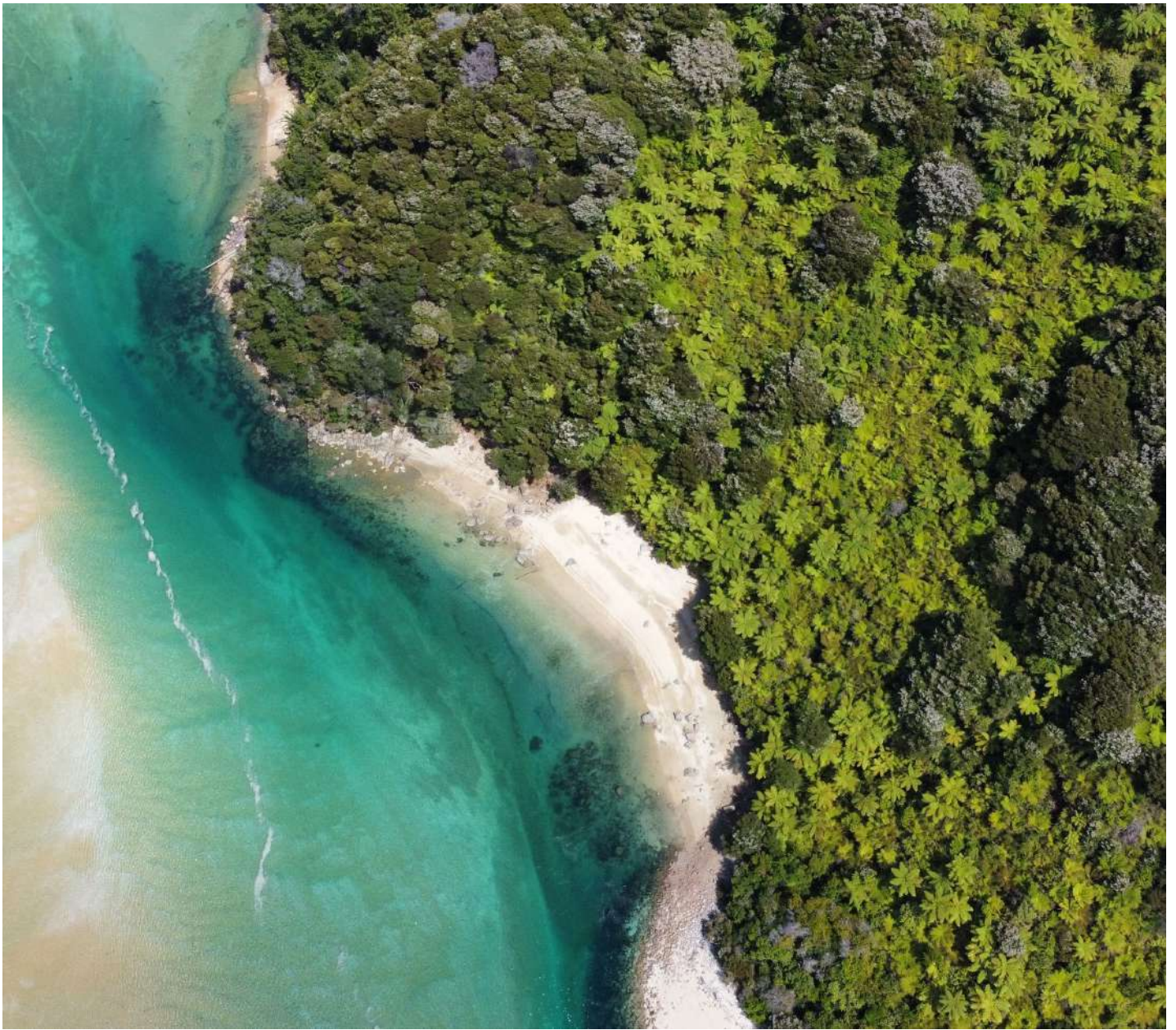




HARBOUR INVESTMENT FUNDS

Climate Statements

Issued by Harbour Asset Management Limited

30 June 2025

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Introduction

About this report

This report is the second climate-related disclosure (CRD) document for the Harbour Investment Funds Scheme prepared in accordance with the Financial Markets Conduct Act 2013 and the associated External Reporting Board (XRB) Aotearoa New Zealand Climate Standards, CS 1–3. This document builds on the climate disclosure Harbour has been voluntarily reporting through various documents such as our annual sustainability report and represents an evolution of integrating climate considerations into our responsible investment approach and broader investment process.

Scope

Harbour Investment Funds is a Managed Investment Scheme (Scheme) for the purposes of the Financial Markets Conduct (FMC) Act 2013. As of 30 June 2025 Harbour Investment Funds has 17 Investment Funds (Funds) on offer, as listed below:

- Harbour Australasian Equity Fund
- Harbour Australasian Equity Focus Fund
- Harbour Australasian Equity Income Fund
- Harbour Real Estate Investment Fund
- Harbour Sustainable NZ Shares Fund
- Harbour NZ Index Shares Fund
- Harbour Long Short Fund
- Harbour Enhanced Cash Fund
- Harbour NZ Core Fixed Interest Fund
- Harbour NZ Corporate Bond Fund
- Harbour Income Fund
- Harbour Active Growth Fund
- Harbour T. Rowe Price Global Equity Fund
- Harbour T. Rowe Price Global Equity Fund (Hedged)
- Harbour Sustainable Impact Fund
- Epoch Global Quality Select Equity Fund
- Epoch Global Quality Select Equity Fund (Hedged)

Harbour Asset Management Limited (Harbour) is the licensed manager of the registered Scheme under the FMC Act and the investment manager for all Harbour Investment Funds with the exception of the Harbour T. Rowe Price Global Equity Funds and Epoch Global Quality Select Equity Funds which are managed by T. Rowe Price Australia Limited and TD Epoch respectively.

Some Harbour Funds (the Harbour Income Fund, Harbour Active Growth Fund and Harbour Sustainable Impact Fund) may allocate to external managers.

Harbour has reported common information applicable across the Funds in this Scheme to avoid unnecessary duplication in accordance with NZ CS 3.

The CRD is provided to inform readers but does not take into account any circumstances of the reader, nor should it be regarded as financial advice or earnings guidance, nor is it audited. As a result, readers should make their own assessments and not place undue reliance on this CRD.

This CRD contains statements that are, or may be deemed to be, forward-looking statements, including climate-related risks and opportunities.

Many of the assumptions, standards, metrics, and measurements used in preparing this CRD continue to evolve and are based on assumptions believed to be reasonable at the time of preparation but should not be considered guarantees. The measures and forward-looking statements in this CRD reflect Harbour's best estimates, assumptions, and judgements as at the date of the CRD. Certain statements made in this CRD including in relation to climate-related scenario analysis and risk assessment use a greater number and level of assumptions and estimates and are over longer time frames than many other disclosures. These assumptions and estimates are highly likely to change over time.

Important note

Harbour is part of a group of investment and advisory businesses ultimately owned by FirstCape Group Limited (FirstCape). FirstCape is jointly owned by interests associated with National Australia Bank Limited (NAB), Jarden Wealth and Asset Management Holdings Limited (Jarden) and Pacific Equity Partners (PEP). NAB is a licensed bank in Australia and is the parent company of BNZ. During the reporting period, some FirstCape staff participated in an employee share scheme, entitling them to equity interests in FirstCape.

Statement of Compliance

The following adoption provisions have been applied in preparation of these Climate Statements:

- **Adoption Provision 2** – Anticipated financial impacts: exemption from disclosing the financial impacts of the anticipated physical and transition risks and opportunities identified in the first two reporting periods.
- **Adoption Provision 6** – Comparatives for metrics: exemption from disclosing two years of comparative information for each metric. Only one year of comparative information is required in this second reporting period.
- **Adoption Provision 8** – Scope 3 GHG emissions assurance: exemption from the requirement of scope 3 GHG emissions being subject to an assurance engagement for accounting periods ending before 31 December 2025.

Harbour has used these adoption provisions as permitted by NZ CS 2, in recognition that some disclosure requirements take time to develop the capability of providing high quality information and therefore are exempt from mandatory reporting in the first year. Taking this into account, Harbour believes it has complied with all requirements of the XRB's NZ Climate Standards in preparing and reporting these Climate Statements.

As noted in the Introduction section, many of the assumptions, standards, metrics, and measurements used in preparing this CRD continue to evolve and are based on assumptions believed to be reasonable at the time of preparation but should not be considered guarantees. The measures and forward-looking statements in this CRD reflect Harbour's best estimates, assumptions, and judgements as at the date of the CRD. There are a variety of factors that may contribute to gaps in data coverage, and ambiguity over the quality of data. These factors include (among other things) complexity in data measurement, lack of verifiability or validity of such data, and varying timeliness of data availability.

These Climate Statements have been approved by the Board and authorised for issue on 13 October 2025. They are signed on behalf of the Board by:



Andrew Bascand – Director



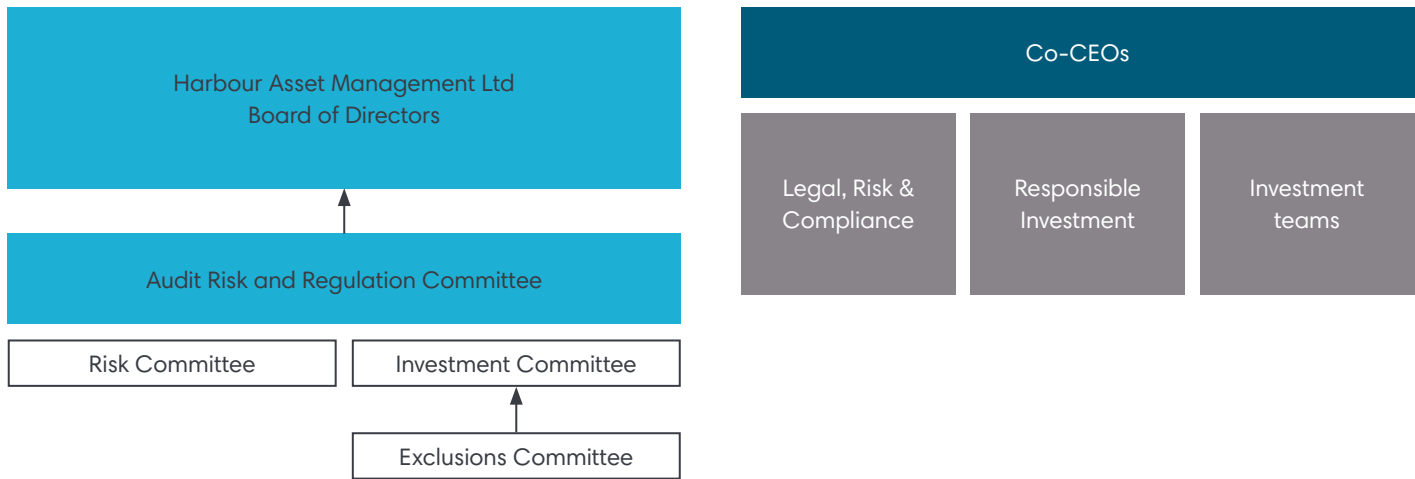
Murray Brown – Director

Executive Summary

The information in these climate statements has been presented in a structure aligned with the NZ Climate Standards that is based on four key pillars: governance, strategy, risk management and metrics and targets. A short summary of the key disclosures under each of these pillars is provided below.

Governance:

Governance oversight



Harbour is the manager of the Scheme. Harbour’s Board of Directors has primary responsibility for the oversight of climate-related risks and opportunities for the Funds that comprise the Scheme.

The Board utilises the Audit, Risk and Regulation subcommittee (ARRC) to assist in the oversight of climate risks and opportunities, particularly in the approval of regulatory documents. This subcommittee is chaired by one of the independent directors of the Board.

Climate change initiatives relating to our investments are the responsibility of our Responsible Investment team. These initiatives include the research and engagement program, policy submissions, and reporting and communication.

Portfolio managers across the Investment teams are responsible for integrating climate considerations within the funds they manage according to the respective investment guidelines and the [Harbour-ESG-Policy](#).

Strategy

Climate-related risks and opportunities are considered alongside other fundamental factors by our research analysts when forming an investment thesis on a company. For our Australasian equity funds this leads to an analyst conviction rating which then feeds into our overall investment process in addition to other Environmental, Social and Governance (ESG) and quantitative factors that are used to rank companies in the investment universe.

