FINASTRA

Task Force on Climate-related Financial Disclosures (TCFD) Report

October 2024

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Introduction

As an organization committed to Open Finance and trusted by ~8,000 financial institutions around the world, Finastra holds itself accountable for achieving the highest standards in sustainability and responsible governance.

The following report focuses on how we proactively address, measure, mitigate and maintain progress in all climate risk-related matters, both current and emerging. This major component of our broader ESG ambitions and agenda is one that permeates every aspect of our operations, from where and how we work, to how we enable our customers to grow and serve their customers.

Sustainability, as with the wider scope of ESG, is not the responsibility of a select few, but a commitment upheld by our entire organization. Nonetheless, I would like to thank our Board of Directors for their crucial role in setting the strategic direction for our sustainability performance, risk management, and compliance with stakeholder commitments, and our ESG Executive Committee for overseeing our efforts across sustainability, climate risks, and environmental awareness across the organization.

As a company, our robust risk management framework encompasses both transition and physical risks associated with climate change. We have embedded climate risk into our overall risk management processes, ensuring we are well prepared to mitigate potential impacts across various climate scenarios, and our three lines of defense structure further strengthens our ability to manage risks effectively. Additionally, our commitment to achieving net zero by 2050 has driven significant progress in our carbon footprint reduction, particularly in areas such as adopting renewable energy in our workplaces and datacenters and reducing business travel emissions.

And for our customers, we continue to prioritize and democratize sustainable products and services, such as our cloud-based, core-agnostic ESG Service, which simplifies sustainability-linked lending by integrating Sustainability Performance Targets (SPT) criteria into ESG pricing. Likewise, supporting our customers' net zero transition remains a strategic imperative, which is why our partnership with Microsoft Azure is critical in moving our customers to the cloud, helping institutions to reduce energy demand through more efficient computation and infrastructure.

It falls to every leader to instill an unwavering commitment to sustainability and responsible governance, and champion a proactive approach to managing risks, seizing opportunities, and driving positive change. This is both a responsibility and a privilege, on which note I invite you to explore the details of this report and join us on our journey towards a more sustainable future.

Simon Paris
Chief Executive Officer,
Finastra

Governance

Board Oversight
Finastra's Board of Directors has overall responsibility for the governance of the business and affairs of Finastra. It is dedicated to ensuring the company's strategic objectives are achieved within a framework of prudent risk-taking and effective controls. It is also accountable for setting and securing a governance framework to conduct due diligence, manage risks appropriately, and comply with applicable laws and regulations. Additionally, the Board makes recommendations on how Finastra's policies, practices, and disclosures can address or adjust to stakeholder needs.

Management Oversight
At the executive management level, Finastra's ESG Executive Committee (EEC) comprises key executive and functional leaders and is co-chaired by the CEO and SVP of Strategy and ESG. The EEC sets the direction, oversees sustainability efforts, manages climate risk, supports environmental activities and promotes ESG awareness. In addition, it assesses progress on key ESG initiatives across the organization and reports to the Board each quarter on the status of the ESG program. Because of their knowledge and proficiency, our Board and EEC members are well-informed about sustainability topics in the industry and the latest ESG regulations and developments.

Members of the EEC sponsor cross-functional ESG Working Groups on different sustainability-related topics. The sponsors meet with the Working Groups at least quarterly, to provide strategic guidance on priorities, and monitor and measure progress.

The Climate Working Group is tasked with the measurement of Finastra's carbon footprint, the development of Finastra's net zero roadmap, and the sustained engagement of employees on environmental topics. Finastra's ESG team supports this Working Group in the delivery of climate initiatives, while the Global Risk Management team advises on and monitors climate-related risks, as part of Finastra's broader risk management framework described in the following section.

Risk Management

Finastra's risk appetite and tolerance are set by the Executive Leadership Team (ELT) and approved by both the Enterprise Risk Oversight Committee (EROC) and the Audit and Risk Committee (ARC) of the Board of Directors. Finastra's Global Risk Management team establishes the key risk indicators, thresholds, and scorecards that govern risk appetite and tolerance.

Climate risk is embedded in our risk taxonomy and overall risk management processes. Climate risks are identified in accordance with TCFD guidance[1], and their potential impact and mitigation are assessed according to climate scenarios of SSP3-7.0, SSP2-4.5 and SSP1-2.6. Finastra considers time horizons of one to three years as short-term, three to 10 years as medium-term, and 10 to 30 years as long-term.

