RESOLUTION CAPITAL INVESTMENT FUNDS

Climate Statements

31st March 2025

Prepared by FundRock NZ Limited in

Compliance with the Aotearoa New Zealand Climate Standards

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1. INTRODUCTION

FundRock NZ Limited ("**FundRock**") has prepared these climate statements (the "**Statements**") for Resolution Capital Investment Funds (the "**Scheme**") in collaboration with Resolution Capital Limited ("**Resolution Capital**") and in compliance with the requirements of the Aotearoa New Zealand Climate Standards (the "**Standards**"). These Statements cover the reporting period between 1st April 2024 and 31st March 2025 (inclusive) and the Resolution Capital Global Property Securities PIE 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 major 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 Resolution Capital, 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 Resolution Capital 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 Funds' 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), FundRock's approach to climate-change varies and is strongly influenced by the fund's investment manager.

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

Resolution Capital is a specialist investment manager focused on investing in global real asset securities, which includes both real estate and infrastructure, listed on major exchanges globally. The Fund is invested in listed real estate investment trusts ("**REITs**") and real estate securities providing exposure to a range of underlying real estate from around the world including, but not limited to, office buildings, shopping centres, industrial warehouses, residential communities, data centres and towers, self-storage facilities, hotels and healthcare facilities.

Resolution Capital's approach to Environmental, Social and Governance ("**ESG**") factors encompasses both the operations of the business and the assessment of the companies in which they invest on behalf of their clients.

1.1. Adoption Provisions

In preparing these Statements, FundRock relied on the following adoption provisions in the Aotearoa New Zealand Climate Standard 2 (the "**CS2**"):

- **(A)** Adoption provision 2 (Anticipated financial impacts);
- **(B)** Adoption provision 4 (Scope 3 GHG emissions);
- **(C)** Adoption provision 5 (Comparatives for Scope 3 GHG emissions);
- **(D)** Adoption provision 6 (Comparatives for metrics);
- **(E)** Adoption provision 7 (Analysis of trends);
- **(F)** Adoption provision 8 (Scope 3 GHG emissions assurance).

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 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 and Statement of Compliance

Signed on 28 July 2025 by the Directors identified below on behalf of FundRock, approving compliance with the Standards:

Hugh Stevens	
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.

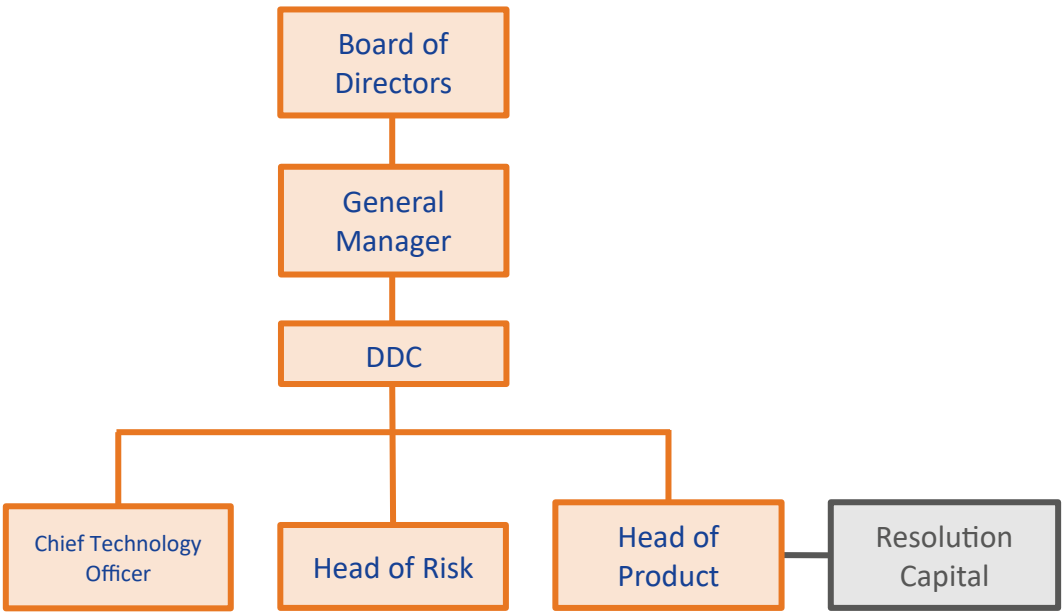
The Board takes into account compliance and regulatory risks arising from possible changes to the regulatory framework of Aotearoa New Zealand's investment industry when developing and overseeing the implementation of FundRock's strategy. CRR&O that are specific to the Scheme and/or Funds (such as those 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 entity-level 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 Disclosures ("**CRD**") regime (including these Statements) and either approves them or attests their orderliness for submission to the Board.

For CRD purposes, the interactions with Resolution Capital are managed by the Product team (led by the Head of Product). As part of its role, the Product team engages with Resolution Capital regarding their climate-related practices and 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's management.
- **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.
- **Chief Technology Officer**: leads the provision of IT support and data expertise.

