Sustainability Report

For the year ended 31 December 2023

Brightwell

BT Pension Scheme Management Limited trading as Brightwell. Registered No. 05154287

Contents

Foreword

Sustainability is a core component of the Brightwell ethos and is fundamental to the way we operate.

We believe that how and where we invest matters. We are committed to conducting our business in a manner that is environmentally sustainable, socially responsible, and characterised by strong ethics and corporate governance. We recognise that our decisions, both as a company and a provider of services to pension schemes, impact our colleagues, our clients, their members and wider society.

Sustainability is one of a number of material investment risks we consider alongside other factors. We therefore integrate environmental, social and governance or "ESG" considerations throughout the investment process. This is done to mitigate financial risk, capitalise on the opportunities that the transition to a low carbon economy will present and generate the best outcomes for clients and scheme members.

We fundamentally believe that well run companies that take due consideration of sustainability issues are more likely to be successful over the long-term. As such, we apply the same considerations to our own operations as we apply to our clients' asset managers and investee companies.

Our corporate governance framework is designed to support the Board's oversight of the company's purpose of working together for a better future, which is integral to the business.

Sustainability is a broad term with strong links and also trade-offs across sustainability areas. We research and discuss which sustainability areas we understand to be most material for our clients, and where most significant positive financial and real-world outcomes can be made to support the health of the financial system clients rely upon. Brightwell's sustainability strategy centres around three core themes: climate, natural capital and inequality which we outline in more detail in this report.

I'm pleased with the progress we have made over the past 12 months. We're committed to continually evolving and improving our approach in this fast-paced area and have plans in place to achieve our ambitions.

Brightwell CEO

Morten Nilsson

About Brightwell

In April 2023, BT Pension Scheme Management Limited launched its new trading name “Brightwell”.

At Brightwell, we understand what it means to manage a complex defined benefit (DB) pension scheme as we have a long history of managing services for the BT Pension Scheme (BTPS), one of the largest private sector pension schemes in the UK.

We’re proud of everything we’ve delivered for BTPS and, in recent years, we’ve invested heavily to improve the service we provide to it and its members.

We launched Brightwell in order to extend these market leading services to a small number of DB schemes that want to provide a high-quality service to members and deliver sustainable funding and investment solutions.

We are pleased to have also been appointed as fiduciary manager to the DB section of the EE Pension Scheme and the Brightwell proposition has been well-received by the market.

Our approach focusses on collectively owning problems, sharing solutions and collaborating for the long-term and is reflected in our commitment to sustainability.

Brightwell at a glance

Heritage

40 years' experience as the primary service provider to the BTPS

Assets

£37 billion*

*As at 30th June 2024

Employees

320+

Locations

London / Bristol / Chesterfield

About Brightwell

Brightwell's core services

Our core services are delivered across the following business units.

Fiduciary services

Tailored solutions perfectly aligned to clients' needs

Ensuring pension schemes can meet their annual cash flows to members and their beneficiaries involves careful management of scheme assets and in-depth understanding of the risk factors that can affect scheme funding outcomes.

Brightwell offers a truly holistic approach to fiduciary services which is fully integrated with other areas of pension management such as pension administration and advisory, valuation support, funding solutions and longevity hedging.

Scheme and Trustee services

Advisory services built from deeper understanding

While every DB scheme is unique and at a different point in its journey, there are many challenges common to every scheme. These include determining how to reach their end-game safely and sustainably, the cost-effective provision of a high-quality service to their members, the integration of sustainability into the investment process, and the recruitment and retention of the talented people they need in an increasingly competitive market.

At Brightwell, we understand these challenges and offer advisory support across a wide range of areas.

Member services

High-quality member services driven by insight

Brightwell has invested heavily in its member services building a fully in-house, Pension Management Institute (PMI)-qualified team based in Chesterfield providing:

- Benefits payments & administration services
- Data cleansing
- Administration platform as a service
- Member outbound communications
- Inbound member contact centre
- Case management & technical casework

Member expectations for online services are increasing and, in partnership with Procentia, Brightwell offers a powerful solution. Clients can give scheme members access to personalised pension information at the touch of a button. Via an online portal, members can self-serve for all key tasks, such as retirement quotes and changes to personal details.

In addition to sophisticated member portals, Procentia's best-in-class platform incorporates automation of workflows, calculations, pensioner payroll and document imaging.

Procentia

Market-leading pensions administration software

Procentia Group (Procentia Limited and Procentia Inc) provide development, maintenance and support of software to the pensions and benefits industry.

The group has offices in Bristol and Chicago and services clients across the globe. Procentia has an independent Board which includes representatives from Brightwell.

About Brightwell

The Brightwell difference

DB schemes share a common set of challenges. Through our market-leading work in support of BTPS we understand these challenges better than anyone. We are not driven by short-term profits or selling products. We focus on building lasting, mutually beneficial and transparent working relationships with our partners.

Deep alignment

We take a long-term holistic view of the scheme's needs, delivering a Trustee focused and partnership-like relationship with the scheme's sponsor.

Akin to retaining the **benefits of an in-house manager.**

Unique perspective and capability

Our integrated pension management model offers bespoke journey plan management towards pension endgames. We leverage economies of scale, are outcome based, ESG integrated and set up to deliver at competitive costs.

We provide a bespoke, comprehensive pension service, with an unparalleled depth and understanding.

Value retention

We offer a true alternative to multiple service providers to deliver cost and time savings through **tailored** Funding & Fiduciary Services alongside **best-in-class** Member Services; and Executive Services.

A new approach focused on the long-term

We have a long history of innovation in the DB pensions market and believe that the market needs a new approach. So we focus on holistically **managing the journey for its remaining lifespan**, by taking responsibility for the scheme's overall objectives and long-term targets.

Our purpose & values

Purpose

At Brightwell we are united by a common purpose which we articulate in our purpose statement:

Working together for a better future

'Working together'

is used to create a sense of teamwork. It picks up on the concept of being supportive which is one of our corporate values.

'for'

emphasises the idea that we are here to work on behalf of others — whether that's clients, members, or wider society.

'a better'

reflects our drive to improve things — whether it is the way we design and implement investment strategies, the service we provide to clients, schemes' members or our internal processes.
It speaks to our appetite for innovation.

'future'

puts important emphasis on being forward looking. It highlights that long-term thinking sits behind the decisions we make.

Values

Our organisational values underpin the way we deliver on our corporate objectives, and our corporate objectives support our client service delivery outcomes.

