

HICL Infrastructure PLC

Sustainability-related Disclosures

1. Summary

The European Commission adopted a package of measures on sustainable finance in May 2018. One component of this package is the Regulation (EU) 2019/2088 Sustainable Finance Disclosure Regulation (the “SFDR”) which aims to standardize disclosure requirements on how financial market participants integrate environmental, social and governance factors in their investment decision-making and risk processes. In accordance with the SFDR, the alternative investment fund manager (the “AIFM”) of a fund such as HICL Infrastructure PLC (“HICL” or the “Company”) is required to make certain website disclosures regarding its promotion of certain the E/S Characteristics (defined in section 3 below), in compliance with Article 10 of the SFDR.

HICL's investment proposition is to deliver sustainable income and capital growth from a diversified portfolio of investments in core infrastructure. The Company offers investors stable, long-term returns from core infrastructure assets that are vital to communities. HICL's vision is to enrich lives through infrastructure and to attain the E/S Characteristics (defined in section 3 below).

HICL's Investment Manager, InfraRed (the "Investment Manager" or "InfraRed") takes an active approach to long-term sustainability which is based on a foundation of robust ESG principles. The Investment Manager uses environmental criteria to assess how effectively portfolio companies steward the natural environment, assist with the transition to a low carbon economy and comply with relevant laws and regulations. Through a social set of standards, the Investment Manager evaluates the asset-specific approach to health & safety, labour standards and working conditions as well as the contributions made to key stakeholders and surrounding communities.

InfraRed's sustainability investment and management framework (set out in section 4 below) is applied to each potential project company for HICL in order to ensure that the Company's investments are used to attain the E/S Characteristics. This framework includes the adoption and application of InfraRed's Exclusion Policy (described in section 4 below, and available here).

In addition, HICL has adopted a sustainability policy in respect of new investments as well as the ongoing management of HICL's portfolio. In this way, InfraRed ensure that HICL:

- invests in assets which have a social purpose and proactively engages with its stakeholders to improve sustainability outcomes across the portfolio;
- promotes environmental initiatives for the benefit of current and future generations;
- makes a positive overall impact on the communities in which our assets are located; and
- by doing all of the above, aligns the interests of stakeholder groups of HICL's investments which typically have long asset lives.

InfraRed will seek to attain the E/S Characteristics of the Company through its commitment to evaluate and assess certain ESG-related attributes of investments prior to and following their acquisition. InfraRed uses certain Sustainability Indicators (defined in section 6 below) to measure the attainment of the E/S Characteristics, which are monitored by way of the annual ESG Survey (defined in section 7 below). InfraRed will develop and introduce additional Sustainability Indicators to measure the attainment of the E/S Characteristics for the Company in the future, as appropriate. While some data can be directly collected and based on real values, other data points, such as GHG emissions, may need to be estimated. The share of estimated data depends on the data availability for

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an individual asset. While estimation can lead to a risk of inaccuracy, InfraRed will ensure that none of these limitations will negatively affect the attainment of the E/S Characteristics.

InfraRed will invest a minimum proportion of 80% of the Company's assets directly in portfolio companies for the purpose of attaining the E/S Characteristics. As a result, a maximum 20% of the Company's assets will relate to investments in "#2 Other" (including derivative contracts for the purpose of efficient portfolio management).

InfraRed is not currently in a position to disclose how and to what extent the investments underlying the Company are in economic activities that qualify as environmentally sustainable economic activities (as defined in Article 3 of the Regulation (EU) 2020/852 of 18 June 2020 (the "EU Taxonomy")). This is because HICL's investments are in social infrastructure, which cannot at present be assessed against the EU Taxonomy. In accordance with the European Commission's Decision Notice of 13 May 2022 (C(2022) 3051), InfraRed confirms that the Company's investments are 0% Taxonomy-aligned.

A reference benchmark has not been designated for the purpose of attaining the E/S Characteristics.

2. No Sustainable Investment Objective

This financial product promotes environmental or social characteristics (in accordance with Article 8 of the SFDR), but does not have as its objective sustainable investment (in accordance with Article 9 of the SFDR).

3. Environmental or Social Characteristics of the Financial Product

HICL's investment proposition is to deliver sustainable income from a diversified portfolio of investments in core infrastructure. The Company offers investors stable, long-term returns from core infrastructure assets that are vital to communities. HICL's vision is to enrich lives through infrastructure and to attain certain environmental and social characteristics, by delivering:

- Strong Social Foundation, through investments in health, education, law & order, and accommodation;
- Connecting Communities, through investments in rail and rolling stock, fibre networks and telecom towers; and
- Sustainable Modern Economies, through investments in assets that contributing to the energy transition to achieve net zero carbon emissions and deliver climate resilient infrastructure, including water, offshore electricity transmission, district energy and electricity distribution.

(together, the "E/S Characteristics").

