

# TRANSITION PLAN

First release, covering the Transition Plan Taskforce Disclosure Requirements

31.03.2025

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# Introduction from Jo Harrison

The transition to a net zero economy is one of the defining challenges and opportunities of our time. As legislative and regulatory frameworks evolve to drive decarbonisation, businesses must navigate the complexities of a global energy transition while delivering sustainable long-term value. At FGEN, we recognise both the urgency and the opportunity in this shift, and we are committed to playing a proactive role in supporting a cleaner, more resilient future.

We have voluntarily developed this transition plan, reflecting our strong alignment with the net zero transition and our desire to formalise and deepen the integration of sustainable practices across our investment strategy. This plan is not a starting point, but rather a natural evolution of our commitment to responsible investment. We have a strong track record in climate-related disclosure through our ESG and TCFD reports, and this framework allows us to build upon that foundation, enhancing transparency, governance, and data-driven decision-making.

This transition plan is anchored in clear governance structures and focuses on developing robust approaches to data analysis, ensuring that our targets and actions are underpinned by credible, measurable insights. We recognise the challenges inherent in transition planning - including embedding these considerations effectively into investment decision-making - and have set a series of short-term targets within this plan aimed at addressing those challenges. We see this as a critical step in ensuring long-term resilience and competitive advantage.

FGEN's market is directly driven by the market's response to climate risk, both transition and physical and, as such, this is a key driver for our business. We recognise that our own approach to assessing and responding to these risks must be transparent. This plan represents an early-stage framework that will evolve over time as we refine our approach, deepen our analysis, and develop a clearer pathway to net zero. We also acknowledge the growing importance of nature in the transition conversation and anticipate that nature-related considerations will play a role in future iterations of this plan.

We recognise that meaningful progress requires collaboration. We welcome engagement from investors, regulators, and other stakeholders as we continue to develop and refine our approach. By working together, we can accelerate the transition to a more sustainable energy system while delivering strong, long-term value for our stakeholders.

# 1 Foundations

## 1.1 Strategic Ambition

FGEN's activities are aligned with the transition to a low carbon economy by way of investing in a diversified portfolio of environmental infrastructure, including "infrastructure assets, projects and asset-backed businesses that utilise natural or waste resources or support more environmentally sustainable approaches to economic activity"<sup>1</sup>. This commitment of the FGEN Investment Policy, along with the commitment to invest in "environmental infrastructure across the UK and mainland Europe that is making a positive impact today and building a more sustainable future", is directly tied to the Company's Strategic Ambition:

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*FGEN's portfolio of investments will be net zero by 2050 in line with the 1.5° Paris Agreement objective, be resilient to the changing climate and contribute towards a more sustainable future.*

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FGEN considers the Strategic Ambition to be a complementary driver to delivering on its investment objectives in an evidenced and effective manner.

The Company recognises that its alignment with the low carbon transition needs to be backed up by action to decarbonise its existing and future portfolio of assets. As a result, and in line with the transition to a low carbon economy, the Board of Directors approved, in 2024, a portfolio greenhouse gas ("GHG") emissions target of net zero by 2050 covering Scope 1, Scope 2 and Scope 3 emissions.

The commitments made by the Board are underpinned and informed by this transition plan which has been voluntarily developed in line with the Transition Plan Taskforce Disclosure Framework<sup>2</sup>.

### 1.1.1 Summary of targets

The FGEN Board of Directors has approved a series of targets, the majority of which are set to be implemented over the short-term. These targets are focused on two key purposes:

- Integration of the Strategic Ambition into Board-level and Investment Manager decision-making
- Development of firm short and medium-term targets for GHG emissions reductions

Details of the approved targets are set out in section 4.4.

FGEN will monitor progress against the transition plan via the following mechanisms:

- Investment Manager reporting to the Company's ESG Committee and to meetings of the Board of Directors
- Discussion with the Investment Manager during the annual service provider review
- Integration of the Strategic Ambition into the annual target setting process

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<sup>1</sup> <https://www.fgen.com/investors/investment-policy>

<sup>2</sup> <https://www.ifrs.org/content/dam/ifrs/knowledge-hub/resources/tpt/disclosure-framework-oct-2023.pdf>

- Progress update to all stakeholders as part of the annual reporting process

FGEN's purpose is already well aligned with the transition to a low carbon economy and the Board of Directors considers that the aims of the Strategic Ambition are synergistic with helping to strengthen the Company's position in the market and provide greater transparency to its stakeholders. The targets and structures set out in this transition plan will help to ensure that FGEN's portfolio remains aligned with its net zero target.

### 1.1.2 Defining the timescales

FGEN applies the following definitions to its short- medium- and long-term timescales across its climate-related activities, risk management and reporting. The targets set out in section 1.1.1 above and detailed further in section 4 have been developed against these timescales.

Timescale	Definition	Justification
<b>Short-term</b>	0-3 years	Aligns with business planning <sup>3</sup> and the recommendations of the Transition Plan Taskforce Disclosure Framework
<b>Medium-term</b>	4-10 years	Encompasses a period of significant transition risk resulting from decarbonisation targets
<b>Long-term</b>	10+ years	A period typically longer than the FGEN investment lifecycle, this encompasses the typical design life of environmental infrastructure assets as well as 2050, a key date for delivering net zero carbon emissions

### 1.1.3 Impact of the transition plan on stakeholders

FGEN anticipates that the primary impact of this transition plan will be on its Investment Manager in the short-term, however the Company also considers that Shareholders and potential investors will be positively impacted through receiving clearer information about FGEN's preparedness for a low carbon economy, as well as progress against its own net zero target.

Information on FGEN's stakeholder groups is set out in section 3 of this document and in section 172 of its latest annual report.

Longer term impacts on FGEN's stakeholders will be better understood following implementation of the short-term actions set out in section 3.

### 1.1.4 Alignment with best practice

In developing its Strategic Ambition and this transition plan, FGEN has taken into account the stated aims of the Paris Agreement as well as the best practice guidance provided by organisations such as the Science Based Targets Initiative ("SBTi") and the Transition Plan Taskforce Disclosure Framework, which has shaped the content of this report.

## 1.2 Business model and value chain

FGEN seeks to achieve its objectives by investing in a diversified portfolio of environmental infrastructure, defined as "infrastructure assets, projects and asset-backed businesses that utilise natural or waste resources or support more environmentally friendly approaches to economic activity,

<sup>3</sup> FGEN's principal risk register focuses on a 1-3 year time horizon

support the transition to a low carbon economy, or mitigate the effects of climate change<sup>4</sup>. As a Fund that is aligned with the low carbon transition, FGEN does not anticipate any material changes to its business model as a result of this transition plan.

