



CLIMATE STATEMENT

JULY

2024



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This Climate Statement is dated 31 July 2024 and is signed on behalf of the Kingfish Board by:

Andy Coupe

R. A. Coupe
Chair

Carol Campbell

C.A. Campbell
Chair of the Audit and Risk Committee

Cover photo: Matt Logan

Introduction

This climate statement has been prepared in line with the disclosure requirements as set out in New Zealand’s mandatory climate-related reporting requirements.

About Kingfish

Kingfish Limited (“Kingfish”) is a listed investment company (LIC) that invests in New Zealand companies. The Kingfish portfolio is managed by Fisher Funds Management Limited (“Fisher Funds” or “the manager”).

Kingfish listed on the NZX on 31 March 2004.

First climate statement

Kingfish is a climate-reporting entity (CRE) under the Financial Markets Conduct Act 2013.

This is Kingfish’s first climate statement and is for the period 1 April 2023 to 31 March 2024.

This statement complies with the Aotearoa New Zealand Climate Standards issued by the External Reporting Board (XRB). It is set out in the following sections: Governance, Strategy, Risk management, and Metrics and Targets.

This statement accompanies Kingfish’s Annual Report for the same period which contains more information about Kingfish which can be found on the [Kingfish website](#).

Adoption provisions

Kingfish has adopted all first-year adoption provisions as detailed in Aotearoa New Zealand Climate Standard 2: Adoption of Aotearoa New Zealand Climate Standards (NZ CS 2). See Appendix 1.



Photo: Matt Logan

Reasonable care

This climate statement is not financial advice and is unaudited. Readers are advised to seek financial advice before acting or relying on any information in this climate statement.

This report contains climate-related disclosures that reflect forward-looking analysis, including climate-related risks and opportunities and scenario analysis relevant to Kingfish. While reasonable care has been taken in their preparation, these disclosures should not be considered a forecast of climate, investment, performance, financial or other outcomes. The identified climate-related risks and opportunities and scenarios may not eventuate and if they do, the actual impacts may differ materially from what is described in this report.

In addition, there are limitations to the data and data modelling methodology used in this report. All due care has been taken in the collection and modelling of data used, however no warranties are made that the data, or reports generated using the data, are complete and error-free. The climate impact data used in this climate statement was provided by Institutional Shareholder Services (Australia) Pty Limited (“ISS ESG”) as at 31 March 2024. ISS ESG gathers emissions data from publicly available sources (public filings) or creates modelled data using its proprietary sector classifications and financial information. ISS ESG methodology, calculations and models, do not always align with the Partnership for Carbon Accounting Financials (PCAF) standard. Data was not publicly available for all securities held and ISS ESG modelling has been applied in those cases. The underlying emissions calculation used by ISS ESG was not made available for independent assurance due to intellectual property constraints. ISS ESG updates its data sets regularly and retrospectively and as such, results in reports generated from ISS ESG data may vary depending on the date a report is run. Where this creates a material difference in reporting, such data may need to be restated in future climate statements.

Governance

This section details the responsibilities that Kingfish and Fisher Funds (as manager) have in the governance and management of climate-related risks and opportunities.



Photo: Tracey Robins

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Kingfish governance and management of climate-related risks and opportunities

Kingfish's Board recognises the importance of good corporate governance and is committed to ensuring that Kingfish meets best practice governance principles to the extent that they are appropriate for Kingfish's operations.

Corporate governance comprises the principles, practices and processes that determine how a company is directed and controlled. Good corporate governance supports investor confidence. It is also critical to promoting and facilitating fair, efficient and transparent financial markets. Good corporate governance allows directors to focus on growth, value creation and long-term sustainability.

Principles for good corporate governance include having:

- high standards of ethical behaviour throughout an organisation
- transparent, fair and reasonable remuneration for directors
- a board with a balance of skills, knowledge, experience, independence and perspectives
- a board that respects the rights of stakeholders.

Kingfish's Board is responsible for establishing and implementing Kingfish's corporate governance framework. It is committed to fulfilling this role according to best practice, having appropriate regard to applicable laws and the NZX Corporate Governance Code and the Financial Markets Authority's [Corporate governance in New Zealand – Principles and guidelines](#). The Board oversees the management of Kingfish. The day-to-day portfolio and administrative management responsibilities of Kingfish are delegated to Fisher Funds. This includes the management of climate-related risks and opportunities and the preparation of climate-related financial disclosures.

Figure 1 on the following page shows how the Kingfish Board and Kingfish Audit and Risk Committee (ARC) oversee the preparation of its climate statements by Fisher Funds. The Kingfish ARC focuses on audit and risk management and specifically addresses responsibilities to do with financial reporting and regulatory compliance, including overseeing compliance with climate-related disclosure regulation.

The Kingfish Board oversees the climate-related risks and opportunities within the Kingfish investment portfolio.

Investors should also read the full Kingfish corporate governance statement within the [2024 Annual Report](#).



Kingfish Board

Final sign off of the climate statement.

Kingfish ARC

Oversees Fisher Funds preparation of climate-related disclosures.

Fisher Funds - The Manager

Under the Management & Administration agreement between Kingfish and Fisher Funds, the Manager is responsible for management of all potential risks and opportunities that could impact Kingfish. This includes identifying, assessing, measuring and managing climate-related risks and opportunities for the Kingfish portfolio, including scenario analysis, transition planning, establishing metrics and targets and measuring the portfolio's GHG emissions as well as delivering this climate statement.

Figure 1: Simplified governance structure for management of climate-related risks and opportunities

Kingfish Board

The Kingfish Board assesses the extent to which it has directors with the appropriate skills and competencies to provide oversight of climate-related risks and opportunities. The Board-appointed Remuneration and Nominations Committee considered each director's skillset based on directors' self-assessments and maintains a directors' skills, competency and experience matrix. Directors are expected to take individual accountability to maintain relevant competencies as part of their director's duties. These steps enable the Kingfish Board to maintain skills and competencies for oversight of portfolio's climate-related risks and opportunities. Details about the directors, including their experience and background, are available on the [Kingfish website](#).

The Kingfish Board and its committees meet at least 10 times a year and may schedule extra meetings as needed to fulfil its responsibilities which includes climate-related risks and opportunities. Climate was considered in 3 board meetings, 2 ARC meetings and 2 investment committee meetings.

The Kingfish ARC provides climate-related disclosure reporting to the Kingfish Board. The Kingfish Board is responsible for approving the overall climate-related strategy and adoption of recommended metrics and targets.

For additional information on the Kingfish Board and ARC charters, refer to the [Kingfish website](#).



Governance process

Oversight of climate-related risks and opportunities, scenario analysis, and strategies is undertaken by the Kingfish ARC and Kingfish Investment Committee.

The Kingfish ARC is informed about climate-related risks and opportunities by regular reports from Fisher Funds.

Fisher Funds reports to the Kingfish Board or its subcommittees on these matters because it is the manager of Kingfish. This means that the returns Kingfish shareholders receive are dependent on the investment decisions of Fisher Funds, as well as the performance of the investments. These decisions include decisions on climate-related risks and opportunities. In making these decisions Fisher Funds follows a governance process that is overseen by the Fisher Funds Board. The metrics, targets, and climate statement for Kingfish are only recommended to the Kingfish ARC for its approval, once Fisher Funds has completed this process. This enables the Kingfish Board to discharge its due diligence obligations when relying on the climate-related materials it receives from the Manager. A summary of the process is set out below.

1. Climate-related roles and responsibilities are assigned to Fisher Funds' Investment Management Team (IMT) by its Chief Investment Officer.
2. Through scenario analysis, the IMT completes an assessment of climate-related risks and opportunities and, where material, these risks and opportunities are factored into investment decisions.

3. The IMT presents any relevant approach, analysis or targets to be included in relevant climate statements for consideration by the Fisher Funds Environmental, Social and Governance (ESG) Committee. For more information about the ESG Committee, refer to the section Fisher Funds ESG Committee.
4. The annual climate statement is developed by the IMT and then endorsed by the ESG Committee before being provided to independent auditors (where applicable).
5. Fisher Funds then utilises two of its Board subcommittees to assist its Board's oversight of climate-related risks and opportunities. These are the Investment Strategy Committee and the Audit and Risk Committee.
6. Metrics and targets for Kingfish are received by the Investment Strategy Committee, reviewed, and then submitted to the Fisher Funds Board for recommendation to the Kingfish ARC and Board. This takes place annually.
7. The annual climate statement for Kingfish is received by the Fisher Funds ARC (with any applicable independent assurance or audit report), and then submitted to the Fisher Funds Board for recommendation to the Kingfish ARC and Board. This takes place annually.
8. Once Kingfish Board approves the climate statement, it is disclosed.

Fisher Funds ESG Committee

The Fisher Funds ESG Committee is a management appointed committee. Members include the Fisher Funds Chief Executive Officer, General Counsel, Chief Investment Officer, Chief Investment Strategist, and the Responsible Investment Specialist. The ESG Committee meets bi-monthly or at a minimum of 5 times a year.

Over the period, the Fisher Funds ESG Committee increasingly focused on the requirements for the climate disclosure regime. A dedicated Responsible Investment Specialist joined the IMT (reporting to the Chief Investment Officer) and provided expert guidance for the development of targets and reports, with responsibility for managing the ESG Committee. A Responsible Investment Analyst was hired in April to report to the Responsible Investment Specialist and support detailed analysis of data and production of reports.

The remit and administration of the ESG Committee was formalised through an update to its [Charter](#) in February 2024. This included adding membership and quorum requirements, extending the responsibilities of the Committee to reflect the climate standards work, and adding responsibility for reviewing metrics and targets received from the IMT.

It is expected that Fisher Funds' processes and approach will continue to evolve following the baseline work completed in this first year of reporting.

Incentives and remuneration

Fisher Funds provides all necessary resources and staff for Kingfish (other than the Board and its committees). Kingfish does not employ any staff.

Fisher Funds did not incorporate specific climate-related performance metrics into its remuneration policies during the period. As a result, no management remuneration was linked to climate-related risks and opportunities in the period.

Strategy

This section details how climate change is currently impacting Kingfish and how it may impact Kingfish in the future. It also sets out Fisher Funds’ approach to investing and the investment objectives of Kingfish.



Photo: Claire Horwood

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Kingfish investment objectives and philosophy

Kingfish's key investment objectives are to:

- achieve a high real rate of return, comprising both income and capital growth, within risk parameters acceptable to the directors
- provide access to a diversified portfolio of New Zealand quality growth stocks through a single tax efficient investment vehicle.

To achieve these objectives, Kingfish follows an investment approach based on 3 broad principles:

- invest as a medium to long-term investor exiting only because of a fundamental change in the original investment case
- invest in companies that have a proven track record of growing profitability
- construct a diversified portfolio of investments based on the STEEPP investment criteria — find more information on STEEPP on the [Kingfish website](#).

