TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD) REPORT 2022
UPDATED: Dec ‘22

EFFECTIVE DATE: MARCH 2022

CONFIDENTIALITY CLASSIFICATION - PUBLIC

Contents

Task Force on Climate-related Financial Disclosure - TCFD

Compliance Statement

The disclosures in our annual report are consistent with the recommendations setting out how the Group incorporates climate-related risks and opportunities into governance, strategy and risk management. The TCFD summary in the annual report should be read together with this stand-alone TCFD report.

This TCFD report contains additional information on our exposure to Transition Risk and Physical Risk. The Group continues to develop its metrics and performance targets to better manage climate related risks and opportunities, and achieve full alignment with the TCFD recommendations. We expect this capability to be in place in the coming financial year (FY2023).

This report has been updated in December 2022. Scenario analysis has been included within the 'Strategy' section and updated emissions data covering the period from April 2021 to March 2022 can be found in the 'Metrics and Targets' section. All other information remains the same.

Background

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

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

This is the second year Foresight have reported our progress toward the TCFD recommendations and we have structured this update to provide additional insight into governance, strategy, risk management, and metrics and targets related to climate change. We report on how we address climate change risks across our businesses and shared services as well as climate change risks in our investment portfolios.

TCFD disclosures for listed AIFs managed by Foresight Group LLP can be found on their respective websites or in their most recent annual reports.[1]

[1] https://jlen.com/wp-content/uploads/2022/06/01_JLEN_AR22_web.pdf pp. 49-67

Summary: FSB Task Force on Climate-related Financial Disclosure

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

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

We are committed to improving our analyses of climate-related risks and opportunities in order to mitigate the risks and safeguard our clients' investments.

We are a supporter of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD). TCFD seeks to provide investors with a common reference framework to assess the comparative approaches of investment firms to climate-related initiatives and reporting.

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

Core Elements of Recommended Climate-Related Financial Disclosures

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

Governance

Oversight

The Board continues to assume overall responsibility and accountability for the management of Foresight Group's climate-related risks and opportunities by setting its strategies in that regard, reviewing reports from the business and authorising new initiatives including launching new products or initiating new risk control measures. The Board keeps these reporting obligations under review and receives a regular quarterly report on the company's Sustainability activities. Alison Hutchinson CBE is the board member accountable for the Group's sustainability strategy and performance.

The Board has tasked the Executive Committee with executing and delivering that strategy. Ricardo Piñeiro is the nominated Executive Committee member responsible for Sustainability and ESG matters.

The Executive Committee regularly discusses the potential impact of climate change on our business model and our strategy. The Executive Committee considers climate-related issues when reviewing and guiding significant new business projects, business plans, annual budgets, performance objectives (and monitoring thereof) and when overseeing major capital expenditures, acquisitions and divestments. Our ability to deliver long-term outperformance depends on the climate-related risks and opportunities in our clients' investments.

Management Role

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

Lily Crompton, the Group Sustainability Lead, chairs the Sustainability Committee ('SC') which was established in 2018 as a sub-committee of the Executive Committee. Further details of our governance structure are available in our annual report.

The Group Sustainability Lead updates the Executive Committee on a monthly basis. The Executive Committee co-ordinates the implementation of the sustainability strategy through the Sustainability Committee and its supporting working groups. The Group Sustainability Lead is responsible for oversight of the Sustainability policy (which includes climate change).

The nominated Executive Committee member sits as a member of the SC. The Chief Risk Officer ('CRO') leads the Group's overall risk strategy and delegates operational and prudential climate-related risk to the Head of Risk. The Head of Risk attends the SC working groups, which are responsible for the implementation and support of the Group's governance framework and policies.

The Head of Risk chairs the Risk Committee which is responsible for overseeing how our teams manage all risks including climate and ESG risks within our businesses and across our shared functions.

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

Strategy

Identified Climate-related Risk and Opportunities

The TCFD recommendations set out guidance for review of risks and opportunities arising from climate-related issues, represented below.

Analysis Horizons

Foresight continues to analyse short-, medium-, and long-term risks arising from climate change that could have a material financial impact on the Group. Foresight considers a short term to be from 0 to 5 years, a medium term between 5 and 10 years, and a long term to be greater than 10 years. Analysis of climate-related risks and opportunities beyond 30 years is not considered.

