Morgan Stanley

Morgan Stanley UK Group Pension Plan

Climate change governance and reporting in line with the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD")

Reporting period: 12 months to 31 December 2023

July 2024

Dear Members,

Welcome to our second year climate change report, which has been prepared in line with the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD") and the statutory requirements prescribed by the Department for Work and Pensions (the "Regulations"). The report covers the Plan year to 31 December 2023 (the Plan's year-end) and details how the Trustee is addressing climate change including the progress made since the first report was published last year.

The Trustee of the Morgan Stanley UK Group Pension Plan ("Plan") has a legal fiduciary responsibility to invest the Plan's assets in the best way possible for its members. As part of this responsibility, the Trustee recognises climate change as a risk that could impact the financial security of members' benefits if it is not properly measured and managed. The Trustee also recognises that climate change presents an opportunity, by investing in companies or assets that are expected to perform well in an economy that is positioned to address the challenges associated with climate change.

The Plan is primarily a Defined Contribution ("DC") arrangement although it also contains liabilities and assets from a previous Defined Benefit ("DB") arrangement. The Trustee's assessment of climate-related risks and opportunities has been carried out across both arrangements. It is based on information that is currently available, both in terms of data from the companies and assets in which the Plan invests and in consideration of the different global warming scenarios that have been analysed. The inputs to this assessment are subject to change as climate data coverage, disclosure requirements, granularity and accuracy improves and as the Regulations evolve.

Climate change is one risk amongst many that the Trustee measures, monitors and manages. To this extent, climate change needs to be considered alongside these other risks in a balanced and proportionate way.

This report has been split into several sections to help members understand:

- **Governance:** How the Trustee incorporates climate change into its decision making;
- **Strategy:** How potential future climate warming scenarios could impact the Plan and member outcomes;
- **Risk Management:** How the Trustee incorporates climate-related risk in its risk management processes and how climate-related opportunities are identified; and
- **Metrics and Targets:** How the Trustee measures and monitors progress against different climate-related indicators known as metrics, and progress against targets set by the Trustee.

The Technical Appendix contains the results of the Climate Scenario Analysis from the first reporting period, more detailed information on the metrics reported as at 31 March 2023 along with methodology and assumptions.

As always, members are encouraged to contact the Trustee if there are comments you wish to raise. You can contact the Trustee here: emeabenefits_queries@morganstanley.com.

Alanna Lee
Chair of the Morgan Stanley UK Group Pension Plan

1 The Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021 and the Occupational Pension Schemes (Climate Change Governance and Reporting) (Miscellaneous Provisions and Amendments) Regulations 2021.

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Climate change governance and reporting – Summary Year Ended 31 December 2023

The Trustee aims to target **net-zero carbon emissions by 2050** across all the Plan's assets. Across the DC Section, the Trustee has set an interim target in relation to the Passive Global Equity Fund, to **reduce the carbon intensity* of the Fund by 45% by 2030** (relative to a 2021 baseline). Across the DB Section, the Trustee has **aligned its climate targets with the UK government** given the majority of holdings are in UK government bonds.

WHY TAKE ACTION?

The Trustee of the Plan recognises climate change as a risk that could impact the financial security of members' benefits if it is not properly measured and managed. The Trustee also recognises that climate change presents an opportunity, by investing in companies or assets that are expected to perform well in an economy that is positioned to address the challenges associated with climate change.

KEY ACTIONS TAKEN IN 2023

- **Metrics and Targets:** The Trustee has collected and reported updated climate metric data in relation to the Plan, including for scope 3 emissions where available. The Trustee has also assessed progress relative to the climate-related targets it has set.
- **Governance:** The Trustee received training on different approaches to climate scenario analysis alongside an annual review of ESG beliefs and Plan governing documentation.
- **Risk Management:** ESG and Stewardship have been embedded in manager monitoring process.
- **Strategy:** The Trustee reviewed the results of climate scenario analysis completed in the previous year and concluded that no update was required.

METRICS (DIVERSIFIED DEFAULT OPTION**)

THE GREENHOUSE GAS EMISSIONS (SCOPE 1+2) FINANCED

In 2022		In 2023
51	Measured in thousand tonnes of CO_2e	48

EMISSIONS INTENSITY: THE AMOUNT OF GREENHOUSE GAS EMISSIONS PER $M INVESTED

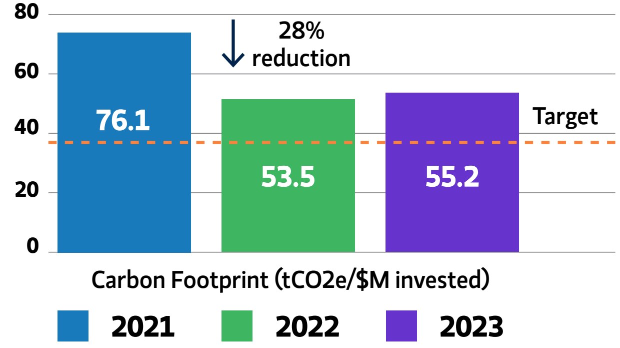
In 2022		In 2023
57	Measured in tonnes of CO_2e per $m	58

THE PROPORTION OF COMPANIES ALIGNING WITH NET ZERO

In 2022		In 2023
30%	Measured in % of companies with SBTi*** approved targets	35%

The quality of data improved over the observation period, with the amount of reported data increasing with less reliance on estimated data.

PROGRESS AGAINST TARGET



Over the year, the carbon intensity of the Passive Global Equity Fund increased slightly but remains 28% below the 2021 position (relative to the 45% target). The Trustee will continue to measure the trend in this metric over time and will keep under review the actions that can be taken to further manage climate-related risk within the Fund over time.

* Measured on a Carbon Footprint basis (based on scope 1 and 2 emissions only).
** Considers the listed equity and corporate bond components only.
*** Science Based Targets Initiative.

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Governance

Trustee's governance approach

The Trustee has ultimate responsibility for ensuring effective governance of climate-related risks and opportunities. The Trustee maintains a Statement of Investment Principles ("SIP"), which details the key objectives, risks and approach to considering Environmental, Social and Corporate Governance ("ESG") factors, such as climate change, as part of its investment decision making. A copy of the SIP is available at https://www.morganstanley.com/disclosures/the-morgan-stanley-uk-group-pension-plan.

The SIP is reviewed on at least a triennial basis or following a significant change in investment policy. The Trustee also maintains a separate Climate Change policy with further detail on its beliefs.

During 2023 and subsequently in 2024, the Trustee reviewed the SIP and made some amendments in order to be consistent with regulations that will be implemented during 2024. These modifications included updates in the SIP with key stewardship priorities chosen by the Trustee as the "most significant votes" and the Trustee's policy in relation to illiquid assets. The latest SIP was signed in April 2024, following formal advice from the Trustee's Investment Consultant. A copy of the latest SIP, following the Plan year end is available at: https://www.morganstanley.com/content/dam/msdotcom/en/assets/pdfs/MSUK-Group-SIP-March-2024_fin.pdf.

The Trustee's key beliefs on ESG are:

- The Trustee believes that ESG factors may have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustee also recognises that long term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration.
- The Trustee expects the underlying managers of the Plan's pooled investments to evaluate ESG factors (including climate change considerations, the exercise of voting rights and stewardship obligations attached to investments) in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.
- The Trustee considers how ESG, climate change and stewardship are integrated within investment processes in appointing new investment managers and monitoring existing investment managers. Monitoring is undertaken on a regular basis and is documented at least annually.

Specifically in relation to climate change:

- The Trustee considers the risks of climate change within an integrated risk management framework, covering the investment, funding and covenant implications where applicable;
- The Trustee's appointed investment managers and advisers integrate financially relevant climate change risks (e.g. transition risk and physical risk) and opportunities within their investment and advice processes as applied to the Plan. The Trustee supports the further development of asset classes, investment products and member choices that support achieving the well below 2°C target, provided they are all consistent with the Trustee's fiduciary duties;
- The Trustee is supportive of the recommendations of the TCFD. It will report against and set climate change-related targets in line with the regulations that adopts these recommendations and;
- The Trustee is cognisant that climate change will be subject to much further analysis and subsequent policy changes in the coming years. The Trustee is supportive of adopting an evolving policy in order to ensure all relevant developments are captured.

Roles of those undertaking scheme governance activities

The Trustee maintains oversight of climate related risks and opportunities by:

- Ensuring the Trustee Directors have sufficient knowledge and understanding of climate change to fulfil their statutory and fiduciary obligations, and that they are keeping this knowledge and understanding up to date. This will include knowledge and understanding of the principles relating to the identification, assessment and management of climate-related risks and opportunities for the Plan;
- Putting in place effective climate governance arrangements through establishing a TCFD Working Party who are responsible for supporting the Trustee in the creation of the TCFD report;
- Determining short, medium and long term time periods to be used when identifying climate-related risks and opportunities facing the Plan (with input from the TCFD Working Party, defined below);

- Identifying and assessing the main climate-related risks and opportunities for the Plan (including both physical and transitional risks) and documenting the management of these in the Plan's Risk Register;
- Incorporating climate-related considerations into strategic decisions relating to the Plan's investments and funding arrangements;
- Allowing for climate-related considerations (if relevant) when monitoring the strength of the sponsoring employer's covenant;
- Selecting and regularly reviewing (at least annually) metrics to inform its assessment and management of the Plan's climate-related risks and opportunities, and setting and monitoring (at least annually) targets to improve these metrics over time where appropriate – again, with input from the TCFD Working Party;
- Ensuring that the Plan's investment, actuarial and covenant advisers have clearly defined responsibilities in respect of climate change and that they have adequate expertise and resources, including time and staff, to carry these out;
- Ensuring that the Plan's advisers are taking adequate steps to identify and assess any climate-related risks and opportunities which are relevant to the matters on which they are advising, and that they are adequately prioritising climate-related risk;
- Considering and documenting the extent to which the advisers' responsibilities are included in any agreements, such as investment consultants' strategic objectives and service agreements; and
- Ensuring that the Plan's investment managers are managing climate-related risks and opportunities in relation to the Plan's investments (with input from the Investment Committee – see below), and have appropriate processes, expertise and resources to do this effectively.

The Trustee has reviewed the roles of others undertaking scheme governance activities, in particular the sub-committees and working parties that have been established and their respective decision-making powers. The Trustee consider the recommendations of these sub-committees and working parties and will ratify any decisions that require its approval. Of relevance to the oversight of climate-related risks and opportunities are:

The Investment Committee

- The Investment Committee is responsible for:
  - The Plan, receiving and reviewing periodic written reports prepared by the Plan's investment consultant covering the investment managers' investment performance, and their integration of environmental, social and corporate governance risks and opportunities (including climate risk) into their investment processes;
  - Meeting with the appointed and prospective investment managers to review investment performance, asset allocation and their engagement with investee companies (including in relation to climate risk); and
  - Reporting back to the Trustee on key issues raised at the Investment Committee, and the exercise of any delegated powers.

The TCFD Working Party

- The TCFD Working Party is made up of a sub-group of the Trustee with representatives of the Company who are involved in the sponsoring employer's TCFD reporting.
  The TCFD Working Party is initially responsible for understanding the requirements of the TCFD on the Plan, and for supporting work towards ensuring the Plan complies with those requirements, and to undertake any other actions as delegated to the Working Party by the Trustee or its sub-committees.
  The Working Party's remit includes:
  - Arranging training as the Working Party believes is necessary to improve Trustee knowledge and understanding on climate risk;
  - Taking advice from the Trustee's advisers on and making recommendations to the Trustee on appropriate climate metrics to monitor;
  - Taking advice from the Trustee's advisers on and making recommendations to the Trustee on appropriate climate-related targets;
  - Providing input into (and agreeing the scope of) investment and funding (including covenant) climate-related scenario analysis to be provided by advisers; and
  - Understanding the position of Morgan Stanley, the sponsoring employer, with respect to TCFD reporting and, where relevant, integrating key findings and learnings into the Plan's reporting.

Benefits Team

- This team provides in-house support to the Trustee as well as acting as a liaison between the Trustee and the sponsoring employer. Specifically in relation to climate change considerations, the Benefits Team:
  - Ensures appropriate time and resource is allocated to climate-related governance and reporting;
  - Facilitates information sharing between the Trustee, professional advisors and investment managers as appropriate; and
  - Provides challenge to adviser recommendations to ensure advice provided to the Trustee and its sub-committees will facilitate effective and efficient decision-making.

Roles of advisers

The Trustee has appointed advisers to the following roles:

Investment Consultant

- Mercer Limited ("Mercer") as Investment Consultant to the Defined Contribution ("DC") and Defined Benefit ("DB") Sections. In broad terms, the Investment Consultant is responsible for:
  - providing training and other updates to the Trustee on relevant climate-related matters;
  - helping the Trustee to formulate its investment beliefs in relation to climate change and reflecting these in the Plan's investment policies and strategy;
  - advising how climate-related risks and opportunities might affect the different asset classes in which the Plan might invest over the short, medium and long term, and the implications for the Plan's investment strategy;
  - advising the Trustee (directly or through the Investment Committee or TCFD Working Party) on the appropriateness and effectiveness of the Plan's investment managers' processes, expertise and resources for managing climate-related risks and opportunities, taking into account the Trustee's investment objectives and beliefs;
  - advising on the inclusion of climate change in the Plan's governance arrangements and risk management, in collaboration with the Trustee and its other advisers as appropriate;
  - leading on the preparation of the Trustee's TCFD reporting, working with the TCFD Working Party, the Investment Committee and the Trustee, and its other advisers as appropriate; and
  - assisting the Trustee in identifying and monitoring suitable climate-related metrics and targets in relation to the Plan's investments, including liaising with the Plan's investment managers.

Actuarial Adviser

- Mercer as Actuarial Adviser. In broad terms, the Actuarial Adviser is responsible for:
  - providing training and other updates to the Trustee on relevant climate-related matters;
  - advising how climate-related risks and opportunities might affect the Plan's funding position over the short, medium and long term and the implications for the Plan's funding strategy and long term objectives; and
  - working with the Plan's other advisers to assist the Trustee in incorporating climate change in its investment and covenant monitoring, and communication with stakeholders as appropriate.

Covenant Adviser

- Mercer as Covenant Advisor. In broad terms, the Covenant Adviser is responsible for:
  - supporting the Trustee in a proportionate way to understand as part of its covenant monitoring framework, how climate-related risks and opportunities might affect the Plan's sponsoring employer over the short, medium and long term; and
  - working with the Trustee's other advisers, if and when requested, to assist the Trustee in incorporating climate change in its governance arrangements and monitoring framework as appropriate.

The Trustee expects advisers to act with expertise, integrity and diligence in fulfilling their responsibilities and uses meetings with the advisers to assess and challenge them. The approach of the advisers to climate change and how it is integrated into its advice and services is assessed as part of the adviser selection and monitoring process. Furthermore, the Trustee sets its Investment Consultant annual objectives, including ones related to ESG and climate change competency.
The Investment Consultant is formally assessed against these objectives annually.

