



Foresight

SUSTAINABLE
FORESTRY
COMPANY PLC

SUSTAINABILITY
AND ESG REPORT 2022

Foresight

FOR A SMARTER FUTURE

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ABOUT US

Foresight Sustainable Forestry Company Plc (“FSF”, the “Fund” or the “Company”) is the first and only UK listed investment trust focused on UK forestry, afforestation and natural capital. FSF was awarded the London Stock Exchange’s Green Economy Mark at IPO. In 2022, FSF became the first fund to be accredited with the London Stock Exchange’s Voluntary Carbon Market designation.



AN INTRODUCTION FROM THE COMMITTEE CHAIR



Foresight Sustainable Forestry Company Plc (“FSF”) is the London Stock Exchange’s first and still only investment company focused on UK forestry, afforestation and natural capital.

Foresight Sustainable Forestry Company Plc (“FSF”) is the London Stock Exchange’s first and still only investment company focused on UK forestry, afforestation and natural capital. The Company targets providing investors with an attractive risk-adjusted return, whilst also making direct and material contributions to sustainability, the fight against climate change and biodiversity loss. Sustainability lies at the very heart of the Company’s ethos and business model.

The Board firmly believe that FSF’s sustainability and ESG credentials are market leading. FSF was awarded the London Stock Exchange’s Green Economy Mark at IPO. In 2022, FSF became the first fund, globally, to be accredited with the London Stock Exchange’s Voluntary Carbon Market (“VCM”) designation. The Company is SFDR Article 9 compliant, representing the highest category of sustainable investment activity. Further, in its relatively short life since IPO, the Company’s contribution to sustainability and ESG has been recognised by several prestigious awards, including the Investment Week Sustainability and ESG Investment Awards.

I am proud to present the Company’s first standalone Sustainability and ESG Report. Our ambition with this report is to provide our stakeholders with a high level of transparency over the Company’s delivery against its Sustainability and ESG objectives. This report is intended to highlight what differentiates FSF and will, we hope, exceed stakeholder expectations for sustainability and ESG reporting.

This report sets the context and makes the sustainability case for more sustainable forestry in the UK which is respectively one of the least forested countries in Europe. The report outlines our ambitious sustainability vision along with three Key Sustainability and ESG Objectives, that include timber supply, sustainable returns and progressive industry leadership. The report explains the importance of each of these objectives and the how the Company’s activities have directly contributed.



AN INTRODUCTION FROM THE COMMITTEE CHAIR CONTINUED

The report introduces the Company's proprietary approach to natural capital and introduces the concept of delivering 'natural capital alpha' for its stakeholders. The report explains how its sustainability vision and Key Sustainability Objectives are closely aligned with many of the UN Sustainable Development Goals and the real-world positive impact the Company has delivered against each of these.

The report includes several interesting case studies including a flood protection scheme, an afforestation project in action, the negotiation of a sustainability-linked Revolving Credit Facility and the launch of the FSF's flagship Forestry Skills Training Programme.

In this report we have used high-resolution climate data to inform the Company's view on both asset and fund-level resilience against varying climate futures and here, we present our first full scenario analysis.

The Intergovernmental Panel on Climate Change ("IPCC") recognises that offsetting of unabatable emissions (i.e. the final 5-10% of unavoidable emissions) is vital in the fight against climate change and essential for keeping 1.5-2.0 degrees alive. Since IPO, the Company and its Investment Manager have collaborated closely with the London Stock Exchange as part of a Solution Delivery Group, which culminated in the launch of the VCM in October 2021. The new market is intended to accelerate capital flowing from companies who have made net zero pledges and who will have future demand for carbon offsets for their unabatable emissions, with investment companies, like FSF, that are directly investing into climate mitigation projects that create high-integrity voluntary carbon credits that can be used for offsetting. It has the potential to transform offsetting from a one-way cost for companies, into a positively contributing investment that can deliver an attractive risk-adjusted return on investment. Further, it enables companies with net zero pledges to; secure a rare future supply of high-integrity voluntary carbon credits; hedge against rapidly rising voluntary carbon credit prices and the flexibility to adjust future carbon credit yield requirements intra-day.

We are honoured to have played a key role in the creation of this new marketplace that has strong potential to transform voluntary carbon markets for the better. We were also delighted to have become the first ever Company to receive VCM designation. FSF received this after the reporting period and so more detail and the impact this has had will mostly be provided in FSF's next Sustainability and ESG report.

Whilst I am proud of the significant sustainability and ESG contribution the Company has made in its first year since IPO, I am equally as excited about what is still to come.

Josephine Bush

S&ESG Committee Chair

17 April 2023




PERFORMANCE HIGHLIGHTS

Sustainability performance highlights

AS AT 30 SEPTEMBER 2022

27

afforestation schemes covering 3,917 hectares of land in afforestation development

c.514,000

trees planted

c.5,900

rare and critically endangered trees planted

36

children attended educational school planting days

Key IPO commitment of full portfolio sustainably managed and dual PEFC and FSC certified within one year of acquisition¹

The LSE's first and still only listed investment company focused on forestry, afforestation and natural capital

Launched Forestry Skills Training programme with four candidates completing the pilot programme (fully funded c.£5k per candidate)

Dedicated non-executive Sustainability and ESG Committee launched

The first fund to be accredited with the LSE's Voluntary Carbon Market designation

EU SFDR Article 9 product²

Two community consultation sessions held regarding woodland creation applications

1. At time of publication, all FSF's eligible forestry assets have been dual the Programme for the Endorsement of Forest Certification ("PEFC") and the Forest Stewardship Council ("FSC") certified within a year of acquisition and so delivering on a key commitment set out in FSF's IPO Prospectus.
2. FSF's SFDR Product Disclosure and PAI Statement for the period are available on the Company website.

PERFORMANCE HIGHLIGHTS CONTINUED

Awards and industry engagement

100% of assets aligned to EU Taxonomy¹

National Sustainability Awards: Infrastructure Finance Initiative of the Year

Investment Week Sustainable & ESG Investment Awards: Most Innovative Sustainable Fund Launch

Recognised by the Confederation of British Industry ("CBI") for "Greening finance and accelerating finance into climate solutions"

A member of the LSE's Voluntary Carbon Market Solution Delivery Group

Proactive engagement with Timber Development UK ("TDUK")

A member of the Confederation of Forestry Industries ("Confor")



1. At the time of investment. Based on internal assessment.



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OUR VISION

OUR VISION

FSF aims to generate sustainable financial returns for its shareholders through investing in a diversified portfolio of UK forestry and afforestation assets.

Through its investments, FSF provides shareholders with the opportunity for real returns and capital appreciation. This is predominantly driven by the prevailing global imbalance between supply and demand for timber, the inflation protection qualities of UK land freeholds and the urgent need to combat climate change, alongside access to voluntary carbon credits.

The Company's business model blends investments in the commercial aspects of forestry (planting, harvesting and sale of UK-grown sustainable timber) with the value-accretive objective of delivering a range of natural capital and ecosystem services outputs from its portfolio (this is described by the Company as Natural Capital Alpha and is described in more detail on pages 13 and 14).

The Company's approach to investment management, land-use design and land-based asset management balances sustainable timber production, carbon sequestration, biodiversity protection and flood protection alongside positive social and community impacts. This is how the Company seeks to achieve more resilient, sustainable and risk-adjusted returns for its shareholders and more for society.

Sustainability and strong governance lie at the heart of FSF's business model and are captured in our three core Sustainability and ESG objectives.

Our Key Sustainability and ESG ("S&ESG") Objectives

Key Objective 1 (Timber Supply):

To deliver and increase the supply of home-grown UK timber to reduce the country's reliance on imports.

Key Objective 2 (Sustainable Returns):

To do so in a way that combines sustainable financial returns with carbon sequestration, biodiversity protection and other positive environmental and social impacts.

Key Objective 3 (Progressive Industry Leadership):

To be a sustainability leader in the UK forestry industry whilst delivering both traditional commercial timber products and innovative natural capital services.



ACHIEVING OUR KEY OBJECTIVES

The Investment Manager quantifies the ability of each asset to contribute to Key Objective 1 (Timber Supply). This is done as part of technical acquisition due diligence (on-site measurements and/or forecast careful management including planting, establishment and growth rates) and during ownership by carefully monitoring growth rates, harvesting and re-stocking to optimise the output from each property.

The ability of each asset to contribute to Key Objective 2 (Sustainable Returns) is also quantified as part of technical acquisition due diligence and during ownership using Foresight’s Sustainability Evaluation Tool (“SET”) which evaluates a wide range of S&ESG criteria over and above timber provisioning, including, but not limited to, carbon sequestration and wildlife considerations and historic, cultural and archaeological considerations.

In relation to Key Objective 3 (Progressive Industry Leadership) the Investment Manager is leading and/or participating in a several initiatives, details of which are provided in this report, and has a structured approach to governance through the S&ESG committee and this report.

The diagram below illustrates how our vision and focus on our Key Objectives seeks to deliver sustainable financial returns and natural capital alpha.



ABOUT THE INVESTMENT MANAGER

Foresight Group LLP, the Investment Manager, is a leading listed sustainability-led alternative assets and SME investment management firm operating in the UK, Europe and Australia.

The Investment Manager has, and continues to make, enduring commitments to sustainability and climate action, both through its investments and its actions as a business. Further information is available in Foresight's 2022 Communication on Progress for the UN Global Compact, on the Investment Manager's website.

In the latest Principles for Responsible Investment ("PRI") assessment, the Investment Manager achieved 5* ratings across the Group, Infrastructure and Private Equity divisions.¹

Other sustainability highlights relating to the Investment Manager include:

- Eden Project Sustainability Partnership announced and Nature Recovery Statement launched
- Certified CarbonNeutral® company
- Natural Capital Investment Alliance ("NCIA") membership
- Signed 2021 Global Investor Statement to Governments on the Climate Crisis
- 2023 ESG Investing Awards "Most Innovative ESG Product" runner-up: Foresight's Sustainability Evaluation Tool



1. September 2022 PRI scores. See Foresight Group website for more details. <https://www.foresightgroup.eu/news/foresight-group-pri-scores-published>

THE NATIONAL CONTEXT FOR KEY OBJECTIVES

UK TIMBER SUPPLY AND DEMAND PICTURE

How FSF is contributing to a future with increased security of supply of home-grown sustainable timber.

The UK is a major net importer of timber and timber products. There is an increasing demand for high quality sustainable domestic timber in the context of forecast decreasing supply, due to the age structure of the UK's existing commercial forests.

Global supply

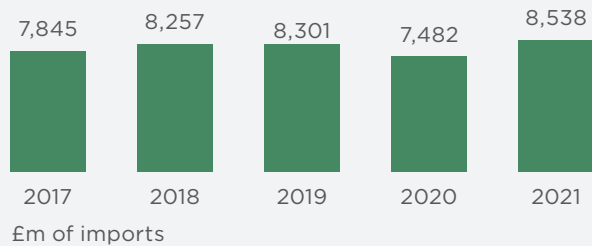
Only c.1/3 of global timber demand is currently met by supply from commercial forests, putting intense pressure on natural and semi-natural forests¹.



- Natural and semi-natural forest - 93%
 - Other planted forest* - 4%
 - Commercial forest - 3%
- Key: 2020 % of global forest area

*Not used for productive timber purposes.

Continued reliance on imports



1. FAO: The Global Forest Resource Assessment.
2. Forestry Statistics 2022: Forestry Facts & Figures 2022.

c.80%

UK demand met by imports²

Plywood

China	40%
Brazil	20%

Paper and paperboard

Sweden	17%
Germany	16%
Finland	15%

Wood pellet

USA	60%
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Fibreboard

Ireland	35%
Germany	19%

Wood pulp

Norway	28%
Brazil	24%
Sweden	22%

Sawn hardwood

USA	19%
Latvia	14%
Cameroon	10%
Estonia	7%

Sawn softwood

Sweden	35%
Latvia	21%
Finland	13%

Particleboard

Germany	20%
France	14%
Belgium	12%
Ireland	11%

c.20%

Demand met by UK supply



THE SUSTAINABLE LAND USE CASE FOR FORESTRY IN THE UK

FSF's operations support regional governments to meet their woodland creation targets, facilitating a gradual and sustainable land-use transition.

Across the UK, national governments target c.220k hectares of new afforestation between 2023 and 2030. Whilst tree planting is a core element of the UK's net zero plan, the amount of land use change that is required is less than 1% of the UK's total land area. Even when this amount of land use change is considered as a proportion of all land that is potentially suitable for tree planting (i.e. land that is not considered either as non-agricultural or as being in permanent agriculture), the level of targeted tree planting represents just c.2% of all potentially suitable land.

At both a national and a local level, this is a relatively subtle and gradual change to the UK's overall land use. Further, areas that are deemed potentially suitable for afforestation are on less productive, non-arable land that cannot support crop production. As such, the tree planting that is targeted can co-exist with maintaining current national crop production levels. All of the Company's woodland creation projects are carried out on land that is aligned with national and regional planting and environmental strategies.

Community consultation and engagement is carried out prior to the application for planning permission for each project. These actions represent a contribution to Key Objective 3 (Progressive Industry Leadership) and Key Objective 2 (Sustainable Returns).

Land Use	England ¹		Scotland ²		Wales ¹		Total	
	Million Hectares	% of Total	Million Hectares	% of Total	Million Hectares	% of Total	Million Hectares	% of Total
Non-Agricultural Land*	1.6	12.50%	0.3	3.50%	0.4	18.50%	2.3	10.00%
Agricultural Land	11.4	87.50%	7.6	96.50%	1.7	81.50%	20.8	90.00%
Permanent Agricultural Land (i.e. not suitable for tree planting)**	4.6	35.00%	4.7	59.00%	0.3	16.00%	9.6	41.50%
Other Agricultural Land (i.e. potentially suitable for tree planting***)	6.8	52.50%	2.9	37.50%	1.4	65.50%	11.2	48.50%
Total Land	13.0	100%	7.9	100%	2.1	100%	23.0	100%
2023-2030 Tree Planting Targets^{3,4,5}	0.05	0.4%	0.12	1.5%	0.04	2.0%	0.22	0.9%

Definitions

- * All urban and non-agricultural natural land.
- ** Land Grades 1 -3(a) in England and Wales. Land Grades 1 - 3.1 and 6.1 - 7 in Scotland.
- *** Land Grades 3(b) - 5 in England and Wales. Land Grades 3.2 - 5.3 in Scotland.

Sources

1. DEFRA
2. James Hutton Institute
3. English Government (<https://publications.parliament.uk/pa/cm5802/cmselect/cmenvfru/356/report.html#heading-1>)
4. Scottish Government (<https://www.gov.wales/written-statement-trees-and-timber>)
5. Welsh Government (<https://forestry.gov.scot/news-releases/scotland-showing-leadership-on-climate-forests>)

OUR APPROACH



A NATURAL CAPITAL APPROACH

Delivering natural capital services to society in parallel with value to shareholders.

Describing natural capital investment theory

Natural capital is the stock of physical resources within the natural environment that can deliver economic, social and cultural value as ecosystem services if managed in the right way. The concept of natural capital, when integrated into decision-making and investment management, reconciles financial and environmental interests. There are many types of natural capital “stocks” (environmental assets) within the planet’s environmental realms and biomes. The concept of natural capital involves managing environmental assets in a way that allows ecosystem services to flow from those assets in a sustainable and renewable way. The range of ecosystem services can broadly be split into three categories:

- Provisioning services – products and resources obtained from ecosystems
- Cultural services – non-material but valuable societal benefits obtained from ecosystems
- Regulating and maintenance services – valuable environmental benefits achieved through regulating and maintenance of ecosystem processes

FSF’s vision and Key S&ESG Objectives (Timber Supply, Sustainable Returns and Progressive Industry Leadership) are aligned with natural capital land management theory (which seeks to sustainably optimise the broad range of ecosystem services that can be delivered). FSF believes this puts the Company in a strong position to deliver Natural Capital Alpha to stakeholders from its portfolio of environmental assets.