Impacts on the value chain in the short-term are not considered to be material. Longer term impacts will be better understood following the completion of the short-term targets set out in section 4.4.

### 1.3 Key assumptions and external factors

Due to the nature of its investment activities, FGEN's business planning and risk management processes are heavily focused on the transition to a low carbon economy and it integrates relevant transition-related assumptions into its decision-making. The material transition-related assumptions associated with FGEN's activities and its Strategic Ambition are set out here. Where new assumptions are identified, these will be reflected in future iterations of this plan.

Sector-level decarbonisation is considered in FGEN's assumptions and investment activities, as shown in table 1-1. In calculating its decarbonisation trajectory, FGEN has not yet included any assumptions around decarbonisation of specific activities within its existing portfolio. Assumptions about decarbonisation activities within the existing portfolio are planned to be integrated over the short term, while wider decarbonisation outside FGEN's activities may be integrated into the decarbonisation trajectory at a later date.

*Table 1-1: FGEN's decarbonisation assumptions*

Category	Assumption	Timescale
<b>Macro-economic trends</b>	The Company's central case (i.e. that considered most likely) for the global decarbonisation trajectory is that it is aligned to the IPCC's SSP2-4.5, which implies a c. 2 degree increase in global temperatures as a result of increased atmospheric concentration of CO <sub>2</sub> .	Long-term
<b>Government</b>	Policy and regulation continue to develop and push for further decarbonisation and reduction of impact on natural resources in line with the objectives of the Paris Agreement. FGEN applies a central case in line with the IPCC's SSP2-4.5 pathway.	Medium- and Long-term
<b>Government and market</b>	Continued policy commitments will drive declining availability of credits under Emissions Trading Schemes (ETS), leading to increases in carbon pricing and higher demand for low carbon infrastructure investment opportunities.	Medium- and Long-term
	Policy and regulatory landscape across the UK and Europe will continue to drive private-sector innovation and investment in the low carbon economy	
<b>Market</b>	Global decarbonisation plans and targets will result in higher demand for investment portfolios with clear decarbonisation trajectories.	Medium- and Long-term

<sup>4</sup> <https://www.fgen.com/investors/investment-policy>

<b>Finance</b>	FGEN assumes that debt for net zero investments will be accessible, and that access to debt will be cheaper for portfolios with clear decarbonisation trajectories.	Medium- and Long-term
<b>Investment Manager</b>	The Board of Directors assumes that the Investment Manager will continue to decarbonise their own activities in line with existing commitments and its own ambition.	Short- and Medium-term

These key assumptions are considered in FGEN's annual reporting via its TCFD report, risk management approach and horizon scanning activities.

## 2 Implementation strategy

### 2.1 Business operations

Identification of actions and changes required to achieve the Strategic Ambition are anticipated to arise from multiple processes:

Process	Outcome
<b>Climate risk analysis</b>	Identifying and assessing assets exposed to physical climate risk
<b>Transition risk analysis</b>	Identifying and assessing assets exposed to transition risk
<b>GHG monitoring</b>	Identifying and assessing assets or sectors acting as barriers to portfolio decarbonisation
<b>Investment decision making</b>	Robust integration of the above in investment decision making and portfolio management
<b>Supply chain engagement</b>	Continued engagement with supply chain on their own emissions and climate risk management

Where actions and changes are required, these will be presented to the FGEN Board of Directors with information on:

- How the action contributes to the Strategic Ambition;
- The timescale for delivery;
- Any additional budget or resource required;
- Potential impacts and implications for stakeholders and the supply chain; and
- Material risks and opportunities associated with implementing, or failure to implement, the action.

Once approved, actions and changes will be identified and reported in FGEN's sustainability and ESG report, which is published annually. They will also be presented in future iterations of the transition plan, which will be reviewed and revised on a periodic basis in line with the recommendations of the Transition Plan Taskforce Disclosure Framework. Due to the close alignment of the Strategic Ambition with its Investment Policy, FGEN does not anticipate a need for material changes to its business operations over the short-, medium- or long-term.

### 2.2 Products and services

FGEN voluntarily aligns itself as an Article 9 Fund under the EU's Sustainable Finance Disclosure Regulation ("SFDR") and as a Sustainability Focus equivalent fund under the UK's Sustainability Disclosure Requirements ("SDR") regime. As a Guernsey registered fund, FGEN does not fall under the scope of the UK's SDR regime. The Company is voluntarily seeking to demonstrate alignment with the Sustainability Focus investment label as a matter of best practice.

The Board considers the Company (driven by its Investment Policy) to be well aligned with the low carbon transition – as a result the Board has no plans to make wider changes to the Fund beyond the actions and changes identified above and in the Metrics and Targets section.



## 2.3 Policies and conditions

FGEN's Investment Policy requires the Company to invest in "infrastructure assets, projects and asset-backed businesses that utilise natural or waste resources or support more environmentally sustainable approaches to economic activity". This requirement restricts the Company from investing in activities that are not environmentally sustainable and also provides the overarching driver of environmental, social and governance activities associated with the investment portfolio.

FGEN's Board holds overall responsibility for developing the Company's ESG policy as well as decision-making in relation to ESG, including topics such as transition planning and the Company's Strategic Ambition. Further information on FGEN's approach to Governance is set out in Section 5.

Whilst the Directors recognise the critical importance of the low carbon transition, they acknowledge that, as non-executive Directors of an externally managed investment company, their influence is necessarily limited and, therefore, progress towards the Strategic Ambition will be significantly informed by the approach, policies and recommendations of the Investment Manager.

Foresight, as FGEN's Investment Manager, applies a series of policies in the management of the Company's assets. The policies that are most directly applicable to the Strategic Ambition are set out below:

Policy	Description	Principal contribution to the Strategic Ambition
<b>FGEN asset level Sustainability and ESG policy</b>	<p>Each asset has its own Board of Directors and is governed by a suite of policies<sup>5</sup>. The majority (80%) of FGEN's assets have a specific Sustainability and ESG policy in place<sup>6</sup>, a template for which has been developed by the Investment Manager.</p> <p>The Sustainability and ESG policy covers environmental, social and governance commitments associated with the assets' activities, supply chain and stakeholder engagement.</p>	<p>Ensuring each asset has appropriate governance and sustainability commitments in place provides traceable pathways for sustainability-related decision-making, which is a key mechanism required for delivering FGEN's ambition of a climate resilient and decarbonised investment portfolio.</p> <p>Routine updates to the policy template provide an asset-level mechanism for progressing the metrics and targets identified in the transition plan.</p>
<b>Investment Manager's Sustainability policy<sup>7</sup></b>	<p>Sets the Investment Manager's sustainability commitments.</p> <p>Provides a governance structure for sustainability, including oversight by the</p>	<p>Provides the governance structure required to drive decarbonisation and climate resilient risk management practices within the investment</p>

