CLIMATE TRANSPARENCY REPORT 2020

BT Pension Scheme

PRI Principles for Responsible Investment

About the Climate-related Disclosure Indicators

Climate has been identified as a top priority for PRI signatories, with over 70% of asset owners reporting this as the most important long-term trend they are acting on.

The FSB Task Force's guidance on climate-related financial disclosure aim to create a single framework for disclosure on assessment and management of climate-related risk. The recommendations, supported by investors representing US$22 trillion, identify four main disclosures, Governance, Strategy, Risk Management, Metrics and Targets, and include specific guidance for asset owners and managers.

As a result, the PRI introduced climate-related disclosure indicators that can be used to align with the TCFD recommendations in the 2020 PRI Reporting Framework.

About this report

This report is an export of only the climate-related indicators from the 2020 Reporting Framework response. The full Public Transparency Report is available here (https://reporting.unpri.org/surveys/PRI-reporting-framework-2020/-D6432486-5E9E-4F0B-9260-F28B6A269966/79894dbc337a40828d895f9402aa63de/html/2/?lang=en&a=1). It shows the responses to all the completed climate indicators, even those you chose to keep private. It is designed for your internal review or – if you wish - to share with your stakeholders.

The PRI will not publish this report on its website if you have designated your 2020 climate reporting as "private". Otherwise, you will be able to access the Climate Transparency Report of your organisation and that of other signatories on the PRI website and on the Data Portal.

To easily locate information, there is a **Recommendation index** which summarises the indicators that signatories complete and disclose. The report presents information exactly as it was reported as per signatory preference. Where an indicator offers a response option that is multiple-choice, all options that were available to the signatory are presented in this report.

Principles for Responsible Investment

TCFD Recommendations Index

Strategy and Governance - CC			TCFD Recommendation			
Indicator	Reported	Disclosure	Governance	Strategy	Risk Management	Metrics & Targets
SG 01.6 CC	✓	Public				
SG 01.7 CC	✓	Public				
SG 01.8 CC	✓	Public				
SG 01.9 CC	✓	Public				
SG 01.10 CC	✓	Public				
SG 07.5 CC	✓	Public				
SG 07.6 CC	✓	Public				
SG 07.7 CC	-	Public				
SG 07.8 CC	✓	Public				
SG 13.1	✓	Public				
SG 13.2	✓	Public				
SG 13.4 CC	✓	Public				
SG 13.5 CC	✓	Public				
SG 13.6 CC	✓	Public				
SG 13.7 CC	✓	Public				
SG 13.8 CC	✓	Public				
SG 14.1	✓	Public				
SG 14.2	✓	Public				
SG 14.3	✓	Public				
SG 14.6 CC	✓	Public				
SG 14.7 CC	-	Public				
SG 14.8 CC	✓	Public				
SG 14.9 CC	✓	Public				
SG 15.1	✓	Public				
SG 15.2	✓	Public				
SG 15.3	✓	Public				

Symbol	Status
✓	The signatory has completed this sub-indicator
-	The signatory did not complete this sub-indicator.
	This indicator is relevant to the named TCFD recommendation

Within the first column "Indicator", indicators marked in blue are mandatory to complete. Indicators marked in grey are voluntary to complete.

ORGANISATIONAL OVERVIEW

This section provides an overview of your organisation. These characteristics are used to define your peer groups.

MAIN CHARACTERISTICS	
Name	BT Pension Scheme
Signatory Category	Corporate pension or superannuation or retirement or provident fund or plan
Signatory Type	Asset Owner
Size	US$ > 50 billion AUM
Main Asset Class	Multi-Asset
Signed PRI Initiative	2006
Region	Europe
Country	United Kingdom
Disclosure of Voluntary Indicators	28% from 38 Voluntary indicators

BT Pension Scheme

Reported Information

Public version

Strategy and Governance

PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

Investment policy

SG 01	Mandatory	Public	Core Assessed	General

New selection options have been added to this indicator. Please review your prefilled responses carefully.