This investment ranking framework is used by equity portfolio managers in the decision-making process for portfolio construction and the allocation of capital to particular investment opportunities.

Fixed income funds utilise the same research inputs but adopt a separate investment framework involving a three-tiered classification system where securities are either favoured, neutral or avoided in portfolios.

Global and Multi-Asset funds that involve external managers follow an appointment and monitoring process according to our ESG policy that ensures the meaningful integration of ESG factors into their investment decision-making process.

At the fund level, we expect climate-related risks and opportunities to have an impact across the following aspects:

- Returns
 - Change in earnings growth and share prices of listed equities
 - Change in valuation of portfolio's current bonds
- Credit spread and rating
 - Change in valuation of current bonds could cause credit spreads to widen/narrow further
 - Increased/decreased credit quality of the portfolio
- Value at risk (likely to increase under more aggressive physical climate scenarios)
- Liquidity and cash flow
 - Increase/decrease in dividends from listed equities could impact fund distributions to investors
 - Increased/decreased probability of default could impact portfolio's expected cash reserve/cash flow
 - Increased/decreased difficulty to sell shares/bonds (and at a reduced price)

Risk Management

Harbour uses a combination of in-house and ESG data provider research to identify and assess the impact of climate-related risks.

Harbour conducts in-house climate research as part of the overarching ESG integration approach, involving the analysis of multiple factors within Harbour's Corporate Behaviour Survey.

In addition, MSCI's climate value at risk (CVaR) product enables us to measure fund level exposure to physical and transition risks. This calculation involves selecting different global temperature warming scenarios to estimate the value at risk broken down by physical and transition as well as an aggregate exposure.

The assessment of climate change risk forms part of Harbour's quarterly Investment Committee meetings along with other investment risks. An assessment of climate risk is made across funds using relevant metrics such as CVaR, carbon footprints and emissions attributions.

Key Metrics

- **Financed emissions** – measures the total absolute emissions financed by investors in the fund.
- **Weighted average carbon intensity** – measures the fund's exposure to carbon intensive companies.

FUND	FINANCED EMISSIONS (TCO ₂ E)	WEIGHTED AVERAGE CARBON INTENSITY (TCO ₂ E / NZD M SALES)
Harbour Australasian Equity Fund	2,106	39
Harbour Australasian Equity Focus Fund	212	22
Harbour Australasian Equity Income Fund	549	51
Harbour Real Estate Investment Fund	150	10
Harbour Sustainable NZ Shares Fund	2,736	33
Harbour NZ Index Shares Fund	15,120	46
Harbour Long Short Fund	103	39
Harbour Enhanced Cash Fund	6,157	12
Harbour NZ Core Fixed Interest Fund	39,186	13
Harbour NZ Corporate Bond Fund	27,776	13
Harbour Income Fund	17,408	45
Harbour Active Growth Fund	2,051	30
Harbour Sustainable Impact Fund	187	46
Harbour T. Rowe Price Global Equity Fund	8,113	48
Harbour T. Rowe Price Global Equity Fund (Hedged)	2,956	48
Epoch Global Quality Select Equity Fund	232	7
Epoch Global Quality Select Equity Fund (Hedged)	106	7

Source: MSCI as of 30 June 2025

Please refer to the Metrics and Targets section as well as the Appendices for further information on the assumptions and limitations of this data.

Governance

- Governance body
 - Management
- Harbour’s governance of climate-related impacts is outlined in this section, covering our governance body responsible for oversight, the roles and responsibilities of our management team and how these all tie together through the various reporting lines in our organisational structure.

Governance body

Oversight

Harbour is the manager of the Scheme. Harbour’s Board of Directors has primary responsibility for the oversight of climate-related risks and opportunities for the Funds that comprise the Scheme.

During the reporting period, Harbour’s Board composition has changed, originally comprising four independent directors (including an independent Chair), the Co-CEO/CIO and two other non-independent directors.

The current Board (as at the end of this reporting period) comprises three independent directors (including an independent Chair) and three executive directors including the Co-CEOs.

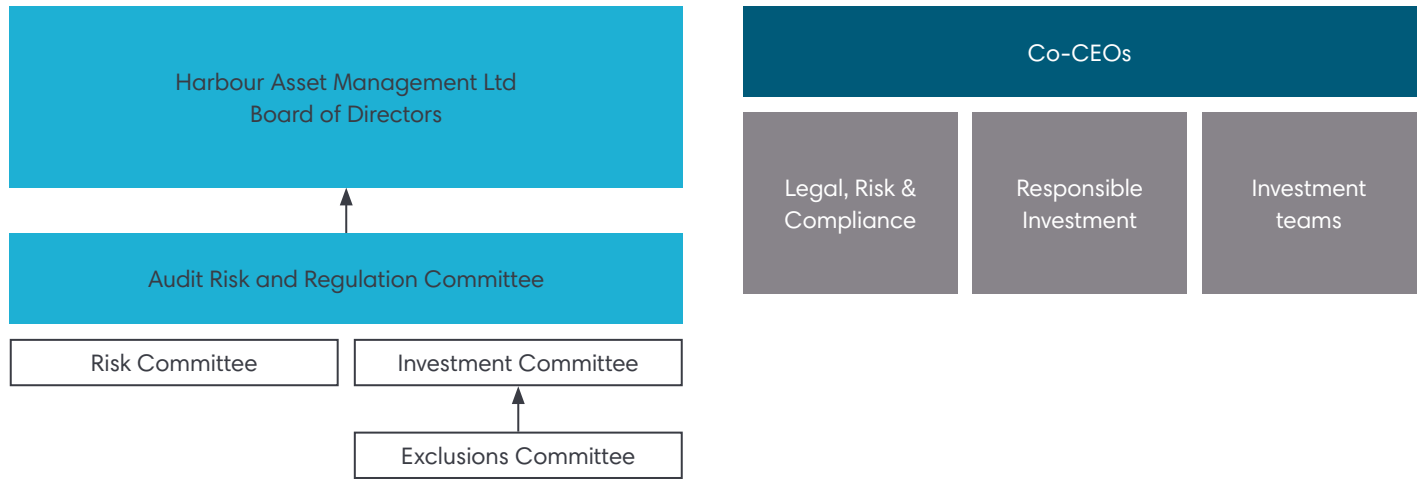
The Board utilises the Audit, Risk and Regulation subcommittee to assist in the oversight of climate risks and opportunities, particularly in the approval of regulatory documents. This subcommittee is chaired by one of the independent directors of the Board.

The Board meets at least six times annually and receives a quarterly responsible investment update which includes climate-related topics as relevant.

The Investment Committee is a subcommittee of the Audit, Risk and Regulation Committee and assists the Harbour Board in discharging its responsibilities. Information related to Harbour funds is provided to the Harbour Board by the Investment Committee through a summary covering meeting minutes and escalation of matters at least quarterly, and as needed. The Investment Committee meets at least once a quarter (the role of the Investment Committee is explained in the box below). The Investment Committee agenda includes regular climate reporting updates.

The Governance oversight and flow of information related to climate-related risks and opportunities to the Harbour Board is illustrated in the diagram below:

Governance oversight



Investment Committee: The purpose of the Investment Committee is to assist the Board of Harbour in discharging their respective responsibilities relating to managed investment schemes managed by Harbour and its subsidiary BNZISL. This includes the review of investments, oversight of investment risk, and maintenance of adequate and effective procedures to monitor scheme assets to ensure the limits and asset allocations are adhered to at all times. It also includes consideration and oversight of responsible investment.

Skills and competencies

The Board is committed to maintaining an appropriate balance of relevant expertise, shareholder representation, experience, diversity, and independence to promote the sound governance of Harbour. The Harbour Board has an individual skills assessment which includes an assessment of governance skills in relation to climate. This assessment is completed annually as part of an overall Review and Evaluation programme. The Board will seek external advice where appropriate, including on matters pertaining to environmental issues.

In 2025, there was one Director education session which included climate-related topics, and one Board induction session for new Board members which included an overview of our approach to climate. There are two climate-related sessions included in the Board work programme. FY26 climate-related topics will cover current trends and director obligations and will be delivered by internal and external subject matter experts.

Strategy

Any change in ESG policy or fund design with respect to climate considerations is subject to board consideration and approval to ensure consistency with Harbour's overall responsible investment strategy. A review of Harbour's ESG policy is conducted annually or more frequently if required.

The development and implementation of Harbour's strategy primarily sit with the Co-CEOs who are members of the Board and receive feedback and oversight from the other directors.



Management

Responsibilities

Climate change initiatives relating to our investments are the responsibility of our Responsible Investment (RI) team who work closely with Harbour's investment teams and the external managers.

The Harbour RI team is responsible for the development of responsible investment commitments and obligations and support for business growth through new ESG-based products and opportunities. In relation to climate this includes:

- Delivery of the Harbour internal review of engagement and policy advocacy, including fund manager assessment, engagement, and stewardship.
- Management and monitoring of climate related risks and opportunities including delivery of climate-related disclosures.
- Updates and recommendations to the Investment Committee about climate-related risks and opportunities, managing the risk framework, and signal monitoring (pertaining to climate-related risks and opportunities).
- Quarterly updates to Board relating to climate initiatives, climate education sessions as well as ad hoc updates at scheduled Board meetings as needed. The RI team also manages Exclusions Committee meetings. The Exclusion Committee reviews and approves sector and security exclusions for the Scheme. All decisions are reported to the Investment Committee.

Portfolio managers across the Investment teams are responsible for integrating climate considerations within the funds they manage according to the respective investment guidelines and ESG policy.

External investment managers

Harbour has delegated certain investment functions in respect of the Scheme to various external investment managers. The appointment of external managers is approved by the Investment Committee, based on recommendations from the Global and Multi-Asset Investments team. ESG considerations, including climate, are a key part of the external manager assessment process. Each external investment manager is appointed under an Investment Management Agreement (IMA), and is authorised to invest the assets of the Scheme only in accordance with the terms of the IMA (which is set by Harbour). Each manager's performance is tracked against a specified benchmark (which will be specific to each IMA).

The external managers are responsible for integrating climate considerations into the funds they manage according to the respective investment guidelines and ESG policy. The investment mandate within each IMA also requires the external investment manager to implement the specific exclusions identified in the ESG Policy.

Each IMA in respect of an active external investment manager specifies that ESG factors must be considered when making investment decisions.

Process and monitoring

Harbour's research program with respect to climate change includes the bottom-up analysis of individual company disclosures on the topic as well as incorporating information collected from other sources, including external ESG data providers, sharebroker specialists and other industry bodies.

Climate-related issues affecting companies in our investment universe are subject to analysis conducted by our research analysts on our investment team, along with all other fundamental and quantitative considerations affecting the company.

This is also formally integrated into our investment process through our ESG survey that includes numerous questions on climate change. These surveys involve engaging companies to gain further information and to facilitate improvement.

This feeds into our overall assessment of how well each company manages its ESG considerations through a score which is then integrated along with other factors in our investment-ranking framework for Australasian equity funds. This framework is used by portfolio managers in the decision-making process for portfolio construction and, all else equal, a company inadequately accounting for climate change would receive a lower score and a reduced weight (or zero holding) in our portfolios.

Fixed income funds utilise the same research inputs but adopt a separate investment framework involving a three-tiered classification system where securities are either favoured, neutral or avoided in portfolios.

Harbour's RI team and the wider investment team collect climate information for the ESG survey of New Zealand issuers on an annual basis, given this aligns with the frequency that this information tends to be provided to the market.

However, information such as any acute climate-related events or external research reports affecting companies under coverage is received by the team in real time through our varying data sources.

- Current Impacts
- Scenario Analysis
- Expected Impacts
- Fund Strategy Implications

Harbour’s strategy with respect to climate-related impacts are described in this section. This covers both backward-looking and forward-looking aspects of climate impacts as well as the implications for portfolio outcomes. This also includes a scenario analysis that facilitates the assessment of potential risks and opportunities in different future states of the world.

