
Engagement Policy

Emerging Market Sustainable Finance Fund

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Contents

Engagement policy	2
1. Scope	2
2. Approach to Engagement	2
3. Areas of Focus	3
4. Sustainable Investment Advocacy Groups	3
5. Prioritisation	4
6. Monitoring	4
7. Escalation Strategies	4

Engagement policy

1. Scope

This policy outlines the approach Record Currency Management Limited (“RCML”, “Record”, “We”) has adopted for integrating engagement activity within our investment process for our Emerging Market Sustainable Finance (“EMSF”) fund. The fund leverages Record’s expertise in currency management to deliver impact, whereby it invests in the currencies of developing economies as well as themed and conventional bonds issued by Multilateral Development Banks (MDBs) and other Development Finance Institutions (DFIs) with a track record of managing developmental capital in developing economies. This policy is designed to ensure our engagements deliver change that is consistent with the interests of our clients and wider stakeholders.

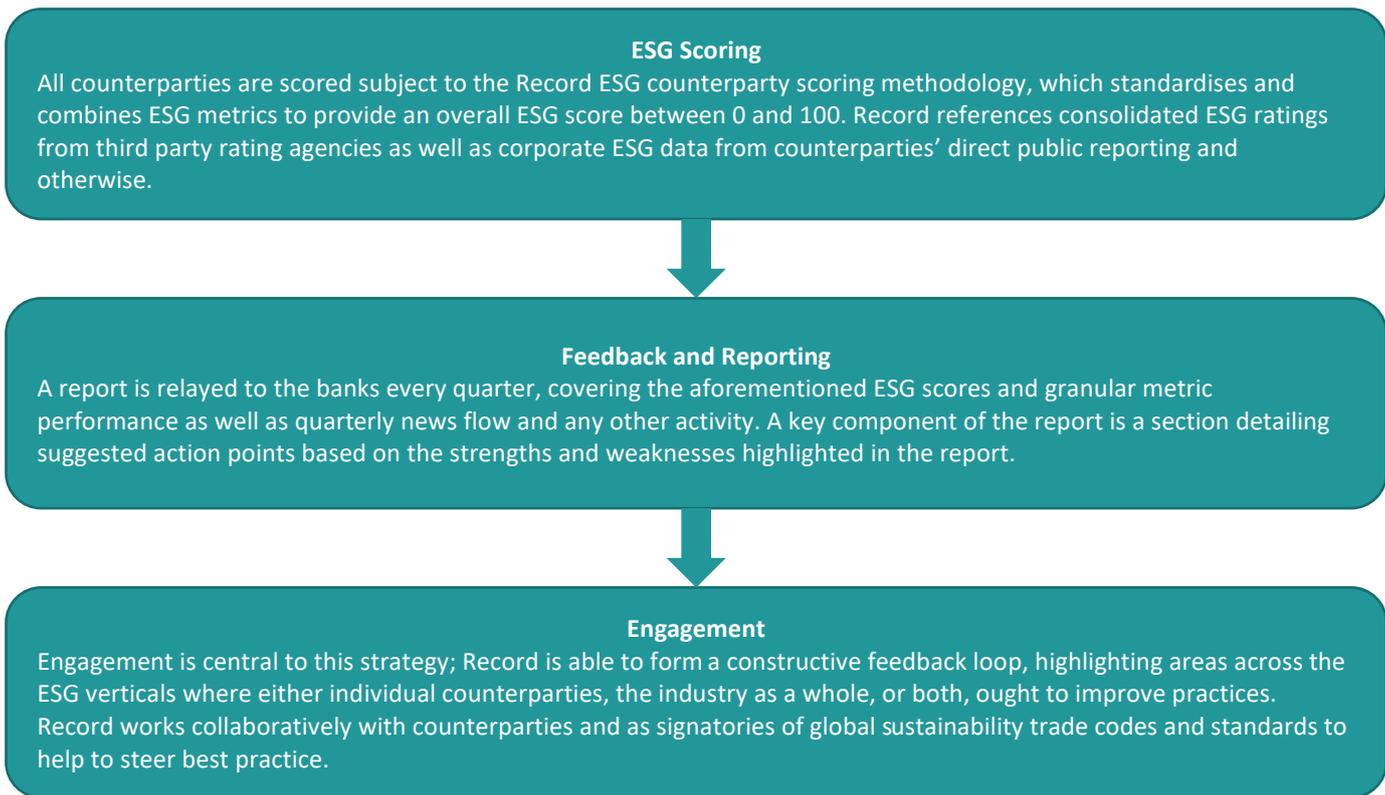
2. Approach to Engagement

Engagement forms a crucial part of our investment approach and is central to our responsible investment philosophy. Active engagement is an important lever to successfully integrate environmental, social and governance (“ESG”) factors into our investment process. Record believes effective engagement should encourage improvement in ESG practices where necessary and underpin decision-making with respect to portfolio management. Our driver for engagement is two-fold. Firstly, to support long-term returns by mitigating risk and capitalising on opportunities linked to responsible investment. Secondly, to generate positive impact aligned with the United Nations Sustainable Development Goals (SDGs), to promote sustainable growth and resilience.

