



Milford KiwiSaver Plan  
Climate Statements

**31 March 2025**



**MILFORD**

INVESTED IN YOU



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# Section 1: Introduction

This document combines the climate statements for each of the following Milford KiwiSaver Plan Funds (a **Fund** and collectively the **Milford Funds**) for the year ended 31 March 2025 (together, the **Climate Statements**):

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## Milford Funds

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Milford KiwiSaver Cash Fund **(Cash)**

Milford KiwiSaver Conservative Fund **(Conservative)**

Milford KiwiSaver Moderate Fund **(Moderate)**

Milford KiwiSaver Balanced Fund **(Balanced)**

Milford KiwiSaver Active Growth Fund **(Active Growth)**

Milford KiwiSaver Aggressive Fund **(Aggressive)**

The Climate Statements have been prepared in accordance with the New Zealand mandatory climate-related disclosure **(CRD)** regime<sup>1</sup> to support the allocation of capital towards activities that are consistent with a transition to a low-emissions, climate-resilient future and comply with the Aotearoa New Zealand Climate Standards **(NZ CS)** issued by the External Reporting Board.

We have presented common information at the Milford Funds level in accordance with paragraph 20 of NZ CS 3.

The Manager of the Milford Funds is Milford Funds Limited **(MFL)**, a wholly owned subsidiary of Milford Asset Management Limited. MFL holds a Managed Investment Scheme licence.

All references throughout this document to 'Milford', 'we', 'us', and 'our' refer to Milford Asset Management Limited and its subsidiaries.

<sup>1</sup>Part 7A of the Financial Markets Conduct Act 2013

## Section 1: Introduction

# Statement of Compliance

In preparing the Climate Statements, the following adoption provisions have been applied:

Adoption Provision 2	<b>Anticipated financial impacts</b> — an exemption extended to the second reporting period from 1) disclosing the anticipated financial impacts of climate-related risks and opportunities; 2) explaining why this information cannot be disclosed; and 3) disclosing the time horizons over which the anticipated financial impacts could reasonably be expected to occur.
Adoption Provision 6	<b>Comparatives for metrics</b> — in the second reporting period, this adoption provision permits an entity to provide one year of comparative information for each metric.
Adoption Provision 8	<b>Scope 3 greenhouse gas emissions assurance</b> – an exemption for accounting periods ending before 31 December 2025, allowing an entity to exclude its scope 3 greenhouse gas emissions disclosures from the scope of the assurance engagement.

**Taking into account the adoption provisions set out above, the climate-related disclosures in the Climate Statements are compliant with the NZ CS.**

Note on emissions disclosures: scope 1 and 2 greenhouse gas emissions do not pertain to MIS Manager disclosures because S461O of the Financial Markets Conduct Act 2013 defines MIS Managers as climate reporting entities in respect of the scheme they manage; therefore, no disclosures are required.

**The Directors of Milford Funds Limited authorised these Climate Statements for issue on 3 July 2025.**



Anthony Quirk



Lindsay Wright



## Section 2:

# Executive Summary

The purpose of the Climate Statements is to explain the climate-related risks and opportunities in the Milford Funds and Milford's approach to managing these risks and opportunities. This is designed to help investors understand their exposure to climate change through their investments and allocate capital accordingly.

## 2.1 Introduction to Milford's Sustainability Approach

At Milford, we address climate change within our sustainable investment approach which encompasses broader Environmental, Social and Governance **(ESG)** issues.

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### Our sustainable investment approach has two simple objectives:

1. To enhance the risk-adjusted returns of our Funds.
2. To help drive the transition to a more sustainable future.

At Milford, our sustainability approach reflects our active management philosophy. We have a large team using a wide range of strategies to identify the best investments in changing market conditions. This includes a dedicated Sustainable Investment team researching best practice across ESG factors across each sector we invest in.

As well as enabling us to identify areas of sustainability-related risks and opportunities across our holdings, this research underpins our communication with companies, encouraging them to improve their sustainability performance and help drive real-world change.

Information on this approach, as it pertains to the identification and management of climate-related risks and opportunities, is provided in the Climate Statements.



## 2.2 Information Provided in the Climate Statements

The information provided in the Climate Statements broadly follows the structure of the Aotearoa New Zealand Climate Standard 1 (**NZ CS 1**) issued by the External Reporting Board, describing the disclosure requirements.

The information provided is complementary to our sustainable investment approach, and because the CRD regime specifies the information, it only includes the climate-related (environmental) information.

An overview of each section of the Climate Statements is provided below.

### Section 3: Governance

- Section 3 details the respective roles of MFL, the Milford Board Committees and Management in monitoring and reporting climate-related risks and opportunities of the Milford Funds.
- Information is provided on the governance body that sets and monitors the execution of the Milford Funds' sustainable investment strategy and targets.
- Information on the reporting designed to enable effective oversight of strategy execution, and the skill set and experience of the governance body to inform that oversight.
- Information on the incentive and remuneration structure of the Milford team is provided in this section, as opposed to the Metrics and Targets section, as per the structure of NZ CS 1.

### Section 4: Strategy and Risk Management

- Section 4 explains how climate change is currently impacting the Milford Funds and how it may do so in the future.
- This section combines the Strategy and Risk Management sections of NZ CS 1. The identification, assessment and management of climate-related risks and opportunities is integral to our sustainable investment strategy.
- At Milford, our core purpose is taking risk to generate returns in the Milford Funds. We describe the methods used to identify and assess climate-related risks and opportunities via the ESG Checklist and our sustainability research.
- We describe how this information is used in our investment decision-making process alongside information on other risks to allocate capital.
- Section 4 also presents the Transition Plan for the Milford Funds. This Transition Plan illustrates the actions we intend to undertake to enable the Milford Funds to deliver the outcomes we seek as part of our approach to the sustainable transition.

### Section 5: Scenario Analysis

- Section 5 describes the scenario analysis undertaken to test the resilience of the Milford Funds to three potential global-warming pathways.
- We have based our scenario analysis on work undertaken by the Financial Services Council to enable the comparison of scenario analysis across different investment managers.
- The scenario analysis undertaken provides an assessment of a Fund's current exposure to climate-related risks and opportunities based on the underlying investments as at 31 March 2025. While this demonstrates the relative exposure to future risks and opportunities across the Milford Funds, it provides little insight into the likely impact of climate change on future performance due to our active management approach that shifts underlying investments based on changes in relative risk and return.
- As more effective information becomes available over time, scenario analysis will improve.

### Section 6: Metrics and Targets

- Section 6 aims to provide investors with data that demonstrates the climate-related risks and opportunities in the Milford Funds.
- We provide the scope 3 greenhouse gas (**GHG**) financed emissions and the weighted average emissions intensity of the Milford Funds.
- To illustrate the Funds' exposure to Transition Risk, Physical Risk and Climate-Related Opportunities, we present Climate Value-at-Risk metrics to demonstrate the potential impact of these risks and opportunities on the current value of the Milford Funds. We supplement this information in the Capital Deployment to Climate-Related Risk section with data on the exposure of the Milford Funds to high, medium and low emissions-intensive investments and the proportion of underlying investments with a net zero target. The action taken by the underlying investments to transition to a low-emissions, climate-resilient future is an important element of transition risk and is key to our strategy at Milford. We note this data was previously provided in our FY24 Climate Statements under Transition Risk.
- We also provide each Fund's eligibility with the EU Taxonomy in the Capital Deployment to Climate-Related Opportunities section.
- Finally, we describe our engagement targets which we believe provide the greatest opportunity for Milford Funds to help deliver the real-world change needed to help the transition to a more sustainable future.



## Section 3: **Governance**

The purpose of this section is to describe Milford's governance of climate-related risks and opportunities by its governance body and management team.

Governance helps Milford act in the best interests of investors in each Fund. More specifically, it helps establish structures for information sharing, decision-making, monitoring and reporting.



## 3.1 Governance Body Oversight

**The organisational chart on page 12 illustrates the governance structure for the Milford Funds as it relates to the oversight and management of climate-related risks and opportunities. MFL has delegated oversight for investment matters to the Milford Asset Management Limited Board Investment Committee (BIC). BIC has ultimate responsibility for the oversight of climate-related risks and opportunities of the Milford Funds.**

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The BIC comprised three members: two non-executive directors (Lester Gray (BIC Chair) and Anthony Quirk) and the Chief Investment Officer **(CIO)**, who is an executive director. A third non-executive director, Lindsay Wright, joined with effect from 1 April 2025 and is independent. The Chief Executive Officer **(CEO)** also attends each BIC meeting.

The Investment Management Committee **(IMC)**, chaired by the CIO, is the management body responsible for assisting the BIC with its oversight of the investment approach, including climate-related risks and opportunities in the Milford Funds. The IMC members include (amongst others) the CIO, the Deputy Chief Investment Officers and senior investment leaders.

## 3.2 Responsibilities and Reporting

BIC approves the investment strategy for the Milford Funds including the sustainable investment strategy and engagement targets, and monitors progress against the strategy and engagement targets, primarily using the Sustainable Investment Dashboard.

- The sustainable investment strategy, (including the Milford Funds' climate-related risks and opportunities) and the engagement targets are presented to BIC at least annually for approval (or, if appropriate, noting).
- The Sustainable Investment Dashboard and the IMC minutes are presented to BIC on a quarterly basis.

The IMC approves the processes and reporting metrics required to implement the BIC-approved sustainable investment strategy.

The CIO is the management role principally responsible for the climate-related risks and opportunities in the Milford Funds, subject to IMC and BIC oversight, and supported by the Sustainable Investment team. The Sustainable Investment team:

- ultimately reports to the CIO<sup>2</sup> and supports the Investment team in identifying and assessing climate risk and opportunities;
- monitors compliance with Milford's sustainable investment strategy, policies and processes;
- prepares the Sustainable Investment Dashboard on a quarterly basis and presents it to the IMC to monitor the progress, execution and effectiveness of the sustainable investment strategy, including climate risks and opportunities and execution of the engagement targets. The data reported in the Dashboard reflects the key facets of the sustainable investment strategy, targets and the key metrics reported in the Climate Statements, including:

- Engagement activities undertaken and progress of engagement targets (as discussed in section 6.6)
- ESG Checklist completion and assessments
- Proxy votes cast and reported
- GHG emissions intensity
- The proportion of the Milford Funds' investments with a net zero target
- Compliance with the ESG Exclusion List

MFL has delegated oversight for risk matters to the Milford Asset Management Limited Board Audit & Risk Committee (**BARC**). The BARC currently comprises four non-executive directors. The CEO and CIO also attend BARC meetings. The BARC assists the MFL Board by providing governance oversight of the climate statements and compliance with the climate-related disclosure requirements and approving future assurance plans relating to the climate statements.

<sup>2</sup>Subsequent 31st March 2025, the Sustainable Investment team now reports ultimately to the CIO, via a new role the Head of Investment Operations.



## 3.3 Governance Skills and Expertise

There were two non-executive directors on the BIC (with a third being appointed with effect from 1 April 2025) (two of the three are also directors on the BARC) and four non-executive directors on the BARC, ensuring a good degree of independence from the management team and strengthening the supervisory function of both the BIC and BARC.

Milford uses a skills matrix to ensure the Board has an appropriate range of skills and competencies to govern Milford Asset Management Limited and its subsidiaries, including MFL. Skills and competencies Milford considers relevant to ensuring appropriate oversight of climate-related risks and opportunities in the Milford Funds include investment management, ESG practices and outcomes, and regulatory governance.

MFL directors received training on corporate climate-related risks and opportunities. The BARC received training on other key industry

participants' climate statements and targets to identify consistency and comparability with Milford's Climate Statements and identify any areas of best practice Milford could adopt to enhance its 2025 Climate Statements. Additionally, some directors have attended external training relevant to climate governance, and one non-executive director (who is a member of both BIC and BARC) holds a sustainable finance certificate from Cambridge University.

## 3.4 Performance and Remuneration

Performance objectives are set at a high level by the Milford Asset Management Limited Board at the start of each financial year, and cascaded as appropriate through the Milford group, including to the Investment team. An assessment of performance objectives with semi-annual performance reviews is part of the qualitative assessment for determining remuneration and any discretionary bonus available for the relevant management roles.

As part of this, the FY25 Investment team performance objectives include completion of the ESG Checklist for each company held (which is reflected in the investment view of that company) and company engagement on key sustainable

investment priorities. Engagement activities and completion of the ESG Checklist are two key metrics of Milford's sustainable investment strategy.

The diagram on the next page depicts the governance structure in place for oversight and management of climate-related risks and opportunities.

# Milford Funds Limited

## Board of Milford Funds Limited (Milford Funds)

Approves the annual climate statements for the New Zealand retail funds.

Governing Body for Fund climate-related risks & opportunities

### Board Investment Committee (BIC)\*

- 1. **Annually** reviews (and if appropriate, approves) the Funds' sustainable investment strategy and targets, and discusses climate-related risks/opportunities.
- 2. **Quarterly** monitors progress of the metrics in the Sustainable Investment Dashboard against the sustainable investment strategy and targets.
- 3. **Quarterly** receives the IMC minutes.

