

A photograph of a sheep standing in a field with solar panels in the background. The sheep is in the foreground, facing right. The solar panels are in the middle ground, and the background is a clear blue sky.

Foresight

FOR A SMARTER FUTURE

**SUSTAINABLE
INVESTING IN
INFRASTRUCTURE**

September 2021

Contents

Executive Summary

1: Approach to Sustainable Infrastructure **04**

Sustainability, Sustainable Development and Sustainable Investing

Sustainable Investment Principles

Sustainable Infrastructure

Climate Change Risk and Resilience

2: Assessing Sustainability in Infrastructure **08**

Investment Lifecycle and Process

Sustainability Evaluation Tool

Implementation of Sustainability Evaluation Tool

3: Commitment to Sustainability **12**

External Affiliations

Internal Structure

4: Investment Programmes **18**

Renewable Energy Generation

Sustainable Land and Food

Emerging Themes

Exclusions

Foresight Group

Since its establishment in 1984, Foresight Group ("Foresight") has grown from its origins as a technology focused venture capital firm to become a leading sustainability-led listed infrastructure and private equity investment manager with over £7.2 billion of assets under management.

Important Information

Foresight Group LLP is authorised and regulated by the Financial Conduct Authority and is also regulated by the Securities and Exchange Commission as an investment adviser since May 2021. This paper includes information obtained by Foresight Group from the companies referred to herein, publicly available material and from third party sources considered by Foresight Group to be reliable. Except as required by law, Foresight Group and its representative affiliates, partners, officers, employees, agents and consultants make no representation or warranty as to the accuracy or completeness of the contents of this review and take no responsibility for any loss or damage suffered as a result of any omission, inadequacy or inaccuracy therein. Statements or assumptions in this review as to future matters may prove to be incorrect. Foresight Group makes no representation or warranty as to the accuracy of such statements or assumptions. Recipients acknowledge that circumstances and prospects may change, and the contents of this review will become outdated as a result.

Confidentiality

The information contained herein may be commercially sensitive. As such, recipients should treat this information in confidence as disclosure to third parties. The information in this review may not be reproduced in whole or in part, nor may its contents be divulged to any third party, without the prior consent in writing of Foresight Group. We would further request that after receiving any request for the provision of any such information under the Freedom of Information Act 2000 or any other statutory or regulatory provision you would consult with us as soon as possible.

We respect your privacy and are committed to protecting your personal information. If you would like to find out more about how we use and look after your personal information, please refer to our privacy notice, which can be found at <http://www.foresightgroup.eu/privacy-cookies/>.

Executive Summary

'Investing for a smarter future' is the mission that underpins everything we do at Foresight. To us, this means creating a better world and accelerating the transition to a sustainable society. This mission is set at the highest level by the Group's Board, and case studies reflecting this strategy are available publicly on the 'Investing for a smarter future' page of our website.

A smarter future means thinking about the impact of the ways in which our clients' capital is invested: constructing solar plants and wind turbines to power industry using renewable energy; acquiring battery storage assets; facilitating the rollout of clean transport and fibre broadband networks; supporting small businesses with growth capital and providing attractive investment opportunities for some of the World's largest and most sophisticated institutional investors. **This paper sets out our approach to Sustainable Infrastructure** and explains how sustainability is integrated throughout our investment, asset management and reporting processes.

The Foresight infrastructure team's purpose is to create a sustainable legacy for future generations through the pursuit of infrastructure investment opportunities that deliver

attractive risk-adjusted returns for investors alongside measurable sustainable impact. Sustainability sets the context for our investment strategies, which are aligned to international initiatives such as the Paris Climate Agreement and the United Nations Sustainable Development Goals. We believe that measuring ourselves against leading industry standards is crucial to ensuring we uphold our position in a global network of companies focused on addressing the sustainability challenge.

At a strategic level, our investment programmes are shaped around the long-term trends defining society and our relationship with the planet. We focus on resilient infrastructure and real asset sectors which contribute meaningfully to global sustainability targets. At an investment level, we evaluate our assets in accordance with our proprietary Sustainability Evaluation Tool (**SET**). The SET is an in-house tool that enables us to integrate sustainability and environmental, social and governance (**ESG**) factors across the investment lifecycle by identifying and evaluating a project's performance, and subsequently managing the risks and opportunities that are identified, to make improvements where possible.



