
Task Force on Climate-Related Financial Disclosures Entity Report

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Introduction

Dimensional Fund Advisors Ltd. (“Dimensional UK”) is authorised and regulated by the UK Financial Conduct Authority (the “FCA”). This document is intended to meet the requirement under the FCA’s rules for Dimensional UK to prepare and publish a “TCFD entity report” containing climate-related disclosures consistent with the Task Force on Climate-Related Financial Disclosures (“TCFD”) Recommendations and Recommended Disclosures.

This TCFD entity report has been prepared by Dimensional UK on a solo basis in accordance with the relevant provisions contained in the FCA’s ESG sourcebook, the TCFD Recommendations and Recommended Disclosures, and the applicable sections of the TCFD Annex as required by the FCA rules.

This Dimensional UK TCFD entity report adopts a 12-month reporting period that ends on 31 December 2024, and this report is published as of 30 June 2025.

The disclosures contained in this report relate to assets under management (“AUM”) in connection with Dimensional UK’s TCFD entity report in-scope business. Dimensional UK’s in-scope business is limited to (i) acting as the authorised corporate director of Dimensional Funds ICVC and (ii) the provision of portfolio management services. The disclosures provided in this report relate to Dimensional UK’s asset management activities on behalf of clients and do not include disclosures relating to Dimensional UK’s own operations.

The metrics presented in the “Metrics and Targets” section of this report relate to AUM belonging to clients with whom Dimensional UK has a direct contractual relationship for the provision of portfolio management, including AUM for which Dimensional UK has subsequently delegated portfolio management to another entity. The metrics presented in the “Metrics and Targets” section also include AUM that Dimensional UK manages by way of delegation from another entity, regardless of where the client or fund is domiciled.

It is anticipated that Dimensional UK’s approach to TCFD entity reporting may evolve over time, particularly as climate-related data and quantification methodologies develop further. The quantitative methodologies adopted for the current report, together with the known limitations of those methodologies, are referenced in the “Metrics and Targets” section of the report.

Dimensional UK’s TCFD entity report contains disclosures that are intended to comply with the applicable requirements of the FCA’s rules.



Nathan Lacaze
Co-CEO of Dimensional Fund Advisors Ltd.



John Romiza
Co-CEO of Dimensional Fund Advisors Ltd.

Governance

Dimensional UK is a wholly owned subsidiary of Dimensional Fund Advisors LP (“Dimensional US”). Dimensional US is a global asset manager based in the United States with approximately \$786 billion in AUM (as at 31 March 2025).

Dimensional¹ applies a team-based approach to responsible investment.² Responsible investment activities comprise a significant amount of effort across our Portfolio Management, Investment Stewardship, Research, and Investment Analytics & Data teams. Our Head of Responsible Investment coordinates environmental, social and governance (“ESG”) activities globally across these various groups. Our Head of Responsible Investment, North America, works closely with the Head of Responsible Investment to coordinate ESG initiatives specific to the US and Canada.

Dimensional’s approach to responsible investment is focused on building science-based solutions that allow clients to align their investment and sustainability goals. Our responsible investment efforts include combining the knowledge of dedicated personnel along with ESG specialists and contributors integrated within their respective functional teams. As of 31 December 2024, approximately 60 investment professionals contribute to ESG initiatives across our global offices.

Dimensional uses committees to assist in the implementation of its firm-wide responsible investment strategy.

INVESTMENT COMMITTEE

Dimensional’s Investment Committee is responsible for setting our proxy voting policy and guidelines for voting and overseeing each Dimensional entity’s proxy voting process. It is further responsible for overseeing the incorporation of ESG considerations into certain portfolios’ design and construction. The Investment Committee reviews investment guidelines for all Dimensional-managed portfolios at least annually and approves any changes on an as-needed basis.

INVESTMENT STEWARDSHIP COMMITTEE

Investment stewardship at Dimensional is a global effort supported by multiple teams. Our stewardship efforts are overseen by Dimensional’s Investment Stewardship Committee. This group of senior employees and directors includes members of Dimensional’s Portfolio Management, Executive and Compliance teams, as well as the Head of Responsible Investment and members of Dimensional’s Board of Directors. The Investment Stewardship

¹ “Dimensional,” “our,” “us,” or “we” may refer to the Dimensional separate but affiliated entities generally, rather than one particular entity. These entities are Dimensional US, Dimensional UK, DFA Australia Limited, Dimensional Fund Advisors Canada ULC, Dimensional Fund Advisors Pte. Ltd., Dimensional Ireland Limited and Dimensional Japan Ltd. Dimensional UK delegates portfolio management and other services, as the context requires, to the Dimensional affiliated entities. The Dimensional affiliated entities take a global approach to portfolio management and, as such, those delegations to the Dimensional affiliated entities are not selected based on climate-related parameters.

