

## **DHL Group Retirement Plan (“the Plan”) ESG Policy**

This policy sets out the approach of DHL Trustees Limited (“the Trustee”) to Environmental, Social and Governance (“ESG”) issues for the Plan.

This includes the Trustee’s approach to Responsible Investment (“RI”). The Trustee understands RI to be the process by which ESG issues are incorporated into the investment analysis and decision-making process, and into the oversight of investments through stewardship activities. It is motivated by financial considerations aiming to improve risk-adjusted returns. This policy also sets out the Trustee’s approach to ESG issues when assessing, monitoring and managing the funding position of the Defined Benefit (“DB”) Sections of the Plan and the covenant of Deutsche Post AG (“DPAG”).

The Trustee considers long-term sustainability to be an important and relevant issue to consider throughout the investment process. The Trustee also considers ESG issues, including climate change, to be financially material. The effective implementation of RI throughout the Plan will therefore help protect and enhance the Plan’s ability to pay DB pensions as they fall due, and support Defined Contribution (“DC”) members in realising their retirement objectives.

The Plan has six DB Sections, which are invested in the DHL Pensions Investment Fund (“DPIF”), and a DC Section. The Trustee aims to take a harmonised approach towards ESG issues between the DB and DC Sections of the Plan. However, it is recognised that, given the different membership profiles, underlying investments and long-term strategic objectives, there may be differences in ESG approach. These differences are highlighted in this policy.

The Trustee discloses its approach to ESG issues to members via annual Climate Reports, annual Implementation Statements and other communications to members such as newsletters or the member website.

Additional details on the Trustee’s RI-related policies can be found in the DB Sections and the DC Section Statements of Investment Principles.

### **1. The Trustee’s approach to ESG issues**

#### **Roles and responsibilities**

The Trustee is ultimately responsible for agreeing the Plan’s overall approach to ESG issues, including its RI beliefs. The Trustee has, however, delegated the following responsibilities:

- The ESG Committee (ESGC) – the ESGC is the primary committee for consideration of ESG-related matters across the Plan. The ESGC will make ESG-related recommendations to the IIC, DCC or direct to the Trustee Board as appropriate.
- The Investment Implementation Committee (IIC) – in relation to the DB assets, is responsible for the selection, monitoring and engagement of managers. The IIC is also responsible for undertaking ESG-related governance and reporting such as TCFD-

related requirements<sup>1</sup>. The IIC gives due regard to the ESGC's recommendations on ESG-related matters where relevant.

- The Defined Contribution Committee (DCC) – in relation to the DC assets, is responsible for the selection, monitoring and engagement of managers. The DCC is also responsible for undertaking ESG-related governance and reporting such as TCFD-related requirements, including undertaking the climate scenario analysis for the DC Section and making recommendations to the Trustee. The DCC gives due regard to the ESGC's recommendations on ESG-related matters where relevant.
- The Funding & Investment Strategy Committee (FISC) – is responsible for making recommendations to the Trustee in the setting of the funding and investment objectives for the Plan's DB Sections and assessing and managing the Plan's integrated risk management, including relevant ESG-related risks. It is also responsible for considering the climate scenario analysis carried out for the DB Sections and making recommendations to the Trustee.
- The Audit & Risk Management Committee (ARMC) – co-fulfils the roles of Risk Management Function with the Secretariat as set out in the Trustee's Risk Management Policy, is responsible for developing and maintaining the Plan's risk management framework, monitoring the risk register, and reviewing risks and changes to risks proposed by the Trustee's committees and making recommendations to the Trustee. The risk management framework and risk register include ESG-related risks.
- The Valuation Sub-Committee (VSC) – for the duration of actuarial valuation projects, is responsible for ensuring the funding assumptions and calculation methodology are discussed and recorded in appropriate detail and transparency, with the needs of the various stakeholders represented.

Each Committee's responsibilities are shown in full in their respective Terms of Reference documents.

The Trustee ensures it receives appropriate training in relation to ESG and that all training is formally recorded in the training log. This includes training on ESG risks impacting investments, funding and covenant.

The Trustee is supported by its professional advisers and Secretariat in its ESG implementation.

As part of its annual assessment of its investment advisers' performance against their respective strategic objectives, the Trustee will consider how each adviser has supported the ESG policy.

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<sup>1</sup> These requirements are set out in the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021 which are based on the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures ("TCFD").

