TASKFORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD) REPORT

1 January 2023 – 31 December 2023

MRC Pension Scheme

Executive Summary

M.R.C. Pension Trust Limited (company number 01218492), the Trustee of the MRC Pension Scheme ("Trustee" and "Scheme") has prepared the following report in response to new statutory disclosure requirements issued in 2021 and the Department for Work and Pensions "Governance and reporting of climate change risk: guidance for trustees of occupational pension schemes" (June 2021), which provides guidance on meeting the new statutory requirements and is built on the recommendations of the Taskforce on Climate-Related Financial Disclosures ("TCFD"). This report covers both sections of the Scheme – the MRC Section and the Universities Section. 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 regulation sets out four elements that need to be covered in the report 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 in 2022, the Trustee has adopted a governance structure which specifies roles regarding climate change risks and opportunities. Climate beliefs have also been articulated within the Policy. The Trustee has ultimate oversight for identifying, assessing, and managing climate-related risks and opportunities relevant to the Scheme. However, it has delegated day-to-day responsibility for ensuring the Policy is effectively implemented to the Investment Committee ("IC"). The Scheme's investment advisor supports the IC and Trustee to identify and manage climate-related risks and opportunities. There have not been any changes to the governance structure during 2023 and the IC and Trustee continue to receive training on climate change risks and opportunities, carbon emissions and targets, climate change scenario analysis, and stewardship to help in its understanding of how climate change may impact the Scheme.

Strategy

In 2022, the Trustee performed scenario analysis on the Scheme's assets and liabilities to assess the potential impact of climate change under three different scenarios. Given there have not been any significant changes in the Scheme's investment strategy over 2023 or developments in scenario analysis methodology over the year, this report retains the scenario analysis conducted in 2022. Under all scenarios, the Scheme's funding level is projected to fall. The "Slow transition" scenario is particularly relevant to the Scheme given it assumes a long-term, orderly transition to 2050 that is broadly in line with the Paris Agreement (where global temperature increases are kept below 2 degrees Celsius relative to pre-industrial levels). Based on current government commitments, it is seen as more likely to materialise than either a "Fast transition" or "No transition" scenario. Under this scenario, the MRC 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%.

Risk Management

The Trustee recognises the Scheme is exposed to climate change-related risks. It continues to monitor and manage these risks through (i) conducting and reviewing the results of climate change scenario analysis, (ii) receiving climate change reporting from the Scheme's investment advisor (including carbon emissions), and (iii) by expecting the Scheme's investment managers to have sufficient regard for climate change risk within their investments. Although the Trustee retains oversight of the Scheme's exposure to climate change-related risks, it delegates day-to-day responsibility and monitoring to the IC and external advisors. During 2023, the Trustee also agreed a stewardship policy which formalised climate change as a stewardship priority to help focus the Trustee's understanding and assessment of the stewardship activities of the Scheme's investment managers.

Metrics and Targets

In relation to the Scheme's assets, the Trustee measures the following four metrics:

1. *Absolute emissions metric*: Total greenhouse gas emissions of the Scheme's assets;
2. *Emissions intensity metric:* Carbon footprint – i.e. total carbon dioxide emissions for the portfolio per million pounds invested;
3. *Alignment metric:* Science Based Targets initiative ("SBTi") portfolio alignment - i.e. the proportion of assets invested that are classified as being aligned with the goals set out in the Paris Agreement; and
4. *Additional non-emissions-based metric:* Data coverage and quality i.e. proportion of portfolio for which emissions data is available combined with a quality score for this data, based on Partnership for Carbon Accounting Financials ("PCAF") methodology.

Upon reviewing metrics selected in 2022, the Trustee has decided to update the additional non-emissions-based metric and replace the "Slow Transition PRA stress tests" that was previously reported with a data coverage and quality measure, in line with progression in industry best practice. Results from the "Slow Transition PRA stress tests" will still be shown in the Strategy section of the report.

In 2022, the Trustee 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 MRC Section's carbon footprint has increased slightly in comparison to both the 31 December 2021 baseline of 60 and the 2022 carbon footprint of 63, to 66 as at 31 December 2023 on Scope 1 and 2 emissions. This increase over 2022 has been largely driven by a change in the MRC Section's asset allocation where a portion of the MRC Section's equity was disinvested from, with the proceeds being invested into a credit fund. Credit tends to be more carbon intensive than equity due to higher weightings towards more carbon-intensive industries such as utilities.

