COLCHESTER INVESTMENT FUNDS

Climate-Related Statements

31st March 2024

Prepared by FundRock NZ Limited in

Compliance with the Aotearoa New Zealand Climate Standards

fundrock.com

CONTENTS

1. INTRODUCTION

FundRock NZ Limited ("FundRock") has prepared these climate-related statements (the "**Statements**") for Colchester Investment Funds (the "**Scheme**") in collaboration with Colchester Global Investors (Singapore) Pte. Ltd ("**Colchester**") 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 Colchester Global Government Bond 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 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 Colchester, 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 Colchester Global Investors (Singapore) Pte. Ltd 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 Colchester Global Investors (Singapore) Pte. Ltd, as detailed in the Scheme's governing documents and the Product Disclosure Statement for the Fund.

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.

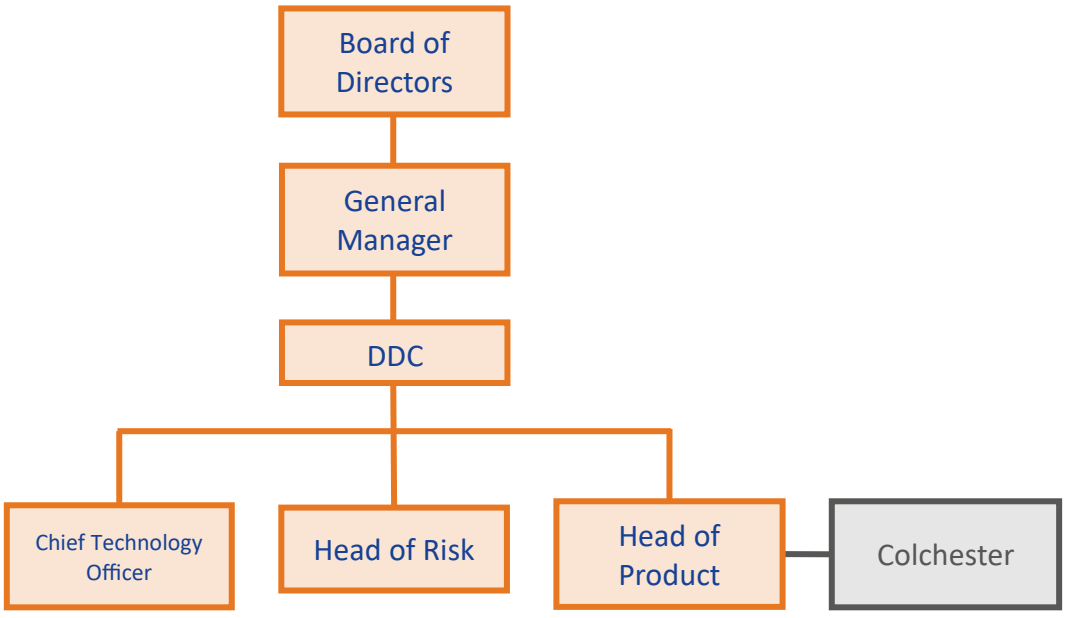
The Board takes CRR&O into account when developing and overseeing the implementation of FundRock's strategy – particularly transition compliance and regulatory risks arising from possible changes to the regulatory framework of Aotearoa New Zealand's investment industry. CRR&O that are specific to a Scheme 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, the interactions with Colchester are managed by the Product team (lead by the Head of Product). As part of its role, the Product team continuously monitor Colchester's compliance with their climate-related objectives.

The chart below illustrates the structure described above:

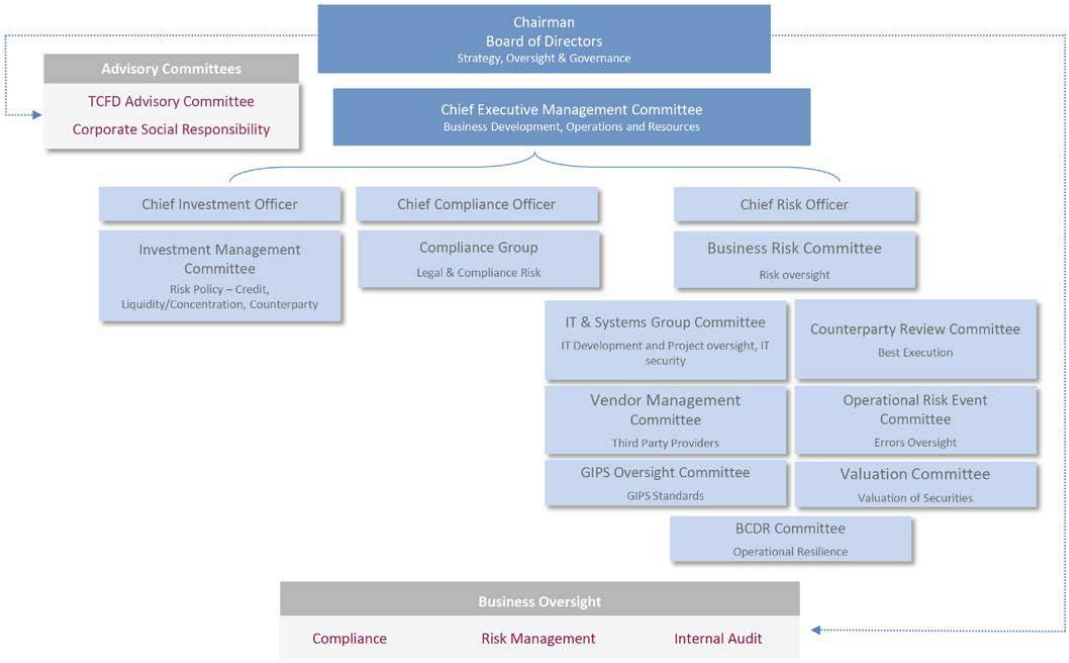


- **Board**: performs the role of governance body, as described in this Statement.
- **General Manager**: ensures project is adequately resourced, defines success, and acts as liaison between the Board and FundRock.
- **DDC**: manages CRD-related activities, as described in this Statement.
- **Head of 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.
- **Chief Technology Officer**: leads the provision of IT support and data expertise.

