

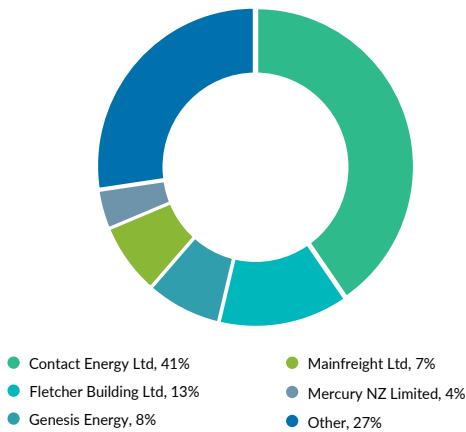
Responsible Investment

New Zealand Equities Fund	Fund	Benchmark
% of Portfolio reporting Scope 1 and 2 emissions (by market value)	87%	90%
Weighted Average Carbon Intensity (WACI), tCO2e	37	39
Portfolio Emissions (Scopes 1+2), tCO2e per \$1m invested	22	24

Listed Property Fund	Fund	Benchmark
% of Portfolio reporting Scope 1 and 2 emissions (by market value)	82%	88%
Weighted Average Carbon Intensity (WACI), tCO2e	12	7
Portfolio Emissions (Scopes 1+2), tCO2e per \$1m invested	2	1

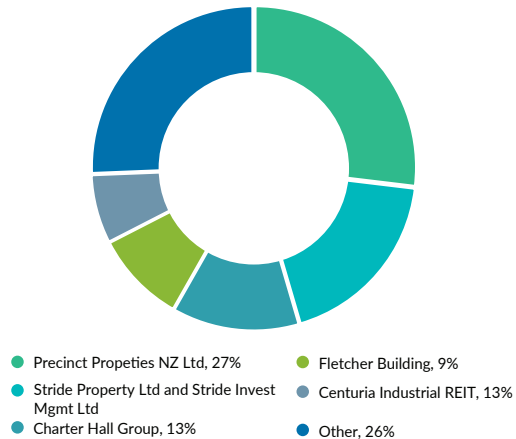
New Zealand Equities Fund

LARGEST CONTRIBUTORS TO PORTFOLIO WEIGHTED AVERAGE CARBON INTENSITY



Listed Property Fund

LARGEST CONTRIBUTORS TO PORTFOLIO WEIGHTED AVERAGE CARBON INTENSITY



Carbon Metrics 101

Octagon has been measuring the carbon intensity for some of its funds for several years now. We are pleased to present this information externally for investors as a part of our quarterly report.

Carbon accounting is a constantly evolving field that is relatively young compared to traditional accounting. As such, carbon accounting also involves a lot of new terminology that traditional investors may find unfamiliar. We rely on a third-party data provider, LSEG Workspace, to provide the emissions and financial data in our calculations.

We step through an explanation of the metrics we have displayed here:

Emissions types:

Scope 1: Direct emissions from the companies owned/controlled operations

Scope 2: Indirect emissions from the use of energy it purchases

Scope 3: Indirect emissions that are not produced by the company itself, or a result of activities under their control. Typically measures emissions produced upstream, or downstream, to the company itself.

Our RI Policy in action: Genesis Energy

Negative screening is the process that investment managers undertake to exclude specific companies or sectors from their portfolios. Octagon's Responsible Investment (RI) policy uses negative screening to exclude the manufacture and sale of controversial weapons, the production of tobacco products, and the capture and processing of whale meat. We do not currently exclude fossil fuel companies.

Why? Because we believe as investors, we can make the largest contribution to mitigating climate change by owning and encouraging high emitters to decarbonise.

When heavy emitting firms face higher costs of capital, or worse still starved of capital and pushed towards bankruptcy, they may become short-term focussed. They may be incentivised to 'sweat the assets' as the useful life of those assets diminish. The company may pollute more to generate cash to survive. Alternatively, publicly listed companies with higher emissions delist and resort to cheaper pools of private capital, thereby largely escaping scrutiny from public markets and shareholder votes.

Good intentions can result in bad outcomes.

A New Zealand example might be Genesis Energy (NZX:GNE). Genesis is an integrated electricity generator and the second largest consumer retailer in NZ. It also owns a portfolio of thermal and hydro power stations and a 46% stake in the Kupe oil and gas field in the Taranaki Basin.

Genesis aims to become net-zero by 2040 and invest \$1.1bn on renewable energy projects including solar, grid scale batteries, and renewable generation. They plan to displace coal use at Huntly with low-carbon biomass. To fund this capital expenditure Genesis has re-based their dividend and diverted 100% of the Kupe free cashflow into renewables. We support sensible investment decisions to execute this strategy.

The company has already undertaken positive emission reduction work. In FY24 Genesis's total Scope 1, 2 and 3 emissions were 3.2m tonnes ; a 28% reduction from FY20. The bulk of these emissions come from Kupe and burning coal at the Huntly power station. Huntly is a grid-scale 'peaking' asset essential for literally keeping the lights on when hydro lake levels run low. It is a vital piece of the country's energy jigsaw.

The production and use of fossil fuels is currently legal and considered essential in most modern societies. It doesn't mean it will always be this way, and we believe investments into fossil fuel companies that will lead this change and can demonstrate a credible and robust decarbonisation strategy should not be starved of investment capital, rather encouraged on their journey by shareholders who are prepared to ask the tough questions.

% of Portfolio reporting Scope 1 and 2 emissions (by market value): This metrics tells us what percentage of companies (by market value) in the portfolio and in the fund's market index report Scope 1 and 2 emissions. Over time we would expect this number to be 100% as more and more companies begin reporting emissions. Where a company is not reporting emissions, they have been excluded from the other carbon metrics in this analysis.

Weighted Average Carbon Intensity (WACI), tCO₂e: for this metric we rely on the definition provided by the Partnership for Carbon Accounting Financials (PCAF) which describes 'carbon intensity' as a measure of a portfolio's exposure to emissions-intensive companies where substantial amounts of their revenues are derived from emissions-heavy activities. It is calculated as 'tonnes of CO₂ equivalent emitted divided by revenues in millions of dollars'.

The PIE chart identifies which specific companies contribute most to the portfolio's overall carbon intensity number. This reflects both how emissions intensive a company is as well as how big its weighting in the portfolio is.

Portfolio Financed Emissions (Scopes 1 + 2), tCO₂e: this number provides an absolute measure of the Scope 1 and 2 emissions that the fund is responsible for financing (either by providing equity or debt capital to the company). This methodology is also provided by PCAF. For example, as reported in the table above, the New Zealand Equities Fund is responsible for financing ~2000 tonnes of Scope 1 and 2 CO₂e emissions for the current year (noting that different companies report emissions at different times).

Portfolio Financed Emissions (Scopes 1+2), tCO₂e per \$1m invested: this takes the above metric a step further by making it relatable to fund investors. In this example if an investor had \$1million invested in the New Zealand Equities Fund, they would be responsible for financing ~22 tonnes of Scope 1 and 2 CO₂e emissions.

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