



Climate Statements

Rabobank New Zealand Banking Group

For the reporting period 1 January 2023 to 31 December 2023

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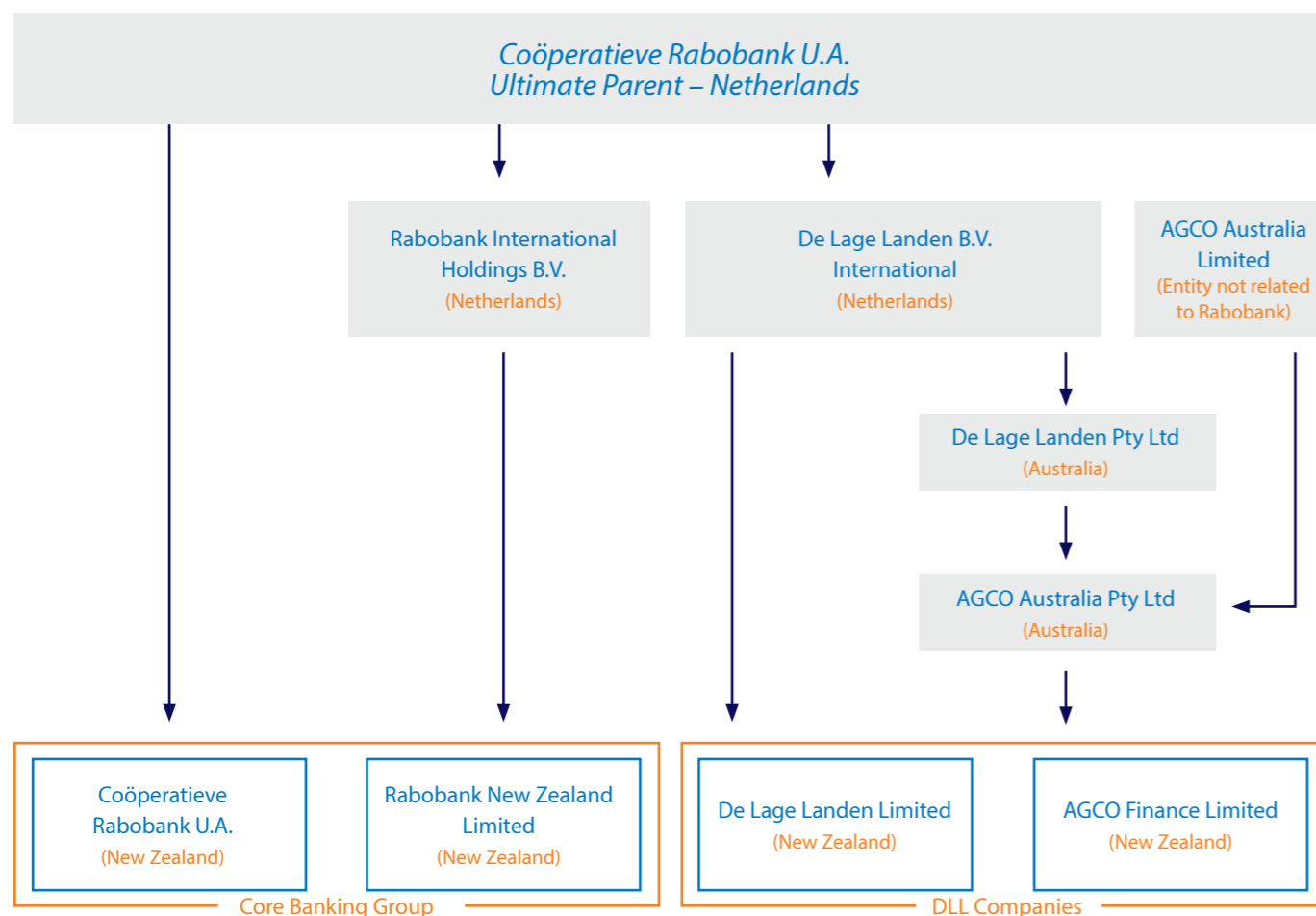
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Rabobank New Zealand Banking Group

A climate-reporting entity must prepare its climate-related disclosures for the same reporting entity as its financial statements. In accordance with the Financial Markets Conduct Act 2013 (FMCA), a reporting entity is required to prepare financial statements for its New Zealand business. Coöperatieve Rabobank U.A. (Rabobank) is a reporting entity.

The New Zealand business of Rabobank comprises of Rabobank New Zealand Branch (the Branch), Rabobank New Zealand Limited (the Bank), De Lage Landen Limited and AGCO Finance Limited (collectively referred to as the "Banking Group" or the "Group").

Organisational structure of entities in scope of Climate Statements



In these Statements:

- De Lage Landen International B.V. is referred to as DLL
- DLL and AGCO are collectively referred to as DLL Companies
- the Bank and the Branch are collectively referred to as Core Banking Group.

About These Disclosures

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

The Group continues to integrate climate change considerations into governance, strategy and Risk Management processes in line with the requirements of Aotearoa New Zealand Climate Standards (NZ CS) issued by the External Reporting Board (XRB). These Statements detail the material Climate-Related Risks and Opportunities as well as climate-related Metrics and Targets. Any forward-looking information and scenarios within these Statements should not be considered a guarantee of future-related climate outcomes. Instead, these Statements provide a view of the Group's understanding as of today within the limitations, uncertainties and assumptions of future climate models and scenarios. These limitations and assumptions are detailed on pages 35, 58–65.

Disclaimer

These Statements are published by the Group for the climate-related disclosures reporting period of 1 January 2023 to 31 December 2023.

These Statements, including the figures within it, have not been audited by an external auditor.

The Group has prepared these Statements based on its current knowledge, data currently available to the Group and what in the Group's view are the most suitable methodologies and methodological choices for disclosed elements.

Where these Statements contain forward-looking statements, these reflect the knowledge, views and intentions of the Group at the date of publishing these Statements. Many of the statements contained in these Statements are not historical facts, including without limitation the forward-looking statements, which are based on the current views and assumptions of the Group and may be subject to change. Such statements may involve known and unknown risks and uncertainties that could cause results, performance or events to differ materially from those expressed or implied in statements in these Statements.

Forward-looking statements, actual impact on transitions, future results, performance of the Group and external events may be affected by a variety or combination of uncertainties and external factors, including but not limited to:

- changes in general economic or political conditions and customer behaviour globally or in the segments or regions that the Group operates in
- geopolitical risks, political instabilities and policies and actions of any governmental or regulatory authorities
- changes in performance of financial markets

- changes in government policies, regulations and laws and the interpretation and application of those policies, regulations and laws
- the availability of reliable (emissions or customer) data
- uncertainties in and the use of (emissions) calculation methodologies and models
- new or changed scientific-based insights in relation to the content of these Statements and any changes arising out of these insights
- technological developments
- changes arising out of market practices and standards, including emerging and developing climate and ESG-related standards
- operational, regulatory, reputational, transition and other risks in connection with ESG-related matters.

The actions contained in these Statements are developing and based on certain assumptions. No assurance can be given at this time that the initiatives, goals or forecasts set out in these Statements will be achieved in the manner outlined.

The Statements will be issued by Rabobank for the Group each year as required by the FMCA. Additionally, any changes to local laws, regulations, government policies or other relevant factors that may affect the statements or actions in these Statements will be incorporated into future reports as necessary.

These Statements are for information purposes only and are not and should not be construed as an offer or a commitment by the Group to enter into a transaction. This information is general in nature only and does not take into account an individual's personal circumstances.

Although the Group believes the statements and Metrics have a reasonable basis and are stated to the best of the Group's abilities and in good faith, they are not certain and involve various known and unknown risks and assumptions. Nothing that is stated or implied in these Statements is intended to or shall create or grant any right of or any cause of action to, by or for any person or legal entity other than the Group.

Introduction



Our Ambition Regarding Climate Change

Letter from the Chief Executive Officer

Rabobank's cooperative heritage is at the heart of its global ambition of Growing a Better World Together. Rabobank is committed to taking a long-term view of the food and agricultural sectors, partnering with farmers and growers where we can as we collectively face the dual challenge of reducing carbon emissions at the same time as increasing production to help tackle global food security.

Locally, the Group is aligned to this global ambition. New Zealand needs to meet its own climate commitments, and the Group understands that action is required so that the food and agricultural sectors stay on track to help meet these commitments. At the same time, New Zealand must ensure its agricultural industry continues to help the national economy and feed a growing world population.

Climate change is complex, and the food and agricultural sectors are all at different stages of the transition towards acceptance and response. Notwithstanding, we believe that New Zealand can achieve an appropriate balance between a strong economy, food security, reducing emissions from agricultural activity and protecting the health, wellbeing and vitality of our rural communities.

The Group has embarked on its own path by developing its own initial sustainability plan, which includes planned actions in relation to climate that are incorporated in these Statements. In recent years, the Group has expanded its team of internal specialists that help to show us the way, but in many respects, we are just getting started.

Our core initial sustainability policies and Targets have been set and data capture systems continue to be enhanced to assist with reporting our Greenhouse Gas (GHG) emissions with greater precision from 2025.

Through our operations and the plans we have to help locally *Grow a Better New Zealand Together*, we aim to be a responsible bank by advocating for the food and agribusiness sector where appropriate on issues that we feel could have a positive impact on the sector, the environment and our customers.

Rabobank in New Zealand is proud to support the banking needs of this country's food and agriculture sector as it continues to step up to the challenge of transitioning to lower-intensity emissions production systems profitably.



Todd Charteris
Chief Executive Officer
Rabobank New Zealand

About the Banking Group in New Zealand

The Core Banking Group is New Zealand's only specialist food and agribusiness bank and is headquartered in Hamilton, New Zealand and has been providing financial products and services to the New Zealand food and agribusiness sector since the 1990s.

Originally founded back in the 1890s in the Netherlands, Rabobank was established as a small cooperative bank set up by farmers to serve local rural communities. Rabobank has now expanded to over 36 countries and has become one of the world's leading food and agribusiness banks. Within this international network, the Core Banking Group along with Rabobank Australia represents over 20% of Rabobank's international loan portfolio. Today, as part of the Core Banking Group, the Bank is one of

New Zealand's largest rural lenders, being a significant provider of financial products and services to the food and agribusiness sector in New Zealand.

The Core Banking Group delivers on three core banking services to support the New Zealand food and agricultural sectors:

1. Rural financial services and business banking.
2. Retail deposits.
3. Corporate financial services.

DLL Companies provide equipment and motor vehicle finance under hire purchase and leasing contracts to a broad range of food and agricultural industries in New Zealand.

The Core Banking Group at a Glance (as at December 2023)

100% of local profits have been retained in New Zealand to date

Employees: 523

Lending customers: Approximately 4,000 Rural, 31 Wholesale

Online Savings customers: Approximately 53,000

Head office: Hamilton

Balance sheet: \$20.7 billion

Offices: 27 offices from Whangārei to Invercargill

Market share: 21.4% of rural lending

DLL Companies at a Glance (as at December 2023)

Employees: 15

Balance sheet: \$0.99 billion

Lending partners: 9,341

The Core Banking Group's Business Plan and Sustainability

Leading on sustainability is part of the Core Banking Group's overarching business plan and a strategic priority that will enable the Core Banking Group to achieve its mission and ambition of *Growing a Better New Zealand Together*. Sustainability issues, which encompass climate, are of increasing importance to the business and, more broadly, the stakeholders of the business, especially regarding the associated impacts, risks and opportunities. Across the Core Banking Group, we are working on climate Risk Management, which includes working towards meeting the commitments under New Zealand's Climate Change Response (Zero Carbon) Amendment Act 2019. It also includes working towards Rabobank's Road to Paris commitments being:

- net-zero CO₂ by 2050 (with other GHGs aligned with pathways to net-zero by 2050)*
- a 12% reduction in Emissions Intensity in New Zealand Dairy from the 2020 Base Year by 2030.

Ensuring the future prosperity of the Core Banking Group's customers and their communities, protecting the environment and the Core Banking Group's ongoing operations requires the Core Banking Group to integrate climate-related and ESG considerations and responsibility throughout the business.

The Core Banking Group is committed to helping Rabobank to meet its global climate-related and ESG goals and its own in New Zealand. The Core Banking Group's aim is to ensure this commitment aligns with the need to assist the Core Banking Group's customers to prepare for a future where both domestic and international markets, along with regulatory frameworks and legislative obligations, require farmers and growers to produce (and demonstrate the production of) more sustainable food and fibre.

*For a full definition, see page 54.

Mission
Growing a better New Zealand together

Purpose
To support our clients' contributions to a sustainable and prosperous agriculture sector and vibrant rural communities

Ambition
Be the food and agri bank of choice in New Zealand

Drivers

Excellent Customer focus

Meaningful Cooperative

Rock Solid Bank

Empowered Employees

Rabobank New Zealand 2028 strategic objectives and measures of success

Sustainable client business

Vibrant rural and regional communities

Sound and consistent return on capital

Prominent market share

The Bank 2024–2028 strategic priorities

Supporting our clients and food and agribusiness through:

Enabled by:



1
Refocusing on our differentiation



2
Leveraging our knowledge and networks



3
Supporting positive change in rural and regional communities



4
Leading on sustainability



5
Efficient growth



6
Being easier to do business with



7
Engaged people and strong culture

DLL Sustainability Strategy

Given the urgency of the climate emergency around the world, in 2023, DLL intensified its efforts to accelerate the energy, food and agriculture, and circularity transitions and supported partners and end users to adopt more sustainable business models. As a part of its refreshed corporate strategy, DLL has revisited its sustainability strategy, which now prioritises activities that support the following ambitions as they relate to climate change:

- To help existing partners achieve their sustainability ambition by aligning DLL strategic initiatives and solutions.
- To onboard new partners that focus on three key transition areas: energy, food and agriculture, and circularity.
- To invest in new opportunities, including adjacent propositions, channels and markets and innovations in the three transition areas.
- To comply with ESG regulations and commitments.
- To adhere to high ESG standards in the way DLL runs business.

Climate change

Energy Transition
Partner Transition

Biodiversity and ecosystems

Food and Agri Transition

Resource use and circular economy

Circulatory Transition

DLL is committed to contributing to the climate goals of the Paris Agreement and aligns with Rabobank's commitment to the Net-Zero Banking Alliance.

The Group's Approach to Climate-Related Reporting

Key Concepts

The Group's approach to climate change aligns with its broader approach to ESG issues. These interrelate to different drivers of risks and opportunities that either impact on or result from climate change.

Impacts, Risks and Opportunities

Climate change is potentially material for the Group from two perspectives:

- **The impacts of the Group on the climate** (inside-out perspective).
- **The risks and opportunities that climate change presents to the Group** (outside-in perspective) where materiality is meant in the broad sense of affecting the development, performance and position of the Group, including regulatory and reputational consequences.

From either perspective, impacts, risks and opportunities result primarily from the activities of customers that are financed by the Bank and may be positive or negative.

These Statements focus on the risks and opportunities climate change presents to the Group and the specific requirements of the XRB standards and are aimed at the intended Primary Users of these disclosures.

Climate-Related and ESG Risk Factors

Climate-related

Climate-Related Risk factors are those related to the state of the climate system, including the impacts of climate variability and climate change and societal response to these impacts.

Environmental

Environmental risk factors are those related to the quality and functioning of natural and managed ecosystems and the services they provide and societal responses to their degradation and loss.

Social

Social risk factors are those related to the quality and functioning of human and social systems and the rights, wellbeing and interests of people and communities.

Governance

Governance risk factors are those related to inadequate or failed governance practices (of either the Bank or its counterparties), including ethics, anti-corruption and bribery matters.

Cross-Cutting Risk Drivers and Transmission Channels

Climate-Related Risk arises from a wide range of risk factors that shape the business environment in which the Group operates. The Group's approach is to treat climate-related (and other ESG) risks as a set of interconnected risk factors that can affect the whole business.

These Climate-Related Risk factors can act as drivers, also known as amplifiers, of the Group's existing material risks (business, credit, market, liquidity, operational and compliance risk). Amplifiers can impact our material risks from a variety of direct and indirect transmission channels and therefore have the potential to create financial, regulatory, legislative or reputational consequences

Climate-related and ESG risk factors as drivers or amplifiers of material risks



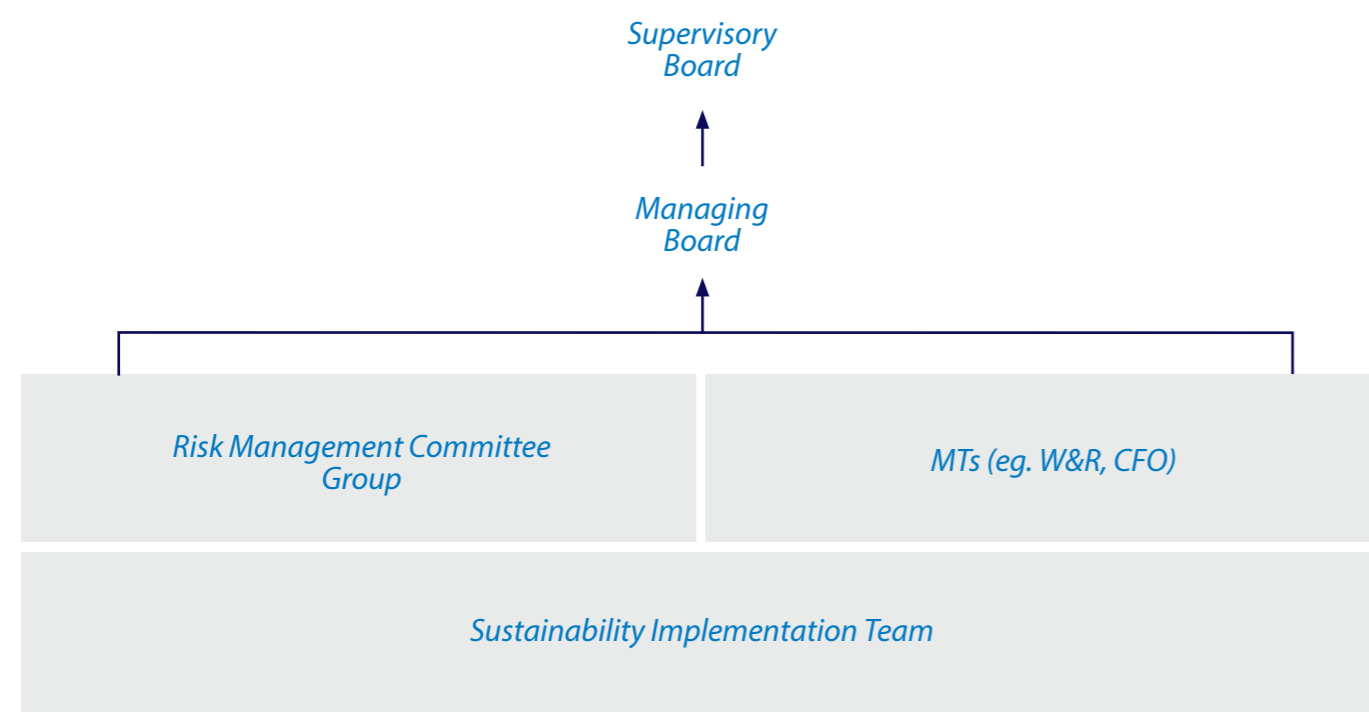
Further details of how Climate-Related Risks are integrated into the Bank's Risk Management Framework are provided in pages 46 and 47.

Governance



Rabobank's Approach to Governance

Organisational structure relevant for oversight of Climate-Related Risks and Opportunities.



Board Governance and Oversight of Climate-Related Risks and Opportunities

The Supervisory Board supervises the management and the general affairs and business of Rabobank and its affiliate companies and advises the Managing Board, including oversight of sustainability matters. The Supervisory Board receives updates from the Managing Board on sustainability strategy, impact, risks and reporting on specific urgent cases such as nitrogen.

The governance and the developments in respect of sustainability were high priorities for the Supervisory Board and its committees in 2023. The theme required attention from various perspectives: strategy, business models, governance, Risk Management and reporting. Discussions took place on progress and dilemmas during every Supervisory Board meeting and relevant Supervisory Board committee meetings. In this respect, the Supervisory Board also monitored the interactions of Rabobank with external stakeholders.

