



Sustainability Policy and Approach

Confidentiality Classification Status: Public

01/09/2023

Foresight

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For the purposes of this document, references to “Foresight”, “Group” and “Foresight Group” shall mean Foresight Group LLP together with any entity in which Foresight Group Holdings Limited directly or indirectly owns at least a 50% controlling interest/shareholding.

Reviewed by:	Sustainability Policy
Date reviewed by Governance:	19 September 2023
Date approved by Executive Committee:	19 September 2023
Date of termination:	N/A

Policy

INTRODUCTION

To support Foresight's commitment to Sustainability reporting, it has adopted this policy to apply to its corporate and investment activities across its business operations globally to the benefit of its stakeholders.

SCOPE AND APPLICATION

This policy applies to Foresight's business areas and staff globally.

In that regard, to ensure that the policy is embedded within all parts of the business, all Foresight staff must confirm that they have read its contents. Best practice training sessions on Sustainability related issues shall be provided for all staff so that they can give consistent consideration to these issues throughout the investment cycle and in their day-to-day activities.

DEFINITION

Foresight has adopted the following definition of sustainable development:

"Sustainable development meets the needs of the present, without compromising the ability of future generations to meet their own needs."

This is a concept that must be practically applied by staff through the making of viable and supportable decisions that will offer continued, long-term social and environmental benefits.

Foresight will continually integrate sustainability with the long-term in mind when executing its business plan, making investments, building trusted relationships with investors and/ or creating environments where people can flourish and contribute year-after-year.

INDUSTRY ASSOCIATIONS AND MEMBERSHIPS

Foresight will strive to adopt and implement internationally recognised standards, to become signatories and members of relevant industry organisations and to seek opportunities to promote strong ESG² standards to those in its investments and supply chains to bring around positive change where needed.

All industry associations, memberships and applications for signatory status must be notified to both the Sustainability team, who will review the criteria to ensure it fits with the Foresight's policy and strategy, and the Governance team, who will record the association, membership, signatory status, etc.

¹ References to "Foresight" or "Group" throughout this policy shall be to Foresight Group Holdings Limited and all its subsidiary undertakings.

² "ESG" means Environment, Social and Governance" and are the key components of a sustainability framework.

SUSTAINABLE INVESTMENT ACTIVITIES

INVESTMENT POLICY STATEMENT

As a business, Foresight carries out a varied and diverse range of investment activities, principally investing in private and listed infrastructure and real assets and UK, Ireland International SMEs. Its policy statement for investment is:

“Our purpose is to invest for a smarter future, providing institutional and private investors with access to hard-to-reach private markets, using sustainable, ESG-orientated strategies at the core of our investment process.”

Foresight’s Group-wide approach to sustainability shall require all staff to encourage and enable best practice throughout its business. As the sustainability considerations for Foresight’s three investment divisions of Infrastructure, Capital Management and Private Equity and their associated portfolios are likely to differ, this policy is designed to be interpreted to suit each division’s investment activities and objectives as required. It also aims to ensure staff of all levels conduct their day-to-day activities in the spirit of this policy.

INVESTMENT PRINCIPLES

Under this policy, Foresight has adopted Five Sustainable Investment Principles (“Principles”):

1. Process Driven

Foresight has confidence in the process it applies and how it is adhered to. This process underpins its investment activities, wherein each asset is taken through the same process, from initial investment stage across the entire asset lifecycle, to ensure all assets meet the required standards.

2. Awareness

Foresight recognises itself 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 its long-term success and essential for maintaining its social licence to operate.

3. Adaptability

Foresight’s progress in respect of sustainability, in addition to its growth as a leading investment management manager, is an ongoing journey that Foresight recognises is constantly evolving. It actively seeks to identify its shortcomings and embrace any opportunity to learn from others.

4. Transparency

Sustainability is evolving rapidly. To ensure Foresight’s approach to sustainable investing remains market-leading, it must be both transparent to its internal and external stakeholders and self-critical of the processes used to enable continued improvement.

