fisherfunds

Climate Statement

Fisher Funds Investment Funds

July 2024

Contents

01 Introduction 3

02 Governance 6

03 Strategy 14

04 Risk management 32

05 Metrics 40

06 Targets 68

07 Case studies 74

08 Appendices 84

09 Glossary 88

This Climate Statement is dated 31 July 2024 and is signed on behalf of the Fisher Funds Board by:

David Clarke
Chair

Guy Roper
Chair of the Audit and Risk Committee

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 Investment Funds

Fisher Funds Investment Funds (until 6 March 2024 referred to as Kiwi Wealth Managed Funds) ("the Scheme") is a managed investment scheme. Fisher Funds Wealth Limited ("Fisher Funds") is the manager of the Scheme.

Fisher Funds invests clients' money and charges them a fee for its services.

Fisher Funds Management Limited ("Fisher Funds Management") is the ultimate owner of Fisher Funds. Fisher Funds Management invests the Scheme's assets and provides administration of the Scheme for Fisher Funds. Fisher Funds Management employs the personnel who carry out the management and administration for the Scheme, including those who make decisions on climate-related risks and opportunities as described below.

The returns clients receive are dependent on the investment decisions of Fisher Funds Management and the performance of the investments. These decisions include decisions on climate-related risks and opportunities.

For more information on the Scheme, including information on fees, returns and other key product information see the Fisher Funds Investment Funds Product Disclosure Statement (PDS).

Photo: Matt Logan

First climate statement

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

This is the first climate statement for the Scheme and is for the period 1 April 2023 to 31 March 2024.

This 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, including Fund information (which includes information at a fund level), and Targets. Scheme-level information applies to all funds in the Scheme, and fund information applies only to a specific fund within the Scheme.

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

Adoption provisions

Fisher Funds has adopted all first-year adoption provisions as detailed in Aotearoa New Zealand Climate Standard 2: Adoption of Aotearoa New Zealand Climate Standards (NZ CS 2). See Appendix 1.

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 report 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 risks and opportunities and scenarios may not eventuate and if they do, the actual impacts may differ materially from what is described in this report.

In addition, there are limitations to the data and data modelling methodology used in this report. 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 2024. 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.

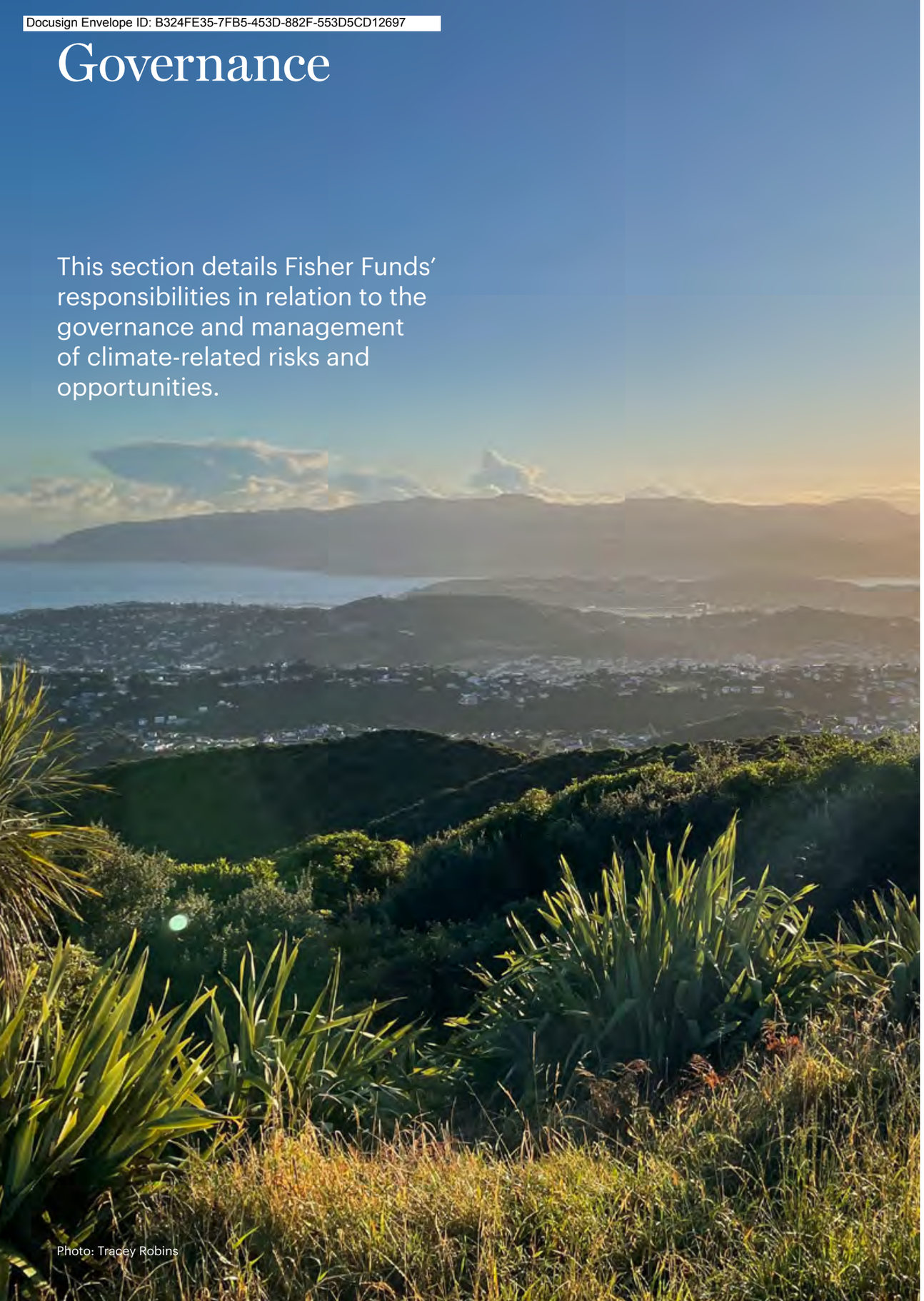


Photo: Tracey Robins

02
Governance

Fisher Funds governance and management of climate-related risks and opportunities....8
Board membership....9
Governance process....10
ESG Committee....13
Incentives and remuneration....13

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 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.

[1] A scheme can hold shares issued by a company, 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 boards of Fisher Funds Management and its subsidiaries, including Fisher Funds, share the same membership.

There are 4 board subcommittees (Audit and Risk, Investment Strategy, People and Culture, Nominations) that support the boards of both Fisher Funds and Fisher Funds Management.

Membership of the Board is approved by the Fisher Funds Management Board, in conjunction with the recommendations of the Nominations Committee. To ensure consistency and proper oversight of its duties as manager of the Scheme, the Fisher Funds Management Board has replicated its membership on the Board.

Membership of the Fisher Funds Management Board is determined by Fisher Funds Group's ultimate majority shareholder, Toi Foundation Investments Limited ("Toi"), and in accordance with arrangements in place with minority shareholders (if any).

The balance of skills, knowledge, experience, independence and perspectives for the Fisher Funds Management Board are considered for each appointment, at the Toi Nominations Committee in accordance with Toi's director appointment policy. In addition, appointments are informed through discussions between Toi and the Fisher Funds Management Board Chair.

Directors are expected to take individual accountability to maintain relevant competency as part of their directors' duties. These steps enable the Fisher Funds Management 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 Fisher Funds Management Board meets at least 6 times a year and may schedule extra meetings as needed to fulfil its responsibilities. Given its membership mirrors that of Fisher Funds Management, enabling consistency of information and oversight, the Board meets as needed. During the year to 31 March 2024, the Fisher Funds Management Board met 9 times and climate-related issues were discussed at 3 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 2 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 Management (with any associated auditor's report). The ARC is a committee of the Board comprising 3 directors of Fisher Funds and meets at least 3 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. In future periods, following establishment of metrics and targets in the current period, the ISC will also monitor progress against the metrics and targets. The ISC is a committee of the Board comprising 3 directors of Fisher Funds and meets at least 3 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 risks and opportunities and, where material, these risks and opportunities are factored into investment decisions.
3. The IMT also develops 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. (In addition, for this first climate statement, the Board delegated to the Chair of the ISC and the Chair of the ARC authority to work with Management to review and endorse the metrics and targets and climate strategy in order 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.

Photo: Claire Horwood

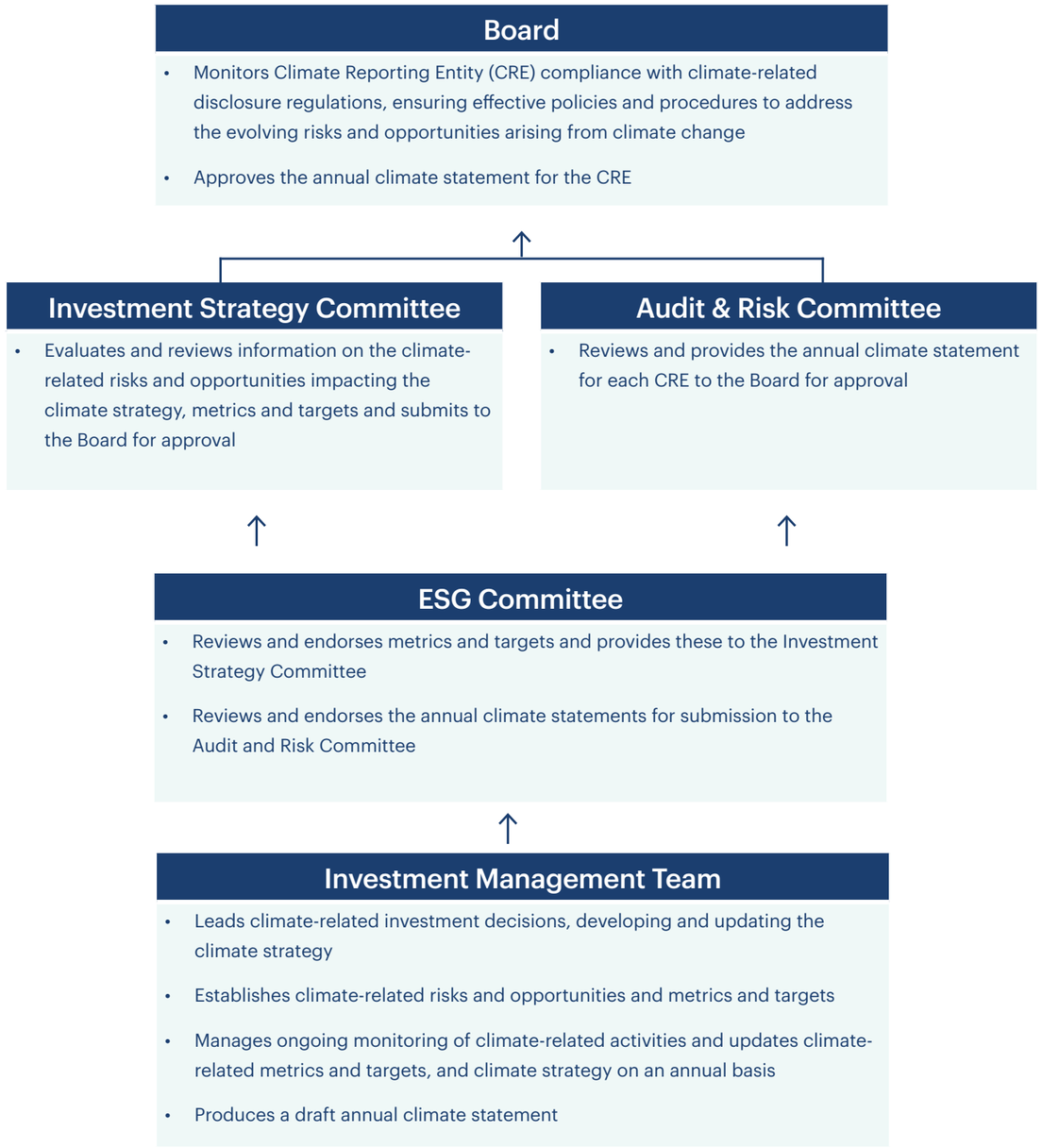


Figure 1: CRD Governance Structure

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 Responsible Investment Specialist. The ESG Committee meets bi-monthly or at a minimum of 5 times a year.

