fisherfunds

# Climate Statement

## Fisher Funds KiwiSaver Scheme

July 2025

## Contents



This Climate Statement is signed on behalf of the Fisher Funds Board by:

**David Clarke**
Chair

Dated: 22 July 2025 | 6:56 PM NZST

**Guy Roper**
Chair of the Audit and Risk Committee

Dated: 22 July 2025 | 10:57 AM NZST

*Cover photo: Matt Logan*





# Introduction

This climate statement has been prepared in line with the disclosure requirements as set out in New Zealand's mandatory climate-related reporting requirements.

## About the Fisher Funds KiwiSaver Scheme

The Fisher Funds KiwiSaver Scheme ('the Scheme') is a managed investment scheme. Fisher Funds Management Limited ('Fisher Funds') is the manager of the Scheme.

Fisher Funds invests clients' money and charges them a fee for its services. The returns clients receive are dependent on the investment decisions of Fisher Funds and the performance of the investments. These decisions include decisions on climate-related risks and opportunities.

At the date of publication of this statement, the Scheme is closed to new members. For more information about the Scheme, see the Fisher Funds website.

Photo: Matt Logan



## This climate statement

Fisher Funds is a Climate Reporting Entity (CRE) under the Financial Markets Conduct Act 2013.

This is the second climate statement for the Scheme and is for the period 1 April 2024 to 31 March 2025.

This climate statement complies with the Aotearoa New Zealand Climate Standards issued by the External Reporting Board (XRB). It is set out in the following sections: Governance, Strategy, Risk management, Metrics and Targets, including fund information (which includes information at a fund level). Scheme-level information applies to all funds in the Scheme, and fund information applies only to a specific fund within the Scheme.

This climate statement accompanies the Statement of Investment Policy and Objectives (SIPO) and other documents, which can be found on the Fisher Funds website.

## Adoption provisions

Fisher Funds has taken the extended adoption provisions as detailed in Amendments to Adoption of Aotearoa New Zealand Climate Standards 2024 (mandatory from 1 January 2024, NZ CS 2):

- Scope 3 GHG (greenhouse gas) emissions for an additional year (and related extensions to the adoption provisions relating to comparatives for scope 3 GHG emissions and analysis of trends)
- Anticipated financial impacts for an additional year.

See Appendix 2.

## Reasonable care

This climate statement is not financial advice and is unaudited. Readers are advised to seek financial advice before acting or relying on any information in this climate statement.

This climate statement contains climate-related disclosures that reflect forward-looking analysis, including climate-related risks and opportunities and scenario analysis relevant to the Scheme.

While reasonable care has been taken in their preparation, these disclosures should not be considered a forecast of climate, investment, performance, financial or other outcomes. The identified climate-related and transition risks and opportunities and scenarios may not eventuate and if they do, the actual impacts may differ materially from what is described.

In addition, there are limitations to the data and data modelling methodology used in this disclosure. All due care has been taken in the collection and modelling of data used, however, no warranties are made that the data, or reports generated using the data, are complete and error-free. The climate impact data used in this climate statement was provided by Institutional Shareholder Services (Australia) Pty Limited ('ISS ESG') as at 31 March 2025. ISS ESG gathers emissions data from publicly available sources (public filings) or creates modelled data using its proprietary sector classifications and financial information. ISS ESG's methodology, calculations and models, do not always align with the Partnership for Carbon Accounting Financials (PCAF) standard. Data was not publicly available for all securities held and ISS ESG modelling has been applied in those cases.

The underlying emissions calculation used by ISS ESG was not made available for independent assurance due to intellectual property constraints. ISS ESG updates its data sets regularly and retrospectively and as such, results in reports generated from ISS ESG data may vary depending on the date a report is run. Where this creates a material difference in reporting, such data may need to be restated in future climate statements.

# Governance

This section details Fisher Funds' responsibilities in relation to the governance and management of climate-related risks and opportunities.

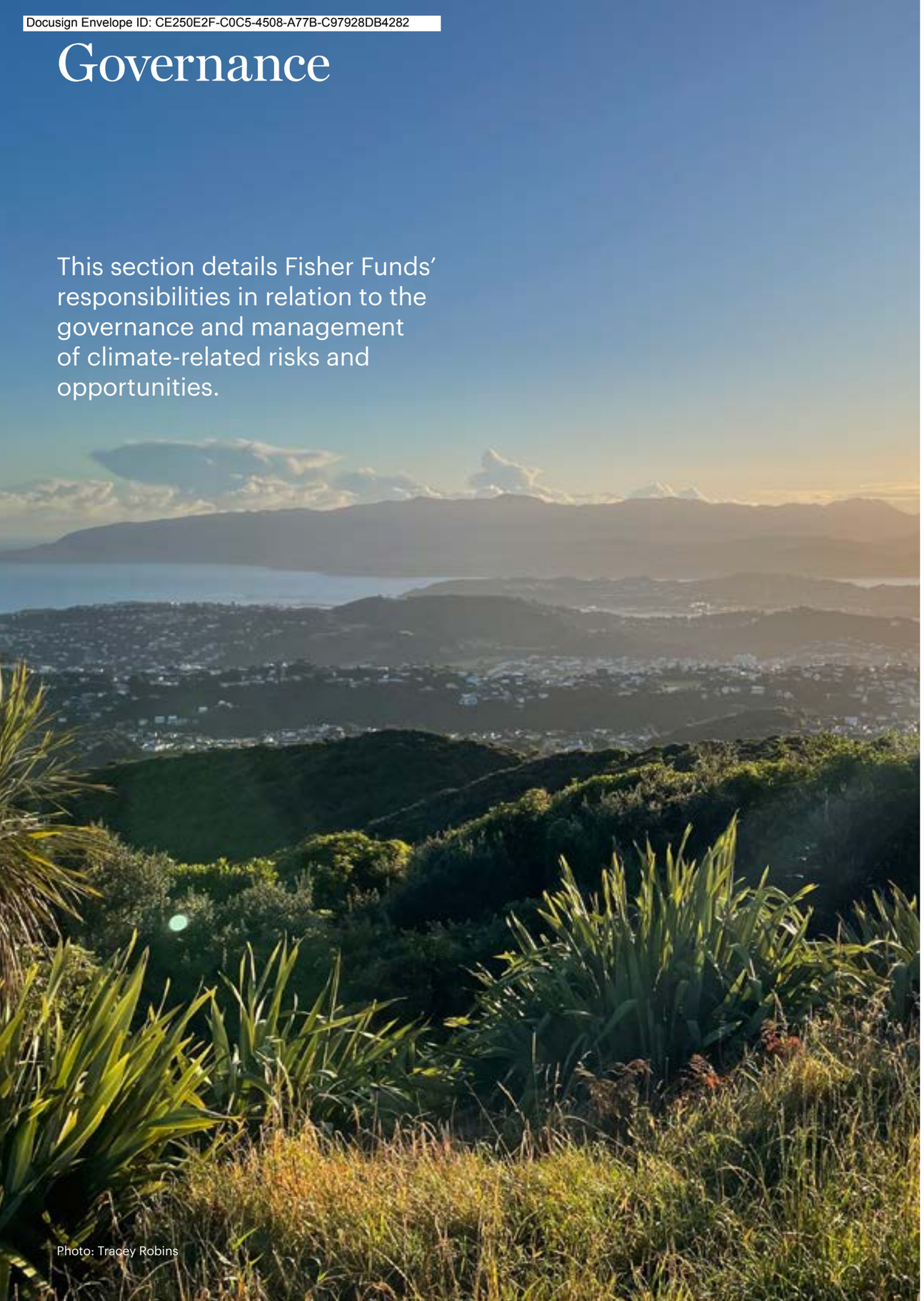


Photo: Tracey Robins



## 02
## Governance

# Fisher Funds governance and management of climate-related risks and opportunities

The Fisher Funds' Board ('Board') recognises the importance of good corporate governance and is committed to ensuring that the Scheme meets best practice governance principles to the extent that they are appropriate for the Scheme's operations.

Corporate governance comprises the principles, practices and processes that determine how a company or other entity[1] is directed and controlled. Good corporate governance supports investor confidence. It is also critical to promoting and facilitating fair, efficient and transparent financial markets. Good corporate governance allows directors and executives to focus on growth, value creation and long-term sustainability.

Principles for good corporate governance include having:

- high standards of ethical behaviour throughout an organisation
- transparent, fair and reasonable remuneration for directors and executives
- a board with a balance of skills, knowledge, experience, independence and perspectives
- a board that respects the rights of stakeholders.

The Board is responsible for establishing and implementing Fisher Funds' corporate governance framework. It is committed to fulfilling this role according to best practice, having appropriate regard to applicable laws and the Financial Markets Authority's Corporate governance in New Zealand — Principles and guidelines and more recently, the joint Reserve Bank of New Zealand/Financial Markets Authority – Governance Thematic Review (2023).

*[1] A scheme can hold shares issued by an entity, and it can hold other types of securities (e.g. debt or cash) issued by a variety of different organisations (e.g. government or partnership). For this reason, we refer to 'entity' in this climate statement to cover all types of issuers.*

Photo: Sabrina Qi

## Board membership

The Board has 4 board subcommittees (Audit and Risk, Investment Strategy, People and Culture, and Nominations).

Proportionate membership of the Board is determined by the Shareholders Agreement between Toi Foundation Investments Limited ('Toi'), Fisher Funds' ultimate shareholder, and TA Associates, the minority shareholder. Subject to the Shareholders' Agreement, Fisher Funds' Nominations Committee advises the Board and facilitates liaison between the Board and the shareholders to support selection of Directors who are best able to discharge the responsibilities of directors having regard to the law and best practice governance standards while achieving an appropriate balance of skills, knowledge, experience and diversity on the Board.

The balance of skills, knowledge, experience, independence and perspectives for the Board are considered for each Director appointment.

Directors are expected to take individual accountability to maintain relevant competency as part of their directors' duties. These steps enable the Board to provide skills and competencies for oversight of the Scheme's climate-related risks and opportunities. Details about the directors, including their experience and background, are available on the Fisher Funds website.

The Board meets at least 6 times a year and may schedule extra meetings as needed to fulfil its responsibilities. During the year to 31 March 2025, the Fisher Funds Board met 11 times and climate-related issues were discussed at 6 of these meetings.

For additional information, refer to the relevant Board and Board subcommittee charters available on the Fisher Funds website.

# Governance process

The Board is the governance body responsible for oversight of climate-related risks and opportunities. The Board's oversight of climate-related risks and opportunities is described in this section.

Fisher Funds utilises two Board subcommittees to assist the Board's oversight of climate-related risks and opportunities and approval of climate-related materials. These are the Audit and Risk Committee (ARC) and the Investment Strategy Committee (ISC).

The ARC's role is to review and approve the Scheme's climate statement produced by senior management of Fisher Funds ('Management') together with any associated auditor's report. The ARC is comprised of three directors of Fisher Funds and meets at least three times per year.

The ISC's role is to approve the climate-related risks and opportunities, metrics and targets, scenario analysis and strategies identified and developed by Management. The ISC also monitors progress against the metrics and targets. The ISC is comprised of three directors of Fisher Funds and meets at least three times per year.

Figure 1 shows how the Board, ISC and the ARC oversee the preparation of the Scheme's climate statements.

Management assesses and manages climate-related risks and opportunities through the Environmental, Social and Governance (ESG) Committee. Review and oversight of climate-related risks and opportunities, metrics and targets, scenario analysis and strategies are undertaken by the ESG Committee. The ESG Committee is a Management-appointed committee (more detail about the work of this committee is set out in the ESG Committee section).

The ESG Committee receives regular reporting from the Chief Investment Officer and personnel who report to that role within the Investment Management Team (IMT), including the Responsible Investment Team (RI Team). Details about the key employees in the IMT, including their experience and background, are available on the Fisher Funds website.

The process followed by the various governance functions to oversee the Scheme's climate-related risks and opportunities and produce the annual climate statement is set out as follows:

1. Climate-related roles and responsibilities are assigned to the IMT by the Chief Investment Officer.
2. Through scenario analysis, the IMT completes an assessment of climate-related and transition risks and opportunities and, where material, these risks and opportunities are factored into investment decisions.
3. The IMT also develops a transition plan, climate-related metrics and targets, the climate strategy and prepares an initial draft of the annual climate statement. The IMT presents these materials to the ESG Committee for endorsement.
4. Climate-related reporting endorsed by the ESG Committee is provided to the ISC by the Chief Investment Officer for approval.
5. Following ISC approval, the finalised metrics and targets and any climate strategy changes are incorporated into a draft climate statement for the Scheme by Management. For the current period, the Board delegated authority to two directors to work with Management to review and to endorse the metrics and targets and climate strategy to ensure production of the Scheme's climate statement was not delayed at ISC approval stage.
6. Each year Management provides a draft climate statement for the Scheme to the ARC, together with any associated auditor's report (where required in future years) and the climate-related strategy and metrics and targets approved by the ISC ('climate-related materials').
7. The ARC reviews the climate-related materials and receives any applicable auditor's report. It then makes its recommendation to the Board regarding approval of those materials.
8. Once Board approval is given, Management is authorised to disclose the Scheme's climate statement.

In addition, updates regarding climate statement progress and activities are provided to the Board on an ad hoc basis at Board meetings.

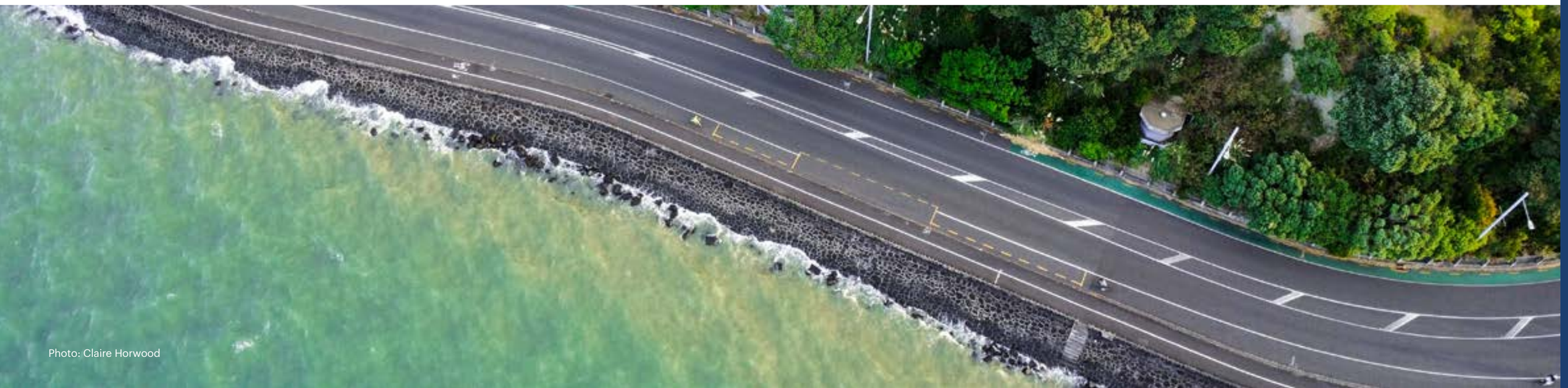


Photo: Claire Horwood

## Governance process


*Figure 1: CRD Governance Structure*

## ESG Committee

The ESG Committee is a Management-appointed committee. Members include the Chief Executive Officer, General Counsel, Chief Investment Officer, Chief Investment Strategist and the General Manager, Responsible Investments (RI). The ESG Committee meets bi-monthly or at a minimum of five times a year.

The ESG Committee Charter was last updated in February 2024.

## Incentives and remuneration

Fisher Funds did not incorporate specific climate-related performance metrics into its remuneration policies during the period. As a result, no Management remuneration was linked to climate-related risks and opportunities in the period.

# Strategy

This section details how climate change may impact the Scheme in the future. It also sets out Fisher Funds' Investment Strategy and Climate Risk Assessment Framework.

Photo: Claire Horwood



## 03
## Strategy

## Fisher Funds' investment strategy

Fisher Funds' active investment strategy is known for its research and fundamentals-based approach to investing. This bottom-up approach allows Fisher Funds to be highly selective when evaluating securities to be included in investment portfolios.