### Board Audit & Risk Committee (BARC)\*

- 1. **Annually** endorses the Climate Statements.
- 2. **Appoints** the Assurance Provider, with effect from FY26.
- 3. **Oversight** of fair dealing risks (such as greenwashing) and compliance with the CRD regime.

Delegated oversight  
for investment matters  
to BIC and  
risk matters to BARC

### Investment Management Committee (IMC)

- 1. **Annually** reviews the Funds' sustainable investment strategy and targets, and discusses climate-related risks/opportunities.
- 2. **Quarterly** monitors progress of metrics in the Sustainable Investment Dashboard against the sustainable investment strategy and targets.

### Chief Investment Officer

Responsible for climate-related risks and opportunities in the Milford Funds. Annually, discusses climate-related risks/opportunities with BIC.

### Chief Financial & Operations Officer

Responsible for preparation and filing of annual climate statements.

### Sustainable Investment Team

Supports the Investment team in identifying and assessing climate risk and opportunities.

Together with CIO, drives the execution of the sustainable investment strategy across the Investment team.

Reporting on the outcomes of the sustainable investment strategy.

Monitors compliance with the sustainable investment strategy: (i) monthly engagement activity, proxy voting and the ESG Exclusions List, and (ii) quarterly compliance with the ESG Checklist.

\*BIC and BARC are board committees of Milford Asset Management Limited.





## Section 4:

# Strategy and Risk Management

The purpose of this section is to explain how climate change is currently impacting the Milford Funds and how it may do so in the future.

We describe the climate-related risks and opportunities facing the Milford Funds, the current and anticipated climate-related impacts on the Milford Funds, and Milford's sustainability strategy to manage the climate-related impacts on the Milford Funds as the global and domestic economy transitions to a more sustainable future.

We present our Transition Plan for the Milford Funds. This Transition Plan illustrates the actions we intend to undertake to enable the Milford Funds to deliver the outcomes we seek as part of our approach to the sustainable transition.

## 4.1 Current and Anticipated Climate Impacts

The current and anticipated climate impacts on the Milford Funds result from all the climate risks and opportunities which face the underlying investments in the Funds. These risks and opportunities are defined<sup>3</sup> as follows:

1

### 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.

The Milford Funds invest in a wide range of sectors across a wide range of geographies; hence we believe all transition risks, physical risks and climate-related opportunities can have an impact on the Milford Funds, both now (current impacts) and in the future (anticipated impacts).

2

### Physical Risks

Risks related to the physical impacts of climate change such as increased severity of extreme weather events, longer-term shifts in precipitation and temperature, increased variability in weather patterns, and sea level rise.

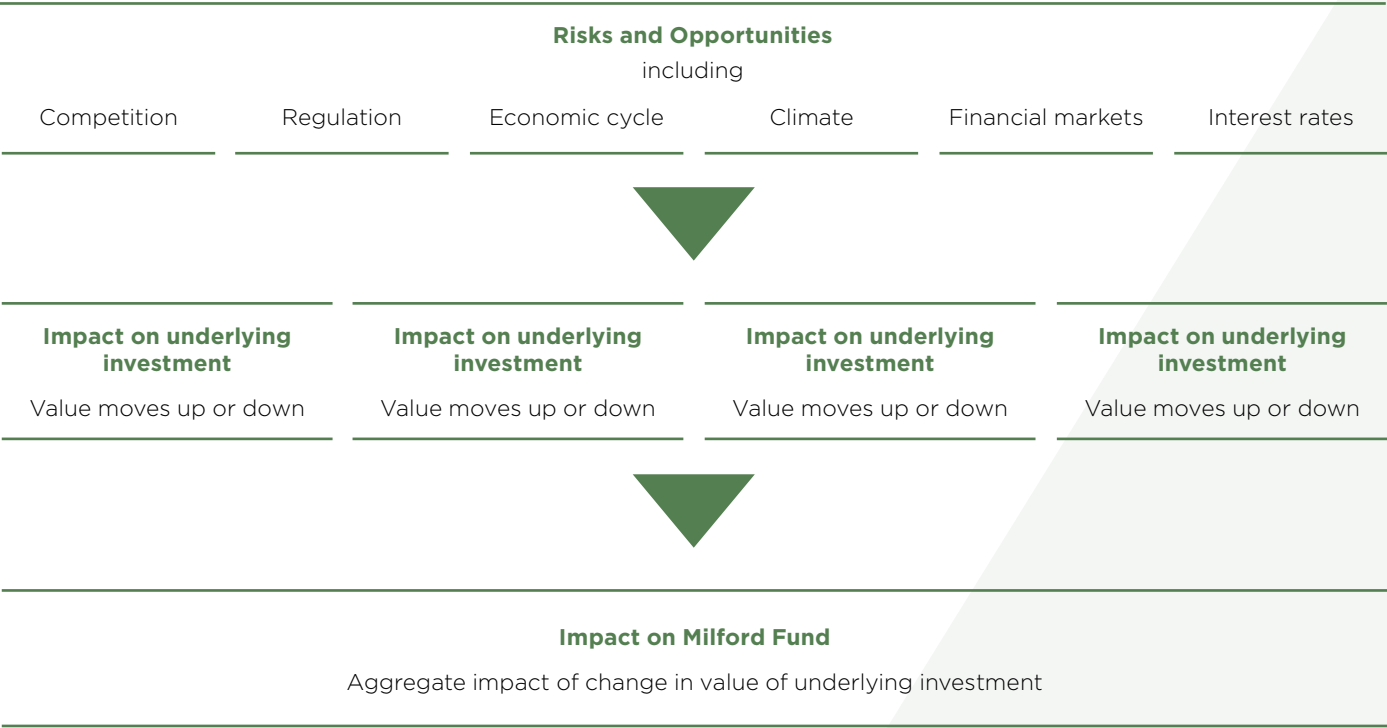
3

### Climate-related opportunities

The potentially positive climate-related outcomes resulting from efforts to mitigate and adapt to climate change, such as through resource efficiency that leads to 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.

<sup>3</sup>Definitions informed by the XRB definitions provided in NZ CS 1

The impact of these risks and opportunities is a change in the value of the underlying investments of the Milford Funds which move both up and down when expectations of climate-related risks and opportunities change. This, in turn, both positively and negatively impacts the returns delivered by the Milford Funds.





## Section 4: Strategy and Risk Management

Investing inherently involves taking risks to generate returns. We do not seek to avoid climate-related risks, rather we strive to understand the risks and opportunities that are currently reflected in asset values and how these differ to our expectations, leading investments to be mispriced. Capitalising on these market inefficiencies is how we deliver risk-adjusted returns.

Key to our ability to do this lies in our research and analysis. We have a Sustainable Investment team dedicated to providing research on the sustainable transition across the sectors we invest in, and identifying new investments that both help, and benefit from, the sustainable transition. This helps the Investment team make an educated evaluation of the climate-related risks and opportunities reflected in the values of the underlying investments in the Milford Funds.

Our strategy to deliver risk-adjusted returns via our investment research and active management approach, and how this process includes climate-related risks and opportunities, is described in section 4.3.

## 4.2 Example of Current Climate-Related Impacts

An example of the climate-related impacts on the Milford Funds during the reporting period is provided in Table 1 below. The table illustrates the proportion of the Milford Funds' underlying investments directly impacted by the three most material climate-related events identified in the reporting period. It is likely there will be additional companies in the Milford Funds that will be indirectly impacted by the climate-related events. For example, regulatory changes that reduce demand for renewable energy will likely in turn reduce the demand for the materials used to construct renewable energy developments, such as steel and aluminium. However, these indirect impacts are not included in this analysis as the scope and materiality of these impacts are unclear and may be influenced by many factors.

The three most material climate-related events in FY25 were:

1

### EU Net Zero Industry Act

The adoption of the Net Zero Industry Act by the EU in May 2024. This Act was adopted with the intention of developing EU manufacturing capabilities in key clean technologies. The main features of the Act provide support for investment via measures including simplifying and accelerating permitting procedures and establishing 'strategic projects' with priority status. This resulted in positive impacts on underlying companies in the Industrials and Utilities sector via support for expansion in decarbonisation technology and renewables. We have not determined any negative impacts from this Act.

2

### COP29

The 2024 UN Climate Change Conference 'COP29' in November 2024. The outcomes of this conference included a new Global Methane Pledge signed by nearly 160 countries, international carbon market standards and adopting a New Collective Quantified Goal on Climate Finance (NCQG) to provide finance commitments to developing countries. This creates transition risks for companies in the energy

and pipelines sector via more stringent methane requirements, and opportunities for financial companies to grow financial products and lending.

3

### Trump Executive Orders

The Executive Orders released following the inauguration of US President Donald Trump in January 2025. These Executive Orders included requirements to pause the delivery of Inflation Reduction Act grants, remove the Electric Vehicle Mandate and temporarily prevent new offshore wind development. This is negative for renewable energy companies via lower subsidies and tax breaks, and positive for energy companies via greater expansion opportunities.

## Section 4: Strategy and Risk Management

The detail on the methodology of selecting and calculating these impacts, the full list of climate-related events considered and the impacts of those events on the Milford Funds, is provided in Appendix 1.

We do not provide an estimate of the impact on the value of the Milford Funds from the identified climate impacts in this section as we are not able to isolate the impact on the value of the underlying investment from climate-related risks and opportunities from the impact of the other risks and opportunities, including changes in economic growth and interest rate expectations, geopolitical events and other company-specific issues. These impacts can be conflicting; for example, the benefit of regulatory support to a renewable energy developer from the Net Zero Industry Act could be offset by lower economic growth expectations or higher interest rates. In

addition, changes in the value of the underlying investments can move ahead of climate-related events as expectations of the outcomes change, or after climate-related events as the impacts are analysed and acted upon by investors.

The diversification of the Milford Funds, in conjunction with our active management approach, is designed to protect the value of the Milford Funds from any individual event that affects the underlying investments.



## Section 4: Strategy and Risk Management

**Table 1: Examples of climate-related impacts on the Milford Funds during the year-ending 31 March 2025**

Climate-related event	Proportion of Assets Under Management (AUM) impacted					
	Cash <sup>4</sup>	Conservative	Moderate	Balanced	Active Growth	Aggressive
<b>Trump Executive Orders</b> — transition risk (negative impact)	0.00%	1.51%	1.75%	2.58%	1.14%	1.31%
<b>Trump Executive Orders</b> — climate-related opportunities (positive impact)	0.00%	1.33%	1.53%	2.25%	0.71%	0.91%
<b>COP29</b> — transition risk (negative impact)	0.00%	2.17%	2.36%	3.06%	0.72%	0.93%
<b>COP29</b> — climate-related opportunities (positive impact)	0.00%	3.59%	3.66%	4.12%	4.85%	2.34%
<b>EU Net-Zero Industry Act</b> — transition risk (negative impact) <sup>5</sup>	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>EU Net-Zero Industry Act</b> — climate-related opportunities (positive impact)	0.00%	0.93%	1.17%	1.97%	1.54%	1.26%

<sup>4</sup> No companies in the Cash Fund were identified as directly impacted by any of these events in FY25

<sup>5</sup> No direct negative impacts at the sector-level were identified for this event

## 4.3 Climate Risks and Opportunities

At Milford, we have a large investment team using a wide range of strategies seeking to identify the best investments in changing market conditions and to assess a wide variety of risks and opportunities to identify investment ideas and build portfolios.

Our sustainability strategy is no different. We believe evaluating a business' exposure to climate change, and how these risks are being managed, is an essential part of investment analysis. We have a dedicated Sustainable Investment team researching sustainability best practice across all sectors, as well as specific sectors that are key to the sustainable transition, such as electrification, hydrogen, biofuels and chemical recycling.



## 4.3.1 Risk and Opportunity Assessment

The transition risks, physical risks and climate-related opportunities facing the Milford Funds are analysed on a sector basis, for each Fund, across different time horizons in our Scenario Analysis in Section 5 and Appendix 2.

The ESG Checklist is at the core of our sustainability analysis of all the companies we invest in. This Checklist is an internally developed tool that assesses over 25 different criteria to determine a company's sustainability performance, analyse a company's sustainability-related risks and opportunities and identify areas of improvement to help determine our engagement priorities.

**Transition risk** is analysed in the ESG Checklist via a company's environmental impact, targets and actions taken to transition to a more sustainable future. We evaluate a range of measures, including GHG emissions, quality of emission reduction targets, biodiversity impact and management, capital investment made, and inclusion of environmental progress in executive remuneration.

**Physical risk** is analysed using knowledge of a company's asset base, geographic exposure and investment to adapt to its physical risk.

**Climate-related opportunities** for existing investments are categorised by reference to their performance (weak to strong) in the areas measured on the ESG Checklist. Climate-related opportunities in new potential investments across sectors are identified by the research undertaken by the Sustainable Investment team.

