#BankBetterNZ

The Co-operative Bank Limited **Climate Report 2025**

The Cooperative Bank

Welcome to our second **Climate Report,** prepared in accordance with the Aotearoa New Zealand Climate Standards. Here we explore the impact that we, as The Co-operative, have on the climate and the impact that the climate has on us.

Our Climate Report **reflects the plan that The Co-operative has** to reduce our environmental footprint and to build the capability to manage the challenges and potential opportunities that a changing climate will present to our strategy and business model.

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Introduction

Welcome to The Co-operative's second Climate Report.

This report details our progress understanding and managing the impacts of climate change for The Co-operative Bank and subsidiaries (The Co-operative) for the year ended 31 March 2025 (FY25).

As a customer-owned retail-only New Zealand bank we play a collaborative role in supporting our customers through current economic pressures whilst preparing for an increasingly uncertain future impacted by climate change. Our approach to banking is about leaving everyone better off – our customers, our people, the co-operative and our communities. This includes effectively understanding and managing our climate-related risks and opportunities and putting plans in place to respond to these issues as they evolve.

In June 2024 we amended our Constitution to incorporate our purpose and consideration of stakeholders in decision making, embedding our commitment to make a positive impact on society and the environment.

Our approach to environmental, social and governance issues has been integrated into the way we do business for some time. The changes to the Constitution, alongside our re-accreditation by B Lab Global as a Certified B Corporation in FY25 (with an impressive 45 per cent uplift in our score), verifies our approach to consider climate-related matters and stakeholder needs.

In FY25 we have focused on increasing our knowledge of flood risks across the bank's mortgage portfolio; integrating climate risk processes into broader business risk management; re-assessing the materiality of climate risks and opportunities, including those specific to Co-operative Life; detailing the climate transition plan aspects of our business strategy; and measuring the financed emissions that is attributed to residential lending.

Whilst early in our climate transition, the planning process has helped us to understand current priorities for climate risk management and plan for future opportunities to engage with and support our customers with responding to climate risk.

We continue to maintain our commitment to Toitū's Net Carbon Zero programme and have achieved a 48 per cent reduction in Scope 1 & 2 emissions from our FY23 base year. We also expanded our carbon reduction commitment to include Scope 3 operational emissions with a commitment to reduce The Co-operative's Scope 3 operational emissions by 33 per cent by 2033 from our FY23 base year, in line with the global reduction required to limit warming to well-below 2 degrees. This is an ambitious commitment for The Co-operative with our Scope 3 emissions currently 8 per cent above our base year, and

Introduction continued

largest emissions sources being business travel and staff commuting, increasing as the size of our organisation has grown. However, we recognise the ability to support our people's low carbon transition and have commenced with a ride-to-work staff benefit through Workride.

This is also the first year The Co-operative has measured and reported on the financed emissions associated with our lending in the mortgage portfolio, which are significantly larger than our combined Scope 1, 2 and 3 operational emissions. Unlike operational emissions, our ability to influence financed emissions is currently limited. We expect to continue to develop our understanding of our financed emissions and ability to influence them as data quality and climate reporting improve over time.

The Co-operative recognises that it is a long term change to reduce our environmental footprint and to build capability to manage both challenges and opportunities that a changing climate will present to our business. This is our second year of mandatory climate reporting under the Aotearoa New Zealand Climate Standards and we expect our disclosures to continue to describe our progress and include more quantitative information over time.

We know there is more to do. Our transition planning activities this year have highlighted focus areas for the next ten years including both mitigation and adaptation activities. As a co-operative we are acutely aware of our collective responsibility for action. We support increased cross-sector collaboration to manage the impacts of climate change on New Zealanders and support The Co-operative's purpose to grow together and share the gains, as the global and domestic economy transitions towards a low-emissions, climate resilient future.

Brett Sutton,
Chair

Mark Wilkshire,
Chief Executive Officer

Statement of Compliance

This Climate Report is prepared for The Co-operative Bank Limited (The Co-operative Bank) and its subsidiaries (together The Co-operative) and has been prepared in accordance with the Aotearoa New Zealand Climate Standards (NZ CS 1, 2 and 3) issued by the External Reporting Board (XRB). This Climate Report complies with those standards in all material respects.

This report is for the period 1 April 2024 to 31 March 2025, which is the same as the financial reporting period for The Co-operative (FY25).

In recognition that it may take time to develop the capability to produce high-quality climate-related disclosures and that some disclosure requirements, by their nature, may require an exemption, NZ CS 2 provides a limited number of adoption provisions from the disclosure requirements in the Aotearoa New Zealand Climate Standards.

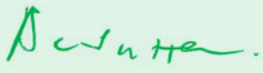
As this is The Co-operative's second reporting period, the following adoption provisions from NZ CS 2 have been applied in preparing this report:

- Adoption provision 2: Anticipated financial impacts – fully applied.
- Adoption provision 4: Scope 3 Greenhouse Gas (GHG) emissions – partially applied to the disclosure of financed emissions from treasury investments.
- Adoption provision 5: Comparatives for Scope 3 GHG emissions – partially applied to the comparison of financed emissions from our mortgage portfolio which are disclosed for the first time in FY25.
- Adoption provision 6: Comparatives for metrics – partially applied with one year of comparative information disclosed.
- Adoption provision 7: Analysis of trends in reported metrics – partially applied with trends described for operational GHG emissions.

This Climate Report was approved for issue by The Co-operative Bank Board on 27 May 2025.

For and on behalf of The Co-operative Bank Board of Directors.

Keiran Horne, Director



Brett Sutton, Chair

Disclaimer

This Climate Report contains climate-related and other forward-looking statements and metrics, which are not and should not be considered guarantees, predictions or forecasts of future climate-related outcomes or financial performance. These forward-looking statements which include words such as 'will', 'may', 'intend', 'plan', 'target', 'goal' and other similar words, reflect The Co-operative's current understanding, views, expectations and intentions as at the date of this Climate Report.

While the Co-operative considers these forward-looking statements to have a reasonable basis, they are subject to known and unknown risks, uncertainties, assumptions and other factors, which are beyond The Co-operative's control. Readers are cautioned not to place undue reliance on such statements in light of the significant uncertainty in climate metrics and modelling that limit the extent to which they are useful for decision-making. The many underlying risks and assumptions inherent in climate metrics and modelling may cause these statements to differ materially from any actual future outcomes, and may affect The Co-operative's ability to meet commitments or targets expressed in this Climate Report. For further information on the limitations and assumptions related to the scenario analysis, climate metrics, and modelling in this Climate Report please see the appendices.

This Climate Report has been produced for our existing and potential transacting shareholders. However, information in this Climate Report is not intended to be relied upon as advice, recommendations or opinions to transacting shareholders or potential transacting shareholders and does not take into account the objectives, financial situation or needs of any particular transacting shareholder. A potential or existing transacting shareholder should consult with their own legal, tax, and financial advisors in connection with any investment decision. While we have prepared the information in this Climate Report based on our current knowledge and intentions, and in good faith, we reserve the right to change our views in the future. For detailed information on our financial performance, please refer to The Co-operative Bank Disclosure Statements and Annual Report available on The Co-operative Bank **website**.

The Co-operative disclaims to the fullest possible extent any liability from loss arising from the content of this Climate Report.

Governance

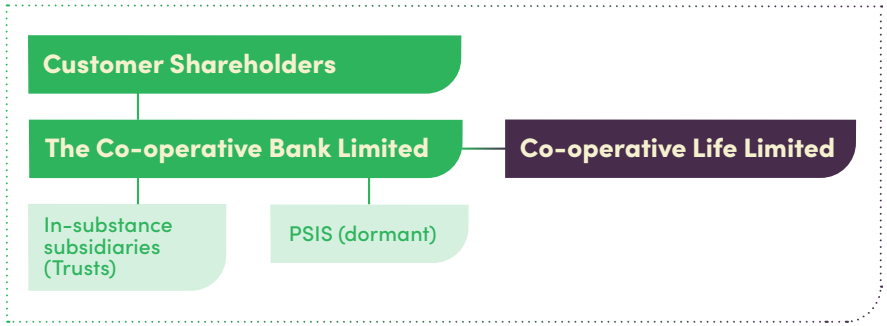
This section provides relevant information to understand The Co-operative's Boards' oversight of climate-related risks and opportunities, and the role that management plays in assessing and managing them.

The following diagram shows the legal and governance structure of The Co-operative.

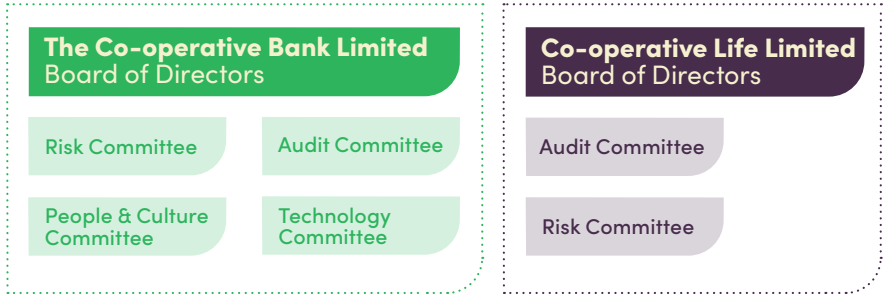
The Co-operative Bank Board of Directors (Co-operative Bank Board) is responsible for oversight of climate-related risks and opportunities for The Co-operative Bank. The Board of Directors of Co-operative Life Limited is the governance body responsible for oversight of climate-related risks and opportunities for Co-operative Life.

For more detail about The Co-operative Bank's corporate governance structure, refer to the Corporate Governance Statement available on the website.

Group Structure



Governance Structure



The Co-operative Bank Audit Committee is a sub-committee made up of at least three Co-operative Bank directors and assists the Co-operative Bank Board in discharging their responsibilities by providing oversight on climate-related disclosures, and overseeing the effectiveness and integrity of the Bank's systems and controls that mitigate risk of failing to meet financial and climate reporting, statutory and regulatory requirements. The Co-operative Bank Audit Committee meets at least three times per year.

The Co-operative Life Audit Committee comprises at least two members of the Co-operative Life Board and oversees the effectiveness and integrity of Co-operative Life's systems and controls that mitigate risk of failing to meet statutory and regulatory requirements. The Co-operative Life Audit Committee meets at least four times per year.

The Co-operative Bank Risk Committee is made up of at least three Co-operative Bank directors and considers and recommends an Enterprise Risk Management Framework (ERMF) for approval by The Co-operative Bank Board on a periodic basis. The ERMF details our processes for identifying, recognising, prioritising, and effectively responding to risk by implementing effective mitigations and controls at an appropriate level of management. The ERMF accommodates climate risks and considers the various consequences of climate risk to The Co-operative. The Co-operative Bank Risk Committee meets at least four times per year.

The Co-operative Life Risk Committee comprises all members of the Co-operative Life Board and reviews and recommends for Board approval a risk management programme (RMP). The RMP aligns to the Co-operative Bank ERMF. The Co-operative Life Risk Committee meets at least four times per year.

Both The Co-operative Bank Risk Committee and The Co-operative Life Risk Committee assist their respective Boards in discharging their responsibilities by overseeing the effectiveness and integrity of risk management, policy, legal and regulatory compliance processes, and the systems and controls to mitigate risk.

Governance continued

The ERMF is implemented throughout The Co-operative by the Chief Risk Officer (CRO), a direct report of the Chief Executive. Risk reporting is provided by the CRO to the Boards and to Board Risk Committees at every meeting, including reporting on emerging and high risks and periodic deep dives into key risks. Climate-related risk is considered within the ERMF and "Climate change negatively impacts housing portfolio" is categorised a "Key Risk" which means it is a standing agenda item at each Bank Risk Committee meeting.

Key Risk reporting to the Boards and Board Risk Committees also includes progress made in mitigating Key Risks, which in FY25 included the development of the Flood Exposure dashboard to facilitate monitoring of climate-related credit risk. In addition to ongoing risk management requiring action in the short and medium term through the ERMF, the Boards consider the potential and actual impact climate risks and opportunities have on our long-term strategic goals and give additional consideration to these matters at six-monthly strategic plan updates.

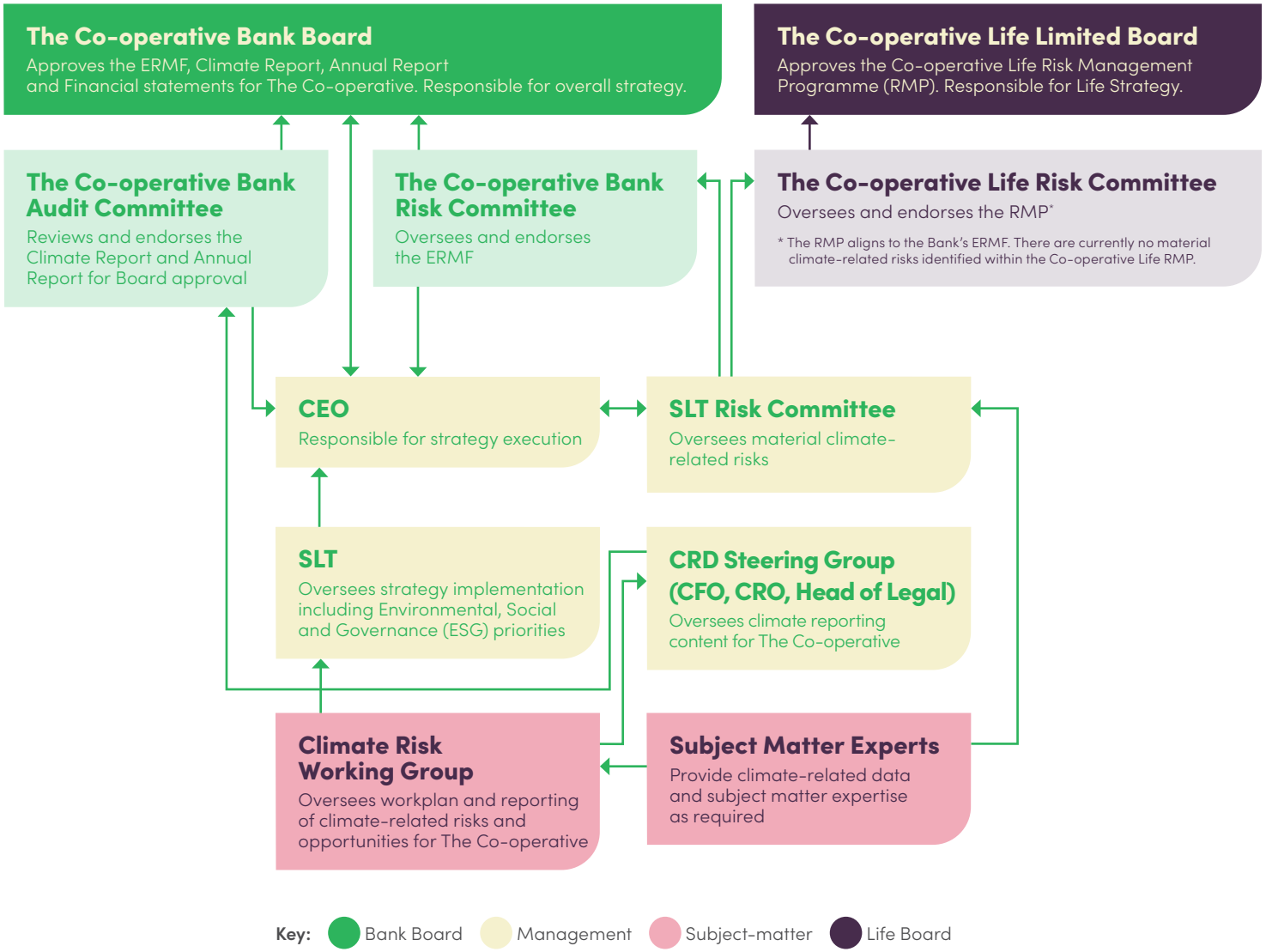
Board competency matrices include the requirement for the Boards to have knowledge and experience of climate-related risks and opportunities and their impact. Information and training are provided to directors to support their climate risk management oversight and implementation of climate reporting. Over the past 12 months, the Co-operative Bank Risk Committee has considered the credit risk from climate change as a standing action and The Co-operative Bank Board had a presentation from an industry expert to understand the wider perspectives on the impact of climate change on housing and insurance.