Time and resources spent on climate change-related matters

The Trustee Chair, with support from the Benefits Team, is responsible for ensuring that sufficient time is allocated for consideration and discussion of climate matters by the Trustee and its advisers. Climate change topics, amongst other ESG topics, form a standing annual agenda item on the Trustee's meeting schedule, covering the various workstreams listed below. Those responsible for each workstream will make sure any documents or information is distributed in advance of the meeting to allow the Trustee time to digest the advice.

There are a number of workstreams that are to be completed regularly in order for the Trustee to fulfill its responsibility for managing climate risks and opportunities. It is important to note that many of the workstreams will cover wider ESG risks as well as climate change risk, as the Trustee does not consider climate risks in isolation but holistically alongside the various other ESG risks the Plan may be facing. The workstreams are listed below as well as the frequency of which each task will be carried out:

- Climate change training session (minimum frequency = annual)
- Scenario analysis modelling the investment strategy and funding strategy (minimum frequency = first year and every 3 years thereafter. Scenario analysis may be updated sooner if there are changes to the investment strategy or improvements in methodologies)
- Review appropriateness of undertaking scenario analysis in light of a) data availability changes and b) material changes in investment strategy / funding position (minimum frequency = annual)
- Metrics data collection (minimum frequency = annual)
- Target setting / target appropriateness review (minimum frequency = annual)
- Progress against target assessment (minimum frequency = annual)
- ESG beliefs (including climate change) update / review (minimum frequency = annual)
- Review of manager ESG ratings, climate policies (minimum frequency = annual)
- Stewardship, covered as part of the Trustee's annual Implementation Statement (minimum frequency = annual)
- Risk frameworks update/review e.g. risk register (minimum frequency = annual)
- Climate covenant assessment (minimum frequency = triennial)
- Drafting annual TCFD report (minimum frequency = annual)

Training

During the year to 31 December 2023, the Trustee, TCFD Working Party and Benefits Team received training from the Trustee's Investment Consultant, covering climate-related investment risks and reporting requirements in line with the TCFD recommendations. This included training on the different approaches to climate scenario analysis, review of first year report and examples of member friendly summary reports.

The latest ESG Review was presented during the November 2023 meeting which included the following topics:

- ESG Mercer Ratings Review;
- Comparison of Plan's carbon intensity progress against comparators;
- TCFD first year findings;
- Review of managers adherence to the UK Stewardship Code;
- Review of the ESG Beliefs Survey findings (presented to the Trustee during the October 2023 meeting) and manager views, and;
- An overview of the exclusionary screens operated by the investment managers.

Strategy

- As a long term investor, the Trustee recognises the risks and opportunities arising from climate change are diverse and continuously evolving. In relation to climate-related risks, the Trustee believes it is important to understand how the Plan's exposure to these risks may change over time, when the risk exposure may be greatest and what actions can be taken now, or in the future, to avoid those risks becoming financially material to the Plan.
- To help with this assessment, the Trustee has defined short, medium and long term time horizons for the DC and DB Sections of the Plan. These time horizons are set relative to a base year of 2022.

DC SECTION TIME HORIZONS		
Short Term	to 2027; 5y projection	This period aligns with members that are approaching retirement age (i.e., aged 60 and aiming to retire at 65).
Medium Term	to 2037, 15y projection	This period aligns with members that are starting the glide path de-risking journey of the default strategy, i.e. members aged 50.
Long Term	to 2062, 40y projection	This period aligns with a member in the 'early career' stage.
DB SECTION TIME HORIZONS		
Short Term	to 2027; 5y projection	This period broadly covers two actuarial valuation cycles.
Medium Term	to 2032, 10y projection	This period broadly coincides with a majority of deferred members reaching retirement. Target date for achievement of long term funding objective.
Long Term	to 2047, 25y projection	This period broadly coincides with the date the last member is expected to retire and broadly coincides with the peak in expected benefit payments in the absence of securing member benefits with an insurer.

The Trustee has considered the following short, medium and long term drivers of risk in relation to climate change:

- Over the short term, risks may present themselves through rapid market re-pricing relating to climate transition as:
  - Scenario pathways become clearer. For example, a change in the likelihood of a well below 2°C scenario occurring (i.e. an increase in probability would be expected to drive additional transition risk).
  - Market awareness grows. For example, the cost and impacts of the transition suddenly influence market pricing.
  - Policy changes unexpectedly surprise markets. For example, if a carbon price or significant regulatory requirement was introduced across key markets to which the portfolio is exposed, at a sufficiently high price to impact behaviour.
  - Market sentiment is shocked. For example, falls in markets could create a downward spiral where economic sentiment worsens, and asset values fall.
  - Perceived or real increased pricing of greenhouse gas emissions/carbon.
  - Substitution of existing products and services with lower emission alternatives may impact part of the portfolio.
  - Litigation risk, relating to dangerous warming becoming more prevalent.
  - Increases in the energy/heat efficiency of buildings and infrastructure.

As well as risks associated with these drivers, there could also be opportunities. For example, investing in climate solutions as policy support strengthens.

The Trustee's ability to understand these short term changes can position the Plan favourably, for example taking advantage of the climate transition by avoiding and reducing investment in high-emitting carbon sensitive businesses/assets that do not have a business plan that supports the transition to a low carbon economy.

- Over the medium term, risks are likely to be more balanced reflecting both transition and physical risk. Over this time period the transition pathway will unfold, and the level of anticipated physical damage will become much clearer. While the full extent of the physical damage is unlikely to have occurred, markets are likely to be allowing for it to a large degree in asset pricing.

The Trustee's ability to understand these changes and evolve the portfolio as the pathway develops should help to control risk and potentially enhance returns. The Trustee seeks to select managers and choose indices that can identify potential emergence of low carbon opportunities and the decline of some traditional sectors.

- Over the long term, physical risks are expected to come to the fore. This includes the impact of natural catastrophes leading to physical damage through extreme weather events. Availability of resources is expected to become more important if changes in weather patterns (e.g. temperature or precipitation) affect the availability of natural resources such as water. The impact of global heating on productivity, particularly in areas closer to the equator, will also be a key driver.

Climate-related risks and opportunities relevant to the Plan

Having taken into account the Plan's investment strategy for the DC and DB Sections, as set out in the Technical Appendix, the following risks and opportunities have been identified:

- Over the short term, the Trustee has identified the inter-related risk of climate transition risk and asset repricing risk as being most relevant to the investment strategy. Over this time period opportunities are most likely to occur in transition related investment such as climate solutions.
- Over the medium term, the Trustee has concluded that both transition risk and physical risk (particularly in the form of asset repricing to allow for future physical damage) could be material.
- Over the long term, the Trustee has identified physical risk as the key driver.

The Trustee have investigated the potential impacts of these risks and opportunities in the scenario analysis included in the 2022 report and a summary of the conclusions can be found in the Technical Appendix.

Given there were no changes to the DC Section Diversified Default Option during the 2023 Plan year and no changes that would impact the Climate Scenario Analysis for the DB strategy, the Trustee's view, after careful consideration, is that redoing the analysis for the second-year report would not add a significant amount of value.

Risk Management

A key part of the Trustee's role is to understand and manage risks that could have a financially material impact on both the Plan's investments and the wider funding position. Climate change is one of the risks that the Trustee considers alongside other financially material risks that may impact outcomes for members.

This section summarises the primary climate-related risk management processes and activities of the Trustee. These help the Trustee understand the materiality of climate-related risks, both in absolute terms and relative to other risks that the Plan is exposed to. The Trustee prioritises the management of risks primarily based on their potential impact to members' retirement outcomes.

Integration of climate change into overall risk management approach

- The Trustee's Statement of Investment Principles is reviewed on an annual basis and sets out how investment risks, including in relation to ESG and climate change, are managed and monitored. The SIP was last reviewed in November 2023.
- The Trustee maintains a risk register which explicitly includes climate-related risk. The latest review of the Risk Register on changes made to identify, assess and manage climate-related risks and opportunities was undertaken in May 2022 during a TCFD Working Group meeting. The Risk Register was last reviewed during the March 2023 Trustee Meeting.
- The Trustee receives training from time-to-time on climate-related issues. The training allows the Trustee to challenge whether the risks and opportunities are effectively allowed for in its governance processes and wider activities, and to be able to challenge its advisers to ensure the governance support and advice adequately covers the consideration of climate-related risks and opportunities. This process also affords the Trustee an opportunity to identify new and emerging risks related to climate change. During 2023, the Trustee received training from the Investment Consultant as set out within the Governance Section of this report.

- A benchmarking analysis of the extent to which ESG factors are integrated into investment decision making at the portfolio level is undertaken by Mercer on an annual basis. As at the latest date available (July 2023), Mercer's Responsible Investment Total Evaluation (RITE) rating for the Plan was A+ (78), compared against an average rating of B+ for schemes of comparable size (and a slight improvement on the 2022 rating of A+ (77)).
- The Trustee established a Climate Change Policy Statement in 2023 to formally document the Trustee's beliefs and approach in this area. The Trustee's policy is to review this every three years or earlier, following any significant investment strategy changes. The next review will be undertaken as part of the next triennial investment strategy review in 2024.
- The Trustee established a Climate Governance Statement in 2022 as a standalone statement documenting the governance approach to climate change, including identification and management of risks, role and responsibilities and Trustee training. This will be reviewed following any significant Trustee Board changes.

Strategy

- The Trustee believes that good stewardship and ESG issues may have a material impact on investment risk and return outcomes and will therefore be considered as part of the Plan's investment process. The Trustee also recognises that long term sustainability issues, particularly climate change, present risks and opportunities that require explicit consideration. When setting investment strategy, ESG factors, including climate change, will be considered alongside a number of other factors that can influence investment strategy.
- Climate scenario analysis for the investment and funding strategy of the Plan will be reviewed at least triennially, or more frequently if there has been a material change to the strategic asset allocation. Key findings from the Trustee's latest climate scenario analysis, which includes an assessment of the impacts associated with transition and physical risks, are set out in the Technical Appendix.

Reporting

- The Trustee will receive annual reports of climate-related metrics and progress against targets in respect of the assets held in the Plan. The Trustee may use the information to engage with the investment managers.
- The Trustee receives a voting and engagement activity summary on an annual basis as part of the preparation of the Implementation Statement. The statement summarises how the investment managers vote and engage on climate-related issues (among other key engagement priorities). The statement is available at: **https://www.morganstanley.com/disclosures/the-morgan-stanley-uk-group-pension-plan**.

Manager Selection and Retention

- The Trustee, with advice from Mercer in its role as Investment Consultant, will consider an investment manager's firm-wide and strategy-specific approach to managing climate-related risks and opportunities when either appointing a new manager, in the ongoing review of a manager's appointment, or as a factor when considering the termination of a manager's appointment.
- Mercer rates investment managers on the extent of integration of ESG factors (including climate change) into their processes. A manager's stewardship process forms part of the rating assessment. This is considered at the firm level and at the investment strategy/fund level. The ratings are presented in quarterly investment performance reports and are reviewed by the Trustee.

Metrics and Targets

Metrics

The Trustee has chosen to present climate-related metrics across four different categories in line with the metrics reporting included within the 2022 report. The climate-related metrics help the Trustee to understand the climate-related risk exposures and opportunities associated with the Plan's investment portfolios and identify areas for further risk management, including investment manager portfolio monitoring, voting and engagement activity and priorities. The metrics used in this report are listed below and where metrics relate to emissions, they cover scope 1, 2 and 3 (see figure 16 in the Technical Appendix for an explanation of the different emissions). Scope 3 metrics are shown separately within the report.

2 RITE assesses the extent to which pension schemes integrate ESG factors. Plans are scored on a scale from 0-100, with those scores then mapped to a rating scale of C / C+ / B / B+ / A / A+ / A++

METRIC CATEGORY	SELECTED METRIC	FURTHER DETAIL
Absolute emissions	Total Greenhouse Gas (GHG) Emissions	Tonnes of carbon dioxide and equivalents (tCO_2e) that the Plan is responsible for financing.
Emissions intensity	Carbon Footprint	The amount of carbon dioxide and equivalents (tCO_2e) emitted per million dollars of the Plan's investments.
	Weighted Average Carbon Intensity (WACI)	The exposure of the Plan to carbon-intensive companies, measuring the amount of carbon dioxide and equivalents (tCO_2e) emitted per million dollars of holding company/issuer revenue on average.
Portfolio Alignment	% of portfolio companies with targets approved by the Science Based Targets initiative (SBTi)	Assessment of the proportion of portfolio companies/issuers that have set net-zero targets that have been validated by SBTi.
Additional	Data Quality	Represents the proportions of the portfolio for which the Trustee has high quality data.

The Trustee recognises the challenges associated with various climate data metrics, tools and modelling techniques used to assess climate change risks. The Trustee aims to work with its Investment Consultant and investment managers to continuously improve the approach to assessing and managing risks over time as more data becomes available. The Technical Appendix of this report sets out further detail on each metric along with the data limitations and assumptions used in collating these metrics.

Metrics have been provided for the DB Section and certain funds within the DC Section as set out below. This report includes charts showing the change in metrics over time. Further details, including the coverage data and metrics for the underlying components of the multi-asset funds are included in the Technical Appendix. The report also includes a summary of the metrics for the scope 3 emissions.

Popular Arrangements

The Trustee has to disclose metrics data for all popular DC arrangements which are funds or Lifestyle arrangements constituting either more than 10% of the total DC assets or are valued at over £100m.

The DC popular arrangements are as follows as at 31 March 2023:

POPULAR ARRANGEMENT	VALUE (£)	PROPORTION OF TOTAL DC SECTION ASSETS (%)
Default arrangement – Diversified Default Option	£841,027,589.88	60.1
Passive Global Equity Fund	£122,490,165.62	8.7
Total	**£963,517,755.50**	**68.8**

The Diversified Default Option is a lifestyle arrangement consisting of three funds: Active Diversified Growth Fund, Active Diversified Retirement Fund and Cash Fund. The Cash Fund (underlying component: BlackRock Liquid Environmentally Aware Fund) has been excluded from the analysis due to the short term nature of some of the underlying holdings. The underlying asset allocations of the Diversified Growth and Diversified Retirement funds are included in the Technical Appendix.

The Trustee has also decided to provide metrics analysis for the blended funds given the significant amount of assets invested in each fund. The tables below set out the amounts invested in each fund within both the Diversified Default Option and on a self-select basis as at 31 March 2023.

3 For sovereign bonds, Greenhouse Gas emissions are expressed relative to Purchasing Power Parity adjusted Gross Domestic Product (PPP-adjusted GDP).