Current Impacts

Harbour has identified the following examples of climate impacts that have affected companies held in the Funds that comprise this Scheme over the reporting period. At the fund level, these impacts are reflected in the changing market value of our investments in each company affected, which flows through to the overall return delivered to investors. The attribution of these impacts is difficult to quantify, given the many other non-climate-related impacts that the companies would face over the period. Therefore, for the financial impact values provided, these are based on total returns at the company level which are re-weighted and aggregated at the Scheme level to calculate the total contribution to return.

EVENT	EVENT TYPE	GEOGRAPHY	DESCRIPTION	FINANCIAL IMPACT
Weather variability	Physical – acute	New Zealand	The year was characterised by extreme fluctuations in rainfall patterns, with severe dry periods in winter 2024 and early 2025 that reduced hydro lake levels and generation capacity. This forced increased reliance on expensive thermal generation (coal and diesel) due to constrained gas supply, driving wholesale electricity prices higher. Overall, the hydrology volatility led to a reduction in hydro generation, impacting energy margins, while also heightening market volatility and pricing uncertainty across the electricity sector. There was also variability in wind conditions throughout the period, with reduced wind generation at the same time as the hydro shortage, exacerbating the problem. We assessed the overall (i.e. not specific to climate impacts) performance of local power generation companies across the Scheme and found that only two of them delivered a negative return over the prior 12-month period. However, this was offset at the scheme level by the other companies with greater contributions to performance.	0.196%
Cyclone Alfred insurance losses	Physical – acute	Australia	Cyclone Alfred brought strong winds, rain and flooding to south-east Queensland and northern NSW in February-March 2025 and resulted in over \$1.2 billion in insured losses from 116,000+ claims, making it one of the more significant weather events for ASX insurers in recent years. The major insurance companies were well-prepared with comprehensive reinsurance protection, and while their stock prices initially fell on cyclone concerns, the impact appears manageable given their risk management frameworks. We assessed the overall performance of a group of these ASX listed insurance companies held in funds across the Scheme and found that only one of them delivered a negative return over the period. However, the overall impact to the Scheme was close to zero.	-0.006%

EVENT	EVENT TYPE	GEOGRAPHY	DESCRIPTION	FINANCIAL IMPACT
Climate regulation and reporting	Transition – policy	Global	In 2024 we saw the introduction of mandatory climate reporting for the European Union and Türkiye and for certain companies in Switzerland. Mandatory climate reporting for Australia started on 1 January 2025 for some entities and is being rolled out over the next two years. Certain Chinese companies are also expected to report in 2026. The only estimation of compliance costs is from New Zealand NZX listed companies which was between NZD 250,000 to 300,000 ¹ . As more countries implement mandatory climate reporting, we expect better emissions data and a focus from investment managers on companies' transition plans.	N/A
Global supply chain pressure	Transition – policy	Global	The tariffs announced by the Trump administration on 2 April 2025 had a significant impact on share markets given the trade related cost implications. A sizeable portion of the rare earths, inputs to solar panels, batteries, wind turbines, and electric vehicles are from China which received much higher tariffs than other countries. The expected inflationary impacts from tariffs were not evident in 2024, however, this did appear to have led to stockpiling, resulting in little change in shipping revenues or a reduction in trade. What was evident was a pause in capital investment in large projects due to the uncertainty. We assessed a number of companies in the renewable energy and technology sectors held in the Scheme with trade related impacts in their supply chains. We found that only one of the companies assessed had an overall negative performance over the 12 months. However, at the Scheme level this was more than offset by positive contributions from the other companies assessed.	0.803%
ESG Backlash	Transition – policy	Global	In 2024, we saw a growing ESG backlash, predominantly driven by developments in some US states. We saw a number of banks and investment managers withdrawing from net zero alliances and some corporates walking back near term or net zero targets. Expectations that the Trump administration would remove a number if not all the Inflation Reduction Act tax credits and the subsequent changes made in May 2025 saw a reduction in share prices for companies associated with the energy transition. We assessed the overall performance of companies who withdrew from net zero commitments or alliances across funds in the Scheme. No companies in this group had a negative performance over the prior 12 months and the overall impact was a small positive increase in performance.	0.439%

Source: Harbour, Bloomberg as of 30 June 2025

Overall, this analysis of the financial impacts of these events indicates that the short-term effects were limited although it does not account for long term risk considerations and should therefore be interpreted with caution.

¹ <https://www.mbie.govt.nz/business-and-employment/business/financial-markets-conduct-regulation/capital-markets-reforms/adjustments-to-the-climate-related-disclosures-regime-summary-of-discussion-document>

Scenario Analysis

Climate-related scenario analysis involves the development of multiple, plausible future states of the world according to differing pathways in physical, regulatory and economic settings. This helps to identify potential risks and opportunities that may impact the Funds and to test the resilience of the portfolio strategies.

Harbour has used three climate-related scenarios that are consistent with sector level work led by the New Zealand Financial Services Council to develop climate scenario narratives for the investment services and insurance sectors. We participated in the consultative approach taken and have adopted its outputs as a base to provide comparability with other investment managers in New Zealand. This process is a standalone qualitative approach and the approach and chosen scenarios have been reviewed by Harbour's Board and the Co-CEOs.

In addition, Harbour has utilised fund-level scenario analysis features from our third-party data provider MSCI. MSCI's CVaR product has a range of scenarios available that are aligned with credible global climate models such as the Network for Greening the Financial System (NGFS). The scenarios described below have been purposefully selected to conform to the requirements of the regulatory climate standards as closely as possible and provide useful outputs to represent the resilience of the funds to these potential future states of the world.

Climate Scenario

**Orderly
(1.5 degrees)**

This scenario represents an orderly transition to a low carbon global economy. It is consistent with a global temperature pathway limited to 1.5 degrees and the world reaching net zero emissions by 2050. It assumes a steady and constant shift in technology, policy, and behaviour to achieve this transition, facilitated by a rising carbon price to reinforce this change. Action toward reducing emissions is prioritised over using offsets to accelerate the progress in decarbonisation. This strong and timely action will help to mitigate the worst anticipated impacts of climate change, however some chronic impacts from past emissions will still occur. Overall, out of all three scenarios analysed, this represents the lowest level of physical risk with a medium level of transition risk.

**Too Little Too Late
(> 2 degrees)**

This scenario represents a delayed and misaligned transition to a low carbon global economy. It is aligned with a temperature warming pathway that is greater than 2 degrees but less than 3 degrees. It assumes there is some action taken to mitigate emissions and the use of fossil fuels, although it is uncoordinated and insufficient to minimise climate impacts long term. This lack of coordination would likely be evident through policy settings and behaviour diverging between countries with some taking rapid action to pursue net zero emissions by 2050 while others maintain the status quo or start late in changing their practices. As a result, carbon prices, technological developments and levels of investment would vary on a geographic basis but ultimately still lead to a higher likelihood of more frequent, severe weather events over the long term. Compared with the other scenarios, this represents a high level of transition risk and medium level of physical risk.

**Hothouse
(> 3 degrees)**

Under this scenario, there is minimal action taken to move towards a low carbon global economy and it is closest to current policies or a business-as-usual pathway. As a result, there would be an increased use of fossil fuels and limited initiatives to curb greenhouse gas emissions, leading to global temperatures rising above 3 degrees over the long term. It assumes there are less drivers for a low carbon transition such as the lack of technology development, unhelpful policy and low and ineffective carbon prices. The higher average temperatures then mean that there would likely be an increased frequency and severity of extreme weather events. Overall, relative to the other scenarios, this represents the highest level of physical risks and lowest level of transition risk.

Scenario characteristics

For further detail on the underlying assumptions on macroeconomic and climate modelling please refer to the summary table of scenario characteristics provided in Appendix 1.

Risks and Opportunities

The table below summarises the qualitative climate risks and opportunities identified from the scenario analysis across the Funds in the Scheme.

Physical risks are largely prevalent for those companies operating in the agriculture and infrastructure sectors that have assets exposed to extreme weather events like floods and droughts. These risks are highest under a “Hothouse” scenario as demonstrated by the greater value at risk modelled in the Metrics and Targets section.

Transition risks are primarily policy-related, affecting those companies with high direct and/or value chain emissions. These companies operate in emissions-intensive industries including utilities, transport and agriculture and may face policy risks such as carbon price obligations and stringent regulation leading to stranded assets.

The main climate opportunity identified across funds is the greater demand for renewable energy as the world transitions to a low carbon economy. Companies that are generating and selling renewable electricity such as those noted will benefit from capitalising on this opportunity which would be most prominent under an “Orderly” scenario.

The scenario analysis undertaken involving the identification of these risks and opportunities has been a recent development and, as such, has not been formally integrated into the existing investment decision-making process. However, these are largely captured indirectly through the holistic fundamental research our investment team conducts when forming a thesis on a company as well as climate indicators that form part of our Corporate Behaviour Survey (Harbour’s main ESG assessment tool).

RISK/OPPORTUNITY	SCENARIO	PHYSICAL/TRANSITION	GEOGRAPHIES	SECTORS	ISSUERS	FUND	TIME HORIZON	POTENTIAL IMPACT
RISKS								
Policy risk from direct emissions: the financial and operational threat that companies with large carbon footprints face from evolving regulations, carbon pricing mechanisms, and policy shifts toward decarbonisation that could impose substantial compliance costs, restrict business activities, or render carbon-intensive assets stranded.	Orderly, Too Little Too Late	Transition	New Zealand, Australia, USA	Materials, Utilities, Transport, Agriculture, Energy	Rio Tinto, BHP Group, Genesis Energy, Contact Energy, Mainfreight, Air New Zealand, Fonterra, HF Sinclair, Valero Energy, Targa Resources	a – c, e – q	Medium	High
Extreme weather hazards: These hazards pose significant physical climate risks to companies with assets exposed to flooding that can damage infrastructure and displace communities, droughts that threaten water supplies and agricultural productivity, and low river flows that disrupt ecosystems, water availability, and transportation while potentially concentrating pollutants.	Hothouse, Too Little Too Late	Physical	New Zealand, Australia	Agriculture, Utilities, Industrials, Financials	Scales Corporation, Contact Energy, Mercury Energy, Meridian Energy, Genesis Energy, Port of Tauranga, Insurance Australia Group	a – m	Short, medium, long	Medium

RISK/OPPORTUNITY	SCENARIO	PHYSICAL/ TRANSITION	GEOGRAPHIES	SECTORS	ISSUERS	FUND	TIME HORIZON	POTENTIAL IMPACT
Policy risk from value chain emissions: the financial and operational threat that companies face from evolving regulations targeting their upstream and downstream emissions, potentially requiring costly supply chain restructuring, vendor compliance monitoring, and product lifecycle changes to meet scope 3 emissions standards and avoid regulatory penalties or market access restrictions.	Orderly, Too Little Too Late	Transition	New Zealand, USA	Utilities, Consumer Staples, Industrials	Vector, a2 Milk, Channel Infrastructure, Paccar	a – l, p, q	Long	Low
OPPORTUNITIES								
Renewable energy demand: High renewable energy demand presents power generation companies with a climate opportunity to pivot their portfolios toward clean energy assets, capturing growing market share while reducing operational costs through cheaper renewable technologies and meeting increasingly stringent environmental regulations and investor expectations.	Orderly, Too Little Too Late	Transition	New Zealand, Global	Utilities, Financials	Contact Energy, Mercury Energy, Meridian Energy, Infratil	a – m	Short, medium	High
Sustainable technology: Companies developing innovative sustainable technologies have an opportunity to capture growing market demand while directly contributing to emissions reduction, energy efficiency, and environmental restoration at the scale needed to address the climate crisis.	Orderly, Too Little Too Late	Transition	Australia, USA	Materials	Calix Global, Steel Dynamics	l – o	Medium	High

RISK/OPPORTUNITY	SCENARIO	PHYSICAL/ TRANSITION	GEOGRAPHIES	SECTORS	ISSUERS	FUND	TIME HORIZON	POTENTIAL IMPACT
Climate resilient products: Companies building resilient products for a high global warming scenario can capture significant climate opportunities by developing heat-resistant infrastructure, drought-tolerant agriculture technologies, flood-proof construction materials, and adaptive cooling systems that meet surging demand from communities and industries struggling to operate in increasingly extreme weather conditions.	Hothouse, Too Little Too Late	Physical	New Zealand	Materials	Fletcher Building	a, f, k	Long	Low

Source: Harbour, MSCI, Bloomberg as of 30 June 2025

- (a) Harbour Australasian Equity Fund
- (b) Harbour Australasian Equity Focus Fund
- (c) Harbour Australasian Equity Income Fund
- (d) Harbour Real Estate Investment Fund
- (e) Harbour Sustainable NZ Shares Fund
- (f) Harbour NZ Index Shares Fund
- (g) Harbour Long Short Fund
- (h) Harbour Enhanced Cash Fund
- (i) Harbour NZ Core Fixed Interest Fund
- (j) Harbour NZ Corporate Bond Fund
- (k) Harbour Income Fund
- (l) Harbour Active Growth Fund
- (m) Harbour Sustainable Impact Fund
- (n) Harbour T. Rowe Price Global Equity Fund
- (o) Harbour T. Rowe Price Global Equity Fund (Hedged)
- (p) Epoch Global Quality Select Equity Fund
- (q) Epoch Global Quality Select Equity Fund (Hedged)

Time Horizons

	SHORT TERM	MEDIUM TERM	LONG TERM
Time Horizon	1–3 years	5–10 years	25+ years
Year Relative to 2025	2026	2030	2050

These time horizons have been adopted in collaboration with other industry peers as part of a scenario narratives project to help provide comparability and consistency between climate related disclosures.

