



# AURORA KIWISAVER SCHEME

## Climate Statements

31<sup>st</sup> 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 Aurora KiwiSaver Scheme (the “**Scheme**”) in collaboration with Aurora Capital Limited (“**Aurora**”) and in compliance with the requirements of the Aotearoa New Zealand Climate Standards (the “**Standards**”). These Statements cover the reporting period between 1<sup>st</sup> April 2024 and 31<sup>st</sup> March 2025 (inclusive) and the following funds (collectively, the “**Funds**”):

- Aurora Conservative Fund (“**Conservative Fund**”);
- Aurora Growth Fund (“**Growth Fund**”) and;
- Aurora Liquidity Fund (“**Liquidity 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 Aurora, 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 Aurora 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 Aurora, as detailed in the Scheme’s governing documents and the Product Disclosure Statement for the Funds.

Where practicable, Aurora’s manager of manager’s investment approach looks to invest through specialist fund managers that are leading the way in terms of the transition away from fossil fuels. It believes that the level of carbon dioxide emissions (and other greenhouse gas emissions with global warming potential, collectively referred to as “**GHG Emissions**”) entering our atmosphere needs to be substantially reduced in order to prevent catastrophic heating of our planet. GHG Emissions are a risk to investment portfolios and, like all investment risks, need to be managed. There are two elements to GHG Emissions and global warming that have the potential, if unmanaged, to have a detrimental impact on portfolio returns:

- An increased occurrence of extreme weather events and rising sea levels may damage asset values. Higher temperatures may affect a company’s ability to continue to operate normally.
- Companies and governments run the risk of owning ‘stranded assets,’ in which the value of an asset is substantially reduced due to changes in demand, or the cost of carbon being fully priced into its business model.

Aurora uses a mix of responsible investing approaches that orient around improving the climate and the environment.

- Sustainability - Aurora believes that companies that positively contribute to society and the environment are likely to face fewer risks over the long term and as a result are more likely to deliver better investment returns. Aurora supports the United Nations (“**UN**”) Sustainable Development Goals (“**SDGs**”) with the view that all the SDGs are important for a better and sustainable future. However, Aurora prioritises the SDGs that can positively influence the climate and



environment. The climate and environment related SDGs tracked by Aurora are identified in this document under, “Sustainable Development Goals”.

- Exclusion - Through fund managers it appoints, Aurora seeks to take steps to exclude (where possible) companies that do more social and environmental harm than good. While exclusions are important in avoiding the most harmful activities, using the climate and environment as an example, exclusions can’t create the change that is needed to reduce GHG Emissions, which is central to improving the climate crisis. Aurora aims to do more than simply exclude high carbon emitting companies; it also seeks opportunities to fund innovations that are needed to replace legacy carbon emitting processes.
- Environmental, Social, and Governance (“ESG”) integration - Aurora seeks to identify, reduce, and manage ESG risks. The integration of ESG factors into portfolio decision making can help to identify the long-term risks of investing in a company or asset. Investing in strategies that seek to actively reduce and manage ESG factors can help to lower portfolio risks over long-term investment horizons. While all ESG is important, Aurora prioritises investment strategies that target a low carbon economy and/or have a less negative impact on the climate and environment. All of the underlying fund managers Aurora has appointed actively integrate ESG factors into their decision making.

### 1.1. Sustainable Development Goals

The SDGs are a set of 17 goals established by the UN in 2015 as part of the 2030 Agenda for Sustainable Development. Aurora believes that all SDGs are important for a better and sustainable future but prioritises aligning its portfolios with the climate and environment related SDGs. Of the 17 SDGs, Aurora’s focus is on the 4 SDGs that they have identified as being most relevant to the climate and environment. These are:

- SDG 7 – Affordable and Clean Energy;
- SDG 9 – Industry, Innovation, and Infrastructure;
- SDG 11 – Sustainable Cities and Communities; and
- SDG 13 – Climate Action.

### 1.2. 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 7 (Analysis of trends); and
- (C) Adoption Provision 8 (Scope 3 GHG emissions assurance).

### 1.3. 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.

#### 1.4. 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**

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Hugh Stevens

A handwritten signature in black ink, appearing to read 'Jeremy Valentine'.

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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.

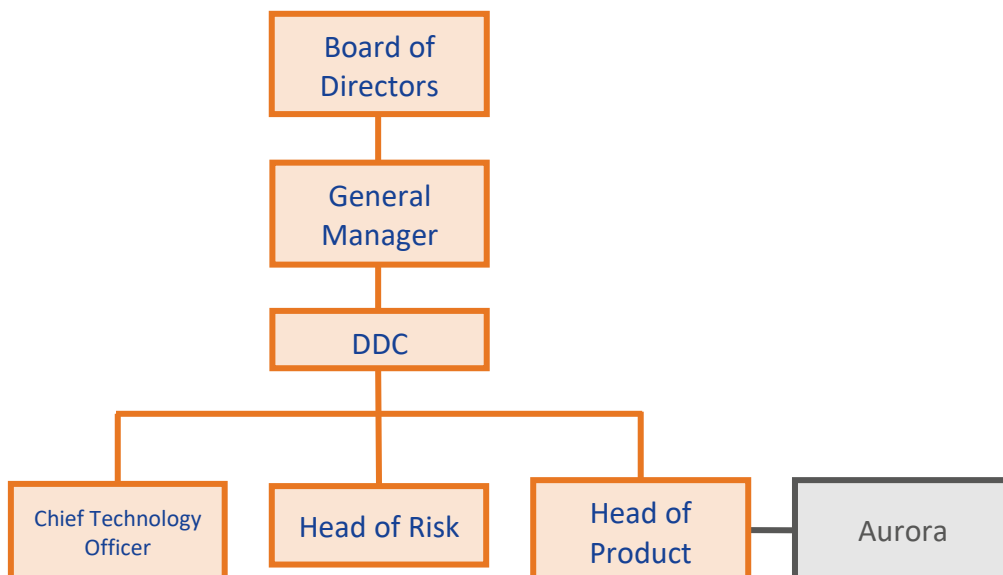
The Board takes into account compliance and regulatory risks arising from possible changes to the regulatory framework of Aotearoa New Zealand’s investment industry when developing and overseeing the implementation of FundRock’s strategy. CRR&O that are specific to the Scheme and/or Funds (such as those 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 Disclosure (“**CRD**”) regime (including these Statements) and either approves them or attests their orderliness for submission to the Board – a similar role to that which it performs in connection with other aspects of scheme and offer management (such as reviewing and attesting the orderliness of Product Disclosure Statements and Statements of Investment Policy and Objectives).