### Integrated risk management for the DB Sections

The Trustee has an Integrated Risk Management (IRM) Summary which sets out its approach to managing the funding, investment and covenant risks to which the DB Sections of the Plan are exposed.

In addition to the general steps taken by the Trustee to manage risks to the DB Sections, some specific steps are taken to manage ESG-related risks. These are set out in this policy. The remainder of this section and the whole of section 2 relate to the Plan's investments. Section 3 covers funding and covenant matters.

### Key areas of RI focus

The Trustee views engagement and stewardship as being key to managing ESG-related risks and opportunities to its investments.

The Trustee believes the Plan's investment managers should incorporate all financially material ESG factors into their investment process and carry out stewardship where most financially relevant. However, recognising the wide variety of ESG-related risks the Plan and wider society faces and Department for Work and Pensions (DWP) guidance, the Trustee has decided to focus its own stewardship efforts through setting stewardship priorities. The priorities have been selected by considering their financial materiality, the ease which they can be integrated into the Trustee's RI approach, and their relevance to Deutsche Post AG. The Trustee's stewardship priorities are currently:

- Climate change;
- Modern slavery; and
- Diversity & inclusion

The Trustee will keep its stewardship priorities under review and update them as appropriate in the future.

### Net zero ambition

The Trustee has set an ambition to achieve net zero GHG emissions (Scopes 1, 2 and 3) by 2050 or sooner across its asset portfolio. This ambition is part of the Trustee's efforts to manage the impact of climate change on the Plan's investments and the consequent impact on the financial interests of its members.

For the DB Sections, the ESGC will review annually the progress towards aligning its mandates with net zero emissions pathways. From the mandates which the ESGC does not yet consider to be aligning with net zero, it will select a small number of "high priority" mandates and focus on improving the alignment of these mandates through dialogue with the manager (initially prioritising those with significant assets under management, invested in asset classes with well-established net zero approaches). For the DC Section, the initial focus will be on the alignment of the "popular" DC arrangements, as these have the most significant assets under

management of all the DC funds.

In support of its net zero ambition, the Trustee has set targets for the DB and DC Sections in relation to the Science-Based Targets metric as follows:

- DB Sections: 60% of the DPIF's corporate bond assets to be covered by science-based targets by 31 March 2030.
- DC Section: 65% of the DC Section's investments (based on a weighted average of the popular DC arrangements) to be covered by science-based targets by 31 March 2030.

In addition to considering portfolio net zero alignment, where appropriate in the context of the DB and DC Sections' respective investment strategies, the Trustee will consider investment opportunities which may contribute to climate mitigation and/or adaptation in the broader economy.

More detail on the Trustee's approach to net zero and climate change is provided in the Appendix.

## **2. Implementation of RI**

### RI-related expectations of managers

For the DB sections, the IIC has given its investment managers full discretion to evaluate ESG issues in the selection, retention and realisation of investments, subject to consideration of the Trustee's RI beliefs and approach. For the DC section, the Trustee has delegated responsibility for the selection, retention and realisation of investments within each investment option to the investment managers, including consideration of ESG-related issues where permissible within applicable guidelines and restrictions.

The Trustee has delegated responsibility for stewardship in relation to individual investments (including exercising voting rights and engagement activities) to its investment managers. The Trustee does not expect to engage directly with the issuers or other holders of securities.

From an RI perspective, the Trustee expects each of its managers to:

- Show appropriate consideration of ESG factors when selecting, retaining and engaging with individual investments, where the manager has discretion within its mandate to do so
- Aim to carry out effective stewardship activities, particularly related to the Trustee's stewardship priorities
- Support the Trustee in meeting its net zero ambition
- Take into account how companies are adjusting their business strategies to align with the 2015 Paris Agreement, and ensure that any exposure to stranded asset risk is

considered in the selection of individual investments

- Support the Trustee on Diversity and Inclusion matters, including the Asset Owner Diversity Charter's aspirations to see diversity balance at all levels across financial services firms
- Provide sufficient reporting, including on voting and engagement, to support the Trustee's oversight of its RI activities
- Provide relevant data to help the Trustee meet the TCFD-related requirements
- Have effective policies addressing potential conflicts of interest in RI-related matters.

The DB Sections of the Plan are signatories to the UK Stewardship Code ("the Code") and the IIC expects the DPIF's managers to comply with the Code. Investment managers are required to report on the extent of their adherence to the Code on an annual basis.

