Task Force on Climate-Related Financial Disclosures

We are pleased to present our second year of Task Force on Climate-Related Financial Disclosures ('TCFD'). We've continued to apply 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 continuing constraints of data coverage.

Given our online business model and limited direct carbon footprint, we are 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 asset managers, we are reliant on the availability of Scope 3 data. We are pleased in our second reporting year to be able to disclose Scope 3 financed emissions (category 15) for the majority of the asset base.

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

Full ● Partial ◑ None ○

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 material emissions from our wider value chain (Scope 3).

As a result of calculating our base year emissions, we are now able to set near-term ('interim') targets for 2030 and long-term ('net zero') targets for 2050. These targets are detailed as part of our 2023 disclosure below. We commit to these science-based targets in line with the 1.5C goals of the Paris Agreement.

Governance	Reference	Consistency
Describe the Board's oversight of climate-related risks and opportunities: • We have outlined how the Board oversees climate-related risks and opportunities through our Climate Change Governance Framework. • The Board monitors progress against climate targets through the Audit and Risk Committee.	Section 1.1	●
Describe management's role in assessing and managing climate-related risks and opportunities: • We have outlined management's role in assessing and managing climate-related risks through our risk management framework described below and in the Managing our Risks section of the Strategic Report.	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, considering scenario analysis across three different timeframes and impacts.	Section 2.1	●
Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning: • We have outlined plans to support the transition to a low carbon economy. We have also identified opportunities and risks to our business.	Sections 2.2/2.3	●
Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°c or lower scenario: • We have described how resilient our strategies are to climate-related risk and opportunities under different climate-related scenarios; orderly, disorderly and failed transition. We have also described the quantitative as well as qualitative impact to our revenue as a result of these different transition scenarios.	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.	Section 3.1	●
Describe the organisation's processes for managing climate-related risks: ● We have described our processes for managing climate-related risk.	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 framework.	Section 3.2	●

Metrics & 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.	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 for 2023 as per our SECR obligations. ● We have disclosed our Scope 3 (Category 15) financed emissions for 2022, as this data is available with a one year delay from our asset managers.	Section 4.2	●
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. We will now report progress against targets for the management of climate-related risks and opportunities.	Section 4.3	●

1. Governance

Climate Change Governance Framework

PensionBee has made a public commitment to achieve net zero emissions across the entire business by 2050. Progress towards this commitment is monitored and overseen by the Board, both annually and on an ongoing basis where required. Day to day accountability for climate matters is delegated to Executive Management, including the Chief Executive Officer, who is supported by the Chief Engagement Officer and Chief Risk Officer in discharging this responsibility.

Governance of sustainability issues, including climate-related risks and opportunities, are covered by the Board and Committees as outlined below and as part of our Annual Reporting Protocol and Target Review Process.

Ownership of Climate-related Metrics and Targets Governance

The Engagement Team, led by the Chief Engagement Officer, is the business owner for the Climate Change Governance Framework, comprising the Annual Reporting Protocol and the Target Review Process.

The Board delegates responsibility for oversight of our Annual Reporting Protocol to the Audit and Risk Committee. Oversight of the Target Review Process is provided by the Investment Committee.

Board

Climate Change Governance Framework

Audit and Risk Committee

Annual Reporting Protocol

Ongoing monitoring of progress against our public targets takes place on an ongoing basis throughout the year, as data becomes available. Progress against targets is reported to the Audit and Risk Committee.

- Reporting progress against public climate target metrics
- Ensuring the Company meets minimum threshold for metric coverage by % portfolio AUA
- Monitoring ongoing changes to reporting boundaries
- Monitoring ongoing changes in data availability and quality
- Developing and maintaining engagement channels with money managers

Investment Committee

Target Review Process

Occurs as and when any changes impact the Company's public targets, or minimum every five years. Baseline recalculations will be triggered by non-organic growth, but also by changes to reporting boundaries and calculation methodologies, to keep apace with developing understanding of climate science. Any such updates are reported to the Investment Committee, and communicated to the Board as part of the regular standing agenda item for sustainability by the Chief Executive Officer or as a separate agenda item by the Chief Engagement Officer.

- PensionBee net zero strategy (incorporating Scope 1&2 considerations and Scope 3 manager strategy) from 2024
- PensionBee transition roadmap from 2024

1.1 Our Board

Our Board has the ultimate responsibility for Climate Risk, a Principal Risk. The Board takes responsibility for the approval of PensionBee's approach in relation to climate-related matters, which includes our Environmental, Social and Governance ('ESG') Policy and oversees the selection of plans and managers, which form our investment range.

