InfraRed
Capital Partners

Creating Better Futures

InfraRed Sustainability Report 2023

Contents

We aren't just invested in a sustainable future, **we are creating it.**

Introduction

I am delighted to present InfraRed's 2023 Sustainability Report, which highlights the progress we've made since our last report in May 2022.

As investors in essential infrastructure that sits at the heart of communities, sustainability and a focus on leveraging our assets to create a positive impact in our communities and in society is firmly embedded in our DNA. Our sustainability strategy looks beyond the inherent benefits that our assets create. It seeks to ensure that our impact is maximised across our four priorities: Climate, Environment, Communities and People. We have made significant progress towards our sustainability objectives, and I wanted to highlight three achievements in particular.

Portfolio impact strategy

By facilitating the delivery of essential services in a responsible manner, the assets InfraRed manages provide significant environmental and social benefits to more than 25 million people. We recognise, however, that by acting responsibly and applying good judgement beyond our contractual obligations, the positive impact of our assets can be multiplied.

With this in mind, InfraRed has established a dedicated portfolio impact strategy, focused on strengthening relationships with our portfolio company stakeholders. The objective is to support the delivery of more targeted social impact initiatives for the communities in which our assets are located. During the year, we surveyed 66 clients across healthcare and education sectors, capturing valuable information on the challenges they face in delivering services for end-users. This has enabled us to develop bespoke initiatives to help address these challenges which we will continue to implement.

Net zero targets

A key milestone in 2022 was the announcement of our net zero targets. We have committed to: align 70% of our AUM to net zero trajectories by 2030; regularly engage with at least 90% of our portfolio companies and supply chain on reducing their emissions; and finally to have 50% of our AUM invested in climate solutions such as electrified transport and clean energy by 2025.

Our 2023 report details the actions we have taken to meet these net zero targets. For example, we have achieved a 98% response rate to our annual Greenhouse Gas Questionnaire, up from 75% the prior year. We continue to fund new infrastructure to accelerate the transition, and in May, we made our first investment in EV charging, in e-mobility company JOLT Energy. Our commitment will enable it to roll out thousands of ultra-fast chargers in metropolitan areas in Germany, in turn driving the wider electrification of the transport sector forward.

Diversity targets

At InfraRed, we firmly believe that diversity of thought corresponds with higher quality decision-making and has the potential to materially impact our success. We are pleased with the progress we have been making on improving our workplace diversity over the long term, and we continue to challenge and hold ourselves to account in this respect.

This year we have formalised diversity objectives to further advance diversity, equity and inclusion (DE&I) in our workplace. While we have a broadly balanced representation of women in our business, at 43% of all staff, our first objective is to grow their representation within our senior team from 24% to one third within five years. We have also committed to ensuring that our workforce reflects the ethnic mix of the societies in which our offices are located. Our third objective beyond progressing gender and ethnic diversity is to continue to foster diversity of age, social background, education, religious beliefs, physical ability and sexual orientation within our broader DE&I initiatives.

We are advancing our sustainability initiatives, informed and measured by key sustainability performance indicators. This way we can maintain a resilient business while contributing to Creating Better Futures for the communities that we serve.

We welcome any feedback that you may have and can be reached via sustainability@ircp.com.

Werner von Guionneau
CEO

May 2023

InfraRed at a glance

Delivering sustainable value from a diverse infrastructure portfolio

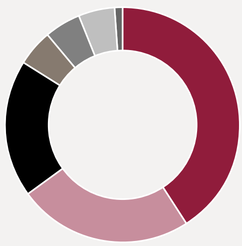
230+
Infrastructure projects

$14bn+
Equity under management[1]

190+
Staff

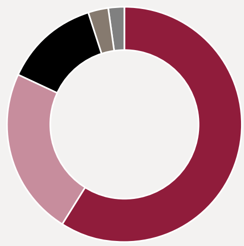
Our investments[2]

BY SECTOR %



Renewable energy	41
Social infrastructure	24
Transport	19
Water and utility & transmission lines	5
Flexible capacity	5
Digital infrastructure	5
Power generation (excl. renewables)	<1

BY GEOGRAPHY %



UK	59
Rest of Europe	23
North America	13
Australasia	3
Other[3]	2

1 Calculated using five-year average exchange rate.
2 Data as at 31 December 2022.
3 'Other' includes Asia, South America and the Middle East.

At InfraRed, we strongly believe that a long-term, sustainability-led mindset is essential to delivering lasting success

InfraRed has been a signatory of the Principles of Responsible Investment (PRI) since 2011 and has been awarded 5 stars in the 2021 review for both Investment & Stewardship and Infrastructure categories.[1] This marked the seventh consecutive assessment where InfraRed has achieved the highest possible PRI rating for its infrastructure business.

We are a member of the Net Zero Asset Managers Initiative and a Task Force on Climate-related Financial Disclosures (TCFD) supporter.[2]

InfraRed is part of SLC Management which is the institutional alternatives and traditional asset management business of Sun Life.

Our sustainable investment philosophy

As investors in long-term, high quality infrastructure that serves essential community needs, sustainability has always been part of our DNA. In today's world, long-term sustainability trends are increasingly informing future infrastructure needs, and we are evolving our strategy to respond to this shift. Three key themes we are increasingly focusing on are:

Energy transition

OBJECTIVE

Supporting the shift away from fossil fuels

KEY AREAS

Renewable energy, distributed energy and energy solutions

INVESTMENT ACTIVITY

$1,700m

committed in 2022

Connecting communities

OBJECTIVE

Promoting digital inclusion and improving quality of life

KEY AREAS

Electrification of transport and digital infrastructure

INVESTMENT ACTIVITY

$950m

committed in 2022

Circular economy

OBJECTIVE

Reducing waste and reliance on finite resources

KEY AREAS

Bio-energy, recycling, repurposing and water treatment

INVESTMENT ACTIVITY

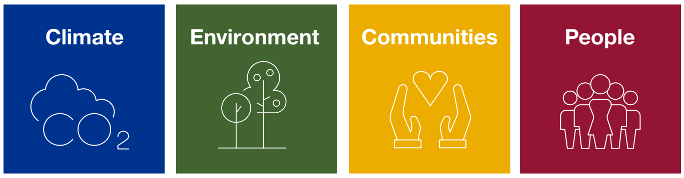
Multiple exclusive bi-lateral opportunities secured in 2022

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

2 Task Force on Climate-related Financial Disclosures. Further information can be found via TCFD's website accessed here https://www.fsb-tcfd.org/

Our reach

By investing in sustainable infrastructure, InfraRed is helping to create better futures. Our investments look to reduce carbon emissions, improve social and digital inclusion and enhance the quality of life around the world.

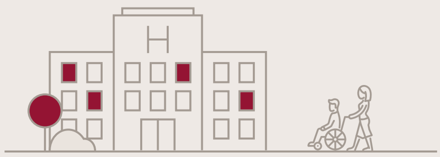


25m

people served by our assets

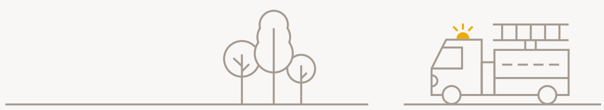
140k

student places across school, college and university facilities



12m

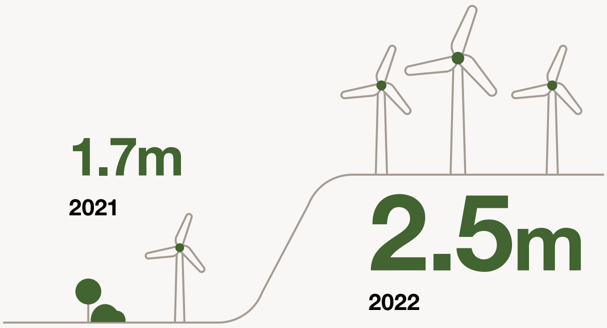
people with direct access to healthcare facilities



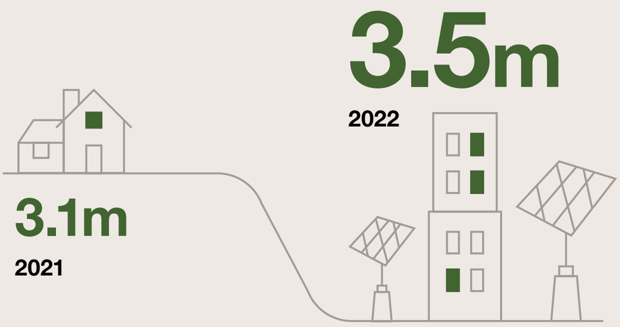
2.3m

people served by InfraRed's courts, fire stations and police stations

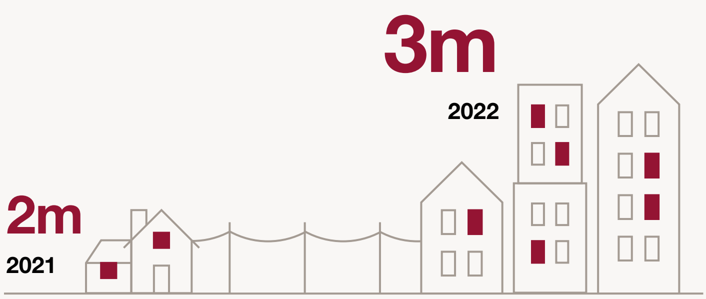
1 We have improved data collection measures and therefore have restated last year's homes powered and emissions avoided figures to reflect InfraRed's entire portfolio of generation assets. Estimations are based on the IFI Approach to GHG Accounting and average annual regional household electricity consumption.



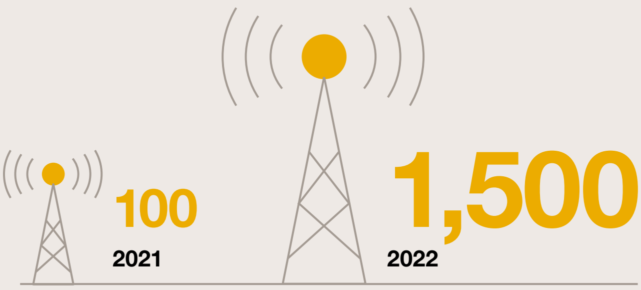
tonnes of CO_2 avoided from our operational renewable energy assets[1]



homes powered with clean energy via generation and transmission infrastructure[1]



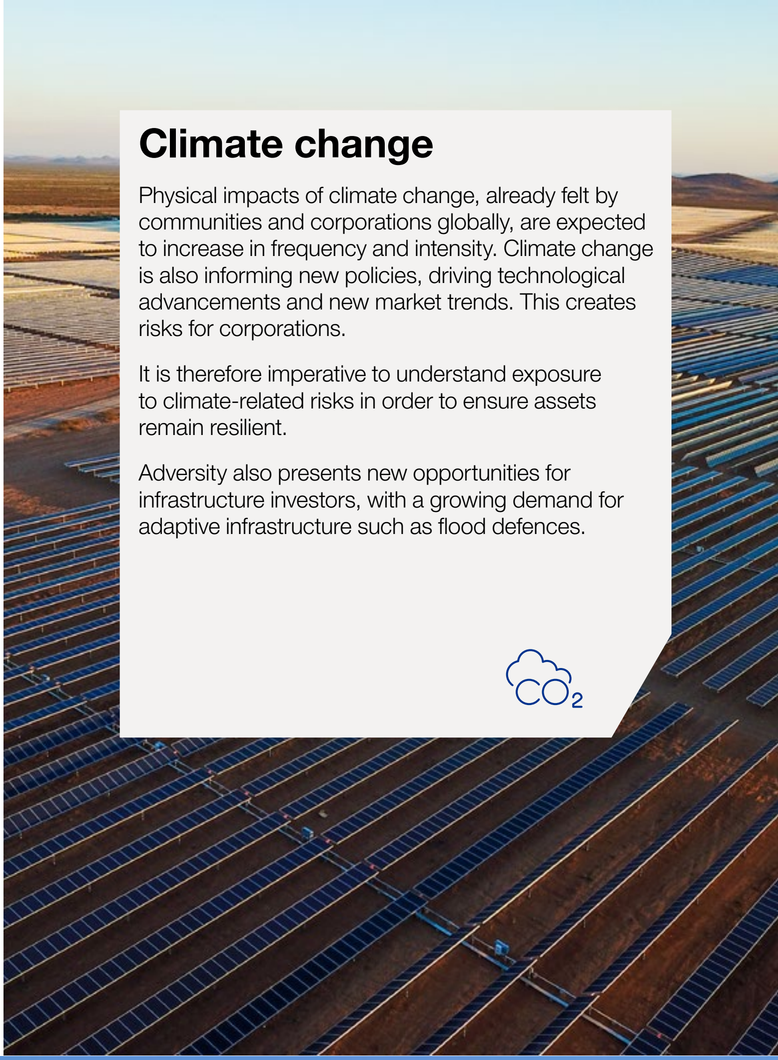
households and businesses to be provided with connectivity via three fibre platforms in Germany, US and UK



communications towers in operation and development pipeline

Global trends driving our approach

Developing and managing sustainable infrastructure for tomorrow's society is at the core of InfraRed's business model. Over our 26-year history of investing in infrastructure, we have evolved our investment philosophy and approach to sustainability to respond to the most pressing environmental and social issues affecting our stakeholders.

