SQUIRREL INVESTMENT FUNDS

Climate-Related Statements

31st March 2024

Prepared by FundRock NZ Limited in

Compliance with the Aotearoa New Zealand Climate Standards

CONTENTS

1. INTRODUCTION

FundRock NZ Limited ("**FundRock**") has prepared these climate-related statements (the "**Statements**") for Squirrel Investment Funds (the "**Scheme**") in collaboration with Squirrel Money Limited ("**Squirrel**") and in compliance with the requirements of the Aotearoa New Zealand Climate Standards (the "**Standards**"). These Statements cover the reporting period between 1st April 2023 and 31st March 2024 (inclusive) and the Squirrel Monthly Income Fund (the "**Fund**").

FundRock is a fund hosting business; we issue and manage funds on behalf of investment managers who want to provide Aotearoa New Zealand investors with access to their investment solutions via Portfolio Investment Entities (PIE funds) under our MIS (managed investment scheme manager) licence. FundRock's goal is to provide Aotearoa New Zealand investors with access to leading global and boutique domestic investment managers. Our funds cover all asset classes and a broad variety of strategies.

While FundRock retains sole authority over all aspects of fund management, all decisions about investments are made by Squirrel, in accordance with the Investment Management Agreement. These statements reflect this arrangement: certain sections are focused on how FundRock manages Climate-Related Risks and Opportunities ("**CRR&O**"); certain others, on how Squirrel does it; and still others – in fact, most –present both. It is important when reading these statements to consider these arrangements, and the respective responsibilities, to understand the Fund's strategy in relation to CRR&O.

FundRock is part of the Apex Group, which has published a Sustainability Report where more details on the group's approach to sustainability can be found. At the level of schemes and funds (that at which these Statements were prepared), our approach to climate-change varies and is strongly influenced by the investment manager associated with them.

The investment manager for the Scheme is Squirrel, as detailed in the Scheme's governing documents and the Product Disclosure Statement for the Fund.

Squirrel is a mortgage advisory and asset management business. They were founded in 2008 to challenge the fairness of the current banking paradigm. Squirrel believes they can disrupt the banking status quo and make a real difference to Kiwis' financial prosperity. Squirrel provides advice, choice and financial products that are designed to give more and take less than the current banking model. Products and services include personal loans, home loans, construction and development lending, savings accounts, investments, managed funds, and financial advice focused on residential mortgages.

The Fund aims to provide investors with a regular income return generated through exposure to a diversified portfolio of loans predominantly secured against registered first mortgages on residential property across New Zealand. Loan exposure is obtained by investing in the Squirrel Wholesale Funds scheme, whose funds obtain their loan exposure through investing via the Squirrel P2P platform operated by Squirrel. Assets of the Squirrel Wholesale Funds may include exposure to factional and/or whole loans and cash and cash equivalents. Where context suggests, reference to "**Funds**" is on a look through basis and includes the Squirrel Wholesale Funds, which the Fund invests into.

1.1. Adoption Provisions

In preparing these Statements, FundRock made use of the following adoption provisions found in the Aotearoa New Zealand Climate Standard 2 (the "**CS2**"):

- **(A)** Adoption provision 1 (Current financial impacts);
- **(B)** Adoption provision 2 (Anticipated financial impacts);

(C) Adoption provision 3 (Transition planning);
(D) Adoption provision 6 (Comparatives for metrics);
(E) Adoption provision 7 (Analysis of trends).

1.2. Cautionary Note and Limitations

This report is a summary of FundRock's assessment of future CRR&O and its resulting strategy. It contains FundRock's current assessment of the future CRR&O which could affect its business and customers, as well as its current planning to address these risks. This process necessarily involves estimates, projections, and assumptions about the future, which are inherently uncertain and are not forecasts of future performance.

This report contains statements that are, or may be deemed to be, forward looking statements, including climate-related goals, targets, pathways, ambitions, and related risks and opportunities, as well as FundRock's current planning to address related risks. By their very nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties, many of which are beyond our control and give rise to the possibility that our predictions, forecasts, projections, expectations or conclusions will not prove to be accurate, that our assumptions may not be correct, and that our objectives, vision, commitments, goals, targets, and strategies to mitigate and adapt to CRR&O will not be achieved. FundRock has set out the basis and limitations of its analysis in these Statements and reserves the right to revisit its assumptions and assessments as it develops its understanding of CRR&O and its response to climate change. This section should be read together with the limitations identified elsewhere in these Statements. Many of the assumptions, standards, metrics, and measurements used in preparing these Statements continue to evolve and are based on assumptions believed to be reasonable at the time of preparation, but should not be considered guarantees.

In light of the above, while FundRock has taken all due care in preparing these Statements, including its scenarios and assumptions, FundRock makes no representation as to their accuracy, completeness, or reliability, in particular in relation to FundRock's assumptions regarding future events. FundRock expressly disclaims responsibility for, and makes no representation, and gives no warranty, assurance, or guarantee, as to the accuracy, completeness, or reliability of any contents of these Statements. To the greatest extent possible under New Zealand law, FundRock also expressly disclaims all liability for any loss (direct, indirect, consequential, or otherwise) or damage arising from the use of these Statements. We recommend you seek independent advice before acting or relying on any information in this report. FundRock reserves the right to revise statements made and its strategy or business activities described in these Statements without notice.

1.3. Directors' Approval

Signed on 18 July 2024 by the Directors identified below on behalf of FundRock, approving compliance with the Standards:

Hugh Stevens

Jeremy Valentine

2. GOVERNANCE

2.1. Governance Body

FundRock's Board of Directors (the "**Board**") is the governance body for the Scheme (as well as all the schemes and funds managed by FundRock). It is accountable for the long-term stewardship and resilience vis-à-vis potential impacts of climate change.

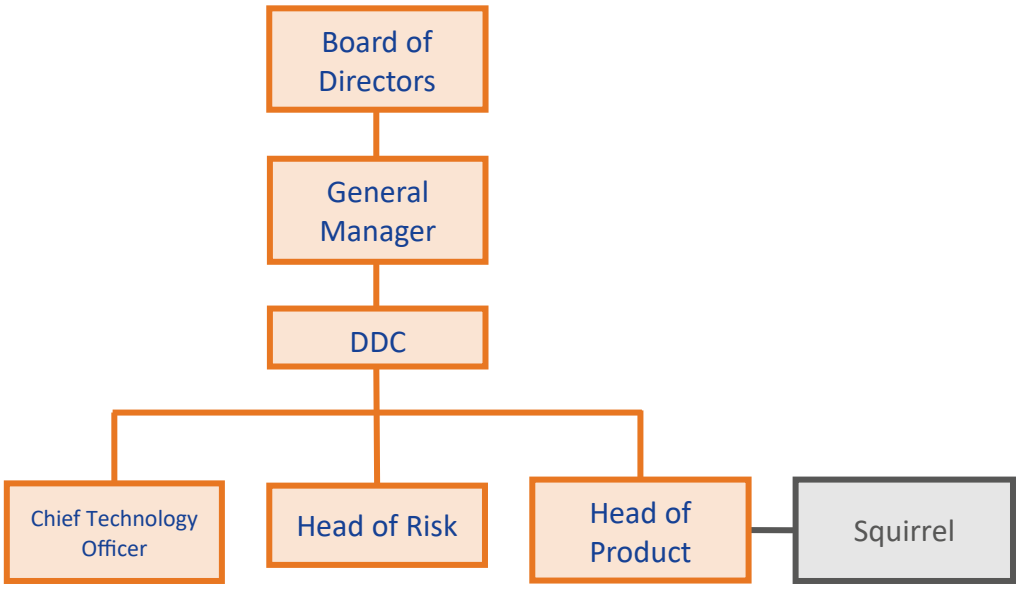
The Board takes CRR&O into account when developing and overseeing the implementation of FundRock's strategy – particularly transition compliance and regulatory risks arising from possible changes to the regulatory framework of Aotearoa New Zealand's investment industry. CRR&O that are specific to a Scheme or Fund (such as those associated with the assets held by a fund) are addressed at the management level.