2.1.1.1. Colchester

The Fund's CRR&O are managed by Colchester, as the Fund's investment manager and risk manager. The Fund is part of Colchester's risk management framework, which is embedded across Colchester and all its entities, comprising Colchester's governance, risk management process and risk appetite. Colchester's Governance and Risk Management framework consists of several executive committees, which discuss and make the Board aware of any material risk issues when appropriate to do so, including CRR&O, as they impact on Colchester's funds, including the Fund. Specifically, climate-related risks are discussed within Colchester's TCFD Advisory Committee which is comprised of members from across the various departments of the company, including certain heads of departments and senior managers. The TCFD Advisory Committee provides Colchester's board with a report on a bi-annual basis.

On the investment side, the Fund only invests in sovereign or supranational issuers. Environmental, Social and Governance ("**ESG**") factors are an integral part of Colchester's investment process for the Fund. Colchester integrates ESG factors into the investment decision process on a continuous basis through the systematic and holistic integration of ESG factors through an ESG Scoring Framework. To assess a country's financial stability, the investment management team undertakes classic macro-economic and balance sheet analysis, as well as consideration of material ESG factors relevant to a country. Climate risk is only one part of this ESG assessment which Colchester integrates into the risk adjusted valuation for each country. Colchester's ESG framework considers various E, S and G related indicators, as set out in its ESG policy.



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 p 6 above) who reports on the most material CRR&O.

Colchester' Investment team receives ESG training on an annual basis. Additionally, Claudia Gollmeier, Senior Investment Officer, chairs the PRI Sovereign Debt Advisory Committee and provides the investment team with industry

insights on ESG matters. Claudia Gollmeier and a member of the Legal team provide ESG training to relevant teams on an annual basis. As a result, ESG training for the investment team, as well as companywide, is ongoing throughout the year.

2.1.3. Metrics & Targets

Reports from the General Manager to the Board (see p 6 above) are planned to include a review of the Funds' 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 Funds quarterly (see p 6 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 Colchester throughout the reporting period and receives regular updates on their CRD-related processes and their status – including those directly related to CRR&O.

Colchester's investment management committee ("**IMC**") reviews and implements the responsible investment approach, as described above, and this receives final sign off by Colchester's Chief Investment Officer or his designee. To assess a country's financial stability score ("**FSS**")[1], Colchester undertakes traditional sovereign credit analysis, as well as consideration of material ESG factors relevant to a country. Climate risk is only one part of this ESG assessment which Colchester integrates into the risk adjusted valuation for each country. FSS provides risk adjusted valuation inputs to the Fund's optimization framework. Colchester's ESG framework considers various E, S and G related indicators, which are set out in its ESG policy. In addition, Colchester's risk team, with input from the legal and investment management teams, annually reviews the firm's risk register, which compiles relevant climate risks, and these are reported to Colchester's business risk committee, which in turn reports to Colchester's board.

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

[1] See Section 3.1 for more details on FSS.

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 Colchester 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.

Given the interconnectivity of ESG factors with a country's balance sheet factors, it is difficult to break the ESG component out, and even more difficult to do so for the climate aspect on its own. This was also noted by the United Nations supported Principles for Responsible Investment's ("**PRI**") Sovereign Debt Advisory Committee's latest paper, *Considering Climate Change in Sovereign Debt*[2] in which the following was noted:

> "*quantifying the exact impact of climate change on sovereign debt yields or returns is very difficult. In particular:*
>
> - *Bond yields depend not just on credit risk but also on inflation, interest rates, term structures and currency risk.*
> - *Some climate risks – and the policies to address them – play out over a time horizon that is too long to be relevant for short-dated sovereign bonds.*
> - *Countries differ in their ability to withstand climate risk: for example, economies that are larger and more diversified can absorb these physical and transition risks more easily. The strength of a country's finances and of its institutions also matters here.*"

As per Colchester's investment process, the FSS includes both balance sheet assessment and ESG factors. The FSS ranges from +4 for strong country balance sheets with ESG factors and -4 for weaker balance sheets and ESG considerations. These factors will be applied to the respective yields which will provide the Fund with a risk adjusted yields (valuations) and forms one of the input factors into the Fund. As noted above, it is difficult to break out the precise climate impact due to the interconnectivity of these factors. For example, a heavy fossil fuel-dependent economy's fiscal revenues might be negatively impacted over the medium and long term in the absence of a more diversified economy. In assessing the impact, Colchester uses the Network for Greening the Financial System ("**NFGS**") transition cost model for regions and countries, which feed specifically into each country's FSS, which will lead to upward or downward adjustments to the yields based on the estimated climate cost of this country, amongst other factors. The higher the transition cost for this country the higher the negative implications on a country's fiscal balance, and it can in severe cases lead to an unstable debt path and hence default. Similarly, on the physical climate risk, Colchester estimates the physical risk costs from the EM-DAT, Cred/UCLouvain, Brussles, Belgium database[3] in conjunction with Swiss Re's estimated countries' emissions pathways. Again, these impacts will feed into the FSS via the fiscal side like in the transition risk side. Colchester believes the graphic below from the NGFS demonstrates the transmission mechanism and impact/financial risks for a country, which is clearly dependent on a country's economic structure[4].