Fisher Funds has a formal responsible investment policy and framework and has an approach to climate risk assessments which the Kingfish Board has adopted — it is detailed in the following section: Fisher Funds' approach to investing.

Fisher Funds' approach to investing

Fisher Funds is one of New Zealand's largest specialist investment managers, and adopts an active, fundamentals-based approach to investing. The approach involves handpicking investments and reviewing every potential investment on its own fundamentals. This bottom-up approach to investing means the IMT can be highly selective when evaluating entities to include in investment portfolios.

The IMT identifies high quality and growing businesses to invest in New Zealand and across the globe. The team is looking for businesses that have sustainable competitive advantages, long runways for growth, and talented management teams that are long-term focused and aligned with shareholders' expectations. When the team finds companies with these qualities, it will often aim to take relatively meaningful positions and hold them for the long term.

While Fisher Funds aims to hold investments for the long term, positions in these entities may be sold or increased/decreased when there is a

change to the investment thesis that positively or negatively impacts prospective returns or risks.

Fisher Funds believes that this complements Fisher Funds' responsible investment approach. Identifying high quality businesses to hold for the long term also requires assessing environmental, social and governance factors that could help, or hinder, a business through time. This, along with Fisher Funds' active engagement and stewardship approach, supports Fisher Funds' overall responsible investment framework.

Fisher Funds assesses both the upside of a potential investment, as well as potential risks. Climate risk — and the potential costs of transition to a lower carbon economy — may impact many businesses in the years ahead. The IMT considers these climate risks (along with all other investments risks) and factors them into its investment decision-making when relevant.



Photo: Claire Horwood

Strategy — Transition plan

As the manager of the Kingfish portfolio Fisher Funds is committed to integrating climate-related considerations into its overall strategy. In this period, Fisher Funds has made progress towards developing a transition plan by:

- conducting a comprehensive climate risk and opportunity assessment across all its managed investments, including the Kingfish portfolio
- building its internal capacity to analyse climate-related risks and opportunities
- incorporating climate-related risks and opportunities into its investment process.

Fisher Funds is committed to the ongoing development of its transition plan.

Climate risks and opportunities impact on Kingfish

To assess the current impacts of climate change on Kingfish, a climate risk and opportunity assessment was carried out for the Kingfish portfolio as at 31 March 2024. This was completed as a standalone process that was worked through with the IMT. The scenario analysis looked forward to plausible futures to understand the possible impacts of climate change on the portfolio over different time horizons, which also supported the risk assessment process.

Climate risk assessment framework

Fisher Funds took a significant step forward by completing its first comprehensive climate risk and opportunity assessment across the Kingfish portfolio. This initial assessment was designed to evaluate the assets of the investments based on the available information and resources. The details of this process are set out in the Risk management section. The risks and opportunities identified through this assessment identified potential anticipated future impacts of climate change on the Kingfish portfolio through physical risks (refer to the table in the climate-related risks and impacts section). Fisher Funds, with the Kingfish Board will conduct annual reviews of climate risk and opportunity for Kingfish, and is committed to continuously improving the assessment process over time.



Photo: Matt Logan



Photo: Jin Wan

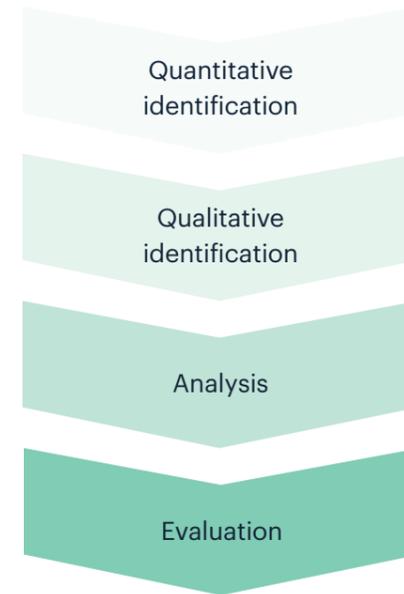


Figure 2: Fisher Funds climate risk and opportunity assessment framework

Key definitions to know

Kingfish uses the definitions as prescribed in the Aotearoa New Zealand Climate Standard 1: Climate-Related Disclosures (NZ CS 1).

Climate-related risks:

The potential negative impacts of climate change on an entity.

Physical risks:

Risks related to the physical impacts of climate change. Physical risks resulting from climate change can be event-driven (acute) such as increased severity of extreme weather events. They can also relate to longer-term shifts (chronic) in precipitation and temperature and increased variability in weather patterns, such as sea level rise.

Transition risks:

Risks related to the transition to a low-emissions, climate-resilient global and domestic economy, such as policy, legal, technology, market and reputation changes associated with the mitigation and adaptation requirements relating to climate change.

Opportunities:

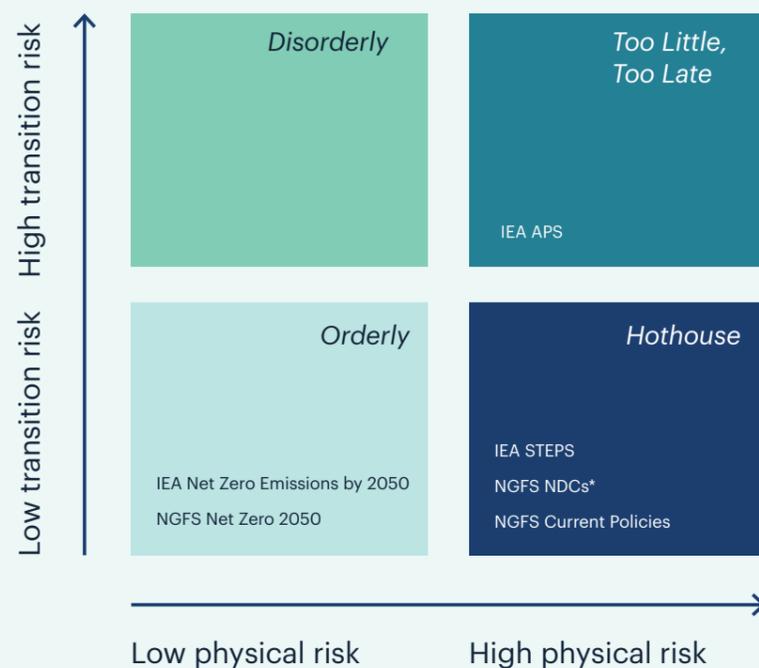
The potentially positive climate-related outcomes for an entity. Efforts to mitigate and adapt to climate change can produce opportunities for entities, such as through resource efficiency and cost savings, the adoption and utilisation of low-emissions energy sources, the development of new products and services, and building resilience along the value chain.

Figure 3: Key definitions

Scenario analysis: Approach

What is scenario analysis?

Scenario analysis takes inputs of entity carbon emissions, and global climate scenario parameters to assess the potential financial outcomes for entities that have been invested in (e.g. an entity or debt security listed on a stock exchange) across a range of potential future scenarios. This is a way to systematically explore the potential effects of a range of plausible future events under conditions of uncertainty.



**Note that NGFS NDCs are aligned to a 'Too Little Too Late' world in the FSC guide, however NGFS align the scenario to a hothouse world.*

Figure 4: Scenario datasets utilised to assess in various scenarios

Fisher Funds on behalf of Kingfish ran its first climate scenario analysis exercise in the year ending 31 March 2024. This was a separate process to the Kingfish portfolio investment strategy review process due to the timing of the requirements of NZ CS 1.

Fisher Funds worked to select 3 plausible versions of the future and used the scenarios for climate risk and opportunity analysis. Much of the scenario analysis at the quantitative level was completed using the ISS ESG solution.

The data that the ISS ESG solution used for this reporting period ending 31 March 2024, is information disclosed by the entities invested in, in the 2022 calendar year. This information is taken from Sustainability or Annual Reports, Carbon Disclosure Project disclosures, or other resources. When this is not available, ISS ESG has applied estimated emissions models to generate emissions data.

Data currently available and timeliness of collection from third party aggregators, including ISS ESG, have limitations due to the infancy stage of climate-related disclosure both in New Zealand and internationally. This is not limited to ISS ESG and is a common issue across the industry. Fisher Funds expects data to become more reliable as timeliness and quality of data disclosed by entities improves over time. Fisher Funds also expects greater worldwide standardisation as more jurisdictions require climate-related reporting by law and is committed to engaging with ISS ESG on their offering and will continue to monitor data providers as they continue to evolve. More information about ISS ESG is included in Appendix 2.

The scenario analysis process was undertaken by subject matter experts within IMT. Results were shared with the governance bodies in accordance with the governance process documented in the Governance section.

The climate impact assessment within the ISS ESG solution contains climate scenario analysis and

modelling using Network for Greening Financial Sector (NGFS) scenario data and the International Energy Agency (IEA). ISS ESG's solution updates the scenario alignment dataset annually, enhancing the methodology where necessary so that the underlying scenarios reflect the most up-to-date data available.

Fisher Funds recognises that for investors to make informed decisions, it is useful for information on investment products from all providers to be comparable. The Financial Services Council (FSC) of New Zealand also recognises this and has created climate scenario narratives that can be adopted by the industry. Fisher Funds is using the FSC New Zealand Climate Scenario Narratives for the Financial Services Sector as a guide to help in developing consistent and comparable information.

The IMT confirmed the time horizons to be used, reviewed the FSC climate scenario narratives, and participated in climate scenario narrative workshops which also supported their analysis of Kingfish. As a result, the IMT determined that 2025 is too short as a time horizon and Fisher Funds believes that more of these societal shifts (as referred to in the FSC document) may be seen by 2030. Altering the short-term time horizon also meant that the medium-term time horizon was set to 2040. The long-term horizon was retained at 2050. These time horizons have been reflected in the risk assessment.

Climate scenarios are estimates and are not forecasts. The future is inherently uncertain. Climate scenarios are only plausible versions of the future that help in understanding what the future could look like. The climate scenarios are an important method used to support analysis and evaluate the climate risks and opportunities identified, however they may not reflect what does occur in the future. Scenarios are based on many assumptions and are limited by the data available at the time. It is important to consider the limitations of the scenarios.

Scenario analysis: Time horizons selected

An important part of scenario analysis is selecting appropriate time horizons. It was agreed by Kingfish and Fisher Funds that the following time horizons would be used.

Short term: present to 2030

- More or less aligns with short to medium-term investment time horizons for investors.
- Aligns with many interim targets of companies invested in.
- Captures the impact of climate change for investors who may have liquidation events in this timeframe.

Medium term: present to 2040

- More or less aligns with short to medium-term investment horizons for investors.
- Captures the impact of climate change for investors who may have liquidation events in this timeframe.
- More likely to capture the impact of policy changes in countries around the world as they aim to set up frameworks to encourage decarbonisation.

Long term: present to 2050

- More or less aligns with long-term investment horizons for investors.
- Captures the impact of climate change for investors who may have liquidation events in this timeframe.
- Captures the impact of climate change over a long time horizon where impacts are more likely to be present in the economy.



