

Creating Real Value.



Stewardship Policy

InfraRed Capital Partners Limited (“InfraRed”)

October 2022

A large, abstract graphic at the bottom of the page, consisting of overlapping, semi-transparent geometric shapes in shades of dark grey, teal, and light green, creating a complex, layered effect.

Introduction

InfraRed stewardship engagements

InfraRed Capital Partners Limited (“InfraRed”) is a signatory to several industry-wide stewardship initiatives including the Principles for Responsible Investment (‘PRI’).

Under the Financial Conduct Authority (“FCA”) Rule COBS 2.2.3R, InfraRed is required to make a public disclosure in relation to the nature of its commitment to the UK Stewardship Code 2020 (the “Code”) of the UK Financial Reporting Council (“FRC”). Furthermore, under the Shareholder Rights Disclosure II and replicated under FCA Rule COBS 2.2B, InfraRed is required to develop and disclose its engagement policy with respect to listed shares or otherwise explain why it does not do this. This document sets out InfraRed’s approach to stewardship, its position with regards to the Code and its approach with respect to the engagement policy for listed shares.

The Code aims to enhance the quality of engagement between institutional investors and companies to help create long-term and sustainable value for clients and beneficiaries. It provides a set of 12 principles and guidance for how institutional investors should perform their duties as well as reporting expectations for investors.

Scope

InfraRed offers global infrastructure investment management primarily to institutional investors. InfraRed acts as an investment manager which principally invests in the privately held equity and/or subordinated debt issued in respect of:

- Infrastructure Project Companies

The present stewardship statement applies to all our assets under management, across all geographies and asset classes, to ensure we maximise overall value to both our investors and our clients.

Although this Policy is aligned to the 12 principles of the Code, InfraRed is not yet a signatory to the Code. This largely reflects the fact InfraRed has not been an investor in UK-listed companies – the focus of the Code until 2020.

As InfraRed does not make investments in shares listed on a regulated market, it has decided not to develop and publish an engagement policy covering such instruments.

InfraRed statement

We align with the definition of stewardship as provided by the FRC, whereby stewardship is the responsible allocation, management, and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society. The present document should be read in conjunction with InfraRed’s Sustainability Policy which sets out our commitment to adopting a sustainability-led approach to our investments and our corporate functions.

We believe that the company’s objectives and overall governance allow us to comply with this approach: our investment approach is long-term, as is the ongoing assessment of our stewardship activities.

Ownership and update

Responsibility for the accuracy of this document’s content lies with the Board of InfraRed. It is however, the requirement of all InfraRed’s staff to comply with this Policy. The Policy will be reviewed at least annually or after any significant change in processes or business practices and updated as required. Any amendments to the Policy, or if the Policy is overruled, must first be approved by the Board of InfraRed.

For further details on any of the above information, please contact Kate McKeon at kate.mckeon@ircp.com.

Stewardship Principles

1. Purpose, strategy and culture

InfraRed's Corporate Values, detailed in our Global Policies Manual, set the foundation of the company's vision and investment beliefs.

InfraRed's vision is to make a positive contribution to society by generating value for investors as well as the communities who use the assets. We are committed to investing actively, responsibly and from a long-term perspective.

The Sustainability Policy, also referred to in Chapter 1 as a standalone document, recognises and reinforces our engagement, stating that:

We can only achieve long term success for our clients, assets, investors and business by taking responsibility for our environmental, social and governance impacts. This is essential to our vision.

We believe that the present stewardship principles have been embedded into our organisation's culture.

2. Governance, resources and incentives

InfraRed's global policies provides the company's governance structure and a risk and compliance framework that enable oversight and accountability for effective stewardship in the organisation. It details the responsibilities of core roles and governance committees.

At InfraRed, accountability for stewardship activities is shared at all levels of the organisation. As outlined in our Sustainability Policy, all of InfraRed's staff have been set sustainability objectives. Staff contributions to sustainability, which includes stewardship activities, is considered as part of staff performance assessments which directly impacts overall remuneration.

The Fund Managers have a responsibility for ensuring that InfraRed's stewardship priorities are adhered to at a fund level. The Fund's Investment Committees play an important role in overseeing stewardship activities.

In addition, our Risk & Compliance team and the Sustainability Manager work closely with the Fund Managers to help define and deliver on our stewardship commitments.

The Sustainability Manager is responsible for communicating stewardship activities and results to InfraRed's staff to ensure that this information can be incorporated into future investment decisions.

3. Conflicts of Interest

We recognise the importance of managing potential conflicts of interest. InfraRed has a detailed group-wide "Conflicts of Interest" Policy in place (available from www.ircp.com), stipulating that InfraRed has a duty to act in the best interests of its investors. Should a conflict arise, InfraRed's senior management will take appropriate steps to ensure fair treatment of all of investors, including disclosure of the conflict to affected investors.

4. Promoting well-functioning markets

Collaboration with like-minded investors within formal or informal forums is part of the engagement considered by this Policy. We believe that this will allow us to achieve common goals, particularly regarding mitigating systemic risks. For this reason, InfraRed participates in relevant Industry Bodies, such as the Global Infrastructure Investor Association, to support the continued improvement of the functioning of the infrastructure investment industry. InfraRed may also participate in consultation papers and other initiatives where the subject matter is relevant to our investment activities.

Where InfraRed participates in industry or policy consultations, or exerts our political influence in another form, any views expressed by the company must first be approved by the relevant Fund's Investment Committee to ensure these views align with InfraRed's approach to sustainable investment and commitment to the 6 Principles of the PRI.

