



# Climate Statements

Rabobank New Zealand Banking Group

*For the reporting period 1 January 2024 to 31 December 2024*



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## Rabobank New Zealand Banking Group

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

The New Zealand business of Rabobank comprises of Rabobank New Zealand Branch (NZ Branch), Rabobank New Zealand Limited (RNZL), De Lage Landen Limited and AGCO Finance Limited.

### Exemptions Adopted

Coöperatieve Rabobank U.A. is an overseas bank registered by the Reserve Bank of New Zealand and is a 'large' registered bank under section 461Q(3) of the FMCA that is required to prepare group climate statements for itself and its subsidiaries (including Rabobank New Zealand Limited (RNZL)) under section 461ZB(3)(a) of the FMCA.

Coöperatieve Rabobank U.A. applied for an exemption in relation to including De Lage Landen Limited and AGCO Finance Limited and any other subsidiary of De Lage Landen B.V. International or AGCO Australia Limited operating in New Zealand (the DLL Companies) in its climate statements required to be prepared for Coöperatieve Rabobank U.A.'s New Zealand business under section 461ZB(3)(a) of the FMCA.

This exemption came into force on 2 December 2024.

The FMA considered it appropriate to grant the exemption because:

- the DLL Companies' businesses are not directly held by Coöperatieve Rabobank U.A. but through intermediate companies
- the DLL Companies' only material primary users are Coöperatieve Rabobank U.A. itself and related entities that provide funding to the DLL Companies
- the minor primary users are creditors by virtue of being service providers and are unlikely to use climate statements to assess their engagement with the DLL Companies
- alternative climate reporting on the DLL Companies under a European Union directive is required from the year commencing 1 January 2024. Relevant information will therefore still be available in a broadly similar fashion.

The FMA was further satisfied the exemption is not broader than is reasonably necessary to address the matters that give rise to the exemption as:

- the need for disclosing information about the DLL Companies in accordance with the climate-related disclosure framework does not arise because the DLL Companies do not have any material external primary users for which climate statements are intended to be prepared;
- the DLL Companies would largely be excluded from Coöperatieve Rabobank U.A.'s group climate statements anyway on the basis that the information is immaterial, particularly given the DLL Companies have immaterial operations in New Zealand.

Coöperatieve Rabobank U.A. is also relying on the FMA (Climate-related Disclosures – Coöperatieve Rabobank U.A.) Exemption Amendment Notice 2025 which came into force on 23 April 2025 and amends the exemption referred to above, in clause 4(a), by replacing the date "1 January 2025" with the date "1 January 2024".

Coöperatieve Rabobank U.A. is also relying on the Financial Markets Conduct (Climate-related Disclosures – Overseas Banks and Insurers) Exemption Notice 2024 in respect of its Climate Statements for the accounting period ending 31 December 2024.

This Exemption Notice provides an exemption from the requirement in section 461ZB(3)(b) of the FMCA that the Coöperatieve Rabobank U.A. Climate Statements are dated and signed by two directors of Coöperatieve Rabobank U.A. and allows the Climate Statements to be dated and signed by its New Zealand Chief Executive Officer.

### In these Statements:

- NZ Branch refers to New Zealand Branch of Rabobank.
- RNZL refers to Rabobank New Zealand Limited.
- Rabobank refers to Coöperatieve Rabobank U.A.
- NZ Banking Group or Group refers to RNZL and NZ Branch.

### About these Disclosures

Rabobank is a climate-reporting entity (CRE) under the FMCA.

NZ Banking Group continues to integrate climate change considerations into governance, strategy and Risk Management processes in line with the requirements of Aotearoa New Zealand Climate Standards (NZ CS) issued by the External Reporting Board (XRB). These Statements detail the material Climate-Related Risks and Opportunities as well as climate-related Metrics and Targets. Any forward-looking information and scenarios within these Statements should not be considered a guarantee of future-related climate outcomes. Instead, these Statements provide a view of NZ Banking Group's understanding as of today within the limitations, uncertainties and assumptions of future climate models and scenarios. These limitations and assumptions are detailed on pages 33 and 64 to 67.

### Disclaimer

These Statements are published by NZ Banking Group for the climate-related disclosures reporting period of 1 January 2024 to 31 December 2024.

These Statements, including the figures within it, have not been assured by an external assurance provider with the exception of the limited assurance of GHG emissions Scope 1 and 2 (location based) and selected emissions within Scope 3 as defined on page 54.

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

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

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

- changes in general economic or political conditions and customer behaviour globally or in the segments or regions that NZ Banking Group operates in
- geopolitical risks, political instabilities and policies and actions of any governmental or regulatory authorities
- changes in performance of financial markets
- changes in government policies, regulations and laws and the interpretation and application of those policies, regulations and laws
- the availability of reliable (emissions or customer) data
- uncertainties in and the use of (emissions) calculation methodologies and models
- new or changed scientific-based insights in relation to the content of these Statements and any changes arising out of these insights
- technological developments
- changes arising out of market practices and standards, including emerging and developing climate and Environmental, Social and Governance (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 that the initiatives, goals or forecasts set out in these Statements will be achieved in the manner outlined.

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

These Statements are for information purposes only and are not and should not be construed as an offer or a commitment by NZ Banking Group 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 NZ Banking Group believes the statements and Metrics have a reasonable basis and are stated to the best of NZ Banking Group's abilities and in good faith, they are not certain and involve various known and unknown risks and assumptions. Nothing that is stated or implied in these Statements is intended to or shall create or grant any right of or any cause of action to, by or for any person or legal entity other than NZ Banking Group.

# Introduction



# Our Ambition Regarding Climate Change

## Letter from the Chief Executive Officer

### Supporting New Zealand's Transition to an Emissions-Efficient Future

We are pleased to present NZ Banking Group's second report of climate-related disclosures in New Zealand.

Approximately 80% of New Zealand's exports are destined for countries with similar mandatory climate-related disclosures. This reinforces the need for New Zealand to continue reducing its Emissions Intensity and adhere to international sustainability targets and commitments.

New Zealand's food producers are already among the most Greenhouse Gas efficient in the world. However, despite the temporary regulatory respite the agriculture sector is experiencing, it's crucial for the sector to not become complacent. The need to increase New Zealand emissions efficiency remains imperative to protect New Zealand's leadership in global food production and to meet Rabobank's international obligations.

For its part, NZ Banking Group has continued to make progress towards its wider sustainability aspirations. This includes contributing to meeting New Zealand Government and industry goals and also Rabobank's global Road to Paris goals.

NZ Banking Group has a clear sustainability strategy and is committed to making a difference as a cooperative, client-driven, food and agribusiness bank.

NZ Banking Group takes a long-term view of the food and agricultural sector, partnering with the country's farmers and growers as the food and agriculture sector collectively face the dual challenge of reducing carbon emissions at the same time as increasing production to help tackle global food security.

New Zealand needs to meet its climate goals and commitments and NZ Banking Group understands that ongoing action is required to ensure the food and agricultural sector stays on track to meet its goals and commitments. At the same time, it must ensure its agricultural industry continues to underpin its national economy and helps to feed and clothe a growing world population.

As highly efficient producers, there are opportunities as well as risks for New Zealand farmers and growers.

Being New Zealand's only specialist food and agribusiness bank, NZ Banking Group continues to support the resilience of rural communities, championing the role of food producers and promoting equitable transitions to lower emissions production.



**Todd Charteris**

Rabobank New Zealand  
Chief Executive Officer

# About New Zealand Banking Group

NZ Banking Group is New Zealand's only specialist food and agribusiness bank and is headquartered in Hamilton, New Zealand. NZ Banking Group 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 36 countries and has become one of the world's leading food and agribusiness banks. Within this international network, NZ Banking Group along with Rabobank Australia represents over 21% of Rabobank's international loan portfolio.

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

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

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

## NZ Banking Group at a Glance (as at December 2024)

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

*Employees:* 533

*Lending customers:* Approximately 4,000 Rural and 32 Wholesale

*Online Savings customers:* Approximately 55,000

*Head office:* Hamilton

*Balance sheet:* \$20.3 billion

*Offices:* 27 offices from Whangārei to Invercargill

*Market share:* 22% of rural lending

## NZ Banking Group's Business Plan and Sustainability

### Sustainability is Embedded in NZ Banking Group's Strategy

'Leading on sustainability' is part of NZ Banking Group's overarching business plan and a strategic priority that will help NZ Banking Group to achieve its mission and ambition of Growing a Better New Zealand Together. At Rabobank, sustainability has been identified as a strategic driver and is integrated into the optimisation and steering of business decisions.

Reducing climate impacts is one of NZ Banking Group's main priorities from a sustainability perspective, for both NZ Banking Group's operations and in conjunction with its customers, helping NZ Banking Group deliver balanced and sustainable growth.

### Acting on Climate

Limiting the warming of the Earth's surface temperature to 1.5°C is critical if society is to have a reasonable chance of managing the worst impacts of climate change. Efforts to reduce Greenhouse Gas emissions are generally called mitigation actions, but even at 1.5°C of heating, the world will still likely face more extreme weather and climate change impacts (such as hurricanes, droughts, flooding and forest fires). Efforts to deal with these impacts are referred to as adaptation actions.

Reducing Greenhouse Gas emissions is a challenge for everyone, and governments, businesses of all sizes, farmers, consumers and financial institutions all have a role to play. As a food and agribusiness bank, NZ Banking Group sees climate and nature-smart agricultural practices as a critical component of building a resilient food system. NZ Banking Group therefore tries to help customers transition to climate-smart practices in an economically viable manner. Rabobank's ultimate goal is to support the transition towards a net-zero economy by 2050 and to set emissions reduction targets that help limit global warming (with a likely limited/no overshoot) to 1.5°C by the end of the century.

NZ Banking Group is 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 Paris-aligned goals.

Rabobank's climate goal:

1. Net-zero CO<sub>2</sub> by 2050 (with other GHGs aligned with pathways to net-zero by 2050).\*

NZ Banking Group's Targets:

2. A 12% reduction in Emissions Intensity in New Zealand dairy from the 2020 Base Year by 2030.
3. A 50% reduction in operational emissions from the 2019 Base Year by 2030.

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

\* For a full definition, see page 53.

Mission

# Growing a better New Zealand together

Purpose

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

Ambition

Be the food and agri bank of choice in New Zealand

Drivers

Excellent Customer focus    Meaningful Cooperative    Rock Solid Bank    Empowered Employees

Rabobank New Zealand 2028 strategic objectives and measures of success

Sustainable client business	Vibrant rural and regional communities
Sound and consistent return on capital	Prominent market share

2024–2028 strategic priorities

Supporting our clients and food and agribusiness through:

Enabled by:



## Medium-Term Planning and KPIs

NZ Banking Group's business strategies, including the climate transition plans, are integrated in the annual Medium-Term Plan (MTP) process, the output of which is approved by the Board for RNZL and CEO for NZ Branch, with progress monitored by quarterly Chief Financial Officer (CFO) reporting to the Board for RNZL and to the CEO for NZ Branch. ESG risk indicators are incorporated into RNZL and NZ Branch Risk Appetite Statements and integrated into respective Risk Management Frameworks. ESG risk indicators are reported with early warning levels and risk appetite limits. Regular breach management processes are in place to determine what action to take when a risk indicator threshold is likely to be breached or has been breached. Further limits will be set in the future.

NZ Banking Group is working on broadening its scope to include emissions attributes into its Risk Appetite Statements and risk reporting frameworks and to drive business delivery through the execution of the transition plan.

## NZ Banking Group's Approach to Climate-Related Reporting

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

### Impacts, Risks and Opportunities

Climate change is potentially material for NZ Banking Group from two perspectives:

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

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

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

# Governance





## Rabobank in New Zealand

In New Zealand, Rabobank operates as a branch of an overseas company and as a New Zealand incorporated subsidiary through NZ Branch and RNZL (which together make up the Rabobank New Zealand Banking Group). Both NZ Branch and RNZL operate as registered banks under separate Conditions of Registration issued by the Reserve Bank of New Zealand.

The respective governance processes of NZ Branch and RNZL, as they relate to the oversight of Climate-Related Risks and Opportunities, are different between the two entities, although the various processes may run contemporaneously and/or are informed by each other.

As part of this oversight, the relevant governance bodies of NZ Branch and RNZL, the Chief Executive Officer of NZ Branch and the RNZL Board, have regard to Rabobank policies and processes – see page 22 for Rabobank’s global approach to governance.

# NZ Branch’s Approach to Governance

## Governance and Oversight of Climate-Related Risks and Opportunities

The CEO of NZ Branch has a delegation from Rabobank to manage the day-to-day affairs and to conduct the business of NZ Branch, including the responsibility of overseeing of NZ Branch’s Climate-Related Risks and Opportunities consistently with Rabobank policies approved by the Managing Board and/or Supervisory Board.

The CEO is assisted in their oversight by members of the RNZL’s Leadership Team (NZLT) and RNZL’s Risk Management Committee (RMC). The CEO is also informed by, and can draw on experiences from, the RNZL Board’s oversight of RNZL’s Climate-Related Risks and Opportunities where relevant for NZ Branch’s Climate-Related Risks and Opportunities – See page 18 for details.

The NZLT acts as an advisory body to the CEO and has responsibility for matters relating to both RNZL and NZ Branch. Members of the NZLT report directly to the CEO and meet weekly. Members may, at times, carry out their responsibilities to assess and manage the Climate-Related Risks and Opportunities of RNZL and NZ Branch concurrently.

The RMC assists the CEO by overseeing the implementation of NZ Branch’s Risk Management Strategy and Framework and providing oversight of NZ Branch’s Risk Appetite Statement, which incorporate Climate-Related Risks. In fulfilling its climate-related responsibilities in respect of NZ Branch, the RMC has regard to the Climate-Related Risk management decisions it makes in respect of RNZL.

## Governance and Management’s Role in relation to Climate-Related Risks and Opportunities of NZ Branch

The following roles are relevant to the oversight of Climate-Related Risks and Opportunities within NZ Branch specifically:

Position	Responsibilities
<b>Chief Executive Officer</b>	<ul style="list-style-type: none"> <li>Is ultimately responsible for the organisational strategy, business plan, Risk Management Framework and oversight of the business operations of NZ Branch – this includes oversight of Climate-Related Risks and Opportunities.               <ul style="list-style-type: none"> <li>Sets risk appetite (within the overall limits set by Rabobank and Rabobank Wholesale and Rural).</li> <li>Approves the Risk Management Strategy and Framework.</li> <li>Approves key risk policies and standards.</li> <li>Signs off relevant risk and compliance attestations.</li> </ul> </li> <li>Ensures ESG indicators are incorporated into the Risk Appetite Statement and integrated into the Risk Management Framework.</li> <li>Is supported by the NZLT in the day-to-day management of NZ Branch. NZ Branch is also supported by the RNZL RMC.</li> </ul>
<b>Head of Corporate Banking, New Zealand</b>	<ul style="list-style-type: none"> <li>Is responsible for Rabobank’s New Zealand Wholesale Banking business, including distribution of Wholesale Banking products to eligible corporate clients in the food and agriculture and Energy Transition sectors.</li> <li>Has oversight and responsibility for lending and other exposures to Wholesale Banking clients, including assessing and measuring the financial implications of Climate-Related Risks across the Wholesale Banking client portfolio.</li> <li>Reports to the CEO of NZ Branch on a quarterly basis, which includes Climate-Related Risks and Opportunities where relevant.</li> <li>Ultimately reports into Group Executive, Wholesale Banking who is accountable for Rabobank’s New Zealand Wholesale Banking business and directs and controls the strategic, financial, regulatory and prudential management of NZ Branch’s Wholesale Banking business.</li> </ul>

## Skills and Competencies

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

## Governance of Targets, Metrics and KPIs Setting

The CEO approved NZ Branch’s strategy (see page 12) and risk appetite, which includes its Targets, Metrics and KPIs (which can include climate components). The CEO has also reviewed the transition plan (see page 27) to the extent that it applies to NZ Branch.

The CEO received quarterly updates on matters affecting NZ Branch from the Chief Risk Officer (CRO) and CFO, some of which included climate-related matters. The Chief Sustainability Officer (CSO) reports to the RNZL Board on a 6-monthly basis, which may include climate-related matters relevant to NZ Branch.

There are currently no NZ Branch-specific Targets in place (noting that any dairy exposure in NZ Branch is covered by the dairy production Intensity Target – see page 55).

The maturity of setting these Metrics and KPIs and accuracy of the reporting, are evolving year to year. This means there could be changes in the future, if comparing year on year, as the industry matures to understand measures and drivers to support the key objective of the movement. Refer to the Metrics and Targets section to understand current measures.

