

Climate Statements

Rabobank New Zealand Limited

For the reporting period 1 January 2023 to 31 December 2023



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About These Disclosures

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

The Bank 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 Bank'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 29 and 52 to 57.

Disclaimer

These Statements are published by the Bank for the climaterelated 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 Bank has prepared these Statements based on its current knowledge, data currently available to the Bank and what in the Bank'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 Bank 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 Bank 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 Bank 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 Bank 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 the Bank 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 Bank or Rabobank 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 Bank believes the statements and Metrics have a reasonable basis and are stated to the best of the Bank'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 Bank.



Introduction



Our Ambition Regarding Climate Change

Letter from the Chair and Chief Executive Officer

Coöperatieve Rabobank U.A.'s ("Rabobank") 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 Bank is aligned to this global ambition. New Zealand needs to meet its own climate commitments, and the Bank 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 Bank 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 Bank 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.





Chris Black Rabobank New Zealand Limited Chair

Todd Charteris Rabobank New Zealand Limited Chief Executive Officer

About Rabobank New Zealand Limited

The Bank is New Zealand's only specialist food and agribusiness bank and is headquartered in Hamilton, New Zealand. The Bank 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 Bank along with Rabobank Australia represents over 20% of Rabobank's international loan portfolio.

Today, 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 Bank is wholly owned by Rabobank International Holding B.V. and its ultimate parent entity is Rabobank in the Netherlands.

The Bank delivers on two core banking services to support the New Zealand food and agricultural sectors:

- Rural financial services and business banking 1.
- 2. **Retail deposits**

The Bank at a Glance (as at December 2023)

100% of local profits have been retained in New Zealand to date	Head office: Hamilton
Employees: 523	Balance sheet: \$15.7 billion
Lending customers: Approximately 4,000	Offices: 27 offices from Whangārei to Invercargill
Online Savings customers: Approximately 53,000	Market share: 21.4% of rural lending

The Bank's Business Plan and Sustainability

'Leading on sustainability' is part of the Bank's overarching business plan and a strategic priority that will enable the Bank 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 Bank, 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 CO, 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 Bank's customers and their communities, protecting the environment and the Bank's ongoing operations requires the Bank to integrate climaterelated and ESG considerations and responsibility throughout the business.

The Bank is committed to helping Rabobank to meet its global climate-related and ESG goals and its own in New Zealand. The Bank's aim is to ensure this commitment aligns with the need to assist the Bank'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 46.





Excellent Customer focus



Sound and consistent return on capital

Supporting our clients and food and agribusiness through:



The Bank's Approach to Climate-Related Reporting

Key Concepts

The Bank'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 Bank from two perspectives:

- The impacts of the Bank on the climate (inside-out perspective.)
- The risks and opportunities that climate change presents to the Bank

(outside-in perspective) where materiality is meant in the broad sense of affecting the development, performance and position of the Bank, 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 Bank 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 guality 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 Bank operates. The Bank's approach is to treat climate-related (and other ESG) risks as a set of interconnected risk factors that can affect the whole business.

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 page 24.

These Climate-Related Risk factors can act as drivers, also known as amplifiers, of the Bank'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.



Governance

GOVERNANCE



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 24.

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 climaterelated 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 climaterelated 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's Role

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)	 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 Rsk Management processes. After review, the RMC recommends papers to be submitted to the BRCC as is appropriate.
Chief Executive Officer	 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	 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	 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 47 of 'Metrics and Targets'), are noted by the Board.
Chief Financial Officer	 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	 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	 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	 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	 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 19).

Governance and Metrics and Targets Setting

The Board approved the Bank's strategy and risk appetite taking Climate-Related Risks and Opportunities metrics and climate risk into account feedback from Rabobank and the Bank's Management. activities are developed by Management and are informed by Rabobank and local Management in turn set and approved strategic either Rabobank's global or local commitments to agreements Key Performance Indicators (KPIs) and climate risk activities as such as the Paris Accord or the Net-Zero Banking Alliance. Part of detailed in these Statements (see 'Remuneration' section below) this was the setting of risk tolerances against the management of to give effect to the strategy and to manage the Bank's operations lending or operational risks such as the Bank's Targets of reducing within the set risk appetite. In 2023, the Board approved KPIs as part Emissions Intensity across its dairy sector loans by 12% by 2030 of the business plan. from the 2020 Base Year or the Bank's Toitū commitments to reduce operational emissions by 50% by 2030 from the 2019 Base The Board received quarterly updates from the CEO, CRO, CFO and Year.