Fisher Funds investment strategy (also referred to as 'investment approach') identifies high-quality and growing entities to invest in, in New Zealand and across the globe. The IMT seeks businesses that have competitive advantages, long runways for growth, and talented management teams that are aligned with long-term shareholders' expectations. When such opportunities are found, the aim is to take relatively meaningful positions and hold those positions for the long term. This approach can also support Fisher Funds in its transition planning.

Although Fisher Funds is a long-term investor, investments are closely monitored. This includes looking at both the potential risks and returns of every investment. Climate risk to the funds, including the financial impact of transitioning to a lower carbon economy, is one of the many factors considered when making investment decisions. As such, no priority is given to climate-related risk above any other risk. Holdings may be adjusted to reflect any updated assessment of future risks and returns.

Responsible Investing is a core part of Fisher Funds' investment strategy and philosophy. Alongside financial fundamentals, environmental, social and governance (ESG) factors are considered, together with how these factors may impact an entity's long-term performance. This combined with Fisher Funds' active stewardship approach, including engagement, forms a key part of its overall responsible investment framework. More information about Fisher Funds' approach to Responsible Investment can be found on its website.

## Fisher Funds' engagement approach

Fisher Fund's fundamentals-based approach to investing requires multiple levels of transparency to enable robust assessment of investment risks and opportunities. Fisher Funds values transparency for trust and alignment between investors and entities that it invests in. Fisher Funds believes strong governance supports outcomes. As part of Fisher Funds' stewardship approach and as an active manager, Fisher Funds votes in line with its Proxy Voting Policy on ESG issues. Fisher Funds' Stewardship Report can be viewed here.

Engagements can cover a wide range of ESG factors, including climate, director elections, remuneration, supply chain, and health and safety. Engagement occurs directly through IMT and via Columbia Threadneedle Investments' Responsible Engagement Overlay (reo®) service (for international holdings). Engagement is an effective tool to achieve better outcomes. It may also enable Fisher Funds to drive meaningful change, either directly and/or in collaboration with other investors.

Engagements performed by the IMT can be proactive or reactive depending on the circumstances. Engagements that are undertaken take time (sometimes months or years) depending upon the issue. When discussions stall, escalation occurs when necessary, in several ways, with Senior Management or Board members, voting on resolutions or, in extreme circumstances, divesting from a holding. Divestment decisions regarding controversies rest with the ESG Committee.

In last year's climate statements Fisher Funds committed to engaging with the upper quartile of entities in the highest emitting sectors that did not have any science based targets (SBTs). Engaging in this way assists Fisher Funds in managing climate risks and supports the transition to a lower carbon future. This also supports Fisher Funds' transition planning process.

During the last 12 months the RI Team has engaged directly with entities on climate-related disclosure and the reo® service also engaged on climate-related themes, such as energy transition, emissions management, disclosure and transparency, climate change finance and lobbying supporting the transition.

Please refer to the Metrics and Targets sections for more metrics for the current reporting period, which includes SBTs.

Photo: Claire Horwood

## Fisher Funds' integration of climate considerations

As noted in the Fisher Funds Investment Strategy section, through the fundamentals-based investment process, climate-related risks and opportunities are considered. The Climate Risk Assessment Framework (CRAF) is a standalone assessment framework developed by Fisher Funds (see Figure 2) along with the current transition plan. This assessment process, the transition plan and their application to the investment strategy, may change over time in response to emerging climate-related and transition risks and opportunities.

## Transition Plan

The following activity in relation to transition planning was undertaken in the reporting period:

- A comprehensive climate-related and transition risk and opportunity assessment was conducted across all Fisher Funds' managed investments, analysing trends year on year where appropriate.
- Internal capability to assess climate-related and transition risks, as well as opportunities was reviewed and improved. This included introducing automated processes into the qualitative stage of the Climate Risk Assessment Framework, making the approach more scalable, consistent and efficient and improving the quality of insights.
- The RI Team monitored and reviewed the relevant metrics, looked at trends, discussed findings with the Portfolio Managers and provided insights to use as part of engagement with entities. For example, the 'portfolio coverage' metric generated insights as to what proportion of the portfolio could be assessed and how relevant disclosures may have improved or declined from the base year. Refer to the Metrics section for the relevant metrics.
- The RI Team prioritised engagement with the upper quartile of entities in the highest emitting sectors that did not have any SBTs in the last reporting period. Refer to the Targets section for more details.
- When constructing portfolios, the investment process involved consideration of a wide range of risks, including, but not limited to, climate risks and opportunities. Fisher Funds' strategy and investment process does not specifically allocate capital to climate sectors or themes. Instead, an integrated investment approach is used across various stages of the investment process. During the period, at the diversified fund level, this involved determining which asset classes to invest in, the extent of the funds' exposure to each asset class and the implementation strategy for each asset class.
- Following the 2024 climate statement disclosure, some additional ESG and climate factors from the ISS ESG dataset were embedded into the IMT's entity analysis, including a climate traffic dashboard. This was done to assist each Portfolio Management Team with monitoring specific ESG and climate risks. Embedding these additional factors has allowed the relevant information to feed more actively into conversations and thought processes within the IMT and with entities where Fisher Funds may invest.
- Data limitations are noted in Appendix 3.

Fisher Funds is committed to integrating climate-related considerations into its overall strategy. As part of this commitment, climate-related risks, opportunities and the transition planning approach will continue to be refined. In addition, annual reviews of climate risk, transition risk and opportunities will be conducted for the Scheme. Fisher Funds is committed to improving the assessment process over time and to the ongoing development of its Climate Risk Assessment Framework and transition plan.





# Climate risk assessment framework

## High-level summary

The Climate Risk and Opportunities Assessment Framework (CRAF) consists of four key steps as shown in Figure 2. This analysis was undertaken by subject matter experts within the IMT. Results were shared with the Portfolio Managers, the Chief Investment Officer and governance bodies in line with the governance process documented in the Governance section. A detailed explanation of these steps is set out under the Climate Risk Assessment Framework (CRAF) section on the next page.

The CRAF is designed to evaluate climate risks and opportunities across Fisher Funds' investments, based on available information and resources.

The risks and opportunities identified through this assessment process identified potential future impacts of climate change on the Scheme through both physical and transition risks.

Only those investments that meet Fisher Funds' 'scope, boundary and materiality criteria' set out below are included for assessment in the CRAF. The materiality approach is approved by the ESG Committee.

- **Scope and Boundary:** the internal operations of the Scheme and the internal operations of Fisher Funds itself, as well as any upstream and downstream operations of the Scheme and Fisher Funds, are not relevant as this climate statement is limited to assessment of climate-related risks to entities invested in by Fisher Funds.
- **Materiality:** Some assets failed to meet the threshold for materiality for inclusion. In line with the materiality approach, assets were excluded where quantitative data was not available for the ISS ESG Climate Impact Report, and where suitable qualitative data was also not available, or evaluation of the asset would be immaterial to disclosure. If this was determined, a detailed questionnaire was completed by the relevant Portfolio Manager or external manager. The RI Team reviewed the questionnaire to determine whether the level of risks were significant enough for inclusion in the climate disclosure and to give insights for future reporting periods. The materiality threshold was set at a high level (i.e. whether any climate-related risks could be included) to help ensure disclosures focused on the correct information and to ensure clarity around material risks and opportunities. The materiality process has been completed by the RI Team and endorsed by the ESG Committee.

Following application of the scope, boundary and materiality criteria, the following assets in the Scheme have not been included in the CRAF or metrics and targets presented in this climate statement:

- Fisher Institutional Property Fund
- Fisher Institutional Private Equity Fund
- Fisher Institutional Global Private Equity Fund
- Direct Capital IV Limited Partnership

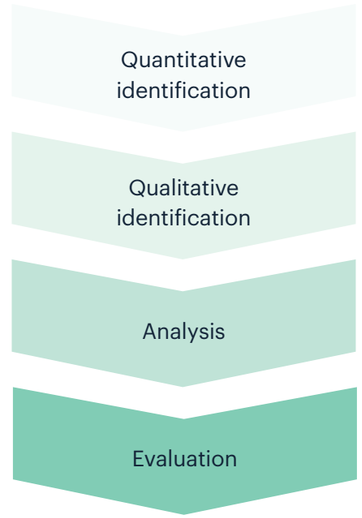



*Figure 2: Climate risk and opportunity assessment framework*

# Climate risk assessment framework

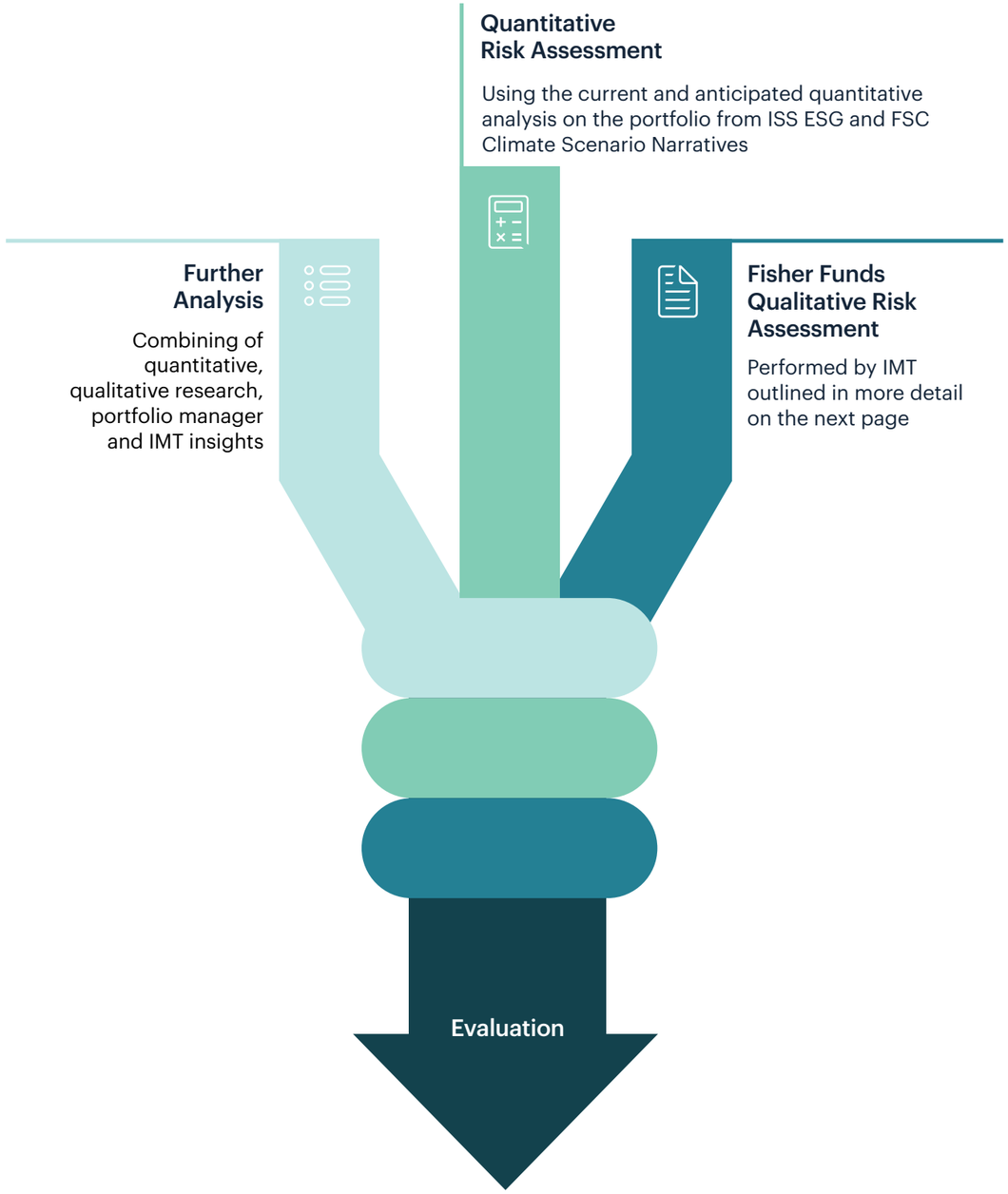



*Figure 3: Fisher Funds' climate risk assessment framework*

## Quantitative identification

The RI Team used the ISS ESG solution that produces the Climate Impact Reports (CIRs) which covered the reporting period to 31 March 2025. ISS ESG primarily sourced the emissions data used in the CIRs from disclosures made by issuing entities during the 2023 fiscal year (1/07/2023 - 30/06/2024). These disclosures typically came from Sustainability Reports, Annual Reports, Carbon Disclosure Project submissions or other publicly available resources. When this information was not available, ISS ESG applied estimated emissions models to generate emissions data[2].

The ISS ESG solution utilises scenario analysis. Scenario analysis takes inputs of an entity's carbon emissions, and global climate scenario parameters to assess the potential financial outcomes for entities that have been invested in (e.g. an entity or debt security listed on a stock exchange) across a range of potential future scenarios. This is a way to systematically explore the potential effects of a range of plausible future events under conditions of uncertainty.

The CIR provides Fisher Funds with an initial quantitative climate impact assessment of its portfolios against a wide range of carbon metrics, scenario analysis, net zero analysis, transition climate risk analysis and physical climate risk analysis. The analyses incorporate sectoral and regional emission pathways, including Network for Greening the Financial System (NGFS). ISS ESG reviews and enhances its methodology as needed, aiming to include the most up-to-date information. In the past year, 23 different scenarios were added to ISS ESG's database and no material methodology changes were made. Refer to the Appendix for more information on ISS ESG methodologies.

Portfolios may be exposed to various natural hazards in disparate geographies, which may affect the value of a portfolio and the benchmark. Within the CIR, ISS ESG rates the potential physical risks within the portfolio. This is done using a rating range of 0 - 100, zero being the highest and 100 being the lowest or no physical risk. Only material physical risks (defined by IMT as a physical risk score 0 - 50), indicating potentially high financial impacts of the physical hazards are captured for the CRAF analysis. A further materiality threshold is then applied at a Global Industry Classification Standard (GICS) sector level, analysing GICS sector risks by physical risk that are greater than 10% at a total portfolio level.

To support the quantitative process, Fisher Funds has adopted the Financial Services Council (FSC) 'FSC Climate Scenario Narratives for the Financial Services Sector'. After a review, the IMT and the RI Team determined these narratives to be relevant and well aligned with Fisher Funds' strategy. These scenarios offer the distinct, consistent and comparable framework necessary for conducting quantitative analysis. These narratives were developed by the FSC Scenario Analysis Committee and Working Group, which is a recognised industry body for New Zealand's funds management and insurance sectors. The FSC's work (including both physical and transition risk narratives) aims to enhance consistency and comparability of climate risk disclosures across the financial services sector. Fisher Funds supports this objective to the extent appropriate for its operations. Refer to the Appendix 1 for the full FSC climate scenario narratives.

*[2] Data currently available and timeliness of collection from third party aggregators, including ISS ESG, have limitations due to the infancy stage of climate-related disclosures both in New Zealand and internationally. This is not limited to ISS ESG and is a common issue across the industry. Fisher Funds expects data to become more reliable as timeliness and quality of data disclosed by entities improves over time. Fisher Funds also expects greater worldwide standardisation as more jurisdictions require climate-related reporting by law. Fisher Funds is committed to engaging with ISS ESG on its offering and will continue to monitor data providers as they continue to evolve. More information about data limitations is included in Appendix 3.*

The selected FSC Climate Scenario narratives, including the sector-specific physical and transition drivers, were used to score and assess climate-related physical risks and transition risks and opportunities. This enabled consistent application across the portfolios, time horizons and scenarios.

Quantitative assessment includes: the breadth of impact across multiple sectors (and therefore entities) in the portfolios; significance of impact should the risk eventuate; and assessment of relative significance.

As noted, the scientific scenarios utilised by ISS ESG do not correspond to those used within the FSC Sector Narratives. However, this is a known limitation and is addressed as part of the qualitative stage.

The following NGFS[3] scenarios were used; Net Zero 2050 'Orderly', National Determined Contributions (NDCs) 'Too Little Too Late', and Current Policies 'Hothouse'.

More information on the scenarios and time horizons can be found in the Appendix 1.

## Qualitative identification

On completion of the quantitative identification process, the RI Team completed its initial analysis and developed an understanding of the significance of the outputs.

This information was then provided to the relevant Portfolio Manager(s) as prereading, along with the FSC narratives, for their qualitative assessment.

