3%)  
**HICL holding:** 43%  
**Concession length:** 30 years  
**Status:** Operational



10

## Blankenburg Tunnel

The availability PPP project involves the construction of a 4.2km tunnel under the Nieuwe Maas river near Rotterdam, linking the A15 and A20 motorways.

**Sector:** Transport  
**Location:** The Netherlands  
**% of portfolio:** 2% (March 2021: 2%)  
**HICL holding:** 70%  
**Concession length:** 24 years  
**Status:** In construction

# Portfolio Diversification

HICL's Portfolio, as at 31 March 2022<sup>1</sup>

## MARKET SEGMENT



▲	PPP Projects	66%
▲	Demand-based Assets	22%
▲	Regulated Assets	12%

## INVESTMENT STATUS



▲	Fully operational	97%
▲	Construction	3%

## OWNERSHIP STAKE



▲	100% ownership	28%
▲	50% - 100% ownership	30%
▲	Less than 50% ownership	42%

## GEOGRAPHIC LOCATION



▲	UK	73%
▲	Europe (exc UK)	18%
▲	North America	9%

## SECTOR



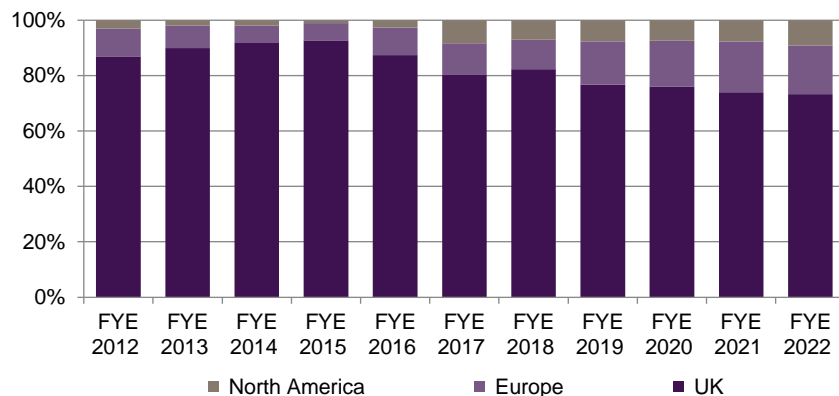
▲	Accommodation	10%
▲	Education	14%
▲	Electricity, Gas & Water	12%
▲	Health	27%
▲	Fire, Law & Order	5%
▲	Transport	32%

1. By value using Directors' Valuation of £3,311.0m as at 31 March 2022 less the expected proceeds of £108m from the sale of Queen Alexandra Hospital