GOVERNANCE

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.

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.

	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 into 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 encompass specific KPIs such as the Road to Paris indicators.

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

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.



Strategy

How the Bank 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 Bank 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 Bank 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 Terms).
- 3. Enable people a more inclusive society for customers, communities and workforce.

The Bank 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 Bank 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 Bank's activities and align to Rabobank's commitments, it utilises three levers:



in 😜

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 Bank has elected to use the first-time adoption provision on disclosing details around the transition plan aspects of our strategy (see page 59). Nonetheless, work is under way on planning for the transition both within Rabobank and the Bank. Under Rabobank's Paris Alignment strategy and commitments under the Net-Zero Banking Alliance, the Bank'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 Bank's activities include:

- periodically reviewing and evolving the Bank'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).

Climate-Related and ESG Risk Strategic Framework

1 Governance		2 Business Strategy		3 Risk Management								
				Ris	k Assessment	En M	nterprise Risk lanagement	Mc M	nagement of laterial Risks	4	Disclosure	
	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
Themes	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
Core	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						
						6 Capability	Develop	ment		7 Networks ar	nd Partn	erships
Themes	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
Enabling	5.02	Data and analytics	5.04	Knowledge management					7.02	Industry associations and initiatives	7.04	Regulatory and policy engagement

Beyond GHG reduction, the broader transition planning to a lowcarbon 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, and engaging with and influencing stakeholders. Over the last 2 years the Bank has begun to make progress on transition planning.

The Bank 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 focusses on education and the collection of farm level emissions data to allow for more targeted initiatives moving forward. The Bank 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 Bank operates. A separate Boardapproved 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.

Event or Impact

How the Bank 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 Bank's climate-related and ESG Risk Strategic Framework (above) is designed to address these risks and enhance business resilience to those risks. Additionally, the Bank 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 Bank or its counterparties).

Current Impacts

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

The Bank 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 59. Planning is under way to calculate and disclose Financial Impacts in respect of 2024.

	Auckland Anniversary Day flood events in Auckland, Northland and Waikato regions.	The Bank has Rural custom resiliency. Ho was modest. Accordingly, i considered in Operational c commuting v degree by ou
Physical	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 Bank has Rural custom resiliency. Ho and Hawke's I Accordingly, are considere exposures ev Operational c commuting v degree by ou
	State of emergency in Gore, Southland, and Queenstown with flooding in September.	This was an ir
	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 imp drought (cov Financial Imp highly collate
	He Waka Eka Noa – climate action partnership between government, the primary sector and iwi/Māori.	Proposals hav the Bank to p aimed to crea equitable trai
	Reducing operational emissions.	The Bank repo continuing ef
al	New Rabobank requirements on climate.	Rabobank dev plans for meas data to genera
Transitiona	Investments in climate research.	Invested \$1.7 with partners maintaining p emissions by 3
	Maturity uplift on carbon farming.	Time and reso carbon farmin purpose carb
	Climate change training.	Provision of t transitional in
	Legislation: New Zealand climate-related disclosure standard.	Resources de Statements.

Description and Assessment of Impact

as no residential security interests in any of the key affected regions. omer impacts varied significantly depending on location and climate However, the Bank's exposure to rural exposures in the affected areas st.

y, at a portfolio level, the flow on Financial Impacts from credit losses are I immaterial due to highly collateralised nature of the Bank's exposures. al disruption to the Bank from impacted staff and offices and disrupted g was modest with physical and operational impact mitigated to a large our staff having the ability to work remotely.

as no residential security interests in any of the key affected regions. mer impacts varied significantly depending on location and climate However, the Bank's exposure to the affected areas, particularly Gisborne 's Bay were relatively modest.

y, at a portfolio level, the flow-on financial impacts from credit losses ered immaterial due to the highly collateralised nature of the Bank's even though some customers may have been materially impacted.

I disruption to the Bank from impacted staff and offices and disrupted g was modest with physical and operational impact mitigated to a large pur staff having the ability to work remotely.

immaterial impact due to the temporary nature of the surface flooding.

nplications for customers are modest given limited impact of the overed small geographic area for a relatively short period of time). The npacts to the Bank from credit losses are considered immaterial due to iteralised nature of the Bank's exposures there.

have led to customer concerns over cost impacts to themselves, leading produce a white paper titled *The Great New Zealand Balancing Act* reate dialogue between government and sectoral stakeholders on ransitions.

eporting of operational CO₂ emissions according to the GHG Protocol and efforts to reduce these in line with the 50% reduction Target by 2030.

developed an initial Dairy Sector x Country Plan, which sets initial Targets and easuring and potentially reducing emissions. Principal objective is to obtain erate farm-level emissions profiles.