As noted above, there are some limitations in the outputs produced at the quantitative stage, which means those outputs cannot be relied upon in isolation. These are addressed in the qualitative stage by the Portfolio Manager's experience and judgement.

The Portfolio Manager reviews the quantitative output provided and then amends and assesses the various physical and transition climate-related risks and opportunities based on their own knowledge of the entities in which they invest and alongside the FSC sector narratives.

The quantitative outputs and qualitative overlay of the Portfolio Manager(s) are then presented to the IMT for consideration.

The wider expertise of the IMT adds critical debate and different perspectives to the assessment process.

The RI Team also facilitates discussion with a set of questions for each of the Portfolio Managers. This is a critical phase of the process, embedding continued learning that may be incorporated in investment decisions.

To ensure consistency across the portfolios, the scoring implemented using the climate-related physical risk impacts and transition risks derived from the FSC narratives are not amended.

## Further analysis

During the further analysis phase of the CRAF, the RI Team combines the quantitative and qualitative assessments, the FSC narratives, Portfolio Manager and IMT insights, outcomes of any critical debate and any additional research undertaken.

The IMT reviews the output of this work.

## Evaluation

Evaluation is the final stage, during which the RI Team presents the completed analysis packs to the Portfolio Managers for approval. These packs include assessments of physical and transition risks, opportunities and year-on-year trend analysis with commentary.

Once approved, climate-related risks and opportunities content is incorporated into each Scheme's climate statement. The governance process outlined in the Governance section is then followed to approve the climate statement for each Scheme.

For more information on the scenarios and time horizons, data limitations and methodologies refer to the Appendices.

[3]*Source: https://www.ngfs.net/ngfs-scenarios-portal/explore*

Photo: Matt Logan

## Climate-related risks and impacts

As noted in the CRAF process, an assessment of climate-related physical and transition risks and opportunities over all material investments in portfolios under Fisher Funds' management in the year ending 31 March 2025 was completed at the final Evaluation stage and the approved content was incorporated into this climate statement.

As part of the CRAF process, outlined in the previous section, Fisher Funds assessed the potential physical and transition impacts on the Funds. This included an assessment of how well prepared the investee entities are to respond to climate change across each of the time horizons outlined in Appendix 1. This also included an assessment of the current financial impact of climate-related physical and transition risks that the entities may experience.

To understand how climate-related risks affects the funds, we look at these risks and how they may raise or lower the value of the entities we invest in. This can impact how the Fund performs over time. However, it is often hard to tell exactly what has caused an entity's value to change during the year. Many factors could influence the value of an entity, for example, cyberattacks or changes in management or boards can impact an entity's value just as much as a climate event.

The analysis for the current period identified a range of potential climate-related physical risk events across different sectors and geographies, that had the potential to have a financial impact on the entities we invest in (i.e. an impact on entity valuation), based on factors such as location of operations, asset value and revenue source.

None of the potential climate-related risks were confirmed to have impacted the investee entities for the 12-month period ending 31 March 2025.

## Anticipated potential climate-related risks and impacts

A summary of the most significant potential anticipated physical risks (physical risk scores between 0 and 50 and at a GICS sector level greater than 10%) identified through the CRAF process is set out in the following tables. To produce these summaries, a detailed physical risk assessment was completed for each Fund, noting the physical climate risk (e.g. flood, wildfire), the risk impact (e.g. operational, financial, reputational), the relevant sector for the Fund (e.g. industrial, consumer discretionary) and the percentage of the Fund exposed to the physical risk. These tables also show the anticipated future impact of transition risks.

Note that potential financial impacts are not disclosed because Fisher Funds has relied on adoption provision 2 NZ CS 2 (anticipated financial impacts) for this reporting period. However, current and anticipated portfolio financial value at risk (VaR) emerging from the relevant issuing entity's exposure to physical risks is set out in the Metrics and Targets section. Adoption provisions applied to this climate statement have been specified in Appendix 2.

## Physical risks

| Fund name | Physical risk type | Physical risk hazard | Most impacted sector | Region | % of Fund exposed | Potential anticipated future impact | Time horizon | Potential impact on Fund |
|---|---|---|---|---|---|---|---|---|
| **Conservative Fund (CF) and Growth Fund (GF)** | Acute, Chronic | Drought, Flood, Tropical Cyclone, Wildfire, Coastal Flood, Heat Stress | Health care | Global | CF 11% and GF 18% | An increase in frequency and severity of weather events may impact business operations and supply chains more broadly. For example, key locations may not be able to service customers (workforce)/or delivering of products or manufacturing (for example, supply chain disruption). This may result in customer retention issues. | Medium and long term | For equities, increased VaR, decrease in dividends could impact a portfolio's expected cash reserve/cash flow and impact fund distributions to investors. Increased difficulty to sell shares (and at a reduced price) especially for high emitters. Decrease in portfolio book worth, decrease in fund unit prices due to underlying entities decreasing in value, reduced earnings growth and share price over time.<br><br>For fixed income assets, devaluation of current government bonds and corporate bonds held in the portfolio, with the increased yield of future bonds (if purchased after the yield has increased) may decrease credit quality in the portfolio. Increased cash flow volatility and liquidity issues at the entity or sovereign level can impact a portfolio's expected cash balance and overall liquidity. Inflation may drive up payout costs, while lower yields on interest income, sovereign and corporate bonds can reduce returns. Additionally, a higher risk of default on corporate bonds may further strain liquidity and cash flow. Fluctuations in asset prices, inflation, devaluation of existing bonds, higher yields on future bond purchases following rate increases and spread deterioration, could all negatively impact returns. |
| | Acute, Chronic | Drought, Flood, Tropical Cyclone, Wildfire, Coastal Flood, Heat Stress | Financials | | CF 26% and GF 17% | An increase in frequency and severity of weather events causes financial stress throughout the customer base of financial services entities. This may result in increased default rates, higher funding costs, lower economic activity, lower credit growth, increased risk of stranded assets. | Medium and long term | |
| | Acute, Chronic | Drought, Flood, Tropical Cyclone, Wildfire, Coastal Flood, Heat Stress | Information technology | | GF 12% | An increase in frequency and severity of weather events would cause decreased service levels of technology entities due to increased material costs (commodities, product inputs) increased energy prices and carbon pricing. Increases in system cooling requirements (e.g. the cloud) with increased temperatures. Services to customers could be impacted, which may lead to client attrition and/or business impacts. | Medium and long term | |
| | Acute, Chronic | Drought, Flood, Tropical Cyclone, Wildfire, Coastal Flood | Industrials | | CF & GF 11% | More frequent and severe weather events may disrupt operations and supply chains, affecting freight, transport and key locations. These disruptions can damage entity reputations, impact customers and suppliers and may lead to customer loss. | Medium and long term | |
| | Acute, Chronic | Drought, Flood, Tropical Cyclone, Wildfire, Coastal Flood, Heat Stress | Communication services | | CF 11% & GF 10% | More frequent and severe weather events can disrupt supply chains, delivery of goods and services, causing asset or workforce unavailability and supply shortages. These disruptions can damage entity reputations, affect customers and suppliers and potentially result in customer attrition and retention difficulties. | Medium and long term | |

## Transition risks

| Fund name | Transition risk type | Most impacted sector | Region | % of Fund exposed | Potential anticipated future impact | Time horizon | Potential impact on Fund |
|---|---|---|---|---|---|---|---|
| **Conservative Fund** | Technology, Market, Policy/Legal | Industrials | Global | 11% | The industrials sector is typically carbon intensive. The sector could see increased regulatory pressure (for example, carbon pricing, policy changes, emissions standards) rising operational and compliance costs and potential stranded assets. Technology advancements (low carbon technology transition) customer demand may require substantial capital investment and could reshape competitor dynamics. Entities that don't adapt could get left behind. | Long term and medium term | Increased VaR, decrease in dividends could impact a portfolio's expected cash reserve/cash flow and impact fund distributions to investors. Increased difficulty to sell shares (and at a reduced price) especially for high emitters. Decrease in portfolio book worth, decrease in fund unit prices due to underlying entities decreasing in value, reduced earnings growth and share price over time. |
| **Growth Fund** | | | Global | 11% | | Long term and medium term | |
| **Conservative Fund** | Market, Policy/Legal | Health care | Global | 11% | The healthcare sector is a lower carbon sector so transition risk is generally lower. However, impacts could include increased requirements for emissions reporting, carbon pricing and stricter environmental standards. Supply chain disruptions could occur (materials and transportation) higher utility costs and pressure to adapt. | Medium and long term | Increased VaR, decrease in dividends could impact a portfolio's expected cash reserve/cash flow and impact fund distributions to investors. Increased difficulty to sell shares (and at a reduced price) especially for high emitters. Decrease in portfolio book worth, decrease in fund unit prices due to underlying entities decreasing in value, reduced earnings growth and share price over time. |
| **Growth Fund** | | | Global | 18% | | Medium and long term | |

## Transition risks

| Fund name | Transition risk type | Most impacted sector | Region | % of Fund exposed | Potential anticipated future impact | Time horizon | Potential impact on Fund |
|---|---|---|---|---|---|---|---|
| **Conservative Fund** | Market, Policy/Legal | Communication services | Global | 11% | Although communications services entities have relatively low direct emissions, they are high users of energy. Increased regulatory/market pressure to decarbonise may lead to higher energy/ operational costs (through carbon pricing/ renewable energy requirements, climate reporting, e-waste). Changing consumer and advertiser preferences toward sustainability could impact demand. | Medium and long term | Devaluation of current government bonds and corporate bonds held in the portfolio, the increased yield of future bonds (if purchased after the yield has increased) may decrease credit quality in the portfolio. Increased cash flow volatility and liquidity issues at the entity or sovereign level can impact a portfolio's expected cash balance and overall liquidity. Inflation may drive up payout costs, while lower yields on interest income, sovereign and corporate bonds can reduce returns. Additionally, a higher risk of default on corporate bonds may further strain liquidity and cash flow. Fluctuations in asset prices, inflation, devaluation of existing bonds, higher yields on future bond purchases following rate increases and spread deterioration, could all negatively impact returns.<br><br>For equities expect an increased VaR, decrease in dividends could impact a portfolio's expected cash reserve/cash flow and impact fund distributions to investors. Increased difficulty to sell shares (and at a reduced price) especially for high emitters. Decrease in portfolio book worth, decrease in fund unit prices due to underlying entities decreasing in value, reduced earnings growth and share price over time. |
| **Growth Fund** | | | Australian | 10% | | Medium and long term | |
| **Growth Fund** | Market, Policy/Legal | Information technology | Global | 12% | The IT sector is more energy intensive (data centres/cloud services). Policy/legal risks include tightening of regulations, carbon pricing and emissions reporting. Market pressures from customers, investors and employees are pushing entities toward more sustainable practices. Entities may also face legal and reputational risks if they fail to meet climate commitments or transparency standards. There could be increased costs due to implementing low carbon technologies and a risk of stranded assets. | Medium and long term | Increased VaR, decrease in dividends could impact a portfolio's expected cash reserve/cash flow and impact fund distributions to investors. Increased difficulty to sell shares (and at a reduced price) especially for high emitters. Decrease in portfolio book worth, decrease in fund unit prices due to underlying entities decreasing in value, reduced earnings growth and share price over time. |

# Opportunities

Climate opportunities for the Funds refer to investment opportunities that may arise from the global shift toward a low-carbon, climate resilient economy. These opportunities may come from entities working to reduce or adapt to climate risks, such as adopting low emissions energy sources or innovating new technologies.

Climate opportunities were developed by the RI Team and Portfolio Managers at a point in time.

This statement is designed to help IMT build its understanding and preparedness for the uncertain future impacts of climate change and opportunities that may arise.

As part of the Metrics captured in the Fund Summary section, Fisher Funds has reported green revenues (please refer to Glossary) and will continue to monitor those that are seen as contributing positively to climate action. This information will be monitored to understand how the Funds may be impacted over time.

| Area of opportunity | Physical opportunity | Transition opportunity | Sector | Region | Time horizon | Conservative Fund | Growth Fund |
|---|---|---|---|---|---|---|---|
| Resource efficiency | Adopting resource-efficient solutions throughout production, distribution, buildings, machinery and transport; an entity can reduce operating costs and enhance its environmental performance. This opportunity encompasses improving energy efficiency alongside initiatives in materials use, water conservation and waste management. | • improving energy efficiency<br>• implementation of sustainable resource management practices (materials, water and waste)<br>• modernising infrastructure/manufacturing<br>• reducing GHG emissions | All sectors | All | Short, medium and long term | ● | ● |
| Renewable energy | Increasing demand for electricity provides opportunities to improve resource efficiency (for example, heat pumps instead of gas or fuel for boilers). Improved optimisation and waste reduction. Renewable energy infrastructure, grid modernisation, low carbon technologies. | • investing in renewable energy (solar, wind, hydro)<br>• low carbon technology development (energy storage, hydrogen)<br>• providing access to capital/financing opportunities and expansion into other markets<br>• reducing GHG emissions | Energy | All | Short, medium and long term | ● | ● |
| Products and services | Innovating and developing new low emissions products and services can enhance an entity's competitive position, capitalise on changing consumer and producer preferences and benefit from the growing demand for sustainable energy solutions. | • developing low carbon products and services<br>• innovating to reduce carbon footprints of supply chains<br>• accessing new markets<br>• indirectly reduce GHG emissions | Products and services | All | Short, medium and long term | ● | ● |
| Agriculture | Adopting technological innovations like climate-resilient crop varieties and precision agriculture, enables the agriculture sector to physically adapt to changing climate conditions, improve food security, and strengthen an entity’s reputation. | • leveraging technology to enhance and sustain agricultural practices<br>• accessing new funding<br>• accessing new markets<br>• indirectly reduces GHG emissions<br>• improving supply chain resilience | Agriculture | All | Short, medium and long term | ● | |
| Transportation | Accelerating adoption of low emissions/sustainable transport and logistics solutions. For example, electric vehicles can help an entity meet their regulatory requirements, reduce greenhouse gas emissions and enhance their reputation. | • providing parts for these solutions<br>• manufacturing low emission vehicles<br>• reduce GHG emissions<br>• improved reputation<br>• increases customer demand<br>• financing opportunities for this (for example green bonds) | Transportation, logistics other entities with fleets | All | Short, medium and long term | ● | ● |

## Opportunities

| Area of opportunity | Physical opportunity | Transition opportunity | Sector | Region | Time horizon | Conservative Fund | Growth Fund |
|---|---|---|---|---|---|---|---|
| Construction and engineering | Integrating climate resilience into building design and construction reduces long-term maintenance costs, minimises service disruptions and attracts investors and tenants seeking sustainable, future-proof properties. Adopting green building standards and innovative materials also supports regulatory compliance and strengthens reputation in a shifting climate landscape. | • providing low carbon materials<br>• energy efficient methods<br>• green buildings<br>• accessing increased funding, sustainable finance, green bonds etc<br>• reduce GHG emissions | Real estate, infrastructure, utilities, industrials | All | Short, medium and long term | ● | ● |
| Markets | Promoting sustainable investments and financing mechanisms, such as green bonds and low emissions energy production can facilitate investment in environmentally responsible projects and capture new market opportunities within the broader framework of the transition to a low carbon economy. This can enhance an entity's reputation and attract socially responsible investors and customers. | • leverage sustainability financing tools<br>• opens up investing opportunities and markets<br>• indirectly reduces GHG emissions | Financials, listed securities of entities that raise capital for such projects | All | Short, medium and long term | ● | ● |
| Resilience | Building adaptive capacity offers an opportunity to respond to climate change by enhancing efficiency, innovating production processes and creating new products, which can strengthen competitiveness, improve risk management and ensure business continuity. | • innovation and product redesign (climate resilient)<br>• operational efficiency reducing GHG emissions and resource use<br>• strengthening risk management, navigating changing regulatory environment<br>• securing long-term business continuity | All sectors | All | Short, medium and long term | ● | ● |

# Risk management

This section describes how Fisher Funds manages risk and the approach to Responsible Investing.

