Kiwibank
Climate Statement

Certified B Corporation

2024

Contents

The design of this report is inspired by the native harakeke (flax) plant. In te ao Māori, pā harakeke (clusters of flax) symbolise a thriving whānau (family) and community. The outer leaves represent ancestors and grandparents. The inner leaves are the parents protecting and nurturing the central shoots, which are the tamariki (children) reaching for the sun. The harakeke symbolises how we will support Kiwi to thrive. It represents our past that has made us who we are today, and our ambitious future.

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The challenge

Welcome to Kiwibank's first Climate Statement, for the financial year ending 30 June 2024 (FY24).

We know that the effects of climate change are complex, uncertain, and already here. This year, we further advanced the work we first started in 2018 to build Kiwibank's climate resilience.

Our climate readiness work is guided by our Purpose of Kiwi Making Kiwi Better Off, and underpinned by two specific objectives:

- Building our own climate resilience so that we can continue to deliver on our Purpose
- Understanding the emerging needs of our customers as they transition to a low-emissions, climate-resilient future, so we know how best to support them.

In this report, we set out the work we did in FY24 to advance our understanding of the climate risks and opportunities faced by Kiwibank. These risks and opportunities can be found in the *Strategy* and *Metrics and Targets* sections. They will inform the ongoing development of our first Transition Plan, to be published in our FY25 Climate Statement.

Two other key pieces of work in progress that will inform the strategic choices we build into our first Transition Plan are:

- **Measuring the emissions we enable through our lending** (our financed emissions): We established financed emissions measurement capability during FY24 and will begin measuring them in FY25.
- **Assessing the potential financial impacts of climate change to Kiwibank** if our identified climate risks and opportunities crystallise.

This work is significant and ongoing, and we know there is a lot still to do. We look forward to reporting annually on our progress.

Tēnā koutou katoa,

Steve Jurkovich
Chief Executive

Jon Hartley
Board Chair

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About this report

Statement of compliance

This is the group climate statement for Kiwibank Limited and its subsidiaries (**Kiwibank Group**) for the year ended 30 June 2024.

For the purposes of this climate statement, Kiwibank's subsidiaries are Kiwibank Investment Management Limited, the Kiwibank PIE Unit Trust, the Kiwibank RMBS Trust Series 2009-1 and the Kiwi Covered Bond Trust (**Subsidiaries**). Unless the context requires otherwise, references to 'Kiwibank' in this climate statement are references to Kiwibank and its Subsidiaries.

This climate statement complies with the Aotearoa New Zealand Climate Standards (**NZ CS**) issued by the External Reporting Board.

Jonathan Peter Hartley
Director

21 August 2024

Mary Jane Daly
Director

21 August 2024

Use of adoption provisions

In preparing this climate statement, Kiwibank has elected to apply the following adoption provisions in accordance with NZ CS 2.

Table 1

Adoption provision (from NZ CS 2)	Description	Paragraphs of NZ CS exempted from
Adoption provision 1: Current financial impacts	This exempts Kiwibank from disclosing in our first reporting period the current financial impacts of our physical and transition impacts.	NZ CS 1, paras 12(b) and (c).
Adoption provision 2: Anticipated financial impacts	This exempts Kiwibank from disclosing in our first reporting period the anticipated financial impacts of the climate-related risks and opportunities we reasonably expect. Kiwibank has elected to use this exemption with respect to the requirements to disclose quantitative information about the anticipated financial impacts of the climate-related risks and opportunities we reasonably expect, and the time horizons over which any anticipated impacts could reasonably occur.	NZ CS 1, paras 15(b), (c) and (d).
Adoption provision 3: Transition planning	This: a. exempts Kiwibank from disclosing in our first reporting period the transition planning aspects of our strategy and the extent to which these are aligned with our internal capital deployment and funding decision-making processes; and b. requires Kiwibank in our first reporting period to provide a description of our progress towards developing the transition plan aspects of our strategy.	NZ CS 1, paras 16(b) and (c).
Adoption provision 4: Scope 3 greenhouse gas emissions	This exempts Kiwibank from disclosing in our first reporting period our greenhouse gas (GHG) emissions in metric tonnes of carbon dioxide equivalent classified as Scope 3. Kiwibank has elected to use this exemption with respect to our financed emissions and certain other sources of Scope 3 emissions. These are detailed on page 40.	NZ CS 1, para 22(a)(iii).
Adoption provision 6: Comparatives for metrics	This exempts Kiwibank from disclosing in our first reporting period comparative information for each metric for the immediately preceding two reporting periods.	NZ CS 3, para 40.
Adoption provision 7: Analysis of trends	This exempts Kiwibank from disclosing in our first reporting period an analysis of the main trends evident from a comparison of each metric from previous reporting periods to the current reporting period.	NZ CS 3, para 42.

This climate statement includes sections corresponding to each of the four key sections of NZ CS 1, being Governance, Strategy, Risk Management, and Metrics & Targets. However, this climate statement addresses the four mandatory sections in a different order to the way in which they are presented in NZ CS 1, to support readability. In some instances, disclosures within each section have also been reordered. Accordingly, to assist in navigating this report, a table indicating the page on which each disclosure required by NZ CS 1 can be found is set out on page 49.

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Important information

This report is for the year ended 30 June 2024

The report relates to the period from 1 July 2023 to 30 June 2024. Where this report refers to a year expressed as, for example, "FY24", it means the Kiwibank financial year ending on 30 June of that year. All monetary figures in this report are in New Zealand dollars.

This report is not an offer document

This report is not an offer document and is not an offer, invitation or investment recommendation to invest in securities issued by Kiwibank. Nothing in this report should be taken as investment, legal, financial, tax, or other advice.

Climate-related information

The future effects of climate change, and their impact on Kiwibank, are highly uncertain. As a result, the climate-related information in this report is also subject to limitations, judgements and uncertainties, including in relation to the methods, data, tools, models, standards and frameworks used to prepare this report. These limitations, judgements and uncertainties mean that some information in this report may turn out to be incorrect or incomplete.

In particular, due to limited data availability (and especially climate data specific to Aotearoa New Zealand) some of the disclosures in this report are informed by qualitative judgements only. Some disclosures also assume the reliability of third-party data and methods of analysis. Specific information about methods and assumptions, and data and estimation uncertainty underlying the disclosures in this climate statement is included in this report on pages 12, 35, 37-39, 40, 41, and 43-45.

Forward-looking statements

This report contains certain forward-looking statements, including in relation to Kiwibank's climate-related risks and opportunities, targets and ambitions, scenario planning, emissions and adaptation pathways. This report also includes statements about things that we believe or expect to happen in the future, or steps that we intend to take. We use this type of language to signal those forward-looking statements:

Aim	**Estimate**	**Intend**	**Plan**	**Target**
Anticipate	**Expect**	**Likelihood**	**Project**	**Will**
Believe	**May**	**Seek**	**Could**	**Goal**
Pathway	**Should**	**Would**		

The forward-looking statements in this report are based on estimates, projections and assumptions made by Kiwibank about circumstances and events that have not yet occurred. Although Kiwibank believes these estimates, projections and assumptions to be reasonable, they are inherently uncertain and are subject to significant risk. Therefore, Kiwibank cautions reliance being placed on these forward-looking statements and they should not be regarded as a representation or warranty by Kiwibank or any of its directors, officers, employees or advisers or any other person that those forward-looking statements will be achieved or that the assumptions underlying the forward-looking statements will in fact be correct. Whether or not Kiwibank meets targets, commitments or intentions expressed in this report is subject to known and unknown risks and uncertainties and will depend on a number of factors out of Kiwibank's control. This includes but is not limited to global pathways taken, government policy, regulatory and economic factors and actions of our customers. It is likely that actual results will vary from those contemplated by these forward-looking statements and such variations may be material.

Kiwibank does not promise to revise or update the statements and opinions in this report if events or circumstances change.

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Strategy

Rautaki

Introducing Kiwibank

Kiwibank is the largest Aotearoa New Zealand-owned bank, with approximately $36.6 billion in total assets.[1] Kiwibank's founding vision was for Aotearoa New Zealand to have a real, relevant and credible alternative to offshore-owned banks. That remains at the heart of who we are and is reflected in our Purpose of Kiwi Making Kiwi Better Off.

Kiwibank's parent, Kiwi Group Capital Limited, is 100% owned by the Government.[2] We are also proud to be a Certified B Corporation. (More information about our B Corp™ certification is on page 23.)

Fig. 1

Kiwibank ownership

[1] Total assets of the Kiwibank Group.
[2] Kiwibank's obligations are not guaranteed by the Government, except to the extent that payment obligations of Kiwibank owed as at 28 February 2017 and still outstanding have the benefit of a deed poll guarantee by the Sovereign in right of New Zealand, acting by and through the Minister of Finance.

Kiwibank's business model

Kiwibank operates a nationwide retail and business bank for personal customers and businesses. Kiwibank's core product offerings include transactional products and services, savings accounts, credit cards and a range of lending solutions including home loans, commercial loans, asset finance and trade finance.

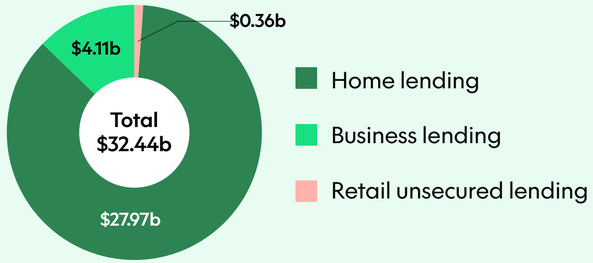
Kiwibank provides access to banking through digital channels, supported by a nationwide branch network (including our Local for Kiwibank service agents) and Aotearoa New Zealand contact centre. Kiwibank also offers access to specialists via its branches, Business Hubs, a network of mobile mortgage specialists, and third-party mortgage advisers.

Kiwibank's lending portfolio

Kiwibank has a 7.58% share of the retail home lending market and a 3.90% share of the business lending market across Aotearoa New Zealand. Institutional and agricultural lending were not part of our core business proposition in FY24.

Fig. 2

Net loans by classification FY24



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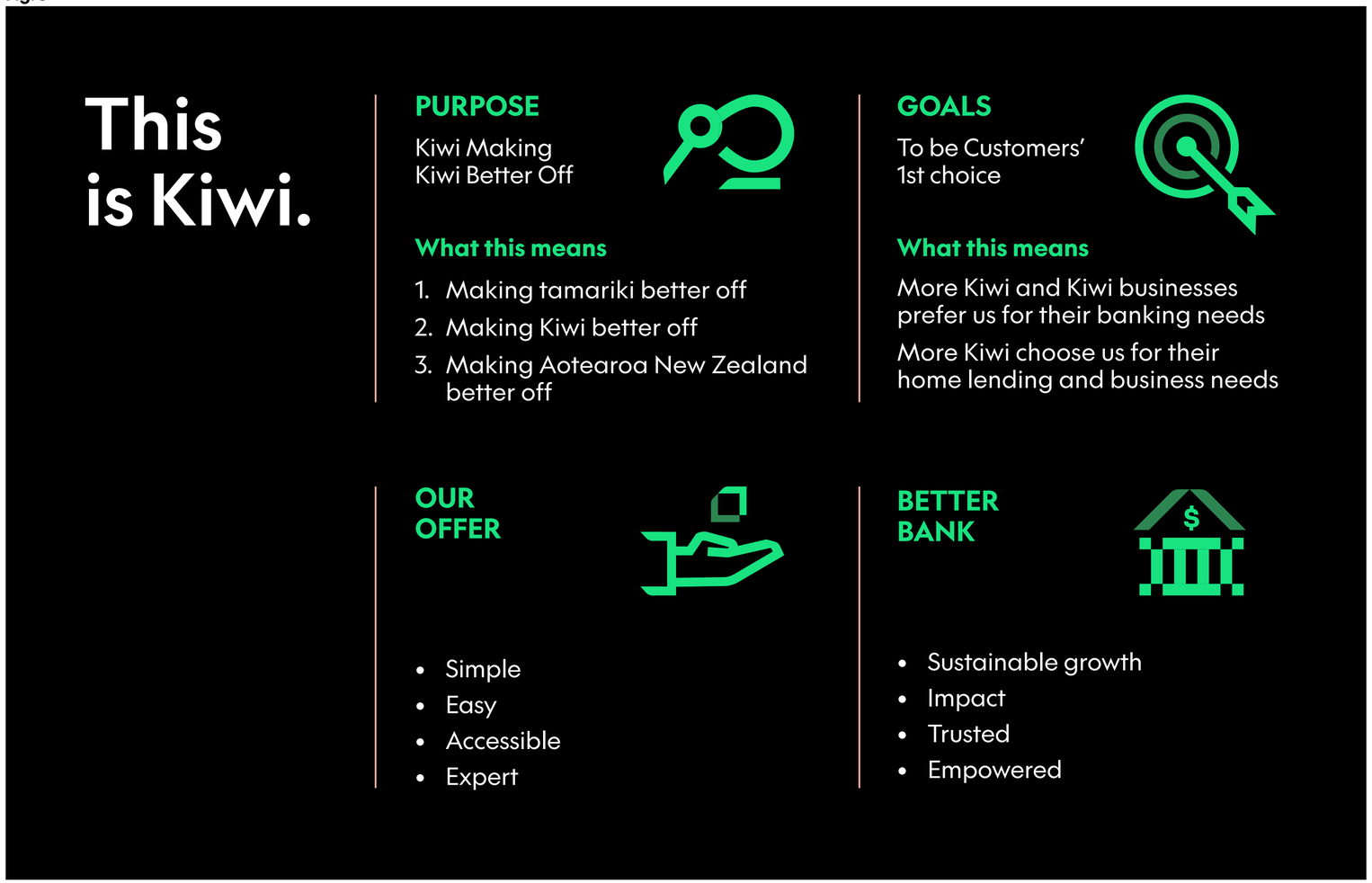
Kiwibank's Purpose and strategy

Fig. 3



Our Purpose is Kiwi Making Kiwi Better Off. Our strategy is to continue to grow market share in retail and business banking, as a purpose-led, challenger bank.

We have three pillars under which we are working to deliver on our Purpose.

- Making tamariki (children) better off
- Making Kiwi better off
- Making Aotearoa New Zealand better off.

Making Kiwi Better Off supports us to be Customers' 1st Choice. Being Customers' 1st Choice is how we can grow market share and have more impact as a challenger.

To be Customers' 1st Choice, we need to deliver on our offer to our customers by:

- Being simple to deal with
- Making it easy for our customers to get things done quickly
- Being accessible so customers can bank with us where and when they need to
- Demonstrating our expertise to become a trusted partner.

To be Customers' 1st Choice, we are also focused on being a better bank. Being a better bank means:

- Growing in a way that is financially sustainable
- Being a leading and purpose-led employer that positively impacts communities
- Being trusted by our customers
- Taking ownership and acting quickly on behalf of our customers.

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The current impacts of climate change on Kiwibank

Kiwibank has elected to use the first-year adoption provision relating to disclosure of the current financial impacts of climate change.

While we expect that the impacts of climate change on Kiwibank may increase over time, we experienced no physical impacts of climate change in FY24, and limited transition impacts. These are set out in Table 2.

Climate change poses physical and transition risks. We have categorised our current climate impacts in terms of physical and transition impacts.

Physical risks relate to the physical impacts of climate change. They relate either to discrete physical events (known as acute events) or longer-term physical shifts (known as chronic events) like changes in precipitation, temperature and/or variability in weather patterns (as defined in the NZ CS.)

Kiwibank also defines events and changes that take place immediately in response to a physical event as being physical events and/or risks. Physical impacts are physical risks that have crystallised.

Transition risks relate to the transition to a low-carbon, climate-resilient global and domestic economy, such as policy, legal, technology, market and reputation changes associated with mitigation and adaptation activities relating to climate change (as defined in the NZ CS). Transition impacts are transition risks that have crystallised.

Table 2

Physical	Kiwibank experienced no material impacts from physical events related to climate change during FY24.
Transition	**Climate risk identification, assessment and management** There have been multiple imperatives in FY24 for Kiwibank to identify, assess and manage climate risks and opportunities effectively. These include new and growing understanding of: ▪ The potential impact that climate change could have on the banking sector and the financial system at large ▪ The role that the banking sector could play in supporting the transition to a low-carbon, climate-resilient future ▪ Stakeholder expectations ▪ Regulatory requirements. Kiwibank has progressed several workstreams focused on identification, assessment and management of climate risks and opportunities, and climate-related regulatory requirements. In FY24: ▪ We expanded our specialist climate risk team. ▪ We finished our first climate scenario analysis to advance our understanding of Kiwibank's climate risks and opportunities and their possible future impacts on Kiwibank. See more on pages 19-22. ▪ We expanded our climate data capability. See more on page 23. ▪ We established improved emissions reporting capability by implementing Generate Zero's Footprint emissions reporting tool. Generate Zero is a Kiwi-owned technology platform providing emissions data and analytical capability. We currently intend to use this tool to measure and report on the emissions of our customers (financed emissions) and on emissions arising from our operations. ▪ We continued to reduce our operational emissions. Our operational emissions for FY24 are described more fully on pages 34-40.
	Regulatory compliance Recent regulatory developments have led to our increasing the time and resources we dedicate to regulatory compliance in relation to climate matters. In particular, in FY24: ▪ We deployed resources to support our compliance with the mandatory climate-related disclosures regime. This included bringing new specialists on board and building processes and controls to support the production of our climate statement. ▪ We participated in Te Pūtea Matua – The Reserve Bank of New Zealand's (RBNZ) Climate Stress Test (RBNZ Climate Stress Test). This exercise was a stress test of the financial resilience of the five largest banks in Aotearoa New Zealand to physical and transition climate risks, based on a single RBNZ-created scenario. See more on pages 11 and 31.
	Sustainable finance In FY24, we continued to see growing demand for our sustainable finance. In FY24: ▪ We lent $177.9 million of sustainable finance, up from $53.8 million in FY23. This equates to 105% of our FY24 goal of $170 million. (Our ambitious goal to FY30 is to deliver $2 billion of sustainable finance. More information about our progress against that goal is on pages 41-42.)