ACTIVE DIVERSIFIED GROWTH	VALUE (£)	PROPORTION OF TOTAL DC SECTION ASSETS (%)
Passive Global Equity Fund	£492,783,418.07	35.2
Active Multi Asset Credit Fund	£82,130,569.68	5.9
Ruffer Diversified Return Fund (50% component of Active Absolute Return Fund)	£92,396,890.89	6.6
Nordea Alpha 15 MA Fund (50% component of Active Absolute Return Fund)	£92,396,890.89	6.6
Active UK Property Fund	£61,597,927.26	4.4
Total	**£821,305,696.79**	**52.7**

ACTIVE DIVERSIFIED RETIREMENT	VALUE (£)	PROPORTION OF TOTAL DC SECTION ASSETS (%)
Passive Global Equity Fund	£33,631,574.36	2.4
Active Multi Asset Credit Fund	£9,609,021.25	0.7
Ruffer Diversified Return Fund (50% component of Active Absolute Return Fund)	£7,807,329.76	0.6
Nordea Alpha 15 MA Fund (50% component of Active Absolute Return Fund)	£7,807,329.76	0.6
Active UK Property Fund	£3,603,382.97	0.3
Active Global Corporate Bond Fund	£8,407,893.59	0.6
Active UK Corporate Bond Fund	£8,407,893.59	0.6
Passive Gilt	£8,407,893.59	0.6
Passive Index-Linked Gilt	£8,407,893.59	0.6
Total	**£96,090,212.46**	**6.9**

As noted above the Diversified Growth and Diversified Retirement Funds are underlying components of the Diversified Default Option and hence the absolute emissions values quoted for the Diversified Default Option include those that have been quoted separately for the Diversified Growth and Diversified Retirement Funds.

In addition, the Trustee has included metrics analysis for the Active Global Growth Equity Fund as the size of assets invested is very close to £100m.

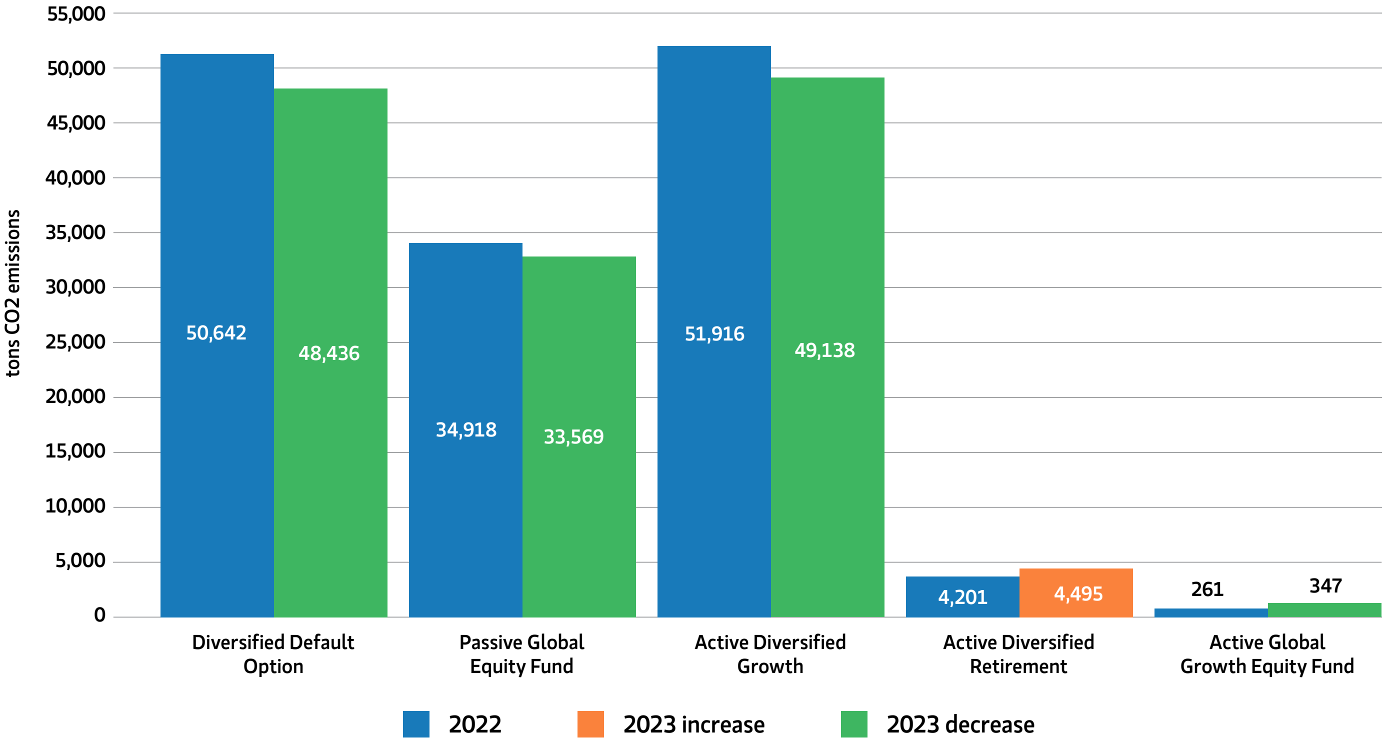
FUND	VALUE (£)	PROPORTION OF TOTAL DC SECTION ASSETS (%)
Active Global Growth Equity Fund	£98,023,652.85	7.0

Climate Metric Analysis – DC Section

The blue bars in the following carbon emissions charts show the total carbon emissions for the popular arrangements and additional funds the Trustee has selected to monitor as at 31 March 2022. Throughout this section, the blue bars show the position as at 31 March 2022. The green and pink bars show position as at 31 March 2023, with a green bar indicating a reduction and an orange bar indicating an increase over the year.

Total Greenhouse Gas Emissions

FIGURE 2: Comparison of total carbon emissions (listed equity and corporate bonds) for the reported funds within the DC Section (scope 1 & 2 emissions)



At 31 March 2023, carbon emissions for the Diversified Default Option reduced by 2,206 tCO2e. This was driven by a reduction in carbon emissions of the Active Diversified Growth fund that underlies the strategy. In particular, the carbon emissions for the Passive Global Equity fund, which represents 60% of the Active Diversified Growth fund, reduced by 1,349 tCO2e over the period.

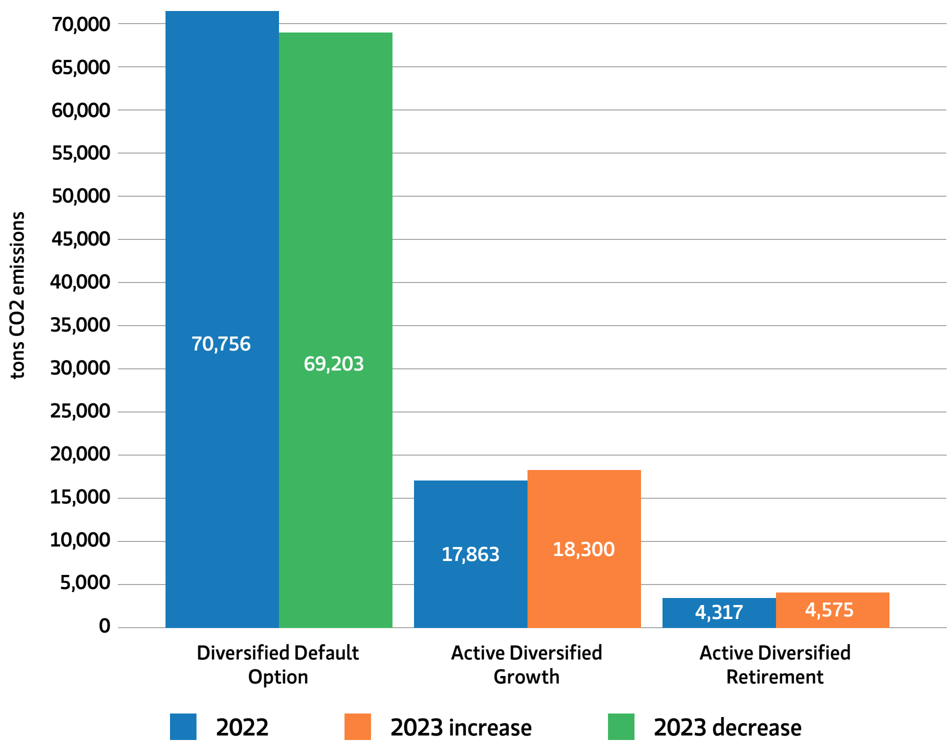
There are a number of reasons for the reduction in absolute emissions. Total emissions depend on the size of the investment, the proportion of assets carbon metrics can be provided for, and the change in carbon emissions of the underlying assets.

The value of assets in the Diversified Default Option decreased by 4.6% over the year. This is due to the investment market movements over the period, and to a lesser extent asset movements between the underlying funds and as members enter and exit the Plan or change their investment strategy.

The total investment value and the eligibility for carbon emissions reporting are outside of the Trustee's control. As total carbon emissions are strongly impacted by these factors, the metric is not an indicator of the Trustee's efforts to decrease carbon intensity across the Plan. However, total carbon emissions illustrate the Plan's contribution to global carbon emissions on an absolute basis.

The carbon emissions for the Active Diversified Retirement fund, which also underlies the Diversified Default Option, increased marginally over the period by 294 tCO2e. This was driven by changes in the underlying allocations of the fund due to market movements.

FIGURE 3: Comparison of total carbon emissions (sovereign bonds) for the reported funds within the DC Section (scope 1 & 2 emissions)

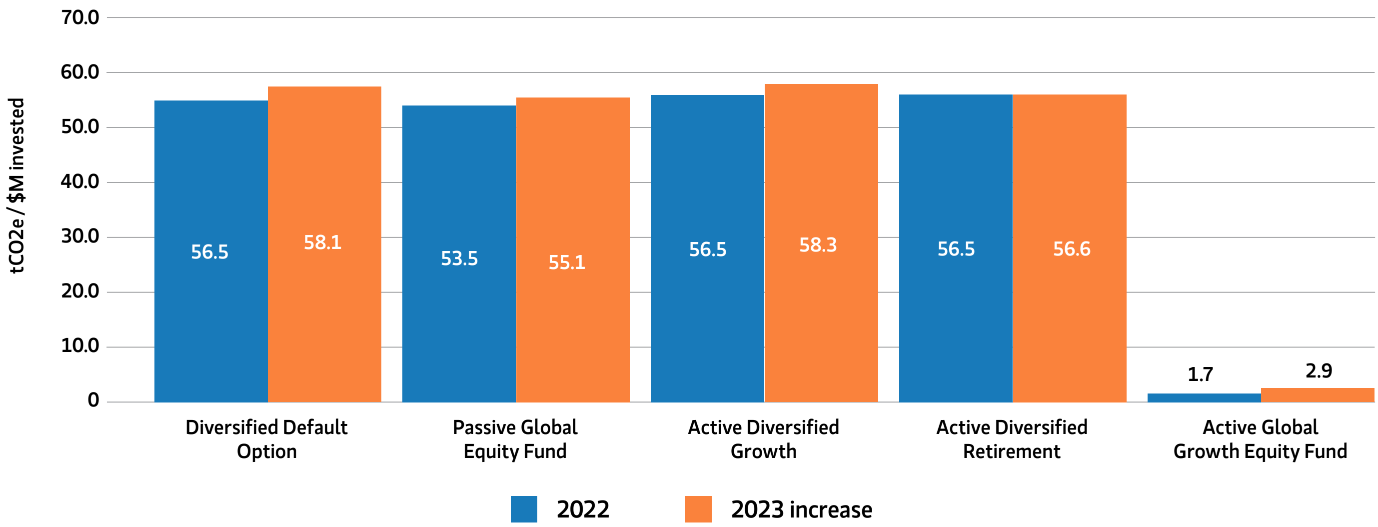


The sovereign carbon emissions also reduced within the Diversified Retirement Option over the period. This is due to the changes in allocation of the underlying funds over the period following market movements and member fund changes.

The sovereign carbon emissions within the Active Diversified Growth and Active Diversified Retirement funds increased over the period. This is partly due to movements in the sovereign exposures within the underlying funds. For example, the sovereign allocation within the Ruffer Diversified Return Fund (underlying component of both Active Diversified Growth and Active Diversified Retirement) increased from 41% in 2022 to 57% in 2023.

Carbon Footprint

FIGURE 4: Comparison of corporate (listed equity and corporate bonds) carbon footprint metrics for the reported funds within the DC Section (scope 1 & 2 emissions)



The Carbon Footprint has marginally increased across all the above funds over the year.

As at 31 March 2023, the equity and corporate bond portion of the Active Diversified Growth and Active Diversified Retirement has a carbon footprint of 58.3 and 56.6 tCO2e per $M invested, respectively. For the Active Diversified Growth this represents an increase in carbon footprint of c.3.2% and for Active Diversified Retirement an increase of c.0.2% relative to the last analysis. This can be largely attributed to Ruffer Diversified Return Fund which has seen an increase in carbon footprint of c.59.7% from last year.

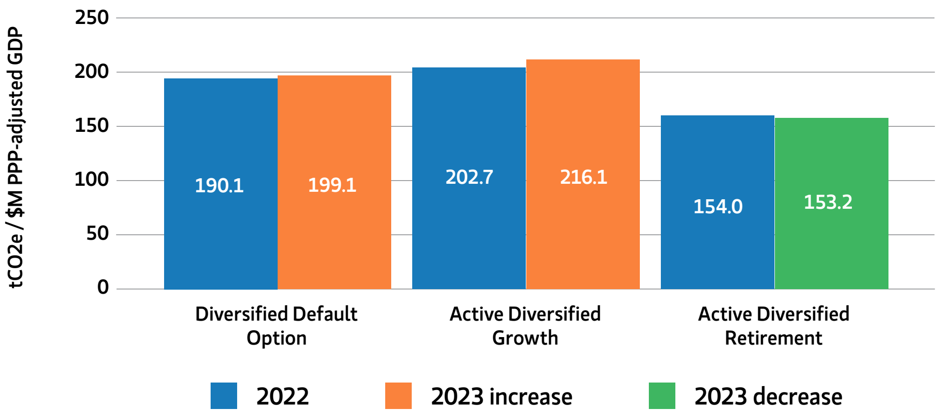
The Ruffer Diversified Return Fund is an underlying component of both the Active Diversified Growth (c.11%) and Active Diversified Retirement (c.8%).

There have been changes to the underlying holdings within the Ruffer Diversified Return Fund over the year - some of the most carbon intensive holdings in the portfolio in 2023 were not present in 2022.

For the Active Global Growth Equity Fund, the Carbon Footprint of the mandate has slightly increased over the period (from to 1.7 to 2.9 tCO2e per $M invested), while the investment value has decreased for the Plan, so this movement is due to the increased emissions. However the Carbon Footprint remains considerably low relative to the Plan's other popular arrangements and we would expect fluctuations over the short term as methodologies and coverage improves.
The coverage for the Fund increased from 91.6% to 92.3% over the year which will have contributed to the increased emissions figures.