Introducing the concept of Natural Capital Alpha

As a natural capital fund, the Company’s view is that forestry and afforestation can contribute strongly to providing a sustainable and wide-ranging flow of ecosystem services which are valuable to society, as illustrated in the diagram on the next page. Our focus on enhancing commercial productivity increases the portfolio’s capacity for direct sequestration of CO₂ and supply of sustainable timber, while a purposeful approach to nurturing both natural habitat and species diversity helps build resilience against ever-changing and unpredictable environmental conditions. By focusing on land management in this way, protecting and enhancing the environmental assets within FSF’s portfolio, the Investment Manager is seeking to combine resilient risk-adjusted financial returns for the Company’s shareholders with the delivery of sustainable ecosystem services to society.

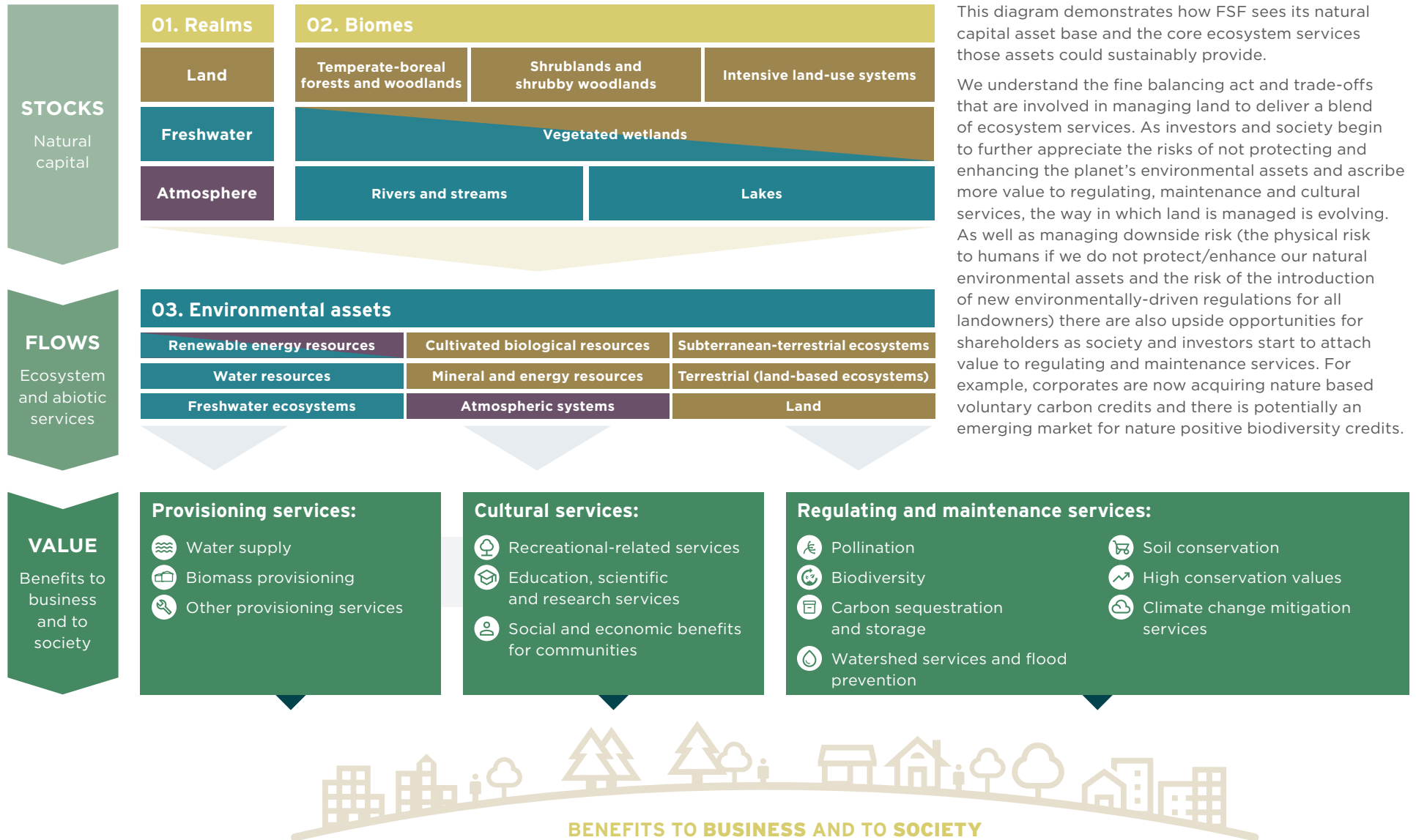
The Company’s direct stakeholders, in traditional terms, are its shareholders. However, its indirect stakeholders are local communities and national/global society. FSF targets the delivery of natural capital alpha returns and outputs for all stakeholders and believes that delivering these in parallel is in the best interests of the Company. This concept of Natural Capital Alpha underpins our management practices.

By mobilising capital to enhance FSF’s natural resources and embedding progressive management practices into our business model, the value derived from our investments extends beyond the Fund’s traditional commercial and financial drivers (primarily sale of timber), and enhances the value of the portfolio overall and what it can deliver to stakeholders over time.

Our application of natural capital theory

Consideration of natural capital theory shapes our approach to management. The Company seeks to identify which realms, biomes and environmental assets are present within FSF’s portfolio and the prospective assets it is looking to acquire. By identifying the stocks of natural capital within the portfolio and where these are depleted, at risk of decline or where enhancement is possible, we look to deliver improved ecosystem services from our portfolio. They play a vital role in tackling climate change and delivering positive impact for communities and society, from cleaner air via carbon dioxide sequestration, to improved environmental factors and more equal access to nature.

DELIVERING NATURAL CAPITAL ALPHA - PUTTING THEORY INTO PRACTICE



This diagram demonstrates how FSF sees its natural capital asset base and the core ecosystem services those assets could sustainably provide.

We understand the fine balancing act and trade-offs that are involved in managing land to deliver a blend of ecosystem services. As investors and society begin to further appreciate the risks of not protecting and enhancing the planet's environmental assets and ascribe more value to regulating, maintenance and cultural services, the way in which land is managed is evolving. As well as managing downside risk (the physical risk to humans if we do not protect/enhance our natural environmental assets and the risk of the introduction of new environmentally-driven regulations for all landowners) there are also upside opportunities for shareholders as society and investors start to attach value to regulating and maintenance services. For example, corporates are now acquiring nature based voluntary carbon credits and there is potentially an emerging market for nature positive biodiversity credits.

REPORTING AGAINST THE UN SUSTAINABLE DEVELOPMENT GOALS

FSF’s vision and management of its assets with a focus on its Key S&ESG Objectives are also closely aligned with five of the UN Sustainable Development Goals (“SDGs”).

FSF embeds sustainability at the core of its business. The SDG’s represent a core driver of the Company’s investment activities. The Company believes it can make the greatest contribution to the following five SDGs:

- 3. Good Health and Wellbeing
- 6. Clean Water and Sanitation
- 12. Responsible Consumption and Production
- 13. Climate Action
- 15. Life on Land

In the following pages, we demonstrate the progress made by the Company in each of these core areas. These each map to the relevant SDGs and their underlying targets.

- Timber Supply Chain pages 17 to 23
- Environmental Impact pages 24 to 30
- Natural Capital Services pages 31 to 33

Our contribution to sustainable development



OUR SUSTAINABLE IMPACT

FSF'S SUSTAINABLE IMPACT

TIMBER SUPPLY CHAIN

SDG Goal	SDG Target
12 RESPONSIBLE CONSUMPTION AND PRODUCTION 	12.2 Achieve the sustainable management and efficient use of natural resources
Contribution	
<p>Number of tonnes of sustainably grown, standing timber.</p> <p>Percentage of commercial forestry projects that are dual FSC and PEFC certified within 12 months of acquisition.</p>	



Introduction

UN SDG 12 (Responsible Consumption and Production) is most closely aligned with FSF's Key S&ESG Objective 1 (Timber Supply). There is also strong overlap with Objective 2 (Sustainable Returns) and Objective 3 (Progressive Industry Leadership). Timber in the UK is used in a variety of ways; from a construction material as an alternative to concrete and steel, through to biomass to produce renewable power and heat. Whilst 80% of the timber used in the UK is imported¹, timber produced in the UK also plays a key role in meeting these demands.

The following graphic has been designed to give an overview of the various timber supply chains. The UK timber industry already follows many waste hierarchy principles by utilising the byproducts of sawmilling into other useful wood products and recycling waste from wood processing into those wood products. Timber products have the capability to flow through the value chain several times before becoming waste material which is usually ultimately composted or turned into renewable energy.

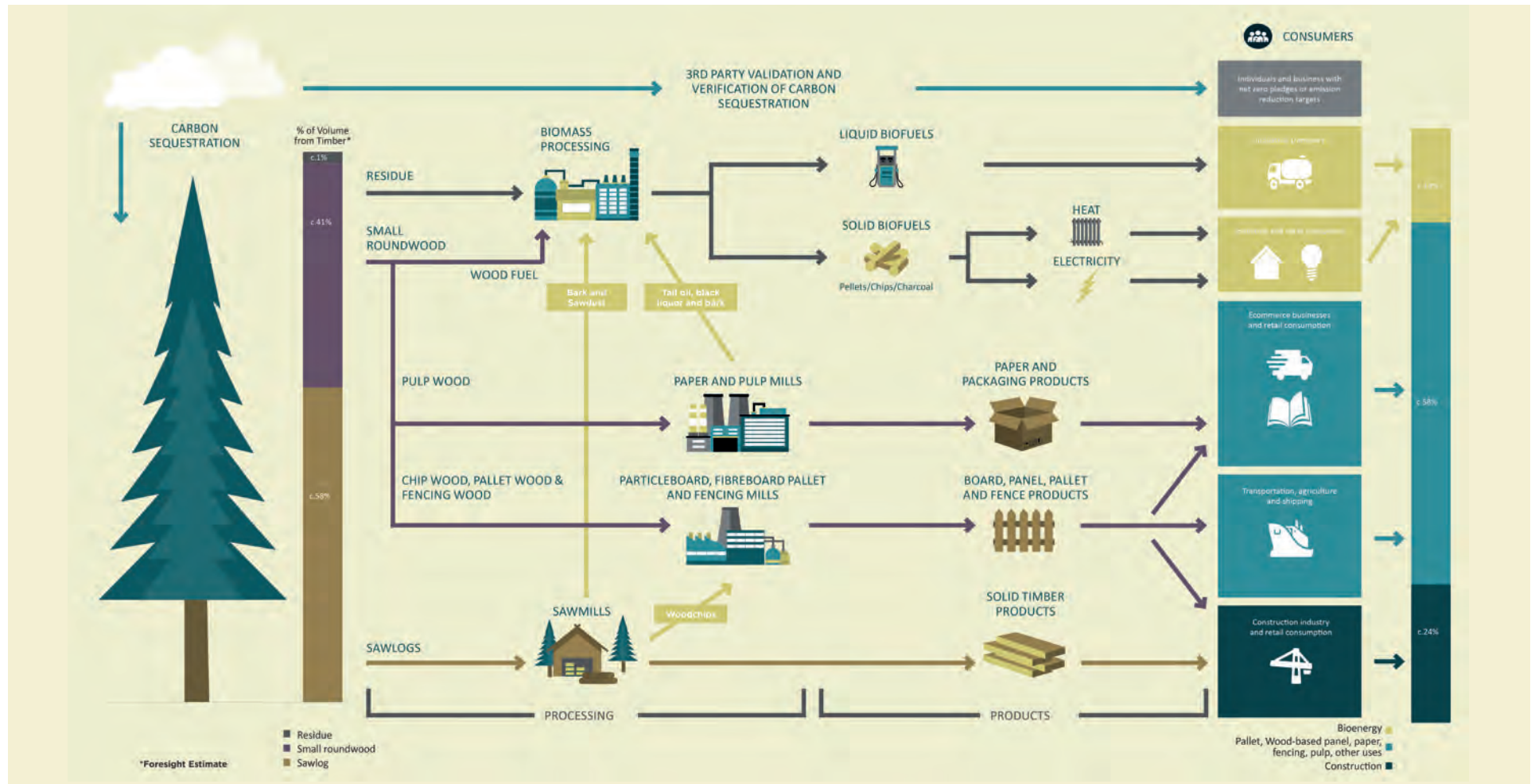
With further investment and focus on sustainability, timber and wood products can deliver even stronger circular economy credentials over time with the goal being minimising wood waste that reaches UK landfills.

Whilst FSF's commercial conifers currently cover 2,881 hectares, or 0.17% of UK conifer cover, it should be acknowledged that FSF is early in its life. As the Company grows, we look forward to increasing this % contribution year-on-year.

1. Forest Research - Forestry Facts and Figures 2022. All data in the following section came from: Forest Research - UK wood production and trade, 2019 Provisional Figures; Forest Research - Forestry Facts and Figures 2022 (2019 values); TRADA WIS 2/3-59; and Bangor University.

FSF'S SUSTAINABLE IMPACT CONTINUED

TIMBER SUPPLY CHAIN CONTINUED



FSF'S SUSTAINABLE IMPACT CONTINUED

TIMBER SUPPLY CHAIN CONTINUED

Understanding where our timber goes

In 2019, 10.2 million green tonnes¹ of timber was harvested in the UK^{2,3,4,5}. Over half of this, c.5.9 million tonnes, was sent directly to sawmills for processing and produced c.3.4 million tonnes of sawn softwood. This represents a 54% efficiency rate within sawmills, with the remaining 45% flowing into co-products, detailed below. This was supplemented by c.3.9 million tonnes of sawn softwood imports. The end uses of UK timber can be summarised as follows:

- **Construction** – The best quality timber is used in construction and Repair Maintenance and Improvement (“RMI”) applications. Roughly 71% of total sawn softwood (which includes imported timber) is used for construction.
- **Fencing** – This includes both commercial and residential fencing posts and related products, and accounts for c.16% of overall output.
- **Packaging** – Pallets and other products for storage and transportation of goods and materials. Pallets and packaging materials are the other major use for UK-grown softwood, accounting for 10% of overall output.

The smaller softwood cuts are used by the woodfuel industry and wood-based panel mills. Between them, they took c.32% of the UK’s softwood production in 2019. These mills also generate a number of outputs, including:

- **Fibreboard** – Some of the chip goes into producing fibre for the manufacturer of medium density fibreboard (“MDF”), virgin fibre bonded with resin.
- **Particleboard** – This is an engineered wood product manufactured from wood chips, both virgin and recycled, bonded with resin.
- **Oriented strand board (“OSB”)** – The versatile, cost effective and environmentally friendly alternative to plywood. It is manufactured by compressing precisely engineered strands of woods with exterior resins at high temperature to create an incredibly strong and versatile panel
- **Woodfuel** – Energy (power and heat) generation from biomass is considered renewable under UK government policy and consumes around 2 million green tonnes of virgin timber product a year. This is either by co-located biomass boilers or industrial scale biomass plants.

The remaining consumers of virgin softwood in the UK include pulp and paper mills, exports and direct to market.

At the period end, FSF had 866k tonnes of standing commercial timber in its portfolio which will be harvested on typically 35 to 40-year rotations and sold, usually delivered, to sawmills for further processing. Through the period, the Company has proactively engaged with its direct customers, mainly sawmills, to estimate the downstream flows of FSF’s harvested timber to its ultimate use. As a result of this engagement, we have been able to estimate that 58% of FSF’s timber harvested in the period will ultimately end up in the ‘pallet, wood-based panels, paper, fencing, pulp and other uses’ category. 24% is estimated to ultimately end up in the ‘construction’ category and with the balance of 18% expected to end up in the ‘bioenergy’ category.