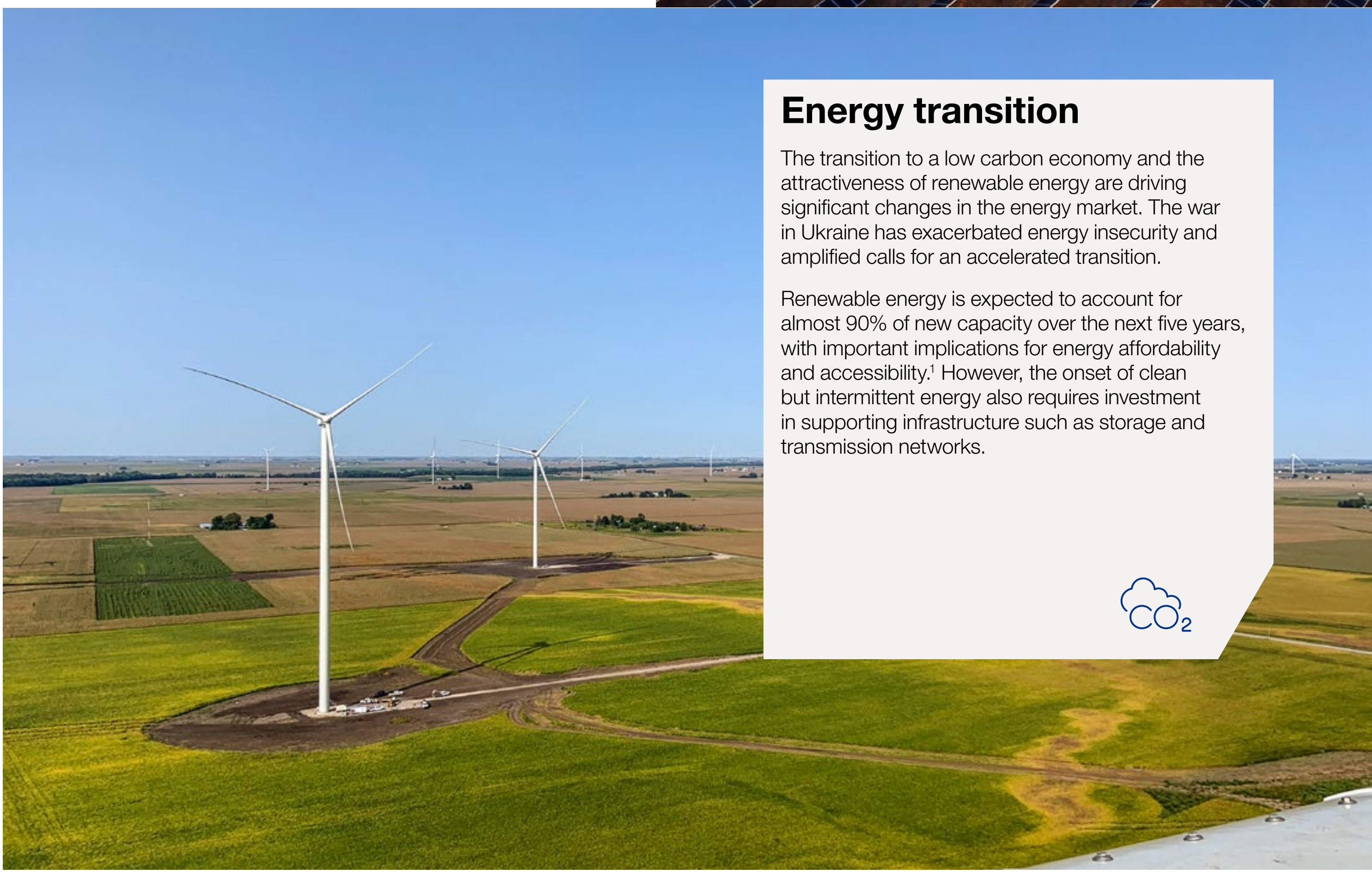


Climate change

Physical impacts of climate change, already felt by communities and corporations globally, are expected to increase in frequency and intensity. Climate change is also informing new policies, driving technological advancements and new market trends. This creates risks for corporations.

It is therefore imperative to understand exposure to climate-related risks in order to ensure assets remain resilient.

Adversity also presents new opportunities for infrastructure investors, with a growing demand for adaptive infrastructure such as flood defences.

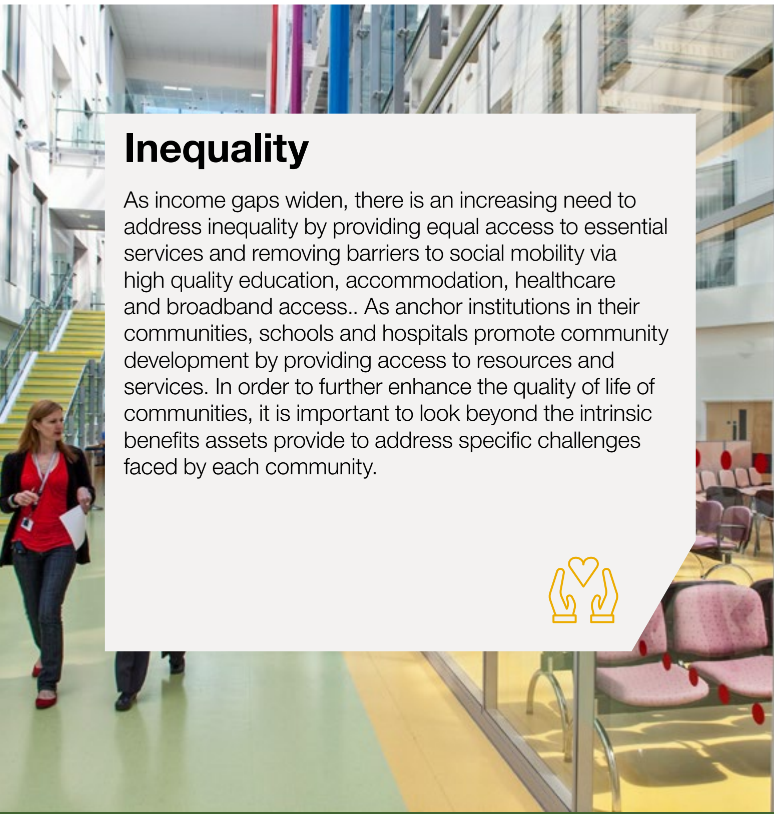


Energy transition

The transition to a low carbon economy and the attractiveness of renewable energy are driving significant changes in the energy market. The war in Ukraine has exacerbated energy insecurity and amplified calls for an accelerated transition.

Renewable energy is expected to account for almost 90% of new capacity over the next five years, with important implications for energy affordability and accessibility.[1] However, the onset of clean but intermittent energy also requires investment in supporting infrastructure such as storage and transmission networks.

1 Source: International Energy Agency (IEA) report on Renewables 2022.

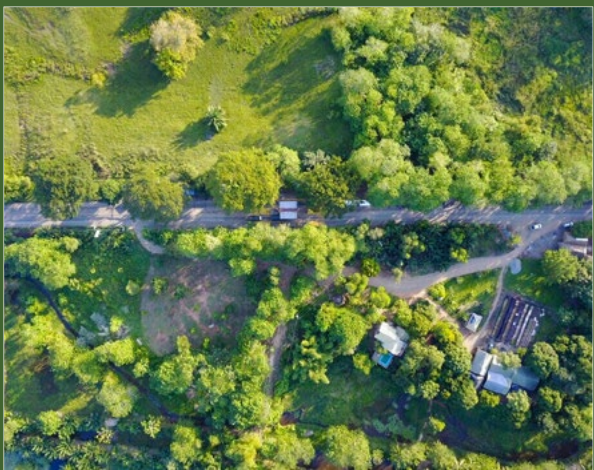


Inequality

As income gaps widen, there is an increasing need to address inequality by providing equal access to essential services and removing barriers to social mobility via high quality education, accommodation, healthcare and broadband access.. As anchor institutions in their communities, schools and hospitals promote community development by providing access to resources and services. In order to further enhance the quality of life of communities, it is important to look beyond the intrinsic benefits assets provide to address specific challenges faced by each community.

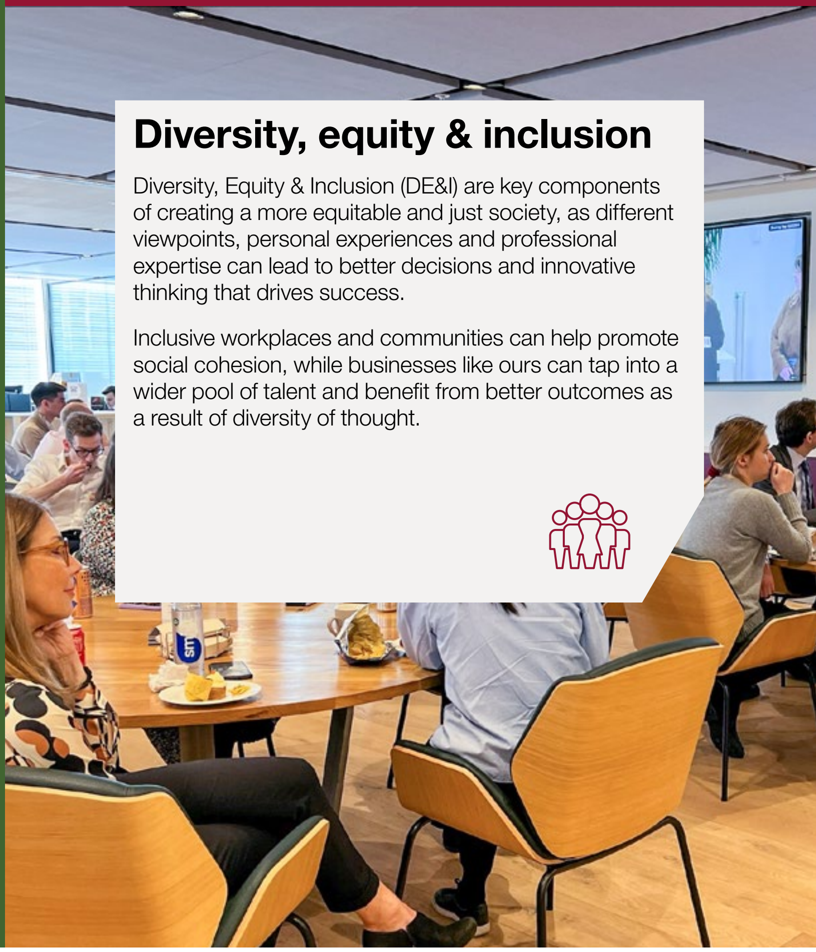
Responsible supply chains

Despite delays in the EU Sustainable Corporate Governance directive, mandatory human rights due diligence legislation at the national levels in Germany, the Netherlands and France are demanding greater scrutiny, transparency and action in relation to activities on upstream supply chains. In addition, continued action on the restriction of imports from 'high-risk' areas into the US and other key markets have mandated companies to evidence credible human rights monitoring efforts.



Biodiversity

Evidence increasingly shows biodiversity's critical role in stabilising ecosystems and the economy. As biodiversity declines, ecosystems become less resilient, species become endangered or extinct and the services that nature provides, such as water purification and carbon sequestration, are progressively compromised. This in turn is negatively impacting human health, food security and economic development. As investors and corporations begin to appreciate the importance of managing biodiversity risks and opportunities, biodiversity and nature loss have emerged as key focus areas within the broader ESG landscape.



Diversity, equity & inclusion

Diversity, Equity & Inclusion (DE&I) are key components of creating a more equitable and just society, as different viewpoints, personal experiences and professional expertise can lead to better decisions and innovative thinking that drives success.

Inclusive workplaces and communities can help promote social cohesion, while businesses like ours can tap into a wider pool of talent and benefit from better outcomes as a result of diversity of thought.

Our strategy and approach

Our approach to sustainability is centred around Climate, Environment, Communities and People as these are the areas where we believe we can create the biggest impact. We recognise the interdependence of these areas and the need for a holistic approach to sustainable development.

By addressing social, economic and environmental dimensions of sustainability, our strategy's ultimate ambition is to create better futures. In 2023, InfraRed updated and published its Sustainability Policy, framed upon these four sustainability priorities.