Over the period, the ESG Committee increasingly focused on the requirements for the climate disclosure regime. A dedicated responsible investment specialist joined the IMT (reporting to the Chief Investment Officer) and provided expert guidance for the development of targets and reports, with responsibility for managing the ESG Committee. A responsible investment analyst was hired in April 2024 to report to the Responsible Investment Specialist and to support detailed analysis of data and production of reports.

The remit and administration of the ESG Committee was formalised through an update to its Charter in February 2024. This included adding membership and quorum requirements, extending the responsibilities of the Committee to reflect the climate standards work, and adding responsibility for reviewing metrics and targets from the IMT.

It is expected that Fisher Funds' processes and approach will continue to evolve following the baseline work completed in this first year of reporting.

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 is currently impacting the Scheme and how it may impact the Scheme in the future. It also sets out Fisher Funds' approach to investing and the investment objectives of the Scheme.

Photo: Claire Horwood

03
Strategy

Fisher Funds' approach to investing 16
Strategy — Transition plan 17
Climate risks and opportunities impact on the Scheme 18
Climate risk assessment framework 18
Scenario analysis: Approach 20
Scenario analysis: Time horizons selected 22
Scenario analysis: Narratives 24
Climate-related risks and impacts 28
Opportunities 30

Fisher Funds' approach to investing

Fisher Funds is one of New Zealand's largest specialist investment managers, and adopts an active, fundamentals-based approach to investing. This approach involves handpicking investments and reviewing every potential investment on its own fundamentals. This bottom-up approach to investing means the IMT can be highly selective when evaluating entities to include in investment portfolios.

The IMT identifies high quality and growing businesses to invest in, in New Zealand and across the globe. The team is looking for businesses that have competitive advantages, long runways for growth, and talented management teams that are long-term focused and aligned with shareholders' expectations. When the team finds investments with these qualities, it will often aim to take relatively meaningful positions and hold them for the long term.

While Fisher Funds aims to hold investments for the long term, positions may be sold or increased/decreased when there is a change to the investment thesis that positively or negatively impacts prospective returns or risks.

Fisher Funds believes that this complements Fisher Funds' responsible investment approach. Identifying high quality investments to hold for the long term also requires assessing environmental, social and governance factors that could help, or hinder, an organisation through time. This along with Fisher Funds' active engagement and stewardship approach supports Fisher Funds' overall responsible investment framework.

Fisher Funds assesses both the upside of a potential investment, as well as potential risks. Climate risk — and the potential costs of transition to a lower carbon economy — may impact many businesses in the years ahead. The IMT considers these climate risks (along with all other investments risks) and factors them into its investment decisions when relevant.

Strategy — Transition plan

Fisher Funds is committed to integrating climate-related considerations into its overall strategy. In this period, Fisher Funds has made progress towards developing a transition plan by:

- conducting a comprehensive climate risk and opportunity assessment across all its managed investments
- building its internal capacity to analyse climate-related risks and opportunities
- incorporating climate-related risks and opportunities into its investment process.

Fisher Funds is committed to the ongoing development of its transition plan.

Photo: Claire Horwood

Climate risks and opportunities impact on the Scheme

To assess the current impacts of climate change on the Scheme, a climate risk and opportunity assessment was carried out. This was completed as a standalone process that was worked through with the Fisher Funds IMT. The scenario analysis looked forward to plausible futures to understand the possible impacts of climate change on the portfolio over different time horizons, which also supported the risk assessment framework.

Climate risk assessment framework

Fisher Funds took a significant step forward by completing its first comprehensive climate risk and opportunity assessment across all its managed investments. This initial assessment was designed to evaluate the investments based on the available information and resources. The details of this process are set out in the Risk management section. The risks and opportunities identified through this assessment identified potential anticipated future impacts of climate change on the Scheme through physical risks (refer to the table in the Climate-related risks and impacts section). Fisher Funds will conduct annual reviews of climate risk and opportunity for the Scheme and is committed to continuously improving the assessment process over time.

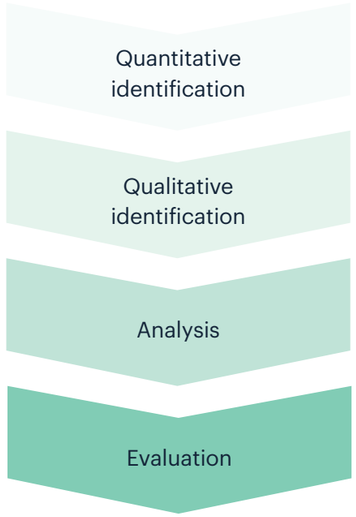


Figure 2: Climate risk and opportunity assessment framework

Photo: Matt Logan

Key definitions to know

Fisher Funds used the definitions as prescribed in the Aotearoa New Zealand Climate Standard 1: Climate-related Disclosures (NZ CS 1).

Climate-related risks:

The potential negative impacts of climate change on an entity.

Physical risks:

Risks related to the physical impacts of climate change. Physical risks resulting from climate change can be event-driven (acute) such as increased severity of extreme weather events. They can also relate to longer-term shifts (chronic) in precipitation and temperature and increased variability in weather patterns, such as sea level rise.

Transition risks:

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.

Opportunities:

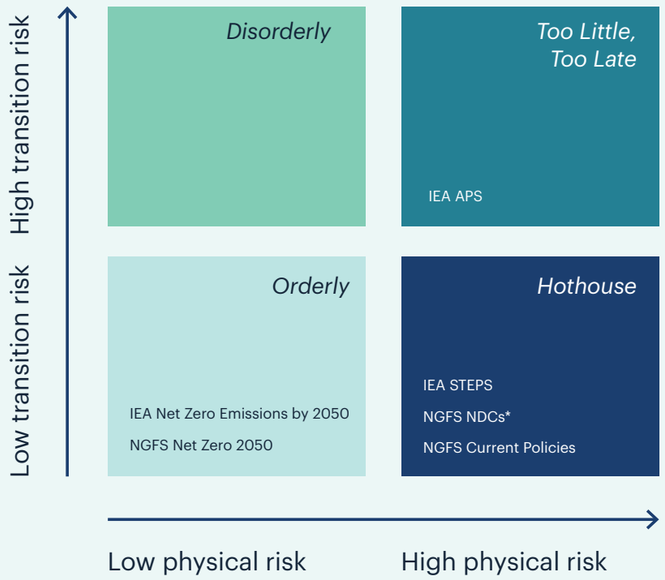
The potentially positive climate-related outcomes for an entity. Efforts to mitigate and adapt to climate change can produce opportunities for entities, such as through resource efficiency and cost savings, the adoption and utilisation of low-emissions energy sources, the development of new products and services, and building resilience along the value chain.

Figure 3: Key definitions

Scenario analysis: Approach

What is scenario analysis?

Scenario analysis takes inputs of entity 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.



Note that NGFS NDCs are aligned to a 'Too Little Too Late' world in the FSC guide, however NGFS align the scenario to a hothouse world.

Figure 4: Scenario datasets utilised to assess in various scenarios

Fisher Funds ran its first climate scenario analysis exercise in the year ending 31 March 2024. This was a separate process to the Scheme's investment strategy review process due to the timing of the requirements of NZ CS 1.

Fisher Funds worked to select 3 plausible versions of the future and used the scenarios for climate risk and opportunity analysis. Much of the scenario analysis at the quantitative level was completed using the ISS ESG solution.

The data that the ISS ESG solution used for this reporting period ending 31 March 2024, is information disclosed by the issuing entities in the 2022 calendar year. This information is taken from Sustainability or Annual Reports, Carbon Disclosure Project disclosures, or other resources. When this is not available, ISS ESG has applied estimated emissions models to generate emissions data.

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 and is committed to engaging with ISS ESG on their offering and will continue to monitor data providers as they continue to evolve. More information about ISS ESG is included in Appendix 2.

The scenario analysis process was undertaken by subject matter experts within IMT. Results were shared with the governance bodies in accordance with the governance process documented in the Governance section.

The climate impact assessment within the ISS ESG solution contains climate scenario analysis and modelling using Network for Greening Financial Sector (NGFS) scenario data and the International Energy Agency (IEA). ISS ESG's solution updates the scenario alignment dataset annually, enhancing the methodology where necessary so that the underlying scenarios reflect the most up-to-date data available.

Fisher Funds recognises that for investors to make informed decisions, it is useful for information on investment products from all providers to be comparable. The Financial Services Council (FSC) of New Zealand also recognises this and has created climate scenario narratives that can be adopted by the industry. Fisher Funds is using the FSC New Zealand Climate Scenario Narratives for the Financial Services Sector as a guide to help in developing, consistent and comparable information.

The IMT confirmed time horizons to be used, reviewed the FSC climate scenario narratives, and participated in climate scenario narrative workshops which also supported their analysis of the portfolios, including the Scheme. As a result, the IMT determined that 2025 is too short as a time horizon and Fisher Funds believes that more of the societal shifts (as referred to in the FSC document) may be seen by 2030. Altering the short-term time horizon, also meant that the medium-term time horizon was set to 2040. The long-term horizon was retained at 2050. These time horizons have been reflected in the risk assessment.

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. The climate scenarios are an important method used to support analysis and evaluate the climate risks and opportunities identified, however they may not reflect what does occur in the future. Scenarios are based on many assumptions and are limited by the data available at the time. It is important to consider the limitations of the scenarios.

Scenario analysis: Time horizons selected

An important part of scenario analysis is selecting appropriate time horizons. The following time horizons have been selected for the Scheme.

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 time horizon where impacts are more likely to be present in the economy.

Photo: Mahdee Nokairi

Scenario analysis: Narratives

Fisher Funds has adopted the scenario narratives from the FSC guide. The following are high-level descriptions of the scenarios — these should be considered against the more detailed information in the guide on the FSC website.

These narratives have been adjusted to reflect the investments of the Scheme for use in conjunction with the NGFS scenarios. Fisher Funds is satisfied that the FSC narratives have been suitably stated for use by financial services CREs, and these narratives are underpinned by robust analysis and are therefore suitable (as adjusted for Fisher Funds) to use in this climate statement.

Use of FSC narratives supports comparable and consistent disclosures in the industry which Fisher Funds also wishes to support to the extent appropriate. Fisher Funds has applied these narratives when reviewing and assessing the outputs from the ISS ESG Climate Impact Reports and has used this knowledge when rating climate impacts on the Scheme.

Scenario 1: Orderly (1.5°C)

The Orderly scenario represents collective action towards a low carbon global economy if the earth's temperature rises by 1.5 degrees Celsius. 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.

This scenario represents a medium level of transition risk and a low level of physical risk compared with the other scenarios.

Chosen scenario to represent the Orderly scenario

NGFS RM NZ — Net Zero*

Net Zero 2050 is an ambitious scenario that limits global warming to 1.5°C through stringent climate policies and innovation, reaching net zero CO_2 emissions around 2050. Some jurisdictions such as the US, EU and Japan reach net zero for all greenhouse gases by this point. This scenario assumes that ambitious climate policies are introduced immediately. Carbon Dioxide Removal (CDR) is used to accelerate the decarbonisation but kept to the minimum possible and broadly in line with sustainable levels of bioenergy production. Net CO_2 emissions reach zero around 2050, giving at least a 50% chance of limiting global warming to below 1.5°C by the end of the century, with no or low overshoot (<0.1°C) of 1.5°C in earlier years. Physical risks are relatively low but transition risks are high.