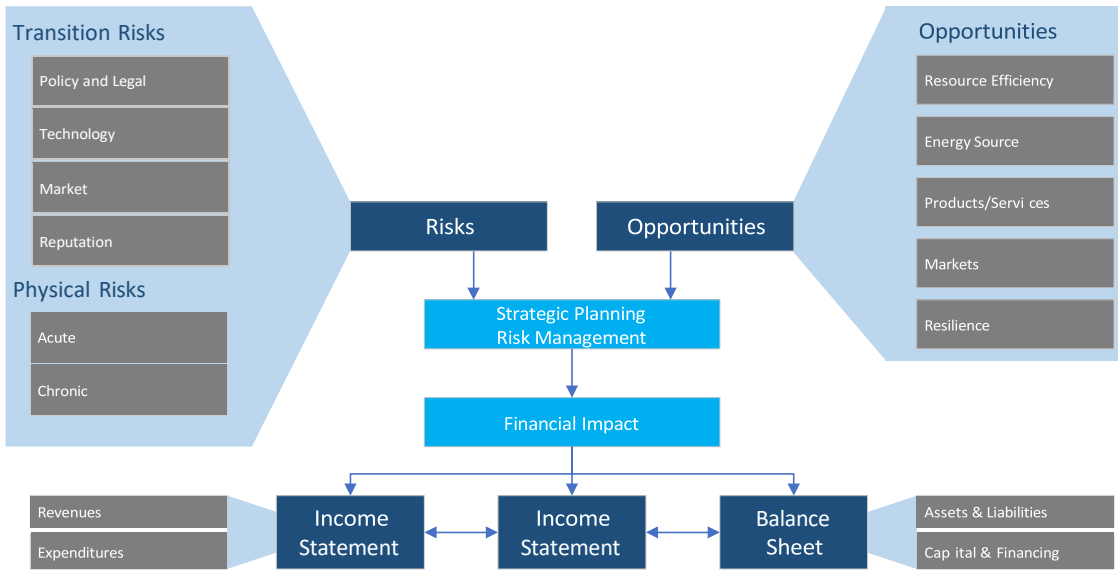
Risk	Description	Risk Category Risk	Risk Type	Likelihood	Horizon	Impact	Response
Changes to power prices	The risk of lower than forecast power prices due to warmer winters or increased renewables deployment. Increased power prices due to short term shocks/ decreased energy supplies from low wind resource or problems in gas supply could lead to governments turning to less sustainable ways of generating energy that are available in the immediate or shorter term e.g. coal	Transition	Market Risk	Likely	0-10+	Strategy, Financial Planning	The majority of assets in the portfolio earn revenues that are not dependent on merchant power sales and various mechanisms are in place to help mitigate the risk of lower power prices (see principal risks). Trends towards less sustainable alternatives to manage short-term power price shocks are on the whole not supported by society, but continued pricing pressure arising from conflicts in countries that affect our energy supply may shift public opinion.
Extreme weather-related events	Extreme weather-related events either chronic (e.g. changing wind patterns, heat stress, rising sea levels) or acute (e.g. storms, heat wave, drought, floods) causing damage to Company and/or Fund assets or negatively impacting their production, significant disruption to operations and/or physical and information resources being disabled or inaccessible.	Physical	Acute, Chronic	Likely	5-10+	Strategy, Company's investments	The physical risks to the portfolio are largely localised and the impact of a single event or limited set of events is deemed to have a negligible impact on the overall portfolio; nevertheless, this is an area kept under close review by the Investment Manager.
Changes in regulation and government support	Changes to regulations covering activities and businesses in which the Group is already invested. An example could be where changes to farming regulation impact the Group's agricultural anaerobic digestion operations with the consequence that the projects would no longer meet all the criteria for inclusion the EU Taxonomy. Government support for short-term energy solutions that negatively impacts the transition to low-carbon future e.g. support for coal, could increase as a matter of political expediency.	Transition	Governance, Regulation, Reputational	Possible	0-10	Strategy, Financial Planning	Given the diversified nature of the assets across the Group's investments, the impact is likely to be limited to a small part of the portfolio. The passage of regulation provides opportunities for industry consultation and the Group keeps abreast of regulatory initiatives that have the potential to impact the profitability of the businesses. The risk over the long term is considered negligible as other avenues or solutions would be found for the asset or technology affected.

Risk	Description	Risk Category Risk	Risk Type	Likelihood	Horizon	Impact	Response
Displacement of existing assets with new or other technologies	As more resources and scientific research are dedicated to achieving net zero goals, technologies could be developed that make current renewables or environmental infrastructure technologies obsolete. An example of this could be fusion power displacing all other forms of energy. Other technologies like nuclear or coal may be prioritised in the short to medium-term.	Transition	Technological	Unlikely	0-10+	Strategy, Financial Planning	It is likely that many new technologies will be developed and the Group is well positioned to invest in new energy solutions once they become proven at scale. It is unlikely that a single solution will be found for all energy needs and if it were, this would necessitate considerable buildout beyond the lifetime of the Group's current assets.

Opportunity	Description	Opportunity Category	Opportunity Type	Likelihood	Horizon	Impact	Response
Increased demand for environmental infrastructure and businesses which support the transition to a low-carbon economy	Increased demand for infrastructure which helps to balance the intermittent generation profile of renewables – e.g. battery storage Increased demand for shorter term solutions to reach net-zero by 2050, e.g. CNG refuelling stations as a low carbon transport option while other solutions such as hydrogen power are further developed.	Transition	Market Risk	Almost Certain	0-10+	Strategy, Financial Planning	Foresight is well positioned to invest further in environmental infrastructure sectors and emerging technologies that support the transition to a low carbon economy. Please see the sections on Infrastructure and Private Equity for further details.
Increased governmental support for environmental infrastructure projects	Government policies aimed at facilitating the transition to a net zero carbon economy may subsidise certain technologies to increase their uptake or buildout, creating further opportunities for the Group's investment teams	Transition	Governance, Regulation, Reputational	Likely	0-10+	Strategy, Financial Planning	Government support for emerging sectors can change the risk profile of certain opportunities and open up areas that would otherwise be unsuitable for investment.
Technological developments and buildouts in the environmental infrastructure space	As new technologies become better developed, the Company is well positioned to invest in a diversified range of projects	Transition	Technological	Almost Certain	0-10	Strategy, Financial Planning	Attractiveness of investment opportunities will also depend on the business models as well as the proven nature of the technology.

Opportunity	Description	Opportunity Category	Opportunity Type	Likelihood	Horizon	Impact	Response
Changes in weather patterns leading to buildout of certain types of environmental infrastructure or business	Changes in weather patterns could lead to opportunities for new types of infrastructure or further investment into existing categories. An example of this could be flood defence infrastructure in response to increased rainfall or sea-level rise or controlled environment agriculture facilities in response to higher temperatures	Physical	Physical	Possible	0-10	Strategy, Financial Planning	Foresight has well established relationships at research and development level and with early-stage investee firms focused on renewable alternatives. These relationships provide us with opportunities to invest or provide additional investment in the technologies that will contribute to meeting climate targets.

Climate-Related Risks, Opportunities, and Financial Impact



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

Since 2018, the Group established Executive Committee-level oversight of sustainability, developed an implementation plan and aligned the governance structures around delivery of this plan. The Executive Committee is committed to ensuring there will be sufficient ongoing training and guidance for the Board.