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Current impacts

2023 weather events: Auckland Anniversary Day floods and Cyclone Gabrielle

The weather events of the Auckland Anniversary floods and Cyclone Gabrielle (known as the 2023 weather events) occurred before the reporting period to which this climate statement relates. Kiwibank has not experienced any material ongoing impact from those events during FY24 and has not experienced any material impact from other physical climate events, whether acute or chronic, in FY24.

Ongoing impact on our customers and our kaimahi (people/team)

However, we recognise that recovery from the 2023 weather events has carried on into FY24 for some Kiwi. A number of our customers continue to be affected and are facing financial strain as their recovery progresses, and some of our kaimahi continue to be significantly impacted by those events.

Kiwibank customer support response in FY24

During FY24, we continued to support a small number of customers still recovering from the 2023 weather events. This included offering a range of lending options and, for our home loan customers, support such as repayment deferrals, interest-only repayment periods and extensions of the term of their loan. Kiwibank's provision of this support did not have a material impact on Kiwibank.

Insurance response to the 2023 weather events and to physical climate risks generally

Kiwibank continues to monitor the response of insurers to the 2023 weather events and to longer-term climate change impacts such as increased incidents of storms and sea level rise. We have seen insurers begin to reduce access to or withdraw cover in areas of Aotearoa New Zealand heavily affected by Cyclone Gabrielle in particular. However, it is too early to anticipate what the broader insurance market response might be to future acute events and chronic, ongoing physical events.

We are alert to the impact that changes in access to insurance or increased insurance costs could have on our customers, the value of their mortgaged property, the home lending market at large, and on Kiwibank's credit risk. (See Credit Risks on pages 13-14.)

We continue to monitor developments and work to improve our insurance monitoring capability.

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Kiwibank's climate risks and opportunities, and their anticipated impacts

Kiwibank has elected to use the first-year adoption provision relating to the disclosure of quantitative information about the anticipated financial impacts of its climate risks and opportunities, and the time horizons over which any anticipated impacts could reasonably occur.

We undertook a qualitative assessment of Kiwibank's climate risks and opportunities in FY24, across the short, medium and long term. This was based on climate scenario analysis and internal subject matter expertise. We also undertook a qualitative assessment of the categories of impact those risks and opportunities could have on Kiwibank if they crystallise. This included identification of some categories of anticipated financial impacts, but we did not quantify those financial impacts in FY24.

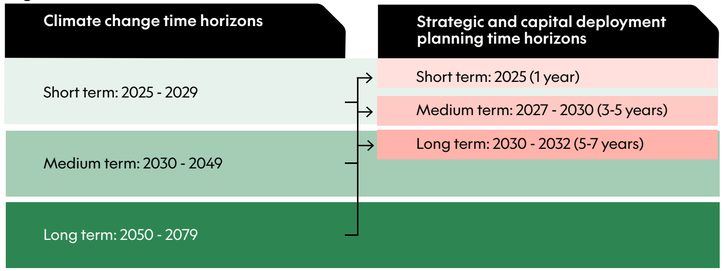
We are still developing our quantitative assessment of the categories of anticipated financial impacts that could flow from our climate risks and opportunities. However, we know that one of Kiwibank's main financial risks is credit risk because Kiwibank's main business activity is lending to retail and business customers. Credit risk is the risk that customers, or other entities we have exposures to, fail to meet their obligations (including payment obligations) in accordance with agreed terms.

While we develop our quantitative financial assessment of climate credit risk, one tool we can use to consider possible financial impacts is stress testing. (See more on our climate risk management tools and methods from page 29.) In FY24, Kiwibank participated in the RBNZ Climate Stress Test. The results give us a preliminary indication that in that particular climate scenario, there was no material impact on Kiwibank's solvency. However, the results indicated a potential impact to Kiwibank's financial position, in that Kiwibank would be less resilient to other financial shocks (for example, a severe economic downturn) in that scenario. See the scenario description, and the key limitations and assumptions of the RBNZ Climate Stress Test, described elsewhere on this page.

Our climate change time horizons and their link to our strategic planning horizons and capital deployment plans

We qualitatively assessed our climate risks and opportunities in FY24 across short-, medium- and long-term climate change time horizons, which are defined in the first column of Figure 4 below.

Fig. 4



We set and applied our climate change time horizons for the first time in FY24, as part of the scenario analysis that underlies our current identification of Kiwibank's climate risk and opportunities. These time horizons align with the time horizons in the banking sector scenarios developed by Te Rangapū Pēke – New Zealand Banking Association (**NZBA**), to which Kiwibank contributed.

Our short-term climate horizon aligns with our short and medium-term strategic and capital deployment planning time horizons. Our medium- and long-term climate horizons broadly span the longest period of term of our home loans, which can be up to around 30 years. These timeframes are longer than our typical strategic and capital deployment planning time horizons. We consider that assessing our climate risks and opportunities against these longer timeframes is useful to inform our strategic direction and capital deployment planning out to seven years.

We have not yet reassessed Kiwibank's strategic choices between now and 2032 (being the end of Kiwibank's strategic and capital planning time horizons) against all of the individual climate risks and opportunities identified in FY24. However, our Board and executive management have considered Kiwibank's strategy during FY24 in relation to long-term climate change uncertainties. These considerations are described in more detail on page 26.

RBNZ Climate Stress Test

The RBNZ Climate Stress test scenario was designed to represent a severe, but plausible, climate change future, covering a 28-year period. Its purpose was to test the financial resilience and improve the climate risk management capability of the five largest banks in Aotearoa New Zealand, including Kiwibank.

The scenario narrative was based on the Network for Greening the Financial System Phase III Delayed Transition scenario for transition risk, and the Current Policies scenario for physical risk. The RBNZ scenario included a delayed and divergent government policy response, physical climate impacts nationwide as well as specific extreme flooding events in Auckland, a climate-related operational risk event and reduced insurance cover for residential mortgage and commercial property exposures. There are limitations to the stress test methodology including that:

- The scenario represented one possible climate scenario among many.
- The data, assumptions, and modelling underlying that scenario are subject to uncertainties and limitations.

Kiwibank's climate risk and opportunities, and their anticipated impacts

Risks and opportunities as inputs to Kiwibank's capital deployment and funding decision-making processes

The scenario analysis process we used in FY24 to identify our climate risks and opportunities took place outside of our internal capital deployment and funding decision-making processes. We have not yet integrated the climate risks and opportunities identified into those processes. Some climate risks or opportunities may already be relevant to certain decisions that Kiwibank has made in relation to capital deployment and funding, but we have not comprehensively assessed these links to date.

Methods, assumptions and limitations: identification of Kiwibank's climate risks and opportunities over the short, medium and long term

Our identification of Kiwibank's climate risks and opportunities in FY24 was based primarily on the outputs of our first scenario analysis. Our scenario analysis process is on pages 19-22. We refined and focused the outputs of that analysis, and consequently our understanding of Kiwibank's key climate risks and opportunities, by further collaboration with Kiwibank subject matter experts.

Our estimations of the time horizons across which we expect each risk or opportunity might arise are based on a qualitative assessment only. Those estimations are subject to limitations owing to:

- Uncertainty about how climate change will unfold, including the global and domestic transition pathways taken in future which may influence the nature and magnitude of future climate-related events
- Limited availability of accurate climate data, including climate data specific to Aotearoa New Zealand.

Tables 3-7 set out Kiwibank's climate risks and opportunities over the short, medium and long term, and the categories of impact we anticipate if those risks or opportunities crystallise.

Our focus on flood risk

We have qualitatively identified flood risk as the most material physical risk to Kiwibank's lending because:

- Aotearoa New Zealand has particular geographical exposure to flooding
- Our lending is primarily residential mortgage lending
- Many Kiwi live in coastal regions and/or on active floodplains.[3]

We define flood risk as:

- **Coastal flooding** which can be caused by high tides, storm surges and/or large waves (and especially by these factors in combination) and can be driven and/or exacerbated by rising sea levels
- **Inland flooding** which is river flooding (fluvial) and/or flooding from heavy rainfall (pluvial).

We are focusing first on quantifying the expected physical risk to residential properties we lend against arising from coastal and inland flooding. This is a first step before we can model the anticipated financial impacts of those flood risks. See more on our flood risk analysis on pages 43-44. Kiwibank did not have access to climate data in FY24 about other climate hazards. We therefore did not analyse the credit risks other climate hazards could pose to Kiwibank.

[3] https://niwa.co.nz/hazards/floods

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Credit risks

Credit risk is the risk of financial loss where a customer or counterparty fails to meet their contractual payment obligations.

Table 3

Category		Risk conditions	Specific risk to Kiwibank	Risk likelihood time horizon			Anticipated Kiwibank impacts
				S	M	L	
Credit	Physical	**Impacts to residential and business borrowers in affected and high-risk locations** Our residential and business borrowers could be impacted by physical events in ways that make it harder for them to repay amounts owing to us. Borrowers could be impacted if they are in or near a location directly affected by a physical climate event, or if they are in a location not yet affected but deemed to be at high physical risk. (Note: References to "business borrowers" in this table mean both our business lending customers and other entities we have exposures to, such as our financial markets customers.) **Expense shocks** During or after a physical event, our borrowers could experience expense shocks caused and/or exacerbated by: ▪ Repair and recovery ▪ Increased insurance premiums (see below) ▪ Paying for a place to live or operate while still having to meet loan or rent payments on a damaged and uninhabitable property ▪ Any governmental policy that requires landowners to absorb a proportion of managed retreat[4] costs ▪ Inflation and higher interest rates. **Insurance withdrawal or increased premiums** Some of the expenses resulting from physical events could be covered by insurance, but: ▪ Insurance premiums may rise ▪ Insurance may become harder to obtain and retain in some locations if insurers limit access ▪ Insurers may withdraw entirely from some locations. **Income shocks** During or after physical events, our borrowers could experience income shocks including as a result of the following: ▪ Their mental and/or physical wellbeing could be compromised such that they cannot keep working and can no longer meet loan payments ▪ For those who can keep working, their place of employment (or their own business operation) could be so heavily impacted that it has to close, temporarily or permanently ▪ For our business borrowers whose operations can continue in or near affected locations, trade could reduce because of the physical event, causing their overall profitability to decrease.	**Borrower default:** **The risk that a borrower does not pay amounts when due**		●	●	**Financial**: Actual credit losses If borrowers default on their loans or other obligations because of transition events, we will lose money if the loans or other obligations are not ultimately paid. Whether a loan is fully repaid will depend on factors like whether we are able to recover the outstanding loan amount through sale of the property that loan is secured against, and the extent of any insurance proceeds paid out on the property. **Financial**: Increased provisioning for potential credit losses Kiwibank holds amounts for potential future credit losses – that is, where a borrower defaults and the full amount of our loan is not repaid. When the amount we need to hold goes up or down, that will decrease or increase our profit. The amount we need to hold for potential borrower defaults can change due to: ▪ Increase in the probability of borrowers defaulting (for example, because of the impacts they have experienced from a climate event), and/or ▪ Decline in the value of properties our loans are secured against (for example, from the impacts of a climate event). **Financial**: Inability to meet financial obligations If there are significant borrower defaults, Kiwibank's cashflow could be negatively impacted. If Kiwibank does not have enough cashflow and does not have sufficient liquid assets to offset that lack of cashflow, it may not be able to meet its financial obligations. See Liquidity, Funding and Capital risks below for information about how climate change could impact Kiwibank's liquidity and capital position. **Financial**: Reduced profit
		Impacts to secured land, buildings and other assets in impacted and high-risk locations Land, buildings and other assets we take security over in connection with our lending could decline in value as a result of damage sustained during a physical event. That devaluation could be driven by a number of factors, such as: ▪ Insurance withdrawal or reduced access in locations or industries affected by a physical event or deemed to be high risk ▪ Infrastructure withdrawal where, for example, roads, bridges, water services, electricity or communications are no longer provided or maintained in certain areas. Neighbouring locations could suffer devaluation effects from nearby infrastructure withdrawal, too ▪ Market perception of certain locations, whether damaged or deemed to be at high risk of damage, could change negatively after a physical event Government and other market responses could exacerbate any of the above devaluation effects.	**Security devaluation:** **The risk that property and/or other assets we take security over decline in value**	●	●	●	

[4] Managed retreat means moving homes, businesses, sites of cultural significance or taonga out of harm's way in a carefully planned process.

Table continued on next page

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Credit risks cont.

Table 3

Category		Risk conditions	Specific risk to Kiwibank	Risk likelihood time horizon S	M	L	Anticipated Kiwibank impacts
Credit	**Transition**	**Impacts to residential and business borrowers from the transition** The effects of the transition to a low-carbon, climate-resilient future could impact our residential and business borrowers in ways that make it harder for them to repay amounts owing to us. **Expense shocks** Expense shocks could result if transition events lead to higher inflation and/or interest rates. **Income shocks for some residential borrowers** Residential borrowers could experience income shocks if their employment is disrupted by transition events like shifts in market preference away from the industry of their employment and/or shrinking of higher-emitting industries. **Decreased profitability for some business borrowers** Business borrowers could experience decreased profitability brought about by a range of transition impacts including: ▪ New regulations ▪ Changing consumer demands ▪ Narrowing access to insurance ▪ Narrowing access to finance ▪ Changing market preferences: An example is carbon pricing changes. These could increase costs to a business (such as for transporting or materials). That cost increase could impact profitability if they absorb that cost themselves, or if they pass the cost on to their customers causing them to go elsewhere. The above could particularly impact business borrowers in industries less able to keep pace with and adapt to changes necessitated by the transition, potentially including: ▪ Industries resistant to the gradual reduction of use and production of fossil fuels ▪ Industries heavily reliant on declining natural resources ▪ Industries vulnerable to other environmental, social and governance changes driven by climate change.	**Borrower default:** **The risk that a borrower does not pay amounts when due**	●	●	●	**Financial**: Actual credit losses If borrowers default on their loans or other obligations because of transition events, we will lose money if the loans or other obligations are not ultimately paid. Whether a loan is fully repaid will depend on factors like whether we are able to recover the outstanding loan amount through sale of the property that loan is secured against, and the extent of any insurance proceeds paid out on the property. **Financial**: Increased provisioning for potential credit losses Kiwibank holds amounts for potential future credit losses – that is, where a borrower defaults and the full amount of our loan is not repaid. When the amount we need to hold goes up or down, that will decrease or increase our profit. The amount we need to hold for potential borrower defaults can change due to: ▪ Increase in the probability of borrowers defaulting (for example, because of the impacts they have experienced from a climate event), and/or ▪ Decline in the value of properties our loans are secured against (for example, from the impacts of a climate event). **Financial**: Inability to meet financial obligations If there are significant borrower defaults, Kiwibank's cashflow could be negatively impacted. If Kiwibank does not have enough cashflow and does not have sufficient liquid assets to offset that lack of cashflow, it may not be able to meet its financial obligations. See Liquidity, Funding and Capital risks below for information about how climate change could impact Kiwibank's liquidity and capital position. **Financial**: Reduced profit
		Transitional impacts to secured land, buildings and other assets The transition could cause land, buildings and other assets we take security over in connection with our residential and business lending to decline in value. ▪ Devaluation of some residential properties could occur if consumer preferences change in favour of more energy-efficient homes ▪ For our business borrowers, assets that rely on carbon-intensive technology or are high-emitting (for example, diesel powered machines) could become less valuable.	**Security devaluation:** **The risk that property and/or other assets we take security over decline in value**		●	●	
		Increased exposure Kiwibank's exposure to climate credit risk increases in line with the proportion of customers who are at risk of being impacted by climate change in the ways described above. There are additional factors that can increase Kiwibank's exposure to climate credit risk, such as if: ▪ We have made earlier strategic choices, based on data and information available at the time, to concentrate our lending in locations or industries that later become high risk ▪ There is political pressure on banks not to retreat from lending in higher-risk locations or industries, and/or to take on more of that higher-risk lending than they might have otherwise ▪ The climate risk data we have access to is inadequate to inform sound lending decisions ▪ Climate change unfolds at a pace and scale so unexpected that our policies, procedures, and controls suddenly become unfit to support sound credit risk management.	**Kiwibank's credit risk exposure is increased**	●	●	●	

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Strategic risks

Strategic risk is the risk that Kiwibank fails to execute its chosen business plan or strategy effectively or in a timely manner.

Impacts to Kiwibank's commercial strategy and to its Purpose of Kiwi Making Kiwi Better Off are interlinked. The more Kiwibank grows financially, the more impact it can have to make Kiwi better off. The more Kiwibank can do to make Kiwi better off, the more likely it is to attract new customers and continue to grow financially. This means that climate risks and impacts to Kiwibank's business strategy, including the financial impacts that flow from reputational damage, can have a direct bearing on Kiwibank's ability to deliver on its Purpose, and vice versa.

