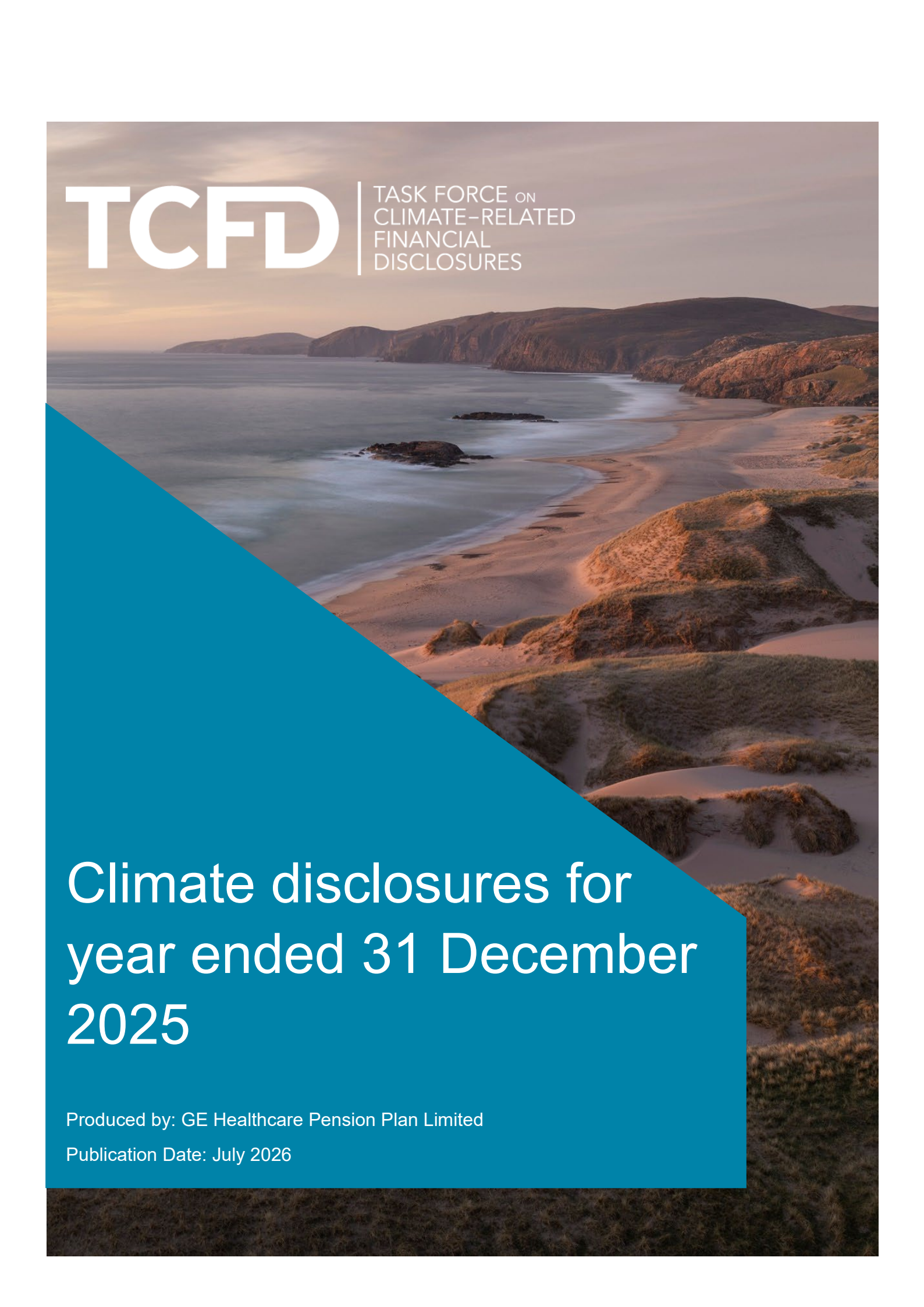




TCFD

TASK FORCE ON
CLIMATE-RELATED
FINANCIAL
DISCLOSURES

Climate disclosures for year ended 31 December 2025

Produced by: GE Healthcare Pension Plan Limited

Publication Date: July 2026

Introduction

Climate change is affecting the planet, causing extreme weather events, impacting crop production, and threatening Earth's ecosystems. Understanding the impact of climate change and the Plan's vulnerability to climate-related risks will help us to mitigate the risks and take advantage of any opportunities.

UK regulations require trustees of pension schemes with more than £1bn in assets to meet certain climate governance requirements and publish an annual report on the impact of climate change on their schemes.

Better climate reporting should lead to better-informed decision-making on climate-related risks. And on top of that, greater transparency around climate-related risks should increase accountability and provide decision-useful information to investors and beneficiaries.

This is the first report under the climate disclosure requirements for the Plan and is for the reporting year ending 31 December 2025. The four elements covered in the report are:

- 1) Governance:** The Plan's governance around climate-related risks and opportunities.
- 2) Strategy:** The potential impacts of climate-related risks and opportunities on the Plan's strategy and financial planning.
- 3) Risk Management:** The processes used to identify, assess, and manage climate-related risks.
- 4) Metrics and Targets:** The metrics and targets used to assess and manage relevant climate-related risks and opportunities.

