

---

## ARTICLE 10 SUSTAINABLE FINANCE DISCLOSURE REGULATION ("SFDR") – DISCLOSURE FOR AN ARTICLE 8 FUND

### 1 SUMMARY

- 1.1 The SFDR requires financial market participants ("FMPs") marketing a financial product ("FP") into the European Union to make specific environment, social and governance ("ESG") disclosures. As International Public Partnerships Limited ("INPP" or the "Company") qualifies as an AIFM pursuant to the Alternative Investment Fund Managers Directive<sup>1</sup>, it is an FMP for the purposes of SFDR<sup>2</sup>. By marketing itself to EU countries, INPP is deemed to be marketing an FP, given that it is itself an AIF<sup>3</sup>. INPP is therefore required to comply with the SFDR's requirements, as they apply to FMPs and FPs.
- 1.2 Article 8(1) of the SFDR requires that certain disclosures be made where an FP promotes environmental and/or social characteristics. It is also necessary for the companies in which investments are made to follow good governance practices. The Company takes the view that it falls within the scope of Article 8.
- 1.3 The purpose of this document is to adhere to the obligations imposed on FMPs by Article 10 SFDR, to the extent those obligations concern the transparency of the promotion of environmental or social characteristics and of sustainable investments on an FMP's website.

### 2 NO SUSTAINABLE INVESTMENT OBJECTIVE

- 2.1 This financial product promotes environmental or social characteristics, but does not have as its objective sustainable investment.

### 3 ENVIRONMENTAL OR SOCIAL CHARACTERISTICS OF THE FINANCIAL PRODUCT

#### *What environmental and/or social characteristics are promoted by the Company?*

- 3.1 Our purpose is to invest responsibly in social and public infrastructure with the goal of delivering long-term benefits for all stakeholders.
- 3.2 We aim to provide our investors with stable, long-term, inflation-linked returns, based on growing dividends and the potential for capital appreciation.
- 3.3 We expect to achieve this by investing in a diversified portfolio of infrastructure assets and businesses which, through our active management meets societal and environmental needs both now and into the future.

#### **Environmental and social characteristics**

- 3.4 Through its investments in infrastructure that support a sustainable society, the Company promotes environmental and social characteristics but does not have sustainable investment as its objective and does not solely invest in sustainable investments, as defined under the SFDR.

---

<sup>1</sup> [Recital 20, Directive 2011/61/EU \(AIFMD\)](#).

<sup>2</sup> [Article 2\(1\)\(e\), Regulation 2019/2088 \(SFDR\)](#).

<sup>3</sup> [See Article 1\(12\)\(b\), Regulation 2019/2088 \(SFDR\) which categorises an AIF as an FP.](#)

- 
- 3.5 The Company has strengthened the alignment of its investment activity with the objectives of the Paris Agreement, the recommendations of the Taskforce on Climate-related Financial Disclosures (“TCFD”) and investments that positively contribute towards the UN Sustainable Development Goals (“SDGs”).
- 3.6 To ensure these characteristics are met, the following practices are mandatory under the Company’s internal policies and procedures:
- (a) SDG Alignment;
  - (b) Alignment with INPP Exclusion criteria;
  - (c) Alignment with INPP’s minimum Governance standards; and
  - (d) ESG incorporated through the investment process, including the consideration of sustainability risks.

#### **4 INVESTMENT STRATEGY**

- 4.1 New investments that meet the Company’s Investment Policy are made after assessing their risk and return profile relative to the existing portfolio. In particular, we seek investments to complement the existing portfolio through enhancing long-term, predictable cash flows and/or to provide the opportunity for higher capital growth. The Board also regularly reviews the overall composition of the portfolio to ensure it continues to remain aligned with the Company’s investment objectives.

Desirable key attributes for the portfolio include:

- (a) Stable, long-term returns;
- (b) Inflation-linked investor cash flows;
- (c) Early stage investor (e.g. the Company is an early stage investor in a new opportunity developed by our investment adviser);
- (d) Investment secured through preferential access (e.g. sourced through pre-emptive rights or through the activities of our investment adviser);
- (e) Other capital enhancement attributes (e.g. potential for additional capital growth through ‘de-risking’ or the potential for residual/terminal value growth); and
- (f) Positive contribution to SDGs.