<sup>5</sup> The full suite of policies covers anti-bribery and corruption, anti-money laundering, cyber security, ESG, modern slavery, stakeholder engagement and whistleblowing

<sup>6</sup> 80% as reported in FGEN's 2024 Annual report, p95

<sup>7</sup> <https://media.umbraco.io/foresight/cenfxp4d/foresight-sustainability-policy-2023.pdf>

	Investment Manager's Sustainability and ESG Committee and individual accountability through a requirement for individuals to incorporate an ESG objective into their annual appraisal.	vehicles / financial products that the Investment Manager is responsible for, helping FGEN to achieve its net zero ambition.
<b>Investment Manager's THRIVE strategy</b>	The Investment Manager published its Diversity, Equity and Inclusion strategy "THRIVE" in 2024, which acknowledges the significance of DE&I in creating a successful and forward-thinking company culture.	Diversity, equity and inclusion in corporate culture is an important aspect of delivering a just and equitable sustainability transition. These initiatives have been shown to drive greater resilience in organisations as well as innovative thought processes, helping to maximise the opportunity for identifying new ways to achieve the Strategic Ambition.
<b>Investment Manager's Supplier Code of Conduct</b>	<p>Foresight's Infrastructure Supplier Code of Conduct:</p> <ul style="list-style-type: none"> <li>▪Sets out Foresight's minimum expectations for supplier conduct;</li> <li>▪Outlines where Foresight believes positive environmental and social outcomes can be achieved within supplier activity; and</li> <li>▪Identifies Foresight's belief that adherence to sustainability initiatives can offer long-term cost benefit and business opportunities through more efficient use of resources and intelligent forward planning.</li> </ul>	The majority of FGEN's GHG emissions sit in its supply chain and FGEN relies on third party suppliers to manage its portfolio of assets, therefore robust supply chain management is vital for delivering its Strategic Ambition. This includes decarbonisation of Scope 3 emissions as well as identifying, assessing and managing climate resilience risk and opportunities.

Further information on the Investment Manager's approach to ESG due diligence and stewardship can be found in FGEN's annual reports<sup>8</sup>.

## 2.4 Financial planning

The transition plan activities, as well as all ESG-related activities, are provided by the Investment Manager. No additional roles are anticipated to be created as a result of this transition plan, as the activities identified within this document are appropriately resourced by Foresight's existing team structure.

Investment in climate risk management and consultancy support is already budgeted for, and no material increase in that investment is anticipated at this stage. As further investigation into portfolio decarbonisation is undertaken, FGEN will integrate the costs of individual decarbonisation projects into its budget planning, be that at the Company or SPV level.

<sup>8</sup> <https://www.fgen.com/investors/reports-and-publications>

The Strategic Ambition's direct link to FGEN's investment policy and activities means that the Company does not anticipate any material short-, medium- or long-term impacts on cash flow that are not already accounted for in FGEN's existing valuation and forecasting activities. As such, the effects of the transition plan on FGEN's financial position are not separately identifiable and quantitative information is not able to be provided.

FGEN considers that its focus on building a resilient portfolio that contributes to a more sustainable future will result in positive impacts on the Company's financial performance over the medium- to long-term. Information on the anticipated impact of climate change on portfolio value is calculated by a third party as part of the annual ESG and TCFD reports and is published annually therein.

FGEN applies a combination of in-house expertise and third-party experts in developing its portfolio valuations and forecasting its financial position.

### 3 Engagement strategy

FGEN delegates its engagement activities to Foresight, as its Investment Manager. Details of FGEN's stakeholder engagement activities can be found in its Section 172 disclosure in the latest annual report.

Foresight considers proactive engagement with both internal and external stakeholders to be fundamental to its long-term success, and essential for maintaining its social license to operate.

The following engagement activities are anticipated as part of this transition plan. Priority stakeholder groups are marked with an asterisk – these stakeholder groups have been prioritised because they have the greatest ability to contribute to, or be impacted by, the Strategic Ambition:

Stakeholder group	Short-term actions	Medium-term actions	Long-term actions
<b>Shareholders*</b>	Reporting of progress against the Strategic Ambition via the annual report and shareholder presentations	Resource requirements for progressing the net zero target	
<b>Investment manager*</b>	Progressing short term targets	Delivering further net zero progress and climate resilience across the portfolio	
<b>Commercial service providers</b>		Collaborating on delivering further integration of the Strategic Ambition into providers' mandates	
<b>Asset level counterparties*</b>	Improving data accuracy	Delivering scope 1 and scope 3 emissions reductions	Accelerating emissions reductions
<b>Local communities</b>	Transparent reporting of progress against the Strategic Ambition via the annual report	Climate resilience actions at specific assets	
<b>Debt providers</b>	Transparent reporting of progress against the Strategic Ambition via the annual report	Resource requirements for climate resilience and net zero delivery actions	

#### 3.1 Stewardship

FGEN primarily makes direct investments in the projects it acquires, ensuring it has representation on SPV Boards, facilitating means for effective stewardship of assets including the directing of activities consistent with improving the sustainability and ESG performance of its portfolio. As a result, FGEN's is able to focus its stewardship activities on interactions with its third-party service providers, helping to drive asset-level actions.

In these interactions the Investment Manager, on behalf of FGEN, makes clear its requirements and expectations around sustainability and ESG factors, stewarding FGEN's value chain towards better performance in these areas. While the nature of the environmental infrastructure investments largely substantiates achievement of the Company's sustainable investment objective, achievement of the Strategic Ambition requires good management of sustainability and ESG factors in order to drive decarbonisation.

The key mechanisms for driving engagement and stewardship within the value chain are:

- FGEN's ESG Objectives (available in the Company's Annual Report<sup>9</sup>)
- FGEN's sustainability linked Revolving Credit Facility
- The Investment Manager's Supplier Code of Conduct
- The Investment Manager's Portfolio Sustainability Metrics data collection, analysis and reporting
- The Investment Manager's active asset management approach

Contact points for engagement include, but are not limited to:

- Board meetings for individual assets which typically include at least one employee of the Investment Manager
- Site visits to individual assets
- Regular review meetings to monitor performance of asset level counterparties
- Local community engagement meetings
- Routine engagement with the sustainability teams of FGEN's counterparties - particularly with lenders and investors

Progress on engagement is communicated on a weekly basis to the Investment Manager's senior team, and to the FGEN ESG Committee at its formal meetings. Where performance of specific assets or contracts are not aligned with FGEN's ESG priorities then improvement measures are identified and communicated to the appropriate stakeholder.

