BUSINESS REVIEW

WHAT'S IN THIS SECTION

BUSINESS REVIEW

Foresight's investment strategies are designed to generate long-term investment returns that have a positive impact on the world and create a sustainable legacy for future generations.

Investment

INFRASTRUCTURE

Foresight is one of Europe's most established real assets investors. Our infrastructure investment strategy focuses on all forms of renewable energy and waste projects, as well as batteries, reserve power and interconnectors. In addition, we invest in transport businesses, social infrastructure, broadband companies and natural capital.

71%
of AUM

59%
of revenue

PRIVATE EQUITY

Foresight is one of the most active UK regional SME investors, having supported nearly 300 companies through various economic cycles. We partner with promising SMEs across all sectors and deal stages, and work together to achieve long-term sustainable growth. Each year we review over 2,200 business plans and are currently supporting more than 120 SMEs.

11%
of AUM

28%
of revenue

FORESIGHT CAPITAL MANAGEMENT ("FCM")

Our FCM Team applies private market expertise to opportunities in listed markets. The FCM Team and investment approach were established in 2017 to facilitate retail and institutional investors accessing infrastructure, renewables and real estate investment opportunities through actively managed open-ended funds investing in listed securities.

18%
of AUM

13%
of revenue

Distribution

INSTITUTIONAL

59%
Institutional AUM

RETAIL

41%
Retail AUM

INFRASTRUCTURE

AT A GLANCE

One of Europe's most established investors with sustainability at the heart of our investment process.

Total team of 110 investment, portfolio and technical professionals, including:

45 investment professionals, with broad infrastructure experience

55 asset management experts, who provide full lifecycle support from investment to exit

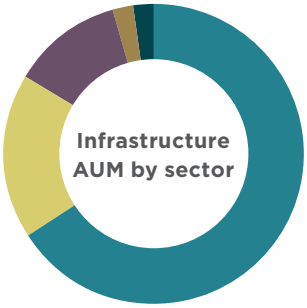
Foresight is one of Europe's most established real assets investors. Our sustainable investment strategies primarily focus on renewable energy generation; renewable energy enabling projects (such as flexible generation and battery storage); energy efficiency management solutions; social and core infrastructure projects; sustainable forestry assets; and decarbonisation technologies such as hydrogen.

337

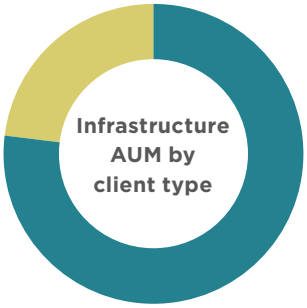
Assets managed

3.1GW

Total installed capacity



- Energy generating 66%
- Social and core infrastructure 18%
- Uncommitted 12%
- Low carbon and energy efficiency 2%
- Forestry 2%



- Institutional 77%
- Retail 23%

UK **242 assets**	Italy **58 assets**	Spain **23 assets**	Australia **5 assets**	Germany **2 assets**
Portugal **2 assets**	Netherlands **3 assets**	Finland **1 asset**	Sweden **1 asset**	

MARKET OPPORTUNITY

The infrastructure market is characterised by powerful long-term structural trends, in particular the transition to a low-carbon energy system. We are also seeing increasing emphasis on sustainable agriculture, aquaculture and natural capital, including the role of forests, soil and oceans in sequestering carbon and maintaining biodiversity.

- Strong global decarbonisation and green recovery agendas
- Energy security is a much greater priority for many governments, following Russia's invasion of Ukraine
- Sustainability-led investment is increasing across key markets
- Investors increasingly attracted to uncorrelated returns offered by sustainable infrastructure

Overview

As one of Europe's most established real assets investors, we provide a complete end-to-end solution for retail and institutional investors, from investment origination and execution, including sourcing and structuring the transaction, to the ongoing and active technical asset management of operating assets.

An important part of our approach is utilising our international presence to access the best available markets at any given time and originate new deals through established networks. Due to the Infrastructure Team's extensive experience and track record, Foresight is able to deploy and manage capital across a wide range of infrastructure sectors at various stages of an asset's life, from development, construction and operational. This creates further investment opportunities and generates strong returns on investment.

The asset management process focuses on operational performance, asset optimisation, commercial management and useful life enhancement, with the objective of generating sustainable long-term asset operations and associated economic benefits.

As at 31 March 2022, Foresight Infrastructure had AUM of £6.3 billion. The portfolio comprised 337 infrastructure assets across 15 asset classes, with a total installed capacity of 3.1GW. This included £4.0 billion of renewable generating assets in the UK, Europe and Australia, with 2.6GW of capacity, as well as 572MW of flexible generation and 11,385 hectares of forestry assets.

Sustainability at the heart of the investment process

To ensure that all Infrastructure investments meet our high standards of sustainability and ESG-related performance, we evaluate them using our Sustainability Evaluation Tool ("SET"). Our SET provides an objective view of sustainability credentials and performance through the use of recognised quantitative KPIs, guiding our team to the areas that require the most attention. The output from our SET forms an integral part of the investment approval process at Foresight.

We score investments against key assessment parameters, across five areas:

- Sustainable development contribution: contribution towards decarbonisation
- Environmental footprint: localised environmental impacts
- Social engagement: role in the local communities
- Governance: compliance with laws and regulations
- Third-party interactions: supply chain sustainability

All KPIs are weighted based on internal prioritisation and materiality assessments and scored from one to five. While we do not have a minimum score against each assessment parameter, we aim for all our assets to score at least an average of three out of five after mitigation and be consistent with the sustainability and ESG standards across the Foresight portfolio.

Once we have acquired an asset, our asset management team monitors performance and continually investigates ways to improve the asset's sustainability. During the year, we created a new module for sustainability KPIs within our management system. This allows us to centralise data on key environmental and social metrics and analyse our performance.

Capital deployment and fundraising

Foresight Infrastructure performed very well during the year. The team continues to position itself as a sustainability-led partner for projects in the low-carbon energy generation and enabling infrastructure, natural capital and social and core infrastructure sectors.

We invested across a wide range of funds and across multiple sectors and geographies. We invested further into our core asset classes, including solar, wind and forestry, continued our rollout of compressed natural gas fuelling stations and grew our footprint in biomass, which enables 24/7 energy generation. We also invested further in fibre networks in underserved communities, which will help people gain access to services and support economic levelling up.

The Infrastructure Team also expanded its investments into new asset classes, such as geothermal energy, pumped hydro, interconnectors and hydrogen, which are described in the case studies on pages 29, 31 and 33. These transactions have enabled us to develop platforms requiring development capital, while giving us access to large, long-term capital projects. As a result, we expect these asset classes to become part of our core business, as we add scale through diversification.

In total, we completed 41 transactions during the year, committing £484 million of capital.

The transactions also incorporate substantial future deployment rights totalling £427 million, to give a total potential investment secured in the year of £911 million. This is a significant increase on the total for FY21 of £642 million, which comprised £595 million of deployment and £47 million of future deployment rights, across 46 transactions.

85 DEGREES GEOTHERMAL ENERGY AND DISTRICT HEATING PROJECT

In October 2021, FEIP invested in a joint venture in a Dutch geothermal heat pipeline. This technology extracts heat from high-temperature water in the sub-surface of the earth and distributes it to surrounding houses and industry.

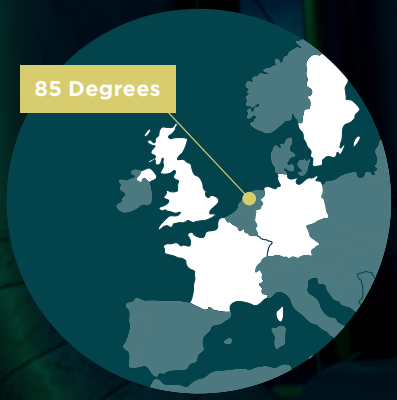
The investment includes the acquisition of operational wells and constructing new wells. There is also a significant pipeline of development projects, with a potential build out capacity of c.200MW.

Geothermal energy is a strategic priority for the Dutch government, because of the substantial role it can play in decarbonising domestic and industrial heating. The investment will also make a material social and economic contribution to local areas, by supplying price-competitive heat to farmers and residents within the vicinity of assets.

c.200MW

potential build out capacity

Significant pipeline of development projects



Capital deployment and fundraising continued

Fundraising was strong during the year. Foresight Energy Infrastructure Partners ("FEIP") completed its final close on 14 September 2021, securing total commitments of €851.4 million, 70% over the original €500 million target. Including co-investments to date of €170 million, this represents a total capital pool in excess of €1 billion for Foresight's energy transition strategy. Commitments were made by over 35 leading institutional investors from the UK, Europe and North America.

In November 2021, Foresight Sustainable Forestry Company Plc ("FSFC") successfully listed on the London Stock Exchange, raising gross proceeds of £130 million. This is the Group's first investment vehicle dedicated to forestry and offers a different economic profile to most listed funds, based on long-term capital growth and yield.

We also completed fundraises across a number of our existing funds, including strong additional fund flows from retail investors, who tend to generate relatively consistent inflows for us throughout the financial year.

During the year we had one mandate transfer to another investment manager, representing less than 3% of Foresight's AUM.

Infrastructure market outlook

The sustainability transition

The overall transition to sustainable energy and infrastructure can be categorised into three distinct phases, which frame the wide range of opportunities resulting from it. These phases are shown in the table below. We provide our institutional and retail investors with access to investment opportunities that address these three phases, as well as the broader core and social infrastructure markets. As we leverage our expertise and grow the scale of our investments in phases 2 and 3, they will increasingly become part of our core asset classes, continuing our growth.

Phase 1: Initial power transition

Phase 1 was characterised almost entirely by renewables being added to power grids, with no particular need to upgrade systems to accommodate them. During this phase, renewables became a mature and highly popular asset class for institutional investors. Phase 1 continues to present significant investment opportunities for us over the coming years.

Sectors of opportunity:

- Solar
- Onshore and offshore wind
- Bioenergy
- Hydro

Phase 2: Systemic power transition

As power systems in Europe, North America, China and elsewhere increasingly decarbonise, there is more focus on taking a systemic view of electricity production. This particularly relates to energy storage and grid flexibility, and new power transmission and distribution infrastructure. This informs the strategy of funds such as FEIP.

Sectors of opportunity:

- Battery storage
- Offshore wind transmission links
- Interconnector cables
- Geothermal energy
- Pumped hydro
- Electric vehicle charging infrastructure

Phase 3: Wider sustainable transition

In addition to energy, we need to address the c.70% of emissions from other segments of the global economy. Financing decarbonisation of these sectors is likely to be more complex than renewables but represents a large opportunity for investors.

Sectors of opportunity:

- Controlled environment food production (e.g. high-tech glasshouses, vertical farms or onshore fish farms)
- Clean and advanced transport (e.g. sustainable biofuels and electric vehicles)
- Industrial decarbonisation
- Hydrogen

MARESCONNECT INTERCONNECTOR

In February 2022, FEIP bought a majority stake in MaresConnect Holdings Limited (Ireland), which will construct a 750MW high-voltage direct current interconnector between Bodelwyddan in North Wales and Dublin, Ireland. The project is in the development phase. When complete, the interconnector will comprise a 245-kilometre cable running under the Irish Sea.

Interconnectors will play an important role in the energy transition.

They connect the electricity systems of different countries so they can trade excess energy generated, for example from renewable sources, preventing waste and ensuring the power systems are more sustainable and efficient.

MaresConnect is considered one of Europe's most important energy infrastructure projects. It will form part of a system that is secure, sustainable and affordable, and that integrates Ireland's renewable energy, thereby providing an essential contribution to the European Green Deal.

245km

cable running under the sea

750MW

interconnector

Market developments in FY22

During the period, there were a number of government and other announcements that supported Foresight Infrastructure's aim to decarbonise the energy system. These are summarised below:

- In April 2021, the UK Government announced a more ambitious climate change target, to reduce emissions by 78% by 2035 compared to 1990 levels. This will take the UK more than three-quarters of the way to reaching net zero by 2050. In the Balanced Net Zero Pathway set out in the Carbon Budget, in-year capital investment increases significantly during the 2020s and early 2030s, from around £10 billion in 2020 to around £50 billion by 2030.
- In July 2021, the European Commission unveiled its plan to meet its target of reducing emissions by 55% by 2030, as a first step towards carbon neutrality in 2050. The Commission proposed to increase the binding target for renewable energy in the EU's energy mix to 40%. To fund this, it is estimated that annual investment in the European energy system will need to increase by around €350 billion in the decade to 2030.
- In November 2021, government officials from around the world met at COP26 in Glasgow to discuss plans for tackling the climate crisis. This included an agreement to end and reverse deforestation by 2030, signed by countries covering 85% of the world's forests. FSF intends to invest up to 10,000 hectares into afforestation projects in its first year, contributing c.1/3rd of the annual target of the UK Government.

More recently, Russia's invasion of Ukraine has caused a significant increase in governments' focus on energy security, particularly in Europe, where a number of countries are reliant on Russian fossil fuels. This has given even greater momentum to policy changes driving the transition to clean energy.

In April 2022, the UK Government published its energy security strategy. In addition to measures to improve energy efficiency and support investment in nuclear power and network infrastructure, this included, among other things:

- Increasing deployment of offshore wind by 25%, to deliver up to 50GW by 2030
- Targeting a five-fold increase in solar capacity by 2035
- Setting an ambition for 10GW of hydrogen production by 2030

In May 2022, the European Commission presented its REPowerEU plan, "to rapidly reduce dependence on Russian fossil fuels and fast forward the green transition". Among a wide range of measures, this included:

- An EU Solar Strategy, to double solar photovoltaic capacity by 2025 and install 600GW by 2030
- Measures to integrate geothermal and solar thermal energy in modernised district and communal heating systems
- Tackling the slow and complex issue of permits for major renewable projects
- Targeting 10 million tonnes of domestic renewable hydrogen production by 2030, with additional funding of €200 million for research

Delivering the objectives of REPowerEU requires additional investment of €210 billion by 2027.

Elsewhere, the Australian general election in May 2022 is likely to lead to a material change in the country's energy policy. The victorious Labor Party's Powering Australia plan is intended to stimulate AUS€76 billion of investment to provide cheaper renewable energy. The plan targets an increase in the share of renewable electricity to 83% by 2030.

The combination of the requirement to decarbonise the power system, increase energy security and shift to a sustainable society more generally means that Foresight Infrastructure's offering has become even more valuable in the last year, across all the sectors that we invest in. These changes will require growing amounts of private capital to deliver public infrastructure projects and the outlook for Foresight Infrastructure is therefore highly positive.

GLENMUCKLOCH PUMPED STORAGE HYDRO

In February 2022, FEIP agreed to acquire[1] the total shareholding of a co-located Pumped Storage Hydro and Wind project in Argyle and Bute, Scotland.