1. Timber before any drying or processing
2. Forest Research – UK wood production and trade, 2019 Provisional Figures.
3. Forest Research – Forestry Facts and Figures 2022 (2019 values).
4. TRADA WIS 2/3-59.
5. Bangor University.

FSF'S SUSTAINABLE IMPACT CONTINUED

TIMBER SUPPLY CHAIN CONTINUED

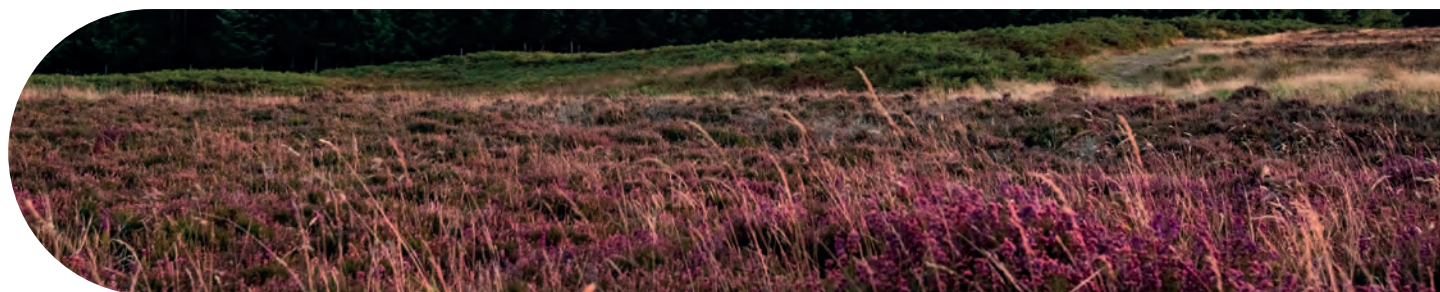
Timber as a low and carbon-negative material

As trees grow, they sequester and store carbon dioxide. When the timber is processed and turned into various wood-based products, the carbon remains stored. As this table illustrates, even when the carbon emissions involved in processing are accounted for, timber products are often “carbon negative” (meaning more carbon is sequestered throughout the growth period than released in processing and usage).

This table focuses on the timber industry itself and excludes the usage in downstream industries^{1,2}. However, the timber used in different wood-based products has the potential to lock away carbon for longer durations of time. As more members of the timber and forest products industry look to decarbonise their activities, the overall net carbon sequestration attributed to the industry will further improve.

Further examples can be seen throughout the timber industry. Sawmills and panel mills, which currently account for a combined 36% of industry emissions, are implementing measures to reduce their emissions, including: benefiting from grid decarbonisation by replacing gas generators with grid connections; scaling up the biocomponent of fuel for machines; use of infrared and X-ray to optimise cutting efficiency; and dry-debarking instead of wet-debarking, to reduce water usage³.

Timber Environmental Product Disclosures (“EPDS”)	Carbon sequestered (kg per m ³)	Carbon emissions across supply chain, including transport, manufacturing and waste processing (kg per m ³)	Net carbon sequestration so far as timber industry is concerned (excludes emissions from other industries further down the supply chain) (kg per m ³)
Paper/cardboard	420	825	-405
Biomass (wood chips)	240	458	-218
Plywood	230	315	-86
Oriented Strand Board (“OSB”)	270	285	-15
Particleboard	290	281	9
Medium Density Fibreboard (“MDF”)	320	279	41
Sawn (softwood)	712	253	459
Engineered timber	818	259	559
Sawn (hardwood)	878	226	652



1. TDUK.

2. The table above is based on US data, as there is limited data available for the UK specifically. However, the US can be used as a reasonable proxy to illustrate the point.

3. TDUK net zero roadmap page 58.

FSF'S SUSTAINABLE IMPACT CONTINUED

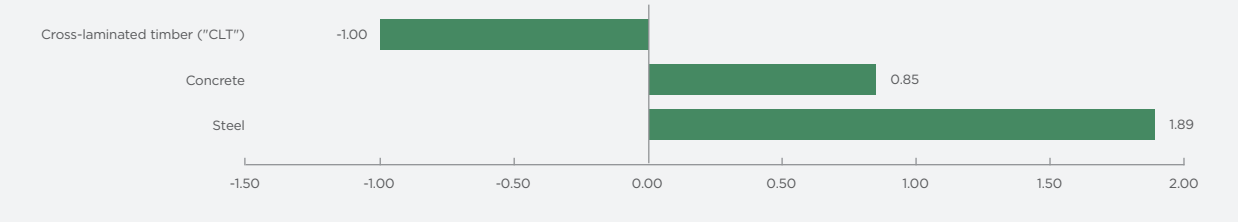
TIMBER SUPPLY CHAIN CONTINUED

Towards more sustainable buildings

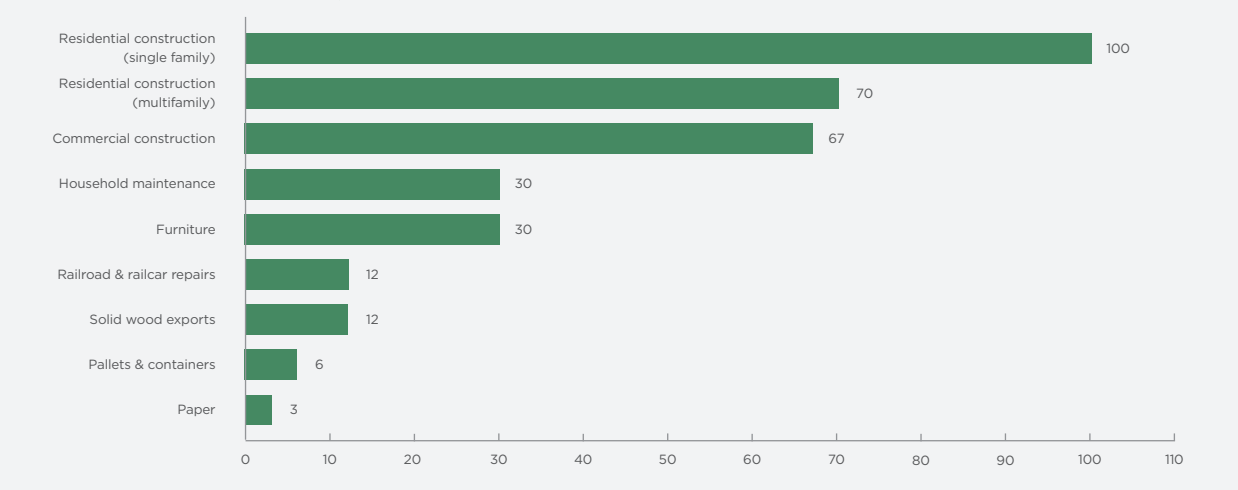
Substituting carbon-intensive materials with timber products avoids the release of CO₂. Construction materials, such as cross-laminated timber, have improved sustainability and durability characteristics compared to traditional materials, such as steel or concrete⁴.

The carbon remains locked up in timber-based products for long periods of time. The following chart summarises the carbon half-life for various timber-based products, with carbon half-lives running into multiple decades.

Net CO₂ emissions per tonne produced. Wood includes emissions from growing, harvesting and processing^{1,2,3}



Carbon half-life for wood products by end use in years⁵



1. Foresight analysis – based on data provided by Statista.
 2. World Steel Association.
 3. Using wood for good – How timber can help fight climate change.
 4. European Commission, Wood – Building The Bioeconomy.

5. Forest Research – Harvested Wood Products and Carbon Substitution: Approaches to incorporating them in market standards.

FSF'S SUSTAINABLE IMPACT CONTINUED

TIMBER SUPPLY CHAIN CONTINUED

Forests as a growing store of carbon

A forest is, by its nature, a carbon sink; trees absorb CO₂ as they grow. Effective commercial forest management can maximise net timber growth, increasing the amount of CO₂ that is captured. As tree growth is non-linear, once a commercial conifer ages beyond c.30-35 years its rate of growth decreases. When that tree dies, the wood bio-degrades, releasing CO₂ back into the atmosphere and surrounding environment. When a compartment is harvested the wood is utilised in wood products for a period of time before CO₂ is, ultimately, released to the atmosphere again. With harvested compartments re-stocked with new saplings, carbon sequestration can re-commence and as the tree grows it can approach its peak rate of growth again. A forest in which the weighted average rate of tree growth is not optimised does not provide as much CO₂ sequestration benefit or timber provision², therefore active management of the forest which takes a long term approach is beneficial and maximises both outcomes. Whilst Woodland Carbon Code voluntary carbon units are only currently issued for newly planted forests, there is technically the potential for long-term additional net carbon storage through better management of existing forests and this aligns neatly with the objectives of commercial forestry to also generate optimum timber supplies over time.

It would be a positive to see forestry growers move away from standardised Environmental Product Disclosures (“EPDs”) towards demonstrating improved efficiency in their operations and the related improved carbon profile of their timber products, using their own data. The net carbon position of a building material is referred to as the embodied carbon, because timber is a net sequestrator of carbon. In its move towards net zero the construction industry seeks more granular detail on EPD's. As an alternative and low carbon building material, the value of timber could increase in future. The Company is therefore gathering and monitoring data relating to tree growth rates, timber production rates and its net carbon sink position.

FSF will pursue these forestry management practices¹ to ensure alignment between the financial and environmental outputs.

1. Nordic Forest Research.

2. New Zealand Forest Owners Association.



FSF'S SUSTAINABLE IMPACT CONTINUED

TIMBER SUPPLY CHAIN CONTINUED

Reducing waste in the timber industry

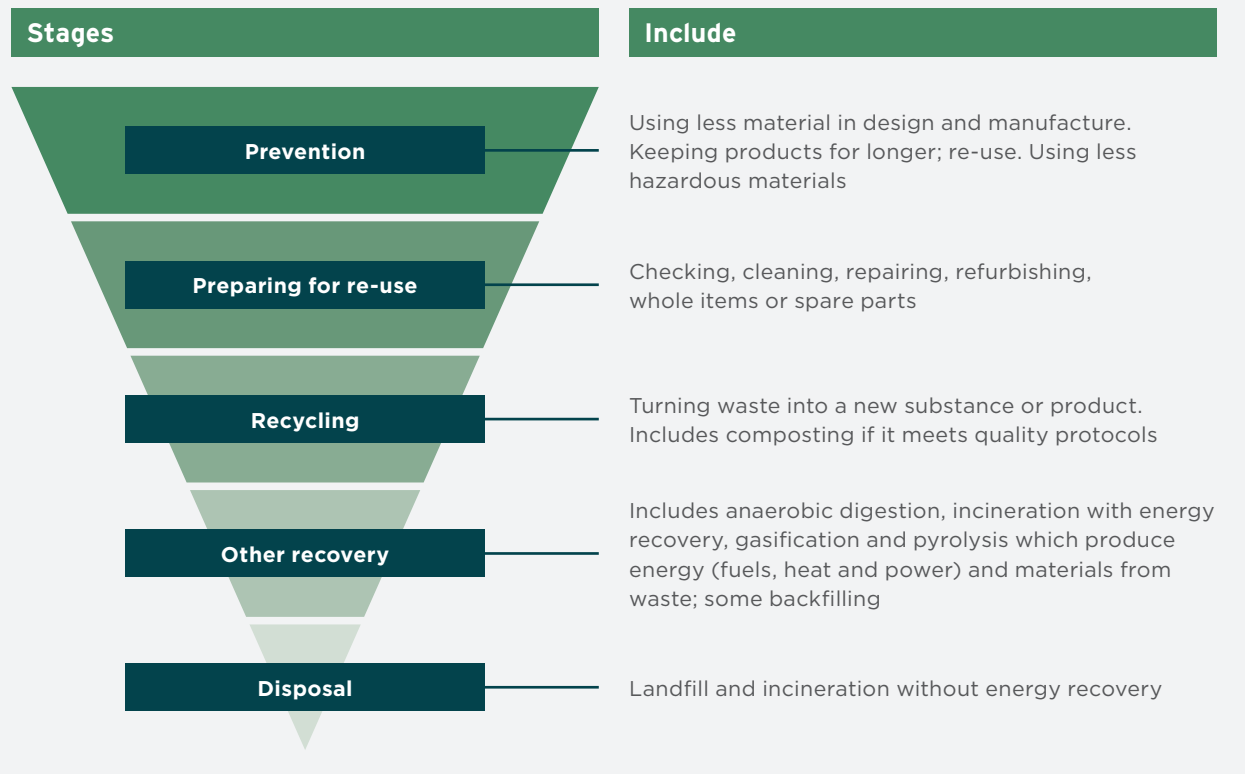
As in many industries, waste is a big issue in the timber industry. The industry's approach to waste is aligned to the waste hierarchy, as visualised here.

In 1990 less than 2% of wood waste was reused, in 2020 this increased to more than 99%. The timber industry has always been relatively circular, but more can be done to ensure that each piece of virgin timber flows through the supply chain multiple times before it becomes a waste product.

Company Commitment

As part of its ambition to contribute to UN SDG 12 and its Key Sustainability & ESG Objectives the Company is committed to increasing the efficiency of its forest management practices and to deliver sustainable low carbon timber raw materials into the wood processing industry whilst seeking to support and encourage circular economy and waste hierarchy principles within the wider timber industry and government regulation.


The waste hierarchy

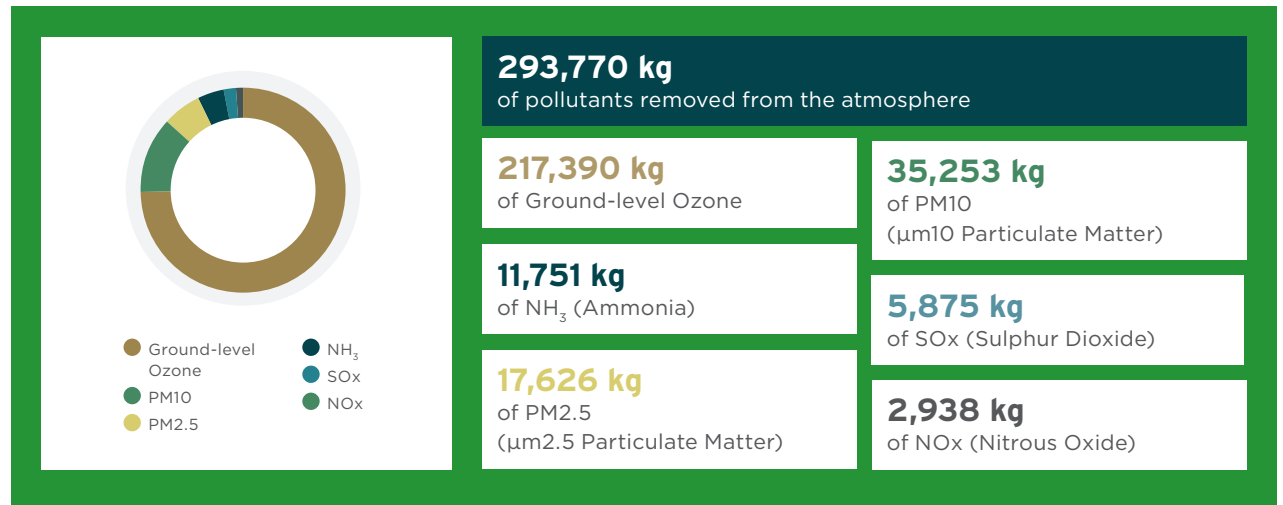


FSF'S SUSTAINABLE IMPACT CONTINUED

ENVIRONMENTAL IMPACT

POLLUTANT REMOVAL

Goal	SDG Target
3 GOOD HEALTH AND WELL-BEING 	3.9 Substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination.
Contribution	
Number of tonnes of pollutants ¹ removed from the atmosphere, including: NOx (Nitrous Oxide), SOx (Sulphur Dioxide), PM10 (µm10 Particulate Matter), PM2.5 (µm2.5 Particulate Matter), Ground-level Ozone, NH ₃ (Ammonia)	



Introduction

UN SDG 3 (Good Health and Wellbeing) is most closely aligned with FSF's Key S&ESG Objective 2 (Sustainable Returns), specifically the delivery of "other positive environmental and social impacts". Aside from sequestering carbon, our trees help to actively remove pollutants from the air by "providing a large surface area for particulate matter to settle on, and by active uptake of gases into the leaves or chemical reactions with the leaf surface". This is an important ecosystem service that natural capital assets can provide.



