



# Foresight

FOR A SMARTER FUTURE

## SUSTAINABILITY AND ESG POLICY AND APPROACH

2021

**CONFIDENTIALITY STATUS:**

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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.

# Policy

## INTRODUCTION AND SCOPE

To support Foresight's commitment to Sustainability and Environmental, Social and Governance ("ESG"), it has adopted this policy to apply to its corporate and investment activities.

This policy is applicable to all of the aforementioned entities and their respective employees.

## POLICY

Foresight shall integrate sustainability and ESG considerations across its business operations globally to the benefit of its stakeholders. Foresight must strive to adopt and implement internationally recognised standards, to become signatories and members of ESG organisations and to seek opportunities to promote strong ESG standards to those in its investments and supply chains to bring around positive change where needed.

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 ESG and 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.

## PRINCIPLES

As part of this policy, Foresight has adopted Five Sustainable Investment 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 and ESG are 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.

## SUSTAINABLE INVESTMENT ACTIVITIES

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 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 and ESG must serve as a means of encouraging and enabling 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.

## DEFINITIONS

Foresight adopts 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 is practically applied through the making of viable and supportable decisions that will offer continued, long-term social and environmental benefits.

This policy was approved by Foresight’s Executive Committee on 23 July 2021 and replaces its predecessor dated 31 January 2020.

# APPROACH

## INTRODUCTION

Sustainability and Environmental, Social and Governance (“ESG”) 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 social and environmental outcomes are critical to the long-term success of both Foresight and the funds it manages. This document sets out how Foresight Group interprets and defines sustainability and ESG, reflecting the United Nations Sustainable Development Goals (“SDGs”), Principles for Responsible Investment (“PRI”), UN Global Compact (“UNGC”) and the Task Force on Climate Related Financial Disclosures (“TCFD”) as frameworks, around which its corporate and investment activities are structured.

