



Foresight

FOR A SMARTER FUTURE

Foresight Capital Management – Stewardship Framework

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Introduction

Foresight Group¹ is a sustainability led investment manager, specialising in renewable energy, infrastructure and private equity in both public and private markets. Foresight Group manages c. £12.3 billion of assets (based on unaudited AUM as at 31st December 2022) for some of the World's largest institutional investors, family offices, private and high net-worth individuals. The Group's investment activities are underpinned by a strong environmental, social & governance ("ESG") focus, which meets the increasing demands of today's investors and ensures the Group is consistently working towards creating a sustainable legacy for future generations.

Foresight Capital Management ("FCM") was established as a division of Foresight Group in 2017 and comprises a dedicated team to develop and manage investment vehicles offering daily liquidity to retail and institutional investors globally. The open-ended collective investment schemes FCM manages (each a "Fund" or "Strategy", collectively referred to as "Funds" or "Strategies") are global in nature and adhere to the investment objectives and sustainability investment criteria established for each of them. FCM considers itself to be an active owner and upholds its fiduciary responsibilities through maintaining an active approach to stewardship with robust management and governance structures in place.

The Group is a responsible investor and has been a signatory to the United Nations Principles for Responsible Investment (or the "UN PRI") since 2013. As a signatory to this voluntary framework, Foresight Group submits an annual report on its responsible investment activities. For the 2020 UN PRI assessment period Foresight Group was awarded the maximum of five stars for Strategy & Governance, and the Group's Infrastructure and Private Equity divisions were also awarded the maximum of five stars within the Direct Infrastructure category. FCM was awarded four out of five stars within the Listed Equity Active Fundamental category, and three out of five stars within the Listed Equity Voting category.

The purpose of this Stewardship Framework (or the "Framework") is to transparently disclose the processes maintained and oversight in place to ensure that capital is allocated to areas that create sustainable long-term value for ultimate shareholders. Although the Group is not a Signatory to the FRC's UK Stewardship Code, FCM has devised the Framework to ensure its activities are conducted in a manner that is aligned to the Principles of the FRC's Stewardship Code. As this Stewardship Framework is aimed at Foresight Group's activities involving investing in listed companies, at the date of this document, it is relevant and shall apply only to FCM.

Purpose, Strategy and Culture

Principle 1: *Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society – UK Stewardship Code.*

The Group and FCM seek to invest for a smarter future, with sustainability considerations paramount to the investment decision, alongside the wider financial aspects of an opportunity. FCM's investment philosophy and approach is to invest in a manner that supports sustainable economic and social development while creating long-term value for investors and to be conscious of the contribution their investments make to the environment and society. Strategies managed by FCM incorporate their own sustainability investment criteria and companies held are continuously monitored, evaluated and engaged with to ensure their ability to generate long-term value and provide sustainable benefits for the economy, the environment and society.

¹ Foresight Group (or the "Group") comprises Foresight Group Holdings Limited together with all its direct and indirect subsidiary undertakings, including Foresight Group LLP

Governance, resources and incentives

Principle 2: *Signatories' governance, resources and incentives support stewardship.*

The Stewardship Framework covers FCM's stewardship approach and the effective management of its processes through the course of its investing activities. FCM's active ownership approach and stewardship responsibilities include engaging on matters considered relevant and material to the Strategy as well as utilising shareholder rights of voting on resolutions at company meetings. All members of the FCM team are incentivised and formally evaluated on sustainability objectives. FCM are committed to considering all aspects of stewardship within the investment process and have dedicated personnel on the team to support proprietary sustainability research efforts. Furthermore, Foresight Group has over 200 professionals working across investments, sustainability and administration functions and is well resourced to support investments from financial and sustainability perspectives.