SG 01.1	Indicate if you have an investment policy that covers your responsible investment approach.

SG 01 CC	Mandatory to Report Voluntary to Disclose	Public	Descriptive	General

SG 01.6 CC	Indicate whether your organisation has identified transition and physical climate-related risks and opportunities and factored this into the investment strategies and products, within the organisation's investment time horizon.

◉ Yes

	Describe the identified transition and physical climate-related risks and opportunities and how they have been factored into the investment strategies/products.

Climate change has been identified as one of 4 critical long-term risks and opportunities that may have a material adverse impact or give rise to significant opportunities for the Scheme. As part of our analysis of climate risks we include all aspects, including transition risks and physical risks, as well as issues such as climate change data and disclosure risks which could result in less informed decision making.

Historically we viewed climate related risks as a less imminent, longer term risk. However, recently climate change has resulted in clear valuation implications, including permanent loss of value (flooding, wildfires, rising sea levels) for assets highlighting it as an influencing factor across all time-horizons. This has led to the decision to establish a top-down Scheme-wide goal on climate change.

Our strategy to address climate change is part of the Scheme's broader responsible investment strategy which integrates ESG factors across 3 key phases of our approach: (i.) investment strategy, (ii.) manager selection, monitoring and mandate design, and (iii.) active stewardship and engagement. As with managing anything, having the ability to measure is vital. Across the 3 phases of our approach measuring the impact of climate change is important: whether that's scenario analysis of different temperature outcomes on our assets as part of investment strategy, the carbon footprint of manager mandates or how engagement is effecting change in company emissions.

In the short to medium term our work and analysis suggests transition risks are more significant to our portfolio. As we move out longer term, physical risks become more impactful. In the case of the latter, the range of potential outcomes is very wide, albeit for certain asset classes and sectors the long-term return impacts are less disperse. This is important for a mature Scheme like BTPS that is increasingly seeking to reduce the range of portfolio outcomes to meet our objectives. In general climate change (transition and physical risks) exposure needs to be carefully monitored and managed for us to achieve our funding, fiduciary and sustainability goals.

There are numerous examples of how we have factored in climate change to our investment decision making, for example:

Investment strategy - to date we have not invested in insurance linked strategies, in part because we didn't feel the risks of climate change were adequately reflected in underwriting activity. A more positive example would be the adoption of climate targets for our UK real estate portfolio across a range of factors including emissions, waste & recycling and heating, to ensure properties are resilient to climate risks.
Manager mandates - In 2019 we exited a value orientated equity strategy, in part because we didn't feel the strategy adequately either exploited climate opportunities or mitigated the risks. We reallocated into two actively managed equity mandates where the managers clearly incorporate climate change factors (and wider ESG considerations) into their bottom-up analysis, and company engagements.
Stewardship - a focus of stewardship activity and emphasis has been on climate related issues. Examples detailed in other sections of this submission.

○ No

SG 01.7 CC	Indicate whether the organisation has assessed the likelihood and impact of these climate risks?

◉ Yes

	Describe the associated timescales linked to these risks and opportunities.

This risks and opportunities are considered relevant to the Scheme over all time horizons, short (twelve months), medium (one to ten years) and long-term (beyond ten years). Transition risks are likely to be most relevant over short and medium-term horizons. Physical risks are relevant for all time horizons, although their impact is expected to increase over time as climate conditions become increasingly volatile.

○ No

SG 01.8 CC	Indicate whether the organisation publicly supports the TCFD?

◉ Yes

○ No

SG 01.9 CC	Indicate whether there is an organisation-wide strategy in place to identify and manage material climate-related risks and opportunities.