Process and Frequency by which Board and Committees are informed about Climate-related issues

Each Board meeting includes a sustainability-related update as a standing agenda tabled in the Chief Executive Officer's update. This means that the Board has the opportunity for approximately ten updates a year on climate-related matters, together with additional updates from its Committees.

The Board delegates day-to-day oversight of sustainability matters and ongoing progress against goals and targets for addressing climate-related issues, also known as the Annual Reporting Protocol, to two of its sub-committees: the Audit and Risk Committee and the Investment Committee.

Audit and Risk Committee

The Audit and Risk Committee manages the Company's Principal Risks, including Climate Risk. It oversees mandatory climate-related reporting (currently TCFD and SECR disclosures) and monitors annual reporting against public net zero targets.

The Board delegates responsibility to the Audit and Risk Committee to provide a rigorous challenge to Executive Management on progress against goals and targets under the Annual Reporting Protocol.

The Chief Engagement Officer formally reports back on progress against targets to the Audit and Risk Committee on an annual basis, in line with the Annual Reporting Protocol. In addition, ad hoc reporting takes place throughout the year to cover any ongoing changes to data quality, data availability, metric coverage or the reporting boundary. The purpose of this ad hoc reporting is to act as an early warning system for any changes to data or reporting that may impact our ability to meet an existing target.

The Chief Financial Officer, a management co-sponsor of the Audit and Risk Committee, is responsible for production of the Group's financial statements, including climate-related market risks connected to our investments.

The Chief Risk Officer, also a management co-sponsor of the Audit and Risk Committee, is responsible for the Company's risk management, including oversight of its risk identification and mitigation activities, implementation of the risk management framework, and reporting on the risk assessments against Board's risk appetite.

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, it is described in the Managing our Risks section of the PensionBee Annual Report 2023.

The Audit and Risk Committee meets at least seven times a year and has ad hoc meetings as and when required.

Investment Committee

The Investment Committee oversees the delivery of PensionBee's Target Review Process. This is the system by which we review baseline and metric choices as the business and market evolves. This includes changes to the boundary or calculation methods that can impact a target as well as oversight over the fund range and our asset managers. The Investment Committee oversees the ESG Policy, including the Company's approach to responsible investment, screening and voting, which is then approved by the Board.

PensionBee's Target Review Process monitors our asset managers and investment plans, data quality and availability of Scope 3 emissions, as well as climate science, sector ambition and calculation methodologies. Any material changes that impact the Company's target or trigger a recalculation of the baseline would be reported by the Investment Committee directly to the Board.

The Investment Committee meets at least three times a year and has ad hoc meetings as and when required.

Maintaining and Enhancing Climate Competence

The Chief Engagement Officer is the owner of Climate Risk, owns our ESG policy and oversees all climate-related reporting and initiatives. The Senior ESG Manager, who reports directly to the Chief Engagement Officer, is a dedicated ESG-focused team member with oversight of the reporting process. The Chief Risk Officer has extensive risk management experience managing across all risks, including Climate Risk and is responsible for risk oversight.

Climate-reporting and TCFD training has taken place with both external expert advisors and our asset managers as they relate to the investment plans. We meet on a regular basis with the TCFD teams of our asset managers. ESG-focused team members have also attended TCFD training workshops delivered by the London Stock Exchange, BlackRock, Deloitte, KPMG and others in relation to our requirements.

In 2023 the Board had a teach-in from Deloitte's Sustainability and Corporate Reporting team on developments in EU and UK sustainability reporting, as well as a number of structured discussions on climate reporting at both the Audit and Risk Committee and the Investment Committee.

We also received regular support from an external sustainability and climate partner, Verco, who assisted with reporting, calculations and formulation of our longer-term roadmap to net zero, in line with best practices for the sector. Verco joined the Board and Executive Management Team teach-ins across the year to enhance and widen our understanding of climate reporting. We continue to work with external experts to ensure our climate-reporting and targets are accurate, consistent and always kept up to date reflecting the latest changes in climate science and metrics.

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 places a strong emphasis on the timely identification, escalation and reporting of risks.

Management's role in assessing and managing climate-related risks through our risk management framework is described in the Managing our Risks section of the PensionBee Annual Report 2023.