1. Woodland Natural Capital Accounts, 2022.

FSF'S SUSTAINABLE IMPACT CONTINUED

ENVIRONMENTAL IMPACT CONTINUED

POLLUTANT REMOVAL CONTINUED

The scale of the issue

The World Health Organisation (“WHO”) estimates that air pollution contributes to 7.6% of worldwide deaths and it is a significant factor behind disparities in health and social equality. Exposure to air pollutants is a risk factor for populations, with significant health implications as outlined below:

Ozone (“O₃”) – occurs both in the earth’s upper atmosphere and at ground level. Ground level, or tropospheric O₃, is not emitted directly into the air but is created by photochemical reactions between other pollutants and volatile organic compounds (“VOCs”). The effects of exposure to O₃ are predominantly respiratory, but adverse effects on the cardiovascular system have also been reported.

Particulate Matter (“PM”) – is a generic term used to describe a complex mixture of solid and liquid particles of varying size, shape and composition. Evidence suggests long-term exposure to PM increases mortality and morbidity from cardiovascular and respiratory diseases.

Ammonia (“NH₃”) – is a gas released into the atmosphere from natural and man-made sources. The main health impacts of NH₃ arise through its role in secondary PM_{2.5} formation the health effects of which are described above.

Nitrogen Dioxide (“NO₂”) – is a gas that is produced along with nitric oxide (“NO”) through combustion processes. Together they are often referred to as oxides of nitrogen (“NO_x”). NO₂, particularly at high concentrations, is a respiratory irritant that can cause inflammation of the airways. Studies have shown associations of outdoor NO₂ with adverse effects on health, including reduced life expectancy.

Sulphur Dioxide (“SO₂”) – is produced when sulphur containing fuels, such as coal, are burned. SO₂ has an irritant effect on the lining of the nose, throat and airways, and the effects are often felt very quickly¹.

Advancing health and air quality

Tackling air pollution requires action. In 2020, it was estimated that the removal of air pollutants led to fewer respiratory and cardiovascular hospital admissions and helped avoid associated loss of life. The overall cost-benefit of this was assessed to be £995 million of avoided healthcare costs, equating to £307 of avoided healthcare cost per hectare of UK wooded area. This means that FSF’s total area of woodland is estimated to contribute to savings in excess of £1 million for the UK’s healthcare services. We know community health matters; our forestry schemes and support for initiatives that facilitate decarbonisation of the timber industry will improve air quality in the areas where we work and beyond.

1. Health Matters: Air Pollution, gov.uk



FSF'S SUSTAINABLE IMPACT CONTINUED

ENVIRONMENTAL IMPACT CONTINUED

WATERCOURSES

Introduction

UN SDG 6 (Clean Water and Sanitation) is most closely aligned with FSF's Key S&ESG Objective 2 (Sustainable Returns), specifically the delivery of "biodiversity protection and other positive environmental and social impacts". Greater focus is being placed on the interconnectedness of our ecosystems. Watercourses and peatlands, of which there are many within and around FSF's portfolio, provide habitats for wildlife and support biodiversity and drainage. FSF is committed to delivering positive, sustainable impact through the management of the watercourses across its assets.

Commitment to sustainable management

Industry guidance informs our approach and allows us to better track our impact. The UK Forestry Standard Guidelines publication "Forest and Water" sets out the UK Government's approach to sustainable forest management, defines standards and requirements, and provides a basis for regulation and monitoring, including national and international reporting.

In addition to the guidance available, prior to any operations that might affect watercourses at any property, FSF consults with the relevant authority (the Environment Agency in England and Wales, the NRW in Wales and SEPA in Scotland).

Design and connectivity

Within our portfolio, we can point to key examples of where consideration of sustainable watercourses has shaped the design approach on afforestation projects. At Upper Barr, a riparian zone has been created along the watercourse that passes through the site. In addition, at Fordie, specific flood prevention works have been undertaken and are addressed in a case study provided on page 28.

Currently within the FSF portfolio there are 285¹ kilometres of sustainably managed watercourses. The key benefits of these watercourses are:

1. Enhanced biodiversity
2. Reduced flood risk
3. Improved water quality

1. Enhanced biodiversity

Waterways and their banks provide a habitat for a plethora of animals (including fish, amphibians, insects, invertebrates, reptiles and birds) and plant species (including wildflowers). Irregularity in shape of river beds is important for aquatic biodiversity to thrive, providing aquatic and semi-aquatic species the ability to hide from predators. Sustainable forestry practices allow natural processes to recover and natural ecosystems to be restored.



1. Includes all permanent water courses and larger drains whether wholly inside the property boundaries or located on the property boundary with a shared responsibility for watercourse management.

FSF'S SUSTAINABLE IMPACT CONTINUED

ENVIRONMENTAL IMPACT CONTINUED

WATERCOURSES CONTINUED

2. Reduced flood risk

Effective and sustainable land management can decrease the risk of flooding downstream by increasing the quantity of water that is held in the ground and reducing the flow rate of the waterway. Well-managed woodlands are known to increase water attenuation as trees utilise a greater volume of water than other types of vegetation. Canopy cover also breaks and slows rainfall.

Additionally, where opportunities are present to restore peatland and other wetlands, FSF explores the pursuit of these opportunities, further enhancing the ability of the land to slow the rate of water entering waterways.

The same measures that will help biodiversity, increasing the disorder within a water system etc., will also help to slow the flow rate of a waterway, which will also reduce the risk of flooding. Deadwood and other natural debris can also aid in this process. It is also possible to artificially re-create this by use of rootwad revetments (see the flood defence case study on page 28 for further details).

3. Improved water quality

Sensitive woodland design provides opportunities for improved water quality and minimises the impact of any pollutant run-off. Whilst conifer forestry can cause a degree of run-off and calcify soils, clear and adaptable mitigation measures are set out by the UKFS to ensure scheme designs provide adequate buffering to all waterways. Broadleaf buffers in particular provide excellent habitats for a plethora of semi-aquatic creatures, that will help to restore natural processes and so improve water quality.



FLOOD DEFENCES

SUSTAINABLE WATERCOURSE MANAGEMENT IN ACTION

Since 2013, Perth & Kinross Council have been planning and commencing work on a series of flood protection works focusing on reducing the flood risk to the town of Comrie, which sits about 3km to the west of Fordie Estate. The overall scheme includes sections of wall construction or reinforcement, flood embankment creation, river scour protection and rootwad revetment works.

During storm Arwen in November 2021, Fordie Estate suffered some damage to several Sitka Spruce trees along a bank within the estate. Roughly 150 trees were windblown in total. To clear the road connecting the houses to the wider estate, the trees were cut off, significantly reducing their commercial value.

FSF agreed to supply these blown trees to the flood protection scheme. The council arranged for a contractor to come to the estate and remove the windblown trees, leaving the roots attached. These were then transported from the estate to the River Earn, where they will be used for the rootwad revetment.

The rootwads will be placed into the bank of the river, having the dual impact of strengthening the bank and slowing the flowrate of the river. Additionally, the added vegetation to the riverbank helps to enhance habitats for both marine and non-marine species in the area.

Flood protection schemes such as this rarely solve the issue of flooding along a river totally or permanently. Despite the slowing effect that such revetment works can have on river flow and the very important role they play in protecting the houses and property of local stakeholders, such interventions potentially have the effect of increasing the amount of water that needs to be managed further downstream. In recognition of this, FSF is implementing a strategy at Fordie which aims to contribute towards tackling the cause of the issue. Ultimately, the problem is the rate of water run-off from peaty, boggy hill ground. Traditionally, peatland and wetland would hold water on the hill for longer and allow it to more gradually reach burns, streams and ultimately major rivers. With the implementation of draining peatland and other measures to convert bog into grassland, the water retention rate decreased significantly, thus increasing flow from all tributaries into the major rivers.


At Fordie Estate, a peatland restoration project is being explored and areas of wetland creation are being built into an ambitious nature conservation and biodiversity enhancement project. Both of these interventions will help to hold water on the hill for longer (improved water attenuation). This will reduce the pressure on the River Earn to handle the flow of water, particularly during intense storms and downpours, that have been increasing over recent years as climate change drives more erratic and irregular weather patterns. It will have the additional benefit of improving year-round water supply to the estate's hydro plant, providing better habitats for wading birds and other wildlife and improving the overall water quality on and emanating from the estate.



FSF'S SUSTAINABLE IMPACT CONTINUED

ENVIRONMENTAL IMPACT CONTINUED

CARBON SEQUESTRATION

Goal	SDG Target
13 CLIMATE ACTION 	13.3 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.
Contribution	
Total annual portfolio sequestration (tCO ₂ e/annum)	
Average annual sequestration per stocked ha (tCO ₂ e/stocked ha)	
Average annual sequestration per gross ha	

28,873 tCO₂e
annual arboreal sequestration achieved over the reporting period within the portfolio

8 tCO₂e/stocked commercial ha
average annual arboreal sequestration on a per stocked ha basis (commercial + non-commercial)

3 tCO₂e/ha
average annual arboreal sequestration per gross hectare

Based on estimates of terrestrial tree growth. Currently excludes sub-subterranean (e.g. soil) and understory sequestration profile.

Introduction

UN SDG 13 (Climate Action) is most closely aligned with FSF's Key S&ESG Objective 2 (Sustainable Returns), specifically the delivery of "carbon sequestration". As discussed in this report, a valuable benefit of forests and one of the core arguments in favour of afforestation and forestry is the carbon sequestration capacity/capability of trees. As FSF's operations grow, the overall benefit here is twofold: carbon sequestration is increased and simultaneously timber production is increased.

The carbon capture potential of forestry

FSF aims to continuously employ silvicultural best practices to maximise the efficiency and production of all assets within the portfolio. In the last year, the FSF portfolio sequestered c.8 tCO₂e per stocked hectare into arboreal matter. As improvements are made to silvicultural and management practices, this figure is expected to increase.

Currently, FSF only measures arboreal sequestration, meaning it only considers carbon that is locked up in above-ground woody matter. No consideration is given to sub-terrestrial carbon or soil carbon. Due to this, the expectation is that the headline annual carbon removals figure will be subject to fluctuation year-on-year. Harvesting activities will mean that the quantity of standing timber will continuously vary, changing the amount of sequestration that is feasible.

FSF'S SUSTAINABLE IMPACT CONTINUED

ENVIRONMENTAL IMPACT CONTINUED

CARBON SEQUESTRATION CONTINUED

A key carbon consideration is the management of the balance between broadleaf and commercial trees within each property. From a carbon perspective, it is often more beneficial to plant faster-growing commercial conifer species. It is anticipated that a single hectare of commercial afforestation land will sequester in the region of 270% of the carbon sequestered by an identical broadleaf afforestation hectare between 2020-2120.¹

Additionally, the knock-on impact of timber producing crops is significant. Timber offers an alternative material to those produced in highly carbon-intensive ways, such as concrete or steel.

Conversely, broadleaf forests are slower to grow and often never harvested. Therefore, they are slower to sequester carbon in the first place; will not be replaced once they have passed their peak growing phase; and will not displace carbon intensive materials in the marketplace. However, FSF appreciates the long-term biodiversity and habitat value of broadleaf forestry as well as the longevity of the carbon sink created in non-commercial stands/compartments of trees and therefore always incorporates an appropriate level of broadleaves into its forest designs.

Each forest and piece of afforestation land is different and we assess the land on its own merits and target the optimal blend of ecosystem service outputs. Some schemes prioritise sustainable timber supply, additional carbon sequestration and biodiversity in that order, while other schemes will have increased focus on carbon and biodiversity.

Ambitions to measure soil carbon

Soil carbon is currently not actively measured across the FSF portfolio. There is a general consensus that land use change from degraded farmland to forestry results in a net increase in soil carbon stocks, particularly in the top layers of soil². However, there is currently no widely accepted methodology for the quantification of this impact. FSF is actively exploring the possibility of conducting some research into this area to understand the impact of the forestry and afforestation portfolio on the soil in greater detail.




1. Forster et al. 2021 – Commercial afforestation can deliver effective climate change mitigation under multiple decarbonisation pathways.

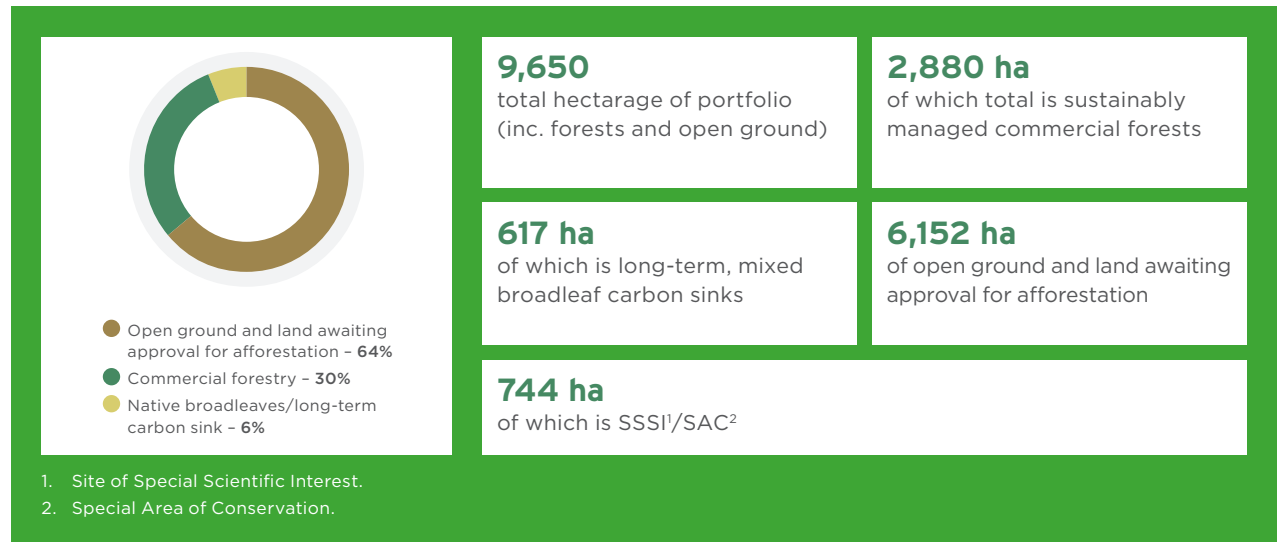
2. Barcena et al. 2014 – Soil carbon stock change following afforestation in Northern Europe: A meta-analysis.