5. Balance

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

Staff in all Foresight investment divisions globally are required to conduct themselves in such a way as to promote the above Principles.

APPROACH

INTRODUCTION

Sustainability lies at the heart of Foresight’s business, Group-wide. Foresight believes that acting conscientiously as a corporate entity and investing responsibly by seeking to achieve positive environmental and social outcomes are critical to the long-term success of both Foresight and the funds it manages. This document sets out how Foresight Group interprets its Sustainability Policy and defines sustainability, reflecting the United Nations Sustainable Development Goals, Principles for Responsible Investment, UN Global Compact and the Task Force on Climate Related Financial Disclosures as frameworks, around which its corporate and investment activities are structured. More information on these organisations and initiatives is set out below, under Foresight’s Commitments and Initiatives.

GOVERNANCE

SUSTAINABILITY COMMITTEE

The Sustainability Committee was established by Foresight Group’s Executive Committee and has the responsibility for shaping and steering the Group’s approach to sustainability. An important part of the Committee’s remit is to develop and review the Group’s sustainability vision and strategy, as well as ensuring that the sustainability considerations and frameworks that are incorporated into Foresight’s investment processes and asset management activities are appropriate and market leading. Meeting once a quarter or more frequently on an ad-hoc basis as required, the Sustainability Committee includes senior leadership from the key teams at Foresight to ensure its influence and views reach across the whole business. The Committee is required to report regularly to the Executive Committee on such matters.

Corporate Social Responsibility is also part of the Sustainability Committee’s remit, pursuing initiatives to promote social and environmental responsibility in Foresight’s own corporate activities, implemented through a comprehensive set of practices which are integrated into Foresight’s business operations.

Sustainability issues are not limited solely to the Sustainability Committee but are also discussed by other Group and jurisdictional committees as appropriate to the nature of the authorities delegated to them. Sub-committees and working groups may also be formed and overseen by the Sustainability Committee to manage specific topics to cover, for example, investment activities, governance and diversity and inclusion.

EXECUTIVE COMMITTEE

The Executive Committee is responsible for: (i) the day-to-day management of Foresight subject to the overall leadership of the Group’s Board of Directors³; (ii) Foresight’s overall performance and delivery of the strategic objectives set by the Group Board; and (iii) the promotion and oversight of the Group’s activities in compliance with its values and standards.

³ References to the “Group Board of Directors” or Board of Directors” are to the board of Foresight Group Holdings Limited

The Executive Committee works closely with the Group Board to provide Foresight with strategic leadership, management and direction, ensuring the most effective prioritisation of resources.

Foresight's Executive Committee is the principal day-to-day decision-making body for Foresight's operations under a delegated authority from the Board of Directors. It comprises the Group's Chairman, Chief Financial Officer, Chief Investment Officer, Co-Heads of Private Equity and Head of Infrastructure.

INVESTMENT MANAGEMENT

The investment divisions are responsible for ensuring that Sustainability considerations are fully embedded within the investment process and that the escalation of any issues identified as part of the due diligence process and monitoring of investments is followed-up with Investee companies to ensure they are addressed.

FORESIGHT'S COMMITMENTS AND INITIATIVES

PRINCIPLES FOR RESPONSIBLE INVESTMENT ("PRI")

The Principles for Responsible Investment ("PRI") is the World's leading proponent of responsible investment. The PRI works to achieve a sustainable global financial system by encouraging the adoption of six Principles and collaboration on their implementation, by fostering good governance, integrity and accountability and by addressing obstacles to a sustainable financial system that lie within market practices, structures and regulation. A signatory since 2013, in Foresight's last annual assessment, it achieved ratings of 5 stars for Group, Infrastructure and Private Equity, and two sets of 4 and 3 stars for Foresight Capital Management ("FCM"), which have since developed their processes ahead of the 2023 reporting deadline.

