# Foresight Capital Management Stewardship Report

*For the year ended 31 March 2024*

August 2024

Foresight Capital Management is a division of Foresight Group. This report represents the activities of Foresight Capital Management only.

Foresight

# Contents



# 1. Introduction

"Our stewardship approach is founded on the belief that responsible investment practices protect long-term shareholder value and contribute to broader societal goals."

**Nick Scullion**
Partner
Head of Foresight Capital Management

As the head of Foresight Capital Management, I am pleased to introduce our inaugural Stewardship Report for the fiscal year ended March 31, 2024. This report highlights our commitment to responsible investing, integrating Environmental, Social and Governance factors into our investment process, and implementing practices to foster sustainable development.

Our stewardship approach is founded on the belief that responsible investment practices protect long-term shareholder value and contribute to broader societal goals. This report details how our active stewardship looks to support our investments in creating long-term value for shareholders while supporting sustainable development.

We have fully integrated ESG considerations into our investment process, including both pre-investment financial and sustainability-related due diligence, and ongoing post-investment monitoring of our portfolio holdings. Through this investment process we aim to invest into companies which are financially sound and adhere to best practices in sustainability.

Active ownership is a core component of our strategy. We monitor our portfolio companies to assess their performance against our ESG criteria. We engage with these companies via discussions with management, voting at shareholder meetings, and collaborative efforts to influence positive change.

In FY24, we expanded our stewardship activities, including onboarding new software to track, monitor, and report our engagements. Our progress was recognised by the UN PRI, where FCM improved from a 3/5 star rating in 2021 to a 5-star rating in 2023 for our voting and engagement processes. We participated in meetings with company management, voted on critical resolutions, and engaged in dialogues to drive improvements.

We also engaged beyond our investee companies, participating in industry working groups on SDR and writing letters to HM Treasury over fee disclosure regulations.

FY25 will see the UK FCA's Sustainability Disclosure Requirements come into effect. FCM have constructed and will disclose KPIs for each Fund which will be used to measure performance towards each Fund's investment objectives. These KPIs will help quantify the positive outcomes facilitated by our investments and will form the foundation of our engagement efforts over the next 12 months.

Above all, we hope this report provides a comprehensive overview of our stewardship activities and demonstrates our commitment to responsible investing.

## Statement from Åse Bergstedt, Foresight Group's Global Head of Sustainability and Sustainable Finance

During FY24, Foresight Group has become more sophisticated in how we manage sustainability from both Group reporting and within investment processes.

We have conducted a double materiality analysis based on ESRS and ISSB which will be our stepping board in how we assess, manage and monitor sustainability impacts, risks and opportunities.

We look forward to the coming year of accelerating our work in sustainability in pace with the continuously changing landscape.

# 2. Our approach to *active* ownership

Foresight Capital Management's investment philosophy is to invest in a manner that supports sustainable economic and social development while creating long-term value for shareholders.

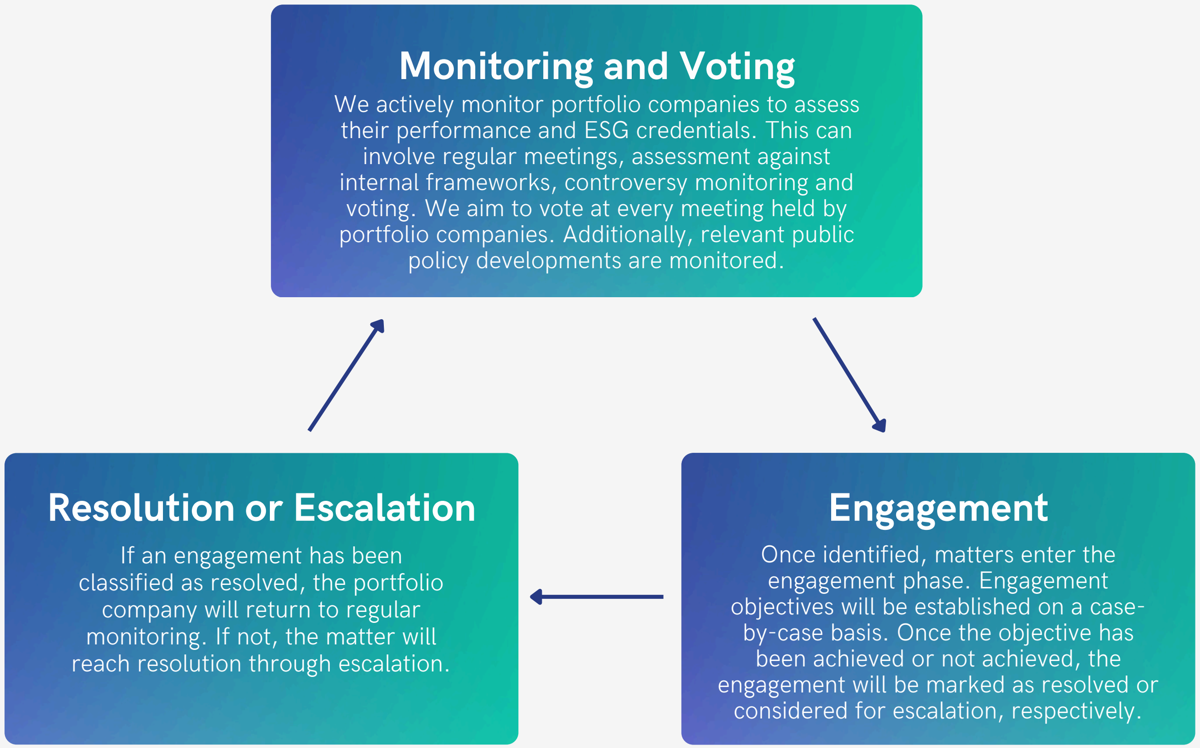
# Approach to investing

Sustainability considerations are a core factor in Foresight Capital Management's ("FCM" or "the team") investment decisions and we are conscious of the impact our investments have on the environment and society. Our stewardship activities follow the FCM Stewardship Framework which can be found on the Foresight Group website.