FSF'S SUSTAINABLE IMPACT CONTINUED

NATURAL CAPITAL SERVICES

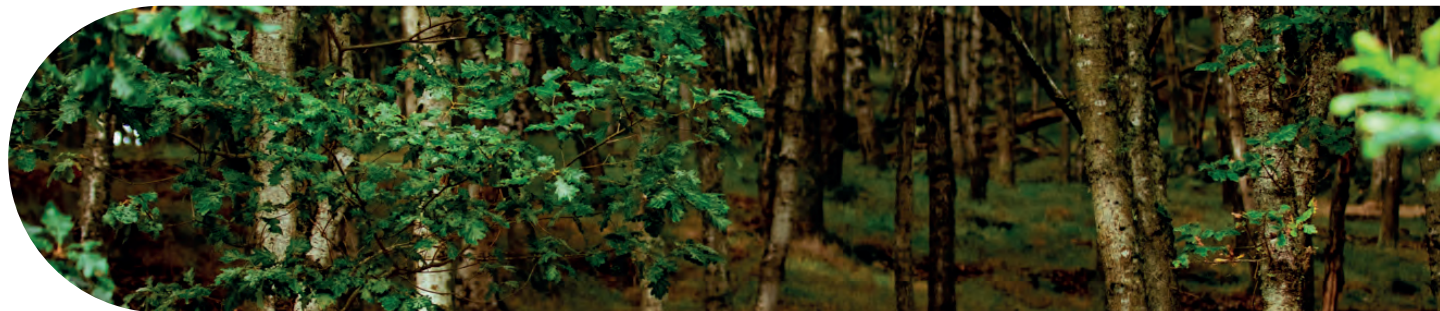
BIODIVERSITY

Goal	SDG Target
15 LIFE ON LAND 	15.2 By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally.
Contribution	
Number of hectares of sustainably managed forests Of which: <ul style="list-style-type: none"> • Number of hectares that are long-term, mixed broadleaf carbon sinks. • Number of hectares that are SSSI/SAC^{1,2}. 	



Introduction

UN SDG 15 (Life on Land) is most closely aligned with FSF's Key S&ESG Objective 2 (Sustainable Returns), specifically the delivery of "biodiversity protection". A thriving natural environment is the bedrock of a healthy and prosperous society. As a natural capital fund, we believe that, when managed responsibly, forestry and afforestation can provide a wide-ranging flow of ecosystem services which are valuable to society in which biodiversity plays a vital role. Across its portfolio, FSF seeks to actively preserve and protect natural capital and biodiversity.



FSF'S SUSTAINABLE IMPACT CONTINUED

NATURAL CAPITAL SERVICES CONTINUED

BIODIVERSITY CONTINUED

Regulation and certification

For all afforestation schemes FSF conducts a number of surveys to comply with planning application requirements. Woodland creation projects will not secure planning permission until the forestry authority (Scottish Forestry, Natural Resources Wales or Forestry England) is satisfied that the scheme is compliant with the relevant national and regional requirements.

For established forestry properties within the FSF portfolio, a UK Forestry Standards compliant long-term forest plan is agreed with the forestry authorities to provide strategic direction. As part of that process the Investment Manager explores opportunities to improve the ecological integrity of forests within FSF's portfolio. For example, where historic forestry practice prior to FSF taking ownership has resulted in planting of trees on blanket bog, deep peat or wetland, the potential to remove trees and restore natural habitat and water systems is investigated.

We seek both FSC and PEFC certifications on all FSF forests within one year of acquisition or on the creation of a new forest. Both standards require, at a minimum, that biodiversity is protected and where possible enhanced^{1,2}. FSF's commitment to continuously dual certify throughout its period of ownership is well ahead of industry standards as generally certification is only pursued prior to harvesting.

1. PEFC – Sustainable Forest Management – Requirements.

2. FSC International Standard – FSC principles and criteria for forest stewardship.

Biodiversity monitoring

Aside from forestry regulation, certification and best practice, the Investment Manager is exploring biodiversity monitoring tools on two levels: the high-level monitoring of the portfolio, and detailed nature-positive bio-credits projects..

High-level monitoring of portfolio

Foresight has been working with SLR Consulting ("SLR"), a global leader in environmental advisory services, to identify potential suitable monitoring tools in order to provide a high-level biodiversity overview of FSF's portfolio. The tools reviewed to date that can realistically be applied to a large portfolio of multiple assets have generally involved an assessment of existing habitat types, habitat condition and the current/historic land management practice on the various sections of each property. This is then compared this with forecasts for future habitat, future condition and forward-looking management practices (taking into account planned changes and interventions). The current baseline is usually compared against the projected future score, with a view to monitoring against baseline over time.

SLR has gathered data on a cross-section of 27 of FSF's portfolio assets (a mix of established forestry and afforestation assets) and an evaluation of biodiversity using various potential monitoring tools that make use of that data is ongoing. It is noted that there is currently no widely accepted and endorsed tool that is suitable for assessing biodiversity in upland forestry and afforestation land in the UK.

Amongst other things, the time it takes for trees to grow and establish and the perpetual/rotational habitat evolution in commercial forestry compartments (i.e. transitional habitats) present complexities.

It is noted that, at the time of writing, in England Defra's Biodiversity Metric 3.1 was designed for a specific purpose and is potentially unsuitable for appraisal of forestry. The final version of Defra's Biodiversity Metric 4.0 was recently released and is being reviewed by SLR and Foresight. Nature Scot has only recently commissioned work for experts to explore a potential Scottish biodiversity metric. The position of Natural Resources Wales remains unclear. Foresight plans to engage with industry experts and authorities with a view to assisting with the development of an appropriately accurate and cost-effective monitoring tool that is suitable for forestry and afforestation monitoring in upland Britain. Such a tool will likely be very useful for TNFD reporting once those guidelines are finalised and published. As well as allowing strong S&ESG reporting for shareholders, having a widely accepted scoring metric for biodiversity credentials suitable for forestry could also be very valuable to FSF when it comes to sell carbon credits from its afforestation schemes, as it is anticipated that carbon units that can also demonstrate nature-positive co-benefits, alongside usefulness for reaching net zero (e.g. carbon credit maturation profile), will likely be more favoured by buyers in the voluntary carbon market.

FSF'S SUSTAINABLE IMPACT CONTINUED

NATURAL CAPITAL SERVICES CONTINUED

BIODIVERSITY CONTINUED

Detailed nature-positive bio-credits projects

Over and above high-level portfolio monitoring, within the FSF portfolio Fordie Estate and Knock Fell are examples of properties with potential for highly ambitious natural capital projects with enhanced levels of biodiversity uplift and ecosystem resilience creation. Such projects can involve peatland and wetland restoration, natural regeneration zones for trees (alongside commercial and non-commercial planting), regenerative grazing practices, renewable energy and tenanted housing and holiday lets managed by staff to enhance connection with, and provision of services to, the local community. Foresight is working closely with SLR and the Natural Capital team at Bidwells to explore more involved measurement systems including, but not limited to, key indicator species baseline setting and future monitoring of abundance over time and habitat-type and habitat-condition measurement for the biodiversity and ecosystem resilience credentials.

Further, discussions with several potential independent verifier/validator organisations for voluntary nature-positive bio-credits/bio-tokens are in progress. Such credits may form discrete assets that are traded separately to carbon credits or may be traded as stapled to carbon credits. Foresight is giving careful consideration to complex and challenging areas such as additionality and equivalence for these bio-credits and is conscious that the biodiversity market may evolve so that bio-credits are not used for offsetting and may instead be used for purchasers to claim nature-positive credentials. It is an emerging market which the Investment Manager is monitoring closely, working with qualified advisers.



SOCIAL CONTRIBUTION CASE STUDY – COMMUNITY ENGAGEMENT

AFFORESTATION COMMUNITY ENGAGEMENT PROCESS

Recognising the importance of increasing community engagement, FSF has been in consultation with advisers and industry participants to develop its own enhanced afforestation community engagement process. This aligns with the Company's Key S&ESG Objectives 2 (Sustainable Returns) and 3 (Progressive Industry Leadership). FSF's process follows this approach:

1. **Due diligence** – Desktop and physical due diligence is carried out and a draft forest design is compiled prior to acquisition.
2. **Surveys** – Breeding bird, mammals, habitats and archaeological and other site-specific surveys are undertaken pre and post acquisition to understand the specifics of each property and to comply with regulatory requirements.
3. **Community engagement** – Once the surveys are completed the draft scheme is finalised and Foresight works with its advisers and contractors to hold a community meeting where an overview of the proposed project is provided and local stakeholders are given the opportunity to provide comments in an open forum. We then carefully consider community feedback and make any appropriate changes to the scheme design. It is not a regulatory requirement that these meetings are held.
4. **Public register** – After the community meeting, the application is formally made and details of the scheme are placed on the public planning register for the statutory period (usually 28 days) during which time stakeholders have the opportunity to formally provide comments.
5. **Contract application** – After the statutory consultation period is concluded and the relevant regulatory decision-makers are satisfied, the scheme can be finalised and a grant application is entered.
6. **Planting** – Provided the grant application is approved, the ground and planting works can be commenced shortly thereafter. Members of the community, such as local schoolchildren, are invited to participate in community planting and education days.

The community engagement steps (steps 4 and 5) are key parts of the process and it is usually important that the surveys are undertaken ahead of this, so FSF can present a scheme design with a high level of confidence.

The initial community engagement stage (step 4) will be in the form of a drop-in session, usually at a town hall in the local area. Copies of the proposed scheme design will be available to view and for the community to ask questions. Suitably qualified and informed representatives of the Company will be on hand to help answer questions. Attendees will be invited to leave their written comments on the scheme and these will be considered by the design team. The merit of further follow-up meetings and/or site visits will be considered on a case-by-case basis.



SOCIAL CONTRIBUTION CASE STUDY - COMMUNITY ENGAGEMENT CONTINUED

AFFORESTATION IN ACTION

Investment overview

Property location: Carmarthenshire, Wales

Asset type: Afforestation

Project size: 94 hectares, of which 42.5 hectares is intended to become an afforestation scheme

Acquisition date: March 2022

Status: Planning permission and grants secured, afforestation area planted

A key aspect of the Company's value is identifying land suitable for tree planting. The Investment Manager has mapped all of Scotland, Wales and Northern England to identify a proprietary list of c.4,500 properties that have excellent afforestation potential. Frongoch was identified as part of that exercise and was acquired as part of the Seed Asset Portfolio transaction in March 2022. Frongoch is an afforestation property in Carmarthenshire in Wales. The total land holding at Frongoch, which sits beside the village of Cwrt-y-Cadno, is 94 hectares. Frongoch was previously used as a for sheep grazing and was acquired unconsented for commercial tree planting. The land on the top of the hill is less productive and had become increasingly sub-economic for sheep farming. The land in basin of the valley is highly productive and is still considered viable for sheep farming.

Of the 94-hectares holding, 42.5 hectares will be planted with a diverse woodland creation scheme. The tree planting design sees the agriculturally less productive areas up the slopes planted, with the more productive areas in the basin of the valley being retained in agriculture. The main commercial species will be Sitka Spruce, which will be planted with Lodgepole Pine as an intermixed secondary conifer species. Broadleaf planting also makes up a significant part of the woodland creation scheme.

Frongoch is in line with all FSF's afforestation schemes; FSF's plans for Frongoch have been carefully designed to incorporate a diverse mix of tree species (including rare and endangered ones), to include open spaces for natural habitat, and to make a positive impact in terms of both climate change mitigation and biodiversity.

11 fields directly surrounding the village have been excluded from the scheme design in order to provide a buffer for the village and recognising a balance of land uses. These have been retained in farming and are currently leased to a local farmer. This area equates to 21.86 hectares (23% of the landholding). Most of the remaining land, that is either not planted, or retained or leased, consists of existing native broadleaved woodland (23% of the landholding).

The primary focus of the commercial woodland creation scheme is to produce timber. Over the first rotation, the commercial elements of the Frongoch planting scheme are expected to produce c.23,700 tonnes of sustainable timber. This timber is likely to be processed and used within Wales, adding value to the local Welsh economy.

An additional benefit of forestry is the positive environmental impact of carbon sequestration which occurs as the trees grow. It is expected that the forest will sequester in the region of 10,900 tCO₂e between the afforestation scheme and the existing forestry over the next 40 years.



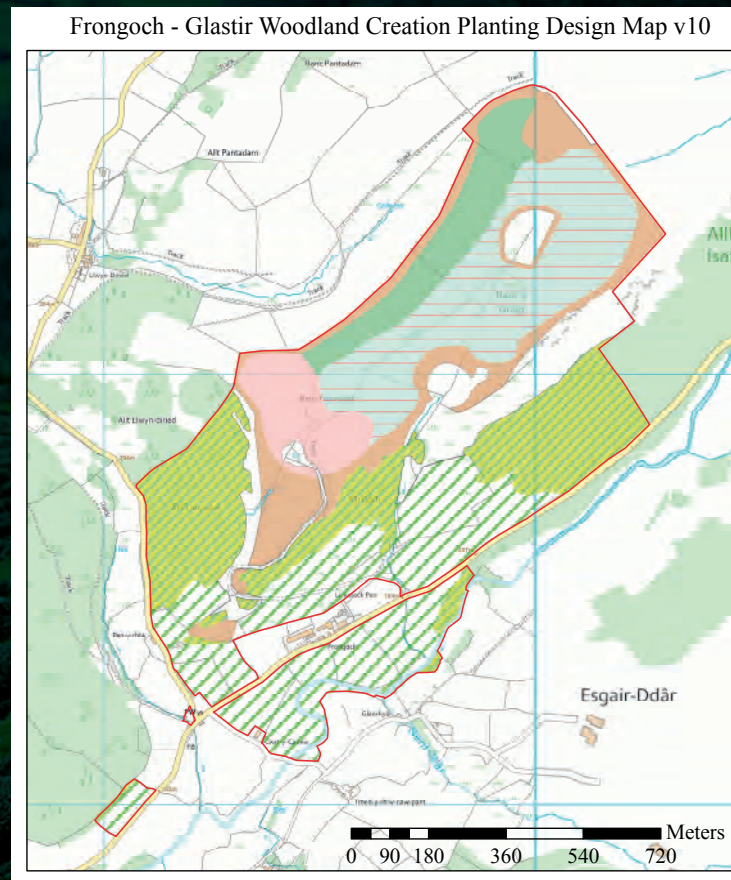
SOCIAL CONTRIBUTION CASE STUDY - COMMUNITY ENGAGEMENT CONTINUED

AFFORESTATION IN ACTION CONTINUED

The planting scheme has been registered with the Woodland Carbon Code and will therefore generate “carbon credits” that can either be sold to businesses or distributed to electing investors, both looking to achieve net zero. This project will be eligible for 10,956 carbon credits, each of which is equivalent to one tonne of emitted CO₂e. The Woodland Carbon Code monitors additional carbon sequestration over a 100-year period from planting.

FSF is continuing to work with the local community to ensure that this project creates maximum benefit to the area. Post-period planting has involved 10 contractors, all of which live within 15 miles. Great care has been taken to ensure the scheme is generating local opportunities. FSF hosted 27 school children from Carreg Hirfaen school to play a part in the planting. This focus on giving back and bringing the community along on FSF’s journey underpins our activities.

FSF has donated a small area of land to the local church in the village, which will enable it to extend the otherwise full grave yard, to the benefit of local churchgoers and the wider community.



Legend	
	Legal Boundary
	Sitka Spruce 12% Lodgepole Pine 2% (Intimate Mixture)
	Douglas Fir 7%
	Norway Spruce 5%
	Mixed Native Broadleaves 16 %
	Open Ground 11%
	Existing Woodland 23%
	Grazing Land 24%

	 Church Bank Llandovery Carmarthenshire SA20 0BA Tel: 01550 721442 Fax: 01550 721446
Scale 1:9,000 31/03/2023	

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SOCIAL CONTRIBUTION CASE STUDY - SKILLS TRAINING PROGRAMME

SCALING FORESTRY SKILLS TRAINING

The UK is experiencing a skills shortage as it looks to meet ambitious targets to plant more trees to combat climate change and satisfy a growing need for home-grown timber. Targets cannot be met without upskilling and expanding the forestry contractor workforce.