The direct investment expertise of the Group is leveraged by FCM, providing private market insights and asset management expertise when evaluating publicly listed companies in similar sectors. Furthermore, FCM utilise third party proxy research and advisory services which complement internal governance research. Third party research is provided by Glass, Lewis & Co. ("Glass Lewis" or "Proxy Adviser"), a leading independent provider of global governance services. Glass Lewis specialises in providing a variety of fiduciary-level proxy-related services to institutional investment managers, custodians, consultants, and other institutional investors. The services provided include in-depth research, global issuer analysis, record retention, ballot processing and voting recommendations.

This Stewardship Framework includes an explanation of the Shareholder Engagement and Voting approach managed by FCM and outlines the principles by which stewardship efforts will be conducted. The Stewardship Framework will be updated as required to reflect changes in processes, regulation and/or guidelines, following regular reviews of the effectiveness of FCM's stewardship approach. Oversight of the Framework is jointly led by the Group's Sustainability and Risk functions while FCM is responsible for executing on the stewardship efforts. FCM will publish its inaugural Stewardship Report in 2024, to provide investors further insight on stewardship activity conducted during the year.

Conflicts of interest

Principle 3: *Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.*

FCM takes all reasonable steps to avoid conflicts of interest and, when they cannot be avoided, manages, monitors and (where applicable) discloses those conflicts of interest to prevent them from adversely affecting the interests of the Funds and their respective shareholders. It also seeks to ensure that shareholders are fairly treated. A conflict may arise at any time while FCM is managing a Fund, which might result in:

- Foresight Group or FCM gaining a benefit and possibly causing a disadvantage to another fund and/ or the investors in that fund; or
- one fund makes a gain or avoids a loss where there is a potential associated loss to another fund.

No third-party product provider or supplier has a material shareholding or financial interest in Foresight Group such as to be able to influence the Group's operating decisions to the detriment of any Fund, or underlying investors interests. The Group and FCM take all reasonable steps to identify conflicts of interest arising and to manage potential conflicts in a way that is fair to the funds managed by Foresight Group or FCM and their underlying investors and in accordance with the Group's Conflicts of Interest Policy.

Conflict of interest arrangements across the business are monitored by the Group's Compliance Team as per the FCA's requirements. Foresight Group has put arrangements in place that demonstrate the appropriate steps have been taken to

prevent a conflict from adversely affecting the interests of the Group's managed investment vehicles and their underlying investors and they include:

- information or physical barriers to ensure that relevant staff providing dealing, advice and management services are restricted from accessing confidential or non-public information available within the Group;
- a remuneration policy which sets out the arrangements put in place to ensure that compensation arrangements will not give rise to conflicts;
- a personal account dealing policy for staff that sets out conditions under which staff may engage in investment activity for their own personal accounts;
- an Inducements, Gifts and Hospitality policy which sets out arrangements for accepting and giving gifts and hospitality;
- all Investment Committee and Weightings Committee papers should include a description of any conflicts associated with an investment decision and describe the mitigants in place to manage any conflicts;
- disclosures may be used as a last resort to manage the conflict. Alternatively, the Group may decline to act for a client; and
- recording of conflicts in the Conflicts Register, along with the mitigating controls.

Promoting well-functioning markets

Principle 4: *Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.*

Systemic and market wide risks are managed and assessed through the lens of each Fund's sustainability investment criteria and stated investment objectives. Each Strategy managed by FCM is underpinned by the common driver which centres around providing capital to areas of the economy that support a decarbonised sustainable future and well-functioning societies. As such, positive impacts relating to climate change, social development and sustainable growth are inherent objectives of each Strategy managed by FCM. Through active management and a sustainability minded investment philosophy, FCM seeks to reduce risks associated with climate and societal change while promoting longevity and sustainability of returns for investors.

FCM manages the investment process to consider macro and micro risks associated with its investment activities and where possible seeks to manage these risks effectively. Furthermore, the Group's Risk Committee assesses business and regulatory risks in which FCM also participates. The Funds primarily invest in OECD countries, reducing currency, political and economic risks. However, where underlying portfolio companies have exposure to developing countries FCM will undertake enhanced due diligence to ensure the risks are understood and managed appropriately. FCM is a long-only investor and mitigates risks by diversifying, reducing or avoiding exposures to areas as required. Where exposures cannot be mitigated, FCM will engage with investee companies, other industry participants and regulators, as necessary.

