CLIMATE-RELATED DISCLOSURES

FMG Insurance Limited FY24/ 25

Farmers Mutual Group's (FMG) subsidiary, FMG Insurance Limited (FMGIL), is a Climate Reporting Entity under the Financial Sector (Climate-related Disclosures and Other Matters) Amendment Act 2021 (the Act). FMGIL is relying on an exemption described in the Financial Markets Conduct (Climate-related Disclosures - FMG Insurance Limited) Exemption Notice 2025 in respect of the year ended 31 March 2025. Under the Notice, FMGIL is exempt from Section 461Z of the Act to the extent that Climate Statements are to be completed in relation to FMGIL only.

This exemption is subject to several conditions, and its effect is that Climate Statements are prepared on a consolidated basis under FMG Group, comprised of FMG and FMGIL.

This is FMG's second Climate-related Disclosure Report, written in compliance with the Aotearoa New Zealand Climate Standards issued by the External Reporting Board. This report covers FMG's Climate-related performance and activities for the 12 months from 1 April 2024 to 31 March 2025 unless otherwise stated. Any reference to currency used in this report is in New Zealand Dollars ($NZD), unless otherwise stated.

Adoption Provisions

In preparing its Climate-related Disclosures, FMG has elected to use the following Adoption Provisions:

- Adoption Provision 2 (Anticipated financial impacts): Exempts Climate Reporting Entities (CRE) from disclosing anticipated financial impacts of Climate-related risks and opportunities reasonably expected by the CRE.
- Adoption Provision 4 (Scope 3 Green House Gas (GHG) emissions): Exempts CREs from disclosing all of their Scope 3 GHG emissions or a subset of their Scope 3 GHG emissions.
- Adoption Provision 5 (Comparatives for Scope 3 GHG emissions): Exempts CREs from disclosing scope 3 emission comparative information for the immediately preceding two reporting periods.
- Adoption Provision 6 (Comparatives for metrics): Permits an entity to provide one year of comparative information for each metric.
- Adoption Provision 7 (Analysis of trends): Exempts CREs from disclosing the main trends evident from a comparison of each metric from previous reporting periods to the current reporting period.

IMPORTANT NOTICE

FMG has exercised due diligence in the preparation of this Climate-related Disclosure to provide accurate information as at 31 March 2025.

This report contains forward-looking statements, including Climate-related metrics, Climate Scenarios, estimated Climate Projections and Assumptions. These statements necessarily involve assumptions, forecasts and projections about present and future strategies and the environment in which FMG will operate in the future, which is inherently uncertain and subject to limitations, particularly as to inputs, available data and information which is likely to change.

FMG cautions reliance being placed on representations that are necessarily subject to significant risks, uncertainties or assumptions given the novel and developing nature of this subject matter. In particular, the risks and opportunities described in this report may not eventuate or may be more or less significant than anticipated. There are many factors that could cause FMG's actual results, performance, or achievement of Climate-related metrics to differ materially from that described, including climatic, government, consumer, and market factors outside of FMG's control.

Introduction

FMG is New Zealand Aotearoa's leading rural insurer, established 120 years ago by farmers for farmers. With 31 offices nationwide, FMG offers a deep understanding of rural risks through an advice-led, relationship-driven approach.

As a Mutual, FMG's Members are its owners, with 100% of profits reinvested back into the business to keep premiums fair and affordable, and to support strong and prosperous rural communities.

FMG is committed to supporting a reasonable and efficient transition to a lower-emissions economy by ensuring New Zealand Aotearoa farmers and growers (key contributors to the nation's economy and global food supply) can continue producing some of the most sustainable food and fibre in the world.

To help achieve this, FMG is investing in technology and improving data quality across key areas such as flood and natural hazards modelling, Greenhouse Gas Emissions, underwriting, and operational efficiencies to respond to increasing weather events. FMG is also expanding its loss prevention advice, which fosters conversations around Climate Adaptation to assist farmers and growers build resilience in the face of environmental challenges.

Importantly, FMG also continues to invest in the resilience of people, through maintaining industry leading employee engagement and client engagement scores, strengthening its industry partnerships, and actively improving the mental wellbeing of rural communities through Farmstrong.

Underpinning all of this is FMG's commitment to upholding its purpose-led, values driven approach, further validated by becoming the first and only B Corp Certified General Insurer in New Zealand Aotearoa in 2023.

This report, FMG's second Climate-related Disclosure, re-emphasises the Mutual's commitment to partnering with rural New Zealand Aotearoa, contributing to a sustainable and resilient future, while championing the essential role of farmers and growers.

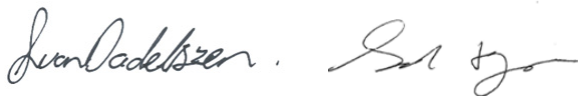
This Report covers four key areas:

Governance: How FMG's Board and Senior Management retain oversight and management of FMG's Climate-related risks and opportunities.

Risk Management: How FMG identifies, manages and monitors Climate-related risks and opportunities.

Strategy: How FMG responds to the risks and opportunities presented by Climate Change, notably the potential increase in claims due to the material and physical impacts on FMG's risk profile.

Metrics and Targets: FMG's Greenhouse Gas Emissions and how the business is supporting the transition to a lower-emissions economy.



Sarah von Dadelszen
Chair
19th June 2025

Sinead Horgan
Director
19th June 2025

Governance

FMG Board Responsibilities

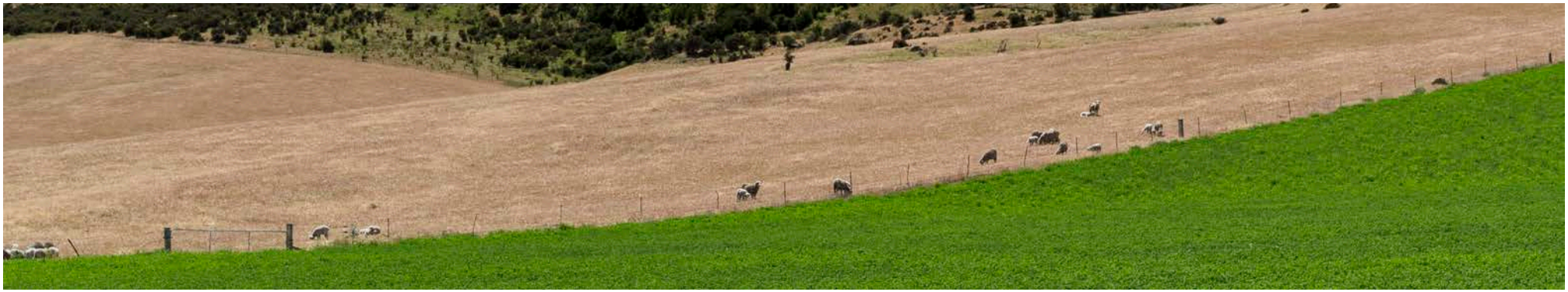
FMG's Board of Directors (Board) is responsible for the management and oversight of all risks across FMG, including those related to Climate Change. This includes oversight and responsibility for the frameworks, systems and processes of risk management, internal controls, and legal compliance regimes. The Board is also responsible for establishing appropriate governance arrangements, structures, delegation of authorities, committees and ensuring sufficient resources are dedicated to risk management to provide appropriate guidance and oversight. This includes forming a view on the desired culture within the organisation, to operate within its defined Risk Appetite and in the context of its desired outcomes.

Since 2023, Climate-related risks and opportunities have been increasingly integrated into FMG's annual strategy review process. This inclusion ensures that these considerations are explicitly factored in alongside other business risks and opportunities during strategy discussions.

Executive and Management incentive plans are aligned to the achievement of strategic goals, including those linked to specific Climate-related risks and opportunities.

The Board Risk and Audit Committee (BRAC) assists the Board to achieve its purpose in relation to ensuring sound risk management and meeting good corporate governance standards by providing an objective review of the integrity and effectiveness of FMG's Enterprise Risk Management Framework (ERMF) and associated internal controls. Specifically, it provides oversight and guidance to the Board on the appropriateness and implementation of FMG's Risk Management Framework and acceptable risk-taking, which includes advice on current and emerging risk exposures, as well as the promotion of a risk-aware culture across FMG. The BRAC discusses the ERMF on a quarterly basis via its review of FMG's Top Risks and regular Risk Appetite reporting.

The FMG Board is involved in an annual review of the Mutual's Enterprise Risk Management Policy (ERMP) and FMG's ERMF, which includes Climate Risks.



Board Climate-Related Skills and Capabilities

The FMG Board has up-to-date knowledge of the regulatory requirements affecting all aspects of the business, including those pertaining to Climate Change. This includes drawing from the expertise of former Climate Change Commissioner, Nicola Shadbolt, who joined the FMG Board in August 2023. The Board has undertaken training on Climate Related Disclosures.

Where relevant, specific Climate-related risks and opportunities are discussed with the Board as part of FMG's annual business strategy pre-work review, allowing any considerations to be explicitly evaluated and embedded alongside other business risks and opportunities.

As part of regular reporting, the Board receives the Chief Risk Officer's Report that highlights key risks facing the Mutual as well as a comparison of FMG's risk positions against the Board's approved Risk Appetite. This includes Climate Risks.

The BRAC receives a detailed Risk Report on Key Risks, Incidents, and Risk Positions relative to agreed Risk Appetite(s) during its meetings. The diagram opposite shows the schedule of Board and BRAC meetings.

Figure 1. Key Board and Committee meetings related to Climate-related risks and opportunities

March 2024
- Top Risks, Risk Appetite and Emerging Risks
- CRO Report and Risk Appetite

May 2024
- CRO Report and Risk Appetite

June 2024
- Top Risks, Risk Appetite and Emerging Risks
- CRO Report and Risk Appetite

July 2024
- CRO Report and Risk Appetite

August 2024
- Top Risks, Risk Appetite and Emerging Risks
- CRO Report and Risk Appetite

October 2024
- CRO Report and Risk Appetite

November 2024
- Top Risks, Risk Appetite and Emerging Risks
- CRO Report and Risk Appetite

December 2024
- CRO Report and Risk Appetite

February 2025
- CRO Report and Risk Appetite

March 2025
- Top Risks, Risk Appetite and Emerging Risks
- CRO Report and Risk Appetite

KEY: Board - CRO Report and Risk Appetite | BRAC - Top Risks, Risk Appetite and Emerging Risks

Management Responsibility

The Board delegates day-to-day operational management of the Mutual, including Climate-related risks, to the Chief Executive and Executive Leadership Team (ELT). FMG's Chief Marketing Officer holds the executive level responsibility for FMG's Sustainability Programme, including Climate-related risks. Risks are monitored on behalf of the Board by the Enterprise Risk and Compliance Committee (ERCC) through quarterly Enterprise Risk Reports. A summary of which is tabled with the BRAC on a quarterly basis.

Neither the Board nor Management have remuneration elements explicitly linked to Climate-related risks or opportunities. However, remuneration is connected to initiatives in the Business Plan, many of which aim to ensure that FMG operates sustainably.