Pumped storage hydro generates energy by allowing water to flow from a higher reservoir to a lower reservoir through turbines. Water is then pumped back to the higher reservoir at times of excess energy production, lower demand and lower prices. The system effectively acts as a long-duration store of energy, since power can be released as needed.

The Glenmuckloch project will have generating capacity of 210MW and storage capacity of 1,600MWh and also includes 33.6MW of wind generating capacity.

We anticipate the wind project will take two years to build and the total project will take five years to complete. The expected lifespan of the asset is up to 100 years, making it truly long-term infrastructure.

210MW

generating capacity

1,600MWh

storage capacity

1. Subject to conditions being satisfied.

PRIVATE EQUITY

AT A GLANCE

We aim to be the provider of choice for sub-£5 million investments into UK SMEs, investing across a broad range of sectors.

Sectors

- Business services
- Consumer & leisure
- Engineering & industrials
- Healthcare
- Specialist lending
- Technology, media & telecommunications

Foresight Private Equity offers a variety of fund structures to facilitate investment from both institutional and retail investors. It provides venture, growth capital and replacement capital investments through its growing network of seven regional UK offices. In addition, Foresight Private Equity provides funding lines to specialist lending companies, the majority of which service the UK SME market.

£930m
AUM

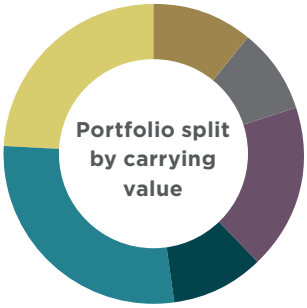
131
portfolio companies

2,200
business plans reviewed

13
investment vehicles

7
UK offices

30
investment professionals



- Business services 11%
- Consumer & leisure 9%
- Engineering & industrials 18%
- Healthcare 10%
- Specialist lending 28%
- Technology, media & telecommunications 24%

MARKET OPPORTUNITY

Foresight Private Equity has a UK regional focus, which we believe is a key strength and differentiator. We target investment in sectors with favourable long-term trends and structural growth drivers. Investments cover a range of maturity profiles, from early stage to more mature small companies. Annual revenues at portfolio companies are typically in the £2 million to £20 million range, although venture and seed investments can be into high tech, pre-revenue companies, which include university spin-outs.

Our analysis shows that more than 80% of all UK SMEs are based outside London and the South East

Foresight's regional focus aligns with the UK Government's agenda to invest in and grow regional economies outside London and the South East

Foresight believes transactions requiring between £1 million and £5 million are the least competitive and most attractive in the UK private equity market, from a value creation perspective

The funding gap for SMEs has further widened in the aftermath of COVID-19

Opportunities are increasing in the specialist lending market, as SMEs look for alternatives to the high street banks for borrowing

Overview

Foresight Private Equity manages investments in 131 UK SMEs, across a range of sectors. AUM at 31 March 2022 stood at £930 million, up 30% from £714 million at 31 March 2021.

We use a broad mix of product types to facilitate fundraising from both institutional and retail investors, with 11 different investment vehicles including Venture Capital Trusts, regional institutional funds, Enterprise Investment Schemes and Inheritance Tax Solutions.

ESG considerations are core to Foresight's investment management approach. Our Private Equity Team makes sustainable growth investments into SMEs that have the potential to create broad, long-term ESG benefits through their operations and continuous improvement.

We understand that many SMEs struggle to adopt ESG best practices and we work in partnership with our portfolio companies to put ESG principles at the heart of their decision making. This improves performance, differentiates them from their competitors and drives real value at the time of exit.

The Private Equity Team's approach to ESG is under continuous review and development, with a view to making regular improvements reflecting market best practice. The Private Equity Team reviews investments across four Sustainable Development Goal aligned Themes, to understand where each investment may have the greatest impact:

- Health
- Research and Innovation
- Quality employment at scale
- Local infrastructure and the environment

The investment team then use five ESG principles to evaluate, monitor and encourage portfolio companies to make improvements:

1. Awareness: ESG/sustainability issues on the agenda at board meetings
2. Environmental: Environmental policies and track record
3. Social engagement: Community and stakeholder engagement
4. Governance: Policies and risk management
5. Third-party interactions: Supply chain transparency, including modern slavery

Foresight Private Equity received ESG Champion of the Year at the Growth Investor Awards 2021, reflecting its ongoing success with driving ESG performance.

Performance

The Private Equity Team had another active year, with SMEs more able to focus on their corporate strategies as the uncertainties created by COVID-19 eased. In total, the team deployed £81 million across 53 equity transactions (FY21: £59 million deployed across 39 businesses, through 41 equity transactions). Foresight Private Equity also significantly increased its provision of capital to specialist lenders to SMEs, investing £47 million in the year, up from £13 million in FY21.

The funds deployed come from 13 vehicles of which 11 continue to make new investments and cover a wide variety of sectors and investment types. All our funds are making good progress with deployment, investing capital at the rate we expected, and our strong exit returns track record was further enhanced. This supports both our earnings and our ability to raise further money in the future.

During the year, the Private Equity Team completed successful realisations from both retail and institutional funds. Notable examples include:

- Mologic, a health diagnostics company providing contract research services for clients and developing its own range of proprietary point-of-care diagnostics products. The company was sold to Global Access Health, a not-for-profit company financed by the Soros Economic Development Fund, returning 3.1x to Foresight funds, inclusive of expected deferred consideration.
- Poppy & Jacks, a nursery chain, was sold to national chain Kids Planet Day Nurseries, returning 2.5x the initial investment.
- DA Languages, a Manchester-based business providing translation and interpretation services.

Following the DA Languages disposal, and supported by the two previous strong exits, the Foresight Regional Investment Fund LP ("FRIF") has already delivered a gross cash return of 1.8x total fund cost, with 14 portfolio companies remaining. FRIF is based in the North West and was the first in a series of regional investment funds for Foresight, with different geographic remits across the UK (see Fundraising).

GROWTH
HOMELINK

In March 2022, Foresight made a £2.15 million investment into HomeLink Healthcare Limited ("HomeLink" or "the company") from Foresight VCT plc and Foresight Enterprise VCT plc. Formed in 2015, HomeLink has provided Hospital-at-Home services since 2019. The company employs highly qualified and experienced nurses and rehabilitation teams to deliver contracts with the NHS to provide services to patients in their own homes. Services provided include wound care, intravenous therapies, physiotherapy and rehabilitation.

By delivering critical services to the NHS, HomeLink relieves pressure on the NHS, provides a better experience for patients at home, reduces hospital admissions and facilitates the efficient discharge of patients, thereby freeing up vital hospital bed space. Bed-blocking is an endemic issue across the NHS with significant delays in the discharge of patients and increasing hospital admissions due to a lack of viable alternatives, exacerbated by demographic shifts and the elective surgery backlog following the pandemic.

In the 12 months to March 2022, HomeLink delivered in excess of 30,000 appointments to 1,352 patients saving the NHS 38,000 bed days.

The investment aligns with Foresight's ESG themes of health and quality employment at scale. The quality of service provided by HomeLink is evidenced by the fact that only one complaint has been received after 55,000 appointments. The company also provides an alternative route of employment for nurses from the NHS. In addition, by being dedicated to ongoing training, it provides paid leave for study and hopes to provide a wellness programme for staff in the near future. The superior work environment is demonstrated by the retention rate of HomeLink at over 95%, with only one departure in then 12 months prior to investment.

Foresight's investment will support the scaling of the business by expanding the clinical team, allowing HomeLink to meet the demands of clients and prospects, whilst also investing in supportive technologies. HomeLink plans to expand outside its current client geography into new hospitals and regions. The company also aims to explore additional treatment pathways and grow its virtual ward offering which is a key pillar of NHS England's strategy of delivering over 25,000 additional beds.

£2.15m

Investment

HomeLink Healthcare

During the year, portfolio companies have had to continue to adapt to challenges stemming from COVID-19 and the Brexit transition, including disruptions to supply chains which are leading to longer lead times for certain goods and inflationary pressures. At the same time, so far portfolio companies are generally proving able to maintain their gross margins through price increases, while some leisure and industrial companies are currently benefiting from the substantial pent-up demand caused by the COVID-19 shutdowns.

Our analysis of the portfolio has shown very limited direct impact of the Russia-Ukraine war on our portfolio companies. However, all businesses will face the indirect impact of increasing inflation, including energy costs, over the coming months.

As a result of these economic conditions, we have encouraged companies to closely monitor cost pressures in the supply chain and to implement long-term pricing strategies, ensuring they have plans to manage a variety of future inflation scenarios.

Fundraising

In the retail funds market, Foresight VCT plc and Foresight Enterprise VCT plc launched offers for subscription during the year. At the date of this report, these offers had raised approximately £24 million, with the Foresight Enterprise VCT offer for subscription remaining open.

In May 2021, Foresight held the first close of its latest regional private equity fund, the North West-focused Foresight Regional Investment Fund III LP. The Fund raised an initial £66 million from institutional investors, exceeding the size of the previous Foresight fund focused on this region, and increased to £83 million with a second close post year end. The Greater Manchester Pension Fund is the cornerstone investor, with support from Clwyd and Merseyside Pension Funds. Like its predecessor, the Fund is targeting investments in established SMEs valued at up to £30 million in North West England, North Wales and beyond. This is the third fund in the series of regional investment funds, following the initial North West fund and a second fund focused on the East of England.

Post period end

Since the end of the financial year, we have announced our appointment by Allied Irish Banks ("AIB") to manage a new equity fund which will support SMEs across Ireland. AIB will be a cornerstone investor in the fund, which aims to stimulate job creation and deliver a more sustainable future. The fund will typically provide equity investments of €2 million to €5 million and should close imminently, subject to customary regulatory approvals.

AIB has signed an initial commitment of €30 million to the fund, which will target a total raise of €75 million over time. Foresight will shortly open an office in Dublin to support the delivery of the fund and is actively seeking investment opportunities. This is our first expansion into Ireland and the first fund outside the UK for the Private Equity Team. The fund is positioned to benefit from Foresight's breadth of experience across both private equity and infrastructure, leveraging their specialisms to deliver attractive risk-adjusted returns to its investors.

We had further significant success in our fundraising activity with the launch of two new UK regional funds covering the North East, Yorkshire and West Yorkshire regions. These strategically important funds will support the establishment of new offices in Leeds and Newcastle.

We were also able to announce the acquisition of the investment mandates of Downing's ventures businesses, which provide an excellent strategic fit for our business, complementing our existing ventures portfolio and adding scale. The transaction represents a significant strategic step and, in conjunction with the new funds, takes our private equity AUM to over £1.2 billion.

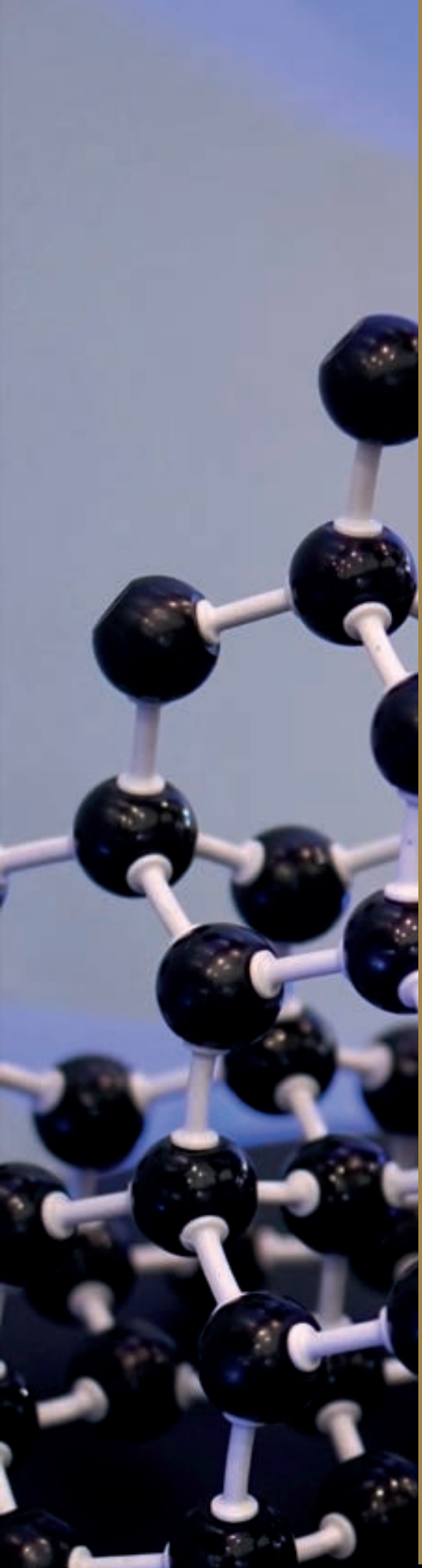
Private equity market outlook

The UK remains an excellent place to start, scale and sell a business, with broad pools of talent and an entrepreneurial culture. Our analysis shows that more than 80% of the UK's SMEs are outside London and the South East, presenting a significant base of potential investments for us. The markets we target have varying levels of competition and we continue to be a leader in the provision of capital in those markets, particularly for sub-£5 million investments.

The government remains supportive of driving investment in businesses throughout the UK regions, through the British Business Bank among other mechanisms. The Chancellor of the Exchequer has also encouraged local government pension schemes to invest more locally, although it remains to be seen if this will lead to greater activity.

The equity gap we fill with our investments remains firmly in place and has only been increased by COVID-19. Forward-thinking companies that used government support during the pandemic, which was primarily in the form of debt, are now looking to raise equity to strengthen their balance sheets ahead of expansion. New investments will be well positioned to benefit from the growth phase of the next economic cycle. SMEs are also looking for alternatives to the high street banks for borrowing, increasing the potential for us in the specialist lending market.

We also see many corporates and large private equity investors looking to deploy capital. This means the M&A market for SMEs remains open and we have a promising pipeline of potential exits.



VENTURE **REFEYN**

In January 2019, Foresight made an initial EIS investment of £1 million into Refeyn Limited ("Refeyn" or "the company") from its Foresight Williams Technology EIS fund. Refeyn was spun out of the University of Oxford in 2018 to commercialise its revolutionary patented technology, "Mass Photometry", which, building on a decade of cutting-edge academic research, is able to determine molecular mass, for instance of proteins, using light. Identifying and measuring protein molecules is an integral part of life sciences research, particularly in the development of new medicines. Refeyn's technology is disrupting this high value market.

The technology developed by Refeyn has now been packaged into a compact desktop instrument with a simple user interface. It can provide data within seconds, reducing the duration of biomolecule research projects or quality control checks by 40%.

The associated increase in productivity translates directly into cost savings which can lead to the acceleration of highly expensive drug development.