For the Universities Section, carbon footprint has decreased in comparison to the 2022 carbon footprint of 78 and the 31 December 2021 baseline of 66, to 60 as at 31 December 2023 on Scope 1 and 2 emissions, driven by a reduction in carbon intensity of corporate bonds.

The Trustee will continue to monitor performance against the interim target and review the suitability of this target on an annual basis.

Introduction

This report 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 second report produced and is based on the year ended 31 December 2023 (in line with the Scheme's year-end). The report encompasses both the MRC Section and the Universities Section of the Scheme.

The Trustee supports the recommendations set out by the Taskforce on 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 this is only the Trustee's second disclosure under the framework, this report is expected to evolve over time.

This report has been prepared in accordance with the regulations set out under the Pension Act 1995, 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 ("Regulations") and guidance under the Department for Work and Pensions "Governance and reporting of climate change risk: guidance for trustees of occupational pension schemes" (June 2021) and provides a summary on how the Scheme is currently aligning with each of the four elements set out in the Regulations (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 has ultimate oversight for identifying, assessing and managing climate-related risks and opportunities which are relevant to the Scheme.

In 2022, the Trustee 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, the IC (previously the Investment Sub Committee or "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 Trustee has delegated to the IC day-to-day responsibility for ensuring that the established policy on climate-related risks and opportunities is effectively integrated into the Trustee's investment strategy, risk management and overall decision-making. The IC discusses and reviews delegated actions at least quarterly and provides the Trustee with updates as appropriate.

The governance structure has not changed over the Scheme year and so the specific roles and responsibilities of the Trustee, the IC and the Scheme's advisors remain the same and are summarised below:

- **Role of the Trustee**
  - 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 IC, 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 IC**
  - 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 how they identify climate-related opportunities as appropriate.
  - Review the output of the Scheme's climate-related metrics and scenario analysis on a periodic basis.
  - Assess the investment advisor, and other external advisors, performance in assisting the Trustee and IC in managing climate change-related risk.
- **Role of the investment advisor**
  - Advise on climate-related risks and opportunities including the provision of climate scenario analysis.
  - Review the Scheme's investment managers and portfolio to ensure ESG, including climate-related risks, are appropriately integrated into portfolio management.
  - Climate-related considerations are included in the investment advisor's annual objectives to ensure they take adequate steps to identify and discuss climate-related risks and opportunities.
- **Role of other advisors**
  - The Scheme's actuary estimates and evaluates the mortality impact of climate-related risks and opportunities on the Scheme's liabilities, to feed into the climate scenario analysis.

This TCFD report has been approved by the IC and the Trustee.

The Trustee has articulated its 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 investment 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. Although the IC has oversight of the process, the IC has delegated management of the engagement process with investment managers to the investment advisor. The IC will consider an investment manager's effectiveness in managing climate-related risks before appointment and will continue to consider this effectiveness as part of its monitoring of investment managers.
  - The Trustee may disinvest from investment 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).

At each Trustee meeting during 2023, the IC reported back to the Trustee regarding key investment matters, including relevant details of any climate-related risks and/or opportunities.

In order to make better informed decisions, both the Trustee and the IC (as appropriate) have received and will continue to receive, regular training on climate change-related risks and opportunities, and on alignment with TCFD recommendations. Training sessions have included:

- Climate change as an investment risk and changing regulations.
- 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 on 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 (including litigation risks), i.e. risk of re-pricing which would occur as part of the move to a low-carbon economy.

The Trustee and its investment advisor has and will continue to explore climate-related investment opportunities which are both appropriate for the Scheme in terms of their risk-return profile, liquidity and strategic fit within the Scheme's asset allocation, and aligned with the goals of the Paris Agreement (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 that 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, in 2022 the Trustee undertook 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 combine both physical risks and transition risks to differing degrees and 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).