As per our Sustainability Policy, InfraRed's Creating Better Futures strategy is implemented in five key areas.

1 ESG integration in investment processes

Investing in infrastructure projects with strong environmental and social credentials has been central to InfraRed's investment strategy since its inception. Sustainability forms a fundamental component of the investment due diligence and approval process for all new investments made, irrespective of fund investment strategies or investment sectors.

4 Creating company-wide responsibility

InfraRed maintains internal governance structures and clear allocation of responsibilities to ensure sustainability is upheld in our corporate and investment activities. While InfraRed has several dedicated sustainability specialists within our business, it is our firm view that it is the responsibility of all staff members to contribute to InfraRed's sustainability ambitions.

2 Stewardship and engagement

InfraRed adopts an active approach to asset management. We have Board directorships on portfolio companies, enabling us to exercise governance rights and stakeholder influence to promote high ESG standards within the portfolio company itself, as well as across supply chains. We also actively seek to collaborate with government, industry associations, peers and service providers on sustainability initiatives.

3 Monitoring and disclosing ESG performance

InfraRed conducts an annual ESG survey to monitor the performance of portfolio companies against key ESG metrics. The survey output helps to identify any aspects which need to be addressed by the portfolio company to improve ESG performance. The ESG survey also enables us to provide our investors and other key stakeholders with transparent information on sustainability performance.

5 Sustainability within our own business

As we focus on scaling impact through our investments, we also continue to progress sustainability initiatives within our own company. These include creating a diverse, equitable and inclusive workplace, minimising our corporate carbon footprint and maintaining the highest standards of integrity and resilience in our governance and operational activities.

2023 Sustainability Report

This Sustainability Report provides an overview on the progress we have already made against our four sustainability priorities in the last year, as well as the further actions we will be taking to fulfil our overarching objective of **Creating Better Futures.**

Metrics and targets

	Sub-priority	2022 Baseline	Targets
Climate Read more	**Decarbonising our assets**	**8%** of AUM are aligning, aligned or net zero[1] **0%** of emissions are subject to engagement (this was not a metric we formally tracked)	**70%** of AUM to be aligning, aligned or net zero by 2030 **90%** of emissions to be subject to direct or collective engagement and stewardship actions by 2030
	Investing in the energy transition	**45%** of AUM invested in climate solutions	**50%** of AUM to be invested to climate solutions by 2025
	Delivering climate resilience	**61%** of AUM are implementing resilience initiatives	
Environment Read more	**Reducing resource consumption**	**88%** of AUM with material water consumption have reduction initiatives in place **77%** of AUM with material waste generation have reduction initiatives in place	For portfolio companies where we have operational control: **100%** of AUM with material water consumption to have reduction initiatives in place by 2025[2] **100%** of AUM with material waste generation to have reduction initiatives in place by 2025[2]
	Minimising biodiversity loss	**89%** of AUM are implementing initiatives with a positive impact on biodiversity	

1 As defined by the Net Zero Investment Framework for Infrastructure, and outlined on page 18 of this report.
2 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 try to influence these initiatives but they will fall outside of our set targets.

	Sub-priority	2022 Baseline	Targets
Communities Read more	**Addressing community and client needs**	**66** responses to Client Insights Survey	**80** responses by 2025
	Maximising our impact	**36** submissions to the Creating Better Futures Awards	**50** submissions by 2025
People Read more	**Fostering diversity, equity & inclusion**	**24%** of senior team members are women[1] **20%** of staff are of ethnic minorities (13% senior level)[1]	**1/3** One third of senior level roles to be held by women in five years Our workforce continues to reflect the ethnic mix of the societies in which our people are located Fundamental characteristics, essential to fostering diversity of thought, such as age, social background, education, religious beliefs, physical ability and sexual orientation are also prioritised within our broader DE&I initiatives
	Promoting responsible supply chains	**76%** of AUM have policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises	
	Maintaining health & safety	**84%** of AUM conducted independent health & safety inspections at least once every 18 months	

1 Baselines as at 1 April 2023

Working with our stakeholders

In order to make progress against our sustainability priorities and targets, we must work effectively with our stakeholders.

By engaging in open and active dialogues with internal and external stakeholders we:

- Understand the goals of our stakeholders
- Reinforce our relationships
- Leverage the skills and resources of our partners

to achieve our collective objective of delivering essential services with sustainable infrastructure.

Our communities and the end-users of our assets

Our clients

Our delivery and other partners

Our staff

Our investors

	Stakeholder expectations	Our approach and touchpoints
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, 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 portfolio company level – At the portfolio level, we facilitate the sharing of best practice for engagement and design of scalable solutions – At the corporate level, InfraRed forms dedicated groups to drive key initiatives such as the Community Engagement Committee and Ukraine Taskforce
We work in partnership with public service clients, including the UK's National Health Service (NHS), National Grid, local councils and various government departments to deliver many of our infrastructure services.	Infrastructure assets are built and maintained in line with contractual requirements, in order to enable the clients to offer critical services to their communities.	– Direct and proactive client engagement at the portfolio company level – Client surveys are used to understand the needs of our clients and their communities. This is a fundamental driver of our portfolio impact strategy – We engage in public-private working groups to identify solutions to industry challenges such as net zero and hand back requirements for Public Finance Initiative (PFI)/Public Private Partnership (PPP) projects
We utilise the services of several businesses which include management service providers, construction companies, facilities management companies, financiers, co-shareholders and advisors.	Collaborate with each company to fulfil their own business objectives whilst ensuring the delivery of resilient and high quality infrastructure in a sustainable way.	– Targeted engagement with delivery partners at the portfolio company level – Quarterly and annual monitoring of performance – Focused forum with a number of our management and service providers – Bi-annual ESG summits with portfolio companies
Our talented, diverse team of over 190 people worldwide comprises over 20 nationalities speaking 20 different languages.	Make a positive impact on the environment and society whilst growing personally and professionally.	– Implementation of Attract, Retain and Develop initiatives within our diversity, equity & inclusion strategy – Regular business updates via townhalls and written communications – 'Lunch & Learns' on key industry themes – Off-site strategy days – Regular culture surveys – InfraRed Women's Network, open to all staff, to support women in our business
We invest in infrastructure assets using the capital provided by our investors. Our investor group comprises substantial international institutions such as pension funds.	Deliver and maximise both financial and sustainable value in tandem with minimising risks.	– Investor meetings and presentations – Responding to investor information requests – Annual InfraRed investor event – Quarterly updates on key sustainability market updates and trends – Transparent reporting including on ESG performance

Recognising excellence

Creating Better Futures Awards

The Creating Better Futures Awards are one of our flagship annual events designed to celebrate impactful project initiatives, share best practice and drive more ESG activity across the portfolio.

Judged on criteria across Innovation, Community Need, Collaboration and Resource Efficiency, the Creating Better Futures Awards illustrate the importance we place on the creation of positive impact to the communities around our assets.

Of 36 submissions this year, 13 achieved the Gold Standard, the highest possible score.

A number of InfraRed's portfolio initiatives have been externally recognised at the Public-Private Partnerships (PPP) awards.

Winners

- Re-Circulate – Environment, Social and Governance of the Year
- Oldham Schools PFI – Best Operational Asset (Healthcare & Education)
- Université Paris-Saclay – Best Constructed Project

Highly commended

Northwood Headquarters – Best Operational Asset (Defence, Transportation, Industry)

Climate | Environment | Communities | People

Beatrice

Puffin monitoring cameras at Beatrice Offshore Wind Farm

Fund: TRIG[1]

A63 Road

Music festival Aire de Fête on the A63 Road

Fund: HICL

Lewisham Schools

Energy efficiency measures at Lewisham Schools

Fund: IRIYF[2]

Tyne Tunnel

Open road tolling at Tyne Tunnel

Fund: IRIYF

Blackburn Hospital

Launching a charity shop at Blackburn Hospital

Fund: HICL[3]

1 The Renewables Infrastructure Group Limited (TRIG), a listed fund managed by InfraRed
2 InfraRed Infrastructure Yield Fund
3 HICL Infrastructure PLC (HICL), a listed fund managed by InfraRed

North Middlesex Hospital

Food boxes for healthcare workers at North Middlesex Hospital

Fund: IRIYF

Northwood

Worms, wildflowers and bees at Northwood

Fund: IRIYF & HICL

Northwest Parkway

Toll relief for victims of the Marshall Fire at Northwest Parkway

Fund: HICL

Oldham Library

Summer reading challenge at Oldham Library

Fund: HICL

Queen Alexandra Hospital

Purple book guide improving services at Queen Alexandra Hospital

Fund: EIIF4[4]

High Speed 1

Peatland restoration project at High Speed 1

Fund: HICL

Manchester School

Senior citizens Christmas engagement at Manchester School

Fund: HICL

RSME

Gundolph pond conservation at Royal School of Military Engineering

Fund: HICL

4 Energy Income Infrastructure Fund 4

Climate

Supporting climate action by decarbonising our assets, investing in the energy transition, and delivering climate resilient infrastructure.

As an infrastructure asset manager, we have a critical role to play in not only decarbonising our portfolio and investing in climate solutions, but in adapting our global infrastructure to the impacts of climate change. In this section we discuss the steps we are taking to meet our net zero commitments and how we are working to ensure we manage a climate resilient portfolio.

IN THIS SECTION

Read more in our
2022 Net Zero Progress Report

2022 OBJECTIVES	PROGRESS AGAINST 2022 OBJECTIVES	2023 OBJECTIVES
Set interim targets and publish these in a Net Zero Progress Report	InfraRed set net zero targets in line with the Net Zero Investment Framework for Infrastructure	Revise investment processes to further integrate net zero criteria, including requiring portfolio companies to set decarbonisation targets and strategies within given timeframes and formalising an engagement roadmap
Expand presence in the renewable energy market in North America	We committed $1.7bn to the energy transition globally in 2022, including Texas Nevada Transmission and Octans wind farms in the US	Grow the percentage of AUM invested in high impact climate solutions, through additive greenfield development of next generation technologies such as EV infrastructure and green fuels

Decarbonising our assets

Our interim net zero targets

InfraRed's chosen methodology is the Paris-aligned Investment Initiative's (PAII) Net Zero Investment Framework (NZIF) for Infrastructure.[1] Our three types of net zero targets, outlined below, have been approved by the Net Zero Asset Managers Initiative. We commit to reviewing these targets every five years at a minimum.

Portfolio coverage

Target year

2030

70%

of AUM[2] to be net zero, aligned or aligning[3]

Baseline as of 31 December 2022

8%

AUM is aligned to net zero

Engagement threshold

Target year

2030

90%

of emissions to be subject to direct or collective engagement and stewardship actions

Baseline as of 31 December 2022

0%

this was not a metric we formally tracked in 2022

Climate solutions

Target year

2025

50%

of AUM to be allocated to climate solutions which factors in substantial AUM growth plans during this period

Baseline as of 31 December 2022

45%

of AUM allocated to climate solutions

1 Framework developed by the Institutional Investor Group on Climate Change (IIGCC).
2 Assets under management.
3 As per the classifications laid out by the Net Zero Investment Framework for Infrastructure.

Decarbonising our assets continued

Portfolio coverage target

A portfolio coverage target is the percentage of assets under management that will be net zero, aligned or aligning by a given year.[1] There are incremental criteria to be met in order to be considered aligning, aligned and, ultimately, net zero. These are explored on page 7 of our Net Zero Progress Report. For example, aligning requires annual emissions measurement, target setting and a management responsibility, whereas aligned requires a full decarbonisation plan to underpin such targets. In line with the framework, net zero is when emissions performance matches or outperforms the science-based pathway for its sector.

InfraRed has begun incorporating these operational asset requirements into pre-investment assessment to understand where the portfolio company is on its journey. We also use our ESG survey to understand the progress of our existing assets. The pre-investment assessment and survey results will then inform the key actions to be implemented for each portfolio company, such as the requirement to complete a decarbonisation plan.

TARGET:

70%

of AUM to be aligning, aligned or net zero by 2030

Climate solutions target

Infrastructure investments have the power to drive systemic change, leading to long-term reductions in emissions by transforming the way we produce and consume energy, transport people and goods, and use natural resources. For example, investing in sustainable biogas can displace fossil fuels in hard-to-abate sectors, while electric vehicle charging points or electrified rail help reduce emissions from transportation, a significant source of emissions globally.

Our Origination and Execution team has been looking to deliver on this target by continuing to invest in the energy transition and exploring opportunities in circular waste management, district heating networks, sustainable biogas, and green hydrogen. InfraRed's latest investment is in electric vehicle infrastructure in Germany, where in May it committed financing to roll out thousands of chargers across Europe.

TARGET:

50%

of AUM to be invested in climate solutions by 2025[2]

Investing in climate solutions, particularly greenfield projects, can have a greater impact than decarbonising our portfolio because it fundamentally addresses the root causes of greenhouse gas emissions.