#### ***How are Environmental and Social characteristics met?***

- 4.2 The Company will seek to meet the environmental and social characteristics it promotes through the policies detailed below.

#### **Exclusions**

- 4.3 The Company has identified certain businesses or sectors that it will not invest in, known as exclusions, to promote the environmental and social characteristics that the Company supports. The Company will not invest in infrastructure projects or associated businesses that:
- (a) Do not demonstrate the ability or willingness to manage current and future ESG risks effectively, unless as a result of its involvement, the Company will be able to significantly improve its ESG credentials; or

- 
- (b) Have a track record of corrupt practices, poor governance and ethics practices, poor safety or environmental management, or have an unacceptable impact on the environment.

4.4 In addition, the Company will not invest in infrastructure assets or associated businesses relating to: arms, tobacco, pornography, alcohol or any other sectors that have the potential to lead to human rights abuses. Equally, the Company will not invest in any infrastructure assets or associated businesses that have an unacceptable impact on the environment. The Company has aligned its investment activities with the objectives of the Paris Agreement and will not invest in any infrastructure projects or associated businesses that do not have the potential to support/align with a low carbon future.

### **Investment Process**

4.5 The consideration of ESG risks and opportunities is a formal element of the investment origination process undertaken by the Company's investment adviser. Following a review against the Company's exclusion criteria, every investment opportunity undergoes a detailed screening and due diligence process, which considers both potential negative and positive impacts.

4.6 In line with international industry practice, potential investments are categorised as follows:

- (a) Category A: investments with potential to cause adverse environmental and social risks and/or impacts that are diverse, irreversible or unprecedented in the absence of mitigation;
- (b) Category B: investments with potential limited adverse environmental and social risks and/or impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures; and
- (c) Category C: investments with minimal or no adverse environmental and social risks and/or impacts.

4.7 The categorisation described above drives the level of due diligence undertaken, including assessment against emerging and future trends that could impact the long-term viability of the investment.

4.8 Further details regarding the Company's investment process can be found on page 16 of its 2021 Sustainability Report.

### **Governance**

4.9 The Company will not invest in infrastructure or associated businesses that have a track record of corrupt practices, poor governance and ethics practices, or poor safety or environmental management.

4.10 In addition, minimum requirements must be applied across all investments to ensure a solid foundation of governance is applied and that there is no significant harm to environmental and social receptors. Compliance with these requirements is assessed at the due diligence stage of the investment process. Where minimum requirements are not met, the Company, through its investment adviser, will work directly with its investments to ensure they meet the requirements.

### **Additional information**

4.11 Further details regarding how the Company's meets these environmental and social characteristics can be found on pages 10-21 of its 2021 Sustainability Report.

- 
- 4.12 Further details regarding the Company's minimum governance requirements can be found on page 18 of its 2021 Sustainability Report.
- 4.13 For more information on the Company's investment policy, please refer to the Company's latest Prospectus<sup>4</sup>.

## **5 PROPORTION OF INVESTMENTS**

- 5.1 The Company aims for 100% of its investments to meet with the Environmental and Social Commitments listed above in Section 3.

## **6 MONITORING OF ENVIRONMENTAL OR SOCIAL CHARACTERISTICS**

- 6.1 To ensure that environmental and social characteristics promoted by the INPP are met throughout the lifecycle of the Company, the ESG investment process summarised on Page 16 of the Company's Sustainability Report<sup>5</sup> is followed for every investment. This ensures that exclusions are met and investment processes are followed.
- 6.2 In addition, the Company undertakes an annual ESG survey to gather data in relation to contribution to SDGs, and to ensure that Governance requirements are in place.
- 6.3 The investment adviser's asset management team is responsible for monitoring assets and reporting to the Company's investment adviser's ESG Steering Committee. The investment adviser's ESG Steering Committee then formally reports to the Company's ESG Committee on a quarterly basis. Reports are produced to inform the Board of any underlying issues on the assets that may require additional time and resource to resolve.
- 6.4 All asset managers follow a 'no-surprise' approach and include any matters that could adversely impact on health and safety, reputation, valuation or distributions, escalating in real time if required. It should be noted that the Company does not place any limits on escalating issues it deems important to the long-term viability of an investment, including ESG.

