

UK SUSTAINABILITY-RELATED DISCLOSURES – PRE-CONTRACTUAL DISCLOSURE

1. Introduction

- 1.1 In November 2023, the UK's Financial Conduct Authority ("FCA") published its final rules on Sustainability Disclosure Requirements ("SDR") and investment labels. The SDR enables in-scope UK-domiciled funds to use the FCA's sustainability investment labels from 31 July 2024. At present, the SDR and investment labels regime only applies to UK-domiciled funds. However, the UK government has confirmed its intention to consult on how the regime can be extended to apply to overseas-domiciled funds later in 2024.
- 1.2 Foresight Solar Fund Limited (the "Company" or "FSFL"), as a self-managed overseas (Jersey) company, is not, therefore, subject to SDR and so neither FSFL nor Foresight Group LLP (the "Investment Manager"), as its delegated investment manager, are permitted to adopt any of the SDR's investment labels.
- 1.3 Nonetheless, FSFL's Board and the Investment Manager believe that the nature of FSFL's business and investment strategy are intrinsically aligned to the goal of a greener and less carbon intensive future. The Company's investments in ground-based solar power farms and battery storage systems are inherently sustainable investments from an environmental perspective as established by the European Union's Taxonomy for sustainable activities. The Company has, therefore, been generating renewable energy since its launch in 2013.
- 1.4 The Board and the Investment Manager also consider that the SDR are a key step to enable UK investors to have greater confidence in sustainable investment products. Accordingly, despite the Company not being within the scope of the regime and consequently not being able to use any of the SDR investment labels, the Board and the Investment Manager are voluntarily seeking to demonstrate Foresight Solar's alignment with the SDR's **Sustainability Focus** investment label. This label is for funds that invest mainly in assets that are environmentally and/or socially sustainable. The Investment Manager is, therefore, publishing the following disclosures in respect of FSFL in alignment with the provisions of chapter 5.3 of the FCA's ESG Sourcebook.
- 1.5 Where applicable, the cross-references in the table below indicate where the relevant information can be found within FSFL's existing sustainability-related disclosures published on its website or in its Annual Reports:

SDR disclosures (in accordance with ESG 5.3.3R)	Relevant disclosure and/or cross-reference to the relevant information
(a) FSFL's sustainability objective (ESG 5.3.3R(2));	<p>The Company's investment objective is to provide investors with a sustainable, progressive quarterly dividend and enhanced capital value, whilst facilitating climate change mitigation and the transition to a lower carbon economy.</p> <p>The Company pursues its investment objective by investing in a diversified portfolio of ground-based, solar power plants and utility-scale battery energy storage systems ("BESS") predominantly located in the UK, contributing to the growth of renewable energy generation capacity available and the production of more clean power over the long term.</p>
(b) any material effect (including expected effect) on the financial risk and return of the Company as a result of its investment strategy (ESG 5.3.3R(2)(a));	<p>Foresight Solar invests in ground-based solar power plants and complementary ancillary technologies such as BESS (up to a limit of 10 per cent. of the Company's and its subsidiaries gross asset value), supporting the transition to low carbon electricity networks.</p> <p>The ground-based solar power farms generate revenue from selling the renewable energy they produce whilst utility-scale batteries support the transition to a less carbon-intensive energy grid. As such, all assets are sustainable investments for the environment.</p> <p>In light of the Company's investment policy and the way it has invested since its launch in 2013, the Board and the Investment Manager believe that Foresight Solar's investment activities and corresponding portfolio already meet the qualifying criteria under the FCA's Sustainability Focus investment label. Going forward, Foresight Solar will ensure that its disclosures continue to meet the requirements of a Sustainability Focus-labelled product.</p> <p>As a result, the Board and the Investment Manager do not foresee that aligning with the Sustainability Focus label will have any material effect on the Company's investment universe, risk profile or the way it manages its assets (and so the financial risk and return of the Company).</p> <p>Additional relevant information is set out in the "Business Model" section of the Company's Annual Report, available on its website, and full detail on the risks of investing into the Company are set out in the FSFL Prospectus.</p>
(c) the link between FSFL's sustainability objective and a positive environmental and/or social outcome (ESG 5.3.3R(2)(b));	<p>The Company's solar farms generate revenue by selling the renewable electricity they generate, whilst utility-scale batteries support the transition to a less carbon-intensive energy grid.</p>

The environmental and social benefits the Company's assets deliver, along with information on the methodologies used to calculate these metrics, is available within the "Sustainability and ESG" section of Foresight Solar's [Annual Report](#).