Given there have not been any significant developments in the Scheme's investment strategy or scenario analysis methodology, the Trustee has concluded that the existing scenario analysis carried out in 2022 remains appropriate for assessing the potential implications of climate-related risks and opportunities on the Scheme's funding position. In coming to this conclusion, the Trustee sought input from its advisors regarding industry developments and alternative methodologies available. In the absence of an industry consensus around a superior alternative, the Trustee and its advisors are comfortable retaining the existing analysis but recognise there are limitations and potential deficiencies in scenario analysis modelling. In particular, the Trustee recognises the analysis may not account fully for climate-related risks the Scheme could face and as such, may have limited reliability and usefulness as a decision-making tool. As such, the Trustee and its advisors will continue to consider how this may be improved upon in future.

The previous year's results are reproduced below which, for completeness, also consider the funding impact of climate-related changes to longevity (or life expectancy).

Scenario Analysis (excluding longevity impact):

	Change	Fast Transition	Slow Transition	No Transition
Funding level	MRC Section	-9.3%	-10.9%	-13.0%
	Universities Section	-1.7%	-2.7%	-4.9%

Scenario Analysis (including longevity impact):

	Change	Fast Transition	Slow Transition	No Transition
Funding level	MRC Section	-7.4%	-13.2%	-8.0%
	Universities Section	-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.

- For "Fast Transition", the fall in asset value is almost entirely caused by transition risk.
- For "Slow Transition", the fall in asset value is caused by both transition risk and physical risk.
- For "No Transition", the fall in asset value is entirely due to physical risk.

Where the potential impact of climate change on longevity risk (relating to the Scheme's liabilities) is omitted from the analysis, both the MRC 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 relative to the fast transition scenario. Conversely, under a "Fast Transition" scenario, the Scheme will be relatively more exposed to transition risks than physical risks. 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 risk is taken into account, both the MRC Section and the Universities Section experience the largest impact from the "Slow Transition" scenario. This is driven by the potential impact climate change may have on the Scheme's liabilities and under this scenario, the longevity stress assumes that people will live longer than expected. The opposite impact on liabilities (i.e. a reduction) is assumed in the other two scenarios. Given the large number of factors that could affect life expectancy over the longer term, the Trustee is clear that it would be neither prudent nor appropriate to account explicitly for the impact of climate change on liabilities in the strategic decision-making of the Scheme.

In summary, given the Scheme's current strong funding position, the Scheme is well placed to withstand the potential funding impacts that are modelled under these scenarios.

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	The period to 2026 (in line with the triennial actuarial valuation cycle)
Medium term	The period to 2030 (in line with the Scheme's aim to reduce carbon emission intensity by 50% by 2030)
Long term	The period to 2050 (in line with the Scheme's aim to achieve Net Zero carbon intensity by 2050)

The Scheme's principal sponsoring employer, UK Research and Innovation ("UKRI"), is a non-departmental public body which receives grants from the Department for Science, Innovation and Technology ("DSIT"). HM Treasury allocates funding to government departments, including DSIT, through spending reviews and annual budgets. UKRI receives its funding by demonstrating how investment in R&I can help meet national priorities and create value for money to taxpayers. As such, the Scheme's covenant is supported by committed government funding for research which is reviewed every three years.

The Trustee acknowledges that climate-related risks are likely to directly impact the activities of UKRI which may in turn affect the sponsor's ability to support the Scheme. Based on the information currently available to the Trustee, it is difficult to assess this potential impact. Any adverse effects would, however, be mitigated by the Scheme's current funding position which means it is less reliant on its sponsor for funding past service liabilities.

In addition, the Trustee recognises the UK economy is exposed to climate-related risks and by extension, the UK government is also therefore exposed. After careful consideration, the Trustee has concluded that it is unable to quantify or estimate the potential impact of climate related risks on future funding the UK government may provide to UKRI.

In summary, as a result of the challenges associated with estimating the magnitude and materiality of climate-related covenant risk, this scenario analysis excludes potential impacts on the Scheme's covenant. Whilst the nature of UKRI's activities do not suggest any obvious direct material impact from climate change, the Trustee will continue to engage further with UKRI and the Scheme's Covenant Advisor to improve its understanding of this risk for subsequent reports.

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 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 regularly as part of the wider risk management framework.

The IC continues to receive additional climate-related reporting from its investment advisor on an annual basis and monitors the output of these reports. The reports contain 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 investment managers, evaluation of ESG risk management, which includes climate-related risks, is an explicit part of both the selection process and continued monitoring that the Trustee undertakes. The Trustee also relies on the manager research capabilities of its investment advisor to assess each manager's ability to effectively integrate climate-related risks and opportunities. In 2023, the Scheme invested in a climate-impact equity fund which seeks to benefit from the transition to a low-carbon world while also reducing the Scheme's overall exposure to climate change-related risks.