Jack Paris
Partner, Head of Americas

1 As defined by the Net Zero Investment Framework for Infrastructure.
2 Climate solutions classifications are informed by the EU Taxonomy. We note that amendments to the Taxonomy may lead to certain projects being reclassified, and our baseline may need to be revised to reflect such changes.

Case study

InfraRed invests in first EV charging infrastructure business

Portfolio company: Jolt Energy
Strategy: InfraRed Capital Gain

For a number of years, InfraRed has been assessing opportunities to invest in companies which are supporting the decarbonisation of the transport sector through installing additional electric vehicle (EV) charging points. With the recent EU mandate stating that from 2035, all cars must be zero emissions, InfraRed has made a timely investment in Jolt Energy, a company specialising in ultra-fast chargers for EVs in urban areas in Germany. InfraRed's commitment will allow Jolt to expand its business and deploy thousands of chargers.

Jolt's advanced technology, which is up to 15 times faster than current charging stations, is bridging the gap between the era of internal combustion engines and an electrified future.

Decarbonising our assets continued

Engagement target

At the heart of our strategy to reach net zero lies engagement with our public sector clients, management teams and other key stakeholders. Active engagement helps us to more effectively address a broad range of climate change-related matters, such as impact measurement, initiatives to reduce GHG emissions and measures to improve climate resilience.

Net zero engagement metrics

Since 2014, we have captured ESG metrics via our annual ESG survey. Released to all portfolio companies directly managed by InfraRed, the survey is updated annually to enhance the monitoring and reporting of each portfolio company's sustainability performance. This year, questions were updated to reflect the requirements of the NZIF framework. We have used the survey outputs to understand net zero progress and to identify where additional support may be needed.

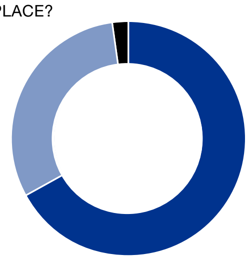
TARGET:

90%

of emissions to be subject to direct or collective engagement and stewardship actions by 2030

Whilst we appreciate it may take time to see meaningful progress against our portfolio coverage target, we are encouraged by the tangible steps that our portfolio companies have started to take in response to InfraRed's engagement activities. An example of this is our investment in Deutsche GigaNetz (DGN), a German-based fibre network provider established in 2020. DGN has enhanced its focus on measuring its GHG impact and on identifying key levers through which it can reduce its emissions as it expands its fibre roll-out.

DOES THE PROJECT HAVE A DECARBONISATION INITIATIVE IN PLACE?

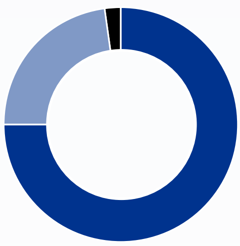


	%
Yes	67
No	31
Did not respond	2

HAS THE MANAGEMENT TEAM CONSIDERED A NET ZERO STRATEGY?

	%
Yes	39
No	20
Did not respond	41

WAS NET ZERO DISCUSSED WITH SUBCONTRACTORS?



	%
Yes	75
No	23
Did not respond	2

Note: These questions were not compulsory this year, and so full coverage was not attained. From next year, these questions will become compulsory to answer for all portfolio companies.

Survey results reflect the valuation of the portfolio companies based on the respective response as a proportion of InfraRed's AUM.

Case study

Deutsche GigaNetz fibre network, Germany

DGN takes first step on net zero journey

What made you begin this journey?

There is a growing desire from our investors such as InfraRed to reduce our carbon footprint and the first step to doing so is understanding where our emissions come from.

What have you learnt from this process?

The process began with a series of interviews with staff to understand all activities undertaken in our company. We have learnt that 99% of our emissions relate to Scope 3. This insight will frame our decarbonisation plan, focusing on engaging our current suppliers and being selective with new ones, based on sustainability credentials. Another important learning from this exercise is that GHG reduction is a long process, and while data may not be complete now, we are taking measures to ensure that accuracy will improve going forward.

What are the next steps in your net zero journey?

We have discussed formulating a supplier engagement strategy with the head of our Technical Department and have come up with a questionnaire for new suppliers, touching on, for example, whether they have sustainability goals concerning waste reduction.

Ultimately, as we get more confident in our emissions data, with the support of InfraRed and other stakeholders, we hope to set science-based targets underpinned by a formal decarbonisation plan. This plan will take into consideration our objective of reducing emissions whilst also achieving our fast-growing business plan.

As a first concrete step, we are planning a new generation of Point of Presence (PoP) connections and regional technical centres with all the necessary technical equipment to operate a fibre-to-the-home (FTTH) network. Smart meters within these will allow the accurate measurement of power consumption, making it possible to optimise air conditioning systems and reduce energy consumption.

At DGN we are committed to playing our part in decarbonisation efforts within the fibre industry.

As we continue to grow, we aim to do so sustainably and support wider decarbonisation efforts such as in smart cities. At DGN, we firmly believe that by putting sustainability at the heart of our business, we can drive real change.

Jan Budden
CEO, Deutsche GigaNetz GmbH

Decarbonising our assets continued

Estimating and reporting our GHG emissions

We have progressed well in collecting GHG emissions data from our portfolio companies, having placed this exercise at the core of our engagement activity over the past year. We are proud to report that 98% of our portfolio companies responded to our GHG emissions questionnaire this year, a significant step up from a 75% response rate in 2021. Our efforts over the past year have also led to improvements in data granularity, thanks to ongoing dialogue led by our Asset Management team, as well as discussions held during our bi-annual ESG summit with portfolio company management teams.

As a result of this GHG estimation exercise, we have a number of useful findings that will frame our engagement strategy. For example we found that a significant proportion of energy used is not sourced from renewable energy. Our objective therefore will be to engage more portfolio companies to utilise green energy contracts or on-site renewable generation.

Portfolio GHG emissions

The following are an estimation of InfraRed's absolute (total) and attributable GHG emissions of all assets under management as at 31 December 2022. These have been estimated by a third-party consultant and disclosed in line with the Partnership for Carbon Accounting Financials (PCAF) methodology.

	InfraRed's Scope 3, Financed emissions	Absolute (tCO_2e)	Attributable (tCO_2e)
InfraRed's portfolio	Scope 1	2,773,699	292,853
	Scope 2	291,455	45,468
	Scope 3[1]	1,740,330	281,765
Total portfolio emissions		5,106,963	620,086

1 Due to data Scope 3 emissions were estimated based on financial spend within each category. While we acknowledge the limitations of this approach, we believe it is important to disclose these nonetheless, as we continue to work with portfolio companies to implement systems and engage suppliers to in turn record emissions data.

98%

of portfolio companies responded to our GHG emissions questionnaire

Frameworks used in GHG accounting and reporting

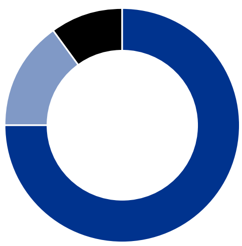
GREENHOUSE GAS PROTOCOL

PCAF Partnership for Carbon Accounting Financials

Portfolio-wide emissions analysis

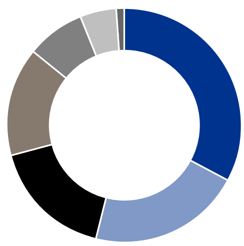
The following analysis is based on the emissions that are attributable to InfraRed in line with the PCAF methodology.

EMISSIONS BY PROJECT STATUS



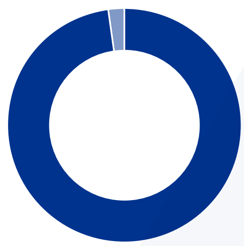
	%
Operation	75
Operation and contruction	15
Contruction	10

SECTORAL BREAKDOWN



	%
Power generation	33
Social infrastructure	21
Digital infrastructure	17
Flexible capacity	15
Transport	8
Renewable energy	5
Utility and transmission line	1

OPERATIONAL ENERGY USE BREAKDOWN



	%
Non-renewable energy	98
Renewable energy	2

Climate resilience

Due to the physical nature of our portfolio companies, supply chains and operations, the active monitoring of climate change impacts is critical to sustain long-term infrastructure. In understanding climate risks at the pre-investment level, we know where and how to direct resources for building and maintaining resilient infrastructure projects. As such, we require that all new investments undergo a climate risk assessment prior to acquisition and are continuously working to ensure findings are appropriately translated into technical and insurance due diligence as well as in financial valuation models.

In addition to helping InfraRed comprehend the financial risks and opportunities that climate change presents to our portfolio, the Task force on Climate-related Financial Disclosures (TCFD) framework has enabled us to communicate these insights to stakeholders in a transparent and consistent manner. As early as 2020, InfraRed's listed funds, HICL and TRIG, began reporting under the TCFD framework voluntarily. While it is not compulsory for InfraRed or its private funds to report under TCFD until 2024, we began disclosing under this framework in unlisted fund reporting in 2022, showcasing our endorsement of this framework to our stakeholders.

85%

of AUM discussed climate-related risks and opportunities at the board level (compared to 87% in 2021)

90%

of AUM have updated their risk register to reflect the findings of the impact assessment (compared to 92% in 2021)

61%

AUM are implementing climate resilience initiatives (new metric introduced in 2022)

8

Number of climate risk assessments completed in 2022 prior to acquisition (new metric introduced in 2022)

Environment

Minimising environmental impacts, resource consumption and biodiversity loss

Our ambition is to create a more sustainable world where resources are used efficiently and where plants, animals and habitats are thriving. We have made progress in reducing resource consumption in portfolio companies and will continue to support innovative solutions to increase efficiencies.
In this section we explore the materiality of resource consumption across our sectors; report energy, water and waste metrics; and discuss the challenges and opportunities in rolling out biodiversity initiatives.

2022 OBJECTIVES	PROGRESS AGAINST 2022 OBJECTIVES	2023 OBJECTIVES
Develop a strategy to address biodiversity impacts across our portfolio	Formulating a portfolio-wide biodiversity strategy is challenging given the location specificity of initiatives. However, we are actively managing biodiversity risks at the acquisition level and continue to track impacts and initiatives within each portfolio company	As we continue to engage project companies on identifying and reducing their biodiversity impact, we will look to incorporate the finalised TNFD framework on risk management for impacts and dependencies
Continue to engage with portfolio companies to ensure effective reduction plans are in place	We conducted a deep-dive into our energy, water and waste data to ensure that it is appropriately measured and reported, which is a fundamental component to assess reduction plans in place	We aim to build on the work we completed in 2022, to ensure that reduction plans are in place for all material sectors (medium-to-high impact) and, where we have operational control, processes are put in place to measure consumption and generation

Resource consumption

The materiality of resource consumption varies significantly across the sectors that InfraRed invests in. For example, our healthcare assets consume significant amounts of water essential for treating patients, whereas water consumption for road or solar projects is largely limited to what is required to service a small on-site office.

In addition to materiality, the level of operational control also differs depending on sector and contractual arrangements. For example, in many of the PFI/PPP projects, our public sector client is responsible for performing the operational services which drives the level of water consumed or waste generated.

Whilst we are committed to promoting water and waste reduction initiatives across the portfolio, these two factors are taken into consideration when we are developing the key ESG priorities for a particular project or sector.

Materiality ▲▲▲ High ▲▲△ Medium ▲△△ Low

Sectors	Materiality of water consumption	Portfolio companies with water reduction initiatives	Materiality of waste generated	Portfolio companies with waste reduction initiatives	Operational control to reduce
Accommodation, Law and order, Library, Prison, Emergency services	▲▲▲	95%	▲▲△	96%	✗
Education	▲▲△	85%	▲▲△	82%	✗
Healthcare	▲▲▲	86%	▲▲▲	74%	✗
Transport	▲△△	65%	▲△△	80%	✗
Digital infrastructure	▲△△	98%	▲▲△	100%	✓
Renewable energy	▲△△	17%	▲▲△	72%	✓
Power transmission	▲△△	0%	▲△△	0%	✓
Power generation	▲▲▲	100%	▲▲▲	100%	✓
Energy storage	▲△△	0%	▲▲△	62%	✓
Water utility	▲▲▲	100%	▲▲△	100%	✓

Results above are based on the number of portfolio companies with initiatives in place.