The specific indicators are:






Company

Maintain a minimum 70% alignment with an authoritative taxonomy which will demonstrate the sustainability of the underlying assets **%**

Portfolio

Operational (total renewable energy capacity added) **MW**

Developed (total renewable energy capacity enabled) **MW**

Goal	SDG Target	Contribution
	Substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination.	Avoidance of: kg of NOx (Nitrous Oxide) kg of SOx (Sulphur Dioxide) kg of PM₁₀ (µm10 Particulate Matter) kg of PM_{2.5} (µm2.5 Particulate Matter)
	Increase the share of renewable energy in the global energy mix.	GWh of renewable energy produced Enough electricity to power X UK homes for a year
	Develop reliable, sustainable infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all.	MW of renewable generation capacity connected to the electricity grid.
	Improve education, awareness and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning.	Emissions avoidance of Tonnes of CO₂e vs country-specific grid comparator
	Take urgent and significant action to reduce the degradation of natural habitats, halt the loss of biodiversity and protect and prevent the extinction of threatened species.	Saving an annual oil equivalent of TOE (Tonnes of Oil Equivalent), contributing to the avoidance of fossil fuel use

(d) any material negative environmental and/or social outcomes that may arise when pursuing FSFL's

In assessing its portfolio's level of alignment with the EU Taxonomy for sustainable activities, FSFL monitors the attainment of its investment objective alongside assessment of compliance with the "do no significant harm" criteria and the "minimum safeguards".

<p>sustainability objective (ESG 5.3.3R(2)(c));</p>	<p>The Investment Manager also collects monthly asset-level sustainability data to enable reporting against the Principle Adverse Impact indicators required by the EU's Sustainable Finance Disclosure Regulation ("SFDR") regime at least once per year. Performance against these indicators over time is monitored with a view to consistent improvement.</p> <p>The Company's full Principal Adverse Impacts (PAI) Report can be found on its website.</p>
<p>(e) details of FSFL's investment policy and strategy (ESG 5.3.3R(3));</p>	<p>The full text of Foresight Solar's investment objective and policy is set out in its Annual Report. The principal details and key limits of the investment objective and policy are set out below:</p> <p>The Company's investment objective is to provide investors with a sustainable, progressive quarterly dividend and enhanced capital value, whilst facilitating climate change mitigation and the transition to a lower carbon economy.</p> <p>The Company pursues its investment objective by investing in a diversified portfolio of ground-based, solar generation and battery storage projects predominantly located in the UK, contributing to the growth of renewable energy generation capacity available and the production of more clean power over the long term.</p> <p>The Company's aim is to build a diversified portfolio with majority or minority ownership. When investing in a stake of less than 100%, the Company secures its rights through shareholder agreements and other legal transaction documents. Investments may be made in equity, debt or intermediate instruments but not in securities traded on an investment exchange. To optimise returns, the Company is permitted to invest money held for working capital in cash deposits, gilts and money market funds.</p> <p>Operationally, each solar power plant in the portfolio enters a power purchase agreement ("PPA") with a creditworthy offtaker. Under these contracts, the Special Purpose Vehicles ("SPVs") sell electricity and, in some cases, green certificates to the designated buyer. Not all PPAs include mechanisms such as fixed prices or price floors, allowing the Company to retain some exposure to merchant power prices.</p> <p>To diversify its portfolio and spread risk, there are limitations, contained within the investment policy, on the Company's investment universe and approach:</p> <ul style="list-style-type: none"> • Geography: Investments outside the UK are limited to 25% of GAV. • Leverage: Gearing, calculated as overall Company borrowing as a percentage of GAV, will not exceed 50% at the time of drawdown. The Board intends to limit long-term gearing, calculated as overall Company borrowings excluding intra-Group loans and revolving credit facilities, to 40% of GAV. • Portfolio composition: No single asset shall exceed 30% of GAV post-acquisition. If the investment is an additional stake in an existing asset, the combined value should not exceed 30%. • Stage: The Company is allowed to deploy no more than 5% of GAV in development-stage projects. These assets are characterised as solar or BESS opportunities that are pre-construction and may not have secured grid connection rights or planning consent on the date of investment. Similarly, projects under construction are limited to 25% of GAV. • Technology: The Company may only invest in utility-scale battery storage systems up to a limit of 10% of GAV. <p>Additional relevant information is set out in the "Business Model" and "Company Structure" sections of the Company's Annual Report, available on its website.</p>
<p>(f) how FSFL determines the assets the Company invests in, including the criteria it applies in determining the sustainability characteristics of those assets (ESG 5.3.3R(3)(a));</p>	<p>At a strategic level, the Company's investment mandate and policy limits its investment activity to investing in a diversified portfolio of ground-based, solar generation and battery storage projects predominantly located in the UK, contributing to the growth of renewable energy generation capacity available and the production of more clean power over the long term.</p> <p>At an investment level, as a further safeguard, the Company commits that it will maintain a minimum 70 per cent alignment with an authoritative taxonomy, such as the EU Taxonomy for sustainable activities, or the anticipated UK Green Taxonomy, to substantiate the sustainability characteristics of its underlying portfolio of assets. At present, this includes assessment of each investment's eligibility as an activity that makes a significant contribution to the Climate Change Mitigation environmental objective of the EU Taxonomy and a further assessment against the associated "do</p>