Foresight's investment into Refeyn is a good example of the collaborative and value-add nature of Foresight's partnership with Williams Advanced Engineering. Since the fund's initial investment, Refeyn has worked with the Williams team on product design and manufacture, and electrical systems design and development.

Refeyn has grown rapidly and has achieved many of the milestones laid out in the original business plan. The company has grown from a lab in Oxford with less than ten employees, to a business with an international footprint and a staff of 100+. It has also attracted two further rounds of funding led by international VCs, both of which were oversubscribed and at a significant uplift in valuation to the initial investment.

40%

reduction in the duration of biomolecule research projects

100+

staff

SPECIALIST LENDING **RETO**

In September 2021, Foresight provided a £15 million senior secured debt facility into Reto Finance Limited ("Reto" or "the company") from its Inheritance Tax Solutions Fund. Reto is a specialist lending business operating in the Channel Islands. The company was launched in 2019 following a buy-out from Shawbrook International. Reto has since served hundreds of consumer and SME borrowers across the Channel Islands and is increasingly seen as the "go-to" specialist lender offering a wider range of products to SMEs and consumers than many of its rivals.

Investment into lenders such as Reto Finance aligns with Foresight's regional approach to investing, offering support to local economies and businesses that are unable to access traditional forms of financing.

By providing capital to a range of consumers and SMEs that are typically underserved by mainstream lenders, Reto promotes financial inclusion and is focused on supporting its local economy, with all borrowers located in Jersey and Guernsey.

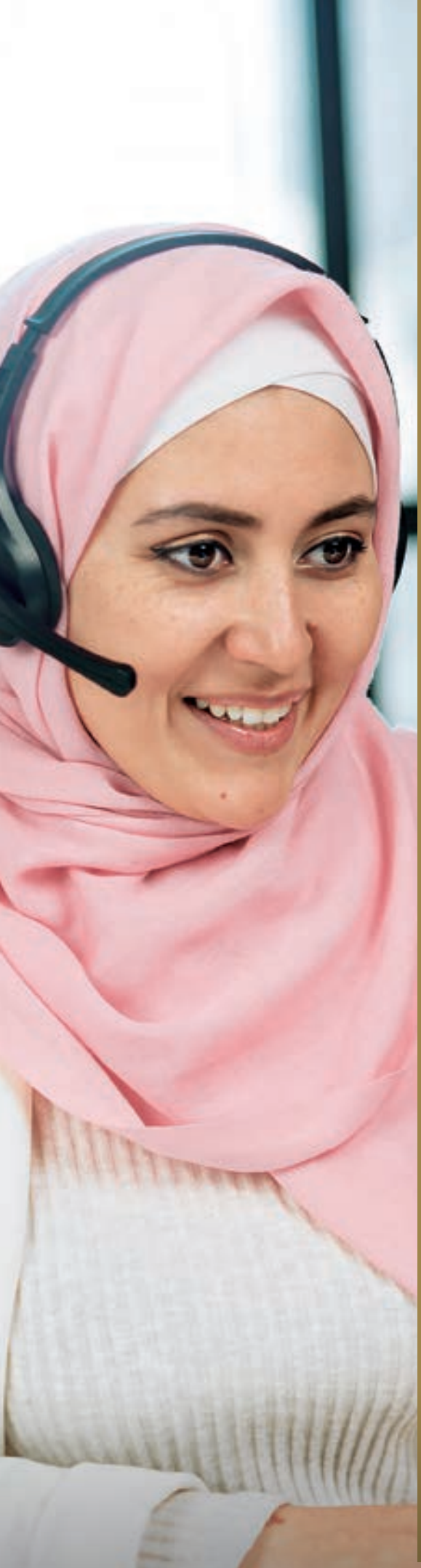
Similar to the UK, the region is facing a housing crisis as demand for housing far outweighs the supply of new homes. Foresight's investment was designed to expand Reto's product suite, allowing it to offer a development finance product to the region's SME property developers and increase the supply of homes in the region. Since investment, Reto has financed nine developments with 56 units either in the planning phase or under construction.

£15m

senior secured debt facility provided

9

developments financed



PRIVATE EQUITY EXIT
DA LANGUAGES

In December 2021, Foresight completed the successful sale of language services provider DA Languages Limited ("DAL" or "the company") to IK Partners Small Cap Fund II, which typically invests in companies with enterprise values of between €50 million and €150 million. This was the third exit from the Foresight Regional Investment Fund which has returned c.1.8x gross cost to date, with 14 companies remaining in the portfolio. The average return for the first three exits is 9x.

Founded in 1998 and headquartered in Manchester, DAL is one of the fastest-growing language services providers in the UK, providing critical services to organisations communicating with non-English speakers. With a network of over 8,000 mother tongue interpreters and translators, DAL's offering spans face-to-face, video and telephone interpretation along with written translation services.

Over 450 languages and dialects are served, including sign language, enabling better outcomes for all stakeholders. Promoting inclusivity and equality is at the heart of DAL's operations, ensuring that language barriers are removed in critical situations, particularly in healthcare and legal settings.

Foresight originally invested in DAL in 2018. During Foresight's ownership, DAL strengthened its management team, moved into modern new offices, substantially grew its employee base from 55 to 150+ and developed a highly diverse client base of NHS trusts, charities, city councils and corporates, while building a strong reputation for quality provision. The business also invested significantly in technology and IT infrastructure to support its clients, including the acquisition of Miton Systems, an interpreting technology specialist, enabling DAL to offer its own proprietary video and telephone remote interpreting products.

450+

languages provided

9x

average return for first three exits (FRIF)

D.A. Languages Limited
Interpreting & Translation Services

FORESIGHT CAPITAL MANAGEMENT

AT A GLANCE

Providing access to real assets and sustainable investment opportunities in listed markets.

Investment strategies

UK Infrastructure

Global Infrastructure

Sustainable Real Estate

Sustainable Future Themes

FCM was established in 2017 to enable retail and institutional investors to access infrastructure, renewables and real estate investment opportunities through actively managed open-ended funds, investing in listed securities.

£1.6bn
assets under management

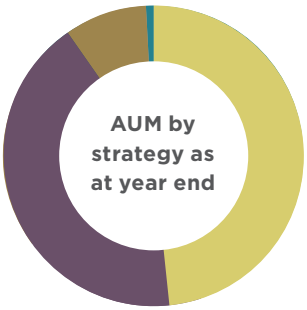
9
dedicated professionals

43%
FY22 AUM growth

1
institutional sub-advisory mandate secured

4
distinct investment strategies

6
investment vehicles



- UK Infrastructure Income £781m
- Global Real Infrastructure £679m
- Sustainable Real Estate £145m
- Sustainable Future Themes £10m

MARKET OPPORTUNITY

There is growing demand, both in the UK and internationally, for retail and institutional investors to be able to access sustainability-oriented investment products that hold listed securities. FCM has a differentiated approach to this market, being able to draw on the Group's experience in investing in private markets through Foresight's Infrastructure and Private Equity divisions, and apply those skills and knowledge to investing in public markets. This gives FCM capabilities that are hard to replicate.

- Raised net inflows into all our strategies, pointing to strong demand for our open ended funds
- International investors also increasingly demanding access to sustainable investment strategies
- Opportunity for FCM to launch further investment vehicles to provide access to its existing strategies
- FCM's platform is scalable and has significant capacity for further growth in AUM
- Potential to target a wider range of investors, in addition to the current focus on IFAs and wealth managers

Overview

FCM has a team of nine investment professionals, who follow an active, hands-on investment process. The team is highly focused on the underlying assets and regularly visits companies around the world, reflecting its global investment remit. As a sustainability-led investor, FCM has a clear view of the speeds at which different sectors in different geographies are addressing sustainability risks and opportunities. The investment approach is bottom-up and conviction-based, allowing FCM to invest in the best opportunities, wherever it finds them.

FCM primarily distributes its products through intermediaries, principally independent financial advisers ("IFAs"), wealth managers and private banks. The division works to develop strong relationships with these intermediaries, aiding capital retention and making these assets less volatile than is often seen with direct-to-consumer distribution.

At 31 March 2022, FCM had £1.6 billion of AUM, up 43% during the year (31 March 2021: £1.1 billion). This reflected robust inflows during the year and the benefit of investment performance.

FCM has dedicated internal resource focused on sustainability due diligence and analysis. Several of FCM's strategies are aligned with a bespoke sustainable investment policy, which alongside active engagement with investee management helps to ensure we vote in a manner that is consistent with widely accepted ESG practices. If an investment fails to meet our sustainable investment criteria and that company chooses not to engage, we will consider divestment.

Investment strategies and funds

FCM offers four investment strategies, which clients can access through five UK and one Luxembourg domiciled fund:

Strategy	Funds	Investment focus
Foresight UK Infrastructure	FP Foresight UK Infrastructure Income Fund ("FIIF")	Harnesses Foresight's infrastructure investment expertise and taps into the demand for low-volatility, predictable inflation-linked income. Launched in 2017, the strategy has grown to total net assets of £780.9 million at 31 March 2022. The portfolio comprises listed companies active across renewable energy, core infrastructure and real estate, with a UK focus.
Foresight Global Infrastructure	FP Foresight Global Real Infrastructure Fund ("GRIF") VAM Global Infrastructure Fund ("VAM") Foresight Global Real Infrastructure (Lux) Fund ("Foresight SICAV")	Invests in the publicly traded shares of companies located in developed economies, which own or operate real infrastructure or renewable energy assets anywhere in the world. With a growth-focused investment objective, the strategy was launched in June 2019 and has grown its total net assets to £679.3 million at 31 March 2022.
Foresight Sustainable Real Estate	FP Foresight Sustainable Real Estate Securities Fund ("REF")	This strategy was launched in June 2020 to provide investors with exposure to a highly liquid and globally diversified portfolio of Real Estate Investment Trusts. Given the lack of OEICs in the UK that are addressing both sustainability and real estate, REF is a highly differentiated strategy which has delivered both strong returns and low-risk characteristics since launch. As at 31 March 2022, the strategy's total net assets were £144.5 million.
Foresight Sustainable Future Themes	FP Foresight Sustainable Future Themes Fund	This strategy was launched in March 2022. More information can be found in the case study on page 45.

LAUNCHING SUSTAINABLE FUTURE THEMES

On 28 March 2022, FCM announced the launch of the FP Foresight Sustainable Future Themes Fund ("SFT"). The Fund will invest in a global portfolio of 20-40 scalable listed companies.

Potential investments are carefully selected based on our approach to "double materiality". First, companies can only qualify for investment if they have sustainable operations embedded into their long-term strategies. This means they need to be industry leading in areas such as their environmental impact and labour practices. Second, they need to offer innovative products and services that contribute to achieving a sustainable, decarbonised and socially inclusive world.

Companies that meet both these criteria are likely to be the winners as society and economies rapidly change in response to the need for sustainable development. This means they will deliver the best financial outcomes and the most tangible, real-world impact. The double materiality approach goes beyond the industry standard for sustainable investment funds and we see it as a key differentiator for SFT.

The Fund will provide capital to companies at the core of sustainable development across five sustainable future themes. Foresight has significant experience of managing private assets that align to these themes, giving us insight into how these industries work and their sustainability credentials.

The five themes are:

- Sustainable Energy: companies actively contributing to global decarbonisation through sustainable energy generation, storage and usage
- Sustainable Food, Land and Forestry: companies involved in the sustainable production of food, use of land, agriculture or forestry and those focused on protecting biodiversity
- Waste, Water and the Circular Economy: companies that are actively involved in delivering sustainable water and waste solutions and companies that meaningfully contribute to sustainable resource management
- Health and Education: companies that own assets or provide services that contribute towards the delivery of sustainable, high-quality and inclusive healthcare and education
- Digital World: companies that support the transition to a digital economy in a sustainable and socially inclusive way

Only companies which derive 80% or more of their revenue from activities that align with one or more of these themes will be considered for the portfolio. FCM has developed a proprietary sustainability-led research methodology to better identify investments that meet the Fund's objectives that would not be possible using only traditional third-party ratings agencies.

Engagement will play a key role in managing SFT's assets. FCM will regularly monitor and engage with management teams and exercise voting rights in a way that aligns to the UN Sustainable Development Goals applicable to each industry.

Performance

This was a transformational year for FCM. In addition to achieving a material increase in AUM, the division built a platform for future growth, with the launch of a new investment strategy and new funds, the diversification of its sources of capital through the sub-advisory mandate with VAM (see below) and investment in its team.

Against a backdrop of challenging markets, in which equity funds as an asset class saw net outflows, FCM achieved total net inflows and performance of £455 million, with net inflows across each of its funds. Retail fundraising delivered net inflows of £455 million and in addition £25 million was raised into VAM by its distribution team.

At the start of the year, FCM had three established UK OEICS – FIIF, GRIF and REF. All three remain on track to deliver their investment objectives, with positive total returns during the year and since inception.

Fund	Inception date	12-month TSR	TSR since inception
FIIF	4 December 2017	10.65%	41.38%
GRIF	3 June 2019	7.51%	47.14%
REF	15 June 2020	19.54%	25.67%

Investment performance during the year added £94 million to FCM's AUM, resulting in a total increase in AUM across the year of £455 million.

New fund launches

In June 2021, Foresight announced the launch of the VAM Global Infrastructure Fund, a Luxembourg UCITS V Fund, through a new partnership with VAM Funds, a Luxembourg-based fund management company. FCM has been appointed the fund's investment manager and the fund is being distributed in Europe, South Africa, Singapore and the Middle East, through VAM Funds' established global distribution platform. The fund gives investors in these geographies access to FCM's Global Infrastructure strategy. The partnership has already delivered positive net inflows of £24.7 million since launch. Investors in VAM have included clients in South Africa and the Middle East, where Foresight has not previously raised retail capital.

In November 2021, FCM launched a new Luxembourg-domiciled SICAV with UK tax reporting status. This will initially provide investors with access to the Global Infrastructure investment strategy. The medium-term growth strategy includes adding further strategies to the SICAV, such as Sustainable Real Estate Securities. The SICAV has generated inflows from international investors, following our initial focus on offshore jurisdictions such as the Channel Islands and the Isle of Man, and we are planning to target Europe and other geographies during FY23.

In March 2022, FCM launched a new investment strategy, Sustainable Future Themes, and a new UK OEIC, the FP Foresight Sustainable Future Themes Fund. More information can be found on page 45.

FCM market outlook

The outlook for FCM is highly positive. There is growing demand for OEICs in the UK and the launch of VAM and the Foresight SICAV during the year have opened up new international sources of institutional and retail investment. The business is highly scalable, with the Global Infrastructure, Sustainable Real Estate and Sustainable Future Themes strategies each having the potential to reach in excess of £1 billion of AUM. FCM has invested in its business during the year to ensure it has the capacity to successfully manage its growth, which it expects to lead to rising profit margins, reflecting the operational gearing in its business model.

