2024 Climate Report Voluntary and Limited Scope For the year ended 31 March 2024



Data-Driven Decisions, Reliable Returns.

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Letter from the CEO

Dear Investors,

I am proud to present the first Climate Report from Mint Asset Management Ltd (Mint).

As the focus on climate change intensifies, and its consequences such as the devastating effects of Cyclone Gabrielle are felt here at home, it is becoming increasingly important for investors to understand the alignment of their investments with longer term sustainability goals.

The Aotearoa New Zealand Climate Standards have been introduced as a means of addressing this issue. Whilst Mint is not captured by the regime, our Climate Report, which has been produced on a voluntary basis, provides an overview of how we assess climate risk and the processes we have in place to manage these risks.

As a long-time signatory of the Principles for Responsible Investment (PRI), and a firm who has embedded environmental, social and governance factors into our assessment of the risks and opportunities of our investee companies, the evaluation of climate impacts is a logical step in our investment process and supports our wider commitment to responsible investing.

We recognise our fiduciary responsibilities to act in the best interests of our investors, who have entrusted their precious capital and savings with us to achieve an appropriate risk-adjusted return. As an active investment manager that is also a signatory to the Aotearoa New Zealand Stewardship Code, we have an opportunity to engage with investee companies to improve their overall sustainability practices and understand how they are addressing climate-related risks.

The decision to produce this voluntary report has been led by our Board, who believe that acting as good corporate citizens and confronting issues such as climate change directly is the right approach for our company and investors. It also reflects our continued commitment to delivering long-term value to our investors, whilst contributing to global environmental efforts.

Overtime, we expect the impacts of climate change will evolve. We look forward to continuing to develop our reporting on climate-related considerations and the integration of them into our governance, strategy, and risk management settings.

Ngā mihi

Kebern

Rebecca Thomas



Rebecca Thomas Founder & CEO



Rachel Tinkler Head of Responsible Investment

Introduction

This inaugural climate report, for the year ending 31 March 2024, is introductory and limited in nature, reflecting the staged approach we have taken to reporting on climate. It provides an overview of how Mint Asset Management Ltd (Mint) manages climate related risks and opportunities with respect to Mint's listed equity and corporate bond investments (see the <u>Boundaries and Limitations</u> section for full detail on the scope of this report). We are not currently a Climate Reporting Entity so are not required to produce a Climate Statement under the Aotearoa New Zealand Climate Standards issued by the External Reporting Board (XRB). However, we have produced this report voluntarily, due to the risk we believe climate change poses. As such we do not claim to be compliant with the Aotearoa New Zealand Climate Standards or the legislative requirements in Part 7A of the Financial Markets Conduct Act 2013.

The <u>Governance</u> section of this report explains the role of the Board of Directors and Senior Management in overseeing and managing non-financial risks. and explains why Environmental, Social and Governance (ESG) factors are a key part of the Mint investment process.

The <u>Strategy</u> section provides examples of the current impacts climate change is having on some of our investee companies, anticipated impacts across geographies, asset classes & sectors, and gives an overview of the scenario analysis process. Climate-related scenario analysis is an important and useful tool to assess potential business implications of climate-related risks and opportunities and for informing Mint's clients and other stakeholders about how the Funds are positioned in light of these risks and opportunities <u>{1}</u>. Scenarios divert from the task of predicting the most likely future, and instead focus on creating hypothetical future climate states to allow entities to better understand potential climate-related impacts that might occur. <u>{2}</u>

The <u>Risk Management</u> section of this report explains the investment team's role in assessing and monitoring ESG risks, and the aspects of our investment process that enable this: ESG integration, stewardship activities and exclusions.

The Metrics & Targets section details how the Mint Funds are currently performing against their benchmarks on a number of climate-related metrics.

The <u>Glossary</u> is where key terms used throughout the report are defined.

Introduction

The work done to date has been based on the Climate Scenario Narratives for the Financial Service Sector report ('the FSC Sector report'), produced by sector participants in partnership with the Financial Services Council and EY{3}. Mint was a sector participant involved in the production of this report.

The FSC Sector report has been a helpful starting point, as it has allowed us to begin the process of more explicitly identifying the climate-related risks and opportunities (CRROs) the Funds are exposed to. There are limitations in relying on this report. For example, the FSC Sector report is dated June 2023, meaning it includes some information and data which may now be viewed as out of date considering the date of this report (see page 10 of this report for an example of this).

Another limitation is that the FSC Sector report predominantly focuses on risks, not opportunities. We will also consider how the work done to date will enhance our investment process moving forward. This staged approach is reflective of our size, the limited resource that accompanies that and the fact we are producing this report voluntarily.

Disclaimer

This report is intended solely for the information of the person to whom it was provided by Mint Asset Management Ltd. It has been prepared without consideration of an investors financial objectives, is intended to provide information only, and does not purport to give investment advice. Investors and potential investors should seek independent advice before deciding to invest in a Fund. While the information contained in this report has been prepared with all reasonable care, Mint Asset Management Ltd accepts no responsibility or liability for any errors or omissions or misstatements however caused. Except insofar as liability under any statute cannot be excluded, Mint Asset Management Ltd and its directors, employees and consultants do not accept any liability (whether arising in contract, in tort of negligence or otherwise) for any error or omission in this presentation or for any resulting loss or damage (whether direct, indirect, consequential, or otherwise) suffered by the recipient of this report or any other person. Past performance is not necessarily a guide for future performance. Opinions constitute our judgement at the time of issue and are subject to change.

Report Boundaries and Limitations

Boundary

The boundary of this report extends only to the financed emissions of Mint's listed equity and corporate bond investments. Financed emissions (defined by the GHG Protocol $\{4\}$ as scope 3 emissions associated with the reporting company's investments in the reporting year, not already included in scope 1 or scope 2) are the most significant part of Mint's greenhouse gas emissions inventory. Furthermore, listed equity and corporate bond investments collectively comprise over 97% of the Funds' Assets Under Management (AUM) (by monetary value as at 31 March 2024). Alternative assets, sovereign bonds, cash, and cash equivalents make up an immaterial part of Mint's total investments, so they have been excluded from the scope of this report.

This boundary means the Mint Diversified Alternatives Fund has not been included in this report. All further references to 'Fund' or 'Funds' in this report captures only the listed equity and corporate bond investments in the other Funds that make up the Mint managed investment scheme (the Australasian Equity Fund, the New Zealand SRI Equity Fund, the Australasian Property Fund, the Diversified Income Fund, and the Diversified Growth Fund). Mint's emissions as a business are also excluded, as well as those from our value chain e.g. any emissions associated with the administration of the Funds. However, Mint has completed three years of Toitū net carbonzero reporting which covers the scope 1 and 2 emissions of Mint as a business (e.g. emissions associated with employee travel and commuting), which are the primary sources of our climate footprint. You can find detail about this on the Responsible Investing page of our website.

Limitations

This report has been compiled with all reasonable care, and every effort has been made to ensure the accuracy and completeness of information. Along with the reliance on the FSC Sector report (as addressed in the Introduction section), Mint has also relied on Morningstar Sustainalytics (Sustainalytics) for the collection of emissions and related data of the companies the Mint Funds invest in. Specialist providers allow this information to be considered by Mint without undue resource or cost and allows both standardisation and consistent estimations where required. However, there are limitations to the use of third-party data, namely:

- Financial data collection times differ to non-financial data collection times.

These limitations are common across all third-party data providers. As climate-related reporting becomes more uniform across the globe, we expect these points, and the impact they may have on climate analysis, to improve. This is something we will continue to monitor with Sustainalytics in the years ahead.

These limitations are particularly important to consider in regard to forward-looking data provided by Sustainalytics (such as the Value-at-Risk data). As methodologies improve and progress is made on the collection and calculation of climate data, metrics may change considerably. This report has been prepared with data made available to Mint by Sustainalytics and we are not under any duty to update any restatements made to data we may receive after publication of this report (e.g. as data points associated with a company change from estimated to reported). Restatements may be made in future iterations.

This report also contains forward-looking statements and projections. These forward-looking statements are not predictions of the future in respect of any aspect (be it climate, investment, performance, future performance, financial or any other outcome), as the Funds and the associated climate risks are subject to a variety of factors outside our control.

• There is a lag between the date a company reports their climate data, and Sustainalytics collecting this data.