David Smol Director | **Keiran Horne** Director | **Helen van Orton** Director | **Brett Sutton** Chair | **Nicky Ashton** Deputy Chair | **Clayton Wakefield** Director

Governance continued

Responsibilities for climate-related risks and opportunities

The Board has delegated responsibility for executing the mitigations to identified climate risks to the Chief Executive. In turn, the Chief Executive may delegate responsibility for executing specific plans to the Senior Leadership Team (SLT). The diagram at right illustrates the organisational structure for how climate-related responsibilities are assigned to management-level positions and groups and their engagement with the governance body on climate-related risks and opportunities.



Governance continued

The Chief Executive is responsible for ensuring appropriate training activities across the organisation while The Co-operative is developing the capability and skills required to identify, assess and manage climate-related risks and opportunities. This includes holding relevant workshops at the appropriate levels and using experts as needed across climate risk management and reporting workstreams. The Chief Executive is responsible for executing plans to mitigate climate risks and for monitoring, assessing and ultimately meeting the climate-related targets agreed with the Board.

The SLT Risk Committee meets at least quarterly and (among other risk-related activities) considers climate-related risks and opportunities, supporting recommendations from the Chief Executive to the Board and providing direction to the business to respond to climate-related matters.

The CRO is tasked with leading activities around identification, assessment and mitigation of risks in various aspects of The Co-operative's operations, including climate-related risks and opportunities. This includes assessing credit exposure, incorporating climate risks into our risk management framework, and monitoring associated management activities where these risks arise. The Chief Financial Officer (CFO) manages the climate-related disclosures (CRD) reporting activities and plays a key role in ensuring that other climate-related activities (ESG, climate risk management, emissions targets and financial analyses, for example) are efficiently interwoven to meet the reporting objectives of the Climate Standards.

The CRO and the CFO are also members of the CRD Steering Group, together with the Head of Legal and Regulatory, and the Climate and Sustainability Lead.

The CRD Steering Group meets monthly and reports periodically to the Audit Committee on progress on The Co-operative's management of climate-related risks and opportunities and compliance with the Aotearoa New Zealand Climate Standards. The CRD Steering Group oversees the work of the Climate Risk Working Group which is made up of various management roles within The Co-operative and supports the SLT in addressing climate-related risks and opportunities. Membership of the Climate Risk Working Group includes the Head of Group Strategy and Sustainability, Head of Credit, Head of Risk and Compliance, Head of Financial Strategy and Head of Data Analytics. These management roles also report directly to the respective SLT members and are assigned specific roles in The Co-operative's various climate-related activities. These roles work collaboratively and ensure that climate-related activities are considered, executed and monitored with at least quarterly reporting to the SLT.

No management remuneration is directly linked to climate-related risks and opportunities. The Co-operative's remuneration policy does not include short-term incentives for specific targets, and climate-related metrics and targets are not specifically noted in our remuneration policy. We operate a profit share scheme that applies to all employees. As such, remuneration does not explicitly weight any climate-related metrics or targets (or any other targets) towards a short-term incentive.

Strategy

This section discusses The Co-operative's business model and strategy and outlines how climate change currently impacts The Co-operative and how it may do so in the future. Here we describe the climate scenario analysis we have undertaken, the climate-related risks and opportunities identified, and the development of The Co-operative's plan to support a transition towards a low-emissions, climate-resilient future.

Our purpose

The Co-operative Bank's purpose is to grow together and share the gains. Our purpose drives our commitment to lead on customer service and value, support customers to become financially better off, and to share our success as a bank – including sharing profits with our customers.

Our business model

The Co-operative is a customer-owned entity operating in retail banking and associated personal financial services across Aotearoa New Zealand.

With just over 420 staff, we provide financial products and services to over 180,000 customers including secured and unsecured loans, current accounts, other deposits and insurance products.

Strategy continued

Products and services are provided remotely, through mobile apps, web applications and the phone, as well as face to face.

Our Head Office is in Te Whanganui a Tara Wellington. We have a growing residential mortgage portfolio and are solely a retail bank with no business, commercial or agricultural exposure. In addition to retail banking, The Co-operative also markets and distributes life insurance products underwritten by our wholly owned subsidiary company, Co-operative Life. The operations of Co-operative Life's insurance business are, in practical terms, embedded in the operations of the Bank.

The Co-operative also partners with Fisher Funds and IAG under distribution agreements, arranging for our customers' Fisher Funds and IAG superannuation and general insurance products respectively.

Our Strategy

The Co-operative's strategy is focused on our purpose to grow together and share the gains. The strategy is underpinned by our values and long-term aspirations for our people, our customers, and for the Co-operative to realise potential as a sustainable growing co-operative.

Please refer to The Co-operative Bank Limited Annual Report for the year ended 31 March 2025 for more on our strategy and objectives. The Co-operative recognises that climate change may impact our current business model and strategy, including the potentially significant impacts of climate change on our value chain, including customers and suppliers, operations and financing decisions. The transition plan aspects of The Co-operative's strategy, including changes identified to address our climate-related risks and opportunities, are described further in this section.

Current climate impacts

The Co-operative has assessed the current climate-related impacts on The Co-operative over the reporting period 1 April 2024 to 31 March 2025 as outlined below.

Transition impacts

Impacts on The Co-operative, whether positive or negative, that are driven by the transition to a low-emission, climate-resilient economy such as regulatory, legal, reputational, operational, market and technology change.

The Co-operative has made progress against our carbon programme and actions identified to reduce emissions in line with our target of absolute reduction of Scope 1 and 2 emissions by 42 per cent by 2030 from a 2023 base year. In FY25 this included completing our fleet transition to 100 per cent electric or plug-in hybrid vehicles and a reduction from six to four vehicles in total. The transition had a positive impact on our carbon emissions target (contributing 16 per cent of the reduction in Scope 1 and 2 emissions from FY23) and a reduction in fuel costs. However, there is no material financial impact from this transition alone.

In the period ended 31 March 2025, The Co-operative incurred $456,095 in aggregated transition-related costs which includes Toitū Net Carbon Zero certification, flood risk modelling and climate disclosure reporting, including measurement and assurance of GHG emissions.

Physical impacts

Impacts on The Co-operative, whether positive or negative, that are driven by physical climate-related events that are acute (such as floods) and/or chronic (such as sea-level rise).

For the purposes of this reporting, The Co-operative defines all recorded weather events as climate-related events.

The Co-operative recorded three weather-related events in FY25 that caused temporary branch closures. Given our staff's ability to work remotely in these situations and the temporary nature of these closures, the events caused no significant business disruption nor any material financial impacts at an organisational level.

Flood damage relating to a Wairoa property in FY25 led to a loss of $86,687 due to the property being uninsured. While we recognise the overall susceptibility of our mortgage lending to climate-driven credit risks, we have not assessed any singular event that currently impacts our portfolio from which expected losses may be estimated. On this basis, climate-related credit risk impacts are not directly reported in our expected credit losses estimates. The Co-operative did not have any other material financial loss arising from physical impacts during the FY25 year.

Climate scenario analysis

The climate scenario process is a critical tool in understanding The Co-operative's current and anticipated climate-related risks and opportunities and helps us better understand the resilience of our business model and strategy. Our first climate scenario analysis took place in FY24, following our involvement with the New Zealand Banking Association's (NZBA) 'Climate scenario narratives for the banking sector', published in June 2023.

The climate scenario analysis undertaken in FY24 was predominantly qualitative and conducted as a stand-alone analysis to core strategic planning processes. The climate scenarios drew on national and international datasets to determine the expected climate, socio-economic, policy and technology outcomes under three climate-related scenarios – a 1.5°C **Orderly** scenario, a >3°C **Hot House** scenario, and a >2°C **Too Little, Too Late** scenario. We also engaged with a third party, Luma Analytics, to assist our understanding of climate-related risks across our mortgage portfolio. Luma Analytics provided detailed modelling work focused on our residential mortgage lending and impacts of flood risks and economic risks under the three climate scenarios.

This financial year, we reviewed the FY24 climate scenario analysis for effectiveness against the requirements of the Aotearoa Climate Standards. The review identified that the analysis could be enhanced by:

- Assessing the driving forces and critical uncertainties specific to the Co-operative Life insurance business, using insights from the Financial Services Council (FSC) climate scenarios.
- Considering the risk of physical climate drivers not previously modelled, including heat, drought, wind and wildfire.

Scenario analysis refresh - process steps

We conducted our FY25 scenario analysis refresh as a stand-alone analysis exercise, following a strategic review of our business model and strategy. The process undertaken is outlined below:

1	Review of The Co-operative's FY24 climate scenario analysis process and comparison between the NZBA banking climate scenarios and FSC climate scenarios for the financial services sector.
2	Review of the Co-operative's FY24 scenario analysis process against the latest available climate projections from the Ministry for the Environment Manatū Mō Te Taiao (MfE) and applicability of FY24 modelling outcomes for use in FY25.
3	Gaps and findings presented to internal stakeholders to determine scope of scenario analysis refresh.
4	Scenario data and assumptions (scenario architecture) qualitatively re-assessed and narratives re-drafted to reflect stakeholder feedback and tested with internal stakeholders as part of climate risk deep dive.
5	New driving forces and critical uncertainties presented by previously unmodelled physical drivers of heat, drought, wind and wildfire explored qualitatively as part of deep dive.
6	Climate-related risks and opportunities updated to reflect stakeholder feedback.
7	Updated climate scenarios, risks and opportunities were reviewed as part of a transition planning workshop with SLT to assess the resilience of our business model and strategy and identify changes that may be required to our core business model and strategy. The Board was engaged in strategic discussions about changes to the business model and continues to provide oversight in line with delegated authorities.

Climate scenario architecture and narratives

The climate scenario analysis refresh for FY25 has led to a slightly amended set of climate scenario architecture details and narrative descriptions. Additions to the climate scenario architecture from FY24 include the Intergovernmental Panel on Climate Change's IPCC SSP1-2.6 and IPCC SSP3-7.0 outcomes used in MfE's Aotearoa New Zealand climate projections, and the Network for Greening the Financial System (NGFS) Nationally Determined Contributions (NDCs) and NGFS Current Policies used in analysis of the FSC scenarios.

This refreshed view of climate scenarios has been used this reporting year to re-evaluate The Co-operative's climate-related risks and opportunities and test the resilience of our business model and strategy as part of transition planning. There was no change to the time horizons evaluated. An overview of the three climate scenarios used in FY25 to identify our climate-related risks and opportunities is summarised in the table at right. Appendix A provides a more detailed description of the climate scenario narratives used.

Climate scenario architecture

Scenario	Orderly Transition 1.5°C	Too Little, Too Late >2°C	Hot House >3°C
Key assumption	A future world where timely, coordinated, and collective action has been taken to transition to a low-carbon future, achieving net-zero emissions by 2050.	A future world where global action to reduce emissions was left too late and resulting efforts were insufficient to avert substantial climate change.	A future world characterised by high levels of climate-related physical risk, as limited efforts were made to transition to a low-carbon economy.
Global climate & socio-economic parameters	IPCC SSP1-1.9 IPCC SSP1-2.6	IPCC SSP2-4.5	IPCC SSP5-8.5 IPCC SSP3-7.0
Global energy & emission pathway parameters	Network for Greening the Financial System (NGFS) Net Zero 2050 International Energy Agency (IEA) Net Zero Emissions by 2050	NGFS Nationally Determined Contributions ("NDCs") IEA APS (Announced Pledges)	NGFS Current Policies IEA STEPS (Stated Policies)
New Zealand-specific climate parameters	National Institute of Water and Atmospheric Research (NIWA) RCP (representative concentration pathway) 2.6 New Zealand Climate Change Commission (CCC) 'Tailwinds'	NIWA RCP4.5 CCC 'Headwinds'	NIWA RCP8.5 CCC 'Current Policy Reference'
Physical risk	Moderate	High	Extreme
Transition risk	Moderate	High	Low

Time horizons

We consider the following time horizons for the purposes of identifying climate-related risks and opportunities. These time horizons are based on the NZBA's sectoral climate scenario analysis. We consider this appropriate for our business context, to achieve comparability while also using baseline assumptions applicable to the wider New Zealand context we operate in (particularly our residential mortgage lending portfolio). The longer time horizon also allows for further consideration of the long-term impacts on life insurance.

Horizon	Coverage & duration*
Short term	10 years (~2030)
Medium term	30 years (~2050)
Long term	50+ years (~2080+)

* Year relative to 2022

The above time horizons differ to those used for The Co-operative's strategic planning and capital deployment plans, which are as follows:

- Short-term planning – up to three years with a one-year business plan
- Medium-term planning – up to five years
- Long-term planning – up to ten years

The alignment between our response to identified climate-related risks and opportunities, and the integration into business planning in line with the above strategic planning cycles, is described in the Transition plan aspects of our strategy later in this section. All capital management decisions consider our strategic drivers and risks, including climate-related risks and opportunities.

Specific climate-related propositions or initiatives are subject to a quarterly prioritisation process for both funding and resource allocation, like other business initiatives, and are subject to the strategic objectives and performance of the organisation.

In the reporting year to 31 March management and the Board have reviewed options for future business model design and refining strategic direction. This considered social and environmental factors (including climate) when assessing strategic options, strategic partners and associated strategic investment planning.

Climate-related risks and opportunities and anticipated impacts for The Co-operative

Climate change presents both risks and opportunities for The Co-operative. Our assessment of climate-related risks and opportunities was updated in FY25 following the climate scenario analysis refresh detailed above, although no change was made to the key risk categories. Further, opportunities have been separately categorised and identified as part of the transition planning process.

The tables below summarise the key climate-related risks and opportunities identified for The Co-operative over the short term (to 2030), medium term (to 2050) and long term (to 2080+) as identified from the climate scenario analysis process. The anticipated impacts of the risk or opportunity occurring, assuming no strategic response, is detailed against each relevant climate scenario. The Transition plan aspects of our strategy section includes current and potential future responses to the risks or opportunities identified.