We have fully integrated Environmental, Social and Governance ("ESG") considerations into our investment process and seek to evolve and improve our approach to meet industry best practices. The existing process includes a detailed sustainability assessment as well as financial due diligence of each company when considering an opportunity for investment.

The team then actively monitor portfolio companies to assess their performance and ESG credentials, endeavour to vote at all portfolio company meetings and, where required, collaborate with investors, and engage and constructively work with respective management teams and Boards to achieve improved outcomes for the shareholders of our Funds. This cyclical process is depicted in Figure 1. To ensure that capital is allocated to generate long-term value, we seek to understand, monitor and engage with portfolio companies regarding environmental, social and corporate governance matters.

**Figure 1: Our active management cycle**




We are long-term shareholders that seek to identify and invest in companies whose purpose aligns with the investment objectives of each respective Fund. We typically meet portfolio companies at least twice a year, primarily during formal one-on-one meetings. We also maintain ongoing ad hoc communications and attend regular corporate events held for investor communications. Our thorough due diligence process and regular communication with management teams ensure that we rarely encounter issues which require formal escalations.

# Voting

Voting forms an important part of our stewardship approach and the team's responsibilities to its investors.

We endeavour to vote at every meeting held by portfolio companies, covering all items on the voting ballot. Our voting process is summarised in Figure 2.

Our primary aim in all voting decisions is to safeguard the long-term interests of underlying investors. This involves upholding high corporate governance standards and promoting the adoption of sustainable practices.

Our team of analysts systematically review all resolutions ahead of shareholder meetings and raise concerns where appropriate. Additionally, we utilise third-party proxy research and advisory services, Glass, Lewis & Co. ("Glass Lewis" or "Proxy Adviser") to complement internal research. Glass Lewis is a leading independent provider of global governance services. Alongside preparing research, Glass Lewis provides voting recommendations against a pre-defined ESG policy and facilitates our voting through its software. Glass Lewis' voting recommendations serve purely to inform our voting decisions rather than dictate them. As a result, our votes may and do deviate from the recommendations of both portfolio company management and the Proxy Advisor. Glass Lewis' ESG policy can be found here. Our analysis and voting is based on each individual Fund's investment objectives and philosophy.

**Figure 2: Our voting process**

1. A vote is announced and we are notified by our proxy service, Glass Lewis. Resolutions are automatically assessed against Glass Lewis' recommendations and bespoke ESG policy.
2. Our analysts review resolutions on a case-by-case basis. Analysis based upon the Fund's investment objectives and philosophy takes precedence over Glass Lewis' recommendations.
3. The vote is either carried out or flagged for further review. Flagged votes will constitute resolutions considered material to the investment objectives of the Fund in question.
4. Flagged votes are further researched and a report is written and sent to the respective Fund Manager.
5. The Fund Manager, leveraging wider recommendations, will determine how we will vote, to support the long-term interests of underlying investors.
6. All voting activity is recorded in a Voting Log maintained by our team. Voting Activity summaries are produced and published on a quarterly basis on Foresight Group's website.

We aim to discuss any issues with management prior to voting against resolutions or abstaining from voting. Significant votes will likely feed into wider engagements aiming to address the emerging issue. See pages 6 to 8 for a breakdown of our engagement process.

# Engagement types

We carry out both proactive and reactive engagements.

The majority of our engagements are proactive, often focusing on recurring themes related to the investment objectives of our Funds such as Board diversity, UN Global Compact signatory status, and sustainability-linked remuneration.

**Figure 3: Engagement types**

**Proactive**

Proactive engagements involve actively reaching out to company management to discuss thematic issues that may impact long-term shareholder value.

**Reactive**

Reactive engagements are usually triggered by a specific event such as a controversy, a change in financial performance or an AGM resolution.

# Engagement categories

During data collection and the presentation of engagement activity, the team categorise engagements under 'Environment', 'Social' or 'Governance'.

**Figure 4: Engagement categories**

## Environmental

Environmental engagements cover topics such as GHG emissions, net zero commitments, energy reduction initiatives and environmental policies.

## Social

Social engagements cover topics such as Board gender diversity, social supply chain management and diversity and inclusion.

## Governance

Governance engagements cover topics such as UNGC compliance, sustainability linked and responsible executive remuneration, sustainability reporting and capital allocation.

# Engagement process and milestones

As part of our engagement process, we use a set of milestones: 'Outreach', 'Discourse' and 'Action'.

It is possible to conclude engagements at any milestone which is relevant to the desired outcome of the engagement. Where the engagement process does not reach the desired milestone, escalation will be considered as a course corrector. We maintain strong relationships with portfolio companies which support engagements reaching their desired milestone and reducing the need for escalation.