1 Approach to Sustainable Infrastructure

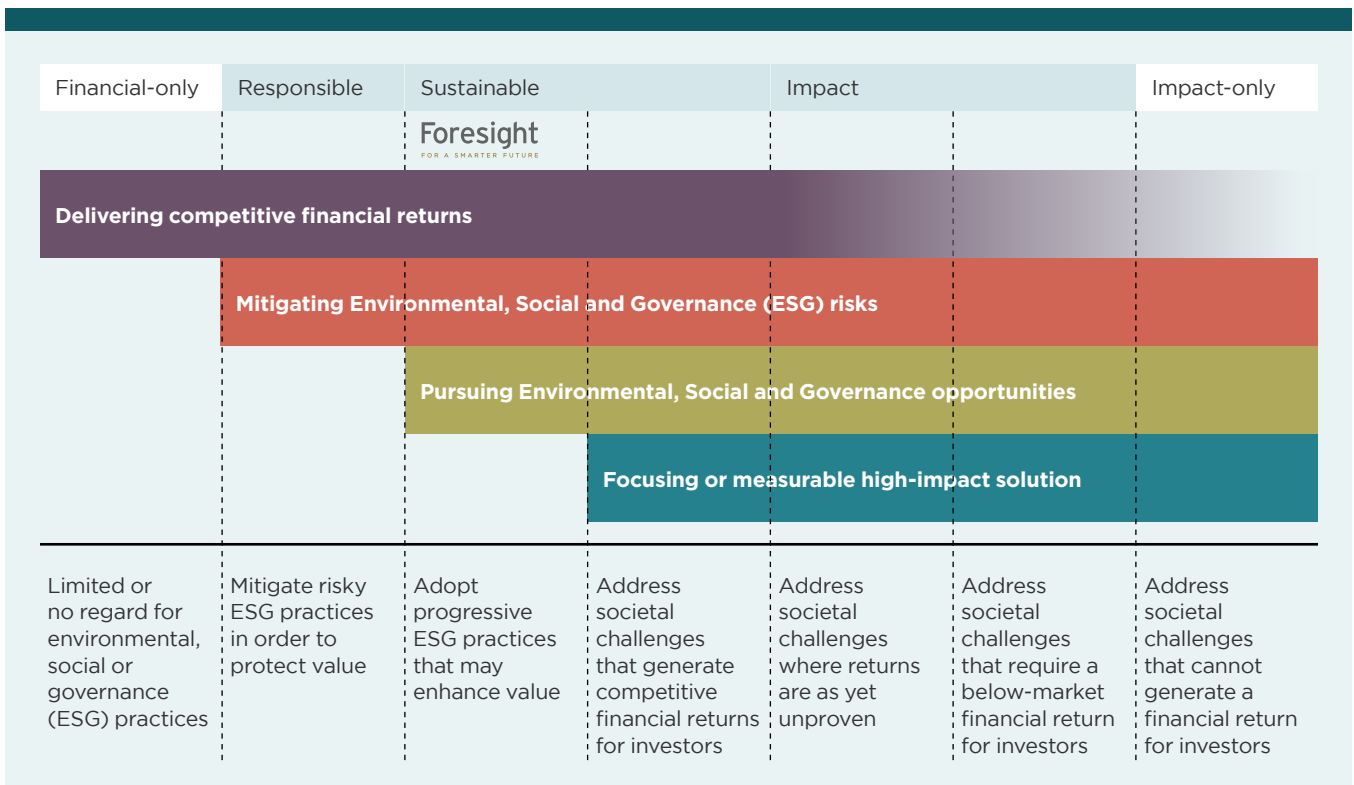
Set out below are the ways in which Foresight defines key sustainability-related terms. We note that these terms are, by their nature, subjective. The following represents our interpretation and approach.

Sustainability, Sustainable Development and Sustainable Investing

Foresight believes that **Sustainability** is a mode of thinking that is applied by making viable and quantifiable decisions that will offer continued, long-term societal and environmental benefits. **Sustainable Development** applies this concept to economic development that is conducted without the depletion of natural resources. The Brundtland definition of Sustainable Development is useful in this regard: “Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs”.

Sustainable Investing entails both working within environmental and social limits, while also ensuring financial sustainability. We must be able to invest in an asset or a company for the long-term in order to be able to provide for future generations’ needs. For Foresight, sustainability goes beyond the simple consideration of ESG factors, and instead we use the management of ESG factors as part of the toolkit to achieve sustainability.

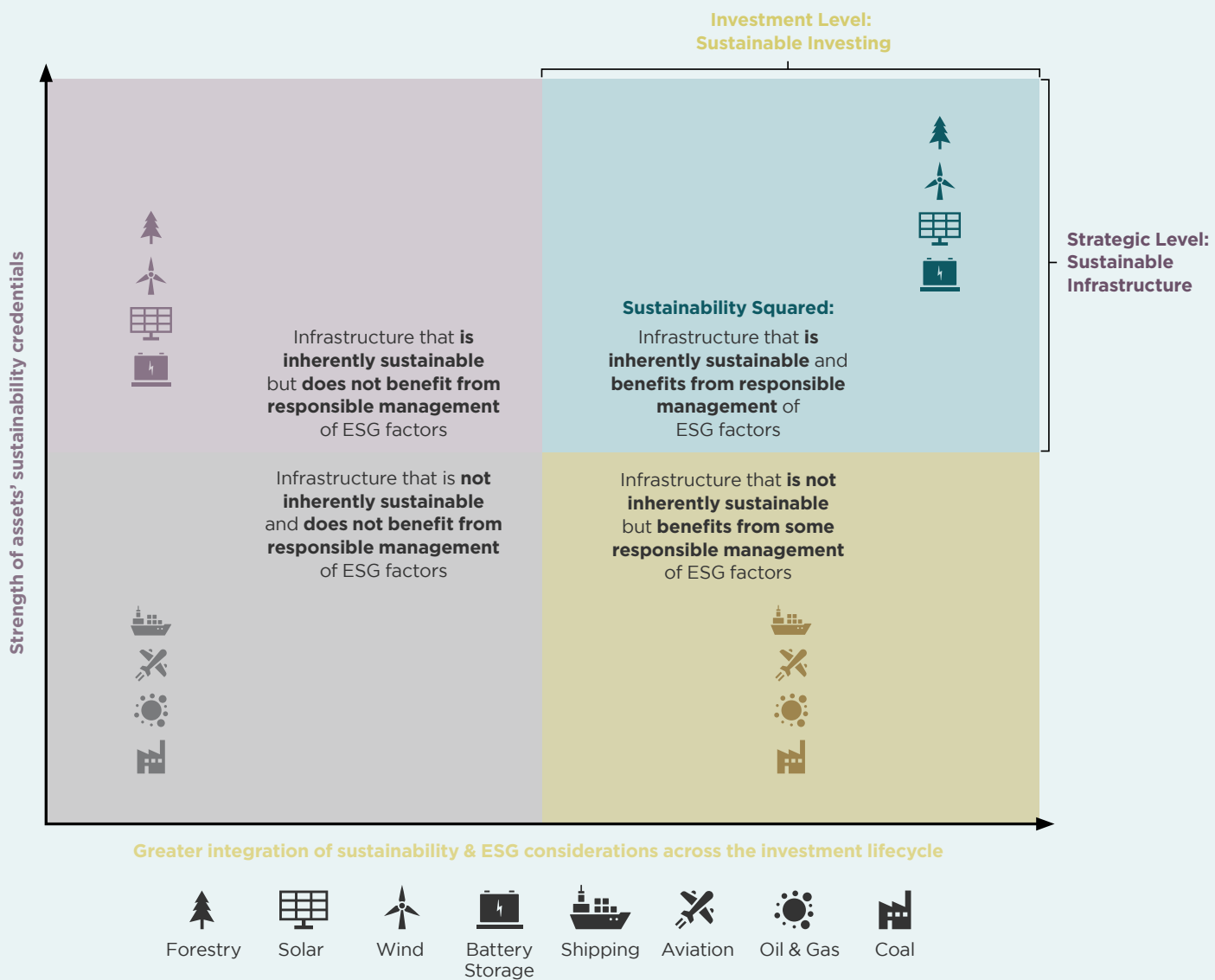
A useful way of understanding how sustainable investing fits into the broader investment universe is through the **‘Spectrum of Capital’** framework. This framework maps out the wide range of investment strategies that exist between traditional “financial-only” investing and philanthropy. As a sustainable investor with a keen focus on delivering measurable impacts, we are positioned on this spectrum as shown below:



Sustainable infrastructure can be defined as assets that have inherently strong sustainability credentials due to the products and services they provide. At a strategic level Foresight specifically targets sustainable infrastructure, and then applies a sustainable investment approach through

the integrated consideration of ESG risks and opportunities at an investment level. This is referred to as “Sustainability Squared” investing, as shown in the top right quadrant below.

Sustainability Squared Sustainable Investing in Sustainable Infrastructure



Sustainable Investment Principles

Foresight believes that prioritising resilience, stability and long-term viability in its investment processes will support sustainable economic and social development. The contribution we make to wider society is an explicit objective within the five Sustainable Investment Principles that underpin our investment strategy.

Foresight's Five Sustainable Investment Principles are:

1

Process Driven

We have faith in the process we apply and how we adhere to it. This process underpins our investment activities, wherein each asset is taken through the same process, from initial investment stage across the entire asset lifecycle, to ensure our assets meet the required standard.

2

Awareness

We recognise ourselves as a component of the wider system of capital flows in a global society. Proactive engagement with both internal and external stakeholders is fundamental to our long-term success, and essential for maintaining our social licence to operate.

3

Adaptability

Our progress in respect of sustainability, in addition to our growth as a leading investment management firm, is an ongoing journey that we recognise is constantly evolving. We actively seek to identify our shortcomings and embrace any opportunity to learn from others, both personally and professionally.

4

Transparency

The sustainability and ESG space is fast evolving. To ensure our approach to sustainable investing remains market-leading, we must be both transparent to our internal and external stakeholders and self-critical of the processes we use in order to enable continued improvement.

5

Balance

We believe that fair and balanced dialogue is fundamental in setting and executing a successful investment strategy, and in managing our wider business. Risks and opportunities are discussed in an open and constructive manner, with a focus on diversity of thought.

Sustainable Infrastructure

Sustainability sits at the heart of Foresight’s infrastructure strategy and is integrated across all investment analysis, decision-making, asset management and reporting processes. The incorporation and assessment of sustainability and ESG considerations, set in the context of how Foresight conducts itself more generally, is critical to delivering sustainable growth, investor returns and long-term success in investment management.

Foresight’s Sustainable Infrastructure Investment Strategy is based on:

1

Establishing sustainability-led investment strategies, informed by our Sustainable Investment Principles and considering climate risks and opportunities.

2

Incorporating our Sustainability Evaluation Tool (**SET**) which is described on page 9 throughout the investment lifecycle.

3

Ongoing monitoring to ensure compliance with the SET as well as sustainable performance optimisation through Foresight’s active approach to asset management.

4

Transparent reporting to all relevant stakeholders.

Climate Change Risk and Resilience

Evidence confirms a direct link between human activity and negative climate impacts, such as global temperature rises or the increasing frequency of extreme weather events. Taking action to mitigate climate change and employing measures to adapt to the trends associated with a changing climate go hand in hand. Infrastructure assets typically have long operational lifetimes and, as such, are more sensitive to climate variations over the decades of their use. However, climate-resilient infrastructure has the potential to materially strengthen global sustainability and drive decarbonisation.

Foresight recognises climate change as the defining challenge of our time, and it has been an instrumental theme in shaping our infrastructure investment strategy, policy and processes. By channelling global capital towards sustainable outcomes, we aim to materially contribute to global decarbonisation efforts, and to restrict temperature increase in this century to the Paris Agreement’s target of 2 degrees Celsius, while aiming if possible to limit the increase even further to 1.5 degrees Celsius.

There are still significant challenges in effectively modelling climate-related physical and transition risks and performing accurate scenario analysis and stress-testing of portfolios, particularly given the lack of data for private assets. We are actively engaging with consultants and market advisers to develop the appropriate tools to conduct this analysis for our investment portfolio. Consideration of our assets’ resilience to the physical effects of climate change is a key part of the SET.



2 Assessing Sustainability in Infrastructure

Foresight’s integrated approach to sustainability assessment, monitoring and reporting ensures a consistent methodology is adopted and implemented across potential investments throughout the entire investment lifecycle. The SET is written into the investment process manual, which ensures investment papers include an analysis of an assets’ sustainability credentials, to be reviewed and assessed by our Investment Committee.

Foresight’s integrated approach to **sustainability assessment, monitoring and reporting** ensures a consistent methodology and implemented across potential investments.



Sourcing and Screening

- Leveraging long-term industry relationships to originate a high level of bilateral deal flow
- Pipeline prospects assessed at weekly pipeline meetings

- Initial review, includes high-level sustainability and ESG summary
- Present case for continued due diligence to Team IC – Sustainability and ESG risks identified



Due Diligence

- Prior to full due diligence commencing, thorough internal analysis undertaken
- Third party legal, financial, technical due diligence engaged
- Investment Committee (IC) memo prepared and presented to IC

- Projects intensively screened on SET KPIs
- Sustainability and ESG performance modelled and scored, with red flags reviewed
- Advanced due diligence covers relevant sustainability and ESG considerations in detail



Execution

- Pre-completion memo presented to IC for final approval
- IC opines on compliance of investment with goals of fund and allocation policy
- Project onboarded

- Policy compliance and risk mitigation considered before Final Investment Decision
- Post-completion notification of material updates to IC
- Includes the satisfaction of Conditions Precedent, and resolution of due diligence questions



Monitoring

- Hands-on, active management to maximise value creation
- Oversight of construction, detailed monitoring for portfolio operational issues
- Financial optimisation

- Directors ensure ongoing SET assessment at Board meetings, promoting transparency, and addressing material sustainability issues
- Tracking of progress and new risks/opportunities identified in regular evaluation of metrics



Realisation

- Thorough exit approval process challenged by IC
- Utilising significant experience in preparing investments for exit
- Range of exit options assessed including direct asset sales, refinancings, and public offerings

- Audit delivers annual improvements in ESG performance
- Environmental permits & permissions extended
- Decommissioning assessment reassessed to ensure no lasting adverse environmental and social impact

Sustainability Evaluation Tool

To ensure that potential investments undertaken meet our definition of sustainable infrastructure, they are evaluated in accordance with Foresight's SET. The SET is made up of five criteria that cover the key areas of sustainability and ESG considerations to be assessed.