This report has been prepared by the Trustee of the GE Healthcare Pension Plan (the "Plan") in accordance with the regulations set out under The Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021 (the "Regulations").

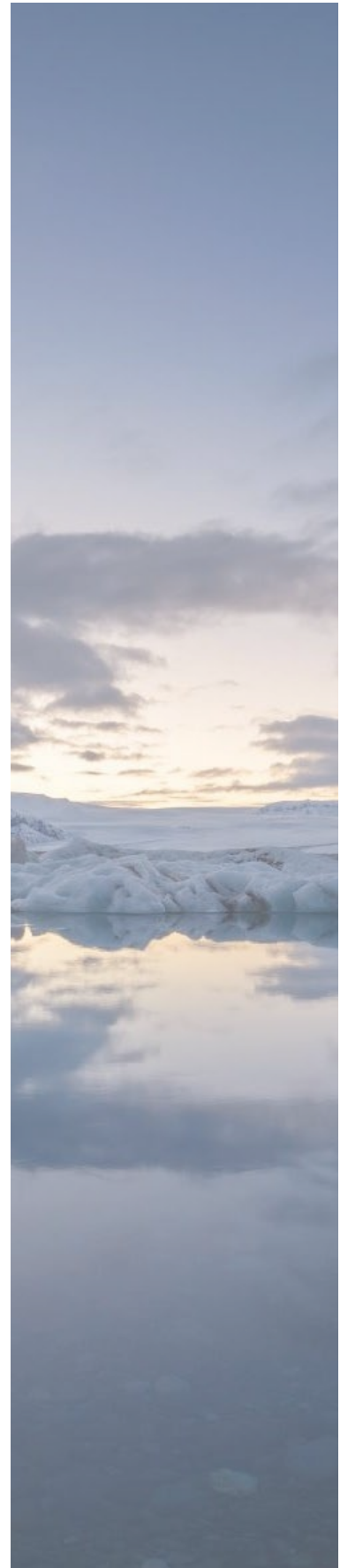


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Executive summary

This report sets out the actions that we, the Trustee, have taken to understand the potential impact climate change could have on the Plan.

We have worked closely with our investment advisers to identify the climate-related risks and opportunities faced by the Plan, and to understand ways we can manage and mitigate those risks.

Overview of the Plan

The Plan is set up as a DB Scheme and was invested in property and cash as at the year end of 31 December 2025. The Plan's liabilities were insured by a bulk annuity provider, Rothesay Life in October 2025. This forms the largest part of the Plan's portfolio.

Additionally, as a result of the Plan dropping below £500M of 'relevant assets', as defined in the regulations during the reporting year, this is likely to be the only mandatory report that we are obligated to produce.

Given the nature of the bulk annuity purchase, and in line with the Regulations, much of the analysis has focused on the assets held over the reporting year that are categorised as relevant assets¹ i.e., the uninsured assets. However, we have included details of the insured assets within the Metrics and Targets pillar as setting a target is a forward-looking action that only makes sense within the context of assets held by the Plan.

The Trustee has been supported by its DB investment adviser, Aon Investments Limited ("Aon") in the production of this TCFD report.



Governance

- We, the Trustee, are ultimately responsible for the oversight of all strategic matters relating to the Plan, this includes climate-related risks and opportunities.
- Following the recent bulk annuity transaction, the majority of the Plan's liabilities – and the associated climate-related risks and opportunities – now sit with the insurer. The residual assets held by the Plan (principally cash and property managed by State Street Investment Management ("SSIM")) are relatively small in the context of the overall benefit promise.
- We delegate the day-to-day monitoring and management of climate-related risks in respect of these residual assets to SSIM as fiduciary manager, within the parameters and guidelines set by the Trustee.

¹ Relevant assets are assets of the Plan used to secure member benefits, excluding the value of any contracts of insurance that have been bought to secure benefits.



Strategy

- The analysis of climate related risks and opportunities related to the Plan showed that the asset classes in which the Plan invested prior to buy-in were impacted to some degree by climate-related risks. However, as the DB liabilities are now insured, the risk profile of the assets underlying the payments that the Trustee receives under the insurance policy is now within the remit of the insurer.



Risk Management

- We have established a process to identify, assess and manage the climate-related risks and opportunities to which the Plan is exposed. This is integrated into the Plan's wider risk management framework.



Metrics and Targets

We have disclosed information on four climate-related metrics for each of the Plan:

- Total Greenhouse Gas (GHG) Emissions.
- Carbon Footprint.
- Data Quality.
- Portfolio Alignment.

The Trustee notes, however, that due to the Plan's bulk annuity arrangements, and in line with the Regulations, this will be the Plan's final TCFD report. No target has been set by the Trustee due to the recently completed buy-in, nature of the insured assets, and in line with the Regulations. However, climate risk was a considered factor throughout the process of insuring the Plan's liabilities.

Following completion of the report, the Trustee was reassured that the various analysis showed that the Plan demonstrated resilience to the potential financial impact of climate change but acknowledges that there continues to be work needed to manage climate risks effectively.

We hope you enjoy reading this report and understanding more about how we are managing climate-related risks and opportunities within the Plan.

Chair's signature

on behalf of the Trustee of the GE Health Care Pension Plan.



