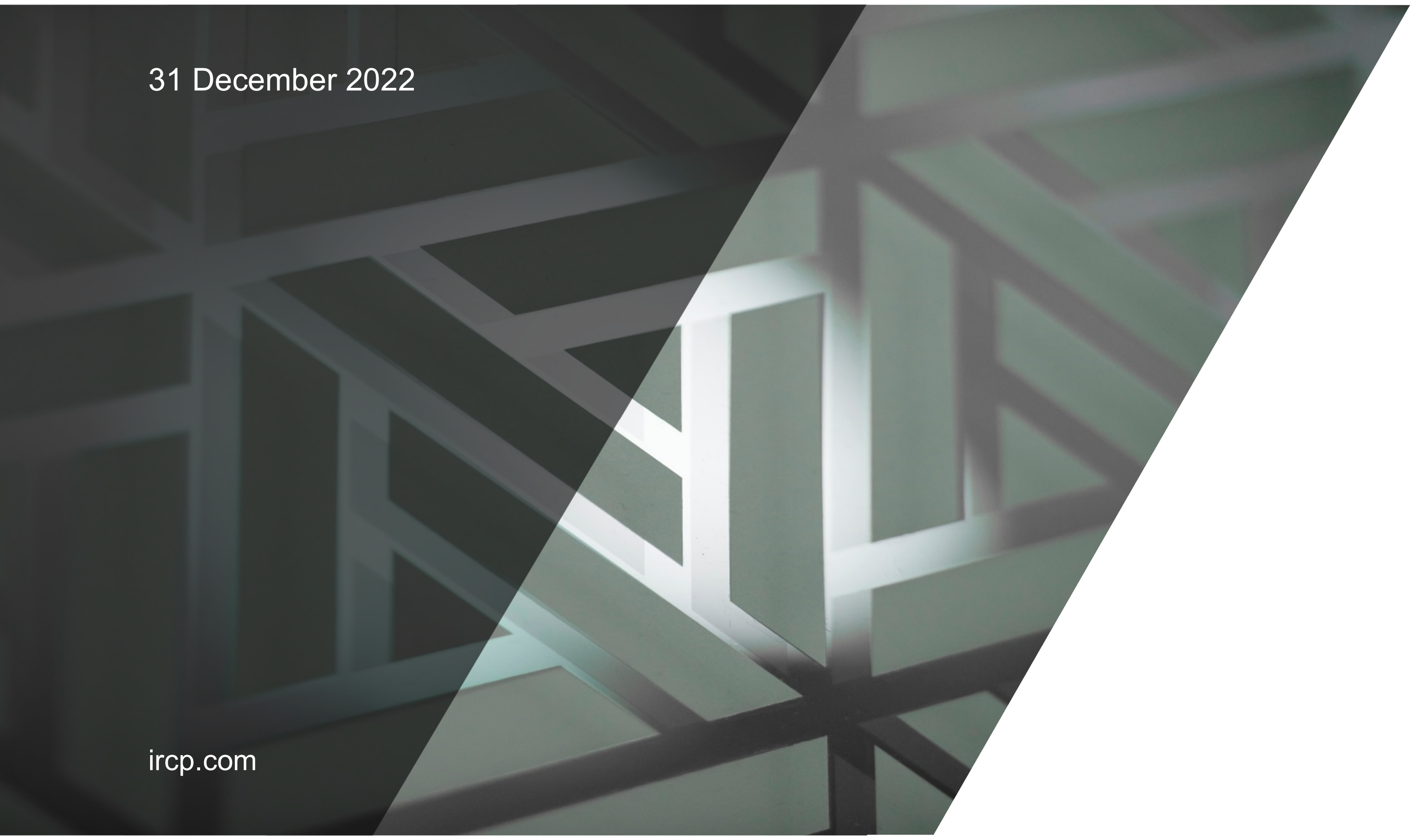
Creating Real Value.