To govern risk, we use the three lines of defense structure, which includes mechanisms to communicate and hold individuals accountable for the performance of internal control responsibilities across the entity, and for implementing corrective actions as necessary. The first line places risk ownership accountability with the business functions and personnel; the second incorporates control and oversight functions such as Compliance, Enterprise Risk Management, and Legal; and the third line of defense is internal audit, our independent assurance function. Once risks are assessed and identified as findings or control gaps, they are documented in Finastra's Enterprise Governance Risk and Compliance (eGRC) tool and monitored by the Global Management Risk team.

1. Task Force on Climate-related Financial Disclosures, 2017, 'Recommendations of the Task Force on Climate-related Financial Disclosures'

Strategy

Climate Related Risks

Finastra regularly assesses climate risks, both transition and physical. Based on this assessment, climate-related risks are not expected to have a significant financial impact on Finastra's operations in key climate scenarios. The result of Finastra's assessment is driven both by relatively low expected impacts from each risk on its business model, as well as the effectiveness of its controls to mitigate these risks as they may arise.

There is, however, an overlap between climate risks and broader material risk categories already considered by Finastra's Global Risk Management team, such as 'acute physical risk' and 'disaster recovery' or 'market risk' as a whole.

Risk Category	Time Horizon	Description of Risk	Approach to Minimize Risk
Regulation	Short to Medium Term	Increased compliance and taxation burden associated with new regulations such as the Corporate Sustainability Reporting Directive (CSRD) or carbon pricing. Additionally, risk of legal challenges resulting from non-compliance of such regulation and claims related to greenwashing.	Finastra's risk management and compliance processes ensure it remains compliant with existing regulations, and is prepared for upcoming regulatory changes. Finastra takes a conservative approach to its reporting obligations, supplying environmental information that is evidence-based.
Technology	Medium to Long Term	Substitution away from high-emission products and services, and towards those which enable climate transition.	Finastra proactively identifies and manages technology trends and customer requirements, including on sustainability topics. Finastra's approach to product development in the realm of ESG is described in the 'Product and Services' opportunity section below. To mitigate the impact of customers substituting to lower-emission alternatives in their supply chain, Finastra is committed to achieving net zero by 2050 and has made substantial progress in reducing its carbon footprint in the use of technology. For example, technical expertise is used to optimize the computational footprint of the company's solutions across its operated data centers and cloud providers, which increasingly use renewable energy.[2]
Reputation	Short Term	Reduction of perceived suitability as a partner or vendor due to our climate performance.	Finastra receives a growing number of customer requests for information that include sustainability data requests. To maintain a positive reputation for climate action, Finastra publishes an annual ESG Report and submits annually to sustainability ratings agencies including EcoVadis and the Carbon Disclosure Project (CDP). Finastra considers reputational risks as they arise in relation to sustainability issues.
Market	Short to Medium Term	Increased cost of inputs including energy as a result of disinvestment in fossil fuels and transition to renewable energy.	Rising input costs are considered and managed as part of Finastra's budgeting processes and in negotiations with suppliers. Finastra's mitigation approach is detailed in the 'Resource Efficiency' and 'Energy Sources' opportunity sections below.
Acute Physical	Short to Medium Term	Disruption to personnel, locations and customers caused by extreme weather events such as drought, storms etc.	The potential risk to the delivery of services to customers is front of mind at Finastra, whether caused by physical climate risks or other sources. Finastra's Business Resilience Team works with the rest of the business to prepare for possible impacts to our operations, resulting from acute physical risks to our data centers, physical offices, and employees - including those working remotely. Finastra operates as a global company with dispersed computing infrastructure and workforces, including many employees who work from home which helps diversify risk from acute physical events in specific locations.
Chronic Physical	Medium to Long Term	Disruption to, and relocation of, operations caused by long-term changes in the environment, such as sea level rises and higher average temperatures.	Finastra manages the location of its facilities and employees considering many factors including adaptation to climate change.

2. For further details, please refer to Finastra's 2023 ESG report

Strategy

Climate Related Opportunities

Opportunities arising for Finastra from climate transition, such as increased demand for sustainable financial products and services, are also identified in accordance with TCFD guidance, and assessed using the same climate scenario analysis. Finastra has identified and begun to realize opportunities in product development and operational efficiency.