Within Resolution Capital, CRR&O responsibilities are assigned as follows:

- **Resolution Capital's Board:** devises and oversees the implementation of the business strategy, including ensuring appropriate resourcing. The board approves all policies including the Climate Change Policy and Responsible Investment Policy. Investment decisions are delegated by the Board to the Investment Committee. The Board sets Key Performance Indicators ("**KPIs**") for the investment team relating to integration of ESG factors into the investment process.
- **Investment committee:** the investment committee is made up of the four Portfolio Managers who manage the global real estate strategy and is responsible for approval of securities into the approved investments available for the strategy and Fund. Two of the Portfolio Managers are also Directors.
- **Portfolio Managers:** responsible for portfolio construction and investment decisions, ensuring relevant ESG factors are integrated into the investment process and stock initiations including CRR&O, proxy voting, and engagement with investee companies.
- **Head of ESG:** performs analysis and prepares climate-related disclosures in accordance with the regulatory requirements in the jurisdictions in which Resolution Capital manages client assets/funds, conducts regular training of the investment team, advises the investment team on proxy voting, has input into the engagement agenda, and prepares regular client reports. The Head of ESG presents to the whole company at least twice a year, and at least once a quarter to the investment team, on climate-related regulatory changes in relevant jurisdictions or on particular themes that are relevant to the real estate and infrastructure assets in which Resolution Capital invests. The Head of ESG also advises on the ESG data strategy for the company including recommending data suppliers and working with the Head of Quant to develop the proprietary research database.
- **Head of Operations:** responsible for ensuring compliance with regulations in the jurisdictions in which Resolution Capital operates including those relating to CRD and CRR&O.
- **ESG Committee:** The ESG Committee, which is made up of representatives from across the organisation (Managing Director, Head of ESG, Head of Operations, Head of Client Servies, Head of Quant, a Portfolio Manager, and two investment analysts) meets regularly to discuss reporting, trends, and engagement activities.

2.1.2. Skills & Competencies

The Board continues to develop the skills and competencies of its members in respect to CRD and CRR&O. There were two changes to the Board's composition in August 2024, including the investiture of a director with extensive experience in ESG and assurance. The Board remains committed to receiving training on CRD and CRR&O at its quarterly meetings (see Section 2.1 above).

As mentioned above, within Resolution Capital, the Head of ESG presents twice yearly to the whole company, and at least once a quarter to the investment team, on different aspects of CRR&O as well as providing an update on analysis that has been conducted during the period. Climate-related regulatory changes that impact on the jurisdictions where the portfolio is invested are also discussed at investment committee meetings and company updates.

2.1.3. Metrics & Targets

The General Manager will report to the Board quarterly on the Funds' performance against their metrics (to the extent that the Funds are publishing metrics and data is available) and targets (if any).

The Board has not set CRD- or CRR&O-related targets, key performance indicators, or remuneration incentives for any of FundRock's staff or the Scheme. Nonetheless, the investment manager may choose to set such targets or indicators for the Schemes or Funds; for more about this, see Section 5.1.1 below.

Resolution Capital has not set CRD- or CRR&O-related targets for the Fund. Resolution Capital recognises the need to limit average global temperature rises to well below 2°C, and ideally 1.5°C, compared to pre-industrial levels by 2100 in line with the goals of the Paris Agreement of 2015. In order to meet this target, the global economy needs to achieve

net zero carbon emissions by 2050. The level of decarbonisation needed to achieve this will provide significant opportunities for companies that can enable and take part in this transition to a low carbon economy and provide significant risks for those companies and assets that cannot.

Resolution Capital's focus is not just on a point in time position for the Fund's assets, but on the changing nature of the assets' environmental performance, whether investee companies are improving or whether a declining level of performance requires engagement with company management.

2.2. Management

The DDC reviews key deliverables of the CRD regime as they are prepared, and the most material CRR&O (at the entity-level) 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 associated risks and opportunities. The Product team, in turn, is in contact with Resolution Capital throughout the reporting period and receives updates on their CRD-related processes and their status.

Oversight of the incorporation of ESG (including climate factors) into the investment process in accordance with the Responsible Investment Policy sits with the Investment Committee (the Portfolio Managers). Investment staff KPIs include a component relating to ESG incorporation.

Resolution Capital's investment process routinely takes stock of ESG factors for invested entities and for those under consideration for possible inclusion in the future. Such evaluation may be ad-hoc, at the time of reporting operating results (quarterly/half-yearly), prompted by an external event (merger/acquisition), or periodic (for instance, if an entity consistently outperforms on a particular ESG factor). The investment team routinely engages with top management, investor relations personnel, and sustainability division heads to monitor progress along various ESG issues.

The bottom-up portfolio construction approach allows the investment manager to review ESG criteria in asset analysis and portfolio construction. A discussion of these factors is included in stock initiation and research reports and are considered as part of the valuation for a company where there is a determinable financial impact.