Each year we hold awards for colleagues that best embody our values to underline the importance we attach to them.

Responsible

We take individual responsibility for making things happen. We take ownership of the decisions we make. We never walk past a problem. We are both open and brave, supporting and challenging each other to resolve issues.

Impactful

We are driven to do all that we can to create a better future for out members. We recognise that the way we invest can benefit wider society. We constantly strive to make a difference.

Supportive

We work together across teams to deliver the best outcomes for members and wider society. We support each other when taking difficult decisions and are always respectful, thoughtful, and helpful.

Expert

We set very high standards, constantly looking at how we can be better and bolder, whether serving members, improving how we work, or invest. We are constantly innovating; challenging ourselves to find new ideas. We use our commercial acumen to deliver value for members and wider society.

Our approach to sustainability

What we do has a real-world impact

We can positively influence the way business is conducted to reduce negative externalities and future costs. Our clients are universal owners reliant on a well-functioning system. The interconnected systemic risks we face today — such as climate change, nature related risks and social unrest — have the potential to undermine the economies and markets that we rely on to achieve the investment outcomes our clients need.

This underpins the following sustainability statement and implementation beliefs:

Sustainability statement

“We seek to support long-term value, reduce risk and contribute towards better client, colleague and member outcomes to deliver sustainable retirement solutions.”

At Brightwell, we have a long history of incorporating sustainability considerations into the investment decision making and supporting clients in this way.

Sustainability is embedded throughout our investment activities as we focus on developing our expertise and provide solutions to industry and world challenges. We partner both with our clients and investment managers, collaborating for the long-term, with the aim of delivering sustainable retirement solutions.

Long-term horizon

Pension schemes have a long-term investment horizon.
This provides both a responsibility and an advantage which we believe will produce better investment outcomes.

ESG integration

Integrating financially material environmental, social and governance (ESG) factors into asset, manager and security selection processes will help clients make more informed and better investment decisions.

Stewardship and engagement

Exercising ownership rights, collaborative engagement with clients’ agents and portfolio companies, as well as active management of physical assets can improve long-term risk adjusted returns and create sustainable long-term value.

Our approach to sustainability

Our approach to sustainability designed to provide outcomes that are meaningful to our clients, their members and wider society. We review the impact of sustainability on investments on an ongoing basis, and measure the impact at least annually. These outcomes include:

1. Investment outcomes

The interconnected systemic risks we face today have the potential to undermine the financial system we rely on to achieve the investment outcomes our clients need. Integration of sustainability may help to reduce the risk of permanent capital loss and it also may provide investment opportunities. We must protect the system, through global efforts and collaboration, to reduce the likelihood of large negative future financial impacts.

2. Client & regulatory expectations

Our clients are universal owners reliant on a well-functioning system. The risk of not considering sustainability is significant from an investment, fiduciary and reputational perspective. There are growing regulatory expectations and requirements which need to be met.

3. Positive real-world impact

We firmly believe that how and where we invest matters, and this is a responsibility we have always taken very seriously. What we do has a real-world impact, and we can positively influence the way business is conducted to reduce negative externalities. Our scale and governance mean we can be bold, nimble and take a leading position in areas where we feel we can make a difference.

Our approach to sustainability

Sustainability is fast moving both with regards to understanding the issues but also as technology and best practices rapidly evolve. We continue to develop our approach to ensure we're leading the way for our clients.

Why we invest with sustainability at the core of our decision making:

- To help reduce the risk of loss of capital and identify new investment opportunities
- To take a leading position and encourage a more sustainable future through capital allocation
- To prepare for sustainability-related policy and regulation

Over the past 12 months we have refreshed Brightwell's Sustainability Strategy. The updated approach has three layers:

1 Sustainability themes

Three core themes identified that could have a material risk on client funding outcomes which are detailed on page 13;

2 5 pillar framework

Developed to action these covering (1) portfolio construction, (2) mandates & managers, (3) stewardship, (4) advocacy (5) Brightwell as a company;

3 Critical enablers

People, process & partnerships to facilitate the actions supporting the themes.

As part of this, ESG governance has evolved through the establishment of a new Sustainability Strategy Group.

Our approach to sustainability

Sustainability themes

We focus our efforts and act where we believe the largest risks and opportunities are for our clients' investments. For instance, well run companies that are aware of and mitigate potential risks as far as practicable should lead to better investments. At present, we believe the following are themes that are most material to client portfolios. Over time these will evolve and they require ongoing assessment and critical challenge. There are of course broader sustainability themes we are also managing through considered monitoring and measurement of managers' investment approaches and outcomes, as well as continual challenge and monitoring of material and emerging sustainability threats.

1. Climate change

The implications of climate change are systemic and apparent, with extraordinary weather events including flooding, drought, storms, and wildfires increasing in frequency, with significant financial and human consequences.

Climate change is likely to financially impact our clients through the value of their investments (e.g. through the impact of stranded assets, new regulation, high costs due to carbon pricing, extreme weather events disrupting supply chains). But it also provides opportunities through investments in new technologies (e.g. increasing resource efficiency, shifting from fossil fuels to renewable energy).

We help clients understand how climate change could affect their pension scheme and provide solutions to better insulate them from its effects. We encourage setting net zero goals where appropriate, setting out climate action plans clients commit to and report on annually.

We believe that reducing exposure to carbon emissions over time through asset allocation, effective stewardship and collaboration, will help manage investment outcomes for clients and reduce the impact of future climate risks and may offer opportunities for investors.

2. Natural capital

Climate change has dominated sustainable investment conversations to date but it's becoming increasingly apparent how interconnected all sustainability topics are. A key interdependency is how the climate depends on nature.

Biodiversity loss, ecosystem degradation and the associated value at risk are all important considerations. Key challenges we're facing such as freshwater provision, sustainable agricultural, regional conflicts, and migration due to resource shortages are likely to be exacerbated by biodiversity loss and ecosystems degradation. The consequences of which will affect supply chains, availability of resources and therefore growth of most sectors around the world, with costs likely to increase in the not-so-distant future.

What makes natural resources particularly challenging however is the link between the reliance on them and businesses through their supply chains which are notoriously complex. The effects are likely to be felt gradually over a longer period of time, rather than a one-off short dramatic event.

We believe the effects of biodiversity loss are not adequately reflected by the market and therefore present both a large risk and opportunity for investors.

3. Inequality

Within the broad area of inequality sits issues such as human rights, modern slavery, as well as diversity, equity and inclusion (DE&I), and the use of artificial intelligence.

