record

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Understand
Deliver

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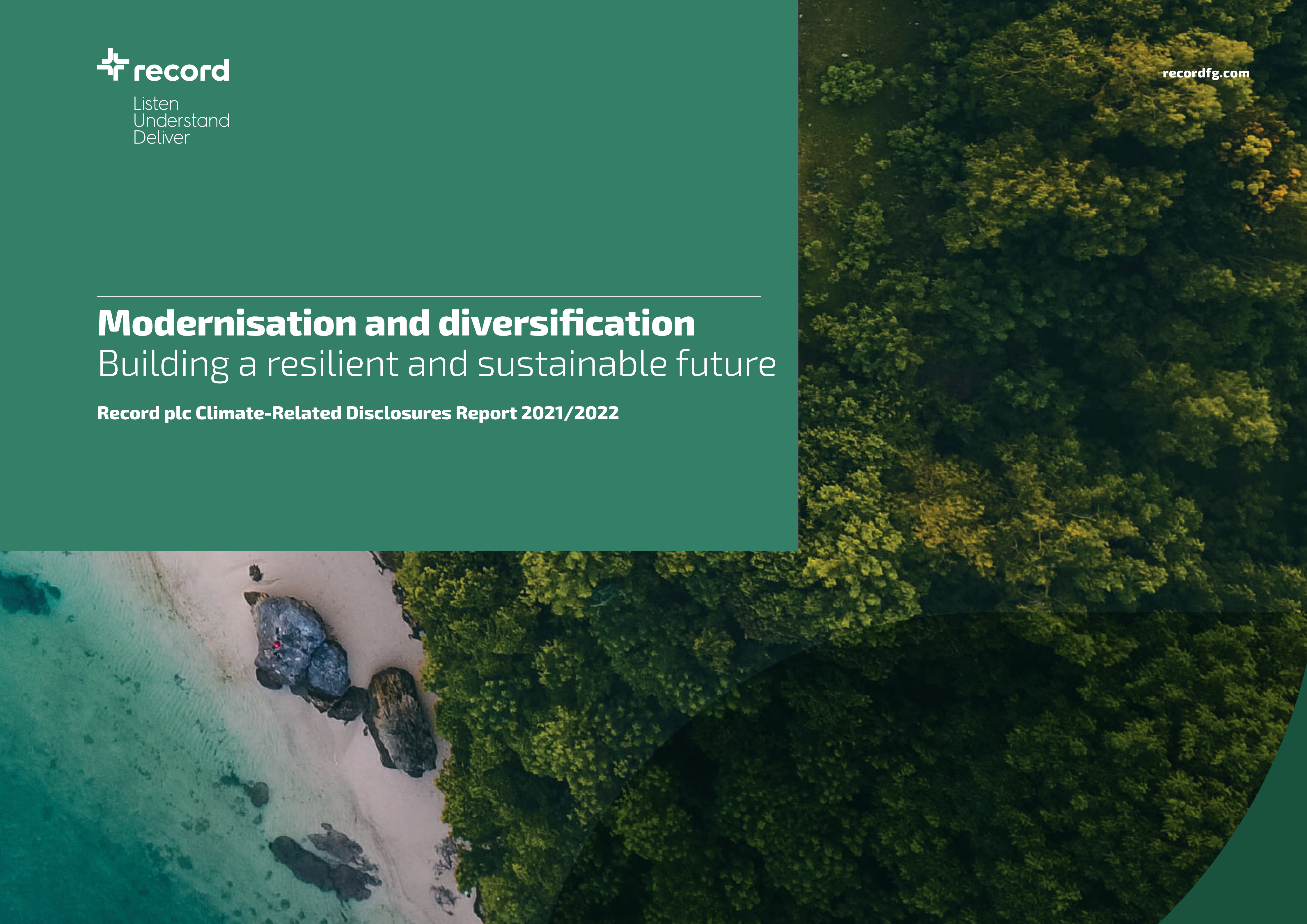
Modernisation and diversification
Building a resilient and sustainable future

Record plc Climate-Related Disclosures Report 2021/2022



Climate-Related Disclosures Report 2021/2022

Contents

record

Our purpose
Why we exist

Record was born of an idea that no one else in our industry had: Currency Overlay – including the world's first standalone Currency Overlay mandate in 1985. Almost four decades later, we purposefully continue to harness trends, ignite ideas and spark innovation, with intellectual, inquisitive and diverse thinking. And we apply this never-standing-still approach to all our specialist partnerships and solutions.

This way, we stay one step ahead for our clients.

Introduction

Record's focus on climate resilience is core to our corporate purpose and is aligned with our responsibility to our stakeholders.

I believe we have a responsibility as a business to promote a sustainable future. The covid-19 pandemic has shown us the profound and far-reaching impact natural disasters can have on society and the economy. However, it also showed us how individuals, businesses and countries alike can work collaboratively to quickly solve problems and deliver solutions. We need to give climate change the same sense of urgency and community to tackle the crisis and ensure a just transition into a low-carbon economy.

At Record, we have always been conscious of the impact we have on the environment, which is demonstrated by the fact we have been certified Carbon Neutral®, measuring and offsetting our carbon emissions, since 2007. Record's focus on climate resilience is core to our corporate purpose and is aligned with our responsibility to our stakeholders. Our work in this space is fast evolving as we continuously improve our climate strategy, governance and reporting. That is why we are proud to publish our first-ever standalone climate report. This report provides insight into how we identify and manage climate-related risks, as well as take hold of the climate-related opportunities, both operationally and in terms of our investments. In line with this, we have identified four strategic pillars for addressing climate-related risks and opportunities which we believe will generate long-term value for the Company, our stakeholders and the environment:

1. **Net-zero transition within our operations and value chain**
2. **Climate-integrated investment**
3. **Climate-focused engagement with stakeholders**
4. **Climate transparency and reporting**

To inform our strategy and provide a framework for assessing climate-related risks and opportunities, we have drawn upon the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD") and present our climate report within their four thematic areas: **Governance, Strategy, Risk Management, and Metrics and Targets**. Under each of these core areas, the TCFD provides eleven recommendations which are designed to solicit in-depth, forward-looking climate disclosures, as well as five additional recommendations for asset managers with respect to their investment management process. To present the information as clearly as possible, we have separated the recommendations with regard to both the firm's own day-to-day activities ("operational") and our investment activities on behalf of our clients ("investments").