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 investment managers. The Trustee believes that such engagement is an effective means of helping to manage the Scheme's climate-related risks. Engagement with the investment managers themselves is carried out on behalf of the Scheme by the investment advisor which reports back regularly to the IC. Throughout this engagement process, investment 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. In addition to the investment advisor's engagements with investment managers, as a result of increasing the Scheme's allocation to credit during 2023, the IC met with two of the Scheme's credit managers over 2023. During these meetings, ESG, including climate change was a key topic of discussion and the IC concluded they were comfortable with the investment managers' consideration of climate change-related risks and opportunities. This ensures that there is an integration of processes into overall risk management of the Scheme.

Furthermore, in response to DWP's guidance, the Trustee updated its stewardship policy in 2023. The updated stewardship policy articulated the Trustee's expectations of its investment managers to carry out effective stewardship activities on the Scheme's behalf while recognising the Trustee remains responsible for the oversight of these activities. Within the updated stewardship policy, the Trustee chose to adopt a stewardship theme of "climate change". The Trustee intends to use this theme as a lens to focus its monitoring and assessment of managers' stewardship activities. The Trustee recognises that it is useful to focus its efforts on this one theme as it aligns with their wider climate beliefs, while being manageable from a governance perspective. By holding investment managers to account for these activities (particularly focusing on climate change), the Trustee hopes to encourage better stewardship activities which will result in a reduction in climate change-related risk.

4. Metrics and Targets

In relation to the Scheme's assets, the Trustee – on an annual basis – monitors and reports:

1. *Absolute emissions metric:* Total greenhouse gas emissions of the Scheme's assets;
2. *Emissions intensity metric:* Carbon footprint – i.e. total carbon dioxide emissions for the portfolio per million pounds invested;
3. *Alignment metric:* SBTi portfolio alignment metric – i.e. the proportion of assets invested that are classified as being aligned with the goals set out in the Paris Agreement; and
4. *Additional non-emissions-based metric:* Data coverage and quality - i.e. proportion of portfolio for which emissions data is available combined with a quality score for this data, based on Partnership for Carbon Accounting Financials ("PCAF")

The Trustee receives these metrics on an annual basis from its investment advisor. Upon reviewing the initial metrics the Scheme had chosen to monitor and report against, the Trustee noted that it already included the results of the PRA Slow Transition stress test as part of the scenario analysis explained in the Strategy section of the report. With a view that the metrics chosen to report on should be additive to the Trustee's ability to monitor climate change-related risks, the Trustee has decided to replace the non-emissions-based metric from the "Slow Transition PRA Stress tests" with a data coverage and quality metric in line with progression in industry best practice. The data coverage and quality metric recognises the importance of monitoring both data coverage and a data quality score based on PCAF to enable the Trustee to take more informed actions, if necessary.

The PCAF data quality score monitors the reliability of emissions data with a scoring system which ranges from 1 to 5, with 1 representing the highest data quality, which involves independently verified emissions data, and 5 indicating the lowest quality, characterised by estimated emissions data derived from industry averages.

The Trustee intends to monitor the data quality of its assets alongside data coverage, recognising the importance of both. Through being informed of both the quality and coverage of its climate change metrics, the Trustee will be able to take more informed actions if necessary.

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. Specifically, 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 reviewing 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 the Scheme is open with a long investment horizon, the Trustee is able to consider other potential investments which could help in the achievement of this target whilst also remaining consistent with the Scheme's other investment objectives.

The MRC Section's carbon footprint has increased slightly in comparison to both the 31 December 2021 baseline of 60 and the 2022 carbon footprint of 63, to 66 as at 31 December 2023 on Scope 1 and 2 emissions. This is largely driven by a change in the Section's asset allocation where a portion of the Section's equity was disinvested from, with the proceeds being invested into a credit fund. Credit tends to be more carbon intensive than equity due to higher weightings towards more carbon-intensive industries such as utilities.

For the Universities Section, carbon footprint has decreased in comparison to the 31 December 2021 baseline of 66 and the 2022 carbon footprint of 78, to 60 as at 31 December 2023 on Scope 1 and 2 emissions, driven by a reduction in carbon intensity of corporate bonds.