There are growing expectations around these key issues, whether from our clients and their members, governments and wider society or colleagues. There is growing visibility in part due to developing understanding of investors' responsibilities and the real-world outcomes of ignoring inequality. There is regulation on human rights and the UN Guiding Principles which we and our investment partners look to employ.

We believe systemic inequality has the potential to destabilise the financial and social systems within which our clients invest and benefit from. Increased inequality is likely to lead to reduced economic growth through greater financial and social instability, and reduced output. Having an awareness of inequality and addressing inequalities such as developing DE&I practices is an ethical and business imperative to have a licence to operate.

We believe that by seeking to prevent and mitigate inequalities, as far as we can, that could impact the economic and financial system that we rely on to generate the investment outcomes, this should lead to better risk management and a narrower range of investment outcomes for our clients.

Client case study

Supporting BTPS with sustainable investment

Brightwell supports the BTPS Trustee Board in integrating material environmental, social and governance (ESG) factors into its investment decisions. The Scheme's sustainable investment strategy and stewardship approach remains core to the Scheme's investment philosophy, and we look at the potential impact that long-term structural risks could have on the Scheme's investment outcomes.

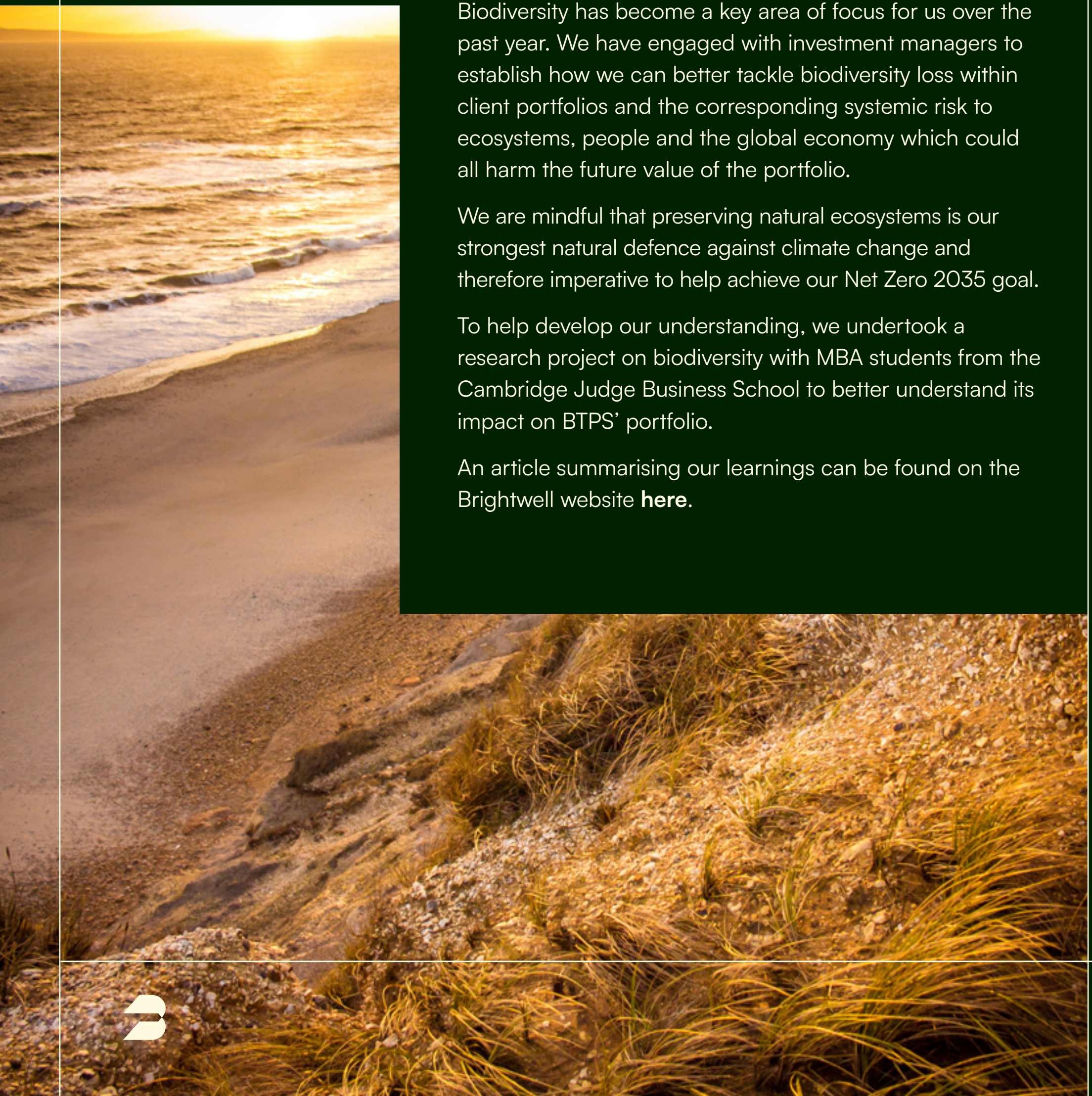
Examples of Brightwell's support this year include:

- Net zero data project & improved climate reporting, including investment in new tools to improve collation & consistency of manager reporting on sustainability
- New sustainability dashboard development to improve portfolio & manager monitoring
- Brightwell colleagues representation as co-chair on:
  - ASCOR project — important initiative to improve sovereign climate reporting
  - Asset Owner Diversity Charter — promoting diversity, equity & inclusion in the investment industry
- Project to enhance & redefine Brightwell's approach to sustainable investment
- Engagement with BTPS members with regular satisfaction surveys and site visits to BTPS investments. Last year a group of members visited Viridor a leading waste-to-energy and recycling business in Avonmouth, to see first-hand the Scheme's approach to sustainable investment. You can watch the video from the day **here**.

Further information can be found in the 2022/23 Responsible Investment & Stewardship Report **btps.co.uk/sustainableInvestment**.

Thought Leadership

Monitoring emerging risks – biodiversity case study



Biodiversity has become a key area of focus for us over the past year. We have engaged with investment managers to establish how we can better tackle biodiversity loss within client portfolios and the corresponding systemic risk to ecosystems, people and the global economy which could all harm the future value of the portfolio.

We are mindful that preserving natural ecosystems is our strongest natural defence against climate change and therefore imperative to help achieve our Net Zero 2035 goal.