Based on a rolling agenda for the Supervisory Board and its committees, specific topics are brought to the agenda. The topics discussed in the Supervisory Board included the Impact Report 2022, the developments in the Dutch agricultural sector including the nitrogen file and the Financed Emissions approach. The Supervisory Board endorsed the initiatives towards clients, employees and members and the Managing Board's approach to come up with a proactive proposal to support the Dutch agricultural sector in the transition towards a more sustainable future.

The proactive approach of Rabobank supported the new agrifood vision for 2040, which was presented in December 2023. Given the importance of sustainability for Rabobank, the governance of the Supervisory Board with regard to sustainability was reassessed and redefined during two offsite meetings of the Supervisory Board in 2023, which included the Managing Board. During the first offsite, the Supervisory Board held a deep dive and gained knowledge on specific sustainability issues for Rabobank such as sustainability commitments, business dilemmas and the view of NGOs. Also, the Supervisory Board reflected on its role as supervisor on sustainability.

The Risk Management Committee (RMC Group) at Rabobank Group level is mandated by the Managing Board to oversee the implementation of the Risk Management Framework, perform risk monitoring and reporting and provide oversight of new risk regulation, including ESG risks. The RMC Group is chaired by the Chief Risk Officer (CRO) and includes members of senior Management. The RMC Group provides oversight of the firm's Risk Appetite Statement, which describes the levels and types of risks that Rabobank is willing to accept in order to achieve its strategic goals while remaining in compliance with regulatory requirements, including ESG risk guidance. As part of its oversight, the RMC Group receives quarterly reports on the Risk Management approach to, for example, climate risk, including Rabobank's approaches to stress testing and the integration of changes into existing Risk Management processes.

The Audit Committee prepares the Supervisory Board's decisions on all matters regarding the integrity and quality of Rabobank's financial and non-financial reporting, the effectiveness of Rabobank's internal control systems framework, the reporting and functioning of the external auditor, the reporting and functioning of Rabobank's internal audit function and the functioning of Rabobank's compliance and risk function. From a sustainability perspective, this includes (but is not limited to) at least the following topics: external sustainability reporting process and the integrity and quality of thereof (e.g. Pillar 3 ESG, Impact Report), Status CSRD Implementation (part of Annual Report) and relevant audit findings on sustainability-related topics. During 2023, the Audit Committee held education session on the implementation of the CSRD.

Board Oversight – Skills and Competencies

In order to carry out its tasks, the Supervisory Board must meet the quality requirements as described in the Profile of the Supervisory Board of Rabobank (version 2022), which is determined by the Supervisory Board after approval by the General Members' Council following the advice of the Staffing and Remuneration Committee of the General Members' Council.

The profile of the Supervisory Board takes account of the nature, scope and complexity of the Rabobank risk profile, and the Supervisory Board evaluates the profile once a year to determine whether it still meets current quality requirements.

The profile of the Supervisory Board is consulted on for appointments and reappointments of members. In the light of a multi-year succession plan, the Supervisory Board reviews which specific fields of knowledge and experience, other qualities and competencies are necessary at the time of each appointment or reappointment in order to ensure optimal operation as a collective Supervisory Board. The individual and collective suitability of the members of the Supervisory Board is reviewed continuously.

The profile sets out generic competencies that each member of the Supervisory Board must possess. In addition to the generic competencies, the collective Supervisory Board must possess a number of individual fields of knowledge and experience, and these fields are taken into consideration in the composition of the Supervisory Board. Included in this is knowledge and experience relating to environmental, social and governance risk factors.

In 2023, a programme for the development of knowledge and education for the Supervisory Board was designed. The Supervisory Board held several deep dives and discussed and shared dilemmas on major topics regarding sustainability such as developing rules and regulations, Rabobank's role in sustainability and the food system, Rabobank's international sustainability perspective in the rural domain and expectations of NGOs and other stakeholders.

Additional Governance and Management Roles

The Rabobank organisational structure is designed to effectively manage its operations and uphold its strategic objectives including climate-related and ESG priorities. The table that follows maps key Management responsibilities.

Rabobank Position/Committee	Responsibilities
Managing Board	<ul style="list-style-type: none"> The Managing Board (MB) sets Rabobank's sustainability ambition, including the Group's sustainability strategy and roadmap. The Chief Sustainability Officer reports to the Chair of the MB. The MB sets the sustainability strategy/roadmap and ensures that sufficient resources are available for sustainability initiatives. If needed, the MB takes corrective action. Responsibility for sustainability regulations and commitments has been assigned to each MB member.
Chief Financial Officer	<ul style="list-style-type: none"> Provides proposals for corporate strategy to the MB and the performance management process, incorporating both sustainability and risk strategy and translates (sustainability) strategy to MTP and KPIs. Owns and implements related policies and standards on performance management, pricing, funds transfer pricing and GHG emissions. Is responsible for external reporting. Ensures effective sustainability data management.
Chief Risk Officer	<ul style="list-style-type: none"> Provides sustainability risk and compliance governance framework, challenging and advising on risk taking, monitoring legislative and regulatory requirements concerning sustainability risks, the sustainability risk profile and impact on traditional risk types. Keeps second line oversight on implementation of sustainability regulations and commitments via regulatory oversight committee.
Chief Sustainability Officer	<ul style="list-style-type: none"> Develops the sustainability strategy for decision-making by the MB (including setting key sustainability topics, formulating Rabobank's position on sustainability topics and providing input for the sustainability KPIs) and sustainability policy development. Provides communication and external engagement to, among others, NGOs and sustainability networks. Acts as a thought leader and centre of expertise on sustainability topics (including regulations). Owns and executes the Sustainability critical execution priority.
Sustainability Implementation Team (IMT)	<ul style="list-style-type: none"> Reports directly to and has a direct mandate from the MB. Consists of senior management representatives of the key domains and is chaired by the Chief Sustainability Officer. Ensures the implementation of sustainability decisions across the Bank and in their own domains, and approves implementation plans for key sustainability topics. Provides recommendations to the MB on decision making regarding sustainability strategy, ambitions and resources (eg. FTEs). The approval of Rabobank annual reports and policies is not in the scope of the IMT. The approval of sustainability policies follows the regular governance, which runs through the Management Teams (MTs), RMC Group and MB.

The following additional roles are relevant to the Branch only. Management roles included in the Bank's table on page 22 also support operations of the Branch.

Position	Responsibilities
Chief Executive Officer	<ul style="list-style-type: none"> The Chief Executive Officer of Coöperatieve Rabobank U.A. New Zealand Branch has a delegation from Rabobank to manage the day-to-day affairs and conducting the business of the Branch. The Chief Executive Officer is ultimately responsible for the organisational strategy, business plan, Risk Management Framework and oversight of the business operations of the Branch. The Chief Executive Officer: <ul style="list-style-type: none"> sets risk appetite (within the overall limits set by Rabobank and Rabobank Wholesale and Rural). approves the Risk Management Strategy Framework. approves key risk policies and standards. signs off relevant risk and compliance attestations. The Chief Executive Officer established a Leadership Team to support day-to-day management of the Branch. The Branch is also supported by the Risk Management Committee in New Zealand.
Group Executive, Wholesale Banking	<ul style="list-style-type: none"> Is accountable for Rabobank's New Zealand Wholesale Banking business and directs and controls the strategic, financial, regulatory and prudential management of the Branch's Wholesale Banking business, including distribution of Wholesale Banking products to eligible corporate clients in the food and agriculture sector. Has oversight and responsibility for climate Risk Management for lending and other exposures to Wholesale Banking clients, including assessing and measuring the financial implications of climate-related risks across the Wholesale Banking client portfolio. Reports to the CEO of the Branch on a quarterly basis.

Rabobank Remuneration and Performance

Integrating sustainability into the business activities is of the utmost importance to the sustainability ambitions of Rabobank. Based on the strategic direction, Rabobank develops appropriate business plans with Targets that are aligned with or aggregated in the Managing Board's KPIs. The business entities work closely with Rabobank's Sustainability Department to set the sustainability ambitions and goals. The performance Targets include (where relevant) Rabobank's ESG objectives.

All members of the Managing Board had a shared KPI set that included three sustainability KPIs relating to products and services, customer satisfaction and carbon footprint. One of the KPIs was a CO₂ emissions reduction Target for Rabobank's own business operations. For 2024, there will be two shared KPIs in the Managing Board set: Financed Emissions and the amount of sustainable financing. An approach for senior Management accountability on nature-related topics is currently being developed and is expected to be implemented by the end of 2024.

Objective	Key Performance Indicator	Weighting	Target (Full-Year)
Greening our portfolio	Number of positive (or positive with comments) options provided by the sustainable finance panel on submissions during 2023	12.5%	4 deals
Road to Paris	Percentage of eligible Wholesale clients covered with a sustainable account plan	12.5%	65%

The results against these Targets were reported to the Chief Executive Officer on a quarterly basis and reviewed along with all business Metrics to understand progress and used to assess the momentum of the particular annual performance.

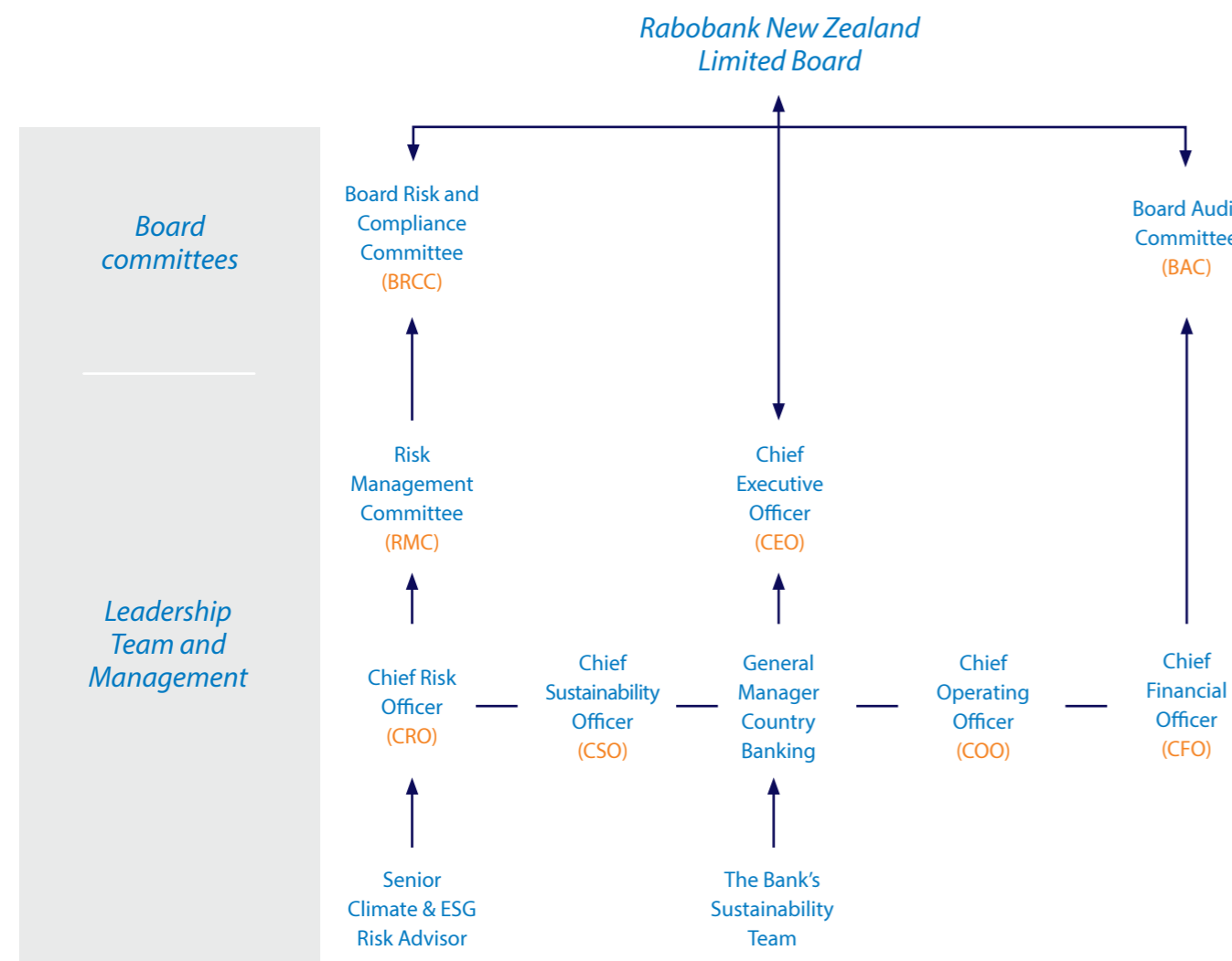
Branch Remuneration

The performance of the wholesale business in the Branch follows the same framework as for the Bank's Rural business and is outlined under the Bank's remuneration section on page 23.

Under the strategic priority of being a 'Meaningful Cooperative' and comprising 25% of the overall Performance Dashboard, the following climate-related measures were approved for the 2023 year for the Australia and New Zealand Region Wholesale business by Rabobank in consultation with the Core Banking Group's Management team:

The Bank's Approach to Governance

Organisational structure relevant for oversight of Climate-Related Risks and Opportunities



Board Governance and Oversight of Climate-Related Risks and Opportunities

The Rabobank New Zealand Limited Board (the "Board") is responsible for providing input into and final approval of the organisational strategy and performance objectives for the Bank. The Board provides oversight of the operational and financial performance and is ultimately responsible for the Bank's Risk Management Framework (RMF) in relation to its climate-related impacts – see page 46.

The Board oversees progress against Climate-Related Opportunities and risk boundary setting through the following functions:

- Working with the Bank's Management to set risk appetite for climate-related initiatives and risk settings such as emissions reductions and concentration risks (within the overall limits set by the Bank) to facilitate execution against the Bank's strategic objectives and priorities.
- Overseeing progress against risk appetite and climate-related Metrics and Targets through review of regular management reports.
- Approving the Internal Capital Adequacy Assessment Process, Capital Management Plan and Risk Management Strategy.
- Approving key risk policies and standards.
- Delegating the development and operation of climate-related functions to Management to ensure the Bank has sufficient resourcing.

To enable these functions, the Board is supported by the Board Risk and Compliance Committee (BRCC) and the Board Audit Committee (BAC).

Climate-Related Risks and Opportunities were discussed at the Bank's quarterly Board meetings. These discussions were, in part, informed by a climate-related and ESG paper, which provided a status update on progress made in the quarter and formed the basis for Board discussion of climate-related and ESG activities undertaken by the New Zealand business. The Board, through the BRCC, also received quarterly reporting against key Climate-Related Risk appetite settings.

The BRCC has been purposefully established to assist the Board in fulfilling certain statutory, fiduciary and regulatory responsibilities and to provide an objective, non-executive review and oversight of the implementation, adoption and effectiveness of the Bank's Risk Management and compliance frameworks.

The BRCC received quarterly reporting on climate-related and ESG risk and regulatory developments. These reports covered updates on the activities related to climate-related and ESG risks both locally and globally that impact the delivery of the Bank's local strategy (see 'Strategy' section below). The Board reviewed and acknowledged this report on a quarterly basis.

Additionally, the BRCC and the Board received quarterly reports on Risk Strategic Priorities, including those related specifically to climate, which were agreed and approved by the Board as part of the annual review of the Risk Management and Strategy Framework. The BRCC provided quarterly oversight to the Board to ensure that the RMF has been effectively implemented and Risk Management practices were in place.

The BAC has the principal function of supervision, oversight and monitoring, which includes oversight of compliance with statutory and regulatory accounting requirements and prudential reporting requirements. The BAC reviewed the Bank's draft Statements at its quarterly March 2024 meeting and a special Committee meeting in April 2024. The Board reviewed and provided input into the draft Statements at its meetings in October and November 2023 and in a Board meeting in early March 2024 before formally approving the final Statements at its meeting on 23 April 2024.

Board Skills and Competencies

It is important that the Board possesses a wide range of skills, including ESG expertise, to ensure that the appropriate skills and competencies are available to provide the appropriate oversight of Climate-Related Risks and Opportunities. The Board maintains a Skills Matrix that outlines the various skills required for its directors, which is reviewed at least annually and updated as required to ensure that the necessary skills are represented in the Board's composition.

Within the Board Skills Matrix, climate-related skills are not a stand-alone category but are expressed through ESG competencies that are incorporated into a variety of functional business categories. These include strategy, financial/commercial acumen, Risk Management, corporate governance, primary sector, and government policy and regulations. The integration of ESG skill competencies into these categories demonstrates that Climate-Related Risks and Opportunities oversight is an important element of the Bank's business functions at the Board level.

In early 2024, the Board Skills Matrix was further enhanced to include a separate sustainability/ESG category to ensure that experience with sustainability and ESG in a business context can be demonstrated with an understanding of international and local Road to Paris obligations and current developments in the areas of sustainability and ESG in both a New Zealand and international context.

When a vacancy emerges on the Board, the Skills Matrix guides the formulation of the search criteria to ensure that it encompasses a diverse set of skills in terms of knowledge, experience and expertise. Furthermore, the Board conducts an annual review of its succession planning to ensure a well-balanced mix of skills, knowledge, independence, experience and diversity among its members.

To enhance its understanding of climate-related and ESG matters, the Board participated in workshops and presentations delivered by both internal and external subject matter experts in these fields. These were scheduled in the Board's quarterly meetings and interim meetings. Additionally, the Board leveraged the global knowledge and expertise of employees from Rabobank to further its knowledge and understanding in these areas.

Governance and Management Roles

The Bank's organisational structure is designed to effectively manage its operations and achieve its strategic objectives, including climate-related and ESG priorities. The table below maps key Management responsibilities.

Position/ Committee	Responsibilities
Risk Management Committee (RMC)	<ul style="list-style-type: none"> Mandated to oversee the implementation of the Risk Management Framework, which includes climate-related risk management, perform risk monitoring and reporting and perform oversight of new risk regulation including Climate-Related Risks. The RMC is chaired by the Chief Risk Officer and includes members of senior Management. The RMC provides oversight of the Bank's Risk Appetite Statement, which describes the levels and types of risks that the Bank is willing to accept in order to achieve its strategic goals while remaining in compliance with regulatory requirements, including Climate-Related Risk guidance as agreed by the Board as part of the Risk Appetite Statement. As part of its oversight, the RMC receives updates on the Bank's Risk Management approach to climate risk, including its approaches to stress testing and integration into existing Risk Management processes. After review, the RMC recommends papers to be submitted to the BRCC as is appropriate.
Chief Executive Officer	<ul style="list-style-type: none"> Has delegated authority from the Board for the Bank's day-to-day management of Climate-Related Risks and Opportunities. Management of these is then delegated to either the appropriate Management committee or specific Leadership Team members. The CEO provides monthly reporting to the Board.
Chief Risk Officer	<ul style="list-style-type: none"> Responsible for the Bank's Risk Management Framework and Climate-Related Risk as it interacts across its material risk types. Has oversight of Climate-Related Risk assessment, including, among other things, climate stress testing and climate event response (Business Continuity). The CRO provides quarterly reports to both the RMC and BRCC (which includes climate risk). The CRO report is noted by the Board.
Chief Operating Officer	<ul style="list-style-type: none"> Has oversight and responsibility for the Bank's direct Scope 1 and 2 emissions strategy and ownership of participation and accreditation with Toitū and provides quarterly updates to both the RMC and BRCC as appropriate. COO updates to the BRCC, which include progress on the Bank's operational emissions Targets (as described on page 55 of 'Metrics and Targets'), are noted by the Board.
Chief Financial Officer	<ul style="list-style-type: none"> Has oversight and responsibility in climate Risk Management by assessing and measuring the financial implications of Climate-Related Risks across the portfolio and ensuring that transparent disclosures are accounted for in financial reports. The CFO reports to the Board on a quarterly basis.
Chief Sustainability Officer	<ul style="list-style-type: none"> Responsible for developing and driving delivery of the Bank's sustainability strategy and objectives in alignment with Rabobank's global strategy and goal of net-zero by 2050. The CSO works with subject matter experts in the business to integrate sustainability into the way the Bank operates, from its internal policies, business strategies, plans and portfolio steering through to its customer conversations and the products and services the Bank offers. The CSO provides quarterly reports to the Board.
Chief Compliance Officer	<ul style="list-style-type: none"> Has oversight and responsibility for the compliance function of the Bank, which includes management of compliance risk and regulator engagement. The CCO produces quarterly reports to the RMC and BRCC on compliance risks.
Senior Climate and ESG Risk Advisor	<ul style="list-style-type: none"> Focused on identifying and managing Climate-related and ESG-related risks to the Bank, including delivering climate-related elements from the Risk Strategic Priorities. This role reports to the CRO.
General Manager, Country Banking	<ul style="list-style-type: none"> Responsible for planning, developing, implementing, controlling and directing the strategic and operational delivery of Country Banking services in New Zealand, including delivery of Key Performance Indicators (KPIs) in the Performance Dashboard (as described on page 23).