The ESG Checklist considers the full value chain of a company's climate impact, i.e. including the impact of the inputs into, and the use of, its products and services, and uses company and peer climate data provided by MSCI<sup>6</sup> and Bloomberg to complement analyst research.

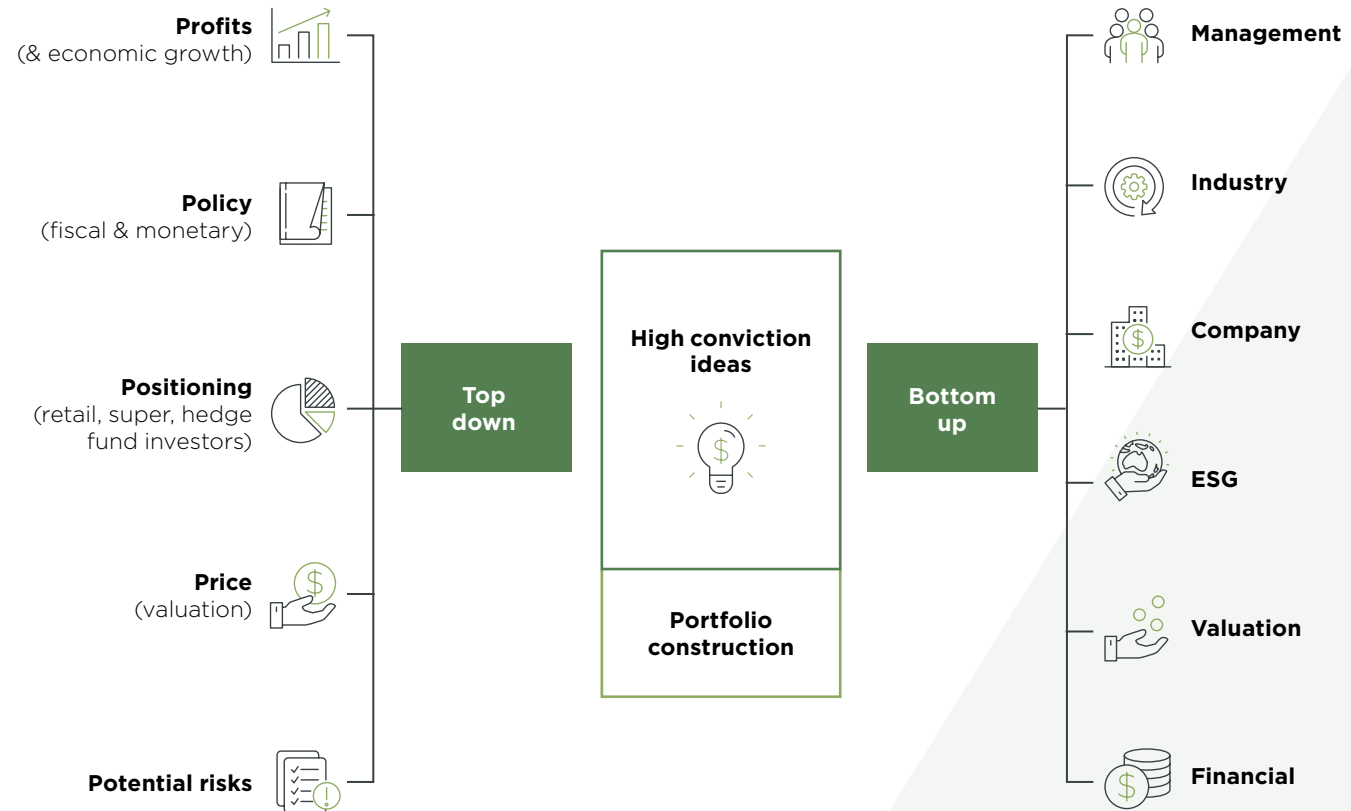
The ESG Checklist provides a separate score for Environment, Social and Governance, which are combined into a blended score of Fail, Poor, Neutral or Positive for each company, weighted for its environmental and social impact. Any company that scores a Fail is added to our ESG Exclusion List. This helps to protect the Milford Funds from undue sustainability-related risk.

<sup>6</sup> MSCI (Morgan Stanley Capital International) is a global investment research firm that provides tools, solutions and research to the financial services sector. It is contracted by Milford to provide ESG data and analysis.



## 4.3.2 Integration in Investment Decision Making Process

The assessment of a company's climate-related risks and opportunities is integrated into investment decisions via the investment view. An investment view summarises the recommendation for the investment in question and determines if an investment should be made, and the size thereof. Our assessment of each company's sustainability performance, including its ESG Checklist rating, is incorporated into our investment view as one of six identified factors. The investment view is depicted as follows:



### 4.3.3 Time Frame Considerations

Investment markets are in a state of constant change, therefore we adopt an active approach to investing. For this reason, we do not define short, medium and long-term time horizons in our identification and assessment of a company's climate-related risks and opportunities in the ESG Checklist. Our research is incremental; we form a view on the future trajectory of sustainability trends and determine what is accurately reflected in current prices. In general, we believe we have

visibility of industry and thematic trends through to 2030-2035 based on current technology expectations and regulatory frameworks. Given the landscape is rapidly changing, we explicitly measure risk and opportunities for the companies we invest in using the ESG Checklist on a regular basis. For the FY25 year, the average time period between updates of the ESG Checklist, across the companies we invest in, was 12-18 months.

### 4.3.4 Milford's Controversy Matrix

Companies can make critical errors that have a negative impact on society, its customers or its staff. We assess these controversies, including material climate-related incidents, across our holdings using our internally developed Controversy Matrix. This tool assesses eight factors to determine the cause of the controversy, the harm caused, any endemic risk and remediation undertaken. Each Controversy Matrix analysis completed is a case-by-case assessment of a company's involvement in and response to a specific controversy. As such, consideration of

time horizons and value chain exclusions from the assessment are controversy-specific, and any associated climate-related risks are also managed on a case-by-case basis. Any company with a 'severe' controversy rate is added to our ESG Exclusion List. 'Significant' controversies lead to an engagement with the company for greater understanding or remediation, and 'moderate' or 'low' rated controversies are monitored for ongoing developments. This helps to protect the Milford Funds from undue sustainability-related risk.

## 4.4 Transition Plan

**A Transition Plan outlines how an entity will position itself, and adapt as the global and domestic economy transitions towards a low-emissions, climate-resilient economy. The Transition Plan for the Milford Funds demonstrates Milford's ambitions and actions to:**

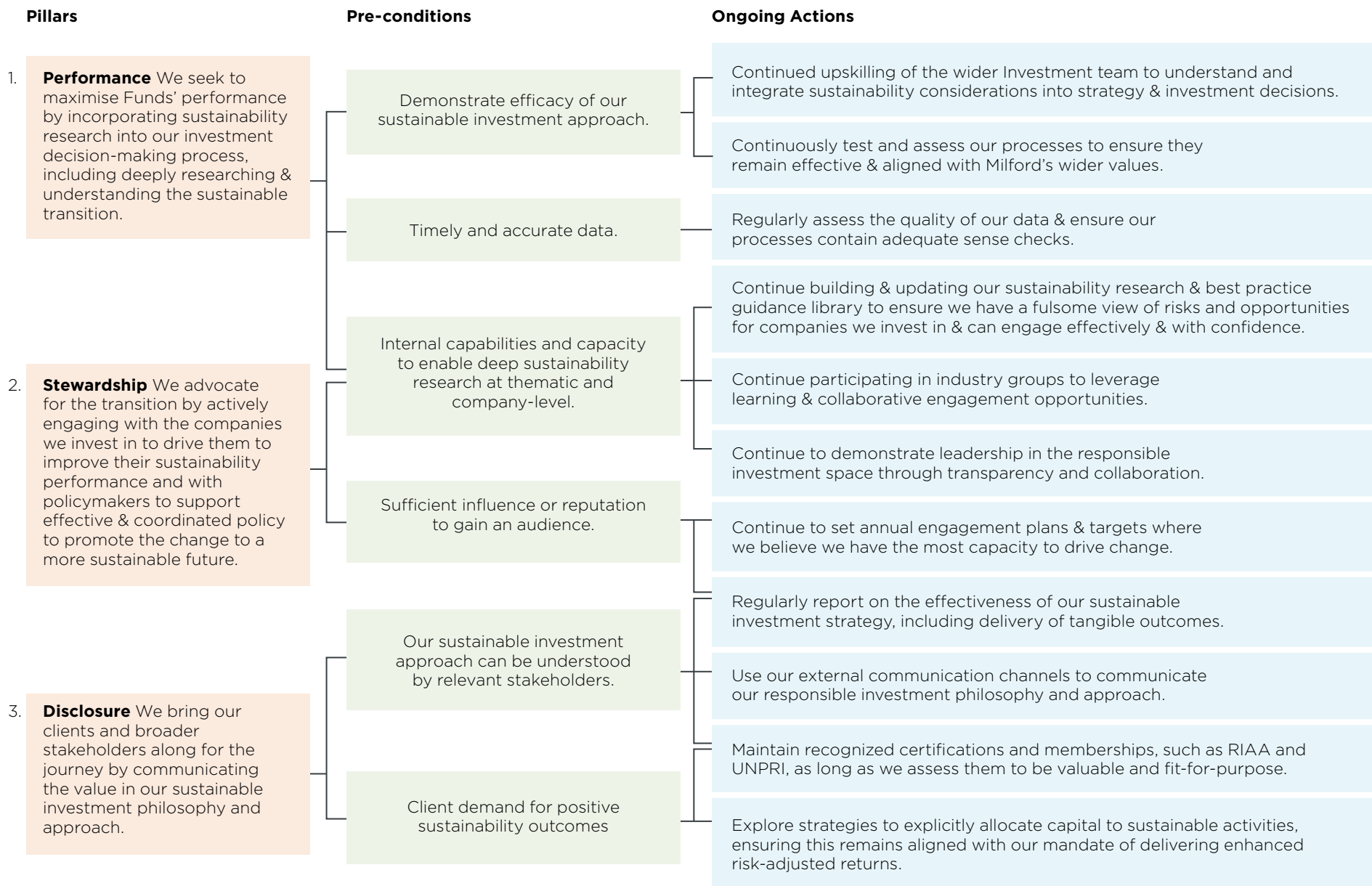
1. Enhance the Funds' resilience to the changes arising from the sustainable transition and respond to risks and opportunities that arise from the transition to a low-emissions economy.
2. Contribute to the transition by using our levers and capabilities to advocate for change with investee companies, industry groups, and other stakeholders.

Milford's approach to the sustainable transition is twofold, as demonstrated across the pillars of Performance and Stewardship in our Transition Plan framework. We also believe the Disclosure pillar is necessary to provide transparency regarding how we action this approach and so have included this as a key pillar in our Transition Plan.

The defined pre-conditions are the link between our actions and what we intend to achieve under each pillar. While the pre-conditions are a prerequisite for our actions, our actions in turn support the existence of these pre-conditions to support the execution of the sustainable investment strategy. As external factors influencing the pre-conditions are constantly changing, we test our underlying assumptions and will adapt our actions if required. We do this via our annual sustainability investment strategy review, which includes our assessment of client feedback, media activity, and regulatory developments.

The actions defined in our Transition Plan, which are all underway and ongoing into the foreseeable future, are intended to allow our investment strategy to iteratively adapt to changing market conditions, such as those driven by the transition to a low-emissions, climate-resilient economy. This mirrors our active management approach, where we assess a wide variety of risks and opportunities to identify our preferred actions.

## 4.4.1 Transition Plan for the Milford Funds





## 4.4.2 Transition Plan Considerations

### Transition Plan Structure

We have adapted elements of the Theory of Change (“ToC”) framework to illustrate Milford’s Transition Plan. A ToC hypothesises how change will be created by describing specific actions and interventions that will be undertaken to achieve desired outcomes. By examining the pre-conditions required to link actions being taken to the intended impact of Milford’s approach, we can gain clearer insights into the ongoing effectiveness and readiness of our broader strategy in response to the transition to a low-emissions economy.

### Strategic Insights from Scenario Analysis

Scenario analysis can help inform the direction of our Transition Plan, as it illustrates the potential impact on our Funds under different climate scenarios.

While scenario analysis does not provide insights into the likely realised impact of climate change on future performance of the Milford Funds, it demonstrates the level of climate-related risks in the different Funds, and that we need to remain proactive to address the wide-ranging risks and opportunities that each

scenario presents. We are confident that our sustainable investment approach and policies allow us to adapt and respond to potential impacts under different scenarios.

### Climate-Related Target

A climate-related target is an important aspect of a Transition Plan, illustrating a company’s commitment to climate action.

We have set engagement targets, as described in Section 6.6. We believe engaging with our investee companies to deliver improvements in their sustainability targets, actions and disclosure is the best way we can help drive change.

