

Foresight Capital Management Stewardship Report

For the year ended 31 March 2025

October 2025

Foresight Capital Management is a division of Foresight Group.
This report represents the activities of Foresight Capital Management only.

 **Foresight**
Invest Build Grow

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1. Introduction



“There is strong alignment in stewardship philosophy across all FCM Funds, and we are excited about integrating our approaches, leveraging new expertise and experience to grow our investor contribution”

Seb Beloe
Managing Director
Head of FCM Sustainability

It has been a very exciting year for Foresight Capital Management. In Q4 FY25, we acquired WHEB Asset Management and took on the sub-advisory role for the Liontrust Diversified Real Assets Fund ("DRAF"). WHEB are recognised leaders in impact investing and stewardship, having developed a robust model for listed equity engagement. There is strong alignment in stewardship philosophy across all FCM Funds, and we are excited about integrating our approaches, leveraging new expertise and experience to grow our investor contribution. The addition of DRAF also introduces new asset classes to our stewardship work, opening up new opportunities.

This report covers stewardship activities across the four FP Foresight OEIC strategies that were managed by FCM throughout the full FY25 financial year. These are: the Foresight UK Infrastructure Income Fund ("FIIF"), the Foresight Global Real Infrastructure Fund ("GRIF"), the Foresight Sustainable Real Estate Securities Fund ("REF"), and the Foresight Sustainable Future Themes Fund ("SFT").

In FY25, all four Funds covered by this report started to use the Sustainable Focus label under the UK's Sustainability Disclosure Requirements ("SDR"). This designation reflects our commitment to investing in companies that deliver real world positive sustainability outcomes. As part of the labelling process, we developed formal SDR-aligned KPIs for each Fund, which now serve as key engagement priorities.

1. Introduction

This report provides an overview of our active ownership efforts over the course of FY25, including our voting and engagement activities. It also sets out our intentions for FY26, as we bring together FCM's pre-existing stewardship philosophy with those of WHEB and DRAF.

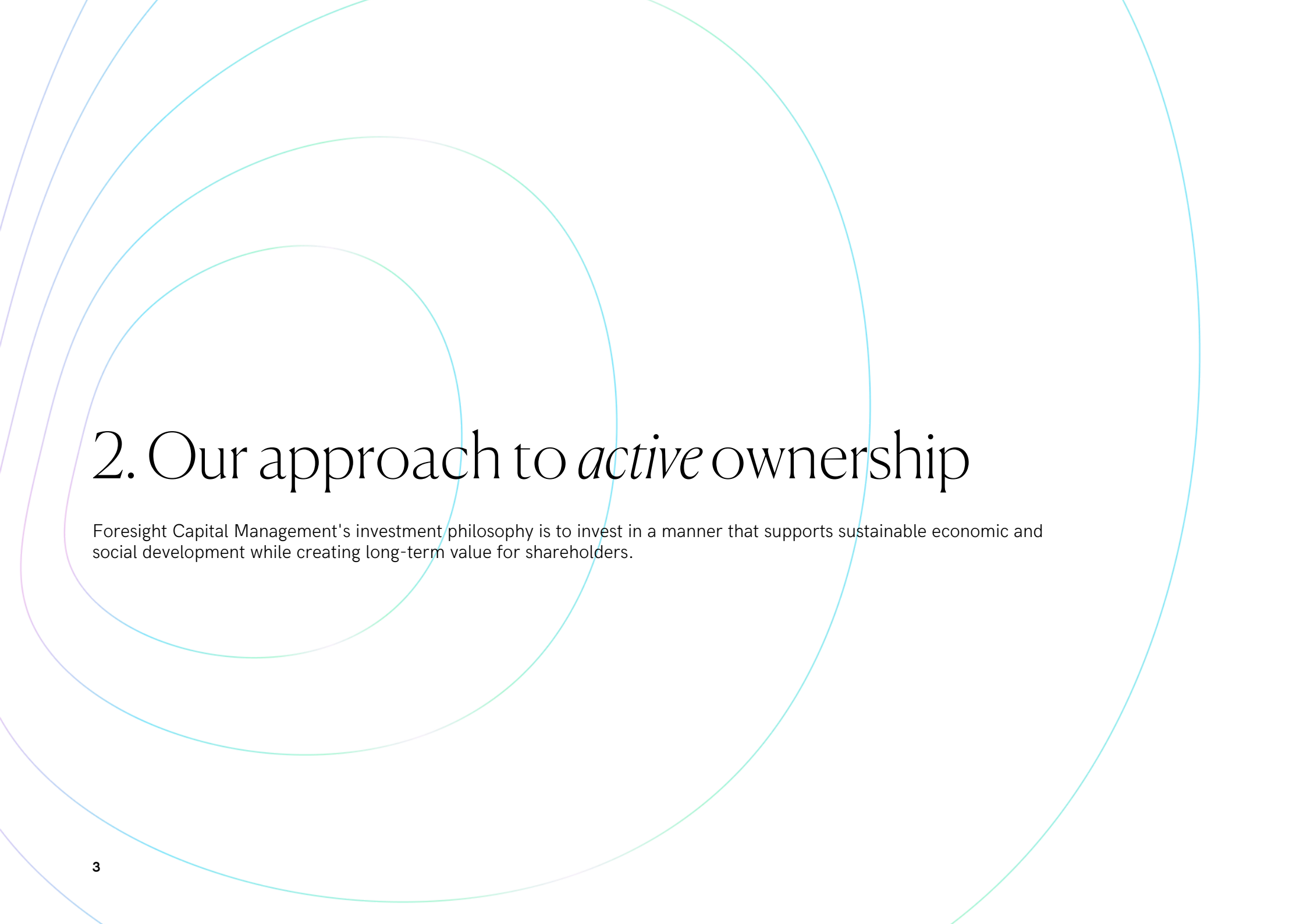
Please note that stewardship activities for WHEB and DRAF are not included in this report. Stewardship responsibility for DRAF was exercised by Liontrust for the majority of the reporting period and should be reflected in their own reporting. WHEB's stewardship activities will be covered in a standalone report.

Statement from Nick Scullion, Partner, Head of FCM and of Foresight Group Sustainability

During FY25, thanks to Foresight Group's acquisition of WHEB and DRAF, the FCM team has grown considerably and gained a wealth of new talent. This will allow us to become even more sophisticated, enhancing our stewardship capabilities and expanding our scope to influence the companies we hold, along with the wider system, to generate long-term sustainable value.

At a group level, building on last year's double materiality assessment, we have integrated key findings into our refreshed FY26 sustainability strategy, which is presented in our 2026 inaugural Integrated Annual Report.





2. Our approach to *active* ownership

Foresight Capital Management's investment philosophy is to invest in a manner that supports sustainable economic and social development while creating long-term value for shareholders.