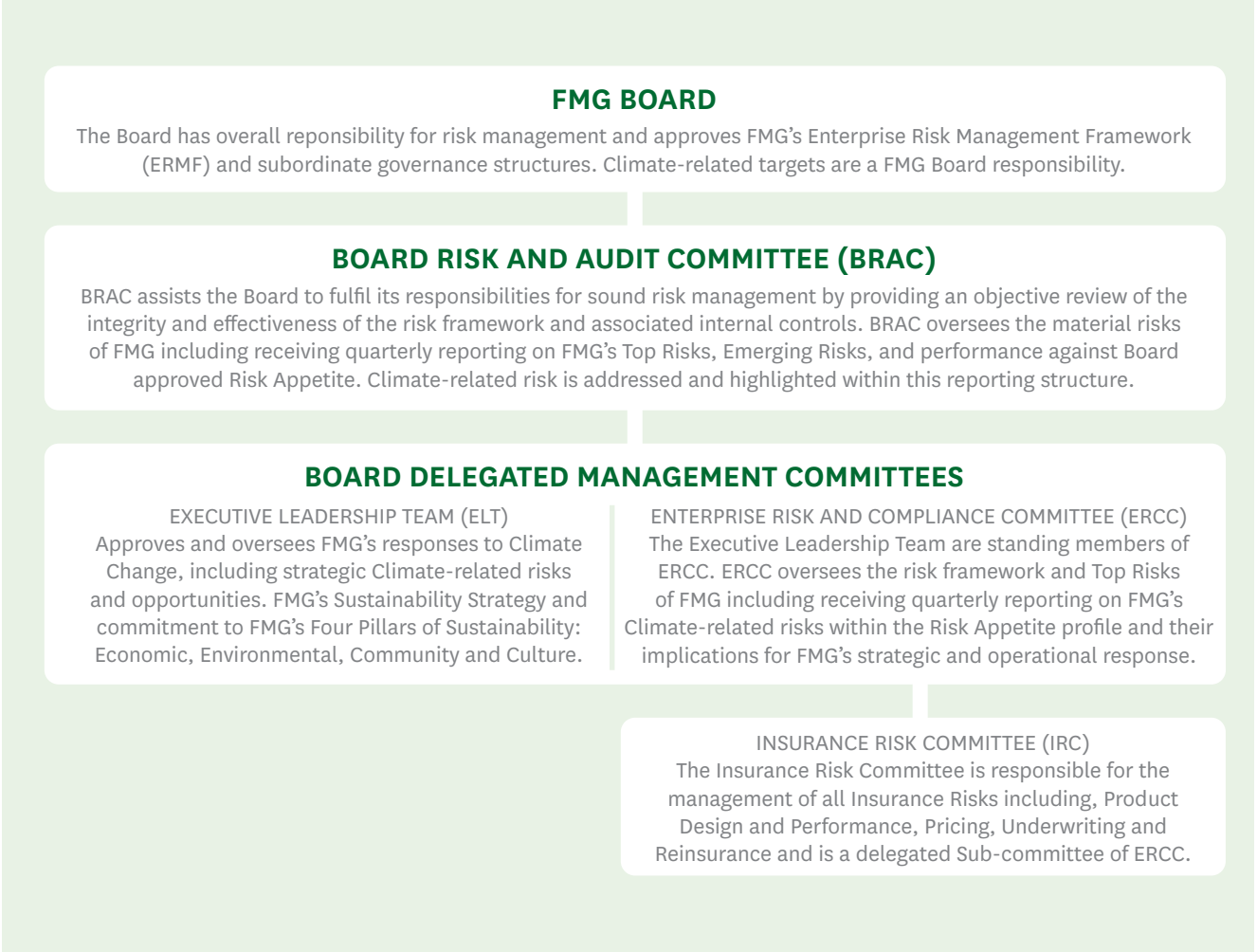


Figure 2. Board and Management responsibilities for Climate-related risks and opportunities

Management Climate-Related Skills and Capabilities

FMG's approach to developing its Climate-related risks and opportunities, in addition to preparing its disclosures, was intentionally inclusive, involving employees across a range of tenure, seniority, experience, and business functions.

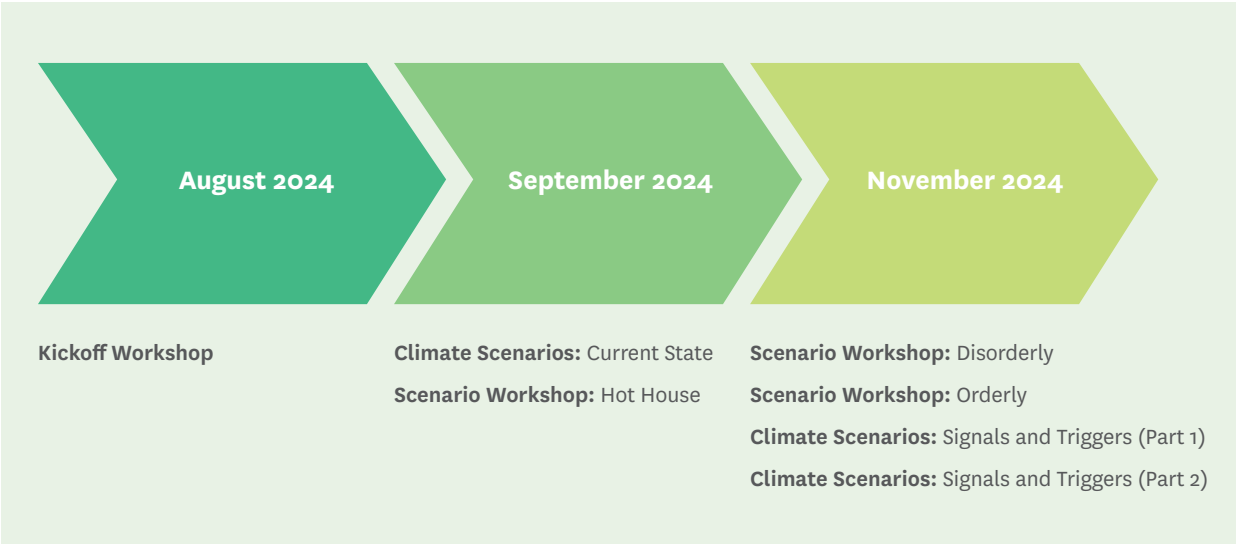
This included collaborating with external consultants KPMG, to develop Climate Scenarios, identifying current and anticipated physical and transitional Climate-related risks and impacts and data quality improvement, which are discussed in more detail under the Strategy Section of this document.

By fostering such diversity, these workshops not only encouraged robust, high-quality discussions, drawing on varied perspectives and insights from all areas of the business, they also built relevant skills and capabilities across multiple levels at FMG. The workshops embedded a deeper understanding of Climate challenges that go beyond FMG's Management and Executive Leadership teams.

Sustainability Steering Group

In 2022, FMG established a Sustainability Steering Group (SSG) to set, lead and advocate for sustainable practices within existing and new projects and initiatives across the business. Membership of the SSG includes members of the ELT alongside Senior Leaders from FMG's Insurance Solutions, Finance, Strategy, Risk and Compliance teams, including Climate and operational experts from across the business. The SSG meets at least quarterly, and its output helps form the basis of reporting to the ELT and BRAC.

Figure 3. KPMG Facilitated workshops: Climate-related risks and opportunities



Risk Management

FMG's Risk Management process is designed to identify, assess, and manage all forms of risks, including those related to Climate Change. Risks are categorised into several types: Insurance, Credit, Market, Liquidity, Operational, Strategic, Emerging, and Environmental, Social, and Governance (ESG) Risks.

This approach ensures that Climate-related risks are identified, measured, prioritised, managed, and reported using the same methodology applied to all other risk categories affecting FMG.

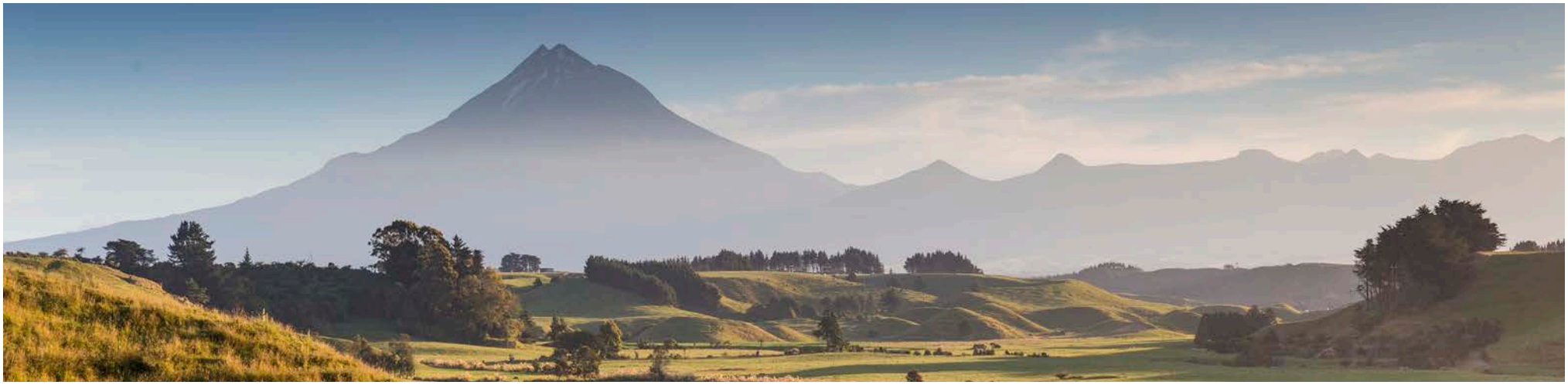
FMG's Enterprise Risk Management Framework

FMG's Enterprise Risk Management Framework (ERMF) is a comprehensive system encompassing structures, policies, processes, systems, and controls, all working together to maintain robust risk management across the Mutual. The ERMF's purpose is to ensure risks are identified, measured, managed, monitored, and reported on, with clear ownership and accountability. It also fosters a culture that rewards appropriate risk management behaviours.

Ultimately, the framework's goal is to create and preserve value, to set Risk Appetite, manage risks within that appetite, and protect the interests of all stakeholders, including clients, Members, employees, and the prosperity of rural communities.

The scenario creation and analysis processes (detailed in the Strategy Section of this report) also help to identify and assess potential impacts of Climate Change, which in turn shapes FMG's Climate-related risks.

Figure 4. FMG's Enterprise Risk Management Framework (ERMF)



Enterprise Risk Management Standard

The purpose of this Standard is to support FMG's ERMF by describing the expectations and accountabilities of Management for the assessment of risks impacting the Mutual, which includes Climate-related risks.

The Standard provides the foundation for actively managing and scaling the level of risk FMG is willing to accept and provides confidence in the standard treatment of risks across the Mutual. Standardised risk assessments provide a mechanism through which the ELT and the Board can understand the level of risk that FMG is exposed to and the strength of the control environment in treating risk exposures.

Enterprise Risk Appetite Statements

The Board sets FMG's Enterprise Risk Appetite Statements (ERAS). These define the level of risk FMG is willing to accept to achieve its objectives, including in relation to Insurance, Credit, Market, Liquidity, Operational, Strategic and Environmental, Social and Governance Risk. Climate-related risks can emerge under any of these categories.

The ERAS seek to define the Mutual's approach to managing risks in key areas and balancing the needs of stakeholders, including FMG's clients, Members, third-parties and employees. The ERAS is approved by the FMG Board and adherence to it is measured through a series of metrics which are reported quarterly to the Enterprise Risk and Compliance Committee (ERCC), BRAC and the Board.

Risk Reporting

FMG reports quarterly on risk to the ERCC. Reporting focuses on risks that could impact FMG's ability to achieve its objectives as set out in the Strategic Plan (Te Ara Tika/ The Way Forward) which is reviewed every five years.

Risk reporting covers Top Risks, Emerging Risks (i.e. over 'short' 1 - 3 years and 'long' 10-year plus timeframes) and performance against Board-approved Risk Appetites using a combination of qualitative and quantitative metrics.

Each Risk is reviewed by the ERCC and is assessed for its Impact, Likelihood, and its position against Risk Appetite (i.e. Very Low, Low, Medium, High). Following review, Emerging Risks may become Top Risks which will then have a mitigation plan assigned. A summary of such work is then included in reporting to BRAC. This activity takes place quarterly and includes all risk categories, their management and monitoring of mitigation measures in place, including Climate-related risks and opportunities.

Business Climate-related risks and opportunities are formally reviewed by the ERCC annually to inform FMG's strategy discussions.

How FMG Identifies and Manages Climate-Related Risks

The following Risk Management Process diagrammatically represents how all risks, including Climate-related risks, are identified, measured, managed, monitored, and reported on at FMG.