2. Strategy

2.1 Climate-related Risk and Opportunity

Climate Risk is included in the Company's internal 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 on an ad hoc basis following any climate-related risk events.

Overall, Climate Risk has been rated as Low based on our assessments of Level 2 risks. Physical risk, classified under the Level 2 category Business Continuity Risk (and to a lesser extent Third Party Supplier Risk), poses a relatively minor risk to the business, given our small physical footprint and cloud-based operations. 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 income statement.	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 resources needed to meet increasing climate-related regulatory, mitigation and adaptation demands also rise.

We are already starting to see increased opportunities through greater capital availability driven by demand from investors for more sustainable investment products, as evidenced by the demand for our newest Impact Plan. We also see an increase in public-sector incentives such as the Mayor's Business Climate Challenge Programme, from whom we received recognition in 2023 for our action to reduce energy consumption.

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 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 quantum of assets which may be stranded may increase with a delay in the transition to net zero. 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 through 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 climate-related issues).

2.2 Impact on the Business

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

As evidenced through our stakeholder engagement, climate-related issues are of importance to our customers and have therefore impacted our product offering. 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 our business and our customers.

As trillions of pounds are invested globally 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. PensionBee's asset managers are members of the Net Zero Asset Managers' Initiative ('NZAMI'). Membership includes a commitment to specifically work in partnership with their asset owner clients on decarbonisation goals, consistent with an ambition to reach net zero emissions by 2050 or sooner across all assets.

PensionBee applies baseline ESG exclusionary screens, where both the asset class and the plan investment objectives allow,[1] and we are working with our asset managers to reduce our holdings in companies that harm the environment through their business activities. We seek to increase screening over time, in-line with the views of our customer base. As of December 2023, >95% of the asset base was screened for thermal coal.[2] Across our plan range, seven out of our eight plans used some ESG-screened or ESG-tilted underlying building blocks.

The Tailored Plan, our default solution and largest plan by customers and assets, has a number of sustainable objectives including climate targets to achieve an absolute reduction of 50% of the carbon emission intensity score over a 10-year period from 2019. BlackRock, the plan's asset manager, has also set a number of criteria relating to positive ESG tilting across the portfolio, to ensure that at least 80% of the underlying funds related to corporate and sovereign issuers are held in ESG optimised or screened funds.

PensionBee offers two fossil fuel free plans, in response to customer demand to completely remove companies that hold fossil fuel reserves, as well as those companies involved in the manufacture, production, sale, distribution and marketing of fossil fuels. The Impact Plan, our newest plan, also goes much further in its exclusionary approach, only investing in companies that are making a material, additional and measurable positive impact on the planet and society through their sole product or service.

PensionBee's Investment Committee assists the Board in discharging its responsibility for oversight of PensionBee's investment proposition, including the selection or change of asset managers and the performance and ESG profile of our plans. The Investment Committee oversees the Target Review Process, monitoring and taking action on any changes that may impact our ability to meet our interim and long-term emissions targets.

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[1] See pensionbee.com/investor-relations/esg for full details on screening by plan.
[2] Fully screened plans include: Tailored, Tracker, Fossil Fuel Free, Pre-Annuity, Impact, and Preserve Plans. The 4Plus Plan's underlying SSGA funds are fully screened for thermal coal, however, as the fund has an actively managed component the managers have discretion to use unscreened third party funds to meet the objective. The Shariah Plan is not screened for thermal coal as the objective of the plan is to invest in line with Islamic values.

Our full set of Company policies are reviewed annually and include the Environmental, Social and Governance Policy, which can be found on the Company's website.

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's Business Climate Challenge, for which we were commended in 2023, as well as adopting our Responsible Supplier Policy and Code of Conduct.

2.3 Resilience of PensionBee Strategy to Climate Change

PensionBee has maintained its relatively small environmental footprint in 2023, 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 2023 was 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 asset managers).

In 2023 we calculated our base year emissions, as the first step towards our commitment to achieve net zero emissions across the entire business by 2050, a goal which would both support both the UK's net zero target for 2050 as well as the global efforts to achieve a societal transition to a low carbon economy. In order to achieve this, we have committed to setting interim targets, which are detailed in Section 4.3 below.