Governance

Governance is the way the Plan operates and the internal processes and controls in place to ensure appropriate oversight. Those undertaking governance activities are responsible for managing climate-related risks and opportunities. This includes us, as the Trustee, and others involved in making Plan-wide decisions, such as those relating to the investment strategy or how it is implemented, funding, and the ability of the sponsoring employer to support the Plan.



Our Plan's governance

As the Trustee of the Plan, we are responsible for overseeing all strategic matters related to the Plan. This includes the governance and management frameworks relating to environmental, social and governance ("ESG") considerations and climate-related risks and opportunities.

We have agreed our climate-related beliefs and our approach to managing climate change risk.

Climate-related risks and opportunities are integrated into our risk management framework so we can maintain oversight of the climate-related risks and opportunities that are relevant to the Plan.

Trustee update

The Plan undertook a selection exercise in the early parts of 2025, to select an insurer for the Bulk Annuity. As part of this, the Trustee considered the ESG credentials of the chosen insurer.

Role of the Trustee Board

The Trustee is ultimately collectively responsible for oversight of all strategic matters related to the Plan including climate-related risks and opportunities. Details are set out in the Statement of Investment Principles, which are reviewed at least annually (or sooner in the event of a significant change in investment policy).

The Trustee receives responsible investment related updates on a regular basis and undertakes regular training on at least an annual basis to ensure it has the appropriate degree of knowledge and understanding on these issues to support good decision-making.

Role of the fiduciary provider

The Trustee Board has agreed that SSIM will help the Trustee understand how they and the underlying managers consider climate change risk in their investment approach and work with the underlying managers to disclose relevant climate-related metrics as set out in the TCFD's recommendations.

How we work with our advisers and other service providers

We expect our advisers and investment managers to bring important climate-related issues and developments to our attention in a timely manner. We expect our advisers and investment managers to have the appropriate knowledge on climate-related matters. This forms a routine part of Trustee meetings, and part of the ongoing programme of training for the Trustee.

Investment Adviser

As of October 2025, the DB assets of the Plan were insured through a bulk annuity insurance contract, with the exception of some residual assets in property and cash.

As such, it falls within the remit of the insurer to monitor the climate related risks and opportunities for the insured assets. With regards to the residual assets, the Trustee works with their investment advisor to ensure that they take into account socially responsible investment criteria, including ESG factors and climate change.

The Trustee is aided in its monitoring of ESG integration and stewardship, in relation to climate-related factors, of its investment managers by its investment advisers.

The Trustee monitored the quality of climate-related support and advice from its investment advisers as part of an annual review against the investment advisers' objectives in the reporting year and will continue to do so. It will use the Investment Consultant Working Group's framework to assess the competence of its managers to advise on climate-related matters.

Plan Actuary: The Plan Actuary will help the Trustee assess the potential impact of climate change risk on the Plan's funding strategy and funding assumptions to inform actuarial valuations, until such a time as the Plan is no longer required to report on its funding position for the DB assets.

To review the quality of the Plan's Actuary's advice and support on climate-related issues, the Trustee will seek to understand how climate-related factors affect the assumptions used for the DB section of the Plan, and which sources of expertise the Plan Actuary has used in determining the appropriate assumptions to use.

Strategy

It is crucial to think strategically about the climate-related risks and opportunities that will impact the Plan if we are to stand a chance of mitigating the effects of climate change.

Assessing the climate-related risks and opportunities the Plan is exposed to is key to understanding the impact climate change could have on the Plan in the future.



What climate-related risks are most likely to impact the Plan?

We carried out a qualitative risk assessment of the asset classes the Plan was invested in during the Reporting Year². From this, we identified which climate-related risks could have a material impact on the Plan. We also considered any climate-related opportunities.

Our investments

For this assessment, we surveyed our investment managers asking them to identify the climate-related risks and opportunities to which they believe the relevant funds under their management were exposed.

For part of the year, the Plan was invested in two fixed income funds. However, these holdings were fully divested in July in order to secure the Plan's bulk annuity, and this transition is now complete. The remaining assets are primarily held in property and cash.

The insurer of the Plan's assets, Rothesay Life, has fully embedded climate risk management into both its business and processes. As such, it will be able to monitor the climate risks that the insured assets are exposed to going forward. Further details can be found on page 19.

The Plan has residual investments in cash and property funds as follows:

Asset Allocation /£m as at 31 December 2025	Cash	Property
	255.8M (96%)	11.9M (4%)

Source: SSIM/Aon. The asset allocation excludes the bulk annuity due to the nature of the asset class.

The cash at 31 December 2025 include cash in transit arising from the recent buy-in transaction. These amounts represent proceeds that have been committed and are in the process of settlement and, accordingly, are reflected within the cash figures shown above.

How the risk assessment works



Risk categories

In the analysis, the climate-related risks have been categorised into physical and transitional risks.

Transition risks are associated with the transition towards a low-carbon economy.

Physical risks are associated with the physical impacts of climate change on companies' operations.



Ratings

The analysis of the assets uses a RAG rating system where:

Red denotes a high level of financial exposure to a risk.

Amber denotes a medium level of financial exposure to a risk.

Green denotes a low level of financial exposure to a risk.



Time horizons

We assessed the climate-related risks and opportunities over multiple time horizons considering the liabilities of the Plan and its obligations to pay benefits.