² At Dimensional, “responsible investment” refers to the consideration and implementation of ESG matters in the investment process for the benefit of clients, which includes material climate-related risks and opportunities.

Committee is responsible for developing our policies and approach to investment stewardship, which are then executed by the Investment Stewardship Group in coordination with other groups.

ESG STEERING COMMITTEE

Dimensional's ESG Steering Committee's role is to strategically coordinate and communicate Dimensional's ESG efforts across business functions to deliver a robust approach to ESG that is informed by our clients' needs and guided by science. The ESG Steering Committee is supported by cross-functional ESG working groups within each of the major regions where Dimensional operates. These working groups are responsible for keeping up to date on industry and regulatory developments within their local regions, coordinating sustainability events and conferences, and supporting regional ESG training activities.

LEGAL AND REGULATORY UPDATE COMMITTEE

Dimensional's Legal and Regulatory Update Committee shares information related to legal and regulatory updates with impacted departments and personnel across Dimensional.

Broadly, those committees, working with firm leadership and teams across Dimensional's business and investment units, assist in managing Dimensional's risk management efforts with respect to investment, operational and regulatory risk. We continue to investigate ways to improve our risk management framework as the risk environment evolves. One area of focus is climate-related regulations. Climate-related regulations are evolving rapidly, and we actively monitor developments in this area.

Dimensional UK engages with the FCA and the UK government from time to time on proposed climate-related laws and regulations. In 2024, Dimensional UK submitted a response to the FCA's Sustainability Disclosure Requirements (SDR) and Portfolio Management Services Consultation Paper. We encouraged the FCA to wait to see how its SDR and labelling regime works for funds before considering whether to extend the regime to portfolio management services.

GOVERNANCE OF DIMENSIONAL UK

As at 31 December 2024, the Board of Directors of Dimensional UK (the "Board") is comprised of four UK-based executive directors and two independent nonexecutive directors. The Board is responsible for the overall governance of Dimensional UK. The Board convenes quarterly and reviews regular reports provided by business groups. This reporting includes a review of investment management and performance for the in-scope portfolios it manages. The Board is responsible for approving new sub-funds of Dimensional Funds ICVC. Dimensional UK does not set climate-related targets for its in-scope AUM, as detailed further in the *Metrics and Targets* section of this report.

Dimensional UK is a signatory to the UK Stewardship Code (the "Code"), and the Board is asked annually to approve a report setting out how Dimensional UK has complied with the Code. In particular, Principle 7 of the Code requires signatories to report how they systematically integrate stewardship and investment, including material ESG issues, to fulfil their responsibilities. Dimensional UK submitted its report to the Financial Reporting

Council in October 2024 and is listed on the Financial Reporting Council's website as having met the standard of reporting required by the Code.

The Board has established committees to assist it in fulfilling its governance responsibilities. Dimensional UK's Management Committee coordinates day-to-day operations and management of Dimensional UK and the implementation of business strategy. The Management Committee consists of the Co-Chief Executive Officers and heads of departments. Dimensional UK's Investment Committee monitors and coordinates the investment activities of Dimensional UK, including in relation to certain sustainability funds, for which Dimensional UK serves as sub-investment manager and distributor. Other committees established by the Board include a Compliance Committee and a Risk Committee. The Co-Chief Executive Officers are members of each of those committees, along with specialists in those areas from across Dimensional. The committees may discuss and consider climate-related risks, opportunities and potential impacts, as appropriate.

INTEGRATION AND MONITORING

The Dimensional Responsible Investment team sits within the Portfolio Management department, and the Head of Responsible Investment, Jim Whittington, an employee of Dimensional UK, reports to Dimensional's Global Head of Portfolio Management. The Responsible Investment team coordinates Dimensional's ESG strategy across areas such as ESG product design, data, regulatory requirements, research and thought leadership. The team's efforts are supported by Dimensional's ESG Steering Committee and regional ESG working groups.