Governance and Metrics and Targets Setting

The Board approved the Bank's strategy and risk appetite taking into account feedback from Rabobank and the Bank's Management. Rabobank and local Management in turn set and approved strategic Key Performance Indicators (KPIs) and climate risk activities as detailed in these Statements (see 'Remuneration' section below) to give effect to the strategy and to manage the Bank's operations within the set risk appetite. In 2023, the Board approved KPIs as part of the business plan.

The Board received quarterly updates from the CEO, CRO, CFO and CSO in the form of formal reports that measured the Bank's progress against these KPIs, key risk indicators and strategic actions.

Climate-Related Risks and Opportunities Metrics and climate risk activities are developed by Management and are informed by either Rabobank's global or local commitments to agreements such as the Paris Accord or the Net-Zero Banking Alliance. Part of this was the setting of risk tolerances against the management of lending or operational risks, such as the Bank's Targets of reducing Emissions Intensity across its dairy sector loans by 12% by 2030 from the 2020 Base Year or the Bank's Toitū commitments to reduce operational emissions by 50% by 2030 from the 2019 Base Year.

Remuneration

The Bank's performance was assessed on achievement of a balanced scorecard that included financial, customer, sustainability, operational, risk and people-related KPIs in a framework known as the Performance Dashboard. These KPIs, linked to the Bank's vision of having an 'Excellent Customer Focus' and 'Empowered Employees' and being a 'Meaningful Cooperative' and 'Rock-Solid Bank', are determined on an annual basis and include measures aligned with the Bank's strategy – see page 11.

Under the strategic priority of being a 'Meaningful Cooperative' and comprising 20% of the overall Performance Dashboard, the following climate-related measures were approved for the 2023 year for the Rural business by Rabobank in consultation with the Bank's Management team and Board.

Objective	Key Performance Indicator	Weighting	Target (Full-Year)
Greening our portfolio	Development of a solution for sustainability assessments for rural clients with exposure under NZ\$1 million	6.7%	Solution developed, with an implementation plan in place
Sustainability knowledge	Development and implementation of a sustainability training and education curriculum	6.7%	71–89% of training plan delivered
Road to Paris	The percentage of Rural clients covered with carbon calculator	6.7%	Identified carbon calculators for all sectors/10% of portfolio covered with carbon calculator

The results against these Targets were reported to the Board on a quarterly basis and reviewed along with all business Metrics to understand the progress and achievement against the Targets.

The performance of the Bank was included in a regional Performance Dashboard for Rabobank Australia and New Zealand Region and, along with the results of Wholesale and Rural division and Rabobank, was used for the calculation of the Variable Remuneration pool for the year. The Performance Dashboards of Rabobank also incorporated climate-related and ESG measures. These measures encompassed specific KPIs such as the Road to Paris indicators.

The Bank's strategic objectives and KPIs at an organisational level then cascaded down to influence divisional and departmental measures and, in turn, individual employee objectives for the annual performance management process.

For the 2023 year, the performance objectives for some employees in the Rural business had climate-related and ESG goals incorporated to different extents, dependent on the role they undertook. Performance for the year was assessed against the agreed qualitative and/or quantitative performance objectives, including climate-related measures.

The Variable Remuneration pool allocated to Rabobank Australia and New Zealand Region led to consideration of a discretionary Variable Remuneration award for the year for each employee based on a percentage range of Variable Remuneration opportunity for the grade of their role and their overall performance.

The Board approved individual outcomes for total remuneration for senior managers.

DLL Approach to Governance

Organisational structure relevant for oversight of Climate-Related Risks and Opportunities



Board Governance and Oversight of Climate-Related Risks and Opportunities

DLL has a two-tier board structure consisting of an Executive Board and a Supervisory Board. Through the governance framework and group Management structure of DLL, the Executive Board oversees the strategic and other important decisions and actions to be taken throughout DLL globally. The Executive Board of DLL is responsible for strategy setting, managing and steering DLL Group in line with DLL's articles of association and the Executive Board Charter, as approved by the Supervisory Board.

DLL's Supervisory Board oversees the management by the Executive Board and the general conduct of business of DLL and provides advice to the Executive Board.

During 2023, a new committee, the Sustainable Asset Review Committee (SARC), was established. This subcommittee of the Product Approval & Review Committee (PARC) is mandated to ensure that DLL applies an objective and consistent classification methodology to determine which assets may be included in DLL's sustainable business portfolio. The SARC reviews and approves assets funded by DLL against relevant external standards, including the Green Loan Principles, EU Taxonomy and the climate bond initiative, to determine whether the financing of such assets can be considered sustainable finance by DLL and be reported externally as such.

During 2023, it was also decided that, from 2024, the Sustainability and Climate Committee (SCC), which reports directly to the Executive Board, will be renamed the Sustainability & Environmental Standards Committee, with a broader mandate that will cover the three material themes identified in 2023: climate, biodiversity and circularity.

The SCC is chaired by the CEO, and its members include the CCO, CRO and senior representatives of the COO and CFO domains. The SCC acts as both an advisory and a decision-making board. During 2023, the SCC met on a monthly basis and discussed among other things: the efforts to establish DLL total Financed Emissions and plans to reduce emissions for two significant portfolios (tractors and transport); the efforts to establish the emissions of DLL operations and the initiatives to meet Paris Agreement-aligned emissions reductions from DLL's own operations (updated methodology and extended scope); the implementation plans for DLL's refreshed sustainability strategy, including reports from the underlying workstreams, and the future composition of the sustainability department (a one-day offsite with the Executive Board was organised to this end); initial climate risk assessment and efforts in relation to regulation such as the ECB Guide on Climate Risk as well as various commercial topics associated with the sustainability topics brought forward.

The Global Risk Committee establishes and amends the Risk Management Framework and the Risk Management policies and risk limits for DLL within its authority. It oversees the implementation of the Risk Management Framework (RMF), it is the ultimate arbiter on the assessment of risks and it acts as the guardian of the risks taken by DLL. Furthermore, it conducts or authorises any investigations into any matter within its scope of responsibilities.

Board Oversight – Skills and Competencies

The Supervisory Board consists of four members who are appointed and dismissed by shareholders at Annual General Meetings. The composition of the Supervisory Board reflects the fact that DLL is a subsidiary of Rabobank. Two of its members are shareholder representatives.

Additional Governance and Management Roles

Positions	Responsibilities
Management Team	<ul style="list-style-type: none"> In Australia and New Zealand (ANZ), the Management Team (MT) is responsible for oversight of Climate Related Risks and Opportunities. The MT is represented by all disciplines. Both the line managers and the MT members have already benefited and will continue to benefit from the training provided by DLL and also by external providers in ANZ (when needed) to ensure the right level of expertise in managing climate and environmental risks and additionally rely on and benefit from the expertise that exists within DLL. The MT understand the imperative to move towards a sustainable future and see this as an ongoing and continuous process.

DLL Remuneration and Performance

DLL remuneration policy is based on the Rabobank remuneration policy. There are no climate-related KPIs set at ANZ level.

Strategy



How the Core Banking Group Helps to Grow a Better New Zealand Together

Climate change caused by rising global temperatures along with nature loss are causing increasing impacts to the economy and eroding the biodiversity and ecosystems upon which society relies. It affects everyone, everywhere. The Core Banking Group recognises the gravity of the situation and is committed to supporting the goals of the Paris Climate Agreement. Rabobank has signed the Net-Zero Banking Alliance and the Dutch Financial Sector Climate Commitment.

From a sustainability perspective, we are focusing on the reduction of our climate impact in our own organisation, with our customers and in our communities. The Core Banking Group aims to do this against three key objectives:


1. Act on climate – on or below 1.5 degrees Celsius pathways
2. Value nature – return to Planetary Boundaries (refer to 'Defined Term's).
3. Enable people – a more inclusive society for customers, communities and workforce.

The Core Banking Group aspires to act on climate and mitigate Climate-Related Risks by working on or below 1.5°C pathways. To be able to achieve this, the Core Banking Group has implemented a 2-year sustainability plan in New Zealand that outlines a set of actions that are currently being worked on – see page 10.

To embed climate-related and wider ESG considerations into the Core Banking Group's activities and align to Rabobank's commitments, it utilises three levers.


Customer
Help customers transition to a sustainable future

We do this by providing our customers with knowledge and insights into how they can change their activities and financial products (sustainable finance) to support their transition, and financing new innovations that will accelerate their efforts.



System
Help move the system in a sustainable direction

The transition to a sustainable economy requires systemic change. We support this by engaging with stakeholders at different levels in the economy and society.



Portfolio
Grow a sustainable portfolio

While the composition of our portfolio means that most of our focus is on helping our customers and their sectors transition to a sustainable future, we also make conscious choices in growing our portfolio in a sustainable manner.

Climate Transition Planning

The Group has elected to use the first-time adoption provision on disclosing details around the transition plan aspects of our strategy (see page 67).

Core Banking Group

Nonetheless, work is under way on planning for the transition both within Rabobank and the Core Banking Group. Under Rabobank's Paris Alignment strategy and commitments under the Net-Zero Banking Alliance, the Core Banking Group's goal is to support the transition towards a net-zero economy by 2050, setting emissions reduction Targets that help limit global warming to 1.5°C (with a likely limited/no overshoot) by the end of the century. This includes emissions from our lending and investment portfolios (Financed Emissions).

Currently, the Core Banking Group's activities include:

- periodically reviewing and evolving the Core Banking Group's transition planning
- creating a system for the collection of bottom-up customer level GHG data
- enhancing Risk Management (physical and transition)
- developing financial and risk-based tools to achieve the transition
- advocating for systems change

- operational emissions reduction plan
- staff and customer climate awareness education and training (familiarisation with key terms, national and global expectations, data collection).

Beyond GHG reduction, the broader transition planning to a low-carbon and climate-resilient future is an emerging but essential part of an organisation's response to climate change. Transition plans need to manage both the inside-out and outside-in impacts of climate change – both GHG reduction and Risk Management – including at a system-wide level, engaging with and influencing stakeholders. Over the last 2 years, the Core Banking Group has begun to make progress on transition planning.

The Core Banking Group has developed an initial transition plan for dairy that sets out initial Targets and actions to support reducing Emissions Intensity across its dairy sector loans by 12% by 2030 from the 2020 Base Year. This plan principally focuses on education and the collection of farmlevel emissions data to allow for more targeted initiatives moving forward. The Core Banking Group recognises that gaps remain, transition planning is an iterative process, good practice is still evolving and the aim is to continue and increase efforts on this in the coming years.

Climate-Related Risk is influenced by various factors impacting the business environment in which the Core Banking Group operates. A separate Board-approved strategic framework dedicated to climate-related and ESG risks has been established that feeds into how the sustainability strategy is implemented. Within this framework, climate change is approached through seven structured themes to provide a comprehensive approach to managing these risks. This framework was approved by the Board.

Climate-Related and ESG Risk Strategic Framework

	1 Governance		2 Business Strategy		3 Risk Management			4 Disclosure				
					Risk Assessment	Enterprise Risk Management	Management of Material Risks					
Core Themes	1.01	Board and management roles and responsibilities	2.01	Strategic risk and opportunity assessment	3.01	Risk identification and inventory	3.06	Risk strategy and appetite	3.10	Credit risk management	4.01	TCFD-aligned climate-related disclosures
	1.02	Board and Management capability	2.02	Business strategies and plans	3.02	Portfolio risk assessment	3.07	Risk policy documents	3.11	Market Risk Management	4.02	Integrated climate-related and ESG reporting
	1.03	Organisational structure	2.03	Products and services	3.03	Customer risk assessment	3.08	Risk analytics and reporting	3.12	Liquidity Risk Management		
	1.04	Review process			3.04	Collateral risk assessment	3.09	Risk data and systems	3.13	Operational Risk Management		
				3.05	Stress testing							
Enabling Themes	5 Knowledge		6 Capability Development		7 Networks and Partnerships							
	5.01	Research	5.03	Scenarios and projections	6.01	Employee awareness	6.02	Employee learning and development	7.01	Research partnerships	7.03	Client and community networks
	5.02	Data and analytics	5.04	Knowledge management					7.02	Industry associations and initiatives	7.04	Regulatory and policy engagement

DLL

DLL has placed Sustainability at the heart of its corporate strategy with an expressed ambition to be “The market leader in enabling sustainable business growth through point-of-sale financial solutions”. One of DLL’s strategic goals is to be the *Transition Partner for a Better World*. Within that strategy, new green assets are prioritised to accelerate towards a greener portfolio with a focus on energy, food and agriculture and circularity transitions. In New Zealand, sustainability is a key part of conversations with customers and vendor partners at all stages, including what are the customer’s and vendor’s sustainability goals, what options are available for sustainable alternatives to existing equipment and how DLL Companies can help them achieve these goals.

How the Group Categorises Risks

Climate-Related Risks fall into two main categories: physical and transition risk factors with the potential to affect all facets of the business’s operations, including via those of customers. The Core Banking Group’s Climate-Related and ESG Risk Strategic Framework (above) is designed to address these risks and enhance business resilience to those risks. Additionally, the Core Banking Group applies the same physical and transition risk framework when assessing other environmental risks.

Physical risk

Physical risk factors are those related to the impacts of the changing climate and can be further categorised as acute or chronic:

- *Acute* risk factors are those related to more frequent and intense extreme climate events such as heatwaves, droughts, bushfires, floods and storms.
- *Chronic* risk factors are those related to gradual changes in climatic conditions such as increasing temperatures, changes in precipitation patterns and sea-level rise.

Transition risk

Transition risk factors are those related to the process of transitioning towards a climate-resilient and lower emissions society where transition pathways may be orderly or disorderly and can be further categorised as arising from these changes:

- *Policy* changes, including policies and regulations impacting the real economy (our customers, markets and the economy more broadly) as well as those impacting the financial sector.
- *Technological* changes, including developments in farming practices and alternative proteins.
- *Market* changes such as shifts in consumer preferences.
- *Reputational* changes due to actions or performance on climate change.

Physical and transition risk factors interact closely with each other and may also trigger the emergence of liability risk if not managed (by the Group or its counterparties).

Current Impacts

Not all climate impacts experienced in New Zealand to date translate into material impacts for the Core Banking Group. Shown below is a list of climate-related impacts that the Core Banking Group has experienced over the last 12 months and an assessment of their physical or transitional impact.

The Group has elected to use the first-time adoption provision in relation to the calculation of current Financial Impacts of its 2023 physical and transition impacts – see page 67. Planning is under way to calculate and disclose Financial Impacts in respect of 2024.

	Event or Impact	Description and Assessment of Impact
Physical	Auckland Anniversary Day flood events in Auckland, Northland and Waikato regions.	The Core Banking Group has no residential security interests in any of the key affected regions. Rural customer impacts varied significantly depending on location and climate resiliency. However, the Core Banking Group’s exposure to rural exposures in the affected areas was modest. Accordingly, at a portfolio level, the flow-on Financial Impacts from credit losses are considered immaterial due to the highly collateralised nature of the Core Banking Group’s exposures. Operational disruption to the Core Banking Group from impacted staff and offices and disrupted commuting was modest with physical and operational impact mitigated to a large degree by our staff having the ability to work remotely.
	Cyclone Gabrielle struck the North Island, resulting in significant flooding and damage to residential, retail, food and agribusinesses, especially horticulture in the Gisborne and Hawke’s Bay regions. A national state of emergency declared.	The Core Banking Group has no residential security interests in any of the key affected regions. Rural customer impacts varied significantly depending on location and climate resiliency. However, the Core Banking Group’s exposure to the affected areas, particularly Gisborne and Hawke’s Bay were relatively modest. Accordingly, at a portfolio level, the flow-on financial impacts from credit losses are considered immaterial due to the highly collateralised nature of the Core Banking Group’s exposures even though some customers may have been materially impacted. Operational disruption to the Core Banking Group from impacted staff and offices and disrupted commuting was modest with physical and operational impact mitigated to a large degree by our staff having the ability to work remotely.
	State of emergency in Gore, Southland, and Queenstown with flooding in September.	This was an immaterial impact due to the temporary nature of the surface flooding.
	A small portion of south-eastern Otago experienced a meteorological drought in mid-February 2023 while the remainder of the region remained extremely dry. A dry summer for the region was the third consecutive year of dry and drought conditions.	Financial implications for customers are modest given limited impact of the drought (covered small geographic area for a relatively short period of time). The Financial Impacts to the Core Banking Group from credit losses are considered immaterial due to highly collateralised nature of the Core Banking Group’s exposures there.
	He Waka Eka Noa – climate action partnership between government, the primary sector and iwi/Māori.	Proposals have led to customer concerns over cost impacts to themselves, leading the Core Banking Group to produce a white paper titled <i>The Great New Zealand Balancing Act</i> aimed to create dialogue between government and sectoral stakeholders on equitable transitions.
Transitional	Reducing operational emissions.	The Core Banking Group reporting of operational CO ₂ emissions according to the GHG Protocol and continuing efforts to reduce these in line with the 50% reduction Target by 2030.
	New Rabobank requirements on climate.	Rabobank developed an initial Dairy Sector x Country Plan, which sets initial Targets and plans for measuring and potentially reducing emissions. Principal objective is to obtain data to generate farm-level emissions profiles.
	Investments in climate research.	Invested \$1.7 million to date in AgriZero ^{NZ} the Centre for Climate Action Joint Venture with partners from business and government, to help farmers reduce emissions while maintaining productivity and profitability. AgriZero ^{NZ} ’s ambition is to reduce agricultural emissions by 30% by 2030 and to be near zero by 2040.
	Maturity uplift on carbon farming.	Time and resource directed towards understanding the risks/opportunities that carbon farming represents for customers and the Core Banking Group and development of fit-for-purpose carbon farming lending policies/standards.
	Climate change training.	Provision of training (both staff and customers) on how the physical and transitional impacts of climate change could affect our customers’ businesses.
Legislation: New Zealand climate-related disclosure standard.	Resources deployed to increase maturity, undertake analysis and prepare Statements.	

The above events did not have any material impacts, and no additional impacts were identified for DLL Companies.

How We Help Our Customers Transition

The Core Banking Group engages with customers to discuss their plans for transitioning to low-carbon, climate-resilient businesses. Our account managers are provided with training and resources to help facilitate discussions with customers on the challenges and opportunities available to improve sustainability performance, continue to transition to a more sustainable farming future and identify any potential funding needs.

The Core Banking Group is also working directly with supply chain partners and the wider agricultural sector to connect customers with the most relevant and up-to-date information to help inform their decision making.

Implications of Climate Change for Agriculture and the Group

Agriculture is intimately linked to the drivers of and impacts from climate change. Extreme weather events, including the higher risk of floods and droughts along with reduced or changing water and ecosystem services are increasing costs to agriculture and presenting significant future risks. Likewise, agriculture production, particularly from livestock, contributes significantly to GHG emissions both nationally and globally. This presents material physical and transition risks to the sector and the Core Banking Group as an agriculture-focused bank.

Compounding these climate issues, food security and affordability remain major global issues. A growing global population means that demand for food is unlikely to reduce into the future. Global supply and demand for food products are very sensitive systems, and even a marginal undersupply can result in significant price increases. High prices force reduced consumption to balance supply and demand – often the poorest of the world's population are forced to cut back, increasing instances of malnutrition. The global population is approximately 8 billion today and expected to peak at around 10 billion people in a few decades. This creates a global challenge for agriculture and the food supply chain to meet an increasing need for affordable calories and nutrients while also reducing GHG emissions.