Sovereign Carbon Intensity

FIGURE 5: Sovereign carbon intensity for reported funds within the DC Section (Scope 1 and 2 emissions)



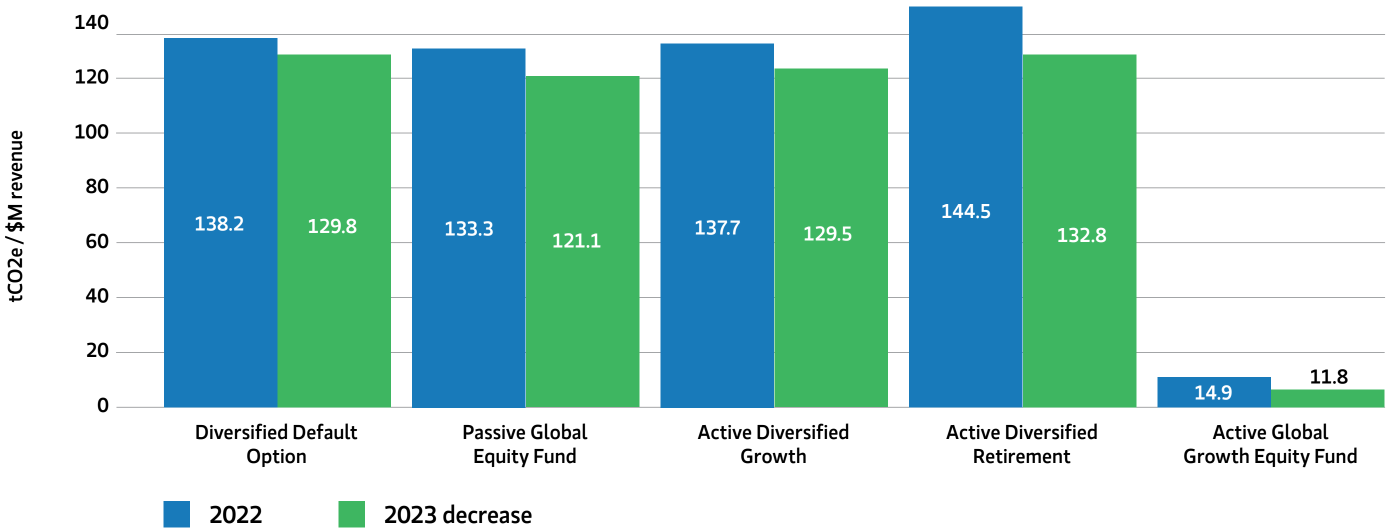
Metrics as of 31 March 2022 and 31 March 20233 are not directly comparable. Metrics for 31 March 2023 were calculated using data from OS-Climate, consistent with the PCAF definition of Scope 1 sovereign emissions and aligning with the UNFCCC definition of domestic territorial emissions, including emissions from exported goods and services. Coverages under this methodology might differ relative to coverages under the previous methodology.

Sovereign carbon intensity of the Active Diversified Growth Fund increased over the year (from 202.7 to 216.1 tCO2e per $M PPP-Adjusted GDP), while for the Active Diversified Retirement Fund it has decreased over the same period (from 154.0 to 153.2 tCO2e per $M PPP-Adjusted GDP).

These movements will have contributed to the increase in sovereign carbon intensity for the Diversified Default Option. Due to the change in methodology and data source over the year, the 2022 and 2023 data is not directly comparable.

Weighted Average Carbon Intensity ("WACI")

FIGURE 6: Comparison of corporate carbon intensity metrics (WACI) for the reported funds within the DC Section (scope 1 & 2 emissions)



At 31 March 2023, WACI was reduced for most funds with the exception of the Ruffer Diversified Return Fund and the Active UK Property Fund which are both underlying components of the Active Diversified Growth Fund, Active Diversified Retirement Fund and hence the Diversified Default Option.

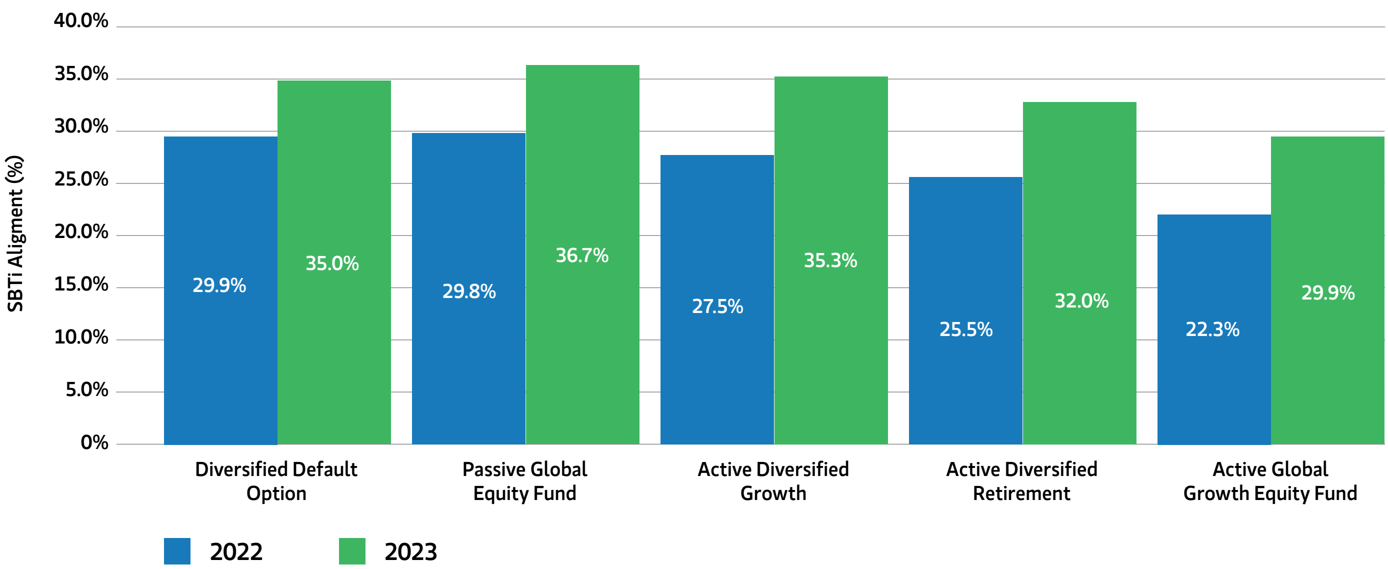
WACI is a ratio that measures carbon intensity as carbon emissions divided by company revenue and can therefore be impacted by inflation. Due to the high inflation levels seen over 2023, this has resulted in higher revenue numbers for companies which has driven down the WACI numbers.

The Trustee expects short term deviations which may be driven by other factors outside the control of the Trustee and hence will continue to monitor the drivers of change over time.

% of portfolio companies with net zero targets approved by the Science Based Targets initiative (SBTi)

The chart below shows that the percentage of portfolio companies that have net-zero targets approved by the SBTi has increased over the year for all funds demonstrating increased integration of climate change considerations. This is represented by the green bars.

FIGURE 7: Comparison of SBTi alignment for the reported funds within the DC Section



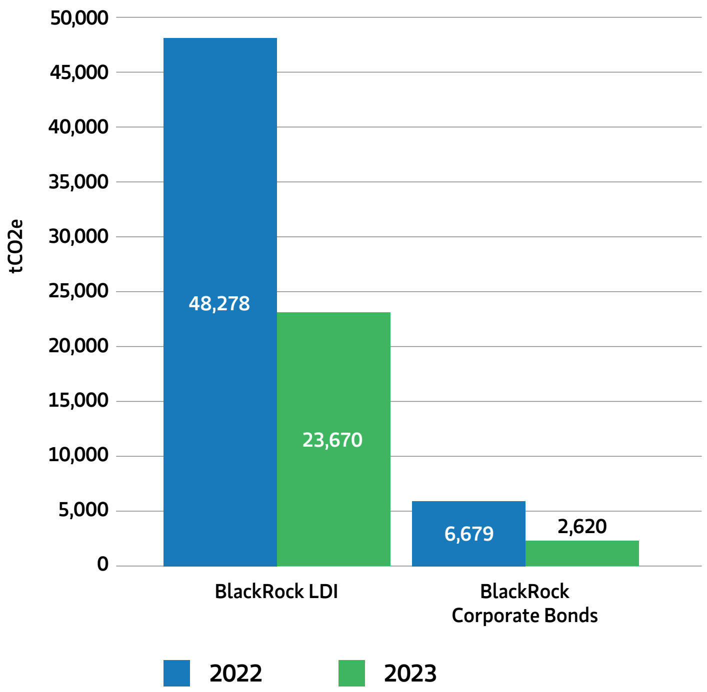
Alignment was highest for the Nordea Alpha 15 MA Fund with 47.3% and lowest for the Active Multi-Asset Credit Fund with 11.4%, which are both underlying components of the Active Diversified Growth and Active Diversified Retirement funds that make up the Diversified Default Option. The Trustee recognises that the SBTi does not currently cover every sector but is cognisant that the Initiative's coverage across additional companies and sectors is expanding rapidly. Companies set SBTi targets, therefore the metric applies to Annual ESG REvuiew equity and credit mandates only.

DB Section

Over the 12 months to 31 March 2023, the assets invested within the DB Section have reduced by 42% (from £309.4m to £178.6m). This is due to the volatility in interest rates over the period which impact the values of the bond assets. This reduction in asset size has resulted in the absolute emissions reducing for both the BlackRock Liability Driven Investment ("LDI") and BlackRock Corporate Bond assets as shown in figure 8.

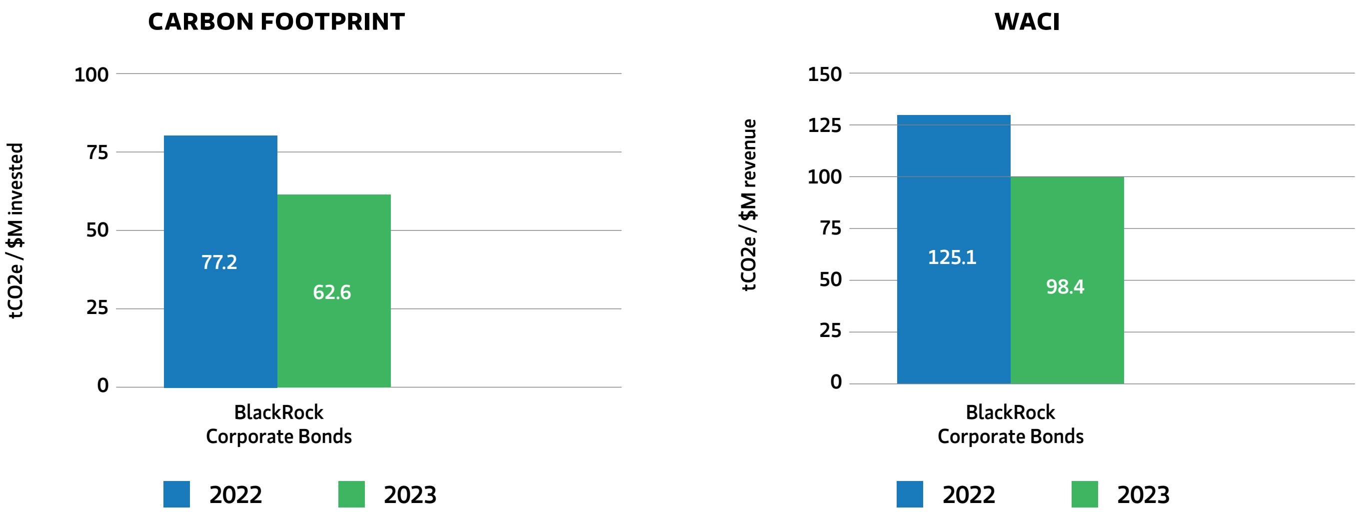
Total Greenhouse Gas Emissions

FIGURE 8: Comparison of total carbon emissions within the DB Section (scope 1 & 2 emissions)



Carbon Footprint and Weighted Average Carbon Intensity ("WACI)

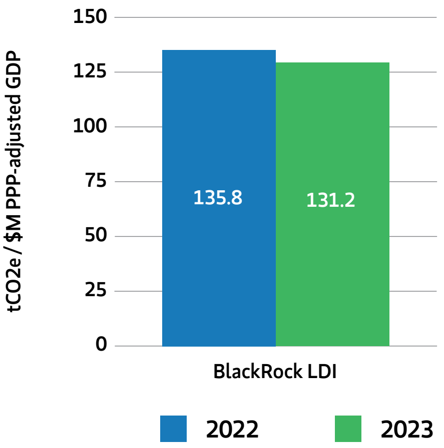
FIGURE 9: Comparison of carbon footprint and WACI for the Corporate Bond Fund within the DB Section (scope 1 & 2 emissions)



The carbon footprint and WACI for the BlackRock Corporate Bonds reduced over the period implying a reduction in the carbon intensity of the portfolio. We note that some of the WACI reduction may be driven by high inflation as explained earlier in this report.

Sovereign Carbon Intensity

FIGURE 10: Sovereign carbon intensity for the DB Section LDI Portfolio (Scope 1 and 2 emissions)

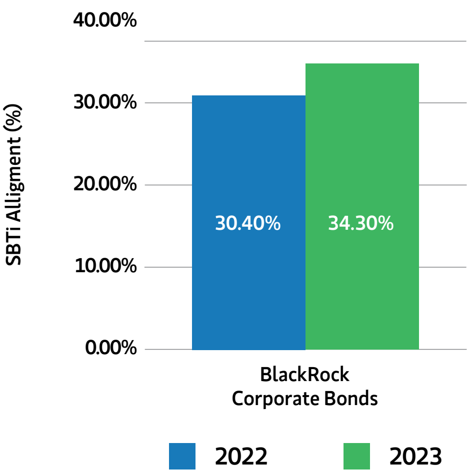


The Sovereign Carbon Intensity for the BlackRock LDI fund decreased over the year. Due to the change in methodology and data source over the year, the 2022 and 2023 data is not directly comparable.

% of portfolio companies with net zero targets approved by the Science Based Targets initiative (SBTi)

As noted earlier in the report, SBTi only applies to companies and hence for the DB Section is only relevant for the BlackRock Corporate Bond Portfolio.