**Figure 5: Our engagement process**

| | |
|---|---|
| Outreach | The concern is raised in writing to the portfolio company. Outreach may be deemed adequate if, for instance, the issue has low materiality. If not, the engagement will proceed to **discourse.** |
| Discourse | A response from or a discussion with the company may provide us with confidence that the issue is resolved. However, if the discourse fails to resolve the issue, the engagement will proceed to **action**. |
| Action | Where discourse is inadequate or unsuccessful, we will request action from the company, outlining a pathway to resolution. If the company fails to commit to or complete the action within a timeframe that we deem appropriate, we will consider **escalation**. |

If at any stage the investment team would like to progress to the next engagement milestone but the company does not allow for this - for example, if the investment team would like a discussion but the portfolio company is not responding - the engagement will be marked as neutral or negative. The company will then be considered by the investment team for escalation.

# Engagement outcomes

Concluded engagements are categorised as 'Positive', 'Neutral', or 'Negative'.

An engagement is deemed complete upon either the achievement of its objective or its discontinuation. Where an engagement achieves its objective, it will be marked as having a 'Postive' outcome. Where an engagement is discontinued, it will be marked as having either a 'Neutral' or 'Negative' outcome.

**Figure 6: Engagement outcomes**

| | |
|---|---|
| Positive | Achieved or surpassed internal objectives or milestones for the engagement. |
| Neutral | Partial fulfilment of internal objectives or milestones. For example, a portfolio company may acknowledge an initial outreach with an unsatisfactory response, but the issue is deemed of low materiality. |
| Negative | Poor or absent response from the company where one was deemed necessary by our team. Negative outcomes are subject to escalation. |





# Escalation

Escalation is an important and integrated part of our engagement process. Where an issue has emerged with a portfolio company, we will look to engage to address it. We are long-term shareholders and invest in companies whose strategies align with our investment objectives. Companies are therefore typically receptive to our engagements and the issues which arise rarely result in the need for escalation. However, where engagement is not successful, there are serious concerns about the performance or strategy of a portfolio company, or where we have reason to believe that our rights as a long-term shareholder are being compromised, we may choose to escalate. We may open dialogue and write to or meet directly with management executives and Board directors to express our concerns. We may also seek to act collaboratively with other investors where appropriate. Our escalation process may include but is not limited to the following, as appropriate:

- Meeting directly with management or the Board to discuss concerns;
- Voting on or submitting resolutions;
- Intervening jointly with other institutions on particular issues;
- Divestment, if the desired outcome is not achieved.

As sustainability focused long-term shareholders, we want to ensure that ESG matters are not negatively impacting shareholder value over the long term. We maintain good relationships with portfolio companies, which generally tend to be open to engagement requests.

# 3. A year of *active* ownership

This section presents data and case studies to demonstrate our engagement activities with portfolio companies during the reporting year. This encompasses our voting, our regular company meetings and our specific engagements.

# Voting

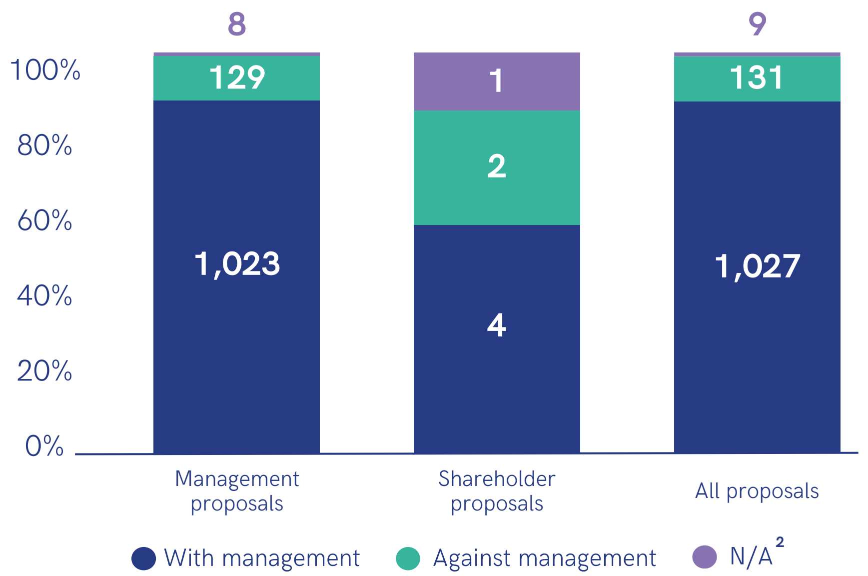
Voting at company meetings is a key component to active ownership and we voted at every eligible meeting last year.

**FY24[1] voting data**

| | Number | Proportion |
|---|---|---|
| Meetings voted at | 102 | 100% |
| Proposals participated on | 1,167 | 100% |
| Management resolutions voted against | 88 | 8% |
| Shareholder proposals supported | 1 | 14% |
| Votes with management | 1,027 | 89% |
| Votes abstained | 44 | 4% |

Across FY24, we participated in all 102 meetings and voted on all 1,167 proposals available. The majority of votes (89%) were in alignment with management, though where required we also voted against management resolutions (8%).