MIFIDPRU Disclosure

InfraRed Capital Partners Limited



31 December 2022

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1. Introduction

InfraRed Capital Partners Limited (“IRCP”) is an international infrastructure investment manager, investing in real assets. InfraRed Capital Partners Limited is authorised and regulated by the Financial Conduct Authority (“FCA”), FCA ID No. 195766) as an operator of unregulated collective investment schemes and as an investment management firm. This entity is described in this document as “the Regulated Entity”.

IRCP is a MIFIDPRU limited licence firm and has been authorised as a full scope Alternative Investment Fund Manager under the Alternative Investment Fund Managers Directive (“AIFMD”).

The FCA implemented the Investment Firms Prudential Regime (“IFPR”) on January 1, 2022. The IFPR replaces, for investment managers, the previous framework of the Capital Requirements Directive and Regulation - the Internal Capital Adequacy Assessment Process (ICAAP). It impacts any group that owns an FCA authorised firm that provides MiFID investment services and activities. IRCP by virtue of its MiFID permissions, being a Collective Portfolio Management Firm (CPMI) firm, is included.

The IFPR regime distinguishes between “small and non-interconnected investment firms” (“SNI” firms) and non-SNI firms. For the purposes of MIFIDPRU, IRCP has been categorised as a non-SNI firm.

IRCP is required to publish disclosures in accordance with the provisions outlined in MIFIDPRU 8 of the IFPR.

2. Basis of Disclosure

InfraRed Capital Partners Limited is a wholly owned subsidiary of InfraRed Partners LLP and its results are included in the consolidated accounts prepared by the parent company. For the purposes of this disclosure (“Disclosure”), ‘InfraRed’ refers to the corporate structure enabling the Management Company to set direction and strategy, and also to the operating infrastructure enabling the operating entities to conduct business.

Under the MIFIDPRU Prudential sourcebook requirements, IRCP as a MIFID investment firm is required:

- At all times hold own funds and liquid assets which are adequate, both as to their amount and to their quality, to ensure it is able to remain financially viable throughout the economic cycle, with the ability to address any material harm that may result from its ongoing activities; and
- Ensure that the business can be wound down in an orderly manner, minimising harm to consumers or other market participants.

The disclosure for IRCP is prepared on a solo entity basis It does not constitute any form of audited financial statement and has been produced solely for the purposes. This Disclosure document is proportionate to the its size and organisation, and to the nature, scope and complexity of its activities.

This Disclosure document is updated and published annually. It will be updated more frequently if there are significant changes to the business (such as changes to the scale of operations or range of activvities) or to its risk profile.

This Disclosure is published on InfraRed’s website.

3. Risk management objectives and policies

The following is a description of risk management and governance in the InfraRed group as at 31 December 2021. This takes into account the change in ownership of the firm following the Sun Life transaction noted above and reflects the divesture of the European Real Estate business, which was announced on 15 August 2021.

The InfraRed Risk management framework outlines the policies, systems, processes, and controls in place to identify, monitor, report on and manage risks across the InfraRed and the funds it manages. The framework comprises of the following:

- Governance Board
- Management Committee
- Risk Oversight Committee
- Risk Appetite Statements
- Key Risk Indicators
- Fund level oversight
- Operational Risk Incident Management Policy
- Operational Risk Framework
- Operational Risk Governance: three lines of defence
- Risk Control Self-Assessment / Certification
- Documented Procedures and Policies

The management of operational risk is a major part of InfraRed's risk management focus and the subject of the Operational Risk and Internal Control Framework ("ORIC"). The ORIC promotes a three lines of defence model to manage risk.

The first line of defence is represented by management in InfraRed's Infrastructure business having in place effective controls in the processes for which they are responsible and is supported by the principle of individual responsibility.

The second line of defence is comprised of the support and oversight role of the central functions, e.g. Operational Risk, Compliance, Human Resources and Governance.