7 million to date in AgriZero^{NZ} the Centre for Climate Action Joint Venture rs from business and government, to help farmers reduce emissions while g productivity and profitability. AgriZero^{NZ}'s ambition is to reduce agricultural y 30% by 2030 and to be near zero by 2040.

esource directed towards understanding the risks/opportunities that ning represents for customers and the Bank, and development of fit-forrbon farming lending policies/standards.

f training (both staff and customers) on how the physical and I impacts of climate change could affect our customers' businesses.

deployed to increase maturity, undertake analysis and prepare 5.

How We Help Our Customers Transition

The Bank 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 Bank 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 Bank

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 Bank 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 Bank's lending exposures to key industries subject to Climate-Related Risks are shown below.

Industry Sector	Total Committed Exposure (\$000)
Agriculture	
Dairy farming	8,837,588
Sheep, beef cattle and grain farming	3,982,988
Horticulture	1,186,856
Other agriculture on farm	400,505
Other industries	787,167
Total committed exposure	15,195,104

Assessing Impacts and Developing Business Resilience Through Climate-Related Scenarios

In order to explore climate change risks and opportunities the future may hold and assess business resiliency, the Bank has synthesised three scenarios for use in Scenario Analysis. In order to track changes across time, fully distinguish between scenarios and help identify risks and opportunities, the Bank 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 Bank 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 Bank'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 Bank'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).





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 Bank's Three Entity-Specific Scenarios

Summary of Scenario Time Horizons and Risk Profiles

	Orderly (1.5°C-aligned)	Disorderly (other-aligned)	Hot-house world (>3°C-aligned)	
	Central government develops a coherent climate change response, supported by consistent policy commitments and early investment into infrastructure resilience.	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.	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.	
	Policy reaction and smooth Technology change CDR Medium -high use Regional policy variation Immediate and smooth Fast change Medium -high use Medium variation	ObjectConstraintConstraintRegional policy changePolicy reaction DelayedTechnology changeCDR Low- nedium useRegional policy variation High variation	Image: None - current policies Technology change CDR Low use Regional policy variation None - current policies Slow change Low use Low variation	
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).

	Orderly	Disorderly	Hot-house world
To 2030	, Early implementation 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.
2030–2050	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

GOVERNANCE

In conducting our Scenario Analysis and climate risk and opportunity assessment, the Bank 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 Bank's loan book.
- Long term: 2050–2100 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 timeframes also ensure that Rabobank time horizons (2020–2030, 2030–2040, and 2040–2050) are included, as reflected in the heatmaps and stress tests (see 'Risk Management' on page 41).

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.	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	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
Robust regulation of global financial markets requires banks to disclose Financed Emissions and their exposure to Climate- Related Risk. The Bank introduces more low-cost lending incentives to encourage farmers to invest in emissions mitigation and climate-resilient technologies and farming practices.	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 former.	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.
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	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 Bank's portfolio. Improved margins for farmers reduces the probability of default.	The Bank'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.
but increase over the longer term as they become more climate resilient and market responsive.		

Disorderly Scenario Narrative

Delayed transition

S

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.

Short term – present day – 2030	Medium term -		
Physical risk exposure: Low Transition risk exposure: Low	Physical risk expos Transition risk exp		
The combination of an increase in weather events	International and d		
and government's under investment in infrastructure	introduce a stronge		
and bridges exposed and vulnerable to climate impact.	time extending und		
I his results in increasing damage remediation costs for farmers and a slightly higher incidence of loan defaults.	on lost years of action with a strong focus		
The account data windowing for window in any	effective way to rap		

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 lowemissions 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.

Note: Relevant global and New Zealand economic and climatic datapoints such as number of hot days and agricultural demand can be found on page 51.

Note: Relevant global and New Zealand economic and climatic datapoints such as number of hot days and agricultural demand can be found on page 50.

oosure: High lomestic governments belatedly er climate change response and nts, albeit with fluctuations over certainty. The need to catch up ion results in cliff-edge policies, on methane globally as the most pidly reduce emissions. Emissions pricing is strongly introduced, creating short-term shocks to farmers but also financial incentives for decarbonising natural fibre and protein.

for Rabobank.