Foresight's SET criteria are as follows:

1. Sustainable Development Contribution

The contribution made towards the global sustainability agenda

2. Environmental Footprint

The environmental impacts of an investment

3. Social Welfare

The interaction with local communities and the welfare of employees

4. Governance

The compliance with relevant laws and regulations

5. Third Party Interactions

The sustainability of key counterparties and the broader supply chain.

Using the five criteria as a guide, investment papers include an analysis of an asset's sustainability credentials to be reviewed and considered by the Investment Committee, with the level of detail becoming more granular as an opportunity progresses through the investment process.

The SET is an evolving tool. It has been designed with flexibility in mind, making it adaptable to new sectors, industry frameworks and impact standards as the sustainability and ESG space continues to develop. Moreover, the materiality of sustainability and ESG issues

can be subject to frequent change, therefore a framework that can adapt easily to reflect these changes is important.

Every infrastructure asset in which we invest must be justified as contributing to a set of measurable sustainability goals. Within energy infrastructure, this is the continued deployment of renewable energy and low-carbon technologies to support the transition to a cleaner and smarter energy system, while for forestry this is protecting and enhancing natural capital that supports carbon sequestration and the provision of valuable ecosystems.

Implementation of the Sustainability Evaluation Tool

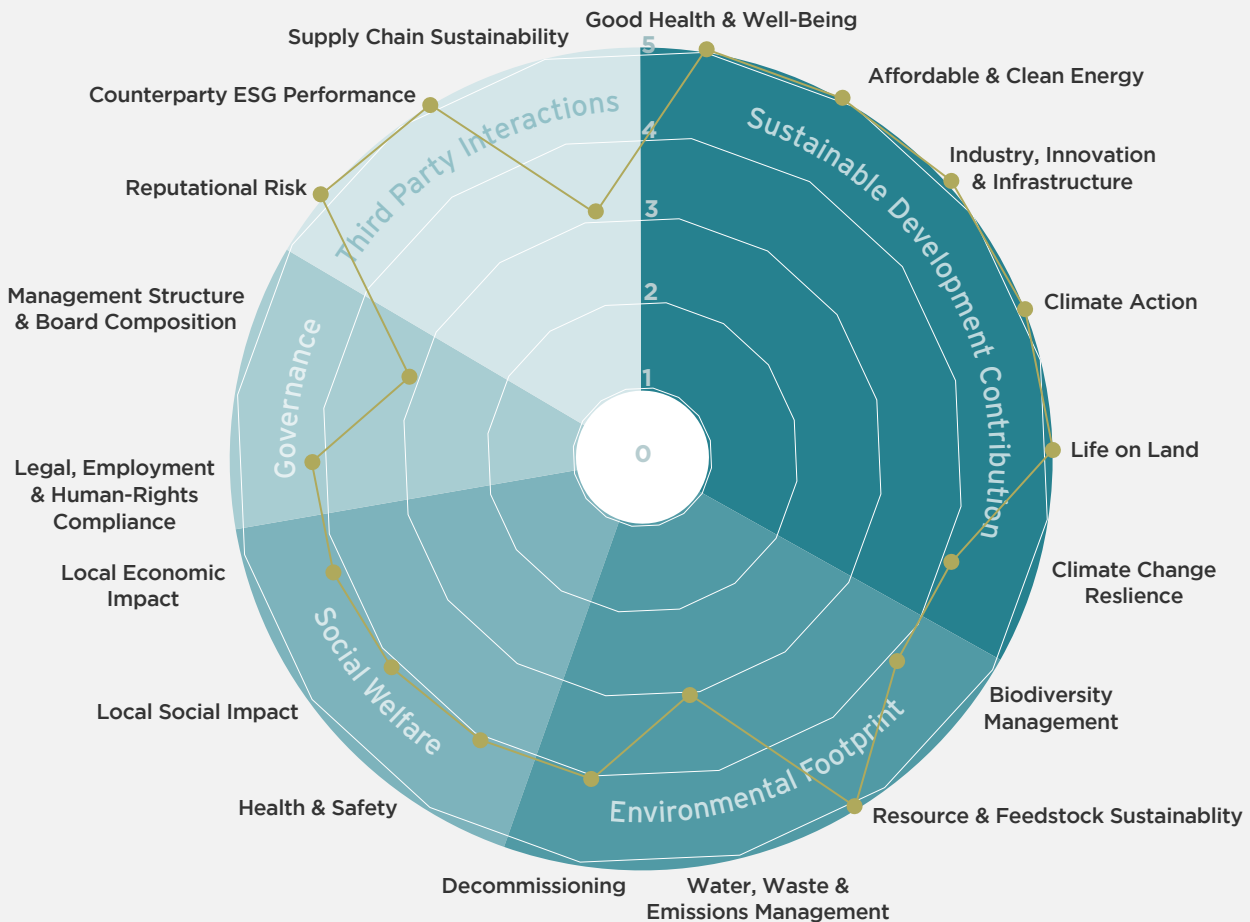
Investment Stage

During the initial appraisal, a high-level review of the asset's sustainability credentials is undertaken to flag key sustainability and ESG risks that need further consideration. Due diligence is then undertaken and involves intensive screening against each assessment parameter, modelling of sustainability performance and engagement of advisors where relevant, culminating in the assessment and scoring of the asset against the SET.