The third line of defence is formed by the Risk Oversight Committee (ROC) receiving through the second line of defence comprehensive reporting on the previous quarter and any operating incidents or breaches of policy, emerging risks and the firm's overall risk profile. ROC is functionally independent of InfraRed's main infrastructure investment business and offers challenge to the ORIC and the firm's risk profile. External Audit provides another level of third line defence.

The Management Committee is responsible for determining matters within Terms of Reference and their executive authority. The limited liability partnership agreement governing InfraRed Partners LLP sets out a range of matters over which InfraRed's Management Committee has day-to-day authority. This includes responsibility for managing the risk and compliance functions of InfraRed and maintaining compliance policies that are appropriate for the group and do not conflict with Sun Life's compliance framework and Code of Business Conduct.

InfraRed's risk framework exists to identify and evaluate the risks facing the Group and to ensure appropriate controls and processes are in place to manage these risks. It also describes responsibility for the oversight of the risk management process. An important part of the Group risk management framework is to have documented policies and procedures in place.

InfraRed's approach to risk management builds upon the following core principles:

- authority to manage the business, including internal controls and risk, is delegated from InfraRed's Management Committee to the CEO;
- the CEO delegates primary responsibility for the risk and controls framework within InfraRed and the independent monitoring and reporting of risk and controls to the DCEO;
- the Risk Oversight Committee ("ROC") supports the DCEO and is the principal committee for the monitoring and reporting of risks and controls; and
- significant risk and control issues are reported to the DCEO, the ROC and the Governance Board of IRCP

Underpinning these arrangements is the principle of individual responsibility and accountability across InfraRed's business, supported by guidance and training as required. This is subject to independent challenge and oversight by the Governance, Risk & Compliance function and the ROC.

Additional risk controls are in place at the level of the investment funds in respect of which IRCP acts as investment manager, controlling and monitoring the risks specific to those funds. The relevant risk registers are reviewed quarterly and InfraRed's Governance, Risk & Compliance function monitors these tools to ensure they remain up to date and appropriate.

InfraRed's subsidiary in the Americas, InfraRed Capital Partners (US) LLC has registered with the US SEC as a registered investment adviser and has its own governance board with risk management responsibility. The risk management and wider operations are not integrated with InfraRed but it will report material breaches of policy and operating incidents to InfraRed as part of the ongoing service arrangements and for good governance

Below are the risk management objectives and policies for InfraRed's most material categories of risk. InfraRed does not have a trading book and has no direct material exposure to market risk.

3.1. Business (strategy) risk

Business risk is the risk to InfraRed arising from changes to the internal and external commercial environment, including the risk that the organisation may not be able carry out its business plan and desired strategy. It also includes risks arising from remuneration policy.

The primary impact of business risks on InfraRed is the reduction of profitability from failed fund launches or from reduced management fees due to the winding down of non-sustainable business lines of business.

This risk is controlled by the commitment of InfraRed's Management Committee to only approve business strategies that balance commercial opportunity and the risks associated with growth. InfraRed is committed not to compromise its management of risk and its capital position in order to achieve growth. The business/product approval process acts as an important preventive control. Robust management accounting, reporting and monitoring of business areas ensures InfraRed is in a position to detect and respond to deteriorating business performance.

The risk is also mitigated by InfraRed's ability to adjust its cost base in light of poor operating performance and by the diversity of the fund products in relation to which it acts as advisor or manager.

3.2. Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. InfraRed's definition of operational risk includes legal risks.

The majority of the risks affecting InfraRed by volume and severity can be classified as operational risks and therefore most of InfraRed's risk management efforts are focused on mitigating operational risk to acceptable residual levels by maintaining a strong control environment through its risk management framework.

InfraRed employs experienced people, maintains clear segregation of duties and has clear lines of escalation. A performance appraisal process promotes the importance of all individuals upholding InfraRed's values which include adhering to standards set by the business. Relevant operational procedures are documented, and all individuals are given appropriate induction training. Outsourced relationships are monitored to ensure adherence to contractual obligations and service quality. Business continuity plans are in place and are subjected to regular review and testing. The IT systems used are held onsite and are supported by dedicated resources of the outsourced service provider. In addition, the critical IT systems are mirrored and backed up to a data recovery centre.