Climate related metrics are updated in the proprietary research database ('Swordfish') at least annually (the frequency at which the majority are available from investee companies or data providers). Resolution Capital uses both internal and external ESG research in its investment process. Data is currently sourced from Bloomberg, MSCI, ISS, Glass Lewis, Global Real Estate Securities Benchmark ("**GRESB**") and Factset. The investment team utilise GRESB data for Environmental and Social factors and incorporate GRESB ESG ratings as one of the key inputs into the investment process. GRESB also monitors social factors such as stakeholder engagement as part of its assessment. The Fund's portfolio – level ESG performance is compared to that of the FTSE EPRA/NAREIT Developed Index using metrics including GRESB ratings and carbon emissions. This is the index against which Resolution Capital benchmarks portfolio performance.

The Resolution Capital investment team prefers to conduct a first-hand scrutiny of investee companies' sustainability efforts by engaging with management/investor relations, perusing Sustainability Reports and other disclosures. Information learned in these meetings are communicated to the whole investment team via meeting notes and Swordfish.

Section 4 below, provides more details on the risk management process.

3. STRATEGY

3.1. Current Impacts

At the entity level, the costs of compliance with CRD regulations continue to be the most significant impact of CRR&O. FundRock and Resolution Capital have dedicated material resources to ensure compliance with it. While these costs may not be passed on to the investors directly, mounting regulation may lead to fee increases.

The risks and opportunities related to Transition Risks the Investment Manager assesses arise from how regulations, market preferences and technology improvements might drive changes to a low carbon economy, and how these changes can impact the value of the companies and assets in which the Fund is invested over time.

Transition Risks and Opportunities are impacting the fund through the need for REITs to upgrade their existing properties to meet impending government regulations on minimum energy efficiency performance that are particularly advanced in the European Union, the United Kingdom, Australia and part of the U.S. This is combined with increasing tenant and buyer demand for greener tenancies and buildings. REITs that cannot improve their portfolios to meet both demands will be left with increasingly obsolete properties that they can neither lease nor sell.

Physical risks are split into Acute (i.e. event driven risks such as increasing severity of cyclones, hurricanes or floods) and Chronic (i.e. longer-term changes in weather patterns such as increasing frequency of higher temperatures and sea level rise) categories. While the more serious impacts of physical climate risks have been projected to occur over the longer term, there are current climate-related events which are having an impact on the investments in global real estate securities now, including heat stress, flooding, wildfires and storm surges which require those companies to look at both short- and long-term horizons.

During the 2025 financial year, there have been a number of natural disasters that have had an impact on the Fund's assets. While the full financial impacts on the Fund are not specifically quantifiable, the wildfires in Los Angeles in January 2025, flooding in Spain in October 2024, and Hurricane Helene in Florida in September 2024 are examples of physical risk events that will likely have both short- and long-term consequences for the Fund.

For example, the wildfires in Los Angeles resulted in widespread destruction and displacement of residents. The wildfires were located largely outside of major business areas, therefore, there was limited direct impact on properties owned by the listed REITs held by the Fund. During the fires, a State of Emergency was declared for Los Angeles County, which enabled California's existing anti-gouging regulations to take effect. These rules expressly prohibit business owners and landlords from increasing prices by more than 10% for a range of items, including rent. Residential REITs with assets in the greater L.A. area should see a degree of revenue growth, primarily from higher occupancy. On the other hand, self-storage REITs could be more adversely impacted by the rent restrictions imposed by the anti-gouging laws.

Insurance costs generally are increasing globally due to more frequent and more impactful weather events. This impacts all property owners as an increase in operating costs, including those within the Fund portfolio. In some areas, insurance premiums are becoming prohibitively expensive and/or properties are uninsurable.

3.1.1. Current Financial Impacts

FundRock is unable to provide a meaningful, reliable, and quantifiable measure of the financial impacts that climate change had on the Scheme or Fund during the current reporting period for the following reasons.

The price of a financial asset reflects investors' expectations of its returns for an undetermined future period. These expectations are based on all material information regarding the asset that is publicly available, and it is impractical to

segregate the impact of one piece of information from that of another. A price movement can sometimes be linked to a specific event, but this is ephemeral: new developments eventuate, and soon it becomes impossible to establish a quantifiable connection between the asset's price and the event of interest. In addition, using an arbitrary timeframe to measure the impact of events would produce arbitrary results[1].

These challenges are *in addition* to the challenge of determining what is an event caused by climate change. Diversified investment funds have dynamic holdings, the real-world assets that sit under their portfolios (i.e., the facilities, infrastructure, etc. connected to its investees) are geographically dispersed, and the universe of events affecting them is too broad for meaningful analysis. It took more than a year after cyclone Gabrielle hit Gisborne in early 2023 for a team of scientists to conclude that it was made 10% worse by climate change[2]; FundRock is not equipped to determine (with reasonable certainty and within the timeframe available to complete these Statements) which, of all events that affected the assets it holds in a certain year, can be linked to climate change – let alone to quantify their effects.

