Task Force on Climate-related Financial Disclosures

We are pleased to present our third year of the Task Force on Climate-related Financial Disclosures ('TCFD'). We have 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, as outlined in SECR. We are pleased in our third reporting year to continue to disclose Scope 3 financed emissions (category 15) for the majority of the asset base. In addition, we have expanded our Scope 3 disclosure to include additional categories of Scope 3 for operational emissions that are material to the Company.

In accordance with Paragraph 8(a) of UK Listing Rule 6.6.6R, 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 were able to set near-term ('interim') targets for 2030 and long-term ('net zero') targets for 2050, last year. These targets are detailed as part of our 2024 disclosure below. We continue to commit to these science-based targets in line with the 1.5C goals of the Paris Agreement.[1]

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	●

[1] The Paris Agreement is a legally binding international treaty that aims to reduce greenhouse gas emissions and limit global warming. It was adopted in 2015 at the UN Climate Change Conference (COP21) in Paris, France, and entered into force in November 2016. Its overarching goal is to hold 'the increase in the global average temperature to well below 2°C above pre-industrial levels' and pursue efforts 'to limit the temperature increase to 1.5°C above pre-industrial levels.

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

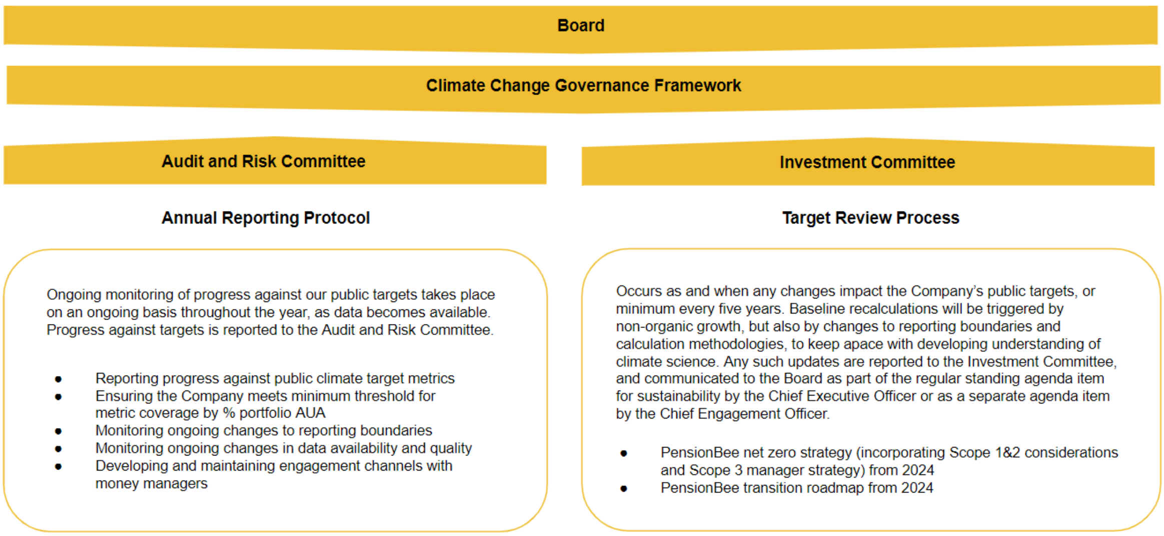
PensionBee has made a public commitment to achieve net zero emissions across the entire business by 2050. Progress towards this commitment is monitored and overseen by the Board, both annually and on an ongoing basis where required. Day to day accountability for climate matters is delegated to Executive 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, owns 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.



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.

In 2024, matters related to climate, sustainability and the reporting back of progress against our public targets took place on multiple occasions, including at the Board, 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).

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, asset stewardship and related activities. There are two dedicated ESG-focused team members who report directly to the Chief Engagement Officer. The ESG Manager leads on climate reporting, working directly with asset managers, building managers and technical consultants to obtain and analyse emissions data throughout the year, tracking ongoing progress against targets as part of our annual report back to the Audit and Risk Committee. The Senior ESG Manager leads on wider sustainability initiatives connected to our investment range, including but not limited to customer engagement on voting, climate, ESG and active asset ownership. 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. PensionBee meets on a regular basis with the TCFD and climate reporting teams of our asset managers, and we are pleased to say that in 2024 there has been a marked increase in the quality and availability of data from all our asset managers.

ESG-focused team members have also attended climate-related workshops delivered by the London Stock Exchange, BlackRock, Deloitte, KPMG and others in relation to our requirements. In 2024, additional climate reporting training was provided by the United Nations Global Compact for the ESG Managers to enhance their knowledge on GHG emissions that are associated with business operations, including financed emissions, calculation methodologies, net zero standard and science-based targets and initiatives.