Approach to investing

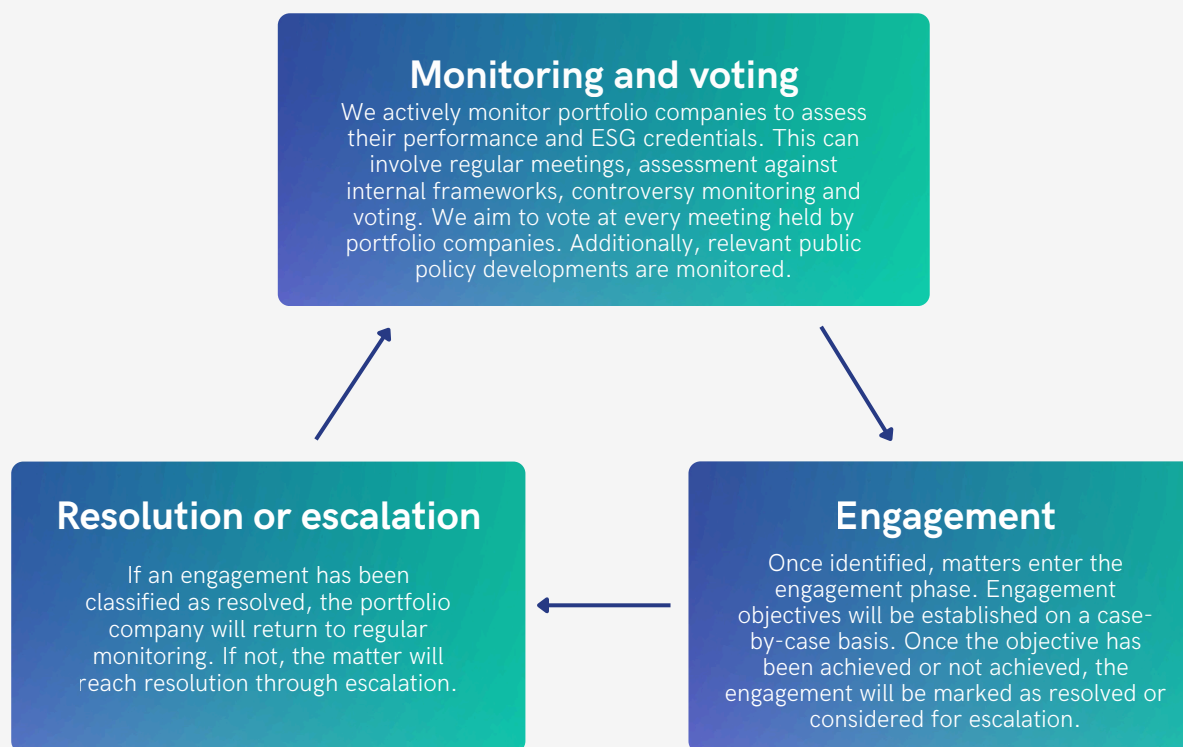
Sustainability considerations are a core factor in Foresight Capital Management's ("FCM" or "the team") investment decisions and we are conscious of the impact our investments have on the environment and society. Our stewardship activities follow the FCM Stewardship Framework which can be found on the Foresight Group [website](#).

We have fully integrated Environmental, Social and Governance ("ESG") considerations into our investment process and seek to evolve and improve our approach to meet industry best practices. The existing process includes a detailed sustainability assessment as well as financial due diligence of each company when considering an opportunity for investment.

The team then actively monitor portfolio companies to assess their performance and ESG credentials, endeavour to vote at all portfolio company meetings and, where required, collaborate with investors, and engage and constructively work with respective management teams and Boards to achieve improved outcomes for the shareholders of our Funds. This cyclical process is depicted in Figure 1. To ensure that capital is allocated to generate long-term value, we seek to understand, monitor and engage with portfolio companies regarding environmental, social and corporate governance matters.

We are long-term shareholders that seek to identify and invest in companies whose purpose aligns with the investment objectives of each respective Fund. We typically meet portfolio companies at least twice a year, primarily during formal one-on-one meetings. We also maintain ongoing ad hoc communications and attend regular corporate events held for investor communications. Our thorough due diligence process and regular communication with management teams ensure that we rarely encounter issues which require formal escalations.

Figure 1: Our active management cycle



Voting

Voting forms an important part of our stewardship approach and the team's responsibilities to its investors.

We endeavour to vote at every meeting held by portfolio companies, covering all items on the voting ballot. Our voting process is summarised in Figure 2.

Our primary aim in all voting decisions is to safeguard the long-term interests of underlying investors. This involves upholding high corporate governance standards and promoting the adoption of sustainable practices.

Our team of analysts systematically review all resolutions ahead of shareholder meetings and raise concerns where appropriate. Additionally, we utilise third-party proxy research and advisory services, Glass, Lewis & Co. ("Glass Lewis" or "Proxy Adviser") to complement internal research. Glass Lewis is a leading independent provider of global governance services. Alongside preparing research, Glass Lewis provides voting recommendations against a pre-defined ESG policy and facilitates our voting through its software. Glass Lewis' voting recommendations serve purely to inform our voting decisions rather than dictate them. As a result, our votes may and do deviate from the recommendations of both portfolio company management and the Proxy Adviser. Glass Lewis' ESG policy can be found [here](#). Our analysis and voting is based on each individual Fund's investment objectives and philosophy.

Voting signals

From the beginning of 2025, FCM began issuing 'signals' to all companies when voting against management. These are typically relayed by email and outline the proposals opposed, alignment with proxy advisors, and our rationale. We believe that sharing our reasoning alongside votes enhances their impact and supports constructive dialogue with investee companies.

While not a substitute for targeted engagement, signals are appropriate for previously addressed or lower-impact issues, allowing us to focus resources on the most material matters.

