Business review continued

Infrastructure

One of Europe's and Australia's most established real asset investors, focusing on the energy transition, natural capital and social, transport and digital infrastructure.

Business review continued

Infrastructure continued

Operational overview

£9.8bn
Assets Under Management

438
infrastructure assets

180+
investment, commercial and technical professionals

4.7GW
total green energy technology capacity[1]

Foresight's Infrastructure division is one of Europe's and Australia's most established real assets investors. We invest across many technologies, focusing on the energy transition which includes renewable generation, grid infrastructure and hydrogen, and also natural capital, social, transport and digital infrastructure. As at 31 March 2024, we managed 438 infrastructure assets, including assets with 4.7GW of total green energy capacity.

The experienced in-house team comprises over 180 investment, commercial and technical professionals who provide a complete end-to-end solution for retail and institutional investors. This includes:

1. Creating a bespoke range of products that meet the needs of investors, the economy and the environment
2. Investment origination and execution, including sourcing and structuring transactions
3. Ongoing active commercial, operational and technical management and optimisation of our assets

We utilise our established UK international networks to access the best available markets and opportunities at any given time.

1. As defined by the London Stock Exchange Green Economy Mark.

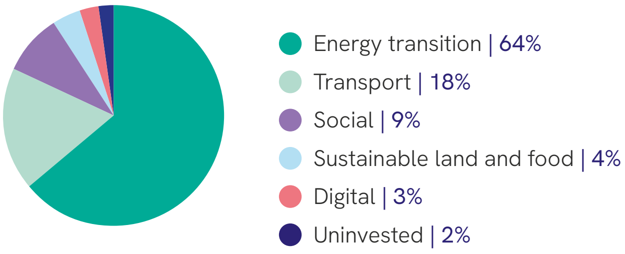
The division deploys and manages capital across a wide range of infrastructure sectors at various stages of an asset's life, through development, construction and operational stages. This creates further investment opportunities and enables us to maximise return on investment.

When considering investment opportunities, we apply five ESG principles to evaluate, monitor and encourage portfolio companies to make improvements:

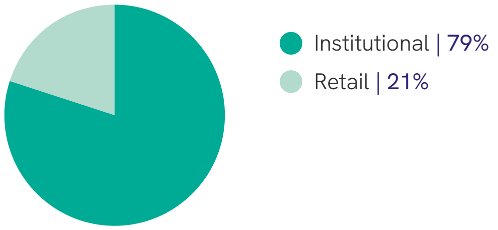
1. Sustainable development contribution: contribution made towards the global sustainability agenda
2. Environmental footprint: localised environmental impact of an investment
3. Social: the interaction with local communities and the welfare of employees
4. Governance: compliance with relevant laws and regulations
5. Third-party interactions: the sustainability of key counterparties and the broader supply chain

Our in-house asset management team focuses on operational performance, asset optimisation, commercial management, as well as useful life enhancement, with the objective of generating sustainable long-term asset operations and associated economic benefits. We believe this team provides the wider Infrastructure division with a competitive advantage that few in the market can offer.

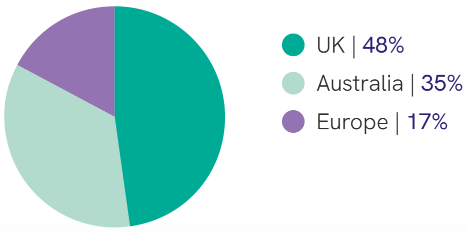
Infrastructure AUM by theme:



Infrastructure AUM by client type:



Infrastructure AUM by geography:



Business review continued

Infrastructure continued

Market opportunity

Due to strong global decarbonisation agendas, the sustainable infrastructure market is driven by powerful long-term structural and regulatory tailwinds with the aims of:

