

# FORESIGHT ENERGY INFRASTRUCTURE PARTNERS II S.C.SP

SUSTAINABILITY-RELATED DISCLOSURES

20/06/2024

Foresight

# 1 SUMMARY

Foresight Energy Infrastructure Partners II S.C.Sp's ("FEIP II" or "the Fund") investment strategy is designed to capitalise on the extensive investment opportunities created by the fundamental transition underway in global energy markets.

More specifically, FEIP II's sustainable investment objective is to invest in Energy Infrastructure (as defined below and including energy infrastructure that actively contributes to the transition to low-carbon energy systems) principally located in, or with a material connection to, Europe (including the UK), North America and Australia and directly or indirectly through platforms or businesses which will develop, construct and/or operate Energy Infrastructure.

"Energy Infrastructure", for this purpose, includes but is not limited to:

- renewable energy generation infrastructure, i.e., a diverse range of renewable energy generation technologies (e.g., solar, wind, hydro, bioenergy, waste to energy, marine and other forms of energy utilising a form of renewable feedstock);
- energy storage infrastructure, which stores energy both for long or short durations, whether using chemical, mechanical, heat-based or other forms of storage applications;
- grid infrastructure, which transmits or distributes energy either by way of electricity, heat, gas or other forms (e.g., infrastructure related to local distribution networks, onshore and offshore transmission cables, grid connections, international other energy infrastructure which contributes to the transition to low-carbon energy systems.

Investments in Energy Infrastructure will be classified as being consistent with a sustainable investment objective based on:

- The investment's EU Taxonomy-alignment, where possible; or
- The investment's contribution to the above specified sustainable investment objective.

The Fund's long-term intention is that all of its investments will be aligned with the EU Taxonomy's pre-determined technical screening criteria. However, since the EU Taxonomy is a living document, changes in what is considered to be a sustainable investment activity may take place. Furthermore, some newer technologies may not yet be specified within the EU Taxonomy nor have pre-determined technical screening criteria. To account for this, out of the Fund's sustainable investments, the Fund is committed to invest 80% in EU Taxonomy-aligned assets. Accordingly, the Fund will allow up to 20% of its asset to be allocated to non-EU Taxonomy-aligned investments that still fit within and deliver on the Fund's sustainable investment objective and are deemed to play a critical role in the energy transition.

For investments that align with the EU Taxonomy:

Investments made by the Fund will be into Energy Infrastructure assets with sustainability focused outputs at development and construction phase and also operational assets. Therefore, the Fund's investments will contribute materially towards the emissions reduction objectives set out under the Paris Climate Agreement.

For EU Taxonomy-aligned investments, the Fund has chosen to invest in activities within environmental objective 1: "Climate Change Mitigation" including, but not limited to, the following:

- 4.1 Electricity generation using solar photovoltaic technology
- 4.3 Electricity generation from wind power
- 4.5 Electricity generation from geothermal power
- 4.8 Electricity generation from bioenergy

- 4.9 Transmission and distribution of electricity
- 4.10 Storage of electricity

The Fund has chosen to define EU Taxonomy-aligned assets as an asset which derives at least 70% of either revenues or capital expenditures (CapEx) related to activities which are aligned with the technical screening criteria of any of above mentioned activities. For assets which are still in development or construction phase, they need to have a 'CapEx plan' in place, specifying how they aim to achieve EU Taxonomy-alignment.

For investments that do not align with EU Taxonomy:

These investments must derive at least 70% of revenues or CapEx from activities which are assessed as contributing to the sustainable investment objective. These activities are defined as 'Energy Infrastructure' with sustainable focused outputs as described above.

FEIP II will not use an EU Climate Transition or Paris-aligned benchmark as a reference. This is because there is no relevant EU Paris-aligned or Climate Transition Benchmark against which the fund can measure the extent to which its investments mitigate climate change.

## 2 NO SIGNIFICANT HARM TO THE SUSTAINABLE INVESTMENT OBJECTIVE

Overall responsibility for Sustainability and Environmental, Social and Governance ("ESG") considerations resides with the Key Executives (Dan Wells and Richard Thompson and any additional or replacement person appointed with the approval of the Advisory Committee) of FEIP II, with analysis and reporting of ESG criteria advised on by Foresight's Infrastructure Sustainability team.