Figure 5. FMG's Risk Management Process

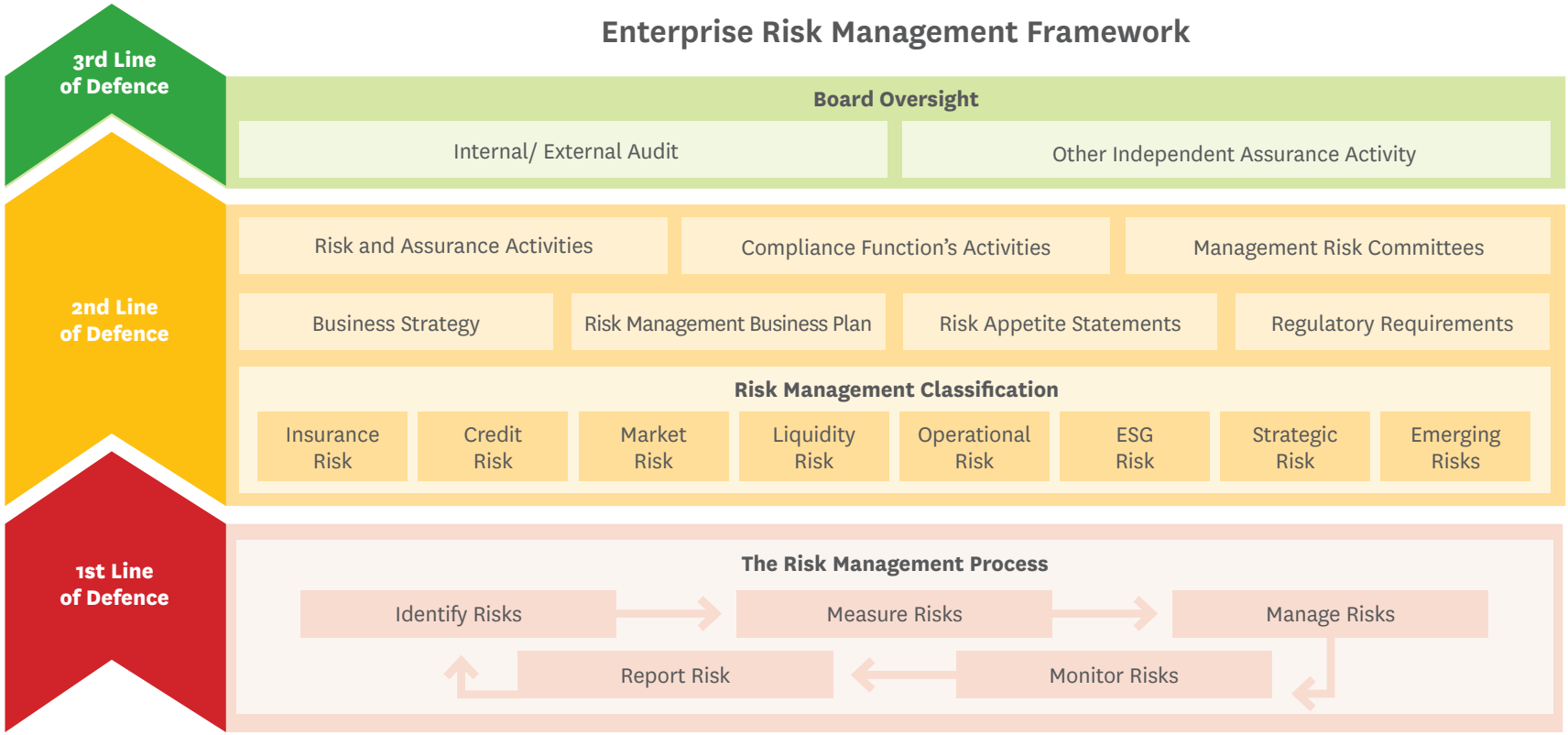
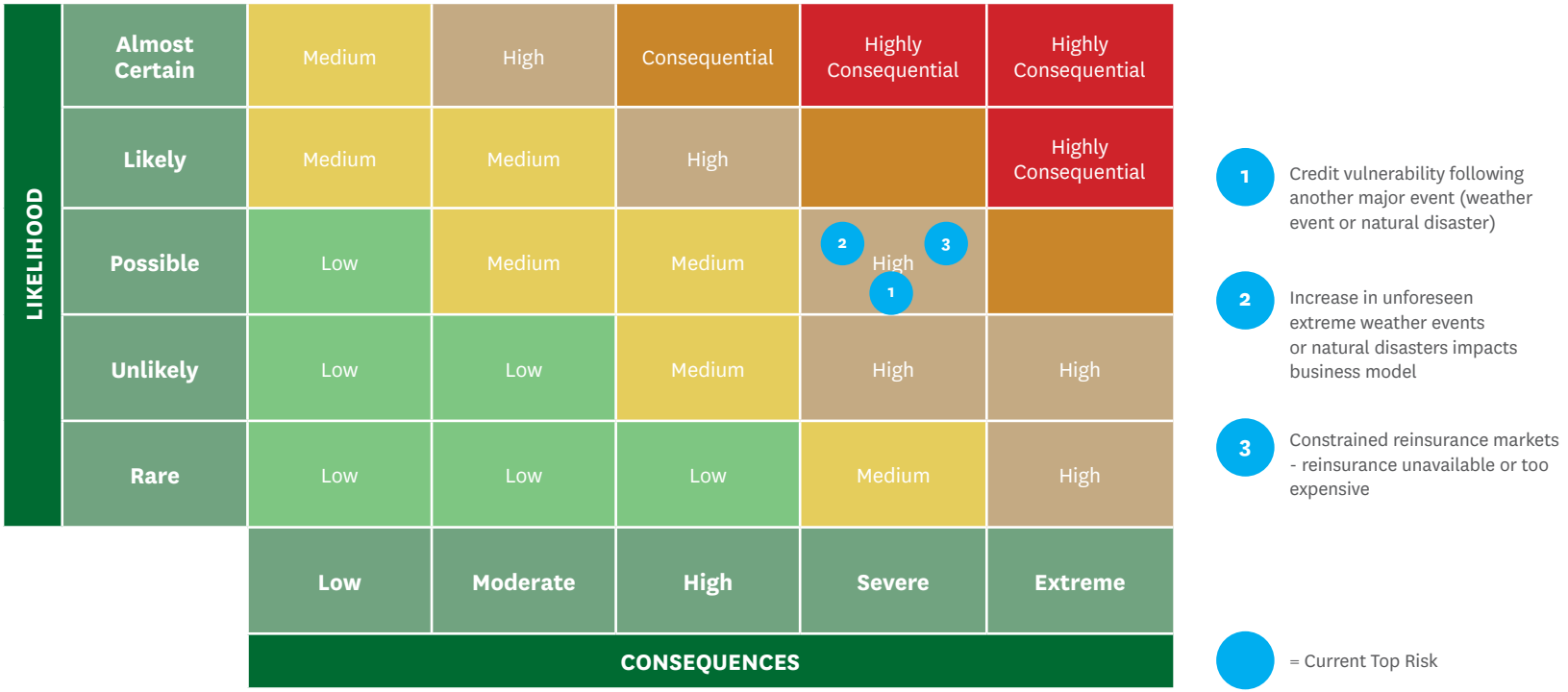


Figure 6. Heat map of top Climate-related risks



Risks are assessed in terms of the Likelihood of them occurring and the Consequence if they do occur across the following dimensions, Business Objectives, Client, Reputation and Market Confidence, Regulatory, Legal and Contractual, People/ Employees and Financial.

Risks are plotted on the matrix accordingly. The Heat Map above shows the specific Climate-related risks resident within FMG's Top Risks.

The most material Climate-related risk is the physical impact of more frequent and increasingly intense weather-related events on FMG's insurance portfolios. This risk has been tracked and prioritised as part of FMG's Top Risks.

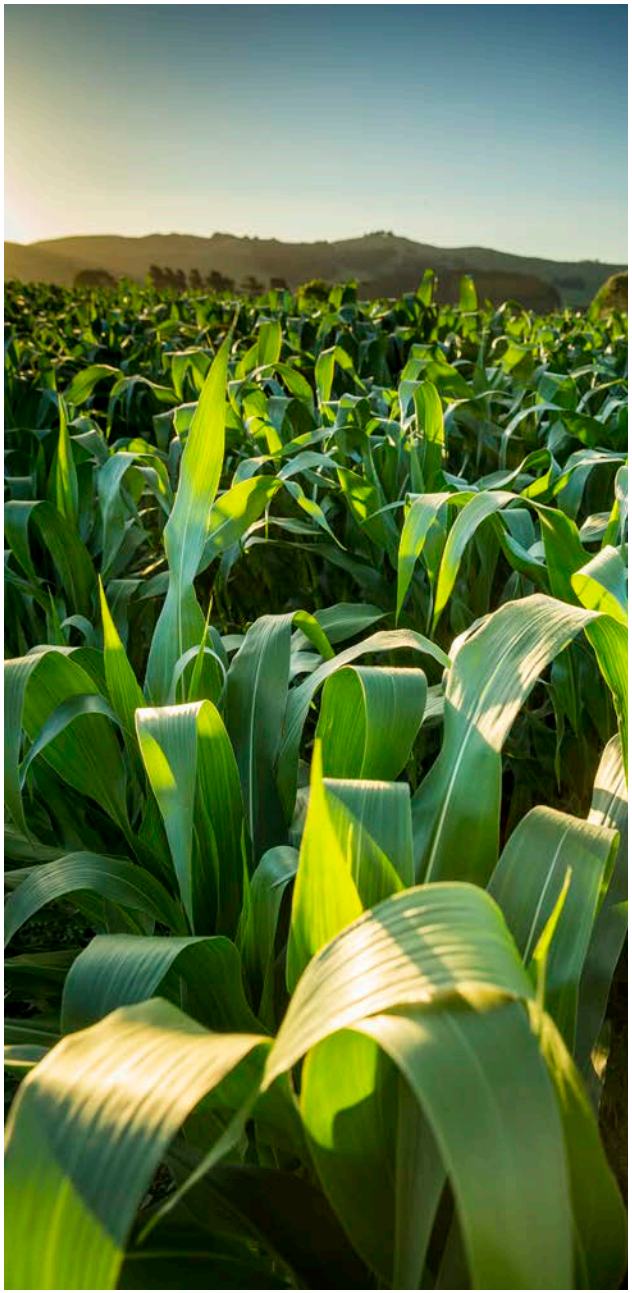
As such, FMG reviews the performance of its insurance portfolios through regular reviews undertaken by the Insurance Risk Committee (IRC). Emerging Risks, including the impact of Climate Change, are monitored by the Enterprise Risk and Compliance Committee (ERCC) on a quarterly cycle.

The IRC conducts regular reviews of the pricing for each portfolio against specified performance targets and FMG's objective to retain pricing positions within financial Tolerance and Risk Appetite. In addition, the Product Team conduct a regular Product Review process, to ensure products remain current and fit for purpose.

The IRC reviews FMG's Underwriting Risk Appetite at least every 12 months, or immediately after a major Climate-related event occurs.

FMG regularly conducts Probable Maximum Loss (PML) modelling of its aggregate exposures which informs business decision making, including the size and structure of FMG's reinsurance programme and planning for retained losses. The Mutual also conducts regular stress testing which includes Climate-related scenarios.

FMG worked with KPMG to develop a series of Climate Scenarios to systematically examine the impacts of various plausible futures under uncertain conditions, identifying the risks and opportunities emerging to 2050 and beyond. These scenarios now serve as the basis for ongoing and future discussions, informing FMG's strategy and response to Climate Impacts. The detail of this work is outlined in the Strategy Section of this report.



Strategy

As New Zealand Aotearoa's leading rural insurer, FMG operates with an advice-led business model supported by an organic growth strategy. This approach is reinforced by a commitment to client relationships through an internal distribution team that manages all insurance acquisitions, ensuring a seamless, relationship-focused approach. This strategy aligns with FMG's belief in long-term relationships as the foundations for resilience and sustainability.

FMG firmly believes that resilient people and communities are the foundation for meaningful Climate Adaptation. Addressing the physical and transitional risks and opportunities posed by Climate Change (discussed later in this Section) starts with fostering personal resilience for employees, clients, Members, and the communities they live in. This principle has long been a key focus of FMG's business strategy, aptly shaped by the ethos of the 'Service Profit Chain', and the principles of mutuality.

The Service Profit Chain model considers that prioritising employee wellbeing and engagement leads to better client relationships, satisfaction, and business outcomes. This aligns with FMG's Purpose of delivering 'a better deal for rural New Zealand Aotearoa' and its Vision of 'supporting strong and prosperous rural communities'. FMG's high employee satisfaction and engagement scores have earned global recognition as one of Gallup's Exceptional Workplaces.

FMG goes beyond advice and insurance, actively strengthening rural communities through initiatives like Farmstrong, in addition to supporting some 700 community and industry events annually and maintaining its local presence through 31 regional offices across the country/ motu — all contributing to supporting strong and prosperous rural communities in New Zealand Aotearoa.