As a signatory to the PRI, Foresight is required to submit an annual assessment that grades the business' performance. Therefore, all investment activities must comply with the following six principles (the "PRI Principles"):

1. Foresight will incorporate ESG issues into investment analysis and decision-making processes.
2. Foresight will be active owners and incorporate ESG issues into its ownership policies and practices.
3. Foresight will seek appropriate disclosure on ESG issues by the entities in which it invests.
4. Foresight will promote acceptance and implementation of the PRI Principles within the investment industry.
5. Foresight will work together to enhance its effectiveness in implementing the PRI Principles.
6. Foresight will each report on its activities and progress towards implementing the PRI Principles.

SUSTAINABLE DEVELOPMENT GOALS (“SDGs”)

The UN’s Sustainable Development Goals are a key driver of Foresight’s investment and corporate activities. The SDGs comprise 17 goals that seek to mobilise the international community to bring about an end to poverty and protect the planet. Across all of its activities, Foresight contributes to the following SDGs, amongst others:

Infrastructure	Foresight Capital Management	Private Equity
		
<p>Creating innovative, future-focused solutions</p>	<p>Investing across global decarbonisation megatrends</p>	<p>Supporting funding gaps for UK SMEs</p>
<ul style="list-style-type: none"> • Harmful emissions avoidance • Affordable, clean energy • Innovative solutions 	<ul style="list-style-type: none"> • Clean energy • Sustainable infrastructure • Decarbonising technologies 	<ul style="list-style-type: none"> • Reduce unemployment • Economic development • Encourage start-ups
<p>We innovate, invest and develop sustainable infrastructure to improve lives and support a just transition.</p>	<p>We prioritise investment for significant positive environmental and social impact, whilst also seeking financial returns for our investors</p>	<p>Regionally-focused strategies designed to support underserved markets and enable financial inclusion.</p>



All three divisions also have schemes that contribute to further SDGs.

This analysis was conducted by Emperor Works when writing our inaugural 2023 Sustainability Report.

INFRASTRUCTURE

As a sustainability-led Infrastructure Investment Manager, Foresight aims to make impactful investments that support key sustainability themes. At a strategic level, Foresight’s investment programmes are shaped around the long-term trends defining society and its relationship with the planet. Foresight’s Infrastructure team invests in resilient infrastructure and real assets that contribute meaningfully to global sustainability goals such as climate change mitigation.

The majority of Foresight Group's Infrastructure funds are, at minimum, aligned to Article 8⁴ requirements and have sustainable investment objectives in line with Article 9 SFDR⁵ requirements.

FORESIGHT CAPITAL MANAGEMENT

FCM was established in 2017 to establish and manage Foresight's suite of Open-Ended Investment Companies ("OEICS"). FCM is a significant investor in listed companies that enact tangible, positive sustainable change. The OEICs managed by FCM only invest in a company's shares if the company delivers a net social or environmental benefit. This is a prerequisite for all investments managed by FCM. FCM is proactive in engaging with companies, both to assess their credentials and to encourage improvements to their levels of sustainability. At the date of this document, the FCM portfolio comprises four OEICS:

- FP Foresight UK Infrastructure Income Fund
- FP Foresight Global Real Infrastructure Fund
- FP Foresight Sustainable Real Estate Securities Fund
- FP Foresight Sustainable Future Themes Fund

PRIVATE EQUITY

The Private Equity team applies an outcome focused approach to best understand, measure and track the positive impacts that its investee companies have on society and the environment. This is structured around four "Impact Themes" aligned with the SDGs:

- Quality employment at scale - Creating jobs, fair and decent working conditions for all.
- Research & Innovation - Investing in technological breakthroughs and future value creation.
- Health - Making healthcare more accessible and human wellbeing more inclusive.
- Sustainable, inclusive, local infrastructure and the environment - Improving the way we live and move around whilst reducing the environmental harm.

These Impact Themes help Foresight assess opportunities for its investee companies and the broader impact they can have on society and the environment.