During 2023 we focused on 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. As noted above, given PensionBee's limited direct environmental footprint, we have focused specifically on the Scope 3 emissions within our default plan, the PensionBee Tailored Plan, managed by BlackRock. The Tailored Plan represents a substantial majority of our asset base and, given its global market-oriented asset base, is a reasonable proxy for asset exposures within our other Plans as well.

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 made regarding the ways in which climate-related issues will manifest over the coming years. We therefore worked with BlackRock to consider three scenario types, based on internal BlackRock models:

- 'Orderly transition' scenarios, which assume climate policies are introduced early and become gradually more stringent, reaching global net zero CO_2 emissions around 2050 and likely limiting global warming to below 2°C on pre-industrial averages;
- 'Disorderly transition' scenarios, which assume climate policies are delayed or divergent, requiring sharper emissions reductions achieved at a higher cost and with increased physical risks in order to limit temperature rise to below 2°C on pre-industrial averages; and
- 'Hothouse world' scenarios, which assume only currently implemented policies are preserved, current commitments are not met and emissions continue to rise, with high physical risks and severe social and economic disruption and failure to limit temperature rise.

In the above scenarios, transition risk is defined as the risk to the value of an asset as a result of the transition to a lower carbon economy (i.e. the risk due to the potential changes to the economy from such a transition). Physical risk is defined as the risk to the value of an asset as a result of change to the physical environment from climate change.

Following the industry's common practice in climate regulatory reporting, the 'hothouse world' scenario was defined as the counterfactual base case which assumes no future transition and therefore no associated transition risk; this scenario is assumed to be fully priced into markets and therefore represents no additional risk to security valuation from transition. This scenario does have potential physical climate risk, as defined above, and so we report transition risk for the 'orderly transition' and 'disorderly transition' scenarios, and physical risk for the 'hothouse world' scenario.

Securities within the Tailored Plan were classified as 'high-risk', 'medium-risk' or 'low-risk' depending on how the companies today are exposed to the different scenarios within BlackRock's underlying proprietary climate risk models. The model assumes there are no new business segments in an individual company's response to the transition and so the modelled response takes into account the behaviour and structure of issuers as currently configured without any changes to their activities. In addition to this, similar to any model, assumptions and the quality of data inputs may pose limitations to the accuracy and precision of the scenario outcomes.

The analysis showed what proportion of the portfolio is classified within each category, with the categories defined based on the modelled risk to the valuation of the business within each scenario. The 'high-risk' category contains securities that are estimated to be at risk of a 50% reduction or greater to their current valuation if the assumptions of the model transpire. The medium-risk category contains securities with a risk to valuation between 10% and 50%, and low-risk contains the remaining securities.

None of the securities were classified as 'high-risk' and the overwhelming majority of securities were classified as 'low-risk'. Considering the upper estimate of risk to valuation in the 'low-risk' category, which is 10%, the overall valuation risk to assets within the Tailored Plan and by proxy, the PensionBee investment plans overall, is approximately 10%.

PensionBee's Finance Team then considered the impact on PensionBee's revenue of a 10% reduction in valuation in PensionBee's overall asset base. PensionBee's Revenue is almost entirely derived from fees earned on its Assets under Administration and therefore PensionBee's Revenue is sensitive to changes in market valuations. Because the exact nature of the climate transition is unknown, PensionBee also considered the impact of a 20% Reduction in security valuations for prudence. The impact of a 10% and 20% reduction in valuations would be to reduce PensionBee Revenue by 7.5% and 15% respectively.

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. Climate Risk is one of PensionBee's Principal Risks, and is described in the Managing our Risks section of the PensionBee Annual Report 2023.

Climate Risk drivers can be grouped into categories of sub-risks relevant to PensionBee:

- 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. In 2023 we revisited our ESG Materiality Assessment to ensure our stakeholders' priorities, including climate-related issues, continued to align with our work. Further details are described in the ESG Considerations section of the PensionBee Annual Report 2023.

Climate risks facing the business are managed within the Low risk appetite level set by the Board. The Board confirms its risk appetite for Principal Risks in the Audit and Risk Committee as a part of its review of the Risk Governance Framework twice a year. For most risks, risk appetite is Low. The assessments against the Board's risk appetite are based on an analysis of the impact, likelihood and internal controls related to climate risks. Further details are described in the Managing our Risks section of the PensionBee Annual Report 2023.

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. We estimate the plausible worst-case impact expected over a five-year time horizon.

Assessments are performed of 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, whereas 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. 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.