Dimensional's stewardship efforts are integrated into our overall investment process and involve members of our dedicated Investment Stewardship Group, as well as members of the Portfolio Management team and other members of our investment team. The Investment Committee is responsible for setting Dimensional's proxy voting policy and guidelines and for voting and overseeing each Dimensional entity's proxy voting process. The Investment Committee has formed the Investment Stewardship Committee, which is responsible for recommending changes to Dimensional's proxy voting policy, considering complex proxy voting cases and overseeing the Investment Stewardship Group. The Investment Stewardship Group conducts engagements, instructs proxy votes, and makes recommendations to the Investment Stewardship Committee on potential enhancements to the firm's stewardship policies, procedures and operations. The Investment Stewardship Group and stewardship-focused portfolio managers may engage with portfolio company management and board members at portfolio companies through phone calls, in-person meetings, or written correspondence. The substance of these engagements may vary due to differences in the legal and regulatory regimes applicable to Dimensional in different jurisdictions. The issues discussed vary by company, but frequently include compensation, anti-takeover provisions, board composition and effectiveness, and material social and environmental risks. Consistent with our belief that corporate governance practices are reflected in prices, our engagement efforts are centred on the issues we think are most likely to impact shareholder value. For instance, we may engage on executive compensation and anti-takeover devices because of the impact on the issue may have on expected future cash flows. Similarly, we may engage with portfolio companies to encourage the adoption of robust policies and procedures for managing risk (including

environmental and social risk) and effective board oversight as strong risk management may have a positive influence on the discount rate assigned by the market.

Strategy

INVESTMENT PHILOSOPHY

Since our founding in 1981, Dimensional has been dedicated to translating the ideas of financial science into investment solutions that seek to help our clients meet their long-term goals. The assets we manage represent the savings, commitments and resources of the clients we serve around the world. Careful stewardship of our clients' assets, in line with their objectives, is a responsibility we take extremely seriously.

Dimensional's general investment philosophy is based on the belief that, in liquid capital markets, prices reflect publicly available information. This includes, but is not limited to, information about a portfolio company's strategy, financial and nonfinancial performance, risk, capital structure, social and environmental impact, and corporate governance. It also includes forward-looking information, such as models, forecasts and expectations about future economic or regulatory developments, such as the potential impact that carbon taxes, cap and trade markets, or other carbon policies may have. We believe that competition among market participants drives prices toward fair value, and that the prices of securities reflect the aggregate risk and return expectations of investors.

Consistent with our investment philosophy, we believe that current information about climate change is priced by capital markets. This does not mean that markets are prescient, nor that unforeseen risks may not abruptly materialise. Much about climate change is still unknown; as new information becomes known, market prices will adjust. But empirical research supports the belief that market prices are forward-looking and incorporate the collective views of market participants about material risks and opportunities. We see no reason why climate risks and opportunities are an exception.

OVERVIEW OF CLIMATE RISKS

The consensus among climate scientists is that climate change will change the environment, resulting in rising sea levels and ocean acidification. Most climate scientists also expect climate change to lead to more frequent and extreme weather events, such as droughts, heat waves, floods and forest fires. Given its economic importance and global scope, climate change will likely impact a wide variety of asset prices.³ Many climate economists believe that climate change poses material risks to the economy.⁴

It is common to identify different categories of climate-related risks. Physical risks are the direct result of changing weather patterns. They can either be acute or chronic. Acute physical risks include the impact of extreme weather events such as floods and forest fires. Chronic physical risks include the increased flooding risk at coastal properties due to rising

³ Dimensional has written a research paper summarizing climate science and the economics of climate change. See Mathieu Pellerin and Jacobo Rodriguez, "The Economics of Climate Change" (research paper, Dimensional Fund Advisors, October 2020). Available at SSRN: 3715848.

⁴ See Peter Howard and Derek Sylvan, "Gauging Economic Consensus on Climate Change," Institute for Policy Integrity, New York University School of Law (2021). Available at https://policyintegrity.org/files/publications/Economic_Consensus_on_Climate.pdf

sea levels. Transitional risks arise due to changes in consumer behaviour, changes in public policy or technological obsolescence as the world transitions to a low-carbon economy.

EXHIBIT 1: CLASSIFICATION OF CLIMATE-RELATED RISKS

PHYSICAL RISKS	TRANSITION RISKS	
<p>Acute Increased severity of extreme weather events, such as cyclones and floods.</p> <p>Chronic Changes in precipitation patterns and extreme variability in weather patterns, rising mean temperatures, rising sea levels.</p>	<p>Policy and Legal Increased pricing of GhG emissions, enhanced emissions-reporting obligations, mandates on and regulation of existing products and services, exposure to litigation.</p> <p>Market Changing customer behaviour, uncertainty in market signals, increased cost of raw materials.</p>	<p>Technology Substitution of existing products and services with lower emissions options, unsuccessful investment in new technologies, costs to transition to lower-emissions technology.</p> <p>Reputation Shifts in consumer preferences, stigmatization of sector, increased stakeholder concern or negative stakeholder feedback.</p>

Source: Task Force on Climate-Related Financial Disclosures.