FCM also has scope to broaden its distribution. Having to date focused on IFAs and wealth managers, we see good potential for distributing our funds through private banks and to family offices, as well as establishing a greater presence in direct-to-consumer sales, as the Foresight brand becomes increasingly recognised.

FCM EXPANDS INTO SUB-ADVISORY MARKET

In June 2021, following a competitive selection process, FCM was appointed as the Investment Adviser to the VAM Global Infrastructure Fund ("the VAM Fund"), a Luxembourg SICAV managed by global fund management group VAM Funds. The VAM Fund reflects FCM's Global Real Infrastructure strategy and receives the same investment resource and portfolio management resource as Foresight's UK-domiciled vehicle. The VAM Fund provides IFAs, wealth managers and other investors in global markets with the ability to allocate to a differentiated portfolio of real asset owning infrastructure, renewables and real estate companies. Multi-decade investment themes driving the energy transition, societal resilience and infrastructure renewal are all addressed through the VAM Fund, and strong early fundraising suggests appetite from investors.

VAM Funds is a Luxembourg-based fund manager with global distribution capabilities that have extended FCM's strategies into markets such as South Africa, Europe and Asia. As at 31 March 2022, the VAM Fund had grown to net assets of £33 million with strong potential for further growth as VAM Funds continue to expand their own distribution capability. Sub-advisory represents an efficient and scalable channel for FCM to further grow assets, particularly where distribution markets are unlocked in geographies where Foresight Group has not been historically active.

SUSTAINABILITY

Foresight's investments are focused on a future that depends on the continued drive and migration towards sustainability, renewable energy and technology.

A+

FOR STRATEGY & GOVERNANCE[1]

A+

FOR INFRASTRUCTURE[1]

A

FOR PRIVATE EQUITY[1]

Image of Glen Loyne owned by Foresight Inheritance Tax Fund.

1. PRI scores correct as of June 2022.

Last year's sustainability update set out our position in terms of how we aligned with the UN Global Compact, the Sustainable Development Goals and our journey towards compliance with the Task Force on Climate-related Financial Disclosures ("TCFD") recommendations.

This year we are pleased to report on our progress in these areas and highlight further initiatives which we expect will continue to support our development towards these goals.

INTRODUCTION

We continue to be a transparent investor, with a strong focus on sustainability. We engage across all aspects of sustainability including nature recovery, climate change, waste recycling and community engagement. We seek to be a good corporate citizen and a model employer.

People work at Foresight because they want to be part of our forward-thinking business and to make a positive impact in the work they do.

Last year's Annual Report set out our alignment with the UN Global Compact and the Sustainable Development Goals, and our journey towards compliance with the Task Force on Climate-related Financial Disclosures ("TCFD") recommendations.

We are pleased to report on our progress in these areas and highlight further initiatives to continue our development.

Foresight has made progress in better understanding the impact of our business on the natural environment, communities, people and the transition to a greener economy. We often think of our business as having two key focus areas: how we operate our business and conduct ourselves (our conscience), and how we invest responsibly, with the future in mind.

Over the past year, we have looked to better express ourselves and define what we mean when we talk about sustainability and ESG. Sustainability is our ethos, an all-encompassing approach to being a responsible business with a conscience.

Over the years, there have been many definitions of sustainability, which often overlap with three key themes: social, environmental and economic.

ESG (environment, social and governance) is a framework that supports us in delivering sustainable outcomes for our business, in line with these themes. It helps us to organise our approach to sustainability and report in a way that is meaningful to our stakeholders.

Sustainability is therefore more complex than ESG alone. It lies at the heart of our business, from our investments through to how we run our business operations. It is about embedding responsible and ethical thinking into each business decision, as well as our investments. This is something we are working hard to achieve and demonstrate.

Eden Project partnership:
https://www.foresightgroup.eu/landing/the-eden-project-partnership

In 2021, we established a new role, Group Sustainability Lead, to focus on Group-wide sustainability and bring together the valuable work that our three investment streams are doing. This appointment enables Foresight to set its own global sustainability agenda, with a focus for the coming year on establishing our road to net zero. Following this appointment we established a sustainability partnership with the Eden Project in June 2022 (see page 67), neutralised our 2021 carbon emissions and committed to continuing to do so year-on-year.

We have also relaunched our Sustainability Committee with new Terms of Reference, establishing a number of key working groups to support the business in delivering sustainable outcomes across our offices, IT and improving social value and charitable work, as well as better co-ordinating our approach to governance.

The Sustainability Committee's aims include:

- Enhancing our data collection and analytics across our businesses, our Group functions and for all our strategies
- The continuing professional development of all staff in sustainability-focused topics
- Disclosing how we integrate sustainability into each strategy, as well as the broader Group
- Increasing the reporting of our portfolios' sustainability and climate characteristics
- Aligning our Group climate reporting with TCFD

With the leadership of our Group Sustainability Lead, our team of seven sustainability champions and the wider investment streams, sustainability is incorporated throughout the investment decision-making and investment management processes.

The following pages demonstrate the impact we have made this year, on people, our environment and the global transition to a greener economy and a just and equitable society.

Principles for Responsible Investment

Foresight is a signatory to the Principles for Responsible Investment ("PRI"), a set of voluntary guidelines that help companies to address social, ethical, environmental and corporate governance issues as part of the investment process. The PRI assessed Foresight's wider approach to its six responsible investment principles in 2021, for the year ended 31 December 2020. In summary, our results were:

A+ for Strategy & Governance

A+ for Infrastructure

A for Private Equity

The 2020 assessment transparency report is available on our website, or on the UN PRI website[1]. At the time of publication we are still awaiting our latest PRI scores.

1. https://stpublic.blob.core.windows.net/pri-ra/2020/Investor/Public-TR/(Merged)_Public_Transparency_Report_Foresight%20Group%20LLP_2020.pdf

UN GLOBAL COMPACT

Communication on progress.

We've embedded our UNGC into the following section.

HUMAN RIGHTS	
PRINCIPLE 1	Businesses should support and respect the protection of internationally proclaimed human rights.
PRINCIPLE 2	Make sure they are not complicit in human rights abuses.
LABOUR	
PRINCIPLE 3	Businesses should uphold freedom of association and the effective recognition of the right to collective bargaining.
PRINCIPLE 4	The elimination of all forms of forced and compulsory labour.
PRINCIPLE 5	The effective abolition of child labour.
PRINCIPLE 6	The elimination of discrimination in respect to employment and occupation.
ENVIRONMENT	
PRINCIPLE 7	Businesses should support a precautionary approach to environmental challenges.
PRINCIPLE 8	Undertake initiatives to promote greater environmental responsibility.
PRINCIPLE 9	Encourage the development and diffusion of environmentally friendly technologies.
ANTI-CORRUPTION	
PRINCIPLE 10	Businesses should work against corruption in all its forms, including extortion and bribery.

HUMAN RIGHTS

PRINCIPLE 1:

BUSINESSES SHOULD SUPPORT AND RESPECT THE PROTECTION OF INTERNATIONALLY PROCLAIMED HUMAN RIGHTS

PRINCIPLE 2:

BUSINESSES SHOULD MAKE SURE THAT THEY ARE NOT COMPLICIT IN HUMAN RIGHTS ABUSES

Our commitment to human rights – UN Global Compact, communication on progress

As a business operating in multiple geographies, we take human rights and modern slavery risks very seriously. We endeavour to comply with the UK's Modern Slavery Act across all our businesses globally, including the supply chains to which we are party, and in 2021 we updated our Modern Slavery Statement with a further update scheduled for later this year. We are continually developing the measures we take to promote increased supply chain transparency in line with internationally recognised standards and to support wider industry efforts in that regard.

This includes increased engagement with manufacturers and contractors in our Infrastructure portfolio. We also recognise that collaboration with other asset managers and industry bodies will have greater impact when seeking to eradicate forced labour and other human rights abuses. Earlier this year, Foresight participated in the PRI roundtable on Human Rights in Private Markets Investing, with discussions centring on how to build an organisational approach to human rights, managing supply chain risk and empowering portfolio companies and assets.

Please see our EthiXbase platform case study on page 65.

Throughout the year, we have conducted assessments to better understand the supply chain risks Foresight could be exposed to, and the risk of involvement in any human rights abuses at a portfolio level. This year, our Foresight Regional Investment Fund conducted a material analysis of its Private Equity portfolio, with deep dives on companies that we felt required further clarification on their supply chain risks. These companies were predominantly in the apparel/consumer goods sector or imported goods from Asia. In line with our outcome-orientated approach, risks were determined on actual and potential negative outcomes.

Human rights due diligence is built into our investment processes and we request human rights policies or statements from key counterparties, in addition to the standard due diligence processes we undertake through World-Check. In particularly high-risk areas such as solar, where the supply chain can often be traced to regions with a heightened risk of modern slavery and human rights abuses, we now also use the EthiXbase due diligence platform. We remain members of Solar Energy UK's responsible sourcing working group and look to increase industry-wide leverage through collaborating with other actors who share our ambition to increase transparency in the supply chain.

Our FCM investment team specifically addresses the ten principles of the UN Global Compact as part of the investment process. The investment team regularly monitors the companies in which its funds invest against these criteria. If an investee company appears to no longer meet the criteria, FCM would not make further investments in the company and its position would be realised in an orderly fashion.

HUMAN RIGHTS CONTINUED

We have increasingly aligned our investment approach with the UN Sustainable Development Goals ("SDGs"), recognising that small businesses play a crucial role in delivering the targets set under these goals to bring about an end to poverty and protect the planet. More recently, we have further evolved our investment strategy to an outcome-orientated approach that identifies and measures the contribution our companies make to societal challenges based on the SDGs. This includes ensuring we proactively manage our risk of complicity in human rights abuses and other potential harms, for example by protecting people's right to breathe clean air by avoiding or reducing greenhouse gas emissions.

Our Infrastructure portfolio naturally avoids greenhouse gas emissions by producing green energy and facilitating the transition to a greener economy. Last year we were responsible for avoiding 3.4 million tonnes of CO_2e, as a result of the green energy we produce and enable, which we report against in line with SDG 3.

We have continued to engage with key stakeholders, including communities and charities in which investee companies participate, communities local to Foresight Group's offices and charities selected by our staff. Supporting those communities by ensuring investee companies recognise and uphold sustainability values and standards is achieved via our due diligence process and ongoing monitoring and reporting post-investment.

WE ARE DEVELOPING A FORESIGHT HUMAN RIGHTS POLICY

We are currently embedding key sustainability risks into our risk framework, including human rights, and we will develop a Human Rights Policy by the end of the next financial year. This will identify material human rights issues connected with Foresight's operations and value chain and outline the actions that we will follow.

Modern slavery

Foresight Group's Modern Slavery Statement is made pursuant to section 54(1) of the UK Modern Slavery Act 2015 and, in relation to the Group's Australian subsidiary, Foresight Group Australia Pty Ltd ("FG Australia"), Section 14 (1) (2) of the Australian Modern Slavery Act 2018. This is therefore a joint statement made in conformance with both Acts.

The scope of the statement covers all/any Group entities falling within scope of the above Acts, including the Group's principal operating subsidiary, Foresight Group LLP, which is a limited liability partnership operating in England and Wales, as well as FG Australia. The statement sets out actions that we take as a business to reduce the risk of exposure to forced labour, child labour and modern slavery, as a result of our business practices.

As part of our work with EthiXbase (see page 65), we have distributed a modern slavery questionnaire to all key counterparties across our solar portfolio.

WE TAKE DATA PROTECTION SERIOUSLY

Data

We take data protection seriously, including the personal data of our staff and information regarding our stakeholders. To support the security of our data, we have implemented a number of policies and procedures that cover data protection (see below) in addition to aligning with ISO27001 Information Security Management and holding Cyber Essentials Plus accreditation. Aligning and complying with these standards provides assurance on systems and processes related to the security of our data.

A selection of our data protection policies are shown below:

- Acceptable Use Policy
- Access Management Policy
- Change Management Policy
- Cryptography Policy
- Cyber Security Policy
- Information Security Incident Management Policy

Health and safety

Health and safety is a human rights issue. Everyone deserves to work in a safe place and to go home safely to their families. It is our responsibility to provide safe and healthy working conditions for our staff.

The health and safety of all employees and visitors is a number one priority and we have worked to provide COVID-secure workplaces and mental wellbeing to support staff in the transition to hybrid working and coming back into the office. We also encourage all of our portfolio companies to provide workplace benefits covering a range of areas such as medical cover and cycle to work schemes.

Our investment due diligence process also assesses evidence of health and safety policies and processes at the point of investment.

FORESIGHT SUPPORTING B-CORPS

B Corporation ("B-Corp") certification is a third-party certification standard issued by the non-profit B Lab, which is behind the B Corporation movement. The certification shows that a company has had its claims voluntarily investigated by a third party and has taken legal accountability for its impact on stakeholders.

In 2021, Foresight engaged with consultant Seismic to conduct an initial diagnostic, to better understand how we are performing across each of the five impact areas of the "B Impact Assessment". This assessment gave an indication of our performance and identified our areas of strength and opportunities to better inform our sustainability approach as we look to strengthen our sustainability strategy over the coming months.

As an example, one of our portfolio companies that has achieved B-Corp status is Suffolk-based financial services company Beckett Investment Management Group ("Beckett"). This is its journey:

Nearly a year after an investment from the £100 million Foresight East of England Fund, Beckett has grown its assets under management from £775 million to £1.2 billion and expanded its team by 26 people. It is approaching 100 employees.

The B-Corp certification marks another landmark moment for Beckett. Its application was supported by its Social Impact Portfolio – launched in January 2016 – which invests predominantly in collective investment schemes which have a stated ESG objective and policy, or a stated Socially Responsible Investment ("SRI") objective and policy.

The certification demonstrates just how seriously Beckett takes sustainability:

- Beckett was an early signatory to HM Treasury's Women in Finance Charter
- Beckett has been granted the Bronze level of the Suffolk Carbon Charter, in recognition of the steps it has taken to reduce its carbon footprint
- Beckett was recognised with the Best Employer 2021 (medium company) award at the Best Employers Eastern Region Awards

Certified B Corporation

LABOUR

PRINCIPLE 3:

BUSINESSES SHOULD UPHOLD THE FREEDOM OF ASSOCIATION AND THE EFFECTIVE RECOGNITION OF THE RIGHT TO COLLECTIVE BARGAINING

PRINCIPLE 4:

THE ELIMINATION OF ALL FORMS OF FORCED AND COMPULSORY LABOUR

PRINCIPLE 5:

THE EFFECTIVE ABOLITION OF CHILD LABOUR

PRINCIPLE 6:

THE ELIMINATION OF DISCRIMINATION IN RESPECT OF EMPLOYMENT AND OCCUPATION

Our commitment to fair labour – UN Global Compact, communication on progress

Conversations around fair labour, inclusion and discrimination are being amplified on the global stage. Our priority is to empower individuals and contribute to generating similar attitudes in respect of equality, diversity, social mobility, flexible working and inclusion in our workplaces, investee companies and the wider community. As part of this, we are committed to better understanding our workforce and promoting fair employment conditions in our offices and throughout our supply chains, including developing a Human Rights & Labour Rights Policy, which will be in place by the end of the next financial year.