Table 4

Category		Risk conditions	Specific risk to Kiwibank	Risk likelihood over time horizon			Anticipated Kiwibank impacts
				S	M	L	
Strategic	Physical	**Climate response risk** We may have to make climate risk management decisions before or after physical events so that we can safely manage Kiwibank's credit risk. Depending on the nature of the decisions necessary, they could lead to reputational damage, a conflict with our Purpose or, if customers or other stakeholders consider that we have misapplied the law in making these decisions, legal action. Decisions we may have to consider in response to physical events and market and policy responses could include: ▪ Whether it is financially responsible and/or serves our Purpose to lend to high-risk customer sectors or geographies ▪ Whether it serves our Purpose to withdraw from high-risk customer sectors or geographies, especially if other lenders have already retreated and Kiwibank is the only, or one of few, lenders remaining ▪ How to support our impacted customers while adequately managing our credit risk. The impact that any such decisions might have on Kiwibank's strategy and/or Purpose could depend on other factors like: ▪ How physical events unfold in locations across Aotearoa New Zealand ▪ Decisions taken by insurers and central and local government about retreat from certain locations, and adaptation measures in others.	**Reputational damage**	●	●	●	**Reputational**: Decreased public trust and confidence in Kiwibank as a purpose-driven industry leader
			Legal action	●	●	●	**Reputational:** Decreased public trust and confidence in Kiwibank as a purpose-driven industry leader **Financial:** Legal costs **Financial:** Remediation, and the costs of any other remedy imposed **Financial:** Reduced profit
			Conflict with our Purpose	●	●	●	**Purpose**: Decreased momentum and delivery against Kiwibank's Purpose
	Transition	**Perception of high carbon industries** Public perception and/or regulatory expectations concerning the impact certain industries have, or come to have, on the climate could change negatively. Decisions we take in relation to customers in those industries could lead to reputational damage, a conflict with our Purpose or, if customers or other stakeholders consider that we have misapplied the law in making these decisions, legal action.	**Reputational damage**	●	●	●	**Reputational**: Decreased public trust and confidence in Kiwibank as a purpose-driven industry leader
			Legal action	●	●	●	**Reputational:** Decreased public trust and confidence in Kiwibank as a purpose-driven industry leader **Financial:** Legal costs **Financial:** Remediation, and the costs of any other remedy imposed **Financial:** Reduced profit
			Conflict with our Purpose	●	●	●	**Purpose**: Decreased momentum and delivery against Kiwibank's Purpose
		Rapid, substantial and/or sporadic policy responses to climate change Kiwibank's exposure to strategic and Purpose risks could be increased if governmental and/or regulatory responses to climate change unfold rapidly and/or sporadically, and if those changes are sweeping in nature. There is a greater risk if those policy and regulatory shifts are not well coordinated or synchronised. Kiwibank's adherence to strategy and progress on its Purpose could be at risk if we are unable to keep up with the pace and scale of those changes, and if the nature of any changes in operation required by policy necessitates decisions that conflict with our Purpose. This could include having to absorb a range of costs, including managed retreat costs.	**Reputational damage**	●	●	●	**Reputational**: Decreased public trust and confidence in Kiwibank as a purpose-driven industry leader
			Legal action	●	●	●	**Reputational:** Decreased public trust and confidence in Kiwibank as a purpose-driven industry leader **Financial:** Legal costs **Financial:** Remediation, and the costs of any other remedy imposed **Financial:** Reduced profit
			Conflict with our Purpose	●	●	●	**Purpose**: Decreased momentum and delivery against Kiwibank's Purpose
			Increased compliance costs	●	●	●	**Financial**: Compliance costs **Financial**: Reduced profit

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Operational risks

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events or criminal activity.

Table 5

Category		Risk conditions	Specific risk to Kiwibank	Risk likelihood over time horizon S	M	L	Anticipated Kiwibank impacts
Operational	Physical	**Physical impacts on our people and operations** Physical events could: ▪ Impact Kiwibank supply chains including branches, business centres and third-party data centres and other third-party providers ▪ Compromise the mental, physical and financial wellbeing of our kaimahi. Those impacts could potentially be exacerbated by government and market responses to physical events, and could result in kaimahi leaving Kiwibank, and/or reduced performance by those who stay.	**Service disruption and/or reduced operating capacity**	●	●	●	**Purpose**: Decreased momentum and delivery against Kiwibank's Purpose **Reputational**: Decreased public trust and confidence in Kiwibank as a purpose-driven industry leader **Financial**: Recruitment and retention costs **Financial**: Infrastructure repair and replacement **Financial**: Remediation and the costs of any other remedy imposed **Financial**: Legal costs including penalties **Financial**: Compliance costs **Financial**: Reduced profit
			Poor customer outcomes	●	●	●	
			Compliance failures owing to reduced operating capacity and/or performance	●	●	●	
	Transition	**Transition impacts on our people** Transition events could compromise the mental, physical and financial wellbeing of our people including by: ▪ Unemployment of family and/or close community because of the contraction of industries negatively impacted by the transition ▪ Financial strain from rising costs of living. This could result in people leaving and/or reduced performance by those who stay.	**Service disruption and/or reduced operating capacity**	●	●	●	
			Poor customer outcomes	●	●	●	
			Compliance failures owing to reduced operating capacity and/or performance	●	●	●	
		Transition impacts on our operations Transition events could impact our operational capacity including by way of: ▪ Rapid and significant policy and regulatory change that impacts Kiwibank ▪ Employment market contraction (for example following severe and/or widespread physical climate events) ▪ Skills shortages (specifically skills relating to the management of climate risks and opportunities and their impacts). The resource required to adapt to these shifts could put more pressure on our people, and especially so if there is already a skills shortage.	**Reduced operational capacity**	●	●	●	
			Poor customer outcomes	●	●	●	
			Compliance failures owing to reduced operating capacity and/or performance	●	●	●	
		Legacy technology Kiwibank's legacy technology could inhibit access to and integration of climate data and insights for decision making.	**Compromised strategic and risk management decision making**	●	●		
		Access to climate change data It could become difficult to access adequate climate change data produced by third parties to inform Kiwibank's risk and opportunity assessment and decision making – for example, if climate change effects begin to unfold with unexpected velocity.		●	●	●	

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Liquidity, funding and capital risks

Liquidity risk is the risk that Kiwibank will not have sufficient funds available to meet its financial obligations as they fall due. Funding risk is the risk of loss of access to Kiwibank's funding channels, or a substantial increase in the cost of funding to Kiwibank. Capital risk is the risk of Kiwibank having insufficient capital to allow strategic initiatives to be undertaken or to maintain the level of capital required by regulators and other stakeholders such as shareholders, debt investors, depositors, and rating agencies.

Table 6

Category		Risk conditions	Specific risk to Kiwibank	Risk likelihood over time horizon			Anticipated Kiwibank impacts
				S	M	L	
Liquidity, funding and capital	Physical/ Transition	**Investor confidence and credit ratings** Kiwibank needs to attract investment to meet its funding needs. Demand for investments in Kiwibank, including deposits and debt instruments like notes or bonds could decrease if investor perceptions of Kiwibank change negatively. This could result from any perception that the risk of investing in Kiwibank has increased because of any of the following: ▪ Kiwibank is perceived to have a negative impact on the climate ▪ Trust and confidence in Kiwibank decreases following a physical or transition event ▪ Banks generally are perceived negatively following a physical and/or transition event ▪ There is a decrease in any of Kiwibank's credit ratings. A credit rating is an independent opinion of the capability and willingness of an entity to repay its debts (creditworthiness). Some of Kiwibank's credit ratings could decrease if rating agencies believe the risk of investing in Kiwibank has increased, following climate events. ▪ There is a decrease in the credit rating of Aotearoa New Zealand because rating agencies believe the risk of investing in Aotearoa New Zealand entities in general has increased following climate events. If Aotearoa New Zealand's credit rating decreases, some of Kiwibank's credit ratings could also decrease.	**Less capital available to fund new lending**		●	●	**Financial**: Lower growth and/or inability to delivery on strategy **Financial**: Insufficient cashflow with which to meet financial obligations **Financial**: Reduced profit
			Increased costs if Kiwibank has to pay higher interest rates to attract investors		●	●	**Financial**: Reduced profit
			Compliance risk if Kiwibank fails to comply with its prudential liquidity ratio minimum and thereby breaches RBNZ conditions of registration		●	●	**Reputational**: Decreased public trust and confidence in Kiwibank **Financial**: Legal costs **Financial**: Remediation and the costs of any other remedy imposed **Financial**: Reduced profit
		Liquid assets Kiwibank maintains a portfolio of cash and liquid debt instruments (liquid assets) to ensure that it can meet its financial obligations when due, and to meet regulatory requirements. In that portfolio, Kiwibank maintains a level of assets sufficient to meet its expected and projected cash outflows even under severe funding stress, over a one-week and one-month period. During or after a physical or transition event: ▪ Liquid assets could become illiquid, and Kiwibank may not be able to readily convert them to cash ▪ Liquid assets could lose value because they have become higher risk and had a rating downgrade (if their issuer is financially impacted by a climate event). Either and both of these outcomes could impact Kiwibank's ability to use liquid assets to meet its obligations in times of significant financial stress. Additionally, if the RBNZ determines that assets held by Kiwibank are no longer liquid assets, Kiwibank could be required to purchase alternative liquid assets.	**Decrease in value of assets**		●	●	**Financial**: Losses due to decline in value of liquid assets **Financial**: Cost of purchasing alternative liquid assets **Financial**: Inability to meet financial obligations in times of significant financial stress **Financial**: Reduced profit
			Assets no longer liquid (and/or deemed not to be liquid by RBNZ)		●	●	
		Capital requirements Capital adequacy requirements ensure banks have enough of a financial cushion to absorb a reasonable amount of losses.[5] The amount of money Kiwibank needs to hold is calculated by way of a capital ratio, which is a means of calculating a specific bank's capital as a percentage of its risk-weighted exposures.[6] Risk-weighted exposures are a measure of the bank's exposure to credit risk, market risk and operational risk and are determined by the RBNZ.[7] Where Kiwibank experiences financial losses as a result of physical or transition events, this may mean it has less capital available to fund new lending. As physical and/or transition events unfold in Aotearoa New Zealand and understanding of climate risk increases, Kiwibank could be required to hold more capital in respect of loans relating to properties exposed to climate risks.	**Less capital available to fund new lending**		●	●	**Financial:** Lower growth and/or inability to delivery on strategy **Financial**: Reduced profit
			Increased capital required		●	●	
			Compliance risk if Kiwibank fails to comply with its minimum regulatory capital ratios and thereby breaches RBNZ conditions of registration		●	●	**Reputational**: Decreased public trust and confidence in Kiwibank **Financial**: Legal costs **Financial**: Remediation and the costs of any other remedy imposed **Financial**: Reduced profit

[5] https://www.rbnz.govt.nz/glossary#capital-adequacy-requirement [6] https://www.rbnz.govt.nz/glossary#capital-ratio [7] https://www.rbnz.govt.nz/glossary#risk-weighted-exposures

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Climate opportunities

Table 7

Opportunity category	Opportunity conditions	Specific opportunity for Kiwibank	Opportunity likelihood over time horizon			Anticipated Kiwibank benefits
			S	M	L	
New lending opportunities	**New markets** New markets and businesses could emerge during the transition to a low-carbon, climate-resilient economy. These markets and businesses could provide products, services and investments enabling mitigation and/or adaptation to climate change, including using low-emissions and no-emissions technologies and practices, or construction of more climate-resilient homes.	**Kiwibank could expand its expertise to provide finance to a greater range of climate-future-fit sectors and customers.**	●	●	●	**Financial**: Increased growth **Financial**: Increased profit **Financial**: Reduction of business lending credit risk due to an increased proportion of lending to customers that are more climate-resilient
		Kiwibank could further progress its Purpose by financing the improvement of the physical climate resilience of customer homes.	●	●	●	**Purpose**: Increased momentum and progress on Kiwibank's Purpose **Reputational**: Increased public trust and confidence in Kiwibank as a purpose-driven industry leader
	Climate adaptation and mitigation Businesses may require finance to enable climate impact adaptation and mitigation, including accessing sustainable technologies (existing and new), any of which could improve the climate resilience of those businesses. Personal customers may demand finance to enable climate impact adaptation and mitigation, including for their homes. Access to sustainable technologies could improve the climate resilience of the homes of those customers.	**Kiwibank could provide finance to a greater number of business and personal customers to support their access to sustainable technologies.**	●	●	●	**Financial**: Increased growth **Financial**: Increased profit **Financial**: Reduction of credit risk where existing business and home lending customers improve their climate resilience, and where the proportion of more climate-resilient customers increases
		Kiwibank could further progress its Purpose by proactively engaging with and supporting customers to improve their climate resilience.	●	●	●	**Purpose**: Increased momentum and progress on Kiwibank's Purpose **Reputational**: Increased public trust and confidence in Kiwibank as a purpose-driven industry leader
Supporting Kiwi to secure their financial future	Climate change could heighten social and economic pressures, and could particularly impact the financial security of Kiwi. These effects could result from increased costs of living, migration, job insecurity and health impacts.	**Kiwibank could identify new opportunities and initiatives to support Kiwi to take action to secure their financial future.**	●	●	●	**Reputational**: Increased public trust and confidence in Kiwibank as a purpose-driven industry leader

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Climate scenario analysis

Scenario analysis

Climate scenario analysis enables exploratory thinking about future climate uncertainties, and about new kinds of climate risk and opportunity that traditional risk management tools may not help us see. Climate scenarios are intended to be plausible[8], challenging descriptions of how the future could develop. They should be based on a coherent and internally consistent set of assumptions about a range of external, interacting factors and relationships, concerning physical and transition risks, in an integrated way. The broader the range of climate scenarios, the more deeply this analysis can challenge business-as-usual mindsets. Each scenario should be aligned to a different degree of warming. The NZ CS require analysis of, at a minimum, scenarios aligned to 1.5 degrees, to 3 degrees or greater, and a third scenario of an entity's choosing.

Method

We conducted our first climate scenario analysis process in compliance with the NZ CS in FY24. We developed our scenarios with in-house expertise, drawing on knowledge and experience from across Kiwibank to ensure our scenarios were firmly situated in the Kiwibank context. No external partners or stakeholders were involved. We designed our scenarios to consider the whole of our operations. We contributed to the development of the banking-sector-level scenarios created by the NZBA and used these as a launching point for our scenario framework development.

Our scenario framework choices

Scenario frameworks are built by combining elements from a range of established climate scenario archetypes and climate data sets. The combination of these selections tells the story in each scenario about the route the world has taken to reach that scenario's degree of warming, specifying the socio-economic, technological, political and other relevant pathways taken.

We combined elements of the NZBA scenario frameworks with our own selections from international scenario archetypes, pathways and projections.

We considered assumptions relating to carbon sequestration from afforestation, nature-based solutions and technology (including negative emissions technology) to be less relevant to the characteristics of Kiwibank's lending portfolio, being primarily retail home lending, so they did not feature prominently in our first-year scenarios. In future, we may choose to include a greater level of detail in our scenario narratives about specific business sectors we lend to, or might lend to, at which time assumptions about carbon sequestration, nature-based solutions and technology may become more relevant to Kiwibank's circumstances.

We used NZBA scenario data selections as the basis of our own scenarios and made some of our own data selections. A list of the data sources we used is on page 20.

We consider that the scenarios we used are relevant and appropriate to assessing the resilience of Kiwibank's business model and strategy to climate-related risks and opportunities because:

- The basis for development of our scenarios was the sector-level scenarios developed, with our input, by the NZBA. Those sector scenarios were developed with the characteristics of the Aotearoa New Zealand banking sector in mind. Using them as a basis also supports comparability with other bank disclosures.
- Our scenarios are based on generally accepted scenario archetypes including global pathways developed by the Intergovernmental Panel on Climate Change, policy and technology pathways developed by the Network for Greening the Financial System, energy pathways developed by the International Energy Agency, and domestic pathways developed by the Climate Change Commission.
- We consider that the three scenarios identified - "Orderly", "Too Little, Too Late" and "Hothouse" – allow for a range of possible climate futures, with different levels of transition risk and physical risk present in each scenario. For example, the "Hothouse" scenario represents a climate future with a high level of physical risk and accordingly enables us to test the resilience of our business model and strategy to physical risk.

Climate scenario analysis is an exploratory tool rather than a method of prediction. It has a primarily qualitative focus rather than quantitative, to encourage broad, experimental thinking about future climate uncertainties. Because climate change outcomes are uncertain, climate scenarios should not be interpreted as a prediction or indication of the most likely climate change future.

We did not undertake quantitative modelling to inform the construction or analysis of our scenarios in FY24. We may choose to introduce modelling to our scenarios over time, and, where possible, review and update relevant data sources to inform our assessment of Kiwibank's climate risks and opportunities.

Kiwibank's first scenario analysis was a standalone process and was not integrated with strategy processes. However, we have integrated the outputs of our first scenario analysis into our broader understanding of Kiwibank's climate risks and opportunities. Also, our Board and executive management considered Kiwibank's strategy during FY24 in relation to long-term climate change uncertainties. These considerations are described in more detail on page 26.

Our first climate scenario analysis focused on home and business lending. With regard to business lending, we featured industries that are economically significant in Aotearoa New Zealand in order to identify potential domestic economic impacts that could flow down to the individual business sectors we do business with.

[8] Plausible means possible, believable and reasonable, per FMA *Guidance for keeping proper climate-related disclosure records*, October 2023, page 29.

Climate scenario analysis

Time horizons

We used the NZBA-selected time horizons to analyse each scenario against.

- Immediate term: 2025 – 2029 (Kiwibank short term)
- Short term: 2030 – 2049 (Kiwibank medium term)
- Long term: 2050 - 2079 (Kiwibank long term).

We elected not to apply the fourth NZBA time horizon (2080 and beyond) because we anticipated a loss of relevance beyond 2079 for internal stakeholders involved in scenario analysis for the first time in FY24.

Drivers of change

Drivers of change are high-level external factors that could alter the futures created in the scenario frameworks. They can include governmental and regulatory responses, technological advances, and societal shifts. By adjusting these settings across each scenario, we can examine more deeply how Kiwibank's business model and strategy might perform and respond.

We identified drivers of change with input from senior working-level and expert participants from across the bank, ensuring diversity of insight and experience from all business areas. We identified drivers of change across six categories (political, economic, sociocultural, technological, environmental and legal) and wove them into our scenario narratives across our short-, medium- and long-term time horizons.

Analysing the scenarios

We analysed the scenarios to identify climate risks and opportunities, in workshops with internal stakeholders. We asked them to 'zoom in' on how climate change could impact their area of mahi (work) within Kiwibank, and 'zoom out' to consider how it could impact Kiwibank's business model and strategy at large. Our focal question was: what are the risks and opportunities that could impact your mahi and more broadly Kiwibank's ability to deliver?

Governance of our scenario analysis process

In relation to the governance process used to oversee and manage the scenario analysis process:

- Our Audit and Risk Committee (**ARC**), as a sub-committee of Kiwibank's Board of Directors (see more on page 26), reviewed and approved the scenarios analysed and formally noted the categories of risk and opportunity identified.
- Our Executive Risk Committee, comprising all of our executives (see more on page 26), reviewed the scenarios before ARC's approval of them and reviewed and approved the risk and opportunity categories identified by our scenario analysis.