In addition, InfraRed takes an active approach to long-term sustainability which is based on a foundation of robust ESG principles. The Investment Manager uses environmental criteria to assess how effectively portfolio companies steward the natural environment, assist with the transition to a low carbon economy and comply with relevant laws and regulations. Through a social set of standards, the Investment Manager evaluates the asset-specific approach to health & safety, labour standards and working conditions as well as the relationships held with stakeholders and surrounding communities.

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In addition, HICL will actively contribute to the United Nations (UN) Sustainable Development Goals (SDGs). Although HICL contributes to multiple SDGs, 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).

4. Investment Strategy

InfraRed's sustainability investment and management framework, which is applied to each potential project company for HICL, is set out below:

- **Negative Screening:** checks are made against InfraRed's Exclusion Policy (as detailed below);
- **Deal Screening:**
 - o counterparty searches are completed to assess company's sustainability performance;
 - o initial identification of sustainability risks and opportunities;
- **Due Diligence:**
 - o Sustainability performance is assessed in line with sector guidelines and regulatory requirements;
 - o Climate change risk assessments are completed;
 - o Due diligence findings are incorporated into investment valuations and/or risk mitigation plans;
 - o Sustainability action plan is created for post-investment implementation;
- **Investment Approval:** due diligence findings and sustainability action plan are presented to the Investment Committee for consideration and approval;
- **Management:**
 - o Oversight of project governance and active management of sustainability aspects through board representation by InfraRed Asset Managers;
 - o Implementation of the sustainability action plan developed in the Due Diligence phase;
 - o Annual ESG Survey is used to collect data against key metrics (including regulatory requirements) and monitor ESG performance;
 - o Sharing of best practices through guidance documents, case studies and InfraRed 'Creating Better Futures' Awards;
 - o Engagement with key stakeholders on key sustainability themes, such as bi-annual workshops, industry collaborations and targeted surveys;
- **Reporting:** Transparent disclosure of the Company's sustainability performance and incidents; and

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- **End of Investment Life:**

- o For divestments, counterparty searches are completed on acquirers and asset sustainability performance data are shared; and
- o Environmentally and socially responsible approach to asset handback / decommissioning.

InfraRed Exclusion Policy

InfraRed has identified certain product-level and conduct-based matters listed below in its 'Exclusion Policy' that it will exclude from investment by the Fund, known as exclusions, to attain the environmental that the Fund promotes.

Product-level exclusion:

- Coal
- Oil
- Gas if unaligned with net zero trajectory
- Supporting infrastructure which directly facilitates the above activities
- Weapons
- Combat-related contracts
- Alcoholic beverages
- Tobacco

Conduct-based exclusion:

- Biodiversity and habitat loss
- Breaches of fundamental human rights
- Resettlement
- Pornography and adult entertainment
- Gambling
- Failure to uphold and business ethics and compliance

A copy of the Exclusion Policy can be found [here](#).

Prior to any investment, InfraRed will conduct screening and extensive due diligence on each investment under consideration as outlined above, and following investment (to ensure compliance with InfraRed's standard policies and local regulations) the Asset Management Team will ensure the implementation of bespoke policies in portfolio companies, in relation to:

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- health and safety;
- anti-bribery;
- conflicts of interest;
- tax;
- cyber-security;
- diversity and inclusion;
- whistle blowing; and
- modern slavery.

HICL Sustainability Policy

In addition, HICL has adopted a sustainability policy (the "Sustainability Policy"). InfraRed is responsible for applying HICL's Sustainability Policy in respect of new investments as well as the ongoing management of HICL's portfolio. In this way, InfraRed ensure that HICL:

- invests in assets which have a social purpose and proactively engages with its stakeholders to improve sustainability outcomes across the portfolio;
- promotes environmental initiatives for the benefit of current and future generations;
- makes a positive overall impact on the communities in which our assets are located; and
- by doing all of the above, aligns the interests of stakeholder groups of HICL's investments which typically have long asset lives.

Good governance practices

As noted above and outlined in InfraRed's Exclusion Policy, as part of the investment process InfraRed will conduct extensive due diligence in portfolio companies to ensure that they are following good governance practices. Prior to acquisition, in line with the Exclusion Policy the Origination and Execution Team is required to complete public data searches on investee companies to identify the existence of any sustainability breaches or incidents, as well as responding to mandatory sustainability questions on relevant sustainability risks and opportunities such as climate change impact and positive contribution to the UN SDGs.

5. Proportion of Investments

InfraRed will invest a minimum proportion of 80% of the Company's assets directly in portfolio companies for the purpose of attaining the E/S Characteristics. As a result, a maximum 20% of the Company's assets will relate to investments in "#2 Other".

In relation to "#2 Other" investments - currency and interest rate hedging may be carried out to seek to provide protection against foreign exchange risk and increasing costs of servicing Group Debt (as defined in the

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Prospectus) drawn down to finance investments. However, currency and interest rate hedging transactions will only be undertaken for the purpose of efficient portfolio management and will not be carried out for speculative purposes.