Portfolio companies face varying exposure to these categories of climate-related risk over the short, medium, and long term. These exposures will differ depending on the specifics of the portfolio company's business. For example, a portfolio company in the real estate industry whose properties are located in coastal areas may have high exposure to physical risks but low exposure to transition risks. Such a portfolio company may stand to benefit from a rapid transition. A coal miner, in contrast, may face significant transition risks but lower exposure to physical risks. Such a portfolio company may stand to benefit if the climate transition is delayed.

The potential risks and opportunities of climate change differ across regions, portfolio companies, and industries. For some portfolio companies, the risks associated with climate change are material for their businesses. For other portfolio companies, changes in technology and consumer preferences represent opportunities. A portfolio company's exposure to different categories of climate risk may also change through time depending on the future path of emissions and the sociopolitical response.

MANAGING CLIMATE RISKS

Dimensional UK believes that short-, medium-, and long-term climate risks are all relevant to the investment portfolios we manage on behalf of clients. Climate risks are one of the many types of risks that might affect a portfolio company's ability to generate profits.

For over 40 years, Dimensional's mission has been to translate financial research into effective investment solutions targeted at helping our clients achieve their long-term goals. Dimensional works primarily with institutional asset owners, fee-only financial advisors, and other intermediaries that use our funds for their clients. For many of our clients, their long-term goals may lie decades in the future.

Dimensional UK does not explicitly define short-, medium-, and long-term horizons as part of our climate risk management process. However, given the forward-looking nature of market prices, we believe that current information about material climate risks over all time horizons is relevant to current market prices. We expect material news about a portfolio company's plans for managing long-term climate risks to be reflected in market prices today. Irrespective of an investor's holding period, material climate risks across all time horizons may be relevant.

CLIMATE RISK MODELS

Modelling future economic damages from climate change poses immense challenges. We do not know where and when physical effects will occur, how quickly climate policies will be introduced, how politics and societal norms will develop, how these developments will affect GDP growth, or what innovations will take place. With all these uncertainties, different climate models can diverge widely in their conclusions.

A growing number of tools attempt to estimate a portfolio's exposure to climate risks. Some concentrate on transition risks. Transition risk models often assume that policies consistent with a particular climate scenario will be enacted and estimate the impact of such policies on portfolio companies. Studies show that, even for the same climate scenario, there is significant heterogeneity in the output from different models of transition risk.⁵ Other tools focus on physical risks. Modelling the physical risks a portfolio company faces requires detailed information about the location and vulnerability of physical assets and supply chains—not just now but also in the future. Given this complexity, it is unsurprising that the physical risk scores from different providers show substantial variation.⁶

Long time horizons, deep uncertainties and non-linearities make modelling the physical impacts of climate change exceptionally challenging. Attempting to forecast how societies and portfolio companies will evolve decades into the future magnifies this challenge. Many climate risk models seek to forecast key financial variables such as interest rates, inflation and commodity prices for 30, 50 or even 80 years into the future. But industry experts and economists have historically performed very poorly at making financial market forecasts.⁷

⁵ Julia Anna Bingler, Chiara Colesanti Senni and Pierre Monnin, "Understand What You Measure: Where Climate Transition Risk Metrics Converge and Why They Diverge" *Finance Research Letters* 50, no. 103265 (December 2022).

⁶ Hein, Koelbel and Leippold find that the correlation between firm-level physical-risk scores from six different providers ranges between -0.10 and 0.49. See Linda I. Hain, Julian F. Köbel and Markus Leippold, "Let's Get Physical: Comparing Metrics of Physical Climate Risk," *Finance Research Letters* 46 Part B, no. 102406 (May 2022).

⁷ For example, on efforts to forecast exchange rates, see: Richard A. Meese and Kenneth Rogoff, "Empirical Exchange Rate Models of the Seventies: Do They Fit Out of Sample?" *Journal of International Economics* 14, nos. 1-2 (February 1983): 3-24, and Kenneth S. Rogoff and Vania Stavrakeva, "The Continuing Puzzle of Short Horizon Exchange Rate Forecasting," (working paper 14071, National Bureau of Economic Research, June 2008).