Table 8

Key data sources	Use
He Pou a Rangi - Climate Change Commission (**CCC**)	Aotearoa New Zealand climate scenarios, including domestic energy pathways
International Energy Agency (**IEA**)	Global energy pathways
Intergovernmental Panel on Climate Change (**IPCC**)	Representative Concentration Pathways (**RCPs**), Shared Socio-economic Pathways (**SSPs**), average global temperature and average global sea level rise
Manatū Mō Te Taiao - Ministry for the Environment	Passenger vehicle travel, rainfall, sea level rise and sector emissions pathways
National Institute of Water and Atmospheric Research (**NIWA**)	Hot days data
Network for Greening the Financial System (**NGFS**)	Policy and technology pathways
Te Rangapū Pēke - New Zealand Banking Association (**NZBA**)	Banking sector climate scenarios

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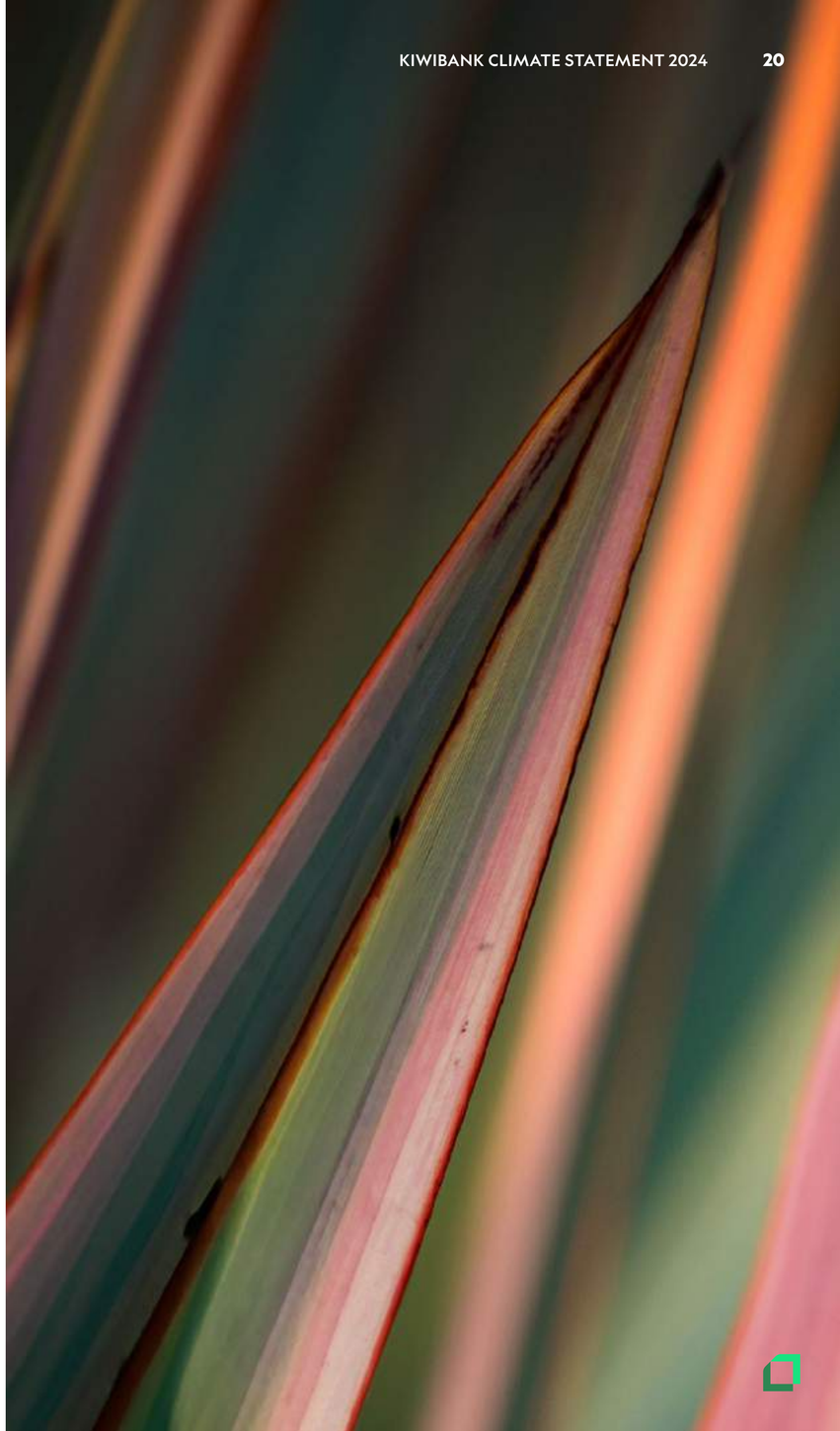

Climate scenario frameworks

Table 9

Framework elements							
Orderly							
Emissions	**Socio-economic**	**Policy & technology**		**Energy**		**NZ policy**	
RCP 1.9	**SSP1**	**NGFS: Orderly, Net Zero 2050**		**IEA NZE**		**CCC Tailwinds**	
Drastic reductions. Stabilising at 1.4°C by 2100.	"Taking the Green Road". Emphasis on human wellbeing, sustainable technology and effective institutions.	**Policy**: Immediate & Smooth **Tech**: Fast Change		Rapid transition to renewables. Solar and wind accounting for 70%.		Technological and behavioural changes drive emissions reductions.	
Too little, too late							
Emissions	**Socio-economic**	**Policy & technology (EU, NZ + small number of others)**		**Energy (EU, NZ + small number of others)**		**NZ policy**	
RCP 4.5	**SSP2**	**Pre-2030 NGFS Current Policies**	**Post-2030 NGFS: Disorderly below 2°C**	**Post-2030 Stated Policies**	**Post-2030 NZE (Delayed)**	**Pre-2030 Current Policies**	**Post-2030 Headwinds**
Emissions peak around 2040 and then begin to decline. Reaching 2.7°C by 2100.	Following current trends. Slow progress on Sustainable Development Goals. Moderate challenges to adaptation and mitigation.	**Policy**: No new **Tech**: Slow	**Policy**: Immediate & divergent **Tech**: Fast	Governments unlikely to reach all announced goals. Focus on energy markets and economics.	Rapid transition to renewables. Solar and wind accounting for 70%.	Current direction, lack of technological and behavioural change. Little transition.	High barriers to technological and behavioural change but transition occurring.
Hothouse							
Emissions	**Socio-economic**	**Policy & technology**		**Energy**		**NZ policy**	
RCP 8.5	**SSP5**	**NGFS: Hothouse, Current Policies**		**IEA Stated Policies**		**CCC Current Policies**	
Rapid intensification of fossil fuel developments. Reaching 4.7°C by 2100	Little emissions reduction, rapid adaptation. Emphasis on economic growth and technology for production.	**Policy**: No new **Tech**: Slow		Governments unlikely to reach all announced goals. Focus on energy market and economics.		Current policies continue. Lack of technological and behavioural change. Little transition.	

Drivers of change	
Government decisions	**Banking regulation**
Government decisions and priorities impact the resilience of Aotearoa New Zealand to climate change as well as impacting the nation's transition and adaptation approach: proactive or reactive, co-ordinated or piecemeal. Includes approach to managed retreat and infrastructure.	As climate-related pressures evolve, regulatory expectations change, as does the response of banks to those changing expectations. This includes Reserve Bank expectations as to climate risk management and responsible lending, and FMA expectations as to disclosure and greenwashing.
Social circumstances	**Insurance behaviour**
Change in social conditions, and in societal behaviour and expectations (including those of employees and prospective employees). Includes the needs and response of vulnerable and isolated communities, and social perceptions of banks generally.	Response of the insurance industry to increasing impacts of climate hazards. Includes the industry's ability to innovate, insurance pricing shifts, potential withdrawal of cover in certain areas, and insurer responses to regulation.
Housing market	**Economic composition**
Change in the housing market, including market response to areas identified as climate hazard prone, and to rebuild capability, inflation, labour availability and market perceptions. These factors can have a cumulative impact on housing availability and affordability.	Shifts in the composition of New Zealand's economy and interaction with climate change.

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Summary of climate scenario narratives

Table 10

	Orderly	Too little, too late	Hothouse
Description	Rapid and smooth emissions reductions globally and in Aotearoa New Zealand. Adaptation is co-ordinated, particularly in managed retreat. Aotearoa New Zealand economy focused on intellectual property, including climate-related intellectual property. **2025 – 2029** – Strong regulation, subsidies for emission reductions, and managed retreat. **2030 – 2049** – Successful first wave of managed retreat. Banks aggressively regulated. Strong international investment and property development. **2050 – 2079** – Retreat from flood-risk zones complete. Aotearoa New Zealand is a global leader in mitigation and adaptation. Continued high demand for transparency and social and environmental progress.	Delayed and disorganised emission reductions and adaptation. Decisions are rushed and governance not robust. **2025 – 2029** – Current policies resume while 'planning to plan' for climate action fails to reach any direction or outcomes. **2030 – 2049** – A group of OECD countries rapidly initiate emission reductions. Aotearoa New Zealand implements drastic, blunt policy for emissions and adaptation to retain trade and financial standing. Business confidence plummets. **2050 – 2079** – Continued disruption from rapid change, common incidences of mal-adaptation and mal-transition prevalent. Overall, investment in resilience and trade relationships pay off.	Emission reductions are essentially abandoned. The Government does not make policy decisions. Economic and social regression, and high levels of vulnerability across Aotearoa New Zealand to climate impacts. **2025 – 2029** – Emission reductions essentially abandoned. Adaptation policy hotly contested. Intensification of agriculture. **2030 – 2049** – No real policy intentions for adaptation and emissions reductions. Lower South Island has an economic boom, while other regions regress. **2050 – 2079** - Severe societal and economic regression for the majority of Aotearoa New Zealand. Infrastructure and housing highly exposed to flooding.
Government decisions	Government enacts ambitious, clear and equitable policy and follow-through programmes for adaptation and emissions reductions. Phased approach to managed retreat, and incentivising affordable, sustainable development in flood-safe areas. High carbon prices and strong incentivisation of sustainable industries.	Initially, the Government remains somewhat engaged with the extent of climate adaptation and transition but lacks decisiveness. In the medium term, there are significant consequences to this delay. A sudden need to transition and adapt leads to a blunt, ineffective and confusing Government response. The approach to managed retreat is incomplete and not well planned.	Government initially keeps the debate on climate legislation going, but takes a back seat to 'market-led' forces. Local councils focus on consenting for private flood-protections in the absence of central government guidance. In the long-term, the Government prioritises economically significant areas in the South Island for adaptation. Mitigation action is by and large abandoned early on.
Banking regulation	Aggressive, intrusive regulation around climate change including lending decisions, disclosure and expectations to financially support managed retreat. Greenwashing accusations become complex and in-depth.	After very little new regulation in the short term, there is a sudden roll-out of regulation with consequences for historic lending decisions. Into the long term, regulation is continuing to focus on the emissions intensity of bank portfolios.	There is no further introduced legislation requiring or encouraging banks to reduce emissions. Disclosure requirements focus only on disclosing physical risk exposure.
Insurance	Insurance industry highly engaged with government to manage insurance availability and affordability. Outside of government intervention, risk-based pricing prevails.	Insurers lobby for system change initially but in the medium to long term, there are aggressive premium increases and a large withdrawal of insurance availability in flood-prone regions.	Insurers price aggressively to maximise profit and reduce risk exposure. Large disparity in costs as many North Island cities become prohibitively expensive. In the long term, there is a full-scale insurance withdrawal from flood-prone regions.
Social outlook	A relatively high quality of life in New Zealand. Mātauranga Māori mainstreamed into education system. Strong awareness and action on sustainability. Upskilling in government sponsored green jobs supports innovation. Economy is focused on intellectual property.	Initially stable, the social outlook is heavily shaken by the sudden, drastic regulation to adapt and transition. This disproportionately impacts the primary sector, including Māori. Many people are vulnerable to purchasing flood-prone properties. In the long term there are severe consequences for vulnerable people including those in locations exposed to high climate risk. Many of those retreating from land do so in complicated and unfavourable circumstances.	The social outlook is continually downward with many youth struggling with the perception of a challenging future. Mental health issues rise and many become disengaged from work. Under-insurance damages the wealth and wellbeing of many. Basic infrastructure withdrawals from many physical-risk-exposed areas begin in the medium term. In the long term, a large influx of refugees land on Aotearoa New Zealand shores. There is a strong polarisation of access to health and education across Aotearoa New Zealand.
Economy	Sustainable tourism thrives, led by the Māori economy. Aotearoa New Zealand exports much of its climate-related intellectual property and is a global leader in sustainable agriculture. Strong international investment into innovation.	An initial rise in economic activity and decline in inflation suddenly shifts as Aotearoa New Zealand rapidly transforms to maintain its trade relationships. Business confidence plummets. In the long-term, adaptation and mitigation investments re-calibrate and there are resilience and trade-relationship pay-offs.	Economy is initially in full swing with a strong focus on intensified agriculture. Tourism pivots to focus on the mega-wealthy. In the long term, Aotearoa New Zealand bank ratings slip due to the extent of exposure of agriculture to physical risk, making funding access more difficult. Non-bank lenders begin to fail.
Housing market	Managed retreat puts initial strain on housing supply. Incentives for sustainable, flood-safe housing pay off, with a focus on mixed-income developments with high amenity and community.	Climate change does not significantly alter the housing market in the short-term. As sudden government regulation of the market is about to hit, there is rapid sell-off of luxury Kiwi baches. Housing supply is highly constrained. In the long term, many coastal properties are abandoned or illegally rented.	Over the short to medium term, there is an acceleration of development in the lower South Island and some regions in the Waikato. Auckland region has slow growth due to increasing awareness of flood-risk including through insurance costs. Inability to access lending and insurance sees many homeowners defaulting on their home loans. Highly unequal distribution of property and wealth.

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Progress on our Transition Plan

Kiwibank has elected to use the first-year adoption provision relating to disclosure of:

- **The transition plan aspects of its strategy, including how its business model and strategy might change to address its climate-related risks and opportunities; and**
- **The extent to which transition plan aspects of its strategy are aligned with its internal capital deployment and funding decision-making processes.**

A transition plan is the part of an entity's overall strategy that describes targets (including any interim targets) and actions for its transition towards a low-emissions, climate-resilient future.

We will disclose details of our plan for mitigating and adapting to the effects of climate change, and transitioning to a low-carbon, climate-resilient economy (**our Transition Plan**) in our FY25 Climate Statement. We describe below our progress on developing our Transition Plan to the end of FY24.

Progress on our Transition Plan

The key considerations underpinning our Transition Plan development are:

- Enhancing Kiwibank's climate resilience so we can continue to provide for our customers in future
- Deepening our understanding of the impacts of climate change on our customers as climate uncertainties become more certain over time
- Finding new and better ways to support our customers to improve their resilience to climate risks, and their capacity to seize climate opportunities.

In FY24, we have focused on strengthening our foundation of climate data and specialist skills to inform the development and delivery of our first Transition Plan.

- **First scenario analysis**: We built our most in-depth and holistic view of Kiwibank's climate risks and opportunities to date, informed by our first scenario analysis. We know that a comprehensive view of our risks and opportunities is critically important to shaping a meaningful Transition Plan.
- **Physical climate risk data**: We obtained inland flood risk data to inform our future modelling of climate credit risks to Kiwibank, adding to the flood risk data foundation we have been building since FY21.
- **Customer emissions**: We established Kiwibank's customer emissions reporting capability, which enables us to begin measuring them from FY25. We also started research to identify business sectors with higher and lower potential for emissions reductions. This helps us understand where we can best focus our efforts to support business customers to reduce their emissions from current levels.
- **New climate risk specialists**: We recruited new climate risk experts to our team.

Kiwibank has been developing other aspects of its climate change response since FY19, including:

- **Operational emissions reduction**: We started reducing our operational emissions in FY19. We set our most recent emissions reduction targets in FY21, out to FY25. More information is on page 34.
- **Flood risk data analysis**: We started to understand the potential physical impact of flooding on properties that Kiwibank secures lending against in FY21, using NIWA data.
- **Sustainable finance offering**: We have offered sustainable finance products to Kiwi businesses since FY23 and continue to redevelop and broaden that offering. We set ourselves a goal in FY22 to deliver $2 billion in sustainable finance by FY30. Our progress against that goal, and details about our sustainable finance offering, are set out on pages 41-42.
- **Cogo**: We have offered Cogo to our business customers since FY23 to help them better understand their own emissions profile. Kiwibank offers this tool free of charge to business customers who have Xero accounting software, so they can measure the carbon footprint of their activity through Cogo Business Carbon Manager.
- **Responsible Business Banking Policy**: We introduced this policy in FY21, setting out our position on sectors we believe may do harm to people and the environment. (See more on page 31.)
- **B Corp certification**: We became a Certified B Corporation in August 2021. B Corp™ is a global standard measuring an entity's performance against environmental, social and governance measures. It is external verification that an entity is meeting standards of performance, accountability, and transparency on factors including environmental impact. Certification requires that an entity specifically considers the impact of its decisions on its own kaimahi, customers, suppliers, communities and the environment. You can find more information about our B Corp certification on our website.

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Governance
Mana Whakahaere

Climate governance

Climate risks and opportunities are regularly considered at the highest levels of governance at Kiwibank. Detail about Kiwibank's climate governance structure and how climate risks and opportunities are overseen and managed within this structure are set out in Figure 5, and below. Summary descriptions of our main climate governance functions are in Table 11.

Governing body

Our governing body is the Board of Directors of Kiwibank Limited (**Board**). It is responsible for the overall governance of Kiwibank, including oversight of climate risks and opportunities. It is supported in this by Kiwibank's executive management.

Board skills

The Board self-assesses its performance annually, and an external performance review is completed at least once every three years. The Board Skills Matrix maps the subject-specific skills and experience that the Board seeks to have across its directors. It is used to track whether the total Board skill set facilitates effective oversight of Kiwibank.

The Board Skills Matrix includes a sustainability skills category, which includes climate change, emissions reduction and climate reporting skills. It is reviewed and updated with support from external providers at least every three years (with timing based on Board composition changes). The most recent update began at the end of FY24.