The key factors that Foresight consider in formulating our approach include regulation, observed changes in climate and climate change impact on extreme weather patterns. Foresight defines a substantive financial impact as one that affects more than 5% of Group Profit Before Tax.

We continue to develop and expand our recommendations for the Board's approach towards climate risk and strategy. The Infrastructure and Fund investment teams continue to integrate climate risk in their investment risk management and the Private Equity business continues to review investment opportunities through a detailed ESG due diligence program. The Sustainability team continue to support the asset managers and fund managers with tools and training. The Group Sustainability Lead monitors the Group's carbon footprint and has oversight of our increased engagement with investee companies on their decarbonisation strategies through the investment sub-committee of the Sustainability Committee.

Impact of Climate-related risks

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

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

SSP	Scenario	Risk Category	Estimated warming (2041–2060)
SSP1-1.9	very low GHG emissions: CO_2 emissions cut to net zero around 2050. Considered best case scenario if net-zero targets are met.	Physical	1.6 °C
SSP2-4.5	intermediate GHG emissions: CO2 emissions around current levels until 2050, then falling but not reaching net zero by 2100. Considered 'middle of the road' scenario.	Physical	2.0 °C
SSP5-8.5	very high GHG emissions: CO2 emissions triple by 2075. Considered worst case scenario.	Physical	2.4 °C
IEA SDS	Assumes a surge in clean energy policies and investment, with broad achievement of net zero pledges, with significant near-term emissions reductions	Transition	2.0 °C

Transition Risks

Current and Emerging regulation

Foresight complies with all existing in-scope regulations. The compliance team monitors compliance with regulations across the Group and ensures that internal working groups are established with respect to new regulatory initiatives in a timely manner.

ESG Regulations are monitored by our compliance team on an ongoing basis, with additional input provided by the Sustainability Committee. Our process starts with the requirements from the proposed or finalized regulations and is followed by a gap analysis, planning for measures to address these gaps, and ensuring that the Group decision makers are up to date on how these regulations could impact strategic planning in the future. This area is becoming increasingly important as there is a significant body of ESG and climate-related regulation for financial services. For example, Foresight has followed the progress of the ESG Rulebook, which formalises the preparation and publication of climate-related reports, a legislative requirement for companies.

It is likely that many of these regulations will impact the asset classes and industries in which we invest. We expect the direct and indirect costs of compliance with emerging ESG-related regulation to be significant for some firms and pose a medium to longer term risk. We believe that the benefits from opportunities for our Group significantly outweigh the costs.

Climate-related risks and other developments relating to current regulation are discussed at the Risk Committee as well as the Sustainability Committee and its Governance sub-committee. Findings and recommendations are communicated to the Executive Committee, which is chaired by the Chief Financial Officer ('CFO'). This ensures that any emerging regulatory issues are communicated to the Board on a regular basis.

The Group engages professional advisers with the relevant skills and experience to assist the Group in their tracking of upcoming regulatory initiatives, in order to support or challenge our own analyses. Failing to address these issues could result in the failure to address meet the needs of our clients in the medium to long term, particularly with respect to their expected returns and volatility, as well as the protection of the underlying capital. This is particularly true of smaller companies, who previously were not expected to report on their environmental impact.

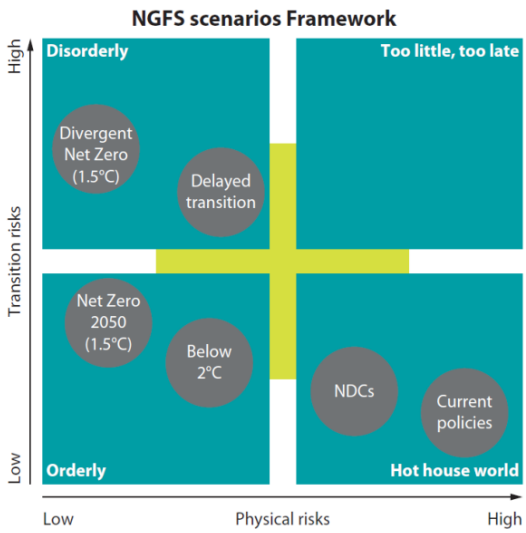
Scenario Analysis: Transition Risk

Foresight has conducted a preliminary high level group analysis of its FY22 portfolio's climate transition risks and opportunities.

Following Rio ESG's recommendation we have utilised the reputable and publicly available Climate Impact Explorer data tool by the Network for Greening the Financial System (NGFS). The NGFS explorer includes 3 data models; GCAM 5.3+, MESSAGEix-GLOBIOM 1.1-M-R12, and REMIND MAgPIE 3.0-4.4. The models all have varying methodologies (outlined in the table below). They conclude varying global outcomes under different climate scenarios, of which we have included all 6 available scenarios in our analysis to capture eventualities.