As a manager of infrastructure, we recognise that some macro changes are shaping the present and future of our industry. This is particularly the case regarding climate change, on which we have implemented processes

to ensure that Climate-related risks and opportunities are considered as part of the investment due diligence process. We actively engage with the management teams of our project companies on the topic of Climate Change to improve the Climate resilience of our portfolio. At an industry level, we believe that Climate-related disclosures can help drive more informed investment decision-making for long-term assets. For that reason, InfraRed publicly supports the recommendations of the Task Force on Climate Related Financial Disclosures (“TCFD”).

5. Review and assurance

To ensure the effectiveness and consistency of our stewardship activities, we have made operational this Stewardship Policy, alongside InfraRed’s Sustainability Policy, each of which is approved at the highest levels of the firm.

At a Fund level, we report annually on our Economic, Social and Governance (“ESG”) performance and stewardship activities. The Fund Managers are responsible for reviewing ESG reporting to ensure that disclosures made are fair, balanced, and understandable.

6. Client and beneficiary needs

InfraRed’s Sustainability Policy seeks to articulate how we discharge our responsibilities to create a positive impact beyond commercial objectives and recognises that our investment and management decisions impact our clients, the end-users of our assets and the communities in which those assets are located.

We recognise that delivering success over the long-term requires not only identifying clear market opportunities, but also investing in stakeholder relationships and aligning objectives. As part of our stewardship approach, we implement a clear line of sight from the corporate to the project level.

7. Stewardship, investment and ESG integration

InfraRed’s Sustainability Policy sets out the company’s values and goals in terms of ESG. It details the company’s five commitments. Our first commitment is to:

Continue to incorporate sustainability into our investment decision making and on-going management of our assets.

As part of this commitment, InfraRed maintains a comprehensive sustainability management system, which integrates sustainability into each stage of the investment process. For example, prior to any investment, the opportunity is assessed to identify potential ESG risks or opportunities. Where ESG risks are identified, the relevant mitigation measures to be implemented post investment are documented as part of the sustainability action plan. ESG aspects are then monitored on all projects throughout the ownership period. This includes, but is not limited to, active management through project company board representation and an annual ESG questionnaire. These processes also allow us to assess the outcomes of our stewardship objectives.

InfraRed has procured a third-party Climate Change risk assessment to identify potential exposure to Climate-related risks at an asset and fund level. The outcome of the Climate Change risk assessment is then shared with the project companies to improve the Climate resilience of our assets.

As part of our wider commitment to combating climate change, InfraRed has become a certified CarbonNeutral® company in accordance with The CarbonNeutral Protocol, effective from 1 January 2019.

8. Monitoring managers and service providers

We believe that effective governance is key to long term value creation. For that reason, InfraRed appoints directors to the Boards of project companies who have an active role in monitoring the performance of each asset and any contracted service provider. We promote an open and collaborative environment to ensure the soundness of the decision-making process and conduct a systemic annual assessment of each service provider’s sustainability performance.

To ensure alignment with InfraRed’s values and strategies, most of the assets (except when InfraRed is minority shareholder) adopt InfraRed’s key policies. Service providers are also given objectives and targets that are aligned with InfraRed’s overall corporate policies.

9. Stakeholder Engagement

InfraRed seeks to actively engage with our clients, service provider's and our investors to coordinate approaches and align views to maximise the performance of our assets.

InfraRed has implemented several internal and external tools to enhance the quality and efficiency of engagement activities. An example of this is the stakeholder mapping tool developed by the infrastructure business to promote strategic engagement at the asset level. This tool identifies key project stakeholders, their relevant level of authority and interest and the strength of relationships between the various stakeholders. The results are then used to establish communication channels which can be used to resolve project-related issues prior to enforcing contractual measures. This online tool ensures a systematic approach to stakeholder engagement is implemented across all our assets. The tool is used both internally, and externally by our management service providers.

The Client Relationship Management ("CRM") tool is another tool used by the infrastructure business to ensure stakeholder engagement activities are recorded so that the business can measure the level of engagement.

10. Collaboration

Partnership and Trust are two of InfraRed's corporate values which are reflected in how we collaborate with our clients, the end-users of our assets, our investors, our key service providers, and our staff.

In circumstances where InfraRed has majority control of a project company, we will use this to promote good sustainability and stewardship practices. In circumstances where InfraRed has a minority interest or where outside minority consent is required, we will engage with fellow investors and other financiers to promote good practice.

11. Escalation and review

Through its representation on the Boards of project companies, InfraRed is able to promote stewardship by ensuring that sustainability priorities are actively considered on a continuing basis. Project company management may be tasked with sustainability objectives, or these goals may feature in the project's business plan – also promoting ongoing accountability and independent challenge of progress made.

InfraRed has in place a longstanding set of reporting processes through which the fund Investment Committees and private fund investors can review and query all aspects of project management. In recent years, these processes have been amended to give greater emphasis to sustainability matters.

In parallel to this, InfraRed's asset management and risk & compliance policies require the prompt escalation of material events which impact InfraRed's stewardship of investments.

12. Exercising rights and responsibilities

InfraRed's representatives, in their capacity as directors of project companies, actively consider the interests of the companies' stakeholders when voting on any resolution that is proposed. Any decision will be made after due consideration of the facts and informed by investment considerations as well as consultation with internal and external stakeholders. The InfraRed Directors Reference Manual sets the Director's duties and responsibilities, including ESG requirements.