Task Force on Climate-Related Financial Disclosures

PensionBee is pleased to present our first year of Task Force on Climate-Related Financial Disclosures ('TCFD'). We have applied a proportionate and appropriate approach to TCFD, assessing the reasonableness of the TCFD Implementation Guidance (2021) with respect to the Company's size, business model and constrained data availability, particularly for Scope 3 emissions. Given its online business model and limited direct carbon footprint, PensionBee is an emission-light company with respect to Scope 1 and Scope 2 emissions. Owing to the underlying assets under administration of the PensionBee Personal Pension, which are managed by third party money managers, PensionBee is reliant on forthcoming data from its money managers in order to consistently implement and disclose under the TCFD Implementation Guidance (2021).

In accordance with Paragraph 8(a) of Listing Rule 9.8.6R, the disclosures presented here are consistent with the TCFD Implementation Guidance (2021) to the extent described in the table below:

Full ● Partial ◐ None ○

In each instance of partial disclosure consistency, an explanation is provided to assist in understanding the constraints, particularly of data availability, and our short and long term objectives.

With respect to our long-term ambitions, PensionBee is committed to achieving net zero emissions across the entire business by 2050. This commitment is applicable to all direct (Scope 1) and indirect (Scope 2) operational emissions, as well as emissions from our wider value chain (Scope 3).

To achieve this, in the coming year, we will calculate our base year emissions, including from the challenging area of financed emissions from our investment portfolio. We are reliant on third party disclosures and are therefore committed to improving the accuracy of these calculations over time.

Provided we are able to obtain sound third-party data regarding our Scope 3 emissions from our money managers, these base year emissions will serve as a benchmark to measure our progress against. To do this, we will set interim targets in addition to a long-term target to reach net zero by 2050.

We are committed to achieving full consistency with the TCFD recommended disclosures in the near future, subject to data availability from third parties, and intend to fully integrate our target progress monitoring and reporting into these disclosures, including our plans to support the transition to a net zero economy. We expect that emissions will be independently verified, where appropriate, including our base year emissions.

Governance	Reference	Consistency
Describe the Board's oversight of climate-related risks and opportunities: • We are in partial compliance with this recommended disclosure and plan to increase our inclusion of climate-related issues in key decision-making activities from next year, as reliable Scope 3 data from our wider value chain becomes available from our money managers. • The board will monitor progress against climate targets once these have been formally set.	Page 2 Section 1.1	◐
Describe management's role in assessing and managing climate-related risks and opportunities: • Management's role in assessing and managing climate-related issues has been described below.	Page 3 Section 1.2	●

Strategy	Reference	Consistency
Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term: • Climate-related risks and opportunities identified over the short, medium, and long-term have been described.	Page 4 Section 2.1	●
Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning: • We are in partial compliance with this recommended disclosure and plan to improve our description of climate-related impacts on both our supply chain and value chain in the near future, as data from third parties becomes more readily available. • We will also outline our plans to support the transition to a low carbon economy in our FY23	Page 5-6 Sections 2.2/2.3	◐

reporting.		
Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°c or lower scenario: ● We plan to describe how resilient our strategies are to climate-related risk and opportunities under different climate-related scenarios in the near future, when data availability allows us to incorporate Scope 3 emissions to conduct meaningful and relevant scenario analysis.	Page 6 Section 2.3	◑

Risk Management	Reference	Consistency
Describe the organisation's processes for identifying and assessing climate-related risks: ● We have described our processes for identifying and assessing climate-related risk.	Page 6 Section 3.1	●
Describe the organisation's processes for managing climate-related risks: ● We have described our processes for managing climate-related risk.	Page 7 Section 3.2	●
Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management: ● We have described how our processes for identifying, assessing, and managing climate-related risks are integrated into our overall risk management.	Page 7 Section 3.2	●