	<p>no significant harm” criteria and “minimum safeguards” as stipulated within the EU Taxonomy.</p> <p>Section (c) of this document details the approach taken to quantification of the positive environmental benefit Foresight Solar’s investment activity delivers. The metrics reported at a Company level are calculated for each individual asset within FSFL’s portfolio and are reported on in aggregate within the Company’s Annual Report.</p> <p>Further, as explained in section (d) of this document, the Company also collects monthly asset-level sustainability data to enable reporting against the Principle Adverse Impact indicators required by the SFDR regime. Performance against these indicators over time is monitored with a view to consistent improvement. The Company’s full Principal Adverse Impacts (PAI) Report can be found on its website.</p>
(g) the standard which the Investment Manager relies upon when selecting assets for the Company (ESG 5.3.3R(3)(b));	<p>The Company's investments in ground-based solar power farms and battery storage systems are inherently sustainable investments from an environmental perspective and as established by the European Union's Taxonomy for sustainable activities.</p> <p>The Company commits that it will maintain a minimum 70 per cent. alignment with an authoritative taxonomy, such as the EU Taxonomy for sustainable activities or the anticipated UK Green Taxonomy, to demonstrate the sustainability characteristics of the underlying portfolio of assets.</p> <p>The Investment Manager’s Sustainability, Portfolio Management and Fund Management teams are responsible for conducting the internally resourced assessment of Taxonomy alignment. Although independent assurance of the Company’s compliance with the requirements of Article 3 of the EU Taxonomy is not conducted as standard, the Company has previously sought third-party validation of Taxonomy alignment for a representative cross-section of assets within its portfolio.</p>
(h) the proportion of assets that are invested in accordance with FSFL's sustainability objective (ESG 5.3.3R(3)(c));	100%.
(i) details of FSFL's policies and procedures to monitor the performance of the Company in achieving its sustainability objective (ESG 5.3.3R(5));	<p>In the first instance, the Company’s investment policy details how deployment of capital is limited only to investments that contribute to the achievement of its sustainability objective.</p> <p>To monitor the contribution of each investment to the sustainability objective, the Investment Manager’s ongoing portfolio monitoring activities collect monthly operational data from across all assets in the Company’s portfolio. This enables robust reporting against both the sustainable impact indicators and the SFDR PAIs. (Links to examples of this data can be found in sections (c) and (d) of this document.)</p> <p>Performance against these metrics over time is monitored with a view to consistent improvement.</p> <p>Focused areas which are being monitored at present are:</p> <ul style="list-style-type: none"> • Reduction in overall Carbon Footprint of the Company; • Reduction in GHG intensity of Investee Companies; • Reduction in the share of non-renewable energy consumption and production.
(j) Details of the key performance indicators (“KPIs”) for the Company’s investment policy and strategy (ESG 5.3.3R(6) and (8));	<p>(Details of the key performance indicators (“KPIs”) for the Company’s investment policy and strategy are detailed in sections (c) and (d) of this document.)</p> <p>The Company intends that all its assets will be used for the purpose of attaining its investment objective as set out above, committing that it will maintain a minimum 70 per cent. alignment with an authoritative taxonomy, such as the EU Taxonomy for sustainable activities or the anticipated UK Green Taxonomy, to demonstrate the sustainability of the underlying portfolio.</p> <p>Given FSFL’s operational and developmental strategy, it reports on two core metrics to assist in assessing its contribution to growing renewable energy generation capacity:</p> <p>(i) the operational metric, which tracks the total renewable energy capacity added by the megawatts of operational solar and BESS capacity the Company has invested in since its launch in 2013; and</p>