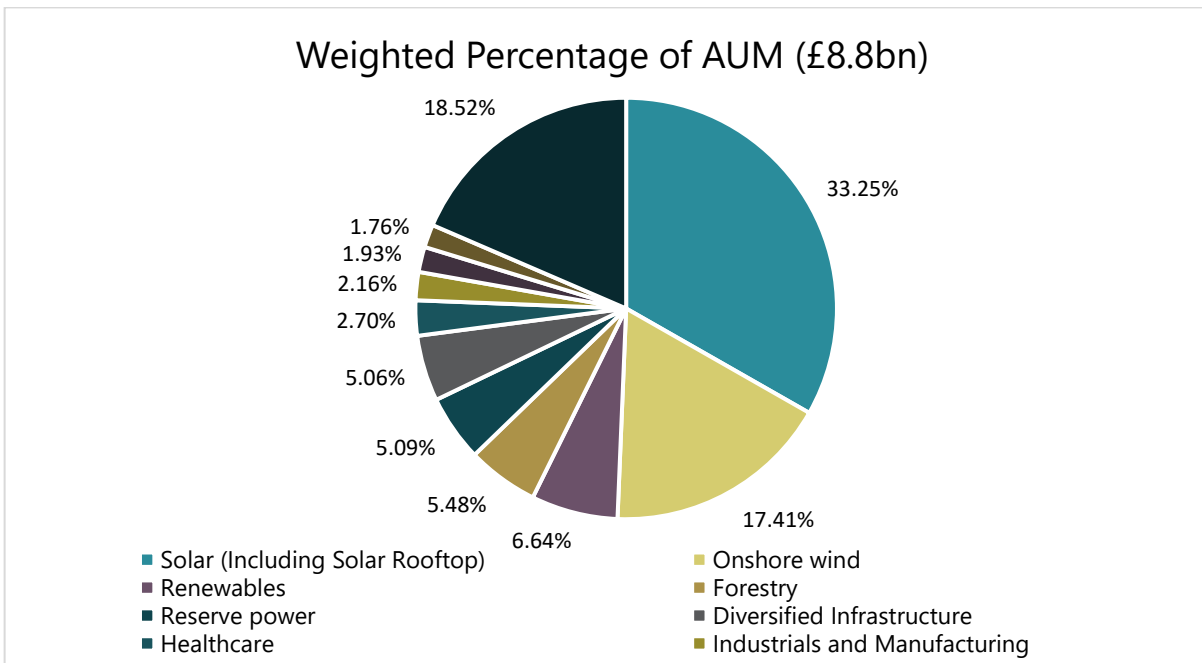
Integrated Assessment	**Model GCAM 5.3+**	**MESSAGEix_GLOBIOM 1.1**	**REMIND-MAgPIE 3.0-4.4**
Solution concept	Partial Equilibrium (price elastic demand)	General Equilibrium (This version has fixed demands for materials)	REMIND: General Equilibrium MAgPIE: Partial Equilibrium model of the agriculture sector
Anticipation	Anticipation	Intertemporal (Perfect foresight)	REMIND: Intertemporal (Perfect foresight) MAgPIE: Recursive dynamic (myopic)
Solution method	Cost minimisation	Welfare maximisation	REMIND: Welfare maximisation MAgPIE: Cost minimisation
Temporal dimension	Base year: 2015 Time steps: 5 years Horizon: 2100	Base year: 1990 Time steps: 5 (2005-2060) and 10 years (2060-2100) Horizon: 2100	Base year: 2005 Time steps: 5 (2005-2060) and 10 years (2060-2100) Horizon: 2100
Spatial dimension	32 world regions	12 world regions	12 world regions
Technology dimension	58 conversion technologies	64 conversion technologies	50 conversion technologies
Demand sectors and subsector detail	Buildings (residential and commercial buildings with heating, cooling, and other services), Industry (Cement, Chemicals, Fertilizer, Steel, Aluminium, Construction, Mining energy use, Agricultural energy use, Other), Transport (passenger and freight with various modes and technologies)	Buildings, Industry (Cement, Chemicals, Steel, Non-ferrous metals, Other), Transport	Buildings, Industry (Cement, Chemicals, Steel, Other), Transport (Various modes and technologies)

The selected NGFS scenarios have differing degrees of human and physical risk including:



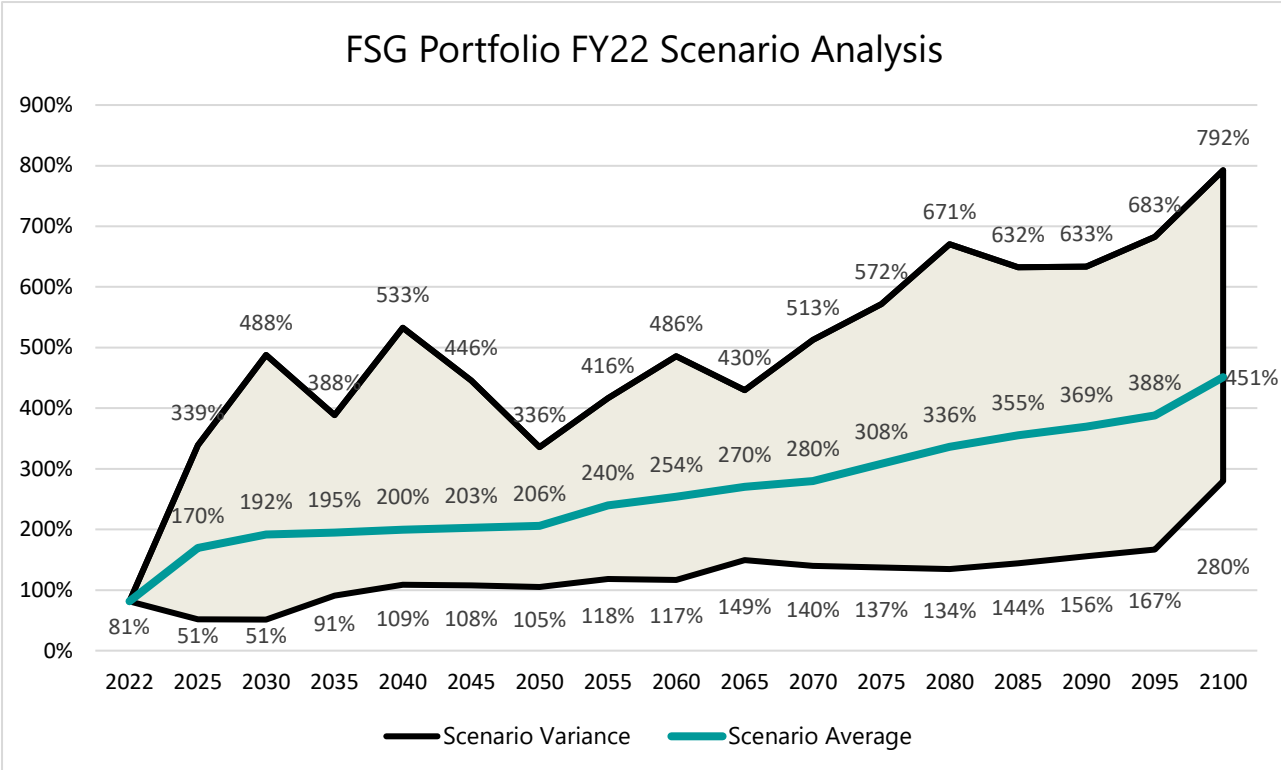
- Net Zero 2050, sees limits to global warming of 1.5°C through stringent climate policies and innovation;
- Below 2°C, results in gradual increases in the stringency of climate policies, giving a 67% chance of limiting global warming to below 2°C;
- Divergent Net Zero, reaches net zero around 2050 but with higher costs due to divergent policies introduced across sectors leading to a quicker phase out of oil use;
- Delayed transition, assumes annual emissions do not decrease until 2030 with strong policies needed to limit warming to below 2°C;
- Nationally Determined Contributions (NDCs), includes all pledged policies even if not yet implemented;
- Current Policies, assumes that only currently implemented policies are preserved.