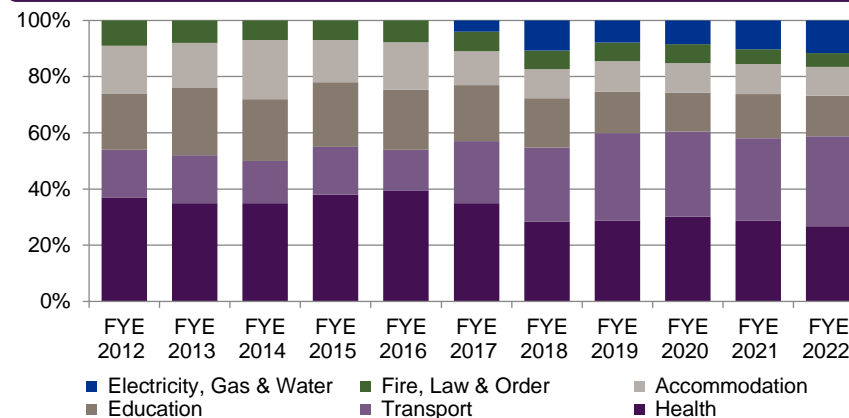
# Portfolio – Key Attributes

Evolution of the Group's portfolio

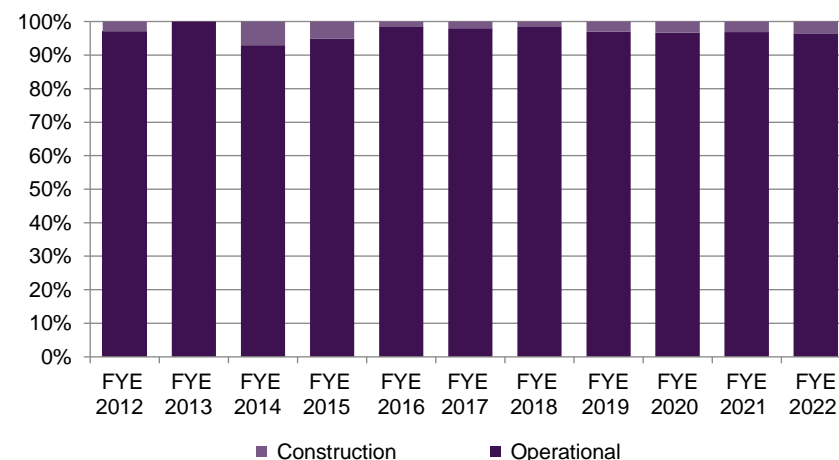
## Geographically Diverse Portfolio



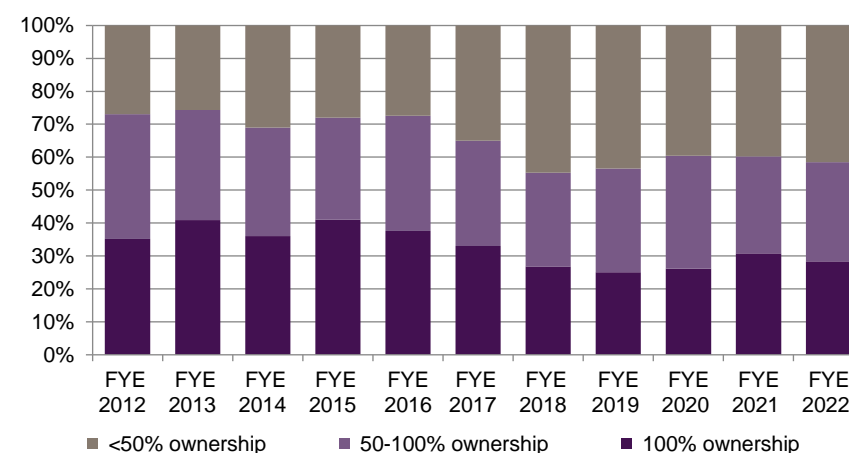
## Diverse Sector Spread



## Predominantly Operational Assets



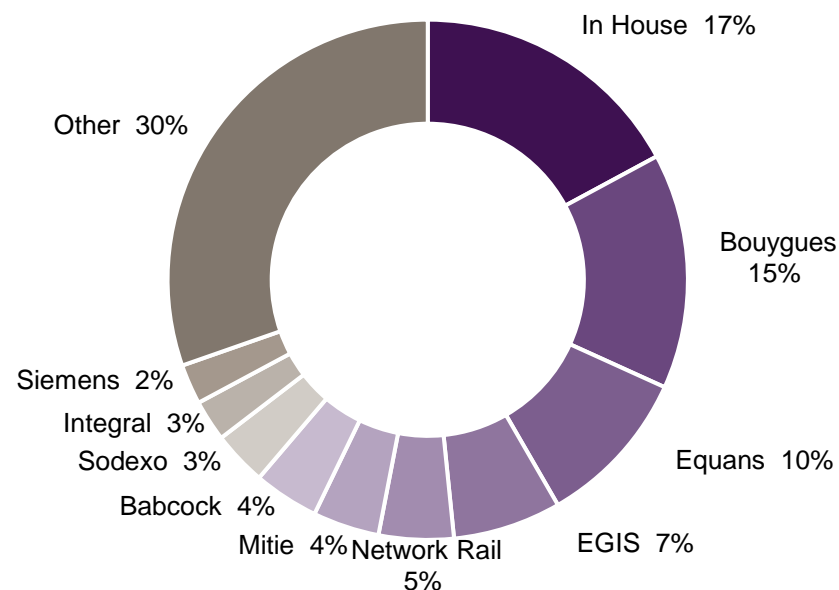
## Opportunities to Increase Ownership Stakes