FIGURE 11: Comparison of SBTi alignment for the BlackRock Corporate Bond Fund within the DB Section



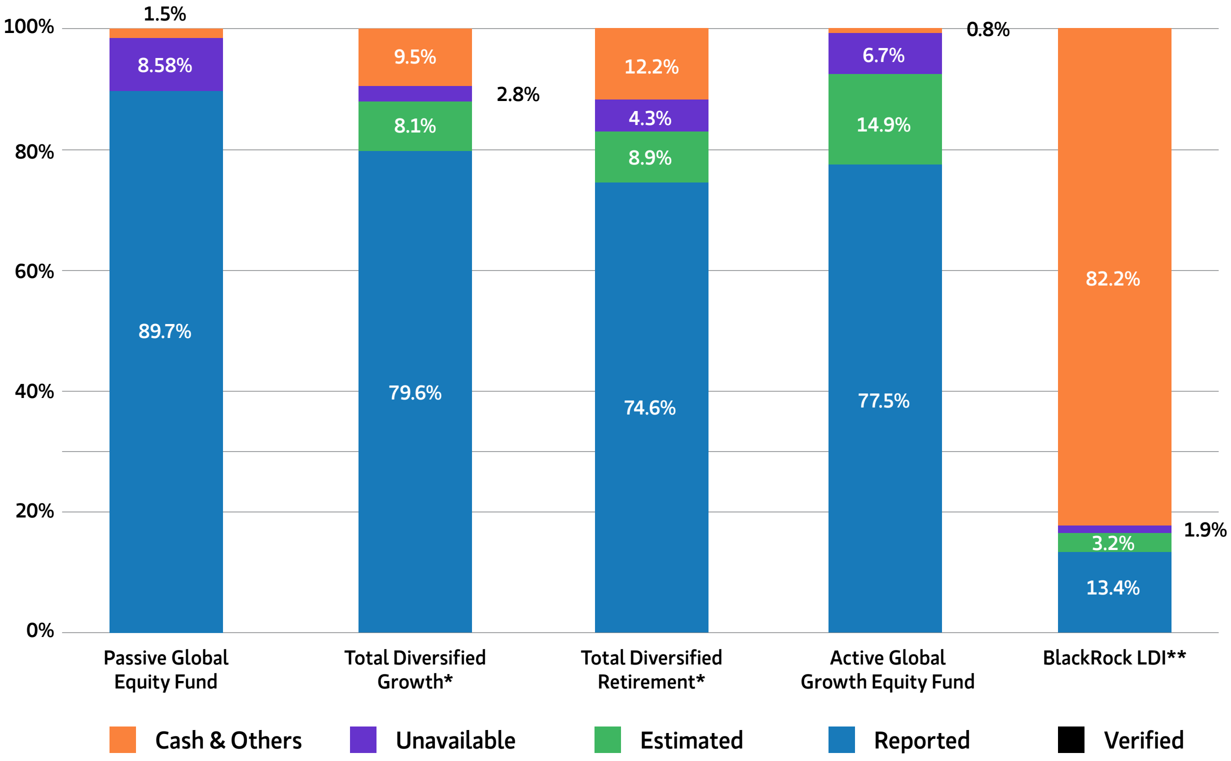
The proportion of companies within the BlackRock Portfolio that have net-zero targets approved by SBTi has increased over the year by around 4%, demonstrating the increased climate integration within the portfolio.

Data Quality

Data Quality aims to represent the proportions of the portfolio for which the Trustee has high quality climate data. The Trustee has considered whether the underlying emissions data has been reported by the company, estimated by the data provider, or unavailable to determine how representative the analysis is of the Plan's actual portfolio.

Data Quality methodology has changed over the past year, so the 2022 and 2023 data quality metrics are not directly comparable. The Data Quality for the 2022 data is provided in the Technical Appendix for reference.

FIGURE 12: Data Quality for DC and DB Section as at 31 March 2023



*The composites do not include the Threadneedle Property Fund, whose metrics have been provided directly by the manager. Threadneedle data provider is Evora Global. **Considers only the corporate bonds portion of the mandate.

Data Quality assists the Trustee in monitoring quality of reporting over time, as companies are expected to continually improve their reporting on climate-related metrics. As the quality of data improves, the usefulness of the climate metrics reported on the Plan's portfolio increases.

Over the year, the Data Quality has improved across all funds shown in figure 12 with the amount of reported data increasing with less reliance on estimated data. In particular, c.90% of the data used to calculate the emissions based metrics for the Passive Global Equity Fund, used for the DC climate target, is based on reported data.

Verified data refers to reported emissions being calculated in line with the GHG Protocol and verified by a third-party auditor. No verified data is yet available, which highlights the difficulty in obtaining data approved by independent third-parties. It will be useful to keep track of this metric over time.

DC Section Scope 3 Data

Scope 3 emissions data for the DC Section has been summarised in the below tables.
Further information in relation to the scope 3 emissions for the underlying funds within the multi-asset funds is included in the Technical Appendix. Please note that at the time of reporting scope 3 emissions data was unavailable for the sovereign assets and hence the metrics below all relate to the corporate exposure (equities and corporate bonds). We will include scope 3 emissions data in future reports as the data becomes available.

MANDATE	ABSOLUTE EMISSIONS (TCO2E)*			
	SCOPE 3 UPSTREAM		SCOPE 3 DOWNSTREAM	
	METRIC	COVERAGE	METRIC	COVERAGE
Total Diversified Default Option (exc. Sov)	86,432	94.7%	213,332	94.7%
Passive Global Equity Fund	18,523	98.2%	37,373	98.2%
Total Active Diversified Growth (exc. Sov)	78,939	95.4%	195,007	95.4%
Total Active Diversified Retirement (exc. Sov)	7,492	87.7%	18,325	87.7%
Active Global Growth Equity Fund	4,675	92.3%	4,553	92.3%

*Excludes Active UK Property Fund underlying component – manager has not shared metrics for scope 3. Sovereign metrics for scope 3 not available.

MANDATE	WACI (TCO2E / $M REVENUE)				CARBON FOOTPRINT (TCO2E / $M INVESTED)			
	SCOPE 3 UPSTREAM		SCOPE 3 DOWNSTREAM		SCOPE 3 UPSTREAM		SCOPE 3 DOWNSTREAM	
	METRIC	COVERAGE	METRIC	COVERAGE	METRIC	COVERAGE	METRIC	COVERAGE
Total Diversified Default Option (exc. Sov)	259.1	95.7%	449.1	95.7%	113.6	94.7%	280.5	94.7%
Passive Global Equity Fund	258.9	98.3%	412.0	98.3%	113.4	98.2%	247	98.2%
Total Active Diversified Growth (exc. Sov)	260.5	95.9%	450.7	95.9%	114.5	95.4%	282.9	95.4%
Total Active Diversified Retirement (exc. Sov)	245.4	93.5%	433.5	93.5%	105.1	87.6%	257.2	87.6%
Active Global Growth Equity Fund	230.3	92.3%	243.2	92.3%	31.6	92.3%	36.1	92.3%

DC Section Scope 3 Data

Scope 3 emissions data for the DB Section has been summarised in the below tables. Please note that at the time of reporting scope 3 emissions data was unavailable for the sovereign assets and hence the metrics below all relate to the corporate exposure within the BlackRock Corporate Bonds Fund. We will include scope 3 emissions data in future reports as the data becomes available.

MANDATE/ASSET CLASS	ABSOLUTE EMISSIONS (TCO2E)			
	SCOPE 3 UPSTREAM		SCOPE 3 DOWNSTREAM	
	METRIC	COVERAGE	METRIC	COVERAGE
LDI – Corporate Bonds Portion	5,145	43.2%	8,332	43.2%

MANDATE/ASSET CLASS	WACI (TCO2E / $M REVENUE)				CARBON FOOTPRINT (TCO2E / $M INVESTED)			
	SCOPE 3 UPSTREAM		SCOPE 3 DOWNSTREAM		SCOPE 3 UPSTREAM		SCOPE 3 DOWNSTREAM	
	METRIC	COVERAGE	METRIC	COVERAGE	METRIC	COVERAGE	METRIC	COVERAGE
LDI – Corporate Bonds Portion	211.7	89.8%	335.1	89.8%	117.8	43.2%	179.3	43.2%

Data collection

Further information in relation to the emission scopes and data coverage are included in the Technical Appendix. Note that for the scope 3 emissions metrics, estimated data has been used throughout due to the poor quality / availability of scope 3 data. When companies report scope 3 data they calculate it on a very different basis and often only report on a subset of the 15 categories of scope 3 emissions. By using the estimated factors we use a consistent approach across all companies and cover all the categories, to provide a more robust understanding of where the risks lie in respect of scope 3. For this reason, data quality is 100% estimated data for scope 3.

Targets

The Trustee aims to target net-zero carbon emissions by 2050, in line with the sponsoring employer's climate commitment. This target would apply across all the Plan's assets.

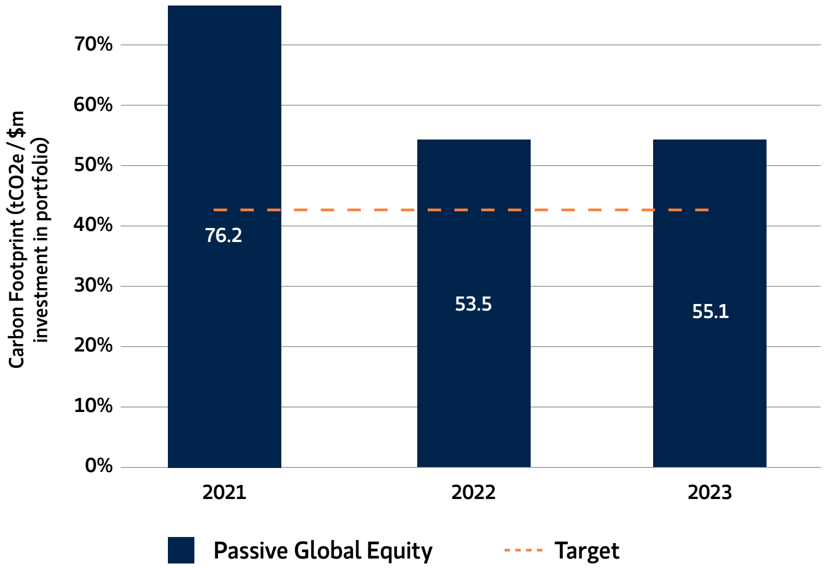
The Trustee has agreed shorter term targets across the DC and DB Sections, which are consistent with the aim of reaching net-zero emissions by 2050.

DC SECTION

The Trustee has elected to set a target in relation to the Passive Global Equity Fund as it represents the most material component of the Active Diversified Growth and Active Diversified Retirement Funds and is also a material proportion of DC assets on a standalone basis (46% of DC Section assets at 31 March 2022 and 43% at 31 March 2023 - total Plans' assets, including the sum of blend and self-select holdings).

The Trustee has set a target to reduce the carbon intensity of the Fund by 45% by 2030 (relative to a 2021 baseline) measured on a Carbon Footprint basis (based on scope 1 and 2 emissions only).

FIGURE 13: Progress against target since the 2021 base year.



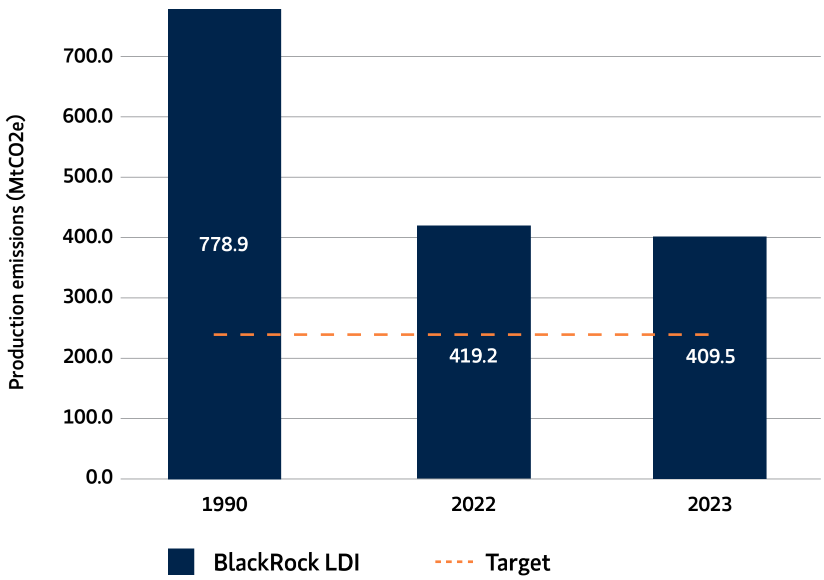
Since 2021, the Carbon Footprint of the Passive Global Equity Fund has reduced by 28%.
This reduction has mainly been driven by the strategy changes implemented over Q4 2021.

DB SECTION

The Trustee has elected to set a target in relation to the UK government bond holdings within the LDI portfolio given it is the principal holding within the DB Section and the allocation is expected to increase over time. This implies aligning with the UK government commitment of net-zero by 2050 and the interim target of a 68% reduction in absolute emissions by 2030 (relative to 1990 levels). The Trustee has mapped this target to a 68% reduction in the production emissions number used in the WACI calculation of the relevant holdings by 2030 (relative to a 1990 baseline).

Figure 14 shows the progress against target since the 1990 base year. Data for the 2023 figure was sourced from OS-Climate.

FIGURE 14: Progress against target since the 1990 base year.



Since 1990, the productions emission number used in the WACI calculation for the LDI portfolio has reduced by 48% implying a marginal reduction of 2% over the year.

The Trustee will continue to monitor the portfolios against the agreed targets.

The Trustee intends to set specific targets for other asset classes (for instance, corporate bond holdings) and include Scope 3 emissions, when the available data has improved and there are suitable methodologies.

A wide range of factors will affect whether the Trustee achieves its targets and the Trustee has varying degrees of control over these factors. For example, the quality and availability of data means that the quoted greenhouse gas emissions are likely to change. For the LDI portfolio, the progress of the UK government will have a significant influence over the timing of reaching net zero.

Ultimately achieving the desired level of decarbonisation will depend on global economies overall successfully decarbonising. Notwithstanding that there are factors outside of the Trustee's control, the Trustee's intention is to meet its targets and it has already taken action across the DC Section to decarbonise the Passive Global Equity Fund through asset allocation changes. Furthermore, the Trustee is engaging with its investment managers to make clear its requirements, including its longer term target of net-zero carbon emissions.