These reasons also mean that it is difficult to provide a qualitative assessment of the current financial impacts of climate change.

3.2. Scenario Analysis

FundRock has used the sector scenario analysis produced on behalf of the Financial Services Council to conduct its own 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 **(1)** identified the driving forces underlying development of the three scenarios, **(2)** modelled their relationship[3], and **(3)** identified those with deeper or broader impacts on the scenarios (i.e., the key driving forces). Further along the process, FundRock analysed the risks identified in the Climate Risk Database, integrating the information across the Sector Scenario Analysis and systematising the risk classification for use with diversified portfolios. Finally, the portfolio of the Funds was used to identify the most critical risks and how they may impact the Funds within the timeframe of the scenario analysis.

Resolution Capital notes there is a high degree of uncertainty in the Sector Scenario Analysis, due to the numerous assumptions relating to environmental, political, social, technological, and economic outcomes, across entire geographies and sectors. Nevertheless, given the vast array of inputs and assumptions applied in developing scenarios, Resolution Capital considers the Sector Scenario Analysis to be a sensible approach. The risks and impacts that were

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1 An example is the Deepwater Horizon explosion and consequent oil spill. The explosion happened on 20 April 2010, local time – before the London market opened on the 21st. The shares of BP plc, owner of the platform, closed at GBP 6.42 on 19 April, GBP 6.48 on 21 April, GBP 4.35 on 20 October (six months from the event), and GBP 4.66 on 20 April 2011 (a year from the event) (prices were sourced from yahoo!finance UK and may differ from other sources). The amount of a hypothetical investor's loss with the event would depend on which of these dates is chosen to measure it.

2 See Stone, Dáithí A. *et alii*, *Cyclone Gabrielle as a Design Storm for Northeastern Aotearoa New Zealand Under Anthropogenic Warming*, available at https://doi.org/10.1029/2024EF004772 (consulted on 11 Sep 2024).

3 See footnote No 10 for the meaning of "model" in the context of scenario analysis.

identified in this process were then considered by Resolution Capital's investment team with regards to the likelihood of their impacts on any future iterations of the portfolios and context in the Fund.

3.2.1. Methods & Assumptions

FundRock and Resolution Capital 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[4], 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 Funds 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[5] this was deemed the most likely path for Aotearoa New Zealand. It is also more challenging than the *Disorderly* scenario, which assumes lower physical and transition risks and a lower long-term temperature increase[6].

Below is a summary of these scenarios. The full description of scenarios and emissions pathways, as well as certain further details on methodology can be found in Schedule A below.

3.2.1.1. Scenario 1: Orderly Transition (1.5°C)

In the *Orderly Transition* scenario, global efforts collectively aim towards achieving a low-carbon economy through consistent advancements in technology, policy, and behaviour. This includes rising carbon prices and regulatory mandates, which increase costs for emissions-intensive entities. Societal shifts and mandatory reporting lead investors and lenders to favour those committed to decarbonization.

Low-emissions technology and consumer preferences challenge the viability of non-innovative entities, especially in energy and transport sectors. While global GHG emissions reduction mitigates major climate impacts, minor effects still occur on natural resource-dependent sectors.

National economies reliant on emissions-intensive sectors face short-term economic challenges. Governments experience financial strain due to worsening conditions and increased expenditure needed to keep up with global transition efforts.

This scenario represents a high level of transition risks and lower levels of physical risks.

3.2.1.2. Scenario 2: Too Little, Too Late (2°C)

In the *Too Little, Too Late* scenario, transition to a low carbon economy is misaligned and moves at difference speeds 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[7], Canada, and

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4 *Climate Scenario Narratives for the Financial Services Sector*, p 12.

5 See Sector Scenario Analysis Report, p 12.

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

7 Recent developments in American politics would challenge the assumption that the United States would be an early mover. Scenario analysis looks 30 years forward, though, and it is still too early to determine the long-term impact of these developments.

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.

In the short and medium-term, countries taking proactive actions experience increased transition risks due to policy measures affecting high emission sectors such as energy, materials, industrials, and agriculture. Average global temperature rises impact various sectors; for example, agriculture experiences reduced crop yields due to heatwaves and torrential rains, while the communication and transportation sectors face infrastructure challenges from wildfires, flooding, and cyclones. By 2050, early-mover nations have transitioned to a low-emissions economy but still face rising global temperatures and sea levels. Due to the increase in extreme weather events and insufficient adaptation strategies, late-mover nations implement aggressive policy measures, including bans on emission-intensive activities and emissions pricing, affecting sectors like energy, industrials, materials, and agriculture.

This scenario represents a high level of both transition risks and physical risks.

3.2.1.3. Scenario 3: Hot House World (3°C)

In the *Hot House* scenario, despite increasing levels of social, economic, and environmental degradation, there is little progress towards a low carbon global transition, with minimal shifts in social and political traction towards a low emissions future. As a result, there is little behaviour change and a lack of low carbon emissions technology development.