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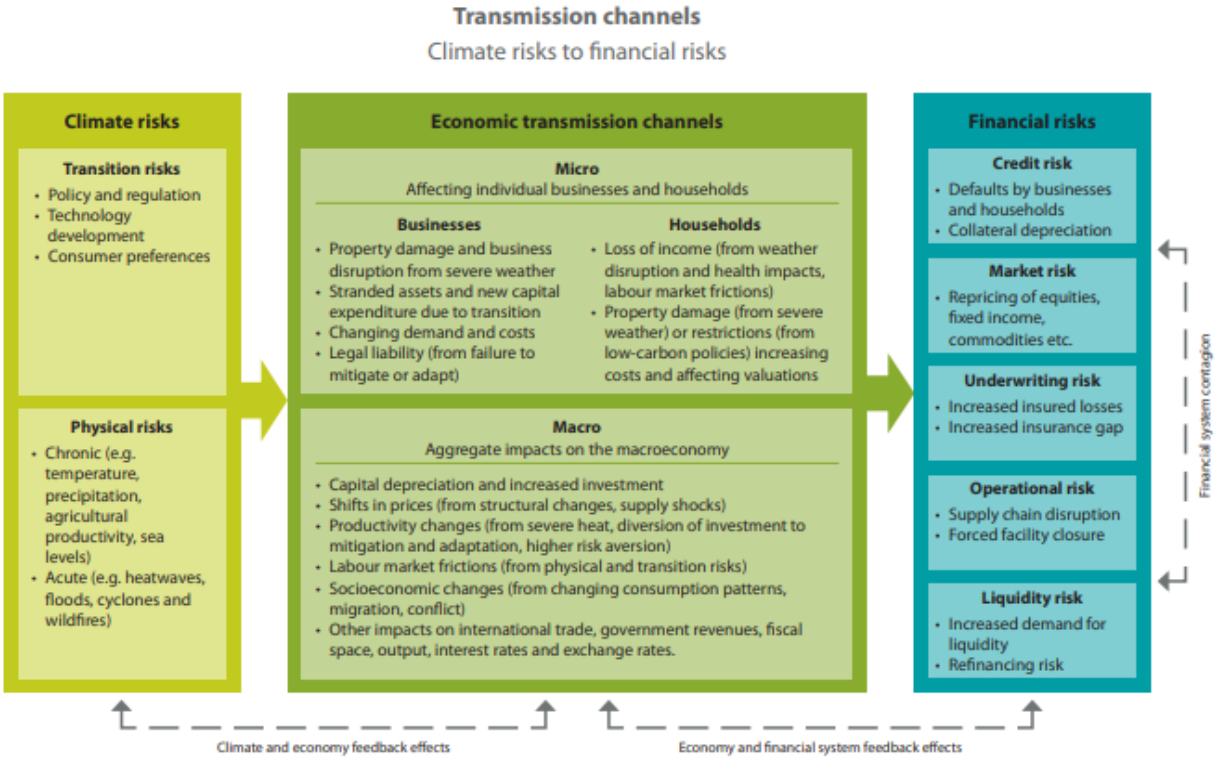
2 https://www.unpri.org/download?ac=19484

3 http://www.emdat.be

4 Source: https://www.ngfs.net/sites/default/files/medias/documents/820184_ngfs_scenarios_final_version_v6_0.pdf



3.2. Scenario Analysis

3.2.1. Physical Risks

For assessing the possible impact of physical risk, Colchester has developed a scenario analysis that uses a physical risk index that measures the susceptibility, coping, and adaptation scores to extreme natural events. Colchester uses the WELT World Risk Index[5] for this, together with historical disaster costs, to develop scenarios with an aim to better understand each country's debt profile by highlighting the fiscal impact of physical risk on a country's financial stability. Colchester's physical risk analysis is based on three scenarios for global temperatures:

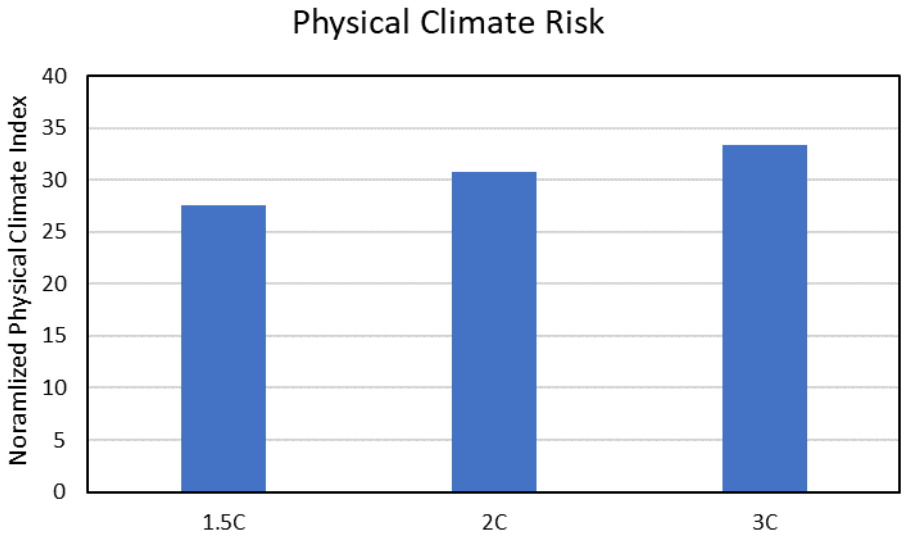
(A) 1. Meeting of net zero <=1.5°C
(B) 2. Divergent from net zero 2°C
(C) 3. Disorderly away from net zero >=3°C

Meeting the net zero objective implies that policies are introduced early and are orderly, limiting the global temperature to 1.5°C above pre-industrial levels and the physical risk impact on government balance sheets. In contrast, the disorderly third scenario, where only current mitigation and adaptive policies are preserved, will imply high physical risks and costs for countries. To help Colchester assess the differences in the potential costs across the scenarios, Colchester has used the 2021 study by Swiss Re[6], which are used to estimate the countries' emissions pathways. These scenarios are based on the standard International Pannel on Climate Change ("**IPCC**") Representative

[5] https://weltrisikobericht.de/en/
[6] https://www.swissre.com/institute/research/topics-and-risk-dialogues/climate-and-natural-catastrophe-risk/expertise-publication-economics-of-climate-change.html

Concentration Pathways[7], with adaptations made by Moody's Analytics[8] and then by Swiss Re in the aforementioned paper. A uniform timeline for the average global temperature rise in each scenario by 2050 is used.

Colchester estimates the physical risk impacts upon each country's fiscal balance, under each temperature scenario, and uses this analysis to further estimate the impact this may have on annual government debt balances. The costs were used from the EM-DAT, Cred/UCLouvain, Brussles, Belgium database[9] . These three scenarios, shown in the chart below[10], highlight the negative impact on the portfolio by increases in global temperatures. Colchester has displayed the data in a normalized index format for the Fund. The chart highlights that the highest physical climate risk, based on the current Fund positions, would be under the 3C scenario.