Overall physical risk exposure: Medium

Overall transition risk exposure: High

2030 - 2050

Long term – 2050 – 2100

sure: Low–Medium

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

Delayed regulation of global financial markets requires banks to disclose Financed Emissions and their exposure to Climate-Related Risk. the Bank 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

Physical risk exposure: Low-Medium Transition risk exposure: Medium

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 Bank.

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	Medium term – 2030–2050	Long term – 2050–2100	
Physical risk exposure: Low	Physical risk exposure: Medium	Physical risk exposure: Very High	
Transition risk exposure: Low	Transition risk exposure: Low	Transition risk exposure: Low	
Governments are divided on the climate	Governments are increasingly focused on	Governments' top economic priority is climate	
change response. The combination	climate change resilience as the impact	change resilience. In the absence of robust	
of an increase in weather events and	of extreme weather events, flooding and	global carbon policies, pricing and border	

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 Rangi 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. 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 livestockbased 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. 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 51.

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 Bank's three scenarios were used to conduct a climate risk and opportunity assessment as well as an assessment of the Bank'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 consisted 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) – there 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 50. The Bank worked with consultancy Deloitte to assist with scenario development and assess the related climate change risk and opportunities.

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 Bank's portfolio manifests these risks and opportunities differently between smaller family farm customers and large commercial and wholesale customers. At a high level, the Bank 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

Rabobank New Zealand Limited

Risk and Opportunity Identification and Integration into Strategy

The Bank'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 framework (see page 23) 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.

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 Bank is also introducing the use of Rabobankdeveloped heatmaps to quantify the physical impacts to the Bank'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 Bank 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 (i.e. Financed Emissions).

Through Scenario Analysis, 35 transition risks were identified as relevant to the Bank. 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 Bank 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 Bank. Compliance with legislation may also increase the operating costs of the Bank. Non-compliance may result in fines and penalties.

Reputation

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A mismatch between stakeholder expectations and the Bank's performance may negatively impact the Bank'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 Bank'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 Bank'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 Bank 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 42).

Key transition opportunities for the Bank:

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 Bank's market share may increase.

Transition Opportunities

There are substantial opportunities for the Bank based around financing the transition to a low-carbon, climate-resilient future. The Bank 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 Bank to reduce the credit risks the Bank is exposed to and creates room for additional lending to address both risks and opportunities.

The Bank identified 11 opportunities, which are summarised below.



Transition opportunities: Number of opportunities identified by opportunities category

Products and services



Customer loyalty may increase if the Bank 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 sustainabilitylinked loans and performing strongly on climaterelated issues (for example, decarbonising its portfolio) may also boost the Bank's reputation and increase client retention.

Physical Risks

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

Credit risk

The impacts of climate change may cause the Bank'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 Bank's current business model may no longer be sustainable, and the Bank may not be able to achieve its growth strategy.

Market risk

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

Liquidity risk

The Bank 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.

Mitigating Physical Risks

The Bank 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 Bank'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.

Material Risk Areas

The Bank 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.



Anticipated Climate-Related Impacts

The Bank has assessed the proportion of the portfolio expected to be impacted by physical and transition risks, which is discussed on page 48 of 'Metrics and Targets' section.

The Bank expects the greatest impact of physical and transition climate risks will be on the Bank's credit risk profile, and ultimately the business strategy rather than on the physical infrastructure of the Bank. 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.

Physical opportunities

13 physical opportunities were also identified, summarised against the Bank'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 Bank's longterm 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 Bank's competitiveness. This can lead to growth in the customer base and market share.

Operational opportunities



The Bank'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 Bank to increase its market share, customer base and profits. Without exposure to the residential mortgage sector, the Bank may be able to increase its financial strength rating and attract new/more deposits as a result. Temperature changes may enable the Bank to finance crops in areas they are not traditionally grown, again increasing its market share.

Physical opportunities: Number of opportunities identified by opportunity area



These risks will play out across the three scenario time horizons, (see page 29) but occur most sharply in the short and medium terms, given the science around the need for early and rapid transition.

The Bank 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

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Integration into Risk Management

The Bank has a Board-approved Risk Management Strategy Framework (RMSF). This document combines a description of the Bank'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).

The Bank's Risk Management Framework



 (Ξ) Three Lines of Responsibility

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 Bank has identified climaterelated 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.

Our People and Risk Culture

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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 Bank, and indirect transmission channels refer to risks that impact the economy or customers (see page 13).