In addition to ensuring that a potential investment is aligned with the sustainable investment objective, the Fund will, in its due diligence process, ensure that a potential investment does not cause significant harm to other sustainability objectives. A test will be performed in relation to the mandatory Principle Adverse Impact ("PAI") indicators for 'sustainable investments' that are not taxonomy-eligible, and relevant DNSH criteria in the EU Taxonomy Regulation for taxonomy-eligible investments. The Fund will set specific quantitative and/or qualitative thresholds for each of the PAI indicators, based on materiality in relation to the particular asset, as well as industry performance in general. To make the thresholds relevant, the Fund will for example take the nature of each investment into consideration, as there will be some variation depending on which sector the asset is active within (e.g., renewable energy generation infrastructure, energy storage infrastructure and grid infrastructure etc.) and the phase of the asset (i.e., operational or under development), as well as data availability.

Through its investment process, FEIP II will ensure that the projects have in place policies that cover topics such as Sustainability and ESG, Modern Slavery, Inclusion and Diversity, Anti-Bribery and Corruption, Health and Safety, Stakeholder Engagement, Whistleblowing, and Cyber Security. The contents of these policies have been informed by the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights.

In addition, on engaging counterparties, they will be requested to agree to Foresight's Supplier Code of Conduct, which specifically references adherence to the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, thus ensuring compliance across both FEIP II's SPVs and its supplier base.

Furthermore, the Fund will also assess relevant investments in relation to the EU Taxonomy Regulation, including the do no significant harm criteria. The Fund will conduct this through the integrated application of Foresight's 'Sustainability Evaluation Tool' ("SET"), which is used to assess the sustainability and ESG performance of assets throughout their lifecycle. The SET consists of measurable indicators and is used in the evaluation of all projects.

### 3 SUSTAINABLE INVESTMENT OBJECTIVE OF THE FINANCIAL PRODUCT

FEIP II has a sustainable investment objective to invest in Energy Infrastructure (as defined below) principally located in, or with a material connection to, Europe (including the UK), North America and Australia with sustainable focused outputs, directly or indirectly through platforms or businesses which will develop, construct and/or operate such Energy Infrastructure. The Fund will implement this either directly or through holding structures that give it an investment exposure to the relevant asset and provide appropriate governance rights.

"Energy Infrastructure", for this purpose, includes but is not limited to:

- renewable energy generation infrastructure, i.e., a diverse range of renewable energy generation technologies (e.g., solar, wind, hydro, bioenergy, waste to energy, marine and other forms of energy utilising a form of renewable feedstock);
- energy storage infrastructure, which stores energy both for long or short durations, whether using chemical, mechanical, heat-based or other forms of storage applications;
- grid infrastructure, which transmits or distributes energy either by way of electricity, heat, gas or other forms (e.g., infrastructure related to local distribution networks, onshore and offshore transmission cables, grid connections, international
- other energy infrastructure which contributes to the transition to low-carbon energy systems.

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- The investment's EU Taxonomy-alignment, where possible; or
- The investment's contribution to the above specified sustainable investment objective.

The Fund's long-term intention is that all of its investments will be aligned with the EU Taxonomy's pre-determined technical screening criteria. However, since the EU Taxonomy is a living document, changes in what is considered to be a sustainable investment activity may take place. Furthermore, some newer technologies may not yet be specified within the EU Taxonomy nor have pre-determined technical screening criteria. To account for this, out of the Fund's sustainable investments, the Fund is committed to invest 80% in EU Taxonomy-aligned assets. Accordingly, the Fund will allow up to 20% of its asset to be allocated to non-EU Taxonomy-aligned investments that still fit within and deliver on the Fund's sustainable investment objective and are deemed to play a critical role in the energy transition.

For investments that align with the EU Taxonomy:

Investments made by the Fund will be into Energy Infrastructure assets with sustainability focused outputs at development and construction phase and also operational assets. Therefore, the Fund's investments will contribute materially towards the emissions reduction objectives set out under the Paris Climate Agreement.

For EU Taxonomy-aligned investments, the Fund has chosen to invest in activities within environmental objective 1: "Climate Change Mitigation" including, but not limited to, the following:

- 4.1 Electricity generation using solar photovoltaic technology
- 4.3 Electricity generation from wind power
- 4.5 Electricity generation from geothermal power
- 4.8 Electricity generation from bioenergy
- 4.9 Transmission and distribution of electricity
- 4.10 Storage of electricity

The Fund has chosen to define EU Taxonomy-aligned assets as an asset which derives at least 70% of either revenues or capital expenditures (CapEx) related to activities which are aligned with the technical screening criteria of any of above mentioned activities. For assets which are still in development or construction phase, they need to have a 'CapEx plan' in place, specifying how they aim to achieve EU Taxonomy-alignment.

For investments that do not align with EU Taxonomy:

These investments must derive at least 70% of revenues or CapEx from activities which are assessed as contributing to the sustainable investment objective. These activities are defined as 'Energy Infrastructure' with sustainable focused outputs as described above.