2.1.1. CRR&O Governance Structure

The Board engages quarterly with FundRock's General Manager, who reports on the most material CRR&O. These reports are reviewed by the Due Diligence Committee (the "**DDC**") prior to being made available to the General Manager. The DDC also reviews key deliverables of the Climate Related Disclosure ("**CRD**") regime (including these Statements) and either approves them or attests their orderliness for submission to the Board.

For CRD purposes, interactions with Squirrel are managed by the Product team (lead by the Head of Product). As part of its role, the Product team continuously monitor Squirrel's compliance with their climate-related objectives.

The chart below illustrates the structure described above:



- **Board**: performs the role of governance body, as described in this Statement.
- **General Manager**: ensures project is adequately resourced, defines success, and acts as liaison between the Board and FundRock.
- **DDC**: manages CRD-related activities, as described in this Statement.
- **Head of Product**: leads the execution of CRD-related activities.
- **Head of Risk**: leads the management of CRD-related compliance risks and provision of risk management expertise.
- **Head of Data & Reporting**: leads the provision of IT support and data expertise.

Squirrel's governance structure can be found in Schedule A below.

2.1.2. Skills & Competencies

The Board continues to develop the skills and competencies of its members in respect to CRD and CRR&O. The Board has committed to receiving training on CRD and CRR&O at its quarterly meetings, prefacing the presentations on CRD and CRR&O by the General Manager (see Section 2.1 above).

Squirrel has assessed its Credit Committee members' skills and knowledge in relation to CRD and CRR&O, noting that the Financial Controller, who leads the CRD team and reporting, has completed external courses in relation to CRD. Squirrel's Credit Committee will investigate potential training opportunities for the coming financial year to improve the knowledge of its Credit Committee.

2.1.3. Metrics & Targets

Reports from the General Manager to the Board (see Section 2.1 above) are planned to include a review of the Fund's performance against their metrics and targets (if any) on a semi-annual basis.

The Board has not set CRD or CRR&O-related targets or key performance indicators for any of FundRock's staff, the Scheme, or the Fund at this stage. Nonetheless, the investment manager may choose to set such targets or indicators for the Scheme or Fund; for more about this, see Section 5 below.

2.2. Management

The DDC reviews key deliverables of the CRD regime as they are prepared, and CRR&O for the Scheme and Fund quarterly (see Section 2.1.1 above). It also engages with the Product team regarding the work on CRD in the relevant reporting period and CRR&O on a regular basis. The Product team, in turn, is in close contact with Squirrel throughout the reporting period and receives regular updates on their CRD-related processes and their status – including those directly related to CRR&O.

Squirrel's Credit Committee has included climate risk monitoring in the agenda of its quarterly meeting, and has committed to perform a climate risk assessment at least annually. All key staff involved in CRR&O sit on the Credit Committee as well as three Directors.

Sections 3.3.2 and 4 below provide more details on the risk management process.

3. STRATEGY

3.1. Current Impacts

At the entity level, the costs of compliance with CRD regulations were the most significant impact of CRR&O. FundRock and Squirrel have dedicated material resources to ensure compliance with it, and the cost of data for the metrics in Section 5 below was not insignificant. While these costs may not be passed on to the investors directly, mounting regulation may lead to fee increases.

Squirrel noted minimal physical and transition climate-related impacts on the Fund Given the short-term nature of the loan investments held through the underlying Funds.

3.2. Scenario Analysis

FundRock has used the sector scenario analysis produced on behalf of the Financial Services Council to conduct the scenario analysis (the *Climate Scenario Narratives for the Financial Services Sector* and the *Climate Risk Database*, hereinafter jointly called the "**Sector Scenario Analysis**"). The reasons for making this choice were:

- **(A)** adoption of the Sector Scenario Analysis across the industry makes it easier for investors to compare the climate-related strategies adopted by fund managers;
- **(B)** the Sector Scenario Analysis benefits from the knowledge of experts; and
- **(C)** adopting the Sector Scenario Analysis firmly grounds FundRock in a framework that is compliant with applicable regulations.

The Sector Scenario Analysis was not adopted without judgement, however. In an iterative process, FundRock identified the key risk drivers which directed the Sector Scenario Analysis, analysed their interactions, and prioritized them. The risks identified in the Sector Scenario Analysis were also analysed, with a view to systematizing them. Finally, the risks and impacts were analysed according to the distinctions of the Scheme and Fund.

Squirrel performed the scenario analysis based off guidance and discussions with FundRock. The scenario analysis was submitted to Squirrel's Credit Committee for approval.

3.2.1. Methods & Assumptions

FundRock and Squirrel have analysed the three scenarios from the Sector Scenario Analysis: Orderly (1.5°C), Too Little, Too Late (2°C), and Hothouse (3°C). These scenarios are informed (respectively) by the Intergovernmental Panel on Climate Change ("**IPCC**") SSP 1-1.9, SSP 2-4.5, and SSP 5-8.5 scenarios[1], and are relevant and appropriate for the following reasons:

- **(A)** They comply with the regulatory requirements, which stipulate that climate reporting entities must analyse a 1.5°C, a 3°C scenario, and a third scenario of their choice.
- **(B)** The Orderly and Hothouse scenarios:
  - **(i)** represent extremes, and therefore allow FundRock to analyse how the Scheme and Fund would fare under the most challenging circumstances; and
  - **(ii)** are widely used by businesses, both in the financial services and other industries – their widespread adoption will make it easier for investors to compare offers and products.
- **(C)** The *Too Little, Too Late* and the *Disorderly* scenarios were considered as the third option, and the former was selected as per the Sector Scenario Analysis Report[2] this was deemed the most likely path for Aotearoa New Zealand. It is also more

[1] *Climate Scenario Narratives for the Financial Services Sector*, p 12.

[2] See Sector Scenario Analysis Report, p 12.

challenging than the *Disorderly* scenario, which assumes lower physical and transition risks and a lower long-term temperature increase[3].