It should be noted that the Universities Section's December 2021 baseline and 2022 results have been recalculated to exclude sovereign debt. It is not possible to calculate the carbon footprint of sovereign debt in a manner consistent with the other asset classes and so it was assumed to be zero in the previous baseline; its inclusion therefore lowering the carbon footprint of the Universities Section's portfolio. The Trustee believes the exclusion of sovereign assets will result in a baseline which better reflects the intensity of the portfolio. The previous baseline and 2022 result was a Scope 1+2 carbon footprint at 31 December 2021 of 30 and at 31 December 2022 of 39 tCO2e/EVIC £m, with the recalculated baseline and 2022 result being 66 and 78 tCO2e/EVIC £m respectively.

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

MRC Section – 2023:

	1) Absolute Carbon Emissions (tCO2e)		2) Carbon Footprint (tCO2e/EVIC £m)		3) SBTi Rating	4) Data Coverage and Quality			
	Scopes 1 +2	Scope 3	Scopes 1+2	Scope 3	SBTi Rating	Data Coverage[1]		Data Quality Score	
						1+2	3	1+2	3
Liquid Markets	40,093	455,528	60.6	688.6	37.5%	97.2%	97.2%	2.0	3.5
Liquid Credit	15,612	100,615	58.8	378.7	6.5%	39.9%	39.2%	2.5	3.7
Illiquid Credit	15,840	68,864	60.1	261.1	-	*Proxy used*[2]	*Proxy used*[2]	-	-
Illiquid Markets	40,650	257,848	79.7	505.8	-	*Proxy used*[2]	*Proxy used*[2]	-	-
Total	112,195	882,855	66.0	519.1	**N/A[3]**	**N/A[3]**	**N/A[3]**	**N/A[3]**	**N/A[3]**

MRC Section - 2022:

	1) Absolute Carbon Emissions (tCO2e)		2) Carbon Footprint (tCO2e/EVIC £m)		3) SBTi Rating	4) Data Coverage and Quality			
	Scopes 1 +2	Scope 3	Scopes 1+2	Scope 3	SBTi Rating	Data Coverage[1]		Data Quality Score	
						1+2	3	1+2	3
Liquid Markets	46,317	-	58.7	-	30.8%	97.0%	96.8%	-	-
Liquid Credit	4,974	-	26.3	-	9.2%	55.7%	52.9%	-	-
Illiquid Credit	19,810	-	74.1	-	-	*Proxy used*[2]	-	-	-
Illiquid Markets	39,118	-	79.2	-	-	*Proxy used*[2]	-	-	-
Total	**110,219**	-	**63.4**	-	**N/A**[3]	**N/A**[3]	**N/A**[3]	**N/A**[3]	**N/A**[3]

Universities Section - 2023:

	1) Absolute Carbon Emissions (tCO2e)		2) Carbon Footprint (tCO2e/EVIC £m)		3) SBTi Rating	4) Data Coverage and Quality			
	Scopes 1 +2	Scope 3	Scopes 1+2	Scope 3	SBTi Rating	Data Coverage[1]		Data Quality Score	
						1+2	3	1+2	3
Liquid Markets	2,228	22,372	53.5	537.6	40.8%	99.4%	99.3%	2.1	3.5
Liquid Credit	2,140	9,010	67.2	282.7	21.8%	75.6%	74.8%	2.4	3.4
Total	**4,368**	**31,382**	**59.5**	**427.1**	**32.6%**	**89.1%**	**88.7%**	**2.2**	**3.5**

Universities Section – 2022[4]:

	1) Absolute Carbon Emissions (tCO2e)		2) Carbon Footprint (tCO2e/EVIC £m)		3) SBTi Rating	4) Data Coverage and Quality			
	Scopes 1 +2	Scope 3	Scopes 1+2	Scope 3	SBTi Rating	Data Coverage[1]		Data Quality Score	
						1+2	3	1+2	3
Liquid Markets	2,386	-	72.0	-	35.8%	99.6%	99.4%	-	-
Liquid Credit	2,231	-	86.3	-	23.2%	74.9%	73.2%	-	-
Total	**4,618**	-	**78.4**	-	**30.3%**	**88.8%**	**87.9%**	**N/A[3]**	**N/A[3]**