A dedicated and experienced Compliance Team is responsible for providing advice and ensuring the business operates in a compliant manner. Although InfraRed does not have an in-house "legal function", it operates controls to ensure legal risks are considered in all contracts and works with a number of legal service providers where considered necessary.

InfraRed also has comprehensive suite of commercial insurance arrangements in place to mitigate operational risks.

There is significant reliance on third parties to perform outsourced tasks. All such relationships are subject to assessment in advance, ongoing relationship management and periodic self-certification by the service provider. In addition, in respect of the key fund administration and accounting work outsourced to IQ-EQ, InfraRed has established clear responsibilities to oversee and manage the relationship.

During 2021, InfraRed did not incur any significant losses as a result of operational risks crystallising and has suffered no material instances of fraud.

3.3. Credit risk

For InfraRed, credit risk is the risk of financial loss if a counterparty fails to meet its obligations to repay outstanding amounts as they fall due.

Credit risk for InfraRed primarily arises from (1) its own working capital in liquid deposits and (2) from receivables from funds advised by IRCP.

With regards to (1), InfraRed maintains liquid deposits of less than 90 days with appropriately rated banks or liquidity funds or short term bonds. In relation to (2), credit risk stems indirectly from the risk of investor default. This underlying risk is mitigated by investors' contractual obligation to commit capital, the forfeiture provisions of limited partnership agreements and the variety and diversity of investors. It is further controlled by an assessment of credit-worthiness prior to accepting investors.

3.4. Reputational risk

Reputational risk is the risk of damage to InfraRed's or its partnership entities' reputation. This could in turn cause a loss of confidence by investors, which could affect InfraRed's ability to generate income, for example by investors not investing in follow-on funds.

InfraRed considers a loss of reputation to be a significant risk to a business operating in the financial services sector. InfraRed believes that the risk to its reputation could arise from poor investment performance, the departure of key individuals, a failing in relation to investor relations or as a result of a failure to manage sustainability policy or its other risks. Therefore, InfraRed always endeavours to act with integrity. InfraRed believes it can minimise reputational risk by carefully designing its policies, complying with the obligations of law and regulation, meeting the expectations of investors and other stakeholders, and effectively operating a robust system of internal controls, including controls on external communications.

4. Governance Arrangements

The regulated entity (i.e. InfraRed Capital Partners Limited) has a Board (Regulated Entity Governance Board, comprising of Management Committee members which is responsible for the supervision and authorisations of the entity's actions as Operator of regulated or unregulated collective investments schemes (the Funds). Amongst other things the Board is responsible for: approving and maintaining business policies, procedures and controls; and audit, compliance and regulatory affairs. This Management Committee is permitted to delegate its authority and powers to a sub-committee or such company employees as it deems fit.

InfraRed has established other committees which are also designed to provide governance, oversight, support and advise over the running of the business. These committees include:

- Risk Oversight Committee
- Remuneration Committee
- Valuations Committee
- Allocations Committee

The day-to-day operation of InfraRed and the InfraRed partnership companies is conducted by the CEO, Deputy CEO and the Business Area Heads in accordance with the duties specified in the Partnership Agreement and other operating procedures as may be approved by the CEO or under his delegated authority.

In addition, certain individuals within IRCP are also approved as Senior Managers by the FCA under the Senior Managers and Certification Regime (SMCR). These individuals perform key roles within IRCP's governance framework.

5. Own Funds [MIFIDPRU 8.4]

In line with MIFIDPRU 8.4 IRCP has prepared the reconciliation of own funds in line with the MIFIDPRU 8 Annex 1.

As at 31 December 2021, IRCP held capital resources of £17,700,000. This comprised solely of core Tier 1 capital after deductions.