◉ Yes

	Describe

The Scheme has a climate and carbon risk management process, which includes the following pillars:

Risk register
Climate risk is monitored as part of the regular review of the Investment Committee risk register. Controls include ongoing monitoring by BTPSM of climate and carbon risk (with high risk exposures and incidents reported to the Investment Committee), an annual performance review of the Scheme comparing outcomes against expectations and investment beliefs, and regular asset class deep dives that include coverage of responsible investment and climate risk.

Scenario analysis
Use of a range of external publications and information sources as tools to help monitor climate change developments. The Scheme is also continuing to develop its quantitative scenario analysis, based on the Mercer study updated for 2019, and in parallel is developing narrative-driven climate change scenarios to help us understand the potential implications for the Scheme's assets of different transition pathways.

Monitor exposures
Assessment of the Scheme's exposures to high and low carbon assets and to physical risks.

Manage risk and opportunity
As part of its integrated approach to responsible investment, the Scheme undertakes three core risk management strategies which help mitigate the impact of all significant long-term risks on Scheme assets:

i) Investment Strategy
Climate and wider ESG considerations are included in our evaluation of asset classes and investment strategies. This is done through a combination of scenario analysis and the impact of climate change on long term return assumptions across asset classes including climate risk.

ii) Integrating ESG factors into manager selection and mandates
BTPSM ensures, where appropriate, that new and managers are properly integrating responsible

investment into their investment processes. This means consideration is given to both risks and opportunities relating to ESG factors in most of the Scheme's active and passive mandates.

ii) Engagement with companies and policymakers
Engagement on environmental matters is one of the core client objectives for our managers and Hermes EOS, covering a number of important issues including climate change risk, consumption of natural resources and pollution. With respect to climate change, their engagement is aimed at ensuring companies appropriately manage the risks and opportunities arising from climate change through board level oversight, strategic risk appraisal and target setting.

Further directly or through our managers or Hermes EOS we engage on public policy and market best practice. An example undertaken by Hermes EOS has been to support collaborative engagement initiatives on climate change by working with the IIGCC, Ceres in the US, the PRI and Climate Action 100+.

○ No

SG 1.10 CC	Indicate the documents and/or communications the organisation uses to publish TCFD disclosures.

☐ Public PRI Climate Transparency Report

☑ Annual financial filings

☐ Regular client reporting

☐ Member communications

☐ Other

☐ We currently do not publish TCFD disclosures

Governance and human resources

SG 07 CC	Mandatory to Report Voluntary to Disclose	Public	Descriptive	General

SG 07.5 CC	Indicate the roles in the organisation that have oversight, accountability and/or management responsibilities for climate-related issues.

Board members or trustees

☑ Oversight/accountability for climate-related issues

☐ Assessment and management of climate-related issues

☐ No responsibility for climate-related issues

Chief Executive Officer (CEO), Chief Investment Officer (CIO), Chief Risk Officer (CRO), Investment Committee

☑ Oversight/accountability for climate-related issues

☐ Assessment and management of climate-related issues

☐ No responsibility for climate-related issues

Other Chief-level staff or heads of departments

☑ Oversight/accountability for climate-related issues

☐ Assessment and management of climate-related issues

☐ No responsibility for climate-related issues

	Dedicated responsible investment staff

☑ Oversight/accountability for climate-related issues

☑ Assessment and management of climate-related issues

☐ No responsibility for climate-related issues

	External managers or service providers

☐ Oversight/accountability for climate-related issues

☑ Assessment and management of climate-related issues

☐ No responsibility for climate-related issues

	Other role, specify (1)

Manager selection team.

☑ Oversight/accountability for climate-related issues

☑ Assessment and management of climate-related issues

☐ No responsibility for climate-related issues

SG 07.6 CC	For board-level roles that have climate-related issue oversight/accountability or implementation responsibilities, indicate how these responsibilities are executed.

The Scheme has in place a climate and carbon risk management process, which includes the following components:

Risk Register. Climate risk is monitored as part of the regular review of the Investment Committee (IC) risk registers. Controls include ongoing monitoring by BTPSM of climate and carbon risk (with high risk exposures and incidents reported to the IC), an annual performance review of the Scheme comparing outcomes against expectations and investment beliefs, and regular asset class deep dives that include consideration of responsible investment matters and climate risks.