In addition, these time periods generally align with net zero and interim targets that are prevalent amongst fund constituent companies.

Expected Impacts

The table of risks and opportunities above includes a qualitative assessment of the expected impacts across the Funds in the Scheme on a scale of low, medium and high.

Harbour has applied a materiality lens in making these assessments based on multiple factors:

- The climate value at risk
- The number of funds where the risk/opportunity is applicable
- The position size (weight) of the investee company in each fund
- Any investee company risk mitigation initiatives

Based on this analysis, the highest anticipated negative impacts are for funds that hold high-emitting companies such as Rio Tinto, BHP Group, Genesis Energy and Fonterra. These impacts would be most prominent under the 'Orderly' and 'Too Little Too Late' scenarios where stringent carbon-related regulation is put in place that would increase costs for those companies. This would, in turn, decrease the profitability of these companies and lead to lower shareholder returns and/or increase the probability of default.

Conversely, the highest expected positive impacts are attributable to funds with exposure to renewable energy and green technology companies such as Meridian Energy, Mercury Energy and Calix. The impacts would be strongest under the 'Orderly' scenario since this would represent the greatest behavioural backdrop driving demand for low emissions energy and sustainable technology solutions.

The other risks and opportunities assessed as medium and low impacts tend to be mitigated by factors such as some companies having diversified business lines and asset locations less exposed to climate effects, the lower likelihood of carbon regulation impacting indirect emissions and a lower prevalence and/or position size across the Funds.

Fund Strategy Implications

Overview of current fund strategies:

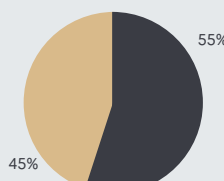
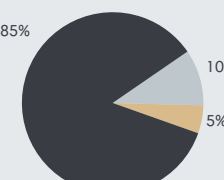
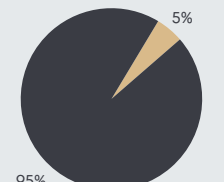
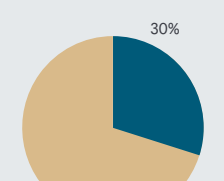
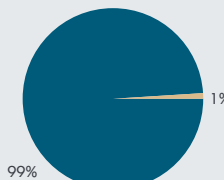
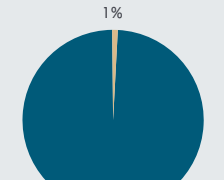
Harbour's investment philosophy is focused on consistency – combining fundamental analysis with the skill of experienced people.

We believe:

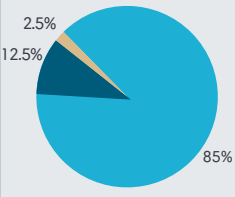
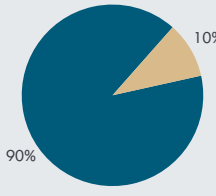
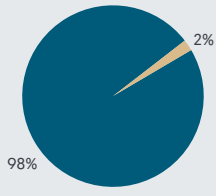
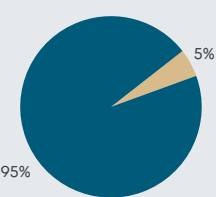
- That quality research is the backbone of investment outperformance
- In the consistency of our investment process
- In responsible investing, and
- There is no substitute for experience

Harbour is a client-focused, research-driven, investment manager. Our combination of quantitative, macro-economic and fundamental analysis across both equity and fixed interest markets is dedicated to producing superior investment results.

Each fund has a specific investment strategy and objective and offers a different mix of investments. The investment strategies and objectives for the Funds are set out below.

FUND NAME	SUMMARY OF INVESTMENT OBJECTIVES AND STRATEGY	TARGET INVESTMENT MIX	RISK CATEGORY	MINIMUM SUGGESTED INVESTMENT TIMEFRAME
Harbour Enhanced Cash Fund [#]	Objective: To outperform the benchmark by 85 basis points per annum over a rolling 3-year period. Benchmark: S&P/NZX Bank Bills 90-Day Index Strategy: The Fund principally holds cash or cash like securities and seeks to enhance returns through active interest rate management. It may also hold NZ dollar Government Stock, investment grade bonds and bank deposits.		2 This Fund has a low level of volatility	Short to medium term investment horizon Minimum 1 year
Harbour NZ Core Fixed Interest Fund [#]	Objective: To outperform the benchmark by 100 basis points per annum over a rolling 3-year period. Benchmark: Bloomberg NZ Bond Composite 0+Yr Index Strategy: The Fund is an actively managed investment grade bond fund that invests mainly in New Zealand Government and corporate fixed interest securities.		3 This Fund has a low to medium level of volatility	Medium to long term investment horizon Minimum 3 years
Harbour NZ Corporate Bond Fund [#]	Objective: To outperform the benchmark after fees on a rolling 12-month basis. Benchmark: S&P/NZX Investment Grade Corporate Bond Total Return Index Strategy: The Fund provides access to favourable income yields through a diversified portfolio of primarily investment grade corporate bond fixed interest securities.		3 This Fund has a low to medium level of volatility	Medium to long term investment horizon Minimum 3 years
Harbour Long Short Fund [#]	Objective: To deliver positive returns through the market cycle by investing in long and short equity positions. Benchmark: 15% S&P NZX50 Index: 15% S&P/ASX 200 Index & 70% S&P/NZX Bank Bills 90-Day Index Strategy: The Fund is an actively managed, high conviction portfolio investing principally in 'long' and 'short' listed New Zealand and Australian equities. The focus is on delivering positive returns through the market cycle by investing in long and short-sold equity positions with no particular attention to an equity benchmark. The fund is expected to have lower volatility than equity benchmarks. Given the unique features of this Fund, it may not be appropriate for all investors.		4 This Fund has a medium to high level of volatility	Medium to long term investment horizon Minimum 5 years
Harbour NZ Index Shares Fund	Objective: To provide a return (before tax, fees, and other expenses) that closely tracks the S&P/NZX Portfolio Index including imputation credits. Benchmark: S&P/NZX50 Portfolio Index. Strategy: The Fund is passively managed tracking the companies in the S&P/ NZX50 Portfolio Index. The Fund has the ability to implement securities lending.		5 This Fund has a high level of volatility	Medium to long term investment horizon Minimum 5 years
Harbour Sustainable NZ Shares Fund	Objective: To provide investors exposure to constituents of the S&P/NZX Portfolio Index with exclusions to companies that do not meet Harbour's criteria of Responsible investing. Benchmark: S&P/NZX50 Portfolio Index. Strategy: This Fund is designed to track the S&P/NZX 50 Portfolio Index, with exclusions to companies including, but not limited to, large carbon emitters, gambling, firearms, and companies with human and animal rights violations. For full details of the exclusions for this Fund please see the ESG Policy on our website at Responsible Investing » Harbour Asset Management. There are positive and negative tilts applied to the remaining companies based on Harbour's proprietary Corporate Behaviour Score, which has been a core part of Harbour's equity investment processes for over a decade. The Fund has the ability to implement securities lending. Securities lending involves the transfer of legal title and beneficial interest in securities to a third-party borrower, in some cases against collateral security, and in other cases with other appropriate risk mitigation arrangements.		5 This Fund has a high level of volatility	Medium to long term investment horizon Minimum 5 years

Cash & cash equivalents
 NZ fixed interest
 Intl fixed interest
 Australasian equities
 Intl equities
 Listed property
 Other

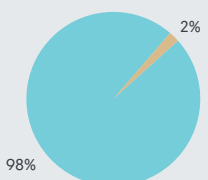
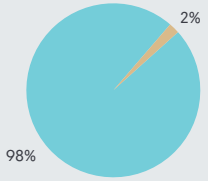
FUND NAME	SUMMARY OF INVESTMENT OBJECTIVES AND STRATEGY	TARGET INVESTMENT MIX	RISK CATEGORY	MINIMUM SUGGESTED INVESTMENT TIMEFRAME
Harbour Real Estate Investment Fund ¹	Objective: To exceed the benchmark return plus 1% per annum over the medium term. Benchmark: S&P/NZX All Real Estate Index. Strategy: The Fund will predominantly be invested in sustainable dividend generating companies, which derive their economic value from owning traditional real estate assets with appropriate financial and governance structures in place. In addition, the Fund may invest in shares of companies that derive their economic value from the control of real estate assets, but don't meet the strict definition of listed property securities or REITS.		6 This Fund has a very high level of volatility	Medium to long term investment horizon Minimum 5 years
Harbour Australasian Equity Income Fund ¹	Objective: To generate a higher yield than the New Zealand and Australian markets. Benchmark: 60% S&P/ASX Industrials Index (equally weighted and 90% hedged to NZD) and 40% S&P/NZX50 Portfolio Index. Strategy: The Fund is designed to generate quarterly income from a diversified portfolio of Australasian listed equities that pay sustainable and growing dividend yields (the amount a company pays out in dividends each year relative to its share price) as well as holding cash and fixed interest securities.		5 This Fund has a high level of volatility	Medium to long term investment horizon Minimum 5 years
Harbour Australasian Equity Fund ¹	Objective: To achieve a gross return of 5.0% per annum above the benchmark over the long term. Benchmark: S&P/NZX 50 Index. Strategy: The Fund provides actively managed exposure to New Zealand and Australian listed equities. This fund has a growth-oriented active investment management approach including ESG integration to generate alpha (return over the benchmark) for investors.		6 This Fund has a very high level of volatility	Medium to long term investment horizon Minimum 5 years
Harbour Australasian Equity Focus Fund ¹	Objective: To deliver medium to long term capital growth through investing in quality businesses with strong growth prospects. Benchmark: 50% S&P/NZX 50 and a 50% S&P/ASX 200 Index (which is 50% hedged into NZ dollars). Strategy: The Fund is an actively managed fund investing in New Zealand and Australian listed equities. It is a high conviction fund where the portfolio will consist of companies our analysts have researched and have a high belief will perform over the medium to longer-term. A higher rated company will have a higher weighting in the portfolio.		6 This Fund has a very high level of volatility	Medium to long term investment horizon Minimum 5 years

[#] These funds incorporate an ESG strategy including integrating Harbour's proprietary Corporate Behaviour Survey and external provider scores into investment decision making, company engagement, voting and exclusions. Additional information on screening thresholds and processes are outlined in our ESG Policy.

