booster

Booster KiwiSaver Scheme

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 6:** Comparative information for metrics
5. **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 26 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:

- Enhanced Cash Fund
- Capital Guaranteed Fund
- Moderate Fund
- Conservative Fund
- Default Saver Fund
- Balanced Fund
- Growth Fund
- Shielded Growth Fund
- High Growth Fund
- Geared Growth Fund
- Socially Responsible Moderate Fund
- Socially Responsible Balanced Fund
- Socially Responsible Growth Fund
- Socially Responsible High Growth Fund
- Socially Responsible Geared 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:

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1.0 Governance

Enable existing and potential investors in the Funds (**Investors**) to understand both the role an entity's *governance body* plays in overseeing climate-related risks and climate-related opportunities, and the role *management* plays in assessing and managing those climate-related risks and opportunities.

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2.0 Strategy

Enable Investors to understand how climate change is currently impacting an entity and how it may do so in the future. This includes the *scenario analysis* an entity has undertaken, the climate-related risks and opportunities an entity has identified, the anticipated *impacts* and *financial impacts* of these, and how an entity will position itself as the global and domestic economy transitions towards a low-emissions, climate-resilient future.

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3.0 Risk Management

Enable Investors to understand how an entity's climate-related risks are identified, assessed, and managed and how those processes are integrated into existing risk *management* processes.

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4.0 Metrics and Targets

Enable Investors to understand how an entity measures and manages its climate-related risks and opportunities. Metrics and targets also provide a basis upon which Investors can compare entities within a sector or industry.

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 at Booster?

There are a number of roles and responsibilities within Booster 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. From 2024, reporting from the Investment Committee, will report on climate-related risks and opportunities including metrics and targets at least annually. See also the Risk Management section which discusses how the Booster Group Risk Management Framework links in with climate-related risks and opportunities.

Booster Investment Committee

The Investment Committee usually meets bi-monthly, or more frequently if required, and is responsible for the management and monitoring of investment management for the Funds, supporting Board oversight, including relating to climate-related risks and opportunities. This includes:

- Approving investment recommendations including strategic portfolio settings, changes to investment philosophy and strategic portfolio structures, with material changes subject to approval by the Board.
- Approving investment-related policies including the Approach to Responsible Investing Policy (**RI Policy**), which outlines Booster's approach to considering Environmental (including Climate-related) risks, Social and Governance risks in portfolios, with material changes subject to approval by the Board.
- Monitoring ongoing compliance with Statements of Investment Policy and Objectives (**SIPOs**) via assurance reports from sub-committees.
- Approving recommendations from the Responsible Investment Committee.

The Investment Committee utilises sub-committees to support this work, including the Responsible Investment Committee (see below) and individual committees for specialist unlisted investment funds (which form part of overall Fund strategy) that are responsible for monitoring climate-related risks and opportunities in respect of those funds' unlisted investments. The Funds (except for the Enhanced Cash, Conservative, Default Saver and Capital Guaranteed funds) have allocations to these specialist unlisted investment funds to varying degrees. The Booster Investment Committee retains oversight of these specialist committees by way of quarterly reporting.

The Portfolio Management Team is primarily responsible for the preparation of material for the relevant committees. Other Booster staff prepare material as required.

Responsible Investment Committee

The Responsible Investment Committee meets quarterly to formally monitor and discuss Booster's responsible investment policies and activities across listed asset classes and at a multi-sector fund level. This includes considering climate-related risks and opportunities at least annually. The Responsible Investment Committee is responsible for:

- Development of Booster's responsible investment policies, for approval by the Booster Investment Committee.
- Monitoring of Booster's responsible investment policies and activities, including the application of negative screens, ESG integration, and active ownership initiatives.
- Monitoring of climate-related factors including metrics, and performance against targets.
- Monitoring adherence to the RI Policy and requirements in SIPOs.
- Memberships, certifications, and regulatory requirements. This includes consideration of membership of responsible investment-related organisations, for approval by the Booster Investment Committee, and the monitoring of existing memberships.
- Monitoring best practice responsible investment activities and trends.

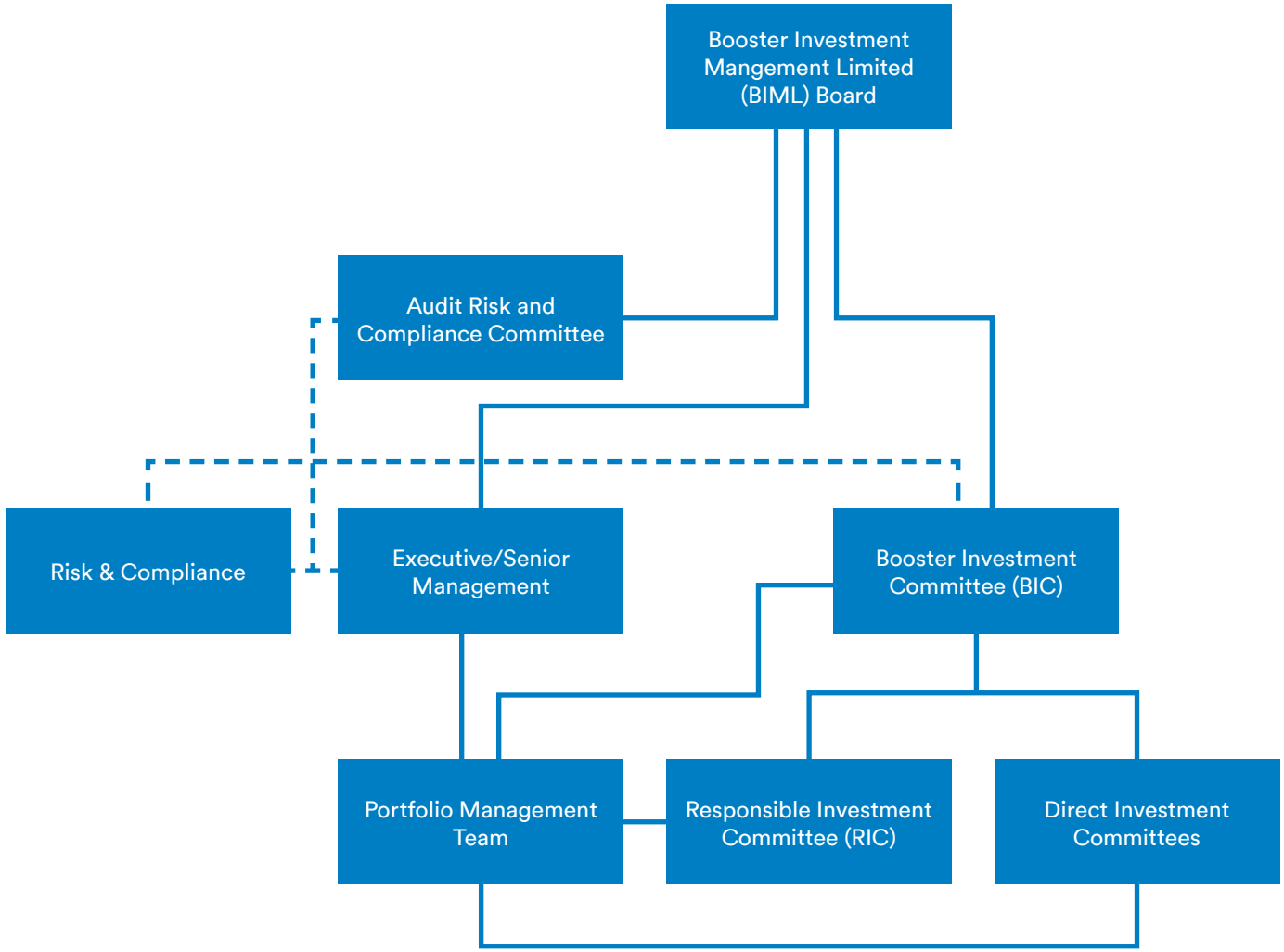
Portfolio Management Team

The Portfolio Management Team, headed by the Chief Investment Officer, has responsibility for the day-to-day management of investment matters related to the Funds. This includes integrating ESG matters such as climate-related considerations into decision making as outlined in Booster's Approach to Responsible Investment Policy or as discussed in this document. Oversight is performed by the Booster Investment Committee utilising the Responsible Investment Committee and specialist committees for unlisted investment funds where these form part of fund strategy. Executive management (which includes two members of the Board) maintain general oversight of the Portfolio Management Team and the Chief Investment Officer reports to this Executive Office.