During the period, we considered the feasibility of setting a net zero 2050 target for the Milford Funds. This included consideration of the potential impact on the performance of the Funds, alignment with our sustainable investment approach and the ability to achieve real-world outcomes needed to help drive the sustainable transition. At this stage, we believe a net zero 2050 target has the potential to negatively impact our ability to deliver the best risk-adjusted returns in the Milford Funds and our

ability to encourage change through our engagement programme. We don’t believe an exclusion-based approach, to deliver stepped emission reductions, is linked to the outcomes we are trying to achieve, which in many cases will require the commitment of capital to higher carbon intensive industries as they transition to a lower-emissions economy. Accordingly, we have not set a net zero 2050 target.



## Section 5:

# Scenario Analysis

This section describes the scenario analysis undertaken to test the resilience of the Milford Funds to three potential global-warming pathways. The aim of the scenario analysis is to demonstrate each Fund's current exposure to climate-related risks and opportunities across these different scenarios, as it is impossible to anticipate the pathway or outcomes of the transition to a more sustainable future given the level and pace of the sustainable transition remains highly uncertain.

This scenario analysis tests the resilience of the Milford Funds based on each Fund's underlying investments as at 31 March 2025. The Sustainable Investment team has responsibility for the scenario analysis process which will be undertaken on a standalone basis annually for the purposes

of the climate statement disclosures.

We have not integrated scenario analysis into our investment process, because scenarios based on the current investments in the Milford Funds demonstrate our assessment of current exposure to future risks and opportunities, but provide little insight into the likely realised impact of climate change on future performance. Our sustainable investment strategy is to adjust the investments in the Milford Funds as climate risks and opportunities materialise and evolve, based on our sustainability research. The Milford Funds are actively managed with adjustments made as the risk/reward dynamic of investment opportunities change.

# 5.1 Scenario Analysis Methodology



Milford's scenario analysis is based on the work undertaken in the New Zealand Financial Services Council's Climate Scenario Narratives for the Financial Services Sector published in June 2023 (**FSC Report**).

The FSC has selected three global warming scenarios, described on pages 29 to 59 of the FSC Report. We have adopted these scenarios for each Milford Fund again in FY25, as we continue to believe they are based on the most current and accurate guidance offered by climate science and allow the output of our analysis to be compared with other investment managers in New Zealand. The three scenarios selected for the scenario analysis were reported in November 2023 to BARC (as the Milford governance body with oversight of the climate statements) and endorsed by BIC, and approved by the Board of MFL in June 2024. The BIC has oversight of the three scenarios selected for the scenario analysis. A description of these scenarios is as follows:

**1 Orderly**  
is a scenario describing global action taken efficiently and collectively to limit atmospheric warming to 1.5°C above pre-Industrial levels by 2100.

**2 Too Little Too Late**  
is a scenario describing the actions taken that result in atmospheric warming over 2 degrees above pre-industrial levels by 2100.

**3 Hothouse**  
is a scenario describing limited action taken which results in atmospheric warming over 3 degrees above pre-industrial levels by 2100.

The FSC has analysed the degree to which identified risks facing different sectors of the global economy are likely to be present under each scenario. We have translated these likelihoods into a score of 1 ('not likely to be present') to 3 ('very likely to be present') for transition risk, physical risk and climate-related opportunities, across the short-term (1-3 years), medium-term (5-10 years) and long-term (over 30 years). The risk score presented for each Milford Fund is the aggregated score across all sectors based on the Fund's underlying sector exposure as at the end of the reporting period. Those scores are set out in the tables below in sections 5.3-5.5.

We note that our scenario analysis has been undertaken at sector level, not at company level. It therefore does not fully reflect the reduction in transition risk from companies in high-risk sectors that have credible and committed action to transition their business model, which is a key part of Milford's sustainable investment strategy and analysis.

More detail on the sectors and factors analysed to determine transition risk, physical risk and climate-related opportunities, and how these change across the scenarios and the time periods, is provided in the FSC Report, available [here](#), and in Appendix 2.

## 5.2 Scenario Analysis Summary

The tables presented in the following sections 5.3 to 5.5 present the likelihood of Transition Risk, Physical Risk, and Climate-Related Opportunities being present in each Fund under each scenario across the short, medium and long-term. The higher the score, the more likely the Fund, in its current state, will be impacted by the risks or opportunities.

A summary of each scenario is presented in each section, however we highlight a number of broad themes across the three scenarios for the Milford Funds:

**1** The highest scores for all Milford Funds are recorded for Transition Risk under the Orderly scenario over the medium-term. Virtually all the sectors the Milford Funds are invested in have a high likelihood of Transition Risk under this scenario over the next 5-10 years, as this coincides with the period of rapid change required to transition to a low carbon global economy. In particular, stakeholder preference is expected to change across all sectors, regulation and policy impacts are very likely, and litigation risk and emissions pricing impacts are very likely across all sectors.

**2** The likelihood of Physical Risk impacting the Milford Funds remains relatively low for all Funds across all scenarios, until the long-term under the Too Little Too Late and Hothouse scenarios. Both these scenarios result in material physical impacts of climate change over the long-term, including storm surges, flooding and loss of land.

**3** Climate-Related Opportunities have the highest likelihood of impacting the Milford Funds under the Orderly scenario over the medium-term as this is the period of rapid change required to transition to a low carbon global economy. There is a relatively low likelihood of Climate-Related Opportunities impacting the Funds in the Hothouse scenario as little change is made to mitigate climate change.

In general, we believe climate change is currently progressing towards the Too Little Too Late scenario, with a higher likelihood of a Hothouse scenario than an Orderly scenario. This is reflected in the lower likelihood of Transition Risk being present in the Funds under these two scenarios, and a marginally higher likelihood of Climate-Related Opportunities present in the Too Little Too Late scenario. We note that these scores are broadly consistent with the 2024 Climate Statements given the scenarios used are unchanged, as climate change is slow moving in nature.



# 5.3 Orderly Scenario (1.5°C)

**Key – Likelihood of the presence of Transition Risk, Physical Risk, Climate-Related Opportunities**

**1:** Not likely to be present

**2:** Likely to be present

**3:** Very likely to be present

Table 2: Risk and opportunity scores for Milford Funds

Transition Risk	Cash	Conservative	Moderate	Balanced	Active Growth	Aggressive
Short term	1.5	1.5	1.5	1.5	1.5	1.4
Medium term	2.1	2.4	2.5	2.5	2.6	2.4
Long term	1.8	1.8	1.8	1.8	1.8	1.7

Physical Risk	Cash	Conservative	Moderate	Balanced	Active Growth	Aggressive
Short term	1.1	1.0	1.0	1.0	1.0	1.0
Medium term	1.3	1.5	1.5	1.5	1.5	1.5
Long term	1.3	1.5	1.5	1.5	1.5	1.5

Climate-Related Opportunities	Cash	Conservative	Moderate	Balanced	Active Growth	Aggressive
Short term	1.7	1.6	1.7	1.8	1.9	1.9
Medium term	2.0	1.9	2.0	2.2	2.3	2.2
Long term	1.5	1.3	1.4	1.5	1.5	1.5

# 1 Orderly Scenario (1.5°C)

The Orderly scenario is described on page 29 of the FSC Report. Achieving this scenario will require fundamental change in almost all sectors in the near and medium term to prevent the compounding nature of global warming.

Under this scenario, the greatest transition risk is in the medium-term time horizon and is highest in those Milford Funds that have the greatest exposure to high emissions sectors and industries, such as the energy sector, that will require significant restructuring to achieve the 1.5°C warming limit. This is evident in those Funds with higher exposure to Australia, such as the Balanced and Active Growth Funds, given the prevalence of Australian-listed mining and energy firms. The longer-term transition risk is comparatively lower than the medium-term timeframe as by 2050 and onward, much of the technological and industrial shift has already been made.

Similarly, climate-related opportunities are also highest in the medium-term and found in those Milford Funds invested in sectors that require innovative change to achieve a 1.5°C scenario such as the Active Growth Fund.

The physical risk in the Orderly scenario is significantly lower than that in other scenarios, as the world takes action immediately to reduce emissions, therefore reducing the compounding effects of climate change. While the likelihood of climate-related natural disasters does rise into the medium term, physical risk is relatively low across all Milford Funds in the long-term time horizon as the physical effects of climate change are addressed.

# 5.4 Too Little Too Late Scenario (>2°C)

**Key – Likelihood of the presence of Transition Risk, Physical Risk, Climate-Related Opportunities**  
  
1: Not likely to be present  
2: Likely to be present  
3: Very likely to be present

Table 3: Risk and opportunity scores for Milford Funds

Transition Risk	Cash	Conservative	Moderate	Balanced	Active Growth	Aggressive
Short term	1.3	1.3	1.3	1.3	1.3	1.3
Medium term	1.6	1.6	1.6	1.7	1.7	1.6
Long term	1.9	2.0	2.0	2.0	2.0	1.9

Physical Risk	Cash	Conservative	Moderate	Balanced	Active Growth	Aggressive
Short term	1.1	1.2	1.2	1.2	1.2	1.1
Medium term	1.3	1.4	1.5	1.5	1.5	1.4
Long term	1.5	1.7	1.7	1.8	1.8	1.7

Climate-Related Opportunities	Cash	Conservative	Moderate	Balanced	Active Growth	Aggressive
Short term	1.2	1.1	1.1	1.1	1.1	1.1
Medium term	1.3	1.3	1.3	1.3	1.4	1.3
Long term	1.5	1.5	1.5	1.6	1.6	1.5

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

The Too Little Too Late scenario, described on page 38 of the FSC Report, most closely reflects the current trajectory of climate change in our view. Varying degrees of action are being taken over time by different governments and industries, resulting in a non-uniform transition away from high emission processes.

Near term, there is less transition risk and fewer climate-related opportunities than under the Orderly scenario due to the gradual, regulatory driven nature of the sustainable transition. This drives relatively low risk scores over the short-term horizon for all Milford Funds.

In the medium-term, more drastic action is required to curb the escalating impacts of global warming, with more aggressive regulation and consumer preference risk as we approach global climate tipping points. This is reflected in increasing transition risk scores over the medium-term. Climate-related opportunities begin to accelerate to meet the needs of the transition, seen uniformly across all the Milford Funds. As we approach 2050, significant action will be required across all sectors to attempt to curb the compounding effects of global warming, resulting in high transition risk in the long-term in an effort to reach net zero beyond 2050.

The physical risks under this scenario gradually increase over time, with too little action in the near term resulting in increased natural disasters, negatively impacting physical assets well into the future.



# 5.5 Hothouse Scenario (>3°C)

**Key – Likelihood of the presence of Transition Risk, Physical Risk, Climate-Related Opportunities**

**1:** Not likely to be present

**2:** Likely to be present

**3:** Very likely to be present

Table 4: Risk and opportunity scores for Milford Funds

Transition Risk	Cash	Conservative	Moderate	Balanced	Active Growth	Aggressive
Short term	1.3	1.3	1.3	1.3	1.4	1.3
Medium term	1.5	1.6	1.7	1.7	1.7	1.6
Long term	1.5	1.6	1.7	1.7	1.7	1.6

Physical Risk	Cash	Conservative	Moderate	Balanced	Active Growth	Aggressive
Short term	1.2	1.2	1.2	1.2	1.2	1.2
Medium term	1.4	1.6	1.6	1.6	1.6	1.5
Long term	1.6	1.9	1.9	1.9	1.9	1.8

Climate-Related Opportunities	Cash	Conservative	Moderate	Balanced	Active Growth	Aggressive
Short term	1.0	1.0	1.0	1.0	1.0	1.0
Medium term	1.2	1.1	1.2	1.2	1.2	1.2
Long term	1.3	1.3	1.3	1.3	1.4	1.4

## 3 Hothouse Scenario (>3°C)

The Hothouse scenario, described on page 49 of the FSC Report, reflects a world in which little action is taken to address climate-warming activities, and existing efforts are scaled back or abandoned.

As such, the physical risks of climate change progressively worsen over time, greatly impacting industries which are asset-heavy such as utilities or miners. This scenario is reflected in physical risk having the higher risk score in the long-term across all the Milford Funds.

Transition risks are present but manifest more in the medium-term for those industries that have already begun to transition and which will ultimately be heavily impacted by a return to fossil fuels. For example, governments removing regulatory support for renewables developers and electric vehicles generates risk for those companies that have already progressed into those industries.

There are few transition opportunities under a Hothouse scenario, and those that do present themselves are in applications that assist with climate change adaptation rather than mitigation, for instance, agricultural solutions and healthcare provision.



Section 6:

# Metrics and Targets

## 6.1 Greenhouse Gas Emissions

**GHG emissions (emissions) are one of the primary causes of global warming. A Fund's emissions are therefore an important part in assessing the Fund's climate impact and climate-related risks and opportunities. However, it is also important to consider the Fund's exposure to companies actively transitioning by reducing emissions and transition risk. This is discussed in section 6.5.**

We have provided data for the Milford Funds' **financed emissions**. These are the emissions of the Milford Funds' underlying investments. The Milford Funds, as financial entities, do not have any material direct emissions (scope 1), energy-related emissions (scope 2) or other indirect emissions (scope 3).