In addition to its meetings, the Board attends sessions focused on strategy or Board member education. In FY24, these included three workshops that considered climate change in the context of:

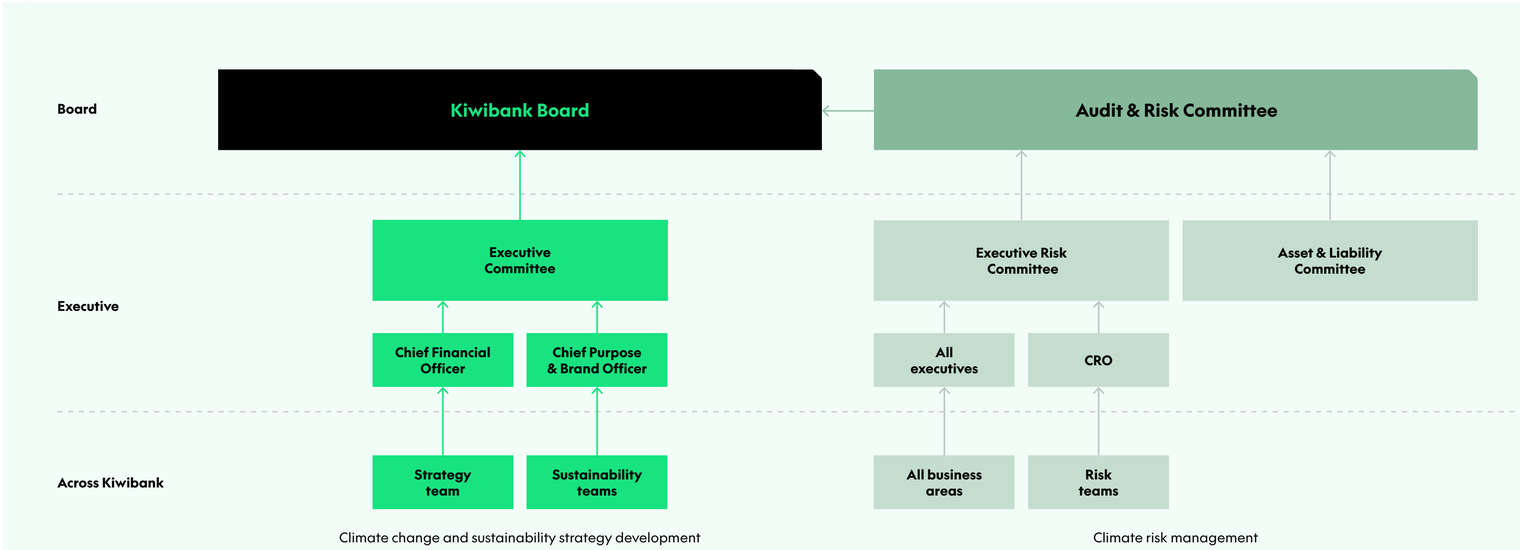
- Long-term strategic uncertainties, including engagement with an independent climate change expert in that session
- Climate risk and opportunity categories as identified by our first scenario analysis
- How climate risks and opportunities could impact Kiwibank's ability to deliver on its Purpose.

How the Board is informed about climate risks and opportunities

The Board is required to oversee the management of material risks to Kiwibank, including climate risk. It is supported in this by the Audit and Risk Committee (**ARC**).

At each of its quarterly meetings in FY24, ARC received and reviewed the minutes of the Executive Risk Committee (**ERC**) meetings held in the preceding quarter. (Detail about ERC meetings is on page 26.) It also received and reviewed each quarter the papers and minutes from the Asset and Liability Committee (**ALCO**) meetings held in the preceding quarter. Those ARC meeting packs were then sent quarterly to the Board.

Fig.5



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Climate governance

This means all directors had regular sight of executive management papers and meeting minutes informing them about climate risks and opportunities through FY24. Our executives also attended the quarterly ARC and Board meetings, enabling two-way discussion.

ARC is responsible for approving our climate scenarios which are a key part of our process for identifying climate risks and opportunities. ARC approved Kiwibank's first climate scenarios in FY24, and the Board received the ARC paper.

How the Board considers climate risks and opportunities in relation to Kiwibank's strategy

The Board is yet to consider against Kiwibank's strategy all of the individual risks and opportunities identified in FY24. However, it regularly considers the broader, long-term (beyond five years) potential implications of climate change on our strategy, as well as some short- to medium-term (up to five years) aspects of Kiwibank's strategy already related to climate change. These are detailed below.

Short- and medium-term strategic implications of climate change

The Board is responsible for approving Kiwibank's internal sustainability strategy (which relates to our emissions reduction and other operationally-focused sustainability initiatives) and our sustainable finance strategy. In FY24, the Board considered these matters when it received six-monthly reports from our Chief Purpose and Brand Officer on our progress on them. (See more under *Board oversight of climate metrics and targets*).

Long-term strategic implications of climate change

The Board considered climate change in relation to Kiwibank's longer-term strategic direction out to 2070 in two strategy sessions in FY24, including one attended by an external climate change expert.

The Board also regularly considers Kiwibank's strategic uncertainties. These are categories of risk with currently uncertain scale, scope and potential strategic impact, but which could evolve into individual, specific risks to our strategy beyond five years. (Information about how we identify, analyse and manage strategic uncertainties is on page 32.) The Strategy team provides a quarterly report to the Board about how strategic uncertainties are emerging and evolving. In FY24, our identified strategic uncertainties included climate change.

Table 11

<table>
<tr><th></th><th>Climate strategy development & targets</th><th>Climate risk</th></tr>
<tr><td rowspan="2">Governance body</td><td rowspan="2">Board of Directors of Kiwibank Limited (Board)
Responsible for Kiwibank's strategic direction and operation, including strategy and targets relating to climate risks and opportunities.
Delegates management responsibilities to the CE. (See below and on page 27.)
Required to take an active role in considering the social, ethical and environmental impact of Kiwibank's activities.
Two of the directors are Climate Champions, responsible for ensuring that climate risks and opportunities are regularly and appropriately considered in Board discussions.
Meets at least quarterly and holds additional shorter Board calls, strategy days and education days throughout the year.</td><td>Board
Required to oversee the management of material risks to Kiwibank, including climate risk.
Assisted in this by the Audit and Risk Committee.</td></tr>
<tr><td>Audit and Risk Committee (ARC)
A sub-committee of the Board.
Supports the Board with its oversight of climate risks.
Has specific climate risk oversight responsibilities (detailed on this page).
Comprises four directors: two of the current members (including the Chair) are the Board Climate Champions.
Meets at least quarterly.</td></tr>
<tr><td rowspan="3">Management</td><td colspan="2">Chief Executive (CE)
Responsible for the management of Kiwibank, as delegated by the Board.
Accountable to the Board.
Responsible for implementing Board-approved strategic, business and financial objectives and plans, including where they relate to climate risks and opportunities.
Responsible for implementing processes, policies, systems and controls to manage Kiwibank's operations and risks.</td></tr>
<tr><td>Executive Committee (ExCo)
Supports the CE by providing strategic and operational leadership to Kiwibank.
Responsible for setting specific strategic objectives and managing delivery against them.
All executives are members of ExCo.
Meets every month and has additional quarterly planning meetings. Chaired by our CE.</td><td>Executive Risk Committee (ERC)
Manages all categories of risk to Kiwibank, including climate risk.
Accountable to ARC.
All executives are members of the ERC.
Meets at least six times a year. Chaired by our CRO.</td></tr>
<tr><td>Individual executives
Our executives are (in addition to the CE): Chief Financial Officer (CFO), Chief Risk Officer (CRO), Chief Operating Officer (COO), Chief Purpose and Brand Officer (CPBO), Chief Legal Officer (CLO), Chief Customer Officer – Business (CCO-B), Chief Customer Officer – Retail (CCO-R), Chief People Officer (CPO).
Responsible for the day-to-day management of Kiwibank's business in their specific business area, including climate opportunities as they arise there.
Accountable to the CE.
Our CPBO has specific responsibilities relating to aspects of Kiwibank's climate strategy development.</td><td>Asset and Liability Committee (ALCO)
Responsible for the management of Kiwibank's assets and liabilities, including climate risks related to liquidity, capital and funding. (See those risks described on page 17.)
Comprises five executives (CE, CFO, CRO, CCO-R, CCO-B) and our Treasurer.
Meets at least monthly. Chaired by our CFO.
Individual executives
Responsible for the day-to-day management of Kiwibank's business in their specific business area, including climate risks as they arise there.
Accountable to the CE.
Our CRO has specific climate risk management responsibility.</td></tr>
</table>

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Climate governance

Board oversight of climate metrics and targets

The Board is responsible for approving and monitoring performance against climate targets. The Executive Committee (**ExCo**) monitors and manages delivery against them.

In FY24, Kiwibank had an emissions reduction target and a Sustainable Finance Goal with interim targets. (See more on these on pages 34 and 41.) The Board considers performance against these every six months when the CPBO reports to the Board with the Purpose and Sustainability Scorecard. That Scorecard tracks progress against these targets using relevant metrics, among other things. (In addition to metrics relating to emissions and sustainable finance, Kiwibank discloses a number of other metrics in this Climate Statement, on pages 43-45. While the Climate Statement has been approved by the Board, these metrics were not integrated into regular Board reporting in FY24.)

Executive remuneration

Remuneration policies for our executive and senior management are not currently linked to climate metrics or targets.

The role of executive management

Individual executive responsibilities for climate change strategy, targets and risk management

Our CE is responsible for the management of Kiwibank, by delegation from the Board. Their specific responsibilities include the following matters that may involve consideration of climate risks and opportunities:

- Implementing Kiwibank's Board-approved strategic, business and financial objectives and plans
- Considering the impact on Kiwibank's Purpose, strategic objectives and financial position when allocating resource or making major financial decisions
- Implementing processes, policies, systems and controls to effectively manage Kiwibank's operations and risks.

Every executive is responsible for assessing and managing climate risks and opportunities as they arise in their business area. (See our identification of climate risks and opportunities on pages 11-18 to understand how climate risks and opportunities arise across Kiwibank.) Additionally, our CRO and CPBO have standing climate-related responsibilities.

- Our CRO is responsible for Kiwibank's Risk function, overseeing the management of bank-wide risks, including climate risk.
- Our CPBO is responsible for delivery of Kiwibank's Board-approved internal sustainability strategy, which includes emissions reduction and maintaining Kiwibank's B Corp™ certification. They also oversee mahi to deliver our sustainable finance offering.

Executive Committee: management of climate opportunities, targets, and climate-related strategy

ExCo is responsible for monitoring and managing delivery against Kiwibank's strategy. This includes setting specific strategic objectives and managing delivery against them (such as in relation to our sustainable finance offering and our internal sustainability strategy).

The CPBO reports quarterly to ExCo on sustainable finance and our internal sustainability strategy as part of a Purpose and Sustainability Scorecard report (and every six months to the Board, as earlier described).

The Strategy team reports quarterly to ExCo on the evolution of long-term strategic uncertainties, including climate change.

Executive Risk Committee: management of climate risks

ERC is responsible for monitoring and managing all categories of risk to Kiwibank, including climate risk. Executives report on matters relating to climate risks to ERC to enable effective monitoring and management.

The CRO prepares a Key Risks report for every ERC meeting. The Key Risks report is informed by the views of Senior Management as to Kiwibank's highest-priority risks. In FY24, climate change was identified as a key risk in the Key Risks reports.

In FY24, the CRO and other executives reported 14 times to the ERC on matters relating to climate risks and opportunities across its six meetings. These included the CRO's FY24 Key Risks reports and other executive management reports on:

- Approval of the climate risks and opportunities identified as a result of our first scenario analysis process
- Credit risk, including development of climate credit risk models
- The results of Kiwibank's participation in the RBNZ Climate Stress Test
- Climate-related disclosures and sustainability reporting
- Business Continuity Planning review
- Enterprise Risk Management uplift plans
- Enterprise Risk Profile review

Asset and Liability Committee: management of climate risks in relation to liquidity, capital and funding

ALCO is an executive committee accountable to the CE. It exists to support both the CE and ARC to ensure risks to Kiwibank's liquidity, capital and funding are appropriately managed. It reports six-monthly to ARC.

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Risk Management
Whakahaere tūraru

Our risk management culture and approach

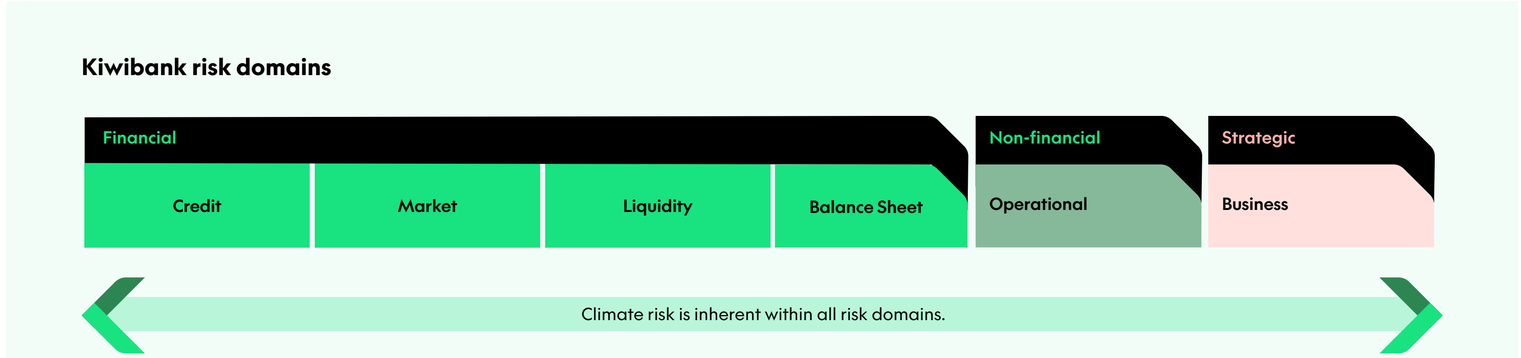
Our risk management culture and approach

We have an integrated risk culture at Kiwibank, which means risk management responsibility is embedded in every level of the bank. Each one of our kaimahi is responsible for identifying and controlling risks in their own role and we support them with training, and systems and procedures for monitoring and reporting actual or perceived risk issues.

Our risk management framework and risk domains

We manage risk across six risk domains, and have a risk management framework that guides how we identify, assess, and manage risks. Our risk management framework is based on the Three Lines of Defence Model of risk management which separates risk management, oversight and assurance. A fuller description of the components of Kiwibank's risk management framework, and of our Three Lines of Defence risk management model, can be found in our Disclosure Statement.

Fig. 6



Integrating climate risk into our risk management framework

We view climate risk as cutting across our risk domains, rather than being a standalone risk. This is because it has the potential to increase risk within each of those domains. See the Climate Risks and Anticipated Impacts tables from page 11 to understand how climate risk can appear across risk domains.

Although we are managing climate risk at Kiwibank in a range of ways already (see Tools and Methods below), we are in the early stages of formally integrating climate risk management into our risk management framework. For that integration to be meaningful and not be merely nominal, we have focused first on building a deeper understanding of how climate risk arises across different areas of Kiwibank's business. Our first scenario analysis this year has advanced our understanding in that regard.

Prioritisation of climate risks relative to other types of risks

We have not yet prioritised Kiwibank's individual climate risks relative to other types of risks the bank faces. This is because we have only identified Kiwibank's individual climate risks for the first time in FY24, on a qualitative basis, and have not yet quantified them.

In the meantime, climate change (as a general category of risk) has been formally noted by the ERC, ARC and Board as one of Kiwibank's key risks.

Our tools and methods for identifying, assessing and managing climate risk

In addition to scenario analysis, Kiwibank uses a range of other tools and methods to identify, assess and manage climate risks. Because we have not quantified our climate risks and their financial impacts yet, we have also not yet fully assessed the scope, size and impact of our identified climate risks.

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Our tools and methods for identifying, assessing and managing climate risk

Table 12

Risk domain	Risk management tools and methods	Description	Identify	Assess	Manage	Time horizon	Application to value chain/value chain exclusions	Frequency
All domains	**Climate scenario analysis**	We use scenario analysis to inform our identification of climate risks and opportunities. Our methodology and the scenarios we analysed in FY24 are described on pages 19-22.	✓			Short term: 2025-2029 Medium term: 2030-2049 Long term: 2050-2079	Applies to our whole value chain	First scenario analysis undertaken in FY24
	Horizon scanning and risk monitoring	We identify new and evolving risks via desk-based monitoring conducted by our internal subject matter experts. They monitor external sources for indications of certain climate-related risks and uncertainties, whether domestic or global. We monitor shifts in the nature, scale or potential impact of Kiwibank's risks using risk dashboards.	✓			Current	Applies to our whole value chain	Ongoing
	Regulatory change monitoring	We undertake monitoring of regulatory activities, which enables us to identify and assess transition risk arising from regulatory change.	✓	✓		Current	Dependent on regulatory focus	Ongoing
Credit risks	**Climate data analysis**	**Physical credit risks - home and commercial property lending**: We are using third-party data from Moody's RMS and NIWA. This helps us to understand the physical risk to residential and commercial properties that our lending is secured against, from exposure to different types of flooding and different flood severities. See more on our flood risk analysis on page 43. **Transition credit risks - business lending**: We used Moody's EDF-X tool to identify and assess transition risks connected to our business lending to support our participation in RBNZ Climate Stress Test (see below). This tool estimates the amount of climate-related risk our business customers could be exposed to and provides projections of the increase in probability of those customers defaulting on their loans as a result of the climate impacts they might experience. We also established the data systems to be able to start using Generate Zero's Footprint tool in FY24. This means we can start measuring the emissions of our customers from FY25. Customer emissions measurements can be used as a transition risk indicator – that is, those businesses with higher emissions could be at greater risk of the impacts that might flow from having to transition to a low-carbon, climate-resilient economy. The Footprint tool can help us to estimate those emissions, which then supports us to identify areas of transition risk in our business lending, and assess the scale and scope of that risk. Measuring customer emissions can also help us to explore solutions to support them to reduce their emissions, thereby reducing related credit risk to Kiwibank. Emissions measurement remains challenging while methodologies are still developing and while many of our customers are only at the start of their own journey to understand their emissions profile.	✓	✓		We use various time horizons against which to assess flood risks. See more detail on page 43. Climate data analysis undertaken to inform our participation in the RBNZ stress test was over the RNBZ scenario time horizon of 28 years (2022 to 2050).	Applies to our home lending, commercial property lending, and business lending only	Ongoing, and as new data becomes available

Integrating climate risk into our Credit Risk Management Framework

Our Credit Risk Management Framework (**CRMF**) is the framework of policies, procedures, controls and governance measures we use to manage the risks associated with our lending.