The Foresight portfolio was summarised to a weighted percentage breakdown of its top 10 sectors by investment (across the three investment divisions). This results in an 81.5% portfolio coverage for the FY22, as seen on the chart below.



The weighted portfolio was then lined up with a series of first order variables, such as the change in "Global Solar Investment" variable tracked onto our Solar sector investments, in five-year intervals until 2100.

The impact of first order variables within the 6 climate scenarios and across the 3 data models on our portfolio for FY22 is depicted below.



From the analysis so far we can see that all scenarios suggest growth for the portfolio beyond 2040 (with high levels of model and scenario variance). We consider the FY22 portfolio sector breakdown indicates a low transition risk and therefore can offer significant 'transition opportunity'.

In future we plan to update this analysis annually with portfolio changes and NGFS model updates. We are also conducting a physical risk assessment of our infrastructure portfolio with a third party. Scenario Analysis will be continually developed to improve granularity and incorporate physical risks, as it is critical to the process of incorporating climate into Foresight's strategy.

Technology

Technology can help mitigate climate-related risk. The Group uses systems to identify issues and to manage risk. Foresight's risk taxonomy considers technology as it relates to climate risk. We consider technology risk as it relates to climate risks as follows:

Renewable-supported technologies	Most of our data-processing requirements and our storage depend on our Cloud service. The service provides us with carbon emissions data, both on our assets and the systems the provider uses to support us. The trend in our carbon emissions is downward, with Virtual Machines and Storage representing the bulk of our emissions. The Cloud service itself is predominantly powered by renewable energy sources (without RECs) and has set a 2025 target for a 100% supply of renewable energy.
Company Engagement	The Group's investee companies tend not to have significant climate-related risks; we invest in companies that are already using technology as part of their planning to transition to more sustainable options, or designing that technology themselves.

Policy and Legal

Foresight recognises the increased risk of climate change litigation, particularly with respect to those cases that link human rights to poor environmental practices.

Green-washing	In the FCA's recent Three-Year Strategy, five ESG Key Performance Indicators were set out, including the monitoring of the incidence of misleading marketing for ESG products and a metric relating to enforcement and financial crime, fraud and mis-selling of ESG-related products. The reputational risk associated with non-compliance is significant, given that sustainability is a core pillar of our firm's investment strategy.
Litigation	Litigation arising from environmental damage or negligence is considered to be relatively low. As part of our business model, our ongoing operations are actively committed to understanding, addressing and reducing our emissions on a Group-wide basis. As mentioned above in the section on current and emerging regulation, we ensure compliance with existing regulation as part of our general environmental policy and have a working group to consider new regulations as they arise. The Compliance and Risk functions monitor developments, both in the UK and globally, to ensure that we have a current understanding of the current and emerging legal issues related to climate change.

Market

Events associated with climate change are likely to have a negative impact on market stability, precipitating higher earnings volatility and costs for our investee firms. Shifting supply and demand dynamics for climate- related investment products and services could also be a factor for negative impacts to the Group's earnings.

Supply and Demand	Overall, Foresight considers that the shift in consumer preferences for renewable products and services due to climate change considerations continues to represent an opportunity, particularly as we anticipate that these consumer preferences for climate-friendly products will increase over time.
Price Volatility	Increased costs in investee companies and assets arising from climate-risk mitigation or rapidly changing input prices (for example in energy inputs) arising from climate-event related disruptions to the supply chain can materially move the valuations of our assets and investee companies.
Sector Concentration	The focus of our investments towards sustainability means that Foresight Group has a natural sector concentration relative to the broader market. Although Foresight's investment universe represents more than a 'pure-play' in renewables and sustainable technologies, we are aware that our exposure to a set of factors (e.g., energy prices, regulatory changes) is more concentrated. Our risk policies and procedures ensure that we consider such factors and make balanced and informed decisions regarding potential concentration risk.

Although the investee companies across Foresight's portfolios are typically industry-leaders in renewable energy and technology, Foresight continues to engage with the higher carbon-emitting companies to encourage further transition to a low carbon business model.

Reputation

Climate change initiatives are core to our Group strategy. Our compliance with the spirit of guidance and recommendations goes beyond our minimum regulatory requirements. Our clients expect Foresight to address climate change issues and remain at the forefront of investment leadership in this space.
Loss of reputation can have a significant impact on our business, and a failure to integrate climate change risk into our risk framework could have a significant impact on our reputation.