1.2 Skills and competencies

The ensure that the Board has the appropriate skills and competencies to function as an effective board, it has adopted a fitness analysis matrix which is considered annually. Funds management, which includes consideration of risks and opportunities including in the ESG space relating to investment management, is noted as one of the key skillsets. To support the continued development of knowledge, the Board participates in 'deep dive' sessions focusing on a range of topics, with climate related disclosures having been covered during 2024 (post balance date). Board members also develop experience through their executive roles, including for some on investment committees, or their governance roles at other organisations.

Appointments to the Investment Committee are subject to consultation with the Board, which includes consideration of relevant skillsets. To ensure appropriate skills and competencies are available to oversee, manage and monitor climate risks and opportunities in relation to investment management, the Responsible Investment Committee and the Portfolio Management Team support the Investment Committee, which in turn supports the Board, by:



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.

- Monitoring industry practices regarding management of climate-related risks and opportunities in investment management;
- Considering what organisations Booster is a member of to ensure access to resources to inform Booster's approach to assessing and managing climate risks and opportunities. Booster is currently a member of Climate Action 100+, the Investor Group for Climate Change and the Climate Disclosure Project;
- Maintaining and utilising access to a number of external research and data providers to support this work. These services supplement our internal knowledge capabilities related to climate risks and opportunities and provide further resource and analysis to inform our climate-related assessments.
- Encouraging the Portfolio Management Team to undergo regular training / research to support the performance of their roles.
- Two members of the Responsible Investment Committee (also members of the Portfolio Management Team) are members of the Investment Committee.
- Commissioning of external expert reports, in-depth valuation reports, and engagement directly with company management may include assessments of or information regarding climate-related risks and opportunities when required for unlisted investments.

1.3 Integrating climate into investment strategy

The Investment Committee is responsible for setting, reviewing and overseeing the implementation of the investment management strategy for the Funds. Investment management is multifaceted, with risk management being a component. As part of this, the Investment Committee reviews the RI Policy at least annually and consults with the Board on material changes to it. The RI Policy outlines Booster's integration of Environmental, Social and Governance (**ESG**) matters into its investment management for directly managed listed share investments. As a key Environmental matter, climate-related risks and opportunities are part of this ESG integration.

In addition to this, the Investment Committee has developed, and the Board has approved, key approaches to investment strategy in relation to climate matters. Consistent with the RI Policy, key approaches of note include:

- Booster takes a holistic view of risks and opportunities that are relevant to portfolios and their investments. Climate-related risks and opportunities are an important consideration but are considered proportionately alongside other risks and opportunities depending on their materiality.
- In addition to directly managed listed share investments discussed above, ESG matters are factored into the consideration of the appointment of external equity managers, where we prefer managers who incorporate these considerations as part of their own stewardship (such as proxy voting and company engagement) or active decision making.
- Within the fixed interest and cash asset classes, climate-related risks and opportunities are generally considered as part of the assessment undertaken by external rating agencies or where such an assessment does not exist, by Booster's own internal process where considered material within the relevant timeframe.
- For the SRI Funds and the Default Saver Fund, a negative screen on companies or managed fund investments that generate more than an incidental proportion of revenue from undertaking fossil fuel exploration, extraction, refinement, distribution, supply and retailing also applies, reflecting values-based aspects of their investment strategy.

The Investment Committee utilises sub-committees to support the monitoring of Environmental risks, including a Responsible Investment Committee for the Funds and individual committees for specialist unlisted investment funds (where they form part of overall Fund strategy), with reporting to the Booster Investment Committee and Board as outlined earlier. The monitoring of Environmental risks informs investment management decision making as outlined in the RI Policy and is considered in the review of the RI Policy.

1.4 Metrics and targets

As part of considering and approving the key approaches to investment strategy in relation to climate matters, the 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 Investment Committee, which may draw on considerations from the individual committees for Booster's specialised unlisted investment funds where relevant.

When setting climate related targets the Investment Committee may consider third party research, industry practice, performance against targets, market developments, the SIPO (which includes Booster's overall investment philosophy), and other investment considerations, as well as the key approaches to investment strategy in relation to climate matters discussed above.

The Responsible Investment Committee monitors various climate-related metrics and performance against targets of the multi-sector and listed funds that have elected to set targets at least annually. Full reporting of performance relative to targets is monitored at least annually by the Investment Committee. The Investment Committee in turn reports to Board on these matters at least annually as outlined above.

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.

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.

The Funds[2] 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 broadly diversified nature of Booster's funds and the various revenue streams of their underlying investments, it is unworkable to isolate and quantify the current climate-related physical and transition impacts as there are various factors that drive return outcomes.

As discussed below, physical and transition risks may impact the underlying investments of the Funds. 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). However, the possibility and materiality of such an impact varies including across different asset classes. See 2.3 for details of how physical and transition risks could impact different asset classes.

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. These events have likely impacted some of the 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.

[2] The Enhanced Cash Fund primarily invests in debt securities issued by New Zealand registered banks or the Reserve Bank of New Zealand and is not a multi-sector fund. The cash and cash equivalent asset class is the relevant asset class to refer to for this fund. See *2.3 How physical and transition risks could impact different asset classes.*

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 considering 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. This process included an analysis paper and has included reporting to the Investment Committee and Board (aspects of which occurred after the balance date). The scenario analysis was undertaken as a stand-alone activity, but in the future, aspects of it may be incorporated into Booster's strategic asset allocation review process.

2.3 Risks and Opportunities

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

Time horizons and investment management decision making

Short term: 1 to 3 years

This timeframe aligns with Booster's processes regarding stress-testing, tactical investment decision-making, and portfolio positioning reflecting ESG assessments. As part of Booster's stewardship activities, we also engage with certain investee companies with the goal of driving better environmental, social and governance (ESG) outcomes. These engagements are typically carried out over a short-term time horizon.

Medium term: 5 to 10 years

A number of the activities outlined in the short and long-term time horizons are also relevant for this timeframe, for example, tactical and ESG-related portfolio positioning, investee company engagements, and strategic asset allocation settings and reviews. In addition, Booster's key investment management documentation (Statement of Investment Performance and Objectives, Approach to Responsible Investment Policy) is generally reviewed within the short-term horizon, but substantive change is infrequent and so it more relevantly referenced in this timeframe.

Long term: over 30 years

This timeframe is most aligned with Booster's Strategic Asset Allocation approach which seeks to determine long-term strategic portfolio settings and considers long-term risk and return expectations for investment markets.

Climate-related risks and opportunities identified

It is worth considering climate matters by sector and region to inform on climate-related risks and opportunities for the Funds. Fund exposures are diversified across different types of investment sectors and regions. The exception being the Enhanced Cash Fund which is more focused in its exposure, primarily to cash and cash equivalents. How physical and transition risks might impact cash and cash equivalents investments is provided below.