Grounded in its mutual structure, with 120 years of heritage and values-driven approach, FMG remains committed to helping ensure an appropriate transition to a low-carbon future. Rural communities in New Zealand Aotearoa play an indispensable role in feeding the world. As Climate challenges grow, FMG recognises the need to support farmers and growers; providing assurance, as well as insurance - helping them take risks, navigate complexity, and embrace innovation to deliver a sustainable future.

B Corp Certification

FMG is proud to be New Zealand Aotearoa's first and only B Corp Certified general insurer, achieving certification in October 2023. This recognition reflects FMG's commitment to the highest standards of social and environmental performance, transparency, and accountability. By joining a global movement that uses business as a force for good, FMG reinforces its role as a purpose-led, values-driven insurer dedicated to rural communities.

Certification required FMG to meet rigorous standards across governance, risk management, environmental and social sustainability, while further embedding sustainable practices into its business model. Looking ahead to re-certification in 2026, FMG continues refining its strategies to enhance sustainability, strengthen Climate resilience, and support the transition to a lower-emissions economy.

B Corp certified entities are known to attract and retain highly talented employees who are purpose-driven and seek alignment between their values and their work. For FMG, this not only leads to better outcomes for its clients and Members but also strengthens its internal resilience and adaptability in the face of heightened volatility due to the increasing frequency and severity of major weather events.

Climate Scenario Analysis

In September 2023, FMG worked with KPMG to develop a series of Climate Scenarios to systematically examine the impacts of various plausible futures under uncertain conditions, identifying the risks and opportunities emerging to 2050 and beyond. These scenarios now serve as the basis for ongoing and future discussions, informing FMG's strategy and response to Climate Impacts.

The scenarios align with those developed by the Insurance Council of New Zealand (ICNZ) and New Zealand Agriculture (NZ Ag) to test the resilience of both the insurance and agricultural sectors. By integrating these scenarios, FMG has developed a unique set of scenarios that reflect both challenges and opportunities across FMG's rural insurance portfolios.

These scenarios will change over time as actual experience emerges, making some pathways more or less plausible. A scenario review will be undertaken over the next year to ensure that they remain appropriate for FMG and continue to challenge Management's thinking with regards to the Mutual's Climate response.

In FY24/ 25, a high-level review of the scenarios and resulting risks and opportunities was undertaken to confirm that information was still valid before progressing to transition planning. FMG's business strategy was also refreshed over the course of FY24/ 25. This refresh included a scenario analysis process looking at environments out to 2030 and 2050. While the scenarios used for this purpose were different from the Climate Scenarios outlined on page 14, the learnings from the Climate Change work were taken into consideration when looking at FMG's overall business strategy out to 2030 (Te Ara Tika/ The Way Forward to 2030). Over time, the linkages between the two sets of scenario work will become stronger, with FMG's Strategy team leading the Climate Change Scenario review next year.

This process followed three key stages:

1. Identifying FMG-specific drivers:

A core leadership group within FMG was responsible for the development of FMG's Climate-related scenarios and analysis. FMG hosted two Scenario Immersion Workshops to downscale the sector-level scenarios. Workshop attendees were first immersed in the ICNZ sector scenarios to develop a common understanding of the scenarios. The attendees then reviewed the drivers of change ('drivers') included in the ICNZ sector scenarios for their relevance to FMG and to identify whether any drivers were missing for FMG.

2. Developing specific scenario narratives:

Workshop attendees decided to use the ICNZ scenario framework as the architecture for FMG's entity-level scenarios. While the ICNZ scenarios were used as the base for FMG's Climate-related scenarios, other Climate-related work was also incorporated to produce scenarios that best reflect the shape and nature of FMG's business.

The Aotearoa Circle's Agri-Sector Scenarios were consulted to adequately reflect rural industry outcomes throughout the scenarios considered. Additional guidance was also taken from the University of Exeter's 'No Time to Lose' Report and the Financial Services Council's, Climate Scenario Narratives for the Financial Services Sector.

The scenarios were validated by FMG's Executive Leadership Team and other Senior Leaders, to ensure the drivers of change across FMG's Service Profit Chain, and the wider economic and socio political environment would provide sufficient challenge to its business model. The scenarios were therefore considered to be relevant and appropriate for assessing the resilience of FMG's business model and strategy in respect of Climate-related risks and opportunities.

3. Interrogating scenarios to identify risks and opportunities:

In October 2023, FMG hosted two 'impacts and implications' workshops. The purpose of these workshops was to interrogate FMG's risks and opportunities under each scenario. A wide group of stakeholders from across the business were brought together for these workshops.

Participants identified risks and opportunities for each scenario across three discreet timeframes and assessed the impacts across FMG's business model and strategy. Consideration was given to risks and opportunities across the Insurance Value Chain, including specific impacts and implications for clients and suppliers. The items discussed within these disclosures are internal to FMG.

Participants then identified connections between the Climate-related risks and FMG's existing Risk Register to help determine key conclusions for FMG.

This process was revisited in 2024 via workshops focused on revalidating key risks and opportunities within each scenario.

The three scenarios can be summarised as:

Orderly: an ambitious and co-ordinated transition aligned with a 1.5 degree warming trajectory.

This scenario assumes an orderly transition to a NetZero world by 2050 and was designed to explore FMG's ability to rapidly transform its business as society undergoes fundamental changes to reach a low-carbon economy.

Disorderly: delayed action, followed by sudden and uncoordinated transformation, resulting in warming of less than 2 degrees.

This scenario intensifies the transition disruption and is designed to explore the resilience of FMG's business strategy when faced with increased external change impacting on the ability to achieve internal business objectives.

Hot House World - continuation of 2022 policy settings, leading to uncontrolled warming of more than 3 degrees.

This scenario is designed to explore how the collective failure to reduce emissions might steadily erode value as economic growth is prioritised over sustainability. The physical risks posed by this scenario are the most extreme, allowing FMG to consider the sustainability of its business strategy.

Figure: 7 FMG's Climate Scenarios

Scenario	Net Zero 2050	Delayed Transition	Current Policies
Category	**Orderly**	**Disorderly**	**Hot House World**
Summary	Immediate, ambitious and coordinated transition to a low-emissions, climate-resilient future. Stringent climate policies, innovation, ambitious investment, and medium-to-high deployment of carbon removal solutions limit global warming to 1.6°C in 2050 and 1.5°C by 2100.	Ambitious action is delayed to 2030, followed by sudden and uncoordinated economic transformation. Extensive, stringent and punitive but late government intervention, in combination with some deployment of carbon removal solutions, limits global warming to 1.8°C in 2050 and 2.4°C by 2100.	Incremental and partial economic transformation takes place in-line with current policies and socio-economic trends. The world warms 2°C by 2050 and more than 3°C by 2100.
Risk of surpassing critical tipping points in Earth's climate system	Low	High	Very high
Severity of physical impacts	Lowest	Moderate	Highest
Severity of transition-related impacts	Moderate (greatest in short-term)	Highest (greatest in medium-term)	Lowest (steadily increasing, but also giving businesses more time to adapt)
Agriculture sector (Aotearoa Circle, Agri Scenarios)	Government and community action allows farmers to diversify and build resilience to local climate and soils. While the physical impacts of climate change impact the sector, this is not as severe as other scenarios. Forestry expands significantly.	Changing policies and urban-rural divide lead to underemployment and disenfranchisement in rural communities. Traditional farming practices are now considered unsustainable and only low-emission production is marketable. Forestry expands significantly.	Chronic climate impacts change the suitability of some regions to support land uses. With no government support, farmers and growers struggle to survive. There is a huge demand for cheap food, and NZ has become a net importer of diversified sources of proteins.
Macroeconomic conditions	Immediate, orderly transition generates short-term economic turbulence but pronounced benefits in the medium and long-term. Physical impacts of Climate Change exert measurable but limited downward pressure on the economy.	Delayed and disorderly transition generates sharp economic downturn but eventually supports economic stability. Physical impacts of Climate Change exert moderate downward pressure on the economy.	No 'green bump' from the transition to a low-emissions economy. Physical impacts of Climate Change exert increasingly significant downward pressure on the economy, potentially growing to destabilise financial institutions and systems by mid-century.
Financial impact of supply chain disruptions	Lowest	Low to moderate	Highest
Policy reaction	Immediate and smooth	Delayed	None - current policies only
Technology change	Fast	Slow, then fast	Slow

Each scenario was considered over three time horizons: Short (2023 - 2025), Medium (2026 - 2035) and Long (2036 - 2050). The impact of Climate Change is expected to be felt beyond these timeframes, the extent of which is likely to be influenced by global decisions and business responses over the next 10 years.

FMG's strategic planning is broadly in line with these periods, with its newly launched Business Strategy (Te Ara Tika/ The Way Forward) looking out to 2030, and wider strategy work completed as part of the Te Ara Tika development looking out to 2050.

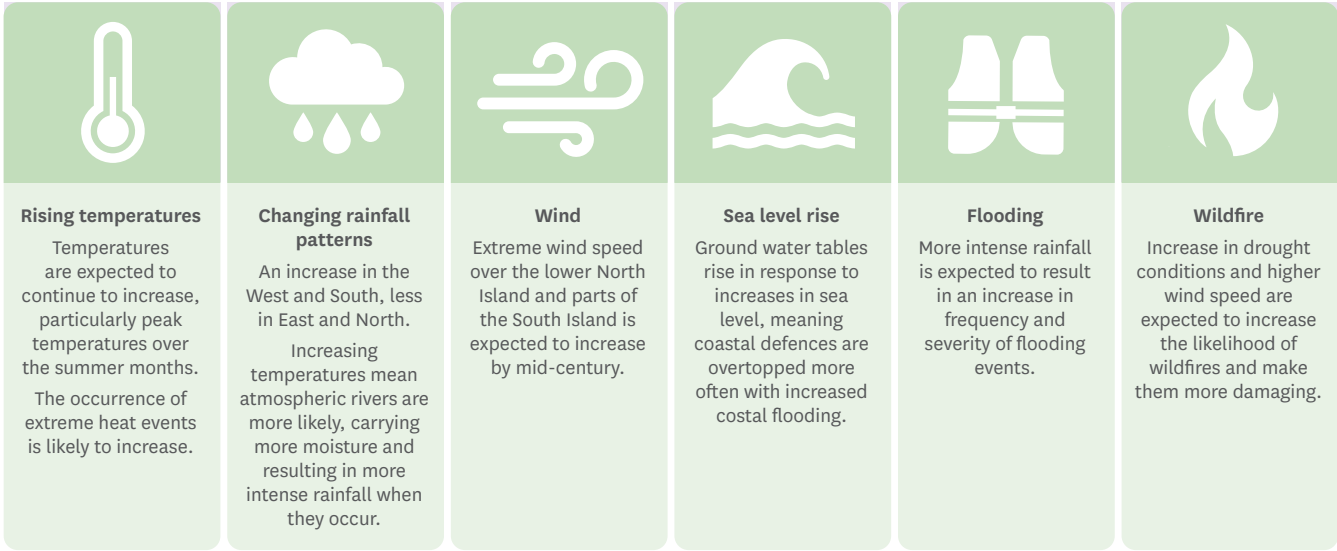
Table 1. How FMG's Scenarios align with other frameworks

	Orderly	Disorderly	Hot House
Network for Greening the Financial System (NGFS) Scenario	Net Zero 2050	Delayed Transition	Current Policy settings
Policy Ambition	<1.5C	<2.0C	+3.0C
Shared Soci-economic Pathways (SSP)	SSP1	SSP2	SSP3
Climate Change Commission New Zealand (SPANZ)	Tailwinds	Headwinds	Current Policy Reference
Representative Concentration Pathway(RCP)	RCP2.6	RCP4.5	RCP7.0

Table 2. Key risks and opportunities arising from the Scenario work

	Short-Term 2025	Medium-Term 2035	Long-Term 2050
Physical Risk			
Increased Claims Costs from Changing Climate	Some increase in frequency and severity of weather events already being observed.	Increasing impact over the three-time horizons.	Extent of impact depends on success of global action to reduce the worst effects of Climate Change.
Natural Perils and Geo-Spatial Underwriting Developments	Tools developed for use with referred risks.	Tools rolled out for screening of all risks.	Further development and use of tools.
Physical and Transition Opportunities			
Event Response Preparedness	Event Response Preparedness Work completed in 2024 to better manage response in future.		
Loss Prevention Advice	Effective communication to FMG's clients of risk exposure and solutions to help prevent loss.	Investment in the development of loss prevention technology.	Clients have access to tools and solutions to manage their risks.

