Rokos Capital Management LLP

TCFD Report

JUNE 2024

Rokos Capital Management

Rokos Capital Management LLP ("**RCM**" or the "**Firm**") is a global alternative investment fund manager combining directional and relative value trading across global macro asset classes to generate uncorrelated returns. Our core portfolio structure of intersecting product verticals is designed to perform for investors in all market conditions.

We are pleased to present the first annual Climate Report, consistent with the Recommendations of the Task Force on Climate-related Financial Disclosures ("**TCFD**") and with the climate disclosure requirements of the FCA Rules.

This report sets out the TCFD-aligned entity-level disclosures of the Firm (the "**Report**"), in relation to climate-related matters, for the reporting period 1 January 2023 to 31 December 2023 (the "**Reporting Period**"). This Report sets out our disclosures in relation to the four pillars and 11 recommendations of the TCFD framework, and fulfils the requirements of the FCA's ESG Sourcebook in relation to TCFD disclosure (ESG 2.2 TCFD entity report).

This Report relates to the relevant assets that the Firm manages as fund manager in respect of alternative investment funds. In this Report, the products managed by the Firm are together referred to as "**Portfolios**".

The Firm has prepared this Report by applying the TCFD Recommendations and Recommended Disclosures to its management activities in respect of the Portfolios. This Report is the Firm's first TCFD Report, and has been prepared on a best-efforts basis given there are significant data challenges and methodological challenges associated with climate reporting in the asset management industry. We have included TCFD-aligned disclosures where it is fair, clear and not misleading for us to do so.

Governance

The Firm is a limited liability partnership authorised and regulated as a UK alternative investment fund manager by the U.K. Financial Conduct Authority. The Firm is registered with the Commodities Futures Trading Commission, is a member of the U.S. National Futures Association and is also registered as an investment adviser with the U.S. Securities and Exchange Commission.

The Partnership board of the Firm (the "**Partnership Board**") is the ultimate governing body of the Firm, with responsibility for the strategic management and control of the Firm's activities.

The Partnership Board has delegated the day-to-day management of Firm's business to its executive management team which meets as a bi-weekly management Operating Committee, and the governance and oversight of its operations to various sub-committees (which include Business Management Committee, Operational Risk Committee, Remuneration Committee, Risk Committee and Valuation Committee).

While the Firm has not specifically assigned climate-related responsibilities to any committee or management-level position, the Partnership Board has established the Risk Committee with delegated responsibility for oversight of the management of market, liquidity, and counterparty risks. The Risk Committee is responsible for the implementation, operation and interpretation of the risk policy established by the Firm. More broadly, and on a day-to-day basis, the Risk team is responsible for identifying, measuring, monitoring, and controlling risks relevant to the Portfolios, which may include climate-related risks when material and relevant.

RCM also has an ESG Working Group which monitors and reviews ESG-related developments. It is responsible for maintaining the Firm's ESG policy and its associated initiatives. The ESG Working Group aims to meet every quarter and consists of members from senior management, Investor Relations and other senior personnel from across the business.

Delegation by the Firm

The Firm delegates certain investment management responsibilities in relation to the Portfolio(s) to one or more affiliates, which act as sub-investment managers for Portfolio(s). In the relevant sub-investment management agreements, the Firm contractually requires the delegate to comply with the investment mandate for the Portfolio(s).

The Firm did not include specific climate-related matters in the agreement(s) to delegate investment management responsibilities, as these were not considered material or relevant to the delegation agreement(s).

Strategy

Identifying climate risks and opportunities to our investments

The Firm's investment teams consider ESG factors including climate-related risks and opportunities as part of their research and due diligence procedures, where relevant. RCM considers physical climate-related risks including both the acute risks and impacts from storms, hurricanes and other extreme weather events, as well as the slower, chronic risks relating to sea level rise, temperature change, and other issues occurring over a longer time frame.

RCM also considers climate-related transition risks and their impacts, such as those relating to policy, new technologies, market related events, and reputational issues, as set out in the TCFD framework and guidance. Finally, we also address the potential for climate-related opportunities, which we consider in a similar way to risks.

Our investment teams analyse climate-related risks as part of their wider research when these are material and relevant to an investment opportunity. The approach depends on the asset class in question.

Physical climate risks

In certain instances, our investment teams may take expert advice from a meteorologist to understand how events such as storms, floods, monsoons, wildfires and typhoons may impact our investments, for example in parts of the world where climate change is or may affect the frequency and intensity of such events. Our analysis includes both acute physical issues like storms as well as longer term global warming trends and their impact on issues relevant to our investments, such as gas demand and prices. Where relevant, we also factor into our research the potential risks and impacts relating to countries with significant exposure to climate risk. Depending on the type of investment, we consider these risks over a period of months, ranging potentially to years.