Negative Stakeholder feedback	Overall, Foresight considers that the shift in consumer preferences for renewable products and services due to climate change considerations continues to represent an opportunity, particularly as we anticipate that these consumer preferences for climate-friendly products will increase over time.
Third Party Relationships	The Risk Management framework highlights the key reputational risks to management and the Board. Once of the biggest reputational risks for us as a Group is being associated with investee companies that are perceived or come to be perceived as being undesirable due to sectoral, environmental, political or societal factors. Our Third Party Due Diligence processes are under review with Critical and Important Business Services being assessed annually.

The investment teams have access to Bloomberg for ESG ratings, carbon analytic reports and controversies reporting.
Materiality for climate-related risks is determined by business and function risk owners. The scale of impact will vary across operational areas and many of the businesses are well-positioned ahead of the expected continued transition to a sustainable investment environment.

The Private Equity Team invest in a variety of companies across a range of sectors. These companies typically have revenues of less than £30m. Whilst Climate Change will have an impact on the operations and services provided by these companies, it will be one of many factors influencing the decision-making and strategy considered by the board. The principal areas (products and services, supply chain, R&D investment, physical location of operational facilities) are evaluated regularly, however climate related risks will typically be lower than other risks facing the companies, and it will commonly be the indirect impact of climate related risks that will most affect investee companies (supply chain, global economic environment etc.)

Companies which have a positive impact on the environment are considered well-aligned with the "Local Infrastructure and Environment" ESG theme, under the policy and practical guide that frames the Team's overall approach to ESG. Funds managed by the Team are generalist in nature and consider a company's ability to support the transition to a low carbon economy as a positive consideration in the investment thesis.

Physical Risks

Acute physical:

Foresight are engaging with external service providers to understand how best to further integrate these risks into our investment processes.

Climate change is already impacting many industries, through more extreme weather patterns and storm events. This can manifest as a reduction of yield in some sectors or as uncertainty with respect to expected earnings or planned yield for others. Both of these could present a risk to Foresight in their investments.

Foresight is engaging with a consultancy to analyse how extreme weather could affect our prudential risks. Our existing or potential assets could be impacted by discrete extreme weather events or rising sea levels resulting from climate change. This could impact the valuation of our investment assets.

Chronic physical:

As for Acute physical risks, Foresight are engaging with external service providers on how best to further integrate these risks into our investment processes.
Sea level rise due to climate change represents one of the most pervasive chronic physical risks to coastal areas globally. Some of the invested assets of Foresight are located in areas that are considered vulnerable to physical risks such as Sea Level Rise ('SLR') due to climate change.

Another chronic physical risk that is relevant to continuing operations for both us and investee companies is Global Heating. Permanent changes in temperature can impact, impede or impair the ability of our assets to operate on an ongoing basis. For example, changes in average temperature or more volatile temperatures throughout the year could require an increase the use of heating or cooling capacity at our offices, leading to increased power use or other potentially negative impacts on our ability to continue operations. Likewise, these same impacts will be felt by many of our investee companies, resulting in decreased profitability.

Risk Management

Processes for Identification, Measurement, Management

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

The Risk Committee meets on a monthly basis and the duties of the Risk Committee include the oversight of the identification, measurement, management and monitoring of risks and controls. The Risk Committee regularly reviews risks relevant to the Company's investment strategy and to which the Company is, or may be, exposed.

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

The Board discuss the potential impact of climate change on our business and our future strategy. Key climate change factors include increasing climate change regulation as well as the changes in climate and its impact on forestry, water and extreme weather.

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

Climate-Risk Management Processes

Modelling financial risk from climate changes that have broad and far-reaching impacts on the global economy and that may only materialise over long-time horizons is complex. Estimating the potential impact of these risks involves assessing the effect of multiple potential climate pathways and the efforts of reducing carbon emissions over several decades. Foresight is partnering with a specialist to model scenarios that quantify climate change risk and allow us to better understand its impact on the Group.

To assess the impact of climate risk for Foresight, internal calculations provide an estimate of the potential financial impact to the Group's capital position if a risk event (or a series of risk events) occurred. Consideration of corollary risk events is important, since it is rarely one event that impacts

us; for example, a risk event with a small discrete monetary impact could have significant corollary reputational risk which might affect our ability to raise capital or subscriptions for our funds.

We are partnering with a specialist to model scenarios that quantify climate change risk and allow us to better understand its impact on the Group. Later this year, we expect to have completed our modelling of climate scenarios, demonstrating the likely impact of SSPs on the Group's Income Statement and Balance Sheet from physical risks. Transition risks are not expected to have such a significant impact on the Group, since revenues are predominantly generated via management fees from funds managing sustainable/renewable assets and SME private equity investments.

We also do not anticipate the impact of transitional risk to be significant for our capital requirements, as we expect that our businesses will continue to be able to adjust to market repricing and the impact of changes in climate policy, technology and market sentiment over time.

Integration into Group Risk Management Processes

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

More of our third-party research providers are integrating ESG analysis on a company or sectoral basis, which provides our teams with a wider appreciation of the risks and opportunities in our investments.

The Group is working towards publishing the carbon emissions of portfolios against their relevant benchmark for all equity strategies. This data will also reflect the percentage of the portfolios invested in fossil fuel reserves (expected to be negligible) and clean technology solution providers.