Each prospective investment is evaluated and scored against a set of pre-determined assessment parameters that sit underneath the five criteria. The asset is given a score from 1-5 for each assessment parameter, with 1 being the lowest in terms of performance, and 5 highest. The final SET assessment, and the asset's corresponding 'Sustainability Web', are produced as part of investment due diligence. Once an investment is completed, these parameters are used as a framework for the ongoing performance monitoring against which the asset management team will report on a regular basis.

If the information required to complete the assessment is not readily available through project documentation, Technical Advisors may be tasked with conducting further investigation to address any sustainability focused queries. Examples may include an enhanced focus on counterparty supply chain processes, or investigation into the level of community engagement conducted during the planning phases of a project.

A worked example for one of Foresight's wind assets is included below:



Asset score in year 1 (2021)

Active Asset Management

Foresight adopts an active approach to asset management through its in-house technical professionals and dedicated sustainability team. These individuals work alongside investment professionals providing key input to the due diligence process. Performance against the SET is continuously assessed, monitored and reported on periodically. The asset management team's key responsibilities include ensuring the investment is capitalising on opportunities to apply sustainability focused improvements that can lead to enhanced operational performance.

The asset management team work closely with external Operations and Maintenance (**O&M**) providers to ensure that adequate sustainability and ESG-related competence exists at the asset level, and that sites are being operated to the highest possible standard. We utilise a number of asset management tools and systems that are independent of the monitoring of the O&M providers and offer real-time data for all assets. Additionally, we recently partnered with Sennen, a company whose software enables safer, more efficient and automated data collection across Foresight's projects. This produces transparent, real-time reports that enable in-depth analysis and commentary on portfolio issues.

The asset management team has a strong track record of delivering substantial performance enhancements to its assets and continues to develop this capability across new and emerging sub-sectors in the portfolio. Where appropriate, the team also engages with independent third parties that can help evaluate and inform asset-specific development plans to ensure compliance and enhance performance over time.

Sustainability is included as a standing agenda item in Board packs in order to promote transparency, aid reporting and address any sustainability issues. This enables progress to be tracked across the investment portfolio over time. Crucially, this disciplined approach and monitoring of key sustainability performance metrics help to identify any new risks arising so that mitigation plans can be implemented, as well as opportunities identified for further improvement.

Reporting

Foresight has robust processes in place for institutional investor reporting, which are adapted to the specific reporting requirements of a wide range of investors. Foresight determines the reporting format, content and frequency required by its investors and works with the investment and asset management teams to ensure the right process is in place to monitor the relevant information so that it can be clearly reported to investors.

Our institutional investor relations team is committed to reporting to all institutional infrastructure investors, at a minimum, on a quarterly basis. All reports include a mandatory section updating investors on any significant sustainability issues, such as health and safety incidents or environmental breaches.



3

Commitment to Sustainability

Societal awareness of issues such as the climate crisis, diversity and inclusion and sustainability more broadly, has grown rapidly over the past few years and has accelerated further as a result of the COVID-19 pandemic. This has caused demand for sustainable funds to skyrocket, and consideration of sustainability and ESG factors has jumped to the top of the global investment agenda.

From January through November 2020, investors in mutual funds and ETFs invested \$288 billion globally in sustainable assets, a 96% increase over the whole of 2019¹, demonstrating that the shift in investor demand for sustainable investment is more popular than ever before. Foresight's history of sustainable investing puts us in an excellent position to support the global sustainability agenda and lead the investment industry forward while advancing the transition towards a net zero economy.

To maintain our position as a leader in sustainability, we must uphold our place in the global network of companies, public bodies, non-government organisations and other entities that are focused on addressing the challenge of sustainability.

Recognising that we are just one component in a wider ecosystem is evident in our participation in external initiatives alongside our peers and advisers.

As such, Foresight recognises the importance of aligning itself with external sustainability and/or ESG-focused organisations and frameworks. These not only help to inform the development of our approach but also, through independent review, provide affirmation of our commitments and practices, allowing us to track the impact we create. Furthermore, we actively seek to go beyond compliance and be part of the dialogue involved in establishing new standards.

External Affiliations

Principles for Responsible Investment

We have been a signatory to the United Nations-backed **Principles for Responsible Investment (PRI)** since 2013. The PRI is a globally recognised voluntary framework concerned with the incorporation of ESG considerations into the investment decision-making process and provides a basis for investors to judge the quality of a company's ESG processes. We were pleased to secure the following PRI ratings in 2020:

Strategy and
Governance



Infrastructure



1. Simfund, Broadridge, GBI. Data as of November 2020. Closed-end funds, funds of funds excluded; Money Market funds included.






The United Nations Sustainable Development Goals

The 17 United Nations Sustainable Development Goals (**SDGs**) address critical global challenges such as poverty, climate change and energy security that are a barrier to global sustainability. Established in 2015 by 193 UN member states, they form an integral part of the 2030 Agenda for Sustainable Development. Within the 17 goals there are 169 underlying targets that articulate what needs to be accomplished within an agreed timeframe to achieve a fairer society.



We view the scale of our impact through an SDG lens, to ensure we can track progress against our goal of advancing the global sustainability agenda. The SDGs act as a useful framework against which Foresight can track its funds' contribution to global sustainability outcomes.

Foresight's energy portfolio contributes to the following SDGs:

	<p>3.9 Substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination.</p>	<p>Energy infrastructure assets have enabled pollutant savings of:</p> <ul style="list-style-type: none"> • X tonnes CO2 equivalent • X tonnes of NOx (Nitrous Oxide) • X tonnes of SOx (Sulphur Dioxide) • X tonnes of PM10 ($\mu\text{m}10$ Particulate Matter) • X tonnes of PM2.5 ($\mu\text{m}2.5$ Particulate Matter)
	<p>7.2 Increase substantially the share of renewable energy in the global energy mix.</p>	<p>Energy infrastructure assets have produced:</p> <ul style="list-style-type: none"> • X MWh of renewable energy • Enough electricity to power X homes
	<p>9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all.</p>	<p>Energy infrastructure assets add X GW of renewable generation capacity to the grid</p>
	<p>13.3 Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning.</p>	<p>Infrastructure renewable energy generation assets raise awareness and improve human capacity for climate change mitigation.</p>
	<p>15.5 Take urgent and significant action to reduce the degradation of natural habitats, halt the loss of biodiversity and protect and prevent the extinction of threatened species</p>	<p>Contributing to the avoidance of fossil fuel use, energy infrastructure assets have saved</p> <ul style="list-style-type: none"> • X Tonnes of Oil Equivalent (TOE) • X Tonnes of Coal Equivalent (TCE)

The United Nations Global Compact

Founded in 2000, the United Nations Global Compact (**UNGC**) is the world's largest corporate sustainability initiative. Its objective is to foster a global movement of businesses that are committed to responsible and sustainable practices by encouraging transparency and accountability across all areas of operations.

