Foreword

This document is the first TCFD report for The BCF Pension Trust ("BCF" or "the Scheme"). It includes data as of 31st March 2022 to align with the Scheme's financial year-end and details the work conducted by the Trustee predominantly over of the year ended 31st March 2022 in the assessment, monitoring and mitigation of climate-related risks.

This report has been prepared by the Trustee with support from Redington (the Scheme's investment advisor).

Introduction

This report sets out the approach of the Trustee of BCF with regards to assessing, monitoring and mitigating climate-related risks and opportunities in the context of the Trustee's broader regulatory and fiduciary responsibilities to their members.

This is the Trustee's first disclosure under the framework and this report is therefore expected to evolve over time.

This report has been prepared in accordance with the regulations set out under "The Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021" and provides a status update on how the Scheme is currently aligning with each of the four elements set out in the regulations. Details on these elements are below:

- **Governance:** The Scheme's governance around climate-related risks and opportunities.
- **Strategy:** The actual and potential impacts of climate-related risks and opportunities on the Scheme's investment strategy and integration into investment decision-making.
- **Risk Management:** The processes used to identify, assess and manage climate-related risks and integration into overall risk management.
- **Metrics and Targets:** The metrics and targets used to assess and manage relevant climate-related risks and opportunities.

The following pages summarise the Trustee's current position with regards to these elements.

1. Governance

Role of the Trustee Board

The Trustee Board of the BCF Pension Trust is ultimately responsible for oversight of all climate-related risks and opportunities related to the Scheme. This includes approval of the governance and management framework relating to environmental, social and governance ("ESG") considerations, including climate-related risks and opportunities.

Due to the religious beliefs held by members of the Scheme the Trustee is not able to invest in any pooled funds unless all other investors in the fund have the same beliefs. However, the Trustee will take ESG factors into account when considering the Scheme's investments.

The Trustee has not identified one individual to specifically be responsible for the Trustee's response to climate-related risks and opportunities. Rather, the Trustee Board has collective responsibility for setting the Trustee's climate change risk framework.

The Trustee has discussed and agreed its overarching approach to managing climate change risk. It recognises that ESG factors, such as climate change, may have material impact on certain investments that may be held as assets of a pension scheme. Day-to-day responsibility for ESG matters is conducted by the Trustee and the underlying asset's longer-term financial sustainability is taken into account in the selection of the investment and will form a part of the Trustee's quarterly monitoring of the investment. Each investment shall be evaluated by reference to the extent to which its ESG factors complement or correspond with the Trustee's investment objectives. The Trustee will review its approach to ESG on an annual basis (or sooner in the event of a significant change in investment policy) as part of the Statement of Investment Principles review.

In summary, the Trustee believes that:

- Climate-related factors may create investment opportunities, however given the Trustee's religious beliefs they will be restricted in taking advantage of such opportunities. Where possible, and where appropriately aligned with the Trustee's strategic objectives and fiduciary duty, the Trustee will seek to capture such opportunities through its investment portfolio.
- Climate-related risks and opportunities are assessed over the following time horizons. Where appropriate, the Trustee considers transition and physical risks separately. The most appropriate time horizons for the Scheme are as follows:
  - short term: 1-3 years
  - medium term: 4-10 years
  - long term: 11+ years
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The Trustee Board receives regular training on climate-related issues, at least annually, to ensure that it has the appropriate degree of knowledge and understanding on these issues to support good decision-making. The Trustee expects its advisers to bring important and relevant climate-related issues and developments to the Trustee's attention in a timely manner.

Role of other advisors or stakeholders deemed relevant

Investment consultants: the Trustee's investment consultants provide strategic and practical support to the Trustee in respect of the management of climate-related risks and opportunities and ensuring compliance with the recommendations set out by the DWP requirements. This includes provision of regular training and updates on climate-related issues, climate change scenario modelling and climate metrics to enable the Trustee to assess the Scheme's exposure to climate-related risks.

Investment managers: The Trustee does not appoint investment managers to operate pooled investments on behalf of the Scheme due to the religious, social and ethical beliefs of the Brethren. The Trustee has appointed Smith & Williamson Investment Management Limited to manage a portfolio of UK Government Gilts on the Trustee's behalf. Further to this, the Trustee has an arrangement with Cazenove Capital Management for some of the cash held by the Scheme.

2. Strategy

The Trustee considers climate-related risks and opportunities and their potential implications on the Scheme's investment strategy over the short term, medium term, and long term. The consideration of these factors is incorporated throughout the investment process as far as its in line with the Trustee's

wider beliefs and investment strategy, from strategic asset allocation to manager selection and portfolio monitoring.