Exposure to sectors that are most at risk such as energy and utilities are generally modest. Each of these sectors will be subject to opportunities which will become more apparent over time as a particular scenario eventuates. The inclusion below of a sector or region does not mean a Fund is currently invested in that sector or region. Details on investments held in each Fund and their weight can be found on the Fund Fact Sheets available at **booster.co.nz** or the full list of holdings available in offer register at **disclose-register.companiesoffice.govt.nz**. See also our Approach to Responsible Investing Policy for details of restrictions on certain Funds investing in specified activities within certain industries.

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

	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

	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	–

	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.

	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 and Land	• 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. • Increase in volatility in the property/land markets and revenue due to climate events, increasing costs and higher risks of fluctuating factors such as interest rates and capital requirements for banks.

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

Consideration of climate-related risks and opportunities for the Funds varies across asset types and how an exposure is gained.

- **Directly held listed share investments** – for these investments we consider climate-related risks as part of our ESG integration process. We target a higher overall ESG outcome for our directly managed share investments by favouring those which compare relatively better. Where a company does not contribute positively to this outcome, we review the implications of this with the expectation that the investment will generally be down-weighted or excluded as a result, in favour of better alternatives. To ensure our assessment is well-rounded, we will take into account the strength of a company's efforts to improve in any key areas of concern and will often encourage them to do so through our engagement programme where appropriate. ESG factors are then integrated with financial, business, and portfolio considerations to inform investment decision making.
- **External equity managers** – when appointing external active equity managers, consideration is given to how they incorporate ESG in their investment process, alongside other factors. Active management decisions could incorporate assessments of climate-related risks and opportunities if considered material drivers of the investment thesis.
- **Fixed interest and cash** – climate-related risks and opportunities are generally considered as part of the assessment undertaken by external rating agencies, which also consider a range of other risk factors. External rating agencies such as Fitch, S&P, and Moody's generally acknowledge the material impact that physical and transition risks pose and incorporate considerations for them through their ESG frameworks. Booster uses an internal rating model called BondWatch for debt securities that do not have a third-party assessment. The ratings undertaken by our internal BondWatch process differs to the public credit rating agencies however the process considers climate risks (alongside a range of other risk factors) where determined to be material and likely to impact the investment before the maturity. Significant externally managed listed global fixed interest allocations implement ESG-related investment restrictions, some of which relate to climate-related risks (e.g. restrictions on investment into certain aspects of the fossil fuel sector). Some of the Funds may include an allocation to Private Credit (debt securities that are not listed or publicly traded) – for such allocations that are externally managed, external managers may consider climate-related risks in varying ways.
- **Unlisted investments** – relevant climate-related risks may be considered as part of due diligence for new investments (alongside a range of other factors), proportionate to the investment's wider risks and merits. Climate risks may be considered or climate-related information included in valuations and geotechnical reports where appropriate. Risks are further managed through both geographic and product diversity.
- Booster conducts scenario-based stress testing as part of its annual Strategic Asset Allocation Review. We intend to broaden this stress testing to explicitly consider climate scenarios in future reviews. See also the discussion of time horizons above, and how they align to different investment management processes.

2.4 Anticipated impacts of climate-related risks and opportunities[3]

Physical and transition risks for investee entities are discussed by sector and geography above, along with possible impacts from those risks on an asset class basis. How these impacts relate to each Fund depends on the specific holdings of a Fund at a point in time, and how (or if) a particular holding is also impacted. To see what asset classes are relevant to what Fund, and information on the holdings of a Fund, see fund updates and fact sheets available at **booster.co.nz**.

The possible impacts outlined may not eventuate due to the uncertainty of climate-related forecasting, Booster's management of portfolios (including portfolio construction, active management decisions (where relevant), the application of Booster's Approach to Responsible Investing Policy), and mitigating actions taken by investee entities. In addition, Booster's Funds are generally broadly diversified which helps to reduce exposure to idiosyncratic physical and transition impacts in addition to other risk factors.

[3] 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.

2.5 Booster's investment management approach and the climate-transition[4]

Booster's investment management approach

Booster was founded over 25 years ago by a handful of industry experts who felt there was a better way to help New Zealanders look after their money. We've grown a lot since then, but our mission is still the same. Whatever your financial goals, we want to help you achieve them - whether it's helping you get started towards your savings goals, financial planning and advice, or growing an investment portfolio.

Since we began, Booster has consistently managed client portfolios with a strong awareness of downside risk management within a "core + satellite" investment philosophy. In determining the appropriate investment strategy and investments for the Funds' assets, Booster takes into account the following philosophies:

- Consistent long-term performance is not about 'chasing the top' in the short term. Active investment decisions are made using a structured investment approach and are carefully sized, aiming to deliver consistent long-term performance relative to market.
- Effective diversification is a core investment risk management strategy: Spreading investors' investments across a number of different asset classes and investments within asset classes that are less correlated with each other is fundamental to smoothing returns and reducing volatility. The Manager therefore defines minimum diversification standards and requires asset class correlation analysis to be included in the annual strategic asset allocation reviews.
- Risk and return are positively correlated: Over the long term, higher risk will generally be rewarded with higher returns, all other things being equal. Conversely, those investments with higher expected returns usually involve more risk. All investments involve some form of risk. The Manager has defined and addressed the key risks relevant to the Portfolios by stipulating either minimum investment requirements or specific constraints.
- Time horizon is important when investing: The structure and asset allocation settings of portfolios are designed with the portfolio's objectives and minimum investment timeframe in mind. Individual investors should consider their time horizon to ensure it matches that of their chosen investment option.
- High quality research and experienced investment management are essential: Developing sound investment portfolios involves in-depth research and analysis of available investments and selecting those according to a consistently applied and disciplined decision-making framework.
- Environmental, social and corporate governance ('ESG'). We consider Environmental, Social and Governance risks in our directly held share investments, alongside financial factors, which provide a more rounded approach to investing. Evidence continues to show that companies who take their ESG responsibilities seriously also compare favourably on other aspects of company performance. Our 'Approach to Responsible Investing' policy outlines how we do this. We also engage with select companies we invest in with the primary goal of driving better environmental, social, and governance (ESG) outcomes. This can be achieved by directly engaging with the company, collaborating with other investors to engage with the company, or voting on resolutions at their Annual General Meeting.
- Controlled allocations to 'unlisted' investments have an important part to play in multi-sector funds. Unlisted investments can offer a 'liquidity premium' to returns and enhance the overall diversification in multi-sector funds, while also offering more ability to influence underlying investments than is typically possible in listed markets. Noting the variety of funds offered within the Scheme, each fund's appetite for such allocations is considered alongside other factors.
- Overall, investors' success in achieving their long-term goals depends a lot on their resolve in maintaining a disciplined investment program. This can be heavily influenced by the advice and support they receive, especially when returns are negative. Effective communication and support therefore need to be a seamless part of delivering client portfolios, especially in times of volatility.

Application across the Funds

The Manager offers a range of Funds in this Scheme and differences in investment strategy across those funds exist[5]. In considering this and the above investment philosophies in this context we note that:

- **Conservative Fund and Default Saver Fund:** these funds utilise a predominately passive investment approach. They do not include specific allocations to unlisted equity / private credit. The fossil fuel investment restriction that applies to SRI Funds also applies to the Default Saver Fund.

[4] 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.