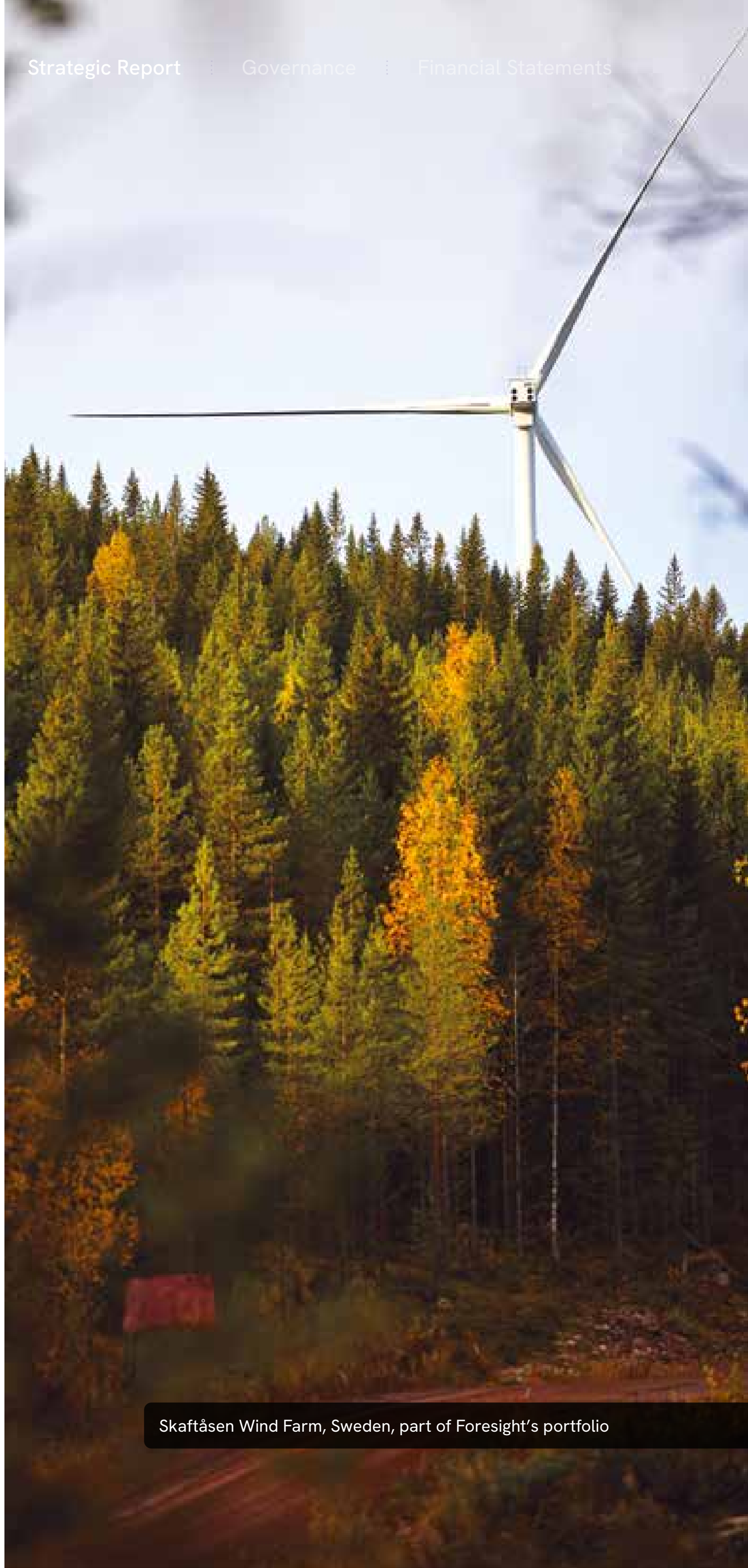
1. Achieving net zero targets (in line with the Paris Agreement or other verified timelines)
2. Strengthening energy security in light of recent global conflicts

Whilst global investment in the energy transition reached a record $1.8 trillion in 2023, a 17% increase on 2022, the 2024 BNEF Energy Transition Investment Trends report estimates that global investment levels need to nearly triple to $4.8 trillion per year between 2024 and 2030 to remain on track to achieve global net zero targets. With most countries not yet aligned to meet this increased demand, there is a growing need for public and private institutions to work more closely together to help scale the investment required.

We are now seeing evidence of strategic plans at a national/regional level, supported by new regulations that underpin these global ambitions. Specifically within our key markets:

- The UK Energy Act came into force in October 2023 aiming to create a more efficient energy system that can support the growth in the electrification of technologies to achieve net zero targets. It seeks to ensure the UK energy system is cleaner, more affordable and more secure, leveraging private investment in clean technologies to achieve this.
- The amended Renewable Energy Directive ("RED III"), that has been adopted by the EU Council, came into force in November 2023. This sets out the aim to increase the share of renewable energy in the EU's overall energy consumption to at least 42.5% by 2030 with an aspiration for 45%. This has significant implications for many sectors across industry, transport and buildings. For example, in the industrial sector, RED III requires a 1.6% annual increase in renewable energy usage.
- The expansion of the Australian Government's Capacity Investment Scheme ("CIS") was announced in November 2023. The expanded CIS seeks to incentivise the national deployment of 32GW of renewable capacity and clean dispatchable capacity by 2030. The Government is seeking to unlock more than A$65 billion of investment in renewable capacity through the CIS. Competitive tenders for revenue underwriting will be held approximately every six months starting from May 2024. Post period end, the Federal Budget for 2024-25 was announced in May 2024 and is the biggest clean energy budget in Australian history. The "Future Made in Australia" package will realise Australia's potential to become a renewable energy superpower, add value to resources, and strengthen economic security by attracting investment in priority areas.