Scenario 2: Too Little Too Late (>2°C)

The Too Little Too Late scenario represents a misaligned and delayed transition to a low carbon economy between different parts of the world if the earth's temperature rises by more than 2 degrees Celsius. 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 very 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.

This scenario represents a high level of transition risk and a medium level of physical risk compared with the other scenarios.

Chosen scenario to represent the Too Little Too Late scenario

NGFS RM NDC — Nationally Determined Contributions (NDCs)*

NDCs include all pledged policies even if not yet implemented. This scenario assumes that the moderate and heterogeneous climate ambition reflected in the conditional NDCs at the beginning of 2021 continues over the 21st century (low transition risks). Emissions decline but lead nonetheless to 2.6°C of warming associated with moderate to severe physical risks. Transition risks are relatively low.

Scenario 3: Hothouse (>3°C)

This scenario represents minimal action towards a low carbon global transition if the earth's temperature rises by more than 3 degrees Celsius. 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.

This scenario represents a low transition risk and a high level of physical risk compared with the other scenarios.

Chosen scenario to represent the Hothouse scenario

NGFS RM CP — Current Policies*

Current Policies assumes that only currently implemented policies are preserved, leading to high physical risks.

Emissions grow until 2080 leading to about 3°C of warming and severe physical risks. This includes irreversible changes like higher sea level rise. This scenario can help central banks and supervisors consider the long-term physical risks to the economy and financial system if we continue on our current path to a "hothouse world".

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

Photo: Rebecca Nolan

Climate-related risks and impacts

Fisher Funds has assessed physical and transition impacts on the Scheme's portfolio. This included an assessment of how well prepared the assets in the portfolio are to respond to climate change impacts across each of the time horizons and each scenario described in the previous section.

The work identified a variety of physical risks to which the Scheme is exposed across different sectors and geographies. Changing climate and weather patterns can impact the physical risk levels of an entity. These, among other factors, vary depending on the entity's financial profile, including where the entity operates, the total value of its assets, and in which countries the entity generates its revenue.

A summary of the most significant physical risks identified through the assessment process is set out in the following table, together with current impact of the risk and the anticipated future impact of the risk by entity, sector or geography. In order to produce this high-level table, a matrix of the physical risks was created 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. Current impact and anticipated impacts were then assessed and documented following the assessment process set out below. No transition risks of statistical relevance were identified.

The assessment process involved the following steps:

1. Initially the ISS ESG physical risk assessment methodology was used to assess the potential change in an entity's financial risk at both an operational and market level.

    a. Operational impacts were quantified by considering the costs of repairing assets damaged by tropical cyclones, river floods, coastal floods and wildfires, and the loss of income due to the associated organisational interruptions. The analysis also considered the impact of heat stress on labour productivity and the resulting potential increase in production costs.

    b. Market impacts were quantified by estimating the revenue at risk due to nationwide effects on country gross domestic products (GDPs) due to the combined impact of droughts and heat stress on agricultural productivity, decrease in labour productivity, and human health effects. The assessment assumed a one-to-one relationship between GDP changes and changes in an entity's revenue.

2. The outputs of the ISS ESG solution were then reviewed by the IMT who rated the identified physical risk as very low, low, medium or high for each of the scenario narratives and time horizons described in the previous section.

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, in the following fund information section, current and anticipated portfolio financial value at risk (VaR) emerging from the relevant issuing entities' exposure to physical risks is set out.

Types of physical risk	Potential current impact	Potential anticipated future impact
Tropical cyclones	Short-term costs related to infrastructure repair and replacement due to damage from tropical cyclones. This could potentially result in revenue loss from service disruptions as cargo is lost or delayed. This could impact short-term liquidity and operational/capital costs.	Long-term costs related to infrastructure repair and replacement due to damage from tropical cyclones with increasing intensity as sea temperatures may rise towards 2050. This could lead to lost revenue from lost or delayed cargo and passenger volumes. This could also potentially result in higher capital costs to mitigate effects from more frequent and more severe storms. This could impact longer term operational/capital costs.
Coastal or river floods	Extreme weather events may modestly disrupt supply chains which could adversely impact the ability of entities to provide necessary goods and services to their customers.	An increase in frequency and severity of flooding of all types, may cause reduced ability to access inputs to manufacturing processes or increased cost of accessing inputs. This may result in reduction in sales and profitability.
Wildfires	Energy pipelines businesses throughout the US could be impacted by adverse weather and impact a small percentage of their network. As the sector is largely focused on natural gas (a transition fuel), strong demand continues for their service.	An increase in frequency of wildfires may result in increased regulatory scrutiny, increased energy price volatility and disruption for businesses and consumers. This may result in reduction in sales and profitability, and/or affect capital expenditure if infrastructure needs replacing. A shift to renewable resources may reduce demand for pipeline infrastructure which is largely pipe natural gas.
Heat stress	Extreme weather events may modestly disrupt electricity networks, which could adversely impact the ability of entities to provide necessary goods and services to their customers.	An increase in heat stress may cause strains on electricity distribution networks and increased outages, impacting manufacturing and productivity, resulting in a reduction in sales and profitability.
Droughts	Potential for increased operational expenses and challenges in maintaining optimal functioning of air-cooling equipment and food supply in the case of a severe drought. This may lead to temporarily reduced revenue and earnings.	Increased operational expenses and challenges in maintaining optimal functioning of air-cooling equipment and food supply. This could lead to increased operational or capital expenditure requirements in the long term, reducing earnings and declining credit metrics.

Opportunities

Physical and transition climate opportunities were initially developed in in an internal workshop and then developed into opportunity statements by a member of the RI Team. Portfolio Managers then assessed their portfolios to identify the opportunity statements that best represented the Scheme's holdings at that point in time. Opportunity statements are intended to enable the IMT to develop their internal capacity to better understand and prepare for the uncertain future impacts of climate change.

Area of opportunity	Opportunity statement	Conservative Fund	Balanced Fund	Growth Fund
Resource efficiency	By implementing resource-efficient solutions across their production and distribution processes, buildings, machinery/appliances, and transport/mobility, an entity has an opportunity to reduce operating costs and improve environmental impact. This includes a focus on energy efficiency as well as broader initiatives related to materials, water, and waste management.	●	●	●
Resource efficiency	The increasing demand for electricity provides an opportunity to improve resource efficiency by shifting from traditional fuel sources to electricity, such as using heat pumps instead of gas or fuel oil boilers for heating. By doing this an entity can optimise energy usage and reduce waste heat.	●	●	●
Energy source	Embracing alternative energy sources, such as solar, wind, and geothermal power, provide an opportunity to reduce reliance on fossil fuels and mitigate greenhouse gas emissions. This could benefit entities not only from a reputation perspective but also potentially provide cost savings due to the increase in traditional energy sources.	●	●	●
Products and services	Innovating and developing new low-emission 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.	●	●	●
Agriculture	By embracing technological innovations, such as climate-resilient crop varieties and precision agriculture technologies, the agriculture sector can adapt to changing climate conditions, ensure food security and enhance an entity's reputation.	●	●	●
Transportation	Accelerating the adoption of low-emission and sustainable solutions, such as electric vehicles can help an entity meet their regulatory requirements, reduce greenhouse gas emissions, and enhance the industry's reputation. This could enable organisations to enhance their reputation and attract socially responsible investors and customers.	●	●	●
Markets	Promoting sustainable investments and financing mechanisms, such as green bonds and low-emission 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.	●	●	●
Resilience	Developing adaptive capacity creates an opportunity to respond to climate change by improving efficiency, designing new production processes, and developing new products, leading to enhanced competitiveness, risk management, and business continuity.	●	●	●

Risk management

This section describes how Fisher Funds identifies, assesses and manages climate-related risks including how these processes are integrated into existing risk management frameworks.

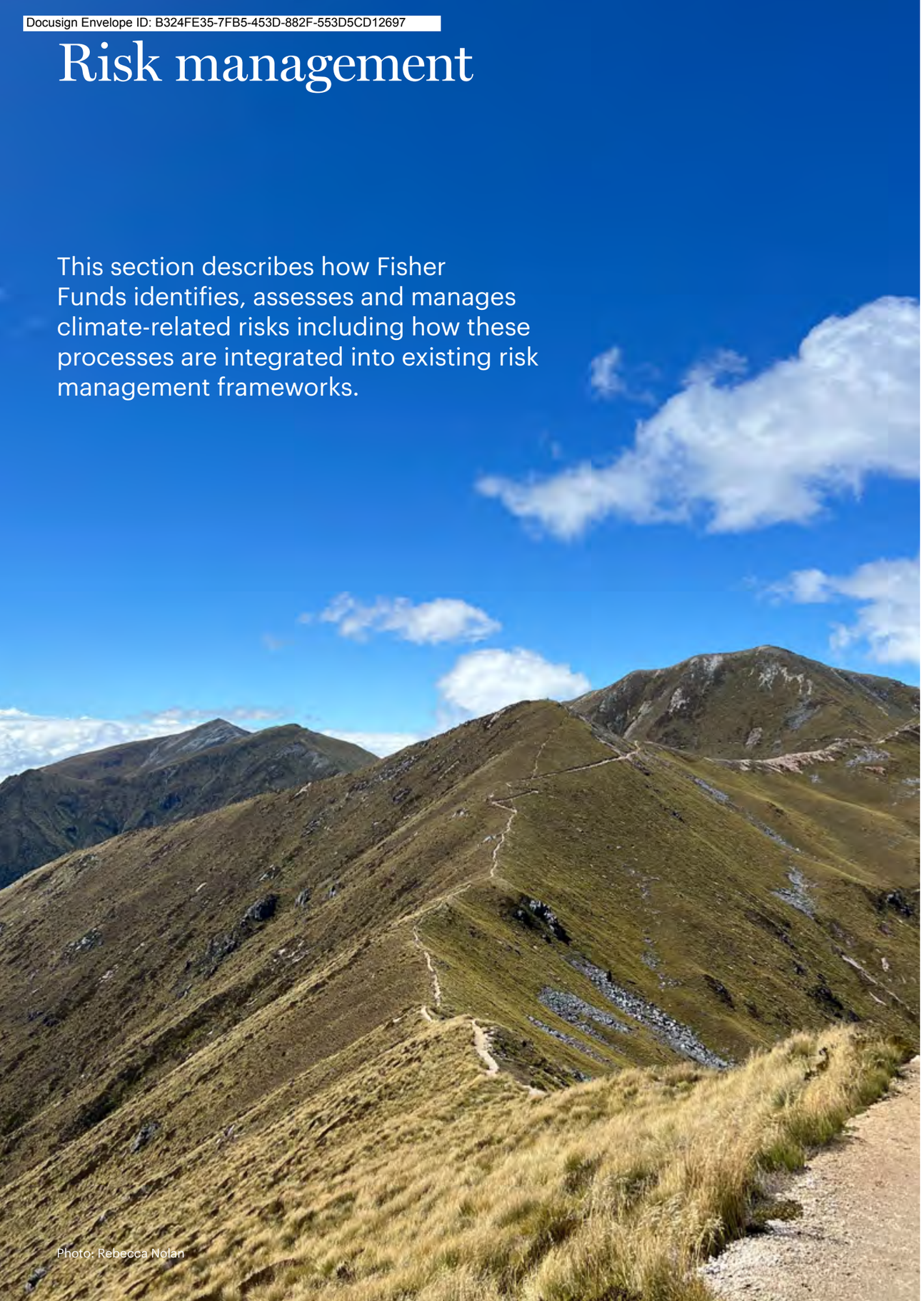


Photo: Rebecca Nolan

04
Risk management

Climate risk assessment framework 34
Identifying and assessing risk 35
Managing investments' climate risk 36
Fisher Funds' responsible investment approach 37
Risk management at Fisher Funds 38