Scenario analysis. A range of external publications and information sources are used as tools to help monitor climate change developments. The Scheme also continues to develop its quantitative scenario analysis (based on the studies done by Mercer in 2011, 2015 and in 2019) and is developing narrative-driven climate change scenarios to help inform the possible implications for the Scheme's assets under different transition pathways.

Measuring exposure. The Scheme assesses its exposure to high- and low-carbon assets and also to physical risks.

Managing risk and opportunity. As part of its integrated approach to responsible investment, the Scheme undertakes three core risk management activities that help mitigate the impact of climate change on the Scheme's assets:

Integrating ESG factors into investment mandates

Where appropriate, BTPSM ensures that new and existing managers are properly integrating responsible investment into their investment processes. This means consideration is given to both risks and opportunities relating to environmental, social and governance (ESG) factors in most of the Scheme's active and passive mandates.

Engagement with companies

Engagement on environmental matters is one of the core client objectives for Hermes EOS and covers a number of important issues including climate change risk, natural resource consumption and pollution. With respect to climate change, engagement is aimed at ensuring companies appropriately manage the risk and opportunities arising from climate change through board-level oversight, strategic risk appraisal and target setting.

Engagement with policymakers

Hermes EOS also engages on matters of public policy and market best practice. One of their engagement objectives for 2018 - 2020 is to support collaborative engagement initiatives on climate change by working with the IIGCC, Ceres in the US, the PRI and Climate Action 100+, where Hermes EOS leads or co-leads engagement with 27 companies and supports engagement with a further 14.

SG 07.8 CC	Indicate how your organisation engages external investment managers and/or service providers on the TCFD recommendations and their implementation.

☑ Request that external managers and/or service providers incorporate TCFD into mainstream financial filings (annual financial reports, other regulatory reporting or similar)

☐ Request incorporation of TCFD into regular client reporting

☐ Request that external managers complete PRI climate indicator reporting

☐ Request responses to TCFD Fund Manager questions in the PRI Asset Owner Guide

☐ Other

☐ We do not engage with external managers and/or service providers on the TCFD recommendations and their implementation

ESG issues in asset allocation

SG 13	Mandatory	Public	Descriptive	PRI 1

SG 13.1	Indicate whether the organisation carries out scenario analysis and/or modelling, and if it does, provide a description of the scenario analysis (by asset class, sector, strategic asset allocation, etc.).

☐ Yes, in order to assess future ESG factors

☑ Yes, in order to assess future climate-related risks and opportunities

	Describe

The Scheme participates in Mercer study which investigates the implications of climate change for investment returns and the investment strategy.

In addition we are working with MSCI Carbon Delta on modelling future climate risks.

☐ No, our organisation does not currently carry out scenario analysis and/or modelling

SG 13.2	Indicate if your organisation considers ESG issues in strategic asset allocation and/or allocation of assets between sectors or geographic markets.

	We do the following

☑ Allocation between asset classes

☐ Determining fixed income duration

☐ Allocation of assets between geographic markets

☐ Sector weightings

☐ Other, specify

☐ We do not consider ESG issues in strategic asset allocation

SG 13 CC	Mandatory to Report Voluntary to Disclose	Public	Descriptive	General

SG 13.4 CC	Describe how your organisation is using scenario analysis to manage climate-related risks and opportunities, including how the analysis has been interpreted, its results, and any future plans.