Foresight has been a member since 2019 and joins over 12,000 companies in over 160 countries in its commitment to the UNGC. We aim to shape our approach to sustainability around the UNGC and pursue investments that uphold its 10 principles. We view our participation with the UNGC as an opportunity to be part of a larger movement of corporations seeking to transform the world through sustainable business practices.

In 2021 we published our inaugural Communication on Progress (**CoP**) report, available via our [website page](#). The CoP outlines how we have embedded the United Nations Global Compact's Ten Principles and the United Nations Sustainable Development Goals within all areas of our business activities, our culture and our daily operations. Throughout the report, case studies are included to highlight initiatives introduced/overseen by Foresight since becoming a UNGC participant to demonstrate how sustainability and the Ten Principles are implemented.

EU Taxonomy

The EU Taxonomy for sustainable activities defines the criteria that an investment must meet in order for it to be considered sustainable. By setting out transparent, science-based, industry-specific criteria to direct investment flows, the EU Taxonomy provides assurance for projects that are making a genuine contribution to global sustainability targets.

Following internal review of the EU Taxonomy's performance thresholds, Foresight decided there would be significant merit in independent, third party validation of its investments' alignment with the Taxonomy. Consequently, an assurance specialist has been selected as the preferred partner to evaluate the investments made by Foresight Energy Infrastructure Partners (**FEIP**), our flagship private markets energy transition strategy fund, with aims to be a pioneering, fully validated EU Taxonomy-aligned sustainable investment fund. Additionally, we are currently rolling out the validation process across a number of other new and existing funds within Foresight.

We believe that the most important component of the Taxonomy's value is the focus it creates on the material issues that will determine the outcome of society's efforts to transition to a sustainable future, as opposed to those that are ultimately "ESG window dressing". Consequently, in an environment where greenwashing represents a significant and often irreparable reputational risk, we hope that our pioneering approach to Taxonomy validation will be recognised by investors who are increasingly aware of best-in-class sustainability performance.



EU Sustainable Finance Disclosure Regulation

The Sustainable Finance Disclosure Regulation (**SFDR**) was introduced as part of the European Union Action Plan on Sustainable Finance, alongside the EU Taxonomy. However, unlike the EU Taxonomy, which is aimed at mapping environmentally sustainable investments, SFDR is focused on capturing sustainability risks. The SFDR aims to create transparency in relation to sustainability risks, the consideration of adverse sustainability impacts on their investment processes and the provision of sustainability related information with respect to financial products.

Current Foresight funds marketed in Europe have been assessed to be Article 9 compliant under SFDR and this regulation continues to guide the business' approach to new product development.

Task Force on Climate Related Disclosures

The Task Force for Climate Related Financial Disclosures (**TCFD**) was established by the Financial Stability Board and asks its supporters to undertake scenario analysis and provide certain disclosures that “*enable stakeholders to understand better the concentrations of carbon-related assets in the financial sector and the financial system’s exposures to climate-related risks*”.

As climate-related risks and opportunities are increasingly incorporated into company strategy and risk management, investors’ understanding of the financial implications associated with climate change will grow. This will empower markets to channel investment to sustainable and resilient solutions, opportunities and business models.

Foresight recognises the importance of assessing climate-related risks that have the potential to materially impact our business and has signed a statement in support of the recommendations of the TCFD.



Global Real Estate Sustainability Benchmark (GRESB)

The GRESB Infrastructure Asset Assessment uses high quality ESG data and advanced analytical tools to benchmark ESG performance, identify areas for improvement and engage with investors.

Foresight sits on the GRESB Infrastructure Benchmark Committee, which helps to shape the assessment for future iterations. As a representative for the European region, Foresight attends regular meetings and provides technical input to GRESB regarding the content of the Infrastructure Assessment and GRESB’s other infrastructure products and services, that will ultimately impact the ESG credentials of infrastructure funds and assets on a global scale.



UK Sustainable Investment and Finance Association

The UK Sustainable Investment and Finance Association (**UKSIF**) is a membership organisation for those in the finance industry committed to providing sustainable and responsible finance in the UK. Foresight has been a member since 2009.

UKSIF supports its members to develop sustainable and responsible finance in the UK by informing, influencing and connecting UK finance, policymakers and the public. They work closely with government departments, parliamentarians and regulators to influence policy development that supports the growth of sustainable finance. In early 2021, Foresight took part in a series of roundtable discussions on UKSIF’s ‘Policy Vision’, contributing to a report that articulates UKSIF’s policy ambitions for the years ahead and sets out how the UK can become the World’s leading sustainable finance hub.



Solar Energy UK

Foresight is a member of Solar Energy UK and sits on several working Groups, including The Large Scale and Asset Management Working Group and the Operations and Maintenance (**O&M**) Working Group, attending quarterly meetings and engaging with external experts. Foresight contribute to discussions on topics including regulatory and policy reform, network charging reform and engagement with network operators. Through this level of participation, Foresight is focused on establishing and advancing O&M and asset management standards, best practices and prioritising environmental stewardship and operational health and safety.

As a working partner of Solar Energy UK, Foresight helped to co-author the organisation’s report, The Natural Capital Value of Solar (June 2019) and subsequently contributed to developing the STA’s good practice guidelines on Land and Vegetation Management to Preserve and Enhance Natural Capital to promote better solar farm management throughout the industry.



Renewable Energy Association

Foresight is an active member of the UK's largest renewable energy and clean technology body, the Renewable Energy Association (**REA**), with over 500 member companies. Through Foresight's activities within the REA, it co-presented at a parliamentary event, the REA's Bioenergy Strategy 2019 attended by a number of MPs, helped develop the REA's Net Zero Strategy and represented members at Ministerial meetings in relation to future decarbonisation strategies.