Given the nature of its investments, the Trustee acknowledges that each of their investments is limited in its exposure to climate-related risks. However, the Trustee has identified two specific risks which could impact the Scheme's investment strategy:

- Physical risks, i.e. those that arise from both gradual changes in climatic conditions and extreme weather events; and
- Transition risks i.e. risk of re-pricing which would occur as part of the move to a low-carbon economy.

The Trustee, on an ongoing basis, assesses the impact of the identified climate-related risks and opportunities on the Scheme's investment strategy. In order to assess the impact on the Scheme's assets, the Trustee undertakes scenario analysis consistent with the Prudential Regulation Authority ("PRA")'s Life Insurance Stress Tests ("the PRA stress test scenarios"), as recommended by the Pensions Climate Risk Industry Group ("PCRIG"). The stresses are designed to show what the impact on the value of the Scheme's assets would be in the following scenarios:

- Scenario A (Fast Transition): Abrupt transition to the Paris-aligned goal occurring in 2022 (temperature increase kept below 2 degrees Celsius relative to pre-industrial levels).
- Scenario B (Slow Transition): Orderly transition to the Paris-aligned goal occurring by 2050 (temperature increase kept below 2 degrees Celsius relative to pre-industrial levels).
- Scenario C (No Transition): A no-transition scenario occurring in 2100 (temperature increase in excess of 4 degrees Celsius relative to pre-industrial levels).

The results of the scenarios provide the Trustee with a clear overview of how resilient the investment strategy is with regards to various different climate change outcomes.

The results and descriptions of these scenarios as of 31st March 2022 can be seen below:

Scenario	Impact on scheme(%)
Scenario A: Abrupt transition to the Paris-aligned goal occurring in 2022 (temperature increase kept below 2 degrees Celsius relative to pre-industrial levels).	-0.3%
Scenario B: Orderly transition to the Paris-aligned goal occurring by 2050 (temperature increase kept below 2 degrees Celsius relative to pre-industrial levels).	-0.5%
Scenario C: A no-transition scenario in 2100 (temperature increase in excess of 4 degrees Celsius relative to pre-industrial levels.	-0.9%

In terms of the assumptions made under these scenarios, the PRA recognised that feedback loops between climatic shocks and structural economic change need to be incorporated when assessing the financial impacts on businesses of physical and transition risk under each emissions scenario. However, due to existing modelling and data constraints, this is a complexity that is purposely excluded from the modelling.

Due to the Scheme's large allocation to cash, the default is well protected in the event of any adverse market events that may occur as a result of climate change. Given that the Scheme has exposure to secured loans, for which we use a Corporate Bond Index as a proxy, the Scheme faces a larger physical stress and so leads to a larger overall stress at a total portfolio level under Scenario C. Having said that, it can be concluded that we do not believe these numbers are of material concern as they remain fairly small.

Appendix A states the modelling assumptions and provides further detail of the scenarios above.

The Trustee assesses the results of these climate scenarios on the Scheme's investment strategy and incorporates these (as well as the impact of any climate-related investment opportunities) into the investment decision-making process. For example, the PRA stress test scenarios are provided on a annual basis to the Trustee for monitoring purposes, and they are also assessed whenever strategic asset allocation decisions are made.

The Trustee notes the assessment of climate-related risks and opportunities may vary depending on the time horizon in question. As such, the Trustee assesses climate risks and opportunities over the following time horizons which they deem appropriate in light of the Scheme's existing strategic objectives:

Short term	1-3 years
Medium term	4-10 years
Long term	11+ years

3. Risk Management

As noted previously, the Trustee is exposed to climate-related risks including risks stemming from transitioning to a lower carbon economy, and physical risks from shocks caused directly by climate change. The Trustee identifies and assesses the impact of these climate-related risks on all of the assets in which they invest by conducting and reviewing the results of climate-related stress tests on a periodic basis.

The Trustee has also integrated climate change into the Scheme's wider risk management and receives additional climate-related reporting from their Investment Consultants (on an annual basis). This

reporting contains relevant climate metrics as set out DWP's adoption of the recommendations of the TCFD, and includes ESG scores, carbon emissions, carbon footprint (provided in Appendix B). This allows the Trustee to better identify and manage the climate-related risks which are relevant to the Scheme on an ongoing basis. The Trustee has identified 'risks posed by climate change, including both transitioning to a lower carbon economy, and physical risks from shocks caused directly by climate change' within its Risk Log and assesses these risks on a regular basis.