• Sustainalytics collects reported company data whenever possible. When companies do not report their GHG emissions, Sustainalytics use estimation models. More detail can be found on the <u>Sustainalytics website</u>. • A small number of underlying holdings in the Mint Funds are not under the coverage of Sustainalytics, so there is no data available as a result. Coverage information is available in <u>Appendix 2</u>.

Governance

Mint's Board is the company's ultimate governing body and has responsibility for all aspects of the company. The oversight activities of the Board are designed to ensure Mint operates in compliance with applicable laws and regulations, acts in the best interests of investors, and has an appropriate risk management framework. In 2023, the Board Charter was updated to specify the Board's oversight of the components of the company's responsible investing obligations, initiatives and activities, including matters related to climate and stewardship. Therefore, the Board has ultimate oversight of CRROs. The Board is also tasked with ensuring directors and senior management have the requisite skills to fulfil their duties and responsibilities. The Board, which has an independent Chair, is comprised of two executive and two independent members.

Climate change presents risks (and opportunities) to most companies. Given our size, and the nature of our operations, our exposure to this risk is relatively low. However, the companies we invest in on behalf of our clients, can have a far higher exposure to the long-term impacts of climate change. Therefore, our approach and consequently the focus of this report, are primarily centred on how climate related risks and opportunities are managed within our Funds.

In 2023, the Board established the Climate and Stewardship Committee. The initial scope of the Committee has been the implementation of Mint's climate and stewardship reporting activities and ensuring the company has the right level of resources and expertise to achieve its reporting activities. The Committee is comprised of two members of the Board, one executive and one independent, as well as the Head of Responsible Investment, a senior Portfolio Manager and the Head of Investment Operations. The Committee currently meets 6 times a year, and updates are provided to the Board at each Board meeting, where there is a standing agenda item on climate and related matters. The Board normally meets at least five times per year.



The Board has delegated day-to-day implementation of its approved strategies to senior management, which are the Chief Executive Officer and the General Manager. Senior management have delegated day-to-day management of the Mint Funds to the Investment team.

We have a fiduciary duty to act in the best interests of our clients. The analysis of Environmental, Social and Governance (ESG) issues, which includes climate and environmental factors, is an integral part of our investment process. It enables us to make a full assessment of the risks and opportunities associated with our investments and thus uphold our fiduciary duty. We also believe taking ESG factors into consideration is the right thing to do as society will benefit from companies adopting sustainable practices.

Responsible investment, and the incorporation of ESG factors, are important components of our investment process. We believe consideration of ESG factors can enhance long-term risk-adjusted returns and drive long-term value for our investors. In practice, this means we integrate the analysis of whether material ESG risks are being adequately managed by a company, and whether the market has understood and priced the company's exposure to those risks accordingly. Our Head of Responsible Investment leads this process; however, all investment team members have responsibility for its application into our investment programme. The Risk Management section of this report explains the investment team's role in assessing and monitoring CRROs. Mint does not include specific metrics for managing CRROs in remuneration policies.



Strategy

Mint's active investment approach allows us to uphold our belief that ESG practices – including climate-related risks and opportunities – should be an important consideration when making investment decisions. But understanding the extent of these risks is a challenge, and not easily attributable to a single consideration such as climate change, as covered below. This section provides some examples of how climate change has impacted some of the Funds' investee companies. It also describes the CRROs we have identified, and outlines the scenario analysis that has been undertaken to assist in the identification of CRROs. The identification of CRROs and the scenario analysis process have both relied upon information in the FSC Sector report, so these sections should be considered against the <u>FSC Sector report</u> in full.

Given the challenges with data quality, the current assessment of how climate change has impacted Mint's Funds has been conducted primarily qualitatively. The Metrics & Targets section includes some of the quantitative data we have used to assist us in understanding the potential impacts that may develop. The limitations of the data relied upon are covered in the Introduction section of this report.

Climate risks are classified as either physical or transition risks $\{5\}$.

Current Impacts

There are many factors that might influence both the value and the underlying investments of the Funds. It is widely accepted that it is not possible to identify the impact of a single factor on the value of the Fund or an underlying investment of the Fund. The same holds true for impacts from climate change.

The examples below give some insight into current impacts upon some of Mint's investee companies from extreme weather events or transition factors such as increased regulation. However, we cannot directly attribute these impacts solely to climate change or climate-related factors.

Physical Risk

Physical risks resulting from climate change can be event driven (acute) or longer-term shifts (chronic) in climate patterns.

Physical risks may have financial implications for organisations, such as direct damage to assets and indirect impacts from supply chain disruption. Organisations' financial performance may also be affected by changes in water availability, sourcing, and quality; food security; and extreme temperature changes affecting organisations premises, operations, supply chain, transport needs, and employee safety.

Physical risks are further categorised into acute risks (eventdriven risks such as cyclones & floods) and chronic risks (longerterm shifts in climate patterns e.g. sustained higher temperatures that may cause sea level rise or chronic heat waves).

Transition Risk

Transitioning to a lower-carbon economy may entail extensive policy, legal, technology, and market changes to address mitigation and adaptation requirements related to climate change. Depending on the nature, speed, and focus of these changes, transition risks may pose varying levels of financial and reputational risk to organisations.

Transition risks are further categorised into policy risks (e.g. implementation of carbon-pricing mechanisms), legal risks (e.g. litigation), technology risks (e.g. renewable technologies, energy efficiency), market risks (e.g. shifts in supply and demand) and reputational risks (changing customer or community perceptions).

Current Impacts - Physical

Infratil

Infratil reported negative impacts to some of the assets owned by their portfolio companies (from extreme rainfall, floods and hail) in their FY2023 CRD report <u>{6</u>}.

Infratil's FY2024 CRD report stated that the costs related to these events were incurred in FY2024 - "our portfolio companies have quantified a proportionate total of \$3.3 million of such costs. Infratil is not aware of any material, negative climate-related physical impacts in the current period." $\{7\}$



Within the Utilities sector, changes to rainfall could lead to reduced efficacy of hydro generation. As Contact reported in the FY24 Climate Statement: "We have been experiencing increased volatility in hydrology conditions. However, it is challenging to isolate the impact of climate change from seasonal weather variations (e.g. El Niño and La Niña). In FY24 we embarked on our first ever turbine upgrade at the Roxburgh hydroelectric dam. The investment of around \$30m will improve the dam's efficiency and increase annual generation by ~45GWh (in a mean hydro year). Current expenditure indirectly related to this risk includes development costs associated with grid-scale battery and renewable generation (wind, solar, geothermal) investments." [8]



Cyclone Gabrielle was an extreme weather event that occurred in early February 2023. Summerset operates several villages across the affected areas, and reported the most significant impacts were felt at the company's Te Awa (Napier) village.

"The village experienced major operational disruption through the loss of power, communication and a precautionary evacuation of the village...Although the business has comprehensive insurance for events of this nature, it still resulted in minor unexpected operational costs of \$145,611.01 as Summerset responded to and took additional measures to ensure the safety and wellbeing of our residents and staff. This was primarily spent on emergency supplies, equipment, and staff (including relocation of staff from around the country to help the affected villages)." {9}

Fisher&**Payke** HEALTHCARE

Water scarcity is a physical risk already impacting Fisher & Paykel Healthcare. In the FY2024 Annual Report, FPH reported their "manufacturing facilities in Tijuana, Mexico are situated in a water-scarce region, relying on water being delivered from a neighbouring state, which in turn relies on the stressed Colorado River basin catchment. During the 2024 financial year, water costs to service our three manufacturing facilities in Tijuana increased approximately 30% amid ongoing pressure to water supply." $\{10\}$

Current Impacts - Transition

Infratil

Infratil reported a transition impact, stating "the decarbonisation tailwind has contributed at least in part to the fair value uplift of nearly \$700 million [in their renewable energy platform] between 31 March 2023 and 31 March 2024. These increases are not all directly attributable to this opportunity alone because there is a complex, wide-ranging mix of factors involved...It can reasonably be concluded that this uplift has contributed to Infratil's strong performance across 2024, however we cannot attribute this entirely to climate change for the purposes of this report." {11}

serko

Serko, a travel management provider, named carbon pricing – a regulatory transition risk – as one current climate-related impact on the business.

"The 2023 World Bank Carbon Pricing report states that governments are prioritising direct carbon pricing policies to reduce emissions, even in difficult economic times. Serko to date cannot attribute any hosting and infrastructure price increases directly to the transition to a low carbon economy but we do believe this to be a factor. in addition to economic turmoil and geopolitical instability." {12}

If carbon pricing is implemented, this will be expected to impact on high-emissions activities such as international travel, and these costs may have an impact on the costs of hosting infrastructure.