Our votes versus management, by proposal type




*1. The 2024 financial year ("FY24"): from April 1 2023 to March 31 2024.*
*2. Not all proposals receive recommendations from management.*

# Company meetings

**Regular meetings with portfolio companies form a key pillar of our stewardship approach and are vital in maintaining strong relationships with management teams.**

### FY24 meeting data

Across the reporting year, we held 183 meetings with portfolio companies which involved meeting with 78 distinct portfolio companies. A strategy level breakdown of this coverage for the reporting year has been provided below.

| FCM Strategy | Proportion of Fund with at least one meeting[3] in FY24 |
|---|---|
| Foresight UK Infrastructure Income Fund ("FIIF") | 100% |
| Foresight Global Real Infrastructure Fund ("GRIF") | 92% |
| Foresight Sustainable Real Estate Securities Fund ("REF") | 87% |
| Foresight Sustainable Themes Fund ("SFT") | 85% |

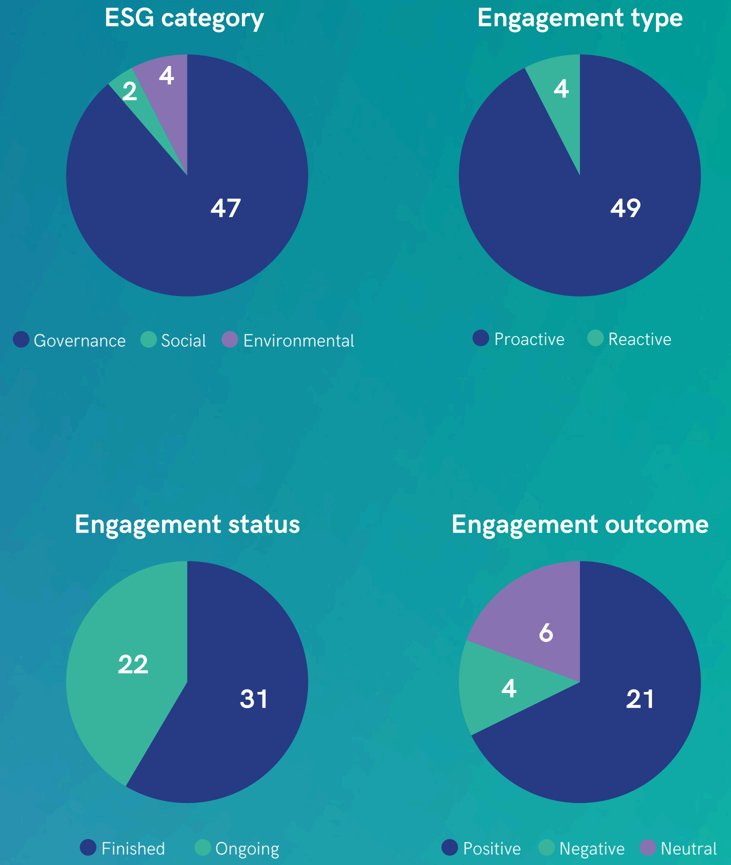
*3. Total meetings held include Management, Board and Group Investor Meetings, ESG Meetings, Engagement with Other Investors, and Site visits. Due diligence meetings have not been included.*

# Engagement topics

## FY24 engagement data

Governance issues dominated our ESG engagement topics, with proactive engagements being far more common than reactive ones. A significant number of engagements are still ongoing. Among completed engagements, positive outcomes were more frequent than negative or neutral ones.

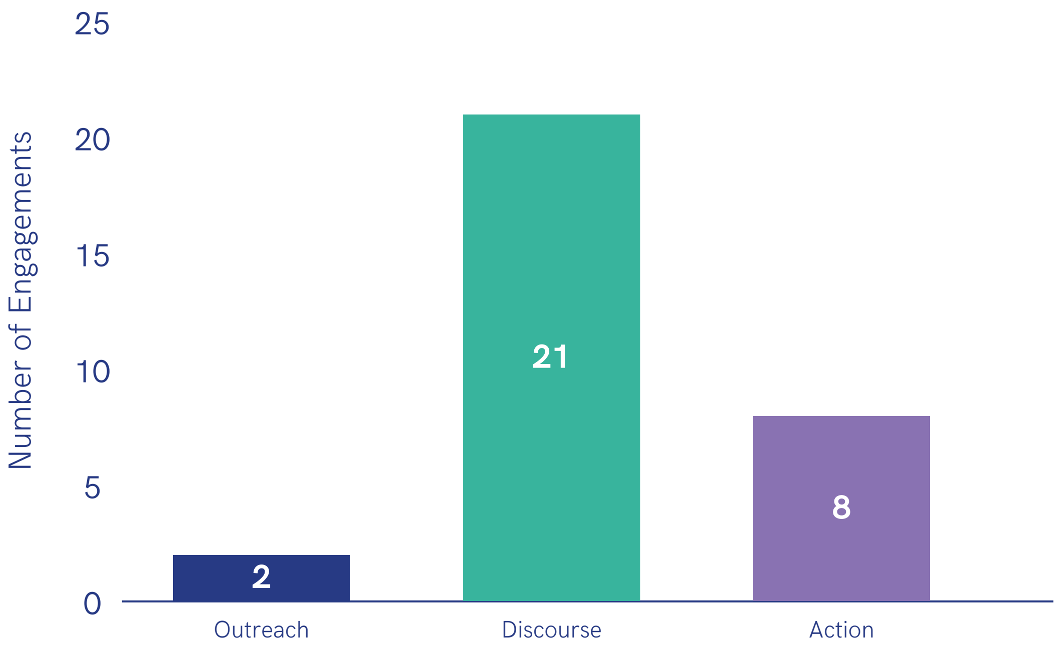
Figure 7: Map showing the domicile countries of portfolio companies engaged during FY24. Darker colouring represents higher engagement frequency.



## FY24 engagement data continued

Engagements covered a broad range of topics, with a focus on LCIC[4] cost disclosures and capital allocation. Though most engagements were conducted independently, there was also a concerted focus on taking a collaborative approach. Our engagements were mostly completed at the 'Discourse' stage, with fewer at 'Action' and 'Outreach'.