Matrics & Targets	Reference	Consistency
Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process: ● We have disclosed the metrics currently used by PensionBee to assess climate-related risk and opportunity.	Page 7 Section 4.1	●
Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks: ● We have disclosed Scope 1 and Scope 2 GHG emissions as per our Streamlined Energy and Carbon Reporting ('SECR') obligations. These can be found earlier within this section. ● We plan to disclose Scope 3 emissions in our FY23 reporting, subject to forthcoming and reliable data from our money managers.	Page 7 Section 4.1	◑
Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets: ● We have committed to long-term climate action. Our plans are to set, and report progress against targets for the management of climate-related risks and opportunities from our FY23 reporting, subject to forthcoming and reliable data from our money managers.	Page 7 Section 4.2	◑

1. Governance

1.1 Our Board

The Board has the ultimate responsibility for the risk management framework and system of internal controls, which is appropriate for the Company's business and the climate-related risks to which it is exposed. To assist the Board in its oversight of the business risk profile, the Audit and Risk Committee has been established as a key sub-committee. The Company's climate policies and strategies are covered by the same governance and risk management processes as the remainder of the business.

All Board members are invited to the Audit and Risk Committee, however, the Chair may also request a private meeting with the second line of defence (the Risk Management Team) or external assurance providers (independent third parties). For more information on our lines of defence, refer to Section 1.2 below.

The Risk Management Team produces a Monthly Risk Review report. This report is presented to the Risk Stakeholder Group ('RSG') and is then notified to the Board members. The Executive Management Team also produces a high-level risk report which is presented at each Audit and Risk Committee meeting. The Board therefore receives monthly updates including reports on any risk areas where further controls or additional measures are needed to mitigate any new or changing climate risks that have been identified.

The Risk Management Team ensures that regular management information is available for reporting on the current status of climate risks. The reporting is supported by the information maintained in the risk register. Climate-related regulatory reporting is consolidated by the ESG Manager, who sits within the Engagement Team with oversight from the Chief Engagement Officer.

The Risk Stakeholder Group meets monthly and includes our Executive Directors, the rest of the Executive Management Team and senior leaders from different departments across the Company. This group reviews current top risks, any emerging risks, policy and regulatory compliance, incident reports, second line deep dive reports, and progress with risk mitigation open actions.

The Risk Stakeholder Group:

- Reviews the risk assessments and provides their challenge, if any.
- Discusses progress with risk-relevant open actions and provides clarifications as needed.
- Monitors change management around new releases.
- Discusses findings of second line checks for key processes.
- Reviews incidents and discusses lessons learned, suggesting the implementation of any required new controls.
- Receives prompts on upcoming or past-due annual policy reviews.
- Receives information about Information Security developments and discusses them as needed.
- Suggests agenda items for future RSG meetings.

The Board retains oversight of climate-related issues facing the business. The Board has received climate-related training from sustainability reporting experts, Verco, on the topics of TCFD and net zero. When planning for 2024, climate-related issues will, for the first time, be fully integrated into the Executive Management Team's preparation of strategy, major plans of action, budgets, and the business plan. This will be presented to the Board for approval.

PensionBee has made a commitment to achieve net zero emissions across the entire business by 2050, and progress towards this commitment will be closely monitored by the Board. While we have not yet set interim targets owing to a lack of data availability for Scope 3 emissions, this is a priority area for the business in 2023, following the calculation of our Scope 3 value chain emissions. The Board has direct oversight of all climate-related target-setting decisions and is kept regularly informed of developments in this area. Refer to section 4.3. below for more information on how we intend to change this in 2023, subject to forthcoming and reliable data from our money managers.

1.2 Our Management

PensionBee's culture is one of our most fundamental tools for effective risk management. Our management promotes risk awareness, transparency and accountability, and a strong emphasis is placed on the timely identification, escalation and reporting of risks.

All departments in the Company are considered to be the first line of defence and are responsible for ensuring adherence to all aspects of internal policies. They are accountable for identifying, assessing, monitoring and managing risk, including climate-related risks. This includes responsibility for day-to-day management of risk by designing, operating and maintaining an effective system of internal controls. The first line of defence is directly embedded in the Company's business activities and is managed by department heads and senior management. There are no formal reporting lines between the first and second lines of defence, but they engage via ongoing collaboration.