We have also provided the **weighted average emissions intensity** of the Milford Funds' financed emissions. We believe this is the most useful measure to compare the financed emissions between Funds as it presents financed emissions scaled for both underlying investment size and Fund size.

We have categorised the Milford Funds' financed emissions and weighted average emissions intensity by scopes 1, 2 and 3 of the underlying investments. This is to provide more insight into the drivers of the Fund's GHG emissions. We also note there are material differences in the size and accuracy of these different scopes:

### Scope 1

is the direct emissions from company-owned and controlled resources. These are generally measurable and data is the most reliable.

### Scope 2

is the indirect GHG emissions associated with the company's purchase of electricity, steam, heat, or cooling. These are generally measurable, but the data is less reliable as the source of the electricity may need to be estimated.

### Scope 3

is all other indirect emissions, separated into 'upstream' activities (supplier emissions associated with the inputs required for company's products and services) and 'downstream' activities (customers emissions associated with the use of the company's products and services). These emissions are typically much larger and not within the company's direct control. Further, the quality of the data is poor given the need for companies to estimate the emissions of both its customers and suppliers.

The inclusion of scope 3 emissions results in some double counting of investee company emissions at Fund level, given many of the Milford Funds invest in companies that sit within each other's value chains, for example a fossil fuel producer and a fossil fuel user. Despite this, we believe it is important to include scope 3 emissions to provide a complete picture of each Fund's climate footprint.

The financed emissions have been calculated in accordance with the Partnership for Carbon Accounting Financials (**PCAF**) Standard<sup>7</sup> where possible and using the operational control approach. We provide more detail on the PCAF Standard, calculation methodology, deviations from the PCAF Standard, and data quality of the financed emissions and weighted average emissions intensity in Appendix 3.

<sup>7</sup> PCAF (2022) Global GHG Accounting and Reporting Standard part A: Financed Emissions



## Section 6: Metrics and Targets

**Table 5<sup>8</sup> - Financed emissions in metric tons of CO<sub>2</sub> equivalent (mtCO<sub>2</sub>e) and weighted average emissions intensity in metric tons of CO<sub>2</sub> equivalent per million New Zealand dollars of revenue (mtCO<sub>2</sub>e per NZDm) for the years ended 31 March 2025 & 31 March 2024:**

	Cash	Conservative	Moderate	Balanced	Active Growth	Aggressive
<b>GHG scope 1 emissions of underlying companies</b>						
31 March 2025	8,163	8,289	5,341	41,237	108,076	34,585
31 March 2024	4,518	7,607	5,516	51,779	138,502	39,553
<b>% change</b>	80.7%	9.0%	-3.2%	-20.4%	-22.0%	-12.6%
<b>GHG scope 2 emissions of underlying companies</b>						
31 March 2025	38	1,606	1,210	10,909	45,990	9,266
31 March 2024	10	808	725	7,940	28,576	8,268
<b>% change</b>	273.0%	98.7%	66.9%	37.4%	60.9%	12.1%
<b>GHG scope 3 emissions of underlying companies</b>						
31 March 2025	5,057	31,777	26,293	255,127	985,243	404,848
31 March 2024	2,637	25,120	24,249	276,916	1,152,504	319,465
<b>% change</b>	91.7%	26.5%	8.4%	-7.9%	-14.5%	26.7%
<b>Total GHG financed emissions of underlying companies</b>						
31 March 2025	13,258	41,672	32,843	307,273	1,139,310	448,700
31 March 2024	7,165	33,534	30,489	336,635	1,319,582	367,286
<b>% change</b>	85.0%	24.3%	7.7%	-8.7%	-13.7%	22.2%

<sup>8</sup> Across all tables in Section 6, percentage change values in red text represent a deterioration in the metric and percentage change values in green text represent an improvement in the metric.

## Section 6: Metrics and Targets

	Cash	Conservative	Moderate	Balanced	Active Growth	Aggressive
<b>GHG scope 1 weighted average emissions intensity of underlying companies</b>						
31 March 2025	84.6	64.1	86.3	109.6	86.9	84.8
31 March 2024	78.7	56.2	60.2	65.8	53.8	54.3
<b>% change</b>	7.6%	14.1%	43.4%	66.5%	61.5%	56.1%
<b>GHG scope 2 weighted average emissions intensity of underlying companies</b>						
31 March 2025	1.1	9.5	11.0	12.6	12.5	11.4
31 March 2024	0.5	11.8	12.9	14.2	13.3	13.6
<b>% change</b>	116.5%	-19.7%	-14.3%	-11.3%	-6.2%	-16.0%
<b>GHG scope 3 weighted average emissions intensity of underlying companies</b>						
31 March 2025	237.5	170.0	208.1	248.2	219.3	364.9
31 March 2024	200.4	163.5	237.4	317.6	323.3	374.5
<b>% change</b>	18.5%	4.0%	-12.3%	-21.9%	-32.2%	-2.6%
<b>Total GHG weighted average financed emissions intensity of underlying companies</b>						
31 March 2025	323.2	243.7	305.5	370.3	318.7	461.1
31 March 2024	279.5	231.5	310.4	397.6	390.4	442.3
<b>% change</b>	15.6%	5.2%	-1.6%	-6.9%	-18.4%	4.2%

## Section 6: Metrics and Targets

The largest Milford Funds have the highest financed emissions due to size. However, the Milford Funds with the highest weighted average emissions intensity are those with more exposure to high-emission industries, such as energy, in particular. The energy sector is typically more cyclical, and share prices demonstrate higher volatility. As such, these companies are more prevalent in our higher-risk funds such as the Active Growth and Aggressive Funds.

Changes in the Funds' emissions profiles observed since the 31 March 2024 reporting period are attributable to both changes in the investment profile and changes to the underlying company investments held, due to our active management approach. This may affect the financed emissions and the weighted average emissions intensity differently, for example, changes in the levels of cash held will typically increase the financed emissions but not the weighted average emissions intensity of the Funds as cash and cash equivalents do not have a GHG emissions footprint. We note that the scope 1 emissions intensity of the Moderate, Balanced, Active Growth and Aggressive Funds was influenced by a

small investment in a Western Australian gold exploration company. This company has extremely high emissions intensity because it currently generates very little revenue, as opposed to high emissions.

A summary of the changes in the GHG emissions of the Milford Funds from the 2024 data is as follows:

- Both the **Cash** and **Conservative Funds** have higher GHG emissions than in 2024, driven by a lower proportion of cash instruments in the Fund at 31 March 2025. This has a much lesser impact on weighted average emissions intensity, which has remained broadly stable for the two Funds.
- The **Moderate Fund** saw some increase in its total GHG emissions in 2025, driven by an increase in investments in companies with higher scope 2 emissions, including Air Liquide SA and National Grid Plc. Despite this, the weighted average emissions intensity was slightly lower due to a lower proportion of investments in the companies with higher scope 3 emissions intensity, such as the energy and materials sectors.
- The **Balanced Fund** had a higher proportion of cash instruments, reducing its total GHG emissions. In addition, its weighted average emissions intensity was reduced by an increase in low emissions intensive holdings such as companies in the consumer staples and information technology sectors.
- The **Active Growth Fund** has both lower GHG emissions and lower weighted average emissions intensity as at 31 March 2025. This is due to both higher holdings of cash instruments, and a higher proportion of low emissions intensity holdings such as consumer staples and consumer discretionary companies.
- The scope 3 GHG emissions of the **Aggressive Fund** increased in 2025 due to a larger investment in Shell Plc. However, the weighted average emissions intensity of the Fund reduced due to a higher proportion of low emissions intensity investments in the information technology and financials sectors, and less investments in the energy and materials sectors, which have high scope 1 emissions intensity.

## 6.2 Transition Risk, Physical Risk and Climate-Related Opportunities

Climate Value-at-Risk (CVaR) metrics illustrate the potential for changes in value of the Milford Funds due to climate-related risks and opportunities.

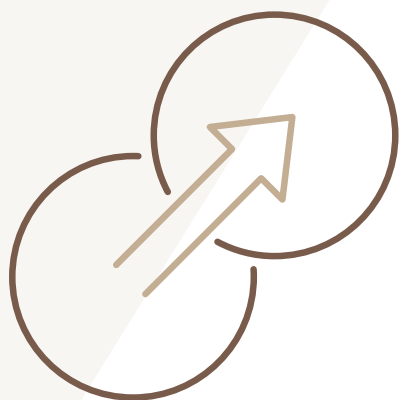
These metrics are calculated by MSCI and aim to provide a forward-looking analysis on how climate change could affect investor returns under different climate scenarios.

MSCI undertake this analysis on investee companies in the Milford Funds by forecasting future costs and benefits associated with the climate risks and opportunities faced by the investee companies. The present value of these cashflows is divided by the current value of the investment to provide the magnitude of potential risks or opportunities, controlling for the size of each company. This data is scaled and aggregated at Fund level to provide a potential future loss or benefit of Fund value based on underlying investments at 31 March 2025, presenting the present value of climate-related cashflows as a positive (opportunity) or negative (risk) percentage of the current company valuation.

CVaR can be viewed as a way to model potential maximum loss of a company's valuation due to climate change. In practice, Milford's active management approach helps ensure investments are adjusted as risks materialise. For this reason, we believe CVaR outputs provides

little insight into the likely performance of the Milford Funds, however it can be used to compare the Funds in terms of the magnitude of potential risk based on current holdings.

We have retained in FY25 the 2°C Orderly scenario developed by the Network for Greening the Financial System (NGFS) to enable comparability with the previous reporting period. This scenario assumes that climate policies are introduced immediately and become gradually more stringent, though not as high as in the Net Zero 2050 NGFS scenario. Carbon Dioxide Removal deployment is relatively low and net zero CO<sub>2</sub> emissions are achieved after 2070.



## 6.2.1 Transition Risk

We have used the Policy CVaR provided by MSCI to illustrate Transition Risk from the underlying investments of the Milford Funds.

This metric is calculated as the present value of each investee company's future direct and indirect costs due to climate policies aimed at reducing carbon emissions under selected global warming scenarios. The resulting Policy CVaR associated with each investee company is the aggregated cost it is expected to pay to reduce

its carbon emissions to reach emission-reduction targets until 2050. The model assesses direct emissions risk (Scope 1), electricity-use risk (Scope 2), and value-chain risk (Scope 3):

- Direct emissions risk: costs of activities to make required direct emissions reductions under climate regulation.
- Electricity-use risk: costs passed through to electricity consumers due to electricity generators' need to reduce direct emissions.
- Value chain risk: rises in input costs due to climate regulations and rises in downstream costs due to changes in demand in a company's product market.

Table 6 illustrates that Milford Funds with exposure to companies in sectors with higher carbon intensity, such as the materials and energy sectors, have higher Value-at-Risk than the other Funds. The Balanced and Active Growth Funds have reallocated a significant portion of their investments from high carbon intensity to medium and low carbon intensity investments, illustrated in our Capital Deployment to Climate-Related Risks metrics (Table 9). In particular, the Milford Funds have reduced holdings in the energy and materials sectors, with greater holdings in financials, information technology, consumer discretionary and consumer staples companies, and have reduced position sizes in remaining high carbon intensity companies which previously represented the main contributors to the overall Policy CVaR score.

**Table 6<sup>9</sup> - Transition Risk**

	Cash	Conservative	Moderate	Balanced	Active Growth	Aggressive
31 March 2025	0.0%	-1.5%	-2.0%	-2.3%	-2.4%	-2.7%
31 March 2024	0.0%	-2.2%	-3.2%	-3.7%	-3.3%	-3.9%
<b>% change</b>	0.0%	0.7%	1.2%	1.4%	0.9%	1.2%

We provide more detail on the data, methodology and process of these calculations in Appendix 4.

<sup>9</sup>Across all tables in Section 6, percentage change values in red text represent a deterioration in the metric and percentage change values in green text represent an improvement in the metric.



## 6.2.2 Physical Risk

The physical risk of the Milford Funds is driven by the Funds' investment in companies with underlying assets exposed to the physical impacts of climate change. We have used the Physical Risk CVaR provided by MSCI to illustrate physical risk from the underlying investments of the Milford Funds.

MSCI use global climate data sources and assessment methods designed by the Potsdam Institute for Climate Impact Research (PIK). The data provides a potential impact to the value of each Fund due to 'Average' or 'Aggressive' physical risk realisation and is reported as the percentage of the Fund's assets under management that are at risk. We have selected the Aggressive scenario to reflect our view that the most likely transition scenario at this time is one of delayed mitigation and thus will carry higher risk of physical climate change impacts than the Average scenario.

This metric is calculated as the present value of each investee company's future costs (and profits) due to physical hazards under different global warming scenarios. The resulting Physical Risk CVaR associated with the company is the aggregated cost it is expected to pay as a result of revenue loss and disruption to operations until 2100. This data is scaled and aggregated at Fund level to present a potential loss of Fund value based on underlying investments at 31 March 2025.