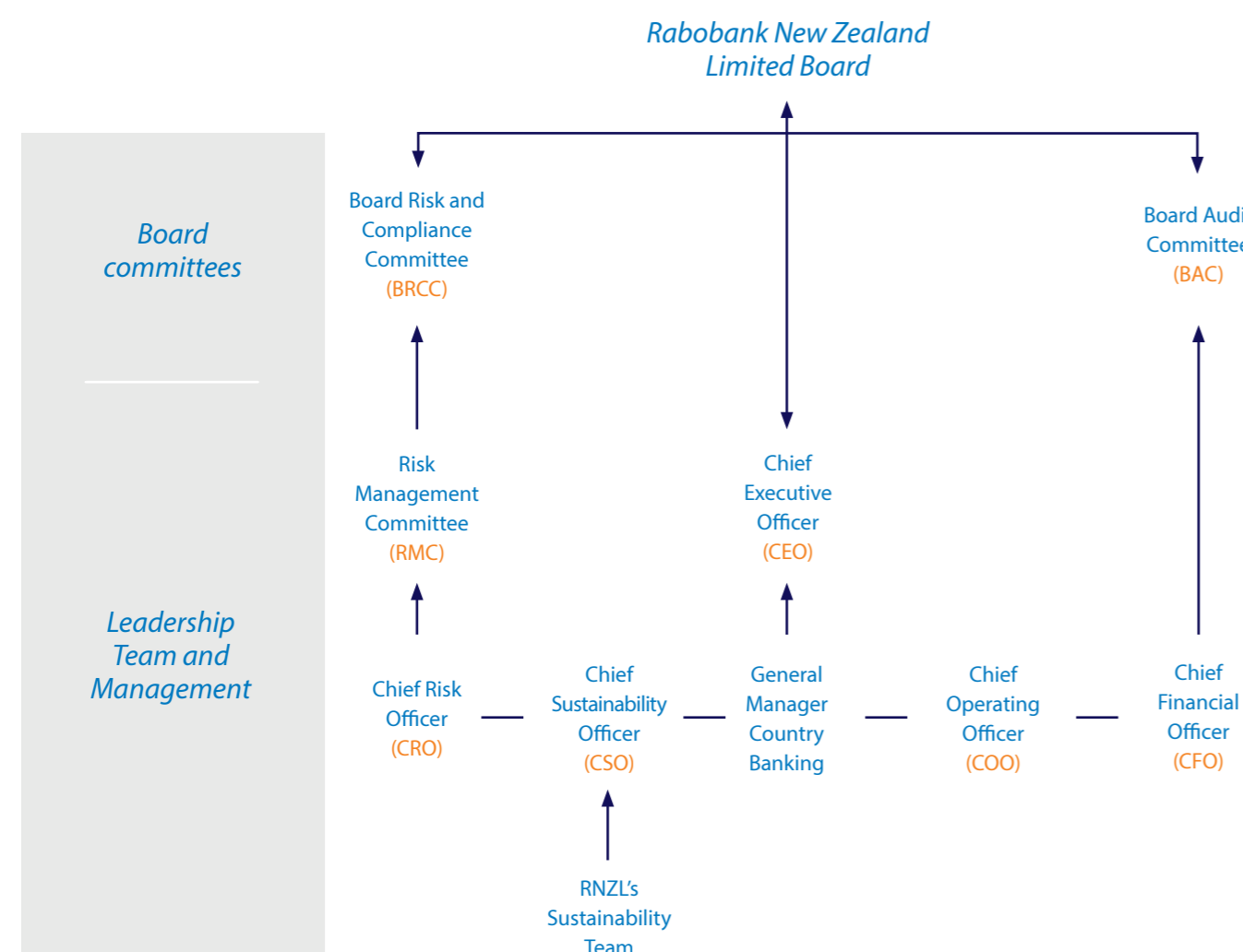
## Remuneration

NZ Branch’s overall corporate performance was assessed on achievement of a balanced scorecard that included financial, customer, sustainability, operational, risk and people-related KPIs. These KPIs are determined on an annual basis and include measures aligned with NZ Branch’s strategy. Performance outcomes against these KPIs inform discretionary Variable Remuneration.

In 2024, under the Meaningful Cooperative Pillar, two sustainability KPIs incorporating some climate-related KPIs were approved for Rabobank Australia and New Zealand Region Wholesale business by Rabobank in consultation with NZ Branch’s CEO and Management team. These KPIs form part of NZ Branch’s business plan and the performance against these KPIs was reported to the CEO on a quarterly basis. The discretionary Variable Remuneration pool (part of total remuneration) is determined by Rabobank for NZ Branch based on combined outcomes from the Rabobank Australia and New Zealand Region and Rabobank balanced scorecards. This pool is then further distributed to eligible employees, including Management, based on achievement of their individual performance objectives. The weighting of sustainability KPIs is modelled currently at 25% of the discretionary Variable Remuneration pool, but the specific weighting of climate-related KPIs is not able to be identified.

# RNZL'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 RNZL Board is responsible for providing input into and final approval of the organisational strategy and performance objectives for RNZL. The Board provides oversight of the operational and financial performance and is ultimately responsible for RNZL's Risk Management Framework in relation to its climate-related impacts (see page 44).

The Board oversees progress against Climate-Related Risks and Opportunities through the following functions:

- Reviewing and endorsing the transition plan to the extent that it relates to RNZL's activities, beginning in 2024.
- Working with RNZL'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 RNZL) to facilitate execution against RNZL's general strategic objectives and priorities.
- Overseeing progress against risk appetite and climate-related Metrics and Targets through review of regular management reports.
- Approving the Internal Capital Adequacy Assessment Process, Capital Management Plan and Risk Management Strategy, which considers Climate-Related Risks where relevant.
- Approving key risk policies and standards.
- Delegating the development and operation of climate-related functions to Management to ensure RNZL 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 RNZL's March and November 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 preceding period and formed the basis for Board discussion of climate-related and ESG activities undertaken by RNZL. 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 RNZL'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 RNZL's local strategy. 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 Risk Management Framework has been effectively implemented and Risk Management practices were in place.

In November 2024, the Board undertook a review of its Board Charter to include specific reference to reviewing and approving RNZL's annual Climate Statements with guidance of the BAC.

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 provided input into RNZL's draft Statements at its meeting on 18 November 2024 and reviewed the draft Statements on 12 March 2025 at a BAC workshop and at its meeting on 18 March 2025. The Board formally approved the final RNZL Statements at its meeting on 20 March 2025.

## 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 biennially by the Board and updated as required to ensure that the necessary skills are represented in the Board's composition.

The Board Skills Matrix includes 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 an international context.

ESG competencies are also incorporated into a variety of functional business categories. These include strategy, finance/audit, 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 RNZL's business functions at the Board level.

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 is maintained.

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 ESG matters by participating in ad hoc presentations from Rabobank.

## Governance and Management's Role

RNZL'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
<b>Risk Management Committee (RMC)</b>	<ul style="list-style-type: none"> <li>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.</li> <li>The RMC is chaired by the Chief Risk Officer and includes members of senior Management.</li> <li>The RMC provides oversight of RNZL's Risk Appetite Statement, which describes the levels and types of risks that RNZL 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.</li> <li>As part of its oversight, the RMC receives updates on RNZL's Risk Management approach to climate risk, including its approaches to stress testing and integration into existing Risk Management processes. These updates are provided by either the CSO as it relates to progress against the development of RNZL's climate objectives or by the CRO as it relates to the impact of climate-related events or scheduled stress testing (such as for capital adequacy purposes).</li> <li>After review of papers, the RMC recommends papers to be submitted to the BRCC as is appropriate. The papers are presented to the BRCC by the Chief Risk Officer.</li> </ul>
<b>Chief Executive Officer</b>	<ul style="list-style-type: none"> <li>Has delegated authority from the Board for RNZL'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.</li> <li>The CEO provides monthly reporting to the Board.</li> </ul>
<b>Chief Risk Officer</b>	<ul style="list-style-type: none"> <li>Has responsibility for RNZL's Risk Management Framework and Climate-Related Risk as it interacts across RNZL's material risk types.</li> <li>Has oversight of Climate-Related Risk assessment, including, among other things, climate stress testing and climate event response (Business Continuity).</li> <li>The CRO provides quarterly reports to both the RMC and BRCC (which includes Climate-Related Risk).</li> <li>The CRO report is noted by the Board at its quarterly meetings.</li> </ul>
<b>Chief Operating Officer</b>	<ul style="list-style-type: none"> <li>Has oversight and responsibility for RNZL's direct Scope 1, 2 and 3 emissions strategy and ownership of participation and accreditation with Toitū and provides quarterly updates to both the RMC and BRCC as appropriate.</li> <li>The COO provides updates to the BRCC, which include progress on RNZL's operational emissions Targets (as described on page 53). These updates are noted by the Board.</li> </ul>
<b>Chief Financial Officer</b>	<ul style="list-style-type: none"> <li>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.</li> <li>The CFO provides a report to the Board at its quarterly meetings.</li> </ul>
<b>Chief Sustainability Officer</b>	<ul style="list-style-type: none"> <li>Responsible for developing and driving delivery of RNZL's sustainability strategy and objectives in alignment with Rabobank's global strategy and goal of net-zero by 2050.</li> <li>The CSO works with subject matter experts in the business to integrate sustainability into the way RNZL operates, from its internal policies, business strategies, plans and portfolio steering through to its customer conversations and the products and services RNZL offers.</li> <li>The CSO provides reporting to the Board every 6 months.</li> </ul>
<b>Chief Compliance Officer</b>	<ul style="list-style-type: none"> <li>Has oversight and responsibility for the compliance function of RNZL, which includes management of compliance risk and regulatory engagement as it relates to conduct. The CCO is responsible for prudential oversight and directly engages with the Reserve Bank of New Zealand in this regard.</li> <li>The CCO produces quarterly reports to the RMC and BRCC on compliance risks and is responsible for greenwashing Risk Management.</li> </ul>
<b>Sustainability Team</b>	<ul style="list-style-type: none"> <li>Focused on identifying and managing climate-related and other environmental and social impacts and risks to RNZL. Also responsible for conducting Scenario Analysis and developing responses and strategy, including the transition plan.</li> <li>This team is lead by the CSO.</li> </ul>
<b>General Manager Country Banking</b>	<ul style="list-style-type: none"> <li>Responsible for planning, developing, implementing, controlling and directing the strategic and operational delivery of Country Banking services in New Zealand, including delivery of KPIs in the Performance Dashboard (as described on page 21).</li> </ul>

As discussed above, these roles also assist the CEO of NZ Branch in their oversight and management of NZ Branch's Climate-Related Risks and Opportunities.

## Governance of Targets, Metrics and KPIs Setting

The Board approved RNZL's strategy and risk appetite, which include its Targets, Metrics and KPIs (which can include climate components).

Climate-Related Risks and Opportunities Targets were developed by Management, approved by the Board and are informed by Rabobank's global or local goals. Part of this was the setting of RNZL's Targets of reducing Emissions Intensity across its dairy sector loans by 12% by 2030 from the 2020 Base Year or RNZL's Target to reduce operational emissions by 50% by 2030 from the 2019 Base Year.

The Board received quarterly updates from the CEO, CRO and CFO and 6-monthly updates from the CSO that included reports on RNZL's progress against its Targets and Metrics.

The maturity of setting these Targets, Metrics and KPIs and accuracy of the reporting is evolving year to year. This means there could be changes in the future, if comparing year on year, as the industry matures to understand measures and drivers to support the key objective of the movement. Refer to the Metrics and Targets section to understand current measures.

## Remuneration

RNZL's overall corporate performance was assessed on achievement of a balanced scorecard that included financial, customer, sustainability, operational, risk and people-related KPIs. These KPIs are determined on an annual basis and include measures aligned with RNZL's strategy (see page 12). Performance outcomes against these KPIs inform discretionary Variable Remuneration.

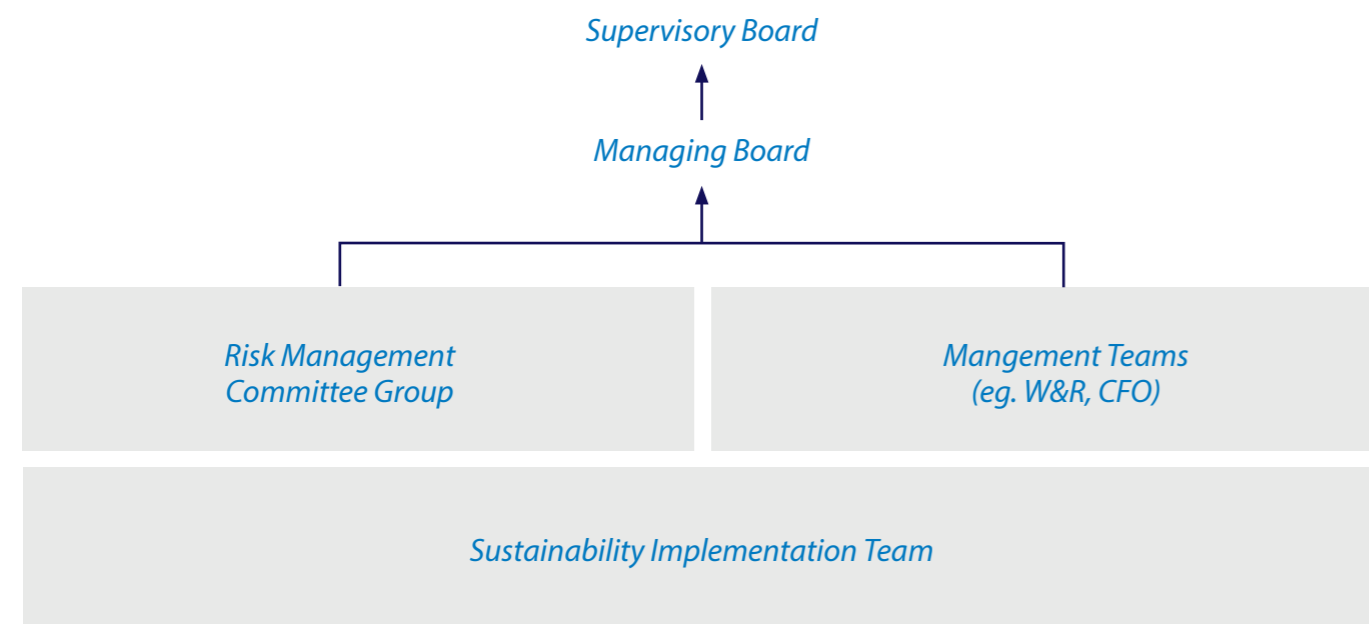
In 2024, under the Meaningful Cooperative Pillar, three sustainability KPIs incorporating some climate-related KPIs were approved for RNZL's Rural business by Rabobank in consultation with RNZL's Management team and the Board. These KPIs form part of RNZL's business plan and the performance against these KPIs was reported to the Board on a quarterly basis. The discretionary Variable Remuneration pool (part of total remuneration) is determined by Rabobank for RNZL based on combined outcomes from RNZL, Rabobank Australia and New Zealand Region and Rabobank balanced scorecards. This pool is then further distributed to eligible employees, including Management, based on achievement of their individual performance objectives. The weighting of sustainability KPIs is modelled currently at 20% of the discretionary Variable Remuneration pool, but the specific weighting of climate-related KPIs is not able to be identified.

# Rabobank's Approach to Governance

## Governance and Oversight of Climate-Related Risks and Opportunities

The CEO of NZ Branch and RNZL Board have regard to Rabobank's governance policies and processes where relevant to the oversight of the Climate-Related Risks and Opportunities for the Rabobank New Zealand Banking Group.

Organisational structure relevant for oversight of Climate-Related Risks and Opportunities at the Rabobank level



Rabobank's sustainability governance consists of its Supervisory Board (SB), Managing Board (MB), Risk Management Committee Group (RMC Group), Management Teams (e.g. W&R) Sustainability Implementation Team (IMT), and Sustainability Communication Review Committee (SCRC).

SB is responsible for supervising and advising the MB on all relevant business matters, including sustainability (of which its Climate-Related Risks and Opportunities form part). This encompasses the responsibility of supervising and advising the MB on (the implementation of) the sustainability strategy, ensuring new developments align with Rabobank's strategy and purpose. Sustainability topics are also discussed and prepared in SB committees.

In line with European Banking Authority guidelines, the MB is responsible for setting and implementing Rabobank's corporate strategy, including business, risk and sustainability strategies. The MB is responsible for the implementation of the laws, regulations and commitments necessary to comply with sustainability regulations, expectations and aspirations. The MB sets - while taking into account, among others, impacts, risks and opportunities - the sustainability strategy and targets and ensures that adequate resources are available for sustainability initiatives.

The MB meets in principle on a weekly basis. Together with the Company Secretary, and based on input from the CSO, the Chair sets a rolling agenda on matters (including sustainability) to discuss during the MB meetings. This rolling agenda is group-wide, with allocated MB and topic owners and includes sustainability reporting, the double materiality assessment (DMA) and other material sustainability topics as recurring agenda items.

The IMT consists of senior management representatives of the key domains and is chaired by the CSO. The CSO reports to the Chair of the MB. The IMT reports and is accountable to the MB and ensures the implementation of sustainability vision, ambitions, strategy, roadmap and regulations and commitments across Rabobank Group. It also provides advice to the MB on decision-making regarding sustainability strategy and ambitions. Responsibilities of the IMT include guidance of and alignment of the different sustainability activities within Rabobank. The approval of policies is not within the scope of the IMT. Sustainability policies are discussed and aligned in the IMT but follow the regular approval processes via RMC Group and MB. The IMT provides advice to the RMC Group on the approval of these policies.

The SCRC is responsible for the coordination of non-standard external communication with regard to sustainability-related themes, which requires quick and adequate coordination.

The RMC Group is mandated by the MB to assess the management of risk, perform risk monitoring and reporting, oversee new risk regulation and act as the guardian of the risks taken by Rabobank Group. The RMC Group is chaired by the CRO and includes MB members and members of senior management of relevant domains. The RMC Group is entrusted with the oversight of Rabobank's Risk Appetite Statement (RAS). As part of its oversight, the RMC Group receives updates on Rabobank's risk management approach to climate risk, including the bank's approach to stress testing and our integration into existing risk management processes.

The Audit Committee prepares the SB's decisions on all matters regarding the integrity and quality of Rabobank's financial and sustainability reporting and the functioning of Rabobank's compliance and risk function.

Every quarter, the Audit Committee discusses the financial performance of Rabobank and in those meetings challenged, among other things, the development and steering on the performance of Rabobank and the key indicators of the performance to achieve the objectives set for the year. In several meetings the Audit Committee focused on (the implementation of) the Corporate Sustainability Reporting Directive.



# Strategy

# How NZ Banking Group Helps to Grow a Better New Zealand Together

Rabobank is committed to supporting the goals of the Paris Climate Agreement and has signed the Net-Zero Banking Alliance and the Dutch Financial Sector Climate Commitment.