The Risk Management Team is considered to be the second line of defence and is responsible for managing the Company's risk framework, including maintaining fit-for-purpose risk management policies and procedures. Their responsibilities include:

- Overseeing the implementation of the risk management framework and related processes.
- Ensuring the policies are regularly reviewed and adhered to.
- Performing independent checks on the first line risk-related activities and risk-mitigating controls.
- Reporting to the senior management, Audit and Risk Committee and the Board on risk exposures.
- Reviewing, monitoring and reporting the incidents and near misses including performing trend and lessons learned analysis.
- Providing ongoing support, oversight and challenges to the first line on risk-related matters.
- Promoting the development of strong risk culture and knowledge within the Company.

Chosen third party providers are responsible for independent assurance. They validate whether the control environment is operating in alignment with the Board's risk appetite. As a result, the Board receives additional assurance over the effectiveness of the risk framework and the system of internal controls.

The Chief Engagement Officer is the Risk Owner for Climate Risk, owns our ESG policy, and oversees all climate-related reporting and initiatives. The ESG Manager, who sits within the Engagement function, is a dedicated ESG-focused team member with oversight of the reporting process. The Chief Risk Officer has extensive risk management experience across all risks, including Climate Risk, and is responsible for risk oversight. Climate-reporting and TCFD training has taken place with both expert advisors and asset managers related to the investment portfolio. The team has also attended TCFD training workshops delivered by the London Stock Exchange related to the requirements.

PensionBee is authorised and regulated by the Financial Conduct Authority (Ref: 744931) and registered in England and Wales (9354862).

2. Strategy

2.1 Climate-related Risk and Opportunity

Climate Risk is included in the internal Company risk register as a Principal (or Level 1) Risk, and climate-related sub-risks (Business Continuity, Compliance, Liability and Third Party Supplier risks) are included as Level 2 risks. These risks are evaluated as a part of our periodic risk and control assessment process, as well as following any climate-related risk events.

In aggregate, Climate risk has been rated as Low based on our assessments of Level 2 risks. Physical risk poses a relatively minor risk to the business, given its small physical footprint and cloud-based operations, and it is classified under the Level 2 category Business Continuity Risk (and to a lesser extent Third Party Supplier Risk). Transition risks are more pertinent for the business and are broadly grouped under both Compliance and Liability Risks.

Climate Risks (Physical and Transition)

Risk (Level 1)	Risk (Level 2)	Description	Response	Residual Risk Quantification	Risk Rating
Climate Change (Physical)	Business Continuity Risk	Climate-related physical damage to facilities/equipment or impact on staff materially affecting the ability to conduct critical business activities.	Low exposure given small physical footprint and a resilient operation (cloud-based operation, flexible/remote working) Risk transfer policies in place including the Engineering Policy covering physical risks.	Likelihood/Impact: Unlikely/Moderate Loss Estimate: £15k	Low
Climate Change (Transition)	Compliance Risk	Failure to adapt to the changing regulation and disclosure requirements associated with climate change.	Compliance with regulatory (e.g. TCFD, SECR) requirements. Ongoing regulatory compliance is monitored by the second line risk function.	Likelihood/Impact: Unlikely/Moderate Loss Estimate: £15k	Low
Climate Change (Transition)	Liability Risk	Liability resulting from changes in climate-sensitive investment exposures	Screenings are applied in our funds to reduce harmful exposures (Tailored Plan, Fossil Fuel Free Plan) Launch of Impact Plan in January 2023 to diversify further by introducing a more varied set of underlying holdings. FinTech Insurance Policy in place covering detrimental changes in our PnL.	Likelihood/Impact: Possible/Moderate Loss Estimate: £30k	Low
Climate Change (Physical)	Third Party Supplier Risk	Disruption of business activities due to critical third-party service providers being impacted by climate-related events.	Resilient, cloud-based operation Asset managers, banking and cloud providers are all investment grade financial institutions with established business continuity plans	Likelihood/Impact: Rare/Major Loss Estimate: £20k	Low

The above-mentioned sub-risks are generally of relevance across a combination of the short (one to five years), medium (five to ten years) and long-term (10 to 30 years) time horizons. Acknowledging that some may become more or less likely over time, due to the changing physical and transition risk profile of our geography and sector, we have assessed the following as the key climate-related risks and opportunities over each time horizon. We will reassess these risks at least on an annual basis, or as important issues arise, in line with the Risk Management Framework.