For CRD purposes, interactions with Aurora are managed by the Product team (led by the Head of Product). As part of its role, the Product team engages with Aurora 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.

### 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.

Aurora's management team, in conjunction with its Board, has committed to undertaking training on CRD and CRR&O on an ongoing basis to continue to build its knowledge and understanding in these areas.

### 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 or key performance indicators 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 below.

## 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 p 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 Aurora throughout the reporting period and receives updates on their CRD-related processes and their status.

Aurora has to date relied on its investment team to assess and manage CRR&O for the Scheme. In operating a model which appoints underlying fund managers, Aurora relies on the expertise of each of the pooled fund managers in which the Scheme invests. In selecting underlying fund managers, Aurora scrutinises fund managers' ESG and sustainability characteristics, amongst other things.

Aurora's CIO and Senior Multi Asset Investment Analyst hold at least quarterly meetings with each underlying fund manager, in which details around CRR&O within their businesses are discussed and monitored, and any concerns are raised (if required). Any concerns that are flagged at manager meetings are also discussed internally with the Aurora's management team. To further formalize oversight and control of CRR&O, Aurora is working to form a Risk Committee which will have oversight and responsibility for the CRR&O responsibilities for the company.

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 Aurora have dedicated material resources to ensure compliance with it, and the cost of data for the metrics in Section 5 below remains significant. While these costs may not be passed on to the investors directly, mounting regulation may lead to fee increases.

At this time, Aurora is unable to attribute any portfolio impacts to specific climate-driven events.

##### 3.1.1. Current Financial Impacts

FundRock is unable to provide a meaningful and reliable measure of the financial impacts that climate change had on the Scheme or Funds during the current reporting period.

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<sup>1</sup>.

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 are 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<sup>2</sup>; 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.

#### 3.2. Scenario Analysis

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

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

<sup>1</sup> 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 21<sup>st</sup>. 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](https://finance.yahoo.com) 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.

<sup>2</sup> 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).



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<sup>3</sup>, 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 systematizing 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.

### 3.2.1. Methods & Assumptions

FundRock and Aurora have analysed the three scenarios from the Sector Scenario Analysis: Orderly (1.5°C), Too Little, Too Late (2°C), and Hothouse (3°C)<sup>4</sup>. 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<sup>5</sup>, 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<sup>6</sup> 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<sup>7</sup>.

The scenario analysis was based off broad template portfolios, with similar asset allocations to Aurora’s funds, rather than on the actual holdings in the fund. Aurora feels that this is a reasonable assumption to make, as individual securities will change over time, whilst asset allocations will remain steady.

The description of the scenarios and certain further details on methodology can be found in Schedule A below.

#### 3.2.1.1. 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*<sup>8</sup>. 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”)<sup>9</sup> and all Funds were considered in scope. For information on time horizons, see Section A.i below.

<sup>3</sup> See footnote No 10 for the meaning of “model” in the context of scenario analysis.

<sup>4</sup> The scenario analysis was completed for the 2024 statements and was not materially reviewed in the current reporting period.

<sup>5</sup> *Climate Scenario Narratives for the Financial Services Sector*, p 12.

<sup>6</sup> See Sector Scenario Analysis Report, p 12.

<sup>7</sup> See *Network for Greening the Financial System, NGFS Scenarios for central banks and supervisors*, November 2023, pp 11 and 20.

<sup>8</sup> 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.

<sup>9</sup> Task Force on Climate-related Financial Disclosures, *Guidance on Scenario Analysis for Non-Financial Companies*, 2020 p 72.



- (C) *Identify driving forces and critical uncertainties*: the Sector Scenario Analysis was reviewed and analysed to produce a conceptual model<sup>10</sup>.
- (D) *Select temperature outcomes and pathways*: temperature outcomes and pathways were adopted from the Sector Scenario Analysis (see Section 3.2 above for more details).
- (E) *Draft narratives and quantify*: narratives were adapted from the Sector Scenario Analysis, taking into consideration the distinctions of the Scheme and Funds. No quantification was attempted.
- (F) *Assess strategic resilience*: completed in collaboration with Aurora.

**3.2.1.2. 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.

The initial scenario analysis was reviewed by appropriate personnel at Aurora. No further action was taken except for the business decision to consider implementation of a risk committee at an appropriate time. It is intended that scenario analysis will be reviewed by this committee.

**3.2.1.3. External Stakeholders**

FundRock has reviewed the scenario analysis and its application to the Scheme and Funds and shared the results with Aurora as described in Section 3.2.2.1 above).

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

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

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 Aurora have chosen to highlight the risks that were assessed to be material to the Scheme and Funds. This assessment was based on the Funds’ portfolios 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 in Schedule B below.

<sup>10</sup> 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).



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

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

### 3.3.2. CRR&O & Decision Making

Management of entity-level CRR&O has been integrated into FundRock's overall risk management framework. 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.

At this stage Aurora cannot identify which risks need to be prioritised, as Aurora cannot accurately predict the likelihood or magnitude of each. Therefore, Aurora has not made any capital deployment or funding decisions on this basis.

## 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 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 the data on GHG Emissions will be subject to assurance from the 2025/2026 reporting period onwards. This would significantly increase compliance costs.

Aurora believes there will be major impacts from climate change in years to come; however, at this stage Aurora cannot accurately predict the timing or severity of these impacts.

## 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.

A core focus of Aurora Capital's investment strategy is managing the risks and harnessing emerging opportunities associated with climate change. This focus is embedded in the structure, selection, and oversight of every fund manager Aurora selects and every fund it manages. Aurora's investment approach is designed to ensure that its portfolios support positive environmental and social outcomes, while delivering long-term value for its clients.

Aurora invests with the belief that companies on a transition path towards a low carbon economy are better placed to be sustainable and profitable businesses in a low carbon world. It measures the emissions of companies selected by underlying fund managers within its portfolios.

### **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) 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.

Aurora Capital adopts a manager of managers investment approach, meaning that it researches, selects, appoints and manages a number of underlying fund managers that align to its investment philosophy. Aurora invests through pooled funds rather than segregated mandates meaning it does not have ultimate control of the companies in which the underlying managers invest. However, Aurora does have a procedure in place to manage exceptions and exit underlying fund managers when their actions no longer align with its philosophy.