From a sustainability perspective, NZ Banking Group is focusing on the reduction of its climate impact in its own organisation, with customers, and in the food and agricultural sector. NZ Banking Group aims to do this against three key sustainability aspirations:

1. Act on climate – on or below 1.5°C pathways.
2. Value nature – return to Planetary Boundaries.
3. Enable people – a more inclusive society for customers, communities and workforce.

NZ Banking Group aspires to act on climate and mitigate Climate-Related Risks by working on or below 1.5°C pathways.

To embed climate-related and wider ESG considerations into NZ Banking Group's activities and align to Rabobank's aspirations and goals, it utilises three levers:

## Customer

*Help customers transition to a sustainable future*

NZ Banking Group does this by providing customers with knowledge and insights into how they can change their activities and use NZ Banking Group's financial products and services to support their transition and financing new innovations that will accelerate their efforts.

## System

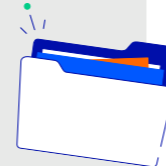
*Help move the system in a sustainable direction*

The transition to a sustainable economy requires systemic change. NZ Banking Group supports this by engaging with stakeholders at different levels in the economy and society.

## Portfolio

*Grow a sustainable portfolio*

The composition of NZ Banking Group's portfolio means that most of the focus is on helping customers and their sectors transition to a sustainable future as well as making conscious choices in growing NZ Banking Group's portfolio in a sustainable manner.



## Transition Planning

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

NZ Banking Group completed and approved its first transition plan this year, managing both the inside-out and outside-in impacts of climate change – GHG reduction and Risk Management. The plan details the objectives, actions, engagements, Metrics and governance NZ Banking Group have in place around climate change.

Much of the material was not new, but housing this all together in one place holistically, along with the new elements developed, has enhanced NZ Banking Group's strategy on climate. Absent any New Zealand guidance, the Glasgow Financial Alliance on Net-Zero guidance was used as a reference.

Dairy is NZ Banking Group's largest industry exposure for its loan portfolio, and NZ Banking Group has developed a focused sector plan that sets out short-term targets and actions to support reducing Emissions Intensity across its dairy sector loans by 12% by 2030 (from the 2020 Base Year). This plan principally focuses on education and the collection of farm-level emissions data to allow for more targeted initiatives in the future.

## Overview of Work on Transition Plan

NZ Banking Group recognises that gaps in its transition planning remain, it is an ongoing iterative process and good practice is still evolving, and the aim is to continue and increase efforts on this in the coming years. Below is a summary of the work in 2024. NZ Banking Group finalised the first iteration of the transition plan through executive review and endorsement by the Leadership Team, followed by endorsement of the Board in November 2024.

SECTION	Objectives	Implementation	Engagement	Metrics and Targets	Governance
ACTIVITY	Agreed alignment to Rabobank's three levers:	Created plan and grouped into nine overarching action areas:	Created detailed sustainability engagement plan.	Collated together all climate Metrics across the business.	Agreed ongoing Board and executive governance of the transition plan, with implementation overseen by the executive team.
	<ul style="list-style-type: none"> <li>Helping clients transition.</li> <li>Stimulate systems change.</li> <li>Optimise the portfolio.</li> </ul>	<p><i>Helping clients transition</i></p> <ol style="list-style-type: none"> <li>Align clients' GHG reduction with Road to Paris.</li> <li>Increase farmers' resilience.</li> <li>Research impacts and solutions.</li> </ol> <p><i>Stimulate system change</i></p> <ol style="list-style-type: none"> <li>Engage on climate leadership (through advocacy and knowledge).</li> </ol> <p><i>Optimise portfolio</i></p> <ol style="list-style-type: none"> <li>Grow in low-carbon markets and clients.</li> <li>Align operating model with the transition (including increasingly active portfolio steering).</li> <li>Strategic approach to transition with Metrics, Targets and risk appetite settings.</li> <li>Review NZ Banking Group facilities and physical assets for transition risks and opportunities.</li> <li>Review portfolio policies to support climate transition.</li> </ol>	Key stakeholder groups: Wholesale clients, Rural clients, employees, industry partners, regulators.	The final list builds on those found on pages 52 and 57.	
			Engagement is with the aim to lead on sustainability through leading constructive conversations based on NZ Banking Group's knowledge and networks and what NZ Banking Group can do to support the transition.		

## Changes to NZ Banking Group's Business Model and Strategy

While the physical and transition risks from climate change are significant and the agricultural sector is vulnerable to these, the risks and opportunities for NZ Banking Group are not expected to have a material impact on the current business model in the next 3–5 years. Therefore, there are no immediate changes in strategy as a result of the current transition plan. There is uncertainty around where final policy and domestic and international targets on emissions reductions from agriculture and methane will land in the medium to long term, which limits NZ Banking Group's ability to take a long-term view in the current transition plan.

The transition plan also assumes external innovation and new technologies will play a key role. NZ Banking Group does not have control or, in many cases, influence over whether and when those changes occur. Nonetheless, the actions and engagements stated in the transition plan do constitute a shift in effort from what the business would otherwise be undertaking without action on climate change. The transition plan is integrated into the MTP with resources allocated from budgets for sustainability and considered as part of capital planning processes.

Monitoring and reporting is now occurring for measurement of progress against plans and the KPIs noted in the Metrics and Targets section.

In the short to medium term, the transition plan is aligned with capital deployment and funding decision making, which is contained in the Board-approved and CEO-approved MTP. The actions within the transition plan referred to above serve to gather further information to position NZ Banking Group for potential longer-term impacts to its business model and strategy from Climate-Related Risks and Opportunities. An example of this is the collection of emissions data at farm level.

## How NZ Banking Group Categorises Risks

Climate-Related Risks fall into two main categories: physical and transition risk factors with the potential to affect all facets of the business's operations, including via those of customers. NZ Banking Group's climate transition plan and wider Risk Management Framework are designed to capture and address these risks and enhance business resilience to them. Additionally, NZ Banking Group applies the same physical and transition risk framework when assessing other environmental risks.

### Physical Risk

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

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

### Transition Risk

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

- *Policy* and legal risk, including policies and regulations impacting the real economy (NZ Banking Group's customers, markets and the economy more broadly) as well as the financial sector and litigation.
- *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 NZ Banking Group or its counterparties).

## Current Impacts

Not all climate impacts experienced in New Zealand to date translate into material impacts for NZ Banking Group. Shown on the following page is a list of climate-related impacts that NZ Banking Group has experienced over the last financial year and an assessment of their physical or transition impact.

	2024 Event or Impact	Description and Assessment of Impact	\$ Quantification
Physical	Ongoing impacts from 2023 extreme weather (Auckland Anniversary Day flood events in Auckland and Northland, Cyclone Gabrielle in 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.	Rural customer impacts varied significantly depending on location and climate resiliency. However, RNZL's exposure to the affected areas, particularly Gisborne and Hawke's Bay, was relatively modest. Accordingly, at a portfolio level, the flow-on Financial Impacts from credit losses are considered immaterial due to the highly collateralised nature of RNZL's exposures even though some customers may have been materially impacted. That said, 105 customers elected to participate in the government-backed North Island Weather Event Scheme. This scheme allowed qualifying customers access to a discounted interest rate for a period of 5 years. The Reserve Bank of New Zealand reduced the risk weighting for regulatory capital purposes for these loans. However, commercially, RNZL's net income is negatively affected by the interest rate discount.	\$3.1 million impact of rate discount. \$48,000 impact of external audit.
Transitional	Changes to government policy on farm emissions calculation and pricing.	The changes to legislation removing the upcoming requirement for farms to report their GHG numbers, along with paying for agricultural emissions, have made it more difficult to achieve RNZL timelines around obtaining on-farm GHG numbers, and meeting the RNZL dairy production Intensity Target. Additional resources are likely to be required to fill the data gap.	No \$ impact on current year.
	Managing operational emissions.	NZ Banking Group's reporting of operational CO <sub>2</sub> emissions according to the GHG Protocol and continuing efforts to reduce these in line with the 50% reduction Target by 2030.	\$42,000 of external consultant costs.
	Transition planning.	NZ Banking Group has developed a transition plan and integrated this into MTP and capital planning processes.	Delivered as part of sustainability budget disclosed on page 57.
	Investments in climate research.	Invested \$2.5 million to date in AgriZero <sup>NZ</sup> – the Centre for Climate Action Joint Venture with partners from business and government – to help farmers reduce emissions while maintaining productivity and profitability. The ambition of AgriZero <sup>NZ</sup> is to reduce agricultural emissions by 30% by 2030 and to be near zero by 2040.	\$800,000 invested in 2024.
	Maturity uplift on carbon farming.	Time and resource directed towards understanding the risks/opportunities that carbon farming represents for customers and NZ Banking Group and development of fit-for-purpose carbon farming lending policies/standards.	Delivered as part of sustainability budget disclosed on page 57.
	Climate change training.	Provision of training (both staff and customers) on how the physical and transitional impacts of climate change could affect NZ Banking Group customers' businesses.	Delivered as part of sustainability budget disclosed on page 57.
	Legislation: New Zealand climate-related disclosure standard.	Resources deployed to increase maturity, undertake analysis and prepare first and second Statements.	\$116,000 of external professional costs delivered as part of sustainability budget disclosed on page 57.
	Supreme Court allows litigation claims against corporate GHG emitters.	In <i>Smith v Fonterra &amp; Ors</i> , the Supreme Court allowed litigation claims to be brought against corporate GHG emitters, some of whom are NZ Branch Wholesale New Zealand clients. It will be some time before the case reaches trial, but in the meantime, impacted clients can expect to incur legal fees as necessary. This is very unlikely to materially impact NZ Branch. The remedies sought could in theory impact our clients' businesses significantly if successful.	No \$ impact on current year.
	Expansion of NZ Branch into energy transition.	NZ Branch onboarded a new client in the energy sector, having made the decision to expand product offering to support the energy transition.	\$300,000 annual income.

## How NZ Banking Group Helps Customers Transition

NZ Banking Group engages with customers to discuss their plans for transitioning to low-carbon, climate-resilient businesses. NZ Banking Group 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.

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

## Implications of Climate Change for Agriculture and NZ Banking Group

Agriculture is 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 NZ Banking Group as an agriculture-focused bank.

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

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

Industry Sector	Total Committed Loan Exposure* (\$000)
<b>Agriculture</b>	
• Dairy farming	9,119,448
• Sheep, beef cattle and grain farming	4,174,767
• Horticulture	1,448,670
• Other agriculture on farm	416,427
<b>Other industries</b>	5,702,670
<b>Total committed exposure</b>	20,861,981

\* Defined as total loan limits granted to customers (both drawn and undrawn).

## Assessing Impacts and Developing Business Resilience Through Climate-Related Scenarios

In order to explore Climate-Related Risks and Opportunities the future may hold and assess business resiliency, in 2023, NZ Banking Group 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, NZ Banking Group first identified five key drivers of change:

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

In developing 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 NZ Banking Group – the New Zealand Banking Association as well as Aotearoa Circle's Agriculture Sector Climate Change Scenarios. Neither of these provided the scenarios that best described plausible futures or challenged NZ Banking Group's business sufficiently. Instead, the three scenarios that were developed speak more specifically to NZ Banking Group's circumstances as an agriculture-focused bank and create an appropriate level of challenge and plausibility as laid out in the rationale.

NZ Banking Group also sought to align – at a high level – its climate scenarios with Rabobank's to facilitate comparison and insights at a Rabobank-wide level. (While this was the case when Scenario Analysis was conducted in 2023, Rabobank introduced a Too Little, Too Late scenario in 2024.) Therefore, NZ Banking Group's own scenarios were developed to be relevant and appropriate for assessing the resilience of NZ Banking Group's business model and strategy, 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 the business.

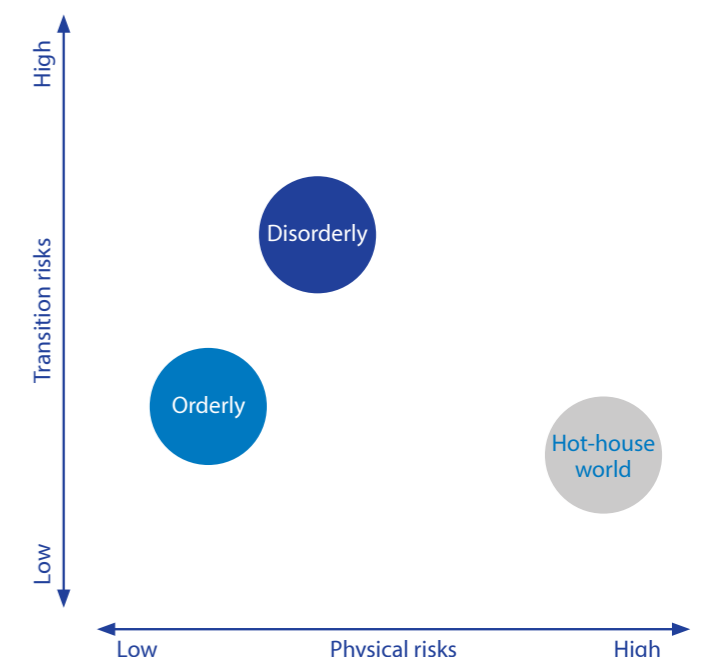
For physical data, the Intergovernmental Panel on Climate Change (IPCC) Shared Socioeconomic Pathway (SSP) scenarios were referenced. For transition data, the Network for Greening the Financial System (NGFS) scenarios were referenced.

There are four broad categories of scenarios that vary in their stressing of transition and physical risk (names taken from the NGFS):

- **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** assume that a late transition fails to limit physical risks. Here, a very delayed transition, possibly in response to strong physical impacts, results in high transition impacts hitting, alongside the still severe physical impacts.

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

NGFS Scenarios Synthesised by NZ Banking Group





## Architecture of NZ Banking Group's Three Entity-Specific Scenarios

	Orderly (1.5°C-aligned)	Disorderly (other-aligned)	Hot-house world (>3°C-aligned)
	<p>Central government develops a coherent climate change response, supported by consistent policy commitments and early investment into infrastructure resilience.</p> <p>Policy reaction: Immediate and smooth Technology change: Fast change CDR: Medium - high use Regional policy variation: Medium variation</p>	<p>Leadership is divided on the climate change response. A delayed and variable policy response results in uncertainty, lack of investment in both adaptation and mitigation and ultimately cliff-edge policies, with a focus on methane given its ability to have a significant impact over the short term.</p> <p>Policy reaction: Delayed Technology change: Slow/Fast change CDR: Low - medium use Regional policy variation: High variation</p>	<p>Government ultimately prioritises free-market growth and climate adaptation measures over reducing emissions. The result is a persistent absence of robust policies to drive decarbonisation, leading to extreme climate change and subsequent economic contraction globally.</p> <p>Policy reaction: None - current policies Technology change: Slow change CDR: Low use Regional policy variation: Low variation</p>
Approximate warming at 2100	~1.4°C	~1.8°C	~4.4°C
Global physical and socioeconomic parameters	IPCC SSP1-1.9	IPCC SSP1-2.6	IPCC SSP5-8.5
New Zealand physical parameters	eg. NIWA RCP 2.6	NIWA RCP 2.6	NIWA RCP 8.5
Global transition and energy use	NGFS orderly "net-zero 2050" scenario	NGFS disorderly "delayed 2°C"	NGFS hot-house "current policies"
New Zealand transition pathways	Climate Change Commission (CCC) "Tailwinds"	CCC "Headwinds"	CCC current policies
Rationale	Poses transition risk challenges in the speed and extent of policy changes in the near term along with challenges to the composition of NZ Banking Group'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 NZ Banking Group's 1.5°C scenario having a projected temperature in 2100 of 1.4°C (which is the closest available IPCC scenario to 1.5°C).

## Summary of Scenario Time Horizons and Risk Profiles

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

In conducting Scenario Analysis and climate risk and opportunity assessment, NZ Banking Group used the following time horizons:

- Short term: now-2030 – to align with the existing 5-year horizons in strategic planning, MTP, Internal Capital Adequacy Assessment Process 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 NZ Banking Group's loan book.
- Long term: 2050-2100 – to recognise the intergenerational nature of farming and growing in New Zealand, ensure understanding of the longer-term implications of climate impacts and guard against the historical trend of improved science leading to impacts being brought forward. Time horizons of this length are not considered as part of NZ Banking Group's strategic planning horizons and capital deployment plans.

These timeframes also ensure alignment with Rabobank time horizons (2020-2030, 2030-2040 and 2040-2050) as used in the stress tests (see 'Risk Management' on page 46).

### 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. While the uncertainty could be around both underestimates and overestimates, it has been proposed that models are currently significantly underestimating the economic damages associated with climate impacts, which can lead to an overly optimistic assessment of business resilience and performance in higher physical risk scenario narratives.

## Orderly Scenario Narrative

### Net-zero by 2050

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

Overall physical risk exposure: Low

Overall transition risk exposure: Medium

#### Short term – present day–2030

#### Medium term – 2030–2050

#### Long term – 2050–2100

Physical risk exposure: Low  
Transition risk exposure: Medium

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

Physical risk exposure: Low  
Transition risk exposure: Low

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

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

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

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

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

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

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

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

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

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

Note: Relevant global and New Zealand economic and climatic datapoints such as number of hot days and agricultural demand can be found on page 62.

## Disorderly Scenario Narrative

### Delayed transition

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

Overall physical risk exposure: Medium

Overall transition risk exposure: High

#### Short term – present day–2030

#### Medium term – 2030–2050

#### Long term – 2050–2100

Physical risk exposure: Low  
Transition risk exposure: Low

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

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

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

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

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

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

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

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

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

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

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

Note: Relevant global and New Zealand economic and climatic datapoints such as number of hot days and agricultural demand can be found on page 63.