FSF aims to maximise its social and community contribution to the industries in which it operates. This aligns with the Company's Key S&ESG Objectives 2 (Sustainable Returns) and 3 (Progressive Industry Leadership). In partnership with Tilhill Forestry Limited, the UK's leading forest management, timber harvesting and landscaping company, the Company launched the FSF Skills Training Programme in the summer of 2022 to help young people within rural Wales gain employment in forestry within their local Welsh community.

Initially focused in Wales, FSF intends to extend the programme into Scotland and England in due course. The initiative aims to enable farming communities to adapt to afforestation-related land use change by providing local community members with the skills, training, qualifications, mentoring and safety equipment required to seek employment in the forestry sector.

Over 50 applicants applied for the programme and the four selected trainees have now completed their training over three separate weeks at Coleg Cambria Llysfasi, securing important qualifications in tree planting, chainsaw operating, tractor driving, and much more. The costs of the course were fully funded by FSF.

The four trainees came from across Wales and from a variety of backgrounds. The skills, qualifications and safety equipment that the training has provided means they are now well-placed to work as contractors across the forestry industry and FSF looks forward to welcoming them to its sites in Wales. Two of these candidates have gone on to undertake paid work on FSF's Frongoch afforestation site.

Daniel Harrison, 22, from Ceredigion, said: "It was one of the best experiences I've had to date! Would highly recommend to anyone wanting to do some training."

Lewis Hosking, 20, who originally worked on a farm before becoming a forestry contractor, said: "I applied for the programme because I knew it would help me out later in life by having a lot more certificates and learning more about trees. I enjoyed the tractor and strimming course the most. I learned a lot and met lots of new people."



GOVERNANCE CASE STUDY - DELIVERING GREEN FINANCE

RCF SUSTAINABILITY LINKAGE AND GREEN LOAN PRINCIPLES CERTIFICATION

Sustainability linkage

In August 2022, the Company finalised the arrangement of a £30 million Revolving Credit Facility (“RCF”) and an uncommitted accordion facility of up to an additional £30 million¹.

Pleasingly, the interest margin chargeable on the RCF is linked to the Company’s sustainability and ESG performance, with FSF incurring a premium or discount to its margin based on its performance against defined targets. This aligns closely with the Company’s Key S&ESG Objective 3 (Progressive Industry Leadership). These S&ESG targets are:

- A year-on-year increase in the total number of hectares of land acquired for carbon sequestering activities (including afforestation, peatland restoration and voluntary carbon credit acquisition)
- A year-on-year increase in the total number of people completing FSF’s Forestry Skills Training Programme

Green Loan Principles

The Green Loan Principles (“GLP”) aim to provide a high-level framework of market standards and guidelines, providing a consistent methodology for use across the green loan market. They were developed by an experienced working party, consisting of representatives from leading financial institutions active in the global syndicated loan markets, with a view to promoting the development and integrity of the green loan product.

The framework is based on four components:

1. Use of Proceeds
2. Process for Project Evaluation and Selection
3. Management of Proceeds
4. Reporting

Following an internal review in September, Foresight has self-certified FSF’s RCF as a “green loan” in accordance with the GLP framework. This means that 100% of loan proceeds are used to finance green projects with clear environmental benefits, which are assessed, measured and reported on by the Fund, therefore providing assurance that the debt facility directly contributes towards the Fund’s impressive sustainability credentials.

The self-certification process involved scrutinising each of the four framework components to ensure the loan was meeting all of the requirements. The lender was also a key part of the process, providing guidance and input where appropriate. Further detail of how the Fund satisfies each component is outlined in the GLP Compliance Statement available on FSF’s website.



1. The lender is Virgin Money and the interest margin can vary between 200bps and 220bps over SONIA (“Sterling Overnight Index Average”), depending on performance against the Company’s S&ESG targets.

TCFD REPORT

CLIMATE CHANGE AND TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES ("TCFD") REPORTING

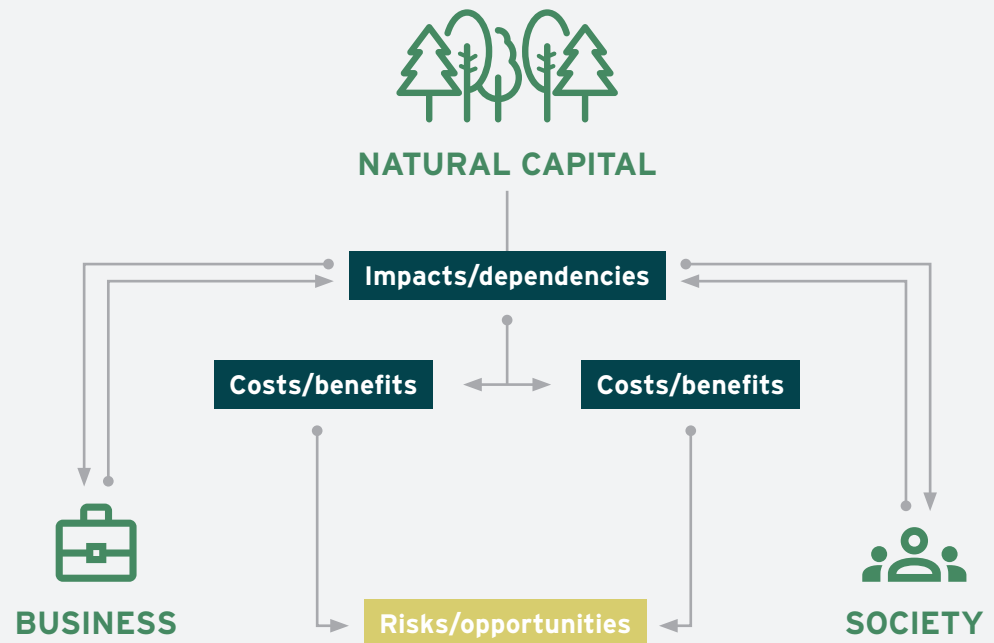
The Company recognises that risks, traditionally considered to be non-financial, such as climate change, have the potential to impact upon long-term shareholder returns across many sectors.

The Board believes that the Company's investments are making a meaningful contribution towards tackling climate change and simultaneously the Company is working with its Investment Manager to assess climate-related risks and opportunities within its portfolio. As a result, the Company is voluntarily reporting on the Task Force on Climate-related Financial Disclosures. This will continue to develop over time to identify and share both risks and opportunities the Company faces as a result of climate change.

The disclosures outlined over the following pages are true to FSF's understanding of the climate-related risks and opportunities at this time. The Company places great importance on this and on understanding not only the financial implications of climate change on its assets, but also the impact of its assets on the climate.

Risk Management and Natural Capital

Moreover, several methodologies are being developed for natural capital accounting where companies may in future decide to report stock levels of environmental assets on balance sheet. If such trends continue and there is wide scale adoption investors may use such tools to decide not to invest in companies that are reducing natural capital and/or pro-actively favour companies that increase it. This is a rapidly evolving area and the Investment Manager is monitoring all these aspects closely to ensure that the related risks and opportunities for FSF are appropriately managed.



TASK FORCE ON
CLIMATE-RELATED
FINANCIAL
DISCLOSURES

CLIMATE CHANGE AND TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (“TCFD”) REPORTING CONTINUED

GOVERNANCE

Disclose the Company's governance around climate-related risks and opportunities.

- Describe the Company's governance around climate-related risks and opportunities
- Describe management's role in assessing and managing climate-related risks and opportunities

Board governance

The Board assumes overall responsibility and accountability for the management of the Company's climate-related risks and opportunities. It also sets the risk appetite for new investments and provides oversight for the management of the existing portfolio where physical and other risks are monitored.

In conjunction with the Investment Manager, the Board shapes the Company's strategy, reviews performance reports and authorises new initiatives. A key aspect of the Board's role is to ensure that sustainability and ESG considerations, along with the frameworks to manage them, are incorporated within the Company's investment processes and the asset management activities are appropriate and market leading.

The Company's Sustainability and ESG Committee is responsible for reviewing the Company's ESG strategy, and therefore climate-related risks and opportunities, and ensuring this is in line with the aims and objectives agreed by the Board and the Investment Manager. The Committee's terms of reference were approved during the year and are available on the Company's website.

Role of the Investment Manager

Foresight Group LLP (“Foresight”) is the appointed Investment Manager for FSF and undertakes portfolio and risk management. Foresight Group LLP is authorised and regulated by the Financial Conduct Authority, under firm reference number 198020. The Company's consideration of climate-related risks covers both the existing portfolio and the assessment of new investment opportunities.

In targeting new investments, the Investment Committee (“IC”) of the Investment Manager is ultimately responsible for considering the market, regulatory and physical issues pertaining to climate-related risks relevant to a given investment and the opportunities open to that investment. The IC will formally assess each deal during a series of IC meetings that will apply increasing scrutiny as a deal progresses towards completion.

It is the responsibility of the Investment Manager to track all sustainability and climate change related issues and collaborate with both the deal teams assessing new transactions and the IC to ensure that material sustainability and climate change related issues are systematically integrated into the investment, asset management and reporting processes. It is the remit of the Sustainability team to: support the process including due diligence for sub-contractors on new investments, such as liaising as appropriate with third-party consultants to undertake supply chain auditing.

At the fund level, the designated fund management team are responsible for understanding, assessing and managing the risks to their specific portfolio with regard to climate change and other pertinent sustainability issues. The most material of these risks will be documented in the Fund's risk register and relayed to investors as appropriate.

In targeting investments under new or existing investment strategies, management is responsible for considering the policy, regulatory and physical environment pertaining to climate-related risks and opportunities that may be relevant to the given investment. Via the various IC processes, relevant issues will be reported to the Company's senior leadership, wherein any updated thinking can be more effectively applied across the wider portfolio of assets.

To assist with fully assessing the sustainability impact of an investment and asset, the Investment Manager has developed its own in-house Sustainability Evaluation Tool (“SET”).

CLIMATE CHANGE AND TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES ("TCFD") REPORTING CONTINUED

STRATEGY

Disclose the actual and potential impacts of climate-related risks and opportunities on the Company's business, strategy and financial planning where such information is material.

- Describe the climate-related risks and opportunities the Company has identified over the short, medium and long term
- Describe the impact of climate-related risks and opportunities on the Company's businesses, strategy and financial planning
- Describe the resilience of the Company's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario

Impacts of climate-related risks and opportunities on the Company

The Company recognises that climate change presents both risks and opportunities for the Fund, its investments and asset managers and its investors. The Company's business objective is aligned with investing in the commercial aspects of UK forestry with the added benefits of access to voluntary carbon credits, both fighting climate change and preventing biodiversity loss.

The Company continues to analyse short, medium and long-term risks arising from climate change that could have a material financial impact. The table included as an Appendix to this report presents a non-exhaustive list of the strategic climate-related opportunities and risks that the Company has identified.



CLIMATE CHANGE AND TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES ("TCFD") REPORTING CONTINUED

Existing portfolio, strategy and financial planning

The Company targets investments that are aligned to meeting the Paris Climate Agreement's targets. The entirety of the Company's AUM to date has been invested in afforestation or forestry properties or properties with a mix of forestry and afforestation sites. There is momentum behind nature-based solutions to achieving climate and biodiversity goals. The Company is well placed to benefit from this transformational shift.

The impact of climate-related changes and the energy transition presents both opportunities and challenges for the Company.

The impact of these will be continually reviewed, analysed and quantified in order to shape the Company's future direction. The Board has confidence in the Investment Manager's strategy and approach to portfolio construction. It prioritises diversification across geographies and appropriate allocation split. This makes the Company's portfolio inherently well protected in the case of climate-related market and technology risks that might spur unfavourable conditions for investing in and managing forestry and afforestation schemes. Rather, the associated sustainable timber needs and carbon credit demands of future economies as they adapt to the pressures of changing climates complements the Fund's strategy and supports further deployment.

Analysis of climate-related scenarios on the Company's resilience

The Company adopts the following definition: "Resilience is the ability of a system, community or society exposed to hazards to resist, absorb, accommodate and recover from the effects of a hazard in a timely and efficient manner, including through the preservation and restoration of its essential basic structures and functions".

The Investment Manager has carefully and deliberately constructed its target portfolio allocations after breaking down the various revenue and risk components of the different sub-sectors and setting allocations to deliver an appropriate risk/return profile. A multi-UK-geography approach adds a further layer of diversification to the portfolio. This diversified nature of the Company's portfolio ensures the Fund has built-in resilience against many of the identified climate-related risks, as discussed in the matrix included as an Appendix to this report.

Natural capital investing is predicated on the basis that real assets provide essential services to the economy and society. It is characterised as generating long-term, stable and often inflation-linked cash flows that are resilient to economic fluctuations. The link between stable revenues and the overall resilience of an asset cannot be understated. Ensuring stability within these revenue streams is a central tenet of the Company's strategic approach.

Simultaneously, as global capital is channelled at an increasing rate towards sustainable outcomes, the Company aims to make investments that are either consistent with limiting the global temperature increase to the Paris Agreement's target of 2.0°C, or actively contribute to the climate change mitigation goal of limiting warming to the lower target of 1.5°C. This strategic objective guides the Company's approach to ensuring resilience against climate-related transition risks.

External frameworks, such as the EU Taxonomy, are helpful in defining the sectors that form the backbone of climate change mitigation efforts. Using such frameworks to focus investment activity and refine new fund concepts provides added resilience at the strategic level. The build-out of sustainable timber and the carbon credit market, as defined within these frameworks, is seen as a fundamental part of climate transition pathways across all plausible climate scenarios. Whether 1.5°C, 2°C or 3°C+ above pre-industrial levels, the international focus on land use, climate change and biodiversity will ensure investment activities in these areas continue to be supported politically, financially and societally.

At an investment level, the consideration of the Company's assets' sustainability credentials and their physical resilience to climate-related risks is undertaken in accordance with Foresight's SET, as outlined above.

Given this integrated focus on climate resilience at the strategic and investment levels, the Company believes that its investment strategy is resilient to most plausible climate-related scenarios, and it is currently formalising its evaluation of the resilience of its investment portfolio, which it expects to present in accordance with the mandated TCFD reporting timelines.

CLIMATE CHANGE AND TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (“TCFD”) REPORTING CONTINUED

RISK MANAGEMENT

Disclose how the Company identifies, assesses and manages climate-related risks.

- Describe the Company’s processes for identifying and assessing climate-related risks
- Describe the Company’s processes for managing climate-related risks
- Describe how processes for identifying, assessing and managing climate-related risks are integrated into the Company’s overall risk management

The Investment Manager is responsible for creating and managing the framework that ensures the systematic integration and assessment of climate-related risks and opportunities. The primary system for achieving this is Foresight’s proprietary Sustainability Evaluation Tool which ensures that a given asset’s resilience to climate-related risk is considered from the earliest stages of due diligence during and throughout the investment process. This is covered under the “Climate Change Resilience” parameter within the tool and is completed for all assets, both at the investment stage and during each asset’s periodic review as part of ongoing asset management.