[5] See the Statement of Investment Policy and Objectives for the Booster KiwiSaver Scheme, and the relevant Product Disclosure Statements, for further details at **www.booster.co.nz**

- **Enhanced Cash Fund:** invests solely in income assets which are primarily made up of cash, cash equivalent or short-term debt securities issued by New Zealand registered banks or the Reserve Bank of New Zealand.
- **Capital Guarantee Fund:** Invests primarily in income assets, the majority of which are cash or cash equivalents, whilst implementing a dynamic approach to asset allocation. Supported by a capital guarantee provided to members.
- **Socially Responsible Investment (SRI) funds:** We recognise that some clients prefer more explicit, broad-ranging values-based exclusions, and to support the personal values of this group of investors, we offer a range of dedicated SRI funds. In addition to our consideration of ESG risks highlighted above, the SRI funds have a wider range of restrictions[6] on areas where they can invest. One such restriction is on investment in companies that earn 5% or more of revenues from undertaking exploration, extraction, refinement, distribution, supply and retailing of fossil fuels, and for directly held investments, companies deriving 33% or more revenue from providing services to the fossil fuel sector. We have successfully managed SRI funds for over 10 years and were the first KiwiSaver manager to have these funds independently certified by the Responsible Investment Association of Australasia (RIAA).
- **Other multi-sector funds:** As outlined in Booster's investment management approach.

Transition planning

Booster's strategy for the investment management of the Funds includes a level of flexibility to be adaptive. As a future scenario unfolds, the strategy is expected to consider climate related risks and opportunities to a degree that is proportional to their contribution to outcomes in conjunction with other risks and opportunities.

A number of the Funds have adopted climate-related targets which encourage continued progression on several climate-related elements for the underlying investments of the Funds. Refer to the Metrics and Targets section for further details.

Evolving actions will consider the principles of our investment philosophy (outlined above) and guide how capital will be deployed. These principles (such as diversification, active management, and the incorporation of ESG and active stewardship for directly managed listed share investments) incorporate a degree of flexibility and allow us to give appropriate consideration to any material aspects relating to climate related transitions alongside other risks. The results of which will flow into the deployment of capital.

[6] See Booster's Approach to Responsible Investing Policy for full details of these restrictions, found at **www.booster.co.nz/products-services/ethical-investing**

3.0 Risk Management

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

Section *2.3 Strategy – Risks and Opportunities* outlines how climate risks across different asset classes are managed. Here we provide some additional information to help readers further understand those processes.

The process involves:

- Portfolio Management Team – this team is responsible for identifying, assessing, and managing ESG risk including climate risk. The Portfolio Management Team has access to various resources to inform the identification, assessment and management of climate-related risks and opportunities, including Climate Action 100+, IGCC, CDP, ISS ESG Research, and research by various brokers.
- Responsible Investment Committee – the Portfolio Management Team reports to this committee on ESG risks including climate-related risk, and this committee monitors how they are considered and managed in the Funds.
- Section *1.0 – Governance* outlines further details on the different roles within Booster relevant to the management and oversight of climate risk.

The Responsible Investment Committee is reported to and meets on a quarterly basis to monitor and considers key matters relevant to the management of ESG risk including climate risk – this typically includes ESG considerations, outcomes from engagement activity, and (more recently) portfolio carbon intensity and physical and transition risk. Where investments require an internal credit rating assessment (which as noted earlier may consider climate-related risks), these are conducted by Portfolio Management Team typically following the release of the latest financials. Reports from credible scientific research organisations, industry bodies and stakeholder engagement may be taken into consideration as and when required. Climate-related risks for unlisted equity investments are monitored at least annually along with other risks by the relevant investment committee.

Short-term (1-3 years), medium-term (5-10 years) and long-term (20-30+ years) time horizons are considered for aspects of climate risk management – in particular for scenario testing (and see section *2.2 Strategy – Scenario Analysis* for more information).

Frequency of assessment

Climate-related risks are considered as part of our ESG assessment process which is an ongoing assessment and is monitored at least annually by the Responsible Investment Committee. Scenario analysis is expected to be reviewed annually as investee companies tend to only report climate-related risks and opportunities updates annually.

Emissions profiles and progress towards targets are monitored at least annually by the Responsible Investment Committee.

Tools and methods used

The tools and methods we utilise to identify and assess climate-risk include:

- Scenario analysis as outlined in the section 2.2
- Reporting and estimates of Scope 1, 2 and 3 emissions of investee companies, where available
- Carbon intensity measures
- Value at risk assessments are intended to be considered in the future, subject to the availability of suitable data
- ESG assessments of our directly managed share investments
- ISS ESG and Climate Research from external providers
- EY Research
- Stakeholder engagement
- Internal credit assessment process
- Valuation and geotechnical reports for unlisted equity investments, where considered relevant
- Reports from credible scientific research organisations
- Information gathered from disclosures and via direct engagement with companies
- Reports from relevant industry bodies

Some of the above tools such as climate-related metrics could be based on limited and highly uncertain data/information. Because of this, our processes for identifying, assessing and managing climate risk for the Funds does not fully cover all aspects of the value-chain of the Funds, including for the investments of the Funds. It is expected that the reliability and availability of data will improve as climate risk reporting becomes more mainstream.

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

Integration with broader investment management risk processes

Booster takes a holistic view of risks that are relevant to the Funds and their investments. All investments involve some type of risk and risk management techniques can vary across investments. Climate-related risks are an important consideration but are considered alongside other risks.

Section *2.3 Strategy - Risks and Opportunities* outlines how climate-risk is considered within overall risk management processes, which are outlined by asset class.

Integration with our Risk Management Framework

Booster Group has an approved Risk Management Framework in place with relevant risk registers to support the identification, assessment and management of key risks at Booster. This framework is broader than risk management relating to the Funds or investment management, however there are a number of risks that are identified and monitored in the investment management space – most relevantly this includes Macro Environmental Risk - including ESG & Climate Change Factors, which cover climate risk from a fund management perspective. Another relevant risk is Regulatory & Other External Reporting Management Risk – this includes coverage of the regulatory and disclosure aspect of climate risks.

The Risk and Assurance team at Booster monitors these risks using relevant risk metrics and undertakes regular interactions with relevant teams internally. Regular reporting to the Board and/or ARCC highlights the assessed residual risk and whether this is within risk tolerance or not, and trends in the relevant underlying metrics.