As noted above, the Investment Manager plan that a maximum of 20% of the Company's assets will be in "#2 Other" investments for the purposes of efficient portfolio management. This planned asset allocation will be subject to fluctuations in the market, for instance in relation to foreign exchange, and therefore will be subject to external market factors beyond the Manager's control. Therefore, to the extent that more than 20% of the Company's assets will be in "#2 Other" investments, this will be accounted for in the periodic disclosures (and, if necessary, reflected by future amendments to the pre-contractual disclosures).

InfraRed is not currently in a position to disclose how and to what extent the investments underlying the Company are in economic activities that qualify as environmentally sustainable economic activities (as defined in Article 3 of the EU Taxonomy). This is because HICL's investments are in social infrastructure, which cannot at present be assessed against the EU Taxonomy. In accordance with the European Commission's Decision Notice of 13 May 2022 (C(2022) 3051), InfraRed confirms that the Company's investments are 0% EU Taxonomy-aligned.

6. Monitoring of Environmental or Social Characteristics

InfraRed uses the following key performance indicators to measure the attainment of the E/S Characteristics that the Company promotes:

- Environmental: Energy, water and waste management, consideration of climate risks and Scope 1, 2, 3 emissions; and
- Social: community contributions to environmental or social initiatives, and health & safety policies and performance, assessment of human rights and diversity and inclusion policies

(together, the "Sustainability Indicators").

InfraRed will develop and introduce additional Sustainability Indicators to measure the attainment of the E/S Characteristics for the Company in the future, as appropriate.

7. Methodologies for Environmental or Social Characteristics

Prior to acquisition of an investment, the Investment Manager considers performance against the Sustainability Indicators.

Post-acquisition, the Investment Manager will assess the principal adverse impacts on an ongoing basis through an annual ESG Survey (the "ESG Survey") which project companies will be required to complete. The ESG Survey provides both an effective data point and tool to monitor the ongoing position of the ESG impact at each of the portfolio companies. The ESG Survey output also acts as an annual audit of sustainability performance which identifies an action plan of aspects which are to be addressed by the portfolio company to improve ESG performance.

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8. Data Sources and Processing

As noted above, InfraRed ensures monitoring of its portfolio companies through the use of the ESG Survey, collating asset level data to assess each Sustainability Indicator. Whilst InfraRed undertake necessary checks to ensure the receipt of high-quality data from its portfolio companies, InfraRed ultimately relies on its portfolio companies to provide relevant and accurate performance data.

While majority of the data can be directly collected and based on real values, other data points, such as GHG emissions, may need to be estimated. The share of estimated data depends on the data availability for an individual asset. All estimates will be subject to plausibility checks, relying on general market standards and typical values for similar projects/investments.

9. Limitation to Methodologies and Data

As noted above, some of the data will be based on estimates, and the availability of some data will depend on cooperation with the portfolio company concerned. In such cases, InfraRed uses its own internal processes to calculate performance against the Sustainability Indicators, and these figures are estimated where actual data is unavailable (as noted above). While estimation can lead to a risk of inaccuracy, InfraRed employs practices in relation to the recording of its Sustainability Indicators in order to improve reliability.

InfraRed will endeavour that none of these limitations will negatively affect the attainment of the E/S Characteristics. Where necessary, InfraRed will seek to take corrective measures in respect of any concerns identified during data collection and verification.

10. Due Diligence

InfraRed adopts a rigorous investment process which comprises of pre-investment screening and due diligence and asset management.

If the screening or due diligence findings indicate that an investment opportunity is inconsistent with InfraRed's expectations in relation to the E/S Characteristics, HICL's Board will not pursue the opportunity further. In addition, InfraRed takes a proactive approach to portfolio and asset management to ensure that environmental awareness and best practice is being promoted, as well ensuring environmental risks and opportunities are considered and measured.

As noted above, InfraRed's investment strategy also prescribes that it will not invest in assets operating in certain excluded sectors which would be inconsistent with the Fund's E/S Characteristics. Details regarding InfraRed's Exclusion Policy are set out above and further details about the investment process are available upon request

11. Engagement Policies

As noted above, as part of its active asset management, InfraRed will engage with key stakeholders on the key sustainability themes, through bi-annual ESG summits, industry collaborations and targeted surveys.

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Following acquisition, typically, the Asset Management Team has board representation with governance rights to ensure sufficient controls and protections are in place for portfolio companies. This ensures the investee companies are aligned with InfraRed's standard policies and local regulations in relation to good governance (e.g. anti-bribery and health and safety). The team will also ensure environmental awareness and best practice is promoted, as well as ensuring environmental risks and opportunities are considered.

12. Designated Reference Benchmark

A reference benchmark has not been designated for the purpose of attaining the E/S Characteristics.

Publication date: 30 December 2022