Photo: Mahdee Nokairi

Scenario analysis: Narratives

Fisher Funds has adopted the scenario narratives from the FSC guide. The following are high-level descriptions of the scenarios — these should be considered against the more detailed information in the guide on the FSC website.

These narratives have been adjusted to reflect the investments of Kingfish for use in conjunction with the NGFS scenarios. Fisher Funds is satisfied that the FSC narratives have been suitably stated for use by financial services CREs. These narratives are underpinned by robust analysis and are therefore suitable (as adjusted for Fisher Funds) to use in this climate statement.

Use of FSC narratives supports comparable and consistent disclosures in the industry which Fisher Funds also wishes to support to the extent appropriate. The Portfolio Manager has applied these narratives when reviewing and assessing the outputs from the ISS ESG Climate Impact Reports and has used this knowledge when rating climate impacts on Kingfish.

Scenario 1: Orderly (1.5°C)

The Orderly scenario represents collective action towards a low carbon global economy if the earth's temperature rises by 1.5 degrees Celsius. In this scenario, 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. The coordinated and timely action around the world to curb greenhouse gases prevents the worst predicted impacts of climate change, however, the long-term chronic impacts from historic greenhouse gas (GHG) emissions still occur, although not severely.

This scenario represents a medium level of transition risk and a low level of physical risk compared with the other scenarios.

Chosen scenario to represent the Orderly scenario

NGFS RM NZ — Net Zero*

Net Zero 2050 is an ambitious scenario that limits global warming to 1.5°C through stringent climate policies and innovation, reaching net zero CO₂ emissions around 2050. Some jurisdictions such as the US, EU and Japan reach net zero for all greenhouse gases by this point. This scenario assumes that ambitious climate policies are introduced immediately. Carbon dioxide removal (CDR) is used to accelerate the decarbonisation but kept to the minimum possible and broadly in line with sustainable levels of bioenergy production. Net CO₂ emissions reach zero around 2050, giving at least a 50% chance of limiting global warming to below 1.5°C by the end of the century, with no or low overshoot (<0.1°C) of 1.5°C in earlier years. Physical risks are relatively low but transition risks are high.

Scenario 2: Too Little Too Late (>2°C)

The Too Little Too Late scenario represents a misaligned and delayed transition to a low carbon economy between different parts of the world if the earth's temperature rises by more than 2 degrees Celsius. In this scenario, 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 throughout much of the remaining first half of the century. From mid-century, global efforts to address climate change begin to align and exceed those by the early movers.

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 making a concerted effort to reduce emissions and move to a low emissions economy at mid-century, the changes come too late to prevent wide ranging acute and chronic physical climate impacts.

This scenario represents a high level of transition risk and a medium level of physical risk compared with the other scenarios.

Chosen scenario to represent the Too Little Too Late Scenario:

NGFS RM NDC — Nationally Determined Contributions (NDCs)*

NDCs include all pledged policies even if not yet implemented. This scenario assumes that the moderate and heterogeneous climate ambition reflected in the conditional NDCs at the beginning of 2021 continues over the 21st century (low transition risks). Emissions decline but lead nonetheless to 2.6°C of warming associated with moderate to severe physical risks. Transition risks are relatively low.

Climate-related risks and impacts

Scenario 3: Hothouse (>3°C)

This scenario represents minimal action towards a low carbon global transition if the earth’s temperature rises by more than 3 degrees Celsius. 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 21st century leading to significant materialisation of 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.

This scenario represents a low transition risk and a high level of physical risk compared with the other scenarios.

Chosen scenario to represent the Hothouse scenario

NGFS RM CP — Current Policies*

Current Policies assumes that only currently implemented policies are preserved, leading to high physical risks.

Emissions grow until 2080 leading to about 3°C of warming and severe physical risks. This includes irreversible changes like higher sea level rise. This scenario can help central banks and supervisors consider the long-term physical risks to the economy and financial system if we continue on our current path to a “hothouse world”.

*Source: www.ngfs.net/ngfs-scenarios-portal/explore

Fisher Funds has assessed physical and transition impacts on the Kingfish portfolio. This included an assessment of how well prepared the assets in the portfolio are to respond to climate change impacts across each of the time horizons and each scenario described in the previous section.

The work identified a variety of physical risks to which Kingfish is exposed across different sectors and geographies. Changing climate and weather patterns can impact the physical risk levels of an entity. These, among other factors, vary depending on the entity’s financial profile, including where the entity operates, the total value of its assets, and in which countries the entity generates its revenue.

The following table sets out the significant physical risks identified through the assessment process. The table provides a matrix of risks and impacts—the physical climate risk (e.g. flood, wildfire), the risk impact (e.g. operational, financial, reputational), the relevant investment sector (e.g. industrials, consumer staples), and the percentage of the fund exposed to the physical risk. Current impact and anticipated impacts have also been assessed and documented. No transition risks of statistical relevance were identified.

The assessment process involved the following steps:

1. Initially the ISS ESG physical risk assessment methodology was used to assess the potential change in an entity’s financial risk at both an operational and market level.
 - a. Operational impacts were quantified by considering the costs of repairing assets damaged by tropical cyclones, river floods, coastal floods and wildfires, and the loss of income due to the associated organisational interruptions. The analysis also considered the impact of heat stress on labour productivity and the resulting potential increase in production costs.
 - b. Market impacts were quantified by estimating the revenue at risk due to nationwide effects on country gross domestic products (GDPs) due to the combined impact of droughts and heat stress on agricultural productivity, decrease in labour productivity, and human health effects. The assessment assumed a one-to-one relationship between GDP changes and changes in an entity’s revenue.
2. The outputs of the ISS ESG solution were then reviewed by the IMT who rated the identified physical risk as very low, low, medium or high for each of the scenario narratives and time horizons described in the previous section.

Note that potential financial impacts are not disclosed because Kingfish has relied on adoption provision 2 NZ CS 2 (anticipated financial impacts) for this reporting period. However, in the following metrics section, current and anticipated portfolio financial value at risk (VaR) emerging from the relevant issuing entities’ exposure to physical risks is set out.

Physical risk heat map

Risk	Type	Region	Investment sectors impacted	% of fund exposed to sector risk	Current impacts	Anticipated impacts	Sector risk - Assessment over time horizons and scenarios			
							Time horizon	Orderly	Too Little Too late	Hothouse
Floods and tropical cyclones	Operational, asset concentration risk and reputational risk, credit risk	New Zealand & global	Industrials	11.1%	In part due to their coastal and low-lying locations, ports and airports are currently exposed to extreme weather from climate-related events which may cause disruptions or risk to their operations and associated consequential impacts.	An increase in frequency and severity of floods and tropical cyclones may impact operations due to impacts on business operations and supply chains more broadly. For example, freight networks could be impacted and transported volumes reduced, or key operating locations may be unable to operate to serve customers. This may result in impact to the reputation of companies if stock delivery is impacted. These risks may also impact customers and suppliers of industrial companies causing disruption. This may result in customer retention issues, reduced revenue and/or profitability, negatively impacting returns.	Short			
							Medium			
							Long			
Overall (combination of droughts, floods, tropical cyclones, and heat stress)	Operational, asset concentration risk and reputational risk	New Zealand & global	Consumer staples	4.9%	Businesses with exposure to soft commodities inputs (such as raw milk and grapes) see variability relating to these due to climate-related variations, which may impact changes in yield, supply, demand and pricing.	An increase in frequency and severity of droughts, floods, tropical cyclones or heat stress causes risks including the availability and cost of food or raw material inputs, impacting consumer related sectors. This may result in reduced revenue and/or profitability, and variability in share price, negatively impacting returns.	Short			
							Medium			
							Long			
Overall (combination of droughts, floods, and tropical cyclones)	Operational, asset concentration risk and reputational risk, credit risk	New Zealand	Utilites	8.7%	Utilities (such as hydro, wind, and thermal generators) see variability in generation output and customer demand due to climate-related variations, such as regional rainfall and wind, plus temperature which can drive demand through factors such as the requirement for heating or air conditioning.	An increase in frequency and severity of droughts, floods, or tropical cyclones may result in increased electricity price volatility, increased regulatory scrutiny, or even power blackouts from lack of electricity generation or transmission/distribution. Both operating facilities or essential infrastructure could be impacted. This may result in customer retention issues, reduced revenue and/or profitability, and variability in share price, negatively impacting returns.	Short			
							Medium			
							Long			
Overall (combination of droughts, floods, and tropical cyclones)	Operational, asset concentration risk and reputational risk, credit risk	New Zealand & global	Health care	22.5%	Retirement village operators can see impacts from localised climate-related events, which may require them to take precautions to protect residents and their villages. This may incur additional costs or impact the resident experience. These events also have potential to disrupt health care supply chains which may incur cost or impact delivery of products and services to customers.	An increase in frequency and severity of droughts, floods, or tropical cyclones may impact the delivery of goods or services to customers. For example, this could occur though the unavailability of assets and/or workforce and lack of supplies. This may result in customer retention issues, reduced revenue and/or profitability, or devaluation of assets, negatively impacting returns.	Short			
							Medium			
							Long			
Overall (combination of droughts, floods, and tropical cyclones)	Operational, asset concentration risk and reputational risk, credit risk	New Zealand & global	Information technology	4.5%	There has been limited impact on Information Technology companies from climate-related risks. However, localised events can impact employees and customers, incrementally impacting productivity and service delivery and potentially incurring additional costs.	An increase in frequency and severity of droughts, river floods, or tropical cyclones may possibly impact the delivery of services to customers or customers themselves. This could impact customer retention, reduced revenue and/or profitability, negatively impacting returns.	Short			
							Medium			
							Long			

Figure 5: Physical risk heat map analysis at a sector level



Opportunities

Physical and transition climate opportunities were initially developed in an internal workshop and then developed into opportunity statements by a member of the Responsible Investment Team (RI Team). The Portfolio Manager then assessed Kingfish to identify the opportunity statements that best represented Kingfish holdings at that point in time. Opportunity statements are intended to enable the IMT to develop their internal capacity to better understand and prepare for the uncertain future impacts of climate change.

Resource efficiency

By implementing resource-efficient solutions across these production and distribution processes, buildings, machinery and appliances, and transport/mobility, a company may have an opportunity to reduce operating costs and improve environmental impact. This includes a focus on energy efficiency as well as broader initiatives related to materials, water and waste management.

By embracing and leveraging technological innovation to transition towards resource-efficient solutions, an entity may have the opportunity to create resource efficiency. This could include developing efficient heating systems and circular economy solutions, making advances in LED lighting technology, industrial motor technology, retrofitting buildings, employing geothermal power, offering water usage and treatment solutions, and developing electric vehicles.