Transition climate risks

From a transition perspective, our investment teams monitor how climate-related factors such as changes in climate policy and regulation may affect the market, and in turn our investments. For example, we source information on the EU's Emissions Trading System (ETS) quotas to inform our supply-demand analyses for carbon certificates. In addition, we factor into our research how the pace of the energy transition in a given country or region may impact commodity prices, trade balances, country-level economic growth, fiscal rates and potential other factors. Analysis of net zero target setting at the country and corporate levels is another example of how we might seek to use policy information to inform our understanding of possible future market changes.

Where relevant, we would also consider how climate change (and related policies) may accelerate electrification rates, demand for electric vehicles (EVs) or solar developments, and in turn how these changes may drive demand for copper and other metals as well as affecting company valuations, trade balances, and other supply and demand issues. Where relevant we may also consider how potential liabilities relating to climate change could influence company valuations.

In summary, both physical and transition climate-related issues are analysed where relevant to our investments by our investment teams. Though we do not currently adopt a specific firm-wide climate approach, our investment teams have processes in place to identify, assess and manage those risks and opportunities if and when they arise. Given the nature of our investment landscape, the timeframe for these considerations may vary from very short term (weeks or months) to much longer time scales, from 1-2 years or occasionally extending out to 2050.

Scenario analysis

Scenario analysis is an important tool for exploring and assessing a variety of future outcomes. At RCM, a rigorous approach to scenario analysis is undertaken by the risk team. This may address climate-related factors, such as how an earthquake or tsunami may impact asset prices and other factors in regions of relevance to our investments. As discussed in the Strategy section, though we do not currently conduct scenario analysis with a specific climate focus, climate-related issues are analysed when deemed appropriate by the investment or risk teams.

We continuously adjust and update the topics scrutinised using scenario analysis. We are aware of the significance of climate related risks and anticipate these issues may become more relevant to our investments over time.

Risk Management

The firm has established a rigorous process for identifying, assessing and managing risks, including identifying and measuring geographical, sectoral and market related risks and our exposure to them. We also have an established process for reporting and escalating material risks between relevant firm functions, as explained in the Governance section of this Report. In the event that a climate-related risk is identified by a member of the risk or investment teams, we would apply the same process for notifying, escalating, assessing and managing it as we do for the other risks we consider.

This process is overseen by the risk team, and input from other teams may also be involved, in particular from investment teams

RCM's risk team undertakes detailed risk assessment modelling across a range of topics. Though climate change is not currently considered a standalone material risk to the portfolio, assessment of climate related issues is undertaken as part of wider risk identification and management processes, including via scenario analysis and stress testing processes.

Though climate is not the primary focus of these analyses, assessment of climate related drivers, vulnerabilities and risk exposure would be considered where the risk team deemed them material to our investments.

Should a material climate risk to the portfolio be identified, the risk team would be responsible for carefully assessing it from a qualitative and quantitative perspective. Climate related risks and opportunities may also be discussed at the Risk Committee and during investment process.

Metrics & Targets

Climate metrics: data sourcing, methodology and coverage

Where available, RCM sources climate related data from S&P Trucost with reporting facilitated by State Street. This includes data on the core TCFD related metrics including carbon emissions data as well as other metrics relating to carbon earnings at risk, climate degree alignment, and physical climate risk.

We apply a methodology using a best practice "eligibility" criteria which results in a percentage of holdings in the Portfolio(s) being deemed "eligible" for reporting data on specific indicators. Logic is then applied based on corporate versus government securities.

The reported climate metrics covered by this Report include emissions data from long positions of the Portfolio(s); short positions are excluded from reported metrics and are not netted against long positions. "Eligible" securities include listed equities, corporate bonds, sovereign bonds and equity ADRs. Cash and cash equivalents, derivatives, currencies, commodities and certain asset backed securities are not deemed "eligible" and are excluded from the reported climate metrics.

As of the Calculation Date, "eligible" holdings of the Portfolio(s) represent 33% of the total market value of long positions of the Fund. 64% of these "eligible" holdings are covered by available emissions data. That in turn equates to only 21% of the total market value of long positions of the Portfolio(s) being covered by available emissions data. This low coverage can be explained by both the nature of the assets held in the Fund and the limited availability of data for the "eligible" holdings. Consequently, it is difficult to draw meaningful conclusions based on such limited representation.

Core metrics

We currently collect information on climate related risks and opportunities against the following metrics – data as of the Calculation Date.