Figure 8. Anticipated Physical Risks Associated with Weather Events



Anticipated Physical Impacts and Risks to FMG

Understanding the nuances of physical risk is fundamental for any general insurer. As climatic patterns evolve, so too, does the nature of this risk.

Most of the physical assets that FMG insures are anticipated to be exposed to a degree of increased risk resulting from a changing Climate. These physical assets represent 59% of Sums Insured within FMG's portfolio.

FMG also underwrites several Liability products. The current wording of these contracts is not explicit with regards to a response to Climate-related risks, and without legal precedent it would not be possible to say that these products are not exposed to some form of Transition risk. Liability business represents circa. 40% of FMG's portfolio by Sum Insured. Analysis of the financial impact of the physical risk posed by rising sea levels and changes to flood risk are discussed on page 17.

FMG's investment portfolio has 20% exposure to equities through external fund managers. Most companies within these equity portfolios have exposure to Transition risk, noting some industries (for example the energy sector), are considered higher risk than others. The analysis of the financial impacts of these risks and opportunities is ongoing.

Current Physical Impacts and Risks to FMG

The physical impacts and risks of Climate Change are expected to affect FMG most acutely through the cost of weather-related claims. While there is limited certainty on how much of FMG's historical weather-related claims cost can be attributed to Climate Change, the graph suggests that claims costs associated with weather were increasing before 2023. These costs were dwarfed by the losses from Cyclone Gabrielle and the Auckland Anniversary Weekend Floods in 2023 which combined, represent the Mutual's most significant claims event in its 120-years of operation. Since 2023, FMG has not experienced any material losses from weather-related events.

Anticipated Financial Impacts and Risks to FMG

The anticipated financial implications associated with physical risks for FMG are twofold:

i) chronic effects - such as the persistent rise in sea levels leading to the irreversible submersion of regions; and,

ii) acute impacts - stemming from meteorological phenomena, leading to more frequent and extreme weather events similar to that experienced with Cyclone Gabrielle.

Over the FY23/ 24 financial year, FMG worked with Finity Consulting to understand the increasing cost of flood claims related to Sea Level Rise (SLR). This applied NIWA's research on SLR predictions to the scenarios considered by FMG.

This analysis considered the efficacy of current flood protection measures in their present state, without future mitigation efforts undertaken. It also assumed a constant number of insured items, their locations, and replacement/ remediation costs throughout the forecast period.

The analysis was specific to a portion of total flood risk and did not include the possible impacts of increased frequency and/ or intensity of major weather events, which will be explored in separate research planned to be undertaken in future.

Figure 9.
FMG's Historic Losses from weather-related events

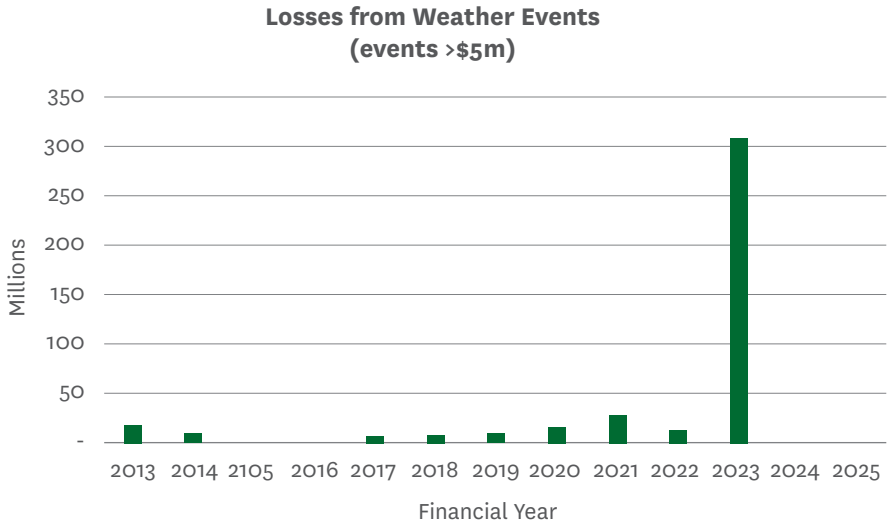


Figure 10.
Anticipated Impacts of Sea Level Rise against FMG's scenarios

		Short-Term (2023-25)	Medium-Term (2026-35)	Long-Term (2036-2050)
Orderly Net Zero 2050 SSP1-2.6	Change in Sea Level	current levels	+3cm	+9cm
	% of addresses impacted	0.85%	0.90%	0.97%
	Annual Increase in Cost $	nil	0.9m	3.7m
Disorderly Delayed Transition SSP2-4.5	Change in Sea Level	current levels	+3cm	+10cm
	% of addresses impacted	0.85%	0.90%	0.98%
	Annual Increase in Cost $	nil	0.9m	4.2m*
Hot House Current Policies SSP3-7.0	Change in Sea Level	current levels	+3cm	+11cm
	% of addresses impacted	0.85%	0.90%	0.99%
	Annual Increase in Cost $	nil	0.9m	4.7m*

***These results have been changed from the 2024 report. Previously disclosed as 3.7m, (the same as the Orderly Scenario).**

Under the Hot House scenario, if there is no mitigation of flood risk associated with Sea Level Rise (SLR) by 2050, FMG would expect to pay an additional $4.7m annually in claims. Whilst this figure may appear modest when compared to FMG's total annual claims volume, with circa. 1% of FMG's insured properties facing a potential increased flood risk from SLR, $4.7m per annum equates to an average annual increase of circa. $2,000 per property.

It is important to note that the probability of such cost increases eventuating depends on several factors, including whether SLR of this magnitude materialises, whether risk mitigation is undertaken in impacted areas, and the actions taken by individual property owners to reduce their risk of exposure to SLR.

The analysis undertaken allowed FMG to identify areas with particularly high SLR exposure that can now be investigated further. In many cases, these properties already have a heightened flood risk, but this can be expected to worsen more quickly over time, compared to properties with a similar current flood risk but no coastal exposure.

Underwriting processes can be used to canvas information from clients as to the actions they have taken, or plan to take, in view of this increasing risk. Individual reviews also provide the opportunity to consider if the cover provided fairly reflects the risks identified.

Anticipated Impacts of Flood Risk

Flood data has matured to the point where it is now possible to consider both the current and potential future flood risk for individual properties. Prompted by the increasing frequency of flood events, many insurers are already investing in this type of data, prompting a rapid shift away from the traditional insurance model of pooling risks, to 'risk-based pricing', setting premiums that more accurately reflect risk at an individual property level.

Over the past year, FMG has expanded its SLR work with Finity to include flood risk, using riverine and surface water flood models from JBA Risk Management (JBA). JBA's model uses pattern scaling to infer change factors at a series of gauged and ungauged locations, determining flood depths under FMG's Climate Scenarios and time horizons.

JBA's pattern scaling approach to modelling Climate Scenarios is beneficial for understanding the average change in flood risk. However, it is less effective in providing insights into the increased variability of weather for any specific scenario. This investigation was limited to circa. 47% of properties that could be readily matched to Finity's property dataset. In line with FMG's SLR analysis, the Mutual's portfolio was assumed to remain static over time.

The raw results from the JBA modelling were scaled up to provide a view of the full portfolio and the entity level results for the current time period were compared and aligned to other flood modelling information received each year as part of FMG's reinsurance purchase considerations. Similar adjustments were also applied to the future time periods in the projection in order to provide consistency between the flood modelling and SLR modelling results.

Unlike the SLR analysis, where all impacted regions experience increased risk over time, the average flood risk for some areas is expected to reduce as they become drier, offset by increases in the average flood risk in other areas that are expected to become more prone to flood events. The flood modelling suggests that by 2050 under the Hot House scenario, declines in the average flood risk of up to 9.5% can be expected in some regions, offset by increases of up to 18.9% in other regions. It is also expected that the variability at a property level will be even greater given not all properties have exposure to flood risk (as was similarly experienced with the SLR analysis).

FMG has evaluated flood data from several suppliers and has recently partnered with SwissRe for the supply of this data going forward which will be used to inform loss prevention advice, underwriting, pricing, and product development in future.

Transition Planning

As mentioned previously, FMG refreshed its business strategy (Te Ara Tika/ The Way Forward) during the FY24/ 25 financial year, resulting in new Strategic Ambitions out to 2030. The Strategy reaffirms FMG's commitment to being an advice-led organisation with the Purpose of 'delivering a better deal for rural New Zealand Aotearoa'. The strategy continues to be informed by the Service Profit Chain, with the underlying supporting elements of employees, clients and Members, being fundamental. These are not expected to change as FMG considers its response to Climate Change.

FMG's strategic planning process establishes the priorities for the business. The annual Business Plan sets near-term objectives aligned with FMG's Strategic Plan. Business initiatives aim to address potential risks or capitalise on opportunities, including those related to Climate Change, to achieve FMG's business strategy. These initiatives are prioritised through FMG's Quarterly Business Planning process and culminate in FMG's Strategic Change Programme.

Climate Risks and Opportunities are not explicitly considered in internal capital deployment or funding decisions associated with FMG's Strategic Change Programme.

Progress on FMG's Strategic Change Programme is reported in the CEO Report at each Board meeting.

The Mutual's transition planning reflects the elements of FMG's Strategy and Business Plan that will allow it to be a resilient, sustainable business as global and domestic economies transition to a low-emissions, Climate-resilient future. A significant risk for FMG is its ability to continue supporting clients with insurance solutions in the face of more volatile and severe weather. Many of the initiatives discussed during the transition planning process have helped the Mutual better understand and respond to physical risks.

Transition Planning Process

FMG undertook a Transition planning exercise for Climate-related risks and opportunities in conjunction with its strategy and business planning processes, ensuring that such risks and/ or opportunities were given appropriate weight within (Te Ara Tika / The Way Forward to 2030) and FMG's Business Plan. Further details are provided below.

Having revalidated the full list of risks and opportunities identified through the 2024 scenario analysis, FMG worked with KPMG on a triage process to identify the items which, if acted upon, are expected to make the business more resilient to Climate Change regardless of the pathway of actual experience. This process identified five specific areas of development for FMG. These are presented in Figure 11.

The framework assigns ownership of each area to an individual Executive Leadership Team (ELT) member who is responsible for delivery. Consideration will be given to what actions are required in each area and when those actions need to commence to respond effectively.

If there is a future action, then metrics would be identified and monitored to ensure that the current assessment remains valid. Earlier action could be triggered if the metrics reached a predetermined critical point. For example, Adapting Product Processes is assigned to the Chief Insurance Officer. The integrated Natural Perils Underwriting tool is an example of current action being taken in this area. Action is also required to develop more granular pricing algorithms. Early work in this area has commenced, however FMG would look to accelerate this development if the current position became unacceptable.

The review with ELT members is currently ongoing. Once completed, this framework is expected to facilitate the mapping of risks and opportunities across Short, Medium, and Long-term horizons aligned with FMG's Climate Scenarios.

Figure 11: Specific areas of risk that have been identified across FMG's Insurance Value Chain.

The specific items identified relate to the transition required for FMG to adapt to the changing physical risk landscape. As a property insurer, physical risks are considered most material. As the Mutual becomes more familiar with the scenario approach, risks and opportunities associated with a transition to a low carbon economy may start to feature.

As with all long-term planning, actions in the near term are better understood, with the current environment being more certain. Longer term, the initiatives relating to climate action need to be prioritised alongside other business initiatives, including the need to remain compliant with a wide range of regulations currently impacting the insurance market.

Loss Prevention Advice associated with Climate-related Risk

As an advice-led insurer, the provision of risk advice has long been a fundamental part of FMG's client value proposition. Drawing on in-house claims data, strategic industry partnerships and FMG's own specialised rural knowledge, the Mutual offers guidance and in some cases, practical tools on how clients can reduce physical and human loss arising from natural perils, such as wildfires, flooding, windstorms, and other climatic events.

