
HICL Infrastructure

# Enriching lives through infrastructure

HICL Annual Report 2023

# Contents



For definitions of our financial terms used throughout this report, please see our Glossary on pages 160 to 161.

**Chair's Statement / Page 3**

**Business Model / Page 14**

**Investment Manager's Report / Page 20**

# Our vision is to enrich lives through infrastructure.

## Investing in assets with strong social foundations such as healthcare and education; assets that connect communities from rail and road to communications; and assets that support the transition to a low-carbon modern economy.

Page
38
How HICL enriches lives through infrastructure

# 2023 Highlights

## Delivering sustainable income and capital growth from a diversified core infrastructure portfolio

**164.9p**

**NAV[1] per share +1.8p**
2022: 163.1p

**6.3%**

**Total Shareholder Return[2]**
2022: 12.8%

**8.9% p.a.**

**Total Shareholder Return since IPO[2]**

**0.8x**

**Inflation correlation[3]**
2022: 0.8x

**8.25p**

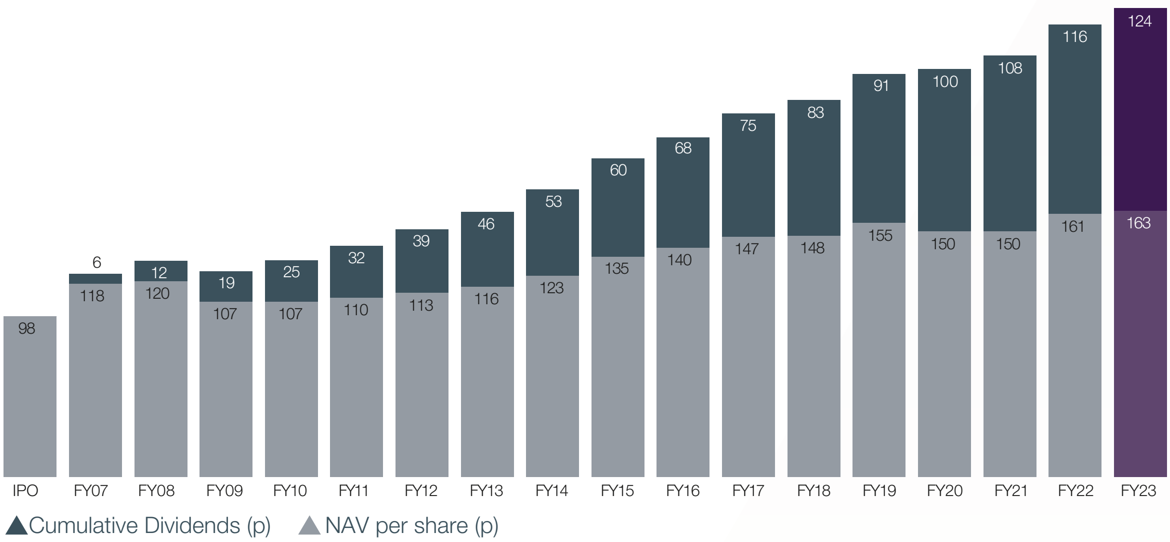
**New Dividend Guidance[4] for 2025**
Reaffirmed Dividend Guidance[4]
8.25p for 2024

**1.31x/1.03x**

**Dividend cash cover including / excluding profits on disposal[5]**
2022: 1.05x / 1.02x

## Total return of 8.9% p.a. from IPO

**The chart below shows how the combination of dividend and Net Asset Value (NAV) growth has delivered a total return of 8.9% p.a. from IPO to 31 March 2023.**




References are made throughout to Alternative Performance Measures "APMs". These are provided alongside IFRS measures to provide additional information to shareholders. A full reconciliation of the APMs used is disclosed on page 43.

1 Net Asset Value, including the dividend of 2.07p declared on 17 May 2023
2 Based on interim dividends paid plus change in NAV per share in the year
3 If outturn inflation was 1% p.a. higher than the valuation assumption in each and every forecast period, the expected return from the portfolio (before Corporate Group expenses) would increase by 0.8%
4 Expressed in pence per Ordinary Share for the financial year ending 31 March. This is a target only and not a profit forecast. There can be no assurance that this target will be met
5 Stated on an Investment Basis including profits on disposal versus original acquisition cost of £45.5m. Excluding this, dividend cash cover is 1.03x

# Chair's Statement

## I am pleased to present another resilient set of results for the Company against a volatile macroeconomic backdrop.

HICL's expertly diversified portfolio of essential core infrastructure assets has again demonstrated its defensive characteristics, delivering a Total Shareholder Return[1] for the year of 6.3% and a portfolio return[2] of 10.2%.

HICL continues to deliver long-term value for shareholders, despite the current macroeconomic and financial conditions. Inflation reached its highest level in over 30 years across HICL's core geographies, resulting in increased interest rates and significant financial market volatility. Cash flows from the Company's diversified portfolio benefit from high inflation correlation and robust capital structures with limited sensitivity to higher financing costs. Proactive management of the Company's debt facilities and accretive share issuance in the year ensured that HICL maintained a solid balance sheet position throughout.

The Board and HICL's Investment Manager, InfraRed Capital Partners ("InfraRed"), remain focused on the active management of portfolio composition, with a clear strategy to markedly increase asset life and future earnings generation within the portfolio, such that HICL remains well positioned for the long term as its PPP concessions mature and redeem capital. Targeted acquisitions and disposals in the year have contributed significantly to this strategy; effectively recycling capital, improving diversification and introducing highly attractive asset characteristics into the portfolio.

## Financial performance

Financial performance in the year to 31 March 2023 has been resilient, with Net Asset Value ("NAV") growth of 1.8p per share to 164.9p. The return from the portfolio was 10.2% (March 2022: 9.6%), outperforming the Company's expected return of 6.6% for the period (the Company's weighted average discount rate as at 31 March 2022).

NAV growth in the year was primarily driven by the impact of higher actual and forecast inflation on the Company's cash flows. HICL's strong inflation correlation of 0.8x serves to protect investors' capital in higher inflationary environments such as those experienced over the past 12 months. Strong inflation correlation is a deliberate part of portfolio composition and its positive effect more than offset the associated impact of higher long-term government bond yields in the year, which saw the portfolio's weighted average discount rate increase from 6.6% to 7.2%.

A more detailed explanation of the portfolio's valuation and discount rate movements over the past year is given in the Valuation of the Portfolio section, starting on page 46.

## Business model in action

HICL delivers value by investing in and actively managing high-quality core infrastructure assets in attractive sectors and geographies (for more information see HICL's core infrastructure framework on page 14). Societal demand for new infrastructure remains strong, due to ageing assets and demographic shifts, and is being driven by the powerful megatrends of digitalisation and decarbonisation. These transformative forces present significant opportunities for HICL to invest in attractive sectors, where investments offer a core infrastructure risk profile, stable income and the prospect of long-term capital growth. Further discussion on the core infrastructure market can be found on page 10.

"Our performance demonstrates the defensive nature of core infrastructure."

**Mike Bane**
**Chair of the Board of Directors**

1 Based on interim dividends paid plus change in NAV per share in the year
2 Performance of the portfolio relative to the opening weighted average discount rate as at 31 March 2022

## Chair's Statement continued

“ ”

# Generating additional shareholder value through selective disposals differentiates HICL's approach.

As HICL carefully navigates this evolving core infrastructure landscape, the Board is confident in InfraRed's proven ability to identify and capitalise on attractive opportunities that will generate long-term value for our shareholders.

The attractive attributes of modern core infrastructure are evident in the Company's acquisitions during the year, which span the electricity transmission, communications and transport sectors. Together, these investments have increased the weighted asset life and inflation correlation of the portfolio, offer predictable income under regulated and contracted frameworks, and have significant growth potential through their strategic positioning with exposure to the powerful growth drivers of the modern economy.

Acquisitions in the year have significantly contributed to our strategy to futureproof HICL's investment proposition, considering the maturity profile of the Company's PPP concessions. Since HICL's first non-PPP investments in early 2016, the Company has materially increased its weighted average asset life to 32 years (Sept 2015: 21 years), increased the portfolio's inflation correlation to 0.8x (Sept 2015: 0.6x), and substantially increased the long-term forecast investment valuation to £2.4bn in 2050 (Sept 2015: £nil in 2050).

Maintaining a strong balance sheet in the current volatile market environment is crucial. During the year, the Company demonstrated its ability to raise funding across both debt and equity markets to fund its new acquisitions:

- in July 2022 HICL activated a £330m accordion to its existing £400m Revolving Credit Facility ("RCF");
- in July 2022 £160m was raised via an oversubscribed and NAV accretive share issue;
- in March 2023 the RCF was renegotiated at a higher level (£650m) and with a longer tenor (three years) to 30 June 2026, maintaining the same margin; and
- in May 2023 HICL completed a £150m Private Placement, effectively converting existing short-term drawings to a longer maturity, reducing interest rate risk and diversifying the Company's sources of funding.

The use of selective disposals as a further source of funding was demonstrated by the sale of Queen Alexandra Hospital (which completed in May 2022) and the partial sale of Northwest Parkway (which was announced after the year-end), both in excess of their holding value. This accretive recycling of capital not only provides an additional source of funding to pursue new investments but improves key portfolio metrics, and supports the Directors' Valuation.

## Dividend guidance

The Board is pleased to reconfirm the dividend guidance of 8.25pps for the year to 31 March 2024[3], and to extend that guidance out for the year ending 31 March 2025[3] at the same level of 8.25pps. In reaching this decision, the Board recognises the positive impact of inflation on the Company's portfolio and its cash flows; but also the need to protect the longer-term interests of shareholders and futureproof HICL's investment proposition.

Since the Company's IPO, HICL's investment strategy has underpinned a compelling total return proposition, of which the dividend has constituted a significant element. HICL's shareholders have long been 'ahead of the curve', enjoying the highest cash dividend in the immediate core infrastructure peer group for the best part of 20 years. This has been delivered notwithstanding the specific challenges of recent years (e.g. the Carillion liquidation and Covid-19) and the effects of proactively reshaping the portfolio beyond PPP assets to capture longer-term cash flows with greater growth, which tend to initially provide lower yields.

The portfolio's ability to capture inflation, principally in the NAV, has been a defining benefit for investors over the year and has provided significant protection against a higher interest rate environment. Although there is a contractual lag before this inflation increases distributable cash in a significant way, the benefit compounds over time and has significantly enhanced the portfolio's cash flow and earnings profile over the long term. Additionally, those specific assets which have seen their distributions temporarily constrained are expected to contribute to cash flows increasingly in time, as are those newer investments with lower initial yields which will serve to bolster dividend cover. Increasing cash generation from the portfolio, coupled with a more enduring platform for long-term earnings generation, supports the Board's ambition to resume dividend growth in due course.


Northwest Parkway
see page 29


Paris-Saclay University

3 This is a target only and not a profit forecast. There can be no assurance that this target will be met

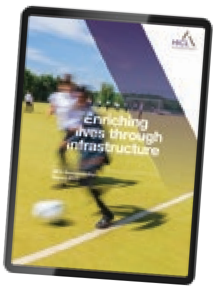
## Sustainability progress

HICL invests in essential infrastructure assets that over 20 million people worldwide use and depend on in their day-to-day lives. The Board recognises that this confers a responsibility to actively contribute to the 'social' component of the ESG framework, and utilises this lens in the development of the Company's sustainability strategy. I am pleased to also see the progress made in this area by the Investment Manager, who through their Portfolio Impact team surveyed 61 clients from HICL's portfolio to gain a deeper insight into asset-specific challenges and satisfaction levels. These responses will flow directly into both targeted and scalable initiatives to deliver improved social outcomes. A more detailed explanation of InfraRed's sustainability initiatives is given in the Investment Manager's Report, starting on page 20.

To consistently meet sustainability reporting expectations and offer accountability to investors requires continuous improvement. Last year InfraRed launched a data collection process to ascertain the greenhouse gas emissions associated with HICL's entire portfolio, selecting 2019 as the base year to avoid Covid-19 distortion. The Company has now published its first 'live' year of portfolio emissions data, covering 100% of the portfolio and providing investors with tangible data that we can look to improve on going forward. To sit alongside this disclosure, HICL has also published new net zero targets for the portfolio, plotting the path to decarbonising the portfolio by 2050.

The Company's portfolio-wide annual ESG survey has been expanded again this year, with 95 questions used to capture greater amounts of data. This has enabled HICL to report as an Article 8 fund under the EU's Sustainable Finance Disclosures Regulation ("SFDR"). Improved data collection and reporting is also a key component of the Company's Task Force on Climate-related Financial Disclosures ("TCFD") disclosure, which HICL has now been undertaking in full for the past three years.

An in-depth review of the Company's and Investment Manager's sustainability performance and ambitions can be found in **HICL's standalone Sustainability Report**, available on the Company's website under Reports & Publications, the highlights of which are on page 36 of this report.



"" HICL is well placed to navigate the significant investment opportunity in core infrastructure with discipline and ambition.

**8.9% p.a.**
Total return since IPO in 2006

**0.8x**
Inflation correlation

**32.2 years**
Weighted average asset life

**£160m**
raised through equity issuance

## Board succession

In line with the UK Corporate Governance Code, after nine years on the Board, Frank Nelson will step down in July 2023. Frank was appointed to the Board in 2014 and has served as Senior Independent Director for seven years. I would like to thank Frank for his unwavering support and valued contribution to the Company.

Kenneth Reid will succeed Frank as Senior Independent Director in July 2023, subject to re-election at the 2023 AGM.

The Board recognises the significance of having a diverse range of views and experiences to support improved decision-making. The Board composition complies with the recommendations made by the Hampton-Alexander and Parker Reviews as well as the FCA's Listing Rules, as applicable to closed-end investment companies. Further information can be found in the Report of the Directors – Diversity Policy on page 90.

## Outlook

HICL continues to operate in an unpredictable macroeconomic and geopolitical environment. Financial markets remain volatile, and the level and timing of peak inflation and interest rates remains uncertain. Against this short-term outlook, the Company's own valuation assumes a significant decrease in inflation over the coming year, with HICL's UK RPI forecast returning to 2.75% from April 2024. In isolation, were outturn inflation to be higher than assumed, this would have a positive impact on the Directors' Valuation.

InfraRed continues to see strong demand and robust pricing for high-quality core infrastructure assets, proven by HICL's recent disposal, activity across other InfraRed-managed funds, and observed market data points. These asset realisations also provide an important alternative source of capital outside of equity and debt markets and enable continued refinement of HICL's portfolio. Notwithstanding this, the shift in macroeconomic conditions has negatively impacted listed market valuations across real assets and is likely to reduce the Company's access to equity capital markets in the short term.

Looking further ahead, the outlook for the core infrastructure asset class remains buoyant, underpinned by the growth drivers of decarbonisation and digitalisation combined with the growing need to enhance ageing infrastructure. Equipped with a healthy balance sheet and multiple sources of funding, HICL is well placed to continue navigating the evolving core infrastructure landscape with discipline and ambition, delivering sustainable long-term income and capital growth to its shareholders.

**Mike Bane**
**Chair**
23 May 2023

# HICL at a glance

## Our purpose is for HICL to be the pre-eminent investor in essential core infrastructure in our chosen markets

**Read more about the infrastructure market on page 10**

## Our vision is to enrich lives through infrastructure

**Read more about our Top 10 investments on page 26**

### Strong social foundations

47%

**of portfolio**

**Assets that constitute the foundation of our societies, such as:**

- **Health**
- **Education**
- **Fire, Law and Order**
- **Accommodation**

### Connecting communities

38%

**of portfolio**

**Assets that link people to the economy and each other, such as:**

- **Availability or toll roads**
- **Rail and rolling stock**
- **Fibre networks**
- **Mobile towers**

### Sustainable modern economies

15%

**of portfolio**

**Assets supporting the energy transition and continued resource security, such as:**

- **Water**
- **OFTOs**
- **District energy**
- **Electricity transmission**

## A commitment to sustainability

**Read more about HICL's sustainability highlights on page 37**

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

Our infrastructure supports the lives and livelihoods of the communities in which we operate. Around the world over 20 million people have access to HICL's infrastructure; in the UK alone, HICL's assets touch the lives of one in four citizens. As a result, the Company has an exceptional opportunity to make a positive social contribution by enhancing the experience of its end users and wider stakeholders.



> The stewardship of essential infrastructure assets confers an important responsibility, and significant opportunity, to improve community outcomes.
>
> **Mike Bane**
> **Chair of the Board of Directors**

# InfraRed is the Investment Manager to the Company, the Operator of the Group's investment portfolio and is responsible for delivering HICL's purpose and vision

InfraRed Capital Partners

**US$14bn+** Equity under management

**230+** Investments

**120** Infrastructure professionals

**25+ yr** Track record

**190+** Employees in four international offices

Read more at www.ircp.com

## A strong Investment Proposition delivering key infrastructure attributes to investors

Read more on page 14

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 real returns from core infrastructure assets that are vital to communities, spanning sectors such as roads, rail, utilities, communications and social infrastructure.

### Diversification

We provide shareholders with immediate access to a portfolio of

**100+** assets

### Sustainability

We invest in assets that sit at the heart of communities. 20 million people have access to our infrastructure

**20m** people

### Total return

Since IPO we have delivered a Total Shareholder Return of

**8.9% p.a.**

### Yield

We deliver a sustainable dividend

**8.25p** per share 2023

### Inflation correlation

We deliver a return that correlates to long-term inflation

**0.8x**

### Asset life

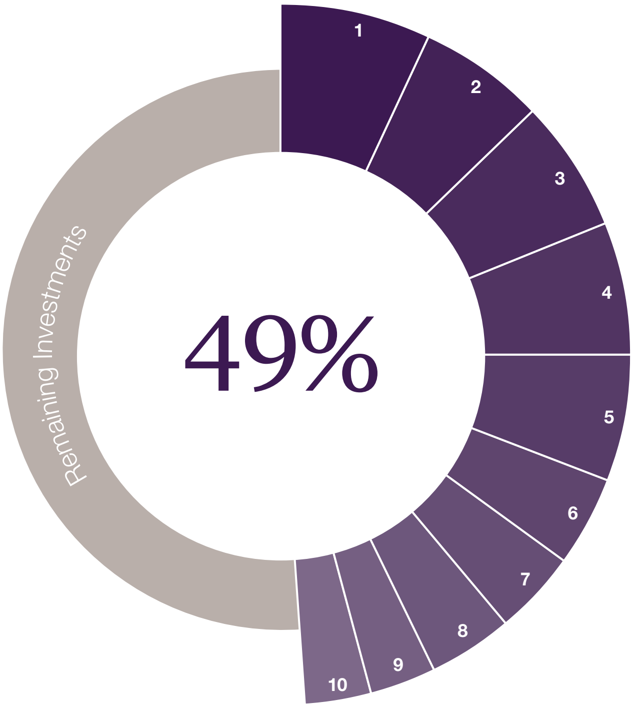
We offer cash flow visibility from long-life infrastructure assets

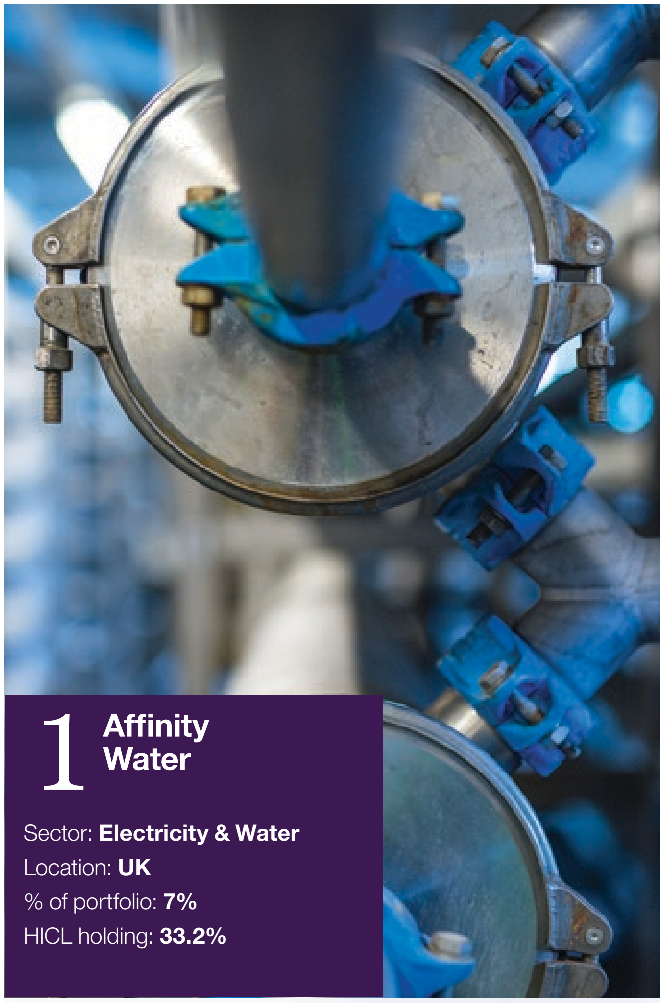
**32.2 yr** weighted average asset life

## HICL at a glance continued

# A diverse portfolio with over 100 assets[1]

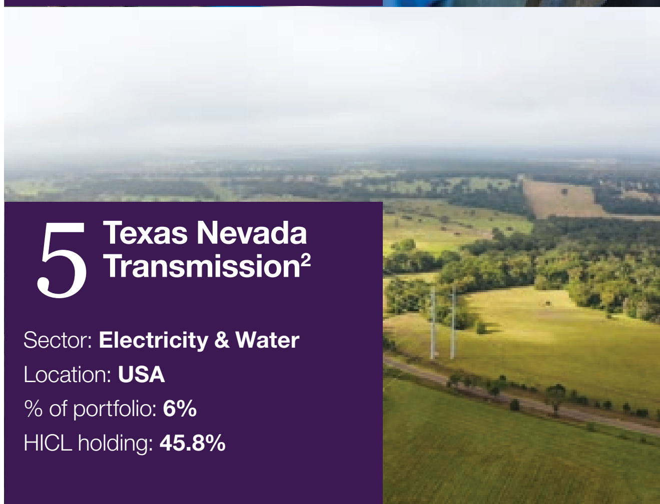
**Read more about out Top 10 investments on page 26**



**1 Affinity Water**

Sector: **Electricity & Water**
Location: **UK**
% of portfolio: **7%**
HICL holding: **33.2%**



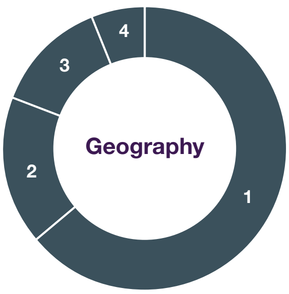
**5 Texas Nevada Transmission[2]**

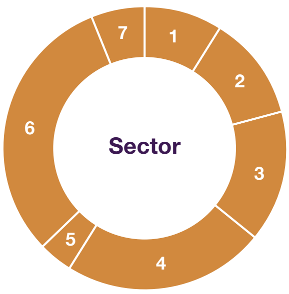
Sector: **Electricity & Water**
Location: **USA**
% of portfolio: **6%**
HICL holding: **45.8%**

**8 Southmead Hospital**

Sector: **Health**
Location: **UK**
% of portfolio: **4%**
HICL holding: **62.5%**

## A diverse portfolio of over 100 assets

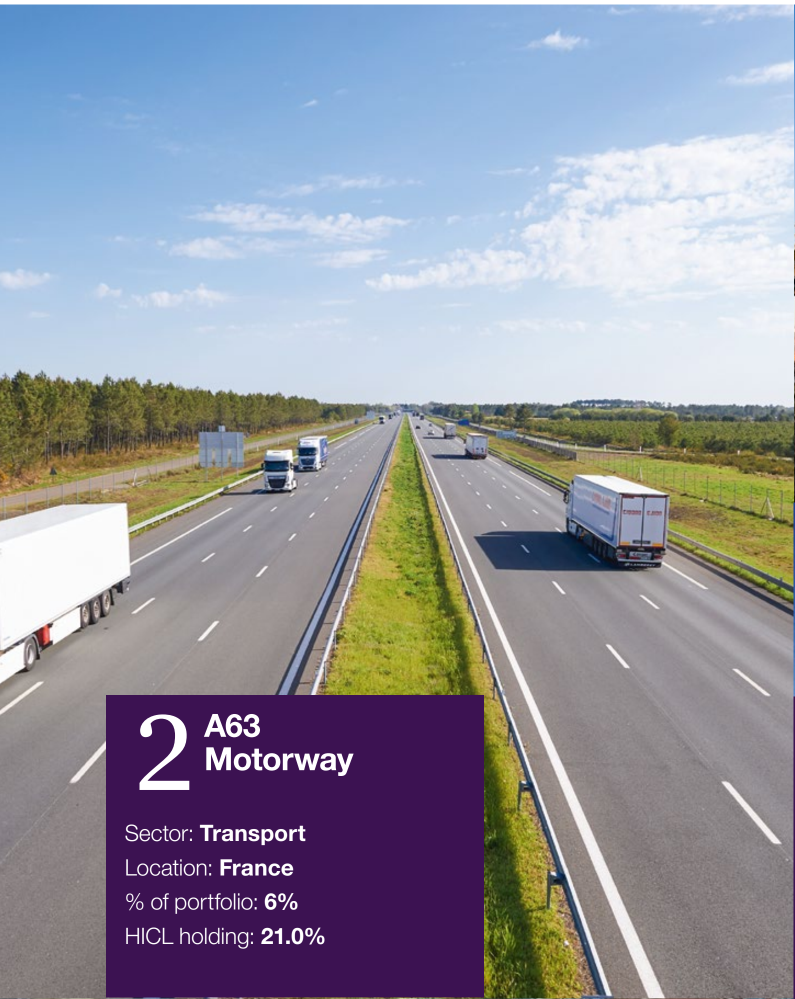



| | Geography | |
|---|---|---|
| **1** | UK | 64% |
| **2** | EU | 17% |
| **3** | North America | 13% |
| **4** | Australia/New Zealand | 6% |

| | Sector | |
|---|---|---|
| **1** | Accommodation | 9% |
| **2** | Education | 12% |
| **3** | Electricity & Water | 15% |
| **4** | Health | 23% |
| **5** | Fire, Law & Order | 4% |
| **6** | Transport | 31% |
| **7** | Communications | 6% |

1 By value, at 31 March 2023, using Directors' Valuation
2 Commitment as at 31 March 2023, transaction completed in April 2023



## 2 A63 Motorway

Sector: **Transport**
Location: **France**
% of portfolio: **6%**
HICL holding: **21.0%**

## 3 Northwest Parkway

Sector: **Transport**
Location: **USA**
% of portfolio: **6%**
HICL holding: **33.3%**[1]

## 4 Fortysouth

Sector: **Communications**
Location: **New Zealand**
% of portfolio: **6%**
HICL holding: **40.0%**


## 6 High Speed 1

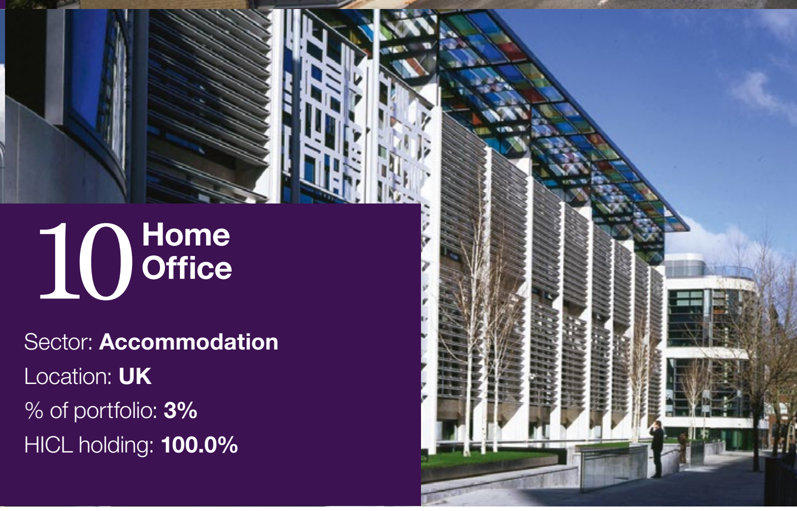
Sector: **Transport**
Location: **UK**
% of portfolio: **4%**
HICL holding: **21.8%**

## 7 Royal School of Military Engineering

Sector: **Accommodation**
Location: **UK**
% of portfolio: **4%**
HICL holding: **100.0%**

## 9 Pinderfields & Pontefract Hospitals

Sector: **Health**
Location: **UK**
% of portfolio: **3%**
HICL holding: **100.0%**



## 10 Home Office

Sector: **Accommodation**
Location: **UK**
% of portfolio: **3%**
HICL holding: **100.0%**

1 Following completion of the partial disposal announced 25 April 2023, HICL will retain a 23.3% equity interest

# The Infrastructure Market

## HICL's vision is to enrich lives through infrastructure by developing strong social foundations, connecting communities and supporting sustainable modern economies.

Underpinning each of these three themes is a fundamental need for infrastructure investment across the world, driven by demographic shifts, increasing urbanisation, technological advancement and climate change.

HICL invests in core infrastructure, the segment of the infrastructure market at the lower end of the risk spectrum, and in line with HICL's core infrastructure framework (see page 14). Core infrastructure captures those critical assets that underpin the functioning of economies and societies, and therefore represents the most pressing investment need.

In the OECD, the core infrastructure sectors in need of investment include transport, healthcare, electricity grid infrastructure and digitalisation. Investment decisions in infrastructure, which are inherently long term, will increasingly be viewed through a sustainability lens as developed economies look to harness technology to combat climate change and grow economies.

**Driven by the fundamental trends set out in this section, the scale of investment required across HICL's target sectors and geographies is significant. As a result, the Company expects to benefit from attractive opportunities to invest in a range of core infrastructure projects.**

### The scale of the investment challenge

McKinsey estimates that an average of USD 3.7 trillion per year of infrastructure investment is required globally by 2035, just to keep pace with economic growth.

**$3.7 trillion**

**per year of infrastructure investment is required globally by 2035**

The World Bank estimates that roughly USD 2.6 trillion is required annually until 2030 in sustainability-related infrastructure spending alone, to meet the UN SDGs and stay on a path to a net-zero society by 2050.

**$2.6 trillion**

**required annually in sustainability-related infrastructure spending to meet the UN SDGs**

The G20 Global Infrastructure Outlook estimates that the world needs to invest USD 94 trillion in infrastructure by 2040 to meet global economic growth and development goals.

**$94 trillion**

**investment needed to meet global economic growth**

Sources: Please see Appendix 3 on page 159

# Strong social foundations

From schools and hospitals to police and fire stations, social infrastructure assets are critical to the functioning of communities and play a crucial role in the global economy. As new technologies emerge, existing assets decay and the needs of societies shift over time, upgrading and building new social infrastructure is critical to people's quality of life.

In response, investment is required to both adequately replace ageing infrastructure, and to adapt infrastructure, old or new, to changing patterns of service delivery, urbanisation and demographic shifts, including rapidly ageing populations across developed markets.

According to the OECD, healthcare spending for people aged 65 and over is on average 2.7 times higher than for younger age groups.

Government responses acknowledge the significant task required:

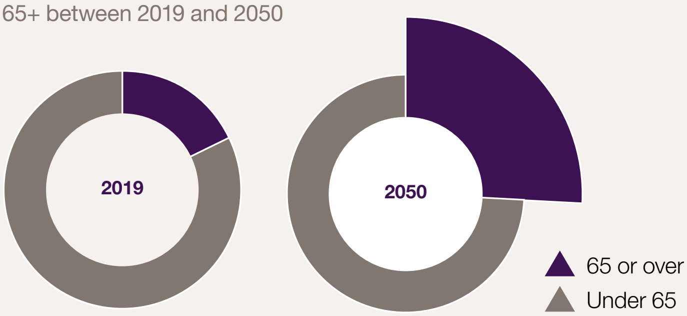
- In the UK, the National Infrastructure Strategy ("NIS") published in November 2020 outlines a plan for over £100bn of infrastructure investment over the coming years. In October 2020, the UK government also pledged to build 40 new hospitals by 2030 with a total cost of close to £4bn. Though subsequently pared back, this indicates the significant need for new critical social infrastructure. In April 2021, the UK government also announced a commitment to invest £1.8bn in the construction of new educational facilities.
- In 2021, the European Union launched the Recovery and Resilience Facility ("RRF"), which allows the European Commission to raise funds that are used to help Member States implement investments that are in line with the EU's priorities. To date, the RRF has allocated over €10bn to social infrastructure.
- European countries including France, Germany and the Netherlands continue to use the PPP model to develop new social infrastructure, with c.€3.36bn of new opportunities in the healthcare and education spaces launched across the region between 2020 – 2022.
- In the US, the American Jobs Plan (2021) aims to invest $2.3tn in a variety of infrastructure projects, including $400bn for expanding access to affordable care for elderly and disabled Americans and $100bn for building and upgrading public schools. PPPs (known as P3s) are expected to be a key delivery mechanism for these investments.

With net zero targets high on the agenda of most developed nations, there is a growing need to decarbonise existing social infrastructure. This is expected to create opportunities for additional investment in existing facilities, working alongside public sector clients. A report produced by the New Economics Foundation in September 2022 found that private investment in carbon-reduction activities would need to increase by £140bn over the next five years if the UK is to reach its net zero targets.

## Population by age group in HICL's core geographies*

+49%

increase in people aged 65+ between 2019 and 2050




* Europe, North America, Australia and New Zealand

Sources: Please see Appendix 3 on page 159

**The Infrastructure Market continued**

# Connecting communities

Infrastructure that connects communities, such as roads, bridges and digital communication networks, plays a vital role in driving development, connecting people to employment and education and is fundamental to our social wellbeing.

## Communications

Virtually all aspects of our lives are becoming increasingly digitised over time, with the amount of data copied, captured and consumed worldwide projected to show a 182% increase by 2025 relative to the 2020 level. As such, there is a significant requirement for upgraded digital infrastructure to meet these new needs. In many mature geographies, the availability of full fibre connections to homes and businesses remains nascent, lagging behind the demands of modern economies and requiring substantial capex investment to upgrade.

The roll-out of fibre broadband varies significantly by country, with different strategies and regulatory frameworks employed by national governments to meet connectivity objectives. In general, countries with mature regulatory regimes, concession-based frameworks and subsidised rural networks, such as France, provide the most suitable geographies for core infrastructure investment as they offer long-term cash flow visibility and have low or no risk of overbuild.

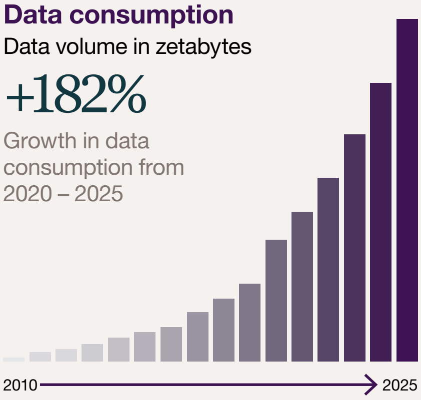
Development of tower infrastructure, supporting mobile connectivity, is also expected to grow substantially due to the rollout of 5G and material increases in mobile data consumption. Whilst some geographies are well advanced, others such as New Zealand are earlier in the 5G journey and require a significant increase in tower capacity over the next 5 to 10 years.

### Data consumption

Data volume in zetabytes

+182%

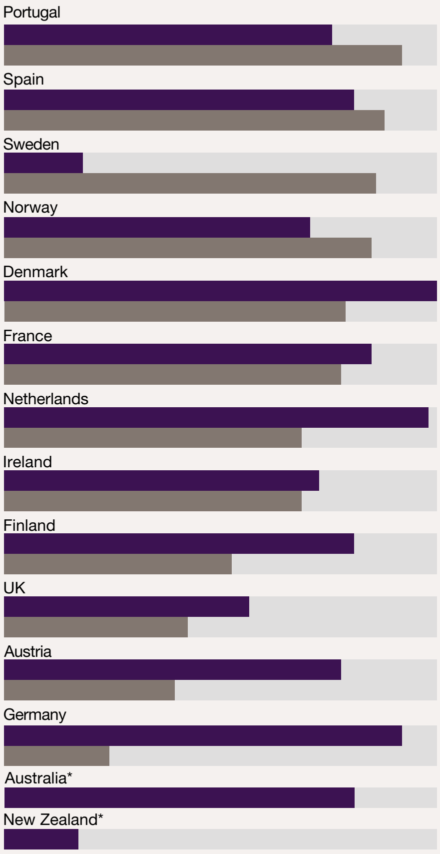
Growth in data consumption from 2020 – 2025




Policy responses across HICL's markets recognise the additional investment required and include:

- The EU's Gigabit Society vision, under which all households in the EU should have access to internet connection speeds at least 100Mb/s by 2025. This is estimated to require an overall investment of c.€500bn by 2025.
- Project Gigabit, a £5bn initiative launched in 2021 with the primary goal of expanding networks capable of delivering gigabit coverage to 85% of UK premises by 2025 and later progressing this to nationwide coverage.

### Fibre penetration and 5G penetration by country




5G Coverage as a % of population (as of October 2022)

FTTP Coverage – Homes passed as a proportion of total households (as of September 2022)

## Transport

Investment in transport infrastructure is essential to meet the growing demand for mobility and ensure the smooth functioning of economies. The trends of ageing infrastructure and decarbonisation continue to drive the need for funding in this space.

Policy responses recognising this need include:

- The US Bipartisan Infrastructure Investment and Jobs Act was made effective in 2021 and allocates over $110bn to repairing ageing roads and bridges. Much of this infrastructure across these markets will be delivered by private capital through established funding mechanisms, with operating models at the lower end of the infrastructure risk spectrum.
- In March 2020, as part of its budget, the UK government pledged £640bn of infrastructure investment between 2020 and 2025. This was followed by the government setting forth its intention to earmark £27bn of funds against a new road investment strategy.
- The EU's target of becoming carbon neutral by 2050 is expected to prompt substantial investments in the rail and rolling stock sectors as low-carbon transport mediums supported by the rollout of electric, hydrogen and hybrid trains. These investments should also help the EU achieve its goal of reducing transport-related greenhouse gas emissions by 90% before 2050, which was established in 2020 as part of the European Green Deal.

* For supplementary notes and sources, please see Appendix 3 on page 159

# Sustainable modern economies

In the face of a changing climate, sustainable modern economies need to increasingly manage essential resource scarcity (e.g. water) and the transition to a low-carbon economy. Significant investment in the generation, transmission, distribution and storage of clean energy is essential to deliver net zero target by 2050.

## Decarbonisation

While decarbonisation is the long-term driver, energy strategy in developed markets is also materially driven by increased concerns in the short term over energy security (due to geopolitical uncertainty), and energy affordability (cost of living concerns) – together the ‘energy trilemma’. This is expected to continue to drive significant investment in energy infrastructure, in particular across the breadth of the breadth of the electricity system.

Addressing this trilemma requires new sources of green electricity supply, substantial shifts in electricity demand due to the decarbonisation of heat and transport, and substantially evolved grid infrastructure to deal with both.

In the UK and US alone, we estimate an investment need in energy transmission and distribution of USD 2.5 trillion, alongside USD 600bn to achieve the decarbonisation of heat and USD 110bn for the decarbonisation of transport. A recent report by the Energy Transitions Commission, estimates around USD 1.1 trillion a year is required to be spent on grid and storage globally out to 2050, versus USD 260bn a year currently.

Policy responses across HICL’s markets recognise the challenge ahead and have introduced a range of initiatives to develop key infrastructure including:

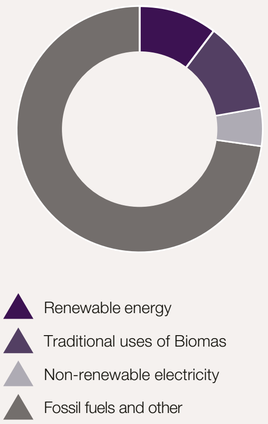
- The US Inflation Reduction Act (“IRA”) signed in 2022 allocates USD 386bn of funding to energy and climate spending.
- The EU’s European Green Deal, (2020) legally enshrined net-zero carbon emissions by 2050, with at least 55% of emissions reduced by 2030 relative to 1990 levels. A crucial element of the package is significant investment in the reach and resilience of electricity grids.
- In the UK’s Infrastructure Delivery Plan (2016), strategic priorities include the delivery of electricity interconnectors and an update to the transmission and distribution network. The smart meter roll-out programme sees a requirement for 85% of homes connected by 2024.
- In 2020, Ofgem proposed up to £35bn upfront funding to improve the UK energy network, accommodating for greener energy, in line with the UK’s Net Zero Strategy.
- In 2022, Germany launched its €3bn subsidy scheme that will support the development of new district heating systems using a minimum of 75% renewable energy and the decarbonisation of existing networks until 2028.

## Resource scarcity

Key challenges faced by the UK water system include the need to ensure drought resilience, improve water quality and combat water pollution. These challenges can be addressed only with significant levels of investment into the nation’s water infrastructure.

In 2019, Ofwat announced a £51bn spending package to improve the resilience of the UK water network and promote environmental sustainability.

## Global heat consumption




Sources: Please see Appendix 3 on page 159

# Business model
# How we create value

## 1.
## Core infrastructure characteristics we look for…

InfraRed evaluates the infrastructure market systematically using **HICL's core infrastructure framework**:

### Cash flow quality

- Low volatility in a range of macro environments
- Suitable / diverse counterparties
- Inflation protection
- High capital cost
- Low operational complexity

### Market positioning

- Monopolistic characteristics
- Regulated in some circumstances
- Capital intensive business model
- Structural protections

### Criticality

- Strong social licence and public benefit
- Real assets supporting essential services or facilitating important social function

## 2.
## to deliver on our strategy…

Developed by the Board and Investment Manager to ensure we deliver on our Investment Proposition

### Deliver a sustainable dividend

**An annual distribution of at least that achieved in the prior year, fully cash covered and supported by long-term portfolio earnings.**

### Grow Net Asset Value

**Preserve and grow the capital value of the investment portfolio over the long term.**

### Build a diversified portfolio to manage risk

**Spanning high-quality assets across the core infrastructure market.**

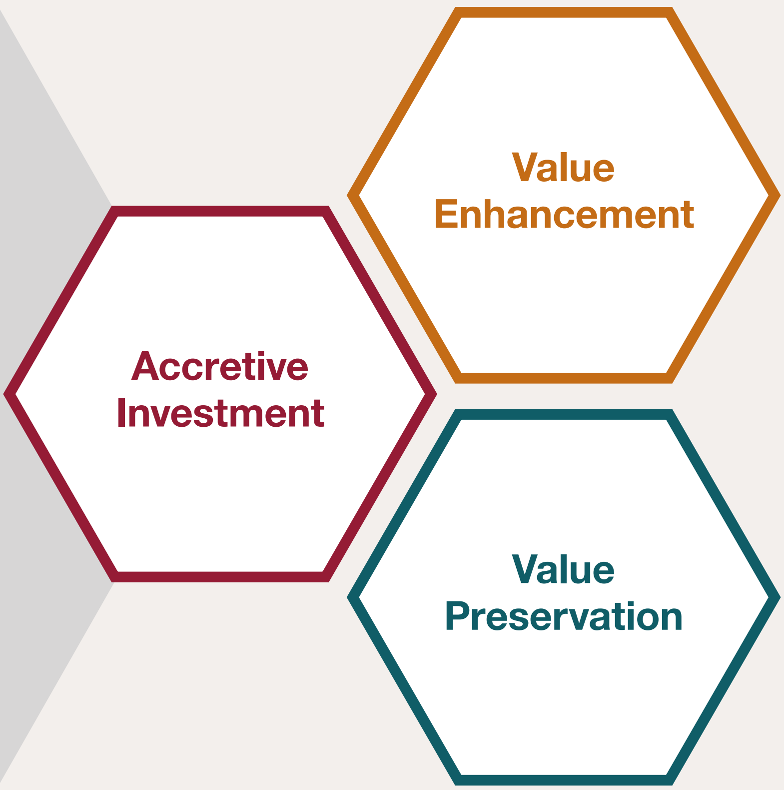
### Provide a compelling cost proposition

**Evidenced through a competitive Ongoing Charges Ratio.**

# 3.

## through our sustainable approach to value creation…

See next page for more detail on the three pillars of HICL's business model




# 4.

## for the benefit of our key stakeholders

### Our communities and end-users

We invest in essential assets which have a social purpose and will have a beneficial impact on the quality of life for the communities where they are located.

**10m+**
people with direct access to healthcare facilities

**500km+**
of road and high-speed railways

**120,000**
student places across schools, colleges and university facilities

### Our clients

We work together with corporate partners and public sector clients, including the UK's National Health Service (NHS), local councils, National Highways, and various government departments.

**18**
NHS Trusts in the portfolio

**61**
Portfolio clients surveyed in the year

### Our shareholders

A long-term sustainable mindset is imperative to achieve outperformance for shareholders. We offer long-term real returns from core infrastructure assets.

**8.9% p.a.**
Total Shareholder Return since IPO

**164.9p**
NAV per share

# The three pillars of our business model

## 1 Accretive Investment

**HICL has a clearly defined Investment Policy. This sets the overarching framework within which HICL seeks to construct a resilient core infrastructure portfolio that delivers the Investment Proposition and is consistent with HICL's overall risk appetite.**

Fundamentally it does this through:

- A structured asset quality evaluation framework focusing on cash flow quality, market positioning and criticality
- Careful and deliberate portfolio construction to limit exposure to any one factor and in so doing improve portfolio resilience
- An overarching focus on sustainability that is built into the investment process (see HICL's 2023 Sustainability Report)
- An objective that acquisitions are generally accretive to key portfolio metrics

Working within investment parameters approved by the HICL Board, InfraRed is responsible for the selection and pricing of new investments and, from time-to-time, disposals. The Acquisition Strategy is periodically reviewed by the Board and agreed with InfraRed.

InfraRed's Origination and Execution team, in coordination with the Fund Management team, uses a variety of channels to source accretive transactions for HICL.

**The following summarises HICL's Acquisition Strategy:**

**Geography**
Located in mature infrastructure markets

**Segmentation**
Core infrastructure market positioning

**Asset quality**
Defined by:

- Cash flow quality
- Market positioning
- Criticality

**Value-add**
Accretive to HICL's Investment Proposition

## 2 Value Enhancement

**InfraRed's Asset Management and Portfolio Management teams pursue opportunities to deliver outperformance from the existing portfolio through a systematic, strategic programme of value enhancement. This upside is often shared between HICL's shareholders and public sector clients for PPP projects, or with the customers of regulated assets through periodic regulatory price reviews.**

Fundamentally it does this through:

- Sponsoring the implementation of initiatives within portfolio companies to optimise asset business plans, pursue growth initiatives or enhance capital structures (for example, refinancing existing senior debt facilities)
- Developing and implementing procurement efficiencies across HICL's large and diverse portfolio, in particular by leveraging economies of scale (for example, management services and insurances for PPP projects)
- Exploring opportunities to add to or upgrade asset level facilities to improve stakeholder outcomes whilst supporting long-term shareholder returns (for example, undertaking contract variations on PPP projects that add to the scope of services)
- Driving efficient financial and treasury management of HICL, seeking opportunities to reduce ongoing costs
- Considering where value can be improved, or portfolio risk profile improved, through selective disposals

## 3 Value Preservation

**InfraRed's Asset Management and Portfolio Management teams work closely together, in partnership with the management teams in HICL's portfolio companies, to deliver HICL's Investment Proposition by preserving the value of investments for shareholders and stakeholders. The objective is to ensure portfolio companies continue to operate with the endorsement of their key stakeholders, including through the delivery of contractual and regulatory requirements, in order to deliver the base-case investment return.**

Fundamentally it does this through:

- Providing effective governance of portfolio companies, usually through board representation
- Building relationships with key portfolio company counterparties, in particular public sector clients/regulators
- Facilitating and/or driving resolution of operational issues, including disputes and critical issues
- Delivering HICL's sustainability strategy at the asset level by promoting greater awareness within portfolio company management teams and driving the pursuit of specific initiatives to comply with regulation and support sustainable, responsible business operations
- Oversight of financial performance of each investment against HICL forecasts
- Optimising cash efficiency by managing cash flow from HICL investments and minimising cash drag on returns
- Managing the process and analysis required for valuations of HICL's portfolio
- Following prudent financial management practices (e.g. accounting and tax policies; treasury processes)

# Engaging with our stakeholders

**As a responsible owner of essential public assets, HICL's ability to deliver its Investment Proposition over the long term is inextricably linked to the delivery of positive stakeholder outcomes for the broader community.**

| | Stakeholder expectations | Our approach and touchpoints |
|---|---|---|
| **Our communities and the end-users of our assets** | | |
| We invest in infrastructure projects that provide essential services to local communities. In some instances, we deliver those services directly, such as the provision of clean energy or water, and in other instances these services are performed by our public sector clients such as healthcare services. | Communities expect seamless access to essential services like water, transport, and energy. | – We support community engagement initiatives at the company level<br>– At the portfolio level, we facilitate the sharing of best practice for engagement and design of scalable solutions<br>– At the Manager level, InfraRed forms dedicated groups to drive key initiatives |
| **Our clients** | | |
| We work together with corporate partners and public sector clients, including the UK's NHS, local councils, National Highways, and various government departments to deliver many of our essential infrastructure services. | Infrastructure assets are built and maintained in line with contractual requirements, so that clients can offer critical services to their communities. | – Direct and proactive client engagement at the portfolio company level<br>– Client surveys to understand the needs of our clients and their communities. This is a fundamental driver of our portfolio impact strategy<br>– We engage in public-private working groups to identify solutions to industry challenges such as net zero and hand-back requirements |
| **Our people** | | |
| HICL portfolio companies employ over 1,200 people and thousands more through each asset's supply chain. InfraRed has a talented, diverse team of over 190 people worldwide which comprises over 20 nationalities speaking 20 different languages. | Make a positive impact on the environment and society whilst growing personally and professionally. | – Through our governance rights, we ensure portfolio companies who employ staff directly have current and appropriate policies in place such as diversity and inclusion and modern slavery<br>– At the Manager level, InfraRed implements initiatives around the principles of Attracting, Retaining and Cultivating diverse talent and empowering its employees |
| **Our delivery and other partners** | | |
| To enable high-quality infrastructure assets, we partner with many specialist organisations which include management service providers, construction companies, facilities management companies, financiers, co-shareholders and advisers. | Collaborate with each company to fulfil their own business objectives whilst enabling the sustainable delivery of high-quality services to infrastructure assets. | – Targeted engagement with business partners at the asset and portfolio levels<br>– Quarterly and annual monitoring<br>– Manager-led semi-annual ESG summits with all portfolio companies |
| **Our shareholders** | | |
| We invest in infrastructure assets using the capital provided by our investors. Our shareholders range from individuals to substantial international institutions, and pension funds which have a long-term investment horizon. | Maximise long-term sustainable financial returns for a given level of risk. Accessible and transparent reporting on the Company and portfolio. | – Investor presentations targeted at both institutional and retail investors<br>– Responding to investor information requests<br>– Transparent ESG reporting<br><br>AGM<br>2:00 pm Wednesday, 19 July 2023<br>Brewers Hall, Aldermanbury Square, Barbican, London EC2V 7HR |

# Key Performance and Quality Indicators

The Board has identified metrics to measure HICL's performance against its strategic objectives. The results for the year ended 31 March 2023 are set out below.

## Key Performance Indicators

### Dividends

8.25p

2022: 8.25p

Measure
Aggregate interim dividends declared per share for the year.

Objective
An annual distribution of at least that achieved in the prior year.

Performance

| | |
|---|---|
| 2021 | 8.25p |
| 2022 | 8.25p |
| 2023 | 8.25p |

Link to strategy

### Total Shareholder Return

8.9% p.a.

2022: 9.0% p.a.

Measure
NAV growth and dividends paid per share since IPO.

Objective
A long-term IRR target of 7% to 8% as set out at IPO[1].

Performance

| | |
|---|---|
| 2021 | 8.9% |
| 2022 | 9.0% |
| 2023 | 8.9% |

Link to strategy

### Cash-covered Dividends

1.31x / 1.03x[2]

Including / excluding profits on disposal
2022: 1.05x / 1.02x[3]

Measure
Operational cash flow/dividends paid to shareholders.

Objective
Dividend payments are covered by cash received from the portfolio.

Performance

| | |
|---|---|
| 2021 | 0.90x |
| 2022 | 1.05x |
| 2023 | 1.31x |

Link to strategy

### Positive Inflation Correlation

0.8x

2022: 0.8x

Measure
Changes in the expected portfolio return for 1% p.a. inflation change for each and every future period.

Objective
Maintain positive correlation with a correlation of at least 0.5x.

Performance

| | |
|---|---|
| 2021 | 0.8x |
| 2022 | 0.8x |
| 2023 | 0.8x |

Link to strategy

### Competitive Cost Proposition

1.09%

2022: 1.06%

Measure
Annualised ongoing charges/average undiluted NAV[4].

Objective
Efficient gross (portfolio level) to net (investor level) returns, with the intention to reduce ongoing charges where possible. Maintain within the range for FTSE250 listed infrastructure peers.

Performance

| | |
|---|---|
| 2021 | 1.07% |
| 2022 | 1.06% |
| 2023 | 1.09% |

Link to strategy

1 Set by reference to the issue price of 100p/share, at the time of HICL's IPO in February 2006
2 Including profits on disposals versus original acquisition cost of £45.5m. Excluding this, dividend cash cover would have been 1.03x
3 Including profits on disposals versus original acquisition cost of £4.8m. Excluding this, dividend cash cover would have been 1.02x
4 Calculated in accordance with Association of Investment Companies guidelines. Ongoing charges excluding non-recurring items such as acquisition costs

## Link to strategy

- Deliver a sustainable dividend
- Grow Net Asset Value
- Build a diversified portfolio to manage risk
- Provide a compelling cost proposition

# Key Quality Indicators

### Investment Concentration Risk

49%, 7%

**2022: 48%, 9%**

Measure
Percentage of portfolio value represented by the ten largest investments[1].

Percentage of portfolio value represented by the single largest investment[1].

Objective
Maintain a diversified portfolio of investments (thereby mitigating concentration risk) and, at all times, remain compliant with HICL's Investment Policy. Single asset concentration < 15%.

Performance

| | |
|---|---|
| 2021 | 46% |
| 2022 | 48% |
| 2023 | 49% |

Link to strategy

### Risk/Reward Characteristics

22%

**2022: 25%**

Measure
Percentage of portfolio value represented by the aggregate value of projects with construction and/or demand-based risk[2].

Objective
Compliance with HICL's Investment Policy, to be lower than the aggregate limit of 35% for such investment.

Performance

| | |
|---|---|
| 2021 | 22% |
| 2022 | 25% |
| 2023 | 22% |

Link to strategy

### Unexpired Concession Length

32.2 years

**2022: 29.8 years**

Measure
Portfolio's weighted average unexpired concession length.

Objective
Seek where possible investments that maintain or extend the portfolio concession life such that it remains above 20 years.

Performance

| | |
|---|---|
| 2021 | 28.6 yrs |
| 2022 | 29.8 yrs |
| 2023 | 32.2 yrs |

Link to strategy

### Refinancing Risk

0.6%[3]

**2022: 0.0%**

Measure
Investments with refinancing risk within 24 months as a percentage of portfolio value[4].

Objective
Manage exposure to refinancing risk to 20% of portfolio value.

Performance

| | |
|---|---|
| 2021 | 0.2% |
| 2022 | 0.0% |
| 2023 | 0.6% |

Link to strategy

### Sustainability Stewardship

97%

**2022: 98%**

Measure
Percentage of the portfolio that is rated 'high' for ESG performance[5].

Objective
>75% of the portfolio rated high in ESG performance.

Performance

| | |
|---|---|
| 2021 | 99% |
| 2022 | 98% |
| 2023 | 97% |

Link to strategy

1 HICL's Investment Policy stipulates that any single investment (being, for this purpose, the sum of all incremental interests acquired by HICL in the same project) must be less than 20% (by value) of the gross assets of HICL, such assessment to be made immediately post acquisition of any interest in a project
2 'More diverse infrastructure investments' which are made with the intention 'to enhance returns for shareholders' as permitted under the terms of HICL's Investment Policy – namely pre-operational projects, demand-based assets and/or other vehicles making infrastructure investments. Further details are set out in the Investment Policy, available from HICL's website
3 Refinancing required on Texas Nevada Transmission which benefits from protection from increased debt costs through the regulatory mechanism
4 Calculated as required asset refinancings within 24 months: lower of: (i) HICL's share of debt to be refinanced; and (ii) the valuation of HICL's equity investment; divided by HICL's total Directors' Valuation
5 'High' rating in ESG performance means scoring 4/5 stars in the HICL Sustainability Survey or subsequent metrics as ESG reporting evolves

# Investment Manager's Report

Right:
**Edward Hunt**
**Head of Core Income Funds, InfraRed**
Edward leads the InfraRed team that manages HICL

Left:
**Helen Price**
**CFO, InfraRed**
Helen is responsible for managing the financial activities carried out by InfraRed for HICL

In a year of heightened macroeconomic uncertainty, the Company has performed as designed. HICL's strong correlation to inflation more than offset the associated impact of higher discount rates on asset valuations.

The underlying portfolio was resilient, benefiting from expert diversification and sound capital management, and demonstrated improved cash flow generation in the year. InfraRed remains focused on enhancing portfolio composition as reflected in the high-quality acquisitions and selective disposals made in the year. This approach to active management and asset rotation has improved portfolio diversification and significantly enhanced HICL's long-term earnings profile.

The quality of the Company's portfolio, expertise of its Investment Manager and attractions of the core infrastructure market ensures that HICL remains resilient and well positioned to pursue its strategy in a range of market conditions.

## Operational highlights

The underlying performance of the Company's portfolio was positive for the year ended 31 March 2023, returning 10.2% (9.6% at 31 March 2022)[1] which drove a Total Shareholder Return[2] of 6.3%, offsetting the increase in the portfolio weighted average discount rate in the year.

Operational outperformance was driven by the portfolio's 0.8x correlation to inflation which has been achieved through disciplined portfolio construction. Actual inflation was ahead of expectations in the year and benefited the Company's cash flows. Further details of the drivers of portfolio performance can be found in the Valuation of the Portfolio section starting on page 46.

InfraRed acts as the Investment Manager to HICL with day-to-day responsibility for the following activities:

- **Development and execution of HICL's strategy**
- **Stewardship of portfolio assets through proactive asset and portfolio management, and the resolution of critical issues**
- **Stakeholder engagement across both public and private sectors**
- **Investment origination, due diligence and execution**
- **Capital raising, investor relations and preparation of key external communications**

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

- Werner von Guionneau (CEO)
- Chris Gill (Deputy CEO)
- Stewart Orrell (Head of Asset Management)
- Edward Hunt (Head of Core Income Funds)
- Helen Price (CFO)

1 Performance of the portfolio relative to the opening weighted average discount rate
2 Based on interim dividends paid plus change in NAV per share in the year, divided by opening NAV per share

## Operational performance overview

Operational performance has been in line with the Investment Manager's expectations for the year. HICL's Public Private Partnership ("PPP") portfolio (60% of the Directors' Valuation at 31 March 2023; 66% at 31 March 2022) performed well during the period, benefiting from the inflation linkage built into its availability-based contracted revenues and highly contracted cost base, including fixed debt over the life of the project.