When deciding the relevant time horizons, in addition to the liabilities of the Plan, we considered its obligations to pay benefits and plans to fully de-risk.

The time horizons used for the DB assets were defined as those that would have been appropriate for the assets that were held for the DB section, prior to it being fully insured. We defined these time horizons to be as follows:

- Short-term: 0-3 years.
- Medium-term: 4-10 years
- Long-term: 11-20 years

More details about transition and physical risks can be found in the [Appendix](#).

Types of risk

In the analysis, the climate-related risks have been categorised into transition and physical risks.

Transition risks

Transition risks are those relating to the ability of an organisation to adapt to the changes required to reduce greenhouse gas emissions and transition to renewable energy. Within transition risks, there are four key areas: policy and legal, technological innovation, market changes, and reputational risk.

Policy and legal

Examples

Increased pricing of greenhouse gas ("GHG") emissions.
Enhanced emissions reporting obligations.
Regulation of existing products and services.
Exposure to litigation.

Potential financial impacts

Increased operating costs (e.g. higher compliance costs, increased insurance premiums).
Write-offs, asset impairment and early retirement of existing assets due to policy changes.
Increased costs and/or reduced demand for products and services resulting from fines and judgements.

Technological Innovation

Examples

Substitution of existing products and services to those with lower emissions.
Unsuccessful investments in new technologies.
Cost of transition to lower emissions technology.

Potential financial impacts

Write-offs and early retirement of existing assets.
Reduced demand for products and services.
Research and development expenditure in new and alternative technologies.
Capital investments in technology development.
Costs to adopt new practices and processes.

Market Changes

Examples

Changing customer behaviour.
Uncertainty in market signals.
Increased cost of raw materials.

Potential financial impacts

Reduced demand for goods and services due to shifts in consumer preferences.
Increased production costs due to changing prices and requirements.
Abrupt and unexpected increases in energy costs.
Change in revenue mix and sources, resulting in decreased revenues and/or margins.
Re-pricing of assets (e.g., fossil fuel reserves, land valuations, securities valuations).

Reputational Risk

Examples

Shifts in consumer preferences.
Stigmatisation of sector.
Increased stakeholder concern or negative stakeholder feedback.

Potential financial impacts

Reduced revenue from decreased demand for goods and services.
Reduced revenue from decreased production capacity (e.g., delayed planning approvals, supply chain interruptions).
Reduced revenue from negative impacts on workforce management and planning (e.g., employee attraction and retention).
Reduction in capital availability.

Physical Risks

Physical risks refer to the physical impacts of climate change on an organisation's operations. They directly impact an organisation's ability to perform its function due to climate disruption. They fall into two subcategories: acute and chronic; acute referring to extreme climate events such as flooding and wildfires, and chronic referring to trends over time such as an increase in temperature or ocean acidification.

Acute	Chronic
Examples Extreme heat Extreme rainfall Floods Droughts Storms (e.g., hurricanes)	Examples Water stress Sea level rises Land degradation Variability in temperature Variability in precipitation

These two types of risk (transition and physical) can place adverse effects upon the performance of assets and thus must be considered and mitigated.

Climate-related risk assessment – in detail

Property – 4% of the portfolio

	Asset Class	Property
Physical risks	Short term	Green
	Medium term	Amber
	Long term	Amber
Transition risks	Short term	Green
	Medium term	Amber
	Long term	Amber - Red

Source: SSIM.

Key conclusions

The Plan has a residual investment in property which is currently being liquidated. Property is generally deemed to have a medium to high climate-related risk exposure over almost all-time horizons, however the Plan does not intend on holding these assets in the long term.

We are comfortable that no significant action is needed to manage the risk exposures highlighted as part of this assessment

At the time of writing this statement, the Plan's assets have been transferred in full to Rothesay Life, the Plan's chosen annuity provider. We have reviewed insurer's approach to climate-risk management and are comfortable that they will manage this appropriately on behalf of the Plan's beneficiaries.

Climate-related opportunities

The climate-related opportunities available to the residual assets are limited. The insured assets have been secured with the insurer, and we have limited control over these assets to take advantage of any opportunities. We do, however, expect the insurer will take advantage of opportunities available to it across its bulk annuity portfolio.

Initial information on the climate-related investment opportunities that Rothesay Life (who are now responsible for the Plan's assets and liabilities following a buy-in transaction completed after the Plan year-end) have identified can be found in Rothesay Life's own climate-risk disclosures, available [here](#).

How resilient is the Plan to climate change?

Climate change scenario analysis is important to better understand the impact climate change could have on the Plan's assets.

Following the DB buy-in, climate risk for the DB section of the Plan was transferred to the insurer, who will carry out its own climate change scenario analysis in line with its own approach to TCFD reporting.

Moving forward, scenarios modelled for the insured DB assets will be done by the insurer using their own modelling assumptions. Initial information is available in Rothesay Life's own climate-risk disclosures, available [here](#).

Some residual assets were held as cash and property; however, cash is not deemed to be material for scenario analysis. The Property assets are in the process of being liquidated and the Plan does not expect to still have these holdings in the medium to long-term. Additionally, the property assets held make up less than 5% of the residual assets and have therefore been considered immaterial for this analysis.