Leslie Hill
Chief Executive Officer

30 June 2022

TCFD summary

Governance

Recommendations	Current status	Future priorities	Page
Describe Board-level oversight of climate-related risks and opportunities.	Compliant	We aim to run climate-related training for Board members through a climate and sustainability deep dive session.	See more on pages 6-7
Describe management's role in assessing and managing climate-related risks and opportunities.	Compliant	We will enhance reporting on climate risk at Senior Sustainability Office meetings and ensure we have processes in place to ensure the Head of Business Risk is always updated.	See more on pages 6-7

Strategy

Recommendations	Current status	Future priorities	Page
Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term.	Compliant	We will continue to enhance our climate risk and opportunity identification and modelling processes.	See more on pages 17-18
Describe the impact of these climate-related risks and opportunities on the organisation's business, strategy and financial planning.	Compliant	We will work to further integrate climate-related risks and opportunities into our financial planning.	See more on pages 9-14; 17-18
Describe the resilience of the organisation's strategy, taking into account different climate-related scenarios, including a 2ºC or lower scenario.	Partially compliant	Explanation: We need to conduct a climate scenario analysis to assess the resilience of our climate strategy in other climate warming scenarios, such as a 4°C warming scenario, to report in our next TCFD disclosure.	See more on page 16
Additional recommendations included in the supplemental guidance for asset managers.	Partially compliant	Explanation: We need to describe how each product or investment strategy might be affected by the transition to a low-carbon economy.	See more on page 12

TCFD summary continued

Risk management

Recommendations	Current status	Future priorities	Page
Describe the organisation's processes for identifying and assessing climate-related risks.	Compliant	Continuously review our identification process to ensure we are identifying relevant climate risks on an ongoing basis.	See more on page 19
Describe the organisation's processes for managing climate-related risks strategy and financial planning.	Compliant	Review Board climate-related risk appetite thresholds.	See more on page 19
Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management.	Compliant	Further embed climate risk into the Group-wide risk framework, ensuring climate risks outside of appetite are discussed with the Board on a regular basis.	See more on page 19
Additional recommendations included in the supplemental guidance for asset managers.	Partially compliant	Explanation: We aim to investigate how we can manage material climate-related risks for our hedging strategies.	See more on page 20

Metrics and targets

Recommendations	Current status	Future priorities	Page
Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	Partially compliant	Explanation: Work to quantify the extent our assets/business activities are vulnerable to transitional and physical risks, as well as our assets/revenue aligned with climate-related opportunities.	See more on page 22
Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas ("GHG") emissions, and the related risks.	Compliant	Develop our assessment of the related risks of our emissions.	See more on page 22
Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	Compliant	We will annually disclose against our newly published interim net-zero reduction targets and other climate-related targets.	See more on pages 23-24
Additional recommendations included in the supplemental guidance for asset managers.	Partially compliant	Explanation: We intend to extend our Category 15 Scope 3 investment emissions assessments across more products and strategies as methodology develops.	See more on page 22

The need for change

The world is facing a climate crisis. Greenhouse gas emissions released by human activity continue to increase at an alarming rate. This year, global CO_2 emissions increased to 33 gigatonnes – around 50% higher than when the industrial revolution began[1]. Increasing emissions are causing the global temperature to rise, resulting in more extreme weather, rising sea levels, and thawing sea ice. This will only continue to intensify unless we reduce the amount of greenhouse gas in the atmosphere.

In 2015, almost 200 countries signed the Paris Climate Agreement, agreeing to limit global warming to well below 2°C, and preferably less than 1.5°C, compared to pre-industrial levels. Presently, global temperatures have risen by 1°C since then. The commitment is designed to substantially reduce the impacts of climate change, which would otherwise have catastrophic impacts around the world.

Global temperatures rising 1.5°C above pre-industrial levels could result in[2]:

- 11 million people exposed to extreme heat;
- 61 million people exposed to drought; and
- 10 million people impacted by sea level rise.

The Intergovernmental Panel on Climate Change ("IPCC")[3] states that to meet the commitment of the Paris Climate Agreement, we must halve greenhouse gas emissions by 2030 and reach net-zero emissions by 2050.

In 2021, 197 countries agreed to a new climate deal, the Glasgow Climate Pact[4]. The agreement not only re-emphasises the importance of net-zero by 2050 but calls for the strengthening of short-term emissions reduction targets by 2030.

What does net-zero actually mean?

Science-Based Targets initiative ("SBTi") recently launched the world's first net-zero corporate standard, outlining the necessary principles net-zero targets must conform to in order to align with the 2015 Paris Agreement. The SBTi Net-Zero Standard[5] defines corporate net-zero as:

- reducing Scope 1, 2 and 3 emissions[6] to zero or to a residual level that is consistent with reaching net-zero emissions at the global or sector level in eligible 1.5°C-aligned pathways; and
- neutralising any residual emissions at the net-zero target year and any greenhouse gas emissions released into the atmosphere thereafter.

Therefore, purely offsetting emissions is not enough to be net-zero. Organisations must first reduce emissions across all scopes. Any emissions that are not possible to cut i.e. residual emissions, which should be no more than 5-10%, must then be neutralised through carbon removals.

1. https://www.iea.org/reports/global-energy-review-2021/co2-emissions.
2. https://sciencebasedtargets.org/blog/1-5-c-vs-2-c-a-world-of-difference
3. https://www.ipcc.ch/sr15/.
4. https://ukcop26.org/cop26-keeps-1-5c-alive-and-finalises-paris-agreement/.
5. Net-Zero-Standard.pdf (https://sciencebasedtargets.org).
6. Scope 1 emissions are those that a company makes directly from its operations. Scope 2 emissions are those that a company makes indirectly from purchased electricity, steam, heating or cooling consumed. Scope 3 includes all indirect emissions that may occur in the value chain e.g. business travel, commuting, home working, waste etc.