3.2.1.1. Time Horizons

FundRock and Squirrel adopted the time horizons set in the Sector Scenario Analysis:

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

This decision was made to maintain consistency with the Sector Scenario Analysis and for the reasons below;

(A) Short-term horizon is aligned with short-term investment horizons.
(B) Medium-term horizon is aligned with strategic planning and medium-term investment horizons (e.g., first home acquisition).
(C) Long-term horizon is aligned with aspirational planning (e.g., mission and purpose), long-term investment horizons (e.g., retirement) and international decarbonisation targets.

3.2.1.2. Scenario 1: Orderly Transition

In the *Orderly* scenario there are steady and constant changes to technology, policy, and behaviour to support the transition to a low carbon global economy – including increasing carbon prices. The long-term chronic impacts from historic GHG Emissions occur nonetheless, but the coordinated and timely action succeeds in preventing the worst.

Increasing carbon prices (NZD 250 and USD 400 by 2050, in Aotearoa New Zealand and globally respectively) and regulatory requirements (such as mandatory climate reporting) result in increasing costs for emissions-intensive entities. Societal changes, supported by legally mandated reporting, lead investors and lenders to withdraw financing and funding from emission-intensive sectors and entities in favour of those supportive of decarbonisation.

The development of low-emissions technology, coupled with customers' preference for low-emissions products and business, impacts the viability of entities who offer neither, especially in the energy and transport sectors. Emissions-intensive sectors and entities are driven to last ditch decarbonisation attempts to maintain the viability of their businesses as they struggle with increasing costs and disinterest from investors and lenders.

While the reduction in global GHG Emissions helps minimise the most significant physical impacts of climate change, minor impacts on sectors and entities reliant on the natural environment for their outputs or service delivery are nonetheless felt.

At a geography level, entities in economies that historically relied on emissions-intensive sectors and that have been slow to transition face economic impacts in the short-term – as do governments, who feel the economic impacts as worsening conditions reduce their revenue and expenditure is required to keep pace with transition being made by the rest of the world (e.g., electrification of transport infrastructure).

[3] See *Network for Greening the Financial System, NGFS Scenarios for central banks and supervisors*, November 2023, pp 11 and 20.

3.2.1.2.A. Emissions Pathways

Global emissions fall at accelerating rates, averaging a 3.4% reduction per year. Net global emissions reach 25.9 $BtCO_2e$ (billion tonnes of CO_2-equivalent) by 2030 and −294.82 $MtCO_2e$ by 2050[4]. This is cause and effect of the following[5]:

- Consumer preferences shift towards low-emissions products and services. Climate activism (including through litigation) and negative media attention impact entities perceived as not taking action. Population growth slows down in the medium term, reaching 8.5 billion in 2050.
- Policies [e.g., national and international emissions reduction requirements, carbon taxes (including border adjustments), and the ban of emission-intensive activities] are adopted globally. Global carbon prices reach USD 124 per tonne in 2030 and USD 400 by 2050.
- Development of low emissions and emissions abatement technology accelerates, and technologies are rapidly adopted. Electric vehicles see widespread adoption but heavy trucks and aviation struggle to reduce emissions. 55% of global energy production (and 61% of electricity) comes from renewable sources by 2030, and 67% by 2050 (88% of electricity). Emissions from processes such as cement and steel making remain hard to abate, however.
- Farmers implement ambitious changes to become more emission-efficient, reducing biogenic methane through widespread adoption of new technology and low emissions stock variants, and conversion of land from livestock to horticulture is substantial. The waste sector also reduces methane emissions, with nearly three quarters of organic waste recovery rate by 2050 and major expansion of landfill gas capture.
- Successful limitation of GHG Emissions curbs the most significant physical impacts of climate change. Global average temperature increases by 1.4°C by 2100.
- The global economy benefits from a stable transition to a low carbon economy, with global GDP reaching USD 289 trillion by 2050 (recovering from USD 176 trillion in 2030). The Aotearoa New Zealand economy is also positively impacted. The challenges of transformational change (such as job losses and skill shortages) are managed effectively with the help of stable climate, economy, and international relations.

3.2.1.3. Scenario 2: Too Little, Too Late

In the *Too Little, Too Late* scenario, transition to a low carbon economy is misaligned and delayed across different parts of the world. Certain geographies (as designated in the *Climate Scenario Narratives for the Financial Services Sector*: the European Union, Japan, China, the United Kingdom, the United States, Canada, and Aotearoa New Zealand —the "**Early Movers**") introduce policies that bring about net-zero emissions by 2050. But in other parts of the world there is very little action, with fossil-fuelled development continuing throughout much of the remaining first half of the century. Global efforts to address climate change begin to align and exceed those by Early Movers from mid-century, but changes come too late to prevent wide ranging acute and chronic physical climate impacts.

Emissions-intensive entities located in Early Mover economies face the following pressures:

- increased costs, resulting from increased GHG Emissions prices and regulatory requirements; and
- those without emissions reduction or climate-risk management plans, reduced sales and revenue, increased difficulty and cost for raising funds, decreased employee attraction and retention, and supply chain impacts, resulting from changes to stakeholder preferences.

Impacts are lesser outside these regions – except for exporters, who experience the same impacts as entities in Early Movers' regions, including through carbon taxes.

Significant physical climate risks impact sectors and geographies at varying degrees:

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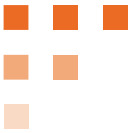
4 *Climate Scenario Narratives for the Financial Services Sector*, p 31.

5 The emissions pathways described in Subsections 3.2.1.2.A, 3.2.1.3.A, and 3.2.1.4.A below were adapted from *Climate Scenario Narratives for the Financial Services Sector*.



- Agricultural output and renewable energy generation are impacted by extreme weather events and gradual weather changes, which decrease revenue and increase costs. More fertiliser is needed to grow crops, and coal or gas is needed to generate energy, increasing emissions and physical impacts.
- Extreme weather events impair the ability of entities in the communication, utilities, information technology, and transport sectors to provide services. Customer satisfaction and revenue decline, and operational costs (repair costs and higher insurance premiums) increase.
- Significant financial impacts reduce demand for discretionary products and services.
- The health sector deals with increased demand as physical climate impacts and reduced economic stability affect individuals' health.
- At a geography level, Asia (*ex* China and Japan) and the Middle East are the most impacted, both because of the magnitude of impacts and inadequate adaptation. In Asia, this manifests as floods; in the Middle East, as water stress and drought. Food security, water availability, and housing challenges increase, leading to political unrest and migration. There are wide-ranging effects on governments and economies in these regions: the costs of disruptions and remediation are high both for public and private entities, and the latter face increased costs and reduced revenue.