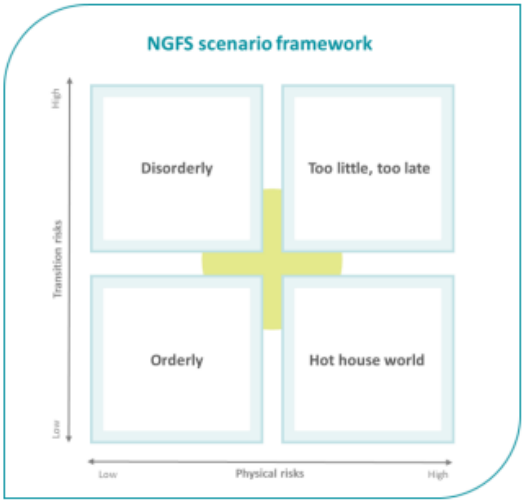


3.2.2. Transition Risks

Transitioning towards a cleaner world will be expensive, and Colchester sees that the official estimates of these costs vary widely. Transition risk depends, among others, on the structure of the economy, the dependence on fossil fuels and the trade composition. Colchester uses the NGFS transition model[11].

Colchester's analysis involves three scenarios, which are derived from the NGFS's work[12]:

7 https://ar5-syr.ipcc.ch/topic_futurechanges.php
8 https://www.economy.com/products/alternative-scenarios/scenarios-climate-change
9 http://www.emdat.be
10 Source: EMDat.de, IEA and Colchester
11 https://www.ngfs.net/sites/default/files/media/2022/11/21/technical_documentation_ngfs_scenarios_phase_3.pdf
12 Source: https://www.ngfs.net/sites/default/files/media/2024/01/16/ngfs_scenarios_technical_documentation_phase_iv_2023.pdf



Colchester's scenarios are based on the **transition risk** scenarios:

- Meeting of net zero <=1.5°C
- Divergent from net zero 2°C
- Disorderly away from net zero >=3°C

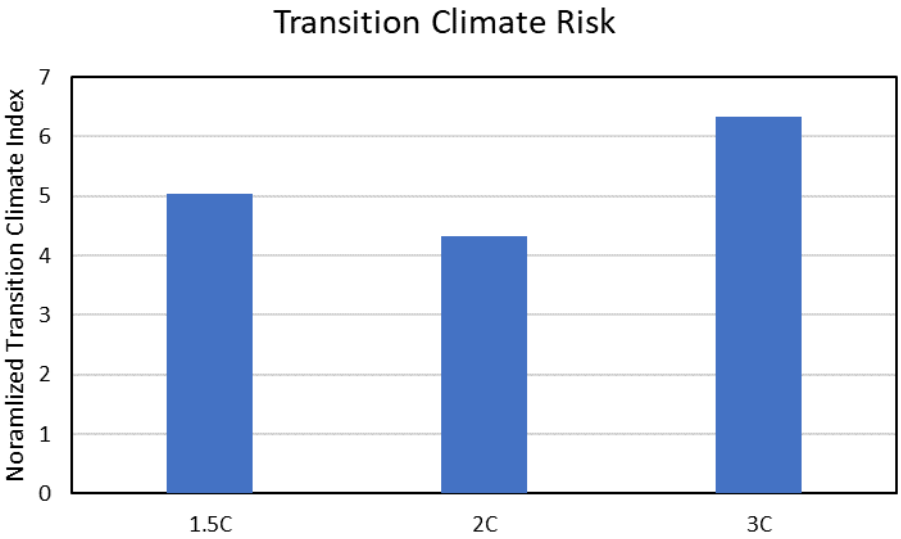
Colchester calculates the policy costs per country (when available) or region (assigning a share for each country in that region scaled by the adjusted PPP GDP) up to 2050. These monetary costs are then translated into times of GDP per each country to evaluate the impact on costs as a ratio of the size of their economy. The series is then translated into an index, where higher score means higher impact per GDP. Please note the key assumptions based on the above scenarios in the chart below[13]. Colour coding indicates whether the characteristic makes the scenario more or less severe from a macro-financial risk perspective, with blue being the lower risk, green moderate risk and red higher risk.

[13] https://www.ngfs.net/sites/default/files/media/2022/11/21/technical_documentation_ngfs_scenarios_phase_3.pdf

Category	Scenario	Policy ambition	Policy reaction	Technology change	Carbon dioxide removal	Regional policy variation
Orderly	Net Zero 2050	1.4°C	Immediate and smooth	Fast change	Medium-high use	Medium variation
	Below 2°C	1.6°C	Immediate and smooth	Moderate change	Medium-high use	Low variation
Disorderly	Divergent Net Zero	1.4°C	Immediate but divergent across sectors	Fast change	Low-medium use	Medium variation
	Delayed Transition	1.6°C	Delayed	Slow/Fast change	Low-medium use	High variation
Hot House World	Nationally Determined Contributions (NDCs)	2.6°C	NDCs	Slow change	Low-medium use	Medium variation
	Current Policies	3°C+	None - current policies	Slow change	Low use	Low variation

The chart below[14] indicates the transition risk for the Fund based on the above data sources and three scenarios. Colchester has displayed the data in a normalized index format for the Fund. The chart highlights that the highest transition risk, based on the current Fund positions, would be under the 3C scenario.

[14] Source: IMF, NGFS and Colchester.



3.2.3. Methods & Assumptions

Colchester accepts that its climate change assumptions will need to be updated over time, but the scenarios do give it some insight into the scale of the potential contingent liabilities on each country's financial balance sheets. Over time, Colchester will look to improve its analysis by incorporating the country specific cost of migrating towards clean energy sources. Colchester recognises that, over time, the cost of investment in new technologies might fall and hence it could be that its estimated costs are overestimated. Equally, the physical risks that Colchester outlines could be larger or smaller and may impact government balance sheets sooner or later than Colchester has anticipated. The financial stability analysis is evidence based and Colchester will probably revise its assumptions as and when Colchester receives new information.

3.2.3.1. Time Horizons

Colchester's scenario analysis does not set out specific time horizons at this stage, as the data sets are not yet available. However, Colchester continues to monitor new data availability and as such may break down the specific time horizons in the future.

3.2.3.2. Scenario 1: Meeting of Net Zero (≤1.5°C)

As referenced above, Colchester refers to Swiss Re's work on this scenario in of physical risk analysis (which is ultimately based on the IPCC RCP2.6 scenario) and the NGFS' orderly "Net Zero 2050" scenario on the transition side.

In both cases, this is the most aggressive outcome, in which global emissions are significantly reduced by 2050 via an orderly transition to cleaner energy production, requiring the greatest expenditure. The implication of this for physical risk is a significantly lower likelihood of climate-related disasters compared to the more disruptive scenarios, whilst the transition risks under this scenario entail the greatest near-term (and ongoing) expenditure, in addition to disruption to various industries which may be discouraged (e.g., oil and gas exploration/extraction).