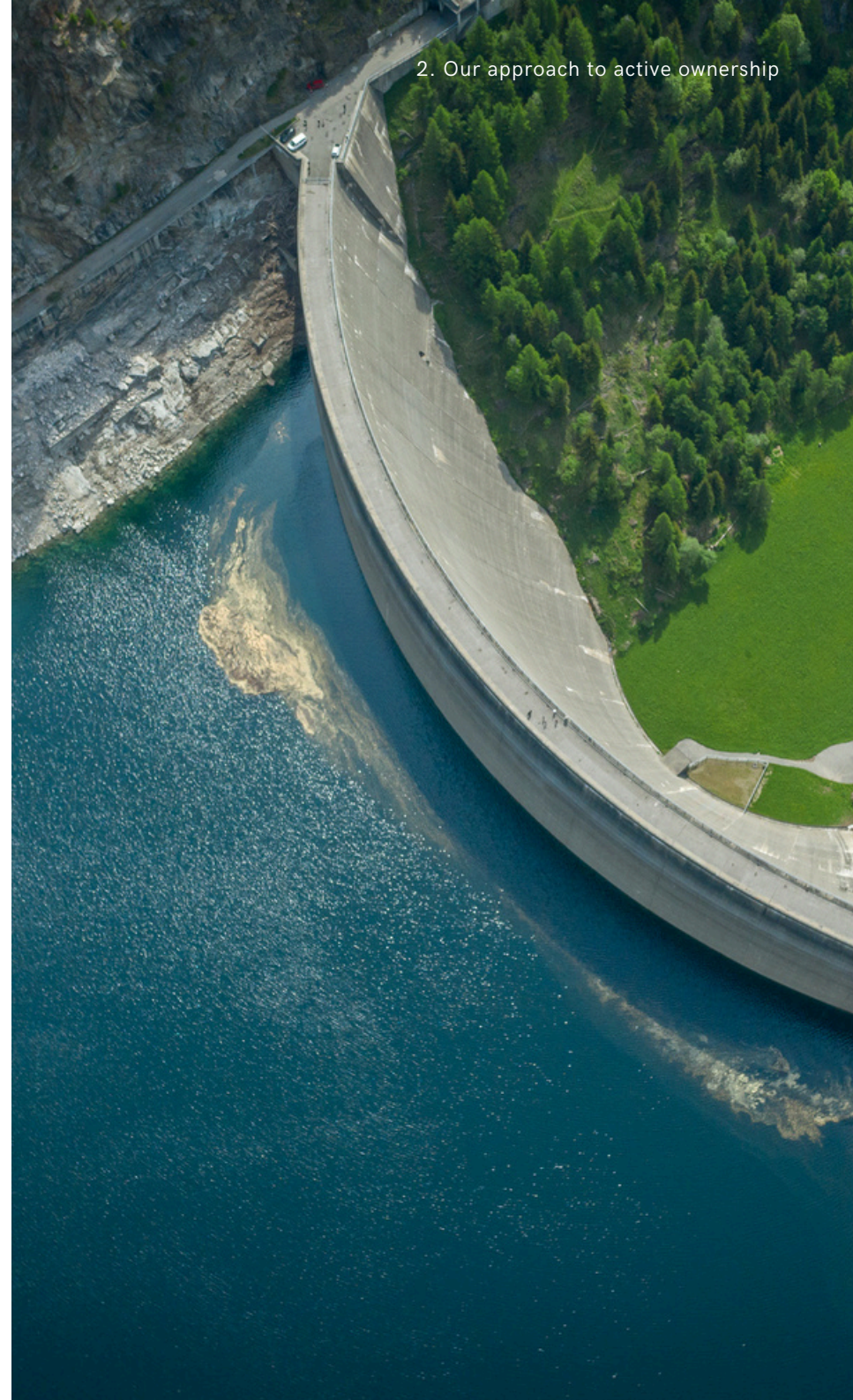


Figure 2: Our voting process

1

A vote is announced and we are notified by our proxy service, Glass Lewis. Resolutions are automatically assessed against Glass Lewis' recommendations and bespoke ESG policy.

2

Our analysts review resolutions on a case-by-case basis. Analysis based upon the Fund's investment objectives and philosophy takes precedence over Glass Lewis' recommendations.

3

The vote is either carried out or flagged for further review. Flagged votes will constitute resolutions considered material to the investment objectives of the Fund in question.

4

Flagged votes are further researched and a report is written and sent to the respective Fund Manager.

5

The Fund Manager, leveraging wider recommendations, will determine how we will vote, to support the long-term interests of underlying investors.

6

All voting activity is recorded in a Voting Log maintained by our team. Voting Activity summaries are produced and published on a quarterly basis on Foresight Group's website.

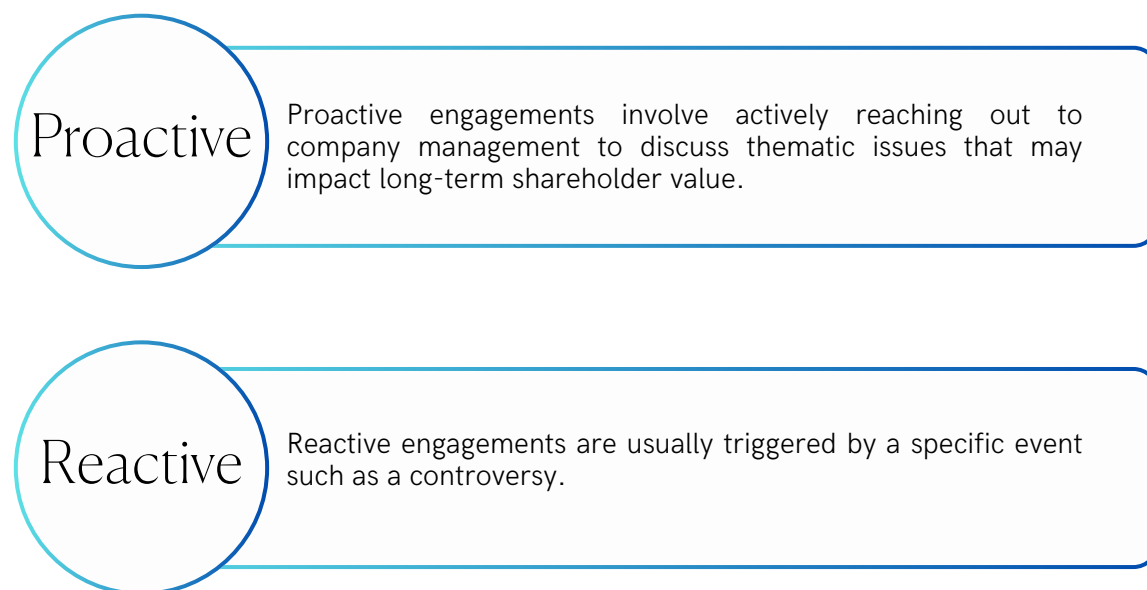
Significant votes will likely feed into wider engagements aiming to address the emerging issue. See pages 6 to 8 for a breakdown of our engagement process.

Engagement types

We carry out both proactive and reactive engagements.

The majority of our engagements are proactive, often focusing on recurring themes related to the investment objectives of our Funds such as Board diversity, UN Global Compact ("UNGC") signatory status, and sustainability-linked remuneration.

Figure 3: Engagement types



Engagement categories

During data collection and the presentation of engagement activity, the team categorise engagements under 'Environment', 'Social' or 'Governance'.

Figure 4: Engagement categories

Environmental

Environmental engagements cover topics such as GHG emissions, net zero commitments, energy reduction initiatives and environmental policies.

Social

Social engagements cover topics such as Board gender diversity, social supply chain management and diversity and inclusion.