Milestone at which engagement was completed[5]




| Engagement topic | Number of engagements |
|---|---|
| LCIC Cost Disclosures | 22 |
| Capital Allocation | 9 |
| UN Global Compact Signatory | 6 |
| Management Succession | 4 |
| Remuneration | 1 |
| Board Gender Diversity | 2 |
| Audit Tenure | 1 |
| Sustainability Reporting | 1 |
| Science-based Targets | 1 |
| Green Leasing | 1 |
| Financial Disclosures | 1 |
| Clean Energy Policy | 1 |
| Board Requisition | 1 |
| Sustainability Linked Remuneration | 1 |
| Company Merger and Remuneration | 1 |
| **Total** | **53** |

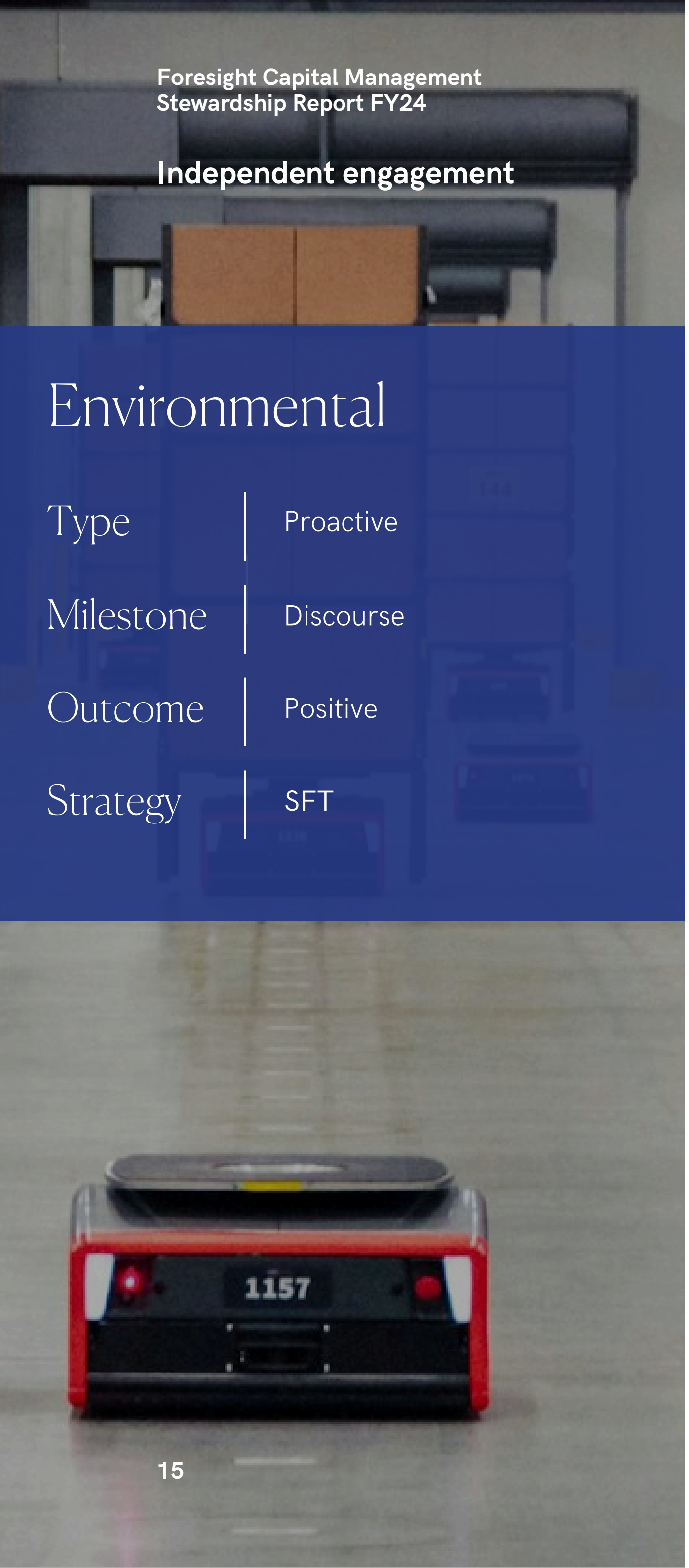
| Engagement conducted by | Number of engagements |
|---|---|
| Independent | 28 |
| Collaborative | 24 |
| Signatory only | 1 |
| **Total** | **53** |

*4. Listed Closed Ended Investment Company ("LCIC"), see section 4 for further information.*
*5. This does not include escalations or ongoing engagements.*

# Company engagement case studies

The following case studies are provided to demonstrate the nature of our engagements with specific portfolio companies.

Independent engagement




## Environmental

| | |
|---|---|
| Type | Proactive |
| Milestone | Discourse |
| Outcome | Positive |
| Strategy | SFT |

# GXO Logistics, SBTi Net Zero Targets

GXO

## Background

GXO Logistics Inc. ("GXO") is an American logistics solutions provider for multinational companies and blue-chip customers. The Company manages outsourced supply chains, warehousing and reverse logistics. In 2021, the Company committed to being 100% carbon neutral by 2040. Though we were glad to see GXO setting ambitious decarbonisation targets, we wanted to be confident that GXO were following appropriate decarbonisation frameworks, timelines and milestones to underpin the target.

