

# SUSTAINABILITY

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

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**A+**

**FOR STRATEGY & GOVERNANCE<sup>1</sup>**

**A+**

**FOR INFRASTRUCTURE<sup>1</sup>**

**A**

**FOR PRIVATE EQUITY<sup>1</sup>**

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<sup>1</sup>. 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](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.

# SUSTAINABILITY CONTINUED

## 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<sub>2</sub>e, 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



# 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.



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<sup>1</sup> 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<sup>1</sup>**



1. Within our Foresight Regional Investment Funds.



### 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:

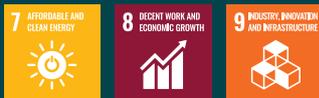
**BUSINESSES SHOULD SUPPORT A PRECAUTIONARY APPROACH TO ENVIRONMENTAL CHALLENGES**

## 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<sub>2</sub>E AVOIDED (INFRA) VS COAL<sup>1</sup>**  
(2020/21: 2,741,075 TONNES CO<sub>2</sub>E)

# +24.8%

INCREASE ON LAST YEAR

# 1.78m

**EQUIVALENT HOMES SUPPLIED WITH GREEN ENERGY<sup>2</sup>** (2020/21: 1.2m HOMES SUPPLIED)

# +365,000 homes

INCREASE ON LAST YEAR

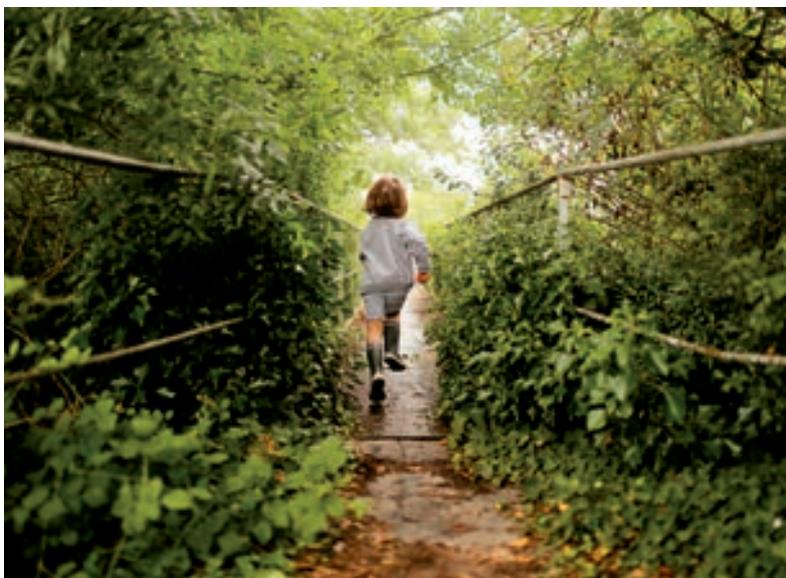
1. This year’s figure relates not only to emissions avoided through renewable energy generation but also our CNG assets.
2. To calculate these figures, we use an average household electricity consumption figure from OFGEM, which is 2.9MWh per year.



### 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<sub>2</sub> 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<sub>2</sub> 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.



<b>Governance</b>	The Company's governance around climate-related risks and opportunities
<b>Strategy</b>	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
<b>Risk Management</b>	The processes used by the Company to identify, assess and manage climate-related risks
<b>Metrics &amp; Targets</b>	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<sup>1</sup>.

### 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 Piñero 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](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	<p>The risk of lower than forecast power prices due to warmer winters or increased renewables deployment.</p> <p>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.</p>	Transition	Market Risk
Extreme weather-related events	<p>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.</p>	Physical	Acute, Chronic
Changes in regulation and government support	<p>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.</p> <p>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.</p>	Transition	Governance, Regulation, Reputational
Displacement of existing assets with new or other technologies	<p>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.</p> <p>Other technologies such as nuclear or coal may be prioritised in the short to medium term.</p>	Transition	Technological