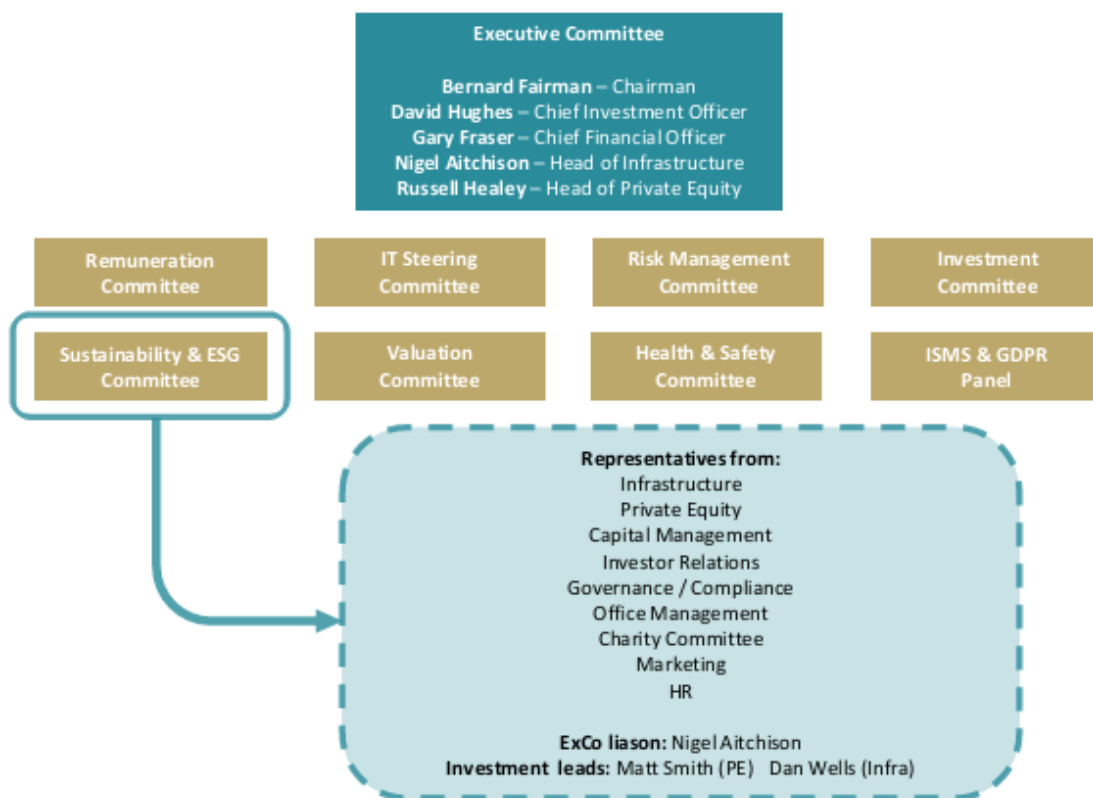
## OVERSIGHT

### Sustainability and ESG Committee

The Sustainability and ESG 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 and ESG 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 and ESG 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 (“CSR”) is also part of the Sustainability and ESG 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 and ESG Committee but are also discussed at all other committee meetings (including Executive Committee, Investment Committee, Risk Committee and Health and Safety Committee). Sub-groups may also be formed and overseen by the Sustainability and ESG Committee to manage specific topics to cover for example investment activities, governance and diversity and inclusion.



The Terms of Reference for this Committee can be found in Annex A.

## Executive Committee

The Executive Committee is responsible for: (i) the leadership of Foresight subject to the overall strategy set by the Group Board of Directors; (ii) the management generally of Foresight’s overall business; (iii) Foresight’s overall performance and delivery of the strategic objectives set by the Group Board; and (iv) the maintenance of the Group’s values and standards.

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 Partnership and the other members of the Group and has primary responsibility and authority for the operational management of Foresight’s activities. It comprises the Chairman of Foresight Group (non-voting), the Chief Financial Officer (“CFO”), the Chief Investment Officer (“CIO”), the Head of Private Equity and the Head of Infrastructure. Other Partners may attend meetings in an advisory capacity.

The Executive Committee meet weekly and on an ad hoc basis as required. The Executive Committee follows up on certain agenda points and agrees decisions outside formal meetings as appropriate, as agreed by the meeting chairperson.

## Investment Management

The investment teams are responsible for ensuring that Sustainability and ESG 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 our last annual assessment Foresight achieved ratings of A+ for Strategy & Governance, A+ for Infrastructure and A for Private Equity

As Foresight Group is a signatory to the PRI, it is required to submit an annual assessment that grades the business’ performance. Therefore, all investment activities must factor in, and remain true to, the following six 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 Principles within the investment industry
- 5. Foresight will work together to enhance its effectiveness in implementing the Principles
- 6. Foresight will each report on its activities and progress towards implementing the Principles.

## Sustainable Development Goals (“SDGs”)

The UN’s Sustainable Development Goals represent a key driver of Foresight’s investment and corporate activities. The SDGs are a list of 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:



## SDG Alignment: Infrastructure



## SDG Alignment: Capital Management



## Infrastructure

As a sustainability-led Infrastructure Investment Manager, Foresight looks 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.

## Foresight Capital Management

Foresight Capital Management (“FCM”) was established in 2017 to manage Open Ended Investment Companies (“OEICS”). FCM is a significant investor in listed companies that enact tangible, positive change. The funds 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. The team is proactive in engaging with companies, both to assess their credentials and to encourage improvements to their levels of sustainability. The FCM portfolio currently comprises three OEICS:

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

Of these three OEICS, the Foresight Sustainable Real Estate Securities Fund is most explicitly aligned to the SDGs.

## SDG Alignment: Private Equity

### Impact Themes

#### Quality Employment at Scale



#### Health



#### Research and Innovation



#### Sustainable, Inclusive, Local Infrastructure and the Environment



## Private Equity

The Private Equity Team applies an outcome focused approach to best understand, measure and track the positive impacts that the investee companies have on society and the environment. This is structured around four Impact Themes aligned with the SDGs. These Impact Themes help Foresight assess opportunities for its investee companies and the broader impact they can have on society and the environment.



## 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.

As a participant of UNGC, Foresight is required to uphold UNGC’s 10 Principles and produce an annual Communication on Progress against each of these areas. Foresight published its first Communication on Progress in June 2021 which is available on the Foresight website.