3.2.1.3.A. Emissions Pathways

Emissions fall steadily and at accelerating rates (particularly after 2030), but slower than in the *Orderly* scenario, averaging about 1% per year. Global emissions reach 35.1 $BtCO_2e$ by 2030 and 26.7 $BtCO_2e$ by 2050 – 31% less than 2020[6], but substantially more than zero. This is cause and effect of the following:

- High transition risks and medium physical risks lead to significant financial impacts and a decline in economic growth by the medium term: global GDP reaches US 274 trillion by 2050. Coupled with a global population of 9.2 billion people, standards of living decline for many across the globe.
- Behavioural changes and social pressure drive decarbonisation in Europe, the United States, Canada, Australia, and Aotearoa New Zealand in the short term, but the same does not occur elsewhere until the medium term. Developed nations prioritise their own transition costs; regions with limited resources experience higher negative physical impacts. Marginalised nations are further exposed to poverty and instability (political and economic). Migration and geopolitical tensions increase. Challenges in agriculture, food security, and water availability exacerbate these trends.
- The Early Movers adopt climate policies in the short term, but elsewhere there is very little action until the mid-century, when climate policies begin to align and accelerate. Global carbon prices reach USD 34 per tonne in 2030 and USD 50 in 2050.
- Development of low emissions and emissions abatement technology is delayed; even early movers make limited progress until closer to the medium term. 19% of global energy production (and 46% of electricity) comes from renewable sources by 2030, and 37% by 2050 (71% of electricity). Much of Aotearoa New Zealand's progress is driven by the rise in renewable electricity and the conversion of low-process heat boilers to biomass and electricity.
- Delay in abatement efforts results in the materialisation of various physical climate risks. Average temperature increases by 2.7°C by 2100. The increased energy contained in the atmosphere drives greater extreme weather events, especially in the latter half of the century. Impacts are distributed unevenly: temperatures increase more at higher latitudes and in the Northern hemisphere; precipitation decreases in parts of northern and central Europe, eastern Africa, and southern Australia, but increases in parts of South and East Asia; and Sub-Saharan Africa experiences both increases and decreases in precipitation. Sea levels rise by 0.20m in 2050 (0.56m by 2100), affecting coastal areas and island countries. These changes impact food security (especially in marginalised regions); cause loss of land, damage to infrastructure, and displacement of populations; and impact coastal ecosystems and trade routes.

3.2.1.4. Scenario 3: Hothouse

In the *Hothouse* scenario there is little change towards a low emissions future despite increasing social, economic, and environmental degradation. Emissions continue to grow higher throughout the remaining 21st century and lead to the increasing severity of extreme weather in its first half, with the addition of rising sea levels in the later half.

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6 *Climate Scenario Narratives for the Financial Services Sector*, p 40.

Entities in most sectors have increased costs (such as repair and remediation costs) and reduced productivity, and therefore reduced profitability.

In the agricultural sector, the increased frequency of extreme weather events and gradual weather changes (such as temperature and precipitation) have significant impacts on:

- stock and crop quality and yield;
- property, plant, and the equipment required to run facilities, provide access to water and food access, and prevent pest proliferation; and
- the infrastructure required for both downstream and upstream supply chain access.

There are also material impacts to the utilities sector, with a risk to potable water supplies, production of energy (particularly hydropower), and delivery of services (such as wastewater treatment). Transport infrastructure and services are affected too.

There is increased demand in the health sector, as in high-emitting sectors – increased cooling requirements because of higher mean temperatures, increased need for coal and gas energy because of impacts upon renewable energy generation, and increased need for fertilisers. With growth in high-emitting sectors limited by climate policies, entities enjoy increased profit margins.

All geographies are affected by physical climate impacts, which are exacerbated by the lack of investment in adaptation infrastructure by governments in the short- and medium-term.

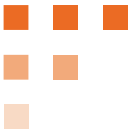
Financial impacts follow. Demand for sectors such as consumer discretionary falls, and sectors providing necessities deal with impacts on margin and difficult questions as costs increase but consumers' ability to pay for goods and services is reduced. Food and water shortages and declining health and financial outcomes drive political unrest and further destabilise economies. Governments come under increasing pressure to support individuals, businesses (especially those providing essential services), and public health services while facing significant repair and remediation costs. Financial flow on effects reduce tax income, putting them under further strain.

3.2.1.4.A. Emissions Pathways

Emissions increase slightly until 2025, and then decrease at discrete rates, averaging about 0.4% per year. Global emissions reach 38.6 BtCO2e by 2030, and 34.3 BtCO2e by 2050[7] (28% more than in the *Too Little, Too Late* scenario). This is cause and effect of the following:

- Behavioural change and social pressure for decarbonisation are limited. The focus on growth by any means necessary drives higher rates of economic inequality, increasing political instability and geopolitical tensions. There is an increase in displaced people seeking to migrate to safer living conditions while physical impacts increase logistics and construction costs.
- The European Union, the United Kingdom, the United States, Canada, and Aotearoa New Zealand are early adopters of progressive climate policy, but eventually roll them back. Japan, China, and Australia pause the development and implementation of climate policies currently under development. Global carbon prices reach USD 6 per tonne in 2030 and remain stable util 2050. Investment in adaptation is minimal.
- There is little technological change to support emissions reduction, and fossil fuels continue to be the dominant source of primary energy: 16% of global energy production (and 42% of electricity) comes from renewable sources by 2030, and 26% by 2050 (60% of electricity).
- Unabated productivity by emission-intensive industries pushes for high economic growth, but the physical impacts of climate change eclipse that: global GDP reaches USD 175 trillion in 2030, and USD 273 trillion in 2050. With a global population of 8.6 billion people by 2050, means average living standards are lower than that in the *Orderly* scenario, but

[7] *Climate Scenario Narratives for the Financial Services Sector*, p 49.



better than that in the *Too Little, Too Late* scenario (though "surplus" is not evenly distributed). Logistics are affected by events such as storms and flooding, disrupting trade.

- Fossil fuel-based fertilisers and machinery underpin agricultural growth, but in the long term the impacts of extreme weather makes it increasingly difficult to sustain said growth.
- Global average temperature rises by 4.4°C by 2100, leading to severe physical impacts. They are similar to those in the *Too Little, Too Late* scenario, but worse across the board.

3.2.1.5. Sources of Data

The scenarios described in this Statement were produced using data from the Sector Scenario Analysis. FundRock has also consulted the Network for Greening the Financial System's scenarios portal[8] to enhance its understanding of climate change in general and the Sector Scenario Analysis in particular.

3.2.2. Scenario Analysis Process

The scenario analysis followed the six-step process detailed in the guidance published by the External Reporting Board ("**XRB**"), particularly the *Staff Guidance Entity Scenario Development*[9]. An overview of the process is provided below:

(A) *Engage with Stakeholders*: see Subsections 3.2.2.1 and 3.2.2.2 below for details.

(B) *Define the Problem*: the focal question was adopted from recommendations by the Task Force on Climate-Related Financial Disclosures ("**TCFD**")[10] and the Fund was considered in scope. For information on time horizons, see Subsection 3.2.1.1 above.

(C) *Identify driving forces and critical uncertainties*: the Sector Scenario Analysis was reviewed and analysed to produce a conceptual model[11].

(D) *Select temperature outcomes and pathways*: temperature outcomes and pathways were adopted from the Sector Scenario Analysis (see Section 3.2 above for more details).

(E) *Draft narratives and quantify*: narratives were adapted from the Sector Scenario Analysis, taking into consideration the distinctions of the Scheme and Fund. No quantification was attempted.