This results in an increasing level of fossil fuel use, with strong globalisation increasing consumption and materialism, resulting in higher emissions through to the end of the 21st century. This leads to materialisation of significant acute and chronic physical risks. 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.

This scenario represents a low level of transition risks and higher levels of physical risks.

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*[8]. 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**")[9] and all Funds were considered in scope. For information on time horizons, see Section A.i below.
- **(C)** *Identify driving forces and critical uncertainties*: the Sector Scenario Analysis was reviewed and analysed to produce a conceptual model[10].
- **(D)** *Select temperature outcomes and pathways*: temperature outcomes and pathways were adopted from the Sector Scenario Analysis (see Section 3.1.1 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 Funds. No quantification was attempted.
- **(F)** *Assess strategic resilience*: completed in collaboration with Resolution Capital.

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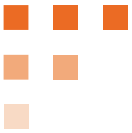
[8] Which is itself an adaptation of *Task Force on Climate-Related Financial Disclosures*, *Guidance on Scenario Analysis for Non-Financial Companies*, October 2020 – also consulted.

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

[10] 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).



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 shared with investment managers for their consideration and (when material for FundRock as an entity) integrated into FundRock's risk management processes.

Resolution Capital's ESG Committee is tasked with ensuring that sustainability practices are discussed more broadly within the business and to ensure that there is a commitment to improvement in integration across the team. Resolution Capital's Managing Director is a member of this committee and reports to the company's board of directors. Resolution Capital undertook this scenario analysis as a standalone process, with the results of the analysis shared with, and considered by, the investment team and ESG Committee. While there are inherent uncertainties within the scenario analysis process, it is complementary to Resolution Capital's approach of using ESG data to identify, assess and manage climate-related risks and opportunities.

3.2.2.2. External Stakeholders

FundRock has reviewed the scenario analysis and its application to the Scheme and Funds and shared the results with Resolution Capital (as described in Section 3.2.2.1 above). By doing this, FundRock benefited from Resolution Capital's thorough knowledge of the Funds 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 Resolution Capital relied to identify and assess the risks for the Scheme and Funds. As indicated in Section 3.1.1 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.

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 Resolution Capital have chosen to highlight the risks that were assessed to be material to the Scheme and Fund. This assessment was based on the Fund's portfolio and the Sector Scenario Analysis.

The risk of policy and regulatory impacts is material for all schemes and funds managed by FundRock, including those in these Statements' scope:

Name	Type	Term	Sector/Geography	Description
Policy & Regulatory Impacts	Transition	Short/Medium	Aotearoa New Zealand	Increasingly stringent climate change regulations (e.g. disclosure, emissions reduction, green buildings requirements, etc.) creating additional processes and costs.

The publication of mandatory climate statements is an early manifestation of this risk (as mentioned in Section 3.1 above). Other material CRR&O are listed in the table below.

With regard to the assets invested in by the Fund, the following additional CRR&O risks have been identified by Resolution Capital as being material to the portfolio.

Name	Type	Term	Sector/Geography	Description

Policy & Regulatory Impacts	Transition	Short/Medium/Long	Real Estate / All	Increasingly stringent climate change regulations (e.g. disclosure, emissions reduction, green buildings requirements, etc.) creating additional processes and costs, loss of value and stranding of carbon-intensive assets.
Market Preferences	Transition	Short/Medium/Long	Real Estate / All	Increasing demand for less carbon intensive products and services, reducing demand for brown assets and stranding assets that cannot meet changing demand.
Technology Advances and Price Reductions	Transition	Short/Medium	Real Estate / All	The increasing availability of lower carbon intensive technologies can reduce demand for high carbon intensity products and services, leading to demand reduction and stranding of assets that cannot be sufficiently upgraded.
Loss of Reputation	Transition	Short/Medium	Real Estate / All	Companies seen as laggards in transitioning to a low carbon economy, or who fail to consider this transition, can risk losing market share and eventually its social license to operate.
Acute Climate Events	Physical	Short/Medium	Real Estate / All	Reduction in revenue and asset values caused by business interruptions and reduced asset productivity for those companies that are not preparing for the increasing frequency and intensity of physical risks.
Stranded Assets Disruption to Operations	Physical	Medium/Long	Real Estate / All	Disruptions to operations and revenue generation assets are not prepared to withstand the impacts of greater rainfall, more frequent flooding, or wildfires. Assets that are not able to withstand extreme weather events can also end up with damage that is uneconomical to repair and become stranded and uninsurable.

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

FundRock and Resolution Capital adopt the timeframes from the Sector Scenario Analysis (see Section A.i below).