Strategy continued

Key risk category	Risk description	Primary risk type	Anticipated business impact	Scenarios	Time horizons
Insurability of asset security risk	Our customers' homes and properties secured under residential mortgage lending may become uninsurable as physical risks increase, or it becomes unaffordable for customers to put in place adequate insurance coverage.	Physical	A reduction in insurance coverage on secured assets through physical damage, unaffordable cost of insurance, changes to insurance cover, or insurance retreat could result in increased levels of provisioning for potential financial losses arising from non-recoverable loan balances, and disruption in our lending growth strategy. The risk may increase in areas where The Co-operative has a higher concentration of lending.	Risk present under all scenarios and increases under Too Little, Too Late and Hot House. 	Short-term, medium-term and long-term
Credit risk	Credit losses may increase as our customers may experience increased costs due to climate-related factors. This may result from costs to repair damaged property, increased cost of insurance or loss of employment where a customer or customer's employer has been adversely impacted by climate change.	Physical and Transition	Adverse changes to borrowers' loan servicing capacity could result in increased levels of customer default. Potential financial losses arising from non-recoverable loan balances in the short-term and in the medium-to-long term may cause disruption to our lending growth strategy and challenge the agility in our business model to enable us to adapt and respond. Impacts may be exacerbated in areas where we have higher concentration in our lending portfolio, resulting in non-recoverable lending balances having a flow-on effect on our financial position, performance and cash flows.	Risk present under all scenarios and increases under Too Little, Too Late and Hot House. 	Short-term, medium-term and long-term
Capital and financial risk	The risk of market value loss, asset and liability management disruptions and reduced access to capital due to climate change. This includes the risk that our capital buffer is insufficient to cover elevated credit losses in addition to increased operating costs as The Co-operative is exposed to more frequent climate events.	Transition	Our approach to capital deployment, prioritisation of funding, and delivery of our current strategy would have to change in response to increasing climate impacts. Increased credit losses and required spending to respond to climate change would result in reduction in our cash flows, disrupting achievement of our financial and growth targets.	Risk present under all scenarios and increases under Too Little, Too Late and Hot House. 	Medium-term and long-term

Strategy continued

Key risk category	Risk description	Primary risk type	Anticipated business impact	Scenarios	Time horizons
Operational risk	The Co-operative's operating model, infrastructure, processes and systems may be disrupted due to increased physical risks (such as higher frequency of extreme weather events), rapid changes to climate-related regulations, and market changes.	Physical and Transition	Changes to our operating model to consider additional operational support to our customers and staff as changes due to climate have an impact on the way we deliver our services, including through our physical network and supply chain. Our internal processes and procedures may need calibration, including through adequate resourcing and actions as we navigate our way through the transition period (including changes in the regulatory and market areas).	Risk present under all scenarios 	Short-term, medium-term and long-term
Conduct-related risk	The Co-operative may fail to comply with existing and new climate-focused regulation or policy alongside other regulatory requirements (e.g., Conduct of Financial Institutions (CoFI) obligations to our customers).	Transition	Failure to comply with climate-related regulation may lead to fines, penalties and reputational damage affecting our customer growth strategy. Accelerated changes in regulatory requirements could disrupt our current business model, our strategy, and our priority deliverables as we reallocate our resources to respond. As a relatively small New Zealand bank, we could see an increased challenge as the speed of change is combined with limited resources (i.e., as climate capability becomes in demand, we anticipate a decreased talent pool of suitable resources available in the market which, in turn, impacts The Co-operative's ability to access these capabilities in an affordable manner).	Risk present under all scenarios although it increases under Orderly and Too Little, Too Late. 	Short-term to medium-term
Reputational risk	The Co-operative may fail to effectively implement and/or communicate its climate-related actions, commitments, and targets which may cause reputational damage. This may also arise from inadequately considering the impact of climate change on our business and customers.	Transition	Our reputation may be damaged if we fail to effectively consider the impact of climate on our customers, our regulatory obligations, and our business model, strategy and operations. This would have a negative impact on our ability to retain and grow our customer base, attract employees, and sustain our business.	Risk present under all scenarios 	Short-term, medium-term and long-term
Model risk	Risks of inappropriate assumptions in the models used when assessing climate-related risks and opportunities. Errors may arise due to inherent limitations around data availability and robustness of any assumptions around climate risk drivers.	Transition	Assumptions used to model results that are then used as inputs to decision-making processes and responses to climate change evolve over time and may be used in an untimely or inappropriate way to inform decisions, negatively impacting outcomes for the bank or customers.	Risk present under all scenarios 	Short-term, medium-term and long-term

Our lending exposure to heightened risks of flooding

Modelling conducted in FY24 and finalised in April 2024 improved our understanding of the potential impacts that flooding events could have on our mortgage lending portfolio. The modelling considered current and future risks under the three NZBA climate scenarios, which combined the effects of physical and transition risks (including macro-economic factors). Key outcomes from the modelling are described below.

Transition risk impacts

- Credit losses are expected to remain relatively flat through to 2030 under all three climate scenarios.
- Significant impacts from economic transition (i.e., unemployment, resource reallocation, growth slow-down, business defaults and property price falls) are not expected to fully emerge until after 2030 as more stringent carbon pricing is extended to the agricultural sector.

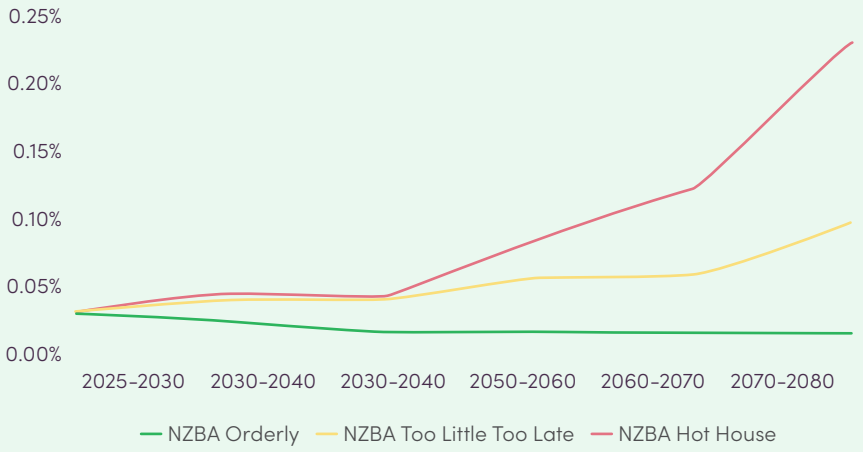
Physical risk impacts

- Floodplain modelling shows an increase in flood risk for both the Too Little, Too Late and Hot House scenarios. However, between the two the increase is largely similar to 2030.
- The Co-operative's mortgage portfolio has a higher degree of exposure to river flooding risks compared to coastal flooding risks, with potential concentration of flooding risks in certain regions.

Our initial modelling assessment indicates the following range of potential loss arising from the exposure of our residential mortgage lending portfolio to physical (flooding) and transition (economic) risks under the three NZBA climate scenarios.

Overall loss rates remain relatively well-contained through all climate scenarios. This is driven by The Co-operative's well-secured and high credit quality mortgage book, with no business, commercial or agricultural lending exposure, and home loans that are less concentrated in coastal areas where climate risk impacts will be most prevalent. While average annual loss rates do increase 2.4 times for the Too Little, Too Late scenario, they stay below 0.10 per cent across the entire time horizon. The largest increase in loss rates (5.7 times) occurs in later decades (2050-2080) for the NZBA Hot House scenario, as chronic economic risks and more severe physical risks from extreme weather events combine. Even so, average annual loss rates in this Hot House scenario do not exceed 0.20 per cent. Our current expected credit loss provisioning does not include any material climate-related losses identified in any of the three scenarios.

Expected Loss Rate as % of total lending portfolio



For a description of our climate risk modelling methodology and assumptions, please see Appendix B.

The Co-operative intends to review our climate scenario modelling annually and update it as required to reflect changes in the mortgage portfolio and model outlooks. The focus in FY25 has been on identifying the risk management response to current flood risk as described further below in the transition planning section.

Strategy continued

Opportunities

Climate-related opportunities are defined as the 'potentially positive climate-related outcomes for an entity', as per NZ CS 1 defined terms. These include opportunities such as reducing operational costs through resource efficiency and building resilience along the value chain.

The potential climate-related opportunities and their anticipated business impacts for The Co-operative, resulting from our potential response to mitigate and adapt to climate change, have been categorised into five areas detailed at right. Our actual response to each opportunity is described in the Transition plan aspects of our strategy section below.

Key opportunity category	Opportunity description	Anticipated business impact	Scenarios	Time horizons
Resource efficiency	Optimise our use of natural resources, through behaviour change initiatives and low-carbon technology adoption in line with our carbon reduction commitments.	Improved operational efficiency in the medium- to long-term. Short-term opportunity to support our reputation through external verification of reduction efforts, including through Toitū Net Carbon Zero certification.	Opportunity most present in Orderly and Too Little, Too Late scenarios	Short-term, medium-term and long- term
Resilience	Ensure The Co-operative business model and strategy reviews include climate considerations and associated metrics and targets.	Strategic decision-making is made in a timely manner to support changing customer needs (e.g., low-carbon products or support following extreme weather events) and customer growth strategy.	Opportunity present in all scenarios	Short-term, medium-term and long- term
Products and services	Offer new products and services, or amend existing products and services to enable our customers to lower their climate impact and improve their resilience to climate change.	Enhance our connection with values-aligned customers who want to do more to minimise their impact on the climate which may support our customer growth strategy.	Opportunity present in Orderly and Too Little, Too Late scenarios	Short-term, medium-term and long- term
Customer engagement	Engage our customers in what climate action looks like for The Co-operative, how we intend to manage the climate risks in our operations and lending portfolios, and how we might support our customers' resilience to climate risk.	Enhance our connection with values-aligned customers who want to do more to understand how climate change might impact them which may support our customer growth strategy and reputation.	Opportunity most present in Orderly and Too Little, Too Late scenarios	Short-term, medium-term and long- term
Partnerships and advocacy	Work with our suppliers, local and central government, and industry bodies to advocate for a low emissions and climate-resilient Aotearoa for the benefit of The Co-operative, our customers, and communities.	Advocating as part of a group or in partnership with supply partners may have a greater impact on creating the changes required for a low-carbon economy than The Co-operative could achieve on its own.	Opportunity most present in Orderly and Too Little, Too Late scenarios	Short-term, medium-term and long- term

Strategy continued

Transition plan aspects of our strategy

This section outlines the transition plan aspects of our strategy, including the targets and actions that have been identified to transition towards a low-emissions, climate-resilient future, and the alignment of the transition plan aspects of strategy to internal capital deployment and funding decision-making processes.

The transition plan aspects of our strategy are described in the table below across five key transition objectives that address climate mitigation and adaptation:

1. Address our emissions sources
2. Enhance our capability to monitor and manage environmental issues
3. Build a more resilient business
4. Design solutions to current climate risks
5. Leverage the change

These transition objectives address three interconnected channels to transition through: decarbonisation (objective 1), responding to climate-related risks and opportunities (objectives 2-4), and contributing to the economy-wide transition (objective 5).

Within each transition objective are activities that align to our five strategic goals and are reinforced by our long-term aspirations and values.

Short-term focus activities describe our current response to the climate-related risks and opportunities. Some activities respond to more than one risk, and, or opportunity. The transition plan table below highlights the climate-related risk or opportunity most impacted by the activity. Management of these activities is aligned to the business planning cycles described on page 14.

Future focus activities have been identified as areas of our current business model and strategy that may need to change to address climate-related risks and opportunities in the medium-to-long term and will be reviewed annually in line with our climate risk and transition planning processes.

Transition planning key

Our strategy

- 1 **Lead in customer intimacy.** — 1 Customer
- 2 **Develop a skilled & highly engaged workforce.** — 2 Develop
- 3 **Grow profitability and efficiency.** — 3 Grow
- 4 **Build a stronger & scalable co-operative for the future.** — 4 Stronger
- 5 **Innovate as a smaller faster challenger.** — 5 Innovate

Climate-related risks and opportunities (CRRO)

Risk

- Insurability of asset risk
- Credit risk
- Capital & financial risk
- Operational risk
- Conduct-related risk
- Reputational risk
- Model risk

Opportunity

- Resource efficiency
- Resilience
- Products & services
- Customer engagement
- Partnerships & advocacy

Strategy continued

1. Address our emissions sources				
Transition objective	**Short-term focus areas (FY25 to FY28)**	**CRRO**	**Medium-to-long-term focus areas (from FY29)**	**FY25 progress update**
We are taking action to reduce our GHG emissions in line with science to limit warming to well below 2°C above pre-industrial levels and pursue efforts to limit it to 1.5°C. **4** **Stronger**	Drive activity and engagement to reduce our operational emissions in line with our emissions reduction programme, Toitū Net Carbon Zero certification. Our target is to reduce Scope 1 and 2 GHG emissions 42% by 2030 from a 2023 baseline and Scope 3 operational emissions by 33% by 2033.		A long-term GHG emissions reduction pathway to be scoped to 2050, including Scope 1, 2 and 3 emissions.	• Reduced our small-vehicle fleet from six to four vehicles and transitioned to 100% electric vehicles (EV) or plug-in hybrid vehicles (PHEV). • Launched Workride ride-to-work benefit programme for our people. • Reduced our operational Scope 1 and 2 emissions by 48% from FY23. • Toitū Net Carbon Zero certified. • Committed to reducing Scope 3 operational emissions by 33% by 2033 from a 2023 baseline.
	Voluntarily invest in credible carbon-positive projects that support environmental and social outcomes to the value of The Co-operative's annual operational emissions.		Focus climate investment to better align with our strategic direction and support Aotearoa communities in the low-carbon transition.	• Invested in Renewable Energy Certificates and Toitū-verified, high-quality carbon offsets in New Zealand and Kenya as detailed on page 32.

Strategy continued

2. Enhance our capability to monitor and manage environmental issues				
Transition objective	**Short-term focus areas (FY25 to FY28)**	**CRRO**	**Medium-to-long-term focus areas (from FY29)**	**FY25 progress update**
We adopt a continuous improvement approach to understanding, monitoring and managing our climate-related risks and opportunities. **2** Develop **4** Stronger	Measure, publicly report, and obtain independent assurance of The Co-operative's disclosed Scope 1, 2 and 3 GHG emissions, including financed emissions, in accordance with ISO 14064-1 and the GHG Protocol Corporate Standard.		Continue improvement of GHG emissions disclosures, including financed emissions from treasury investments and associated assurance.	• The Co-operative has obtained independent assurance that it's GHG emissions have been measured in accordance with the GHG Protocol and ISO 14064-1 standards, detailed on page 29.
	Continue to disclose decision-relevant information to stakeholders on The Co-operative's climate risks and broader sustainability information.		Evolve sustainability metrics and targets that support decision-making and continue to be publicly disclosed.	• FY25 Climate Report issued. • B-Corp certification scores publicly available on the B Lab website.
	Improve quality of climate-related data, including GHG emissions and climate impacts, to enable better engagement with our people and for data and insight-led change strategies and decisions.		Continue improvement of GHG emissions data quality.	• Migration of emissions data to dynamic online platform completed. • Financed emissions resulting from the mortgage portfolio have been quantified (see page 33).
	Alignment of climate risks and opportunities with related conduct, product governance and technology policies and programmes. Use the Well-Architected Framework sustainability pillar to understand sustainability implications of technology design practices.		Monitor future obligations and ensure any future climate-related activities consider fair conduct obligations. Understand emissions impact of emerging AI tools and services.	• Early engagement to understand how the fair conduct principle as introduced under the Financial Markets (Conduct of Institutions) Amendment Act 2022 (the CoFI Act) may need to be considered within planned climate-related activities.
	Strengthen the connection between our growth strategy and environmental and social sustainability impacts in line with the constitution of The Co-operative Bank Ltd, including through a materiality assessment refresh.		Retain environmental and social sustainability certifications. Strengthen connection of environmental and social sustainability, Te Ao Māori, and nature-related programmes for aligned co-benefits.	• Re-certified as a B-Corp organisation and Toitū Net Carbon Zero certified.

Strategy continued

3. Build a more resilient business				
Transition objective	**Short-term focus areas (FY25 to FY28)**	**CRRO**	**Medium-to-long-term focus areas (from FY29)**	**FY25 progress update**
We are taking action to continue building The Co-operative's resiliency in an uncertain future impacted by climate change. 2 Develop 4 Stronger 5 Innovate	Embed and evolve use of climate-data to inform decision making. Define processes for updating climate modelling including additional climate drivers, where material.		Cyclical analysis of climate risks and opportunities, including materiality of modelled climate variables.	• Flood risk data used in future network planning. • Qualitative risk assessment completed for additional physical climate drivers of heat, drought, wind and wildfire.
	Transform to a digital-first architecture, modernise our core, and digitise and automate business processes that are future-proofed, particularly in times of crisis.		Incorporation of climate data into key services and decisioning tools.	• Strategic investments, planning and programmes of work mobilised for Core replacement and process and workflow improvement.
	Design and start implementation of changes to our branch and service customer channels that optimise our physical footprint for long term sustainability and resilience		Ongoing assessment and optimisation of physical locations and virtual channel services to support resilience.	• Branch network consolidation including design and planned establishment of a Service Hub in Auckland that will co-locate a branch and back-office specialist service centre.
	Build climate and sustainability capability across the organisation.		Cyclically review climate and sustainability capabilities and evolve training and development programmes. Review inclusion of climate performance metrics in management remuneration.	• GHG emissions target included in 2030 strategic goals. • Early engagement to align with the organisational development programme.