(F) *Assess strategic resilience*: completed in close collaboration with Squirrel.

3.2.2.1. Integration & Governance

The Board set the governance for scenario analysis, ensuring appropriate processes were in place; and FundRock's management has reviewed and approved the scenario analysis framework (which was based on the Sector Scenario Analysis, as described above) and its results (as reflected in this statement).

Scenario analysis was conducted by FundRock as a standalone process, but its results (particularly the risks and impacts which identification and assessment it enabled) were integrated into its risk management processes.

The scenario analysis conducted by Squirrel, based on FundRock's guidance and discussions, was also a standalone process. The scenario analysis was approved at the Credit Committee and Squirrel's management have integrated climate risks into their risk management processes.

3.2.2.2. External Stakeholders

FundRock and Squirrel have collaborated to complete scenario analysis for the Scheme and Fund. FundRock provided Squirrel with a scenario analysis framework (derived from the Sector Scenario Analysis, as described above), a

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8 See https://www.ngfs.net/ngfs-scenarios-portal/. This includes the *Guide to climate scenario analysis for central banks and supervisors* mentioned above, the Phase 4 Scenario Explorer, *NGFS Scenarios for central banks and supervisors*, and *Climate impact explorer*.

9 Which is itself an adaptation of *Task Force on Climate-Related Financial Disclosures*, *Guidance on Scenario Analysis for Non-Financial Companies*, October 2020 – also consulted.

10 Task Force on Climate-related Financial Disclosures, *Guidance on Scenario Analysis for Non-Financial Companies*, 2020 p 72.

11 A conceptual model is a "simple representation of a system focused on the relationship expected to be seen between variables" (XRB, *Staff Guidance Entity Scenario Development*, 2023, pp 11 and 27).

structured plan, and output requirements, and both parties engaged throughout the process for its success. By doing this, FundRock benefited from the Squirrel's thorough knowledge of the Fund's portfolio while ensuring that results met the regulatory requirements.

3.3. Climate-Related Risks and Opportunities (CRR&O)

The Sector Scenario Analysis included a *Climate Risk Database*, on which FundRock and Squirrel relied to identify and assess the risks for the Scheme and Fund. As indicated in Section 3.2 above, the risks found in the Sector Scenario Analysis were systematized by FundRock to allow for their application across the variety of schemes and funds we manage.

The table in Schedule B below is a list of the climate-related risks FundRock and Squirrel identified for the Fund. Diversified investment funds will be exposed to most, if not all, climate-related risks. For example, it is likely that at least one of their investees will be exposed to the impacts associated with rising sea levels or stranded assets. FundRock and Squirrel have chosen to highlight the risks that were assessed to be most material to the Scheme and Fund. This assessment was based on the Fund portfolio and the Sector Scenario Analysis.

3.3.1. Definitions of Short-, Medium-, & Long-Term

The time horizons used for the scenario analysis (see Section 3.2.1.1 above) were used for the purpose of analysing the timeframe of climate-related risks.

3.3.2. CRR&O & Decision Making

Management of entity-level CRR&O has been integrated into FundRock's overall risk management framework. They are discussed in a monthly risk controls meeting attended by the General Manager, where resourcing is addressed. If the relevant CRR&O cannot be properly addressed at this level, they may be highlighted in the quarterly Board reports (see Section 2.1.1 above) and addressed with the Board.

At FundRock, entity-level CRR&O receive the same treatment as all other risks and opportunities in all risk-related process and procedures and at all levels of the organization. As a rule, risks are prioritized based on their likelihood and expected impact.

Squirrel performed a review of current processes and controls including the related CRR&O for the 2024 financial year, noting that there is currently minimal risk due to the nature of Squirrel's business and the investments being relatively short-term. Squirrel has identified some areas for improvement and off the back of this review, will incorporate CRR&O as part of their regular risk assessment processes for the period beginning 1st April 2024, and report them to the Board monthly. Squirrel has also adapted their lending credit assessment processes to consider climate related risks, ensuring no lending is provided or security given over areas at high risk of extreme weather events for the period beginning 1st April 2024.

3.4. Anticipated Impacts

FundRock anticipates that the cost of compliance with climate-related policies and regulations will continue to increase. Starting from the 2024/2025 reporting period, the data on GHG Emissions (see Section 5.1 below) will be subject to assurance, increasing compliance costs. The Financial Markets Authority (FMA) has also indicated that it expects reporting entities to continually develop their climate-related processes and procedures, which means that FundRock will continue to dedicate substantial resources to compliance with CRD regulations (at least in the short-term). As mentioned in Section 3.1 above, mounting regulation may lead to fee increases.

Squirrel will need to monitor CRR&O against the portfolio of loan investments and consider if the estimated credit loss model needs to be revised to include climate-risk factors. As the loan investments are short term, there are no anticipated impacts on current loan investments, but Squirrel will monitor this and adapt processes, as appropriate.

3.5. Transition Plan

FundRock is a fund hosting business. We provide services to domestic and international investment managers who want to operate in Aotearoa New Zealand but would prefer to outsource fund management to us, normally because they believe this to be the most cost-effective way of offering their services in the country.

Our business model is very resilient to investment risks (climate-related or otherwise) thanks to the broad variety of schemes and funds we can accommodate. As long as there is continued demand for managed investment schemes in Aotearoa New Zealand, we can evolve and adapt to political, economic, and societal changes: we can work with existing investment managers to make strategic adjustment to their products, and whenever this proves impractical, new products (more aligned with prevailing market winds) may be developed in collaboration with current or new investment managers, replacing those retired.

FundRock's knowledge of and experience in Aotearoa New Zealand's investment funds market will be invaluable in the process of identifying the adaptations required and assessing the viability of both existing and prospective products. Understanding the CRR&O specifically associated with this market must be part of this. Per adoption provision 3 in NZ CS2, which requires developing the transition plan aspects of its strategy, the work developed in the 2023/2024 reporting period – particular the setup of a framework for management of CRR&O – was the first step in this journey. FundRock's short-term goal is to further develop the structures that were put in place in this period and fully integrate them into its processes and procedures, particularly strategic decision-making. The knowledge and experience that has been and will be acquired as part of this will inform future strategic directions.

Squirrel does not have a specific transition plan as it considers its investments to be of low climate risk given their short-term nature.

Nonetheless, Squirrel's Credit Committee has reviewed the scenario analysis and risk assessment following its commitment referred to in Section 2.2 above, and has included climate risks as part of their risk assessment processes for the period beginning 1st April 2024, and they are reported to the Board monthly. Squirrel has also adapted their lending credit assessment processes to consider climate related risks, ensuring no lending is provided or security given over areas at high risk of extreme weather events for the period beginning 1 April 2024. When performing the CRR&O assessment each year, the Credit Committee will determine if any changes to Squirrel's current business model are needed to minimise climate risk in future years.

4. RISK

FundRock manages entity-level CRR&O directly. We have identified them by referencing applicable regulations, and assessed them by appraising their expected impact, the processes and controls we have in place, and the resources of which we dispose. The processes for monitoring and managing said CRR&O are summarised in Section 3.3.2 above.

