

Tax Strategy

HICL Tax Strategy

Scope and introduction

This strategy applies to HICL Infrastructure plc (“HICL” or the “Company”) and to its subsidiaries (“the Group”) for the period to 31 March 2027.

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

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

- a) undertaking portfolio investment activity that aims to spread investment risk; and
- b) that the Company’s shares must be listed on an approved exchange.
- c) distribute the majority (at least 85%) of income received annually
- d) is not a close company

If the conditions are met, certain profits of the company (for HICL this is broadly income from investments) are exempt from tax in the UK. For this reason, approved ITCs are particularly suitable as investment vehicles, because their tax status means that investors’ investment returns do not suffer double taxation, once at the level of the ITC itself and then again in the hands of the investors.

This allows HICL to gain:

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

This Tax Strategy applies to all taxes applicable to the Group and the document is owned by the Board of Directors of HICL. The Audit Committee provides oversight to scrutinise the strategy and review the effectiveness of internal controls and makes recommendations in relation to the Strategy, having taken advice from the Investment Manager, InfraRed Capital Partners Limited (“InfraRed”). The Strategy is updated annually, and reviewed and approved by the HICL Board, on the recommendation of the Audit Committee. The HICL Board, advised by the Audit Committee, is responsible for setting and monitoring the strategy.

Objective

HICL’s objective is to manage the Group’s UK and overseas tax affairs in a responsible and transparent manner, complying with relevant legislation in the jurisdictions in which it operates, and having due regard to HICL’s investment objectives and its reputation. HICL investments cover the UK USA, Canada, the European Economic Area, and New Zealand. HICL is committed to full compliance with all UK and overseas statutory obligations, with full and transparent disclosure to HMRC and other relevant tax authorities. The Group’s tax affairs are managed in line with HICL’s high standards of governance.

The HICL Tax Strategy focuses on four key areas, with particular focus on UK taxation matters:

- Tax Governance
- Risk Management
- Tax Planning, and the level of acceptable risk the Group is prepared to accept
- Relationships with tax authorities, including its dealings with HMRC

Tax Governance

- Ultimate responsibility for HICL's Tax Strategy and compliance resides with the HICL Board, based on advice and recommendations by the Audit Committee;
- HICL's Audit Committee monitors the integrity of HICL's financial reporting environment, including those elements that relate to tax;
- HICL's Risk Committee is responsible for the Company's risk management framework including those elements relating to tax;
- Management of the Group and its tax affairs is delegated by the HICL Board to InfraRed;
- The HICL CFO, an InfraRed employee, has primary responsibility for the financial management and tax affairs of the Group. InfraRed is staffed with appropriately qualified individuals, and has a UK-based in-house tax team which supports the HICL CFO and Finance team;
- In the UK, the Group is subject to the Senior Accounting Officer ("SAO") regime. The HICL CFO is the SAO for the Group;
- The Investment Manager ensures that HICL's Tax Strategy is a key consideration of all investments and significant business decisions taken;
- The HICL CFO reports on the Group's tax affairs and risks to the Audit Committee, Risk Committee and the HICL Board periodically during the year. Annually, the Group's tax approach and principles are reviewed by the Audit Committee in the context of the Group's wider risk and control framework.

Risk Management

- The HICL Risk Committee is responsible for risk management across the Group. The Group operates a system of UK and overseas tax risk assessment and controls as a component of the overall internal control framework applicable to the Group's financial reporting environment, which is overseen by the Audit Committee;
- HICL seeks to increase the level of tax certainty arising from the Group's UK and overseas operations as far as is reasonably practicable, by ensuring that there are robust processes in place for managing its compliance with its UK and overseas tax obligations;
- A key risk mitigant is the monitoring by InfraRed of business and legislative changes which may impact the Group, so that changes to processes and/or controls are made where required;
- InfraRed ensures that responsibility for the management or processing of tax matters is carried out by persons with the appropriate level of training; and
- InfraRed exercises its judgment as to when external advice is required. However, it is expected for all material, complex or non-routine matters. External advice is generally sought where there are changes in tax legislation, prior to undertaking significant business transactions, and to support the filing of tax returns submitted to HMRC and other tax authorities.

Tax Planning and level of acceptable risk

- Tax planning is undertaken in accordance with all UK and overseas legal and statutory regulations, with due consideration given to reputation with stakeholders. When entering into commercial transactions, the Group seeks to comply with relevant tax legislation, including the spirit in which tax legislation is intended.
- The level of risk which HICL accepts in relation to taxation can be characterised as broadly reflective of a conservative approach and is defined as "low". At all times, the Group seeks to fully comply with its UK

and overseas regulatory and other obligations, and to act in a way which upholds its reputation as a responsible corporate citizen. InfraRed is involved in the planning, implementation and documentation of all investment acquisitions and disposals, changes in corporate and capital structure, and material operational changes within the Group, taking appropriate external professional advice as applicable.

Relationship with Tax Authorities

- HICL seeks to have an open and constructive relationship with HMRC and overseas tax authorities. The Company engages regularly with HMRC, to discuss changes to the Group, including upcoming tax legislative changes, and makes every effort to respond promptly, accurately and transparently to any enquiries made of the Group. HICL always aims to act lawfully and with integrity and seeks to maintain a relationship based upon mutual trust and respect with HMRC and other overseas tax authorities.
- When submitting tax computations and returns to HMRC or overseas tax authorities, HICL discloses relevant facts and identifies transactions or issues where it considers that there is potential for uncertain tax treatment. Any inadvertent errors in submissions made to HMRC or overseas tax authorities are fully disclosed as soon as reasonably practicable after they are identified.

The Group considers that the publication of the above Tax Strategy complies with its duty under paragraph 16 (2) and paragraph 17 (1) of schedule 19 of the Finance Act 2016.

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