Governance

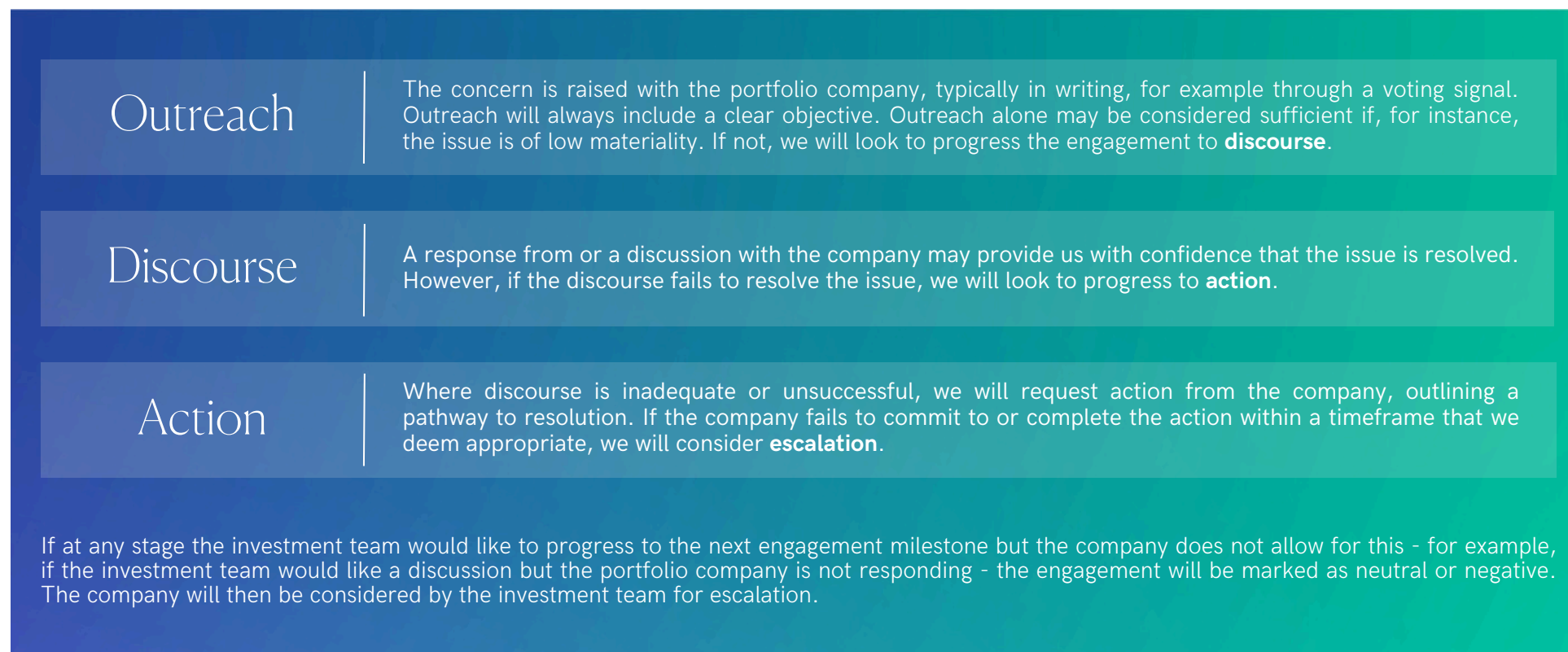
Governance engagements cover topics such as UNGC compliance, sustainability linked and responsible executive remuneration, sustainability reporting and capital allocation.

Engagement process and milestones

As part of our engagement process, we use a set of milestones: 'Outreach', 'Discourse' and 'Action'.

It is possible to conclude engagements at any milestone which is relevant to the desired outcome of the engagement. Where the engagement process does not reach the desired milestone, escalation will be considered as a course corrector. We maintain strong relationships with portfolio companies which support engagements reaching their desired milestone and reducing the need for escalation.

Figure 5: Our engagement process

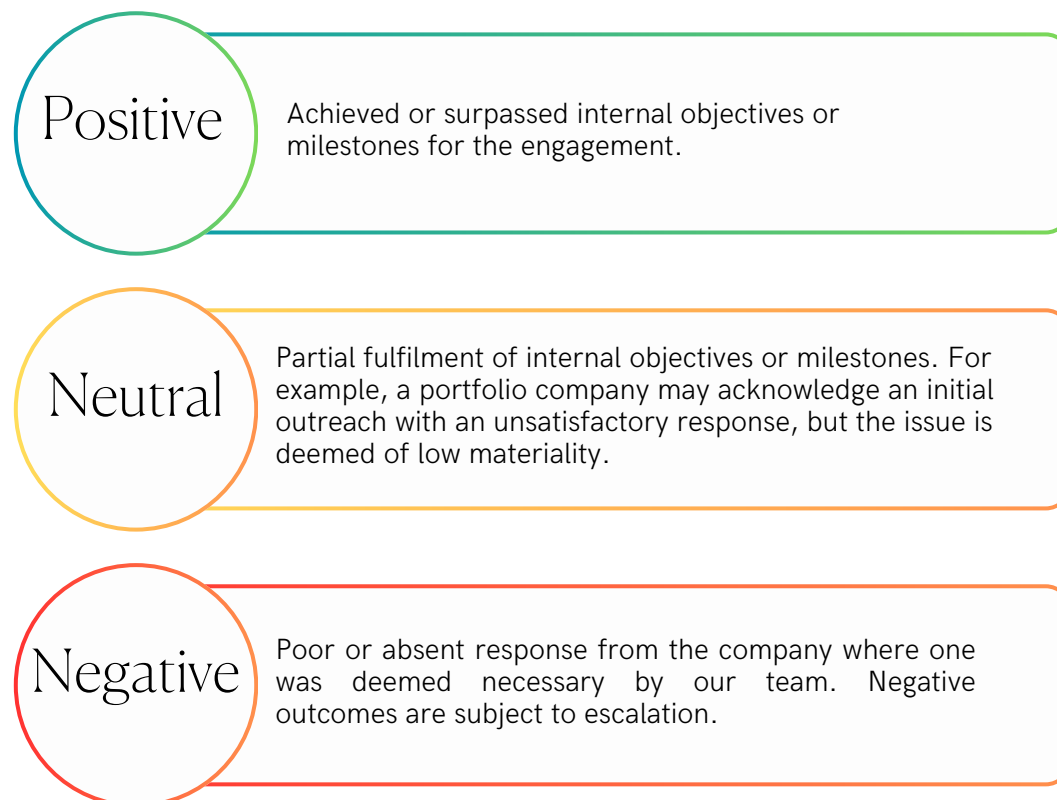


Engagement outcomes

Concluded engagements are categorised as 'Positive', 'Neutral', or 'Negative'.

An engagement is deemed complete upon either the achievement of its objective or its discontinuation. Where an engagement achieves its objective, it will be marked as having a 'Positive' outcome. Where an engagement is discontinued, it will be marked as having either a 'Neutral' or 'Negative' outcome.

Figure 6: Engagement outcomes



Escalation

Escalation is an important and integrated part of our engagement process. Where an issue has emerged with a portfolio company, we will look to engage to address it. We are long-term shareholders and invest in companies whose strategies align with our investment objectives. Companies are therefore typically receptive to our engagements and the issues which arise rarely result in the need for escalation. However, where engagement is not successful, there are serious concerns about the performance or strategy of a portfolio company, or where we have reason to believe that our rights as a long-term shareholder are being compromised, we may choose to escalate. We may open dialogue and write to or meet directly with management executives and Board directors to express our concerns. We may also seek to act collaboratively with other investors where appropriate. Our escalation process may include but is not limited to the following, as appropriate:

- Meeting directly with management or the Board to discuss concerns;
- Voting on or submitting resolutions;
- Intervening jointly with other institutions on particular issues;
- Divestment, if the desired outcome is not achieved.

As sustainability focused long-term shareholders, we want to ensure that ESG matters are not negatively impacting shareholder value over the long term. We maintain good relationships with portfolio companies, which generally tend to be open to engagement requests.