In July 2022, Foresight was appointed to manage a new SME equity fund in Ireland (in collaboration with AIB⁶). The "AIB Foresight SME Impact Fund" is Private Equity's first SFDR aligned Article 8 fund, which backs businesses that are helping to accelerate Ireland's transition towards a low-carbon economy. AIB aims to stimulate job creation and ensure a greener future across Ireland.

⁴ "Article 8" is a fund that is defined under SFDR as "a Fund which promotes, among other characteristics, environmental or social characteristics, or a combination of those characteristics, provided that the companies in which the investments are made follow good governance practices."

⁵ "SFDR" means Sustainable Financial Disclosures Regulation and is a transparency framework put in place by the EU.

⁶ "AIB" means Allied Irish Banks plc

UNITED NATIONS GLOBAL COMPACT (“UNGC”)

Founded in 2000, the UNGC is the World’s largest corporate sustainability initiative. UNGC advances transparency and accountability across all areas of business operations and has established ten principles on Human Rights, Labour Rights, the Environment and Anti-Corruption (the “UNGC Principles”).

As a signatory of UNGC since 2019, Foresight is required to uphold the UNGC Principles and submit an annual disclosure against each of these areas. Foresight published its last Communication on Progress in June 2021 and will upload its latest questionnaire response in line with the 2023 deadline and the new reporting process.

TASK FORCE ON CLIMATE RELATED FINANCIAL DISCLOSURES (“TCFD”)

Foresight recognises climate change as the defining challenge of its time. By channelling global capital flows towards inherently sustainable outcomes, the Group aims to meaningfully assist international efforts to limit the global temperature increase in this century to the Paris Agreement’s target of 2 degrees Celsius, while pursuing means to limit the increase even further to 1.5 degrees. To achieve this, Foresight will follow the recommendations of TCFD by integrating analysis of climate related risks and opportunities in the investment cycle and increasing awareness of climate related issues amongst employees and at investee companies. This progress is being demonstrated through our annual climate disclosure.

OTHER INITIATIVES

Foresight also aligns itself with a number of other external sustainability, ESG and Diversity, Equity & Inclusion (“DE&I”) focused organisations, all of which guide its approach with some holding it to account by way of annual submissions and reports. At the date of this document, Foresight was aligned to the following:

- Pensions for Purpose
- UK Sustainable Investment and Finance Association
- Climate Bonds Initiative
- Living Wage Foundation
- Women in Finance Charter
- Investing in Women Code
- Solar Trade Association
- The Good Economy’s Place Based Impact Investment Network (PBII)
- Initiative Climat Internationale
- The Diversity Project
- Solar Energy UK
- Renewable Energy Association
- IPFA

- NCIA
- VCTA Diversity and Inclusion Charter
- PCAF

INVESTMENT PROCESSES

To promote market-leading sustainability practices, Foresight’s three investment divisions are required to develop tailored approaches to tracking, measuring and reporting sustainability performance. This approach will continue to be assessed for appropriateness and updated as required. The processes for these divisions are detailed below and linked to more detailed publicly available documents.

ACTIVE MANAGEMENT AND STEWARDSHIP

As long-term stewards of its investors’ capital, it is incumbent on Foresight to use its experience and capabilities as a fund manager to guide its investee companies towards better sustainability performance. This includes the consideration of environmental and social factors and the consideration of relevant systemic risks as core components of Foresight’s fiduciary duty. This will be achieved through the active management of Foresight’s assets and engagement with portfolio companies, most often by taking a board position but in all cases by using Foresight’s influence to enhance value and improve sustainability performance. Where possible, Foresight will track the sustainability performance of each investee company through regular monitoring and assessment and will seek to report this in a clear and transparent way to its investors. Foresight’s stewardship responsibilities seek to enhance overall financial market stability and economic growth, working toward creating a sustainable legacy for future generations.

The differing stewardship approaches of the individual investment streams are detailed below.

INFRASTRUCTURE

Foresight’s infrastructure division manages its assets in line with its publicly disclosed Sustainable Investing in Infrastructure Paper (“SIIP”).