4.0 Metrics and Targets

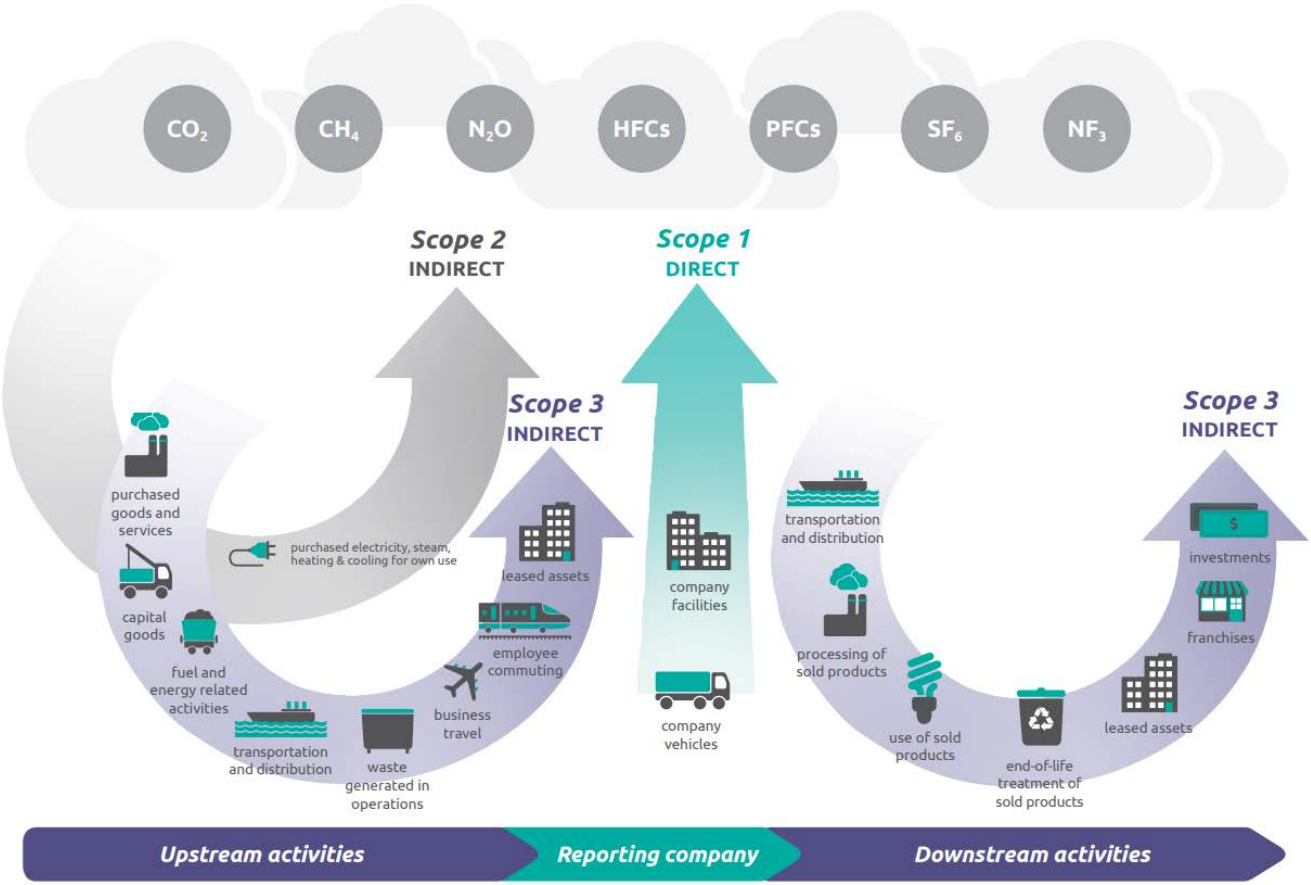
Fund-specific metrics related to greenhouse gas (GHG) emissions, emissions intensities, climate-related risks and opportunities, and performance against our climate-related targets are provided in the tables in section 4.4. This is our first year reporting such metrics under the Climate Related Disclosures regime and we have endeavoured to present useful information. There have been a number of learnings throughout the preparation process and there remain a number of challenges including in the data space – the estimation of emissions is not exact, is based on methodologies and assumptions, and significant limitations exist – please read the below information with this in mind and with reference to *Appendix A* where information about methodologies, assumptions and limitations can be found.

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.

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



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 catagorised into two broad categories:

- **Operational Emissions:** Operational emissions relate to a Fund's Scope 1, Scope 2, and Scope 3 (excluding financed emissions) emissions. As the Funds are managed by Booster, these are broadly a Fund's 'share' of Booster's operational emissions and are derived from the service of managing and providing the Funds. Booster has determined that the operational emissions for each Fund are immaterial and therefore, those emissions have been omitted from the GHG emissions presented in section 4.4 which all relate to financed emissions.
- **Financed Emissions:** This relates to the emissions that are financed by each Fund via the investments they hold. Each Fund is allocated a 'share' of the emissions of each of the entities it is invested in based on how much of that entity it has financed. Emissions are allocated based on the total overall value of the underlying investments which includes both equity and debt. Therefore emissions are financed by both equity (e.g. shares) investments as well as debt (e.g. bonds). Not all investments have emissions data available so we cannot include these in our inventories. Where able to, emissions data has been estimated should the investment not report emissions data or in certain circumstances where our data provider considers reported data to not be reliable or an accurate reflection of the investment's emissions. As more data becomes available (both reported and estimated), this is expected to increase the reported financed emissions of the Funds.

  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).

Other points to note about GHG emissions estimates for the Funds

- **Gross Emissions:** These are the estimated financed emissions of each Fund. All else equal, a larger fund will have higher total gross emissions than a smaller fund, so care should be taken when comparing funds with different sizes. As required by NZ CS1, the estimates are not intended to take into account any offsets.
- **Emissions Intensity:** This aims to address the issues of comparability by normalising each fund's Gross Emissions by the value of the investments that contributed to those emissions. It is presented as tonnes of CO2 equivalent emissions per million New Zealand dollars invested (as at 31 March 2024) to better enable comparisons between funds as well as track how a particular fund's footprint has changed over time. To enable as clear a comparison as possible, we only include the value of investments that we have emissions data for when making this calculation so that the emissions intensity ratios are not artificially lowered due to lack of available data.
- **Emissions intensity relative to benchmark:** This shows each fund's overall emissions intensity relative to a relevant composite benchmark as a point of comparison for the funds carbon footprint. This can also provide an indication of the relative exposure to transition risks and opportunities, as the degree to which investments could be affected by a transition to a low carbon economy is likely proportional to their overall carbon footprint.
- **Estimate Quality Score:** There are numerous ways that a particular investment's emissions could have been derived, with varying degrees of associated confidence in those estimates. The Partnership for Carbon Accounting Financials (**PCAF**) gives a scoring method for illustrating the degree of 'quality' associated with the methods used in preparing our emissions. These scores range from 1 (indicating the highest quality estimate approach) to 5 (indicating the lowest quality estimate approach). The scores associated with each fund's emissions can be a useful indicator of what approaches have been used to calculate the emissions inventories. In general, estimates of Scope 1 & Scope 2 (of Scope 3) emissions for the Funds are of higher quality as these are mostly using reported emissions. Scope 3 (of Scope 3) emissions are generally of lower overall quality, given the uncertainty relating to Scope 3 emissions and the use of less reliable estimation approaches.
- **Emissions Coverage:** Not all investments are included in our emissions inventories either due to a lack of required information or because it has been determined that there are no associated emissions with that investment. The Investment Coverage shows the percentage of the fund's investments (by value) that have been included in our emissions inventory. The appendix below outlines the types of investments that are excluded from our emissions inventories and the reason for their omission.

4.2 Climate related risks and opportunities metrics

Metrics are included in the Fund specific tables in section 4.4 below, which estimate the percentage of assets of each Fund subject to physical or transition risk. Refer to the discussion below of climate-related opportunities. These measures are also indications of capital deployment for the Funds towards climate-related risks and opportunities as at the reporting date. See Appendix for details on methods and uncertainties relating to these measures.

Climate Related Risks are generally categorised as either physical risks or transition risks as outlined in 2.0 Strategy. We expect that all investments have some exposure to these risks to varying degrees.

Physical risks: To give an indication of the degree of the relative exposure of the Funds to physical risks we 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. We 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.

Transition risks and opportunities: Funds' emissions inventories and intensity metrics can provide an indication of their relative transition risk exposure, as the degree to which investments could be affected (either positively or negatively) by a transition to a low carbon economy is likely proportional to their overall carbon footprint. Additionally,

some funds target a proportion of their directly held listed shares to have emissions reduction targets. Their performance against this target can give an additional indication of the transition risks and opportunities facing the funds.

4.3 Our Climate-Related Targets

For the reporting period, only the Default Saver Fund had climate-related targets which we monitored it against. Following the completion of the reporting period the targets for the Default Saver Fund have been replaced and for some of the other Funds, we have adopted targets to help manage climate-related risks and opportunities. We have reported on the new targets even though they were only formally adopted after the balance year.

In setting targets, Booster considers that targets should remain true to Booster's investment philosophy. Improvement is primarily delivered by the activities of companies themselves which we selectively aim to encourage through our engagement activities (refer section 2.3 for further details on this). Our wider ESG integration, whilst only applying to directly held listed equities, also assists in managing climate related risks while retaining reasonable 'proportionality' within a holistic consideration of wider investment risks. Our climate-related targets support these approaches by providing a basis for continual emissions reduction, which is essential to limiting global warming to 1.5 degrees Celsius.