Item	Composition of own Funds	Amount (GBP thousands)	Source based on reference numbers/letters of the balance sheet in the audited financial statements
1	**Own Funds**	**£17,700**	
2	**Tier 1 capital**	**£17,700**	
3	**Common Equity Tier 1 Capital**	**£17,700**	
4	Fully Paid-up Capital instruments	£3,500,	Share Capital
5	Share premium	N/A	
6	Retained Earnings	£14,200,	Profit and Loss account
7	Accumulated other comprehensive income	N/A	
8	Other reserves	N/A	
9	Adjustments to CET1 due to prudential filters	N/A	
10	Other funds	N/A	
11	(-) Total Deductions from Common Equity Tier 1	N/A	
19	CET1: Other capital elements, deductions and adjustments	N/A	
20	**Additional Tier 1 Capital**	N/A	
21	Fully paid up, directly issued capital instruments	N/A	
22	Share premium	N/A	
23	Total Deductions from Additional Tier 1	N/A	
24	Additional Tier 1: Other capital elements, deductions, and adjustments	N/A	
25	**Tier 2 Capital**	**N/A**	
26	Fully paid up, directly issued capital instruments	N/A	
27	Share Premium	N/A	
28	(-) Total Deductions from Tier 2	N/A	
29	Tier 2: Other capital elements, deductions, and adjustments	N/A	

IRCP held no additional Tier 2 or Tier 3 capital.

InfraRed conducts an annual internal assessment of the financial resources that are adequate to cover the risks facing its current and future activities. This exercise is known as the ICARA and is a requirement of the prudential regulation of investment firms in the UK by the Financial Conduct Authority (the FCA does not regularly review InfraRed's ICARA).

In order to carry out this assessment, InfraRed considers its current business strategy and outlook, which is already supported by projections of financial profitability, financial resources and capital and liquidity requirements.

The firm also considers the main risks to which its business is or might be exposed. In particular, a range of scenario tests are used to estimate the financial resources which would be required to respond to the impact of extreme but plausible events.

The resulting report, including this Disclosure, has been approved by the Governance Board of IRCP.

6. Own Funds Requirements [MIFIDPRU 8.5]

6.1. Own Funds

In accordance with MIFIDPRU 4.3, the Own Funds Thresholds Requirement, IRCP must maintain at all times capital resources equal or in excess of each of the following:

- The base capital resources requirement of (€125,000) for AIFMD
- The variable capital requirement

  which is defined as the higher of that is the higher of its Permanent Minimum Requirement (PMR) £75,000 [MIFIDPRU 4.4], Fixed Overhead Requirement (FOR) [MIFIDPRU 4.5], and K -factor requirement (KFR) [MIFIDPRU 4.6].

  As set out in part 5 of this Disclosure, InfraRed holds capital (£17,700,000) significantly in excess of its Own Funds requirement of £11.24m as at 31 December 2021 and foresees no impediments to continuing to hold capital in excess of the fixed overheads requirement.

K Factors	**£'000's**
K-AUM	0.02% of IRCP's average AUM above €250m (£1,847,)
K-CMH	N/A
K-ASA	N/A
K-COH	N/A
Total K Factor	£1,847
Fixed Overhead Requirement	£11,243 - based on one quarter of relevant IRCP expenditure.

6.2. Risk Assessment

InfraRed has assessed its Risk Assessment capital requirement as part of the ICARA, including through the use of scenario tests. The main risks to which InfraRed is exposed are operational and business-related since it primarily acts as an agent to the funds it manages; IRCP does not invest its own capital in these funds.

On completion of the ICARA it was concluded that InfraRed's Risk Assessment requirement does not exceed its Own Funds capital requirement.

The firm is required to plan for and calculate the cost of an orderly wind-down of the business in the eventual catastrophic failure of its business model. The purpose of this is to demonstrate that the firm has enough capital and liquidity to support a wind down without breaching regulatory requirements. IRCP has undertaken an analysis of the circumstances giving rise to, and the actions that management would take to effect, an orderly wind-down of the business. This analysis has confirmed that IRCP would remain sufficiently liquid and maintain enough capital resources in the event of, and throughout, an orderly wind down without the need to raise capital.