## Hot-House World Scenario Narrative

### Current policies

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

Overall physical risk exposure: High

Overall transition risk exposure: Low

#### Short term – present day–2030

Physical risk exposure: Low  
Transition risk exposure: Low

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

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

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

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

#### Medium term – 2030–2050

Physical risk exposure: Medium  
Transition risk exposure: Low

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

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

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

#### Long term – 2050–2100

Physical risk exposure: Very High  
Transition risk exposure: Low

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

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

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

Note: Relevant global and New Zealand economic and climatic datapoints such as number of hot days and agricultural demand can be found on page 63.

## 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. In 2023, NZ Banking Group's three scenarios were used to conduct a climate risk and opportunity assessment as well as an assessment of NZ Banking Group's business model resiliency. Management and the Board reviewed the Scenario Analysis work and determined that it was still relevant for 2024. The scenarios and associated risk and opportunity identification will be revisited approximately every 3 years or as appropriate (such as with change of business strategy or material change in scenario assumptions).

The 2023 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 – provided specialist input as required.
- A steering committee consisting of the CRO, CFO, General Manager Country Banking and Project Leads – provided direction input and oversight.
- Executive committee approvals (via the RMC or Leadership Team meetings) – challenged and provided feedback and recommended approvals to the Board.
- Board – reviewed, discussed and approved scenario architecture.

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

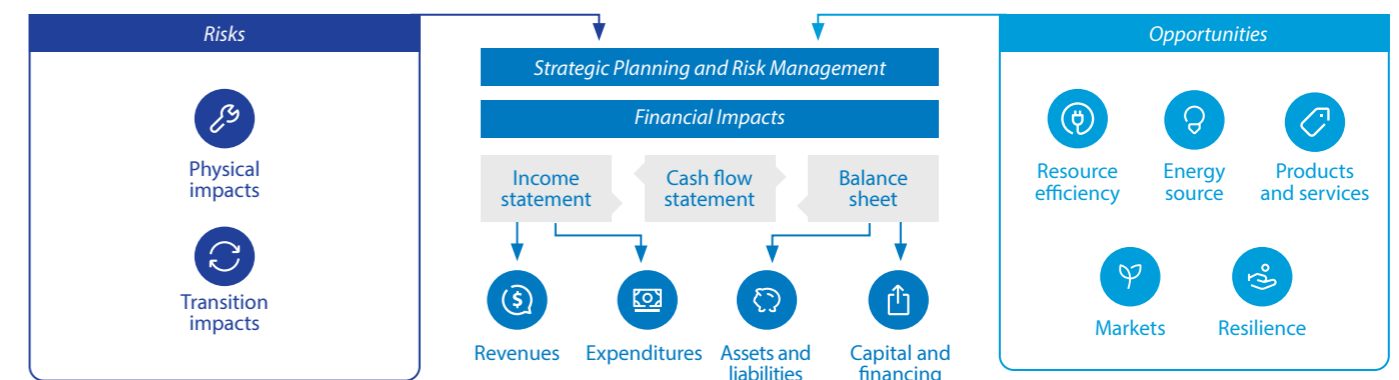
## Risk and Opportunity Identification and Integration into Strategy

NZ Banking Group's Scenario Analysis process was used to help identify and measure the physical and transition risks and opportunities that NZ Banking Group is facing 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. The notations for time horizons against the specific risks and opportunities below are based on Management judgement. Whilst a simple methodology was used to ascribe time horizons for the physical risks, a lack of sufficient data and analysis around transition risks and opportunities and physical opportunities, means these are more subjective assessments. As emissions data is gathered, policy decisions become clearer and more established and technological innovation emerges, estimation uncertainty is expected to ease, allowing for a better quantification of time horizons and potential impacts.

In 2024, NZ Banking Group's Scenario Analysis and resulting risks and opportunities from 2023 were captured and integrated into NZ Banking Group's strategy and MTP processes. As noted above, NZ Banking Group now has a transition plan, which was also used as input to these processes and capital allocation, along with NZ Banking Group's broader Sustainability Plan. The processes resulted in an MTP that includes a dedicated budget to execute actions and initiatives in the transition plan (see 'Sustainability Expenditure' on page 57) and also includes asset growth by subsector out to 2030.

## Risk and Opportunities Assessment



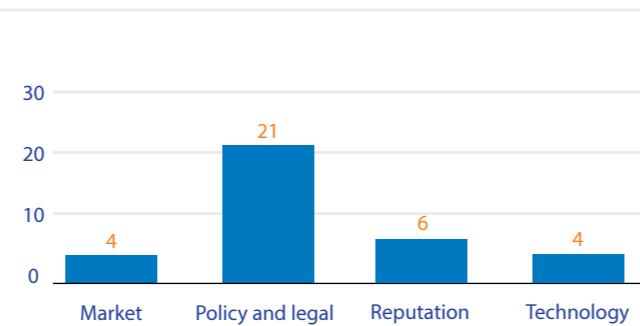
Climate change presents both risks and opportunities. Broadly speaking, transition risks are expected to play out in the short and medium terms as society makes the necessary changes to the economy to align with policy outcomes. Because of the high degree of estimation uncertainty, time horizons have been estimated using subjective judgement.

By comparison, physical risks unfold over a slower, longer time horizon, beginning with the impacts already being felt. Opportunities tend to match these patterns. For example, NZ Banking Group's portfolio manifests these risks and opportunities differently between smaller family farm customers and large Commercial and Wholesale customers.

## Transition Risks

Through Scenario Analysis, 35 transition risks were identified as relevant to NZ Banking Group. These can be summarised under four main themes, 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 NZ Banking Group is provided below. These transition risks will likely occur most sharply in the short and medium terms, especially given the science around the need for early and rapid transition.



### Policy and legal – short and medium term

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 NZ Banking Group. Compliance with legislation may also increase the operating costs of NZ Banking Group. Non-compliance may result in fines and penalties.



### Reputation – short, medium and long term

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



### Market – medium and long term

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



### Technology – short, medium and long term

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

## Mitigating Transition Risks

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

- increasing the measurement of customer GHGs
- researching climate policy, technologies and markets such as through AgriZero<sup>NZ</sup>
- 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.

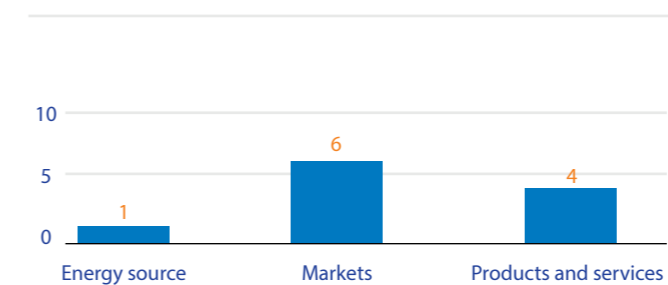
To manage transition risk, NZ Banking Group is working to structurally embed these risks in the credit risk framework. This includes the business strategy, risk identification, stress testing and the determination of provisioning and capital (see page 46).

## Transition Opportunities

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

NZ Banking Group identified 11 opportunities, which are summarised below. In general, these opportunities are expected to play out in the short and medium term, as with transition risks.

Transition opportunities: Number of opportunities identified by opportunities category



Key transition opportunities for NZ Banking Group:



### Energy source – short and medium term

Switching away from fossil fuels in operations leads to improved Greenhouse Gas performance and additional client value/reputational benefits. It creates potential funding opportunities, which are emerging now, to participate in new energy transition projects (such as solar, thermal, electricity and wind).



### Markets – short, medium and long term

The number of customers may increase, especially in the horticulture sector as the trend towards plant-based diets grows. 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, NZ Banking Group's market share may increase. Potential new markets could develop in areas such as:

- land conversion (medium and long term) – production systems transition to new products as land use suitability changes
- development at scale for new production methods (medium and long term) such as vertical farming creating new, viable sectors
- carbon farming (short and medium term)
- transition and adaptation farming for new equipment/investments to support more resilient and climate efficient production (short and medium term).



### Products and services – short and medium term

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

## Physical Risks

NZ Banking Group classified its risks across five material risk types. In total, 93 physical risks were identified, which are summarised via NZ Banking Group's material risk types below. Credit risk accounts for 73% of all risks identified and faces the highest exposure to the physical impacts of climate change. These physical risks are likely to manifest more in the medium to long term.



### Credit risk – medium and long term

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



### Business risk – medium and long term

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. NZ Banking Group's current business model may no longer be sustainable, and NZ Banking Group may not be able to achieve its growth strategy.



### Market risk – medium and long term

Increasing occurrences of physical climate-related events may result in unfavourable movements in production volumes and commodity markets, leading to financial losses for NZ Banking Group.



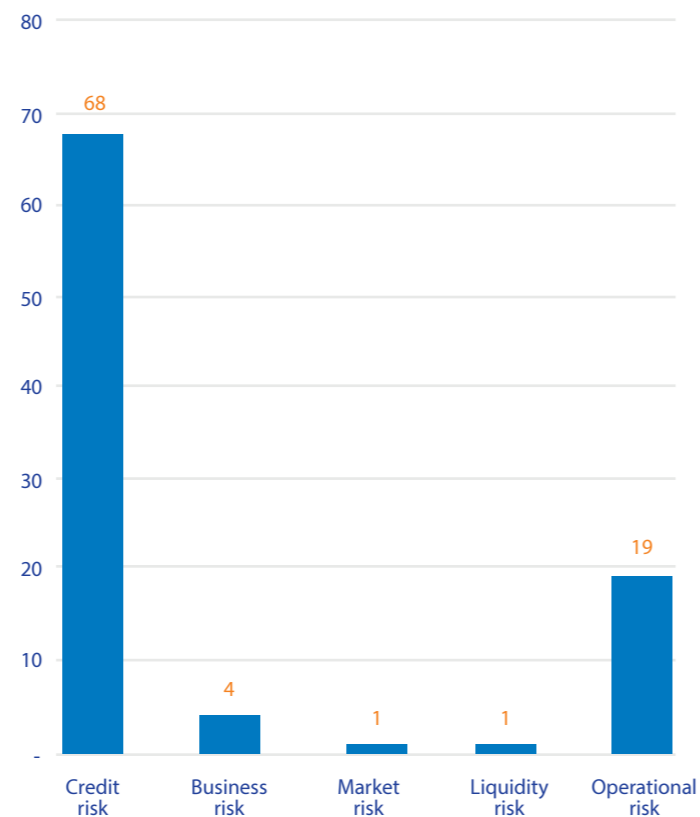
### Liquidity risk – medium and long term

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



### Operational risk – medium, long-term

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

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

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

## Physical Opportunities

13 physical opportunities were also identified, summarised against NZ Banking Group's material risk types. In general, these opportunities will play out, like physical risks, in the medium and long-term horizons.



### Credit and counterparty opportunities – short, medium and long term

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



### Business opportunities – medium and long term

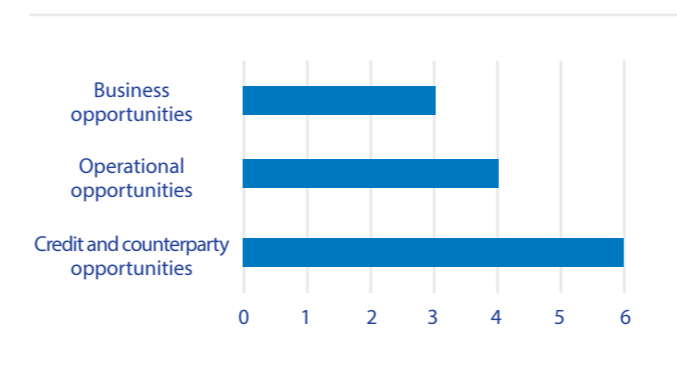
There is also an opportunity to develop new or revised products and services that enhance NZ Banking Group's competitiveness. This can lead to growth in the customer base and market share.



### Operational opportunities – medium and long term

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

Physical opportunities: Number of opportunities identified by opportunity area



## Anticipated Climate-Related Impacts

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

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

These risks have the potential to play out across the three scenarios and three time horizons, with those two parameters defining the expected magnitude (see 'Summary of Scenario Time Horizons and Risk Profiles' on page 33).

NZ Banking Group has not calculated the anticipated Financial Impacts of the Climate-Related Risks and Opportunities identified in 2024. NZ Banking Group has elected to use the adoption provision. Planning is under way to calculate and disclose anticipated Financial Impacts in respect of 2025.



# *Risk Management*

# Integration into Risk Management

RNZL has a Board-approved Risk Management Strategy Framework and NZ Branch has a CEO-approved Risk Management Strategy Framework. These documents combine a description of RNZL's and NZ Branch'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).

These documents also include key strategic risk initiatives that are intended to be taken to evolve the framework (collectively the Risk Management Strategy Framework).

## Risk Management Framework

Informed By	Material Risks	Managed By
<ul style="list-style-type: none"> <li>Business Vision and Strategy</li> <li>Risk Appetite Statements</li> <li>Risk Management Strategy</li> <li>Capital Adequacy</li> <li>Emerging Risks</li> </ul>	<p>Business Risks</p> <hr/> <p>Financial Risks</p> <ul style="list-style-type: none"> <li>Credit Risk</li> <li>Market Risk</li> <li>Liquidity Risk</li> </ul> <hr/> <p>Non-Financial Risks</p> <ul style="list-style-type: none"> <li>Operational Risks</li> <li>Compliance Risks</li> </ul>	<ul style="list-style-type: none"> <li>Board and Management Risk Governance</li> <li>Policies, Standards and Procedures</li> <li>Risk Systems and Processes               <ul style="list-style-type: none"> <li>Risk and Control Library</li> <li>Risk Control Activities (Profile)</li> <li>Risk System (inc. Data Quality)</li> <li>Data (Transformation) and Analytics (Insights)</li> <li>Stress Testing</li> <li>Reporting, Monitoring and Assurance</li> </ul> </li> <li>Risk Accountabilities and Skills</li> </ul>

Underpinned by the Risk Management Function



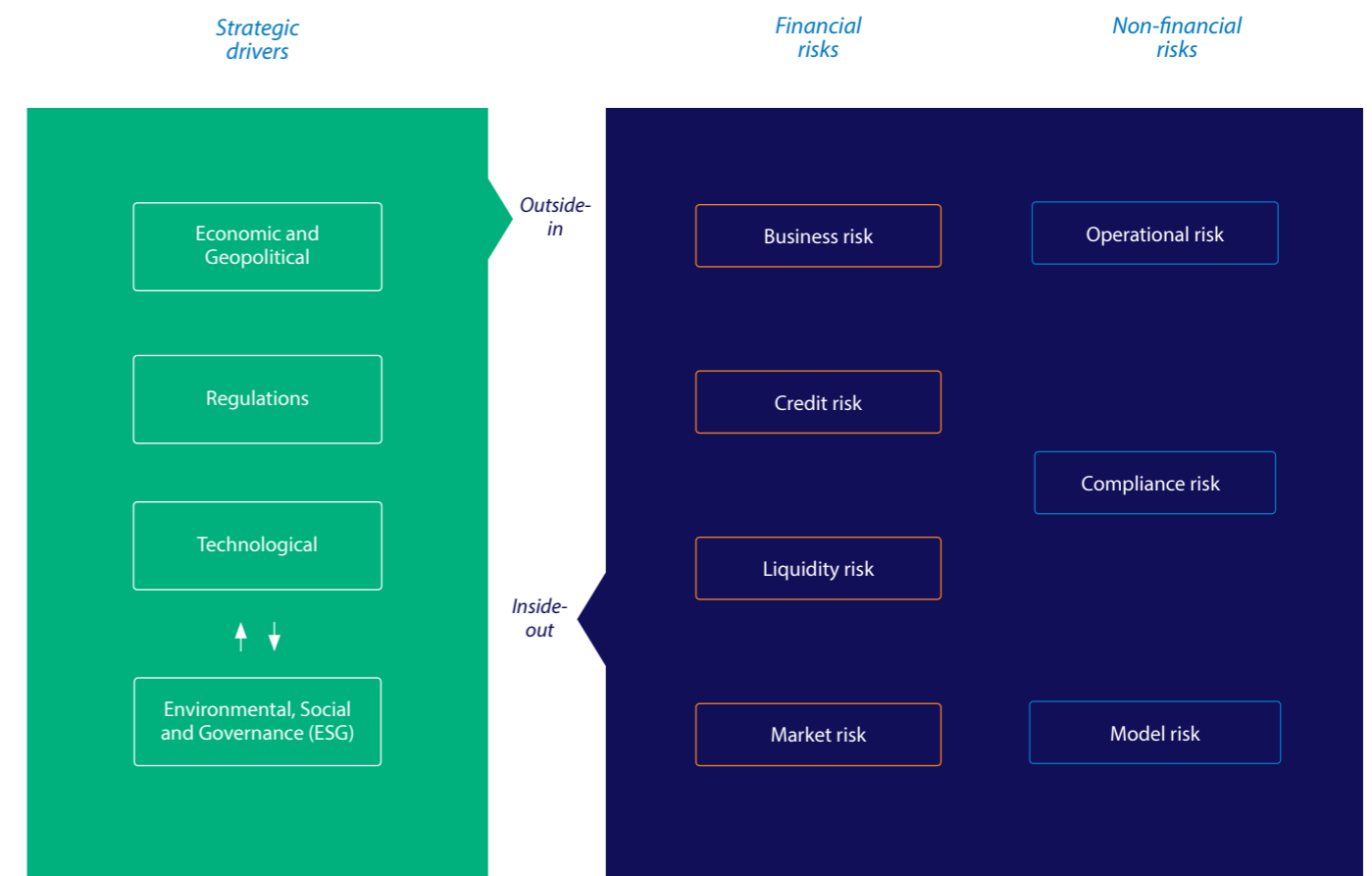
Three Lines of Responsibility



Our People and Risk Culture

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

Rabobank assesses the strategic drivers annually. ESG has been identified as a strategic driver and forms an important part of the assessment. In addition to the outside-in impact, Rabobank (directly or through its suppliers or clients) also impacts social, environmental and economic issues (the so-called inside-out impact), which in turn can also result in risks and opportunities. The following overview demonstrates the integration of sustainability in the strategic drivers and risk assessment.