These targets consider the practical constraints of achieving these targets without compromising on other investment considerations. This means that some of the Funds do not have targets, including the Enhanced Cash, Conservative, and Capital Guaranteed Funds. Our Socially Responsible funds are designed for investors who wish to restrict investment in a broader set of activities, while the Default Saver Fund is mandated to exclude certain fossil fuel investments. The targets for these funds differ in acknowledgement of those factors.

Booster will periodically review the appropriateness of the targets. In changing a target, a reason will be provided in the Climate Statements for the period in which the target was changed.

The Default Saver Fund's climate-related targets as at 31 March 2024 are summarised below.

1. 70% of the Default Saver Fund's equity asset classes (on a value-weighted basis) to have public carbon emissions reduction targets.
2. By 2025 target 80% of the Default Saver Fund's directly held share investments to have public carbon emissions reductions targets that are consistent with the Paris Agreement's target of net zero emissions by 2050. Note that this target had not yet come into effect and so is not reported against.
3. Default Saver Fund's directly held share investments in aggregate to have an emissions profile that is 20% better than the benchmark.

We have amended the Default Saver Fund's targets to ensure consistency with other Funds, to better take into account the Climate Related Disclosures regime, and data availability and reliability.

Following the reporting period, we have adopted the following specific climate-related targets:

1. **Emissions Reduction Targets**

   Core Multi-sector, Socially Responsible Multi-sector and Default Saver funds: At least 80% of directly held listed share investments (on a value-weighted basis) to have emissions reduction targets.

2. **Emissions Intensity relative to Benchmark**

   For the Socially Responsible Multi-Sector and Default Saver funds, the overall emissions intensity are targeted to be at least 15% lower than standard market benchmarks.

Further details on the targets:

- The tables in 4.4 outline the specific Funds to which these targets apply.
- Performance against targets will be formally measured as at 31 March each year and reported in the Climate Statements, though tracking to the targets may be monitored more frequently. There are no interim targets.
- Progress is measured relative to the target, rather than any base year.
- See Appendix A for further details on how we will measure performance against targets.

4.4 Metrics for each Fund

The below tables show select metrics for the Funds.

Note:

- Only Financed emissions have been deemed to be material therefore scope 1, scope 2, and other scope 3 categories are not included.
- As all metrics are new metrics that have not been reported before, we have not disclosed comparative information as per clause 41 of NZ CS3.
- All metrics are based on the holdings of the relevant Fund as at 31 March 2024.
- Gross emissions are an estimate of GHG emissions for the Funds for the year to 31 March 2024.

Core Multisector Funds – *Unaudited*

Reporting period (years ending 31 March)	Moderate 2024	Balanced 2024	Growth 2024	Shielded Growth 2024	High Growth 2024	Geared Growth 2024
Financed Emissions						
Gross Emissions (tCO_2e)						
Scope 1	10,673	30,251	19,416	220	16,361	9,439
Scope 2	471	2,314	2,369	41	3,248	2,055
Scope 3	26,101	125,586	125,466	2,170	171,105	109,427
Total Gross Emissions	**37,245**	**158,152**	**147,250**	**2,431**	**190,714**	**120,921**
Emissions Intensity (tCO2e/$M)						
Scope 1	59.2	43.5	31.9	22.6	21.3	19.1
Scope 2	2.6	3.3	3.9	4.2	4.2	4.2
Scope 3	144.7	180.8	205.8	223.1	222.7	221.2
Overall Emissions Intensity	**206.4**	**227.7**	**241.6**	**249.9**	**248.2**	**244.5**
Overall Emission Intensity relative to benchmark	**-14%**	**-10%**	**-8%**	**-10%**	**-10%**	**-12%**
Estimate Quality Scores (1–5)						
Scope 1	1.3	1.3	1.4	1.5	1.5	1.5
Scope 2	1.9	1.7	1.7	1.7	1.7	1.6
Scope 3	3.3	3.0	3.0	2.9	2.9	2.9
Overall Estimate Quality Score	**2.7**	**2.7**	**2.7**	**2.8**	**2.8**	**2.8**
Emissions Coverage	**74%**	**84%**	**91%**	**96%**	**97%**	**96%**
Physical Risk Exposure						
Holdings Vulnerable to Physical Risks	10%	17%	22%	27%	28%	28%
Total Holdings Assessed	52%	65%	77%	88%	89%	92%
Performance Against our Targets						
Holdings with Emission Reduction Targets (**Target**)	91% (**> 80%**)	92% (**> 80%**)	92% (**> 80%**)	92% (**> 80%**)	92% (**> 80%**)	91% (**> 80%**)

Primary data source: Data provided by ISS ESG

Default Saver Fund & Socially Responsible (SR) Funds – *Unaudited*

Reporting period (years ending 31 March)	Default Saver 2024	SR Moderate 2024	SR Balanced 2024	SR Growth 2024	SR High Growth 2024	SR Geared Growth 2024
Financed Emissions						
Gross Emissions (tCO_2e)						
Scope 1	16,943	2,322	9,592	827	4,682	240
Scope 2	789	58	445	73	1,003	82
Scope 3	55,294	4,353	32,634	5,299	73,684	6,048
Total Gross Emissions	**73,026**	**6,733**	**42,671**	**6,199**	**79,369**	**6,370**
Emissions Intensity (tCO2e/$M)						
Scope 1	35.7	51.9	32.9	18.9	8.4	5.2
Scope 2	1.7	1.3	1.5	1.7	1.8	1.8
Scope 3	116.4	97.3	112.1	121.0	131.6	131.1
Overall Emissions Intensity	**153.7**	**150.5**	**146.5**	**141.6**	**141.8**	**138.1**
Overall Emissions Intensity relative to benchmark	**-29%**	**-30%**	**-32%**	**-35%**	**-34%**	**-36%**
Estimate Quality Scores (1–5)						
Scope 1	1.1	1.1	1.1	1.1	1.1	1.1
Scope 2	1.3	1.6	1.5	1.3	1.3	1.3
Scope 3	3.1	3.4	3.1	2.9	2.8	2.8
Overall Estimate Quality Score	**2.6**	**2.6**	**2.6**	**2.7**	**2.7**	**2.7**
Emissions Coverage	**84%**	**76%**	**84%**	**89%**	**94%**	**96%**
Physical Risk Exposure						
Holdings Vulnerable to Physical Risks	16%	10%	17%	22%	26%	28%
Total Holdings Assessed	72%	59%	72%	84%	93%	96%
Performance Against our Targets						
Holdings with Emission Reduction Targets (**Target**)	95% (**> 70%**[7])	93% (**> 80%**)	94% (**> 80%**)	94% (**> 80%**)	94% (**> 80%**)	94% (**> 80%**)
Emission Intensity relative to benchmark (**Target**)	-29% (**< -20%**[8])	-30% (**< -15%**)	-32% (**< -15%**)	-35% (**< -15%**)	-34% (**< -15%**)	-36% (**< -15%**)

Primary data source: Data provided by ISS ESG

[7] This is the target that was in place for the reporting period. The new target of [>80%] is measured in the same way.

[8] This is the target that was in place for the reporting period. The methodology to assess the new target of [<-15%] has been aligned with the methodology used to calculate the emissions intensity metrics. Refer to the Appendix for further details.