Furthermore, a portfolio's exposure to climate risks is typically calculated based on what it holds today. But markets will continue to evolve. Few listed companies have survived in their current form for 20 years or more, and several of today's largest companies did not exist 20 years ago. An investor's portfolio today is unlikely a good indication of the portfolio they will hold when anticipated long-term climate risks materialise. Finally, it is difficult to test or calibrate such models, since some of the most impactful manifestations of climate change predicted have not yet materialised.

Dimensional UK believes that quantitative climate risk models are too unreliable to be useful for risk management of a diversified equity or fixed income portfolio. We do not believe that climate-related risk metrics provide actionable insights for investment risk management. We therefore do not use such models to factor climate risks and opportunities into our investment strategies or business, including assessing resilience of portfolios against explicit climate scenarios. We instead rely on general risk management principles to manage climate risks and opportunities. These include leveraging the information in market prices, enforcing broad diversification in the design of our investment strategies and encouraging effective board oversight of material risks at portfolio companies. Please see the section *Risk Management* for further details.

REDUCED CARBON EXPOSURE INVESTMENT SOLUTIONS

As discussed above, any measure of a portfolio company's exposure to climate risk relies on many untested assumptions. However, given research has shown GhG emissions are the key driver of climate change, portfolio companies whose revenues are heavily correlated with high GhG emissions, or that have significant reserves of fossil fuel assets, may be expected to be more exposed to the impact of rising carbon taxes, changing consumer behaviour and stranded assets. Some investors may seek to reduce their exposure to the climate risks faced by such portfolio companies. Beyond climate risk, investors may want to reduce their exposure to portfolio companies whose activities do not align with their sustainability values.

Dimensional designed its ESG strategies, first launched in 2008 and now covering several asset classes, to focus on reducing exposure to the key drivers of climate change. We evaluate portfolio companies relative to the entire market and to their industry peers using a sustainability scoring system primarily focused on GhG emissions. Portfolio companies with high GhG emissions intensity and potential GhG emissions from reserves are generally underweighted or excluded, and companies with low GhG emissions intensity and potential GhG emissions from reserves are generally overweighted. These strategies may also exclude portfolio companies involved in coal, palm oil, factory farming and certain environmental-related controversies. With this methodology, investors can achieve significant reductions in exposure to actual and potential GhG emissions within broadly diversified portfolios.

TRANSITION PLANNING

Dimensional UK is aware of the UK's commitment to a net zero economy under the Climate Change Act 2008. However, climate scientists and policy experts generally agree that major technological and societal changes—beyond the control of any one actor or industry—will be required for any country, industry or portfolio company to achieve net

zero. Dimensional UK has not yet set a net zero 2050 target for in-scope AUM; we do not want to commit to a goal without a clear idea of how we can get there.

Careful stewardship of our clients' assets, in line with their objectives, is a responsibility we take extremely seriously. We are mindful that there may be trade-offs involved with net zero transition strategies that conflict with our clients' objectives. For example, if the real-world economy does not decarbonise at the rate required to achieve net zero, a transition strategy may be faced with an increasingly constrained investment universe and reduced diversification. Such trade-offs may not align with the investment objectives of some clients, either now or in the future.

For clients with net zero transition goals, we are committed to designing strategies to help them align their investments with their sustainability goals. Likewise, for clients interested in reducing the carbon footprint of their portfolios, we provide strategies that are designed to offer a meaningful reduction in exposure to carbon emissions, as described above.

Risk Management

This section discusses Dimensional's approach to climate and sustainability-related risk management in its investment processes, including risk identification, assessment and management processes adopted by Dimensional.

At Dimensional, we know that prudent risk-taking is important to our clients. We believe that risk management is a continuous and evolving process that affects every aspect of our work and our relationships with our clients. The evolving nature of the risk management process is evident both from the advancements of new technologies and systems which can assist in managing risks and from the continuing availability of new processes and instruments.

LEVERAGING MARKET PRICES

Consistent with our investment philosophy, we believe that portfolio company specific risk and broad systemic risks that are material to company valuations are priced by capital markets. These risks include both physical and transitional risks associated with climate change.

In recent years, academics have done a great deal of work to try to understand whether markets respond to climate-related information. As we discuss in our research paper "[Climate Change and Asset Prices](#)," that generally seems to be the case.⁸ One study finds that cities exposed to flooding risk face higher long-term borrowing costs. Another finds that stock prices of oil and gas companies fell when a landmark paper on the risk of fossil fuel assets becoming stranded was published. Given the uncertainty involved, there is ongoing debate about whether climate risks are priced correctly by the market. However,

⁸ Mathieu Pellerin and Jacobo Rodriguez, "Climate Change and Asset Prices," (research paper, Dimensional Fund Advisors, March 2021).

numerous studies show investors have a poor track record of outguessing market prices.⁹ In other words, the collective wisdom of the market is typically better than any individual investor at pricing risks and opportunities. We see no reason why climate risks should be an exception.