## Engagement

In May 2023, we engaged with GXO to ascertain whether the Company had plans to pursue SBTi accreditation to ensure their 2040 commitment was a credible, scientifically grounded emission reduction goal. GXO outlined that they were actively looking at SBTi verification but wanted to ensure that they had their Scope 3 emissions fully mapped out first. Further, the Company communicated that all their targets were grounded in scientific methodology, just that they were not currently verified by the SBTi. We outlined that we will always encourage and applaud initiatives to get SBTi-verified targets.

## Outcome

With the new understanding of why GXO's current 2040 target was not SBTi-accredited, and the reassurance that their 2040 target was grounded in a scientific methodology, we were assured that the executive management were appropriately considering the matter at hand. We will continue monitoring the Company for future SBTi-verification.

Independent engagement

# Governance

| | |
|---|---|
| Type | Proactive |
| Milestone | Action |
| Outcome | Positive |
| Strategy | REF, SFT |


# Arena REIT, UN Global Compact signatory status

## Background

Arena REIT ("Arena") owns a portfolio of Australian real estate assets across sectors including childcare, healthcare, education and government tenanted facilities. The Company's overarching approach to sustainability is to actively seek out 'Partnerships for Change' and deliver mutually beneficial outcomes for their tenants, communities and other stakeholders. Though the Company looks to be a leader within its investment sector, it is not yet a signatory to the UN Global Compact. Alignment with the UN Global Compact is a core pillar of our sustainable investment criteria, and we look to encourage our holdings to become signatories to the framework.

## Engagement

In November 2023, we contacted Arena's Chief of Investor Relations and Sustainability enquiring if the Company had considered becoming a signatory of the UN Global Compact. We outlined that UN Global Compact signatory status helps companies position themselves as leaders in ethical business practices, environmental stewardship and social responsibility.

## Outcome

In response to our outreach, Arena detailed that their key deliverables targeted for completion during FY24 were focused on their Modern Slavery Statement and the implementation of a Supplier Code of Conduct. Arena communicated that in FY25 they expected to be in a position to consider membership of a collaborative forum, such as the UN Global Compact, and would liaise with us further at that point in time. By providing a pathway and a timeline to potential UN Global Compact signatory status, we are confident that Arena is seriously assessing the matter. Monitoring will continue and we look forward to further discourse on the topic in FY25.

# Escalation case studies

### Introduction

The case studies outlined next illustrate how we escalated to preserve long-term shareholder value in several different scenarios. These escalations culminated in a strategic review recommendation in the case of GCP Asset Backed Income Fund and a divestment decision in the case of Keppel Infrastructure Trust.

Please note that the Keppel Infrastructure Trust escalation was completed prior to the start of the FY24 reporting year. We believe however that the case study appropriately illustrates situations where we will divest from portfolio companies if there is deemed to be a material misalignment between a Fund's investment objectives and the portfolio company strategy.

### The role of due diligence

Prior to any initial investment, we perform detailed due diligence on prospective holdings to make sure that their day-to-day operations and long-term strategies align with the investment objectives of the our Fund in question. It is therefore uncommon that significant misalignments with a Fund's investment objectives occur and a subsequent need for divestment is triggered.

**Individual and collaborative escalation**

## Governance

| | |
|---|---|
| Type | Proactive |
| Milestone | Action |
| Outcome | Positive |
| Strategy | FIIF |

# GCP Asset Backed Income Fund Ltd, strategic review

## Background

GCP Asset Backed Income Fund Ltd ("GABI") is a Jersey-based closed-ended investment company. The Company invests in a diversified portfolio of asset-backed loans across the social infrastructure, property, energy, infrastructure and asset finance sectors. Following a period of events over 2023 which included rising interest rates, the resignation of the Lead Fund Manager and changes to the investment team, and the persistence of a significant discount to Net Asset Value, we commenced engagement with the Board to request a strategic review.

## Engagement

We held one-to-one meetings with the Board and Manager throughout 2022 and 2023. We also participated in round table discussions with the Board, corporate advisors and other large shareholders in Q3 2023. Further, we requested the Board consider various options to return capital to shareholders including a tender option at NAV. In Q4 2023, the Board requested formal feedback from shareholders on the future prospects of the vehicle with main options including a continuation of the Company with partial capital returns, an orderly wind-down or a complete sale. The engagement consisted of a consultation period during which our team met with and communicated with GABI's Chairman. We shared our views on the viability of the vehicle in the changed macro landscape and supported a full and orderly wind-down or complete sale of the share capital of the Company.

## Outcome

In March 2024 GABI released the results of the strategic review which recommended a managed wind down. We expressed support for this outcome during the strategic review. The amended investment policy and objective was put to vote at the company's next AGM and we voted in favour for a managed wind down but against the proposed fee structure. The engagement was deemed positive as the engagement encouraged action which focused on preserving shareholder value and facilitated a resolution that our team supported.

# Environmental Divestment

| | |
|---|---|
| Type | Reactive |
| Milestone | Discourse |
| Outcome | Negative |
| Strategy | GRIF |

# Keppel Infrastructure Trust, fossil fuel asset exposure

KEPPEL INFRASTRUCTURE TRUST

## Background

Keppel Infrastructure Trust ("KIT") is a Singaporean listed business trust that invests in a diversified portfolio of infrastructure and infrastructure-like businesses and assets. In December 2020, KIT announced a deal to acquire a petroleum storage asset in the Philippines. KIT's deal represented a departure from the Company's prior focus on assets aligned to the energy transition. The deal required immediate escalation as it fell short of GRIF's sustainable investment mandate.