The Trustee expects managers to engage with issuers and assets to support long-term value creation for the Plan's investments. This often coincides with mitigating systemic risks which the Plan is exposed to. The Trustee encourages managers to engage collaboratively where this is appropriate.

The Trustee also expects managers to engage at the system-wide level. This includes engagement with policy makers, regulators, standard setters and industry bodies. Engagements should focus on shaping the system in which the Plan operates to be more conducive to allowing the Plan to deliver on members' retirement outcomes.

Within the DB Sections of the Plan, the Trustee has relatively few voting rights. Where there are voting rights, these are delegated to the relevant managers and managers are expected to implement them in the members' best interests.

In the DC section, voting rights are more extensive due to the higher exposure to equities. These equity investments are in 'pooled funds' and are managed on a passive basis, so the voting entitlements in these funds lie with the investment managers. The Trustee communicates its stewardship priorities to the managers and seeks to influence how the manager votes, but it does not have control of voting decisions (and does not notify the managers of what it would consider to be a significant vote in advance of that vote being carried out). All voting decisions are left to the discretion of the investment managers.

While voting rights are delegated to managers, the Trustee retains oversight of how votes have been implemented.

The IIC and DCC delegate to its investment consultants the communication to its investment managers of its RI policy, including the Trustee's expectations of managers and stewardship priorities set out above.

#### Selecting and monitoring managers

The Trustee delegates manager monitoring and selection to the IIC and DCC for the DPIF and DC Section respectively. When selecting and monitoring managers, the IIC and DCC consider whether the manager can demonstrate sufficient alignment with the Trustee's RI

expectations as outlined above. The IIC and DCC also consider the DB and DC investment advisers' assessment of managers' RI-related capabilities as part of manager selection processes and before manager monitoring meetings.

Current managers, and potential new managers, are assessed for their integration of ESG-related risks and opportunities into their wider stewardship activities, and for their ability to understand their portfolio's ability to withstand ESG-related risks.

Within the DPIF, the IIC monitors the RI activities of the DB Sections' managers through manager monitoring meetings and through reviewing an annual stewardship and engagement report prepared by the DB Sections' investment adviser. The annual stewardship and engagement report helps inform the IIC by providing quantitative and qualitative assessments of the DB Sections' managers engagement and voting activities.

The investment managers used in the DC Section are assessed for their integration of ESG-related risks and opportunities and their wider stewardship activities. For example, the DC investment adviser provides a report to the DCC each year, providing their reviews and ratings of the managers' ESG and stewardship policies and practices. The DCC also meets the DC Section's main investment manager, Legal & General Investment Management (L&G) at least annually, to explore how they are exercising their corporate engagement and voting responsibilities.

Within the DC Section, the DCC and DC investment adviser, as part of the regular engagement with L&G, discuss how the manager is undertaking engagements in the Trustee's priority areas, in order to satisfy the Trustee that the manager's policies are sufficiently aligned with the Trustee's policy, and in order to escalate matters if necessary. The DCC and DC investment adviser also engage with one of the DC Section's other investment managers (HSBC) as part of the publication of the annual Implementation Statement, to obtain examples of the manager's engagements in the priority areas.

If an investment manager's level of engagement was viewed to be unsatisfactory, the IIC or DCC would raise its concerns with the investment manager. If the IIC or DCC's engagement with the investment manager does not result in any improvement over a reasonable period of time, the IIC and/or DCC would consider whether the specific circumstances justified the termination of the mandate.

#### ESG-related enhancements in the Plan's funds

The Trustee has taken actions to specifically integrate ESG factors into some of the Plan's existing funds. The extent to which this can be done varies depending on the fund structure which the Plan is invested in. For example, there may be more scope to set ESG-related objectives within a segregated account compared to a pooled fund.

Within the DB Sections, the IIC, with ESGC input, will consider whether enhancements can be made to invested funds to more explicitly manage ESG-related risks and capture ESG-related opportunities, including alignment with the Trustee's net zero ambition. The primary corporate bond portfolio already has several ESG-related guidelines, mainly relating to net zero. Investments in controversial weapons are prohibited within the DB Section's segregated



accounts.

Within the DC section a number of funds in the Lifestyle and Freestyle fund range have their own net zero targets and explicitly take account of the approach that companies take to ESG issues. They also have explicit controversial weapons exclusions and use revenue-based thresholds to exclude certain companies in the thermal coal industry.