To help develop our understanding, we undertook a research project on biodiversity with MBA students from the Cambridge Judge Business School to better understand its impact on BTPS' portfolio.

An article summarising our learnings can be found on the Brightwell website **here**.

Supporting better insight on sovereign debt

Pension funds are significant investors in sovereign debt which can make up a significant proportion of their investment portfolios. Currently, there is no universally coherent way to assess sovereign debt from a climate change perspective. The data is inconsistent and opportunities to engage with governments on climate change are limited.

The Assessing Sovereign Climate-related Opportunities and Risks (ASCOR) project, which Brightwell was a founding member, was designed to address this gap. As the first tool of its kind, ASCOR can help investors assess sovereign exposure to climate risk and engender greater transparency between issuers, financial institutions, and relevant stakeholders.

ASCOR will enable investors to assess governments' climate-related commitments, their policy frameworks (including carbon pricing, energy subsidies, the phase-out of combustion vehicles, deforestation and land use policies) and the actions they are taking to ensure that the benefits of the low carbon transition, and of adaptation, are shared fairly.

Significant progress has been made since its launch in June 2021. The ASCOR Consultation Report was launched in February 2023, requesting feedback on the framework. This included 800+ attendees at global webinars, 200+ responses to the online consultation survey, 140+ attendees at regional roundtables and 15+ bilateral meetings with countries and organisations. 25 pilot countries are being assessed and the issuer feedback process got underway in Q3 2023.

Progress on decarbonising Brightwell's operations

At Brightwell, we are dedicated to reducing our environmental impact by promoting sustainability throughout our operations. We continuously strive to improve resource efficiency, reduce waste in our processes and minimise greenhouse gas emissions and adopt energy-efficient practices.

In April 2023, the executive management team set a goal to have net zero greenhouse gas emissions by 2035.

We measure emissions from our offices, energy and business travel. Our preference, where possible, is to eliminate emissions in our value chain. Nevertheless, we recognise that in achieving our net zero 2035 goals, offsetting may be required in respect of any residual emissions. The quality of supplier emissions reporting is also evaluated as part of the annual supplier review process.

Brightwell offset 118 tonnes of carbon dioxide (prior year: 125 tonnes) related to employee business travel and energy usage for the calendar year 2023. The need to offset energy use will be reduced in future due to the fact that in October 2023, the London and Chesterfield offices switched energy tariffs to renewable energy, thereby minimising Scope 2 emissions. For Scope 3 emissions, we are engaging with our suppliers to get a better understanding of their emissions, reporting and net zero plans, and have introduced specific emissions-related criteria for the evaluation of new suppliers. The company's green benefits for colleagues, an electric car scheme and a cycle to work scheme, continue to be taken up. The electric car scheme has been adopted by c.10% of colleagues across our London and Chesterfield offices and we continue to promote it.

To help mitigate the impact of our footprint, we work with ClimateCare, a specialist environmental and social impact company. ClimateCare invests in climate and development projects to offset scope 1 and 2 emissions and business travel to help deliver positive social outcomes in developing communities.

Having baselined our carbon emissions, choosing to use 2019, we updated this to 2023 emissions. The groups' carbon emissions continue to come primarily from Scope 3.

As an integral component of our key supplier onboarding process, we diligently assess and validate each supplier's approach to ESG sufficient principles, ensuring alignment with Brightwell's overarching strategy. This evaluation underscores our commitment to fostering partnerships that not only meet our operational needs but also uphold our values of sustainability and ethical business practices. By scrutinising suppliers' adherence to ESG criteria during onboarding, we reinforce our dedication to responsible sourcing and contribute to the advancement of sustainable practices across our supply chain ecosystem.

Diversity, equity and inclusion

Brightwell is committed to developing and maintaining an inclusive culture, ensuring that behaviours, working practices and policies promote fair treatment and access to development opportunities for every colleague.

We value the benefits a diverse workforce can bring and want Brightwell to be a place where all colleagues can thrive, feel that they belong and are valued and contribute to our success. This is underpinned by Brightwell's corporate values: Responsible, Impactful, Supportive & Expert.

We also recognise the role we have to play in contributing to industry initiatives to drive broader change.

Progressing towards a more inclusive Brightwell

Diversity

Remove barriers in the recruitment process to access a candidate pool from a wider range of backgrounds and experience, thereby increasing the diversity of thought within Brightwell and improving decision making and business performance.

Equity

Ensure that behaviours, working practices and policies promote fair treatment, access and development opportunities for every colleague.

&

Inclusion

Improve colleagues' experience in the workplace to enhance empowerment and motivation, increase their sense of belonging and reduce the likelihood of attrition and loss of expertise and organisational know-how.

This year we have been focussed on the importance of inclusion, as without it, achieving lasting diversity and equity is impossible.

Diversity, equity and inclusion

Progress over the past 12 months

Over the past 12 months we have been evolving our approach to DE&I, which is driven by the DE&I Steering Group which the CEO sponsors and comprises of a cross-section of colleagues across Brightwell.

Data collection

On a confidential and wholly voluntary basis, we invited colleagues to share information about themselves via the HR system. This enables us to build a more detailed profile of our colleagues and our organisation to establish our DE&I baseline and to track and monitor our progress. In October 2023, we included a series of DE&I-related questions as part of our employee engagement survey for the first time. These questions will remain a core part of future employee engagement surveys as we can track progress.

Inclusive recruitment

We work with a select group of recruitment agencies who are aware of our DE&I strategy and support us in ensuring diverse candidate pools (including protected characteristics, diversity of thought and skills).

Training

We have been rolling out inclusion-focused training to embed the importance of it in our culture and support the retention and development of our diverse talent.

To date, c.74% of colleagues have shared their data and we continue to encourage data sharing to help shape our DE&I areas of focus.

Partnerships

Asset Owner Diversity Charter
Brightwell is committed to holding asset managers to account on diversity and inclusion to improve the asset management industry's performance on this important issue.

Brightwell's Stewardship Specialist Emma Douglas, co-chairs the Asset Owner Diversity Charter (AODC), representing BTPS.

DE&I forms part of the manager selection process and Brightwell monitors its managers' efforts on an ongoing basis to encourage positive broader industry change.

Since becoming a signatory to the Charter, managers have responded to the annual AODC questionnaire and we have analysed their responses. Whilst there is of course room for improvement, we are encouraged by the constructive conversations we have had with managers on this important topic. In particular, their willingness to engage and their efforts to drive real change across the industry whether, for example, through joining initiatives such as the Diversity Project, or setting targets to improve senior female and ethnic representation.