As part of our commitment to operational transparency, we carefully monitor Foresight's supply chains and subcontracting arrangements. We have also become more engaged in efforts to eliminate human and labour rights violations within the wider renewable infrastructure technologies manufacturing and procurement chains, which is the area where Foresight has the greatest exposure. For our solar portfolio, we are working with EthiXbase (see page 65), in evolving both our approach and the industry-wide response to issues related to these four UN Global Compact themes, including modern slavery.

Empowering our workforce: wellbeing and work-life balance

This year, we have continued with a variety of initiatives to empower our staff, broaden their skill set and establish an inclusive workplace culture. We encourage staff to undertake development training and run a successful internal mentor programme, with 35% of staff currently involved. In addition, we have extended our programme of Foresight Connect sessions – a series of internal, educational talks from staff across the business – to support knowledge building.

We recognise the need for flexible working. This year we have reviewed and updated our Flexible Working Policy and published a Sabbatical Policy, acknowledging that as the working landscape evolves, flexibility is not a set number of days in the office or at home, but about trust and communication. We encourage all our people to manage their work commitments to suit their personal situations and equip our managers to lead a flexible and adaptive workforce.

LABOUR CONTINUED

Staff wellbeing also remains a priority. To fully understand this, we have included questions focused on wellbeing in our employee engagement survey. These responses are translated into meaningful actions for our people. We have four mental health first aiders, and celebrate mental health awareness week with a wide variety of enlightening and engaging activities in support of holistic wellbeing.

We want to ensure the health of our employees is a priority and provide some certainty around their futures. We have therefore enhanced the cover provided for health care and increased how we match pension contributions. We are also supporting our employees by implementing an enhanced leave policy for miscarriages and stillbirths across all jurisdictions.

To help our employees engage with their benefits, UK employees will soon have access to an app which enables them to easily access all their benefits information and make any relevant changes.

Equal opportunities

We acknowledge that the financial sector does not reflect the diversity of wider society and as a proud Living Wage Employer we understand that cultural and socio-economic factors definitely should not be a barrier for candidates during the recruitment process.

We therefore have mechanisms in place to ensure our recruitment process is above industry standard. This starts with how we manage the recruitment process, through to the training offered to staff and initiatives introduced to better understand our workforce. Foresight's policies and procedures make qualifications, skills and experience the basis for the recruitment, placement, training and advancement of staff at all levels. To guide equal employment practices, this is the fourth year that we require hiring managers to undertake unconscious bias training. The Inclusion and Diversity ("I&D") Committee is responsible for equal employment issues.

Inclusion and diversity ("I&D")

Foresight's I&D Committee relaunched this year and is made up of the Heads of Department from across the business. As of 2022, each Head of Department is responsible for the role their department plays, taking ownership of their division's I&D statistics and what they mean. This will enable senior stakeholders to work with their teams, ensuring we not only meet, but surpass, our I&D commitments and ensure we have provided the necessary framework to build an inclusive culture. Further examples of how we address I&D are available on our website.

35%

STAFF ENROLLED ON THE MENTORSHIP PROGRAMME

1,050+

JOBS CREATED ACROSS THE FRIF PORTFOLIO

We are continuing to develop our inclusion and diversity practices, which is helped by a 93% completion rate of our People metrics. Our successful "Count me in" initiative supported this engagement. This demonstrated everyone's role in I&D at Foresight and the importance of having our own data set to reference and shape our approach.

We know an inclusive business system is good for all in society, which is why we have pledged our support for gender balance across financial services. Together, we are working towards creating an entrepreneurial ecosystem where women have the necessary tools and resources to successfully grow businesses and excel in the finance industry. Foresight is now a signatory to the Investing in Women Code and our commitment is outlined on our website.

With females currently representing 37% of our total workforce, we remain a signatory of HM Treasury's Women in Finance Charter and are working towards our five-year target of 30% of women in senior management roles by 2024.

We announced we were at 25% as of September 2021. This was also the first year of official Gender Pay Gap reporting.

As a long-term investment partner, we will continue to play our part in enabling financial inclusion and supporting the needs of growing promising UK businesses.

This year, Foresight Private Equity participated in Playfair Capital's Female Founders Office Hours initiative. Female founders had the opportunity to meet over 125 investors and engage in one-to-one mentoring sessions and pitch meetings.

In addition, team members support Fund Her North, an initiative to improve access to funding by creating a network of angel and institutional investors. This is visible in our flagship Foresight Regional Investment Fund. Within the private equity portfolio, 33% of businesses are female founded[1] and board diversity is improving, with 20% of the portfolio boards having female representation. As well as gender, Foresight is committed to improving racial diversity and has added KPIs to its annual reporting this year relating to racial and ethnic diversity at portfolio companies, both at a board level and across the workforce.

37%
FEMALE WORKFORCE

33%
OF BUSINESSES ARE FEMALE FOUNDED[1]

1. Within our Foresight Regional Investment Funds.

LABOUR CONTINUED

Empowering the future workforce

Since returning to a state of "new normal", we have been able to re-establish our community outreach initiatives. Given the nature of Foresight's business, we feel well equipped to offer careers guidance and financial skills training to children and young adults in the areas local to our offices.

- Staff involvement in the Finance Industry Programme with Amos Bursary, an organisation which helps young people of African and Caribbean heritage to excel in education and other opportunities, providing insights and an introduction to financial services to over 30 students.
- Hosting a careers day for A-Level business students from the Sacred Heart School in London Bridge. Our staff have also visited the school for business and careers talks.
- Partnering with Diversity VC on its Future VC programme, to offer paid internships to talented individuals from diverse backgrounds and provide them with hands-on experience that will help them succeed in their chosen careers.

In addition, Health and Education is one of five fundamental investment themes of the FP Foresight Sustainable Future Themes Fund which was launched in March 2022. It invests explicitly in companies that own assets or provide services that contribute towards the delivery of sustainable, high-quality and inclusive healthcare and education.

ENVIRONMENT

PRINCIPLE 7:

BUSINESSES SHOULD SUPPORT A PRECAUTIONARY APPROACH TO ENVIRONMENTAL CHALLENGES

PRINCIPLE 8:

UNDERTAKE INITIATIVES TO PROMOTE GREATER ENVIRONMENTAL RESPONSIBILITY

PRINCIPLE 9:

ENCOURAGE THE DEVELOPMENT AND DIFFUSION OF ENVIRONMENTALLY FRIENDLY TECHNOLOGIES

Our commitment to the environment – UN Global Compact, communication on progress

We inherently contribute to sustainable development, as a business that supports local economies, finances sustainable infrastructure investments to facilitate the energy transition, protects and restores natural forest ecosystems and invests in companies that are actively delivering a sustainable future.

Understanding and reducing our environmental impact remain key considerations for Foresight Group at a corporate level. Be it through design, organisation or our behaviours, we are committed to minimising greenhouse gas ("GHG") emissions, water and paper waste, and to sustainable procurement. Our Sustainability and ESG Policy **https://www.foresightgroup.eu/about-us/sustainability** outlines our commitments.

The appointment of new Sustainability and Risk resources this year attests to the Group's desire to embed climate and sustainability considerations throughout the business. The newly relaunched Sustainability Committee will accelerate these ambitions and help us to disseminate best practice in environmental stewardship. Targets will be set later this year. Key working groups delivering environmental outcomes are as follows:

- Sustainable Offices
- Sustainability in Governance
- Charity & Social Value
- Sustainable Investment Streams

As part of our vision to demonstrate leadership in sustainable business, a priority this year has been to better understand our carbon footprint and, as of March 2022, Foresight was officially certified CarbonNeutral®.

This includes changing business activities such as purchasing to a more responsible and conscious approach, which can be as simple as moving our utility contracts to green energy tariffs where possible. At a Group level, we continue to analyse climate related risks and opportunities (read more in the TCFD section on pages 70 to 81) and will be looking to set science-based carbon reduction targets.

Sustainable investing in infrastructure

Reflecting the momentum behind the global decarbonisation agenda, this year our investment divisions have made demonstrable progress to support the transition and mobilise finance towards sustainable projects, especially within the energy transition and natural capital markets.

ENVIRONMENT
CONTINUED

All of Foresight's infrastructure funds have a sustainability theme. Our bespoke approach to infrastructure investing provides assurance to our investors that projects are making a genuine contribution to sustainability targets. There are effective management systems in place to integrate environmental and social principles, such as the Sustainability Evaluation Tool ("SET"), which was launched in October. Its methodology and application is outlined in our Sustainable Investing in Infrastructure paper – which was updated this year, reflecting the ever-evolving landscape.

Four of Foresight's infrastructure funds (FSFL, FSFC, ITS, JLEN) have been assessed internally using the EU Taxonomy framework. The assessment involves scrutinising each asset against the six Do No Significant Harm ("DNSH") criteria, to ensure that each asset meets the required standard. Separately, third-party validation (Aardvark) has been conducted for all FEIP assets, and at the time of assessment all were in the scope of the Taxonomy.

Efficiency and innovation

Energy efficiency is a critical issue. During our analysis of scope 2 emissions for the solar portfolio, a few sites had disproportionately higher energy consumption on a per MW basis. Further analysis verified these results and investigations are now underway to understand what we can do to reduce both energy consumption and the associated scope 2 emissions.

Resolving this variance will result in both lower operational costs and a lower carbon footprint at the portfolio level. Possible solutions may include upgrades to equipment that has been identified as inefficient and too energy intensive.

Equally, to future-proof our operations, the lifecycles of investments and/or assets is evaluated during the investment process via our SET. They are considered with environmental and technological resilience in mind. Furthermore, to safeguard care for the communities and environments in which we operate, the SET factors in the decommissioning of assets at the end of their useful lives.

During the year ended 31 March 2022, our infrastructure investments have achieved the following:

4.1m

TONNES OF CO_2E AVOIDED (INFRA) VS COAL[1] (2020/21: 2,741,075 TONNES CO_2E)

+24.8%

INCREASE ON LAST YEAR

1.78m

EQUIVALENT HOMES SUPPLIED WITH GREEN ENERGY[2] (2020/21: 1.2m HOMES SUPPLIED)

+365,000 homes

INCREASE ON LAST YEAR

1. This year's figure relates not only to emissions avoided through renewable energy generation but also our CNG assets.
2. To calculate these figures, we use an average household electricity consumption figure from OFGEM, which is 2.9MWh per year.

Progress on environmental sustainability

Climate change is increasingly important internationally, with growing public momentum towards promoting change and securing a "sustainable" world. Some examples of Foresight's educational initiatives to promote greater environmental responsibility and the importance of sustainable investment include:

- October whitepaper, Directing the tide: UK advisers, **https://www.foresightgroup.eu/news/directing-the-tide-uk-advisers-role-in-driving-uk-wealth-towards-sustainable-investing** which explores the materiality of ESG issues for financial advisers and retail investors, based on research we conducted this year among UK IFAs
- Foresight Sustainability Week, **https://www.foresightgroup.eu/news/watch-on-demand-foresight-sustainability-week** a series of five virtual breakfast discussions, with leading industry experts sharing their insights into the challenges and opportunities that arise as the private sector mobilises behind the global sustainability agenda
- At COP26, Foresight helped to raise awareness amongst younger audiences about the impacts of their financial decisions and how they can use their pound to protect the environment, and hosted a panel with Make My Money Matter. **https://vimeo.com/644836552**
- EthiXbase Platform for Solar
- Creating a bespoke ITS and AITS sustainability calculator, for financial advisers to use to better understand the positive environmental impact of a client's investment
- Building out Sennen and integrating core sustainability metrics. Sennen is bespoke software that enables all staff to better understand and manage our infrastructure portfolio and their KPIs

ALL INFRASTRUCTURE FUNDS HAVE A SUSTAINABILITY THEME

INFRASTRUCTURE HAS 4 SFDR ARTICLE 9 FUNDS

- JLEN Environmental Assets Group Limited
- Foresight Solar Fund Limited
- Foresight Energy Infrastructure Partners
- Foresight Italian Green Bond Fund

INFRASTRUCTURE HAS 2 SFDR ARTICLE 8 FUNDS

- Foresight Solar Fund Limited
- Foresight Inheritance Tax Solution

ANTI-CORRUPTION

PRINCIPLE 10:

BUSINESSES SHOULD WORK AGAINST ALL FORMS OF CORRUPTION, INCLUDING EXTORTION AND BRIBERY

Our commitment to anti-corruption – UN Global Compact, communication on progress

Eliminating corruption and ensuring corporate integrity are crucial for any business. Foresight has a no-tolerance approach to corruption across our separate investment streams. We maintain detailed policies and procedures relating to Anti-Money Laundering, Anti-Bribery & Corruption, Conflicts of Interest and Whistleblowing, which are periodically assessed via our compliance and governance monitoring programmes. Our participation in the UN Global Compact and support for its Ten Principles, including anti-corruption, help to shape our investment activities and corporate behaviours.

Commitment to this approach comes from the Board, Foresight's Head of Risk and Governance, and our Compliance teams in each jurisdiction. They oversee the quality control measures and that all Foresight operations meet the relevant standards. Measures we continue to implement are:

- All transactions with counterparties are subject to a rigorous know-your-client verification that includes bribery and corruption risk assessments, checks against global sanctions lists and political exposure
- Counterparty risks are ranked according to factors such as operating jurisdiction, sector risk, transaction type and counterparty negative press
- External forensic due diligence experts are also engaged for certain higher-risk transactions, which determines whether the transactions will or will not proceed

Within the workplace, we continue to develop and embed measures that ensure all employees are equipped to handle any concerns. During this reporting cycle we have:

- Continued mandatory anti-money laundering and anti-terrorism online training modules for all employees. This year we intend to introduce specific mandatory anti-corruption and bribery training
- Launched a new intranet that hosts all of Foresight's policies and procedures
- Hosted a hybrid compliance training module, which reiterated the requirements around declaration of all gifts and hospitality given and received, with specific approval required for gifts and hospitality over a certain threshold
- Encouraged staff to report any issues of concern and continued to explore opportunities to improve internal communications around Foresight's Whistleblowing Policy

ETHIXBASE PLATFORM

To seek greater insight into the risks within our solar supply chain, Foresight engaged EthiXbase, a platform that offers a cost-effective and risk-based approach to third-party risk management. The organisation is a member of the UN Global Compact ("UNGC") and has developed a holistic solution and supply chain risk management programme, to identify risks across UNGC key themes.