# Facilities Management and Operations Counterparty Exposure

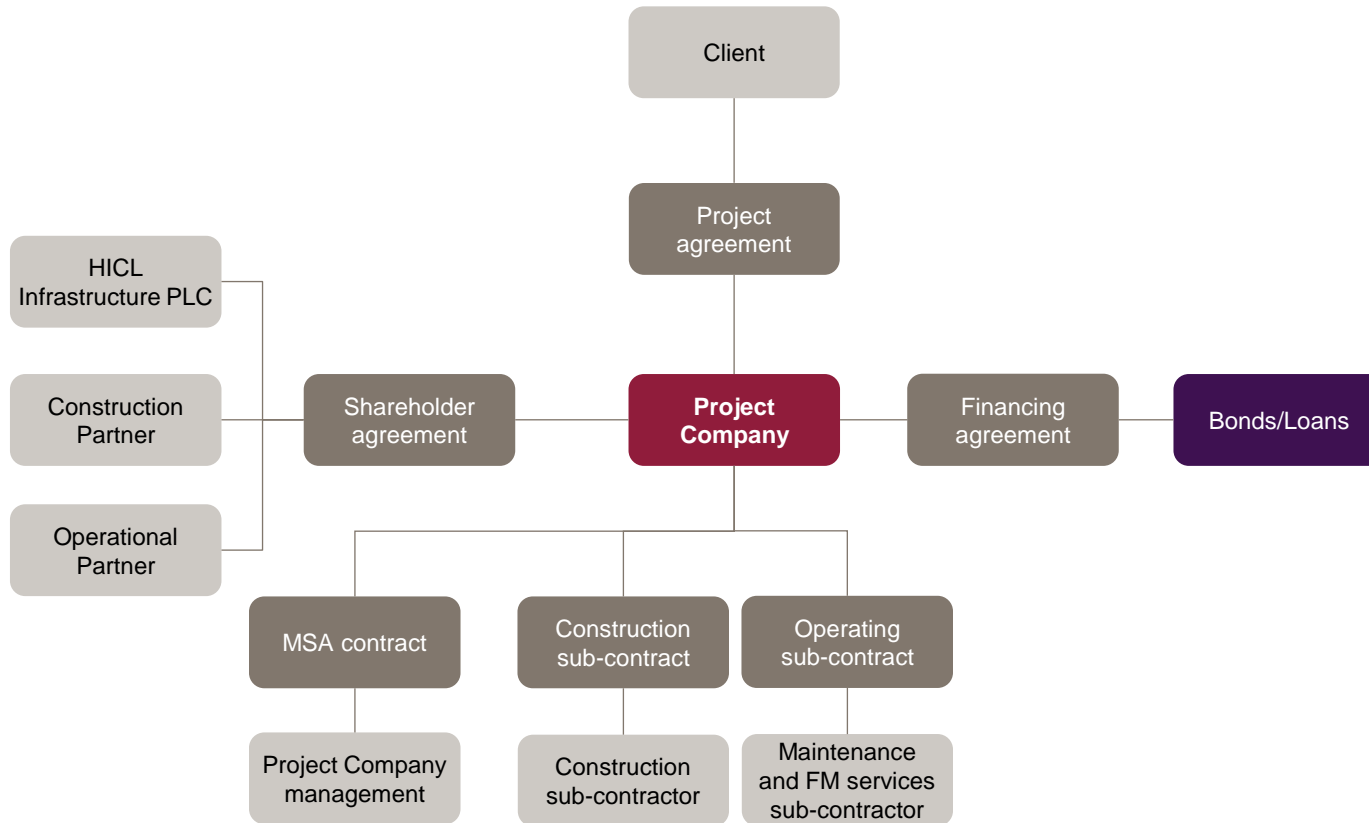
- ▲ Exposure is reviewed quarterly and reported to the Risk Committee by InfraRed
- ▲ Contingency plans are in place to address scenarios where material issues lead to a failure of service provision by a subcontractor
- ▲ 'In House' represents Affinity Water (UK) and Northwest Parkway (USA)