That does not mean the market portfolio is immune from climate risks. If global warming, carbon taxes or other material developments differ from current expectations, assets will be repriced. The market is also unlikely to be pricing environmental or societal risks that are not expected to be material to a portfolio company's valuations. Many things that people value—such as rich biodiversity, natural beauty, temperate climates and quality of life—may not be priced by the market.

But when it comes to managing climate risks, Dimensional believes that market prices are the best place to start. Market prices are derived from a much richer information set than can be captured by any model. We therefore use market prices extensively throughout our investment process. For example, Dimensional's approach to portfolio construction uses market prices as a starting point for risk management by adjusting a security's weight in the portfolio based on its current price and relying on current market prices to provide real-time information about changes in expected returns.

INVESTMENT PROCESS

Dimensional seeks to protect and enhance shareholder and bondholder value and may consider climate and sustainability-related information to do so, including when defining and monitoring the investment universe of the portfolios it manages. As part of our process for defining an eligible fixed-income universe, we review country risks as well as the agency-assigned and market-implied credit ratings of individual securities. As part of our process for defining an eligible equity universe, we review country risks, exchange listing standards and structural, governance-related issues. For example, we may exclude portfolio companies from eligibility if they are closely held; such companies may not have adequate risk controls to protect the interests of minority shareholders against abusive practices by company insiders.

Furthermore, as part of our risk management arrangements, we monitor securities in our eligible equity universe for reports of potential involvement in significant controversies, including climate and sustainability-related controversies. If we believe that a controversy may have a material impact on a portfolio company's financials, we may temporarily exclude securities issued by that company from further purchase in both our equity and fixed income portfolios.

Given Dimensional's belief that market prices incorporate relevant climate and sustainability-related information, we do not attempt to identify portfolio companies that

⁹ See, for example, Dimensional Fund Advisors, *The Fund Landscape 2024: A Study of US-Domiciled Mutual Fund and Exchange-Traded-Fund Performance*, available at https://my.dimensionalfund.com/xlink/DJGGwEon6lDkvggE5OrcEAdP8adun8ZXq3_UVKIQFIkErR_0cRmYBsPwfE X5cB7YidE32jk0K3kx6_AfAjJ8c4I85pff1vKzID4U12XOgkM2ik1JF-si6WTsn8JEwwAoBvh8JVT_4dhEYy3LfaBqjll2_d5CvkNXyxa_GxzPGlw1; SPIVA, *S&P Dow Jones Indices*, available at <https://www.spglobal.com/spdji/en/research-insights/spiva/>; Eugene Fama and Ken French, "Luck versus Skill in the Cross-Section of Mutual Fund Returns," *Journal of Finance*, vol. LXV, no. 5 (October 2010), available at <https://mba.tuck.dartmouth.edu/bespeneckbo/default/AFA611-Eckbo%20web%20site/AFA611-S8C-FamaFrench-LuckvSkill-JF10.pdf>.

are mispriced based on their climate and sustainability-related profile. Numerous academic studies show the collective wisdom of the market is typically better than any individual investor at pricing risks and opportunities. In our view, the most effective way to manage risks is by using the information in market prices, maintaining broad diversification, and encouraging effective board oversight of material risks at portfolio companies.

Dimensional UK seeks to monitor evolving climate- and sustainability-related regulatory and reporting requirements on an ongoing basis.

DIVERSIFICATION

Given its global scope and broad economic impact, it is reasonable to assume that climate risk may be a systemic risk; it cannot be fully mitigated through diversification. But diversification still has an important role to play in addressing idiosyncratic climate risks.

The effects of climate change are expected to be far-reaching and global in scope, but we do not expect that they will be experienced by all countries and portfolio companies in the same way or at the same time. By diversifying across geographies, exposure to country or region-specific physical risks (such as localised flooding) is reduced. By diversifying across portfolio companies and industries, exposure to company-specific transitional risks (such as changes in consumer preferences for a company's products) is also reduced.

Diversification can also bring opportunity. We believe that owning a broad universe of stocks is often the most effective way to participate in the rewards of ingenuity and innovation.¹⁰ If some assets become stranded, others may become more valuable; if some business models become obsolete, others may become more dominant. A diversified portfolio is more likely to hold portfolio companies that both drive and benefit from climate-related risks and opportunities.