Squirrel has reviewed the applicable regulations and guidance from the institutional (wholesale fund) and Fund-level perspectives, assessing CRR&O risks at both levels. Squirrel assessed said risks by likelihood and inherent risk after any controls. The processes for monitoring and managing CRR&O are summarised in Section 3.3.2 above.

4.1. Prioritisation Process

FundRock prioritizes entity-level risks based on their likelihood and expected impact. Risks are classified across both axis and assigned a risk rating. Both inherent and residual ratings are considered.

These ratings, as well as **(i)** risk trend & velocity and **(ii)** management response, are regularly reassessed according to the processes summarised in Section 3.3.2 above.

Squirrel follows a similar approach to classifying risks as FundRock and prioritises based on the residual risk level. From 1st April 2024, climate-related risk assessment will be part of the monthly Board reporting.

4.2. Short-, Medium-, and Long-Terms

For CRR&O, FundRock and Squirrel use the time horizons adopted for scenario analysis (see Section 3.2.1.1 above) for risk assessment whenever necessary.

4.3. Parts of Value Chain Not Included

The risk assessment process considered fund management, investment management, and the Fund's investments. Distribution risks were not considered.

4.4. Assessment Frequency

FundRock assesses entity-level risks regularly, following the processes summarised in Section 3.3.2 above. Squirrel assesses the climate-related risks affecting the underlying Funds at least annually.

5. METRICS & TARGETS

In determining which metrics to publish in the Statements, FundRock has considered guidance published by the TCFD[12], and XRB[13] and the sustainability standards published by the International Accounting Standards Board (IFRS[14]). We have also engaged with data providers and the investment managers with whom we work to learn about their views on appropriate metrics.

The set of metrics published below reflects the conclusions from this process. In selecting it, FundRock has considered the following criteria:

(A) **Conceptual Integrity**: certain metrics rely on concepts on which agreement is either limited or non-existing. This makes for metrics with low comparability or prone to manipulation.

(B) **Cost**: acquiring the metrics is costly, and the Fund's investors may (directly or indirectly) pay for this cost.

(C) **Expected Impacts**: diversified and dynamic investment vehicles such as managed funds are expected to be more heavily impacted by risks affecting a broad range of investees, as opposed to risks that are specific to a certain sector of the economy or geography.

All metrics below are as of 31 March 2024.

Squirrel has not adopted any targets to manage CRR&O.

5.1. GHG Emissions

The table below contains data on gross GHG Emissions (in metrics tons of CO_2e) for the Fund's investees. These figures are strongly influenced by fund size; to compare funds of different sizes, investors should use the data on emissions intensity (see Subsection 5.1.1 below).

The Scheme has no material Scope 1 or 2 emissions. In accordance with the Greenhouse Gas Protocol (GHG Protocol)[15], all the emissions of the investee companies are included in its Scope 3 emissions (and are reported below as the Total Gross Emissions). However, FundRock has further broken down the investee companies' emissions into those companies' Scope 1, 2, and 3 emissions.

FundRock advises caution when considering Scope 3 emissions data. While all data on GHG Emissions relies on some degree of estimation, this is significantly more pronounced with Scope 3 emissions, to the point that their reliability becomes fraught. These estimations are reflected in *Partnership for Carbon Accounting Financials*' (**PCAF**) scores, which summarise data quality. These can be observed in Section 5.1.2.5 below.

For a diversified fund, they may also contain some degree of duplication: if a fund is invested in Companies ABC and XYZ, and ABC is a supplier of XYZ, ABC's emissions would be included in the fund's Scope 1 *and* Scope 3 emissions. Given how supply chains are intertwined, this situation is not unlikely to be present.

Fund	Investees' Scope 1	Investees' Scope 2	Investees' Scope 3	Total Gross Emissions
Squirrel Monthly Income Fund	2,019.80	12,776.94	119,309.41	134,106.14

[12] *TCFD, Guidance on Metrics, Targets, and Transition Plans, October 2021*; and *TCFD, Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures, October 2021*.

[13] *XRB, Climate-Related Disclosures Staff Guidance – MIS Managers, August 2023*.

[14] *IFRS S2 Climate-Related Disclosures—June 2023*.

[15] See the GHG Protocol website.

5.1.1. Emissions Intensity

Carbon Footprint is a measure of GHG Emissions (in metrics tons of CO_2e) by millions of New Zealand dollars invested, while WACI (*Weighted Average Carbon Intensity*) is a measure of GHG Emissions by revenue (*investees* revenue, in US dollars). Emissions intensity metrics allow for comparison between funds of different sizes. It is based on the total gross emissions figures above.

Fund	Carbon Footprint[16]	WACI
Squirrel Monthly Income Fund	1,473.19	N.A.[17]

5.1.2. Methodology

5.1.2.1. GHG Emissions Measurement Standards

Emissions were calculated using *PCAF (2022). The Global GHG Accounting and Reporting Standard Part A: Financed Emissions. Second Edition*.

5.1.2.2. GHG Emissions Consolidation Approach

Emissions have been consolidated using the financial control approach.

5.1.2.3. Source of Emissions Factors

Emissions factors were sourced from the GHG Protocol. They reflect the 100-year time horizon global warming potentials (GWP) relative to CO_2, and were adapted from the IPCC Fifth Assessment Report[18].

5.1.2.4. Summary of Exclusions

No asset or asset class was excluded from emissions calculations.

5.1.2.5. Methods & Assumptions

FundRock has partnered with Emmi Solutions Pty ("**Emmi**") to calculate all the metrics found in these Statements. FundRock has provided Emmi with data on the Fund, dated as of 31 March 2024, and Emmi has used this data to produce the metrics found herein. These metrics are subject to Emmi's limitations and assumptions summarised in this section of the climate statements. Further detail can be found in Emmi's website[19].

Emmi takes a waterfall approach to estimate Scope 1, 2, and 3 emissions, selecting the most robust available method for each investee. Where reported emissions are unavailable, Emmi uses estimations based on physical activities (e.g., investees' energy consumption), or estimations based on economic activity (e.g., investees' industry). To perform estimations, Emmi uses certain business metrics, such as revenue and geography, and relies on machine learning: their models are trained on data from public companies gathered from CDP and sustainability reports.

Calculating metrics nonetheless requires trade-offs between coverage and robustness. The results of these trade-offs are summarized in the coverage and PCAF figures below:

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16 Carbon footprint is exclusive of Scope 3 Emissions, as recommended by TCFD (*Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures*, p 53).

17 Squirrel loans funds for the acquisition or construction of houses, mostly through special purposes entities which do not generate revenue, and as such WACI could not be calculated.

18 See Fifth Assessment Report — IPCC.

19 The referred website contains a link to a page on climate scenario analysis methodology – this product was not used by FundRock.