Globally, regulation on climate change (and other sustainability reporting) continues to increase. One such example is New Zealand's climate disclosure regime. Many of Mint's investee companies will have experienced an uplift in resource and costs to comply with these regulations.

Fisher & Paykel HEALTHCARE

For example, Fisher & Paykel Healthcare recorded CRE reporting obligations as a risk currently impacting the business. The company has "created a climate working group to facilitate, support and prepare these climaterelated financial disclosures. As a global business, we are preparing for similar reporting obligations to come into force in the other jurisdictions we operate in." $\{13\}$

Infratil

Infratil reported FY2024 total and proportionate (from portfolio companies) expenditure of \$1.3 million on "climate-related regulatory requirements, emissions reporting, disclosures, assurance, targets, sustainable finance, ESG/climate assessments and supporting technology".

This report does not address the financial impact of these current impacts on the Funds.

Anticipated impacts

Fund managers are exposed to climate-related risks primarily through the portfolios they invest in. While there is some exposure through product and operational risk $\{14\}$, it is generally accepted that portfolio-level risk far exceeds this. The content in this section is taken or adapted from the FSC Sector report. Note this report is dated June 2023, and therefore may reflect some points which have since improved or worsened for example, Australia has significantly improved its poor climate policies and commitments since this time and therefore if the FSC Sector report were to be refreshed, it is likely this would no longer be classified as a risk for Australia. The FSC Sector report identified three key attributes driving climate risk to investee companies, and therefore portfolios: geography, asset class and sector.

The risks identified in the FSC Sector report under each of these categories was the basis for the analysis performed on the Mint Funds to understand anticipated impacts from climate change. The following tables provide a high-level overview of these anticipated CRROs at the geography, asset class and sector level.

Geography Risk

The Mint Funds are primarily invested in companies domiciled in New Zealand, and then otherwise in developed economies - a selection of which are listed in the table opposite.



| | New Zealand | Australia | UK | USA & Canada | EU |
|-----------------------------|----------------|-----------|----|-----------------|----|
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| and commitments | | | | | |
| ey intervention | | | | | |
| ting government | | | | | |

Table 1: Geography Risks. Adapted from Climate Scenario Narratives for the Financial Services Sector (data in

Asset Class Risk

As detailed in the <u>Introduction</u> section, the boundary of this report extends only to the financed emissions of Mint's listed equity and corporate bond investments. Key risks for the Mint Funds are therefore across those two asset classes. As covered in the FSC Sector report, the key portfolio impacts from climate change on these two asset classes are displayed in the table opposite.

Sector Risk

The table on the following page summarises the CRROs identified in the FSC Sector report by GICS sector (with Agriculture and Transport included as their own sectors and excluded from Consumer Staples and Industrials, respectively).

This report does not address or quantify the financial impact of these anticipated impacts on the Funds.

Impact to asset class

- Decreased revenue and flow of capital can share/unit price of the entity.
- Decreased revenue and increased capital ex decrease profitability, decreasing ability to impacting demand from income-focused inv
- Increased gearing ratio as debt increases to capital expenditure.
- Increase in volatility as a result of more nat causing fluctuations in the underlying figur increasing costs, decreasing earnings.
- Flow through impacts to financial ratios (Pr Earning per share, Price/Book value etc)

Corporate Bonds

Equity

- Decreased revenue & increased capital exp impact cash flow, increase the probability or result hinder credit rating.
- Decreased revenue and increased capital ex drive need for additional bond issuances, in value of current bonds in the market (due t bonds needing to be greater attractive).
- Increase in sovereign bond yield impacts consecure future capital at current yields, driving corporate bond yield increases and impacts bonds in the market.

Table 2: Asset Class Risks. Adapted from Climate Scenariat the date of that report - June 2023).

| | Impact to portfolio |
|--|--|
| decrease the | Decrease in dividends could impact portfolio's expected cash reserve/cash flow and impact fund distributions to investors. |
| xpenditure can pay dividends and vestors. | Increased difficulty to sell shares (and at a reduced price) especially for high-emitters. |
| o cover increased | • Decrease in portfolio book worth. |
| tural events res due to | • Decrease in fund unit prices due to underlying equities decreasing in value. |
| rice/Earnings, | Reduced earnings growth and share price over time. |
| | |
| enditure can of default & as a | Devaluation of issuer's current bonds could cause credit spreads to widen further. |
| xpenditure can npacting on the to yield of new | Decreased credit quality of portfolio. Increased probability of default could impact portfolio's expected cash reserve/cash flow. |
| orporate ability to ves requirement for s value of current | Increased difficulty to sell bonds (and at a reduced price). Devaluation of portfolio's current bonds. Increased yield of future bonds if purchased after yield increased. Credit spread deterioration. |

Physical Risks/Opportunities

Transition

| ties | Sector Risk | Agriculture | Communica- tion Services | Consumer Discretion- ary | Consumer Staples (ex. Agri.) | Energy | Financial | Healthcare |
|---------|---|-------------|-----------------------------|--------------------------------|------------------------------------|--------|-----------|------------|
| oortuni | Disruption to business operations/provision of services | | | | | | | |
| ld0/s | Disruption to supply chain | | | | | | | |
| Risks | Stranded assets | | | | | | | |
| _ | Economic impacts on customer | | | | | | | |
| | Adoption/ implementation | | | | | | | |
| ities | Increased carbon price | | | | | | | |
| ortun | Litigation risk | | | | | | | |
| Oppo | Regulatory/ policy impacts | | | | | | | |
| Risks/ | Stakeholder preferences (including customer, investor and employee) | | | | | | | |
| | Economic impacts on customers | | | | | | | |



Scenario Analysis

The FSC Sector report developed scenario narratives with three different temperature outcomes to meet the requirements under the Climate Standards and promote alignment of climate-related scenario analysis and risk disclosures across New Zealand's financial sector <u>{15}</u>. It is these scenarios that we have relied on for Mint's scenario analysis process. All content in this section is taken or adapted from the FSC Sector report, except for the time horizons, and so should be considered against the <u>FSC Sector report</u> in full.

Our process consisted of a series of workshops to understand and educate on the purpose of scenario analysis and to walk through the FSC Sector report scenarios, noting where we thought certain drivers might play out differently, or be more impactful in the context of the Mint Funds.

The scenario analysis process was a standalone exercise.

Time Horizons

The time horizons considered in Mint's scenario analysis process and subsequent CRRO analysis have been adapted from those used in the FSC Sector report. These were amended because the FSC Sector report was completed in June 2023, but Mint did not conduct our scenario analysis process until 2024.

Therefore, we have updated the base year to 2024, and amended the time horizon endpoints to better align with Mint's views. Mint's time horizon endpoints are determined by a year, as outlined below:





Selected scenarios & rationale for selection

The scenario descriptions provided include reference to different temperatures – namely 1.5° C, $>2^{\circ}$ C and $>3^{\circ}$ C. To avoid the worst impacts of climate change and preserve a liveable planet, countries agreed (under the 2015 Paris Agreement) to cut GHG emissions, with a view to hold the increase in the global average temperature to well below 2°C above pre-industrial levels and pursue efforts to limit the increase to 1.5° C above pre-industrial levels. The pre-industrial period is defined as 1850-1900 {16}. Therefore, understanding the impacts of a 1.5° C and 2° C temperature rise is appropriate. However, it is well accepted that we are not on track to meet the goals of the Paris Agreement {17}, so understanding what the impacts could be from warming of >3°C is prudent too.

The three selected scenarios, and the rationale for selection for each, is taken from the FSC Sector report and outlined below <u>{18}</u>:



Scenario Dimensions

The sources of data used to construct each scenario are outlined in the table below. This information should be considered against the FSC Sector report in full, particularly Appendices A and B, available here.



Table 5: Scenario Dimensions. Source: Climate Scenario Narratives for the Financial Services Sector

The next section summarises the narratives for each of the scenarios developed in the FSC Sector report. The information should be considered against the FSC Sector report which provides more detail on each scenario, available <u>here</u>.

ORDERLY

Scenario Narrative

The Orderly scenario represents collective action towards a low-carbon global economy. There are steady and constant societal changes related to technology, policy and behaviour to support the transition to a lower emissions economy. This is matched by an increasing carbon price that reinforces low-carbon behaviour change.