3.3.2. CRR&O & Decision Making

Management of entity-level CRR&O has been integrated into FundRock's overall risk management framework. That framework involves discussing risks in risk controls meetings attended by the General Manager. If the relevant risk cannot be properly addressed at this level, they may be highlighted in the quarterly Board reports (see Section 2.1.1 above). Should the Product team identify the need for reviewing the level of resources dedicated to addressing climate risks, it would express its view to the General Manager in the relevant meeting or through the Board report. Senior management and directors would consider said needs within the context of FundRock's goals and the environment in

which it operates and make capital deployment decisions as required by their duties, taking into account the Apex Group's policies.

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.

Resolution Capital makes investment decisions based on fundamentals of a company, focusing on three key attributes:

- high barrier markets where owners have the best potential for long term pricing power or attractive regulatory frameworks / concessions;
- strong balance sheets which can successfully withstand and exploit market cycles; and
- management teams with skill, discipline and alignment.

CRR&O forms an integral part of the analysis of each of these attributes, with successful management of exposure to climate related risks and opportunities can benefit the broader community and be additive to performance, ultimately rewarding investors through superior investment outcomes.

3.4. Anticipated Impacts

From an institutional perspective, FundRock continues to see changes to the cost of compliance with climate-related policies and regulations as the main anticipated impact of CRR&O. The review of NZ CS 2 in late 2024 reduced the cost pressure for the current reporting year. Looking ahead, FundRock sees substantial uncertainty as both the Ministry for Business, Innovation, and Employment and XRB have opened or indicated their intention to open consultations on the future of the CRD regime. There is a chance that legislation and regulations emerging from these consultations will stabilize the cost of compliance with CRD requirements. Nonetheless, as it is publication of Scope 3 GHG emissions will be required, and will be subject to assurance from the 2025/2026 reporting period onwards. This would significantly increase compliance costs.

Resolution Capital expects climate change to increase costs due to compliance, policies, and regulations. Though there may be some operational benefits, overall costs will rise from new regulations, client reporting demands, and data needs. The table of material CRR&O above outlines the material risks and opportunities Resolution Capital expects to impact its funds in the future.

In terms of both Transition Risks, Resolution Capital expects its investee companies to experience progressively increasing costs due to compliance with decarbonisation focused regulations, which are likely to take the form of progressively more significant capital investments to increase the energy efficiency performance of their properties, as well as also making these properties fit for purpose to meet tenant demands for energy efficient and sustainable spaces. These drivers are seen as both risks and opportunities, as companies that are able to meet these demands will be able to take market share from poorer performing peers with brown buildings. These impacts will be more prevalent in Scenario 1: Orderly Transition.

Under Scenario 3: Hot House World, physical risk impacts are expected to have a high impact, given the likelihood of more frequent and intense climate events and the subsequent property damage they will cause. Resolution Capital's investee companies are likely to face increasing costs from several avenues, including repairing property damage, loss of revenues from operational downtime, reduced demand for properties in areas with high levels of climate risk, as well as insurance premiums that could become unsustainable. These impacts could then contribute to stranded assets and lower revenues and profitability for companies that cannot adapt their property portfolios to withstand these climate events.

Scenario 2: Too Little Too Late will present a mixture of these impacts over different time horizons. In the shorter term, Transition Risks will have larger impacts, with physical risks having an increasing impact over time given the slow pace of economic transition.

3.5. Transition Plan Aspects of Strategy

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.

Resolution Capital is an active manager and believes that the ultimate driver of returns from listed real estate securities is the quality and level of sustainable cash earnings generated by the underlying assets. As a result, Resolution Capital's investment process is focused on evaluating these cash-flows consistently across property sectors and regions. Resolution Capital believes that listed real estate provides an excellent means of gaining exposure to the returns of some of the world's highest quality real estate assets.

Resolution Capital is focused on fundamentals driven stock selection, through a number of qualitative and quantitative measures, which is focused on:

- what Resolution Capital believes to be high quality, high barrier, hard to replicate strategic assets, which are located in key markets and cities, where there is landlord pricing power;
- entities with sustainable capital structures, which are run by disciplined and aligned management teams;
- labour, environmental, social and governance considerations (where appropriate and carries financial impact on investors – please see below for more information); and
- robust earnings profile, with the majority of earnings derived from recurring rental activities.

The bottom-up analysis is reviewed in conjunction with the identification of top down, broader investment and direct real estate themes (e.g. macro-economic conditions, demand and supply levels, construction costs etc.), which may influence a securities' risk level.

Supporting the bottom-up philosophy is the division of research responsibilities amongst the investment team by real estate sector, rather than region. Each member of the investment team is responsible for and specialises in one or more real estate sectors, such as retail, office, industrial, residential, hotels, data centres and healthcare. The investment team is therefore well equipped to evaluate companies and their management teams against global peers.

By adopting this approach, Resolution Capital believes it can create a portfolio which has the greatest prospect of delivering returns above inflation and consistent, sustainable, long-term outperformance.