Following our analysis and work throughout the year, we are now in a position to take the following steps in the financial year 2022/2023:

- approve our updates to the strategy and our approach towards climate risk at Board level;
- finalise the integration of climate risks in Foresight's Risk Management Framework;
- continue to support the investment managers with further tools and more training;
- disclose how the Group is integrating climate scenarios within investment management; and
- ensure all relevant staff are trained on new policies and processes

Metrics and Targets

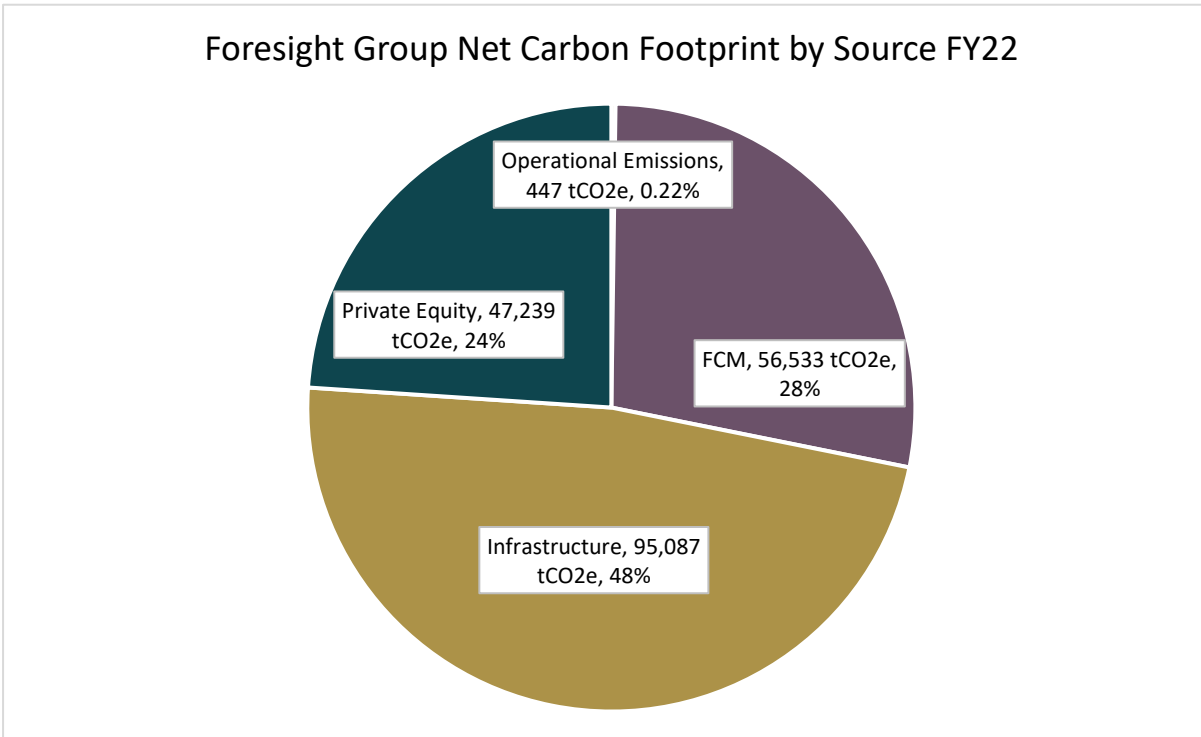
Metric Disclosure

Foresight Group continues to develop our framework for assessing climate-related risks throughout the business and the investment portfolios.

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

At a corporate level, Foresight Group is developing tracking methodologies to gauge its direct impact on the environment, and we expect to have completed the installation of our data management system later this year to enable us to effectively capture and analyse this data for reporting next year.

Whilst we develop our data management system for sustainability metrics, we have engaged with carbon specialists to support us in the capture and calculation of our scope 1, 2 and 3 emissions. In 2022, we worked with the environmental consultancy Rio ESG to gather and calculate our emissions including our category 15 (financed) emissions.



The pie chart outlines Foresight's emissions by scope and source for the financial year 1st Apr 2021- 31st March 2022, as calculated by Rio ESG. The graph shows that financed emissions are by far the most significant source of emissions for Foresight, with financed emissions measuring 445 times larger than its operational net emissions.

The PCAF 2020 'Global GHG Accounting and Reporting Standard for the Financial Industry were used to calculate the category 15 (financed) emissions.

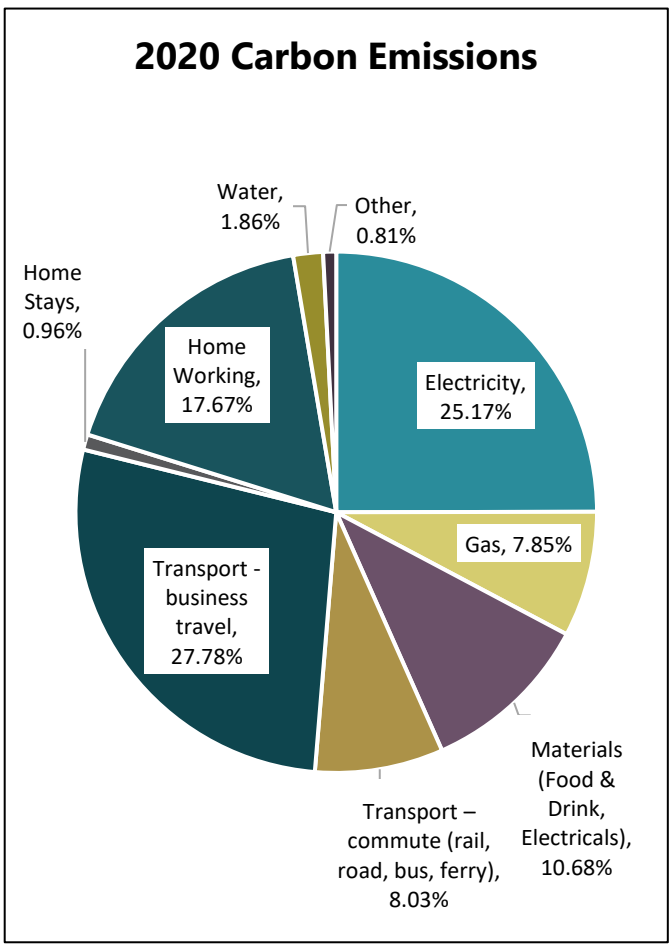
Foresight will continue to monitor financed emissions, improve granular data capture, and look to set achievable and ambitious near and long-term targets.