For us to consider what climate risk management measures it may be appropriate to build into our CRMF, we need first to have appropriately modelled our climate credit risk. Credit risk models are used to assess the probability of customers defaulting on their loans, and the extent of Kiwibank's losses should customers actually default. Our assessment of flood risk, as described in this table and on pages 43-44, will be an input to these models. We have engaged a specialist modelling consultancy since June 2023 to support and test our development of these models, and this work is ongoing.

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Table 12

Risk domain	Risk management tools and methods	Description	Identify	Assess	Manage	Time horizon	Application to value chain/value chain exclusions	Frequency
Credit risks	Regulatory stress testing and risk assessments	**RBNZ climate change risk assessment:** Starting in FY22 and leading into FY23, Kiwibank participated in the RBNZ Climate Risk Assessment which was a high-level, qualitative assessment of current climate risk in our home lending portfolio. This was an initial assessment of the potential financial impacts of current coastal flooding risk from sea level rise nationwide, and current inland flood risks associated with increased rainfall in a warmer climate in Auckland, using-RBNZ prescribed assumptions.	✓	✓		FY22 only	Applies to our home lending only. Related to sea level rise risk nationwide and flooding risk in Tāmaki Makaurau Auckland only.	As required by RBNZ
		RBNZ climate stress testing: Over FY23 and into FY24, Kiwibank participated in the RBNZ Climate Stress Test which assessed our financial resilience to physical and transitional climate risks. (See more on page 11.) We applied the RBNZ's stress test scenario to identify and assess inland and coastal flood risk in our home lending portfolio, using third-party data from Moody's RMS catastrophe models, and hazard data from NIWA. This helped us to understand what credit losses could arise for Kiwibank in the RBNZ-prescribed scenario, from different flood severities. We also used Moody's EDF-X tool to identify and assess transition risk in our business portfolio to understand what credit losses could arise Kiwibank in the RBNZ-prescribed scenario.	✓	✓		28-year scenario time horizon (2022 to 2050)	Applies to our home lending and commercial property lending only. Related to sea level rise and flooding risks nationwide.	As required by RBNZ
	Lending risk controls	**Responsible Business Banking Policy:** Our Responsible Business Banking Policy, introduced in FY21, guides our choices about which business sectors we lend to (alongside other relevant policies, like our Asset Writing Strategy). The Responsible Business Banking Policy sets out how we will work with businesses from sectors that may carry ESG risks. Kiwibank's position is that it will not enter into new relationships with producers, manufacturers, or extractors of coal, oil and gas (but may enter into new relationships with distributors (including retailers) of coal, oil and gas). Kiwibank has some discretion to make exceptions to this policy. Using this policy to guide our choices about which business banking relationships to enter into can help us manage transition credit risk arising from our business lending.			✓	Current	Applies to our commercial property lending and business lending only	Ongoing
		Insurance monitoring: We have controls in place to ensure that customers have insurance over the properties we have secured our lending against, at the time the lending is drawn. This helps us manage our credit risk exposure because we are more likely to be able to avoid losses should a customer default following damage to a property from a climate event, if there are insurance funds payable. While our processes enable us to check whether our customers have home insurance at the time of drawdown, we are exploring new monitoring to help us track whether customers continue to have sufficient insurance in place during the term of the loan.			✓	Current	Applies to our home lending only	Ongoing
		Customer lending support packages during and after climate events: Supporting our personal and business customers following climate events, in the way we were able to following the 2023 weather events (see more on page 10), can improve their financial resilience should they experience impacts from physical events. In turn, this may reduce the likelihood of them defaulting on their loan.			✓	Current	Applies to our home lending, commercial property lending and business lending only	As required by climate events
		Customer engagement: We work to reduce credit risk in our business lending by supporting some of our business customers to be more climate resilient. We do this via provision of Cogo to support certain business customers to measure their own emissions profile, and we co-fund the development of sustainability strategies for some business customers.			✓	Current	Applies to our commercial property and business lending only	Ongoing

Table continued on next page

Table 12

Risk domain	Risk management tools and methods	Description	Identify	Assess	Manage	Time horizon	Application to value chain/value chain exclusions	Frequency
Strategy and Purpose	**Strategic uncertainty monitoring and analysis**	Strategic uncertainties are categories of risk with currently uncertain scale, scope and potential strategic impact, but which could evolve into individual, specific risks to our strategy beyond five years. Identifying these uncertainties helps us to know where to monitor for areas of future, specific strategic risk to Kiwibank. Our strategic uncertainties currently include climate change, and matters like the evolution of artificial intelligence and geopolitical tensions. We identify strategic uncertainties by consulting internal and external subject matter experts, as well as ExCo and the Board. Where new trends are identified, or identified uncertainties have evolved, we report on this to ExCo and the Board, quarterly.	✓	✓		Open ended time-horizon, but beyond five years	Applies to our whole value chain	Ongoing monitoring and quarterly reporting
Operational risk	**Monitoring global weather events**	We monitor global and national weather events so that we can identify and assess as early as possible any events that might be significant enough to impact Kiwibank's operations.	✓	✓		Current	Applies to our whole value chain	Ongoing
	Business continuity planning and procedures	We have crisis management and business continuity plans and procedures in place. This is to ensure we can continue to operate and limit losses in the event of severe business disruption or damage to physical assets during a climate event. This includes a Crisis Management team that is stood up to take over the operation of Kiwibank's critical functions when a significant climate event occurs, and a Response Team which manages Kiwibank's return to normal operations after the event has concluded.			✓	Current	Applies to our whole value chain	Ongoing
	Engaging with and supporting our people	The wellbeing support package we offer to all our people helps to manage some of the wellbeing risks to them that climate change can present, and includes: ▪ Funded provision of a confidential counselling service ▪ No specified upper limit for sick, domestic and compassionate leave, within reason ▪ Wellbeing seminars and other learning ▪ Personalised, focused financial coaching to help improve the financial security of our kaimahi. Following the 2023 weather events, we offered all these kinds of support plus one-off financial support to affected people. We also run bank-wide surveys twice annually to monitor the wellbeing of our people and our leaders monitor and assess the general wellbeing and performance of their direct reports throughout the year.	✓	✓	✓	Current	Applies to permanent and fixed-term Kiwibank staff. Excludes third-party consultants and temporary employees.	Ongoing

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Metrics & targets

Ngā whaingā

Scope 1, 2 and 3 GHG emissions

Kiwibank has elected to use the first-year adoption provision relating to the requirement to disclose Scope 3 emissions. Kiwibank has elected to rely on this adoption relief in respect of certain sub-categories of Scope 3 emissions which are detailed in Table 18.

Our plan to reduce Kiwibank's emissions

We have been working to measure and reduce our emissions since 2018. In FY22, we set new targets to reduce our gross Scope 1, 2 and 3 emissions, excluding certain sources of Scope 3 emissions such as financed emissions (our **Operational Emissions**). The Scope 3 emissions sources excluded from our Operational Emissions measurement are detailed in Table 18.

We set these targets in FY22 to put Kiwibank on a path to reduce its impact on the environment, with the ambition of becoming a carbon-neutral business in terms of our Operational Emissions by the end of FY25. Carbon neutrality means achieving a balance between the carbon we emit and the carbon we indirectly remove from the atmosphere by way of offsetting.

Scope 1 emissions are direct emissions that Kiwibank causes from sources owned or controlled by Kiwibank, such as our vehicle fleet, diesel back-up generators, and refrigerants from our air conditioning.

Scope 2 emissions are indirect emissions from Kiwibank's consumption of energy (electricity and/or heat).

Scope 3 emissions are other indirect emissions not covered by Scope 2, that occur in Kiwibank's value chain, such as emissions generated by the production and provision of the goods and services Kiwibank purchases (upstream), and waste generated by Kiwibank's operations, business travel, leased assets, investments and the emissions of customers Kiwibank lends to (downstream).

A list of the emissions sources Kiwibank has measured within each scope in FY24 is on pages 38-39.

Our strategy for achieving carbon neutrality is first to reduce our Operational Emissions as far as practicable by the end of FY25, before looking to options for offsetting our remaining Operational Emissions. Offsetting means investing in projects which remove carbon from the atmosphere or avoid greenhouse gases being emitted to the atmosphere. We are not currently offsetting any of our emissions.

Our emissions reduction target: reducing our Operational Emissions by 40% by FY25

We set our most recent Operational Emissions reduction target (**OERT**) in 2021. Our current OERT is to reduce our Operational Emissions by 40% by FY25, compared to our baseline year of FY21. We consider that, in relation to the sources of emissions that it covers, this target is in line with the short-term pathways required to limit global warming to 1.5 degrees. We developed our OERT target using Science Based Targets Initiative (**SBTi**) guidance and this supports our view that the target contributes to limiting global warming to 1.5 degrees. This target has not been verified or approved by SBTi. We recognise that the OERT ends in FY25 and therefore does not align with a longer term 1.5-degree pathway. We have not, to date, set an emissions reduction target over the longer term.

For example, we have not to date set a 2050 emissions reduction target. Our OERT does not rely on offsets. We set sub-targets and interim targets in 2021 to help us work towards our OERT. We currently intend to reset our OERT and sub-targets from FY25. In FY24, with only one year remaining to our target date of FY25, we have no remaining interim targets.

Our OERT, sub-targets and interim targets are set out below. While our OERT is an emissions reduction target, our sub-targets are focused on changing some of our activities in a manner intended to contribute to our emissions reduction and may not be specifically tied to a level of emissions.

Financed emissions
We recognise that the majority of Kiwibank's emissions are likely to be generated by the activity of customers we finance. However, obtaining reliable financed emissions data is challenging and measurement methodologies are still developing. We did not have capability to measure our financed emissions in FY24. This means we have not yet developed a strategy to begin reducing our financed emissions, including any reduction targets. We established better emissions reporting capability this year and can now use Generate Zero's Footprint Tool to begin measuring financed emissions from FY25.

Table 13

Target	Baseline period	Target date	Type of target (intensity or absolute)	FY24 interim targets
Reduce total operational emissions by 40% by FY25	FY21	FY25	Absolute	28% reduction from baseline
Sub targets:				
Reduce air travel by 15% by FY25	FY21	FY25	Absolute	10% reduction from baseline
Reduce electricity consumption by 25% by FY25	FY21	FY25	Absolute	20% reduction from baseline
Convert 100% of our fleet to electric by FY25	FY21	FY25	Absolute	50% converted since baseline

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Scope 1, 2 and 3 emissions

Progress against our targets

Table 14

Progress against our OERT						
	FY21 emissions (tCO_2e)	**FY24 emissions or activity (tCO_2e)**	**FY25 Target**	**FY24 progress against interim target**		**Notes on our progress**
				FY24 interim target	**FY24 progress**	
Reduce total operational emissions by 40% by FY25	1174.54	830.81	-40%	- 28%	**-29%**	Our Operational Emissions reduction since FY21 has been driven in part by: ▪ Conversion of 57% of our vehicle fleet to electric vehicles. See more on our progress against this sub-target below. ▪ Energy efficiency improvements. See more on our progress against this sub-target below. We note that, although we exceeded our interim target, our progress is subject to uncertainty as follows. ▪ We reduced our Scope 3 data centre energy consumption in FY24. (See more detail in Table 15.) However, we reduced that emissions activity in part by transferring some of our computing to cloud computing. Cloud computing is an emissions source we did not measure in FY24. This means that, although we achieved a reduction of our Operational Emissions against our interim OERT, we are likely to have increased another source of emissions by an unknown amount. ▪ We have not yet comprehensively determined whether emission factors used in our base year have changed significantly enough since then to necessitate recalculation of our baseline. This creates uncertainty as to our progress in FY24 against our interim OERT and interim sub-targets (excluding conversion of our fleet).

Table 15

Progress against our sub-targets[9]						
	FY21 emissions (tCO_2e)	**FY24 emissions or activity (tCO_2e)**	**FY25 Target**	**FY24 interim sub-target**	**FY24 progress against interim sub-target**	**Notes on our progress**
Reduce emissions from air travel by 15% by FY25	250.97	249.73	-15%	-10%	**-0.5%**	Our air travel emissions have not materially reduced since our FY21 baseline. In 2021, we set an ambitious air travel emissions reduction target against a baseline year in which Covid-related travel restrictions were in place. We considered that target to be appropriate given the continued trend towards remote ways of working and connection since FY21. To support kaimahi to keep air travel to a minimum, we introduced carbon budgets for every business area (aligned to our -15% FY25 target) and encouraged the continuation of remote ways of working and connection where possible. However, we are not currently on track to achieve this target. We note that our number of full-time employees has increased since FY21 by 20%, which is likely to have affected our efforts to reduce air travel emissions. As we grow, we expect reduction of air travel emissions to remain challenging.
Reduce emissions from direct electricity consumption by 25% by FY25	374.37	229.49	-25%	-20%	**-39%**	Our reduction of emissions from electricity consumption went beyond our interim target. We have introduced a range of energy efficiency measures since FY21 to achieve this. However, we have not been able to identify with certainty the extent to which each of those measures has contributed to this reduction.
Convert 100% of our fleet to electric by FY25	0%	57% converted	100%	50%	**57%**	We exceeded our interim target for fleet conversion. This has contributed to a significant reduction in our fuel (petrol and diesel) consumption. See more below in Table 16.

We had interim Operational Emissions reduction targets for FY22 and FY23, and tracked our progress in those years against our OERT, sub-targets and interim targets. However, in FY24 we made some changes to the methods we use to determine our emissions.[10] We have therefore recalculated our emissions for FY21 (our baseline year) to reflect these changes, but we have not recalculated our emissions for FY22 or FY23. Accordingly, this report does not include our progress in FY22 or FY23 against our OERT, sub-targets or interim targets. We are also not disclosing comparative information for our GHG emissions for FY22 and FY23, and are relying on adoption provisions 6 and 7 as set out on page 4.

[9] In FY23, we set ourselves a sub-target for FY24 to reduce our emissions from data centre energy consumption. However, given the uncertainty of our progress against that sub-target for the data limitation reasons described in Table 14, we no longer consider this a reliable measure of our progress to reduce Kiwibank's emissions.
[10] Methodological changes made in FY24 are: correcting emission factors misapplied to four emissions sources in our FY21 baseline year; updating the emission factor used for flights; and improving the accuracy of our electricity consumption and mixed waste emissions reporting.

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Scope 1, 2 and 3 emissions

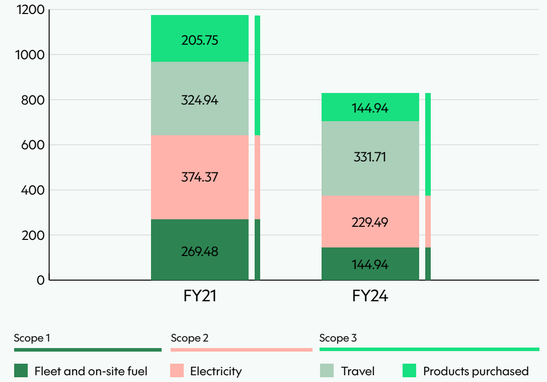
Kiwibank's Operational Emissions in FY24

Table 16

Scope	GHG emissions	FY21 emissions (tCO_2e or %)	FY24 emissions (tCO_2e)	Change since baseline (%)		Notes on our progress
Scope 1	Category 1	269.48	144.94	**-46%**		Conversion of some 57% our internal combustion engine fleet vehicles to electric vehicles has contributed to a marked reduction in our fuel (petrol and diesel) consumption.
Scope 2 (location-based method)	Category 2	374.37	229.49	**-38%**		As per Table 15, we have introduced various energy efficiency measures since FY21. However, we have not been able to identify with certainty the extent to which each of those measures has contributed to this reduction.
Scope 3	Category 3	324.94	331.71	**+2%**	**-14%**	Although our Scope 3/Category 3 and 4 emissions reduced to the end of FY24, we note: ▪ Our Category 3 travel-related emissions have increased since FY21. These include air travel, taxis, car hire and staff mileage claims. ▪ We estimate that our Category 4 reduction is due in part to our having reduced our use of data centres by way of efficiency measures. However, as described in Table 14, we estimate it is also due in part to our transferring some of our computing needs to cloud computing. Cloud computing is not an emissions source we measured in FY24. ▪ This means that, although we achieved a reduction across these categories of Scope 3 emissions, we are likely to have increased another source of emissions by an unknown amount.
	Category 4	205.75	124.67	**-39%**		
Totals	**Total Operational Emissions**	**1174.54**	**830.81**	**-29%**		
	Intensity metric tCO_2e per FTE	**0.6**	**0.3**	**-50%**		

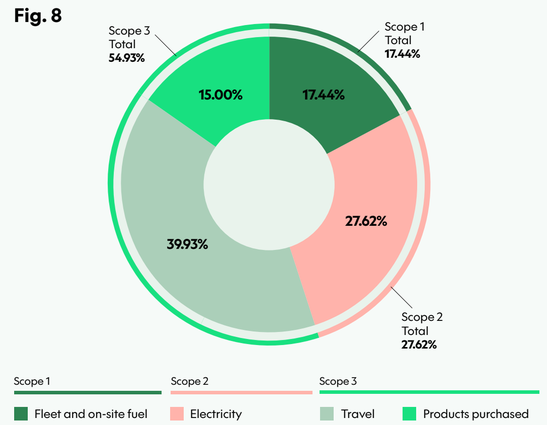
Operational Emissions trend since baseline year

Fig. 7



Operational Emissions in FY24

Fig. 8



Fleet and on-site fuel	Diesel generators, fuel cards, and refrigerant gas use
Electricity	Electricity and electric vehicle charging
Travel	Business air travel, accommodation, car hire, taxis, Uber, and mileage claims
Products purchased	Paper usage, general waste, data centres, and transmission and distribution losses

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Scope 1, 2 and 3 emissions

Methods, assumptions and estimation uncertainty

Measurement standards applied

Kiwibank's Operational Emissions inventory for FY24 has been prepared in accordance with the Greenhouse Gas Protocol's Corporate Accounting and Reporting Standard and ISO 14064-1:2018 *Greenhouse gases, Part 1: Specification with guidance at the organization level for quantification of greenhouse gas emissions and removals.*

Emission factors

To calculate our FY24 emissions, we have primarily used Manatū Mō Te Taiao - Ministry for the Environment (**Ministry for the Environment**) 2023 emission factors, which are based on the 100-year Global Warming Potential (GWP values) (GWP100) for the IPCC's Fifth Assessment Report (AR5). For a small number of emission sources there are no applicable Ministry for the Environment factors. For those, we have used 2023 UK Government Greenhouse Gas Conversion factors for Company Reporting (2023 UK GHG Conversion factors), which are based on the 100- year Global Warming Potential (GWP values) (GWP100) for the IPCC's Fourth Assessment Report (AR4).