	Time Horizons	Value Chain	Frequency
Scenario Analysis	Now – 2030 (near term) 2030–2050 (medium term) 2050–2100 (long term)	Includes two tiers upstream (i.e. customer and their inputs/ suppliers) and one downstream (i.e. depositors).	See page 33 'Strategy' section Prior Scenarion Analysis will be reviewed annuat for ongoing appropriateness and will be updated as necessary.
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 Bank's sectors and thereby cover the full Value Chain.	Annual
Stress test	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 Bank's sectors and thereby cover the full Value Chain.	FY 2022 It is intended th this process wil continue to evo and be conduct at least every 2 years.

Processes for Identifying, Assessing and Managing Climate-Related Risks

The Bank uses a wide range of tools to identify and assess material risks. The following tables set out those used to identify and assess Climate-Related Risks.

Description

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See 'Strategy' section

The Bank 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:

- Input for the sector sensitivity/vulnerability process.
- Determination of IFRS9 provisions through management adjustments.
- Input for stress testing/Scenario Analysis.
- Input for the strategy as outlined in the Sector x Country plans.

	In 2022 Rabobank conducted a climate scenario stress test on three NGFS scenarios (orderly, disorderly and					
l that will evolve ucted / 2	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:					
	 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). 					

Assessing and Managing Risks

Credit risk is the main risk transmission channel or the Bank'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 Bank 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 Bank's selection criteria is structured to meet the risk appetite settings approved by the Board. This is translated into the Bank'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 Bank's commitment to climate-related and ESG and sector Risk Management.

2. ESG Customer Assessment

Sustainability Performance of our Customers – Rural Client Photo

The Rural Client Photo is a tool that enables the Bank to gather data on the ESG performance of business customers in the Bank'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, climaterelated 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 Bank is continuing to develop this tooling.

Collateral

The Bank has an internal Collateral Valuations Team (CVT) that considers climate risk in its valuation assessments of real estate securities. Specific guidance is provided to the CVT 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 etc.
- 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 climaterelated 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 Bank will be developing geospatial mapping to support the macro heatmaps by providing detail down to farm level. This will allow a visual representation of physical risks over time and 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 Bank looks to historical performance as an indicator of a customer's ability to repay and potential future performance. Typically, the Bank requires 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 Bank 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 Bank 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 Bank 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 customer and business partners improve their climate-related and ESG performance requires meaningful and proactive dialogue, the Bank engages with customers and business partners by:

- constructively sharing the Bank'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 IFRS9 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 climaterelated and ESG risks
- what the Bank calls the backstop process (which can manifest itself through top-level provision adjustments).

As of December 2023, the Bank 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.



Metrics and Targets

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Overview

In this section, we present our Metrics and Targets. No commonly used New Zealand industrywide 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 Bank 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 CO_2 emissions reaching net-zero at the latest by 2050 and a reduction of non- CO_2 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 Bank 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 19).

	2019 emissions (tCO ₂ e)
Scope 1	1,173.55
Transport fuels (diesel and petrol)	1,173.55
Scope 2	107.43
Electricity	107.43
Scope 3 (limited)	1,117.56
Electricity distributed T&D losses	11.59
Accommodation	105.00
Waste and recycling	28.41
Business travel – air	963.67
Business travel – land	8.88
Total *	2,398.54
FTE	392.1
Intensity measure (tCO ₂ /FTE)	6.117

*This total does not include Financed Emissions, which are a subset of the Bank's Scope 3 emissions. It also does not include other Value Chain Scope 3 emissions for the Bank, 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).

The Bank 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 Bank's operational emissions. The Bank'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 Bank's operational emissions over the last 2 years as well as Base Year (2019).

2022 emissions (tCO ₂ e)	2023 emissions (tCO ₂ e)
1,170.84	1,037.78
1,170.84	1,037.78
24.76	5.04
24.76	5.04
550.68	948.95
9.21	40.38
42.15	9.24
7.95	6.38
479.00	877.09
12.37	15.86
1,746.28	1,991.77
513.6	522.6
3.400	3.811

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

The Bank 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 t	id 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 Bank's assets are located within the legislative region of New Zealand, and therefore the transition risk exposure is reflected simply as the Bank's Financed Emissions. Therefore, 100% of the Bank's assets are vulnerable to transition risk.

Physical Risks

The percentage of the Bank's assets vulnerable to physical risk is calculated as 41% (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 56 for methodology).