Energy source

Embracing alternative energy sources, such as solar, wind and geothermal power, may provide an opportunity to reduce reliance on fossil fuels and mitigate potential greenhouse gas emissions. This may benefit entities not only from a reputation perspective but also potentially provide cost savings due to an increase in the cost of traditional energy sources.

Investing in renewable energy sources provides an opportunity to achieve a more sustainable future, given the trend towards increased investment in renewable energy capacity over fossil fuel generation.

Products and services

Collaborating with suppliers and partners to establish sustainable sourcing practices and promote responsible production across the supply chain may provide an opportunity to be aligned with international sustainability requirements – European Union (EU) legislation Corporate Sustainability Reporting Directive (CSRD) – and may open access to European markets.

Agriculture

By embracing technological innovations, such as climate-resilient crop varieties and precision agriculture technologies, the agriculture sector could adapt to changing climate conditions, ensure food security and enhance an entity's reputation.

Consumer staples

By promoting sustainable practices, companies may improve their reputation and attract new customers. This enables companies to improve returns to investors.

Transportation

Accelerating the adoption of low-emission and sustainable solutions, such as electric vehicles, may help an entity meet their regulatory requirements, reduce greenhouse gas emissions, and enhance the industry's reputation. This could enable organisations to enhance their reputation and attract socially responsible investors and customers.

Markets

Promoting sustainable investments and financing mechanisms, such as green bonds and low-emission energy production, may facilitate investment in environmentally-responsible projects and capture new market opportunities within the broader framework of the transition to a low-carbon economy. This can enhance an entity's reputation and attract socially responsible investors and customers.

Investing in sustainable infrastructure, such as energy-efficient buildings and renewable energy sources, may create new opportunities for businesses and facilitate sustainable economic growth.

Resilience

Developing adaptive capacity may create an opportunity to respond to climate change by improving efficiency, designing new production processes, and developing new products, leading to enhanced competitiveness, risk management and business continuity.

Risk management

This section describes how Fisher Funds identifies, assesses and manages climate-related risks including how these processes are integrated into existing risk management frameworks.



Photo: Rebecca Nolan

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Climate risk assessment framework

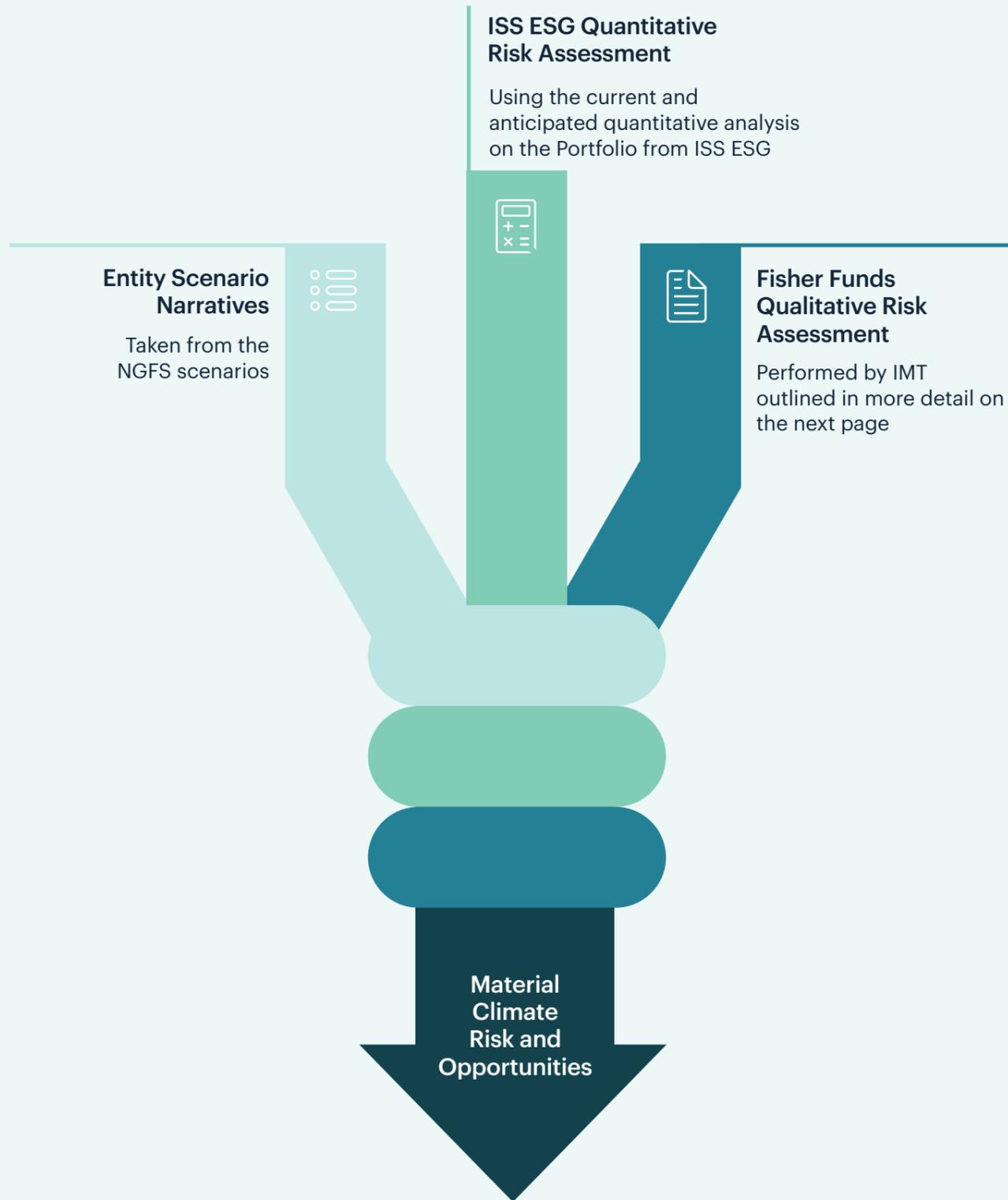


Figure 6: Fisher Funds' climate risk assessment framework

Identifying and assessing risk

Kingfish agreed a climate risk assessment in the year ending 31 March 2024. Kingfish will review its climate risk and opportunity assessment annually and will also review the scope of the climate risk assessment.

Fisher Funds manages investment portfolios across multiple asset classes. Fisher Funds has a process for identifying a range of investment risks, including climate-related risks.

To ensure a comprehensive assessment of climate risks and opportunities across its diverse holdings, Fisher Funds partnered with ISS ESG, a global provider of environmental, social and governance data and analysis. This collaboration leverages expertise to conduct quantitative risk assessments across all investment portfolios.

In preparation for the climate-related disclosure in 2023 and 2024, a standalone assessment of climate-related risks, and opportunities, was developed. See figure 6: Fisher Funds' climate risk assessment framework (CRAF).



Photo: Sabrina Qi

Managing investments' climate risk

The identification and assessment of climate risks have largely been aligned to the quantitative approach carried out by ISS ESG (see figure 6). ISS ESG has methodologies that use the data to assess physical and transition risks in a portfolio. There are limits to the data and analysis that ISS ESG provide, however ISS ESG is continuously improving their methodologies and ESG data set globally.

Fisher Funds worked with ISS ESG to understand the data in detail, engaging with the ISS ESG team and asking questions throughout the risk assessment process. ISS ESG can identify the relative size of the risks within an investment portfolio, which is important for assessing overall investment portfolio risk. See Appendix 2 for a detailed description of the ISS ESG methodology.

All companies held in Kingfish as at 31 March 2024 were included in the ISS ESG quantitative risk assessment.

The internal operations of Kingfish as an LIC and the internal operations of Fisher Funds were not included. Upstream and downstream operations of Kingfish and Fisher Funds were not included.

It is important to note that the accuracy and coverage of any quantitative risk assessment is limited by the quality of data available. For example, sometimes data may not be available or there may be a significant gap between the date

data is reported by an entity and the date analysis and reporting is undertaken. For Kingfish, Fisher Funds is satisfied that a quantitative assessment could be carried out notwithstanding the data limitations outlined in the Metrics section. Data and qualitative information for entities in the portfolio are expected to improve over time.

The quantitative assessment by ISS ESG was then supplemented by a qualitative review by the IMT, which included the Portfolio Manager for Kingfish, the Chief Investment Officer, the Responsible Investment Specialist and external consultants at Deloitte. An important part of this process was to understand the impact of the material risks identified in the ISS ESG reports and to overlay the in-house knowledge of the IMT. For example, where the ISS ESG reports identified droughts and river floods as key hazards, the IMT discussed and assessed how those risks could impact the companies within the portfolio.

The RI Team and external consultants at Deloitte identified the impact of the ISS ESG risks in different time horizons and assessed the risks in these relevant scenarios. The IMT then reviewed the output of this work.

Fisher Funds' process and collaboration with ISS ESG identified potential anticipated future impacts of climate change on Kingfish through physical risks (refer to the Strategy section). This process will evolve and improve over time.

Following the climate risk assessment process there were no remedial actions, that is, alteration of investment strategy or exiting positions. All climate risks identified will continue to be monitored. The monitoring will be done by the RI Team and the Portfolio Manager and will be conducted annually.

Fisher Funds manages risk, including climate risk, in Kingfish by selecting which companies to invest in and the proportion of securities to hold in those companies. Refer to the Strategy section which outlines the investment selection process.

Fisher Funds' responsible investment policy is also followed as part of the investment selection approach for Kingfish. It also sets out the criteria which, when met, excludes an entity from Fisher Funds' investable universe.

A summary of the Fisher Funds responsible investment approach is set out in figure 7. The Responsible Investment Policy is available on the [Fisher Funds website](#).

Fisher Funds may exercise voting rights on behalf of investors in relation to any entity that the portfolio invests in. This means Fisher Funds can vote (known as proxy voting) on shareholders' resolutions. These resolutions may relate to an entity's risk management framework or their approach to mitigating climate impacts in their business or setting climate metrics and targets for it to achieve over a period. In this way Fisher Funds can use its vote to support an entity's stance on climate risk management.

Fisher Funds' responsible investment approach

1

Avoid the Bad

Fisher Funds will not invest in companies that produce goods or services that can't be used responsibly or that cause widespread harm.

This means Fisher Funds won't invest in companies:

- that produce core components or systems used in weapons. This includes, but is not limited to, cluster munitions, landmines, chemical and nuclear weapons
- that own proved or probable fossil fuels reserves and revenue share from exploration and extraction of fossil fuels, excluding metallurgical coal, of 15% or more; or has its primary business activity in any of the following subsectors: integrated oil and gas, crude oil producers, offshore drilling and other services, oil and gas equipment and services, oil and gas drilling, oil and gas exploration and production, coal (excluding metallurgical coal) and consumable fuels
- that manufacture cigarettes (including e-cigarettes), or other tobacco related products
- where their core business includes operating gambling establishments, or the manufacture of specialised hardware or software used exclusively for gambling
- involved in the hunting of whales and processing of whale meat
- that have exhibited unacceptable corporate behaviour that Fisher Funds regards as a fundamental breakdown of the integrity of the business. This includes but is not limited to human rights abuses, and abuse and degradation of the environment.