Cash & cash equivalents
 NZ fixed interest
 Intl fixed interest
 Australasian equities
 Intl equities
 Listed property
 Other

FUND NAME	SUMMARY OF INVESTMENT OBJECTIVES AND STRATEGY	TARGET INVESTMENT MIX	RISK CATEGORY	MINIMUM SUGGESTED INVESTMENT TIMEFRAME
Harbour Income Fund	Objective: To exceed the Official Cash Rate (OCR) plus 3.5% pa over rolling 3-year periods. Benchmark: 68% S&P/NZX A Grade Corporate Bond Total Return Index; 16% S&P/ASX200 Industrials Index (100% hedged to NZ dollars); and 16% S&P/NZX Portfolio Index. Strategy: The Fund will invest predominantly in a range of fixed income and equity securities that are compatible with generating a favourable level of income through different economic environments.		4 This Fund has a medium to high level of volatility	Medium to long term investment horizon Minimum 5 years
Harbour Active Growth Fund	Objective: To exceed the Official Cash Rate (OCR) plus 5% over rolling 5-year periods. Benchmark: 5% S&P/NZX Bank Bills 90-day Index, 25% Bloomberg NZBond Composite 0+ Yr Index, 5% S&P/NZX All Real Estate Index, 22.5% S&P/NZX 50 Index, 7.5% S&P/ASX 200 Index (50% hedged to NZD), 35% MSCI All Country World Index (30% hedged to NZD). Strategy: The Fund is designed to provide investors with exposure to a wide range of domestic and global assets. The Fund invests approximately two thirds in growth assets such as shares, property and infrastructure and approximately a third into more defensive assets which will predominantly be made up of investment grade bonds. The Manager will use active management to enhance returns and manage downside risks.		5 This Fund has a high level of volatility	Medium to long term investment horizon Minimum 5 years
Harbour Sustainable Impact Fund	Objective: To exceed the Official Cash Rate (OCR) plus 4% over rolling 5-year periods. The impact objectives are to make measurable positive influence on UN Sustainable Development Goals which could include climate, natural capital, resource sustainability, wellness, social inclusion and thriving communities and infrastructure. More information on the goals is contained at sdgs.un.org. Benchmark: A composite benchmark which reflects the asset allocation of the Fund as follows: 5% S&P/NZX Bank Bills 90-day Index, 35% S&P/NZX A-Grade Corporate Bond Total Return Index, 15% S&P/NZX 50 Portfolio Index, 10% S&P/ ASX 200 Index (50% hedged to NZD), 17.5% MSCI All Country World Index (unhedged), 17.5% MSCI All Country World Index (100% hedged to NZD). Strategy: The Fund is designed to provide investors with exposure to a diversified range of global and domestic investments which make a positive environmental or social impact while aiming to exceed the return benchmark. All investments are assessed against the United Nations Sustainable Development Goals (SDGs). The Fund invests approximately 60% in growth assets such as global and domestic public and private equities and approximately 40% into more defensive assets, predominantly impact and green bonds that meet our research criteria. The Manager will use active management to enhance returns and manage downside risks.		4 This Fund has a medium to high level of volatility	Medium to long term investment horizon Minimum 5 years
Harbour T. Rowe Price Global Equity Fund	Objective: To provide long-term capital appreciation by investing primarily in a portfolio of securities of companies which are traded, listed or due to be listed, on recognised exchanges and/or markets throughout the world. The Fund's foreign currency exposure is unhedged. Benchmark: MSCI All Country World Index (unhedged). Strategy: The Fund invests in a broadly diversified portfolio of global equities, typically comprising around 150 stocks.		5 This Fund has a high level of volatility	Medium to long term investment horizon Minimum 5 years
Harbour T. Rowe Price Global Equity Fund (Hedged)	Objective: To provide long-term capital appreciation by investing primarily in a portfolio of securities of companies which are traded, listed or due to be listed, on recognised exchanges and/or markets throughout the world. The Fund's foreign currency exposure is fully hedged to New Zealand dollars. Benchmark: MSCI All Country World Index (100% hedged to NZD). Strategy: The Fund invests in a broadly diversified portfolio of global equities, typically comprising around 150 stocks.		6 This Fund has a very high level of volatility	Medium to long term investment horizon Minimum 5 years

Cash & cash equivalents
 NZ fixed interest
 Intl fixed interest
 Australasian equities
 Intl equities
 Listed property
 Other

FUND NAME	SUMMARY OF INVESTMENT OBJECTIVES AND STRATEGY	TARGET INVESTMENT MIX	RISK CATEGORY	MINIMUM SUGGESTED INVESTMENT TIMEFRAME
Epoch Global Quality Select Equity Fund	Objective: The Fund's objective is to provide long-term capital appreciation by investing primarily in a portfolio of securities of companies which are traded, listed or due to be listed, on recognised exchanges and/or markets throughout the world. The portfolio may include investments in the securities of companies traded, listed or due to be listed, on recognised exchanges and/or markets of developing countries. Benchmark: MSCI All Country World Index (unhedged) in NZD. Strategy: The strategy focuses on companies that reinvest in their businesses to grow free cash flow. Epoch seeks companies that are good capital allocators, using capital effectively to fund internal projects or to make acquisitions. Epoch's research indicates that companies that make investments, internally or externally, which generate a marginal return on invested capital that exceeds their marginal cost of capital are likely to increase in value. The Epoch Global Quality Select Equity Fund pursues attractive total returns by investing in a portfolio of companies with persistent, high return on invested capital (ROIC), achieved through their allocation to the growth-oriented uses of free cash flow, namely investment in internal projects and acquisitions. The portfolio generally holds around 40 stocks from equity markets worldwide, with risk controls to diversify the sources of growth and reduce volatility.		5 This Fund has a high level of volatility	Medium to long term investment horizon Minimum 5 years
Epoch Global Quality Select Equity (Hedged) Fund	Objective: The Fund's objective is to provide long-term capital appreciation by investing primarily in a portfolio of securities of companies which are traded, listed or due to be listed, on recognised exchanges and/or markets throughout the world. The portfolio may include investments in the securities of companies traded, listed or due to be listed, on recognised exchanges and/or markets of developing countries. The Fund's foreign currency exposure is fully hedged to New Zealand dollars. Benchmark: MSCI All Country World Index (hedged to NZD). Strategy: The strategy focuses on companies that reinvest in their businesses to grow free cash flow. Epoch seeks companies that are good capital allocators, using capital effectively to fund internal projects or to make acquisitions. Epoch's research indicates that companies that make investments, internally or externally, which generate a marginal return on invested capital that exceeds their marginal cost of capital are likely to increase in value. The Epoch Global Quality Select Equity (Hedged) Fund pursues attractive total returns by investing in a portfolio of companies with persistent, high return on invested capital (ROIC), achieved through their allocation to the growth-oriented uses of free cash flow, namely investment in internal projects and acquisitions. The portfolio generally holds around 40 stocks from equity markets worldwide, with risk controls to diversify the sources of growth and reduce volatility.		6 This Fund has a very high level of volatility	Medium to long term investment horizon Minimum 5 years

Cash & cash equivalents
 NZ fixed interest
 Intl fixed interest
 Australasian equities
 Intl equities
 Listed property
 Other

Climate implications for fund strategy:

Climate-related risks and opportunities such as those identified above are considered alongside other fundamental factors by our research analysts when forming an investment thesis on a company. For our Australasian equity funds this leads to an analyst conviction rating which then feeds into our overall investment process in addition to other ESG and quantitative factors that are used to rank companies in the investment universe.

This investment ranking framework is used by equity portfolio managers in the decision-making process for portfolio construction and the allocation of capital to particular investment opportunities.

Fixed income funds utilise the same research inputs but adopt a separate investment framework involving a three-tiered classification system where securities are either favoured, neutral or avoided in portfolios.

Global and Multi-Asset funds that involve external managers follow an appointment and monitoring process according to our ESG policy that ensures the meaningful integration of ESG factors into their investment decision making process.

At the fund level, we expect climate-related risks and opportunities to have an impact across the following aspects:

- Returns
 - Change in earnings growth and share prices of listed equities
 - Change in valuation of portfolio's current bonds
- Credit spread and rating
 - Change in valuation of current bonds could cause credit spreads to widen/narrow further
 - Increased/decreased credit quality of the portfolio
- Value at risk (likely to increase under more aggressive physical climate scenarios)
- Liquidity and cash flow
 - Increase/decrease in dividends from listed equities could impact fund distributions to investors
 - Increased/decreased probability of default could impact portfolio's expected cash reserve/cash flow
 - Increased/decreased difficulty to sell shares/bonds (and at a reduced price)

Transition Plan

Harbour has developed a transition plan over the period that is summarised in the diagram below. It is based on three pillars: climate solutions, investing in the transition and building resilience, given these are the aspects where we believe we can play a role as fund managers in responding to climate risks and opportunities which arise in the energy transition. It is a holistic strategic framework that applies across the scheme on a medium-term horizon, encompassing multiple asset classes and levers we have as investors to best adapt to the transition to a low carbon economy. This plan is consistent across different global warming scenarios that may eventuate but there may be a greater strategic emphasis on different pillars according to what plays out in practice, with the 'building resilience' pillar being more relevant under a high global temperature scenario for example.

Medium-term strategy to 2030



Climate solutions

Allocate 5% of internal active FUM to climate solutions which include:

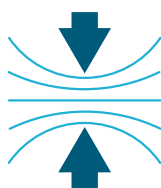
- Investment in private asset classes to support investment in emerging technologies and infrastructure.
- Green bonds including sovereign / supranational green bond programs.
- Equity investments driven by exposure to new technology or renewable energy.



Invest in the transition

Ensure 50% of high-emitting holdings (>2.2 mtCO₂ reducing annually) in the portfolio align or aligning with a net zero pathway. Engage with these companies to understand:

- Alignment to net zero reduction pathways and progress on emissions reductions.
- Governance and management of climate change risks and opportunities.
- Climate change disclosures.



Building resilience

Prioritise in depth risk review of funds with CVaR greater than 10%

- Strategic review of benchmarks and indices, consider acceptance of more tracking error.
- Develop climate risk assessment and tracking capability.
- Increased portfolio monitoring and analysis through data automation and AI.

This plan leans on measurement frameworks and models such as the Net Zero Investment Framework and Climate Value at Risk to assess how funds across the scheme are tracking against each objective. Further information on the data baselines and progress according to the plan will be provided in future reporting periods.

Risk Management

- Process
- Overall Risk Integration

Harbour's risk management process regarding climate-related impacts is described in this section, including the tools, time horizons and frequency of assessment. It also covers how this process integrates into our Group-wide risk framework that captures a broad range of investment and business risks. Actual risks identified are covered in the Strategy section of this report under Risks and Opportunities.

Overview

Climate-related risks are considered alongside market, asset allocation, liquidity, and manager risks throughout our investment process. For our risk assessments and reporting we define climate-related risks as the potential risks that arise from the current and anticipated impacts of climate change, including GHG emissions reduction efforts by investee companies. We also include our ability to adapt to climate change impacts within the Scheme, and the resulting financial consequences for the risk and return profile of the Scheme and its underlying Funds, and therefore, Scheme members.

Harbour applies both a top-down and bottom-up approach to oversight, identification and assessment of climate-related risks for each Fund within the Scheme.

Tools and Methods

Harbour uses a combination of in-house and ESG data provider research to identify and assess the impact of climate-related risks. Harbour selected its current provider MSCI after a review process and concluded it would best be able to assist in providing useful climate data and analytics to enhance our investment process and help meet regulatory requirements.

Harbour conducts in-house climate research as part of the overarching ESG integration approach, involving the analysis of multiple factors within Harbour's Corporate Behaviour Survey.

Climate risks across the value chain of each investee company are analysed (subject to information availability) given that some industries have a significant material exposure through both upstream and downstream activities e.g., raw material procurement and use of sold products.

However, risks arising from each company's operations are the primary focus of our assessment since these are under the direct control and influence of the organisation.

In addition, MSCI's CVaR product enables us to measure the fund level exposure to physical and transition risks. This calculation involves selecting different global temperature warming scenarios to estimate the value at risk broken down by physical and transition as well as an aggregate exposure.

On the physical climate value at risk, these are further delineated by acute and chronic risks. Examples of acute risks include cyclones, wildfires and flooding whereas chronic risks include extreme heat, heavy snowfall and heavy precipitation.

Transition risks are categorised by asset stranding, operational transition and product transition.

Examples of risks arising from these channels include regulatory fines, carbon taxes and investment in decarbonisation measures that can increase costs and reduce profitability of companies.

Time Horizons

	SHORT TERM	MEDIUM TERM	LONG TERM
Time Horizon	1–3 years	5–10 years	25+ years
Year Relative to 2025	2026	2030	2050

These time horizons have been adopted in collaboration with other industry peers as part of a scenario narratives project to help provide comparability and consistency between climate related disclosures.

In addition, these time periods generally align with net zero and interim targets that are prevalent amongst portfolio constituent companies.