Governance

What's in this section

See more on page 6

Governance

In the last two years we have seen significant formalisation of our sustainability governance structure, building the foundations for the development and management of our climate change strategy as well as ensuring climate risk oversight at the highest level of the Company.

Operational

Board oversight

The Record Board has oversight of climate-related risks and opportunities posed to our business operations. The Board oversees progress towards such strategic goals and disclosures made in our sustainability-related reports. Day-to-day responsibility for the monitoring and management of operational climate-related issues is delegated to the Head of Business Risk and the Sustainability Office.

Head of Business Risk

The Head of Business Risk monitors climate risk on an ongoing basis within the Group-wide business risk assessment framework. The Head of Business Risk reports directly to the Chief Executive Officer and meets with the Record plc Board six times annually to discuss identification, evaluation and mitigation of risks which have been deemed to pose a material business risk.

The Sustainability Office

Record's Sustainability Office is comprised of the Senior Sustainability Office ("SSO"),Sustainability Committee and the Senior Sustainability Coordinator. The SSO is formed of key senior managers and Board members who take responsibility for proactively integrating sustainable practices across the business. The SSO approves Company ESG strategies, and as such has reviewed and approved our climate change strategy and our TCFD disclosures. The SSO meets monthly to make decisions on ESG-related topics and receives regular updates and points for discussion from the Sustainability Committee.

The Sustainability Committee is a broader committee that seeks to gather ideas and recommendations from across the business, as well as implement initiatives. It includes members of staff from varying levels of seniority and teams. It is comprised of officer roles, including a Climate Risk Officer, whose responsibility is to help develop our climate risk assessment process and keep informed of regulatory climate risk reporting requirements.

The Senior Sustainability Coordinator acts as conduit between the Sustainability Committee and the SSO, and is responsible for coordinating sustainability efforts, driving momentum and ensuring action takes place. The Senior Sustainability Coordinator creates updated reports for the plc Board six times annually on progress towards ESG strategies, including climate change risk and opportunities.

Governance continued

Investment

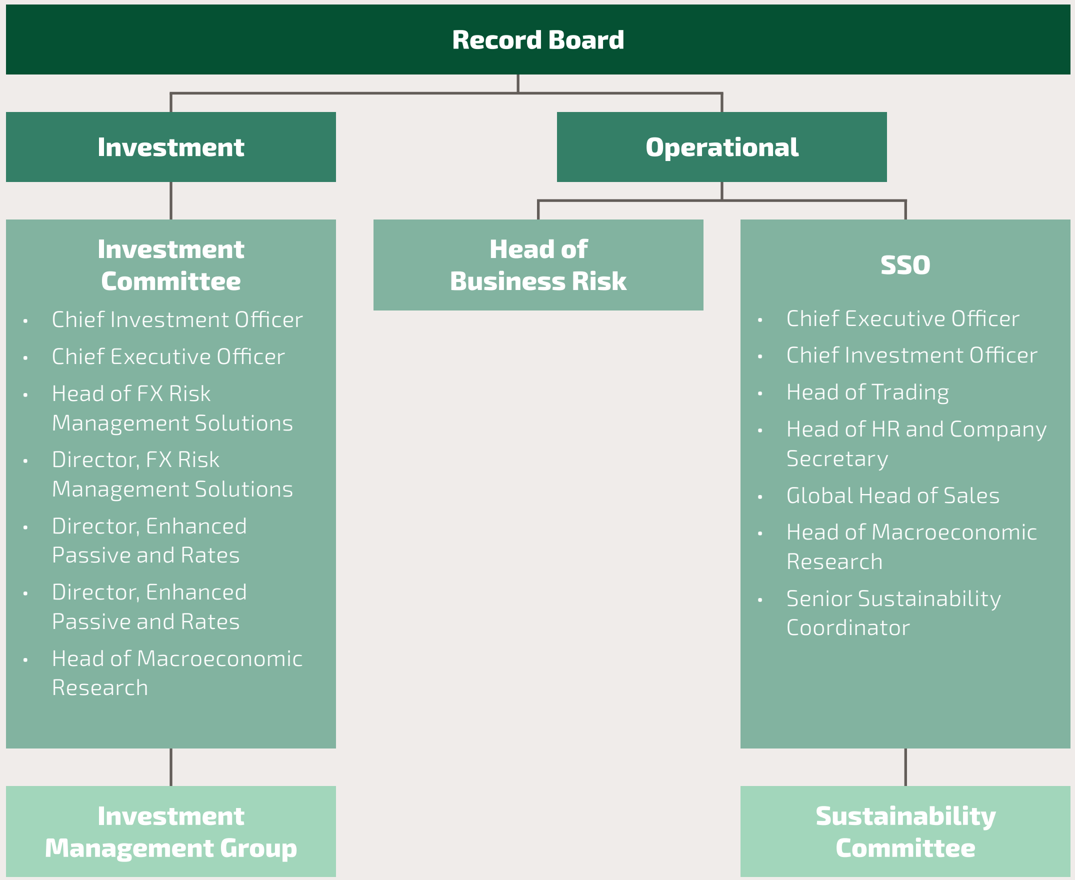
Investment Committee

Accountability for the management of climate-related risks and opportunities in our investments lies with the Investment Committee. The Investment Committee includes Board members as well as members of the Investment Management Group. The Investment Committee meets several times every year to review long-term performance of current products, approve any proposed strategies or agree on revisions to current strategies. The Investment Committee provides regular updates to the Board and provides any climate-related investment updates on an ad-hoc basis.

Investment Management Group

The Investment Management Group ("IMG") is responsible for the day-to-day management of client portfolios and meets on a weekly or monthly basis to discuss strategies. The Group considers the impact of climate-related issues on the continued management of our clients' portfolios and if any material risks were to be identified, the IMG would escalate this to the Investment Committee.