The Company's three largest demand-based investments (17% of the Directors' Valuation at 31 March 2023; 22% at 31 March 2022), together experienced traffic broadly in line with valuation assumptions for the year. Wider economic volatility has not had any material impact on the performance of these investments in the year, helped by their strategically significant locations and entrenched demand.

The operational performance of the Company's largest regulated investment, Affinity Water (7% of the Directors' Valuation at 31 March 2023; 9% at 31 March 2022), was negatively impacted by unusually adverse weather conditions during the year which resulted in increased operating costs and incentive regime penalties. This was offset by the positive impact of actual and forecast inflation, as well as the reflection of Ofwat's final PR24 methodology and early view on the allowed return on capital for the next Asset Management Plan period (2025 – 2030).

Following the completion of Fortysouth (formerly known as Aotearoa Towers) during the year, InfraRed has been working closely with One NZ[3] to oversee the transition of the passive infrastructure. Operational and financial performance over the period was in line with HICL's acquisition assumptions. HICL's investment in Texas Nevada Transmission completed after the year-end, and the business has been performing well since the commitment was made in summer 2022. InfraRed's local asset management teams are working closely with both companies to ensure a smooth transition into the HICL portfolio.

Enhanced disclosure on the operational performance of each of HICL's Top 10 assets is set out starting on page 26.

Texas Nevada Transmission see page 31

Fortysouth see page 30

## HICL's business model delivering value

The proactive management of the Company's balance sheet and portfolio composition is central to HICL's business model.

### Proactive balance sheet management

Disciplined management of the Company's funding position remains a priority. In March 2023, the Company's Revolving Credit Facility (RCF) was renegotiated to increase its capacity to £650m and to extend the tenor to 30 June 2026. This replaced the existing £400m RCF and £330m accordion, which was activated in July 2022 to support the Company's attractive short-term investment pipeline. The new facility, which remains sustainability linked, provides substantial funding resources and sufficient tenor to support the Company's strategy.

In May 2023, HICL issued a £150m Private Placement, further diversifying the Company's sources of capital. Proceeds of the issue will be used to reduce drawings on the Company's RCF, and extend the maturity and reduce the interest rate risk on the equivalent drawings. The maturity aligns with the forecast capital returns from HICL's PPP portfolio to enable the Company to reinvest this capital ahead of time.

HICL's capitalisation was also supported by an accretive equity issuance in July 2022 that raised £160m and was subject to scale back. The continued demand from institutional and retail shareholders demonstrates the support for HICL's strategy and appetite for the key attributes of core infrastructure.

### Accretive investment activity

Acquisition and disposal activity in the year served to improve portfolio composition, enhance diversification and contribute significantly to the Company's strategy to increase asset life and long-term earnings generation within the portfolio.

Three high-quality investments were announced in the year, which comprised:

- Fortysouth (New Zealand), a passive mobile tower infrastructure owner with over 1,500 towers. Completed in November 2022 (6% of the Directors' Valuation);
- Cross London Trains ("XLT") (UK), a PPP asset comprising 115 electrified trains. Completed in the period (3% of the Directors' Valuation); and
- Texas Nevada Transmission ("TNT") (US), spanning two distinct electricity transmission systems and over 800km of high-voltage transmission lines. Completion occurred post year-end (6% of the Directors' Valuation).

3 Formerly known as Vodafone New Zealand

### Highlights

**6.3%**
**Total return in FY23 (NAV basis)**

**10.2%**
**Portfolio return in FY23**

**£650m**
**Sustainability linked RCF refinanced in year**

**£150m**
**Private Placement issued May 2023**

**7%**
**Largest single asset concentration (Affinity Water)**

## Investment Manager's Report continued

In addition, in April 2023 the Company announced the acquisition of a stake in Altitude Infra, a leading owner/ operator of fibre-to-the-home ("FTTH") in rural France with a total footprint covering over five million households.

These investments were targeted by InfraRed owing to their attractive core infrastructure attributes; essential public assets with contracted and/or regulated cash flows, that enjoy a highly defensive position in their respective markets. This positioning extends to the robustness of the investments' capital structures, with limited refinancing risk, as well as broader protection from the risk of higher interest rates through inflation-linked cash flows and, in the case of TNT, a regulated cost of capital. In an environment of elevated inflation and interest rates, assets that provide these protections are particularly attractive. These investments were delivered through InfraRed's deep global relationships, innovative approach to bidding and strong track record for execution.

The transaction activity further demonstrates the evolution of core infrastructure and the compelling set of investment opportunities arising from modernising global economies. In particular, the megatrends of digitisation and decarbonisation provide tailwinds that are expected to support long-term growth in these recent investments, funded from the assets' existing capital resources.

Alongside accretive investments, asset disposals provide an important lever to optimise portfolio construction, realise NAV outperformance and provide a valuable source of funding for the Company. In the year, HICL completed the disposal of its 100% interest in the Queen Alexandra Hospital ("QAH") PPP project, generating 1.5p of NAV outperformance and £108m of proceeds which were subsequently invested into the accretive acquisitions described above.

Following the year end, HICL executed an agreement to sell 10% of its 33.3% shareholding in the Northwest Parkway for a consideration of USD 86m, achieving a small premium to carrying value. This sale crystallised a 11.0% holding period IRR since the initial investment in December 2016 and a 1.8x multiple on cash invested, demonstrating the continued ability of the Company to deliver capital growth and compound shareholder returns. As well as providing a valuable source of funding, the transaction supported the Directors' Valuation in a period of macroeconomic uncertainty. Not least, the disposal crystallised the significant valuation appreciation since acquisition to effectively rotate capital and optimise HICL's diversification by sector, geography and revenue type.

### Highlights

**£630m**
**across four acquisitions announced in the year (or post year end)**

**£174m**
**across two disposals completed or announced in the year (or post year end)**

**1.8x**
**Multiple on cash invested achieved from Northwest Parkway realisation**

**1,500+**
**Number of Fortysouth towers across NZ**

**900+ MW**
**of renewable energy connected to TNT's network**

### Specialist asset management

InfraRed's dedicated team of specialist asset managers is key to the delivery of investment performance through the investment lifecycle. The proficient onboarding of new acquisitions has been a critical asset management activity in the year, delivered via InfraRed's asset management platforms out of London, New York and Sydney.

InfraRed's long track record of successfully delivering assets through construction was demonstrated in the period. On 1 July 2022, Paris-Saclay University commenced operations in line with the agreed availability date, marking the conclusion of a four-year construction period. Several key milestones were also achieved at Blankenburg Tunnel, with works expected to complete on schedule in 2024, notwithstanding supply chain pressures linked to the war in Ukraine.

Broader active management by InfraRed of physical asset condition across the PPP portfolio continued over the year. This included proactive leadership of the delivery of remediation works where necessary, including identified construction defects. The value of this work was demonstrated at Pinderfields and Pontefract Hospitals, where commercial agreement to deliver a major programme of defect remediation works enabled the resumption of shareholder distributions in the year and de-risked the future cash flows from the project.

Extensive collaboration with project partners and wider asset stakeholders is also key to the effective resolution of broader industry issues. The Investment Manager maintains its position as a member of the Infrastructure and Project Authority's ("IPA") Project Expiry Working Group as well as the IPA's Net Zero Working Group. At an asset level, InfraRed's dedicated Portfolio Impact team and strategy facilitates greater collaboration with clients and other key stakeholders, while delivering for local communities. More detail is set out in HICL's 2023 Sustainability Report.


Blankenburg Tunnel

Pinderfields and Pontefract Hospitals see page 34

## Financial highlights

NAV per share increased by 1.8p over the year to 164.9p at 31 March 2023 (31 March 2022: 163.1p).

The movement in the NAV per share in the year was largely attributable to the portfolio's strong inflation correlation. The positive portfolio performance was offset by the valuation impact of an increase in the weighted average portfolio discount rate to 7.2% at 31 March 2023 (6.6% at 31 March 2022). The weighted average discount rate was increased to recognise elevated government bond yields throughout the jurisdictions in which HICL invests, as central banks increased benchmark rates in reaction to high levels of inflation. There was no material impact to financial performance from rising interest rates. Overall, HICL's portfolio company gearing, which stands at 66%, is predominantly fixed-rate and the Company has limited sensitivity to rising interest rates (see NAV sensitivity chart on page 50).

### Dividend guidance

The Board's extended dividend guidance has been developed with the full support of the Investment Manager. Significant strides have been made in recent years to diversify, and extend, the Company's revenue streams through both acquisitions and disposals. These activities have sought to strike an appropriate balance between maintaining HICL's high dividend (in relative terms), prioritising capital preservation and building an enduring platform for long-term NAV appreciation and dividend growth.

To date this strategy has been carried out effectively. Since HICL acquired its first non-PPP investments in early 2016, the Company's weighted average asset life has increased by over 50%, while inflation correlation has increased by over 30% to 0.8x over the same timeframe. The latter has served to provide significant protection to investors over the past year, offsetting the negative impact of higher interest/discount rates on the portfolio valuation while also considerably enhancing HICL's future earnings and cash flow profile. All the while, the Company has continued to pay out the highest dividend in the core infrastructure peer group.

Short-term distributable cash continues to recover, as reflected in the further increase in dividend cash cover (1.03x before profits on disposals), and HICL's asset life is now the highest in its history. Nevertheless, this period of consolidation remains in progress and accordingly InfraRed supports the decision to maintain the dividend at 8.25pps for the year ending 31 March 2025. The dividend is a material component of HICL's total return profile which, when coupled with high inflation correlation, the long-term visibility of portfolio cash flows and potential for NAV growth, provides a compelling investment proposition for shareholders.

### Funding position

As at 31 March the Company's investment entity subsidiary, IILP, was £219m drawn on its RCF, with £16m of short-term commitments at that date. Following year-end transactions, including the completion of TNT, the completion of Altitude Infra, the agreed partial disposal of NWP, the Private Placement proceeds and the expected investment in the Hornsea II OFTO, the Company is expected to have drawn c.£360m on its RCF.

Further information on the investment valuation and financial performance can be found in Valuation of the Portfolio starting on page 46, and the Financial Review starting on page 40.

## Governance

The Board continues to deliver its succession plan, with Frank Nelson, HICL's Senior Independent Director (SID), planning to step down in July 2023. Frank has shown steadfast commitment to the Company over the nine years of his tenure, and we thank him for his significant contribution.

At the Investment Manager level, Keith Pickard stepped down from the HICL Investment Committee upon his retirement from InfraRed in March 2023. In his stead, Helen Price, CFO for HICL and InfraRed, joined the HICL Investment Committee in July 2022.

### What does 0.8x inflation correlation mean?

HICL's correlation to inflation is expressed as 0.8x. This means that if inflation were 1% above assumptions each and every year in the future, the return from the portfolio would be expected to increase by 0.8%. Increases in inflation expectations are reflected immediately in the Company's NAV. However, the effect of inflation on future portfolio earnings is not linear and takes time to make a meaningful impact on distributable cash in the short term, and it is also affected by the contractual lags to implement inflationary uplifts. Accordingly, it is important to look at total return (NAV movement plus dividends) to evaluate the impact of inflation correlation.

### Highlights

**1.31x/ 1.03x**
Dividend cash cover

**66%**
Portfolio company gearing

**Article 8**
HICL's SFDR fund alignment

**Investment Manager's Report continued**

## Sustainability

HICL's portfolio has an important social impact. By facilitating the delivery of essential services in a socially responsible manner, the Company's underlying assets contribute to many of the UN SDGs and deliver an inherent social good. However, a genuine social contribution requires going beyond the reliable provision of infrastructure. To that extent, InfraRed has created a dedicated Portfolio Impact team and strategy which aims to drive positive social outcomes for local communities and to enhance relationships with public and private sector clients.

During the year, InfraRed published its net zero progress report setting out interim targets for all funds, incorporating a proportion of HICL's portfolio which is aligned or aligning to net zero. Within this framework, HICL has disclosed its own interim targets, and the entire portfolio is expected to align with InfraRed's pledge of achieving net zero by 2050 or earlier.

Supporting these initiatives and in line with HICL's active sustainability strategy, the Investment Manager has achieved key milestones in data collection and disclosure in the year for the Company. InfraRed's expanded annual ESG survey has enabled HICL to expand its suite of sustainability metrics and targets to include all mandatory PAI[4] indicators under the EU's SFDR regime, an important part of the Company's wider disclosure as an Article 8 fund.

Sustainability Highlights are provided on pages 36 – 37. Full details are set out in the Company's 2023 Sustainability Report, available on the HICL website.

## Key risks

HICL's risk appetite statement, approach to risk management and governance structure are set out in Risk and Risk Management, starting on page 53.

The Investment Manager's view on the performance of key risks in the year is set out below.

### Political and regulatory risk

#### Geopolitics

Geopolitical risk was elevated in the period, reflecting the continuing war in Ukraine. The Company is not directly exposed to the region, either via its investment portfolio or its shareholder register. The secondary impacts of the conflict, including supply chain disruption, increased energy costs and materials inflation have had a limited impact on a subset of projects during the period, with risks to equity mitigated through contractual pass-through mechanisms.

Political risk also manifested in the UK, with two changes of Prime Minister in the year. The political situation has since stabilised, with the next general election to be held no later than January 2025. The broader need for infrastructure procurement enjoys bipartisan political support, though specific areas of policy focus undoubtedly vary. The Investment Manager continues to judge UK political risk as low. Notwithstanding that, the rationale for portfolio diversification, including across clients, sectors and countries, remains strong and is a key feature of HICL's offering and strategy.

#### PFI handback

The process whereby PFI projects revert to public ownership is expected to gather momentum over the next decade. Ensuring the smooth transition of assets over time is therefore a prominent issue for all PFI stakeholders, public and private sectors alike. InfraRed enjoys representation in the IPA's dedicated working group on this project, as well as the IPA's equity sponsor steering group, and a HICL asset participated in an IPA-sponsored mid-life contractual review in the year. The Investment Manager launched its own rolling programme of handback preparedness reviews, which focuses initially on the 29 projects due to be handed back in the next ten years (representing 11% of the Directors' Valuation at 31 March 2023). This exercise will guide InfraRed's planning and asset management design around this risk.

#### Client relationships

There continue to be risks inherent in long-term partnership frameworks, particularly in the context of broader operating and financial pressures across the UK public sector. In specific cases this has resulted in more adversarial forms of contract management, particularly in a subset of the Company's UK healthcare projects. Though this remains immaterial to the portfolio, the risk for further instances of this behaviour exists, including the non-payment of contracted revenues, which could pose a risk to the Company's cash flow.

### Highlights

**20m**
**people worldwide use and depend on HICL owned infrastructure in their day-to-day lives**

**100%**
**of the portfolio covered in newly published emissions data**

**Net Zero**
**targets published for the portfolio, plotting the path to decarbonising the portfolio by 2050**

Affinity Water see page 26

HS1 see page 32

4 Principal Adverse Impact

## Regulation

The Company has six assets classified as being subject to regulatory oversight, though the nature and extent of this varies significantly across the assets. Notably, Affinity Water is approaching a periodic price review by Ofwat, the UK water regulator in 2024 (PR24) which is discussed further in the Top 10 assets – Operational Review. The Investment Manager notes regulatory and political overtures regarding historic under-investment in the sector and the potential for a more penal operating regime from 2025 onwards. InfraRed enjoys a productive dialogue with Ofwat, plays an important role in relevant industry forums and believes that this risk is reflected appropriately in the Directors' Valuation.

## Demand risk and consumer behaviour

The acute risk posed by Covid-19 travel restrictions on HICL's demand-based assets has significantly reduced. This has enabled a greater degree of visibility over potential long-term fluctuations to usage patterns, driven by factors such as shifting working patterns as a result of Covid-19 and the decarbonisation of transport. An estimate of this impact has been incorporated into the long-term revenue forecasts for Northwest Parkway and HS1. Risk remains that current demand forecasts do not accurately reflect shifts in usage patterns for HICL's demand-based assets. The strategic positioning, long traffic histories and entrenched demand enjoyed by HICL's demand-based assets mitigates this risk.

## Macroeconomic risk

The returns from HICL's core infrastructure portfolio are significantly positively correlated to inflation at 0.8x over the long term. Recognising the current high inflationary environment, NAV and cash flow sensitivities have been calculated. Where inflation is higher than HICL's valuation assumptions by 3% for the next three years, NAV would increase by 10.5p per share.

Discount rates used to value core infrastructure assets did not fully reflect the significant decrease in risk-free rates observed over the last decade, serving to increase the implied equity risk premium to historically high levels. This anticipation of a normalisation of the interest rate environment insulated the portfolio valuation from the full impact of the volatility of risk-free rates. Notwithstanding this, HICL increased its weighted average discount rate by 60bps over the year. The current implied equity risk premium of 3.5% remains appropriate and commensurate with HICL's risk positioning and long track record of delivering for shareholders.

## Market and outlook

During a period of heightened geopolitical and macroeconomic uncertainty, the Company's portfolio has again demonstrated its resilience. Volatile periods such as this serve to underscore the importance of the disciplined portfolio construction and expert diversification that underpin HICL's continued ability to deliver long-term outperformance.

The Company is well positioned to continue delivering its strategy. HICL's strong inflation linkage, prudent approach to managing its balance sheet and established track record of delivering yield and capital growth, ensure that HICL remains a compelling all-weather investment and a valuable diversifier for investor portfolios.

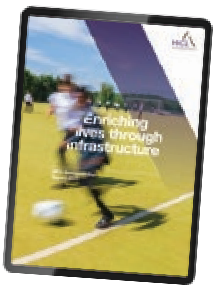
InfraRed continues to identify and pursue opportunities to manage portfolio composition and improve key portfolio metrics through highly selective acquisitions and disposals. In this task, InfraRed remains focused on ensuring that HICL is well positioned for the future as its PPP concessions approach their capital redemption phase. This necessitates proactive management, and careful consideration of the relative merits of short-term yield as against an enhanced longer-term earnings profile, such that HICL continues to deliver its compelling investment proposition for decades to come.

The Company's vision, to deliver strong social foundations, connect communities and support sustainable modern economies guides HICL's investment ambition. This vision connects with powerful megatrends of digitalisation and decarbonisation (see Infrastructure Market section on pages 10-13) which continue to drive infrastructure development and provide significant opportunity for investment. Strong investment discipline, aided by HICL's core infrastructure framework (see page 14), and InfraRed's differentiated capability to source opportunities, stand the Company in good stead to deliver its strategy.

HICL has a portfolio of diversified assets with attractive core infrastructure characteristics, in a sector buoyed by powerful growth drivers. Together these underscore the compelling nature of HICL's investment proposition today and into the future.

10.5p

**The increase in NAV per share if inflation is 3% above HICL's assumptions for the next three years**




Download the HICL Sustainability Report online www.HICL.com

# Top 10 assets[1] – operational highlights

## 1. Affinity Water

**Affinity Water provides on average 950 million litres of clean water each day to a population of more than 3.6 million people in southern and eastern England. As a regulated utility, the company has clear visibility over its appointed revenue base through a well-established price review mechanism.**

On 13 December 2022 Ofwat published its final methodology for the upcoming periodic price review in 2024 (PR24), which included an early view of the allowed return on capital ("WACC"), and on 20 March 2023 it released its decision on licence modifications to promote financial resilience. Together, these increase visibility over Affinity Water's business plan for PR24. Ofwat's methodology represents a gradual evolution from the PR19 approach and is expected to result in significant growth in the company's Regulatory Capital Value as a result of substantial increases in total expenditure allowances. The final PR24 methodology, early view on WACC and PR24 licence amendment have been reflected in HICL's valuation of Affinity Water as at 31 March 2023 and had a small positive impact in aggregate. Free cash flows are currently being reinvested into capital growth, with shareholder distributions expected to resume in the next regulatory period.

Operational performance over the year was slightly behind expectations as a result of extreme hot weather during the summer of 2022 and freeze-thaw conditions in December 2022. Both of these events resulted in increased operating costs and revenue penalties. Operating costs were also affected by high energy prices during the year, although the financial impact was substantially mitigated as a result of the company's hedging strategy.

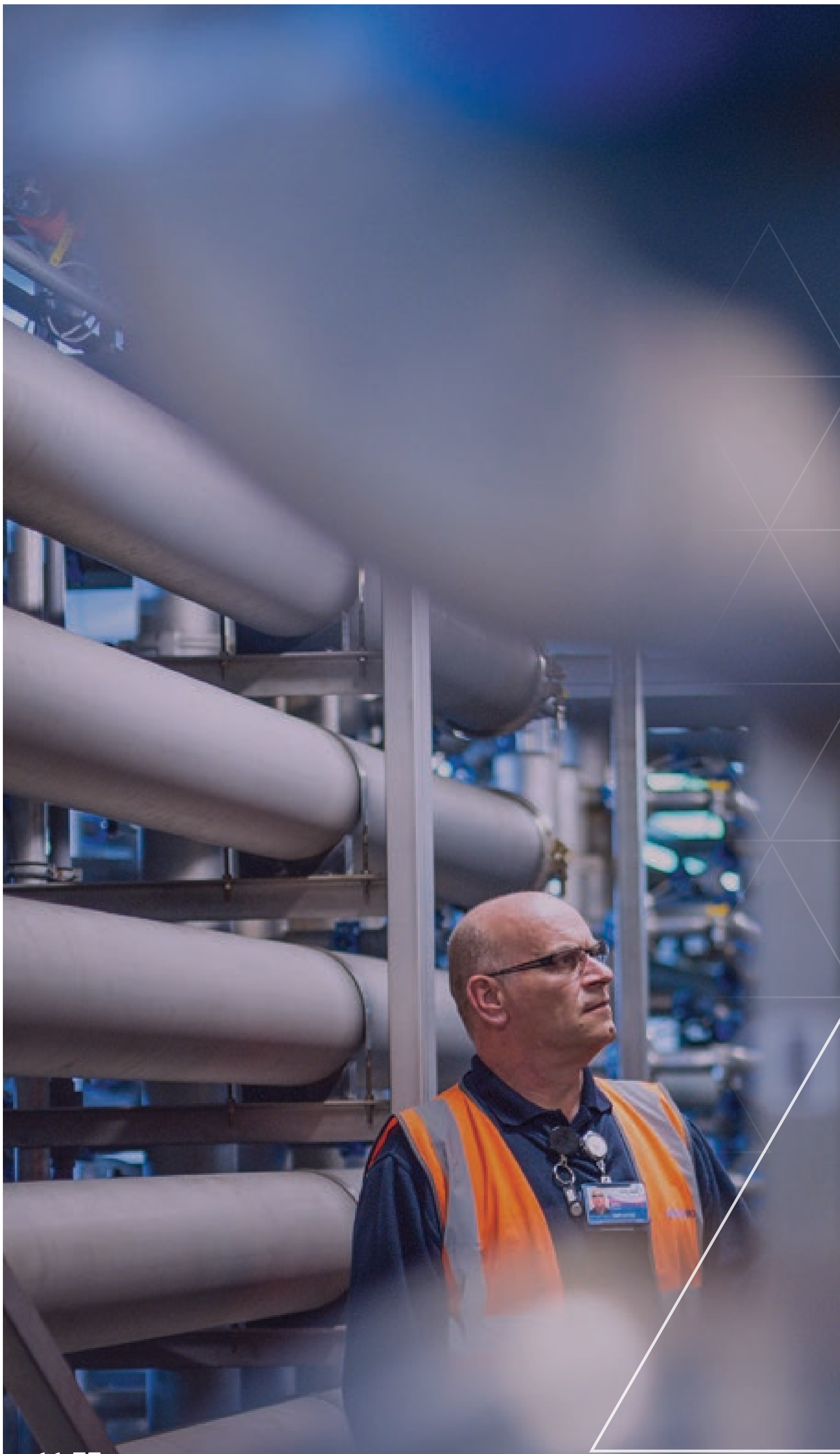
Despite the challenging external environment, Affinity Water did not impose usage restrictions at any point during the year, achieved its FY2023 leakage target, and is on track to deliver a 20% reduction in leakage by 2025. This represents the most ambitious target of all water companies in England for the current regulatory period.

On 8 December 2022, Ofwat published its annual assessment of operational performance and a summary of the financial resilience of the sector[1]. Affinity Water's operational performance ranked in the top half of all companies, with Ofwat highlighting a sector-leading improvement in per-capita water consumption. This reflects the management team's focus on the sustainable use of natural resources. Affinity Water's financial structure has benefited from steadily reduced levels of gearing over the current regulatory period, which was reflected in Ofwat's report.

In January 2023, Keith Haslett joined Affinity Water as CEO, having previously served as Group Water Director at Northumbrian Water. InfraRed worked closely with the Affinity Water board throughout the recruitment process and will continue to support Keith as he leads the business into the next regulatory period.

**Sector:** Electricity & Water
**Location:** UK
**% of portfolio:** 7% (March 2022: 9%)
**HICL holding:** 33.2%
**Concession life remaining:** Indefinite
**Status:** Operational

1 www.ofwat.gov.uk/publication/water-company-performance-report-2021-22/



" I am delighted to join Affinity Water as CEO, particularly at such an important time in the regulatory period... Affinity is a business with huge potential. "

**Keith Haslett**
**CEO, Affinity Water**

Investing in infrastructure:
**20%**
leakage reduction by 2025

# Clean water

**providing on average 950 million litres of clean water each day to a population of more than 3.6 million people**

Enriching lives:
**950m litres**
clean water daily

**Top 10 assets – operational highlights**

**Investing in infrastructure:**
105km
**dual carriageway**

# Driving ambition

**connecting Bordeaux to the Spanish border via the A63 Autoroute**

**Enriching lives:**
20.8m
**journeys in FY23**

## 2. A63 Motorway

**HICL's investment relates to a 105km stretch of the A63 Autoroute in France, which connects Bordeaux to the Spanish border.**

The road is an important trans-European transport corridor for both freight and leisure travel, enabling journeys from the Iberian Peninsula and south-western France to the whole of northern Europe.

In the year to 31 March 2023, light vehicle traffic was 9.6% higher than in the previous year, with heavy vehicle traffic broadly flat over the same period. Overall, this resulted in total traffic levels and distributions slightly ahead of HICL's valuation assumption. The management team closely monitored the potential impact of several external factors during the year including industrial action, increased fuel prices, and reduced economic activity. Encouragingly, none of these had a material impact on performance, reinforcing the road's strategic positioning. In February 2023, toll rates were increased by an average of 6.2%, reflecting the inflationary environment in France and protecting revenues in real terms.

A major programme of carriageway resurfacing was completed on schedule in November 2022. The works were undertaken in line with the long-term maintenance plan for the asset, and the total cost was broadly in line with HICL's valuation assumption despite supply chain pressures linked to inflation.

During the year, the portfolio company installed a contactless payment system. This has proved popular with road users, now representing over 80% of all card transactions. It has also resulted in increased operational efficiency, fewer printed receipts, and improved customer satisfaction from shorter waiting times.

**Sector:** Transport
**Location:** France
**% of portfolio:** 6% (March 2022: 7%)
**HICL holding:** 21.0%
**Concession life remaining:** 28 years
**Status:** Operational

**During the year, InfraRed's Asset Management team worked with the A63 management team and HICL's co-shareholders to implement a short-term deposit strategy to take advantage of higher interest rates.**

## 3. Northwest Parkway

**The Northwest Parkway is a free-flow toll road which provides access to key residential and employment districts in the Denver Metropolitan area as well as Denver International Airport.**

In the year to 31 March 2023, usage of the road was 5.8% higher than in the previous year, driven by the rapid return of passengers to Denver International Airport, which became the third busiest airport in the world during the period[1]. On average, traffic volumes were at 86% of pre-Covid levels over this period, which is slightly behind HICL's valuation assumption.

During the year, InfraRed commissioned a third-party traffic study from an independent expert advisory firm, which confirmed the existing long-term growth assumptions for the asset. In the short term however, recovery is likely to take slightly longer than previously forecast as a result of changing commuter travel patterns and the consequential level of congestion on alternative routes. Overall, the new traffic forecast had a modest negative impact on the valuation as at 31 March 2023, with a return to pre-Covid levels now expected in June 2025. The project continued to make regular shareholder distributions.

Toll rates were increased by 40 cents (equivalent to 9%) in May 2022, in line with inflation. The management team retains the ability to approve further increases based on both inflation and GDP growth, with a further 40 cent increase expected to be enacted by July 2023.

**Sector:** Transport
**Location:** USA
**% of portfolio:** 6% (March 2022: 7%)
**HICL holding:** 33.3%
**Concession life remaining:** 84 years
**Status:** Operational

**During the year, InfraRed's Asset Management team worked with the NWP management team and HICL's co-shareholders to implement a short-term deposit strategy to take advantage of higher interest rates.**

**Investing in infrastructure:**
75mph
**free-flow toll road**

# Fast & flowing

**toll road which provides access to key residential and employment districts**

**Enriching lives:**
6.9m
**journeys in FY23**


1 www.flydenver.com

Top 10 assets – operational highlights

**Investing in infrastructure:**
**1,500+**
**telecommunication towers**

# Connecting communities

**enables mobile network operators, fixed wireless providers, and critical communications operators**

**Enriching lives:**
**98%**
**of New Zealand's population connected**

## 4. Fortysouth

**Fortysouth is the largest independent mobile tower operator in New Zealand. With over 1,500 wholly owned towers covering 98% of New Zealand's population, Fortysouth enables mobile network operators, fixed wireless providers, and critical communications operators to deliver communications services that connect New Zealanders to each other, and the world.**

Following the completion of the transaction on 1 November 2023, InfraRed has been working closely with One NZ to oversee the carve-out process of the passive infrastructure, which includes the physical towers, masts and poles. One NZ and other telecommunications providers will retain responsibility for the 'active' equipment.

Fortysouth has a fully formed executive management team with a wealth of operational, financial and commercial experience. During the period, InfraRed oversaw a process to appoint an independent non-executive chair, who will sit on the board of the company alongside senior asset managers from InfraRed, Northleaf and One NZ.

Operational and financial performance over the period was in line with HICL's acquisition case. The company's revenues are principally derived from a long-term, availability-based contract with One NZ, which has an initial term of 20 years with the option of two ten-year extensions. The agreement grants One NZ access to the passive tower infrastructure in exchange for contractual, inflation-linked access charge payments that are unrelated to usage and currently account for 96% of revenues. Extreme weather in New Zealand in early 2023 did not materially impact day-to-day operational performance, despite broader transport and supply chain disruption.

Under the terms of the carve-out process, responsibility for the deployment and upgrade of towers currently sits with One NZ, which has contractually committed to 390 additional sites over the next ten years and is currently on schedule. This provides a high degree of visibility over medium-term growth in Fortysouth's asset base and revenues. The company is also expected to benefit from the co-location of active equipment, which is expected to drive further growth given the reach of the network.

**Sector:** Communications
**Location:** New Zealand
**% of portfolio:** 6% (March 2022: N/A)
**HICL holding:** 40.0%
**Concession life remaining:** Indefinite
**Status:** Operational

## 5. Texas Nevada Transmission

**Texas Nevada Transmission ("TNT") comprises two distinct electricity transmission systems: Cross Texas Transmission ("CTT") and One Nevada Transmission ("ON Line"). Together, the networks consist of over 800km of high-voltage transmission lines, as well as a number of switching stations and substations, which have been fully operational since 2014.**

In the period following HICL's commitment to the asset in September 2022, InfraRed has deepened its relationship with co-owner and operator LS Power, a highly-reputable owner, operator and developer of transmission and generation assets in North America. HICL successfully completed the transaction after the year end, having obtained relevant third-party approvals, and senior members of InfraRed's Asset Management team have conducted a site visit and initial liaison meeting with key LS Power staff.

Operational performance has been in line with HICL's acquisition assumptions to date. Both networks performed well over the winter months, achieving full availability despite some winter storm events in Texas. CTT benefits from a stable regulatory regime, which operates under a cost-of-service recovery model. This affords a high level of cash flow visibility, as well as inherent protection against increases in discount rates or financing costs through the regulatory return on capital. ON Line receives long-term contracted cash flows under a Transmission Use Agreement with NV Energy (A-rated), an indirect subsidiary of Berkshire Hathaway Inc. which holds a c.25% economic interest in the business.

TNT's transmission infrastructure is expected to play a key role in the energy transition as the US build-out of renewables is accelerated. CTT procured under Texas's Competitive Renewable Energy Zone programme in 2009, a regional transmission expansion plan designed to unlock grid capacity constraints and facilitate the future build of renewable generation in the state. Currently, CTT has over 900 MWs of wind generation connected to its system, and the forecast roll-out of renewable generation is expected to provide significant opportunity for growth of the transmission infrastructure over the long term.

**Sector:** Electricity & Water
**Location:** USA
**% of portfolio:** 6% (March 2022: N/A)
**HICL holding:** 45.8%
**Concession life remaining:** Indefinite
**Status:** Operational

## 6. High Speed 1

**High Speed 1 ("HS1") is the UK's only high-speed rail line, linking London St Pancras with the Channel Tunnel. It is a vital component of the UK's rail link with Continental Europe, and also enables fast and frequent domestic rail services between Kent and Greater London.**

In the year to 31 March 2023, international train path bookings were at 79% of pre-Covid levels on average. This was slightly ahead of HICL's valuation assumption, buoyed by the rapid return of leisure travellers, and resulted in total revenue from international train paths growing c.200% year-on-year. Eurostar also resumed the practice of booking the vast majority of its train paths in advance, which provides enhanced cash flow visibility for HS1.

Although there was some disruption from strikes during the year, the HS1 management team worked closely with Network Rail High-Speed to ensure that a reduced Eurostar service was able to run on most strike days, largely mitigating the financial impact.

On 20 March 2023, RMT members voted to accept a pay offer from Network Rail, which reduces the short-term risk of industrial action for HS1.

The HS1 management team and Eurostar are jointly committed to exploring solutions to border congestion in London and Paris, which is limiting the maximum daily number of international services. The EU's ETIAS scheme, which is expected to be implemented in 2024, may also result in increased passenger processing times. In this context, HICL's forecast continues to assume that international train path bookings will return to pre-Covid levels by March 2025.

Domestic services are currently under UK government control and HS1 continues to benefit from the contractual underpin from the Department for Transport, guaranteeing 96% of pre-Covid domestic track access revenues. Despite recent evidence that rail passenger demand has returned to pre-Covid levels in some market segments, DfT-controlled train operating companies are likely to resist increases in service levels in order to control costs. HICL's forecast therefore assumes that domestic train path bookings will remain at current levels (c.20% below pre-Covid) until March 2028, three years later than previously assumed.

As a result of the significant improvement in international train path bookings during the year, retail revenue outperformance, and the contractual inflation linkage built into all track access revenues, HS1 is expected to resume shareholder distributions during the 2023 calendar year. The business is well positioned to capture future growth as it leverages its role as the green gateway to Europe.

**Sector:** Transport
**Location:** UK
**% of portfolio:** 4% (March 2022: 5%)
**HICL holding:** 21.8%
**Concession life remaining:** 18 years
**Status:** Operational

## 7. Royal School of Military Engineering

**HICL's investment covers over 50 buildings and five training facilities used by the Royal School of Military Engineering Group ("RSME"), which provides a wide range of training to the British army and defence forces.**

Operationally, the project continued to perform well, with availability during the entire year of over 99.8%. As a result, the project continued to make regular distributions to HICL in line with expectations. During the year, the IPA undertook a mid-life contract review as part of its routine monitoring programme, with no material issues raised.

In September 2022, the portfolio company was awarded a contract variation to undertake grounds maintenance at RSME's Bicester site, which was outside of the scope of the PPP. InfraRed worked closely with the client and the portfolio company subcontractors to ensure that the works were completed on schedule in January 2023. As a result of the variation, military staff and students now benefit from a consistent and high-quality external environment across the RSME estate.

During the year, the portfolio company worked closely with the client to promote a number of sustainability initiatives focused on improving biodiversity and community engagement. Further details are provided in HICL's 2023 Sustainability Report.

**Sector:** Accommodation
**Location:** UK
**% of portfolio:** 4% (March 2022: 4%)
**HICL holding:** 100.0%
**Concession life remaining:** 15 years
**Status:** Operational

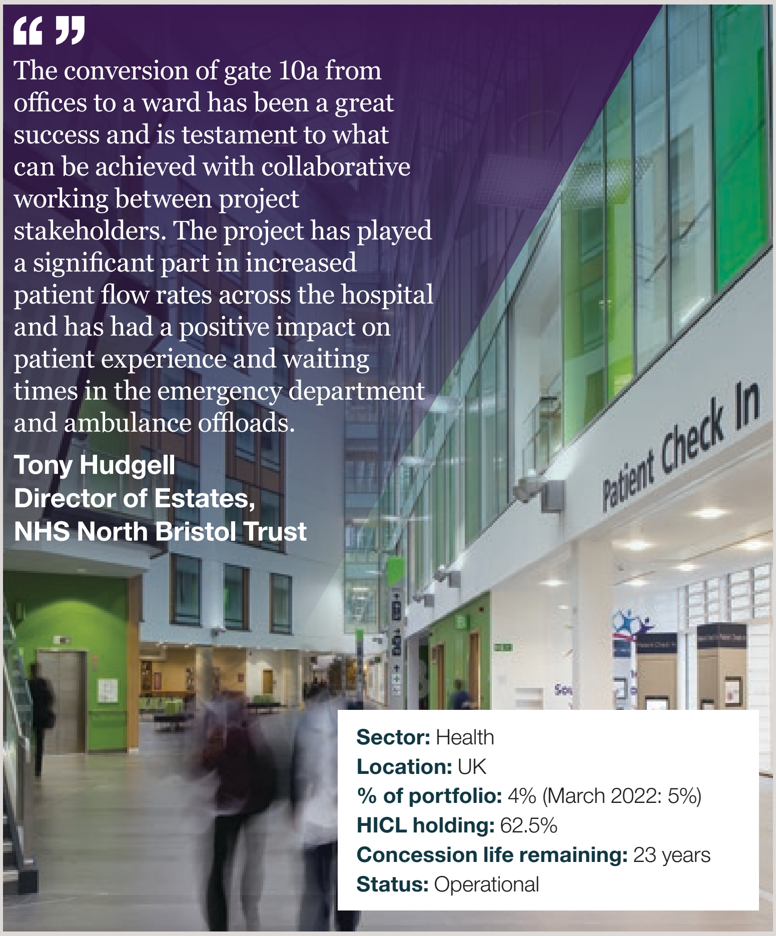
## 8. Southmead Hospital

**Southmead Hospital is a major 800-bed acute hospital, providing accident and emergency and specialist medical services to a population of almost one million people in Bristol, South Gloucestershire, and North Somerset.**

During the period, InfraRed collaborated with the client and other project stakeholders to progress an agreed programme of works relating to the contractual obligations of Carillion Plc, the original construction contractor for the hospital which was liquidated in 2018. Because the works require access to critical areas such as operating theatres, they are expected to be phased over several years. The complexity and scope of the works is reflected in the discount rate used to value the asset as at 31 March 2023. Shareholder distributions resumed in late 2021 and continued to be paid during the year.

In order to relieve pressures on the demand for patient beds, the NHS Trust presented a request to turn administrative areas into clinical accommodation. Employing the flexible approach developed during the Covid-19 pandemic, InfraRed, the portfolio company and its subcontractor expedited the request through a bespoke variation process. As a result, the first phase of the project was completed ahead of schedule in early January 2023, providing additional beds at the height of the winter peak. The second and third phases of the project completed in April 2023, providing an additional 32 beds in total.

On behalf of the NHS Trust, Bouygues Energies & Services (who provide the facilities management services under the PPP) undertook a carbon reduction survey which has been shared with the portfolio company. InfraRed is working closely with the NHS Trust to enact the recommendations and share the outcomes with clients across the PPP portfolio to help progress its wider net zero strategy.




> "The conversion of gate 10a from offices to a ward has been a great success and is testament to what can be achieved with collaborative working between project stakeholders. The project has played a significant part in increased patient flow rates across the hospital and has had a positive impact on patient experience and waiting times in the emergency department and ambulance offloads."
>
> **Tony Hudgell**
> **Director of Estates,**
> **NHS North Bristol Trust**

**Sector:** Health
**Location:** UK
**% of portfolio:** 4% (March 2022: 5%)
**HICL holding:** 62.5%
**Concession life remaining:** 23 years
**Status:** Operational

## 9. Pinderfields and Pontefract Hospitals

**Pinderfields and Pontefract Hospitals provide acute hospital services to more than half a million people living in the Wakefield and North Kirklees districts of West Yorkshire. Pinderfields Hospital is a designated major trauma centre and is home to two specialist regional services in burns and spinal injuries for the north of England.**

During the year, InfraRed and other key stakeholders agreed the terms for a major programme of works which will take place over the next five years. These include ventilation upgrades as well as improvements to intensive care units and Haematology. The agreement of commercial terms enabled the resumption of shareholder distributions and de-risked the future cash flows from the project.

Operationally, the project performed in line with expectations despite a period of heightened pressure for the NHS over the winter months. Responsibility for lifecycle rests with the portfolio company, and HICL's valuation as at 31 March 2023 acknowledges the potential risk of short-term cost increases. The portfolio company's construction partner has made significant progress on a large temporary ward which will accommodate patients whilst components of the main hospital are being upgraded. This is scheduled to be completed in the summer of 2023.

During the year, the Investment Manager provided financial support towards a bereavement suite for families suffering from stillbirths and miscarriages. HICL's portfolio company is also working closely with the NHS Trust to support its sustainability plan and has agreed to adapt its grounds maintenance obligations under the PPP contract to improve biodiversity across the site.

**Sector:** Health
**Location:** UK
**% of portfolio:** 3% (March 2022: 4%)
**HICL holding:** 100.0%
**Concession life remaining:** 19 years
**Status:** Operational

## 10. Home Office

**HICL's investment relates to the state-of-the-art headquarters of the Home Office and the Department for Environment, Food and Rural Affairs in central London. The award-winning building has a number of energy-saving features and has been designed to enhance the experience of its 3,450 users.**

Operationally, the project continued to perform well, despite day-to-day occupancy of the building remaining well below maximum levels as a result of changes in working patterns. The portfolio company has worked closely with its facilities management partner to ensure that the building has been made available throughout and that the internal environment is adapted to the number of users. During the year, the portfolio company also liaised with the Government Property Agency on their plan to continually improve working environments and support new ways of working across government departments.

**Sector:** Accommodation
**Location:** UK
**% of portfolio:** 3% (March 2022: 3%)
**HICL holding:** 100.0%
**Concession life remaining:** 8 years
**Status:** Operational

# Sustainability

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

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

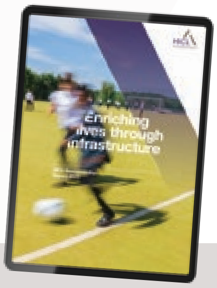
Our infrastructure supports the lives and livelihoods of the communities in which we operate. Around the world over 20 million people have access to HICL's infrastructure; in the UK alone, HICL's assets touch the lives of one in four citizens. As a result, the Company has an exceptional opportunity to make a positive social contribution by enhancing the experience of its clients, end users and wider stakeholders.

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



> "The stewardship of essential infrastructure assets confers an important responsibility, and significant opportunity, to improve community outcomes."

**Mike Bane**
**Chair of the Board of Directors**




Download the HICL Sustainability Report online www.HICL.com

## Our sustainability strategy

### We have evolved our sustainability strategy to focus on four key priorities:

### Environment

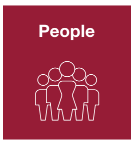
Preserve the natural environment and mitigate the impacts of climate change by investing in the energy transition, delivering climate resilient infrastructure and working to reduce carbon emissions from HICL's portfolio


### Communities

Positively impact the communities in which HICL's assets are located by actively addressing the needs of clients, end-users and other key stakeholders


### People

Promote fair and safe conditions as well as diverse and inclusive workplaces within HICL's portfolio companies and across the supply chain




### Governance

Ensure that HICL maintains high standards of ethics and integrity through the rigorous implementation of policies and the provision of balanced disclosure

## HICL sets interim net zero targets

- 50% of HICL's portfolio to be net zero, aligned to net zero, or aligning to net zero by 2030
- 90% of all portfolio company emissions to be subject to direct or collective engagement and stewardship actions by 2030
- Commitment to review each target every five years at a minimum

**Prior year objective**

InfraRed to set interim greenhouse gas reduction targets for HICL

## InfraRed launches Portfolio Impact strategy

- Client Insights survey conducted across 61 of HICL's healthcare and education assets
- 100 targeted initiatives rolled out to support local communities
- ESG excellence at HICL's portfolio companies recognised through Creating Better Futures awards

**Prior year objective**

InfraRed to broaden stakeholder engagement through client surveys and follow-up initiatives

## HICL discloses Scope 1, 2 and 3 greenhouse gas emissions for its entire portfolio

- Total attributable emissions of 146,181 $tCO_2e$ in calendar year 2022
- Enhanced data collection exercise supported by expert third-party consultant
- Comparison with 2019 baseline

## HICL categorised as an Article 8 Financial Product under the EU SFDR

- Full compliance with Level 2 disclosure requirements from 1 January 2023
- Enhanced InfraRed ESG survey enables HICL to report against all 14 mandatory Principal Adverse Impact (PAI) indicators
- Updated periodic disclosure included in this report

**Prior year objective**

Align reporting to the final Regulatory Technical Standards (RTS) of SFDR (Level 2)

## InfraRed strives for best-in-class governance

- Enhanced application of InfraRed Exclusion Policy for HICL investments using quantitative thresholds
- Monitoring of supply chains aligned with United Nations Global Compact (UNGC) framework
- Refreshed Sustainability Policy published alongside this report

**Prior year objective**

InfraRed to undertake a review of existing policies against external sustainability frameworks

## InfraRed achieves five-star PRI rating

- Score of over 90% in both relevant modules of the PRI framework
- 7th consecutive year that InfraRed's Infrastructure business has achieved the highest possible rating
- InfraRed has been a Principles of Responsible Investment signatory since 2011

# Our impact

This page demonstrates the reach of HICL's portfolio. By facilitating access to essential services in a socially responsible manner, our projects contribute to many of the UN SDGs and deliver an inherent social good. However, both the Board and the Investment Manager acknowledge that making a genuine social contribution involves going above and beyond the reliable provision of infrastructure. Some examples of specific initiatives undertaken by InfraRed or HICL's portfolio companies are highlighted in HICL's 2023 Sustainability Report and expanding the Company's social impact will be a key priority going forward.

3 GOOD HEALTH AND WELL-BEING

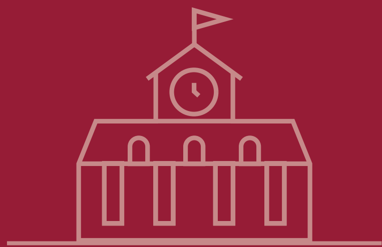
**People with access to HICL's healthcare**

**11.9m**

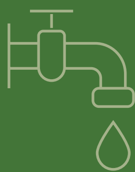
4 QUALITY EDUCATION

**140k**

**student places across school, college and university facilities**



6 CLEAN WATER AND SANITATION



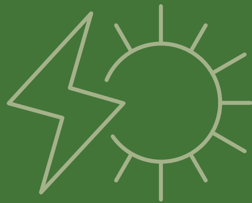
**People served with clean water by Affinity Water**

**3.6m**

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

**2.3m**

**People served by InfraRed's courts, fire stations and police stations**



Homes connected to renewable electricity by HICL's OFTOs

1.7m

>5m

Homes connected to high-speed internet by Altitude Infra


Accommodation places

40,000

Unique users of HICL's roads and railways

4.5m

# Financial Review

HICL prepares its financial information in accordance with UK-adopted International Financial Reporting Standards ("IFRS"). In the Company's Strategic Report, the Directors report the financial performance using the non-GAAP Investment Basis, which consolidates the results of the Company, HICL Infrastructure 2 S.a.r.l. and Infrastructure Investments LP, referred to as the "Group" throughout the Financial Review. The reconciliation of the Investment Basis to the IFRS financial statements is shown on pages 44-45.

The Investment Basis provides additional information on the underlying performance of the Group to that required by IFRS 10 and the Directors believe this provides additional transparency and improves understanding for readers of HICL's Annual Report. It allows readers to assess the underlying operating performance and gearing, including its capacity for investment. Total return, which is defined as total comprehensive income for the year, NAV, and EPS are the same under IFRS and the Investment Basis.

The Board and the Investment Manager manage HICL on an Investment Basis, which is an APM and is reconciled on page 43. Accordingly, the following limited financial information is prepared under the Investment Basis.

## Summary income statement

| Investment Basis £m | For the year ended 31 March 2023 | For the year ended 31 March 2022 |
|---|---|---|
| Dividend income | **191.1** | 75.8 |
| Interest income | **122.1** | 117.2 |
| Fair value movement | **(94.2)** | 192.0 |
| Realised gain on the sale of investments | **–** | 4.8 |
| Foreign exchange movement on investments | **39.4** | 7.4 |
| Loss on foreign exchange derivatives | **(13.1)** | (1.9) |
| Other income | **8.9** | 10.5 |
| **Total income** | **254.2** | **405.8** |
| Expenses and finance costs | **(55.7)** | (37.4) |
| **Profit before tax** | **198.5** | **368.4** |
| Tax | **(0.1)** | 0.3 |
| **Total return** | **198.4** | **368.7** |
| **Earnings per share** | **9.9** | **19.0** |

Total income decreased by 37% to £254.2m (2022: £405.8m). The decrease is principally due to a reduction in the fair value movement recognised from £192.0m to £(94.2)m which was driven by the 0.6% increase (2022: 0.2% decline) in the discount rate to 7.2% (2022: 6.6%). This was partially offset by the positive impact of actual and forecast inflation on the investment valuations. Dividend income increased to £191.1m (2022: £75.8m) primarily due to the receipt of an £85.0m dividend from the sale of Queen Alexandra Hospital ("QAH"). Further detail on the valuation movements is given in the Valuation of the Portfolio section starting on page 46.

The hedging policy targets NAV per share volatility of no more than 2% for a 10% movement in foreign exchange rates. During the year, the net impact of foreign exchange movements was a £26.3m gain (2022: £5.5m gain), which represents 0.8% of the closing NAV (2022: 0.2%). This follows a 7.9% movement in weighted average FX rates in the year.

The hedging compared to non-sterling portfolio values was:

| Foreign exchange hedging £m | Rate | Non-UK assets | FX hedge | FX hedge as % of non-UK assets % | 1% sensitivity to movement in FX rates[1] |
|---|---|---|---|---|---|
| Euro | 1.14 | 549 | 382 | 70% | 1.6 |
| USA | 1.23 | 228 | 71 | 31% | 1.6 |
| Canada | 1.67 | 60 | 17 | 29% | 0.4 |
| New Zealand | 1.97 | 220 | 109 | 50% | 1.1 |
| **Total** | | **1,057** | **579** | **56%** | **4.7** |

1 Sensitivity impact is net of derivatives

## Expenses and finance costs

| Investment Basis £m | For the year ended 31 March 2023 | For the year ended 31 March 2022 |
|---|---|---|
| Finance costs | **16.1** | 4.1 |
| Investment Manager fees | **32.7** | 29.3 |
| Directors' fees and expenses | **0.5** | 0.6 |
| Acquisition bid costs | **1.9** | 0.4 |
| Professional fees | **4.5** | 3.0 |
| **Expenses and finance costs** | **55.7** | **37.4** |

Total fees accruing to the Investment Manager were £32.7m (2022: £29.3m). The increase related to the uplift in the portfolio valuation since March 2022, calculated in line with the Investment Manager agreement as set out on page 78.

Finance costs increased to £16.1m (2022: £4.1m) principally due to higher absolute borrowing levels and all-in interest costs as well as the expensing of all unamortised arrangement fees of the previous £400m RCF and £330m accordion facility.

During the year £1.9m of acquisition bid costs were incurred (2022: £0.4m), comprising legal, technical and tax due diligence, on unsuccessful bids.

## Tax

Tax charged to the Income Statement under the Investment Basis relates to HICL's immediate subsidiary, HICL Infrastructure 2 S.a.r.l. As HICL Infrastructure plc has Investment Trust Company ("ITC") status, it is exempt from tax on certain items on the basis that tax is already paid at the operating company level, thus protecting shareholders from suffering double taxation. The Directors monitor compliance with the ITC rules through reporting prepared by the Investment Manager and are of the opinion that HICL has complied with its obligations as an ITC for the year.

## Ongoing charges

| Investment Basis £m | For the year ended 31 March 2023 | For the year ended 31 March 2022 |
|---|---|---|
| Investment Manager | **32.7** | 29.3 |
| Auditor fee for the Corporate Group | **0.4** | 0.4 |
| Non-audit fee paid to the Auditor: Interim review | **0.1** | 0.1 |
| Directors' fees and expenses | **0.5** | 0.6 |
| Other ongoing expenses | **2.0** | 2.0 |
| Total expenses | **35.7** | 32.4 |
| Average NAV | **3,282.3** | 3,039.7 |
| **Ongoing charges** | **1.09%** | **1.06%** |

Ongoing charges, calculated in line with the Association of Investment Companies' ("AIC") guidance, are defined as annualised ongoing charges (which excludes acquisition costs and other non-recurring items) divided by the average published undiluted net asset value of £3,282.3m for the year (2022: £3,039.7m).

The ongoing charges percentage is 1.09% (2022: 1.06%). The increase in the OCR principally arises from using the RCF to fund purchases of investments (particularly Fortysouth) giving rise to a higher management fee but the same issued share capital.

Overall, earnings per share decreased to 9.9p (2022: 19.0p).

## Summary balance sheet and NAV

| Investment Basis £m | 31 March 2023 | 31 March 2022 |
|---|---|---|
| Investments at fair value (net of commitments) | **3,498.6** | 3,216.6 |
| Net other liabilities | **(1.0)** | (11.3) |
| Net debt | **(147.6)** | (46.2) |
| **Net assets** | **3,350.0** | **3,159.1** |
| NAV per share (before dividend) | **164.9p** | 163.1p |
| NAV per share (post dividend) | **162.8p** | 161.1p |

Investments at fair value increased by 9% to £3,498.6m (2022: £3,216.6m), principally due to the impact of higher than forecast inflation, partially offset by a 0.6% increase in the weighted average discount rate from 6.6% to 7.2%. In addition, the Company completed net acquisitions of £245.0m, being the investments in Paris-Saclay University (previously held in commitments), XLT, RMG Roads and Fortysouth, less the sale of QAH. Further detail on the movement in Investments at fair value, which are net of commitments and therefore not in the Directors' Valuation, is given in the Valuation of the Portfolio section starting on page 46.

An analysis of the movements in net debt is shown in the Summary cash flow on the following page. The increase relative to 31 March 2022 is principally driven by the borrowings on the Revolving Credit Facility ("RCF") in relation to the Fortysouth acquisition, offset by the proceeds from the equity tap issuance in July 2022. The tap issuance resulted in proceeds of £158.0m, net of costs.

NAV per share was 164.9p (2022: 163.1p) before the 2.07p fourth quarterly distribution. The 1.8p increase in NAV per share was primarily due to earnings per share of 9.9p, net of 8.2p distributions, for the year ending 31 March 2023. NAV per share and earnings per share are the same under the Investment Basis and the IFRS Basis.

## Key accounting estimates and judgments

In preparing these accounts, the key accounting estimate is the carrying value of the Group's investments, which are stated at fair value. Given the importance of the valuation of investments, the Board's Audit Committee has oversight of the Investment Manager's valuation process and challenges the Valuation Policy, process and application to individual investments on a bi-annual basis. A third party is also appointed to carry out an independent review of the Investment Manager's valuation. Despite the above, asset valuations for unquoted investments are inherently subjective, as they are based on assumptions which may not prove to be accurate.

The Group's investments are predominantly unquoted and are therefore valued using a discounted cash flow analysis of the forecast investment cash flows from each project. The exception to this is the listed senior debt in the A13 Road project.

A key judgement is the assessment of whether the Company meets the definition of an investment entity. IFRS 10 requires the Group's intermediate holding companies to be presented at fair value, which reduces the transparency of the underlying investment performance. As a result, the Group presents limited financial information on a non-GAAP Investment Basis to ensure that the commentary in the Strategic Report remains fair, balanced and understandable. The reconciliation of the Investment Basis to IFRS is shown on pages 44-45.

## Financial Review continued

## Summary cash flow

| Investment Basis £m | 31 March 2023 | 31 March 2022 |
|---|---|---|
| Cash from investments | **222.7** | 200.5 |
| Operating costs | **(43.8)** | (34.3) |
| Finance costs | **(7.9)** | (3.2) |
| **Net cash inflow before capital movements** | **171.0** | **163.0** |
| Cost of new investments | **(339.1)** | (87.5) |
| Investment disposal proceeds | **96.8** | 18.5 |
| Share capital raised, net of costs | **158.0** | – |
| Net cash flow from derivatives | **(15.9)** | 15.1 |
| Debt arrangement fees paid | **(6.7)** | (0.2) |
| Dividends paid | **(165.5)** | (159.8) |
| **Movement in the year** | **(101.4)** | **(50.9)** |
| Net (debt) / cash at start of year | **(46.2)** | 4.7 |
| **Net debt at end of year** | **(147.6)** | **(46.2)** |

The Group ended the year with net debt of £147.6m (31 March 2022: £46.2m net debt). This is a result of drawings on the RCF of £219.4m (31 March 2022: £75.6m) to support the £339.1m of new investments in the year. This was offset by the cash proceeds from the disposal of QAH of £96.8m and the equity tap issuance in July 2022, which resulted in proceeds of £158.0m net of costs.

The debt arrangement fees increased to £6.7m (2022: £0.2m) reflecting the costs of renegotiating the RCF and the write off of unamortised costs on the previous RCF.

Dividends paid in the year were £165.5m (2022: £159.8m) and dividend cash cover increased to 1.31[1]x (2022: 1.05[2]x) due to the above noted improved cash receipts.

## Group drawings and gearing levels

As at 31 March 2023, the Group had cash drawings on its RCF of £219.4m (31 March 2022: £75.6m) and drawings of £15.7m by way of letters of credit (31 March 2022: £30.0m). The Group also had drawings by way of letter of credit on its LCF facility of €67.3m (31 March 2022: €67.3m). Consequently, the Group has the capacity to fund additional investments as and when further attractive opportunities arise as well as maintain sufficient working capital.

On 20 March 2023, the Group announced that it had renegotiated its RCF with Barclays, CIBC, ING, Lloyds, NAB, RBC, Royal Bank of Scotland International and SMBC, increasing it to £650m, with an expiry date of 30 June 2026 with an option to extend for two one-year periods to 30 June 2028. This replaced the Company's £400m multi-currency RCF, which was due to expire on 30 June 2024. A €67.5m Letter of Credit Facility ("LCF") provided by ING and SMBC with an expiry date of 31 December 2026 is also held to fund existing and future longer-term funding obligations.

