booster

Booster KiwiSaver Scheme

Asset Class Funds

Climate Statements 2024

Booster Investment Management Limited is the issuer and manager of the Booster KiwiSaver Scheme.

Introduction

Opening remarks

Booster Investment Management Limited (**Booster, we**) as manager of the Booster KiwiSaver Scheme is responsible for preparing and lodging climate statements for the Funds. These climate statements constitute the first disclosures prepared by Booster for the Funds under the new Aotearoa New Zealand Climate Standards. Reflecting on the experience of preparing these climate statements, and in evolving business processes to better support climate considerations, Booster realises that we are on a journey, as we believe is much of the broader industry. With New Zealand being among the first countries to require mandatory climate reporting, we have found that the climate-data industry is not yet at a preferred level of maturity and continues to evolve. Due to this and the inherent uncertainty in estimating greenhouse gas emissions (GHG emissions) the availability and quality of climate-related data including for GHG emissions for companies and entities that the Funds may invest in (investee entities) is imperfect. These climate statements should be read with these challenges and limitations in mind.

In recognition of such constraints, challenges and ongoing work, Booster has elected to use the following adoption provisions contained in NZ CS 2 Adoption of Aotearoa New Zealand Climate Standards which exempt Booster from disclosing:

1. **Adoption provision 1:** Current financial impacts of physical and transition impacts identified
2. **Adoption provision 2:** Anticipated financial impacts of climate-related risks and opportunities
3. **Adoption provision 3:** The transition plan aspects of its strategy, instead describing current progress
4. **Adoption provision 4:** The Funds' gross greenhouse gas (GHG) emissions classified as scope 3
5. **Adoption provision 5:** Comparative information for the Scope 3 GHG emissions
6. **Adoption provision 6:** Comparative information for metrics
7. **Adoption provision 7:** An analysis of the main trends for metrics

The Directors present the climate statements for the Funds for the year ended 31 March 2024. These climate statements comply with Aotearoa New Zealand Climate Standards (**NZ CS**) issued by the External Reporting Board (**XRB**).

Signed for and on behalf of the Board on 30 July 2024:

John Selby
Director (Chairman)

Allan Yeo
Managing Director

Funds included within this document

This document includes the climate statements for the following funds (**Funds**) within the Booster KiwiSaver Scheme:

- Asset Class Conservative Fund
- Asset Class Balanced Fund
- Asset Class Growth Fund

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The following disclosure objectives relating to the Aotearoa New Zealand Climate Standard 1 (NZ CS 1) are covered within this climate-related disclosure:

1.0 Governance

This section discusses how Booster oversees, assesses and manages climate-related risks and opportunities in relation to the Funds / the assets of the Funds.

1.1 Who does what with the Funds?

There are a number of roles and responsibilities that are relevant to the oversight and management of climate-related risks and opportunities in relation to the Funds.

The Board

The Board of Booster (the '**Board**'), which meets at least quarterly, has ultimate responsibility for and oversight of investment management. This includes oversight of how climate-related risks and opportunities (and other risks and opportunities) are considered as part of the management of the assets of the Funds. The Board has delegated key responsibilities related to investment management to the Booster Investment Committee (**Investment Committee**) and receives at least quarterly reporting from the Investment Committee to enable its oversight of investment management. Due to the different investment philosophy and the involvement of additional stakeholders in the Asset Class funds (refer below for more details), climate-related risks and opportunities relating to the Asset Class Funds have not been considered by or reported on to the Board during the period.

Booster Investment Committee

The Booster Investment Committee usually meets bi-monthly, or more frequently if required, and is responsible for the monitoring of investment management for the Funds (noting the role of Stewart Group discussed below), supporting Board oversight. This includes:

- Approving investment recommendations including strategic portfolio settings (including the appointment of external managers), changes to investment philosophy and strategic portfolio structures.
- Monitoring investment performance relative to appropriate benchmarks
- Monitoring ongoing compliance with SIPOs via assurance reports from sub-committees.

It is expected that select climate-related risks and opportunities reporting will take place in future years on at least an annual basis, and that such reporting will be shared with the Board. The extent of such reporting is expected to be limited in nature (for example, the financed emissions and emissions intensities of the Funds) reflecting the structure and investment philosophy of the Funds.

Stewart Group Asset Management (Stewart Group)

Stewart Group is an asset consultancy and investment management business, a fully owned subsidiary of Te Rehe Group, which provides an array of financial services and products to retail and wholesale clients.

Stewart Group provides investment advisory and related services to Booster with respect to the portfolio management of the Funds. Stewart Group provide recommendations relating to investment management of the Funds for approval by the Booster Investment Committee Stewart Group directors have appointed the Stewart Group Investment Committee (SGIC) to oversee the provision of these services to Booster and to be the body responsible for collating information and data required to support Booster in preparing these climate statements. In providing these recommendations, a leading consideration for Stewart Group is choosing a reliable and skilled underlying investment manager, that has robust processes in place, to recommend to Booster. SGIC conducts an annual investment manager due diligence review to confirm the continued validity of the relationship with the underlying funds manager, Dimensional. Whilst this annual review does not explicitly consider climate-related matters, it may consider Dimensional's broader investment and risk management strategies which is of relevance to the approach taken to climate-related matters.

DFA Australia Limited ("Dimensional")

The Funds all gain investment exposure by investing in underlying funds. Dimensional is the investment manager for these underlying funds and has control over everyday operations and asset-related decision-making within those underlying funds.