Aurora aims to invest, through the underlying fund managers it appoints, in assets that are not only positioned for long-term growth but also support the transition to a low-carbon economy. Aurora believes that companies working toward a more sustainable world are more likely to deliver long-term value and therefore generate better investment returns. Conversely, Aurora seeks to minimise investments, through the underlying fund managers Aurora appoints, in businesses it believes have a harmful impact on the environment or society. In Aurora's view, significantly reducing carbon emissions is essential to mitigating the risks of global warming and ensuring a stable future.

#### **3.5.1.1. Intended Actions**

Aurora uses a combination of strategies, including ESG integration, exclusions, and sustainability-focused investing, to ensure its investment decisions align with both financial and ethical goals.

##### **3.5.1.1.A. ESG Integration**

Environmental, Social, and Governance (ESG) factors are embedded into Aurora's investment analysis and decision-making processes. By identifying and managing ESG-related risks, Aurora aims to build more resilient portfolios and avoid exposures that may threaten long-term returns. While Aurora considers all ESG factors, it places particular emphasis on strategies that support a low-carbon future and reduce harm to the climate and environment.



#### 3.5.1.1.B. Exclusions

Through selection and engagement with underlying fund managers, Aurora seeks to exclude companies that, in its view, cause more harm than good to society or the environment. This includes industries or practices that are inconsistent with its values or investment beliefs. Aurora regularly monitors portfolio holdings to ensure ongoing compliance with Aurora's exclusions policy, maintaining the integrity of its responsible investment approach.

#### 3.5.1.1.C. Sustainability and Positive Impact

Avoiding harmful investments is only part of the solution. Aurora must also actively support innovation and progress to address the root causes of environmental challenges—such as high carbon emissions. That's why it prefers underlying investment managers that invest in companies and initiatives that are leading the transition to more sustainable industries and practices. Aurora believes that companies making a measurable positive contribution to society and the environment are better positioned to deliver long-term performance.

Aurora Capital supports the United Nations Sustainable Development Goals (SDGs), which provide a global framework for building a better, more sustainable future. While Aurora recognises the importance of all 17 SDGs, its investment focus prioritises those most aligned with climate and environmental outcomes:

- SDG 7 – Affordable and Clean Energy
- SDG 9 – Industry, Innovation and Infrastructure
- SDG 11 – Sustainable Cities and Communities
- SDG 13 – Climate Action

By aligning its investments with these goals, Aurora seeks to deliver strong, sustainable returns for its clients—while contributing to the solutions needed for a more sustainable planet.

#### 3.5.1.1.D. Capital Allocation

Addressing the investment risks and opportunities presented by climate change is part of Aurora Capital's investment philosophy. Rather than treating climate action as a separate initiative, its transition measures are part of its day-to-day investment operations, positioning Aurora to adapt as climate related investment considerations continue to evolve.

To support informed decision-making, Aurora continues to invest in high-quality climate-related data sourced from trusted providers. Although this data currently still comes with limitations, it underpins Aurora's ability to assess risks, identify opportunities, and allocate capital to investments that are positioned for a more sustainable future.

#### 3.5.1.1.E. Future Plans

Currently, Aurora's scale limits its ability to implement bespoke solutions as it has to invest in investment managers' pooled vehicles. When it gets sufficient scale, there is the opportunity to implement segregated mandates and hence greater control on the securities in the portfolio. One of the potential solutions Aurora is keen to implement is to provide a finite carbon budget for each portfolio and a mandate to the manager that the net carbon emissions (Scope 1 to 3 emissions, less Scope 4) need to reduce each year by a set percentage.



## 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.

Aurora manages risks (including CRR&O) in two manners:

- **Manager selection process:** as a part of Aurora's selection process, it makes sure the manager is thinking about GHG Emissions. All Aurora's managers, apart from domestic cash and fixed income managers, report on GHG Emissions in their portfolios, and the majority have targets of lower GHG Emissions than their respective benchmarks. Aurora also thinks about how they are investing in transition opportunities.
- **Monitoring:** Aurora reports the GHG Emissions of the listed equity portion of its portfolios monthly. This regular monitoring feeds into Aurora's regular conversations with its sub-managers; any material outlier companies or significant changes in these metrics are discussed with them.

### 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<sup>11</sup>.

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

Aurora considers CRR&O in its processes; however, it has a responsibility to ensure that its clients receive a competitive product from a risk-return perspective, and for this reason CRR&O come after other financial risks. This approach may be reviewed once the risk committee is established (see Section 3.2.2.1 above).

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

For CRR&O, FundRock and Aurora 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 Funds and FundRock does not believe their analysis would provide material information for the Funds' investors.

### 4.4. Assessment Frequency

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

Aurora tracks climate risk monthly, through monitoring of GHG Emissions in the portfolios.

<sup>11</sup> 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

In determining which metrics to publish in the Statements, FundRock has considered guidance published by the TCFD<sup>12</sup>, and XRB<sup>13</sup> and the sustainability standards published by the International Accounting Standards Board (IFRS<sup>14</sup>). 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:

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

No metrics were produced for the Liquidity Fund. Given that this fund is entirely invested in cash, there are no financed emissions and no transition risk. PCAF's methodologies focus on more directly related asset classes where emissions can be clearly attributed to financial activities or assets. Therefore, Emmi<sup>15</sup> considers cash as having zero risk.

Aurora is invested in pooled vehicles, so any target Aurora makes will be impacted by the targets of its underlying managers. Also, its managers may change over time.

At this stage, Aurora invests in companies which currently have high emissions, provided they are contributing towards a low carbon economy, for example a solar panel factory that draws energy from a dirty grid.

While carbon reporting is improving, there are still limitations, particularly with Scope 3 reporting and how Aurora deals with Scope 4 (avoided emissions).

Because of these factors, Aurora is yet to adopt a carbon transition target.

Metrics charts can be found in Schedule C below, and further details on methodology for the metrics are found in Schedule D. All data below marked as 2025 refers to 31 March 2025, and all data marked as 2024, to 31 March 2024.

### 5.1. 2024 Metrics Restatement

The metrics published in the statements for 2024 contained a material error. In the process of collecting the necessary data, the portfolio of certain underlying funds was duplicated, resulting in higher gross emissions and otherwise affecting the calculations of other metrics. This error was correct for the metrics dated 31 March 2024 published herein.

<sup>12</sup> 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.