Due to this coordinated and timely action, the worst predicted impacts of climate change are avoided - however, the long-term chronic impacts from historic GHG emissions still occur, although not severely.

Under the Orderly scenario, the rate of physical risk remains relatively low, even in the long term, as there is a concerted effort to reduce emissions. Because of this, transition risks initially increase in the shortand medium-term before reducing as society shifts to a low carbon economy (see Figure 1).

Emissions pathways & assumptions

The Orderly scenario shows a steady, steep decline in global emissions, with emissions reducing at an average of 3.4% per annum, with a 101% reduction in net emissions in 2050 compared to 2020. This leads to net emissions being less than zero in 2050 (see Figure 2).

An extensive description of the narrative, and detailed assumptions underlying the emissions pathway, are covered in the FSC Sector report (section 4.1).



Figure 2: Orderly global emission pathway using NGFS data. Source: Climate Scenario Narratives for the Financial Services Sector.



TOO LITTLE TOO LATE

Scenario Narrative

The Too Little Too Late scenario represents a misaligned and delayed transition to a low carbon economy between different parts of the world. Some countries are early movers on the transition to a low-emissions economy, introducing policy that brings about net zero emissions by 2050. In other parts of the world, however, there is very little action towards a low emissions future with fossil fuelled development continuing through much of the remaining first half of the century.

From mid-century, global efforts to address climate change begin to align. Large increases in carbon price will drive a rapid improvement in low emissions technology efficacy and uptake. This shift is partly driven by the increasing evidence and awareness of the social, economic and environmental degradation caused by a continued increase in fossil fuelled development.

Despite a concerted effort to reduce emissions and move to a low-emissions economy by midcentury, changes come too late to prevent wide-ranging acute and chronic physical climate impacts.

Under the Too Little Too Late scenario, the rate of physical risk climbs steadily out to the longterm. Transition risk increases rapidly in the short-term, plateauing in the medium-term as net zero targets are reached. Transition risk exposure then increases again in the long-term due to increased global action and the emergence of new technologies facilitating decarbonisation (see Figure 3).

Emissions pathways & assumptions

Globally, the Too Little Too Late scenario shows a steady decline in global emissions. Overall, emissions reduce at an average of 1.0% per annum, with a 31% reduction in net emissions in 2050 compared to 2020. This reduction leads to net emissions in 2050 significantly higher than zero (see Figure 4).

An extensive description of the narrative, and detailed assumptions underlying the emissions pathway, are covered in the FSC Sector report (section 4.2).

High

Low

Figure 3: Physical and transition risks out to 2050+, for Too Little Too Late scenario. Source: Climate Scenario Narratives for the Financial Services Sector

Figure 4: Too Little Too Late global emission pathway using NGFS data. Source: Climate Scenario Narratives for the Financial Services Sector.





HOTHOUSE

Scenario Narrative

The Hothouse scenario represents minimal action towards a low-carbon global transition. Despite increasing levels of social, economic and environmental degradation, there is little shift in social and political traction towards a low-emissions future. As a result, there is little behaviour change and a lack of low-carbon emissions technology development. This leads to a continued and increasing level of fossil fuel use, strong globalisation, increasing consumption and materialism.

The impact of these activities continues to drive emissions higher throughout the remaining years of the 21st century, leading to significant acute and chronic physical risks. In the first half of the 21st century, this physical risk sees increasing severity of extreme weather which is accompanied by rising sea levels in the latter half of the 21st century. This threatens coastal developments worldwide, placing pressure on global relations.

Under a Hothouse scenario, the rate of physical risk increases exponentially out to the longterm as global emissions continue to rise throughout the century. The lack of action to abate these emissions sees transition risk remain low, even in the long-term (see Figure 5).

Emissions pathways & assumptions

The Hothouse scenario shows minimal change in global emissions, with a slight increase projected between 2020-2025, and then gradually decreasing. Overall, emissions reduce at an average of 0.4% per annum, leading to an 11% reduction in net emissions in 2050 compared to 2020. This means net emissions in 2050 are well short of net zero (see Figure 6).

An extensive description of the narrative, and detailed assumptions underlying the emissions pathway, are covered in the FSC Sector report (section 4.3).

High

Low

Figure 5: Physical and transition risks out to 2050+, for Hothouse scenario. Source: Climate Scenario Narratives for the Financial Services Sector.





Figure 6: Hothouse global emission pathway using NGFS data. Source: Climate Scenario Narratives for the Financial Services Sector.

Detailed CRRO Analysis

After the scenario analysis workshops, we then performed a deeper critical analysis, across each scenario and time horizon, of the CRROs identified by the FSC Sector report (see Table 3 above) for the three sectors the Mint Funds are most materially exposed to: Utilities, Information Technology, and Healthcare including Aged Care $\{20\}$. We added detailed commentary on the potential exposure for each of the three sectors, and assigned an impact rating over the short, medium and long term $\{\underline{21}\}$. Impact rating options are 'low impact/an opportunity source', 'some impact', 'medium impact', and 'high impact'. The result is a heat map-type matrix which we can use to assist in the assessment and management of CRROs moving forward.

The decision to perform a sector materiality assessment and initially focus on that smaller set of sectors was deemed appropriate by the Climate Committee as a starting point, while Mint does not qualify as a climate reporting entity, but to prepare the business now for when we do qualify. The detailed CRRO analysis is a piece of work we will continue to build upon and expand to other sectors.

Risk Management

We strongly believe that addressing ESG related issues is important to underpinning the longterm health and effectiveness of capital markets. We also believe investing in companies that incorporate ESG measures into their business can affect the performance of portfolios positively through reducing portfolio risk. Consequently, ESG factors form a material part of our investment process for our direct investments. Doing so enables us to make a full assessment of the risks and opportunities associated with these investments, and thus uphold our fiduciary duty to act in the best interests of our clients.

Responsible investing is a core and fully integrated component of Mint's investment management process. Day-to-day management of the Funds is the responsibility of the investment team. The investment team implements responsible investing in three ways: ESG integration, stewardship activities, and exclusions $\{22\}$.



ESG Integration

ESG integration applies to our direct equity investments, and the approach differs between Australasian equities and global equities. We believe considering ESG factors enhances long-term risk-adjusted returns and drives long-term value for our investors. In practice, this means we look to understand whether material ESG risks are being adequately managed by a company, and whether the market has understood and priced the company's exposure to those risks accordingly.

Australasian equities

Mint has created a proprietary ESG questionnaire which Analysts and Portfolio Managers must complete for any Australasian equity we are considering investing in. The questionnaire provides a prompt for our analysts and portfolio managers to consider the range of ESG risks and opportunities that could affect a company. Companies are scored lower if their exposure to ESG risk is higher. Companies are also scored lower if their management of those risks is poor. These scores feed into a qualitative score.

We then combine the qualitative score with a quantitative score to produce a conviction score. This conviction score is used to rank companies in the investment universe for potential inclusion in the model portfolio. Companies with strong ESG scores are promoted within the conviction list (and vice-versa). These scores support the derivation of a model portfolio. This means if there were two companies with all other factors equal, the company which is the better performer from an ESG risk perspective (i.e., has a lower risk exposure and/or manages these risks well) will have a larger weighting in the model portfolio. This means if there were two considerations. The final decision on portfolio construction is the responsibility of the respective Portfolio Manager.

The environmental factors we consider in the proprietary ESG questionnaire include the environmental intensity of business operations, the track record and tangible steps taken in emissions management, the presence of clear policies and strategies, and the presence of products or services that assist others in managing environmental needs.

We score every Australasian stock in our investable universe on ESG grounds. An Australasian equity cannot receive a 'conviction' score without going through this process. We use Sustainalytics data as a reference point, but in a New Zealand context, often the Sustainalytics team do not have the access to understand the company in the same level of depth as an on-the-ground analyst or the data is often stale (and this is more-so the case with climate data – see the Limitations section). We believe it is essential in a New Zealand context to individually score companies ourselves rather than relying exclusively on external data providers.



Global equities

For global equities, we rely on Sustainalytics' ESG Risk Ratings. Included in the list of material ESG issues assessed is Emissions, Effluents and Waste, Carbon from Own Operations, and Carbon from Products & Services, amongst others <u>{23}</u>. Global equities are ranked in a quantitative model, with inputs including value, size and momentum. The conviction score is then adjusted up and down based on the Sustainalytics ESG Risk Rating scores. The model portfolio produced as a result of the conviction score is then used as an input into the final portfolio, alongside investment team reviews and current market considerations. The final decision on portfolio construction is the responsibility of the respective Portfolio Manager.