## Transmission and Management of Climate Risk

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

## Processes for Identifying, Assessing and Managing Climate-Related Risks

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

	Time Horizons	Value Chain	Frequency	Description
Scenario Analysis	Now–2030 (short term)	Includes two tiers upstream (customers and their inputs/suppliers) and one downstream (depositors), with no material exclusions.	See 'Strategy' on page 37. Prior Scenario Analysis will be reviewed annually for ongoing appropriateness and will be updated as necessary.	See 'Strategy' on pages 31–41.
	2030–2050 (medium term)			
	2050–2100 (long term)			
C&E risk heatmaps	The heatmap concludes on the risk in the short term (5 years), medium term (10 years) and long term (30 years) for each specific risk event	The scope of the C&E risk heatmaps and stress tests are all NZ Banking Group's sectors and thereby cover the full Value Chain.	Annual	<p>Rabobank performs ongoing 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 C&amp;E risk heatmaps also include transition risk events (such as policy change on nitrogen limits). The outcome provides an indication of the impact of a physical risk event (such as extreme weather) and/or transition risk events (such as policy changes, consumer behaviour or new technology). The heatmap identifies risks through a qualitative risk classification of geographic location, sector and time horizon – short (5 years), medium (10 years) and long (30 years) – for specific risk events.</p> <p>The outcomes of these C&amp;E risk heatmaps are used for the following purposes:</p> <ul style="list-style-type: none"> <li>Input for the sector sensitivity/vulnerability assessments.</li> <li>Determining IFRS9 provisions through management adjustments if appropriate.</li> <li>Input for stress testing/Scenario Analysis.</li> <li>Input for transition planning.</li> </ul>
	Stress test	2024 stress test: periods used: June 2024–2030 (~10yr) 2030–2040 (~20yr) 2040–2050 (~30yr)	The scope of the stress tests, performed at Rabobank level, are all NZ Banking Group sectors and thereby cover the full Value Chain. For probability of default (PD) and loss-given default (LGD) multipliers, five sectors globally were covered.	FY 2024 It is intended that this process will continue to evolve with Rabobank's ambition to conduct climate stress testing activities or scenario analyses on a yearly basis.

## Assessing and Managing Risks

Credit risk is the main risk transmission channel or NZ Banking Group's risk type most impacted by climate risk as detailed below. It should be noted that Climate-Related Risks are given no greater priority than any other risk type considered in the assessment of risk. Rather, they are considered as a pervasive risk type that manifests across the entire credit journey 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 NZ Banking Group to enable the transition to net-zero.

#### ESG Customer Assessment

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

#### ESG Monitoring

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

### 1. ESG and Climate in Deal Selection

	Time Horizons	Value Chain	Frequency	Description
Deal Selection	Short and medium term	Full value chain.	Annually through business strategy, risk appetite and subsequent underwriting criteria	<p>NZ Banking Group's deal selection criteria is structured to meet the risk appetite settings approved by the Board. This is translated into NZ Banking Group's climate-related policies and underwriting criteria. These encompass customer selection, prohibited financing classes and sector concentration limits, guided by materiality principles and risk exposure.</p> <p>Climate sector analysis informs risk appetite, aiding the identification of areas exposed to risks. An initial dairy sector plan outlining high-level Climate-Related Risk assessments and actions has been developed given the lending concentration NZ Banking Group has to this sector. Further customer-level data collection and enhanced granularity in C&amp;E risk heatmaps is planned for 2025 to assist with this analysis, and other sectors are being reviewed.</p> <p>Ongoing efforts include obtaining more customer-level data, refining C&amp;E risk heatmaps and advancing policies in line with NZ Banking Group's commitment to climate-related and ESG and sector Risk Management. Heat maps will assist with longer-term climate risk assessment.</p>



## 2. ESG and Climate Customer Assessment

	Time Horizons	Value Chain	Frequency	Description
Climate Sustainability Performance of NZ Banking Group Customers	Short and medium term	Assessed principally at the customer level. Upstream and downstream value chain consideration is subject to materiality to customer performance.	At onboarding and reassessed at least annually or earlier if a credit event occurs.	<p>NZ Banking Group uses tools that enable it to gather data on the climate performance of business customers in NZ Banking Group's portfolio – the Rural Client Photo (renamed as Planet Rural from November 2024). The purpose of creating climate sustainability profiles with these tools is to improve customer engagement and business development and is used as a management tool to discuss, among other things, climate-related resiliency and on-farm transition plans.</p> <p>The climate sustainability profile assists during the onboarding credit process and subsequent credit assessments of the customer during the lifetime of the lending relationship. NZ Banking Group creates a profile by assigning categories through a process in which a customer's climate and broader sustainability farm management practices and impacts are assessed. A score is assigned that forms only part of the overall customer assessment process. NZ Banking Group acknowledges that there are several limitations to the assessment scores because of the continuous development of these tools, limited availability of sustainability-related data and methodologies and the need to use professional judgement.</p> <p>Nevertheless, and notwithstanding these limitations, it is still a useful tool in facilitating assessment of the sustainability of NZ Banking Group's customers.</p> <p>Due to the rapidly evolving dynamics in sustainability, NZ Banking Group is continuing to develop this tooling.</p> <p>Planet Wholesale is a client sustainability tool used for assessing sustainability of Wholesale customers and to support the business to determine whether the customer is in compliance with Rabobank's sustainability policy framework as well as the performance of the customer on a range of material sustainability topics. The Planet Wholesale score is considered in a client's credit assessment process and also records in-depth sustainability assessments for those clients in scope of this assessment.</p> <p>NZ Banking Group has an internal Collateral Valuations Team (CVT) that considers climate risk in its valuation assessments of real estate securities among other factors. Specific guidance is provided to the CVT to consider:</p> <ul style="list-style-type: none"> <li>soil type, land use, topography, drainage, soil origin and texture</li> <li>production capacity having regard to factors such as farming system and irrigation</li> <li>historical and projected rainfall</li> <li>access to water and relative licences</li> <li>environmental Risk Management such as strategies or practices that contribute to a property's ongoing Climate-Related Risk and ESG risk profile</li> <li>soil carbon considerations</li> <li>long-term macro changes in climatic considerations to rainfall, temperature, drought, flood and frost that could impact on productivity.</li> </ul> <p>The above factors are reflected in the end value ascribed to the collateral. NZ Banking Group is currently 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. NZ Banking Group expects to be able to start using geospatial analysis in risk assessments in 2025.</p>
	Collateral	Short, medium and long term	Customer level only (security property).	At onboarding and reassessed at least 3-yearly or earlier if a credit event occurs.

	Time Horizons	Value Chain	Frequency	Description
Loan Assessment and Relationship Management	Short and medium term (aligned to loan term sought)	Customer level only.	At onboarding and reassessed at least annually or earlier if a credit event occurs.	<p>The principal criteria used for loan assessment is the ability to repay. In this regard, NZ Banking Group looks to historical performance as an indicator of a customer's ability to repay and potential future performance. Typically, NZ Banking Group 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 test of the resilience and adaptability of physical business operations and the resultant cash flow impacts, both factors considered in assessing a customer's ability to repay.</p> <p>Going forward, NZ Banking Group is considering a number of climate Risk Management enhancements, including:</p> <ul style="list-style-type: none"> <li>inclusion of sector physical and transition risk probability into PD modelling – under consideration by Rabobank and will be developed as part of a global update to PD models by 2026</li> <li>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 2025</li> <li>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.</li> </ul> <p>NZ Banking Group is aware that the process of implementing on-farm sustainable management standards and practices within the food and agricultural sectors offers a unique set of challenges and takes time. NZ Banking Group accepts that some customers or business partners are more advanced than others in their ability to show significant progress in implementing environmentally and socially responsible management practices leading to greater mitigation of Climate-Related Risks and a reduced Emissions Intensity profile.</p>

## 3. ESG and Climate Monitoring and Reporting

In addition, Climate-Related Risks and ESG risks are included in the provisioning assessments for NZ Banking Group's financial reporting through:

- the impact of Climate-Related Risks and ESG risks on the macroeconomic scenario outcomes (quarterly)
- the impact of Climate-Related Risks and ESG risks in individual customer assessments (as needed)
- the sectors that have been set at vulnerable due to Climate-Related Risks and ESG risks (annually)
- what NZ Banking Group calls the backstop process (which can manifest itself through top-level provision adjustments for acute climate events (such as cyclones) and chronic climate events. The latter is based on a forward-looking approach to capture the chronic increase in environmental risk based on the available information (quarterly).

As of December 2024, NZ Banking Group holds \$3.5 million provisions via top-level adjustments for chronic climatic events. The previously held Cyclone Gabrielle top-level adjustment has been released following completion of all affected customer impact assessments.

The impact of Climate-Related Risks is also a consideration in the assessment of required capital in NZ Banking Group's annual Internal Capital Adequacy Assessment Process through the use of scenario stress testing. In 2024, NZ Banking Group included a drought-based climate risk scenario over a medium-term horizon in the stress-testing exercise to quantify potential Climate-Related Risks.

# Metrics and Targets



This section considers an overview of the Metrics and Targets (to the extent they are climate related) that are embedded in the strategy, governance and operations of NZ Banking Group for 2024.

# Targets

This section includes Rabobank's and NZ Banking Group's Targets.

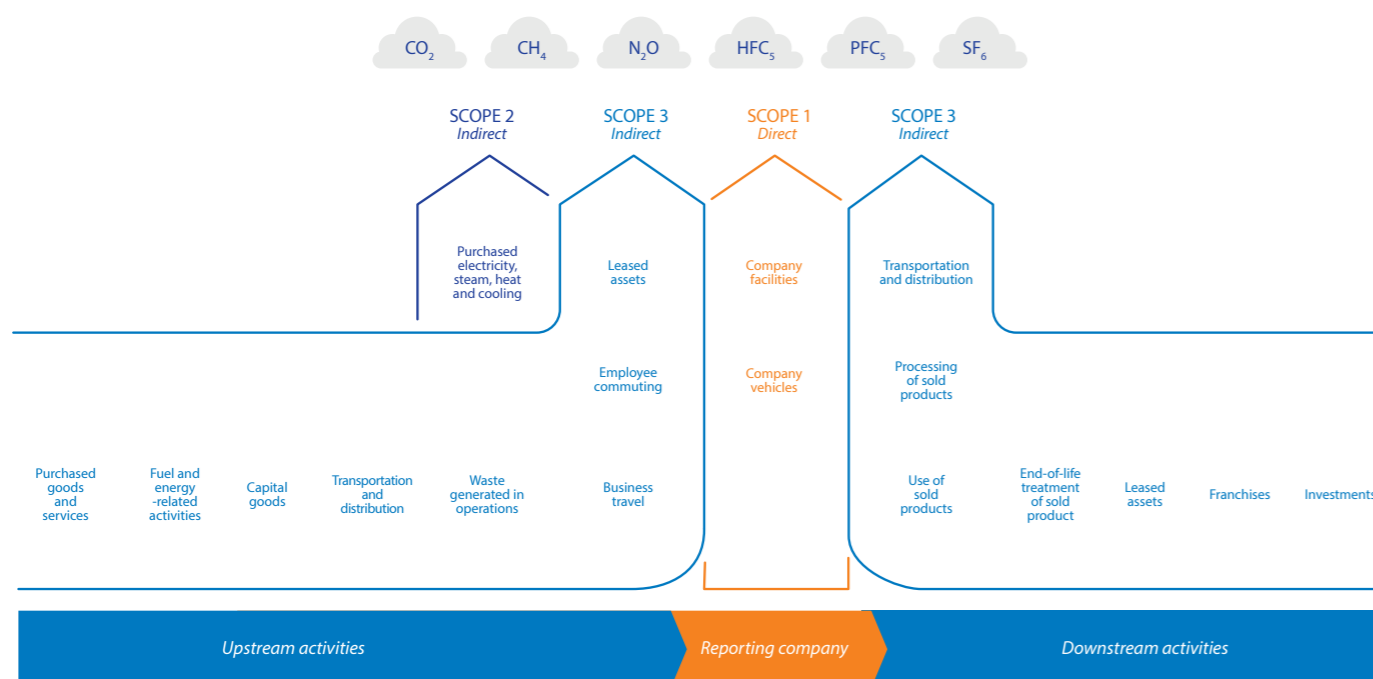
Name/Description	Metric	Target/Goal	Owner	Reference in Climate Statements
Financed GHG Emissions*	t CO <sub>2</sub> e	Net-zero CO <sub>2</sub> by 2050 ~CH <sub>4</sub> 45%; N <sub>2</sub> O 20%	Rabobank	Page 53
Dairy Portfolio GHG Emissions Intensity	t CO <sub>2</sub> e/ t FPCM (fat and protein corrected milk)	-12% of the portfolio by 2030 from 2020 Base Year	NZ Banking Group	Page 55
Operational GHG emissions	t CO <sub>2</sub> e	50% by 2030 from 2019 Base Year; net-zero 2050	NZ Banking Group	Page 53

\* Please note, this is a Rabobank Target, not an NZ Banking Group Target.

## GHG Emissions

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

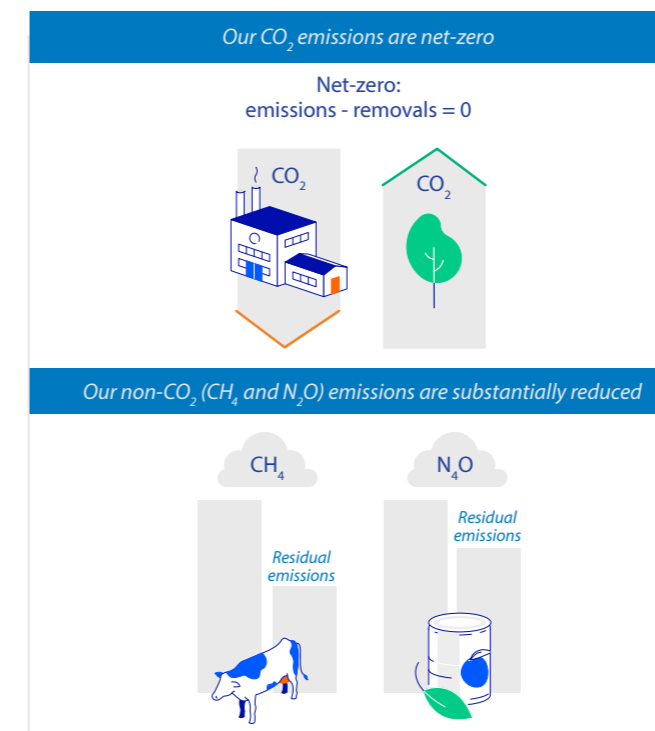
GHG Protocol scopes and categories of emissions



## Overarching Target

NZ Banking Group does not have a long-term Greenhouse Gas reduction target of its own. However, NZ Banking Group is committed to supporting the delivery by Rabobank of its net-zero by 2050 goal. Under Rabobank's Paris Alignment strategy and goals under the Net-Zero Banking Alliance, Rabobank defined its 2050 climate ambition to have net-zero CO<sub>2</sub> emissions by 2050 and substantially reduce its non-CO<sub>2</sub> emissions.<sup>1</sup> Net-zero CO<sub>2</sub> by 2050 means Rabobank's residual CO<sub>2</sub> emissions equal the CO<sub>2</sub> removals, in line with the latest report of the climate experts of IPCC. IPCC also states that global non-CO<sub>2</sub> emissions – methane (CH<sub>4</sub>) and nitrous oxide (N<sub>2</sub>O) – are to be substantially reduced towards 2050, methane more than nitrous oxide. Rabobank's global non-CO<sub>2</sub> emissions do not have to be net-zero in 2050, as these emissions are impossible to fully abate, for example, there will always be residual emissions from livestock activities. Only by the end of this century are global non-CO<sub>2</sub> emissions expected to be fully compensated by CO<sub>2</sub> removals. An exact Rabobank Target on non-CO<sub>2</sub> is to be defined in future.<sup>2</sup>

Rabobank definition of long-term 2050 alignment



In achieving these goals, first and foremost, Rabobank focuses its efforts on reducing emissions – both emissions from operations and those resulting from lending and investment portfolios. Further details around these targets, uncertainties and how they are expected to be achieved, along with updates on progress, can be accessed from the Rabobank website.<sup>3</sup> Nonetheless, Rabobank acknowledges the fact that residual GHG emissions remain and are unlikely to be reduced to absolute zero in the near future. Therefore, Rabobank will have to rely to some extent on offsetting to neutralise these residual emissions. Rabobank's 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.

## Operational Emissions

NZ Banking Group has set an Absolute Target of reducing market-based operational emissions from NZ Banking Group's business by 50% by 31 December 2030 compared with 31 December 2019 Base Year, referred to as the Operational Emissions Reduction Target (OERT), with no other Interim Targets in place.

The OERT was developed and approved by the New Zealand Leadership Team and subsequently noted by the Board in 2023. Opportunities for reduction were highlighted at the time the Target was set and include reductions in air and fleet travel. The progress against this Target was reported to the Board (see page 21).

NZ Banking Group defines operational emissions as all sources of Scope 1 and Scope 2 and selected sources from Scope 3 (electricity distributed T&D losses, accommodation, waste and recycling, business travel) as set out in the table below.

Financed Emissions are excluded from NZ Banking Group's operational emissions. NZ Banking Group's OERT is based on reducing rather than offsetting emissions. An overall target of 50% was selected because it aligns with the SBTi approach and with New Zealand's Nationally Determined Contributions, as per the Paris Agreement goal of limiting global warming to 1.5°. The table below gives an overview of NZ Banking Group's operational emissions over the last 2 years as well as Base Year (2019).

<sup>1</sup> The baseline for this net-zero pledge is 2018 for Non-Financed Emissions and 2020 for Financed Emissions.