Foresight has been recognised as a leading business operating to facilitate the transition to net-zero and achieving exemplar work in the field of renewable and/or clean technology, winning the REA's British Renewable Energy Awards 'Leadership Award' for 2020.



IPFA

The IPFA is the global professional association that connects and promotes the collective interests of both public and private sector organisations, and professional individuals involved in infrastructure and energy project financing. Foresight became an active member of the IPFA in 2019 having both hosted and participated in events arranged by IPFA and attended by their wide-reaching membership base.



Climate Bonds Initiative

The Climate Bonds Initiative (**CBI**) is an international not-for-profit organisation working to mobilise the global debt markets for climate change solutions. In 2019 Foresight launched the Foresight Renewable Energy Income Fund (**FREIF**) to invest in the private debt of renewable energy infrastructure projects located in Australia. The fund was the first of its kind to invest in loans certified by the CBI.



Pensions for Purpose

In 2020 Foresight became a signatory of Pensions for Purpose, a collaborative initiative between fund managers, pension funds and social enterprises to promote understanding of impact investing.

According to numerous studies, around 50-75% of the UK public want their investments to contribute positively to society. However, many people still think this means sacrificing a financial return. Pensions for Purpose seeks to educate the public that impact investing can and should create positive societal or environmental changes whilst generating strong economic returns.



Goodwood Sustainability Partnership

In 2020, Foresight became Sustainability Partner to the Goodwood Estate ("the Estate"). Although best known for hosting the annual Goodwood Festival of Speed, investing for a smarter future aligns closely with Goodwood's long-term perspective and approach to sustainability. With Foresight's support, the Estate is actively exploring initiatives such as transitioning its power supply to 100% renewable energy, the electrification of its vehicle fleet and developing its visitor carbon offset programme.

This partnership will support the delivery of the Estate's sustainability goals while helping Foresight progress the conversation around strategies for decarbonisation through the protection and enhancement of natural capital.



Internal Structure

Sustainability and ESG Committee

Being a sustainable business involves more than just creating positive impacts through the deployment of capital, but also relates to how we manage our interactions with all key stakeholders; our investors, our staff and the local communities in which we operate. For this reason, Foresight has established the Sustainability and ESG Committee and assigned to it the responsibility of shaping and steering the Group's approach to sustainability, which is set out in our Sustainability and ESG Policy.

An important part of the Committee's remit is to develop and review the group's overall strategy, ensuring that our market-leading approach towards the integration of sustainability and ESG considerations is continually being improved and refined. The Committee meets at least quarterly to ensure its influence is company-wide. Sub-committees may meet more often.

The Committee has also launched a Sustainability Podcast, the **Foresight Sustainability Series**, to promote dialogue around sustainability, climate action and the key themes that are shaping our World today.

Corporate Social Responsibility (**CSR**) is also part of the Committee's remit, pursuing initiatives to promote social and environmental responsibility in our corporate activities, implemented through a comprehensive set of practices which are integrated into our business operations. We also have policies in place covering a range of governance issues. Those policies include bribery and corruption, data protection, cyber security, whistleblowing and fraud.

Diversity and Inclusion Committee

Foresight has established a Diversity and Inclusion (**D&I**) Committee, which takes steps to ensure we operate a diverse and inclusive business prohibiting discrimination based on age, religion, belief, ethnic origin, sexual orientation, or gender.

The D&I Committee is guided by the group's D&I Policy, which seeks to ensure equality and diversity at Foresight and provide the necessary framework to build an inclusive culture. The policy ensures that Foresight's commitment to diversity is known and understood by all its employees. This is achieved through the provision of training and guidance including staff inductions, e-learning courses, training courses, and our employee handbook, which is available on the intranet.

Foresight's Board, via Foresight's Executive Committee, is responsible for reviewing and achieving the aims of the D&I policy. The members of the Board and Executive Committee recognise their role in being responsible and accountable for inclusion and the development of equality and diversity awareness at Foresight.

As part of this, we aim to shine a light on female entrepreneurs, creating space for female leadership. In 2018 we became a signatory of HM Treasury's Women in Finance Charter and pledged our support for gender balance across financial services. Set in 2019, our five-year target percentage for women in senior roles is 30%.



Communities

Our desire to achieve sustainable development extends beyond our business operations, and we are committed to activities that have a positive impact at a local level and look to engage with social initiatives in our own communities. Foresight has an established Charity Committee that works throughout the year to deliver fundraising initiatives in which the whole company can be involved. We aim to employ the expertise and passion of our workforce to be a force for good and support various charities through fundraising and by promoting awareness of important issues in our society. Employees are enabled and encouraged to take one day a year to volunteer for a charity of their choosing.

In 2020, Foresight took part in the Lord Mayor's City Giving Day for the first time. This initiative was launched to encourage businesses to engage with their employees and showcase their volunteering achievements to further inspire staff to interrupt their typical routines and go that extra mile for charity.

Foresight also partners with Team London Bridge and works with neighbouring businesses to ensure we have a positive local presence. Team London Bridge focuses on unlocking the social, environmental and commercial potential of London Bridge through collective action and community support. We are proud to have our principal office located in London and take inspiration from the vibrancy and resilience of local communities.

4 Investment Programmes

Foresight is committed to mobilising capital to build a more productive, resilient and sustainable society through investment in sustainable infrastructure and real assets. This may include investments in schools, healthcare facilities, transport networks, community street lighting, renewable energy and controlled-environment food production, in addition to natural capital investments in sustainable forestry and regenerative agriculture.

When setting our investment programmes, we therefore seek to anchor them in the long-term trends shaping our society and relationship with the planet – the “sustainability themes” that will determine our future. By being mindful of materiality, we seek to influence the big picture and to identify the factors that will really make a difference at a global scale.

In this respect, we first recognise that the sustainability transition - with efforts to mitigate the climate crisis at its centre - involves a fundamental reshaping of the global economy. The emission of greenhouse gases (**GHGs**) is so endemic in economic activity that decarbonisation will affect not only the generation of power, but also heating and cooling services, transport, the built environment and virtually all sectors of industry as well as our relationship with natural capital and food production.