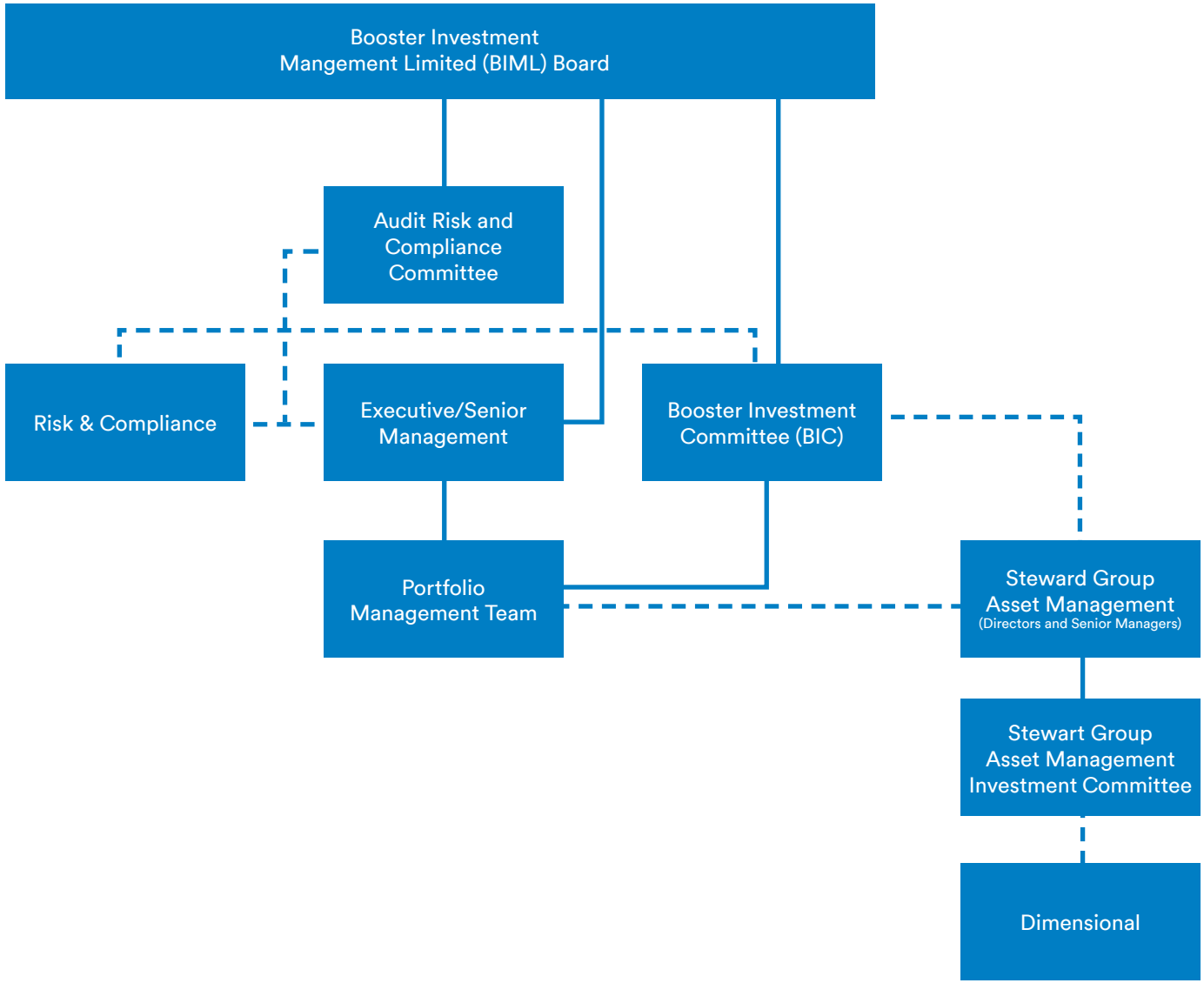
Dimensional utilises the following committees of their US-based parent, Dimensional Fund Advisors LP ("DFA") to assist in the implementation of its firm-wide responsible investment strategy:

- **Investment Committee:** DFA's Investment Committee is responsible for setting Dimensional's proxy voting policy and guidelines for voting and overseeing each Dimensional entity's proxy voting process. It is further responsible for overseeing the incorporation of environmental, social, and governance considerations into certain portfolios' design and construction. The Investment Committee reviews investment guidelines for all Dimensional-managed portfolios at least annually and approves any changes on an as-needed basis.
- **Investment Stewardship Committee:** Investment stewardship at Dimensional is a global effort supported by multiple teams. Dimensional's stewardship efforts are overseen by DFA's Investment Stewardship Committee. This group of senior employees and directors, includes members of DFA's Portfolio Management, Executive, and Compliance teams, as well as the Head of Responsible Investment and members of DFA's Board of Directors. The Investment Stewardship Committee is responsible for developing Dimensional's policies and approach to investment stewardship, which are then executed by the Investment Stewardship Group in coordination with other groups.

- **ESG Steering Committee:** DFA's ESG Steering Committee's role is to strategically coordinate and communicate Dimensional's ESG efforts across business functions to deliver a robust approach to ESG informed by Dimensional client needs and guided by science. The ESG Steering Committee is supported by cross-functional ESG working groups within each of the major regions where Dimensional operates. These working groups are responsible for keeping up to date on industry and regulatory developments within their local regions, coordinating sustainability events and conferences, and supporting regional ESG training activities.
- **Legal and Regulatory Committee:** DFA's Legal and Regulatory Committee shares information related to legal and regulatory updates with impacted departments and personnel across Dimensional.

Booster Portfolio Management Team

The Booster Portfolio Management Team, headed by the Chief Investment Officer, has responsibility for the day-to-day implementation and monitoring of investment matters related to the Funds, though this is somewhat limited in scope given the Funds all invest in underlying funds managed by Dimensional. Climate-related risks and opportunities are not considered by the Portfolio Management Team for the Asset Class funds.



Note – Booster's parent company Booster Financial Services Limited (**BFSL**) and Booster have entered into a services agreement whereby BFSL provides services and support for Booster, including employing all Booster Group staff. For simplicity this has not been included in the above diagram.

1.2 Skills and competencies

See section 1.2 of the 2024 Booster KiwiSaver Climate Statements for details on how Booster ensures that the appropriate skills and competencies are available to provide oversight of climate-related risks and opportunities within Booster.

The Stewart Group Investment Committee draws on the skills and competencies of Dimensional's global resources detailed below. As climate-related regulations evolve, Stewart Group intends to monitor the developments in the field and investigate ways to enhance its skills as well as oversight processes on climate related-risks and opportunities.

Within Dimensional, ESG matters are handled by several teams, including a dedicated Responsible Investment team, as well as personnel in other departments who engage in ESG activities as part of their jobs. Investment personnel involved in the management of portfolios (including sustainability and socially screened portfolios) must undergo formal training, review, and testing before becoming eligible to make investment-related decisions.

1.3 Integrating climate into investment strategy

The Booster Investment Committee is responsible for setting, reviewing and overseeing the implementation of the investment management strategy for the Funds. The Investment Committee utilises Stewart Group for investment advisory and related services to Booster with respect to the portfolio management of the Funds. Stewart Group has considered environmental, social, and governance matters as part of portfolio construction recommendations it makes to the Booster Investment Committee. On advice from Stewart Group, the Booster Investment Committee has set a strategy of primarily investing in DFA Australia Limited (Dimensional) funds, utilising their Sustainability Trusts/PIEs where available.