Climate-Related Opportunities

The Bank'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 Bank is currently implementing sustainability-linked loan products (aligned with the Loan Market Association Sustainability-Linked Loan Principles) for which the Bank is able to clearly identify and report. As of 31 December 2023, \$99.1 million had been provided under sustainability-linked loan products.

The Bank 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, nonbank 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 Bank's expenditure towards sustainability initiatives is monitored as part of annual MTP process. MTP is approved by the Board with progress monitored by quarterly CFO reporting to the Board. The actual and currently proposed annual expenditure for 2022 through to 2028 is shown below:

	Total Cost (NZD\$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

Other (Non-Industry) Key Performance Indicators

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

		Minimum Frequency	Breach Direction	Early Warning Level	Risk Appetite Limit	Status
Rural lending clients that do not meet the acceptance criteria of the Bank's Quarterly > 0.15% 0.30% sustainability policies and without approved deviation in place	Rural lending clients that do not meet the acceptance criteria of the Bank's sustainability policies and without approved deviation in place	Quarterly	>	0.15%	0.30%	0.00%

*Performance calculations are benchmarked by our Base Year's emissions (2019). 2019 was elected by the Bank 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 Bank prior to Rabobank's additional commitments under the Net-Zero Banking Alliance, including from Financed Emissions (see page 48 for baseline).

Emissions generated from the Bank's vehicle fleet and flights make up over 95% of the total operational emissions. The Bank'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 Bank 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 institutions' GHG emissions.

The Bank 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.

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.

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 Bank'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 Bank, which were also then assigned as either impacting the Bank or our key sub-sector customers (dairy or sheep and beef). To facilitate risk analysis, the Bank 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:

Risk Rating	=	Exposure	х	(Sensitiv	Vulnerability / vity + Adaptive Capacity)
		Ease of	Harn	essing	Benefit
Opportunity Rating	=	(Complexity + Investment)		ity ent)	(Operational Resilience + 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

Scenario Analysis Datapoints

Orderly Scenario

New Zealand unless stipulated below)	Physical / Transition	2050 (average)
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

New Zealand unless stipulated below)	Physical / Transition	2050 (average)
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).

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Hot-House World Scenario

New Zealand unless stipulated below)	Physical / Transition	2050 (average)
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 Bank 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 Bank and are therefore not included. The standard calculation methodology has been used for quantifying the emissions inventory unless otherwise stated below:

Emissions = activity data x 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 Bank via a formal contractural 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	Telecom- munications	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		Activity (Data Source)	Uncertainty	Assumptions	Notes/Outcome
Fleet (service provider)	Fleet Low, reports are provided by Assume correctly produced. e provider) service provider.		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		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.
	Moderate, report data can only	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 V% premium patrol	Method is most practical and reliable. Improvement could be made to use price of fuel at a given day, but		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.
Fleetbe used where the merchant, (credit card)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.the increased accuracy is unlikely to be deemed significant. Once converted to litres, 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.		
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.		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	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	It is extremely difficult to have confidence in the exact figures, however, this is as accurate as possible
Electricity (other provider)	Low, reports are provided by landlords (Auckland, Blenheim	Assume correctly produced.	Method is most reliable option. No limitations. Utilised Toitū's emission	Method is most reliable option. No limitations. Utilised Toitū's emission		are provided.	travel journey and use Google Maps to calculate the distances.	given the lack of data.
Flights	Low, reports are provided by	Assume all flights are booked within policy,	Method is most reliable option. No limitations. Utilised Toitū's emission		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.
			factors all derived from IPCC Method is most reliable		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
Accommodation (service provider)	Accommodation 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. Option. No limitations. Image: Accommodation is (service provider) service provider. booked on ad hoc basis due to travel needs, therefore risk of double counting. Utilised Toitū's emission factors all derived from IPCC.		option. No limitations. Utilised Toitū's emission factors all derived from IPCC.			Moderate, data is collected by		IPCC.
Taxis (service provider)	Low, reports are provided by service provider.	Assume correctly produced.	Method is most reliable option. No limitations. Utilised Toitú's emission factors all derived from IPCC.		Waste (proxy)	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).	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 Bank uses Rabobankdeveloped 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 combination.

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 climaterelated 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 forwardlooking 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

The Bank 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, the Bank has elected to use the following adoption provisions:

Adoption provision 1: Current Financial Impacts. This adoption provision exempts the Bank 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 the Bank 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 the Bank 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 the Bank 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 Bank's Scope 3 Financed Emissions.

