

Morgan Stanley UK Group Pension Plan (the 'Plan')

Climate change governance and reporting – Summary Year Ended 31 December 2022

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.

TRUSTEE CLIMATE CHANGE-RELATED BELIEFS

- 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 encourages the further development of asset classes, investment products and member choices that support achieving the goals of the Paris Agreement, provided they are all consistent with the Trustee's fiduciary duties.
- The Trustee is supportive of the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD"). It will report against and set climate change-related targets in line with this framework.
- 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.

* Measured on a Carbon Footprint basis (based on scope 1 and 2 emissions only).

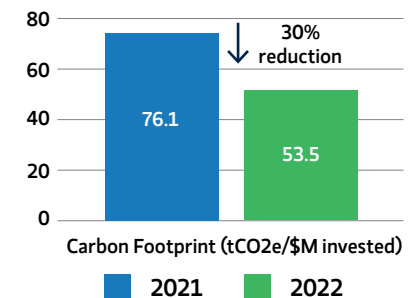
KEY ACTIONS TAKEN BY THE TRUSTEE

- **Governance:** Additional governance to incorporate oversight of the Plan's climate strategy (such as establishment of climate change-related investment beliefs, identification of key roles and responsibilities in relation to the measurement and management of climate change-related risks, establishment of a training programme to ensure the Trustee is equipped with sufficient knowledge in the area of the financial implications of climate change).
- **Strategy:** Completion of climate change scenario analysis to better understand the climate change-related risks and opportunities facing the Plan over the short-, medium- and long-term. This has provided the Trustee with insights into the resilience of the Plan's investment strategy (and funding strategy for the DB Section).
- **Risk Management:** Inclusion of climate change-related risk on the risk register so that climate change is adequately prioritised alongside the other risks faced by the Plan.
- **Metrics and Targets:** The Trustee has collected and reported climate metric data in relation to the Plan, where data is available. Having analysed this data, the Trustee has set associated targets.

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.

PROGRESS AGAINST TARGET



Trustee action has contributed to a **30% reduction** in the carbon intensity of the Passive Global Equity Fund since 2021, driven by asset allocation changes.

NEXT STEPS

Building on the policies, processes and targets that have been put in place, the Trustee will continue to improve the integration of climate data into its investment decision making and stewardship processes. The Trustee is committed to delivering on these improvements so that it can both manage climate change risks effectively and seek out opportunities.

The Trustee has made available the Active Sustainable Equity Fund as a self-select option, providing DC members with additional options to integrate environmental, social and governance risks and opportunities, including climate change, into their pension investments.