



# CLIMATE TRANSPARENCY REPORT 2019

BT Pension Scheme

# 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 2019 PRI Reporting Framework.

## About this report

This report is an export of only the climate-related indicators from the 2019 Reporting Framework response. The full Public Transparency Report is available here ([https://reporting.unpri.org/surveys/PRI-reporting-framework-2019/-D955C72A-0C17-4C96-91F9-49DE51F6B35F/00000000-0000-0000-0000-000000000000/doc/2/-%7C%7C\\*complete\\*%7C\\*public\\*/Merged/](https://reporting.unpri.org/surveys/PRI-reporting-framework-2019/-D955C72A-0C17-4C96-91F9-49DE51F6B35F/00000000-0000-0000-0000-000000000000/doc/2/-%7C%7C*complete*%7C*public*/Merged/)). 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 2019 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.

## TCFD Recommendations Index

Strategy and Governance - CC			TCFD Recommendation			
Indicator	Reported	Disclosure	Governance	Strategy	Risk Management	Metrics & Targets
SG 01.1	✓	Public				
SG 01.2	✓	Public				
SG 01.3	✓	Public				
SG 01.4	✓	Public				
SG 01.5	✓	Public				
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 01.11 CC	-	Public				
SG 01.12 CC	✓	Public				
SG 02.2	✓	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 14.4	-	Public				
SG 14.5	-	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	
<b>Name</b>	BT Pension Scheme
<b>Signatory Category</b>	Corporate pension or superannuation or retirement or provident fund or plan
<b>Signatory Type</b>	Asset Owner
<b>Size</b>	US\$ > 50 billion AUM
<b>Main Asset Class</b>	Multi-Asset
<b>Signed PRI Initiative</b>	2006
<b>Region</b>	Europe
<b>Country</b>	United Kingdom
<b>Disclosure of Voluntary Indicators</b>	36% 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.

Yes

SG 01.2

Indicate the components/types and coverage of your policy.

Select all that apply

Policy components/types	Coverage by AUM
<input checked="" type="checkbox"/> Policy setting out your overall approach <input type="checkbox"/> Formalised guidelines on environmental factors <input type="checkbox"/> Formalised guidelines on social factors <input type="checkbox"/> Formalised guidelines on corporate governance factors <input type="checkbox"/> Fiduciary (or equivalent) duties <input type="checkbox"/> Asset class-specific RI guidelines <input type="checkbox"/> Sector specific RI guidelines <input type="checkbox"/> Screening / exclusions policy <input type="checkbox"/> Engagement policy <input type="checkbox"/> (Proxy) voting policy <input type="checkbox"/> Other, specify (1) <input type="checkbox"/> Other, specify(2)	<input checked="" type="radio"/> Applicable policies cover all AUM <input type="radio"/> Applicable policies cover a majority of AUM <input type="radio"/> Applicable policies cover a minority of AUM

**SG 01.3**

Indicate if the investment policy covers any of the following

- Your organisation's definition of ESG and/or responsible investment and it's relation to investments
- Your investment objectives that take ESG factors/real economy influence into account
- Time horizon of your investment
- Governance structure of organisational ESG responsibilities
- ESG incorporation approaches
- Active ownership approaches
- Reporting
- Climate change
- Understanding and incorporating client / beneficiary sustainability preferences
- Other RI considerations, specify (1)
- Other RI considerations, specify (2)

**SG 01.4**

Describe your organisation's investment principles and overall investment strategy, interpretation of fiduciary (or equivalent) duties, and how they consider ESG factors and real economy impact.

The Trustee has agreed the following Responsible Investment Mission statement: "As a responsible investor we will best manage the Scheme's assets by seeking the optimal long term risk-adjusted return while limiting outcomes which may harm our beneficiaries shared interests." This implications of this statement for governance, investment strategy, portfolio implementation and reporting are set out in the Responsible Investment Policy. This Policy also incorporates three Trustee-approved responsible investment beliefs:

1. Long-term horizon: the Scheme's long term horizon gives us both a responsibility and an advantage which we believe will produce better investment outcomes.
2. ESG integration: integrating financially material environmental, social and particularly governance (ESG) factors into asset, manager and security selection processes will help the Scheme and its agents make more informed investment decisions.
3. Stewardship: exercising ownership rights, collaborative engagement with its agents and portfolio companies, as well as active management of physical assets can improve long-term risk-adjusted returns.