At a broader industry level, the Investment Manager is a signatory to the United Nations Principles for Responsible Investment ("PRI") and has achieved a 5-star rating within both the Infrastructure and Investment & Stewardship modules. Foresight believes that good governance is essential for FGEN's portfolio to achieve its targeted returns (both financial and sustainability-related) in the interest of its investors.

### 3.1.1 Contribution to the Strategic Ambition

The stewardship and engagement activities above can all be leveraged to help deliver the commitments in the Strategic Ambition. Over 50% of FGEN's total GHG emissions lies in its Scope 3 supply chain emissions and FGEN relies on third party service providers to manage its portfolio of assets. Therefore, engagement with the value chain is particularly important for ensuring that decarbonisation and climate resilience are achieved in line with FGEN's Strategic Ambition.

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<sup>9</sup> E.g. page 7 of the 31<sup>st</sup> March 2024 Annual Report

## 3.2 Active engagement with consultants and market advisers

Foresight engages regularly with consultants and market advisers to develop the appropriate strategies and tools to help analyse climate-related risks and opportunities, assess and monitor biodiversity impacts and calculate carbon emissions. This is key to ensuring that Foresight's approach to managing climate risk remains in line with best practice. FGEN's Board is supportive of this and is often one of the earlier funds managed by Foresight to adopt any new approaches, helping to pilot them and demonstrate their effectiveness to other funds.

A list of the advisers commissioned each year, and the work they undertook, is set out in FGEN's Annual Report.

## 3.3 Engagement outside the core stakeholder groups

FGEN's engagement activities with external parties outside its core stakeholder groups is undertaken by the Investment Manager. The primary vehicle for engaging with industry, government, public sector and civil society is through the Investment Manager's membership of industry bodies. No additional activities are planned beyond those already being undertaken.

The Investment Manager engages with industry associations and counterparts where appropriate to drive consensus and progress across the industry and to share learnings and expertise. This will include the experience of developing and implementing FGEN's transition plan and any industry-wide challenges or opportunities arising from the process. Foresight is a member of, and/or actively engaged with, the following standards, frameworks and industry bodies.

Further information on each body and Foresight's association with it can be found in Chapter 3 of Foresight's Sustainable Investing in Infrastructure paper<sup>10</sup>.

### 3.3.1 Global



<sup>10</sup> <https://media.umbraco.io/foresight/rgvohqww/foresight-sustainable-investing-in-infrastructure-september-2021-updated.pdf>

### 3.3.2 Regional



### 3.3.3 National



### 3.3.4 Monitoring industry body activities

Monitoring of activities of bodies that Foresight is a member of is undertaken largely through reputational risk management processes including press searches. If an industry body or other affiliation were to take action that materially conflicts with the Strategic Ambition, FGEN considers that this would be flagged through existing relationships or corresponding press searches. While this is considered to be low likelihood, the Board of Directors would expect to consider any such incidents when it reviews the performance of the Investment Manager.

## 4 Metrics and Targets

### 4.1 GHG baseline

FGEN began calculating and reporting GHG data in FY22 and previously applied a split baseline, between FY22 and FY23, for its reporting activities. This reflected the evolving maturity of data collection and reporting. In order to drive clear progress, FGEN's baseline year has been consolidated and is set as FY23, when a full set of GHG data was calculated for the first time.

Table 4-1: FGEN's GHG baseline and performance FY23 and FY24

Metric	Description	FY24	Baseline FY23	Expressed as
<b>Scope 1 emissions</b>	direct emissions from owned or controlled sources	77,017	82,314	tCO <sub>2</sub> e
<b>Scope 2 emissions</b>	indirect emissions from the generation of purchased energy	2,620	9,338	
<b>Scope 3 emissions</b>	indirect emissions (not included in scope 2) that occur in the value chain of the reporting company	63,100	117,843	

<b>Total carbon emissions (scope 1-3)</b>	The absolute greenhouse gas emissions associated with the portfolio	142,738	209,495	
<b>Carbon intensity</b>	Volume of carbon emissions per million pounds of revenue	280.7	349.9	tCO <sub>2</sub> e/£m revenue
<b>Weighted average carbon intensity</b>	Portfolio's exposure to carbon-intensive assets	231.6	339.9	
<b>Carbon footprint</b>	Total carbon emissions of the portfolio normalised by the market value of the portfolio	106.0	112.5	tCO <sub>2</sub> e/£m invested
<b>Exposure to carbon-related assets</b>	The amount or percentage of carbon-related assets in the portfolio	14.6	17	%