4. Design solutions to current climate risks				
Transition objective	**Short-term focus areas (FY25 to FY28)**	**CRRO**	**Medium-to-long-term focus areas (from FY29)**	**FY25 progress update**
We are effectively managing climate-related risks for The Co-operative through our operations and customer engagement. 1 Customer 2 Develop 3 Grow 4 Stronger	Use climate models to manage credit concentration risk and determine climate risk appetite.		Incorporate climate metrics into real-time decisioning.	• Flood Exposure dashboard is completed. It provides the ability to monitor capacity levels in locations that are considered as having a higher flood risk and supports validation of approach to portfolio growth.
	Work with broker and insurance partners to understand and develop responses to housing, mortgage and insurance access and pricing risks.		Plan for potential implications of managed retreat policies, risk-based pricing and insurance indemnification.	• Identification of need for wider stakeholder engagement and scope for a materiality assessment.
	Understand how to best support our customers' resilience to climate change and develop appropriate support materials.		Access to decision-relevant climate information is readily available to our people and customers.	
	Cyclically review, update, and promote policies that guide our investment and purchasing actions and set expectations for strategic partners and suppliers around our values and climate ambitions.		Embed a mokopuna (long-term, intergenerational) mindset to investment decisions.	• Ethical Investment Policy reviewed in FY25. Climate and carbon criteria included in RFIs for strategic core replacement programme.
	Understand and plan for internal and external resources and capabilities needed to support emerging climate-related data capture, development and reporting.		Embed use of climate-related data into internal risk management processes.	• Engagement with third party providers of flood risk modelling.

Strategy continued

5. Leverage the change				
Transition objective	**Short-term focus areas (FY25 to FY28)**	**CRRO**	**Medium-to-long-term focus areas (from FY29)**	**FY25 progress update**
We are effectively harnessing climate-related opportunities, including through new product offers, customer engagement, and industry collaboration that supports Aotearoa New Zealand to transition towards a low-carbon economy. **1** Customer **4** Stronger	Confirm options and timeframes in strategic product roadmaps to integrate sustainability-focused customer propositions into the customer offering for community minded kiwis.		Introduce new customer propositions and tools that support the transition to a low-emissions economy, in line with our strategic ambitions and product development pathway.	• Proposed future product and proposition opportunities supported in future business model design work, subject to business case and customer testing.
	Engage with industry to understand emerging requirements for climate-related sector-level data capture, development and reporting.		Support Aotearoa New Zealand in understanding and assessing systemic industry climate risks and opportunities through data sharing where required.	• Supporting cross-sector collaboration through NZBA Climate and Sustainability Working Group.
	Engage with industry and external parties to advocate for solutions that enable Aotearoa New Zealand's transition to a low-emissions future.		Consider engagement outside the banking sector to support broader decarbonisation efforts.	• The Co-operative remains an active member of the NZBA Climate and Sustainability Working Group.

Strategy continued

SLT's response to the climate-related risks and opportunities identified (i.e., how we are currently responding to mitigate the risks and harness the opportunities presented by climate change) is integrated into annual business planning and aligned with strategic planning cycles. The transition planning process helps to ensure alignment between identified climate risks and opportunities and appropriate responses, including monitoring relevant trends over the long term in recognition that climate-related issues may manifest beyond strategic planning cycles–a view of flood risk across the mortgage portfolio by 2050, for example.

Capital deployment and funding decision-making processes

The transition planning process includes estimates of the ongoing costs of managing our climate risks, reporting on our performance and other climate-related activities. These estimates are then incorporated into The Co-operative's broader financial planning and budgeting. Investments in FY25 have included investing in technology to support GHG emissions analysis and monitor flood risk across the mortgage portfolio, transitioning our vehicles to EV and PHEV, supporting the financing of commuting solutions for staff through Workride and integrating climate risks further in risk assessment frameworks.

The CRO and CFO have delegated authority over the operational expenditures that enable the effective planning, reporting and management of climate-related risks and opportunities. These include, for example, spending on GHG assurance activities, improving our climate-related data and analytics capabilities, and enhancements made in our operations to achieve our GHG targets.

As one of the strategic drivers for our long-term strategic planning, climate is considered alongside other strategic drivers for capital deployment opportunities such as priorities within our transformational investments, enhancements in our operating model informed by our climate risk assessments, and approaches to achieving our business growth targets.

Except for our fleet transition, capital deployed towards climate-related activities in FY25 is primarily through operational expenditure. As our climate knowledge deepens over time, and foundational technology capabilities are in place, we intend to increasingly integrate climate-related risks and opportunities into funding strategies and capital allocation decisions such as influencing pricing and capital provisions, lending policy and criteria or; further enhancing the efficiency of our operations.

Risk Management

This section provides useful information in understanding how The Co-operative identifies, assesses, and manages climate-related risks and opportunities as well as how these processes are integrated into our existing risk management process.

Approach to identifying, assessing and managing climate-related risks and opportunities

The Co-operative's risk management activities are an integral part of our operations as we deliver our strategy and seek to achieve our strategic goals. We take a strategic and risk-based approach to managing the various opportunities and risks that The Co-operative is exposed to–including those that arise from climate change.

Our approach to climate risk is to consider it as an aggravating factor in other categories of risks we have already identified in our enterprise risk framework, particularly credit risk, financial risk, market risk and reputational risk, on the basis that climate change affects many of our business operations–from our lending activities, life insurance business and branch network operations to our infrastructure delivering our services to our customers.

Additionally, the Boards and Board Committees exercise oversight of The Co-operative's activities around climate risk management, which includes identifying and prioritising risks, and providing updates on activities currently in place to manage identified risks. Continuing assessment is critical in helping to ensure robust risk management, consistent with our enterprise risk management framework. The Co-operative considers these assessments during the year through our management and Board committees, including the SLT Performance forum for carbon targets, and in quarterly SLT Risk Committee and The Co-operative Bank Board Risk Committee for climate-related credit risk (see also Governance section).

Our approach to managing climate change risk will continue to evolve as we mature in our understanding of the underlying risks, including how we prioritise climate risk factors relative to other risks. Like other business risks, we have articulated our key controls and identified control owners for climate-related risks which will be reviewed at least six-monthly. In FY25, Climate Related Disclosures (CRD) were included in our attestation process, alongside other legislative compliance attestations. The process required key internal stakeholders to confirm how each aspect of the Climate Standards and the Financial Markets Conduct Act (FMCA) Part 7A have been complied with.

Risk Management continued

Tools, methods and practices employed

For the period ended 31 March 2025, The Co-operative used a combination of tools and activities to identify and assess the scope, size and impact of its identified climate-related risks as follows.

Tool/method	Description	Application	Risk process		
			Identify	Assess	Respond
Climate scenario analysis	A process for identifying and assessing potential implications of a range of plausible future states under conditions of uncertainty.	Explore and develop an understanding of how climate-related risks and opportunities might plausibly impact an entity over time.	✓	✓	✓
Stakeholder engagement	A means of obtaining input for decision making from parties who may be affected by the decision or have knowledge that may inform the decision.	Workshops and direct engagement to seek insights from a range of internal stakeholders who can provide feedback on changing conditions and potential impacts associated with climate-related risks.	✓	✓	✓
Credit stress testing	An approach that incorporates top-down econometric models to estimate credit risk losses on the current portfolio. This also uses standard retail lending stress test methodologies adopted and used by many New Zealand and global lending institutions and regulators.	While not directly related to climate risk assessment, this provides useful insights in terms of understanding the baseline credit risk exposure and, when combined with other methods, how climate-related risks and opportunities further impact The Co-operative's credit risk exposure.	✓	✓	
GHG emission measurement	An approach to measuring and verifying The Co-operative's GHG emissions to understand the impact of our operations and lending activities on the environment for a financial year, and to make progress against associated targets. Annual review of measurement boundary to understand impact through wider value chain over time.	Collect activity data, review, and quantify the associated GHG emissions, and obtain assurance over those emissions. Disclose to stakeholders, collate and share insight to identify risks or trends, and measure progress against targets over time.	✓	✓	
GHG emission target setting	An approach to exploring and setting science-aligned targets for GHG emissions. Leveraging the guidelines of the Science-Based Targets initiative (SBTi) and tools from Toitū.	Using the frameworks, guidelines and tools provided, explore a range of target design options and their implications. Forecast achievement based on known opportunities and engage SLT to set commitment.	✓	✓	✓
Portfolio flood risk analysis	A process of understanding, identifying and estimating The Co-operative's flood risk exposure using floodplain data on a baseline level.	Utilising available floodplain data to understand The Co-operative's flood risk exposure assists in the climate risk assessment process as well as in formulating mitigants to manage those risks	✓	✓	
Internal programme alignment	Process of alignment with other internal programmes.	Leverage information, outputs and results arising from other internal activities of The Co-operative such as the carbon programme, fair conduct programme, and credit risk activities that may lend insights to climate-related risks and opportunities and their impact to our broader value chain.	✓	✓	✓

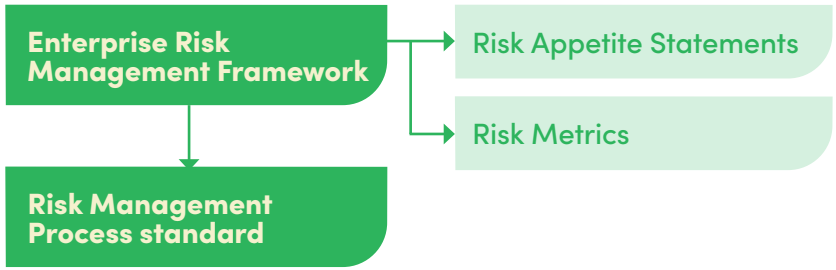
In FY25 we refreshed our climate scenario analysis. This included a review of the FSC climate scenarios and their implications for Co-operative Life. This was followed by an analysis of the physical impacts from heat, drought, wind and wildfire using MfE's Aotearoa New Zealand climate projections over three temperature-aligned climate scenarios in the short-term (2021-2040), medium-term (2041-2060) and long-term (2081 to 2099). These time horizons are referred to by their mid-points–2030, 2050 and 2090– and broadly align with The Co-operative's time horizon for climate risk assessment (short-term to 2030, medium-term to 2050, and long-term to 2080+). Further details of our climate scenario analysis can be found in the Strategy section above. Primary and secondary risks were updated following the climate scenario refresh. However, no changes were made to our seven key risk categories.

Risk Management continued

Integration with broader risk management framework

The Co-operative's Enterprise Risk Management Framework (ERMF) outlines how we manage risk. The framework is adaptable to accommodate climate risks and considers the various consequences of climate risk such as financial, reputational, and regulatory requirements, as well as impacts on our people and our customers.

Our ERMF is going through its three-yearly review, and we will continue to consider the management of climate-related risks as part of this review.



The Co-operative's activities around climate-risk identification, assessment and management are an integral component of The Co-operative's risk management practices and policies as it considers more broadly, and on a continuing basis, risks that impact business operations and sustainability

For the second year of reporting, we have continued to leverage the tools and activities noted above in identifying and assessing the impact of climate-related risks and opportunities and embedded the results from those activities in our broader risk management reporting, standards and strategy– i.e., including reporting results to Boards and Committees and monitoring progress (as we would policies and reporting) around climate change and its impact to our strategy and business model, for both physical and transition risks.

Our work to identify and assess the impact of climate-related risks and opportunities has also encompassed the assets and services under The Co-operative's operational control, including implications for our customers. In FY25, this included considering climate-related flood risks as part of the future branch network decision making. In future we may consider a wider scope of these climate-related risks and opportunities across The Co-operative's value chain (including Fisher Funds KiwiSaver products and IAG insurance products sold by The Co-operative, which are presently excluded).

Metrics and Targets

This section describes the metrics and targets used by the Co-operative to manage the climate-related risks and opportunities described earlier in the report.

Greenhouse gas (GHG) emissions

The Co-operative has measured Scope 1, Scope 2 and Scope 3 GHG emissions resulting from our business operations since 2019, including an annual GHG inventory report and third-party verification. We have committed to reducing our operational emissions and offsetting our residual emissions since FY21. In FY24 The Co-operative was certified by Toitū Envirocare as a Net Carbon Zero organisation[1]. In FY24, the SLT agreed to set FY23 as our base year to set targets and track our emissions reduction progress against targets, as described further below.

The Co-operative uses an operational control approach to setting the organisational boundary for GHG emissions reporting, as described in the GHG Protocol and ISO 14064-1:2018. The operational control consolidation approach aligns with our financial reporting and the operational footprint of our entities in New Zealand. This scope for operational emissions includes our head office, branches, and data centre facilities. There are no excluded business units or facilities.

FY25 was the first year The Co-operative measured the financed emissions resulting from our mortgage portfolio, also using the operational control boundary approach to determine material emissions sources. We expect to expand our understanding and measurement of financed emissions for other investments in FY26, including for treasury-related investments, which are currently excluded.

The Co-operative's FY25 GHG emissions have been independently verified by KPMG to a reasonable assurance standard for Scope 1 and 2 operational emissions and a limited assurance standard for Scope 3 emissions (including financed emissions), measured in accordance with the GHG Protocol's Corporate Standard and Partnership for Carbon Accounting Financials (PCAF).

For a full description of our GHG emissions methods, assumptions, and estimation uncertainty, see Appendix C and KPMG's assurance opinion in Appendix D.

1. Toitū Net Carbon Zero is a voluntary certification programme that requires The Co-operative to annually adhere to Toitū's technical programme, rules and requirements for measuring and reducing greenhouse gas emissions according to ISO 14064-1:2018 standards. See our Toitū Net Carbon Zero certification on the Sustainability section of our website.

Metrics and Targets continued

Operational emissions

Our gross operational emissions for FY25 (1 April 2024 to 31 March 2025) were 602 tonnes of carbon dioxide equivalent (tCO2e). The largest source of GHG emissions from our business operations is from transport used for staff commuting and business travel which have increased year-on-year from FY23.

The following table summarises The Co-operative's operational GHG emissions from our FY23 baseline year to the current FY25 reporting year.

The Co-operative's GHG emissions FY23-FY25 (tCO2e)

Scope	Category	Activity description	FY23	FY24	FY25	Year-on-year change	Change since base year
1	Direct emissions	Vehicle fleet petrol	19.95	15.68	10.02	-36%	-50%
2 location-based[2,3]	Indirect emissions from purchased electricity	Electricity purchased	111.63	64.04	58.56	-9%	-48%
2 market-based[4]			n/a	6.18	8.19	n/a	n/a
3	1. Purchased goods and services[5]	Cloud-based data, print consumables	106.38	52.03	31.25	-40%	-71%
	3. Fuel and energy related activities	Transmission and distribution losses	10.25	7.05	3.73	-47%	-64%
	4. Upstream transportation and distribution	Mail (posted letters and statements)	19.05	17.85	17.55	-2%	-8%
	5. Waste generated in operations	Waste to landfill	12.22	6.00	2.94	-51%	-76%
	6. Business travel	Flights, rental cars, taxis and accommodation	66.50	96.08	127.06	32%	91%
	7. Employee commuting	Commuting, well-to-tank and work from home	280.53	293.89	350.52	19%	25%
Total Scope 1			**19.95**	**15.68**	**10.02**	**-36%**	**-50%**
Total Scope 2 (location based)			**111.63**	**64.04**	**58.56**	**-9%**	**-48%**
Total Scope 3			**494.93**	**472.90**	**533.05**	**13%**	**8%**
TOTAL Scope 1, 2 and 3 emissions[6]			**626.51**	**552.62**	**601.63**	**9%**	**-4%**

2. Scope 2 location-based emissions have been restated for FY24 to include data centre electricity use, which was previously included in Scope 3, Category 1.
3. Scope 2 location-based emissions are based on the electricity consumption from each physical location with emissions calculated based on the New Zealand grid electricity factors from MfE 2024, without considering Renewable Energy Certificates (RECs) purchased.
4. Scope 2 market-based emissions consider supplier choice, onsite renewable energy generation and RECs (contractual instruments used to manage indirect emissions) applied to electricity consumption from sites only. Market-based emissions have been restated from FY24 to include emissions from data centre electricity.
5. Emissions restated in FY24 to exclude data centre electricity which has been captured under Scope 2.
6. Total emissions have been restated from those disclosed in FY24 to include emissions from mail (posted letters and statements) in Scope 3, Category 4.