<sup>13</sup> XRB, *Climate-Related Disclosures Staff Guidance – MIS Managers*, August 2023.

<sup>14</sup> IFRS S2 *Climate-Related Disclosures—June 2023*.

<sup>15</sup> See more on Emmi in Section 5.1.2.5.



## 5.2. Financed GHG Emissions<sup>16</sup>

### 5.2.1. Gross Financed Emissions<sup>17</sup>

The charts in Schedule C below contain data on gross financed GHG Emissions (in metrics tons of CO<sub>2</sub>e) for the Funds. These figures are strongly influenced by fund size; to compare funds of different sizes, investors should use the data on emissions intensity (see Section 5.1.2 below).

### 5.2.2. Emissions Intensity

*Carbon Footprint* is a measure of financed GHG Emissions (in metric tons of CO<sub>2</sub>e) by millions of New Zealand dollars invested<sup>18</sup>, while WACI (*Weighted Average Carbon Intensity*) is a measure of financed 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.

## 5.3. Transition Risks

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

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

### 5.3.1. Carbon Budget Overspend

The charts in Schedule D below show the amount (in metric tons of CO<sub>2</sub>e) by which the Funds' investees exceed their carbon budget in the relevant year, in each scenario<sup>19</sup>.

### 5.3.2. Potential Carbon Liability

Similar to the carbon budget overspend, to calculate this metric Emmi (on FundRock and Aurora'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<sup>20</sup> and **(ii)** the investees' financial resilience against the implementation of any such costs.

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.

<sup>16</sup> Scope 1 and 2 GHG emissions do not pertain to MIS Manager disclosures because s461O of the Financial Markets Conduct Act 2013 defines MIS Managers as climate reporting entities in respect of the scheme they manage, and therefore no disclosures are required. All emissions reported in this section are Scope 3 (financed) emissions.

<sup>17</sup> 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 Funds. The breakdown of the investees' emissions into Scope 1, 2, and 3 in these Statements reflects industry practices and takes the perspective of the investees themselves.

<sup>18</sup> 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).

<sup>19</sup> 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).

<sup>20</sup> 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.



### 5.3.3. Emissions Reduction Requirements

The reduction requirements figures illustrate the rate by which the GHG Emissions of the Funds' investees would have to be reduced to align with the GHG budget for the relevant temperature increase target, by the year therein indicated. They are essentially the other side of carbon budget overspend (see Section 5.2.1 above): while the latter communicates by how much (in metrics tons of CO<sub>2</sub>) a fund is over (or below) their carbon emissions budget for a given scenario, emissions reduction requirements express by how much (as a percentage) the fund must reduce its emissions to align itself to its carbon budget in a given scenario<sup>21</sup>.

### 5.4. Management Remuneration

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

### 5.5. 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.

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<sup>21</sup> Or, should a Fund be below its budget, by how much it can increase its emissions and remain within said budget.



## SCHEDULE A. SCENARIO ANALYSIS

### A.i. Time Horizons

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



### 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<sub>2</sub>e (billion tonnes of CO<sub>2</sub>-equivalent) by 2030 and –294.82 MtCO<sub>2</sub>e by 2050<sup>22</sup>. This is cause and effect of the following<sup>23</sup>:

- 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<sup>24</sup>, Canada, and Aotearoa New Zealand —the “**Early Movers**”) introduce policies that bring about net-zero emissions by 2050. But in other parts of the world there is very little action, with fossil-fuelled development continuing throughout much of the remaining first half of the century. Global efforts to address climate change begin to align and exceed those by Early Movers from mid-century, but changes come too late to prevent wide ranging acute and chronic physical climate impacts.

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

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

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

<sup>22</sup> *Climate Scenario Narratives for the Financial Services Sector*, p 31.

<sup>23</sup> The emissions pathways described in Subsections 3.2.1.2.A, 3.2.1.3.A, and 3.2.1.4.A below were adapted from *Climate Scenario Narratives for the Financial Services Sector*.

<sup>24</sup> 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.



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.
- 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<sub>2e</sub> by 2030 and 26.7 BtCO<sub>2e</sub> by 2050 – 31% less than 2020<sup>25</sup>, 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.

<sup>25</sup> *Climate Scenario Narratives for the Financial Services Sector*, p 40.



#### 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 21<sup>st</sup> 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 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 BtCO<sub>2</sub>e by 2030, and 34.3 BtCO<sub>2</sub>e by 2050<sup>26</sup> (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.

<sup>26</sup> *Climate Scenario Narratives for the Financial Services Sector*, p 49.



- 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.iv.a.1.Sources of Data

The scenarios described in this Statement were produced during the 2023/2024 reporting year using data from the Sector Scenario Analysis. FundRock has also consulted the Network for Greening the Financial System’s scenarios portal<sup>27</sup> to enhance its understanding of climate change in general and the Sector Scenario Analysis in particular.

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<sup>27</sup> 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*.



## SCHEDULE B. CLIMATE-RELATED RISKS

Name	Type	Term	Sector/Geography	Description
Economic Impacts on Customers (Physical)	Physical	Medium/Long	All/Global	Second order effects of climate-change (such as job-loss, potential declines in economic growth, population migration, geopolitical conflict, etc.) affecting financial position of customers/potential customers.
Economic Impacts on Customers (Transition)	Transition	Medium/Long	All/Global	Second order effects of climate-change (such as job-loss, potential declines in economic growth, population migration, geopolitical conflict, etc.) affecting financial position of customers/potential customers.
Flood	Physical	Medium/Long	All/Global	Flood can damage property and local infrastructure, spread diseases, impact the fertility of soil, cause large destruction of infrastructure, and lead to an increase in refugees.
Increased Carbon Price	Transition	Medium/Long	All/Global	Energy, materials, operations, or transport/distribution increasing in cost due to carbon price. Emissions may be subject to carbon price, increasing operational costs.
Large Amount of Policy Intervention	Transition	Short/Medium	All/Global	Policy intervention (e.g. high carbon price, large climate funds, disclosure requirements, emission reduction targets) reducing an economy’s GHG Emissions intensity and driving innovation.
Mean Temperature Increase	Physical	Medium/Long	All/Global	Increasing mean temperatures <b>(i)</b> making pests and pathogens (human, animal, and plant-based) outbreaks more frequent and severe, posing a threat to both human health and food security; <b>(ii)</b> negatively impacting agriculture yields due to the increased heat stress experienced by plants and animals; and <b>(iii)</b> increasing the risk of geographical movement disruption (people and goods) due to a desire to minimise spread of disease.
Poor Climate Policies and Commitments	Transition	Medium/Long	All/Global	Minimal policy intervention, leading to GHG Emissions intensity likely remaining and entities likely continuing operations as usual. The economy may face second order impacts.
Reliance on Emissions Intensive Sectors	Transition	Medium/Long	All/Global	Economies reliant on GHG intensive sectors (e.g. oil and gas, agriculture, coal, manufacturing, fracking) being impacted as the world transitions to renewable energy and low carbon products.