HICL makes prudent use of its available leverage. Under the Articles, the Corporate Group's outstanding borrowings, including any financial guarantees to support outstanding subscription obligations but excluding internal company borrowings of the Corporate Group's underlying investments, are limited to 50% of the Adjusted Gross Asset Value, being the Directors' Valuation plus cash balances of the Company and HICL Infrastructure S.a.r.l 2 and Infrastructure Investments Limited Partnership (together the "Corporate Subsidiaries") at any time.

The ratio of debt to Adjusted Gross Asset Value at the end of the year was as follows:

| | 31 March 2023 £m | 31 March 2022 £m |
|---|---|---|
| **Outstanding drawings** | | |
| Bank borrowings | **219.4** | 75.6 |
| Letter of credit facility | **74.8** | 86.7 |
| | **294.2** | 162.3 |
| **Adjusted Gross Asset Value** | | |
| Directors' Valuation | **3,772.8** | 3,311.0 |
| Cash and cash equivalents | **71.8** | 29.4 |
| | **3,844.6** | 3,340.4 |
| Borrowing ratio | **7.7%** | 4.9% |

From time to time the Company issues its own shares to the market; the timing of these issuances depends on market prices.

Should a discount arise to the Net Asset Value at which the Ordinary Shares may trade, from time to time the Company may, at the sole discretion of the Directors:

- make market purchases of up to 14.99% per annum of its issued Ordinary Shares; and
- make tender offers for the Ordinary Shares.

There were no changes in HICL's approach to capital management during the year.

Post year end, IILP issued £150m of Private Placement loan notes, diversify in the Company's capital strategy.

1 Including profits on disposals versus original acquisition cost of £45.5m. Excluding this, dividend cash cover would have been 1.03x
2 Including profits on disposals versus original acquisition cost of £4.8m. Excluding this, dividend cash cover would have been 1.02x

## Alternative Performance Measures ("APMs")

The Directors assess the Company's performance using a variety of APMs that are not specifically defined under IFRS, which provide additional information to investors as to how the Company is managed and assessed. The APMs may not be directly comparable with those used by other companies and therefore the Directors wish to draw users' attention to GAAP measures in the financial statements from page 110 onwards. The Directors' Investment Basis is itself an APM.

The explanation and rationale for the Investment Basis is shown on page 40 and its reconciliation to IFRS is shown from page 44. The table below defines the Company's APMs.

| APM | Purpose | 2023 Investment Basis | Calculation | Reconciliation to IFRS |
|---|---|---|---|---|
| Annualised return from the portfolio | A measure of underlying portfolio performance within a given year | **10.2%** | £331.2m rebased return divided by £3,236.5m rebased valuation as shown on the Valuation Report on page 46 compounded for a year | The calculation uses figures which are reconciled to the Investment Basis on page 44 which, in turn, is reconciled to IFRS in the Reconciliation of Investment Basis to IFRS section overleaf |
| Directors' Valuation | A measure of the size of the investment portfolio including the value of future contracted investments committed by the Company | **£3,772.8m** | £3,498.6m investments at fair value plus £274.2m contracted commitments | The calculation uses portfolio assets shown in the reconciliation in the 'Reconciliation of Investment Basis to IFRS' section overleaf |
| Distributable cash | A measure of cash received from underlying projects in the year | **£216.5m** | Calculated as net cash inflow before capital movements shown in the 'Investment Basis Summary Cash Flow' plus £45.5m profit on disposal of QAH | The calculation uses distributions received from investments plus profit on disposal |
| Dividend cash cover | A measure of cash received from underlying projects in the period enabling distributions to shareholders | **1.31x**[1] | £216.5m distributable cash received including £45.5m profit on disposal of QAH divided by £165.5m dividend for the period | The calculation uses the dividend paid in the Statement of Changes in Equity divided by distributable cash |
| Cash investments | Identifying new opportunities in which to invest capital is a driver of the Company's ability to deliver attractive returns | **£339.1m** | £339.1m Investment Basis cash paid to acquire investments in the year | The equivalent balance under IFRS is shown in the 'Reconciliation of Statement of Cash Flows' |
| Cash proceeds | Cash proceeds from our investments support our returns to shareholders, as well as our ability to invest in new opportunities | **£96.8m** | £96.8m cash received into IILP, directly or indirectly, from the disposal of investments in the year | The equivalent balance under IFRS is shown in the 'Reconciliation of Statement of Cash Flows' |
| Net cash/(debt) | A measure of the available liquid cash to invest in the business offset by the Group's borrowings. This is an indicator of the financial risk in the Group's Statement of Financial Position | **£(147.6)m** | £71.8m cash and cash equivalents, plus £nil deposits, less £219.4m loans and borrowings | The equivalent balance under IFRS and the reconciliation to the Investment Basis is shown in the Reconciliation of Statement of Financial Position |

1 The calculation includes total profit on disposal of £45.5m versus the original acquisition cost. Excluding this, dividend cash cover is 1.03x

## Financial Review continued

# Reconciliation of Investment Basis to IFRS

## Reconciliation of Statement of Comprehensive Income

| £m | For the year ended 31 March 2023 | | | For the year ended 31 March 2022 | | |
|---|---|---|---|---|---|---|
| | **Investment Basis** | **Consolidation adjustments** | **IFRS Basis** | Investment Basis | Consolidation adjustments | IFRS Basis |
| Dividends received | **191.1** | **(39.6)** | **151.5** | 75.8 | 3.5 | 79.3 |
| Interest received | **122.1** | **(104.6)** | **17.5** | 117.2 | (36.7) | 80.5 |
| Net gain/(loss) on revaluation of investments | **(94.2)** | **127.5** | **33.3** | 196.8 | 15.2 | 212.0 |
| Foreign exchange movement on investments | **39.4** | **(39.4)** | **–** | 7.4 | (7.4) | – |
| Loss on foreign exchange derivatives | **(13.1)** | **13.1** | **–** | (1.9) | 1.9 | – |
| Other income | **8.9** | **(8.9)** | **–** | 10.5 | (10.5) | – |
| **Total investment income** | **254.2** | **(51.9)** | **202.3** | **405.8** | **(34.0)** | **371.8** |
| Management fee | **(32.7)** | **32.7** | **–** | (29.3) | 29.3 | – |
| Finance costs | **(16.1)** | **16.1** | **–** | (4.1) | 4.1 | – |
| Other expenses[2] | **(6.9)** | **3.0** | **(3.9)** | (4.0) | 0.9 | (3.1) |
| **Total expenses** | **(55.7)** | **51.8** | **(3.9)** | **(37.4)** | **34.3** | **(3.1)** |
| **Profit/(loss) before tax** | **198.5** | **(0.1)** | **198.4** | **368.4** | **0.3** | **368.7** |
| Tax | **(0.1)** | **0.1** | **–** | 0.3 | (0.3) | – |
| **Earnings** | **198.4** | **–** | **198.4** | **368.7** | **–** | **368.7** |
| **Earnings per share** | **9.9p** | **–** | **9.9p** | **19.0p** | **–** | **19.0p** |

**Notes:**
1 Total investment income shown in the IFRS accounts relates only to HICL and not portfolio companies held through investment entity subsidiaries. The consolidation adjustments represent the results recorded in the Corporate Subsidiaries
2 Other fund expenses comprise audit, valuation and other professional fees

## Reconciliation of Statement of Financial Position

| £m | For the year ended 31 March 2023 Investment Basis | Consolidation adjustments | IFRS Basis | For the year ended 31 March 2022 Investment Basis | Consolidation adjustments | IFRS Basis |
|---|---|---|---|---|---|---|
| **Investments at fair value** | **3,498.6** | **(148.9)** | **3,349.7** | **3,216.6** | **(58.1)** | **3,158.5** |
| Trade and other receivables | **18.7** | **(18.3)** | **0.4** | 1.2 | (1.0) | 0.2 |
| Other financial assets | **8.5** | **(8.5)** | **–** | 5.4 | (5.4) | – |
| Trade and other payables | **(22.3)** | **21.2** | **(1.1)** | (12.6) | 11.8 | (0.8) |
| Other current financial liabilities | **(5.9)** | **5.9** | **–** | (5.3) | 5.3 | – |
| Cash and cash equivalents | **71.8** | **(70.8)** | **1.0** | 29.4 | (28.2) | 1.2 |
| Loans and borrowings | **(219.4)** | **219.4** | **–** | (75.6) | 75.6 | – |
| **Net assets attributable to Ordinary Shares** | **3,350.0** | **–** | **3.350.0** | **3,159.1** | **–** | **3,159.1** |
| NAV per share (before dividend) | **164.9p** | **–** | **164.9p** | 163.1p | – | 163.1p |
| NAV per share (post dividend) | **162.8p** | **–** | **162.8p** | 161.1p | – | 161.1p |

**Note:**
The Investment Basis financial statements are prepared for performance measurement and therefore reserves are not analysed separately under this basis

## Reconciliation of Statement of Cash Flows

| £m | For the year ended 31 March 2023 Investment Basis | Consolidation adjustments | IFRS Basis | For the year ended 31 March 2022 Investment Basis | Consolidation adjustments | IFRS Basis |
|---|---|---|---|---|---|---|
| Portfolio income from investments | **222.7** | **(53.7)** | **169.0** | 200.5 | (36.9) | 163.6 |
| Operating expenses paid | **(43.8)** | **40.0** | **(3.8)** | (34.3) | 31.3 | (3.0) |
| Finance (costs)/income | **(7.9)** | **7.9** | **–** | (3.2) | 3.2 | – |
| **Net cash inflow before capital movements** | **171.0** | **(5.8)** | **165.2** | **163.0** | **(2.4)** | **160.6** |
| Purchase of investments | **(339.1)** | **181.2** | **(157.9)** | (87.5) | 87.5 | – |
| Proceeds from investments | **96.8** | **(96.8)** | **–** | 18.5 | (18.5) | – |
| Share capital raised net of costs | **158.0** | **–** | **158.0** | – | – | – |
| Net cash flow from derivatives | **(15.9)** | **15.9** | **–** | 15.1 | (15.1) | – |
| Debt arrangement fees paid | **(6.7)** | **6.7** | **–** | (0.2) | 0.2 | – |
| Dividends paid | **(165.5)** | **–** | **(165.5)** | (159.8) | - | (159.8) |
| Movement in the year | **(101.4)** | **101.2** | **(0.2)** | (50.9) | 51.7 | 0.8 |
| Net cash/(debt) at start of year | **(46.2)** | **47.4** | **1.2** | 4.7 | (4.3) | 0.4 |
| **Net cash/(debt) at end of year** | **(147.6)** | **148.6** | **1.0** | **(46.2)** | **47.4** | **1.2** |

**Note:**
There is a difference between the change in cash and cash equivalents of the Investment Basis and the IFRS financial statements due to the cash balances held in the Corporate Subsidiaries. Cash held within the Corporate Subsidiaries is not shown in the IFRS statements but is shown in the Investment Basis statements

# Valuation of the Portfolio

## Valuation methodology and approach overview

InfraRed, in its capacity as Investment Manager, is responsible for preparing the fair market valuation of HICL's investment portfolio for the Directors' approval each reporting period. This investment valuation is called the Directors' Valuation. The Directors' Valuation, which is an Alternative Performance Measure ("APM"), comprises the valuation of the investment portfolio as well as the future investments committed to by the Group at the reporting period end.

The Directors' Valuation is the preferred valuation measure of the portfolio because it includes future commitments and, therefore, represents the Group's total value at risk at the balance sheet date. Further detail on the Group's APMs, including a reconciliation to the IFRS financial statements, is shown on page 44. The valuation methodology and policy are unchanged from previous reporting periods.

The valuation is carried out on a six-monthly basis as at 31 March and 30 September each year. The Group's investments are predominantly unquoted and are therefore valued using a discounted cash flow analysis of the forecast investment cash flows from each project. The exception to this is the listed senior debt in the A13 Road project which is valued using the quoted market price of the bonds.

There is a secondary market for infrastructure investments and, where appropriate and publicly available, data points are considered. The Directors' Valuation is a sum-of-the-parts valuation, and no further adjustment is made to reflect the size, scarcity, and diversification of the overall portfolio.

The key external (macroeconomic and fiscal) factors affecting the forecast of each portfolio company's cash flows in local currency are inflation rates, interest rates, rates of GDP and applicable tax rates. The Investment Manager makes forecast assumptions for each of these external metrics, based on market data and economic forecasts. The Investment Manager exercises its judgement in assessing the expected future cash flows from each investment based on the detailed financial models produced by each portfolio company and adjusting where necessary to reflect the Group's economic assumptions as well as any specific operating assumptions.

The fair value for each investment is then derived from the application of an appropriate market discount rate and year-end currency exchange rate. The discount rate takes into account risks associated with the financing of an investment such as investment risks (e.g. liquidity, currency risks, market appetite) and any risks to the investment's earnings (e.g. predictability and covenant of the revenues and service delivery challenges), all of which may be differentiated by the phase of the investment's life (e.g. in construction or in operation).

More information on the Valuation Policy can be found on page 158.

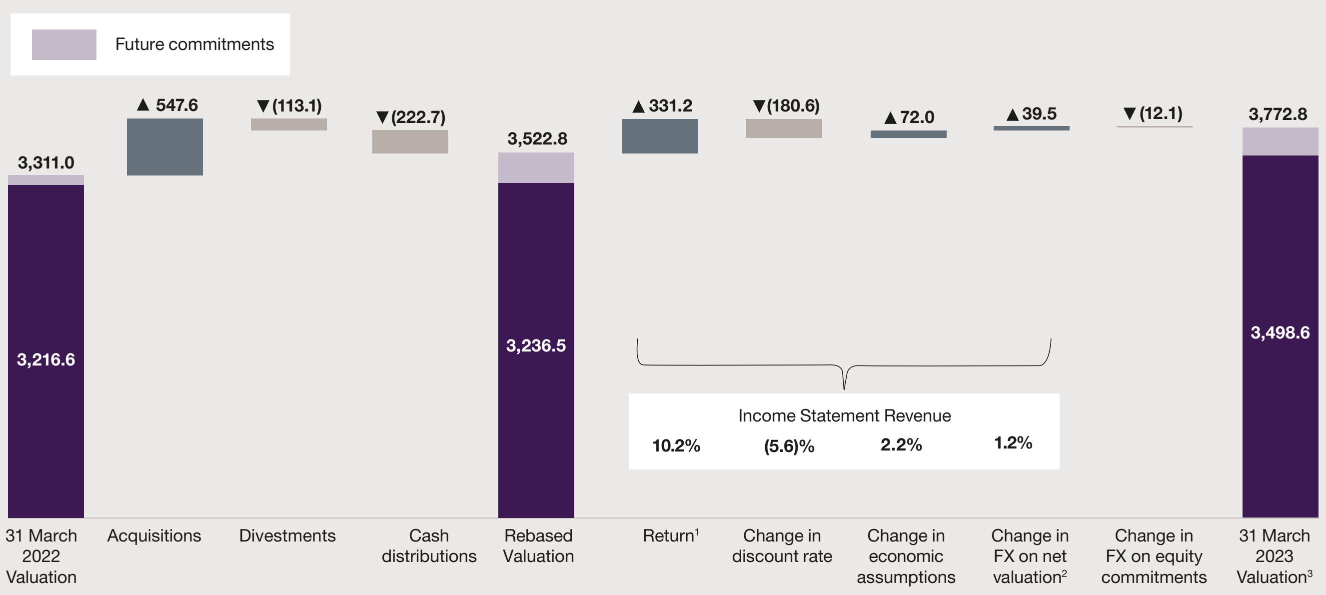
The Directors' Valuation is the key component in determining HICL's Net Asset Value ("NAV") and so the Directors receive and challenge an independent report and opinion on the Investment Manager's valuation from a third-party valuation expert.

## Directors' Valuation at 31 March 2023

The Directors' Valuation of the portfolio at 31 March 2023 was £3,772.8m, an increase of 13.9% (31 March 2022: £3,311.0m). The Directors' Valuation includes £274.2m of outstanding equity commitments (31 March 2022: £94.4m) in respect of three projects: the Blankenburg Connection (Netherlands), TNT (USA) and the B247 Road (Germany).

A breakdown of the movement in the Directors' Valuation is shown in the chart below.

**Movement in the Directors' Valuation in the year ended 31 March 2023:**




1 'Return' comprises the unwinding of the discount rate and project outperformance including actual inflation
2 FX movement net of hedging is a gain of £26.4m
3 £3,772.8m reconciles, on an Investment Basis, to £3,498.6m investments at fair value through £274.2m of future commitments

## Acquisitions

The acquisitions in the year include XLT, Fortysouth and a final payment for RMG Roads. Also included within the £547.6m is a commitment to invest in TNT.

## Divestments

The divestments include the disposal of QAH (£107.5m)[1] and reduction in commitment for Paris-Sud University (£5.6m).

## Rebased net valuation

The three valuations shown in the chart have been split between investments at fair value[2] and future commitments. The percentage movements have been calculated on the rebased valuation of £3,236.5m to reflect the returns generated on the capital employed in the year.

The rebased portfolio delivered Income Statement revenue of 8.0% in the year (2022: 14.6%). The reduced 2023 income return when compared to 2022 was principally due to the increase in discount rates in 2023 for all jurisdictions.

## Return from the portfolio

The return from the underlying portfolio of £331.2m (2022: £269.8m) represents a 10.2% (2022: 9.6%) increase in the rebased valuation, versus the discount rate, or expected annualised return, of 6.6% at the start of the year. The £125.8m / 3.9% of outperformance was principally generated from actual inflation (£136.4m), over and above the base case assumption. This was partially offset by defect remediation costs that were incurred on healthcare projects, commodity price and supply chain pressures affecting the lifecycle costs in the UK PPP sector and a slightly slower recovery in expected traffic volumes in some of the Company's demand assets.

## Inflation

The HICL portfolio is highly correlated to inflation and, in isolation, is well placed to benefit in a higher inflationary environment, especially in the UK and Eurozone. In the UK, RPI in the year ended 31 March 2023 was 13.5% (2022: 9.0%). Similar slightly milder conditions were experienced in France, where CPI was 5.7% (2022: 4.5%), USA, where CPI was 5.0% (2022: 8.5%). This higher inflation had a net positive impact on the portfolio, in particular the Company's regulated and demand assets such as Affinity Water, Northwest Parkway and HS1, whose revenues are more correlated to inflation than the Company's PPP portfolio.

Over the year, the actual inflation rates were higher than the Company's forecast assumptions for the year. HICL's portfolio is deliberately constructed to provide high inflation correlation. Inflation remained elevated throughout the year and is forecast to remain high throughout 2023. Therefore, the Company updated its forecast short-term inflation assumptions in all jurisdictions. The impact of the change in forecast short-term assumptions is included within the £72.0m (2022: £72.3m) recognised in the change in economic assumptions.

## Demand assets

HICL has seven demand-based assets in the portfolio, representing 19% of the portfolio value at 31 March 2023 (31 March 2022: 22%). Five of these demand-based assets, namely HS1, the A63 Motorway (France), NWP (USA), RMG Roads and M1-A1, are sensitive to GDP and, as a result, their valuations were more significantly affected by the Covid-19 pandemic. Demand on the A63 and HS1 was slightly above the forecast set out at the start of 2022 with traffic on NWP slightly below the forecast expectation at March 2022. The forecast demand for HS1 is impacted by lower domestic growth in traffic, primarily because of the lower post-pandemic domestic commuting environment, however, this is largely offset by the likelihood of more international paths over the longer term.

For further information on these assets, refer to the Top 10 assets – operational highlights.

1 Reconciles to £108.1m of cash received on page 121 of the financial statements through additional sub-debt interest accrued of £0.6m which is included in the £331.2m of Return on the Rebased Valuation
2 On an IFRS Basis

# Valuation of the Portfolio continued

## Discount rates

The discount rate is determined based on the Investment Manager's knowledge of the market, which includes intelligence gained from bidding and disposal activities across the InfraRed platform, discussions with financial advisers knowledgeable of these markets and publicly available information on relevant transactions.

As highlighted in the Company's 2022 Interim Results, the volume of infrastructure transactions moderated over the Northern Hemisphere summer period. It has remained at a reduced level for the remainder of the Company's financial year. As market participants continue to assess the impact of rising long-term government bond yields on asset prices, the Investment Manager has observed greater investor focus on asset quality, a wider range of bid pricing for assets, and evidence of differing views between buyers and sellers over asset pricing, which is contributing to the reduced level of transaction activity. The Investment Manager expects transaction activity to increase during 2023 as the pricing of long-term government bond yields continues to settle.

The limited availability of transaction data points places greater emphasis on a 'bottom-up' approach, based on long-term government bond yields and an appropriate risk premium. The risk premium takes into account risks and opportunities associated with the project earnings (e.g. predictability and covenant of the concession income and service delivery challenges), all of which may be differentiated by project phase, jurisdiction and market participants' appetite for these risks.

As a result, and consistent with the approach taken for the September 2022 valuation, the Investment Manager has considered the level of equity risk premium implied by current yields when setting the discount rate. In the first half of the financial year, the average 20–30 year government bond yields in the UK increased from 1.8% at 31 March 2022 to 4.0% at September 2022 before a slight reduction in the second half of the year to 3.8% at 31 March 2023. Whilst the Investment Manager's view is that discount rates used to value investments do not rigidly follow bond yields, there is some correlation, particularly over the longer term and this has been reflected in the discount rates applied to UK assets. The UK weighted average discount rate has increased by 80 basis points to 7.3% (31 March 2022: 6.5%) and the risk premium is now 3.4% (31 March 2022: 4.7%).

In North America and the Eurozone, increases in long-term government bond yields have also been observed, albeit to a lesser degree than those observed in the UK. Therefore, we have increased the discount rate in the Eurozone by 30 basis points and in North America by 30 basis points. As a result, the overall weighted average discount rate of the portfolio has increased by 60 basis points to 7.2% (2022: 6.6%).

In the portfolio, there were two projects in construction at 31 March 2023, both of which are located in the Eurozone (31 March 2022: three). An investment in a project under construction can offer a higher overall return (i.e., require a higher discount rate) compared to buying an investment in an operational project, but it does not usually yield during the construction period and there is the risk that delays in construction affect the investment value.

## Change in economic assumptions

Changes in economic assumptions resulted in a positive impact of £72.0m. The increase was principally due to changes in forecast inflation assumptions in all jurisdictions, as well as various changes in interest rate assumptions and other minor movements for tax rates outlined in the assumptions on page 49.

## Forex

GBP weakened against the Euro and the USD in the period resulting in a positive impact of £39.5m pre-hedging. Net of hedging, the positive impact was £26.4m.

## Valuation assumptions

Apart from the discount rates, the other key economic assumptions used in determining the Directors' Valuation of the portfolio are as follows:

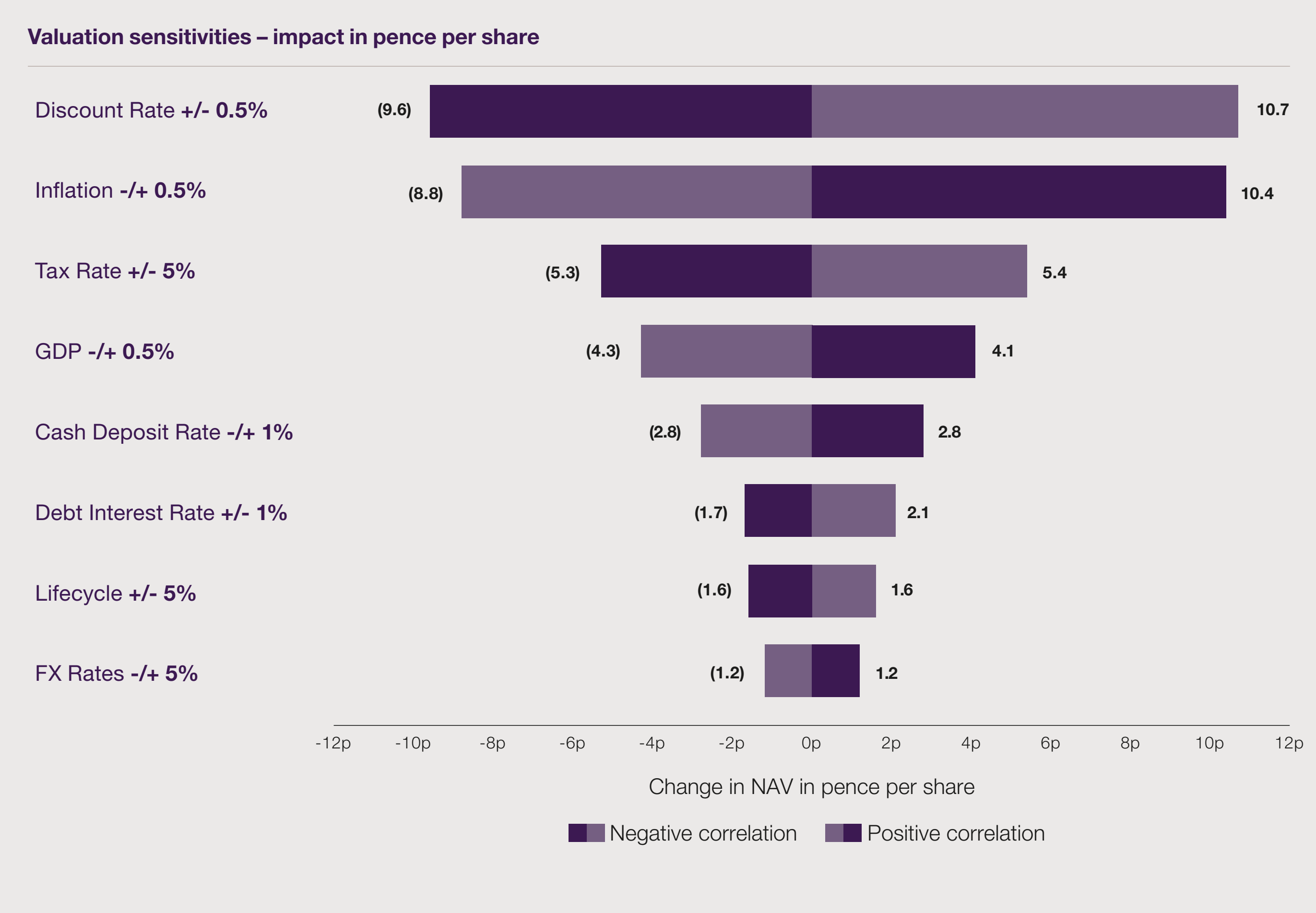
| | | 31 March 2023 | 31 March 2022 |
|---|---|---|---|
| **Inflation rates** | UK (RPI and RPIx)[1] | 5.0% year ending March 2024,<br>2.75% p.a. to March 2030,<br>2.0% thereafter | 6% year ending March 2023,<br>3.50% year ending March 2024,<br>2.75% p.a. to 2030,<br>2.0% thereafter |
| | UK (CPI/CPIH )[2] | 4.25% year ending March 2024,<br>2.0% thereafter | 5.25% year ending March 2023,<br>2.75% year ending March 2024,<br>2.0% thereafter |
| | Eurozone (CPI) | 5.0% year ending March 2024,<br>2.0% p.a. thereafter | 3.0% year ending March 2023,<br>2.0% p.a. thereafter |
| | Canada (CPI) | 3.0% year ending March 2024,<br>2.0% p.a. thereafter | 3.0% year ending March 2023,<br>2.0% p.a. thereafter |
| | USA (CPI) | 3.0% year ending March 2024,<br>2.0% p.a. thereafter | 4.0% year ending March 2023,<br>2.0% p.a. thereafter |
| | New Zealand (CPI) | 5.0% to 31 March 2024,<br>2.50% to 31 March 2025,<br>2.25% thereafter | n/a |
| **Interest rates** | UK | 3.25% p.a. to March 2025, 2.50% p.a. thereafter | 0.75% p.a. to March 2025, 1.25% p.a. thereafter |
| | Eurozone | 2.25% p.a. to March 2025, 2.00% p.a. thereafter | 0.0% p.a. to March 2025, 0.5% p.a. thereafter |
| | Canada | 3.50% p.a. to March 2025, 3.00% p.a. thereafter | 0.75% p.a. to March 2024, 2.25% p.a. thereafter |
| | USA | 4.00% p.a. to March 2025, 3.00% p.a. thereafter | 0.75% p.a. to March 2024, 2.00% p.a. thereafter |
| | New Zealand | 4.00% p.a. to March 2024, 4.25% p.a. thereafter | n/a |
| **Foreign exchange rates** | GBP / EUR | 1.14 | 1.19 |
| | GBP / CAD | 1.67 | 1.64 |
| | GBP / USD | 1.23 | 1.31 |
| | GBP / NZD | 1.97 | n/a |
| **Tax rates** | UK | 25% | 19% to 2023, 25% thereafter |
| | Eurozone | Ireland 12.5%<br>France 25%<br>Netherlands 25.8% | Ireland 12.5%<br>France 25% – 27.5%<br>Netherlands 25.8% |
| | Canada | 23% and 27% | 23% and 27% |
| | USA | 21% Federal and 4.6% Colorado State | 21% Federal and 4.6% Colorado State |
| | New Zealand | 28% | n/a |
| **GDP growth** | UK | 2.0% p.a. | 4.0% in 2022,<br>2.0% p.a. thereafter |
| | Eurozone | 1.8% p.a. | 3.0% in 2022,<br>1.8% p.a. thereafter |
| | USA | 2.5% p.a. | 3.5% in 2022,<br>2.5% p.a. thereafter |

1 Retail Price Index and Retail Price Index excluding Mortgage Interest Payments
2 Consumer Prices Index including owner-occupiers' housing costs; used in the valuation of Affinity Water

## Valuation of the Portfolio continued

### Valuation sensitivities

The portfolio's valuation is sensitive to each of the macroeconomic assumptions listed above. An explanation of the reason for the sensitivity and an analysis of how each variable in isolation (i.e. while keeping the other assumptions constant) impacts the valuation follows below[1,2,3]. The sensitivities are also contained in Note 14 to the financial statements.




1 NAV per share based on 2,031 million Ordinary Shares as at 31 March 2023
2 Sensitivities for inflation, interest rates, tax rates and lifecycle are based on the 35 largest investments extrapolated for the whole portfolio
3 Foreign exchange rate sensitivity is net of Group hedging as at 31 March 2023

## Discount rate sensitivity

Whilst not a macroeconomic assumption, the weighted average discount rate that is applied to each portfolio company's forecast cash flows, for the purposes of valuing the portfolio, is the single most important judgement and variable. The impact of a 0.5% change in the discount rate on the Directors' Valuation and the NAV per share is shown above. Despite the volatility in the year, a higher sensitivity is not considered appropriate as the mix of the portfolio means that the sensitivity is linear and it is possible to determine the impact if percentage changes are in multiples of this sensitivity.

## Inflation rate sensitivity

PPP projects in the portfolio have contractual income streams derived from public sector clients, which are rebased every year for inflation. For the demand-based assets, the concession agreement usually prescribes how user fees are set, which is generally reset annually for inflation. On Affinity Water, one of HICL's regulated assets, revenues are regulated by Ofwat in a five-yearly cycle with the pricing of water bills set with the aim of providing an agreed return for equity that is constant in real terms for the five-year period by reference to RPI currently and CPIH in the next regulatory period.

The chart shows that the Directors' Valuation and NAV per share are both positively correlated to inflation. The portfolio's inflation correlation at 31 March 2023 was 0.8x (31 March 2022: 0.8x) such that should inflation be 1% p.a. higher than the valuation assumption for all future periods the expected return from the portfolio would increase from 7.2% to 8.0%.

The portfolio valuation assumes UK inflation of 5% for the year ending March 2024, 2.75% per annum for both RPI and RPIx to March 2030 and 2.0% thereafter. The March 2023 forecasts for RPI out to December 2023 range from 3.1% to 10.7% from 35 independent forecasters as compiled by HM Treasury, with an average forecast of 5.5%.

More information can be found on the effect of inflation on page 25.

## Gross Domestic Product ("GDP") sensitivity

At 31 March 2023, the portfolio had five investments which are considered sensitive to GDP, comprising 18% of the portfolio value (21% at 31 March 2022), namely the A63, M1-A1 Road, RMG Roads, NWP and HS1. At times of higher economic activity there will be greater traffic volumes using these roads and railways, generating increased revenues for the projects compared to periods of lower economic activity and therefore we assess these as GDP sensitive investments.

If outturn GDP growth was 0.5% p.a. lower for all future periods than those in the valuation assumptions set out on page 49, expected return from the portfolio (before Group expenses) would decrease 0.2% from 7.2% to 7.0% (31 March 2022: 6.4%).

## Interest rate sensitivity

The vast majority of HICL's portfolio company's interest costs are at fixed rates, either through fixed-rate bonds, bank debt which is hedged with an interest rate swap or linked to inflation through index-linked bonds. However, there are five investments – Affinity Water (UK), Northwest Parkway (USA), TNT (USA), XLT (UK) and Fortysouth (NZ) which have refinancing requirements, exposing these investments to interest rate risk. The average gearing of the assets is lower than the portfolio as a whole, at 45%. As set out on page 50, were interest rates to be 1.0% higher in all future valuation periods, the expected return from the portfolio would decrease by 0.1% as a result of higher financing costs, before accounting for the offsetting positive impact of higher interest rates on cash balances.

In the case of other investments, sensitivity to interest rates predominantly relates to the cash deposits which the portfolio company is required to maintain as part of its senior debt funding. For example, most PPP projects would have a debt service reserve account in which six months of debt service payments are held.

At 31 March 2023, cash deposits for the portfolio were earning interest at a rate of 3.0% per annum on average (31 March 2022: 0.2%).

## Lifecycle expenditure sensitivity

Lifecycle (also called asset renewal or major maintenance) concerns the replacement of material parts of the asset to maintain it over the concession life. It involves larger items that are not covered by routine maintenance and for a building will include items like the replacement of boilers, chillers, carpets and doors when they reach the end of their useful economic lives.

The lifecycle obligation, together with the budget and the risk, is usually either taken by the project company (and hence the investor) or is subcontracted to the FM contractor. Of the 118 investments, 46 have lifecycle as a project company risk (i.e. not subcontracted to the supply chain).

## Corporation tax rate sensitivity

The profits of each portfolio company are subject to corporation tax in the country where the project is located. The sensitivity considers a 5% movement in tax rates in all jurisdictions.

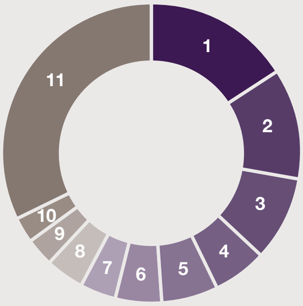
The UK corporation tax assumption for the portfolio valuation is 25%.

## Foreign exchange rate sensitivity

36% of the portfolio by (Directors') value, has exposure to foreign exchange rates. The sensitivity shows, post-hedging, the impact of GBP appreciating or depreciating against these currencies by +/- 5%.

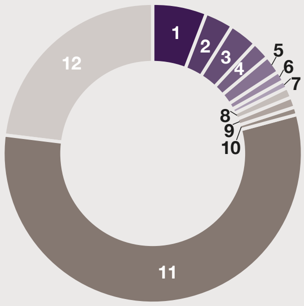
# Valuation of the Portfolio continued

### Ten Largest Exposures – Counterparty
### FM counterparty
### March 2023



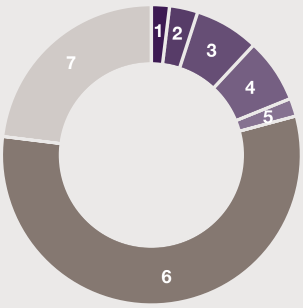

| | | |
|---|---|---|
| 1 | In house | **16%** |
| 2 | Bouygues | **12%** |
| 3 | Equans | **9%** |
| 4 | EGIS | **6%** |
| 5 | One NZ | **6%** |
| 6 | Siemens | **5%** |
| 7 | Network Rail | **4%** |
| 8 | Babcock | **4%** |
| 9 | Mitie | **3%** |
| 10 | Sodexo | **3%** |
| 11 | Other | **32%** |

### Ten Largest Exposures – Counterparty
### Construction counterparty
### March 2023



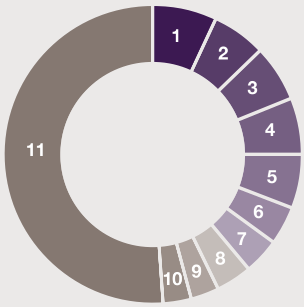

| | | |
|---|---|---|
| 1 | Colas | **6%** |
| 2 | Balfour Beatty | **3%** |
| 3 | Siemens | **3%** |
| 4 | DEME | **2%** |
| 5 | Strabag | **2%** |
| 6 | Bilfinger | **1%** |
| 7 | Laing O'Rourke | **1%** |
| 8 | Bouygues | **1%** |
| 9 | Galliford Try | **1%** |
| 10 | Other contractors | **1%** |
| 11 | Latent defects limitation/Warranty period expired | **56%** |
| 12 | Assets subject to regulatory regimes | **23%** |

### Ten Largest Exposures – Counterparty
### Latent defect warranty periods
### March 2023




| | | |
|---|---|---|
| 1 | Within 1 year | **2%** |
| 2 | 1-2 years | **3%** |
| 3 | 2-5 years | **7%** |
| 4 | 5-10 years | **7%** |
| 5 | 10+ years | **2%** |
| 6 | Latent defects limitation/Warranty period expired | **56%** |
| 7 | Assets subject to regulatory regimes | **23%** |

### Ten Largest Exposures – Investment
### 10 Largest Investments
### March 2023




| | | |
|---|---|---|
| 1 | Affinity Water | **7%** |
| 2 | A63 Motorway | **6%** |
| 3 | Northwest Parkway | **6%** |
| 4 | Fortysouth | **6%** |
| 5 | Texas Nevada Transmission | **6%** |
| 6 | High Speed 1 | **4%** |
| 7 | Royal School of Military Engineering | **4%** |
| 8 | Southmead Hospital | **4%** |
| 9 | Pinderfields & Pontefract Hospital | **3%** |
| 10 | Home Office | **3%** |
| 11 | Remaining Investments | **51%** |

1 By value, at 31 March 2023, using Directors' Valuation excluding A13 senior bonds. 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 the Investment Manager). 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

2 Assets subject to regulatory regimes that help mitigate the potential impact of defects on equity

# Risk & Risk Management

## Risk management framework

HICL's risk management framework covers all aspects of HICL's business. The Board monitors, challenges and evaluates InfraRed's management of risk through the consideration of scenarios that could materially impact the performance of HICL were they to occur. Having considered and analysed key risks, mitigating action may be undertaken to reduce the likelihood and impact of each risk manifesting.

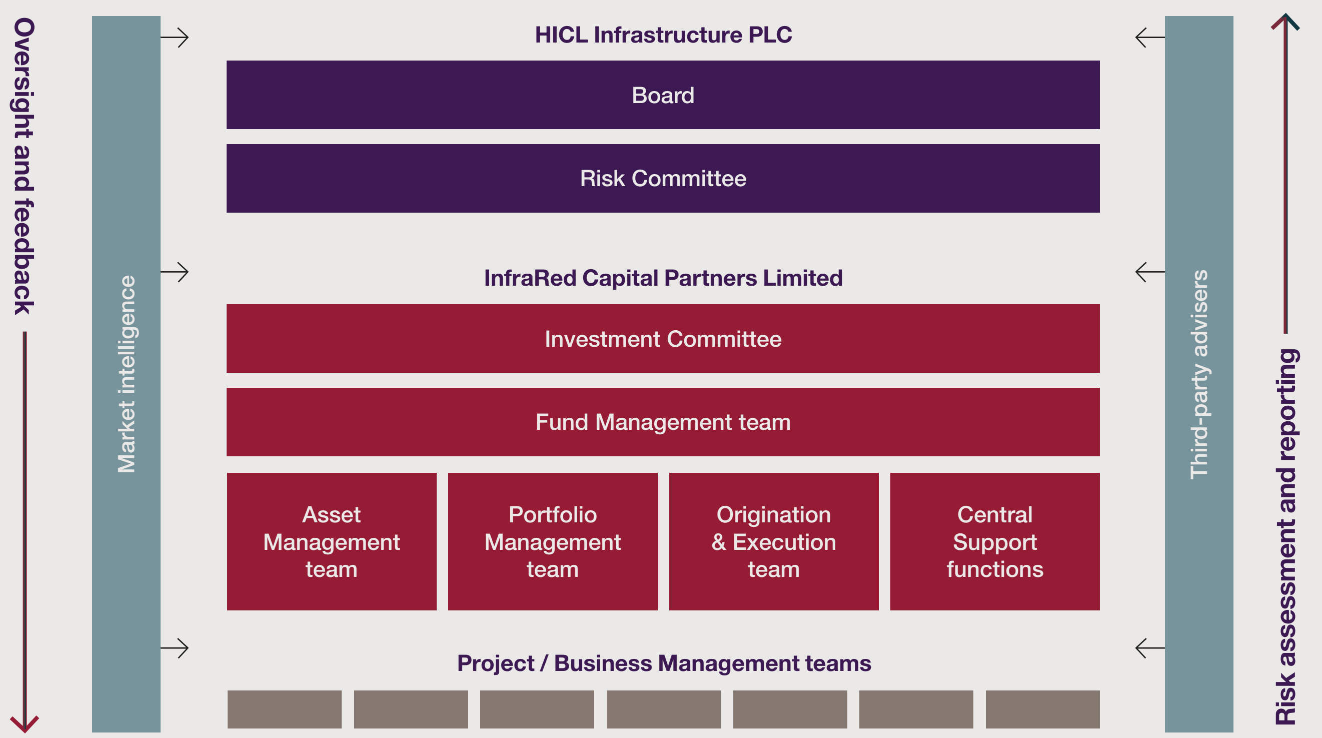
The Board has ultimate responsibility for setting HICL's risk policy and risk appetite. It has convened a Risk Committee to assist the Board by assessing HICL's overall risk profile, recommending a risk appetite, and ensuring its framework is appropriately designed and effective. The terms of reference for the Risk Committee can be found on HICL's website.

Day-to-day monitoring, evaluation and management of risk is undertaken by InfraRed as HICL's Investment Manager. Working closely with portfolio company management teams, InfraRed's Asset Management team ensures the timely reporting of project-specific risks to the HICL Fund Management team as and when they arise; the HICL Investment Committee also undertakes a formal review of project-specific risks on a quarterly basis. The Investment Manager is monitored and challenged by the Risk Committee, which reports to the Board.

The Investment Manager uses its experience, insight from investments within the Group's portfolio and the wider infrastructure market to consider future risks and develop appropriate mitigation strategies. The Investment Manager oversees the deployment of these strategies and directs portfolio company management teams as required. Relevant systems, policies, oversight and third-party assurance are utilised to ensure effective risk management.

The Board's Management Engagement Committee reviews the performance of the Investment Manager (as well as all key service providers) at least annually and this review includes a consideration of the Investment Manager's internal controls and their effectiveness. No issues were identified in the latest review. The Investment Manager's Risk and Compliance team has developed a detailed self-assessment internal control report, and this is reviewed on a quarterly basis by the Risk Committee.

**This schematic sets out the Company's risk management framework:**



**Risk & Risk Management continued**

## Risk classes

Risk is evaluated across seven primary risk classes. These are set out in the table below along with the Investment Manager's assessment of:

– The potential financial impact of plausible 12-month downside scenarios, which are developed by the Investment Manager and reviewed by the Risk Committee. They represent the estimated impact of severe but plausible scenarios, meaning they are not worst-case. Each scenario is presented before (inherent) and after (residual) the effect of mitigation strategies is considered; and

– A residual risk rating[1] based on the likelihood and mitigated impact of the prudent downside scenario for each risk class.

If any one of the plausible 12-month downside scenarios described above were to materialise, the NAV / share impact would be impacted immediately, but the effect on cash flow may extend beyond the current year, with a consequential impact on dividend cash cover. The Risk Committee has therefore decided to focus on the five-year cash flow impact of each scenario.

The Investment Manager regularly presents stress scenarios and associated mitigation strategies to the Risk Committee to assist its assessment of more severe but lower-probability downside scenarios.

There has been no change to the residual risk ratings of the seven primary risk classes over the year. Although the residual risk from portfolio performance is still considered to be high, the Investment Manager continues to make progress in delivering defect remediation works, with a number of key milestones achieved across the portfolio. The risk posed to HICL's demand-based assets by Covid-19 significantly reduced during the year as asset usage increased, although some uncertainty remains around the potential impacts of long-term behavioural change. InfraRed successfully mitigated the risk of adverse behaviour from public sector clients through collaborative and active engagement, although there remains a risk that persistent high inflation places heightened financial pressure on public sector counterparties. Supply chain disruption, increased energy costs and materials inflation had a limited impact on a subset of projects during the period, with the wider risk to HICL mitigated by contractual pass-through mechanisms.

The residual risk rating for both the financial / market risk and political risk classes continues to be assessed as medium. For financial / market risk, rising base interest rates across HICL's jurisdictions in response to high inflation led to increased financial market volatility in the year, but the valuation impact of rising discount rates was largely offset by the portfolio's high correlation to inflation. Political and regulatory risk is an inherent feature of the infrastructure asset class which can evolve at relatively short notice, evidenced by the changes to the UK government during the year. The Company's primary mitigation is through its diverse portfolio, which is exposed to a wide range of different clients, sectors, regulatory regimes and geographies.

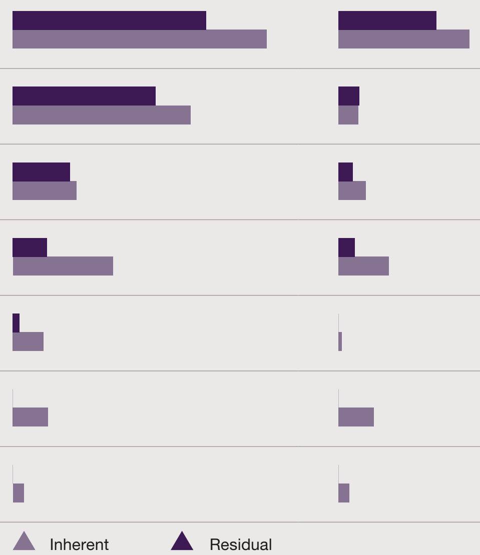
## Principal risks

The tables on the following pages summarise the principal risks which are regularly reviewed by the Risk Committee and have the potential to reduce the Company's ability to achieve its strategic objectives and materially impact HICL's financial performance and reputation. They are not an exhaustive list of risks and uncertainties faced by the Group. Further information on the principal risks and uncertainties facing HICL can be found in HICL's March 2019 Prospectus which is available on the Company's website at www.hicl.com.

The Directors have carried out a robust assessment of the Company's emerging and principal risks. The movement in risk status for each principal risk, when compared with the previous financial year, is set out in the tables below. The Investment Manager's Report (starting on page 20) provides additional commentary on how the risk landscape faced by the Company has evolved during the year.

The risks posed by climate change, whilst not expected to be material to the Company, are an integral part of the Investment Manager's risk management framework. Further information on the assessment and management of climate-related risks can be found in the Task Force on Climate-related Financial Disclosures, starting on page 67.

| Primary risk classes | Residual risk rating | Change in year | NAV/share impact Inherent vs Residual | Five-year cash flow impact Inherent vs Residual |
|---|---|---|---|---|
| Portfolio performance risk | High | ⇄ | | |
| Financial / market risk | Medium | ⇄ | | |
| Political risk | Medium | ⇄ | | |
| Operational risk – execution | Low | ⇄ | | |
| Operational risk – portfolio and asset management | Very Low | ⇄ | | |
| HICL central management risk | Very Low | ⇄ | | |
| Operational risk – regulation and compliance | Very Low | ⇄ | | |




1 There are five residual risk ratings: the lowest being 'Very Low', then 'Low', 'Medium', 'High' and 'Very High'

**Link to strategy**

Deliver a sustainable dividend

Grow Net Asset Value

Build a diversified portfolio to manage risk

Provide a compelling cost proposition

**Change in risk level**

No change

Decreased risk

Increased risk

# Portfolio performance risk

**Principal risk**

## Adjustments to contracted or regulated revenues

**Movement in risk status in FY2023**

**Link to strategic objectives**

**Potential impact**

- Reduced income from PPP projects due to availability deductions because of poor operational performance or a disputed approach to contract management by clients and advisors
- Under certain regulatory regimes, failure to meet specified delivery outcomes can result in penalties being earned, reducing income
- Projects may be prevented from making distributions by lenders or in severe cases, default on financing arrangements
- Adverse reputational impacts from loss of revenue linked to acute operational issues

**Risk mitigation**

- Contractual pass-through of deductions to subcontractors, which can be terminated and replaced if performance is poor for an extended period of time
- Collaborative and proactive agreement with public sector clients where disagreements arise over performance
- Diversity of regulatory mechanisms and performance regimes
- For most regulated assets, management team compensation linked to performance against regulatory outcomes

**FY23 outcome**

- Low overall level of deductions across the PPP portfolio, with the vast majority passed down to subcontractors
- Deeper collaboration with clients through Portfolio Impact strategy
- Increase in penalties earned by Affinity Water, primarily due to extreme weather

**Principal risk**

## Revenue variability

**Movement in risk status in FY2023**

**Link to strategic objectives**

**Potential impact**

- Actual usage of demand-based assets below valuation assumptions
- Potential default of financing arrangements in the case of significant underperformance
- Uncertain and unpredictable impact on usage of transport assets from long-term behavioural changes, such as increased home working
- Take up or adoption of new communications technology slower or less than expected

**Risk mitigation**

- Detailed analysis of demand risk as part of due diligence process at acquisition
- Use of independent third-party traffic forecasts where appropriate
- Assessment of risk of long-term behavioural changes as part of the Directors' Valuation
- Strategic and critical nature of the Group's demand-based assets
- Communications assets benefit from monopolistic wholesale market positioning or long-term contracts

**FY23 outcome**

- Reduced short-term risk from Covid-19-related restrictions of movement, with demand-based assets experiencing year-on-year growth in usage
- Update of long-term forecasts for HS1 and NWP given more stable operating environment
- HS1 expected to resume shareholder distributions in calendar year 2023; all other demand-based assets making regular distributions

**Risk & Risk Management continued**

# Portfolio performance risk (continued)

**Principal risk**

## Construction defects

**Movement in risk status in FY2023**

**Link to strategic objectives**

### Potential impact

- Disputes with the subcontractor on the scope of remediation required
- Increased cost to the portfolio company where the construction contractor is no longer solvent or the statutory limitations period has expired
- Lenders preventing the project from distributing or, in severe cases, default on financing arrangements
- Availability deductions may be levied depending on the extent of the defects and the works required for remediation
- Adverse reputational impact from material defect issues

### Risk mitigation

- Legal rights of portfolio companies to make claims against construction subcontractors for identified defects during the statutory limitations period
- Construction defects identified through targeted surveys as well as a regular programme of operations and maintenance
- Adjudication or court process used where disputes arise and cannot be commercially resolved
- Lifecycle budget to offset some costs following the expiry of the statutory limitations period

### FY23 outcome

- Agreement of commercial terms for a major programme of works at Pinderfields and Pontefract Hospitals during the year, which enabled the resumption of shareholder distributions
- Reduced exposure to the historical obligations of Carillion plc through the sale of QAH
- Proactive leadership and control of the delivery of remediation works by responsible parties where necessary across the portfolio

**Principal risk**

## Construction, operations and maintenance counterparties

**Movement in risk status in FY2023**

**Link to strategic objectives**

### Potential impact

- Operational underperformance reducing a portfolio company's ability to fulfil its contractual obligations, potentially leading to revenue adjustments (see above)
- Failure of a counterparty, which is likely to lead to lenders preventing projects from distributing until the counterparty is replaced

### Risk mitigation

- Well diversified portfolio, mitigating concentration risk
- Counterparty credit risk assessed on a regular basis by InfraRed's internal credit risk team
- Continuous review of contingency plans for a scenario in which a key subcontractor enters administration or liquidation
- A number of potential replacement service providers from InfraRed's wide network

### FY23 outcome

- Acquisition of Engie SA's services unit, Equans, by Bouygues S.A., a high-quality counterparty
- Increased concentration risk from the above transaction offset by new additions to HICL portfolio and the disposal of QAH
- No material deterioration in any counterparty rating

**Link to strategy**

Deliver a sustainable dividend

Grow Net Asset Value

Build a diversified portfolio to manage risk

Provide a compelling cost proposition

**Change in risk level**

No change

Decreased risk

Increased risk

**Principal risk**

## Operational costs

**Movement in risk status in FY2023**

**Link to strategic objectives**

**Potential impact**

- Budgets for management services contracts, lifecycle costs and insurance premia prove to be insufficient
- For certain regulated assets, overspend against allowances may reduce returns
- Overspends can also occur where portfolio company management teams are responsible for operational service delivery

**Risk mitigation**

- Risk for several types of operational cost generally passed down through fixed price contracts to industry specialists
- Regular assessment of lifecycle budget adequacy
- For regulated businesses, set stretching but achievable expenditure allowances
- For some assets, management team compensation linked to performance business plan

**FY23 outcome**

- Supply chain pressures affecting the lifecycle costs in the UK PPP sector
- Ongoing programme of management service contract renewals
- Operational costs slightly in excess of budget at Affinity Water due to electricity costs and additional spending in response to extreme weather events

# Financial and market risk

**Principal risk**

## Investor sentiment

**Movement in risk status in FY2023**

**Link to strategic objectives**

**Potential impact**

- Prolonged periods where the share price trades below HICL's prevailing NAV, inhibiting HICL's ability to issue new equity capital
- Inability to capitalise on attractive investment opportunities

**Risk mitigation**

- Ability to refinance HICL's Revolving Credit Facility ("RCF") to extend maturity and size (if deemed appropriate)
- Use of HICL's Letter of Credit Facility ("LCF") for longer-term drawings for construction assets, where equity commitments are deferred for a number of years, to release RCF capacity
- Strategic disposal to generate cash to pay down drawings under the RCF and facilitate opportunistic acquisitions without substantially increasing HICL's gearing
- Issue of Private Placement which diversifies sources of capital, extends the maturity of debt to a longer tenor at a fixed rate

**FY23 outcome**

- Periods of HICL's share price trading below prevailing NAV towards the end of the financial year
- Successful £160m issuance of equity capital in July 2022
- Disposal of QAH and partial disposal of NWP (post period end) raised c.£174m
- Successful renewal and extension of HICL's £650m RCF in March 2023

# Financial and market risk (continued)

Principal risk

## Inflation

| Movement in risk status in FY2023 | Potential impact | Risk mitigation | FY23 outcome |
|---|---|---|---|
| Link to strategic objectives | – Adverse impact on portfolio valuation and distributable cash flows if inflation levels below HICL's long-term assumptions<br>– Potential defaults under loan arrangements in sustained periods of deflation<br>– Sustained high inflation may lead to increases in interest rates and therefore discount rates (see below)<br>– In some cases, inflation may impact costs to a greater extent than revenues | – HICL's inflation assumptions are carefully considered as part of the Directors' Valuation, drawing from a wide range of forecasts<br>– Lower inflation usually coincides with lower interest rates, elements which materially offset each other in the portfolio valuation<br>– Negative impact of discount rate increases would be largely offset by positive impact of inflation (see below)<br>– In many cases, both costs and revenues are contractually linked to the same inflation index | – Sector-leading correlation of return to inflation at 0.8x maintained through new acquisitions<br>– Portfolio outperformance driven by actual inflation ahead of expectations<br>– Valuation assumptions assume a significant decrease in inflation over the coming year |

Principal risk

## Discount and interest rates

| Movement in risk status in FY2023 | Potential impact | Risk mitigation | FY23 outcome |
|---|---|---|---|
| Link to strategic objectives | – Increases in interest rates may lead to increases in long-term government bond yields, which in turn may lead to increases in the discount rate used for comparable market transactions<br>– All other things being equal, higher discount rates would result in a reduction in the portfolio valuation | – Higher interest rates usually coincide with higher inflation, elements which materially offset each other in the portfolio valuation<br>– Higher deposit interest income when interest rates increase partly mitigates the value reduction arising from increased discount rates<br>– Low overall sensitivity to the impact of increased interest rates on financing costs at portfolio level<br>– Adequate and reasonable risk premium added to risk-free reference rate (long-dated government bonds) used to corroborate reference discount rates | – Impact of increased discount rates during the year largely offset by the portfolio's positive correlation to inflation and deposit rates<br>– Discount rates used in the Directors' Valuation corroborated by market transactions (including the disposal of NWP post period end) and the Board's third-party expert opinion on the valuation |

**Link to strategy**

Deliver a sustainable dividend | Grow Net Asset Value | Build a diversified portfolio to manage risk | Provide a compelling cost proposition

**Change in risk level**

No change | Decreased risk | Increased risk

# Political risk

**Principal risk**

## Policy changes

**Movement in risk status in FY2023**

No change

**Link to strategic objectives**

Deliver a sustainable dividend; Grow Net Asset Value; Build a diversified portfolio to manage risk

**Potential impact**

- Clients of HICL's portfolio companies or national governments may choose to terminate contracts
- Heightened public sector activity around the prospect of PPP 'handback' and the mobilisation of public sector resources for the transition of UK PPP facilities back to the public sector at their expiry
- Governments may consider taking certain assets back into public ownership

**Risk mitigation**

- PPPs generally have a contractual right to receive compensation in the event of counterparties voluntarily terminating a PPP contract
- InfraRed's active involvement in various industry bodies which, on behalf of the infrastructure sector, engage with politicians, civil servants, other policy shapers, and regulators
- InfraRed's direct interaction with stakeholders of the portfolio's projects to extol the value that the private sector brings to the delivery of public infrastructure

**FY23 outcome**

- Two changes of UK Prime Minister during the year, with some evidence that the political situation has now stabilised
- The broader need for infrastructure procurement enjoys bipartisan political support
- Heightened political scrutiny of UK water companies as a result of sewage overflow events

**Principal risk**

## Legal or regulatory changes

**Movement in risk status in FY2023**

No change

**Link to strategic objectives**

Deliver a sustainable dividend; Grow Net Asset Value; Build a diversified portfolio to manage risk

**Potential impact**

- Exposure to higher contractual costs or obligations due to legal and regulatory changes
- Adverse impact on the assets that are subject to regular price control reviews in the event of failure to deliver the specified levels of service or investment

**Risk mitigation**

- Continuous monitoring of potential and actual changes to regulations by the Investment Manager and their advisers to ensure both the Group and its service providers remain compliant
- Protection in relation to changes in legislation is provided by most social and transport infrastructure concessions through their contractual structures
- InfraRed's participation in relevant consultation processes to ensure that the legislature and regulators hear the concerns and views of HICL, in its capacity as a private sector investor
- Well-diversified portfolio across clients, sectors and countries

**FY23 outcome**

- Ofwat published final methodology for PR24 and early view on WACC, which were broadly in line with HICL's expectations for the valuation of Affinity Water
- Exposure to regulatory regimes diversified through the acquisition of TNT
- HS1 has limited direct exposure to regulatory price control

## Risk & Risk Management continued

# Political risk (continued)

**Principal risk**

## Taxation changes

**Movement in risk status in FY2023**

**Link to strategic objectives**

**Potential impact**

- Adverse impact on the Group and portfolio value due to taxation legislation or treaty changes, such as corporation tax rates and cross-border tax rules

**Risk mitigation**

- Closely monitor relevant cross-border tax rules and broader taxation legislation developments for any potential adverse impact on the Group

**FY23 outcome**

- Enactment of increase in UK corporation tax increase in line with HICL's valuation assumption
- No other material changes in tax legislation

# Operational risk – execution

**Principal risk**

## Inadequate due diligence

**Movement in risk status in FY2023**

**Link to strategic objectives**

**Potential impact**

- Underperformance against acquisition assumptions due to poor or inadequate due diligence

**Risk mitigation**

- InfraRed's Origination and Execution team adopt a thorough due diligence approach and have a depth of experience in buying and selling infrastructure assets
- Support of specialist advisers (e.g. lawyers, technical consultants, sustainability advisers and tax advisers)
- Oversight is provided by the HICL Investment Committee, and by the Risk Committee and Board in respect of matters falling outside the Investment Manager's Approved Investment Parameters ("AIP")

**FY23 outcome**

- New acquisitions performing in line with expectations
- Refreshed AIP framework is expected to enhance the ability of the Risk Committee and Board to appropriately evaluate new investment opportunities

**Link to strategy**

- Deliver a sustainable dividend
- Grow Net Asset Value
- Build a diversified portfolio to manage risk
- Provide a compelling cost proposition

**Change in risk level**

- No change
- Decreased risk
- Increased risk

Principal risk

## Asset pricing

| Movement in risk status in FY2023 | Potential impact | Risk mitigation | FY23 outcome |
|---|---|---|---|
| Decreased risk<br><br>**Link to strategic objectives**<br>Build a diversified portfolio to manage risk; Provide a compelling cost proposition | – Infrastructure assets become less attractive due to high asset pricing<br>– Overpayment for assets leads to lower realised investment returns than expected | – InfraRed's disciplined and selective Acquisition Strategy, leveraging the Investment Manager's international Origination and Execution platform<br>– New acquisitions can provide inherent protection against rising interest rates through inflation correlation or regulated cost of capital structures | – Discount rates used to value new acquisitions corroborated by market data points, including HICL's disposal activity both during and after the period, and acquisitions and disposals made by other InfraRed-managed funds |

# Risk Committee Report

The following pages set out the Risk Committee's report on its activities for the year ended 31 March 2023. The Risk Committee operates within clearly defined terms of reference, which are available on the Company's website. The Risk Committee is comprised of all Directors and meets four times a year, coinciding with the quarterly Board meetings, and is available to convene ad hoc should material matters arise.