#### ESG-related industry collaboration

As mentioned above, the Trustee encourages managers to engage issuers and assets collaboratively where appropriate.

In addition to these expectations, the Trustee recognises its own role in industry collaboration and system-wide engagement. With this in mind, the Trustee supports industry initiatives which are aligned with its wider ESG goals:

- Signatory to the UK Stewardship Code (DB Sections only)
- Signatory to the Asset Owner Diversity Charter

### **3. ESG issues in relation to funding and covenant**

#### Consideration of ESG issues in the DB Sections' funding strategy

The Trustee recognises that climate-related issues represent a material risk to future economic stability in the long term, with potentially wide-ranging impacts on ESG matters. From a funding perspective these risks could manifest themselves through unmatched falls in asset values, members living longer than assumed, or a reduction in the strength of DPAG's covenant.

The Trustee therefore takes climate change into account when reviewing and updating its funding strategy, which it does as part of the Plan's actuarial valuations. Actuarial valuations are typically carried out every three years. Consideration is given to how climate-related risks might manifest within the DB Sections and the funding assumptions adopted are intended to contain an appropriate degree of prudence taking into account these risks.

This process is informed by climate scenario analysis undertaken by the Trustee to assess:

- The potential impacts on the DB Sections' assets and liabilities of the effects of global average temperature increases and any steps taken (by governments or otherwise) because of the increases in temperature; and
- The resilience of the DB Sections' investment and funding strategy and any action needed to improve their resilience.

Climate scenario analysis is carried out at least every three years<sup>2</sup>, with covenant adviser input as appropriate.

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<sup>2</sup> Climate scenario analysis is also carried out at least every three years to understand the potential impacts on the DC Section's assets and on the pension account of specimen members of the DC Section.

### Covenant assessment and monitoring

The Plan's covenant adviser incorporates ESG considerations in its assessment and monitoring advice on DPAG's covenant. This typically includes:

- High-level annual review of DPAG's ESG targets and Sustainability Roadmap;
- High-level annual review of ESG ratings from third party agencies of DPAG compared to peers; and
- Triennial review of DPAG's climate reporting as part of the covenant assessments prepared to inform the Plan's actuarial valuations.

### **4. Policy review**

This policy will be reviewed annually until such time it is agreed that reviews can take place every three years.

Version 1.0 – [17 June 2025]



## Appendix

### Net zero ambition

The Plan has an ambition to achieve net zero greenhouse gas emissions (Scopes 1, 2 and 3) by 2050 or sooner across its asset portfolio.

This ambition is part of the Trustee's efforts to manage the impact of climate change on the Plan's investments and the consequent impact on the financial interests of its members.

The steps taken to achieve this ambition are expected to include:

- Monitoring emissions, emissions intensity and portfolio alignment (initially measured using the proportion of assets with a science-based emissions reduction target) of each mandate at least annually.
- Setting and monitoring a target to improve portfolio alignment over the short- to medium-term, for important mandates where sufficient data is available.
- Focusing initially on high priority mandates (for example, those with significant assets under management, where there are no plans to wind down the mandate and the majority of investments are in asset classes with well-established net zero approaches) and extending to further mandates over time.
- For segregated mandates, working with asset managers to identify amendments to the investment guidelines to improve the alignment of the portfolio with net zero pathways over time and, where appropriate, setting interim targets for this alignment.
- For investments in pooled funds, encouraging the asset manager to set and implement a net zero commitment for the fund, with appropriate interim targets.
- For new manager appointments, incorporating net zero considerations in the selection process, favouring managers and funds with credible net zero commitments.
- Focusing on actions that lead to real economy emissions reductions.
- Considering ways of increasing the proportion of the Plan's assets which is invested in the climate solutions needed to achieve a net zero economy.
- Encouraging all of the Plan's managers to implement a stewardship and engagement strategy that is consistent with all assets in the portfolio achieving net zero emissions by 2050 or sooner.
- Monitoring the managers' stewardship and engagement activities in relation to climate change, and the implementation of their net zero commitments, through the IIC, IIC Sub-committee and DCC's regular meetings with the managers.
- Engaging with the managers to strengthen their net zero approach where it falls short of the Trustee's expectations, and being willing to take escalatory action if satisfactory improvements are not seen.
- Reporting publicly on progress towards the net zero ambition in the Trustee's annual climate reports.

