



CLIMATE TRANSPARENCY REPORT 2020

BT Financial Group

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/-5EADB50A-E762-4B1A-BCBF-9CD99A88D34E/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.

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	✓	Private				
SG 13.5 CC	✓	Private				
SG 13.6 CC	✓	Private				
SG 13.7 CC	✓	Private				
SG 13.8 CC	✓	Private				
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	✓	Private				
SG 15.2	-	Private				
SG 15.3	-	Private				

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 Financial Group
Signatory Category	Fund of funds, manager of managers, sub-advised products - Majority
Signatory Type	Investment Manager
Size	US\$ > 50 billion AUM
Main Asset Class	>50% Listed Equity Externally Managed
Signed PRI Initiative	2007
Region	Oceania
Country	Australia
Disclosure of Voluntary Indicators	52% from 38 Voluntary indicators

BT Financial Group

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
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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
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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.

As many of the portfolios that BT manages for our customers are invested for the long-term (over 10 years), BT is concerned about the risks arising from climate change and recognises the impact this may have on the longevity and valuation of the companies and assets we invest in. We also recognise the growing availability of, and demand for, investment in opportunities that support the transition to a low carbon economy.

BT recognises that the systemic nature of climate-related risks will have a range of implications in the short (1-3 years) and medium (4-9 years) term, and that these impacts will vary across asset classes, sectors and geographies.

These impacts will not only affect BT's current investments, but may also change the type of investments BT and our customers make in the future, especially as new technologies emerge and older, more carbon intensive industries or assets decline or are replaced.

Our diversified portfolios, including our MySuper Lifestage Funds, are invested in a range of asset classes.

Examples of the climate-related issues that could have a material financial impact in some of the asset classes we invest in, over our defined time horizons, are provided in our climate-related disclosures (available at bt.com.au/sustainability). This also describes how BT responds to these impacts where we act in the capacity of investment manager.

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.

As part of BT's annual climate-related disclosures, we provide our customers with examples of the climate-related issues that could have a material financial impact in some of the asset classes we invest in, over our defined time horizons (long-term 10+ years, medium-term (4-9 years) and short-term (1-3 years)). These have been summarised in question 1.6 above.

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

As part of the Westpac Group, one of Australia's largest corporations with a proud track record in sustainability, we recognise there are significant environmental, social and economic benefits to limiting global warming to less than two degrees Celsius above pre-industrial levels, while supporting greater resilience to the impacts of such a change. Westpac Group has demonstrated a strong commitment to managing climate-related impacts, detailed in the Group's Climate Change Position Statement and 2020 Action Plan.

This Climate Change Position Statement sets out five key principles that underpin Westpac Group's approach to addressing climate change. These are:

1. A transition to a net zero emissions economy is required;
2. Economic growth and emissions reductions are complementary goals;
3. Addressing climate change creates financial opportunities;
4. Climate-related risk is a financial risk; and
5. Transparency and disclosure matters

This year Westpac extended the breadth and depth of climate change scenario analysis first undertaken in 2016 to build on its understanding of short, medium and long-term impacts of different climate change scenarios on its customers, communities and business. More information on Westpac Group's approach to climate change is available in the 2019 annual sustainability performance report at www.westpac.com.au

In relation to investments made where a Westpac Group entity is acting as a trustee (for example RSE Licensee, Responsible Entity), the governance and strategies for climate-related risk, and environmental, social and governance risk more broadly, is the responsibility of the relevant board and management of these entities.

Responsibility for the management of climate-related risks and opportunities through investment portfolios is cascaded from the BT Boards to the appointed investment managers. For portfolios where BT acts as investment manager, including our MySuper Lifestage Funds, climate-related risk is addressed through two channels. Firstly, by reviewing the ability of our external portfolio managers to integrate ESG considerations in their investment process, depending on their investment strategy and capabilities. We encourage our external portfolio managers to consider and report on climate risks within the portfolios. Secondly, through our engagement and proxy voting activities which seek to address material impacts and issues in the companies in which we invest.

At this stage BT's preference is to influence companies to address material ESG issues, including climate change, through engagement and proxy voting, rather than blanket screening. We will continue to consider other risk management strategies, and our approach may alter over time.

