record

Listen
Understand
Deliver

Record Financial Group

Building a resilient and sustainable future

Record plc | Climate-Related Disclosures Report 2024

For the year ending 31 March 2024

recordfg.com

Our purpose

Leveraging our 40 years of experience and expertise in currency management, we were able to identify opportunities to expand into the asset management sphere, fuelled by the same spirit of curiosity that sparked the Company's inception.

While continuing to provide our esteemed currency management products, we now proudly extend our offerings to encompass a range of asset management solutions. At the heard of our approach is a genuine connection to our clients, ensuring individual needs are not just met, but exceeded, with unique tailored solutions crafted with care and excellence.

Contents

Record at a glance

Specialist currency and asset manager offering best-in-class bespoke products to large global investors.

Our business

$102.2bn

Total assets under management ("AUM")

$100.9bn

AUM in currency management

Record's family of currency products are centred on highly bespoke risk management solutions, trading various FX instruments globally across developed, emerging and frontier markets to best suit the evolving currency requirements of our clients.

$1.3bn

AUM in asset management

Asset Management at Record provides private market, yield-enhancing strategies to intuitional investors across EM Debt, Digital Lending, Private Credit and Infrastructure asset classes, offering sustainable and customisable structuring and delivery infrastructure.

Our firm

100+

institutional clients

101

Employees

across London, Windsor, Zurich, Frankfurt, New York, and Amsterdam.

Geographical markets

Continental Europe

$69.9bn

68%

North America

$20.7bn

20%

United Kingdom

$6.8bn

7%

Rest of the world

$4.8bn

5%

Our values

Listen

A client-focused approach

Understand

Using strengths and experience developed over 40 years in business

Deliver

Unique, innovative and sustainable solutions

Introduction

In 2023, we experienced the hottest year in recorded history.

The world continued to grapple with the far-reaching consequences of climate change; from extreme weather events wreaking havoc on communities to accelerating biodiversity loss and escalating sea level rise, the impacts of a warming planet were starkly apparent across the globe. As nations endeavour to meet ambitious emission reduction targets and collaborate on international agreements, there is a pressing need to empower communities and catalyse meaningful change in the global response to this crisis.

The purpose of this report is to disclose how we identify, assess and manage the exposure of our business to climate-related risks and opportunities. We are pleased to again be publishing our climate report, which is written in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD"). The report comprises four thematic areas: Governance, Strategy, Risk Management, and Metrics and Targets, under which the TCFD recommendations are designed to solicit in-depth, forward-looking climate disclosures.

With our investment activity predominantly in currency management, where the concept of climate-related risks and opportunities is not well developed, our ability to disclose against the asset manager-specific recommendations is limited. Therefore, our disclosures primarily relate to the Group's business operations, however we aim to address the asset manager-specific recommendations wherever possible.

TCFD summary

Governance

Recommendations	Current status	Key areas of progress	Page
Describe Board-level oversight of climate-related risks and opportunities.	Compliant	• The Record plc Board is responsible for governing and overseeing the Group's business strategy, and providing oversight, control and monitoring of its operations and risks. As part of this function, the Board oversees climate-related risks and opportunities. • Other Board-level Committees have oversight responsibilities for climate-related risks and opportunities. • The Board has delegated responsibility for the delivery of the Group's climate change strategy to the Senior Sustainability Office.	See more on pages 7 to 10
Describe management's role in assessing and managing climate-related risks and opportunities.	Compliant		

Strategy

Recommendations	Current status	Key areas of progress	Page
Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term.	Compliant	• We have identified potential climate-related risks and opportunities which may arise over the short, medium and long term, and use this assessment to inform our climate change strategy. • We have undertaken a qualitative climate-scenario analysis using the globally recognised Network for Greening the Financial System ("NGFS") – "Current Policies", "Net Zero 2050" and "Delayed Transition".	See more on pages 12 to 22
Describe the impact of these climate-related risks and opportunities on the organisation's business, strategy and financial planning.	Compliant		
Describe the resilience of the organisation's strategy, taking into account different climate-related scenarios, including a 2°C or lower scenario.	Compliant		

Key:

Compliant   Partially compliant

TCFD summary continued

Risk management

Recommendations	Current status	Key areas of progress	Page
Describe the organisation's processes for identifying and assessing climate-related risks.		• The process of identifying, assessing and managing climate-related risks is embedded into our Group-wide Business Risk Framework, which operates a three lines of defence approach. • Climate-related risks are considered within our existing principal risk categories.	See more on pages 23 to 25
Describe the organisation's processes for managing climate-related risks strategy and financial planning.			
Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management.			

Metrics and targets

Recommendations	Current status	Key areas of progress	Page
Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.		• We report Scope 1, 2 and 3 GHG emissions and this year provide a more detailed breakdown of Scope 3 emissions. • We report progress against an interim emissions reduction target.	See more on pages 26 to 29
Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas ("GHG") emissions, and the related risks.			
Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.			

Key:

Compliant Partially compliant

Governance

What's in this section

Board oversight

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 oversight at the highest level of the Company.

Board oversight

Record plc Board of Directors
The Record plc Board of Directors is responsible for governing and overseeing the Group's business strategy, and providing oversight, control and monitoring of its operations and risks. As part of this function, the Board oversees sustainability and climate-related risks and opportunities. The Board reviews disclosures made in our sustainability and climate-related reports and receives quarterly updates from our Senior Sustainability Office, enabling them to provide rigorous challenge to management on the mitigation of risks and ensuring we are ambitious in our sustainable commitments.

Board-level Committees

Group Audit Committee
Record's Audit Committee monitors and reviews the Group's financial statements as well as the effectiveness of our internal controls for risk management, including sustainability and climate-related risks and opportunities. The auditing process for our Annual Report and Accounts includes a review of our approach to the TCFD by the Audit Committee.

Group Nomination Committee
The Nomination Committee is responsible for succession planning, appointments to the Board and Board evaluation. The Committee evaluates Board competency across several topics, including sustainability and climate issues.

The most recent Board evaluation led to a two-part training programme to better equip the Record plc Board of Directors to oversee the adoption of our sustainability strategy across the Company, which includes climate action as one of its three strategic pillars.