Active Asset Ownership at PensionBee

PensionBee is an active asset owner, supporting well framed environmental and social resolutions that seek to promote good corporate citizenship while enhancing long-term shareholder and stakeholder value, in line with ISS's Socially Responsible Investment ('SRI') voting policy. From May 2023, 85% of the PensionBee asset base was voted according to this policy.[3] Under the SRI policy, climate risk mitigation requires investee companies that are significant greenhouse gas ('GHG') emitters to demonstrate they are taking minimum steps to be aligned with a net zero by 2050 trajectory or risk a routine vote against their incumbent responsible committee chair or other directors. Expectations include publishing a TCFD disclosure statement, a net zero by 2050 target and setting medium-term targets for reducing GHG emissions. The SRI policy can also vote against directors owing to material ESG failures, including a failure to adequately manage or mitigate ESG risks.

We have a history of working with other institutional investors to publicly endorse climate-related environmental resolutions, including those associated with risks of new fossil fuel financing. We work in coalition with investors who share an ambition to mitigate climate risk in investee companies and as part of a broader movement to increase transparency for and accountability to shareholders in the system. We also do this as part of our vision to live in a world where everyone can look forward to a

[3] Reflects 85% of the Assets under Administration across the Tailored, Tracker and 4Plus investment plans as at 31 December 2023. See definitions described in the Measuring our Performance section of the Strategic Report.

happy retirement.

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 Policy and Incident Management Policy. Through the processes identified above, climate-related risks are identified and monitored effectively within the business. 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 meetings, notifying the Board about the meetings' outcomes. The Risk Management Team is also responsible for performing all second line of defence risk tasks.

In addition to its role in assessing and managing climate-related issues, 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 within the Company that 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 exposure to climate-related risks and opportunities.

These currently include energy and emissions as part of our SECR reporting obligations, our TCFD reporting and our public commitment to achieve net zero emissions by 2050.

The range of portfolio metrics (and units) we used for reporting in 2023 were:

- Weighted average carbon intensity ('WACI') (tonnes CO_2e per $m Revenue)
- Carbon intensity (tonnes CO_2e per $m)
- Absolute emissions (Scope 1 and 2) (tonnes CO_2e)
- Data quality reported / estimated (%).

For our Scope 1 and 2 operational emissions we use an absolute emissions metric (tonnes CO_2e), as per the SECR guidance.

For Scope 3 (Category 15 GHG Protocol) emissions reporting, TCFD recommends that asset owners and asset managers disclose the WACI of their portfolios in tCO_2e / million revenue. In accordance with the guidance we have used this metric for our first year of Scope 3 emissions reporting.

We are committed to ensuring that we use the most up to date and relevant calculation methodologies as climate science for our sector evolves. Our metrics are reviewed regularly as part of our Target Review Process, which is overseen by the Board.

4.2 Emissions

Scope 1 and 2 Emissions

GHG Emissions	2021		2022* Base Year		2023	
	Tonnes CO_2e	tCO_2e / £m Revenue[4]	Tonnes CO_2e	tCO_2e / £m Revenue[5]	Tonnes CO_2e	tCO_2e / £m Revenue[6]
Scope 1[7]	-	-	-	-	-	-
Scope 2 GHG Emissions (location-based)[8]	8.36	0.64	12.07	0.67	9.91	0.42
Scope 2 GHG Emissions (market-based)[9]	-	-	-	-	-	-

[4] 2021 Revenue of £12.8m.
[5] 2022 Revenue of £17.7m.
[6] 2023 Revenue of £23.7m.
[7] Scope 1 being emissions from the Company's combustion of fuel and operation of facilities. PensionBee generates no Scope 1 emissions.
[8] Scope 2 being electricity (from location-based calculations), heat, steam and cooling purchased for the Company's own use.
[9] Scope 2 being electricity (from market-based calculations), heat, steam and cooling purchased for the Company's own use.

Scope 3 (Category 15 GHG Protocol) Emissions

	2019* Base Year	2022
Weighted Average Carbon Intensity (CO_2e / $m Revenue)	178.4 tCO_2e / $m Revenue	121.3 tCO_2e / $m Revenue

4.3 Targets

In 2021 we began reporting our Scope 1 and 2 absolute emissions. As we moved into new long term office premises in 2022, we are using this as our base year. In 2023 our operational emissions were 9.91 tCO_2e. This encompasses purchased electricity for leased office space. All our electricity is 100% renewable REGO certified.[10] PensionBee generates no Scope 1 emissions.