Risk Category	Time Horizon	Description of Opportunity	Approach to realize Opportunity
Products and services	Short to Medium Term	Increased demand for ESG-related or low-emission products and services aiming to support companies in their climate transition.	Finastra monitors ESG developments that impact customers (e.g. financial inclusion and data disclosures) to determine how it can create value for them through software solutions. Finastra's ESG Service is a cloud-native solution that simplifies sustainability-linked lending by integrating Sustainability Performance Targets (SPT) criteria into ESG pricing. This helps banks to deliver a better lending experience to clients with sustainable investment demand.
Resource efficiency	Short to Long Term	More efficient selection or use of business inputs, resulting in lower operating costs.	Since 2019, Finastra has significantly reduced its use of business travel and rationalized its office footprint, by adopting digital ways of working that enable remote work and client delivery. Efficiency also comes from smarter choices in travel methods or workplace fittings. An example is its travel platform, which offers employees options that are less carbon intensive. Seven of our offices are LEED-certified. As a result of these efforts, emissions from business travel and workplaces have fallen by 79% and 63% respectively from 2019-2023. Meanwhile, Finastra's 'Accelerate Cloud' strategic initiative is helping to reduce energy demand through more efficient computation and infrastructure. Finastra has partnered with Microsoft Azure to expand its public cloud capacity and now operates in 25 regional Azure sites. In 2023, Finastra exited a further two of its operated data centers, bringing the total vacated to 21 since 2019.
Energy source	Short to Long Term	Adoption of less carbon intensive forms of energy, including solar and wind, which reduce average costs and cost variance.	Finastra is committed to pursuing renewable energy in its workplaces and data centers. Its cloud partner, Microsoft Azure, is on a path to reach 100% renewable energy by 2025, while Finastra operates two offices that source 100% of their energy from renewable sources.
Market	Short to Medium Term	Raised investment and business activity in low- and negative-carbon industries.	The management of green financial products is a key opportunity for Finastra to capture through its Lending and Treasury & Capital Markets solutions.

Impact of Climate Related Risks and Opportunities on Finastra

The assessment of climate-related risks and opportunities informs how climate impacts Finastra's business, strategy and financial performance across its value chain.

Innovating products and services
There is a growing market and revenue opportunity for software providers who can support their customers in the climate transition. This involves R&D to offer new products that support sustainable decision-making, as well as the shift to more efficient and sustainable methods of computing, such as cloud.

For example, Finastra's ESG Service is a cloud-native solution that simplifies sustainability-linked lending by integrating Sustainability Performance Targets (SPT) criteria into ESG pricing This helps banks to deliver a better lending experience to clients with sustainable investment demand.

One of Finastra's corporate strategic initiatives is 'Accelerate Cloud', partnering with Microsoft Azure to migrate Finastra's services onto Microsoft's efficient infrastructure, thereby reducing energy demand and improving Finastra's renewable energy mix. Finastra now operates in 25 regional Azure sites, and in 2023 exited a further two of its operated data centers, bringing the total closed to 21 since 2019.

Improving how Finastra operates
The challenges and opportunities of climate change have also prompted Finastra to seek more efficient ways of working that reduce its impact on the environment, which can also have an impact on costs.

Since 2019, Finastra has significantly reduced its use of business travel and rationalized the footprint of its workplaces, increasing the adoption of digital ways of working that enable remote work and client delivery. Efficiency also comes from smarter choices in travel methods or workplace fittings – an example is Finastra's travel platform which offers employees options that are less carbon intensive. Seven of Finastra's offices are also LEED-certified. As a result of these efforts, emissions from business travel and workplaces have fallen by 79% and 63% respectively from 2019-2023.

Adapting to the needs of stakeholders
Rising expectations from stakeholders – Finastra's customers, employees, investors, regulators and communities – concerning the threat of climate change, and actions to mitigate such threats, have broadened the perspective Finastra takes with respect to its business. Resiliency, compliance and reputational management are ever more important in these uncertain times. Finastra's ESG strategy links directly to its corporate strategy, as we consider the 'triple bottom line' of Planet, Prosperity, and People in every strategic business decision.

Scenario Analysis

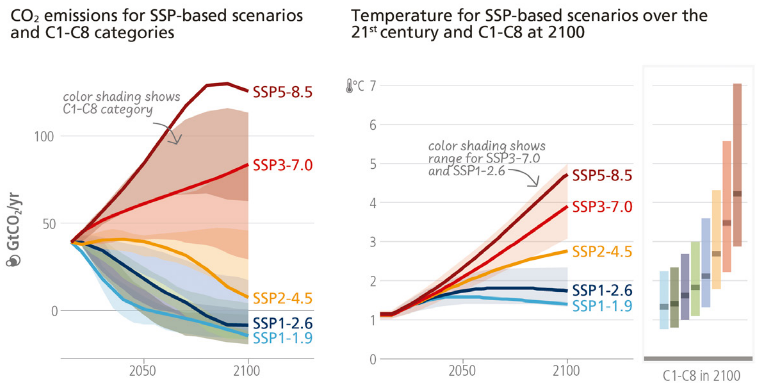
Finastra's Global Risk Management Team considers the risks to the company across a broad spectrum of outcomes. This approach provides insight into various strategic opportunities and risks that may arise as Finastra pursues its governing purpose and objectives.