Stewardship Activities

Mint's Stewardship Policy applies to our direct equity and corporate bond investments. The systemic issue of climate change is a significant and pressing risk, and this is one of the reasons it has been prioritised in Mint's stewardship activities. The tools available for Mint's stewardship activities include engaging with investee companies (both current and potential), voting at shareholder meetings, consulting with policy makers and standard setters, and working collaboratively with other stakeholders.

Our engagements are driven by three sources:

i.Score-led engagements – we look at the lowest scoring companies in our proprietary scoring system to engage on points of weakness that can be improved. ii.Thematic engagements – we focus on an area of concern and review how our companies are managing this risk. iii.Collaborative engagements – we work with others in the industry to drive improvements.

More detail on each of these engagement sources can be found in <u>Mint's Stewardship Policy.</u> For an example of the latest company engagements, see the Quarterly Sustainability Report available <u>here</u>.

Many of the companies we invest in are Climate Reporting Entities themselves and have, or will, produce a Climate Statement in line with the Aotearoa New Zealand Climate Standards. These will be a source of information for us moving forward and allow us to better target climate engagements under the 'thematic engagements' source. Further, within the data available from Sustainalytics, we have identified poor performers on some of the metrics. This is another way in which we can prioritise climate engagements.

Exclusions

Exclusions are employed across our direct equity and corporate bond investments. The exclusions we apply are based on two beliefs we have. Firstly, that the sectors and activities we exclude are unnecessarily harmful to society and the environment. Secondly, that the ESG risks the excluded companies face by being involved in the excluded sectors/activities are not justified or commensurate with any level of return. The full list of exclusions is available in our <u>Responsible</u> <u>Investment Policy</u>.

Exclusions are a tool we can use to manage our climate risk.

Management of CRROs

This section has outlined the tools within Mint's investment process that allow us to manage ESG risks. ESG integration – specifically the incorporation of proprietary ESG scores and Sustainalytics' ESG Risk Ratings - is our primary tool for managing such risks. In producing this report, we have enhanced the identification and assessment of more specific climate related risks by conducting the detailed CRRO analysis for our three most material sectors (see the Strategy section). The detailed CRRO analysis was based on risks identified in the FSC Sector report.

To allow for improved management of these specific CRROs, we are in the process of updating our proprietary ESG questionnaire to capture the most impactful risks. This will allow us to better assess and manage these risks and improve how they contribute to decision-making.

Metrics and Targets

Purpose of the Metrics

The following pages include the metrics for the listed equity and corporate bond investments of each Mint Fund included in the scope of this report (i.e., all but the Mint Diversified Alternatives Fund). Readers will see most metrics have the performance of each Fund's Benchmark included as a comparison. We will work towards all metrics beating the relevant Benchmark where possible, but there may be exceptions to this. Where the Fund is not beating its Benchmark on a certain metric, the Sustainalytics data enables us to see the biggest contributors to this difference within our holdings. These will also be a source of company engagement moving forward, as part of the thematic engagements that make up our Stewardship Activities (as explained in the Risk Management section).

Data collection

The metrics detailed in this section are provided by Sustainalytics. There are limitations to the use of third-party data, namely:

- There is a lag between the date a company reports their climate data, and Sustainalytics collecting this data.
- Financial data collection times differ to non-financial data collection times.
- Sustainalytics collects reported company data whenever possible. When companies do not report their GHG emissions, Sustainalytics use estimation models. More detail can be found on the Sustainalytics website.
- A small number of underlying holdings in the Mint Funds are not under the coverage of Sustainalytics, so there is no data available as a result. Coverage information is available in Appendix 2.

For more information on the limitations on Sustainalytics' data, see the Limitations section of this report.

There are also certain aspects of data collection that are not within the control of the third-party data providers – including the following:

- <u>{26</u>}.

each of these aspects.

Relevant information

The metrics displayed on the following pages for each Fund are calculated based on Fund holdings as at 31 March 2024 $\{27\}$. Where a metric has a benchmark number supplied, this is comparing the Fund's performance on that metric to the performance of the Fund's benchmark on the same metric. Details on the Fund benchmarks are available in Mint's Statement of Investment Policy and Objectives (SIPO) on our <u>website</u>. All definitions are provided in the <u>Clossary</u> that follows.

Mint does not currently use an internal emissions price. Mint has not yet set climaterelated targets or produced a transition plan to manage the CRROs we are exposed to. An analysis of the trends of these metrics is not included in this report.

• Companies choose to report to different frameworks, which means the data disclosed differs from one framework to the next. The majority of companies under Sustainalytics' coverage report in accordance with the Greenhouse Gas Protocol (GHG Protocol) or the Partnership for Carbon Accounting Financials Global GHG Accounting and Reporting Standard for the Financial Industry (PCAF Standard) $\{24\}$ • The different frameworks permit different ways of consolidating GHG emissions, i.e., the GHG Protocol permits an equity share, financial control or operational control approach $\{25\}$; the PCAF Standard requires financial institutions to measure and report GHG emissions using either the financial or operational control approach

• The Global Warming Potential (GWP) rates vary amongst reporting standards. • Companies will also make their own decisions on specific exclusions of sources (e.g. facilities, operations or assets) when reporting under the different frameworks.

A convergence of reporting globally will be required before there is uniformity across

Mint NZ SRI Equity Fund Climate Metrics

Weighted Average Carbon Intensity (WACI)

tCO2e per \$mn NZD revenue



Carbon Footprint tCO2e per \$mn NZD invested Fund Fund Benchmark 70 60 50 40 30 20 10 0 Scopes 1 & 2 FY24 Fund Fund Benchmark 200 150 100 50 0 Scopes 1, 2 & 3 FY24

| Financed Emissions (tCO2e) | | | Implied Temper | ature Rise | | |
|----------------------------|------------------|----------------------------|-----------------------------------|-------------------|--|--|
| \$m NZD | Scope 1 FY 24 | & 2 Scope 1, 2 & 3 FY24 | | 91° | | |
| Fund | 2,075 | 8,129 | 2.1 C Fund | Fund Benchmark | | |
| Transition | Value at | Risk | | | | |
| \$m N | IZD | FY24 | % relative to covered holdings | FY24 | | |
| Fund | | \$37,024 | Fund | 2.21% | | |
| Fund Benchmark | | \$51,681 | Fund Benchmark | 3.09% | | |

| inanced Emissions (tCO2e) | | | Implied Tempera | ature Rise | |
|---------------------------|---|----------|-----------------------------------|-------------------|--|
| \$m NZD | Scope 1 & 2 Scope 1, 2 & 3 FY 24 FY24 | | 91° | | |
| Fund | 2,075 | 8,129 | 2.1 C Fund | Fund Benchmark | |
| ransition | Value at Ris | K | | | |
| \$m N | ZD | FY24 | % relative to covered holdings | FY24 | |
| Fund | | \$37,024 | Fund | 2.21% | |
| Fund Benchmark \$51,6 | | \$51,681 | Fund Benchmark | 3.09% | |

| | RCP8.5 | | | | | |
|------------|--------|------|------|------|------|--|
| Percentile | 2023 | 2028 | 2030 | 2050 | 2100 | |
| 10 | 86% | 86% | 86% | 86% | 66% | |
| 20 | 14% | 14% | 14% | 14% | 20% | |
| 30 | 0% | 0% | 0% | 0% | 14% | |
| 40 | 0% | 0% | 0% | 0% | 0% | |
| 50 | 0% | 0% | 0% | 0% | 0% | |
| 60 | 0% | 0% | 0% | 0% | 0% | |
| 70 | 0% | 0% | 0% | 0% | 0% | |
| 80 | 0% | 0% | 0% | 0% | 0% | |
| 90 | 0% | 0% | 0% | 0% | 0% | |
| 100 | 0% | 0% | 0% | 0% | 0% | |