Climate risk assessment framework

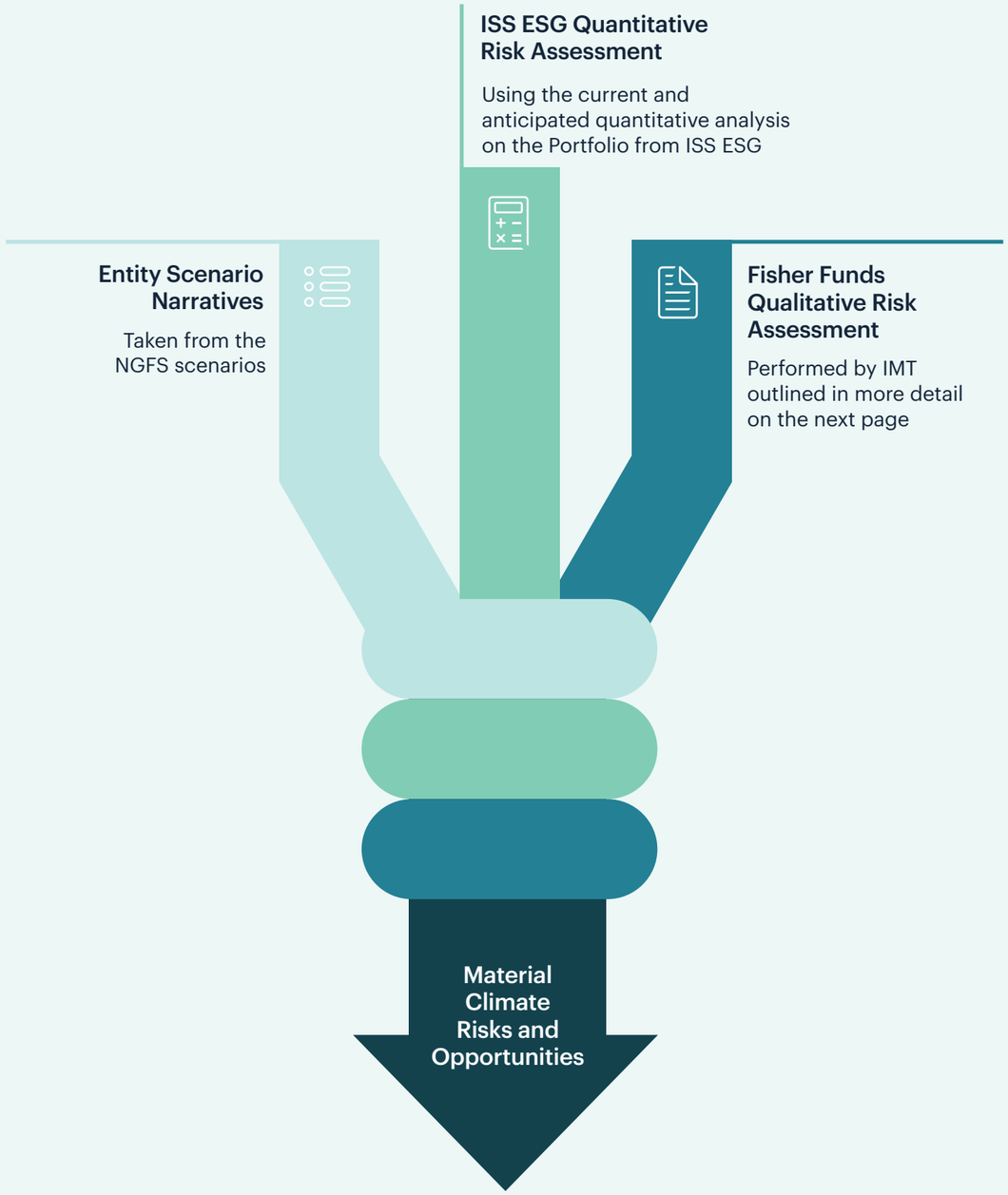


Figure 5: Fisher Funds' climate risk assessment framework

Identifying and assessing risk

Fisher Funds completed a climate risk assessment over all investment portfolios under its management in the year ending 31 March 2024. Fisher Funds will review its climate risk and opportunity assessment and the scope of the climate risk assessment annually.

Fisher Funds manages investment portfolios across multiple asset classes. Fisher Funds has a process for identifying a range of investment risks, including climate-related risks.

To ensure a comprehensive assessment of climate risks and opportunities across its diverse holdings, Fisher Funds partnered with ISS ESG, a global provider of environmental, social and governance data and analysis. This collaboration leverages expertise to conduct quantitative risk assessments across all investment portfolios.

In preparation for the climate-related disclosure in 2023 and 2024, a standalone assessment of climate-related risks, and opportunities, was developed. See figure 5: Fisher Funds' climate risk assessment framework (CRAF).

The identification and assessment of climate risks have largely been aligned to the quantitative approach carried out by ISS ESG (see figure 5). ISS ESG has methodologies that use data to assess physical and transition risks in a portfolio. There are limits to the data and analysis that ISS ESG provide, however ISS ESG is continuously improving their methodologies and ESG data set globally.

Fisher Funds worked with ISS ESG to understand the data in detail, engaging with the ISS ESG team and asking questions throughout the risk assessment process. ISS ESG can identify the relative size of the risks within an investment portfolio, which is important for assessing overall investment portfolio risk. See Appendix 2 for a detailed description of the ISS ESG methodology.

The internal operations of the Scheme and the internal operations of Fisher Funds were not included. Upstream and downstream operations of the Scheme and Fisher Funds were also not included.

It is important to note that the accuracy and coverage of any quantitative risk assessment is limited by the quality of data available. For example, sometimes data may not be available or there may be a significant gap between the date data is reported by an entity and the date analysis and reporting is undertaken. For the Scheme, Fisher Funds is satisfied that a quantitative assessment could be carried out notwithstanding the data limitations (refer to the Metrics section). Data and qualitative information for entities in the portfolio are expected to improve over time.

The quantitative assessment by ISS ESG was then supplemented by a qualitative review by the IMT, which included the Portfolio Managers for the funds, the Chief Investment Officer, the Responsible Investment Specialist and external consultants at Deloitte. An important part of this process was to understand the impact of the material risks identified in the ISS ESG reports and to overlay the in-house knowledge of the IMT. For example, where the ISS ESG reports identified droughts and river floods as key hazards, the IMT discussed and assessed how those risks could impact the entities within the portfolio.

The RI Team and external consultants at Deloitte identified the impact of the ISS ESG risks in different time horizons and assessed the risks in the relevant scenarios. The IMT then reviewed the output of this work.

Fisher Funds' process and collaboration with ISS ESG identified potential anticipated future impacts of climate change on the Scheme through physical risks (refer to the table in the Strategy section). This process will evolve and improve over time.

Managing investments' climate risk

Following the climate risk assessment process 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 also sets out the criteria which excludes an entity from Fisher Funds' investable universe.

A summary of the Fisher Funds responsible investment approach is set out in Figure 6. 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 or its approach to mitigating climate impacts in its business or setting climate metrics and targets for it 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 it 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 and that Fisher Funds regard as a fundamental breakdown 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' in-depth 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 Fisher Funds a 360-degree view of an entity and its impact on ESG factors.

Viewing an entity through this lens helps Fisher Funds makes 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 6: Responsible investment approach

Risk management at Fisher Funds

Fisher Funds (as an operating entity) has an enterprise risk governance policy and risk management framework, operates a business risk committee at management level, and provides enterprise risk reporting to the Board and ARC. The Fisher Funds' enterprise risk heat chart records climate change as an entity-level risk. Fisher Funds continues to evolve its risk management processes and responsibilities at an enterprise level.

Photo: Jin Wan

Metrics

This section details key metrics 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 statements.

Photo: Jin Wan

05
Metrics

Guidance....42
5.1 Conservative Fund....44
5.2 Balanced Fund....52
5.3 Growth Fund....60

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 their methodology documents. For more detail on these assumptions see Appendix 2.

The information about entities within the Scheme cannot be relied on as reflective of their real-time position as at 31 March 2024. 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 but is limited by when entities provide their data and if data is available.

Benchmarks

The emissions 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 funds performance, or characteristics are compared against. 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. For this climate statement, the key features for comparison are the climate-related metrics such as carbon footprint, emissions, science based targets and VaR. Details about each fund's benchmark can be found in its SIPO on the Fisher Funds website.

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.

Data limitations

The disclosures made about the Fisher Funds Investment Funds portfolio's GHG emissions have not been the subject of an assurance engagement, as this is not required for first climate statements (refer to section 461ZH Financial Markets Conduct Act 2013). However, Fisher Funds obtained an independent review of the GHG emissions and other data provided by ISS ESG, in order to ascertain the quality of that data. A sample of emissions data for relevant investments was tested, including the underlying data, calculations and methodology used. This testing identified several material issues. For example, underlying data was not always calculated in line with Partnership for Carbon Accounting Financials (PCAF) methodology (considered the best practise global standardised framework to measure and report emissions), certain publicly available data was excluded on the basis that it was unreliable where the basis for that exclusion did not appear reasonable, and where proprietary modelling was used, the model was not shared on the basis of intellectual property concerns which meant accuracy could not be assessed. Given these findings, scope 3 emissions have not been disclosed in this climate statement, as permitted by adoption provision 4 of NZ CS 2. Scope 1 and 2 emissions have been disclosed as required, however these must be considered in light of the limitations and quality issues outlined above and may be materially inaccurate. Emission statements will be restated in future climate statements if material variances are subsequently detected. Fisher Funds expects that data quality will improve as the disclosure regime matures.

Emissions

ISS ESG's solution was used to calculate the emissions profile of each fund in the Scheme.

NZ CS 1 requires certain disclosures in the climate statements to help readers understand how the disclosed emissions data has been calculated and facilitate like-for-like comparisons. These standards assume the approach and sources are consistent. However, this is not currently the case for investment vehicles like the funds because the GHG emissions data is derived from information reported by all the entities in which a fund is invested or from modelled data. There is no consistency of approach between entities, the jurisdictions in which they operate, and modelling standards. This means that the metrics for each fund consist of a blend of approaches and sources.

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.

For the reasons explained above, the disclosures required by NZ CS 1 (i.e. GHG emission calculation standards, consolidation approach, and sources and exclusions) need to be qualified as follows:

a. Standards: ISS ESG advised that the emissions data meets the standards of the PCAF, however, Fisher Funds was not able to verify this.

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 a number of sources to determine the emission 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 to Fisher Funds due to intellectual property considerations.

Conservative Fund

Metrics

This section details key metrics for the Conservative Fund including any assumptions and comments on methodologies.

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.

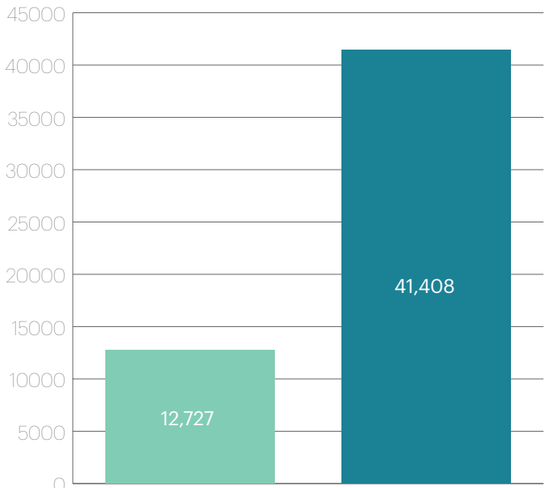
The Conservative Fund will inevitably see its climate-related risk profile change as it buys and sells assets over time and as the issuing entities evolve. This is in addition to the potential for physical and transition climate risks changing, as the passage of time brings clarity on the future state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

Fisher Funds expect 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 issuers, it selectively checks that appropriate attention is being given to climate-related risks and opportunities.