Enhanced Cash, Capital Guaranteed & Conservative Funds – *Unaudited*

	Enhanced Cash	Capital Guaranteed	Conservative
Reporting period (years ending 31 March)	2024	2024	2024
Financed Emissions			
Gross Emissions (tCO_2e)			
Scope 1	-	646	2,287
Scope 2	-	49	49
Scope 3	-	2,830	4,094
Total Gross Emissions	**-**	**3,526**	**6,430**
Emissions Intensity (tCO2e/$M)			
Scope 1	n.a.	41.7	65.1
Scope 2	n.a.	3.1	1.4
Scope 3	n.a.	182.7	116.5
Overall Emissions Intensity	**n.a.**	**227.5**	**183.0**
Overall Emissions Intensity relative to benchmark	**n.a.**	**-13%**	**-22%**
Estimate Quality Scores (1–5)			
Scope 1	n.a.	1.2	1.1
Scope 2	n.a.	1.3	1.6
Scope 3	n.a.	3.0	3.3
Overall Estimate Quality Score	**n.a.**	**2.6**	**2.5**
Emissions Coverage	**0%**	**20%**	**71%**
Physical Risk Exposure			
Holdings Vulnerable to Physical Risks	0%	4%	7%
Total Holdings Assessed	100%	93%	54%

Primary data source: Data provided by ISS ESG

Appendix A – Metrics - Methodologies, limitations, assumptions

A.1 Greenhouse Gas Emissions – Financed Emissions Estimates - methodologies (and assumptions)

We have prepared our GHG emissions estimates in accordance with the Greenhouse Gas Protocol's Corporate and Scope 3 (Value Chain) Standards. We have used the PCAF standard as a starting point for preparing our Greenhouse Gas (GHG) inventories. This standard aims to provide a comprehensive methodology for Asset Managers like Booster to prepare their inventories in a consistent way. However, there are a number of investment types that PCAF has not provided guidance for, or we believe following the PCAF approach would not result in the most reasonable approach. For these cases, Booster has developed methodologies that we have aimed to align with the broader principles of the PCAF standard. Additionally there are some cases where our approach differs from the prescribed PCAF approach. In taking this approach we have considered the Fair Presentation Principles outlined in NZ CS3. More detail on these specific methodologies is provided below.

Apportioning emissions to the Funds

- Under the PCAF standard, financed emissions are generally calculated by attributing a reporting entity (e.g. a fund) its 'share' of the emissions from an investee entity (e.g. a company the fund is invested in) based on how much of the overall investee entity it 'owns'. This ownership portion is calculated by taking the investment value (equity and/or debt) as a proportion of overall value of the investee entity (as outlined below). Both equity and debt investments have emissions from the issuing entity attributed to them using this calculation and contribute to the relevant Fund's overall financed emissions. See the below table for more information on the allocation method used.
- As an example, a hypothetical company ACME Ltd reported total emissions of 250,000 tCO2e its financial year ended 31 March 2024, along with a market value of its equity of $600m, and debt levels of $400m. Its total Enterprise Value including Cash (**EVIC**) was therefore $1b. A fund holds $8m worth of ACME shares and $2m worth of ACME bonds as at 31 March 2024, for a combined investment equivalent to 1% of ACME's EVIC. It is therefore attributed 1% of ACME's emissions, which is 2,500 tCO2e.
- For some asset classes (unlisted equities, business loans, and commercial real estate), PCAF prescribes the use of historical or accounting based values to apportion emissions. However, as a fund manager we have valuation / unit pricing policies, and for these asset classes we use slightly different methods as outlined in the below table.
- We report all currency values in New Zealand dollars using the period end FX rate of $0.59844 USD/NZD.
- Our GHG emissions consolidation approach used is 'operational control', noting that none of the Funds are deemed to have operational control over any of their ultimate underlying investments.

The following table lists the most significant asset classes that the Funds are invested in, and the methodology approach taken to estimating emissions for those asset classes.

Asset Type	Our approach	Basis for allocating emissions to our funds
Direct investments in unlisted companies	We have estimated emissions using broad samples of comparable companies based on their business activities. We determine an industry average emissions intensity factor which we then use to estimate our direct investee-entities' emissions based on their annual revenue, or for our early-stage investments using their total investment value. PCAF suggests using emissions-intensity factors from a different source, however, given the limited availability of relevant industry specific emissions factor data, we consider our methodology is a more reasonable approach. We note PCAF allows for alternative estimation approaches.	The value of the investment (as per our valuation / unit pricing policies) as at 31 March of the reporting year as a proportion of the EVIC of the company. The EVIC value is based on the equity value of the company as per our valuation / unit pricing policies as at 31 March of the reporting year, and the debt value provided by the company as at 31 March of the reporting period or if not available as at that date, then as at what we consider the most appropriate date available.
Direct investments in productive land & property assets	We believe the PCAF standard does not adequately cover this type of investment. Using the PCAF approach for Commercial Real Estate is in our view unlikely to fairly represent the emissions associated with those investments, and PCAF does not contain any other property related approach. Instead, we use a methodology that reflects a wider scope of emissions sources, such as the emissions associated with fertiliser use as well as its production. We have estimated the emissions from these investments using information we have been able to source. This information is typically sourced from reputable external sources and, in some cases, combined with other relevant available information to provide a more comprehensive emissions estimate. For more information, please refer to the Climate Statements for the Private Land and Property Fund.	For wholly owned investments: the value of the property (as per our valuation / unit pricing policies) as at 31 March of the reporting year. For partially owned investments that have an equity structure – see direct investments in unlisted companies' attribution basis above.
Listed equities and corporate bonds	We have relied on our primary data provider ISS to collect the information required to calculate our GHG emissions inventories including reported emissions from companies. We have used ISS's emissions estimates for companies that have not disclosed their emissions or where ISS deem the reported emissions to not be of sufficient quality (for example, because the company does not include a material emissions source). ISS's emissions estimates take a number of factors into account rather than the simple 'single factor' approaches described in PCAF. The approaches ISS uses vary between entities based on considerations such as industry of operations and historical emissions trends. Based on our understanding, we believe these methodologies are more reasonable than the approaches described in PCAF.	The value of the investment (as per our valuation / unit pricing policies) as at 31 March of the reporting year as a proportion of the EVIC of the investment issuer as at 31 March of the reporting year. The EVIC value is as provided by our data provider ISS from their 31 March EVIC inventory. ISS utilises financial data supplied through third party vendors to provide EVIC numbers that represent latest quarter end values, though these are subject to change based on companies' disclosure in financial statements. We convert these to New Zealand dollars using the same foreign-exchange rate used in our unit pricing process.
Sovereign bonds	We have relied on our data provider ISS to collect the information required. We rely on ISS's estimations (which utilise a number of factors) where reported data is not available. Our estimates use production emissions excluding land use, land-use change, and forestry (LULUCF) emissions given the significant data uncertainty associated with these sources (PCAF requires two calculations – one including and one excluding). Additionally, the information used for sovereign bonds relates to the 2021 year to align with the latest available country level emissions reported under the United Nations Framework Convention on Climate Change (UNFCCC).	The value of the investment (as per our valuation / unit pricing policies) as at 31 March of the reporting year as a proportion of the Gross Domestic Product (GDP) of the issuing country. The GDP value is provided by our data provider ISS and is a GDP figure adjusted for Purchasing Power Parity (PPP). These are 2021 values to align with the latest available country-level emissions reported under the United Nations Framework Convention on Climate Change (UNFCCC). We convert these to New Zealand dollars using the same foreign-exchange rate used in our unit pricing process.