As a bank focused on the food and agricultural sectors, almost the entire portfolio could be exposed to climate risks. The Group's lending exposures to key industries subject to Climate-Related Risks are shown below.

Industry Sector	Total Committed Exposure (\$000)
Agriculture	
• Dairy farming	9,072,820
• Sheep, beef cattle and grain farming	4,120,322
• Horticulture	1,330,176
• Other agriculture on farm	466,965
Other industries	4,994,537
Total committed exposure	19,984,819

The following pages 33–43 describe Scenario Analysis undertaken in 2023. DLL was excluded from this section due to its total asset size, which accounted for approximately 5.5% of the Group. Therefore, it was assessed as having an immaterial impact on Climate-Related Risks and Opportunities of the Group. The disclosure on pages 33–43 relates only to the Core Banking Group.

Assessing Impacts and Developing Business Resilience Through Climate-Related Scenarios

In order to explore Climate-Related Risks and Opportunities the future may hold and assess business resiliency, the Core Banking Group has synthesised three scenarios for use in Scenario Analysis. To be able to track changes across time, fully distinguish between scenarios and help identify risks and opportunities, the Core Banking Group first identified five key drivers of change:

- Access to water, changes in biodiversity, ecosystems.
- New technology advances and a move towards more sustainable farming/nature-based solutions and practice.
- Changing global demand and consumer behaviour (demand/preferences/expectations).
- Severe acute and chronic weather events.
- Emissions pricing, trade barriers and financial incentives.

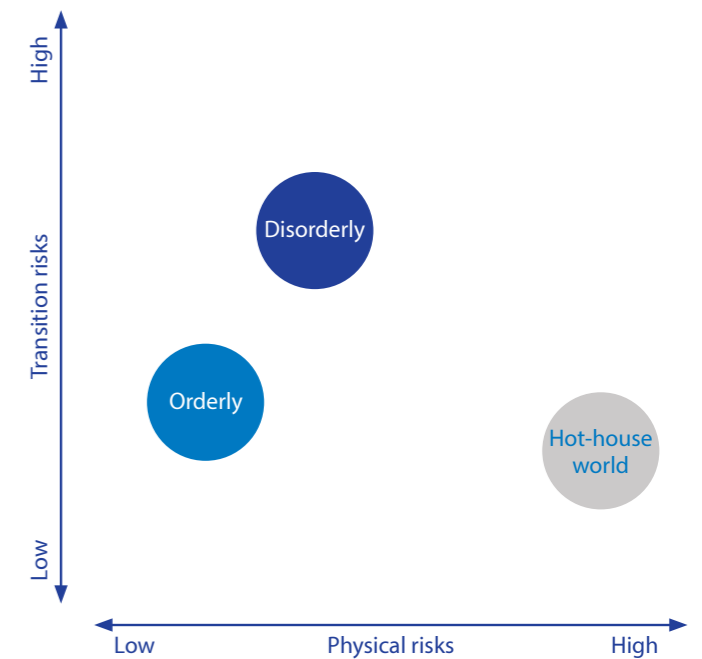
In developing our scenarios, the XRB's recommendation to use sectoral scenarios where advisable was considered both for efficiency and to aid comparability. As the only specialised agribusiness-focused bank operating in New Zealand, two sets of sector scenarios were relevant to us – the New Zealand Banking Association as well as Aotearoa Circle's Agriculture Sector Climate Change Scenarios. Neither of these provided us with the scenarios that best described plausible futures for us or in our view challenged our business sufficiently.

The Core Banking Group also sought to align our climate scenarios with Rabobank to facilitate better reporting and analysis at a Rabobank-wide level. Therefore, our own scenarios have been developed, as described below, through blending recognised and coherent scenarios on physical and transition risks together, incorporating relevant datapoints and elements. Narrative detail has then been added based on those datapoints and relevant information for our business.

For physical data, we have used the Intergovernmental Panel on Climate Change (IPCC) Shared Socioeconomic Pathway (SSP) scenarios. For transition data, we have used the Network for Greening the Financial System (NGFS) scenarios.

The Core Banking Group's three scenarios detailed on the following pages are an orderly (1.5°C-aligned) scenario, which corresponds to Rabobank's Paris-aligned commitments, along with two scenarios that challenge the Core Banking Group's resiliency to both transition risks (disorderly) and physical risks (hot-house world). It should be noted that, due to the limited number of scenarios available and the nature of temperature projections being based on probabilities and ranges, this has led to our 1.5°C scenario having a projected temperature in 2100 of 1.4°C (which is the closest available IPCC scenario to 1.5°C).













NGFS scenarios adopted by Core Banking Group



The NGFS has defined four broad categories of scenarios that stress both transition and physical risk:

- **Orderly scenarios** assume climate policies are introduced early and become gradually more stringent. Both physical and transition risks are relatively subdued.
- **Disorderly scenarios** explore higher transition risk due to policies being delayed or divergent across countries and sectors. Carbon prices are typically higher for a given temperature outcome.
- **Hot-house world scenarios** assume that some climate policies are implemented in some jurisdictions but global efforts are insufficient to halt significant global warming. Critical temperature thresholds are exceeded, leading to severe physical risks and irreversible impacts like sea-level rise.
- **Too little, too late scenarios** would assume that a late transition fails to limit physical risks. While no scenarios have been specifically designed for this purpose, this space can be explored by assuming higher physical risk outcomes for the disorderly scenarios.

Architecture of the Core Banking Group's Three Entity-Specific Scenarios

	Orderly (1.5°C-aligned)	Disorderly (other-aligned)	Hot-house world (>3°C-aligned)
	<p>Central government develops a coherent climate change response, supported by consistent policy commitments and early investment into infrastructure resilience.</p> <p>     </p>	<p>Leadership is divided on the climate change response. A delayed and variable policy response results in uncertainty, lack of investment in both adaptation and mitigation and ultimately cliff-edge policies, with a focus on methane given its ability to have a significant impact over the short term.</p> <p>     </p>	<p>Government ultimately prioritises free-market growth and climate adaptation measures over reducing emissions. The result is a persistent absence of robust policies to drive decarbonisation, leading to extreme climate change and subsequent economic contraction globally.</p> <p>     </p>
Approximate warming at 2100	~1.4°C	~1.8°C	~4.4°C
Global physical and socioeconomic parameters	IPCC SSP1-1.9	IPCC SSP1-2.6	IPCC SSP5-8.5
New Zealand physical parameters	eg. NIWA RCP 2.6	NIWA RCP 2.6	NIWA RCP 8.5
Global transition and energy use	NGFS orderly "net-zero 2050" scenario	NGFS disorderly "delayed 2°C"	NGFS hot-house "current policies"
New Zealand transition pathways	Climate Change Commission (CCC) "Tailwinds"	CCC "Headwinds"	CCC current policies
Rationale	Poses transition risk challenges in the speed and extent of policy changes in the near term along with challenges to the composition of the Bank's portfolio in the transition away from meat and dairy to a more vegetarian and plant-based diet. Physical risks are also still very much present, primarily for our customers.	Presents significant challenges to the business in an uncertain policy landscape and increased transitional and physical risks compared to the orderly scenario. The delayed transition results in stronger policies aimed at the agriculture sector in the medium-term along with increased physical impacts of climate change in the longer term.	Shows very limited transitional risks but a very high set of physical risks, including a heightened change of breaching global climate tipping points and an economy both globally and locally that is in very bad shape.

* It should be noted that, due to the limited number of scenarios available and the nature of temperature projections being based on probabilities and ranges, this has led to our 1.5°C scenario having a projected temperature in 2100 of 1.4°C (which is the closest available IPCC scenario to 1.5°C).

Summary of Scenario Time Horizons and Risk Profiles

	Orderly	Disorderly	Hot-house world
To 2030	Early implementation of policies.	Delayed policies.	No policies.
	Physical: Low Transition: Medium	Physical: Low Transition: Low	Physical: Low Transition: Low
2030–2050	Early start means policies do not ramp up so drastically.	Delay leads to cliff-edge policies and shifting consumer demand. More extreme weather.	No policies. Impacts being strongly felt.
	Physical: Low–Medium Transition: Medium	Physical: Low–Medium Transition: High	Physical: Medium Transition: Low
2050–2100	Net-zero achieved. Relatively low weather physical impacts.	Extended period of policies due to delayed/disorderly transition. Higher physical impact felt.	Impacts are creating large GDP destruction. Still no policies.
	Physical: Low Transition: Low	Physical: Low–Medium Transition: Medium	Physical: Very High Transition: Low

In conducting the Scenario Analysis and Climate-Related Risks and Opportunities assessment, the Core Banking Group used the following time horizons:

- Short-term: now – 2030 – to align with the existing 5-year horizons in strategic planning, Medium-Term Planning (MTP), Internal Capital Adequacy Assessment Process (ICAAP) and Funding Plan. During 2023, MTP horizon was extended to 2030 for asset growth by sector to align with Sector x Country Plans.
- Medium-term: 2030–2050 – to reflect the contractual maturity profile of the Core Banking Group's loan book.
- Long-term: 2050–2100 – to recognise the intergenerational nature of farming and growing in New Zealand, ensure understanding of the longer-term implications of climate impacts and guard against the historical trend of improved science leading to impacts being brought forward.

These time horizons also ensure alignment with Rabobank's periods (2020–2030, 2030–2040 and 2040–2050), as used in the heatmaps and stress tests (see page 48).

A Note on Uncertainty

It should be noted that climate science is complex and constantly evolving – there remains significant uncertainty in climate models, especially around climate sensitivity, tipping points, feedback loops and socioeconomic responses. Whilst the uncertainty could be around both underestimates and overestimates, it has been proposed that models are currently significantly underestimating the economic damages associated with climate impacts, which can lead to an overly optimistic assessment of business resilience and performance in higher physical risk scenario narratives.

Orderly Scenario Narrative

Net-zero by 2050

Central government develops a coherent climate change response, supported by consistent policy commitments and early investment into infrastructure resilience.

Overall physical risk exposure: Low

Overall transition risk exposure: Medium

Short term – present day – 2030

Medium term – 2030–2050

Long term – 2050–2100

Physical risk exposure: Low
Transition risk exposure: Medium

Physical risk exposure: Low–Medium
Transition risk exposure: Medium

Physical risk exposure: Low
Transition risk exposure: Low

The current physical climate in New Zealand is similar to the present day, with the impact of climate change becoming increasingly evident in terms of impacts on the agricultural sector.

International and domestic governments adopt a coherent climate change response, supported by consistent policy commitments and early investment into infrastructure resilience.

Robust regulation of global financial markets requires banks to disclose Financed Emissions and their exposure to Climate-Related Risk. The Core Banking Group introduces more low-cost lending incentives to encourage farmers to invest in emissions mitigation and climate-resilient technologies and farming practices.

Emissions pricing captures methane-caused changes to the economy as the government emphasises a fast and inclusive transition. While agricultural practices remain the same, there is a growing social push to decarbonise natural fibre and protein. Consumer preferences drive a shift towards low-carbon natural protein and fibre as well as natural protein and fibre alternatives, which incentivises sustainable farming practices and investment into emissions abatement technologies. As farmers embed new sustainable methods, their profit margins contract over the short period but increase over the longer term as they become more climate resilient and market responsive.

Climate-related impacts globally and in New Zealand have increased notably from present-day levels and then largely stabilised. Weather events occur with increased frequency and intensity, causing damage to critical infrastructure and businesses, including farms. Ecosystems services and water availability is degraded from present day but stabilised. International leaders and local leadership have taken significant steps to implement a strategic climate change response that balances both mitigation and resilience building.

Biodiversity and carbon credit markets are robust, providing additional revenue streams for farmers adopting sustainable and regenerative farming practices that boost biodiversity and natural capital on their farms. Growing consumer demand for sustainable agricultural produce reinforces the need for early investment into emissions abatement technologies and practices.

This confers a competitive advantage on New Zealand farmers, enabling them to access more markets and sell product at a premium. As their margins begin to increase, more farmers enter the sector. This results in overall growth of the Core Banking Group's portfolio. Improved margins for farmers reduces the probability of default.

New Zealand has achieved strong momentum in the transition towards plant-based and low-carbon products. Horticulture and cropping industries have experienced substantial growth. Technology advancements in sustainable agriculture have accelerated with capital tied to strong emissions performance.

New Zealand and the global community have successfully transitioned to a low-emissions economy. As a result, the economy has transformed, making way for more sustainable industries. The New Zealand agriculture sector exemplifies this shift towards low-carbon natural protein and fibre. Consequently, communities and businesses have become more resilient to the physical impacts of climate change through effective climate adaptation efforts.

The Core Banking Group's balance sheet is robust as commodities prices are stable and as New Zealand farmers continue to enjoy access to markets and command premiums in export markets for low-carbon natural fibre and protein.

Disorderly Scenario Narrative

Delayed transition

Leadership is divided on the climate change response. A delayed and variable policy response results in uncertainty, lack of investment in both adaptation and mitigation and ultimately cliff-edge policies, with a focus on methane given its ability to have a significant impact over the short term.

Overall physical risk exposure: Medium

Overall transition risk exposure: High

Short term – present day – 2030

Medium term – 2030–2050

Long term – 2050–2100

Physical risk exposure: Low
Transition risk exposure: Low

Physical risk exposure: Low–Medium
Transition risk exposure: High

Physical risk exposure: Low–Medium
Transition risk exposure: Medium

The combination of an increase in weather events and government's under investment in infrastructure resilience leaves road logistics networks, stop banks and bridges exposed and vulnerable to climate impact. This results in increasing damage remediation costs for farmers and a slightly higher incidence of loan defaults.

The government delays inclusion of agriculture in any emissions pricing, against advice provided by He Pou a Rangi Climate Change Commission. Frequent policy change and government intervention creates market volatility and investor uncertainty.

Regulation of financial markets requires banks to disclose Financed Emissions and their exposure to Climate-Related Risk. However, little to no monitoring and compliance results in opaque and incomplete reporting. Fewer adequately discounted loans are made available to farmers, providing little incentive for them to invest in low-carbon farming technologies and practices. Voluntary markets for carbon and biodiversity credits are less robust as farmers are slower to adopt sustainable farming techniques that enable them to generate carbon and biodiversity credits.

The introduction of emissions border adjustment mechanisms is fragmented and delayed. Persistent global inflation and spiralling food prices result in a softening of ESG requirements on imports and exports, reducing the incentive for farmers to adopt low-emissions farming practices.

Economic instability results in frequent recessions and boom/bust cycles. Increasing global temperatures increase the incidence of supply chain shocks. Farmers prioritise short-term investments as they lack confidence to take a long-term view. Emissions reductions are tied to economic performance rather than to a specific emissions reduction plan. Consequently, emissions reductions are non-linear, making it difficult to attribute emissions abatement to any given policy initiative.

International and domestic governments belatedly introduce a stronger climate change response and policy commitments, albeit with fluctuations over time extending uncertainty. The need to catch up on lost years of action results in cliff-edge policies, with a strong focus on methane globally as the most effective way to rapidly reduce emissions. Emissions pricing is strongly introduced, creating short-term shocks to farmers but also financial incentives for decarbonising natural fibre and protein.

Increased climate impacts alongside delayed investment into infrastructure resilience has resulted in an increase in exposure to supply chain shocks and higher input prices due to a global spike in demand for emissions abatement technologies and solutions. Higher on-farm costs along with reduced productivity and yields (including from reduced water and ecosystem services) present increased credit risk for Rabobank.

Delayed regulation of global financial markets requires banks to disclose Financed Emissions and their exposure to Climate-Related Risk. The Core Banking Group is forced to introduce more competitive low-cost lending incentives to ensure farmers are able to balance emissions abatement investments with higher overheads. Farmers' margins are reduced as are Rabobank's profits. As the impacts of climate change are felt increasingly strongly and consumers make the connection between agriculture and climate change, consumer preferences drive a more rapid shift towards low-carbon natural protein and fibre as well as natural protein and fibre alternatives, which incentivises sustainable farming practices. As farmers embed new sustainable methods, their profit margins contract over the short period but increase over the longer term as they become more climate resilient and market responsive.

New Zealand and the global community have transitioned to a low-emissions economy. A disruptive transition has heavily impacted the agriculture sector due to the relatively sudden nature of reducing intensive high-emitting livestock practices combined with the lingering climate, ecosystem service and water impacts, which are significantly higher than present day.

A delayed transition has resulted in higher economic and social costs. As a result, there is a greater wealth divide and the agricultural sector has contracted slightly in terms of the number of farmers, with farming being dominated by fewer, larger farming entities, resulting in a contracted portfolio for the Core Banking Group.

Note: Relevant global and New Zealand economic and climatic datapoints such as number of hot days and agricultural demand can be found on page 58.

Note: Relevant global and New Zealand economic and climatic datapoints such as number of hot days and agricultural demand can be found on page 59.

Hot-House World Scenario Narrative

Current policies

Governments prioritise free-market growth and climate adaptation measures over reducing emissions. The result is a persistent absence of robust policies to drive decarbonisation, leading to extreme climate change and subsequent economic contraction globally.

Overall physical risk exposure: High

Overall transition risk exposure: Low

Short term – present day–2030

Physical risk exposure: Low
Transition risk exposure: Low

Governments are divided on the climate change response. The combination of an increase in weather events and government's underinvestment in infrastructure resilience leaves road logistics networks, stop banks and bridges exposed and vulnerable to climate impact. This results in increasing damage remediation costs for farmers and a slightly higher incidence of loan defaults.

The government dismantles the Emissions Trading Scheme, against advice provided by He Pou a Rangī Climate Change Commission.

Climate regulation of financial markets is also dismantled. Fewer adequately discounted loans are made available to farmers, providing little incentive for them to invest in low-carbon farming technologies and practices. Voluntary markets for carbon and biodiversity credits are less robust, and farmers have fewer incentives to adopt sustainable farming techniques. The introduction of emissions border adjustment mechanisms is fragmented and limited. Persistent global inflation and increasing food prices result in a softening of sustainability requirements on imports and exports, further reducing GHG reduction.

Emissions reductions are tied to economic performance rather than to a specific emissions reduction plan. Consequently, emissions reductions are non-linear, making it difficult to attribute emissions abatement to any given policy initiative.

Medium term – 2030–2050

Physical risk exposure: Medium
Transition risk exposure: Low

Governments are increasingly focused on climate change resilience as the impact of extreme weather events, flooding and coastal hazards cause widespread damage to infrastructure. Farmers are heavily impacted by asset damage and loss, and the probability of default becomes more widespread. Economic instability results in frequent recessions and boom/bust cycles.

Carbon and biodiversity markets have failed to gain traction and the introduction of carbon border taxes is absent in New Zealand's key export markets, providing little incentive for farmers to decarbonise farming practices. The market for sustainable lending is diminished as farmers become more focused on damage remediation and asset replacement.

Physical impact-related disruptions on farm systems and supply chains throughout the world and to a lesser extent New Zealand render some farming systems unviable. Prioritisation of food supply and security has undermined sustainability concerns, creating unfettered demand for livestock-based products. Globally, communities with low adaptive capacity have been ravaged by extreme weather events, and climate migrants are beginning to have destabilising effect on economies.

Long term – 2050–2100

Physical risk exposure: Very High
Transition risk exposure: Low

Governments' top economic priority is climate change resilience. In the absence of robust global carbon policies, pricing and border adjustment mechanisms, emissions have risen unchecked. Extreme weather events occur frequently, causing supply chain shocks and numerous other impacts to the economy and society such as lifeline utilities. This backdrop creates frequent incidents of geopolitical unrest. Faced with high cost and disrupted global markets, government spending is channelled into damage remediation, with little funding available for investment into infrastructure resilience.

A lack of consensus on who bears responsibility for climate-related damage remediation and retreat costs leaves farmers to fend for themselves. Degraded ecosystem services, frequent storms and on-farm damage and asset loss result in widespread default and presents liquidity risk, making agriculture a high-risk lending sector. There is no demand for discounted lending for decarbonisation as farmers seek loans to cover losses.