<sup>2</sup> No specific 2050 non-CO<sub>2</sub> emissions (CH<sub>4</sub> and N<sub>2</sub>O) targets are included in Rabobank signed goals. On a global level, IPCC indicates a needed reduction (median) of 45% CH<sub>4</sub> and 20% N<sub>2</sub>O by 2050 compared to 2019. An exact Rabobank target on non-CO<sub>2</sub> is to be defined in future and will need to take the expected size of Rabobank's 2050 agriculture portfolio into account. Rabobank does not separately account for the remaining four Kyoto gases as they cannot be separately identified and are not considered material for the Rabobank portfolio at this stage.

<sup>3</sup> See <https://www.rabobank.com/about-us/sustainability/planet> for Rabobank's Road to Paris and Addendum 2024 reports.

	31/12/2024 location**** based (tCO <sub>2</sub> e) (assured by PwC)***	31/12/2024 market**** based (tCO <sub>2</sub> e) (not assured by PwC)	31/12/2023 location**** based (tCO <sub>2</sub> e) (not assured by PwC)	31/12/2023 market**** based (tCO <sub>2</sub> e) (not assured by PwC)	31/12/2019 market and location**** based (tCO <sub>2</sub> e) (not assured by PwC)
Scope 1	1,115.21	1,115.21	1,037.78	1,037.78	1,173.55
Transport fuels (diesel and petrol)	1,115.21	1,115.21	1,037.78	1,037.78	1,173.55
Scope 2	58.53	6.48	55.03	5.04	107.43
Electricity	58.53	6.48	55.03	5.04	107.43
Scope 3 (selected)	500.42	500.42	947.25*	947.25*	1,117.56
Electricity distributed T&D losses	4.16	4.16	6.38*	6.38*	11.59
Accommodation	62.18	62.18	41.54*	41.54*	105.00
Waste and recycling	8.98	8.98	6.38	6.38	28.41
Business travel	425.10	425.10	892.95	892.95	972.55
Total **	1,674.16	1,622.11	2,040.06	1,990.07*	2,398.54

\* These prior year numbers have been restated to correct calculations. Recalculations of 2023 were conducted in 2024 as a result of the identification of an error (i.e. discrepancies in data sources). These have been adjusted for consistency and to enable comparability year on year. Specifically, electricity distributed T&D losses was adjusted from 40.38 tCO<sub>2</sub>e to 6.38 tCO<sub>2</sub>e and accommodation was adjusted from 9.24 tCO<sub>2</sub>e to 41.54 tCO<sub>2</sub>e. These two adjustments resulted in a decrease of 1.7 tCO<sub>2</sub>e to previously reported operational emissions in Scope 3 and total.

\*\* This total does not include Financed Emissions, which are a subset of NZ Banking Group's Scope 3 emissions. It also does not include other Value Chain Scope 3 emissions for NZ Banking Group, which have either poor data quality or have been assessed as immaterial (freight/couriers; advertising and marketing; IT costs; office supplies; telecommunications; audit fees; consultant fees; legal, tax and compliance fees; E-waste; staff commuting; air travel – overseas directors; staff working from home; shared service fees; and capital goods). These exclusions are covered by NZ Banking Group election to use NZCS 2 adoption provision 4.

\*\*\* In FY24, PwC issued limited assurance report over Scope 1, Scope 2 (location based) and selected Scope 3 operational emissions as detailed in this table. NZ Banking Group chose to use Adoption provision 8 to defer assurance over Scope 3 Financed Emissions and Scope 3 operational emissions not included in this table. PwC's limited assurance report is set out on pages 76–78.

\*\*\*\* All purchased and generated electricity emissions are dual reported using the location-based method and market-based method. A location-based method reflects the average emissions intensity of grids on which energy consumption occurs (using mostly grid-average emissions factor data). A market-based method, which NZ Banking Group uses for Target setting, reflects emissions from electricity that companies have purposefully chosen (or their lack of choice). It derives emissions factors from contractual instruments, which include any type of contract between two parties for the sale and purchase of energy bundled with attributes about the energy generation or for unbundled attribute claims. This includes renewable energy certificates that NZ Banking Group entered into in 2022 with the main electricity supplier. In FY23, only the market-based method of Scope 2 emissions was included. The FY23 comparatives have been restated to include disclosure of both location and market based methods.

	31/12/2024 location based (tCO <sub>2</sub> e) (not assured by PwC)	31/12/2024 market based (tCO <sub>2</sub> e) (not assured by PwC)	31/12/2023 location based (tCO <sub>2</sub> e) (not assured by PwC)	31/12/2023 market based (tCO <sub>2</sub> e) (not assured by PwC)	31/12/2019 market and location based (tCO <sub>2</sub> e) (not assured by PwC)
FTE	533	533	522.6	522.6	392.1
Intensity measure (tCO <sub>2</sub> /FTE)	3.141	3.043	3.904	3.809*	6.117

\* Intensity measure has been recalculated based on adjustments noted above.

## 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 <sub>2</sub> e)	1,199.27 (50% reduction in total market-based emissions from Base Year)
Current Performance* (tCO <sub>2</sub> e)	1,622.11
Current Performance* (%)	32.27% reduction (2023:16.96% reduction)

\* Performance calculations are benchmarked by NZ Banking Group's Base Year's emissions (2019). 2019 was elected by NZ Banking Group to be the Base Year for operational emissions as this was considered to be a standard year. This was decided in 2021, and the most recent non-Covid impacted year was applied. This choice was made by NZ Banking Group prior to Rabobank's additional goals under the Net-Zero Banking Alliance, including from Financed Emissions (see page 52 for baseline).

Emissions generated from NZ Banking Group's vehicle fleet and flights make up over 90% of the total operational emissions. NZ Banking Group's business is built on the strong relationships with customers and international stakeholders, which presents a challenge in making deep cuts to operational emissions in the absence of viable low-carbon technologies. NZ Banking Group expects that, to a limited extent, achievement of the OERT will be dependent on the availability of electric vehicles that meet business and safety requirements and a fast charging network. Nonetheless, NZ Banking Group is advancing an operational emissions reduction plan. During 2024, reduction was mainly achieved due to reduction in travel as there was an increase in travel in 2023 due to an extraordinary cross-Tasman Rabobank meeting.

## Financed Emissions

GHG Protocol Scope 3 Category 15 emissions are indirect emissions related to investments and financing. They are often referred to as Financed Emissions and constitute the vast majority of a financial institution's GHG emissions. NZ Banking Group has elected to use Adoption provision 4 and has chosen not to disclose its Financed Emissions for 2024.

## Dairy Portfolio Production Intensity

NZ Banking Group has set a production Intensity Target for its dairy portfolio (the highest-emitting sector of the loan portfolio). This sector accounts for approximately 60% of the balance sheet loans and more than half of NZ Banking Group's overall Financed Emissions. Rabobank prioritised the dairy cattle and milk production sector following the guidelines set by the Net-Zero Banking Alliance, which requires that banks focus their efforts on the high-emitting sectors where they have the most exposure and/or influence.

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

\* 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 goals (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.

The 12% production Intensity Target for dairy cattle and milk production was set based on the SBTi Food, Land and Agriculture (FLAG) target-setting methodology for dairy, which is aligned with the science for reducing non-CO<sub>2</sub> gases to limit heating to 1.5°C.

Initial bottom-up measurements of NZ Banking Group's dairy portfolio production intensity, weighted by proportion of investment, have estimated this at 0.8 tCO<sub>2</sub>e/t FPCM for FY 2023 (the most recent data available<sup>4</sup>), noting however that it represents only 15% of the portfolio (see page 64 for methodology). NZ Banking Group is continuing to work to obtain more bottom-up farm-level emissions and production data to accurately determine the baseline production intensity of NZ Banking Group's dairy portfolio and reliably measure the performance against the Target. However, NZ Banking Group is considered to be on track to meet this 2030 target, owing to a combination of market forces and the national methane reduction targets already in place and to a lesser extent NZ Banking Group's efforts to 2030.

<sup>4</sup> Note that the pathway and portfolio intensity numbers are aligned in emissions boundaries, but the values in the SBTi FLAG pathways are derived in a methodologically different way (the FLAG sector-region default value comes from a top-down model, while NZ Banking Group's portfolio intensity value comes from a bottom-up calculator, with carbon footprints calculated based on primary data collected from a subset of clients). This makes direct comparison difficult.

# Metrics

This section includes NZ Banking Group's Metrics.

## Assets Vulnerable to Climate Risk

### Transition Risks

GHG emissions are a good proxy for transition risk, signalling the amount of exposure to legislative, market, technology and reputational risks. The transition risk exposure for NZ Banking Group's activities is correlated to NZ Banking Group's Financed Emissions, with all client sectors having some associated emissions.

In 2024, NZ Banking Group has identified high emissions-intensive industries to better indicate which sectors are most vulnerable to transition risk. It is noted that, while exposure and vulnerability are different measures, there is again a good correlation.<sup>5</sup> The categorisation of high emissions-intensive industries is sourced from Ministry of Business, Innovation and Employment (MBIE) analysis.<sup>6</sup> Quantitative analysis indicates that 94% of RNZL loans and 22% of NZ Branch loans are subject to sub-sectors most vulnerable to transition risk (2023: 94% of RNZL loans and 17% of NZ Branch loans).

### Physical Risks

The percentage of NZ Banking Group's assets vulnerable to physical risk is calculated as 0.24% (over the lifetime of the asset, under an IPCC RCP 8.5 scenario) (2023: 33%). This percentage has been calculated using the Rabobank methodology for Pillar 3 reporting (see page 66 for methodology). There have been significant improvements in Rabobank's C&E risk heatmaps, which now feature greater granularity and also better assessment of extreme weather risks.

Compared to the prior year, this has resulted in a significant decrease in the percentage of exposures sensitive to acute climate change events. This is due to the greater granularity leading to more accurate results, including fewer assets identified as exposed to the assessed risks.

## Climate-Related Opportunities

NZ Banking Group's existing loan products can be used to support customers' climate change and sustainability initiatives. However, NZ Banking Group's current systems and processes are not able to reliably identify the portion of the loans directly supporting customers' sustainability initiatives. NZ Banking Group is currently implementing sustainability-linked loans (aligned with the Loan Market Association Sustainability-Linked Loan Principles) for which NZ Banking Group is able to clearly identify and report. As of 31 December 2024, \$391.2 million had been provided under sustainability-linked loan products (2023: \$360.7 million)

NZ Banking Group also supports customers affected by extreme weather events by participating in the government's North Island Weather Events Loan Guarantee Scheme (see page 29). The Scheme supports the provision of Scheme loans to viable businesses. It encourages banks, non-bank deposit takers and non-deposit-taking lenders to lend with favourable terms, including reduced interest rates, by the government taking up to 80% of the loan's default risk.

## Capital Deployment

### Sustainability Expenditure

NZ Banking Group's expenditure towards sustainability initiatives is managed as part of transition planning and the annual MTP process. The actual and currently proposed annual expenditure for 2024 through to 2029 is shown below.

	Total Cost (NZ\$m)						
	2023	2024	2025	2026	2027	2028	2029
	Actual	Actual	Proj	Proj	Proj	Proj	Proj
Total	1.1	2.2	4.3	5.49	5.53	5.56	4.59

### Employee Sustainability Contribution

As part of NZ Banking Group'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. RNZL recognised the \$1.6 million cost in 2023 with the \$0.8 million remaining accrued as at 31 December 2024 (2023: \$1.6 million).

### 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, RNZL was a founding shareholder in the Centre for Climate Action Joint Venture – now in the market as AgriZero<sup>NZ</sup>. 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. RNZL has made an indicative funding commitment that will rise to an aggregate \$4 million by 2025. RNZL invested a further \$0.82 million in 2024 (2023: \$1.7 million).

## Internal Emissions Price

RNZL 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. RNZL currently applies a price of \$60 (2023: \$40) per unit of New Zealand carbon in lending to customers who engage in carbon farming.

## Industry-Based Metrics

No commonly used New Zealand industry-wide Metrics have been identified in 2024 and 2023 beyond the Net-Zero Banking Alliance and other GHG-related Metrics.

## Other (Non-Industry) Key Performance Indicators

As disclosed in the 'Remuneration' section on pages 17 and 19, the embedding of KPIs is maturing and they will be reviewed each year and subject to change so they remain relevant and aligned to the delivery of NZ Banking Group's strategy over time.

In 2024, there was one Risk Indicator was included in the RNZL Risk Appetite Statement and two Risk Indicators were included in the NZ Branch Risk Appetite Statement that focused on customers aligning to RNZL's and NZ Branch's sustainability policies. There were three KPIs in the rural balanced scorecard that focused on the collection of bottom-up farm-level emissions data, execution on defined actions of Sector x Country Plans and approval of new sustainability-linked loans. There were also two KPIs in the Rabobank Australia and New Zealand Region Wholesale business balanced scorecard that focused on customers covered with sustainability plans and approval of new sustainability-linked loans.

These KPIs in isolation are considered immaterial to the Primary User, and over time, the significance and accuracy of the KPIs will align with industry knowledge and expertise as it matures.

<sup>5</sup> Nonetheless, there will be individual clients within high (and low) emitting sectors whose emissions profile and/or vulnerability looks different.

<sup>6</sup> MBIE (2021) Emissions exposure of workers, firms and regions.

## Scenario Analysis, and Risk and Opportunity Processes

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, NZ Banking Group's scenarios were built out using datapoints from the chosen scenario datasets to develop qualitative narratives.

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

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

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

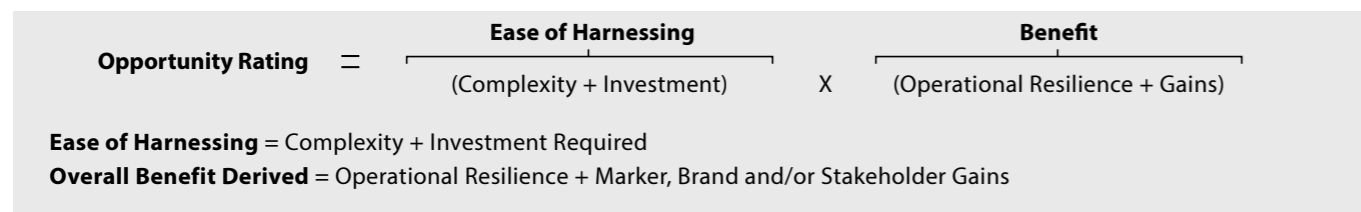
These ratings were used to rank and aggregate physical and transition risks and opportunities into shorter, prioritised, actionable lists. Finally, actions and mitigations in response were identified, including through a business resiliency workshop with members of the executive leadership (including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

## Physical Risks

Risk Rating = Exposure X Vulnerability		(Sensitivity + Adaptive Capacity)	
Exposure	Scoring	Definition	
High	5	Receptors have high exposure to the presenting hazard	
Medium High	4	Receptors have medium high exposure to the presenting hazard	
Medium	3	Receptors have medium exposure to the presenting hazard	
Medium Low	2	Receptors have medium low exposure to the presenting hazard	
Low	1	Receptors have low exposure to the presenting hazard	
Sensitivity	Scoring	Definition	
High	5	Receptors have high sensitivity to the presenting hazard	
Medium High	4	Receptors have medium high sensitivity to the presenting hazard	
Medium	3	Receptors have medium sensitivity to the presenting hazard	
Medium Low	2	Receptors have medium low sensitivity to the presenting hazard	
Low	1	Receptors have low sensitivity to the presenting hazard	
Adaptive Capacity	Scoring	Definition	
Low	5	Receptors have low sensitivity to adapt	
Medium Low	4	Receptors have medium low sensitivity to adapt	
Medium	3	Receptors have medium sensitivity to adapt	
Medium High	2	Receptors have medium high sensitivity to adapt	
High	1	Receptors have high sensitivity to adapt	

	Present Day	Orderly – Medium Term	Disorderly – Medium Term	Hot-house World – Medium Term	Orderly – Long Term	Disorderly – Long Term	Hot-house World – Long Term
RISK STATEMENT							
Exposure							
Sensitivity							
Adaptive Capacity							
Risk Rating							

## Physical Opportunities



Ease of Harnessing					
Rating Scale	Complexity		Rating Scale	Investment Requirement	
	Level	Criteria		Level	Criteria
1	High	Consider any/all of these factors: <ul style="list-style-type: none"> <li>High level of technology solution required</li> <li>High level of supply chain dependency</li> <li>High scarce resources required</li> <li>High specialised skillset required</li> <li>Long-term time to implement (5 years)</li> </ul>	1	High	High investment required (EBIT)
2	Medium High	Consider any/all of these factors: <ul style="list-style-type: none"> <li>Medium high level of technology solution required</li> <li>Medium high level of supply chain dependency</li> <li>Medium high scarce resources required</li> <li>Medium high specialised skillset required</li> <li>Medium to long-term time to implement (2.5 years)</li> </ul>	2	Medium High	Medium high investment required (EBIT)
3	Medium	Consider any/all of these factors: <ul style="list-style-type: none"> <li>Medium level of technology solution required</li> <li>Medium level of supply chain dependency</li> <li>Medium scarce resources required</li> <li>Medium specialised skillset required</li> <li>Medium-term time to implement (1 year)</li> </ul>	3	Medium	Medium investment required (EBIT)
4	Medium Low	Consider any/all of these factors: <ul style="list-style-type: none"> <li>Medium low level of technology solution required</li> <li>Medium low level of supply chain dependency</li> <li>Medium low scarce resources required</li> <li>Specialised skillset not required</li> <li>Short to medium-term time to implement (6 months)</li> </ul>	4	Medium Low	Medium low investment required (EBIT)
5	Low	Consider any/all of these factors: <ul style="list-style-type: none"> <li>Negligible level of technology solution required</li> <li>Low level of supply chain dependency</li> <li>Resources are readily available</li> <li>No specialised skillset required</li> <li>Short-term time to implement (1 month)</li> </ul>	5	Low	No investment required (EBIT)