## 10 Largest Facilities Management and Operations Counterparty Exposures<sup>1</sup>



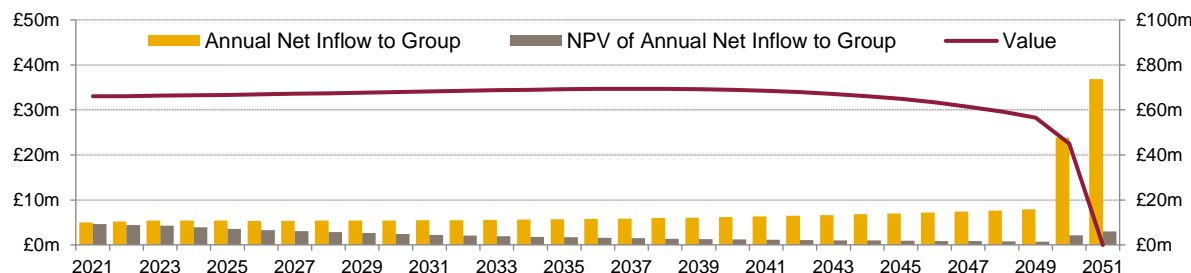
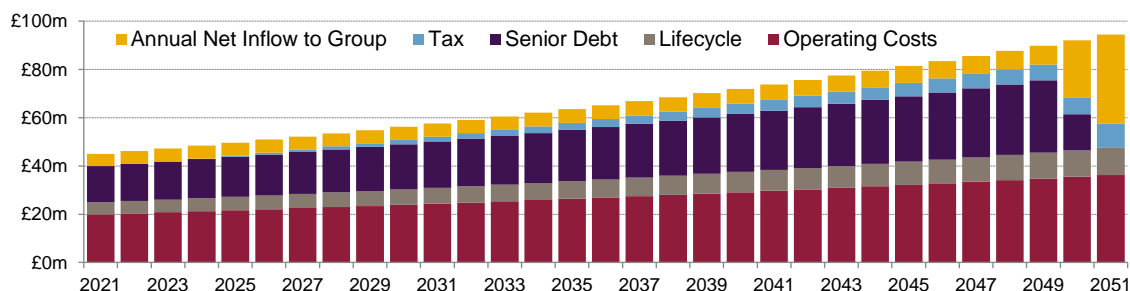
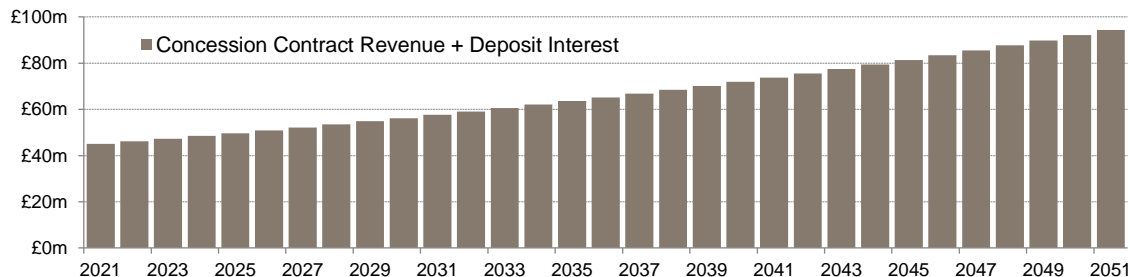
1. By value, at 31 March 2022. Where a project has more than one operations contractor in a joint and several contract, the better credit counterparty has been selected (based on analysis by InfraRed). Where a project has more than one operations contractor, not in a joint and several contract, the exposure is split equally among the contractors, so the sum of the pie segments equals the Directors' Valuation

# Typical PPP Project Structure



# Valuation – Methodology

Determining the net asset value of the portfolio and the Group (PPP project example)



## Key Variables / Assumptions

- ▲ Long-term Inflation Rate
- ▲ Interest Rate
- Whole-of-life concession revenue linked to inflation
- Interest income from cash reserves at individual project level
- ▲ Tax Rates
- Whole-of-life operating contracts fixed or linked to inflation
- Whole-of-life debt is fixed or inflation-linked
- Net Inflows to HICL in form of dividends, shareholder loan service & project co. directors' fees
- ▲ Discount Rate
- ▲ FX
- Net cash flows discounted to derive project valuation
- All project cash flows aggregated to give overall portfolio valuation
- Adjust for other Group net assets/liabilities to get Group NAV

## HICL's valuation methodology is rigorous and closely scrutinised

### Semi-annual valuation and NAV reporting:

- ▲ Carried out by Investment Manager
- ▲ Independent opinion for Directors sourced from third-party valuation expert
- ▲ Audited annually by the Company's auditor
- ▲ Final valuation approved by Directors

### Non-traded

- ▲ DCF methodology on investment cash flows
- ▲ Discount rate reflects market pricing for the investments and comprises the yield for government bonds plus an investment-specific premium (balancing item)
- ▲ For bond yield, average of 20 and 30 year government bonds (matching concession lengths)

### Affinity Water

- ▲ DCF methodology with a terminal value assumed and a market discount rate applied to cash flows which incorporates forecast future regulatory outcomes as well as operational performance
- ▲ Regulated Capital Value multiple measures a company's Enterprise Value considered against comparable transaction data from the market and forms a useful cross-check to the DCF-derived valuation

### Traded

- ▲ Traded securities are valued at the quoted market price (as is the case with the listed senior debt in the A13 Road project)