Table 7 illustrates that Milford Funds with exposure to companies that have larger asset portfolios, such as those in the utilities and infrastructure sectors, have higher physical risk and, therefore, a higher Value-at-Risk, than the other Funds. Notably, a large portion of the increases observed against the 31 March 2024 reporting period are attributable to increased asset exposure to coastal flooding and low river flow. This was driven by MSCI's introduction of a new, more granular flood risk dataset rather than changes to underlying holdings. To a lesser extent, new and increased exposure to companies with large asset portfolios has also contributed, in particular utilities companies. We expect that physical risks will continue to intensify over time as increased temperatures drive more volatile weather patterns. We will continue to assess investee companies' vulnerability to these changes through our ESG checklists and engagements.

Table 7<sup>10</sup> - Physical Risk

	Cash	Conservative	Moderate	Balanced	Active Growth	Aggressive
31 March 2025	0.0%	-3.5%	-3.9%	-4.2%	-4.8%	-3.3%
31 March 2024	0.0%	-1.4%	-1.9%	-2.2%	-2.3%	-2.6%
% change	0.0%	-2.1%	-2.0%	-2.0%	-2.5%	-0.7%

We provide more detail on MSCI’s methodology and data coverage in Appendix 4.

<sup>10</sup>Across all tables in Section 6, percentage change values in red text represent a deterioration in the metric and percentage change values in green text represent an improvement in the metric.

## 6.2.3 Climate-Related Opportunities

The climate-related opportunities of the Milford Funds are driven by the Funds' investment in companies with underlying assets that have potential to benefit from the transition to a low-carbon economy.

We have used the Technology Opportunities CVaR provided by MSCI to measure climate-related opportunities as companies developing or growing deployment of key low-carbon technologies will be well-positioned to succeed as decarbonisation trends continue.

MSCI's technology opportunities model uses global patent filings as a proxy for low-carbon innovative capacity and companies' current estimated low-carbon revenues to provide an estimate of the effect of low-carbon revenues on the share price of a company. The resulting Technology Opportunities CVaR associated with the company is the aggregated revenue it is expected to receive as a result of low-carbon technology offerings until 2050. This reflects:

- Mitigation technologies related to buildings (i.e., building materials, appliances, other end-user applications in the building sector).
- Mitigation technologies related to greenhouse gas capture, storage, sequestration or disposal.
- Mitigation technologies concerning electricity generation, transmission and distribution.
- Mitigation technologies in the production or processing of goods.

- Mitigation technologies related to the transportation sector.
- Mitigation technologies for the waste management or wastewater treatment sectors.
- Smart grid technologies.

Table 8 illustrates that Milford Funds currently have limited exposure to low-carbon technology opportunities as assessed via patents and this has remained broadly stable year-on-year. Typically, low-carbon technology is early stage, subject to significant policy risk and outside the risk appetite of many Milford Funds. Additionally, the main emphasis is put on patent portfolios in this CVaR model and may underestimate opportunities for companies investing in, acquiring or partnering with companies that provide low-carbon solutions. A wider measure of climate-related opportunities is provided in the Capital Deployment to Climate-Related Opportunities in Table 10.

Table 8<sup>11</sup> – Climate-Related Opportunities

	Cash	Conservative	Moderate	Balanced	Active Growth	Aggressive
31 March 2025	0.0%	0.3%	0.3%	0.3%	0.3%	0.3%
31 March 2024	0.0%	0.4%	0.5%	0.5%	0.5%	0.4%
% change	0.0%	-0.1%	-0.2%	-0.2%	-0.2%	-0.1%

We provide more detail on MSCI’s methodology and data coverage in Appendix 4.

<sup>11</sup>Across all tables in Section 6, percentage change values in red text represent a deterioration in the metric and percentage change values in green text represent an improvement in the metric.

## 6.3 Capital Deployment to Climate-Related Risk

We do not seek to avoid transition risk, rather we seek to understand and manage it to maximise risk-adjusted returns. As such, a company's action to address its environmental footprint is a key part of our sustainability research.

Transition risk for the Milford Funds is twofold. Companies that have a higher carbon footprint and companies that are not taking action to address their environmental footprint both have higher transition risk. In some cases, a high emission company can have lower transition risk than a lower emission company if it is more aggressively transitioning to a low-emission, climate-resilient business model.

To demonstrate capital deployment to transition risk of the Milford Funds, we have provided the proportion of the Funds' investments, as measured in GHG emissions calculation, with emission reduction targets aligned with net zero. We have chosen this metric because investing in carbon intensive industries has higher climate risks, but these investments also have more climate-related opportunities if they are moving towards a low-emission business model, which is shown by having a net zero target. As per the 2023 IPCC Report on Climate Change, we believe net zero 2050 is the most established pathway at present to achieve a low emission, climate-resilient future.

We have detailed this across investments with high, medium and low weighted average emissions intensity, given emission reduction targets are more critical for higher emission intensive companies.



## Section 6: Metrics and Targets

**Table 9<sup>12</sup> – Capital Deployment to Climate-Related Risk**

	Cash	Conservative	Moderate	Balanced	Active Growth	Aggressive
<b>High carbon intensity</b>						
31 March 2025	5.2%	3.6%	4.2%	4.9%	3.1%	7.6%
31 March 2024	4.3%	3.0%	4.9%	6.9%	6.9%	7.7%
<b>% change</b>	0.9%	0.6%	-0.7%	-2.0%	-3.8%	-0.1%
<b>% with net zero target</b>						
31 March 2025	100.0%	99.9%	99.8%	99.6%	99.5%	99.8%
31 March 2024	100.0%	99.8%	99.2%	98.9%	99.2%	98.0%
<b>% change</b>	0.0%	0.1%	0.6%	0.7%	0.3%	1.8%
<b>Medium carbon intensity</b>						
31 March 2025	14.3%	16.3%	18.8%	21.4%	25.3%	19.3%
31 March 2024	14.7%	13.4%	15.8%	18.6%	22.4%	21.8%
<b>% change</b>	-0.4%	2.9%	3.0%	2.8%	2.9%	-2.5%
<b>% with net zero target</b>						
31 March 2025	100.0%	84.5%	84.3%	84.1%	92.3%	83.1%
31 March 2024	100.0%	82.0%	83.8%	85.1%	89.3%	86.7%
<b>% change</b>	0.0%	2.5%	0.5%	-1.0%	3.0%	-3.6%

<sup>12</sup> Note that there is no use of colours in Table 9 as changes to these metrics cannot be defined as improving or deteriorating.

## Section 6: Metrics and Targets

**Table 9<sup>12</sup> – Capital Deployment to Climate-Related Risk cont.**

	Cash	Conservative	Moderate	Balanced	Active Growth	Aggressive
<b>Low carbon intensity</b>						
31 March 2025	27.4%	43.3%	48.8%	54.6%	62.3%	56.4%
31 March 2024	14.9%	42.6%	46.2%	50.9%	55.8%	49.3%
<b>% change</b>	12.5%	0.7%	2.6%	3.7%	6.5%	7.1%
<b>% with net zero target</b>						
31 March 2025	96.7%	85.0%	83.1%	81.5%	78.9%	72.1%
31 March 2024	90.5%	80.2%	78.7%	77.4%	78.1%	66.5%
<b>% change</b>	6.2%	4.8%	4.4%	4.1%	0.8%	5.6%

As observed in the GHG emissions data, most of the Milford Funds have reduced the proportion of high carbon intensity investments, in particular Energy and Materials companies, as these sectors are deemed less attractive investments in the current economic environment.

All the Milford Funds have materially lower holdings in the energy and materials sectors compared to 31 March 2024 (except the Cash Fund which has no exposure to the sectors in either period) as these sectors are deemed less attractive investments in the current economic environment. Conversely, holdings in low carbon

intensity investments including information technology, financials, consumer discretionary and consumer staples have increased.

The proportion of low carbon intensity companies with a net zero target has increased for all Funds. The proportion of medium carbon intensity companies with a net zero target has reduced for the Balanced and Aggressive Funds. This is predominantly driven by holdings in information technology and financials companies with a lower proportion of controllable emissions (scope 1 and 2). While we aim to have a high and increasing proportion of investments with a net zero target,

we are more comfortable with companies that don't target emission reductions when they are in low carbon intensive sectors with lower climate risk and therefore a lower ability to deliver emission reductions.

We provide more detail on the data, methodology and process of these calculations in Appendix 5.

## 6.4 Capital Deployment to Climate-Related Opportunities

There are significant opportunities for companies that can deliver new products and services required for the transition to a more sustainable future and Milford's Sustainable Investment team specifically seeks out companies providing products and services that are critical to the sustainable transition.

We represent capital deployment to climate-related opportunities via each Fund's eligibility with the EU Taxonomy. The EU Taxonomy is a classification system that defines criteria for economic activities that are aligned with net zero by 2050 and the EU's broader environmental goals, for example, activities that relate to low carbon technologies for transport or renewable energy technologies. The legislation establishing the EU Taxonomy came into force in 2020 to help direct investment towards a common definition of economic activities that can be considered environmentally sustainable and are needed to meet the EU's climate targets.

The eligibility metric shown below is the percentage of investee company revenue that is generated from activities that meet the description of an economic activity within the EU Taxonomy Regulations to be taxonomy eligible. This is aggregated at Fund level.

## Section 6: Metrics and Targets

**Table 10<sup>13</sup> – Capital Deployment to Climate-Related Opportunities**

	Cash	Conservative	Moderate	Balanced	Active Growth	Aggressive
31 March 2025	40.2%	33.4%	38.5%	43.8%	48.6%	45.1%
31 March 2024	27.4%	31.1%	35.5%	40.7%	44.8%	44.2%
<b>% change</b>	12.8%	2.3%	3.0%	3.1%	3.8%	0.9%

Table 10 demonstrates increasing EU Taxonomy estimated eligible revenue across all Funds. The outlying increase in the Cash Fund reflects a reduced proportion of cash instruments and an increased proportion of investments in debt securities held by the Fund. This change in underlying investments has driven both higher climate risk (illustrated by higher GHG emissions) and higher climate opportunities in the Cash Fund.

This data does not encompass all the climate-related opportunities we have identified for the underlying investments. A significant proportion of companies have some element of climate-related opportunity within their broader business. These opportunities are of varying size and timescale, with many yet to be realised in revenue or earnings due to technological change required

or the slow pace of adoption. As such, we expect the EU Taxonomy eligibility of the Milford Funds to increase over time.

We note that this data does not represent the percentage of investee company revenue that is aligned with the EU Taxonomy. An eligible activity becomes taxonomy-aligned when it also complies with substantial contribution requirements as part of the technical screening criteria, the do-no-significant-harm requirements across the core environmental objectives, and the minimum social safeguards described in the taxonomy regulation. These are more stringent criteria we intend to report over time, however the proportion of investee companies that report this data is currently very low.

The economic activities included in the EU Taxonomy intend to contribute to the broader objectives below:

1. Climate change mitigation
2. Climate change adaptation
3. Sustainable use and protection of water and marine resources
4. Transition to a circular economy
5. Pollution prevention and control
6. Protection and restoration of biodiversity and ecosystems

More detail on the calculation methodology of Bloomberg's EU Taxonomy eligibility data, alignment data and the data coverage under both metrics is provided in Appendix 6.

<sup>13</sup> Across all tables in Section 6, percentage change values in red text represent a deterioration in the metric and percentage change values in green text represent an improvement in the metric.

## 6.5 Internal Emissions Price

At Milford we do not yet explicitly integrate an internal emissions price into our investment decisions as the future price of carbon remains highly uncertain due to regulatory risk and the uncertain timeframes on technology required for some emission reduction activities.

The likelihood of future carbon costs impacting the investments in the Milford Funds is assessed via the ESG Checklist and reflected qualitatively in our investment decisions.

Milford's Sustainable Investment team is building the research required to forecast the EU and Australian carbon price with a view to more explicit integration in the future.



## 6.6 Targets for the Milford Funds

At Milford, our sustainable investment approach has two simple objectives:

1. **To enhance the risk-adjusted returns of our Funds.**
2. **To help drive the transition to a more sustainable future.**

We have described how we manage climate risk and opportunities to help deliver risk-adjusted returns in Section 4. Strategy and Risk Management section.

We believe Milford's greatest opportunity to help the transition to a more sustainable future is through our stewardship activities. Using our seat at the table to push for positive change should signal to companies that investors do not support a focus on current profits at the expense of long-term outcomes and can also have a direct impact on a company's climate action, targets and disclosures.

### We undertake the following types of stewardship activities:

1

#### Proactive engagements

We undertake strategic engagements to affect change with the companies we invest in that have the most ability to cause harm and where we have the most influence.

We undertake informal engagements by asking sustainability focused questions and promoting improvement in our regular dialogue with company management teams and boards. This should help drive change by demonstrating that active investors value and prioritise sustainable practices.

3

#### Active proxy voting

We use the power of voting to communicate our expectations and agitate for change. We engage with Boards to share our concerns when required.

4

#### Collaborative engagements

Collaboration between investors can increase influence and ability to achieve outcomes. We collaborate wherever there is the opportunity, including as a member of Climate Action 100+.