Global GHG Emissions by Source ¹	
Making things (cement, steel, plastic)	31%
Plugging in (electricity)	27%
Growing things (plants, animals)	19%
Getting around (planes, trucks, cargo ships)	16%
Keeping warm and cool (heating, cooling, refrigeration)	7%

Not only is this transition therefore ubiquitous across sectors, but from an investment standpoint it is creating infrastructure and real asset opportunities across the entire risk spectrum, from high-risk (Venture Capital), moving through moderate-risk (Private Equity) down to low-risk (Infrastructure). Opportunities exist in “primary” sustainable investments i.e. assets which deliver direct GHG emission reductions, facilitate the wider power transition or support the electrification of other high-emission sectors, such as electric vehicles (**EVs**) which displace internal combustion engine automobiles. They also exist in “secondary” supporting sectors, such as supply chains supporting the production of renewable energy equipment, or the emergence of recycling industries for batteries.

Within this context we seek to design and execute long-term infrastructure and real asset strategies. To-date, we have focused on two key sustainability themes.

1. Source: How to Avoid a Climate Disaster, Bill Gates, February 2021, page 55.

Renewable Energy Generation

Foresight's infrastructure investments support the energy transition and global decarbonisation agenda which requires significant investment in low carbon generation, along with supporting flexibility assets and grid infrastructure. From financing the UK's largest solar farm to providing flexibility services in moments of blackout and investing in some of the largest onshore wind turbines in the Nordics, we are working to create a sustainable legacy of clean power.

To contribute to the transition to a sustainable planet, we have invested more than £3bn into clean energy projects worldwide through a number of funds raised from both institutional and retail clients. Our clean energy infrastructure portfolio comprises over 275 assets with a capacity of 2.7GW across the UK, Europe and Australia, including solar, onshore wind, bioenergy, hydro, battery storage, reserve power and energy efficiency projects.

Sustainable Land and Food

Foresight has identified Sustainable Land and Food as a natural and adjacent sector to power generation. Our relationship with the land, the great forests of the world and how we produce food is not only perhaps the second most important wide sustainability sector after energy, but is also fundamentally intertwined with the energy transition.

As the World's population increases, meeting global food demand will require investment in new practices, technologies and infrastructure that can raise sustainable agricultural

activity. Regenerating natural forest eco-systems will be crucial in restoring biodiversity, balancing global timber dynamics and turning the tide on climate change through carbon sequestration. Foresight shapes its investment strategies around these long-term changes, and believes it can leverage its expertise in the development of sustainable infrastructure within the sustainable land and food sectors.

Controlled-environment food production (**CEF**) assets share many investment characteristics with energy infrastructure assets. With alignment to the financing and contracting structures of energy infrastructure assets, CEF assets can deliver attractive risk-adjusted returns supported by partially contracted and/or inflation-linked revenues, while also offering diversification benefits and the ability to make a meaningful contribution to multiple SDGs.

Foresight has also identified forestry as a sustainable real asset that sequesters carbon and provides access to attractive returns, alongside strong capital preservation characteristics. A core benefit is that as trees grow, they absorb and store CO₂, removing it from the atmosphere and storing it indefinitely. We have invested in over 6,000 hectares of forestry, including mature forestry and new afforestation projects.

Forestry truly is a green asset class, and directly contributes to multiple SDGs. The EU Taxonomy also identifies sustainable forestry and afforestation as making a significant contribution to climate change mitigation, showing the growing consensus that nature-based solutions such as forestry represent a meaningful part of the approach to the climate crisis.



Emerging Themes

Global macroeconomic trends indicate a steady increase in population and consumption in the medium- to long-term, and subsequently there is a growing requirement for more sustainable social and economic infrastructure. Foresight pursues investment opportunities that are driven towards the fundamental transition towards decarbonisation and provide diversification across asset classes and geographies. We are exploring a number of emerging themes to broaden our infrastructure footprint and support the wider sustainability transition to a cleaner, smarter and more resilient future.

Social Infrastructure

The COVID-19 pandemic has highlighted the urgent need for increased investment in social infrastructure, particularly in the areas of education, health and accommodation. Investment in these areas is necessary in order to create economic success, improved education services, and all-round better health and well-being of society.

Foresight has investments in the following social infrastructure assets: schools, hospitals, Private Finance Initiative (**PFI**) assets and waste processing.

Transport Infrastructure

Transport infrastructure presents a unique investment opportunity to meet growing transport demand and hit government development targets while simultaneously decarbonising the sector. Investments in more sustainable transport infrastructure can also deliver environmental, social and economic benefits above and beyond GHG reductions. These include improved transport system efficiency through the integration of land-use and transport planning, which in turn enables towns and cities to function more sustainably.

Foresight has investments in the following transport infrastructure assets: CNG refuelling, roads, and ferries.

Digital Infrastructure

With changing behaviours and work patterns forced on educational establishments, organisations and businesses by the pandemic restrictions, the UK has seen a huge surge in demand for fast and stable digital communications.

The roll-out of full fibre optic networks support lower greenhouse gas emissions and promote wider access to employment and education. These networks create local jobs and enhance essential local infrastructure as well as accelerating the development of a fast fibre network to support the UK's digital ambitions of bringing gigabit-capable broadband to every home by the end of 2025.

Foresight recently made its first investment into digital infrastructure through the completion of a long-term financing agreement with a Full Fibre network provider.

Exclusions

The Infrastructure team's investment mandates proactively target sustainable infrastructure and therefore largely negate the need for an exclusionary policy. At a group level, Foresight has committed to avoiding investment in the following areas:

- The production or trade in products or activities deemed illegal under applicable laws or banned through international convention.
- The supply or purchase of sanctioned products, goods or services to or from countries or regions covered by international sanction.
- The production of or trade in weapons, or technology which is subject to existing international prohibitions.
- Gambling
- Tobacco

Foresight

FOR A SMARTER FUTURE

Foresight Group LLP
The Shard
32 London Bridge Street
London
SE1 9SG

www.foresightgroup.eu