More information can be found in BT climate-related disclosures at bt.com.au/sustainability

- 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

specify

BT publish public climate-related disclosures, these are available at bt.com.au/sustainability

- 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

Portfolio managers

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

Investment analysts

- 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

SG 07.6 CC

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

BT is a diverse business and offers a range of products and investment solutions. Where BT is acting as the trustee (for example Responsible Superannuation Entity (RSE) licensee) or Responsible Entity (RE) and making an investment decision on behalf of our customers, the governance of strategies for managing ESG risks (including climate change) in BT's investment and superannuation portfolios is the responsibility of the BT Boards and associated committees of the trustee or RE entities (together the 'BT Boards').

The BT Boards have approved a set of investment beliefs which shape the way that the BT Boards expect investments to be managed and the way investment decisions are made. The BT Boards believe that the active consideration of ESG factors in the investment analysis and decision making process for our investment portfolios enhances our ability to meet the long-term investment objectives of our funds. The BT Boards also believe that asset stewardship, including proxy voting and engagement with companies in which we invest, is fundamental to driving positive portfolio outcomes. The BT Boards have also approved a range of policies and frameworks for managing ESG impacts, including climate risks in our funds.

The BT Boards and associated committees are regularly provided with information relevant to climate-related impacts including, for example, providing information on climate developments in the industry and engagement and proxy voting activities of our internal investment managers and external engagement providers.

The day-to-day responsibility for the management of ESG factors in our portfolios is delegated to the relevant investment manager, where applicable to the investment strategy. It is expected that investment managers give consideration to the BT investment beliefs and invest in accordance with BT's frameworks and policies when making decisions on behalf of the trustee or RE. This can include taking into account climate-related risks and opportunities.

BT's approach to climate change gives consideration to Westpac Group policies and governance frameworks, however governance and strategies for managing ESG impacts in these portfolios is the responsibility of the BT Boards and management. More information regarding Westpac's approach to climate change can be found in the Westpac Group Climate Change Position Statement and 2020 Action Plan, along with the Group's annual reporting suite, available at www.westpac.com.au.

More information on our approach to climate-related risk is available in the BT climate-related disclosures at BT.com.au/sustainability

**SG 07.7
CC**

For management-level roles that assess and manage climate-related issues, provide further information on the structure and processes involved.

Responsibility for responsible investment and sustainability strategy across BT is the responsibility of the General Manager Superannuation and General Manager Platforms, Investments and Operations. This includes disclosure and reporting regarding public targets and commitments made by BT entities as well as product and services development and delivery.

The day-to-day responsibility for the management of ESG factors in our portfolios is delegated to the relevant investment manager, where applicable to the investment strategy. It is expected that investment managers give consideration to the BT investment beliefs and invest in accordance with BT's frameworks and policies when making decisions on behalf of the trustee or RE. This can include taking into account climate-related risks and opportunities.

Where BT acts in the role of investment manager, responsibility for climate-related impacts is led by the Chief Investment Officer (CIO). The CIO and the investment team are responsible to the BT Boards for the management of the relevant portfolios including the analysis and assessment of climate-related risks and opportunities. The investment team adopts a multi-manager approach, where external portfolio managers with complementary styles are combined across different asset classes. As part of our manager selection and monitoring process, we consider the extent to which the manager is effectively managing the financial risks and opportunities that may arise from ESG issues, including climate change, depending on their investment strategy and capabilities.

For portfolios where the investor is making the decision as to the investment choice (for example in IDPS and IDPS like products, and within the 'choice menu' of our superannuation products), BT has increasingly focused on how to provide customers with information related to ESG risks, including climate change, to allow them to make informed decisions.

More information on BT's approach to climate-related risk is available in the BT climate-related disclosures at BT.com.au/sustainability

**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 BTIS Investment team has commenced investigation into the use of modelling, including scenario analysis to improve understanding in our portfolios.

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 13.3 Additional information. [OPTIONAL]

BT uses a number of sources to inform our approach to climate change, this includes carbon data from S&P Trucost Ltd. to perform portfolio analysis and demonstrate the portfolio exposure to emissions-intensive sectors and companies.

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
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In 2019, the BTIS Investment team continued to encourage investment managers to consider climate risk in their investment process.