In 2024, the Board had a teach-in on 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 our long-standing external sustainability and climate partner, Verco, who assisted with updating emission boundaries, calculations and formulation of our ongoing progress against net zero targets, in line with best practice for the sector. 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.

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	Exclusionary screens are applied to the majority of our funds to reduce harmful exposures to thermal coal and oil sands. In 2024, we updated our fossil fuel free offering to a Paris-aligned Climate Plan, to reduce carbon emissions intensity by 10% a year. 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 regulatory regime for listed UK businesses/pension schemes 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. In 2024, we reached out to customers in our Fossil Fuel Free Plan to ensure that their changing views and expectations continued to be reflected in the plan's exclusionary approach and objectives. We learnt that customers want their pension to decrease exposure to carbon intensive industries over time and invest more in green revenues. Customers also told us they expect their pension investments to align with international climate change agreements.

In response to this customer feedback we began working on a new Climate Plan, with an expanded set of exclusionary criteria, aligning with the 1.5C goals of the Paris Agreement and with a focus on decreasing emissions and green revenues. In late 2024, we moved all customers from the Fossil Fuel Free Plan to the Climate Plan. The Climate Plan tracks a MSCI Paris-Aligned Benchmark with a market-leading decarbonisation pathway of 10% year-on-year and was designed in collaboration with State Street Global Advisors.

The Climate Plan helped us meet the changing requirements of our customer base and will play an important role in helping us manage Climate Risk by decarbonising our own investment portfolio, in line with our public net zero commitments.

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 climate-related 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.

PensionBee applies baseline ESG exclusionary screens to the UK investment plan range, where both the asset class and the plan investment objectives allow,[2] 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 2024, more than 99% of the asset base was screened for thermal coal.[3] 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.

In 2024, PensionBee launched a new Climate Plan, the latest in a series of the Company's customer-led plan innovations for the UK pensions market, in response to a growing desire by our customers to evolve how they invest, in line with their values. The plan tracks a Paris Aligned Benchmark ('PAB'). PAB minimum standards include, but are not limited to, a set of baseline exclusions and a 75 minimum year-on-year decarbonisation pathway as defined by the EU Climate Benchmark Regulations. The decarbonisation pathway aims to reduce the carbon intensity over time. This rate is in line with the Intergovernmental Panel on Climate Change forecasts.

Our Climate Plan surpasses PAB minimum standards by decarbonising at a rate of 10% year-on-year, but also excluding fossil fuel companies and companies identified as involved in unsustainable palm oil, weapons, gambling and environmental controversies.

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.

[2] See pensionbee.com/uk/esg-policy for full details on screening by plan.
[3] 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.

In 2024, we expanded the disclosure of our indirect GHG Scope 3 emissions to look at Categories 1 to 14. Of those categories relevant to the Company's products and services, these new emissions only represent 1.36% of the Company's total Scope 3 emissions (the rest being Category 15, from our UK investment plan range). We have also taken steps in our direct operations to reduce waste and to increase our use of renewable electricity, as well as conducting a quarterly internal energy audit, and adopting our Responsible Supplier Policy and Code of Conduct.

2.3 Resilience of PensionBee Strategy to Climate Change

As an online pension provider primarily using cloud-based technology, PensionBee has maintained its relatively small environmental footprint in 2024. We now have two small offices, in London and New York, but offer fully flexible, remote working to employees and continue to be a paperless pension provider with Cloud-based servers.

Our efforts in 2024 were focused on gaining a better understanding of the Scope 3 emission categories that are material to our business. In addition to Category 15 (Financed Emissions) we have identified Category 1 (Purchased Goods and Services), 3 (Fuel-and Energy-related Activities, not included in Scope 1 and 2), 5 (Waste Generated in Operations), 6 (Business Travel), 7 (Employee Commuting), and 11 (Use of Sold Products) as being relevant to our business.

Category 11 (Use of Sold Products) and web-based app emissions measurement is still a newly emerging area. Due to a lack of standardised industry methods for measuring the emissions of apps, we have decided to wait another year for a more accurate approach. Additionally, the footprint of this category is relatively insignificant compared to the rest of PensionBee's activities. We will enhance our data quality over time as industry standards evolve.

Scope 3 Assessment Boundary - GHG Protocol

The table below demonstrates the GHG Protocol scope categories included within the assessment. This includes a description of the operations included within the assessment, and reasons why we excluded various scope categories.

