

UK SUSTAINABILITY-RELATED DISCLOSURES – PRE-CONTRACTUAL DISCLOSURE

1. Introduction

- 1.1 In November 2023, the UK's Financial Conduct Authority ("FCA") published the final rules on Sustainability Disclosure Requirements ("SDR") and investment labels, with the first requirement, the FCA's anti-greenwashing rule, taking effect from 31 May 2024. The SDR enables in-scope UK-domiciled funds to apply the FCA's sustainability investment labels from 31 July 2024. At present, the SDR and investment labels will only apply 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 in Q3 2024.
- 1.2 Although Foresight Environmental Infrastructure Limited (the "Company" or "FGEN"), as a Guernsey company, does not fall within the scope of the SDR and investment labels, the Board and Foresight Group LLP (the "Investment Manager") believe that the nature of FGEN's business and strategy is intrinsically aligned to the goal of a greener and less carbon intensive future. FGEN is already disclosing under Article 9 of the EU's Sustainable Finance Disclosure Regulation ("SFDR"), as a fund that has sustainable investment as an objective, and the Board and Investment Manager consider that the FCA's SDR is a key step to enable UK investors to have better confidence with respect to sustainable investment products. As a result, FGEN is voluntarily seeking to demonstrate alignment with the SDR's Sustainability Focus investment label (for funds that invest mainly in assets that focus on sustainability for people or the planet) as a matter of best practice, and has therefore made available certain disclosures in accordance with chapter 5.3 of the FCA's ESG Sourcebook.
- 1.3 Where applicable, the cross-references in the table below indicate where the relevant information of the Company can be found within FGEN's existing sustainability-related disclosures published on the Company website in accordance with the EU SFDR (the "[SFDR Annex](#)")::

SDR disclosures (in accordance with ESG 5.3.3R)	Relevant disclosure and/or cross-reference to the relevant information in the SFDR Annex
(a) FGEN's sustainability objective (ESG 5.3.3R(2));	Relevant information set out in response to the question of the SFDR Annex: <i>What is the sustainable investment objective of this financial product?</i>
(b) any material effect (including expected effect), on the financial risk and return of the Company as a result of investment strategy (ESG 5.3.3R(2)(a));	Relevant information set out within the Company's <a href="#">Investment Policy</a> , available on the Company website. Full detail on the risks of investing into the Company are set out in the Company's <a href="#">Prospectus</a> .
(c) the link between FGEN's sustainability objective and a positive environmental and/or social outcome (ESG 5.3.3R(2)(b));	Relevant information set out in response to the questions of the SFDR Annex:  (1) <i>What is the sustainable investment objective of this financial product?</i>  (2) <i>What sustainability indicators are used to measure the attainment of the sustainable investment objective of this financial product?</i>
(d) any material negative environmental and/or social outcomes that may arise when pursuing FGEN's sustainability objective (ESG 5.3.3R(2)(c));	Relevant information set out in response to the following questions of the SFDR Annex:  (1) <i>How have the indicators for adverse impacts on sustainability factors been taken into account?;</i>  (2) <i>How do sustainable investments not cause significant harm to any environmental or social sustainable investment objective?; and</i>  (3) <i>Does this financial product consider principal adverse impacts on sustainability factors?</i>
(e) details of FGEN's investment policy and strategy (ESG 5.3.3R(3));	Relevant information set out within the Company's <a href="#">Investment Policy</a> , available on the Company <a href="#">website</a> .  Further relevant information set out in response to the question of the SFDR Annex: <i>What investment strategy does this financial product follow?</i>