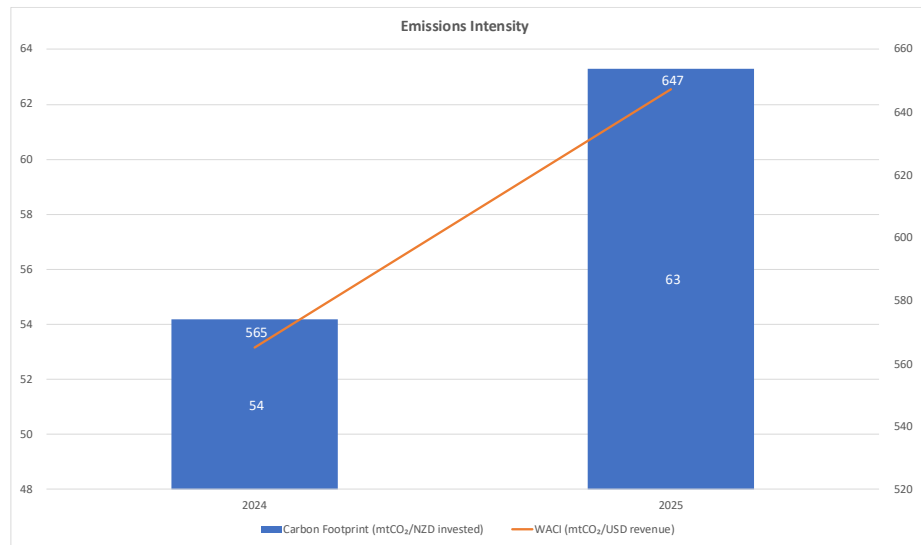
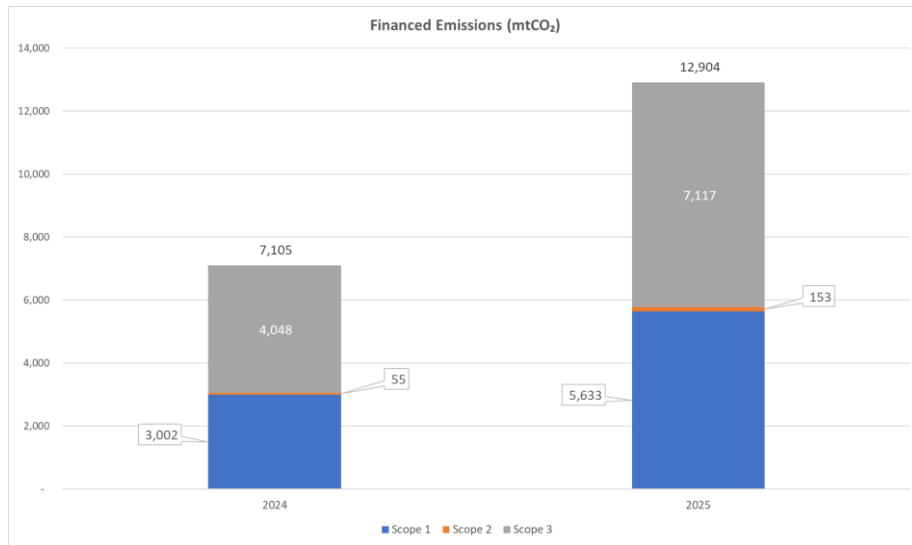