The first session was run in partnership with an external company and introduced the sustainability landscape, including an assessment of our peer group and best practice with respect to Board accountability. The second session aimed to highlight important elements of our internal sustainability strategy, reflecting on progress towards our sustainable commitments and future ambitions.

Remuneration Committee
The Remuneration Committee designs the policy to align employee performance with remuneration, including performance against sustainability and climate-related metrics for those in relevant areas and levels of responsibility. Performance against sustainability and climate-related objectives therefore forms part of the performance review process and is tied to key remuneration decisions, driving a consistent approach to the execution of sustainability across the Group.

Record Currency Management Limited ("RCML") Investment Committee
The Investment Committee is responsible for oversight of RCML's investment activities, investment performance and risk management, including the management of environmental, social, governance and climate-related risks where relevant. The Investment Committee meets several times in the year to review long-term performance of current products, approve any proposed strategies or agree on revisions to current strategies.

Management responsibilities

Group Senior Sustainability Office ("SSO")

The Record plc Board of Directors has delegated accountability for determining the Group's sustainability strategy and prioritising progress to the SSO. The SSO is formed of key senior managers who take responsibility for proactively integrating sustainable practices across the Group. The SSO approves Record's sustainability strategy, and as such has reviewed and approved our climate change strategy and our TCFD disclosures. The SSO meets at least quarterly to make decisions on sustainability and climate-related topics, considering recommendations and approving proposals from the Sustainability Manager.

Sustainability Manager

The Sustainability Manager is responsible for driving progress against the sustainability strategy, taking recommendations and proposals to the SSO and implementing actions as approved. The Sustainability Manager acts as conduit between the Sustainability Committee and the SSO, co-ordinating sustainability efforts and aligning goals across the Group.

Sustainability Committee

The Sustainability Committee is a broader resource group that seeks to gather ideas and recommendations from across seniority and teams within the business, as well as taking responsibility for implementing sustainability and climate initiatives. The Committee is comprised of officer roles which represent key areas across our three pillars of sustainability: responsible investment, climate action, and our people. Officers meet with the Sustainability Manager on a regular basis to identify opportunities for sustainable improvement and collaborate on sustainability goals aligned with their respective key area.

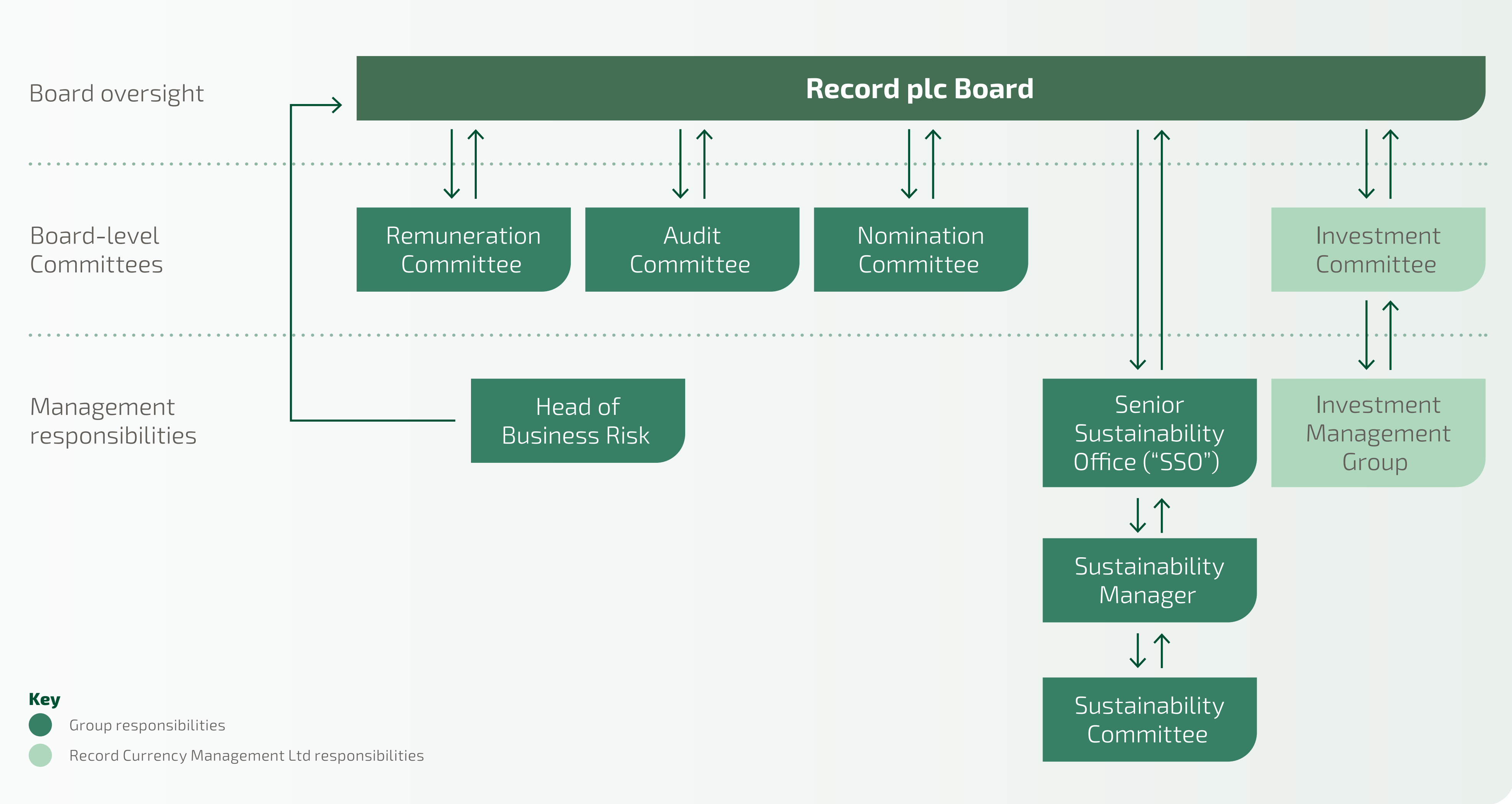
Head of Business Risk

The Head of Business Risk monitors sustainability and climate-related risks on an ongoing basis within the Group-wide Business Risk 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.