Short Term

Within the next one to five years, we expect regulation and policy to be the predominant climate-related risks facing the business. These are managed under the Level 2 Compliance Risk and will primarily be driven by changes in the pension industry regulatory regime and continuously evolving policy actions. Associated legal risks will also increase, as the expertise and resource needed to meet increasing climate-related regulatory, mitigation, and adaptation demands also rises.

In time, we also expect increased opportunities through greater capital availability driven by demand from investors for more sustainable investment products, as is evidenced by the launch of our newest Impact Plan, as well as increases in public-sector incentives such as the Business Climate Challenge Programme from the Mayor of London Office.

Medium Term

In the next five to ten years, climate-related risks will focus more on the potential market and reputational risks associated with indirect exposure to high-emitting sectors through investee companies or sectors otherwise exposed to climate risk. This will be managed under the Level 2 Liability Risk and addressed through the asset managers.

Over this time horizon, opportunities will develop as the market grows. We will continue to monitor consumer trends, which currently point towards increased demands for low-carbon products. We will proactively seek the views of our customer base through regular engagement to make sure the investment plans continue to meet our customers' needs, and access new markets where appropriate.

Long Term

Over the next 10 to 30 years, which comprises our longer-term horizon, we recognise that there are difficulties in accurately predicting the specific market, policy or environmental context in which our business will operate. As a pension provider interested in the long-term financial performance of our investments, the exposure of our investee companies to both Climate Risk and climate opportunity is of great importance.

We do expect to see an increased Level 2 Business Continuity and Third Party Supplier Risk through business interruption and damage across operations and supply chains, with consequences for input costs, revenues, asset values and insurance claims. Crucially, the amount of assets which may be stranded may rise, the longer the transition to net zero is delayed. However, over this time horizon we also see a significant opportunity to be seen as a leader in our field, in addressing the challenges of climate change, through our products and services, resilience and risk management strategy. Leadership will be shown in the field of addressing the challenges of climate change through both our asset base (choice of investment plans), our corporate citizenship (strong ESG ratings) and our voting record (on environmental issues).

2.2 Impact on the Business

Of the key climate-related risks identified with the greatest potential to impact our business, all have had some impact on the organisation's business, strategy, or financial planning.

As evidenced through our stakeholder engagement, climate-related issues are important for our customers and have therefore impacted the products offered by the business. Minimising Liability Risk in our investment portfolio, resulting from changes in climate-sensitive investment exposures, or from failure to communicate our climate change strategy and targets, is a priority for the business and our customers.

The Tailored Plan, our largest plan by customers and assets, is fully screened for thermal coal. We also introduced the Fossil Fuel Free Plan in response to data from customer surveys that highlighted a preference to exclude fossil fuel producers fully. The Fossil Fuel Free Plan screens out companies with proven or probable fossil fuel reserves and companies that provide services to the fossil fuel industry. The index is overweighting (more money being directed towards) companies that are better prepared for the transition to a low carbon economy, as per the Transition Pathway Initiative methodology. The Fossil Fuel Free plan tracks the FTSE All-World TPI Transition ex Fossil Fuel ex Tobacco ex Controversies Index. Our intention is to increase baseline screens in all our screenable plans over time, and we have a commitment from our asset managers to do so as the products become available.

As trillions of pounds are invested in companies that can improve or harm the planet and society through their business models, pensions have the collective power and potential to change the world for the better. By applying baseline ESG exclusionary screens, where both the asset class and the plan investment objectives allow it, we are working with our asset managers to reduce our holdings in companies that harm the environment through their business activities. In addition to the baseline screens, we are reducing our overall exposure to thermal coal over time. Our full set of Company policies are reviewed annually and include elements of the Environmental, Social and Governance Policy, which can be found on the Company's website.[1]

Beyond our products and services, we have also taken steps in our direct operations to reduce waste and increase our use of renewable electricity, as well as reducing energy use through our participation in the Mayor of London's Business Climate Challenge, as well as adopting our Responsible Supplier Policy and Code of Conduct.