Fisher Funds has tried to bring some of these risks and opportunities to life with the examples in the Case studies section.

Metrics

Emissions exposure (tCO_2e)



The Conservative Fund (based on Fisher Funds' holdings of underlying securities) emitted approximately 12,727 tonnes of CO_2 from scope 1 and 2 emissions. This is a lower emission profile than if Fisher Funds had invested into the benchmark, which would have created an emission profile of 41,408 tonnes of CO_2.

Sector contributions to emissions (%)

Communication services	2%
Consumer discretionary	3%
Consumer staples	12%
Energy	4%
Financials	1%
Health care	2%
Industrials	4%
Information technology	1%
Materials	56%
Utilities	15%

In the Conservative Fund, 83% of the emissions were created by holdings in the materials, utilities and consumer staples sectors.

Portfolio coverage

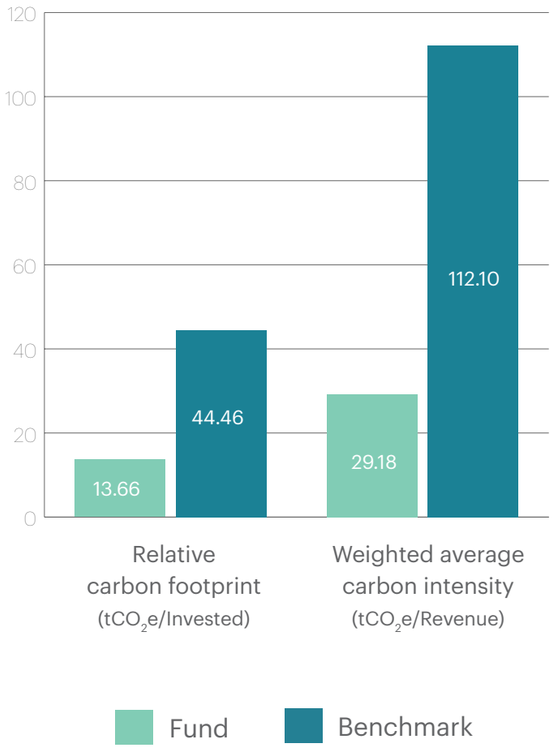
Portfolio coverage	46%
Portfolio not covered	54%

As at 31 March 2024, 46% of the Conservative Fund's assets were covered by ISS ESG's Climate Impact Report.

The ISS ESG data captured is the financial information disclosed publicly by the issuing entities in the 2022 calendar year and is made available through ISS ESG in January 2024.

Target alignment

Key carbon metrics



For every million invested, what is my carbon footprint?

For the Conservative Fund for every $1 million invested, the relative carbon footprint (emissions exposure) as calculated by ISS ESG for the base year is 13.66 tonnes of CO_2 (tCO_2e), below the benchmark which has a carbon footprint of 44.46 tCO_2e.

What is the carbon intensity of the portfolio?

The weighted average carbon intensity (WACI) for the Conservative Fund as calculated by ISS ESG is approximately 29.18 tonnes of CO_2 per unit of revenue compared with the benchmark at approximately 112.10 tonnes of CO_2 per unit of revenue.

By this measure, the Conservative Fund has less carbon intensity than the benchmark.

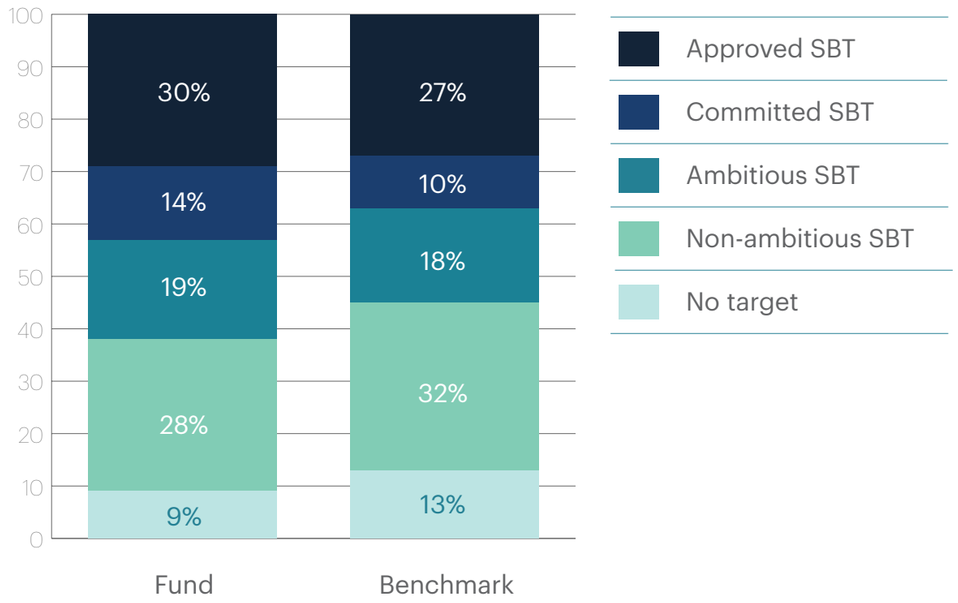
Why targets matter?

To assess where entities are relative to their targets there are several metrics that can be looked at, including science based targets (SBTs). The more detailed the target setting, the closer the entity will move towards alignment.

Science based targets

SBTs are a way that can establish an entity's commitment to disclosing and reducing its greenhouse gas emissions. When entities set an SBT it needs to be independently verified. Setting these targets also shows the entity's commitment to reducing targets by 2050.

For the Conservative Fund, 63% of the portfolio's value is committed to such a goal via an approved SBT (30% by portfolio value), a committed SBT (14%), or an ambitious target (19%). However, 9% of the entities in the Conservative Fund do not have an emissions reduction target.



Portfolio transition value at risk

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.

For the Conservative Fund the portfolio TVaR is around 3% of the portfolio value based on the 2050 scenario. Of the portfolio's TVaR, the consumer staples and materials sectors are the major contributors with 34% and 32% of portfolio TVaR respectively. Portfolio TVaR of approximately 3% is lower than the benchmark at 7%. 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.

Portfolio value at risk

As at 31 March 2024, the assets in the portfolio are exposed to different natural hazards in different geographies. When evaluating the assets vulnerable to physical climate risk from a whole-of-portfolio perspective, 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.

For the Conservative Fund, the portfolio VaR is approximately 0.3% of assets under management, which is below its benchmark at 0.6%. Of the portfolio's VaR, the consumer staples, communication services and consumer discretionary sectors are the major contributors with 34%, 15% and 13% of portfolio VaR respectively.

Assets aligned with climate-related opportunities

A way to assess a fund's exposure to climate transition risks and identify opportunities, is to look at the commitment of the entities in which it invests, or the issuing entities (if applicable), to transition and its proven ability to earn revenues from 'green' products or services. Green revenues are seen as contributing positively towards climate action and brown revenues are seen as being obstructive to climate action.

As at 31 March 2024, the percentage of assets in the Conservative Fund aligned with green activities was 3% and in contrast 7% was derived from brown revenues (as calculated by ISS ESG).

Internal emissions price

Fisher Funds does not use an internal emissions price due to the evolving nature of the industry frameworks.

Balanced Fund

Metrics

This section details key metrics for the Balanced Fund including any assumptions and comments on methodologies.

Fund summary

The Balanced 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 Balanced Fund maintains an acceptable level of risk both in absolute terms and relative to its benchmark.

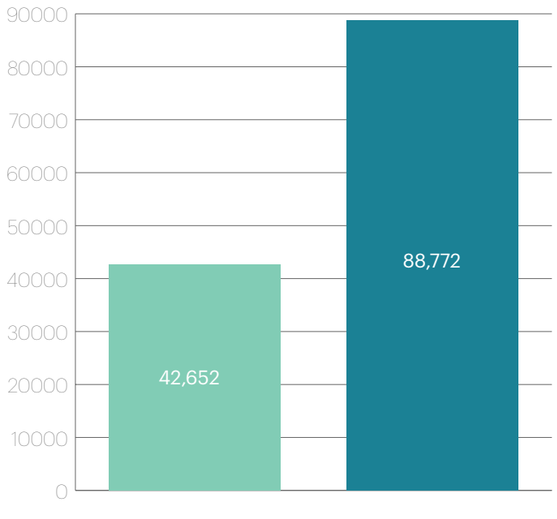
The Balanced Fund will inevitably see its climate-related risk profile change as it buys and sells assets over time and as the issuing entities evolve. This is in addition to the potential for physical and transition climate risks changing, as the passage of time brings clarity on the future state of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

Fisher Funds expect the entities issuing securities into which the Balanced 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.

Fisher Funds has tried to bring some of these risks and opportunities to life with the examples in the Case studies section.

Metrics

Emissions exposure (tCO_2e)



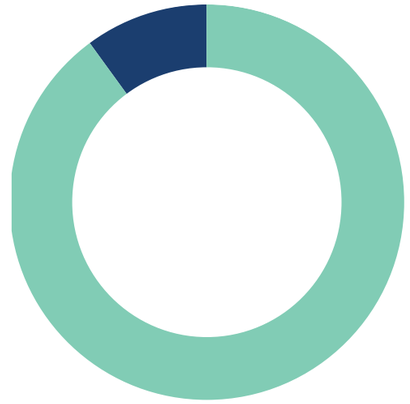
The Balanced Fund (based on Fisher Funds' holdings of underlying securities) emitted approximately 42,652 tonnes of CO_2 from scope 1 and 2 emissions. This is a lower emission profile than if Fisher Funds had invested in the benchmark, which would have created an emission profile of 88,772 tonnes of CO_2.

Sector contributions to emissions (%)

Communication services	1%
Consumer discretionary	4%
Consumer staples	6%
Energy	6%
Financials	1%
Health care	1%
Industrials	7%
Information technology	1%
Materials	58%
Utilities	15%

In the Balanced Fund, 73% of the emissions were created by holdings in the materials and utilities sectors.

Portfolio coverage

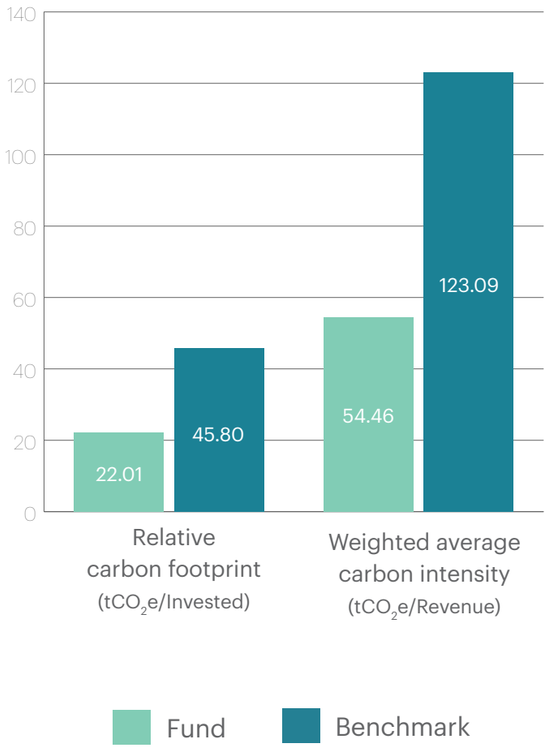


Portfolio coverage	90%
Portfolio not covered	10%

As at 31 March 2024, 90% of the Balanced Fund's assets were covered by ISS ESG's Climate Impact Report.

The ISS ESG data captured is the financial information disclosed publicly by these entities in the 2022 calendar year and is made available through ISS ESG in January 2024.

Key carbon metrics



For every million invested, what is my carbon footprint?