Mint Australasian Equity Fund Climate Metrics

Weighted Average Carbon Intensity (WACI)

tCO2e per \$mn NZD revenue





| Financed Emissions (tCO2e) | | | Implied Temper | ature Rise | |
|----------------------------|--------------------|-------------------------|-----------------------------------|-----------------------|--|
| \$m NZD | Scope 1 & FY 24 | 2 Scope 1, 2 &3 FY24 | | 9 1 ° C | |
| Fund | d 2,806 10,215 | | 2.1 C Fund | Fund Benchmark | |
| Transition | Value at R | isk | | | |
| \$m N | ZD | FY24 | % relative to covered holdings | FY24 | |
| Fund | | \$35,316 | Fund | 2.11% | |
| Fund Ben | chmark | \$51,681 | Fund Benchmark | 3.09% | |

| inanced Emissions (tCO2e) | | | Implied Tempera | ature Rise | |
|---------------------------|--|----------------|-----------------------------------|-------------------|--|
| \$m NZD | ZD Scope 1 & 2 FY 24 Scope 1, 2 & 3 FY24 | | 91° | | |
| Fund | 2,806 | 10,215 | 2.1 C Fund | Fund Benchmark | |
| ransition | Value at R | isk | | | |
| \$m NZD FY24 | | FY24 | % relative to covered holdings | FY24 | |
| Fund \$35,316 | | \$35,316 | Fund | 2.11% | |
| Fund Benchmark \$51,681 | | Fund Benchmark | 3.09% | | |

| | RCP8.5 | | | | | |
|------------|--------|------|------|------|------|--|
| Percentile | 2023 | 2028 | 2030 | 2050 | 2100 | |
| 10 | 88% | 88% | 88% | 88% | 73% | |
| 20 | 12% | 12% | 12% | 12% | 15% | |
| 30 | 0% | 0% | 0% | 0% | 12% | |
| 40 | 0% | 0% | 0% | 0% | 0% | |
| 50 | 0% | 0% | 0% | 0% | 0% | |
| 60 | 0% | 0% | 0% | 0% | 0% | |
| 70 | 0% | 0% | 0% | 0% | 0% | |
| 80 | 0% | 0% | 0% | 0% | 0% | |
| 90 | 0% | 0% | 0% | 0% | 0% | |
| 100 | 0% | 0% | 0% | 0% | 0% | |

Mint Australasian Property Fund Climate Metrics

Weighted Average Carbon Intensity (WACI)

tCO2e per \$mn NZD revenue





| Financed Emissions (tCO2e) | | | Implied Temper | ature Rise | |
|----------------------------|------------------|----------------------------|-----------------------------------|-------------------|--|
| \$m NZD | Scope 1 FY 24 | & 2 Scope 1, 2 & 3 FY24 | | | |
| Fund | 50 107 | | 2.9 C Fund | Fund Benchmark | |
| Transitio | on Value at | Risk | | Demonnunk | |
| \$m | NZD | FY24 | % relative to covered holdings | FY24 | |
| Fund | | \$6,367 | Fund | 0.38% | |
| Fund B | enchmark | \$6,205 | Fund Benchmark | 0.37% | |

| nanced Emissions (tCO2e) | | | Implied Tempera | ature Rise | | |
|----------------------------|------------|-------------------------|-----------------------------------|-------------------|--|--|
| \$m NZD Scope 1 & FY 24 | | 2 Scope 1, 2 &3 FY24 | | 91° | | |
| Fund | 50 | 107 | 2.9 C Fund | Fund Benchmark | | |
| `ransition | Value at R | Risk | | | | |
| \$m N | ZD | FY24 | % relative to covered holdings | FY24 | | |
| Fund | | \$6,367 | Fund | 0.38% | | |
| Fund Ben | chmark | \$6,205 | Fund Benchmark | 0.37% | | |

| | RCP8.5 | | | | | |
|------------|--------|------|------|------|------|--|
| Percentile | 2023 | 2028 | 2030 | 2050 | 2100 | |
| 10 | 88% | 88% | 88% | 88% | 85% | |
| 20 | 0% | 0% | 0% | 0% | 3% | |
| 30 | 0% | 0% | 0% | 0% | 0% | |
| 40 | 12% | 12% | 12% | 0% | 0% | |
| 50 | 0% | 0% | 0% | 12% | 12% | |
| 60 | 0% | 0% | 0% | 0% | 0% | |
| 70 | 0% | 0% | 0% | 0% | 0% | |
| 80 | 0% | 0% | 0% | 0% | 0% | |
| 90 | 0% | 0% | 0% | 0% | 0% | |
| 100 | 0% | 0% | 0% | 0% | 0% | |

Mint Diversified Income Fund Climate Metrics

Weighted Average Carbon Intensity (WACI)

tCO2e per \$mn NZD revenue





| Financed E | missions (| tCO2e) | Implied Temper | ature Rise |
|------------------------|--------------------|----------------------------|--------------------------------|-------------------|
| \$m NZD | Scope 1 & FY 24 | & 2 Scope 1, 2 & 3 FY24 | | |
| Fund | 320 | 1,416 | 2.2 C Fund | Fund Benchmark |
| Transition | Value at F | Risk | | |
| \$m N | IZD | FY24 | % relative to covered holdings | FY24 |
| Fund Fund Benchmark | | \$26,424 | Fund | 1.58% |
| | | \$58,316 | Fund Benchmark | 3.49% |

| inanced E | missions (tCO |)2e) | Implied Tempera | ature Rise |
|-------------------|----------------------|-----------------------|--------------------------------|-------------------|
| \$m NZD | Scope 1 & 2 FY 24 | Scope 1, 2 &3 FY24 | | 99° |
| Fund | 320 | 1,416 | 2.2 C Fund | Fund Benchmark |
| Fransition | Value at Risl | K | | |
| \$m N | ZD | FY24 | % relative to covered holdings | FY24 |
| Fun | d | \$26,424 | Fund | 1.58% |
| Fund Ben | chmark | \$58,316 | Fund Benchmark | 3.49% |

| | | RCP8.5 | | | | | | | | | | | |
|------------|------|--------|------|------|------|--|--|--|--|--|--|--|--|
| Percentile | 2023 | 2028 | 2030 | 2050 | 2100 | | | | | | | | |
| 10 | 83% | 83% | 83% | 83% | 70% | | | | | | | | |
| 20 | 12% | 12% | 12% | 12% | 14% | | | | | | | | |
| 30 | 0% | 0% | 0% | 0% | 12% | | | | | | | | |
| 40 | 4% | 4% | 4% | 0% | 0% | | | | | | | | |
| 50 | 0% | 0% | 0% | 4% | 4% | | | | | | | | |
| 60 | 0% | 0% | 0% | 0% | 0% | | | | | | | | |
| 70 | 0% | 0% | 0% | 0% | 0% | | | | | | | | |
| 80 | 0% | 0% | 0% | 0% | 0% | | | | | | | | |
| 90 | 0% | 0% | 0% | 0% | 0% | | | | | | | | |
| 100 | 0% | 0% | 0% | 0% | 0% | | | | | | | | |

Mint Diversified Growth Fund Climate Metrics

Weighted Average Carbon Intensity (WACI)

tCO2e per \$mn NZD revenue





| Financed E | missions (| (tCO2e) | Implied Temper | ature Rise | | |
|------------------------|--------------------|----------------------------|--------------------------------|-------------------|--|--|
| \$m NZD | Scope 1 a FY 24 | & 2 Scope 1, 2 & 3 FY24 | | | | |
| Fund 340 | | 1,447 | 2.2 C Fund | Fund Benchmark | | |
| Transition | Value at 1 | Risk | | | | |
| \$m N | IZD | FY24 | % relative to covered holdings | FY24 | | |
| Fund Fund Benchmark | | \$29,905 | Fund | 1.79% | | |
| | | \$80,760 | Fund Benchmark | 4.83% | | |

| inanced E | missions (t (| CO2e) | Implied Tempera | ature Rise |
|-----------|----------------------|-----------------------|--------------------------------|-------------------|
| \$m NZD | Scope 1 & 2 FY 24 | Scope 1, 2 &3 FY24 | | |
| Fund | 340 | 1,447 | 2.2 C Fund | Fund Benchmark |
| ransition | Value at Ris | sk | | |
| \$m N | ZD | FY24 | % relative to covered holdings | FY24 |
| Fun | d | \$29,905 | Fund | 1.79% |
| Fund Ben | chmark | \$80,760 | Fund Benchmark | 4.83% |

| | | RCP8.5 | | | | | | | | | | | |
|------------|------|--------|------|------|------|--|--|--|--|--|--|--|--|
| Percentile | 2023 | 2028 | 2030 | 2050 | 2100 | | | | | | | | |
| 10 | 94% | 94% | 94% | 94% | 84% | | | | | | | | |
| 20 | 4% | 4% | 4% | 4% | 10% | | | | | | | | |
| 30 | 0% | 0% | 0% | 0% | 4% | | | | | | | | |
| 40 | 1% | 1% | 1% | 0% | 0% | | | | | | | | |
| 50 | 0% | 0% | 0% | 1% | 1% | | | | | | | | |
| 60 | 0% | 0% | 0% | 0% | 0% | | | | | | | | |
| 70 | 0% | 0% | 0% | 0% | 0% | | | | | | | | |
| 80 | 0% | 0% | 0% | 0% | 0% | | | | | | | | |
| 90 | 0% | 0% | 0% | 0% | 0% | | | | | | | | |
| 100 | 0% | 0% | 0% | 0% | 0% | | | | | | | | |

Glossary

Carbon Footprint

The amount in metric tons per million NZD invested of the relevant emission(s) for which the Fund is known to be responsible. Carbon footprint measures the amount of GHG emissions attributable to a portfolio by determining the portion of the company the portfolio owns and deriving the emissions tons per million NZ dollars invested. This metric is derived for both scope 1 and 2 emissions, as well as for scope 1, 2 and 3 emissions.