**SG 01.5**

Provide a brief description of the key elements, any variations or exceptions to your investment policy that covers your responsible investment approach. [Optional]

As noted above, the Trustee has an agreed Responsible Investment Policy that sets out the Scheme's Responsible Investment Mission Statement and explains how the Scheme endeavours to meet this goal in terms of governance, investment strategy, implementation and reporting.

No

I confirm I have read and understood the Accountability tab for SG 01

I confirm I have read and understood the Accountability tab for SG 01

<b>SG 01 CC</b>	Voluntary	Public	Descriptive	General
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**SG 01.6  
CC**

Indicate the climate-related risks and opportunities that have been identified and factored into the investment strategies and products, within the organisation's investment time horizon.

The Trustee has identified climate change as a risk that may have a material adverse impact on Scheme assets due to transition risks, physical risks or poor evaluation and implementation. This risk is considered relevant 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.

**SG 01.7  
CC**

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

Yes

**SG 01.8  
CC**

Indicate 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).

No

**SG 01.9  
CC**

Indicate whether the organisation publicly supports the TCFD?

Yes

No

**SG 01.10  
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 and RIOC risk registers. 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 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) Integrating ESG factors into mandates

BTPSM ensures, where appropriate, 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 ESG factors in most of the Scheme's active and passive mandates.

ii) 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, 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.

iii) Engagement with policymakers

Hermes EOS engages on matters of public policy and market best practice. One of their 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+.

No

<b>SG 1.12 CC</b>	Indicate the documents and/or communications the organisation uses to publish TCFD disclosures.
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- Public PRI Climate Transparency Report
- Annual financial filings
- Regular client reporting
- Member communications
- Other

<b>SG 02</b>	<b>Mandatory</b>	<b>Public</b>	<b>Core Assessed</b>	<b>PRI 6</b>
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**New selection options have been added to this indicator. Please review your prefilled responses carefully.**

<b>SG 02.1</b>	Indicate which of your investment policy documents (if any) are publicly available. Provide a URL and an attachment of the document.
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- Policy setting out your overall approach

	URL/Attachment
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- URL

	URL
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{[hyperlink:https://www.btpensions.net/assets/uploads/documents/BTPS-Responsible-Investment-Policy.pdf](https://www.btpensions.net/assets/uploads/documents/BTPS-Responsible-Investment-Policy.pdf)}

- Attachment (will be made public)
- We do not publicly disclose our investment policy documents

<b>SG 02.2</b>	Indicate if any of your investment policy components are publicly available. Provide URL and an attachment of the document.
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- Your organisation's definition of ESG and/or responsible investment and it's relation to investments

URL/Attachment

URL

URL

{hyperlink:https://www.btpensions.net/assets/uploads/documents/BTPS-Responsible-Investment-Policy.pdf}

Attachment

Your investment objectives that take ESG factors/real economy influence into account

URL/Attachment

URL

URL

{hyperlink:https://www.btpensions.net/assets/uploads/documents/BTPS-Responsible-Investment-Policy.pdf}

Attachment

Time horizon of your investment

URL/Attachment

URL

URL

{hyperlink:https://www.btpensions.net/assets/uploads/documents/BTPS-Responsible-Investment-Policy.pdf}

Attachment

Governance structure of organisational ESG responsibilities

URL/Attachment

URL

URL

{hyperlink:https://www.btpensions.net/assets/uploads/documents/BTPS-Responsible-Investment-Policy.pdf}

Attachment

ESG incorporation approaches

URL/Attachment

URL

URL

{hyperlink:https://www.btpensions.net/assets/uploads/documents/BTPS-Responsible-Investment-Policy.pdf}

Attachment

Active ownership approaches

URL/Attachment

URL

URL

{hyperlink:https://www.btpensions.net/assets/uploads/documents/BTPS-Responsible-Investment-Policy.pdf}