[1] www.pensionbee.com/investor-relations/esg

2.3 Resilience of PensionBee Strategy to Climate Change

PensionBee has a relatively small environmental footprint, being an office-based organisation that primarily uses cloud-based technology. We offer fully flexible/remote working to all employees and are a paperless pension provider. The focus of our efforts in FY23 will be to gain a better understanding of our Scope 3 emissions, including the financed emissions from our investment portfolio (a challenging area which we are committed to improving over time, subject to forthcoming and reliable data from our money managers). Calculating our base year emissions will be the first step towards our commitment to achieve net zero emissions across the entire business by 2050, a goal which will support both the UK's net zero target for 2050 as well as global efforts to achieve a societal transition to a low carbon economy. In order to achieve this, we have committed to setting interim targets, in addition to integrating our processes to monitor and report against these targets, together with a detailed transition plan, into our TCFD reporting from FY23 onwards, subject to forthcoming and reliable data from our money managers.

Understanding the resilience of our overall strategy to climate-related issues under different future scenarios, and how our strategy may need to adapt to meet the challenges of each scenario, will be critical, to enable us to effectively plan and meet our climate commitments in the near future. We recognise that the key climate-related risks and opportunities identified, particularly over the medium and long-term time horizons, are highly dependent on assumptions about the ways in which climate-related issues will manifest over the coming years. To ensure that we demonstrate preparedness for this uncertain future, we will develop our understanding of different climate-related scenarios, including a below 2 degrees warming scenario, in the near future.

3. Risk Management

Climate Risk is defined as the risk of negative impact of climate change or its broader economic, financial and societal consequences on the Company, or the Company's failure to meet sustainability requirements from a commercial, regulatory and stakeholder perspective. PensionBee has added Climate Risk as one of its Principal Risks, which are set out on pages 61 to 66 of the Managing our Risks section of the Strategic Report.

Climate Risk drivers can be grouped into categories relevant to the Company. For PensionBee, these climate sub-risks have been identified as follows:

- Business Continuity Risk: Climate-related physical damage to facilities/equipment or impact on staff materially affecting the ability to conduct critical business activities.
- Compliance Risk: Failure to adapt to the changing regulation and disclosure requirements associated with climate change.
- Liability Risk: Liability resulting from changes in climate-sensitive investment exposures or failure to communicate our climate change strategy and targets.
- Third Party Supplier Risk: Disruption of business activities due to supply chains/critical third party provider services being impacted by climate-related events.

3.1 Identification and Assessment

Climate Risk management is a part of our comprehensive risk management framework. The framework components ensure adequate identification, management and communication of climate risks as they arise so that decisions can be made on a timely basis. Furthermore, we also made the decision to undertake a materiality assessment with our stakeholders in 2022 to explore ESG issues, including climate-related issues. Further details are set out on pages 43 to 51 of the ESG Considerations section of the Strategic Report.

Climate Risks facing the business are managed within the Low risk appetite level set by the Board. The Board regularly confirms its risk appetite for principal risks in the Audit and Risk Committee. For most risks, other than those that arise through the course of business, risk appetite is Low. The assessments against board risk appetite are based on an analysis of the impact, likelihoods and internal controls related to climate risks. Further details are set out on pages 61 to 66 of the Managing our Risks section of the Strategic Report.

Risk Assessment Process at PensionBee

Climate Risk quantifications are forward-looking estimates of the losses/gains within a given time horizon, at a particular probability.

The PensionBee risk scoring methodology takes into account the impact and the likelihood of the climate risks materialising. The plausible worst-case impact expected over the five-year time horizon is estimated.

The assessments are performed for inherent and residual risks in order to understand how effective our controls are. Inherent risk is defined as risk without taking into account mitigating controls, and residual risk is defined as risk after considering the effectiveness of mitigating controls.

