REDINGTON

TASKFORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD) REPORT

1 January 2022 – 31 December 2022

MRC Pension Scheme

Executive Summary

The Trustee of the MRC Pension Scheme (the "Scheme") has prepared the following statement in response to the Department of Work and Pensions Climate Change Governance and Reporting requirements and guidance (June 2021), which is built on the recommendations of the Taskforce on Climate-Related Financial Disclosures ("TCFD"). The regulation sets out four elements and a summary of the Scheme's positions against each element is given below:

Governance

Through the creation of a Climate Change Risk Management Policy, the Trustee has created a governance structure which specifies roles regarding climate change risks and opportunities. Climate beliefs have also been articulated within the Policy. Further, the Trustee has received training on climate change risks and opportunities, carbon emission and targets, climate change scenario analysis, and stewardship to help in its understanding of how climate change may impact the Scheme.

Strategy

The Trustee has performed scenario analysis on the Scheme to assess the potential impact of climate change under three different scenarios on the Scheme's assets and liabilities. Under all scenarios, the Scheme's funding level is projected to fall. Under a "Slow transition" scenario (where global temperature increases are kept below 2 degrees Celsius relative to pre-industrial levels), the Principal Section's funding level is projected to fall by 10.9% and the Universities Section's funding level is projected to fall by 2.7%, excluding longevity risk.

Risk Management

The Trustee recognises the Scheme is exposed to climate change-related risks. It manages these risks through conducting and reviewing the results of climate change scenario analysis, receiving climate change reporting from the Scheme's investment consultant (including carbon emissions), and expecting the Scheme's investment managers to have sufficient regard for climate change risk within their investments.

Metrics and Targets

The Trustee measures the following metrics:

- Total greenhouse gas emissions of the Scheme's assets ("absolute emissions metric");
- Carbon footprint – i.e. total carbon dioxide emissions for the portfolio per million pounds invested ("emissions intensity metric");

- SBTi portfolio alignment metric (“alignment metric”); and
- The result of the “Slow Transition PRA stress tests” (i.e. “additional climate change metric”)

The Trustee has agreed to align the Scheme’s investment strategy with the goals of the Paris Agreement, i.e. to aim to reduce the greenhouse gas emission intensity of the Scheme’s assets to net zero by 2050. Given this is a long-term target, the Trustee has also set an appropriate interim target of a 50% reduction of carbon footprint by 2030 (compared to a baseline as of 31 December 2021).

The Trustee will monitor these chosen metrics, and progress against the above target, on an annual basis.

Introduction

This statement sets out the approach of the Trustee with regards to identifying, assessing, monitoring and mitigating climate-related risks in the context of the Trustee's broader regulatory and fiduciary responsibilities to their members. This is the first such report produced and is based on the year ended 31 December 2022 (in line with the Scheme year-end). The report encompasses both the Principal Section and the Universities Section of the Scheme.

The Trustee supports the recommendations set out by the Taskforce on Climate-Related Financial Disclosures (TCFD) on the basis that they will allow the Trustee to more closely assess, monitor and mitigate climate-related risks on behalf of members. As the Trustee's first disclosure under the framework, this statement is expected to evolve over time.

This statement has been prepared in accordance with the regulations set out under the Department of Work and Pensions Climate Change Governance and Reporting requirements and guidance (June 2021), and provides a summary on how the Scheme is currently aligning with each of the four elements set out in the regulation (and in line with the recommendations of the TCFD). Details on these elements are below:

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

The following pages summarise the Trustee's current position with regards to the TCFD recommendations.

1. Governance

The Trustee Board has ultimate oversight for identifying, assessing and managing climate-related risks and opportunities which are relevant to the Scheme. There is a sub-committee of the Trustee Board (the "Investment Sub-Committee" / "ISC") that has been delegated the day-to-day responsibility for ensuring that the established policy for monitoring whether climate-related risks and opportunities are effectively integrated into the Trustee's investment strategy, risk management and overall decision-making.

The Trustee has created a Climate Change Risk Management Policy ("CCRMP") which documents the Trustee's approach to identifying, assessing, and managing risks specifically related to climate change. The CCRMP details the roles and responsibilities of the Trustee Board, the Investment Sub-Committee ("ISC"), and the Scheme's external advisors in assessing, managing, and monitoring climate-related risks and opportunities. The CCRMP has been taken into account when producing this report.