In discharging its responsibilities, the duties of the Risk Committee comprise defining the risk appetite of the Group, assessing, monitoring and managing the principal risks to which the Group is exposed, as well as establishing and overseeing mitigating action. In particular, we consider risk exposure and controls, stress and scenario planning, regulatory compliance, portfolio company controls and the three lines of defence.

**Simon Holden**
**Risk Committee Chair**
23 May 2023

## Main duties and general approach

The Risk Committee's main duties are, as set out in its terms of reference, to consider and where necessary make recommendations to the Board, on the following:

– the Company's implementation of an effective governance structure and control framework which covers key risk areas with appropriate reporting;
– the Group's risk appetite statement (reviewed annually at a minimum), taking account of the current economic, political, and business environment, as well as any short-term shocks or longer-term trends (such as climate change) which might affect portfolio performance;
– risk limits and tolerances, and risk management;
– ongoing regulatory compliance;
– the Group's risk profile, challenging the assessment and measurement of key risks whilst monitoring the actions taken to manage and mitigate them;
– scenario analysis to determine whether proposed mitigation is sufficient to manage the business risk profile within the Board's appetite; and
– the Investment Manager's advice on material changes to investment strategy, the treasury policy, the hedging policy and the risk policy.

## Statement of the Chair of the Risk Committee

The Company has a risk management framework covering all aspects of the Group's business. The Company is an Alternative Investment Fund ("AIF") and the Investment Manager (as Alternative Investment Fund Manager, ("AIFM")) is responsible for risk management and has well-established systems and controls to manage and monitor risk. The Board places reliance on the Investment Manager's systems and controls and through its Risk Committee, monitors, reviews and challenges their effectiveness.

The risk management framework operates across a range of timeframes and likelihoods, from; i) previously identified risks with mitigating actions already underway, ii) the identification of near-term emerging risks, including potential catalysts of 'black swan' events, and iii) longer-term 'horizon risks' that might influence HICL's portfolio and investment policy in the decades ahead.

The risk management framework follows a cascade approach, with three 'lines of defence', to effectively safeguard and protect the interests of the Company and its shareholders. The Investment Manager implements mitigation strategies, which are regularly reported to and assessed by the Risk Committee:

– The first line is the development of systems to implement effective controls. These are set out in documents such as the Company's and the Investment Manager's Policies and Controls Manuals. The Company must generally be satisfied that the Investment Manager's systems and processes ensure that risk is effectively anticipated, controlled, reported and overseen. InfraRed, as the Company's Investment Manager and the Operator of HICL's portfolio, is responsible for the identification, classification, assessment and management of risk both within the existing portfolio and in evaluating new investment opportunities.

– The second line is that of oversight and engagement from the Risk Committee, who scrutinise and challenge InfraRed's approach to risk management. At each quarterly meeting, the Risk Committee conducts an in-depth review of the most material risks faced by the Group, which are assessed quantitatively (based on potential valuation and cash flow impact) and qualitatively (reputational impacts). The Committee also considers longer-term factors to which the Company may need to adapt in the future ('horizon risks') such as climate change, as well as risks which may impact the future delivery of the Company's investment proposition, including 'black swan' risks. Mitigation strategies are proposed by the Investment Manager, with progress being monitored by the Risk Committee. The Risk Committee also ensures that all relevant policies are up to date and that delegated authorities are observed.
– The third line is third-party assurance which is used on an as-needed basis to provide independent scrutiny of the Company's risk management framework, an audit of key controls and specialist guidance. The results are reported to each of the Risk Committee and the Audit Committee as appropriate.

## Routine business

The Committee considered and noted compliance with HICL's Investment Policy and other policies relating to gearing, hedging and risk reportable events, which are fundamental to the Company's risk appetite.

Within the Investment Policy, the Risk Committee has established Approved Investment Parameters ("AIPs"). These are designated thresholds that are approved by the Board in coordination with the Investment Manager. These set the perimeter of HICL's risk appetite as it relates to portfolio construction, fund level gearing and hedging. The AIPs have served as intended during year, with compliance monitored by the Risk Committee and any proposed investment which would exceed the limits set by the AIPs appropriately considered in advance. AIPs are adjusted from time to time based on the evolution of the Company's investment strategy and operating environment; during the year a thorough review was undertaken as set out in more detail in the following section.

The Committee's routine quarterly agenda covers, inter alia, a summary of key risks faced by the Group (including changes to the potential impact or timing of known risks as well as a consideration of emerging and longer-term 'horizon' risks, with climate and environmental risks notable amongst these), a review of HICL's risk management policies and updates on relevant fund or portfolio company matters as required.

The Committee received quarterly reporting from the Investment Manager in relation to health and safety matters. The safe working practices of our contractors and the avoidance of injuries are always of paramount concern and are closely monitored across the portfolio at all times.

The Committee considered, at each meeting, regulatory compliance reports from both the Investment Manager and Aztec, the Company's Administrator and Secretary. The Committee also received compliance reports from the Depositary. No significant action points or notable comments arose in respect of these regular reviews.

The Committee concluded each quarterly meeting with an assessment of whether HICL was compliant with its stated risk appetite and, confirmed that, taken as a whole, this was the case. The Committee also concludes by ensuring the Investment Manager's attention focuses on any areas the Chair wishes to see closer scrutiny of and reporting against in subsequent quarters.

## Process and reporting updates

Over the course of the year, the Investment Manager continued to refine its risk management process and its quarterly reporting to the Risk Committee in a number of areas:

### Stress testing and scenario analysis

A rolling programme of stress testing and scenario analysis for HICL was presented to the Risk Committee at each of its meetings throughout the year. The Investment Manager continued to refine the scenarios included within each Primary Risk Class based on the Company's evolving portfolio and operating environment. As a result of the volatile macroeconomic backdrop in the second half of the year, the Investment Manager presented several new stress tests covering the Financial/Market and Political primary risk classes.

### Refreshed AIP framework

During the year, the Investment Manager worked closely with the Risk Committee to undertake a thorough review and refresh of the Company's AIP framework. The main objectives were to ensure that the Company is not overly exposed to any material risk across its portfolio of assets, whilst providing an appropriate level of delegated authority to the Investment Manager given its market expertise. Each parameter within the framework reflects a distinct risk inherent within HICL's evolving portfolio of modern core infrastructure assets, and the concentration limits are set with the aim of providing adequate oversight for a company of HICL's size and capital structure. The revised framework, which was ratified by the Risk Committee in February 2023, also clarifies the categorisation of risks and is expected to enhance the Risk Committee's ability to appropriately evaluate new investment opportunities.

### Key Risk Indicators

In November 2022, the Investment Manager presented a refreshed set of Key Risk Indicators ("KRIs"), which are an important part of its risk management framework and are reported on a quarterly basis to the Risk Committee. The updated KRIs reflect the evolving nature of the risks faced by the Company and are designed to be leading indicators of potential changes to HICL's residual risk position. Previously, there were 44 KRIs across the seven primary risk classes, and subsequent to this review, nine new KRIs were approved, five were adjusted and five removed as no longer considered appropriate.

### 'Black swan' risks

During the year, the Risk Committee considered potential 'Black swan' risks, which are by definition unlikely to occur but could arise with limited warning and have a potentially significant impact on the Company. This included an assessment of the potential impact of each risk, the degree to which each risk is systemic or Company specific, as well as the degree of control that the Company or Investment Manager has in monitoring, preventing or mitigating the impact of these risks.

# Viability Statement

The AIC Code of Corporate Governance (the "AIC Code") requires the Directors to make a statement regarding the Company's viability in the Annual Report, explaining how they have assessed the Company's prospects, the period of time for which they have made the assessment and why they consider that period to be appropriate.

The Directors have determined that the five-year period to March 2028 remains an appropriate period over which to assess HICL's viability as:

- This period aligns with the Company's business planning exercises, including how the Directors assess the Company at their annual strategy Board meeting;
- It is the period over which the internal stress testing is performed; and
- Although the long-term and/or contractual nature of our investments means that the Directors have a higher level of confidence over the endurance and longevity of the Group, it is challenging to assess the regulatory, tax and political environment outside of the five-year period with any certainty.

## Assessment of HICL's prospects

The Directors' primary assessment of the Company's prospects is achieved through the annual strategic and business planning exercise. The Directors review a five-year budget and business plan, which is prepared by the Investment Manager and includes cash flow projections to aid strategic planning and provide support for the dividend approval process. The projections consider cash balances, investment commitments, key covenants and limits, dividend cover, investment policy compliance and other key financial indicators over that five-year period. These projections are based on the Investment Manager's expectations of future asset performance, income and costs and are consistent with the methodology applied to provide the valuation of investments.

HICL's portfolio consists of companies whose underlying assets are predominantly fully constructed and operating PPPs or similar projects with public sector counterparties in jurisdictions with established and proven legal systems. As a result, the Company benefits from predictable long-term contracted cash flows and a set of risks that can be identified and assessed (see Risk & Risk Management on page 53). The projects are each financed on a non-recourse basis to the Company and are supported by detailed financial models. The Directors believe that the non-recourse financing and diversification within the investment portfolio helps to withstand and mitigate the risks it is most likely to meet. In addition, the Company has a low level of operating expenses relative to forecast receipts from its portfolio investments, with the largest cost being the management fee. The Company funds its investments using equity and longer-term debt and its gearing is well within its Board approved investment parameters in the five-year period and the Company can withstand a material increase in interest costs.

The Company has not been immune to recent increased market volatility and its shares have traded at a discount to NAV for a sustained period. Notwithstanding this current discount, the Company has successfully demonstrated its ability to support its near-term investment pipeline with the renegotiation of its £650m revolving credit facility, £150m Private Placement issue as well as its active capital recycling programme which provides a valuable source of funding beyond capital markets and evidence of the robustness of HICL's investment portfolio valuation. Since IPO, HICL has sold on average one asset a year.

## Assessment of viability

In making this statement, the Directors have considered the resilience of the Company, considering both its current position and its principal risks, in severe but plausible downside scenarios, and the effectiveness of any mitigating actions. Consideration has been given to the current market and political environment, as well as the continued recovery of demand-based assets from the impact of the Covid-19 pandemic, heightened geopolitical risk, and increased market volatility.

The Investment Manager has prepared sensitivity analysis including various stress scenarios which have been considered previously by the Risk Committee. These include:

- Increasing tax rate assumptions by 5% for all non-UK assets;
- Increasing lifecycle costs by 20%;
- Reducing forecast inflation by 2% compared to the base case scenario;
- Assuming an increase in projects not distributing of 20% of the portfolio (note this represents projects entering distribution lock-up for a period of 12 months after which they are released);
- Deferral of demand-asset lock-up release dates by two years and no refinancing proceeds;
- Delay of capital raising for a period of at least 12 months, funding the Company's acquisitions with an average forecast RCF cost of at least 200 basis points above base case; and
- Combined scenario assuming:
  - Increase in PPP projects not distributing of 20%;
  - A delay to distributions from demand assets for a further 24 months beyond the base case assumption;
  - 30% increase to MSA costs and 15% increase in other SPV operating costs;
  - Increasing tax rate assumptions by 5% for all non-UK assets; and
  - No refinancing proceeds from key assets.

Individually, due to the diversified nature of the Company's portfolio, these scenarios pose a minimal threat to the Company's solvency. The analysis therefore demonstrated that the Company should remain viable over the five-year assessment period.

## Viability statement

The Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the five-year period to March 2028, on the assumption that there is sufficient liquidity in the debt market to allow the Company to refinance or repay obligations becoming due under its Revolving Credit Facility and Letter of Credit Facility, and that its investments are not materially affected by retrospective changes to government policy, laws or regulations.

# Strategic Report Disclosures

## Investment Policy

HICL's Investment Policy is to ensure a diversified portfolio which has a number of similarly sized investments and is not dominated by any single investment. HICL will seek to acquire Infrastructure Equity with similar risk / reward characteristics to the current portfolio, which may include (but is not limited to):

- Public sector, government-backed or regulated revenues;
- Concessions which are predominantly 'availability' based (i.e. the payments from the concession do not generally depend on the level of use of the project asset); and / or
- Companies in the regulated utilities sector.

HICL will also seek to enhance returns for shareholders by acquiring more diverse infrastructure investments. The Directors currently intend that HICL may invest in aggregate up to 35% of its total assets (at the time the relevant investment is made) in:

- Project companies which have not yet completed the construction phases of their concessions but where prospective yield characteristics and associated risks are deemed appropriate to the investment objectives of HICL. This may include investment in companies which are in the process of bidding for concessions, to the extent that such companies form part of a more mature portfolio of investments which HICL considers appropriate to acquire;
- Project companies with 'demand-based' concessions where the Investment Manager considers that demand and stability of revenues are not yet established, and / or project companies which do not have public sector sponsored / awarded or government-backed concessions; and
- To a lesser extent (but counting towards the same aggregate 35% limit, and again at the time the relevant investment is made) in limited partnerships, other funds that make infrastructure investments and / or financial instruments and securities issued by companies that make infrastructure investments, or whose activities are similar or comparable.

## Geographic focus

The Directors believe that attractive opportunities for HICL to enhance returns for investors are likely to arise outside as well as within the UK (where the majority of the projects in the current portfolio are based). HICL may therefore make investments in the European Union, Norway, Switzerland, the Americas and selected territories in Asia and Australasia. HICL may also make investments in other markets should suitable opportunities arise. HICL will seek to mitigate country risk by concentrating on investment opportunities in jurisdictions where it considers that contract structures and enforceability are reliable and where (to the extent applicable) public sector obligations carry what the Investment Manager believes to be a satisfactory credit rating and where financial markets are relatively mature.

## Single investment limit and diversity of clients and suppliers

For each new acquisition made, HICL will ensure that such investment acquired does not have an acquisition value (or, if it is a further stake in an existing investment, the combined value of both the existing stake and the further stake acquired is not) greater than 20% of the total gross assets of HICL immediately post acquisition.

The total gross assets will be calculated based on the last published gross investment valuation of the portfolio plus acquisitions made since the date of such valuation at their cost of acquisition.

The purpose of this limit is to ensure the portfolio has a number of investments and is not dominated by any single investment.

In selecting new investments to acquire, the Investment Manager will seek to ensure that the portfolio of investments has a range of public sector clients and supply chain contractors, in order to avoid over-reliance on either a single client or a single contractor.

## Restrictions under the Listing Rules

In accordance with the requirements of the Financial Conduct Authority, HICL has adopted the policies set out below:

- HICL's primary objective is investing and managing its assets with a view to spreading or otherwise managing investment risk. HICL must, at all times, invest and manage its assets in a way which is in accordance with its Investment Policy;
- HICL will not conduct a trading activity which is significant in the context of HICL as a whole. HICL will not cross-finance businesses forming part of HICL's investment portfolio; and
- No more than 10%, in aggregate, of HICL's assets will be invested in other listed closed-ended investment funds.

The Listing Rules may be amended or replaced over time.

To the extent that the above investment restrictions are no longer imposed under the Listing Rules, those investment restrictions shall cease to apply to HICL.

**Strategic Report Disclosures continued**

## Risks and uncertainties

The principal risks and uncertainties facing HICL can be found in HICL's March 2019 Prospectus which is available on the Company's website at www.hicl.com. An update on the key risks currently faced by the Company and associated mitigants are set out in the Risk & Risk Management section of this report starting on page 53.

## Environmental, social and community matters

For a detailed explanation of HICL's approach to Environmental, Social and Governance / Responsible Investment, please see HICL's Sustainability Policy, which can be found on the Company's website at www.hicl.com. A comprehensive review of the year, including case studies from the portfolio, can be found in HICL's Sustainability Report 2023, also available on the website.

## Research and development activities

None.

## Section 172(1) Statement

The Directors discharge their duties under Section 172 of the Companies Act 2006 to act in good faith and to promote the success of the Company for the benefit of shareholders as a whole.

As a closed-ended investment company, HICL has no employees; however, the Directors assess the impact of HICL's activities on other stakeholders, in particular public sector clients and the end users of the infrastructure investments, as well as the community as a whole, recognising that the investments of HICL are often key community assets. Details can be found in the Strategic Report.

## Gender diversity

At the year end, the Board of Directors comprised eight non-executives; five male and three female.

HICL has no employees.

## Leverage

HICL is required under the Alternative Fund Managers Directive ("AIFMD") to make available to investors information in relation to its leverage. Leverage is considered in terms of HICL's overall exposure to financial or synthetic gearing and includes any method by which its exposure is increased whether through borrowing of cash or securities, foreign currency holdings, leverage embedded in derivative positions or by any other means. It is expressed as the ratio between the total exposure of HICL and its net asset value such that if its exposure was equal to its net asset value, leverage would be disclosed as 100%; a value above 100% means that HICL has leverage equal to the percentage amount above 100%. Exposure values are calculated by two methods, gross and commitment, as defined within the AIFMD. Exposure under the gross method represents the aggregate of all HICL's exposures other than cash balances held in base currency; the commitment method takes into account the effect of different treatment of certain cash and cash equivalent items and of offsetting instruments between eligible assets to reflect netting and hedging arrangements in line with regulatory requirements.

Maximum leverage levels have been set by the Board and InfraRed and are in accordance with the maximum borrowing allowed by HICL's Articles of Association.

The table below sets out the current maxima, and permitted limit and actual level of leverage for HICL as a percentage of its net asset value as at 31 March 2023.

| Leverage | Gross Method | Commitment Method |
|---|---|---|
| Maximum limit | 150% | 150% |
| Actual level | 123% | 107% |

**Mike Bane**
**Chair**
23 May 2023

# TCFD

## Introduction

**Over recent years, it has become even more evident that climate change has the potential to negatively impact infrastructure assets around the world. For infrastructure stakeholders, frequent extreme weather events and rising sea levels are increasingly visible consequences of manmade greenhouse gas emissions. The Board and Investment Manager strongly believe that making a proactive and positive contribution to climate action is in the best interests of HICL's shareholders, clients and wider stakeholders.**

On behalf of HICL, InfraRed actively identifies and works to mitigate the risks that climate change poses to the Company whilst also looking to reduce the actual and potential adverse impacts of business decisions on societies and the environment. The disclosures below provide key climate-related information, and cross-references to where additional information can be found (either within this report, or within HICL's 2023 Sustainability Report, published on the HICL website on the same day as this report).

HICL began voluntarily reporting against a subset of the 11 TCFD disclosure recommendations in its 2020 Annual Report and Financial Statements and has reported against all 11 recommendations since 2021. We confirm that we have complied with the requirements of LR 9.8.6R, by including climate-related financial disclosures that are consistent with the four TCFD pillars and the 11 recommended disclosures that are set out on page 72. We also acknowledge that there is always scope for improvement, and that there are certain areas where the Company is in the process of gathering and publishing more data.

## Governance

For HICL to act in a sustainable manner, it is critical that its Board, Investment Manager and portfolio companies are accountable for their actions. HICL's robust and ambitious corporate governance framework helps to ensure this is delivered and provides investors with transparency on the Company's sustainability strategy and the wider impact environmental and societal impact of their investment, including in relation to climate change.

The Board has overall responsibility for the oversight of HICL's sustainability risks and opportunities, of which climate change is an important subset. The Board and the Investment Manager meet on a quarterly basis, during which they review the risks facing the Company, including risks related to climate change.

Sustainability is also a key topic at the Board's annual strategy meetings.

Some of the Board's Committees also have key roles:

- The Risk Committee oversees and challenges InfraRed's risk management processes and analysis, and has a specific remit to examine 'horizon' risks such as the long-term consequences of climate change;
- The Management Engagement Committee considers how HICL service providers, including InfraRed, adhere to HICL's Sustainability Policy;
- The Audit Committee reviews the Company's approach to disclosures, including those relating to climate change.

In relation to climate-related opportunities, the Investment Manager presents a review of the market to the Board on a quarterly basis. As part of this review, potential new acquisition opportunities are highlighted, including those which directly support the transition to a low-carbon economy.

Although management of the portfolio, as well as investment decisions within agreed parameters, is delegated to InfraRed as the Investment Manager, the Board has overall responsibility for the Company's investment policy.

Further information on HICL's corporate governance framework is provided on page 74 of this report. A diagram setting out HICL's reporting and risk management framework is set out on page 53.

# Strategy

In FY21, InfraRed engaged Willis Towers Watson to conduct a detailed climate change impact assessment, the scope of which included the entirety of HICL's portfolio[1]. All new investments made since the portfolio-wide exercise was completed have also been subject to a climate change impact assessment as part of InfraRed's pre-investment process (as set out in InfraRed's 2023 Sustainability Report). The results of the portfolio-wide assessment are still considered to be valid for the current financial year.

The Investment Manager has identified that in the short term, based on current climate conditions, a subset of assets in which HICL has invested are exposed to acute and chronic physical risks arising from different extreme weather events, but the overall exposure is limited, and mitigations are in place. The Company may also be exposed to transition risks if there are rapid, unexpected changes to government policy, which are more likely under the 1.5°C scenario as set out below. In general, the portfolio-level findings of the climate change impact assessment demonstrate that the Company's strategy is highly resilient to both physical and transition risks associated with climate change.

The schematic below sets out the process undertaken to identify and analyse climate-related risks under a range of scenarios. The process and methodology undertaken by the Manager to analyse potential physical and transition risks consists of a five-stage process:

## Process and methodology

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

| | | |
|---|---|---|
| 1 | **Identify physical risks based on current conditions** | Analysis of exposure to 11 different physical risks[2] based on current conditions<br>Each risk ranked 1-5 based on relative severity and frequency<br>Climate hazard index calculated for each asset |
| 2 | **Identify physical risks based on future conditions** | Additional exposure rankings for five[3] of the 11 physical risks based on:<br>– Business as usual (4°C above pre-industrial levels)<br>– Energy transition/net zero (1.5°C above pre-industrial levels) |
| 3 | **Quantify physical climate risks** | For flooding and wind storms, potential financial exposure modelled<br>For each asset, statistical simulation undertaken 10,000 times<br>Average annual loss (excluding mitigation/insurance) estimated for each asset |
| 4 | **Assess transition climate risks** | Potential impacts of lower-carbon transition, broken down by sector and geography<br>Focus on UK and EU regulations and market trends with highest impact<br>Opportunities as well as risks identified |
| 5 | **Undertake project level 'deep dives'** | 16 deep dives equivalent to over 45% of portfolio value selected by InfraRed based on:<br>– Climate hazard index score<br>– Potential financial impact, weighted by concession length and HICL ownership |

### Key outputs

Overall level of exposure to physical risks based on current and future conditions (by project value), assuming no mitigation

Potential financial exposure from flooding/wind storm (project-level costs, 100% level) assuming no mitigation

Transition risks and opportunities by sector

### Next steps

Flow down of climate risk information to project company management teams

Update of operational procedures and processes at project level if required

Focused engagement with clients

Reporting back to HICL Risk Committee

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

## Physical risks analysis:

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

Under a 'current' climate scenario, only eight assets have an unmitigated physical impact index above 3.0 (medium) This rises to 19 assets under a 4°C scenario, demonstrating the resilience of the portfolio even in the event of extreme climate change.

Beyond 2040, based on a 4°C scenario, there is slightly increased exposure to physical risks. Under a 1.5°C scenario the impact of transition risks could be greater, but many assets have inherent protection as they provide vital services and have low direct emissions. Conversely, there is likely to be greater scope to take advantage of opportunities arising from the energy transition, such as asset repurposing and additional investment.

HICL's main physical risk exposures based on both current and future conditions are to winter storms, river flooding and coastal flooding, which is expected based on the weighting of the portfolio towards Northern Europe. Geographical location is also an inherent mitigant against other physical risks such as drought and heat stress. Although some assets have very high exposure to flooding, significant physical mitigation already exists in the form of flood defences, particularly in low-lying countries such as the Netherlands. The potential annual loss across the portfolio from windstorms and flooding is not expected to be material, with mitigation measures further reducing any impact in 'severe' years. HICL's assets benefit from comprehensive insurance policies, which include physical damage as a result of climate-related events.

## Transition risks analysis:

Examples of transition risks under a 1.5°C scenario include increased public transport use, a reduction in overall journeys and car sharing, which could impact some of HICL's demand-based assets. Such a scenario is also likely to present a number of opportunities for the Company at both the asset and market level.

A transition to a low-carbon economy also presents a number of opportunities. The primary example is the need for related investment such as rapid charging or retrofitting of energy efficiency solutions. A key tenet of HICL's vision is to support sustainable modern economies by investing in assets linked to the energy transition, and a 1.5°C scenario is likely to increase the number of investable opportunities in this space.

During the year, a review of insurance costs was undertaken across the portfolio. As is common with real assets, insurance is one of the primary risk mitigants against the financial impact of physical damage. In the future, and particularly under a 4°C scenario, it is possible that the cost of obtaining insurance increases as a result of the increased likelihood of severe weather events, although this is likely to be limited to a small number of assets. The impact of climate change risks on future insurance premia is factored into the assumptions used in the valuation of each of HICL's assets.

### Summary of material risks and opportunities:

| TCFD Category | Climate-related trend | Potential financial impact | Potential materiality |
|---|---|---|---|
| Physical | Flooding | **Risk:** damage to physical structures resulting in unavailability / increased cost | 4°C – low<br>1.5°C – low |
| Physical | Winter Storm | **Risk:** damage to physical structures resulting in unavailability / increased cost | 4°C – low<br>1.5°C – low |
| Physical | Drought | **Risk:** Usage restrictions or increased costs at Affinity Water<br>**Opportunity:** Increased long-term investment required at Affinity Water | 4°C – med<br>1.5°C – low |
| Transition | Retrofitting of energy efficiency solutions | **Opportunity:** variation contracts awarded for existing PPP assets | 4°C – low<br>1.5°C – low |
| Transition | Increased public transport use | **Risk:** Lower traffic using toll roads<br>**Opportunity:** greater usage of HS1 | 4°C – low<br>1.5°C – med |
| Transition | Move towards electric vehicles & trains | **Opportunity:** Co-located EV charging at HICL's toll road projects<br>**Opportunity:** Long-term use case for XLT | 4°C – low<br>1.5°C – low |
| Transition | Increased need for renewable energy | **Opportunity:** Long-term use case for OFTOs | 4°C – low<br>1.5°C – low |
| Transition | Remote working | **Risk:** reduced traffic volumes using demand-based transport assets<br>**Opportunity:** greater take-up and adoption of technology benefiting communications assets | 4°C – low<br>1.5°C – med |

# Risk management

## How we identify and assess climate risk

For new acquisitions, climate-related risks are considered throughout the investment process by the Investment Manager. At the deal screening phase, the identification of climate-related risks (physical or transition) and the potential impact (positive or negative) are mandatory requirements. Furthermore, the completion of a climate change risk assessment prior to entering into a transaction is now a formal condition of approval.

For existing projects, risks have been identified and assessed through a detailed climate change impact assessment, as set out in the section above. The Company's portfolio companies use the results of this assessment to undertake proactive monitoring and assessment at the project level.

Over the year, InfraRed's Asset Management team engaged with the management teams of HICL's portfolio companies. Using the climate change impact assessment, the vast majority of HICL's portfolio companies have adopted the findings by discussing climate-related risks and opportunities at board level, updating risk matrices, and developing and implementing mitigation and resilience strategies as appropriate.

## How we manage our risks

InfraRed's Asset Management team ensures the timely reporting of project-specific risks relating to climate change to the HICL Fund Management team as and when they arise; the HICL Investment Committee also undertakes a formal review of all project-specific risks on a quarterly basis. This process ensures that material climate-related risks feed into the Investment Manager's quarterly reporting to the Risk Committee, which in turn reports to the Board.

The Company's positioning with respect to a transition to a low-carbon economy is primarily considered through the Investment Manager's active approach to asset management and portfolio construction.

HICL's core infrastructure investments provide essential services to communities, and as a result are inherently well positioned. For HICL's PPP projects, energy use is driven by the client, with the portfolio company generally responsible for maintaining the equipment which provides the building's heating, cooling and lighting. Any changes to these systems required under a 1.5°C scenario would usually be accounted for under existing lifecycle budgets or alternatively treated as a contract variation. HICL's GDP-correlated demand-based assets such as toll roads, which may be exposed to transition risks and opportunities under a 1.5°C scenario, benefit from strong strategic positioning. The Company also invests directly in assets which are likely to benefit from a low-carbon transition, such as OFTOs.

More broadly, InfraRed's exclusion policy specifically covers carbon-intensive industries such as coal, oil and gas (where not aligned to a low-carbon transition) and HICL does not invest in assets whose primary purpose is electricity generation.

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

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

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

Further details are provided in the Risk & Risk Management section, starting on page 53 of this report.

# Metrics and targets

## GHG emissions

HICL has disclosed the combined Scope 1, 2 and 3 greenhouse gas emissions of its entire portfolio for calendar year 2022. These can be found on page 146 of this report. The accurate measurement and disclosure of emissions forms an important part of InfraRed's wider strategy relating to InfraRed's net zero commitments, further details of which are provided on page 37 of this report. The enhanced data collection exercise as part of InfraRed's net zero commitment will ensure that Scope 1, 2, and 3 emissions are routinely captured for all projects in future years.

Due to the nature of its business, HICL has no Scope 1 or Scope 2 greenhouse gas emissions. The Company's Scope 3 emissions primarily relate to the emissions of its portfolio companies, although there is also a small contribution from office use and business travel (which is offset using an accredited scheme).

This year, the significant data collection exercise undertaken as part of InfraRed's net zero commitment allows for significantly enhanced disclosure. More details on combined Scope 1, 2 and 3 greenhouse gas emissions of HICL's entire portfolio for 2022 can be found on page 146 of this report.

| Emissions (Attributable basis) | Year ended 31 December 2022 |
|---|---|
| **Scope 1** | Nil |
| **Scope 2** | Nil |
| **Scope 3** | 146,190 $tCO_2e$ |
| **Weighted average carbon intensity** ($tCO_2e$/£m) | 284 $tCO_2e$ |

M **PAI indicators – Mandatory**

V **PAI indicators – Voluntary**

## Other metrics and targets

Our specific climate and environment-related metrics and targets, as set out in this report have been made considering the TCFD recommendations and are set out below:

| METRIC | Current year | Previous year | % PORTFOLIO REPORTING | PAI? | TARGETS |
|---|---|---|---|---|---|
| Carbon Reduction Initiatives | **83%** | N/A[1] | 90% | M | **Net zero targets:**[2] 50% Portfolio coverage; 90% Engagement threshold by 2030 |
| Water Reduction Initiatives | **92%** | 88% | 91% | V | **For portfolio companies where we have operational control:**[3] 100% of portfolio companies with material water and consumption to have reduction initiatives in place by 2025 |
| Waste Reduction Initiatives | **92%** | 93% | 90% | | |
| Positive Biodiversity Impacts | **83%** | 55% | 90% | | |
| Climate Change risk register and Board meetings | **91%** | 91% | 90% | | |
| Total Attributable GHG Emissions (Scopes 1, 2 & 3) | **146,190 $tCO_2e$** | **63,821 $tCO_2e$ (2019 data)** | 100%[4] | M | 90% of emissions to be subject to direct or collective engagement and stewardship actions by 2030 |

1 2023 is HICL's first year of reporting Carbon Reduction Initiatives for the purpose of aligning to SFDR PAIs
2 A more detailed explanation of HICL's net zero targets and methodology can be found on page 37
3 Note: this target relates to portfolio companies where we have operational control in relation to setting and implementing water and waste reduction initiatives. Where we do not have operational control (such as PPP/PFI projects), we will still engage on these initiatives
4 100% of HICL's portfolio by valuation has emissions data reflected in the Total GHG Emissions calculations. Of that 100%, portfolio companies representing 97% of the portfolio valuation provided some asset-related data to calculate emissions and the remaining 3% was estimated based on proxy data. For more information on HICL's methodology for estimating and reporting GHG emissions, please see pages 146-153

## Metrics and targets continued

### Net zero

Currently, 17% of the portfolio by value is fully aligned to net zero. This represents Affinity Water, XLT, the OFTOs, Dutch High Speed Rail Link and HS1. Affinity and HS1 have already committed to achieve net zero by 2030 and InfraRed's commitment to achieve net zero for HICL's entire portfolio by 2050. In addition, other assets inherently outperform required decarbonisation trajectory for their sector, and we will ensure that this percentage rises to 100% over time.

As set out in HICL's Sustainability Report 2023, the Company has set interim targets relating to net zero:

**Portfolio Coverage:** 50% of HICL's portfolio to be net zero, aligned to net zero, or aligning to net zero by 2030

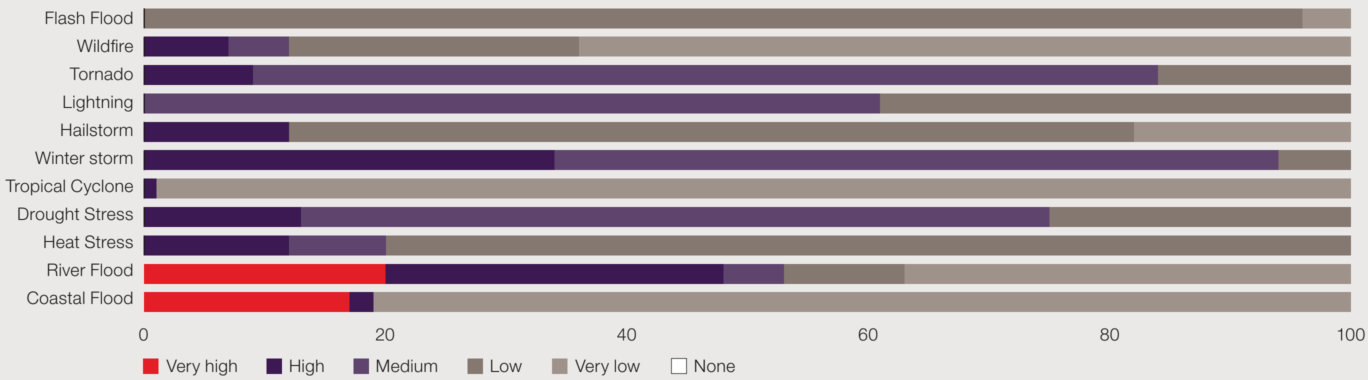
**Engagement Threshold:** 90% of all portfolio company emissions to be subject to direct or collective engagement and stewardship actions by 2030

The Company commits to reviewing these targets every five years at a minimum.

As of 31 March 2023, 20% of the portfolio is currently invested in climate solutions. While the Company anticipates that this will grow over time and commits to maintaining transparency on the percentage of the portfolio invested in climate solutions, the Net Zero Investment Framework for Infrastructure recognises the difficulty in setting a Climate Solutions target for funds of HICL's nature. The Company is therefore not setting a formal target at this time.

The chart below sets out the portfolio exposure (by number of projects) to physical climate risks based on current climate conditions, without mitigation:

**Portfolio exposure (by number of projects)**




The table below sets out the 11 TCFD recommendations, and where the related information can be found.

| Recommendation | Recommended Disclosure | Pages |
|---|---|---|
| Governance | – Describe the board's oversight of climate-related risks and opportunities.<br>– Describe management's role in assessing and managing climate-related risks and opportunities. | Pages 53 to 54, 62 to 63, 67, 74 |
| Strategy | – Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.<br>– Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.<br>– Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario. | Pages 68 to 69 |
| Risk Management | – Describe the organization's processes for identifying and assessing climate-related risks.<br>– Describe the organization's processes for managing climate-related risks.<br>– Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management. | Pages 53 to 54, 62 to 63, 67, 74 |
| Metrics and Targets | – Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.<br>– Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks.<br>– Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets. | Pages 71 to 72 |

# Governance

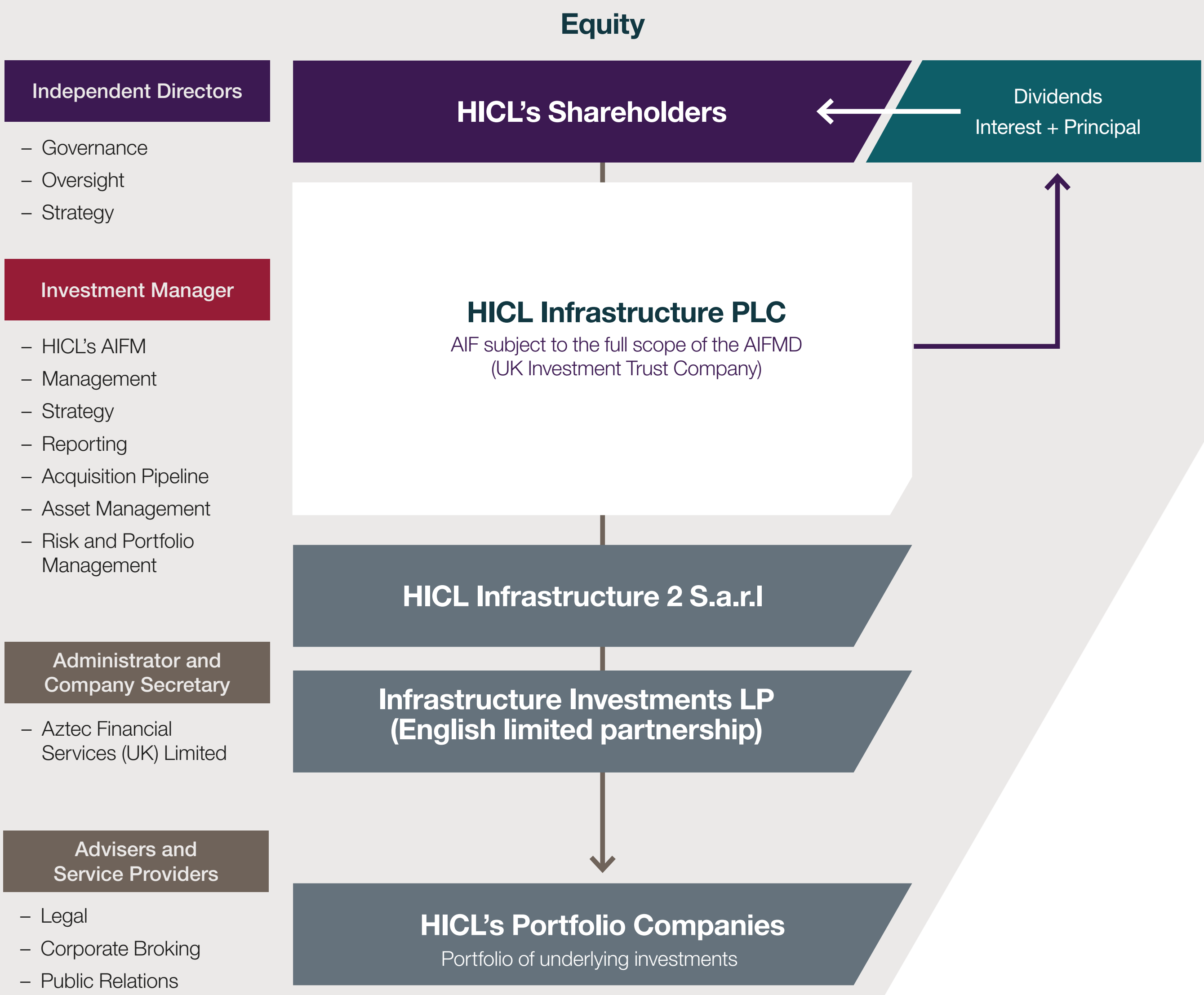
## What's in this section

# Board and Governance

## Operational structure

HICL Infrastructure PLC ("HICL", or the "Company" and, together with its subsidiaries, the "Group") is a registered investment company with an independent Board of Directors. Its shares have a premium listing on the Official List of the UK Listing Authority and trade on the main market of the London Stock Exchange.

HICL's portfolio comprises over 100 infrastructure investments. The Company's strategy relies on the expertise of its Investment Manager, InfraRed Capital Partners Limited ("InfraRed") and is centred around protecting and enhancing the value of the existing portfolio, in addition to sourcing new, appropriately priced assets. HICL has a 31 March year end, announces its full year results in May and interim results in November. It also publishes two Interim Update Statements each year, normally in February and July.



## Group structure

Investments are made via the Corporate Subsidiaries, which comprise a group structure involving a Luxembourg-domiciled investment company and an English limited partnership (the "Partnership"). HICL's assets are therefore held indirectly through the Corporate Subsidiaries and any subsidiaries are wholly owned by the general partner of the Partnership on behalf of the Partnership. InfraRed Capital Partners Limited ("InfraRed") has been appointed the Investment Manager of HICL and Operator of the Partnership. InfraRed has been appointed AIFM in accordance with the AIFM Directive, and also provides the registered office of HICL.

The Company invests in infrastructure investments indirectly via the Corporate Subsidiaries:

- HICL Infrastructure 2 S.a.r.l., a société à responsabilité limitée established in Luxembourg, is the sole limited partner in the Partnership, an English limited partnership which has a special purpose vehicle, the General Partner, as its general partner. The General Partner is a wholly owned indirect subsidiary of InfraRed Partners LLP. The General Partner, on behalf of the Partnership, has appointed InfraRed as Operator of the Partnership. HICL Infrastructure 2 S.a.r.l. invests the contributions it receives in capital contributions and partner loans to the Partnership, which acquires and holds the infrastructure investments.
- HICL Infrastructure 2 S.a.r.l. has an independent board, on which a HICL Board Director sits, and takes advice on administration matters from RSM Tax & Accounting Luxembourg Sàrl.

Aztec Financial Services (UK) Limited is the Administrator to HICL and also provides company secretarial services.

HICL's infrastructure investments are registered in the name of the General Partner, the Partnership or wholly owned subsidiaries of the Partnership.

Each of the underlying investments is made by a portfolio company (not shown in the structure diagram on the previous page), which through its contractual structure ensures no cross-collateralisation of the liabilities (being, principally, the debt repayment obligations).

## The Board and the Committees

As at 31 March 2023, the Board of HICL comprised eight independent, non-executive Directors whose role is to manage HICL in the interests of shareholders and other stakeholders. In particular, the Board approves and monitors adherence to the Investment Policy and Acquisition Strategy, determines risk appetite, sets policies, agrees levels of delegation to key service providers and monitors their activities and performance (including, specifically, that of the Investment Manager) against agreed objectives. The Board will take advice from the Investment Manager, where appropriate – for example, on matters concerning the market, the portfolio and new acquisition opportunities.

The Board meets regularly – at least five times a year, each time for two consecutive days – for formal Board and Committee meetings. One of these Board meetings is devoted to considering the strategy of HICL, both in terms of potential acquisitions and the management of the current portfolio. There are also a number of ad hoc meetings dependent upon business needs. In addition, the Board has formed six Committees (Audit, Management Engagement, Market Disclosure, Nomination, Remuneration and Risk) which manage risk and governance.

Management of the portfolio, as well as investment decisions within agreed parameters, is delegated to InfraRed as the Investment Manager, which reports regularly to the Board.

At the quarterly Board and Committee meetings, the operating and financial performance of the portfolio, its valuation and the appropriateness of the risk and controls are reviewed.

# Board of Directors

## Mr Mike Bane
### Chair of Board of Directors
### Chair of Nomination Committee

**Background and experience**
Mike Bane (British) is a chartered accountant and retired from public practice in June 2018. Mike has been a Guernsey resident for over 20 years. He has more than 35 years of audit and advisory experience in the asset management industry including in relation to infrastructure investment companies. He 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, in both London and Guernsey. Mike was President of the Guernsey Society of Chartered and Certified Accountants from 2015 to 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.

**Date of appointment***
Appointed to the Board on 1 July 2018

**Other public company directorships**
(listed in London unless noted otherwise)**:

- Apax Global Alpha Limited
- Abrdn Property Income Trust Limited (formerly Standard Life Investments Property Income Trust Limited)

## Mr Frank Nelson
### Senior Independent Director
### Chair of Management Engagement Committee

**Background and experience**
Frank Nelson (British), resident in the UK, is a qualified accountant. He has over 25 years of experience in the construction, contracting, infrastructure and energy sectors. He was appointed to the Board on 1 June 2014. Frank was Finance Director of construction and house-building group Galliford Try plc from 2000 until October 2012. He was previously Finance Director of Try Group plc from 1987, leading the company through its flotation on the London Stock Exchange in 1989 and the subsequent merger with Galliford in 2001. Following his retirement, Frank was appointed as the Senior Independent Director of Eurocell and as the Chair of Van Elle Holdings. He is also Chair of a privately owned contracting and property development group.

**Date of appointment***
Appointed to the Board 1 June 2014

**Other public company directorships**
(listed in London unless noted otherwise)**:

- Eurocell PLC
- Van Elle Holdings PLC

## Ms Rita Akushie
### Chair of Audit Committee

**Background and experience**
Rita Akushie (British) 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.

**Date of appointment**
Appointed to the Board on 1 January 2020

**Other public company directorships**
(listed in London unless noted otherwise)**:

- None

## Ms Liz Barber

**Background and experience**
Liz Barber (British) was previously at Kelda Group (Yorkshire Water) where she served as Chief Executive Officer from 2019 until 2022, having previously served as Chief Financial Officer from 2010. Prior to that Liz held a number of senior partner roles with Ernst & Young.

Liz is a chartered accountant and graduated with a BSc in Geography from the University of Leeds, where she now serves as Deputy Chair, and is the Chair of the Yorkshire and Humber Climate Commission. Liz is a non-executive director of Cranswick plc and was formerly a non-executive director of KCOM Plc, a UK fibre broadband provider.

**Date of appointment***
Appointed to the Board on 1 September 2022

**Other public company directorships**
(listed in London unless noted otherwise)**:

- Cranswick plc
- Renew Holdings plc

* Assuming a continuation of the years of service as a Director of HICL Infrastructure Company Limited
** Certain of the Directors maintain additional directorships that are also listed but not actively traded on various exchanges. Details may be obtained from the Company Secretary

### Ms Frances Davies
**Chair of Remuneration Committee**

Background and experience

Frances Davies (British) 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. Frances is also on the Aegon UK plc Group Board and the Committee of the Federated Hermes Property Unit Trust.

Previously Frances served as Head of Global Institutional Business at Gartmore Investment Management. She had also been a Director at Morgan Grenfell Asset Management and SG Warburg. Ms Davies graduated with a MA in Philosophy, Politics and Economics and a MPhil in Management Studies, both from Oxford University.

Date of appointment

Appointed to the Board on 1 April 2019

Other public company directorships

(listed in London unless noted otherwise)**:

– Supermarket Income REIT PLC

### Mr Martin Pugh

Background and experience

Martin Pugh (British) has over 35 years in the infrastructure industry, spanning roles in construction, development, investment, asset management and strategic projects. Most recently he has provided executive management support to several major infrastructure projects and prior to this he held senior executive positions within Bilfinger Project Investments, overseeing the investment performance of assets in multiple sectors and across the UK and Europe.

Martin graduated in Civil & Structural Engineering and is a Chartered Engineer.

Date of appointment*

Appointed to the Board on 1 September 2022

Other public company directorships

(listed in London unless noted otherwise)**:

– None

### Mr Simon Holden
**Chair of Risk Committee**

Background and experience

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.

Date of appointment*

Appointed to the Board 1 July 2016

Other public company directorships

(listed in London unless noted otherwise)**:

– Hipgnosis Songs Fund Limited
– JPMorgan Global Core Real Assets Limited
– Chrysalis Investments Limited
– Trian Investors 1 Limited (traded on the Specialist Funds Segment of the LSE) – retired 26 April 2023

### Mr Kenneth D. Reid

Background and experience

Kenneth D. Reid (British), resident in Singapore, has more than 35 years of international experience in the sectors of construction, development and infrastructure investment. Working initially with Kier Group, and then from 1990 with Bilfinger Berger AG, he has been a project leader and senior management executive responsible for businesses and projects across all continents. From 2007 to 2010, Ken served as a member of the Group Executive Board of Bilfinger Berger AG. He graduated in Civil Engineering from Heriot-Watt University with First Class Honours (BSc), and subsequently from 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.

Date of appointment*

Appointed to the Board 1 September 2016

Other public company directorships

(listed in London unless noted otherwise)**:

– None

# The Investment Manager

InfraRed is the Investment Manager to HICL. In addition, InfraRed is the Operator of the Partnership by the General Partner, on behalf of the Partnership. Under the terms of the Limited Partnership Agreement, the Operator has full discretion to acquire, dispose of or manage the assets of the Partnership, subject to investment guidelines set out by the Board.

InfraRed is part of the InfraRed Group, an infrastructure investment business, managing a range of infrastructure funds and investments. InfraRed's infrastructure investment team has a strong record of delivering attractive returns for its investors, which include pension funds, insurance companies, funds of funds, asset managers and high net worth investors domiciled in the UK, Europe, North America, Middle East and Asia.

Since 1990, the InfraRed Group (including predecessor organisations) has launched 22 investment funds investing in infrastructure and property, including HICL.

Since July 2020, InfraRed has been owned by Sun Life Financial Inc. (together with its subsidiaries and joint ventures, "Sun Life"), although InfraRed continues to operate as a distinct business under SLC Management, Sun Life's alternatives asset management business. The Sun Life acquisition has continued to provide further support to InfraRed in its role as Investment Manager to HICL. Sun Life is a leading international financial services organisation providing insurance, wealth and asset management solutions to individual and corporate clients. As of 31 March 2023, Sun Life had total assets under management of C$1,325bn. For more information please visit www.sunlife.com.

The InfraRed Group currently manages eight infrastructure funds (including HICL). The InfraRed Group currently has a staff of over 190 employees and partners, based mainly in offices in London and with regional offices in New York, Seoul and Sydney. Its infrastructure team comprises over 100 professional staff who have, on average, c. 11 years of relevant industry experience.

Within the infrastructure team, there is:

- a Management team with overall responsibility for the activities provided to HICL;
- an Origination and Execution team responsible for business development and sourcing new investments;
- an Asset Management team responsible for managing the portfolio of investments; and
- a Portfolio Management team responsible for financial reporting, cash flow management, debt, foreign exchange hedging and tax.

Five senior members of the InfraRed team make up InfraRed's Investment Committee on behalf of HICL. The Investment Committee has combined experience of over 150 years in making infrastructure investments and managing investments and projects.

Further details on the InfraRed Group can be found at www.ircp.com.

Under the terms of the Investment Management Agreement, InfraRed is entitled to a fixed management fee of £100,000 per annum, together with all reasonable out-of-pocket expenses. InfraRed will not receive any directors' or other fees from any project company.

InfraRed, in its capacity as Operator, and the General Partner are together entitled to annual fees calculated on the following basis and in the following order:

(i) **1.1 per cent** of the proportion of the Adjusted Gross Asset Value of HICL's investments which have a value of up to (and including) £750m in aggregate;

(ii) **1.0 per cent** of the proportion of the Adjusted Gross Asset Value of HICL's investments that is not accounted for under which, together with the investments under (i) above, have an Adjusted Gross Asset Value of up to (and including) £1.5bn in aggregate;

(iii) **0.9 per cent** of the proportion of the Adjusted Gross Asset Value of HICL's investments not accounted for under (i) or (ii) above which, together with investments under (i) and (ii) above, have an Adjusted Gross Asset Value of up to (and including) £2.25bn;

(iv) **0.8 per cent** of the proportion of the Adjusted Gross Asset Value of HICL's investments not accounted for under (i), (ii) or above which, together with investments under (i), (ii) and above, have an Adjusted Gross Asset Value of up to (and including) £3.0bn; and

(v) **0.65 per cent** of the proportion of the Adjusted Gross Asset Value of HICL that is not accounted for under (i), (ii), (iii) above.

There are no acquisition or performance fees payable.

These fees are calculated and payable quarterly in arrears and are based on the Adjusted Gross Asset Value of HICL's assets at the beginning of the period concerned, adjusted on a time basis for acquisitions and disposals during the period.

The Investment Management Agreement may be terminated by either party giving the other party thirty-six (36) months' written notice (or, at HICL's option, making a payment in lieu of such notice). InfraRed's appointment as Operator has corresponding termination provisions, and if InfraRed's appointment as Investment Manager is terminated it may unilaterally terminate its appointment as Operator, and vice versa.

# Corporate Governance Statement

## Introduction

The Board recognises the importance of a strong corporate governance culture that meets the requirements of the UK Governance framework, including the UK Listing Authority as well as other relevant bodies such as the Association of Investment Companies ("AIC") of which HICL is a member. The Board has put in place a framework for corporate governance which it believes is appropriate for an investment company. All Directors contribute to the Board discussions and debates. The Board believes in providing as much transparency for investors and other stakeholders as is reasonably possible within the boundaries of client and commercial confidentiality.

## AIFM Directive

The Alternative Investment Fund Managers Directive seeks to regulate AIFMs and imposes obligations on Managers who manage alternative investment funds ("AIF") in the EU or who market shares in such funds to EU investors. HICL is categorised as an externally managed AIF for the purposes of the AIFM Directive. In order to maintain compliance with the AIFM Directive, HICL complies with various organisational, operational and transparency obligations, including the pre-investment disclosure information required by Article 23 of the AIFM Directive.

## Non-mainstream pooled investments

HICL conducts its affairs as an investment trust. On this basis, the Ordinary Shares should qualify as an "excluded security" and therefore be excluded from the FCA's restrictions in COBS 4.12 of the FCA Handbook that apply to non-mainstream pooled investment products.

## The AIC Code of Corporate Governance

As a member of the AIC, the Board has considered the Principles and Provisions of the 2019 AIC Code of Corporate Governance (the "AIC Code"), a framework of best practice in respect of the governance of investment companies. The 2019 AIC Code applies to accounting periods beginning on or after 1 January 2019.

The AIC Code addresses the Principles and Provisions set out in the UK Corporate Governance Code (the UK Code), as well as setting out additional Provisions on issues that are of specific relevance to investment companies. The Board considers that reporting against the Principles and Provisions of the AIC Code, which has been endorsed by the Financial Reporting Council, provides more relevant information to shareholders. HICL has complied with the Principles and Provisions of the AIC Code.

The AIC Code is available on the AIC website (www.theaic.co. uk[1]). It includes an explanation of how the AIC Code adapts the Principles and Provisions set out in the UK Code to make them relevant for investment companies.

## Board

As at 31 March 2023, the Board comprised eight non-executive Directors. In accordance with Provision 10 of the AIC Code all of the non-executives who served during the year are independent of the Investment Manager. The Chair, Mike Bane, met the independence criteria of the AIC Code Provision 11 upon appointment and has continued to meet this condition throughout his term of service. Although not a requirement of the AIC Code, in accordance with guidance in Provision 11, the Board has a Senior Independent Director, Frank Nelson. Frank met the independence criteria of the AIC Code Provision 11 upon appointment and has continued to meet this condition throughout his term of service. Being non-executive Directors, none of the Directors have a service contract with the Company.

The Articles of Incorporation provide that each of the Directors shall retire at each Annual General Meeting in accordance with Provision 23 of the AIC Code. All eight Directors intend to retire and the continuing Directors will offer themselves for re-election at the forthcoming Annual General Meeting in July 2023.

## Board attendance

| | Formal Board Meetings (5) | Audit Committee (9) | Management Engagement Committee (1) | Market Disclosure Committee (1) | Nomination Committee (3) | Remuneration Committee (2) | Risk Committee (4) |
|---|---|---|---|---|---|---|---|
| Mr M Bane* | 5 (3c) | 9 | 1 | 1(c) | 3 (1c) | 2 (1c) | 4 |
| Mr F Nelson | 5 | 8 | 1 (c) | 1 | 3 | 2 | 4 |
| Ms R Akushie | 5 | 9 (6c) | 1 | 1 | 3 | 2 | 4 |
| Mr S Holden | 5 | 8 | 1 | 1 | 3 | 2 | 4 (c) |
| Mr K Reid | 5 | 7 | 1 | 1 | 3 | 2 | 4 |
| Ms F Davies | 5 | 9 | 1 | 1 | 3 | 2 (1c) | 4 |
| **Joined 1 September 2022:** | | | | | | | |
| Ms E Barber | 3 | 4 | 1 | 1 | 1 | 1 | 2 |
| Mr M Pugh | 3 | 6 | 1 | 1 | 1 | 1 | 2 |
| **Retired following 2022 AGM:** | | | | | | | |
| Mr I Russell | 2 (2c) | 3 | – | – | 2 (2c) | 1 | 2 |
| Mrs S Farnon | 2 | 3 (c) | – | – | 2 | 1 | 2 |

(c) denotes the Chair of each respective Committee

* Mr Bane is not a member of the Audit Committee, but is invited to attend

1 www.theaic.co.uk/system/files/policy-technical/AIC2019AICCodeofCorporateGovernanceFeb19.pdf

## Corporate Governance Statement continued

The Board believes that the composition of the Board and its Committees reflects a suitable mix of skills and experience and that the Board, as a whole, and its Committees functioned effectively during the last 12 months. An external review was commissioned in 2021.