For the Balanced Fund for every $1 million invested, the relative carbon footprint (emissions exposure) as calculated by ISS ESG for the base year is 22.01 tonnes of CO_2 (tCO_2e), below the benchmark which has a carbon footprint of 45.80 tCO_2e.

What is the carbon intensity of the portfolio?

The weighted average carbon intensity (WACI) for the Balanced Fund as calculated by ISS ESG is approximately 54.46 tonnes of CO_2 per unit of revenue compared with the benchmark at approximately 123.09 tonnes of CO_2 per unit of revenue.

By this measure, the Balanced Fund has less carbon intensity than the benchmark.

Target alignment

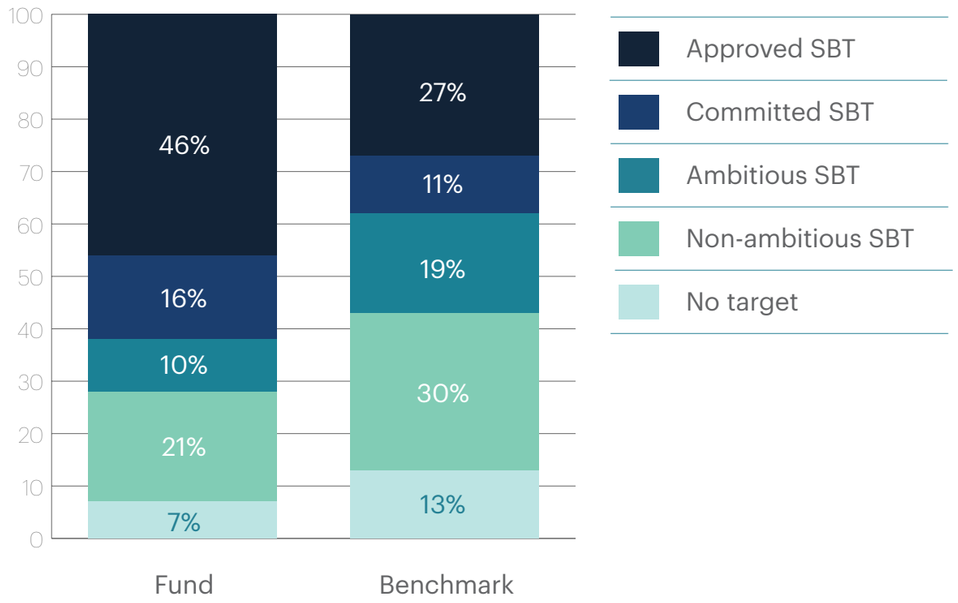
Why targets matter?

To assess where entities are relative to their targets there are several metrics that can be looked at, including science based targets (SBTs). The more detailed the target setting, the closer the entity will move towards alignment.

Science based targets

SBTs are a way that can establish an entity's commitment to disclosing and reducing its greenhouse gas emissions. When entities set an SBT it needs to be independently verified. Setting these targets also shows the entity's commitment to reducing targets by 2050.

For the Balanced Fund, 72% of the portfolio's value is committed to such a goal via an approved SBT (46% by portfolio value), a committed SBT (16%), or an ambitious target (10%). However, 7% of the companies in the Balanced Fund do not have an emissions reduction target.



Portfolio transition value at risk

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.

For the Balanced Fund the portfolio TVaR is around 6% of the portfolio value in absolute terms based on the 2050 scenario. Of the portfolio's TVaR, the materials, consumer staples and energy sectors are the major contributors with 46%, 17% and 16% of portfolio TVaR respectively. Portfolio TVaR of approximately 6% is below the benchmark at approximately 7%. 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.

Portfolio value at risk

As at 31 March 2024, the assets of the companies in the portfolio are exposed to different natural hazards in different geographies. When evaluating the assets vulnerable to physical climate risk from a whole-of-portfolio perspective, 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.

For the Balanced Fund, the portfolio VaR is approximately 0.4% of assets under management, which is lower than the benchmark at 0.6%. Of the portfolio's VaR, the consumer staples, consumer discretionary, communication services and information technology sectors are the major contributors with 18%, 18%, 14% and 13% of portfolio VaR respectively.

Assets aligned with climate-related opportunities

A way to assess a fund's exposure to climate transition risks and identify opportunities, is to look at the entities in which it invests, or the issuing entities (as applicable), to transition and its proven ability to earn revenues from 'green' products or services. Green revenues are seen as contributing positively towards climate action and brown revenues are seen as being obstructive to climate action.

As at 31 March 2024, the percentage of assets in the Balanced Fund aligned with green activities was 2% and in contrast 8% was derived from brown revenues (as calculated by ISS ESG).

Internal emissions price

Fisher Funds does not use an internal emissions price due to the evolving nature of the industry frameworks.

Growth Fund

Metrics

This section details key metrics for the Growth Fund including any assumptions and comments on methodologies.

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.

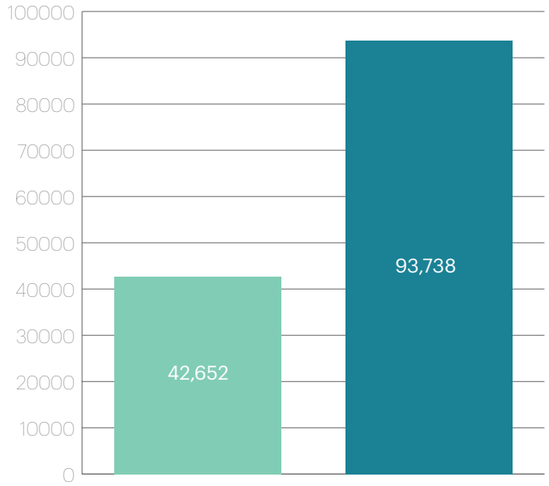
The Growth Fund will inevitably see its climate-related risk profile change as it buys and sells assets over time and as the issuing entities evolve. This is in addition to the potential for physical and transition climate risks changing, as the passage of time brings clarity on the future state of the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

Fisher Funds expect 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.

Fisher Funds has tried to bring some of these risks and opportunities to life with the examples in the Case studies section.

Metrics

Emissions exposure (tCO_2e)



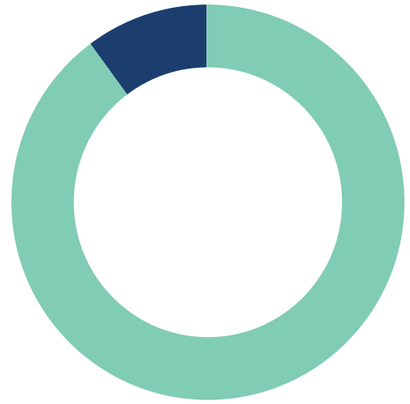
The Growth Fund (based on Fisher Funds' holdings of underlying securities) emitted approximately 42,652 tonnes of CO_2 from scope 1 and 2 emissions. This is a lower emission profile than if Fisher Funds had invested in the benchmark, which would have created an emission profile of 93,738 tonnes of CO_2.

Sector contributions to emissions (%)

Communication services	1%
Consumer discretionary	4%
Consumer staples	6%
Energy	6%
Financials	1%
Health care	1%
Industrials	7%
Information technology	1%
Materials	58%
Utilities	15%

In the Growth Fund, 73% of the emissions were created by holdings in the materials and utilities sectors.

Portfolio coverage



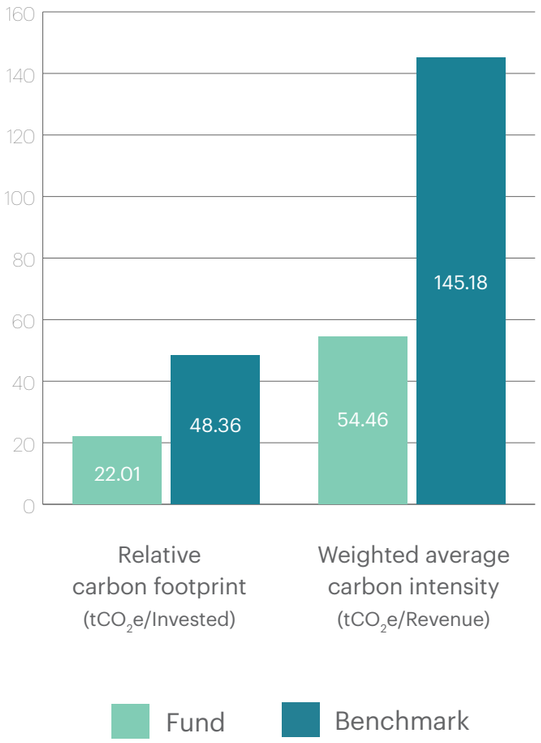
Portfolio coverage	90%
Portfolio not covered	10%

As at 31 March 2024, 90% of Growth Fund's assets were covered by ISS ESG's Climate Impact Report.

The ISS ESG data captured is the financial information disclosed publicly by these entities in the 2022 calendar year and is made available through ISS ESG in January 2024.

Target alignment

Key Carbon Metrics



For every million invested, what is my carbon footprint?

For the Growth Fund for every $1 million invested, the relative carbon footprint (emissions exposure) as calculated by ISS ESG for the base year is 22.01 tonnes of CO_2 (tCO_2e), below the benchmark which has a carbon footprint of 48.36 tCO_2e.

What is the carbon intensity of the portfolio?

The weighted average carbon intensity (WACI) for the Growth Fund as calculated by ISS ESG is approximately 54.46 tonnes of CO_2 per unit of revenue compared with the benchmark at approximately 145.18 tonnes of CO_2 per unit of revenue.

By this measure, the Growth Fund has less carbon intensity than the benchmark.

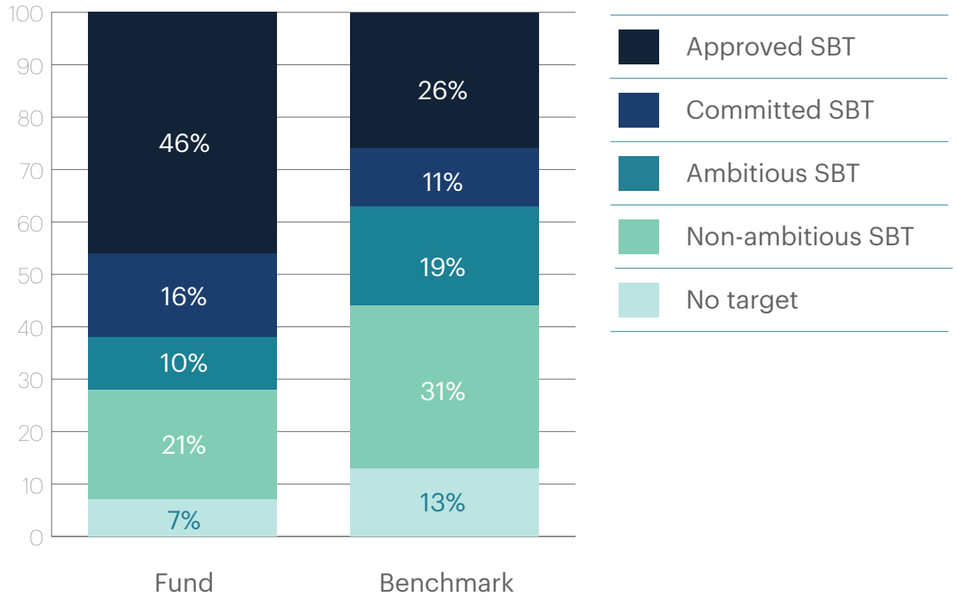
Why targets matter?

To assess where entities are relative to their targets there are several metrics that can be looked at, including science based targets (SBTs). The more detailed the target setting, the closer the entity will move towards alignment.

Science based targets

SBTs are a way that can establish an entity's commitment to disclosing and reducing its greenhouse gas emissions. When entities set an SBT it needs to be independently verified. Setting these targets also shows the entity's commitment to reducing targets by 2050.