## **7 METHODOLOGIES**

- 7.1 The Company supports the 2030 Agenda for Sustainable Development adopted by the UN Member States in 2015. Alignment with the SDGs is a key part of the Company's approach to ESG integration. The Company contributes towards the SDGs in two main ways: (i) the positive impact investments have on sustainable development; and (ii) our focus on managing investments sustainably.
- 7.2 The Company will use the Focus SDGs to measure whether it achieves the required environmental and social characteristics. To illustrate this, the Company confirms its view that its current portfolio of social infrastructure investments currently offers benefits to stakeholders and has a positive impact on the following:
- (a) SDG3: Good Health and Wellbeing. The Company has investments in over 37 health facilities, including the award-winning Royal Children's Hospital in Melbourne providing access to quality essential health-care services;
  - (b) SDG4: Quality Education. Good infrastructure is at the base of quality education. By investing directly in over 265 education facilities, and managing them sustainably, the Company can support effective learning environments for all;

---

<sup>4</sup> <https://www.internationalpublicpartnerships.com/media/2630/placing-open-offer-offer-for-subscription-and-intermediaries-offer-prospectus-2022.pdf>

<sup>5</sup> <https://www.internationalpublicpartnerships.com/media/2471/inpp-2021-sustainability-report.pdf>

- 
- (c) SDG6: Clean Water and Sanitation. The Thames Tideway Tunnel is the biggest infrastructure project ever undertaken by the UK water industry;
  - (d) SDG7: Affordable and Clean Energy. Through the Company's investments in offshore transmission investments, we are supporting the provision of affordable and clean energy;
  - (e) SDG 9: Industry, Innovation and Infrastructure. Investing in resilient infrastructure is at the heart of what we do. The Company's £2.8 billion portfolio is invested into quality, reliable and resilient infrastructure;
  - (f) SDG 11: Sustainable Cities and Communities. The Company's investments in transport provide safe, affordable and accessible transportation; and
  - (g) SDG16: Peace, Justice and Strong Institutions. Through the provision of high-quality judicial buildings, the Company is supporting effective, accountable, and transparent institutions at all levels.

7.3 As per Section 6 above, the Company uses its investment process and annual ESG survey to measure how the ESG characteristics being promoted are met.

## **8 DATA SOURCES**

8.1 INPP invests in illiquid infrastructure concession, regulated investments and operating companies. As such, data is typically sourced directly from investments themselves, with the support of third-party technical advisers where necessary. With respect to ESG and third-party systems, the Company's investment adviser uses a range of data and tools to assess ESG through the investment process. For example, at the screening stage, Amber deal teams may use the GRESB Infrastructure materiality tool to support the identification of material issues for an investment sector. Also, as part of screening and due diligence stages, the investment adviser's deal teams may use third-party tools such as Rep Risk ([www.reprisk.com](http://www.reprisk.com)).

## **9 LIMITATIONS TO METHODOLOGIES AND DATA**

9.1 Where data is not readily available, the Company draws on its investment adviser's Asset Management Team to gather data to a satisfactory level. In cases where additional data is required and is not readily available or able to be collated by the investment adviser's asset management team, the investment adviser will consider and review third-party data on behalf of the Company.

## **10 DUE DILIGENCE**

10.1 Due diligence is undertaken pre-investment and investments are monitored on an ongoing basis. Please refer to Section 3, 4 and 6 for more information.

## **11 ENGAGEMENT POLICIES**

### **Investments**

11.1 INPP invests in illiquid infrastructure concession, regulated investments and operating companies. Its investment adviser has an in-house asset management team dedicated to managing the Company's investments. Where possible, through the investment adviser, it manages the day-to-day activities of each of the investments internally and carries out extensive monitoring, for example, through asset level board and management meetings or regular client meetings with the underlying local authority stakeholder.

---

11.2 The Company's minimum requirements ensure a solid foundation of robust corporate governance and avoidance of negative environmental and social impacts. Through Amber, the Company has access to a large asset management team, which enables it to actively manage its investments on a day to day basis. To help drive the sustainability performance of its investments, the Company has also established a set of discrete sustainability aims to guide its approach to active management.

### **Shareholders**

11.3 The Company aims to provide our shareholders with long-term, inflation-linked returns, by growing its dividend and creating the potential for capital appreciation. Through engagement with its shareholders, the Company aims to inform its strategic objectives and to ensure that investors views on topical issues are understood by the Company. This approach is intended to maximise shareholder buy-in to current objectives and performance whilst also helping shape future plans for the portfolio.