As part of the investment selection process, the Trustee considers the climate-related risks involved in each investment option. The table below details the Trustee climate risk management plan:

Activity	Final approval	Advisor / supplier support	Due date	Frequency of review	Last completed
Governance					
Climate change governance framework	Trustee Board	Redington	1 Oct 2021	Annual	1 October 2021
TCFD report (this document)	Trustee Board	Redington	31 Oct 2022	Annual	September 2022
Add / review climate risks and activity on key Scheme documentation (e.g. risk register)	Trustee Board		1 Oct 2021	Annual	June 2022
Trustee training	Trustee Board	Redington	June 2022	Annual	June 2021
Review SIP	Trustee Board	Redington	1 Oct 2021	Annual	1 Oct 2021
Review SIP Implementation Statement	Trustee Board	Redington	31 Oct 2021	Annual	31 Oct 2020
Strategy					
Identify climate-related risks and opportunities (over agreed time periods) for investment strategy	Trustee Board	Redington / Smith and Williamson	1 Oct 2021	Ongoing	1 October 2021
Scenario analysis - agree approach	Trustee Board	Redington	Dec 2021	Annual	February 2022

Scenario analysis - undertake modelling	Trustee Board	Redington	Mar 2022	Annual	31 March 2022
Risk Management					
Identify, assess and manage key climate related risks	Trustee Board	Redington / Smith and Williamson	Dec 2021	Triennial	1 October 2021
Metrics and targets					
Agree approach for metrics and targets for in scope assets	Trustee Board	Redington / Smith and Williamson	December 2021		1 October 2021
Obtain data for agreed metrics	Trustee Board	Redington / Smith and Williamson	March 2022		31 March 2022

4. Metrics and Targets

Quantitative metrics are monitored and assessed in order to help the Trustee identify climate-related risks and opportunities. The Trustee – on an annual basis – monitors and reports:

- Total greenhouse gas emissions of the Scheme's assets ("absolute emissions metric");
- Carbon footprint – i.e. total carbon dioxide emissions for the portfolio normalised by the value of that portfolio ("emissions intensity metric"); and
- Data Coverage – i.e. an indication of the % of assets which have carbon emissions data available for reporting – this has been chosen as it offers a simple, readily-available metric which aids efficiency of reporting and can provide a useful 'confidence indicator' when considering the implications of metrics 1 and 2 as part of strategy decisions (e.g. placing less weight on these metrics where data coverage is confirmed as poor).

The Trustee reviews these metrics on an annual basis as part of an ESG dashboard produced by Redington, and this will be reported on an annual basis in future TCFD reports. The Trustee will periodically review their selection of metrics to ensure they remain appropriate for the Scheme. The Trustee has set an explicit target for the Scheme in relation to the data coverage metric – to improve data coverage to include the gilt portfolio within the next three years. This target will be embedded in the governance, strategy and risk management processes. On an annual basis, the Trustee will measure performance against this target and furthermore determine whether this should be retained or replaced.

The results of the analysis as of 31 March 2022 are shown in Appendix B.

Going forward, the Trustee will use the results to identify the climate-related risks and opportunities which are relevant to the Scheme.

Appendix A: Scenario Analysis (background information)

As part of its 2020 biennial stress tests, the Bank of England's Prudential Regulation Authority ("PRA") conducted an exploratory exercise to test the impact of future climate change scenarios on the assets and liabilities of (re)insurers, using predictions by the Intergovernmental Panel on Climate Change ("IPCC") and academic literature as the basis for their modelling assumptions.

Using this methodology as a base, Redington have constructed similar tests that allow the Trustee to examine the impact on the funding position, via the effect on asset values, of the Scheme under three scenarios.

The magnitude of each of the physical and transition shocks varies across industries under each scenario, meaning some assets may fare better or worse under one scenario compared to another. For Scenario A (fast transition): the downside comes almost entirely from transition risk. For Scenario B (slow transition): the downside comes from a mix of transition risk and physical risk. For Scenario C (no transition): the risk is entirely physical risk.

Appendix B: Carbon metrics & data

Climate reporting as of 31st March 2022 can be found on the next page. This reporting includes the chosen climate-related metrics as described on page 5.

Where possible and where there is reasonable data coverage, the Trustee monitors 'line-by-line' emissions reporting for funds. However, given the current make up of the portfolio there is not any line-by-line coverage available. As such, the Trustee monitors 'asset class level' carbon estimates in the absence of reliable, reported line-by-line emissions data from MSCI. The Trustee notes using asset class modelling of emissions for assets where this data is not available enables a more holistic view of the Scheme's total portfolio emissions, albeit recognising that the modelled data is not perfect.