Foresight's Infrastructure division, through its current and identified future strategies, targets these resulting significant investment opportunities.



Skaftåsen Wind Farm, Sweden, part of Foresight's portfolio

Business review continued

Infrastructure continued

Fundraising update

With the increasing focus on decarbonisation, our funds are well placed to benefit from the global drive to support the energy transition and wider net zero ambitions. There is a growing need for investment in energy storage and green hydrogen alongside the continued development of renewable energy production and investment upgrades to the grid that are needed to support these new energy sources and increased consumption resulting from electric vehicles and AI-related data centres.

Whilst challenging market conditions in 2023 necessarily slowed the pace but not the size or scope of our institutional infrastructure fundraising activities, we have been encouraged in 2024 by investor demand for our institutional infrastructure pipeline of products:

- FEIP/FEIP II: As part of our Foresight Energy Infrastructure Partners ("FEIP") differentiated energy transition strategy, we endeavour to create strong diversification across technologies and geographies, investing in complementary and negatively correlated assets to deliver a superior risk-adjusted return. In January 2024, FEIP successfully concluded its investment period, having deployed over €1 billion in capital.
- Post period end, less than six months after FEIP I's investment period ended, we were pleased to announce the accelerated first close of €300 million for the second vintage of this strategy, Foresight Energy Infrastructure Partners II ("FEIP II"), to meet investor requirements. With a target fundraise of €1.25 billion, FEIP II will continue to raise capital until late 2025.
- Hydrogen: Over the last 12 months, new or updated national hydrogen strategies and Government legislation have been announced that continue to support the investment case for low carbon hydrogen opportunities in key geographic regions. In addition, we are observing the increasing demand for this product, with large corporations such as TotalEnergies issuing public tenders for significant volumes every year. This gives Foresight confidence that the momentum to build a hydrogen economy is growing and long lasting. As such, we are increasing our emphasis on a new Foresight Hydrogen Infrastructure Fund ("FHIF") that is currently pre-marketing to financial institutions, sovereign funds and corporations across Europe, the US, Middle East and Asia.
- Australian Renewables Income Fund ("ARIF"): During the year, the continued global demand for sustainable investment has driven Australia's push towards decarbonisation. Achieving the Australian Energy Regulator's energy transition goals will require significant institutional investment, presenting substantial opportunities for ARIF, which remains open to capital commitments.

We continue to explore new opportunities in the market and look to develop further products to support decarbonisation agendas; for example, within natural capital, a sector that we already have experience investing in through forestry and aquaculture assets.

Against the backdrop of challenging market conditions for institutional fundraising in FY24, our Foresight Inheritance Tax Fund achieved a record year of inflows, with £289 million allocated to infrastructure investment strategies.

Performance and capital deployment

Our divisional AUM increased by 4% to £9.8 billion (FY23: £9.5 billion) in the period, largely supported by a strong performance through our retail fundraising.

FY24 deployment decreased year-on-year, reflecting fundraising constraints experienced during 2023. However, our team's well-established international networks resulted in the origination and review of over 900 investment opportunities, a 26% increase on the prior period. Improving institutional infrastructure fundraising conditions in 2024 provide us with confidence in unlocking a greater proportion of this origination pipeline in FY25.

	FY24	FY23
Transactions completed	29	54
Value (£m)	359	690
New future deployment rights (£m)[1]	1,141	1,657
Total (£m)	1,500	2,347

1. New future deployment rights associated with transactions completed during the period.

Business review continued

Infrastructure continued

Performance and capital deployment continued

Investments that progressed or completed in the year included:

- HH2E – Progress has continued towards a final investment decision ("FID") on the Company's green hydrogen production site project in Lubmin, Germany, which is expected in the second half of 2024. The Company also has a further pipeline of projects at various stages of development of which the Thierbach site in Germany is the furthest advanced. The Company continues to see strong interest from corporates from a range of sectors that need to decarbonise in discussing green hydrogen offtake from HH2E sites.
- In Australia, the Kondinin Energy Project with Shell received developmental approval for a 280MW wind, 80MW solar and 60MW Battery Energy Storage System. Stage 1 of the development comprises approximately 120MW of wind; ongoing development activities have included offtake marketing, EPC tendering, grid connection and community engagement.
- FEIP acquired the 1,800MWh capacity development stage pumped storage hydro ("PSH") project in Silvermines, Co Tipperary, Ireland. See the case study on page 22 for further details.

At the year end, the division held a strong total future deployment rights pipeline in international infrastructure of over £5 billion, across sectors including renewable generation, storage, hydrogen and natural capital.