3.2.3.3. Scenario 2: Divergent from Net Zero (2°C)

As referenced above, Colchester refers to Swiss Re's work on this scenario in of physical risk analysis (which is ultimately based on the IPCC RCP4.5 scenario) and that of the NGFS in Colchester's transition risk work (disorderly "Delayed Transition" scenario).

In both cases, this is the moderate outcome, in which global emissions are reduced generally by currently pledged amounts. The implication of this for physical risk is a lower likelihood of climate-related disasters compared to the most disruptive scenario, and slightly less up-front expense and economic disruption to facilitate a more moderate transition pathway.

3.2.3.4. Scenario 3: Disorderly away from net zero (≥3°C)

As referenced above, Colchester refers to Swiss Re's work on this scenario in of physical risk analysis (which is ultimately based on the IPCC6.0 scenario) and that of the NGFS in Colchester's transition risk work of the Disorderly away from net zero >=3°C scenario).

Finally, this is the most severe outcome, in which global emissions are not adequately reduced to avoid material increases in global average temperatures over or above 3°C. The implication of this for physical risk is an enhanced risk of climate-related disasters and their associated costs, balanced by the least disruptive/costly transition in the near-term.

3.2.4. Scenario Analysis Process

Colchester developed the initial scenario analysis internally, using publicly available data sources. Colchester recognizes this is an evolving process and hence Colchester will keep updating it, if and when appropriate.

3.2.4.1. Integration & Governance

Colchester's scenario analysis is integrated into the investment process via the ESG Scoring Framework, which has been set out in further detail in Section 3.3.4 below, and in Colchester's ESG Policy[15]. The table below sets out the ESG indicators, including the scenario analysis, which are ultimately integrated into a countries FSS.

[15] https://colchesterglobal.com/wp-content/uploads/esg-policy-august-23.pdf

	Pillar	Risk Factor	Indicator	Measurement	Source
Environmental	Transition Risk	Decarbonisation	Renewable Energy	% of total electricity generation	Bloomberg NEF/Our World in Data
			Coal/Oil rents	% of GDP	World Bank
			GHG emissions per capita	Mt	EDGAR
			Total GHG emissions	% 5yr change	EDGAR
			Scenario Analysis*	Impact on Debt/GDP ratio	Colchester Global Investors
	Physical Risk	Environmental	Air Quality	index level	YALE Environmental Performance Index
		Damage	Sanitation & Drinking Water	index level	YALE Environmental Performance Index
			Biodiversity	index level	YALE Environmental Performance Index
		Vulnerability to	Vulnerability Index	index level	Notre Dame Global Adaptation Initiative
		Climate Change	Scenario Analysis*	Impact on Debt/GDP ratio	Colchester Global Investors
Social	Social Cohesion	Political Stability/	Voice and Accountability	Level and 3yr change	Worldwide Governance Indicators
		Representation	Political Stability & Absense of Violence	Level and 3yr change	Worldwide Governance Indicators
		Equality	Gini coefficient	Level	World Bank
		Health & Education	Life Expectancy at Birth	Level and 10yr change	World Bank
			Education (Expected/Mean years of schooling)	Level	UN Human Development Report
	Human Capital	Demographics	Old Age Dependency Ratio	Level	World Bank
		Labour Market	Prevalence of Modern Slavery	Level	Global Slavery Index
			Female Labour Force Participation	Level	World Bank
			Youth Unemployment	Level	World Bank
Governance	Government	Government	Government Effectiveness	Level	Worldwide Governance Indicators
	Effectiveness	Effectiveness	Regulatory Quality	Level	Worldwide Governance Indicators
		Corruption/	Freedom from Corruption	Level	The Heritage Foundation
	Rule of Law	Property Rights	Rule of Law	Level	Worldwide Governance Indicators
			Property Rights	Level	The Heritage Foundation
			World Press Freedom	Level	Reporters Without Borders
	Economic	Economic Freedom	Trade Freedom	Level	The Heritage Foundation
	Environment		Investment Freedom	Level	The Heritage Foundation
			Financial Freedom	Level	The Heritage Foundation

3.2.4.2. External Stakeholders

Colchester undertakes scenario analysis, as described above, and has developed this initial work internally with the use of publicly available data.

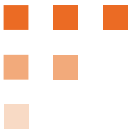
3.3. Climate-Related Risks and Opportunities (CRR&O)

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-related statements is an early manifestation of this risk (as mentioned in Section 3.1 above).

Colchester looks at climate risk to sovereigns holistically, considering physical and transition climate risks, in conjunction with the governance and social aspects. Colchester is aware that the IPCC released its Sixth Assessment Report in August 2021 and finalised the second part of the Report, Climate Change in February 2022. The reports warn of increased average global temperatures. Climate change effects can already be seen with more global extreme



weather events, such as increases in the frequency and intensity of heatwaves, droughts, flooding, etc., as well as biodiversity loss. This informs Colchester's perspective of the challenges facing all countries. As investors in sovereign debt, including those countries contained in the Fund's investment universe, Colchester assesses these material risks through the lens of its FSS framework, which combines both balance sheet fundamentals and ESG factors.

The ESG analysis is reviewed on a continuous basis by the investment management team. Whilst the ESG methodology is a systematic and structured approach to assessing sovereign ESG risks, the translation of this into a country's FSS involves an element of judgement. This qualitative assessment may include a consideration of a government's policy programme, its' commitment to improving ESG metrics, and/or conclusions derived from the Colchester's engagement with sovereign issuers. Colchester believes this qualitative aspect to the investment process is important, as no systematic or model-based approach can be expected to capture all relevant information. The ESG score is combined with an assessment of the country's balance sheet and macro-economic stability by the relevant Investment Officer, and a proprietary FSS is recommended to the Investment Management Committee of the Investment Manager. Significant changes to a country's ESG risk profile may result in an adjustment to the relevant valuation, and potentially changes to the Fund's investments.