In 2023, with support from technical specialists, we calculated our Scope 3 (Category 15) emissions, the financed emissions from our investment portfolio.. For Scope 3 emissions we are using 2019 as our base year, to mirror the base year for our default plan Tailored, representing the vast majority of our asset base. We back-cast emissions data to 2019 from other plans to obtain Scope 3 emissions for 97% of the asset base by Assets under Administration ('AUA') value, against a target ambition of 90% coverage.[11] Base year metrics have been calculated on fund holdings as of 31 December 2019. In 2019 our scope was 97% of Scope 3 (Category 15) emissions by AUA value and the baseline WACI value was 178.4 tCO_2e / $m revenue.

As a result of the lag in asset managers obtaining emissions data from third party providers, we have reported Scope 3 emission data one year in arrears.[12] In 2022 our Scope 3 (Category 15) emissions were for 97% of the portfolio by AUA value and our WACI value was 121.3 tCO_2e per $m Revenue.

As a result of this data calculation, PensionBee is now able to set near-term (interim) targets for 2030 and long-term net zero targets for 2050. These targets are aligned with the Paris Agreement and are consistent with emissions reductions required to keep warming within 1.5°C by 2100.

Near-term (interim) Targets for 2030

PensionBee has committed to reducing Scope 1 and 2 GHG emissions 38% by 2030 from a 2022 baseline. Our near-term target for Scope 1 and 2 emissions by 2030 is 7.5 tCO_2e.

The Company has also committed to reduce Scope 3 (Category 15) emissions associated with the investment portfolio by 50% by 2030 from a 2019 baseline. Our near-term target for WACI is 89.2 tCO_2e / $m Revenue by 2030.

Long-term ('net zero') Targets for 2050

PensionBee has committed to achieving a long-term Paris-aligned reduction in GHG emissions across all operations and investments.

To achieve this, PensionBee will reduce Scope 1 and 2 GHG emissions by 90% by 2050 from a 2022 baseline. Our long-term target for Scope 1 and 2 absolute emissions by 2050 is 1.2 tCO_2e.

The Company will also reduce Scope 3 (Category 15) emissions associated with the investment portfolio by 90% by 2050 from a baseline of 2019. The long term target for WACI is 17.8 tCO_2e per $m Revenue by 2050.

[10] The Renewable Energy Guarantees of Origin ('REGO') scheme provides transparency to consumers about the proportion of electricity that suppliers source from renewable electricity. It provides certificates called REGOs which demonstrate electricity has been generated from renewable sources.
[11] Key metrics have been summarised for PensionBee's four largest investment plans by assets as fund holdings as at 31 December 2022 (Tailored, Tracker, 4Plus and Fossil Fuel Free), which made up 97% of the asset base.
[12] PensionBee will therefore be reporting Scope 3 emissions data one year in arrears going forward, with 2023 data reported as part of our 2024 Annual Report disclosure. We will monitor changes to the availability of third party emissions data from managers, to align Scopes 1 and 2 and Scope 3 reporting in the future.

Target Detail 2030

Target element	Scope 3 (Category 15)	Target element	Scope 1 and 2
Base year	2019	Base year	2022
Target year	2030	Target year	2030
Metric	WACI	Metric	Absolute emissions
Baseline value	178.4 tCO2e/$mn revenue	Baseline value	12.07 tCO2e
Target value	89.2 tCO2e/$mn revenue	Target value	7.51 tCO2e
Target ambition	50%	Target ambition	37.8%
Coverage	97%	Coverage	100%

Target Detail 2050

Target element	Scope 3 (Category 15)	Target element	Scope 1 and 2
Base year	2019	Base year	2022
Target year	2050	Target year	2050
Metric	WACI	Metric	Absolute emissions
Baseline value	178.4 tCO2e / $mn revenue	Baseline value	12.07 tCO2e
Target value	17.8 tCO2e/$mn revenue	Target value	1.21 tCO2e
Target ambition	90%	Target ambition	90.0%
Coverage	97%	Coverage	100%

Commitment to Review

The Company has also made a commitment to review target ambition and metrics regularly (at least every five years) to ensure that we remain aligned with the best understanding of the science required to achieve 1.5°C limited warming by 2100. This forms the basis for our Target Review Process, which is overseen by the Investment Committee and Board (refer to Section 1.1 for more details).