RCML 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 environmental, social, governance and climate-related risks 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.

Governance organisation chart



Strategy

What's in this section

Net-zero transition

We are committed to taking the vital step to reach net-zero. We have therefore set the following targets:

01

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

02

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

These targets were developed using science-based methodology and are aligned with limiting global warming to 1.5°C. When we first published this target in our FY-22 report, we had already reduced our Scope 2 emissions significantly by becoming 100% renewable across our UK operations. Our interim target therefore focuses solely on our indirect Scope 3 emissions, which at the time made up 98% of our carbon footprint.

We disclose progress towards our emissions reduction targets on page 28 of this report.

1. Scope 3 emissions: business travel; premises waste, transmission and distribution losses; outbound deliveries; commuting; other upstream emissions; and homeworking.
2. Scope 3 emissions intensity is calculated as an absolute value of emissions divided by revenue.

Net-zero transition continued

Emissions reductions principles

Renewable energy

We currently operate on 100% renewable energy through the use of Renewable Energy Guarantees of Origin ("REGOs") and other Energy Attribute Certificates ("EACs"). Purchasing these 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 several standards and bodies including the GHG Protocol, CDP and RE100 as a method to reduce Scope 2 electricity emissions.

Responsible travel

We promote responsible business travel, asking employees to always evaluate their need to travel and assess alternative, greener options where viable. Our travel booking agency provides quarterly reports on business travel and related GHG emissions which are monitored to frequently assess whether employees are prioritising sustainable travel.

We continue to adopt a hybrid working arrangement, which has allowed us to significantly reduce our commuting emissions. Alongside this we have several 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.

Energy efficiency

Record has invested in several energy efficient technology alternatives. Our personal laptops are all Energy Star certified, which means they have been third-party certified as using 25-40% less energy than conventional models. We have moved to a cloud-based server that uses less energy and has its own commitments to reduce energy consumption through continuous innovation, infrastructure upgrades, and maximising the impact of key sustainable technologies across their data centre portfolio.

All Record offices are in shared buildings where energy efficiency measures are centrally managed and largely out of our control. However, the office space we rent in London is BREEAM certified (rated as Excellent) and is therefore considered to be highly energy efficient. We also engage with our building managers and work with them to introduce more energy efficient alternatives where we can.

Minimising office waste

Record reviews suppliers to ascertain whether there are more environmentally sustainable alternatives. In line with this, we purchase our office snacks and fruit from businesses who use recyclable packaging only. We switched from buying plastic milk bottles to refillable glass bottles, reducing the amount of one-use plastic goods purchased. Last year our goal was to reduce paper consumption, and we met this 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.

ULEV car scheme

Our ultra-low emission ("ULEV") car benefit scheme allows Record employees to lease a brand new car whilst receiving income tax and NI savings through salary sacrifice. Our commitment to sustainability is at the heart of the employee benefit, with the green scheme only supporting the purchase of ultra-low emission cars (<75g CO_2/km) from a fully electric or hybrid range. Along with the government tax benefits on green cars, we hope the green scheme will encourage employees to swap out their petrol or diesel cars for a fuel-efficient, more sustainable option.

Net-zero transition continued

Carbon offsetting projects

Each year, we collect data and work with a carbon accounting company to measure, evaluate and offset 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 17 years. The projects are independently verified by standards such as the Gold Standard and undergo a ten-step quality assurance process by our carbon partners to ensure environmental integrity.

Degraded grasslands afforestation, Uruguay

Natural climate solutions, afforestation/reforestation

Verified under:
Verified Carbon Standard and Climate, Community and Biodiversity standard

The project combines sustainable forestry with cattle grazing. Trees are planted on higher and more degraded land, reducing topsoil degradation, while cattle graze the lower areas.

The project promotes sustainable timber creation and contributes to increasing afforestation rates globally.

Rivas wind power, Nicaragua

Sustainable infrastructure, renewable energy project

Verified under:
Clean Development Mechanism and Gold Standard

This project promotes the transfer of environmentally sound technologies to a developing country, helping the Nicaraguan electrical grid grow with sustainable sources of power.

Chinese afforestation, China

Natural climate solutions, afforestation/reforestation

Verified under:
Verified Carbon Standard and Climate, Community and Biodiversity standard

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.