2

Embrace the Good

Once Fisher Funds has avoided the bad, it then seeks to embrace the good.

A key element in Fisher Funds' in-depth research process is a thorough understanding of how a company works with its stakeholders, how it treats the environment and how it manages its governance responsibilities.

Fisher Funds' research is supplemented with insights from leading global ESG data providers, giving Fisher Funds a 360-degree view of an entity and its impact on ESG factors.

Viewing a company through this lens helps Fisher Funds make better investment decisions.

3

Promote Change

This third element in Fisher Funds' responsible investing process is promoting change within companies where we have a direct relationship.

To promote positive change Fisher Funds can use voting rights to leverage its relationship with entities to uphold Fisher Fund's ESG approach.

Figure 7: Responsible investment policy

Risk management at Fisher Funds

Fisher Funds (as an operating entity) has an enterprise risk governance policy and risk management framework, operates a business risk committee at management level, and provides enterprise risk reporting to the Fisher Funds Board and ARC. The Fisher Funds' enterprise risk heat chart records climate change as an entity-level risk. Fisher Funds continues to evolve its risk management processes and responsibilities at an enterprise level.

Risk management at Kingfish

Kingfish, as an LIC, has risk management processes. These are detailed in the annual report for the year ending 31 March 2024. Climate risk was not considered in any formal enterprise risk committees or processes at Kingfish. Climate risk at enterprise level is tied to the operations of Fisher Funds as the manager.

Kingfish will review whether it needs to update its risk management process to incorporate climate risk in the next financial year.



Photo: Rebekah Swan

Metrics and targets

This section details key metrics and targets for Kingfish, including any assumptions and comments on methodologies. These metrics and targets have been endorsed by the Fisher Funds ESG Committee and approved by the Kingfish Board.

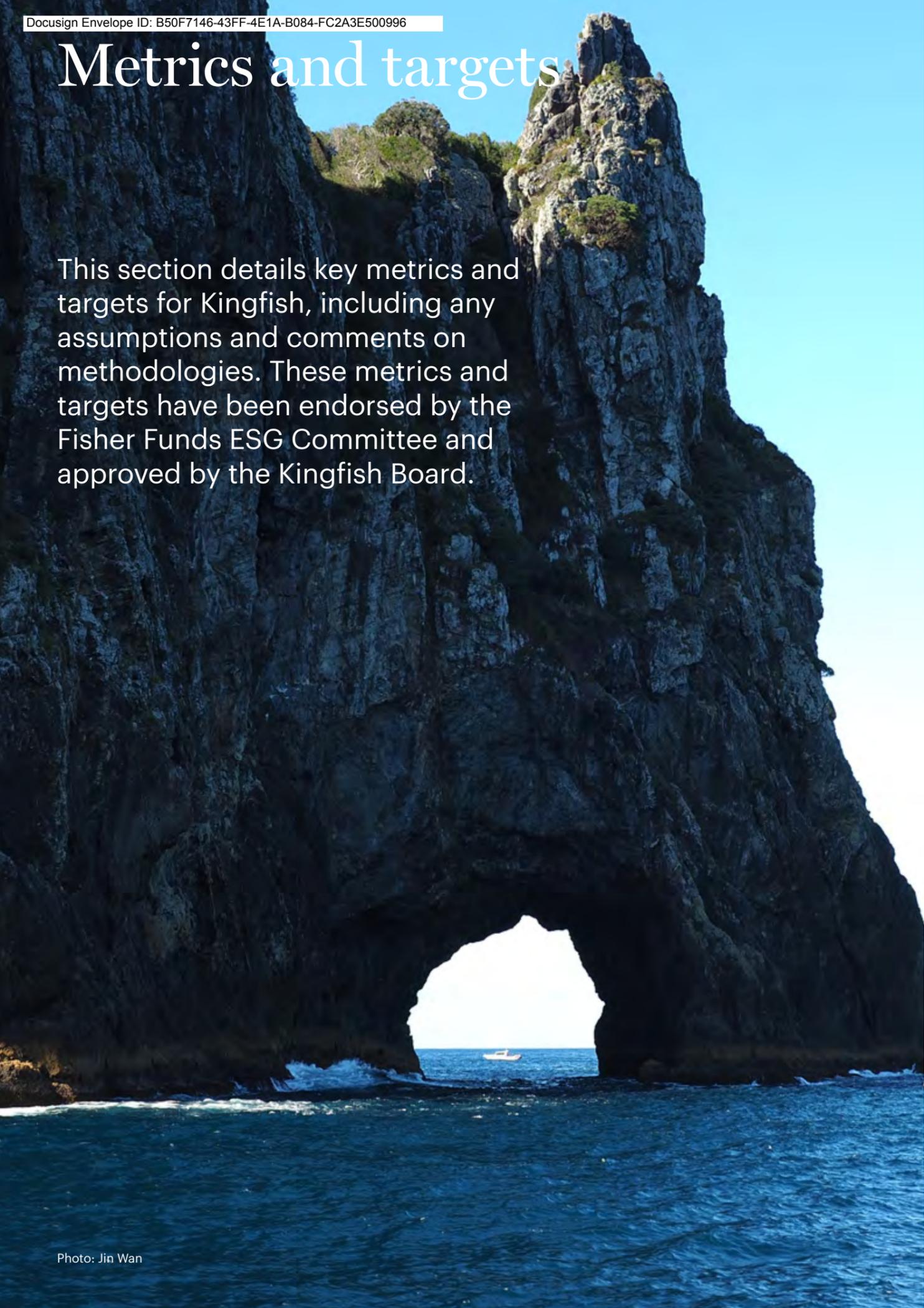


Photo: Jin Wan

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Metrics

The metrics detailed in this section are provided by ISS ESG and are subject to the limitations as set out below and assumptions noted by ISS ESG in their methodology documents. For more detail on these assumptions see Appendix 2.

The information about companies within Kingfish cannot be relied on as reflective of their real-time position as at 31 March 2024. The passage of time between the date an entity reports its data, the date ISS ESG collects that data and the end date of the reporting period for this climate statement can be significant. ISS ESG works to ensure data is as up to date as possible but is limited by when entities provide their data and if data is available.

Incentives and remuneration

Fisher Funds provides all necessary resources and staff for Kingfish (other than the Board and its committees). Kingfish does not employ any staff. Fisher Funds did not incorporate specific climate-related performance metrics into its remuneration policies during the period. As a result, no management remuneration was linked to climate-related risks and opportunities in the period.

Data limitations

The disclosures made about Kingfish's GHG emissions have not been the subject of an assurance engagement, as this is not required for first climate statements (refer to section 461ZH Financial Markets Conduct Act 2013). However, Fisher Funds obtained an independent review of the GHG emissions and other data provided by ISS ESG, in order to ascertain the quality of that data. A sample of emissions data for relevant investments was tested, including the underlying data, calculations and methodology used. This testing identified several material issues. For example, underlying data was not always calculated in line with Partnership for Carbon Accounting Financials (PCAF) methodology (considered the best practise global standardised framework to measure and report emissions), certain publicly available data was excluded on the basis that it was unreliable where the basis for that exclusion did not appear reasonable, and where proprietary modelling was used, the model was not shared on the basis of intellectual property concerns which meant accuracy could not be assessed. Given these findings, scope 3 emissions have not been disclosed in this climate statement, as permitted by adoption provision 4 of the NZ CS 2. Scope 1 and 2 emissions have been disclosed as required, however these must be considered in light of the limitations and quality issues outlined above and may be materially inaccurate. Emission statements will be restated in future climate statements if material variances are subsequently detected. Fisher Funds expects that data quality will improve as the disclosure regime matures.

Emissions

ISS ESG's solution was used to calculate the emissions profile of Kingfish.

NZ CS 1 requires certain disclosures in the climate statements to help readers understand how the disclosed emissions data has been calculated and facilitate like-for-like comparisons. These standards assume the approach and sources are consistent. However, this is not currently the case for investment vehicles like Kingfish because the GHG emissions data is derived from information reported by all the entities in which Kingfish is invested or from modelled data. There is no consistency of approach between entities, and modelling standards. This means that the metrics for each portfolio consist of a blend of approaches and sources.

The ISS ESG solution calculated the emissions profile of Kingfish using the ISS ESG proprietary methodology to measure the GHG emissions (scope 1 and scope 2) as set out in this climate statement.

For the reasons explained above, the disclosures required by NZ CS 1 (i.e. GHG emission calculation standards, consolidation approach, and sources and exclusions) need to be qualified as follows:

- a. Standards: ISS ESG advised that the emissions data meets the standards of the PCAF, however, Fisher Funds was not able to verify this.
- b. Consolidation approach: The entities in which Kingfish is invested publish their GHG emissions data based on the consolidation approach selected by that entity. As a result, no single consolidation approach for aggregated GHG emissions across Kingfish can be stated.
- c. Sources: ISS ESG used a number of sources to determine the emission factors and global warming potential (including the Intergovernmental Panel on Climate Change (IPCC) recommendations, and regional or country level factors), depending on the information available for the entity in which Kingfish invested. As a result, no single source can be stated.
- d. Exclusion criteria: ISS ESG excluded data that was assessed as unreliable. However, the specific exclusion sources and underlying rationale were not disclosed to Fisher Funds due to intellectual property considerations.

Kingfish summary

Kingfish invests in shares in companies and is exposed to climate-based risks, and opportunities, through the entities it invests in and their value.

Investments are subject to many risks, including risks that are not climate based, so it is important to consider climate-based risks in a broader context. Fisher Funds wants to ensure that the Kingfish Portfolio maintains an acceptable level of risk both in absolute terms and relative to its benchmark.

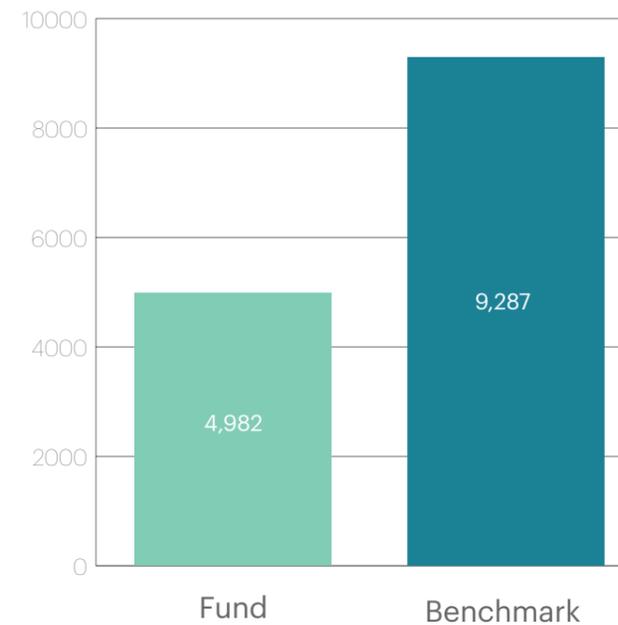
Kingfish will inevitably see its climate-related risk profile change as it buys and sells assets over time and as the issuing entities evolve. This is in addition to the potential for physical and transition climate risks changing, as the passage of time brings clarity on the future state of the world (as contemplated by the climate scenarios used in this report).