In cases where risks are scored as Medium or High, a specific risk management procedure is followed to ensure adequate mitigating controls are established. Hypothetically, if the residual Climate Risk quantification score obtained was Medium or High, this would mean the Company was operating outside of the Low risk appetite set by the Board. This would highlight that priority work needed to be done, and the Company would implement additional measures in order to ensure the risk returned to within Low risk appetite as soon as possible.

3.2 Management and Response

All employees are responsible for operating and maintaining an effective system of internal controls, for the escalation of risks or issues, and for reporting incidents in accordance with PensionBee's risk management and incident management policies. Through the processes identified above, climate-related risks are identified and monitored effectively within the business. Where the risk appetite set by the Board was breached, additional measures to mitigate, transfer, accept or control the risk would be agreed by the Board with the support of the Risk Stakeholder Group and the Audit and Risk Committee.

The Chief Risk Officer heads the Risk Management Team and chairs the Risk Stakeholder Group ('RSG'). The Risk Management Team produces all risk reporting including the Monthly Risk Report which they present in the RSG meeting. The Risk Management Team is also responsible for performing all second line of defence risk tasks including information that feeds into RSG materials.

In addition to its role in assessing and managing climate-related issues, as described under Governance, the Risk Management Team is also responsible for providing appropriate training on the risk management framework. The purpose of this training is to:

- Ensure the consistent application of the risk management framework, including tools and processes
- Enhance the clarity of roles and responsibilities for risk management across the three lines of defence
- Embed an effective risk culture for the company which maintains high standards of risk awareness, transparency and accountability

4. Metrics & Targets

4.1 Metrics

PensionBee tracks a number of metrics in order to measure and manage the business' exposure to climate-related risk and opportunity. These currently include energy and emissions as part of our SECR reporting obligations.

Of the risks identified in Section 3.1, none are currently exceeding a Low risk threshold identified by the business following the risk management process outlined in Section 2. However, there are a number of key areas identified by the business for close attention in order to ensure that any change in the operating conditions will be considered. These include:

- Extent of physical operations
- Business continuity arrangements
- Insurance policies
- Capability to comply with existing and new regulations
- Governance processes
- Exposure to climate sensitive investment
- Third party control framework
- Change in customers preferences

In addition to this, we track metrics relevant to our sectors according to the Sustainability Accounting Standards Board ('SASB').[2]

4.2 Emissions

As a personal pension provider, PensionBee is responsible for a significant investment portfolio of Assets Under Administration. The Scope 3 emissions associated with this portfolio have not yet been calculated, as the Company is reliant on forthcoming and reliable data from its money managers. In recognition of the importance of this, we are committed to calculating our full base year emissions (including material Scope 3 sources) in 2023, subject to forthcoming and reliable data from our money managers.

In our own operations, we monitor our Scope 1 and 2 emissions through the UK Streamlined Energy and Carbon Reporting ('SECR') framework, reported here. These are reported in metric tonnes of CO_2 equivalent using both location and market-based emissions factors, in addition to an economic carbon intensity metric. As this is our second year of reporting using the SECR framework, we are also able to provide historical emissions for the first time this year.

4.3 Targets

We are committed to achieving net zero emissions across the entire business. This commitment is applicable to all direct (Scope 1) and indirect (Scope 2) operational emissions, as well as emissions from our wider value chain (Scope 3). To support this, we will set interim targets, in addition to a long-term target to reach net zero by 2050, subject to forthcoming and reliable data from our money managers. While we do not, at present, have emissions reduction or other climate-related targets in place, all of our asset managers report in accordance with the TCFD recommendations, as well as being members of the Net

[2] www.pensionbee.com/investor-relations/esg

Zero Asset Managers Initiative. We recognise the importance of setting and measuring progress against a set of clear, quantifiable, and credible goals, which is why we only work with asset managers with their own net-zero commitments and who are members of the Net Zero Asset Managers Initiative. In this way, we are supporting the companies in which we invest, to develop credible transition plans of their own, including setting their own corporate emission reduction goals.