	<p>(ii) the developed metric, which tracks the total renewable energy capacity enabled by the megawatts of consented solar and battery storage capacity the Company has developed since its launch in 2013.</p> <p>In respect of the Investment Manager's escalation plan regarding any assets that may not demonstrate sufficient performance against either Foresight Solar's sustainability objective or the KPIs, it can be summarised as a two-phase process.</p> <p>Pre-Investment</p> <p>In the first instance, the Company's investment policy and mandate define the kind of investments that it can make. FSFL's universe is limited to solar farms and battery storage assets. This inherently limits the likelihood of an investment being made into an asset that is not aligned to the sustainable investment objective or that does not meet the stipulated KPIs.</p> <p>The Sustainability team are present at all Investment Manager Deal Pipeline meetings. These meetings are the initial indication of potential sectors that the Company is looking to invest in. Any potential investments that do not meet the Company's objectives can be identified by the Fund Management and Sustainability teams at the earliest stages.</p> <p>As per the Investment Manager's Investment Process Manual, new sectors that are being considered for investment are discussed with the Sustainability team to ensure alignment with both the Company's investment strategy and the Investment Manager's Infrastructure exclusions list. The potential investment's ability to report against the stipulated KPIs will also be assessed.</p> <p>As part of the investment process, the Sustainability team has a member in the Investment Manager's Investment Committee ("IC") to ensure the requirements around sustainability are appropriately represented.</p> <p>Alongside the Investment Manager's IC process, each potential investment is presented to and approved by the Company's Board. Investments that do not align with fund's sustainable investment objective will not be progressed.</p> <p>Post-Investment</p> <p>The Board reviews consistency of the Company's investment activity against its investment policy, the sustainability objective and the stipulated KPIs. If performance against these targets is not as expected, it will be subject to further interrogation by the Directors and the Investment Manager, and subsequent actions taken to address any potential issues. The Fund Management team and members of the Portfolio and Sustainability team present directly to the Board on a quarterly basis and will help identify any appropriate actions that need to be implemented to improve performance.</p> <p>Finally, if an investment no longer meets the investment objective, or if it cannot demonstrate a contribution to the stipulated sustainability 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.</p>
<p>(k) details of FSFL's investor stewardship strategy and resources in relation to supporting the achievement of the Company's sustainability objective (ESG 5.3.3R(7)).</p>	<p>Governance</p> <p>Oversight of sustainability processes and KPIs sits with FSFL's Board of Directors. Specifically, it is the Audit and Risk Committee's responsibility to monitor the integrity of the Company's financial statements, which include sustainability-related disclosures in the annual report and accounts. As per the committee's Terms of Reference, it must ensure these are in line with investors' expectations and are compliant with regulatory standards.</p> <p>Stewardship Strategy</p> <p>By and large, FSFL makes direct investments, often acquiring 100% of project companies or taking majority stakes in projects, limiting barriers to effective stewardship of assets.</p> <p>Given that it has direct control over most of its investments, the Company has authority to direct activities consistent with improving the sustainability performance of its portfolio. Therefore, the stewardship it undertakes on behalf of its investors relates more to the interactions it has with third-party service providers and broader stakeholder groups.</p> <p>In these interactions, Foresight Solar makes clear its requirements and expectations around sustainability factors, stewarding its value chain towards better performance in these areas. While the nature of FSFL's investments largely substantiates</p>

	<p>achievement of its sustainable investment objective, good management of sustainability factors has the capacity to further enhance the environmental benefits the portfolio provides.</p> <p>Some of the key mechanisms for driving this engagement and stewardship within the value chain are:</p> <ul style="list-style-type: none"> • FSFL’s investment objective (outlined in the “Company Structure” section of the Company’s Annual Report, available on the Company’s website) • FSFL’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 <p>At a broader industry level, the Investment Manager is a signatory to the Principles for Responsible Investment (“PRI”) and has achieved a 5-star rating within the Infrastructure and Investment & Stewardship modules. The Investment Manager believes that good governance is essential for FSFL’s portfolio to achieve its targeted returns (both financial and sustainability-related) in the interest of its investors.</p> <p>Resources</p> <p>With respect to how the Investment Manager applies its strategy and resources to support the achievement of the Company’s sustainability objective, FSFL has a clear governance structure to ensure that management and monitoring of sustainability risks and opportunities are embedded into the decision-making processes, including its investment and portfolio management activities.</p> <p>Through this governance approach, FSFL’s Board is supported and advised by a broad team of people with significant experience across the solar, renewables and wider sustainability landscape.</p> <p>The agreed stewardship initiatives are actioned by the Company’s Portfolio Lead and Managers. The implementation of these initiatives is helped by their involvement and participation in the Board meetings of the underlying SPVs.</p> <p>In terms of governance, responsibility for sustainability considerations resides with the Company’s Board and the Investment Manager advises on the analysis and reporting of sustainability-related data and information. The Investment Manager has built a dedicated team with significant experience across renewable infrastructure and sustainability and they provide updates to the Board at least quarterly, monitoring and detailing the portfolio’s progress.</p>
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Disclaimer

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