

# Foresight Sustainable Forestry Company PLC

SFDR Product Disclosure

Oct 2021

## SUSTAINABLE INVESTMENT OBJECTIVE

Foresight Sustainable Forestry Company Plc (“FSFC” or the “Company”) is considered to be an Article 9 product for the purposes of the EU Sustainable Finance Disclosure Regulation (“SFDR”). The Company’s investment objective stipulates the targeted sustainable impact it aims to achieve through predominantly investment in sustainably managed Forestry Assets (including Standing Forests and Afforestation assets). The Company will seek to make a direct contribution in the fight against climate change through forestry and Afforestation carbon sequestration initiatives. The Company will seek to preserve and proactively enhance natural capital and biodiversity across its portfolio.

Due to the nature of FSFC’s assets, the Company’s activities will contribute materially towards the emissions reduction objectives set out under the Paris Climate Agreement through both a combination of enhancing the carbon stock of existing Commercial Forestry operations and by targeting Afforestation opportunities, offering significant opportunity for atmospheric carbon removal and long-term sequestration. Proportions of both Commercial Forestry and Afforestation opportunities will be allocated to long-term retention as part of forest design, which will also contribute materially to the carbon sequestration potential of the Company. FSFC’s contributions to decarbonisation and biodiversity are measured, tracked and reported on regularly.

## INVESTMENT STRATEGY

The Company’s full Investment Policy is set out in its prospectus dated 28 Oct 212021 which can be found at [www.fsfc.foresightgroup.eu](http://www.fsfc.foresightgroup.eu). Terms defined in the prospectus shall have the same meanings when used in this document.

Sustainability considerations are embedded throughout FSFC’s investment process and asset management procedures, from initial investment screening through due diligence and into ongoing monitoring and reporting. Overall responsibility for Sustainability and Environmental, Social and Governance (“ESG”) considerations resides with the Board of FSFC, with analysis and reporting of sustainability and ESG criteria advised on by the Company’s Investment Manager, Foresight Group LLP. The Company publishes an annual Sustainability and ESG report articulating its commitment to sustainability and ESG and setting out its core ESG principals and objectives.

## ATTAINMENT OF THE SUSTAINABLE INVESTMENT OBJECTIVES

To ensure that the Company’s investments meet its values and are consistent with its approach to sustainable investing:

- third party advisers are appointed by FSFC to undertake **due diligence** on both Commercial Forestry and Afforestation investments prior to investment;
- the Investment Manager actively **monitors** sustainability and ESG -linked risks and opportunities facing each of the investments at all stages of the investment process - from initial investment screening, through pre-investment due diligence, and into post-investment monitoring and investor reporting; and
- following the acquisition of an asset, the Investment Manager implements **engagement policies** involving active oversight, maintenance and enhancement.

The Investment Manager measures the attainment of its sustainable investment objective through the integrated application of a range of in-house and external sustainability frameworks across the investment lifecycle with measurable indicators which are used in the evaluation of all projects. Most notably, at the SPV level, the Investment Manager uses its proprietary Sustainability Evaluation Tool (SET) which includes consideration of a whole host of different parameters, split between five primary criteria:






- contribution to sustainable development;
- environmental footprint;
- social welfare;
- governance; and
- third-party interactions.

The Investment Manager gathers information to complete SET scoring for particular assets from a variety of sustainability due diligence tools. As and when required, technical advisers will provide feedback on pertinent questions relating to sustainability. This will also confirm whether project counterparties have in place policies

that cover topics such as modern slavery, diversity promotion, employee growth and corporate social responsibility. The Company and the Investment Manager are also expanding their adviser engagements to report in greater detail on community engagement or the impact of projects on local communities and their environment. It is also worth noting that certain data is collected for aggregation purposes so as to be able to assess the portfolio’s overall sustainability performance and enable concise reporting of this information to investors and regulators.

The Investment Manger also has robust processes in place to capture data and report on environmental and social aspects of the Company’s investments. To ensure environmental and social performance measures are accurate and reliable, where appropriate, FSFC or the Investment Manager may commission assessments by third party providers to provide a detailed qualitative and quantitative assessment of how the Company and its assets have performed against its stated environmental objectives.

Using the SDGs as a universally recognized framework against which to assess, measure and monitor the environmental aspects of investments include:

Goal	SDG Target	Contribution
	<b>3.9</b> Substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination.	<b>X tonnes of pollutants<sup>1</sup> removed</b> from the atmosphere including: NOx (Nitrous Oxide) SOx (Sulphur Dioxide) PM10 (µm10 Particulate Matter) PM2.5 (µm2.5 Particulate Matter) Ground-level O-zone
	<b>6.6</b> Protect and restore water-related ecosystems, including mountains, forests, wetlands, rivers, aquifers and lakes.	<b>X hectares of sustainably managed forests</b>  <b>X kilometers of sustainably managed watercourses</b>
	<b>12.2</b> Achieve the sustainable management and efficient use of natural resources.	<b>X tonnes</b> of sustainably grown, standing timber.  <b>X% of commercial forestry projects are dual FSC and PEFC certified</b> within 12 months of acquisition.
	<b>13.3</b> Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.	Portfolio <b>sequestration of X tCO2e<sup>2</sup> / annum.</b>  Annual sequestration of <b>X tCO2e / ha.</b>  Annual sequestration of <b>X tCO2e / stocked ha.</b>
	<b>15.2</b> By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally	<b>X hectares of sustainably managed forests</b> Of which <b>X hectares are long-term, mixed broadleaf carbon sinks;</b> and <b>X hectares are SSSIs<sup>2</sup></b>

<sup>1</sup> Based on 84.kg pollutant removal / hectare ([Source](#) from Office for National Statistics)

<sup>2</sup> Sites of Special Scientific Interest

## ADVERSE IMPACTS OF INVESTMENT DECISIONS ON SUSTAINABILITY FACTORS

“Principal adverse impacts” are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters. Neither the Company nor the Investment Manager currently report on the principal adverse impact indicators in accordance with the draft Regulatory Technical Standards (“**RTS**”) of the SFDR. The Investment Manager uses some environmental-based metrics to assess the performance of investments but this is not strictly in the manner prescribed by the SFDR for the purpose of principal adverse impacts.

## SUSTAINABILITY RISKS

“Sustainability risk” means an ESG event or condition that, if it occurs, could have an actual or potential material negative impact on the value of the investment.

The identification, assessment and management of risk are integral aspects of the Investment Manager’s work in both managing the existing portfolio on a day-to-day basis and pursuing new investment opportunities. At present, sustainability risks are assessed in the following ways:

- climate change risk assessments are integrated into the Investment Manager’s standard risk management process;
- technical consultants are engaged to advise on performance assumptions relating to assets;
- the Investment Manager ensures that all appropriate measures are taken to maximise the operational performance of each asset post-acquisition;

Certain sustainability and ESG risks are relevant to the Company’s investments as their occurrence could give rise to a material, negative impact on returns. The key risks associated with the investment strategy, objectives and techniques of the Company are contained in the “Risk Factors” section of the Prospectus dated 28 Oct 21 (see [here](#)). The exact potential impact of these risks cannot be quantified as it depends on the scale of the event.