Scope	Scope Category	Included within Assessment	Description
3	**3.1 Purchased goods and services**	Y	These emissions are associated with the purchase of marketing, technology, consulting, and finance services. Additionally, emissions associated with the sponsorship of Brentford Football Club have been included.
	3.2 Capital goods	N	PensionBee has no capital goods.
	3.3 Fuel and energy-related activities	Y	These emissions accounting for the London office's 2023 energy consumption have been included in the GHG assessment boundary.
	3.4 Upstream transportation and distribution	N	PensionBee has no upstream transportation or distribution.
	3.5 Waste generated in operations	Y	All waste generated in operations at the London office has been calculated in this assessment.
	3.6 Business travel	Y	Air travel, hotel stays, train travel and road travel have all been included in this calculation.
	3.7 Employee commuting	Y	The calculation includes emissions associated with the commuting of PensionBee employees.
	3.8 Upstream leased assets	N	PensionBee has no upstream leased assets.
	3.9 Downstream transportation and distribution	N	PensionBee has no downstream transportation or distribution.
	3.10 Processing of sold products	N	PensionBee has no processing of sold products.
	3.11 Use of sold products	N	PensionBee has excluded sold products from its GHG inventory for 2023 due to a lack of standardised industry methods for measuring the emissions of app data and also the category's immateriality relative to the emissions from PensionBee's activities.

	3.12 End-of-life treatment of sold products	N	PensionBee has no end-of-life treatment of sold products.
	3.13 Downstream leased assets	N	PensionBee has no downstream leased assets.
	3.14 Franchises	N	PensionBee has no franchises.
	3.15 Investments	Y	These emissions associated with PensionBee's investment portfolio have been calculated using a methodology outlined by Verco.

In 2023, we took our first step towards our commitment to achieve net zero emissions across the entire business by 2050, a goal which would 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 committed to setting interim targets, which are detailed in Section 4.3 below.

In 2024, we continued to build the resilience of our overall strategy to climate-related issues under different future scenarios, and how we may need to adapt to meet the challenges of each. As noted above, given PensionBee's limited direct environmental footprint, we 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.
- '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 valuations. 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.

Assets 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 assets 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 assets with a risk to valuation between 10% and 50%, and low-risk contains the remaining assets. None of the assets in Tailored were classified as 'high-risk' and the overwhelming majority of assets were classified as 'low-risk'.

PensionBee's new default solution will bring additional carbon emissions reduction from 2025 onwards. So when considering the upper estimate of risk to valuation in the 'low-risk' category, which is 10%, the overall valuation risk to assets and by proxy, the PensionBee investment plans overall, is approximately 10%.

PensionBee's Finance Team has 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 is therefore 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 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. Climate 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.

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 Risk 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.

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.

3.2 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 December 2024, 94% of the PensionBee asset base was voted according to this policy.[4] 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 enjoy a happy retirement.

3.3 Management and Response

Further details are set out in the Managing our Risks section of the Strategic Report.

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 2024 were:

- Weighted Average Carbon Intensity ('WACI') (tonnes CO_2e per $m Revenue)
- Carbon Footprint (tCO2e / $m Invested)
- Carbon Intensity (tonnes CO_2e per $m Invested)
- Absolute Carbon Emissions (Scope 1 and 2) (tonnes CO_2e)

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 (Categories 1-14 GHG Protocol) emissions reporting, we are disclosing relevant categories on a voluntary basis to enhance our emission reporting transparency. For these categories, we use tCO2e as the metric to provide a standardised measure as it allows emissions from different sources to be expressed on a common scale.

For Scope 3 (Category 15 GHG Protocol) emissions reporting, TCFD recommends that asset owners and asset managers

[4] Reflects 94% of the Assets under Administration across the Tailored, Climate, Tracker and 4Plus investment plans as at 31 December 2024.

disclose the WACI of their portfolios in tCO_2e / $ million Revenue. In accordance with the guidance we continued to use this metric for our second year of Scope 3 emissions reporting. This year we have also begun disclosing Carbon Footprint and Absolute Carbon Emissions metrics for Scope 3, as the availability and accuracy of data from our money managers has continued to improve.