FMG's loss prevention strategy is informed by client research, helping the Mutual understand what additional risk information clients will benefit from most. For example, FMG is currently exploring the use of digital tools to provide clients with a higher awareness of the climatic risks that may impact on their property/ properties.

FMG has also recently introduced a Risk Consultant capability focused on working with larger clients to identify onsite hazards and advise on risk reduction strategies. Currently, the primary focus is on site/ building characteristics and specific exposures, including Natural Hazard risk. As information and data improves, Consultants will be able to share insights on future changes in risk due to evolving climatic conditions and updated peril information.

Sourcing and Building Appropriate Datasets

Insurance businesses require significant amounts of internal and external data to assess and manage current and emerging risks. A current area of focus for FMG is strengthening the use of external datasets to enable more granular understanding of weather-related risks, starting with flooding.

FMG writes short-term contracts, covering periods of up to 12 months. FMG's policy terms, underwriting and pricing reflect the risk expected over that period. Understanding how risk will evolve over time is important to inform risk conversations with clients, providing them with clear and transparent information on how their insurance may change over the long term.

Adapting Product Processes

In response to the increasing frequency and severity of major weather events, FMG is also in the process of enhancing its existing underwriting tools to better understand and visualise a variety of Climate-related risks.

Over the past year, more granular and sophisticated Natural Perils Underwriting capability has been integrated into FMG's core insurance system (Guidewire) enabling individual risks to be assessed for Natural Perils risk. This represents a significant step-change in underwriting capability when compared to the previous historical practice of manually referring a small number of higher risk locations to Underwriting for consideration.

High-risk locations can include both high and low-risk items. Hence, one of the early benefits of Natural Peril Underwriting integration is that several lower-risk items are no longer required to undergo a protracted underwriting process. Items deemed high-risk will change moving forward as new data becomes available. Noting that in some areas, there may be limited data and an underwriting referral may still be required.

The Natural Perils Underwriting platform will also assist in facilitating underwriting referrals for areas undergoing significant land use changes. For example, the Category 2 and 3 classifications following Cyclone Gabrielle. Over time, as third-party models are updated, these will be reflected in the hazard data/ layers within the Natural Perils Underwriting platform. Updated flood data has been acquired from SwissRe (as previously mentioned) and will be used to refresh FMG's approach to both underwriting and pricing of flood risk.

FMG is currently in the process of moving its existing Insurance Suite (i.e. Guidewire PolicyCenter, BillingCenter and ClaimsCenter) to the cloud, providing significant additional functionality. This includes underwriting and pricing options that will mature the digestion of perils-related information, benefiting the underwriting and pricing of FMG's portfolio. It is also expected to enhance FMG's flexibility when it comes to remaining sustainable in the face of increased volatility in claims experience resulting from weather events.

Maintaining Claims Service Standards with more Volatile Experience

To help ensure FMG is well-positioned to respond to future events, a Claims Event Response Preparedness Plan (ERPP) has been established to outline future event response processes and actions. This includes governance and operational considerations, alongside claims and service commitments, communication strategies, community engagement and employee wellbeing. The ERPP was initially tested through a desk-top simulation, involving representatives across all areas of the business. Regular simulations, coupled with responses to actual events, helps ensure FMG can learn from such situations, further refining the ERPP after each occurrence. This ensures that the Mutual remains prepared for events even after benign periods, such as has been the case more recently.

Automation of processes in the business-as-usual claims environment is also expected to support quicker settlement of event-related claims. For example, AI is being explored to support completing simple and/ or repetitive duties, allowing FMG employees to focus more on value-add activities such as communication, empathetic conversations and decision making.

The integration of Natural Perils Underwriting (as referred to earlier) into FMG's core insurance systems will also help refine the Mutual's event response via more granular Underwriting Stand-down functionality during and post a major event.

The importance of learning from previous events was highlighted in the aftermath of the 2023 Auckland Anniversary Weekend floods, and Cyclone Gabrielle. In FY23/ 24, FMG refined its Disaster Information Page (DIP) to provide clients and employees with essential information and guidance during disaster events. The DIP is housed on FMG's website and includes infographics detailing the claims process step-by-step for various types of catastrophes, including hail, flood, storm, tsunami, earthquake, and more.

It also features a Frequently Asked Question (FAQ) section alongside detailed guides that are accessible both online and in physical copies, available at FMG's offices across the country during an event. The DIP is regularly updated to reflect changes in policies and/ or procedures, incorporating feedback from both FMG employees and clients.

Metrics and Targets

Greenhouse Gas Emissions

FMG is committed to reducing its Greenhouse Gas (GHG) emissions as part of its business responsibility and Climate Change mitigation efforts. The target is to reduce GHG emissions intensity by at least 30% per full-time employee equivalent (FTE) by 2030, using FY18/ 19 as the base year. This target includes Scope 1, Scope 2, and limited Scope 3 emissions[1]. FMG aims to honour and potentially exceed its current commitments while prioritising the well-being of its employees, Members, and clients.

FMG acknowledges that its GHG target is not aligned with New Zealand Aotearoa's Nationally Determined Commitments (NDC1) under the Paris Agreement, which aims for a 50% reduction in net emissions below gross 2005 levels by 2030. As FMG is not able to measure its 2005 gross emissions, full alignment would not be feasible. Additionally, FMG believes its target is appropriate for the following reasons:

Alignment with Members, Clients, and Employees Expectations: FMG's target balances the need to reduce its emissions footprint while remaining a sustainable insurer and supporting an appropriate transition to a lower emissions economy. This includes focusing on Climate adaptation through investment in loss prevention advice, providing access to fair and affordable insurance, supporting strong and prosperous rural communities, and maintaining strong, face-to-face relationships with the communities FMG serves.

Additionally, the target allows FMG to focus on obtaining quality activity data, providing confidence that the target is based on accurate and reliable information.

Achievable Without Offsets: The target is set to be achievable without the need for purchasing offsets, such as exotic trees, which FMG deems to be potentially negative for rural communities. This approach supports sustainable practices that are beneficial for the communities FMG serves.

Organisational Description and Boundaries

FMG has adopted the operational control approach to define its organisational boundaries, as defined by the ISO140641 Standard. This approach includes all organisations over which FMG has the authority to introduce and implement operating policies at a Group level (FMG Insurance Limited). The operational boundaries within the Group organisation for FMG's GHG inventory include:

- **Property:** 1 office location in New Zealand.
- **Leased Offices:** 30 leased office locations across New Zealand Aotearoa.
- **Fleet Vehicles:** 216 fleet vehicles used for client-facing roles and some Executive Management roles.
- **Employees and equivalents:** 898 Full-time Employees and equivalents. Includes part-time and contractors listed on FMG's Payroll.

Table 3: FMG's Leased and Owned Offices

North Island	
Whangarei	Dannevirke
Pukekohe	Te Kuiti
Warkworth	Hastings
Tauranga	Hawera (owned)
Whakatane	New Plymouth
Gisborne	Feilding
Hamilton	Palmerston North
Matamata	Wellington
Rotorua	Masterton
South Island	
Nelson	Greymouth
Blenheim	Balclutha
Ashburton	Alexandra
Invercargill	Dunedin
Christchurch x 2	Oamaru
Timaru	Gore

[1] **Scope 3 emissions include: all business-related travel and accommodation, printed office paper, postage and freight, waste generated in operations (office), fugitive emissions from lost refrigerants, fuel and energy-related losses, employee commuting and working from home.**

Emission Sources Included in FMG's Reporting Boundary

In addition to measuring Scope 1 (direct GHG emissions) and Scope 2 (indirect GHG emissions), FMG has included Scope 3 (indirect emissions sources) for activities where data is available and reasonably accurate. The Scope 3 activities included in FMG's boundary are:

- All business-related travel and accommodation
- Printed office paper
- Postage and freight
- Waste generated in operations (office)
- Fugitive emissions from lost Refrigerants
- Fuel- and energy-related losses
- Employee commuting and working from home

The activities included in FMG's GHG inventory are scoped based on operational control, materiality, and the availability of data.

FMG has measured its emissions in accordance with the principles set out by the International Standards Organisation (ISO) for the quantification and reporting of greenhouse gas emissions and removals (Standard 14064-1:2018).

Ernst & Young Limited has provided independent, third-party limited assurance on Scope 1, Scope 2 (location-based), and selected Scope 3 gross greenhouse emissions presented in Table 5 (on page 24) for the FY24/ 25 reporting period, in accordance with the New Zealand Standard on Assurance Engagements 1 Assurance Engagements over Greenhouse Gas Emissions Disclosures (NZ SAE 1) and the International Standard for Assurance Engagements (New Zealand): Assurance Engagements on Greenhouse Gas Statements (ISAE (NZ) 3410).

Previously, assurance for FY23/ 24 GHG emissions and all previous years was provided by McHugh & Shaw Limited.

Table 4: Activities included in FMG's GHG inventory

Scope	ISO14064 Emissions Category	Sub-Category
1	Direct GHG Emissions	Diesel and petrol from leased cars
2	Indirect GHG Emissions from Imported Energy	Purchased electricity
3	Indirect GHG Emissions from Transportation and Distribution	Postal and courier services Business Travel - Air Travel (includes Well-to-tank [WTT]) Business Travel - Personal Vehicle (includes WTT) Business Travel - Taxi (includes WTT) Business Travel - Accommodation Employee commuting (includes WTT) Employees Working from Home (Energy used)
	Indirect GHG Emissions from Products and Services used by Organisation	Fugitive emissions from lost Refrigerants Purchased goods and services - printed office paper Waste generated in operations Fuel and energy-related activities not included in Scope 1 - WTT emissions from fuels used Fuel and energy-related activities not included in Scope 2 – transmission and distribution losses and WTT emissions from electricity consumed

Emissions Sources, Calculation Methods, Assumptions and Uncertainties

Table A1 in Appendix 1 provides an overview of all emissions sources in FMG's GHG Inventory, including data sources, calculation methods, any assumptions made in the calculation process and an assessment of data quality and uncertainty.

Data for FMG's GHG inventory is collected from various internal and external sources, including utility bills, fuel purchase records, travel logs, and waste disposal records. Activity-based methodologies are used for calculating emissions where possible. Spend-based and Average data-based methodologies are used when activity data is unavailable. These are described in further detail below:

Average data-based method: Estimates emissions by multiplying the quantity of a product (e.g. kilograms, litres) by an appropriate secondary emission factor.

Spend-based method: Estimates emissions by multiplying the cost of goods and services purchased multiplied by an appropriate dollar spend emission factor.

Emission Factors

Emissions data presented in this report is calculation-based, determined by multiplying activity data where available by emission or removal factors.

Emissions (tonnes GHG) = Quantity of activity (unit) X Emission factor (tonnes GHG/ unit).

Emission factors (EF) have been sourced from the New Zealand Ministry for the Environment (MfE) released May 2024. Factors from the United Kingdom Government Department of Business Development, Energy, and Industrial Strategy (DBEIS 2024) and The International Energy Agency (IEA2024) have been used for some Well to Tank calculations, where MfE factors were unavailable. Market Economics Limited 2023 (MEL 2023) Spend-based factors have been used for Postage and courier services.

Emission factors are provided in terms of CO_2 equivalent (CO_2e) emissions. The emissions of different GHGs are calculated separately and converted to CO_2 equivalents based on their global warming potential (GWP).

Emission factors used are the 100-year GWPs in the IPCC Fifth Assessment Report (AR5).

Absolute Gross GHG Emissions in FY24/ 25 were 2731 TCO2e

As can be seen in Figure 12 below, Scope 1 emissions account for 42% of total emissions. The source of these emissions being FMG's vehicle fleet used by its client-facing employees and Management.

Scope 2 emissions from the use of purchased electricity account for 3%.