Climate-integrated investment

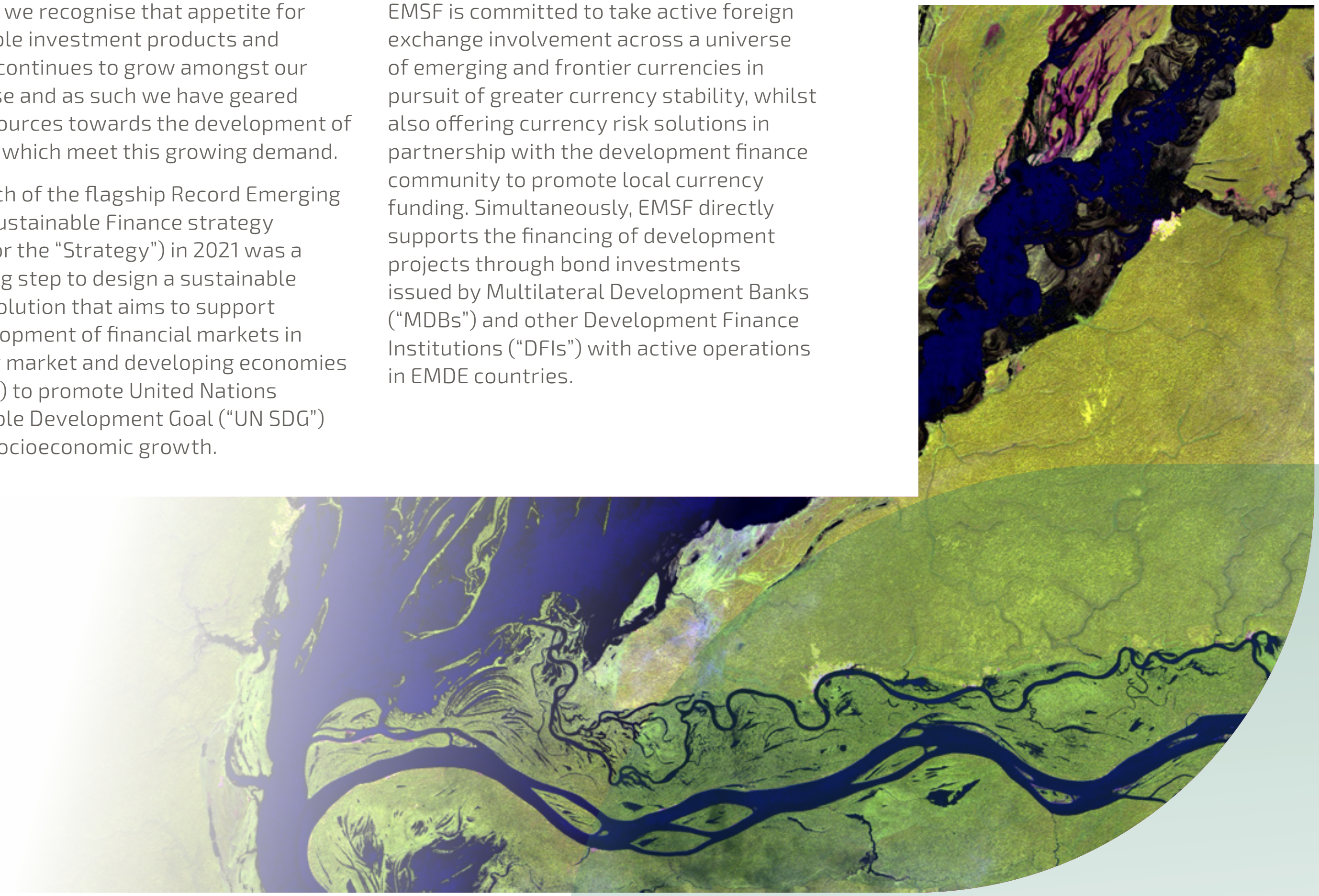
Record has long been a company that places sustainability and corporate responsibility firmly at the heart of its priorities. Responsible investment is therefore a natural extension of this corporate philosophy and forms a key pillar of our sustainability strategy.

Our core business has traditionally been within the currency management space and over 90% of our AUM are in currency hedging mandates, where we have no discretion over the base currencies being hedged or management of underlying assets, limiting our ability to integrate climate factors into our investment decisions.

However, we recognise that appetite for sustainable investment products and services continues to grow amongst our client base and as such we have geared more resources towards the development of products which meet this growing demand.

The launch of the flagship Record Emerging Market Sustainable Finance strategy ("EMSF" or the "Strategy") in 2021 was a pioneering step to design a sustainable finance solution that aims to support the development of financial markets in emerging market and developing economies ("EMDEs") to promote United Nations Sustainable Development Goal ("UN SDG") aligned socioeconomic growth.

EMSF is committed to take active foreign exchange involvement across a universe of emerging and frontier currencies in pursuit of greater currency stability, whilst also offering currency risk solutions in partnership with the development finance community to promote local currency funding. Simultaneously, EMSF directly supports the financing of development projects through bond investments issued by Multilateral Development Banks ("MDBs") and other Development Finance Institutions ("DFIs") with active operations in EMDE countries.



Climate-integrated investment continued

EMSF strategy

The EMSF strategy has positive contributions to climate mitigation and adaptation in EMDE countries. Improvements in currency stability contribute to economic growth in parts of the world which are particularly adversely impacted by climate change and will support their ability to adapt to climate change.

At the same time, portfolio issuers are committed to align their lending activities with the UN SDGs, the Paris Agreement and the Operating Principles for Impact Management. They have set high targets for climate finance in addition to other sustainable outcomes. Projects approved are required to meet a comprehensive and strict set of environmental, social and governance performance requirements, covering key areas of sustainability and ensuring socially and environmentally sound development.

In 2022, MDBs provided around $60.9 billion in climate finance to low and middle-income economies. Of this total, more than $38.2 billion (63%) was for climate change mitigation and more than $22.7 billion (37%) for climate change adaptation[1].

We have developed proprietary methodology to demonstrate the UN SDG-aligned impact that can be attributed to the bond investments in our portfolio. The methodology consolidates data across all UN SDG-aligned indicators reported on by our portfolio issuers and calculates the attributable EMSF impact by factoring in the fund's financial contribution in bond investments as a proportion of each issuers outstanding loan book.

We have developed proprietary methodology to estimate the UN SDG-aligned impact that can be indirectly attributed to the bond investments in our portfolio. The methodology consolidates data across all UN SDG-aligned indicators reported by our portfolio issuers and calculates the attributable EMSF impact by factoring in the fund's financial contribution in bond investments as a proportion of each issuers outstanding borrowing operations in global capital markets.

Achieved impact data is derived from actual results reported for projects during the reporting year, whilst expected impact estimates data based on new financing commitments made in the reporting year. Data is taken from the most recent reports available on the investees' website.

	Achieved impact (in thousands)	**Expected impact (in thousands)**
GHG emissions reductions	66,164 tCO_2e	38,089 tCO_2e
Number of beneficiaries of enhanced disaster and climate change resilience	2,188	18,981

	Achieved impact (in thousands)	**Expected impact (in thousands)**
Installed renewable energy capacity	28 MW	43 MW
Terrestrial, coastal and marine areas conserved, restored and/or enhanced	577 ha	1,873 ha

UN SDGs

13 CLIMATE ACTION
7 AFFORDABLE AND CLEAN ENERGY
14 LIFE BELOW WATER
15 LIFE ON LAND

Please see pages 33 to 34 in our impact report for details on methodology and other UN SDG contributions.

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.

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. With respect to our environmental assessment, we collect data on counterparty GHG emissions, fossil fuel policies, as well as third-party ratings including CDP and the Bloomberg Environmental Disclosure score.