Technical Appendix

Climate scenario modelling approach

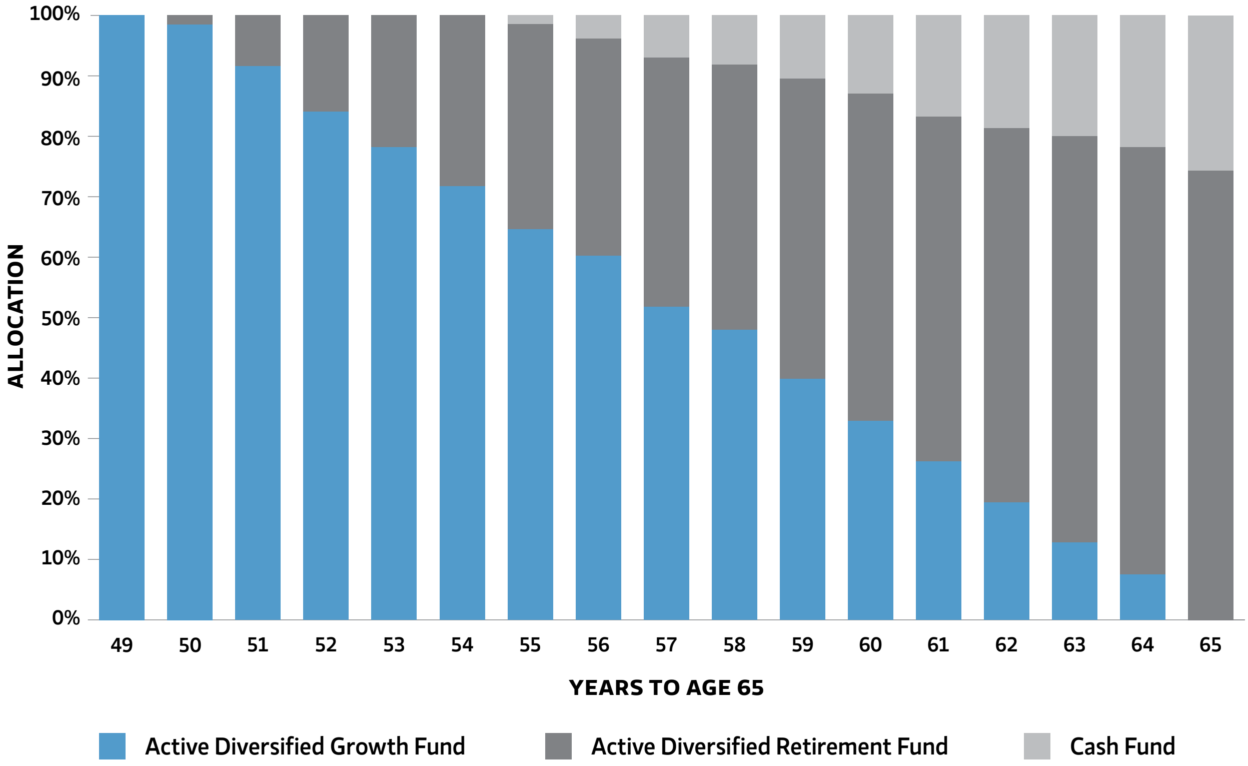
DC Section Strategic Asset Allocations (SAA) modelled

ASSET CLASS	SAA (%)		
	ACTIVE DIVERSIFIED GROWTH FUND	ACTIVE DIVERSIFIED RETIREMENT FUND	CASH
Equity	60.0	35.0	–
Multi-Asset Credit	10.0	10.0	–
UK Sovereign Bonds	–	17.5	–
Corporate Bonds	–	17.5	–
UK Real Estate	7.5	3.7	–
Diversified Growth Fund	22.5	16.3	–
Cash	–	–	100

Notes: The table above shows a breakdown of the allocations for the three strategies that comprise the default arrangement. The scenario analysis in this report also presents the results of the Active Diversified Growth Fund run as a standalone strategy.

Figure 15 shows the glidepath for the Plan's default investment option, the Diversified Default Option.

FIGURE 15: Diversified Default Option



CLIMATE SCENARIO NARRATIVES

	RAPID TRANSITION	ORDERLY TRANSITION	FAILED TRANSITION
Summary	Sudden divestments in 2025 to align portfolios to the Paris Agreement goals have disruptive effects on financial markets with sudden repricing followed by stranded assets and a sentiment shock.	Political and social organisations act quickly and predictably to implement the recommendations of the Paris Agreement to limit global warming to below 2°C above pre-industrial levels by 2100.	The world fails to meet the Paris Agreement goals and global warming reaches 4.3°C above pre-industrial levels by 2100. Physical climate impacts cause large reductions in economic productivity and increasing impacts from extreme weather events.
Cumulative emissions to 2100	416 GtCO2e	810 GtCO2e	5,127 GtCO2e
Key policy and technology assumptions	An ambitious policy regime is pursued to encourage greater decarbonisation of the electricity sector and to reduce emissions across all sectors of the economy. Higher carbon prices, larger investment in energy efficiency and faster phase out of coal-fired power generation under a 'Rapid' transition.		Existing policy regimes are continued with the same level of ambition.
Financial climate modelling	Pricing in of transition and physical risks of the coming 40 years occurs within one year in 2025. As a result of this aggressive market correction, a confidence shock to the financial system takes place in the same year.	Pricing in of transition and physical risks until 2050 takes place over the first 4 years.	Physical risks are priced in two different periods: 2026-2030 (risks of first 40 years) and 2036-2040 (risks of 40-80 years).
Physical risk impact on GDP	Physical risks are regionally differentiated, consider variation in expected temperature increase per region and increase dramatically with rising average global temperature. Physical risks are built up from: • Gradual physical impacts associated with rising temperature (agricultural, labour, and industrial productivity losses) • Economic impacts from climate-related extreme weather events • Current modelling does not capture environmental tipping points or knock-on effects (e.g., migration and conflict).		
Physical risk impact on inflation	Gradual physical impact (supply shocks) on inflation included through damages to agriculture and change in food prices. Total impact on a Global CPI Index is +2% in 2100.	No explicit modelling of physical risk impact on inflation (supply-side shocks). Impact on inflation follows historical relationship between GDP and CPI.	Severe gradual physical impact (supply shocks) on inflation included through damages to agriculture and change in food prices. Total impact on a Global CPI Index is +15% in 2100.

Testing the resilience of the investment and funding strategy

Climate scenario analysis was completed in 2022 and the analysis and results were detailed in the 2022 report which is available at https://www.morganstanley.com/content/dam/msdotcom/en/assets/pdfs/MS_UK_Group_Pension_Plan_TCFD_Report_2023.pdf. The conclusions of the analysis are summarised below.

Scenario Analysis Findings – DC Section

In light of the quantitative analysis included on the 2022 report, the Trustee noted the following findings:

Short Term (5 years)	Over the short term transition risk dominates with the Rapid Transition having the biggest impact across all DC popular arrangements. An initial fall in asset returns (relative to baseline) is driven by a transition shock impacting the economy and investment markets causing losses. This could be driven by unprecedented policy action, with markets initially overreacting before partially recovering. The actual timing of any shock or recovery is uncertain. The transition shock under the Rapid Transition is most significant across growth assets (e.g. equity), hence members with a higher allocation to growth assets are expected to be most negatively impacted. For members in the default arrangement, this will mean those members further away from retirement, with a higher allocation to equity, are expected to be most impacted by the shock.
Medium Term (10-15 years)	Over the medium term, transition risk and physical risk are both factors. The impact of transition risks under the Rapid Transition and physical risks under the Failed Transition are broadly similar.
Long Term (25 years +)	Over the long term, physical impacts become significant, with the Failed Transition resulting in significant falls in asset value relative to the baseline. Members in the default arrangement who are close to retirement will be least impacted by physical impacts.

Scenario Analysis Findings – DB Section

In light of the qualitative analysis provided in the 2022 report, and the DB Section's strong funding position on a prudent liability basis, the Trustee finds that the overall level of climate risk and opportunity facing the DB Section is limited and that there are currently limited opportunities to further manage the associated risk. Climate change, therefore, is not expected to materially impact overall investment and funding strategy.

The Trustee has also considered the following additional areas:

Longevity	Initial research commissioned by Mercer suggests that climate impacts, solely from temperature changes (e.g. hot/cold related deaths), are unlikely to significantly impact a typical UK DB scheme's funding. This does not, however, take into account wider macro-economic and health related impacts of climate change, which remains an area of active investigation.
Interaction with future annuity pricing	Pensioner liabilities have historically been secured through insurance policies. This policy was reviewed in mid-2019 and pensioner liabilities are currently paid from the DB Section as they fall due. Should the policy of securing through insurance policies be reinstated, the DB Section would be exposed to climate-related changes in annuity pricing that are not hedged within the Plan.
Interaction with sponsoring employer	The strength of the DB Section's funding position and low-risk investment strategy limits reliance on the employer covenant. Even after taking into account the impacts of climate change upon the investment strategy, noted above, the Trustee does not anticipate a significant increase in exposure to the covenant as a result of climate change. The impact of anticipated climate impacts upon Morgan Stanley's overall business strategy is set out in its own TCFD report, which summarises its own plans to manage the transition and physical risks raised in this report. Climate change considerations are integrated into Morgan Stanley's risk management and governance processes under the Chief Risk Officer and climate risks are overseen by the Risk Committee of the Board of Directors. Climate-related risk is identified across the areas of credit, market, operational, reputational, compliance and strategic. Morgan Stanley's own net-zero financed emissions target is intended to help mitigate the firm's climate risk, support client low-carbon innovation and improve the resilience of the firm's strategy. Overall Morgan Stanley is expected to have sufficient resilience to climate risks and would be able to continue to support the DB Section of the Plan over the short to medium term, if required.

Scenario Analysis – Overall Conclusions (covering DC and DB)

Conclusion 1 – A successful transition is imperative

Over the long term for nearly all investors a successful transition leads to enhanced projected returns when compared to scenarios associated with higher temperature outcomes, due to lower physical damages under a successful transition scenario.

The quantitative analysis in this report highlights the potential negative financial impact associated with the Failed Transition, which informs Trustee decision-making in a number of ways, including the selection of funds within the DC Section and setting an engagement and stewardship policy.

Conclusion 2 – Sector exposure is key

Climate impacts are naturally sector specific.

Supporting the quantitative analysis in this report, sector level analysis highlighted that differences in return impact are most visible at an industry-sector level, with significant divergence between scenarios.

As return impacts in this modelling are expressed relative to a climate-informed baseline, sector-specific impacts are driven both by what happens under the scenarios, and also by what does not happen (but was priced in). For example, there is a positive impact on the low carbon electricity sector under the Rapid Transition, which is an intuitive outcome. Alternatively, there is a positive impact on the oil & gas sector under the Failed Transition, which is a result of the sector performing better than expected in this scenario (i.e. more revenue than expected for underlying companies).

This finding will inform Trustee thinking when considering portfolio construction in a number of ways, including decisions to tilt assets or benchmarks to vary sector exposures, discussions with current or potential investment managers around the sector exposures and how they account for sector specific climate risk and to prioritise areas of focus for engagement or decarbonisation planning.

Conclusion 3 – Investors should be aware of future pricing shocks

Investors, and therefore "the market", look to predict future events / impacts and allow for them in asset prices. As particular events become more likely, market pricing will change before the events occur. This means that longer term impacts, including transition impacts and particularly physical damages, could impact portfolios earlier than they occur.

The quantitative analysis in this report seeks to demonstrate the impacts of such shocks.

This finding informs Trustee thinking in relation to managing climate-related risks.

Limitations associated with climate modelling

Climate scenario modelling is a complex process. The Trustee is aware of the modelling limitations. In particular:

1. The further into the future you go, the less reliable any quantitative modelling will be.
2. Looking at average asset class returns over multi-decade timeframes leads to small impacts. The results are potentially significantly underestimated.
3. There is a reasonable likelihood that physical impacts are grossly underestimated. Feedback loops or 'tipping points', like permafrost melting, are challenging to model particularly around the timing of such an event and the speed at which it could accelerate.
4. Financial stability and insurance 'breakdown' are not modelled. A systemic failure may be caused by either an 'uninsurable' 4oC physical environment or due to the scale of mitigation and adaptation required to avoid material warming of the planet.
5. Most adaptation costs and social factors are not priced into the models. These include population health and climate-related migration.

Climate related metrics

Total Greenhouse Gas Emissions

This metric takes an ownership approach to answer what proportion of a company's or asset's emissions an investor owns and is therefore responsible for financing. It includes the seven types of greenhouse gas (GHG), across the three scopes of emissions.

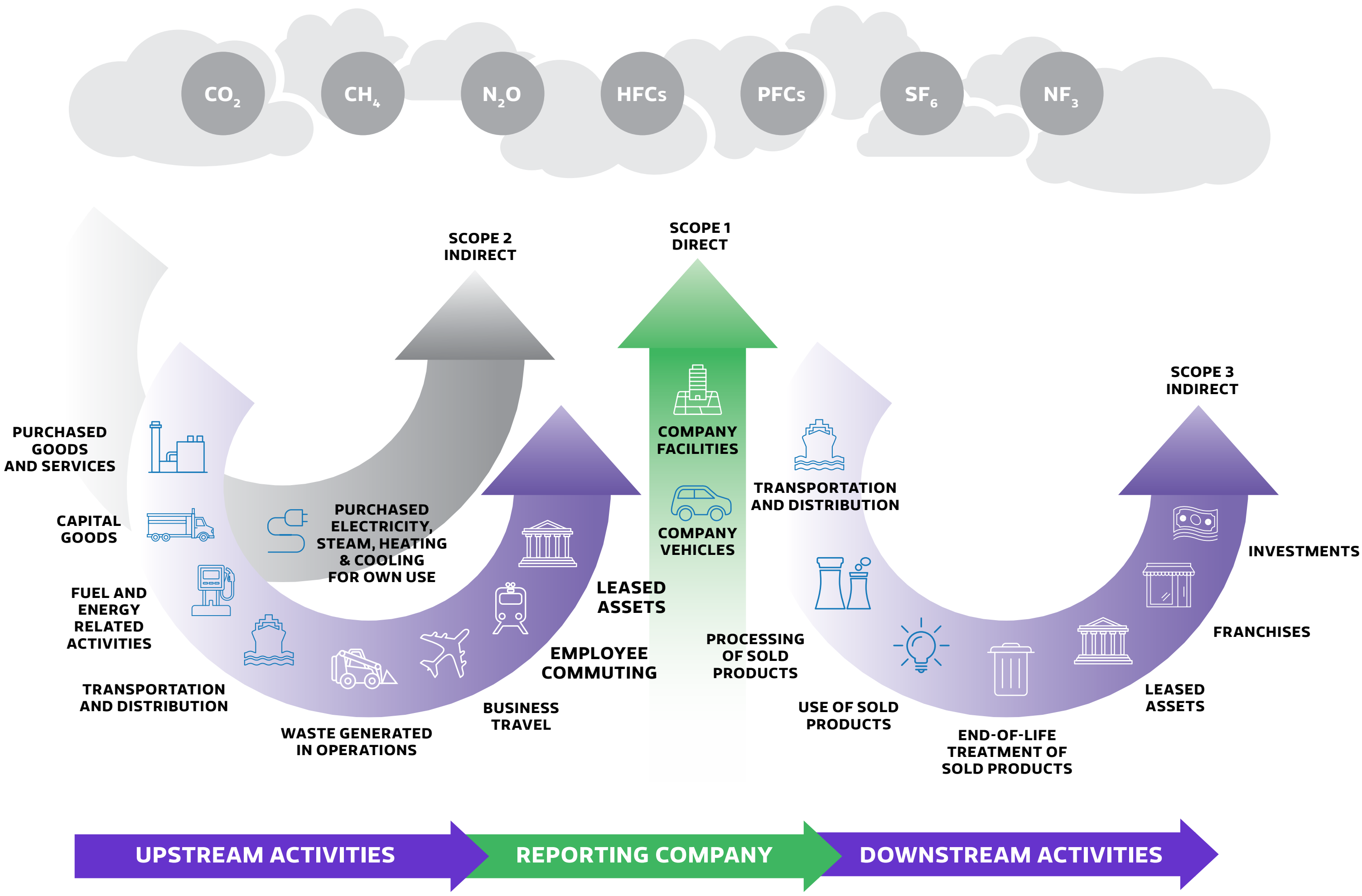


FIGURE 16: Understanding greenhouse gas emissions; Source: GHG Protocol

Emissions of the seven GHGs have different impacts on climate change. In order to simplify reporting, each greenhouse gas is calibrated relative to carbon dioxide and is reported as 'carbon dioxide equivalent' emissions (CO2e). In this way the Trustee can compare companies that emit different amounts of different GHGs on a consistent basis.