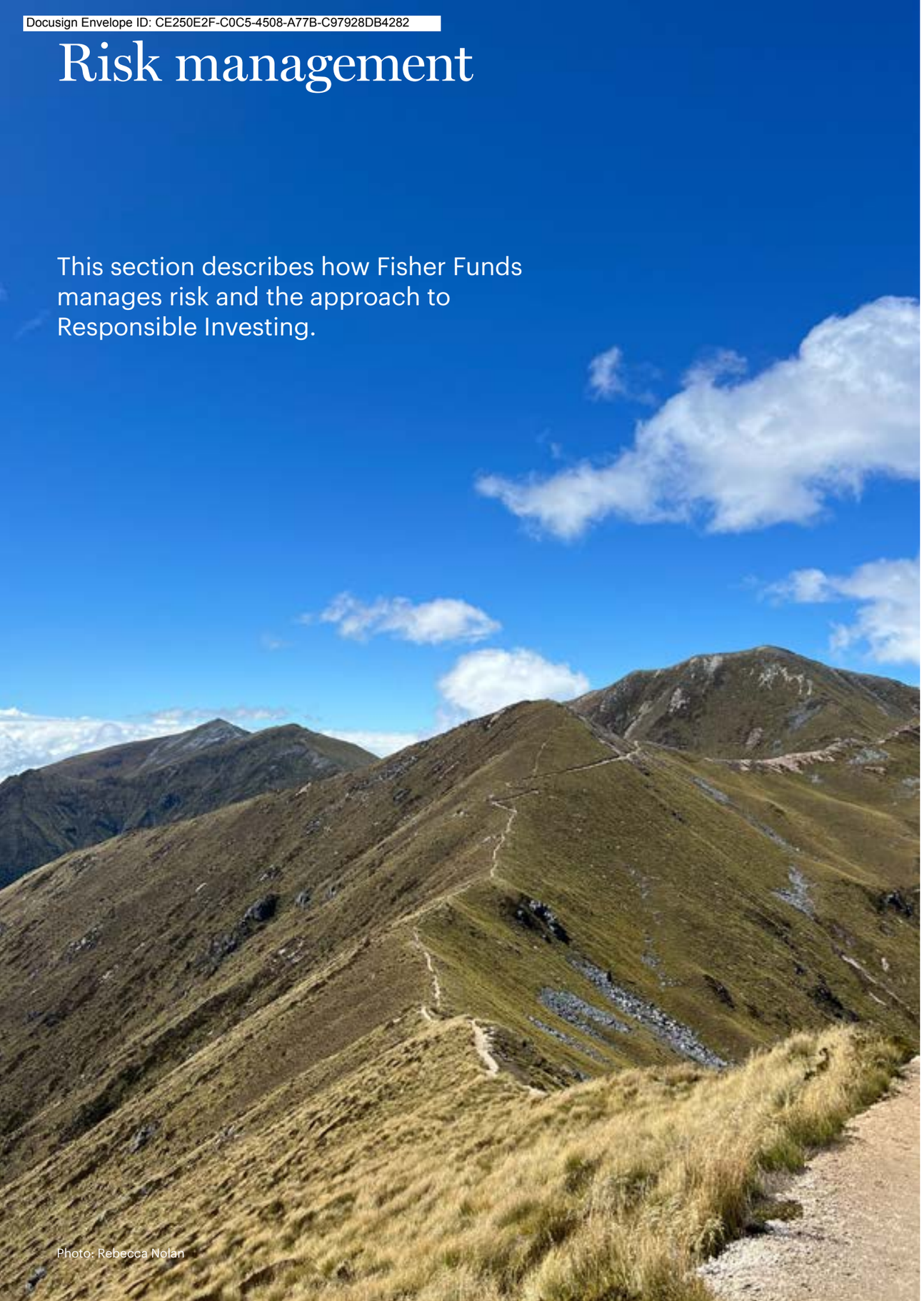


Photo: Rebecca Nolan



## 04
## Risk management

## Managing investments' climate risk

Following the CRAF outlined in the Strategy section (Figure 3) there were no remedial actions, that is, alteration of investment strategy or exiting positions. All climate risks identified will continue to be monitored. The monitoring will be done by the RI Team and the relevant Portfolio Manager and will be conducted annually.

Fisher Funds manages risk, including climate risk, in the portfolio by selecting which entities to invest in and the proportion of securities to hold in those entities. Refer to the Strategy section, which outlines the investment selection process.

Fisher Funds' responsible investment policy is also followed as part of the investment selection approach. It sets out the criteria that excludes an entity from Fisher Funds' investable universe.

A summary of the Fisher Funds responsible investment approach is set out in Figure 4. The responsible investment policy is available on the Fisher Funds website.

Fisher Funds may exercise voting rights on behalf of investors in relation to any entity that the portfolio invests in. This means Fisher Funds can vote (known as proxy voting) on shareholders' resolutions. These resolutions may relate to an entity's risk management framework, its approach to mitigating climate impacts in its business or the setting of climate metrics and targets for the entity to achieve over a period. In this way Fisher Funds can use its vote to support an entity's stance on climate risk management.

## Fisher Funds' responsible investment approach

### 1 Avoid the Bad

Fisher Funds will not invest in entities that produce goods or services that can't be used responsibly or that cause widespread harm.

This means Fisher Funds won't invest in entities:

- that produce core components or systems used in weapons. This includes, but is not limited to, cluster munitions, landmines, chemical and nuclear weapons
- that own proved or probable fossil fuels reserves and revenue share from exploration and extraction of fossil fuels, excluding metallurgical coal, of 15% or more; or has its primary business activity in any of the following subsectors: integrated oil and gas, crude oil producers, offshore drilling and other services, oil and gas equipment and services, oil and gas drilling, oil and gas exploration and production, coal (excluding metallurgical coal) and consumable fuels
- that manufacture cigarettes (including e-cigarettes) or other tobacco-related products
- where their core business includes operating gambling establishments or the manufacture of specialised hardware or software used exclusively for gambling
- involved in the hunting of whales and processing of whale meat
- that have exhibited unacceptable corporate behaviour that Fisher Funds regards as a fundamental break down of the integrity of the business. This includes, but is not limited to, human rights abuses and abuse and degradation of the environment.

### 2 Embrace the Good

Once Fisher Funds has avoided the bad, it then seeks to embrace the good.

A key element in Fisher Funds' indepth research process is a thorough understanding of how an entity works with its stakeholders, how it treats the environment and how it manages its governance responsibilities.

Fisher Funds' research is supplemented with insights from leading global ESG data providers, giving it a 360-degree view of an entity and its impact on ESG factors.

Viewing an entity through this lens helps Fisher Funds make better investment decisions.

### 3 Promote Change

This third element in Fisher Funds' Responsible Investing process is promoting change within entities where Fisher Funds has a direct relationship.

To promote positive change Fisher Funds can use voting rights to leverage its relationship with entities to uphold Fisher Funds' ESG approach.

*Figure 4: Responsible investment approach*

# Metrics and Targets

This section details key metrics and targets for the Scheme, including any assumptions and comments on methodologies. Additional metrics are disclosed at the fund level, and these can be viewed in the fund summary.

Photo: Jin Wan



## 05
## Metrics and Targets

# Guidance

## Metrics

The metrics detailed in this section are provided by ISS ESG and are subject to the limitations as set out below and assumptions noted by ISS ESG in its methodology documents. For more detail on these see Appendix 3.

The information about entities within the Scheme cannot be relied on as reflective of their real-time position as at 31 March 2025. The passage of time between the date an entity reports its data, the date ISS ESG collects that data and the end date of the reporting period for this climate statement can be significant. ISS ESG works to ensure data is as up to date as possible, however, its accuracy depends on the timing and availability of data provided by entities.

All dollar values in the metrics detailed in this section are New Zealand Dollar.

## Trends

The trends detailed in this section are intended to provide a view of directional movement and progress over time, reflecting broader patterns. This high-level overview acknowledges the inherent complexities in the data, as numerous factors can influence year-on-year changes, such as underlying data, changes in source entity report data and differences in actual emissions versus modelled emissions. Climate metrics often rely on complex models and assumptions, many of which change over time. Because of this, the data can vary in ways that make detailed year-to-year comparisons less reliable or meaningful.  As quality of data improves over time, trend analysis may reveal more useful insights.

## Benchmarks

The emissions data and other metrics for each Fund are compared with the Fund's benchmark in the following section to provide investors with a meaningful point of comparison. A Fund's benchmark is a point of reference against which a Fund's performance, or characteristics, are compared. The benchmark and the fund should be appropriately aligned (e.g. the same or similar asset class, sectors, geography, investment style and risk/return profile) so that meaningful and fair comparisons can be made. However, benchmarks can also change over time which limits Fisher Funds' ability to make like-for-like comparison and generate reliable trend data.

## Internal emissions price

Fisher Funds does not use an internal emissions price due to the evolving nature of the industry frameworks, however, the IMT does consider carbon pricing as part of its fundamentals-based investment process when researching entities.

## GHG emissions

There are three different categories of GHG emissions that an entity may be responsible for:

- Scope 1 - Direct emissions from sources owned or controlled by the entity (e.g. company vehicles).
- Scope 2 - Indirect emissions from consumption of purchased electricity, heat, or steam.
- Scope 3 - Other indirect emissions from sources not owned or controlled by the entity (e.g. investments).

The GHG emissions information provided by ISS ESG relates solely to financed emissions, which is Scope 3 category 15 (specifically, scope 3 category 15 (of the Greenhouse Gas Protocol – the Corporate Value Chain (Scope 3) Accounting and Reporting standard).

Each Fund's emissions are based on it's holdings or share of scope 1 and 2 emissions of the underlying investee entities. Any reference to scope 1 and 2 emissions in the metrics is the scope 1 and 2 emissions of the investee entities (and therefore the Fund's financial emissions).

Note on emissions disclosure: scope 1 and 2 GHG emissions disclosures do not apply to climate reporting entities that are managed investment scheme (MIS) managers (like Fisher Funds) because the Financial Markets Conduct Act 2013 (FMC Act) limits a MIS manager's obligations to climate reporting to the schemes it manages and not about the direct or indirect emissions of the MIS manager itself[4].

## Metrics for the Balanced Strategy

The Balanced Strategy 40/60 invests into the Conservative Fund and the Growth Fund with the respective weights to achieve the right mix for each of those strategies.  For an overview of the metrics for each of these strategies, refer to the Fund summaries for each of the Conservative Fund and Growth Fund.

*[4] Refer to s.461O FMC Act*

# Conservative Fund

## Metrics

In the **Metrics** section, Fisher Funds outlines the relevant metrics for each Fund and compares them to those in previous climate-related disclosures.



## Fund summary

The Conservative Fund is a diversified portfolio that includes shares and bonds.

Investments are subject to many risks, including risks that are not climate based, so it is important to consider climate-based risks in a broader context. Fisher Funds wants to ensure that the Conservative Fund maintains an acceptable level of risk both in absolute terms and relative to its benchmark.

The Conservative Fund will inevitably see its climate-related risk profile change as it buys and sells assets over time and as the issuing entities evolve. This is in addition to the potential for physical and transition climate risks changing, as the passage of time brings clarity on the future state of the world (as contemplated by the climate scenarios used in this climate statement).

Fisher Funds expects the entities issuing securities into which the Conservative Fund invests to recognise risks to their organisations and act in the most appropriate way for the long-term benefit of their shareholders and other stakeholders. In doing this, Fisher Funds expects they will consider physical and transition climate risks as part of the management of their organisations. As part of Fisher Funds' ongoing engagement with entities, it selectively checks that appropriate attention is being given to climate-related risks and opportunities.

The following assets in the portfolio have not been included in the analysis and metrics presented in this climate statement:

- Fisher Institutional Property Fund
- Fisher Institutional Private Equity Fund
- Direct Capital IV Limited Partnership

These assets failed to meet the threshold for materiality for inclusion, as required by the Fisher Funds materiality approach adopted by the ESG Committee, please refer to the Strategy section.

# Metrics

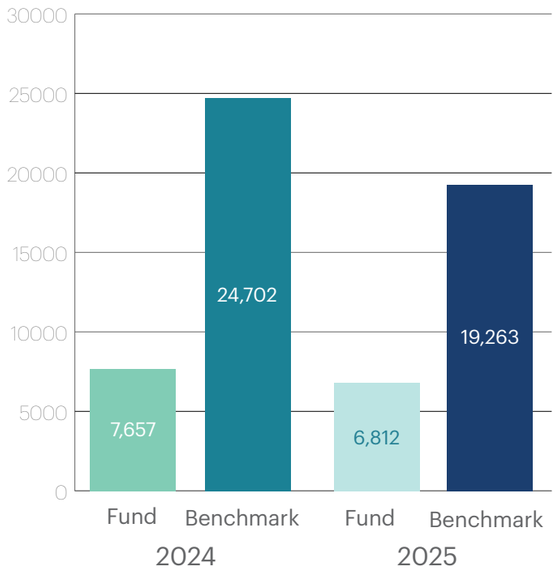
## Portfolio coverage

As at 31 March 2025, coverage has **decreased** compared with the base year.

| | 2024 | 2025 |
|---|---|---|
| Portfolio covered | 56% | 51% |
| Portfolio not covered | 44% | 49% |

# Emissions

## Emissions exposure ($tCO_2e$)



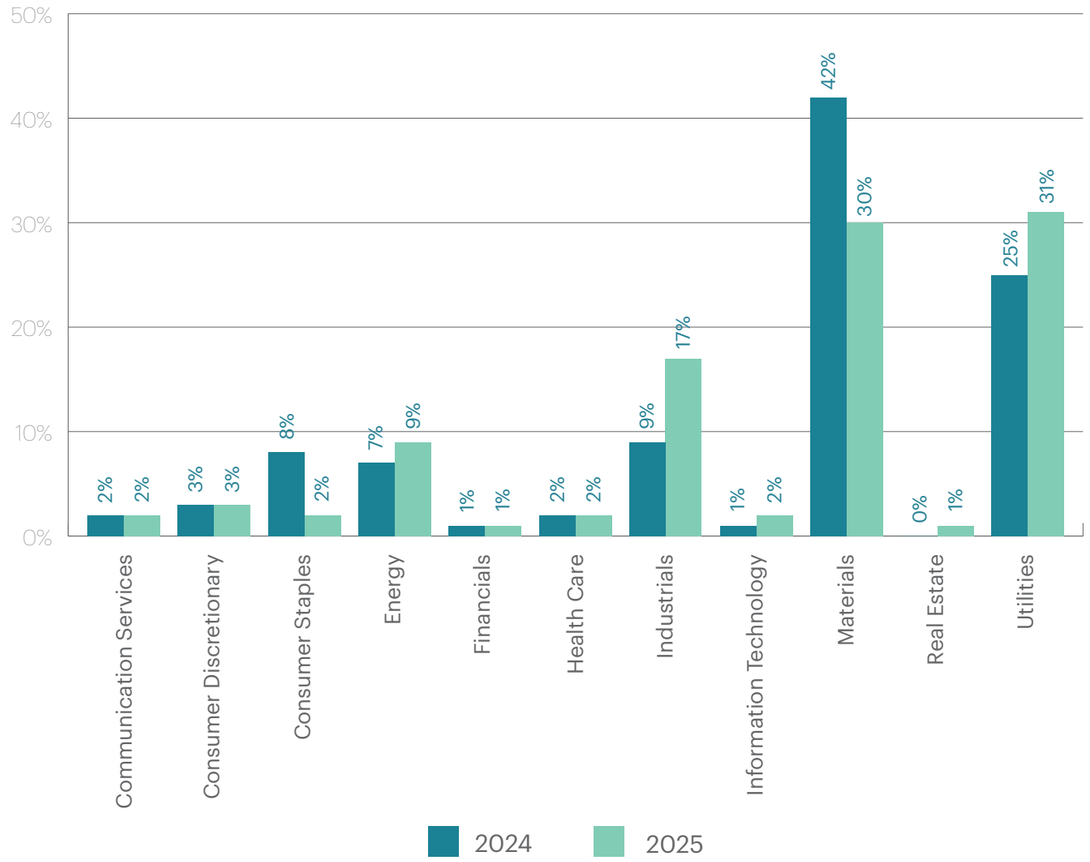

The Conservative Fund emitted approximately 6,812 tonnes of $CO_2$ from scope 1 and 2 emissions. This is a lower emissions profile than if Fisher Funds had invested in the benchmark, which would have created an emissions profile of 19,263 tonnes of $CO_2$.

The emissions have **decreased** in the current year from the base year.