Case study

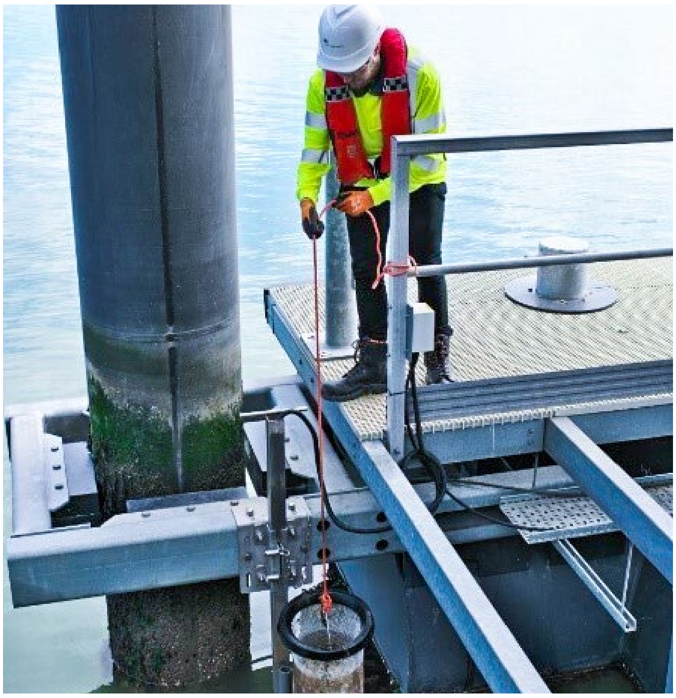
‘Seabins’ at East Anglia One

Fund: TRIG & Energy Income Infrastructure Fund 4

Located in Lowestoft in the East of England, the project has recently installed two seabins. These floating bins skim the water for plastics and other debris from the sea and harbour. One seabin can catch up to a tonne of plastic waste in a year, catching microplastics as small as 2mm.

Microplastics are any small plastic particles less than 5mm in size, which can either be intentionally manufactured, such as microbeads in personal care products, or formed by the breakdown of larger plastic products. A growing environmental concern, microplastics are found in many water bodies and can harm wildlife and ecosystems.

These installations help to clean the water around the project and protect marine life by catching and storing any plastic debris within a catch bag, which is changed daily and disposed of in a responsible manner.



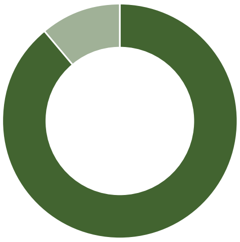
Minimising biodiversity loss

We recognise the pressing need to minimise the loss of biodiversity, and we are committed to doing so, even if it poses challenges.

In line with EU Sustainable Finance Disclosure Regulation (SFDR) Principal Adverse Impact (PAI) indicators, we track biodiversity impacts through our ESG survey, which provides valuable insights into initiatives that can be implemented across our wider portfolio.

Much like climate-related risks, we expect that specific exposure to biodiversity risks and impacts will increasingly form part of our investment processes. As such, we are tracking the development of biodiversity-related frameworks, such as the Taskforce on Nature-related Financial Disclosures (TNFD) the final release date for which is expected to be September 2023. We are also monitoring biodiversity-related disclosure requirements proposed by the International Sustainability Standards Board (ISSB) also being released later this year. As portfolio companies continue to minimise negative impacts in accordance with planning requirements, we are also shifting our focus to implement biodiversity-positive initiatives.

PORTFOLIO COMPANIES IMPLEMENTING BIODIVERSITY POSITIVE INITIATIVES



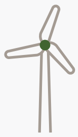
Yes	89
No	11

89%

of AUM is implementing biodiversity positive initiatives (new metric introduced in 2022)

Case study

Beatrice Offshore Wind Farm



Fund: TRIG

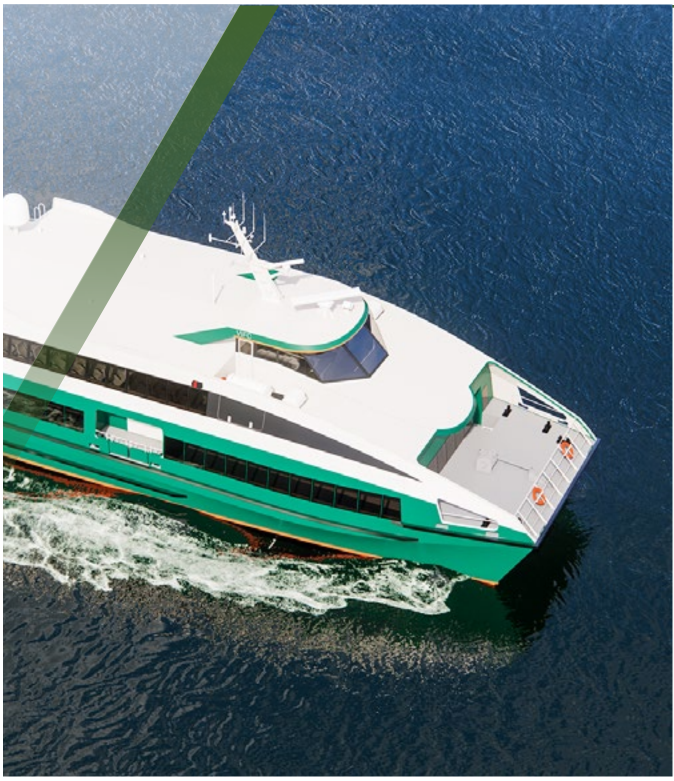
The management team at Beatrice Offshore Wind Farm, in partnership with Microsoft and Avanade, has developed, trialled and begun implementation of an AI-based system for monitoring puffin colonies.

Cameras have now been installed for filming a puffin colony rock stack. Video data collection will soon begin, and data will be analysed using the AI model.

Project partners include a conservation regulator (NatureScot), with potential for future involvement with other regulators (including Marine Scotland) and conservation NGOs.

Minimising biodiversity loss continued

Biodiversity impacts are often highly location specific, therefore a bespoke approach is usually required. There is a variety of biodiversity initiatives being implemented across our portfolio.



Case study

Vancouver Island Ferry Company

Strategy: InfraRed Capital Gain

As part of the pre-investment process for the newly establised Vancouver Island Ferry Company transaction completed in 2022, the team took an enhanced focus to ensure that operations will not materially impact local wildlife, in particular the orca whale.

Some of the key threats to whales include acoustic disturbance, physical disturbance, environmental contaminants and the availability of prey. Having commissioned a third-party impact report, no material potential impact was identified. Once operational this summer, we intend to develop mitigation measures for a quantifiable reduction in potential threats to whales along the new route.

Case study

Northwood, MoD Headquarters

Fund: HICL & InfraRed Infrastructure Yield Fund

Northwood has 40,000 'Worms at Work' processing food that would otherwise end up at landfill. The resulting compost is used as natural organic fertiliser for planted beds and green areas around the site.

This year Northwood also introduced wildflower meadows, and has three flourishing beehives. Volunteers undertook beekeeping courses to understand how to manage a colony of bees and their production of wax and honey.

40,000

'Worms at Work' processing food that would otherwise end up in landfill

Case study

Tyne Tunnel

Fund: InfraRed Infrastructure Yield Fund

Tyne Tunnel 2 has worked in partnership with the Tyne Rivers Trust on a habitat restoration project, covering around 4.5 hectares of forest directly above the northbound tunnel, to improve biodiversity in the area.

It has also contributed to the Green Canopy, a UK-wide tree planting initiative, by making donations to support by making donations to support the planting of 100 trees in urban areas and schools across the UK.

100

trees in urban areas and schools across the UK

Communities

Creating a positive social impact by addressing the needs of communities in which our assets operate

At InfraRed, we recognise the responsibility we have as stewards of infrastructure assets that serve millions of people as well as the opportunity we have to enhance our contribution to the lives and livelihoods of both users and operators of these infrastructure projects.

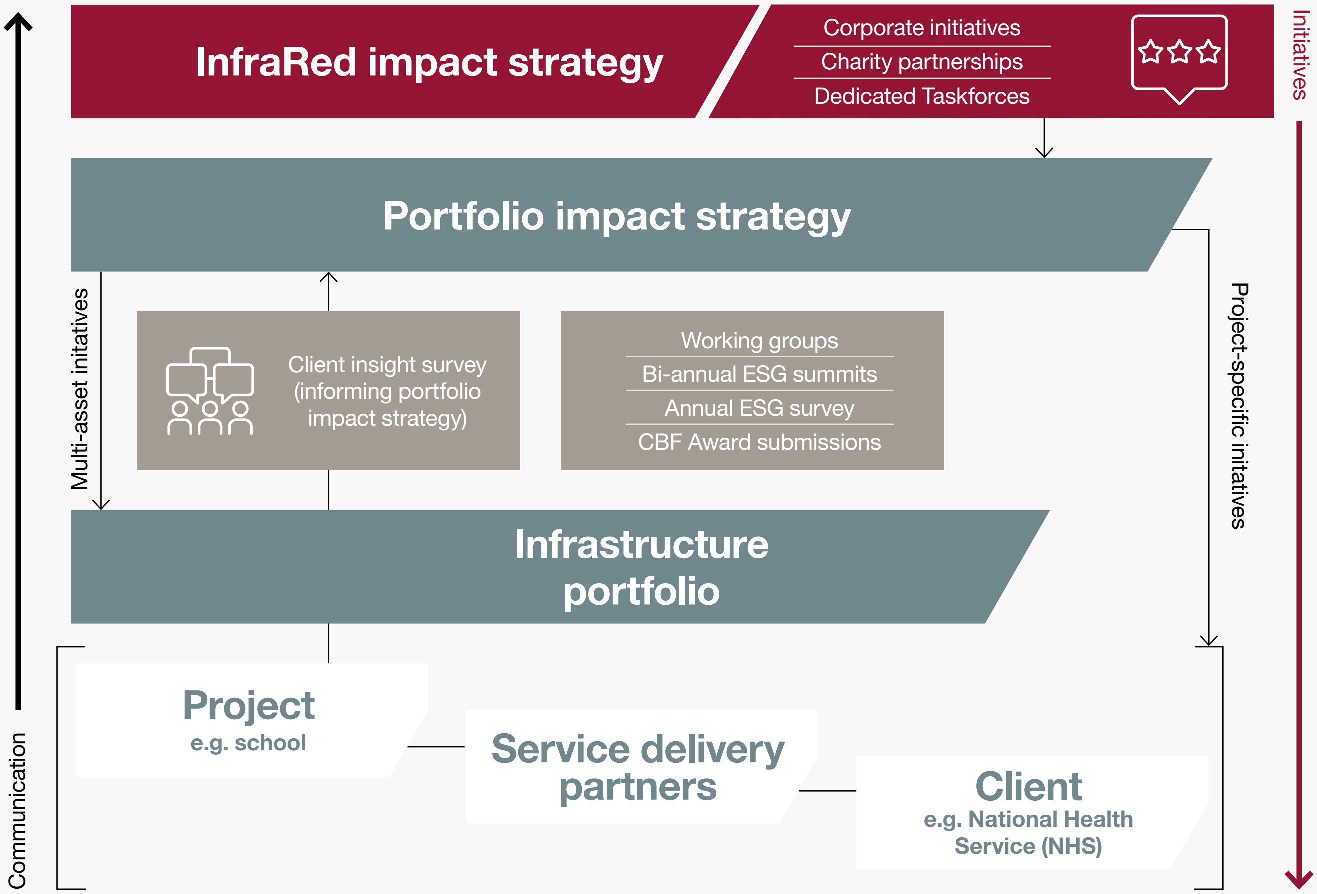
IN THIS SECTION

2022 OBJECTIVES	PROGRESS AGAINST 2022 OBJECTIVES	2023 OBJECTIVES
Implement a framework to measure the social impact of our corporate and company-level initiatives	We updated our ESG survey to better quantify social impact initiatives	Expand and improve data collection process to gain insights on impacts and scalable initiatives
Improve understanding of the challenges faced by other sectors such as healthcare	We launched our second Client Insights Survey, gathering valuable insights and achieving a high response rate	Use information gathered to tailor initiatives at the portfolio company level and to build on our corporate social impact strategy to address challenges identified

Portfolio impact strategy

The objective of InfraRed's portfolio impact strategy is to help to drive positive social outcomes and to improve the relationships between InfraRed and public and private sector clients.

Through better understanding of the challenges communities face through feedback, we have refined initiatives to address the needs of stakeholders either at a portfolio level or a project level. We assess how we can respond to our clients and tailor initiatives based on various touchpoints on multiple levels, as depicted below.



InfraRed's portfolio impact strategy has been developed to be an important contributor to enhancing asset management outcomes for portfolio companies. At its core is the drive to deliver impactful social benefits to our clients through actions that go beyond the requirements of our contracts.

Sarah Gledhill,
Managing Director,
Portfolio Impact

Addressing community and client needs

This year InfraRed developed its Client Insights Survey, originally introduced post-Covid to understand how best to support our stakeholders in those challenging times. The survey is designed to capture the social challenges and satisfaction of the client teams that lead our healthcare and education infrastructure projects. Insights collected enable us to develop more targeted and scalable impact initiatives that provide positive outcomes for our clients and the communities with access to our assets.