The Board is scheduled to meet at least five times a year and between these formal meetings there is regular contact with the Investment Manager, the Secretary and the Company's Joint Brokers. The Directors are kept fully informed of investment and financial controls, and other matters that are relevant to the business of the Company that should be brought to the attention of the Directors. The Directors also have access, where necessary in the furtherance of their duties, to independent professional advice at the expense of the Company.

The attendance record of Directors for the year to 31 March 2023 is set out on previous page.

During the period to 31 March 2023 a further seven ad hoc and Committee meetings of the Board took place.

In addition to the statutory matters discussed at each quarterly Board meeting, the principal focus is on the reports provided by the Investment Manager, as well as those put forward by HICL's brokers and financial public relations ("PR") Agent. These are all standing agenda items.

Papers are sent to Directors electronically, normally at least a week in advance of the Board meetings by the Company Secretary. Board papers include:

- a review of the infrastructure market detailing key developments;
- investment activity in the period and the pipeline of potential new investment opportunities;
- a review of portfolio performance in the period with material issues identified and discussed;
- a review of any sustainability issues and Company sustainability initiatives from the period;
- a review of any health and safety matters in the period;
- a detailed financial review, including detailed management accounts, valuation and treasury matters; and
- reports from HICL's brokers and from the financial PR company.

Matters relating to the Company's risk management and internal control systems (including associated stress tests), are considered by the Risk Committee (which, in turn, reports any significant matters / findings to the Board) and these are set out in more detail in the Risk Committee Report on page 62.

The Board regularly requests further information on topics of interest to allow informed decisions to be taken.

On a semi-annual basis, the Board, through the Audit Committee, also considers the Interim and Annual Reports as well as the detailed valuation of the investment portfolio prepared by the Investment Manager and the third-party expert opinion on the proposed valuation. On at least an annual basis, the Board considers a detailed analysis of HICL's Budget and Business Plan for the coming year.

### Performance evaluation

In 2021 an external review was commissioned as part of the triennial independent Board performance review.

In the year to 31 March 2023 the Board conducted its own internal evaluation, considering the performance, tenure and independence of each Director. This annual self-evaluation was undertaken using a questionnaire, and also by way of one-to-one interviews by the Chair with each Director holding office in the year. The Chair presented a summary of the conclusions to the Board. Feedback on the Chair was collated by the Senior Independent Director who then briefed the Chair.

The independence of each Director has been considered and each has been confirmed as being independent of the Company and its Managers. The Board believes that the composition of the Board and its Committees reflects a suitable mix of skills and experience, and that the Board, as a whole, and its Committees functioned effectively during the last 12 months and since the launch of the Company.

### Delegation of responsibilities

The Board has delegated the day-to-day administration of the Company to Aztec Financial Services (UK) Limited in its capacity as Company Secretary and Administrator.

HICL delegates the majority of the day-to-day activities required to deliver the business model, including responsibility for the majority of HICL's risk and portfolio management, to the Investment Manager, InfraRed, subject to the overall oversight and supervision of the Directors. InfraRed also operates and manages the Partnership and its assets in accordance with and subject to the Investment Policy, investment guidelines and approved investment parameters that are adopted by the Directors from time to time in conjunction with (and with the agreement of) InfraRed.

The strategies and policies which govern the delegated activities have been set by the Board in accordance with section 172 of the Companies Act 2016.

### Conflict of interest

As at 31 March 2023, the Board comprised eight non-executive Directors, all of whom are independent of the Investment Manager. None of the Directors sit on boards of other entities managed by the Investment Manager.

Each Director is required to inform the Board of any potential or actual conflicts of interest prior to any Board discussion.

It is expected that further investments for HICL will be sourced by InfraRed and it is likely that some of these will be investments that have been originated and developed by, and may be acquired from InfraRed or from a fund managed by, InfraRed. In order to deal with these potential conflicts of interest, detailed procedures and arrangements have been established to manage transactions between HICL, InfraRed or funds managed by InfraRed (the "Rules of Engagement"). If HICL invests in funds managed or operated by InfraRed, HICL shall bear any management or similar fees charged in relation to such fund provided, however, that the value of HICL's investments in such funds shall not be counted towards the valuation of HICL's investments for the purposes of calculating the management fees payable to InfraRed.

It is possible that in the future HICL may seek to purchase certain investments from funds managed or operated by InfraRed once those investments have matured and to the extent that the investments suit HICL's investment objectives and strategy. If such acquisitions are made, appropriate procedures from the Rules of Engagement will be put in place to manage the conflict.

Key features of the Rules of Engagement are described in HICL's March 2019 Prospectus, available on the website at www.hicl.com.

## Risk management and internal controls

The Board is responsible for HICL's system of internal control and for reviewing its effectiveness. To help achieve this end, the Board has a designated Risk Committee. It follows a process designed to meet the particular needs of HICL in managing the risks to which it is exposed.

At each Board meeting, the Board also monitors HICL's investment performance in comparison to its stated objectives and it reviews HICL's activities since the last Board meeting to ensure adherence to approved investment guidelines. The pipeline of new potential opportunities is considered and the prices paid for new or incremental investments during the quarter are also reviewed.

The Investment Manager prepares management accounts and updates business forecasts on a quarterly basis, which allow the Board to assess HICL's activities and review its performance.

The Board has reviewed the need for an internal audit function and it has decided that the systems and procedures employed by the Investment Manager and the Secretary, including their own internal review processes, and the work carried out by HICL's external auditors, provide sufficient assurance that a sound system of internal control, which safeguards HICL's assets, is maintained. An internal audit function specific to HICL is therefore considered unnecessary albeit, from time to time, independent assurance assignments may be commissioned by the Board.

The Board recognises that these control systems can only be designed to manage rather than eliminate the risk of failure to achieve business objectives, and to provide reasonable, but not absolute, assurance against material misstatement or loss, and rely on the operating controls established by both the Company Administrator and the Investment Manager.

The Audit Committee also plays a vital role in overseeing internal controls. For more information please see the Audit Committee Report starting on page 83.

The Board and the Investment Manager have agreed clearly defined investment criteria, return targets, risk appetite and exposure limits. Reports on these performance measures, coupled with cash projections and investment valuations, are submitted to the Board and the relevant Committees at each quarterly meeting.

## Relations with shareholders

The Board welcomes the views of shareholders and places great importance on communication with HICL's shareholders.

HICL reports its full year results to shareholders in May and interim results in November as well as publishing two Interim Update Statements each year, normally in February and July. HICL also holds an AGM in July.

Results of Extraordinary and Annual General Meetings are announced by the Company promptly after the relevant meeting. Additionally, other notices and information are provided to shareholders on an ongoing basis through the Company's website in order to assist in keeping shareholders informed. The Secretary and Registrar monitor the voting of the shareholders and proxy voting is taken into consideration when votes are cast at the AGM.

Senior members of the Investment Manager make themselves available to meet with principal shareholders and key sector analysts. Feedback from these meetings is provided to the Board on a regular basis.

Shareholders may contact any of the Directors via the Company Secretary – including any in his or her capacity as Chair of one of HICL's Committees, as appropriate – whose contact details are on HICL's website.

During the year Mike Bane (Chair) and Frank Nelson (SID) held individual meetings with certain large institutional shareholders. The Board's intention is to continue to foster an open, two-way communication with its shareholders.

## Committees of the Board

As well as regular Board meetings, the following Committees met during the course of the year (as set out in the table below): Audit, Management Engagement, Market Disclosure, Nomination, Remuneration and Risk. The formal terms of reference for each Committee have been approved by the Board of HICL and are available on the Investor Relations section of HICL's website.

For efficiency and as all Directors are non-executive, all Committees (apart from the Audit Committee) comprise all the Directors of the Board.

The respective reports of the Remuneration Committee, the Risk Committee and the Audit Committee are set out on pages 94, 62 and 83, respectively, of this Annual Report.

The Chair and members of each Committee as at 31 March 2023 were as follows below:

## Board Committee membership

| | Audit Committee | Management Engagement Committee | Market Disclosure Committee | Nomination Committee | Remuneration Committee | Risk Committee |
|---|---|---|---|---|---|---|
| Chair | Ms R Akushie | Mr F Nelson | Mr M Bane | Mr M Bane | Ms F Davies | Mr S Holden |
| Members | Ms E Barber | Ms R Akushie | Ms R Akushie | Ms R Akushie | Ms R Akushie | Ms R Akushie |
| | Ms F Davies | Mr M Bane | Ms E Barber | Ms E Barber | Mr M Bane | Mr M Bane |
| | Mr S Holden | Ms E Barber | Ms F Davies | Ms F Davies | Ms E Barber | Ms E Barber |
| | Mr F Nelson | Ms F Davies | Mr S Holden | Mr S Holden | Mr S Holden | Ms F Davies |
| | Mr M Pugh | Mr S Holden | Mr F Nelson | Mr F Nelson | Mr F Nelson | Mr F Nelson |
| | Mr K Reid | Mr M Pugh | Mr M Pugh | Mr M Pugh | Mr M Pugh | Mr M Pugh |
| | | Mr K Reid | Mr K Reid | Mr K Reid | Mr K Reid | Mr K Reid |
| By invitation | Mr M Bane | | | | | |

# Nomination Committee

**The Board believes that its composition with respect to the balance of skills, gender, experience and knowledge, coupled with the mixed length of service, provides for a sound base from which the interests of investors will be served to a high standard.**

There is a good spread of skills on the Board and an appropriate level of knowledge of regulatory requirements and regulations, generally, as well as a number of Directors with accounting qualifications and a good understanding of investment companies.

Succession planning for key roles, including the Chair and the Chair of the Audit Committee, as well as the mix of skills and experience on the Board more generally with respect to Director recruitment, are explicitly considered and discussed by the Nomination Committee.

Other than in exceptional circumstances, it is the policy of the Board that Directors, including the Chair, will not serve more than nine years on the Board, including time spent on the Board of HICL Infrastructure Company Limited. As a general rule, a Director who has served more than nine years will not be considered independent[1].

HICL has adopted a Diversity Policy (see the Report of the Directors, page 90), which the Nomination Committee takes regard of in all decision-making.

The Nomination Committee had three meetings in the year to 31 March 2023.

The full terms of reference for the Nomination Committee are available from HICL's website.

1 Sally-Ann Farnon and Ian Russell both served for 9 years and 3 months to assist in the smooth transition for the Board. They were assessed to remain independent throughout

# Management Engagement Committee (MEC)

**The MEC of the Board is responsible for reviewing all major service providers to HICL, which includes the Investment Manager. The terms of reference of this Committee are approved by the Board of HICL and are available on HICL's website.**

The MEC met once in the year to 31 March 2023 to review the performance of the key service providers including the Investment Manager. No material weaknesses were identified; the recommendation to the Board was that the current arrangements are appropriate and that the Investment Manager provides good quality services and advice to HICL.

The MEC meeting for the financial year occurred in February 2023, when a review of key service providers was undertaken. Overall, the feedback on performance throughout the year was that key services had been delivered to a very high standard and the Committee resolved that the continued appointment of all providers be recommended to the Board for approval, which was duly granted.

The full terms of reference for the MEC are available from HICL's website.

# Market Disclosure Committee

**The Committee has responsibility for overseeing the disclosure of information by the Company to meet its obligations under the Market Abuse Regulation and the Financial Conduct Authority's Listing Rules and Disclosure Guidance and Transparency Rules.**

The Market Disclosure Committee met once in the year to 31 March 2023.

The full terms of reference for the Market Disclosure Committee are available from HICL's website.

# Audit Committee Report

I am pleased to present the Audit Committee report for the year ended 31 March 2023. My report outlines the work performed by the Committee in the year. Subsequent to the 2022 AGM, I replaced Sally-Ann Farnon as Chair of the Audit Committee who retired from the Board in July 2022, after nine years of service to the Company.

We held regular scheduled meetings during the year, four of which were aligned with the Company's reporting cycle. Member attendance can be found on page 79. Other regular attendees at these meetings included: the Company Chair, members of the Investment Manager including the CFO, and the external auditor, KPMG LLP ("KPMG"). In accordance with the Committee's role in the investment valuations, separate meetings were held to review and challenge the Investment Manager's valuation assumptions, judgements and resulting valuations of the Company's underlying portfolio of infrastructure assets. The full list of Committee roles and responsibilities can be found in the terms of reference: www.hicl.com/wp-content/uploads/2022/02/2.-HICL-Audit-Committee-Terms-of-Reference-Aug-2022.pdf

The Audit Committee is the formal forum through which the external auditor reports to the Board of Directors.

We have reviewed the independence, objectivity and effectiveness of KPMG and recommended to the Board that KPMG be appointed as external auditor of the Company in respect of the coming financial year.

In advance of each Committee meeting I met with the CFO to discuss their reports as well as any relevant issues. I also met privately with KPMG as part of my ongoing review of their effectiveness and, periodically, with other members of the Investment Manager who have responsibility for HICL.

I, or another member of the Audit Committee, will continue to be available at each AGM to respond to any questions from shareholders regarding our activities.

**Rita Akushie**
**Audit Committee Chair**
23 May 2023

## Governance and responsibilities

All members of the Committee are independent non-executive Directors. The Board believes members have the necessary range of financial, risk, control and commercial experience required to provide effective challenge to the Investment Manager, external auditor, and other advisers as appropriate. In particular, the Board is satisfied that Rita Akushie, Frank Nelson and Liz Barber have the recent and relevant financial experience as outlined in the FRC's Corporate Governance Code.

The external auditor and the third-party valuation expert are invited to attend the Audit Committee meetings at which the Annual and Interim Reports are considered, and at which they can meet with the Audit Committee without representatives of the Investment Manager being present. The Audit Committee has direct access to KPMG and to key senior staff of the Investment Manager, and it reports its findings and recommendations to the Board, which retains the ultimate responsibility for the Company's financial statements.

## Financial reporting regulators

The Committee considered comment letters and papers from the FRC, including their publication on "Key matters for 2022/23 reports and accounts" in December 2022 as well as their annual review of corporate reporting and their published thematic reviews. The Committee reviewed a paper prepared by InfraRed, which detailed how it had taken due account of the matters raised and the enhancements it proposed to relevant disclosures in the Interim accounts and 2023 Annual Report and accounts.

The Company's internal control and risk management systems, including those in relation to the financial reporting process include:

- an overview of the Investment Manager's system of key control and oversight processes, line manager reviews and systems' access controls;
- updates for the Committee on accounting developments, including draft and new accounting standards and legislation;
- approval of the Company's budget in February 2023 by the Board and a comprehensive system of financial reporting to the Board, based on the annual budget with quarterly reporting of actual results, analysis of variances, scrutiny of key performance indicators and regular re-forecasting;
- reports from the Investment Manager on matters relevant to the financial reporting process, including quarterly assessments of internal controls, processes and fraud risk;
- independent updates and reports from the external auditor on accounting developments, application of accounting standards, key accounting judgements and observations on systems and controls, where appropriate;
- an overview of the Investment Manager's appointment of experienced and professional staff, both by recruitment and promotion, of the necessary calibre to fulfil their allotted responsibilities as part of the Management Engagement Committee in February 2023; and
- appropriate Board oversight of external reporting.

**Audit Committee Report continued**

## What the Committee reviewed in the year ended 31 March 2023

### Financial reporting
- Annual and interim reports
- Key accounting judgements and estimates
- Update on the relevant thematic reviews from the FRC
- Application of APMs, including the Investment Basis
- The Annual Report to ensure that it is fair, balanced and understandable

### Internal control, compliance and risk management
- HICL's system of control and risk management
- The Viability statement and the supporting stress test scenarios
- An update on compliance with HMRC's Senior Accounting Officer ("SAO") Regime including wider tax controls

### External audit
- Confirmation of the external auditor's independence
- Policy and approval for non-audit fees
- FY2023 audit plan, including significant audit risks (being the valuation of investments in Investment Entity subsidiaries)
- Audit results report, including the results from testing Key Audit Matters
- External auditor performance and effectiveness

### Risk review
- Valuation reports and the Investment Portfolio valuation
- Updates on compliance with regulatory rules and compliance monitoring findings
- Reports on approach to tax policy and strategy
- Annual tax update
- Going concern and liquidity

## Going concern and viability

The Directors are required to make a statement in the Annual Report as to HICL's long-term viability. The Committee provides advice to the Board on the form and content of the statement, including the underlying assumptions, shown on page 49. To enable it to provide this advice, the Committee evaluated a report from the Investment Manager setting out its view of HICL's long-term viability and content of the proposed Viability statement. This report was based on the Group's five-year strategic plan and covered forecasts for investments and realisations, liquidity and gearing, including forecast outcomes of the stress test of the plan and forecast capital and liquidity performance against an assessment of the Group's risk profile.

## Areas of accounting judgement and control focus

The Committee pays particular attention to matters it considers to be important by virtue of their complexity, level of judgement and potential impact on the financial statements and wider business model. Significant areas of focus considered by the Committee are detailed in the table on the next page, alongside the actions taken by the Committee (with appropriate challenge from the external auditor) to address them.

| Significant issue considered | Audit Committee actions and conclusions |
|---|---|
| **Valuation of investments**<br>The total carrying value of 'Investments at fair value through profit or loss' at 31 March 2023 was £3,349.7m (2022: £3,158.5m). See Note 12 to the IFRS financial statements.<br><br>The fair value of the Company's investment is based on the Net Asset Value of IILP and the sundry assets and liabilities of the direct Corporate Subsidiary. IILP's Net Asset Value is based on the fair value of the underlying investments in its portfolio of infrastructure assets.<br><br>Other than the A13 Senior Secured Bonds (which are listed and therefore valued based on the quoted market price), market quotations are not available for the Company's underlying investments, so their valuation is undertaken using a discounted cash flow methodology. This methodology requires a series of material judgements to be made as further explained in the Valuation of the Portfolio starting on page 46 of this report. | The Audit Committee discussed the valuation process and methodology with the Investment Manager in September, October, November and December 2022 as part of its review of the September 2022 Interim Report and early NAV release in October 2022, the December NAV update as well as in March, April and May 2023 as part of its review of the March 2023 Annual Report.<br><br>The Investment Manager carries out valuations semi-annually and provides detailed valuation reports to the Audit Committee. The Audit Committee also receives a half-year and year-end valuation report and opinion from a third-party valuation expert. An additional valuation was performed off cycle for 31 December 2022 which followed the same approach. The Audit Committee considered and challenged the valuation assumptions, with particular focus on inflation, judgements, and methodology.<br><br>The Audit Committee met with KPMG six times during the year. In November 2022, the Audit Committee reviewed and agreed KPMG's initial audit plan, while in February and April 2023 the Audit Committee discussed the audit approach as well as in May 2023 following the conclusion of the audit.<br><br>KPMG explained the results of their audit and confirmed that the results of KPMG's audit testing were satisfactory. |
| **Valuation of investments – key forecast assumptions**<br>The key forecast assumptions are future inflation rates, interest rates, rates of gross domestic product and tax rates. These assumptions are explained in further detail in the Valuation of the Portfolio starting on page 46 of this report. | The Audit Committee considered in detail and provided robust challenge to the economic assumptions that are subject to judgement and that may have a material impact on the valuation. In addition, the Audit Committee considered the impact (both actual and potential) of geopolitical issues on these key economic assumptions as well as on the investments' underlying cash flows, in particular for those investments with demand risk.<br><br>The Audit Committee reviewed the Investment Manager's valuation reports, in conjunction with a report and opinion on the valuation from a third-party valuation expert.<br><br>The Investment Manager confirmed to the Audit Committee that the economic assumptions were consistent with those used for acquisitions, and the third-party valuation expert confirmed that the economic assumptions were within an acceptable range.<br><br>Due to the current levels of inflation, the Audit Committee paid particular focus to the assumptions applied to short-term inflation assumptions. The third-party valuation expert confirmed that the inflation assumptions were within an acceptable range.<br><br>The Investment Manager provided sensitivities showing the impact of changing these assumptions, which have been considered by the Audit Committee and the external auditor.<br><br>The external auditor challenged, with support of their internal valuation specialist, discount rates and macroeconomic assumptions applied in the valuation by benchmarking these to independent market data, including recent market transactions, and using their specialist's experience in valuing similar investments. They further assessed the reasonableness of the Company's assumptions by comparing these to the assumptions used by comparator companies, sales processes, back-testing of disposals and other third-party information.<br><br>The Audit Committee concluded that the Investment Manager's valuation process was robust, that a consistent valuation methodology had been applied throughout the year and that the key forecast assumptions applied were appropriate. |

## Audit Committee Report continued

| Significant issue considered | Audit Committee actions and conclusions |
|---|---|
| **Valuation of investments – discount rates**<br>The discount rates used to determine the valuation are selected and recommended by the Investment Manager. The discount rate is applied to the expected future cash flows from each investment's financial forecasts to arrive at a valuation (discounted cash flow valuation). The resulting valuation is therefore sensitive to the discount rate selected.<br><br>The Investment Manager is experienced in valuing these investments and adopts discount rates reflecting their current and extensive experience of the market. The Investment Manager sets out the discount rate assumptions and the sensitivity of the valuation of the investments to this discount rate in the Valuation of the Portfolio starting on page 50. | The Audit Committee challenged the Investment Manager on their material judgements and compared this to feedback from the third-party valuation expert.<br><br>The Investment Manager highlighted to the Audit Committee the forecast impact on cash flows of several stress scenarios alongside its assessment of the risk to these cash flows.<br><br>The Investment Manager presented analysis of the risk-free rate movement and implied risk premium when determining discount rates.<br><br>The Audit Committee was satisfied that the range of discount rates was appropriate for the valuation carried out by the Investment Manager. |
| **Going concern and Viability statement**<br>The financial statements have been prepared on a going concern basis, with the assessment period of five years unchanged in the Viability statement. See Note 2 for details. | The Investment Manager provided a paper explaining the rationale for the going concern basis of preparation, which has been considered by the Audit Committee and the external auditor.<br><br>The Audit Committee met with the Investment Manager to discuss the rationale and challenge key assumptions applied, as part of its review of the Annual Report.<br><br>The Audit Committee also reviewed the Company's Viability statement and accompanying commentary, as well as projections and sensitivities prepared by the Investment Manager to support the statement.<br><br>The Audit Committee concluded that the Investment Manager's judgement applied to the going concern basis of preparation and the Company's Viability statement was appropriate. |
| **Alternative Performance Measures ("APMs")**<br>There are various APMs used throughout the Annual Report to give investors more information. One of these is the Investment Basis which is included to aid users of the Annual Report to assess the Company's underlying operating performance and its gearing as well as providing additional transparency into HICL's Statement of Financial Position, including its capacity for investment and ability to make distributions. Total return, NAV, and EPS are the same under IFRS and the Investment Basis. The Board and the Investment Manager manage the Company on an Investment Basis. | The Audit Committee reviewed the Investment Manager's assessment of the Investment Basis including its presentation by challenging the disclosures made in the Annual Report and whether due attention was given to the distinction between the Investment Basis and IFRS.<br><br>Other APMs and their relevance to investors were challenged by the Audit Committee in order that the Annual Report provides meaningful disclosure to investors. The Annual Report includes a subsection in the Financial Review on pages 43 that details the assessment of APMs. |
| **Fair, balanced and understandable**<br>The 2019 AIC Code of Corporate Governance requires the Board to present a fair, balanced and understandable assessment of the Company's position and prospects.<br><br>As noted above, the Company prepares pro forma summary financial information under the Investment Basis, as well as reporting in accordance with IFRS in order to report the relevant financial performance and position to stakeholders. | The Audit Committee reviewed the March 2023 Annual Report to ensure that, when taken as a whole, it presents a fair, balanced and understandable assessment of the Company's position and prospects.<br><br>The Audit Committee received a draft version of the March 2023 Annual Report for its review and comment, as well as a specific paper from the Investment Manager to aid its assessment of the March 2023 Annual Report being fair, balanced and understandable.<br><br>As such, the Audit Committee was able to provide positive confirmation to the Board, for it to fulfil its obligations under the AIC Code of Corporate Governance. |

## Accounting policies and practices

The Audit Committee reviewed the appropriateness of, and was satisfied with, the Company's accounting policies.

The Directors exercised judgement in determining whether the Company and the Corporate Subsidiaries meet the IFRS 10 definition of an investment entity. By virtue of the Company and Corporate Subsidiaries' status as investment entities, all investments (including the Corporate Subsidiaries) are accounted for at fair value through profit or loss. Further detail is contained within Note 2 of the financial statements.

## Internal controls

The Audit Committee reviewed the Company's statement on internal controls in relation to accounting records, the valuation process and accounts preparation, prior to endorsement by the Board.

The Management Engagement Committee reviews the adequacy and effectiveness of the Investment Manager's internal controls as part of its annual review of the Investment Manager's performance. In addition, the Board reviews and debates a quarterly self-assessment internal control report prepared by the Investment Manager – see the Risk & Risk Management section of this report starting on page 53 for further detail. In the year, the Committee also received an paper on the Investment Manager's internal controls.

## Internal audit

In line with FRC guidance, the Audit Committee keeps under review the need for an internal audit function. This was last considered in November 2022 as part of the CFO's update on finance controls. The Audit Committee is satisfied that the systems of internal control of the Company, the Investment Manager and the Administrator are adequate to fulfil the Board 's obligation in this regard and that currently an internal audit function is not necessary. Additionally, HICL's Depositary provides cash flow monitoring, asset ownership verification and oversight services to the Company. The Committee considers the need for discrete internal audit engagements as appropriate.

## External auditor

The Audit Committee notes the requirements of the UK Corporate Governance Code and in particular the requirement to put the external audit out to tender at least every ten years. The external audit was most recently tendered in 2015 for the financial year ended 31 March 2016. As reported in the 31 March 2015 Annual Report, KPMG was reappointed as auditor at the completion of the last tender process.

The Audit Committee continues to monitor developments on "Restoring trust in audit and corporate governance" originally published by the Department of Business, Energy and Industrial Strategy. They remain supportive of the stated aims to strengthen the UK's framework for major companies and the way in which they are audited.

The Company is in compliance with the requirements of The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014, which relates to the frequency and governance of tenders for the appointment of the external auditor and the setting of a policy on the provision of non-audit services.

## Auditor independence

The Audit Committee is responsible for reviewing KPMG's independence and performance. It establishes policies for the provision of non-audit services by the external auditor and reviews the terms under which the external auditor may be appointed to perform non-audit services, and the scope and results of the audit, including KPMG's effectiveness. To safeguard the independence and objectivity of the external auditor, the Audit Committee ensures that any advisory and/or consulting services provided by the external auditor do not conflict with their statutory audit responsibilities.

Permitted audit and audit-related services include the statutory audit of HICL and of its subsidiaries, the Company's interim review and other permitted audit-related services. The Audit Committee has pre-approved these services up to £20,000, which are reported after the event to the Audit Committee. Non-audit services above this limit require prior approval from the Committee.

**Audit Committee Report continued**

## Audit and non-audit fees

The Audit Committee reviews the scope and results of the audit, its effectiveness and the independence and objectivity of the external auditor, with particular regard to the level of non-audit fees. Current year fees were:

| | March 2023 £m | March 2022 £m |
|---|---|---|
| **Audit services** | | |
| Audit of the Company and intermediate holding entities | **0.5** | 0.4 |
| Audit of HICL's project subsidiaries and other audit-related services | **–** | 0.1 |
| | **0.5** | 0.5 |
| **Non-audit services** | | |
| Interim review of the Company | **0.1** | 0.1 |
| Other non-audit services | **0.1** | – |
| | **0.2** | 0.1 |
| Total | **0.7** | 0.6 |

Non-audit services in the table above consisted of audit-related assurance services for the Company's Interim Report and for working capital-related activities. In total, it represented 29% (2022: 20%) of total audit fees.

The Audit Committee considers KPMG to be independent of the Company and that the provision of permitted non-audit services in line with HICL's policy is not a threat to the objectivity and independence of the conduct of the audit. KPMG confirmed their compliance with their standard independence and objectivity procedures to the Audit Committee.

## Assessment of independence and effectiveness

To fulfil its responsibility regarding the independence of the external auditor, the Audit Committee considered:

- changes in the audit partner and other audit personnel in the audit plan for the current year;
- a report from the external auditor describing their arrangements to identify, report and manage any conflicts of interest;
- the extent of non-audit services provided by the external auditor and its member network firms. To assess the effectiveness of the external auditor, the Audit Committee reviewed:
- the external auditor's fulfilment of the agreed audit plan and variations from it;
- the external auditor's UK Transparency Report 2023;
- reports highlighting the major issues that arose during the course of the audit;
- feedback from the Investment Manager evaluating the performance of the audit team; and
- the FRC's annual report on audit quality inspections.

The Audit Committee is satisfied with KPMG's effectiveness and independence as auditor, having considered the degree of diligence and professional scepticism demonstrated by them.

# Report of the Directors

The Directors present their Annual Report on the affairs of HICL, together with the financial statements and auditor's report, for the year to 31 March 2023. The Corporate Governance Statement forms part of this report.

Details of significant events since the balance sheet date are contained in Note 20 to the financial statements.

An indication of likely future developments in the business of HICL and details of research and development activities are included in the Strategic Report.

Information about the use of financial instruments by HICL and its subsidiaries is given in Note 14 to the financial statements.

## Principal activity

HICL is a registered investment company under section 833 of the Companies Act 2006, incorporated in the UK. Its shares have a premium listing on the Official List of the UK Listing Authority and trade on the main market of the London Stock Exchange.

## Investment Trust status

The Company has been approved as an Investment Trust Company ("ITC") under sections 1158 and 1159 of the Corporation Taxes Act 2010. The Company had to meet relevant eligibility conditions to obtain approval as an ITC, and must adhere to ongoing requirements to maintain its ITC status including, but not limited to, retaining no more than 15% of its annual income. The Company has conducted its affairs to ensure it complies with these requirements.

## Results

HICL's results for the year are summarised in the Financial Review on page 40 and are set out in detail in the financial statements.

## Distributions and share capital

HICL declared four quarterly interim distributions, totalling 8.25p per share, for the year ended 31 March 2023 as follows:

| Amount | Declared | Record date | Paid/to be paid |
|---|---|---|---|
| 2.06p | 22/02/2023 | 02/03/2023 | 31/03/2023 |
| 2.06p | 15/11/2022 | 25/11/2022 | 31/12/2022 |
| 2.06p | 20/07/2022 | 22/08/2022 | 30/09/2022 |

The fourth quarterly interim distribution, of 2.07p per share, for the year ended 31 March 2023 was declared by HICL on 17 May 2023, and is due to be paid on 30 June 2023.

HICL has one class of share capital, Ordinary Shares, of which there were 1,936,813,501 in issue as at 1 April 2022.

This number increased to 2,031,488,061 as at 31 March 2023 as a result of tap issuance during the year. Shareholders may reinvest their dividends via a Dividend Reinvestment Plan ("DRIP"), the details of which can obtained by emailing shares@linkgroup.co.uk.

## Dividend history

| Interim dividend | **Year ended 31 March 2023** | Year ended 31 March 2022 | Year ended 31 March 2021 | Year ended 31 March 2020 | Year ended 31 March 2019 |
|---|---|---|---|---|---|
| 3-month period ending 30 June | **2.06** | 2.06 | 2.06 | 2.06 | 2.01 |
| 3-month period ending 30 September | **2.06** | 2.06 | 2.06 | 2.06 | 2.01 |
| 3-month period ending 31 December | **2.06** | 2.06 | 2.06 | 2.06 | 2.01 |
| 3-month period ending 31 March | **2.07** | 2.07 | 2.07 | 2.07 | 2.02 |
| **Paid/declared** | **8.25p** | **8.25p** | **8.25p** | **8.25p** | **8.05p** |

## Directors

The Directors who held office during the year to 31 March 2023 were:

| Director | Role(s) | Years of service* |
|---|---|---|
| Mr M Bane* | Chair of the Board and Nomination Committee, (previously Chair of Remuneration Committee) | 4 years 9 months |
| Mr F Nelson* | Senior Independent Director and Chair of Management Engagement Committee | 8 years 10 months |
| Ms R Akushie | Chair of the Audit Committee | 3 years 3 months |
| Mr S Holden* | Chair of the Risk Committee | 6 years 9 months |
| Ms F Davies | Chair of the Remuneration Committee | 4 years 0 months |
| Mr K Reid* | | 6 years 7 months |
| Ms E Barber | | 7 months |
| Mr M Pugh | | 7 months |
| Mr I Russell* | Previously Chair of the Board and Nomination Committee | 9 years 3 months** |
| Mrs S Farnon* | Previously Chair of the Audit Committee | 9 years 3 months** |

* Assuming a continuation of the years of service as a Director of HICL Infrastructure Company Limited

** Retired 20 July 2022. Both Directors were considered to remain independent throughout their term served

**Report of the Directors continued**

## Directors' indemnities

HICL has made qualifying third-party indemnity provisions for the benefit of its Directors which were made during the period and remain in force at the date of this report.

## Employees

HICL has no employees.

## Diversity policy

The Board believes that a diversity of viewpoints and personal experiences, along with broad professional expertise, lead to better decisions, are critical to innovation and provide a competitive advantage in HICL's marketplace. When recruiting new Directors, the Board searches for candidates from a diverse range of backgrounds and communities to attract the widest breadth of talent, skills and outlook. The Board's policy is to appoint individuals on merit, based on their skills, experience and expertise.

HICL has achieved the key targets of the Hampton-Alexander Review and the Parker Review, that 33% of the Board of Directors should be women by the end of 2020 and at least one Director is from an ethnic minority by 2024. As at 31 March 2023, 37% (three) of the Board of Directors were women and 13% (one) was from an ethnic minority.

The FCA's Listing Rules require a listed company to disclose in its annual report whether it has met its diversity target of at least one senior position on its board of directors (i.e. Chair, Chief Executive, Senior Independent Director or Chief Financial Officer) being held by a woman. Furthermore, the Listing Rules recognise that such a disclosure requirement might not be appropriate in the context of Chapter 15 closed-ended investment companies, the boards of which are typically comprised wholly of non-executive directors. However, the HICL Board believes it important that this target should be substantively met, and accordingly would highlight that both the Chair of the Audit Committee and the Investment Manager's CFO, who is responsible for managing the financial activities carried out by the Investment Manager for the Company, are female.

HICL has no employees beyond its non-executive Board. The executive management of HICL is provided by its Investment Manager, InfraRed, with the senior decision-making body being InfraRed's Investment Committee. InfraRed is a global business with a broad cultural representation of employees reflecting the international nature of its activities.

InfraRed supports equal opportunities regardless of age, race, gender or personal beliefs and preferences, both in their recruitment and when managing existing employees. InfraRed prioritises workforce engagement and implements a range of initiatives to enhance employee wellbeing, including fitness and mental health schemes, mentorship programmes, promotion of charity work and organising social activities. HR systems are in place to allow employees to raise any concerns in confidence. InfraRed recognises that when its employees are engaged, it will benefit from elevated productivity and increased employee loyalty.

The data shown in the table below reflects the gender and ethnic background of the Investment Committee and Company Secretary, and was collected on the basis of self-reporting by the individuals concerned. The questions asked were "Which of the Parker Review ethnicity categories do you consider yourself to fall within?" and "What is the gender with which you identify?".

### Gender identity and ethnic background reporting as at 31 March 2023

| | Number of HICL Board members | Percentage of the HICL Board | Number of senior positions on the HICL Board | Number in Executive Management | Percentage of Executive Management |
|---|---|---|---|---|---|
| **Gender identity** | | | | | |
| Men | 5 | 62.5% | 2 | 5 | 71.4% |
| Women | 3 | 37.5% | 0 | 2 | 28.6% |
| **Ethnic background** | | | | | |
| White British or other White (including minority-white groups) | 7 | 87.5% | 2 | 7 | 100.0% |
| Black/African/Caribbean/Black British | 1 | 12.5% | 0 | 0 | 0.0% |
| Other ethnic group | 0 | 0.0% | 0 | 0 | 0.0% |

## Corporate governance

The Corporate Governance Statement on page 79 outlines the code of corporate governance against which HICL reports and its compliance, or otherwise, with the individual principles. It includes detail on the various Committees of the Board, their composition and their terms of reference.

## Annual General Meeting ("AGM")

HICL's AGM is held in July each year. The forthcoming meeting is scheduled for July 2023.

## Investment Manager and Operator

InfraRed Capital Partners Limited (the "Investment Manager" or "InfraRed") acts as Investment Manager to HICL and acts as Operator of the limited partnership which holds and manages HICL's investments. A summary of the contract between HICL, its subsidiaries and InfraRed in respect of services provided is set out in Note 18 to the financial statements.

Further information on the Investment Manager, including fee arrangements with HICL can be found in The Investment Manager section on page 78.

The Investment Management Agreement was entered into in March 2019 and was reviewed and approved by the Board in connection with the change in domicile of HICL from Guernsey to the United Kingdom and shareholders had an opportunity to vote on the Investment Management Agreement as part of those proposals.

The Board assesses InfraRed's performance as Investment Manager annually through the Management Engagement Committee. For more information, see the Corporate Governance Statement on page 79.

The Directors are of the opinion that the continued appointment of InfraRed as HICL's Investment Manager is in the best interests of the shareholders of HICL.

## AIFMD disclosures

In accordance with the Alternative Investment Fund Managers Directive:

- information in relation to HICL's leverage can be found in the Strategic Report;
- remuneration of InfraRed as HICL's AIFM can be found below in AIFM Remuneration;
- a summary of the activities of HICL can be found in the Investment Manager's Report starting on page 20;
- a full list of the risks facing HICL can be found in HICL's March 2019 Prospectus, available from the Company's website (see also the Risk Committee Report on page 62); and
- none of HICL's assets are subject to special arrangements arising from their illiquid nature.

## AIFM remuneration

The AIFMD Remuneration Code requires InfraRed in its capacity as AIFM of HICL, to make relevant remuneration disclosures available to investors.

InfraRed assesses its list of AIFMD Code Staff. AIFMD Code Staff are notified of their status and the associated implications.

InfraRed has established a remuneration policy. A summary of InfraRed's remuneration policy is contained in the Annual Report and accounts of InfraRed Capital Partners (Management) LLP, which are available from Companies House.

The aggregate total remuneration paid by the Group which contains InfraRed for the year ended 31 March 2023 was £39,279,919.

This was divided into fixed remuneration of £20,034,919 attributable to 178 beneficiaries and variable remuneration of £19,245,000 attributable to 170 beneficiaries. The aggregate total remuneration paid by the Group which contains InfraRed to AIFMD Code Staff in the year was £7,031,962 and the number of senior management and risk takers was 19.

The Investment Manager fees charged to the Company were £0.1m (disclosed as Investment Manager fees in Note 18), of which the full balance remained payable at 31 March 2023. InfraRed is also the Operator of IILP, the Corporate Subsidiary through which HICL holds its investments. The total Operator fees were £32.7m of which £8.3m remained payable at 31 March 2023.

## Brokers, Administrator and Company Secretary

HICL's joint corporate brokers at 31 March 2023 are Investec Bank plc and RBC Capital Markets.

The Administrator and Company Secretary is Aztec Financial Services (UK) Limited.

## Disclosure of information to auditor

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which HICL's auditor is unaware; and each Director has taken all the steps that he or she ought to have taken as a Director to make him or herself aware of any relevant audit information and to establish that HICL's auditor is aware of that information.

## Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report. The Strategic Report includes information required by the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2008.

Report of the Directors continued

## Auditor

In accordance with Section 489 of the Companies Act 2006, a resolution for the reappointment of KPMG LLP as auditor of HICL is to be proposed at the forthcoming Annual General Meeting.

## Substantial interests in share capital

As at 31 March 2023, HICL is aware of or has received notification in accordance with the Financial Conduct Authority's Disclosure Guidance and Transparency Rule 5 of the following interests in 3% or more of HICL's shares to which voting rights are attached (at the date of notification):

| | Number of shares held | Percentage held |
|---|---|---|
| Brewin Dolphin Limited | 166,101,128 | 8.18% |
| Rathbones Investment Management | 137,252,513 | 6.76% |
| Investec Wealth & Investment Limited | 124,926,343 | 6.15% |

## Payment of suppliers

It is the policy of HICL to settle all investment transactions in accordance with the terms and conditions of the relevant market in which it operates. HICL continues to meet the criteria to qualify for Payment Practice Reporting. This requires HICL Infrastructure PLC to report on its payment policies and specific data on payments and suppliers that demonstrate achieved performance every six months. For the purpose of this reporting HICL Infrastructure PLC is required to state a standard payment term. As HICL Infrastructure PLC does not have standard payment terms defined, the standard payment period in line with government guidance is the contractual payment period most commonly used in the period; this has been deemed to be 30 days.

## Greenhouse gas emissions (GHG) reporting

See page 71 – Metrics and targets.

## Political contributions

HICL made no political donations during the year (2022: none).

## Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in HICL's Business Model on page 14. The financial position of the Company, its cash flow and liquidity position are described in the Investment Manager's Report on page 20 and the Financial Review on page 40. In addition, the Notes of the financial statements include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The Directors have assessed going concern by considering areas of financial risk, the Company's access to credit facilities and by reviewing cash flow forecasts with a number of stress scenarios. They also considered the Company's considerable financial resources, including investments in a significant number of project assets and access to credit facilities (details of which are set out in the Financial Review on page 40 and Note 15 to the financial statements). The majority of these project assets operate long-term contracts with various public sector customers and suppliers across a range of infrastructure projects. The financing for these projects is non-recourse to the Company.

Based on this analysis, the Directors have concluded that the Company has adequate resources to continue in operational existence for the foreseeable future, a period of at least 12 months from the date of approving these financial statements. Thus, they consider it appropriate to adopt the going concern basis of accounting in preparing the annual financial statements.

## Share repurchases

No shares have been bought back in the year. The latest authority to purchase shares for cancellation was granted to the Directors on 20 July 2022.

## Sustainability

The Board is committed to sustainability leadership in the sector. To minimise the environmental impact of HICL's corporate affairs, all reporting to the Board and its various Committees is paperless. In addition, the Investment Manager has offset all emissions associated with Directors' travel with an accredited scheme and will continue to do so going forward. For more information, see page 36 for the Sustainability Highlights.

## Treasury shares

Section 724 of the UK 2006 Companies Act allows companies to hold shares acquired by market purchase as treasury shares, rather than having to cancel them. Issued shares may be held in treasury and may be subsequently cancelled or sold for cash in the market. This gives HICL the ability to reissue shares quickly and cost efficiently, thereby improving liquidity and providing HICL with additional flexibility in the management of its capital base.

While there are currently no shares held in treasury, the Board would only authorise the resale of such shares from treasury at prices at or above the prevailing net asset value per share (plus costs of the relevant sale). If such a measure were to be implemented, this would result in a positive overall effect on HICL's net asset value. In the interests of all shareholders the Board will keep the matter of treasury shares under review.

# Statement of Directors' Responsibilities

## in respect of the Annual Report and the financial statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK-adopted international accounting standards and applicable law.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of its profit or loss for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with UK-adopted international accounting standards;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Responsibility statement of the Directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the Strategic Report/Directors' Report includes a fair review of the development and performance of the business and the position of the issuer, together with a description of the principal risks and uncertainties that they face.

We consider the Annual Report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

In accordance with Disclosure Guidance and Transparency Rule 4.1.14R, the financial statements will form part of the annual financial report prepared using the single electronic reporting format under the TD ESEF Regulation. The auditor's report on these financial statements provides no assurance over the ESEF format.

By order of the Board authorised signatory:
Aztec Financial Services (UK) Limited
Company Secretary
23 May 2023

Registered Office:

### Aztec Financial Services (UK) Limited:

Forum 4, Solent Business Park, Parkway South,
Whiteley, Fareham, PO15 7AD

# Directors' Remuneration Report

The Remuneration Committee's report is set out on pages 94 to 96. The report includes the Directors' Remuneration Policy, an explanation of the Committee's structure and responsibilities, a report on its activities in the year ended 31 March 2023 and relevant required reporting on remuneration and shareholdings.

This report is prepared in accordance with the Listing Rules of the FCA, the relevant sections of the Companies Act 2006 and the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, (as amended by the Large and Medium-sized Companies and Groups (Accounts and Reports) Amendment Regulations 2013, the Companies (Miscellaneous Reporting) Regulations 2018 and the Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019). Those aspects of the report that are required to be audited are labelled as such.

The Committee met twice during the year. There have been no changes to the Directors' Remuneration Policy or the terms of reference of the Remuneration Committee. After careful consideration, the Committee recommended to the Board that the Chair and Directors' fees are increased to include a 5% inflationary uplift, in order to continue to attract and retain Directors with an appropriate skillset and experience for the Company, but are not increased to the full level of current inflation.

This Directors' Remuneration Report was adopted by the Board and signed on its behalf by:

**Frances Davies**
**Remuneration Committee Chair**
23 May 2023

## Directors' Remuneration Policy

The Directors' Remuneration Policy is determined by the Remuneration Committee. In accordance with the provisions of the AIC Code of Corporate Governance (the "AIC Code"), Directors' remuneration is designed to reflect their duties and time commitments. Remuneration is set at a reasonable level to attract and retain Directors of the necessary quality and experience to execute effective governance and oversight of the Company, to support strategy and to promote long-term sustainable success. The specific additional responsibilities of the Chair, Senior Independent Director, and the Chairs of the various Committees of the Board are taken into account. The policy aims to be fair and reasonable compared to equivalent investment trusts, investment companies and other similar-sized financial companies. The effects of inflation are also considered. Reasonable travel and associated expenses are reimbursed.

HICL's Articles of Association limit the aggregate fees payable to the Board to a total of £700,000 p.a. (or such amount as HICL's shareholders, in a general meeting, shall determine from time-to-time) excluding reimbursable expenses. Within that limit it is the responsibility of the Remuneration Committee, as a Committee of the Board, to determine Directors' remuneration in conjunction with the Chair of the Board, and in his case, by the Remuneration Committee only. Relevant comparative information is considered in forming these recommendations and the views expressed by shareholders are taken into consideration. The Remuneration Committee will seek the views of an independent external remuneration consultant at least every three years to assist its review of remuneration. This was last performed in 2020 with an out-of-cycle review performed in 2021. As a result of the additional review, the next triennial review is scheduled to be performed in late 2023.

Directors' fees are fixed and are payable in cash. As all Directors are non-executive, they are not eligible for share options, long-term incentive schemes or other benefits, performance-related or otherwise. Directors do not have service contracts and there is no provision for compensation for loss of office. Each new Director is provided with a letter of appointment. Additional fees are payable at the discretion of the Remuneration Committee where Directors are involved in duties beyond those normally expected, for example, in relation to the issue of a prospectus.

This policy and the level of Directors' fees is reviewed annually by the Remuneration Committee and applies with effect from 1 April of each year, subject to shareholder approval at the AGM.

## Committee structure and responsibilities

The Remuneration Committee is composed of all the Directors including the Chair of the Company, as he was deemed to be independent at the time of his appointment. This membership is deemed appropriate on the basis that all Directors are independent and have the requisite experience and knowledge of the Company to appropriately determine remuneration. The membership of eight Independent Directors ensures that no single Director has undue influence on the outcome of their own remuneration. The Committee operates in accordance with the Directors' Remuneration Policy (as set out above) and with Principles P, Q and R of the 2019 AIC Code.

## Relevant performance information

In setting the Directors' remuneration, consideration is given to the size and relative performance of the Company. The graph below highlights the comparative Total Shareholder Return (share price and dividends) ("TSR") for an investment in the Company[1] for the 17-year period from inception until 31 March 2023 compared with an investment in the FTSE 250 Index over the same period. During that period the TSR was 8.25% p.a. compared with the FTSE 250 Index which was 6.96% p.a.

The table below is provided to enable shareholders to assess the relative importance of Directors' remuneration. It compares remuneration against dividends paid and share buybacks of the Company in the year ended 31 March 2023.

| Actual expenditure | YE 2023 | YE 2022 |
|---|---|---|
| Aggregate Directors' remuneration | £528,831 | £516,000 |
| Aggregate dividends paid to shareholders[2] | £165,638,002 | £159,787,113 |
| Aggregate cost of Ordinary Shares repurchased | £0 | £0 |

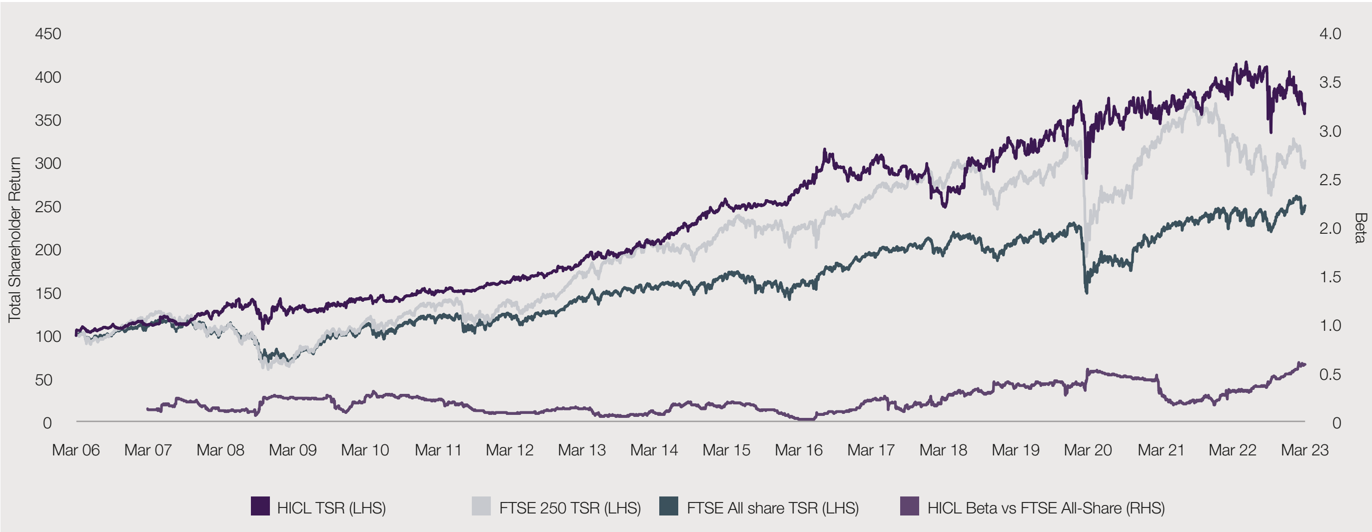
## Review of remuneration

The Remuneration Committee performed a review of Board remuneration in the year ended 31 March 2023. The review noted that CPI inflation in the year to 31 March 2023 was 10.1% and recommended a lower inflationary increase in fees for all Board roles of 5%. The inflationary increase is consistent with the recommendations of the last independent review performed by Trust Associates representing changes to cost of living to maintain Director fees at a competitive level but has been determined below the current level of inflation.

The proposed remuneration, analysed by role, for the year ending 31 March 2024 is set out in the following table, together with comparatives.

## Statement of implementation of remuneration policy in the current financial year

The Board has adopted the proposals for Directors' remuneration as recommended by the Remuneration Committee and will seek shareholder approval for the Directors' Remuneration Policy and this report including the proposed remuneration at the AGM on 19 July 2023.




| Role (YE 2023)[3] | Total fees proposed (YE 2024) | Fees approved (YE 2023)[4] |
|---|---|---|
| Chair | **£110,000** | £105,000 |
| Senior Independent Director | **£74,000** | £70,500 |
| Audit Committee Chair | **£73,000** | £69,500 |
| Risk Committee Chair | **£70,500** | £67,000 |
| Director | **£58,500** | £55,500 |
| Luxembourg representative | **£8,000** | £7,500 |
| **Total[5]** | **£511,000** | **£430,500** |

1 Including its predecessor, HICL Guernsey Limited, from inception in March 2006 until March 2019
2 Dividends paid in the year rounded to £165.5m for the purposes of the financial statements
3 The fees approved/proposed relate to the roles performed and not to individuals per se
4 Approved at the AGM on 20 July 2022
5 Frank Nelson will step down from the HICL Board at the end of July 2023, following the AGM. As a result, he will receive pro rata remuneration for the period served within the financial year to 31 March 2024. The total proposed fee presented is based on the full year remuneration for seven Directors (2023: presented on the basis of six Directors) and does not include pro rata allocations which have not yet been confirmed. Ian Russell and Susie Farnon stepped down from the HICL Board at the end of July 2022, following the AGM and received pro rata remuneration for this period

## Directors' Remuneration Report continued

The total fees paid to Directors in the year were within the annual fee cap of £700,000, contained in the Remuneration Policy approved by shareholders at the AGM on 20 July 2022.

### Directors' remuneration – audited

| Total remuneration paid/due in year | Year ended 31 March 2023 | Year ended 31 March 2022 |
|---|---|---|
| M Bane*^** | **£97,435** | £60,000 |
| I Russell*^ | **£31,957** | £100,000 |
| F Nelson | **£70,500** | £67,000 |
| R Akushie^ | **£65,239** | £53,000 |
| L Barber^ | **£32,274** | – |
| F Davies | **£55,500** | £53,000 |
| S Farnon^ | **£21,152** | £66,000 |
| S Holden | **£67,000** | £64,000 |
| M Pugh^ | **£32,274** | – |
| K Reid | **£55,500** | £53,000 |
| **Total** | **£528,831** | £516,000 |

*The Chair was the highest paid Director
**Includes £7,500 in respect of Luxembourg subsidiary (2022: £7,000)
^ Remuneration pro-rated for the year

### Statement of Directors' shareholdings – audited

The Directors of the Company on 31 March 2023, and their interests in the shares of the Company, are shown in the table below:

| Number of Ordinary Shares | 31 March 2023 | 31 March 2022 |
|---|---|---|
| M Bane | **14,394** | 14,394 |
| I Russell* | **n/a** | 95,979 |
| F Nelson | **51,568** | 51,568 |
| R Akushie | **6,500** | – |
| L Barber* | **15,000** | n/a |
| F Davies | **15,000** | – |
| S Farnon* | **n/a** | 59,931 |
| S Holden | **27,694** | 27,694 |
| M Pugh* | **14,000** | n/a |
| K Reid | **12,014** | 11,098 |
| Total | **156,170** | **260,664** |

* I Russell and S Farnon stood down as Directors during the year and therefore their holdings are no longer reported. L Barber and M Pugh both became Directors in the year and no prior year comparator is shown

All of the holdings of the Directors and their families are beneficial. No changes to these holdings had been notified up to the date of this report.

### Statement of shareholder voting

At the last AGM held on 20 July 2022, the resolutions relating to the Directors' Remuneration Report for the year ended 31 March 2022, the Directors' Remuneration Policy and an increase to the Directors' aggregate remuneration cap were approved.

The percentage of votes cast was 64%. The results of the votes on resolutions relating to remuneration are summarised in the table below:

| | In Favour | | Against | | Withheld | |
|---|---|---|---|---|---|---|
| Resolution | Votes | % age | Votes | % age | Votes | % age |
| 8- Remuneration Report | 1,231,570,845 | 99.97 | 342,666 | 0.03% | 604,723 | 0.05 |
| 9- Remuneration Policy | 1,223,604,811 | 99.33 | 8,258,615 | 0.67% | 654,808 | 0.05 |

# Financials

What's in this section

# KPMG LLP's Independent Auditor's Report

**To the members of HICL Infrastructure plc**

## 1. Our opinion is unmodified

In our opinion the financial statements of HICL Infrastructure plc ("the Company"):

- give a true and fair view of the state of the Company's affairs as at 31 March 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### What our opinion covers

We have audited the financial statements of the Company for the year ended 31 March 2023 (FY23) included in the Annual Report which comprises the Income Statement, Statement of Financial Position, Statement of Changes in Shareholders' Equity, Cash Flow Statement and the related Notes, including the accounting policies in note 2.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion and matters included in this report are consistent with those discussed and included in our reporting to the Audit Committee ("AC").

We have fulfilled our ethical responsibilities under, and we remain independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities.

## 2. Overview of our audit

### Factors driving our view of risks

We considered the developments affecting the Company since the last audit for the year ended 31 March 2022 and have updated our risk assessment.

Continued geopolitical tension and global macroeconomic downturn were the dominant themes for the year ended 31 March 2023. In early 2022, the conflict between Russia and Ukraine intensified geopolitical tensions which continued during 2023. In addition, energy costs rocketed in 2022, combined with the food supply chain disruptions, inflation remained high in major economies throughout 2022 and 2023. This required central banks to adopt a series of monetary policy measures, primarily through increases in interest rates, to seek to contain inflation.

These factors, along with the market volatility in the UK primarily caused by political uncertainties since September, contributed to challenging market conditions for the investment industry.

This means the level of judgement required to be exercised by the Company in the valuation of investment entity subsidiaries, which is primarily driven by the valuation of the underlying infrastructure, PFI and PPP projects, continued to be a focus area.

As part of our risk assessment, we have maintained our focus on the valuation of the investment entity subsidiaries, which is primarily driven by the valuation of the underlying infrastructure, PFI and PPP projects. We have designed our audit procedures accordingly. This has included specific focus on the discount rate used in the valuation model, macroeconomic assumptions (such as inflation, GDP growth and interest rates), and project specific cash flows and adjustments made by the Company.

| Key Audit Matter | Vs FY22 | Item |
|---|---|---|
| Valuation of investment held at fair value through profit or loss | ⇔ | 4.1 |

⇔ Similar risk to FY2022

### Audit committee interaction

During the year, the Audit Committee met nine times. KPMG are invited to attend all Audit Committee meetings and are provided with an opportunity to meet with the Audit Committee Chair. KPMG attended six of the nine Audit Committee meetings held. For the Key Audit Matter, we have set out communications with the Audit Committee in section 4.1, including matters that require particular judgement.

The matters included in the Audit Committee Report on pages 83 to 88 are materially consistent with our observations of those meetings.

### Our independence

We have fulfilled our ethical responsibilities under, and we remain independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities.

We have not performed any non-audit services during FY23 or subsequently which are prohibited by the FRC Ethical Standard.

We were first appointed as auditor by the directors for the period ended 31 March 2019. The period of total uninterrupted engagement, including HICL Infrastructure Company Limited (the previous Guernsey listed entity) is for the seventeen financial years ended 31 March 2023.