This year we engaged with 60% of the counterparty banks that we traded with in FY-24 across a variety of sustainability topics and had 32 ESG engagement meetings in total. A key topic in many of our engagements continues to be the transition to net-zero, particularly with respect to the counterparties' financing activities in line with the Net-Zero Banking Alliance.

CDP supplier engagement rating

CDP evaluates organisations' engagement with their suppliers on climate change. Purchasing organisations have the potential to incentivise significant environmental changes through engagement with their suppliers. By evaluating supplier engagement and recognising best practice, CDP aims to accelerate global action on supply chain emissions. We received a B- for supplier engagement, scoring above the financial services sector and global average, and in line with other European companies, demonstrating co-ordinated action on supplier engagement issues.

Supplier Code of Conduct

Record is a signatory to the United Nations Global Compact ("UNGC") and has developed a Supplier Code of Conduct in line with their ten principles in the areas of human rights, labour, environment and anti-corruption. This code is used as a guide to collaborate with our suppliers in the promotion of responsible business practices and sets out the minimum standard of conduct we expect from our suppliers. We are committed to working with suppliers by making recommendations and/or reviewing corrective action plans to ensure compliance.

With respect to the environment, we aim to manage our impact throughout our value chain and therefore expect our suppliers to promote environmentally responsible practices. Specifically, at a minimum, we expect suppliers to:

- comply with all applicable environmental laws and regulations;
- identify environmental risks, impacts and responsibilities in an environmental policy, statement or programme; and
- take reasonable steps to minimise greenhouse gas emissions and reduce their environmental impact.

With the implementation of our new supplier management platform, we aim to be able to better engage with our suppliers on all areas of sustainability.

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 Sustainability Manager is responsible for monitoring emerging climate disclosure regulations and works with our Compliance and Business Risk departments to ensure the Group maintains compliance with new and existing legislation. One way we do this is by going beyond regulatory compliance and working to continuously improve the quality of our voluntary climate-related disclosures.

Our first TCFD report was disclosed in 2020 within our inaugural **Sustainability Report** and over the last four years we have used the TCFD recommendations to guide the development of our climate strategy and improve our climate-related disclosures.

We use voluntary climate disclosure frameworks and standards to benchmark our performance against industry peers. These reporting mechanisms play an important role in allowing us to review progress and provide direction in developing our reporting. In particular, the CDP offers a platform to provide comprehensive and focused reporting on climate change, promoting best practice.

Memberships and affiliations

CDP DISCLOSURE INSIGHT ACTION	CDP is a non-profit charity that runs a global disclosure system for investors, companies and cities to report on and manage their environmental impacts. We received a B- in this assessment year period and will continue to improve our disclosure.
UN Global Compact	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.
TCFD Task Force on Climate-Related Financial Disclosures	Record is a supporter of and reports in line with TCFD recommendations to assess climate risks and opportunities.
PRI Principles for Responsible Investment	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.
Swiss Sustainable Finance	Swiss Sustainable Finance aims to promote sustainability within Swiss financial institutions.
FX GLOBAL CODE	We are committed to a set of global principles of good practice in the foreign exchange market, promoting integrity and its effective functioning.
Certified CarbonNeutral Global Standard CarbonNeutral.com	Record has been certified as CarbonNeutral® through purchasing carbon offsets in accordance with the CarbonNeutral® Protocol, the leading framework for carbon neutrality.

Climate-related risks and opportunities

In accordance with TCFD recommendations we have identified actual and potential climate-related risks and opportunities across both:

Physical risks: related to the physical impacts of climate change and 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 heatwaves.

Transitional risks: related to the transition to a lower-carbon economy and can entail the political, legal, technology and market risks associated with adapting to the transition.

The table provides an overview of the actual and potential risks and opportunities which we have identified to be relevant to our business and therefore have been integrated within our Group-wide risk management framework. Each risk and opportunity has been considered in terms of the financial materiality time horizon it could occur in: short term (0–1 year), medium term (1–5 years) and long term (over 5 years).

Risk

Risk type	Risk description	Financial impact	Time horizon	Mitigation strategy
Policy and legal	Enhanced climate-related reporting obligations	Low financial impact: Increased cost of data gathering, analysis and publication	Medium term	• Climate-focused engagement with stakeholders • Climate transparency and reporting
	Increased pricing of GHG emissions and carbon offsets	Low financial impact: Increased operational costs	Medium term	• Net-zero transition within our operations and value chain
Technology	Additional cost to transition to lower emissions technology	Low financial impact: Increased capital expenditure	Medium term	• Net-zero transition within our operations and value chain
Reputational	Increased stakeholder concern or negative stakeholder feedback on climate-related action or inaction	Medium financial impact: Decreased revenue due to loss of clients	Medium term	• Net-zero transition within our operations and value chain • Climate-integrated investment • Climate-focused engagement with stakeholders • Climate transparency and reporting
Acute physical	Increased severity and incidence rate of extreme weather events which create potential damage to our offices and create transport difficulties for employees	Medium financial impact: Reduced revenue due to transport difficulties and damage to facilities	Medium term	Whilst not specifically addressed in our climate strategy, a number of actions have been taken to mitigate this risk, including: • An established business continuity process • Flexible working and remote working ability • Insurance for buildings • Data centre moved to cloud-based server with increased protection
Chronic physical	Overall shifts in climatic behaviour resulting in long-term changes in temperature and precipitation patterns	Medium financial impact: Increased operational costs	Long term	• Limited ability to mitigate against this risk presently, however Record monitors developments and potential risk in this area

Key

- Low financial impact
- Medium financial impact
- High financial impact

Climate-related risks and opportunities continued

Opportunity

Opportunity	Opportunity driver	Primary financial impact	Time horizon	Opportunity strategy
Products and services	Development of low-emissions/ climate-focused products	Increased revenue from increased demand for products and services	Short term	• Climate-integrated investment
	Access to new markets in development of low-emissions/ climate-focused products	Increased revenue	Short term	• Climate-integrated investment
Resource efficiency	Move to more energy efficient technology to allow for more modern ways of working	Reduced operational costs	Short term	• Net-zero transition within our operations and value chain
	Move to more efficient buildings. Energy efficient buildings are modern and provide a better working environment	Reduced operational costs	Short term	• Net-zero transition within our operations and value chain

Key

- Low financial impact
- Medium financial impact
- High financial impact

Scenario analysis

We have conducted a scenario analysis to assess the financial risk posed to Record across different transition pathways (scenarios) which each conclude different outcomes based on several projected variables. These variables include greenhouse gas emissions, government intervention, uptake and innovation of technology, and economic growth. Each scenario has a different level of global temperature rise and different economic, environmental and social outcomes as a result of said temperature rise across both the short and long term. The three scenarios selected were developed by the globally recognised Network for Greening the Financial System ("NGFS") – "Current Policies", "Net Zero 2050" and "Delayed Transition".