The survey focuses on six key questions: three are in relation to capturing information on social challenges faced by the client and its end-users, whilst the other three relate to client satisfaction in relation to the portfolio company's performance.

We incentivised our clients by offering a £500 donation to a charity of their choice on completion of the survey. As a result, we more than tripled our response rate from 2021 and donated over £30,000 to causes nominated by our clients.

We saw key themes emerge from the 66 responses received which have led our thinking and subsequent creation of initiatives that we can scale across our portfolio. As depicted below, a clear message from the Client Insights Survey was that the cost-of-living crisis has tightened budgets and aggravated staffing constraints. For example, a fifth of respondents explicitly mentioned 'costs' and 'funding' as a challenge to operations. As a result, we are designing solutions with our clients and partners that reduce budget pressures and improve operational efficiency.

Average rating received for clients' overall view of our service providers that support the facility (e.g., project company management, facilities management, help desks.)

Healthcare Sector

3.7/5

Education Sector

3.9/5

Average rating received on overall view of the quality of the facility occupied

Healthcare Sector

3.8/5

Education Sector

4.1/5

Average rating received on clients' overall view of the engagement / partnership / relationship with those providing the main contracted services at the facility

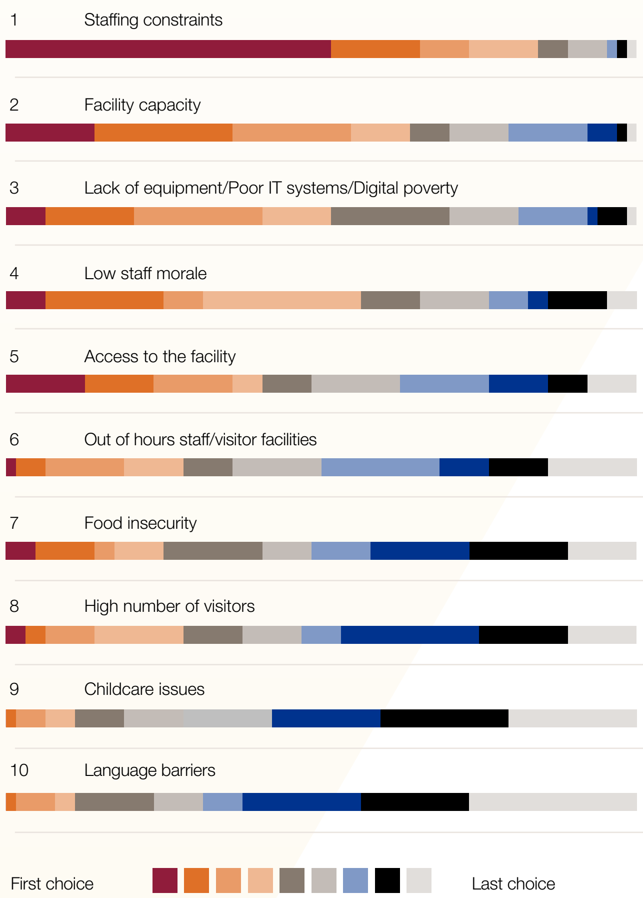
Healthcare Sector

4.1/5

Education Sector

4.1/5

Priority of responses to Client Insights Survey



Case study

Utilising the Client Insights Survey to extend our focus on food insecurity

Project: North Middlesex Hospital
Fund: InfraRed Infrastructure Yield Fund

North Middlesex Hospital is a hospital in London that recently implemented an initiative to address food poverty among its staff. The initiative involves offering fresh food boxes to nurses at significantly reduced prices – nurses pay £3 for food boxes worth around £20 each week. This is supported by Edible London, a charity dedicated to reducing food waste and poverty by collecting food that would otherwise be thrown away.

North Middlesex's Client Insights Survey identified an opportunity for InfraRed to kickstart this initiative by providing initial funding. Due to the high demand experienced, further funding was required which InfraRed subsequently supplied.

Key elements contributing to the success of this initiative include:

- Leverage strong relationships with service delivery providers (Bouygues E&S Solutions and Mitie)
- Utilise existing resources (FareShare and Edible London) and unused space at the hospital
- Divert unused food from landfill

This initiative underscores the importance of creating a forum to understand project specific requirements, and the power of public and private partnership to address community issues such as food insecurity.

Case study

Addressing the need for more equipment and resources through Recirculate

Started in 2021 in response to the pandemic, Recirculate collects second-hand goods such as bikes and laptops, refurbishes them in prison workshops and donates them to communities associated with our projects, such as NHS workers and students. The Recirculate initiative supports prisoners with training opportunities, helping to reduce social exclusion and contributing to their employment prospects on release. In 2022, we continued our work with Bouygues E&S Solutions and Vercity to deliver the initiative.

Some key achievements to date include:

Donations of:

155 bikes	**800** desks	**30** vacuums
20 laptops	**31** whiteboards	**25** projectors

Winner of Environment, Social and Governance initiative of the Year at the PPP awards

Maximising our impact

Our staff and supply chain have championed and supported our charity partners throughout the year. Partnerships help us to achieve more meaningful impact through collaboration. Our taskforces help to mobilise action within our organisation to help others. Some examples of initiatives at the InfraRed level include our Ukraine Taskforce and our Dodgeball Taskforce.

Case study

Ukraine Taskforce

Our Ukraine Taskforce continues its efforts to support humanitarian relief in Ukraine. We have donated £64k to date towards short- and medium-term causes. Our charity partners, Festival Medical Services (FMS), World Extreme Medicine (WEM), Home and Homes for Children, World Central Kitchen and Herosi Foundation. They have worked with us to deliver medical supplies, aid for orphans and at-risk children, and laptops directly to those impacted by the war.

At Christmas time, our London office staff donated head torches and sweets for Trauma Boxes that FMS are supplying to Ukrainians without reliable electricity.

£100k

pledged

Case study

Dodgeball Taskforce

Our Dodgeball Taskforce organised a stellar comeback event after a hiatus during the pandemic. Our business partners embraced fancy dress and supported us to raise £50k for SOFEA and 4Louis, charities which help at-risk youth and people affected by miscarriage, still birth or death of a child. Our management team at Oxford John Radcliffe Hospital took the efforts one step further by donating unused kitchen equipment to SOFEA. Through collaboration with our supply chain, we have achieved much more than we could do alone.

£50k

donated

People

Promoting fair and safe work practices as well as diverse, equitable and inclusive workplaces

The success of our business is ultimately driven by the talents, passion and wellbeing of our employees, as well as that of our business partners throughout our supply chains.

We're proud of our open, supportive and inclusive team culture, which we steadfastly maintain through our targeted approach of Attract, Retain and Develop. In setting new diversity objectives, we have formalised a number of commitments to support high quality decision-making, through improved diversity of thought across our workforce.

As a responsible business we must also consider our impact beyond our own operations. We have implemented multiple strategies to promote the fair and safe treatment of people involved either directly or indirectly in the development and operation of our projects

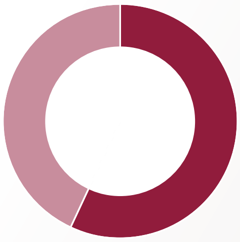
IN THIS SECTION

2022 OBJECTIVES	PROGRESS AGAINST 2022 OBJECTIVES	2023 OBJECTIVES
Set goals to improve diversity & inclusion at InfraRed and encourage the same within our portfolio	We have set diversity targets relating to InfraRed's own staff	Build on initiatives outlined on pages 38-39 to ensure we meet our targets and create DE&I requirements for portfolio companies which directly employ staff
Align processes with best practice human rights frameworks such as UN Global Compact principles and OECD Guidelines for Multinational Enterprises	We monitor alignment of portfolio companies to these frameworks via our ESG survey and will continue to work with our portfolio companies to support awareness and understanding of these frameworks	Increase portfolio alignment to human rights frameworks

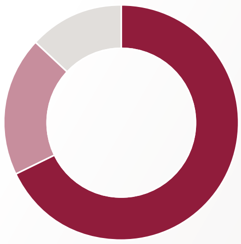
Fostering diversity, equity & inclusion

At InfraRed, we firmly believe that a diverse, equitable and inclusive culture is fundamental to the success of our business. Diversity of thought and an inclusive culture directly corresponds with the quality of decision-making and has the potential to impact materially both InfraRed's performance and the attractiveness of our workplace.

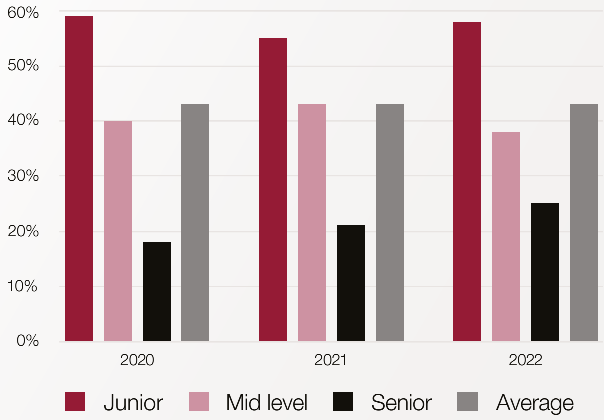
INFRARED STAFF PROFILE BY GENDER %[1]



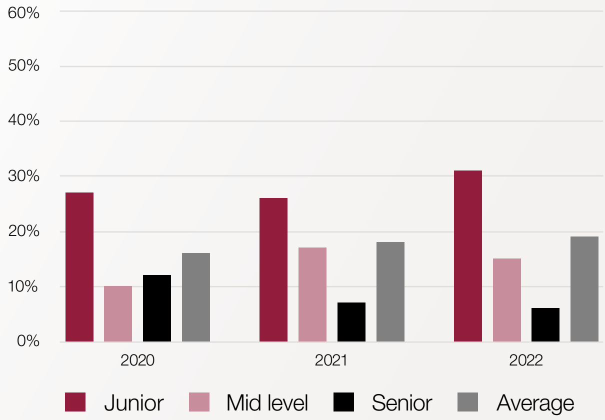
INFRARED STAFF PROFILE BY ETHNICITY %[1]



WOMEN AT INFRARED 2020 – 2022



% OF PEOPLE OF ETHNIC MINORITY AT INFRARED 2020 – 2022



As part of our ongoing commitment to improving diversity within our business, particularly at the senior level, InfraRed has set diversity objectives.

Our diversity targets

- One third of senior team members will be women in five years from a baseline of 24% in 2023[2]
- Our workforce continues to reflect the ethnic mix of the societies in which our people are located
- Fundamental characteristics, essential to fostering diversity of thought, such as age, social background, education, religious beliefs, physical ability and sexual orientation are also prioritised within our broader DE&I initiatives

"We seek to avoid that our business decisions are informed by a singular viewpoint held by a majority of like-minded individuals. Evolution will take time, and we are committed to making progressive improvements supported by target setting whilst maintaining fairness for everyone."