Review and Assurance

Principle 5: *Signatories review their policies, assure their processes and assess the effectiveness of their activities.*

On an annual basis, FCM will review the Framework to ensure it clearly reflects practices undertaken on a day-to-day basis. Oversight of FCM's investment activities and adherence to investment objectives outlined in each Fund's prospectus are monitored by the Group's Compliance Team and also by the Fund administrators. Internal oversight of FCM's adherence to the Stewardship Framework review of the Stewardship Report will be conducted independently by the Group's Sustainability and Risk Committees. The Stewardship Framework and the processes managed by FCM have also been approved by the Group's Executive Committee. Furthermore, FCM will be providing a submission, alongside the Group, at the next UNI PRI reporting round in 2023. This provides investors further assurance on the processes maintained and managed by FCM.

Client and beneficiary needs

Principle 6: Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.

FCM manages capital for a range of clients seeking access to daily dealing liquid investment solutions. Investors across the Funds range from financial advisors, discretionary wealth managers and institutional investors. A majority of the client base is in the UK however, FCM manage Funds that are available for sale in the United States, Europe, Asia and Africa. A breakdown of the client type is presented on the below:

Type of Investor	Weight
Advisory	65%
Discretionary	33%
Institutional	2%

Domicile of Investor	Weight
UK	96%
Ex UK	4%

Source: Data from Foresight Group as of 31st December 2022.

The investment objectives and sustainability investment criteria of each Strategy consider the sustainability and financial preferences of today's investors. Grounded by market research Foresight Group has sought to create propositions that meet the demands of investors. The Group has a track record of developing and managing innovative investment products and solutions that positively impact society while delivering strong risk adjusted returns. FCM considers each Strategy to be best suited to long term investors, with a time horizon of at least five years. A full description of the risk profile of each Fund is available in the respective KIID documents on the Group's website.

To communicate its activities and disclose how the Stewardship Framework has been implemented, FCM will publish an annual Stewardship Report. The inaugural Stewardship Report will be published in 2024 coinciding with the Group's Sustainability Report at the end of March each year. This will be supported by regular updates to investors on material matters via regular update meetings, monthly factsheet commentary or group presentations. FCM also maintains quarterly voting records, which are published on the Foresight Group website, and will provide disclosure on every single ballot that has been voted on. FCM also provide an overview of the most significant votes of each quarter and include a brief explanation of how and why FCM voted in a certain manner.

Stewardship, investment and ESG integration

Principle 7: Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.

FCM has fully integrated ESG considerations into its investment process and seeks to evolve and improve its approach to meet and exceed industry best practices as necessary. The existing process includes detailed sustainability assessment as well as financial due diligence of each company when considering an opportunity for investment. FCM actively monitors investee companies to assess their performance or ESG credentials and, where required, engages and constructively works with their respective management teams and boards to achieve to improved sustainability outcomes for the ultimate shareholders.

To ensure that capital is allocated to create sustainable long-term value, FCM seeks to understand, monitor and engage with an investee company in regard to its processes, culture and reporting around environmental, social and corporate governance issues. This includes assessment of a company's impact on the economy and environment through analysing and engaging on Task Force on Climate Related Financial Disclosures ("TCFD"), UK Sustainable Disclosure Regulation ("SDR") or EU Sustainable Finance Disclosure Regulation ("SFDR") as appropriate. FCM typically meets investee companies face to face or via video call at least twice a year, primarily during formal one-on-one meetings but also as part of corporate events held for investor communications and maintains ongoing informal communications via email.

FCM assesses a range of criteria when considering environmental, social and governance matters and if companies do not meet the required standards, FCM will refrain from investing in the company or divest from the company if there have been unacceptable changes to the strategy during the holding period. Factors assessed include, but are not limited to, corporate governance, corporate strategic direction, financing and investment activities, regulatory policy adherence, resource use, environmental impact and the overall impact on the communities within which the companies operate.