Benefit					
Rating Scale	Operational Resilience		Rating Scale	Market, Brand and/or Stakeholder Gains	
	Level	Criteria		Level	Criteria
1	High	Consider any/all of these factors: <ul style="list-style-type: none"> <li>Enhancement of infrastructure</li> <li>Operational resilience over the long term</li> <li>Cost-efficiency potential (+10% change)</li> <li>Carbon reduction potential relative to GHG inventory</li> </ul>	1	High	High revenue-generating potential (10%) and/or highly significant positive impact shared across key stakeholders
2	Medium High	Consider any/all of these factors: <ul style="list-style-type: none"> <li>Enhancement of infrastructure</li> <li>Operational resilience over the medium to long term</li> <li>Cost efficiency potential (+7.5% change)</li> <li>Carbon reduction potential relative to GHG inventory</li> </ul>	2	Medium High	Medium high revenue-generating potential (7.5%) and/or positive impact shared across key stakeholders
3	Medium	Consider any/all of these factors: <ul style="list-style-type: none"> <li>Enhancement of infrastructure</li> <li>Operational resilience over the medium term</li> <li>Cost-efficiency potential (+5% change)</li> <li>Carbon reduction potential relative to GHG inventory</li> </ul>	3	Medium	Medium revenue-generating potential (5%) and/or positive impact shared across key stakeholders
4	Medium Low	Consider any/all of these factors: <ul style="list-style-type: none"> <li>Enhancement of infrastructure</li> <li>Operational resilience over the short to medium term</li> <li>Cost-efficiency potential (+2.5% change)</li> <li>Carbon reduction potential relative to GHG inventory</li> </ul>	4	Medium Low	Medium low revenue-generating potential (2.5%) and/or positive impact shared across key stakeholders
5	Low	Consider any/all of these factors: <ul style="list-style-type: none"> <li>Enhancement of infrastructure</li> <li>Operational resilience over the short term</li> <li>Cost-efficiency potential (0% change)</li> <li>Carbon reduction potential relative to GHG inventory</li> </ul>	5	Low	Low revenue-generating potential (0%) and/or positive impact shared across key stakeholders

	Present Day	Orderly – Medium Term	Disorderly – Medium Term	Hot-house World – Medium Term	Orderly – Long Term	Disorderly – Long Term	Hot-house World – Long Term
Complexity							
Investment Requirement							
Operational Resilience							
Gains							
Opportunity Rating							

## Transition Risks

Transition Risk = Urgency (of Action) \* Impact

URGENCY	Action needed now – impact in 2–5 years	New, stronger or different actions or implementation activities – over and above those already planned – are needed now to reduce long-term vulnerability to climate change
	Action needed now – impact in 5–10 years	New, stronger or different actions or implementation activities – over and above those already planned – are needed in the next 5 years to reduce long-term vulnerability to climate change
	Action needed now – impact in 10–15 years	Investigation is required to fill significant evidence gaps and reduce uncertainty in the current level of understanding to assess viable options
	Action needed now – impact in 15–20 years	Current or planned regime and/or action is appropriate but must be sustained to ensure that risks are contained, which may include plans to scale up or change course of action in the future
	Action needed now – impact in 20–30 years	Continue to monitor risk levels and assess adaptation option to ensure appropriate action is taken when required

IMPACT	1	High
	2	Medium
	3	Low

## Transition Opportunities

Transition Opportunity = Urgency \* Opportunity Benefit

URGENCY	Opportunity presents itself now – impact in 2–5 years	New, stronger or different actions or implementation activities – over and above those already planned – are needed now to reduce long-term vulnerability to climate change
	Preparation needed to maximise opportunity – impact in 5–10 years	New, stronger or different actions or implementation activities – over and above those already planned – are needed in the next 5 years to reduce long-term vulnerability to climate change
	Research needed to understand potential opportunity – impact in 10–15 years	Investigation is required to fill significant evidence gaps and reduce uncertainty in the current level of understanding to assess viable options
	Research needed to understand potential opportunity – impact in 15–20 years	Current or planned regime and/or action is appropriate but must be sustained to ensure that risks are contained, which may include plans to scale up or change course of action in the future
	Sustain current action – impact in 20–30 years	Continue to monitor risk levels and assess adaptation option to ensure appropriate action is taken when required

BENEFIT	1	High
	2	Medium
	3	Low

## Scenario Analysis Datapoints

### Orderly Scenario

<i>New Zealand (unless stipulated below)</i>	<i>Physical / Transition</i>	<i>2050 (average)</i>
Global temperature	Physical	~1.4°C
Intense rainfall days	Physical	Down-scaled data not available under scenario
Hot days	Physical	Down-scaled data not available under scenario
Frost days	Physical	Down-scaled data not available under scenario
Sea-level rise (with vertical land move)	Physical	Down-scaled data not available under scenario
Global GHG emissions	Transition	3.61 GtCO <sub>2</sub> /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 <sub>2</sub> /yr

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

### Disorderly Scenario

<i>New Zealand (unless stipulated below)</i>	<i>Physical / Transition</i>	<i>2050 (average)</i>
Global temperature	Physical	~1.8°C warming
Intense rainfall days	Physical	15.9–60.4 average recurrence interval (1h)
Hot days	Physical	25.4 days
Frost days	Physical	53–54 days
Sea-level rise (with vertical land move)	Physical	0.33–0.41m
Global GHG emissions	Transition	7.42 GtCO <sub>2</sub> /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 <sub>2</sub> /yr
Global carbon price	Transition	627 US\$2010/tCO <sub>2</sub>

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

### Hot-House World Scenario

<i>New Zealand (unless stipulated below)</i>	<i>Physical / Transition</i>	<i>2050 (average)</i>
Global temperature	Physical	~1.8°C warming
Intense rainfall days	Physical	16.3–62.4 average recurrence interval (1h)
Hot days	Physical	29.6 days
Frost days	Physical	29–44 days
Sea-level rise (with vertical land move)	Physical	0.38–0.47m
Global GHG emissions	Transition	32.79 GtCO <sub>2</sub> /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 <sub>2</sub> /yr
Global carbon price	Transition	1,472 US\$2010/tCO <sub>2</sub>

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

## Dairy Portfolio Production Intensity (Not Assured by PwC)

NZ Banking Group calculates dairy portfolio production intensity using bottom-up emissions data from carbon calculators where primary activity data was used from clients. The carbon calculator tool from AgResearch calculates carbon emissions from activities at dairy farms in New Zealand.

To determine emissions at portfolio level, not only the size of the farm (in terms of production) of the client is relevant but also NZ Banking Group's investment in the client, as the emissions intensities from clients are weighted by the loan-to-value ratio of the loan. For the portfolio intensity calculation for the dairy portfolio in New Zealand, this means:

$$\text{New Zealand dairy emissions intensity portfolio} = \frac{\text{sum over clients (client loan-to-value ratio * SBTi FLAG emissions)}}{\text{sum over clients (client loan-to-value ratio * client production value (kg FPCM))}}$$

Currently, only 15% of RNZL's dairy portfolio is covered by farm-level carbon calculations from Rabobank-approved tools (at PCAF data quality 2, i.e. emissions calculated using primary activity data following the GHG Protocol guidelines).

## Operational GHG Emissions (Assured by PwC)

The disclosures in these Statements comply with Aotearoa New Zealand Climate Standards issued by the External Reporting Board. The adoption provisions NZ Banking Group has elected to use are referenced in the Statement of Compliance on page 68.

NZ Banking Group quantifies emissions in line with the GHG Protocol Corporate Accounting and Reporting Standard.

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. NZ Banking Group has accounted for emissions from all business units where NZ Banking Group has operational control over output and therefore can influence resource intensity.

The standard calculation methodology has been used for quantifying the emissions inventory unless otherwise stated below:  $\text{emissions} = \text{activity data} \times \text{emissions factor}$

All emissions were calculated using the Toitū emange tool with emissions factors and Global Warming Potentials provided by the Toitū programme. GWP from the IPCC Fifth Assessment Report (AR5) are the preferred GWP conversion. The main source of emissions factors is New Zealand Ministry for the Environment. *Measuring emissions: A guide for organisations: 2024 detailed guide.* Wellington, New Zealand, 2024.

No business units have been excluded from NZ Banking Group inventory.

## GHG Operational Emissions Exclusions (Assured by PwC)

Consistent with last year, some GHG emissions sources are excluded from reporting as NZ Banking Group transitions to meet the NZ CS reporting requirements. For the purpose of these Climate Statements, NZ Banking Group applied NZ CS 2 adoption provision 4 for disclosure.

Scope 3 Category	GHG Emissions Source
Purchased goods and services	Freight/courier
	Advertising and marketing
	IT costs
	Office supplies
	Telecommunications
	Audit fees
	Consultant fees
	Legal, tax and compliance fees
	Shared activities and services that are controlled by the regional Sydney office and the global Utrecht office, including vendor management (management fees)
	Waste
Business travel	Travel booked by staff on personal credit
	Air travel – overseas directors
Employee commuting	Staff commuting
	Staff working from home
Capital goods	Purchases of capital goods

## Data Sources Used to Calculate GHG Emissions (Assured by PwC)

Activity (Data Source)	Uncertainty	Assumptions	Methods and Any Limitations
Transport fuels: Fleet (service provider)	Low, reports are provided by service provider.	Relying on reports correctly produced by service provider.	Service provider data is litres based and is broken down by diesel, petrol premium, petrol regular type of fuel. Utilised emissions factors from Ministry for the Environment (MfE).
Transport fuels: Fleet (credit card)	Moderate, report data can only be used where information related to business travel is identifiable, which hinders the accuracy.	Have assumed proxies for each fuel type as there are cases of lack of data availability. Petrol – have had to create a proxy based off normal usage patterns 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.	Credit card report is \$ based and is converted in litres by taking proxies from fuel report and price per litre from New Zealand figures. Once converted to litres, utilised emissions factors from MfE.
Electricity (service provider)	Low, reports are provided by service provider.	Relying on reports correctly produced by service provider.	Service provider data is kWh used per branch location. Utilised emissions factors from MfE.
Electricity (other provider)	Low, reports are provided by landlords (Auckland, Blenheim and Christchurch offices).	Relying on reports correctly produced by service provider. Electricity usage is in electricity report and for one site is allocated using floor space.	Service provider data is kWh used per branch location. Utilised emissions factors from MfE.
Business travel: Flights (service provider)	Low, reports are provided by service provider.	Assume all flights are booked within policy, thus through service provider.	Service provider data is km based and is broken down by air travel domestic (average), air travel long haul (business, economy) and air travel short haul (economy). The service provider uses the Haversine methodology (based on longitude/ latitude) to calculate the distance for air and the driving distance for rail. The Haversine method calculates the distance between one coordinate with another in a straight line and ignores hills or valleys on the surface. The input of this method is latitude and longitude. It is the coordinates of the Earth. The output is the value of the distance between the two locations. Utilised emissions factors from MfE.
Accommodation (service provider)	Low, reports are provided by service provider.	Recognise that some accommodation is booked on ad hoc basis due to travel needs, therefore risk of double counting when also using credit card data.	Service provider data is number of nights per country. Utilised emissions factors from MfE.

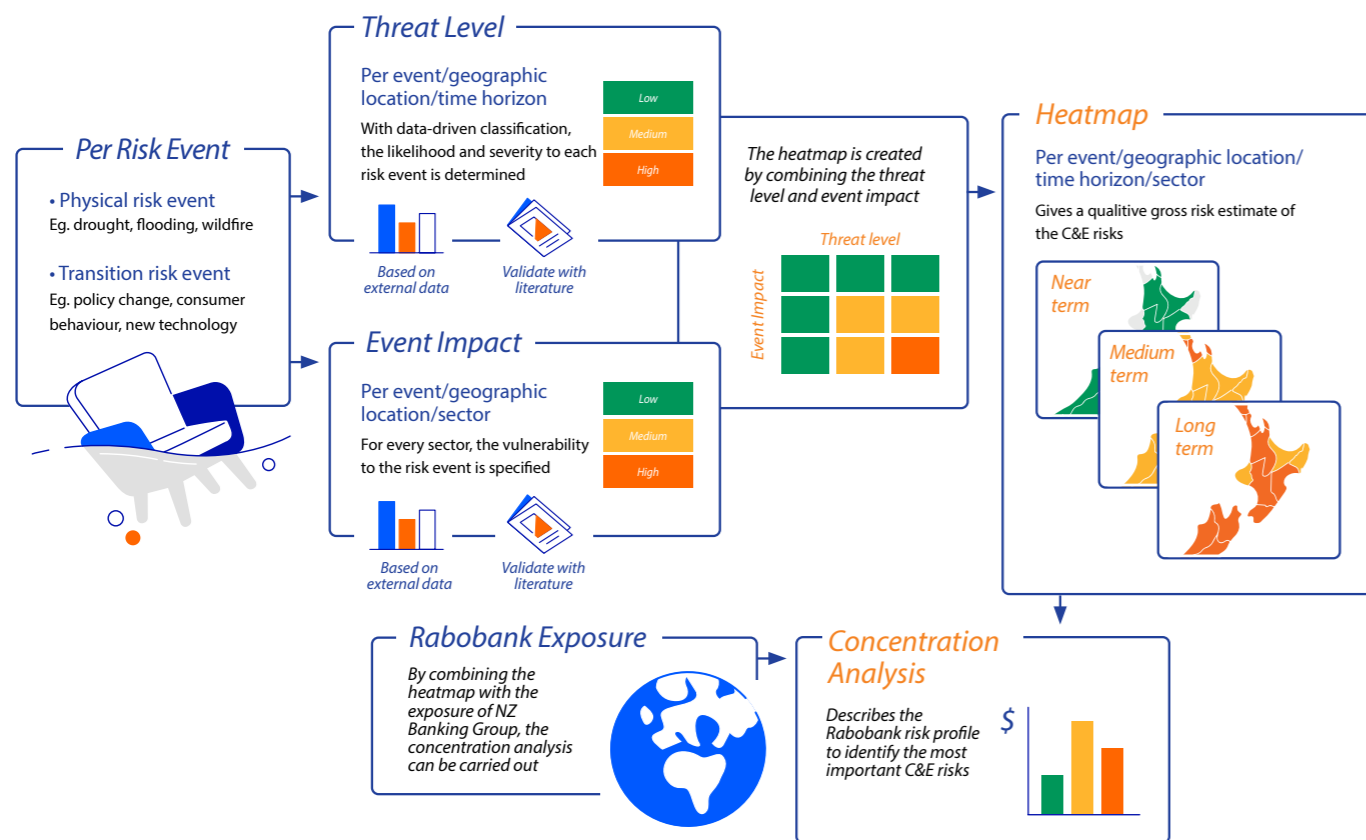
\* NZ Banking Group has determined that the data source information for electricity distributed T&D losses, waste and recycling and, within business travel, taxis, ferries, rental cars, rail and buses is immaterial and as a result is not included in this table.

# 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, NZ Banking Group uses Rabobank-developed C&E 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 C&E risk heatmaps with NZ Banking Group credit exposure enables us to identify the most relevant Climate-Related Risks before mitigations and adaptations as shown in the image below.



Rabobank's C&E risk heatmaps use the following definitions:

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

## Assumptions

To identify exposures, Rabobank has 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 more favourable assumptions. A credit exposure is flagged as sensitive when there is a high likelihood of a severe event in combination with a high impact level for at least one climate-related event. When identifying physical risk, it is assumed 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 C&E risk heatmaps capture both acute and chronic events. Currently, only one chronic event is covered due to the complexity to characterise them, but Rabobank plans to progressively include more events in later stages. The temporal granularity when drawing up the C&E risk 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, Rabobank used the location of the collateral where available and otherwise proceeded to the location of the activity and finally the address of the direct counterparty. The latter most likely corresponds to the headquarters. This is the case mostly for non-EU countries and for Retail small-medium enterprise customers that are not households.

## Sources of Information

Rabobank's assets-vulnerable analysis is data-driven and forward-looking up to a 2050 time horizon. The frequency and severity of an event is based on datasets that are a result of a thorough vetting process and literature review. For the event impact of a sector, Rabobank 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 NZ Banking Group exposures keeps evolving within the industry as a whole, which requires continuous improvement of methodology.

# Statement of Compliance

NZ Banking Group is a climate-reporting entity under the Financial Markets Conduct Act 2013. The disclosures in these Statements comply with Aotearoa New Zealand Climate Standards issued by the External Reporting Board. In preparing its climate-related disclosures, NZ Banking Group has elected to use the following adoption provisions:

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

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

Adoption provision 6: Comparatives for Metrics. This adoption provision permits NZ Banking Group to provide 1 year of comparative information for each Metric disclosed.

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



**Todd Charteris**  
*Rabobank New Zealand*  
 Chief Executive Officer  
 24 April 2025

# 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 NZ Banking Group's position are summarised below.

Theme	First-time Adoption Provisions in NZ CS2	NZ Banking Group's Approach
<b>Strategy</b>	Adoption provision 2: 2-year exemption for disclosing anticipated Financial Impacts	Adopted
<b>Metrics and Targets</b>	Adoption provision 4: 2-year exemption for disclosing Scope 3 GHG emissions	Adopted in relation to NZ Banking Group's Scope 3 operational and Financed Emissions. Selected Scope 3 for operational emissions are disclosed on page 54.
<b>Comparative Information</b>	Adoption provision 5: In the second year of reporting, no GHG Scope 3 Emissions comparative information is required.  Adoption provision 6: In the second reporting period, only 1 year comparative is required for each Metric.	Adoption provision 5 does not apply to NZ Banking Group as it has elected to use Adoption provision 4 for its second reporting period. Adoption provision 6 is adopted.
<b>Analysis of Trends</b>	Adoption provision 7: In the first 2 years of reporting, no analysis of the main trends from comparisons of each Metric is required	Adopted
<b>Assurance</b>	Adoption provision 8: For accounting periods ending before 31 December 2025, this adoption provision allows an entity to exclude its Scope 3 GHG emissions disclosures from the scope of the assurance engagement	Adoption provision 8 does not apply to NZ Banking Group as it has elected to assure all disclosed Scope 3 GHG emissions.