The Diversity Project
Brightwell is a member of the Diversity Project, a cross-company initiative championing a diverse and inclusive UK investment and savings industry, and we have representatives on a broad range of its workstreams.

People & employee engagement

Key initiatives over the past 12 months

Every year, we survey colleagues to establish what's working well and where we can improve. The survey is entirely anonymous and conducted by an independent company.

Typical response rates are over 80% which helps us to have confidence that the findings are robust and representative. The feedback is reviewed by the Brightwell Executive Committee and action taken to further evolve the overall employee proposition.

Gender-neutral enhanced parental leave

In July 2023, we introduced a new parental leave policy with a range of enhanced benefits for new parents, including equalisation of maternity and paternity benefits with all eligible parents being offered 26 weeks' full pay.

Research by the Trades Union Congress (TUC) found that 1 in 5 fathers in the UK were not taking any paternity leave, mainly for financial reasons as the UK has, on average, the least generous paternity benefits in Europe.

Statutory paternity pay is currently £172.48 a week, or 90% of average weekly earnings (whichever is lower), and paternity leave is only one or two weeks.

> "I am delighted by Brightwell's decision to increase the amount of paternity leave it offers. It's a significant step towards fostering a more supportive and inclusive workplace acknowledging the vital role fathers play in our children's lives."

Michael Murray, Head of Tax at Brightwell and father of Callum and Annie.

To help address this imbalance, Brightwell's enhanced parental leave policy comprises 3 key elements:

1. **Removal of the prior additional length of service requirement and alignment to the statutory minimum to qualify**

   26 weeks of continuous employment up to the 15th week of the expected childbirth.

2. **Enhanced company pay for all parents, promoting equity for all**

   26 weeks' full pay for maternity leave, paternity leave, shared parental leave and adoption leave.

3. **Phased return for all parents to support successful re-introduction back to the business after a period of leave**

   Returning employees will be able to reduce their working days during the first 4 weeks while receiving full pay.

People & employee engagement

Nurturing home-grown talent – the Brightwell Pensions Academy

Social mobility is a key theme of our DE&I strategy and developing our people and building industry leading teams is one of our corporate objectives. We launched the Brightwell Pensions Academy at our administration hub in Chesterfield in the summer of 2022. The premise behind this was simple - to recruit people of any age and background, with little or no pensions knowledge, but who had strong potential, a great attitude and a willingness to learn and take them on a year-long structured training programme. At the end of the programme, they would graduate as qualified pensions administrators.

The Academy training is a blended learning programme combining classroom learning, hands-on experience, and work-based practical training.

The practical training guides all Academy administrators through the core administration processes, including data, bereavements, transfers and retirements. The training is delivered by qualified administrators, with a full “route to competency” framework wrapped around to monitor progress to ensure support is provided as required.

At the end of 2023, we were delighted when the Brightwell Pensions Academy won two awards — Training Scheme of the Year at the Professional Pensions Rising Star awards and the Innovation in Learning, Development and Talent Retention awards at the Pensions Management Institute’s Pinnacle Awards.

> “I studied up to A-level and then worked in a number of different retail and hospitality roles. None of these roles ever felt fulfilling and gave me the opportunity to help people when it mattered. Training to become a pensions administrator came with a huge learning curve, but it’s immensely rewarding as I’m speaking to vulnerable pensioners daily and helping them with their queries.”

Lottie Burdon, Pensions Administrator

More information on the Brightwell Pensions Academy can be found on the Brightwell website **here**.

Learning & development key statistics

c.2,000 hours of formal training delivered in the year

c.3,000 hours of route to competency (desk based training)

5 completed Academy graduations

14 currently ongoing

Outside of the Academy, we have:

95%+ administration employees holding a pensions qualification of service operations (excluding new starters and Academy)

75% hold a higher level qualification

+90% Clever Nelly (knowledge retention) consistency

People & employee engagement

Volunteering days

In March 2023, we launched a new initiative to give all colleagues the opportunity to take one paid day off a year to take part in volunteering activity either individually or as a team.

Hybrid working

We offer a hybrid working arrangement to help support our colleagues in achieving a healthy work-life balance. This helps us adapt to the ever-changing needs of our business and aligns with our passion for supporting sustainability — something which is evident in how we manage our modern-day office spaces.

Case study: Future Frontiers

Two Brightwell colleagues Hannah Claassens and Ed Gripton took advantage of their volunteering days to take part in a mentoring opportunity with Future Frontiers. Future Frontiers is an award-winning education charity that exists to ensure young people from disadvantaged backgrounds fulfil their potential at school and when transitioning to education, employment or training at age 16.

Hannah and Ed were paired up with two sixteen year old students and began working with them to try to understand what they wanted to do after finishing school and then help them design a roadmap to get there using support materials provided from Future Frontiers. After some intense discussions, frantic brainstorms and a fair few U-turns, both students reached a conclusion on what they wanted to do after graduating. One wanted to be an art psychologist and the other a cosmetician. Ed and Hannah then leveraged their collective networks to find some role models in the relevant industries to give them some specific advice and support them through the next steps of the journey.