Our scenario planning is presented below, based on the recommended climate scenarios provided by the Intergovernmental Panel on Climate Change (IPCC), as well as the Shared Socioeconomic Pathways (SSPs) used to determine how socioeconomic factors impact responses to climate change.

Scenarios considered from the IPCC 6th Assessment Report[3]

	Shared Socioeconomic Pathway (SSP)	Representative Concentration Pathway (RCP)	Degrees of warming (°C) in 2081-2100
Limited mitigation (SSP3-7.0)	3	7.0	2.8 to 4.6
Current path (SSP2-4.5)	2	4.5	2.1 to 3.5
Active decarbonization (SSP1-2.6)	1	2.6	1.3 to 2.4

Emissions and temperatures under various SSP scenarios[4]



3. IPCC, 2021: **Summary for Policymakers.** In: Climate Change 2021: The Physical Science Basis. Contribution of Working Group I to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change. IPCC, Geneva, Switzerland, pp. 14
4. IPCC, 2023: Sections. **Climate Change 2023: Synthesis Report.** Contribution of Working Groups I, II and III to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change [Core Writing Team, H. Lee and J. Romero (eds.)]. IPCC, Geneva, Switzerland, pp. 35-115

Limited mitigation

In this scenario, the world remains focused on short-term challenges with few, or no steps taken to limit emissions, which double from their current amount by 2100. Extreme weather events will become more frequent as average temperatures drastically increase. Environmental impacts are therefore expected to be significantly more pronounced under this scenario with limited mitigation, compared to other pathways.

Without short-term action by government, Finastra will see lower regulatory risks as the world does not react to climate change. Its technology costs will not increase due to carbon taxes, however, availability and supply chain issues will impact the costs and supply of technology. Finastra will continue to bring to market sustainability-focused software options, which will not be in significant demand until the world reaches a climate tipping point. The company will continue to protect its reputation as a sustainable software solution provider.

Current path

The world's current approach to reducing carbon persists, with governments making disparate efforts. Net zero is reached in 2100, with peak emissions reached in 2050. Longer-term (and potentially irreversible) shifts in climate patterns will increase over time. Carbon pricing schemes and other efforts to curb emissions will continue to vary by country.

Finastra will see regulatory developments in specific countries, and broader efforts to decarbonize will also be variable. However, a broad base of climate transitioning efforts will see a trend towards lower emissions. Both sporadic carbon tax schemes and supply chain issues caused by climate change may impact Finastra's technology, product development and market opportunities.

Active decarbonization

In this scenario, governments will strongly legislate emissions and disclosures, but not enough to necessarily meet the Paris Ambition of limiting cooling to 1.5 degrees. Net zero is reached globally by 2075.

Increasing regulation and recognition of the climate crisis will impact all firms, including Finastra, with greater regulatory and reputational risk. With higher carbon prices, there will be increased supply costs for the technology needed to support customers. On the other hand, demand for sustainable solutions will increase. From a reputational standpoint, customers will be hyper-focused on a company's sustainability position, leading to increased pressure to be more sustainable. In this scenario, physical risks are less problematic to operations, while resource and energy efficiency opportunities will remain strong following investments to substitute from current energy sources and methods of computing and travel.

Conclusion

Finastra will continue collaborating with its customers, partners, employees, and other stakeholders, to mitigate the significant threat of climate change. With sustainability embedded into its governance, strategy, risk management and product lines, Finastra is well-positioned to manage an uncertain future. While Finastra is very proud of efforts to reduce its carbon footprint to date, it recognizes there is more work to be done – from within Finastra itself, and more importantly, through the ecosystems that Finastra can influence.

Metrics and Targets

Climate Targets and Commitments
Finastra's ambition is to reduce emissions from its 2019 baseline by 50% by 2025, and to become net zero by 2050. This goal is consistent with its commitments to the UN Global Compact 'Business Ambition for 1.5°C' and the UN Climate Change 'Race to Zero' initiative.