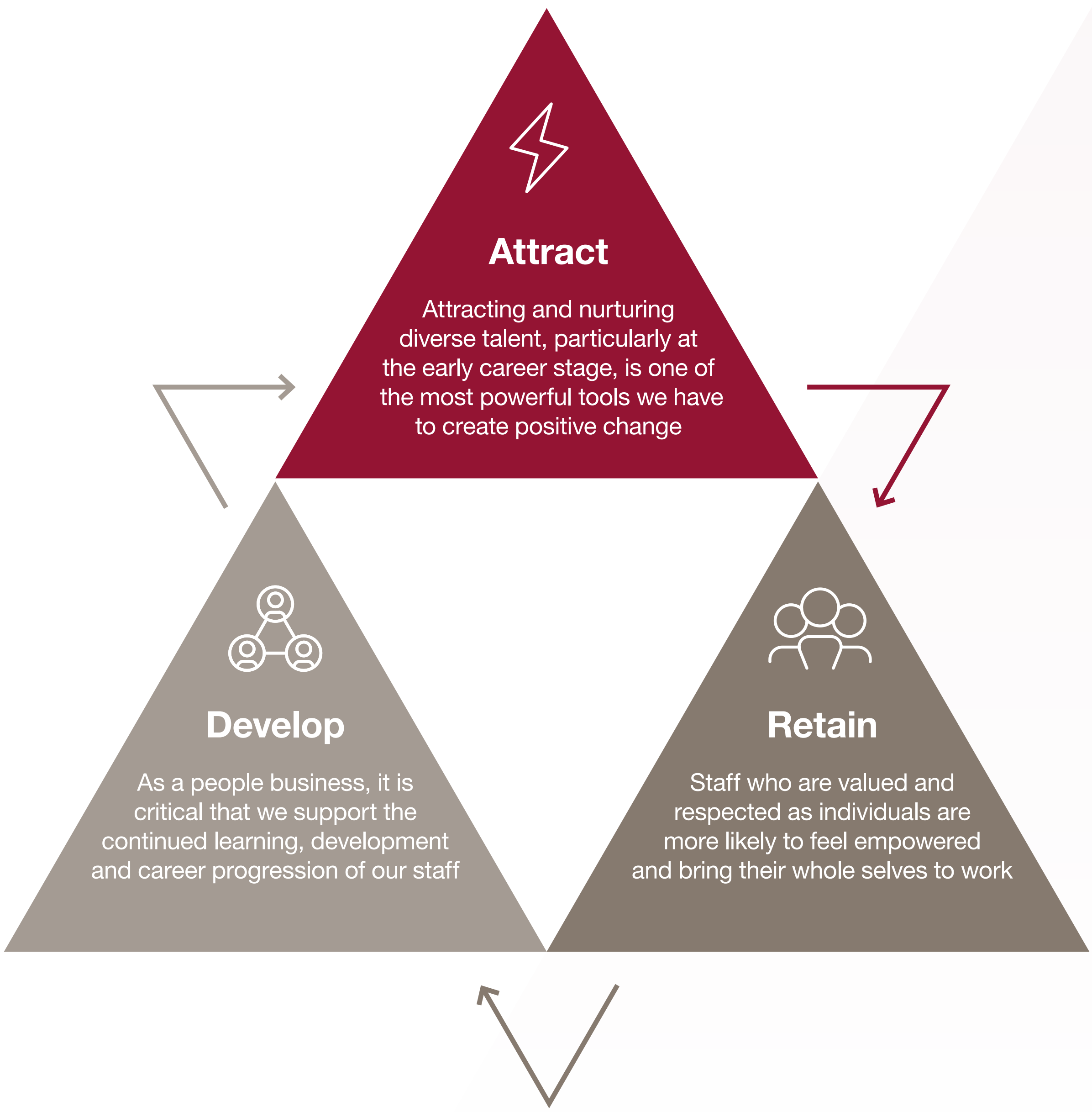
Sandra Lowe
Partner, Capital Formation and Chair of InfraRed's DE&I Committee

1 As at 31 December 2022.
2 1 April 2023.

InfraRed initiatives

Since our last Sustainability Report, we have continued to work to implement additional initiatives to foster a culture of inclusivity and equity within InfraRed and which will help us reach our targets.

Our approach is focused on three levers: Attract, Retain and Develop.



Attract

Initiatives in place prior to 2022

- A balanced shortlist of candidates is required for all new roles
- Pre-defined recruitment criteria and interview frameworks are utilised to minimise the risk of unconscious bias during the hiring process
- Hiring managers are required to attend mandatory training on inclusion and unconscious bias

Initiatives introduced in 2022/2023

- We are engaging with specialist partners to expand our outreach beyond traditional channels to actively seek out candidates from underrepresented backgrounds
- We ensure that language used in our job adverts is inclusive. We therefore explicitly encourage applications for the role even if experience does not align perfectly with all requirements in the job description

Retain

Initiatives in place prior to 2022

- An active DE&I Committee, responsible for tracking developments in this area and recommending initiatives to improve our approach to DE&I
- Gender-neutral parental leave
- 'Return-to-work' programme in place to support the transition for new parents and others returning from leave
- Regular surveys and informal discussions to gather staff feedback
- Online diversity and inclusion training for all staff
- Staff's mental health and wellbeing is supported through implementing a training and engagement programme with support from our mental health partner, Everymind at Work
- Active social committee and internal clubs including running and cricket

Initiatives introduced in 2022/2023

- We introduced a workplace nursery scheme which enables parents who use a nursery for the care of their children, up to the age of 5, to pay for the nursery fees via their gross salary, leading to tax savings
- We delivered 'Speaking Up and Calling it Out', a mandatory training for all staff, to raise awareness of the impact our behaviour can have on others and empower staff to 'call out' behaviours which go against the culture we promote at InfraRed
- We launched an InfraRed Women's Network and speaker series, Inspirational Career Stories
- We celebrate diversity and cultural differences by hosting special events such as Pride Month, International Women's Day, Diwali and Eid al-Fitr

Develop

Initiatives in place prior to 2022

- Dedicated training and development in place to support the growth of staff at all levels, including launch of online Learning Management System
- Dedicated talent management and bi-annual performance reviews providing staff with an opportunity to discuss their performance and progression
- Enhanced roles and opportunities for mobility within the business
- Career development initiatives including 360 degree feedback, professional development plans, mentoring and coaching programmes

Initiatives introduced in 2022/2023

- We continue to evolve our learning and development programme which has bespoke upskilling and reskilling

InfraRed initiatives continued

Case study

InfraRed's gender-neutral Parental Leave Policy

At InfraRed we understand the importance of supporting staff's families and creating a workplace that allows for a healthy work-life balance. That is why we have parental leave policies that provide various options for new parents.

We recognise the value in offering flexibility with new parents and supporting staff's families as they grow is not only the right thing to do, but good for our business in the long run. By making our policy gender-neutral, we are looking to normalise the uptake of extended leave for both primary and secondary caregivers. In 2022, 7 people took parental leave in excess of one month.

Promoting responsible supply chains

We appreciate that our investments can have cascading effects, creating new markets and supply chains for clean technologies, spurring innovation and supporting job creation in the green economy. However, such effects must be carefully considered, to ensure a just transition and responsible supply chains.

We seek out suppliers who have strong ESG standards when acquiring materials associated with supply chain risks such as batteries and solar panels. In the investment and procurement processes for greenfield projects, we look for specific criteria including demonstrable and pragmatic action plans for material ESG risks, public commitments to sustainability, evidence of performance monitoring, third-party audits as well as the provenance of materials and locations of manufacturing plants.

Given the complexity of this issue we have been collaborating with the PRI on developing guidance on human rights due diligence processes for private market investors.

76%

of AUM have policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises (new metric introduced in 2022)

Maintaining health & safety

Our top priority is to safeguard the health and wellbeing of our employees, clients, delivery partners and other stakeholders. To ensure the highest standards of health & safety are upheld at every level of a portfolio company, we closely monitor compliance with our standards through board meetings and our ESG survey.

In 2022, our Asset Management team took proactive steps to ensure strong performance across all five of our health & safety metrics. Going forward, our team will continue to focus on maintaining full compliance and increasing the percentage of our portfolio that undergoes health & safety inspections by both InfraRed asset managers and other independent parties.

95%

of AUM have a Health & Safety Policy (incorporates the portfolio company and delivery partners) (compared to 100% in 2021)

84%

of AUM conduct independent health and safety site inspections at least once every 18 months (compared to 84% in 2021)

99%

of AUM have fire risk assessments in place where required (compared to 100% in 2021)

85%

of AUM have had a health & safety site visit completed by an InfraRed asset manager (compared to 98% in 2021)

99%

of AUM report to the Board on health & safety performance (compared to 100% in 2021)

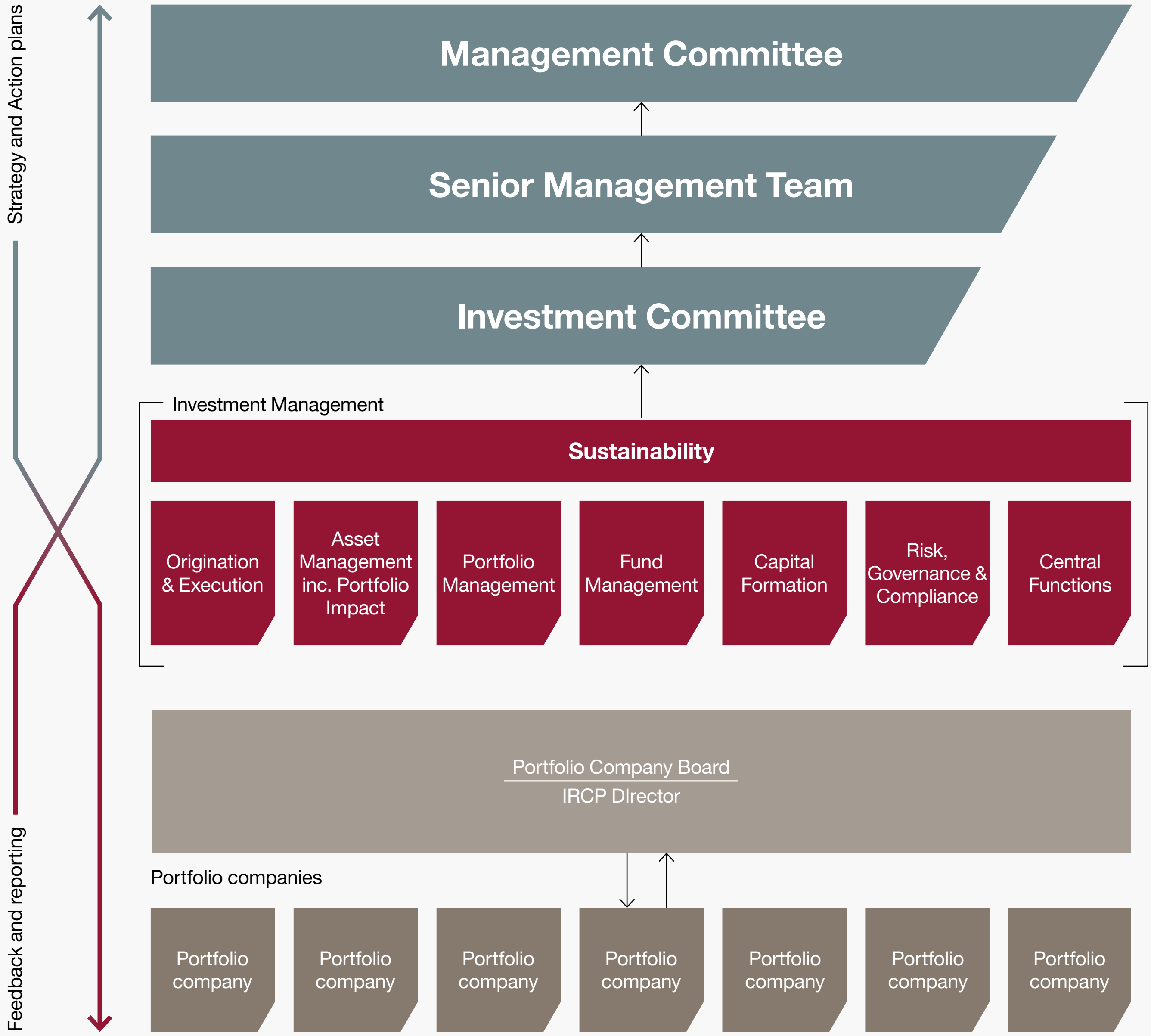
Governance

InfraRed establishes robust governance systems, risk management and controls to ensure the effective implementation of sustainability-focused initiatives and regulatory requirements across our business. This section provides an overview of how we manage sustainability within InfraRed teams and processes as well as within portfolio companies.

2022 OBJECTIVES	PROGRESS AGAINST 2022 OBJECTIVES	2023 OBJECTIVES
Enhance reporting and transparency	We have collected and reported SFDR Principal Adverse Impact (PAI) indicators for our funds We have updated our Sustainability Policy, reflecting a deeper integration of ESG factors within our business	Develop ESG survey to improve data collection of our impact metrics and to align with upcoming frameworks such as TNFD and ISSB
Improve data collection and management processes	We have transitioned to an enhanced data management platform We have improved the response rate to both our ESG survey and GHG emissions questionnaire	Expand touchpoints with our clients and management service providers to continue to improve response rates, data quality and, ultimately, ESG performance

InfraRed's governance structure

Whilst we have a number of dedicated sustainability resources within the business, it is the responsibility of all staff to deliver InfraRed's sustainability ambitions within their day-to-day role.



Further details on our governance, including team structure and sustainability linked performance objectives can be found in our Sustainability Policy.

Sustainability investment and management framework

InfraRed has comprehensive sustainability requirements at the pre-investment level and ongoing management of its portfolio companies, as outlined below:

Sharing of best practice and continuous improvement

Pre-investment

Negative Screening

Checks made against InfraRed's and its funds' Exclusion Policy.

Deal Screening

Initial identification of sustainability risks and opportunities.

Counterparty searches completed to assess company sustainability performance.

Due Diligence

Sustainability performance assessed in line with sector guidelines and regulatory requirements.

Climate change risk assessment completed.

Due diligence findings incorporated into investment valuation and/or risk mitigation plans.

Sustainability action plan developed for implementation post-investment.

Investment Approval

Sustainability due diligence findings and action plan presented to Investment Committee for consideration and approval.

Post-investment

Management

Oversight of project governance and active management of sustainability aspects through Asset Manager's board representation.

Implementation of the sustainability action plan developed in the Due Diligence phase.