The specific roles and responsibilities of the Trustee Board, ISC and external advisors are summarised below:

- **Role of the Trustee Board**
    - Sets the overall investment and funding strategy and objectives, which includes the oversight of identification, assessment and management of climate-related risks and opportunities.

- Approves climate-related metrics/targets and climate scenario analysis: Following recommendations from the ISC, the Trustee is responsible for approving the relevant metrics/targets and scenario analysis to allow climate-related risks and opportunities to be considered when setting the Scheme's funding and investment strategy.

- **Role of the Investment Sub-Committee ("ISC")**
  - Inform and make recommendations to the Trustee regarding climate-related risks and opportunities where this may result in a change to the overall investment strategy. This can be done directly or via a delegated working group if needed to support the Scheme's alignment with climate regulations.
  - Appoint or terminate investment managers where appropriate in relation to climate-related risks and opportunities.
  - Monitor and engage with the Scheme's managers on how they measure and manage climate-related risks (including engagement activities which are carried out on the Trustee's behalf) and identify related opportunities as appropriate.
  - Review the output of the Scheme's climate-related metrics and scenario analysis on a periodic basis.
- **Role of the external advisors**
  - Advise on climate-related risks and opportunities including the provision of climate scenario analysis.
  - Review the Scheme's investment managers to ensure ESG, including climate-related risks, are appropriately integrated into portfolio management.
  - To ensure they take adequate steps to identify climate-related risks and opportunities, climate-related considerations are included in the investment advisor's annual objectives.

In keeping with this governance structure, this Statement has been reviewed by the ISC and approved by the Trustee Board.

The Trustee has articulated their climate-related beliefs as follows:

Monitoring climate-related risks and opportunities

The Trustee believes that climate change is likely to be a financial risk that will affect all the Scheme's investments to some degree. The Trustee integrates the monitoring of climate risk metrics into its wider risk management framework and considers these when making investment decisions.

The Trustee is open to exploiting the investment opportunities that climate change and the steps needed to combat it may bring.

The Trustee believes that seeking to align its investment strategy with achieving the goals of the Paris Agreement, which include limiting global temperature increases to well below 2°C, ideally 1.5°C, by the end of this century, is appropriate in the context of its fiduciary duty.

The Trustee does not believe that it can rely solely on markets to price in climate-related risks quickly or accurately enough. The risks arising from climate change should therefore also be actively managed by asset managers where this is possible and appropriate.

The Trustee believes that climate-change risk needs to be considered alongside and balanced against other relevant investment risks and considerations when evaluating investments. The Trustee therefore acknowledges that it may not always be able to minimise climate-related risk if doing so would be to the detriment of wider strategic objectives.

Engagement

The Trustee believes that engagement (including the exercise of voting rights) is an effective means of helping to manage the Scheme's climate-related risks. Engagement with underlying companies (as well as other relevant organisations) is carried out primarily by investment managers on behalf of the Trustee.

The Trustee may disinvest from businesses or asset managers who are inadequately managing their climate-related risks if attempts to engage with these parties to address this are not successful (subject to the constraints of the investment mandate).

Where appropriate, the ISC report back to the Trustee regarding key investment matters, including any relevant detail on any climate-related risks and/or opportunities. For instance, in 2022 the ISC recommended to the Trustee an investment in a climate impact equity mandate.

Both the Trustee as a whole and the ISC have received training on climate change-related risks and opportunities, and TCFD recommendations. Training sessions aimed to ensure the Trustee and/or ISC had sufficient knowledge in order to make informed decisions on TCFD recommendations. Training sessions included:

- Climate change as an investment risk and changing regulation
- Climate change-related metrics and targets
- Climate change scenario analysis and portfolio alignment metrics
- Stewardship and how this can be used to manage risks and meet sustainability objectives, including climate change

2. Strategy

The Trustee considers climate-related risks and opportunities and their potential implications on the Scheme's investment and funding strategy over the short-term, medium-term, and long-term. The consideration of these factors is incorporated throughout the investment process, from strategic asset allocation to manager selection and portfolio monitoring.

The Trustee acknowledges that each of its investments is exposed to climate-related risks to varying extents, and has identified two specific risks which could impact the Scheme's investment and funding strategy:

- Physical risks, i.e. those that arise from both gradual changes in climatic conditions and extreme weather events; and
- Transition risks, i.e. risk of re-pricing which would occur as part of the move to a low-carbon economy.