Dimensional's Sustainability Trusts/PIEs, which the Funds invest into, are currently designed to decrease exposure to companies that Dimensional considers to be significant contributors to emissions or those with large fossil fuel reserves (such as oil, gas, and coal) that may lead to future emissions. They evaluate companies based on carbon intensity and potential emissions from reserves across the entirety of a portfolio and within individual sectors. The worst offenders across all industries may be underweighted or excluded from the portfolio altogether. An across-industry comparison of this nature is considered to provide an efficient way to significantly reduce the aggregate carbon intensity per unit of revenue produced by portfolio companies. They also rank portfolio companies on sustainability considerations relative to their sector peers, emphasising industry leaders better environmental profiles and underweighting or excluding sustainability laggards. Rankings include the use of proprietary sustainability scores that are calculated by Dimensional, and primarily driven by carbon intensity. The criteria for these scores are shown in the table below:

Sustainability Score Weightings	
Carbon Intensity	85% of score
Land Use and Biodiversity	15% of score
Toxic Spills and Releases	
Operational Waste	
Water Management	

Additionally, the underlying funds generally exclude companies associated with coal, factory farming, palm oil, controversial weapons, nuclear weapons components, systems and support services, tobacco, child labour, alcohol, gambling, adult entertainment, and personal firearms, subject to those companies meeting certain business involvement criteria (which include revenue thresholds) as part of the screening process.

When implementing the above considerations for Fixed Interest portfolios, they only apply for corporate bonds.

More information on Dimensional's Sustainability Trusts can be found on their website at **www.dimensional.com/au-en/individual**

1.4 Metrics and targets

As part of considering and approving the key approaches to investment strategy in relation to climate matters, the Booster Investment Committee and the Board consider the type of targets that should be adopted to support the implementation of the investment strategy in relation to climate matters. The setting of specific targets is delegated to the Booster Investment Committee, which draws on considerations and recommendations from the Stewart Group. As Booster are making use of adoption provision 4, Scope 3 GHG emissions for the Funds have not been reported this year. In addition, no targets have been adopted for the Funds.

Booster's approach to overall staff remuneration takes into account a range of factors, including contribution to overall business objectives, customer and adviser servicing, productivity, and contribution to the delivery of solutions and portfolios for clients. Contribution to responsible investing and ESG elements of strategy (including climate-related matters) are part of the overall consideration where relevant to the role. Stewart Group does not incorporate climate-related performance metrics into remuneration policies.

2.0 Strategy

2.1 Current climate-related impacts on the Funds[1]

Climate-related impacts on the Funds can arise from two types of risks – physical risk and transitional risk which are explained further down. An important way in which any such impact may then impact the Funds is via impacts on the value of or return on those underlying investments (which would then impact on the returns of the Funds). Stewart Group believe that modern financial markets are relatively efficient, resulting in security prices that reflect all available information as it becomes known, including information on climate-related risks and opportunities.

The Funds are generally diversified across a range of security types, geographies, sectors and countries. This broad diversification helps mitigate the risk of any single event or investment impacting portfolios, including specific disproportionate climate-related risks. Given the diversified nature of the Funds and the various factors that drive return outcomes, it is difficult to isolate and quantify the current climate-related physical and transition impacts.

Physical risk impacts on the Funds

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

There have been prominent occurrences of physical risk events over the latest reporting year such as hurricanes, wildfires, floods, and severe heat waves across the globe. This has likely impacted some of underlying investments across the Funds to varying degrees.

Transitional risk impacts on the Funds

Transitional risks are 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.

Some of the underlying investments across the Funds are likely to have been impacted by transitional risks throughout the year to varying degrees.

2.2 Scenario analysis

To better understand the climate-related risks and opportunities that might arise for the Funds over the short (1-3 years ending 2025), medium (5-10 years ending 2030) and long-term (30 plus years ending 2050+), a scenario analysis exercise has been undertaken. Three different climate scenarios, each representing an alternative potential future, were considered.

Climate scenarios - summary

- **Orderly:** represents collective action towards a low carbon global economy resulting in an average global temperature increase of approximately 1.5 degrees Celsius above pre-industrial (1850-1900) levels by 2100;
- **Too little too late:** represents a misaligned and delayed transition to a low carbon global economy, resulting in an average global temperature increase of greater than 2 degrees Celsius above pre-industrial (1850-1900) levels by 2100;
- **Hothouse:** represents minimal action towards a low carbon global transition, resulting in an average global temperature increase of greater than 3 degrees Celsius above pre-industrial (1850-1900) levels by 2100.

See the table below for more details regarding each scenario.

[1] Booster has elected to apply adoption provision 1 of NZ CS 2. This exempts it from disclosing in its first reporting period the current financial impacts of the physical and transition impacts identified.

Process undertaken – scenario construction

Booster has utilised the collation of climate scenario narratives (**Scenario Narratives**) developed for Financial Services Council of New Zealand (**FSC**) and Boutique Investment Group (**BIG**) members in a process (see Figure 1 in appendix) supported by Ernst & Young (EY). The Scenario Narratives were collated in a report titled 'Climate Scenario Narratives for the Financial Services Sector' dated June 2023 (**Scenario Narratives Report**).

The Scenario Narratives were developed following a process which included:

1. Stakeholder engagement: Workshops were held including industry members to introduce topics and discuss options. Working groups were used to gain consensus on key decisions via vote. A steering committee was formed to determine the direction of the project and track project timelines, delivery outputs and stakeholder satisfaction. External stakeholders (FMA, XRB, NZBA, Insurance Council of New Zealand etc) were engaged throughout the project.
2. Determination of scope: This included determining key climate related risk categories and time-horizons.
3. Identification of driving forces: An analysis of key social, technological, environmental, economic and policy driving forces was undertaken. The most appropriate scenarios that aligned with these drivers were identified.
4. Selection of scenarios & pathways: The scenarios were presented to the working group and key climate-related risks, impacts and opportunities were identified.
5. Drafting narratives & quality control including incorporating feedback from stakeholders.
6. Use of credible sources: underlying assumptions used to create the various scenarios based on credible information produced by reputable sources such as the New Zealand Climate Change Commission (**NZCCC**), the Intergovernmental Panel on Climate Change (**IPCC**), the Network for Greening the Financial System (**NGFS**) and the National Institute of Water and Atmospheric Research (**NIWA**).

Data sources for the Scenario Narratives

Orderly **1.5°C**	Too Little Too Late **>2°C**	Hothouse **>3°C**
• NGFS, 2023 • NIWA, 2023 • IPCC 2021, 2022 • NZCCC, 2021	• NGFS, 2023 • NIWA, 2023 • IPCC, 2021 • Nazarenko, 2022	• IPCC 2021 • NIWA, 2023 • MfE, 2017, 2018 • NASA, 2023

External stakeholders that have been involved include:

- Industry participants
- Financial Markets Authority
- Reserve Bank of New Zealand
- External Reporting Board
- Ministry for Environment
- New Zealand Bankers' Association
- Insurance Council of New Zealand
- Responsible Investment Association of Australasia
- Corporate Trustees Association
- Investor Group on Climate Change
- United Nations Principles for Responsible Investment
- Centre for Sustainable Finance

Booster has considered if the scenarios are appropriate to support our understanding of climate-related risks and opportunities that might arise for the Funds and how that relates to Booster's investment management approach. This process included the matter being reported to the Investment Committee and Board (aspects of which occurred after balance date). Below are some of the reasons why Booster considers the scenarios presented are appropriate.