The remaining 55% is from Scope 3 emission sources, being:

- Business travel (15%)
- Paper, Postal and courier services (3%)
- Waste (1%)
- Employee commuting and working from home (20%)
- Other (Fuel and energy-related activities) 16%

Figure 12: Breakdown of Reported Emissions for FY25

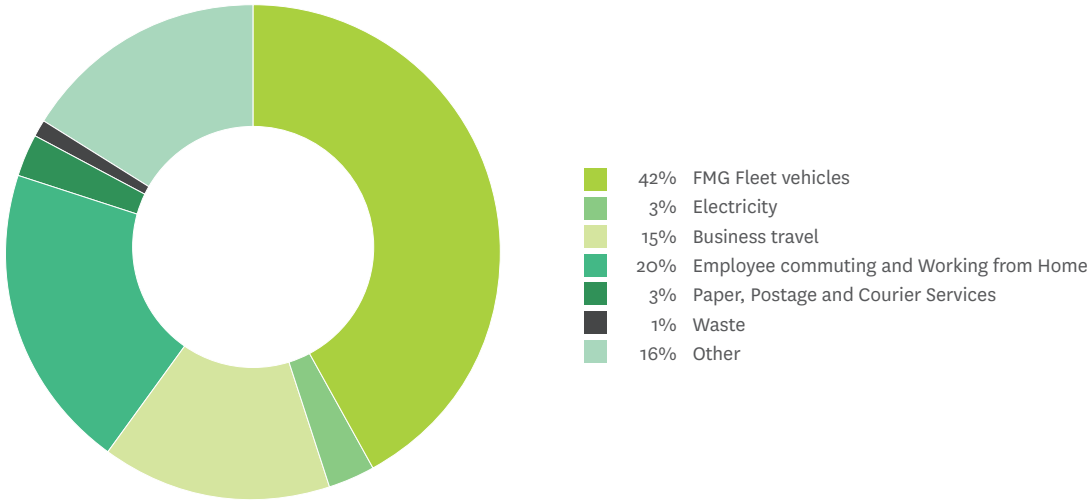


Table 5. Breakdown of FMG's Reported Emissions Sources

Scope	ISO14064 Emissions Category	Sub-Category	Total TCO2e FY23/ 24*	Total TCO2e FY24/ 25
1	Direct GHG Emissions	Diesel and petrol from leased cars	1,325	1,170
2	Indirect GHG Emissions from Imported Energy	Purchased electricity (location based)	100	83
3	Indirect GHG Emissions from Transportation and Distribution	Postal and courier services	27	70
		Business Travel - Air Travel (incl WTT)	506	393
		Business Travel - Personal Vehicle (incl WTT)	82	78
		Business Travel - Taxi (incl WTT)	20	1
		Business Travel - Accommodation	34	36
		Employee commuting (incl WTT)	537*	526
		Employees Working from Home (Energy used)	12	30
	Indirect GHG Emissions from Products and Services used by Organisation	Purchased goods and services - office consumables (printed office paper)	5	4
		Office waste generated in operations	2	17
		Transmission and distribution losses and WTT from Scope 2 electricity consumed	14	37
		WTT from Diesel and petrol	327	286
		Fugitive emissions from lost Refrigerants	0	0
	Total Gross GHG Emissions		2,991	2,731
	Removals		0	0
	Carbon Credits/ Offsets Purchased		0	0
	Total Net GHG Emissions		2,991	2,731
	Full-Time Employee/ Equivalent (FTE)		907	898
	Total Intensity GHG Emissions (per FTE)		3.3	3.0

***In FY24/ 25 FMG recalculated its FY23/ 24 Employee commuting emissions due to changes in the assumptions in the calculation approach and to make it consistent with the approach taken in FY24/ 25. As a result, Emissions from Employee commuting from FY23/ 24 have increased from 47 tCO2e to 537 tCO2e.**

Progress Against FMG's Reduction Target

FMG set a target of reducing intensity GHG emissions by 30% by 2030 (based on FY18/ 19 as the base year), achieving a reduction of 21.9% by FY22/ 23.

From FY23/ 24, FMG began including emissions from employee commuting and employees working from home. These additional emissions activities were not retrospectively added to previous years, due to data unavailability. Therefore FY23/ 24 reporting was used to re-baseline FMG's emissions target. Given the 21.9% reduction achieved to FY22/ 23, a further 8.1% reduction target was set for the re-baselined emissions levels through to 2030.

Intensity net GHG emissions in FY24/ 25 were 3.0 tCO2e per FTE. This represents a 9.1% decrease on the previous year, meaning that FMG has achieved its 2030 reduction target.

Fluctuations in FMG's GHG emissions can be attributed to several factors, including improvements in data quality and the ongoing impacts of COVID-19. During the pandemic, operational changes such as reduced on-site activities and increased remote work led to significant variations in emissions, particularly around business travel and employees working from home.

One of the key initiatives contributing to emissions reductions has been FMG's transition to hybrid vehicles for its fleet. This transition has resulted in a notable reduction in fuel consumption, with thousands of litres of fuel saved annually. Additionally, improvements in territory management have optimised driving routes, further reducing fuel usage and emissions.

Table 6: FMG's Progress Against its Reduction Target*

	FY18/ 19 (Base year)	FY19/ 20	FY20/ 21	FY21/ 22	FY22/ 23	FY23/ 24**	FY24/ 25
Total Gross GHG Emissions	2,155	2,328	2,210	1,779	2,159	2,991	2,731
FTEs	673	705	737	847	864	907	898
Total Intensity GHG Emissions (per FTE)	3.2	3.3	3.0	2.1	2.5	3.3	3.0
Progress against Target		-3.10%	6.20%	34.40%	21.90%	N/A	
Progress against Re-baselined Target							9.10%

*** In FY23/ 24 and FY24/ 25 FMG's boundary expanded to include emissions associated with Employee Commuting and Working from Home. These emissions activities are not included in the prior year results or baseline.**

**** The comparative GHG disclosures (that is GHG disclosures for the periods ended 31 March 2019 to 31 March 2024) have been subject to reasonable and limited assurance by McHugh & Shaw Ltd, with their unmodified assurance reports dated on 7 October 2020, 11 June 2021, 25 February 2022, 15 March 2023, 19 June 2023, and 8 July 2024 respectively. The restated FY23/ 24 GHG emissions have not been subject to assurance. Neither has the GHG intensity metrics or performance.**

Transitioning to a Hybrid Fleet (Scope 1)

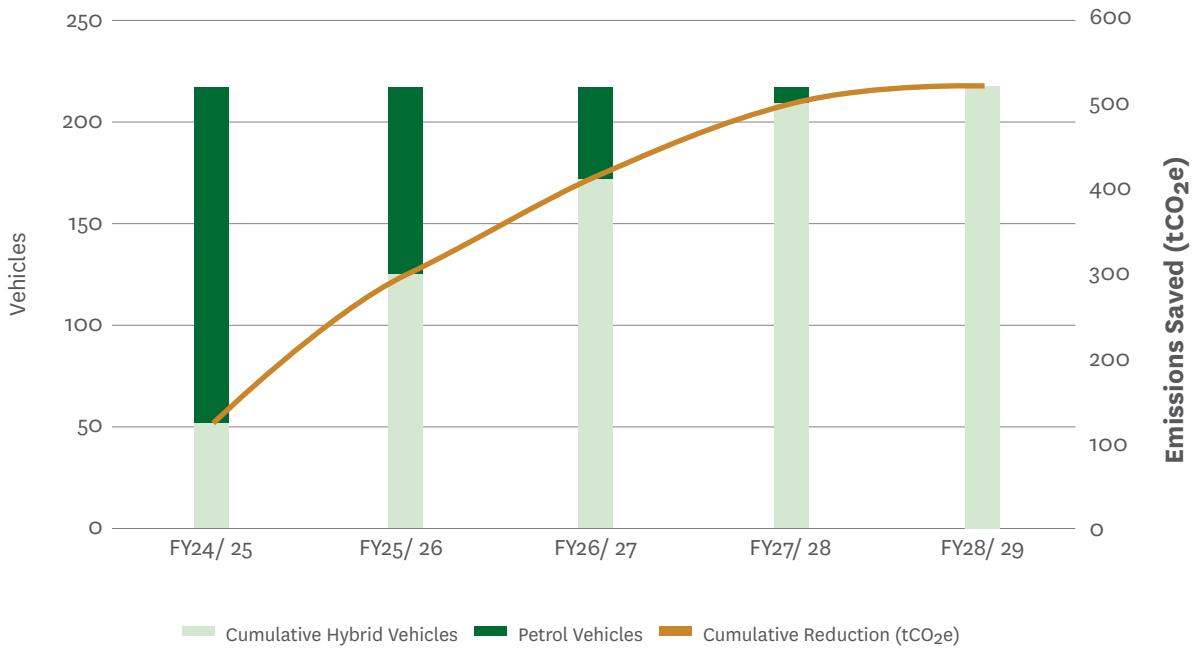
Fleet vehicles play a crucial role in FMG's client-centric approach. Primarily used by client-facing teams, FMG's mobile fleet facilitates personalised service and relationship management throughout rural and provincial New Zealand Aotearoa.

Contributing 42% of FMG's GHG emissions inventory, transitioning the existing Internal Combustion Engine (ICE) fleet, to a Hybrid fleet (Toyota Rav4 Hybrid), represents a significant contribution in meeting FMG's 30% reduction target by 2030.

FMG initiated its fleet transition to hybrid vehicles in February 2024, and expects the full transition to be completed by early FY28/ 29, achieving a cumulative emissions reduction of approximately 520 tCO_2e.

FMG's proactive approach demonstrates its commitment to sustainability and reducing its carbon footprint.

Figure 13: Anticipated emissions reduction from FMG's Fleet transition progress



APPENDIX 1

FMG Emissions Sources, Calculation Methods Assumptions and Uncertainties

Data Quality and Uncertainty

Data quality and uncertainty are evaluated based on the following scales:

Data Quality Scale:

- Low – Data exhibits noticeable inaccuracies, inconsistencies, or variability that may limit its reliability.
- Medium – Data is generally dependable but includes some inaccuracies or missing values that require extrapolation.
- High – Data is precise, consistent, and mostly comprehensive.

Uncertainty Scale:

- Low – There is strong confidence in the data's reliability and precision, with clearly understood limitations.
- Medium – There is reasonable confidence in the data's dependability, with some acknowledged constraints.
- High – Confidence in the data's reliability is limited, with significant unknowns affecting its interpretation.

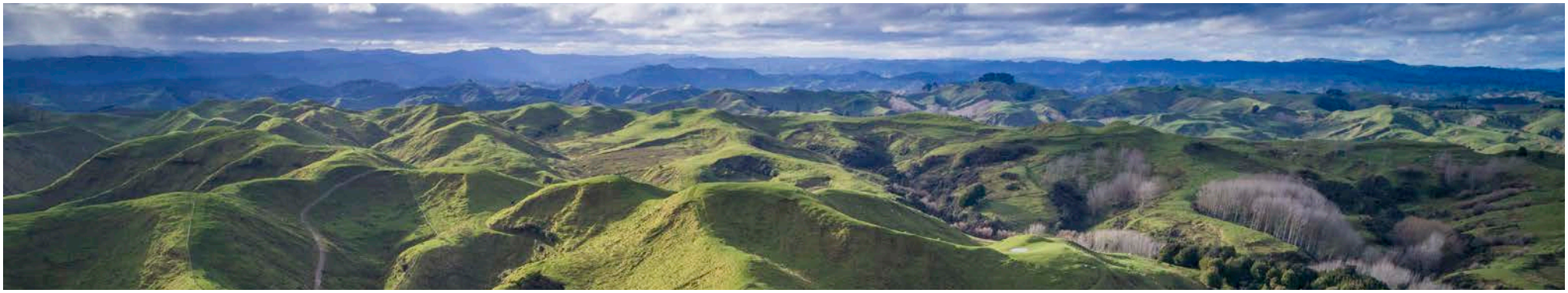
Table A1: FMG Emissions Sources, Calculation Methods Assumptions and Uncertainties