Resolution Capital applies environmental, social and corporate governance considerations when selecting, retaining or realising the investments of the funds that it manages in addition to other methods in assessing company value. These ESG considerations are generally only taken into account by Resolution Capital to the extent that they financially affect

the investment. It should be noted that Resolution Capital does not have a fixed methodology or weightings for incorporating these ESG risks and each investment opportunity is assessed on a case-by-case basis, however special consideration is taken of responsible investment and labour standards frameworks, including the UN-sponsored Principles for Responsible Investment, UN Global Compact and UN Guiding Principles on Business and Human Rights.

Where Resolution Capital's ESG data sets identify disclosure gaps or lagging ESG performance in terms of setting carbon targets or annual emissions reductions, these companies are targeted for engagement to understand why there is a deficiency, whether there are plans to rectify, and to encourage the company to do so if not. A key area of focus has been on encouraging companies to improve their ESG-related disclosures through recognised frameworks aimed at robust reporting and increasing standardisation.

In its engagements, Resolution Capital is asking companies that do not currently have carbon reduction targets that are aligned with the Paris Agreement if they are planning on implementing one, and if not, why not. For the companies that do not demonstrate a clear intention to become Paris aligned, Resolution Capital's approach requires them to follow up with company management, discuss any issues or barriers to implementing such a target, and to apply pressure to encourage change. Resolution Capital communicates the importance of an ambitious environmental strategy and its intention to follow up regularly to ensure that progress is being made. If engagement does not yield any progress, Resolution Capital can use proxy voting as an escalation tool to vote against company directors.

3.5.1. Transition Plan

Given the resilience of FundRock's business model expressed above, it currently has no plans to change its strategic direction based on CRR&O or adopt any targets for itself. Our core concern will continue to be regulatory transition risks, which have already been integrated into our risk management (see Section 4 below) and governance (see Section 2.1.1 above) processes.

Going forward, FundRock expects that the level of resources dedicated to address CRR&O will increase to accommodate assurance requirements. Otherwise, resourcing and costs are likely to remain stable (in real terms). We expect the funds to pay for all costs associated with the CRD regime and CRR&O via the fees charged from investors. We have not yet increased fees to address these costs, but we may have to do this if they do not stabilize.

Resolution Capital has not set any net zero targets at the corporate or investment levels. At the corporate level the company has been carbon neutral since 2021, achieved through purchasing renewable energy to cover electricity use in office tenancy and purchasing carbon credits to cover Scope 3 emissions.

At the investment level, while Resolution Capital has not yet set a net zero target at the portfolio level, the company does measure its portfolio's alignment with a net zero trajectory and coverage of the carbon targets of portfolio companies. Additionally, Resolution Capital engages with companies that do not have sufficiently ambitious carbon reduction targets, encouraging them to set net zero targets and providing relevant examples of industry best practices to assist in setting their own targets.

Approximately 67% of the companies in Resolution Capital's global REIT portfolio have a net zero target by 2050, as of March 2025. From engagements with companies that do not currently have net zero targets, there are many that are either in the process of setting these targets or understand the need for these targets and are undertaking work to understand how they can both set targets and achieve them. As a result of these discussions, it is expected that over the next several years, the proportion of companies with net zero targets will significantly increase.

4. RISK MANAGEMENT

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.

Resolution Capital has developed a Risk Management Framework ("**RMF**") which is based on the International Standard for Risk Management (AS/NZ ISO31000) and applies to all directors and employees. The RMF establishes a framework for how risks are managed within the company, outlines a consistent approach to identifying, analysing, evaluating and prioritising risk treatments, provides a basis for evaluating risks and prioritising risk treatments, and enables reporting of the company's overall risk profile, including whether it is operating within its risk appetite. Identified risks and the related controls and risk owners are outlined in the Risk Register.

ESG has been identified as a strategic risk which has potential impacts on investments held within the strategies managed, including the global REIT portfolio held within the Fund.

4.1. Prioritisation Process

FundRock and Resolution Capital prioritize 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[11].

These risks are reassessed every other month according to the processes summarised in Section 3.3.2 above.

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

For CRR&O, FundRock and Resolution Capital use the time horizons adopted for scenario analysis (see Section A.i below) for risk assessment.

4.3. Parts of Value Chain Not Included

The risk assessment process considered fund management, investment management, and the Funds' investments. Distribution risks were not considered because they do not directly pertain to the Fund and FundRock does not believe their analysis would provide material information for the Fund's investors.

4.4. Assessment Frequency

FundRock assesses entity-level risks every other month, following the processes summarised in Section 3.3.2 above.

Resolution Capital assesses investment risks in an ongoing basis.

[11] An *inherent* risk is that before any controls or mitigations are applied, while a *residual* risk is that left after this is done. The inherent risk of losing a house to a fire is that of simply moving into it; the residual risk is that after smoke detectors and sprinklers have been installed and fire insurance has been acquired.

5. METRICS & TARGETS

FundRock has decided not to publish metrics for the Fund in these statements.