Appendix: Brightwell TCFD report*

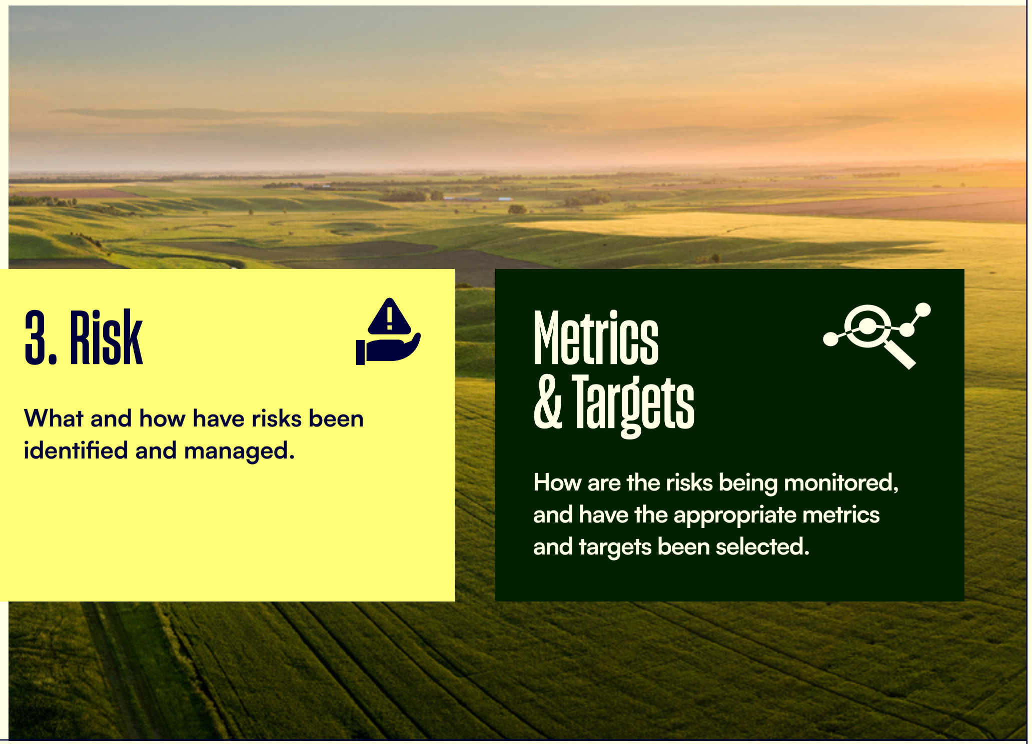
Brightwell is pleased to publish our first TCFD report for the calendar year ending 31 December 2023.

This TCFD entity-level report has been written to comply with the requirements of the FCA's ESG sourcebook and, more broadly, the four recommendations and eleven recommended disclosures set out in the Financial Reporting Council's TCFD Final Report.

Brightwell CEO

Morten Nilsson

The TCFD was established by the global Financial Stability Board 'to develop voluntary, consistent climate-related financial disclosures that would be useful to investors, lenders, and insurance underwriters in understanding material risks.... its members were selected by the Financial Stability Board and come from various organisations, including large banks, insurance companies, asset managers, pension funds, large non-financial companies, accounting and consulting firms, and credit rating agencies'.



The TCFD recommendations outline 4 sections for which stakeholders can report their climate-related financial risks and opportunities:

1. Governance

How is the organisation's board and management assessing, managing and providing oversight of climate-related risks and opportunities.

2. Strategy

How these risks impact the organisation's business model.

3. Risk

What and how have risks been identified and managed.

Metrics & Targets

How are the risks being monitored, and have the appropriate metrics and targets been selected.

* Brightwell is the trading name of BT Pension Scheme Management Limited (BTPSM Ltd). This TCFD report covers the scope of BTPSM's activities as the FCA regulated entity.

Appendix: Brightwell TCFD report

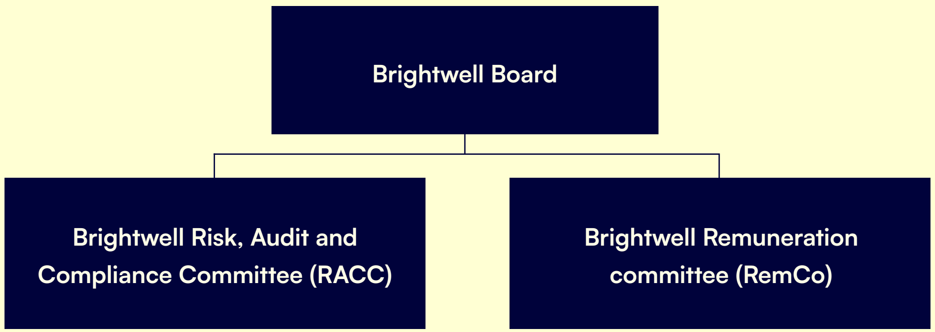
Governance

Brightwell, is regulated and authorised by the Financial Conduct Authority (FCA). Our corporate governance framework is designed to support the Board's oversight of the Company's purpose of working together for a better future, which is integral to the business. The framework demonstrates the Board's commitment to high standards of governance.

Brightwell Board

The Board is collectively responsible for the Company's long-term sustainable success within a framework of prudent and effective controls. The Board is responsible for the overall strategy, oversight of financial and operational performance, key risks (including climate related risk) and regulatory compliance. The Board manages certain operations independently but delegates others to its committees. The Board periodically receives and reviews BTPSM's risk register. There are two formal Committees of the Board — Risk, Audit and Compliance Committee and Remuneration Committee, as outlined below.

Brightwell Board receives annual updates on progress in relation to Net Zero strategy (further described in the Strategy section). The board delegates day-to-day management to the CEO who is supported by an Executive Committee.



Brightwell Risk, Audit and Compliance Committee

Chaired by non-executive director, Kevin Troup, the RACC's key purpose is to provide oversight and advice to the Board in relation to the current and potential future risk profiles and exposures of the firm, including the risk appetite, and on the effectiveness of the risk management framework. The RACC also assists the Board in carrying out its responsibilities relating to accounting policies/approaches, internal controls (e.g., compliance and audit) and financial reporting functions, including consideration of any relevant non-financial disclosures or related controls which may impact the financial statements.

Board Remuneration Committee

The purpose of the Remuneration Committee is to ensure that the Board is supported in the aim of ensuring that Brightwell's remuneration arrangements are aligned to the successful delivery of Brightwell's long-term strategy. Brightwell Board Chair, Denise Le Gal, chairs the Remuneration Committee.

Appendix: Brightwell TCFD report

Strategy

In April 2023, the executive management team set a goal to have net zero greenhouse gas emissions by 2035.

This section provides a high-level overview of the start of our Net Zero 2035 journey and plan to achieve this. This should be read in conjunction with the TCFD product-level disclosures for our largest client (BTPS). Link: **www.btps.co.uk/MediaArchive/SchemeSite/TCFD_Report.pdf**

In 2022, we undertook an exercise to baseline emissions for Brightwell. In 2023, we set a 2035 net zero goal and we prepared and shared Brightwell Net Zero strategy document with the Executive Committee and Brightwell Board. This strategy proposed immediate short-term actions (for 2024) and medium-to-long term actions (beyond 2024) to support the Net Zero objective. These actions were considered in relation to:

(i) improving our emissions data,

(ii) direct emissions reduction activities, and

(iii) emissions reporting requirements (see below on TCFD).

The majority (99%) of our emissions are indirect scope 3 emissions, whilst the remaining 1% are scope 2 emissions connected to the consumption of purchased electricity, and heating.