Annual ESG survey collects data for the key metrics (including regulatory requirements) in order to monitor sustainability performance.

Sharing of best practices through guidance documents, case studies and the 'Creating Better Futures' Awards.

Engage with stakeholders on key sustainability themes in forums such as bi-annual ESG summits, industry collaborations and targeted surveys.

Reporting

Fund and firm reporting in line with the best practice frameworks and regulatory requirements such as TCFD, EU Taxonomy and SFDR.

End of Investment Life

When divesting, counterparty searches are completed on potential acquirers and project sustainability performance is shared in the sale documentation.

Environmental and socially responsible approach to asset hand back/decommissioning, e.g. by applying principles of the circular economy.

Monitoring portfolio company governance via our ESG survey

To ensure that our portfolio companies comply with the highest standard of corporate conduct and ESG performance, we employ both active asset management via board representation on the portfolio companies as well as measuring ESG performance via an annual ESG survey. The responses to the survey are evaluated and scored by an external consultant. The outputs of the ESG survey enable us to compare performance across companies within the same sector and inform an action plan of key sustainability initiatives to address in the following years.

The survey, covering our Climate, Environment, Communities and People priorities is one of the key governance tools to drive ESG improvements across our portfolio. Additionally, the data collected is used to establish sustainability KPIs and metrics that are utilised for reporting and for some revolving credit facilities of our funds. In line with EU SFDR, metrics reported this year are based on the valuation of complying portfolio companies as a proportion of InfraRed's assets under management. 2021 metrics have been revised to enable comparison.

In 2021, we revised the ESG survey to allocate marks against more questions, particularly related to quantitative KPIs aligning with the EU SFDR PAI indicators. Several companies completing the survey for the first time in 2022 had not yet put some processes in place to adhere to InfraRed's high ESG standards, leading to a decline in some metrics. However, the Asset Management team are using the survey results to drive improvement going forward.

187

portfolio companies responded to the 2021 survey (compared to 184 in 2021). While 11 portfolio companies responded to the survey for the first time, the overall number also reflects consolidations based on group structures and divestments

76%

of AUM achieved a 5-star rating by an external consultant (compared to 79% in 2021)

90%

of AUM achieved our active asset management criteria (compared to 100% last year)[1]

93%

average score achieved by portfolio companies (compared to 94% in 2021)

1 As part of the ESG survey, our portfolio companies report on whether the InfraRed Board Director has attended all board meetings, has actively monitored the portfolio company's performance and has carried out a site visit in the last 18 months. Due to the pandemic, the latter was refined to capture attendance at a virtual meeting.

Sustainability regulations

EU Sustainable Finance Disclosures Regulation (SFDR)

Having begun collecting PAI indicators in 2021, InfraRed has reported both mandatory and voluntary environmental and social indicators to investors for the first time in 2023.

All InfraRed in-scope funds are currently classified as Article 8.

EU Taxonomy for Sustainable Activities

InfraRed has carried out an eligibility exercise for all assets under management.

Based on the results and concentration of eligible assets, we have completed an alignment exercise for TRIG's entire portfolio which will be reported in its 2023 Sustainability Report.

Our focus in 2023 is to implement taxonomy alignment criteria at the pre-investment level and commence assessing alignment for other eligible assets.

FCA Sustainability Disclosure Requirements (SDR)

Given the critical importance of SDR in shaping the UK's ESG disclosure landscape, InfraRed submitted a consultation response, addressing some key issues to ensure alignment and clarity.

Looking forward

We set out below initiatives we delivered in 2022 and our objectives for 2023

	Delivered in 2022	2023 objectives
Climate	**Net zero targets** InfraRed set net zero targets in line with the Net Zero Investment Framework for Infrastructure	**Net zero integration** Revise investment processes to further integrate net zero criteria, including requiring portfolio companies to set decarbonisation targets and strategies within given timeframes and formalising an engagement roadmap
	Increased investments in climate solutions We committed $1.7bn to the energy transition globally in 2022, including in Texas Nevada Transmission and Octans wind farms in the US	**Target greenfield climate solutions** Grow the percentage AUM invested in high impact climate solutions, through additive greenfield development of next generation technologies such as EV infrastructure and green fuels
Environment	**Improved monitoring of biodiversity impacts and initiatives** Formulating a portfolio-wide biodiversity strategy is challenging given the location specificity of initiatives. However, we are actively managing biodiversity risks at the acquisition level and continue to track impacts and initiatives within each portfolio company	**Continued engagement on monitoring impact** As we continue to engage project companies on identifying and reducing their biodiversity impact, we will look to incorporate the finalised TNFD framework on risk management for impacts and dependencies
	Water and waste metrics We conducted a deep-dive into our energy, water and waste data to ensure that it is appropriately measured and reported, which is a fundamental component to assess reduction plans in place	**Target materiality** We aim to build on the work we completed in 2022, to ensure that reduction plans are in place for all material sectors (medium-to-high impact) and, where we have operational control, processes are put in place to measure consumption and generation
Communities	**Portfolio impact framework** We updated our ESG survey to better quantify social impact initiatives	**Develop upon portfolio impact framework** Expand and improve data collection process to gain insights on impacts and scalable initiatives
	Client Insights Survey We launched our second Client Insights Survey, gathering valuable insights and achieving a high response rate	**Expand initiatives based on insights gained** Use information gathered to tailor initiatives at the portfolio company level and to build on our corporate social impact strategy to address challenges identified

	Delivered in 2022	2023 objectives
People	**Set DE&I targets** We have set diversity targets relating to InfraRed's own staff	**Expand DE&I initiatives** Build on initiatives outlined on pages 38-39 to ensure we meet our targets and create DE&I requirements for portfolio companies which directly employ staff
People	**Portfolio company alignment with OECD and UN Global Compact frameworks** We monitor alignment of portfolio companies to these frameworks via our ESG survey and will continue to work with our portfolio companies to support awareness and understanding of these frameworks	**Create portfolio company DE&I requirements and increase alignment to human rights frameworks** Increase portfolio alignment to human rights frameworks and communicate DE&I expectations for portfolio companies which directly employ staff
Governance	**Transparency and ESG integration** We have collected and reported SFDR Principal Adverse Impact (PAI) indicators for our funds. We have updated our Sustainability Policy, reflecting a deeper integration of ESG factors within our business	**Evolve ESG survey** Develop ESG survey to improve data collection of our impact metrics and to align with upcoming frameworks such as TNFD and ISSB
Governance	**Data collection** We have transitioned to an enhanced data management platform and have improved the response rate to both our ESG survey and GHG emissions questionnaire	**Target wider stakeholder engagement** Expand touchpoints with our clients and management service providers to continue to improve response rates, data quality and, ultimately, ESG performance

"Our approach is built on our commitment to deliver tangible impact in our investment and business activities; and as part of this year's report, we are pleased to have set a number of targets against our four sustainability priorities."

Kate McKeon
Director, Head of Sustainability

Appendix – framework alignment

Certified Carbon Neutral

- We became a certified carbon neutral firm effective from 1 January 2019 in accordance with The CarbonNeutral Protocol®

EU Sustainable Finance Disclosure Regulation (SFDR)

- Compliant with Level 1 requirements which came into effect 10 March 2021
- In the process of ensuring compliance with Level 2 requirements which came into effect on 1 January 2023
- In preparation for Level 2 requirements, InfraRed has incorporated the relevant PAI indicators into its 2021 ESG survey

EU Taxonomy

- InfraRed is in the process of mapping its funds' activities against the categorisation criteria prescribed by the EU Taxonomy for Sustainable Activities

International Sustainability Standards Board (ISSB)

- InfraRed is tracking the developments of ISSB, a global framework that is expected to consolidate sustainability-related disclosures in the coming years

Net Zero Asset Managers Initiative

- One of 236 asset managers committed to reaching net zero across our entire portfolio by or before 2050
- Interim emissions targets to be submitted to the initiative in July 2022, and the underlying decarbonisation strategy, outlined in our 2022 Net Zero Progress Report

Principles for Responsible Investment

- InfraRed has been a signatory to PRI since 2011 and has reported under this framework since 2014
- Our Infrastructure business has maintained an A+ rating since the 2014 assessment period
- InfraRed has maintained an A+ rating for Strategy and Governance since the 2016 assessment period

Science Based Targets

- TRIG is a signatory as of January 2022
- InfraRed's net zero approach is aligned with SBTi methodology

Sustainable Development Goals

- InfraRed supports all of the United Nations (UN) Sustainable Development Goals (SDGs)
- Our investments inherently contribute to: 7, 9, 11 and then the next bullet refers to 3, 4, 13

- Given our corporate values and passions, we choose to prioritise the following:

Task Force on Climate-related Financial Disclosures

- InfraRed, HICL and TRIG have been TCFD supporters since 2020
- Both HICL and TRIG have been voluntarily reporting under TCFD since early 2020 ahead of this becoming mandatory for listed funds in 2021
- InfraRed is in the process of incorporating TCFD disclosures in its unlisted investor reports
- Physical and transition risks have been assessed for all assets in the InfraRed portfolio and have been formally reported to project company management teams

Taskforce on Nature-related Financial Disclosures

- InfraRed is tracking the TNFD framework releases and is currently working to develop a strategy in order to more effectively measure and reduce our impacts on biodiversity

UK Sustainability Disclosure Requirements (SDR)

- We continue to track SDR's timeline and expected requirements

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InfraRed Capital Partners Limited

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Glossary

AUM	Assets under management
CEO	Chief Executive Officer
ESG	Environmental, Social and Governance
EU	European Union
EU Sustainable Corporate Governance directive	Entitled the Directive on Corporate Sustainability Due Diligence, this EU law will mandate companies of a certain size to carry out measures such as integrating due diligence into their corporate governance structures; to identify actual or potential adverse human rights and environmental impact; and put measures in place to prevent or mitigate said potential adverse effects
EU Taxonomy	This is a classification system established by the EU to clarify which investments are environmentally sustainable
EV	Electric Vehicle
GHG	Greenhouse gas
HICL	HICL Infrastructure PLC, a listed fund managed by InfraRed
InfraRed	InfraRed Capital Partners Limited
IPA	The Infrastructure and Projects Authority is the UK government's centre of expertise for infrastructure and major projects
IPCC	Intergovernmental Panel on Climate Change is an intergovernmental body of the United Nations which provides objective and comprehensive scientific information on anthropogenic climate change
KPIs	Key Performance Indicators
National Grid	National Grid is one of the world's largest publicly listed utilities focused on transmission and distribution of electricity and gas in the UK
Net zero	Net zero refers to negating the amount of GHG produced by activities, achieved by reducing emissions as far as financially and technologically possible, and subsequently implementing methods of absorbing carbon dioxide from the atmosphere
Net Zero Asset Managers initiative	The Net Zero Asset Managers initiative is an international group of 236 asset managers, representing US$57.5tn AUM committed to supporting the goal of net zero greenhouse gas emissions by 2050
NHS	National Health Service, the publicly funded healthcare system in the UK
OECD Guidelines for Multinational Enterprises	The OECD Guidelines for Multinational Enterprises are recommendations addressed by governments to multinational enterprises. They provide non-binding principles and standards for responsible business conduct in a global context consistent with applicable laws and internationally recognised standards. The Guidelines are the only multilaterally agreed and comprehensive code of responsible business conduct that governments have committed to promoting
PAI	Short for Principal Adverse Impact, these are a set of environmental and social KPIs mandated by EU SFDR
PBAF	Partnership for Biodiversity Accounting Financials is a framework which aims to provide financial institutions with practical guidance on biodiversity impact and dependency assessments
PCAF	Partnership for Carbon Accounting Financials is a framework which enables financial institutions to assess and disclose greenhouse gas emissions of loans and investments
PFI	Private Finance Initiative – a term for PPPs used primarily in the UK and Australia
PPP	Public-private partnerships involve collaboration between a government agency and a private-sector company that can be used to finance, build, and operate projects
PRI	Principles for Responsible Investment, a framework to communicate how ESG issues are incorporated into investment practice
Scope 1 emissions	Scope 1 emissions are direct GHG emissions that occur from sources that are controlled or owned by an organisation (e.g., emissions associated with fuel combustion in boilers, furnaces, vehicles).
Scope 2 emissions	Scope 2 emissions are indirect GHG emissions associated with the purchase of electricity, steam, heat, or cooling.
Scope 3 emissions	Scope 3 emissions are all remaining indirect emissions resulting from an organisation's value chain activities (e.g., emissions of the supply chain)
TRIG	The Renewables Infrastructure Group Limited, a listed fund managed by InfraRed
UK	United Kingdom
UN	United Nations
UNGC principles	The UN Global Compact is a call to companies to align their strategies and operations with ten universal principles related to human rights, labour, environment and anti-corruption, and take actions that advance societal goals and the implementation of the SDGs

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Find out more

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