¹⁰ Weston Wellington, "What Drives Investment Returns? Start with Ingenuity." Dimensional Fund Advisors, August 2022.

INVESTMENT STEWARDSHIP

Dimensional believes that market prices reflect information about current corporate governance practices and that material improvements in corporate governance may be rewarded with higher market prices. We therefore conduct stewardship activities on behalf of all our equity portfolios in a manner that we believe is in the best interests of such portfolios, and which seeks to maximise the value of their investments, subject to applicable legal and regulatory standards and any specific investing or voting guidelines.

Dimensional's stewardship efforts, which include proxy voting, engagement, industry participation and public policy advocacy, are intended to promote practices that academic research suggests benefit shareholder value. Our stewardship priorities include protecting shareholder rights and encouraging strong and independent boards of directors that effectively oversee portfolio company management on behalf of shareholders and implement robust policies and procedures to manage material financial risks (including material environmental and social risks). Although we may discuss governance matters with portfolio companies to represent client interests, our stewardship activities are not undertaken with the purpose or intended effect of changing or influencing the control of any company.

Dimensional UK seeks to use investment stewardship to ensure that portfolio companies that disclose climate-related risks as a material risk are providing adequate disclosure on how that risk is being managed. We believe that it is important for management and boards of portfolio companies to have oversight of material climate risks to their business and to provide adequate disclosure of such risks to shareholders. We seek to elect board members at portfolio companies that have the appropriate skills to oversee and mitigate climate risks, and we may vote against directors whom we believe are not providing effective oversight. We may engage with a portfolio company if we believe its oversight of climate risks or disclosure of those risks seems unclear or inadequate. The information we learn during engagements may be used as the basis for potential escalation of our stewardship activities, including proxy voting.

In 2020, Dimensional conducted a climate risk letter campaign. Over the course of the campaign, we identified 175 portfolio companies that, in our view, may not have disclosed adequate oversight policies and procedures related to material climate risk. We continue to engage with recipients of this letter. Engaging directly with portfolio companies through letter campaigns and subsequent conversations allows us to emphasise our specific views on governance priorities and to carefully consider each portfolio company's response. We observed that 110 of the portfolio companies we targeted had updated their disclosures on the topic.¹¹

¹¹ Observed instances of increased disclosure and oversight of climate change risk at portfolio companies in industries where climate change was likely a material risk, determined by the portfolio company itself or a third-party organization, and who received letters from Dimensional. These outcomes are not necessarily a result of Dimensional's letters or actions. Figures as at June 30, 2025. This campaign is ongoing. Dimensional from time to time discusses governance matters with portfolio companies to represent client interests; however, Dimensional, on behalf of its clients and regardless of such conversations, acquires securities solely for the purpose of investment and not with the purpose or intended effect of changing or influencing the control of any company.

Metrics and Targets

INTRODUCTION

This section outlines Dimensional UK's entity-level climate metrics covering Dimensional UK's in-scope AUM as at 31 December 2024. Where methodological assumptions and/or data limitations are relevant, we have included such information in this report.

Dimensional does not incorporate climate-related performance metrics into remuneration policies. We have a collaborative team-based culture and follow a systematic, process-driven investment approach. Portfolio Managers are compensated based on their experience, ability to work collaboratively to implement portfolios, the quality of their work efforts and their overall contribution to the firm, rather than on the performance of the portfolios that they manage. This incentivises the behaviours we believe help create long-term value for clients and aligns well with our guiding principles and culture. Delivery on ESG objectives (such as contributing to the development of the firm's ESG approach, contributing to stewardship activities and oversight of ESG data incorporated into investment activities) is incorporated into goal setting and performance reviews for employees tasked with these ESG-related projects.

Dimensional does not set climate-related targets to manage climate-related risks and opportunities. Nor do we use climate scenario analysis or climate-related metrics to assess climate-related risks and opportunities in our investment strategies. We instead prefer to rely on traditional risk management principles such as leveraging the information in market prices, enforcing broad diversification in the design of our investment strategies and encouraging effective board oversight of material risks at portfolio companies. We do not utilise internal carbon pricing or climate scenario analysis in the construction of portfolios, nor do we align our portfolios to particular climate scenarios. Please see the section *Strategy* for further details.

MEASUREMENT OF CLIMATE-RELATED RISK

Please see the section *Risk Management* for discussion of climate-related risks and opportunities.