The Trustee expects these steps to be consistent with fulfilling its fiduciary obligations. In the

event of a conflict between its fiduciary obligations and its achieving net zero ambition, its fiduciary obligations will take precedence.

#### Time horizons to consider climate change-related risks and opportunities

The Trustee considers climate-related risks and opportunities over the short, medium and long term. In the context of the DB Sections, the Trustee considers ‘short’ term to reflect a one-year period; ‘medium’ term is considered as the time horizon to 2030, which for the DB assets is a significant milestone in the journey plan; and ‘long’ term is viewed as the time period to 2050.

In the context of the DC Section, ‘short-term’ is taken to be the investment horizon for a member in the default Lifestyle investment strategy who is five years from retirement. ‘Medium-term’ is considered as the investment horizon for a member in the middle part of their career who has 20 years to go until retirement. ‘Long-term’ is considered as the investment horizon for a new joiner to the DC Section with 40 years to go until retirement.

#### Climate-related metrics

To inform its understanding and monitoring of the Plan’s climate-related risks and opportunities, the Trustee has selected the metrics listed below.

Absolute emissions metric	<ul style="list-style-type: none"> <li>the total scope 1, 2 and 3 GHG emissions<sup>3</sup> for the Plan’s assets, where data is available (tonnes of CO<sub>2</sub>e emitted). Calculated by attributing emissions evenly across equity and debt investors, based on enterprise value of invested capital.</li> </ul>
Emissions intensity metrics	<ul style="list-style-type: none"> <li>Carbon footprint – the total carbon GHG emissions of the portfolio, or part-portfolio, divided by the current value in £m of the portfolio or part-portfolio for which emissions data is available (tonnes of CO<sub>2</sub>e / \$m value).</li> <li>Weighted Average Carbon Intensity (WACI) – calculated by dividing the GHG emissions of each company by the company’s revenue in \$m and aggregating across the portfolio based on portfolio weights (tonnes of CO<sub>2</sub>e / \$m revenue).</li> </ul>
Additional metric	<ul style="list-style-type: none"> <li>Data quality – the proportion of the portfolio (by weight) for which GHG emissions data is reported, rather than estimated or unavailable.</li> </ul>

<sup>3</sup> The emissions measured are the seven gases mandated under the Kyoto Protocol, converted to and expressed as carbon dioxide equivalents (CO<sub>2</sub>e)

Portfolio alignment metric	<ul style="list-style-type: none"> <li>Science Based Targets – the proportion of the portfolio (by weight) of holdings with science-based targets to reduce their GHG emissions, demonstrated by a target validated by the Science Based Targets initiative (SBTi) or equivalent (eg a company or asset that the asset manager deems has a science-based emissions target). This measures the extent to which the Plan’s investments are aligned to the Paris Agreement goal of limiting global average temperature rises.</li> </ul>
In addition to the metrics above, the Trustee will publish from time to time whichever additional metrics it considers appropriate to provide the necessary context for the metrics above.	

The Trustee reviews its choice of metrics from time to time to ensure they remain appropriate for the Plan.

## GLOSSARY

**Actuarial valuation** – an actuarial valuation is an accounting exercise performed to estimate future liabilities arising out of benefits that are payable to members of a DB pension scheme, typically once every three years. In the actuarial valuation exercise, a liability payout at a future date is estimated using various assumptions such as discounting rate and salary growth rate.

**Alignment** – in a climate change context, alignment is the process of bringing greenhouse gas emissions in line with a net zero pathway. It can be applied to individual companies, investment portfolios and the global economy.

**Asset Owner Diversity Charter** – an initiative which formalises signatories' commitment to improving diversity in all forms across the investment industry.

**Carbon footprint** – in an investment context, the total carbon dioxide or greenhouse gas emissions generated per amount invested (e.g. in millions of pounds) by an investment fund. Related definitions are used to apply the term to organisations, countries and individuals.

**Controversial weapons** – the Trustee currently defines this (as a minimum) as weapons which are contrary to international treaties or conventions. It notes that its definition is likely to develop over time as it considers the topic further and discusses it with investment managers.

**Covenant** – the ability and willingness of Deutsche Post AG ("DPAG") to make up any shortfall between the scheme's assets and the agreed funding target.

**Engagement** – dialogue between investors and relevant parties with the aim of preserving and enhancing the long-term value of assets on behalf of clients and beneficiaries. Relevant parties include companies in which the investor holds equity or debt, regulators, policymakers and other stakeholders.