This scenario analysis focuses mainly on operational impacts of climate change, rather than impacts related to the performance of our investments, due to the fact our investments are predominantly in currency hedging mandates.

Climate change impact	Physical risk		Transitional risk	
	Short-term impact (now to 2030)	Long-term impact (2030 to 2080)	Short-term impact (now to 2030)	Long-term impact (2030 to 2080)
Net-zero by 2050 Net-zero by 2050 is an ambitious scenario that limits global warming to 1.5°C through stringent climate policies and innovation, reaching net-zero CO_2 emissions around 2050. This scenario assumes that ambitious climate policies are introduced immediately and increase in all jurisdictions over the long term. Net CO_2 emissions reach zero around 2050, giving at least a 50% chance of limiting global warming to below 1.5°C by the end of the century, with no or low overshoot (<0.1°C) of 1.5°C in earlier years.	There may be increased incidence and severity of weather events. However, the impact of this will be minimal across our office locations across both the short and long term.		Transitional risks are higher in the short term due to immediate action. There is ongoing policy and regulatory changes, increasing legal and policy risk. Carbon Dioxide Removal ("CDR") is available but kept at a minimum, increasing carbon prices in the short term. A more orderly transition allows countries to adapt economic systems towards a low carbon economy, creating opportunities for economic growth which will be good for markets.	
Delayed transition Delayed transition assumes global annual emissions do not decrease until 2030. Strong policies are then needed to limit warming to below 2°C. Negative emissions are limited. This scenario assumes new climate policies are not introduced until 2030 and the level of action differs across countries and regions based on currently implemented policies, leading to a "fossil recovery" out of the economic crisis brought about by covid-19. As a result, emissions exceed the carbon budget temporarily and decline more rapidly than in well-below 2°C after 2030 to ensure a 67% chance of limiting global warming to below 2°C. This leads to both higher transition and physical risks than the net-zero by 2050 scenario.	There may be increased incidence and severity of weather events. However, the impact of this will be low across our office locations in the short term. The risk in the long term increases slightly compared to the net-zero by 2050 scenario, due to the fact the outcome of this scenario is limiting to 2°C rather than 1.5°C.		Transition risks are low in the short term due to lack of policy changes and regulation; however this risk increases significantly in the long term due to the speed and severity of response required. Therefore, late but fast-changing policy and regulation increases legal and policy risk. Further, the availability of CDR technologies is assumed to be low, pushing carbon prices higher than in net-zero by 2050 which will generate increased capital expenditure. Aggressive changes to economic and energy systems will create negative economic impacts in the long term.	

Key:

Low Medium High

Scenario analysis continued

Resilience statement

The output of forward-looking scenario analysis allows us to better understand how climate-related risks and opportunities could impact the Group. The assessment indicated that physical risks could have a more significant impact in the current policies scenario, whilst transitional risks will be greater in the net-zero by 2050 and delayed transition scenarios. We recognise that our scenario analysis will be developed over time, and we will continue to integrate the findings into our Group-wide Business Risk Framework to ensure that mitigation measures are in place for any residual risks that could impact the Company's resilience to climate-related risks.

Our commitment to reach net-zero by 2050 demonstrates our alignment with this transition pathway, and we are taking immediate steps to ensure we mitigate the transitional risks identified in line with our climate change strategy.

	Physical risk		**Transitional risk**	
Climate change impact	Short-term impact (now to 2030)	Long-term impact (2030 to 2080)	Short-term impact (now to 2030)	Long-term impact (2030 to 2080)
Current policies	●	●	●	●
Current policies assumes that only currently implemented policies are preserved, leading to high physical risks. Emissions grow until 2080, leading to about 3°C of warming and severe physical risks. This includes irreversible changes such as higher sea level rise. This scenario can help central banks and supervisors consider the long-term physical risks to the economy and financial system if we continue on our current path to a "hot house world".	There may be increased incidence and severity of weather events, although the impact of this will be low across our office locations in the short term. However, over time, this risk increases. There is increased risk of heatwaves which can impact workforce productivity. Many countries across the globe will have increased exposure to flooding, droughts and tropical cyclones. Whilst this is less likely to impact our office locations, it could disrupt our clients and suppliers.		Transition risks are low and continue to be low over the long term due to lack of action and policy. Carbon prices do not increase and there is no implementation of new policies and regulation. Due to limited policy, there is only a minor impact to economic growth.	

Key:

● Low ● Medium ● High

Risk management

What's in this section

Group-wide risk management framework

We operate three 'lines of defence' in the management of risk.

We assess climate-related risk as an integral part of our Group-wide Business Risk Framework ("BRF"), which is subject to Board oversight. The SSO and Sustainability Manager work with the Head of Business Risk on an ad-hoc basis to evaluate any identified climate-related risks within the BRF. The risk register considers climate-related risks within our existing principal risk groups: strategic, operational, systems, investment and people risk. The risk register is regularly monitored, and any risks deemed as material and/or outside of risk appetite are shared with the Board for review along with any remedial action if appropriate. The Board undertakes an exercise to review its appetite for identified risks every two years at a minimum.

Record plc Board

Business risk oversees the BRF

Third line of defence

Independent assurance on the adequacy and effectiveness of the BRF's risk control and governance processes. This is carried out by the Group's appointed internal auditor, who also annually tests all operational and systems controls. Additional independent assurance for shareholders is gained through the annual statutory external audit.