In respect of sovereign debt investments, the Trustee follows the Partnership for Carbon Accounting of Financials ("PCAF") approach to derive absolute emissions. Recognising the different methodologies used to calculate absolute emissions for sovereigns and corporates, the Trustee reports sub totals at the corporate and sovereign levels as well as Total Greenhouse Gas Emissions figure.

The Trustee has chosen this metric to understand the absolute amount of emissions financed by the Plan's investments.

Carbon Footprint

Carbon Footprint is an intensity measure of emissions that takes the Plan's Total GHG Emissions figure and normalises it to take account of the size of the investment.

Analysing an investment fund's Carbon Footprint assists the Trustee in identifying carbon-intense sections of the Plan's portfolio. The Trustee has therefore chosen this metric to assist them in prioritising carbon intense parts of the investment strategy for potential re-allocation or engagement as a means of mitigating associated climate-related risks.

Sovereign Carbon Intensity

A measure of how carbon intensive are the sovereign countries held in the portfolio. Sovereign emissions are normalised by PPP-adjusted GDP to take into account the size of the country's economy. Sovereign carbon intensity is measured in tons of CO2 emissions divided by $M purchasing power parity-adjusted Gross Domestic Product (GDP). The different denominator, compared to WACI, means that this metric cannot be aggregated with WACI and is not directly comparable. Sovereign carbon intensity is only measured for funds with underlying exposures to securities issued by sovereign entities.

High sovereign carbon intensity may indicate increased exposure to regulatory risks, carbon pricing, and climate-related disruptions. On the other hand, low sovereign carbon intensity signals potential opportunities for investing in sustainable and low-carbon industries, as well as regions with favourable environmental policies. Overall, incorporating sovereign carbon intensity into financial analyses enables clients to align their investments with climate goals and mitigate potential risks associated with carbon-intensive economies.

Weighted Average Carbon Intensity

Weighted Average Carbon Intensity (WACI) is an alternative intensity measure of emissions that normalises a company's Total GHG Emissions figure by its revenue. This metric is calculated by taking the total carbon emissions of the investment and dividing by annual company revenue. A portfolio level intensity metric is calculated as the weighted average of the underlying holdings' intensity metrics.

Analysing an investment fund's WACI assists the Trustee in identifying how carbon efficient the business models of the companies held within a portfolio are. Alongside Carbon Footprint, the Trustee has chosen this metric to assist them in prioritising carbon intense parts of the investment strategy for potential re-allocation or engagement as a means of mitigating associated climate-related risks.

% of portfolio companies with net zero targets approved by the Science Based Targets initiative (SBTi)

The Science Based Target initiative (SBTi) has established an industry standard methodology for companies setting long term carbon emission reduction targets that are in line with climate science. Companies submit their net zero plans to SBTi, who then act as an independent assessor of the validity of the plans.

SBTi uses a sector decarbonisation approach (SDA) or an absolute contraction approach (ACA). Under the SDA approach, SBTi allocates the 2oC carbon budget to different sectors, taking into account differences between sectors today and mitigation potential going forwards (e.g. this takes into account the fact that power generation will likely be able to decarbonise faster than cement production). The ACA approach is a broad assumption that assumes that all companies should decarbonise at the same rate. The ACA approach is the most popular target that companies who submit their targets to the SBTi choose.

The Trustee has chosen this metric because it provides a measure of portfolio alignment with the goals of the Paris Agreement. Underlying funds with a low percentage of companies with SBTi-approved targets could indicate investment in companies or issuers that are not setting targets to align their businesses or activities with net zero, which is a forward-looking indication of climate transition risk.

Data Quality

Data Quality aims to represent the proportions of the portfolio for which the Trustee has high quality climate data. The Trustee has considered whether the underlying emissions data has been reported by the company, estimated by the data provider, or unavailable to determine how representative the analysis is of the Plan's actual portfolio.

Data Quality also assists the Trustee in monitoring quality of reporting over time, as companies are expected to continually improve their reporting on climate-related metrics. As the quality of data improves, the usefulness of the climate metrics reported on the Plan's portfolio increases. In addition, the Trustee is able to identify the companies in the portfolio that are not currently reporting emissions data and use this as the basis for engagement with the investment managers.

Climate metric analysis approach

The reporting and collection of climate metric data is in its infancy. Limitations include the availability and quality of data (requiring the use of estimated data in some instances), anticipated improvements in measurement techniques and developments in the approaches used for calculating certain climate metrics.

SCOPE OF EMISSIONS

Scope 1, 2 and 3 emissions data has been included in the report, where available. The Trustee notes that there are currently a number of limitations associated with the reliability and accuracy of scope 3 data.

DATA COVERAGE

Data coverage refers to the proportion of an asset in which the various climate-related metric data is available. There are gaps in the data as:

- Some public listed companies are not publishing climate-related data or are providing poor quality data. This is relevant to public equity and corporate bonds. Obtaining data for emerging market equity can also be challenging due to general disclosure and transparency challenges.
- For UK government debt, data is available but there is a delay in the data being published.
- In this report, the Trustee has used a pro rata approach to scale up each climate metric in order to present the data as if full coverage was available for each asset. This assumes that the part of an investment fund that does not have data available has the same investment characteristics (for example, same sector or geography) as the part where there is data.

LIABILITY DRIVEN INVESTMENT (“LDI”) PORTFOLIO

As at 31 March 2022, the LDI portfolio comprised UK government bonds, derivatives and cash. Derivative and cash holdings have been excluded from the climate metric analysis. As at 31 March 2023, the DB Section no longer held these derivative positions.

DATA COLLECTION

The climate metrics analysis presented in this report is as at 31 March 2023, which falls within the scheme year that the Plan came in scope of the Climate Change Governance and Reporting Regulations. With the exception of property holdings within the DC Section assets and gilt holdings, climate metrics have been calculated by Mercer using MSCI data, with portfolio stocklists sourced directly from the investment managers. Property metrics were sourced directly from the investment manager and gilt metrics were calculated by Mercer in line with PCAF recommendations. In this report a comparison of progress against targets is also presented, as well as the information regarding 31 March 2022 climate metrics.

Climate Metric Analysis – DC Section

The tables on the following pages set out the results of the Trustee’s climate metric analysis for the reported funds, including popular arrangements, within the DC Section across the categories of absolute emissions, emissions intensity and portfolio alignment. The table includes the metrics for the underlying holdings within the multi-asset funds.

DIVERSIFIED DEFAULT OPTION
SCOPE 1 AND 2

ASSET CLASS	MANDATE	ALLOCATION WEIGHT*	WACI (TCO2E / $M SALES)		CARBON FOOTPRINT (TCO2E / $M INVESTED)		SOVEREIGN CARBON INTENSITY (TCO2E / $M PPP-ADJUSTED GDP)	
			METRIC	COVERAGE	METRIC	COVERAGE	METRIC	COVERAGE
Composite	Diversified Default Option (exc. Sov)	60.1%	129.8	95.9%	58.1	95.2%		
	Diversified Default Option (Sov-only)	60.1%					199.1	82.4%
					ABSOLUTE EMISSIONS (TCO2E)		SBTI	
					METRIC	COVERAGE		
	Diversified Default Option (exc. Sov)				48,436	95.2%	35.0%	
	Diversified Default Option (Sov-only)				69,203	93.8%		

SCOPE 3

ASSET CLASS	MANDATE	ALLOCATION WEIGHT*	WACI (TCO2E / $M REVENUE)				CARBON FOOTPRINT (TCO2E / $M INVESTED)			
			SCOPE 3 UPSTREAM		SCOPE 3 DOWNSTREAM		SCOPE 3 UPSTREAM		SCOPE 3 DOWNSTREAM	
			METRIC	COVERAGE	METRIC	COVERAGE	METRIC	COVERAGE	METRIC	COVERAGE
Composite	Diversified Default Option (exc. Sov)	60.1%	259.1	95.7%	449.1	95.7%	113.6	94.7%	280.5	94.7%
							ABSOLUTE EMISSIONS (TCO2E)			
							SCOPE 3 UPSTREAM		SCOPE 3 DOWNSTREAM	
							METRIC	COVERAGE	METRIC	COVERAGE
	Diversified Default Option (exc. Sov)						86,432	94.7%	213,332	94.7%

ACTIVE DIVERSIFIED GROWTH FUND
SCOPE 1 AND 2

ASSET CLASS	MANDATE	ALLOCATION WEIGHT*	WACI (TCO2E / $M SALES)		CARBON FOOTPRINT (TCO2E / $M INVESTED)		SOVEREIGN CARBON INTENSITY (TCO2E / $M PPP-ADJUSTED GDP)	
			METRIC	COVERAGE	METRIC	COVERAGE	METRIC	COVERAGE
Composite Active Diversified Growth (ex-sovereigns)	Passive Global Equity Fund	35.2%	121.1	98.1%	55.1	98.2%		
	Nordea Alpha 15 MA Fund	4.0%	53.9	86.1%	17.3	86.2%		
	Ruffer Diversified Return Fund	1.5%	238.6	95.1%	183.7	95.7%		
	Active Multi-Asset Credit Fund	3.6%	339.3	83.0%	149.5	78.4%		
	Active UK Property Fund**	4.4%	58.4	100.0%	4.2	100.0%		
	Total Active Div. Growth (ex-sov)	**48.7%**	**129.5**	**96.1%**	**58.3**	**95.8%**		

ASSET CLASS	MANDATE				ABSOLUTE EMISSIONS (TCO2E)		SBTI
					METRIC	COVERAGE	
Composite Active Diversified Growth (ex-sovereigns)	Passive Global Equity Fund				33,569	98.2%	36.7%
	Nordea Alpha 15 MA Fund				1,208	86.2%	47.3%
	Ruffer Diversified Return Fund				4,800	95.7%	27.4%
	Active Multi-Asset Credit Fund				9,239	78.4%	11.4%
	Active UK Property Fund**				322	100.0%	–
	Total Active Div. Growth (ex-sov)	**4.9%**			**49,138**	**95.8%**	**35.3%**

ASSET CLASS	MANDATE	ALLOCATION WEIGHT*	WACI (TCO2E / $M SALES)		CARBON FOOTPRINT (TCO2E / $M INVESTED)		SOVEREIGN CARBON INTENSITY (TCO2E / $M PPP-ADJUSTED GDP)	
			METRIC	COVERAGE	METRIC	COVERAGE	METRIC	COVERAGE
Composite Active Diversified Growth (sovereigns only) sovereigns)	Nordea Alpha 15 MA Fund	0.9%					156.3	54.9%
	Ruffer Diversified Return Fund	3.8%					214.2	89.0%
	Active Multi-Asset Credit Fund	0.3%					443.1	5.2%
	Total Active Div. Growth (sov-only)	**4.9%**					**216.1**	**78.7%**
	Total Active Diversified Growth	**53.6%**						
					ABSOLUTE EMISSIONS (TCO2E)		**SBTI**	
					METRIC	**COVERAGE**		
Composite Active Diversified Growth (sovereigns only) sovereigns)	Nordea Alpha 15 MA Fund				2,305	54.9%		
	Ruffer Diversified Return Fund				14,030	89.0%		
	Active Multi-Asset Credit Fund				1,965	5.2%		
	Total Active Div. Growth (sov-only)				**18,300**	**78.7%**		
	Total Active Diversified Growth				**67,438**	**94.3%**		

Source: MSCI and Mercer. All data as at 31 March 2023. Allocation weights represent the allocation for that mandate or, for mixed mandates, the allocation to sovereign bonds within the mixed mandate. *Allocation as a percentage of total Plan AUM.

SCOPE 3

ASSET CLASS	MANDATE	ALLOCATION WEIGHT*	WACI (TCO2E / $M REVENUE)				CARBON FOOTPRINT (TCO2E / $M INVESTED)			
			SCOPE 3 UPSTREAM		SCOPE 3 DOWNSTREAM		SCOPE 3 UPSTREAM		SCOPE 3 DOWNSTREAM	
			METRIC	COVERAGE	METRIC	COVERAGE	METRIC	COVERAGE	METRIC	COVERAGE
Composite Active Diversified Growth (ex-sovereigns)	Passive Global Equity Fund	35.2%	258.9	98.3%	412.0	98.3%	113.4	98.2%	247.0	98.2%
	Nordea Alpha 15 MA Fund	4.0%	256.7	86.2%	116.5	86.2%	78.4	86.2%	40.5	86.2%
	Ruffer Diversified Return Fund	1.5%	300.4	95.7%	1,037.6	95.7%	207.6	95.7%	983.1	95.7%
	Active Multi-Asset Credit Fund	3.6%	263.6	83.0%	961.9	83.0%	126.8	77.8%	614.2	77.8%
	Total Active Div. Growth**	**44.3%**	**260.5**	**95.9%**	**450.7**	**95.9%**	**114.5**	**95.4%**	**282.8**	**95.4%**
							ABSOLUTE EMISSIONS (TCO2E)			
							SCOPE 3 UPSTREAM		SCOPE 3 DOWNSTREAM	
							METRIC	COVERAGE	METRIC	COVERAGE
Composite Active Diversified Growth (ex-sovereigns)	Passive Global Equity Fund						74,617	98.2%	150,548	98.2%
	Nordea Alpha 15 MA Fund						5,738	86.2%	3,022	86.2%
	Ruffer Diversified Return Fund						5,623	95.7%	24,520	95.7%
	Active Multi-Asset Credit Fund						8,973	78.4%	37,917	78.4%
	Total Active Div. Growth**						**94,950**	**95.4%**	**216,006**	**95.4%**

Source: MSCI and Mercer. All data as at 31 March 2023. An overview of these metrics is provided in the Technical Appendix. Allocation weights represent the asset allocation for that mandate or, for mixed mandates, the allocation to listed equity or corporate bonds within the mixed mandate. *Allocation as a percentage of total Plan AUM. **Scope 3 data for the Active UK Property Fund is not available.