Outlook

In FY24, a higher interest rate environment created headwinds to institutional infrastructure fundraising and therefore our ability to deploy capital. However, as a division we remain ideally positioned to benefit from the significant investment opportunities provided by global decarbonisation agendas and the resulting powerful long-term structural and regulatory tailwinds present within our key infrastructure markets.

Our heritage in supporting a range of renewable energy sources, including wind and solar, and our recent success in moving into grid flexibility and green hydrogen further highlights our ability to identify opportunities for growth and build diversified portfolios that deliver attractive, risk-adjusted returns.

This investment experience, combined with encouraging investor sentiment shown in 2024, as shown by the post period end first close of the second vintage of our flagship energy transition strategy, Foresight Energy Infrastructure Partners ("FEIP") II, provides confidence in our ability to continue to grow and unlock our strong investment pipeline in international infrastructure.

Our recent success in moving into grid flexibility and green hydrogen further highlights our ability to identify opportunities for growth

Business review continued

Infrastructure continued

The Lorca portfolio

The global focus on achieving decarbonisation continues to offer us strong investment opportunities. In Europe, the Spanish electricity market is one of the most active for the deployment of renewable projects, and having huge potential for harvesting photovoltaic energy, solar assets are particularly attractive.

In 2020, the listed investment trust, Foresight Solar Fund Limited ("FSFL"), purchased three assets in Andalusia, expanding its Iberian portfolio with further subsidy-free projects. The (99MW) project was acquired at the pre-construction stage, and our presence in and knowledge of the local market was key in structuring the construction, offtake and financing agreements for the portfolio – adding value at every stage.

Our team in Madrid worked to secure a ten year fixed power purchase agreement with Statkraft, Europe's largest producer of renewable energy. This secured long-term revenue visibility for our Spanish portfolio, directly contributing to dividend cover for FSFL. Foresight's local team were also able to secure debt financing for the portfolio, reflecting the strength of its revenue profile, further optimising financial returns.

Less than 24 months after acquisition of the initial project rights, all three assets, Las Salinas (30MW), Los Llanos (49MW) and Los Picos (20MW), started exporting to the grid. The resulting capital uplift from reaching commercial operations made a strong contribution to the FY23 performance of FSFL, delivering a 1.9pps uplift to the Company's net asset value.

In November 2023 we sold a 50% stake in the portfolio at a 21% premium to holding value. The sale crystallised a further capital uplift, enabling the fund to recycle capital into other investment opportunities and strengthen its balance sheet in accordance with its prudent capital allocation strategy, whilst retaining exposure to assets that will continue to support FSFL's financial objectives for the long term.

Lorca is a great example of how well our value creation strategy works. By acquiring assets at the pre-construction stage, we can utilise our experience within our investment management team to build and operate assets that can realise full financial upside for Foresight managed funds.

Los Llanos, part of Foresight and FSFL's Lorca Portfolio in Spain

Business review continued

Infrastructure continued

Silvermines

The revised European Renewable Energy Directive, adopted in 2023, has established new climate targets for EU countries to achieve net zero by 2050. In support of this, Ireland's Climate Action Plan 2023 aims to have renewables account for 80% of power by 2030. The transition needed to achieve these targets, in a country with a strong dependency on fossil fuels, requires improved flexibility and storage capacity in Ireland's electricity generation infrastructure to respond quickly to changes in renewable electricity supply and demand.

In November 2023 our Foresight Energy Infrastructure Partners ("FEIP") fund acquired an equity stake and committed capital to the development of a Pumped Storage Hydro ("PSH") project, Silvermines Hydro, in the Republic of Ireland. This is in addition to an earlier grant from the European Commission through the Connecting European Facility.

The project has officially been designated as a European Project of Common Interest, meaning that it is an essential infrastructure project that aims to strengthen the European energy market and help achieve energy and climate goals. This reflects our move into more high-profile, nationally significant projects.

Silvermines is FEIP's second investment in the PSH sector and is located on a 148-hectare site in Tipperary. The site was previously used as an open cast mine and by utilising the existing open pit to create a lower reservoir, the plant will have positive environment and biodiversity impacts. Silvermines will add over 300MW of flexible storage capacity to the grid, with PSH a dependable and proven way to flexibly store green energy and generate electricity at scale. It addresses the growing demand for electricity in Ireland while contributing to the security of energy supply.

The project will play an essential role in balancing the grid and help reduce Ireland's fossil fuel dependency. It has been identified as a mitigating solution to Ireland's energy challenges, helping achieve renewable energy targets and reduce carbon emissions. Our investment will also help to create job opportunities in the region and deliver significant environmental benefits across the country.

Silvermines Hydro, Tipperary, part of Foresight's portfolio