The asset class modelling of emissions has been provided by Redington and is based on asset class 'building blocks'. In instances where data coverage has been limited, we have used a proxy, e.g. Corporate Debt GBP was used as a suitable proxy for Secured Loans.

Emissions metrics are calculated in line with the GHG Protocol Methodology and the emissions data is sourced from MSCI.

Fund	Asset Class	UN PRI Firm Rating	Redington ESG Advantage	MSCI Climate Metrics Coverage	Current Total Carbon Footprint (tCO2e / EVIC £m)	Previous Total Carbon Footprint (tCO2e / EVIC £m)	Scope 1 & 2 Carbon Footprint (tCO2e / EVIC £m)	Estimated Scope 3 Carbon Footprint (tCO2e / EVIC £m)	Weighted Average Carbon Intensity (tCO2e / sales £)	Estimated Total Mandate Carbon Emissions (tCO2e)	Carbon Emissions Direction of Travel (rolling 12m)
BCF Pension Trust Cash	Cash	N/A	N/A	N/A	0	N/A	0	0	0	0	N/A
BCF Pension Trust Gilts	Gilts	N/A	N/A	N/A	0	N/A	0	0	0	0	N/A
BCF Pension Trust Secured Loans	Corporate Bonds	N/A	N/A	N/A	208	N/A	98	499	223	1,489	N/A
GRAND TOTAL					**31**		**15**	**75**	**34**	**1,489**	

MSCI Data disclaimer:

This disclosure was developed using information from MSCI ESG Research LLC or its affiliates or information providers. Although BCF Pension Trust's information providers, including without limitation, MSCI ESG Research LLC and its affiliates (the "ESG Parties"), obtain information (the "Information") from sources they consider reliable, none of the ESG Parties warrants or guarantees the originality, accuracy and/or completeness, of any data herein and expressly disclaim all express or implied warranties, including those of merchantability and fitness for a particular purpose. The Information may only be used for your internal use, may not be reproduced or redisseminated in any form and may not be used as a basis for, or a component of, any financial instruments or products or indices. Further, none of the Information can in and of itself be used to determine which securities to buy or sell or when to buy or sell them. None of the ESG Parties shall have any liability for any errors or omissions in connection with any data herein, or any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.

Glossary of Terms (ESG and Carbon Metrics Review)

Enterprise Value Including Cash (EVIC): Defined as the sum of market capitalisation of shares and book values of total debts and minority interests at fiscal year end. No deductions of cash or cash equivalents are made to avoid potential negative enterprise values. This is the recommended denominator metric for carbon attribution according to the GHG Protocol, the global standard for carbon accounting endorsed by the European Union and the DWP.

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

Estimated Total Mandate Carbon Emissions (tons): Represents the total share of Scope 1, Scope 2 and Scope 3 carbon emissions a fund is responsible for. Please note the metric is sensitive to the investment holding size in the fund.

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

Scope 1 & 2 Carbon Footprint (tCO2e / EVIC £m): Measurement of the Scope 1& 2 CO2e emissions of a fund per million pounds of EVIC. Scope 1 emissions referto those which are directly connected to the production of a company's product or service. For example, the burning of fossil fuels to power the electricity grid. Scope 2 emissions refer to those from the electricity used to power the facilitiesand machinery of a company.

Total Carbon Footprint (tCO2e / EVIC £m): Measurement of the CO2e emissions of a fund per million pounds of EVIC using Scope 1, Scope 2 and Scope 3 emissions. Given a company's direct Scope 1 emissions will inevitably be another company's indirect Scope 3 emissions, aggregating the individual Scope emissions results in a higher number of emissions than exists. To mitigate double-counting, we apply a scaling factor in accordance with MSCI's methodology. This metric may be used to assess a fund's contribution to global warming versus other funds. Previous Total Carbon Emissions (tCO2e / £m invested) are estimated by looking at the funds' respective holdings and emissions 12 months ago.

Tons of Carbon Dioxide Equivalents (tCO2e): Tons of greenhouse gases including methane, nitrous oxide, carbon dioxide, and fluorinated gases. Given the abundance and prominence of carbon as a greenhouse gas, all the other gasses are considered carbon equivalents.

Weighted Average Carbon Intensity (tCO2e / sales £): A weighted average of the scope 1 & 2 emissions carbon intensity of companies, defined as a company's total emissions divided by its total sales. This metric can be interpreted as a measure of the relative carbon efficiency of a fund, can used for sovereign assets, and is not affected by movements in companies' valuation. However, it is sensitive to movements in price.