The Engagement partner is required to rotate every 5 years. As these are the first set of the financial statements signed by Fang Fang Zhou, she will be required to rotate off after the FY27 audit.

| | |
|---|---|
| **Total audit fee for the company and underlying holding companies** | £528k |
| **Audit related fees (including interim review)** | £93k |
| **Other services** | £388k |
| **Non-audit fee as a % of total audit and audit related fee %** | 91% |
| **Date first appointed** | 26 February 2019 |
| **Uninterrupted audit tenure** | 5 years |
| **Next financial period which requires a tender** | 2025 |
| **Tenure of Engagement partner** | 1 year |

### Materiality (item 6 below)

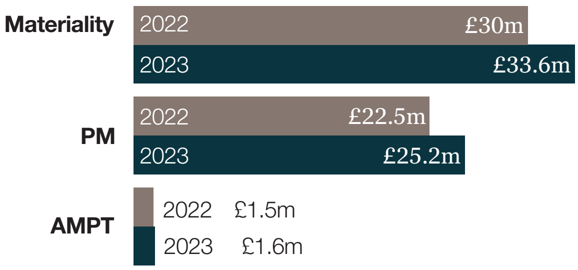
The scope of our work is influenced by our view of materiality and our assessed risk of material misstatement.

We have determined materiality for the financial statements as a whole at £33.6m (FY22: £30.0m).

For the current period, total assets have been considered as a benchmark for computing materiality as compared to net assets used in prior year. We consider total assets to be more in line with industry practice and as these are directly driven by the investment valuations which ultimately is most influential to the users of the financial statements. A change in benchmark does not materially impact the materiality as the total liabilities of the Company are not material. Apart from this change, the increase in audit materiality reflects an increase in Company's total asset value, driven by the increase in investment valuations.

We determined that Total assets is the materiality benchmark. As such, we based our materiality on total assets, of which it represents 1.0% (FY22: 1.0% of net assets).

**Materiality levels used in our audit**




**PM:** Performance Materiality

**AMPT:** Audit Misstatement Posting Threshold

### The impact of climate change on our audit

We have considered the potential impacts of climate change on the financial statements as part of planning our audit. This included the impacts on the infrastructure, PPP and PFI projects held indirectly by the Company through its investment entity subsidiaries.

As part of our audit we have made enquiries of management to understand the extent of the potential impact of climate change risk on the Company's financial statements. We have performed a risk assessment of how the impact of climate change may affect the financial statements and our audit. Taking into account the nature of the Company's underlying investments, our assessment is that the climate related risks to the Company's business strategy and financial planning did not have a significant impact on our audit, including our key audit matters.

We have also read the Board's Task Force on Climate related Financial Disclosure (TCFD) in the front half of the annual report and considered consistency with the financial statements and our audit knowledge.

**KPMG LLP's Independent Auditor's Report continued**
**To the members of HICL Infrastructure plc**

## 3. Going concern, viability and principal risks and uncertainties

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

## Going concern

We used our knowledge of the Company, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. The risks that management considered most likely to adversely affect the available financial resources over this period are:

- Operational or performance issues within the portfolio which increases the number of projects not distributing and its impact on the Company's distribution income and cash flows; and
- Widespread economic turmoil due to volatility in the financial markets and recovery alongside geopolitical uncertainties contributing to persistent inflation impacting liquidity through the need to provide further liquidity support to the portfolio.

We considered whether this risk could plausibly affect the liquidity or covenant compliance in the investment entity in the going concern period by assessing the degree of downside assumption that, individually and collectively, could result in a liquidity issue, taking into account the Company's current and projected cash and facilities (a stress test).

Our procedures also included an assessment of whether the going concern disclosure in note 2 to the financial statements gives a complete and accurate description of the directors' assessment of going concern.

Accordingly, based on those procedures, we found the directors' use of the going concern basis of accounting without any material uncertainty for the Company to be acceptable. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

### Our conclusions

- We consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- We have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period;
- We have nothing material to add or draw attention to in relation to the directors' statement in note 2 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Company's use of that basis for the going concern period, and we found the going concern disclosure in note 2 to be acceptable; and
- The related statement under the Listing Rules set out on page 92 is materially consistent with the financial statements and our audit knowledge.

## Disclosures of emerging and principal risks and longer-term viability

### Our responsibility

We are required to perform procedures to identify whether there is a material inconsistency between the directors' disclosures in respect of emerging and principal risks and the viability statement, and the financial statements and our audit knowledge.

Based on those procedures, we have nothing material to add or draw attention to in relation to:

– the directors' confirmation within the Risk & Risk Management section on page 53 that they have carried out a robust assessment of the emerging and principal risks facing the Company, including those that would threaten its business model, future performance, solvency and liquidity;

– the Emerging and Principal Risks disclosures describing these risks and how emerging risks are identified and explaining how they are being managed and mitigated; and

– the directors' explanation in the viability statement of how they have assessed the prospects of the Company, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to review the viability statement set out on page 64 under the Listing Rules.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Company's longer-term viability.

### Our reporting

We have nothing material to add or draw attention to in relation to these disclosures.

We have concluded that these disclosures are materially consistent with the financial statements and our audit knowledge.

## 4. Key audit matter

### What we mean

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on:

– the overall audit strategy;

– the allocation of resources in the audit; and

– directing the efforts of the engagement team.

We include below the Key Audit Matter (unchanged from 31 March 2022) together with our key audit procedures to address this matter and our results from those procedures. That matter was addressed, and our results are based on procedures undertaken, for the purpose of our audit of the financial statements as a whole. We do not provide a separate opinion on that matter.

## KPMG LLP's Independent Auditor's Report continued
## To the members of HICL Infrastructure plc

## 4.1 Valuation of investments held at fair value through profit and loss

| Financial Statement Elements | FY23 | FY22 | Our assessment of risk vs FY22 | Our results |
|---|---|---|---|---|
| Valuation of investment in investment entity subsidiary | **£3,349.7m** | £3,158.5m | Our assessment is the risk is similar to FY22 | FY23: Acceptable<br>FY22: Acceptable |

### Description of the Key Audit Matter

**Subjective valuation:**
The investment in investment entity subsidiary represents HICL's 100% investment in HICL Infrastructure 2 SARL (HICL SARL), which in turn invests in 100% of Infrastructure Investments Limited Partnership (IILP). IILP invests in a number of infrastructure, PFI and PPP projects.

The valuation of HICL SARL represents its net asset value, which is based on the net asset value of IILP. The net asset value of IILP is determined primarily based on the valuation of the underlying infrastructure, PFI and PPP projects.

As these investments (except for one), are unquoted and illiquid, the fair value is determined using discounted cash flow (DCF) methodology, whereby long-term forecasted cash flows derived from revenue, expenses and financing streams for each asset are discounted at a rate reflecting the risk profile. This involves the exercise of significant judgement by the Company in relation to the selection of a number of assumptions and data points which are unobservable in the market.

These include:

**Significant assumption:**
The discount rate has a high degree of estimation uncertainty with a potential range of reasonable outcomes (valuations) greater than our materiality for the financial statements as a whole, and possibly many times that amount.

**Non significant assumptions and data points:**
Whilst we do not consider other assumptions and data points to be at a significant risk of misstatement, due to the relevance of these elements in terms of the overall valuation and associated audit effort, we consider the following areas to also have the greatest effect on the overall audit strategy and planning of the audit:

– Inflation
– GDP Growth Rates
– Deposit and Tax rates
– Project revenue and expenses
– Management overlay adjustments to cash flow

The financial statements (note 14) disclose the sensitivity estimated by the Company.

### Our response to the risk

Our procedures included:

**Control design:**
We obtained an understanding of the Company's processes to determine the fair value of investments. We documented and assessed the design and implementation of the investment valuation processes and controls.

We performed the tests below rather than seeking to rely on any of the Company's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.

**Risk assessment and understanding of the investments**
We held discussions with the asset manager to identify any specific operational issues relating to the investments, and assessed the impact of these issues on the forecasted distributions and discount rate.

**Management expert**
We assessed the objectivity, capabilities and competence of the third party valuation expert engaged by the Company to challenge the reasonableness of the Company's investment valuations. We obtained and assessed the valuation expert's findings, held discussions with them and considered the impact, if any, on our audit work.

Our procedures for significant assumptions included:

**Our valuations experience:**
With the assistance of our valuations specialists, we critically evaluated and challenged the significant assumption affecting the valuation of the underlying assets (discount rates). We assessed whether the discount rates are within a reasonable range independently developed by us based on market data.

**Test of detail:**
Our procedures in respect of the non-significant assumptions and data points included:

– We agreed key revenue inputs on the forecast cash flows for each investment to external sources, such as third party contracts and invoices. Material expenses were agreed to the supplier invoices received and where possible to underlying agreements for leases and firm/finance maintenance contracts.
– We obtained the audited financial statements (where available) of the portfolio companies. We compared historic projections in the model to the audited financial information. Additionally, we used this information to assess the reasonableness of the data projected for the next financial period in the model. We reviewed the financial statements for any material uncertainty on going concern for the portfolio companies. Where identified, we held discussions with management to understand the circumstances and obtained an update on asset performance.
– We reperformed the valuation calculation using the Company's inputs and assumptions. We constructed our own discounted cash flow models for each underlying asset and compared the calculated results with the Company's valuation.

**Our valuations experience:**
We critically evaluated and challenged other assumptions affecting the valuation of the underlying assets, including inflation, GDP growth rates, deposit and tax rates, project revenue and overlay adjustments.

**Retrospective Review:**
We have compared the prior year forecasts to current year actual distributions to consider historical accuracy of the forecasting. We then agreed the actual distribution to bank statements. We assessed the valuation for each investment focusing on changes since the prior reporting date.

**Assessing transparency:**
We considered the appropriateness, in accordance with relevant accounting standards, of the disclosures in respect of investments and the effect of changing one or more inputs to reasonably possible alternative valuation assumptions.

**Communications with the HICL Infrastructure PLC Audit Committee**
Our discussions with and reporting to the Audit Committee included:

- Our approach to the audit of the fair value of the investment entity subsidiary, primarily driven by the valuation of the underlying infrastructure, PFI and PPP projects, including details of our planned substantive procedures and the extent of our control reliance.
- Our conclusions on the appropriateness of the Company's fair value methodology and policy.
- Our conclusions on the appropriateness of the valuation for the investment entity subsidiary, which is driven by the valuation of the underlying infrastructure, PFI and PPP projects, and, for the significant assumption, an indication of where the Company's assumption lies within our reasonable range.
- The adequacy of the disclosures, particularly as it relates to the sensitivity of the valuation inputs.

**Areas of particular auditor judgement**
We identified the following as the areas of particular auditor judgement:

- The discount rates used in the discount cash flow model to value the underlying infrastructure, PFI and PPP projects.

**Our results**
Based on the risk identified and our procedures performed, we consider the valuation of the investment in investment entity subsidiaries to be acceptable (FY22: acceptable).

Further information in the Annual Report and accounts: See the Audit Committee Report on pages 84 to 86 for details on how the Audit Committee considered the valuation of unlisted investments as an area of significant attention, pages 114 to 115 for the accounting policy on the valuation of unlisted investments, and Notes 12 and 14 to the financial disclosures.

**KPMG LLP's Independent Auditor's Report continued**
**To the members of HICL Infrastructure plc**

## 5. Our ability to detect irregularities, and our response

### Fraud – identifying and responding to risks of material misstatement due to fraud

| | |
|---|---|
| **Fraud risk assessment** | To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:<br>– enquiring of directors and the Audit Committee, as to the Company's high-level policies and procedures to prevent and detect fraud, including the Company's policy and channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.<br>– reading Board and Audit Committee minutes.<br>– considering the Investment Manager's fee arrangement and how closely it is linked to the valuation of the Company's assets.<br>– Discussions among the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. The engagement team includes audit partners and staff who have extensive experience of working with companies in the same sectors as the Company operates, and this experience was relevant to the discussion about where fraud risks may arise. |
| **Risk communications** | We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. |
| **Fraud risks** | As required by auditing standards, and taking into account possible pressures to meet profit or investment valuation targets and our overall knowledge of the control environment, we performed procedures to address the risk of management override of controls, in particular the risk that the Company may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements. On this audit we do not believe there is a fraud risk related to revenue recognition because of the simplistic nature of income, which principally comprises dividend and interest income. We deemed that there is limited opportunity to manipulate income recognition. |
| **Procedures to address fraud risks** | Our audit procedures included evaluating the design, implementation, and operating effectiveness of internal controls relevant to mitigate these risks.<br>We also performed procedures including:<br>– identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior finance management; those posted and approved by the same user; and those posted to unusual accounts.<br>– assessing the accounting estimate related to fair value of investments for bias. |

### Laws and regulations – identifying and responding to risks of material misstatement relating to compliance with laws and regulations

| | |
|---|---|
| **Laws and regulations risk assessment** | We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations. |
| **Risk communications** | We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. |
| **Direct laws context and link to audit** | The potential effect of these laws and regulations on the financial statements varies considerably.<br>The Company is subject to laws and regulations that directly affect the financial statements including:<br>– financial reporting legislation (including related companies legislation);<br>– distributable profits legislation; and<br>– taxation legislation.<br>We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items. |

| | |
|---|---|
| **Most significant indirect law/ regulation areas** | Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of its license to operate in countries where the non-adherence to laws could prevent trading in such countries.<br>We identified the following areas as those most likely to have such an effect:<br>– Anti-bribery and corruption;<br>– Anti-money laundering;<br>– Data protection;<br>– Competition legislation; and<br>– Certain aspects of company legislation recognising the financial and regulated nature of the Company's activities and its legal form.<br>Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach. |

## Context

| | |
|---|---|
| **Context of the ability of the audit to detect fraud or breaches of law or regulation** | Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of fraud, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations. |

**KPMG LLP's Independent Auditor's Report continued**
**To the members of HICL Infrastructure plc**

## 6. Our determination of materiality

The scope of our audit was influenced by our application of materiality. We set quantitative thresholds and overlay qualitative considerations to help us determine the scope of our audit and the nature, timing and extent of our procedures, and in evaluating the effect of misstatements, both individually and in the aggregate, on the financial statements as a whole.

**£33.6M**
**(FY22: £30.0M)**
**Materiality for the financial statements as a whole**

### What we mean

A quantitative reference for the purpose of planning and performing our audit.

### Basis for determining materiality and judgements applied

Materiality for the financial statements as a whole was set at £33.6m (FY22: £30.0m) which was determined by applying a percentage to the materiality benchmark (FY23 Total assets: £3,351.1m, FY22 Net assets – £3,159.1m).

When using a benchmark of total assets to determine overall materiality, KPMG's approach for listed entities considers a guideline range of 0.5%-1% of the measure. In setting overall materiality, we applied a percentage of 1% (FY22: 1% of net assets) to this benchmark.

There is a change to our materiality benchmark from Net assets to Total assets in the current year. We consider the Total assets to be the main benchmark for the Company as shareholders view the valuation of the quoted and unquoted investment portfolio as the primary financial indicator to understand the Company's performance. The change in benchmark does not significantly impact the materiality.

**£25.2M**
**(FY22: £22.5M)**
**Performance materiality**

### What we mean

Our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

### Basis for determining performance materiality and judgements applied

We have considered performance materiality at a level of 75% (FY22: 75%) of materiality Company financial statements as a whole to be appropriate.

We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

**£1.6M**
**(FY22: £1.5M)**
**Audit misstatement posting threshold**

### What we mean

This is the amount below which identified misstatements are considered to be clearly trivial from a quantitative point of view. We may become aware of misstatements below this threshold which could alter the nature, timing and scope of our audit procedures, for example if we identify smaller misstatements which are indicators of fraud.

This is also the amount above which all misstatements identified are communicated to HICL Infrastructure plc's Audit Committee.

### Basis for determining the audit misstatement posting threshold and judgements applied

We set our audit misstatement posting threshold at 5% (FY22: 5%) of our materiality for the financial statements. We also report to the Audit Committee any other identified misstatements that warrant reporting on qualitative grounds.

### The overall materiality for the financial statements of £33.6m (FY22: £30.0m) compares as follows to the main financial statement caption amounts:

| | Total income | | Profit before tax | | Net assets | |
|---|---|---|---|---|---|---|
| | FY23 | FY22 | FY23 | FY22 | FY23 | FY22 |
| Financial statement caption | **£202.3m** | **£371.8m** | **£198.4m** | **£368.7m** | **£3,350.0m** | **£3,159.1m** |
| Materiality as % of caption | **16.6%** | **8.1%** | **16.9%** | **8.1%** | **1%** | **1%** |

## 7. The scope of our audit

| | |
|---|---|
| **Scope** | **What we mean**<br>How the audit team determined the procedures to be performed.<br>Our audit of the Company was undertaken to the materiality level specified above and was performed by a single audit team.<br>The scope of the audit work performed was fully substantive as we did not rely upon the Company's internal control over financial reporting. |

## 8. Other information in the annual report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

### All other information

#### Our responsibility

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge.

#### Our reporting

Based solely on that work we have not identified material misstatements or inconsistencies in the other information.

### Strategic report and directors' report

#### Our responsibility and reporting

Based solely on our work on the other information described above we report to you as follows:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

### Directors' remuneration report

#### Our responsibility

We are required to form an opinion as to whether the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

#### Our reporting

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

## KPMG LLP's Independent Auditor's Report continued
## To the members of HICL Infrastructure plc

### Corporate governance disclosures

| Our responsibility | Our reporting |
|---|---|
| We are required to perform procedures to identify whether there is a material inconsistency between the financial statements and our audit knowledge, and:<br>– the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy;<br>– the section of the annual report describing the work of the Audit Committee, including the significant issues that the Audit Committee considered in relation to the financial statements, and how these issues were addressed; and<br>– the section of the annual report that describes the review of the effectiveness of the Company's risk management and internal control systems. | Based on those procedures, we have concluded that each of these disclosures is materially consistent with the financial statements and our audit knowledge. |
| We are also required to review the part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review. | We have nothing to report in this respect. |

### Other matters on which we are required to report by exception

| Our responsibility | Our reporting |
|---|---|
| Under the Companies Act 2006, we are required to report to you if, in our opinion:<br>– adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or<br>– the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or<br>– certain disclosures of directors' remuneration specified by law are not made; or<br>– we have not received all the information and explanations we require for our audit. | We have nothing to report in these respects. |

## 9. Respective responsibilities

### Directors' responsibilities

As explained more fully in their statement set out on page 93, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The Company is required to include these financial statements in an annual financial report prepared using the single electronic reporting format specified in the TD ESEF Regulation. This auditor's report provides no assurance over whether the annual financial report has been prepared in accordance with that format.

## 10. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

**Fang Fang Zhou (Senior Statutory Auditor)**
**for and on behalf of KPMG LLP, Statutory Auditor**

Chartered Accountants
15 Canada Square
Canary Wharf
London
E14 5GL
23 May 2023

# Income statement

## For the year ended 31 March 2023

| | Note | Year ended 31 March 2023 £m | Year ended 31 March 2022 £m |
|---|---|---|---|
| Dividends received | | **151.5** | 79.3 |
| Interest received | | **17.5** | 80.5 |
| Net gain on revaluation of investment in Investment Entity subsidiary | | **33.3** | 212.0 |
| **Total investment income** | 5 | **202.3** | **371.8** |
| Company expenses | 6 | **(3.9)** | (3.1) |
| **Profit before tax** | | **198.4** | **368.7** |
| Tax | | **–** | **–** |
| **Profit for the year** | 9 | **198.4** | **368.7** |
| **Earnings per share – basic and diluted (pence)** | 9 | **9.9** | **19.0** |

All results are derived from continuing operations. There is no other comprehensive income or expense and consequently a statement of other comprehensive income has not been prepared.

The accompanying Notes are an integral part of these financial statements.

# Statement of financial position

## As at 31 March 2023

| | Note | 31 March 2023 £m | 31 March 2022 £m |
|---|---|---|---|
| **Non-current assets** | | | |
| Investments in Investment Entity subsidiary | 12,14 | **3,349.7** | **3,158.5** |
| **Total non-current assets** | | **3,349.7** | **3,158.5** |
| **Current assets** | | | |
| Trade and other receivables | | **0.4** | 0.2 |
| Cash and cash equivalents | | **1.0** | 1.2 |
| **Total current assets** | | **1.4** | **1.4** |
| **Total assets** | | **3,351.1** | **3,159.9** |
| **Current liabilities** | | | |
| Trade and other payables | | **(1.1)** | (0.8) |
| **Total current liabilities** | | **(1.1)** | **(0.8)** |
| **Total liabilities** | | **(1.1)** | **(0.8)** |
| **Net assets** | | **3,350.0** | **3,159.1** |
| **Equity** | | | |
| Share capital | 16 | **0.2** | 0.2 |
| Share premium | 16 | **1,213.3** | 1,055.3 |
| Revenue reserve | 16 | **1,992.9** | 1,993.3 |
| Capital reserve | 16 | **143.6** | 110.3 |
| **Total equity** | 11 | **3,350.0** | **3,159.1** |
| **Net assets per Ordinary Share (pence)** | 11 | **164.9** | **163.1** |

The accompanying Notes are an integral part of these financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on 23 May 2023, and signed on its behalf by:

**M Bane**
**Director**

**R Akushie**
**Director**

Company registered number: 11738373

# Statement of changes in shareholders' equity

## For the year ended 31 March 2023

| | Note | Share capital £m | Share premium £m | Revenue reserve[1] £m | Capital reserve[1] £m | Total shareholders' equity £m |
|---|---|---|---|---|---|---|
| Shareholders' equity as at 31 March 2022 | | **0.2** | **1,055.3** | **1,993.3** | **110.3** | **3,159.1** |
| **Profit for the year** | | **–** | **–** | **165.1** | **33.3**[1] | **198.4** |
| Issue of share capital | | **–** | **160.0** | **–** | **–** | **160.0** |
| Cost of share issue | | **–** | **(2.0)** | **–** | **–** | **(2.0)** |
| Distributions paid to Company shareholders | 10 | **–** | **–** | **(165.5)** | **–** | **(165.5)** |
| **Shareholders' equity at 31 March 2023** | | **0.2** | **1,213.3** | **1,992.9** | **143.6** | **3,350.0** |

1 Revenue and Capital reserves are described in accounting policies Note 16 – Share Capital and reserves

## For the year ended 31 March 2022

| | Note | Share capital £m | Share premium £m | Revenue reserve[1] £m | Capital reserve[1] £m | Total shareholders' equity £m |
|---|---|---|---|---|---|---|
| Shareholders' equity as at 31 March 2021 | | 0.2 | 1,055.3 | 1,996.4 | (101.7) | 2,950.2 |
| **Profit for the year** | | – | – | 156.7 | 212.0[1] | 368.7 |
| Distributions paid to Company shareholders | 10 | – | – | (159.8) | – | (159.8) |
| **Shareholders' equity at 31 March 2022** | | 0.2 | 1,055.3 | 1,993.3 | 110.3 | 3,159.1 |

1 Revenue and Capital reserves are described in accounting policies Note 16 – Share Capital and reserves

The accompanying Notes are an integral part of these financial statements.

# Cash flow statement

## For the year ended 31 March 2023

| | Note | Year ended 31 March 2023 £m | Year ended 31 March 2022 £m |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit before tax | 9 | **198.4** | 368.7 |
| Adjustments for: | | | |
| Total investment income | 5 | **(202.3)** | (371.8) |
| Operating cash flows before movements in working capital | | **(3.9)** | (3.1) |
| Changes in working capital: | | | |
| Increase in receivables | | **(0.2)** | – |
| Increase in payables | | **0.3** | 0.1 |
| **Cash flow from operations** | | **(3.8)** | **(3.0)** |
| Investment income received | | **169.0** | 163.6 |
| **Net cash from operating activities** | | **165.2** | **160.6** |
| **Cash flow from investing activities** | | | |
| Investment in subsidiary | | **(157.9)** | – |
| **Net cash used in investing activities** | | **(157.9)** | – |
| **Cash flows from financing activities** | | | |
| Gross proceeds from issue of share capital | 16 | **160.0** | – |
| Cost of share issue | | **(2.0)** | – |
| Distributions paid to shareholders | 10 | **(165.5)** | (159.8) |
| **Net cash used in financing activities** | | **(7.5)** | **(159.8)** |
| **Net (decrease)/increase in cash and cash equivalents** | | **(0.2)** | **0.8** |
| Cash and cash equivalents at beginning of year | | **1.2** | 0.4 |
| **Cash and cash equivalents at end of year** | | **1.0** | **1.2** |

The accompanying Notes are an integral part of these financial statements.

# Notes to the financial statements

**For the year ended 31 March 2023**

## 1. Reporting entity

HICL Infrastructure PLC (the "Company" or "HICL") is a public limited company incorporated, domiciled and registered in England and Wales in the United Kingdom. The financial statements as at and for the year ended 31 March 2023 comprise the financial statements for the Company only as explained in Note 2.

The Company has two Corporate Subsidiaries being HICL Infrastructure 2 S.a.r.l. ("Luxco") and Infrastructure Investments Limited Partnership ("IILP") (each a "Corporate Subsidiary" and together the "Corporate Subsidiaries"). IILP is a direct subsidiary of Luxco.

The Company and its Corporate Subsidiaries (together the "Corporate Group") invest in infrastructure projects in the United Kingdom, Eurozone, North America and New Zealand.

## 2. Key accounting policies

### Basis of preparation

The financial statements have been prepared in accordance with UK-adopted International Accounting Standards ("IFRSs").

The financial statements are presented in pounds sterling, which is the Company's functional currency. The principal accounting policies applied in the preparation of the Company's financial statements are shown below. These policies have been consistently applied.

### Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in HICL's Business Model section on page 14. The financial position of the Company, its cash flows, and liquidity position are described in the Financial Review on page 40. In addition, Notes 2 to 17 of the financial statements include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The Directors have assessed going concern by considering areas of financial risk, the Company's access to the Revolving Credit Facility and Letter of Credit Facility (details of which are set out in the Financial Review starting on page 40) as well as the £150m Private Placement issue and by reviewing cash flow forecasts under severe but plausible stress scenarios for at least 12 months after the approval of the financial statements.

They also considered the Company's considerable financial resources, including indirect investments in a significant number of project assets. The going concern analysis included an assessment of the potential variability in returns and cash flows from project companies including the effects of the heightened macroeconomic volatility on demand assets as well as availability assets. The Directors also noted that the financing for project companies is non-recourse to the Company.

Based on this analysis, the Directors have concluded that the Company has adequate resources to meet its liabilities as they fall due for a period of at least 12 months from the date of approving these financial statements ("the going concern period"). Thus, they consider it appropriate to adopt the going concern basis of accounting in preparing the annual financial statements.

### New and revised standards

There are no new or amended accounting standards or interpretations adopted during the year that have a significant impact on the financial statements. The Company notes the following standards and interpretations which were in issue but not effective at the date of these financial statements. They are not expected to have a material impact on the Company's financial statements.

- IFRS 17: Insurance contracts (effective for accounting periods beginning on or after 1 January 2023)
- Amendments to IAS 1: Classification of Liabilities as Current or Noncurrent (effective date of 1 January 2024)
- Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies (effective for accounting periods beginning on or after 1 January 2023)
- Amendments to IAS 8: Definition of Accounting Estimate (effective for accounting periods beginning on or after 1 January 2023)

### Financial instruments

Financial assets and liabilities are recognised in the Statement of Financial Position when the Company becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are derecognised when the contractual rights to the cash flows from the instrument expire or the asset or liability is transferred and the transfer qualifies for derecognition in accordance with IFRS 9 'Financial Instruments: Recognition and measurement'.

#### Non-derivative financial instruments

Non-derivative financial instruments comprise the Company's investment in the equity and debt of its direct Corporate Subsidiary, trade and other receivables, cash and cash equivalents, loans and borrowings and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value including directly attributable transaction costs, except for financial instruments measured at fair value through profit or loss. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

### Investments in equity and debt securities

Investments in the equity and loan stock of entities engaged in infrastructure activities, which are not classified as subsidiaries of the Company or which are subsidiaries not consolidated in the Company's results, are designated at fair value through profit or loss since the Company manages these investments and makes purchase and sale decisions based on their fair value.

### Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses for financial assets. Interest income or expenses, foreign exchange gains and losses and impairment are recognised in the Income Statement. Any gain or loss on derecognition is recognised in the Income Statement.

### Fair values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in absence, the most advantageous market to which the Company has access at that date.

The fair value of the Company's investment in Luxco is based on the Net Asset Value of IILP and the sundry assets and liabilities of Luxco. IILP's Net Asset Value is based on the fair value of the underlying investments in its portfolio of infrastructure assets, since IILP manages these investments and makes purchase and sale decisions based on their fair value.

The fair value of IILP's underlying investments are determined using the income approach, which discounts the expected cash flows attributable to each asset at an appropriate rate to arrive at its fair value. In determining the appropriate discount rate, regard is given to relevant long-term government bond yields, the specific risks of each investment and the evidence of recent transactions. Further detail on methods and assumptions used in estimating the fair values of the financial instruments is included in Note 14.

### Investment income

Investment income comprises interest income, dividend income and gains/(losses) on investments, which comprise the change in fair value of the Company's direct subsidiary. Interest income is recognised in the Income Statement based on a calculation specified within the financing loan agreement with Luxco. Dividend income is recognised when the Company's right to receive payment is established.

### Share capital and share premium

Ordinary Shares are classified as equity. Costs associated with the establishment of the Company or directly attributable to the issue of new shares are recognised as a deduction from the share premium account.

### Equity and reserves

The Company is a UK approved Investment Trust Company. Financial statements prepared under IFRS are not strictly required to apply the provisions of the Statements of Recommended Practice issued by the UK Association of Investment Companies for the financial statements of Investment Trust Companies (the "SORP"). However, where relevant and appropriate, the Directors have looked to follow the recommendations of the SORP. The Directors have chosen to rename distributable and other reserves into a Revenue reserve and a Capital reserve respectively. The Directors have exercised their judgement in applying the SORP and a summary of these judgements are as follows:

- Net gains on investments are applied wholly to the Capital reserve as they relate to the revaluation or disposal of investments;
- Dividends are applied to the Revenue reserve except under specific circumstances where a dividend arises from a return of capital or proceeds from a refinancing, when they are applied to the Capital reserve;
- Fees payable are applied to the Capital reserve where the service provided is, in substance, an intrinsic part of an intention to acquire or dispose of an investment;
- Management fees are applied to the Revenue reserve as they reflect ongoing asset management. Where a transaction fee element is due on the acquisition of an investment it is applied to the Capital reserve;
- Operating costs are applied wholly to the Revenue reserve as there is no clear connection between the operating expenses of the Company and the purchase and sale of an investment;
- Finance costs are applied wholly to the Revenue reserve as the existing borrowing is not directly linked to an investment; and
- Foreign exchange movements are applied to the Revenue reserve where they relate to movements on non-portfolio assets.

### Capital management

The Company aims to operate within a gearing range of up to 20% of Gross Asset Value, in line with the Board's approved investment policy, to allow it to fund new investments. The Company is an Investment Trust and looks to raise equity to fund its acquisitions as soon as practicable once the level of acquisitions gets to an appropriate level. In addition to equity, the Company will use long-term debt to fund investments.

### Cash and cash equivalents

Cash and cash equivalents held by the Company comprise cash balances, deposits held at call with banks and other short-term, highly liquid investments with original maturities of three months or less. Cash equivalents, including demand deposits, are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

**Notes to the financial statements continued**
**For the year ended 31 March 2023**

## 2. Key accounting policies continued

### Income tax

Income tax represents the sum of the tax currently payable and deferred tax. Current tax is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

### Foreign exchange gains and losses

Transactions entered into by the Company in a currency other than its functional currency are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Exchange differences arising on the re-translation of unsettled monetary assets and liabilities are recognised immediately in the Income Statement.

### Expenses

All expenses are accounted for on an accruals basis. The Company's investment management fee, administration fees and all other expenses are charged through the Income Statement.

### Dividends payable

Dividends payable to the Company's shareholders are recognised when they become legally payable. In the case of interim dividends, this is when they are paid. In the case of final dividends, this is when they are approved by the shareholders at the Annual General Meeting.

### Segmental reporting

The Chief Operating Decision Maker (the "CODM") has been determined to be the Board, who are of the opinion that the Company is engaged in a single segment of business, being the investment in infrastructure. The Company has no single major customer.

The internal financial information used by the CODM on a quarterly basis to allocate resources, assess performance and manage the Company presents the business as a single segment comprising the portfolio of investments in infrastructure assets.

## 3. Critical accounting judgements, estimates and assumptions

The preparation of financial statements in accordance with UK adopted IFRS requires management to make judgements, estimates and assumptions in certain circumstances that affect reported amounts. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the disclosure or to the carrying amounts of assets and liabilities are outlined below.

### Key judgements

#### Investment Entities

The Company has applied IFRS 10 'Consolidated Financial Statements', IFRS 11 'Joint Arrangements' and IFRS 12 'Disclosure of Interests in Other Entities' in these financial statements, which require investment entities to measure certain subsidiaries, including those that are themselves investment entities, at fair value through the Income Statement, rather than consolidating their results.

To determine that the Company continues to meet the definition of an investment entity the Company is required to satisfy the following three criteria:

- It obtains funds from one or more investors for the purpose of providing these investors with professional investment management services;
- It commits to its investors that its business purpose is to invest its funds solely for returns from capital appreciation, investment income or both; and
- It measures and evaluates the performance of substantially all of its investments on a fair value basis.

The Corporate Subsidiaries carry out investment activities and incur overheads and borrowings on behalf of the Company. They are considered investment entities themselves and are therefore measured at fair value in these financial statements.

Consistent with previous years, the Company meets the criteria due to the following reasons:

- It delivers stable returns to shareholders through a mix of income yield and capital appreciation;
- It provides investment management services and has several investors who pool their funds to gain access to infrastructure-related investment opportunities that they might not have had access to individually; and
- It has elected to measure and evaluate the performance of all its investments on a fair value basis. The fair value method is used to represent the Company's performance in its communication to the market, including investor presentations. In addition, the Company reports fair value information internally to Directors, who use fair value as the primary measurement attribute to evaluate performance.

The Directors are of the opinion that the Company has all the typical characteristics of an investment entity and continues to meet the definition in the standard. This conclusion is reassessed on an annual basis.

The Company holds significant stakes in the majority of its portfolio companies and must exercise judgement in the level of control of the underlying portfolio company that is obtained in order to assess whether the company should be classified as a subsidiary.

### Key estimation uncertainties

The key area where estimates are significant to the financial statements and have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year is the valuation of the Company's Investment Entity subsidiaries. Luxco holds the investment in IILP, which in turn holds investments in infrastructure assets which are held at fair value. The portfolio is well-diversified by sector, geography and underlying risk exposures. The key risks to the portfolio are discussed in further detail in the Risk report on page 53, with the valuation assumptions discussed on page 46.

## 4. Geographical analysis

The tables below provide an analysis based on the geographical location of the Company's underlying investments.

| Total investment income | UK | Eurozone | Rest of the World | Total |
|---|---|---|---|---|
| **31 March 2023** | **£115.8m** | **£69.5m** | **£17.0m** | **£202.3m** |
| **% of Total investment income** | **57%** | **35%** | **8%** | **100%** |
| 31 March 2022 | £283.0m | £32.7m | £56.1m | £371.8m |
| % of Total investment income | 76% | 9% | 15% | 100% |

| Investment in Investment Entity subsidiaries | UK | Eurozone | Rest of the World | Total |
|---|---|---|---|---|
| **31 March 2023** | **£2,318.0m** | **£535.6m** | **£496.1m** | **£3,349.7m** |
| **% of Total Investments** | **69%** | **16%** | **15%** | **100%** |
| March 2022 | £2,305.7m | £568.5m | £284.3m | £3,158.5m |
| % of Total Investments | 73% | 18% | 9% | 100% |

## 5. Total income

| | Year ended 31 March 2023 £m | Year ended 31 March 2022 £m |
|---|---|---|
| Dividends received | **151.5** | 79.3 |
| Interest received | **17.5** | 80.5 |
| Net gain on revaluation of investment in Investment Entity subsidiary | **33.3** | 212.0 |
| **Total** | **202.3** | **371.8** |

## 6. Company expenses

| | Year ended 31 March 2023 £m | Year ended 31 March 2022 £m |
|---|---|---|
| Fees to auditor | **0.4** | 0.4 |
| Investment Manager fees (Note 18) | **0.1** | 0.1 |
| Directors' fees (Note 18) | **0.5** | 0.6 |
| Professional fees | **2.9** | 2.0 |
| **Total** | **3.9** | **3.1** |

Fees to auditor comprise the Company's £0.3m audit fees as well as £0.1m fees to KPMG LLP, in respect of their interim review of the Company's accounts (2022: £0.3m audit fees and £0.1m interim review fees). Additional fees relating to the audit of the Company's subsidiaries were £0.2m (2022: £0.2m). The non-audit services for the Company, its subsidiaries and affiliates was £0.4m (2022: £0.3m).

## 7. Employees

The Company had no employees during the year (2022: none).

## Notes to the financial statements continued
## For the year ended 31 March 2023

# 8. Income tax

| | Year ended 31 March 2023 £m | Year ended 31 March 2022 £m |
|---|---|---|
| **Current taxes** | | |
| Current year | – | – |
| | – | – |

The effective rate of corporation tax in the UK for a large company is 19% (2022: 19%). The tax charge in the year was lower than the standard and effective tax rate due to differences explained below.

| | Year ended 31 March 2023 £m | Year ended 31 March 2022 £m |
|---|---|---|
| **Profit before tax** | | |
| Profit before tax multiplied by the UK corporation tax rate of 19% | **37.7** | 70.1 |
| Effect of: | | |
| Non-deductible capital losses/(gains) | **(6.3)** | (40.3) |
| Non-taxable dividend income | **(28.8)** | (15.1) |
| Dividends designated as interest distributions | **(3.3)** | (17.5) |
| Other | **0.7** | 2.8 |
| **Total** | **–** | **–** |

The Directors are of the opinion that the Company has complied with the requirements for maintaining investment trust status for the purposes of section 1158 of the Corporation Tax Act 2010. This allows certain capital profits of the Company to be exempt from UK tax. Additionally, the Company may designate dividends wholly or partly as interest distributions for UK tax purposes. Interest distributions are treated as tax deductions against taxable income of the Company so that investors do not suffer double taxation on their returns.

## Tax payable by investments

The financial statements do not directly include the tax charges for any of the Company's intermediate holding companies or investments as these are held at fair value. All of these investments and intermediate holding companies are subject to taxes in the countries in which they operate.

# 9. Earnings per share

Basic and diluted earnings per share is calculated by dividing the profit attributable to equity shareholders of the Company by the weighted average number of Ordinary Shares in issue during the year.

| | Year ended 31 March 2023 | Year ended 31 March 2022 |
|---|---|---|
| Profit attributable to equity holders of the Company | **£198.4m** | £368.7m |
| Weighted average number of Ordinary Shares in issue[1] | **2,004.3m** | 1,936.8m |
| **Total basic and diluted earnings per Ordinary Share** | **9.9 p** | **19.0 p** |

1 94,674,560 new shares were issued on 14 July 2022. At 31 March 2023 the Company had 2,031,488,061 shares in issue (31 March 2022: 1,936,813,501)

## 10. Distributions to Company shareholders

| | Year ended 31 March 2023 £m | Year ended 31 March 2022 £m |
|---|---|---|
| Amounts paid and recognised as distributions to equity holders during the year: | | |
| Fourth quarterly interim dividend for the year ended 31 March 2022 of 2.07p | **40.1** | 40.1 |
| First quarterly interim dividend for the year ended 31 March 2023 of 2.06p per share | **41.8** | 39.9 |
| Second quarterly interim dividend for the year ended 31 March 2023 of 2.06p per share | **41.8** | 39.9 |
| Third quarterly interim dividend for the year ended 31 March 2023 of 2.06p per share | **41.8** | 39.9 |
| | **165.5** | **159.8** |
| **Amounts not recognised as distributions to equity holders during the year:** | | |
| Fourth quarterly interim dividend proposed for the year ended 31 March 2023 of 2.07p | **42.1** | 40.1 |

The Company has elected to distribute a percentage of the dividends paid to shareholders as an interest distribution for tax purposes. Quarterly interest streaming fluctuates due to several factors, including the forecast annual effective interest received from underlying projects (which moves with acquisitions and disposals) and FX hedging gains/losses.

## 11. Net assets per Ordinary Share

| | 31 March 2023 | 31 March 2022 |
|---|---|---|
| Shareholders' equity as at 31 March | **£3,350.0m** | £3,159.1m |
| Less: fourth interim dividend | **£(42.1)m** | £(40.1)m |
| | **£3,307.9m** | £3,119.0m |
| Number of Ordinary Shares as at 31 March | **2,031.5m** | 1,936.8m |
| Net assets per Ordinary Share after deducting fourth interim dividend | **162.8p** | 161.1p |
| Add fourth interim dividend | **2.07p** | 2.07p |
| **Net assets per Ordinary Share at 31 March** | **164.9p** | **163.1p** |

**Notes to the financial statements continued**
**For the year ended 31 March 2023**

## 12. Investment in Investment Entity subsidiary

| | 31 March 2023 £m | 31 March 2022 £m |
|---|---|---|
| Opening balance | **3,158.5** | 2,950.3 |
| Additions to investment in the year | **157.9** | – |
| Gain on revaluation of investment (Note 5) | **33.3** | 212.0 |
| Other | **–** | (3.8) |
| **Carrying amount at year end** | **3,349.7** | **3,158.5** |

| **The carrying amount at year end of the investment in Investment Entity subsidiary is broken down as follows:** | 31 March 2023 £m | 31 March 2022 £m |
|---|---|---|
| Equity investment in Luxembourg Corporate Subsidiary | **2,152.1** | 1,912.4 |
| Loan investment in Luxembourg Corporate Subsidiary | **1,197.6** | 1,246.1 |
| | **3,349.7** | **3,158.5** |

The Company records the fair value of its direct Corporate Subsidiary, Luxco, based on the Net Asset Value of IILP and the sundry assets and liabilities of Luxco. IILP's Net Asset Value is based on the aggregate fair value of each of its investments along with the working capital of its intermediate holding companies.

Refer to page 46 for the valuation techniques and key model inputs used for determining investment fair values.

The Investment Manager has carried out fair market valuations of IILP's portfolio companies as at 31 March 2023. The Directors have satisfied themselves as to the methodology used, the discount rates applied, and the valuation. The Directors have also engaged an independent third party with experience in valuing these types of investments to assess and opine on the appropriateness of the assumptions and valuations determined by the Investment Manager. This work included using independent market information, reviewing a selection of underlying data and determining an appropriate range. Based on this, the Directors received an independent opinion supporting the reasonableness of the valuation. All investments are valued using a discounted cash flow methodology except for the A13 investment in listed senior bonds which is valued based on quoted market price at the balance sheet date. The valuation techniques and methodologies have been applied consistently with the prior year. Discount rates (including the effective rate on A13) range from 3.7% to 8.5% (weighted average of 7.2%) (31 March 2022: weighted average of 6.6%).

In general, the terms of senior funding arrangements may restrict the ability of portfolio companies to distributions.
Significant restrictions include:

- Historic and projected debt service and loan life cover ratios exceed a given threshold;
- Required cash reserve account levels are met;
- Senior lenders have agreed the current financial model that forecasts the economic performance of the project company and have approved the annual budget for the company; and
- Portfolio company compliance with the terms of senior funding arrangements.

## 13. Investments – acquisitions and disposals via the Corporate Subsidiaries

### Acquisitions

The Company, via its Corporate Subsidiaries, made the following acquisitions during the year ended 31 March 2023:

- An incremental investment of £14.0m into a UK healthcare project;
- An investment of £1.4m into B247 in Germany;
- An investment of £2.9m in Road Management Group;
- An investment of £12.3m into Paris-Saclay University in France;
- The acquisition of a 6.5% stake in Cross London Trains for £105.6m; and
- The acquisition of a 40% stake in Fortysouth for £216.2m.

## Disposals

The Company, via its Corporate Subsidiaries, made the following disposal during the year ended 31 March 2023:

- The disposal of the Queen Alexandra Hospital which generated proceeds of £108.1m.

Note 20 details the acquisitions and disposals made by the Company, via its Corporate Subsidiaries, since the year end. The amounts above reflect the acquisitions and disposals recognised under the IFRS basis. Amounts shown in the Valuation of the Portfolio section on pages 46 to 52 are under the Directors' Valuation basis, which includes commitments.

# 14. Financial instruments

## Fair value estimation

The following summarises the significant methods and assumptions used in estimating the fair values of financial instruments:

### Financial instruments

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date.

Where applicable, further information about the assumptions used in determining fair value is disclosed in the Notes specific to that asset or liability.

## Classification of financial instruments

| | 31 March 2023 £m | 31 March 2022 £m |
|---|---|---|
| **Financial assets** | | |
| Investment in Investment Entity subsidiary | **3,349.7** | 3,158.5 |
| **Financial assets at fair value through profit or loss** | **3,349.7** | **3,158.5** |
| Trade and other receivables | **0.4** | 0.2 |
| Cash and cash equivalents | **1.0** | 1.2 |
| **Financial assets – amortised cost** | **1.4** | **1.4** |
| **Financial liabilities – other financial liabilities** | | |
| Trade and other payables | **(1.1)** | (0.8) |
| **Financial liabilities** | **(1.1)** | **(0.8)** |

The Directors are of the opinion that the carrying values of all financial instruments are approximately equal to their fair values.

## Fair value hierarchy

The fair value hierarchy is defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

| | | | | 31 March 2023 |
|---|---|---|---|---|
| | Level 1 £m | Level 2 £m | Level 3 £m | Total £m |
| **Investment in Investment Entity subsidiary (Note 12)** | **–** | **–** | **3,349.7** | **3,349.7** |

| | | | | 31 March 2022 |
|---|---|---|---|---|
| | Level 1 £m | Level 2 £m | Level 3 £m | Total £m |
| **Investment in Investment Entity subsidiary (Note 12)** | – | – | 3,158.5 | 3,158.5 |

There were no transfers between Level 1, 2 or 3 during the year. A reconciliation of the movement in Level 3 assets is disclosed in Note 12.

**Notes to the financial statements continued**
**For the year ended 31 March 2023**

## 14. Financial instruments continued

### Level 3

| Methodology | Description | Inputs | Fair value at 31 March (£m) | Sensitivity on key unobservable input | Fair value impact of sensitivities (£m) +5%/-5% |
|---|---|---|---|---|---|
| NAV | The fair value of the investment in HICL's Investment Entity subsidiary, Luxco, which is equal to its carrying value | Inputs that are not based on observable market data. The fair value of HICL's investment in Luxco is based on Luxco's holding in IILP measured at fair value | £3,349.7 (31 March 2022: £3,158.5) | A 5% sensitivity on closing NAV chosen due to historical volatility | £167.5 |

The value of the Company's investment in its Investment Entity subsidiary is sensitive to changes in the macroeconomic assumptions used as part of the portfolio valuation process. As part of its analysis, the Directors have considered the potential impact of a change in a number of the macroeconomic assumptions used in the valuation process. By considering these potential scenarios, the Directors are well positioned to assess how the Company is likely to perform if affected by variables and events that are inherently outside of the control of the Directors and the Investment Manager.

### Sensitivities

In order to give investors a meaningful sensitivity analysis, the Directors have considered how changes in macroeconomic assumptions in the underlying assets for which the Company holds an indirect interest would affect the investment that the Company has in its direct Investment Entity subsidiary, rather than the sensitivity in the Investment Entity subsidiary. Consequently, the following numbers are presented on the Investment Basis, with the sensitivity having the same impact on both net assets and total investment income. See also the Valuation of the Portfolio section on page 46.

| Sensitivities | -1% p.a. change[1] | Investment at fair value through profit or loss | +1% p.a. change[1] |
|---|---|---|---|
| **Discount rates** | | | |
| **31 March 2023** | **£412.1m** | **£3,498.6m** | **£(338.2)m** |
| 31 March 2022 | +£366.5m | £3,216.6m | £(299.3)m |
| **Inflation rates** | | | |
| **31 March 2023** | **£(352.3)m** | **£3,498.6m** | **£415.1m** |
| 31 March 2022 | £(294.8)m | £3,216.6m | +£327.8m |
| **Cash deposit rates** | | | |
| **31 March 2023** | **£(58.8)m** | **£3,498.6m** | **£58.2m** |
| 31 March 2022 | £(30.5)m | £3,216.6m | +£40.4m |
| **Debt interest rates** | | | |
| **31 March 2023** | **£28.7m** | **£3,498.6m** | **£(20.4)m** |
| 31 March 2022 | N/A | £3,216.6m | N/A |

1 31 March 2022 sensitivity figures were originally presented using a sensitivity of 0.5%. These figures have been restated using a sensitivity of 1.0% in order to be comparable to current year figures

The Directors have considered the increase in volatility in markets and have increased the sensitivity measure from 0.5% to 1.0%. The sensitivity assumes that the changes are for all future periods. The increase is consistent with that shown by the Company's listed infrastructure peers and this allows for comparisons to be made. A higher sensitivity is not considered necessary as the mix of the portfolio means that the sensitivity is linear and it is possible to estimate the impact if percentage changes are in multiples of this sensitivity.

The Directors recognise that current levels of macroeconomic volatility are likely to give rise to materially greater possible ranges of values than has been the case for a number of years.

## 15. Loans and borrowings

The Group's multi-currency facility is held by its Corporate Subsidiary, IILP. During the year the facility was renegotiated to a £650m facility with an extended three-year tenor, which runs to 30 June 2026.

## 16. Share capital and reserves

| Ordinary Shares | 31 March 2023 m | 31 March 2022 m |
|---|---|---|
| Authorised and issued at the beginning of the year | **1,936.8** | 1,936.8 |
| Issued for cash | **94.7** | – |
| **Authorised and issued at end of year – fully paid** | **2,031.5** | **1,936.8** |

The holders of the 2,031,488,061 Ordinary Shares (31 March 2022: 1,936,813,501) are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

### For the year ended 31 March 2023

In July 2022, 94.7 million new Ordinary Shares of 0.01p each were issued to various institutional and retail investors at an issue price per share (before expenses) of 169.0p.

### For the year ended 31 March 2022

No new share issuances occurred during the year ended 31 March 2022.

| Share capital | 31 March 2023 £m | 31 March 2022 £m |
|---|---|---|
| Opening balance | **0.2** | 0.2 |
| Issue of Ordinary Shares | **–** | – |
| Costs of issue of Ordinary Shares | **–** | – |
| **Balance at end of year** | **0.2** | **0.2** |

| Share premium | 31 March 2023 £m | 31 March 2022 £m |
|---|---|---|
| Opening balance | **1,055.3** | 1,055.3 |
| Issue of Ordinary Shares | **160.0** | – |
| Costs of issue of Ordinary Shares | **(2.0)** | – |
| **Balance at end of year** | **1,213.3** | **1,055.3** |

### Revenue and Capital reserves

Revenue and Capital reserves are detailed in the Statement of Changes in Equity. The Capital reserve represents the accumulated unrealised fair value gains/losses on the Company's investment in its Investment Entity subsidiary since acquisition on 1 April 2019.

## 17. Financial risk management

A review of the Corporate Group's objectives, policies and processes for managing and monitoring risk is set out in the Risk management section on page 70. This Note provides further detail on financial risk management, cross-referring to the Risk management section where applicable, and includes quantitative data on specific financial risks. The Corporate Group is exposed to market risk (which includes currency risk, interest rate risk and inflation risk), credit risk and liquidity risk arising from the financial instruments it holds through IILP as disclosed below. The Corporate Group, via IILP, owns a portfolio of investments predominantly in the subordinated loanstock and equity of project companies. These companies are structured at the outset to minimise financial risks where possible. Ongoing risk management occurs through the individual boards of the project companies and monitored through regular financial and operational performance reports.

### Market risk

Returns from HICL's investments are affected by market events giving rise to changes in the value of underlying portfolio assets. The value of these investments will be a function of the discounted value of their expected future cash flows and as such will vary with, inter alia, movements in interest rates, market prices and the competition for such assets.

**Notes to the financial statements continued**
**For the year ended 31 March 2023**

## 17. Financial risk management continued

As at 31 March 2023, the portfolio had five investments which are considered sensitive to GDP, comprising 18% of the portfolio value (21% at 31 March 2022): namely, the A63, M1-A1 Road, RMG Roads, NWP and HS1. At times of higher economic activity there will be greater traffic volumes using these roads and railways, generating increased revenues for the projects than compared to periods of lower economic activity and they are categorised as GDP sensitive investments.

### Interest rate risk

The Corporate Group has indirect exposure to interest rates through changes to the financial performance and the valuation of portfolio companies caused by interest rate fluctuations in loans and borrowings. The Company itself does not have any borrowings but does have an interest-bearing loan with Luxco and therefore is exposed to interest rate risk. The sensitivity of the portfolio companies to interest rates is shown in Note 14.

### Inflation risk

The infrastructure project companies in which the Corporate Group invests are generally structured so that contractual income and costs are either wholly or partially linked to specific inflation where possible to minimise the risks of mismatch between income and costs due to movements in inflation. The Corporate Group's overall cash flows vary with inflation, although they are not fully correlated as not all flows are indexed. The effects of inflation changes do not always immediately flow through to the Corporate Group's cash flows, particularly where a project's loanstock debt carries a fixed coupon and the inflation changes flow through by way of changes to dividends in future periods. As RPI is to be aligned with CPIH from 2030, RPI linked project companies have been aligned to CPIH from this date. The sensitivity of the Corporate Group to inflation is shown on page 50.

### Currency risk

The Corporate Group monitors its foreign exchange exposures using its near-term and long-term cash flow forecasts. Its policy is to use foreign exchange hedging to provide protection against the effect of exchange rate fluctuations on the level of sterling distributions that the Corporate Group expects to receive over the medium term, where considered appropriate. This may involve the use of forward exchange and other currency hedging contracts at IILP level, as well as the use of Euro, Canadian dollar, US dollar, NZ dollar and other currency denominated borrowings. At 31 March 2023, the Corporate Group, via IILP, hedged its currency exposure through Euro, Canadian dollar, New Zealand dollar and US dollar forward contracts. This has reduced the volatility in the NAV from foreign exchange movements.

The hedging policy is designed to provide confidence in the near-term yield and to limit NAV per share sensitivity to no more than 2% for a 10% foreign exchange movement. The sensitivity of the Corporate Group to currency risk is shown on page 50.

### Credit risk

Credit risk is the risk that a counterparty of the Corporate Group will be unable or unwilling to meet a commitment that it has entered into with the Corporate Group.

The Corporate Group is subject to credit risk on its loans, receivables, cash and deposits. The Corporate Group's cash and deposits are held with reputable banks. The credit quality of loans and receivables within the Investment Portfolio is based on the financial performance of the individual portfolio companies. For those assets that are not past due, it is believed that the risk of default is small and capital repayments and interest payments will be made in accordance with the agreed terms and conditions of the investment.

The Corporate Group's maximum exposure to credit risk over financial assets is the carrying value of those assets in the balance sheet. The Corporate Group does not hold any collateral as security.

### Liquidity risk

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

| 31 March 2023 | Less than 1 year £m | Between 1 and 2 years £m | Between 2 and 5 years £m | More than 5 years £m |
|---|---|---|---|---|
| Trade and other payables | **1.1** | – | – | – |
| **Total** | **1.1** | – | – | – |

| 31 March 2022 | Less than 1 year £m | Between 1 and 2 years £m | Between 2 and 5 years £m | More than 5 years £m |
|---|---|---|---|---|
| Trade and other payables | 0.8 | – | – | – |
| **Total** | 0.8 | – | – | – |

## 18. Related party transactions

InfraRed was appointed under an Investment Management Agreement, dated 4 March 2019, as Investment Manager to, and the AIFM of HICL. The Investment Management Agreement may be terminated by either party to the agreement, being HICL or InfraRed, giving three years' written notice or if InfraRed's appointment as Operator (see below) is terminated. Under the Investment Management Agreement, InfraRed is entitled to a fee of £0.1m per annum, payable half-yearly in arrears by the Company and which is subject to review, from time to time.

The Investment Manager fees charged to the Company were £0.1m (2022: £0.1m) (disclosed as Investment Manager fees in Note 6).

InfraRed is also the Operator of IILP, the Corporate Subsidiary through which HICL holds its investments. InfraRed has been appointed as the Operator by the General Partner of IILP, Infrastructure Investments General Partner Limited, a company within the same Group as InfraRed. The Operator and the General Partner may each terminate the appointment of the Operator by either party giving three years' written notice. Either the Operator or the General Partner may terminate the appointment of the Operator by written notice if the Investment Management Agreement is terminated in accordance with its terms. The General Partner's appointment does not have a fixed term, however if InfraRed ceases to be the Operator, HICL has the option to buy the entire share capital of the General Partner and the InfraRed Group has the option to sell the entire share capital of the General Partner to HICL, in both cases for nominal consideration. The Directors consider the value of the option to be insignificant.

In the year to 31 March 2023, in aggregate InfraRed and the General Partner were entitled to fees and/or profit share equal to: 1.1 per cent per annum of the Adjusted Gross Asset Value of all investments of HICL up to £750m, 1.0 per cent per annum for the incremental value in excess of £750m up to £1,500m, 0.9 per cent for the incremental value in excess of £1,500m, 0.8 per cent for the incremental value in excess of £2,250m and 0.65 per cent for the incremental value in excess of £3,000m.

The total Operator fees were £32.5m (2022: £29.1m) of which £8.3m remained payable at 31 March 2023 (2022: £7.4m).

InfraRed is 80% owned by Sun Life Financial Inc. (together with its subsidiaries and joint ventures, "Sun Life"). InfraRed is a distinct business under SLC Management, the alternatives asset manager of Sun Life under a put and call framework agreed with the InfraRed owners, exercisable after four and five years respectively from 1 July 2020.

The Directors of the Company, who are considered to be key management, received fees for their services. Their fees were £0.5m (2022: £0.6m) for the year ended 31 March 2023 (see Note 6). One Director also receives fees for serving as Director of the Luxembourg subsidiary – the annual fees are £7.5k (2022: £7k). (see the Directors' Remuneration Report on page 94).

## 19. Guarantees and other commitments

As at 31 March 2023, the Company, via a Corporate Subsidiary, had £274.2m of commitments for future project investments (31 March 2022: £94.4m).

## 20. Events after balance sheet date

On 21 April 2023, HICL, via a corporate subsidiary, acquired a 40% stake in the Texas Nevada Transmission Project. The interest was acquired from John Hancock. HICL's total investment into the Project will amount to USD 255.9m.

On 4 May 2023, via a corporate subsidiary, HICL acquired a 5.9% equity interest in Altitude Infra THD. The interest was acquired from Altitude Group. HICL's total investment into the Project will amount to c. EUR 97m.

On 25 April 2023, the Board announced that, via a corporate subsidiary, HICL had signed an agreement to dispose of 10% of its 33% interest in the Northwest Parkway for USD 86m. The transaction is expected to complete by 30 June 2023.

On 22 May 2023, the Company's corporate subsidiary, IILP, issued £150m of Private Placement loan notes. The notes were issued in two tranches; £100m expiring in 2033 and £50m expiring in 2035. The weighted average yield is 5.80% (5.75% after hedging).