2

#### Reactive engagements

We respond to unexpected controversies such as significant breaches of environmental or social requirements in accordance with our Controversy Matrix.

5

#### Policy engagements

We engage with policy makers where possible, such as collaborating with industry bodies and responding to regulatory proposals.

We believe our strategic engagements have the potential to deliver direct, measurable change. We have formalised our commitment to these engagements by setting engagement targets for each financial year. These targets are directed at the companies that we believe have the greatest potential to cause harm and we have the greatest potential to help drive change via our position as a large fund manager in the New Zealand and Australian markets.

The targets were set by the BIC, with the subject companies determined by our equity holdings at the start of this financial year.

The two engagement targets that are focused on climate change are as follows:

1. **Fossil fuels: we commit to engaging with every Australasian energy company in our equity holdings.**
2. **High emitters: we commit to engaging with the five highest financed GHG emitters in our Australasian equity holdings**

These targets are activity-based, meaning achievement of the targets requires us to initiate or continue our strategic engagement process with each identified company. Our Engagement Activities and Outcomes Report provides further detail on the activities undertaken for each company every six months.

Outcomes achieved from engagement can be incremental, long dated, and difficult to attribute directly to our engagement activities. As such, while we will continue to set and pursue specific outcomes for each company, we believe activity-based targets are currently best suited to avoid conflating our influence on investee companies' actions.

The specific engagement outcomes Milford will seek for each target company are set by the Sustainable Investment team using the ESG Checklist and our sustainability best practice research. These outcomes aim to progress the transition to a more sustainable future in line with our stewardship principles, reduce sustainability-related risk and improve the outlook for long-term shareholder returns.

We report progress from our activities, including contact with the company, issues discussed and any company action, to the IMC and the BIC on a quarterly basis in the Sustainable Investment Dashboard.

During the 2025 financial year, we either initiated or continued direct engagements via company meetings with all companies captured under the Fossil Fuels and

High Emitters targets, and thus have met our target for this reporting period<sup>14</sup>. In FY25, key outcomes aligned with our engagement priorities were Santos Limited setting a Scope 3 target and New Hope Corporation investing in methane reduction initiatives.

The base year for tracking our progress changes each year as our engagement targets are set annually. As such, progress is measured year on year and accordingly, it is not appropriate to have a base year.

The engagement targets will be progressed alongside our broader stewardship activities. We provide information on all our stewardship activities, including our performance against these targets in our Engagement Activities and Outcomes Report on our website.

<sup>14</sup>Ampol Ltd and Mermaid Marine Australia Ltd were removed from our Fossil Fuels engagement target for the reporting period as we did not maintain consistent equity exposures to these companies



# Appendices

# Appendix 1: Climate-Related Impacts

We have documented the climate-related events that may have impacted the Milford Funds via a review of the Sustainable Investment team's research undertaken throughout the reporting period. These events are as follows:

Climate-Related Event	Date	Transition Risk	Physical Risk	Climate-Related Opportunity
US EPA releases GHG Emission Standards for Heavy Duty Vehicles.	Apr-24	Yes		
EU Net Zero Industry Act adopted, intends to develop industrial manufacturing of key technologies and innovation.	May-24			Yes
US increases tariffs on EVs, solar cells and batteries from China	May-24	Yes		Yes
EU passes hydrogen market directive into law	May-24	Yes		Yes
China's 2024-2025 Action Plan for Energy Saving and Decarbonisation released with renewables and GHG intensity targets updated.	May-24	Yes		Yes
Florida - Hurricane Helene	Sep-24		Yes	
US Chips Act 25% tax credit extended to domestic solar wafer	Oct-24	Yes		Yes
Florida, Mexico - Hurricane Milton	Oct-24		Yes	
US EPA finalises O&G methane reduction rules	Nov-24	Yes		
COP29 - methane rules, global carbon market guidelines adopted and progress to global climate finance goal (NCQG)	Nov-24	Yes		Yes
Adoption of Future Made in Australia Bill	Nov-24	Yes		Yes
US solar anti-dumping rules announced	Dec-24	Yes		Yes
EU Competitive Compass - intent to simplify ESG regulation	Jan-25	Yes		Yes
California - Pallisade Wildfires	Jan-25		Yes	
Trump Executive Orders pause IRA funding and prevent offshore wind	Jan-25	Yes		Yes

# Appendix 1: Climate-Related Impacts

The underlying investments the Milford Sustainable Investment team believe were directly impacted by these events were categorised according to the type of risk that caused the relevant impact, being; positive and negative transition risk, positive and negative physical risk, or climate-related opportunity.

We have developed a methodology to determine which climate-related events during the FY25 financial year are the most material.

This methodology is as follows:

1. A country/region transition risk score was determined using the Bloomberg Government Climate Score.
2. A sector transition risk score was determined using a combination of Fitch Ratings' Climate Vulnerability Signals by Sectors, MSCI's Policy CVaR and the Sustainable Investment team knowledge.

3. These scores were ranked and translated into a heatmap to determine the highest transition risk by sector and geography. The climate-related events identified by the Sustainable Investment team were overlaid on this heatmap to determine a total scope of that event.
4. A materiality score was then applied to each event to scale the scope and determine the final score.
5. The top three scored events are disclosed as the most material climate-related impacts in the period.

We created the same framework for physical climate-related events.

The underlying investments for which the event created both transition risk and climate-related opportunities were categorised by the net impact, i.e. if the transition risk created by the event

was greater than the climate-related opportunity, the impact was categorised as transition risk.

The proportion of AUM impacted by the climate-related event was calculated via the weighted average holding over the reporting period using month-end data.

The three most material climate-related events impacting the Milford Funds, being the events that impacted the greatest proportion of AUM, are provided in Table 1 of the Climate Statements (in section 4.2). Those climate-related events are all transition events; none of the physical events delivered a climate-related impact score in the top 3 during the period.



# Appendix 2: Scenario Analysis

Through scenario analysis, we have adopted the following climate-related risks and opportunities set out in the FSC Report, which we have determined are relevant for the Milford Funds:

1. The FSC Report: Transition Risk scenario analysis measures the likelihood of the following transition risks materialising as 'very likely to be present', 'likely to be present' and 'not likely to be present' for each industry sector under each scenario:

- Stranded assets
- Stakeholder preference change
- Regulatory / policy impacts
- Litigation risk
- Emission pricing impacts
- Technology availability
- Ability for customers to afford services/products

2. The FSC Report: Physical Risk scenario analysis measures the likelihood of the following physical risks materialising as 'very likely to be present', 'likely to be present' and 'not likely to be present' for each industry sector under each scenario:

- Disruption to ability to provide services or products
- Stranded assets
- Disruption to supply chain
- Disruption to business operations
- Reduced demand for services/products

A description of these risks provided in the FSC Report, available [here](#), on pages 65 and 66, and the related risk scores is provided on pages 35-37 (Orderly scenario), 46-48 (Too Little Too Late scenario) and 57-59 (Hot House scenario).

3. The FSC Report does not provide a comprehensive list of climate-related opportunities. As such, we have developed a list of the most material climate-related opportunities for the Milford Funds. We developed this list using the definition of transition risk in the FSC Report and applying it to climate-related opportunities based on our own assessment. For example, stakeholder preference change can reflect the risk of customers switching to a lower-emissions product, or alternatively, the opportunity of attracting new customers by offering a lower-emissions product. This list is intended to remain consistent with the FSC Report using our knowledge of the climate transition:

- Increased demand for services/products
- Stakeholder preference change
- Technology change
- Increased price due to supply shortages
- Regulatory / policy impacts

4. The FSC Report sets out the emissions reduction pathways for each scenario (refer to page 12)

## Scenario Analysis Timeframes

We have adopted time horizons consistent with those provided in the FSC Report:

- **Short term** refers to risks and opportunities that will arise within the next 1-3 years.
- **Medium term** refers to risks and opportunities that will arise within 5 and 10 years from now.
- **Long term** refers to risks and opportunities that will arise beyond the above timeframes, 30 years from now and beyond.

These timeframes align with global government and corporate emissions targets, IPCC climate pathways and IEA transition pathways. These targets and pathways form the basis of our internal sustainability research related to climate, which in turn informs how we adjust the investments in the Milford Funds as climate risks and opportunities materialise and evolve. As managing climate-related risks and opportunities is part of our sustainable investment strategy, we believe these timeframes are complementary to our strategic planning horizons and capital deployment plans.

In defining risk within each timeframe, we have applied the FSC Report risk ratings as they relate to the long-term time horizon and have developed a view of the short-term and medium-term risk rating scaled to the FSC Report via our understanding of the climate transition, as described in the Strategy section.

# Appendix 3: Milford Funds' Greenhouse Gas Financed Emissions and Weighted Average Emissions Intensity

The financed emissions of the Milford Funds have been calculated using the operational control approach. This means emissions of underlying investments where the Fund does not have operational control are reported as scope 3, indirect emissions.

The emissions reported are the scope 3, category 15 type.

- These include the underlying investments' scope 1,2 and 3 emissions.
  - The PCAF Standard recommends scope 3 emissions be included in financed emissions on a phased basis from 2021, with scope 3 emissions included for all investee companies from 2025 onwards.
  - We have included all underlying investments' scope 3 emissions as we believe this enhances transparency, reduces the complexity of our disclosures, and provides a more complete view of each Fund's total possible emissions footprint.
- The Milford Funds do not have any material or measurable scope 1 and 2 emissions.
- Any other scope 3 emissions, such as those of Milford Funds Limited as investment manager of the Milford Funds, are immaterial compared to the Milford Funds' financed emissions.

The financed emissions have been calculated in line with the PCAF Standard. There are some instances of deviations from the guidance due to considerations of materiality and/or availability of data. These are addressed in section 3.1 *Calculation Methodology*.

All data has been calculated using the Milford Funds' underlying investments as at 31 March 2025 and the latest available emissions data. The Milford Funds' financed emissions are derived from:

- emissions reported by the underlying investee companies, which are accessed via Bloomberg or the entity's website, where required; and
- where reported emissions as at a company's latest fiscal year are unavailable, Bloomberg's estimates. See section 3.2 *Bloomberg Estimates* below.

The emissions data in the Climate Statements has not been assured as there is no requirement to do so for scope 3 emissions in the second year of reporting in accordance with Adoption Provision 8 in NZ CS 2.

## 3.1: Calculation Methodology

The total atmospheric GHG emissions reported represents the metric tonnes of CO<sub>2</sub> equivalent calculated via the formulas defined in the PCAF Standard, based on the NZD value of the underlying investments of the Milford Funds as at 31 March 2025. We are not able to disclose the global warming potential values as our data sources do not provide this information.

A number of asset classes are not defined by the PCAF Standard due to lack of accurate GHG emissions data or uncertain calculation methodology. As such, we have omitted these asset classes from the GHG emissions of the Milford Funds. In addition, we have excluded unlisted private equity and debt from the Milford Funds GHG emissions where the information is not available via our data provider, as the underlying investments are immaterial and we do not have access to reliable GHG emissions data. We have applied a materiality threshold of 10% of AUM.

A summary of the underlying asset classes of the Milford Funds and their treatment in the PCAF Standard and the calculation of the Milford Fund's GHG emissions is provided in Table 11.

**Table 11: Treatment of Asset Classes in the PCAF Standard and Milford Fund's GHG emissions calculation.**

Asset Type	Treatment in Milford Fund's GHG emissions calculation
<b>Specified in PCAF Methodology</b>	
Listed equity	Included
Listed debt <sup>1</sup>	Included
Sovereign debt	Included <sup>2</sup>
Unlisted (private) equity and debt	Not included <sup>3</sup>
<b>Not Specified in PCAF Methodology</b>	
Sub-sovereign and municipal debt	Not included
Residential mortgage-backed securities	Not included
Derivatives <sup>4</sup>	Not included
Cash and cash equivalents <sup>5</sup>	Not included
<ol style="list-style-type: none"> <li>1. Includes over the counter tradable debt of listed companies</li> <li>2. Reported for scope 1 emissions, which excludes emissions relating to land use, land-use change, and forestry – see section 3.1.1 below</li> <li>3. The exception is where the information is available via our data provider</li> <li>4. Includes forward, futures and option contracts on currency, equity and debt securities</li> <li>5. Includes cash, term deposits and sundry items</li> </ol>	

We will continue to review our assumptions and treatment of these asset types, as new data or guidance becomes available.

### 3.1.1: PCAF Required Alternative Calculation of Sovereign Debt Emissions

In line with the United Nations Framework Convention on Climate Change (**UNFCCC**), sovereign debt GHG emissions data should cover GHG emissions from specified key sectors and categories (energy, industrial processes and product use, agriculture, forestry, other land use, and waste). However, there is a divergence of views among emissions data providers and climate experts regarding the accounting of land use, land-use change, and forestry (**LULUCF**) emissions given significant data uncertainty. Also, LULUCF emissions have the potential to distort the overall trends of the key sectors (energy, industrial processes) that contribute to global warming. As countries treat

LULUCF emissions differently in their mitigation targets and investors might have diverging views on the potentially offsetting role of land-use and forestry emissions, financial institutions shall report scope 1 emissions including and excluding LULUCF.