Climate change induced by human activity is likely to impact many countries' economies via physical and transition risks over different time horizons. Whilst these outcomes are uncertain with respect to their timing and severity, they could result in economic and financial losses to corporates, households, and governments. Hence, regulators and policy makers are implementing more adaptive and mitigation policies to safeguard for financial stability, amongst other considerations. Colchester believes the level of governance, level of development, and countries' willingness and ability to adjust and mitigate against climate change events are particularly important when assessing the economic impact on countries' balance sheets.

3.3.1. Physical Climate Risk

When Colchester considers physical climate risk to sovereigns, it considers both acute and chronic risks, and estimates how they may impact on a country's fiscal cost, macroeconomic environment, and debt sustainability. The interlinkage between the fundamental balance sheet analysis and Colchester's FSS is clear, as certain economic sectors are more vulnerable to physical climate risks, all else being equal, than others. For more details, see Colchester Sustainability Report. One sector more at risk of physical climate change is the agricultural sector, which might be negatively affected in some countries by increasing temperatures, sea-level rise, and extreme weather events resulting in reduced crop yield and loss of arable land.

3.3.2. Transition Risks and Opportunities

Transition risks are associated with transitioning to a lower carbon economy and tend to be of slower speed and have more medium to longer term uncertain economic implications for sovereigns. Net Zero 2050-70 target commitments, along with other pledges, require countries to reduce their greenhouse gas ("**GHG**") emissions. The International Institute for Applied Systems Analysis ("**IIASA**") forecast of global primary energy mix by scenario[16] shows that there will need to be changes to the global energy mix adopted to meet these commitments. Analysis performed by IIASA and included in the NGFS document[17] - NGFS Climate Scenarios for Central Banks and Supervisors June 2021 - would seem to indicate that countries with fossil fuel dependent economies may be left with stranded assets in the future, and many countries utilising fossil fuels for energy will have to fund the transition to renewable or alternative energy sources. However, Colchester notes that in this space, things are changing constantly. For example, South Africa and

[16] IIASA Network for Greening the Financial System (NGFS) Climate Scenarios Database, June 2021

[17] IIASA Network for Greening the Financial System (NGFS) Climate Scenarios Database, June 2021

Indonesia have obtained funding from the Climate Investment Fund and other partnerships to help them transition their electricity generation away from coal to renewables earlier[18].

Approaches Colchester undertakes include looking at the largest GHG producers, their policy commitments as well as economic structure. Given the demand for fossil fuels is expected to decline over the coming decades based on pledges and commitments from some governments, major fossil fuel exporting countries may eventually face a loss of revenue from these commodities (depending on future market pricing) and will need to diversify into other economic sectors.

Lastly, it is also worth noting that not just the structure of the economy is important to mitigate transition risks, but that resource governance also has an important part to play.

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

Timeframe	Duration
Short	< 5 years
Medium	5-10 years
Long	10-30 years

The exact time frame and quantification of the impact of climate change on sovereign debt yields or returns is very difficult, because bond yields do not only depend on credit risk but also on inflation, interest rates, and yield curves. Some climate risks and government policies which address this risk may play out over a time horizon that is too long to be relevant for short-dated sovereign bonds.

3.3.4. 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.

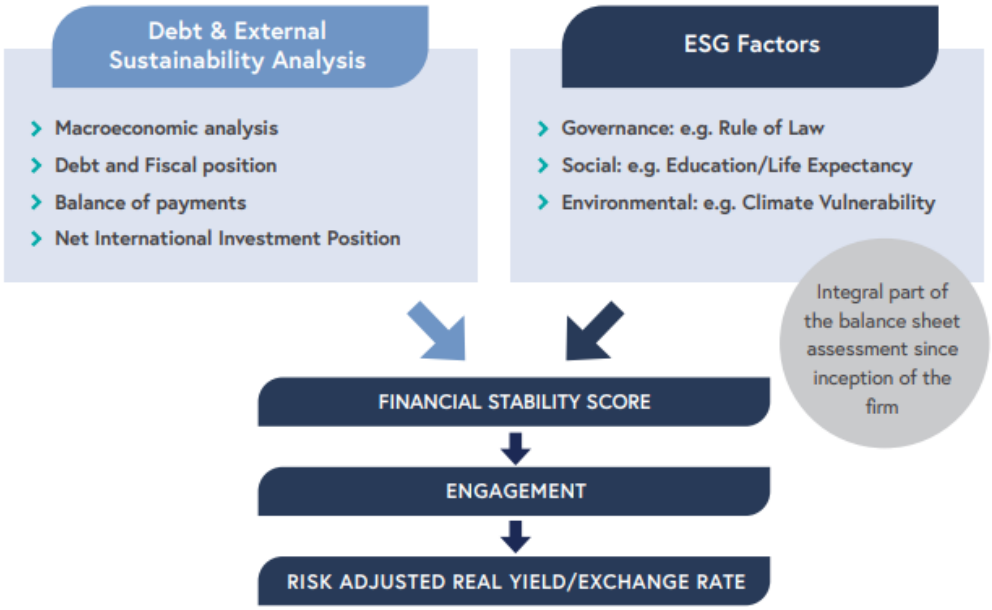
Colchester believes that Responsible Investment supports its medium-term value-driven investment process. Colchester believes that countries with higher governance standards, and healthier and better educated workforces, should, on average, generate better economic and financial outcomes. Countries with better ESG standards are therefore associated with stronger balance sheets. Colchester never makes investment decisions based solely upon ESG factors, but Colchester does believe that these factors are an important determinant of identifying sustainable value, and as such, is in the best interests of its clients.

ESG factors are integrated holistically into Colchester's valuation framework. Countries are assigned a proprietary FSS that combines an assessment of their overall balance sheet strength and ESG factors (Figure 1 below). Bond and currency scores range from +4 to –4 and are determined through an extensive assessment of the macro-economic environment, policy framework, ESG standards, and other country specific factors. The data used in the financial health assessment comes from government statistical offices, central banks, and international institutions such as the OECD, IMF, and BIS. Similarly, ESG data comes from standardised internationally recognised organisations such as the

[18] CIF Set to Fund Just Transition to Clean Power in South Africa and Indonesia

United Nations and the World Bank, as well as relevant databases and other independent sources such as the Notre Dame Global Adaptation Initiative and the YALE Environmental Performance Index. The ESG data is standardised into a proprietary ranking or ESG score for each country, which in turn is incorporated into the overall FSS along with the assessment of balance sheet strength and qualitative analysis.