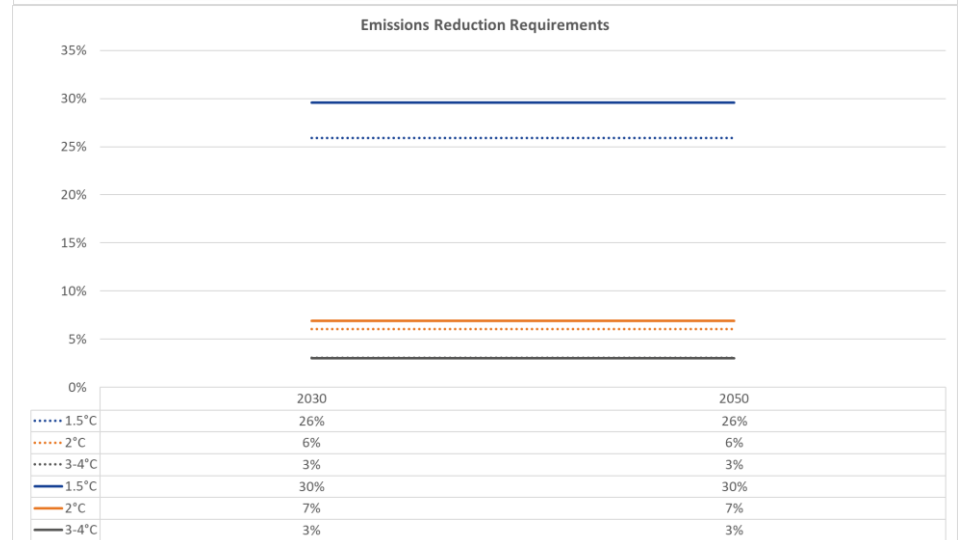
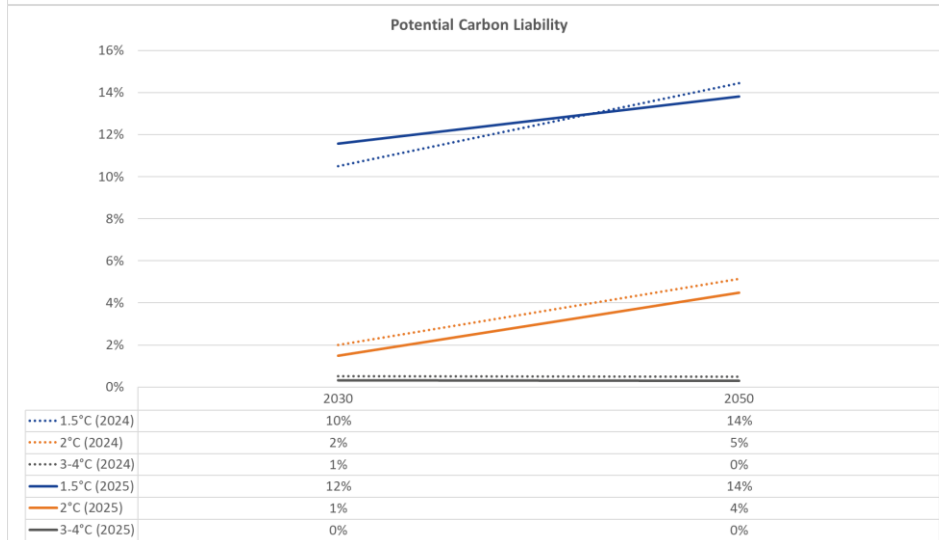
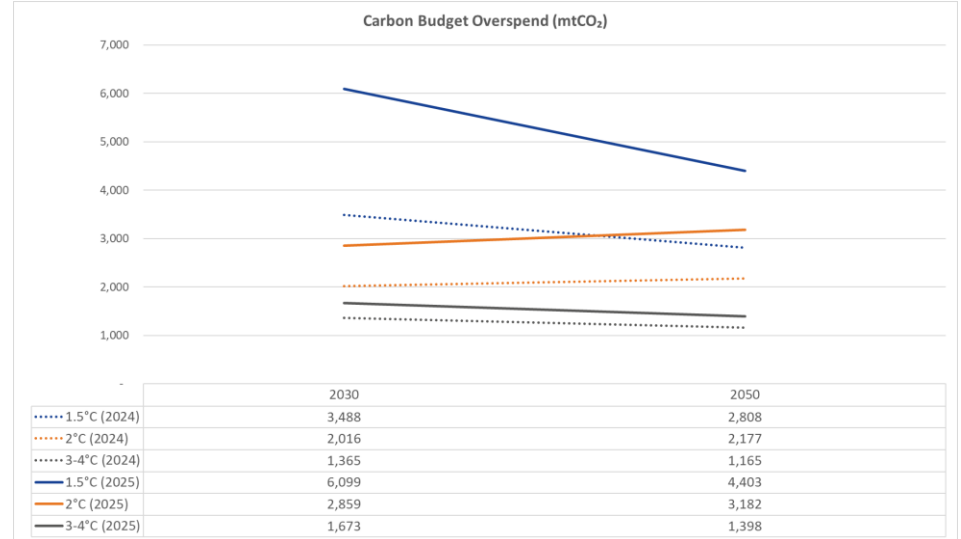
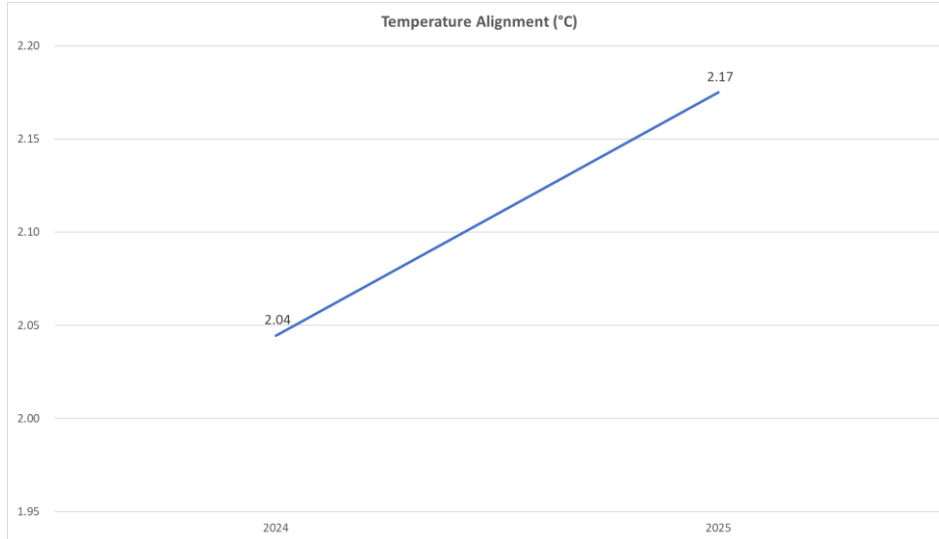
Name	Type	Term	Sector/Geography	Description
Stakeholder Preference Change	Transition	Short/Medium	All/Global	Increasing stakeholder expectation of entity to be proactive in reducing their emissions and in addressing their climate-related risks.
Water Stress & Drought	Physical	Medium/Long	All/Global	Lack of adequate precipitation causing reduced soil moisture or groundwater, diminished stream flow, crop damage, and general water shortage.
Wildfire	Physical	Medium/Long	All/Global	<p>A wildfire is an uncontrolled fire that burns in the wildland vegetation, often in rural areas. Wildfires can burn in forests, grasslands, savannas, and other ecosystems, and have been doing so for hundreds of millions of years. They are not limited to a particular continent or environment.</p> <p>Wildfires can cause death, extreme infrastructure damage, soil fertility and health conditions of livestock/individuals exposed to smoke.</p>