Legal disclosure required:

The most recent scenarios which the trustees have analysed (Para 27 (g))

The resilience of the Plan's investment strategy and where the plan has a funding strategy, the resilience of the funding strategy, in the most recent scenarios the trustees have analysed (Para 27 (i))

In cases where the trustees have determined not to undertake new scenario analysis, the trustees' reasons for this determination (para. 27 (j))

A photograph of an iceberg floating in the ocean. The visible tip of the iceberg is small and jagged, while the much larger submerged portion is visible below the water's surface. The sky is a pale, hazy blue, suggesting a clear day.

Risk management

We must have processes to identify, assess and manage the climate-related risks that are relevant to the Plan, and these must be integrated into the overall risk management of the Plan.

Reporting on our risk management processes provides context for how we think about and address the most significant risks to our efforts to achieve appropriate outcomes for members.



Our process for identifying and assessing climate-related risks

We have established a process to identify, assess and manage the climate-related risks that are relevant to the Plan. This is part of the Plan's wider risk management framework and is how we monitor the most significant risks to the Plan in our efforts to achieve appropriate outcomes for the Plan's members.

As the bulk of the assets have now been transferred to an insurer, the climate related risks and opportunities now fall within the remit of the insurer.

Assessing our annuity provider

As the Plan's de-risking strategy is implemented, it is expected that the Trustee will rely increasingly on its buy-in provider in being able to achieve its climate targets. The materiality of residual assets to the overall portfolio will reduce but will remain a focus for a future amended policy approach.

Our investment consultant, Aon, undertakes an annual assessment of the Responsible Investment approach and capabilities of the Plan's annuity provider, Rothesay. The results of Aon's latest assessments are summarised below.

Rothesay

Rothesay integrates sustainability considerations across its portfolio, targeting net zero by 2050 and using scenario analysis to assess both physical and transition climate risks. It monitors carbon intensity, adjusts investments according to climate risk, and engages with issuers working towards credible decarbonisation plans. Rothesay also seeks out climate-related investment opportunities, with a growing share of its portfolio in low carbon assets and continues to strengthen its stewardship approach.

Source: Aon/Insurer.

Legal disclosure required:

The processes which the Trustee has established in accordance with paragraph 12 for identifying and assessing climate-related risks which are relevant to the Plan (para.27 (k))

A photograph of an iceberg floating in the ocean. The visible part of the iceberg is a small, white, jagged peak above the water's surface. The water is dark blue with gentle ripples. The sky is a pale, hazy blue with a soft orange glow near the horizon, suggesting a sunrise or sunset. The overall mood is serene but also evokes a sense of isolation and fragility.

Metrics & Targets

Metrics help to inform our understanding and monitoring of the Plan's climate-related risks. Quantitative measures of the Plan's climate-related risks, in the form of both greenhouse gas emissions and non-emissions-based metrics, help us to identify, manage and track the Plan's exposure to the financial risks and opportunities climate change will bring.



Our climate-related metrics

We use some quantitative measures to help us understand and monitor the Plan's exposure to climate-related risks. Measuring the greenhouse gas emissions related to our assets is a fundamental way for us to assess our exposure to climate change.

Greenhouse gases are produced by burning fossil fuels, meat and dairy farming, and some industrial processes. When greenhouse gases are released into the atmosphere, they trap heat in the atmosphere causing global warming, contributing to climate change.

Greenhouse gases are categorised into three types or 'scopes' by the Greenhouse Gas Protocol, the world's most used greenhouse gas accounting standard.



Scope 1

All direct emissions from the activities of an organisation which are under their control; these typically include emissions from their own buildings, facilities, and vehicles.



Scope 2

These are the indirect emissions from the generation of electricity purchased and used by an organisation.



Scope 3

All other indirect emissions linked to the wider supply chain and activities of the organisation from outside its own operations – from the goods it purchases to the disposal of the products it sells.

Given that the assets are now insured, apart from some immaterial residual assets, scope 1, 2 and 3 emissions were provided by the insurer for the remaining bulk annuity assets. Scope 3 emissions are often the largest proportion of an organisation's emissions, but they are also the hardest to measure. The complexity and global nature of an underlying investee company's value chain make it hard to collect accurate data.

For more explanation about GHG emissions, please see the [Appendix](#).



Our climate-related metrics



Total Greenhouse Gas emissions

The total greenhouse gas (GHG) emissions associated with the portfolio. It is an absolute measure of carbon output from the Plan's investments and is measured in tonnes of carbon dioxide equivalent (tCO₂e).



Carbon footprint

Carbon footprint is an intensity measure of emissions that takes the total GHG emissions and weights it to take account of the size of the investment made. It is measured in tonnes of carbon dioxide equivalent per million pounds invested (tCO₂e/£m).



Data quality

A measure of the proportion of the portfolio that the Trustee high quality data for (i.e., data which is based on verified, reported, or reasonably estimated emissions, versus that which is unavailable).

This has been selected on the basis that it provides a consistent and comparable measure of the level of confidence in the data.



Portfolio alignment metrics

A metric which shows how much of the Plan's assets are aligned with a climate change goal of limiting the increase in the global average temperature to 1.5°C above pre-industrial levels.