Figure 1: Financial Stability Score a function of Balance Sheet and ESG Factors



Whilst there are strong interlinkages between ESG factors and traditional balance sheet or "credit" metrics, Colchester has developed a sovereign ESG Scoring Framework to measure and compare countries' exposures specifically to ESG risks, in a systematic and consistent fashion. A series of publicly available metrics are used to assess ESG risks under a variety of categories. For example, environmental metrics consider a country's vulnerability to climate through two lenses, namely physical risk and transition risk. Physical risk relates to a country's sensitivity to the implications of climate change such as extreme weather events, whilst transition risk is concerned with the implications of adjusting to a low-carbon economy. Social characteristics of a country are assessed via Human Capital (the knowledge, skills, and experience of the population) and Social Cohesion (the levels of trust, accountability and equality prevailing in society). Governance standards such as the rule of law, property rights and financial freedom are also measured. The indicators and risk factors considered are set out in below in Figure 2 below. These indicators are combined and distilled into a composite ESG score for each country on a normalised scale of 1-100.

Figure 2: Sovereign ESG Indicators

	Pillar	Risk Factor	Indicator	Measurement	Source
Environmental	Transition Risk	Decarbonisation	Renewable Energy	% of total electricity generation	Bloomberg NEF/Our World in Data
			Coal/Oil rents	% of GDP	World Bank
			GHG emissions per capita	Mt	EDGAR
			Total GHG emissions	% 5yr change	EDGAR
			Scenario Analysis*	Impact on Debt/GDP ratio	Colchester Global Investors
	Physical Risk	Environmental Damage	Air Quality	index level	YALE Environmental Performance Index
			Sanitation & Drinking Water	index level	YALE Environmental Performance Index
			Biodiversity	index level	YALE Environmental Performance Index
		Vulnerability to Climate Change	Vulnerability Index	index level	Notre Dame Global Adaptation Initiative
			Scenario Analysis*	Impact on Debt/GDP ratio	Colchester Global Investors
Social	Social Cohesion	Political Stability/ Representation	Voice and Accountability	Level and 3yr change	Worldwide Governance Indicators
			Political Stability & Absense of Violence	Level and 3yr change	Worldwide Governance Indicators
		Equality	Gini coefficient	Level	World Bank
		Health & Education	Life Expectancy at Birth	Level and 10yr change	World Bank
			Education (Expected/Mean years of schooling)	Level	UN Human Development Report
	Human Capital	Demographics	Old Age Dependency Ratio	Level	World Bank
		Labour Market	Prevalence of Modern Slavery	Level	Global Slavery Index
			Female Labour Force Participation	Level	World Bank
			Youth Unemployment	Level	World Bank
Governance	Government Effectiveness	Government Effectiveness	Government Effectiveness	Level	Worldwide Governance Indicators
			Regulatory Quality	Level	Worldwide Governance Indicators
		Corruption/ Property Rights	Freedom from Corruption	Level	The Heritage Foundation
	Rule of Law		Rule of Law	Level	Worldwide Governance Indicators
			Property Rights	Level	The Heritage Foundation
			World Press Freedom	Level	Reporters Without Borders
	Economic Environment	Economic Freedom	Trade Freedom	Level	The Heritage Foundation
			Investment Freedom	Level	The Heritage Foundation
			Financial Freedom	Level	The Heritage Foundation

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.

To estimate anticipated impacts, Colchester uses the same methodology described in Section 3.1 above.

Colchester continues improving its integration framework for ESG factors and leverage its ESG database to facilitate product and regulatory reporting requirements. Colchester engages with various stakeholders on many ESG factors, which will feed back into Colchester's investment decision making, where relevant, and semi-annually Colchester publishes its engagement efforts. Colchester plays an active industry role as Chair of the PRI Sovereign Debt Advisory Committee and supports industry wide initiatives for sovereigns, such as the ASCOR Advisory Committee. The ASCOR project aims to develop an assessment framework that enables the current and future climate change governance and performance of sovereigns to be fairly and appropriately measured, monitored, and compared. The latest ASCOR Project's methodology and pilot country assessment report as of end of 2023. Colchester is also a supporter to the IDB Green Bond Transparency Platform and a member of the Nasdaq Sustainable Bond Network.

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.

As has been noted throughout the report, Colchester integrates ESG factors into the investment process through its ESG Scoring Framework, which takes into account various environmental, social and governance indicators and risk factors of each country in the investment universe.

3.5.1. Current Business Model & Strategy

As noted, Colchester takes a holistic approach to the systematic integration of ESG factors into the investment process and actively engages with issuers and the industry to influence positive change.

Colchester employs a value-based investment approach and integrates ESG risks into its valuation framework for sovereign debt. Countries are assigned a proprietary FSS which combines an assessment of balance sheet and economic strength, with an assessment of ESG risks, and potential opportunities. Each bond and currency market within the Fund's investment universe is assigned a FSS and this translates into a premium or discount being applied to the market's valuation. Whilst there are strong interlinkages between ESG factors and traditional balance sheet or "credit" metrics, Colchester has developed a sovereign ESG Scoring Framework to measure and compare country exposure specifically to ESG risks, in a systematic and consistent fashion. A series of publicly available metrics are used to assess ESG risks under a variety of categories. For example, environmental metrics consider a country's vulnerability to climate through two lenses, namely physical risk and transition risk. Physical risk relates to a country's sensitivity to the implications of climate change such as extreme weather events, whilst transition risk is concerned with the implications of adjusting to a low-carbon economy. The percentage of electricity generated from renewable sources is one metric Colchester considers to assess transition risk. Social characteristics of a country are assessed via Human Capital i.e. the knowledge, skills and experience of the population, and Social Cohesion, i.e. the levels of trust, accountability and equality prevailing in society. Governance standards such as the rule of law, property rights, and financial freedom are also measured.

These metrics are distilled into a score for each country, which feeds into the Financial Stability Score and hence the valuation of each bond and currency market. A country with stronger ESG metrics and a more robust balance sheet than its peers will therefore be a more attractive investment, all things being equal.