Fisher Funds and the Kingfish Board expect Kingfish's companies to recognise risks to their organisations and act in the most appropriate way for the long-term benefit of their shareholders and other stakeholders. In doing this, Fisher Funds' expects they will consider physical and transition climate risks as part of the management of their organisations. As part of Fisher Funds ongoing engagement with Kingfish's portfolio companies, the manager will selectively check that appropriate attention is being given to climate-related risks and opportunities.

Fisher Funds has tried to bring some of these risk and opportunities to life with the examples in the Case studies section.

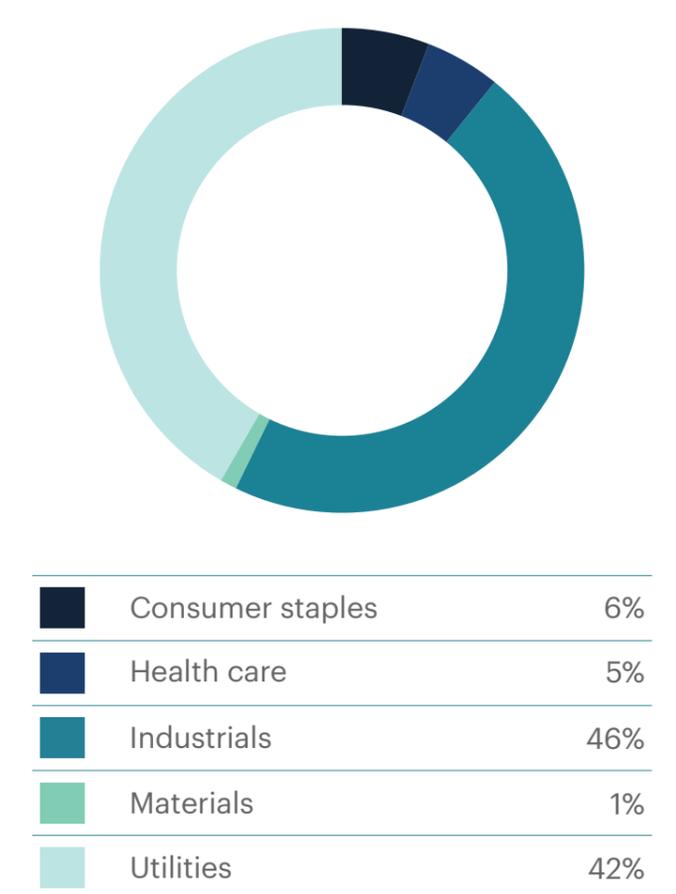
Metrics

Emissions exposure (tCO₂e)



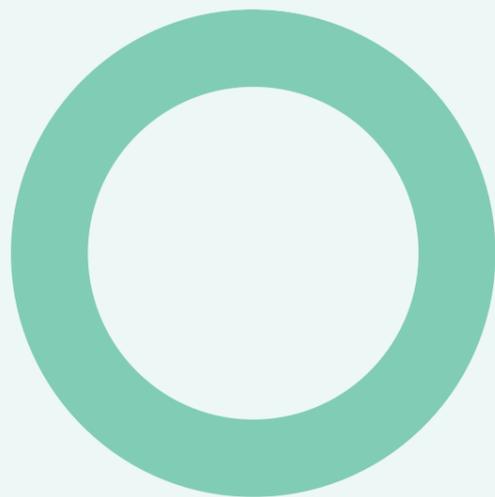
The Kingfish portfolio (based on underlying holdings) emitted approximately 4,982 tonnes of CO₂ from scope 1 and 2 emissions. This is a lower emission profile than if Fisher Funds had invested in the benchmark, which would have created an emission profile of 9,287 tonnes of CO₂.

Sector contributions to emissions (%)



In the Kingfish portfolio, 88% of the emissions were created by holdings in the industrials and utilities sectors.

Portfolio coverage

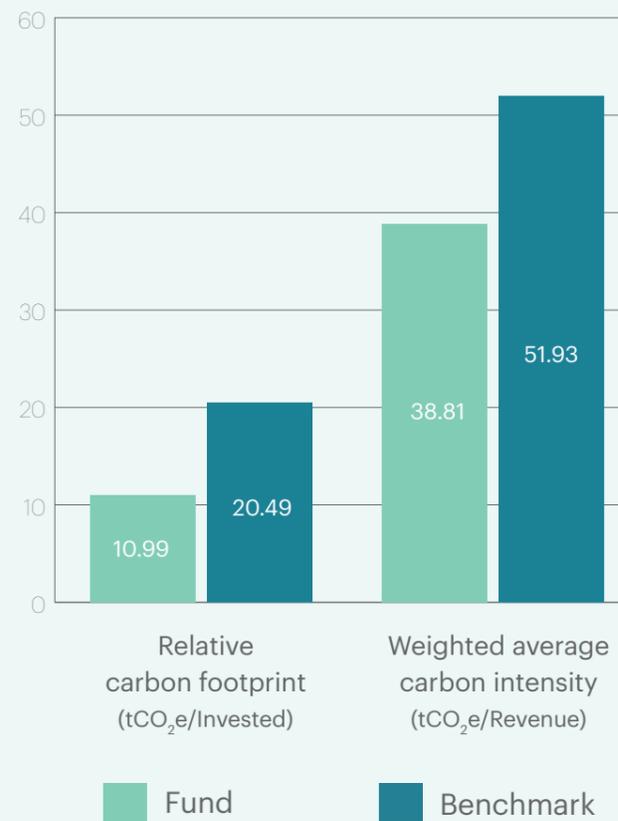


Portfolio coverage	100%
Portfolio not covered	0%

As at 31 March 2024, 100% of Kingfish’s assets were covered by ISS ESG’s Climate Impact Report.

The ISS ESG data captured is the financial information disclosed publicly by these companies in the 2022 financial year and is made available through ISS ESG in January 2024.

Key carbon metrics



For every million invested, what is my carbon footprint?

For the Kingfish portfolio for every \$1 million invested, the relative carbon footprint (emissions exposure) as calculated by ISS ESG for the base year is 10.99 tonnes of CO₂ (tCO₂e), below the benchmark which has a carbon footprint of 20.49 tCO₂e.

What is the carbon intensity of the portfolio?

The weighted average carbon intensity (WACI) for Kingfish as calculated by ISS ESG is approximately 38.81 tonnes of CO₂ per unit of revenue compared with the benchmark at approximately 51.93 tonnes of CO₂ per unit of revenue.

By this measure, the Kingfish portfolio has less carbon intensity than the benchmark.

Target alignment

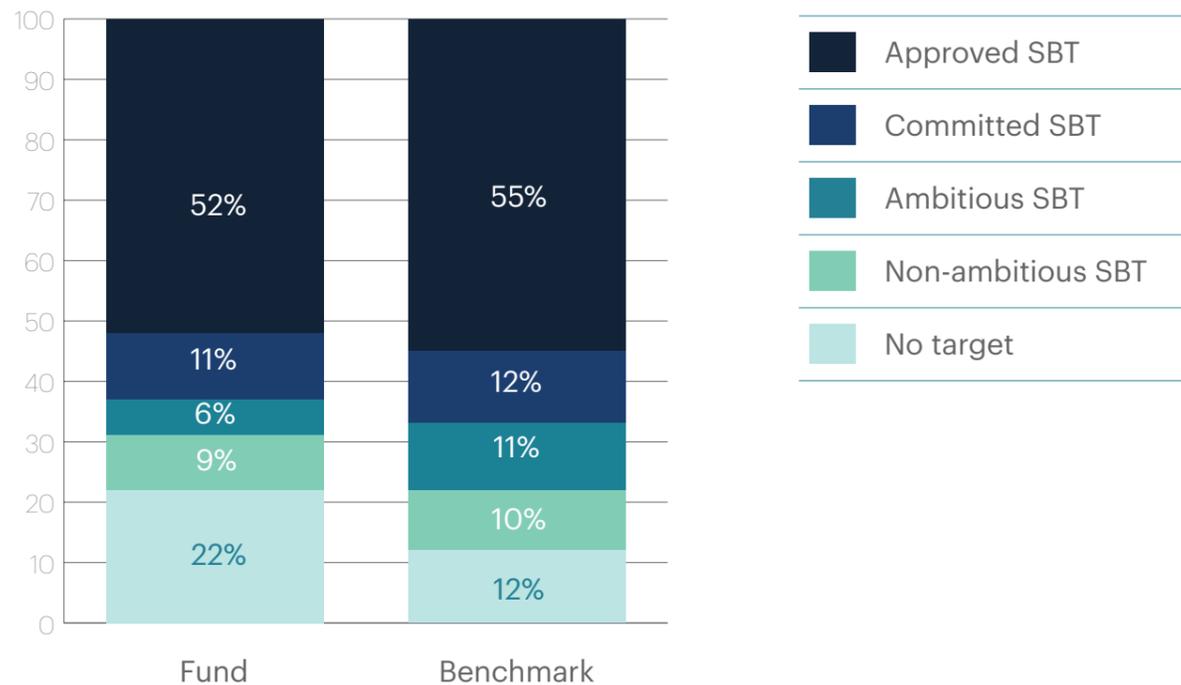
Why targets matter

To assess where entities are relative to their targets there are several metrics that can be looked at including science based targets (SBTs). The more detailed the target setting, the closer the company will move towards alignment.

Science based targets

SBTs are a way that can establish a company's commitment to disclosing and reducing its greenhouse gas emissions. When companies set an SBT it needs to be independently verified. Setting these targets also shows the company's commitment to reducing targets by 2050.

For Kingfish, 69% of the portfolio's value is committed to such a goal via an approved SBT (52% by portfolio value), a committed SBT (11%), or an ambitious target (6%). However, 22% of the companies in Kingfish do not have an emissions reduction target.



Portfolio transition value at risk

As the global economy decarbonises in line with pledges and targets, the level of transition risks and opportunities grow. When evaluating the assets vulnerable to transition risk from a whole-of-portfolio perspective, portfolio transition value at risk (TVaR) for transition risk is a useful metric. This is a measure of the potential loss that an asset might experience.

For Kingfish the portfolio TVaR is around -3% of the portfolio value based on the 2050 scenario. Of the portfolio's TVaR, the utilities and industrials sectors are the major contributors with 82% and 9% of portfolio TVaR respectively.

Portfolio TVaR of approximately -3% is lower than the benchmark at approximately -2%. The size of these climate risks out to 2050 are relatively small compared with other risks faced by portfolio companies such as technological disruption, competition and regulation.