It is measured as the percentage of underlying portfolio investments with a declared net-zero or Paris-aligned target or are already net-zero or Paris-aligned.

The Plan holds assets within the trustee bank account and some additional residual cash, but these have been excluded from this report on the grounds of proportionality.

It also includes an analysis of the metrics of the insured assets for the DB section of the Plan.

The Carbon Metrics

Asset class	Data Coverage	 Total GHG emissions (tCO ₂ e)		 Carbon footprint (tCO ₂ e/£m)	
		Scopes 1 & 2	Scope 3	Scopes 1 & 2	Scope 3
Bulk Annuity	91%	103,699	Not provided	72	Not provided

Source: Bulk annuity provider/ Aon. Data provided for the insured assets was as at 31 December 2025. Scope 3 emissions were not provided by Rothesay life for the insured assets.

Portfolio alignment metric/Implied temperature rise

Asset class	Binary target measurement	Implied Temperature Rise (ITR) Score
Bulk Annuity	45%	1.9 °C

Where data is relevant and available, Rothesay use temperature alignment scores to provide an additional dimension to their understanding of the climate characteristics of their holdings.

Source: Bulk annuity provider.

Commentary

Some residual assets were held as cash and property; however, cash is not deemed to be material with respect to the carbon metrics. The Property assets are in the process of liquidating these assets and the Plan does not expect to still have these holdings in the medium to long-term. Additionally, the property assets held make up less than 5% of the residual assets and have therefore been considered immaterial for this analysis.

Notes on the metrics data

Our investment adviser, Aon, collected information from the Plan's bulk annuity provider about their greenhouse gas emissions and carbon footprint. Aon collated this information to calculate the climate-related metrics for the Plan's insured portfolio of assets.

Availability of data:

- Rothesay were able to provide in their latest climate report their carbon footprint and data coverage for the assets backing bulk annuity policies.
- No further information was requested in respect to assets prior to the buy-in.
- Carbon metrics data was not requested for the residual assets or Trustee bank account due to the limited materiality of the underlying assets.

Rothesay, when providing us with the metrics for the insured DB assets reported on data coverage. Data coverage is the percentage of data that is available within a portfolio and has used as a proxy for data quality. Data quality, formally, is a measure of the proportion of the portfolio that has high quality data (i.e., data which is based on verified, reported, or reasonable estimated emissions, versus that which is unavailable).

Aon does not make any estimates for missing data.

As a result of the buy-in of the DB assets that took place in 2025, the report includes the carbon metrics related to the insured DB assets.

Methodology

Aon calculated the carbon metrics for the Plan based on the information provided by the bulk annuity provider. The table below shows the broad approach used to calculate each metric.

Asset Class	Approach
Insured assets	Carbon footprint The bulk annuity provider provided the carbon footprint for the assets that are backing the bulk annuity policies. Data coverage The bulk annuity provider provided the data coverage for the reported assets. Total GHG emissions Using the carbon footprint, we calculated the Plan's proportion of each investment fund's emissions by calculating: <i>£m Plan insured assets x Carbon footprint x data coverage.</i>

General notes on metrics

Our investment adviser, Aon, collected the carbon emissions data from the bulk annuity provider for the insured DB assets.

The carbon metrics data underlying the calculation were provided by Rothesay Life and can be found in the insurer's latest Climate Report, which is the 2025 Climate Report as at the time of calculation.

There currently is no industry-wide standard for calculating some of these metrics and different managers may use different methods and assumptions. These issues are common across the industry and highlight the importance of climate reporting to improve transparency. We expect that in the future better information will be available from managers as the industry aligns to expectations and best practice standards.

Looking to the future

Our climate-related target

We are required to set at least one target for the Plan in relation to at least one of the chosen metrics and as far as we are able, to measure performance against these targets on an annual basis.

Our climate related target aligns with that which the Plan's annuity provider has set. The achievement of the target lies within the control of the insurer rather than the Trustee.

Whilst a target could be set for the insured assets, we have limited control over these assets, and by extension limited ability to influence whether this target would be achieved. As a result, have not set a target in relation to the DB assets of the Plan.

Further detail in respect of the target is set out in Rothesay Life's own climate-risk disclosures, available [here](#).

Appendices

Appendix 1 – Glossary

Governance	refers to the system by which an organisation is directed and controlled in the interests of shareholders and other stakeholders. ³ Governance involves a set of relationships between an organisation's management, its board, its shareholders, and other stakeholders. Governance provides the structure and processes through which the objectives of the organisation are set, progress against performance is monitored, and results are evaluated. ⁴
Strategy	refers to an organisation's desired future state. An organisation's strategy establishes a foundation against which it can monitor and measure its progress in reaching that desired state. Strategy formulation generally involves establishing the purpose and scope of the organisation's activities and the nature of its businesses, taking into account the risks and opportunities it faces and the environment in which it operates. ⁵
Risk management	refers to a set of processes that are carried out by an organisation's board and management to support the achievement of the organisation's objectives by addressing its risks and managing the combined potential impact of those risks. ⁶
Climate-related risk	refers to the potential negative impacts of climate change on an organisation. Physical risks emanating from climate change can be event-driven (acute) such as increased severity of extreme weather events (e.g., cyclones, droughts, floods, and fires). They can also relate to longer-term shifts (chronic) in precipitation and temperature and increased variability in weather patterns (e.g., sea level rise). Climate-related risks can also be associated with the transition to a lower-carbon global economy, the most common of which relate to policy and legal actions, technology changes, market responses, and reputational considerations. ⁷
Climate-related opportunity	refers to the potential positive impacts related to climate change on an organisation. Efforts to mitigate and adapt to climate change can produce opportunities for organisations, such as through resource efficiency and cost savings, the adoption and utilization of low-emission energy sources, the development of new products and services, and building resilience along the supply chain. Climate-related opportunities will vary depending on the region, market, and industry in which an organisation operates. ⁸

³ A. Cadbury, [Report of the Committee on the Financial Aspects of Corporate Governance](#), London, 1992.