The Trustee has, and will continue to explore investment opportunities which are both appropriate for the Scheme from an investment perspective and aligned with the goals of the Paris Agreement of avoiding dangerous climate change by limiting global warming to well below 2°C above pre-industrial levels and pursuing efforts to limit it to 1.5°C. These include, for example, equity strategies which invest in companies which seek to benefit from the transition to a low-carbon economy. The Trustee believes that investing in such opportunities can be neutral or even positive from a traditional risk/return perspective and is therefore consistent with their fiduciary responsibility.

The Trustee, on an ongoing basis, assesses the impact of the identified climate-related risks and opportunities on the Scheme's investment strategy and funding strategy. In order to assess the impact on the Scheme's assets and liabilities, the Trustee undertakes scenario analysis consistent with the PRA's Life Insurance Stress Tests ("the PRA stress test scenarios"), as recommended by the Pensions Climate Risk Industry Group ("PCRIG"). The stresses are designed to show what the impact on the value of the Scheme's funding level would be in the following scenarios:

- Scenario A (Fast Transition): Abrupt transition to the Paris-aligned goal occurring over a three year time period (temperature increase kept below 2 degrees Celsius relative to pre-industrial levels).
- Scenario B (Slow Transition): Orderly transition to the Paris-aligned goal occurring by 2050 (temperature increase kept below 2 degrees Celsius relative to pre-industrial levels).
- Scenario C (No Transition): A no-transition scenario occurring in 2100 (temperature increase in excess of 4 degrees Celsius relative to pre-industrial levels).

The results of these scenarios are summarised below with and without taking longevity risk into account:

Scenario Analysis (excluding longevity risk):

	Change	Fast Transition	Slow Transition	No Transition
Funding level	**Principal Section's funding level**	**-9.3%**	**-10.9%**	**-13.0%**
	Universities Section's funding level	**-1.7%**	**-2.7%**	**-4.9%**

Scenario Analysis (including longevity risk):

	Change	Fast Transition	Slow Transition	No Transition
Funding level	**Principal Section's funding level**	**-7.4%**	**-13.2%**	**-8.0%**

Universities Section's funding level	**-0.3%**	**-4.5%**	**-1.2%**

The results of the scenarios provide the Trustee with an overview of how resilient the current investment strategy is with regards to various different climate change outcomes. Note: this does not allow for changes within the strategy that are expected over that time.

Where longevity is omitted from the analysis, both the Principal Section and the Universities Section are most exposed to a "No Transition" scenario. This is driven by higher physical climate change risk exposure under this scenario. Through investing in a way which is aligned with the goals of the Paris Agreement by limiting global warming to well below 2°C above pre-industrial levels and pursuing efforts to limit it to 1.5°C, the Trustee seeks to mitigate the physical risk from a "No Transition" scenario.

When longevity is taken into account, both the Principal Section and the Universities Section are most exposed to a "Slow Transition" scenario. This is driven by the longevity stress under this scenario increasing the Scheme's liabilities i.e. people will live longer under this scenario while they are likely to live for less long under the other two scenarios.

Further information on scenario analysis can be found in Appendix A.

The Trustee notes the assessment of climate-related risks and opportunities may vary depending on the time horizon in question. As such, the Trustee assesses climate risks and opportunities over the following time horizons which they deem appropriate in light of the Scheme's objectives:

	Time horizon
Short term	3 years (in line with the triennial actuarial valuation cycle)
Medium term	7 years (in line with the Scheme's aim to reduce carbon emission intensity by 50% by 2030)
Long term	27 years (in line with the Scheme's aim to achieve Net Zero carbon intensity by 2050)

The Scheme's principal sponsoring employer, the Medical Research Council, is a government agency, backed by the UK government. Although the Trustee recognise the UK economy is exposed to climate-related risks and therefore the UK government is also exposed by extension, the risks are indirect in nature, difficult to quantify, and unlikely to be material to the Scheme.

3. Risk Management

As set out in section "2. Strategy", the Trustee recognises the Scheme is exposed to climate change-related risks in the form of transition and physical risk. The Trustee considers the impact of these climate change-related risks on all of the assets in which they invest via conducting and reviewing the results of climate-related stress tests on a periodic basis. Climate change is also included in the Scheme's risk register and reviewed as part of the wider risk management framework.