Fund	Coverage	PCAF Score
Squirrel Monthly Income Fund	100%	3.50

PCAF[20] scores range from 1 to 5 and provide a summary of the data's quality. A score of 1 reflects the best quality data and means that the investee company has performed an emissions calculation based on the GHG Protocol that has been verified by a third-party. A score of 5 is the most uncertain as estimates the emissions of the investee company based on sector and region averages or benchmarks[21]. The PCAF scores reported above is a weighted average of the PCAF score for the Fund's investees.

5.1.2.6. Quantification Uncertainties & Their Effects

As mentioned above, GHG Emissions data relies on estimations, which are reflected in the PCAF scores. A score of 3 or higher implies that estimations have been performed, which means that actual emissions may differ from those reported above; the closer the score is to 5, the larger the estimation uncertainty.

Additionally, coverage (even after relying on estimations) may be lower than 100%, which means that the actual gross emissions of the Fund's investees are likely to be higher than reported above.

Note that the availability of data is something over which FundRock, Squirrel, or Emmi do not exercise any control; availability is reliant upon investees publishing or making available data on their emissions.

5.2. Transition Risks

FundRock and Squirrel have measured the exposure to transition risks by assessing the carbon budgets of the Fund's investees under different scenarios, their potential carbon liability, and their emissions reduction requirements. All these metrics are further explained below.

All figures reported under this section are weighted averages of the figures for the Fund's investees.

5.2.1. Carbon Budget Overspend

The tables below show the amount (in metric tons of CO_2e) by which the Fund's investees exceed their carbon budget in the relevant year, in each scenario[22].Emmi (on FundRock and Squirrel's behalf) calculates carbon budgets by:

- **(A)** Comparing investees' financial metrics (such as earnings, market cap, and net assets) to their carbon emissions, establishing ratios.
- **(B)** Comparing said financial metrics to key global economic metrics (such as GDP, global wealth, and global debt), to assess how much of the global economy is represented by the investees.
- **(C)** Scaling emissions for investees according to the ratios established in steps (A) and (B) above.
- **(D)** Comparing investees' earth-scale emissions to the 1.5°C, 2°C, and 3-4°C scenarios global carbon budgets to calculate the investees' emissions reductions requirements as a percentage of the global carbon budget.
- **(E)** Scaling down the earth-scale carbon budget overspend back to the investees' actual size.

Emissions are assumed to remain constant at their 2023 levels. Consequently, an overspend will almost inevitably be reported in the 1.5°C and 2°C scenarios, as they require substantial emissions reduction. This is intentional: this and the other metrics in this Subsection 5.1.1 illustrate the maximum risk of not reducing emissions, not the potential rewards for doing so.

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[20] *Partnership for Carbon Accounting Financials*

[21] PCAF (2022). The Global GHG Accounting and Reporting Standard Part A: Financed Emissions. Second Edition.

[22] The three scenarios used to calculate the transition risk metrics are SSP1-RCP1.9 (the 1.5°C scenario), SSP2-RCP2.6 (2°C scenario), and SSP2-No Policy (3-4°C scenario).

Scenario	2030	2050
1.5°C Scenario	130,874.21	133,867.92
2°C Scenario	126,823.36	129,765.30
3-4°C Scenario	124,300.37	121,788.89

5.2.2. Potential Carbon Liability

Similar to the carbon budget overspend, to calculate this metric Emmi (on FundRock and Squirrel's behalf) assigns a carbon budget to investees, under which they would have to operate in a certain scenario. This budget is based on certain factors, which reflect **(i)** how governments might apply a price to GHG Emissions from investees[23] and **(ii)** the investees' financial resilience against the implementation of any such costs.

Through this process, Emmi sets GHG Emissions thresholds, which could create a carbon liability for investees if exceeded. The impact of this overspend on the relevant asset's valuation is then calculated:

- For equities, the present EBITDA multiple is obtained by dividing present enterprise value by EBITDA; carbon emissions overspend for the relevant year is multiplied by the carbon price for the same year[24], and the resulting amount is deducted from the present EBIDTA; and the adjusted EBITDA is multiplied by the present EBITDA multiple.
- For fixed interest instruments, yearly carbon emissions overspend are multiplied by the applicable carbon prices until the instrument's maturity, and the results are brought to their present value using its yield to maturity as the discount rate. Such present value is then deducted from the instrument's current price.

The difference between the current enterprise value (for equity) or current instrument price (for fixed interest) and their adjusted values is the percentage value erosion reported as potential carbon liability.

As with carbon budget overspend, emissions are assumed to remain constant at their 2023 levels.

Scenario	2030	2050
1.5°C Scenario	100.00%	100.00%
2°C Scenario	99.44%	100.00%
3-4°C Scenario	82.40%	80.49%

5.2.3. Emissions Reduction Requirements

The reduction requirements figures in the table below illustrate the rate by which the GHG Emissions of the Fund's investees would have to be reduced to align with the GHG budget for the relevant temperature increase target, by the year therein indicated. They essentially communicate by how much emissions would have to be reduced to avoid the carbon liabilities reported in Subsection 5.2.2 above.

Scenario	2030	2050
1.5°C Scenario	95.14%	99.64%
2°C Scenario	89.16%	93.49%
3-4°C Scenario	85.48%	81.86%

[23] No assumption is made on how this liability would be paid by investees. It could be (e.g.) via direct carbon taxes or a requirement for mandatory acquisition of credits in carbon trading schemes.

[24] See Section 5.3 below.

5.3. Price per CO_2 Tonne

Emmi sources base carbon prices (in US dollars) from the CSIRO[25] 2°C carbon price modelling and using this to imply carbon prices for specific carbon trajectories. The carbon prices used were:

Year	1.5°C Scenario	2°C Scenario	3-4°C Scenario
2010	10	10	10
2030	218	36	10
2050	821	115	10

5.4. Management Remuneration

Neither FundRock nor Squirrel have elected to link any part of management remuneration to CRR&O.

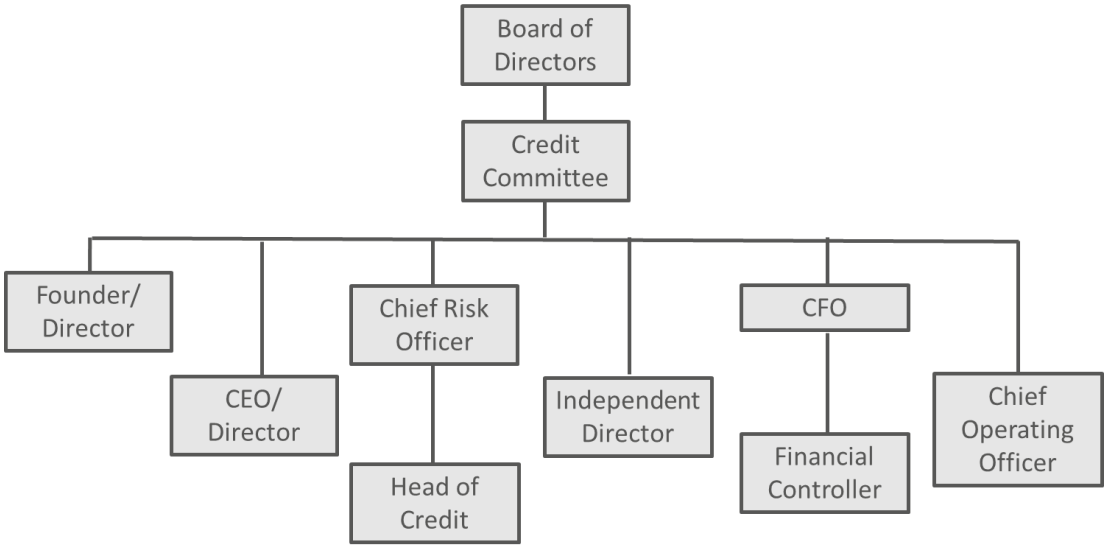
5.5. Other Metrics: Temperature Alignment

This metric assesses investees against global carbon budgets based on IPCC scenarios, placing their emissions on a spectrum between 1.5°C and 4°C. It is based on theories and metrics similar to those used to calculate the transition risks metrics reported in Subsection 5.1.1 above.