We already collect accurate data on Scope 2 emissions and we have been offsetting 100% of Scope 2 emissions since 2020. In the second half of 2023, we have switched to 100% renewable energy supply for our office space, reducing the requirement for offsets. Reducing, and ultimately eliminating Scope 3 emissions is critical to our Net Zero objective, given the contribution of these to total emissions.

Over 90% of our Scope 3 emissions relate to emissions embedded within goods and services purchased by Brightwell. Therefore, obtaining accurate data on supplier emissions is an important part of our Net Zero strategy.

Supplier engagement will be critical to obtaining this data, and ultimately reducing these Scope 3 emissions. Our supplier engagement strategy is summarised below:

1. Existing suppliers

Accurate supplier emissions data must first be obtained in order to understand which suppliers are the heaviest emitters, the extent to which our suppliers have an emissions reduction plan that is consistent with Brightwell's Net Zero objective; and the timeliness, accuracy, and quality of their emissions reporting. Our strategy is to initially target the top-25 suppliers (by estimated emissions) with supplier engagement led by business relationship owners.

2. New suppliers

Brightwell's supplier onboarding considers whether a potential supplier has a process to accurately report emissions, and has a Net Zero plan that is consistent with Brightwell's objective. Where a potential new supplier cannot comply with the above, the cost of offsetting should be calculated and considered as part of the ongoing supplier cost.

Other Scope 3 emissions include employee commuting, business travel, and emissions related to our buildings. Proposals on collating accurate data and emissions reductions activities in respect of these include collating detailed and accurate employee commuting data, engagement with the building landlords (and/or their agents) for our offices to determine the scope and accuracy of their emissions data for the buildings, exploring partnerships with carbon neutral business travel providers, employee engagement, e.g. via enhancing 'green benefits' provision and others.

Appendix: Brightwell TCFD report

Risk Management

Brightwell has established its Risk Management Framework ("The Framework") to support the achievement of business objectives by providing an integrated approach to considering and managing risk across the business, including ESG related risks.

The Framework comprises the components that make up the organisational arrangements for the management of risk at Brightwell. As such, it describes the vision for how risk should be managed and the expectation that everyone in Brightwell understands this vision and how it affects them. The Framework therefore plays a key role in the communication and promotion of the risk management culture.

Brightwell recognises that the assumption of risk is inherent in the Firm's business model and that risk does not necessarily always need to be fully eliminated. Some staff have the authority to take on risk in accordance with their roles and responsibilities, but risks must be understood and assessed to ensure risk exposure is commensurate with Brightwell's risk appetite. The identification, assessment and management of risk is made across all business-as-usual activities and across key business change initiatives. This includes ESG related risks, which are a sub-set of strategic risk within the Brightwell risk taxonomy.

Brightwell adopts a Three Lines of Defence governance model for risk management. This model provides a consistent, transparent, and clearly documented allocation of accountability and segregation of functional responsibilities. The segregation of responsibility helps to establish a control framework that improves understanding and encourages the continuous improvement of the management of risk in the business.

Risk Management Strategy

Brightwell's risk strategy is to ensure that effective risk management is embedded in all core operating and decision-making processes across the organisation and that enduring and emerging risks are identified and managed to within acceptable risk tolerances.

The Framework is an important part of the risk management toolkit and enables a common approach to risk management across Brightwell. The Framework sets out the guiding principles and requirements for effective management of risks as defined in the risk taxonomy. The Framework also defines roles and responsibilities of key stakeholders.

The holistic management of risk is enabled by the Framework, which is designed to support the effective identification and management of risks inherent to Brightwell, potential risk incidents and trends that may significantly impact the Firm's ability to achieve its strategic goals or maintain its operations.

The Board is responsible for the governance and effective management of risk within Brightwell, including but not limited to the setting of the direction of how risk should be approached and addressed, and in relation to the development of strategy and the effects of risk on the achievement of objectives.

Appendix: Brightwell TCFD report

Risk Culture

In order to reinforce and support implementation of the Framework, Brightwell has adopted an approach to promote and embed a risk aware culture across the organisation, including reinforcing individual behaviours and capabilities that are aligned to Brightwell core values and beliefs. This approach also includes alignment of remuneration and performance structures which incentivise risk accountability and the right risk aware behaviours. Brightwell has introduced a behavioural framework which include a set of cultural values that articulate the Firm's ethos.

Processes and methodologies

Also incorporated within the risk management framework are the processes and methodologies that Brightwell has developed to enable the identification, assessment and reporting of risk management, including:

Risk appetite

- Board approval of Brightwell's risk appetite statements and qualitative and quantitative tolerances to measure the firm's exposure.

Policies and procedures

- Developing and implementing risk management policies supported by procedures and standards. Key policies are outlined in the following table:

Policy Name	Scope of the Policy	Governance Approval
Non-Financial Risk Policy	Strategic (including ESG) and Operational Risk	Brightwell Board
Financial Risk Policy	Market Risk Credit Risk Liquidity Risk	Brightwell Board

Risk identification and assessment

- The identification and assessment of risks, including ESG related risks, that arise from day-to-day activities and through business change initiatives. This also includes horizon scanning of emerging risks.

Monitoring and measurement

- Investigation, root cause analysis and recording of risk incidents.
- Risk-based monitoring reviews.
- Developing and monitoring key risk indicators to support Brightwell's risk appetite process.

Reporting

- Reporting on the firm's risk profile to the governance fora.
- Reporting on key risk indicators with reference to risk appetite to the governance fora. This includes several indicators that measure material climate related impacts.

Appendix: Brightwell TCFD report

As a fiduciary manager, Brightwell recognises the importance of understanding and managing risks and opportunities, including climate-related ones.

As detailed in the following table, our analysis indicates that at present, there is limited climate related risk to BTPSM over the defined time periods.

Risk category	Risk	Timeframe	Current risk level	Potential impacts & high-level scenario analysis	Rationale
Operational & strategic risk	Physical risk to buildings, staff and infrastructure	Long term	Low	Business disruption leading to poor service to clients	We have a small physical presence in London with well-rehearsed BCP/DR arrangements. As such we have a low risk of physical climate impacts.
	Regulatory risk	Medium term	Low	Material changes to BTPSM's organisational arrangements	We recognise that future regulation may impact BTPSM's organisational arrangements but at present, we assess this risk to be low.
	Reputational risk	Medium term	Low	Negative perceptions that could impact client relationships.	We continually assess the reputational risk that may arise from BTPSM's fiduciary and organisational activities with respect to climate change. At present, we assess this risk to be low.
Financial risk	Balance sheet risk	Medium term	Low	Liquidity issues leading to BTPSM being unable to meet its financial obligations.	BTPSM's assets are held in cash and near cash products. As such we currently have a low risk to our balance sheet.
	Revenue risk	Medium term	Low	Decreased future revenue	We recognise our fiduciary obligations to our clients, and we seek to mitigate the impacts of climate change on asset values. We currently operate a fixed fee model with our existing clients. As such we have low risk of revenue being impaired by climate impacts on asset valuations.