The Trustee also receives additional climate-related reporting from Redington on an annual basis. This reporting contains relevant climate metrics as set out under Department for Work and Pensions' (DWP's) adoption of the recommendations of the TCFD (and as further discussed under section "4. Metrics and Targets"). This allows the Trustee to better identify and manage the climate-related risks which are relevant to the Scheme on an ongoing basis.

For all appointed fund managers, evaluation of ESG risk management, which includes climate-related risks, is an explicit part of both the selection process and continued due diligence or monitoring that the Trustee undertakes. The Trustee also relies on the manager research capabilities of Redington to assess each manager's ability to effectively integrate climate-related risks and opportunities. The management of climate change-related risks and opportunities was a key consideration in the appointment of a climate impact equity manager over 2022.

The Trustee believes that engagement carried out by the Scheme's investment managers with underlying companies is an effective means of helping to manage the Scheme's climate-related risks. Engagement with the investment managers themselves is largely carried out on behalf of the Scheme by Redington. Throughout this engagement process, fund managers are asked to provide details of how climate-related risks and opportunities have been incorporated into the investment process within applicable guidelines and restrictions. Since year-end, the Trustee has been considering formalising climate change as a stewardship priority. In future, the Trustee may seek to understand and assess the stewardship activities of the Scheme's fund managers, particularly relating to climate change, in greater detail.

Active engagement with underlying companies in which the Scheme is invested, specifically relating to climate-related risks and opportunities, is delegated to the Scheme's fund managers.

4. Metrics and Targets

With regards to quantitative metrics, the Trustee – on an annual basis – monitors and reports:

- Total greenhouse gas emissions of the Scheme's assets ("absolute emissions metric");
- Carbon footprint – i.e. total carbon dioxide emissions for the portfolio per million pounds invested ("emissions intensity metric");
- SBTi portfolio alignment metric ("alignment metric"); and
- The result of the "Slow Transition PRA stress tests" (i.e. "additional climate change metric") – this has been chosen on the basis that it is a useful metric to understand the sensitivity of the portfolio to climate-related risks – details can be seen in Appendix A.

The Trustee receives these metrics on an annual basis from Redington. The Trustee will periodically review their selection of metrics to ensure they remain appropriate for the Scheme. The Trustee has also gone through the process of setting an explicit target for the Scheme which is aligned with the Trustee's climate-related beliefs.

In particular, the Trustee has agreed to align the Scheme's investment strategy with the goals of the Paris Agreement, i.e. to aim to reduce the greenhouse gas emission intensity of the Scheme's assets to net zero by 2050. Given this is a long-term target, the Trustee has also set an appropriate interim target of a 50% reduction of Scope 1 and 2 carbon footprint by 2030 (compared to a baseline as of 31 December 2021). The Trustee has begun considering the feasibility of such a target by considering the anticipated changes in the Scheme's asset allocation over time, such as allocations to funds which aim to invest in climate solutions. As an open Scheme with a long investment horizon, the Trustee is able to consider other potential investments which could help in the achievement of this target and are also consistent with the Scheme's other investment objectives. On an annual basis, the Trustee will measure performance against this target and review whether the target should be updated or replaced.

The below tables set out the results of each of the Trustee's chosen metrics broken down by broad asset class:

Principal Section:

	Absolute Carbon Emissions (tCO_2e) (Scopes 1+2)	Carbon Footprint (tCO_2e/EVIC £m) (Scopes 1+2)	Science Based Targets Initiative Rating	Slow Climate PRA Stress Impact on Funding Level
Liquid Markets	46,317	58.7	30.8%	-
Liquid Credit	4,974	26.3	9.20%	-
Illiquid Credit	19,810	74.1	-	-
Illiquid Markets	39,118	79.2	-	-
Total	**110,219**	**63.4**	**N/A**[1]	**-10.9**[2]

Universities Section:

	Absolute Carbon Emissions (tCO2e) (Scopes 1+2)	Carbon Footprint (tCO2e/EVIC £m) (Scopes 1+2)	Science Based Targets Initiative Rating	Slow Climate PRA Stress Impact on Funding Level
Liquid Markets	2,386	72.0	35.8%	-
Liquid Credit[3]	2,231	26.0	8.0%	-
Total	**4,618**	**38.8**	**N/A[1]**	**-2.7%[2]**

[1] Science Based Targets Initiative ratings are unavailable for the illiquid credit and illiquid market holdings and so totals have not been aggregated.
[2] Funding level stress excluding longevity at the total Section level.
[3] Liquid credit has omitted sovereign debt exposure.