Figure 1. Climate-Related Risk and Opportunities Governance Structure



What's in this section

See more about our approach to climate change on page 9

Strategy continued

Our approach to climate change

Pillar 1:
Net-zero transition within our operations and value chain

We have always considered the impacts our operations have on our community and the environment. Each year, we collect the relevant data and work with a carbon accounting company to measure, verify and assess our carbon footprint. We have been certified as CarbonNeutral® in accordance with the CarbonNeutral® Protocol, the leading framework for carbon neutrality, since 2007. This means that we have been purchasing carbon offsets which deliver immediate emissions reductions through sustainable development and renewable energy projects around the world for over 14 years. The projects are independently verified by standards such as the Gold Standard to ensure environmental integrity in our work to take climate action.

However, we know that there is a need for further climate action. Whilst our offsetting practices have had a positive impact in neutralising the carbon we have emitted over the years, we recognise that being carbon neutral is not enough. It is now vital that we take additional steps to become net-zero, reducing the greenhouse gas emissions we produce throughout our operations and value chain. This year, Record made significant progress to reduce our Scope 2 emissions by becoming **100% renewable across our UK operations**.

Strategy continued

Our approach to climate change continued

Pillar 1 continued
Net-zero transition within our operations value chain

Carbon offsetting projects

Please see below examples of the types of carbon offsetting projects we have supported over the years.

Chinese Afforestation, China

Project type:

Natural climate solutions, afforestation/reforestation

Project description:

The projects are restoring more than 30,000 hectares of degraded land in the provinces of Qinghai and Xinjiang, supporting a drive to create and conserve nature reserves in order to enhance local biodiversity with a resilient mix of native tree species.

SDGs:

8 DECENT WORK AND ECONOMIC GROWTH
13 CLIMATE ACTION
15 LIFE ON LAND

Improved Cookstoves, Kenya

Project type:

Health and livelihoods, clean cooking

Project description:

This project aims to tackle key development issues through efficient cooking products. The objective is to serve the most vulnerable communities across Kenya, tackling health issues of traditional cookstoves, reducing dependence on non-renewable biomass sources, while promoting financial security and female empowerment.

SDGs:

1 NO POVERTY
3 GOOD HEALTH AND WELL-BEING
5 GENDER EQUALITY
7 AFFORDABLE AND CLEAN ENERGY
13 CLIMATE ACTION
15 LIFE ON LAND

Renewable Energy, Global

Project type:

Sustainable infrastructure, renewable energy

Project description:

Renewable energy projects in this portfolio are vital to help reduce greenhouse gas emissions from the growing global demand for energy and build sustainable infrastructure. Energy generation is one of the biggest emitters of greenhouse gases, and renewable energy investment is a fast and effective solution to reduce these emissions.

SDGs:

7 AFFORDABLE AND CLEAN ENERGY
8 DECENT WORK AND ECONOMIC GROWTH
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
13 CLIMATE ACTION

Strategy continued

Our approach to climate change continued

Pillar 1 continued
Net-zero transition within our operations value chain

In order to continue to reduce our emissions, we will be guided by the following principles:

1. Renewable energy
We operate on 100% renewable energy across our UK offices through a mixture of onsite generation and Renewable Energy Guarantees of Origin ("REGOs"). Purchasing REGOs supports the renewable energy market by demonstrating market demand whilst also increasing the renewable energy mix in the grid of the country where it was generated. REGOs are recognised by a number of standards and bodies including the GHG Protocol, CDP and RE100 as a method to reduce Scope 2 electricity emissions.

2. Responsible travel
During the pandemic, restricted travel worldwide meant our emissions dropped significantly as meetings with colleagues and clients abroad were held online using video calls. We will continue to hold meetings online where possible, whilst also asking employees to consider sustainable travel alternatives when booking travel.

We have also adopted a hybrid working arrangement, in part to reduce commuting emissions. Alongside this we have a number of initiatives in place to encourage greener travel, including a cycle to work scheme and a green salary sacrifice car scheme which only supports the purchase of hybrid or fully electric cars.

3. Energy efficiency
Record is investing in a number of energy efficient technology alternatives. We are currently in the process of replacing our energy exhaustive computer desktops with personal laptops. The personal laptops are all Energy Star certified, which means they have been third-party certified and use 25-40% less energy than conventional models.

All Record Group offices are in shared buildings where energy efficiency measures are centrally managed and largely out of our control. However, in line with our 2021 target to have a sustainable office move, we now rent a sustainable office space in London which is BREEAM certified (rated as Excellent) and operates on 100% renewable energy. We will continue to engage with our building managers and work with them to introduce more energy efficient alternatives where we can.

Finally, we will be reducing the space we rent in our Windsor office by re-designing our office to make more efficient use of the space available and, in turn, reduce our energy consumption.

4. Minimising office waste
Record has been assessing its suppliers to ascertain whether there are more environmentally sustainable alternatives. In line with this, we now purchase our office snacks and fruit from businesses who use recyclable packaging only. We have also switched from buying plastic milk bottles to refillable glass bottles, reducing the amount of plastic goods purchased.

We aim to reduce our paper consumption by 70% by the end of 2022 against a 2019 baseline. Although our previous aim was for a fully paperless office, legal documentation and client requests means we are unable to do so. Therefore, we will meet this revised target by moving day-to-day activities which require paper online and by reducing the number of printers available. Our new printing policy encourages thoughtful paper usage and provides exemptions only in certain instances.

Further, throughout our Windsor office downsize project we intend to recycle, re-use or donate all office and IT equipment that is no longer required with the aim that nothing will be sent to landfill.

The Goodness Project

The Goodness Project provide us with sustainable and ethically sourced snacks using recyclable packaging and carbon neutral delivery. The Goodness Project plants trees with every purchase made, helping to offset their greenhouse gas emissions. You can view the emissions reductions they have created from the trees they have planted on behalf of their customers **here.**

Our approach to climate change continued

Pillar 2:
Climate-integrated investment

Record has identified responsible investment as an essential prerequisite to successful, resilient and prudent investment management. As such, we work to integrate ESG and impact considerations as much as possible across our investment processes, and climate change falls within this.