Globally, communities with low adaptive capacity have been ravaged by extreme weather events, with richer countries also experiencing drops in GDP with much national spending now on resilience and repair. Famine is rife and consequently New Zealand incurs an influx of climate migrants, with a destabilising effect on the economy. Increases in the cost of living along with increased animal protein prices due to reduced supply reduce demand. Farming input costs increase but there are high export opportunities for low-cost food due to a global shortage. The export price for farmers' products increases, but the benefit is limited to a diminished pool of farmers.

Note: Relevant global and New Zealand economic and climatic datapoints such as number of hot days and agricultural demand can be found on page 59.

Conducting Scenario Analysis

Scenario Analysis is a process to systematically explore the potential impacts on an organisation across the range of plausible futures described under the Climate-Related Scenarios. The Core Banking Group's three scenarios were used to conduct a climate risk and opportunity assessment as well as an assessment of the Core Banking Group's business model resiliency.

The scenario development analysis and results involved engagement and governance at a number of levels of the business:

- Project leads (CSO and Senior Risk Advisor) – led and coordinated work and material creation.
- Subject matter experts (SMEs) – provided specialist input as required.
- A steering committee consisting of the Chief Risk Officer, Chief Financial Officer, General Manager Country Banking and project leads – provided direction, input and oversight.
- Executive committee approvals (via the Risk Management Committee or Leadership Team meetings) – these challenged and provided feedback and recommended approvals to the Board.
- Board – reviewed, discussed and approved scenario architecture.

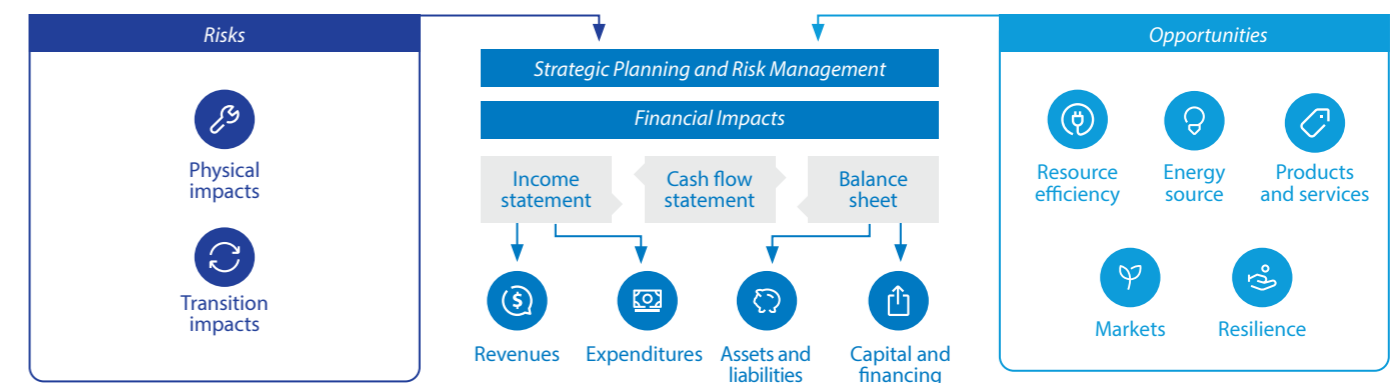
The process used to conduct Scenario Analysis is detailed further on page 58. The Core Banking Group worked with consultancy Deloitte to assist with scenario development and assess the related Climate-Related Risks and Opportunities.

Risk and Opportunity Identification and Integration into Strategy

The Core Banking Group's Scenario Analysis process was used to help identify and measure the physical and transition risks and opportunities that are being faced from climate change. This analysis process was qualitative rather than quantitative. This has the advantage of removing the need for complicated quantitative modelling and some of the limitations that approach presents such as a failure to accurately measure all impacts, especially those from acute events. As an output of the Scenario Analysis, the time horizons of these risk quantifications match those stated above for scenarios.

In 2023, the Scenario Analysis process and resulting identification of risk and opportunities were undertaken outside of the business-wide strategy and capital planning processes. Work is under way to incorporate the Scenario Analysis process into regular strategic planning. However, existing processes already take account of climate and other ESG risk and opportunities within our capital planning. In 2023, the Climate-Related and ESG Risk Strategic Framework (see page 29) and the business's broader sustainability plans were part of the annual Medium-Term Planning (MTP) process, which includes asset growth by subsector out to 2030 and dedicated budget to execute climate-related and sustainability initiatives.

Risk and Opportunities Assessment



Climate change presents both risks and opportunities. Broadly speaking, transition risks are expected to play out in the short and medium terms as society makes the necessary changes to the economy to align with policy outcomes. By comparison, physical risks unfold over a slower, longer time horizon, beginning with the impacts already being felt. Opportunities tend to match these patterns.

The Core Banking Group's portfolio manifests these risks and opportunities differently between smaller family farm customers and large commercial and wholesale customers. At a high level, the Core Banking Group expects smaller customers to be more exposed to the physical risks due to a lack of resources to assess and implement mitigations along with geographical and point source limitations.

Conversely, larger customers and wholesalers will have greater access to financial resources and intellectual property with operations that are often more geographically distributed and more diverse supply chains and – for aggregators and processors – one step removed from the direct impacts to farming and growing. This situation is somewhat reversed for transition risks whereby large and wholesale customers – with larger size and stronger brands and reputation – are more exposed and sensitive to the stronger expectations from their customers, stakeholders, society and sectoral best practice along with applicable legislation. Small farms, whilst still needing to maintain market competitiveness on GHG emissions, are potentially less likely to be the direct targets of regulations or possible litigation.

Heatmaps

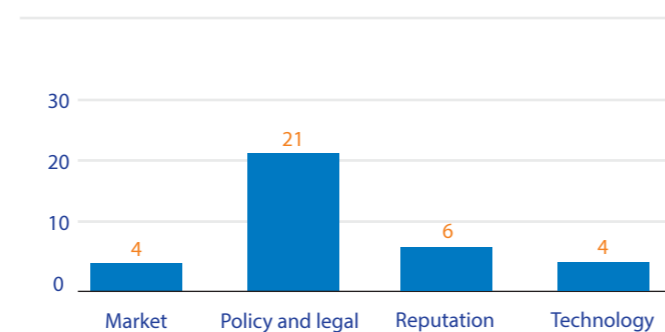
Alongside Scenario Analysis, the Core Banking Group is also introducing the use of Rabobank-developed heatmaps to quantify the physical impacts to the Core Banking Group's portfolio from key acute events, including cyclones, windstorms, riverine flooding, coastal flooding, heavy precipitation (or pluvial flooding), drought, wildfires and extreme heat. Combining the heatmaps with credit exposure will enable the Core Banking Group to more accurately quantify the most material Climate-Related Risks to customers (before mitigations and adaptations).

Transition Risks

Risks from transition to a low-emissions resilient economy can be approximately quantified using GHG emissions as a proxy for exposure. For financial institutions, this is particularly so given the majority of their total emissions will likely come from the customers they finance (ie. Financed Emissions).

Through Scenario Analysis, 35 transition risks were identified as relevant to the Core Banking Group. These can be summarised under the four main themes below, with most falling into the policy and legal area.

Transition risks: Number of risks identified by risk category (driver)



A high-level summary of the key transition risks to the Core Banking Group is provided below.



Policy and legal

Compliance with legislation may increase the operating costs of customers leading to increased credit defaults. The agricultural sector may be perceived as less attractive, resulting in a reduction in new customers to the Core Banking Group. Compliance with legislation may also increase the operating costs of the Core Banking Group. Non-compliance may result in fines and penalties.



Reputation

A mismatch between stakeholder expectations and the Core Banking Group's performance may negatively impact the Core Banking Group's reputation. For example, stakeholders may expect the "de-banking" of some customers.



Market

Increases in key input costs such as fertiliser and fossil fuels could reduce the profit margins of customers, increasing the risk of default and loss of the customer.



Technology

Underinvestment in emissions abatement technology (by farmers) or a delay in the commercialisation of such technology, could undermine the Core Banking Group's ability to decarbonise its portfolio. For farmers, their failure to invest sufficiently may result in them losing market share to global competitors, increasing the risk of default.

Mitigating Transition Risks

The Core Banking Group's approach to managing and mitigating transition risks centres around:

- increasing the measurement of customer performance on climate/GHGs
- researching climate policy, technologies and markets such as through AgriZero^{NZ}
- enhancing Risk Management and climate transition strategy
- stakeholder engagement with customers, the food and agriculture industry and others on emissions reduction and wider transition issues.

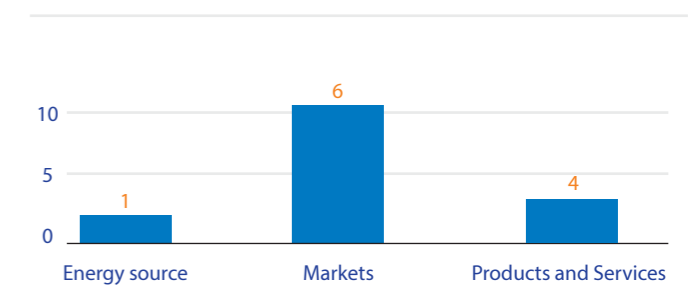
To manage transition risk, the Core Banking Group is working to structurally embed these risks in the credit risk framework. This includes the business strategy, risk identification, stress testing and the determination of provisioning, capital and consequently pricing (see page 48–51).

Transition Opportunities

There are substantial opportunities for the Core Banking Group based around financing the transition to a low-carbon, climate-resilient future. The Core Banking Group can leverage its agricultural sector expertise to provide information to help customers make decisions on the Climate-Related Risks and Opportunities they are facing. In turn, this will allow the Core Banking Group to reduce the credit risks the Core Banking Group is exposed to and creates room for additional lending to address both risks and opportunities.

The Core Banking Group identified 11 opportunities, which are summarised below.

Transition opportunities: Number of opportunities identified by opportunities category



Key transition opportunities for the Core Banking Group:



Markets

The number of customers may increase, especially in the horticulture sector as the trend towards plant-based diets continues. Farmers may be able to access additional revenue streams such as biodiversity credit markets, which increases their financial resilience. New farmers may be attracted to New Zealand on the grounds of comparatively lower carbon intensity and higher premium/margin. With a larger portfolio of financially resilient farmers and growers, the Core Banking Group's market share may increase.



Products and services

Customer loyalty may increase if the Core Banking Group supports its clients with identifying and mitigating transition risks to their business. As an agriculture specialist bank, there is an opportunity to provide more targeted, specific support than other banks and therefore gain market share from other financial services providers. Offering sustainability-linked loans and performing strongly on climate-related issues (for example, decarbonising its portfolio) may also boost the Core Banking Group's reputation and increase client retention.

Physical Risks

In total, 93 physical risks were identified, which are summarised through the Core Banking Group's material risk types below.



Credit risk

The impacts of climate change may cause the Core Banking Group's customers to experience supply chain disruptions, impacting their ability to operate and generate revenue. Crop yields may reduce and the costs of ensuring the welfare of animals may increase. Weather events may result in asset damage and/or loss for customers. This increases the risk of customer loan default.



Business risk

The impact of climate-related events may compound to create economic volatility and financial instability, reducing overall demand for lending. Extreme climate impacts may result in a loss of productive land causing a contraction of the forestry and agricultural sectors. The Core Banking Group's current business model may no longer be sustainable, and the Core Banking Group may not be able to achieve its growth strategy.



Market risk

Increasing occurrences of physical climate-related events may result in unfavourable movements in commodity markets leading to financial losses for the Core Banking Group.



Liquidity risk

The Core Banking Group may experience extreme credit losses because of the increasing occurrence of physical climate-related events. This may reduce contractual cash inflows, impacting mismatch ratios and leading to a lack of available funds to meet financial commitments.



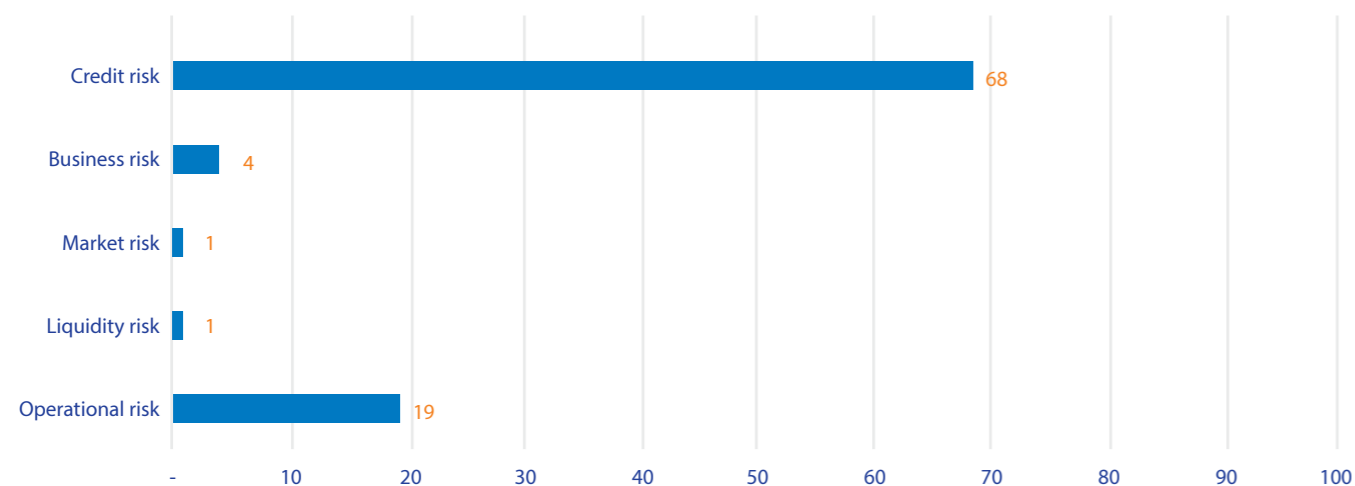
Operational risk

Climate-related events may disrupt business operations and increase the incidence of customer service disruptions. Employee productivity may decrease, for example, if staff cannot work due to damage or loss of personal assets and major upheavals in local communities along with a decline in physical and mental wellbeing.

Material Risk Areas

The Core Banking Group classified its risks across five material risk types. The chart below sets out the total number of risks identified.

Credit risk accounts for 73% of all risks identified and faces the highest exposure to the physical impacts of climate change.



Mitigating Physical Risks

The Core Banking Group has embarked on a path to mitigate and offset the anticipated impacts of these physical risks, which will primarily be achieved by providing information to customers to help them identify and address their Climate-Related Risks along with changes to operational Risk Management. The following is a summary of the types of actions we are beginning to undertake:

- Fostering staff and customer understanding and awareness of the potential physical impacts.
- Ongoing revision of the Core Banking Group's procedures for climate Risk Management.
- Providing targeted support to customers such as information on how to mitigate physical risks.
- Engaging food and agriculture industry stakeholders on key climate issues.

Physical Opportunities

13 physical opportunities were also identified, summarised against the Core Banking Group's material risk types.



Credit and counterparty opportunities

There is an opportunity to provide customers with services designed to enhance their business resilience to climate change, which can strengthen the Core Banking Group's long-term portfolio. Additional revenue streams presented by carbon and biodiversity credits linked to regenerative farming practices may strengthen customers' resilience, reducing the risk of customer defaults.



Business opportunities

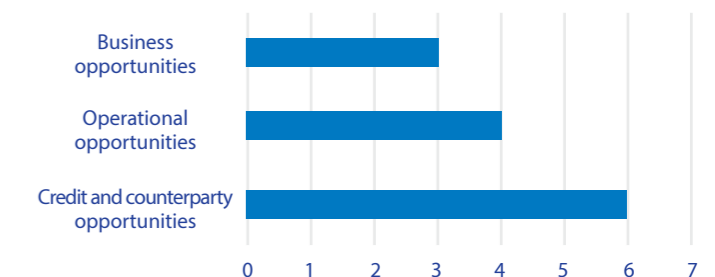
There is also an opportunity to develop new or revised products and services that enhance the Core Banking Group's competitiveness. This can lead to growth in the customer base and market share.



Operational opportunities

The Core Banking Group's niche of lending to the agricultural sector may enable it to flex more quickly and adapt to changing economic conditions (because of climate change), presenting an opportunity for the Core Banking Group to increase its market share, customer base and profits. Without exposure to the residential mortgage sector, the Core Banking Group may be able to increase its financial strength rating and attract new/more deposits as a result. Temperature changes may enable the Core Banking Group to finance crops in areas they are not traditionally grown, again increasing its market share.

Physical opportunities: Number of opportunities identified by opportunity area



Anticipated Climate-Related Impacts

The Group has assessed the proportion of the portfolio expected to be impacted by physical and transition risks, which is discussed on page 56.

The Group expects the greatest impact of physical and transition climate risks will be on the Group's credit risk profile and ultimately the business strategy rather than on the physical infrastructure of the Group. There will also be limited impact through operational and compliance transmission channels. The impacts are expected to be very limited for market risk, liquidity risk and interest rate and credit spread risk in the banking book.

These risks will play out across the three scenario time horizons (see page 35) but occur most sharply in the short and medium term, given the science around the need for early and rapid transition.

The Group has not calculated the anticipated Financial Impacts of the climate risks and opportunities identified in 2023. Rather, it has elected to use the first-time adoption provision. Planning is under way to calculate and disclose Financial Impacts in respect of 2024.



Risk Management

Integration into Risk Management

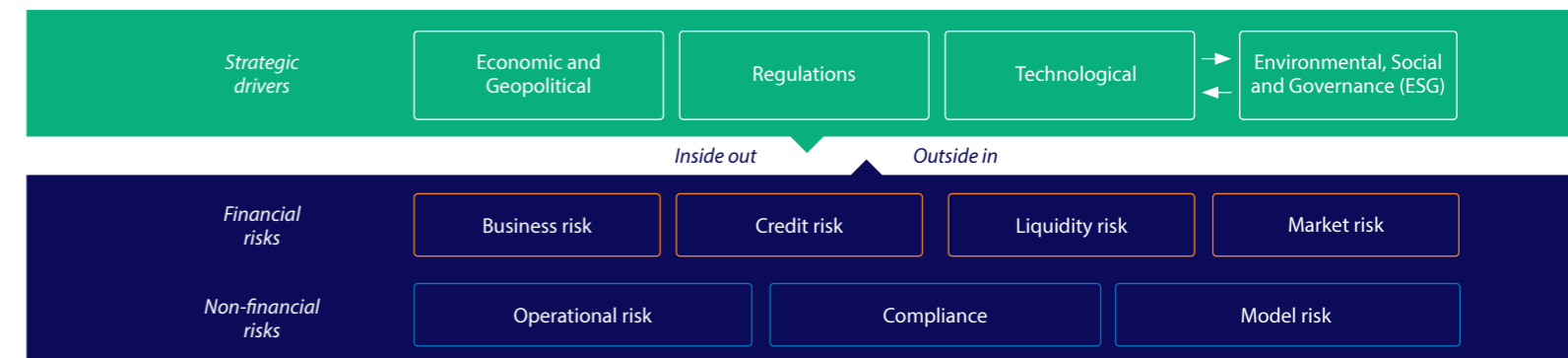
The Bank has a Board-approved Risk Management Strategy Framework (RMSF) and the Branch has a CEO-approved RMSF. These documents provide a description of the Core Banking Group's material risks, including climate risk, and how these are identified and assessed (referred to below as 'informed by') and how they are managed (the Risk Management Framework). The document also includes key strategic risk initiatives that are intended to be taken to evolve the framework (collectively, the RMSF).

Risk Management Framework



Emerging risks include external strategic drivers that can impact the main risk types (so-called outside-in impact). These could also result in opportunities.