## Sector contributions to emissions (%)

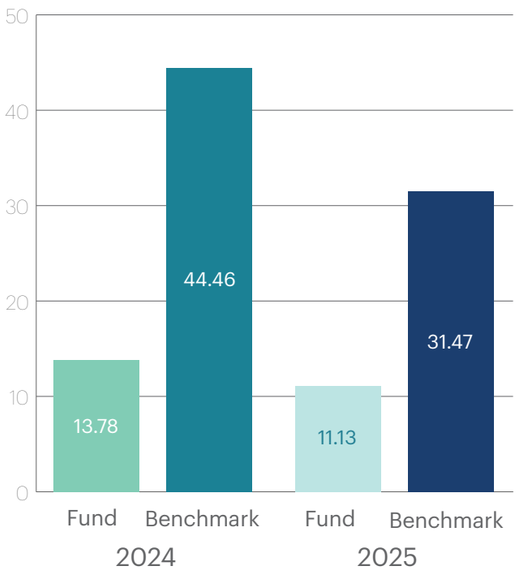
In the Conservative Fund, for the current year 61% of the emissions were created by holdings in materials and utilities sectors.

By comparison, in the base year 67% of the emissions were created by these sectors.



# Emissions

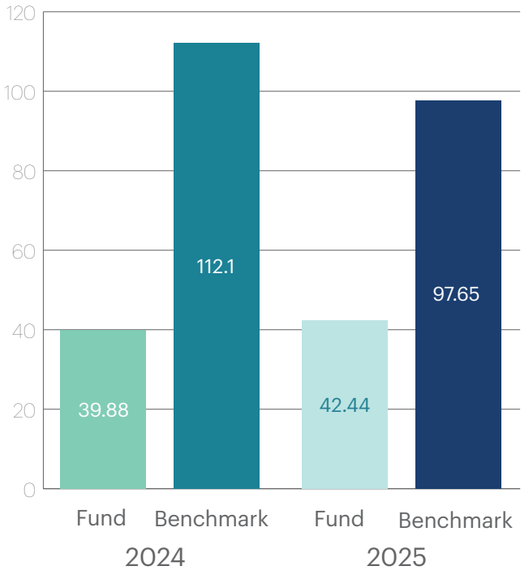
## Relative carbon footprint ($tCO_2e$/Invested) Scope 1 and 2 emissions




For the Conservative Fund, for every $1 million invested, the relative carbon footprint (emissions exposure) as calculated by ISS ESG for the current year is 11.13 tonnes of $CO_2$ ($tCO_2e$), below the benchmark, which has a carbon footprint of 31.47.

The relative carbon footprint has **decreased** in the current year from the base year.

## For every million invested, what is my carbon footprint?




The weighted average carbon intensity (WACI) based on scope 1 and 2 emissions for the Conservative Fund as calculated by ISS ESG is approximately 42.44 tonnes of $CO_2$ per unit of revenue compared with the benchmark at approximately 97.65 tonnes of $CO_2$ per unit of revenue. By this measure, the Conservative Fund portfolio has less carbon intensity than the benchmark.

The weighted average carbon intensity has **increased** in the current year from the base year.



# Transition-related risks

## Transition value at risk (%)

| | 2024 Fund | 2024 Benchmark | 2025 Fund | 2025 Benchmark |
|---|---|---|---|---|
| Conservative Fund | 3% | 7% | 2% | 2% |

As the global economy decarbonises in line with pledges and targets, the level of transition risks and opportunities grow. When evaluating the assets vulnerable to transition risk from a whole-of-portfolio perspective, portfolio transition value at risk (TVaR) for transition risk is a useful metric. This is a measure of the potential loss that an asset might experience. This metric is presented as a net number between the positive and negative potential share price movement in the portfolio. A negative TVaR means positive price movement.

In the current year, for the Conservative Fund, the portfolio TVaR is around 2% of the portfolio value based on the 2050 scenario. This is the same as the benchmark at approximately 2%.

The portfolio TVaR has **improved** to 2% of the portfolio value, from 3% of the portfolio value in the base year. Indicating a **lower** negative share price movement year on year. The size of these climate risks out to 2050 are relatively small compared with other risks faced by issuing entities, such as technological disruption, competition and regulation.

## Climate-related risks

### Portfolio value at risk (%)

| | 2024 Fund | 2024 Benchmark | 2025 Fund | 2025 Benchmark |
|---|---|---|---|---|
| Conservative Fund | 0.3% | 0.6% | 0.3% | 0.6% |

Rising temperatures may impact the climate system – the analysis outlined in the Strategy section (the CRAF) allowed the IMT to assess the assets in the portfolio from a whole-of-portfolio perspective against physical risks. Portfolio value at risk (VaR) is a useful metric. This is a measure of the potential loss that the assets in the portfolio may collectively experience and impact on the portfolio value.

As at 31 March 2025, the Conservative Fund VaR was around 0.3% of the portfolio value based on the 2050 scenario, this potential loss has remained the **same** compared to base year.

## Opportunities

### Assets aligned with climate-related opportunities

| 2024 Green Revenue | 2024 Brown Revenue | 2025 Green Revenue | 2025 Brown Revenue |
|---|---|---|---|
| 4% | 9% | 6% | 8% |

One way to assess a Fund's exposure to climate transition risks, and to identify potential opportunities, is to evaluate the commitment of the entities in which the Fund is invested to the transition, as well as their demonstrated ability to generate revenue from 'green' products or services.

Green revenues are generally viewed as contributing positively to climate action, while brown revenues are considered obstructive to it.

As at 31 March 2025, the percentage of assets in the Conservative Fund aligned with green revenues was 6% (an **increase** from 2024) and in contrast 8% was derived from brown revenues (as calculated by ISS ESG) a 1% **decrease** from the base year.

# Growth Fund

## Metrics

In the **Metrics** section, Fisher Funds outlines the relevant metrics for each Fund and compares them to those in previous climate-related disclosures.



## Fund summary

The Growth Fund is a diversified portfolio that includes shares and bonds.

Investments are subject to many risks, including risks that are not climate based, so it is important to consider climate-based risks in a broader context. Fisher Funds wants to ensure that the Growth Fund maintains an acceptable level of risk, both in absolute terms and relative to its benchmark.

The Growth Fund will inevitably see its climate-related risk profile change as it buys and sells assets over time and as the issuing entities evolve. This is in addition to the potential for physical and transition climate risks changing, as the passage of time brings clarity on the future state of the world (as contemplated by the climate scenarios used in this climate statement).

Fisher Funds expects the entities issuing securities into which the Growth Fund invests to recognise risks to their organisations and act in the most appropriate way for the long-term benefit of their shareholders and other stakeholders. In doing this, Fisher Funds expects they will consider physical and transition climate risks as part of the management of their organisations. As part of Fisher Funds' ongoing engagement with issuers, it selectively checks that appropriate attention is being given to climate-related risks and opportunities.

The following assets in the portfolio have not been included in the analysis and metrics presented in this climate statement:

- Fisher Institutional Property Fund
- Fisher Institutional Private Equity Fund
- Fisher Institutional Global Private Equity Fund
- Direct Capital IV Limited Partnership

These assets failed to meet the threshold for materiality for inclusion, as required by the Fisher Funds materiality approach adopted by the ESG Committee, please refer to the Strategy section.

# Metrics

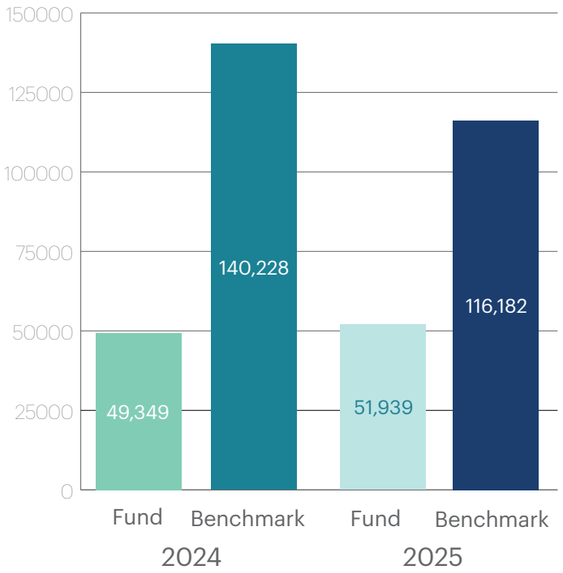
## Portfolio coverage

As at 31 March 2025, coverage has **increased** compared with the base year.

| | 2024 | 2025 |
|---|---|---|
| Portfolio covered | 85% | 86% |
| Portfolio not covered | 15% | 14% |

# Emissions

## Emissions exposure ($tCO_2e$)



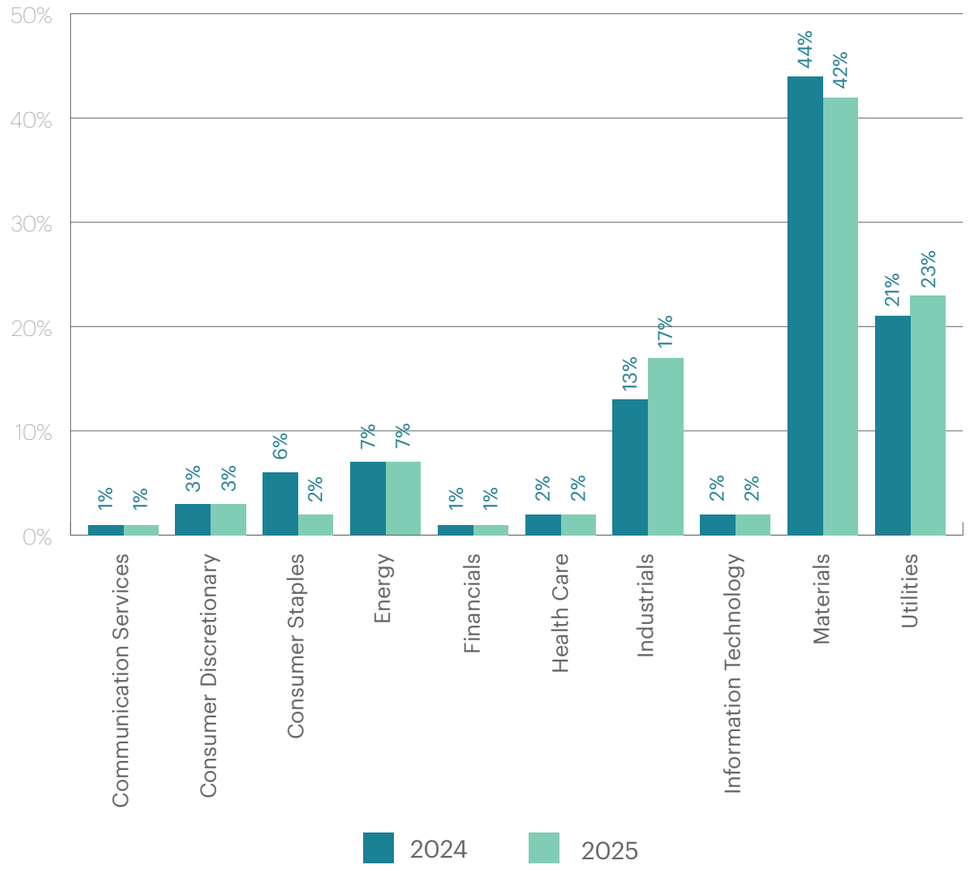

The Growth Fund emitted approximately 51,939 tonnes of $CO_2$ from scope 1 and 2 emissions. This is a lower emissions profile than if Fisher Funds had invested in the benchmark, which would have created an emissions profile of 116,182 tonnes of $CO_2$.

The emissions have **increased** in the current year from the base year.

## Sector contributions to emissions (%)

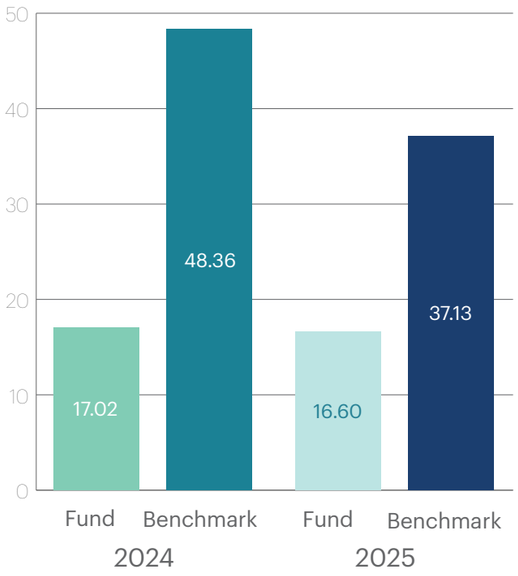
In the Growth Fund, for the current year 65% of the emissions were created by holdings in materials and utilities sectors.

By comparison, in the base year 65% of the emissions were created by these sectors.



# Emissions

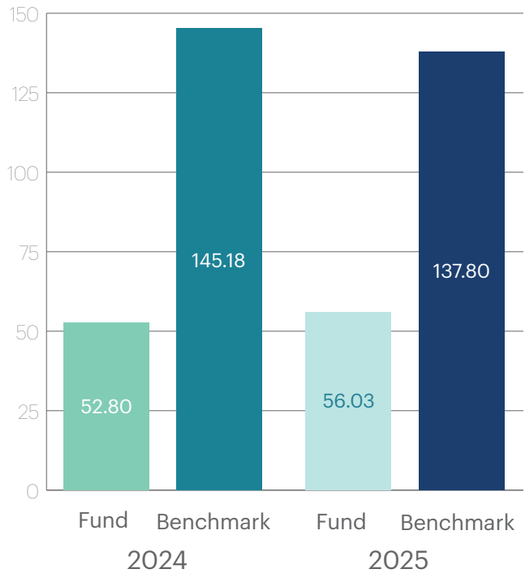
## Relative carbon footprint ($tCO_2e$/Invested) Scope 1 and 2 emissions




For the Growth Fund, for every $1 million invested, the relative carbon footprint (emissions exposure) as calculated by ISS ESG for the current year is 16.60 tonnes of $CO_2$ ($tCO_2e$), below the benchmark, which has a carbon footprint of 37.13.

The relative carbon footprint has **decreased** in the current year from the base year.

## For every million invested, what is my carbon footprint?




The weighted average carbon intensity (WACI) based on scope 1 and 2 emissions for the Growth Fund as calculated by ISS ESG is approximately 56.03 tonnes of $CO_2$ per unit of revenue compared with the benchmark at approximately 137.80 tonnes of $CO_2$ per unit of revenue. By this measure, the Growth Fund portfolio has less carbon intensity than the benchmark.

The weighted average carbon intensity has **increased** in the current year from the base year.

# Transition-related risks

## Transition value at risk (%)

| | 2024 Fund | 2024 Benchmark | 2025 Fund | 2025 Benchmark |
|---|---|---|---|---|
| Growth Fund | 3% | 9% | 3% | 3% |

As the global economy decarbonises in line with pledges and targets, the level of transition risks and opportunities grow. When evaluating the assets vulnerable to transition risk from a whole-of-portfolio perspective, portfolio transition value at risk (TVaR) for transition risk is a useful metric. This is a measure of the potential loss that an asset might experience. This metric is presented as a net number between the positive and negative potential share price movement in the portfolio. A negative TVaR means positive price movement.

In the current year, for the Growth Fund, the portfolio TVaR is around 3% of the portfolio value based on the 2050 scenario. This is the same as the benchmark at approximately 3%.

The portfolio TVaR is the **same** at 3% of the portfolio value from the base year. Indicating a **neutral** share price movement year on year. The size of these climate risks out to 2050 are relatively small compared with other risks faced by issuing entities, such as technological disruption, competition and regulation.

## Climate-related risks

### Portfolio value at risk (%)

| | 2024 Fund | 2024 Benchmark | 2025 Fund | 2025 Benchmark |
|---|---|---|---|---|
| Growth Fund | 0.4% | 0.6% | 0.4% | 0.7% |

Rising temperatures may impact the climate system – the analysis outlined in the Strategy section (the CRAF) allowed the IMT to assess the assets in the portfolio from a whole-of-portfolio perspective against physical risks. Portfolio value at risk (VaR) is a useful metric. This is a measure of the potential loss that the assets in the portfolio may collectively experience and impact on the portfolio value.