Orderly **1.5°C**	Too Little Too Late **>2°C**	Hothouse **>3°C**
• Broadly representative of an approximately 1.5°C increase therefore meeting the NZ CS scenario requirement • Broadly aligns with the stated goal of the Paris Agreement to pursue efforts to limit temperature increase to no more than 1.5°C above pre-industrial levels. • Is a commonly used scenario that will help with comparability with other funds managers in New Zealand.	• Meets the NZ CS requirement for a third climate-related scenario. • Balanced between the orderly and hothouse scenarios, representing imperfect efforts (misaligned and delayed) to cut GHG emissions. • Is potentially a commonly used scenario that will help with comparability with other funds managers in New Zealand.	• Meets the NZ CS requirement for a >3°C aligned scenario. • Most likely to eventuate if society does not make concerted efforts to cut GHG emissions. • Is a commonly used scenario that will help with comparability with other funds managers in New Zealand.

Scenarios in detail

The three scenarios consider short, medium and long term time horizons which align with a number of elements of our portfolio construction and management approach, including strategic asset allocation settings, active management decisions and stewardship activities. The scenarios account for how relevant social, technological, environmental, economic and policy related driving forces would drive plausible future impacts. In addition to considering the outcomes of the drivers, the drivers themselves have also been something Booster has found helpful when consdiering how future climate related risks and opportunities could evolve.

Orderly: **Approximately 1.5˚C**	Too Little Too Late: **>2˚C**	Hothouse: **>3˚C**
The Orderly scenario represents coordinated and timely global action to prevent the worst predicted impacts of climate change. Emissions reduce steadily in a manner that is consistent with achieving a net zero goal by 2050. As a result, global average temperatures increase to 1.4°C (min 1, max 1.8) above pre-industrial (1850-1900) levels. This will help to minimise the increase in severity of extreme weather events. A key driving force is that society puts pressure on entities to decarbonise. There is a concerted change in behaviour including preference changes towards low emissions products or services, climate activism, and negative media attention oriented towards entities with a lack of appropriate action towards climate change and/ or greenwashing allegations. This is accompanied by progressive policy globally, such as the implementation of emissions reduction requirements, mandatory climate-related reporting, emissions trading schemes, stringent carbon prices, carbon taxes (including border adjustments) and an increase in legislation that bans emissions-intensive activities. An increase in research and development will occur resulting in a rapid uptake of existing low-emissions and emission abatement technologies across all sectors. There is increased electrification of transportation and a high proportion of renewable electricity generation. Overall, the global economy benefits from the stable transition to a low carbon economy. All countries face internal challenges brought by transformational change to their economies, including job losses and skill shortages. However, these issues are managed effectively with the help of a stable climate, economy, and international relations. The rate of physical risk remains relatively low in this scenario. Transition risks initially increase in the short and medium term before reducing as society shifts to a low carbon economy. Short term transition risk is more pronounced for entities that are more exposed to emission intensive sectors and slow to transition.	This scenario represents a misaligned and delayed transition to a low carbon economy. Some countries action the transition to net zero by 2050. Others delay, introducing accelerated efforts to address climate change by mid-century. Emissions reduce gradually and are still significantly higher than zero by 2050. As a result, global average temperatures reach 2.7°C (min 2.1, max 3.5) above pre-industrial (1850-1900) levels by 2100. Globally, precipitation fluctuations will lead to increased incidence of drought and floods. The Artic, North America, Europe, and Asia experience warming of twice the global average by 2050. New Zealand experiences an increased frequency of extreme weather events in the long term, including a significant increase in the number of hot days, a 10% decrease in precipitation, and increased drought. Coastal areas worldwide are projected to face increased risk from storm surges, flooding, and sea level rise. Societal pressure to decarbonise is more varied across regions and inequities will increase for the world's more marginalised nations. There is an increase in geopolitical tensions with increased challenges in agriculture, food security and water availability. Most developed countries implement climate policy early while other parts of the world align climate policy only from mid-century. There is a more moderate level of carbon pricing. There is delayed development of low emissions and emissions abatement technology. Progress on electrification and renewables will be slower than the Orderly scenario. Changes come too late to prevent wide ranging acute and chronic physical climate impacts. The global economy is likely to suffer significant financial impacts. There is a lower standard of living for many across the globe. Extreme weather events and gradual weather changes such as temperature and precipitation levels are likely to pressure revenue and increase costs for some sectors. The rate of physical risk climbs steadily out to the long term. Transition risk increases rapidly in the short term, plateau in the medium term, and increase again in the long term due to increased global action and the emergence of new technologies facilitating decarbonisation.	The Hothouse scenario represents minimal action towards a low carbon global transition with little shift in social and political traction towards a low emissions future. Emissions reduce very gradually and fall well short of net zero. As a result, the global average temperature reaches 4.4°C (min 3.3, max 5.7) above pre-industrial (1850-1900) levels by 2100. Transition risk is limited but there is a significant materialisation of acute and chronic physical risks. The rate of physical risk increases exponentially out to the long term. Environmental outcomes are more severe, coastal areas worldwide will face increased risk from storm surges, flooding, and sea level rise. Regions at high latitudes will have the most significant temperature increases, with warming forecast to be three times the global average by 2050. Regions that are already prone to water stress, see increased frequency and intensity of both droughts and floods. Coastal areas worldwide will face increased risk from storm surges, flooding and sea level rise. There will be variability increases across New Zealand, with some regions seeing a 40% increase in precipitation, and others an increase in drought intensity. There is limited behaviour change or social pressure to drive decarbonisation globally. The focus on global growth by any means necessary drives higher rates of economic inequality, increasing political instability and geopolitical tensions around the world. Early adopters of progressive climate policy reverse, revoke or otherwise roll back climate policies. Others pause further development and implementation of climate policies currently under development. Global carbon prices and investment in adaptation is minimal. There is an overall lack of technological change to support emissions reduction. By 2050, fossil fuels continue to be the dominant source of primary energy, even after accounting for current technology trends. The global economy is likely to see surmounting costs from increasingly pervasive chronic physical impacts. Risk increases exponentially out to the long term. Acute physical risk events will result in widespread displacement and reduced productivity. Financial impacts are felt across all economies, impacting on individuals, businesses, and governments.

Source: Scenario Narratives report.