3. *A year of active ownership*

This section presents data and case studies to demonstrate our engagement activities with portfolio companies during the reporting year. This encompasses our voting, our regular company meetings and our specific engagements.

Voting

Voting at company meetings is a key component to active ownership and we voted at every eligible meeting last year.

FY25 voting data

	FY25 Number	Proportion FY25	Proportion FY24
Meetings voted at	91	100%	100%
Proposals participated on	1090	100%	100%
Management proposals supported	960	90% ¹	89%
Shareholder proposals supported	6	40%	14%
Votes abstained ²	13	1%	4%

Across FY25, we participated in all 91 meetings and voted on all 1,090 proposals available. The majority of votes (88%) were in alignment with management, though where required we also voted against management recommendation (11%) and management proposals (10%).

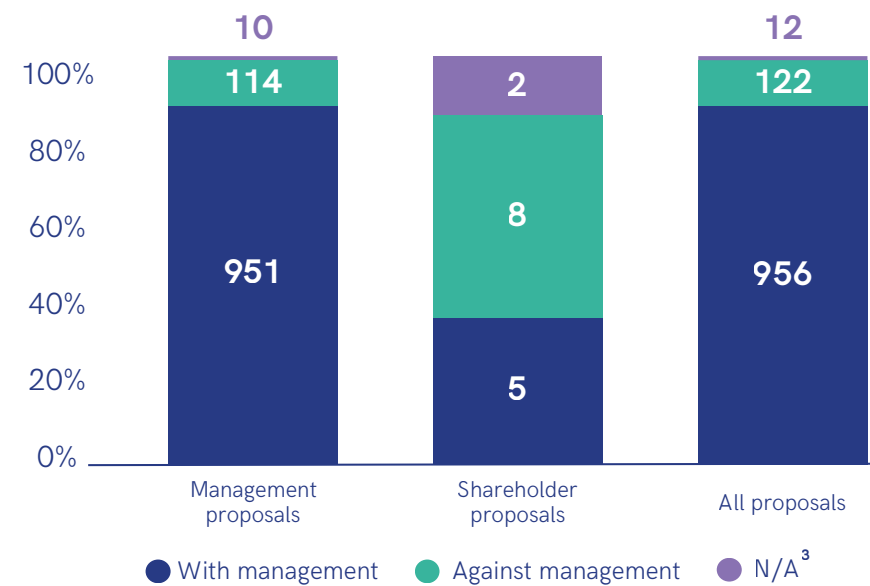
1. Proportion of the 1070 management proposals where it was possible to vote for, abstain, or vote against. Votes excluded include e.g. frequency votes for Say-on-Pay votes. Five of the total 1075 management proposals were excluded.

2. We generally do not look to abstain, and only do so when it is not possible or appropriate to vote against.

3. Not all proposals receive recommendations from management.

3. A year of active ownership

Our votes versus management, by proposal type



Our votes versus Glass Lewis, by proposal type



Company meetings

Regular meetings with portfolio companies form a key pillar of our stewardship approach and are vital in maintaining strong relationships with management teams.

FY25 meeting data

Across the reporting year, we held 117 meetings with portfolio companies which involved meeting with 56 distinct portfolio companies. A strategy level breakdown of this coverage for the reporting year has been provided below.

FCM strategy	Proportion of holdings with at least one meeting ⁴	
	FY25	FY24
Foresight UK Infrastructure Income Fund ("FIIF")	83%	100%
Foresight Global Real Infrastructure Fund ("GRIF")	73%	92%
Foresight Sustainable Real Estate Securities Fund ("REF")	49% ⁵	87%
Foresight Sustainable Themes Fund ("SFT")	71%	85%

4. Total meetings held include Management, Board and Group Investor Meetings, ESG Meetings, Engagement with Other Investors, and Site visits. Due diligence meetings have not been included. Adjusted to exclude FY25 entries and exits.

5. During FY25, a change in Fund Manager led to a reduced number of company meetings.

Engagement topics

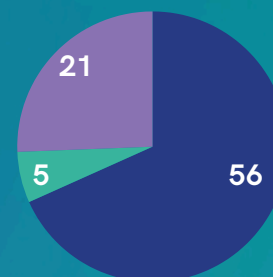
FY25 engagement data

Governance issues dominated our ESG engagement topics, followed by environmental topics. The vast majority of our engagements were proactive. Among completed engagements, positive outcomes were more frequent than negative or neutral ones.



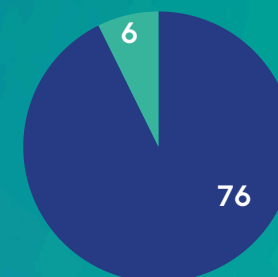
Figure 7: Map showing the domicile countries of portfolio companies engaged during FY25. Darker colouring represents higher engagement frequency.