The absolute carbon emissions reported above demonstrate the total share of direct and indirect emissions for which the Scheme's assets are responsible and therefore helps the Scheme to measure its progress towards its net-zero commitment.

The Scheme's carbon footprint reveals how carbon efficient the portfolio is per million pounds invested. This measure provides an insight into the carbon intensity of the Scheme's assets, so is a useful measure to identify the Scheme's stage in its decarbonisation journey.

The 'Slow Transition' PRA stress test monitors the Scheme's exposure to climate risk which is broadly aligned with the Paris Agreement. This provides an indication of the direction and magnitude of climate risk the Scheme is exposed to, whereby the Principal Section's funding level is projected to fall by 10.9% and the Universities Section's funding level is projected to fall by 2.7% under this scenario, excluding longevity risk.

The SBTi portfolio alignment metric (available for the Scheme's liquid markets and liquid credit mandates) indicates 30.8% of the Principal Section and 35.8% of the Universities Section liquid market assets have declared Net Zero or Paris-aligned targets. A smaller proportion of the Scheme's liquid credit assets have declared Net Zero or Paris-aligned targets, where the SBTi rating is at 9.20% for the Principal Section and 8.0% for the Universities Section.

Absolute and intensity metrics have been modelled at an asset class level by Redington wherever data coverage for a particular fund is below 50%. Further details can be found in Appendix B. This is the first time this analysis has been carried out, and the expectation is that the output will evolve over time as data availability is likely to improve. As and when new data becomes available, the Trustee will review the targets which have been set to ensure they remain feasible in light of this new information.

The Trustee uses the results to identify the climate-related risks and opportunities which are relevant to the Scheme. These might include, for example, engaging with fund managers who have material carbon intensity levels or with other industry participants, exploring low-carbon alternative investment options, and updating investment guidelines for managers where the Trustee has discretion to make such changes.

Note: All analysis is provided by the Scheme's Investment Consultant, Redington Ltd ("Redington"), and the data in the report is sourced from MSCI©. Please refer to the data disclaimer in Appendix B.

Appendix A:

Scenario Analysis

As part of its 2020 biennial stress tests, the Bank of England's Prudential Regulation Authority ("PRA") conducted an exploratory exercise to test the impact of future climate change scenarios on the assets and liabilities of (re)insurers, using predictions by the Intergovernmental Panel on Climate Change ("IPCC") and academic literature as the basis for their modelling assumptions.

Using the same methodology, Redington have constructed similar tests that allow the Trustee to examine the impact on the funding position, via the effect on asset values, of the Scheme under three scenarios.

The magnitude of each of the physical and transition shocks varies across industries under each scenario, meaning some assets may fare better or worse under one scenario compared to another. For "Fast Transition": the asset downside comes almost entirely from transition risk. For "Slow Transition": the asset downside comes from a mix of transition risk and physical risk. For "No Transition": the asset risk is entirely physical risk.

The Scheme's actuary, Aon, have estimated the mortality impact on the Scheme's liabilities under each of these scenarios. Under the "Fast Transition" scenario, life expectancy is expected to fall (thereby lowering liabilities and improving funding level) due to disruption to health and social care services and damage to infrastructure. Similarly, under the "No Transition" scenario, life expectancy is also expected to fall due to higher incidences of damaging storms, water shortages, higher pollution levels and reduced agricultural yields. Under the "Slow Transition" scenario, life expectancy is expected to increase due to global growth remaining strong relative to the base case in the long-term, supported by a brighter sustainable outlook and the positive spill over effects from green policy adoption such as longer-term, better air quality.

In terms of the assumptions made under these scenarios, the PRA recognised that feedback loops between climatic shocks and structural economic change need to be incorporated when assessing the financial impacts on businesses of physical and transition risk under each emissions scenario. However, due to existing modelling and data constraints, this is a complexity that is purposely excluded from the modelling.

There is also an acceptance that the timing and sequence of financial impacts will be complex, as behavioural changes could result in physical risks preceding transition risks and vice versa. For the purpose of simplicity, where an asset is subject to both physical and transition risk, the shocks are applied consecutively, with the physical shock applied second.