Metric	Value
Scope 1 and 2 greenhouse gas (GHG) emissions (tCO2e)	1,646,721
Scope 3 GHG emissions (tCO2e)	1,947,323
Total GHG emissions (tCO2e)	3,569,835
Total carbon Footprint (tCO2e/£m)	1,147
Weighted Average Carbon Intensity (WACI) – Corporates (tCO2/£m Revenue)	344
Weighted Average Carbon Intensity (WACI) – Sovereigns (tCO2/£m GDP)	402

It is important to emphasize that this data which is mandated to be provided under the TCFD core metrics only refers to 21% of the long market value of the holdings of the Portfolio(s).

Calculation Methodologies

The Core Metrics presented above have been calculated using the following methodologies:

GHG emissions:

$$\sum_{n}^{i}\left(\frac{current\ \pounds\ value\ of\ investment_i}{investee\ company's\ enterprise\ value\ including\ cash\ (\pounds M)_i} \times investee\ company's\ Scope(x)\ GHG\ emissions_i\right)$$

Total Carbon footprint:*

$$\frac{\sum_{n}^{i}\left(\frac{current\ \pounds\ value\ of\ investment_i}{investee\ company's\ enterprise\ value\ including\ cash_{i(\pounds\ M)}} \times investee\ company's\ Scope\ 1, 2\ and\ 3\ GHG\ emissions_i\right)}{current\ value\ of\ all\ investments\ (\pounds\ amount)}$$

** "current value of all investments" = the total market value of eligible long holdings that have available carbon emissions data.*

Weighted Average Carbon Intensity - Corporates:

$$\sum_{n}^{i}\left(\frac{current\ \pounds\ value\ of\ investment_i}{current\ value\ of\ all\ investments\ (\pounds\ amount)} \times \frac{investee\ company's\ Scope\ 1, 2\ and\ 3\ GHG\ emissions_i}{investee\ company's\ \pounds M\ revenue_i}\right)$$

Weighted Average Carbon Intensity - Sovereigns:

$$\sum_{n}^{i}\left(\frac{current\ \pounds\ value\ of\ investment_i}{current\ value\ of\ all\ investments\ (\pounds\ amount)} \times \frac{The\ country's\ Scope\ 1, 2\ and\ 3\ GHG\ emissions_i}{Gross\ Domestic\ Product_i\ (Nominal)(\pounds M)}\right)$$

Other metrics and data

We also have access to other climate related metrics including climate degree alignment, physical climate risk, and carbon earnings at risk. As above, since this data refers only to a small proportion of the Portfolios, it is not deemed relevant and material to our investments.

Non-climate specific data

RCM also sources data on a number of other topics relating to but not specifically focusing on climate. For example, we use IEA scenarios which cover climate related topics, as well as EU emissions data. We also consider weather and climate related data, regarding both acute and chronic risks such as extreme weather events and temperature rise. We monitor global policy, integrating energy and climate related data into our models, as well as a range of other topics depending on the investment.

Targets

Though we have not set our own net zero targets, we do monitor global and country-specific progress in achieving commitments aligned to the Paris Agreement as part of our investment research. We do not believe that setting climate related targets is currently relevant or material to our investments but our teams continue to monitor this space and are ready to take action should they be required to. Similarly, we do not currently have in place a transition plan as it is not relevant or material to our investment approach.

Conclusion and next steps

RCM believes understanding our climate related risks and opportunities is an important element of our responsible investing process. We have established rigorous processes to understand where our exposures to climate related risks and opportunities may be, which we will continue to adjust over time.

Where they are relevant and material to our firm and investments, our teams will continue to monitor climate related risks and explore ways to create value from climate related opportunities. This may include accessing new forms of data, integrating climate topics more specifically into risk management and scenario based assessments, or expanding our research on climate related topics to inform our investment decision making. We do not underestimate the significance of climate change and are committed to exploring and managing material climate related issues as they relate to our investments.

Compliance statement

The disclosures set out in this Report comply with the requirements set out in Chapter 2 of the FCA ESG Sourcebook including guidance set out in ESG 2.1 Preparation of climate-related reports and ESG 2.2 TCFD entity report.

Christos Nifadopoulos

Chief Legal Officer

Important Information

This document is not intended as an offer or solicitation for the purchase or sale of any financial instrument or an invitation or inducement to engage in any investment activity. The material is not intended to provide, and should not be relied on for, accounting, legal or tax advice, or investment recommendations. Any decision to invest in any fund managed by the Firm must only be made on the basis of its most recent offering memorandum and any other formal offering documents which contain important information as to investment objective, policy and strategy and risks.

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