We recognise that appetite for sustainable investment products and services continues to grow amongst our client base and as such are gearing more resources towards the development of products which meet the growing demand. We have assigned Impact Investment and ESG Investment officer roles within our Sustainability Committee, whose objectives and responsibilities are aligned with driving responsible investment.

In June 2021, we launched our Emerging Market Sustainable Finance ("EMSF") strategy. The strategy comprises of impactful currency investments, a sustainable development bond component and an active counterparty engagement strategy. Categorised as an Article 8 fund under the Sustainable Finance Disclosure Regulation, it is defined as promoting environmental and social characteristics. The strategy aims to support currency market stability in less liquid and under-developed currency markets, providing greater opportunities for sustainable social and economic development, particularly for the most vulnerable communities; this is achieved by staying active across economic cycles, and helping to enrich currency market microstructure by providing liquidity and expanding instrument tenor ranges.

You can read more about how we incorporate climate-related factors into the strategy in the Management of climate-related risks: Investment section on page 20. As retail pioneers in the currency impact investment space, we will continue to leverage the first mover market advantage and cater to changing consumer preferences whilst also contributing in thought leadership, building out these material links between currency investments and sustainable outcomes.

A cornerstone of our impactful strategies is the expansion of our currency universe to developing frontier economies, such as the Ghanaian cedi, which tend to have very low liquidity with the sovereign highly exposed to idiosyncratic risk. Being a key player in such markets will undoubtedly bring new opportunities whilst also bringing us closer to a client base more focused on investing sustainably.

We aim to continue diversifying our product offering, working with third parties to develop and identify new and impactful investment opportunities both within currency and potentially across other assets, as we did in the development of our EMSF.

Strategy continued

Our approach to climate change continued

Pillar 3:
Climate-focused engagement with stakeholders

Record believes in enhancing climate action through stakeholder engagement, accelerating the transition to climate resilience within our own organisation as well as within the wider society. As such, we are members of various different standards and principles:

CDP is a non-profit charity that runs a global disclose system for investors, companies and cities to report on and manage their environmental impacts. Record completed its first CDP survey in 2021 and will continue to report annually.

Record signed up to the UN Global Compact's ten principles which are aligned with the UN SDGs. Principles 7, 8 and 10 specifically encourage signatories to promote greater environmental responsibility.

As an influencer member of Pensions for Purpose, Record shares and has access to relevant ESG, sustainable and impact investment information through their knowledge platform.

Record is a supporter of and reports in line with TCFD recommendations to assess climate risks and opportunities.

Record is a signatory member of the UN PRI, an independent organisation supported by the UN, which encourages investors to use responsible investing and consideration of ESG factors to enhance returns and better manage risk.

Aims to promote sustainability within Swiss financial institutions.

We are committed to a set of global principles of good practice in the foreign exchange market, promoting integrity and its effective functioning.

Record has been certified as CarbonNeutral® through purchasing carbon offsets in accordance with the Carbon Neutral Protocol, the leading framework for carbon neutrality.

ESG Counterparty Engagement Strategy ("ESG-CES")

We actively engage with our counterparty banks through our proprietary ESG Counterparty Engagement Strategy. The strategy seeks to better align the activities of counterparties with the interests of key stakeholders by assessing and quantifying the activities and associated disclosure of the banks with respect to environmental, social and governance ("ESG") factors. This allows us to pre-screen transaction counterparties and direct flow to more sustainable banks. To read more on this strategy, please see our Management of climate-related risks: Investment section on page 20.

Strategy continued

Our approach to climate change continued

Pillar 4:
Climate transparency and reporting

Record aims to exceed stakeholder expectations in reporting, transparency and action on climate-related issues. We believe that transparency and reporting is key for progress, allowing us to be held accountable to public standards and ensure we meet our commitments and targets.

The climate-related regulatory reporting landscape is continuously evolving and at this point in time varies significantly across different jurisdictions. Record's designated Climate Risk Officer is responsible, alongside our Senior Sustainability Coordinator, for monitoring emerging climate reporting regulations and ensuring we maintain compliance with new and existing legislation. One way we do this is by going beyond regulatory compliance and working to continuously improve the quantity and quality of our climate-related disclosures. Our first TCFD report was disclosed in 2020 within our inaugural sustainability report. Over the course of this year we have used the TCFD recommendations to guide the development of our climate strategy and improve our climate-related disclosures. Our next priority will be to conduct our climate-scenario analysis to ensure full TCFD implementation by 2022. We also make climate-related disclosures to the CDP, UN Global Compact and the UN PRI, as well as reporting our greenhouse gas emissions each year in line with Streamlined Energy and Carbon Reporting ("SECR") guidelines. These reporting mechanisms play an important role in allowing us to benchmark our progress against other member firms and provide direction towards areas where we can develop our reporting.

Risk management

What's in this section

See more about our management of climate-related risks on page 19

Risk management continued

Identification and assessment of climate-related risks and opportunities

The TCFD places climate-related risk within two categories:

- **Physical risk:** Physical risks resulting from climate change can be largely event driven (acute), such as floods or hurricanes, or longer-term (chronic) shifts in climate patterns such as sea level rise or chronic heat waves.
- **Transitional risk:** Transitional risks are those which result from our transition into a lower-carbon economy and can entail policy, legal, technology and market risks as we adapt to the change.

At this point in time, material risks to Record fall solely within the transitional risk category. Whilst there is potential for acute physical risks (e.g. increased severity and frequency of extreme weather events such as floods) to have an impact to the running of our operations, the likelihood of these impacting us financially is very low. Record's office locations are not deemed to be at high risk of such weather events. The main disruption from acute physical weather change is likely to be to our business travel.

However, we have increased our flexibility through remote working which will allow for continued business operations should such disruptions occur. At the end of 2021 we moved the majority of our servers to a cloud-based data centre which will have increased protection against physical climate risks. We also have insurance for all offices to further mitigate costs of physical climate risk.