Base year measurement

Our base year measurement period is from 1 July 2020 to 30 June 2021 (FY21), aligning with Kiwibank's annual reporting period.

Operational boundary

We have taken an operational control approach to measuring Kiwibank's emissions. We defined our operational boundary in FY22 by mapping the entities and business activities over which Kiwibank has operational control. We also included third-party emissions over which we do not have operational control, but where we have a contractual relationship with a third-party for supply of goods or services and have been able to source emissions data for that supply. We did not review our operational boundary in FY24. We have also excluded some sources of emissions that are within our operational control. A list of excluded FY24 emissions sources is in Table 18.

Intensity metric

We have applied an intensity metric, being Kiwibank's emissions per full-time employee (**FTE**). This metric is included in Table 16.

Intensity metric method

We calculated our emissions intensity using this intensity metric (tCO_2e per FTE) for the first time in FY24. The calculation is total emissions in the FY24 inventory divided by number of FTE.

We identified the number of FTE for our FY21 baseline year and FY24. Our calculation was based on the total number of Kiwibank FTE in the given year, which is the total number of full-time employees, part-time employees and independent contractors. For part-time employees and independent contractors, we pro-rated each to a proportion of one FTE based on the number of hours they worked over the relevant year.

Sources of emissions data

Kiwibank obtains emissions source data directly from third-party suppliers and does not collect any emissions data directly. We use Generate Zero's Footprint tool to calculate our Operational Emissions and to track and analyse our emissions reduction efforts. Table 17 sets out the sources of our emissions data, calculation method, emission factor applied, and uncertainties.

No external assurance in FY24

Our emissions for this reporting period have not been subject to an external assurance engagement.

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Table 17

FY24 data sources and emissions calculation methods					
Scope	**Emissions category**	**Activity (data source)**	**Method**	**Uncertainty and assumptions**	**Emission factor source**
Scope 1	Category 1 direct emissions	Diesel generators – back up power	Calculation based on the quantity of diesel used (litres) and emission factor. Data is obtained from reports provided to Kiwibank from the third party who maintains Kiwibank's generators.	**High certainty:** Assumes accuracy of third-party supplier data collection methods. Potential for human error where data entry is required.	Ministry for the Environment 2023
		Fleet - petrol and diesel	Calculation based on fuel usage in quantity of diesel and petrol used (litres) and emission factor. Data obtained in reports provided to Kiwibank from a third-party fuel-card provider, recording fuel card transactions by litres.	**High certainty:** Assumes accuracy of third-party supplier data collection methods. Assumes drivers of Kiwibank fleet vehicles pay for all re-fuelling of Kiwibank petrol or diesel vehicles with a Kiwibank fuel card.	Ministry for the Environment 2023
		Refrigerants	Calculation based on quantity of refrigerant used (kilograms) by air-conditioning at 25% of Kiwibank's sites, and emission factor. Data is obtained from reports provided to Kiwibank by the third-party who maintains our air-conditioning systems. That data is provided to Kiwibank by litres of refrigerant, which is converted to kilograms by the Generate Zero Footprint tool.	**Low certainty:** Assumes accuracy of third-party supplier data collection methods. Only the refrigerants from 25% of Kiwibank sites are able to be measured due to limitations in our air-conditioning subcontractors' reporting methods. We do not make an estimation as to refrigerant emissions from the remaining 75% of sites, so they are excluded from our reporting. We assume that the quantity of refrigerant topped up equals the quantity of the refrigerant lost during the reporting year. Potential for human error where data entry is required.	Ministry for the Environment 2023
Scope 2	Category 2 indirect emissions (imported energy)	Electricity consumption including fleet - electric vehicles	Calculation based on electricity consumption (kWh) and emission factor. Includes electricity consumption from sites Kiwibank shares with other parties and Kiwibank's consumption at those sites is estimated based on the share of the facilities occupied by Kiwibank based on floor space (square metres). Data is obtained from invoices provided to Kiwibank by electricity providers.	**Medium certainty:** Assumes accuracy of third-party supplier data collection methods. Includes some uncertainty due to inclusion of Kiwibank electricity consumption at shared sites, where consumption is estimated based on the share of the facilities occupied by Kiwibank. Potential for human error where Kiwibank calculates its proportion of shared-site electricity consumption.	Ministry for the Environment 2023
			Electric vehicle electricity consumption is recorded by at-home and Kiwibank site chargers. Data is obtained from a third-party online portal to which Kiwibank has access, and which records electricity consumption by at-home and Kiwibank site chargers.	**High certainty**: Assumes accuracy of third-party supplier data collection methods.	Ministry for the Environment 2023
Scope 3	Category 3 indirect emissions (transportation)	Travel – flights	Calculation based on distance travelled and emission factor. For flights booked and paid for by Kiwibank, emissions data is obtained from reports provided to Kiwibank by the third-party travel agent who books that travel, recording kilometres flown as determined by the supplier. For flights taken by Kiwibank kaimahi that are booked and paid for by third parties, that flight is recorded in a Gift Register and Kiwibank then estimates the flight's emissions based on the direct distance (kilometres) between departure and arrival destinations.	**Medium certainty:** Assumes accuracy of third-party supplier data collection methods. Includes some uncertainty where mileage from cancelled flights or amended bookings may occasionally be included in error in the third-party data report provided to Kiwibank. However, we estimate any such inclusions to be de minimis. Also includes some uncertainty where emissions are not calculated based on actual mileage flown, but on the direct distance between destinations. Some uncertainty and potential for human error resulting from Kiwibank's calculation, using a third-party air miles calculator, of distances flown on flights booked and paid for by third parties.	Ministry for the Environment 2023
		Travel – Uber	Calculation based on distance travelled (kilometres) and emission factor. Mileage data is obtained from an Uber online portal to which Kiwibank has access.	**High certainty:** Assumes accuracy of third-party supplier data collection methods.	Ministry for the Environment 2023
		Travel – taxi	Calculation based on taxi charges (spend-based) and emission factor. Spending data obtained from Kiwibank's internal expense claims logging system to which our kaimahi are required to upload their taxi receipt or invoice.	**Medium certainty:** Assumes accuracy of third-party supplier data collection methods. Reliant on a spend-based method rather than mileage due to data limitations.	Ministry for the Environment 2023

Table continued on next page

Table 17

FY24 data sources and emissions calculation methods					
Scope	**Emissions category**	**Activity (data source)**	**Method**	**Uncertainty and assumptions**	**Emission factor source**
Scope 3	Category 3 indirect emissions (transportation)	Travel - accommodation	Calculation based on number of nights stayed and emission factor. Data is obtained from reports provided to Kiwibank by the third-party travel agent who books that accommodation.	**High certainty:** Assumes accuracy of third-party supplier data collection methods. Includes some uncertainty in that cancelled bookings may remain in the third-party data report as to total number of nights stayed. However, we expect any such inclusions to be de minimis.	Ministry for the Environment 2023
		Car hire – vehicles (all)	Calculation based on distance travelled (kilometres) and emission factor. Data is obtained from reports provided to Kiwibank by one car hire company and by Kiwibank accessing the online customer portal of another. The emissions factor applicable is determined by engine size. Kiwibank is provided with vehicle class information by the car hire companies and makes its own determination as to engine size via desk-top research.	**High certainty:** Assumes accuracy of third-party supplier data collection methods.	Ministry for the Environment 2023
		Fleet - kaimahi mileage claims	Calculation based on kaimahi mileage claims for distance travelled (kilometres) and emission factor. Data is obtained from an internal mileage claims logging system, to which Kiwibank kaimahi log the destinations they drove between, and the claims logging system then determines the mileage based on the road distance between those destinations.	**High certainty:** Assumes accuracy of kaimahi mileage claims and of third-party recording and collation of those claims.	Ministry for the Environment 2023
	Category 4 indirect emissions (products used by organisation)	Paper - collateral	Calculation based on paper weight (kilograms) and emission factor. Data is obtained from reports provided to Kiwibank by a third-party paper collateral printer based on orders fulfilled to Kiwibank.	**High certainty:** Assumes accuracy of third-party supplier data collection methods. Potential for human error where Kiwibank data entry is required.	2023 UK GHG Conversion factors
		Paper - statement mailing	Calculation based on paper weight (kilograms) and emission factor. Data obtained is from reports provided to Kiwibank by a third-party paper supplier.	**High certainty:** Assumes accuracy of third-party supplier data collection methods. Potential for human error where Kiwibank data entry is required.	2023 UK GHG Conversion factors
		Paper - recycling	Calculation based on paper weight (kilograms) and emission factor. Data is obtained from reports provided to Kiwibank by a third-party paper recycling company.	**High certainty:** Assumes accuracy of third-party supplier data collection methods.	2023 UK GHG Conversion factors
		Mixed waste	Calculation is based on waste weight (kilograms) and emission factor. Data is obtained from waste weight measurement reports provided to Kiwibank by a third-party cleaning contractor.	**High certainty:** Assumes accuracy of third-party cleaning contractors' waste weight measurements.	Ministry for the Environment 2023
		Data centres	Calculation based on electricity consumption (kWh) and emission factor. Data is obtained from reports provided to Kiwibank by third-party data centre provider.	**High certainty:** Assumes accuracy of third-party supplier data collection methods.	Ministry for the Environment 2023
		Transmission and distribution (T&D) line losses	Calculation based on electricity consumption (kWh) and emission factor. Data is obtained from reports provided to Kiwibank by electricity suppliers. Two of those suppliers do not distinguish T&D losses in their reporting, but those losses are accounted for in our measurement of emissions from electricity consumption generally. This means that our total emissions under this category include an element of estimation as to the T&D losses arising from two of our four electricity suppliers.	**Medium certainty:** Assumes accuracy of third-party supplier data collection methods. Includes a degree of estimation as to the total T&D losses arising from Kiwibank's consumption of electricity from two of its four electricity suppliers.	Ministry for the Environment 2023

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Scope 1, 2 and 3 emissions

GHG emissions exclusions: Scope 3 sources

We did not measure the following categories of known Scope 3 emissions sources in FY24.

Table 18

Excluded sources	Reason
Courier services	We excluded this category of emissions on the basis that it is immaterial. Emissions from this activity are estimated to be <1% of all emissions.
Standalone Kiwibank ATMs (energy consumption)	Energy consumption data of standalone ATMs is measured within the total general energy consumption data of the sites at which they are installed. Standalone ATMs are installed at third-party sites not leased or otherwise controlled by Kiwibank. This means we are unable to obtain specific energy consumption data for our standalone ATMs. They account for 24% of Kiwibank ATMs. On-site ATM energy consumption, which is the remaining 76% of our ATMs, is accounted for in the total energy consumption data we obtain for each of our branches. We are unable to distinguish ATM energy consumption from total energy consumption at those sites.
Emissions generated by our people when they work from home	We have not yet measured these known emissions sources and they have not been included in our emission reduction strategy or targets to date. Their exclusion from our emissions measurement to the end of FY24 is a known uncertainty in our emissions reporting.
Emissions generated by our people when they commute to and from Kiwibank sites	
Emissions generated by our use of cloud computing	
Other supplier relationships	Kiwibank has a large number of supplier relationships up and down its value chain. We have prioritised obtaining emissions data for the supplier relationships from which we estimated the most significant emissions (in terms of magnitude) and they are detailed in Table 17. However, we have not yet completely identified and made a significance estimation for every individual emissions source arising from our network of suppliers. Those sources of emissions may, in aggregate, constitute a significant source of Kiwibank emissions. They have not been included in our emissions reduction strategy or targets to date. Their exclusion from our emissions measurement to the end of FY24 is a known uncertainty in our emissions reporting.
Financed emissions	We have not yet begun measuring the emissions caused by the activity of the customers we lend to, or by the activity that Kiwibank finances through its investments. We know that our financed emissions are a significant emissions source. They have not been included in our emissions reduction strategy or targets to date. Their exclusion from our emissions measurement to the end of FY24 is a known uncertainty in our emissions reporting.

Internal emissions price

Kiwibank does not currently employ an internal emissions price (**IEP**). We undertook initial research in FY24 to understand the different ways an IEP could support our management and reduction of emissions. However, because we will continue developing our transition plan in FY25, including resetting our emissions reduction targets, we consider it is too early to determine how to best to use an IEP to meaningfully support our emissions reduction.

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Other metrics and targets

Sustainable Finance Goal

In FY22, we set a goal for Kiwibank to deliver $2 billion in sustainable finance[11] by FY30 (our **SFG**). We set this goal to support greater access to sustainable finance for more Kiwi businesses, including for smaller businesses who may not have previously had access to sustainable finance. Our definition of sustainable finance, and our method for calculating the qualifying amount of sustainable finance we provided, are detailed below.

We began measuring and reporting on our progress against the SFG in FY23 when we introduced our first Sustainable Business Loan. From FY23, we set annual interim targets to help us reach our overall SFG. Our progress against the SFG and the interim targets is set out below.

Both our SFG and the interim target for FY25 are ambitious. In particular, we have not identified the exact steps we will take to achieve the SFG. Although we have been making progress towards the SFG, both it and the FY25 interim target are subject to uncertainties and will not necessarily be achieved.

Table 19

Sustainable Finance Goal and associated targets			
Goal	Base year	Target date	Interim targets
Deliver $2 billion in sustainable finance by FY30	FY22	FY30	FY23: $100 million
			FY24: $170 million
			FY25: $200 million

[11] Our sustainable finance offering includes a range of products that may be used for different purposes. Many of our sustainable finance products and their available uses relate to climate change (for example, by incentivising emissions reductions). However, some of them relate to broader sustainability initiatives.

Progress against our Sustainable Finance Goal to FY24

Table 20

Progress against our Sustainable Finance Goal and associated targets					
Goal		FY22 (baseline year)	FY23	FY24	Notes on our progress
Deliver $2 billion in sustainable finance by FY30	Total annual sustainable finance lending	$0	$53.8 million	$177.9 million	We exceeded our goal to provide $170 million in sustainable finance to Kiwi in FY24. This lending included supporting businesses with purchasing sustainable assets or equipment, and personal customers to install solar energy in their homes.
	Progress against interim target	N/A	**53.8% of $100 million**	**104.7% of $170 million**	
	Progress against SFG	0%	2.7% of $2 billion	11.6% of $2 billion	We identified an additional $7 million of sustainable finance provided in FY23 through Sustainable Energy Loans and other lending. That lending occurred in June 2023 but was not verified until after that reporting period ended. It has now been added to our FY23 total.

Methods, assumptions and uncertainties

Qualifying sustainable finance

For the purpose of measuring progress against our SFG, sustainable finance is Kiwibank lending in any of the categories described in Table 21. We have not included in the totals in Table 20 any of the Green, Social, and Sustainability bonds that are in Kiwibank's liquidity portfolio.

Table 21

Lending type	Explanation
Sustainable Business Loan	This is a loan that must be used for approved sustainable purposes. Approved uses are described in Table 22.
Sustainability Linked Loans	These are loans linked to sustainable performance targets. We can apply a premium to the interest rate if the customer does not achieve their sustainable performance targets, or offer a reduced interest rate if they do meet their targets. We set targets based on the customer's sustainability strategy, which must be acceptable to Kiwibank. If the customer does not have an acceptable strategy in place, we provide support (including technical expertise and co-funding) for the development of that strategy.
Sustainable Energy Loans	These are home loan top-ups for the purchase and installation of solar power, small-scale hydro, wind energy and geothermal systems. Home loan customers receive a contribution from Kiwibank of up to $2,000 over four years towards the cost of the system, if they take out a loan top-up of at least $5,000 for that purpose.
Certified B Corporations	These are loans for B Corp™ certified businesses.
Other sustainable lending	We offer sustainable lending outside of the above categories. We may do so where we identify that a customer lending need has a credible sustainability benefit, but does not fit within one of our other approved uses. We exercise our discretion as to whether a lending need has a credible sustainability benefit. We assess the sustainability benefit of these loans on a case-by-case basis, and at our discretion.

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Other metrics and targets

We require customers to provide evidence that the lending will be used for an approved purpose at the time of drawing down the loan, and, for some types of lending, during the term of the loan (for example, during the course of completion of a sustainable building). Use of our sustainable finance for unapproved purposes conflicts with our sustainable lending conditions. Where we become aware of use of funds for unapproved purposes, we exclude that lending from our SFG reporting.

We calculate the amount of qualifying lending for our SFG reporting based on total amount lent or approved. We include the total approved amount for any working capital facilities (such as revolving credit facilities).

Katie Jackson - Co-founder of Wonky Box, Joanna Greaves - General Manager Business Banking at Kiwibank, Tom Williams - Head of Sustainable Finance at Kiwibank, and Angus Simms - Co-founder of Wonky Box. Wonky Box is a Kiwibank customer.

Table 22

Approved uses of Sustainable Business Loans	
Loan use	**Description**
Sustainable buildings	• Purchasing, developing or refinancing of: ▪ Commercial properties with a 5-star, or above, Green Star rating ▪ Residential properties with a 6-star, or above, Homestar rating ▪ Social or transitional housing projects • Purchasing or refinancing of office buildings with a 4-star, or above, NABERSNZ rating.
Energy efficiency and renewable energy	• Purchasing and installing energy efficient technology, such as energy-efficient heat pumps or commercial LED lighting, on commercial premises • Purchasing or installing renewable energy generation, supply or storage systems.
Sustainable transport and equipment	• Purchasing new low-emissions vehicles, or products that support low-emissions transport solutions such as electric vehicle charging infrastructure • Purchasing and installing new, lower-emissions machinery.
Water and waste management	• Developing sustainable packaging solutions and circular economy processes that reduce waste to landfill • Developing waste reduction infrastructure • Purchasing and installing water-efficient technology such as water metering.
Sustainable industry	• Establishing or scaling sustainable nature-based ventures including: ▪ Organic food systems such as viticulture or horticulture systems ▪ Sustainable aquaculture or fisheries.
Conservation and land use change	• Establishing permanent native or exotic forestry • Conserving, rewilding or regenerating natural environments such as peatlands, wetlands, and parklands to enhance biodiversity • Developing ecotourism ventures or activities from non-sustainable tourism.