Prioritisation

We have updated our climate risk monitoring approach to primarily use CVaR, being the potential percentage change in each Fund's value due to physical and transition climate risks. We have set thresholds based on our internal view of the potential value at risk for each Fund. These risk levels are assessed internally as follows:

1. High – greater than 20%
2. Medium – between 10% and 20%
3. Low – less than 10%

We consider the potential percentage change in value for both transition or physical risks under two scenarios and compare these to the risk levels. Focusing on exposure to the high and medium risk levels enables management to prioritise investee companies that may be exposed to more significant climate risks.

Frequency

The climate risk tolerance process outlined above is reviewed on a semi-annual basis and where tolerances have been exceeded, we undertake the following:

- Analyse the underlying cause or drivers of tolerance excess
- Engage with internal or external portfolio managers to understand what drivers, market considerations and specific entity transition and/or adaptation strategies are in place that may mitigate the identified risks, if required
- Report the results semi-annually to the Investment Committee with recommendations for action, if required.

Overall Risk Integration

The Scheme, through Harbour, which is part of FirstCape Group, follows the FirstCape Enterprise Risk Management Framework. FirstCape operates a “three lines of risk” accountability model for risk management, including climate risk, which is described below.

- **First line** – includes the business operations and the front-line staff directly responsible for ensuring day-to-day activities align with the regulatory requirements.
- **Second line** – consists of the Legal, Risk and Compliance team that provide oversight, develop frameworks, and monitor the first line's activities. They operate independently from operational management to ensure objectivity.
- **Third line** – FirstCape does not have an internal audit team but through Harbour engages a top-tier external audit firm to conduct the ISAE NZ 3402/GS007 audit of operational controls on an annual basis. This provides a test of the existing controls and processes in place to ensure operational risks are minimised

In practice, the assessment of climate change risk forms part of Harbour's quarterly Investment Committee meetings along with other investment risks. An assessment of climate risk is made across funds using relevant metrics such as CVaR, carbon footprints and emissions attributions.



Metrics and Targets

- Financed emissions
- Other standard climate metrics
- Industry metrics
- Targets

This section provides multiple quantitative measures to show the exposure of Harbour portfolios to climate risks and opportunities that can be used to track performance over time and compare with other funds and/or benchmarks. It includes both standard metrics such as total (financed) GHG emissions for each fund as well as prevalent industry metrics Carbon Footprint and Weighted Average Carbon Intensity.

Financed emissions

At the Scheme level, the most material and relevant emissions for each fund are the indirect (scope 3) investment-related emissions which represent the total emissions financed by each of its underlying portfolio constituents. This measure represents an ownership approach where a greater amount invested in an issuer means a higher amount of the emissions associated with that issuer being financed.

GHG emissions for portfolio constituents are measured according to a third party ESG data provider (MSCI). Harbour utilises the Partnership for Carbon Accounting Financials (PCAF) standard² for its methodology in calculating the portfolio-financed emissions.

Additional information on the limitations and calculation methodology of this data is provided in Appendix 2 and 3. The fund coverage and data quality scores provided in Appendix 4 and 5 should also be taken into account when analysing these financed emissions and other climate metrics presented in this report.

² PCAF: Global GHG Accounting & Reporting Standard for the financial industry

FUND	FINANCED EMISSIONS (TCO ₂ E)	
	JUNE 2024	JUNE 2025
Harbour Australasian Equity Fund	2,044	2,106
Harbour Australasian Equity Focus Fund	166	212
Harbour Australasian Equity Income Fund	641	549
Harbour Real Estate Investment Fund	101	150
Harbour Sustainable NZ Shares Fund	3,570	2,736
Harbour NZ Index Shares Fund	18,459	15,120
Harbour Long Short Fund	132	103
Harbour Enhanced Cash Fund	3,497*	6,157
Harbour NZ Core Fixed Interest Fund	35,204*	39,186
Harbour NZ Corporate Bond Fund	18,786*	27,776
Harbour Income Fund	17,440*	17,408
Harbour Active Growth Fund	2,814*	2,051
Harbour Sustainable Impact Fund	112	187
Harbour T. Rowe Price Global Equity Fund	6,241	8,113
Harbour T. Rowe Price Global Equity Fund (Hedged)	1,189	2,956
Epoch Global Quality Select Equity Fund	N/A	232
Epoch Global Quality Select Equity Fund (Hedged)	N/A	106

Source: MSCI

The funds with the highest financed emissions are those with exposure to sovereign bonds given the large GHG emissions associated with these issuers. This is reflected in varying degrees with the most prominent being the NZ Core Fixed Interest Fund and to a lesser extent the Active Growth Fund.

From the equity funds, the Index Shares Fund also stands out given it applies a passive investment strategy where some of the country's largest emitters are held at index weights according to its S&P/NZX 50 Portfolio Index benchmark.

In addition, funds with a higher level of net asset value will subsequently have a greater proportion of emissions financed. The carbon footprint metric provided under the Industry Metrics section is a better way to compare financed emissions between funds given it standardises for capital invested.

At the sector level, the most significant contributors to financed emissions across the Funds tend to be from utilities and industrials. These sectors comprise mixed power generation and transport companies with relatively high emissions footprints.

The key change over the past year has been revising the measurement methodology to better capture the exposure to sovereign debt across fixed income and multi-asset funds using a consistent approach. We have therefore restated the 2024 numbers for those funds affected to improve comparability. After adjusting for the methodology change, the difference between the periods has mostly been driven by a greater proportion allocated to sovereign debt across the funds.

Other changes include higher financed emissions across many funds due to significant increases in total net asset values. This was particularly evident for the T.Rowe Price funds and the Real Estate Investment Fund. An exception was the Sustainable NZ Shares Fund that saw a reduction in its total financed emissions despite a meaningful increase in its net asset value over the period. This was mainly attributed to divesting from a large carbon emitter (Fletcher Building).

* Restated numbers compared to the FY24 Climate Statement reflecting the revised measurement methodology.

Other standard climate metrics

Weighted Average Carbon Intensity

This metric shows the exposure of each fund to carbon-intensive companies by taking the weighted average of each investee company's carbon intensity (emissions divided by sales). This measure provides comparability between funds since the calculation involves a portfolio-weighted rather than ownership-based approach.

FUND	WEIGHTED AVERAGE CARBON INTENSITY (TCO ₂ E / NZD M SALES)	
	JUNE 2024	JUNE 2025
Harbour Australasian Equity Fund	47	39
Harbour Australasian Equity Focus Fund	21	22
Harbour Australasian Equity Income Fund	77	51
Harbour Real Estate Investment Fund	16	10
Harbour Sustainable NZ Shares Fund	41	33
Harbour NZ Index Shares Fund	61	46
Harbour Long Short Fund	49	39
Harbour Enhanced Cash Fund	16	12
Harbour NZ Core Fixed Interest Fund	5	13
Harbour NZ Corporate Bond Fund	14	13
Harbour Income Fund	44	45
Harbour Active Growth Fund	59	30
Harbour Sustainable Impact Fund	62 [^]	46
Harbour T. Rowe Price Global Equity Fund	51	48
Harbour T. Rowe Price Global Equity Fund (Hedged)	51	48
Epoch Global Quality Select Equity Fund	N/A	7
Epoch Global Quality Select Equity Fund (Hedged)	N/A	7

Source: MSCI

The table above shows the differences according to asset class, investment geography and strategy with the fixed interest funds generally at the low end of the range and the equity and multi-asset funds skewed to the higher end.

The largest sector contributor across many funds is utilities which capture relatively carbon-intensive power generation and energy infrastructure companies. These companies feature prominently in the Australasian Equity Income Fund in particular, given the yield-focused strategy. This is also prevalent in the Sustainable Impact Fund that holds both equity and debt (e.g., green bonds) of utility companies.

Compared to the previous reporting period, there was generally a trend of a reduction over the year across most funds. Multiple factors contributed to these reductions but one of the largest drivers has been a decline in underlying company emissions in existing fund positions. A notable exception was the Harbour NZ Core Fixed Interest Fund, which saw an increase compared to the prior period primarily due to adding to the positions in corporate bonds with high associated emissions such as Fonterra Co-operative Group.

[^] The reported figure uses gross financed emissions. In practice, any carbon financed by the fund is offset by Harbour, through investment in projects which actively prevent carbon release. Therefore, the net financed emissions and weighted average carbon intensity is effectively zero.

Transition Risks

There are a broad range of risks associated with the transition to a low carbon economy that may be related to policy, market behaviour and technology forces.

We have measured these risks according to the total exposure to low carbon transition risk metric assessed by MSCI that is further broken down by operational, product or asset stranding risk. Further details on the methodology of this metric are provided in Appendix 8.

FUND	EXPOSURE TO LOW CARBON TRANSITION RISK	
	JUNE 2024	JUNE 2025
Harbour Australasian Equity Fund	23.6%	22.1%
Harbour Australasian Equity Focus Fund	12.8%	10.7%
Harbour Australasian Equity Income Fund	5.7%	6.4%
Harbour Real Estate Investment Fund	0.7%	0.8%
Harbour Sustainable NZ Shares Fund	13.0%	13.4%
Harbour NZ Index Shares Fund	15.2%	15.6%
Harbour Long Short Fund	16.0%	9.1%
Harbour Enhanced Cash Fund	37.5%	7.3%
Harbour NZ Core Fixed Interest Fund	11.8%	4.1%
Harbour NZ Corporate Bond Fund	34.8%	7.4%
Harbour Income Fund	12.2%	7.1%
Harbour Active Growth Fund	15.5%	6.0%
Harbour Sustainable Impact Fund	16.6%	13.1%
Harbour T. Rowe Price Global Equity Fund	17.1%	11.0%
Harbour T. Rowe Price Global Equity Fund (Hedged)	17.1%	11.0%
Epoch Global Quality Select Equity Fund	N/A	10.4%
Epoch Global Quality Select Equity Fund (Hedged)	N/A	10.4%

Source: MSCI

The table above shows that the equity funds tend to have higher exposure to transition risks due to the product transition aspect that captures companies that risk facing reduced demand for carbon-intensive products and services. This is mostly because these funds have a significant allocation to companies such as Fisher and Paykel Healthcare that have high (scope 3) emissions associated with the energy consumption of its sold products.

Relative to the prior period, there were significant reductions in this transition risk metric for the fixed income funds that was primarily driven by a reclassification of some of the corporate debt in the banking sector to now be categorised as neutral risk, reflecting a decline in the issuer carbon intensities.

Physical Risks

There are many types of climate hazards such as floods, droughts and cyclones that will impact companies across the Funds, particularly for scenarios with higher expected global temperatures.

We have provided a measure to assess the exposure to these physical risks at the fund level through MSCI's Physical Climate Value at Risk model. This metric calculates the present value of each investee company's future costs (and profits) due to physical hazards under different global warming scenarios. The "Orderly" and "Hothouse" scenarios were selected to show the extent of outcomes possible from this model. Further information on this metric is provided in Appendix 6.

FUND	PHYSICAL CVAR 1.5 DEGREES	PHYSICAL CVAR 3 DEGREES	PHYSICAL CVAR 1.5 DEGREES	PHYSICAL CVAR 3 DEGREES
	JUNE 2024		JUNE 2025	
Harbour Australasian Equity Fund	-1.1%	-3.3%	-4.0%	-10.5%
Harbour Australasian Equity Focus Fund	-1.3%	-3.6%	-2.8%	-7.2%
Harbour Australasian Equity Income Fund	-1.0%	-3.5%	-4.0%	-12.5%
Harbour Real Estate Investment Fund	-0.9%	-1.8%	-1.4%	-5.1%
Harbour Sustainable NZ Shares Fund	-4.2%	-8.5%	-4.0%	-12.9%
Harbour NZ Index Shares Fund	-4.3%	-9.4%	-4.9%	-14.6%
Harbour Long Short Fund	-1.4%	-3.8%	-4.5%	-10.2%
Harbour Enhanced Cash Fund	0.0%	0.0%	0.0%	-0.1%
Harbour NZ Core Fixed Interest Fund	-0.2%	-0.3%	-0.1%	-0.2%
Harbour NZ Corporate Bond Fund	-0.3%	-0.3%	-0.1%	-0.2%
Harbour Income Fund	-0.9%	-2.5%	-3.1%	-8.5%
Harbour Active Growth Fund	-1.8%	-4.6%	-2.0%	-5.6%
Harbour Sustainable Impact Fund	-1.4%	-2.9%	-2.3%	-6.3%
Harbour T. Rowe Price Global Equity Fund	-1.9%	-4.7%	-1.2%	-3.4%
Harbour T. Rowe Price Global Equity Fund (Hedged)	-1.9%	-4.7%	-1.2%	-3.4%
Epoch Global Quality Select Equity Fund	N/A	N/A	-0.5%	-1.3%
Epoch Global Quality Select Equity Fund (Hedged)	N/A	N/A	-0.5%	-1.3%

Source: MSCI

The table above illustrates the greater value at risk for a "Hothouse" scenario where physical hazards are expected to be more frequent and severe given the higher global temperature.