Process undertaken – analysis of scenarios

The Scenario Narratives include not only scenarios and assumptions, but also an impact assessment on different sectors and asset classes. Booster has utilised the scenarios to consider the resilience of its investment philosophy and strategy in relation to a number of funds it manages which has been useful when considering potential climate-related impacts for multi-sector funds more generally including the Asset Class Funds. This process included an analysis paper and has included reporting to the Investment Committee and Board. The scenario analysis was undertaken as a stand-alone activity. Booster provided scenario information to Stewart Group for their consideration. Stewart Group considered the scenario analysis and was comfortable with the scenarios provided and the potential climate-related risks, opportunities and impacts identified. However, and in line with the view of the underlying funds' investment manager, Stewart Group does not currently incorporate outputs of the scenario analysis into its asset allocation considerations. Further details below.

2.3 Risks and Opportunities

Climate-related risks and opportunities (both physical and transitional) over the short, medium, and long term for the Funds have been identified. These are outlined below, along with how we define short, medium and long term and how those periods align with investment management activities.

Time horizons and investment management decision making

Stewart Group adopted the time horizons for scenario analysis as described in the sector scenario analysis produced by the Financial Services Council, as below:

Term	Time Horizon	End Year
Short	1-3 Years	2025
Medium	5-10 Years	2030
Long	30+ Years	2050

Dimensional does not explicitly define short-, medium-, and long-term horizons as part of its climate risk management process. However, given the forward-looking nature of market prices, Dimensional believes that current information about material climate risks over all time horizons is relevant to current market prices. Dimensional expects material news about a company's plans for managing long-term climate risks to be reflected in market prices today. Irrespective of an investor's holding period, material climate risks across all time horizons may be relevant.

Climate-related risks and opportunities identified

Fund exposures are diversified across different types of investment sectors and regions. Each of these sectors will be subject to opportunities which will become more apparent over time as a particular scenario eventuates. Details on investments held in each fund and their weight can be found on the Fund Fact Sheets available on the Booster website. The full list of holdings in the underlying Dimensional funds can be found on Dimensional's website at **www.dimensional.com/au-en**

Opportunities for the Funds

Category	Climate driver	Opportunity
Physical and transition	Integrate climate-risks into investment decisions	Opportunity to increase alignment of investments with the transition to a low carbon economy and to ensure investments are resilient to the physical and transition effects of climate change.

Source: Scenario Narratives report.

Climate-related Risks by Sector

Sector	Physical Risk	Transition Risk	Both
Agriculture	• Impacts on stock and crop quality and yield	• Stakeholder preferences (including customer, investor, and employee) • Regulatory/ policy impacts • Increased carbon price • Litigation risk • Adoption/ implementation	• Stranded assets (farms, manufacturing plants)
Communication Services Sector	• Disruption to services (telecom, internet, and data centres) • Disruption to business operations (media and entertainment)	• Stakeholder preferences (including customer, investor, and employee) • Regulatory/ policy impacts • Increased carbon price • Litigation risk • Adoption/ implementation	• Economic impacts on customers
Consumer Discretionary Sector excl. transport	• Stranded assets (hotels, restaurants, leisure facilities, retail facilities) • Disruption to manufacturing operations and supply chain • Disruption to business operations and ability to service customers (hotels, restaurants, leisure facilities, retail facilities).	• Stakeholder preferences (including customer, investor, and employee) • Regulatory/ policy impacts • Increased carbon price • Litigation risk • Adoption/ implementation	• Economic impacts on customers
Consumer Staples Sector excl. agriculture	• Disruption to business operations and ability to service customers (retail facilities) • Disruption to manufacturing operations and supply chain • Stranded assets (retail facilities, manufacturing facilities)	• Stakeholder preferences (including customer, investor, and employee) • Regulatory/ policy impacts • Increased carbon price • Litigation risk • Adoption/ implementation	• Economic impacts on customers

Sector	Physical Risk	Transition Risk	Both
Energy Sector	• Disruption to coal mine operations including supply chain • Disruption to oil and gas operations including supply chain • Environmental damage	• Stakeholder preferences (including customer, investor, and employee) • Regulatory/ policy impacts • Increased carbon price • Litigation risk • Adoption/ implementation	• Stranded assets (mines, rigs, refineries)
Financial Sector	• Disruption to business operations • Stranded assets (branch facilities, offices)	• Stakeholder preferences (including customer, investor, and employee) • Regulatory/ policy impacts • Increased carbon price • Litigation risk • Adoption/ implementation	• Economic impacts on customers
Health Care Sector	• Disruption to provision of care • Stranded assets (medical facilities, manufacturing facilities) • Impacts on demand for care	• Stakeholder preferences (including customer, investor, and employee) • Regulatory/ policy impacts • Increased carbon price • Litigation risk • Adoption/ implementation	• Economic impacts on customers
Industrials Sector excl. transport	• Disruption to manufacturing operations and supply chain • Disruption to business operations (commercial and professional services) • Stranded assets (manufacturing plants, offices)	• Stakeholder preferences (including customer, investor, and employee) • Regulatory/ policy impacts • Increased carbon price • Litigation risk • Adoption/ implementation	–
Information Technology Sector	• Disruption to services (software and information technology) • Stranded assets (manufacturing plants, information system infrastructure) • Disruption to manufacturing operations and supply chain	• Stakeholder preferences (including customer, investor, and employee) • Regulatory/ policy impacts • Increased carbon price • Litigation risk • Adoption/ implementation	–
Materials Sector	• Disruption to manufacturing operations and supply chain • Stranded assets (manufacturing plants)	• Stakeholder preferences (including customer, investor, and employee) • Regulatory/ policy impacts • Increased carbon price • Litigation risk • Adoption/ implementation	–

Sector	Physical Risk	Transition Risk	Both
Real Estate Sector	• Stranded assets • Disruption to business operations (real estate operation) • Increased energy requirement to maintain optimal temperatures in managed real estate • Disruption to construction operations including supply chain (real estate development)	• Stakeholder preferences (including customer, investor, and employee) • Regulatory/ policy impacts • Increased carbon price • Litigation risk • Adoption/ implementation	–
Transport	• Disruption to manufacturing operations and supply chain • Damage to transport infrastructure • Disruption to transport services	• Stakeholder preferences (including customer, investor, and employee) • Regulatory/ policy impacts • Increased carbon price • Litigation risk • Adoption/ implementation	• Economic impacts on customers
Utilities Sector	• Impacts on production of energy • Impacts on transmission of energy • Impacts on demand for energy • Impacts on availability and quality of potable water • Impacts to wastewater and stormwater systems • Impacts on demand for water	• Stakeholder preferences (including customer, investor, and employee) • Regulatory/ policy impacts • Increased carbon price • Litigation risk • Adoption/ implementation	• Economic impacts on customers • Stranded assets (power plants, water facilities)

Source: Scenario Narratives Report.