ESG category



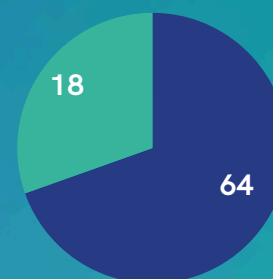
● Governance ● Social ● Environmental

Engagement type



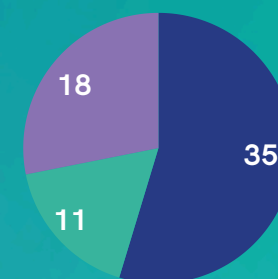
● Proactive ● Reactive

Engagement status



● Finished ● Ongoing

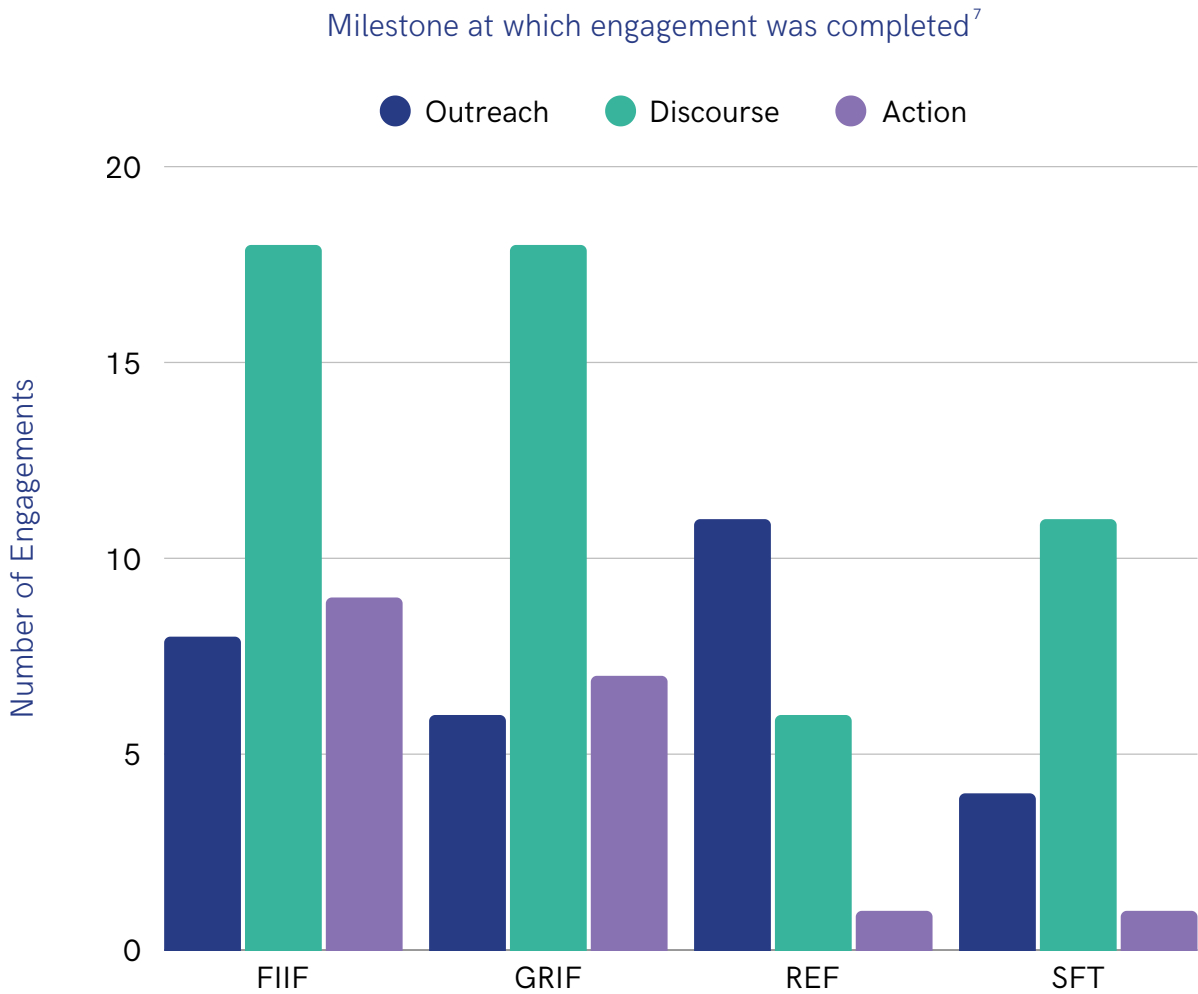
Engagement outcome



● Positive ● Negative ● Neutral

FY25 engagement data continued

This year’s engagements covered a broad range of topics, from LCIC⁶ cost disclosures to Biodiversity. Most engagements were conducted independently. Our engagements were mostly completed at the ‘Discourse’ stage, across all Funds bar the Sustainable Real Estate Securities Fund (“REF”) where most were completed at ‘Outreach’.



Engagement topic	Number of engagements
Remuneration	2
UN Global Compact Signatory	12
Audit Tenure	3
Sustainability Reporting and Materiality	4
LCIC ⁶ Cost Disclosures	23
Board Gender Diversity	5
Sustainability Linked Remuneration	2
Board Attendance	1
Management Succession	4
Capital Allocation	6
Biodiversity	18
SDR	1
Climate Change	1
Total	82

Engagement conducted by	Number of engagements
Independent	60
Collaborative (leading role)	22
Total	82

6. Listed Closed Ended Investment Company ("LCIC"), see page 23 for further information.
7. This does not include escalations or ongoing engagements.

SDR sustainability labels



In Q4 FY25, FCM secured Sustainability Focus labels under the FCA's Sustainability Disclosure Regulation ("SDR") for all four UK domiciled Funds covered by this report. As part of this process, a formal set of Sustainability KPIs was established. These are presented in the Prospectus and Fund Consumer Facing Disclosures, available on the Foresight Group website.

We identified these KPIs as key metrics supporting the achievement of the Funds' sustainability objectives. As such, they are also priority areas for engagement. See below for a summary of the KPI topics we engaged on with portfolio companies during FY25.

SDR KPI	Number of engagements
UNGC Alignment	10
Board Gender Diversity	5
Sustainability Linked Remuneration	4
Total	19

In addition to engaging on the themes related to our SDR KPIs, in FY25 we continued to engage with the FCA on the regulation itself, responding to Quarterly Consultation (CP24/26) No. 46. We will continue to engage with regulators to support a well-functioning sustainable investment market.

Sustainable investment labels help investors find products that have a specific sustainability goal. Sustainability Focus funds and Investment Companies invest mainly in assets that focus on sustainability for people or the planet.



Case studies

The following case studies are provided to demonstrate the nature of our engagements.



Biodiversity thematic engagement

Introduction

In FY25, FCM launched a biodiversity engagement initiative within the Foresight UK Infrastructure Income Fund ("FIIF"), reflecting growing investor expectations and aligning with Foresight Group's broader biodiversity commitments, which included the development and publishing of the Nature Recovery Blueprint. This piece of work, developed in partnership with the Eden Project, provides a guide to implementing nature-positive practices across UK solar assets that benefit all stakeholders.

Read more: [Nature Recovery Blueprint](#)

The biodiversity thematic engagement focused on infrastructure holdings, where biodiversity risks are particularly material, and our UK-centred Fund, aligning with investor demand and leveraging Foresight Group's in-house expertise. An initial review of FIIF holdings revealed varied biodiversity practices: while most companies referenced biodiversity, few did so systematically. Two holdings were excluded from engagement, as they were early adopters The Taskforce on Nature-related Financial Disclosures ("TNFD"), already demonstrating best-in-class biodiversity risk management.

Engagement Strategy

Companies were grouped by the maturity of their biodiversity practices, with tailored objectives:

Category	Context	Objective	Proportion of Fund
Group 1	Companies that made little or no mention of biodiversity in their reporting	Encourage increased visibility of biodiversity initiatives and reporting	29%
Group 2	Companies that referenced biodiversity through case studies but lacked data or methodology	Improve structure and consistency of biodiversity disclosures	35%
Group 3	Companies with strong biodiversity reporting, including data and methodology	Encourage alignment with the TNFD framework	36%

The **Nature Recovery Blueprint** was shared with relevant companies to encourage best practices, reflecting our commitment to knowledge exchange and collaborative progress on biodiversity.

Engagement outcomes



Most engagements reached the **discourse** milestone, establishing constructive dialogue between FCM and portfolio companies. Discussions were particularly fruitful where the Nature Recovery Blueprint was relevant. In a few instances, we only reached the outreach stage, where initial contact was made but no substantive dialogue followed.

No engagements reached the **action** milestone this cycle. This was not surprising as most companies have yet to publish updated sustainability reports, where progress would typically be presented. Regardless of milestone reached, this proactive engagement allowed us to signal our expectations. We will continue to advocate for improved biodiversity practices and consider escalation where we identify highly material risks and where engagement is not progressing appropriately.

Independent thematic engagement

Environmental

Type	Proactive
Milestone	Discourse
Outcome	Neutral
Strategy	FIIF

Thematic biodiversity engagement: SDCL Energy Efficiency Income Trust



Background

SDCL Energy Efficiency Income Trust ("SEIT") is a British company that invests into energy efficiency projects. Based on the framework outlined on page 17, with respect to biodiversity, SEIT was categorised in Group 1 due as, in its reporting, the company made limited reference to the management of nature-related risks or to biodiversity more broadly. Given SEIT owns and manages a portfolio of real assets, this absence was flagged.

