## Pre-contractual sustainability disclosures for HICL

## Section 1: pre-contractual disclosures pursuant to the UK Sustainability Disclosure Requirements and investment labels regime ("UK SDR")

HICL Infrastructure PLC ("**HICL**" or the "**Company**") has certain sustainability characteristics (or "**E/S Characteristics**") and therefore InfraRed Capital Partners Limited ("**InfraRed**" or the "**Investment Manager**") is required to make certain disclosures in respect of the Company in compliance with chapter 5.3 of the FCA's ESG Sourcebook.

For reference, the relevant information regarding the E/S Characteristics and sustainability investment strategy of the Company can be found within HICL's existing sustainability-related disclosures published in Section 2 of this document, in accordance with the EU Sustainable Finance Disclosure Regulation, as follows:

(a) Detail of InfraRed's investment policy and strategy adopted in respect of the Company, including the criteria it applies in determining the sustainability characteristics of those assets, is set out in Section 2, in response to the following questions:

*(i) "What environmental and/or social characteristics are promoted by this financial product?"*; and

*(ii) "What investment strategy does this financial product follow?"*

(b) Detail of the robust and evidence-based key performance indicators ("**KPIs**") that InfraRed uses in order to demonstrate the Company's progress towards its E/S Characteristics is set out in Section 2 in response to the question, "*What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?*".

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**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

**Section 2: pre-contractual disclosures pursuant to the EU Sustainable Finance Disclosure Regulation ("SFDR")**

**Product name:** HICL Infrastructure PLC
**Legal entity identifier:** 213800BVXR1E5L7PEV94

# Environmental and/or social characteristics

**Does this financial product have a sustainable investment objective?**

- ☐ **Yes**
- ☒ **No**

- ☐ It will make a minimum of **sustainable investments with an environmental objective:** ___%
  - ☐ in economic activities that qualify as environmentally sustainable under the EU Taxonomy
  - ☐ in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
- ☐ It will make a minimum of **sustainable investments with a social objective:** ___%
- ☐ It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of ___% of sustainable investments
  - ☐ with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
  - ☐ with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
  - ☐ with a social objective
- ☒ It promotes E/S characteristics, but **will not make any sustainable investments**

## What environmental and/or social characteristics are promoted by this financial product?

HICL Infrastructure PLC's (the "**Company**" or "**HICL**") 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 certain environmental and social characteristics, by delivering:

- ***Strong Social Foundations***, 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***, supporting the transition to a lower-carbon, energy-resilient and more resource-efficient economy through responsible stewardship of portfolio companies, including where core asset operations facilitate decarbonisation and positive outcomes for the natural environment.

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

In addition, 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 sustainability 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.

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).

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

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

***What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?***

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, health & safety polices and performance and assessment of human rights and diversity and inclusion policies.

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.

***What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?***

N/A

***How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?***

N/A

*How have the indicators for adverse impacts on sustainability factors been taken into account?*

N/A

*How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:*

N/A

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

*The EU Taxonomy sets out a "do not significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*

**Does this financial product consider principal adverse impacts on sustainability factors?**

✖ Yes. Prior to acquisition of an investment, the Investment Manager considers the mandatory principal adverse impact indicators in Table 1 Annex 1 of the SFDR Regulatory Technical Standards ("**RTS**"), to the extent that relevant data is available from each potential investee company. Post- acquisition, the Investment Manager will assess the principal adverse impacts on an ongoing basis through an annual Sustainability Survey which project companies will be required to complete. The Sustainability Survey provides both an effective data point and tool to monitor the ongoing position of the sustainability impact at each of the portfolio companies.

The Sustainability 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 sustainability performance.

Further information regarding the consideration of adverse impacts will be available upon request.

☐ No



## What investment strategy does this financial product follow?

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

**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

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.

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 below and further details about the investment process are available upon request.

In addition, 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:***
    - counterparty searches are completed to assess the sustainability performance of these companies;
    - initial identification of sustainability risks and opportunities;
- ***Due Diligence:***
    - Sustainability performance is assessed in line with sector guidelines and regulatory requirements;
    - Climate change risk assessments are completed;
    - Due diligence findings are incorporated into investment valuations and/or

risk mitigation plans;

- 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:***

  - Oversight of project governance and active management of sustainability aspects through board representation by InfraRed Asset Managers;

  - Implementation of the sustainability action plan developed in the Due Diligence phase;

  - Annual Sustainability Survey is used to collect data against key metrics (including regulatory requirements) and monitor sustainability performance;

  - Sharing of best practices through guidance documents, case studies and InfraRed 'Creating Better Futures' Awards;

  - 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

- ***End of Investment Life:***

  - For divestments, counterparty searches are completed on acquirers and asset sustainability performance data are shared; and

  - Environmentally and socially responsible approach to asset handback / decommissioning.

***What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?***

**InfraRed Exclusion Policy**

The Company has adopted InfraRed's Exclusion Policy. In accordance with this policy, InfraRed will exclude certain product-level and conduct-based matters from investment by the Company, known as exclusions, to help attain the E/S Characteristics that the Company promotes.