7. Remuneration policies [MIFIDPRU 8.6]

MiFID investment firms that are prudentially regulated by the FCA in the UK (FCA investment firms) are within scope of the MIFIDPRU Remuneration Code (the Code) in the FCA Handbook at SYSC 19G. As part of the Code, firms are expected to ensure that their remuneration policies and practices (including performance assessment processes and decisions) are clear and documented.

IRCP's disclosure provides information regarding the remuneration policy and practices for staff identified (using qualitative and quantitative criteria) as undertaking professional activities which have a material impact on the firm's risk profile.

8.1 Remuneration Policy responsibility

Responsibility for the Remuneration Policy for IRCP, its adoption and ongoing oversight of remuneration policies and practices for staff globally rest with the with the Management Committee in discussions with HR and in consultation with SLC Management and a "InfraRed Remuneration Committee" (which, since the Sun Life transaction only oversees historic carried interest arrangements).

The Management Committee ensures compliance with the principles of the remuneration policy and the policy is reviewed annually to confirm it remains appropriate and in compliance with the requirements of the AIFMD and MIFIDPRU.

8.2 Remuneration Policy

The Remuneration Policy and its practical application must be consistent with the business strategy, objectives and long-term interests of the firm.

The remuneration policy is reviewed annually. the Management Committee with the support of Compliance and HR ensures compliance with the principles of the remuneration policy and the policy is reviewed annually to confirm it remains appropriate and in compliance with the requirements of the AIFMD and MIFIDPRU.

8.3 Remuneration principles

Staff reward remains strongly linked to performance of the business and includes the following:

There is only one bonus pool based on the performance of the overall business and no bonus arrangement links an individual's remuneration directly to an individual or team P&L.

Discretionary bonus scheme for employees is the principal source of variable compensation for employees (i.e. non-partners), with the exception of those awarded carried interest. It is a single pool (in aggregate with Discretionary Profit Share for partners) in which all employees of InfraRed globally (c. 190 people) participate.

As is the case with all variable remuneration, the assessment of performance is part of a multi-year framework that considers longer-term performance. The business cycle of InfraRed and its business risks are considered when determining when payment variable remuneration will be made.

Discretionary profit share for partners is the element of the overall bonus pool payable to partners of Charles II Realisation LLP (formerly InfraRed Capital Partners (Management) LLP) ("ManLLP"). All partners have a material financial interest in the long-term success of the business.

The application of malus and clawback will apply where a material risk taker participated in or was responsible for conduct which resulted in significant losses to the firm and/or failed to meet appropriate standards of fitness and probity.

8.4 Remuneration Disclosure

InfraRed Capital Partners Limited intends to make its first public disclosure under MIFIDPRU 8.6 during April 2023.

8.5 Ratio between fixed and variable remuneration

InfraRed ensures that the fixed and variable components of an individual's remuneration are appropriately balanced. When considering the balance between fixed and variable remuneration, the following matters are considered:

- Overall business performance
- Ensuring adequate capital is retained to cover prudential and conduct risks related to the business.
- Individuals' contribution to business performance

9 Conclusion

Based on our analysis of risks faced by the business and the capital required to be set aside for those risks, InfraRed is adequately capitalised.

IRCP has concluded that the ICARA process is fit for purpose. The firm's ICARA process covers its risk management, and incorporates the results of business model assessment, forecasting & stress, recovery planning, and wind down planning. IRCP's ICARA process has shown that the firm meets the Overall Financial Adequacy Rule (OFAR), effective from January 1st, 2022.

- IRCP holds funds in excess of the firm's Own Funds Threshold Requirement
- The firm also has liquid assets in excess of the firm's Own Threshold Liquid Asset Requirement