For the Growth Fund, 72% of the portfolio's value is committed to such a goal via an approved SBT (46% by portfolio value), a committed SBT (16%), or an ambitious target (10%). However, 7% of the companies in the Growth Fund do not have an emissions reduction target.



Portfolio transition value at risk

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.

For the Growth Fund the portfolio TVaR is around 6% of the portfolio value based on the 2050 scenario. Of the portfolio's TVaR, the materials, consumer staples and energy sectors are the major contributors with 46%, 17% and 16% of portfolio TVaR respectively. Portfolio TVaR of approximately 6% is below the benchmark at approximately 9%. 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.

Portfolio value at risk

As at 31 March 2024, the assets of the companies in the portfolio are exposed to different natural hazards in different geographies. When evaluating the assets vulnerable to physical climate risk from a whole-of-portfolio perspective, 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.

For the Growth Fund, the portfolio VaR is approximately 0.4% of assets under management, which is below its benchmark index at 0.6%. Of the portfolio's VaR, the consumer discretionary and consumer staples sectors are the major contributors with 18% of portfolio VaR each.

Assets aligned with climate-related opportunities

A way to assess a fund's exposure to climate transition risks and identify opportunities, is to look at the commitment of the entities in which it invests, or the issuing entities (if applicable), to transition and its proven ability to earn revenues from 'green' products or services. Green revenues are seen as contributing positively towards climate action and brown revenues are seen as being obstructive to climate action.

As at 31 March 2024, the percentage of assets in the Growth Fund aligned with green activities was 2% and in contrast 8% was derived from brown revenues (as calculated by ISS ESG).

Internal emissions price

Fisher Funds does not use an internal emissions price due to the evolving nature of the industry frameworks.

Targets

Photo: Rebekah Swan

06
Targets

Targets 70
Target scorecard 72

Targets

Fisher Funds has chosen targets that will assist the management of the Scheme, enhance Fisher Funds' investment approach and support the Scheme's investment objectives.

In the Metrics section, Fisher Funds has provided a description of each fund's applicable metrics. This establishes a baseline for comparison in future climate statements.

Fisher Funds has used aspects of the Net Zero Investment Framework (NZIF) when setting these targets, given it is the most widely used framework.

Fisher Funds has taken a 2-pronged approach to establishing the metrics and setting the targets.

The first is to assess and manage. This may enable Fisher Funds to better understand the climate risks and opportunities over time. In addition, the ongoing 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. Engagement is a big part of Fisher Funds' investment and stewardship approach.

Engagement outcomes are not linear, take time to conduct and to see results. In time, Fisher Funds expects to see improvements being reported in the percentage of companies that have SBTs.

Fisher Funds would also like to see an increased awareness of risks and opportunities by entities in which it invests. Fisher Funds acknowledges that there are other influencing factors that contribute to this, for example, changes in policy settings in New Zealand and globally. In future climate statements Fisher Funds will disclose and target an increase in the percentage of entities in the portfolio that have SBTs.

Photo: Matt Logan

Target scorecard

The targets detailed in this section have been chosen by analysing the data provided by ISS ESG. This data is subject to the limitations set out in the Metrics section, and assumptions noted by ISS ESG in their methodology documents.

For more detail on these assumptions see Appendix 2. The base year metrics are taken as at 31 March 2024, and are not reflective of the real-time position of each entity in the portfolio.

Target	Timeframe	Interim targets	Timeframe of target	Base year	Base year metric	Description
Science based targets (SBTs) for portfolio compared with the benchmark	Annually	Disclose annually how the metrics change year on year, showing the commitment percentages to SBTs as defined by the base year metric.	Fisher Funds will look to engage with the upper quartile of entities as defined by Fisher Funds in the highest emitting sectors that do not have any targets.	2024	***SBTs*** **Conservative Fund** 63% of the portfolio's value is committed to a goal via an approved SBT (30% by portfolio value), a committed SBT (14%) or an ambitious target (19%). **Balanced Fund** 72% of the portfolio's value is committed to a goal via an approved SBT (46% by portfolio value), a committed SBT (16%) or an ambitious target (10%). **Growth Fund** 72% of the portfolio's value is committed to a goal via an approved SBT (46% by portfolio value), a committed SBT (16%) or an ambitious target (10%). **Engagement with entities** Base year is zero.	Fisher Funds will monitor these metrics and will provide a description of the movement year on year. This will be reported on in future climate statements against the base year metric.

Case studies

Photo: Jin Wan

07

Case studies

Auckland International Airport....76
Chorus....77
Contact Energy....78
Microsoft....80
Summerset....82

Auckland International Airport

Major domestic and international airline hub

Conservative Fund

Auckland International Airport (AIA) is New Zealand's largest airport, and a significant economic engine for New Zealand with regards to travel, trade and tourism.

AIA is committed to reducing its carbon footprint, improving the resilience of the company's business strategy and adapting now and into the future. The governance team are committed to working with their partners, particularly in the aviation sector, to reduce carbon emissions.

AIA's unique location is at risk of physical inundation and flooding of assets due to sea-level rise and extreme weather events. These climate challenges could significantly affect the company's operations.

The reality of climate change risk came into sharp focus during early 2023 when Cyclone Gabrielle caused widespread damage across the Auckland region.

Heavy rain caused flooding that impacted critical infrastructure networks, including AIA assets.

Many long-haul flights were diverted to Christchurch Airport and several flights had to return to their place of origin. In addition, flooding halted passenger processing and constrained aircraft movements at the airport. With local transport links disrupted and limited accommodation options across Auckland, many passengers slept in the international terminal with some choosing to stay for up to 4 days.

This event demonstrated how climate-related physical risks can impact all businesses with limited warning and highlighted the need for governance teams to have transition and adaptation plans in place.

In response to Cyclone Gabrielle, AIA has brought forward key stormwater projects to improve resilience against severe weather events in the future. Further, AIA will maintain a comprehensive stormwater masterplan that will guide infrastructure developments in the decades to come.

AIA has a planned pathway which aligns to a 1.5 degrees Celsius warming trajectory and this should result in the group reducing scope 1 and 2 emissions by 90% by 2030 (from 2019 levels). This will be achieved by:

- using a combination of on and off-site renewable electricity, likely from 2024
- phasing out the use of natural gas boilers with electric alternatives
- electrifying the company's corporate vehicle fleet
- using refrigerants with lower climate impact.

Climate change also presents opportunities for AIA. While these have not been quantified in the company's recent climate statement, some references included:

- reducing energy consumption and playing a role in bringing new renewable energy capability to market
- supporting airline partners to reduce emissions through provision of electrification and low-emission fuels infrastructure.

Flood modelling, undertaken by AIA in 2020 and 2022, demonstrated that the international terminal was safe from flooding until well into the 2040s. While the 'worst-case' scenario cannot necessarily always be foreseen and planned for, it is important to remain adaptive and consider climate change in all aspects of company operations.

Source: *2023 Report: Climate Change Disclosure — Auckland Airport*

Chorus

Telecommunications infrastructure company

Balanced Fund

Chorus maintains and builds the telephone and fibre broadband networks that connect the majority of Aotearoa New Zealand homes and businesses to each other and the world. They operate as an open-access internet infrastructure company that provides wholesale telecommunications services to over 90 broadband retailers.

"Sustainability is integrated into our business strategy, with three pillars representing our commitment to improving environmental, social and governance performance: Thriving Environment; Sustainable Digital Futures; and Thriving People."

In the past year, climate change-related weather events have tested the resilience of the Chorus network. While Cyclone Gabrielle led to the widespread loss of electricity and subsequent loss of communications services, damage to the core network was limited. North Island flooding also tested the resilience of the copper network, which had higher fault rates.

In their latest sustainability report for the 2023 financial year (FY23), Chorus identified operation risk created by extreme weather events as their main climate risk over the short to medium term. The response to this risk is included in their asset management planning with a detailed flooding risk analysis completed in FY23. This informs the ongoing investment required to protect or exit certain key assets.

The phasing out and shut down of the copper network over the next decade will contribute to the resilience of the Chorus network as they switch the majority of traffic to their fibre optic network which is a more resilient networking technology.

Collaboration is required across industry and government to identify opportunities for enhanced network resilience.

Chorus is working to minimise impacts on employees and technicians.

Electricity is their largest source of scope 1 and 2 carbon emissions at 9,921 tonnes CO_2e in FY23. Electricity consumption is expected to reduce by 25% as the copper network is retired.

Chorus is committed to reductions in carbon emissions, with a 24% reduction achieved in FY23. Chorus is aiming for a 62% reduction of scope 1 and 2 emissions by 2030.

Chorus has identified an opportunity to generate their own electricity from solar and has 6 pilot sites decided with the builds expected to start in the 2024 financial year.

Chorus has committed to advancing its fleet transition towards electric vehicles (EVs), with the introduction of the first EVs in 2023.

FY23 waste and circular economy highlights include 90% of all waste is recycled within their network and corporate operations, which is up from 63% in the 2022 financial year (FY22), and an average of $10m^3$ of water is used per site, which is consistent with FY22.

Chorus acknowledges that they are in the early stages of their environmental and social impact journey. Chorus has ambitious aspirations to achieve by 2030. They are pleased with progress but acknowledge that there is much more for them to do.

Source: *Chorus Sustainability Report 2023*

Contact Energy

Electricity, gas and broadband provider

Balanced Fund

Contact's strategy is to provide electricity to New Zealanders, including leading the country's decarbonisation.

Contact's ambitions are to achieve net zero emissions by 2035 (scopes 1 and 2) in an orderly manner, ensuring security of supply and affordability to New Zealanders.

Performance was affected by gas supply challenges early in 2022 and the impacts of extreme hydrology which led to volatile short-term wholesale electricity pricing.

Contact has physical risks that could impact its strategy over the short, medium and long term. Some of these examples include:

- changes to hydro flow
- changes in regulation, which could impact access to water
- increased risk of erosion
- increased risk of wildfires
- stormwater capacity issues from extreme weather events
- over the medium term, changes in total 'cold' and increased 'hot' days
- health and safety and wellbeing issues for people working in warmer conditions
- increased competition for natural resources
- over the long term, new technology may make current generation redundant and impact demand significantly.

Examples of how Contact are tackling these challenges include:

- Contact substantially progressed construction of its Tauhara geothermal power station to near practical completion
- Tauhara is expected to begin selling electricity into the national grid from the second half of 2024 with capacity of around 174 megawatts (when at full capacity) providing approximately 1,420 gigawatt hours annually. This is enough to power around 200,000 households
- Tauhara is expected to reduce carbon emissions in New Zealand by around 500,000 tonnes per year as fossil fuel generation is displaced (shut down or put on standby). This is equivalent to removing over 220,000 petrol cars from New Zealand roads
- Tauhara is expected to reduce Contact's exposure to possible climate risks in the future. Geothermal power runs nearly continuously and so its availability is not subject to when the rain falls, wind blows and sun shines.

It also means that Contact will be able to retire its Taranaki combined cycle power plant, its remaining baseload gas generation asset, with closure expected around the end of 2024. Planned investments including batteries and flexible load management solutions are expected to reduce Contact's reliance on its remaining gas 'peaking generation' over time (its only remaining non-renewable generation assets).

Contact has continued to carefully manage existing operations to optimise performance while simultaneously accelerating its investment and decarbonisation. This includes over $1 billion of renewable generation under construction, a significant pipeline of further potential geothermal, wind, solar and battery investments, and the retirement of thermal generation.

The future opportunities for the electricity sector, and Contact in particular, to grow could be significant.

Source: Contact Energy — Investor centre

Photo: Rebekah Swan

Microsoft

Multinational technology company

Growth Fund

Microsoft is a multinational corporation and technology company. It is best known for its Windows operating systems, the Microsoft 365 suite of applications, the Edge web browser and cloud-based solutions.

