



Foresight

FOR A SMARTER FUTURE

Foresight Italian Green Bond Fund SFDR Product Disclosure

March 2021

SUMMARY

The Foresight Italian Green Bond Fund (“IGB” or “the fund”) will invest in small and medium sized renewable energy and energy efficiency projects in Italy through senior secured, fully amortising, listed green bonds.

IGB is considered to be an Article 9 product for the purposes of the Sustainable Finance Disclosure Regulation.

SUSTAINABLE INVESTMENT OBJECTIVE

The fund has a climate change mitigation objective by virtue of financing renewable energy and energy efficiency projects.

INVESTMENT STRATEGY

The fund implements a direct lending strategy by underwriting Bonds issued by portfolio companies. The proceeds of the bonds are used to by the portfolio companies to finance or refinance the construction of energy infrastructure projects in the solar PV, onshore wind and energy efficiency sectors in Italy (the Projects). The portfolio companies are the sole owners of the projects.

PROPORTION OF INVESTMENTS

We expect all of the investments in the fund to be environmentally sustainable investments in accordance with the Taxonomy Regulation. However, the Taxonomy Regulation does not yet have finalised technical screening criteria for all six of its environmental objectives. Given the diversity of projects that the fund invests in, the proportion of investments that will qualify as environmentally sustainable under the EU Taxonomy will be reviewed once the technical screening criteria have been complete.

MONITORING

The investments require Green Bond Certification under the Green Bond Principles. The criteria against which a Bond is reviewed are grouped under four Principles:

- Principle One: Use of Proceeds. The Use of Proceeds criteria are guided by the requirement that an issuer of a green bond must use the funds raised to finance eligible activities. The eligible activities should produce clear environmental benefits.
- Principle Two: Process for Project Evaluation and Selection. The Project Evaluation and Selection criteria are guided by the requirements that an issuer of a green bond should outline the process it follows when determining eligibility of an investment using Green Bond proceeds and outline any impact objectives it will consider.
- Principle Three: Management of Proceeds. The Management of Proceeds criteria are guided by the requirements that a green bond should be tracked within the issuing organization, that separate portfolios should be created when necessary and that a declaration of how unallocated funds will be handled should be made.
- Principle Four: Reporting. The Reporting criteria are guided by the recommendation that at least Sustainability Reporting to the bond investors should be made of the use of bond proceeds and that quantitative and/or qualitative performance indicators should be used, where feasible.

Metrics used to assess, measure and monitor the environmental characteristics of investments include:

Indicator	Metric
Employment during construction - temporary jobs	Person years
Employment during operation -permanent jobs	Full-time equivalents
Baseline GHG emissions (e.g. reference scenario without investment implementation)	kt CO ₂ e/a
Absolute GHG emissions (e.g. after investment implementation)	kt CO ₂ e/a
GHG emissions saved or avoided	kt CO ₂ e/a
Electricity generation capacity from renewable energy sources	MW
Electricity generation capacity from conventional energy sources	MW
Electricity produced from renewable energy sources	GWh/yr
Electricity produced from conventional energy sources	GWh/yr
Thermal produced from renewable energy sources	GWh/yr
Households which could be supplied with the energy generated by the project	No. of households
Electrical Energy Efficiency achieved	%
Thermal Energy Efficiency achieved	%

DATA SOURCES AND PROCESSING

Foresight has robust processes in place to capture data and report on environmental and social characteristics. Additionally, Foresight has a long history of adapting its data collection processes to specific reporting requirements of a wide range of sustainability-focused investors. To ensure environmental and social performance measures are accurate and reliable, where appropriate, Foresight may commission assessments by third party providers. This enables us to provide information that is as accurate and scientific as possible. To maintain a level of transparency and professionalism, this information is distributed to all investors, whether or not they have formal frameworks in place. The data collected during third party audits may also provide results concerning H&S performance as well as adherence to other ESG-related regulations.

Team members will gather information to complete the SEC scoring for particular assets from a variety of sustainability due diligence tools. A common example is a due diligence questionnaire which is given to key project counterparties to complete in order to gather critical information, such as their approach to governance. We will also request access to policies that cover topics such as modern slavery, diversity promotion, employee growth and corporate social responsibility (“CSR”). Other examples include expanding our adviser engagements to report in greater detail on community engagement during planning or the impact of projects on local communities and their environment. It is also worth noting that certain data is collected for aggregation purposes so as to be able to assess the portfolio’s overall sustainability performance and enable concise reporting of this information to investors and regulators.

To develop Sustainability and ESG performance targets, collected datapoints are compared against industry standards. While Foresight's assets generally outperform the industry standard, areas in which they do not are immediately focused on for improvement. Targets are set in order to ensure these improvements are made and designated individuals will be accountable for their delivery. This target-setting process may also in turn impact the Minimum Thresholds that have been set for relevant assessment parameters within the SEC framework. An asset's SEC score is re-evaluated on an annual basis as a means of monitoring the Sustainability credentials and performance of that asset. Any decline in scores is to be reviewed and reconciliatory measures implemented in order to bring the asset's overall performance above the Minimum Threshold and, at the very least, in line with the pre-investment scoring.

LIMITATIONS TO METHODOLOGIES AND DATA

Limitations in the above methodologies and data collection processes revolve mainly around the differences that exist at the project level. It is not always possible to capture like-for-like data on each project making direct comparisons of an investment's sustainability characteristics difficult. However, the Sustainability Evaluation Criteria is flexible enough to be used with all assets, despite differences in data availability. Meanwhile, the fund strategy and choice of assets being invested in ensure the environmental and social characteristics promoted by the fund remain unaffected. The Sustainability Evaluation Criteria is a constantly evolving tool that is updated as and when required, with the eventual aim of making the evaluation of an asset's sustainability performance as uniform as possible.

Of the sustainability metrics listed above, the calculations for GHG emissions avoided and homes powered are based off IPCC data tables and national energy use statistics respectively. It is worth noting that there are numerous different data points and sources that could be used in the calculation of these statistics that may result in slightly varied results, none of which would jeopardise the environmental or social characteristics promoted by the fund. Foresight seeks to use only the most reliable and robust data available in these calculations to ensure they stand up to scrutiny and updates the calculation methodologies as regularly as is required to ensure the data stays current.

DUE DILIGENCE

The fund's due diligence process includes engaging lawyers, consultants, independent valuers and financial model auditors to advise on Company investments.

ENGAGEMENT POLICIES

Following the successful completion of an investment, Foresight adopts an active and hands-on approach to the asset management of all projects in order to maximise long-term value creation. This includes oversight of construction progress; detailed portfolio monitoring to ensure any operational issues are highlighted and addressed expediently; oversight of continual preventative maintenance; and identification of opportunities to enhance performance or upgrade assets from a financial and sustainability point of view.

ATTAINMENT OF THE SUSTAINABLE INVESTMENT OBJECTIVE

The fund does not use an EU Climate Transition or Paris-aligned benchmark as a reference. Nonetheless, it is clear that in order to achieve the targets agreed under the Paris Climate Agreement, further renewables growth will be required.

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