⁴ OECD, [G20/OECD Principles of Corporate Governance](#), OECD Publishing, Paris, 2015.

⁵ TCFD, [Recommendations of the Task Force on Climate-related Financial Disclosures](#), 2017

⁶ TCFD, [Recommendations of the Task Force on Climate-related Financial Disclosures](#), 2017

⁷ TCFD, [Recommendations of the Task Force on Climate-related Financial Disclosures](#), 2017

⁸ TCFD, [Recommendations of the Task Force on Climate-related Financial Disclosures](#), 2017

Greenhouse gas emissions scope levels⁹	Greenhouse gases are categorised into three types or 'scopes' by the Greenhouse Gas Protocol, the world's most used greenhouse gas accounting standard. Scope 1 refers to all direct GHG emissions. Scope 2 refers to indirect GHG emissions from consumption of purchased electricity, heat, or steam. Scope 3 refers to other indirect emissions not covered in Scope 2 that occur in the value chain of the reporting company, including both upstream and downstream emissions. Scope 3 emissions could include: the extraction and production of purchased materials and fuels, transport-related activities in vehicles not owned or controlled by the reporting entity, electricity-related activities (e.g., transmission and distribution losses), outsourced activities, and waste disposal.¹⁰
Value chain	refers to the upstream and downstream life cycle of a product, process, or service, including material sourcing, production, consumption, and disposal/recycling. Upstream activities include operations that relate to the initial stages of producing a good or service (e.g., material sourcing, material processing, supplier activities). Downstream activities include operations that relate to processing the materials into a finished product and delivering it to the end user (e.g., transportation, distribution, and consumption).¹¹
Climate scenario analysis	is a process for identifying and assessing a potential range of outcomes of future events under conditions of uncertainty. In the case of climate change, for example, scenarios allow an organisation to explore and develop an understanding of how the physical and transition risks of climate change may impact its businesses, strategies, and financial performance over time.¹²
Net zero	means achieving a balance between the greenhouse gases emitted into the atmosphere, and those removed from it. This balance – or net zero – will happen when the amount of greenhouse gases add to the atmosphere is no more than the amount removed.¹³

⁹ World Resources Institute and World Business Council for Sustainable Development, [The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard \(Revised Edition\)](#), March 2004.

¹⁰ PCC, [Climate Change 2014 Mitigation of Climate Change](#), Cambridge University Press, 2014.

¹¹ TCFD, [Recommendations of the Task Force on Climate-related Financial Disclosures](#), 2017

¹² TCFD, [Recommendations of the Task Force on Climate-related Financial Disclosures](#), 2017

¹³ Energy Saving Trust, [What is net zero and how can we get there? - Energy Saving Trust](#), October 2021

Appendix 2 – An explanation of climate risk categories

Climate-related risks are categorised into physical and transition risks. Below are examples of transition and physical risks.

Transition risks

Transition risks are those related to the ability of an organisation to adapt to the changes required to reduce greenhouse gas emissions and transition to renewable energy. Within transition risks, there are four key areas: policy and legal, technological innovation, market changes, and reputational risk.

Policy and legal

Examples

- Increased pricing of GHG emissions
- Enhanced emissions-reporting obligations
- Regulation of existing products and services

Potential financial impacts

- Increased operating costs (e.g., higher compliance costs, increased insurance premiums)
- Write-offs, asset impairment and early retirement of existing assets due to policy changes

Technology

Examples

- Cost to transition to lower emissions technology
- Unsuccessful investments in new technologies

Potential financial impacts

- Write-offs and early retirement of existing assets
- Capital investments in technology development
- Costs to adopt new practices and processes

Market

Examples

- Changing customer behaviour
- Uncertainty in market signals
- Increased cost of raw materials

Potential financial impacts

Reputational

Examples

- Stigmatisation of sector
- Increased stakeholder concern or negative stakeholder feedback

Potential financial impacts

- | | |
|---|--|
| <ul style="list-style-type: none"> ▪ Reduced demand for goods and services due to shift in consumer preferences. ▪ Abrupt and unexpected increases in energy costs. ▪ Re-pricing of assets (e.g., fossil fuel reserves, land valuations, securities valuations). | <ul style="list-style-type: none"> ▪ Reduced revenue from decreased demand for goods and services. ▪ Reduced revenue from decreased production capacity (e.g., delayed planning approvals, supply chain interruptions) ▪ Reduced revenue from negative impacts on workforce management and planning |
|---|--|

Physical Risks

Physical risks refer to the physical impacts of climate change on a firm's operations. They directly impact a firm's ability to perform its function due to climate disruption. They fall into two subcategories: acute and chronic. Acute risks are extreme climate events such as flooding and wildfires, and chronic risks are trends over time such as an increase in temperature or ocean acidification.