None of the above

SG 14.3	Indicate which of the following tools the organisation uses to manage climate-related risks and opportunities.
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- 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
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SG 14.6 CC	Provide further details on the key metric(s) used to assess climate-related risks and opportunities.
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Metric Type	Coverage	Purpose	Metric Unit	Metric Methodology
Weighted average carbon intensity	<input type="checkbox"/> All assets <input checked="" type="checkbox"/> Majority of assets <input type="checkbox"/> Minority of assets	<p>This metric illustrates the portfolios' exposures to carbon intensive companies as compared to a benchmark portfolio. It takes into consideration the intensity of the carbon emissions (measured as Scope 1 and Scope 2 carbon emissions relative to revenue) and the value of the investment as a portion of the overall portfolio.</p>	<p>It is expressed in tonnes of carbon dioxide equivalents (tCO2e) per million Australian dollars of revenue.</p>	<p>Carbon intensity data is provided by S&P TruCost Ltd. The weighted average carbon intensity is based on the investment portfolios' exposures to Australian and international equities. Portfolio exposures not covered by the analysis may include, for example, cash holdings and derivatives as well as other asset classes such as fixed interest, listed property and emerging market securities. This metric is calculated consistently across the funds BT manages with the guidance for Asset Owners outlined by the TCFD.</p>
Exposure to carbon-related assets	<input type="checkbox"/> All assets <input checked="" type="checkbox"/> Majority of assets <input type="checkbox"/> Minority of assets	<p>This metric demonstrates the portion of the portfolio exposed to the most carbon-intensive sectors.</p>	<p>Exposure to carbon-related assets as a % of the total portfolio.</p>	<p>This metric is calculated consistently with the guidance for Asset Owners contained in the TCFD, however the sectors that constitute the carbon-related assets have been adjusted for characteristics of the Australian benchmark. The following Global Industry Classification Standard (GICS) sectors have been included in the analysis: Energy, Utilities and Materials. BT has expanded on the guidance of the TCFD by including the Independent Power Producers and Energy Traders sub-industry in the analysis of our portfolios. This sub-industry includes fossil fuel based power production and is one of the of the higher intensity sub-industries in the international benchmark. Each metric is provided at a portfolio level relative to a benchmark portfolio composed of globally recognised indices. A negative variance against benchmark means the individual investment option is less emissions intensive as compared to its benchmark.</p>

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

Please describe

Responsibility for the management of climate-related risks and opportunities through investment portfolios is cascaded from the BT Boards to the appointed investment managers. For portfolios where BT acts as investment manager, including our MySuper Lifestage Funds, climate-related risk is addressed through two channels. Firstly, by reviewing the ability of our external portfolio managers to integrate ESG considerations in their investment process, depending on their investment strategy and capabilities. We encourage our external portfolio managers to consider and report on climate risks within the portfolios.

Secondly, through our engagement and proxy voting activities which seek to address material impacts and issues in the companies in which we invest. At this stage BT's preference is to influence companies to address material ESG issues, including climate change, through engagement and proxy voting, rather than

blanket screening. We will continue to consider other risk management strategies, and our approach may alter over time.

More information on our approach is provided in BT's climate-related disclosure available at bt.com.au/sustainability

- 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

Asset stewardship, through company engagement and exercising voting rights, is an integral part of BT's approach to managing investment risk associated with climate change. When considering companies' approaches to climate change, our focus is on encouraging the companies we invest in to understand, address and disclose climate-related risks in their business. This is a critical step in the low carbon transition.

Proxy Voting

Where BT holds voting rights, we believe we have the responsibility to cast votes to influence the corporate governance of the companies in which we invest. Participation in the voting process allows BT to impact companies to protect our customers' interests. In regards to proxy voting on company resolutions, we provide our underlying portfolio managers with the authority to vote on our behalf, and require votes to be cast in the best interests of investors. For contentious issues, such as shareholder proposals, including those related to climate change, we may choose to direct external portfolio managers on how votes are to be cast. In these cases we may consider the views of our customers and expert external views, including those of our engagement providers and proxy advisers, when we decide how a proxy should be voted across our holdings.

As part of our commitment to transparency, we disclose our voting results on our website bt.com.au/sustainability.

Engagement

BT uses a combination of engagement approaches. We primarily engage through EOS (global companies) and Regnan - Governance Research & Engagement (Regnan) (domestic companies). EOS and Regnan's engagement approaches use pooled assets, meaning they act on behalf of multiple managers, to provide a higher level of influence, along with economies of scale. We also engage through our external portfolio managers, in their direct discussions with companies. At a corporate level, BT is also playing an active role in collaborative engagement efforts, such as Climate Action 100+. This is a five-year initiative led by investors to engage systemically important greenhouse gas emitters and other companies across the global economy that have significant opportunities to drive the clean energy transition and help achieve the goals of the Paris Agreement. Participating investors are calling on companies to improve governance on climate change, curb emissions and strengthen climate-related financial disclosures.

We seek to influence how companies manage their climate-related risk and to drive positive outcomes across industries.

More information on our approach is provided in BT's climate-related disclosure available at bt.com.au/sustainability

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