Attachment

Reporting

URL/Attachment

URL

URL

{hyperlink:https://www.btpensions.net/information/investment/responsible-investment}

Attachment

We do not publicly disclose any investment policy components

## Governance and human resources

SG 07 CC	Voluntary	Public	Descriptive	General
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<b>SG 07.5 CC</b>	Indicate the roles in the organisation that have oversight, accountability and/or management responsibilities for climate-related issues.
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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 head of department

- 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)

Other description (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** For board level roles for which have climate-related issues oversight/accountability or  
**CC** 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) and Responsible Investment Oversight Committee (RIOC) 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 and 2015) 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+.

<b>SG 07.7 CC</b>	For the management-level roles that assess and manage climate-related issues, provide further information on the structure and process involved.
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Please see response to SG 07.1a CC.

<b>SG 07.8 CC</b>	Explain how the organisation engages external investment managers on the TCFD recommendations and its implementation.
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- Incorporation of TCFD in Annual Report
- Incorporation of TCFD in regular client reporting
- Request that investment managers complete PRI Climate indicators
- Request responses to TCFD Fund Manager questions in the PRI Asset Owner guide

### ESG issues in asset allocation

<b>SG 13</b>	<b>Mandatory</b>	<b>Public</b>	<b>Descriptive</b>	<b>PRI 1</b>
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<b>SG 13.1</b>	Indicate whether the organisation undertakes scenario analysis and/or modelling and provide a description of the scenario analysis (by asset class, sector, strategic asset allocation, etc.).
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- Yes, to assess future ESG factors
- Yes, to assess future climate-related risks and opportunities

	Describe
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We use scenario analysis to assess the potential impacts at portfolio level of a range of different climate scenarios.

- No, not to assess future ESG/climate-related issues

<b>SG 13.2</b>	Indicate if your organisation considers ESG issues in strategic asset allocation and/or allocation of assets between sectors or geographic markets.
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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	Voluntary	Public	Descriptive	General
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SG 13.4 CC	Describe how the organisation is using scenario analysis to manage climate-related risks and opportunities, including how the analysis has been interpreted, the results and any future plans.
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- Initial assessment

Describe
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In 2015, the Scheme, together with fifteen other institutional investors, partnered with Mercer on a study investigating the potential impact of climate change on investment returns over the next thirty five years<sup>2</sup>. As part of this work, the impact of four different climate scenarios was evaluated (ranging from 2°C to 4°C warming) on the Scheme's asset portfolio. The potential negative impact on the Scheme's expected annual return was in the range of 3 - 10 basis points, depending on the scenario. This impact range 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.

Mercer have recently undertaken a full revision of their climate scenario model and we have therefore recently engaged them to re-run their analysis for the Scheme. The intention is to report the findings of this analysis in the Scheme's next Report and Accounts.

- Incorporation into investment analysis
- Inform active ownership
- Other

SG 13.5 CC	Indicate who uses this analysis.
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- 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 the organisation has evaluated the impacts of climate-related risk, beyond the investment time-horizon, on the organisations investment strategy.
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- Yes

	Describe
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The climate scenario analysis work we undertook in 2015 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

<b>SG 13.7 CC</b>	Indicate whether a range of climate scenarios is used.
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- Yes, including analysis based on a 2°C or lower scenario
- Yes, not including analysis based on a 2°C or lower scenario
- No, a range is not used