The next page provides an overview of the risks and opportunities which we have identified to be of material importance to our business and therefore have been integrated within our four-pillar climate strategy. Each risk and opportunity has been considered in terms of the likelihood of occurrence, the financial impact it could have on the business, and the time horizon it could occur in.

Scenario analysis
The current mitigation strategies are based on a lower than 2°C warming scenario. We are in the process of conducting a scenario analysis which will enable us to assess the resilience of our climate strategy in other climate warming scenarios, such as a 4°C warming scenario, which we aim to disclose in next year's climate report.

Risk management continued

Climate-related risks and opportunities

Risk

Risk type	Risk description	Primary financial impact	Time horizon	Mitigation strategy
Policy and legal	Enhanced emissions reporting obligations	Increased cost of data gathering, analysis and publication **Low**	Short term 3	• Pillar 3: Climate-focused engagement with stakeholders • Pillar 4: Climate transparency and reporting
	Increased pricing of GHG emissions and carbon offsets	Increased operational costs **Low**	Short term 3	• Pillar 1: Net-zero transition within our operations and value chain
Market	Significant shifts on consumer preferences including a move to green, low-carbon products	Reduced revenue from decreased demand for traditional products and services **Medium**	Medium term 2	• Pillar 2: Climate-integrated investment
Reputational	Increased stakeholder concern or negative stakeholder feedback on climate-related action or inaction	Decreased revenue due to reduced demand for product and services, and reduction in capital availability **Medium**	Medium term 2	• Pillar 1: Net-zero transition within our operations and value chain • Pillar 2: Climate-integrated investment • Pillar 3: Climate-focused engagement with stakeholders • Pillar 4: Climate transparency and reporting

Table 1: Climate-related risks and opportunities assessment key:

	1	2	3	4
Likelihood	0–10% chance of occurrence in next 12 months (1 in 10 year event)	11–30% chance of occurrence in next 12 months (1 in 5 year event)	31–60% chance of occurrence in next 12 months (1 in 2 year event)	61–100% chance of occurrence in next 12 months (1 in 1 year event)
Financial impact	Low	Medium	Medium-High	High
Time horizon	Short term (0–1 years)	Medium term (1–5 years)		Long term (5–40 years)

Risk management continued

Climate-related risks and opportunities continued

Opportunity

Opportunity	Opportunity driver	Primary financial impact	Time horizon	Opportunity strategy
Products and services	Development and/or expansion of low emissions goods and services, in turn diversifying our business activities	Increased revenue from increased demand for products and services **High**	Short term **4**	• Pillar 2: Climate-integrated investment
	Access to new markets	Increased revenue from access to new markets developed under the push for the greener agenda **Low**	Short term **4**	• Pillar 1: Net-zero transition within our operations and value chain
Resource efficiency	Move to more energy efficient technology	Reduced operational costs **Low**	Short term **4**	• Pillar 1: Net-zero transition within our operations and value chain
	Move to more efficient buildings	Reduced operational costs, better working environment **Low**	Short term **4**	• Pillar 1: Net-zero transition within our operations and value chain

Table 1: Climate-related risks and opportunities assessment key:

	1	2	3	4
Likelihood	0–10% chance of occurrence in next 12 months (1 in 10 year event)	11–30% chance of occurrence in next 12 months (1 in 5 year event)	31–60% chance of occurrence in next 12 months (1 in 2 year event)	61–100% chance of occurrence in next 12 months (1 in 1 year event)
Financial impact	Low	Medium	Medium-High	High
Time horizon	Short term (0–1 years)	Medium term (1–5 years)		Long term (5–40 years)

Risk management continued

Management of climate-related risks

Operational

As set out in the governance section, the process for identifying, assessing and managing climate-related risks is primarily addressed by the Head of Business Risk and the Sustainability Office. Record's Sustainability Office provides the infrastructure for identification of climate risks. Climate risk is an ongoing discussion point on the Sustainability Committee agenda and is addressed by the Climate Risk Officer. The SSO receives regular updates on climate risk from the Sustainability Committee through the Senior Sustainability Coordinator, who acts as a conduit between both groups and escalates key issues which require further discussion or decision-making at a higher level to the SSO.

The SSO and Senior Sustainability Coordinator work with the Head of Business Risk on an ad-hoc basis to evaluate any identified climate risks within the Group-wide risk management framework. The risk register includes the consideration of transitional climate risk factors within traditional risk groups such as product, legal and reputational risk, whilst physical climate risk is considered within the exogenous risk category. The Board has recently undertaken an exercise to review its appetite for different risks, including climate-related risks. The risk register is regularly monitored and any risks deemed as material and/or outside of risk appetite to the Company are shared with the Board for review along with any remedial action if appropriate.

As most of our risks are not quantifiable or cannot be captured through a model, the risk framework defines risks qualitatively, with an assessment of materiality and comparison with appetite undertaken on a judgement and collaborative basis. To maintain the right level of objectivity, a number of qualitative measures assist with risk assessment, many of which are automatically escalated to the Board should a trigger be breached.

Investment

The consideration of ESG factors, including climate risk, is part of our responsible investment philosophy for which we have developed a Group-wide policy. The large majority of Record's AUM is in currency hedging mandates (see figure 2), of which we have no discretion with regard to which base currencies or underlying assets are hedged. However, where discretionary decisions are made by our Investment Management Group, ESG data informs of additional risks that can be relevant to short-term volatility movements, as well as longer-term trends. With respect to climate, this might include national-level considerations such as CO_2 emissions, renewable energy as a percentage of total energy supply, economic dependency on oil exports etc.