## Notes to the financial statements continued
## For the year ended 31 March 2023

## 21. Related undertakings

Below is a list of the Company's subsidiaries and related undertakings – incorporated in the United Kingdom unless otherwise stated. Further, the following subsidiaries have not been consolidated in these financial statements, as a result of applying IFRS 10 and Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27).

| | | Shareholding | | | | |
|---|---|---|---|---|---|---|
| **Entity** | **Registered address** | **31-Mar-23** | **31-Mar-22** | **Year end** | **Profit/ (Loss) £m** | **Aggregate Capital & Reserves £m** |
| 2003 Schools Services (Holdings) Limited | Cannon Place, 78 Cannon Street, London, EC4N 6AF | – | 100% | N/A[2] | N/A[2] | N/A[2] |
| 2003 Schools Services Limited | Cannon Place, 78 Cannon Street, London, EC4N 6AF | – | 100% | N/A[2] | N/A[2] | N/A[2] |
| Academy Services Norwich Holdings Limited | 10 St. Giles Square, London, United Kingdom, WC2H 8AP | 75% | 75% | N/A[2] | N/A[2] | N/A[2] |
| Academy Services Norwich Limited | 10 St. Giles Square, London, United Kingdom, WC2H 8AP | 75% | 75% | N/A[2] | N/A[2] | N/A[2] |
| Academy Services Oldham Holdings Limited | 10 St. Giles Square, London, United Kingdom, WC2H 8AP | 75% | 75% | N/A[2] | N/A[2] | N/A[2] |
| Academy Services Oldham Limited | 10 St. Giles Square, London, United Kingdom, WC2H 8AP | 75% | 75% | N/A[2] | N/A[2] | N/A[2] |
| Academy Services Sheffield Holdings Limited | 10 St. Giles Square, London, United Kingdom, WC2H 8AP | 75% | 75% | N/A[2] | N/A[2] | N/A[2] |
| Academy Services Sheffield Limited | 10 St. Giles Square, London, United Kingdom, WC2H 8AP | 75% | 75% | N/A[2] | N/A[2] | N/A[2] |
| ADAGIA B.V. BV | Strawinskylaan 1021, 1077 XX, Amsterdam, Netherlands | 100% | 100% | N/A[2] | N/A[2] | N/A[2] |
| Addiewell Prison (Holdings) Limited | C/O Sodexo Remote Sites Limited, 4th Floor, The Exchange No.1, 62 Market Street, Aberdeen, Scotland, AB11 5PJ | 67% | 67% | N/A[2] | N/A[2] | N/A[2] |
| Addiewell Prison Limited | C/O Sodexo Remote Sites Limited, 4th Floor, The Exchange No.1, 62 Market Street, Aberdeen, Scotland, AB11 5PJ | 67% | 67% | N/A[2] | N/A[2] | N/A[2] |
| Affinity Water Acquisitions (HoldCo) Limited | The Hub, Tamblin Way, Hatfield, Hertfordshire, United Kingdom, AL10 9EZ | – | 33% | N/A[2] | N/A[2] | N/A[2] |
| Affinity Water Acquisitions (Investments) Limited | The Hub, Tamblin Way, Hatfield, Hertfordshire,United Kingdom, AL10 9EZ | – | 33% | N/A[2] | N/A[2] | N/A[2] |
| Affinity Water Acquisitions (MidCo) Limited | The Hub, Tamblin Way, Hatfield, Hertfordshire, United Kingdom, AL10 9EZ | – | 33% | N/A[2] | N/A[2] | N/A[2] |
| Affinity Water Acquisitions Limited | The Hub, Tamblin Way, Hatfield, Hertfordshire, United Kingdom, AL10 9EZ | – | 33% | N/A[2] | N/A[2] | N/A[2] |
| Affinity Water Capital Funds Limited | The Hub, Tamblin Way, Hatfield, Hertfordshire, United Kingdom, AL10 9EZ | 33% | 33% | 31 Mar 22 | (4.3) | 177.7 |
| Affinity Water East Limited | The Hub, Tamblin Way, Hatfield, Hertfordshire, United Kingdom, AL10 9EZ | 33% | 33% | 31 Mar 22 | 2.4 | 65.2 |
| Affinity Water Finance (2004) PLC | The Hub, Tamblin Way, Hatfield, Hertfordshire, United Kingdom, AL10 9EZ | 33% | 33% | N/A[2] | N/A[2] | N/A[2] |

| Entity | Registered address | Shareholding 31-Mar-23 | Shareholding 31-Mar-22 | Year end | Profit/ (Loss) £m | Aggregate Capital & Reserves £m |
|---|---|---|---|---|---|---|
| Affinity Water Finance PLC | The Hub, Tamblin Way, Hatfield, Hertfordshire, United Kingdom, AL10 9EZ | 33% | – | N/A[2] | N/A[2] | N/A[2] |
| Affinity Water Holdco Finance Limited | The Hub, Tamblin Way, Hatfield, Hertfordshire, United Kingdom, AL10 9EZ | 33% | – | 31 Mar 22 | (0.9) | 287.1 |
| Affinity Water Holdings Limited | The Hub, Tamblin Way, Hatfield, Hertfordshire, United Kingdom, AL10 9EZ | 33% | 33% | 31 Mar 22 | 0.0 | 291.7 |
| Affinity Water Limited | The Hub, Tamblin Way, Hatfield, Hertfordshire, United Kingdom, AL10 9EZ | 33% | 33% | 31 Mar 22 | (96.9) | 44.3 |
| Affinity Water Pension Trustees Limited | The Hub, Tamblin Way, Hatfield, Hertfordshire, United Kingdom, AL10 9EZ | 33% | 33% | N/A[2] | N/A[2] | N/A[2] |
| Affinity Water Programme Finance Limited | The Hub, Tamblin Way, Hatfield, Hertfordshire, United Kingdom, AL10 9EZ | – | 33% | N/A[2] | N/A[2] | N/A[2] |
| Affinity Water Shared Services Limited | The Hub, Tamblin Way, Hatfield, Hertfordshire, United Kingdom, AL10 9EZ | – | 33% | N/A[2] | N/A[2] | N/A[2] |
| Affinity Water Southeast Limited | The Hub, Tamblin Way, Hatfield, Hertfordshire, United Kingdom, AL10 9EZ | 33% | 33% | 31 Mar 22 | 2.1 | 66.7 |
| AGP (2) Limited | 8 White Oak Square, London Road, Swanley, United Kingdom, BR8 7AG | 100% | 100% | N/A[2] | N/A[2] | N/A[2] |
| AGP Holdings (1) Limited | 8 White Oak Square, London Road, Swanley, United Kingdom, BR8 7AG | 100% | 100% | N/A[2] | N/A[2] | N/A[2] |
| Albion Healthcare (Doncaster) Holdings Limited | Third Floor Broad Quay House, Prince Street, Bristol, United Kingdom, BS1 4DJ | 50% | 50% | N/A[2] | N/A[2] | N/A[2] |
| Albion Healthcare (Doncaster) Limited | Third Floor Broad Quay House, Prince Street, Bristol, United Kingdom, BS1 4DJ | 50% | 50% | N/A[2] | N/A[2] | N/A[2] |
| Albion Healthcare (Oxford) Holdings Limited | Third Floor Broad Quay House, Prince Street, Bristol, United Kingdom, BS1 4DJ | 25% | 25% | N/A[2] | N/A[2] | N/A[2] |
| Albion Healthcare (Oxford) Limited | Third Floor Broad Quay House, Prince Street, Bristol, United Kingdom, BS1 4DJ | 25% | 25% | N/A[2] | N/A[2] | N/A[2] |
| Amalie Infrastructure Limited | Level 7 One Bartholomew Close, Barts Square, London, United Kingdom, EC1A 7BL | 100% | 100% | N/A[2] | N/A[2] | N/A[2] |
| Amalie PFI (UK) Limited | Level 7 One Bartholomew Close, Barts Square, London, United Kingdom, EC1A 7BL | 100% | 100% | 31 Mar 22 | 2.3 | 34.8 |
| Annes Gate Property Plc | 8 White Oak Square, London Road, Swanley, United Kingdom, BR8 7AG | 100% | 100% | N/A[2] | N/A[2] | N/A[2] |
| Aotearoa Towers GP limited | 15 Customs Street West, Auckland Central, Auckland, 1010 , New Zealand | 40% | – | N/A[2] | N/A[2] | N/A[2] |

**Notes to the financial statements continued**
**For the year ended 31 March 2023**

## 21. Related undertakings continued

| Entity | Registered address | Shareholding 31-Mar-23 | Shareholding 31-Mar-22 | Year end | Profit/ (Loss) £m | Aggregate Capital & Reserves £m |
|---|---|---|---|---|---|---|
| Aotearoa Towers Group LP | 15 Customs Street West, Auckland Central, Auckland, 1010 , New Zealand | 40% | – | N/A[2] | N/A[2] | N/A[2] |
| Aotearoa Towers Hold LP | 15 Customs Street West, Auckland Central, Auckland, 1010 , New Zealand | 40% | – | N/A[2] | N/A[2] | N/A[2] |
| Ashburton Services (Holdings) Limited | Cannon Place, 78 Cannon Street, London, United Kingdom, EC4N 6AF | 100% | 100% | N/A[2] | N/A[2] | N/A[2] |
| Ashburton Services Limited | Cannon Place, 78 Cannon Street, London, United Kingdom, EC4N 6AF | 100% | 100% | N/A[2] | N/A[2] | N/A[2] |
| Aspire Defence Finance plc | Aspire Business Centre, Ordnance Road, Tidworth, United Kingdom, SP9 7QD | 12% | 12% | N/A[2] | N/A[2] | N/A[2] |
| Aspire Defence Holdings Limited | Aspire Business Centre, Ordnance Road, Tidworth, United Kingdom, SP9 7QD | 12% | 12% | N/A[2] | N/A[2] | N/A[2] |
| Aspire Defence Limited | Aspire Business Centre, Ordnance Road, Tidworth, United Kingdom, SP9 7QD | 12% | 12% | N/A[2] | N/A[2] | N/A[2] |
| Atlandes | 15, avenue Léonard de Vinci, CS60024, Cedex, Pessac, 33615, France | 21% | 21% | N/A[2] | N/A[2] | N/A[2] |
| Axiom Education (Edinburgh) Holdings Limited | Blake House 3 Frayswater Place, Cowley, Uxbridge, Middlesex, United Kingdom, UB8 2AD | 100% | 100% | N/A[2] | N/A[2] | N/A[2] |
| Axiom Education (Edinburgh) Limited | Blake House 3 Frayswater Place, Cowley, Uxbridge, Middlesex, United Kingdom, UB8 2AD | 100% | 100% | 31 Dec 21 | 1.8 | (36.8) |
| Axiom Education (Perth & Kinross) Holdings Limited | Blake House 3 Frayswater Place, Cowley, Uxbridge, Middlesex, United Kingdom, UB8 2AD | 100% | 100% | N/A[2] | N/A[2] | N/A[2] |
| Axiom Education (Perth & Kinross) Limited | Blake House 3 Frayswater Place, Cowley, Uxbridge, Middlesex, United Kingdom, UB8 2AD | 100% | 100% | 31 Dec 21 | 1.0 | (81.5) |
| BAAK Blankenburg B.V. (Project Co) | Strawinskylaan 1021, 1077 XX, Amsterdam, Netherlands | 70% | 70% | 31 Dec 21 | 11.5 | 584.1 |
| Bangor & Nendrum Schools Services Holdings Limited | 50 Bedford Street, Belfast, United Kingdom, BT2 7FW | 26% | 26% | N/A[2] | N/A[2] | N/A[2] |
| Bangor & Nendrum Schools Services Limited | 50 Bedford Street, Belfast, United Kingdom, BT2 7FW | 26% | 26% | N/A[2] | N/A[2] | N/A[2] |
| BaS LIFT limited | 5 The Triangle, Wildwood Drive, Worcester, Worcestershire, United Kingdom, WR5 2QX | 60% | 60% | N/A[2] | N/A[2] | N/A[2] |
| BaSS LIFT Holdings Limited | 5 The Triangle, Wildwood Drive, Worcester, Worcestershire, United Kingdom, WR5 2QX | 100% | 100% | N/A[2] | N/A[2] | N/A[2] |
| Bee Invest 1 | 91 RUE DU FAUBOURG SAINT HONORE 75008 PARIS | 100% | 100% | N/A[2] | N/A[2] | N/A[2] |
| Betjeman Holdings Jvco Limited | 5th Floor Kings Place 90 York Way, London, United Kingdom, N1 9AG | 22% | 22% | 31 Mar 22 | 0.0 | 336.4 |
| Betjeman Holdings Midco Limited | 5th Floor Kings Place 90 York Way, London, United Kingdom, N1 9AG | 22% | 22% | 31 Mar 22 | (29.5) | 81.6 |

| Entity | Registered address | Shareholding 31-Mar-23 | Shareholding 31-Mar-22 | Year end | Profit/ (Loss) £m | Aggregate Capital & Reserves £m |
|---|---|---|---|---|---|---|
| Betjeman Holdings Limited | 5th Floor Kings Place 90 York Way, London, United Kingdom, N1 9AG | 22% | 22% | 31 Mar 22 | (29.5) | 81.6 |
| Betjeman Holdings Midco Limited | 5th Floor Kings Place 90 York Way, London, United Kingdom, N1 9AG | 22% | 22% | 31 Mar 22 | (12.4) | 257.4 |
| Birmingham and Solihull (Fundco 1) Limited | 5 The Triangle, Wildwood Drive, Worcester, Worcestershire, United Kingdom, WR5 2QX | 60% | 60% | N/A[2] | N/A[2] | N/A[2] |
| Birmingham and Solihull (Fundco 2) Limited | 5 The Triangle, Wildwood Drive, Worcester, Worcestershire, United Kingdom, WR5 2QX | 60% | 60% | N/A[2] | N/A[2] | N/A[2] |
| Birmingham and Solihull (Fundco 3) Limited | 5 The Triangle, Wildwood Drive, Worcester, Worcestershire, United Kingdom, WR5 2QX | 60% | 60% | N/A[2] | N/A[2] | N/A[2] |
| Birmingham and Solihull (Fundco 4) Limited | 5 The Triangle, Wildwood Drive, Worcester, Worcestershire, United Kingdom, WR5 2QX | 60% | 60% | N/A[2] | N/A[2] | N/A[2] |
| Birmingham and Solihull Local Improvement Finance Trust Limited | 5 The Triangle, Wildwood Drive, Worcester, Worcestershire, United Kingdom, WR5 2QX | 100% | 100% | N/A[2] | N/A[2] | N/A[2] |
| Blue Light Holdings Limited | Level 7 One Bartholomew Close, Barts Square, London, United Kingdom, EC1A 7BL | 100% | 100% | N/A[2] | N/A[2] | N/A[2] |
| Blue (Gloucestershire Fire) (Holdings) Limited | 10 St. Giles Square, London, United Kingdom, WC2H 8AP | 75% | 75% | N/A[2] | N/A[2] | N/A[2] |
| Blue (Gloucestershire Fire) Limited | 10 St. Giles Square, London, United Kingdom, WC2H 8AP | 75% | 75% | N/A[2] | N/A[2] | N/A[2] |
| BNC IXAS SPC Holding B.V (Incorporated in Holland) | Ringwade 71, 3439 LM Nieuwegein, Netherlands | 100% | 100% | N/A[2] | N/A[2] | N/A[2] |
| BNC Pi2 Holding B.V. (Incorporated in Holland) | Ringwade 71, 3439 LM Nieuwegein, Netherlands | 100% | 100% | N/A[2] | N/A[2] | N/A[2] |
| Boldon School (Holdings) Limited | Cannon Place, 78 Cannon Street, London, United Kingdom, EC4N 6AF | 100% | 100% | N/A[2] | N/A[2] | N/A[2] |
| Boldon School Limited | Cannon Place, 78 Cannon Street, London, United Kingdom, EC4N 6AF | 100% | 100% | N/A[2] | N/A[2] | N/A[2] |
| Brentwood Healthcare Partnerships Holdings Limited | 10 St. Giles Square, London, United Kingdom, WC2H 8AP | 75% | 75% | N/A[2] | N/A[2] | N/A[2] |
| Brentwood Healthcare Partnerships Limited | 10 St. Giles Square, London, United Kingdom, WC2H 8AP | 75% | 75% | N/A[2] | N/A[2] | N/A[2] |
| By Education (Barking) Holdings Limited | First Floor Templeback, 10 Temple Back, Bristol, United Kingdom, BS1 6FL | 100% | 100% | N/A[2] | N/A[2] | N/A[2] |
| By Education (Barking) Limited | First Floor Templeback, 10 Temple Back, Bristol, United Kingdom, BS1 6FL | 100% | 100% | N/A[2] | N/A[2] | N/A[2] |
| ByCentral (Holdings) Limited | 8 White Oak Square London Road, Swanley, United Kingdom, BR8 7AG | 100% | 100% | N/A[2] | N/A[2] | N/A[2] |
| ByCentral Limited | 8 White Oak Square London Road, Swanley, United Kingdom, BR8 7AG | 100% | 100% | N/A[2] | N/A[2] | N/A[2] |
| ByWest (Holdings) Limited | 8 White Oak Square London Road, Swanley, United Kingdom, BR8 7AG | 100% | 100% | N/A[2] | N/A[2] | N/A[2] |

## Notes to the financial statements continued
## For the year ended 31 March 2023

## 21. Related undertakings continued

| Entity | Registered address | Shareholding 31-Mar-23 | Shareholding 31-Mar-22 | Year end | Profit/ (Loss) £m | Aggregate Capital & Reserves £m |
|---|---|---|---|---|---|---|
| ByWest Limited | 8 White Oak Square London Road, Swanley, United Kingdom, BR8 7AG | 100% | 100% | N/A[2] | N/A[2] | N/A[2] |
| CAE Aircrew Training Services Plc | RAF Benson, Wallingford, Oxfordshire, United Kingdom, OX10 6AA | 22% | 22% | N/A[2] | N/A[2] | N/A[2] |
| Catalyst Healthcare (Romford) Financing Plc | C/O Albany Spc Services Ltd 3rd Floor, 3-5 Charlotte Street, Manchester, United Kingdom, M1 4HB | 67% | 67% | N/A[2] | N/A[2] | N/A[2] |
| Catalyst Healthcare (Romford) Holdings Limited | C/O Albany Spc Services Ltd 3rd Floor, 3-5 Charlotte Street, Manchester, United Kingdom, M1 4HB | 67% | 67% | N/A[2] | N/A[2] | N/A[2] |
| Catalyst Healthcare (Romford) Limited | C/O Albany Spc Services Ltd 3rd Floor, 3-5 Charlotte Street, Manchester, United Kingdom, M1 4HB | 67% | 67% | N/A[2] | N/A[2] | N/A[2] |
| Catalyst Higher Education (Sheffield) Holdings Limited | C/O Albany Spc Services Ltd 3rd Floor, 3-5 Charlotte Street, Manchester, United Kingdom, M1 4HB | 50% | 50% | N/A[2] | N/A[2] | N/A[2] |
| Catalyst Higher Education (Sheffield) plc | C/O Albany Spc Services Ltd 3rd Floor, 3-5 Charlotte Street, Manchester, United Kingdom, M1 4HB | 50% | 50% | N/A[2] | N/A[2] | N/A[2] |
| Central Blackpool PCC Holding Company Limited | 10 St. Giles Square, London, United Kingdom, WC2H 8AP | 75% | 75% | N/A[2] | N/A[2] | N/A[2] |
| Central Blackpool PCC Limited | 10 St. Giles Square, London, United Kingdom, WC2H 8AP | 75% | 75% | N/A[2] | N/A[2] | N/A[2] |
| Children's Ark Partnerships Holding Limited | 10 St. Giles Square, London, United Kingdom, WC2H 8AP | 50% | 50% | N/A[2] | N/A[2] | N/A[2] |
| Children's Ark Partnerships Limited | 10 St. Giles Square, London, United Kingdom, WC2H 8AP | 50% | 50% | N/A[2] | N/A[2] | N/A[2] |
| Citylink Telecommunications Holdings Limited | C/O Interpath Ltd, 10 Fleet Place, London, EC4M 7RB | 34% | 34% | N/A[2] | N/A[2] | N/A[2] |
| Citylink Telecommunications Limited | C/O Interpath Ltd, 10 Fleet Place, London, EC4M 7RB | 34% | 34% | N/A[2] | N/A[2] | N/A[2] |
| Claymore Road (Holdings) Limited | Cannon Place, 78 Cannon Street, London, United Kingdom, EC4N 6AF | 50% | 50% | N/A[2] | N/A[2] | N/A[2] |
| Claymore Road Limited | Cannon Place, 78 Cannon Street, London, United Kingdom, EC4N 6AF | 50% | 50% | N/A[2] | N/A[2] | N/A[2] |
| Connect M1-A1 Holdings Limited | Q14 Quorum Business Park, Benton Lane, Newcastle Upon Tyne, England, United Kingdom, NE12 8BU | 30% | 30% | N/A[2] | N/A[2] | N/A[2] |
| Connect M1-A1 Limited | Q14 Quorum Business Park, Benton Lane, Newcastle Upon Tyne, England, United Kingdom, NE12 8BU | 30% | 30% | 31 Mar 22 | 3.1 | 46.4 |
| Consort Healthcare (Birmingham) Funding plc | C/O Pario Ltd 18 Riversway Business Village, Navigation Way, Preston, England, PR2 2YP | 30% | 30% | N/A[2] | N/A[2] | N/A[2] |
| Consort Healthcare (Birmingham) Holdings Limited | C/O Pario Ltd 18 Riversway Business Village, Navigation Way, Preston, England, PR2 2YP | 30% | 30% | N/A[2] | N/A[2] | N/A[2] |

| Entity | Registered address | Shareholding 31-Mar-23 | Shareholding 31-Mar-22 | Year end | Profit/ (Loss) £m | Aggregate Capital & Reserves £m |
|---|---|---|---|---|---|---|
| Consort Healthcare (Birmingham) Intermediate Limited | C/O Pario Ltd 18 Riversway Business Village, Navigation Way, Preston, England, PR2 2YP | 30% | 30% | N/A[2] | N/A[2] | N/A[2] |
| Consort Healthcare (Birmingham) Limited | C/O Pario Ltd 18 Riversway Business Village, Navigation Way, Preston, England, PR2 2YP | 30% | 30% | N/A[2] | N/A[2] | N/A[2] |
| Consort Healthcare (Blackburn) Funding Plc | 8 White Oak Square, Swanley, Kent, United Kingdom, BR8 7AG | 100% | 100% | N/A[2] | N/A[2] | N/A[2] |
| Consort Healthcare (Blackburn) Holdings Limited | 8 White Oak Square, Swanley, Kent, United Kingdom, BR8 7AG | 100% | 100% | N/A[2] | N/A[2] | N/A[2] |
| Consort Healthcare (Blackburn) Intermediate Limited | 8 White Oak Square, Swanley, Kent, United Kingdom, BR8 7AG | 100% | 100% | N/A[2] | N/A[2] | N/A[2] |
| Consort Healthcare (Blackburn) Limited | 8 White Oak Square, Swanley, Kent, United Kingdom, BR8 7AG | 100% | 100% | N/A[2] | N/A[2] | N/A[2] |
| Consort Healthcare (Mid Yorks) Funding Plc | 8 White Oak Square, London Road, Swanley, Kent, United Kingdom, BR8 7AG | 100% | 100% | N/A[2] | N/A[2] | N/A[2] |
| Consort Healthcare (Mid Yorks) Holdings Limited | 8 White Oak Square, London Road, Swanley, Kent, United Kingdom, BR8 7AG | 100% | 100% | N/A[2] | N/A[2] | N/A[2] |
| Consort Healthcare (Mid Yorkshire) Intermediate Limited | 8 White Oak Square, London Road, Swanley, Kent, United Kingdom, BR8 7AG | 100% | 100% | N/A[2] | N/A[2] | N/A[2] |
| Consort Healthcare (Mid Yorkshire) Limited | 8 White Oak Square, London Road, Swanley, Kent, United Kingdom, BR8 7AG | 100% | 100% | N/A[2] | N/A[2] | N/A[2] |
| Consort Healthcare (Salford) Holdings Limited | ALBANY SPC SERVICES LTD, Third Floor, 3-5 Charlotte St, Manchester, United Kingdom, M1 4HB | 50% | 50% | N/A[2] | N/A[2] | N/A[2] |
| Consort Healthcare (Salford) Intermediate Limited | ALBANY SPC SERVICES LTD, Third Floor, 3-5 Charlotte St, Manchester, United Kingdom, M1 4HB | 50% | 50% | N/A[2] | N/A[2] | N/A[2] |
| Consort Healthcare (Salford) Plc | ALBANY SPC SERVICES LTD, Third Floor, 3-5 Charlotte St, Manchester, United Kingdom, M1 4HB | 50% | 50% | N/A[2] | N/A[2] | N/A[2] |
| Consort Healthcare (Tameside) Holdings Limited | ALBANY SPC SERVICES LTD, Third Floor, 3-5 Charlotte St, Manchester, United Kingdom, M1 4HB | 50% | 50% | N/A[2] | N/A[2] | N/A[2] |
| Consort Healthcare (Tameside) Intermediate Limited | ALBANY SPC SERVICES LTD, Third Floor, 3-5 Charlotte St, Manchester, United Kingdom, M1 4HB | 50% | 50% | N/A[2] | N/A[2] | N/A[2] |
| Consort Healthcare (Tameside) Plc | ALBANY SPC SERVICES LTD, Third Floor, 3-5 Charlotte St, Manchester, United Kingdom, M1 4HB | 50% | 50% | N/A[2] | N/A[2] | N/A[2] |
| Criterion Healthcare Holdings Limited | C/O Equitix Management Services Ltd 2nd Floor, Toronto Square, Toronto Street, Leeds, United Kingdom, LS1 2HJ | 36% | 36% | N/A[2] | N/A[2] | N/A[2] |
| Criterion Healthcare Plc | C/O Equitix Management Services Ltd 2nd Floor, Toronto Square, Toronto Street, Leeds, United Kingdom, LS1 2HJ | 36% | 36% | N/A[2] | N/A[2] | N/A[2] |

## Notes to the financial statements continued
## For the year ended 31 March 2023

## 21. Related undertakings continued

| Entity | Registered address | Shareholding 31-Mar-23 | Shareholding 31-Mar-22 | Year end | Profit/ (Loss) £m | Aggregate Capital & Reserves £m |
|---|---|---|---|---|---|---|
| Cross London Trains Finance Company Limited | 8 White Oak Square, London Road, Swanley, Kent, BR8 7AG | 6% | 6% | N/A[2] | N/A[2] | N/A[2] |
| Cross London Trains Holdco 1 Limited | 8 White Oak Square, London Road, Swanley, Kent, BR8 7AG | 6% | - | 30 June 22 | 59.6 | 676.5 |
| Cross London Trains Holdco 2 Limited | 8 White Oak Square, London Road, Swanley, Kent, BR8 7AG | 6% | - | 30 June 22 | 47.5 | (195.1) |
| Cross London Trains Limited | 8 White Oak Square, London Road, Swanley, Kent, BR8 7AG | 6% | - | 30 June 22 | 48.2 | (118.9) |
| CSES (Dorset) Limited | Level 7 One Bartholomew Close, Barts Square, London, United Kingdom, EC1A 7BL | 100% | 100% | N/A[2] | N/A[2] | N/A[2] |
| CSM PPP Services Holdings Limited (Incorporated in Ireland) | Suite 54, Morrison Chambers, 32 Nassau Street, Dublin 2, Ireland | 76% | 76% | N/A[2] | N/A[2] | N/A[2] |
| CSM PPP Services Limited (Incorporated in Ireland) | Suite 54, Morrison Chambers, 32 Nassau Street, Dublin 2, Ireland | 76% | 76% | N/A[2] | N/A[2] | N/A[2] |
| CVS Leasing Limited | RAF Benson, Wallingford, Oxfordshire, United Kingdom, OX10 6AA | 87% | 87% | N/A[2] | N/A[2] | N/A[2] |
| D3 – Societe de la deviation de Troissereux (Incorporated in France) | 21 rue Hippolyte Bayard, PAE du Haut-Villé, 60000 Beauvais, France | 90% | 90% | N/A[2] | N/A[2] | N/A[2] |
| Daiwater Investment Limited | The Hub, Tamblin Way, Hatfield, Hertfordshire, United Kingdom, AL10 9EZ | 37% | 37% | 31 Mar 22 | 0.0 | 747.9 |
| Derby School Solutions (Holdings) Limited | Cannon Place, 78 Cannon Street, London, England, EC4N 6AF | 100% | 100% | N/A[2] | N/A[2] | N/A[2] |
| Derby School Solutions Limited | Cannon Place, 78 Cannon Street, London, England, EC4N 6AF | 100% | 100% | N/A[2] | N/A[2] | N/A[2] |
| Diamond Transmission Partners BBE Limited | Mid City Place, 71 High Holborn, London, United Kingdom, WC1V 6BA | 49% | 49% | N/A[2] | N/A[2] | N/A[2] |
| Diamond Transmission Partners BBE Holdings Limited | Mid City Place, 71 High Holborn, London, United Kingdom, WC1V 6BA | 49% | 49% | N/A[2] | N/A[2] | N/A[2] |
| Diamond Transmission Partners Galloper (Holdings) Limited | Mid City Place, 71 High Holborn, London, United Kingdom, WC1V 6BA | 49% | 49% | N/A[2] | N/A[2] | N/A[2] |
| Diamond Transmission Partners Galloper Limited | Mid City Place, 71 High Holborn, London, United Kingdom, WC1V 6BA | 49% | 49% | N/A[2] | N/A[2] | N/A[2] |
| Diamond Transmission Partners Galloper Limited | Mid City Place, 71 High Holborn, London, United Kingdom, WC1V 6BA | 49% | 49% | N/A[2] | N/A[2] | N/A[2] |
| Diamond Transmission Partners RB (Holdings) Limited | Mid City Place, 71 High Holborn, London, United Kingdom, WC1V 6BA | 49% | 49% | N/A[2] | N/A[2] | N/A[2] |
| Diamond Transmission Partners RB Limited | Mid City Place, 71 High Holborn, London, United Kingdom, WC1V 6BA | 49% | 49% | N/A[2] | N/A[2] | N/A[2] |
| Diamond Transmission Partners Walney Extension (Holdings) Limited | Mid City Place, 71 High Holborn, London, United Kingdom, WC1V 6BA | 29% | 29% | N/A[2] | N/A[2] | N/A[2] |
| Diamond Transmission Partners Walney Extension Limited | Mid City Place, 71 High Holborn, London, United Kingdom, WC1V 6BA | 29% | 29% | N/A[2] | N/A[2] | N/A[2] |
| Directroute (Tuam) Holdings Limited | M17/M18 Operations Centre, Furzy Park, Athenry, Co Galway, Ireland | 100% | 100% | N/A[2] | N/A[2] | N/A[2] |

| Entity | Registered address | Shareholding 31-Mar-23 | Shareholding 31-Mar-22 | Year end | Profit/ (Loss) £m | Aggregate Capital & Reserves £m |
|---|---|---|---|---|---|---|
| Directroute (Tuam) Limited | M17/M18 Operations Centre, Furzy Park, Athenry, Co Galway, Ireland | 100% | 100% | N/A[2] | N/A[2] | N/A[2] |
| Dorset Emergency Services PPP (Holdings) Limited | Unit 18 Riversway Business Village Navigation Way, Ashton-on-Ribble, Preston,United Kingdom, PR2 2YP | 100% | 100% | N/A[2] | N/A[2] | N/A[2] |
| Ealing Care Alliance (Holdings) Limited | 10 St. Giles Square, London, United Kingdom, WC2H 8AP | 63% | 63% | N/A[2] | N/A[2] | N/A[2] |
| Ealing Care Alliance Limited | 10 St. Giles Square, London, United Kingdom, WC2H 8AP | 63% | 63% | N/A[2] | N/A[2] | N/A[2] |
| Ealing Schools Partnerships Holdings Limited | 10 St. Giles Square, London, United Kingdom, WC2H 8AP | 50% | 50% | N/A[2] | N/A[2] | N/A[2] |
| Ealing Schools Partnerships Limited | 10 St. Giles Square, London, United Kingdom, WC2H 8AP | 50% | 50% | N/A[2] | N/A[2] | N/A[2] |
| Eastbury Park (Holdings) Limited | 8 White Oak Square, London Road, Swanley, United Kingdom, BR8 7AG | 50% | 50% | N/A[2] | N/A[2] | N/A[2] |
| Eastbury Park Limited | 8 White Oak Square, London Road, Swanley, United Kingdom, BR8 7AG | 50% | 50% | N/A[2] | N/A[2] | N/A[2] |
| Education 4 Ayrshire Holdings Limited | 2 Lochside View Edinburgh, United Kingdom, EH12 1LB | 100% | 100% | N/A[2] | N/A[2] | N/A[2] |
| Education 4 Ayrshire Limited | 2 Lochside View Edinburgh, United Kingdom, EH12 1LB | 100% | 100% | N/A[2] | N/A[2] | N/A[2] |
| EIPF | 15, avenue Léonard de Vinci, CS60024, Cedex, Pessac, 33615, France | 70% | 70% | N/A[2] | N/A[2] | N/A[2] |
| Emblem Schools (Holdings) Limited | 2nd Floor, 11 Thistle Street, Edinburgh, United Kingdom, EH2 1DF | 30% | 30% | N/A[2] | N/A[2] | N/A[2] |
| Emblem Schools Limited | 2nd Floor, 11 Thistle Street, Edinburgh, United Kingdom, EH2 1DF | 30% | 30% | N/A[2] | N/A[2] | N/A[2] |
| Enterprise Civic Buildings (Holdings) Limited | Unit 18 Navigation Way, Ashton-on-Ribble, Preston,United Kingdom, PR2 2YP | 100% | 100% | N/A[2] | N/A[2] | N/A[2] |
| Enterprise Civic Buildings Limited | Unit 18 Navigation Way, Ashton-on-Ribble, Preston,United Kingdom, PR2 2YP | 100% | 100% | N/A[2] | N/A[2] | N/A[2] |
| Enterprise Education Conwy Limited | Unit 18 Riversway Business Village Navigation Way, Ashton-on-Ribble, Preston, United Kingdom, PR2 2YP | 90% | 90% | N/A[2] | N/A[2] | N/A[2] |
| Enterprise Education Holdings Conwy Limited | Unit 18 Riversway Business Village Navigation Way, Ashton-on-Ribble, Preston, United Kingdom, PR2 2YP | 90% | 90% | N/A[2] | N/A[2] | N/A[2] |
| Enterprise Healthcare Holdings Limited | Unit 18 Riversway Business Village Navigation Way, Ashton-on-Ribble, Preston, England, PR2 2YP | 100% | 100% | N/A[2] | N/A[2] | N/A[2] |
| Enterprise Healthcare Limited | Unit 18 Riversway Business Village Navigation Way, Ashton-on-Ribble, Preston, United Kingdom, PR2 2YP | 100% | 100% | N/A[2] | N/A[2] | N/A[2] |
| Euro IV PPP Platform Limited Partnership | 1st Floor Connaught House, 1 Burlington Road, Dublin 4, Ireland | 100% | 100% | N/A[2] | N/A[2] | N/A[2] |

**Notes to the financial statements continued**
**For the year ended 31 March 2023**

## 21. Related undertakings continued

| Entity | Registered address | Shareholding 31-Mar-23 | Shareholding 31-Mar-22 | Year end | Profit/ (Loss) £m | Aggregate Capital & Reserves £m |
|---|---|---|---|---|---|---|
| European Healthcare Projects Limited | Level 7 One Bartholomew Close, Barts Square, London, United Kingdom, EC1A 7BL | 100% | 100% | N/A[2] | N/A[2] | N/A[2] |
| Falkirk Schools Gateway HC Limited | 1 George Square, Glasgow, Scotland, G2 1AL | 29% | 29% | N/A[2] | N/A[2] | N/A[2] |
| Falkirk Schools Gateway Limited | 1 George Square, Glasgow, Scotland, G2 1AL | 29% | 29% | 31 Mar 22 | 0.1 | (47.1) |
| FCC (East Ayrshire) Holdings Limited | 2nd Floor, 11 Thistle Street, Edinburgh, United Kingdom, EH2 1DF | 26% | 26% | N/A[2] | N/A[2] | N/A[2] |
| FCC (East Ayrshire) Limited | 2nd Floor, 11 Thistle Street, Edinburgh, United Kingdom, EH2 1DF | 26% | 26% | N/A[2] | N/A[2] | N/A[2] |
| Fibre Business Infrastructure France SAS | 91 Rue du Faubourg Saint Honore, 75008, Paris 8, France | 100% | – | N/A[2] | N/A[2] | N/A[2] |
| Galvani Bidco Limited | 3rd Floor, South Building, 200 Aldersgate Street, London, United Kingdom, EC1A 4HD | 19% | – | 31 Dec 21 | 31.8 | 362.5 |
| Galvani JVCo Limited | 3rd Floor, South Building, 200 Aldersgate Street, London, United Kingdom, EC1A 4HD | 19% | – | 31 Dec 21 | (7.9) | 334.0 |
| Galvani Midco Limited | 3rd Floor, South Building, 200 Aldersgate Street, London, United Kingdom, EC1A 4HD | 19% | – | 31 Dec 21 | 6.6 | 336.9 |
| GGB inBalans B.V | Hagenweg 3 c, 4131 LX, Vianen, Netherlands | 85% | 85% | N/A[2] | N/A[2] | N/A[2] |
| GGB inBalans Investco B.V | Hagenweg 3 c, 4131 LX, Vianen, Netherlands | 100% | 100% | N/A[2] | N/A[2] | N/A[2] |
| Glasgow Healthcare Facilities (Holdings) Limited | INFRASTRUCTURE MANAGERS LIMITED, 2nd Floor, 11 Thistle Street, Edinburgh, EH2 1DF | 25% | 25% | N/A[2] | N/A[2] | N/A[2] |
| Glasgow Healthcare Facilities Limited | 2nd Floor, 11 Thistle Street, Edinburgh, United Kingdom, EH2 1DF | 25% | 25% | N/A[2] | N/A[2] | N/A[2] |
| GO-PASS Mobility Services LLC | 2711 Centerville Road, Suite 400, Wilmington, Delaware 19808, USA | 33% | 33% | N/A[2] | N/A[2] | N/A[2] |
| Green Timbers GP Limited (Incorporated in Canada) | 1060 – 1500 West Georgia Street, Vancouver, BC, V6G 2Z6, Canada | 100% | 100% | N/A[2] | N/A[2] | N/A[2] |
| Green Timbers Holdings Limited (Incorporated in Canada) | 1060 – 1500 West Georgia Street, Vancouver, BC, V6G 2Z6, Canada | 100% | 100% | N/A[2] | N/A[2] | N/A[2] |
| Green Timbers Limited Partnership (Incorporated in Canada) | 1060 – 1500 West Georgia Street, Vancouver, BC, V6G 2Z6, Canada | 100% | 100% | 31 Mar 22 | 8.5 | 59.8 |
| GT (NEPS) Limited | Blake House 3 Frayswater Place, Cowley, Uxbridge, Middlesex, United Kingdom, UB8 2AD | 90% | 90% | N/A[2] | N/A[2] | N/A[2] |
| GT NEPS (Holdings) Limited | Blake House 3 Frayswater Place, Cowley, Uxbridge, Middlesex, United Kingdom, UB8 2AD | 90% | 90% | N/A[2] | N/A[2] | N/A[2] |
| H&D Support Services (Holdings) Limited | Cannon Place, 78 Cannon Street, London, England, EC4N 6AF | 100% | 100% | N/A[2] | N/A[2] | N/A[2] |

| Entity | Registered address | Shareholding 31-Mar-23 | Shareholding 31-Mar-22 | Year end | Profit/(Loss) £m | Aggregate Capital & Reserves £m |
|---|---|---|---|---|---|---|
| H&D Support Services Limited | Cannon Place, 78 Cannon Street, London, England, EC4N 6AF | 100% | 100% | N/A[2] | N/A[2] | N/A[2] |
| Hadfield Healthcare Partnerships Holdings Limited | 10 St. Giles Square, London, United Kingdom, WC2H 8AP | 75% | 75% | N/A[2] | N/A[2] | N/A[2] |
| Hadfield Healthcare Partnerships Limited | 10 St. Giles Square, London, United Kingdom, WC2H 8AP | 75% | 75% | N/A[2] | N/A[2] | N/A[2] |
| HDM Schools Solution Limited | C/O Dla Piper Scotland Llp Fao Stuart Mcmillan Collins House, Rutland Square, Edinburgh, United Kingdom, EH1 2AA | 75% | 75% | N/A[2] | N/A[2] | N/A[2] |
| HDM Schools Solutions (Holding) Limited | C/O Dla Piper Scotland Llp Fao Stuart Mcmillan Collins House, Rutland Square, Edinburgh, United Kingdom, EH1 2AA | 75% | 75% | N/A[2] | N/A[2] | N/A[2] |
| Healthcare Centres PPP Holdings Limited | Suite 54 Morrison Chambers, 32 Nassau Street, Dublin 2, Republic of Ireland | 60% | 60% | N/A[2] | N/A[2] | N/A[2] |
| Healthcare Centres PPP Limited | Suite 54 Morrison Chambers, 32 Nassau Street, Dublin 2, Republic of Ireland | 60% | 60% | N/A[2] | N/A[2] | N/A[2] |
| Helix Acquisition Limited | 5th Floor, Kings Place, 90 York Way, London, United Kingdom, N1 9AG | 22% | 22% | 31 Mar 22 | (4.0) | (37.0) |
| Helix Bufferco Limited | 5th Floor, Kings Place, 90 York Way, London, United Kingdom, N1 9AG | 22% | 22% | 31 Mar 22 | (4.0) | (36.9) |
| Helix Holdings Limited | 5th Floor, Kings Place, 90 York Way, London, United Kingdom, N1 9AG | 22% | 22% | 31 Mar 22 | (68.5) | (754.6) |
| Helix MidCo Limited | 5th Floor, Kings Place, 90 York Way, London, United Kingdom, N1 9AG | 22% | 22% | 31 Mar 22 | (4.0) | (36.9) |
| HICL Infrastructure (Green Timbers) Inc (Incorporated in Canada) | 1060 – 1500 West Georgia Street, Vancouver, BC, V6G 2Z6, Canada | 100% | 100% | N/A[2] | N/A[2] | N/A[2] |
| HICL Infrastructure 2 SARL | 6, rue Adolphe, L-1116, Luxembourg | 100% | 100% | 31 Mar 22 | 86.7 | 2,467.8 |
| HICL Infrastructure 3 SARL | 6, rue Adolphe, L-1116, Luxembourg | 100% | 100% | N/A[2] | N/A[2] | N/A[2] |
| HICL Infrastructure Canada Inc. (Incorporated in Canada) | Suite 2600, Three Bentall Centre, PO BOX 49314, 595 Burrard Street, Vancouver BC V7X 1L3, Canada | 100% | 100% | 31 Mar 22 | 48.1 | 118.3 |
| High Speed One (HS1) Limited | 5th Floor, Kings Place, 90 York Way, London, United Kingdom, N1 9AG | 22% | 22% | N/A[2] | N/A[2] | N/A[2] |
| High Speed Rail Finance (1) PLC | 5th Floor, Kings Place, 90 York Way, London, United Kingdom, N1 9AG | 22% | 22% | N/A[2] | N/A[2] | N/A[2] |
| High Speed Rail Finance PLC | 5th Floor, Kings Place, 90 York Way, London, United Kingdom, N1 9AG | 22% | 22% | N/A[2] | N/A[2] | N/A[2] |
| Highway Management M80 Investment Management Limited | Part First Floor, 1 Grenfell Road, Maidenhead, Berkshire, United Kingdom, SL6 1HN | 50% | 50% | 31 Dec 21 | 0.4 | (38.4) |
| Highway Management Scotland (Holdings) Limited | Part First Floor, 1 Grenfell Road, Maidenhead, Berkshire, United Kingdom, SL6 1HN | 50% | 50% | 31 Dec 21 | 0.3 | (34.8) |

## Notes to the financial statements continued
## For the year ended 31 March 2023

## 21. Related undertakings continued

| Entity | Registered address | Shareholding 31-Mar-23 | Shareholding 31-Mar-22 | Year end | Profit/ (Loss) £m | Aggregate Capital & Reserves £m |
|---|---|---|---|---|---|---|
| Highway Management Scotland Limited | Part First Floor, 1 Grenfell Road, Maidenhead, Berkshire, United Kingdom, SL6 1HN | 50% | 50% | 31 Dec 21 | 0.3 | (34.8) |
| Holdfast Training Services Limited | Building 29, Hq Rsme Brompton Barracks, Chatham, Kent, England, ME4 4UG | 100% | 100% | N/A[2] | N/A[2] | N/A[2] |
| HS1 Limited | 5th Floor, Kings Place, 90 York Way, London, United Kingdom, N1 9AG | 22% | 22% | 31 Mar 22 | 30.2 | (88.9) |
| Information Resources (Oldham) Holdings Limited | 10 St. Giles Square, London, United Kingdom, WC2H 8AP | 75% | 75% | N/A[2] | N/A[2] | N/A[2] |
| Information Resources (Oldham) Investments | 10 St. Giles Square, London, United Kingdom, WC2H 8AP | 75% | 75% | N/A[2] | N/A[2] | N/A[2] |
| Information Resources (Oldham) Limited | 10 St. Giles Square, London, United Kingdom, WC2H 8AP | 75% | 75% | N/A[2] | N/A[2] | N/A[2] |
| InfraRed Towers Investments Limited | Level 7 One Bartholomew Close, Barts Square, London, United Kingdom, EC1A 7BL | 100% | – | N/A[2] | N/A[2] | N/A[2] |
| Infraspeed (Holdings) BV (Incorporated in Holland) | 2132 LS Hoofddorp, Taurusavenue 155, Netherlands | 43% | 43% | 31 Dec 22 | 9.0 | 42.0 |
| Infraspeed BV (Incorporated in Holland) | 2132 LS Hoofddorp, Taurusavenue 155, Netherlands | 43% | 43% | 31 Dec 22 | 9.5 | 40.7 |
| Infrastructure Central Limited | Level 7 One Bartholomew Close, Barts Square, London, United Kingdom, EC1A 7BL | 100% | 100% | 31 Mar 22 | (45.6) | 272.7 |
| Infrastructure Investment Limited Partnership | Level 7 One Bartholomew Close, Barts Square, London, United Kingdom, EC1A 7BL | 100% | 100% | 31 Mar 22 | 371.7 | 3,159.1 |
| Infrastructure Investments (A63) Holdings Limited | Level 7 One Bartholomew Close, Barts Square, London, United Kingdom, EC1A 7BL | 100% | 100% | 31 Mar 22 | 17.8 | 191.8 |
| Infrastructure Investments (Affinity) Limited | Level 7 One Bartholomew Close, Barts Square, London, United Kingdom, EC1A 7BL | 91% | 91% | 31 Mar 22 | 65.7 | 315.8 |
| Infrastructure Investments (Aria) Holdco Limited | Level 7 One Bartholomew Close, Barts Square, London, United Kingdom, EC1A 7BL | 100% | – | N/A[2] | N/A[2] | N/A[2] |
| Infrastructure Investments (Aria) TopCo Limited | Level 7 One Bartholomew Close, Barts Square, London, United Kingdom, EC1A 7BL | 100% | – | N/A[2] | N/A[2] | N/A[2] |
| Infrastructure Investments (Australia) LLP | Level 7 One Bartholomew Close, Barts Square, London, United Kingdom, EC1A 7BL | 100% | 100% | 31 Mar 22 | (34.7) | 13.1 |
| Infrastructure Investments (Bond) Holdings LLP | Level 7 One Bartholomew Close, Barts Square, London, United Kingdom, EC1A 7BL | 100% | 100% | 31 Mar 22 | (35.3) | 12.5 |
| Infrastructure Investments (Bond) LLP | Level 7 One Bartholomew Close, Barts Square, London, United Kingdom, EC1A 7BL | 100% | 100% | N/A[2] | N/A[2] | N/A[2] |

| Entity | Registered address | Shareholding 31-Mar-23 | Shareholding 31-Mar-22 | Year end | Profit/(Loss) £m | Aggregate Capital & Reserves £m |
|---|---|---|---|---|---|---|
| Infrastructure Investments (Colorado) Limited | Level 7 One Bartholomew Close, Barts Square, London, United Kingdom, EC1A 7BL | 100% | 100% | 31 Mar 22 | 57.5 | 248.1 |
| Infrastructure Investments (Defence) Holdings Limited | Level 7 One Bartholomew Close, Barts Square, London, United Kingdom, EC1A 7BL | 100% | – | N/A[2] | N/A[2] | N/A[2] |
| Infrastructure Investments (Defence) Limited | Level 7 One Bartholomew Close, Barts Square, London, United Kingdom, EC1A 7BL | 100% | 100% | 31 Mar 22 | 22.5 | 91.0 |
| Infrastructure Investments (Germany) Limited | Level 7 One Bartholomew Close, Barts Square, London, United Kingdom, EC1A 7BL | 100% | – | N/A[2] | N/A[2] | N/A[2] |
| Infrastructure Investments (Health) Limited | Level 7 One Bartholomew Close, Barts Square, London, United Kingdom, EC1A 7BL | 100% | 100% | N/A[2] | N/A[2] | N/A[2] |
| Infrastructure Investments (HSL ZUID) Limited | Level 7 One Bartholomew Close, Barts Square, London, United Kingdom, EC1A 7BL | 100% | 100% | 31 Mar 22 | 2.8 | 38.9 |
| Infrastructure Investments (No 7) Limited | Level 7 One Bartholomew Close, Barts Square, London, United Kingdom, EC1A 7BL | 100% | 100% | N/A[2] | N/A[2] | N/A[2] |
| Infrastructure Investments (No 8) Limited | Level 7 One Bartholomew Close, Barts Square, London, United Kingdom, EC1A 7BL | 100% | 100% | N/A[2] | N/A[2] | N/A[2] |
| Infrastructure Investments (OFTO 1) Limited | Level 7 One Bartholomew Close, Barts Square, London, United Kingdom, EC1A 7BL | 100% | 100% | N/A[2] | N/A[2] | N/A[2] |
| Infrastructure Investments (Portal) GP Limited | Level 7 One Bartholomew Close, Barts Square, London, United Kingdom, EC1A 7BL | 100% | 100% | N/A[2] | N/A[2] | N/A[2] |
| Infrastructure Investments (Portal) Limited | Level 7 One Bartholomew Close, Barts Square, London, United Kingdom, EC1A 7BL | 100% | 100% | N/A[2] | N/A[2] | N/A[2] |
| Infrastructure Investments (Portal) Limited Partnership | Level 7 One Bartholomew Close, Barts Square, London, United Kingdom, EC1A 7BL | 100% | 100% | 31 Mar 22 | 3.7 | 50.9 |
| Infrastructure Investments (Portsmouth) Limited | Level 7 One Bartholomew Close, Barts Square, London, United Kingdom, EC1A 7BL | 100% | 100% | 31 Mar 22 | 50.0 | 94.9 |
| Infrastructure Investments (Roads) Limited | Level 7 One Bartholomew Close, Barts Square, London, United Kingdom, EC1A 7BL | 100% | 100% | N/A[2] | N/A[2] | N/A[2] |
| Infrastructure Investments (TNT) Limited | Level 7 One Bartholomew Close, Barts Square, London, United Kingdom, EC1A 7BL | 100% | – | N/A[2] | N/A[2] | N/A[2] |
| Infrastructure Investments Betjeman (Holdco) Limited | Level 7 One Bartholomew Close, Barts Square, London, United Kingdom, EC1A 7BL | 100% | 100% | N/A[2] | N/A[2] | N/A[2] |

**Notes to the financial statements continued**
**For the year ended 31 March 2023**

## 21. Related undertakings continued

| Entity | Registered address | Shareholding 31-Mar-23 | Shareholding 31-Mar-22 | Year end | Profit/ (Loss) £m | Aggregate Capital & Reserves £m |
|---|---|---|---|---|---|---|
| Infrastructure Investments Betjeman Limited | Level 7 One Bartholomew Close, Barts Square, London, United Kingdom, EC1A 7BL | 62% | 62% | N/A[2] | N/A[2] | N/A[2] |
| Infrastructure Investments Galvani Limited | Level 7 One Bartholomew Close, Barts Square, London, United Kingdom, EC1A 7BL | 100% | – | N/A[2] | N/A[2] | N/A[2] |
| Infrastructure Investments Group Limited | Level 7 One Bartholomew Close, Barts Square, London, United Kingdom, EC1A 7BL | 100% | 100% | 31 Mar 22 | 261.6 | 1,463.4 |
| Infrastructure Investments Holdings Limited | Level 7 One Bartholomew Close, Barts Square, London, United Kingdom, EC1A 7BL | 100% | 100% | 31 Mar 22 | 78.7 | 481.3 |
| Infrastructure Investments NWP (US) LLC | 701 Northwest Parkway, Broomfield, CO 80023, USA | 100% | 100% | N/A[2] | N/A[2] | N/A[2] |
| Infrastructure Investments OFTO 2 Limited | Level 7 One Bartholomew Close, Barts Square, London, United Kingdom, EC1A 7BL | 100% | – | N/A[2] | N/A[2] | N/A[2] |
| Infrastructure Investments Portsmouth Limited | Level 7 One Bartholomew Close, Barts Square, London, United Kingdom, EC1A 7BL | 100% | 100% | 31 Mar 22 | 50.0 | 94.9 |
| Infrastructure Investments PPP OFTO holdings LLP | Level 7 One Bartholomew Close, Barts Square, London, United Kingdom, EC1A 7BL | 100% | – | N/A[2] | N/A[2] | N/A[2] |
| Infrastructure Investments PPP OFTO LLP | Level 7 One Bartholomew Close, Barts Square, London, United Kingdom, EC1A 7BL | 100% | – | N/A[2] | N/A[2] | N/A[2] |
| Infrastructure Investments PPP OFTO Midco LLP | Level 7 One Bartholomew Close, Barts Square, London, United Kingdom, EC1A 7BL | 100% | – | N/A[2] | N/A[2] | N/A[2] |
| Infrastructure Investments Roads Management Limited | Level 7 One Bartholomew Close, Barts Square, London, United Kingdom, EC1A 7BL | 100% | 100% | N/A[2] | N/A[2] | N/A[2] |
| Infrastructure Investments TNT (US) LLC | Level 7 One Bartholomew Close, Barts Square, London, United Kingdom, EC1A 7BL | 100% | – | N/A[2] | N/A[2] | N/A[2] |
| Integrated Bradford Hold Co Two Limited | 3rd Floor 3 – 5 Charlotte Street, Manchester, England, M1 4HB | 62% | 62% | N/A[2] | N/A[2] | N/A[2] |
| Integrated Bradford Holdco One Limited | 3rd Floor 3 – 5 Charlotte Street, Manchester, England, M1 4HB | 48% | 48% | N/A[2] | N/A[2] | N/A[2] |
| Integrated Bradford SPV One Limited | 3rd Floor 3 – 5 Charlotte Street, Manchester, England, M1 4HB | 48% | 48% | N/A[2] | N/A[2] | N/A[2] |
| Integrated Bradford SPV Two Limited | 3rd Floor 3 – 5 Charlotte Street, Manchester, England, M1 4HB | 62% | 62% | N/A[2] | N/A[2] | N/A[2] |
| Ivywood College Holdings Limited | 7 Queens Road, Belfast, United Kingdom, BT3 9DT | 75% | 75% | N/A[2] | N/A[2] | N/A[2] |
| Ivywood College Limited | 7 Queens Road, Belfast, United Kingdom, BT3 9DT | 75% | 75% | N/A[2] | N/A[2] | N/A[2] |
| Ivywood Colleges Parking Limited | 7 Queens Road, Belfast, United Kingdom, BT3 9DT | 75% | 75% | N/A[2] | N/A[2] | N/A[2] |

| Entity | Registered address | Shareholding 31-Mar-23 | Shareholding 31-Mar-22 | Year end | Profit/ (Loss) £m | Aggregate Capital & Reserves £m |
|---|---|---|---|---|---|---|
| IXAS Zuid-Oost B.V (Incorporated in Holland) | Langbroekdreef 18, 1108 EB, Amsterdam | 25% | 25% | N/A[2] | N/A[2] | N/A[2] |
| Kajima Darlington Schools Holding Limited | 10 St. Giles Square, London, United Kingdom, WC2H 8AP | 50% | 50% | N/A[2] | N/A[2] | N/A[2] |
| Kajima Darlington Schools Limited | 10 St. Giles Square, London, United Kingdom, WC2H 8AP | 50% | 50% | N/A[2] | N/A[2] | N/A[2] |
| Kajima Haverstock Holding Limited | 10 St. Giles Square, London, United Kingdom, WC2H 8AP | 50% | 50% | N/A[2] | N/A[2] | N/A[2] |
| Kajima Haverstock Limited | 10 St. Giles Square, London, United Kingdom, WC2H 8AP | 50% | 50% | N/A[2] | N/A[2] | N/A[2] |
| Kajima Newcastle Libraries Holdings Limited | 10 St. Giles Square, London, United Kingdom, WC2H 8AP | 50% | 50% | N/A[2] | N/A[2] | N/A[2] |
| Kajima Newcastle Libraries Limited | 10 St. Giles Square, London, United Kingdom, WC2H 8AP | 50% | 50% | N/A[2] | N/A[2] | N/A[2] |
| Kajima North Tyneside Holdings Limited | 10 St. Giles Square, London, United Kingdom, WC2H 8AP | 50% | 50% | N/A[2] | N/A[2] | N/A[2] |
| Kajima North Tyneside Limited | 10 St. Giles Square, London, United Kingdom, WC2H 8AP | 50% | 50% | N/A[2] | N/A[2] | N/A[2] |
| Kent Education Partnership (Holdings) Limited | Part First Floor, 1 Grenfell Road, Maidenhead, Berkshire, United Kingdom, SL6 1HN | 50% | 50% | N/A[2] | N/A[2] | N/A[2] |
| Kent Education Partnership Limited | Part First Floor, 1 Grenfell Road, Maidenhead, Berkshire, United Kingdom, SL6 1HN | 50% | 50% | N/A[2] | N/A[2] | N/A[2] |
| Kluster (Incorporated in France) | 1 avenue Eugène Freyssinet, 78280 Guyancourt, France | 85% | 85% | N/A[2] | N/A[2] | N/A[2] |
| Liaison Infrastructure Routiere Investissement (Incorporated in France) | 91, Rue du Faubourg Saint-Honore, 75008 Paris | 100% | 100% | N/A[2] | N/A[2] | N/A[2] |
| Mahi Tahi Towers Investment Pty Limited | 15 Customs Street West, Auckland Central, Auckland, 1010, New Zealand | 100% | – | N/A[2] | N/A[2] | N/A[2] |
| Mahi Tahi Towers Limited | 15 Customs Street West, Auckland Central, Auckland, 1010, New Zealand | 40% | – | N/A[2] | N/A[2] | N/A[2] |
| Manchester Housing (MP Equity) Limited | Level 7 One Bartholomew Close, Barts Square, London, United Kingdom, EC1A 7BL | 100% | 100% | N/A[2] | N/A[2] | N/A[2] |
| Manchester Housing (MP Subdebt) Limited | Level 7 One Bartholomew Close, Barts Square, London, United Kingdom, EC1A 7BL | 100% | 100% | N/A[2] | N/A[2] | N/A[2] |
| Manchester Housing (MP TopCo) Limited | Level 7 One Bartholomew Close, Barts Square, London, United Kingdom, EC1A 7BL | 100% | 100% | N/A[2] | N/A[2] | N/A[2] |
| Manchester School Services Holdings Limited | Cannon Place, 78 Cannon Street, London, United Kingdom, EC4N 6AF | 76% | 76% | N/A[2] | N/A[2] | N/A[2] |
| Manchester School Services Limited | Cannon Place, 78 Cannon Street, London, United Kingdom, EC4N 6AF | 76% | 76% | N/A[2] | N/A[2] | N/A[2] |
| Medway Community Estates Limited (Medway LiftCO) | 55 Station Road, Beaconsfield, Buckinghamshire, United Kingdom, HP9 1QL | 60% | 60% | N/A[2] | N/A[2] | N/A[2] |