Metrics and Targets continued

Operational emissions reduction targets

A description of The Co-operative's GHG emissions reduction targets and progress against them is described below.

Scope 1 and 2

In FY24, The Co-operative committed to an absolute reduction of Scope 1 and 2 emissions by 42 per cent by 2030 from a 2023 base year. The target was set using the guidance and tools from the Science Based Targets initiative (SBTi) to model the reduction pathway required to limit global warming to 1.5°C. An interim target of 24 per cent reduction of Scope 1 and 2 emissions by FY27 from the 2023 base year was also set. The target, and associated initiatives plotted to support achievement of the target, was reviewed by Toitū Envirocare and progress monitored on an annual basis as part of our Toitū Net Carbon Zero certification.

In FY25, The Co-operative achieved a 48 per cent reduction in Scope 1 and 2 GHG emissions compared to the FY23 base year. The reduction has largely been achieved due to reducing electricity use by moving operation of our physical data centre in FY24 to a more efficient shared location. In FY25, small reductions are attributed to reducing our company vehicle fleet from six petrol cars to two EV and two PHEV vehicles, energy-efficient lighting upgrades and property consolidation. Despite achieving the Scope 1 and 2 target earlier than expected, we continue to review the efficiency of our operations to ensure we remain within the target regardless of any operational changes before 2030.

The Co-operative's Scope 1 and 2 GHG emissions FY23–FY25 (tCO_2e)

Scope	FY23	FY24	FY25
1	19.95	15.68	10.02
2	111.63	64.04	58.56
TOTAL	**131.58**	**79.72**	**68.58**
% change from FY23	-	-39%	-48%

Scope 3

More than 90 per cent of The Co-operative's operational emissions come from our value chain emissions, largely from staff commuting and business travel, which have increased year-over-year from FY23. Increases in FY25 have been driven by international travel taken by senior management in connection with the selection of technology partners for the replacement of the Co-operative's core banking platform from international vendors, and an increasing number of staff commuting to work. Other Scope 3 emissions sources include electricity used for cloud services, printing consumables, waste, and mail. A recalculation process and restatement of the base year emissions for Scope 3 to include mail from FY23 has been undertaken, as described further in Appendix C1.

While Scope 3 value chain emissions are much harder to influence, organisations have a role demonstrating commitment and leadership in reducing Scope 3 emissions. In FY25, we further explored options for setting a science-aligned target to cover Scope 3 emissions.

We have committed to reduce Scope 3 operational emissions by 33 per cent by 2033 from a base year of 2023. We set the target using guidance and tools from the SBTi to model the reduction pathway required to limit global warming to well below 2°C.

Actions to address Scope 3 emissions reductions in FY25 included the launch of Workride, the ride-to-work benefit programme, to support our people to choose a lower-carbon ride to work and migrating to a new emissions reporting platform to facilitate reporting and engagement of further carbon reduction initiatives, including for business travel.

Metrics and Targets continued

Renewable Energy Certificates

The Co-operative purchases electricity from Meridian Energy. In FY25, we purchased their Certified Renewable Energy product to cover the total amount of electricity used across the branch network and head office during the reporting period. The 'certified' electricity is then matched to power put into the grid by Meridian's hydroelectric (water-powered) power stations and wind farms, which are independently verified as 100 per cent renewable and releasing zero carbon emissions. This process earns us internationally recognised Renewable Energy Certificates (RECs) and allows us to report our market-based Scope 2 emissions as zero (using the market-based reporting methodology, in accordance with the GHG Protocol's Scope 2 Guidance)[7].

Carbon offsets

The Co-operative Bank is Toitū Envirocare Net Carbon Zero certified. This means that we have made efforts to reduce our operational emissions in line with our stated targets, our emissions have been independently verified, and we choose to offset our residual emissions (i.e., those we have been unable to avoid) to achieve our certification. These offsets do not count towards achieving our GHG emissions targets.

Our gross operational emissions in FY25 were 602 tCO_2e. We have chosen to offset our residual operational emissions through the purchase of certified carbon credits.

Carbon credit projects

Through Toitū Envirocare we purchased 588 certified carbon credits to offset the remainder of our residual emissions after RECs. This includes credits required to offset the residual emissions from mail, not previously included in FY23 and FY24. Carbon credits are procured from emissions reduction or removal projects that meet Toitū Envirocare's due diligence process which includes alignment with the Integrity Council for the Voluntary Carbon Market methodology (IC-VCM) for all international credits and endorsement by the International Carbon Reduction and Offset Alliance (ICROA) for New Zealand-based and international credits. In FY25, The Co-operative purchased carbon credits from the following two projects:

1. 75 credits from #0483b, PFSI Spraypoint. Spray Point Station is located in the upper Waihopai Valley in South Marlborough, New Zealand. Carbon credits support the regeneration of permanent forests and associated maintenance to support biodiversity in the region.
2. 513 credits from VPA 28 Coastal Kenya Borehole Rehabilitation Project. This Gold Standard Certified Project provides households with a safe source of drinking water through the rehabilitation of non-functioning boreholes. The project aims to ensure households consume less firewood for water purification, reducing emissions and associated deforestation from burning wood for fuel.

All carbon credits have been cancelled on the Toitū Envirocare register and will be cancelled (or equivalent) on the relevant external registry within one month of certification.

Internal emissions price

The Co-operative considers the cost of carbon as part of our annual budget process. This accounts for planned emissions reduction initiatives over the financial year to estimate the total operational emissions for the year and the associated cost to offset these as part of our Toitū Net Carbon Zero certification commitments. In FY25 this cost was $34.82 per tCO_2e for the aforementioned carbon credit projects and Renewable Energy Certificates. The Co-operative does not use any other internal emissions price to guide the decision-making process relating to climate-related impacts, risks and opportunities.

7. Excludes electricity used to charge corporate vehicles or in data centres.

Metrics and Targets continued

GHG emissions intensity

The Co-operative measures the intensity of our operational emissions relative to our productivity (revenue) on an annual basis as part of our Toitū Net Carbon Zero certification.

GHG emissions intensity[8]	Unit	FY23	FY24	FY25
Total operational GHG emissions per net operating income ($m)	$Millions	6.75	5.53	6.01

Financed emissions

Financed emissions are the GHG emissions associated with the investment and lending activities of an organisation. Financed emissions are classified as Scope 3, Category 15: Investments under the GHG Protocol. Typically, for financial institutions, financed emissions are much larger than the organisation's operational emissions and, like other Scope 3 operational emissions, can be much harder to influence.

In FY25, The Co-operative Bank worked with third party Generate Zero to estimate the total financed emissions facilitated by our lending activities. We have used the operational control approach and assessed the materiality of GHG emissions sources from our investments.

GHG emissions associated with our residential mortgage portfolio have been estimated and are disclosed for the first time in this Climate Report. Further work is required to understand and disclose emissions facilitated by other lending and investment activities currently excluded from reporting, including treasury investments, which are also expected to be material.

8. Emissions intensity metrics have been restated from FY23 due to the re-baselining to include emissions from mail.

Financed emissions from residential lending – mortgages

Our calculation of financed emissions from mortgages has been measured in accordance with the Mortgage calculation methodology from the Partnership for Carbon Accounting Financials (PCAF) Standard A. Emissions are calculated based on the floor area (m2) of the building and the regional/industry-based emissions factors ($kgCO_2e/m2$). The building annual emissions are then attributed to The Co-operative using a loan-to-value approach. See Appendix C2 for full details of the methodology.

The Co-operative's financed emissions from residential lending (tCO_2e)

Scope	Category	FY25
3	15 - Investments	4,685

Metrics and Targets continued

Vulnerability to transition risk

As a retail-only bank with no business lending, our primary transition risk relates to retail customer credit losses, whereby customers may experience increased costs or loss of income due to climate-related factors (e.g., cost of insurance, or loss of employment where a customer or customer's employer has been adversely impacted by climate change) affecting their ability to keep up with loan repayments. Quantifying our customers' exposure to climate-related transition risks (such as risk of unemployment or financial hardship relating to the climate transition), and therefore The Co-operative's direct vulnerability to credit risk, is currently complex to model. Therefore, we have estimated our indirect exposure to transition risk across the residential mortgage portfolio through our climate scenario analysis process. The full methodology is detailed in Appendix B.

Climate-related economic and transition loss estimates were generated for each NZBA climate scenario by combining the probability of default (PD), loss given default (LGD) and The Co-operative Bank portfolio projections over decades from 2025 to 2080. The resulting Expected Loss Rate (average annual percentage) from climate-related economic and transition loss across the mortgage portfolio is estimated to be between 0.02-0.15 per cent, with expected losses highest in a Hot House scenario and lowest in an Orderly scenario over time, as illustrated in the table at right.

Expected Loss Rate (average annual percentage) from climate-related economic and transition loss across mortgage portfolio

Time horizon	Short term	Medium term	Long term
Scenario	By 2030	By 2050	By 2080
Orderly	0.04%	0.02%	0.02%
Too Little, Too Late	0.04%	0.04%	0.07%
Hot House	0.04%	0.05%	0.15%

Metrics and Targets continued

Vulnerability to physical risk

The most material physical risk for The Co-operative is the risk that our customers' homes, secured under residential mortgage lending, become uninsurable, or insurance becomes unaffordable as flood risks increase. In FY24, we modelled and disclosed our expected losses resulting from both transition and physical (flood-related) risks projected under the three climate scenarios in the short, medium, and long term, as described in the Strategy section above.

In this reporting year, we have enhanced our understanding of current flood risks across the mortgage portfolio from surface flooding, river flooding and coastal flooding. Flood risks from a 1-in-20 year, 1-in-50 year, 1-in-100 year and 1-in-200 year flood event were assessed against the amount of lending provided. Vulnerability to physical risks is monitored as the percentage of lending at financial risk against secured property, based on an internally scaled value of properties that are currently exposed to high levels of flood risk. See Appendix B for methodology, assumptions and limitations.

Percentage of lending at risk in high-risk flood zones

Scope	FY24	FY25w
Percentage of lending	N/A (new metric)	2.97%

Activities aligned with climate-related opportunities

As a retail-only bank, our opportunity for investment in climate-related opportunities is more limited than for those operating in commercial or institutional sectors, particularly where those industry portfolio emissions are greatest. Climate-related opportunities have been identified as described in the Strategy section and a small number of business activities are allocated to these, such as managing our carbon reduction initiatives and partnerships with external providers. These are currently managed within business-as-usual operating expenses, as outlined in the capital deployment section across. In FY25, The Co-operative has nil material amount or percentage of assets or business activities aligned with climate-related opportunities. We will continue to review this metric in line with our transition planning activities.

Capital deployment

Operating and capital expenditure towards climate risks and opportunities is captured for environmental certifications, including Toitū Net Carbon Zero and B-Corp, flood risk modelling and climate disclosure reporting, including measurement and assurance of GHG emissions.

Operating and capital expenditure toward climate-related risks and opportunities

Scope	FY24	FY25
Operating expenditure toward climate-related risks and opportunities ($)	$200,204	$456,095

Metrics and Targets continued

Remuneration

The remuneration policy at The Co-operative does not support short-term incentives for specific targets and has not changed since FY24. See the Governance section for further details.

Management remuneration linked to climate-related risks and opportunities

Scope	FY24	FY25
Remuneration linked to climate-related risks and opportunities	Nil	Nil

The Co-operative does not currently use any other metrics or targets to manage climate-related risks and opportunities beyond those described above for GHG emissions.

Appendices

The below Appendices provide further detail on the methodology, limitations, scope, boundaries, and assumptions used in specific areas of climate risk analysis and in the assessment of metrics and targets referenced throughout this Climate Report.

Appendix A
Climate scenario narratives

The three climate scenarios developed and used by The Co-operative for the purposes of climate scenario analysis are described below. These narratives are amended slightly from those used and disclosed in FY24, with updates including impacts for life insurance. The climate scenario narratives are qualitative and exploratory in nature, informed by international and national datasets. The climate scenarios are not predictive forecasts, nor do they represent a preferred set of choices. They represent a set of plausible yet challenging future scenarios to test our view of climate-related risks, opportunities and related drivers. They were refreshed in FY25 as part of The Co-operative's climate scenario analysis process to review climate-related risks and opportunities and feed into transition planning.

Orderly scenario

Collective action is taken towards a low-carbon global economy. In this scenario, steady and constant societal changes related to technology, policy and behaviour support the transition to a lower emissions economy – seeing a world that achieves net zero emissions by 2050 and limits global warming to 1.5°C by 2100.

In Aotearoa New Zealand, progressive policy, supported by an increasing carbon price and behaviour changes, encourages the adoption of low-emission technologies across several areas of the economy, supporting the achievement of net zero by 2040. Initially, society faces increasing costs to account for the cost of carbon which rises to $138 per tonne and regulation aimed at driving down emissions impacting the cost of raw materials. Customers are both price and carbon conscious, scrutinising companies' environmental disclosures as part of their purchasing decisions in addition to price. This could impact customer ability or willingness to pay for insurance products that are not price-competitive or from companies that are not demonstrating sustainable practices.

The rate of sea-level rise will be gradual to 2050 and occurrences of other extreme climate-related events such as flooding, storm surges or wildfires will be infrequent. Banks, insurers, communities, mana whenua, central government and local government work in a coordinated way to construct and enact managed retreat in areas impacted by climate.

Increased investment in sustainable housing and the development of financial instruments and insurance products that better reflect these emerging climate risks prove popular and help offset any potential declines in property values in vulnerable areas, reducing the risk of loan defaults or foreclosure for lenders.

Increased regulation, stakeholder expectations, and market behaviour drive demand for products and services with lower emissions profiles. Slower efforts to decarbonise both banking and life insurance sectors may lead to losing competitive advantage to act on opportunities associated with the transition to a low-emission economy.

Too Little, Too Late

There is a misaligned and delayed transition to a low-carbon economy between Aotearoa New Zealand and the rest of the world. Aotearoa New Zealand's decarbonisation options are restricted until the medium term, when global efforts to decarbonise begin. The sharp change in approach towards climate change action in the medium term impacts global economic growth. As a result, customers face significant financial impacts from increasing costs as carbon is priced into goods suddenly. This increases price-competition, credit-related risks and customer willingness, or ability, to pay for life insurance products.

In the short term, climate anxiety increases as global emissions continue to rise. In the medium-to-long term, average temperature increases may start to cause heat-stress for vulnerable people, such as outdoor workers, in the north of the North Island. Mortality and morbidity rates will increase and change – morbidity from the short term and mortality from the medium-to-long term.

The increased extreme climate-related events in the 2030s lead to widespread insurance repricing, particularly in coastal storm and inland flood zones. Insurance coverage falls as customers are either unable to afford premiums and rebuild costs, and/or as insurers exclude flood cover from policies. Financial stress for consumers is high and managed retreat policies are unpredictable.

Extreme weather events also disrupt supply chains and transport routes impacting business operations with reduced ability to serve customers in branches if access is restricted or buildings are damaged. Operational expenditure increases for businesses and the banking sector faces sudden increased regulation to meet decarbonisation targets and managed retreat policies.

Reinsurers offshore are impacted by the increased frequency and severity of physical climate impacts, making it more difficult and expensive to access reinsurance. There is increased focus on carbon targets, financed and insured (Scope 3 emissions) by reinsurers.

Hot House

Economies around the world remain dependent on fossil fuels and there are limited global efforts to transition to a low-carbon economy. Average global temperatures increase by over 2.4°C by 2050 and by over 4.4°C by 2100.