CLIMATE-RELATED METRICS

Core Metrics

Metric	Unit	31 December 2023	31 December 2024
Total scope 1 and 2 GhG emissions	tCO ₂ e	2,873,438	2,651,294
Weighted average carbon intensity for corporate issuers	tCO ₂ e / \$1million revenue	165	143
Weighted average carbon intensity for agencies/supranational issuers	tCO ₂ e / \$1million revenue	9	4
Weighted average carbon intensity for sovereign issuers	tCO ₂ e / \$1million GDP	254	178

DATA SOURCES AND METHODOLOGY

Dimensional uses external vendors, including MSCI ESG Research Inc. and Institutional Shareholder Services Inc. (ISS), for their environmental and social data. Dimensional may also conduct in-house research using information from Bloomberg, reported financial data, other portfolio company filings, company websites, sector affiliations, industry groups or government entities.

METRIC DEFINITIONS

Metric	Definition
Total scope 1 and 2 GhG emissions	Sum of total scope 1 and scope 2 GhG emissions in metric tons of carbon dioxide equivalents (tCO ₂ e) of each corporate issuer held, normalised by such issuer's EVIC and scaled by the value of investment in such issuer. ¹²
Weighted average carbon intensity for corporate issuers	Sum of total scope 1 and scope 2 GhG emissions in metric tons of carbon dioxide equivalents (tCO ₂ e) of each corporate issuer held, normalised by revenue in USD and averaged by such issuer's weight. ¹³
Weighted average carbon intensity for agencies/supranational issuers	Sum of total scope 1 and scope 2 GhG emissions in metric tons of carbon dioxide equivalents (tCO ₂ e) of each agency/supranational issuer held, normalised by revenue in USD and averaged by such issuer's weight. ¹⁴
Weighted average carbon intensity for sovereign issuers	Sum of each sovereign issuer's total production emissions in metric tons of carbon dioxide equivalents (tCO ₂ e), normalised by such issuer's GDP in USD and averaged by such issuer's weight.

GAPS IN THE UNDERLYING DATA AND HOW DIMENSIONAL UK SEEKS TO ADDRESS THESE GAPS

The entity-level climate metrics set out above are defined as the climate metrics associated with Dimensional UK's in-scope AUM covering corporate and sovereign issuers, as applicable. Below we set out data that are not included and an explanation as to why:

- Cash—Dimensional UK's in-scope AUM includes a small proportion of cash holdings. It is generally accepted practice that no GhG emissions are associated with cash positions, and therefore cash has not been included in the above calculations.
- Derivatives—Dimensional UK equity portfolios may use futures or other derivatives to manage equity market exposure and facilitate trading flexibility in stocks. Given that the underlying asset associated with these contracts is not held by the portfolio, there is no generally accepted methodology for calculating the relevant climate-related metrics associated with these positions. Therefore, derivative positions have not been included in the above calculations.
- Local authority bonds—Dimensional UK fixed income portfolios may include bonds issued by local authority entities. Due to developing methodological approaches to these bonds and Partnership for Carbon Accounting Financials (PCAF) guidance, bond positions for these issuers have not been included in the above calculations.

¹² Enterprise value including cash: the sum of the market capitalisation of ordinary shares, the market capitalisation of preferred shares and the book value of total debt and noncontrolling interests, without the deduction of cash or cash equivalents.

¹³ Corporate issuers where carbon intensity data is not available are assigned a sector average.

¹⁴ Agency/corporate supranational issuers where carbon intensity data is not available are not considered in the calculation, as no reliable estimate can be assigned.

- Scope 3 GhG emissions—Dimensional believes that the integration of sustainability factors in an investment solution should be based on robust, relevant and comparable data. For those reasons, Dimensional does not believe it is currently prudent to consider scope 3 GhG emissions in the investment process. Methodologies to calculate scope 3 GhG emissions currently lack detailed, standardised requirements that would enable meaningful comparisons between portfolio companies. Additionally, most of the available scope 3 GhG emissions data for portfolio companies and included in the disclosed calculation are based on modelled data provided by Dimensional’s data vendor. Hence, the estimation of scope 3 GhG emissions is based on various assumptions depending on a portfolio company’s industry, business lines and supply chain profile.

DATA LIMITATIONS

- Estimated data—As discussed above, Dimensional engages external providers to provide climate-related data for portfolio companies, where information is available from such providers. Although these providers obtain information from sources they consider reliable, none of the providers warrants or guarantees the accuracy and/or completeness of the data. For issuers where climate-related data is not available, Dimensional’s data vendors may estimate values based on defined estimation and modelling methodologies; however the providers generally seek to prioritize reported data.

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