EthiXbase's Enhanced Due Diligence ("EDD") reporting includes independent in-country investigation of the suppliers, covering detailed company registry records, directorship background searches, local language media searches and civil litigation, bankruptcy and criminality checks from across more than 800 databases. The approach followed by EthiXbase enhances our due diligence process, as we do not rely on the completion of questionnaires by third parties to gather data – all data is accessed online and through publicly available information.

The key areas of ESG-specific research are detailed below, with the EDD report providing red flag analysis on any identified areas of risk, enabling immediate focus on material areas of concern, such as:

- Company Background and Corporate Findings
- Shareholders and Management
- Sanctions, Enforcements and Watch Lists
- Political Exposure Risk
- Bribery and Corruption
- Human Rights and Modern Slavery
- Environmental Practices
- Labour Practices
- Health and Safety
- Information, Cyber Security and Privacy
- Fraud
- Money Laundering and Terrorism
- Regulatory Breaches and Anti-Competitive Behaviour
- Country Specific Risks

In addition, EthiXbase has also collaborated with global law firm Norton Rose Fulbright to design and distribute a supply chain modern slavery questionnaire, which includes a risk assessment enabling businesses to identify the potential for human rights abuses across their supply chains. Foresight prioritised its solar supply chain analysis across three key stakeholder groups: panel manufacturers, inverter manufacturers and O&M providers.

Any concerns that are raised will result in further scrutiny from the Foresight team, to assess whether the risk is relevant or material to business operations.

We are now looking at other supply chains across our portfolio, to determine where we will benefit from better understanding any risks identified through enhanced ESG due diligence.

NATURAL ENVIRONMENT

Towards a nature rich future: defining the role of business in nature recovery

We believe landowners and businesses have a vital role in preserving our natural environment for future generations. We therefore need to think differently and creatively about how we manage and make the most of the opportunities our land affords. As one of the UK's most active natural capital investors, and a significant landowner now with 11,200 hectares of forestry assets, Foresight is particularly engaged in the nature recovery discourse. This ranges from how we manage our land to the investments we make and the partnerships we pursue.

Natural capital investor

By prioritising the long-term enhancement and conservation of natural capital and the delicate ecosystems that support us, we are delivering value for the planet as well as our stakeholders. In November, Foresight Sustainable Forestry Company ("FSFC") listed on the London Stock Exchange ("LSE") as the LSE's first, and only, listed natural capital investment vehicle. Launched to make a direct contribution in the twin fights against climate change and biodiversity loss, through forestry and afforestation carbon sequestration initiatives, the IPO proceeds alone are expected to enable over 4 million tonnes of CO_2 sequestration. This is the equivalent of offsetting the entire carbon footprint of Edinburgh for a year.

Earlier that month, Foresight announced its membership of the Sustainable Market Initiative's Natural Capital Investment Alliance ("NCIA"), established in January 2021 by His Royal Highness The Prince of Wales. This will accelerate the development of natural capital as a mainstream investment theme and mobilise private capital efficiently and effectively for natural capital opportunities. Looking to the year ahead, we see Foresight's involvement as an opportunity to catalyse broader awareness of natural capital and the energy transition as investment themes and we are excited to be supporting a number of NCIA working streams.

EDEN PROJECT PARTNERSHIP

This year, we announced our sustainability partnership with the Eden Project, a UK based educational charity and social enterprise. Guided by a mutual understanding of the significance of a nature rich future, the partnership will demonstrate, and highlight the role of business in supporting UK nature recovery, as well as creating investment products with higher social and environmental value, both local to our assets and nationwide. As spearheads of a growing movement to build relationships between people and the natural world, it is a valuable opportunity to shape the wider debate around nature recovery.

The partnership holds huge potential. Initially it will focus on three key areas:

1. **Define.** Defining how a business like ours can respond to nature recovery
2. **Demonstrate.** Demonstrating tangible positive outcomes for nature through our portfolio of assets and engagement with communities
3. **Engage.** Engaging with our stakeholders, internally and externally, to educate others on nature recovery and what they can do to contribute

The UK is considered to be one of the most nature depleted countries in the world and the UK Nature Recovery Network has been established to deliver some of the key objectives of the UK Government's Environmental Plan.

This partnership will engage the public and communities in the movement, thinking holistically about green space and the benefits and opportunities it offers communities. We will deliver community benefits directly through Foresight's nature recovery plans.

Our first deliverable under the partnership is to produce a Nature Recovery approach for the Group that will help us to better frame these three key areas. Our business has three investment streams and they will all be able to offer different approaches to nature recovery and in time will be able to work with the Eden Project to deliver a variety of sustainable outcomes.

We are also launching the Foresight Seed Bank which will be housed at the Eden Project's national wildflower centre. Over time, we will build up the seed bank from seeds collected across our UK-based sites. We will then be able to plant these seeds across sites that require further wildflower planting and share the seeds with community groups, as part of our engagement and education around nature recovery.

We are delighted to partner with the Eden Project, a bastion of conservation. Together we will create and restore diverse, wildlife-rich and better connected habitats.

eden project
Foresight's Sustainability Partner

GHG EMISSIONS
OUR ROAD TO NET ZERO

It is incumbent upon businesses to show leadership in sustainability, make decisions that will ultimately bring us closer to net zero before 2050 and bring about a speedy recovery for nature. Reducing our carbon footprint is primarily about slowing climate change. However, there are many benefits to reducing our emissions, including better air quality, improved health and wellbeing and enhancing biodiversity.

We are carrying out further work to understand our wider emissions footprint and the ways it can be reduced. As noted in the TCFD section on pages 78 and 79, we have carried out a carbon assessment on our scope 1, 2 and 3 emissions (not including financed emissions) for calendar years 2019 and 2020. We have recently offset our 2020 emissions using verified carbon credits from ClimateCare and in March we announced that Foresight is an officially certified CarbonNeutral® company, in accordance with the CarbonNeutral Protocol.

Our commitment is to continue learning, improve how we understand and measure our emissions and to set ourselves a strategic approach to reducing our emissions across the Group.

Foresight's route to net zero and decarbonisation

We are taking action now to demonstrate our commitment to becoming a net zero business. "Neutralising" our current emissions is the first major step on this journey. This is an enduring commitment and we will continue to measure our footprint, focus on reducing our emissions and offset those that we cannot avoid year-on-year. Right now, we are working to better understand our emissions at fund level and set science-based targets accordingly – outlining when we expect to achieve "net zero".

Annual review

Every year we will collate our data and conduct the necessary calculations to understand and publish our emissions for the year. This will help us to understand our progress against the strategy and net zero plans we set across the business.

Foresight's route to net zero and decarbonisation

Step 1: Business emissions

A baseline carbon footprint for 2019 and 2020 has been calculated.

This includes all utilities, business travel, services and purchases made on behalf of Foresight Group but does not include our financed emissions at fund level. The area in which we generate the most emissions is through business travel – which accounted for 109.5 tonnes CO_2 emissions during 2019.

Step 2: Offsetting

Based on this information, Foresight has now purchased offsets for our 2020 emissions.

This work will then be done on an annual basis to "neutralise" Foresight's emissions following each financial year end. Equal emphasis will also be placed on further decarbonising Foresight's activities and lowering its overall footprint in order to become a "net zero" business.

Step 3: Financed emissions

Foresight works to better understand the emissions from its investments and to align with the Science Based Targets initiative ("SBTi"). Such targets are defined as "science-based" if they are developed in line with the scale of reductions required to keep global warming below 1.5°C (i.e. net zero by 2050).

Foresight aims to have aligned with science-based targets by the end of FY23.

Step 4: Set targets

With the support of a specialist, we will look to commit to and align with science-based targets, with the intention of submitting our targets for verification by the SBTi by the end of the current financial year.

Step 5: Strategy

Working with the Sustainability Committee and sub-committees, we will agree a net zero strategy for the business and each division.

Step 6: Ongoing reporting

Improving our reporting through better data collection, automation and a data management system. With the right tools, we can identify information gaps and improve data quality.

CLIMATE DISCLOSURE: TCFD

Foresight continues its journey to full alignment with the recommendations of the Task Force on Climate-Related Financial Disclosures ("TCFD").

Statement

The TCFD summary should be read together with our stand-alone TCFD report which can be found on our website. The full TCFD report contains additional information on our exposure to Transition Risk and Physical Risk. The disclosures in this annual report are consistent with the recommendations setting out how the Group incorporates climate-related risks and opportunities into governance, strategy and risk management. The Group continues to develop its metrics and performance targets to better manage climate related risks and opportunities, and achieve full alignment with the TCFD recommendations. We expect this capability to be in place in the coming financial year (FY23).

Our stakeholders expect transparency on our climate-related risks and opportunities, and our reporting assists understanding of climate change implications for the Group.

Summary: FSB Task Force on Climate-related Financial Disclosures

Climate change will continue to be a defining driver of the global economy, financial markets and society in the future. Investors will be unable to avoid the impact of climate change but can support investment strategies intended to slow, halt and even reverse the rise of average global temperatures.

As the manager of funds invested in sustainable resources and technology, we are predominantly concerned with the indirect emissions from our investments and their potential impact on the environment.

We are committed to improving our analyses of climate-related risks and opportunities, in order to mitigate the risks and safeguard our clients' investments. We are therefore a supporter of the Financial Stability Board's Task Force on Climate-related Financial Disclosures ("TCFD"). TCFD seeks to provide investors with a common reference framework to assess the comparative approaches of investment firms to climate-related initiatives and reporting.

Governance	The Company's governance around climate-related risks and opportunities
Strategy	The actual and potential impacts of climate-related risks and opportunities on the Company's business divisions (Infrastructure, PE and FCM), strategy and financial planning
Risk Management	The processes used by the Company to identify, assess and manage climate-related risks
Metrics & Targets	The metrics and targets used to assess and manage relevant climate-related risks and opportunities

Source: Recommendations of the Task Force on Climate-related Financial Disclosures (June 2017).

TCFD will increase awareness of climate-related risks and opportunities for investors and we support this objective across our operations.

This is the second year we have reported our progress towards the TCFD recommendations. The following pages summarise our full TCFD report, which can be accessed on our website.

TCFD disclosures for listed AIFs we manage can be found on their respective websites or in their most recent Annual Reports[1].

Governance: Describe the Board's oversight of climate-related risks and opportunities

Disclosure

The Board has overall responsibility for managing Foresight Group's climate-related risks and opportunities, by setting its strategies in that regard, reviewing reports from the business and authorising new initiatives, including launching products or initiating risk control measures. The Board receives a quarterly report on the Group's sustainability activities. Alison Hutchinson CBE is the Board member accountable for the Group's sustainability strategy and performance.

Governance: Describe management's role in assessing and managing climate-related risks and opportunities

Disclosure

The Board has tasked the Executive Committee with executing the Group's sustainability strategy. Ricardo Piñeiro is the nominated Executive Committee member responsible for sustainability and ESG matters. He is also a member of the Sustainability Committee ("SC"), which was established in 2018 as a sub-committee of the Executive Committee. Lily Crompton, the Group Sustainability Lead, chairs the SC. Further details of our governance structure are included on pages 98 and 99.

Alongside the work on investment risk considerations, the Risk function is also integrating climate models into the capital stress testing processes, to be reviewed by the Executive Committee as part of the regulatory capital assessment and reported in the Internal Capital Adequacy and Risk Assessment review.

The Chief Risk Officer ("CRO") leads the Group's overall risk strategy and delegates operational and prudential climate-related risk to the Head of Risk. The Head of Risk attends the SC working groups, which are responsible for implementing and supporting the Group's sustainability governance framework and policies. The Head of Risk chairs the Risk Committee, which oversees how our teams manage all risks, including climate and sustainability risks, within our businesses and across our shared functions.

A Regulatory Change Working Group was established in early 2022, to ensure compliance with current climate change regulations such as the Sustainable Finance Disclosure Regulation ("SFDR") and emerging regulations (for example, the UK Sustainable Disclosure Requirements, or SDR).

Strategy: Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term

Disclosure

The Group continues to analyse short, medium and long-term risks arising from climate change that could have a material financial impact on it. We consider the short term to be from zero to five years, the medium term to be between five and ten years, and the long term to be greater than ten years.

Climate-related risks and opportunities beyond 30 years are not considered.

The climate-related risks and opportunities are set out in the table on the following page.

1. JLEN's TCFD report can be found here: https://jlen.com/wp-content/uploads/2021/07/ESG_JLEN_2021.pdf

CLIMATE DISCLOSURE: TCFD CONTINUED

Summary: FSB Task Force on Climate-related Financial Disclosures continued

Impact of climate-related risks

Risk	Description	Risk category	Risk type
Changes to power prices	The risk of lower than forecast power prices due to warmer winters or increased renewables deployment. Increased power prices due to short-term shocks/ decreased energy supplies from low wind resource or problems in gas supply could lead to governments turning to less sustainable ways of generating energy that are available in the immediate or shorter term – e.g. coal.	Transition	Market Risk
Extreme weather-related events	Extreme weather-related events either chronic (e.g. changing wind patterns, heat stress, rising sea levels) or acute (e.g. storms, heat wave, drought, floods) causing damage to Company and/or Fund assets negatively impacting their production, significant disruption to operations and/or physical and information resources being disabled or inaccessible.	Physical	Acute, Chronic
Changes in regulation and government support	Changes to regulations covering activities and businesses in which the Group is already invested. An example could be where changes to farming regulation impact the Group's agricultural anaerobic digestion operations with the consequence that the projects would no longer meet all the criteria for inclusion in the EU Taxonomy. Government support for short-term energy solutions that negatively impact the transition to low-carbon future, e.g. support for coal, could increase as a matter of political expediency.	Transition	Governance, Regulation, Reputational
Displacement of existing assets with new or other technologies	As more resources and scientific research are dedicated to achieving net-zero goals, technologies could be developed that make current renewables or environmental infrastructure technologies obsolete. An example of this could be fusion power displacing all other forms of energy. Other technologies such as nuclear or coal may be prioritised in the short to medium term.	Transition	Technological

Likelihood	Horizon (years)	Impact	Response
Likely	0-10+ years	Strategy, Financial Planning	The majority of assets in the portfolio earn revenues that are not dependent on merchant power sales and various mechanisms are in place to help mitigate the risk of lower power prices (see principal risks). Trends towards less sustainable alternatives to manage short-term power price shocks are on the whole not supported by society, but continued pricing pressure arising from conflicts in countries that affect our energy supply may shift public opinion.
Likely	5-10+ years	Strategy, Company's investments	The physical risks to the portfolio (see pages 74 and 75) are largely localised and the impact of a single event or limited set of events is deemed to have a negligible impact on the overall portfolio; nevertheless, this is an area kept under close review by the Investment Manager.
Possible	0-10 years	Strategy, Financial Planning	Given the diversified nature of the assets across the Group's investments, the impact is likely to be limited to a small part of the portfolio. The passage of regulation provides opportunities for industry consultation and the Group keeps abreast of regulatory initiatives that have the potential to impact the profitability of the businesses. The risk over the long term is considered negligible as other avenues or solutions would be found for the asset or technology affected.
Unlikely	0-10+ years	Strategy, Financial Planning	It is likely that many new technologies will be developed and the Group is well positioned to invest in new energy solutions once they become proven at scale. It is unlikely that a single solution will be found for all energy needs and, if it were, this would necessitate considerable build out beyond the lifetime of the Group's current assets.