In Aotearoa New Zealand, and overseas, GDP is unconstrained by the transition to a low-carbon economy yet falls over the medium to long term due to increasing disruptions caused by extreme weather events. Communities are forced out of their homes from repeated surface flooding or coastal inundation from sea-level rise. Property owners incur increasing costs from climate-related damage to assets, as well as declining land value which may impact loan repayment abilities. Managed retreat is conducted across many communities causing social upset and possible defaults on mortgages. Housing supply is constrained as the number of climate-refugees from low-lying island nations in the Pacific migrate to Aotearoa New Zealand looking for stability.

Financial impacts on New Zealanders because of physical climate risk, also impact upon the wellbeing of New Zealanders. Climate anxiety increases as global emissions, average temperatures and extreme weather events all increase. Increased exposure to heat stress in the northern and eastern areas of the North Island and eastern South Island increase the incidence of cardiovascular and respiratory illnesses and skin cancer. There's also an increase in the viability of vector-borne diseases spreading as the climate becomes warmer and wetter. Life insurers see a long-term change in claim distribution with increasing morbidity and mortality because of these climate events and must manage impacts on capital management. Reinsurance also becomes increasingly difficult to obtain and expensive for New Zealand companies, challenging traditional models of risk transfer and provision of insurance in a profitable way.

Higher temperatures may impact electricity generation and supply, impacting business operations and increasing cooling demands. Therefore, the ability to reach customers may be disrupted both in branches and online.

Appendix B
Data sources and methodologies for climate scenario analysis and climate risk modelling

Data sources

Data used for the purposes of building up the Co-operative's climate scenario narratives can be found in the NZBA 'Climate scenario narratives for the banking sector' report (referenced at right), the FSC's 'Climate scenario narratives for the financial services sector'[9] and MfE's 'Aotearoa New Zealand climate projections'[10].

Further, for purposes of conducting the climate scenario modelling on our residential mortgage portfolio, the following data (and their corresponding sources) have been used.

Note that while the climate risk modelling was not updated in the current financial year, the approach described below has been updated from the description provided in our FY24 Climate Report to help increase understanding of complex climate, financial and modelling terminology.

Data	Use
NZBA Climate Scenario Narratives	High level climate scenarios used as the basis for our climate risk modeling.
CoreLogic Flood Map Ambiental Flood Files	Current baseline geo-spatial floodplain files and future scenario floodplain files for assessing flood risk.
LINZ Land Parcels	New Zealand land parcel geospatial data for assessing flood risk exposure.
LINZ Building Outlines	New Zealand land parcel geospatial data for assessing flood risk exposure.
RBNZ Climate Stress Test Scenarios	Additional scenario used to test our current portfolio exposure.
RBNZ Climate Stress Test Results	Results used for benchmarking of analysis and outcomes.
NGFS Scenarios	Additional scenario and modelling data used for extreme weather event impacts on economic variables.
RBNZ Key Economic Time Series	Historical economic timeseries data for econometric modelling.
RBNZ Bank Financial Strength Dashboard	Banking impairment and performance data for econometric modelling.
NIWA Extreme Coastal Flood Maps	Additional source for tidal flooding exposure data and mapping files.
NIWA RiskScape: Flood Fragility Methodology	Additional source for comparing property depth/damage curves and damage ratio outcomes.
NIWA New Zealand Fluvial and Pluvial Flood Exposure	Additional reference study used for validation of New Zealand Surface and River flood risk exposure levels.
NIWA New Zealand Coastal Flood Exposure	Additional reference study used for validation of New Zealand Coastal flood risk exposure levels.
RBNZ Residential mortgage exposure to flooding risks	Additional reference study used for validation of New Zealand banking mortgage lending flood risk exposure levels.
IPCC Climate Change Report	Additional information reference on the latest IPCC climate change scenarios and projections.

9. Climate scenario narratives for the financial services sector.
10. www.environment.govt.nz/facts-and-science/climate-change/climate-change-projections

Methodology – Climate risk modelling

The modelling approaches selected were Beta regression and Generalised Additive Models (GAM). GAMs are powerful statistical models that allow for the modelling of complex non-linear relationships between variables (which we often see in econometric relationships); its key advantages include flexibility, interpretability, robustness and automatic variable selection. Both the Beta coefficients and the GAM curves serve as "pre-trained" models, allowing predictions to be generated in Excel for various climate scenario economic paths.

To model climate transition and physical risks across The Co-operative's mortgage portfolio a four-step process was undertaken.

1. **Scenario generation –** Detailed future scenarios were created that provide realistic climate and economic pathways based on the NZBA climate risk scenarios Orderly, Too Little, Too Late and Hot House from 2025 to 2080. The RBNZ climate risk stress test is a more severe and condensed scenario that was modelled out to 2050 and used to inform discussion of risks but not integrated into The Co-operative's climate risk assessment.

   Scenario output: Year on year economic parameter and climate projections from 2025 to 2080 for NZBA scenarios and to 2050 for RBNZ scenario.

2. **Transition risk modelling –** Econometric models estimated the impacts of the low-carbon transition and economic risk associated with each future climate scenario. This included the projection of The Co-operative's banking portfolio into the future including outstanding balances, provisions and capital. An estimation of expected credit losses arising from chronic and acute transition risks (including increasing costs of transition in an Orderly scenario or increasing costs from frequent and severe weather events in a Hot House scenario).

   Transition risk output: Expected loss, probability of default (PD) and loss given default (LGD) projections from 2025 to 2080 for each scenario.

3. **Physical risk modelling –** Geo-spatial matching was used to match The Co-operative's mortgage portfolio data. Flood risk analysis was then used to extract flood depths and depth damage curves which are the basis for measuring property risk, lending exposure at risk and LVR outcomes from potential extreme weather events under different climate scenarios. Risk ratings and damage ratios for each flood-type (fluvial, pluvial and tidal) were combined into their respective total scores, considering the interactions between the flood types and selecting the maximum value between fluvial and pluvial floods, and adding the Tidal effects. The combined risk ratings were used to assign risk labels (low, medium or high) based on applied thresholds. Location and geographic analysis identified risks across specific areas or concentration under future scenarios.

   Physical risk output: Flood risk measurement under the scenarios including projected LGD impacts from 2025 to 2080.

4. **Economic and physical risk integration –** Transition and physical risk modelling results were integrated to understand anticipated impacts when both risks occur together under each scenario. Insurance retreat assumptions were included in this final step, which were phased in over time to capture the projected increasing proportion of uninsured properties (as insurance companies withdraw insurance on renewal or consumers let insurance lapse due to progressively higher premiums). Sensitivity analysis and validation of modelled outcomes and results was undertaken.

   Integrated output: Final summarised loss estimates and flood risk results across scenarios and a geospatial mapping tool.

Modelling limitations

The data sources cited above are based on the latest research, standards, and guidelines from a range of international and local sources available at the time we performed our analyses, which we completed in April 2024. Any changes after that point may not be reflected in our results and assessments. Additionally, it is essential to recognise that climate and financial systems are complex and subject to various uncertainties, assumptions and compounding variability over long-run time horizons. Therefore, the results should be interpreted with caution and not viewed as precise predictions of future climate risk outcomes.

The analyses we performed, therefore, are based on national and international assumptions and datasets and overlaying these with our internal information and sectoral level scenario analysis.

The underlying limitations to these data and modelling sources should be noted when reading this Climate Report. Lastly, the speed in which climate-related impacts are evolving are unprecedented, reducing reliance that can be placed on historical experience to assess both magnitude and patterns to forecast the future.

This gives rise to a higher level of uncertainty for banks when assessing the magnitude and timing of climate risk drivers. These drivers are also subject to tipping points that exacerbate uncertainty, particularly given geographic diversity of physical and transition impacts across New Zealand and the rest of the world.

The Co-operative intends to review our climate scenario modelling annually and update as required to reflect changes in the mortgage portfolio and model outlooks.

Methodology for measuring vulnerability to physical risk

Vulnerability to physical risks is monitored as the percentage of lending at financial risk against secured property, based on an internally scaled value of properties that are currently exposed to high levels of flood risk.

Following the completion of the climate scenario modelling detailed above, a Flood Exposure dashboard was built to provide us with a quarterly view of our current flood exposure across the mortgage portfolio. The dashboard pulls data from information on The Co-operative's current property portfolio (including addresses, locations, lending amounts and security valuations) which is overlaid against fluvial, pluvial, and tidal flood risk and flood depth data for 1-in-20 year, 1-in-50 year, 1-in-100 year and 1-in-200 year events to provide a comprehensive view of potential risk.

Appendix C
GHG emissions categories and reporting scope

This section outlines the methods used to calculate the Co-operative's Scope 1, 2 and 3 emissions in the current reporting period which is consistent with our financial year cycle from 1 April 2024 to 31 March 2025 (FY25). Methodologies are described for our operational emissions, i.e., those direct and indirect emissions arising from our day-to-day business operations, and our Scope 3 financed emissions arising from the Co-operative's lending activities across our mortgage portfolio.

C1 Operational emissions methodology

Measurement standard

The GHG emissions sources included in our operational emissions footprint have been calculated in accordance with the GHG Protocol and ISO 14064-1:2018 as well as the Toitū Programme Technical Requirements (Toitū Programme).

As adapted from the GHG Protocol, the emissions sources deemed significant for inclusion in this inventory were classified into the following categories:

- **Direct GHG emissions (Scope 1):** GHG emissions from sources that are owned or controlled by the company, such as petrol used in company vehicles.
- **Indirect GHG emissions (Scope 2):** GHG emissions from the generation of purchased electricity, heat and steam consumed by the company.
- **Indirect GHG emissions (Scope 3 – categories 1, 3, 4, 5, 6 and 7):** GHG emissions that occur as a consequence of the activities of the company but occur from sources not owned or controlled by the company, including emissions from staff travel, purchased goods and services and disposal of waste. Scope 3 – category 15 Investments is reported separately as described further below in Appendix C2.

The tables later in this section provide detail on the categories of emissions included in the GHG emissions inventory, an overview of how activity data were collected for each emissions source, and an explanation of any uncertainties or assumptions made based on the source of activity data.

Organisational boundary

An operational control consolidation approach is used to account for emissions. This means that the Co-operative accounts for all emissions over which it has operational control, including at our head office facility and nationwide branch network where we have full authority to introduce and implement our operational policies in these locations. All exclusions are noted on page 48.

Base year measurement period

The base year for operational emissions is FY23, covering the period 1 April 2022 to 31 March 2023.

Base year restatement

There has been a base year restatement in FY25 to include Scope 3 emissions from the transportation of mail, including all posted letters and statements. These emissions make up approximately 3 per cent of the Co-operative's overall emissions in FY23. While this does not meet the 5 per cent significance threshold required to trigger a mandatory restatement, it is within the 1-5 per cent range whereby a restatement is optional. The Co-operative has chosen to restate the base year due to good quality historical data to support emissions calculations for FY23 and FY24, the level of influence and initiatives in place to support emissions reductions from mail, and to provide a consistent base year from which to monitor a Scope 3 reduction target which was agreed in FY25.

Spray Point Station,
Marlborough, New Zealand.
Photo credit: Toitū Envirocare.

Materiality of emissions sources

The significance criteria used to assess whether emissions are significant for inclusion in our GHG inventory follow Toitū's Programme requirements. Therefore, emissions sources included in our calculations include:

- All direct emissions sources that contribute more than 1 per cent of total Scope 1 and 2 emissions
- All indirect emissions sources that contribute more than 1 per cent of total Scope 3 emissions and where data is available.

NZ CS 2 Adoption provision 4 has been applied to financed emissions from treasury investments.

All known exclusions are detailed on page 48 below.

TOITŪ NET CARBON ZERO ISO 14064-1 ORGANISATION

FY25 emissions data sources, assumptions and uncertainty

Invoices, measured data and reports are received from multiple data sources and the relevant emission factors are applied to calculate emissions. A calculation methodology has been used for quantifying the emissions inventory based on the following calculation approach: emissions = activity data x emissions factor. Emissions factors and global warming potential (GWP) rates are sourced from MfE are from the 2024 publication 'Measuring Emissions: A guide for organisations'.

The table below outlines the emissions sources by scope and category (GHG Protocol (GHGP) category and ISO 14064-1:2018 (ISO) category), assumptions, uncertainty and the source of emissions factors applied to the activity data source to calculate overall emissions.

The Co-operative's GHG emissions inventory has been prepared with the best available information. There is inherent uncertainty of GHG quantification due to incomplete scientific knowledge. Our inventory will continue to be updated as data quality improves.

Emissions sources, assumptions and uncertainty

Scope 1					
Category	**Activity description**	**Activity data source**	**Unit**	**Assumptions and uncertainty**	**Emissions factor source**
Direct emissions from mobile combustion ISO Category 1: Direct emissions	Vehicle fleet – petrol use	Mileage records staff self-reported	km	Assumes mileage records provided by staff are accurate. Low uncertainty.	MfE, 2024

Scope 2					
Category	**Activity description**	**Activity data source**	**Unit**	**Assumptions and uncertainty**	**Emissions factor source**
Indirect emissions from purchased electricity ISO Category 2: Indirect emissions (purchased electricity)	Electricity use – retail and corporate sites	Energy consumption reports from supplier	kWh (kilowatt-hour)	Assumes data supplied by a third party is accurate. Electricity is excluded from common areas where staff areas are shared in mall across two properties. Low uncertainty.	MfE, 2024
	Vehicle fleet – electricity use (plug-in hybrid EVs and EVs)	PHEVs - Mileage records staff self-reported	km	Assumes mileage records provided by staff are accurate. Low uncertainty.	MfE, 2024
		EVs - Energy consumption reports from home chargers	kWh	Assumes data supplied by a third party is accurate. Low uncertainty.	MfE, 2024
	Data centres	Electricity consumption report from supplier	kWh	Assumes data supplied by a third party is accurate. Low uncertainty.	MfE, 2024

Scope 3					
Category	**Activity description**	**Activity data source**	**Unit**	**Assumptions and uncertainty**	**Emissions factor source**
1. Purchased goods and services ISO Category 4: Purchased goods and services	Printing consumables	Print spending from General Ledger accounts	$NZD	Assumes that data provided by supplier is accurate and complete. Low uncertainty.	Auckland Council Environmental Services, 2023
	Cloud-based services	Third party data carbon reports and internal extrapolation of data for Q4 due to reporting lag	tCO_2e	Assumes that data provided by supplier is accurate and complete. Low uncertainty.	Supplier-based (AWS, Microsoft)
3. Fuel and energy-related activity ISO Category 3: Indirect GHG emissions from transportation	Transmission and distribution losses	Energy consumption reports from supplier	kWh	Assumes data supplied by third party is accurate. Low uncertainty.	MfE, 2024

Appendix C continued

Scope 3 continued					
Category	**Activity description**	**Activity data source**	**Unit**	**Assumptions and uncertainty**	**Emissions factor source**
4. Upstream transportation and distribution ISO Category 3: Indirect emissions (transportation)	Postage (mail)	Internal records of the number of posted letters and statements sent	# letters	Assumes that internal records are accurate and complete, based on supplier invoices. Assumes the same supplier emissions factor across three postage suppliers. Low uncertainty.	Supplier-based (NZ Post)
5. Waste generated in operations ISO Category 4: Indirect GHG emissions from products used by organisation	Waste to landfill	Waste reports from supplier	kg	Assumes data supplied by third party is accurate. Low uncertainty.	MfE, 2024
6. Business travel ISO Category 3: Indirect emissions (transportation)	Business travel	Supplier reported activity data for flights	pkm (passenger-kilometre)	Assumes that supplier data is accurate and complete. Low uncertainty.	MfE, 2024 – with radiative forcing
		Supplier reported activity data for accommodation	# nights		MfE, 2024
		Supplier reported activity data for rental cars	km		MfE, 2024
		Taxi spend from General Ledger (GL) accounts	$NZD	Assumes internal spend-based data is correctly coded and accurate. Low uncertainty.	MfE, 2024
7. Employee commuting ISO Category 3: Indirect emissions (transportation)	Employee commuting, including well-to-tank (WTT) emissions, and working from home	Six-monthly commuter surveys	kg CO_2e	Assumes pre-calculated CO2e supplied by third party is accurate and complete. Modelling accounts for leave entitlements and total employee headcount. Response rate average 59%. Medium uncertainty due to survey frequency.	MfE, 2024 DBEIS (UK) 2024 (for WTT)

Excluded emissions sources

The following emissions sources categorised in accordance with the GHG Protocol have not been measured during FY25.