We have elected to provide GHG emissions excluding LULUCF emissions because this is more conservative; the LULUCF emissions reduce the sovereign debt emissions in the relevant Milford Funds. However, in accordance with the PCAF standard, the table below provides the relevant Milford Fund's GHG emissions including LULUCF emissions.

	Cash	Conservative	Moderate	Balanced	Active Growth	Aggressive
GHG scope 1 emissions of underlying companies	8,163	7,945	5,187	40,663	107,959	34,579
GHG scope 2 emissions of underlying companies	38	1,606	1,210	10,909	45,990	9,266
GHG scope 3 emissions of underlying companies	5,057	31,777	26,293	255,127	985,243	404,848
<b>Total financed GHG emissions of underlying companies</b>	<b>13,258</b>	<b>41,328</b>	<b>32,690</b>	<b>306,699</b>	<b>1,139,192</b>	<b>448,693</b>

## 3.2: Bloomberg Estimates

Where underlying investee companies do not report GHG emissions, Bloomberg may produce an estimate of these emissions using one of two models.

- The Bloomberg GHG 'Smart Estimates' model is a machine learning model which factors up to 800 reported features, sourcing data from: company financials, industry segmentation, legal entity data, industry specific data such as production metrics and any reported ESG data sets, before calculating estimated GHG emissions data via percentiles. Within this framework, Bloomberg has also created industry-specific models to have the best possible scope 3 emissions estimates for key sectors such as oil & gas, metals & mining, automobiles, power generation and airlines based on key production and industry metrics. These combine a bottom-up model based on key production and industry metrics, with a top-down machine learning model.
- The Bloomberg industry implied estimates model relaxes the strict data requirements of the Smart Estimates model to expand the coverage of companies, such that estimated GHG emissions

can still be produced even when company specific characteristics are not available. The underlying assumption is that companies in the same industry will have comparable carbon intensity ratios. Therefore, the model calculates emissions based on a company's revenue and industry classification, applying the median carbon intensity of all reporting companies within the same industry.

Current fiscal year estimates are calculated when companies release their annual fundamentals data. However, estimates can be recalculated following the release of new company data for the fiscal year or as a result of model enhancements. The models are refreshed on a weekly basis to capture any newly reported input data, e.g. company financials, industry segmentation and product level data.



## 3.3: Coverage Ratio

The coverage ratio details the proportion of Milford Fund investments for which the asset type is included in the GHG emissions calculation (as outlined in Table 11, section 3.1) and there is relevant GHG emissions data.

- If the asset type is excluded or the data is not available for an underlying investment, then the coverage ratio will be less than 100%.

- There is currently less scope 3 data available due to the inherent uncertainty in estimating scope 3 emissions. This is reflected in the table below, where there is a higher coverage ratio for scope 1 and 2 emissions

The tables below depict the Milford Funds' coverage ratios:

### GHG Emissions Coverage Ratio – Milford Funds:

	Cash	Conservative	Moderate	Balanced	Active Growth	Aggressive
Scope 1 coverage ratio (%)	46.9%	67.1%	74.4%	82.2%	90.9%	83.5%
Scope 2 coverage ratio (%)	46.9%	64.3%	72.6%	81.4%	90.8%	83.5%
Scope 3 coverage ratio (%)	46.9%	63.4%	72.0%	81.1%	90.8%	83.5%

### Weighted Average Emissions Intensity Coverage Ratio:

	Cash	Conservative	Moderate	Balanced	Active Growth	Aggressive
Scope 1 coverage ratio (%)	46.9%	66.9%	74.3%	82.0%	90.7%	83.4%
Scope 2 coverage ratio (%)	46.9%	64.2%	72.5%	81.2%	90.6%	83.4%
Scope 3 coverage ratio (%)	46.9%	63.3%	71.9%	80.9%	90.6%	83.4%

# 3.4: Data Quality Score

To further illustrate the quality of the GHG emissions data, we have provided a weighted average data quality score for each Fund in the table below.

A data quality score is recommended by the PCAF Standard given the data integrity issues associated with the GHG emissions data due to reporting and estimation constraints. The weighted score of the

Milford Funds is between 1 and 5, 1 being the highest in data quality and 5 being the worst.

The weighted average data quality score incorporates only the Milford Funds’ holdings for which emissions data is available or estimated. The remaining securities are excluded.

GHG Emissions Data Quality Score – Milford Funds:

	Cash	Conservative	Moderate	Balanced	Active Growth	Aggressive
Scope 1	1.2	2.0	2.1	2.2	2.1	2.7
Scope 2	1.2	2.1	2.1	2.2	2.1	2.7
Scope 3	1.6	2.1	2.2	2.2	2.3	2.7

## 3.5: Limitations

The main limitation is data limitation, primarily caused by availability, quality and timeliness of data.

- There is a lot of uncertainty and a number of challenges with measuring GHG emissions. In particular, we are relying on investee companies to accurately report their emissions data and to make this information publicly available. These uncertainties could have a negative effect on the accuracy of the emissions information we have disclosed.
- While there is ease of accessibility and efficiency from relying on Bloomberg data, it is recognised that we do not have full control over the data set, e.g. we are dependent on Bloomberg to accurately capture the underlying companies' reported emissions and to provide a fair approximation of emissions where they are not

disclosed. Even though their data coverage is extensive, there are still some security types and asset classes for which it does not provide the data.

- There may be timing mismatches due to differences in investee companies' reporting periods as well as time lags to when a report is publicly available, usually up to two financial years. In the cases of sovereign emissions, there can be a significant time lag of up to three calendar years.

In light of these limitations, we recommend the financed emissions data be considered in conjunction with the coverage ratio and data quality score.

## Appendix 4: Climate Value-at-Risk

To demonstrate transition risk, physical risk and climate-related opportunities, we have disclosed the Policy, Physical and Technology Opportunities Climate Value-at-Risk (CVaR) metrics for the Milford Funds. Each metric is reported as a percentage of the Fund's assets under management at risk (negative) or positioned to benefit (positive).

MSCI uses mathematical modelling to determine each metric as follows:

- **Policy CVaR:** analyses the three subcomponents of a company's related activities (direct emissions, electricity-use, value-chain), taking into consideration how each country and sector would need to decrease their emissions to align with the selected scenario and the individual company's emissions which need to be reduced along with associated risks and costs.
- **Physical Risk CVaR:** analyses a range of physical hazards, taking into consideration the estimated cost of each hazard and the individual company's exposure to those hazards.

- **Technology Opportunities CVaR:** determines what revenues are considered "low-carbon", using estimated current low-carbon revenues as a starting point, then patent valuation techniques to estimate the level of future low-carbon revenues that each investee company could attain from the development and sale of low carbon technologies.

The MSCI modelling reflects a horizon out to 2050 and reflects the 2°C Orderly scenario developed by the Network for Greening the Financial System (NGFS). This scenario assumes that climate policies are introduced immediately and become gradually more stringent though not as high as in the Net Zero 2050 NGFS scenario. Carbon Dioxide Removal deployment is relatively low and net zero CO<sub>2</sub> emissions are achieved after 2070.

It is important to note the challenges of measuring policy risk and the vast number of assumptions that need to be made to calculate the percentage of the Fund at risk. Additionally, the outputs of the Policy

CVaR analysis need to be taken within the context of the climate scenario used.

By using the MSCI system across transition risk, physical risk and climate-related opportunities, we hope to have consistency with global peers and use a database with access to a significant amount of data, however the coverage ratio is lower than with scenario analysis where we have used internal analysis.

The coverage ratios below detail the proportion of Milford Fund investments for which the MSCI data is available to calculate the Policy, Physical Risk and Technology Opportunities CVaR. It reflects both the MSCI coverage of the Fund's investee companies, and the MSCI coverage of the country-sector pathways.

	Cash	Conservative	Moderate	Balanced	Active Growth	Aggressive
<b>Coverage ratio - transition risk</b>	18.6%	64.2%	74.6%	84.2%	95.9%	99.7%
<b>Coverage ratio - physical risk</b>	18.6%	64.2%	74.5%	84.1%	95.8%	99.6%
<b>Coverage ratio - climate-related opportunities</b>	12.0%	52.5%	61.5%	69.9%	78.7%	89.4%

# Appendix 5: Investee Company Emissions Intensity & Carbon Reduction Targets

## 5.1: High, Medium and Low Carbon Intensive Companies

To demonstrate capital deployment to climate-related risk, we have disclosed a breakdown of the Milford Funds' investments into three buckets of high, medium and low carbon intensity using our current universe of weighted average emissions intensity data from MSCI (approximately 17,000 companies) and applying quartiles and industry averages.

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<b>High carbon intensity</b>	>2,000 mtCO <sub>2</sub> e per NZDm revenue
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<b>Medium carbon intensity</b>	200-2000 mtCO <sub>2</sub> e per NZDm revenue
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<b>Low carbon intensity</b>	<200 mtCO <sub>2</sub> e per NZDm revenue
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We have applied this measure to the investments included in the GHG emissions calculation as described in Appendix 3. This excludes cash and cash equivalents, derivatives, sub-sovereign and municipal debt and unlisted (private) equity and debt. We have categorised the investments based on their total scope 1, 2 and 3 emissions. We have excluded investments without all three scopes of emissions either reported or estimated in this analysis, as we cannot accurately categorise their carbon intensity without knowledge of the investment's full carbon footprint.

# 5.2 Investee Net Zero Targets

To further depict the capital deployment to climate-related risk of the Milford Funds we have disclosed the percentage of each Fund’s high, medium and low carbon intensity investments, as described above, with an emission reduction target aligned with net zero. This information represents a company disclosed net

zero target, reported by Bloomberg, and does not distinguish the scope of company emissions included, the expected time horizon when net zero will be reached or the use of offsets in achieving the net zero goal.

Net Zero Targets Coverage Ratio:

	Cash	Conservative	Moderate	Balanced	Active Growth	Aggressive
As % of Fund	46.9%	63.3%	71.9%	80.9%	90.6%	83.4%

Note: Cash and cash equivalents, derivatives, sub-sovereign and municipal debt and unlisted (private) equity and debt are not included in the net zero target measurement, resulting in a lower coverage ratio for Funds with a higher proportion of these assets.



# Appendix 6: EU Taxonomy Eligibility

## 6.1: Eligibility

The EU Taxonomy eligibility data presented is the taxonomy eligible revenue of the underlying investment, multiplied by the respective Fund’s individual holding of the company (in % of Fund’s net asset value terms). The corresponding values are summed to derive the Fund’s weighted average revenue eligibility with the EU Taxonomy.

The data is collected via Bloomberg which reports EU Taxonomy eligibility data voluntarily reported by companies. Where data is not reported, Bloomberg provides an estimate of revenue eligibility by mapping a company’s economic activities to the objectives determined by the EU Taxonomy<sup>15</sup>. The mapping of Bloomberg Industry Classification

Codes (BICS) to EU Taxonomy activities can be found on the European Commission website: [https://ec.europa.eu/info/files/sustainable-finance-teg-taxonomy-tools\\_en](https://ec.europa.eu/info/files/sustainable-finance-teg-taxonomy-tools_en)

The following coverage ratio shows the proportion of each Fund’s investments for which company reported or Bloomberg estimated EU Taxonomy eligibility is available:

	Cash	Conservative	Moderate	Balanced	Active Growth	Aggressive
Coverage ratio	85.8%	81.5%	86.5%	91.8%	98.5%	99.2%

<sup>15</sup> See the list of objectives in section 6.4.

# 6.2: Alignment

We aim to progress to EU Taxonomy alignment<sup>16</sup> reporting over time, however at this stage, only a limited number of investee companies report EU Taxonomy alignment data, particularly in Australasia, and no Bloomberg estimates are available. For completeness, we have included the following

table showing the EU Taxonomy alignment and the coverage ratio of the Milford Funds, representing the proportion of each Fund’s investments for which company reported EU Taxonomy alignment data is available:

	Cash	Conservative	Moderate	Balanced	Active Growth	Aggressive
EU taxonomy aligned revenue	0.0%	1.5%	2.0%	2.5%	3.2%	2.8%
Coverage ratio	39.8%	26.7%	24.6%	22.4%	21.1%	28.3%

<sup>16</sup> EU Taxonomy alignment represents EU taxonomy eligible activities that also meet three criteria, being:

1. Substantial Contribution with technical screening criteria – the economic activity must pass substantial contribution tests according to technical screening criteria developed by the EU Technical Expert Group.
2. Do No Significant Harm (DNSH) – the economic activity must pass all DNSH “Threshold tests” and at least 75% of all tests for DNSH to each environmental objective tested for the activity in order to be estimated aligned
3. Minimum Safeguards – the entity must pass at least 80% of the mandatory minimum safeguards tests to be estimated aligned.



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