☑ Initial assessment

	Describe

In 2019, the Scheme, together with a number of other institutional investors, partnered again with Mercer to update its 2015 study investigating the potential impact of climate change on investment returns. As part of this work, the impact of three different climate scenarios were evaluated (ranging from 2°C to 4°C warming) on the Scheme's asset portfolio. Relative to the 2°C scenario, the potential negative impact on the Scheme's expected annual return was up to 10 basis points, depending on timeframe. This impact is relatively modest, especially relative to some of the other investment risks the Scheme faces such as to interest rates, inflation and equity risk. However, given the deep uncertainties inherent in modelling the complex chain of manmade greenhouse gas (GHG) emissions, physical changes in the climate system and their potential socioeconomic consequences, it is recognised that continued monitoring is needed in this area. In addition, Mercer modelling includes a stress testing for a sudden shift which could result from an Inevitable Policy Response pathway.

We have also conducted analysis with the help of MSCI Carbon Delta on the Scheme's current investments and their alignment with different climate outcomes. This work has been very informative in understanding (a) the impact of transition vs physical risks faced by the portfolio and (b) which assets and sectors contribute the most risk.

Lastly we have worked and consulted with groups around the impact of climate change on our long term asset class risk and return assumptions. In particular, Schroders have undertaken thoughtful analysis that we are factoring into our internal LT, climate change aware, risk-return expectations.

☑ Incorporation into investment analysis

	Describe

The modelling and scenario work is very important as part of our strategy work determining the future mix of Scheme assets. As a gradually maturing pension Scheme, over time we typically allocate increasingly to fixed income assets, to both hedge our liability risk and generate income to pay our members. Understanding the timeframes for climate change impacts on different asset classes and sectors is a factor informing the timing of our de-risking journey plan and, also which fixed income and bond like assets form part of our future asset mix.

Recently we have expanded the range of bond-like assets in our investible universe, in part to create flexibility to allocate more capital to less liquid infrastructure and property assets, that combine both attractive income attributes with improved sustainability, and return outcomes less impacted by climate change than some traditional credit investments.

☑ Inform active ownership

	Describe

Critically the scenario and modeling work allows us to better understand the magnitude of the risks and areas of our portfolio in which they reside most meaningfully. From this we can better focus and direct our engagement and stewardship activity to be most impactful.

☐ Other

SG 13.5 CC	Indicate who uses this analysis.

☑ Board members, trustees, C-level roles, Investment Committee

☑ Portfolio managers

☑ Dedicated responsible investment staff

☐ External managers

☐ Investment consultants/actuaries

☐ Other

SG 13.6 CC	Indicate whether your organisation has evaluated the potential impact of climate-related risks, beyond the investment time horizon, on its investment strategy.

◉ Yes

	Describe

The climate scenario analysis work we undertook in 2019 looked at impacts out to 2050 and the revised model will look at impacts to 2100. This is beyond the investment time horizon that the Scheme typically focusses on.

○ No

SG 13.7 CC	Indicate whether a range of climate scenarios is used.

☑ Analysis based on a 2°C or lower scenario

☑ Analysis based on an abrupt transition, consistent with the Inevitable Policy Response

☑ Analysis based on a 4°C or higher scenario

☐ No, a range is not used

SG 13.8 CC	Indicate the climate scenarios your organisation uses.

Provider	Scenario used	
IEA	☐ Beyond 2 Degrees Scenario (B2DS)	
IEA	☐ Energy Technology Perspectives (ETP) 2 Degrees scenario	
IEA	☐ Sustainable Development Scenario (SDS)	
IEA	☐ New Policy Scenario (NPS)	
IEA	☐ Current Policy Scenario (CPS)	
IRENA	☐ RE Map	
Greenpeace	☐ Advanced Energy [R]evolution	
Institute for Sustainable Development	☐ Deep Decarbonisation Pathway Project (DDPP)	
Bloomberg	☐ BNEF reference scenario	
IPCC	☐ Representative Concentration Pathway (RCP) 8.5	
IPCC	☐ RPC 6	
IPCC	☐ RPC 4.5	
IPCC	☐ RPC 2.6	
Other	☑ Other (1)	Other (1) please specify: Climate scenarios developed by Mercer
Other	☐ Other (2)	
Other	☐ Other (3)	

SG 14	Mandatory to Report Voluntary to Disclose	Public	Additional Assessed	PRI 1

SG 14.1	Some investment risks and opportunities arise as a result of long term trends. Indicate which of the following are considered.