[1] The data coverage references the % of emissions data that is available for the asset class. This includes company-reported data and data estimated by MSCI. A more detailed breakdown of the coverage can be seen in the charts below.
[2] Where underlying holdings data is unavailable, carbon metrics are proxied using the investment advisor's centrally modelled, generic asset class universe, mapped in line with risk and return modelling assumptions. In these instances, no figure is shown for data coverage. More detail on this can be found in the glossary.
[3] Science Based Targets Initiative ratings and PCAF Data Quality scores are unavailable for the illiquid credit and illiquid market holdings and so totals have not been aggregated.
[4] Following the decision to exclude the sovereign debt fund, the 2022 liquid credit figures have been recalculated. The previous 2022 result was a Scope 1+2 carbon footprint at 31 December 2022 of 39 tCO2e/EVIC £m. The previous SBTi score for the liquid credit asset class was 8%.

The absolute carbon emissions reported above demonstrate the total share of direct and indirect emissions for which the Scheme's assets are responsible. While useful to track absolute progress towards Net Zero, it is also impacted by the overall value of the assets and so the Trustee has less control over absolute emissions compared to carbon intensity. In line with the statutory guidance, the Trustee is now disclosing Scope 3 emissions. It is noted that these form a large part of both the Scheme's total emissions and carbon footprint which is in line with expectations and the Trustee will continue to monitor how these emissions evolve over time.

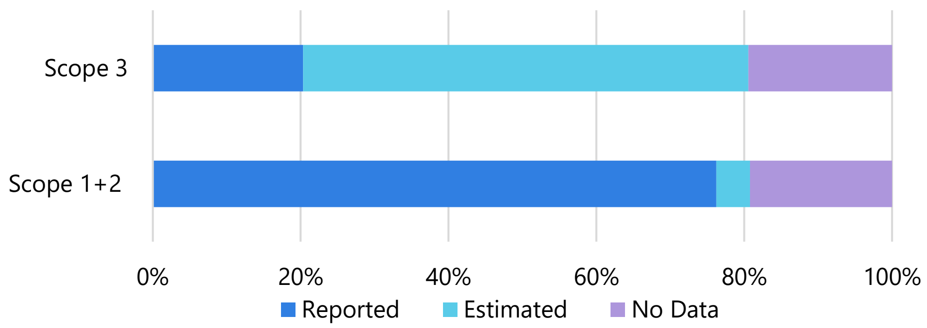
The Scheme's carbon footprint reveals how carbon efficient the portfolio is per million pounds invested. As explained above, the Trustee has set a target against this metric in-line with its Net Zero ambition. The metric provides a useful insight into the carbon intensity of the Scheme's assets which the Trustee is able to directly influence through its investment decisions. As mentioned above, the MRC Section's carbon intensity has increased slightly while the Universities Section's carbon intensity has decreased relative to both the baseline and 2022 carbon footprint.

The SBTi portfolio alignment metric (available for the Scheme's liquid markets and liquid credit mandates) indicates there has been a slight increase in the proportion of liquid market assets that have declared Net Zero or Paris-aligned targets from c.31% in 2022 to c.38% in 2023 for the MRC Section and from c.36% to c.41% for the Universities Section. Similar to last year, a smaller proportion of the Scheme's liquid credit assets have declared Net Zero or Paris-aligned targets.