 $Portfolio\ Carbon\ Footprint = \frac{\sum_{i=1}^{EC} \frac{holding\ size_i\ (USD)}{issuer's\ EVIC_i\ (USD)} * issuer's\ total\ emissions_i}{\sum_{i=1}^{EC} holding\ size_i\ (USD)}$

Climate Change Commission (CCC)

The CCC drives climate action in Aotearoa New Zealand by providing independent, evidence-based advice on climate issues to the Government of the day.

Financed Emissions

The emissions associated with the Fund's investments, expressed in tonnes of Carbon Dioxide equivalent (tCO2e). Carbon Dioxide equivalent refers to the Global Warming Potential of a greenhouse gas. It allows us to answer the question if 1kg of a particular greenhouse gas traps a certain amount of heat, how much CO2 would trap the same amount? It provides a common scale for all greenhouse gases to allow comparisons between emissions from different activities or sectors. <u>{28}</u> Scope 1 and 2 Financed Emissions refer to the Scope 1 and 2 emissions from the Fund's underlying investments; Scope 1, 2 & 3 Financed Emissions refer to the Scope 1, 2 & 3 emissions from the Fund's underlying investments.

Implied Temperature Rise

Based on the principle that companies are expected to limit their emissions to meet a net-zero budget, the Implied Temperature Rise score indicates how close the company is towards attaining its net-zero (1.5 degrees Celsius) budget. This metric answers the following question: "to what degree would the world be expected to warm if the global economy differed from its budgeted emissions to the same degree as the owned holdings in this portfolio?". This metric is assessed against the UN Principles for Responsible Investment Inevitable Policy Response - Required Policy Scenario (IPR RPS) which is an Orderly Scenario forecast to reach Net Zero by 2050. It differs to the orderly scenario used in the FSC Sector report and relied upon by Mint in the analysis of CRROs. See <u>Appendix 1</u> for a description of this scenario narrative.

Intergovernmental Panel on Climate Change (IPCC)

The IPCC is the United Nations body for assessing the science related to climate change. It was created to provide policymakers with regular scientific assessments on climate change, its implications and future risks, as well as to put forward adaptation and mitigation options.

International Energy Agency (IEA)

The IEA works with governments and industry to shape a secure and sustainable energy future for all. The IEA provides authoritative analysis, data, policy recommendations and solutions to ensure energy security and help the world transition to clean energy.

National Institute of Water and Atmospheric Research (NIWA)

NIWA is a Crown Research Institute established in 1992. NIWA's mission is to conduct leading environmental science to enable the sustainable management of natural resources for New Zealand and the planet. See the NIWA <u>website</u> for more information.

Percentage of High-Risk Assets

This metric shows the percentage of the portfolio identified as having assets under a high risk of damage from physical hazards (by percentile, with 100 being the highest risk). This metric is based on the Intergovernmental Panel on Climate Change Representative Concentration Pathway (RCP) 8.5 scenario. RCP 8.5 is a hothouse scenario, in which emissions continue to rise past 2100, and global temperatures rise by over 3°C. It differs to the hothouse scenario used in the FSC Sector report and relied upon by Mint in the analysis of CRROs. This metric has been disclosed for a Hothouse scenario only, as a Hothouse scenario typically explores a higher level of physical risk relative to other scenarios. See <u>Appendix 1</u> for a description of this scenario narrative.

Scope 1 Emissions

As defined by the GHG Protocol Accounting and Reporting Standard, Scope 1 refers to direct emissions that are from company-owned and controlled resources.

Scope 2 Emissions

As defined by the GHG Protocol Accounting and Reporting Standard, Scope 2 refers to indirect emissions that are from the generation of purchased energy, from a utility provider.

Scope 3 Emissions

As defined by the GHG Protocol Accounting and Reporting Standard, Scope 3 refers to all other indirect value chain emissions, beyond those covered in Scope 2. Scope 3 emissions are divided into 15 categories and cover both upstream (e.g., purchased goods and services) and downstream emissions (e.g., use of sold products).

Network for Greening the Financial System (NGFS)

The NGFS is a group of Central Banks and Supervisors that shares best practices and contributes to the development of environment and climate risk management in the financial sector and mobilises mainstream finance to support the transition toward a sustainable economy.

Transition Value-at-Risk

This forward-looking metric provides a financial based signal that demonstrates the potential loss value a company may experience between now and 2050 due to the risks posed by a transition to a low carbon economy. This metric is based on the UN Principles for Responsible Investment Inevitable Policy Response - Required Policy Scenario (IPR RPS) which is an Orderly Scenario forecast to reach Net Zero by 2050. It differs to the orderly scenario used in the FSC Sector report and relied upon by Mint in the analysis of CRROs. This metric has been disclosed for an Orderly scenario only, as an Orderly scenario typically explores a higher level of transition risk relative to other scenarios. See <u>Appendix 1</u> for a description of this scenario narrative.

Glossary

Weighted Average Carbon Intensity

The asset-weighted average of a company's metric tons of CO2e per millions of NZD revenue of the relevant emissions for all covered companies held in the Fund. Carbon intensity represents the portfolio's carbon efficiency by measuring the weighted average of each company's GHG emissions divided by the company's revenue. This metric is derived for both scope 1 and 2 emissions, as well as for scope 1, 2 and 3 emissions.

 $Portfolio\ Carbon\ Intensity = \sum_{i=1}^{EC} W_i^{RC} * Carbon\ Intensity_i$

References

| | | | | 1 |
|---------------------|--|---|----|-----------------------|
| Reference Number | Reference | - | 10 | Fishe |
| | Final Report: Recommendations of the Task Force on Climate-related Financial Disclosures, | | 11 | Infra |
| | <u>June 2017</u> | | 12 | Serk |
| 2 | Climate Scenario Narratives for the Financial Services Sector, Financial Services Council NZ & EY, <u>June 2023</u> . | - | 13 | Fishe |
| 3 | Climate Scenario Narratives for the Financial Services Sector, Financial Services Council NZ & EY, <u>June 2023</u> . | | 14 | Mint carbo More |
| 4 | World Business Council for Sustainable Development and World Resource Institute, Greenhouse Gas Protocol: Technical Guidance for Calculating <u>Scope 3 Emissions</u> | - | 15 | The |
| 5 | Final Report: Recommendations of the Task Force on Climate-related Financial Disclosures, <u>June 2017</u> | _ | 16 | Inter |
| 6 | Infratil, Climate Related Disclosures <u>2024</u> . | - | 17 | <u>Clima</u> |
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er & Paykel Healthcare, Annual Report <u>2024.</u>

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o, ESG Report <u>FY24</u>.