Second line of defence

Oversight functions monitor activity against clear policies and procedures, to ensure compliance and to provide assurance and oversight for the Board.

- Finance
- Business risk
- Legal
- Compliance
- Front office risk

First line of defence

Senior managers and business operations are responsible for the implementation and maintenance of an accountable risk and control environment, adhering to quality standards and regulatory requirements.

Risk management process

Identification

All staff, line managers and senior management have a responsibility for identifying risks. Once identified, the risk must be clearly defined and ownership assigned. The process for identifying climate-related risks is primarily addressed by the Sustainability Manager and the wider Senior Sustainability Office ("SSO"). Climate-related risks are discussed on an ad-hoc basis at the SSO, as and when they arise or if there are related developments attached to a previously identified risk.

Assessment

Once a risk is identified, an assessment must be made of the probability that the risk will materialise and the potential financial impact should the risk materialise. As most of our risks are not quantifiable or cannot be captured through a model, the BRF defines risks qualitatively, with an assessment of materiality and comparison with appetite undertaken on a judgement and collaborative basis.

Risk appetite

Risk appetites are agreed by the Board and reviewed as-and-when, with a minimum review requirement of every two years. When setting risk appetite, the Board considers: the activities of the business and the capabilities of the firm in each of these activities; the objectives for the business and plans in place to meet these objectives; the regulatory environment in which the firm operates; and external factors that may affect the business.

The risk appetite process also defines escalation triggers for each risk. Where an incident poses a potential impact which exceeds the escalation trigger for the respective applicable risks, this is automatically escalated to the corresponding Managing Committee.

Monitoring

The risk owners are responsible for reporting on the status of the risks within their responsibility, which includes the measurement of the risk against the Board's approved risk appetite. Risk owners are also responsible for ensuring the timely escalation to the appropriate forum where the risks are exceeding, or in their opinion are likely to exceed, the Board's approved risk appetite. The monitoring of risk should be forward-looking, seeking to identify evolving risks, and to make timely assessment, categorisation and mitigation of such risks.

Mitigation

It is not possible to fully mitigate risk, neither is it necessarily desirable. Nevertheless, the Business Risk Framework maintains a Mitigations Log to ensure risks are managed within their respective risk appetite. Record's climate change strategy aims to mitigate climate-related risks and capitalise on opportunities. An overview of how each strategic pillar relates to identified risks and opportunities is outlined on pages 19 to 20.

Metrics and targets

What's in this section

Our operational carbon footprint

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

The table below presents our greenhouse gas ("GHG") emissions across the Group.

Our progress[2]

	Baseline[3]	FY-23	**FY-24**
Scope 1 and 2	63	6	**11**
Scope 3[1]	231	235	**421**
Total emissions (tCO_2e)	294	242	**433**

Progress against 2030 target	Baseline[3]	**FY-24**	% change	Target
Scope 3 tCO_2e/thousand GBP revenue	0.00944	**0.00927**	-1.8%	-55%

When setting our emissions reduction target in FY-22, we anticipated a short-term increase in emissions as Record embarked on a growth phase, a phase in which we are still in the midst of. To accommodate this growth, we incorporated an intensity measure in our interim target linked to revenue. However, we do expect to see a shift towards absolute emissions reductions in the long term, driven by adherence to our emissions reduction principles and aided by government intervention and new technologies.

Our most recent assessment shows our absolute GHG emissions footprint has increased compared to last year and our baseline year. This increase is primarily attributable to the expansion of our workforce, movement to a larger London office, and the establishment of a new office in Frankfurt. The uptick in Scope 3 emissions reflects our growing presence outside of the UK, which involved the recruitment of new employees and forming international partnerships in key locations including New York, Switzerland and Germany. This has led to increased business travel as we integrate our new colleagues into the business and support face-to-face meetings with our partners.

Despite increasing our office space, we have made significant strides in reducing our Scope 2 emissions compared to our baseline by transitioning to 100% renewable energy across our offices globally through the utilisation of Energy Attribute Certificates ("EACs"). The remaining direct emissions, classified as Scope 1 emissions, primarily stem from the consumption of fuel for office heating purposes and have increased compared to last year in accordance with increased office space.

A detailed breakdown of our emissions can be found in the Greenhouse gas emissions report published on pages 31 to 32.

1. Scope 3 emissions: business travel; premises waste, transmission and distribution losses; outbound deliveries; commuting; other upstream emissions; and homeworking.
2. GHG emissions are reported using market-based methodology.
3. Baseline year includes reported GHG emissions from 1 January 2019 to 31 December 2019.
4. Scope 3 emissions intensity is calculated as an absolute value of emissions divided by revenue.

Our financed emissions

Metric	December 2022
EMSF investments (million USD)	
Total amount	**2621.46**
Bonds	1027.01
Cash	58.62
Currency	1535.83
Analysed amount (million USD)	
Total amount	**1027.01**
Bonds	1027.01
Cash	0.00
Currency	0.00
US T-Bills	0.00
Coverage (%)	
Scope 1 and 2	39.18
Scope 3	28.15
Economic emission intensity (tCO_2e/million USD invested)	
Total	2.59
Scope 1 and 2	0.19
Scope 3	5.93
Data quality score [1]	
Scope 1 and 2	3.18
Scope 3[2]	2.51

1. Data quality score: 1 = Audited GHG emissions data or actual primary data to 5 = Estimated data with very limited support.
2. Aggregated results for which Scope 3 is available.

Due to the nature of our core business as a currency asset manager, we have experienced two main challenges in measuring and setting targets for our Scope 3 Category 15 financed emissions. The first is that there is not yet any published standard methodology to measure GHG emissions for derivatives and/or currency investments. Secondly, approximately 90% of our Asset Under Management ("AUM") currently sits within currency hedging mandates where there is no discretion regarding which base currencies or underlying assets are hedged. We provide an overlay currency service and therefore do not make strategic investment decisions that can impact the carbon footprint of underlying investments.