CLIMATE DISCLOSURE: TCFD CONTINUED

Summary: FSB Task Force on Climate-related Financial Disclosures continued

Impact of climate-related risks continued

Opportunity	Description	Risk category	Risk type
Increased demand for environmental infrastructure and businesses which support the transition to a low-carbon economy	Increased demand for infrastructure which helps to balance the intermittent generation profile of renewables – e.g. battery storage. Increased demand for shorter-term solutions to reach net zero by 2050, e.g. CNG refuelling stations as a low-carbon transport option while other solutions such as hydrogen power are further developed.	Transition	Market Risk
Increased governmental support for environmental infrastructure projects	Government policies aimed at facilitating the transition to a net zero carbon economy may subsidise certain technologies to increase their uptake or build out, creating further opportunities for the Group's investment teams.	Transition	Governance, Regulation, Reputational
Technological developments and build outs in the environmental infrastructure space	As new technologies become better developed, the Company is well positioned to invest in a diversified range of projects.	Transition	Technological
Changes in weather patterns leading to build out of certain types of environmental infrastructure or business	Changes in weather patterns could lead to opportunities for new types of infrastructure or further investment into existing categories. An example of this could be flood defence infrastructure in response to increased rainfall or sea level rise or controlled environment agriculture facilities in response to higher temperatures.	Physical	Physical

Likelihood	Horizon (years)	Impact	Response
Almost Certain	0-10+ years	Strategy, Financial Planning	Foresight is well positioned to invest further in environmental infrastructure sectors and emerging technologies that support the transition to a low-carbon economy. Please see the sections on Infrastructure and Private Equity for further details.
Likely	0-10+ years	Strategy, Financial Planning	Government support for emerging sectors can change the risk profile of certain opportunities and open up areas that would otherwise be unsuitable for investment.
Almost Certain	0-10 years	Strategy, Financial Planning	Attractiveness of investment opportunities will also depend on the business models as well as the proven nature of the technology.
Possible	0-10 years	Strategy, Financial Planning	Foresight has well-established relationships at research and development level and with early-stage investee firms focused on renewable alternatives. These relationships provide us with opportunities to invest or provide additional investment in the technologies that will contribute to meeting climate targets.

CLIMATE DISCLOSURE: TCFD CONTINUED

Summary: FSB Task Force on Climate-related Financial Disclosures continued

Strategy: Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning

Disclosure

The key factors we consider in formulating our approach include regulation, observed changes in climate and climate change impact on extreme weather patterns. We define a substantive financial impact as one that affects more than 5% of Group profit before tax. More details are available in the full TCFD document at **https://www.fsg-investors.com/corporate-governance**

Strategy: Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario

Disclosure

We follow the evolving scenarios spectrum closely and have chosen to perform our analyses against the Intergovernmental Panel on Climate Change ("IPCC") Shared Socioeconomic Pathways ("SSPs"), which are scenarios for socioeconomic global changes up to the year 2100, developed in the IPCC's sixth Assessment Report ("AR6").

The SSPs can be combined with Representative Concentration Pathways ("RCPs") to model different climate scenarios. We continue to develop our approach to scenario analysis and are engaging with a consultancy to explore the following scenarios:

SSP	Scenario	Risk category	Estimated warming (2041–2060)
SSP1-1.9	**Very low GHG emissions:** CO_2 emissions cut to net zero around 2050. Considered best-case scenario if net zero targets are met.	Physical	1.6°C
SSP2-4.5	**Intermediate GHG emissions:** CO_2 emissions around current levels until 2050, then falling but not reaching net zero by 2100. Considered "middle of the road" scenario.	Physical	2.0°C
SSP5-8.5	**Very high GHG emissions:** CO_2 emissions triple by 2075. Considered worst-case scenario.	Physical	2.4°C
IEA SDS	Assumes a surge in clean energy policies and investment, with broad achievement of net-zero pledges, with significant near-term emissions reductions	Transition	2.0°C

Risk: Describe the organisation's processes for identifying and assessing climate-related risks

Disclosure

We have a comprehensive risk management framework overseen by the Risk Committee, which is responsible for overseeing our current and potential risk exposures and advising the Executive Committee. The Risk Committee has a particular focus on our key or material risks, and the controls in place to mitigate those risks, including climate-related risks.

The Risk Committee considers climate-related risks as a separate topic. The Sustainability Committee may also consider risks and opportunities associated with climate change as part of its remit, although it is primarily concerned with setting the Group's guiding principles and strategies in respect of sustainability matters.

Over the last year, we have been working to integrate climate risk into our Group risk frameworks and align with our Risk Taxonomy. The investment teams are working with a service provider to automate the analysis of climate risk for our portfolios and report these to the fund management teams and the relevant committees.

Risk: Describe the organisation's processes for managing climate-related risks

Disclosure

We are partnering with a specialist to model scenarios that quantify climate change risk and allow us to better understand its impact on the Group. Later this year, we expect to have completed our modelling of climate scenarios, demonstrating the likely impact of SSPs on the Group's income statement and balance sheet from physical risks. Transition risks are not expected to have such a significant impact on the Group, since revenues are predominantly generated via management fees from funds managing sustainable/renewable assets and SME private equity investments. We also do not anticipate the impact of transitional risk to be significant for our capital requirements, as we expect that our businesses will continue to be able to adjust to market repricing and the impact of changes in climate policy, technology and market sentiment over time.

Risk: Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management

Disclosure

Our investment managers consider climate-related risks in their investment decisions as part of their due diligence and continuing asset management. This includes considering the effects of carbon pricing, substitution of existing products and services with lower-emission options and the risks of changes to customer behaviour.

Following our analysis and work throughout the year, we are now in a position to take the following steps in FY23:

- Approve our updates to the strategy and our approach to climate risk at Board level
- Finalise the integration of climate risks in our risk management framework
- Continue to support the investment managers with further tools and more training
- Disclose how the Group is integrating climate scenarios within investment management
- Ensure all relevant staff are trained on new policies and processes

CLIMATE DISCLOSURE: TCFD CONTINUED

Summary: FSB Task Force on Climate-related Financial Disclosures continued

Metrics and Targets: Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process

Disclosure

This year we have worked closely with our asset managers and portfolio companies to further develop our wider sustainability and ESG reporting, with a focus on scope 1, 2 and 3 emissions. This has also involved internal and external educational projects to better understand the terminology and work required around emissions reporting. During the year, the Infrastructure division introduced a set of sustainability KPIs across the portfolio, engaged with asset managers and operations and maintenance contractors to further develop these KPIs and put in place a data management system to capture the relevant data.

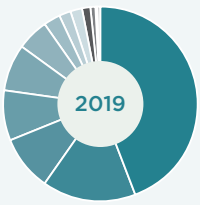
Metrics and Targets: Disclose scope 1, scope 2 and, if appropriate, scope 3 greenhouse gas ("GHG") emissions, and the related risks

Disclosure

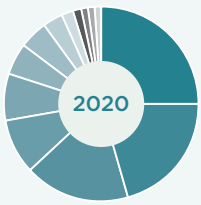
Our carbon footprint is calculated in line with the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard and the GHG Protocol Corporate Value Chain (Scope 3) Standard. We collect consumption-level data across all of our offices, which covers energy, waste, water, business travel, staff commuting habits, office and IT equipment, food and stationery.

In 2021, we completed a carbon assessment to gather baseline carbon data for the 2019 and 2020 calendar years. This did not include category 15 emissions from our investments as part of our scope 3 data, however this is something we plan to collate later this year. Therefore, the information below covers only the 2019 and 2020 calendar years.

Emissions by source



- Business travel: Air 44.4%
- Electricity 15.5%
- Food and drink 9.1%
- Business travel: Road 8.3%
- Employee commuting: Rail 7.7%
- Employee commuting: Road 5.5%
- Gas 2.7%
- Employee commuting: Air 2.0%
- Business travel: Rail 1.8%
- Hotel stay 1.6%
- Paper 0.6%
- Water 0.5%
- Other 0.3%



- Electricity 25.0%
- Business travel: Air 20.8%
- Home working 17.5%
- Food and drink 9.0%
- Gas 7.8%
- Business travel: Road 5.4%
- Employee commuting: Rail 4.5%
- Employee commuting: Road 3.5%
- Water 1.8%
- Paper 1.4%
- Business travel: Rail 1.3%
- Hotel stay 0.9%
- Other 1.1%

2019 Scope	Total (tCO_2e)	tCO_2e/£ million of revenue	tCO_2e/FTE
Scope 1	32	0.8	0.1
Scope 2	170	4.3	0.7
Scope 3	1,149	28.8	4.9
All scopes	**1,351**	**33.9**	**5.7**

2020 Scope	Total (tCO_2e)	tCO_2e/£ million of revenue	tCO_2e/FTE
Scope 1	46	1.1	0.2
Scope 2	136	3.3	0.6
Scope 3	491	12.1	2.1
All scopes	**673**	**16.5**	**2.9**

In 2020, there was a significant drop in scope 2 and 3 emissions, which was directly linked to the COVID-19 pandemic, with less business travel and minimal commuting and office use. However, our scope 1 emissions increased in 2020, which we attribute to gas used for home working purposes.

In the absence of data for Q4 of the 2020/21 financial year, we undertook an alignment exercise to extrapolate data for January to March. Please see our 2020/21 figures based on this exercise. Going forward, all carbon data will align to the financial year.

CLIMATE DISCLOSURE: TCFD CONTINUED

Summary: FSB Task Force on Climate-related Financial Disclosures continued

Metrics and Targets continued

Foresight Group Holdings Ltd GHG statements (tCO_2e), as follows:

	Foresight Group Holdings Ltd	
Reporting period	1 April 2020 to 31 March 2021	
	UK offices	Overseas offices
Annual energy consumption: (kWh)		
– Electricity	476,000	58,000
– Gas	271,000	—
– Transport fuel	48,000	14,000
Total	795,000	72,000
Annual GHG emissions (tCO_2e)		
Scope 1		
Emissions from combustion of gas	50	—
Emissions from combustion of fuel for transport purposes	—	—
Scope 2		
Emissions from purchased electricity – location based	110.6	20.3
Emissions from purchased electricity – market based	110.6	20.3
Scope 3		
Emissions from business travel in rental cars or employee vehicles where company is responsible for purchasing the fuel	15	4
Emissions from electricity upstream transportation and distribution losses and excavation and transport of fuels – location based	17	2
Emissions from upstream transport and distribution losses and excavation and transport of fuels – market based	17	2
Total tCO_2e emissions (location based)	193	27
Total tCO_2e emissions (market based)	193	27
Intensity (tCO_2e/FTE)		
Full Time Equivalent ("FTE") employees	191	18
Intensity ratio: total location based tonnes per FTE employee (tCO_2e / FTE)	1.0	1.5
Intensity ratio: total market based tonnes per FTE employee (tCO_2e / FTE)	1.0	1.5
Intensity (tCO_2e/£ million revenue)		
Revenue (£m)	69.1	
Intensity ratio: total location based tonnes per million revenue (tCO_2e/£m)	3.2	
Intensity ratio: total market based tonnes per million revenue (tCO_2e/£m)	3.2	
Methodology	GHG Protocol Corporate Accounting and Reporting Standard.	

In line with the UK Government's Streamlined Energy and Carbon Reporting ("SECR") guidance, Scope 3 emissions in the above table for FY21 include only business travel in rental or employee-owned vehicles.

Undertaking this carbon audit will enable us to set science-based carbon reduction targets, in line with the Paris Agreement and according to the Science Based Targets initiative ("SBTi") criteria. This means we will work to reduce our carbon emissions, in line with the IPCC's recommended cap of 1.5°C degrees above pre-industrial levels by 2050 with low or no overshoot, and thereby attain our target of science-based net zero carbon by 2050.

The Group already tracks and reports the greenhouse gas savings delivered by all clean energy investments assessed to be contributing significantly to climate change mitigation through net avoidance of carbon emissions and other pollutants.

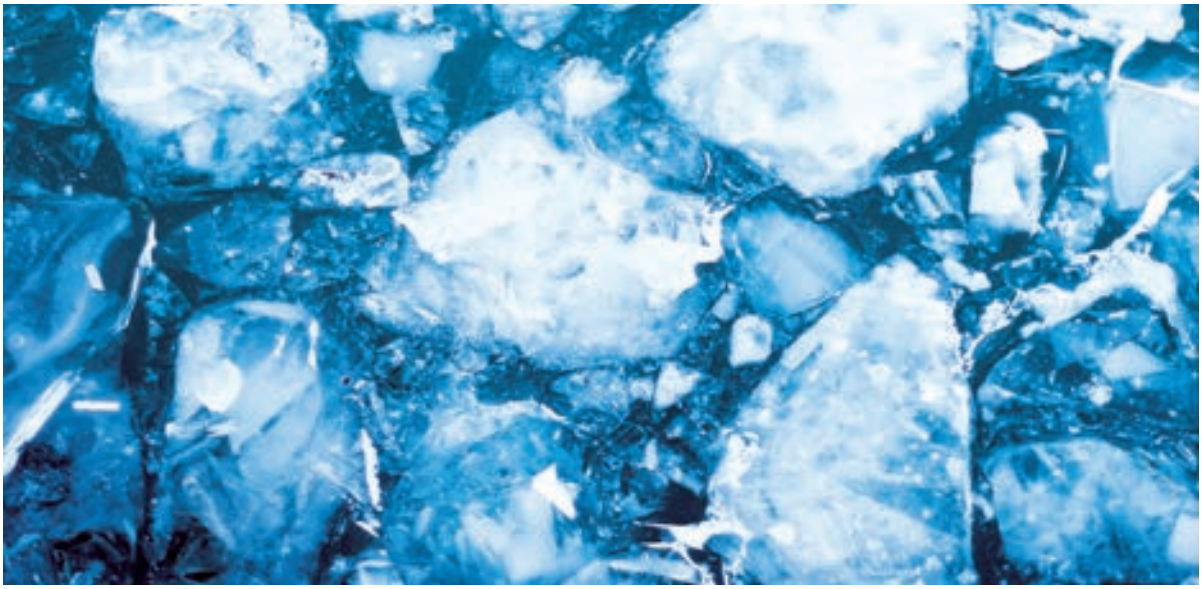
Metrics and Targets: Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets

Disclosure

We have appointed a carbon specialist to support us in calculating our scope 1, 2 and 3 emissions. This will, in future, include the emissions from our investments. This will be the first time we have conducted this exercise to include category 15 financed emissions. The process involves gathering a wide array of data and we are not yet in a position to set targets. However, we have the ambition to align targets with the SBTi. To support us in delivering these targets, we shall also publish a net zero strategy which demonstrates our plan to reduce our emissions across our business.