☑ Changing demographics

☑ Climate change

☑ Resource scarcity

☑ Technological developments

☐ Other, specify(1)

☐ Other, specify(2)

☐ None of the above

SG 14.2	Indicate which of the following activities you have undertaken to respond to climate change risk and opportunity

☑ Established a climate change sensitive or climate change integrated asset allocation strategy

☐ Targeted low carbon or climate resilient investments

☐ Phase out your investments in your fossil fuel holdings

☑ Reduced portfolio exposure to emissions intensive or fossil fuel holdings

☑ Used emissions data or analysis to inform investment decision making

☑ Sought climate change integration by companies

☑ Sought climate supportive policy from governments

☑ Other, specify

	other description

Our engagement service provider, Hermes EOS, engages companies specifically with a view to enhance disclosure around climate-related risks.

☐ None of the above

SG 14.3	Indicate which of the following tools the organisation uses to manage climate-related risks and opportunities.

☑ Scenario analysis

☑ Disclosures on emissions risks to clients/trustees/management/beneficiaries

☐ Climate-related targets

☑ Encouraging internal and/or external portfolio managers to monitor emissions risks

☐ Emissions-risk monitoring and reporting are formalised into contracts when appointing managers

☑ Weighted average carbon intensity

☐ Carbon footprint (scope 1 and 2)

☐ Portfolio carbon footprint

☐ Total carbon emissions

☐ Carbon intensity

☐ Exposure to carbon-related assets

☐ Other emissions metrics

☐ Other, specify

☐ None of the above

SG 14 CC	Voluntary	Public		General

SG 14.6 CC	Provide further details on the key metric(s) used to assess climate-related risks and opportunities.

Metric Type	Coverage	Purpose	Metric Unit	Metric Methodology
Weighted average carbon intensity	☐ All assets ☑ Majority of assets ☐ Minority of assets	The Scheme does not currently invest according to a carbon intensity target however we are in the process of putting one in place. Nevertheless, we are conscious of the data and methodological challenges noted by the Task Force. ESG factors are integrated into the Scheme's investment mandates and we believe measuring the Scheme's carbon intensity will help facilitate dialogue with the Scheme's managers, on the risks and opportunities of climate change within their portfolios, and that it could be an important first step in helping to prompt advancements in the development of decision-useful, climate-related risk metrics.	Tonnes of carbon dioxide equivalents per million US dollars of revenue (tCO2e/US$m) for the equity, corporate bond and infrastructure portfolios. Tonnes of carbon dioxide equivalents per square meter of lettable floor (tCO2e/m2) for the property portfolio.	The weighted average carbon intensity of the Scheme's portfolios is calculated by summing the carbon intensity of each company (or property) according to its proportionate weight in the Scheme's total portfolio as at 30 June 2019. The carbon intensity of an individual company is calculated by dividing the company's GHG emissions (including direct emissions, 'scope 1', and indirect emissions from purchased electricity, 'scope 2') by the company's annual revenue. For the property portfolio, GHG emissions are divided by lettable floor area.

SG 14.8 CC	Indicate whether climate-related risks are integrated into overall risk management and explain the risk management processes used for identifying, assessing and managing climate-related risks.

⦿ Processes for climate-related risks are integrated into overall risk management

	Please describe

The Scheme's climate and carbon risk management process includes the following pillars:

Risk register
Climate risk is monitored as part of the regular review of the Investment Committee risk register. Controls include ongoing monitoring by BTPSM of climate and carbon risk (with high risk exposures and incidents reported to the Investment Committee), an annual performance review of the Scheme comparing outcomes against expectations and investment beliefs, and regular asset class deep dives that include coverage of responsible investment and climate risk.