### The Ten Principles of the UN Global Compact

Human Rights	1. Respect and support the protection of internationally proclaimed human rights
	2. Ensure your company is not complicit in human rights abuses
Jobs	3. Uphold the freedom of association and recognise the right to collective bargaining
	4. Eliminate all forms of forced and compulsory labour
	5. Eradicate all forms of child labour
	6. Eliminate all discrimination in respect of employment and occupation
Environment	7. Support a precautionary approach to environmental challenges
	8. Undertake initiatives to promote greater environmental responsibility
	9. Encourage the development and diffusion of environmentally friendly technologies
Anti-Corruption	10. Work against corruption in all its forms, including extortion and bribery

## Task Force on Climate Related Financial Disclosures

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 be following the recommendations of TCFD (Task Force on Climate-related Financial Disclosures) 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.

## Other Initiatives

Foresight also aligns itself with a number of other external sustainability, ESG and Diversity & Inclusion (“D&I”) focused organisations, all of which guide Foresight’s approach, and some hold it to account by way of annual submissions and reports. These include:

- 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
- GRESB
- Initiative Climat Internationale
- The Diversity Project
- Solar Energy UK
- Renewable Energy Association
- IPFA

## PROCESS

In order to promote market-leading sustainability practices, the investment divisions (Infrastructure, Capital Management and Private Equity) are required to develop a tailored approach to tracking, measuring and reporting sustainability performance. This approach will continue to be assessed for appropriateness and updated as required. The processes for these teams are detailed in documents produced by those teams from time to time, for the purpose of sharing with relevant parties.

Foresight implements a Corporate Social Responsibility programme, as laid out in its 'CSR Statement', through a comprehensive set of practices that are integrated into Foresight's wider business operations in order to achieve and promote sustainability activities. The Sustainability and ESG Committee is responsible for setting, reviewing and monitoring corporate objectives in order to ascertain performance against specified CSR measures. Foresight's commitment to CSR is laid out in Annex B.

## 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 toward better sustainability and ESG 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 using Foresight's influence to enhance value and improve sustainability and ESG performance. Where possible, Foresight will track the sustainability and ESG 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.

## INDIVIDUAL ACCOUNTABILITY

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

Once an ESG objective is set, it acts as a metric of ESG 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 Remuneration Committee.

## COMPETENCY

Foresight provides regular training to ensure understanding of the relevant teams' interpretation 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 are monitored by the Compliance and Governance teams as appropriate.

## INVESTMENT EXCLUSIONS

Foresight will avoid 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 weapons, or technology which is subject to existing international prohibitions.

- Gambling
- Tobacco

## POLITICAL INFLUENCE POLICY

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 30 funds, Foresight seeks to use its position to promote public policy that contributes towards a more sustainable and inclusive financial system. All engagement activities are overseen by the ESG and Sustainability Committee to ensure they are aligned with this core aim.

## MANAGING CONFLICTS OF INTEREST RELATED TO RESPONSIBLE INVESTMENT

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

## DIVERSITY AND INCLUSION (“D&I”)

A key component of ESG is D&I so to ensure suitable oversight of Foresight’s efforts, the D&I Committee was upgraded to a standalone committee in 2020 reporting to the Executive Committee, having previously been a working group under the ESG & Sustainability Committee. The D&I Committee is guided by the Group’s D&I Policy, which seeks to ensure equality and diversity at Foresight and provide the necessary framework to build an inclusive culture. The policy ensures 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 D&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.

## CONTACT DETAILS

- Name: Sustainability and ESG Committee
- Email address: SustainabilityandESG@foresightgroup.eu
- Postal address: Foresight Group LLP, The Shard, 32 London Bridge Street, London SE1 9SG
- Telephone number: +44 (0)20 3667 8100

## ANNEX A – SUSTAINABILITY AND ESG COMMITTEE: TERMS OF REFERENCE

The following defines the Terms of Reference for the Sustainability and ESG Committee, which oversees Foresight's approach to Sustainability, ESG and CSR.