As is industry standard, climate-related risk is grouped into two principal categories which might impact the portfolio returns and growth of the Fund:

1. Transition risks: Risks related to the transition to a lower-carbon economy. Such risks may include, but are not limited to:

	Policy & Legal	Technology	Market	Reputation
Transition risks	<ul style="list-style-type: none"> • Increased pricing of GHG emissions • Enhanced emissions-reporting obligations • Mandates on and regulation of existing products and services • Exposure to litigation 	<ul style="list-style-type: none"> • Substitution of existing products and services with lower emissions options • Unsuccessful investment in new technologies • Costs to transition to lower emissions technology 	<ul style="list-style-type: none"> • Changing customer behaviour • Uncertainty in market signals • Increased cost of raw materials 	<ul style="list-style-type: none"> • Shifts in consumer preferences • Stigmatisation of sector • Increased stakeholder concern or negative stakeholder feedback

Table of potential transition climate risks as shown in the TCFD Final Recommendations Report

2. Physical risks: Risks related to the physical impacts of climate change. Such risks may include, but are not limited to:

	Temperature-Related	Wind-Related	Water-Related	Solid Mass-Related
Chronic	<ul style="list-style-type: none"> • Changing temperature • Heat stress • Temperature variability 	<ul style="list-style-type: none"> • Changing wind patterns 	<ul style="list-style-type: none"> • Changing precipitation • Water stress 	<ul style="list-style-type: none"> • Soil degradation • Soil erosion • Solifluction
Acute	<ul style="list-style-type: none"> • Heatwave • Cold wave/frost • Wildfire 	<ul style="list-style-type: none"> • Hurricane • Storm 	<ul style="list-style-type: none"> • Drought • Heavy precipitation • Flood 	<ul style="list-style-type: none"> • Landslide • Subsidence

Table of potential physical climate risks for the Company’s current portfolio

Physical risks that are identified as relevant are scored using a risk heatmap by the Investment Manager. A suite of tools can then be employed to assess the severity of an asset’s susceptibility to the most material risks and identify mitigation measures to reduce the overall risk score.

CLIMATE CHANGE AND TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES ("TCFD") REPORTING CONTINUED

RISK MANAGEMENT continued

Analysis of climate-related scenarios on the Company's resilience

Overview

The Investment Manager has identified the S&P Global Climonomics platform as offering the most comprehensive analysis across four climate scenarios, integrating not only physical and transition risks, but also climate-related opportunities, to provide a single output that talks to the resilience of the portfolio under different climate futures.

The basis for Climonomics' analysis is the Representative Concentration Pathways ("RCPs") generated by the Intergovernmental Panel on Climate Change ("IPCC"). The RCPs represent a wide range of possible changes in future anthropogenic greenhouse gas emissions ("GHGs") and their impact on atmospheric concentrations of CO₂. The scenarios are best summarised as:

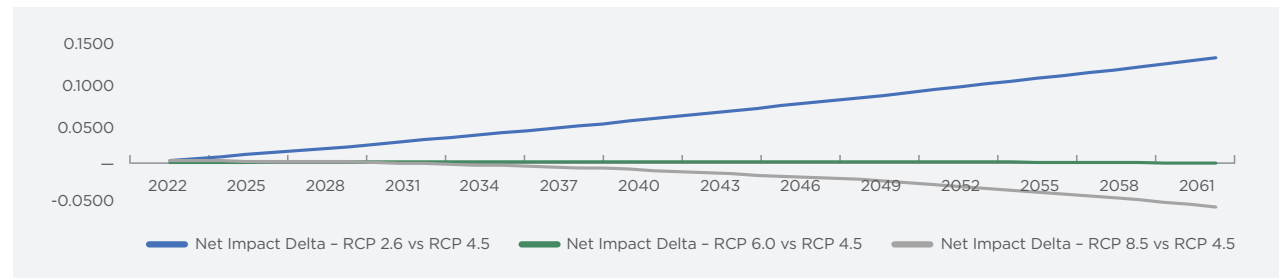
- **RCP 2.6** assumes that emissions peak early and then fall due to the active removal of GHGs from the atmosphere. It is estimated that end-of-century increases in global mean surface temperature will be in the range of 0.9 to 2.3°C.
- **RCP 4.5** implies co-ordinated action to limit GHG emissions to achieve a global temperature warming limit of approximately 2°C, wherein global emissions peak around 2040 and then decline by 2045.
- **RCP 6.0** assumes a high GHG emission rate with radiative forcing stabilisation only after 2100. It is estimated that end-of-century increases in global mean surface temperature will be in the range of 2.0 to 3.7°C.
- **RCP 8.5** assumes that no major global effort to limit GHG emissions will be brought into effect. It is estimated that end-of-century increases in global mean surface temperature will be in the range of 3.2 to 5.4°C.

Climanomics integrates econometric assumptions driven by high resolution geographic, climate, socioeconomic, business and sector-specific data to the RCPs to quantify climate risk. The models assess both the risks and the opportunities associated with each scenario and generate outputs dependent on asset type. These outputs can then be applied to the Company's valuation models to estimate the financial impact over the four different scenarios.

Estimates

Assuming the RCP 4.5 scenario as the most likely outcome due to the current global emissions trajectory, the below chart shows the assessed central case and the potential variations between the three remaining scenarios:

Applying these estimates to the Company's Net Asset Value ("NAV"), it is possible to make an assessment of the potential financial impact in each of the RCPs over the years until 2090:



RCP 2.6
+14.1p/share

RCP 4.5
Central case

RCP 6.0
-0.9p/share

RCP 8.5
-4.1p/share

In terms of categorisation of risks and opportunities, the Climonomics platform fully aligns with the TCFD framework by assessing:

- **Physical risk** – Analysing atmospheric data related to acute and chronic climate hazards across temperature, precipitation, drought, wildfire, coastal flooding, tropical cyclones, water stress and fluvial-basin flooding to provide a rigorous estimate of risk under various conditions.
- **Transition risk** – Incorporating modelling of hazards associated with a global transition to a low-carbon economy via litigation, reputational, technology and market risk.
- **Opportunity modelling** – Calculating opportunities derived from resource efficiencies, energy sourcing, changing markets and resilience.

CLIMATE CHANGE AND TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (“TCFD”) REPORTING CONTINUED

RISK MANAGEMENT continued

Analysis of climate-related scenarios on the Company’s resilience continued

Estimates continued

Climanomics’ methodology estimates direct financial impacts that the hazards are expected to incur on each asset type. Each asset type’s vulnerability is characterised by the specific ways in which it is likely to be impacted (i.e. “impact pathway”) by a given climate-related variable. An asset type’s overall “impact function” is comprised of these individual impact pathways. The platform has developed an extensive library of detailed impact functions for a wide variety of sectors, all of which are based on peer-reviewed and government-published research papers.

Managing climate risk

All potential investments are evaluated in accordance with the SET to ensure they meet the Investment Manager’s definition of sustainable infrastructure, and that climate-related risks are systematically identified, assessed and subsequently managed. The SET comprises five criteria that cover the key areas of sustainability and ESG considerations to be assessed:

- **Sustainable Development Contribution:** The contribution made towards the global sustainability agenda, including an assessment of its resilience to climate change-related risk and opportunity
- **Environmental Footprint:** The environmental impacts of an investment
- **Social Welfare:** The interaction with local communities and the welfare of employees
- **Governance:** The compliance with relevant laws and regulations
- **Third-Party Interactions:** The sustainability of key counterparties and the broader supply chain

The SET is an evolving tool. It has been designed with flexibility in mind, making it adaptable to new sectors, industry frameworks and impact standards as sustainability, ESG and climate change agendas continue to develop. The materiality of certain issues within each of these areas is subject to change, therefore a framework that can adapt easily to reflect these changes is important. The Investment Manager carries out regular in-house consultations to decide on the individual “weighting” for each KPI within parameters. The weighting dictates the materiality of the KPI in the overall asset score, which can be updated based on new information obtained.

The tool draws on IRIS+ indicators, which are an aggregation of several widely recognised sustainability and climate-related frameworks to measure, manage and optimise sustainability and climate-related performance. These frameworks include GRESB, the Global Reporting Initiative (“GRI”), the Sustainability Accounting Standards Board (“SASB”), the UN SDGs, the Global Impact Investing Network (“GIIN”) and Principles for Responsible Investment (“PRI”).

The final SET assessment, and the asset’s corresponding “Sustainability Web”, are produced as part of investment due diligence.

Before any new investment proceeds, an assessment of both physical and transition climate-related risk is made in the Climate Change Resilience assessment parameter of the SET.

This parameter is made up of multiple KPIs, with each weighted based upon internal materiality assessments and scored in line with response bands corresponding to the five-point scale below:

- 5 = High performance
- 4 = Above average
- 3 = Average performance
- 2 = Below average
- 1 = Low performance

An average is then calculated to produce an overall score for the Climate Change Resilience parameter, which is reviewed and updated periodically by the asset management team to track an asset’s sustainability performance. This is tabled at the Company’s Board meetings to enable implementation of an asset-specific plan to manage any material risks as required.

CLIMATE CHANGE AND TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES ("TCFD") REPORTING CONTINUED

RISK MANAGEMENT continued

Managing climate risk continued

Every property the Company invests in must be justified as contributing to a set of measurable sustainability goals and must demonstrate how its resilience to climate change-related risk has been assessed. If the information required to complete the assessment is not readily available through project documentation, technical advisers may be tasked with conducting further investigation to address any sustainability or climate change-related specific queries.

The above-mentioned physical risks are assessed as part of the Climate Change Resilience assessment parameter. A climate risk heatmap is then produced which is used to identify the most material physical risks the assets of the Company face from climate-related extreme weather events, allowing for further investigation to be conducted or mitigation measures to be put in place.

During the investment stage, it is the responsibility of the Investment Manager's deal team to complete the SET and use it to inform their understanding of a given asset's sustainability credentials, including its exposure to climate-related risks. Furthering this understanding may require augmenting the scope of a technical adviser during due diligence to comment on and assess specific risks.

Crucially, it will need to be satisfactorily addressed in the final submission to the Investment Committee with an accompanying risk re-profiling or mitigation measures detailed as appropriate. Throughout, steps are taken to ensure issues will be reported to the Investment Manager's senior leadership, wherein any updated thinking can be more effectively applied across the wider portfolio of assets.

Once the investment has been made, the asset undergoes a comprehensive handover to the Asset Management team wherein the responsibility for identifying, monitoring and assessing climate-related risks and opportunities also transfers. It is the role of this team to ensure periodic updates of the SET are completed as a means of systematically reassessing the physical and transition risks the asset is exposed to.

The Investment Manager is responsible for the periodic review of the portfolio assets' exposure to risk, ranging from health and safety to climate change. Material changes to the risk rating of any risk are considered in line with the periodic reassessment and, where possible, are mitigated accordingly.



CLIMATE CHANGE AND TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES ("TCFD") REPORTING CONTINUED

METRICS AND TARGETS

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

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

TCFD core metrics

The Company's focus for quantitative reporting of exposure to climate-related risk is achieved using the universally accepted core metrics, as recommended by the TCFD. These include the following metrics, the calculation methodologies for which can be found here:

- Weighted average carbon intensity
- Total carbon emissions
- Carbon footprint
- Carbon intensity
- Exposure to carbon-related assets

In line with current FCA guidance, the calculation of these metrics will be performed using scope 1 and scope 2 emissions only, with scope 3 emissions to be incorporated in future reports. The Investment Manager is currently working with external consultants to better understand and prepare to report on scope 3 emissions. In using these core metrics, the Company is not only able to compare performance amongst its own assets but against those of its wider peer group, further incentivising the decarbonisation of the Company's portfolio.

Data drawn from the calculation of the core metrics will be used as an aid to driving decarbonisation across the portfolio and to highlight carbon hotspots in specific business areas as a means of influencing decision-making.

For the Company, the results are as follows:

TCFD core metrics				
Weighted average carbon intensity (tCO ₂ e/£m revenue)	Total carbon emissions (tCO ₂ e)	Carbon footprint (tCO ₂ e/£m invested)	Carbon intensity (tCO ₂ e/£m revenue)	Exposure to carbon-related assets (%)
The portfolio's measure of carbon emissions normalised by revenues, expressed in tonnes CO ₂ e/£m revenue	The absolute greenhouse gas emissions associated with the portfolio, expressed in tonnes CO ₂ e	Total carbon emissions for a portfolio normalised by the market value of the portfolio, expressed in tonnes CO ₂ e/£m invested	Volume of carbon emissions per £m of revenue (carbon efficiency of a portfolio), expressed in tonnes CO ₂ e/£m revenue	The amount or percentage of carbon-related assets in the portfolio, expressed in £m or percentage of the current portfolio value
151.2	135.0	0.7	149.3	—

Calculation methodologies taken from TCFD website.

In order to meet the decarbonisation aspirations of both the Company and those of its stakeholders, the long-term goal is to drive continued reductions across the core metrics. Decarbonisation of the Company's business activities will require engagement with forest managers, service providers and employees across the portfolio to implement lower carbon approaches to forest management and afforestation activities. Alongside its core metrics the Company considers the carbon capture potential of its forests. Over the period, the Company achieved 28,873 tCO₂e annual arboreal sequestration within its portfolio. It should be acknowledged that the Company is in its early life. As FSF's operations grow, the carbon sequestration of the portfolio will further increase.

CLIMATE CHANGE AND TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (“TCFD”) REPORTING CONTINUED

METRICS AND TARGETS continued

EU Taxonomy alignment

The EU Taxonomy for sustainable activities defines the criteria that an investment must meet in order for it to be considered sustainable. By setting out transparent, science-based, industry-specific criteria to direct investment flows, the EU Taxonomy provides assurance for projects that are making a genuine contribution to climate change mitigation and global sustainability targets. Following internal review of the EU Taxonomy’s performance thresholds, the Investment Manager has assessed 100% of FSF assets as being aligned with the EU Taxonomy at the point of investment.

The most important component of the Taxonomy’s value is the focus it creates on the material issues that will determine the outcome of society’s efforts to transition to a sustainable future, as opposed to those that are ultimately “ESG window dressing”. Consequently, in an environment where greenwashing represents a significant and often irreparable reputational risk, it is hoped that this pioneering and transparent approach to Taxonomy assessment validation will be recognised by investors who are increasingly aware of best-in-class sustainability performance.

Disclose scope 1, scope 2 and, if appropriate, scope 3 greenhouse gas (“GHG”) emissions and the related risks

The Greenhouse Gas Protocol separates emissions into the following categories:

Scope 1	Scope 2	Scope 3
<ul style="list-style-type: none"> All direct emissions from the activities of an organisation under its control Includes fuel combustion on site such as gas boilers, fleet vehicles and air-conditioning leaks 	<ul style="list-style-type: none"> Indirect emissions from electricity purchased and used by the organisation Emissions are created during the production of the energy eventually used by the organisation 	<ul style="list-style-type: none"> All other indirect emissions, occurring from sources that are not owned or controlled Includes purchased goods and services, business travel, employee commuting, waste disposal, use of sold products, transportation, distribution and investments

Details on the Company’s scope 1, 2 and 3 greenhouse gas emissions are shown in the table below.

Absolute emissions

Scope 1	Scope 2	Scope 3
104.9 tCO ₂ e	30.1 tCO ₂ e	293.9 tCO ₂ e

Describe the targets used by the Company to manage climate-related risks and opportunities and performance against targets

Asset level

The Company already tracks and reports the carbon sequestration delivered by the forestry portfolio, helping to mitigate climate change, which is reported on in greater detail above.

Meanwhile a series of sustainability metrics are collected from across the portfolio on a monthly basis. This includes provision of data on both fuel use and electricity use at the individual sites, which flow through into accurate Scope 1 and 2 emissions calculations for the portfolio, again shown above and which also feed into the calculation of the TCFD Core Metrics.

Finally, the Scope 3 emissions presented above have been calculated using the Partnership for Carbon Accounting Financials (“PCAF”) methodology, a financial industry-led group that aims to develop and implement a harmonised approach to assess and disclose greenhouse gas emissions associated with investments and loans. The calculation is based on project specific revenues and on the official statistical PCAF information that provides region and sector-specific average emissions factors.