Scenario analysis
Use of a range of external publications and information sources as tools to help monitor climate change developments. The Scheme is also continuing to develop its quantitative scenario analysis, based on the Mercer study, and in parallel is developing narrative-driven climate change scenarios to help understand the potential implications for the Scheme's assets of different transition pathways.

Monitor exposures
Assessment of the Scheme's exposures to high and low carbon assets and to physical risks. MSCI Carbon delta allows us to monitor and manage how our current portfolio is positioned to climate outcomes.

As part of its integrated approach to responsible investment, the Scheme undertakes three core risk management strategies which help mitigate the impact of all significant long-term risks on Scheme assets:

i) Investment Strategy
Climate and wider ESG considerations are included in our evaluation of asset classes and investment strategies. This is done through a combination of scenario analysis and the impact of climate change on long term return assumptions across asset classes including climate risk.

ii) Integrating ESG factors into manager selection and mandates
BTPSM ensures, where appropriate, that new and managers are properly integrating responsible investment into their investment processes. This means consideration is given to both risks and opportunities relating to ESG factors in most of the Scheme's active and passive mandates.

ii) Engagement with companies and policymakers
Engagement on environmental matters is one of the core client objectives for our managers and Hermes EOS, covering a number of important issues including climate change risk, consumption of natural resources and pollution. With respect to climate change, their engagement is aimed at ensuring companies appropriately manage the risks and opportunities arising from climate change through board level oversight, strategic risk appraisal and target setting.

Further directly or through our managers or Hermes EOS we engage on public policy and market best practice. An example undertaken by Hermes EOS has been to support collaborative engagement initiatives on climate change by working with the IIGCC, Ceres in the US, the PRI and Climate Action 100+.

○ Processes for climate-related risks are not integrated into overall risk management

SG 14.9 CC	Indicate whether your organisation, and/or external investment manager or service providers acting on your behalf, undertake active ownership activities to encourage TCFD adoption.

◉ Yes

	Please describe

The Scheme supports the recommendations made by the Task Force on Climate-related Financial Disclosures (TCFD), which aim to promote better disclosure of climate-related financial risks in order to improve understanding of the risks and opportunities of climate change. Engagement on environmental matters is one of the core client objectives for Hermes EOS and covers a number of important issues including climate change risk, natural resource efficiency and pollution. With respect to climate change, their engagement is aimed at ensuring companies manage the physical and transitional risks that climate change poses. This includes advocating for companies to set strategies consistent with the goals of the Paris Agreement, supported by appropriate management structures and clear disclosure - in particular, TCFD-aligned reporting that enables more reliable, consistent data to inform investment decision-making. Engagement is conducted via confidential, board and executive-level meetings and correspondence, supported, where appropriate, by speaking at AGMs, filing shareholder resolutions and proxy voting. In 2019, Hermes EOS engaged with all companies scoring 0 or 1 in the Transition Pathway Initiative assessment, which considers the quality of management of climate risk. Where companies were not taking sufficient action, Hermes EOS recommended voting against the Chair of the board, or other relevant board representatives, at the annual shareholder meeting.

○ No, we do not undertake active ownership activities.

○ No, we do not undertake active ownership activities to encourage TCFD adoption.

SG 15	Mandatory to Report Voluntary to Disclose	Public	Descriptive	PRI 1

SG 15.1	Indicate if your organisation allocates assets to, or manages, funds based on specific environmental and social themed areas.

◉ Yes

SG 15.2	Indicate the percentage of your total AUM invested in environmental and social themed areas.

	%

8

SG 15.3	Specify which thematic area(s) you invest in, indicate the percentage of your AUM in the particular asset class and provide a brief description.