## 4.2 Performance to date

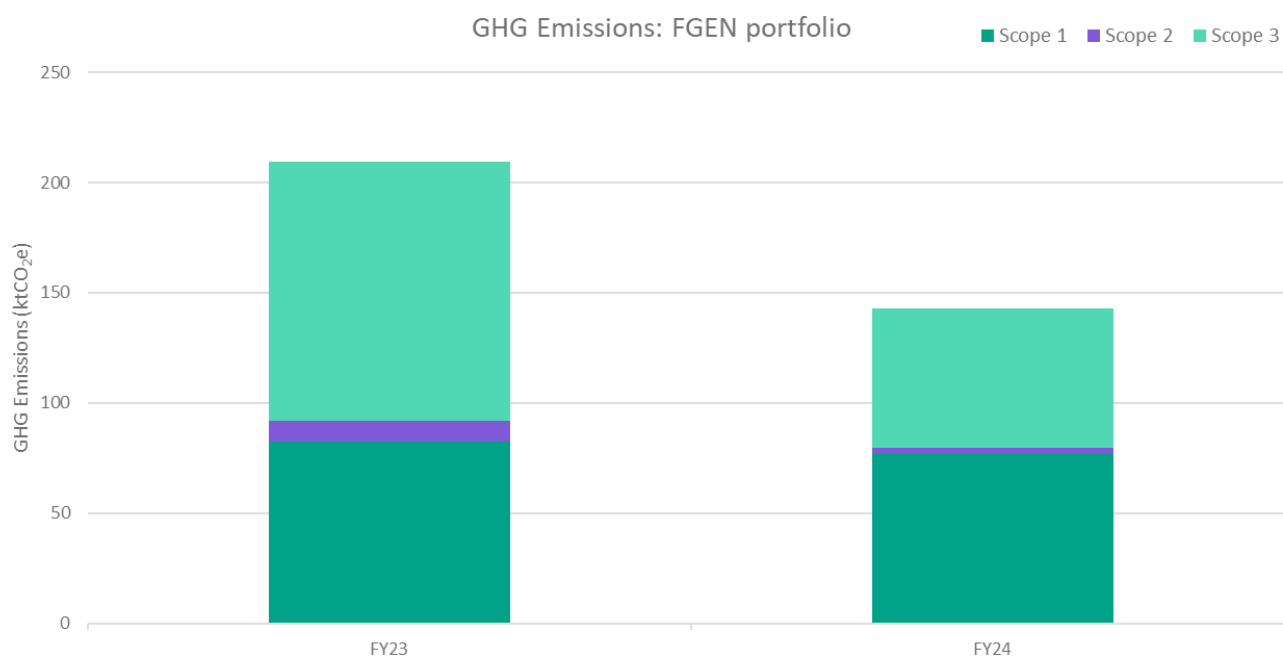


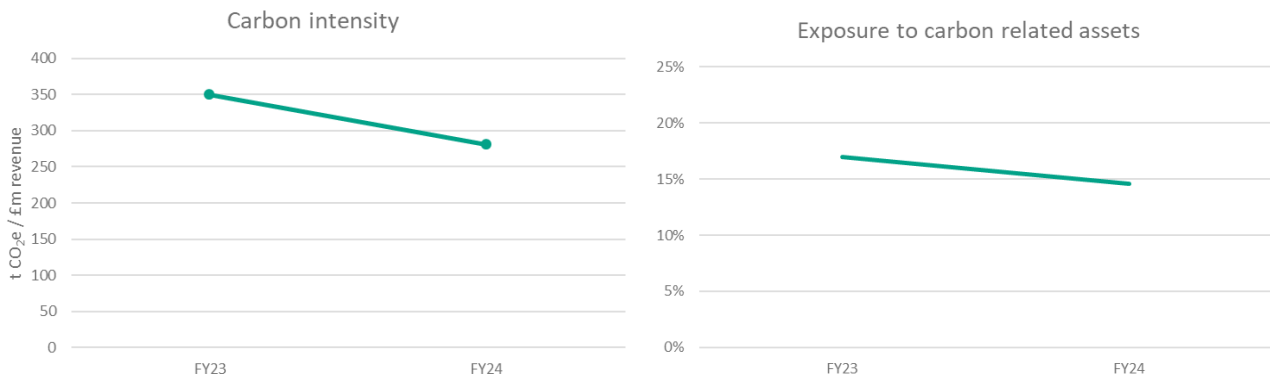
Figure 4-1: Total GHG emissions (tCO<sub>2</sub>e), split by Scope.

FGEN's total GHG emissions have reduced from the baseline, driven by the following:

- Scope 1: FGEN's GHG emissions are now calculated by applying ownership percentages to its assets, allowing for a more accurate overview of the emissions directly attributable to the Company. This had the effect of reducing the Scope 1 emissions that FGEN accounts for.
- Scope 2: between FY23 and FY24 there was an increase in portfolio assets sourcing their purchased energy from renewable energy tariffs from 45% to 77%.



- Scope 3: FGEN's GHG emissions are now calculated by applying ownership percentages to its assets, allowing for a more accurate overview of the emissions directly attributable to the Company. This had the effect of reducing the Scope 3 emissions that FGEN accounts for.



In order to understand the direction of travel, FGEN also reports carbon intensity and exposure to carbon related assets as part of its voluntary TCFD reporting. Both metrics have decreased from the baseline, largely driven by a reduction in exposure of the portfolio to carbon related assets as a result of FGEN's revised approach to GHG accounting, as stated above.

### 4.3 Actions to date

The following actions have been undertaken to date which contribute towards the Strategic Ambition and the associated net zero target:

#### 4.3.1 Purchasing energy from renewable sources

The Investment Manager has collaborated with asset operators to increase the procurement of electricity from renewable sources. Progress on this initiative is detailed in the table below. As Scope 2 emissions currently represent an immaterial proportion of FGEN's overall carbon footprint and the majority of purchased electricity is already sourced from renewables, the Investment Manager, alongside the Board of Directors has determined that efforts would be more effectively directed toward developing strategies to reduce Scope 1 and Scope 3 emissions.

#### 4.3.2 Improving data accuracy

The Investment Manager works to continually improve data accuracy across its activities. Since 2021, the following drivers of improved data have been established:

- Market-level
  - Greater industry awareness and standardisation around emissions related reporting has resulted in the Company's suppliers feeding more, and more accurate, data back to the Investment Manager
- Process-level
  - The Investment Manager has further integrated and developed the data collection process into its activities, ensuring smoother and more efficient data collection efforts.
- Supplier-level

- New supplier contracts include the requirement for compliance with the Supplier Code of Conduct and, therefore, the requirement to report accurate data in a timely manner
- Data verification
  - An emissions audit was undertaken to obtain third party verification of one of the Fund's carbon-related assets

#### 4.3.3 Forecasting to 2050

FGEN has developed an in-house GHG forecasting model which will assist the team in identifying how particular actions and investments may impact the net zero target and, ultimately, the Strategic Ambition. This model will be further developed and integrated into the Investment Manager's activities – see the targets in the next section for further information.

FGEN's emissions reduction profile for the existing portfolio has a positive downward trend towards net zero by 2050. The portfolio does not achieve 50% emissions reduction by 2030 (in line with best practice guidance, for example the Science Based Targets Initiative ("SBTi")) but looks likely to achieve a 50% reduction by FY33, largely driven by planned exit dates. As the Fund acquires new assets, these will be included in the carbon forecast model and FGEN has included a target to embed forecast asset acquisitions into the model within the short-term to obtain a more accurate forecast of portfolio emissions over the long term.