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Other metrics and targets

Assets vulnerable to physical climate risks: flood risk

We have evaluated the exposure to flood risk in terms of:

- The proportion of residential properties our home lending is secured against (our **Current Home Lending Securities**)
- The amount of our total outstanding home lending (our **Current Home Lending**).

Our assessment focused on two different flood risks:

- **Coastal flooding** which can result from high tides, storm surges, and/or large waves, particularly when these factors combine, and which can be intensified by rising sea levels.
- **Inland flooding** which includes river flooding (fluvial) and flooding caused by heavy rainfall (pluvial).

We have assessed the exposure of our Current Home Lending securities to flood events of certain severities. These are measured by Annual Exceedance Probabilities (AEPs). AEPs are a measure of the annual probability of a flooding event happening in a given location.

We have not yet assessed the potential financial impacts of these types of flood risk in relation to our home lending (in terms of probability of default, or loss given default). As described on page 30, we are currently developing climate credit risk models to enable this.

Coastal flood risk: home lending

For this analysis, we consider that a property is 'at risk' of coastal flooding if flood water could touch any part for the property between 2030 and 2090 (based on data as to the extent of possible future coastal flooding described below).

We have assessed the extent of exposure of our Current Home Lending that could be at risk in a 1% AEP of coastal flooding under a SSP5-8.5H+ scenario. This scenario is based on the Intergovernmental Panel on Climate Change's 6th Assessment Report (2021) SSP5-8.5 scenario and represents the upper likely range of sea level rise (83rd percentile) under that scenario. The SSP5-8.5 scenario broadly corresponds to Kiwibank's 'Hothouse' climate scenario in FY24. (See a description of the scenario framework on page 21.)

Table 23

Current Home Lending exposure to coastal flood risk 2030 to 2090			
Year	**Median sea level rise increment (metres)**	**% of Current Home Lending Securities at risk**	**% of Current Home Lending exposed under SSP5-8.5H+**
2030	0.2	2.1%	1.8%
2050	0.4	2.7%	2.4%
2070	0.6	3.6%	3.0%
2090	0.9	4.7%	4.0%

Methods, assumptions, limitations and uncertainties

We used coastal flooding data from NIWA and property location data from Valocity for this analysis.

Our assessment of the coastal flood risk exposure of our Current Home Lending Securities and our Current Home Lending is subject to the following limitations and uncertainties:

- We have relied on third-party data that we consider to be credible. However, information about the future effects of climate change is inherently uncertain. It is therefore possible that the actual coastal flood exposure of our Current Home Lending Securities and Current Home Lending is larger or smaller than these metrics suggest.
- Due to data quality limitations, we have not been able to match all of our Current Home Lending Securities and Current Home Lending to coastal flood risk data. The metrics above cover 91.51% of our Current Home Lending Securities and 91.85% of our Current Home Lending.
- Due to data limitations, we have not taken account of building specifications that might increase or reduce the risk of coastal flood damage to a property (for example, the height of the foundations on any property). This means our analysis may not reflect the actual risk to properties.
- Available NIWA sea level rise data is based on 10cm increments. We did not have access in FY24 to NIWA sea level rise data beyond one metre. We have therefore started our analysis at 20cm in 2030 and concluded it at 2090.
- Due to data limitations, we have not considered:
  - Other location-specific elements that may impact coastal flood severity, such as depth of flooding and wave velocity
  - Customer mitigation/adaptation measures that may reduce the severity of coastal flood risk damage sustained
  - The interaction of coastal flood risk with inland flood risk.

Other metrics and targets

Inland flood risk: home lending

In FY24, we assessed the exposure of our Current Home Lending Securities and Current Home Lending to inland flood risk, including the severity of damage that our Current Home Lending Securities could sustain.

We made these assessments across three different AEPs.

Table 24 shows the percentage of Current Home Lending Securities and the percentage of Current Home Lending that Kiwibank has identified as being at risk of inland flooding across the three severities, by reference to a range of six Flood Risk Scores. The flood scores reflect the severity of potential damage to our Current Home Lending Securities, using a Mean Damage Ratio. A Mean Damage Ratio indicates the percentage of the property potentially damaged by flooding, as a proportion of its estimated insurable value.

Methods, assumptions, limitations and uncertainties

We used Moody's RMS' probabilistic inland flood models, in combination with Valocity property data, to obtain Flood Risk Scores for our Current Home Lending Securities. Moody's RMS Flood Risk Scores are based on potential property damage from inland flood events in Aotearoa New Zealand.

Our assessments of inland flood risk to our Current Home Lending Securities and Current Home Lending are subject to the following limitations and uncertainties.

- We have relied on third party data and methods that we consider to be credible. However, information about the effects of climate change is inherently uncertain. It is therefore possible that the actual exposure of our Current Home Lending Securities and Current Home Lending to inland flood risk is larger or smaller than these metrics suggest.
- Moody's RMS models account for flood defence and mitigation efforts only where there is publicly available information about them. They account for building specifications where there is information reasonably available and rely on assumptions about building specifications in all other cases.
- The Flood Risk Scores are an assessment of current risk. We have some data about flood risk severities across future scenarios, but we are still working to understand the limitations of and uncertainties in that data and have accordingly not relied on that data for the purposes of this analysis in FY24. This means that our analysis of inland flood risk exposure as set out above is subject to particular uncertainty as to future inland flood risk exposure, because it does not take into account a range of different future climate scenarios.
- Due to data quality limitations, we have not been able to match all of our Current Home Lending Securities and Current Home Lending to inland flood risk data. The metrics above cover 91% of our Current Home Lending Securities and 91.20% of our Current Home Lending.
- Due to data limitations, we have not considered:
  - Customer mitigation/adaptation measures that may reduce the severity of inland flood risk damage sustained
  - The interaction of coastal flood risk with inland flood risk.

Table 24

Current Home Lending exposure to inland flood risk								
Flood Risk Score	**Modelling Indicates Flooding**	**Mean Damage Ratio**	**1% annual exceedance probability[12]**		**0.4% annual exceedance probability[13]**		**0.2% annual exceedance probability[14]**	
			% Current Home Lending Securities	% Current Home Lending	% Current Home Lending Securities	% Current Home Lending	% Current Home Lending Securities	% Current Home Lending
1. Extremely Low Risk	No	0%	82%	84%	76%	79%	60%	64%
	Yes	0-0.5%	18%	15%	21%	18%	32%	30%
2. Very Low Risk – Low Risk	Yes	0.5-5%	0.39%	0.32%	1.8%	1.4%	4.7%	4.0%
3. Low to Moderate Risk	Yes	5-10%	0.11%	0.10%	0.48%	0.42%	.84%	0.67%
4. Moderate Risk	Yes	10-15%	0.04%	0.04%	0.28%	0.22%	.45%	0.37%
5. Moderate to High Risk	Yes	15-20%	0.03%	0.02%	0.19%	0.15%	0.32%	0.27%
6. High Risk – Extremely High Risk	Yes	20-100%	0.09%	0.08%	0.64%	0.52%	1.5%	1.21%

[12] Also known as a 1 in 100 year flood event. [13] Also known as a 1 in 250 year flood event. [14] Also known as a 1 in 500 year flood event.

Other exposures to physical risk

Due to data and resource limitations in FY24, we have not assessed the exposure of other Kiwibank lending to flood risk (being business lending, including commercial property), and Kiwibank lending to other types of physical risk.

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Other metrics and targets

Assets vulnerable to transition climate risks

Not all of our identified transition risks lend themselves to a vulnerability metric. An example is risks relating to Kiwibank's ability to deliver on its strategy and Purpose. These are general risks for Kiwibank as an entity rather than risks impacting a particular amount or percentage of assets or business activities. Accordingly, we disclose vulnerability metrics that we consider relevant, and where data is available.

Exposure of business lending to transition risk in fuel distribution and retailing

We have not yet undertaken sector-specific analysis on all of our business lending to identify associated transition risks. (See descriptions of those transition risks on page 14.) However, we anticipate that businesses involved in the fossil fuel industry may be subject to a higher degree of transition risk than other sectors.

We lend to fuel distributors (petrol and diesel), including retailers. We do not lend to businesses extracting or producing fossil fuels.

We have assessed our total lending exposure to fuel distributors and retailers. As at 30 June 2024:

- Kiwibank's drawn lending and approved lending (our Total Committed Exposure, or **TCE**) to fuel distributors and retailers totalled $50.03 million.

As described on page 11, we have not yet modelled the specific credit risks that may be associated with this lending, including probability of default or loss given default.

Methods, assumptions, limitations and uncertainties

We identified our lending exposure to fuel distributors and retailers using the ANZSIC codes attached to our business lending relationships. ANZSIC codes are standard classifications used to identify the sector a business operates in. We then reviewed the relevant identified lending relationships individually to confirm the ANZSIC code has been applied accurately. We have not yet been able to determine whether any relevant businesses we lend to have been excluded from our analysis because they do not have an ANZSIC code indicating fuel distribution and retailing.

Assets aligned with climate opportunities

We have identified that opportunities for new lending may arise where new markets and businesses emerge during the transition to a low-carbon, climate-resilient economy. As described on page 18, new markets and businesses could emerge to provide products, services and investments enabling mitigation and/or adaptation to climate change, including using low-emissions and no-emissions technologies and practices, or construction of more climate-resilient homes.

We are not currently able to comprehensively identify the proportion of Kiwibank's lending directed towards markets or businesses of this type. However, many of our sustainable finance products (and the purposes for which they may be used) relate to climate change mitigation, adaptation and transition-related measures. (See more on page 42.) Those lending products, their uses, and our methods, assumptions and limitations associated with calculating Kiwibank's sustainable finance lending figure are described in detail on page 41.

By 30 June 2024, Kiwibank lent a total of $231.7 million in sustainable finance.

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Other metrics and targets

Capital deployment

Kiwibank's deployment of capital towards climate risks and opportunities in FY24 is set out in Table 25 below.

Table 25

Capital deployment category	FY24 amount	Description
Investment: Climate risk management Investment in the design of Kiwibank's strategies for the management of climate risks and opportunities, and in climate data, tools and external expertise to inform and support that risk management strategy design.	$2.32 million	We invested in the development of Kiwibank's strategies for managing climate risks and opportunities during FY24. That investment included expenditure on full-time employees (FTE) across the following climate risk workstreams in FY24. ▪ Climate scenario analysis ▪ Expansion of our sustainable finance offering ▪ Ongoing delivery and monitoring of our operational emissions reduction strategy ▪ Establishing our financed emissions measurement and reporting capability, and researching the emissions reduction potential of Aotearoa New Zealand business sectors. It also included expenditure on the following data sources, analytical tools, and external expertise: ▪ NIWA data relating to sea level rise ▪ Moody's RMS data relating to inland flooding ▪ Moody's EDF-X tool relating to the transition risk exposure of our business customers ▪ Consultant expertise to support the development of our climate credit risk models ▪ Generate Zero Footprint tool, relating to the measurement and reporting of our operational and financed emissions ▪ Cogo Business Carbon Manager tool supporting some of our business customers to measure their emissions. We consider that this investment was deployed towards climate risks and opportunities generally, rather than to one specific risk or opportunity.
Financing: Climate opportunities	$177.9 million	As described on page 45, we are not currently able to comprehensively identify the proportion of Kiwibank's lending directed towards markets or businesses of this type. However, many of our sustainable finance products (and the purposes for which they may be used) relate to climate change mitigation, adaptation and transition-related measures. (See more on page 42.) The figure in the previous column is the total value of sustainable finance we lent in FY24.

Remuneration: management remuneration linked to climate risks and opportunities

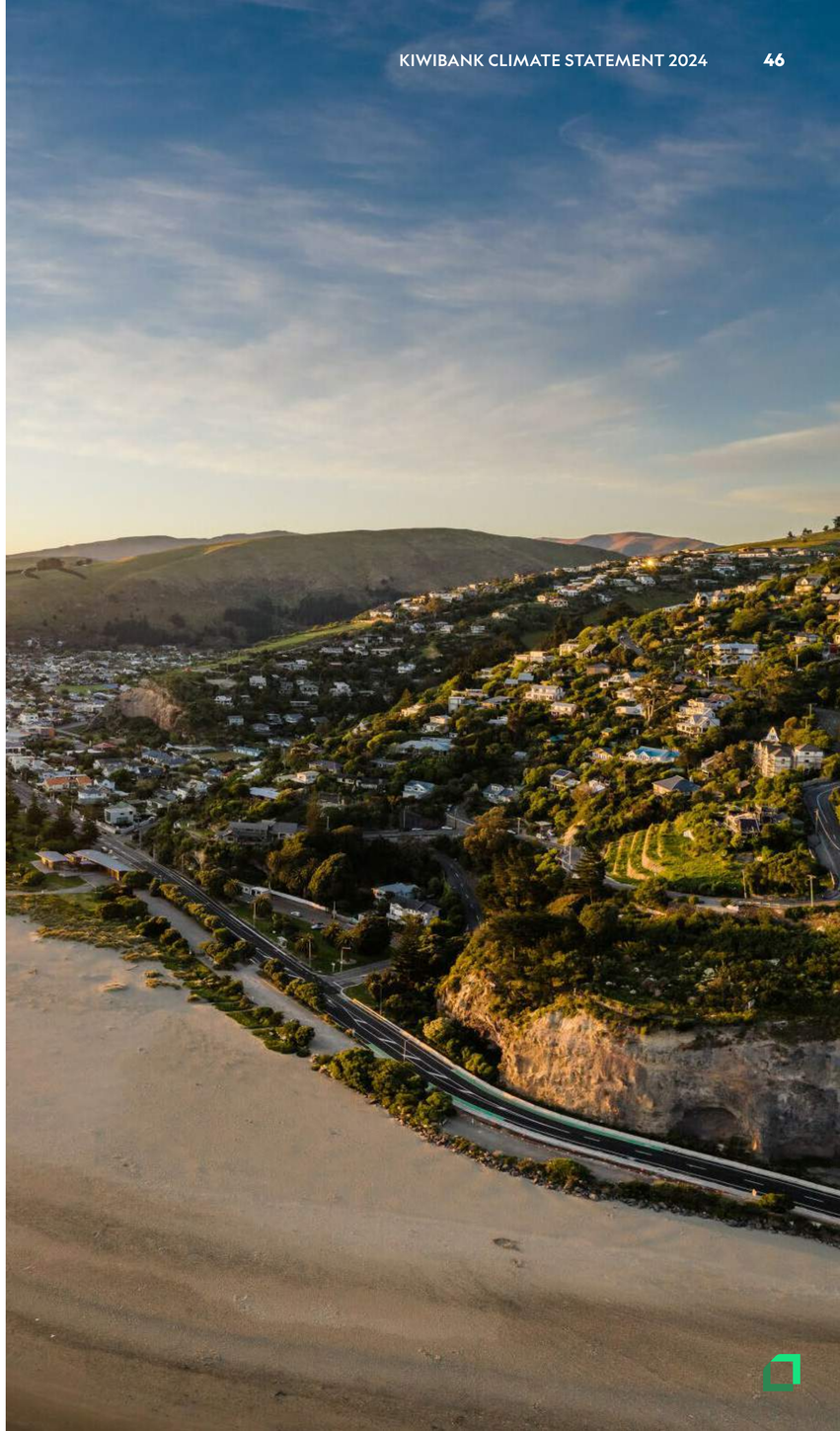
Management remuneration at Kiwibank was not linked to climate risks and opportunities during FY24.

Industry-based metrics

In FY24, we have not used any metrics to measure or manage climate risks or opportunities, additional to the metrics disclosed above, that are of relevance to the banking sector or to Kiwibank's business model.

Other key performance indicators

In FY24, we have not used any key performance indicators, additional to the metrics and targets disclosed above, to measure or manage climate risks or opportunities.



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Glossary of terms

Board	Board of Directors of Kiwibank Limited
ANZSIC	Australia and New Zealand Standard Industry Classification
ARC	Audit and Risk Committee
ALCO	Asset and Liability Committee
CCC	He Pou a Rangi - Climate Change Commission
CCO-B	Chief Customer Officer - Business
CCO-R	Chief Customer Officer – Retail
CE	Chief Executive
CFO	Chief Financial Officer
CLO	Chief Legal Officer
COO	Chief Operating Officer
CPO	Chief People Officer
CPBO	Chief Purpose and Brand Officer
CRMF	Credit Risk Management Framework
CRO	Chief Risk Officer
Current Home Lending Securities	Residential properties that Kiwibank home lending is secured against as at 30 June 2024
Current Home Lending	Amount of Kiwibank's total outstanding home lending as at 30 June 2024
ERC	Executive Risk Committee
ExCo	Executive Committee
FTE	Full-time employees
GHG	Greenhouse gas
IEA	International Energy Agency
IEP	Internal emissions price
IPCC	Intergovernmental Panel on Climate Change
Kiwibank Group	Kiwibank Limited and its Subsidiaries
NGFS	Network for Greening the Financial System
NIWA	National Institute of Water and Atmospheric Research
NZBA	Te Rangapū Pēke - New Zealand Banking Association
NZ CS	Aotearoa New Zealand Climate Standards
OECD	Organisation for Economic Co-operation and Development
OERT	Operational Emissions Reduction Target
Operational Emissions	Kiwibank's gross Scope 1, 2 and 3 emissions, excluding certain sources of Scope 3 emissions such as financed emissions and others, as set out in Table 18
RBNZ	Te Pūtea Matua – Reserve Bank of New Zealand
RCP	Representative Concentration Pathway
SBTi	Science Based Targets Initiative
SFG	Sustainable Finance Goal
SSP	Shared Socioeconomic Pathway
Subsidiaries	Kiwibank's subsidiaries are Kiwibank Investment Management Limited, the Kiwibank PIE Unit Trust, the Kiwibank RMBS Trust Series 2009-1 and the Kiwi Covered Bond Trust
tCO_2E	Tonnes of carbon dioxide equivalent
TCE	Total committed expenditure

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Ngā kupu Māori

Kaimahi	Our people/our team
Mahi	Work
Tamariki	Children

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