Emissions category	Emissions source	Reasons for exclusion
Scope 1: Direct emissions	Fugitive emissions from refrigerant leakages	The Co-operative has operational control of approximately half of all branches where refrigerant leaks may occur. Limited data availability. Emissions from this activity are estimated to be <1% of all emissions.
Category 1: Purchased goods and services	Cloud-based emissions from Google services	Emissions from this activity are estimated to be <1% of all emissions.
Category 2: Capital goods	Purchase of capital goods used to manufacture product or sell a service	Not applicable
Category 4: Upstream transportation and distribution	Transportation and distribution of products purchased – courier services	Limited data availability and emissions from this activity are estimated to be <1% of all emissions. Emissions from posted letters and statements are included in this category.
Category 8: Leased assets	Emissions from leased assets	Not applicable. Electricity use from leased assets included in Scope 2.
Category 9: Downstream transportation and distribution	Transportation and distribution of products sold	Not applicable
Category 10: Processing of products sold	Processing sold products	Not applicable
Category 11: Use of sold product	Use of energy or GHGs from goods and services sold	Not applicable
Category 12: End of life treatment of product sold	Waste disposal and treatment of products sold	Not applicable
Category 13: Downstream leased assets	Operation of assets owned and leased	Not applicable
Category 14: Franchises	Operation of franchises	Not applicable
Category 15: Investments	Financed emissions from treasury investments and life insurance	Limited data availability and NZ CS 2, Adoption provision 4 applied. Refer to page 51.

Renewable Energy Certificates and market-based reporting of Scope 2 emissions

Purchased and generated energy emissions are dual reported, using both the location-based method and market-based method. Dual reporting illustrates the role of supplier choice, onsite renewable energy generation, and contractual instruments in managing indirect emissions from energy alongside any ongoing energy efficiency and reduction efforts.

When aligning to market-based reporting methods, The Co- operative can account for the certified renewable energy products that contribute to the organisation inventory. Renewable Energy Certificates (RECs) are issued to Meridian under the New Zealand Energy Certificates System (NZECS) for the renewable energy generated from Meridian's certified hydroelectric power stations and wind farms. Meridian's Certified Renewable Energy product allows us to purchase renewable energy certificates to verify the amount of electricity we use supports renewable energy generation and Meridian's Decarbonisation Fund, which invests in both business and community electrification projects. In FY25 697 NZECS certificates have been redeemed against The Co-operative Bank. The 697 megawatt hours (MWh) of generated electricity against which these certificates have been issued means we can report on our market-based Scope 2 emissions related to electricity used in our branch sites and head office as zero (using the market-based reporting methodology as per the GHG Protocol's Scope 2 Guidance). There were no biogenic emissions associated with these certificates, NZECS adhere to criteria for the market-based approach to emissions allocation. Residual emissions remaining after certificates are applied relate to electricity used to charge corporate vehicles and in data centres.

Dual reporting of indirect emissions from purchased and generated energy

Scope 2		
Category	**Location-based methodology (tCO2e) FY25**	**Market-based methodology (tCO2e) FY25**
Category 2: Indirect	58.56	8.19

PROUD SUPPORTERS OF CERTIFIED RENEWABLE ELECTRICITY GENERATION

C2 Financed emissions methodology

Measurement standard

Financed emissions are classified as Scope 3, Category 15: Investments under the GHG Protocol. FY25 is the first year that The Co-operative has estimated the financed emissions resulting from our investments and we expect our disclosures to mature over time. The section below details the process and methodology used to estimate financed emissions in FY25, which is measured in accordance with the PCAF Standard for mortgages.

Base year measurement period

The base year for financed emissions is FY25, covering the period 1 April 2024 to 31 March 2025. This is the first year that financed emissions have been calculated.

Organisational boundary

The operational control approach is used. This means that the Co-operative measures and reports on emissions from operations over which it or one of its subsidiaries has control and the authority to introduce and implement operational policies.

Materiality threshold

The significance of emissions sources within The Co-operative's inventory has been considered alongside The Co-operative's organisational boundary for operational emissions. The significance criteria used comprises a 1 per cent threshold and follow's Toitū Envirocare's Programme requirements whereby all excluded emissions should not be more than 5 per cent. This is notwithstanding any other reasons for exclusions detailed below.

Scope of emissions asset classes

Financial institutions following the PCAF Financed Emissions Standard are required to report all financed emissions under Scope 3, Category 15 and disclose and justify any exclusions. The below table describes the seven PCAF asset classes, their applicability to the Co-operative, and justification for inclusion and exclusion of emissions measured and reported in this Climate Report.

PCAF asset class	Applicable?	Emissions measured?	Justification for measurement or exclusion
Listed equity and corporate bonds	Yes	No	The Co-operative's investments in New Zealand Corporate Bonds and Diverse global funds have been excluded from assessment in FY25 due to the complexities of monitoring these emissions sources. Measurement will be reassessed in FY26.
Business loans and unlisted equity	No	No	The Co-operative is a retail-only bank and does not offer business loans or hold unlisted equity.
Project finance	No	No	The Co-operative is a retail-only bank and does not offer loans or equities to projects.
Commercial real estate	No	No	The Co-operative is a retail-only bank and does not offer commercial real estate loans or commercial property insurance.
Mortgages	Yes	Yes	The Co-operative provides a range of home loan products to customers.
Motor vehicle loans	No	No	The Co-operative does not provide motor vehicle loans.
Sovereign debt	Yes	No	New Zealand central government investments have been excluded from assessment due to the complexities of monitoring these emissions sources. Measurement will be reassessed in FY26.

Other excluded emissions sources

Excluded source	Justification
Insurance-associated emissions	The Co-operative does not underwrite any general insurance products, therefore we do not have any insurance-associated emissions applicable under the PCAF Standard.
Life insurance	Co-operative Life Limited is a wholly-owned subsidiary of The Co-operative. Its operational emissions are captured as part of the everyday running of the bank. The financed emissions from the life insurance products sold by Co-operative Life have been excluded. There is currently no PCAF methodology to estimate GHG emissions from life insurance products. Measurement will be reassessed in FY26.

Mortgages – basis for reporting

As a basis for reporting emissions, financed emissions from the Co-operative's mortgage portfolio is calculated as of 31 March, the last day of the fiscal year. This determines the lending position for the relevant year and is in line with both the operational emissions approach and the financial accounting period.

Mortgages – methodology

The calculation for financed emissions from the Co-operative's mortgage portfolio was measured in accordance with the mortgage calculation methodology from PCAF Option 2b: 'Estimated building emissions based on floor area'. Emissions are calculated using estimated building energy consumption and average emissions factors specific to the respective energy source. Estimated building energy consumption per floor area is based on building type and location-specific statistical data.

The calculation methodologies are outlined here based on the expected data quality score and data match requirements:

PCAF option	Option (match condition)	PCAF calculation applied	Expected data quality score	Data match requirements
Option 2b: Estimated building emissions based on floor area Estimated building energy consumption per floor area based on building type and location-specific statistical data AND the floor area are available. Emissions are calculated using estimated building energy consumption and average emission factors specific to the respective energy source.	**Option 2b: Based on location-specific data and floor area** (exact property match)	(Outstanding Amount (b)/ Property Value at Origination (b)) x Estimated Energy Consumption from Statistics (b,e) **x Floor area (b)** x Emission Factor (e) Where: • b = Building • e = Energy source	**4**	Attribution of outstanding loan/ property value Property has **matched exactly on title number, DPID, and address to obtain exact floor area.**
	Option 2b: Based on location-specific data and floor area (location match)	Outstanding Amount (b)/ Property Value at Origination (b) x Estimated Energy Consumption from Statistics (b,e) **x Floor area (r)** x Emission Factor (e) Where • b = Building • **r = Region (territorial authority)** • e = Energy source	**5**	Attribution of outstanding loan/ property value Property has been **linked to a territorial authority through suburb and postcode to obtain an average regional floor area.**
	Option 2b: Based on floor area (location cannot be found)	Outstanding Amount (b)/ Property Value at Origination (b) x Estimated Energy Consumption from Statistics (b,e) **x Floor area (n)** x Emission Factor (e) Where: • s = Building • **n = Nationwide** • e = Energy source	**5**	Attribution of outstanding loan/ property value Property does not have enough information to link to any specific location. **A nationwide average floor area is used for full coverage.**

Appendix C continued

Where a property has matched exactly, on address, DPID, title, or a similar field (LINZ ID or DPID if available), floor area is based on the actual building. This results in a PCAF data quality score of 4. Where a property has not matched, and requires a regional or nationwide average floor area, this has been assessed as having a PCAF data quality score of 5.

A PCAF data quality score is applied to each record depending on match outcome. The PCAF scores for The Co-operative's data is shown in the table at right. PCAF data quality scores range from score 1 (highest data quality) to score 5 (lowest data quality). A higher data quality score indicates that there is higher estimation uncertainty associated with the data used to estimate emissions. As more data sources become available, data quality scores are expected to improve and GHG emissions disclosed to improve in accuracy over time. Data limitations and assumptions are detailed below.

Match result	Calculation	Financed emissions – outstanding loan percentage	PCAF sub-option	PCAF data quality score
Title matching	Attribution x (Emissions x Actual Floor Area)	93.5%	2b	4
Address matching	Attribution x (Emissions x Actual Floor Area)	4.1%	2b	4
Territorial local authority (TLA) matched. TLA average used.	Attribution x (Emissions x TLA Estimated Floor Area)	1.9%	2b	5
Postcode matched. TLA average used.	Attribution x (Emissions x Nationwide Estimated Floor Area)	0.2%	2b	5
No match. Nationwide average used.	Attribution x (Emissions x Regional Estimated Floor Area)	0.3%	2b	5
Weighted PCAF score				**4.02**

Mortgages – limitations and assumptions

- Actual energy consumption data from homeowners is not publicly available in New Zealand. Therefore, estimated energy emissions are calculated using:
  - The Electricity Authority-published monthly electricity consumption (kWh) per household per region, multiplied by the respective Emissions Factor published by MfE for the matching quarter.
  - Heating/cooling emissions ($ktCO_2e$) from Statistics New Zealand. This is a sum of heating/cooling from liquid, solid and gas fuel sources (electricity is excluded as it is captured in the step above). Occupied Dwellings Data from the NZ Statistics Household Incomes Dataset is used to multiply Average Building Floor area. This determines the total occupied floor area by region.
- The calculations use inputs from the residential property assets that the mortgage is secured against. This assumes that the mortgage has been used for these assets and nothing else.
- Financed emissions are calculated over the 12 months leading up to the end of a reporting period, with the final measurement occurring at financial year-end. Data sources used for emissions calculations, including property data, floor area, Electricity Authority energy use data, MfE electricity emissions factors, and heating and cooling emissions from Statistics NZ will be used from the closest available datasets to the reporting year's end.
- Property floor area data is the recorded total floor area of the principal buildings, including connected enclosed areas, but excluding any areas covered by structures such as eaves, open porticos, and open verandas. Floor area is recorded to the nearest m^2. Generate Zero sources floor area data via Valocity Global Property. The origin of this data is from council records which are collated on the District Valuation Roll (DVR). Floor area is either supplied as an actual floor area, if the property is matched on title, DPID, or address. It is supplied as a regional average if the property is matched on territorial authority (via suburb and/or postcode), or as a national average failing regional matching.
- An attribution factor is calculated for any loans that have multiple securities. This attribution factor is calculated using the security value at origination. This attribution factor is then used to attribute parts of the loan value to the security.

Appendix D
Independent Assurance Report to The Co-operative Bank Limited

Reasonable Assurance Opinion

Our reasonable assurance opinion has been formed on the basis of the matters outlined in this report.

In our opinion, in all material respects, the scope 1 and 2 (both location and market based approach) gross greenhouse gas emissions, additional required disclosures and gross greenhouse gas emissions methods, assumptions and estimation uncertainty disclosures included in the climate report on pages 30 and 46 to 49 (**Scope 1 and Scope 2 GHG Reporting**) are fairly presented and prepared in accordance with the Aotearoa New Zealand Climate Standards (NZ CSs) issued by the External Reporting Board (the criteria) for the period 1 April 2024 to 31 March 2025.

Limited Assurance Conclusion

Our limited assurance conclusion has been formed on the basis of the matters outlined in this report.

Based on our limited assurance engagement, which is not a reasonable assurance engagement or an audit, nothing has come to our attention that would lead us to believe that, in all material respects, the Scope 3 Greenhouse Gas emissions (including financed emissions), additional required disclosures and methods, assumptions and estimation uncertainty disclosures included in the climate report and the explanatory notes on pages 30, 33 and 46 to 54 (**Scope 3 GHG Reporting**) are not fairly presented and prepared in accordance with the Aotearoa New Zealand Climate Standards (NZ CSs) issued by the External Reporting Board (**the criteria**) for the period 1 April 2024 to 31 March 2025.

Information subject to assurance

We have performed an engagement to provide reasonable assurance in relation to The Co-operative Bank Limited's Scope 1 and Scope 2 GHG Reporting for the period 1 April 2024 to 31 March 2025. The Scope 1 and Scope 2 GHG Reporting includes the following disclosures:

- Scope 1 and 2 (both location and market based approach) GHG emissions contained within page 30 and accompanying footnotes;
- Basis on which the Scope 1 and 2 (both location and market based approach) GHG emissions have been identified and calculated, and the associated methodology as described in appendix C on pages 46 to 48; and
- Total scope 2 (both location and market based approach) GHG emissions contained within the table on page 49.

We have also performed an engagement to provide limited assurance in relation to The Co-operative Bank Limited's Scope 3 GHG Reporting for the period 1 April 2024 to 31 March 2025. The Scope 3 GHG Reporting includes the following disclosures:

- Scope 3 GHG emissions contained within page 30 and accompanying footnotes;
- Total scope 3 category 15 emissions (financed emissions) contained within the table on page 33
- Basis on which the Scope 3 GHG emissions have been identified and calculated, and the associated methodology as described in appendix C on pages 46 to 48 and 50 to 54 in relation to financed emissions.

Collectively the Scope 1 and 2 GHG Reporting and Scope 3 GHG Reporting are referred to as the **GHG Disclosures**.

Our opinion on the Scope 1 and 2 GHG Reporting and conclusion on the Scope 3 GHG Reporting do not extend to any other information included, or referred to, in the climate report or other information that accompanies or contains the climate report and our assurance report (**other information**). We have not performed any procedures with respect to the other information.

Criteria

The criteria used as the basis of reporting include the NZ CSs. As disclosed on page 29 of the climate report, the greenhouse gas emissions have been measured in accordance with:

- Scope 1 emissions have been measured in accordance with The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (revised edition)
- Scope 2 emissions have been measured in accordance with The Greenhouse Gas Protocol: GHG Protocol Scope 2 Guidance: An amendment to the GHG Protocol Corporate Standard
- Scope 3 emissions have been measured in accordance with The Greenhouse Gas Protocol: Corporate Value Chain *(Scope 3) Accounting and Reporting Standard and PCAF (2022) The Global GHG Accounting and Reporting Standard Part A: Financed Emissions, Second Edition*. (**PCAF**)

As a result, this report may not be suitable for another purpose.

Standards we followed

We conducted our assurance engagement in accordance with New Zealand Standard on Assurance Engagements 1 (**NZ SAE 1**) Assurance Engagements over Greenhouse Gas Emissions Disclosures and International Standard on Assurance Engagements (New Zealand) 3410 Assurance Engagements on Greenhouse Gas Statements (**ISAE (NZ) 3410**) issued by the New Zealand Auditing and Assurance Standards Board (**Standard**). We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the Scope 1 and 2 GHG Reporting and conclusion on the Scope 3 GHG Reporting.