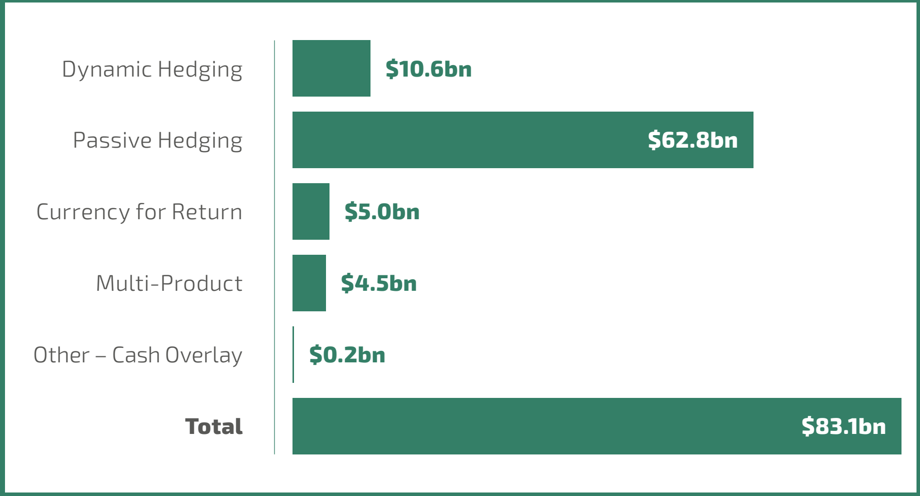


Figure 2. AUME by strategy (as at 31 March 2022)

AUME expresses the total notional exposure of Passive Hedging and Currency for Return products, and the maximum hedgeable exposure of Dynamic Hedging products.

Risk management continued

Management of climate-related risks continued

Our EMSF strategy is one product in particular which, as an impact finance strategy, integrates climate considerations into the investment process and the overarching investment philosophy, across both fixed income and currency markets.

Fixed income

The capital in the strategy is invested in sustainable and impact bonds in a universe of highly rated development institutions with a strong track record of managing sustainable development capital. The portfolio managers actively allocate to development projects which contribute to support the climate resilience of developing economies, amongst other central themes aligned with the UN SDGs. Projects undertaken, and their associated impact reporting, are actively tracked and consolidated in the strategy's own impact footprint, updated monthly and presented on our website **here**.

Currency

The strategy invests in the currencies of developing economies to support currency stability in order to influence better local socioeconomic development outcomes including empowering local governments, development institutions and individuals to build up economic and subsequently climate resilience.

ESG Counterparty Engagement Strategy ("ESG-CES")

Another plane of climate integration is within our Counterparty Bank Engagement Strategy, which aims to encourage banks to better align their activity with the interests of stakeholders by including an ESG screen as part of our counterparty selection process. Primarily, AI and third-party ratings are used to create an aggregate ESG score, allowing us to direct trade flow and reward more sustainable banks. To target climate change specifically, greenhouse gas emissions per revenue, CDP scores and BankTrack fossil fuel policy scores are assessed. The strategy aims to further encourage climate disclosures through penalties for non-disclosure. Central to this strategy is the concept of engagement, where our counterparty engagement team works collaboratively with the banks to improve on climate action and steer best practice, highlighting areas of key importance where either the bank or industry, or both, ought to improve in order to better serve the interests of the wider stakeholder.

Metrics and targets

What's in this section

Metrics and targets continued

Operational

Record's approach to transparency and reporting allows us to measure our impact on the environment, and set ourselves targets to do better.

Record annually reports its UK greenhouse gas emissions in line with the Streamlined Energy and Carbon Reporting ("SECR") regulation. The latest report can be found in our Annual Report. Going forward we will be publishing Record Group emissions data, including our New York and Zurich office data, so that we are accurately reporting progress towards our net-zero targets. Our carbon footprint across Record Group as a whole is also used to evaluate potential climate-related risks and opportunities.

Figure 3 shows how we have continuously reduced our greenhouse gas emissions since 2018, drastically decreasing in 2020 due to the pandemic. This year, Record made significant progress to reduce our Scope 2 emissions by becoming **100% renewable across our UK operations**. However, this reduction was offset by the increase in our Scope 3 emissions as we began to welcome employees back to the office, which resulted in us maintaining our level of emissions over the year. We expect our emissions to increase slightly again next year as we continue to get back to "normal" working practices post-pandemic, however we aim to keep this increase well below pre-pandemic levels through hybrid working and thoughtful business travel.

Investment

As a specialist currency and derivatives manager, there are a number of barriers to measuring and setting reduction targets for our investment-related emissions. Firstly, there is not yet any published standard methodology to measure carbon-related emissions in derivatives or currency investments. Secondly, since approximately 90% of our AUME lies in hedging mandates, there is no discretion with regard to which base currencies or underlying assets are hedged. Instead, we provide an overlay service and therefore cannot make strategic investment decisions that impact the carbon footprint of underlying investments.

Regardless, we are working in partnership with a number of independent investment impact assessors and verifiers to assess the extent to which we can implement rules-based processes to measure the carbon emissions related to our currency for Return strategies. The first phase of implementation we are exploring would be for our EMSF strategy, where we do have discretion over the allocation of capital.