<p>(f) how FGEN determines the Company's assets, including the criteria it applies in determining the sustainability characteristics of those assets(ESG 5.3.3R(3)(a));</p>	<p>Relevant information set out in response to the following questions of the SFDR Annex: <i>What are the binding elements of the investment strategy used to select the investments to attain the sustainable investment objective?</i></p>
<p>(g) the standard which FGEN relies upon when selecting assets for the Company (ESG 5.3.3R(3)(b));</p>	<p>FGEN commits that a minimum proportion of 80% (by value) of the Company's investments will be aligned with the specific standards and criteria for "environmentally sustainable activities" under the EU Taxonomy.</p> <p>Further relevant information set out in response to the question of the SFDR Annex: <i>To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?</i></p>
<p>(h) the proportion of assets that are invested in accordance with FGEN's sustainability objective (ESG 5.3.3R(3)(c));</p>	<p>Relevant information set out in response to the question of the SFDR Annex: <i>What is the asset allocation and the minimum share of sustainable investments?</i></p>
<p>(i) details of FGEN's policies and procedures to monitor the performance of the Company to achieve its sustainability objective (ESG 5.3.3R(5));</p>	<p>Relevant information set out in response to the following questions of the SFDR Annex:</p> <ol style="list-style-type: none"> <li>(1) <i>How do sustainable investments not cause significant harm to any environmental or social sustainable investment objective?</i></li> <li>(2) <i>How have the indicators for adverse impacts on sustainability factors been taken into account?</i></li> <li>(3) <i>What is the policy to assess good governance practices of the investee companies?</i></li> </ol>
<p>(j) the key performance indicators ("KPIs") for the Company (ESG 5.3.3R(6) and (8));</p>	<p>Relevant information is set out in response to the question of the SFDR Annex: <i>What sustainability indicators are used to measure the attainment of the sustainable investment objective of this financial product?</i></p> <p>In respect of the Investment Manager's escalation plan regarding any assets that do not demonstrate sufficient performance against either FGEN'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 defines the kind of investments that can be made. This inherently limits the likelihood of an investment being made into an asset that is not aligned to the sustainable investment objective nor meets 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 fund is looking to invest in. Any potential investments that do not meet the funds objectives can be identified by the Fund Management and Sustainability teams at the earliest stages of a potential investment.</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 participates in Investment Committee to ensure the requirements around sustainability and ESG are appropriately represented.</p> <p>Alongside the Investment Manager’s Investment Committee process, each potential investment is presented to and approved by the FGEN Board, which includes the members of the FGEN ESG Committee. Investments that do not align with fund’s sustainable investment objective will not be progressed.</p> <p>Post-Investment</p> <p>The FGEN ESG committee is held as a minimum twice a year. With the Investment Manager presenting an ESG Committee paper for their review and consideration. The Committee and the FGEN Board review performance against the fund’s ESG objectives, the stipulated KPIs and other sustainability and ESG metrics. If performance against these targets is not as expected, this is interrogated by the ESG Committee and subsequent actions taken to address the highlighted issues. The Fund Managers and members of the Portfolio and Sustainability team are present in the ESG Committee meetings to help identify the appropriate actions to be implemented in order to improve performance.</p> <p>Finally, in the event that an investment is deemed to be in breach of the Company’s sustainable investment objective, or where it no longer meets the sustainable investment objective, or where 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 FGEN'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>Stewardship Strategy</p> <p>By and large, FGEN makes direct investments, often acquiring 100% of the project companies or taking majority stakes in the projects it invests into, limiting barriers to effective stewardship of assets. Given that it has direct control over the majority of its investments, FGEN has authority to direct activities consistent with improving the sustainability and ESG performance of its portfolio. Therefore, the stewardship it undertakes on behalf of its investors relates more to the interactions the Company has with its third-party service providers and broader stakeholder groups.</p> <p>In these interactions, FGEN makes clear its requirements and expectations around sustainability and ESG factors, stewarding its value chain towards better performance in these areas. While the nature of the environmental infrastructure investments largely substantiates achievement of the Company's sustainable investment objective, good management of sustainability and ESG factors has the capacity to further enhance the environmental benefits the portfolio provides.</p> <p>The key mechanisms for driving this engagement and stewardship within the value chain are:</p> <ul style="list-style-type: none"> <li>- FGEN’s ESG Objectives (available on pg 73 of the Company’s <a href="#">Annual Report 2024</a>)</li> <li>- FGEN’s sustainability linked Revolving Credit Facility</li> <li>- The Investment Manager’s Supplier Code of Conduct</li> <li>- The Investment Manager’s Portfolio Sustainability Metrics data collection, analysis and reporting</li> <li>- The Investment Manager’s active asset management approach</li> </ul> <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 both the Infrastructure and Investment &amp; Stewardship modules. Foresight</p>

	<p>believes that good governance is essential for FGEN’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, FGEN has a clear governance structure in place (see pg 71 of the Company's <a href="#">Annual Report 2024</a> for Governance structure) to ensure that management and monitoring of sustainability and ESG risks and opportunities are embedded into the decision-making processes of the Company, including its investment and portfolio management activities.</p> <p>Through this governance approach, FGEN’s Board of Directors are supported and advised by a broad team of people with significant experience across the environmental infrastructure and wider sustainability landscape.</p> <p>The FGEN ESG Committee paper is presented to the fund’s ESG Committee on a bi-annual basis. The paper includes fund performance against the fund’s stated objectives. The ESG committee is also attended by the Fund Managers, Portfolio Lead and members of the Sustainability team. Any initiatives to better the performance and responsible management of assets are agreed in the committee meetings.</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>Further relevant information is set out in response to the following questions of the SFDR Annex:</p> <ul style="list-style-type: none"> <li>- <i>What is the policy to assess good governance practices of the investee companies?</i></li> </ul>
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Disclaimer

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