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:

- 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 applies its Sustainability Policy to enable HICL to:

- Support the transition to a lower carbon, energy-resilient and more resource efficient economy through responsible stewardship of portfolio companies, including where core asset operations facilitate decarbonisation and positive outcomes for the natural environment. HICL also prioritises building resilience to climate and nature related risks to protect long term asset value;
- Deliver reliable infrastructure that supports access to essential services and positive socio-economic outcomes. Active engagement with clients, stakeholders and local partners helps to ensure asset operations are responsive to community needs and promote fair, safe and inclusive working practices; and
- Uphold high standards of corporate governance, ethical conduct and integrity in decision making. Board oversight and transparent disclosure, alongside ongoing dialogue with shareholders and other key stakeholders, help reinforce investor confidence and the delivery of resilient, long-term infrastructure.

- ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

There is no committed minimum rate to reduce the scope of the Company's investments.

***What is the policy to assess good governance practices of the investee companies?***

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.

As noted above and outlined in InfraRed's Exclusion Policy, as part of the investment process InfraRed will conduct extensive due diligence on portfolio companies to ensure that they are following good governance practices. Prior to acquisition, in line with the Exclusion Policy the deal 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.

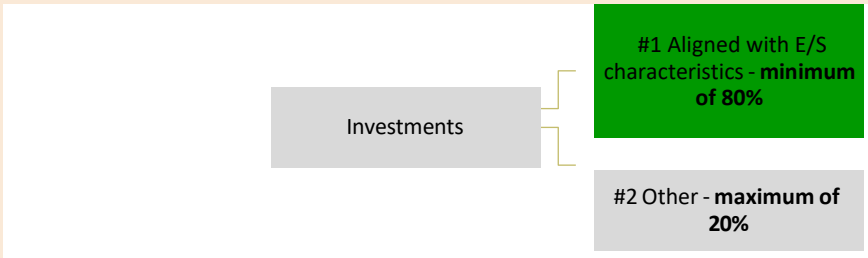
Following acquisition, typically, the Asset Management Team has board representation with governance rights to ensure sufficient controls and protections are in place within portfolio companies. This ensures that portfolio companies are aligned with InfraRed's standard policies and local regulations 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.

**Asset allocation** describes the share of investments in specific assets.

**What is the asset allocation planned for this financial product?**

InfraRed will invest a minimum proportion of 80% of the Company's assets in order to attain the E/S Characteristics. As a result, 20% of the Company's assets will relate to investments in "#2 Other" (as detailed further below).

Taxonomy-aligned activities are expressed as a share of:
- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.




**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

***How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?***

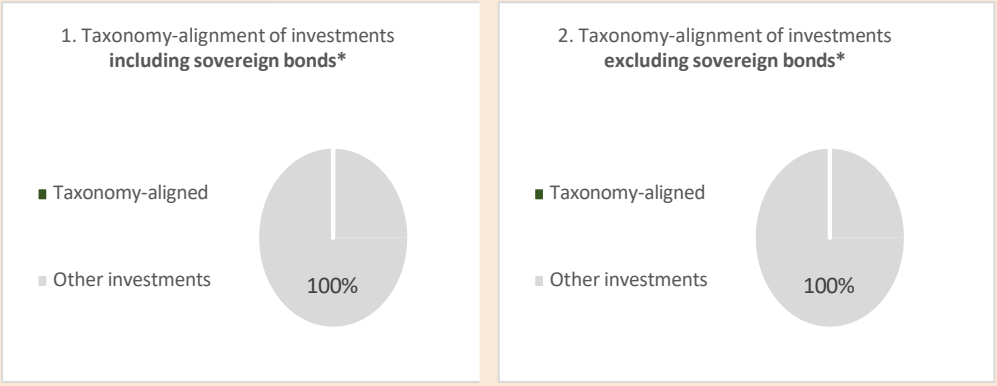
No hedging transactions will be undertaken by the Company for speculative purposes. See disclosure below regarding derivative transactions entered into for hedging purposes.

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.
**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.
**Transitional activities are** activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

## To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

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 a large share of 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.

***The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.***




**For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures*

### *What is the minimum share of investments in transitional and enabling activities?*

As noted above, InfraRed is not currently in a position to disclose how and to what extent the investments underlying the Company align with the EU Taxonomy. Therefore, InfraRed is not in a position to disclose the minimum share of investments in transitional and enabling activities.

are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.

**What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?**

N/A

**What is the minimum share of socially sustainable investments?**

As noted above, a key feature of HICL's portfolio is that it consists of essential social infrastructure investments which sit at the heart of communities. Nonetheless, InfraRed is not at present in a position to disclose any socially sustainable investments by HICL within the definition of SFDR. InfraRed will keep this position under review.

**What investments are included under "#2 Other", what is their purpose and are there any minimum environmental or social safeguards?**

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 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 plans 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).

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**Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?**

N/A

**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

- ***How is the reference benchmark continuously aligned with each of the environmental or social characteristics promoted by the financial product?***

  N/A

- ***How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?***

  N/A

- ***How does the designated index differ from a relevant broad market index?***

  N/A

- ***Where can the methodology used for the calculation of the designated index be found?***

  N/A

**Where can I find more product specific information online? More product-specific information can be found on the website:** www.hicl.com/sustainability/