## SCHEDULE C. METRICS' CHARTS

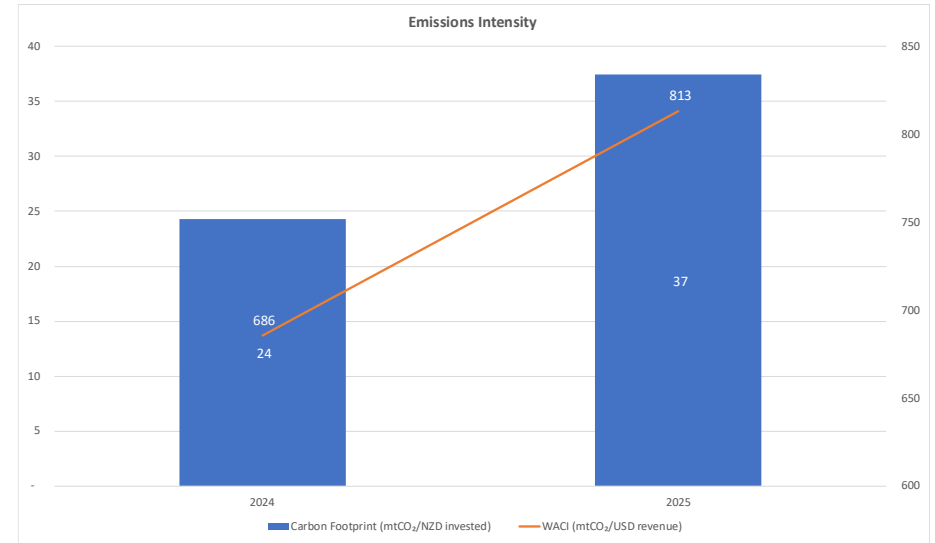
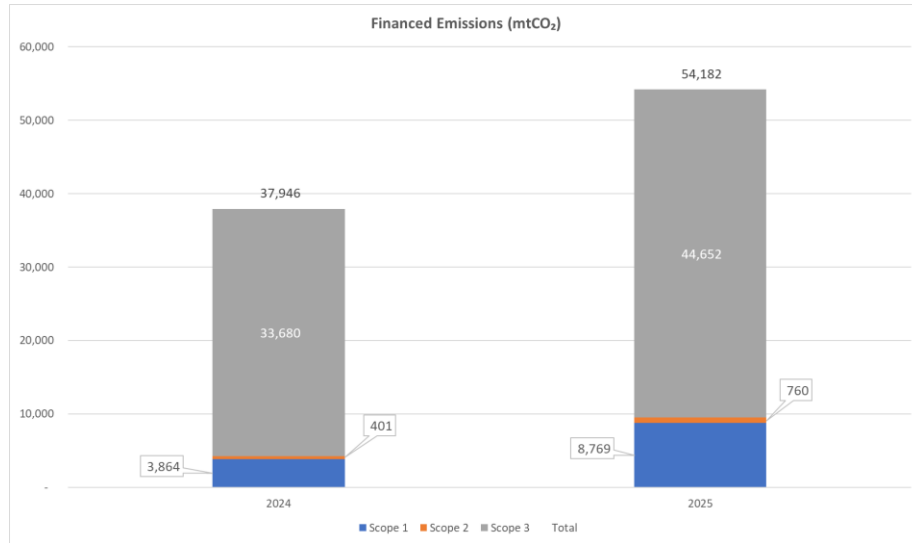
### C.i. Conservative Fund

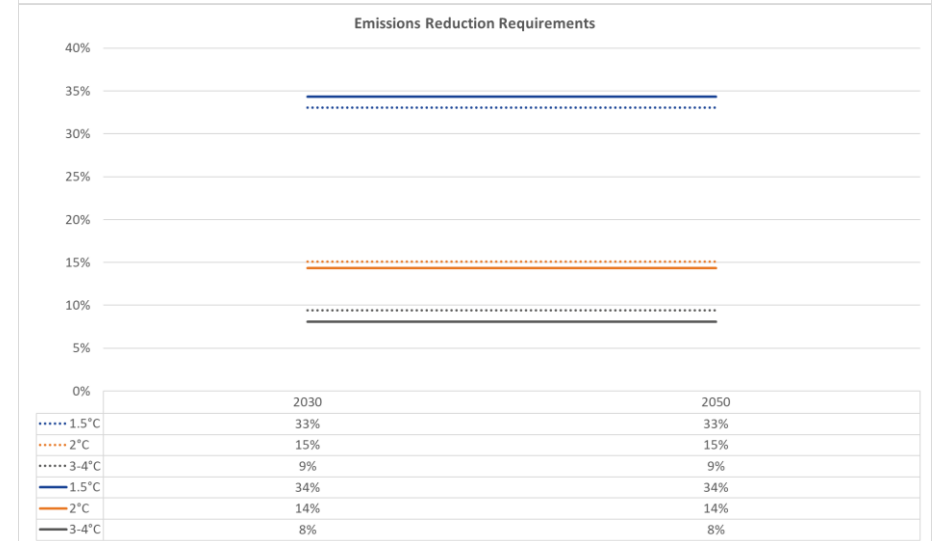
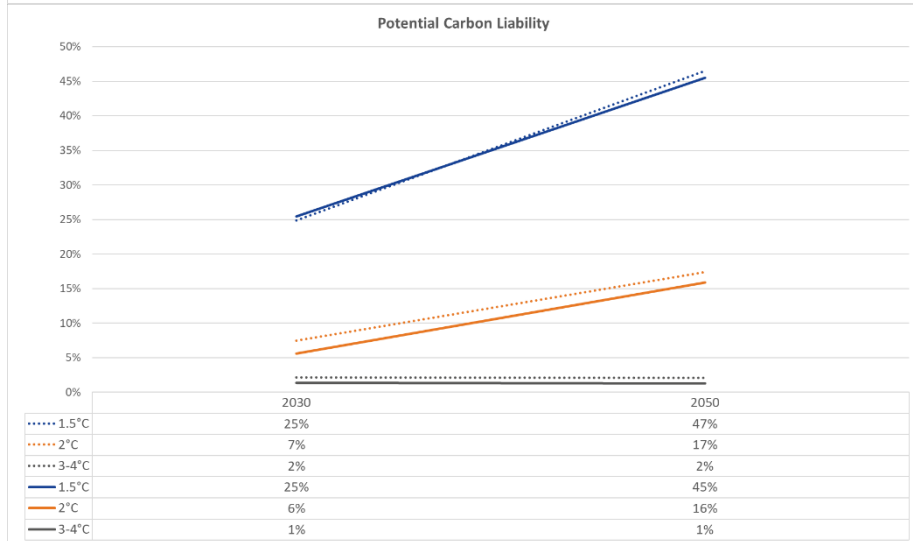
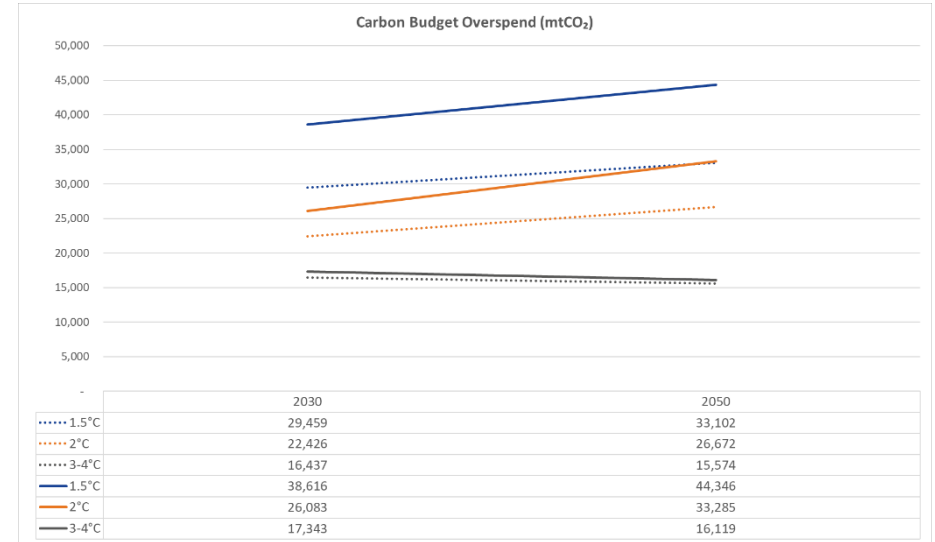
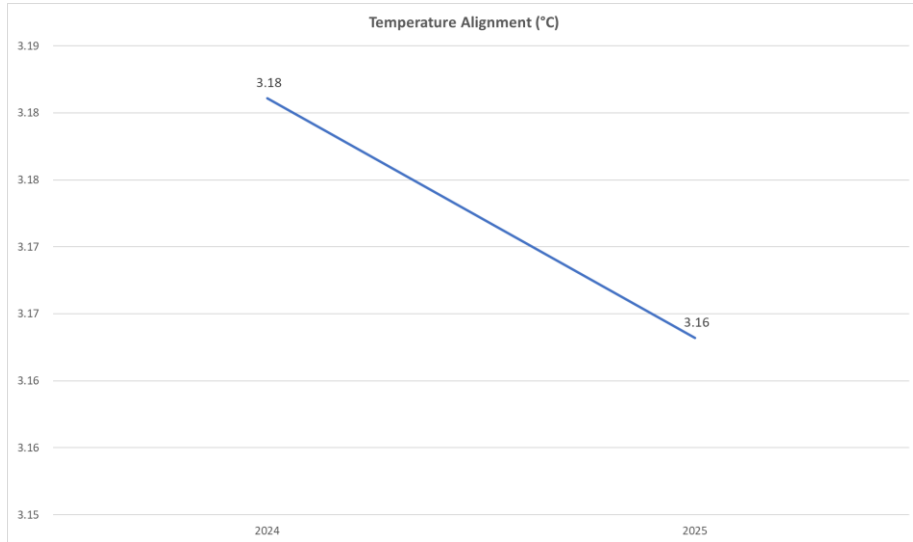