Figure 3. Record Group greenhouse gas emissions (tCO_2e) since 2018

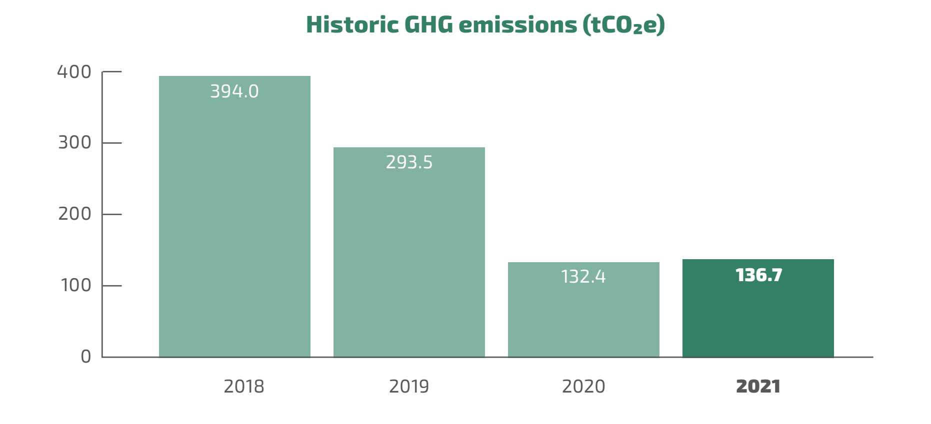
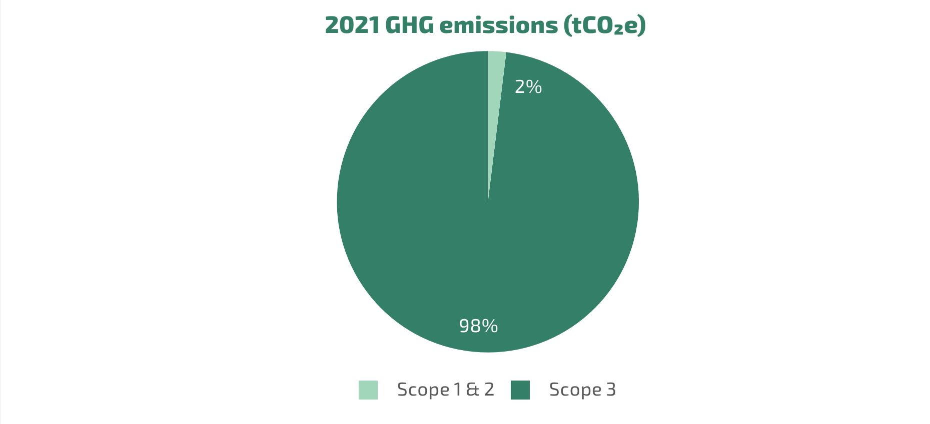


Figure 4. Record Group greenhouse gas emissions 2021 (tCO_2e) by scope



Metrics and targets continued

Net-zero targets

In order to continue our progress in this area, we have set ourselves the following net-zero targets:

Reach net-zero greenhouse gas emissions in our operations and value chain by 2050

Reduce Scope 3 emissions intensity[1] by 55% by 2030 against a 2019 baseline[2]

Since becoming 100% renewable across our UK operations this year, our Group Scope 2 emissions have dropped 96% from 2019 to 2.55tCO_2e. The residual emissions result from the office space we rent in Zurich and New York, which are considerably smaller than our headquarters in the UK. Our interim target therefore focuses solely on our indirect Scope 3 emissions, which make up 98% of our current carbon footprint, as shown in Figure 4.

In particular, business travel, commuting and home working are the three biggest contributors to our Scope 3 emissions and have been identified as priority areas of focus for reducing our emissions in line with our target.

1. Scope 3 emissions: business travel; premises waste water, and T&D losses; outbound deliveries; commuting; other upstream emissions; and home working.
2. Scope 3 emissions intensity is calculated as an absolute value of emissions divided by revenue.

Metrics and targets continued

Climate-related targets for 2022/2023

We have set ourselves a number of additional ESG targets which are published in this year's Sustainability Report 2021/2022, a number of which relate specifically to our four strategic climate change pillars. We aim to meet the below targets by the end of the next financial year on 31 March 2023.

Pillar 1: Net-zero transition within our operations and value chain

- Reduce paper consumption by 70% against 2019 baseline
- Replace 100% computer desktops with more energy efficient technology
- Donate or recycle all IT and office waste throughout our Windsor office downsize project

Pillar 2: Climate-integrated investment

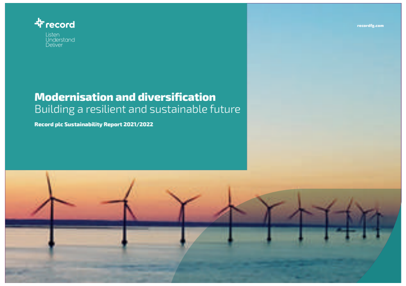
- Aim to have a consistent level of at least 80% of AUME within the Sustainable Finance Fund mandate allocated to sustainable impact bonds

Pillar 3: Climate-focused engagement with stakeholders

- Continue to engage on ESG issues with our counterparty banks and help them improve on their ESG performance

Pillar 4: Climate transparency and reporting

- Conduct a climate scenario analysis to publish in our next TCFD report



Read more in our Sustainability Report recordfg.com

Metrics and targets continued

Looking ahead into 2022/2023 and beyond

As we move through 2022, our commitment to climate action continues to be at the forefront of our agenda and we acknowledge it as a key priority area within our overall sustainability strategy.

We aim to enhance our understanding of climate-related risks and how these risks may impact our business by implementing frameworks which improve our ability to identify, measure and assess such risks. In line with this, we will be conducting a climate scenario analysis for our next TCFD report in order to review the resilience of our current strategy in line with different warming scenarios. In turn, we believe this will allow us to manage climate-related risk more effectively as well as help to further embed climate-related risk into our Group-wide risk assessment framework.

As we take steps to further integrate climate-related risks into our business frameworks, it's important that the potential business impacts of climate change are well understood at all levels of the business. Throughout 2022, we aim to empower our colleagues to lead with sustainable purpose through education on climate and sustainability issues. We will do this through a mixture of Company-wide sustainability modules as well as targeted deep dive sessions with the Board.

We will continue to take measures to reduce our emissions in line with our commitment to becoming a net-zero business, allowing our emissions reduction targets to guide us as we work with our stakeholders to support the transition into a low-carbon economy. Over the past year we have taken great strides in improving the sustainability of our office, becoming 100% renewable across our UK offices and moving to sustainable suppliers. However, with our workforce now working from home part-time, our focus going forward will be on encouraging our employees to implement sustainable behaviours outside of the workplace.

We intend to further explore our ability to measure our Scope 3 category 15 (investment) emissions as there are currently limitations due to the lack of standard methodology for measuring currency and derivative investments. We will work with external, independent assessors and verifiers to assess the extent to which we can implement rules-based processes to measure the carbon emissions related to our Currency for Return strategies. The first phase of implementation we are exploring is for our Record Emerging Market Sustainable Finance strategy. Over time, and as methodology develops, we expect to be able to expand this to assess our currency hedging mandates whilst also being a part of the discussion and thought leadership for developing such methodology.

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