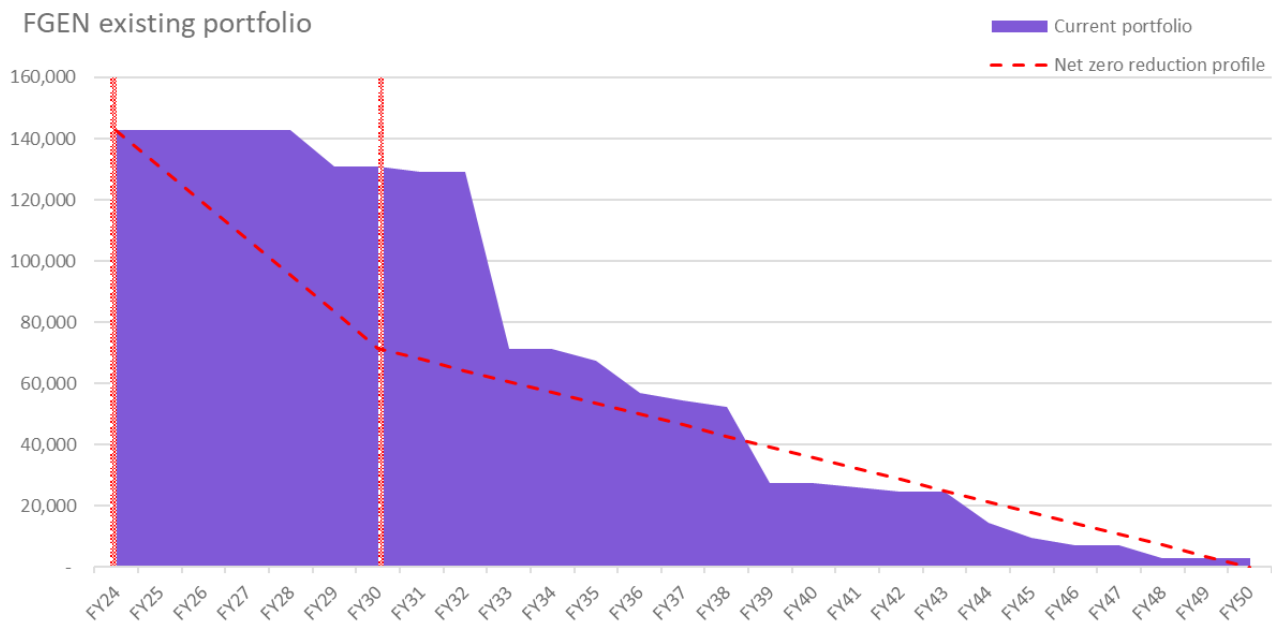


Figure 4-2: FGEN's emissions reduction profile for the current portfolio

## 4.4 Targets

FGEN's Board of Directors has approved the following targets associated with the Strategic Ambition. The short-term targets have significant emphasis on improving integration of GHG emissions data into the Board-level and investment-level decision-making processes. FGEN believes that improving visibility of this information at decision-making level will help to drive greater focus on emissions reduction, help ensure there is meaningful environmental benefit from the investment decisions it makes and provide a

mechanism for greater accountability for net zero attainment between the Investment Manager and the Board of Directors.

Over the short-term, FGEN will work to clarify the deadlines for the medium- and long-term targets outlined in the table below.

Table 4-2: Transition plan targets 2025

Target purpose	Target type	Short-term	Medium-term	Long-term
<b>Alignment with low carbon economy</b>	Financial	Maintain a minimum proportion of 80% of investments aligned with EU Taxonomy by value		
	Governance	Integrate transition plan reporting into board papers		
		Integrate carbon intensity benchmarking into annual target review process		
<b>Integration of the Strategic Ambition into decision-making</b>		Engage with investment manager on incentivisation strategies		
		Integrate carbon forecast model into investment proposals		
	Investment Activities	Embed forecast asset acquisitions into the carbon forecast model		
		Integrate carbon pricing into investment appraisals		
<b>GHG emissions reduction</b>	Portfolio management activities	Review Scope 1 emissions sources and identify sector or portfolio wide opportunities for improvement		
		Engage with relevant portfolio companies to implement scope 1 reductions		
	GHG emissions reduction	Develop short and medium-term targets for emissions reduction	Work with relevant portfolio companies to develop and set and progress asset-	Net zero across Scope 1, 2 and 3

In developing these targets, FGEN has taken into account the objective of the Paris Agreement as well as best practice guidance such as SBTi. To develop GHG emissions reduction targets in line with SBTi, FGEN recognises a need to ensure that carbon reporting is fully integrated into its decision-making processes. As such, the targets above are intended to achieve that integration on the basis that they will then facilitate the development more detailed GHG emissions reduction targets. At this stage, FGEN does not obtain third party validation on its targets, or progress against those targets. The Company reviews its position on this periodically and is informed by evolving best practice, peer benchmarking, shareholder input and advice by the Investment Manager.

FGEN does not currently have an internal carbon pricing policy. The Investment Manager's analysis of climate risk includes the ability to incorporate carbon pricing, allowing carbon pricing to be integrated into decision-making at a future date.

#### 4.5 Approach to setting, reviewing and monitoring targets

The Board of Directors works closely with the Investment Manager to ensure that targets are set and reported at least annually. Targets geared towards furthering the Strategic Ambition will follow the same annual cycle as FGEN's performance, budget and target reporting. A detailed ESG Committee meeting occurs twice per year in March and November, with further ad-hoc meetings as required. During these the Investment Manager will report progress against the Strategic Ambition, as well as its wider ESG activities. See section 5 for further detail on the governance structure.