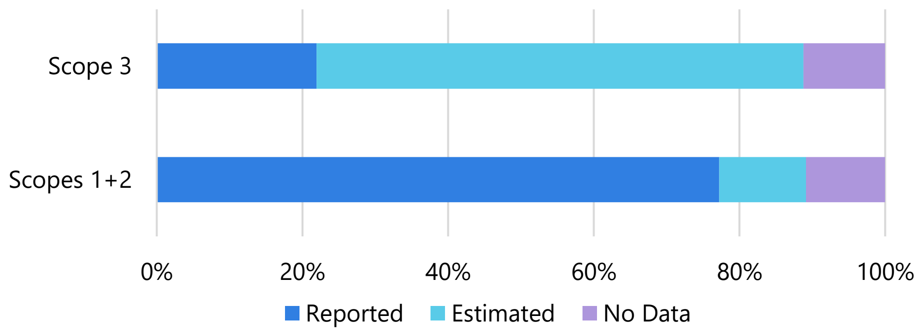
Data coverage for the majority of both the MRC and Universities Sections' liquid markets assets has remained relatively stable during 2023; however, liquid credit coverage fell for the MRC Section as a result of several portfolio changes and the exclusion of sovereign debt from the calculations. The Trustee has also reported a PCAF data quality score for the Scheme's liquid markets and liquid credit investments which monitors the reliability of emissions data with a scoring system which ranges from 1 to 5, with 1 representing the highest data quality, which involves independently verified emissions data, and 5 indicating the lowest quality, characterised by estimated emissions data derived from industry averages. The Scope 1 and 2 PCAF scores for the MRC Section are 2.0 for liquid markets and 2.5 for liquid credit while the Universities Section scores 2.1 across liquid markets and 2.4 across liquid credit. The Trustee will monitor developments in both data quality and coverage over time.

As far as possible, the Trustee's investment advisor has collected emissions data (absolute and intensity) based on the underlying securities held within funds the Scheme is invested in. Wherever underlying securities emissions data coverage for a particular fund is below 50%, these metrics have instead been estimated at an asset class level by the investment advisor using data from relevant proxies which match that fund's risk and return characteristics e.g. a market index or benchmark. Further details can be found in Appendix A. For those funds which are unable to provide complete emissions data, the investment advisor continues to engage with the managers to explore how data availability may be improved. While the Trustee expects overall emissions data coverage to improve over time, it also recognises the current difficulty in obtaining data, particularly for private market investments, which covers its chosen metrics. The charts below provide a breakdown of the data coverage for the liquid assets of both sections of the Scheme.

MRC Section - Data Coverage Breakdown[1]



Universities Section - Data Coverage Breakdown[1]



[1]This covers the liquid portion of the portfolios only.

This is the second time this analysis has been carried out for the Scheme, and the expectation is that the output will evolve over time as data availability is expected to improve. As and when new data becomes available, the Trustee will review the targets which have been set to ensure they remain appropriate and 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 investment 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 Advisor, Redington Ltd (company number 06660006) and the data in the report is sourced from MSCI©. Please refer to the data disclaimer in the Appendix.

Signed by ....

Name ....

Date ....

Appendix A:

Carbon footprint analysis

- 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 the investment advisor 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.

Scope 3 Carbon Footprint (tCO2e / EVIC £m): Measurement of the Scope 3 CO2e emissions of a fund per million pounds of EVIC. Scope 3 emissions refer to all those that are not in direct control of a company's productive activities. Namely, all those emissions from a company's upstream supply chains and downstream product use by the consumer.

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

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.

Partnership for Carbon Accounting Financials ("PCAF") Data Coverage and Quality Score: This metric monitors the reliability of companies' emissions data. The scoring system ranges from one to five, with one representing the highest data quality, which involves independently verified emissions data, and five indicating the lowest quality, characterized by estimated emissions data derived from industry averages. The metric is only available for funds where line-by-line data is available for listed and publicly traded instruments.

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 50%), 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, the investment advisor currently carries out asset class-level estimations of carbon emissions. This gives a broad and longer-term understanding of what the portfolio's emissions are and where the biggest amount of emissions come from.
- Due to lags in company carbon reporting and database updates, carbon footprint numbers have a one to two year lag.

Larger companies are the most likely to publish ESG data, based on the way the regulations have been set out. Therefore, there may be some bias in the data available but believe this approach remains in line with other market-leading approaches.

Calculation methodology

- Carbon emissions for liquid funds are calculated using underlying holdings data, where available, in line with PCAF's Global GHG Accounting and Reporting Standard for the Financial Industry. Aggregated metrics are calculated on the portion of holdings that has ESG data coverage, with the remaining holdings proxied using the covered portion of the fund. Proxying uncovered portions of a fund in this way enables us to provide a more complete strategic overview of the portfolio's position.
- Where underlying holdings data or ESG data is not available, ESG metrics are proxied using the investment advisor's centrally modelled, generic asset class universe, mapped in line with the investment advisor's risk and return modelling assumptions. The modelling of this generic universe is reviewed on an annual basis. Where the asset class proxy is unavailable, a judgement has been made based on nature of the fund on a best endeavors basis.