<b>SG 13.8 CC</b>	Indicate the climate scenarios the organisation uses.
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Provider	Scenario used	
IEA	<input type="checkbox"/> Beyond 2 Degrees Scenario (B2DS)	
IEA	<input type="checkbox"/> Energy Technology Perspectives (ETP) 2 Degrees scenario	
IEA	<input type="checkbox"/> Sustainable Development Scenario (SDS)	
IEA	<input type="checkbox"/> New Policy Scenario (NPS)	
IEA	<input type="checkbox"/> Current Policy Scenario (CPS)	
IRENA	<input type="checkbox"/> RE Map	
Greenpeace	<input type="checkbox"/> Advanced Energy [R]evolution	
Institute for Sustainable Development	<input type="checkbox"/> Deep Decarbonisation Pathway Project (DDPP)	
Bloomberg	<input type="checkbox"/> BNEF reference scenario	
IPCC	<input type="checkbox"/> Representative Concentration Pathway (RCP) 8.5	
IPCC	<input type="checkbox"/> RPC 6	
IPCC	<input type="checkbox"/> RPC 4.5	
IPCC	<input type="checkbox"/> RPC 2.6	
Other	<input checked="" type="checkbox"/> Other (1)	<div style="border: 1px solid black; background-color: #cccccc; padding: 2px;">Other (1) please specify:</div> Climate scenarios developed by Mercer
Other	<input type="checkbox"/> Other (2)	
Other	<input type="checkbox"/> Other (3)	

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

other description

The Scheme has a carbon and climate risk management process. Please see the 2018 Report and Accounts for further information on this.

None of the above

<b>SG 14 CC</b>	<b>Voluntary</b>	<b>Public</b>	<b>General</b>
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**SG 14.6 CC** Please provide further details on these key metric(s) used to assess climate related risks and opportunities.

<b>Metric Type</b>	<b>Coverage</b>	<b>Purpose</b>	<b>Metric Unit</b>	<b>Metric Methodology</b>
<b>Weighted average carbon intensity</b>	<input type="checkbox"/> All assets <input type="checkbox"/> Majority of assets <input checked="" type="checkbox"/> Minority of assets	<p>The Scheme does not invest according to a carbon intensity target and does not believe it would be prudent to consider doing so until the data and methodological challenges noted by the Task Force have been adequately resolved. However, ESG factors are integrated into both the active and passive equity mandates.</p> <p>Furthermore, 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.</p>	Tonnes of carbon dioxide equivalents per million US dollars of revenue (tCO2e/US\$m).	The weighted average carbon intensity of the Scheme's listed equity portfolio is calculated by summing the carbon intensity of each company according to its proportionate weight in the Scheme's total listed equity portfolio as at 30 June 2018. 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.

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

Process for climate-related risks is 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 and RIOC risk registers. 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 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) Integrating ESG factors into mandates

BTPSM ensures, where appropriate, 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 ESG factors in most of the Scheme's active and passive mandates.

ii) 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, 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.

iii) Engagement with policymakers

Hermes EOS engages on matters of public policy and market best practice. One of their 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+.

Process for climate-related risks is not integrated into our overall risk management

<b>SG 14.9 CC</b>	Indicate whether the organisation undertakes active ownership activities to encourage TCFD adoption.
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Yes

<b>SG 14.9 CC</b>	Please describe
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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. Hermes EOS has already incorporated high-level expectations with regard to the TCFD into their regional corporate governance principles and will extend this to their voting guidelines as best practice develops.

No, we do not engage

<b>SG 15</b>	<b>Mandatory to Report Voluntary to Disclose</b>	<b>Public</b>	<b>Descriptive</b>	<b>PRI 1</b>
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<b>SG 15.1</b>	Indicate if your organisation allocates assets to, or manages, funds based on specific environmental and social themed areas.
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Yes

<b>SG 15.2</b>	Indicate the percentage of your total AUM invested in environmental and social themed areas.
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<b>SG 15.2</b>	%
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1

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

% of AUM
----------

0.5

- Property
- Infrastructure
- Hedge funds
- Cash

Brief description and measures of investment
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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.

The Scheme has also invested directly in UK renewable infrastructure assets, but these were invested in as part of a broader 'Core UK Infrastructure' mandate and not specifically as a result of an environmental or low carbon investment strategy.

Renewable energy

Asset class invested
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- Listed equity
- Fixed income - SSA
- Fixed income - Corporate (financial)
- Fixed income - Corporate (non-financial)
- Fixed income - Securitised
- Private equity
- Property
- Infrastructure

## % of AUM

0.5

- Hedge funds
- Cash

## 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

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- Green buildings
- Sustainable forestry
- Sustainable agriculture
- Microfinance
- SME financing
- Social enterprise / community investing
- Affordable housing
- Education
- Global health
- Water
- Other area, specify

No