As a result of these consistently tracked KPIs, the targets being considered include:

- Reduction in the overall Weighted Average Carbon Intensity (“WACI”) of the portfolio and its investments
- Reduction in the portfolio’s normalised carbon footprint
- For the fund to be responsible for the sequestration of more carbon that it emits
- To establish fund specific Scope 3 emissions factors

1. Based on internal assessment.

CLIMATE CHANGE AND TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES ("TCFD") REPORTING CONTINUED

Climate-related risks

Risk/opportunity	Increased pricing of GHG emissions	Legislative changes to renewable energy generation categorisation (biomass)
Description	<ul style="list-style-type: none"> As FSF grows, there will be greater emissions associated with FSF operations from 'cradle to grave' (the methods and machines used during timber felling, extraction and haulage). Third-party contractors/supply chain stakeholders impacted by higher emissions and pricing – e.g. mills' ability to pay competitive prices for timber could be impacted by increased emission costs. 	<ul style="list-style-type: none"> Biomass no longer considered a renewable source of energy generation (if public and market sentiments change) – therefore no longer a viable end use for chipwood, impacting the value of harvested trees. Many UK wood processing facilities are currently reliant on biomass (which benefits from FIT/ROC/RHI subsidies) to supply the heat and electricity required by their plant and related machinery. Processed waste wood from sawmills, panel/fibre board mills is used in their biomass plants. Once the initial subsidy periods end they may not be renewed, which could drive UK wood processing costs up if practical/affordable/renewable baseload replacement alternatives are not put in place.
Risk	Policy / Legal	Policy / Legal
Likelihood	Likely	Very likely
Time period	S M	S M
Impact	Could incur greater costs for the Fund and lost revenue	Pricing of chipwood reduced but revenue loss ultimately not considered to have a material impact
Investment Manager response	<ul style="list-style-type: none"> Not a hugely material risk for the Company because: <ul style="list-style-type: none"> FSF's operational carbon footprint (from new planting, restocking, harvesting and transportation to processing facilities) is relatively very low versus the carbon sequestered by the portfolio. A portion of FSF's forests will also not be harvested (e.g. long-term conifer retention and native non-commercial broadleaf areas). The overall carbon sink statistics of the business are very strong/positive. Timber products are low carbon and renewable materials versus the alternatives for the same use. If wood processors are under pressure to decarbonise then so will the producers of the alternative materials available. Overall, the demand for and value of timber is likely to increase as its sustainability credentials become increasingly valued versus the alternatives and this will likely more than offset this risk. 	<ul style="list-style-type: none"> In its 2022 Annual Report the Company published its positioning statement on biomass and the waste hierarchy – viewed as a stepping-stone technology – and discourse closely monitored. FSF well placed to pivot supply towards new markets for chipwood. This forms part of FSF's ongoing market analysis – e.g. cross-laminated timber and glulam markets. The financial impact of price decreases would likely be relatively minor as chipwood is the minority portion of the harvested tree once sawlog and small roundwood (fence/pallet wood) is considered. FSF is working with trade partners such as TDUK to build awareness of the sustainability credentials of biomass as a renewable energy source.

- S** Short term, next year
- M** Medium 1-5 years
- L** Long term 5+ years

CLIMATE CHANGE AND TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES ("TCFD") REPORTING CONTINUED

Climate-related risks continued

Risk/opportunity	Emission reporting obligations	Mandates on existing products and services
Description	<ul style="list-style-type: none"> Climate action considered highest priority on policy agendas and stricter emissions reporting obligations introduced. 	<ul style="list-style-type: none"> UK Government changes its net zero strategy, leading to: less support for sustainable forestry and climate action; timber regulation changes in favour of only broadleaf afforestation schemes to achieve net zero action; fewer grants; commercial timber falls out of favour; WCC change carbon credit policy. Convoluted policy developments.
Risk	Policy / Legal	Policy / Legal
Likelihood	Likely	Unlikely (Low risk but high impact)
Time period	S M L	S M L
Impact	Minor	High risk of revenue loss if grants, scheme design and carbon credits were impacted
Investment Manager response	<ul style="list-style-type: none"> FSF closely monitors developments but doesn't consider this a material risk given the low carbon intensity of the forestry industry. Foresight as a manager is already well practised in producing emissions reporting data and closely monitors regulatory sustainability and ESG regulations such as this, to the benefit of FSF. 	<ul style="list-style-type: none"> Considered unlikely given the level of consensus and commitment to achieve UK net zero by 2050. Per hectare, planting commercial conifers make c.3x the climate contribution, versus planting broadleaves. This is due to the much faster biological growth rate of conifers and due to carbon remaining locked up in timber-based products for decades in wood products. FSF proactively engages with the market around this point and will continue to educate around the dual benefits of sustainable forestry to tackle climate change and biodiversity loss. In particular, the argument against broadleaf afforestation sites and monoculture risks. Changes to planting strategy would be considered if grants no longer available and action taken if necessary.

- S** Short term, next year
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CLIMATE CHANGE AND TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES ("TCFD") REPORTING CONTINUED

Climate-related risks continued

Risk/opportunity	Exposure to litigation	Technology substitution – demand for carbon credits and removals
Description	<ul style="list-style-type: none"> • Social licence and local community support for afforestation comes under pressure and/or more land is required for domestic agriculture (and as a result regulatory changes are implemented). • A loss of social licence and/or local community support for afforestation could lead to regulatory change, such as reduced grants for tree planting or schemes may need to be redesigned, reducing the level of commercial conifers planted. • Negative press and media coverage could negatively impact investor sentiment, ultimately impacting the ability of FSF to raise more capital. 	<ul style="list-style-type: none"> • Technological advances lead to scalable carbon capture and storage – such as direct air capture. Scalable carbon and cost-competitive carbon capture technologies could increase the supply of voluntary carbon credits, reducing the value of FSF's carbon credits. • Technological advances could in the extreme see “unavoidable” emissions no longer unavoidable – undermining the need for voluntary carbon credits.
Risk	Market / Reputational	Technology
Likelihood	Likely	Unlikely
Time period	S M L	M L
Impact	Reduced tree planting grants, reduced capital appreciation associated with lower levels of commercial tree planting, increased resource managing media and PR issues.	The value of FSF's carbon credit portfolio is undermined.
Investment Manager response	<ul style="list-style-type: none"> • FSF pursues community engagement plans. • FSF optionally conducts in-person community days to enable members of the local community to engage with and express their views about FSF's afforestation development plans. • FSF has launched the FSF Skills Training Programme. This programme is intended to enable the local community to directly benefit from the work and job creation enabled. The fully funded scheme provides members of the local community with all of the skills, training, certifications, mentoring and equipment they need to commence a career in forestry. 	<ul style="list-style-type: none"> • A focused attention on potential technological impacts and enhancing other elements of business model/strategy. This all informs FSF's sale strategy and carbon pricing modelling in the medium to long term. • Nature-based carbon removals are closed-loop and truly sustainable, whereas carbon capture technology solutions need manufacture of energy-intensive machinery/infrastructure and finite places to store captured carbon (e.g. disused oil/gas wells) to function. Education about a transition towards nature-based carbon capture on the net zero path can increase the longevity and value of the market for FSF's carbon credits. • FSF balances merits of nature-positive removal; there will still be co-benefits of forestry beyond just carbon. These benefits can be quantified and demonstrated.

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CLIMATE CHANGE AND TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES ("TCFD") REPORTING CONTINUED

Climate-related risks continued

Risk/opportunity	Cost to transition to lower emissions technology	Changing weather patterns – more extreme weather events
Description	<ul style="list-style-type: none"> Downstream timber sawmills and timber processors could face increased energy supply costs if biomass energy generation is phased out and with the cost of finding renewable alternatives. Increased costs could be passed on to FSF, in the form of lower prices willingly paid for FSF's timber. In addition, increased costs for FSF's downstream sawmills and timber processors could result in higher prices charged for downstream timber products which result in reduced timber demand. 	<ul style="list-style-type: none"> Changing local weather patterns (UK) and more extreme weather events cause direct damage to portfolios; e.g. direct damage from flooding or increased windblow from storms or increased sapling failure from extreme drought. Market flooded with windblow timber and timber prices depreciate. Forestry asset managers are forced to scale down or sell operations as operations no longer economically sustainable if always hit by storms. Increased cost of insurance to mitigate the impact of extreme weather conditions.
Risk	Technology	Physical (acute)
Likelihood	Likely	Highly likely
Time period	S M	S M
Impact	Low risk to revenues/income	Increased cost of extracting windblown timber and loss of sawlog revenues. Increased cost of weather-related insurance.
Investment Manager response	<ul style="list-style-type: none"> FSF is in a strong position where its product has a very low carbon intensity and a long time horizon (notably only processing and delivery costs with product going to mills every c.40 years). FSF does not believe it will be possible to decarbonise forestry completely. Downstream wood processors in Europe and North America (where the UK sources most of its imported wood from) are likely to follow a broadly similar energy transition pathway. So long as the UK keeps in step with its peer group the risk to FSF is reduced. FSF can reduce this risk by proactively engaging with the UK wood processing industry to engage and consult with the UK Government on policies and incentive schemes. For example, FSF is a member of Timber Development UK, of which FSF Non-Executive Director Chris Sutton is Chairman. 	<ul style="list-style-type: none"> Wind is the material physical risk for FSF. FSF carefully reviews the felling profiles of sites to mitigate this risk (i.e. to avoid removing trees from the edge of forests and reduced levels of mid-rotation thinning). Similarly, prudent acquisition strategy which favours more sheltered areas that are less exposed to wind. FSF could in the future further bolster wind-throw insurance provisions, but acknowledging that cost of insurance is likely to increase. Low geographical exposure: FSF's geographically diverse portfolio and business model mitigates against localised events that could impact operations. The Company targets afforestation schemes in geographies less likely to be affected and carefully monitors trees at higher risk of suffering from drought. Contingency plans are in place to respond in such circumstances.

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CLIMATE CHANGE AND TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES ("TCFD") REPORTING CONTINUED

Climate-related risks continued

Risk/opportunity	Changing weather patterns - increased cost in raw materials	Stigmatisation of sector/stakeholder concerns
Description	<ul style="list-style-type: none"> Issues with sourcing saplings as climate change makes it harder to grow, plant and establish. Extended periods of drought in particular present a risk to newly planted and establishing saplings. 	<ul style="list-style-type: none"> Land use debate (public): climate-related/driven concerns on socio-economic issues i.e. food security becomes a greater priority for the public. Timber security becomes less of a priority. The growth of "nimbyism" results in forestry no longer considered part of the solution to net zero. The credibility of carbon credits becomes stigmatised.
Risk	Physical (chronic)	Reputational
Likelihood	Likely	Unlikely
Time period	S M	S M
Impact	Increased cost per sapling. Increased crop failure rates, that require a higher number of replacement saplings to be purchased. Increased replacement of failed saplings will incur higher labour costs, associated with this process and replanting failed crops.	Loss of investor appetite impedes the ability of FSF to grow its capital. Could result in loss of revenue; related to a devaluation of carbon credits.
Investment Manager response	<ul style="list-style-type: none"> FSF believes that technology will allow saplings to be grown in glass houses and vertical farms, so able to be transported to planting locations across the portfolio. Management practices for drought-prone areas such as building water catchment lagoons, careful tree species choices and use of saplings selected for drought-resistant properties on sites can be utilised to reduce risk. In relative terms the UK remains more drought-resistant than many other geographies on the global stage. 	<ul style="list-style-type: none"> FSF's dual strategy and the creation of Natural Capital Alpha means the Fund's benefits extend far beyond simply sustainable timber. FSF is engaged with industry and regulator debates around the importance of carbon credits and sustainable forestry and home-grown UK timber supply - building knowledge and sector credibility. In the medium term this approach can create demand through education. FSF continues to grow Fund and diversify its investor base.

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CLIMATE CHANGE AND TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES ("TCFD") REPORTING CONTINUED

Climate-related opportunities

Risk/opportunity	Increased pricing of GHG emissions	Legislative changes to renewable energy generation categorisation (biomass)	Technology - changing demand for timber products
Description	<ul style="list-style-type: none"> Urgency to accelerate climate action leads to raised carbon pricing to incentivise rapid mass decarbonisation. Heavily emitting sectors look to offset. These market conditions make carbon credits more valuable. 	<ul style="list-style-type: none"> Biomass is no longer considered a renewable source of energy generation (if public and market sentiments change) and alternative green energy sources emerge. 	<ul style="list-style-type: none"> Increased government support for timber as a low-carbon construction input, supporting 10 Point Plan for decarbonising UK industries, leads to more, and better, processing facilities. Better for laminated timber (CLT) and glulam production. Currently observable across Northern Europe (e.g. in Austria, Germany, the Nordics.)
Risk	Policy / Legal	Policy / Legal	Technology
Likelihood	Likely	Very likely	Likely
Time period	S M	S M	S M L
Impact	Fund would benefit	Further revenue opportunities	Further revenue opportunities
Investment Manager response	<ul style="list-style-type: none"> Any extra cost incurred by emissions produced by FSF's timber operations would be offset by the increased value of carbon credits. 	<ul style="list-style-type: none"> The energy transition means that the UK electricity grid is decarbonising rapidly and alternatives for heat energy production like green hydrogen are emerging. This shift ultimately could create demand for carbon offsets, generating revenue opportunities. 	<ul style="list-style-type: none"> Through a campaign of education and engagement (at government level), FSF aims to contribute to five UN SDGs, including, but not limited to, demonstrating the sustainable value of home-grown timber and making direct contributions to the twin fights against climate change and biodiversity loss. Once the value of CLT and glulam products is understood, incentive schemes could be put in place by government to encourage sustainable transition. This would benefit the Company and be a positive outcome from FSF's engagement on the topic.

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CLIMATE CHANGE AND TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES ("TCFD") REPORTING CONTINUED

Climate-related opportunities continued

Risk/opportunity	Customer behaviour	Changing weather patterns - market impact and high-yielding timber
Description	<ul style="list-style-type: none"> Circular economy models and policies drive an accelerated shift from single-use products towards greener products. A resulting rise in demand for timber and cardboard, especially recycled produce as virgin wood fibre supplies are constrained. 	<ul style="list-style-type: none"> The continental European and North American timber markets are believed to be more susceptible to climate-related physical risks. As a result, the UK could increase its market share and benefit from higher UK timber prices. UK relatively well protected against physical climate risks and the UK could benefit from being significantly less impacted than other countries. FSF targets UK afforestation and forestry which is mainly focused on Scotland, Wales and Northern England. Its target areas are relatively drought-resistant. However, parts of England (South and East), Wales (South) and Scotland (East, South East) may be affected more acutely by drought in the future. This may benefit the timber price achieved from FSF's main timber growing areas (last man standing theory) but could serve to reduce the market size of viable forest land for FSF to purchase.
Risk	Market	Transition / Physical (chronic)
Likelihood	Likely	Likely
Time period	S M	M L
Impact	Increased revenues/demand for product	Increased timber revenue and forest value appreciation
Investment Manager response	<ul style="list-style-type: none"> FSF's strategy is well placed to capitalise on the current trajectory of growth for the sustainable and certified timber products market. 	<ul style="list-style-type: none"> Changing weather patterns in the UK (warmer temperatures in Northern Scotland) increase length of growing season which is beneficial for timber yield. It would benefit FSF if other UK timber importing countries were more negatively impacted by the physical effects of climate change, in the form of more extreme weather (including droughts and forest fires) and the increased likelihood of forest-related pest (e.g. bark beetle) and disease outbreaks. Management practices for drought-prone areas such as building water catchment lagoons, careful tree species choices and use of saplings selected for drought-resistant properties on sites can be utilised to reduce risk. In relative terms the UK remains more drought-resistant than many other geographies on the global stage.

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