Scope	ISO14064 Emissions Category	Sub-Category	Methodology	Data Sources	Assumptions	Data Quality	Uncertainty
1	Direct GHG Emissions	Diesel and petrol from leased cars	Fuel based	Fuel records from supplier portal	Fuel consumption data (litres) multiplied by Ministry for the Environment (MfE) 2024 EFs.	High: Real time Fuel card data captured by Fleet Management System. Fleet vehicles monitored daily.	Low: Assumes retailer fuel pump calibration is accurate. Uncertainty impact minimal.
2	Indirect GHG Emissions from Imported Energy	Purchased electricitY	Location based	Supplier invoices/ records	Electricity usage in kWh is multiplied by MfE 2024 annual national average EF. FMG has a small number of shared offices that do not receive supplier invoices. An estimate has been used to calculate consumption based on square meterage.	High: Location based activity data calculations based on ICP meter invoice data.	Low: Accuracy of meters unknown but assumed accurate. Uncertainty impact minimal.
3	Indirect GHG Emissions from Transportation and Distribution	Postal and courier services	Spend based	Finance records	Total spend (NZD) multiplied by Market Economics Limited 2023 EF.	Low: Finance spend rounded and likely overestimated.	Medium: Supplier methodology assumed accurate. Spend based generally considered less accurate than activity based. Low materiality of activity, therefore impact of uncertainty reduced.
		Business Travel Air Travel (incl WTT)	Activity based (Distance)	Milage records from supplier portal	Travel distance (km) is provided by the supplier, broken down by travel class and destination. Multiplied by relevant MfE 2024 EF. Inclusion of radiative forcing (RF) in the calculations. WTT Calculated using quantities (Kms) multiplied by UK EF (DBEIS 2024).	High: data in the travel agent report assumed complete and free from error.	Low: Travel distances for international flights may not consider multi-stage journeys and stopovers. Inclusion of radiative forcing (RF) in the calculations decreases the certainty level given science of RF is not well understood. Overall impact of uncertainty is medium.
		Business Travel Personal vehicle (incl WTT)	Activity based (Distance)	Finance records for Milage reimbursement	Travel distance (km) Multiplied by. MfE 2024 (Private car. Assumed to be 2000 - 3000cc). FMG's policy calculates industry standard $/per km rate that naturally favours fuel efficient vehicles. Electric vehicles and some public transport eligible for reimbursement. WTT Calculated using quantities (Kms) multiplied by UK EF (DBEIS 2024).	Medium: Milage based on employee accuracy of input. Does not capture fuel or vehicle type.	Low: Milage likely to be overstated by employees. Low materiality. Uncertainty impact minimal.
		Business Travel Taxi (incl WTT)	Spend based	Finance records for Taxi claim/ reimbursement	Total $NZD multiplied by MfE 2024 EF. (Regular vehicle type). WTT Calculated using quantities (Kms) multiplied by UK EF (DBEIS 2024).	Medium: Assumed Employee accuracy when claiming or submitting Taxi travel expense.	High: Spend based methodology means assumptions are applied regarding to tariff rates and vehicle fuel efficiency. Impact however is minimal given materiality of the emission source.
		Business Travel Accommodation	Activity based	Data records from supplier portal	Total nights stayed multiplied by relevant MfE 2024 factor by location.	High: Supplier data assumed accurate. Data calculated on booking date, minus cancelations.	Low: Uncertainty impact minimal given materiality of the emission source.
		Employee commuting (inc WTT)	Average data method	Employee Survey	Calculated using 2024 employee survey data on method of commute, excluding employees who drive company vehicles. Data is scaled to factor in change in FTE numbers and is assumed to represent 2025 behaviour. Data extrapolated to estimate total annual distance by transport method, based on NZ average commute distance from Ministry of Transport Household Survey (20 Kms) and assumes 2 days per week working from home. Total Kms multiplied by relevant MfE 2024 factors. WTT Calculated using quantities (Kms) multiplied by UK EF (DBEIS 2024).	Low: Impacted by age of data, number of responses and interpretation of survey questions by employees.	High: Due to materiality, extrapolation of data, assumption methods and quality of data from surveys.
		Employees Working from Home (Energy used)	Average data method	Employee numbers	Total employee days multiplied by MfE 2024 (Default) EF. Calculated based on 2 days per week working from home. Assumes 52 work weeks, minus public, and national holidays.	Low: Care taken to use most relevant industry factors and averages where possible.	Medium: Due to use of averages and assumptions of the number of work from home days.

continued next page

Table A1: FMG Emissions Sources, Calculation Methods Assumptions and Uncertainties *continued*

Scope	ISO14064 Emissions Category	Sub-Category	Methodology	Data Sources	Assumptions	Data Quality	Uncertainty
3	Indirect GHG Emissions from Products and Services used by Organisation	Fugitive emissions from lost Refrigerants	Activity based	Service records	FMG Buildings leased, Gas loss/ top up is property owner's responsibility. No leaks reported in FY24/ 25.	Medium: Due to the limited controls at a site level to ensure for completeness.	Low: No leaks reported in FY24/ 25 Uncertainty impact minimal.
		Purchased goods and services - office consumables (printed office paper)	Activity based	Suppliers print records	Total pages printed (Kgs) multiplied by UK EF (DBEIS 2023) as NZ source unavailable. Weights based on assumption that one ream (500 pages) is equal to 2.5kg, as printed on packaging.	High: Derived from office printers. Majority of client and employee correspondence printed internally.	Medium: Excludes any commercial or third-party printing of client correspondence.
		Waste generated in operations	Activity based	Supplier invoices/ records	Quantities of waste (tonnes) to landfill multiplied by MfE 2024 EF without Landfill Gas Recovery applied. Supplier records cover largest offices, offices where at least 80% employees consider their main office. Smaller, regional offices where waste is managed under property manager, Local council, or alternative method, is not included as data is unavailable. Assumed waste quantity is low as these offices typically have mobile based roles.	High: Assumed supplier records are complete and accurate.	Medium: Some uncertainty in the mix in the type of waste going to landfill.
		Fuel- and energy-related activities not included in Scope 1 and 2 – transmission and distribution losses and well to tank	Location based	Supplier invoices/ records	Calculated using quantities multiplied by UK EF (DBEIS 2024) and Global EF (IEA2024).	High: Derived from meter data therefore accurate and complete.	Low: Due to high data quality and low variability in emissions factors.



APPENDIX 2

The following GHG emission sources have been excluded from FMG's inventory for FY24/ 25 due to their low materiality, poor availability of data, high degree of uncertainty or as described under the FY24/ 25 exclusion adoptions.

Table A2: Emissions Excluded from FMG's GHG Inventory

Scope	ISO14064 Emissions Category	Sub-Category	Reason for Exclusion
1	Direct GHG Emissions	Stationary fuels (LPG)	Used for BBQ facilities. Omitted as de minimis.
3	Indirect GHG Emissions from Products and Services used by Organisation	Purchased goods and services	All Emissions from purchased goods and services are excluded (except office paper).
		Capital Goods	All Emissions from capital goods are excluded.
		Waste generated in operations	Some smaller, regional offices where waste is managed under property manager, Local council, or alternative method, is not included as data is unavailable.
		Wastewater generated in operations	Omitted as de minimis.
		Emissions from use of assets leased	Emissions from communal spaces in leased offices are omitted as de minimis.
	Indirect GHG Emissions from the use of Products used from the Organisation	Emissions from FMG's investment portfolio	Emissions from FMG's investment portfolio are excluded under Adoption Provision 4.
	Indirect GHG Emissions from Other Sources	Emissions from FMG's Underwriting portfolio	Emissions from FMG's Underwriting portfolio are excluded under Adoption Provision 4.

APPENDIX 3

GHG Independent Limited Assurance Report

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Independent limited assurance report to Farmers' Mutual Group

Assurance conclusion – Scope 1, Scope 2 (location based), and reported Scope 3 GHG emissions

Based on our limited assurance procedures performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that Farmers' Mutual Group's consolidated gross scope 1, scope 2 (location based), and reported scope 3 Greenhouse Gas ("GHG") emissions, related additional required disclosures of gross GHG emissions and gross GHG emissions methods, assumptions and estimation uncertainty, within the scope of our limited assurance engagement (as outlined below) (together "GHG disclosures") included in Farmers' Mutual Group's Climate-related Disclosure for the year ended 31 March 2025 ("Climate Statement") are not fairly presented and not prepared, in all material respects, in accordance with the Aotearoa New Zealand Climate Standards ("NZ CS") issued by the External Reporting Board ("XRB").

Scope

Ernst & Young Limited ("EY") has undertaken a limited assurance engagement, to report on Farmers' Mutual Group's (the "Mutual" or "FMG"):

- Consolidated gross GHG emissions:
  - Scope 1 on page 24;
  - Scope 2 (location based) on page 24;
  - Reported Scope 3 on page 24;
- Related additional requirements for the disclosure of GHG emissions on page 21, 22, 23 and 30;
- Related GHG emissions methods, assumptions and estimation uncertainty on page 28 – 29

included in the Climate Statement for the year ended 31 March 2025 (the "Subject Matter" or "GHG disclosures"). The reported amounts and disclosures relate to the Mutual and its subsidiaries (together the "Group") as explained in the Climate Statement.

Our assurance engagement does not extend to any other information included, or referred to, in the Climate Statement on pages 01 – 21, and 23 – 27. We have not performed any procedures with respect to the excluded information and, therefore, no conclusion is expressed on it.

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Criteria applied by Farmers' Mutual Group

In preparing the GHG disclosures, FMG applied NZ CS (the "Criteria"). In applying the Criteria, the methods and assumptions used are described on pages 28 - 29 of the GHG disclosures, as are the estimation uncertainties inherent in the methods and assumptions used.

Key matters

We have determined that there are no key matters to communicate in our report.

FMG's responsibility

The Directors are responsible, on behalf of the Group for the preparation and fair presentation of the GHG disclosures in accordance with NZ CS. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the GHG disclosures, such that they are free from material misstatement, whether due to fraud or error.

EY's responsibility

Our responsibility is to express a limited assurance conclusion on the GHG disclosures based on the procedures we have performed and the evidence we have obtained.

Our engagement was conducted in accordance with New Zealand Standard on Assurance Engagements 1 *Assurance Engagements over Greenhouse Gas Emissions Disclosures* ("NZ SAE 1") and in accordance with the International Standard for Assurance Engagements (New Zealand): *Assurance Engagements on Greenhouse Gas Statements* ("ISAE (NZ) 3410"). Those standards require that we plan and perform this engagement to obtain limited assurance about whether the GHG disclosures have been prepared, in all material respects, in accordance with the Criteria. The nature, timing and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusion.

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

Ernst & Young provides audit services related to the Group's financial statement and provides remuneration services, independent quality assurance and solvency return assurance services to the Mutual or its subsidiaries.

Partners and employees of our firm may deal with the Group on normal terms within the ordinary course of trading activities of the business of the Group. We have no other relationship with, or interest in, the Group.

Our independence and quality management

We have complied with the independence and other ethical requirements of NZ SAE 1 *Assurance Engagements over Greenhouse Gas Emissions Disclosures* issued by the External Reporting Board (XRB) and the Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board*, which are 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*, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

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Description of procedures performed

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 procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the report and related information and applying analytical and other relevant procedures.

Our procedures included:

- Obtaining, through inquiries, an understanding of FMG's control environment, processes and information systems relevant to the preparation of the GHG Disclosures. We did not evaluate the design of particular control activities, or obtain evidence about their implementation;
- Evaluating whether FMG's methods for developing estimates are appropriate and had been consistently applied. Our procedures did not include testing the data on which the estimates are based or separately developing our own estimates against which to evaluate FMG's estimates;
- Evaluating organisation and operational boundaries to consider completeness of emissions sources;
- Performing analytical procedures on particular emission categories by comparing the expected GHGs emitted to reported GHGs emitted and made inquiries of management to obtain explanations for any significant differences we identified;
- Performing selected recalculations and aggregation of GHG emissions; and
- Considering the presentation and disclosure of the GHG disclosures.

We also performed such other procedures as we considered necessary in the circumstances.

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls.

Inherent uncertainties

The GHG quantification process is subject to scientific uncertainty, which arises because of incomplete scientific knowledge about the measurement of GHGs. Additionally, GHG procedures are subject to estimation uncertainty resulting from the measurement and calculation processes used to quantify emissions within the bounds of existing scientific knowledge.

Other matters

The comparative GHG disclosures (that is GHG disclosures for the periods ended 31 March 2019 to 31 March 2024) have been subject to reasonable and limited assurance by another assurance provider, with their unmodified assurance reports dated on 7 October 2020, 11 June 2021, 25 February 2022, 15 March 2023, 19 June 2023, and 8 July 2024 respectively.

Use of our assurance report

We disclaim any assumption of responsibility for any reliance on this assurance report to any persons other than FMG, or for any purpose other than that for which it was prepared.

The engagement partner on the engagement resulting in this independent assurance conclusion is Matthew Cowie.

Ernst & Young Limited

Ernst & Young Limited
Auckland
19 June 2025