Our responsibilities under the Standard are further described in the 'Our responsibility' section of our report.

Key Matters

Key matters are those matters that, in our professional judgment, were of most significance in undertaking our assurance engagement over the GHG disclosures for the period 1 April 2024 to 31 March 2025.

Our procedures were undertaken in the context of and solely for the purpose of our assurance opinion on the Scope 1 and 2 GHG Reporting and conclusion on the Scope 3 GHG Reporting and we did not reach a separate assurance opinion or conclusion on each individual key matter.

Key Matter	Procedures to address the Key Matter
Estimation of financed emissions from mortgages	
Financed emissions comprise approximately 90% of scope 3 emissions. As direct data is unavailable, in line with PCAF methodology, The Co-operative Bank has estimated emissions from mortgages based on statistical data of electricity and fuel use for households by region, estimating customer emissions based on property floor area and then apportioning these emissions to the bank based on loan to value ratios. Refer to Appendix C2 Financed emissions methodology for The Co-operative Bank's basis for measuring financed emissions from mortgages. This area is a key matter due to lack of available direct data, higher volume of calculations and size of emissions. Inherent in the methodology, is the use of statistical data. Future improvements to the calculation method or in data quality could result in a material restatement to previously estimated amounts.	Our assurance procedures included: • Inquiring with responsible staff and reviewing process and methodology documentation to obtain an understanding of the calculation methodology, assumptions, and estimation uncertainties. • Assessing the methodology against PCAF requirements. • Assessing the reliability and relevance of the data used to estimate average household emissions for a limited sample of mortgages by: – Tying statistical data on household emissions back to source. – Comparing floor space of the property to publicly available data. • Comparing the outstanding amount, security and latest property valuation for a limited number of loans to underlying banking records. • Recalculating the estimated emissions and the attribution factor for a limited number of loans. • Reconciling the total mortgages included in the financed emissions calculation to the audited loan book. • Considering the disclosures made in relation to the calculation method, assumptions and uncertainties in estimating financed emission against the Criteria.

Other Matter – Prior year comparatives not assured

The GHG disclosures for prior periods were not subject to our assurance engagement and, accordingly, we do not express an opinion or a conclusion, or provide any assurance on such information.

Our opinion and conclusion are not modified in respect of this matter.

How to interpret reasonable and limited assurance and material misstatement

Reasonable assurance is a high level of assurance, but is not a guarantee that it will always detect a material misstatement when it exists.

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

Misstatements, including omissions, within the GHG disclosures are considered material if, individually or in the aggregate, they could reasonably be expected to influence the relevant decisions of the intended users taken on the basis of the GHG disclosures.

Inherent limitations

As noted in appendix C on page 45, GHG quantification is subject to inherent uncertainty because of incomplete scientific knowledge used to determine emission factors and the values needed to combine emissions of different gases.

Use of this assurance report

Our report is made solely for The Co-operative Bank Limited. Our assurance work has been undertaken so that we might state to The Co-operative Bank Limited those matters we are required to state to them in the assurance report and for no other purpose.

Our report should not be regarded as suitable to be used or relied on by anyone other than The Co-operative Bank Limited for any purpose or in any context. Any other person who obtains access to our report or a copy thereof and chooses to rely on our report (or any part thereof) will do so at its own risk.

To the fullest extent permitted by law, none of KPMG, any entities directly or indirectly controlled by KPMG, or any of their respective members or employees accept or assume any responsibility and deny all liability to anyone other than The Co-operative Bank Limited for our work, for this independent assurance report, and/or for the opinions or conclusions we have reached.

Our opinion and conclusion are not modified in respect of this matter.

The Co-operative Bank Limited's responsibility for the GHG disclosures

The Directors of The Co-operative Bank Limited are responsible for the preparation and fair presentation of the GHG disclosures in accordance with the criteria. This responsibility includes the design, implementation and maintenance of such internal control as Directors determine is relevant to enable the preparation of the GHG disclosures that are free from material misstatement whether due to fraud or error.

The Directors of The Co-operative Bank Limited are also responsible for selecting or developing suitable criteria for preparing the GHG disclosures and appropriately referring to or describing the criteria used.

Our responsibility

We have responsibility for:

- planning and performing the engagement to obtain reasonable assurance about whether the Scope 1 and 2 GHG reporting is free from material misstatement, whether due to fraud or error;
- forming an independent opinion based on procedures we have performed and the evidence we have obtained regarding the Scope 1 and 2 GHG reporting;
- planning and performing the engagement to obtain limited assurance about whether the Scope 3 GHG reporting is free from material misstatement, whether due to fraud or error;
- forming an independent conclusion based on the procedures we have performed and the evidence we have obtained regarding Scope 3 GHG reporting; and
- reporting our opinion and conclusion to The Co-operative Bank Limited.

Summary of the work we performed as the basis for our opinion and conclusion

Reasonable assurance opinion on the Scope 1 and 2 GHG Reporting

We exercised professional judgment and maintained professional scepticism throughout the engagement. We designed and performed our procedures to obtain evidence about the Scope 1 and 2 GHG Reporting that is sufficient and appropriate to provide a basis for our opinion.

The nature, timing and extent of the procedures selected depended on our judgment, including an assessment of the risks of material misstatement whether due to fraud or error. We identified and assessed the risks of material misstatement through understanding the Scope 1 and 2 GHG Reporting and the engagement circumstances.

A reasonable assurance engagement includes:

- assessing the suitability of the circumstances of The Co-operative Bank Limited's use of the criteria as the basis for preparation of the Scope 1 and 2 GHG Reporting;
- considering relevant internal controls when designing our assurance procedures, however we do not express an opinion on the effectiveness of these controls;
- evaluating the appropriateness of reporting policies, quantification methods used in the preparation of the Scope 1 and 2 GHG Reporting by The Co-operative Bank Limited; and
- evaluating the overall presentation of the Scope 1 and 2 GHG Reporting.

Limited assurance conclusion on the Scope 3 GHG Reporting

A limited assurance engagement performed in accordance with the Standard involves assessing the suitability in the circumstances of The Co-operative Bank Limited's use of the criteria as the basis for the preparation of the Scope 3 GHG Reporting, assessing the risks of material misstatement of the Scope 3 GHG Reporting whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the Scope 3 GHG Reporting.

We exercised professional judgment and maintained professional scepticism throughout the engagement. We designed and performed our procedures to obtain evidence about the Scope 3 GHG Reporting that is sufficient and appropriate to provide a basis for our conclusion.

Our procedures selected depended on the understanding of the Scope 3 GHG Reporting that is sufficient and appropriate to provide a basis for our conclusion. The procedures we performed were based on our professional judgment and included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records.

In undertaking limited assurance on the Scope 3 GHG Reporting the procedures we primarily performed were:

- obtaining, through inquiries, an understanding of Co-operative Bank Limited's control environment, processes and information systems relevant to the preparation of the Scope 3 GHG Reporting. We did not evaluate the design of particular control activities, or obtain evidence about their implementation;
- evaluating whether the methods for developing estimates were appropriate and had been consistently applied. Our procedures did not include testing the data on which the estimates are based or separately developing our own estimates against which to evaluate the Client's estimates;
- Evaluating organisational and operational boundaries to test completeness of Scope 3 GHG sources and disclosures of exclusions;
- Performing analytical procedures on particular emission categories by comparing the expected Scope 3 GHG emissions to reported Scope 3 GHG emissions and made inquiries of management to obtain explanations for any significant differences we identified;
- agreeing a selection of Scope 3 GHG emissions data to relevant underlying source documents and re-performing emission factor calculations for a limited number of items;
- considering the presentation and disclosures of the Scope 3 GHG Reporting and explanatory notes against the requirements of the criteria

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Our independence and quality management

This assurance engagement was undertaken in accordance with NZ SAE 1. NZ SAE 1 is founded on the fundamental principles of independence, integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

We have complied with the independence and other ethical requirements of Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards)* (New Zealand) (**PES 1**) issued by the New Zealand Auditing and Assurance Standards Board, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Professional and Ethical Standard 3 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* (**PES 3**), which requires the firm to design, implement and operate a system of quality control including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have also complied with *Professional and Ethical Standard 4 Engagement Quality Reviews* (**PES 4**) which deals with the appointment and eligibility of the engagement quality reviewer and the engagement quality reviewer's responsibilities relating to the performance and documentation of an engagement quality review.

Our firm has also provided financial statement audit, review, and other assurance services to The Co-operative Bank Limited. Subject to certain restrictions, partners and employees of our firm may also deal with The Co-operative Bank Limited on normal terms within the ordinary course of trading activities of the business of The Co-operative Bank Limited. These matters have not impaired our independence as assurance providers of The Co-operative Bank Limited for this engagement. The firm has no other relationship with, or interest in, The Co-operative Bank Limited.

As we are engaged to form an independent opinion and conclusion on the GHG disclosures prepared by The Co-operative Bank Limited, we are not permitted to be involved in the preparation of the GHG disclosures as doing so may compromise our independence.

The engagement partner on the assurance engagement resulting in this independent assurance report is Peter Taylor.

KPMG

KPMG
Wellington
27 May 2025

Appendix E
Glossary

Term	Description
CCC	New Zealand Climate Change Commission
CEO	Chief Executive Officer for The Co-operative
CFO	Chief Financial Officer for The Co-operative
CRO	Chief Risk Officer for The Co-operative
CO_2e	Carbon dioxide equivalent is a measurement used to compare the impact of different greenhouse gases (GHGs) on climate change by factoring in their global warming potential (GWP) into one common metric, often expressed as kilograms (kg CO_2e) or tonnes (tCO2e). Having a common measurement scale for all greenhouse gases allows comparisons between emissions from different activities or sectors. See also GHG and GWP.
CRD	Climate-related disclosures are required by climate reporting entities to include in their climate statements in accordance with the Climate Standards issued by the XRB. See also: CRE.
CRE	Climate reporting entities are required to prepare climate-related disclosures as defined under Part 7A of the Financial Markets Conduct Act 2013. The Co-operative is a CRE under Section 461O of the same Act as it meets the definition of a registered bank that is 'large'.
ESG	ESG stands for environmental, social, and governance. ESG describes a set of holistic criteria covering environmental, social and governance factors that are used to measure the non-financial impacts of business.
EV	Electric vehicle that is solely powered using electricity
FSC	Financial Services Council of New Zealand—a non-profit member organisation to which The Co-operative belongs, with a vision to grow the financial confidence and wellbeing of New Zealanders.
FY25	Financial year ending 31 March 2025. References to other FYs have the same meaning for the corresponding year e.g., FY23 and FY24.

Term	Description
GHG	Greenhouse gases trap heat in the atmosphere and include carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), nitrogen trifluoride (NF_3) and sulphur hexafluoride (SF_6) and hydrofluorocarbons (HFCs) and perfluorocarbons (PFCs) reported in combination as carbon-dioxide equivalents (CO_2e). Each gas's effect on climate change depends on how abundant they are, how long they stay in the atmosphere, and their level of impact or GWP. Human activities add GHGs to our atmosphere, contributing to climate change. See also CO_2e.
GHG Protocol	The GHG Protocol standards for measuring emissions: The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (revised edition), The Greenhouse Gas Protocol: GHG Protocol Scope 2 Guidance: An amendment to the GHG Protocol Corporate Standard, and The Greenhouse Gas Protocol: Corporate Value Chain (Scope 3) Accounting and Reporting Standard. MfE 2024 emissions factors use IPCC Fifth Assessment Report (AR5) GWP values.
GWP	The global warming potential of a greenhouse gas is its ability to trap extra heat in the atmosphere over time relative to carbon dioxide. It is most often calculated over 100 years and is known as the 100-year GWP. MfE 2024 emissions factors use IPCC Fifth Assessment Report (AR5) GWP values.
IEA	International Energy Agency
IPCC	Intergovernmental Panel on Climate Change. The United Nations body for assessing the science related to climate change which provides regular assessments of the scientific basis of climate change, its impacts and future risks, and options for adaptation and mitigation.
ISO 14064- 1:2018	The international standard 'Specification with Guidance at the Organisational Level for Quantification and Reporting of Greenhouse Gas Emissions and Removals'.
kWh	A kilowatt-hour is a unit of energy use that measures energy delivered by one kilowatt of power for one hour.

Appendix E continued

Term	Description
LVR	A loan-to-value ratio (LVR) is the measurement of the size of a loan in comparison to the value of a property expressed as a percentage.
MfE	Ministry for the Environment, Manatū Mō Te Taiao—government advisor on the environment and climate, providing advice, tools and options for decision-makers to achieve their objectives and implement government decisions.
MWh	A megawatt-hour is a unit of energy use, with 1 MWh corresponding to 1000 kWh.
NGFS	The Network for Greening the Financial System is an international network made up of over 100 central banks and financial supervisors aiming to scale up green financing. The NGFS developed six climate scenarios that provide a common framework for quantifying the impacts of climate change on the global economy and financial system.
NIWA	National Institute of Water and Atmospheric Research is a Crown Research Institute. NIWA's purpose is to enhance the economic value and sustainable management of New Zealand's aquatic resources and environments, to provide understanding of climate and the atmosphere, and increase resilience to weather and climate hazards to improve the safety and wellbeing of New Zealanders.
NZBA	New Zealand Banking Association—a forum for member banks (including The Co-operative Bank) to work together on non-competitive industry issues.
NZ CS	Aotearoa New Zealand Climate Standards 1, 2 and 3 (NZ CS 1, NZ CS 2 and NZ CS 3) issued by the External Reporting Board (XRB) which provide for the required information in climate statements, as well as principles around how to effectively provide that information.
PHEV	Plug-in Hybrid Electric Vehicles, which can be powered using electricity or traditional petrol or diesel fuel.
RCP	Representative Concentration Pathway—greenhouse gas concentration trajectories defined by the IPCC.

Term	Description
REC	Renewable Energy Certificate. RECs are issued to Meridian under the New Zealand Energy Certificates System (NZECS) for the renewable energy generated from Meridian's certified hydroelectric power stations and wind farms. Meridian's Certified Renewable Energy product allows us to purchase renewable energy certificates to verify the amount of electricity we use supports renewable energy generation and Meridian's Decarbonisation Fund, which invests in both business and community electrification projects.
Scope 1	Direct greenhouse gas emissions from sources owned or controlled by The Co-operative.
Scope 2	Indirect greenhouse gas emissions from the consumption of purchased electricity.
Scope 3	Indirect greenhouse gas emissions from other activities not included in Scope 1 and 2 across The Co-operative's value chain.
PCAF	Partnership for Accounting Financials is an international body enabling financial institutions to assess and disclose greenhouse gas emissions associated with financial activities through the Global GHG Accounting and Reporting Standard.
SBTi	The Science Based Targets initiative (SBTi) was created as a collaboration between the CDP, WRI (World Resources Institute), WWF (World Wildlife Fund for Nature) and the UNGC (United Nations Global Compact). It is an international body that sets guidance and formally verifies science-based targets (SBTs). Guidance from the SBTi is also available publicly and can be used by organisations informally to align individual targets to the SBTi methodology.
SLT	Senior Leadership Team – executive management for The Co-operative which includes the Chief Executive Officer, Chief Financial Officer, Chief Risk Officer, Chief People and Culture Officer, Chief Products Officer, Chief Technology Officer, Chief Customer Officer and Chief Marketing Officer. On 31 March 2025 we restructured our Senior Leadership Team to combine the roles of Chief Customer Officer and Chief Marketing Officer – reducing the size of the team from eight to seven.
The Co-operative	The Co-operative Bank Limited and Co-operative Life Limited
XRB	External Reporting Board, Te Kāwai Ārahi Pūrongo Mōwaho

The Cooperative Bank

www.co-operativebank.co.nz