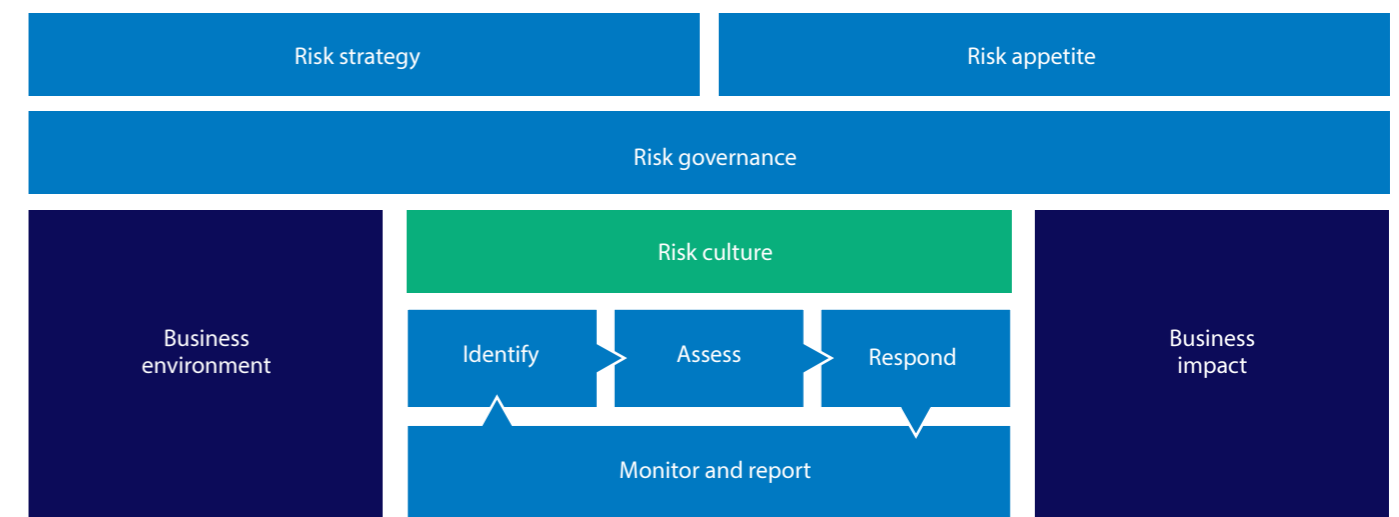
The Core Banking Group has identified climate-related and ESG risks as a strategic driver. Climate-related and ESG risks operate both as an outside-in strategic driver that the Bank (directly or through its suppliers or customers) can also influence through its own business functions, which in turn result in Climate-Related Risks and Opportunities.



Integration into Risk Management – DLL

DLL's integrated Risk Management Framework, supported by policies, standards and operational procedures, sets out a consistent approach to managing all risk across the organisation. Risk identification and materiality assessment and classification allow for a clear understanding and definitions of risks and promote a common understanding of Risk Management.

Risk Management Framework



Similar to the Core Banking Group, DLL does not consider environmental risk as a stand-alone material risk but rather as a risk driver potentially impacting one or more of the existing material risks. This outside-in impact could potentially give rise

to financial, reputational or regulatory impact for DLL. In addition to the outside-in impact, DLL (directly or through its suppliers or clients) can also impact ESG (the so-called inside-out impact), which in turn can result in risks and opportunities.

Transmission and Management of Climate Risk

Risks and opportunities from climate-related and ESG can arise through either direct or indirect transmission channels. Direct transmission channels refer to risks that impact the Core Banking Group, and indirect transmission channels refer to risks that impact the economy or customers (see page 13).

Processes for Identifying, Assessing and Managing Climate-Related Risks – Core Banking Group

The Core Banking Group uses a wide range of tools to identify and assess material risks. The following table set out those used to identify and assess Climate-Related Risks.

	Time Horizons	Value Chain	Frequency	Description
Scenario Analysis	Now – 2030 (near term)	Includes two tiers upstream (ie. customers and their inputs/suppliers) and one downstream (ie. depositors).	See page 39 'Strategy' section. Prior Scenario Analysis will be reviewed annually for ongoing appropriateness and will be updated as necessary.	See 'Strategy' section
	2030–2050 (medium term)			
	2050–2100 (long term)			
Heatmaps	The heatmap concludes on the risk in the short (5 years), near (5–10 years) and long term (>10 years (until 2050) for each specific risk event	The scope of the heatmaps and stress tests are all the Core Banking Group's sectors and thereby cover the full Value Chain.	Annual	<p>The Core Banking Group performs heatmap analysis to assess physical and transition risks. This includes the risk of extreme weather conditions based on weather models. Multiple extreme conditions are included such as drought, hailstorms, wildfires and floods. The heatmaps also include transition risk events although this will be expanded further. The outcomes of these heatmaps are used for the following purposes:</p> <ul style="list-style-type: none"> Input for the sector sensitivity/vulnerability process. Determination of IFRS 9 provisions through management adjustments. Input for stress testing/Scenario Analysis. Input for the strategy as outlined in the Sector x Country plans.
	2022 stress test: periods used: June 2022–2030 (~10yr) 2030–2040 (~20yr) 2040–2050 (~30yr)	The scope of the heatmaps and stress tests are all the Core Banking Group's sectors and thereby cover the full Value Chain.	FY 2022	<p>In 2022, the Core Banking Group conducted a climate scenario stress test on three NGFS scenarios (orderly, disorderly and hot-house world). The scope of this analysis was aligned with the MTP scope, and its main deliverables included a Dynamic Balance Sheet forecast until 2050, Forecast of both FEs and LICs and physical risk deep dives. This Scenario Analysis provided key insights:</p> <ol style="list-style-type: none"> The impact of the scenario on the Financed Emissions and decarbonisation success. The variability in the transition risks between scenarios and the sectors (expressed by carbon tax probability of default (PD) multipliers and LICs).
Stress test				

Processes for Identifying, Assessing and Managing Portfolio-Level Climate-Related Risks – DLL

DLL is closely aligned with Rabobank on heatmaps and stress tests. The details regarding these tools included in the table on page 48 also apply to DLL with the following additions for stress tests:

- Tools: The stress test engine is used to calculate stressed risk-weighted assets and provisions for a climate stress test.

- Frequency: In addition, various stress test exercises are conducted throughout the year in which sectors specified as vulnerable, due to climate risk, are stressed further for provisions and risk-weighted assets assessment.

Assessing and Managing Risks – Core Banking Group

Credit risk is the main risk transmission channel or the Core Banking Group's risk type most impacted by climate risk as detailed below.

Climate and ESG in the Credit Journey

ESG in Deal Selection

Provide insights into customer and product alignment with the risk strategy of the Core Banking Group to enable the transition to net-zero.

ESG Customer Assessment

Assess, measure and quantify the impact of sustainability/ESG on customer creditworthiness to ensure well-informed risk-taking decisions.

ESG Monitoring

Embed ESG factors into the administration and monitoring processes to provide accurate and timely information on exposures.

1. ESG in Deal Selection

The Core Banking Group's selection criteria is structured to meet the risk appetite settings approved by the Board (for the Bank) and CEO (for the Branch). This is translated into the Core Banking Group's climate-related and ESG policies and underwriting criteria. These encompass customer selection, prohibited financing classes and sector concentration limits, guided by materiality principles and risk exposure.

Climate sector analysis informs risk appetite, aiding the identification of areas exposed to specific risks. An initial dairy sector plan outlining high-level Climate-Related Risk assessments and actions has been developed given the lending concentration the Bank has to this sector. Further customer-level data collection and enhanced granularity in heatmaps is planned for 2024 development to assist with this analysis, and other sectors are being reviewed.

Ongoing efforts include obtaining more customer-level data, refining heatmaps and advancing policies in line with the Core Banking Group's commitment to climate-related and ESG and sector Risk Management.

2. ESG Customer Assessment

Sustainability Performance of our Customers

The Rural Client Photo is a tool that enables the Core Banking Group to gather data on the ESG performance of business customers in the Core Banking Group's portfolio. The purpose of our Rural Client Photo is to improve customer engagement and business development and is used as a management tool to discuss, amongst other things, climate-related resiliency and on-farm transitional plans.

The Rural Client Photo assists during the onboarding credit process. We create a Rural Client Photo by assigning categories through a process in which a customer's climate and sustainability farm management practices and impacts are assessed. A score is assigned that determines a customer's suitability for onboarding. We acknowledge that there are several limitations to the Rural Client Photo because of the continuous development of these tools, limited availability of sustainability-related data and methodologies and the need to use professional judgement, and accordingly, this forms only part of the overall customer assessment process. Nevertheless and notwithstanding these limitations, it is still a useful tool in facilitating our assessment of the sustainability of our customers.

Due to the rapidly evolving dynamics in sustainability, the Core Banking Group is continuing to develop this tooling.

PLANET is a client sustainability tool used for assessing sustainability of Wholesale customers and to support the business to determine whether the customer is in compliance with Rabobank's sustainability policy framework as well as the performance of the customer on a range of material sustainability topics. PLANET generates both a policy score (accepted/not accepted) and a performance score (0–100%), which are used and considered in the client's credit assessment process. PLANET also records in-depth sustainability assessments for those clients in scope of this assessment.

Collateral

The Core Banking Group uses a combination of external and internal collateral valuers that consider climate risk in their valuation assessments of, particularly, real estate securities. Specific guidance is provided to the valuation teams to consider amongst other things:

- soil type, land use, topography, drainage, soil origin and texture
- production capacity having regard to things such as farming system, irrigation and so on
- historical and projected rainfall
- access to water and relative licences
- environmental Risk Management such as strategies or practices that contribute to a property's ongoing climate-related and ESG risk profile
- soil carbon considerations
- long-term macro changes in climatic considerations to rainfall, temperature, drought, flood and frost that could impact on productivity.

Going forward (2024–2025), the Core Banking Group will be developing geospatial mapping to support the macro heatmaps by providing detail down to farm/property level. This will allow a visual representation of physical risks over time and also enable biomass calculators to assist with monitoring on-farm sequestration and assessing carbon footprint.

Loan Assessment

The principal criteria used for Loan Assessment is the ability to repay. In this regard, the Core Banking Group looks to historical performance as an indicator of a customer's ability to repay and potential future performance. Typically, the Core Banking Group requires at least 3 years of historical financial accounts to establish a baseline of performance. As most borrowers will have experienced at least one climate physical risk event over this period, this provides a high-level assessment of both resilience and adaptability.

Going forward, the Core Banking Group is considering a number of climate Risk Management enhancements, including:

- inclusion of sector physical and transition risk probability into probability of default modelling – under consideration by Rabobank and will be developed as part of a global update to probability of default models
- formalising credit assessment criteria to include discussion of material sector physical and transition risks and customer mitigants that align with these sector risk assessments – solution being developed locally and expected to be adopted late 2024
- customer-level emissions being benchmarked against other sector participants at a local level, subject to customer-level data collection initiatives in 2024 proving effective and likely to be delivered 2025.

3. ESG Monitoring and Reporting

Relationship Management

The Core Banking Group is aware that the process of implementing on-farm sustainable management standards and practices within the food and agricultural sectors offers a unique set of challenges and takes time. The Core Banking Group accepts that some customers or business partners are more advanced than others in their ability to show significant progress in implementing environmentally and socially responsible management practices leading to greater mitigation of climate-related and ESG risks and a reduced Emissions Intensity profile.

Against the backdrop of applying a risk-based approach because the Bank believes that helping customers and business partners improve their climate-related and ESG performance requires meaningful and proactive dialogue, the Core Banking Group engages with customers and business partners by:

- constructively sharing the Core Banking Group's knowledge and networks with customers
- providing access to specialist education or training resources
- an annual refresh of the Rural Client Photo.

Other Measures

IFRS 9/Provisioning

Currently, observed climate-related and ESG risks are included in the IFRS 9 assessment through:

- the impact of climate-related and ESG risk on the macroeconomic scenario outcomes
- the impact of climate-related and ESG risk in individual customer assessments
- the sectors that have been set at vulnerable due to climate-related and ESG risks
- what the Bank calls the backstop process (which can manifest itself through top-level provision adjustments).

As of December 2023, the Core Banking Group also holds a provision via top-level adjustments for chronic climatic events that have materialised. In 2023, a Cyclone Gabrielle top-level adjustment has been held, which is based on individual customer impact assessments.

Capital Risk Profile

The impact of Climate-Related Risk is a consideration in the assessment of required capital in the Bank's annual Internal Capital Adequacy Assessment Process through the use of stress testing.

Assessing and Managing Risks – DLL

DLL expects the largest impact of climate risk is on the credit risk profile (eg. via payment capacity of end users, sector impact and asset residual value). Consequently, DLL focused primarily on the impact that Climate-Related Risks have on clients' credit risk in the climate Risk Management efforts.

Climate-related and ESG assessment – focused on sustainability aspects – is embedded in the credit granting process via the various sustainability tools. Climate-related and ESG risks are mostly included implicitly in the risk assessment and risk classification process. For clients for which climate-related and ESG risks are seen as a key risk, these are included in the credit process by way of a credit application's business description, sector outlook and financial projections. Framework discussions are ongoing regarding structurally embedding and capturing financial aspects of climate-related and environmental risks in the credit risk assessment and risk classification.

DLL undertakes an annual Global Vendor risk assessment to assess, in part, our vendors' commitment to sustainable developments and transitions.

Climate-related and ESG risk is integrated into the IFRS 9 provisioning process consistently with the Core Banking Group.



Metrics and Targets

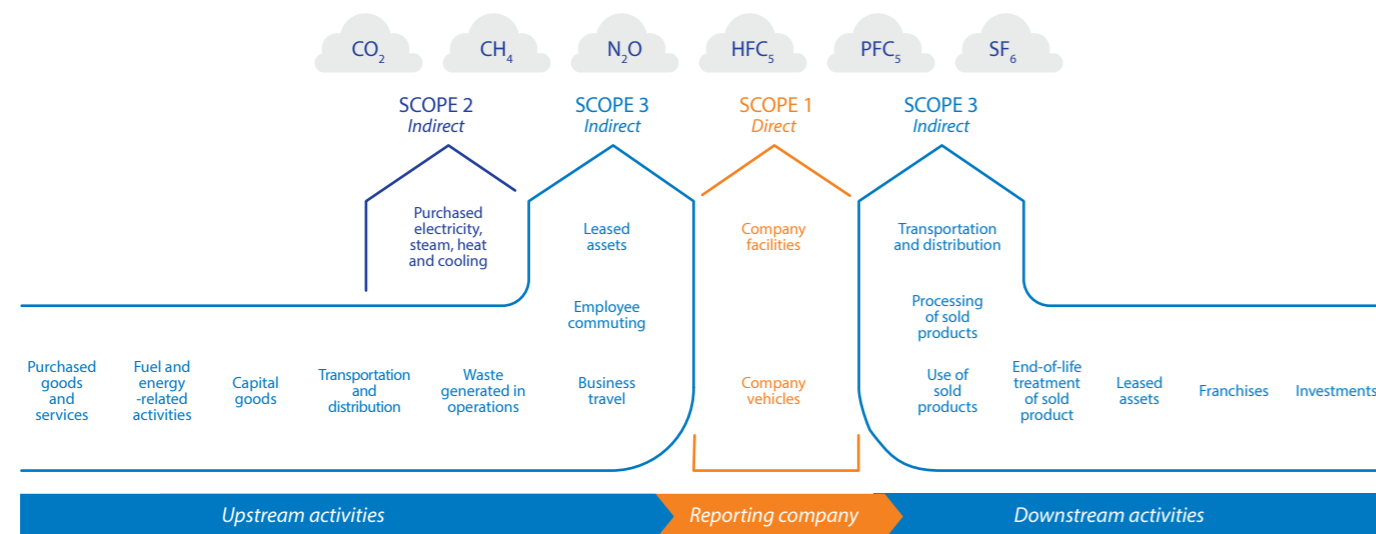
Overview

In this section, we present our Metrics and Targets. No commonly used New Zealand industry-wide Metrics and Targets have been identified in 2023 beyond the Net-Zero Banking Alliance and other GHG-related Metrics referenced below.

GHG Emissions

The GHG Protocol distinguishes between Scope 1, 2 and 3 Greenhouse Gas emissions. In this section, the Group discloses the emissions that are directly (Scope 1) and indirectly associated with the Bank's business operations through purchased energy (Scope 2) and some key elements of Value Chain emissions (Scope 3).

GHG Protocol scopes and categories of emissions



Overarching Target

Under Rabobank's Paris Alignment strategy and commitments under the Net-Zero Banking Alliance, Rabobank's goal is to support the transition towards a net-zero economy by 2050, setting emissions reduction Targets that help limit global warming to 1.5°C (with likely limited/no overshoot) by the end of the century. As such, the Bank has an Absolute Target to have all our operational GHG emissions and attributable emissions from our lending and investment portfolios align with pathways to net-zero by 2050 including CO₂ emissions reaching net-zero at the latest by 2050 and a reduction of non-CO₂ emissions consistent with a maximum temperature rise of 1.5°C above pre-industrial levels by 2100.*

In achieving these goals, first and foremost, we focus our efforts on reducing emissions – both emissions from our own operations and those resulting from our lending and investment portfolios. Nonetheless, we acknowledge the fact that residual GHG emissions remain and are unlikely to be reduced to an absolute zero in the near future. Therefore, we will have to rely to some extent on offsetting to neutralise these residual emissions. Our approach towards offsetting follows guidance (such as from the Net-Zero Banking Alliance) addressing key elements such as the mitigation hierarchy (elimination and reduction first), additionality, certification and high-quality and high-integrity criteria.

* The baseline for this net-zero pledge is 2018 for Non-Financed Emissions and 2020 for Financed Emissions.

Operational Emissions

The Core Banking Group has set an Absolute Target of reducing operational emissions from our business by 50% by 31 December 2030 compared with our 31 December 2019 Base Year (Operational Emissions Reduction Target (OERT)), with no other Interim Targets in place.

The OERT was developed and approved by the New Zealand Leadership Team in 2023. Opportunities for reduction were highlighted at the time the Target was set. The progress against this Target was reported to the Board (see page 23). The Core Banking Group defines operational emissions as all sources of

Scope 1 and Scope 2 and a selection of key sources from Scope 3 as set out in the table below.

Financed Emissions are excluded from the Core Banking Group's operational emissions. The Core Banking Group's OERT is based on reducing rather than offsetting emissions, and 50% exceeds the SBTi initial recommendations, which align with the Paris Agreement goal of 1.5°C temperature rise. The table below gives an overview of the Core Banking Group's operational emissions over the last 2 years as well as Base Year (2019).

	2019 Emissions (tCO ₂ e)	2022 Emissions (tCO ₂ e)	2023 Emissions (tCO ₂ e)
Scope 1	1,173.55	1,170.84	1,037.78
Transport fuels (diesel and petrol)	1,173.55	1,170.84	1,037.78
Scope 2	107.43	24.76	5.04
Electricity	107.43	24.76	5.04
Scope 3 (limited)	1,117.56	550.68	948.95
Electricity distributed T&D losses	11.59	9.21	40.38
Accommodation	105.00	42.15	9.24
Waste and recycling	28.41	7.95	6.38
Business travel – air	963.67	479.00	877.09
Business travel – land	8.88	12.37	15.86
Total *	2,398.54	1,746.28	1,991.77
FTE	392.1	513.6	522.6
Intensity measure (tCO ₂ /FTE)	6.117	3.400	3.811

* This total does not include Financed Emissions, which are a subset of the Group's Scope 3 emissions. It also does not include other Value Chain Scope 3 emissions, which have either poor data quality or have been assessed as immaterial (couriers; advertising and marketing; IT costs; office supplies; telecommunications; audit fees; consultant fees; legal, tax and compliance fees; E-waste; staff commuting; staff working from home, DLL Companies are excluded due to immaterial nature.

Performance Against OERT

Target name	Operational Emissions Reduction Target
Baseline Period	1/01/2019 – 31/12/2019
Target Date	31/12/2030
Type of Target	Absolute
2030 Target (tCO ₂ e)	1,199.27 (50% reduction from Base Year)
Current Performance* (tCO ₂ e)	1,991.77
Current Performance* (%)	16.96% reduction

* Performance calculations are benchmarked by our Base Year's emissions (2019). 2019 was elected by the Core Banking Group to be the Base Year for operational emissions as this was considered to be a standard year. This was decided in 2021, and the most recent non-Covid impacted year was applied. This choice was made by the Core Banking Group prior to Rabobank's additional commitments under the Net-Zero Banking Alliance, including from Financed Emissions (see page 54 for baseline).