Asset Type	Our approach	Basis for allocating emissions to our funds
Investments in other portfolios	These are not covered by the PCAF standard but we have adopted an approach that 'looks through' these investments to their underlying holdings. We then apply the relevant approach for the underlying holdings as if we held the investments directly in our funds. Our approach applies to externally managed funds and exchange-traded funds (ETFs), internally managed funds, portfolios and limited partnerships, as well as loans to other funds.	The relevant approach for each underlying holdings asset type as described in this table, after 'looking through' the portfolios holdings.
Asset types not covered	Certain asset classes and security types do not have clear emissions associated with them or we lack sufficient data to calculate the associated emissions, so these asset classes are excluded from our emissions inventories. This includes Cash and cash equivalents, other specific short-term fixed interest investments, local or regional government bonds, derivatives (such as foreign currency hedge contracts or interest rate swaps), and our private credit investments.	Not applicable.

A.2 GHG emissions – limitations and uncertainties (and assumptions)

Carbon footprinting refers to accounting for each fund's 'share' of emissions from the various underlying investments that the fund holds. It is important to remember that the measurement, reporting, and aggregating emissions for funds is inherently uncertain and provides an estimate rather than an actual figure. When considering the likely effects of these limitations and uncertainties, Booster notes that it considers that it will not prevent the climate statements including the GHG emissions disclosures from being useful to Investors.

- Emissions reported by investee entities are ultimately still estimates of their actual emissions and there is the potential that these reported emissions differ materially from the actual 'real world' emissions of the business. Developments in scientific understanding, legislative requirements, and business practices may mean that reported emissions may later be found to be inaccurate.
- There are timing issues which mean that emissions estimates for investee entities that one or more of the Funds invest into may be an estimate for a period of time that is not exactly aligned with the reporting period of the Funds which ends on 31 March of the relevant year. We use data on investee entity emissions available from our primary data provider at the time we produce these climate statements (generally the latest available data from them) and do not make any adjustment for such timing issues. There are three main reasons for this:
    - Investee entities have different reporting periods – for example one company might report for the year ending 31 March, whilst another might report for the year ending 31 December.
    - Investee entities generally publish their emissions with a significant lag. So even an investee entity has a reporting period end of 31 March, they may not have reported emissions for the year these climate statements relate to in time for that data to be used.
    - After investee entities publish their emissions there is an additional lag before these are made available to us through our data provider due to the time-intensive nature of collecting and checking the relevant information. Our primary data provider does a significant data refresh at the end of each calendar year. Whilst further data updates occur outside of this point in time, they may not be as comprehensive.

- Inventories are prepared using a 'point in time' snapshot of each fund's holdings, and there is the potential that these differ throughout the reporting period as a result of changes in investment mix or holdings. Funds are allocated their 'share' of each investment's yearly emissions, regardless of whether the investment has been held for an entire year or not. Likewise, an investment sold prior to the reporting date would not contribute to the fund's emissions for the year.
- The primary method for attributing emissions from investments to the funds depends on the value of the underlying holdings (and the company invested in) as at 31 March 2024. This means that changes in values of holdings can result in differences in emissions inventories from year to year. The impact of this may differ from fund to fund depending on the underlying investments of each fund.
- In attributing emissions from investments to the funds, the valuation date (a point in time) of the fund's investment in an entity (and of the entity it is invested in) differs from the period that emissions for that company is measured over (generally a year). This highlights that attributing financed emissions is not an exact process and is inherently subject to uncertainty.
- Given the large amount of information required to prepare the financed emissions estimates for the Funds, we have elected to use ISS as our primary third-party data provider. ISS collects most of the underlying investee entity data that is used to prepare our emissions inventories, as well as providing their own estimations of a company's emissions when that company does not report emissions or reported emissions that are deemed to be low quality by ISS. Furthermore, ISS provides additional modelling of the climate related risks and opportunities that companies are potentially exposed to. We have evaluated ISS's methodologies against alternative providers and concluded that ISS has a robust approach, especially regarding their emissions estimates and assessments. It is important to remember that there are differences between the various providers as a result of the inherently uncertain nature of carbon footprinting and those differences may result in material differences in emissions estimates.
- Based on our understanding, we consider ISS's methodologies and processes to be reasonable and to generally provide a fair representation of emissions and climate-related risks and opportunities for our funds, whilst noting the inherently uncertain nature of the space. Additionally, the estimates ISS provides could be considered to generally be more uncertain than if the investment itself were to accurately estimate and report its emissions. The Emissions Estimate Quality Score is an indication of the level of uncertainty of the emissions inventories, however it is itself imperfect as it does not reflect the differing quality of investee company reported emissions for example.
- While the emissions data we receive from ISS is intended to be the gross emissions (excluding offsets) of investee entities, there is the possibility that some companies have reported net emissions (including reductions from offsets). Booster has not purchased any offset credits to reduce any of our financed emissions inventories.
- Our inventories primarily use reported emissions from investee entities, and these may be based on different Global Warming Potential (GWP) values. Certain estimation approaches also incorporate the reported emissions of other entities so may indirectly incorporate differing GWP values. However, we expect that most investee entities will have followed the Greenhouse Gas Protocol requirement to use GWP values published by the Intergovernmental Panel on Climate Change (IPCC) based on a 100-year time horizon.
- Due to data limitations, some of our investee entity scope 2 emissions estimates included in our financed emissions inventory may use the market-based method instead of the location-based method.
- The methodology used to calculate the emissions associated with investments in sovereign bonds is based on the PCAF Standard which typically results in higher financed emissions per dollar invested compared to other types of investments. As a result, funds with larger allocations to sovereign bond investments may be estimated to have higher emissions and emissions intensities.
- As the emissions of one investment may also be included in the Scope 3 emissions of another investment, there is potential for emissions to be 'double counted' in our emissions inventories. Currently there is no feasible way to accurately measure and adjust for this double-counting so we have not done so.

A.3 holdings vulnerable to physical risks metric – methodology, limitations and uncertainties

- We 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, the 'Hothouse' scenario equivalent. Additionally, we have assumed that cash & cash equivalents investments are not be exposed to physical risks. Please note that certain asset classes are not covered by these assessments including sovereign bonds, private credit, and direct investments in unlisted companies and properties.
- 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, we urge you to take these metrics as indicative only rather than as an accurate reflection of each Fund's exposure to physical risks. Nevertheless, we believe these metrics are useful as a point of comparison between our Funds.

A.4 targets and emissions intensity relative to benchmark metrics– methodologies and limitations

Investee entity emissions targets

- We will measure performance against this target by utilising data from third party providers. For an investee entity to be counted as having an emissions reduction target, an investee entity must have a target of reducing emissions – the exact details of that target are not taken into account for the purposes of this target. Whilst we would prefer the emissions reduction targets of investee entities to be based on gross emissions, due to factors including data limitations the emissions reduction targets of the investee entities may or may not include offsets, and if offsets are included, they may or may not be verified or certified. If data availability and reliability improves, we will review this in future years.

Emissions intensity relative to benchmark target:

- The calculation of emissions intensity for a Fund will be as per the methodology outlined above. The calculation of emissions intensity for the benchmark will use the same methodology, with the calculation applied to the assets of the selected benchmark as at 31 March of the relevant reporting period. The measure is based off Financed Emissions only with Scope one, two and three of the underlying investments included in the calculations where available (for both the Funds and their benchmarks) and may be either reported numbers or estimates provided by our data provider or calculated by Booster.
- The benchmark used will be a composite benchmark (i.e. made up of more than one benchmark). The benchmarks used will be determined by Booster to be commonly used in the funds management industry for each asset class, without any adjustments (such as those reflecting ESG considerations). The composite benchmark is calculated with reference to the asset class target weights for the relevant fund that are outlined in the Statement of Investment Policy and Objectives (SIPO). Where a commonly used benchmark for an asset class does not exist, Booster will determine the most appropriate benchmark to utilise.
- The limitations that apply to GHG emissions estimates noted above also apply to the measurement of this target.

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