### C.ii. Growth Fund







## SCHEDULE D. FURTHER DETAILS ON METRICS' METHODOLOGY

### D.i. Financed GHG Emissions

MIS Managers are not required to disclose Scope 1 and 2 GHG emissions because section 461O 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)<sup>28</sup>, all the emissions of the investee companies would be considered Scope 3 (financed) emissions for the Funds. The breakdown of the investee's emissions into Scope 1, 2, and 3 in these Statements reflects industry practices and takes the perspective of the investee themselves.

FundRock advises caution when considering Scope 3 emissions data. While all data on GHG Emissions relies on some degree of estimation, this is significantly more pronounced with Scope 3 emissions, and so the reliability of the available data is poorer compared to other scopes. The issue is reflected in *Partnership for Carbon Accounting Financials' (PCAF)* data quality scores. These can be observed in Section D.i.a.5 below.

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

#### D.i.a. Methodology

##### D.i.a.1. GHG Emissions Measurement Standards

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

##### D.i.a.2. GHG Emissions Consolidation Approach

Financed emissions have been consolidated using the financial control approach.

##### D.i.a.3. Source of Emissions Factors

Financed emissions factors were sourced from the GHG Protocol. They reflect the 100-year time horizon global warming potentials (GWP) relative to CO<sub>2</sub>, and were adapted from the IPCC Fifth Assessment Report<sup>29</sup>.

##### D.i.a.4. Summary of Exclusions

No asset or asset class was excluded from financed emissions calculations.

##### D.i.a.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 Funds, 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](#)<sup>30</sup>.

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.,

<sup>28</sup> See the [GHG Protocol website](#).

<sup>29</sup> See [Fifth Assessment Report — IPCC](#).

<sup>30</sup> The referred website contains a link to a page on climate scenario analysis methodology – this product was not used by FundRock.



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   2024	Coverage   2025	PCAF Score   2024	PCAF Score   2025
Conservative Fund	100%	100%	2.02	2.49
Growth Fund	100%	100%	3.08	3.06

PCAF<sup>31</sup> scores range from 1 to 5 and provide a summary of the data’s quality. A score of 1 reflects the best quality data and means that the investee company has performed an emissions calculation based on the GHG Protocol that has been verified by a third-party. A score of 5 is the most uncertain as estimates the emissions of the investee company based on sector and region averages or benchmarks<sup>32</sup>. The PCAF scores reported above is a weighted average of the PCAF score for the Funds’ investees.

**D.i.b. Quantification Uncertainties & Their Effects**

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

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

**D.ii. Transition Risks**

**D.ii.a. Carbon Budget Overspend**

Emmi (on FundRock and Aurora’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 transition risks metrics illustrate the maximum risk of not reducing emissions, not the potential rewards for doing so.

<sup>31</sup> Partnership for Carbon Accounting Financials.

<sup>32</sup> PCAF (2022). The Global GHG Accounting and Reporting Standard Part A: Financed Emissions. Second Edition.



**D.ii.b. Potential Carbon Liability**

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

- For equities, the present EBITDA multiple is obtained by dividing present enterprise value by EBITDA; carbon emissions overspend for the relevant year is multiplied by the carbon price for the same year<sup>33</sup>, and the resulting amount is deducted from the present EBITDA; and the adjusted EBITDA is multiplied by the present EBITDA multiple.
- For fixed interest instruments, yearly carbon emissions overspend are multiplied by the applicable carbon prices until the instrument’s maturity, and the results are brought to their present value using its yield to maturity as the discount rate. Such present value is then deducted from the instrument’s current price.
- As with carbon budget overspend, emissions are assumed to remain constant at their 2023 levels.

**D.iii. Price per CO<sub>2</sub> Tonne**

Emmi sources base carbon prices (in US dollars) from the CSIRO<sup>34</sup> 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

<sup>33</sup> See Section D.iii below.

<sup>34</sup> Commonwealth Scientific and Industrial Research Organisation, an Australian Government agency responsible for scientific research.