Monitoring managers and service providers

Principle 8: *Signatories monitor and hold to account managers and/or service providers.*

FCM utilises a range of third-party service providers and have the required processes in place to review the criteria established to evaluate third party relations. For third party proxy advisors, FCM evaluate and score service levels, competency, analyst access, coverage universe and practices regarding disclosures and conflict management to ascertain whether the service provider is fit for purpose. FCM maintain a bi-annual review cycle for third-party proxy advisory services received and will hold to account proxy advisors against the established criteria. Glass Lewis were selected as the preferred advisor based on their research capabilities, online platform, analyst access, high standards for disclosures and practices, and ability to facilitate a voting policy that is in line with FCM's approach. The relationship with Glass Lewis was established following a review of various proxy advisory firms in October 2021 and the next review will occur by the end of October 2023.

Engagement

Principle 9: *Signatories engage with issuers to maintain or enhance the value of assets.*

FCM view engagement with investee companies as a key part of its Stewardship Framework and responsibilities to investors, and aims to drive improving sustainability standards. FCM engages with its investee companies to hold constructive dialogue over their management of opportunities, strategy and risks while placing emphasis on sustainability considerations. Engagement along sustainability grounds will normally focus on a thematic approach split across two separate streams, a normative engagement and/or a UN Sustainable Development Goal ("SDG") engagement:

- a) Normative engagement will focus on company adherence to areas such as human rights, labour, environment and anti-corruption amongst others to comply with UN Global Compact requirements.
- b) SDG engagement will ensure that FCM can evidence that the company makes a demonstrable impact against one or more of the 17 UN Sustainable Development Goals. By ensuring companies address societal needs, this engagement approach creates value for both investors and society at large.

FCM follows the respective Fund's investment objective and proprietary processes to identify, prioritise and implement engagement and drive positive change. Environmental and social issues given priority during engagement include formalisation of sustainability agendas and supply chain due diligence whilst governance issues include the election of directors, board structures and management remuneration amongst other topics.

FCM primarily follows a bottom-up approach to identify company or sector specific risks and actively engages with companies regarding these issues as part of its engagement plan. This bottom-up company specific monitoring and dialogue is also complemented by FCM's top-down strategic engagement priorities. These priorities are based on market developments and emerging ESG issues that are material for a Strategy's investee companies. Engagement is prioritised for investee companies where FCM have identified more significant risk issues and have larger positions.

The level of engagement between FCM and an investee company will vary depending on company and sector specific factors. Where FCM believes that its engagement will have a beneficial impact on the performance of the company or the standards of its ESG disclosure for example, FCM may increase its engagement with the management team and, where necessary, the company's board. FCM will engage with underlying investee companies across a broad range of pre-defined, relevant and

trackable issues. FCM seeks to engage in a proactive manner and records all relevant engagement with investee companies to capture key points of engagements, progress made and the outcome of any investment decision made as a result of the engagement.

FCM's engagement plan will differ across each Strategy with norms for expected minimal standards of behaviour predicated on an individual Strategy's investment policy, which is available in its prospectus. Assessment against the UN Global Compact is a minimum standard against which prospective or current underlying companies are judged, with UN SDG alignment and technology reviews forming an enhanced due diligence process where required by the Fund's investment policy. Companies in each Strategy will be required to meet the minimum threshold and will be encouraged to align with these standards.

Collaboration

Principle 10: *Signatories, where necessary, participate in collaborative engagement to influence issuers.*

FCM's long term investment philosophy and bottom-up investment approach reduces the likelihood of needing to collaborate with other shareholders to take collective action. The quality of management and board is a fundamental factor when selecting suitable investments and the need to intervene should be limited if a management team and board are aligned with shareholder interests. FCM's primary method of influencing change will be by direct engagement with the investee company through investment meetings. However, FCM will also seek to constructively collaborate with other shareholders in a company with similar interests to drive change. FCM have collaborated with other such shareholders in the past and is open to working alongside other organisations where required on a case-by-case basis.