## Engagement

In response to the announced deal, we convened an immediate meeting with KIT's CEO, Head of Investments and Head of Finance. Discussions with the Company's executive management led us to conclude that there were no suitable mitigations identified for the acquisition, whilst the management team would not rule out future investments in fossil fuel-related assets with new capital.

## Outcome

Our final assessment was that the Company no longer met the sustainable investment mandate of the Fund and therefore the portfolio managers decided to divest fully from KIT.

# 4. Wider stakeholder engagements

Across FY24, we engaged widely on issues relating to the costs and charges that listed closed-ended funds must disclose. We also sought to engage with the UK government regarding their commitment to their net zero policies.

We aim to actively engage beyond our portfolio companies to help safeguard a well-functioning market and to promote a positive environment for sustainable investing.

This engagement involves monitoring the political and legislative landscape, participating in industry working groups and seizing opportunities to advance the investment objectives of our Funds.





# LCIC Cost Disclosures

## Introduction

The FY24 reporting period saw our team engaging widely on issues relating to the costs and charges that listed closed-ended funds must disclose. Guidance from the Investment Association on closed-ended fund cost disclosures has led to the confused notion that investment companies have costs in the same way that other funds, such as Open-Ended Investment companies ("OEICs"), have costs. As a result, investment companies have appeared more expensive to own and therefore less attractive to investors. Intermediaries such as Independent Financial Advisers ("IFA") and wealth managers have been actively selling out of the sector to reduce the overall cost of their portfolios, to remain competitive and seek to provide their clients with value for money. It is our belief that the regulations governing fee disclosure have resulted in distortions in the market, restrictions on capital flows, and reduced opportunities for companies to raise equity capital in primary markets. This continues to represent a serious risk for the future growth of the sustainable infrastructure sector, and as significant stakeholders, we have actively called on policymakers to address the situation.

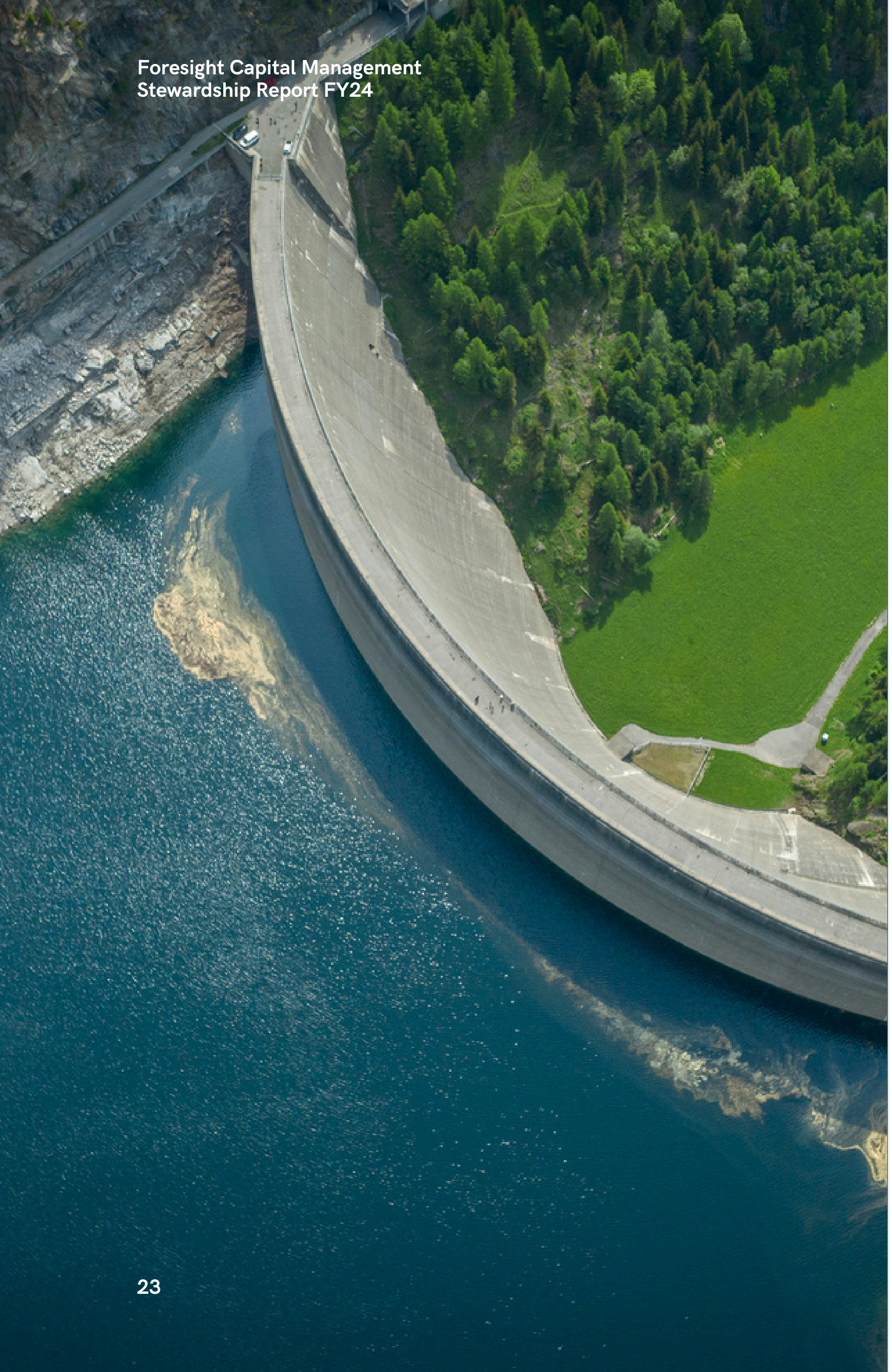
## Engagement

The team has collaborated with other stakeholders to urge portfolio companies that are members of the Association of Investment Companies ("AIC") to require the AIC's current position on disclosure requirements to be changed to appropriately reflect the nuances of the investment trust structure and the competitive landscape. This involved outreach to 22 portfolio companies. Further, we engaged directly with the UK Government by writing a letter to HM Treasury ("HMT") expressing support for a UK retail disclosure framework in which closed-ended investment companies whose shares are publicly traded in the UK are added to the 'excluded products' category from Consumer Composite Investments (formerly known as "PRIIPs") in Section 3 of the Draft Statutory Instrument.