Emissions generated from the Core Banking Group's vehicle fleet and flights make up over 95% of the total operational emissions. The Core Banking Group's business is built on the strong relationships with customers and international stakeholders, which presents a challenge in making deep cuts to operational emissions in the absence of viable low-carbon technologies. Nonetheless, the Bank is advancing an operational emissions reduction plan. During 2023, there was an increase in Scope 3 emissions due to resumption of business travel following the period of Covid-19 lockdowns. However, it has reduced from 2019 Base Year.

Financed Emissions

The Group has elected to use Adoption provision 4 and has chosen not to disclose its Financed Emissions for 2023.

Unfortunately, a lack of farm-level emissions and production values means that we still cannot determine the carbon intensity of our New Zealand sector through an accurate bottom-up process or therefore our performance against the Target. However, sector production data from the Dairy Companies Association of New Zealand and Dairy NZ, along with emissions data from the New Zealand National Inventory Report (allocated to the dairy sector), show an overall decline in Emissions Intensity for the New Zealand dairy sector between 2019 and 2021.

GHG Protocol Scope 3 Category 15 emissions (along with Category 13 Leased Assets) are indirect emissions related to investments and financing. They are often referred to as Financed Emissions and constitute the vast majority of a financial institution's GHG emissions.

The Core Banking Group has determined a baseline for Financed Emissions and set Targets for decarbonisation by 2030 for dairy cattle and milk production (highest-emitting sector of the loan portfolio). This sector accounts for approximately 60% of the balance sheet loans and more than half of the Bank's overall Financed Emissions.

The Core Banking Group prioritised the dairy cattle and milk production sector following the guidelines set by the New Zealand Banking Association, which recommends that banks focus their efforts on the high-emitting sectors where they have the most exposure and/or influence, data and methodologies permitting.

Sector	Performance		Road to Paris	
	Physical Intensity Metric	Baseline FY2020*	Reduction Target**	Reference Scenario
Dairy cattle and milk production	tCO ₂ e/t fat and protein corrected milk	1.18	-12%	SBT iFLAG

* Rabobank officially adopted 2020 as the baseline for Financed Emissions Targets across its all-global portfolios in line with Rabobank's Net-Zero Banking Alliance commitments (signed in October 2021) and the emissions data availability. The baseline Emissions Intensity Metric is SBTi FLAG's default value. ** Reduction in Emissions Intensity in dairy (on-farm + feed) 2020–2030. There are no further Interim Targets. The Target does not rely on offsets.

Assets Vulnerable to Climate Risk

Transition Risks

GHG emissions are a strong proxy for transition risk. All of the Group's assets are located within the legislative region of New Zealand, and therefore the transition risk exposure is reflected simply as the Group's Financed Emissions. Therefore, 100% of the Group's assets are vulnerable to transition risk.

Physical Risks

The percentage of the Group's assets vulnerable to physical risk is calculated as 33% (over the lifetime of the asset, under an IPCC RCP 8.5 scenario). This percentage has been calculated using the Rabobank methodology for Pillar 3 reporting (see page 64 for methodology).

Climate-Related Opportunities

The Core Banking Group's existing loan products can be used to support customers' climate change and sustainability initiatives. However, our current systems and processes are not able to reliably identify the portion of the loans directly supporting customers' sustainability initiatives. The Group is currently implementing sustainability-linked loan products (aligned with the Loan Market Association Sustainability-Linked Loan Principles) for which the Group is able to clearly identify and report. As of 31 December 2023, \$360.7 million had been provided under sustainability-linked loan products.

The Core Banking Group also supports customers affected by extreme weather events by participating in the government's North Island Weather Events Loan Guarantee Scheme. The Scheme supports the provision of Scheme loans to viable businesses. It encourages banks, non-bank deposit takers and non-deposit-taking lenders to lend with favourable terms, including reduced interest rates, by the government taking up to 80% of the loan's default risk.

Capital Deployment

Sustainability Expenditure

The Core Banking Group's expenditure towards sustainability initiatives is monitored as part of the annual MTP process. The Bank's MTP is approved by the Board with progress monitored by quarterly CFO reporting to the Board. The Branch's MTP is approved by the CEO with progress monitored by quarterly CFO reporting to the CEO. The actual and currently proposed annual expenditure from 2022 through to 2028 is shown below.

	Total Cost (NZ\$m)						
	2022	2023	2024	2025	2026	2027	2028
	Actual	Actual	Proj	Proj	Proj	Proj	Proj
Rural NZ	0.6	0.9	2.6	2.2	2.4	2.4	2.5
Risk	-	0.1	0.2	0.2	0.2	0.2	0.2
Management	-	0.2	0.3	0.3	0.3	0.3	0.4
	0.6	1.1	3.1	2.7	2.9	3.0	3.0

No separate sustainability budgets are in place for DLL Companies.

Employee Sustainability Contribution

As part of the Bank's efforts to promote sustainable behaviour, an employee sustainability contribution was announced in October 2023. Eligible employees have the opportunity to claim reimbursement of up to the equivalent of NZ\$2,200 net for specific sustainability-related products and services to encourage sustainable living and green choices in and around the home. Employees can claim this contribution until 31 October 2026. The Bank recognised the \$1.6 million cost in 2023.

Centre for Climate Action Joint Venture

In helping customers and the wider food and agricultural sector meet challenges around climate change and sustainable food production, the Bank was a founding shareholder in the Centre for Climate Action Joint Venture – now in the market as AgriZero^{NZ}. The joint venture between the government and an initial six agribusiness partners focuses on reducing GHG emissions through accelerating research, development and commercialisation of tools and technology for the food and agricultural sector. The Bank has made an indicative funding commitment that will rise to an aggregate \$4 million by 2025. The Bank invested \$1.7 million in 2023.

Other (Non-Industry) Key Performance Indicators

The following Risk Indicators were included in the 2023 Risk Appetite Statement of the Bank and of the Branch for climate-related and ESG risk. The measure is within the risk appetite limit for the year.

	Minimum Frequency	Breach Direction	Early Warning Level	Risk Appetite Limit	Status
Rural lending clients that do not meet the acceptance criteria of Rabobank's sustainability policies and without approved deviation in place	Quarterly	>	0.15%	0.30%	0.00%
Wholesale lending clients with an approved deviation in place on one or more of Rabobank's sustainability policies	Annually	>	1	2	0
Wholesale lending clients that do not meet the acceptance criteria of Rabobank's sustainability policies and without approval deviation in place	Annually	>	1	2	0

Internal Emissions Price

The Bank acknowledges that sustainable forestry and afforestation can enhance environmental outcomes and mitigate the effects of climate change. The planting of trees on farms provides landowners with the opportunity to generate revenue from the carbon sequestered by trees, and as a result, customers may use marginal land or convert parts of the land on their farms to forestry to enable the trading of carbon units in addition to the eventual sale of harvested timber. The Bank currently applies a price of \$40 per unit of New Zealand carbon in lending to customers who engage in carbon farming.

Scenario Analysis Details

Process

Initially, a scenarios scope and boundary workshop was held to agree the scope and boundaries of the Scenario Analysis and scenarios. This included time horizons and also identified key drivers of change. From this, the Core Banking Group's scenarios were built out using datapoints from the chosen scenario datasets to develop qualitative narratives.

Physical risk and opportunity identification workshops were then held where participants followed the hazard-impact-consequence model to determine risks to the Core Banking Group, which were also then assigned as either impacting the Core Banking Group or our key sub-sector customers (dairy or sheep and beef). To facilitate risk analysis, the Core Banking Group defined sub-risk categories in order to tag risks against specific parts of its portfolio such as horticulture, dairy, sheep and beef. Workshop participants were asked to:

- identify the risk that may arise as a result of a given climate hazard
- define the material risk type
- define the impact of the hazard on a specific sub-risk category
- define the consequence (material risk type) for the Bank (liquidity risk or credit risk).

Ratings for both opportunities and risks were then estimated (again by the above attendees), referring to the scenario information provided and using the following formulas:

$$\text{Risk Rating} = \text{Exposure} \times \frac{\text{Vulnerability}}{(\text{Sensitivity} + \text{Adaptive Capacity})}$$

$$\text{Opportunity Rating} = \frac{\text{Ease of Harnessing}}{(\text{Complexity} + \text{Investment})} \times \frac{\text{Benefit}}{(\text{Operational Resilience} + \text{Gains})}$$

These ratings were used to rank and aggregate physical and transition risks and opportunities into shorter, prioritised, actionable lists. Finally, actions and mitigations in response were identified, including through a business resiliency workshop with members of the executive leadership (including the CEO, CRO, CSO, CFO and General Managers of our Rural and Wholesale divisions) and subject matter experts.

Scenario Analysis Datapoints

Orderly Scenario

<i>New Zealand unless stipulated below</i>	<i>Physical / Transition</i>	<i>2050 (average)</i>
Global temperature	Physical	~1.4°C
Intense rainfall days	Physical	Down-scaled data not available under scenario
Hot days	Physical	Down-scaled data not available under scenario
Frost days	Physical	Down-scaled data not available under scenario
Sea-level rise (with vertical land move)	Physical	Down-scaled data not available under scenario
Global GHG emissions	Transition	3.61 GtCO ₂ /yr
Global GDP	Transition	137,833 US\$bn/annum
Global population	Transition	8,397 million
Global oil price	Transition	15 US\$2010/GJ
Global agricultural demand	Transition	6,136 million tDM/yr
Global CCS use	Transition	1,136 MtCO ₂ /yr

Data source: GCAM 5.3+ NGFS World Downscaled and GCAM 6.0 NGFS (GDP only).

Disorderly Scenario

<i>New Zealand unless stipulated below</i>	<i>Physical / Transition</i>	<i>2050 (average)</i>
Global temperature	Physical	~1.8°C warming
Intense rainfall days	Physical	15.9–60.4 average recurrence interval (1h)
Hot days	Physical	25.4 days
Frost days	Physical	53–54 days
Sea-level rise (with vertical land move)	Physical	0.33–0.41m
Global GHG emissions	Transition	7.42 GtCO ₂ /yr
Global GDP	Transition	451,750 US\$bn/annum
Global population	Transition	9,305 million
Global oil price	Transition	16 US\$2010/GJ
Global agricultural demand	Transition	7,340 million tDM/yr
Global CCS use	Transition	8,934 MtCO ₂ /yr
Global carbon price	Transition	627 US\$2010/tCO ₂

Data sources: Physical: NIWA regional, high-intensity rainfall and sea-level rise projections and IPCC WGI Interactive atlas regional synthesis. Economic: GCAM 5.3+ NGFS World Downscaled and GCAM 6.0 NGFS (GDP only).

Hot-House World Scenario

<i>New Zealand unless stipulated below</i>	<i>Physical / Transition</i>	<i>2050 (average)</i>
Global temperature	Physical	~1.8°C warming
Intense rainfall days	Physical	16.3–62.4 average recurrence interval (1h)
Hot days	Physical	29.6 days
Frost days	Physical	29–44 days
Sea-level rise (with vertical land move)	Physical	0.38–0.47m
Global GHG emissions	Transition	32.79 GtCO ₂ /yr
Global GDP	Transition	209,769 US\$bn/annum
Global population	Transition	9,130 million
Global oil price	Transition	16 US\$2010/GJ
Global agricultural demand	Transition	6,492 million tDM/yr
Global CCS use	Transition	11,508 MtCO ₂ /yr
Global carbon price	Transition	1,472 US\$2010/tCO ₂

Data sources: Physical: NIWA regional, high-intensity rainfall and sea-level rise projections and IPCC WGI Interactive atlas regional synthesis. Economic: GCAM 5.3+ NGFS World Downscaled and GCAM 6.0 NGFS (GDP only).

GHG Emissions Methods, Assumptions and Estimation Uncertainty

Operational GHG Emissions

The Core Banking Group quantifies emissions in line with ISO 14064-1:2018 *Greenhouse gases – Part 1: Specification with guidance at the organization level for quantification and reporting of greenhouse gas emissions and removals*.

An operational control consolidation approach was used to account for emissions. Organisational boundaries were set with reference to the methodology described in the GHG Protocol and ISO 14064-1:2018. The Bank has accounted for emissions from all business units as the Bank has operational control over output and therefore can influence resource intensity. A small number of business units do have some shared activities and services that are controlled by our regional Sydney office rather than the Core Banking Group and are therefore not included.

The standard calculation methodology has been used for quantifying the emissions inventory unless otherwise stated below:

$$\text{emissions} = \text{activity data} \times \text{emissions factor}$$

All emissions were calculated using Toitū emanage with emissions factors and Global Warming Potentials provided by the Toitū programme. Global Warming Potentials (GWP) from the IPCC Fifth Assessment Report (AR5) are the preferred GWP conversion.

No business units have been excluded from our inventory. However, some activities conducted in Australia that impact business units in New Zealand have been excluded – for example, Vendor Management is outsourced to Australia but services the Core Banking Group via a formal contractual relationship.

We have excluded some GHG emissions sources from our reporting as shown below.

GHG Emissions Exclusions

Business Unit	GHG Emissions Source or Sink	Activity	Reason for Exclusion
All units	Freight/courier	Purchased goods and services	We have excluded this data from our report as the total amount was deemed de minimis.
All units	Travel booked by staff on personal credit	Business travel	There is potential that staff have booked travel on personal credit cards. This amount is deemed immaterial.
Products and deposits	Advertising and marketing	Purchased goods and services	We have excluded this data from our report as the data quality is low and predicted emissions are presumed not to meet the significance threshold.
COO domain	IT costs	Purchased goods and services	There are few opportunities to reduce IT costs and data quality is low from our providers so this has been excluded from our reports. However, we do take steps to ensure the product's end of life is climate conscious.
All locations (branches)	Stationery	Purchased goods and services	We have excluded this data from our report as the total amount was deemed immaterial.
All units	Telecommunications	Purchased goods and services	We have excluded, as we are outsourcing and have little influence over the emissions and telecommunications are required for us to fulfil our clients' needs.
Risk Management	Audit fees	Purchased goods and services	We have excluded as audits are required for us to remain operating optimally and within the regulations.
Management and other support	Consultant fees	Purchased goods and services	Whilst consultant fees are a large cost for the Bank, there is little data for us to use when calculating the carbon emissions this activity generates. Data quality is generally low, requiring assumptions and generating poor results, with little opportunities for reduction action.
Management and other support	Legal, tax and compliance fees	Purchased goods and services	Similar to the above, we need to remain operating within the regulations, which requires the support of external organisations; of whose operations we have no control over and minimal quality data relating to.
All locations (branches)	Staff working from home	Employee commuting	We have excluded as we believe this will have a low impact on our overall emissions.
All location (branches)	Refrigerants	Purchased goods and services	We have excluded as we don't own the HVAC units across our Country Banking premises, and we are not liable for maintenance or replacement of refrigerants within the units.

Data Sources Used to Calculate GHG Emissions

Activity (Data Source)	Uncertainty	Assumptions	Notes/Outcome
Fleet (service provider)	Low, reports are provided by service provider.	Assume correctly produced.	Method is most reliable option. No limitations. Utilised Toitū's emission factors all derived from IPCC. Note: For 2024 data, two reports will be required due to merger for service provider.
Fleet (credit card)	Moderate, report data can only be used where the merchant, code or notes are identifiable, which hinders the accuracy.	Have assumed proxies for each fuel type as there are cases of under-labelling. Petrol – have had to create a proxy based off normal rates of use to calculate X% premium petrol and Y% regular petrol. Using the same methods for fuel. Data is presented in dollar terms so an average (mean) price per litre (from MBIE's report) is used to calculate the total litres.	Method is most practical and reliable. Improvement could be made to use price of fuel at a given day, but the increased accuracy is unlikely to be deemed significant. Once converted to litres, utilised Toitū's emission factors all derived from IPCC.
Electricity (service provider)	Low, reports are provided by service provider.	Assume correctly produced.	Method is most reliable option. No limitations. Utilised Toitū's emission factors all derived from IPCC.
Electricity (other provider)	Low, reports are provided by landlords (Auckland, Blenheim and Christchurch offices).	Assume correctly produced.	Method is most reliable option. No limitations. Utilised Toitū's emission factors all derived from IPCC.
Flights (service provider)	Low, reports are provided by service provider.	Assume all flights are booked within policy, thus through service provider.	Method is most reliable option. No limitations. Utilised Toitū's emission factors all derived from IPCC.
Accommodation (service provider)	Low, reports are provided by service provider.	Recognise that some accommodation is booked on ad hoc basis due to travel needs, therefore risk of double counting.	Method is most reliable option. No limitations. Utilised Toitū's emission factors all derived from IPCC.
Taxis (service provider)	Low, reports are provided by service provider.	Assume correctly produced.	Method is most reliable option. No limitations. Utilised Toitū's emission factors all derived from IPCC.

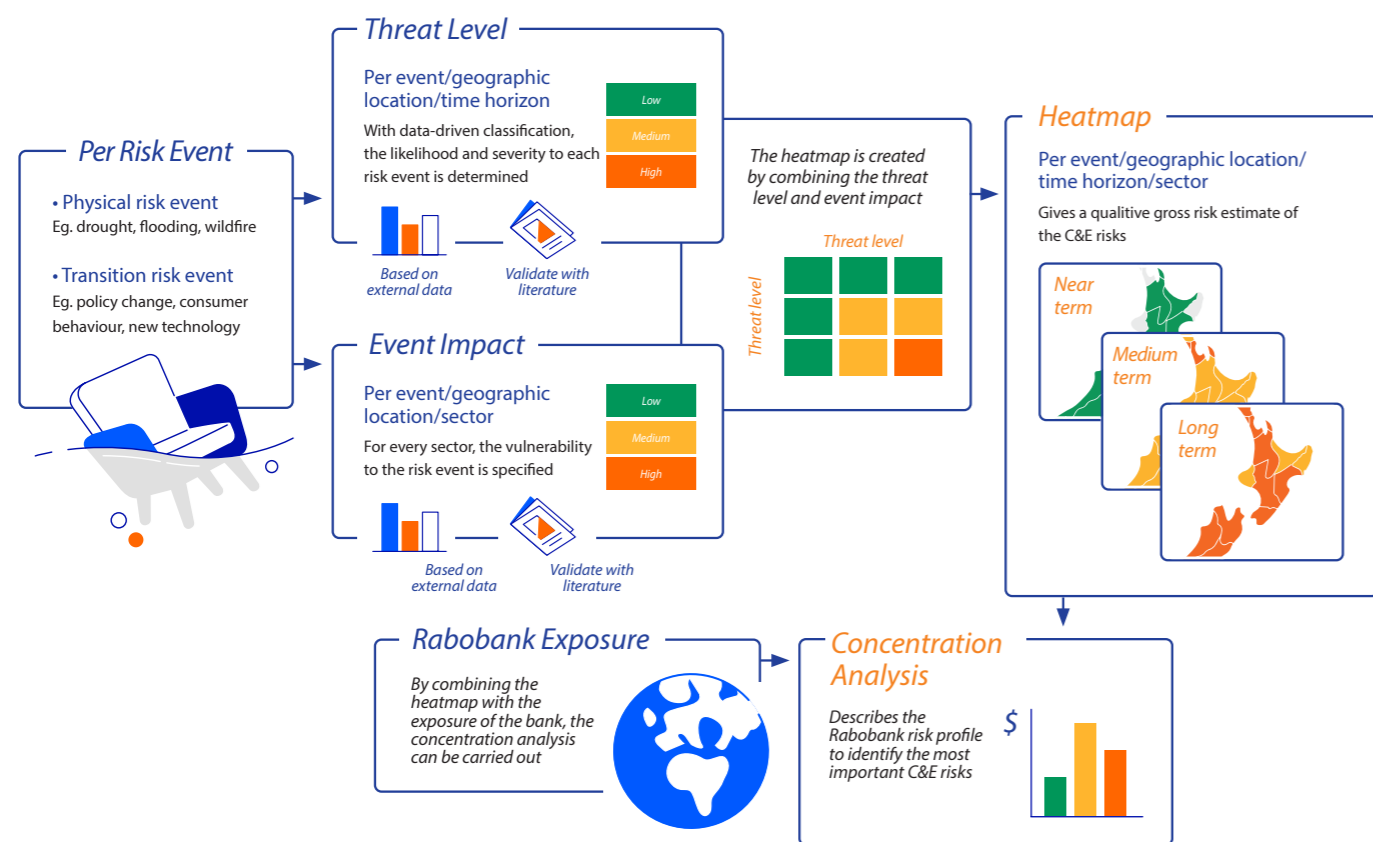
Activity (Data Source)	Uncertainty	Assumptions	Notes/Outcome
Taxis (credit card)	Moderate, report data can only be used where the merchant, code or notes are identifiable, which hinders the accuracy.	Assumed that staff have input the correct notes in Expense8, where the report is generated from. Can be reported in dollars, therefore no need to create a proxy.	Method is most reliable option. Limited by the description input by staff. Utilised Toitū's emission factors all derived from IPCC.
Rental Cars (credit card)	Moderate, report data can only be used where the merchant, code or notes are identifiable, which hinders the accuracy.	Assumed that staff have input the correct notes in Expense8, where the report is generated from. Can only be reported in days, therefore utilised the proxy recommended by Toitū.	Method is most reliable option. Limited by the description input by staff. Utilised Toitū's emission factors all derived from IPCC.
Ubers (credit card)	Moderate, report data can only be used where the merchant, code or notes are identifiable, which hinders the accuracy.	Simple to calculate based on the merchant listed, easily identifiable. Can be reported in dollars, therefore no need to create a proxy.	Method is most reliable option. Limited by the description input by staff. Utilised Toitū's emission factors all derived from IPCC.
Public Transport (credit card)	Moderate – High, report data can only be used where the merchant, code or notes are identifiable, which hinders the accuracy. There are few datapoints where the locations are provided.	The lack of information meant that some assumptions were made based on patterns in other expenses. Assumed that staff have input the correct notes in Expense8, where the report is generated from. Had to use the price and description to generate a likely travel journey and use Google Maps to calculate the distances.	It is extremely difficult to have confidence in the exact figures, however, this is as accurate as possible given the lack of data.
Paper Use	Low, reports are provided by service provider.	Assume correctly produced.	Method is most reliable option. No limitations. Utilised Toitū's emission factors all derived from IPCC.
Paper Recycling	Low, reports are provided by service provider.	Assume correctly produced.	Method is most reliable option. No limitations. Utilised Toitū's emission factors all derived from IPCC.
Waste (proxy)	Moderate, data is collected by measuring one urban office and three rural offices to create proxies for the other offices. Paper recycling was found to be approximately 10% of the total, thus this was used as a proxy.	Assumed the measurements are taken on standard days and can accurately represent the office. Assumed a standard number of people work from home across the country (confirmed by regional managers).	Method is most practical and reliable despite the assumptions in place. Utilised Toitū's emission factors all derived from IPCC.