The EMSF fund enacts a multi-channel approach to engagement, allowing us to have ongoing dialogue our investees as well as the counterparty banks who execute our FX strategy. Therefore, we implement our engagement activity across two strategies.

2.1. ESG-Counterparty Bank Engagement Strategy (ESG-CES)

Record has developed a holistic ESG-CES, which seeks to better align the activities of counterparty banks with the interests of key stakeholders through direct economic (dis)incentives. By assessing and quantifying the activities and associated disclosure of counterparty banks with respect to ESG factors, Record is able to pre-screen transaction counterparties and constrain business exposure, where necessary.



2.2. ESG Investee Engagement Strategy (ESG-IES)

The EMSF invests sustainable bonds issued by Multilateral Development Banks (“MDBs”) and other Development Finance Institutions (“DFIs”). MDBs provide financial support to economic and social development projects, and play a critical role in promoting economic stability in developing countries with the aim of helping them achieve their SDG targets. Record actively engages with investees on ESG matters that we believe impact the long-term prospects of the standalone entities and their stakeholders, particularly those in the countries in which they operate.

Drawing upon existing relationships with market agents, including intermediaries such as dealer banks, Record has been able to communicate the fund’s ambitions and investment approach directly to multilateral development banks and other development finance institutions. This is helpful in diversifying the pool of prospective investees and exploring unique avenues for structuring tailored instruments with direct, targeted impact at the fore. The fund is simultaneously bolstering long-term partnerships with development institutions through increasing engagement to explore impactful opportunities in currencies and bonds.

Engagement directly impacts investment decision-making through providing more comfort and familiarity around the investment universe and unearthing pockets of concern to be steered away from. Our portfolio managers and investment teams are responsible for the analysis and monitoring of MDBs across a number of ESG verticals. This information is gathered from various data and is supported through ongoing dialogue as a fundamental part of our investment strategy.

Record conducts ongoing monitoring of investees, considering both firm and bond-level (where relevant) matters, such as overarching strategy, on-lending allocation decisions, social and environmental impact, and corporate governance. Record also monitors investees to ensure adherence to global norms.

3. Areas of Focus

Whilst our engagement occurs across two very different types of institutions and is applied differently, the underlying themes and areas of focus remain consistent across both. These themes include:

- Socio-economic development
- Climate change
- Biodiversity
- Sustainable finance
- Just transition
- Human rights
- Corporate governance
- Controversies and breaches of international norms

4. Sustainable Investment Advocacy Groups

Record plays an active role in sustainability and responsible investing through our involvement with a wide range of market participants who promote sustainable investment practices. Record has been a signatory to the United Nations Principles for Responsible Investment (“UN PRI”) since 2018 and have adopted the six principles for responsible investing. In addition to the UN PRI, Record is a signatory to and/or a member of the following groups:

- CDP (previously Climate Disclosure Project)
- The Investment Association
- TCFD
- UN Global Compact
- Swiss Sustainable Finance
- FX Global Code

These organisations guide Record’s thinking around sustainability and their best practices form the basics of our engagement.

5. Prioritisation

In order to maximise the impact of our engagement and recognise that engagement opportunities present themselves in different ways, Record applies the following principles to guide our engagements:

Exposure

Across our portfolio Record holds different levels of exposure to our investees and counterparty banks. Therefore, we prioritise engagements with entities that are material to our portfolio. Typically, greater exposure represents increased likelihood of success for engagement.

Severity

Record prioritises engagements on issues that might present significant adverse impacts, and factor in including scale, scope and character.

Event-driven

Engagements may happen in reaction to scheduled or unscheduled events, such as annual general governance meetings, recent controversies in the media, or breaches of global standards such as the UN Global Compact or OECD guidelines for multinational enterprises.

6. Monitoring

To ensure calibrated engagement, Record relies on two key streams of monitoring: 1). Primary information, which is consumed from periodical reporting and securities marketing documentation, as well as interactions with counterparties and investees (including through the past engagements) and 2) Secondary information, which is consumed from derived research and metrics produced by third-parties, such as specialist ESG data providers.

The investment team monitors investees’ entity-level (and bond-level, where relevant) sustainability-alignment and counterparty (entity-level) alignment is assessed by the counterparty engagement officers. Both efforts are supported and overseen by Record’s Sustainability Office (SO).

Ongoing monitoring enables Record to maintain the relevance of its engagement agenda and aptly manage the emergence of new incidence or perceived agenda misalignment (which may have developed progressively) through Record’s ‘Escalation Strategies’ (section 7).

7. Escalation Strategies

In considering escalation of a new incident or perceived agenda misalignment, Record makes a case-by-case assessment of the relevance and impact of the matter, and how the investees and counterparty banks respond to engagement (within the frameworks outlined in sections 2.1 and 2.2., respectively).

Record takes the view that continued engagement and effecting incremental improvement is likely to be more effective than outright divestment or exclusion; Record looks to promote positive outcomes in its engagement, and supports this ambition through economic incentives (prospective investment and flows for investees and counterparties, respectively). However, if a matter of severity is identified by the portfolio managers which is in direct conflict with the fund’s impact mission, it would be escalated to the Investment Management Group (“IMG”) to reassess the status of an entity (or particular bond, where relevant) within the investment portfolio (for investees) or as a provider of risk instruments (for counterparties).



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