Reference

9

Number

Reference

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has achieved three years of Toitū Net Carbon Zero certification – this focuses on the on footprint of Mint as a company (at an operational level, not the portfolio level). e detail is available on the Responsible Investing page of our <u>website</u>

Climate Scenario Narratives for the Financial Services Sector <u>report</u>

rgovernmental Panel on Climate Change (IPCC)

<u>ate Action Tracker</u>

section refers to the External Reporting Board (XRB) which is the issuer of the earoa New Zealand Climate Standards.

categories selected are those specified by the External Reporting Board (XRB) in report 'Scenario Analysis: Getting Started at the Sector Level'.

| 20 | Materiality here means a market materiality perspective, based on portfolio holdings over the prior two years. The sector classifications are based on GICS sectors. | Appendices Appendix 1: Scenario n |
|----|--|--|
| 21 | The time horizons used are the same as those used in our <u>Scenario Analysis</u> . | Scenario Name |
| 22 | See our Responsible Investment and Stewardship Policies for definitions of each of these methods, available on the Responsible Investing page of our <u>website</u> . | PRI's Inevitable |
| 23 | More detail on the Sustainalytics ESG Risk Ratings is available <u>here</u> . | Policy Response - Required Policy Scenario (IPR RPS) |
| 24 | The PCAF Standard is the latest distillation of the GHG Protocol and includes a requirement to disclose financed emissions. Most companies under Sustainalytics' coverage report under the GHG Protocol but are transitioning to report under the PCAF Standard. | |
| 25 | For more detail, please see the GHG Protocol, available <u>here</u> . | |
| 26 | For more information, please see the PCAF Standard, available <u>here</u> . | Intergovernmental Panel on Climate Change RCP 8.5 |
| 27 | These dates reflect only the holdings the Mint Fund's have in the underlying companies – this is not the date on which the financial and climate data is reported by the underlying companies. See the Limitations discussion in the Introduction section. | |
| 28 | See the <u>NIWA website</u> for more information | |

| Туре | Basis | Narrative |
|----------|-----------------------------|---|
| Orderly | Net Zero by 2050 | The Inevitable Policy Response (IPR) Required Policy Scenario (RPS) is an orderly scenario, demonstrating a pathway to net zero that was modelled based on the premise that current policy developments must accelerate emissions reduction to hold global temperature increases to a 1.5 degrees Celsius outcome. |
| Hothouse | Highest GHG emissions | RCP8.5 is a high greenhouse gas emissions scenario in the absence of policies to combat climate change, leading to continued and sustained growth in atmospheric greenhouse gas concentrations. Compared to the total set of RCPs, RCP8.5 corresponds to the pathway with the highest greenhouse gas emissions. |

io narratives for the scenarios used by Sustainalytics

Appendices

Appendix 2: Coverage information

Mint relies on Sustainalytics for the collection of climate data from the companies the Mint Funds invest in. But different companies report different data points. As a result, Sustainalytics is not able to calculate all metrics for every company they analyse – there is therefore different coverage across the different climate metrics Sustainalytics calculate.

Emissions data typically has the highest coverage as emissions are the most widely reported data points - the Sustainalytics universe for Emissions is around 16,000 companies. The value at risk data sets are more complex and require hundreds of data points to be researched. Physical risk data is also challenging as many companies do not disclose enough geolocation-based data, plus these require granular financial data such as cash flows, PPE and revenue to be disclosed by country, which is not always the case. This means coverage numbers differ between metrics, even for the same fund, because different metrics rely on different data points – and some companies do not provide particular data points to allow for the metric to be calculated. Reported data is improving, especially with the introduction of more climate-reporting regimes around the world, and we expect coverage to continue to improve as a result.

Coverage data is available for each Fund and each metric in the following table. The key terms are explained here:

- Covered is the percentage of the Fund's underlying holdings with data collected by Sustainalytics (data is either reported by the company or estimated by Sustainalytics based on sector peers who have reported).
- Not covered is the percentage of the Fund's underlying holdings where neither actual or estimated data is available because Sustainalytics does not conduct analysis on the company (usually this is the case with the smallest NZX50 companies, or companies outside the ASX200.
- Out of scope is the percentage of the Fund's underlying holdings that have been excluded from the scope of this report namely alternative assets, sovereign bonds, cash, and cash equivalents (see the Boundary section for more information).

Appendix 2: Coverage information cont.

| Australasian Equity Fund | Covered | Not Covered | Out of Scope | New Zealand SRI Equity Fund | Covered | Not Covered | Out of Scope | Australasian Property Fund | Covered | Not Covered | Out of Scope | Diversified Income Fund | Covered | Not Covered | Out of Scope | Diversified Growth Fund | Covered | Not Covered | Out of Scope |
|---|---------|----------------|-----------------|---|---------|----------------|-----------------|---|---------|----------------|-----------------|---|---------|----------------|-----------------|---|---------|----------------|-----------------|
| Implied Temperature Rise | 86.84% | 12.62% | 0.54% | Implied Temperature Rise | 84.54% | 11.05% | 4.41% | Implied Temperature Rise | 75.48% | 24.25% | 0.26% | Implied Temperature Rise | 63.39% | 14.14% | 22.48% | Implied Temperature Rise | 85.47% | 6.33% | 8.20% |
| Financed Emissions, Scopes 1 & 2 | 98.95% | 0.51% | 0.54% | Financed Emissions, Scopes 1 & 2 | 94.69% | 0.90% | 4.41% | Financed Emissions, Scopes 1 & 2 | 99.74% | 0.00% | 0.26% | Financed Emissions, Scopes 1 & 2 | 60.23% | 35.58% | 20.35% | Financed Emissions, Scopes 1 & 2 | 85.10% | 6.70% | 8.20% |
| Financed Emissions, Scopes 1, 2 & 3 | 98.95% | 0.51% | 0.54% | Financed Emissions, Scopes 1, 2 & 3 | 94.69% | 0.90% | 4.41% | Financed Emissions, Scopes 1, 2 & 3 | 99.74% | 0.00% | 0.26% | Financed Emissions, Scopes 1, 2 & 3 | 60.23% | 35.58% | 20.35% | Financed Emissions, Scopes 1, 2 & 3 | 85.10% | 6.70% | 8.20% |
| Weighted Average Carbon Intensity, Scopes 1 & 2 | 98.95% | 0.51% | 0.54% | Weighted Average Carbon Intensity, Scopes 1 & 2 | 94.69% | 0.90% | 4.41% | Weighted Average Carbon Intensity, Scopes 1 & 2 | 99.74% | 0.00% | 0.26% | Weighted Average Carbon Intensity, Scopes 1 & 2 | 64.81% | 12.71% | 22.48% | Weighted Average Carbon Intensity, Scopes 1 & 2 | 88.63% | 3.17% | 8.20% |
| Weighted Average Carbon Intensity, Scopes 1, 2 & 3 | 98.95% | 0.51% | 0.54% | Weighted Average Carbon Intensity, Scopes 1, 2 & 3 | 94.69% | 0.90% | 4.41% | Weighted Average Carbon Intensity, Scopes 1, 2 & 3 | 99.74% | 0.00% | 0.26% | Weighted Average Carbon Intensity, Scopes 1, 2 & 3 | 64.81% | 12.71% | 22.48% | Weighted Average Carbon Intensity, Scopes 1, 2 & 3 | 88.63% | 3.17% | 8.20% |
| Carbon Footprint, Scopes 1 & 2 | 98.95% | 0.51% | 0.54% | Carbon Footprint, Scopes 1 & 2 | 94.69% | 0.90% | 4.41% | Carbon Footprint, Scopes 1 & 2 | 99.74% | 0.00% | 0.26% | Carbon Footprint, Scopes 1 & 2 | 64.81% | 12.71% | 22.48% | Carbon Footprint, Scopes 1 & 2 | 88.63% | 3.17% | 8.20% |
| Carbon Footprint, Scopes 1, 2 & 3 | 98.95% | 0.51% | 0.54% | Carbon Footprint, Scopes 1, 2 & 3 | 94.69% | 0.90% | 4.41% | Carbon Footprint, Scopes 1, 2 & 3 | 99.74% | 0.00% | 0.26% | Carbon Footprint, Scopes 1, 2 & 3 | 64.81% | 12.71% | 22.48% | Carbon Footprint, Scopes 1, 2 & 3 | 88.63% | 3.17% | 8.20% |
| Transition Value-at-Risk | 86.84% | 12.62% | 0.54% | Transition Value-at-Risk | 84.54% | 11.05% | 4.41% | Transition Value-at-Risk | 75.48% | 24.25% | 0.26% | Transition Value-at-Risk | 63.39% | 14.14% | 22.48% | Transition Value-at-Risk | 85.47% | 6.33% | 8.20% |
| Percentage of High-Risk Assets | 96.06% | 3.40% | 0.54% | Percentage of High-Risk Assets | 91.94% | 3.65% | 4.41% | Percentage of High-Risk Assets | 73.91% | 25.83% | 0.26% | Percentage of High-Risk Assets | 93.61% | 2.20% | 4.19% | Percentage of High-Risk Assets | 93.30% | 3.44% | 3.26% |

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