Fund	Temperature Alignment
Squirrel Monthly Income Fund	4.00°C

[25] *Commonwealth Scientific and Industrial Research Organisation*, an Australian Government agency responsible for scientific research.

SCHEDULE A. SQUIRREL'S CORPORATE GOVERNANCE



- **Board**: performs the role of governance body, for Squirrel.
- **Credit Committee**: the governance, assessment and monitoring of climate related matters has been delegated to Squirrel's Credit Committee. The individuals in the diagram above are all part of the Credit Committee.
- **CRO**: leads the management of CRD-related compliance risks and provision of risk management expertise.
- **Head of Credit**: leads the credit assessment process for loans including climate related considerations.
- **Financial Controller**: leads the CRD reporting and is the key contact for FundRock for all CRD matters.

SCHEDULE B. CLIMATE-RELATED RISKS

Name	Type	Term	Sector/Geography	Description
Disruption to Business Operations	Physical	Medium/Long	Construction/New Zealand	• Increase in extreme weather events causing damage to physical assets [e.g., offices, infrastructure (such as roads, airports, ports, or data centres)], disabling utilities (such as energy), or otherwise disrupting services or operations. • Increase in temperature increasing demand for energy. • Increase in extreme weather events impacting employees' ability to work or customers' ability to access services.
Disruption to Production & Supply Chain	Physical	Medium/Long	Construction/New Zealand	• Disruptions to production caused by extreme weather events closing offices, causing loss of power, damaging assets, impairing employees' ability to work (e.g., because of H&S issues), affecting productivity, or requiring additional controls. • Impacts to health of employees through heat stress, rise in infectious diseases, poorer water quality, and injury in extreme weather events, impacting on ability to work.
Economic Impacts on Customers (Physical)	Physical	Medium/Long	Construction/New Zealand	Second order effects of climate-change (such as job-loss, potential declines in economic growth, population migration, geopolitical conflict, etc.) affecting financial position of customers/potential customers.
Economic Impacts on Customers (Transition)	Transition	Medium/Long	Construction/New Zealand	Second order effects of climate-change (such as job-loss, potential declines in economic growth, population migration, geopolitical conflict, etc.) affecting financial position of customers/potential customers.
Flood	Physical	Medium/Long	Construction/New Zealand	Flood can damage property and local infrastructure, spread diseases, impact the fertility of soil, cause large destruction of infrastructure, and lead to an increase in refugees.
Increased Carbon Price	Transition	Medium/Long	Construction/New Zealand	• Energy and operations increasing in cost due to carbon price. • Emissions may be subject to carbon price, increasing operational costs.
Large Amount of Policy Intervention	Transition	Short/Medium	Construction/New Zealand	Policy intervention (e.g. high carbon price, large climate funds, disclosure requirements, emission reduction targets) reducing an economy's GHG Emissions intensity and driving innovation.
Litigation Risk	Transition	Short/Medium	Construction/New Zealand	Lawsuits being raised against companies failing to meet climate expectations or requirements.

Name	Type	Term	Sector/Geography	Description
Mean Temperature Increase	Physical	Medium/Long	Construction/New Zealand	Increasing mean temperatures **(i)** making pests and pathogens (human, animal, and plant-based) outbreaks more frequent and severe, posing a threat to both human health and food security; **(ii)** negatively impacting agriculture yields due to the increased heat stress experienced by plants and animals; and **(iii)** increasing the risk of geographical movement disruption (people and goods) due to a desire to minimise spread of disease.
Migration	Transition	Medium/Long	Construction/New Zealand	Mass migration to reduce impacts of physical climate perils in those areas that are worst affected, either within or to outside the region.
Physical Risk Impacting Government	Physical	Medium/Long	Construction/New Zealand	Physical risk increasing governmental expenditure due to increased costs of infrastructure, increased demand on emergency services, and greater reliance on government for financial support. This is exacerbated by **(i)** the impacts of physical risk on the private sector reducing governmental revenue (decrease in income collected from taxation due to a weaker economy); and **(ii)** difficulty in obtaining finance due to decreasing government bond credit ratings.
Policy & Regulatory Impacts	Transition	Short/Medium	Construction/New Zealand	Increasingly stringent climate change regulations (e.g. disclosure, emissions reduction, green buildings requirements, etc.) creating additional processes and costs.
Political Unrest	Transition	Medium/Long	Construction/New Zealand	Political unrest resulting from increased impacts of physical climate perils and inaction of governments.
Reliance on Emissions Intensive Sectors	Transition	Medium/Long	Construction/New Zealand	Economies reliant on GHG intensive sectors (e.g. oil and gas, agriculture, coal, manufacturing, fracking) being impacted as the world transitions to renewable energy and low carbon products.
Sea Level Rise	Physical	Medium/Long	Construction/New Zealand	Sea levels rising due to the thermal expansion of the oceans and the melting of ice sheets and glaciers.
Slow Transition	Transition	Medium/Long	Construction/New Zealand	The geography is seen as not transitioning fast enough to a low-emission economy, decreasing reputation and attraction.
Stakeholder Preference Change	Transition	Short/Medium	Construction/New Zealand	Increasing stakeholder expectation of entity to be proactive in reducing their emissions and in addressing their climate-related risks.

Name	Type	Term	Sector/Geography	Description
Stranded Assets (Physical)	Physical	Medium/Long	Construction/New Zealand	Extreme weather events (such as inundation, storm surge, wildfires, or floods) damaging or devaluing assets or properties.
Transition Risk Impacting Government	Transition	Medium/Long	Construction/New Zealand	Transition risk can increase governmental expenditure due to increased administrative costs for policy interventions and increased expenditure on infrastructure. This is exacerbated by **(i)** the impacts of transition risk on the private sector reducing governmental revenue (decrease in income collected from taxation due to a weaker economy); and **(ii)** difficulties obtaining finance due to decreasing government bond credit ratings.
Water Stress & Drought	Physical	Medium/Long	Construction/New Zealand	Lack of adequate precipitation causing reduced soil moisture or groundwater, diminished stream flow, crop damage, and general water shortage.