	Area

☑ Energy efficiency / Clean technology

	Asset class invested

☐ Listed equity

☐ Fixed income - SSA

☐ Fixed income - Corporate (financial)

☐ Fixed income - Corporate (non-financial)

☐ Fixed income - Securitised

☑ Private equity

	Percentage of AUM (+/-5%) per asset class invested in the area

15

☐ Property

☐ Infrastructure

☐ Hedge funds

☐ Other (1)

	Brief description and measures of investment

BTPS acts in the best interests of its members and invests in the low-carbon economy where the Scheme's long-term risk adjusted return requirements are met. To date dedicated investments have been made including but not exclusively as follows:

- £350million allocation to a specialist global renewable energy manager; and
- In 2011, BTPS and the UK Government seeded the Hermes GPE Environmental Innovation fund with £75million and £50million respectively making investments in UK-based, low carbon and clean technology funds.

☑ Renewable energy

Asset class invested

☐ Listed equity

☐ Fixed income - SSA

☐ Fixed income - Corporate (financial)

☐ Fixed income - Corporate (non-financial)

☐ Fixed income - Securitised

☐ Private equity

☐ Property

☑ Infrastructure

Percentage of AUM (+/-5%) per asset class invested in the area

20

☐ Hedge funds

☐ Other (1)

Brief description and measures of investment

The Scheme has invested directly in UK renewable infrastructure (offshore wind) assets as part of its broader 'Core UK Infrastructure' mandate.

☑ Green buildings

Asset class invested

☐ Listed equity

☐ Fixed income - SSA

☐ Fixed income - Corporate (financial)

☐ Fixed income - Corporate (non-financial)

☐ Fixed income - Securitised

☐ Private equity

☑ Property

Percentage of AUM (+/-5%) per asset class invested in the area

65

☐ Infrastructure

☐ Hedge funds

☐ Other (1)

Brief description and measures of investment

Our property portfolio is managed with a strong focus on sustainability and improving outcomes. The implementation framework centres around three themes: meaningful placemaking, climate & resource efficiency and health and wellbeing. It has to date led to eight large urban regeneration developments across the UK, spanning a combined 19m square feet. The portfolio has reduced its carbon intensity by over 23% over that period.

In 2019, Hermes - the Scheme's principal property manager, was rated A+ across the board, including on strategy and governance, which placed the property module by Hermes Real Estate in the top 10% of respondents.

☐ Sustainable forestry

☐ Sustainable agriculture

☐ Microfinance

☑ SME financing

	Asset class invested

☐ Listed equity

☐ Fixed income - SSA

☐ Fixed income - Corporate (financial)

☑ Fixed income - Corporate (non-financial)

	Percentage of AUM (+/-5%) per asset class invested in the area

15

☐ Fixed income - Securitised

☐ Private equity

☐ Property

☐ Infrastructure

☐ Hedge funds

☐ Other (1)

	Brief description and measures of investment

Within the private credit portfolio, the Scheme has two mandates focused on lending to small & medium enterprises in UK and Europe

☐ Social enterprise / community investing

☑ Affordable housing

	Asset class invested

☐ Listed equity

☐ Fixed income - SSA

☐ Fixed income - Corporate (financial)

☐ Fixed income - Corporate (non-financial)

☐ Fixed income - Securitised

☐ Private equity

☑ Property

	Percentage of AUM (+/-5%) per asset class invested in the area

10

☐ Infrastructure

☐ Hedge funds

☐ Other (1)

Brief description and measures of investment

In addition to meaningful affordable housing component (c. 30% of housing) of the estates, the Scheme has two direct affordable housing development programs

☐ Education

☐ Global health

☐ Water

☑ Other area, specify

Waste management

Asset class invested

☐ Listed equity

☐ Fixed income - SSA

☐ Fixed income - Corporate (financial)

☑ Fixed income - Corporate (non-financial)

Percentage of AUM (+/-5%) per asset class invested in the area

1

☐ Fixed income - Securitised

☐ Private equity

☐ Property

☐ Infrastructure

☐ Hedge funds

☐ Other (1)

Brief description and measures of investment

Funding of Thames Tideway tunnel development which will collect sewag & rain water, currently going into the river, from across London

○ No