# Defined Terms

## Glossary of Defined Terms

<b>Absolute Target</b>	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.
<b>AgriZero<sup>NZ</sup></b>	The Centre for Climate Action Joint Venture with partners from business and government.
<b>Aotearoa Circle's Agriculture Sector Climate Change Scenarios</b>	Climate change scenarios for the agriculture sector.
<b>BAC</b>	Board Audit Committee.
<b>Base Year</b>	A historical datum (a specific year or an average over multiple years) against which an entity's Metric is tracked over time.
<b>Board</b>	The Rabobank New Zealand Limited Board.
<b>Board Skills Matrix</b>	Hiring matrix that guides the formulation of search criteria to ensure a diverse set of skills in terms of knowledge, experience and expertise.
<b>BRCC</b>	Board Risk and Compliance Committee.
<b>Business Continuity</b>	The processes, procedures, decisions and activities to ensure that an organisation can continue to function through an operational interruption.
<b>C&amp;E risk heatmaps</b>	Quantify the physical impacts to NZ Banking Group's portfolio from key acute events.
<b>Carbon Dioxide Equivalent</b>	The universal unit of measurement to indicate the Global Warming Potential of each of the seven GHGs expressed in terms of the Global Warming Potential of one unit of carbon dioxide for 100 years.
<b>CCO</b>	Chief Compliance Officer.
<b>CCS</b>	Carbon capture and storage.
<b>CEO</b>	Chief Executive Officer.
<b>CFO</b>	Chief Financial Officer.
<b>Climate-Related Opportunities</b>	The potentially positive climate-related outcomes for an entity.
<b>Climate-Related Risks</b>	The potential negative impacts of climate change on an entity.
<b>Climate-Related Scenario</b>	A plausible, challenging description of how the future may develop based on a coherent and internally consistent set of assumptions about key driving forces and relationships covering both physical and transition risks in an integrated manner.

<b>Climate Statements (Statements)</b>	Climate Statements has the meaning set out in section 5 of the Financial Reporting Act 2013.
<b>CO<sub>2</sub>e</b>	See Carbon Dioxide Equivalent.
<b>COO</b>	Chief Operating Officer.
<b>Coöperatieve Rabobank U.A. – Rabobank</b>	Coöperatieve Rabobank U.A., incorporated in the Netherlands and trading as Rabobank. This entity is the ultimate parent of RNZL and NZ Branch.
<b>CRE</b>	Climate-reporting entity.
<b>CRO</b>	Chief Risk Officer.
<b>CSO</b>	Chief Sustainability Officer.
<b>CSRD</b>	Corporate Sustainability Reporting Directive is a new EU law that strengthens and expands the rules on social and environmental reporting for large companies and listed SMEs.
<b>CVT</b>	Collateral Valuations Team.
<b>Dairy Sector x Country Plan</b>	Initial plan to set Targets and plans (both initial and future focused) principally on Emissions Intensity in NZ Banking Group's dairy portfolio. Reviewed annually.
<b>Economic Emissions Intensity</b>	Absolute emissions divided by the loan or investment volume.
<b>Emissions Intensity</b>	Intensity ratios express GHG emissions impact per unit of physical activity or unit of economic output. A physical intensity ratio is suitable when aggregating or comparing across entities that have similar products. An economic intensity ratio is suitable when aggregating or comparing across entities that produce different products. A declining intensity ratio reflects a positive performance improvement. Intensity ratios are also often called normalised environmental impact data.
<b>ESG</b>	Environmental, Social and Governance issues or risks.
<b>Financed Emissions</b>	Lending and investment portfolio emissions as more extensively described on page 55.
<b>Financial Impacts</b>	The translation of impacts into current or anticipated impacts on financial performance, financial position and cash flows.
<b>FMA</b>	Financial Markets Authority.
<b>FMCA</b>	Financial Markets Conduct Act 2013.
<b>FTE</b>	Full-time equivalent.

<b>GDP</b>	Gross domestic product.
<b>GHG</b>	See Greenhouse Gas.
<b>Global Warming Potential</b>	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 <sub>2</sub> ).
<b>Governance Body</b>	A board, investment committee or equivalent body charged with governance.
<b>Greenhouse Gas</b>	The Greenhouse Gases listed in the Kyoto Protocol.
<b>GWP</b>	See Global Warming Potential.
<b>IFRS 9</b>	International Financial Reporting Standard (IFRS) published by the International Accounting Standards Board (IASB). It addresses the accounting for financial instruments.
<b>impacts</b>	The effects (also referred to as consequences or outcomes) of climate change occurring for an entity.
<b>IMT</b>	Sustainability Implementation Team.
<b>Intensity Target</b>	A Target defined by a change in the ratio of emissions to a Metric over time.
<b>Interim Target</b>	A short-term milestone between an entity's medium-term or long-term Target and the current period.
<b>Internal Emissions Price</b>	A monetary value on GHG emissions that an entity uses internally to guide its decision-making process in relation to climate-related impacts, risks and opportunities.
<b>IPCC</b>	Intergovernmental Panel on Climate Change.
<b>IT</b>	Information technology.
<b>KPI</b>	Key Performance Indicator.
<b>Leadership Team (NZLT)</b>	Dedicated management team for RNZL and consists of CEO, CFO, CRO, CSO, General Manager HR, General Manager Products and Deposits, Executive Directors Corporate Lending, General Manager Country Banking and CCO.
<b>LGD</b>	Loss-given default.
<b>Loan Assessment</b>	The process of assessing new lending applications.
<b>Management</b>	Executive or senior Management positions that are generally separate from the Governance Body.

<b>MB</b>	Managing Board.
<b>MBIE</b>	Ministry of Business, Innovation and Employment.
<b>Metric</b>	A quantity indicative of the level of historical, current and forward-looking Climate-Related Risks and Opportunities for a given entity.
<b>MFE</b>	Ministry for the Environment.
<b>MTP</b>	Medium-Term Planning/Plan.
<b>ND-GAIN</b>	Notre Dame Global Adaptation Initiative.
<b>net-zero</b>	Describes the state where emissions of carbon dioxide due to human activities and removals of these gases are in balance over a given period.
<b>Net-Zero Banking Alliance</b>	A group of global banks committed to financing ambitious climate action to transition the real economy to net-zero Greenhouse Gas emissions by 2050.
<b>New Zealand Banking Association</b>	New Zealand banking advocacy group.
<b>NGFS</b>	Network for Greening the Financial System.
<b>NGOs</b>	Non-government organisations that are formed to provide services or to advocate a public policy.
<b>NIWA</b>	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.
<b>NZ</b>	New Zealand.
<b>NZ Banking Group</b>	The New Zealand business of Rabobank comprises of Rabobank New Zealand Branch and Rabobank New Zealand Limited.
<b>NZ Branch</b>	Coöperatieve Rabobank U.A. New Zealand Branch.
<b>NZ CS</b>	Aotearoa New Zealand Climate Standards.
<b>NZLT</b>	Rabobank New Zealand Limited Leadership Team.
<b>OECD</b>	Organisation for Economic Cooperation and Development.

<b>OERT</b>	Operational Emissions Reduction Target.
<b>Paris Climate Agreement</b>	International treaty on climate change.
<b>PCAF</b>	Partnership for Carbon Accounting Financials.
<b>PD</b>	Probability of default.
<b>Performance Dashboard</b>	Set of KPIs aligned with RNZL's and NZ Branch's strategy.
<b>physical risks</b>	Risks related to the physical impacts of climate change.
<b>Planetary Boundaries</b>	A concept that identifies a set of critical environmental limits beyond which human activities could disrupt the stability and functioning of the Earth's systems.
<b>Primary Users</b>	Existing and potential investors, lenders and other creditors.
<b>Rabobank</b>	Coöperatieve Rabobank U.A. – Rabobank.
<b>Rabobank International Holding B.V.</b>	Holdings company that owns RNZL.
<b>Risk Appetite Statement</b>	Describes the levels and types of risks that RNZL and NZ Branch is willing to accept in order to achieve strategic goals while remaining in compliance with regulatory requirements.
<b>Risk Management</b>	A set of processes that are carried out by an entity's Governance Body and Management to support the achievement of an entity's objectives by addressing its risks and managing the combined potential impact of those risks.
<b>Risk Management Committee (RMC)</b>	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.
<b>Risk Strategic Priorities</b>	The list of strategic risk initiatives, which include Climate-Related Risk initiatives, that underpin RNZL's MTP.
<b>RNZL</b>	Rabobank New Zealand Limited.
<b>Road to Paris</b>	Climate plan that defines and sets out steps to achieve Rabobank's Paris Targets and pathways.
<b>Rural Client Photo (Planet Rural)</b>	Tool that enables RNZL to gather data on the ESG performance of business customers in RNZL's portfolio.
<b>SB</b>	Supervisory Board.

<b>SBTi</b>	Science Based Targets initiative.
<b>Scenario Analysis</b>	A process for systematically exploring the effects of a range of plausible future events under conditions of uncertainty.
<b>Scheme</b>	North Island Weather Events Loan Guarantee Scheme.
<b>Scope 1</b>	Direct GHG emissions from sources owned or controlled by the entity.
<b>Scope 2</b>	Indirect GHG emissions from consumption of purchased electricity, heat or steam.
<b>Scope 3</b>	Other indirect GHG emissions not covered in Scope 2 that occur in the Value Chain of the reporting entity.
<b>Statements</b>	Rabobank New Zealand Limited Climate Statements 2024.
<b>Sustainability Plan</b>	A roadmap of actions to be completed by 2025 across all sustainability topics.
<b>Target</b>	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.
<b>TCFD</b>	Task Force on Climate-related Financial Disclosures.
<b>tCO<sub>2</sub>e</b>	Tonnes of CO <sub>2</sub> equivalent – a standardised measurement of the amount of Greenhouse Gases emitted.
<b>Toitū</b>	Toitū Envirocare conducts external audits of operational emissions for organisations. These audits validate Greenhouse Gas emissions data, ensuring accuracy and compliance with international standards.
<b>transition plan</b>	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.
<b>transition risks</b>	Risks related to the transition to a low-emissions, climate-resilient global and domestic economy.
<b>Value Chain</b>	The full range of activities, resources and relationships related to an entity's business model and the external environment in which it operates.
<b>Variable Remuneration</b>	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 allowances such as, but not limited to, Higher Duties Allowances.
<b>XRB</b>	New Zealand External Reporting Board.



## Independent Assurance Report

To the Directors of Rabobank New Zealand Banking Group

### Limited Assurance Report on Rabobank New Zealand Banking Group's Greenhouse Gas (GHG) Disclosures

#### Our conclusion

We have undertaken a limited assurance engagement on the gross GHG emissions, additional required disclosures of gross GHG emissions, and gross GHG emissions methods, assumptions and estimation uncertainty (the GHG Disclosures), within the *Scope of our Limited Assurance Engagement* section below, included in the Climate Statements of the New Zealand banking operations of Coöperatieve Rabobank U.A. (the Rabobank New Zealand Banking Group or NZ Banking Group) for the year ended 31 December 2024.

The New Zealand banking operations of Coöperatieve Rabobank U.A. or 'the NZ Banking Group' consists of the following entities:

- the New Zealand Branch of Coöperatieve Rabobank U.A.; and
- Rabobank New Zealand Limited.

In accordance with the Financial Markets Conduct (Climate-related Disclosures - Coöperatieve Rabobank U.A) Exemption Notice 2024 and the Financial Markets Conduct (Climate-related Disclosures - Coöperatieve Rabobank U.A) Exemption Amendment Notice 2025, the Overseas Bank is exempted from including De Lage Landen Limited, AGCO Finance Limited and any other subsidiary of De Lage Landen BV International or AGCO Australia Limited (the DLL Companies) operating in New Zealand in its Climate Statements.

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the GHG Disclosures are not fairly presented and are not prepared, in all material respects, in accordance with the Aotearoa New Zealand Climate Standards (NZ CSs) issued by the External Reporting Board (XRB), as explained on page 64 of the Climate Statements.

#### Scope of our Limited Assurance Engagement

We have undertaken a limited assurance engagement over the following GHG Disclosures on pages 54, 64 and 65 of the Climate Statements for the year ended 31 December 2024:

- gross GHG emissions:
  - Scope 1 emissions on page 54
  - Scope 2 (location based) emissions on page 54
  - Selected Scope 3 emissions on page 54, comprising:
    - Electricity distributed T&D losses;
    - Accommodation;
    - Waste and recycling; and
    - Business travel.
- additional required disclosures of gross GHG emissions on pages 64; and
- gross GHG emissions methods, assumptions and estimation uncertainty on pages 64 to 65.

Our assurance engagement does not extend to any other information included, or referred to, in the Climate Statements on pages 1 to 64, and 66 to 75. The comparative information for the years ended 31 December 2023 and 31 December 2019 (base year) disclosed in the NZ Banking Group's Climate Statements are not covered by the assurance conclusion expressed in this report. We have not performed any procedures with respect to the excluded information and, therefore, no conclusion is expressed on it.



#### Other matter - comparative information

The comparative GHG Disclosures (that is GHG Disclosures for the years ended 31 December 2023 and 31 December 2019 (base year)) have not been subject to assurance. As such, these disclosures are not covered by our assurance conclusion.

#### Directors' responsibilities

The Directors of the NZ Banking Group are responsible on behalf of the NZ Banking Group for the preparation and fair presentation of the GHG Disclosures in accordance with NZ CSs. This responsibility includes the design, implementation and maintenance of internal controls relevant to the preparation of GHG Disclosures that are free from material misstatement whether due to fraud or error.

#### Inherent Uncertainty in preparing GHG Disclosures

As discussed on page 5 of the Climate Statements, the GHG quantification is subject to inherent uncertainty because of incomplete scientific knowledge used to determine emissions factors and the values needed to combine emissions of different gases.

#### Our independence and quality management

This assurance engagement was undertaken in accordance with New Zealand Standard on Assurance Engagements 1 *Assurance Engagements over Greenhouse Gas Emissions Disclosures*, issued by the External Reporting Board (XRB) (NZ SAE 1). NZ SAE 1 is founded on the fundamental principles of independence, integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

We have also complied with the following professional and ethical standards and accreditation body requirements:

- Professional and Ethical Standard 1: International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand);
- Professional and Ethical Standard 3: Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements; and
- Professional and Ethical Standard 4: Engagement Quality Reviews.

In our capacity as auditor and assurance practitioner, our firm also provides audit services relating to the audit of the financial statements and other assurance services. Our firm carries out other assignments in the area of generic training. In addition, certain partners and employees of our firm may deal with the NZ Banking Group on normal terms within the ordinary course of trading activities of the business. The firm has no other relationship with, or interests in, the NZ Banking Group.

#### Assurance practitioner's responsibilities

Our responsibility is to express a conclusion on the GHG Disclosures based on the procedures we have performed and the evidence we have obtained. NZ SAE 1 requires us to plan and perform the engagement to obtain the intended level of assurance about whether anything has come to our attention that causes us to believe that the GHG Disclosures are not fairly presented and are not prepared, in all material respects, in accordance with NZ CSs, whether due to fraud or error, and to report our conclusion to the Directors of the NZ Banking Group.

As we are engaged to form an independent conclusion on the GHG Disclosures prepared by management, we are not permitted to be involved in the preparation of the GHG information as doing so may compromise our independence.

#### Summary of work performed

Our limited assurance engagement was performed in accordance with NZ SAE 1, and ISAE (NZ) 3410 *Assurance Engagements on Greenhouse Gas Emissions*. This involves assessing the suitability in the circumstances of the NZ Banking Group's use of NZ CSs as the basis for the preparation of the GHG Disclosures, assessing the risks of material misstatement of the GHG Disclosures whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the GHG Disclosures.



A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

The procedures we performed were based on our professional judgement and included enquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records. In undertaking our limited assurance engagement on the GHG Disclosures, we:

- Obtained, through enquiries, an understanding of the NZ Banking Group's control environment, processes and information systems relevant to the preparation of the GHG Disclosures. We did not evaluate the design of particular control activities, or obtain evidence about their implementation;
- Evaluated whether the NZ Banking Group's methods for developing estimates are appropriate and had been consistently applied. Our procedures did not include testing the data on which the estimates are based or separately developing our own estimates against which to evaluate the NZ Banking Group's estimates;
- Tested a limited number of items to, or from, supporting records, as appropriate;
- Assessed a limited number of emission factor sources and reperformed a limited number of emissions calculations for mathematical accuracy;
- Performed analytical procedures on particular emission categories by comparing the expected GHGs emitted to actual GHGs emitted and made inquiries of management to obtain explanations for any significant differences we identified; and
- Considered the presentation and disclosure of the GHG Disclosures.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement and does not enable us to obtain assurance that we would become aware of all significant matters that we otherwise might identify. Accordingly, we do not express a reasonable assurance opinion on these GHG Disclosures.

#### **Inherent limitations**

Because of the inherent limitations of an assurance engagement, together with the internal control structure, it is possible that fraud, error or non-compliance may occur and not be detected.

#### **Who we report to**

This report is made solely to the NZ Banking Group's Directors, as a body. Our work has been undertaken so that we might state those matters which we are required to state to them in our assurance report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the NZ Banking Group and the NZ Banking Group's Directors, as a body, for our procedures, for this report, or for the conclusions we have formed.

The engagement partner on the engagement resulting in this independent assurance report is Victoria Ashplant.

For and on behalf of:

PricewaterhouseCoopers  
24 April 2025

Auckland