Portfolio value at risk

As at 31 March 2024, the assets in the portfolio are exposed to different natural hazards in different geographies. When evaluating the assets vulnerable to physical climate risk from a whole-of-portfolio perspective, the portfolio value at risk (VaR) is a useful metric. This is a measure of the potential loss that the assets in the portfolio may collectively experience.

For Kingfish, the portfolio VaR is approximately 0.7% of assets under management, which is marginally above the S&P/NZX 50 benchmark at 0.6%. Of the portfolio's VaR, the health care and industrial companies are the major contributors with 75% and 14% of portfolio VaR respectively.

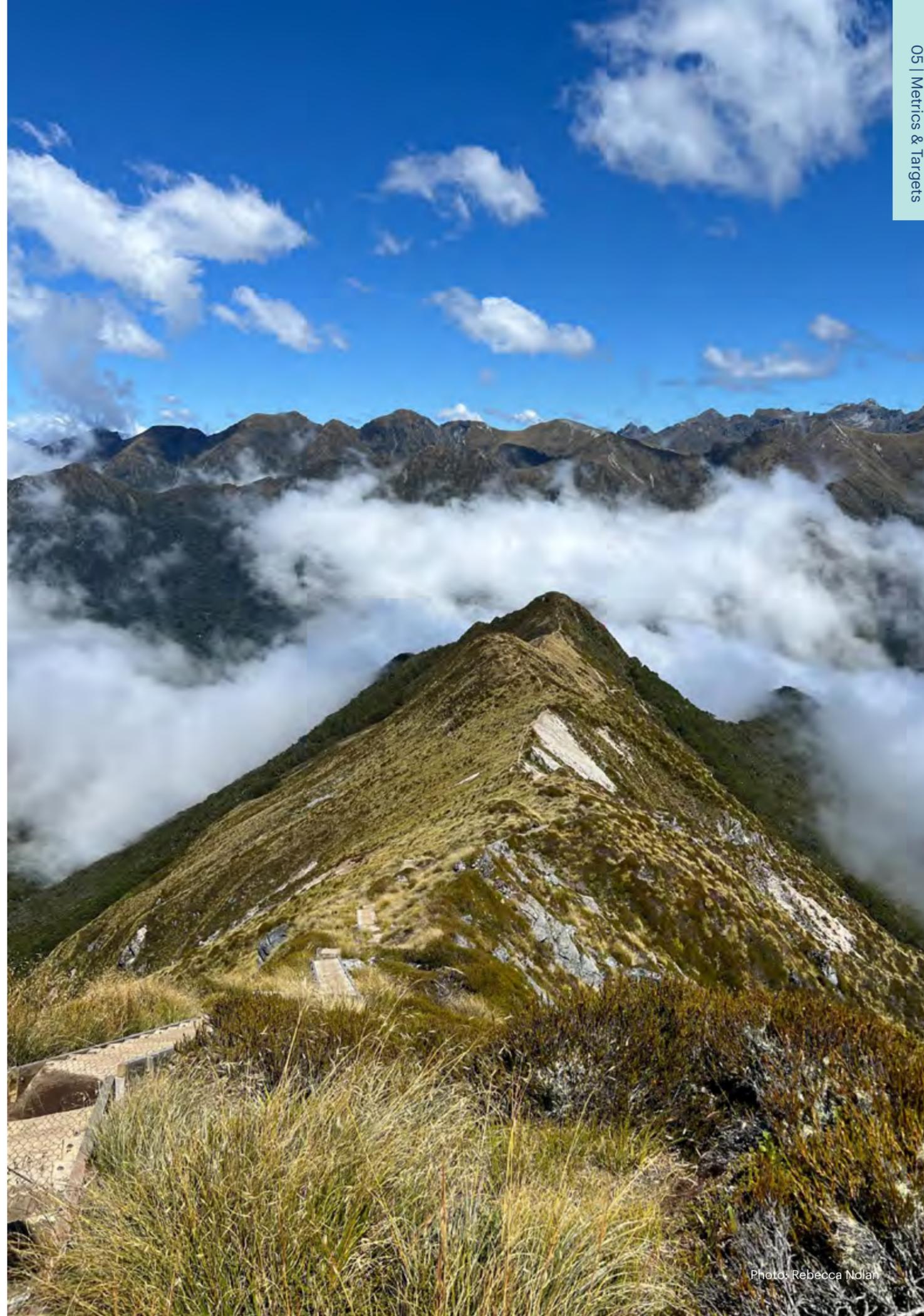
Assets aligned with climate-related opportunities

A way to assess a fund's exposure to climate transition risks and identify opportunities, is to look at the commitment of the entities in which it invests, to transition and their proven ability to earn revenues from 'green' products or services. Green revenues are seen as contributing positively towards climate action and brown revenues are seen as being obstructive to climate action.

As at 31 March 2024, the percentage of assets in the Kingfish that aligned with green activities was 4% and in contrast 19% was derived from brown revenues (as calculated by ISS ESG).

Internal emissions price

Fisher Funds does not use an internal emissions price due to the evolving nature of the industry frameworks.



Targets

Fisher Funds and the Kingfish Board have chosen targets that will assist the management of Kingfish, and enhance Fisher Funds' investment approach and support the Kingfish's investment objectives.

In the Metrics section, Fisher Funds has provided a description of Kingfish's metrics. This establishes a baseline for comparison in future climate statements.

Fisher Funds has used aspects of the Net Zero Investment Framework (NZIF) when setting these metrics and targets, given it is the most widely used framework.

Fisher Funds has taken a 2-pronged approach to establishing the metrics and setting the targets.

The first is to assess and manage. This may enable Fisher Funds to better understand the climate risks and opportunities over time. In addition, the ongoing better disclosure from entities and more widely adopted climate-related disclosure policy settings globally, will allow Fisher Funds to better assess the climate strategies of the entities in which it invests.

The second is to engage as an active investor. Engagement is a big part of Fisher Funds' investment and stewardship approach.

Engagement outcomes are not linear, take time to conduct and to see results. In time, Fisher Funds expects to see improvements being reported in the percentage of companies that have SBTs.

Fisher Funds would also like to see an increased awareness of risks and opportunities by entities in which it invests. Fisher Funds acknowledges that there are other influencing factors that contribute to this, for example, changes in policy settings in New Zealand and globally. In future climate statements Fisher Funds will disclose and target an increase in the percentage of companies in the portfolio that have SBTs.



Photo: Matt Logan

Target scorecard

The targets detailed in this section have been chosen by analysing the data provided by ISS ESG. This data is subject to the limitations set out in the Metrics section and assumptions noted by ISS ESG in their methodology documents.

For more detail on these assumptions see Appendix 2. The base year metrics are taken as at 31 March 2024, and are not reflective of the real-time position of each entity in Kingfish.

Target	Timeframe	Interim targets	Timeframe of target	Base year	Base year metric	Description
Science Based Targets (SBT) for Kingfish compared with the benchmark	Annually	Disclose annually how the metrics change year on year, showing the commitment percentages to SBTs as defined by the base year metric.	Fisher Funds will look to engage with the upper quartile of companies as defined by Fisher Funds in the highest emitting sectors that do not have any targets.	2024	<p>SBTs 69% of the portfolio's value is committed to a goal via an approved SBT (52% by portfolio value), a committed SBT (11%), or an ambitious target (6%).</p> <p>Engagement with entities Base year is zero.</p>	Fisher Funds will monitor these metrics and will provide a description of the movement year on year. This will be reported on in future climate statements against the base year metric.

Case studies



Photo: Jin Wan

06 Case studies

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Contact Energy

Electricity, gas and broadband provider

Contact's strategy is to provide electricity to New Zealanders, including leading the country's decarbonisation.

Contact's ambitions are to achieve net zero emissions by 2035 (scopes 1 and 2) in an orderly manner, ensuring security of supply and affordability to New Zealanders.

Performance was affected by gas supply challenges early in 2022 and the impacts of extreme hydrology which led to volatile short-term wholesale electricity pricing.

Contact has physical risks that could impact its strategy over the short, medium and long term. Some of these examples include:

- changes to hydro flow
- changes in regulation, which could impact access to water
- increased risk of erosion
- increased risk of wildfires
- stormwater capacity issues from extreme weather events
- over the medium term, changes in total 'cold' and increased 'hot' days
- health and safety and wellbeing issues for people working in warmer conditions
- increased competition for natural resources
- over the long term, new technology may make current generation redundant and impact demand significantly.

Examples of how Contact is tackling these challenges include:

- Contact substantially progressed construction of its Tauhara geothermal power station to near practical completion.
- Tauhara is expected to begin selling electricity into the national grid from the second half of 2024 with capacity of around 174 megawatts (when at full capacity) providing approximately 1,420 gigawatt hours annually. This is enough to power around 200,000 households.
- Tauhara is expected to reduce carbon emissions in New Zealand by around 500,000 tonnes per year as fossil fuel generation is displaced (shut down or put on standby). This is equivalent to removing over 220,000 petrol cars from New Zealand roads.
- Tauhara is expected to reduce Contact's exposure to possible climate risks in the future. Geothermal power runs nearly continuously and so its availability is not subject to when the rain falls, wind blows and sun shines.

It also means that Contact will be able to retire its Taranaki combined cycle power plant, its remaining baseload gas generation asset, with closure expected around the end of 2024. Planned investments including batteries and flexible load management solutions are expected to reduce Contact's reliance on its remaining gas 'peaking generation' over time (its only remaining non-renewable generation assets).

Contact has continued to carefully manage existing operations to optimise performance while simultaneously accelerating its investment and decarbonisation. This includes over \$1 billion of renewable generation under construction, a significant pipeline of further potential geothermal, wind, solar and battery investments, and the retirement of thermal generation.

The future opportunities for the electricity sector, and Contact in particular, to grow could be significant.

Source: [Contact Energy – Investor centre](#)

Summerset

Retirement villages

Summerset has many retirement villages spread across New Zealand and is also beginning to build and operate villages in Australia.

Summerset has embedded sustainability into its business model and has developed a climate action plan summarising how it is tackling the challenge of decarbonisation and transition, highlighting priorities and initiatives with targets.

Summerset's challenges are mainly around the physical risks where its villages are located and include the retirement village assets themselves, operational improvement and improving its new build programme.

Summerset provides a good example of how portfolio companies are exposed to and manage climate-related risks.

In February 2023, Summerset was exposed to the Cyclone Gabrielle extreme weather event. This saw heavy rain, strong winds, river flooding and landslides across much of New Zealand's North Island. This brought to life the extent of the climate-related physical risks the company is subject to, which may increase in the future.

Several villages were affected by Cyclone Gabrielle to varying degrees, including the most significant at its Te Awa (Napier) village. This village lost power and communications and was evacuated as a precaution. There was only minor physical damage to the village but unexpected additional costs of approximately \$146,000 were incurred.