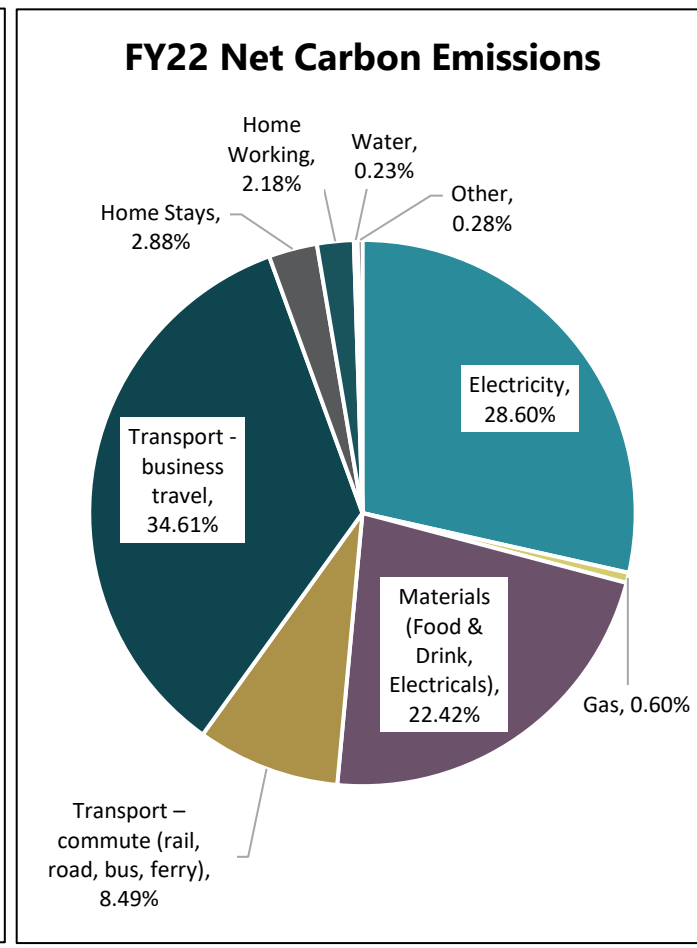
Scope 1,2,3 emissions

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

In 2022, we completed a carbon assessment to gather carbon data for the year 2021, including the full FY22. Aligning our process in future with financial year reporting. The scope 1,2,3 emission breakdown and comparison of the calendar year 2020 with the FY22 is outlined in the pie charts and tables below.

Emissions by source





2020

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

FY22

Scope	Total (tCO_2e)	tCO_2e / £ million revenue	tCO_2e / FTE
Scope 1	2.3	0.03	0.01
Scope 2	72	0.84	0.2
Scope 3	372	4.32	1.1
All Scopes	447	5.19	1.4

In the financial year 2022, there was a drop in all scope emissions. Due to a change in consultancy providers from Green Element to Rio ESG, the figures have differences arising from scope boundaries and estimation methodologies which means they cannot be directly compared. However, a notable difference was that Rio ESG calculated the net carbon emissions figures which account for the previously unaccounted for London offices' renewable electricity certificate covering the 1st October 2021 to 30th September 2023 period, resulting in the reduction of Scope 1 emissions.

In future we will continue to align with the financial year reporting schedule and look to implement our own data platform at Group level and for the Private Equity investment division. An internal platform will facilitate consistent data analysis and reduce the dependence on third-party validation.

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

	Foresight Group Holdings Ltd	
Reporting Period	**01/04/2021 to 31/03/2022**	
Annual GHG emissions (tCO_2e)	**Gross**	**Net**
Scope 1		
Emissions from combustion of gas	2.3	2.3
Emissions from combustion of fuel for transport purposes	N.A.	N.A.
Scope 2		
Emissions from purchased electricity - location based	153.1	71.8
Emissions from purchased electricity - market based	71.8	71.8
Scope 3		
Category 1: Purchased goods and services	99.8	99.8
Category 3: Fuel and energy-related activities	55.5	55.5
Category 5: Waste generated in operations	2.2	2.2
Category 6: Business travel	166.9	166.9
Category 7: Employee commuting	47.5	47.5
Total tCO_2e emissions (location based)	**527.9**	**446.6**
Total tCO_2e emissions (market based)	**446.6**	**446.6**
Intensity (tCO_2e / FTE)		
Full Time Equivalent (FTE) Employees	**326.5**	
Intensity ratio: total location-based tonnes per FTE employee (tCO_2e / FTE)	**1.4**	
Intensity ratio: total market-based tonnes per FTE employee (tCO_2e / FTE)	**1.4**	
Intensity (tCO_2e / £ million revenue)		
Revenue (£m)	**86.1**	
Intensity ratio: total location-based tonnes per million revenue (tCO_2e / £m)	**5.2**	
Intensity ratio: total market-based tonnes per million revenue (tCO_2e / £m)	**5.2**	
Methodology	GHG Protocol Corporate Accounting and Reporting Standard.	

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

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

Targets used by the organisation to manage climate related risks and opportunities and performance against targets

We have appointed a carbon specialist to support us in calculating our scope 1, 2 and 3 emissions. This is the first time we have conducted this exercise to include category 15 (financed) emissions. Using this data as a baseline, we still intend to set meaningful targets to decarbonise our business and investments, this will be an ongoing process over the coming months. To support us in delivering these, we shall also publish a net zero strategy which demonstrates our plan to reduce our emissions across our business.

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

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