Appendix B:

Carbon footprint analysis

- Climate reporting as of 31 December 2022 can be found on the following pages. This reporting includes the chosen first, second and third metric as described under “4. Metrics and Targets”. The fourth metric (the result of the “Slow Transition PRA stress test”, is outlined in Appendix A).
- Where possible and where there is reasonable data coverage, the Trustee monitors ‘line-by-line’ emissions reporting for funds. These tend to be more generic, long-only asset classes such as listed equity and corporate credit. However, for funds with less than 50% coverage and illiquid assets, the Trustee monitors ‘asset class level’ carbon estimates in the absence of reliable, reported line-by-line emissions data from MSCI. The Trustee notes that using asset class modelling of emissions for assets where this data is not available enables a more holistic view of the Scheme’s total portfolio emissions, albeit recognising that the modelled data is not perfect.
- The asset class modelling of emissions has been provided by Redington and is based on asset class ‘building blocks’. These are either calculated directly using a given index’s underlying holdings emissions (such as using MSCI ACWI as a proxy for a broad equity fund) or in some cases these indices are used and extrapolated to other asset classes based on given assumptions (such as using the emissions of infrastructure firms within an index to proxy an infrastructure fund)

Glossary of Terms (ESG and Carbon Metrics)

Enterprise Value Including Cash (EVIC): Defined as the sum of market capitalisation of shares and book values of total debts and minority interests at fiscal year-end. No deductions of cash or cash equivalents are made to avoid potential negative enterprise values. This is the recommended denominator metric for carbon attribution according to the GHG Protocol, the global standard for carbon accounting endorsed by the European Union and the DWP.

Estimated Total Mandate Carbon Emissions (tons): Represents the total share of Scope 1, Scope 2 and Scope 3 carbon emissions a fund is responsible for. Please note the metric is sensitive to the investment holding size in the fund.

MSCI Climate Metrics Coverage: The proportion by value of a fund for which carbon metrics are available from MSCI.

PRA Slow Transition Climate Scenario Analysis: Redington's extrapolation of a stress test constructed by the Prudential Regulation Authority ("PRA") to explore the % impact of future climate change on assets. A slow transition assumes a long-term, orderly transition that is broadly in line with the Paris Agreement out to 2050.

Scope 1 & 2 Carbon Footprint (tCO2e / EVIC £m): Measurement of the Scope 1 & 2 CO2e emissions of a fund per million pounds of EVIC. Scope 1 emissions refer to those which are directly connected to the production of a company's product or service e.g., burning of fossil fuels to power the electricity grid. Scope 2 emissions refer to those from electricity used to power company facilities. For a pension scheme, scope 1 emissions include the use of gas fuel and refrigerants in the office whilst scope 2 emissions include the use of electricity in the office buildings.

SBTi Score: The Science-Based Targets initiative ("SBTi") sets out a framework through which companies can set out their decarbonisation pathway and have them assessed against the goals set out in the Paris Agreement – limiting global warming to 1.5°C above pre-industrial levels or well-below 2°C. The SBTi Score is the proportion of assets invested that are classified as being Paris-aligned.

Tons of Carbon Dioxide Equivalents (tCO2e): Tons of greenhouse gases including methane, nitrous oxide, carbon dioxide, and fluorinated gases. Given the abundance and prominence of carbon as a greenhouse gas, all the other gasses are considered carbon equivalents.

Limitations of Carbon Metrics

- TCFD based regulations require portfolios to report on their climate metrics without asset class adjustments. Therefore, metrics in funds with a lower coverage (below 80%), or in multi-asset funds and liquid / semi-liquid credit need to be evaluated with more context. This is because a low coverage means a larger part of emissions are unknown, and because the carbon risk of equity holdings will tend to be higher than that of credit holdings.
- Specific line-by-line modelling of emissions is currently available only for publicly listed equity and credit assets. For unlisted asset classes, we have reported asset class-level estimations of carbon emissions. This provides a broad and longer-term understanding of what the portfolio's emissions are and where the biggest amount of emissions come from. We believe this is appropriate from a strategic asset allocation perspective, but will not capture specific actions managers are taking to reduce their CO2e footprint.
- Due to lags in company carbon reporting and database updates, carbon footprint numbers have a one to two year lag. The carbon numbers included in this report are updated at the start of every year.