As at 31 March 2025, the Growth Fund VaR was around 0.4% of the portfolio value based on the 2050 scenario, this potential loss has remained the **same** compared to base year.

## Opportunities

### Assets aligned with climate-related opportunities

| 2024 Green Revenue | 2024 Brown Revenue | 2025 Green Revenue | 2025 Brown Revenue |
|---|---|---|---|
| 2% | 9% | 3% | 7% |

One way to assess a Fund's exposure to climate transition risks and to identify potential opportunities, is to evaluate the commitment of its investee or issuing entities to the transition, as well as their demonstrated ability to generate revenue from 'green' products or services.

Green revenues are generally viewed as contributing positively to climate action, while brown revenues are considered obstructive to it.

As at 31 March 2025, the percentage of assets in the Growth Fund aligned with green revenues was 3% (an **increase** from 2024) and in contrast 7% was derived from brown revenues (as calculated by ISS ESG) a 2% **decrease** from the base year.

# Targets

In the Fund Summary section, Fisher Funds has outlined specific metrics for each Fund and has compared them to those in our base year climate statements.

When it came to establishing a target for the base year reporting period, Fisher Funds selected science based targets (SBTs) which are a way to establish an entity's commitment to disclosing and reducing its GHG emissions. When entities set a SBT it needs to be independently verified. Setting these targets also shows the entity's commitment to reducing targets by 2050. SBTs were chosen by analysing the data provided by ISS ESG. It should be noted that SBTs is not the only way an entity can set an emissions target, there are other frameworks, including net zero and some entities may choose to set their own targets not using a prescribed framework. This data is subject to the limitations set out in Appendix 3.

Photo: Matt Logan

## Our approach

Fisher Funds has taken a two-pronged approach to establishing the metrics and setting the targets.

The first is to assess and manage. This enables Fisher Funds to better understand the climate-related and transition risks and opportunities over time.

In addition, better disclosure from entities and more widely adopted climate-related disclosure policy settings globally, will allow Fisher Funds to better assess the climate strategies of the entities in which it invests.

The second is to engage as an active investor. As referred to in the Strategy section, in last year's climate statements Fisher Funds committed to engaging with the upper quartile of entities in the highest emitting sectors (refer to Appendix 5) as per the Net Zero Investment Framework (NZIF) that did not have any science based targets (SBTs). By engaging and holding them to account, this assists Fisher Funds in managing climate risks and supports the transition to a lower carbon future. This also supports the transition planning process.

When setting targets, the following criteria was endorsed by the ESG Committee:

- Targets: SBT targets will remain in place, for the current reporting year. Chosen targets will be reviewed annually.
- Disclosure: will be completed annually on how the target metrics change year on year, showing the commitment percentages to SBTs as defined in the base year metric.
- Engagement approach: look to engage with the upper quartile of entities as defined by Fisher Funds in the highest emitting sectors that do not have targets.

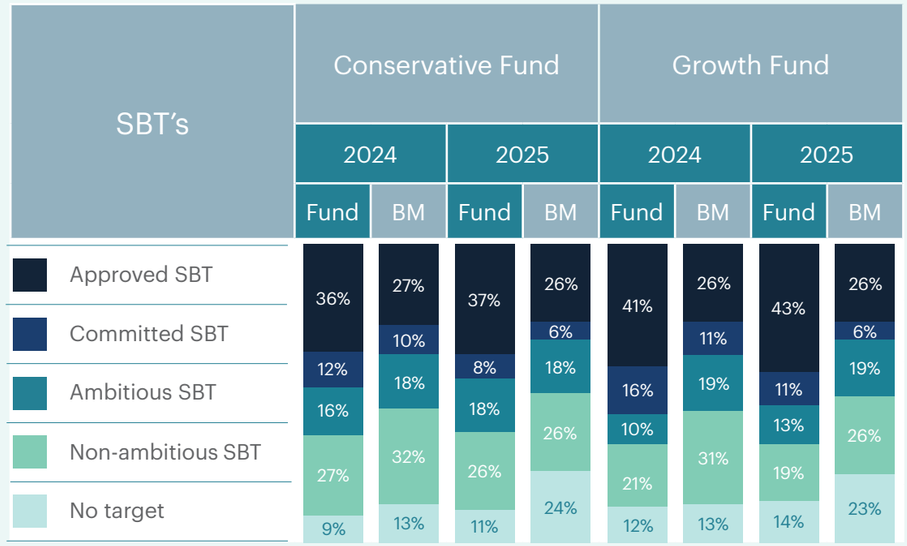
## SBT target scorecard

The SBT initiative (SBTi) is a collaboration that provides guidance and validation for entities setting emissions reduction targets that an entity's target is in line with scientific recommendations, meaning they are rigorous and ambitious enough to meet the goals of the Paris Agreement, to keep global warming well below 2°C, ideally 1.5°C, and helps entities define a clear pathway to reduce their GHG emissions. Definitions of SBTs can be found in the Glossary. Through an entity's emissions strategy, they move between defined SBT categories.

The following table shows the current year SBT percentages and how they have improved in an absolute sense or a reduction in that category year on year.

As noted in the guidance section, only Fund trends will be analysed.

## SBT target scorecard




### Conservative Fund

In the current year, 63% (compared to 64% in the base year) of the Fund's portfolio value is committed to an emissions reduction goal via an approved SBT, however, 11% of entities in the Fund do not have a SBT reduction target, compared with 9% in 2024.

### Growth Fund

In the current year, 67% (compared to 67% in the base year) of the Fund's portfolio value is committed to an emissions reduction goal via an approved SBT, however, 14% of entities in the Fund do not have a SBT reduction target, compared with 12% in 2024.

# Target engagement

During the last 12 months the IMT has engaged directly with entities on climate-related disclosure and the reo® service also engaged on climate-related themes, such as energy transition, emissions management, disclosure and transparency, climate change finance and lobbying supporting the transition.

The engagement of the IMT, as defined by the previous year's climate disclosure, was stated as engaging with the upper quartile of entities in the highest emitting sectors (refer to Appendix 5) as per the NZIF, that did not have any science based targets (SBTs).

This process discovered that across the Funds in this Scheme, this applied to three entities. Of the three entities at the time of our analysis none had set SBTs, however each of them measured their emissions. Of the 3 entities, 2 had set alternative emission reduction targets, one has a SBT-focused strategy, one with a methane emissions reduction target and the final entity had completed a voluntary independent assurance piece of over its GHG inventory. This entity had amended its strategy focusing on measuring, managing and improving its operational efficiencies. In the financial year 2024 some examples included (but not limited to) expanding solar energy across sites, optimising transport hub logistics, transitioning vehicles toward a less carbon-emissive fleet and monitoring progress in the development of greener steel technology and supply.

The IMT has engaged with one of these entities and additionally the Fisher Funds' overlay service (reo®) engaged with another entity. Through their engagement it was noted that a transition plan of electrifying compressors is uneconomic and the 2024 shareholder proposal for scope 1 and 2 targets only received 31% support from investors. An 8% reduction in absolute methane reductions was achieved from 2021 - 2023 (as per its 2023 Sustainability Report).

While Fisher Funds has chosen SBTs as a specific matric and target to review, this approach has not been adopted by all investee entities and when forming the engagement plan, a range of approaches by investee entities to setting targets was noted. Some set an emissions reduction plan with their own targets, not aligned to any particular framework, others used SBTs or net zero. It is expected that investee entities will modify their approaches over time. For example, reclassification of targets as entities may move from a Committed SBT to an Approved SBT, or removal of targets. Fisher Funds and reo® will continue to monitor and review the commitments of investee entities and engage on ESG matters, including climate emissions, with them. Fisher Funds will also continue to review whether additional entities may need to be included in the engagement programme.

Fisher Fund's engagement process will continue to evolve and mature over time.

More information about Fisher Funds' broader engagement and stewardship for 2024 can be found here.

# Appendices

Photo: Claire Horwood



# 06

## Appendices

# Appendix 1

## FSC Climate Scenario Narratives for the Financial Services Sector

To support the quantitative process, Fisher Funds has adopted the Financial Services Council (FSC) 'FSC Climate Scenario Narratives for the Financial Services Sector'. After a review, the IMT and the RI Team determined these narratives to be relevant and well aligned with Fisher Funds' investment strategy. These narratives offer the distinct, consistent and comparable framework for conducting the necessary analysis.

These narratives were developed by the FSC Scenario Analysis Committee and Working Group, a recognised industry body for New Zealand's funds management and insurance sectors. The FSC's work (including both physical and transition risk narratives) aims to enhance consistency and comparability of climate risk disclosures across the financial services sector. Fisher Funds supports this objective to the extent appropriate for its operations.

A description of the climate narratives is included below and the time horizons are included under Time Horizons narrative also included in these Appendices.

Climate scenarios are estimates and are not forecasts. The future is inherently uncertain. Climate scenarios are only plausible versions of the future that help in understanding what the future could look like. Scenarios are an important tool used to analyse and evaluate climate-related risks and opportunities and may not accurately predict future outcomes. Scenarios are based on many assumptions and are limited by the data available at the time and may have limitations.

These three scenarios outlined below were chosen for being relevant and appropriate to assess the resilience of Fisher Funds investment model and strategy in relation to climate-related risks and opportunities as the underlying variables (for example, carbon prices, gross domestic product (GDP), policy positions) are widely available. Having visibility of this transparency allows Fisher Funds to better understand the assumptions.

There are limitations to consider, NGFS scenarios share the same socioeconomic pathway, some fiscal components that are not accounting for example, estimated losses to GDP associated with potential acute events (for example, floods and wildfires). Scenarios are also non-linear in nature, for example, events that subsequently trigger other events, like the melting of ice impacting the gulf stream and potentially impacting climates of nearby continents. Models rely on economic data rather than scientific literature and in some instances, regions can be grouped together and have similar attributes applied, when they can be quite different. These factors may have an impact on the outcomes, for example, limited insights of macro variables across scenarios, GDP losses may be underestimated, not capturing real-world outcomes, short-term risks being understated, emissions pathways may differ from realised outcomes and climate risks and impacts may be understated.

NGFS models are applicable globally, across asset classes, geographies and GICs sectors our portfolios have exposure to. These are broadly aligned to the FSC scenario selection and are widely adopted by investment managers in New Zealand and globally. Aotearoa New Zealand Climate Standard (NZ CS 1.13) requires analysis of at a minimum a 1.5 degrees Celsius climate-related scenario and a 3 degrees Celsius or greater climate-related scenario and a third climate-related scenario. Fisher Funds elected the third scenario to be one more aligned with a more realistic New Zealand scenario, with greater exposure to medium-high physical risk and transition risk. For the 3 degrees Celsius or greater scenario Fisher Funds selected a challenging physical risk scenario assuming 'business as usual' with limited uptake of emissions regulation globally.

### Scenario 1: Orderly (1.5°C)

The Orderly scenario represents collective action towards a low carbon global economy. In this scenario, there are steady and constant societal changes related to technology, policy and behaviour to support the transition to a lower emissions economy. This is matched by an increasing carbon price that reinforces low carbon behaviour change. The coordinated and timely action around the world to curb greenhouse gases prevents the worst predicted impacts of climate change, however, the long-term chronic impacts from historic greenhouse gas ('GHG') emissions still occur, although not severely. Overall, based on the literature review and stakeholder engagement, this scenario represents a medium level of transition risk and a low level of physical risk relative to the other scenarios.

### Dataset aligned with scenario dimension

The NGFS Net Zero 2050 limits global warming to 1.5°C through stringent climate policies and innovation, reaching global net zero $CO_2$ emissions around 2050. This requires strong climate policy, technology advances and behavioural change. While carbon dioxide removals (CDRs) are used to accelerate even further decarbonisation, its use is minimised wherever possible.

# FSC Climate Scenario Narratives for the Financial Services Sector

## Drivers of change

**Emissions pathway:** Globally, the Orderly scenario shows a steady, steep decline in global emissions, as seen in the figure below. Overall, emissions reduce at an average of 3.4% per annum, with a 101% reduction in net emissions in 2050, compared to 2020 (NGFS, 2023). This reduction leads to net emissions being less than zero in 2050 (NGFS, 2023) as indicated by the emissions pathway intersecting the x axis in the figure below.

**Environmental:** In this scenario, the curbing of global GHG emissions through effective policies and the transition to a low carbon economy has helped to curb the most significant physical impacts of climate change. New Zealand's average temperature increase reaches 0.7°C (min 0.4, max 1.3) by 2050, and remains constant out to 2100 (NIWA, 2023). Globally, average temperature increases reach 1.4°C (min 1, max 1.8) by 2100 (IPCC, 2021b). Limiting the increase in global temperatures to 1.5°C relative to 1850-1900 levels has helped to minimise the increase in severity of extreme weather.

**Policy:** Progressive policy activity across the globe, such as the implementation of national and international emissions reduction requirements, mandatory climate-related reporting, emissions trading schemes, carbon taxes including border adjustments and an increase in legislation that bans emissions-intensive activities, along with increasing carbon prices, act to incentivise decarbonisation. Carbon prices will reach NZ$250 per tonne of carbon in New Zealand and US$400 per tonne globally in 2050 (CCC, 2021b), (NGFS, 2023).

**Social:** Society at large expects and puts pressure on entities to decarbonise. This is driven by concerted behaviour change across the population, including preference changes towards low emissions products or services throughout the supply chain, climate activism including through litigation and negative media attention oriented towards entities with a lack of appropriate action towards climate change, and/or greenwashing allegations (when an organisation exaggerates its practices to make them appear more environmentally friendly). Human quality of life continues to increase, resulting in an overall population growth slow down in the medium term, with the global population reaching 8.5 billion (IPCC, 2021a).

**Technological:** There is increased research and development into low emissions and emissions abatement technology and a rapid uptake of existing low emissions and emissions abatement technologies across all sectors. The transport sector sees widespread adoption of electric vehicles ('EVs') with an average of 85% of all vehicles on the road running on electricity by 2050 (CCC, 2021a). Residual emissions remain in the heavy trucking and aviation sectors, where emissions reductions are more difficult to achieve.

Supporting the electrification of the transport fleet is the continued transition to a renewable electricity generation system, which reaches 94% renewable by 2030 in New Zealand and 61% globally (CCC, 2022) (IEA, 2022a). Significant improvements in renewable storage technology allows for electricity production to reach 100% renewable and 88% renewable in New Zealand and globally respectively by 2050. The primary energy sector is not far behind the electricity sector, with 90% of all energy in New Zealand and 67% of all energy globally sourced from renewables by 2050 (CCC, 2022) (IEA, 2022a). Residual emissions remain from process heat application and industrial processes, such as cement and steel making, which are hard to abate. The agriculture sector also undergoes major technology and behaviour changes to reduce biogenic methane, largely through widespread adoption of biogenic methane inhibitors, vaccines and low emissions stock variants. Farmers successfully implement ambitious practice changes to become more emissions efficient. Approximately 90,000 hectares are converted from livestock agriculture to horticulture by 2050, nearly doubling the current area of horticulture. Methane reductions are also supported in the waste sector with a 73% organic waste recovery rate by 2050, alongside a major expansion of landfill gas capture globally.

**Economic:** Throughout this period, the global economy benefits from the stable transition to a low carbon economy, with the GDP reaching US$289 trillion by 2050 (NGFS, 2023). Likewise, the orderly transition in New Zealand positively impacts the New Zealand economy, including the New Zealand agricultural and horticultural sectors, with the GDP reaching NZ$485 billion in 2050 (NGFS, 2023). All countries face internal challenges brought by transformational change to their economies, including job losses and skill shortages. However, these issues are managed effectively with the help of a stable climate, economy and international relations.