Regardless, we have worked with carbon accounting experts to understand our ability to measure the financed emissions related to our investments where we do have allocation over capital and invest in assets other than currencies. Our first phase of implementation was measuring the financed emissions of the EMSF strategy. Our most recent assessment, conducted by South Pole, followed methodology developed by the Partnership for Carbon Accounting Financials ("PCAF") and measured emissions as of December 2022.

As there is no methodology for both the currency and cash sub-components of the portfolio, these were out of scope for the assessment and were not analysed. The bonds were in scope and calculations were made based on PCAF recommendations for corporate bonds. These investments represented 39% of the total million USD invested in the portfolio.

Since the issuers in the portfolio change infrequently and considering the fund reflects only a small portion of our investments, we will be assessing the updated GHG footprint of the EMSF semi-annually and will report updated results in our FY-25 report. In the meantime, we are engaging with industry leaders such as PCAF on the development of a carbon accounting methodology for currencies and/or derivatives, which will allow us to measure the financed emissions of the rest of our AUM.

Climate-related targets

Climate change strategy	FY-24 target	Progress	
Net-zero transition within our operations and value chain	Review our carbon accounting practice to investigate how we can improve the accuracy of our carbon footprint data collection.	Achieved	• New travel company onboarded who provide regular carbon reports, allowing business travel emissions data to be monitored. • Sustainability Summer Intern hired to complete a climate change strategy project which included the evaluation of our current carbon accounting process. • Engaged directly with our carbon accounting partner to improve data collection process.
Climate-integrated investment	Improve ability to measure social and environmental impact of EMSF investments.	Achieved	• We have developed UN-SDG aligned proprietary methodology to measure the social and/or environmental impacts of our bond investments. • We have also developed an Impact Measurement & Management ("IMM") questionnaire to ensure ongoing dialogue with counterparties on bespoke peer-to-peer trades to improve reporting on sustainable outcomes.
Climate-focused engagement with stakeholders	Develop and embed a framework for effective engagement with MDBs and other development finance institutions in line with EMSF Fund.	Achieved	• We have expanded our engagement framework to encompass issuers in the EMSF portfolio. • The new framework is outlined in detail on page 17 and allows us to better integrate engagement into our investment decision-making.
	Implement a supplier onboarding platform to better enable us to engage with suppliers on sustainability and monitor their adherence to our Modern Slavery Policy, Supplier Code of Conduct as well as their climate commitments.	In progress	• Contract management platform implemented which includes a process for modern slavery risk assessment for all new suppliers. • All new suppliers now uploaded to the platform during onboarding. • Existing suppliers are being uploaded to the platform.
Climate transparency and reporting	Continue to improve climate transparency and disclosure through our climate report and voluntary frameworks.	Achieved	• Benchmarking exercise completed to evaluate how we compare to our peers and where we can improve reporting. • Improved TCFD alignment in climate report including improved GHG emissions reporting. • Maintained B- score for 2023 CDP disclosure, but achieved improved grades across eight categories.

Key:

Achieved   In progress   Proving challenging

Please see page 38 in our sustainability report for our future climate-related targets

Appendix

What's in this section

Greenhouse gas emissions report

Our greenhouse gas ("GHG") emissions assessment quantifies the GHG emissions produced directly and indirectly from our business activities. This assessment has been carried out in accordance with the World Business Council for Sustainable Development and World Resources Institute's ("WBCSD/WRI") Greenhouse Gas Protocol; a Corporate Accounting and Reporting Standard, including the GHG Protocol Scope 2 Guidance. This protocol is considered current best practice for corporate or organisational greenhouse gas emissions reporting. GHG emissions have been reported by the three WBCSD/WRI scopes.

The assessment has been completed by Climate Impact Partners to provide Record with a CarbonNeutral® certification following the purchase of carbon credits to offset our assessed carbon footprint.

Consolidation approach: Operational control

Organisational boundary: FY-24 operations of Record plc, including:

- Windsor, UK office
- London, UK office
- Frankfurt, Germany office
- Zurich, Switzerland office
- New York employees (no dedicated office)

Category	Definition	Required or recommended for CarbonNeutral® certification	FY-24 (tCO_2e)
Scope 1			
Direct emissions from Company owned, leased or directly controlled sources that use fossil fuels and/or emit fugitive emissions	Emissions associated with direct combustion of gas	Required	11.4
Direct emissions from owned, leased or directly controlled mobile sources	Emissions associated with direct combustion of fuel for transport purposes	Required	Not applicable
Scope 2			
Emissions from purchased electricity (market based)	A calculation of electricity use based on specific purchase contracts we have made with our energy suppliers	Required	0
Emissions from purchased electricity (location based)	A calculation of electricity use which considers the average emissions intensity of the local power grids where we operate	Required	35.8

Greenhouse gas emissions report continued

Category	Definition	Required or recommended for CarbonNeutral® certification	FY-24 (tCO_2e)
Scope 3			
Category 1: Purchased goods and services	Extraction, production and transportation of goods and services purchased or acquired	Recommended	Not assessed
Category 1: Purchased goods and services	Extraction, production and transportation of capital goods purchased or acquired	Recommended	Not assessed
Category 3: Fuel and energy-related activities (not included in Scope 1 or 2)	Upstream emissions associated with purchased electricity	Recommended	8.7
	Upstream emissions associated with purchased fuels	Recommended	2
	Transmission and distribution losses	Required	3
Category 4: Upstream transportation and distribution	Emissions associated with third-party transportation and distribution of purchased products and services	Recommended	0
Category 5: Waste generated in operations	Disposal and treatment of waste generated in operations	Required	1
Category 6: Business travel	Transportation of employees for business-related activities	Required	302
	Emissions arising from hotel accommodation associated with business travel	Recommended	3.9
Category 7: Employee commuting and homeworking	Emissions generated by employees travelling to and from our offices or emissions generated by employee remote working	Required	101
Category 9: Downstream transportation and distribution	Emissions associated with third-party transportation and distribution of sold products	Required	Not applicable
Category 11: Use of sold products	End use of goods and services sold by the reporting company in the reporting year	Recommended	Not applicable
Total GHG emissions in FY-24 for offset (tCO_2e)		Market-based: 433	Location- based: 469
FY-24 total offset (tCO_2e)			469

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