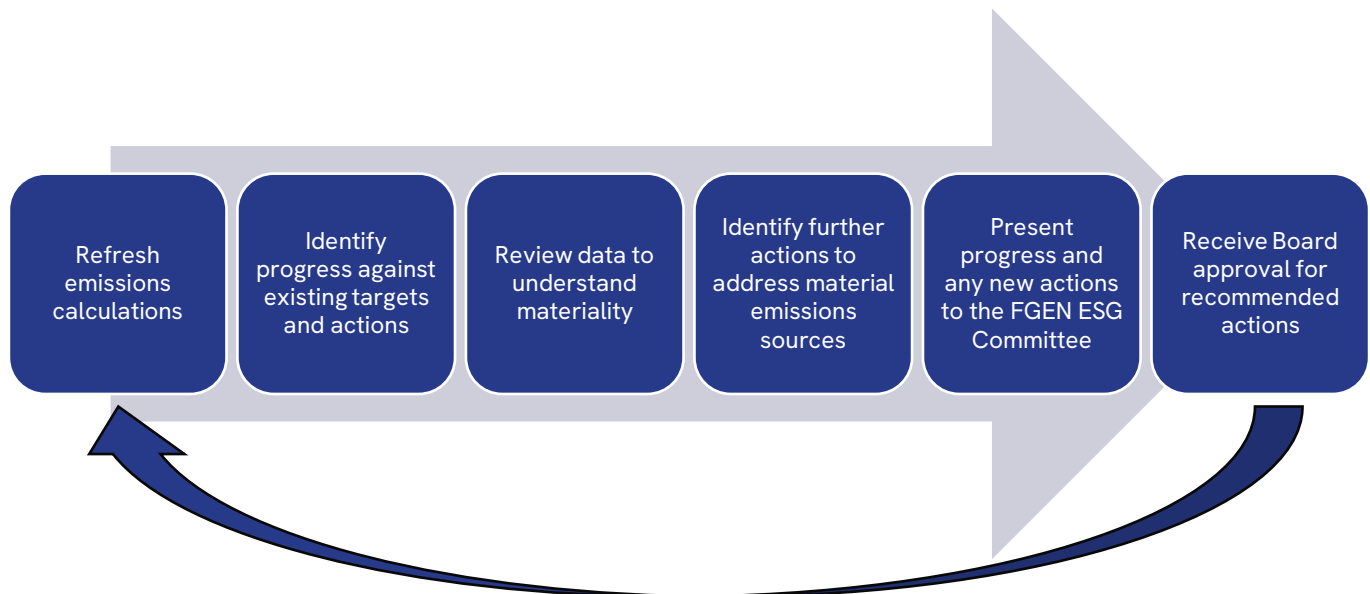


Figure 4-3: Process for setting, reviewing and monitoring targets

Suggested targets are presented to the Board with a detailed description of the purpose of the target, the likely initial steps needed to be able to address it, as well as any short-term budget implications, with medium-term budget forecasts identified where possible.

#### 4.5.1 Data limitations

Where it has not been possible to collect specific data, or where there are gaps in data, assumptions are made using sector-specific estimates and emissions factors where necessary.

**Scope 1** emissions do not yet include fugitive emissions from Anaerobic Digestion sites (i.e. leaks, flaring, venting). Work is in progress to integrate these emissions and include the results into the full GHG calculations database going forward.

**Scope 3** emissions are calculated using the Partnership for Carbon Accounting Financials ("PCAF") methodology, a financial industry-led group that aims to develop and implement a harmonised approach to assess and disclose greenhouse gas emissions associated with investments and loans. The calculation is based on project-specific revenues and on the official statistical PCAF information that provides region and sector-specific average emissions factors. The database has been created to provide PCAF participants with a large set of publicly available emission factors, enabling them to perform an initial assessment of emissions associated with their investment activities. Although a widely accepted approach, it has limitations and the data remains generic. The Investment Manager considers the use of PCAF emissions factors to be in line with good industry practice but remains open to adopting other methodologies should industry standards change.

## 4.6 Carbon credits

#### 4.6.1 Emissions trading scheme

One of FGEN's assets is within scope of the EU Emissions Trading Scheme and associated reporting requirements. Driven by additional regulatory requirements, the reporting for this asset will be audited by a third party for the first time in 2025.

#### 4.6.2 Carbon offsetting

The Board of Directors has made a considered decision to focus its resources on decarbonisation activities. Whilst FGEN does not offset the carbon emissions associated with its investment portfolio and does not have a position on the purchase or sale of carbon credits, the Board of Directors remains open to their use.

## 5 Governance

### 5.1 Board oversight and reporting

FGEN's Board holds overall responsibility for decision-making in relation to ESG, including topics such as climate-related risks and opportunities, transition planning and the Company's Strategic Ambition.

The Board delegates the detail of this oversight to its ESG Committee, which holds responsibility for a range of ESG-related duties in its mandate including, but not limited to:

- Guiding, supervising and supporting the Investment Manager in the drafting and periodic review of the Sustainability and ESG strategy
- Overseeing the Company's ESG strategy, including key objectives and Key Performance Indicators ("KPIs"), and working with the Audit Committee to monitor progress against KPIs

- Assessing and prioritising ESG risks and opportunities, including climate change risks, and liaising with the Risk Committee to integrate relevant material risks into the Company's risk register
- Overseeing the selection of any external service providers to audit the Company's ESG-related performance

The ESG committee's Terms of Reference are considered to implicitly include oversight of the Strategic Ambition and FGEN does not, therefore, see a need to edit them to explicitly refer to the Transition Plan or Strategic Ambition. Information on the committee membership can be found on FGEN's website<sup>11</sup>.

The ESG Committee Chair is responsible for formally reporting to the Board after each meeting on all matters within its duties, including any area where action or improvement is needed.

The FGEN ESG committee is held as a minimum twice a year, with the Investment Manager presenting an ESG Committee paper for their review and consideration. The Committee and the FGEN Board review performance against the fund's ESG objectives (including, going forward, the Strategic Ambition), the stipulated KPIs and other sustainability and ESG metrics.

Decisions made by the ESG Committee and the Board in relation to ESG strategy are communicated to the Investment Manager, which integrates these decisions into its management of the Fund including transaction decisions and risk management.

#### 5.1.1 Transition plan oversight

Progress toward the targets outlined in section 4.4 of this transition plan will be reported as a standing agenda item in the ESG Committee papers and will, therefore, be reported to the ESG Committee at its formal meetings. The alignment of the Strategic Ambition with FGEN's investment policy ensures that advancements against the transition plan's targets directly support, and help to inform, FGEN's overarching corporate strategy.

#### 5.1.2 Skills, competencies and training

The Board believes that the Directors provide the appropriate balance of skills, knowledge and diversity necessary to manage the affairs of the Company and to operate effectively as a Board. Biographical details of the Directors are provided in the FGEN Annual Report<sup>12</sup>. The composition of the Board is formally reviewed annually by the Nomination Committee with the objective of ensuring that it meets the current and expected future leadership needs of the Company. The Board's formal performance evaluation also provides feedback from the Directors on aspects of the Board's operation where greater effectiveness may be achieved.

Due to its nature as a Fund and as a Company, FGEN's Directors have significant experience in sustainability, ESG and the transition to a low carbon economy. These skillsets are conducive to achieving the Strategic Ambition and overseeing the transition plan.

The ESG Committee may identify skills gaps and training needs for FGEN's Directors or for the Investment Manager and may commission training should a need be identified.

<sup>11</sup> <https://www.fgen.com/about-us/corporate-governance>

<sup>12</sup> Further information on p109 of FGEN's Annual Report 2024 at [https://media.umbraco.io/foresight/0jimkz44/web\\_jlen\\_ar24-1.pdf](https://media.umbraco.io/foresight/0jimkz44/web_jlen_ar24-1.pdf)

### 5.1.3 Shareholder approval

In accordance with corporate governance best practice as set out in the AIC Corporate Governance Code, each Director on the Board is subject to annual re-election by shareholders at the Company's Annual General Meeting. ESG-related decisions are delegated to the Board and its committees to manage and approve.

## 5.2 Roles, responsibilities and accountability

### 5.2.1 Management body

FGEN has authorised Foresight to be its Investment Manager and to oversee sustainability and ESG across FGEN's activities, ensuring that FGEN's Board of Directors are supported and advised by a broad team of people with significant experience across the environmental infrastructure and wider sustainability landscape.