In terms of risk mitigation, Summerset conducts comprehensive reviews of the locations and sites before building its villages, to prevent selecting sites that may be prone to risks from such events. It was comforting to see that during Cyclone Gabrielle and in the January 2023 Auckland floods its sites did not experience material damage. The company was also proactive in protecting and caring for its residents.

Summerset has made the following commitments with 2017 being its base year.

In 2023 Summerset produced 102,926 tonnes of CO₂e (scopes 1, 2 and 3). Summerset has significant scope 1 and 2 emissions from electricity and gas. A large portion of its demand for electricity is not readily avoidable due to operating care facilities that have energy requirements to deliver a high level of care. Similarly, gas is used for heating hot water, cooking and providing laundry services which are all core services when caring for the elderly. Where infrastructure is available, it is exploring options to transition from gas heating to electricity.

Emissions intensity from gas used (tCO₂e per square metre of main building space) was 0.013 in 2017 compared with 0.011 in 2023.

Emissions intensity from fuel use (tCO₂e per village) was 9.77 in 2017 compared with 13.34 in 2023.

Emissions from waste per total residents and staff (tCO₂e per resident and staff member) were 0.116 in 2017 compared with 0.043 in 2023.

As part of Summerset's sustainability framework, one of its strategic goals is to reduce their impact on the planet through efficiency and innovation. The company's focus includes reducing its carbon footprint, reducing waste, improving energy efficiency, measuring water intake, using sustainable design and construction practices and embracing technology including solar.

Summerset has also committed to fulfilling sustainability-linked loans in ongoing dementia certification and beds, 5% year-on-year reduction in carbon intensity per square metre scopes 1, 2 and 3, and diversion of construction waste to landfill.

Summerset achieved its first target to reduce carbon emissions by 5% per million dollars of revenue and exceeded that, achieving a 16% reduction.

This new SBT gives Fisher Funds a way to measure the target, which can be compared year on year.

Source: [Environmental, social and governance reporting — Summerset](#)



Appendices



Photo: Claire Horwood

07

Appendices

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Appendix 1

NZ CS 2 adoption provisions used in this report

To recognise that it may take time to develop the capability to produce high-quality climate-related disclosures, and that some disclosure requirements, by their nature, may require an exemption, NZ CS 2 provides a limited number of adoption provisions from the disclosure requirements in Aotearoa New Zealand Climate Standards.

The table outlines the adoption provisions which have been used for Kingfish.

Provision number	NZ CS 2 adoption provision
1	Current financial impacts — of physical and transition impacts identified
2	Anticipated financial impacts — of climate-related risks and opportunities reasonably expected by the entity
3	Transition planning progress — towards developing transition plan aspects of strategy
4	Scope 3 greenhouse gas (GHG) emissions — disclosing gross emissions in metric tonnes of carbon dioxide equivalent (CO ₂ e) classified as scope 3
5	Comparatives for scope 3 GHG emissions — comparative information for the immediately preceding 2 reporting periods
6	Comparatives for metrics — comparative information for the immediately preceding 2 reporting periods
7	Analysis of trends — analysis of the main trends evident from a comparison of each metric from previous reporting periods to the current reporting period

Appendix 2

ISS ESG methods and assumptions

Fisher Funds subscribes to Institutional Shareholder Solutions (ISS) ESG for climate information and analysis. ISS ESG is a world leading provider of environmental, social and governance solutions for asset owners, asset managers, hedge funds, and asset servicing providers. ISS ESG solution provides climate data, analytics, and bespoke services to help financial market participants understand, measure and act on climate-related risks and opportunities across all asset classes. ISS ESG platforms are capable of providing carbon footprinting and climate risk and opportunity analysis across portfolio assets.

ISS ESG takes an exhaustive approach to data collection, and analysis and delivery to its clients. The ISS ESG methodologies provide details about the underlying models used for estimating non-disclosed data. The ISS ESG methodology documents the use of estimated data within its various products and elaborates the extent of estimated data, and therefore assists the clients in identifying the uncertainties and limitations associated with the use of this dataset.

ISS ESG methodology: www.issgovernance.com/esg/methodology-information

Glossary



Term	Definition
Base year	The first financial year that a climate-related disclosure relates to. This is a 12-month period against which future metrics can be measured and provides a historic point for comparison.
Brown and green revenues	<p>The brown revenue percentage gives the estimated proportion of the issuer's revenue considered to be derived from products or services with significant or limited obstruction to Sustainable Development Goal (SDG) 13 Climate Action.</p> <p>The green revenue percentage gives the estimated proportion of the issuer's revenue considered to be derived from products or services with contributions to SDG 13 Climate Action.</p>
Delayed transition	Delayed transition assumes global annual emissions do not decrease until 2030. Strong policies are then needed to limit warming to below 2°C. Negative emissions are limited. This scenario assumes new climate policies are not introduced until 2030 and the level of action differs across countries and regions based on currently implemented policies, leading to a "fossil recovery" out of the economic crisis brought about by COVID-19. The availability of carbon dioxide removal (CDR) technologies is assumed to be low, pushing carbon prices higher than in Net Zero 2050. As a result, emissions exceed the carbon budget temporarily and decline more rapidly than in Well-below 2°C after 2030 to ensure a 67% chance of limiting global warming to below 2°C. This leads to both higher transition and physical risks than the Net Zero 2050 and Below 2°C scenarios.
IEA APS	The International Energy Agency (IEA) Announced Pledges Scenario (APS) illustrates the extent to which announced ambitions and targets can deliver the emissions reductions needed to achieve Net Zero Emissions by 2050.
IEA Net Zero Emissions by 2050	The IEA Net Zero Emissions by 2050 scenario is a normative scenario that shows a pathway for the global energy sector to achieve net zero CO ₂ emissions by 2050, with advanced economies reaching net zero emissions in advance of others. This scenario also meets key energy-related Sustainable Development Goals (SDGs), particularly universal energy access by 2030 and major improvements in air quality. It is consistent with limiting the global temperature rise to 1.5°C (with at least a 50% probability) in line with emissions reductions assessed in the Intergovernmental Panel on Climate Change (IPCC)'s Sixth Assessment Report .
IEA STEPS	The IEA Stated Policies Scenario (STEPS) provides a sector-by-sector evaluation of the policies that have been put in place to reach stated goals and other energy-related objectives, taking into account existing policies and measures and also those that are under development.
NGFS Current Policies*	Network for Greening the Financial System (NGFS) Current Policies assume that only currently implemented policies are preserved, leading to high physical risks. Emissions grow until 2080 leading to about 3°C of warming and severe physical risks. This includes irreversible changes like higher sea level rise. This scenario can help central banks and supervisors consider the long-term physical risks to the economy and financial system if we continue on our current path to a "hothouse world".

Term	Definition
NGFS RM*	NGFS REMIND-MagPIE Model which is recommended by NGFS for policy and decision-makers by focusing more on the economy and technologies in its modeling.
NGFS NDCs*	NGFS Nationally Determined Contributions (NDCs) include all pledged policies even if not yet implemented. This scenario assumes that the moderate and heterogeneous climate ambition reflected in the conditional NDCs at the beginning of 2021 continues over the 21st century (low transition risks). Emissions decline but lead nonetheless to 2.6°C of warming associated with moderate to severe physical risks. Transition risks are relatively low.
NGFS Net Zero 2050*	NGFS Net Zero 2050 is an ambitious scenario that limits global warming to 1.5°C through stringent climate policies and innovation, reaching net zero CO ₂ emissions around 2050. Some jurisdictions such as the US, EU and Japan reach net zero for all greenhouse gases by this point. This scenario assumes that ambitious climate policies are introduced immediately. CDR is used to accelerate decarbonisation but kept to the minimum possible and broadly in line with sustainable levels of bioenergy production. Net CO ₂ emissions reach zero around 2050, giving at least a 50% chance of limiting global warming to below 1.5°C by the end of the century, with no or low overshoot (<0.1°C) of 1.5°C in earlier years. Physical risks are relatively low but transition risks are high.
Overshoot	Overshoot is the term used by the IPCC to describe scenarios in which a specified global warming temperature level is exceeded — typically between 1.5 and 2°C — before returning to that level at some point in the future.
Science based targets (SBTs)	<p>SBTs are goals that organisations set to reduce their greenhouse gas (GHG) emissions in line with the Paris Agreement to mitigate the worst effects of the climate crisis. Ratified by more than 190 countries, the Paris Agreement aims to limit the rise of global temperatures to well below 2°C above pre-industrial levels while also striving for a limit of 1.5°C.</p> <p>SBTs:</p> <ul style="list-style-type: none"> • No target — no clearly-defined GHG emission reduction targets are set by the company. • Non-ambitious target — a clearly-defined GHG emission reduction target is set by the company, however the target is not aligned with the emission reductions required to limit the global temperature increase to well below 2°C compared to pre-industrial levels. • Ambitious target — a clearly-defined GHG emission reduction target is set by the company that may be aligned with the emission reductions required to limit the global temperature increase to well below 2°C compared to pre-industrial levels. • Committed SBT — an ambitious target has been set by the company. The company has publicly committed to setting a SBT in line with the Science Based Targets Initiative. • Approved SBT — an ambitious target has been set by the company which has been approved by the Science Based Targets Initiative

Term	Definition
Scope 1 emissions	Scope 1 covers emissions from sources that an organisation owns or controls directly. For example, from burning fuel in a fleet of vehicles (if they are not electrically powered).
Scope 2 emissions	Scope 2 covers emissions that a company causes indirectly and come from where the energy it purchases and uses is produced. For example, the emissions caused when generating the electricity used in its buildings.
Scope 3 emissions	Scope 3 covers emissions that are not produced by the company itself and are not the result of activities from assets owned or controlled by them, but by those that it is indirectly responsible for up and down its value chain. An example of this is when we buy, use and dispose of products from suppliers. Scope 3 emissions include all sources not within the scope 1 and 2 boundaries. Source: www.nationalgrid.com/stories/energy-explained/what-are-scope-1-2-3-carbon-emissions
Stated Policies Scenario (STEPS)	STEPS provides a sector-by-sector evaluation of the policies that have been put in place to reach stated goals and other energy-related objectives, taking into account existing policies and measures and also those that are under development.
tCO ₂ e	Tonnes (t) of carbon dioxide (CO ₂) equivalent (e). Carbon dioxide equivalent is a standard unit for counting GHG emissions regardless of whether they are from carbon dioxide or another gas, such as methane.
Transition value at risk (TVaR)	TVaR measures the potential loss an asset might experience from future decarbonisation costs and opportunities.
Upstream and downstream emissions	Upstream emissions come from the production of a company's products or services. Downstream emissions come from the products' use and disposal.
Value at risk (VaR)	VaR measures individual companies' exposure to physical risks. Physical risks can have a financial impact on a company at both the operational and the market level.

*Source: www.ngfs.net/ngfs-scenarios-portal/explore