## 4 INVESTMENT STRATEGY

FEIP II's full investment policy (including any applicable conditions or restrictions) is set out in its Limited Partnership Agreement ("**LPA**"), which has been made available to investors. For the avoidance of doubt, the investment policy, conditions and restrictions set-out in the terms of the LPA (including the Fund's purpose, as summarised in the next section below) govern and shall prevail in the event of any inconsistency between such terms and this disclosure.

As mentioned above, the sustainable investment objective of the Fund broadly is to invest in Energy Infrastructure principally located in, or with a material connection to, Europe (including the UK), North America and Australia with sustainable focused outputs, directly or indirectly through platforms or businesses which will develop, construct and/or operate such Energy Infrastructure. The Fund will implement this either directly or through holding structures that give it an investment exposure to the relevant asset and provide appropriate governance rights.

The Fund's intention is to focus on investments which generate revenue streams that typically offer predictable cash flows, often with a degree of inflation linkage, with an attractive and complementary profile that can deliver enhanced risk-adjusted returns whilst also delivering the Fund's sustainable objective outlined above. The majority of FEIP II's investments are currently expected to be in pre-construction and construction-stage investments. The Fund will carefully target selected, already operational, investments for the remainder of the portfolio, aiming to provide an element of cash yield from the Fund's first close.

As part of the broader risk management processes when investing, sustainability risks are identified, measured, managed and monitored. Sustainability risk management is based on (amongst other things) the time horizon for the investments, being Energy Infrastructure investments with sustainability focused outputs.

The materiality of potential risks is reflected in the results and scores of the Investment Manager's in-house SET, which considers the ESG risks and opportunities of an asset. Where ESG data for a project is not available, such projects are identified and focus is given to increasing data availability. The results of the SET are presented to Investment Committees, and the Risk Committee where appropriate. The committees then consider the conclusions of the SET, which are designed to inform risk management and improve resilience.

The effects following the occurrence of a sustainability risk may be numerous and vary depending on the specific risk, region, and asset class. In general, where a sustainability risk occurs in respect of an asset, there will be a negative impact on, or entire loss of, its value. Sustainability factors can have a significant effect on all known risk types and contribute as a factor to the materiality of these risk types. Examples of these risk types are market risk, liquidity risk, counterparty risk and operational risk.

Pre-investment, the Fund will assess whether the asset qualifies as a sustainable investment under the EU Taxonomy, as specified in the first section of this disclosure. The Fund will ensure that the asset can meet all of the technical screening criteria, or that they have a detailed CapEx plan for doing so, at time of investment. If the asset does not qualify, the Fund will assess whether the asset still contributes to the sustainable investment objective, i.e., if it derives at least 70% of revenues from activities contributing to that cause. Furthermore, the Fund will also conduct an assessment of good governance, ESG risks and 'do no significant harm' pre-investment, as specified in these sections. Lastly, the Fund will make sure that the contractual agreements made for the asset are conditioning the investment to implement measures required by FEIP II (e.g., implement a CapEx plan to attain EU Taxonomy-alignment).

Post-investment, the Fund will follow up on the sustainability-related actions and performance by the asset, as specified in the section above.

Good governance is essential for FEIP II's portfolio to achieve its targeted returns and to minimise downside risk. FEIP II will hold quarterly board meetings for each of the asset holding SPVs, which are fulfilled by Foresight on its behalf. The board members work to promote good governance as part of the Fund's active engagement with projects.

FEIP II will consider the following governance criteria during due diligence and ongoing monitoring of assets:

- Sound management structures through board composition (including with respect to diversity and inclusion). The Fund will ensure each SPV adopts a Diversity and Inclusion Policy.
- Employee relations through implementation of regional modern slavery act and health and safety practices. The Fund will ensure alignment with its Supplier Code of Conduct which is based on the United Nations Global Compact principles and of particular relevance is the Human Rights principle.
- Taxation through audit and tax practices. Foresight will conduct due diligence prior to signing all Master Service Agreements. Operational assets and assets in late-stage construction will be subject to an annual audit.
- Remuneration of staff through remuneration policies and pay gap assessment. The Fund's SPV's do not have any direct employees, and therefore there is no requirement for a remuneration policy.
- Anti-bribery and corruption. The Fund will ensure each SPV adopts an Anti-Bribery and Corruption Policy.

## 5 PROPORTION OF INVESTMENTS

FEIP II intends that all of its assets will be used for the purpose of attaining its sustainable investment objective and that all of its investments will be environmentally sustainable investments. Notwithstanding, the Fund may

hold cash reserves for the purposes of ancillary liquidity and ongoing portfolio and risk management to enable the attainment of the Fund's sustainable investment objective. Given the purpose of these investments, there are no minimum environmental and social safeguards applied to such assets.