Adoption provision 6: Comparatives for Metrics. This adoption provision exempts the Bank 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 the Bank 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, who authorised the issue of these Climate Statements on 23 April 2024

Christopher Black Chair 23 April 2024

Brent Goldsack Director 23 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 Bank's position are summarised below.

	Theme	First-time adoption provisions
		Adoption provision 1: 1-year exemption fo Financial Impacts
Strategy	Strategy	Adoption provision 2: 1-year exemptic anticipated Financial Impa
		Adoption provision 3: 1-year exemption transition plan aspects of str
	Metrics and Targets	Adoption provision 4: 1-year exemption for 3 GHG emissions
	Comparative Information	Adoption provisions 5 and 6: In the first ye comparative information is re
	Analysis of Trends	Adoption provision 7: In the first 2 years analysis of the main trends from comparis is required



s in NZ CS2	The Bank's approach
for disclosing current	Adopted
ion for disclosing pacts	Adopted
ion for disclosing trategy	Adopted
for disclosing Scope	Adopted in relation to the Bank's Scope 3 Financed Emissions. Scope 3 for operational emissions are disclosed on page 47.
year of reporting, no required	Adoption provision 5 does not apply to the Bank as it has not elected to use Adoption provision 4. Adoption provision 6 is adopted.
rs of reporting, no risons of each Metric	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.	Climate-Related Disclosure Framework	Climate-Related Disclosure Frame Reporting Act 2013.
AgriZero ^{nz}	The Centre for Climate Action Joint Venture with partners from business and Government.	Climate-Related Opportunities	The potentially positive climate-r
Aotearoa Circle's Agriculture Sector Climate Change Scenarios	Climate change scenarios for the agriculture sector.	Climate-Related Risks	The potential negative impacts o
BAC	Board Audit Committee.		A plausible, challenging descript consistent set of assumptions ab transition risks in an integrated m
Bank	Rabobank New Zealand Limited.	Climate Statements (Statements)	Climate Statements has the mea
Base Year	A historical datum (a specific year or an average over multiple years) against which an entity's Metric is tracked over time.	CO ₂ e	See Carbon Dioxide Equivalent.
Board	The Rabobank New Zealand Limited Board.	coo	Chief Operating Officer.
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.	Coöperatieve Rabobank U.A. – Rabobank	Coöperatieve Rabobank U.A., inc ultimate parent of the Bank.
BRCC	Board Risk and Compliance Committee.	CRE	Climate-reporting entity.
Business Continuity	The processes, procedures, decisions and activities to ensure that an organisation can continue to function through an operational interruption.	CRO	Chief Risk Officer.
Carbon Diovide Equivalent	The universal unit of measurement to indicate the Global Warming Potential of each of the seven GHGs	CSO	Chief Sustainability Officer.
	expressed in terms of the Global Warming Potential of one unit of carbon dioxide for 100 years.	СVТ	Collateral Valuations Team.
ссс	Climate Change Commission.	Dairy Sector x Country Plans	Initial plan to set Targets and plan
ссо	Chief Compliance Officer.		bank's daily portiono. Neviewed a
ccs	Carbon Capture and Storage.	Economic Emissions Intensity	Absolute emissions divided the le
CEO	Chief Executive Officer.	Emissions Intensity	Intensity ratios express GHG emi: A physical intensity ratio is suitab products. An economic intensity
CFO	Chief Financial Officer.		produce different products. A de Intensity ratios are also often call

Climate Statements 2023

nework has the same meaning set out in section 9AA of the Financial

related outcomes for an entity.

of climate change on an entity.

tion of how the future may develop based on a coherent and internally bout key driving forces and relationships covering both physical and manner.

aning set out in section 5 of the Financial Reporting Act 2013.

corporated in the Netherlands and trading as Rabobank. This entity is the

ns (both initial and future focused) principally on Emissions Intensity in the annually.

loan or investment volume.

issions impact per unit of physical activity or unit of economic output. ble when aggregating or comparing across entities that have similar ratio is suitable when aggregating or comparing across entities that eclining intensity ratio reflects a positive performance improvement. led normalised environmental impact data.