**Notes to the financial statements continued**
**For the year ended 31 March 2023**

## 21. Related undertakings continued

| | | Shareholding | | | | |
|---|---|---|---|---|---|---|
| **Entity**[3] | **Registered address** | **31-Mar-23** | **31-Mar-22** | **Year end** | **Profit/ (Loss) £m** | **Aggregate Capital & Reserves £m** |
| Medway Fundco Limited | 55 Station Road, Beaconsfield, Buckinghamshire, United Kingdom, HP9 1QL | 60% | 60% | N/A[2] | N/A[2] | N/A[2] |
| Medway Fundco Two Limited | 55 Station Road, Beaconsfield, Buckinghamshire, United Kingdom, HP9 1QL | 60% | 60% | N/A[2] | N/A[2] | N/A[2] |
| Metier Healthcare Limited | 4 Estates Yard, Wellhouse Lane, Barnet, Hertfordshire, United Kingdom, EN5 3DG | 100% | 100% | N/A[2] | N/A[2] | N/A[2] |
| Metier Holdings Limited | 4 Estates Yard, Wellhouse Lane, Barnet, Hertfordshire, United Kingdom, EN5 3DG | 100% | 100% | N/A[2] | N/A[2] | N/A[2] |
| New Intermediate Care Limited | Level 7 One Bartholomew Close, Barts Square, London, United Kingdom, EC1A 7BL | 100% | 100% | N/A[2] | N/A[2] | N/A[2] |
| New Schools Investment Company Limited | Level 7 One Bartholomew Close, Barts Square, London, United Kingdom, EC1A 7BL | 100% | 100% | N/A[2] | N/A[2] | N/A[2] |
| Newham Learning Partnership (Hold Co) Limited | Third Floor Broad Quay House, Prince Street, Bristol, United Kingdom, BS1 4DJ | 80% | 80% | N/A[2] | N/A[2] | N/A[2] |
| Newham Learning Partnership (Project Co) Limited | Third Floor Broad Quay House, Prince Street, Bristol, United Kingdom, BS1 4DJ | 80% | 80% | N/A[2] | N/A[2] | N/A[2] |
| Newham Learning Partnership (PSP) Limited | Level 7 One Bartholomew Close, Barts Square, London, United Kingdom, EC1A 7BL | 100% | 100% | N/A[2] | N/A[2] | N/A[2] |
| Newham Transformation Partnership Limited | Third Floor Broad Quay House, Prince Street, Bristol, United Kingdom, BS1 4DJ | 80% | 80% | N/A[2] | N/A[2] | N/A[2] |
| Newport School Solutions Limited | Cannon Place, 78 Cannon Street, London, England, EC4N 6AF | 100% | 100% | N/A[2] | N/A[2] | N/A[2] |
| Newport Schools Solutions (Holdings) Limited | Cannon Place, 78 Cannon Street, London, England, EC4N 6AF | 100% | 100% | N/A[2] | N/A[2] | N/A[2] |
| Newton Abbot Health Holdings Limited | Unit 18 Riversway Business Village Navigation Way, Ashton-on-Ribble, Preston, United Kingdom, PR2 2YP | 100% | 100% | N/A[2] | N/A[2] | N/A[2] |
| Newton Abbot Health Limited | Unit 18 Riversway Business Village Navigation Way, Ashton-on-Ribble, Preston, United Kingdom, PR2 2YP | 100% | 100% | N/A[2] | N/A[2] | N/A[2] |
| Nordie Limited | Level 7 One Bartholomew Close, Barts Square, London, United Kingdom, EC1A 7BL | 39% | – | N/A[2] | N/A[2] | N/A[2] |
| Nordie 2 Limited | 75008 PARIS 8 | 100% | – | N/A[2] | N/A[2] | N/A[2] |
| Northwest Connect General Partnership (Incorporated in Canada) | 10060 Jasper Avenue, Suite 1201, Edmonton, AB T5J 4E5, Canada | 50% | 50% | 31 Dec 22 | 7.8 | 43.9 |
| Northwest Connect Holdings Inc. (Incorporated in Canada) | 10060 Jasper Avenue, Suite 1201, Edmonton, AB T5J 4E5, Canada | 50% | 50% | N/A[2] | N/A[2] | N/A[2] |

3 Minerva Education and Training (Holdings) Limited and Minerva Education and Training Limited located at C/O Albany Spc Services Limited 3rd Floor, 3-5 Charlotte Street, Manchester, England, M1 4HB, 45% shareholding (2022: 45%). Refer also to footnote 2

| Entity | Registered address | Shareholding 31-Mar-23 | Shareholding 31-Mar-22 | Year end | Profit/ (Loss) £m | Aggregate Capital & Reserves £m |
|---|---|---|---|---|---|---|
| Northwest Connect Inc. (Incorporated in Canada) | 10060 Jasper Avenue, Suite 1201, Edmonton, AB T5J 4E5, Canada | 50% | 50% | N/A[2] | N/A[2] | N/A[2] |
| Northwest Connect Investment Inc. (Incorporated in Canada) | 10060 Jasper Avenue, Suite 1201, Edmonton, AB T5J 4E5, Canada | 50% | 50% | N/A[2] | N/A[2] | N/A[2] |
| Northwest Parkway LLC | 701 Northwest Parkway, Broomfield, CO 80023, USA | 33% | 33% | N/A[2] | N/A[2] | N/A[2] |
| NWP Holdco LLC | 701 Northwest Parkway, Broomfield, CO 80023, USA | 33% | 33% | N/A[2] | N/A[2] | N/A[2] |
| Ochre Solutions (Holdings) Limited | Third Floor Broad Quay House, Prince Street, Bristol, United Kingdom, BS1 4DJ | 40% | 40% | N/A[2] | N/A[2] | N/A[2] |
| Ochre Solutions Limited | Third Floor Broad Quay House, Prince Street, Bristol, United Kingdom, BS1 4DJ | 40% | 40% | N/A[2] | N/A[2] | N/A[2] |
| Paradigm (Sheffield BSF) Holdings Limited | Third Floor Broad Quay House, Prince Street, Bristol, United Kingdom, BS1 4DJ | 59% | 59% | N/A[2] | N/A[2] | N/A[2] |
| Paradigm (Sheffield BSF) Limited | Third Floor Broad Quay House, Prince Street, Bristol, United Kingdom, BS1 4DJ | 59% | 59% | N/A[2] | N/A[2] | N/A[2] |
| PFF (Dorset) Limited | Unit 18 Riversway Business Village Navigation Way, Ashton-on-Ribble, Preston, United Kingdom, PR2 2YP | 100% | 100% | N/A[2] | N/A[2] | N/A[2] |
| Pi2 B.V (Incorporated in Holland) | Ringwade 71, 3439 LM Nieuwegein, Netherlands | 100% | 100% | N/A[2] | N/A[2] | N/A[2] |
| Pi2 Holding B.V (Incorporated in Holland) | Ringwade 71, 3439 LM Nieuwegein, Netherlands | 100% | 100% | N/A[2] | N/A[2] | N/A[2] |
| PIP Infrastructure Investments (Southmead) Ltd | C/O Foresight Group Llp The Shard, 32 London Bridge Street, London, United Kingdom, SE1 9SG | 25% | 25% | N/A[2] | N/A[2] | N/A[2] |
| Platon-Saclay | 1 Avenue Eugène Freyssinet, 78280 Guyancourt, France | 85% | 85% | N/A[2] | N/A[2] | N/A[2] |
| PPP Services (North Ayrshire) Holdings Limited | Infrastructure Managers Limited, 2nd Floor, 11 Thistle Street, Edinburgh, EH2 1DF | 26% | 26% | N/A[2] | N/A[2] | N/A[2] |
| PPP Services (North Ayrshire) Limited | Infrastructure Managers Limited, 2nd Floor, 11 Thistle Street, Edinburgh, EH2 1DF | 26% | 26% | N/A[2] | N/A[2] | N/A[2] |
| Prima 200 Fundco No 1 Limited | 5 The Triangle, Wildwood Drive, Worcester, Worcestershire, United Kingdom, WR5 2QX | 60% | 60% | N/A[2] | N/A[2] | N/A[2] |
| Prima 200 Fundco No 2 Limited | 5 The Triangle, Wildwood Drive, Worcester, Worcestershire, United Kingdom, WR5 2QX | 60% | 60% | N/A[2] | N/A[2] | N/A[2] |
| Prima 200 Fundco No 3 Limited | 5 The Triangle, Wildwood Drive, Worcester, Worcestershire, United Kingdom, WR5 2QX | 60% | 60% | N/A[2] | N/A[2] | N/A[2] |

**Notes to the financial statements continued**
**For the year ended 31 March 2023**

## 21. Related undertakings continued

| Entity | Registered address | Shareholding 31-Mar-23 | Shareholding 31-Mar-22 | Year end | Profit/(Loss) £m | Aggregate Capital & Reserves £m |
|---|---|---|---|---|---|---|
| Prima 200 Limited | 5 The Triangle, Wildwood Drive, Worcester, Worcestershire, United Kingdom, WR5 2QX | 60% | 60% | N/A[2] | N/A[2] | N/A[2] |
| Prime Infrastructure Investments Limited | 5 The Triangle, Wildwood Drive, Worcester, Worcestershire, United Kingdom, WR5 2QX | 100% | 100% | N/A[2] | N/A[2] | N/A[2] |
| Prime LIFT Investments | 5 The Triangle, Wildwood Drive, Worcester, Worcestershire, United Kingdom, WR5 2QX | 100% | 100% | N/A[2] | N/A[2] | N/A[2] |
| Prisma 21 (Incorporated in France) | 1 avenue Eugène Freyssinet, 78280 Guyancourt, France | 85% | 85% | N/A[2] | N/A[2] | N/A[2] |
| Prospect Healthcare (Hinchingbrooke) Holdings Limited | 8 White Oak Square, London Road, Swanley, Kent, United Kingdom, BR8 7AG | 75% | 75% | N/A[2] | N/A[2] | N/A[2] |
| Prospect Healthcare (Hinchingbrooke) Limited | 8 White Oak Square, London Road, Swanley, Kent, United Kingdom, BR8 7AG | 75% | 75% | N/A[2] | N/A[2] | N/A[2] |
| Ravensbourne Health Services Holdings Limited | Cannon Place, 78 Cannon Street, London, United Kingdom, EC4N 6AF | 100% | 100% | N/A[2] | N/A[2] | N/A[2] |
| Ravensbourne Health Services Limited | Cannon Place, 78 Cannon Street, London, United Kingdom, EC4N 6AF | 100% | 100% | N/A[2] | N/A[2] | N/A[2] |
| RBLH Limited | Level 7 One Bartholomew Close, Barts Square, London, United Kingdom, EC1A 7BL | 100% | 100% | N/A[2] | N/A[2] | N/A[2] |
| RBLH Medway Investment Company Limited | Level 7 One Bartholomew Close, Barts Square, London, United Kingdom, EC1A 7BL | 100% | 100% | N/A[2] | N/A[2] | N/A[2] |
| RBLH RWF Investment Company Limited | Level 7 One Bartholomew Close, Barts Square, London, United Kingdom, EC1A 7BL | 100% | 100% | N/A[2] | N/A[2] | N/A[2] |
| Redwood Partnership Ventures 2 Limited | 10 St. Giles Square, London, United Kingdom, WC2H 8AP | 75% | 75% | N/A[2] | N/A[2] | N/A[2] |
| Redwood Partnership Ventures 3 Limited | 10 St. Giles Square, London, United Kingdom, WC2H 8AP | 90% | 90% | N/A[2] | N/A[2] | N/A[2] |
| Redwood Partnership Ventures Limited | 10 St. Giles Square, London, United Kingdom, WC2H 8AP | 50% | 50% | N/A[2] | N/A[2] | N/A[2] |
| Renaissance Miles Platting Holding Company Limited | 3rd Floor Suite 6c, Sevendale House, 5-7 Dale Street, Manchester, United Kingdom, M1 1JB | 50% | 50% | N/A[2] | N/A[2] | N/A[2] |
| Renaissance Miles Platting Limited | 3rd Floor Suite 6c, Sevendale House, 5-7 Dale Street, Manchester, United Kingdom, M1 1JB | 50% | 50% | N/A[2] | N/A[2] | N/A[2] |
| RL Investment Limited | Level 7 One Bartholomew Close, Barts Square, London, United Kingdom, EC1A 7BL | 100% | 100% | N/A[2] | N/A[2] | N/A[2] |
| Road Infrastructure (Ireland) Limited | Level 7 One Bartholomew Close, Barts Square, London, United Kingdom, EC1A 7BL | 100% | 100% | 31 Mar 22 | 6.0 | 73.6 |

| Entity | Registered address | Shareholding 31-Mar-23 | Shareholding 31-Mar-22 | Year end | Profit/ (Loss) £m | Aggregate Capital & Reserves £m |
|---|---|---|---|---|---|---|
| Road Management Consolidated PLC | Cannon Place, 78 Cannon Street, London, EC4N 6AF | 58% | 58% | N/A[2] | N/A[2] | N/A[2] |
| Road Management Group Limited | Cannon Place, 78 Cannon Street, London, EC4N 6AF | 58% | 58% | 31 Dec 21 | (4.3) | 91.5 |
| Road Management Limited | Cannon Place, 78 Cannon Street, London, EC4N 6AF | 58% | 58% | N/A[2] | N/A[2] | N/A[2] |
| Road Management Services (Gloucester) Limited | Cannon Place, 78 Cannon Street, London, EC4N 6AF | 58% | 58% | 31 Dec 21 | (1.7) | 50.2 |
| Road Management Services (Peterborough) Limited | Cannon Place, 78 Cannon Street, London, EC4N 6AF | 58% | 58% | 31 Dec 21 | (4.8) | 41.4 |
| RSP (Holdings) Limited | Precision House, Mcneil Drive, Motherwell, United Kingdom, ML1 4UR | 30% | 30% | N/A[2] | N/A[2] | N/A[2] |
| RWF Health and Community Developers (Tranche 1) Limited | 55 Station Road, Beaconsfield, Buckinghamshire, United Kingdom, HP9 1QL | 60% | 60% | N/A[2] | N/A[2] | N/A[2] |
| RWF Health and Community Developers Limited | 55 Station Road, Beaconsfield, Buckinghamshire, United Kingdom, HP9 1QL | 60% | 60% | N/A[2] | N/A[2] | N/A[2] |
| S&W (Hold Co Two) Limited | Suite 6c, 3rd Floor Sevendale House, 5-7 Dale Street, Manchester, England, M1 1JB | 80% | 80% | N/A[2] | N/A[2] | N/A[2] |
| S&W (Hold Co) One Limited | Suite 6c, 3rd Floor Sevendale House, 5-7 Dale Street, Manchester, England, M1 1JB | 80% | 80% | N/A[2] | N/A[2] | N/A[2] |
| S&W TLP (Project Co One) Limited | Suite 6c, 3rd Floor Sevendale House, 5-7 Dale Street, Manchester, England, M1 1JB | 80% | 80% | N/A[2] | N/A[2] | N/A[2] |
| S&W TLP (Project Co Two) Limited | Suite 6c, 3rd Floor Sevendale House, 5-7 Dale Street, Manchester, England, M1 1JB | 80% | 80% | N/A[2] | N/A[2] | N/A[2] |
| S&W TLP (PSP One) Limited | Level 7 One Bartholomew Close, Barts Square, London, United Kingdom, EC1A 7BL | 80% | 80% | N/A[2] | N/A[2] | N/A[2] |
| S&W TLP (PSP Three) Limited | Level 7 One Bartholomew Close, Barts Square, London, United Kingdom, EC1A 7BL | 80% | 80% | N/A[2] | N/A[2] | N/A[2] |
| S&W TLP (PSP Two) Limited | Level 7 One Bartholomew Close, Barts Square, London, United Kingdom, EC1A 7BL | 80% | 80% | N/A[2] | N/A[2] | N/A[2] |
| S&W TLP Education Partnership Limited | Suite 6c, 3rd Floor Sevendale House, 5-7 Dale Street, Manchester, England, M1 1JB | 80% | 80% | N/A[2] | N/A[2] | N/A[2] |
| Salford Schools Solutions HoldCo Limited | 3rd Floor Suite 6c, Sevendale House, 5-7 Dale Street, Manchester, United Kingdom, M1 1JB | 26% | 26% | N/A[2] | N/A[2] | N/A[2] |
| Salford Schools Solutions Limited | Suite 6c, 3rd Floor Sevendale House, 5-7 Dale Street, Manchester, England, M1 1JB | 26% | 26% | N/A[2] | N/A[2] | N/A[2] |

## Notes to the financial statements continued
## For the year ended 31 March 2023

## 21. Related undertakings continued

| Entity | Registered address | Shareholding 31-Mar-23 | Shareholding 31-Mar-22 | Year end | Profit/ (Loss) £m | Aggregate Capital & Reserves £m |
|---|---|---|---|---|---|---|
| Schools Capital Ltd | Cannon Place, 78 Cannon Street, London, United Kingdom, EC4N 6AF | 51% | 51% | N/A[2] | N/A[2] | N/A[2] |
| Schools Investment Company (Irl) Limited | Level 7 One Bartholomew Close, Barts Square, London, United Kingdom, EC1A 7BL | 100% | 100% | N/A[2] | N/A[2] | N/A[2] |
| Schools Public / Private Partnership (Ireland) Limited | Suite 54, Morrison Chambers, 32 Nassau Street, Dublin 2, Ireland | 50% | 50% | N/A[2] | N/A[2] | N/A[2] |
| Services Support (Cleveland) Holdings Limited | 8 White Oak Square, London Road, Swanley, Kent, United Kingdom, BR8 7AG | 100% | 100% | N/A[2] | N/A[2] | N/A[2] |
| Services Support (Cleveland) Limited | 8 White Oak Square, London Road, Swanley, Kent, United Kingdom, BR8 7AG | 100% | 100% | N/A[2] | N/A[2] | N/A[2] |
| Services Support (Gravesend) Holdings Limited | 8 White Oak Square, London Road, Swanley, Kent, United Kingdom, BR8 7AG | 73% | 73% | N/A[2] | N/A[2] | N/A[2] |
| Services Support (Gravesend) Limited | 8 White Oak Square, London Road, Swanley, Kent, United Kingdom, BR8 7AG | 73% | 73% | N/A[2] | N/A[2] | N/A[2] |
| Services Support (Manchester) Holdings Limited | 8 White Oak Square, London Road, Swanley, Kent, United Kingdom, BR8 7AG | 73% | 73% | N/A[2] | N/A[2] | N/A[2] |
| Services Support (Manchester) Limited | 8 White Oak Square, London Road, Swanley, Kent, BR8 7AG | 73% | 73% | N/A[2] | N/A[2] | N/A[2] |
| Sheffield Limited Education Partnership Limited (LEP) | Unit 18 Riversway Business Village Navigation Way, Ashton-on-Ribble, Preston, United Kingdom, PR2 2YP | 50% | 50% | N/A[2] | N/A[2] | N/A[2] |
| Sheffield Schools Topco Limited | 10 St. Giles Square, London, United Kingdom, WC2H 8AP | 75% | 75% | N/A[2] | N/A[2] | N/A[2] |
| Sheppey Route (Holdings) Limited | Cannon Place, 78 Cannon Street, London, United Kingdom, EC4N | 50% | 50% | N/A[2] | N/A[2] | N/A[2] |
| Sheppey Route Limited | Cannon Place, 78 Cannon Street, London, United Kingdom, EC4N 6AF | 50% | 50% | N/A[2] | N/A[2] | N/A[2] |
| Sussex Custodial Services (Holdings) Limited | Unit 18 Riversway Business Village Navigation Way, Ashton-on-Ribble, Preston, United Kingdom, PR2 2YP | 100% | 100% | N/A[2] | N/A[2] | N/A[2] |
| Sussex Custodial Services Limited | Unit 18 Riversway Business Village Navigation Way, Ashton-on-Ribble, Preston, United Kingdom, PR2 2YP | 100% | 100% | N/A[2] | N/A[2] | N/A[2] |
| The Hospital Company (Oxford John Radcliffe) Holdings Limited | Unit 18 Riversway Business Village, Navigation Way, Ashton-On-Ribble, Preston, England, PR2 2YP | 100% | 100% | N/A[2] | N/A[2] | N/A[2] |
| The Hospital Company (Oxford John Radcliffe) Limited | Unit 18 Riversway Business Village, Navigation Way, Ashton-On-Ribble, Preston, England, PR2 2YP | 100% | 100% | 31 Dec 21 | 3.0 | (82.5) |
| The Hospital Company (Southmead) Limited | 8 White Oak Square, London Road, Swanley, England, BR8 7AG | 63% | 63% | 31 Dec 21 | 0.7 | (108.7) |
| The Hospital Company (Southmead) Holdings Limited | 8 White Oak Square, London Road, Swanley, Kent, United Kingdom, BR8 7AG | 63% | 63% | N/A[2] | N/A[2] | N/A[2] |

| Entity | Registered address | Shareholding 31-Mar-23 | Shareholding 31-Mar-22 | Year end | Profit/ (Loss) £m | Aggregate Capital & Reserves £m |
|---|---|---|---|---|---|---|
| The Renfrewshire Schools Partnership Limited | Precision House, Mcneil Drive, Motherwell, United Kingdom, ML1 4UR | 30% | 30% | N/A[2] | N/A[2] | N/A[2] |
| Transpark Highway Finance Inc. (Incorporated in Canada) | 2800 Park Place, 666 Burrard Street, Vancouver BC V6C 2Z7, Canada | 50% | 50% | N/A[2] | N/A[2] | N/A[2] |
| Transpark Highway General Partnership (Incorporated in Canada) | 2800 Park Place, 666 Burrard Street, Vancouver BC V6C 2Z7, Canada | 50% | 50% | N/A[2] | N/A[2] | N/A[2] |
| Transpark Highway Holdings Inc. (Incorporated in Canada) | 2800 Park Place, 666 Burrard Street, Vancouver BC V6C 2Z7, Canada | 50% | 50% | N/A[2] | N/A[2] | N/A[2] |
| Transpark Highway Inc. (Incorporated in Canada) | 2800 Park Place, 666 Burrard Street, Vancouver BC V6C 2Z7, Canada | 50% | 50% | N/A[2] | N/A[2] | N/A[2] |
| Transpark Highway Investment Inc. (Incorporated in Canada) | 2800 Park Place, 666 Burrard Street, Vancouver BC V6C 2Z7, Canada | 50% | 50% | N/A[2] | N/A[2] | N/A[2] |
| TW Accommodation Limited | Cannon Place, 78 Cannon Street, London, United Kingdom, EC4N 6AF | 100% | 100% | N/A[2] | N/A[2] | N/A[2] |
| TW Accommodation Services (Holdings) Limited | Cannon Place, 78 Cannon Street, London, United Kingdom, EC4N 6AF | 100% | 100% | N/A[2] | N/A[2] | N/A[2] |
| UK GDN Investments Holdco Ltd | Level 7 One Bartholomew Close, Barts Square, London, United Kingdom, EC1A 7BL | 100% | 100% | N/A[2] | N/A[2] | N/A[2] |
| UK GDN Investments Ltd | Level 7 One Bartholomew Close, Barts Square, London, United Kingdom, EC1A 7BL | 100% | 100% | N/A[2] | N/A[2] | N/A[2] |
| UK GDN Investments Topco Ltd | Level 7 One Bartholomew Close, Barts Square, London, United Kingdom, EC1A 7BL | 100% | 100% | N/A[2] | N/A[2] | N/A[2] |
| Via Erste Beteiligungsgesellschaft mbH | Franz-Ehrlich-Str. 5 12489, Berlin, Germany | 100% | – | N/A[2] | N/A[2] | N/A[2] |
| Via Muehlhausen GmbH & Co KG | Vor dem Riedtor 7, 99998 Mühlhausen, Germany | 50% | – | N/A[2] | N/A[2] | N/A[2] |
| Willcare (MIM) Limited | 128 Buckingham Palace Road, London, United Kingdom, SW1W 9SA | 100% | 100% | N/A[2] | N/A[2] | N/A[2] |
| Willcare Holdings Limited | 128 Buckingham Palace Road, London, United Kingdom, SW1W 9SA | 100% | 100% | N/A[2] | N/A[2] | N/A[2] |
| Wooldale Partnerships Holdings Limited | 10 St. Giles Square, London, United Kingdom, WC2H 8AP | 50% | 50% | N/A[2] | N/A[2] | N/A[2] |
| Wooldale Partnerships Limited | 10 St. Giles Square, London, United Kingdom, WC2H 8AP | 50% | 50% | N/A[2] | N/A[2] | N/A[2] |
| Yorker Holdings PKR Limited | Level 7 One Bartholomew Close, Barts Square, London, United Kingdom, EC1A 7BL | 100% | 100% | N/A[2] | N/A[2] | N/A[2] |
| Zealburg Holdings Limited | Level 7 One Bartholomew Close, Barts Square, London, United Kingdom, EC1A 7BL | 100% | 100% | N/A[2] | N/A[2] | N/A[2] |

1 Denotes a direct shareholding
2 In line with the Companies Act requirements, no disclosure has been made where capital and reserves and profit or loss are not considered to be material

# Appendix 1

## SFDR Principal Adverse Impact ("PAI") Disclosures

The indicators set out below outline HICL's non-financial impact of its investments in accordance with Article 7 of the SFDR. The Company has reported in line with all 14 mandatory PAIs and seven voluntary PAIs to provide a high level of transparency as to HICL's ESG performance and to enable HICL's shareholders to meet their own regulatory and voluntary reporting requirements.

The sustainability report outlines the actions already taken as well as actions planned in order for HICL to improve performance against these PAIs. To read about those specific metrics and targets, please see page 71.

All PAIs have been calculated in accordance with the requirements of Annex 1 of the SFDR Regulatory Technical Standards (RTS) and as indicated in the notes below.

### Mandatory indicators

| Adverse sustainability indicator | | Metric | Unit | Metric as at 31 December 2022 | Portfolio Coverage |
|---|---|---|---|---|---|
| **Greenhouse gas emissions**[1] | 1. GHG emissions | Scope 1 GHG emissions | $tCO_2e$ | **37,896** | 100% |
| | | Scope 2 GHG emissions | $tCO_2e$ | **26,007** | 100% |
| | | Scope 3 GHG emissions | $tCO_2e$ | **82,212** | 100% |
| | | Total GHG emissions | $tCO_2e$ | **146,115** | 100% |
| | 2. Carbon footprint | Carbon footprint | $tCO_2$ e/£m invested | **37** | 100% |
| | 3. GHG intensity of investee companies | GHG intensity of investee companies | $tCO_2$ e/£m revenue | **469** | 100% |
| | 4. Exposure to companies active in the fossil fuel sector | Share of investments in companies active in the fossil fuel sector | % | **0** | 100% |
| | 5. Share of non-renewable energy consumption and production[2] | Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources | % | **92** | 99% |
| | 6. Energy consumption intensity per high impact climate sector[3] | Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector | GWh/£m | **4.86** | 100% |
| **Biodiversity** | 7. Activities negatively affecting biodiversity-sensitive areas | Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas | % | **0** | 93% |
| **Water** | 8. Emissions to water | Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average | Tonnes/£m | **0** | 91% |
| **Waste** | 9. Hazardous waste and radioactive waste ratio[4] | Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average | Tonnes/£m | **108** | 89% |

| Adverse sustainability indicator | | Metric | Unit | Metric as at 31 December 2022 | Portfolio Coverage |
|---|---|---|---|---|---|
| **Social and employee matters** | 10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises | Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises | % | **0** | 90% |
| | 11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises | Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance/complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises | % | **18** | 88% |
| | 12. Unadjusted gender pay gap[5] | Average unadjusted gender pay gap of investee companies | % | **20** | 23% |
| | 13. Board gender diversity[6] | Average ratio of female to male board members in investee companies, expressed as a percentage of all board members | % | **27** | 90% |
| | 14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons) | Share of investments in investee companies involved in the manufacture or selling of controversial weapons | % | **0** | 100% |

## Appendix 1 continued

## Voluntary climate and other environment-related indicators

| Adverse sustainability indicator | | Metric | Unit | Metric as at 31 December 2022 | Portfolio Coverage |
|---|---|---|---|---|---|
| **Greenhouse gas emissions** | 4. Investments in companies without carbon emission reduction initiatives | Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement | % | **17%**[7] | 90% |
| **Water, waste and material emissions** | 7. Investments in companies without water management policies | Share of investments in investee companies without water management policies | % | **15%**[8] | 91% |

## Voluntary indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters

| Adverse sustainability indicator | | Metric | Unit | Metric as at 31 December 2022 | Portfolio Coverage |
|---|---|---|---|---|---|
| **Social and employee matters** | 1. Investments in companies without workplace accident prevention policies | Share of investments in investee companies without a workplace accident prevention policy | % | **0** | 93% |
| | 3. Number of days lost to injuries, accidents, fatalities or illness | Number of workdays lost to injuries, accidents, fatalities or illness of investee companies expressed as a weighted average | Number of days | **0.38** | 117 projects |
| | 6. Insufficient whistleblower protection | Share of investments in entities without policies on the protection of whistleblowers | % | **12** | 93% |
| **Human rights** | 11. Lack of processes and measures for preventing trafficking in human beings | Share of investments in investee companies without policies against trafficking in human beings | % | **16** | 93% |
| **Anti-corruption and anti-bribery** | 15. Lack of anti-corruption and anti-bribery policies | Share of investments in entities without policies on anti-corruption and anti-bribery consistent with the United Nations Convention against Corruption | % | **0** | 93% |

1 Calculated using valuation information as at 31 March 2023
2 Calculated as the average of each investee company's share of non-renewable energy as a proportion of its total energy consumption
3 As per our interpretation of the material sectors based on NACE code categories A-H and J-L, the following sectors would be considered as high-impact climate sectors: road, rail, power transmission and water treatment
4 Calculated as the weighted average based on investment value to date
5 Only six assets within the portfolio have direct employees. Of those assets, Affinity Water is the only asset which has more than 250 employees and hence is required to measure and report gender pay gap
6 Calculated as the average of each investee company's board gender diversity
7 Share of investments calculated by valuation as at 31 March 2023
8 Share of investments calculated by valuation as at 31 March 2023
9 Share of investments calculated by valuation as at 31 March 2023
10 Share of investments calculated by valuation as at 31 March 2023. For the purposes of this metric we have assessed whether a project undertakes training and audit procedures in respect to the Modern Slavery Act or equivalent

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

**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.

# Environmental and/or social characteristics

| Did this financial product have a sustainable investment objective? | |
|---|---|
| ☐ **Yes** | ☒ **No** |
| ☐ It made **sustainable investments with an environmental objective:** ___% | ☐ It **promoted Environmental/Social (E/S) characteristics** and while it did not have as its objective a sustainable investment, it had a proportion of ___% of sustainable investments |
| ☐ in economic activities that qualify as environmentally sustainable under the EU Taxonomy | ☐ 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 | ☐ with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy |
| | ☐ with a social objective |
| ☐ It made **sustainable investments with a social objective:** ___% | ☒ It promoted E/S characteristics, but **did not make any sustainable investments** |

**To what extent were the environmental and/or social characteristics promoted by this financial product met?**

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 the E/S Characteristics. The Company's E/S Characteristics were met by focusing on the following sustainability themes:

- Strong Social Foundation, through investments in health, education, law & order, and accommodation;

## Appendix 1 continued

- 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").

HICL's Manager, InfraRed Capital Partners, ("**The Investment Manager**", "**The Manager**" or "**InfraRed**") ensured that, through the reporting period, HICL:

- invested in assets with a social purpose and proactively engaged with its stakeholders to improve sustainability outcomes across the portfolio;

- promoted environmental initiatives for the benefit of current and future generations;

- made a positive overall impact on the communities in which our assets are located; and

- through all of the above, aligned the interests of stakeholder groups of HICL's investments which typically have long asset lives.

***How did the sustainability indicators perform?***

InfraRed used 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 polices and performance, assessment of human rights and diversity and inclusion policies

(together, the "Sustainability Indicators").

Information regarding the performance of HICL's investments against all sustainability indicators besides Scope 1, 2 and 3 Emissions is provided in the table on page 146 of this Annual Report. Information regarding the Company's investments' performance against Scope 1, 2 and 3 Emissions is provided in the table on page 71 of this Annual Report.

***…and compared to previous periods?***

*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.*

A comparison to the previous period's results can be found in the tables contained in pages 71 and 72 of this Annual Report. Please note that the prior GHG emissions data referred to 2019.

- ***What were the objectives of the sustainable investments that the financial product partially made and how did the sustainable investment contribute to such objectives?***

N/A

- ***How did the sustainable investments that the financial product partially made not cause significant harm to any environmental or social sustainable investment objective?***

N/A

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

N/A

*Were 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.

## Appendix 1 continued

### How did this financial product consider principal adverse impacts on sustainability factors?

Prior to acquisition of an investment, the Investment Manager considers performance against the mandatory principal adverse impact indicators in Table 1 Annex 1 of the SFDR RTS, to the extent that relevant data is available from each potential investee company. Post-acquisition, the Manager ensured assessment of the mandatory principal adverse impacts on an ongoing basis through an annual ESG Survey which portfolio companies are asked to complete, the results of which are published in HICL's Sustainability Report each year. Information regarding InfraRed's consideration of the principal adverse impacts in respect of HICL's investments is provided in HICL's Sustainability Report.

### What were the top investments of this financial product?

The information shown in the table below has also been provided on page 26 of this Annual Report.

The list includes the investments constituting **the greatest proportion of investments** of the financial product during the reference period which is: **1 January to 31 December 2022**

| Largest investments | Sector | % Assets | Country |
|---|---|---|---|
| *Affinity Water* | *Water & Electricity* | *7%* | *UK* |
| *A63 Motorway* | *Transport* | *6%* | *France* |
| *Northwest Parkway* | *Transport* | *6%* | *USA* |
| *Texas Nevada Transmission* | *Water & Electricity* | *6%* | *USA* |
| *Fortysouth* | *Communications* | *6%* | *New Zealand* |
| *High Speed 1* | *Transport* | *4%* | *UK* |
| *Royal School of Military Engineering* | *Education* | *4%* | *UK* |
| *Southmead Hospital* | *Healthcare* | *4%* | *UK* |
| *Pinderfields & Pontefract Hospital* | *Healthcare* | *3%* | *UK* |
| *Home Office* | *Fire, Law & Order* | *3%* | *UK* |

### What was the proportion of sustainability-related investments?

N/A

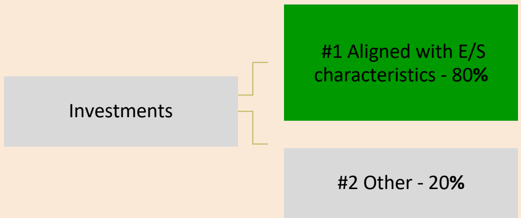
**Asset allocation** describes the share of investments in specific assets.

- ***What was the asset allocation?***

100% of HICL's investments were made to attain the E/S Characteristics in the reporting period.

To confirm, the Company's asset allocation has been calculated based on market values in respect of "#1 Aligned with E/S Characteristics" investments and mark-to-market value in respect of the "#2 Other" assets.

Taxonomy-aligned activities are expressed as a share of:
- **turnover** reflects the "greenness" of investee companies today.
- **capital expenditure** (CapEx) shows the green investments made by investee companies, relevant for a transition to a green economy.
- **operational expenditure** (OpEx) reflects the 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.

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

***In which economic sectors were the investments made?***

The Company's investments were in core infrastructure assets, in the following sectors: Accommodation, Education, Electricity & Water, Healthcare, Fire, Law & Order and Transport.

**To what extent were the 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 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.

***Did the financial product invest in fossil gas and/or nuclear energy related activities complying with the EU Taxonomy[1]?***

| | |
|---|---|
| | Yes |
| **X** | No |

1 Fossil gas and/or nuclear related activities will only compy with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective – see explanatory not in the left hand margin. The full criteria for fossil gas and nuclear energy economy activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

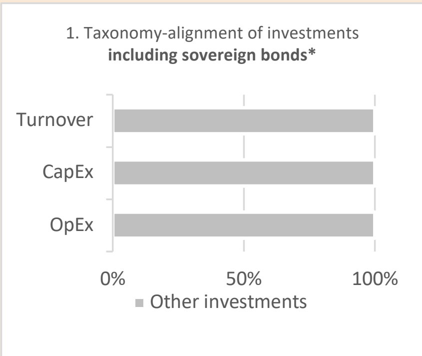
## Appendix 1 continued

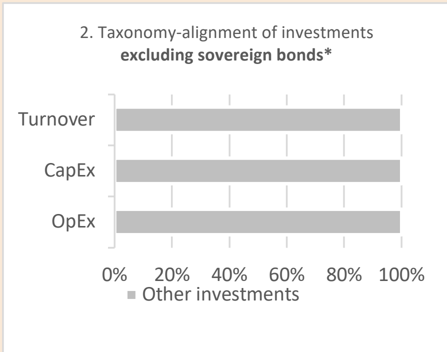
To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to fully renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**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.

***The graphs below show in green the percentage of investments that were 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 was the share of investments made in transitional and enabling activities?***

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

***How did the percentage of investments that were aligned with the EU Taxonomy compare with previous reference periods?***

N/A

are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under Regulation (EU) 2020/852.

**What was the share of sustainable investments with an environmental objective not aligned with the EU Taxonomy?**

N/A

**What was the share of socially sustainable investments?**

N/A

**What investments were included under "other", what was their purpose and were there any minimum environmental or social safeguards?**

In relation to "other" investments, currency, interest rate and power price hedging is 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. In respective of this reporting period specifically, the value of investments in "other" was 0%.

**What actions have been taken to meet the environmental and/or social characteristics during the reference period?**

HICL took several actions during the period to meet its E/S Characteristics. An outline and a few examples are provided below, for more detailed information please refer to HICL's 2023 Sustainability Report.

**Social impact:**

As a trusted steward of essential infrastructure assets, HICL sits at the heart of communities and plays a key role in modern society. An example of one of HICL's social initiatives over the past year is in one of its healthcare assets. East Lancashire Hospital's Trust Charity, ELHT&Me, was looking to move its operations to a more prominent location to increase public exposure. Blackburn Hospital had two vacant retail units at its main entrance which provide an ideal location for obtaining maximum impact. The units were converted into the Charity Hub, which is now home to the Charity's shop, a donation desk and office for the Charity staff, who run the shop and organise events.

The Hub provides an inclusive, accessible space for all within the local community, particularly the most vulnerable. The retail outlet stocks popular items at extremely competitive prices, so people with less can also donate while accessing what they need, a particularly important factor in the current economic climate.

With the initiative completed, a new and previously unobtainable revenue stream has been created for the Charity resulting in spend now reaching areas formerly infeasible, such as on essential medical equipment. Consequently, the project has enhanced the Charity's ability to give more back to the Trust for years to come.

## Appendix 1 continued

To ensure our initiatives drive positive social outcomes across the portfolio, InfraRed created a Portfolio Impact Strategy. To gain a deeper insight into what operational and other challenges the people working at our assets are facing, the portfolio impact team created The Client Insights survey. The survey was designed to capture the social challenges and satisfaction of the client teams that lead our healthcare and education assets. In 2022, the survey was sent out for the second time since its inception. We more than tripled our response rate from 2021 and donated over £30k to causes nominated by our clients to encourage them to submit the survey. From the survey we saw key themes emerge which have led us in our thinking and subsequent creation of new social sustainability initiatives across HICL's portfolio.

**Environment:**

HICL's key themes for environment surround biodiversity, resources and climate change. In 2022 for biodiversity Affinity Water, one of HICL's assets, relaunched the 'INNS OUT' scheme for a second year, as part of an ongoing commitment to protect and enhance the habitats of native wildlife on its land and across its supply area by reducing the spread and introduction of Invasive Non-Native Species (INNS). INNS have a negative impact on the economy and wildlife habitats, threatening native species by spreading harmful diseases, out-competing for resources, or damaging natural ecosystems.

Through the scheme, the company has engaged with 20 local community groups and organisations to help stop the spread of INNS across multiple river catchments in the supply area. The support was both 'in kind' with over 35 Affinity staff committing over 50 volunteer days towards the scheme, and financial with 16 projects receiving support totaling £65,000. The scheme demonstrated that a joint approach to working with other organisations to combine resources and expertise is key to improving the local environment. The scheme will reopen again for 2023, building on the work that has already been undertaken and expanding into new areas.

In regards to resources, as a result of the ESG survey responses, this year the Managers resource focus has centred around reducing water consumption and the quantity of waste disposed. Consumption habits vary significantly across the portfolio, however through the ESG survey responses InfraRed can identify sector specific trends and then support with scalable initiatives. For example, several single use plastic initiatives have been rolled out across some of HICL's education assets with an aim to roll out portfolio wide in this sector.

HICL's actions this year in the field of climate change are presented below in two parts; Net zero and Emissions.

**Net zero:**

HICL's Investment Manager, InfraRed, reinforced its commitment to reducing greenhouse gas emissions by publishing its 2022 Net Zero Progress Report which outlined interim targets set as part of their net zero commitment. These targets include an undertaking to achieve net zero emissions for HICL's entire portfolio by 2050 or sooner.

InfraRed's chosen methodology for its net zero targets is the Paris-aligned Investment Initiative's (PAII) Net Zero Investment Framework (NZIF) for Infrastructure.[2]

---

[2] Framework developed by the Institutional Investor Group on Climate Change (IIGCC)

Following this methodology, HICL's two types of net zero targets that have been approved by the Net Zero Asset Managers initiative. HICL commits to reviewing these targets every five years at a minimum.

Portfolio Coverage Target = 50% aligned or aligning by 2030

Engagement Threshold Target = 90% portfolio engagement

The manager has also set interim net zero targets, which include HICL, outlined in this report: 2022 NET ZERO PROGRESS REPORT

Emissions Reporting:

Over the last 12 months, HICL has prioritised asset GHG data collection, ensuring that this exercise forms a central element of our engagement activity. Integrated into the Manager's annual climate outreach through a GHG emissions questionnaire, 97% of portfolio companies provided responses. This is a significant increase from a 75% response rate in the prior year. In addition, we have also seen improvements in data granularity which can be directly linked to efforts at project-level through consistent dialogue led by the Manager's Asset Management team and at portfolio-level through discussions held during InfraRed's bi-annual ESG summit with all management teams.

**How did this financial product perform compared to the reference benchmark?**

N/A

- ***How does the reference benchmark differ from a broad market index?***

N/A

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

- ***How did this financial product perform with regard to the sustainability indicators to determine the alignment of the reference benchmark with the environmental or social characteristics promoted?***

N/A

- ***How did this financial product perform compared with the reference benchmark?***

N/A

- ***How did this financial product perform compared with the broad market index?***

N/A

# Appendix 2

## Valuation Policy

As described in the Valuation of the Portfolio section on page 46, the Group's investments are predominantly valued using a discounted cash flow ("DCF") analysis of the forecast investment cash flows from each portfolio company.

The following is an overview of the key assumptions and principles applied in the valuation and forecasting of future cash flows:

- Discount rates and other key valuation assumptions (as outlined above) continue to be applicable
- Contracts for PPP projects and demand-based assets are not terminated before their contractual expiry date
- A reasonable assessment is made of operational performance, including in relation to PPP projects, payment deductions and the ability to pass these down to subcontractors
- Distributions from each portfolio company reflect reasonable expectations, including consideration of financial covenant restrictions from senior lenders
- Lifecycle and capital maintenance risks are either not borne by the portfolio company because they are passed down to a subcontractor or, where borne by the portfolio company, are incurred per current forecasts
- For demand-based assets, a reasonable assessment is made of future revenue growth, typically supported by forecasts made by an independent third party
- Where assets are in construction, a reasonable assessment is made as to the timing of completion and the ability to pass down any costs of delay to subcontractors
- Where a portfolio company expects to receive residual value from an asset, that the projected amount for this value is realised
- Non-UK investments are valued in local currency and converted to sterling at the period end exchange rates
- A reasonable assessment is made of regulatory changes in the future which may impact cash flow forecasts
- Perpetual investments are assumed to have a finite life (e.g. Affinity Water is valued using a terminal value assumption)
- In forming the above assessments, the Investment Manager works with portfolio companies' management teams, as well as engaging with suitably qualified third parties such as technical advisers, traffic consultants, legal advisers and regulatory experts.

## Regulated assets – Affinity Water

The valuation drivers and metrics for certain regulated assets are different in certain aspects from the Company's other market segments – in particular, it is necessary to forecast future regulatory outcomes as well as operational performance against targets and allowances agreed with the regulator.

The Regulated Capital Value ("RCV") multiple, which measures a company's enterprise value as a multiple of RCV, is the most widely used valuation metric for UK regulated assets and forms a useful cross-check to the DCF-derived valuation. An RCV multiple will vary depending on a company's risk profile and operational performance, influenced by factors such as whether the business is listed, its level of gearing, whether it is responsible for funding a pension deficit, and its business scope and complexity.

# Appendix 3

## The Infrastructure Market – Sources

### Page 10

- Bridging infrastructure gaps: Has the world made progress? McKinsey Global Institute (2017)
- Mind the gap: Time to rethink infrastructure finance, WorldBank.Org (2022)
- Global Infrastructure Outlook, Global Infrastructure Hub (2018)

### Page 11

- Health at a Glance 2019, OECD (2019)
- National Infrastructure Strategy, Policy Paper, Gov.UK (2020)
- World Population Prospects 2019 Highlights, The United Nations, Department of Economic and Social Affairs (2019)
- World Population Ageing 2019 Highlights, The United Nations, Department of Economic and Social Affairs (2019)
- £1.8bn to keep schools in top condition, Press Release, Gov.UK (2021)
- PM confirms £3.7bn for 40 hospitals in biggest hospital building programme in a generation, Press Release, Gov.UK (2020)
- The Recovery and Resilience Facility, the European Commission
- Market Update, 2022, 2021 & 2020 editions, European PPP Expertise Centre (2023, 2022 & 2021)
- Fact Sheet: The American Jobs Plan, Whitehouse.gov (2021)
- UK Net-Zero Ambitions Threatened by Higher Interest Rates, New Economics Foundation (2022)

### Page 12

- Volume of data/information created, captured, copied, and consumed worldwide from 2010 to 2020, with forecasts from 2021 to 2025, Statista (2022)
- Support for Broadband rollout, the European Commission
- Digital infrastructure, Bottlenecks hamper Europe's progress, Deutsche Bank Research (2018)
- Project Gigabit Delivery Plan: Autumn update, Policy Paper, Gov.UK (2021)
- Project Gigabit Delivery Plan: Spring update, Policy Paper, Gov.UK (2022)
- Updated Fact Sheet: Bipartisan Infrastructure Investment and Jobs Act, Whitehouse.gov (2021)
- PM: A New Deal for Britain, Press Release, Gov.UK (2020)
- £27billion roads investment to support 64,000 jobs, Press Release, Gov.UK (2020)
- Sustainable and Smart Mobility Strategy, the European Commission
- Real Assets Viewpoint: Infrastructure Investment and Jobs Act, BlackRock

### Page 13

- Inflation Reduction Act: Muted near-term macro impacts but a strong statement on sustainability, Fidelity International (2022)
- The 'Fit For 55' package at a glance, European Climate Foundation (2022)
- Smart meter rollout delayed for four years, BBC (2019)
- £35bn green energy overhaul to prepare UK for zero-carbon electricity system – and makes bills cheaper, i Newspaper (2020)
- EU approves €3bn German green heating scheme, Reuters (2022)
- Renewable Energy Policies in a Time of Transition: Heating and Cooling, IEA (2020)
- State aid: Commission approves €2.98bn German scheme to promote green district heating, European Commission (2022)
- PN 23/19: Ofwat gives green light to massive investment programme to transform water sector, Ofwat (2019)
- National Infrastructure Delivery Plan 2016 to 2021,Gov.UK, (2016)

### Supplementary notes

* The data was taken from various publications released over several years: Forecast for the years 2018 and 2019 as of 2018; Forecast for 2020 as of May 2021; Forecast for 2021 to 2025 as of March 2021 based on figure for 2020 provided by the source. Figures were rounded to provide a better understanding of the statistic.

The figures from 2021 to 2025 were calculated by Statista based on the 2020 forecast figure and the five-year compound annual growth rate (CAGR) of 23 percent provided by the source. The figures prior to 2020 are based on IDC's forecast from late 2018.

# Glossary

| Item | Definition |
|---|---|
| Acquisition Strategy | This identifies the scope for current acquisitions; further details can be found in HICL's Business Model section of this report |
| AIPs | Approved Investment Parameters |
| AIF | Alternative Investment Fund |
| AIFM | Alternative Investment Fund Manager |
| AIFMD | The Alternative Investment Fund Managers Directive seeks to regulate alternative investment fund managers ("AIFM") and imposes obligations on managers who manage alternative investment funds ("AIF") in the EU or who market shares in such funds to EU investors |
| AIC | The Association of Investment Companies is a United Kingdom trade association for the closed-ended investment company industry |
| AIC Code | The 2019 AIC Code of Corporate Governance |
| AMP8 | The UK water industry regulatory period from 2025 to 2030 |
| Corporate assets | These are assets that provide services or access to essential assets for corporate counterparties. The relationship between the infrastructure asset owner and the corporate counterparty is usually contractual, with prices set through a commercial negotiation or a market-clearing price |
| Corporate Group | Refers to HICL and its Corporate Subsidiaries |
| Corporate Subsidiaries | HICL Infrastructure 2 S.a.r.l. and Infrastructure Investments Limited Partnership |
| Demand-based assets | Infrastructure assets with revenues linked to the usage of the underlying assets |
| Directors' Valuation | Fair market valuation of HICL's investments and commitments at the balance sheet date. Further details can be found in the Valuation of the Portfolio section of the report |
| ESG | Environmental, Social and Governance |
| EPS | Earnings per share |
| FATCA | The Foreign Account Tax Compliance Act provisions of the US Hiring Incentives to Restore Employment Act |
| FCA | UK Financial Conduct Authority |
| FM | Facilities Management |
| IFRS Basis | Basis on which HICL prepares its IFRS financial statements. HICL applies IFRS 10 and Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27) and therefore does not consolidate any of its subsidiaries, including those that are themselves investment entities |
| HICL | HICL Infrastructure Company Limited prior to 31 March 2019 and HICL Infrastructure PLC from 1 April 2019 |
| InfraRed | InfraRed Capital Partners and its Group, more details of which can be found at www.ircp.com |
| Investment Manager | InfraRed Capital Partners Limited acting in its capacity as Investment Manager to HICL pursuant to the Investment Advisory Agreement |
| Investment Basis | Pro forma financial information on the basis that HICL consolidates the results of the Corporate Subsidiaries |
| Investment Policy | HICL's Investment Policy has not materially changed since IPO and can be found on the website at /www.hicl.com/about-us/strategy-investment-policy/ |

| Item | Definition |
|---|---|
| IPO | Initial Public Offering, the act of offering the stock of a company on a public stock exchange for the first time. HICL completed its IPO in March 2006 |
| Lifecycle | Concerns the replacement of material parts of an asset to maintain it over its concession life |
| Market capitalisation | A measure of the size of a company calculated by multiplying the number of shares in issue by the price of the shares |
| NAV | Net Asset Value, being the value of the investment company's assets, less any liabilities it has. The NAV per share is the NAV divided by the number of shares in issue. The difference between the NAV per share and the share price is known as the discount or premium |
| Net Zero | A portfolio coverage target, defined by the NZIF for Infrastructure, is the percentage of assets under management that will be net zero, aligned or aligning by a given year. To be considered aligning, an asset must have short and medium term targets that are underpinned by science-based pathways for its sector; it must disclose all material scope emissions (including Scope 3) and evidence the governance of net zero plans. The requirements of aligned status have a greater focus on implementation. The asset must have forecast emissions performance against targets set as well as a decarbonisation strategy to support the reduction projection. To be considered net zero, actual emissions must match or outperform the science-based decarbonisation pathway |
| Ofwat | The Water Services Regulation Authority |
| Ongoing charges | A measure of the regular, recurring costs of running an investment company, expressed as a percentage of NAV |
| Operating company | A company that owns and operates infrastructure assets |
| Partnership | Infrastructure Investments Limited Partnership |
| Portfolio Company | Companies that own or operate infrastructure assets, in which HICL has an investment |
| PPP project | Public-Private Partnership projects involving long-term contracts between a public sector client and a private company for the delivery of a service or facility for the use by the general public, public bodies, authorities or agencies, usually in return for an availability payment |
| PR19 | Ofwat's final methodology for the 2019 Price Review, covering the regulatory period from 2020 to 2025 ("AMP7") |
| PR24 | Ofwat's proposed methodology for the 2024 Price Review, covering the regulatory period from 2025 to 2030 ("AMP8") |
| PRI | Principles for Responsible Investment |
| Project Company | An infrastructure project or concession with a defined expiry date, including a special purpose company (or other entity) formed with the specific purpose of undertaking an infrastructure project |
| Regulated assets | Infrastructure assets with monopolistic characteristics and which are subject to regulatory price controls |
| Revolving Credit Facility | An acquisition facility provided by lenders, held via a Corporate Subsidiary and expiring in June 2026. See the Financial Review section of the report |
| RIDDOR | Reporting of Injuries, Diseases and Dangerous Occurrences Regulations |
| Total Shareholder Return | Return based on interim dividends paid plus movement in the period, divided by opening NAV per share |
| UN SDGs | United Nations' Sustainable Development Goals |

# Directors & Advisers

## Directors
Mike Bane (Chair)
Rita Akushie
Liz Barber
Frances Davies
Simon Holden
Frank Nelson
Martin Pugh
Kenneth D. Reid

## Investment Manager and Operator
InfraRed Capital
Partners Limited
One Bartholomew Close
Barts Square
London
EC1A 7BL
+44 (0)20 7484 1800

## Registered Office
One Bartholomew Close
Barts Square
London
EC1A 7BL

## Auditor
KPMG LLP
15 Canada Square
London
E14 5GL

## Registrar
Link Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU
Helpline: 0871 664 0300

## Financial PR
Brunswick Group Advisory Ltd
16 Lincoln's Inn Fields
London
WC2A 3ED

## Company Secretary and Administrator
Aztec Financial Services (UK)
Limited
Forum 4, Solent Business Park
Parkway South
Whiteley
Fareham
PO15 7AD

## Joint Corporate Brokers
Investec Bank plc
30 Gresham Street
London
EC2V 7QP

RBC Capital Markets
2 Swan Lane
London
EC4R 3BF

## Company
HICL Infrastructure PLC is incorporated in England and Wales under the Companies Act 2006 with registered no. 11738373 and registered as an investment company under Section 833 of the Companies Act 2006.

## Investment Manager and Operator
InfraRed Capital Partners Limited is an English limited company registered in England & Wales under number 03364976 and authorised and regulated by the Financial Conduct Authority (authorisation number 195766). InfraRed is a part of SLC Management which is the institutional alternatives and traditional asset management business of Sun Life.

## Shareholders' funds
£3.4bn as at 31 March 2023

## Market capitalisation
£3.1bn as at 31 March 2023

## Investment Manager and Operator fees
1.1% per annum of the Adjusted Gross Asset Value[1] of the portfolio up to £750m, 1.0% from £750m up to £1.5bn, 0.9% from £1.5bn up to £2.25bn, 0.8% from £2.25bn to £3.0bn, 0.65% above £3.0bn plus £0.1m per annum investment management fee

No fee on new acquisitions

No performance fee

Fees relating to shareholder matters from underlying project companies are paid to the Group (and not to the Investment Manager).

1 Adjusted Gross Asset Value means fair market value, without deductions for borrowed money or other liabilities or accruals, and including outstanding subscription obligations

## ISA, NISA, PEP and SIPP status
The shares are eligible for inclusion in NISAs, ISAs and PEPs (subject to applicable subscription limits) provided that they have been acquired by purchase in the market, and they are permissible assets for SIPPs.

## NMPI status
HICL conducts its affairs as an investment trust. On this basis, the Ordinary Shares should qualify as an 'excluded security' and therefore be excluded from the FCA's restrictions in COBS 4.12 of the FCA Handbook that apply to non-mainstream pooled investment products.

## AIFMD status
HICL is a UK domiciled and tax-resident public limited company, which will operate its affairs as a UK Investment Trust Company, and an Alternative Investment Fund under the AIFM Directive.

HICL has appointed InfraRed Capital Partners Limited as its Investment Manager and AIFM under the Investment Management Agreement.

## FATCA
HICL has registered for FATCA and has GIIN number E6TB47.99999.SL.826

## Investment Policy
HICL's Investment Policy is set out in the Strategic Report Disclosures of the Company's 2022 Annual Report and can be found in full on the website at www.hicl.com

## ISIN and SEDOL
ISIN: GB00BJLP1Y77 SEDOL: BJLP1Y7

## Website
www.hicl.com


Design and production by Radley Yeldar ry.com

Printed by Park Communications on FSC® certified paper.
This document is printed on paper containing 100% recycled fibres.

This publication has been manufactured using 100% offshore wind electricity sourced from UK wind and 99% of any waste associated with this production will be recycled and the remaining 1% used to generate energy.

It is both recyclable and biodegradable. The FSC® label on this product ensures responsible use of the world's forest resources.

100% FSC www.fsc.org RECYCLED Paper made from recycled material FSC® C001785

HICL Infrastructure

**Find out more**
hicl.com

**Registered address**
HICL Infrastructure PLC
(Registered number: 11738373)

Level 7, One Bartholomew Close
Barts Square, London, EC1A