Climate-Related Risks by Region

		America *excl. USA and Canada*	Asia *excl. China and Japan*	Australia	China	EU	Europe *excl. EU and UK*	Japan	New Zealand	UK	US and Canada
Physical	Wildfires	●	●	●	●	●	●	●	●	●	●
	Water stress and drought	●	●	●	●	●	●	●	●	●	●
	Sea level rise	●	●	●	●	●	●	●	●	●	●
	Flood	●	●	●	●	●	●		●	●	
	Increase in mean temperature	●	●	●	●	●	●	●	●	●	●
	Physical risk impacting government	●	●	●	●	●	●	●	●	●	●
	Migration driven by physical climate perils	●	●								
	Political unrest driven by physical climate perils	●	●								
Transition	Slow transition	●	●	●	●	●	●	●	●	●	●
	International markets shift away from emissions intensive sectors	●	●	●	●	●	●	●	●	●	●
	Transition risk impacting government	●	●	●	●	●	●	●	●	●	●
	Poor climate policies and commitments	●	●	●	●		●	●			
	Large amount of policy intervention				●	●		●	●	●	●

Source: Scenario Narratives Report.

How physical and transition risks could impact different asset classes

The impact on an investment depends not only on the sector and geography (and of course the specific entity in question) but also the nature of the investment. How the above risks might transfer into different asset classes is explored below.

Asset Type	Impact to Asset Type
Sovereign Bonds	• Decreased revenue & increased capital expenditure can impact cash flow, increase the probability of default and as a result hinder credit rating for the country that issues the bonds. • Decreased tax/Government revenue and increased expenditure can drive need for additional bond issuances by the Government, impacting on the value of current bonds in the market (due to yield of new bonds needing to be greater to be attractive). This could potentially act to drive inflation, further devaluing current bonds.
Equities	• Decreased revenue and flow of capital can decrease the share/unit price of the entity. • Decreased revenue and increased capital expenditure can decrease profitability, decreasing ability to pay dividends and impacting demand from income-focused investors. • Increased gearing ratio as debt increases to cover increased capital expenditure. • Increase in volatility as a result of more natural events causing fluctuations in the underlying figures due to increasing costs, decreasing earnings. • Flow through impacts to financial ratios (Price/Earnings, Earning per share, Price/Book value etc) • Decreased flow of capital to high emitters
Cash and cash equivalents	• Probability of loan default increases as a result of the economic impacts of climate change on both commercial and retail customers increasing cash flow volatility and creating liquidity issues and impacting on their credit rating and ability to pay interest payments. • Higher inflation as result of climate-related physical and transition impacts thereby devaluing current cash assets.
Corporate bonds	• Decreased revenue & increased capital expenditure can impact cash flow, increase the probability of default & as a result hinder credit rating. • Decreased revenue and increased capital expenditure can drive need for additional bond issuances, impacting on the value of current bonds in the market (due to yield of new bonds needing to be greater attractive). • Increase in sovereign bond yield impacts corporate ability to secure future capital at current yields, drives requirement for corporate bond yield increases and impacts value of current bonds in the market.
Property	• Increase in capital and operational expenditure and decrease in asset value likely to impact entities yearly profitability, decreasing ability to pay dividends. • Increase in interest repayments coupled with increase in stranded assets can increase debt risk and foreclosure as a result of overleveraging. • Decrease in book value of entity. • Increased difficulty to sell assets.

How we consider climate-related risks and opportunities in investment management

Stewart Group believe that the effects of climate change are expected to be far-reaching and global in scope and that diversified investment funds might be exposed to most, if not all, climate-related risks. For example, at least one of their investees will likely be exposed to the impacts associated with rising sea levels or stranded assets.

Stewart Group shares Dimensional's view that climate risks are one of the many types of risks that might affect a company's ability to generate profits. Dimensional's general investment philosophy is based on the belief that, in liquid capital markets, prices reflect publicly available information, including information about climate-related risks and opportunities. Therefore, in Dimensional's view, the most effective way to manage risks is by using the information in market prices, maintaining broad diversification, and encouraging effective board oversight of material risks at portfolio companies.

Dimensional seeks to protect and enhance shareholder and bondholder value. As part of Dimensional's process for defining an eligible equity universe, it reviews country risks, exchange listing standards, as well as structural, governance-related issues. For example, Dimensional may exclude companies from eligibility if they are closely held; such companies may not have adequate risk controls to protect the interests of minority shareholders against abusive practices by company insiders.

Furthermore, as part of Dimensional's risk management arrangements, it monitors securities in its eligible equity universe for reports of potential involvement in significant controversies, including climate and sustainability-related controversies. If Dimensional believes that a controversy may have a material impact on a portfolio company's financials, it may temporarily exclude securities issued by that company from further purchase in both its equity and fixed income portfolios. Dimensional's Investment Stewardship Group may also engage with the portfolio company where appropriate for a particular portfolio.

2.4 Anticipated impacts of climate-related risks and opportunities[2]

As supported by climate science, Stewart Group believe that greenhouse gas emissions are a key driver of climate change. Companies whose revenues are heavily dependent on said emissions, or that have significant reserves of fossil fuel assets, may be expected to be more exposed to the impact of rising carbon taxes, changing consumer behaviour, and stranded assets in the event of a rapid transition. Some investors may seek to reduce their exposure to the risks faced by such companies. Beyond risk, investors may want to reduce exposure to companies whose activities don't align with their sustainability values. Since the Funds consist of underlying managed funds that consider overweighting companies with low emissions intensity and potential emissions from reserves, and consider excluding or underweighting those with high emissions, this may reduce the impact of these matters on the Funds.

Stewart Group believe, given its global scope and broad economic impact, climate risk is primarily a systemic risk. It cannot be fully mitigated through diversification. Yet diversification still has an important role in addressing idiosyncratic climate risks.

Dimensional and Stewart Group believe the effects of climate change are expected to be far-reaching and global in scope, but do not expect that they will be experienced by all countries and companies in the same way or at the same time. By diversifying across geographies, exposure to country or region-specific physical risks (such as localised flooding) is reduced. By diversifying across companies and industries, exposure to company-specific transitional risks (such as changes in consumer preferences for a company's products) is also reduced.

2.5 Booster, Stewart Group, and Dimensional's investment management approach and the climate-transition[3]

Booster's investment management approach

See section 2.5 of the 2024 Booster KiwiSaver Climate Statements for details on Booster's investment management approach. However, the investment management approach differs for the Asset Class Funds as they primarily invest in DFA Australia Limited funds and their investment philosophy is based on modern portfolio theory and the efficient market hypothesis. For these Funds, Booster's role is more limited as outlined in section *1.1 Who does what.*

Stewart Group's investment management approach

Given Stewart Group's role as an investment advisor to Booster with respect to the portfolio management of the Funds, their investment approach is also relevant to the Funds. Stewart Group believes that modern financial markets are relatively efficient, resulting in security prices that reflect all available information as it becomes known and that higher expected returns are associated with higher levels of risk. Within this, there is a belief that targeting certain investment style factors leads to the potential for better risk and return outcomes.