The Investment Manager's management team works directly with, and is advised by, Foresight Group's sustainability team, which comprises sustainability professionals who hold responsibility for ESG and sustainability across Foresight Group. Further information on the sustainability team can be found on Foresight's website<sup>13</sup>.

The Investment Manager's management team<sup>14</sup> oversees the portfolio managers in order to progress the sustainability and ESG objectives of the Fund, inclusive of the delivery of the Strategic Ambition, as well as to identify, assess and manage ESG and climate-related risks and opportunities. The Investment Manager's Portfolio Lead for the Company is responsible for both ensuring that appropriate governance and policies are in place across the portfolio of assets, and for tracking the ESG KPIs which include carbon metrics.

The Investment Manager's FGEN management team, Portfolio Lead and members of the Sustainability team attend the ESG Committee meetings to report on progress against FGEN's stated ESG objectives (including the Strategic Ambition). Any initiatives to better the performance and responsible management of assets are agreed in those committee meetings.

### 5.2.2 Role in defining the Strategic Ambition

The Investment Manager helps to advise the Board on the development and implementation of the Strategic Ambition and the broader ESG objectives of the Fund.

### 5.2.3 Oversight of the Investment Manager

Oversight is carried out in two main ways:

- The Investment Manager is accountable to, and overseen by, the FGEN Board
- The management team and other employees are part of the wider Foresight Infrastructure team and are overseen by Foresight's own internal controls.

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<sup>13</sup> <https://www.foresightgroup.eu/about-us/people>

<sup>14</sup> Further information on page 18 of FGEN's Annual Report 2024 at [https://media.umbraco.io/foresight/0jimkz44/web\\_jlen\\_ar24-1.pdf](https://media.umbraco.io/foresight/0jimkz44/web_jlen_ar24-1.pdf)

#### 5.2.4 Controls and procedures

Reporting and management of ESG is managed as part of FGEN's wider risk management framework. Details on FGEN's approach to risk and risk management can be found in the latest annual report<sup>15</sup>.

Specific controls around reporting of ESG-related information, including that related to this transition plan, is subject to a number of controls including:

- Review and approval by the ESG Committee
- Review by external and independent third parties/service providers

#### 5.2.5 Escalation

If performance against the targets set out in this transition plan, or any other ESG targets, is not as expected, this is interrogated by the ESG Committee and subsequent actions are taken to address the highlighted issues. The Fund Managers and members of the Portfolio and Sustainability team are present in the ESG Committee meetings to help identify the appropriate actions to be implemented in order to improve performance.

In the event that an investment is deemed to be in breach of the Company's sustainable investment objective (and associated Strategic Ambition), or where it no longer meets the sustainable investment objective, or where it cannot demonstrate a contribution to the stipulated targets and KPIs, the Board, enabled by the Investment Manager, will explore a range of opportunities including divestment in a way that is commensurate with its fiduciary duty.

### 5.3 Culture

As an investment company, FGEN does not have any employees and conducts its core activities through third-party service providers. It is, however, important to the Board of Directors that its Investment Manager's culture is aligned with, and helps to facilitate, the Strategic Ambition.

#### 5.3.1 Investment Manager's culture

Foresight Group's mission is to create long-term value through investments that support a sustainable future and thriving economies. Foresight identifies the risk of harm to clients arising from misconduct by employees or third parties related to Foresight as one of its top 10 risks. This risk can be driven by ethical misconduct, inadequate training and awareness programmes or poor governance and oversight and could lead to reputational damage, loss of trust and a demoralised workforce. Foresight works to mitigate and address this risk through its code of conduct and ethics policies, its whistleblowing policy and regular conduct/culture assessments and audits.

In addition to managing risk, Foresight works to promote positive company culture via the following mechanisms:

Timeline:

- 2021: Launch of the Employee Forum. Membership of the Forum now includes representation of all overseas offices and overseas participation in meetings across the Group is encouraged, with meeting times set to suit the various participants

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<sup>15</sup> E.g. pages 53-59 of the 31st March 2024 Annual Report



- 2022: Launch of the Employee Value Proposition by the Employee Forum, which underlines the value placed on regular engagement with staff to gain the benefit of their views, skills, knowledge and experience
- 2023: Foresight rebranded its HR team to the People and Sustainable Culture Team to recognise their commitment to promote and support sustainability within its workforce culture
- 2024: Launch of the THRIVE DE&I platform

## 5.4 Incentives and remuneration

### 5.4.1 FGEN's Remuneration Policy

Each FGEN Director receives a fixed fee per annum based on their role and responsibility within the Company and the time commitment required. It is not considered appropriate that Directors' remuneration should be performance related and none of the Directors are eligible for pension benefits, share options, long-term incentive schemes or other benefits in respect of their services as non-executive Directors of the Company.

### 5.4.2 How FGEN Remunerates the Investment Manager

Driven by the investment policy, ESG performance is integrated into the Investment Manager's responsibilities and obligations, which includes performance against the Strategic Ambition. The Investment Manager's remuneration is not directly tied to ESG metrics but the Company's investment policy and ESG objectives help to shape and drive the Investment Manager's activities.

See section 5 for further information on how the Investment Manager provides updates on the Strategic Ambition to the Board.

### 5.4.3 Investment Manager's Remuneration Policy

The Investment Manager's approach to remuneration is identified in the Group Sustainability Policy, which sets out individual accountability for sustainability and ESG within the company.<sup>16</sup>

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<sup>16</sup> <https://media.umbraco.io/foresight/cenfxp4d/foresight-sustainability-policy-2023.pdf>

## 6 Glossary of terms

Abbrev.	Definition	Abbrev.	Definition
<b>DE&amp;I</b>	Diversity, Equity and Inclusion	<b>PRI</b>	United Nations Principles for Responsible Investment
<b>ESG</b>	Environmental, Social and Governance	<b>SBTi</b>	Science Based Targets Initiative
<b>ETS</b>	Emissions Trading Scheme	<b>SDR</b>	UK's Sustainability Disclosure Requirements
<b>FGEN</b>	Foresight Environmental Infrastructure Limited	<b>SFDR</b>	EU's Sustainable Finance Disclosure Regulation
<b>GHG</b>	Greenhouse gas	<b>SPV</b>	Special Purpose Vehicle
<b>IPCC</b>	Intergovernmental Panel on Climate Change	<b>SSP</b>	Shared Socioeconomic Pathways
<b>KPI</b>	Key Performance Indicator	<b>TCFD</b>	Taskforce on Climate-related Financial Disclosures
<b>PCAF</b>	Partnership for Carbon Accounting Financials		