Therefore, for the purpose of disclosing in line with the expectations of Commission Delegated Regulation (EU) 2022/1288, FEIP II confirms its commitment to invest a minimum proportion of 95% of the fund's assets in alignment with the Fund's sustainable investment objective.

As a result, a maximum proportion of 5% the Fund's assets in investments will be categorised as "#2 Not sustainable"; this allocation is for the cash and cash equivalents of the fund (as described above).

As specified in section 1, the Fund currently aims to make 80% of its investments in assets demonstrating EU Taxonomy-alignment, and remaining 20% in assets which are not EU Taxonomy-aligned but that still demonstrate contribution to the Fund's sustainable investment objective.

## 6 MONITORING OF THE SUSTAINABLE INVESTMENT OBJECTIVE

FEIP II's investments will be classified as being consistent with the sustainable investment objective based on:

- The investment's EU Taxonomy-alignment, where possible; or
- The investment's contribution to the specified sustainable investment objective.

For assets that align with the EU Taxonomy, the Fund will continuously follow up on the indicator used to define EU Taxonomy-alignment, i.e., the share of revenues or CapEx related to EU Taxonomy-aligned activities. For assets still in development or construction phase, this means following up on the CapEx plan to attain EU Taxonomy-alignment.

For assets that do not align with the EU Taxonomy, the Fund will follow up on the revenues or CapEx from activities which are assessed as contributing to the sustainable investment objective.

For relevant assets, the Fund will also measure the amount of renewable energy produced.

## 7 METHODOLOGIES

For assets that align with the EU Taxonomy, the Fund will continuously follow up on the indicator used to define EU Taxonomy-alignment, i.e., the share of revenues or CapEx related to EU Taxonomy-aligned activities. For assets still in development or construction phase, this means following up on the CapEx plan to attain EU Taxonomy-alignment.

For assets that do not align with the EU Taxonomy, the Fund will follow up on the revenues or CapEx from activities which are assessed as contributing to the sustainable investment objective.

For relevant assets, the Fund will also measure the amount of renewable energy produced.

## 8 DATA SOURCES AND PROCESSING

As mentioned above, performance data will be collected and monitored throughout the asset lifecycle, to allow for ongoing assessment of the portfolio's overall sustainability performance and enable concise reporting of this information to the relevant stakeholders.

The data used will be collected from the assets directly as a formalised requirement of operational monitoring. Where possible, this data collection will be automated and flow directly into Foresight's data management platform. Where data flow cannot be automated, they are collected from the assets and based on real values. Acknowledging the fact that there is a reliance on the assets to provide accurate data, the Investment Manager screens for anomalies and addresses these through either engagement with the assets, or the use of estimates. Estimates will always be established using proxy data from like assets or will be based on widely accepted market standards. The proportion of estimated data is assessed to be no greater than 10% for any given reporting period.

## 9 LIMITATION TO METHODOLOGIES AND DATA

As noted above, data accuracy and completeness are dependent on the cooperation of the asset. In recognition of the fact that data gaps do occasionally exist, a data estimation engine is being developed. This will ensure any gaps in data can be automatically filled with accurate data estimations, as well as driving focus on where information flow can be improved. The Fund endeavours that none of these limitations will negatively affect the attainment of its sustainable investment objective. However, where deemed necessary, the Fund or the Investment Manager may commission assessments by third party providers to provide a detailed qualitative and quantitative assessment of how the Fund has performed against its stated environmental or social objectives. Meanwhile, the Investment Manager is motivated to continually increase the accuracy and efficiency of the data collection process across the portfolio and will address any further shortcomings as and when they become evident.

## 10 DUE DILIGENCE

At an investment level, FEIP II will ensure that all potential investments undertaken meet the Fund's definition of sustainably managed infrastructure assets (including as outlined in the LPA), and that sustainability and ESG-related risks and opportunities are systematically identified, assessed and subsequently managed through evaluation in accordance with Foresight's Sustainability Evaluation Tool ("SET") and ongoing operational monitoring.

The key elements of the investment process are to assess ESG risks, ensure that the sustainable investment objective is met, the investment practices good governance, and that no significant harm is caused, as outlined in section 2.



## 11 ENGAGEMENT POLICIES

Good governance is essential for FEIP II's portfolio to achieve its targeted returns and to minimise downside risk. FEIP II will hold quarterly board meetings for each of the asset holding SPVs, which are fulfilled by Foresight on its behalf. The board members work to promote good governance as part of the Fund's active engagement with projects.

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- Anti-bribery and corruption. The Fund will ensure each SPV adopts an Anti-Bribery and Corruption Policy.

## 12 ATTAINMENT OF THE SUSTAINABLE INVESTMENT OBJECTIVE

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