Engagement

We contacted the company to enquire about its biodiversity initiatives and plans to report on biodiversity impacts across the portfolio, clearly expressing that our objective was to see greater focus in this area. A follow-up call was arranged with a Sustainability Manager responsible for implementing SEIT's Sustainability Framework. The purpose of the call was to gain a deeper understanding of SEIT's current practices and approach, while also communicating our expectations around best practice and areas for improvement.

During the discussion, FCM gained valuable insight and was reassured that biodiversity initiatives were indeed underway. Although these initiatives may not be included in the upcoming sustainability report, they are expected to be reflected in future disclosures. While biodiversity-related data is not currently reported, structured data collection is taking place in a structured manner across the portfolio, informing multiple biodiversity management plans.

Outcome

We will continue to encourage the company to report its biodiversity initiatives and data, as this enables greater transparency, accountability, and comparability with peers. However, while current disclosures remain limited, we are reassured by the structured approach being implemented and the ongoing data collection across the portfolio. We look forward to seeing this progress reflected in future reporting and would consider re-engaging on the topic should momentum stall or new risks arise.

Independent thematic engagement

Environmental

Type	Proactive
Milestone	Discourse
Outcome	Neutral
Strategy	FIIF

Thematic biodiversity engagement: The Renewables Infrastructure Trust



Background

The Renewables Infrastructure Trust ("TRIG") is a UK investment trust with a diversified portfolio of wind and solar farms across the UK and Europe. In their latest reporting, the company set a target of no negative biodiversity impacts and outlined its baselining initiatives across its solar farms. Using the framework previously outlined on page 17, the company was categorised in Group 2, having referenced biodiversity in case studies but lacking a robust methodology.

Engagement

The company's solar farm initiatives are very positive, with baselining being the starting point in both the TNFD's LEAP approach and Foresight Group's Nature Recovery Blueprint. We encouraged the company to adopt this initiative across the entire portfolio, given that the trust's assets are predominantly wind farms.

In response, the company highlighted some of the challenges it faces with biodiversity management for wind farms: limited control over biodiversity on onshore sites due to tenancy arrangements, and regulatory and industrial constraints offshore. TRIG also noted existing portfolio-wide efforts, including Biodiversity Net Gain for new projects, monitoring of biodiversity impacts and proximity to sensitive areas, and active Environmental Enhancement Projects.

We shared studies showing how technology can help overcome land access challenges. For example, selective turbine systems can significantly reduce bird fatalities with minimal impact on energy output, and some portfolio companies have already begun adopting such systems.

Outcome

The company suggested that the Blueprint was insightful, particularly the sections on baselining and proactive intervention. The resources were shared with both the operations manager, RES, and the fund management and sustainability teams.

We will continue to monitor TRIG's position on biodiversity and appreciate the additional information on systematic portfolio-wide initiatives, as well as their transparency in sharing some of the barriers they face.

Social

Type	Proactive
Milestone	Discourse
Outcome	Neutral
Strategy	GRIF

Engaging on board gender diversity: Clearway Energy, Inc.



Background

Clearway Energy, Inc. ("Clearway") is one of the largest owners of clean energy generation assets in the U.S., with a capacity of approximately 9 GW across wind, solar, and battery energy storage systems.

Clearway has a board gender diversity of 9.1%, which falls materially short of the minimum 30% that FCM targets. Board gender diversity is one of our SDR KPIs, and as of our latest consumer-facing disclosure⁸, the average board gender diversity was 40%.

Engagement

In response to the low gender diversity on Clearway's Boards, at the company's 2024 AGM, FCM voted against the re-election of all male directors up for election, resulting in four votes against management recommendations. This is a policy we apply across all Funds.

To increase the impact, we also reached out to the company to explain our position, outline our rationale, and ask whether they have any plans to improve board gender diversity. The company's IR team responded explaining that due to Clearway being a controlled company, there is decreased agency in selecting directors but highlighted the diversity amongst independent board members. Additionally, our comments were fed back to the board.

Outcome

While gender diversity has not yet improved, we will continue to advocate for progress by voting and signaling our views through post-AGM communications. In 2024, Clearway directors saw an average dissent of around 11%.

8. GRIF May 2025 SDR Consumer Facing Disclosure. Available at: <https://media.umbraco.io/foresight/b1zcbxlt/grif-consumer-facing-disclosure-may-2025.pdf?1755865361600>

Governance

Type	Proactive
Milestone	Discourse
Outcome	Neutral
Strategy	REF, SFT

Engaging on the UN Global Compact: Weyerhaeuser Company



Background

Alignment with the UN Global Compact Principles is a key consideration for us and one of our KPIs under the FCA's SDR. We assess this during due diligence and monitor for changes and controversies on an ongoing basis. While only around a third of our portfolio companies are formal UNGC participants, our internal assessment indicates that most holdings have an alignment score of 10 out of 10. This is based on their policies, initiatives, and the absence of material controversies, with a portfolio average score of 9 out of 10. This suggests that many of our holdings are well-positioned to become UNGC signatories with minimal additional effort. Participation represents a commitment to responsible business practices across human rights, labour, the environment, and anti-corruption. Weyerhaeuser Company ("Weyerhaeuser") is a timberland company which owns and operates timberlands in a sustainable manner across North America and one of our holdings which we assess to be fully aligned with the UNGC Principles.

Engagement

Ahead of the 2024 AGM, FCM contacted Weyerhaeuser to encourage the company to become a signatory to the UN Global Compact. This is a topic we have raised in previous engagements and remains a priority for us. We acknowledged Weyerhaeuser's strong reputation for sustainability and ethical business practices, noting that the company appears to already align with the 10 UNGC Principles. In our communication, we highlighted the importance of the UNGC as a core element of our sustainable investment criteria and asked whether the company would consider formal alignment.

Outcome

Weyerhaeuser responded positively and confirmed they are actively evaluating participation in the UNGC. They reiterated their commitment to human rights and labour-related topics. The company welcomed continued dialogue but also highlighted the challenge of balancing multiple sustainability initiatives valued by different stakeholders with available internal resources. As they advance their long-term sustainability strategy, including improvements to reporting and disclosures, they must weigh competing priorities.

We will continue to advocate for UNGC Participation through engagement. We wouldn't however look to escalate unless alignment were to materially decline. This signals the initiatives we value, while recognising that companies must navigate complex stakeholder expectations.

UK investment trusts

Investment trusts, one of the oldest form of collective investment, have faced a challenging few years resulting in persistently wide discounts. According to the FT, the average discount (excluding 3i and venture capital trusts) was around 16% in October 2024, only marginally narrower than the 19% recorded a year earlier.

There are several reasons for this, notably persistently high interest rates and regulatory issues, particularly around cost disclosures.

The investment trust sector has played a central role in the growth of the sustainable infrastructure sector and remains a core part of our UK infrastructure exposure. In line with this, we have maintained active engagement with the boards and management teams of our trust holdings, alongside broader industry-level discussions on cost disclosure, further discussed on page 23.