ACTIVE DIVERSIFIED RETIREMENT FUND
SCOPE 1 AND 2

ASSET CLASS	MANDATE	ALLOCATION WEIGHT*	WACI (TCO2E / $M SALES)		CARBON FOOTPRINT (TCO2E / $M INVESTED)		SOVEREIGN CARBON INTENSITY (TCO2E / $M PPP-ADJUSTED GDP)	
			METRIC	COVERAGE	METRIC	COVERAGE	METRIC	COVERAGE
Composite Active Diversified Retirement (ex-sovereigns)	Passive Global Equity Fund	2.4%	121.1	98.1%	55.1	98.2%		
	Nordea Alpha 15 MA Fund	0.3%	53.9	86.1%	17.3	86.2%		
	Ruffer Diversified Return Fund	0.1%	238.6	95.1%	183.7	95.7%		
	Active UK Corporate Bond Fund	0.5%	75.6	90.6%	34.3	58.0%		
	Active Global Corporate Bond Fund	0.6%	133.7	88.6%	32.6	73.9%		
	Active Multi-Asset Credit Fund	0.4%	339.3	83.0%	149.5	78.4%		
	Active UK Property Fund**	0.3%	58.4	100.0%	4.2	100.0%		
	Total Active Div. Retirement (ex-sov)	**4.6%**	**132.8**	**93.9%**	**56.6**	**88.4%**		

ASSET CLASS	MANDATE				ABSOLUTE EMISSIONS (TCO2E)		SBTI
					METRIC	COVERAGE	
Composite Active Diversified Retirement (ex-sovereigns)	Passive Global Equity Fund				2,293	98.2%	36.7%
	Nordea Alpha 15 MA Fund				102	86.2%	47.3%
	Ruffer Diversified Return Fund				406	95.7%	27.4%
	Active UK Corporate Bond Fund				273	58.0%	25.3%
	Active Global Corporate Bond Fund				340	73.9%	24.7%
	Active Multi-Asset Credit Fund				1,082	78.4%	11.4%
	Active UK Property Fund**				19	100.0%	–
	Total Active Div. Retirement (ex-sov)				**4,495**	**88.4%**	**32.0%**

ACTIVE DIVERSIFIED RETIREMENT FUND
SCOPE 1 AND 2

ASSET CLASS	MANDATE	ALLOCATION WEIGHT*	WACI (TCO2E / $M SALES)		CARBON FOOTPRINT (TCO2E / $M INVESTED)		SOVEREIGN CARBON INTENSITY (TCO2E / $M PPP-ADJUSTED GDP)	
			METRIC	COVERAGE	METRIC	COVERAGE	METRIC	COVERAGE
Composite Active Diversified Retirement (sovereigns only)	Passive Index-Linked Gilt Fund	0.6%					131.2	100.0%
	Passive Gilt Fund	0.6%					131.2	95.7%
	Active UK Corporate Bond Fund	0.1%					132.9	95.7%
	Nordea Alpha 15 MA Fund	0.1%					156.3	54.9%
	Ruffer Diversified Return Fund	0.3%					214.2	89.0%
	Active Multi-Asset Credit Fund	0.0%					443.1	5.2%
	Total Active Div. Retirement (sov only)	**1.7%**					**153.2**	**92.7%**
	Total Active Diversified Retirement							

ASSET CLASS	MANDATE				ABSOLUTE EMISSIONS (TCO2E)		SBTI
					METRIC	COVERAGE	
Composite Active Diversified Retirement (sovereigns only)	Passive Index-Linked Gilt Fund				1,366	100.0%	
	Passive Gilt Fund				1,366	95.7%	
	Active UK Corporate Bond Fund				231	95.7%	
	Nordea Alpha 15 MA Fund				195	54.9%	
	Ruffer Diversified Return Fund				1,187	89.0%	
	Active Multi-Asset Credit Fund				230	5.2%	
	Total Active Div. Retirement (sov only)				**4,575**	**92.7%**	
	Total Active Diversified Retirement				**9,070**	**89.6%**	

Source: Source: MSCI and Mercer. All data as at 31 March 2023. Allocation weights represent the asset allocation for that mandate or, for mixed mandates, the allocation to listed equity or corporate bonds within the mixed mandate. *Allocation as a percentage of total Plan AUM. **Active UK Property Fund metrics provided directly by the manager. Caution is advised when comparing and aggregating these metrics with other funds due to the use of different data providers and methodologies.

SCOPE 3

ASSET CLASS	MANDATE	ALLOCATION WEIGHT*	WACI (TCO2E / $M REVENUE)				CARBON FOOTPRINT (TCO2E / $M INVESTED)			
			SCOPE 3 UPSTREAM		SCOPE 3 DOWNSTREAM		SCOPE 3 UPSTREAM		SCOPE 3 DOWNSTREAM	
			METRIC	COVERAGE	METRIC	COVERAGE	METRIC	COVERAGE	METRIC	COVERAGE
Composite Active Diversified Retirement (ex-sovereigns)	Passive Global Equity Fund	2.4%	258.9	98.3%	412.0	98.3%	113.4	98.2%	247.0	98.2%
	Nordea Alpha 15 MA Fund	0.3%	256.7	86.2%	116.5	86.2%	78.4	86.2%	40.5	86.2%
	Ruffer Diversified Return Fund	0.1%	300.4	95.7%	1,037.6	95.7%	207.6	95.7%	983.1	95.7%
	Active UK Corporate Bond Fund	0.5%	175.2	89.1%	265.5	89.1%	73.9	58.0%	134.2	58.0%
	Active Global Corporate Bond Fund	0.6%	214.0	88.8%	331.7	88.8%	74.3	73.9%	112.1	73.9%
	Active Multi-Asset Credit Fund	0.4%	263.6	83.0%	961.9	83.0%	126.8	77.8%	614.2	77.8%
	Total Active Div. Growth**	**4.4%**	**245.4**	**93.5%**	**433.5**	**93.5%**	**105.2**	**87.6%**	**257.1**	**87.6%**

ASSET CLASS	MANDATE						ABSOLUTE EMISSIONS (TCO2E)			
							SCOPE 3 UPSTREAM		SCOPE 3 DOWNSTREAM	
							METRIC	COVERAGE	METRIC	COVERAGE
Composite Active Diversified Retirement (ex-sovereigns)	Passive Global Equity Fund						5,096	98.2%	10,282	98.2%
	Nordea Alpha 15 MA Fund						485	86.2%	256	86.2%
	Ruffer Diversified Return Fund						476	95.7%	2,075	95.7%
	Active UK Corporate Bond Fund						595	58.0%	1,115	58.0%
	Active Global Corporate Bond Fund						799	73.9%	1,203	73.9%
	Active Multi-Asset Credit Fund						1,051	78.4%	4,439	78.4%
	Total Active Div. Growth**						**8,502**	**87.7%**	**19,370**	**87.7%**

Source: Source: MSCI and Mercer. All data as at 31 March 2023. Allocation weights represent the asset allocation for that mandate or, for mixed mandates, the allocation to listed equity or corporate bonds within the mixed mandate. *Allocation as a percentage of total Plan AUM. **Active UK Property Fund metrics provided directly by the manager. Caution is advised when comparing and aggregating these metrics with other funds due to the use of different data providers and methodologies.

CASH

The DC default arrangement includes a cash fund, but this has been excluded from the climate metric analysis due to challenges associated with obtaining reliable metrics for such funds.

LISTED EQUITY FUNDS
SCOPE 1 AND 2

ASSET CLASS	MANDATE	ALLOCATION WEIGHT*	WACI (TCO2E / $M SALES)		CARBON FOOTPRINT (TCO2E / $M INVESTED)		ABSOLUTE EMISSIONS (TCO2E)	
			METRIC	COVERAGE	METRIC	COVERAGE	METRIC	COVERAGE
Listed equity	Active Global Growth Equity Fund	7.0%	**11.8**	92.3%	**2.9**	92.3%	**347**	92.3%
	Passive Global Equity Fund	8.7%	**121.1**	98.1%	**55.1**	98.2%	**8,333**	98.2%
							SBTI	
Listed equity	Active Global Growth Equity Fund						**29.9%**	
	Passive Global Equity Fund						**36.7%**	

Source: MSCI, Mercer calculations. Data as at 31 March 2023.

SCOPE 3

ASSET CLASS	MANDATE	ALLOCATION WEIGHT*	WACI (TCO2E / $M REVENUE)				CARBON FOOTPRINT (TCO2E / $M INVESTED)			
			SCOPE 3 UPSTREAM		SCOPE 3 DOWNSTREAM		SCOPE 3 UPSTREAM		SCOPE 3 DOWNSTREAM	
			METRIC	COVERAGE	METRIC	COVERAGE	METRIC	COVERAGE	METRIC	COVERAGE
Listed equity	Active Global Growth Equity Fund	7.0%	**230.3**	92.3%	**243.2**	92.3%	**31.6**	92.3%	**36.1**	92.3%
	Passive Global Equity Fund	8.7%	**258.9**	98.3%	**412.0**	98.3%	**113.4**	98.2%	**247.0**	98.2%
							ABSOLUTE EMISSIONS (TCO2E)			
							SCOPE 3 UPSTREAM		**SCOPE 3 DOWNSTREAM**	
							METRIC	**COVERAGE**	**METRIC**	**COVERAGE**
Listed equity	Active Global Growth Equity Fund						**4,675**	92.3%	**4,553**	92.3%
	Passive Global Equity Fund						**18,523**	98.2%	**37,373**	98.2%

Source: MSCI, Mercer calculations. Data as at 31 March 2023.

Climate Metric Analysis – DB Section

The tables on this page sets out the results of the Trustee's climate metric analysis for the DB Section across the categories of absolute emissions, emissions intensity and portfolio alignment.

SCOPE 1 AND 2

MANDATE/ASSET CLASS	ALLOCATION WEIGHT*	WACI (TCO2E / $M SALES)		CARBON FOOTPRINT (TCO2E / $M INVESTED)		SOVEREIGN CARBON INTENSITY (TCO2E / $M PPP-ADJUSTED GDP)	
		METRIC	COVERAGE	METRIC	COVERAGE	METRIC	COVERAGE
Corporate Bonds Portion	18.5%	98.4	89.3%	62.6	43.2%	–	–
LDI	79.5%	–	–	–	–	131.2	100.0%
Total	**98.0%**	**98.4**	**89.3%**	**62.6**	**43.2%**	**131.2**	**100.0%**

MANDATE/ASSET CLASS	ABSOLUTE EMISSIONS (TCO2E)		SBTI
	METRIC	COVERAGE	
Corporate Bonds Portion	2,620	43.2%	34.3%
LDI	23,670	100.0%	–
Total	**26,290**	**–**	**34.3%**

Source: MSCI and Mercer. All data as at 31 March 2023. Allocation weights represent the asset allocation for that mandate or, for mixed mandates, the allocation to corporate bonds or sovereign bonds within the mixed mandate. *Allocation as a percentage of total Plan AUM.

SCOPE 3

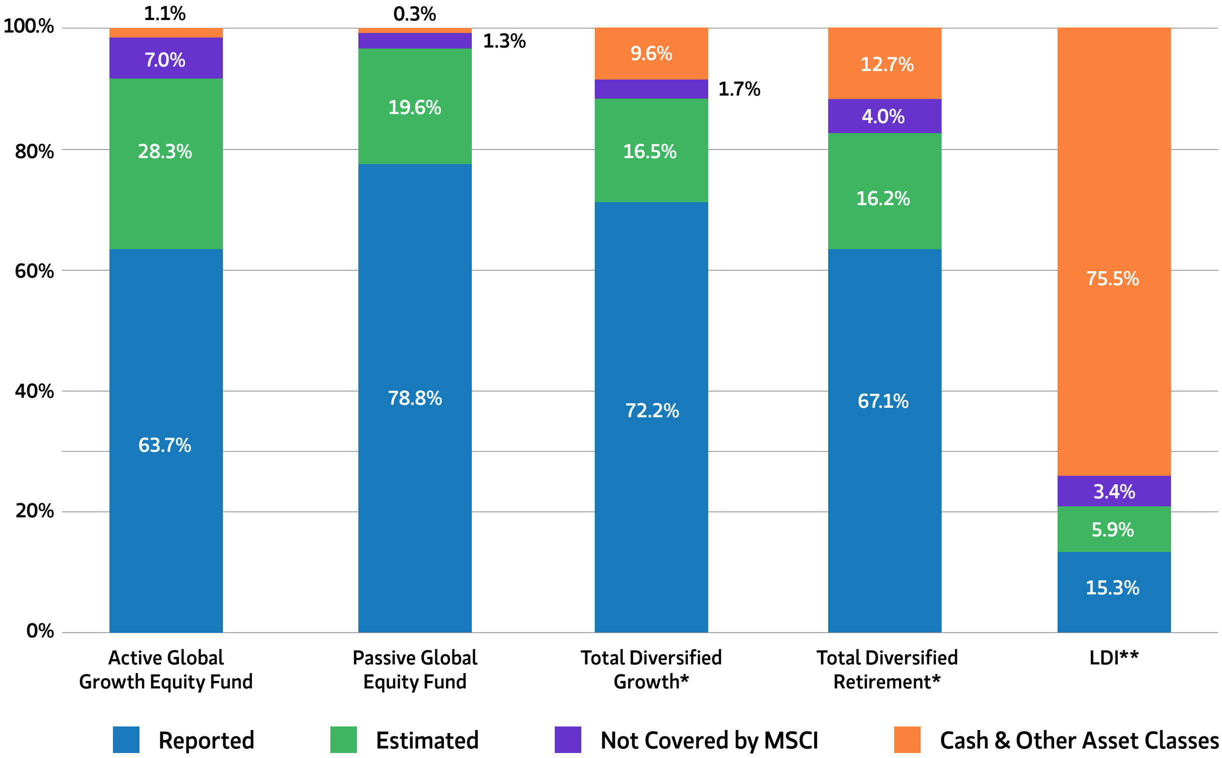
MANDATE/ASSET CLASS	ALLOCATION WEIGHT*	WACI (TCO2E / $M REVENUE)				CARBON FOOTPRINT (TCO2E / $M INVESTED)			
		SCOPE 3 UPSTREAM		SCOPE 3 DOWNSTREAM		SCOPE 3 UPSTREAM		SCOPE 3 DOWNSTREAM	
		METRIC	COVERAGE	METRIC	COVERAGE	METRIC	COVERAGE	METRIC	COVERAGE
LDI – Corporate Bonds Portion	18.5%	211.7	89.8%	335.1	89.8%	117.8	43.2%	179.3	43.2%
Total	**18.5%**	**211.7**	**89.8%**	**335.1**	**89.8%**	**117.8**	**43.2%**	**179.3**	**43.2%**

MANDATE/ASSET CLASS	ABSOLUTE EMISSIONS (TCO2E)			
	SCOPE 3 UPSTREAM		SCOPE 3 DOWNSTREAM	
	METRIC	COVERAGE	METRIC	COVERAGE
LDI – Corporate Bonds Portion	5,145	43.2%	8,332	43.2%
Total	**5,145**	**43.2%**	**8,332**	**43.2%**

Source: MSCI and Mercer. All data as at 31 March 2023. Allocation weights represent the asset allocation for that mandate or, for mixed mandates, the allocation to listed equity or corporate bonds within the mixed mandate. *Allocation as a percentage of total Plan AUM.

DATA QUALITY – DB AND DC SECTIONS AS AT 31 MARCH 2022

The chart on this page represents the proportions of the various holdings for which the Trustee has high quality data, split between reported, estimated and unavailable. Data quality reported only for Scope 1 wqand Scope 2.



Notes: Values may not sum up due to rounding.

*Includes the Threadneedle Property Fund, whose metrics have been provided directly by the manager. Threadneedle data provider is Evora Global. **Considers only the corporate bond portion of the mandate.

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RITE

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