Between funds there is an evident asset class impact with fixed income funds skewed to the lower end while equity and multi-asset funds are biased towards the higher end. This reflects the higher sector diversification and exposure to assets vulnerable to extreme weather events in these asset classes.

In addition, the equity funds with strategies that are more passive like the Index Shares Fund and Sustainable NZ Shares Fund tend to be the most exposed. This is attributed to these funds having a relatively greater allocation to companies in the utilities and industrials sectors that have assets exposed to climate hazards domestically such as coastal flooding and droughts.

There has been a general trend towards a higher physical climate value at risk across the funds compared to the prior period, particularly under the "Hothouse" scenario. This largely reflects updated modelling of the asset-level impacts to various climate hazards according to MSCI's methodology. In particular, there was a significant revision to the hazard for 'low river flow' that especially elevated the physical risk contribution from companies such as Contact Energy that generates much of its electricity from hydro sources.

Climate Opportunities

The transition to a low carbon global economy will present opportunities to a broad range of companies that can provide goods and services that enable or accelerate this transition.

Harbour has measured this at the fund level by the weighted average of green revenue exposure. This metric captures the proportion of each fund that is exposed to companies that have revenue aligned to the following three climate themes: alternative energy, energy efficiency and green buildings. Further information on the methodology of this metric is provided in Appendix 7.

We believe that this metric can also be used to represent capital deployment to climate-related opportunities.

FUND	GREEN REVENUE EXPOSURE	
	JUNE 2024	JUNE 2025
Harbour Australasian Equity Fund	7.4%	3.2%
Harbour Australasian Equity Focus Fund	3.9%	0.9%
Harbour Australasian Equity Income Fund	11.4%	5.6%
Harbour Real Estate Investment Fund	6.1%	5.0%
Harbour Sustainable NZ Shares Fund	8.6%	7.0%
Harbour NZ Index Shares Fund	8.0%	6.3%
Harbour Long Short Fund	4.9%	2.5%
Harbour Enhanced Cash Fund	2.6%	5.1%
Harbour NZ Core Fixed Interest Fund	1.8%	1.3%
Harbour NZ Corporate Bond Fund	5.0%	2.7%
Harbour Income Fund	5.8%	4.6%
Harbour Active Growth Fund	6.3%	3.0%
Harbour Sustainable Impact Fund	11.1%	10.7%
Harbour T. Rowe Price Global Equity Fund	7.9%	8.9%
Harbour T. Rowe Price Global Equity Fund (Hedged)	7.9%	8.9%
Epoch Global Quality Select Equity Fund	N/A	3.2%
Epoch Global Quality Select Equity Fund (Hedged)	N/A	3.2%

Source: Harbour, MSCI

The funds with higher exposure to these green revenue themes tend to be those with strategies more explicitly oriented towards sustainability outcomes. For example, the Sustainable Impact and Sustainable Shares Funds generally allocate capital to a greater extent than other funds in renewable energy companies and away from high emitters.

In general, most funds showed a declining trend in green revenue exposure compared to the previous period which was largely driven by reduced weights in renewable energy companies. This was particularly apparent for the Harbour Australasian Equity Income Fund which held a smaller proportion of Contact Energy and Meridian Energy over the period, both with high revenue exposure to alternative energy.

Internal Emissions Price

Harbour does not yet formally integrate an internal emissions price into our fundamental research analysis of portfolio constituents given the high level of uncertainty involved due to regulatory risk. However, as part of the scenario analysis conducted, we have utilised the MSCI CVaR tool that assumes a carbon price trajectory under each scenario according to a scientific climate model.

Based on the modelling assumptions under the scenarios analysed, it is projected that under an “Orderly” (1.5 degree) pathway, the carbon price would be approximately US\$600 per tonne by 2050. Whereas, for the “Too Little Too Late” and “Hothouse” scenarios (>2 and >3 degrees respectively), the carbon price would be approximately US\$125 and US\$10 per tonne.³

These results show the high degree of transition risk associated with low temperature scenarios such as the “Orderly” (1.5 degrees) pathway given the high carbon price. Conversely, assuming a business-as-usual pathway with minimal transition under the “Hothouse” scenario would yield a relatively flat carbon price trajectory that would not change much from its starting point.

Remuneration

In FY25, the RI team had performance objectives relating to climate that included delivery of our stewardship and advocacy program, delivery of regulatory reporting relating to climate, and ongoing delivery incorporating climate risks and opportunities into investments across Harbour. The RI team reports directly to the Co-CEO who with our other Co-CEO has joint responsibility for delivery of the responsible investment policy and approach for Harbour, which includes climate-related investment objectives.



³ https://www.ngfs.net/sites/default/files/media/2024/01/16/ngfs_scenarios_technical_documentation_phase_iv_2023.pdf

Industry based metrics

The Carbon Footprint metric presented below is a prevalent measure used in the investment management industry to show emissions financed while controlling for fund size by dividing by capital invested.

FUND	CARBON FOOTPRINT (TCO ₂ E / NZD M INVESTED)	
	JUNE 2024	JUNE 2025
Harbour Australasian Equity Fund	14	15
Harbour Australasian Equity Focus Fund	6	8
Harbour Australasian Equity Income Fund	18	14
Harbour Real Estate Investment Fund	1	1
Harbour Sustainable NZ Shares Fund	16	9
Harbour NZ Index Shares Fund	36	25
Harbour Long Short Fund	13	13
Harbour Enhanced Cash Fund	18*	29
Harbour NZ Core Fixed Interest Fund	148*	134
Harbour NZ Corporate Bond Fund	38*	52
Harbour Income Fund	67*	58
Harbour Active Growth Fund	59*	35
Harbour Sustainable Impact Fund	16	21
Harbour T. Rowe Price Global Equity Fund	17	12
Harbour T. Rowe Price Global Equity Fund (Hedged)	17	12
Epoch Global Quality Select Equity Fund	N/A	1
Epoch Global Quality Select Equity Fund (Hedged)	N/A	1

Source: MSCI

Consistent with the financed emissions metric, the fixed income and multi-asset funds have higher carbon footprints compared to equity funds given the exposure to sovereign debt which have significant estimated GHG emissions.

The NZ Index Shares Fund has the highest carbon footprint out of all the equity funds given that it follows a passive investment strategy, tracking its benchmark index as close as possible. This means holding some of the largest emitting companies in the market, particularly those in the utilities and industrials sectors.

Across the active equity funds, the largest sector contributions to the carbon footprints tend to be the materials, utilities and energy sectors which contain relatively higher emitting companies like power generators and building materials operators.

In terms of changes since the last reporting period, the most significant was restating multiple fund footprints to better reflect sovereign debt emissions exposure as already noted in the financed emissions section. Aside from that, there was a mixed trend in the direction of change between funds with some increasing and others decreasing compared to the June 2024 period. For the funds that saw a reduction, this was mostly attributed to reduced positioning in the utilities and industrials sectors and vice versa for those with increases.

* Restated numbers compared to the FY24 Climate Statement reflecting the revised measurement methodology.

Targets

The Funds in this Scheme do not currently have any specific GHG emissions targets at the fund level. This may be subject to change, however, at this stage, the investment objectives are not formally bound by a climate target although individual securities within each fund may have elected to adopt one at its own discretion.

As such, there is also no explicit base year for benchmarking progress, however this would be carefully assessed in consideration for any future emissions-related targets.

Climate-related risks and opportunities are still measured and integrated into investment decision-making; however, this is in the context of the existing objective to outperform the benchmark over the specified time period subject to risk constraints.

At the scheme level, as part of developing the transition plan outlined in the Strategy section of this report, there are three medium-term climate-related targets that underpin each of the three pillars. The 2030 targets are replicated below:

- Allocate 5% of internal active FUM to Climate Solutions.
- Ensure 50% of high emitting holdings in the portfolio align or are aligning with a net zero pathway.
- Conduct in-depth risk review of funds with a climate value at risk greater than 10%.

Further information on the specific details of this plan and how the scheme is tracking against the targets will be provided in future reporting periods.

Appendices

- Appendix 1 – Scenario characteristics
- Appendix 2 – Calculation methodology
- Appendix 3 – Limitations
- Appendix 4 – Coverage Ratio
- Appendix 5 – Data Quality Score
- Appendix 6 – Physical Climate Value at Risk
- Appendix 7 – Green Revenue Exposure
- Appendix 8 – Low carbon transition risk

Appendix 1: Scenario characteristics

	ORDERLY	TOO LITTLE TOO LATE	HOTHOUSE
Climate and socio-economic pathways	IPCC SSP 1-1.9 NIWA RCP 2.6 CCC 'Tailwinds'	IPCC SSP 2-4.5 NIWA RCP 4.5 CCC 'Headwinds'	IPCC SSP 5-8.5 NIWA RCP 8.5 CCC 'Current Policy Reference'
Energy and emission pathway parameters	NGFS Net Zero 2050 IEA Net Zero Emissions by 2050	NGFS Fragmented World IEA APS	NGFS Current Policies IEA STEPS
Emission Pathways	Net Emissions - Domestic: 47 MtCO₂e by 2030, 3.8 MtCO₂e by 2050 - Global: 21 BtCO₂e by 2030, 0 MtCO₂e by 2050	Net Emissions - Domestic: 57 MtCO₂e by 2030, 22 MtCO₂e by 2050 - Global: 34 BtCO₂e by 2030, 21 BtCO₂e by 2050	Net Emissions - Domestic: 62 MtCO₂e by 2030, 35 MtCO₂e by 2050 - Global: 39 BtCO₂e by 2030, 34 BtCO₂e by 2050
Economic Outcomes	GDP - Domestic: NZ\$330b in 2030, NZ\$485b in 2050 - Global: US\$176t in 2030, US\$289t in 2050	GDP - Domestic: NZ\$329b in 2030, NZ\$477b in 2050 - Global: US\$175t in 2030, US\$274t in 2050	GDP - Domestic: NZ\$329b in 2030, NZ\$475b in 2050 - Global: US\$175t in 2030, US\$273t in 2050
Energy	Percent of renewable energy of total energy produced: - Domestic: 55% by 2030, 90% by 2050 - Global: 30% by 2030, 67% by 2050	Percent of renewable energy of total energy produced: - Domestic: 50% by 2030, 80% by 2050 - Global: 19% by 2030, 37% by 2050	Percent of renewable energy of total energy produced: - Domestic: 48% by 2030, 61% by 2050 - Global: 16% by 2030, 26% by 2050

The assumptions from the table above have been sourced from a combination of the Financial Services Council (FSC) industry scenario narrative report research, NZ Climate Change Commission for domestic parameters and the Network for Greening the Financial System as well as the International Energy Agency for the global parameters.

The scenarios Harbour has selected for its analysis have been purposely chosen to align with both the industry work and these domestic and global climate models to provide better comparability with our peers in the best interests of primary users of this report.

Appendix 2: Calculation Methodology

Harbour’s calculation methodology for financed emissions metrics is based on the Partnership for Carbon Accounting Financials (PCAF) Standard for listed equities, sovereign and listed corporate debt.

The PCAF standard has built on the widely used framework for GHG emission accounting known as the Greenhouse Gas Protocol but provides more specialised guidance for measuring portfolio-financed emissions for key asset classes.

Harbour has used an operational control approach for the measurement and reporting of GHG emissions in this climate statement. This means that emissions for the Scheme’s loans and investments (without operational control) are reported as scope 3 category 15 (investments) emissions, defined under the GHG Protocol Standard.