Acute

Examples

- Extreme heat
- Extreme rainfall
- Floods
- Droughts
- Storms (e.g., hurricanes)

Chronic

Examples

- Water stress
- Sea level rises
- Land degradation
- Variability in temperature
- Variability in precipitation

Appendix 3 – Greenhouse gas emissions in more detail

Greenhouse gases in the atmosphere, including water vapour, carbon dioxide, methane, and nitrous oxide, keep the Earth's surface and atmosphere warm because they absorb sunlight and re-emit it as heat in all directions including back down to Earth. Adding more greenhouse gases to the atmosphere makes it even more effective at preventing heat from leaving the Earth's atmosphere.

Greenhouse gases are vital because they act like a blanket around the Earth making it the climate habitable. The problem is that human activity is making the blanket "thicker". For example, when we burn coal, oil, and natural gas we send huge amounts of carbon dioxide into the air. When we destroy forests, the carbon stored in the trees escapes to the atmosphere. Other basic activities, such as raising cattle and planting rice, emit methane, nitrous oxide, and other greenhouse gases.

The amount of greenhouse gases in the atmosphere has significantly increased since the Industrial Revolution. The Kyoto Protocol¹⁴ identifies six greenhouse gases which human activity is largely responsible for emitting. Of these six gases, human-made carbon dioxide is the biggest contributor to global warming.

Each greenhouse gas has a different global warming potential and persists for a different length of time in the atmosphere. Therefore, emissions are expressed as a carbon dioxide equivalent (CO₂e). This enables the different gases to be compared on a like-for-like bases, relative to one unit of carbon dioxide.

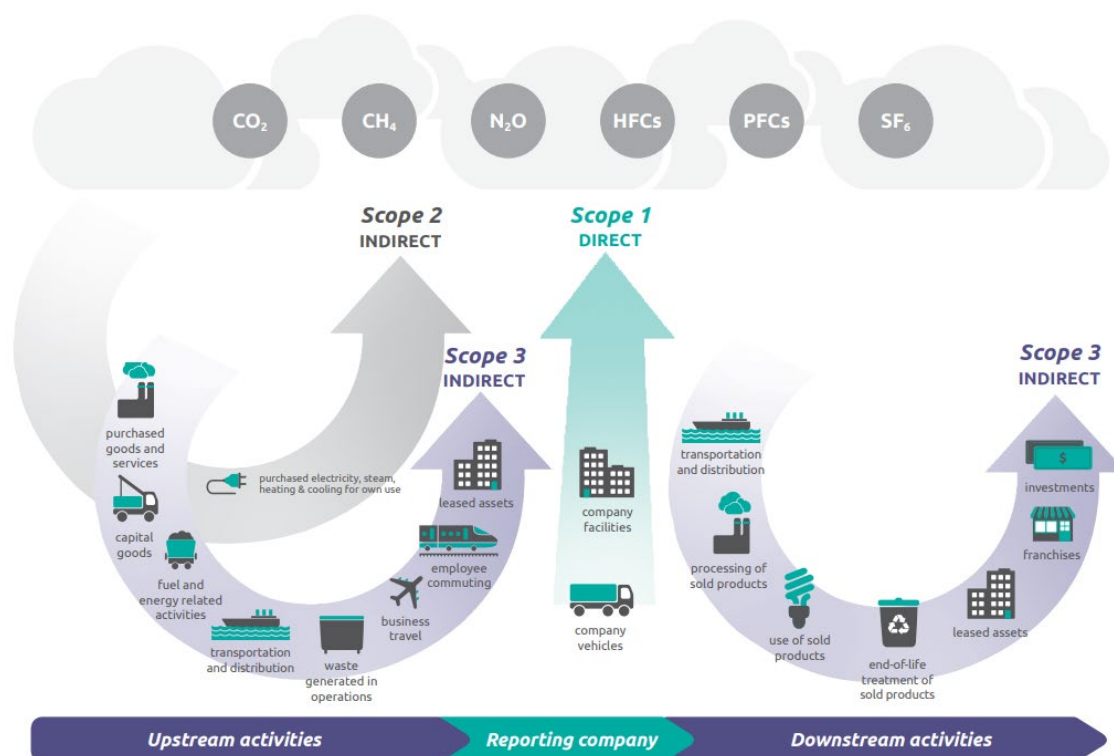
Six main greenhouse gases identified by the Kyoto Protocol

					
Carbon dioxide	Methane	Nitrous oxide	Hydro-fluorocarbons	Per-fluorocarbons	Sulphur hexafluoride
CO ₂	CH ₄	N ₂ O	HFCs	PFCs	SF ₆

¹⁴ https://unfccc.int/kyoto_protocol

Greenhouse gases are categorised into three types or 'scopes' by the Greenhouse Gas Protocol, the world's most used greenhouse gas accounting standard.

Overview of GHG Protocol scopes and emissions across the value chain



Source: Greenhouse Gas Protocol, [Corporate value chain \(scope 3\) Accounting and Reporting Standard](#), 2011