[2] Booster has elected to apply adoption provision 2 of NZ CS 2. This exempts it from disclosing in its first reporting period the anticipated financial impacts of climate-related risks and opportunities, and the time-horizons over which these could reasonably be expected to occur.

[3] Booster has elected to apply adoption provision 3 of NZ CS 2. This exempts it from disclosing the transition plan aspects of its strategy, including how its business model and strategy might change to address its climate-related risks and opportunities; and the extent to which transition plan aspects of its strategy are aligned with its internal capital deployment and funding decision-making processes. Instead, in its first reporting period Booster provides a description of its progress towards developing the transition plan aspects of its strategy.

In addition, Stewart Group consider the following beliefs in the portfolio construction process:

- high quality academic research and data analysis are integral parts of portfolio management;
- strategic asset allocation across asset classes and within sub-asset classes is the key determinant of long-term investment outcomes (i.e., returns);
- diversification across a range of geographic regions, asset classes and securities are an important risk mitigation factor and generally contributes to reduced volatility;
- investment style factors relating to a company's size, relative price, and profitability are relevant in determining their long-run expected returns;
- a disciplined approach to portfolio re-balancing which considers transaction costs and long-term expected returns is beneficial to ensure appropriate risk tolerances are maintained;
- environmental, social, and governance matters impact investment outcomes and therefore are an important consideration of the overall investment process; and
- fees reduce returns to investors and are an important consideration.

Dimensional's investment management approach

As the manager of the Asset Class Funds' underlying funds, Dimensional's investment management approach is also relevant. Dimensional design the portfolios of the underlying funds to emphasise investment in securities which have higher expected returns based on their assessments. Dimensional believes:

(A) The overall market - stocks have higher expected returns than bonds;

(B) Company size - small company stocks have higher expected returns than large company stocks;

(C) Relative price - low relative price or 'value' stocks have higher expected returns than high relative price stocks;

(D) Profitability - stocks with higher profitability have higher expected returns than stocks with lower profitability.

More information is available on Dimensional's website at **www.dimensional.com/au-en/**

Application across the Funds

The Asset Class Funds have been structured to provide three investment options to cater for different investment risk profiles. To achieve the desired risk/return trade-off for each investment option, the relative weighting of each asset class is adjusted.

For example, the Conservative Fund, which has an objective to provide modest returns on average over the short to medium term, allowing for some shorter-term ups and downs, will hold a higher proportion of assets considered to have lower-risk, such as cash and fixed interest, than the Growth Fund. Conversely, the Growth Fund, which has an objective to provide relatively high returns on average over longer term periods (ten years plus), allowing for short to medium term ups and downs, will hold a lower proportion of assets considered to have lower-risk and a higher proportion of assets considered to have higher-risk, such as shares, than the Conservative Fund.

Transition planning

Stewart Group and Dimensional's view is that climate risk models are limited in their ability to provide actionable investment insights. Modelling future economic damages from climate change poses immense challenges, as it needs to consider many uncertainties - where and when physical effects occur, how quickly climate policies will be introduced, how politics and societal norms will develop, how these developments will affect GDP growth, or what innovations will take place. As a result, and while both Stewart Group and Dimensional aim to monitor the changes to climate-related risk regulations and other developments, the Stewart Group intends to maintain the current approach in advising Booster in relation to the Funds.

As a next step, Booster is focused on preparing for reporting scope 3 emissions for the Funds.

3.0 Risk Management

3.1 How we identify, assess and manage climate-risk for the Funds

As noted in section *2.3 Strategy – Risks and Opportunities*, Booster does not on a day-to-day basis consider climate-related risks when making investment management decisions related to the Asset Class Funds as they primarily invest in DFA Australia Limited funds and follow Dimensional's investment philosophies.

Stewart Group, in its role as an investment advisor and provider of related services to Booster for management of the Funds, accepts Dimensional's approach to climate related risk assessment within the sustainable strategies used in the Funds' portfolios.

In Dimensional's view, the most effective way to manage risks is by using the information in market prices, maintaining broad diversification, and encouraging effective board oversight of material risks at portfolio companies. Dimensional believes that market prices incorporate relevant climate and sustainability-related information and does not attempt to identify companies that are mispriced based on their climate and sustainability-related profile. This does not mean that markets are prescient, nor that unforeseen risks may not abruptly materialise. However, Dimensional believes much about climate change is still unknown; as new information emerges; market prices will adjust.

Therefore, due to the difficulty of disentangling a company's climate risks from other risks reflected in asset prices, Dimensional does not prioritise climate risks above other risks.

Dimensional expects that information about climate risks is reflected in market prices, and so the assessment frequency is a function of Dimensional's use of market prices. Dimensional manages the Funds using a daily investment process which incorporates the latest prices. Its strategies link a security's weight to its current price, with the level of over- or underweight relative to its market cap weight being measured and controlled. Dimensional believes a strong link to current price is critical because up-to-the-minute news and changes in expectations, including those related to climate risk, are reflected in current prices.

3.2 How the above processes are integrated with our overall risk management processes

A key matter in risk management for the Funds is the selection of underlying funds for the Funds to invest into, including consideration of who the manager is for those underlying funds. The processes in place to monitor and review this selection are described earlier. In addition, refer to section 2.3 How climate-related risks and opportunities are considered in investment management for details regarding Dimensional's approach.