As a sovereign debt investor, Colchester recognises the inherent dilemma in considering whether or not to exclude countries from its investment universe based on an assessment of sustainability metrics. In many instances, such metrics are positively correlated to income per capita, and hence such exclusions run the risk of cutting off access to international capital for lower income countries. Such countries are often highly dependent on foreign capital to develop infrastructure, build human capital, and underpin social stability. Hence, Colchester will give careful consideration of the implications on a particular sovereign issuer when assessing whether to include it in the Fund's investment universe. It should be noted that while ESG integration is a binding element of the investment process for the Fund, Colchester's investment decisions are not based solely on ESG matters.

For further information on Colchester's approach to ESG, including country examples, please the case study of Indonesia, in Colchester's Sustainability Report[19].

[19] See https://colchesterglobal.co.nz/wp-content/uploads/2024/02/colchester-sustainability-report-dec-23.pdf, p 20.

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 3.3.4 above.

Colchester embeds a consistent Risk Management Framework across and all its entities, comprising its governance, risk management process, and risk appetite. Colchester's Risk Management Framework emphasises and balances strong central oversight and control of risk with clear accountability for and ownership of risk within each operational area. This includes risk oversight committees with clear roles and responsibilities. The three lines of defence are the risk structure deployed by the firm for the risk management, risk oversight, and independent assurance that the risk framework is operating effectively. The group's risk framework has added climate and sustainability risks within the Risk Management Framework taxonomy. The risk assessment process takes a structured approach to identify the individual climate and sustainability risks and their mitigating controls on a risk register and it assesses the risks on an inherent (before controls) and residual risk (after controls) basis in terms of a scaled likelihood and impact (financial, client, regulatory and reputational).

This risk assessment and risk register along with proposed actions is presented at the Business Risk Committee & TCFD Advisory Committee on an annual basis. The Risk department utilises the risk register to perform their ongoing independent measurement of the risk and the efficacy of the controls for the risk mitigants. The Investment Team is responsible for evaluating environmental, social, and governance risks and opportunities for all markets.

The Risk Team measures and monitors risks, including climate risks, against limits. In addition to producing quantitative analysis, the Risk Team works to support the Investment Team to ensure that portfolio risks are well understood and consistent with the investment process. This helps to ensure that such risks are understood and deliberate. Internal audit provides independent assurance of the effectiveness and adequacy of the risk management, control and governance processes employed.

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 3.3.4 above.

Climate Risks are considered as part of the risk management framework. Colchester maintains an ESG, Sustainability & Climate Risk Register (the "**ESG Risk Register**") which sets out the key ESG related risks that may impact on Colchester and its business, including risks arising from new and adapting regulation, changing client preferences, physical risks and data availability risks, amongst others. The ESG Risk Register considers the materiality of each risk, and the effectiveness of mitigation controls. Colchester `however does not prioritise climate risks relative to other risks as this is not considered appropriate.

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

For CRR&O, FundRock uses the following time horizons:

Term	Time Horizon	End Year
Short	1-3 Years	2025

Term	Time Horizon	End Year
Medium	5-10 Years	2030
Long	30 Years	2050

For Colchester's view on time horizons, see Section 3.3.3 above.

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.

5. METRICS & TARGETS

In determining which metrics to publish in the Statements, FundRock has considered guidance published by the TCFD[20], and XRB[21] and the sustainability standards published by the International Accounting Standards Board (IFRS[22]). 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 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.

Colchester does not adopt any sustainability targets for the Scheme. The Scheme does not have a sustainability objective and so it would not be appropriate to apply targets to the Scheme.

All metrics below are as of 31 March 2024.

5.1. GHG Emissions

The table below contains data on gross GHG emissions (in metric 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 Section 5.1.1 below).

The Scheme has no material Scope 1 or 2 emissions. In accordance with the Greenhouse Gas Protocol (GHG Protocol)[23], 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.

Fund	Investees' Scope 1	Total Gross Emissions
Colchester Global Government Bond PIE Fund	16,718.87	16,718.87

The Fund is fully invested in sovereign debt assets. Sovereign entities, by their very nature, do not have Scope 2 or 3 emissions associated with them.

5.1.1. Emissions Intensity

Carbon Footprint is a measure of GHG emissions (in metric 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.

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20 *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*.

21 *XRB, Climate-Related Disclosures Staff Guidance – MIS Managers, August 2023*.

22 *IFRS S2 Climate-Related Disclosures—June 2023*.

23 See the GHG Protocol website.

Fund	Carbon Footprint[24]	WACI
Colchester Global Government Bond PIE Fund	235.17	N.A.[25]

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[26].

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[27].

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:

Fund	Coverage	PCAF Score
Colchester Global Government Bond PIE Fund	95%	1.00

PCAF[28] 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

[24] 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).

[25] Sovereign entities do not have revenue.

[26] See Fifth Assessment Report — IPCC.

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

[28] *Partnership for Carbon Accounting Financials*.

based on sector and region averages or benchmarks[29]. 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 on 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, Colchester, 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 Colchester have measured their 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[30].

Emmi (on FundRock and Colchester'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 Section 5.2 illustrate the maximum risk of not reducing emissions, not the potential rewards for doing so.

Scenario	2030	2050
1.5°C Scenario	9,882.73	16,216.21
2°C Scenario	1,086.22	7,505.16
3-4°C Scenario	-	-

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

[30] 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).

5.2.2. Potential Carbon Liability

Similar to the carbon budget overspend, to calculate this metric Emmi (on FundRock and Colchester'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[31] 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 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	19.01%	32.13%
2°C Scenario	0.38%	0.98%
3-4°C Scenario	0.00%	0.00%

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	59.11%	96.99%
2°C Scenario	6.50%	44.89%
3-4°C Scenario	0.00%	0.00%

5.3. Price per CO_2 Tonne

Emmi sources base carbon prices (in US dollars) from the CSIRO[32] 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

[31] 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.

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

5.4. Management Remuneration

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

5.4.1. Colchester

All employees across Colchester set annual performance objectives which influence Colchester's standard performance review processes and conversations. Those individuals who have climate related issues as an element of their job function are evaluated on the effective management of these as a core component of their performance against objectives and day-to-day responsibilities. Employees are incentivised through our variable remuneration policy which is payable in line with both Group performance and an individual's performance, taking into consideration the achievement of performance objectives whilst honouring our core values and risk management controls.

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 above.

Fund	Temperature Alignment
Colchester Global Government Bond PIE Fund	2.85°C