During FY25, we held 40 meetings with investment trusts, covering all FCM trust holdings. During the 2025 Proxy season we have already held two meetings with trusts and have further meetings scheduled for the first quarter of FY26.

1. FT, 2024, *Investment trusts: A 150-year-old industry under siege*. Available at: <https://www.ft.com/content/a6b83e03-5177-497d-937c-38778b4b5a85> (Accessed: August 2025).

In FY25, key focus areas across investment trust engagements included:

Capital Allocation

We continue to encourage capital deployment that maximises shareholder value. This includes share buybacks in light of prevailing discounts and debt reduction. We also advocate for capital to be allocated in ways that support the long-term viability of vehicles, such as selective investment in development platforms.

Reporting Transparency

We have called for clearer and more standardised reporting, particularly around free cash flow metrics such as Adjusted Funds from Operations and Cash Available for Distribution. These are essential for investor confidence and comparability. We also encourage funds to consider issuing guidance and aligning management incentives with these metrics.

Management Fees

We support the sector-wide trend of reviewing investment management agreements to improve the alignment of management incentives with shareholder interests. Where changes have not yet been made, we advocate for fee structures based on an equal weighting of NAV and market capitalisation to better align with shareholder interests.

M&A Activity

We expect a clear and compelling rationale for any corporate activity. This includes transparency around expected benefits such as operational synergies, improved liquidity and scale. We also expect post-transaction strategies to be clearly defined to ensure sustainable risk-adjusted returns. Vehicles should be of sufficient scale, ideally with market capitalisation above £1 billion.

Independent escalation

Engaging with our investment trusts:
The Renewables Infrastructure Trust



Governance

Type	Proactive
Milestone	Action
Outcome	Positive
Strategy	FIIF, GRIF

Background

TRIG is a UK investment trust with a diversified portfolio including onshore and offshore wind farms and solar parks across the UK and Europe. These assets generate revenue from electricity sales and government-backed green incentives. TRIG was one of the first renewable energy infrastructure investment companies listed on the London Stock Exchange.

In February 2025, TRIG amended its Investment Management Agreement (“IMA”). Under the revised terms, the management fee would be calculated based on an equal weighting of (i) the average daily market capitalisation during each quarter and (ii) the published NAV for the quarter, rather than solely on adjusted portfolio value. Additionally, a takeover fee was introduced as well as transaction fees on debt refinancings and asset disposals.

Engagement

Given the persistent discount to NAV and the broader market context, we were supportive of the amendment to the calculation of the annual fee. However, we considered the additional fee changes to be misaligned with shareholder interests. The takeover fee in particular could discourage potential bids during a period of depressed sentiment. We escalated our concerns directly to the TRIG Board.

Outcome

Following engagement with shareholders, TRIG responded by amending its IMA to remove the additional transaction and takeover fees. The company also introduced a continuation vote, reflecting a positive outcome aligned with investor feedback.

We aim to actively engage beyond our portfolio companies to help safeguard a well-functioning market and to promote a positive environment for sustainable investing.

This engagement involves monitoring the political and legislative landscape, participating in industry working groups and seizing opportunities to advance the investment objectives of our Funds.



LCIC cost disclosure

Introduction

Building on our FY24 engagement on cost disclosures, we continued to advocate for reforms that reflect the structural differences of listed investment companies. Investment trusts are typically overseen by an independent board that appoints external managers to run the portfolio. For example, TRIG has a board of non-executive directors who supervise its Investment Manager, InfraRed Capital Partners, and its Operations Manager, RES.

Although hiring these managers incurs costs, they are internalised within the share price, analogous to expenses incurred by listed companies, such as HR – one would not expect these to be disclosed as fees. This differs from open-ended funds, which investment trusts have been grouped with in recent legislation. In those funds, fees are charged directly to investors and are not reflected in performance.

This can result in double counting for investment trusts if fees are both disclosed in the Key Information Document and also reflected in the share price.

In collaboration with other stakeholders, last year, we engaged with 21 portfolio investment trusts that are members of the Association of Investment Companies. We encouraged alignment with a more accurate and appropriate disclosure approach. We also wrote to HM Treasury in support of excluding listed investment trusts from the Consumer Composite Investments regime and co-signed a joint industry response led by the London Stock Exchange, alongside investment managers, boards, and advisers.

Interim changes and portfolio engagement

A key milestone occurred in September 2024, when HM Treasury and the FCA announced a temporary exemption for investment companies from the existing cost disclosure regime. This was a welcome and necessary step. In response, we engaged directly with 21 investment trusts in our portfolio, encouraging them to reflect this change by setting their disclosed costs to zero. As of reporting:

FCM Exited	3
Costs set to 0	11
Still showing costs	7
Total	21

While the majority of trusts we hold have set costs to zero, this hasn't been unanimous, likely due to concerns about incorrect interpretation. As a result, this has not yet meaningfully reduced distortions, reinforcing the need for a clear and consistent update regarding investment trusts.

FCA consultation, wider stakeholder engagement

In December 2024, the FCA launched a consultation on a new retail disclosure framework (CP24/30). Disappointingly, the proposals continued to treat investment trust cost disclosures in the same way as open-ended funds.

We submitted a formal response opposing this approach and collaborated with industry groups to ensure a coordinated message. Both FCM and the Association of Investment Companies strongly opposed the inclusion of investment companies within the Consumer Composite Investments regime.

Our response to the consultation highlighted several key concerns:

- **Misleading cost disclosures:** Investment company costs are already reflected in the share price. Applying fund-style disclosures distorts transparency and comparability.
- **Inflated cost figures:** Pulling through costs from underlying investments artificially inflates reported costs and misrepresents the investor experience.
- **Inappropriate disclosure format:** Any relevant expenses should be disclosed through audited financial statements, not through synthetic or standardised retail disclosures designed for fundamentally different investment vehicles.

We remain committed to engaging with regulators and industry stakeholders to ensure that future disclosure frameworks are fair, proportionate and reflective of the unique characteristics of listed investment companies.



4. Looking forward

This year marks an exciting evolution in FCM's stewardship journey. We are already seeing tangible benefits from the integration of the WHEB strategy and our sub-advisory role on DRAF, both of which are enhancing our capabilities and positioning us to deliver a market-leading approach to stewardship in public equities.

The acquisition of WHEB has significantly expanded our sustainability team, bringing deep expertise in institutional stewardship and over 35 years of combined experience in sustainability. Coupled with ongoing streamlining efforts, including enhancements to our stewardship technology infrastructure and systems, we are confident that these additional resources will enable more focused and effective engagement across all FCM strategies.

Our overarching ambition is to establish a unified approach to stewardship, engagement, and voting, while continuing to meet the distinct needs of each Fund. Key initiatives include the adoption of WHEB's 'Stewardship Engine', alignment of prioritisation, monitoring and reporting across all FCM Funds, the development of a single, publicly available voting policy, and the publication of FCM's first Stewardship Code-aligned report. These efforts will be undertaken alongside our continued exercise of stewardship rights and responsibilities.

We have already made significant progress and look forward to sharing further details in our upcoming report, which will cover calendar year 2025 and encompass all FCM Funds.



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