Microsoft initially focused on getting their house in order and made ambitious commitments in 2020. These were solid foundations based on science, steps to protect their ecosystems and to limit the most severe impacts of climate change. These included:

- pledging to be carbon negative by 2030
- removing more carbon from the air than it emits by 2050
- areas of focus including being water positive, having zero waste, ecosystem protection, customer sustainability and global sustainability.

In 2020, Microsoft made industry-leading commitments to be carbon negative, be water positive, and have zero waste by 2030, and to protect more land than they use by 2025. This meant taking accountability for their operational footprint across their physical assets, product lines and value chain. Microsoft takes into consideration the entire lifecycle of their assets and products, from design to building, usage, and end of life.

Examples of how Microsoft are tackling these challenges include:

- Microsoft is trialling the second wave, hybrid carbon removal solutions, such as Heirloom, which combines advantages of carbon mineralisation and direct air capture to amplify the natural ability of limestone to remove carbon dioxide from the air
- Microsoft is identifying the best ways to embed carbon removal solutions in an overall circular economy, that is, alignment around embodied carbon measurement tools, reducing waste, carbon reduction goals, and using technologies to optimise, reuse and recycle materials
- Microsoft Cloud for Sustainability enables organisations to manage their environmental footprint, embed sustainability through their organisation and value chain, and make strategic business investments to help them meet their sustainability commitments
- The Microsoft AI for Good Lab uses data from the Planetary Computer and other organisations around the globe with artificial intelligence (AI), machine learning and statistical modelling to improve climate resilience around the world. By offering the technology and expertise of the AI for Good Lab, Microsoft is helping to advance the local development of scalable solutions.

Microsoft is aiming to:

- reduce direct emissions. Scope 1 and 2 emissions remained proportional with business growth in the 2022 financial year (FY22), but more than 95% of their scope 2 emissions were reduced by using renewable energy
- remove more carbon than it emits by 2030. Over 1.4 M metric tonnes of carbon removal was achieved in FY22
- increase the reuse and recycling of servers and components to 90% by 2025. In FY22, 82% was achieved across all cloud hardware
- take responsibility for their land footprint. In FY22, Microsoft protected 12,270 acres of land in Belize. Another 4,998 acres are contracted in the United States for protection in future years. They have now funded more land to be protected than the 11,000 acres of land that they use
- increase access to water for 1 million people. By the end of FY22, its goal was to provide more than 550,000 people with access to clean water and sanitation in Brazil, India, Indonesia and Mexico. By the end of the calendar year, Microsoft reached just under 1 million people
- improve customer sustainability. In 2022, TerraPraxis and Microsoft entered a strategic collaboration to repurpose over 2,400 coal-fired power plants around the world to run on carbon-free energy.

Of the $1 billion Climate Innovation Fund, more than $600 million has been invested since its inception, featuring sustainable solutions in energy, industrial and natural systems.

By setting ambitious climate targets, investing in a range of solutions, reporting on progress and providing transparency, Microsoft is demonstrating its commitment to sustainability and its belief in the power of technology to drive positive change.

Microsoft is paving the way for other technology and software businesses to show how they too, can play their part to limit climate impact but also proactively take advantage of opportunities to competitively position themselves while also combatting climate change.

In a commitment to reporting (not just progress based), Microsoft also publishes their lessons learned from various initiatives to share openly.

Sources:

- *2022 Environmental Sustainability Report*
- *Microsoft's carbon negative goal: Microsoft will be carbon negative by 2030 — The Official Microsoft Blog*
- *Microsoft's sustainability journey: Our commitments — Our Microsoft sustainability journey*

Photo: David Slacke

Summerset

Retirement villages

Conservative Fund/Growth Fund

Summerset has many retirement villages spread across New Zealand and is also beginning to build and operate villages in Australia.

Summerset has embedded sustainability into its business model and has developed a climate action plan summarising how it is tackling the challenge of decarbonisation and transition, highlighting priorities and initiatives with targets.

Summerset's challenges are mainly around the physical risks where its villages are located and include the retirement village assets themselves, operational improvement and improving its new build programme.

Summerset provides a good example of how portfolio companies are exposed to and manage climate-related risks.

In February 2023, Summerset was exposed to the Cyclone Gabrielle extreme weather event. This saw heavy rain, strong winds, river flooding and landslides across much of New Zealand's North Island. This brought to life the extent of the climate-related physical risks the company is subject to, which may increase in the future.

Several villages were affected by Cyclone Gabrielle to varying degrees, including the most significant at its Te Awa (Napier) village. This village lost power and communications and was evacuated as a precaution. There was only minor physical damage to the village but unexpected additional costs of approximately $146,000 were incurred.

In terms of risk mitigation, Summerset conducts comprehensive reviews of the locations and sites before building its villages, to prevent selecting sites that may be prone to risks from such events. It was comforting to see that during Cyclone Gabrielle and in the January 2023 Auckland floods its sites did not experience material damage. The company was also proactive in protecting and caring for its residents.

Summerset has made the following commitments with 2017 being its base year.

In 2023 Summerset produced 102,926 tonnes of CO_2e (scopes 1, 2 and 3). Summerset has significant scope 1 and 2 emissions from electricity and gas. A large portion of its demand for electricity is not readily avoidable due to operating care facilities that have energy requirements to deliver a high level of care. Similarly, gas is used for heating hot water, cooking and providing laundry services which are all core services when caring for the elderly. Where infrastructure is available, it is exploring options to transition from gas heating to electricity.

Emissions intensity from gas used (tCO_2e per square metre of main building space) was 0.013 in 2017 compared with 0.011 in 2023.

Emissions intensity from fuel use (tCO_2e per village) was 9.77 in 2017 compared with 13.34 in 2023.

Emissions from waste per total residents and staff (tCO_2e per resident and staff member) were 0.116 in 2017 compared with 0.043 in 2023.

As part of Summerset's sustainability framework, one of its strategic goals is to reduce their impact on the planet through efficiency and innovation. The company's focus includes reducing its carbon footprint, reducing waste, improving energy efficiency, measuring water intake, using sustainable design and construction practices and embracing technology including solar.

Summerset has also committed to fulfilling sustainability-linked loans in ongoing dementia certification and beds, 5% year-on-year reduction in carbon intensity per square metre scopes 1, 2 and 3, and diversion of construction waste to landfill.

Summerset achieved its first target to reduce carbon emissions by 5% per million dollars of revenue and exceeded that, achieving a 16% reduction. This new SBT gives Fisher Funds a way to measure the target, which can be compared year on year.

Source: Environmental, social and governance reporting — Summerset

Appendices

Photo: Claire Horwood

08

Appendices

Appendix 1 — NZ CS 2 adoption provisions used in this report 86
Appendix 2 — ISS ESG methods and assumptions.....87

Appendix 1

NZ CS 2 adoption provisions used in this report

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.

The table outlines the adoption provisions which have been used for the Fisher Funds' schemes and funds.

Provision number	NZ CS 2 adoption provision
1	Current financial impacts — of physical and transition impacts identified
2	Anticipated financial impacts — of climate-related risks and opportunities reasonably expected by the entity
3	Transition planning progress — towards developing transition plan aspects of strategy
4	Scope 3 greenhouse gas (GHG) emissions — disclosing gross emissions in metric tonnes of carbon dioxide equivalent (CO_2e) classified as scope 3
5	Comparatives for scope 3 GHG emissions — comparative information for the immediately preceding 2 reporting periods
6	Comparatives for metrics — 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

Appendix 2

ISS ESG methods and assumptions

Fisher Funds subscribes to Institutional Shareholder Services (ISS) ESG for climate information and analysis. ISS ESG is a world leading 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 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.

ISS ESG methodology: www.issgovernance.com/esg/methodology-information

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. 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 Well-below 2°C 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.
IEA APS	The International Energy Agency (IEA) Announced Pledges Scenario (APS) illustrates the extent to which announced ambitions and targets can deliver the emissions reductions needed to achieve Net Zero Emissions by 2050.
IEA Net Zero Emissions by 2050	The IEA Net Zero Emissions by 2050 scenario is a normative scenario that shows a pathway for the global energy sector to achieve net zero CO_2 emissions by 2050, with advanced economies reaching net zero emissions in advance of others. This scenario also meets key energy-related Sustainable Development Goals (SDGs), particularly universal energy access by 2030 and major improvements in air quality. It is consistent with limiting the global temperature rise to 1.5°C (with at least a 50% probability) in line with emissions reductions assessed in the Intergovernmental Panel on Climate Change (IPCC)'s Sixth Assessment Report.
IEA STEPS	The IEA Stated Policies Scenario (STEPS) provides a sector-by-sector evaluation of the policies that have been put in place to reach stated goals and other energy-related objectives, taking into account existing policies and measures and also those that are under development.
NGFS Current Policies*	Network for Greening the Financial System (NGFS) Current Policies assume that only currently implemented policies are preserved, leading to high physical risks. Emissions grow until 2080 leading to about 3°C of warming and severe physical risks. This includes irreversible changes like higher sea level rise. This scenario can help central banks and supervisors consider the long-term physical risks to the economy and financial system if we continue on our current path to a "hothouse world".

Term	Definition
NGFS RM*	NGFS REMIND-MagPIE Model which is recommended by NGFS for policy and decision-makers by focusing more on the economy and technologies in its modeling.
NGFS NDCs*	NGFS Nationally Determined Contributions (NDCs) include all pledged policies even if not yet implemented. This scenario assumes that the moderate and heterogeneous climate ambition reflected in the conditional NDCs at the beginning of 2021 continues over the 21st century (low transition risks). Emissions decline but lead nonetheless to 2.6°C of warming associated with moderate to severe physical risks. Transition risks are relatively low.
NGFS Net Zero 2050*	NGFS Net Zero 2050 is an ambitious scenario that limits global warming to 1.5°C through stringent climate policies and innovation, reaching net zero CO_2 emissions around 2050. Some jurisdictions such as the US, EU and Japan reach net zero for all greenhouse gases by this point. This scenario assumes that ambitious climate policies are introduced immediately. CDR is used to accelerate decarbonisation but kept to the minimum possible and broadly in line with sustainable levels of bioenergy production. Net CO_2 emissions reach zero around 2050, giving at least a 50% chance of limiting global warming to below 1.5°C by the end of the century, with no or low overshoot (<0.1°C) of 1.5°C in earlier years. Physical risks are relatively low but transition risks are high.
Overshoot	Overshoot is the term used by the IPCC to describe scenarios in which a specified global warming temperature level is exceeded — typically between 1.5 and 2°C — before returning to that level at some point in the future.
Science based targets (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. SBTs: • No target — no clearly-defined GHG emission reduction targets are set by the company. • Non-ambitious target — a clearly-defined GHG emission reduction target is set by the company, however the target is not aligned with the emission reductions required to limit the global temperature increase to well below 2°C compared to pre-industrial levels. • Ambitious target — a clearly-defined GHG emission reduction target is set by the company that may be aligned with the emission reductions required to limit the global temperature increase to well below 2°C compared to pre-industrial levels. • Committed SBT — an ambitious target has been set by the company. The company has publicly committed to setting a SBT in line with the Science Based Targets Initiative. • Approved SBT — an ambitious target has been set by the company 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 a company 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 company 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 we buy, use and dispose of products from suppliers. Scope 3 emissions include all sources not within the scope 1 and 2 boundaries. Source: https://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 value at risk (TVaR)	TVaR measures the potential loss an asset might experience from future decarbonisation costs and opportunities.
Upstream and downstream emissions	Upstream emissions come from the production of a company's products or services. Downstream emissions come from the products' use and disposal.
Value at risk (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.

Source: https://www.ngfs.net/ngfs-scenarios-portal/explore

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