On the basis that we do not believe we have any short-term exposure to any financially-material climate-related issues, we do not believe that Brightwell's strategy will need to change to consider various different climate scenarios (i.e. transition to a low carbon-economy consistent with a 2°C or lower scenario). For this reason, other than the analysis in the table above, we have not performed scenario analysis for Brightwell for this year's submission or described the impact of climate-related issues to our business strategy and financial planning. We will continue to review this in subsequent years (along with the risks that we are exposed to) and will take appropriate action.

Whilst we do not currently perform climate-related scenario analysis or disclose the impact of climate-related issues for Brightwell as a corporate entity due to the relative scale and materiality of such risks, we do perform climate scenario analysis for our clients. For example, our largest client BTPS. The potential impacts of climate change are explored on a range of time horizons — short term (1 year), medium term (up to 2034) and longer term (2034 onwards) and we consider a range of scenarios when completing climate analysis (lowest common denominator, inevitable policy response, global co-ordinated action and climate emergency). Further detail on this can be found in the BTPS TCFD report:

https://www.btps.co.uk/MediaArchive/SchemeSite/TCFD_Report.pdf

This continues to be under regular review for both Brightwell as a corporate entity and our clients.

Appendix: Brightwell TCFD report

Metrics and Targets

'Disclosure of GHG emissions is crucial for users to understand an organization's exposure to climate-related risks and opportunities.' (TCFD guidance). As such, BTPSM measures and discloses absolute GHG emissions (tCO2e) for Scopes 1, 2 and 3. Currently we use a spend-based calculation method to calculate our Scope 3 emissions, with emissions factors sourced from the Greenhouse Gas Protocol (GHG Protocol), an industry body which has established comprehensive global standardised frameworks to measure and manage greenhouse gas (GHG) emissions.

Based on our baselining activity, we have assessed to have no Scope 1 emissions (emissions that we produce directly) - for example while running boilers and vehicles, and just approximately 1% of total emissions were Scope 2 — relating to purchase of electricity, heating and cooling.

The remaining share of emissions are Scope 3 — indirect emissions relating to our value chain. Within these Scope 3 emissions, the majority relate to emissions embedded within goods and services purchased by Brightwell.

No fuel usage (Scope 1 emissions) is reported for the year as all business-related transport is operated by third parties (rail, taxi, air). For electricity usage (Scope 2 emissions), the kWh amount is obtained from utility bills throughout the year, and the tCO2e is calculated using conversion factors.

As a reference, the total Scope 2 emission level is equivalent to 0.2 (2022: 0.3) tonnes CO2 per employee.

In 2023, the Company's Scope 2 emissions per employee were broadly in line with 2022. The company offset slightly higher emissions in 2023 due to more business travel. In 2023, BTPSM offset carbon emissions from Scope 2, as well as from business travel activities of 101.8 tonnes (2022: 94.4 tonnes offset).

Brightwell's Emissions - Calendar Year	2023 tCO2e	2022 tCO2e
Direct Emissions		
Combustion of gas and use of fuel for transport	-	-
Scope 1	-	-
Indirect Emissions (for own use)		
Purchased energy	24.0	31.0
Scope 2	**24.0**	**31.0**
Indirect Emissions	**tCO2e**	**tCo2e**
Scope 3	**671.1**	**1,158.9**
	FTE	**FTE**
Brightwell Average FTE	98	92

Appendix: Brightwell TCFD report

Having baselined our carbon emissions, using 2019 as a baseline year, we have since updated this for 2022 and 2023 emissions. We agreed a net zero target of 2035. We have used an independent third party (Omnevue) to calculate and provide assurance over our Scope 1 — Scope 3 emissions for 2022 and 2023 calendar years. Whilst the baseline emissions covered the Brightwell Group, the focus of this report is on BTPSM Ltd as an FCA regulated entity.

Brightwell's carbon emissions continue to come from Scope 3, largely from our supplier base. Last year, the Brightwell Board approved a 5-year strategy and a net zero objective of 2035.

For Scope 3 emissions, we are engaging with our suppliers to get a better understanding of their emissions, reporting and net zero plans, and have introduced specific emissions-related criteria for the evaluation of new suppliers during selection process.

All our high and medium risk suppliers will receive supplier questionnaires that will include sustainability related questions, that will help to assess the level of ambition on sustainability, including Net Zero and ESG objectives, across our supplier base.

The company's two green benefits for employees, an electric car scheme and cycle to work schemes, continue to be taken up by employees, with c16% of Brightwell colleagues taking up electric car scheme.

Appendix: Brightwell TCFD report

Recommendations and Supporting Recommended Disclosures

Governance

Disclose the organisation's governance around climate-related risks and opportunities.

Recommended Disclosures

a) Describe the board's oversight of climate-related risks and opportunities.

b) Describe management's role in assessing and managing climate-related risks and opportunities.

Strategy

Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning where such information is material.

Recommended Disclosures

a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.

b) Describe the impact of climate-related risks and opportunities on the organisation's businesses strategy, and financial planning.

c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

Risk Management

Disclose how the organisation identifies, assesses, and manages climate-related risks.

Recommended Disclosures

a) Describe the organisation's processes for identifying and assessing climate-related risks.

b) Describe the organisation's processes for managing climate-related risks,

c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisations overall risk management.

Metrics & Targets

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

Recommended Disclosures

a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.

b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks,

c) Describe the targets used by the organisation to manage climate-related risk and opportunities and performance against targets.

The information provided in this report was correct as at 31 December 2023 and BTPSM trading as Brightwell shall be under no obligation to notify you of any changes to the information or otherwise to update the information after this date. It is intended for information purposes only and does not constitute an offer, recommendation or solicitation to buy securities or derivatives products. Any reliance you place on this information is at your own risk.

The investment strategies that BTPSM trading as Brightwell use are subject to normal market fluctuations and the risks associated with investing in international securities markets. Therefore, the value of investments and the income from it may rise as well as fall and investors may not get back the amount they originally invested.

Brightwell

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