Finally, Foresight Group co-signed a joint submission responding to the HMT Consultation led by the London Stock Exchange and co-signed by a large industry group of investment managers, investment company Boards and company advisors.

## Next steps

Though the engagement is still ongoing the FCA has taken some positive preliminary steps to remedy the situation. After November 2023's Autumn Statement saw moves by the Government to resolve issues around cost disclosure rules, the FCA outlined that it no longer considered it appropriate to aggregate the costs arising in underlying closed-ended funds with the ongoing charges in the Undertakings for the Collective Investment in Transferable Securities ("UCITS") Key Investor Information Document ("KIID"). Furthermore, a wider set of reforms and legislative changes on cost disclosures in the UK have pointed to the fact that legislative change to enable fairer regulatory treatment of the closed-ended sector is emerging. There is increasing acknowledgement by industry and regulation that the current disclosure framework is wrong, and we will continue to engage on this issue until the issue is appropriately resolved.





# The UK Government's commitment to the net zero transition

As long-term investors in many companies which support the UK's net zero transition, we are keenly aware of the importance of a robust and consistent policy environment. In 2023, political developments raised concerns that the UK Government was backtracking on vital policy measures required to facilitate the UK's net zero transition. A consistent policy environment is pivotal for investors looking to make long-term net zero investment decisions.

For this to happen the UK Government must uphold the 'four Cs' that make-up effective policymaking – Certainty, Consistency, Clarity and Continuity. Delaying key climate targets and lowering the ambition of existing government policies raises the risk that investment will flow to regions and nations that are taking a more consistent, long-term approach. It is materially important therefore to our Funds that the UK Government does not waver on its net zero commitments and slow investment into the sector.

In response to these fears, in September 2023, Foresight Group joined financial institutions representing £1.5 trillion assets under management in signing an open letter which urged the Government to uphold its climate ambitions and warned that recent rhetoric risked stopping the finance sector from making the transformative investments needed to reach net zero and grow the economy.

# 5. FY25 priorities: implementing SDR

The Summer of 2024 will see the UK FCA's Sustainability Disclosure Requirements ("SDR") come into effect. We are focusing on ensuring our Funds align with the incoming regulation.

# Background

As part of SDR, firms will select labels for products seeking to achieve positive sustainability outcomes. The four labels – Sustainability Focus, Sustainability Improvers, Sustainability Impact, and Sustainability Mixed Goals – will help consumers differentiate between different sustainability objectives and different investment approaches to achieve those objectives. After careful assessment, we have elected to use the Sustainability Focus label for all eligible Funds. In accordance with the regulation, we have constructed, and will disclose against, a set of Key Performance Indicators ("KPIs") for each Fund which will be used to measure performance towards each Fund's investment objective.

# Engagement

In 2023, the UK Sustainable Investment and Finance Association ("UKSIF") – the leading membership organisation for sustainable and responsible finance in the UK - convened a working group to consult on the proposed SDR policy. Recognised as important stakeholders within the sustainable investment industry, our team was invited to join the working group. Our Sustainability Lead actively participated in regular meetings, collaborating closely with UKSIF and other industry stakeholders over a nine-month period. Contributing to the development of the policy was crucial; with our team both committed to the strengthening of the UK's sustainable investment landscape and the incoming SDR set to significantly impact our UK-domiciled Funds.



# Key performance indicators and escalation

The SDR KPIs are a set of quantitative factors against which portfolio companies will be assessed. We have previously been monitoring and engaging with portfolio companies over many of these factors, but SDR compliance will represent further formalisation of this process. The KPIs will feed directly into proactive, thematic engagements for the next reporting year, ensuring synergy between our stewardship and our reporting. Though the SDR labelling is limited to funds distributed in the UK, the KPIs will be used internally across all Funds for monitoring and to trigger engagements. To effectively track and monitor the impacts of our Funds, high data quality and coverage across companies is necessary. Therefore, in addition to engaging with portfolio companies on their performance against the KPIs, we will encourage them to adopt and/or maintain robust reporting practices. The KPIs identified for each Fund will be available to view once the regulation is live in the summer of 2024.

To outline what ‘good’ performance against specific KPIs constitutes, we will disclose acceptable thresholds for each KPI. If a portfolio company does not meet the acceptable threshold, an engagement will be triggered. Should the company remain below the KPI threshold and engagement yield a negative outcome, we will escalate within a maximum of one reporting year. Future SDR KPI escalations will be communicated in that year’s Stewardship Report. We anticipate engaging prior to breaching any SDR KPI thresholds, as we always look to proactively address any decreasing KPI-linked performance. Across the next financial year, we will strategically focus on integrating SDR into our active ownership and reporting processes.

# Disclaimer

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