EUR	Euro.	ICAAP	Internal Capital Adequacy Asse
Financed Emissions	Lending and investment portfolio emissions as more extensively described on page 48.	IFRS 9	International Financial Reporting Board (IASB). It addresses the ac
Financial Impacts	The translation of impacts into current or anticipated impacts on financial performance, financial position and cash flows.	impacts	The effects (also referred to as co
FMCA	Financial Markets Conduct Act 2013.	Intensity Target	A Target defined by a change in
FTE	Full-time equivalent.	Interim Period	A financial reporting period sho
GDP	Gross domestic product.	Interim Target	A short-term milestone between
GHG	See Greenhouse Gas.	Internal Emissions Price	A monetary value on GHG emise relation to climate-related impa
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).	IPCC	Intergovernmental Panel on Clir
Governance Body	A board, investment committee or equivalent body charged with governance.	ISO	International Organization for Si
Greenhouse Gas	The Greenhouse Gases listed in the Kyoto Protocol.	іт	Information technology.
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	KPI	Key Performance Indicator.
	Scope 2 emissions must be calculated using the location-based method.	LIC	Livestock Improvement Corpora
Group Climate Statements	Group financial statements has the meaning set out in section 5 of the Financial Reporting Act 2013.	Loan Assessment	The process of assessing new lea
GTAP	Global Trade Analysis Project.	LULUCF	Land Use, Land Use Change & Fo
GWP	See Global Warming Potential.	Management	Executive or senior managemen
He Waka Eka Noa	Primary Sector Climate Action Partnership.	MBIE	Ministry of Business, Innovation
heatmaps	Quantify the physical impacts to the Bank's portfolio from key acute events.	Metric	A quantity indicative of the leve Opportunities for a given entity.

essment Process.
ng Standard (IFRS) published by the International Accounting Standards accounting for financial instruments.
consequences or outcomes) of climate change occurring for an entity.
the ratio of emissions to a Metric over time.
orter than a full financial year.
en an entity's medium-term or long-term Target and the current period.
ssions that an entity uses internally to guide its decision-making process in acts, risks, and opportunities.
mate Change.
tandardization.
ation.
ending applications.
orestry.
nt positions that are generally separate from the Governance Body.
n and Employment.

el of historical, current and forward-looking Climate-Related Risks and

МТР	Medium Term Planning.	Performance Dashboard	Set of KPIs aligned with the Bank
ND-GAIN	Notre Dame Global Adaptation Initiative.	physical risks	Risks related to the physical impa
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.	Planetary Boundaries	A concept that identifies a set of the stability and functioning of the
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.	Primary Users	Existing and potential investors, I
New Zealand Banking Association	New Zealand banking advocacy group.	Rabobank	Coöperatieve Rabobank U.A. – Ra
NGFS	Network for Greening the Financial System.	Rabobank International Holding B.V.	Holdings company that owns the
NIR	National Inventory Report.	Risk Appetite Statement	Describes the levels and types of goals while remaining in complia
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.	Risk Management	A set of processes that are carried achievement of an entity's object of those risks.
NZ	New Zealand.	Risk Management Committee (RMC)	Mandated to oversee the implem Related Risk Management, perfo
NZD, \$	New Zealand Dollars.		regulation including Climate-Rela
NZ CS	Aotearoa New Zealand Climate Standards.	Risk Strategic Priorities	The list of strategic risk initiatives MTP.
OECD	Organisation for Economic Cooperation and Development.	Road to Paris	Climate plan to achieve Raboban
OERT	Operational Emissions Reduction Target.	Rural Client Photo	Tool that enables the Bank to gat portfolio.
Paris Climate Agreement	International treaty on climate change.	SBTi	Science Based Targets initiative.
PCAF	Partnership for Carbon Accounting Financials.	Constin Anslusia	A process for systematically explo
PD	Probability of default.		uncertainty.

ks' strategy.

acts of climate change.

f critical environmental limits beyond which human activities could disrupt the Earth's systems.

lenders, and other creditors.

abobank.

e Bank.

f risks that the Bank is willing to accept in order to achieve its strategic ance with regulatory requirements.

ed out by an entity's Governance Body and management to support the ctives by addressing its risks and managing the combined potential impact

mentation of the Risk Management Framework, which includes Climateorm risk monitoring and reporting, and perform oversight of new risk lated Risks.

s, which include Climate-Related Risk initiatives, that underpin the Bank's

nk's Paris Targets and pathways.

ther data on the ESG performance of business customers in the Bank's

loring the effects of a range of plausible future events under conditions of

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.
Statements	Rabobank New Zealand Limited Climate Statements 2023.
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.
tCO ₂ e	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	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. Fixed Remuneration is a regular remuneration that is periodically paid, including Base Salary and fixed
XRB	allowances such as, but not limited to, Higher Duties Allowances. New Zealand External Reporting Board.