The SIIP sets out Foresight’s approach to sustainable infrastructure and explains how sustainability is integrated throughout its investment, asset management and reporting processes.

At a strategic level, the division’s investment programmes are shaped around the long-term trends defining society and its relationship with the planet. The division focuses on the resilient infrastructure and real asset sectors which contribute meaningfully to global sustainability targets.

At an investment level, the division evaluates its assets in accordance with its proprietary Sustainability Evaluation Tool (“SET”). The SET is an in-house tool that enables Foresight to integrate sustainability and environmental, social and governance 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.

For a more detailed breakdown the SIIP can be found [here](#).

FORESIGHT CAPITAL MANAGEMENT

Foresight's Stewardship Framework covers FCM's stewardship approach and the effective management of its processes through the course of its investing activities. FCM's active ownership approach and stewardship responsibilities include engaging with investees' management on matters considered relevant and material to their Strategies as well as utilising shareholder rights of voting on resolutions at company meetings.

FCM is committed to considering all aspects of stewardship within the investment process and has dedicated personnel on the team to support proprietary sustainability research efforts.

Furthermore, FCM utilise third party proxy research and advisory services which complement internal governance research. Third party research is provided by Glass, Lewis & Co. ("Glass Lewis"), a leading independent provider of global governance services. Glass Lewis specialises in providing a variety of fiduciary-level proxy-related services to institutional investment managers, custodians, consultants and other institutional investors. The services provided include in-depth research, global issuer analysis, record retention, ballot processing and voting recommendations.

The Glass Lewis ESG policy can be found [here](#) and defines key requirements when voting across issues such as election of directors, board independence, executive remuneration, labour rights, sustainability reporting and political spending. FCM analysts incorporate the recommendations in their analysis and vote on a case-by-case basis.

Oversight of the Stewardship Framework is jointly led by the Group's Sustainability and Risk functions while FCM is responsible for executing on the stewardship efforts. FCM produce Voting Activity Summaries on a quarterly basis and publish them on Foresight's [website](#). FCM will publish its inaugural Stewardship Report in 2024, to provide investors further insight on stewardship activity conducted during the year (and will do so annually thereafter).

For further information please refer to the full framework found [here](#).

PRIVATE EQUITY

Private Equity's approach to sustainable investing includes ESG components throughout the investment process. Regionally focused investments are designed to support underserved markets and enable financial inclusion in the UK and Ireland in particular. Sustainability integration in the division's processes is crucial to maximising value for all stakeholders.

When conducting due diligence on investee companies as part of the investment process, Companies are aligned with one of the division's four investment themes (mentioned above) and a company deep dive analysis is carried out aided by its ESG Due Diligence questionnaire. Extensive third-party due diligence is also utilised.

The Investment Committee then requires an ESG assessment including a rating against five ESG criteria before making any investment decision, which is supported by an analysis of risks and opportunities including both qualitative and quantitative data.

During ownership of an investee company, stewardship involves specific ESG monitoring and engagement. The standard template legal agreements include adherence to ESG best practice as a continuing obligation which is incorporated in the related investment agreement. Additionally, monitoring includes having ESG as a standing item on board agenda and submitting annual quantitative and qualitative data collection. Data collection and analysis will benefit from the implementation of Foresight's sustainability data platform PACT (Platform for Advancing Change Together), which will be available to all investee companies.

Engagement with an investee company includes ESG components within both the 100-day post-investment review and legal obligations within the investment agreement. Additionally, material risks are addressed with appropriate solutions and risk, audit and remuneration committees are established.

ESG considerations form part of the quarterly review of each investee company to ensure that progress is tracked, opportunities for value creation are enacted and any risks are being appropriately mitigated. Material incidents are reported to Foresight's Investment Committee immediately.

ESG considerations also benefit the exit process, as companies with well embedded policies are more valuable as they are framed for a long-term outlook with buyers in both trade and private equity becoming increasingly ESG focused. There is also an obligation to disclose to buyers on exit, which we have embedded in standard legals.