We are committed to ensuring that we use the most up to date and relevant calculation methodologies as climate science for our sector, as it 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		2024	
	Tonnes CO_2e	tCO_2e / £m Revenue[5]	Tonnes CO_2e	tCO_2e / £m Revenue[6]	Tonnes CO_2e	tCO_2e / £m Revenue[7]	Tonnes CO_2e	tCO_2e / £m Revenue[8]
Scope 1[9]	-	-	-	-	-	-	-	-
Scope 2 GHG Emissions (location-based)[10]	8.36	0.64	12.07	0.67	9.91	0.42	9.30	0.28
Scope 2 GHG Emissions (market-based)[11]	-	-	-	-	-	-	-	-

Scope 3 (Categories 1-15 GHG Protocol) Emissions

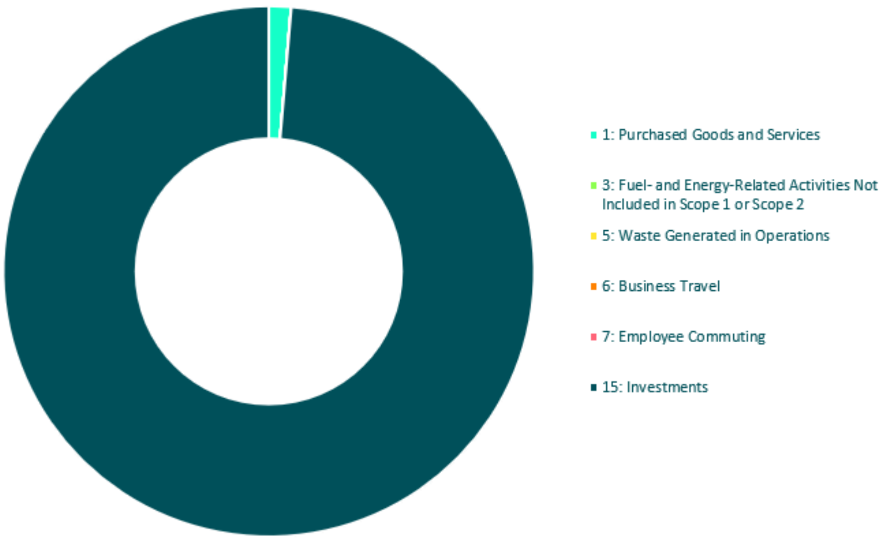
	2023 (tCO2e)	2023 (%)
Category 1: Purchased Goods and Services	2,139	1.35%
Category 3: Fuel- and Energy-Related Activities (Not Included in Scope 1 or Scope 2)	3.2	0.002%
Category 5: Waste Generated in Operations	1.1	0.001%
Category 6: Business Travel	12.9	0.008%
Category 7: Employee Commuting	1.0	0.001%
Category 15: Investments	156,963	98.64%
Total	**159,121**	**100%**

Scope 3 (Category 15 GHG Protocol) Emissions

[5] 2021 Revenue of £12.8m.
[6] 2022 Revenue of £17.7m.
[7] 2023 Revenue of £23.7m.
[8] 2024 Revenue of £33.2m.
[9] Scope 1 being emissions from the Company's combustion of fuel and operation of facilities. PensionBee generates no Scope 1 emissions.
[10] Scope 2 being electricity (from location-based calculations), heat, steam and cooling purchased for the Company's own use.
[11] Scope 2 being electricity (from market-based calculations), heat, steam and cooling purchased for the Company's own use.

	2019* Base Year	2022	2023
Weighted Average Carbon Intensity (tCO_2e / $m Revenue)	178.4	121.3	76.9
Carbon Footprint (tCO2e / $m invested)	-	-	125.4
Absolute Carbon Emissions (tCO2e)	-	-	156,963

Summary of PensionBee's Scope 3 Emissions Categories



4.3 Targets

We began reporting our Scope 1 and 2 absolute emissions in 2021. In 2022, we moved into new long term office premises in the UK, so we have used this as our base year. In 2024, our operational emissions globally were 9.30 tCO_2e. This encompasses purchased electricity for leased office space. PensionBee generates no Scope 1 emissions. Notwithstanding our increase in global office space, we've continued to make progress towards our Scope 1 and 2 targets in 2024.

For Scope 3 (Category 15 GHG Protocol) emissions, we used 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. Base year metrics were 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 continue to report Scope 3 emission data one year in arrears. In 2023, our Scope 3 (Category 15) emissions were for 97% of the portfolio by AUA value and our WACI value was 76.9 tCO_2e per $m Revenue, a marked decrease from 2022. Additionally we've introduced two new metrics, Carbon Footprint (tCO2e / $m invested) and Absolute Carbon Emissions (tCO2e) for 2023. We've added these in to start to move away from a reliance on WACI as our sole metric for Scope 3 data, as WACI is sensitive to market movements.

In 2023, PensionBee 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. We remain committed to tracking our progress and targets and adjusting them as needed to ensure these targets are met.

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 reducing 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 / $m Revenue by 2050.

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 our Board (refer to Section 1.1 for more details)