Escalation

Principle 11: *Signatories, where necessary, escalate stewardship activities to influence issuers.*

FCM will, under certain circumstances and if appropriate, escalate its concerns to investee companies. This will occur when there are concerns about the performance or strategy of an investee company or where FCM has reason to believe that its rights as a long-term shareholder are being compromised. In these instances, FCM would open dialogue and write to management or board of a company and meet directly with management executives and board directors to express their concerns. FCM would also seek to act collaboratively where appropriate. FCM's escalation process would include but is not limited to the following as appropriate:

- Meeting directly with management or the board to discuss concerns;
- Voting on or submitting resolutions;
- Intervening jointly with other institutions on particular issues;
- Divestment, if the desired outcome is not achieved.

As sustainability focused long-term shareholders, FCM want to see the improvement of an investee company's performance over the long term. FCM maintain good relationships with investee companies, which generally tend to be open to engagement requests.

Exercising rights and responsibilities

Principle 12: *Signatories actively exercise their rights and responsibilities.*

Voting forms an important part of FCM's Stewardship Framework and responsibilities to investors. FCM's primary aim with all voting decisions is the long-term interests of underlying investors which includes ensuring high standards of corporate governance and the adoption of sustainable investment practices which should limit negative externalities. FCM will vote procedurally using proprietary analysis derived from FCM's company and sector due diligence, supported by third party proxy research where appropriate. Generally, FCM votes against management recommendations for investee companies

demonstrating poor corporate governance practices, when proposals are not in the best interest of shareholders and on any other proposals that are inconsistent with a Strategy's sustainability criteria or investment policy.

FCM's analysts systematically review all resolutions ahead of shareholder meetings and voice their concerns where appropriate. FCM aims to discuss any issues with management prior to voting against resolutions or abstaining from voting. Abstaining from voting must be properly justified and supported. "Significant votes" will constitute resolutions considered material. FCM will decide what constitutes a material vote at its own discretion and what it considers to be in the best interests of shareholders and the broader relevant investment policy as determined by the Lead Fund Manager. FCM applies the same voting decisions across all Funds and keeps a record of its voting rationale. All voting activity is recorded in a Voting Log maintained by FCM. Voting Activity Summaries are produced on a quarterly basis and published on Foresight's website.

Glass Lewis provides FCM with recommendations against a pre-defined ESG policy, which serve purely to inform FCM's voting decisions rather than dictate them. An FCM analyst will analyse the merit of each agenda item and where appropriate consult with the Co-Fund Managers or Lead Fund Managers of a Strategy. This analysis, based upon the Strategy's objectives and philosophy, takes precedence over Glass Lewis' recommendations. This means that FCM's votes may and do deviate from the recommendations of both management and the proxy advisor. The Glass Lewis ESG policy can be found [here](#) and defines key requirements when voting across issues such as election of directors, board independence, executive remuneration, labour rights, sustainability reporting, and political spending. FCM analysts incorporate the recommendations in their analysis and vote on a case-by-case basis.

FCM continually monitors and assesses the overall performance of each individual Fund's investee company holdings. All holdings must comply on an ongoing basis for them to be retained within the relevant Strategy. FCM will actively use its right to exercise its shareholder votes to support improvements and drive positive change as required. Alongside the engagement efforts, FCM upholds its stewardship responsibilities by seeking to vote in line with the relevant sustainable investment criteria and in the best interests of the underlying shareholders of the relevant Fund. Investors of each Strategy will have their proportionate shares voted in line with what FCM deems suitable given the respective criteria. Funds managed by FCM do not participate in stock lending activities and as such, FCM aims to vote at every meeting held by investee companies, covering all items on the voting ballot. This applies to all current and future Funds managed by FCM.

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