We continue to improve our risk planning for the Group. We have incorporated climate change into our Group-wide risk framework and we continue to evolve our understanding of how climate change will impact the Group and our investments.

Additionally we follow the SECR standard of reporting, details of which can be found here: **https://www.gov.uk/government/publications/academy-trust-financial-management-good-practice-guides/streamlined-energy-and-carbon-reporting#definition-of-emission-scopes-and-their-minimum-reporting-requirements-under-ghg-protocol**



OUR STAKEHOLDERS

We are accountable to our stakeholders and aim to have constructive, two-way relationships with them, so we can consider their perspectives, insights and needs.

Our stakeholder relationships

We recognise the fundamental roles our stakeholders play in our continued success. By taking account of their views, we can ensure the outcomes of our operational, investment and strategic decisions are more robust and sustainable. It is important and appropriate that we keep our stakeholders well informed.

We aim to report clearly on our economic, environmental and social impacts, and to be transparent about our approach to sustainability considerations, both in our business activities and as a corporate entity.

The Executive Committee provides details of stakeholder feedback to the Board in various forms.

The Board also has the opportunity to access all main stakeholders directly. More information on how the Board engages can be found in the section 172(1) statement on page 86.

The table on the following pages summarises our stakeholder engagement in the year and the outcomes of that engagement:

CASE STUDY: LISTING FORESIGHT SUSTAINABLE FORESTRY

How the Company engaged with key stakeholders

Foresight Sustainable Forestry Company plc ("FSFC") is the first and only UK listed investment trust focused on UK forestry, afforestation and natural capital. Pre and post-IPO, extensive engagement with an extensive set of stakeholders took place:

The below illustrates the effects of Foresight's stakeholder considerations for long-term consequences of decisions, fostering relationships, maintaining reputation and community impact, as set out in our Section 172 statement (page 86).

Pre-IPO – extensive engagement programme with potential listed market investors and early market testing with c.10 leading institutional investors provided valuable feedback on the proposed strategy. More extensive 'pilot fishing' followed with over 100 institutional investors. This engagement resulted in Foresight adjusting the strategy to better meet investors requirements, including increasing the target allocation to afforestation and providing investors with a greater level of exposure to nascent voluntary carbon markets.

Post-IPO – series of stakeholder engagement sessions including:

- Local community meeting on proposed afforestation schemes
- Community planting days for schoolchildren to learn about biodiversity conservation, new silviculture skills, and the importance of healthy forests to the wider world
- Forestry skills training programme in Wales sponsoring members of the local farming community to receive training, mentoring and equipment to enable careers in forestry
- Promoting local tourism and job creation by working to install luxury glamping pods across several afforestation sites
- Engaging with several renewable energy developers to explore the co-location of renewable energy generation

Ongoing – FSFC is highly engaged with various industry and regulatory bodies including:

- the Woodland Carbon Code, who have been in consultation about making changes to the voluntary carbon credit additionally criteria, and
- the London Stock Exchange on its proposed Voluntary Carbon Market ("VCM") designation.

Strategic pillars

Stakeholders

SHAREHOLDERS

Institutions and individual investors who own shares in the Company.

Reason for engagement

Shareholders own Foresight Group and are entitled to timely and accurate information from the Board. Shareholders also have the right to vote on important Company matters at the Annual General Meeting ("AGM") and to be consulted on significant corporate actions.

Activities

We keep our Shareholders and the market appraised of important developments in the business via RNS announcements throughout the year. Any interested party can sign up to receive Foresight Group RNS alerts through our corporate website. We also run an extensive investor engagement programme that enables our Shareholders to meet our Executive Directors and Group Investor Relations Director at conferences, investor roadshows and on an ad hoc basis.

The Board receives verbatim feedback from our investor base at least twice annually following our results roadshows, which enables them to keep abreast of the areas of focus for this stakeholder group.

Outcomes of engagement

This engagement highlighted the growing interest in ESG among our investors. In response, we have initiated a plan to reach net zero by 2050 and offset our scope 1, 2 and 3 emissions. We are also in the process of introducing sustainability metrics into the long-term incentive plan.

STAFF

Staff, members and Partners of Foresight Group, who may also be Shareholders.

Reason for engagement

Our people are our most valuable asset. They hold the expertise, knowledge and talent on which the Group's success is built. Engagement helps us to understand their views of Foresight as an employer, helping us to attract, retain and develop the best people.

Activities

We share the results of our annual engagement survey with all staff. Heads of departments also receive their team results, along with individual managers. Their results are then considered so they can drive improvements where needed. Our Employee Forum was established in February 2022 and is chaired by our designated NED for workforce engagement and a Partner from the senior leadership team. It helps to shape the culture at Foresight and also provide direct employee feedback to the Board.

The HR team works with team heads on talent mapping, succession planning, career development, remuneration, appraisals and promotion. We also support professional qualifications.

Outcomes of engagement

As a result of listening to staff, we have been working on improving our benefits. This includes financial benefits, such as pensions, as well as non-financial aspects such as the ability to have greater interaction with charities and take part in community-led projects.

We have also understood the need for better communication. As such, we have embarked on our Employee Value Proposition and are committed to becoming better at communicating our people strategies.

CLIENTS, ADVISERS AND INVESTORS

We create funds for, and provide services to, pension funds and other institutions. We also offer retail funds, which we sell via advisers to retail investors.

Reason for engagement

Clients and investors are our lifeblood. We need to provide them with their expected risk-adjusted returns and a high-quality service, to ensure they continue to invest in our products. Financial advisers and wealth managers are key distribution channels for selling our products to retail investors.

Activities

The Investor Relations Teams (Institutional and Retail) ensure investors receive the reporting and support they need.

The Retail Sales Team works with financial advisers and wealth managers to educate and provide training on our products, and information and advice on the suitability of new products to target investor types.

Outcomes of engagement

Having engaged with clients, intermediaries and investors (via their advisers where appropriate) by video call during the pandemic, we have stepped up face-to-face meetings in recent months. Our engagement showed demand for self-service tools to improve efficiency, so we are introducing a client portal, which will enable these stakeholders to obtain information and reports when they need it.

OUR STAKEHOLDERS CONTINUED

COMMUNITIES AND CHARITIES

These include the communities in which investee companies operate, communities local to the Group's offices and charities selected by our staff.

Reason for engagement

We have a strong sustainability and ESG culture, which extends to the communities around our investee companies and office locations, and support for charities that are either relevant to our business or important to our people. Engagement helps us to create social value, which we recognise as an increasing demand on all businesses.

Activities

We support communities by ensuring investee companies recognise and uphold our ESG values and standards. This is enabled by our due diligence process and ongoing monitoring and reporting post-investment. Our activities also include charity days, with the Company providing a budget to support charitable projects.

Outcomes of engagement

Through the Future VC programme, we support people from backgrounds that are underrepresented in the investment industry by providing work placements.

We continue to work with the Sacred Heart High School and will be running a number of business breakfasts, skill-based workshops, mentoring sessions and placements for their students.

In FY22, the Group provided funding for charitable causes, as well as other support such as donations of computer equipment.

SUPPLIERS AND SERVICE PROVIDERS

This stakeholder group includes the suppliers of business critical services to companies within the Group and/or the Group's funds. We carefully select our service providers, as the services they provide are effectively an extension of our own, as they impact the service to our clients and to our business, and can therefore affect our reputation.

Reason for engagement

Certain areas of our operations rely on the support of third-party service providers. Engagement helps to ensure we continue to receive a high-quality and reliable service, in turn underpinning the quality and efficiency of our operations and that of our funds.

Activities

Our engagement with our largest and regulated service providers includes periodic due diligence visits. We also carry out appropriate due diligence when selecting suppliers and they may also conduct due diligence on us, for example where required to by regulation.

Outcomes of engagement

We have continued to enjoy good relationships and to receive appropriate standards of service from our key suppliers.

As a result of our ongoing due diligence programme for key/significant suppliers/service providers, we are able to ensure they provide the level of service required in accordance with the contracts and any service level agreements. This also allows us to manage service issues as/if they arise.

REGULATORS AND INDUSTRY BODIES

A number of the Group entities located in the UK, Luxembourg, Jersey and Guernsey carry out regulated activities and are therefore subject to regulatory oversight in these jurisdictions and the USA. Several of our funds utilise government tax incentives, subsidies and other initiatives. We also engage with a wide range of UK and global industry bodies and initiatives that are relevant to our business and industry.

Reason for engagement

To maintain our licences and authorities to carry out regulated activities, we need transparent and open relationships with regulators. The industry bodies and initiatives we align with often set standards for our businesses or represent the industry's views with governments and others.

Activities

Compliance teams in our regulated business locations ensure we comply with local regulations and make all required filings. The teams may also support regulatory consultations and thematic reviews.

We are active participants in bodies such as the CBI and the AIC and attended COP26 during the year.

Outcomes of engagement

We have maintained transparent relationships with regulators and ensured compliance with regulatory requirements.

Our work with industry bodies enables us to provide input to government policy initiatives, such as helping to formulate policy in relation to SME funding in the long term.

CASE STUDY: CONSIDERING EMPLOYEE INTERESTS

Background

The Board understands the critical importance of the Group's employees to its current and future success. The Directors regularly meet with senior management below Executive Committee level, to receive updates on specific parts of the business and to increase their insight into employee issues.

As a result of these meetings, the Directors determined that a formal channel for employee feedback would be valuable, resulting in the creation of the Employee Forum during the year. The Forum is chaired by Alison Hutchinson, who is our designated Non-Executive Director for workforce engagement.

The creation of the Forum has subsequently led to the Board commissioning an employee value proposition for the Group.

This has involved considerable staff engagement at all levels, to understand what sets Foresight apart as an employer, what staff expectations are and what changes our people would like to see. The output from this work will help the Group to attract and retain the talent we need and will be reviewed by the Executive Committee and recommended to the Board for approval when complete. For more information on the EVP, please refer to pages 16 and 17.

Impact of the decision

While the Group's employees have been the primary focus of this work ensuring that the Group retains talented people with high levels of job satisfaction, this is also crucial for all our stakeholders, including the returns and service quality our clients receive and the successful execution of our strategy on behalf of Shareholders. The creation of the Employee Forum and the employee value proposition are therefore expected to have important long-term benefits for the Group and its stakeholders.

SECTION 172(1) STATEMENT

Section 172(1) of the Companies Act 2006 requires a director of a company to act in a way they consider, in good faith, would most likely promote the success of the Company for the benefit of its members as a whole. In doing so, Directors must have regard to the matters listed in the table below.

The Company is incorporated under Guernsey law, which does not have a statutory equivalent to section 172. However, the Directors are committed to complying with the UK Corporate Governance Code and have therefore provided a statement describing how they considered the matters set out in section 172, in line with Provision 5 of the Code.

Taking account of stakeholder interests

Section 172 requires the Board to understand and consider stakeholder interests in its decision-making. The Group's key stakeholders and its engagement with them are set out on pages 83 and 84. The Board receives reports from management on stakeholder interactions as part of its formal meetings and the Directors are satisfied that this mechanism has worked effectively during the year.

In addition, members of the Board engage directly with a number of important stakeholder groups, notably:

- The Executive Directors meet frequently with the Company's institutional Shareholders
- The CFO attends Board meetings for our largest funds
- The Senior Independent Director chairs the Employee Forum, providing a direct and independent channel for employee views to reach the Board
- The Executive Directors take part in industry consultations and initiatives, and are members of industry bodies such as the CBI and AIC

Please see the case study on page 82 that illustrates how stakeholder interests were considered in relation to the listing of our new forestry fund, FSFC.

Matters considered

The likely consequences of any decision in the long term

The Group has a rolling three year strategic plan and the Board considers any updates to the plan in terms of their impact in areas such as the Group's competitive position, its stakeholders and its projected financial performance.

The Board also considers the longer-term impact of individual decisions.

The interests of the Group's employees

The Board receives direct feedback from employees via the Employee Forum and indirectly through reports from management and the results of employee surveys. This has led the Board, for example, to commission work on an employee value proposition for the Group, as described in the case study on page 85.

The need to foster the Group's business relationships with suppliers, customers and others

The Group's engagement with suppliers, customers and other stakeholders, including how the Board is kept informed, is described on page 84. The Group's strategy, which is approved and monitored by the Board, relies on strong relationships with clients, advisers, investee companies and others, as the Group looks to broaden its capabilities and geographical reach, and reach new investors for its funds.

The impact of the Group's operations on the community and the environment

The Board believes that having a positive impact on communities and strong environmental credentials are key parts of the Group's culture. One example during the year was the decision to adjust the Group's plans for its forestry project in Frongoch, Wales. In response to community input, we agreed to plant trees on less of the land and to broaden the range of tree species, which will support biodiversity and enhance the visual appeal of the forest.

The desirability of the Group maintaining a reputation for high standards of business conduct

As a financial services business, a reputation for high standards of conduct is essential for the Group's continued success. The UK domiciled members of the Executive Committee are subject to the Senior Managers and Certification Regime, which includes mandatory training and competency assessments on an annual basis. The Board members have also undergone mandatory training programmes during the year. The Board also receives assurance on the Group's standards in certain functional areas through third-party reviews and audits. These include the Cyber Essentials accreditation in relation to IT security measures, and the ISAE 3402 report for the Group's operational arrangements in the UK. The Group also invites expert firms to undertake specific reviews and engages with them for training and advice, to ensure the Group's arrangements continue to meet regulatory, legal and best practice standards.

The need to act fairly as between members of the Company

Executive Chairman Bernard Fairman and parties associated with him control 29.9% of the Company's share capital. As described on page 137, the Company has entered into a relationship agreement with parties including the Executive Chairman and CFO. The relationship agreement ensures that the Executive Directors do not have undue influence on the Board's decisions, including any matters where there could be a potential conflict with the interests of the Company's other Shareholders. There is also a dual voting system at AGMs, to ensure that certain votes are only passed with a majority excluding the parties to the relationship agreement.