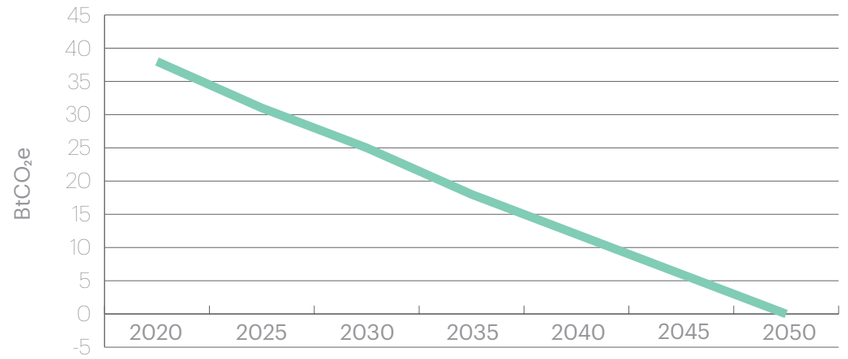



*Figure: Orderly global emission pathway using NGFS data.*

# FSC Climate Scenario Narratives for the Financial Services Sector

### Scenario 2: Too Litte Too Late (2°C - 2.6°C)

The 'Too Little Too Late' scenario represents a misaligned and delayed transition to a low carbon economy between different parts of the world. In this scenario, some countries are early movers on the transition to a low emissions economy, introducing policy that brings about net zero emissions by 2050. In other parts of the world, however, there is little action towards a low emissions future, with fossil fuelled development continuing throughout much of the remaining first half of the century. From mid-century, global efforts to address climate change begin to align and exceed those by the early movers. Large increases in carbon price will drive a rapid improvement in low emissions technology efficacy and uptake. This shift is partly driven by the increasing evidence and awareness of the social, economic and environmental degradation caused by a continued increase in fossil-fuelled development. Despite making a concerted effort to reduce emissions and move to a low emissions economy at mid-century, the changes come too late to prevent wide-ranging acute and chronic physical climate impacts. Overall, based on the literature review and stakeholder engagement, this scenario represents a high level of transition risk compared to the other scenarios and a medium level of physical risk compared to the other scenarios.
The NGFS Nationally Determined Contributions (NDCs) scenario projects 2.6°C average global temperature rise relative to pre-industrial levels, associated with moderate to high physical risk exposure. This scenario is also characterised by a slower take up in technology in the first half of the century, accompanied by less transition risk on a global scale in the medium term.

## Dataset aligned with scenario dimension

**Emissions pathway:** Globally, the Too Little Too Late scenario shows a steady decline in global emissions, as seen in the figure below. Overall, emissions reduce at an average of 1.0% per annum, with a 31% reduction in net emissions in 2050 compared to 2020 (NGFS, 2023). This reduction leads to a net emission of 26.7 $BtCO_2e$ in 2050 (NGFS, 2023), significantly higher than zero.

**Environmental:** Although global emissions begin to reduce from mid-century, the delay in abatement efforts has resulted in the materialisation of a number of physical climate risks. By 2050, temperatures around New Zealand have increased by an average of 0.8°C (min 0.4, max 1.3) and continue to increase to an average of 1.4°C (min 0.7, max 2.2) by 2100 (NIWA, 2023). Globally, average temperature increases reach 2.7°C (min 2.1, max 3.5) by 2100 (IPCC, 2021b).

In New Zealand the increased energy contained within the atmosphere by this temperature increase is helping to drive greater extreme weather events especially in the latter half of the century. By 2050, the number of hot days (defined as those reaching over 25°C) in Northland, Bay of Plenty, Hawke's Bay and Canterbury have increased by an average of 54%. By 2100 this has increased to 96% (NIWA, 2023). At the same time, the level of precipitation in the same regions are decreasing, reaching a 10% reduction by 2100 (NIWA, 2023). In combination, these changes are driving up drought levels in Northland and around the East Coast of New Zealand. While certain regions in New Zealand face increased drought conditions, other regions are seeing increased average precipitation. By 2100, the West Coast of the South Island is experiencing 20% more precipitation during the winter months, bringing increased risk of floods to the area (NIWA, 2023). The intensity of precipitation around the lower South Island is also increasing, driving up the risk of heavy downpours that can create flash flooding. By the medium and long term, New Zealand experiences a median increase in sea level of 0.24 and 0.55m, respectively (NIWA, 2023).

Globally, under the Too Little Too Late scenario, greater climate fluctuations are predicted compared to the Orderly scenario (IPCC, 2021a). However, there are regions that are worse impacted than others. Stronger temperature increases are reported over the northern hemisphere than the southern hemisphere (Nazarenko, 2022). With regions at high latitudes, including the Arctic and northern regions of North America, Europe and Asia, having the most significant temperature increase, with warming expected to be twice the global average (3 - 4°C by 2050) (Nazarenko, 2022).

Prolonged reduction in precipitation is seen in parts of northern and central Europe, eastern Africa, and southern Australia increasing risk of drought (IPCC, 2021a). While parts of South Asia and East Asia have increased precipitation by 2050, with greater frequency and intensity of flooding occurring compared to the past (IPCC, 2021a). Sub-Saharan Africa has areas of both lower and higher precipitation increasing risk of both flood and drought, further exacerbating challenges associated with agriculture and food security in the region (IPCC, 2021a).

Sea-level rise of 0.20m by 2050, and 0.56m by 2100, will affect coastal regions (NASA, 2023). Small Island Developing States ('SIDS') including low-lying islands in the Pacific, Caribbean and Indian Ocean are expected to be severely impacted by the predicted sea-level rise (IPCC, 2021c). In addition, coastal areas worldwide are projected to face increased risk from storm surges, flooding, and sea-level rise. This results in loss of land, damage to infrastructure, displacement of populations, impacts on coastal ecosystems and impacts to trade routes (NASA, 2023).

**Policy:** The European Union (EU), Japan, China, the United Kingdom (UK), the United States (US), Canada and New Zealand make early climate policy implementations. For example, national and international emissions reduction requirements, mandatory climate-related reporting, emissions trading schemes, carbon taxes, including border adjustments, and legislation that bans emissions-intensive activities, and increase carbon prices, which act to incentivise decarbonisation. In 2030 the carbon price in New Zealand will reach NZ$140 per tonne of carbon, whilst globally it will reach US$34 (CCC, 2022) (NGFS, 2023). In other parts of the world, however, for example, the Middle East, Asia (excluding Japan and China) Australia and central and south America, there is little policy action incentivising a low emissions future. From mid-century, climate policy and price begin to align and accelerate globally. This shift is partly driven by the increasing evidence and awareness of the social, economic and environmental degradation caused by a continued increase in fossil-fuelled development. By 2050 carbon prices will increase to NZ$250 per tonne of carbon in New Zealand and US$50 globally (CCC, 2022) (NGFS, 2023).

Adaptation plans are put in place in developed nations and act to reduce the physical impacts of climate change. Regions with limited resources, infrastructure and adaptive capacity will face greater challenges in mitigating the physical effects of climate change and, consequently, experience greater negative impacts.

**Social:** Behaviour changes and social pressure in Europe, the US, Canada, Australia, and New Zealand drives decarbonisation in these countries in the short term, however, outside of these countries, behaviour change does not begin until the medium term. Lower GDP growth, together with higher population estimates, transition costs and physical climate impacts will increase inequities, as the world's more marginalised nations

# FSC Climate Scenario Narratives for the Financial Services Sector

are exposed to higher rates of poverty, political and economic instability and physical climate impacts. Prioritisation by developed nations on covering internal transition costs and an increase in displaced people seeking to migrate to safer living conditions, will increase geopolitical tensions, as will increased challenges in agriculture, food security and water availability as a result of greater volatility in precipitation, combined with increased risk of drought and flood (IPCC, 2021a).

**Technological:** There are delays in the development of low emissions and emissions abatement technology, restricting early climate moving nations' progress on decarbonisation until closer to the medium term, when global efforts to decarbonise begin to align with early movers.

With renewable electricity technologies already well developed, New Zealand achieves a 94% renewable electricity rate in the short term due to the continued expansion of New Zealand's renewable electricity network, especially through wind, solar and geothermal (CCC, 2021a). This is well ahead of the global 46% renewable electricity rate in 2030 (IEA, 2022). The expansion of New Zealand's renewable electricity continues in the medium term. However, a lack of viable renewable energy storage technology, and the decision not to invest in the pumped hydro scheme at Lake Onslow, prevents a 100% renewable electricity generation rate. Some natural gas usage remains in the system to provide base load electricity, which results in 98% renewable electricity rate by 2050 (CCC, 2021b). Globally, by 2050, renewable electricity rates have increased to 71% through gradual conversion. Unlike electricity, the uptake of renewable primary energy in New Zealand is limited in the short term, as New Zealand faces challenges in decarbonising process heat systems due to a lack of investment into low emissions alternatives. In the medium term, renewable primary energy in New Zealand increases significantly, reaching 80% (CCC, 2021b). Much of this increase is driven by the rise in renewable electricity and the conversion of low-process heat boilers to biomass and electricity. Again, New Zealand is well ahead of the global renewable energy rates of 19% in 2030 and 37% in 2050 (IEA, 2022).

In the transport sector, emissions reductions happen slowly, with only 6% of the fleet electrified in the short term. By the medium term, the rate of fleet electrification reaches 76% (CCC, 2021b). EV sales reach critical mass and steadily take over the international vehicle fleet nearer to the medium term. Residual emissions are largely the result of aviation emissions, which see little to no reduction, even by the medium term.

**Economic:** The high transition risks combined with medium physical risks under a Too Little Too Late scenario will lead to significant financial impacts, such as job loss of 900,000 annually by 2070 and declines in global economic growth in the medium term, with GDP reaching US$274 trillion by 2050, a reduction of approximately US$9 trillion compared to an Orderly scenario (Deloitte, 2022), (NGFS, 2022a). On the other hand, global population growth exceeds that of an Orderly scenario, with a global population of 9.2 billion people resulting in a lower standard of living for many across the globe, as a smaller GDP is shared amongst a greater population by 2100 (IPCC, 2021b).

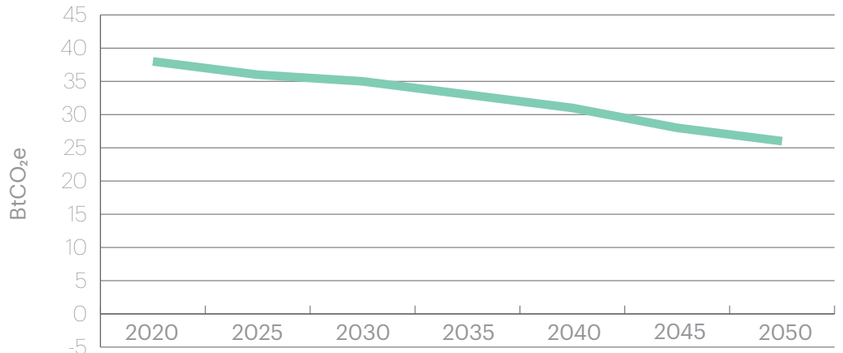



*Figure - Too Little Too Late global emission pathway using NGFS data*

# FSC Climate Scenario Narratives for the Financial Services Sector

## Scenario 3: Hot House World (>3°C)

This scenario represents minimal action towards a low carbon global transition. Despite increasing levels of social, economic and environmental degradation, there is little shift in social and political traction towards a low emissions future. As a result, there is little behaviour change and a lack of low carbon emissions technology development. This leads to a continued and increasing level of fossil fuel use, strong globalisation, increasing consumption and materialism. The impact of these activities continues to drive emissions higher throughout the remaining 21st century, leading to significant materialisation of acute and chronic physical risks. In the first half of the 21st century this physical risk sees increasing severity of extreme weather, which is accompanied by rising sea levels in the latter half of the 21st century. This threatens coastal developments worldwide, placing pressure on global relations. Overall, this scenario represents a low transition risk and a high level of physical risk when compared to the other scenarios. The NGFS Current Policies scenario assumes that only currently implemented policies are preserved, leading to high physical risks and a slow technology uptake and low CDR activity.

### Dataset aligned with scenario dimension

The NGFS 'Current Policies' (CPs) assumes that only currently implemented policies are preserved, leading to high physical risks. Slow technology uptake and low CDR activity.

**Emissions pathway:** The Hothouse scenario shows minimal change in global emissions, as seen in the figure below, with a slight increase projected between 2020 -2025 and then gradually decreasing. Overall, emissions reduce at an average of 0.4% per annum, leading to an 11% reduction in net emissions in 2050 compared to 2020. This reduction leads to net emissions being 34.3Bt$CO_2$e in 2050, well short of net zero (NGFS, 2023).

**Environmental:** The lack of action towards climate change allows for GHG emissions to continue to rise unabated through the remainder of the century, leading to severe physical risk. A leading driver of this physical risk is the increase in global average temperature, which reaches 2.4°C in the medium term, climbing to 4.4°C by 2100 (IPCC, 2021a). In New Zealand, temperatures have increased, on average, by 1.0°C (min 0.5, max 1.7) by 2050 and 3.0°C (min 2.0, max 4.6) by 2100 (NIWA, 2023).

The variability of climate changes across the country, increasing over time. In the long term, New Zealand sees large precipitation changes, such as on the West Coast in the winter season, where area-average increases of up to 40% are experienced (MfE, 2018). The long term also brings an overall increase in drought intensity that manifests in several ways. The north and east of the North Island experience an increase in dry days and lower rainfall levels (MfE, 2018). This coincides with an average increase of 50mm in the July-June potential evapotranspiration deficit ('PED'), with the biggest changes arising in the northern and eastern North Island and areas to the east of the South Island's main (MfE, 2018). In addition to drought, the level of snowfall reduces, with the number of snow days decreasing by at least 30 days in the long term, reducing the overall snowpack that supplies several lakes and rivers in the South Island (MfE, 2018). As with other physical risks, the high level of emissions has increased the overall impact of sea-level rise around the country. The median sea-level rise around New Zealand reaches 0.28m in the medium term, increasing to 0.79m in the long term (MfE, 2017). In the medium term, the high frequency of extreme weather events sees coastal areas regularly faced with storm damage.

Globally, under the Hot House World scenario, greater climate fluctuations are predicted compared to both Orderly and Too Little Too Late scenarios (IPCC, 2021a). Global average temperature is increased by 2050 with regions at high latitudes, including the Arctic and northern regions of North America, Europe, and Asia having the most significant temperature increases, with warming forecast to be three times the global average (3 - 5°C by 2050) (Nazarenko, 2022). Regions that are already prone to water stress, such as parts of the Mediterranean, the Middle East, southwestern US and parts of Africa and Asia, see increased frequency and intensity of both droughts and floods, with Sub-Saharan Africa projected to have a 40% increase in wetness (IPCC, 2021a). Sea-level rise of 0.23m by 2050, and 0.77m by 2100, will impact coastal regions (NASA, 2023). SIDS will be severely impacted by the projected sea-level rise (IPCC, 2021a). In addition, coastal areas worldwide will face increased risk from storm surges, flooding, and sea-level rise. This will result in loss of land, damage to infrastructure, displacement of populations, impacts coastal ecosystems and trade routes.

**Policy:** Early adopters of progressive climate policy, the EU, the UK, the US, Canada and New Zealand, reverse, revoke or otherwise roll back climate policies. Japan, China and Australia push pause on further development and implementation of climate policies currently under development. The Paris Agreement fails as NDCs are not met and nations begin to withdraw. By 2050 the carbon price in New Zealand is NZ$35 per tonne of carbon, whilst globally it is even lower at US$6 per tonne of carbon (CCC, 2021a) (NGFS, 2023). Investment in adaptation is minimal.

**Social:** There is limited behaviour change or social pressure to drive decarbonisation globally. The focus on global growth by any means necessary drives higher rates of economic inequality, increasing political instability and geopolitical tensions around the world. There is an increase in displaced people seeking to migrate to safer living conditions.

In New Zealand over the medium term, the frequency of extreme weather events and rising sea levels causes economic impacts and disruptions, reducing quality of life. Hydro lake levels reach critically low levels, threatening the reliability of electricity supply to households. Sea-level rise and increased flooding events make coastal properties and those properties in flood plains uninsurable in the short term and over the long term there is widespread retreat from these areas and homes as they become uninhabitable. This leaves these property owners with significant financial losses. Cities and towns located in areas affected by sea-level rise and extreme weather events see a significant loss of population as people move away from affected areas and towards elevated, inland areas perceived as lower risk. This causes a substantial loss of value for all properties in the areas experiencing population loss, while the areas people are moving to see a significant increase in property values and a housing shortage. Additionally, impacts to the transport network affects the construction and property sector, causing issues with the supply of raw materials to building sites and delaying the construction of new housing, especially in high-demand areas. As a result, building costs rise steadily in the medium term, making it even more challenging to adapt to the housing challenges created by climate change.