Climate Related Metricss
Emissions by scope, tCO2E

	2019	2020	2021	2022	2023
Scope 1	1,182	686	733	508	519
Scope 2	9,920	7,656	6,311	5,406	4,477
Scope 3	58,917	23,294	18,795	24,100	22,441
TOTAL	**70,019**	**31,637**	**25,839**	**30,014**	**27,437**
% change vs. 2019		-55%	-63%	-57%	-61%
% change year on year		-55%	-18%	16%	-9%

GHG Emission Calculation Methodology

Methodology

Measurement was completed using external software to collect, calculate and report on consumption and emissions data across relevant business sites. As part of the GHG emissions calculation, the software applied relevant emissions factors from international standards. Scope 1 and Scope 2 GHG emissions have been prepared in accordance with the World Resources Institute / World Business Council for Sustainable Development's Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard, Revised Edition, and the GHG Protocol Scope 2 Guidance: An amendment to the GHG Protocol Corporate Standard (collectively referred to as the "GHG Protocol"). Scope 3 GHG emissions have been prepared with reference to the Corporate Value Chain (Scope 3) Accounting and Reporting Standard: Supplement to the GHG Protocol Corporate Accounting and Reporting Standard.

Greenhouse gases included in inventory

Finastra's emissions account for the following greenhouses gases: carbon dioxide (CO2), methane (CH4), nitrous oxide (N2O), and hydrofluorocarbons (HFCs). Other greenhouse gases, including Nitrogen trifluoride (NF3), Perfluoro carbons (PFCs), and Sulphur Hexafluoride (SF6) are not included as they are not relevant to the sources of emissions within Finastra's operational boundaries, or do not generate emission material to Finastra's overall greenhouse gas inventory. Such gases are not relevant sources of emissions, because enterprise software companies do not typically emit material quantities of such gases. All emissions are converted to carbon dioxide equivalents (CO2e) for reporting purposes.

Organizational Boundary

Finastra uses the operational control approach to set organizational boundaries and consolidate GHG emissions, which means it accounts for emissions from operations over which it has full authority to introduce and implement operating policies. Finastra presents emissions from activities within its value chain, but outside of the Finastra's operational control, under Scope 3 emissions.

Operational Boundary

Scope 1 emissions are direct emissions from the combustion of fuel from sources inside the organizational boundary and include leaked emissions from refrigerant gases. Scope 2 emissions are indirect emissions from the generation of acquired and consumed electricity, steam/heat or chilled water occurring at sources outside of the organizational boundary, resulting from activities from sources inside the organizational boundary, and include: purchased electricity, steam, heat, and cooling. Scope 3 emissions are indirect emissions from sources outside the organizational boundary resulting from activities of Finastra and include cloud/data center services under Category 1 purchased goods and services; transmission and distribution loss under Category 3 fuel and energy related activities; office waste under Category 5 waste generated in operations; air, rail, road, and hotel services under Category 6 Business travel; remote workforce energy and office commuting under Category 7 employee commuting; and electricity from serviced offices under Category 8 upstream leased assets.

Use of estimates and measurement uncertainties

The preparation of Finastra's Greenhouse Gas Emissions Inventory requires management to make estimates and assumptions that affect the amounts reported. Emissions data presented are subject to measurement uncertainties resulting from limitations inherent in the nature and methods used for determining such data. The selection of different but acceptable measurement techniques can result in materially different measurements. The precision of different measurement techniques may also vary. Finastra bases its estimates and methodologies on historical experience, available information, and various other assumptions that it believes to be reasonable. Certain emissions rely on information provided by the suppliers / participants in our value chain, and other third parties. While these are sources that are believed to be reliable, the suitability of the design and effectiveness of the third-party systems and associated controls over the accuracy and completeness of the data has not been independently assessed.

Indemnity

As Finastra continues to improve its methods for data collection and broaden data capture within its scope, it recognizes that it may need to review and adjust efforts to achieve net-zero targets.

This report includes climate data for the calendar year 2023 that is non-financial and non-audited. This report has been prepared for general informational purposes only and is not intended to be relied upon as ESG, legal or any other advice, nor to constitute any form of guarantee, or to be binding in any other way. Finastra has taken reasonable care to prepare the report in accordance with recognized ESG methodologies where applicable and practicable, and believes the contents to be correct as at the date of publication.

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This report covers Finastra's owned and operated businesses and does not address the performance or operations of any suppliers, contractors, customers, or partners unless otherwise noted.

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Finastra unlocks innovation across the world of financial services, through our trusted software and open platform.

Contact us on finastra.com

About Finastra

Finastra is a global provider of financial services software applications across Lending, Payments, Treasury and Capital Markets, and Universal (retail and digital) Banking. Committed to unlocking the potential of people, businesses and communities everywhere, its vision is to accelerate the future of Open Finance through technology and collaboration, and its pioneering approach is why it is trusted by ~8,100 financial institutions, including 45 of the world's top 50 banks. For more information visit **finastra.com**

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