In late 2024, Adoption Provision 4 was amended to exempt climate-reporting entities from publishing Scope 3 emission in their first *and second* reporting period[12]. In the statements for its first reporting period, FundRock opted *not* to use this adoption provision; however, changes in circumstances have led to a review of this decision. While FundRock was aware that MIS managers may have been exempt from publishing GHG emissions in their first reporting period, at the time it was uncertain whether this was an acceptable interpretation of legal and regulatory requirements. It has since become clearer that all funds' emissions are considered Scope 3 from perspective of the CRD regime, allowing FundRock to reconsider this decision.

Specifically regarding GHG emissions, FundRock relies on the exemption granted by Adoption Provision 4. FundRock considered publishing metrics in other categories[13] and has come to conclude that (under current circumstances) they are not material for the Fund, for the following reasons:

- **(A)** **Lack of Comparability**: while GHG emissions metrics have shortcomings which makes it difficult for investors to compare the values reported by different fund managers, these challenges are exponentially increased when it comes to other metrics. There is little to no consistency on which metrics are reported, and even metrics that share a name (such as climate value at risk or temperature alignment) can vary significantly with data provider.
- **(B)** **Lesser Utility**: thanks to the higher reliability of GHG emissions, they are generally seen as the standard by which funds' climate performance is assessed. They also provide context for the interpretation of other metrics. Publishing other secondary metrics only (without the underlying GHG emissions data) would not allow investors to make informed decisions – in fact, they could be misleading, as investors may not appreciate their shortcomings.
- **(C)** **Lesser Relevance**: the Fund makes no ESG, sustainability, or "green-ness" claims. FundRock does not expect climate metrics to play a material role in investors and prospective investors' decisions to invest in or divest from the Fund. Furthermore, since the publication of the climate statements for the previous reporting period FundRock has seen no evidence that investors are interested in this data.
- **(D)** **Cost**: there are substantial costs associated with acquiring climate metrics from data providers, which are borne by the Fund's investors. Given the above, FundRock does not believe these costs to be justified.

These decisions will be reviewed for the next reporting period.

5.1. Management Remuneration

FundRock has not elected to link any part of management remuneration to CRR&O.

5.1.1. Resolution Capital

As mentioned above, the Resolution Capital Board sets KPIs related to ESG integration. These KPIs focus on engagements with company sustainability representatives and management of investee companies for all investment team members. While ESG focused engagements can cover topics that include corporate governance and modern slavery, the most common topic for engagements with investee companies is climate-related and focus on decarbonisation and physical climate risk exposures.

During 2024, Resolution Capital undertook 37 ESG focused engagements, with 17 being climate-related engagements. This represented 36% of the portfolio's holdings being engaged on climate-related topics during 2024. The outcomes of these engagements then inform the investment process through increased understanding of that company's positioning and performance.

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[12] See CS2. Note that MIS Managers are not required to disclose Scope 1 and 2 GHG emissions because S461O of the Financial Markets Conduct Act 2013 defines MIS Managers as climate reporting entities in respect of the schemes they manage, and those schemes do not have Scope 1 and 2 GHG emissions. In accordance with the Greenhouse Gas Protocol (GHG Protocol), all the emissions of the investee companies are considered Scope 3 (financed) emissions for the Fund[s].

[13] Transition risks, physical risks, climate-related opportunities, capital deployment, internal emissions price, and remuneration, as per CS1, 22.

SCHEDULE A. ANALYSED SCENARIOS

A.i. Time Horizons

FundRock and Resolution Capital adopted the time horizons set in the Sector Scenario Analysis.

Term	Time Horizon
Short	1-3 Years
Medium	5-10 Years
Long	30+ Years

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 goals (e.g., an overseas holiday next year).

(B) Medium-term horizon is aligned with strategic planning and medium-term investment goals (e.g., first home acquisition).

(C) Long-term horizon is aligned with aspirational planning (e.g., mission and purpose), long-term investment goals (e.g., retirement) and international decarbonisation targets.

A.ii. 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 the country 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).

A.ii.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. This is cause and effect of the following:

- 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.

A.iii. 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[14], 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 carbon 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:

- 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.

[14] Recent developments in American politics would challenge the assumption that the United States would be an early mover. Scenario analysis looks 30 years forward, though, and it is still too early to determine the long-term impact of these developments.

- 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.

A.iii.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, 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.

A.iv. 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.

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.

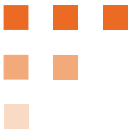
All geographies are affected by physical climate impacts, which are exacerbated by the lack of investment in adaptation infrastructure by governments in the short- and medium-term.

Financial impacts follow. Demand for sectors such as consumer discretionary spending 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.

A.iv.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 (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 drop to USD 6 per tonne in 2030 and remain stable until 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 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.



A.v. Sources of Data

The scenarios described in this Statement were produced during the 2024/2025 reporting year using data from the Sector Scenario Analysis. FundRock has also consulted the Network for Greening the Financial System's scenarios portal[15] to enhance its understanding of climate change in general and the Sector Scenario Analysis in particular.

[15] 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*.