Likelihood	Horizon (years)	Impact	Response
Likely	0-10+ years	Strategy, Financial Planning	<p>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).</p> <p>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.</p>
Likely	5-10+ years	Strategy, Company's investments	<p>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.</p>
Possible	0-10 years	Strategy, Financial Planning	<p>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.</p> <p>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.</p> <p>The risk over the long term is considered negligible as other avenues or solutions would be found for the asset or technology affected.</p>
Unlikely	0-10+ years	Strategy, Financial Planning	<p>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.</p>

## 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	<p>Increased demand for infrastructure which helps to balance the intermittent generation profile of renewables – e.g. battery storage.</p> <p>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.</p>	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	<b>Very low GHG emissions:</b> CO <sub>2</sub> emissions cut to net zero around 2050. Considered best-case scenario if net zero targets are met.	Physical	1.6°C
SSP2-4.5	<b>Intermediate GHG emissions:</b> CO <sub>2</sub> 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	<b>Very high GHG emissions:</b> CO <sub>2</sub> 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.

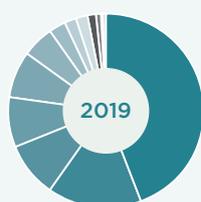
**Metrics and Targets: Disclose scope 1, scope 2 and, if appropriate, scope 3 greenhouse gas ("GHG") emissions, and the related risks**

#### Disclosure

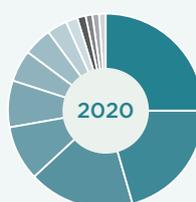
Our carbon footprint is calculated in line with the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard and the GHG Protocol Corporate Value Chain (Scope 3) Standard. We collect consumption-level data across all of our offices, which covers energy, waste, water, business travel, staff 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 <sub>2</sub> e)	tCO <sub>2</sub> e/£ million of revenue	tCO <sub>2</sub> e/FTE
Scope 1	32	0.8	0.1
Scope 2	170	4.3	0.7
Scope 3	1,149	28.8	4.9
<b>All scopes</b>	<b>1,351</b>	<b>33.9</b>	<b>5.7</b>

2020 Scope	Total (tCO <sub>2</sub> e)	tCO <sub>2</sub> e/£ million of revenue	tCO <sub>2</sub> e/FTE
Scope 1	46	1.1	0.2
Scope 2	136	3.3	0.6
Scope 3	491	12.1	2.1
<b>All scopes</b>	<b>673</b>	<b>16.5</b>	<b>2.9</b>

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<sub>2</sub>e), as follows:

Reporting period	Foresight Group Holdings Ltd	
	1 April 2020 to 31 March 2021	
	UK offices	Overseas offices
<b>Annual energy consumption: (kWh)</b>		
- Electricity	476,000	58,000
- Gas	271,000	—
- Transport fuel	48,000	14,000
<b>Total</b>	<b>795,000</b>	<b>72,000</b>
<b>Annual GHG emissions (tCO<sub>2</sub>e)</b>		
<b>Scope 1</b>		
Emissions from combustion of gas	50	—
Emissions from combustion of fuel for transport purposes	—	—
<b>Scope 2</b>		
Emissions from purchased electricity – location based	110.6	20.3
Emissions from purchased electricity – market based	110.6	20.3
<b>Scope 3</b>		
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
<b>Total tCO<sub>2</sub>e emissions (location based)</b>	<b>193</b>	<b>27</b>
<b>Total tCO<sub>2</sub>e emissions (market based)</b>	<b>193</b>	<b>27</b>
<b>Intensity (tCO<sub>2</sub>e/FTE)</b>		
Full Time Equivalent (“FTE”) employees	191	18
Intensity ratio: total location based tonnes per FTE employee (tCO <sub>2</sub> e / FTE)	1.0	1.5
Intensity ratio: total market based tonnes per FTE employee (tCO <sub>2</sub> e / FTE)	1.0	1.5
<b>Intensity (tCO<sub>2</sub>e/£ million revenue)</b>		
Revenue (£m)		69.1
Intensity ratio: total location based tonnes per million revenue (tCO <sub>2</sub> e/£m)		3.2
Intensity ratio: total market based tonnes per million revenue (tCO <sub>2</sub> e/£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>