The definitions and formulae for the key climate metrics used in this report are provided below:

Financed Emissions

$$\sum_n^i \left(\frac{\text{current value of investment}_i}{\text{issuer's EVIC}} \times \text{issuer's Scope 1 and Scope 2 GHG emissions}_i \right)$$

Measures the total absolute emissions that are financed by the fund’s investors through their ownership. Emissions are allocated to all financiers by using the total enterprise value (including cash) in the denominator.

Weighted Average Carbon Intensity

$$\sum_n^i \left(\frac{\text{current value of investment}_i}{\text{current portfolio value}} \times \frac{\text{issuer's Scope 1 and Scope 2 GHG emissions}_i}{\text{issuer's \$M revenue}_i} \right)$$

Measures the fund’s exposure to carbon intensive companies by taking the weighted average of companies’ carbon intensity, defined as its emissions divided by sales in NZD millions.

Carbon Footprint

$$\frac{\sum_n^i \left(\frac{\text{current value of investment}_i}{\text{issuer's EVIC}} \times \text{issuer's Scope 1 and Scope 2 GHG emissions}_i \right)}{\text{current portfolio value (\$M)}}$$

Measures the total emissions financed by the fund’s investors, normalised by the amount invested through dividing by the total portfolio value in NZD millions. Emissions are allocated using a firm ownership approach based on the total enterprise value, including cash.

Gases and units

The financed emissions calculated are based on total greenhouse gas emissions with units expressed as metric tonnes of carbon dioxide equivalent. Given these outputs are derived from the emissions data calculated by each of the funds' investee companies, we are unable to report a singular source of emissions factors and global warming potential rates used at the fund level. These may vary from company to company and this level of granularity is not available from our data provider.

The dollar values for revenue and fund size are in NZD. The metrics are all provided as of 30 June 2025, the financial year end for the Funds in this Scheme.

Exclusions

Harbour has determined that the emissions relating to the Scheme are predominantly captured as investments under scope 3, category 15 of the PCAF Standard using the operational control consolidation approach.

Following the materiality requirement of CS 3, Harbour has elected to only include these financed emissions (scope 3, category 15) in its calculation of metrics used in the climate statements.

This means the scope 1, 2 and other scope 3 categories (1–14) are excluded from the measurement and reporting of GHG emissions for the Scheme. This is because emissions arising from these sources are deemed to be negligible and immaterial based on estimates calculated during the preparation of Harbour's corporate GHG inventory as part of the Toitū carbonzero certification process.

In addition, Harbour has excluded the measurement and reporting of some asset classes that the PCAF Standard does not cover because of an uncertain calculation methodology and/or lack of reliable GHG emissions data. Harbour has therefore excluded the derivatives and cash (plus cash equivalents) asset classes from its calculations of emissions metrics across Funds in the Scheme.

Furthermore, Harbour has also excluded private equity and debt from its calculations given these comprise an immaterial proportion of the Funds in the Scheme and accurate emissions data is not readily available.

MSCI estimates

MSCI uses reported emissions data from underlying fund companies where possible but for those companies that do not report emissions, MSCI calculates estimates based on production data and/or industry average emissions data and closely follows the PCAF descriptions for data quality scores 3, 4 and 5.

Appendix 3: Limitations

The primary limitation with the information provided in this report is the breadth and quality of the data used, particularly in the Metrics and Targets section.

There are a variety of factors that contribute to the gaps in coverage and ambiguity over the quality of the data, some of which are explained below:

- **Complexity** – Given the broad range of financial instruments and differences in their characteristics, it can be difficult to develop a unified standard to measure and report climate-related information that is accurate and useful for each security. For example, the innovation in derivatives has given investors access to new financial instruments that offer different risk and return profiles compared to traditional securities but from a carbon accounting perspective can make it complicated to attribute emissions data in a fair and accurate manner while avoiding double counting.
- **Verifiability** – Much of the data presented in this report is provided at the fund level which is typically a weighted aggregation of the data from underlying investments in the fund. Given the nascency of mandatory climate reporting, a significant amount of the data (GHG emissions in particular) is self-reported and not subject to assurance or other forms of external verification. This raises concern over the accuracy of the data and may be prone to errors in methodology or process that would undermine its validity.
- **Timeliness** – It is acknowledged that investee companies measure and report climate data at different points in time and at different frequencies according to their own reporting periods and practices. This can create a mismatch in the timing of data when comparing between companies and calculating fund level metrics such as carbon footprints. This issue is further exacerbated by time lags from external ESG data providers from when the data is made publicly available from companies and when it is reflected in its respective database.

From a practical perspective, the data provided in this report is limited by the coverage of each fund calculation, the level of reliable, verified data from the underlying investee companies and the timeliness impacted by the differing reporting periods and our use of an external ESG data provider.

The fund coverage and data quality scores provided in Appendix 4 and 5 should therefore be taken into account when analysing the climate metrics presented in this report.

Appendix 4: Coverage

To demonstrate the proportion of each fund's assets that have been used to calculate the fund level metrics, the coverage percentages are provided in the table below.

This coverage percentage captures both whether the asset type is covered by the metric calculations and if the raw climate data is available.

Note that some asset types such as cash, derivatives, private equity and debt are excluded from these measurements which are reflected in lower coverage proportions for those funds holding more of these securities. Furthermore, there is less coverage of the more complex value at risk metrics by MSCI compared to the GHG emissions data.

CLIMATE DATA COVERAGE				
FUND	SCOPE 1 + 2	CLIMATE VAR	SCOPE 1+2	CLIMATE VAR
	JUNE 2024		JUNE 2025	
Harbour Australasian Equity Fund	98%	95%	93%	80%
Harbour Australasian Equity Focus Fund	97%	93%	91%	85%
Harbour Australasian Equity Income Fund	92%	92%	77%	86%
Harbour Real Estate Investment Fund	92%	83%	89%	77%
Harbour Sustainable NZ Shares Fund	100%	100%	100%	98%
Harbour NZ Index Shares Fund	99%	98%	100%	98%
Harbour Long Short Fund	51%	30%*	34%	31%
Harbour Enhanced Cash Fund	89%*	60%	82%	36%
Harbour NZ Core Fixed Interest Fund	87%*	39%	95%	31%
Harbour NZ Corporate Bond Fund	75%*	39%	83%	32%
Harbour Income Fund	91%*	74%	87%	61%
Harbour Active Growth Fund	80%*	87%	68%	43%
Harbour Sustainable Impact Fund	91%	82%	87%	82%
Harbour T. Rowe Price Global Equity Fund	75%	93%	98%	91%
Harbour T. Rowe Price Global Equity Fund (Hedged)	75%	93%	98%	91%
Epoch Global Quality Select Equity Fund	N/A	N/A	97%	93%
Epoch Global Quality Select Equity Fund (Hedged)	N/A	N/A	97%	93%

Source: Harbour, MSCI

* Restated numbers compared to the FY24 Climate Statement reflecting the revised measurement methodology.

Appendix 5: Data Quality Score

As noted in Appendix 3, the quality of data used in this report, particularly GHG emissions, can be questionable, so we have provided a metric recommended by the PCAF Standard that attempts to measure this quality.

This metric is the weighted average data quality score where 1 represents the highest quality data and 5 the lowest quality. A score close to 1 would mean that the majority of data used are verified company-reported emissions, while scores close to 5 are mostly based on emissions estimates derived from economic activity measures.

The weighted average score for each fund in the Scheme is presented in the table below:

FINANCED EMISSIONS DATA QUALITY SCORE		
FUND	PCAF WEIGHTED SCORE	
	JUNE 2024	JUNE 2025
Harbour Australasian Equity Fund	2.4	2.3
Harbour Australasian Equity Focus Fund	2.5	2.4
Harbour Australasian Equity Income Fund	2.3	2.3
Harbour Real Estate Investment Fund	2.2	2.3
Harbour Sustainable NZ Shares Fund	2.2	2.1
Harbour NZ Index Shares Fund	2.2	2.2
Harbour Long Short Fund	2.4	2.4
Harbour Enhanced Cash Fund	2.9*	2.5
Harbour NZ Core Fixed Interest Fund	3.7*	3.6
Harbour NZ Corporate Bond Fund	3.5*	2.8
Harbour Income Fund	3.1*	2.9
Harbour Active Growth Fund	2.7*	2.6
Harbour Sustainable Impact Fund	2.1	2.5
Harbour T. Rowe Price Global Equity Fund	2.1	2.3
Harbour T. Rowe Price Global Equity Fund (Hedged)	2.1	2.3
Epoch Global Quality Select Equity Fund	N/A	2.2
Epoch Global Quality Select Equity Fund (Hedged)	N/A	2.2

Source: Harbour, MSCI

Note that the scores calculated above are based only on the respective fund holdings for which emissions data is available or estimated (the remaining securities are excluded).

* Restated numbers compared to the FY24 Climate Statement reflecting the revised measurement methodology.

Appendix 6: Physical Climate Value at Risk

Harbour has used a physical climate value at risk metric to measure physical risk at the fund level across the Funds in the Scheme.

This metric has been calculated using MSCI's climate product and shows the percentage of the fund's assets that are at risk for physical climate hazards.

Both acute and chronic physical hazards are captured and the value at risk is calculated as the present value of each investee company's expected costs/profits resulting from these hazards under different global warming scenarios.

MSCI's methodology involves assessing each individual company's exposure to the various physical hazards such as coastal flooding, tropical cyclones, wildfires and others based on the location of its assets. MSCI uses mathematical modelling to estimate the costs/profits from each hazard.

Harbour has provided the physical climate value at risk for both the "Orderly" (1.5-degree Net Zero) and "Hothouse" (3-degree Current Policies) scenarios to show the difference in risk at the two opposite ends of the global warming spectrum in our analysis.

Appendix 7: Green Revenue Exposure

The metric used to measure climate-related opportunities at the fund level is the weighted green revenue exposure. This has been calculated using MSCI's climate product that maps investee company revenues against the following environmental impact metrics:

Climate change

- Alternative Energy
- Energy Efficiency
- Green Building

Natural Capital

- Pollution Prevention
- Sustainable Water
- Sustainable Agriculture

Harbour has selected only the three climate related themes as its modified definition of MSCI's green revenue exposure metric given the other environmental themes are outside of the scope of climate opportunities.

MSCI's methodology involves screening companies that generate revenues from products or services which have a positive impact on each of the categories above and are further delineated by sub-categories e.g. solar, wind and geothermal under the umbrella of alternative energy and zero emissions vehicles, and LED/ CFL lighting under the energy efficiency umbrella.

The metrics are calculated based on company-disclosed activities and revenue as well as estimates of revenue that are extrapolated from company disclosures and other credible sources like non-government organisations.

Appendix 8: Low carbon transition risk

Harbour has measured transition risk across Funds in the Scheme using the low carbon transition risk metric calculated by MSCI. This metric identifies the proportion of the fund's market value that is exposed to three categories of transition risk: operational, product and asset stranding.

The metric represents the aggregate exposure of these three categories which are further detailed below.

Operational

Companies that have carbon-intensive operations or supply chains that could be exposed to climate transition costs such as carbon taxes, regulatory fines, rising raw material costs and other supply disruptions caused by supplier carbon-related risk.

MSCI uses company carbon emissions intensity to measure this climate transition risk. Company reported data is used, where available, for scope 1 and 2 emissions intensity while estimates are used for remaining companies and for scope 3 emissions intensity.

Examples of industries that may be captured by this risk category are cement and steel.

Products

Companies that have carbon-intensive products or those in carbon-dependent industries where there is high revenue dependence on other companies with carbon intensive operations/products. These companies may face climate transition costs through reduced demand for their products and services.

MSCI uses estimated scope 3 carbon emissions intensity data according to its proprietary methodology to measure the risk exposure from this category.

Manufacturers of petrol-fueled vehicles, steam turbines and other energy equipment and services companies are examples that are captured in this risk category.

Asset Stranding

Companies that are at risk of having their assets stranded as a result of regulatory, market or technological forces from the climate transition. These companies may face significant costs related to impairments and devaluations of the assets impacted.

MSCI measures the risk exposure in this category as those companies that operate in the fossil fuel value chain that exceed a specific carbon emissions intensity threshold according to its proprietary methodology.

For example, this risk category includes companies involved in coal mining, coal-based power generation and others in the oil and gas industry.



Harbour Asset Management Limited

0800 460 830 | contactus@harbourasset.co.nz

Level 16, 171 Featherston Street Wellington | Level 29, 188 Quay Street Auckland