Assets Vulnerable to Physical Risks Methodology

The percentage of assets vulnerable to physical risks has been calculated using the Rabobank methodology for Pillar 3 reporting.

In order to identify these exposures, the Group uses Rabobank-developed heatmaps for acute physical risks (including cyclones, windstorms, riverine flooding, coastal flooding, heavy precipitation (or pluvial flooding), drought, wildfires, extreme heat) and one chronic physical risk – water scarcity. Combining

the heatmaps with our credit exposure enables us to identify the most relevant Climate-Related Risks before mitigations and adaptations as shown in the image below.



Rabobank's heatmaps use the following definitions:

- Threat level:** likelihood of a climate-related event above a specific severity. For example, the recurrence of a riverine flooding with a water depth above 0.5 metres.
- Impact level:** relative vulnerability (or predisposition to be adversely affected) of a sector-country combination towards a climate-related event. It is a relative Metric since the benchmark is not an absolute financial estimate, rather a comparison across sector-country combinations. For instance, a low outcome does not imply low vulnerability in absolute terms but low compared to all the other sector-country combinations used in the calibration.

Assumptions

To identify exposures, we have chosen to rely on a worst-case scenario for climate change using various trajectories for Greenhouse Gas concentrations spanning a period up to 2100. From a physical risk perspective, using a worst-case scenario better serves discussions on mitigating actions to be taken than do more favourable assumptions. A credit exposure is flagged as sensitive when there is a high likelihood of a severe event in combination with a high impact level for at least one climate-related event. When identifying physical risk, we assume that at least one severe event will occur during the maturity of the loan and that the loan belongs to a sector-country combination that is more vulnerable than the rest.

Limitations

Rabobank's heatmaps capture both acute and chronic events. Currently, we cover only one chronic event due to the complexity to characterise them, but we plan to progressively include more events in later stages. The temporal granularity when drawing up the heatmaps is three time horizons (less than 5 years, up to 10 years and more than 10 years).

Rabobank analysed non-financial corporations using the best available location of the exposures. Using a waterfall approach, we used the location of the collateral where available and otherwise proceeded to the location of the activity and finally the address of the direct counterparty. The latter most likely corresponds to the headquarters. This is the case mostly for non-EU countries and for retail small-medium enterprise customers that are not households.

Sources of Information

Rabobank's assets-vulnerable analysis is data-driven and forward-looking up to a 2050 time horizon. The frequency and severity of an event is based on scientifically sound datasets that are a result of a thorough vetting process and literature review. For the event impact of a sector, we developed an indicator approach following the work of the TCFD Banking Pilot Project Phase II. This method considers how events can impact the Value Chain components (assets and expenses) of a sector, supported by literature, proxies and internal expert input. Datasets for this purpose include EU KLEMS, Eurostat, International Energy Agency, OECD Statistics and the Notre Dame Global Adaptation Initiative (ND-GAIN).

Note that physical risk identification with regard to our exposures keeps evolving within the industry as a whole, which requires continuous improvement of our methodology.

Statement of Compliance

Coöperatieve Rabobank U.A. is a climate-reporting entity under the Financial Markets Conduct Act 2013. The disclosures in these Statements are made in line with Aotearoa New Zealand Climate Standards issued by the External Reporting Board. In preparing its climate-related disclosures, Rabobank has elected to use the following adoption provisions:

Adoption provision 1: Current Financial Impacts. This adoption provision exempts the Rabobank from disclosing the current Financial Impacts of its physical and transition current climate-related impacts.

Adoption provision 2: Anticipated Financial Impacts. This adoption provision exempts Rabobank from disclosing the anticipated Financial Impacts of Climate-Related Risks and Opportunities reasonably expected by an entity.

Adoption provision 3: Transition planning. This adoption provision exempts Rabobank from disclosing transition plan aspects of its strategy and the extent to which transition plan aspects of its strategy are aligned with its financial planning processes, including for capital deployment and funding.

Adoption provision 4: Scope 3 GHG emissions. This adoption provision exempts Rabobank from disclosing all of its Scope 3 GHG emissions or a selected subset of its Scope 3 GHG emissions sources. Adopted in relation to the Group's Scope 3 Financed Emissions.

Adoption provision 6: Comparatives for Metrics. This adoption provision exempts Rabobank from disclosing comparative information for each Metric disclosed for the immediately preceding two reporting periods.

Adoption provision 7: Analysis of trends. This adoption provision exempts Rabobank from disclosing an analysis of the main trends evidence from a comparison of each Metric from previous reporting periods to the current reporting period.

For and on behalf of the Board.



B.C. Brouwers
Director
26 April 2024



E.G. Kamphof
Director
26 April 2024

Use of Adoption Provisions

NZ CS 2 provides a number of optional first-time adoption provisions that apply to specific disclosure requirements in NZ CS 1 and 3. These provisions and the Group's position are summarised below.

Theme	First-time adoption provisions in NZ CS2	The Core Banking Group's approach
Strategy	Adoption provision 1: 1-year exemption for disclosing current Financial Impacts	Adopted
	Adoption provision 2: 1-year exemption for disclosing anticipated Financial Impacts	Adopted
	Adoption provision 3: 1-year exemption for disclosing transition plan aspects of strategy	Adopted
Metrics and Targets	Adoption provision 4: 1-year exemption for disclosing Scope 3 GHG emissions	Adopted in relation to Rabobank's Scope 3 Financed Emissions. Scope 3 for operational emissions are disclosed on page 55.
Comparative Information	Adoption provisions 5 and 6: In the first year of reporting, no comparative information is required	Adoption provision 5 does not apply to Rabobank as it has not elected to use Adoption provision 4. Adoption provision 6 is adopted.
Analysis of Trends	Adoption provision 7: In the first 2 years of reporting, no analysis of the main trends from comparisons of each Metric is required	Adopted

Defined Terms

Glossary of Defined Terms

Absolute Target	A Target defined by a change in absolute GHG emissions over time. For example, reducing Scope 1 GHG emissions by 50% by 2030 from a 2019 Base Year.
AgriZero^{NZ}	The Centre for Climate Action Joint Venture with partners from business and government.
ANZ	Australia New Zealand
Aotearoa Circle's Agriculture Sector Climate Change Scenarios	Climate change scenarios for the agriculture sector.
BAC	Board Audit Committee.
Bank	Rabobank New Zealand Limited.
Banking Group or Group	The New Zealand business of Rabobank comprises of Rabobank New Zealand Branch, Rabobank New Zealand Limited, De Lage Landen Limited and AGCO Finance Limited.
Base Year	A historical datum (a specific year or an average over multiple years) against which an entity's Metric is tracked over time.
Board	The Rabobank New Zealand Limited Board. On page 66 the Board refers to the Management Board of Rabobank.
Board Skills Matrix	Hiring matrix that guides the formulation of search criteria to ensure a diverse set of skills in terms of knowledge, experience and expertise.
BRCC	Board Risk and Compliance Committee.
Business Continuity	The processes, procedures, decisions and activities to ensure that an organisation can continue to function through an operational interruption.
Carbon Dioxide Equivalent	The universal unit of measurement to indicate the Global Warming Potential of each of the seven GHGs expressed in terms of the Global Warming Potential of one unit of carbon dioxide for 100 years.
CCC	Climate Change Commission.
CCO	Chief Compliance Officer.
CCS	Carbon capture and storage.
CEO	Chief Executive Officer.
CFO	Chief Financial Officer.

Climate-Related Disclosure Framework	Climate-Related Disclosure Framework has the same meaning set out in section 9AA of the Financial Reporting Act 2013.
Climate-Related Opportunities	The potentially positive climate-related outcomes for an entity.
Climate-Related Risks	The potential negative impacts of climate change on an entity.
Climate-Related Scenario	A plausible, challenging description of how the future may develop based on a coherent and internally consistent set of assumptions about key driving forces and relationships covering both physical and transition risks in an integrated manner.
Climate Statements (Statements)	Climate Statements has the meaning set out in section 5 of the Financial Reporting Act 2013.
CO₂e	See Carbon Dioxide Equivalent.
COO	Chief Operating Officer.
Core Banking Group	Comprises of Coöperatieve Rabobank U.A. New Zealand Branch and Rabobank New Zealand Limited.
Coöperatieve Rabobank U.A. – Rabobank (CRUA)	Coöperatieve Rabobank U.A., incorporated in the Netherlands and trading as Rabobank. This entity is the ultimate parent of the Bank.
CRE	Climate-reporting entity.
CRO	Chief Risk Officer.
CSO	Chief Sustainability Officer.
CVT	Collateral Valuations Team.
Dairy Sector x Country Plans	Initial plan to set Targets and plans (both initial and future focused) principally on Emissions Intensity in the Bank's dairy portfolio. Reviewed annually.
DLL	De Lage Landen B.V. International.
DLL Companies	AGCO Finance Limited and De Lage Landen Limited.
EB	Executive Board.
ECB	The central bank of the European Union countries that use the euro.
ECB Guide	A guide to internal models that provides transparency on how the ECB understands those rules and how it intends to apply them when assessing whether institutions meet these requirements.

Economic Emissions Intensity	Absolute emissions divided the loan or investment volume.
Emissions Intensity	Intensity ratios express GHG emissions impact per unit of physical activity or unit of economic output. A physical intensity ratio is suitable when aggregating or comparing across entities that have similar products. An economic intensity ratio is suitable when aggregating or comparing across entities that produce different products. A declining intensity ratio reflects a positive performance improvement. Intensity ratios are also often called normalised environmental impact data.
EU Taxonomy	Classification system established to clarify which economic activities are environmentally sustainable.
EUR	Euro.
Financed Emissions	Lending and investment portfolio emissions as more extensively described on page 56.
Financial Impacts	The translation of impacts into current or anticipated impacts on financial performance, financial position and cash flows.
FMCA	Financial Markets Conduct Act 2013.
FTE	Full-time equivalent.
GDP	Gross domestic product.
General Members' Council	Rabobank's highest governing body whose members are represented by chairs of local supervisory boards.
GHG	See Greenhouse Gas.
Global Warming Potential	A factor describing the radiative forcing impact (degree of harm to the atmosphere) of one unit of a given GHG relative to one unit of carbon dioxide (CO ₂).
Governance Body	A board, investment committee or equivalent body charged with governance.
Greenhouse Gas	The Greenhouse Gases listed in the Kyoto Protocol.
Gross Emissions	Emissions are the release of GHGs into the atmosphere. Gross Emissions are total GHG emissions excluding any removals and excluding any purchase, sale or transfer of GHG emissions offsets or allowances. Gross Scope 2 emissions must be calculated using the location-based method.
Group Climate Statements	Group financial statements has the meaning set out in section 5 of the Financial Reporting Act 2013.
GTAP	Global Trade Analysis Project.
GWP	See Global Warming Potential.
He Waka Eka Noa	Primary Sector Climate Action Partnership.

heatmaps	Quantify the physical impacts to the Bank's portfolio from key acute events.
ICAAP	Internal Capital Adequacy Assessment Process.
IFRS 9	International Financial Reporting Standard (IFRS) published by the International Accounting Standards Board (IASB). It addresses the accounting for financial instruments.
impacts	The effects (also referred to as consequences or outcomes) of climate change occurring for an entity.
Intensity Target	A Target defined by a change in the ratio of emissions to a Metric over time.
Interim Period	A financial reporting period shorter than a full financial year.
Interim Target	A short-term milestone between an entity's medium-term or long-term Target and the current period.
Internal Emissions Price	A monetary value on GHG emissions that an entity uses internally to guide its decision-making process in relation to climate-related impacts, risks, and opportunities.
IPCC	Intergovernmental Panel on Climate Change.
ISO	International Organization for Standardization.
IT	Information technology.
KPI	Key Performance Indicator.
LIC	Livestock Improvement Corporation.
Loan Assessment	The process of assessing new lending applications.
LULUCF	Land Use, Land Use Change & Forestry.
Management	Executive or senior management positions that are generally separate from the Governance Body.
Managing Board (MB)	Organisational group that sets Rabobank's sustainability ambition, including the Group's sustainability strategy and roadmap.
MBIE	Ministry of Business, Innovation and Employment.
Metric	A quantity indicative of the level of historical, current and forward-looking Climate-Related Risks and Opportunities for a given entity.
MTP	Medium-Term Planning.
ND-GAIN	Notre Dame Global Adaptation Initiative.

net-zero	Describes the state where emissions of carbon dioxide due to human activities and removals of these gases are in balance over a given period.
Net-Zero Banking Alliance	A group of global banks committed to financing ambitious climate action to transition the real economy to net-zero Greenhouse Gas emissions by 2050.
New Zealand Banking Association	New Zealand banking advocacy group.
NGFS	Network for Greening the Financial System.
NIR	National Inventory Report.
NIWA	NIWA, the National Institute of Water and Atmospheric Research, is a Crown Research Institute. NIWA's mission is to conduct leading environmental science to enable the sustainable management of natural resources for New Zealand and the planet.
NZ	New Zealand.
NZD, \$	New Zealand Dollars.
NZ CS	Aotearoa New Zealand Climate Standards.
OECD	Organisation for Economic Cooperation and Development.
OERT	Operational Emissions Reduction Target.
Paris Climate Agreement	International treaty on climate change.
PCAF	Partnership for Carbon Accounting Financials.
PD	Probability of default.
Performance Dashboard	Set of KPIs aligned with the Banks' strategy.
physical risks	Risks related to the physical impacts of climate change.
Planetary Boundaries	A concept that identifies a set of critical environmental limits beyond which human activities could disrupt the stability and functioning of the Earth's systems.
Primary Users	Existing and potential investors, lenders, and other creditors.
Product Approval & Review Committee (PARC) – DLL	Organisational group that reviews and approves products.
Rabobank	Coöperatieve Rabobank U.A. – Rabobank.

Rabobank International Holding B.V.	Holdings company that owns the Bank.
Risk Appetite Statement	Describes the levels and types of risks that the Bank is willing to accept in order to achieve its strategic goals while remaining in compliance with regulatory requirements.
Risk Management	A set of processes that are carried out by an entity's Governance Body and management to support the achievement of an entity's objectives by addressing its risks and managing the combined potential impact of those risks.
Risk Management Committee (RMC)	Mandated to oversee the implementation of the Risk Management Framework, which includes Climate-Related Risk Management, perform risk monitoring and reporting, and perform oversight of new risk regulation including Climate-Related Risks.
Risk Strategic Priorities	The list of strategic risk initiatives, which include Climate-Related Risk initiatives, that underpin the Bank's MTP.
Road to Paris	Climate plan to achieve Rabobank's Paris Targets and pathways.
Rural Client Photo	Tool that enables the Bank to gather data on the ESG performance of business customers in the Bank's portfolio.
SBTi	Science Based Targets initiative.
Scenario Analysis	A process for systematically exploring the effects of a range of plausible future events under conditions of uncertainty.
Scope 1	Direct GHG emissions from sources owned or controlled by the entity.
Scope 2	Indirect GHG emissions from consumption of purchased electricity, heat or steam.
Scope 3	Other indirect GHG emissions not covered in Scope 2 that occur in the Value Chain of the reporting entity.
SME	Subject matter expert.
Staffing and Remuneration Committee – Rabobank (CRUA)	Organisational group that provides advice on staffing and remuneration.
Statements	Rabobank New Zealand Limited Climate Statements 2023.
Stress test engine	Tool used to calculate stressed risk-weighted assets and provisions for a climate stress test.
Sustainable Asset Review Committee (SARC)	Organisational group that reviews and approves assets funded by DLL against relevant external standards.
sustainable financing	An investment process accounting for and promoting environmental and social factors.

Sustainability and Climate Committee (SCC) – DLL	Organisational group that acts as both an advisory and a decision-making board on climate and sustainability and will be renamed the Sustainability & Environmental Standards Committee.
Sustainability & Environmental Standards Committee	Formerly called the Sustainability and Climate Committee.
Target	A specific level, threshold or quantity of a Metric that an entity wishes to meet over a defined time horizon in order to achieve an entity's overall climate-related ambition and strategy.
TCFD	Task Force on Climate-related Financial Disclosures.
tCO₂e	Tonnes of CO ₂ equivalent – a standardised measurement of the amount of Greenhouse Gases emitted.
The Scheme	North Island Weather Events Loan Guarantee Scheme).
Toitū	Toitū Envirocare conducts external audits of operational emissions for organisations. These audits validate Greenhouse Gas emissions data, ensuring accuracy and compliance with international standards.
transition plan	An aspect of an entity's overall strategy that describes an entity's Targets, including any Interim Targets, and actions for its transition towards a low-emissions, climate-resilient future.
transition risks	Risks related to the transition to a low-emissions, climate-resilient global and domestic economy.
Value Chain	The full range of activities, resources and relationships related to an entity's business model and the external environment in which it operates.
Variable Remuneration	<p>Remuneration in the form of additional payments or benefits, dependent on performance or the achievement of other objectives, including but not limited to Variable Incentives, Retention Bonuses, Sign-On Bonuses and/or Buy-Outs. All remuneration elements that cannot be classified as Fixed Remuneration qualify as Variable Remuneration.</p> <p>Fixed Remuneration is a regular remuneration that is periodically paid, including Base Salary and fixed allowances such as, but not limited to, Higher Duties Allowances.</p>
XRB	New Zealand External Reporting Board.