More information on the approach can be found [here](#).

INVESTMENT EXCLUSIONS

Foresight has prohibited 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 items such as weapons or technology which is subject to existing international prohibitions.
- Gambling.
- Tobacco.

INDIVIDUAL ACCOUNTABILITY

As a means of incentivising accountability at an individual level, all Foresight employees are obliged to incorporate one or more Sustainability related objective(s) as part of their annual appraisal.

Once an ESG objective is set, it acts as a metric of performance at the individual employee level and will be monitored by the employee's Line Manager. Failure to achieve the agreed objective(s) during the appraisal period will be reflected in the overall Performance Grade given to the individual concerned and will be considered by the Employee Remuneration Committee.

COMPETENCY

Foresight provides regular training to employees to ensure understanding of this policy and the underlying processes, including a variety of Best Practice Sessions.

GOVERNANCE POLICIES

As is standard, Foresight has a number of wider policies in place covering a range of governance related issues. These include bribery and corruption, data protection and cyber security, whistleblowing and fraud and modern slavery which are monitored by the Compliance and Governance teams as appropriate.

POLITICAL INFLUENCE

Foresight recognises that policy engagement is a necessary element of its stewardship responsibilities. As a sustainability-led investment manager representing retail and institutional investors across more than 40 funds, Foresight seeks to use its position to promote public policy that contributes towards a more sustainable and inclusive financial system. Evidence of this is demonstrated by our list of initiatives. All engagement activities are overseen by the Sustainability Committee to ensure they are aligned with this core aim.

This includes interactions with other financial system stakeholders, such as standard setters, researchers, the media, external investment managers and external service providers, as well as interacting on issues that arise with other stakeholders such as NGOs, workers and trade unions, communities, end-users of products and services and other rights-holders.

MANAGING CONFLICTS OF INTEREST RELATED TO RESPONSIBLE INVESTMENT

Each of the investment divisions at Foresight has adopted Allocation Policies to regulate how investments are allocated between the different funds and to manage conflicts of interest arising from any of the aforementioned stakeholders. Conflicts of interest are also discussed at the relevant Advisory Committee or Board of each fund.

DIVERSITY, EQUITY AND INCLUSION ("DE&I")

A key component of Sustainability is DE&I so to ensure suitable oversight of Foresight's efforts, the D&I Committee established and reports into the Executive Committee. The DE&I Committee seeks to ensure equality and diversity at Foresight and provide the necessary framework to build an inclusive culture. The Committee's approach is guided by the Group's DE&I Policy, the aim of which is to ensure that Foresight's commitment to diversity is known and understood by all its employees and managers. This is achieved through the provision of training and guidance including staff inductions, e-learning courses, training courses and Foresight's employee handbook, which is available on the intranet.

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

Each member of staff is required to read the D&I Policy and confirm to Human Resources that they have understood the contents.

ANNEX A – SUSTAINABILITY COMMITTEE: PURPOSE

The following is an extract of the Terms of Reference for the Sustainability Committee and outlines its purpose:

The purpose of the Sustainability and ESG Committee is to:

- Lead the implementation of Foresight Group's sustainability strategy;
- Lead the implementation of Foresight's responsible business strategy;
- Guide and develop Foresight Group's approach to sustainable investing (also known as "responsible investment") and corporate social responsibility (also known as "responsible business");
- Identify Foresight's areas of focus in consultation with the Executive Committee and plan the Group's activities accordingly;
- Manage Foresight Group's budget pertaining to the sustainability initiatives approved by the Executive Committee;
- Identify, review and manage the outputs of the Committee's sub-committees and working groups;
- Review the deliverables and effectiveness of third-party sustainability partnerships;
- Monitor performance in key activities for impact evaluation and reporting;
- Improve internal communications in regard to sustainability initiatives and performance; and
- Promote inclusivity in all activities undertaken by the Committee, ensuring those working in regional and international offices are considered when delivering the sustainability strategy and initiatives and the Committee's strategic recommendations.



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