4.0 Metrics and Targets

4.1 GHG emissions information – background

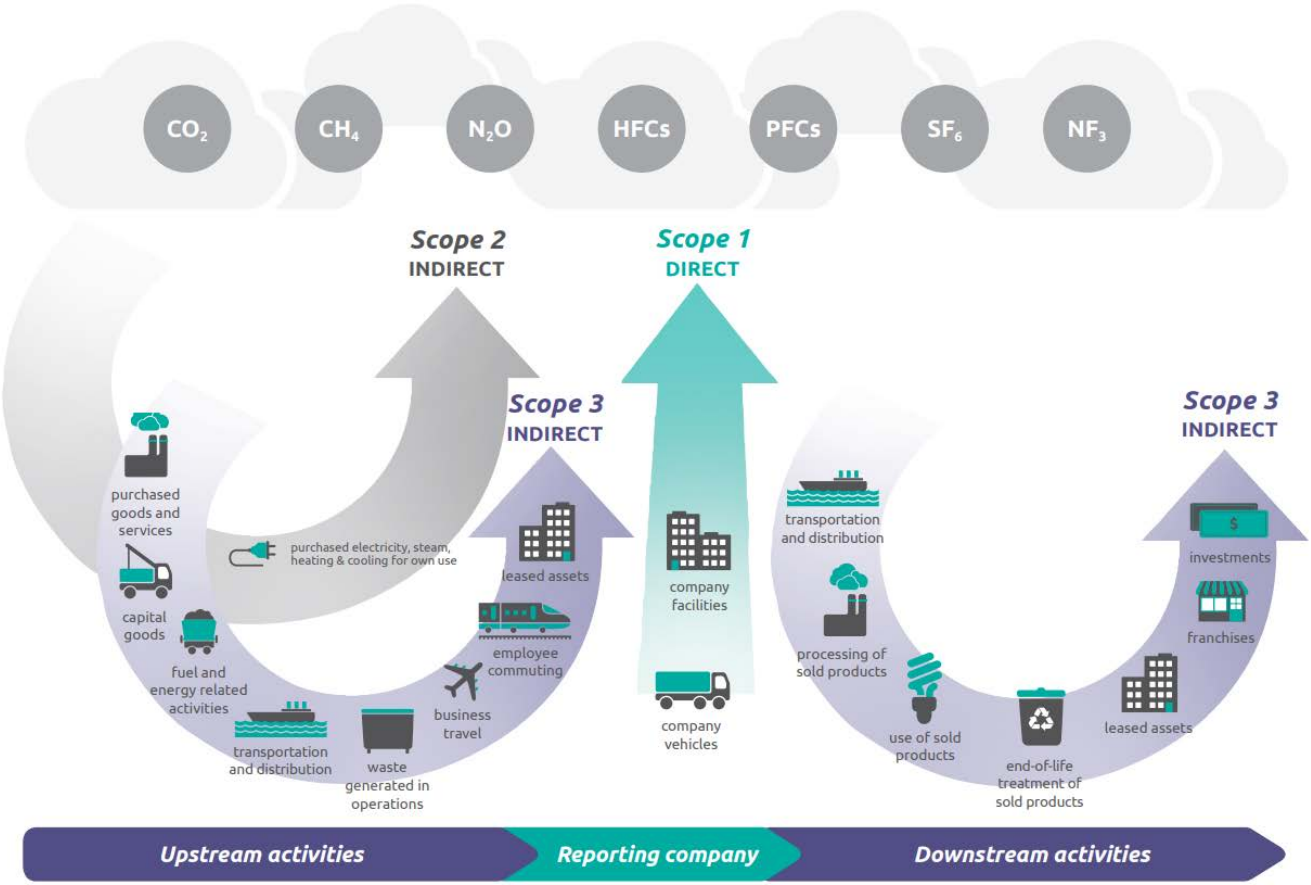
GHG emissions estimates generally cover six main gas types and are usually reported as a carbon dioxide equivalent. GHG emissions are reported across three scopes, based on the type of activity and where in the climate reporting entity's value chain that activity took place. NZ CS1 defines the scopes as follows:

- **Scope 1:** Direct GHG emissions from sources owned or controlled by the entity.
- **Scope 2:** Indirect GHG emissions from consumption of purchased electricity, heat, or steam.
- **Scope 3:** Other indirect GHG emissions not covered in scope 2 that occur in the value chain of the reporting entity, including upstream and downstream GHG emissions. Scope 3 categories are purchased goods and services, capital goods, fuel-related and energy-related activities, upstream transportation and distribution, waste generated in operations, business travel, employee commuting, upstream leased assets, downstream transportation and distribution, processing of sold products, use of sold products, end-of-life treatment of sold products, downstream leased assets, franchises, and investments.

GHG emissions for managed funds are conceptually a little different to emissions for a corporate entity such as Booster. The primary source of emissions for a managed fund is usually financed emissions which are scope 3 emissions. In this context, emissions for the Funds can be categorised into two broad categories:

Operational Emissions: Operational emissions are emissions derived from the service of providing and managing the Funds. These primarily relate to the emissions (excluding financed emissions) of Booster, Stewart Group and Dimensional Fund Advisors Ltd – as relevant to the Funds. Booster has determined that the operational emissions for each Fund are immaterial.

Overview of GHG emissions by scope – from the GHG Protocol:



Financed Emissions: This relates to the emissions that are financed by each Fund via the investments they hold. Financed emissions are all Scope 3 emissions for the funds but can be further categorised into Scope 1 (of Scope 3) (representing emissions sources directly controlled by the investee entity), Scope 2 (of Scope 3) (representing emissions from the investee entity's purchased energy like electricity), and Scope 3 (of Scope 3) (which encompasses other indirect emissions across the investee entity's supply chain).

Booster has elected to use adoption provision 4 for these Climate Statements and not report Scope 3 emissions.

Application to these financial statements

As these climate statements do not include any GHG emissions reporting (as Booster are exempt from disclosing scope 3 and have deemed scope 1 & 2 to be immaterial) Booster have not included an emissions intensity metric as there is no emissions measurement to convert to an intensity measure. As emissions intensity metrics are our primary climate-related transition risk, opportunity and capital allocation measure, and we are not reporting emissions intensity, we have not reported metrics for those matters. Booster expects to report emissions intensity in our next climate statements.

No climate-related targets have been adopted for the Asset Class Funds.

4.2 Climate Related Risks and Opportunities

Physical risks: To give an indication of the degree of the relative exposure of the Funds to physical risks Booster have used research and modelling provided by ISS ESG. The results of this are presented in the 'Holdings Vulnerable to Physical Risks' metrics presented in the tables below. Booster have made the determination that cash & cash equivalents do not have material climate-related risks or opportunities. The percentage of holdings covered by this assessment is also outlined in the tables below. Assessments for all holdings are not currently available, including that of Funds' sovereign bond investments.

Unaudited

	Asset Class Conservative Fund	Asset Class Balanced Fund	Asset Class Growth Fund
Reporting period (year ending 31 March)	2024	2024	2024
Holdings Vulnerable to Physical Risks	15%	20%	26%
Total Holdings Assessed	61%	76%	92%

Primary data source: Data provided by ISS ESG

- Booster have used research and modelling provided by ISS ESG as the basis for these assessments and display the proportion of each Fund's investments (by value) that are expected to be materially impacted by climate-related physical risks under the 'Hothouse' scenario equivalent. Additionally, Booster have assumed that cash & cash equivalents investments are not exposed to physical risks. Please note that certain asset types are not covered by these assessments including sovereign bonds, sovereign agency bonds, or local government bonds.
- There is a large degree of uncertainty in this metric as it depends on uncertain future changes in the climate and societal actions to combat this. Also, it is uncertain how these challenges will impact each Fund's investments or how those investments are able to adapt in response to those challenges. Given this large degree of uncertainty, Booster urge you to take these metrics as indicative only rather than as an accurate reflection of each Fund's exposure to risks. Nevertheless, Booster believe these metrics are useful as a point of comparison between Funds.

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We're here to help.

To find out more about the Booster KiwiSaver Scheme visit our website, call us on **0800 336 338** or talk to your financial advice provider.

booster.co.nz

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