11.4 The key mechanisms for the Company's engagement with shareholders include:

- (a) Regular and timely updates on performance, including through the annual and half-yearly reporting cycle;
- (b) The Company's AGM;
- (c) Shareholder days;
- (d) One-to-one meetings or calls with the Board's Chair and other Directors;
- (e) One-to-one meetings or calls with representatives from the Company's investment adviser;
- (f) Other Group engagement with representatives from the Company's investment adviser; and
- (g) The Company's website.

### **Public Sector & other clients**

11.5 Through its investments the Company aims to provide the public sector and other customers with a highly reliable, robust service. The Company's ability to deliver contracted services and maintain strong relationships with its clients through its investment adviser is vital for the long-term success of the business. Through close engagement with its clients, the Company aims to meet high levels of satisfaction and quickly respond to any potential issues and emerging challenges. Equally, through its investment advisor, the Company engages in dialogue with regulators and governments to what is practical and useful in terms of ESG reporting and compliance.

The key mechanisms for engagement with clients include:

- (a) Regular meetings (where possible in person and/or virtually) between the investment adviser and public sector clients including local authorities and regulators;
- (b) Active asset management, which provides monitoring of the facilities management arrangements on compliance with maintenance obligations; and
- (c) Asset managers directly engaging with the client on a day-to day-basis.

### **Communities**

11.6 The Company strives to make its investments an integral part of the communities they serve.

---

---

Engaged communities can play an important role in successful delivery of new assets and their long-term operations. As part of its approach to active asset management, the investment adviser ensures critical services are delivered with a focus on the end-user, ensuring that the community is at the heart of all that we do. Feedback that our investee companies receive from their stakeholders – including communities and customers – informs the Company's ESG understanding and policies. This approach is intended to help communities thrive and create robust environments for our investments to flourish.

- 11.7 The key mechanisms for community engagement include:
- (a) Active asset management providing facilities for community use;
  - (b) Local Education Partnership agreements; and
  - (c) Supporting community initiatives.

### **Key Suppliers**

- 11.8 The Company has an ambition to work with a high-quality, sustainable supply chain with a focus on long-term value for its stakeholders. The performance of its service providers, their employees, and investment supply chain is crucial for the long-term success of the Company and it takes a progressive approach to engaging with main suppliers. A key component of this is ensuring our investment adviser is proactively maintaining an engaged supply chain for our investments.
- 11.9 The key mechanisms for engagement with key suppliers include:
- (a) Annual Management Engagement Committee review;
  - (b) Ad hoc engagement;
  - (c) Quarterly Board meetings and reporting; and
  - (d) Investment adviser managing investment supply chain.

## **12 CONSIDERING PRINCIPAL ADVERSE IMPACTS**

- 12.1 Article 4 of the SFDR requires the Company to make certain disclosures where it considers the principal adverse impacts of investment decisions on sustainability factors.

### **Adverse Sustainability Impacts**

- 12.2 The SFDR gives rise to certain disclosure obligations based on "principal adverse impacts on sustainability factors". Principal adverse impacts relate to the impact of investment decisions resulting in negative effects on sustainability factors. "Sustainability factor" means environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.
- 12.3 Articles 4 and 7 of the SFDR provide a framework designed to provide transparency in relation to the adverse impacts of investment decisions on sustainability factors. FMPs are required to indicate whether they consider the adverse impacts of decisions on sustainability factors on their FPs.
- 12.4 As detailed in the section entitled "ESG Characteristics of the Company", every investment opportunity undergoes a detailed screening and due diligence process during which the potential negative impacts that an investment may have on an environmental and/or social characteristic are further considered. Those investments with potential to cause environmental and social risks and/or impacts that are diverse, irreversible or unprecedented in the absence of mitigation are subject to a higher level of due diligence to ensure that any risks are

---

sufficiently mitigated and opportunities realised.

- 12.5 Accordingly, while the Company considers certain adverse impacts of investment decisions in relation to investment opportunities, this is not in the rigid manner prescribed by Article 7(1) of the SFDR. This position will be kept under review by the Company as the requirements relating to SFDR disclosures continue to evolve.

### **13 DESIGNATED REFERENCE BENCHMARK**

- 13.1 The Company has not defined a benchmark.