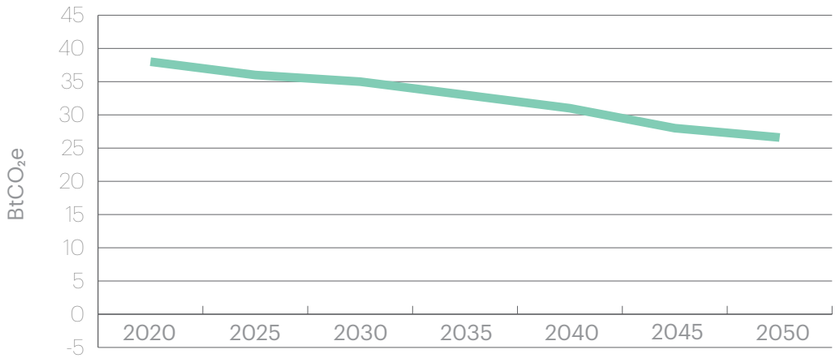
# FSC Climate Scenario Narratives for the Financial Services Sector

**Technological:** There is an overall lack of technological change to support emissions reduction. By 2050, fossil fuels continue to be the dominant source of primary energy, even after accounting for current technology trends (IPCC, 2021a). This is reflected in renewable energy levels, which only reach 61% in New Zealand and 26% globally by 2050 (CCC, 2021a; IEA, 2022) (IEA, 2021a). Renewable electricity sourcing in New Zealand, while high by global standards (93%) has only increased by 1% between 2030 and 2050 to reach 94% (CCC, 2021a; IEA, 2022) (IEA, 2021a). Although fossil fuels continue to dominate in the world's energy mix, the level of transport electrification in New Zealand continues to rise out to 2050, with 69% of the national road transport fleet electrified (CCC, 2021a).

**Economic:** Unabated productivity by emissions-intensive industries spur income accumulation within emissions-intensive sectors, however, surmounting costs from increasingly pervasive chronic physical climate change impacts negatively affect GDP at national and global scales. US$273 trillion is expected by the medium term under this scenario, capturing a decrease of 6% due to chronic physical risk, a difference of US$11 trillion when compared to an Orderly scenario (NGFS, 2023)19. Acute physical risk events will result in widespread displacement, reduced productivity due to temporary closures of workplaces and income losses from damage to assets. Alongside a reduction in GDP, global population growth exceeds that of the Orderly scenario, with a total of 8.2 billion people in the medium term (IPCC, 2021a).

Agriculture continues to grow, using industrial agriculture fuelled mostly by fossil fuel-based fertiliser and machinery. Over the short and medium term, New Zealand's meat and milk solids exports increase from 3 billion kilograms in the short term to 3.1 billion kilograms in the medium term (CCC, 2021a). In the long term, however, the ability for continued growth in agriculture becomes increasingly difficult due to the impacts of extreme weather around New Zealand. Alternative proteins increase in popularity in the medium and long term, largely due to their lower costs to produce and the ability to improve food security for nations with limited agricultural land (Te Puna Whakaaronui, 2022). A lack of policy support and behavioural change sees alternative protein manufacturing remain a niche industry in New Zealand.

Transport and shipping around the country are also impacted, with flooding and storms damaging transport infrastructure and restricting the ability for goods to move around the country. This has a flow-on effect on the construction and property sector, causing issues with the supply of raw materials to building sites.




# Time Horizons narratives

An important part of scenario analysis is selecting appropriate time horizons. Fisher Funds has selected these from the FSC's Climate Scenario Narratives guide, with some amendments to reflect the view determined at IMT workshops that took place for the inaugural reporting period.

The short-term defined time horizon differs from the FSC short-term horizon of 2025. The IMT determined this to be too 'short term' in nature, given 2024 was defined as the base year. Given the change to short term, medium term was altered from 2030 to 2040 but is within the time horizon range of 5 - 10 years. There was no change to the long-term horizon and this is aligned with the FSC Time Horizons.

## Short term: present to 2030

- More or less aligns with short- to medium-term investment time horizons for investors.
- Aligns with many interim targets of issuing entities.
- Captures the impact of climate change for investors who may have liquidation events in this timeframe

## Medium term: present to 2040

- More or less aligns with short- to medium-term investment horizons for investors.
- Captures the impact of climate change for investors who may have liquidation events in this timeframe.
- More likely to capture the impact of policy changes in countries around the world as they aim to set up frameworks to encourage decarbonisation.

## Long term: present to 2050

- More or less aligns with long-term investment horizons for investors.
- Captures the impact of climate change for investors who may have liquidation events in this timeframe.
- Captures the impact of climate change over a long-term horizon where impacts are more likely to be present in the economy.

Photo: Mahdee Nokaiti

# Appendix 2

## Adoption provisions

To recognise that it may take time to develop the capability to produce high-quality climate-related disclosures and that some disclosure requirements, by their nature, may require an exemption, NZ CS 2 provides a limited number of adoption provisions from the disclosure requirements in Aotearoa New Zealand Climate Standards. Additional amendments were made in November 2024.

The table below outlines the adoption provisions that have been used in this climate statement.

| Provision number | NZ CS 2 adoption provision |
|---|---|
| 2 | Anticipated financial impacts of physical and transition impacts identified, available in the first and second reporting period. |
| 4 | Scope 3 greenhouse gas (GHG) emissions — disclosing gross emissions in metric tonnes of carbon dioxide equivalent ($CO_2e$) classified as scope 3, available in the first and second reporting period. |
| 5 | Comparatives for scope 3 GHG emissions — comparative information for the immediately preceding 2 reporting periods. |
| 6 | Comparatives for metrics for scope 3 GHG emissions — comparative information for the immediately preceding 2 reporting periods. |
| 7 | Analysis of trends — analysis of the main trends evident from a comparison of each metric from previous reporting periods to the current reporting period, except for scope 3 GHG emissions. |
| 8 | For accounting periods prior to 31 December 2025, scope 3 emissions can be excluded from assurance engagement.<br><br>For avoidance of double scope 3 GHG emissions have not been assured. |



# Appendix 3

## Service description as provided by ISS ESG

Fisher Funds subscribes to Institutional Shareholder Solutions (ISS) ESG for climate information and analysis. ISS ESG is a provider of environmental, social and governance solutions for asset owners, asset managers, hedge funds and asset servicing providers. ISS ESG solution provides climate data, analytics and a bespoke services to help financial market participants understand, measure and act on climate-related risks and opportunities across all asset classes. ISS ESG platforms are capable of providing carbon footprinting and climate risk and opportunity analysis across portfolio assets.

ISS ESG takes an exhaustive approach to data collection and analysis and delivery to its clients. The ISS ESG methodologies provide details about the underlying models used for estimating non-disclosed data. The ISS ESG methodology documents the use of estimated data within its various products and elaborates the extent of estimated data and therefore assists the clients in identifying the uncertainties and limitations associated with the use of this dataset.

More information on ISS ESG methodology can be found here: www.issgovernance.com/esg/methodology- information

## Data limitations identified by Fisher Funds

ISS ESG is improving its methodologies and ESG dataset globally, however, currently some data is unavailable or uncertain. This means that there are limits to the reliability of data and analysis that ISS ESG provides. Through collating and reporting emissions with ISS ESG, several limitations that may have an impact on data integrity and the reporting of information in this climate statement have been identified. These limitations include:

- Investee entities may not report their emissions, which results in ISS ESG not collecting data on these entities.
- There may be a lag between an entity reporting climate metrics publicly and ISS ESG including this information in its platform.
- If an entity invested in by the Fund does not report its emissions, ISS ESG may estimate the emissions based on entities in the sector or industry, using its proprietary methodologies.
- There is no globally recognised standard for measuring emissions for some asset classes (e.g. cash and derivatives).
- Rounding of large numbers in emissions intensity calculations can cause small differences in reported values.
- There is a level of uncertainty in the ISS ESG VaR in quantifying specific dollar impacts for individual entities on a forward-looking basis.

In light of these limitations, Fisher Funds has implemented several internal processes and controls to measure and monitor the materiality of the data limitations on reporting. Fisher Funds will continue to work with ISS ESG to improve data quality and reliability.

# Appendix 3

## ISS ESG emission data limitations - fund metrics

ISS ESG's solution was used to calculate the emissions profile of each Fund in the Scheme. The ISS ESG solution calculated the emissions profile of each Fund using the ISS ESG proprietary methodology to measure the GHG emissions (scope 1 and scope 2) as set out in this climate statement. The methodology attributes scope 1 and 2 emissions of entities the Fund has invested in, as a proportion of the total value of that entity held by the Fund. For the reasons explained above, the disclosures required by NZ CS 1 (i.e. GHG emissions calculation standards, consolidation approach and sources and exclusions) are qualified as follows:

a. **Standards:** ISS ESG has internal controls over its data but this has not had a third party review. This independent assurance is planned to take place within the next year. In addition to this, Fisher Funds is developing its own sample testing process over emissions data that will be used to verify emissions for future disclosure periods.

b. **Consolidation approach:** The entities in which each Fund is invested publish their GHG emissions data based on the consolidation approach selected by that entity. As a result, no single consolidation approach for aggregated GHG emissions across the funds can be stated.

c. **Sources:** ISS ESG used several sources to determine the emissions factors and global warming potential (including the Intergovernmental Panel on Climate Change (IPCC) recommendations and regional or country-level factors) depending on the information available for the entity in which each Fund invested. As a result, no single source can be stated.

d. **Exclusion criteria:** ISS ESG excluded data that was assessed as unreliable. However, the specific exclusion sources and underlying rationale were not disclosed. According to discussions with ISS ESG, any data that has been excluded was deemed insufficiently reliable for inclusion.

# Appendix 4

## Restatements

In future reporting years, Fisher Funds may need to restate values that have been here there has been a material change. For example, if an entity a Fund invests in corrects previously reported emissions data, metrics that have been disclosed based on the incorrect information may also need to be corrected. Restatement will occur typically if data changes across the Fund are in aggregate 5% or more of total emissions.

# Appendix 5

## Net zero framework highest emitting sectors

The following table shows the highest emitting sectors from the NZIF and GICs.

| Sector | GICS sector name | GICS sub industry code |
|---|---|---|
| **Electric utilities** | Energy | Integrated oil and gas<br>Electric utilities |
| | Utilities | Independent power producers & energy traders<br>Multi utilities |
| **Oil & gas** | Energy | Integrated oil and gas<br>Oil & gas refining & marketing<br>Oil & gas exploration and production<br>Oil & gas storage & transportation |
| | Materials | Diversified chemicals |
| **Oil & gas (plus distribution)** | Energy | Oil & gas storage & transportation<br>Oil & gas exploration & production |
| | Materials | Diversified chemicals |
| **Coal mining** | Energy | Coal & consumable fuels<br>Oil & gas refining & marketing |
| | Consumer discretionary | Automobile manufacturers |
| | Industrials | Industrial conglomerates |
| | Materials | Trading entities & distributors<br>Diversified metals and mining |
| **Autos** | Consumer discretionary | Automobile manufacturers |
| **Airlines** | Industrials | Airlines |
| **Shipping** | Energy | Oil & gas storage & transportation |
| | Industrials | Marine |
| **Aluminium** | Materials | Aluminium |
| | Industrials | Trading entities and distributors |
| **Cement** | Materials | Construction materials |
| **Pulp & paper** | Materials | Paper packaging<br>Paper products |
| **Steel** | Materials | Steel |
| **Chemicals** | Materials | Commodity chemicals<br>Diversified chemicals<br>Fertilisers and agricultural chemicals<br>Industrial gases<br>Specialty chemicals |
| **Diversified mining** | Materials | Diversified metals and mining<br>Copper<br>Steel |
| **Other industrials** | Information technology | Electronic equipment and instruments<br>Technology hardware, storage and peripherals |
| | Industrials | Aerospace and defence<br>Construction machinery and heavy trucks<br>Heavy electrical equipment<br>Electrical components & equipment |
| | Consumer discretionary | Consumer electronics |
| | Materials | Construction materials |

# Glossary

Photo: Mahdee Nokairi



| Term | Definition |
|---|---|
| Base year | The first financial year that a climate-related disclosure relates to. This is a 12-month period against which future metrics can be measured and provides a historic point for comparison. |
| Brown and green revenues | The brown revenue percentage gives the estimated proportion of the issuer's revenue considered to be derived from products or services with significant or limited obstruction to Sustainable Development Goal (SDG) 13 Climate Action.<br><br>The green revenue percentage gives the estimated proportion of the issuer's revenue considered to be derived from products or services with contributions to SDG 13 Climate Action. |
| Delayed transition | Delayed transition assumes global annual emissions do not decrease until 2030. Strong policies are then needed to limit warming to below 2°C. Negative emissions are limited. This scenario assumes new climate policies are not introduced until 2030 and the level of action differs across countries and regions, based on currently implemented policies, leading to a 'fossil recovery' out of the economic crisis brought about by COVID-19. The availability of carbon dioxide removal (CDR) technologies is assumed to be low, pushing carbon prices higher than in net zero 2050. As a result, emissions exceed the carbon budget temporarily and decline more rapidly than in the well-below 2°C scenario after 2030 to ensure a 67% chance of limiting global warming to below 2°C. This leads to both higher transition and physical risks than the net zero 2050 and below 2°C scenarios. |
| Opportunities | The potentially positive climate-related outcomes for an entity. Efforts to mitigate and adapt to climate change can produce opportunities for entities, such as through resource efficiency and cost savings, the adoption and utilisation of low -emissions energy. |
| SBTs | SBTs are goals that organisations set to reduce their greenhouse gas (GHG) emissions in line with the Paris Agreement to mitigate the worst effects of the climate crisis. Ratified by more than 190 countries, the Paris Agreement aims to limit the rise of global temperatures to well below 2°C above pre-industrial levels while also striving for a limit of 1.5°C.<br><br>SBTs:<br>• No target – no clearly defined GHG emissions reduction targets are set by the entity.<br>• Non-ambitious target – a clearly defined GHG emissions reduction target set by the entity, however, the target is not aligned with the emissions reductions required to limit the global temperature increase to well below 2°C compared to pre-industrial levels.<br>• Ambitious target – a clearly defined GHG emissions reduction target is set by the entity that may be aligned with the emissions reductions required to limit the global temperature increase to well below 2°C compared to pre- industrial levels.<br>• Committed SBT – the entity has set an ambitious target. The entity has publicly committed to setting a SBT in line with the Science Based Targets Initiative.<br>• Approved SBT – an ambitious target has been set by the entity, which has been approved by the Science Based Targets Initiative. |

| Term | Definition |
|---|---|
| Scope 1 emissions | Scope 1 covers emissions from sources that an organisation owns or controls directly. For example, from burning fuel in a fleet of vehicles (if they are not electrically powered). |
| Scope 2 emissions | Scope 2 covers emissions that an company entity causes indirectly and come from where the energy it purchases and uses is produced. For example, the emissions caused when generating the electricity used in its buildings. |
| Scope 3 emissions | Scope 3 covers emissions that are not produced by the entity itself and are not the result of activities from assets owned or controlled by them but by those that it is indirectly responsible for up and down its value chain. An example of this is when Fisher Funds buys, uses and disposes of products from suppliers. Scope 3 emissions include all sources not within the scope 1 and 2 boundaries.<br><br>Source: www.nationalgrid.com/stories/energy-explained/what-are-scope-1-2-3-carbon-emissions |
| $tCO_2e$ | Tonnes (t) of carbon dioxide ($CO_2$) equivalent (e). Carbon dioxide equivalent is a standard unit for counting GHG emissions regardless of whether they are from carbon dioxide or another gas, such as methane. |
| Transition risk | Risks related to the transition to a low-emissions, climate-resilient global and domestic economy, such as policy, legal, technology, market and reputation changes associated with the mitigation and adaptation requirements relating to climate change. |
| TVaR | TVaR measures the potential loss an asset might experience from future decarbonisation costs and opportunities.<br><br>The Transition (and physical) VaR is an equity-based analysis, and its output should not be interpreted as the potential change in price of a bond. However, the VaAR remains a useful metric for fixed income as it is a holistic indicator of the issuer's exposure to physical or transition risks, even if not directly material to the bond price itself. |
| Upstream and downstream emissions | Upstream emissions come from the production of an entity's products or services.<br><br>Downstream emissions come from the products' use and disposal. |
| VaR | VaR measures individual companies' exposure to physical risks. Physical risks can have a financial impact on a company at both the operational and the market level. |

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