1. The purpose of the Sustainability and ESG Committee is to:
  - Guide and develop Foresight's approach to Sustainability and ESG investing (also known as sustainable investment) and CSR (also known as sustainable business)
  - Lead the implementation of Foresight's responsible business strategy
  - Identify and communicate Foresight's reasons for developing a responsible business strategy
  - Identify Foresight's areas of focus and plan activities based on this
  - Manage funds and budgets pertaining to the initiatives undertaken as a result of decisions made by the Committee
  - Monitor and record performance in key activities for impact evaluation and reporting
2. As annotated in the structural chart on page 4 of the policy, membership by a representative from each area of the business is mandatory as effective representation, from employees working at the 'grass roots' level up to senior management, is key to the success of the initiative.
3. The quorum for meetings of the Sustainability and ESG Committee shall be three people, at least one of whom shall be the Chair of the Committee or an alternate appointed by the Chair.
4. Meetings will take place once a quarter or on an ad hoc basis as required.
5. An agenda and any relevant papers will be circulated in advance by the Committee Chair and minutes will be taken of each meeting, with an emphasis on action points with individual responsibilities to be implemented within an appropriate timeframe. The standing agenda is as follows:
  - Attendees
  - Investment Management
    - Infrastructure
    - PE
    - FCM
    - Governance
  - Community
  - Environment
  - Workplace

## ANNEX B – SUSTAINABILITY AND ESG COMMITTEE: SUSTAINABLE BUSINESS

Corporate Social Responsibility (CSR) describes how Foresight seeks to co-ordinate and manage its corporate practices to maximise positive social and economic contributions and minimise the environmental impacts of its business operations. Engagement with key clients, employees, community, environmental stakeholders, regulators, business partners and suppliers is central to Foresight's approach to CSR.

Foresight divides its commitment to CSR into four segments:

1. Investment Management – How it works with its customers and counterparties
2. Workplace – Where Foresight works, how it recruits and how it works with its staff
3. Environment – How it manages and reduces the environmental impact of its corporate activities
4. Community – How Foresight engages with the community

### Scope

This statement of commitment applies to all divisions of Foresight Group and all staff are expected to adhere to the following:

#### Investment Management

- Foresight will operate in accordance with the values and standards of behaviour set out in its conduct arrangements, comply with all applicable laws and regulatory requirements and provide a mechanism and process whereby illegal and/or unethical behaviour can be identified, reported and addressed.
- Foresight will provide products and services to meet the needs of its clients, while having consideration for the impact on the natural environment and communities in which it operates.
- Foresight will provide high standards of service to clients and have complaints procedures for clients to ensure their concerns are efficiently addressed on those occasions where there may be a problem.
- Foresight will use its position in the marketplace to raise awareness of sustainability, ESG and CSR with clients and the market and help facilitate change to minimise impact on the natural environment and communities in which it operates.

#### Workplace

- Foresight will provide a workplace in which diversity is valued and there are equal opportunities.
- Foresight will provide mechanisms by which employees can raise their views and be engaged in change and issues that affect the company.
- Foresight will provide a safe and secure workplace which is conducive to the health and welfare of employees.
- Foresight will support employees with learning and development opportunities to help them achieve their potential and maximise their contribution to Foresight's strategy.
- Foresight will recognise and may reward individuals on the basis of their own performance and that of the company, as appropriate. Foresight will appraise performance on both the results that were achieved and how they were achieved.

#### Environment

- Foresight will seek to minimise its energy, water and paper usage, through design, infrastructure and behaviour.
- Foresight will seek to optimise the recycling of waste by providing appropriate facilities.
- Foresight will seek to reduce unnecessary travel and encourage the use of alternative means of communication where practicable.
- Foresight will incorporate environmental considerations into procurement decisions and raise awareness/influence its supply chain to facilitate a reduction in their environment impact.



## Community

- Foresight will take a partnership approach to supply chain relations, ensuring that payments are made promptly, supplier complaints are reviewed and that it uses fair and transparent procurement methods.
- Foresight will provide benefit to the community through the creation of jobs and generation of accompanying wealth, and through the investment of its money and time in the community.
- Foresight will support employee volunteering opportunities and corporate fundraising campaigns.
- Foresight will encourage and support employees in their own community activities and fundraising efforts.

# Foresight

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