**Environmental, social and governance (ESG)** – an umbrella term that encompasses a wide range of factors that may have been overlooked in traditional investment approaches. Environmental considerations might include physical resource management, pollution prevention and greenhouse gas emissions. Social factors are likely to include workplace diversity, health and safety, and the company's impact on its local community. Governance-related matters include executive compensation, board accountability and shareholder rights.

**Financial materiality** – financially-relevant information that could influence the investment decisions of the Trustee.

**Funding** – the process of assessing and monitoring the value of assets needed to meet the DB Sections' liabilities, and agreeing additional contributions with DPAG and members' employers if the DB Sections' assets are not considered sufficient.

**Greenhouse gas (GHG) emissions (scopes 1, 2 and 3)** – gases that have been and continue to be released into the Earth's atmosphere. Greenhouse gases trap radiation from the sun which subsequently heats the planet's surface (giving rise to the "greenhouse effect"). Carbon dioxide and methane are two of the most important greenhouse gases.

**Integrated risk management** – an approach used by the Trustee to identify, manage and monitor the wide range of risks (relating to investment, funding and covenant) which might impact the chances of meeting the DB Sections' funding and investment objectives.

**Liabilities** – obligations to make a payment in the future. An example of a liability is the pension

benefit ‘promise’ made to DB pension scheme members, such as the series of cash payments made to members in retirement. The more distant the liability payment, the more difficult it often is to predict what it will actually be and hence what assets need to be held to meet it.

**Net zero** – this describes the situation in which total greenhouse gas emissions released into the atmosphere are equal to those removed. This can be considered at different levels, e.g. company, investor, country or global.

**Paris Agreement** – the Paris Agreement is an international treaty on climate change, adopted in 2015. It covers climate change mitigation, adaptation and finance. Its primary goal is to limit global warming to well below 2°C, preferably to 1.5°C, compared to pre-industrial levels.

**Popular DC arrangements** – the Department for Work and Pensions’ (DWP’s) statutory guidance defines “popular” arrangements to be ones in which £100m or more of a DC section’s assets are invested, or which accounts for 10% or more of the assets used to provide money purchase benefits (excluding AVCs).

**Responsible Investment (RI)** – the process by which ESG issues are incorporated into the investment analysis and decision-making process, and into the oversight of investments through stewardship activities. It is motivated by financial considerations aiming to improve risk-adjusted returns.

**Science-Based Targets** – targets to reduce greenhouse gas emissions that are in line with what the latest climate science deems necessary to meet the goals of the Paris Agreement.

**Science-Based Targets initiative (SBTi)** – an organisation that sets standards and provides validation for science-based targets set by companies and investors.

**Scenario analysis** – a tool for examining and evaluating different ways in which the future may unfold.

**Scope 1, 2 and 3** – a classification of greenhouse gas emissions. Scope 1 emissions are direct emissions from company-owned and controlled resources. In other words, emissions released to the atmosphere as a direct result of a set of activities, at a firm level. Scope 2 emissions are indirect emissions from the generation of purchased energy, from a utility provider. In other words, all GHG emissions released in the atmosphere, from the consumption of purchased electricity, steam, heat and cooling. Scope 3 emissions are all indirect emissions – not included in Scope 2 – that occur in the value chain of the reporting company, including both upstream and downstream emissions. In other words, emissions that are linked to the company’s operations but which it does not directly control.

**Stewardship** – stewardship is the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society. It is often implemented via engagement with investee companies and exercising voting rights.

**Stranded assets** – assets that have suffered an unanticipated loss of value before the end of their expected useful economic life. The term is most often applied to fossil fuel investments in the context of climate policy, where legislative and market developments may result in assets being worth less than the value recorded on company balance sheets.

**Systemic risk** – risks that do not just affect the financial performance of one asset or asset class but can instead impact the performance of a whole economy and undermine the stability

of financial markets.

**Taskforce on Climate-related Financial Disclosures (TCFD)** – a group of senior preparers and users of financial disclosures, established by the international Financial Stability Board in 2015 which operated until 2023. The TCFD developed a set of recommendations for climate-related financial risk disclosures for use by companies, financial institutions and other organisations to inform investors and other parties about the climate-related risks they face.

**UK Stewardship Code** – a voluntary code for which aims to set high stewardship standards for signatories including asset managers, asset owners and service providers.