

CLIMATE-RELATED DISCLOSURES

FMG Insurance Limited FY23/24



FMG Insurance Limited (FMGIL) is a Climate-Reporting Entity (CRE) under the Financial Markets Conduct Act 2013. FMGIL is a wholly owned subsidiary of Farmers Mutual Group (FMG). FMGIL has no employees, with strategy and operations being managed through FMG, including having a common Board. Given this, FMG's consolidated disclosure report applies equally to FMGIL.

This is FMG's first Climate-Related Disclosures 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 2023 to 31 March 2024 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:

- First-time adoption provision 4: Transition plan aspects of an entity's strategy, including how its business model and strategy might change to address its Climate-related risks and opportunities are not required.
- First-time adoption provision 5: Scope 3 GHG emissions: gross emissions in metric tonnes of carbon dioxide equivalent (CO₂e) classified as Scope 3 are not required.
- First-time adoption provision 6: Comparatives for metrics - disclosure of at least two years of comparative information are not required.
- First-time adoption provision 7: Analysis of the main trends evident from a comparison of each metric from previous reporting periods to the current reporting period are not required.

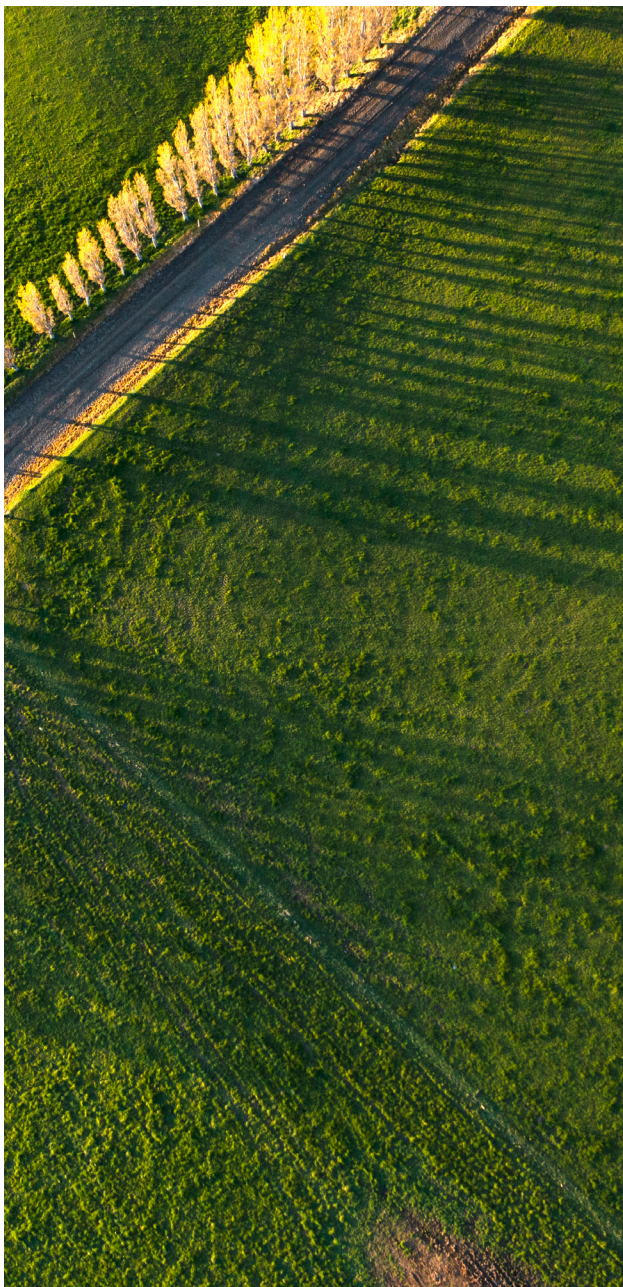
Disclaimer

FMG has used best efforts in the preparation of this Climate-Related Disclosure to provide accurate information as at 31 March 2024. 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 are 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

As the implications of Climate risks become more pronounced, FMG applauds the resilience and sustainability practices exhibited by the farmers and growers of New Zealand/ Aotearoa. With its deep-rooted connections to the rural sector, FMG acknowledges its obligation in supporting its clients to manage their risks, while actively fostering strong and prosperous rural communities.

FMG believes the future can be actively shaped and protected through present actions. This perspective is reflected in FMG's operations, with a core commitment to mutuality and sustainability, underscoring the belief that businesses should contribute positively to the world, beyond just generating profit.

FMG's approach to sustainability is holistic, encompassing environmental stewardship, economic resilience, community well-being, and employee empowerment. FMG is proud that its commitment has been externally validated by becoming the first and only B Corp Certified general insurer in New Zealand/ Aotearoa.

This report, FMG's first Climate-Related Disclosure, underscores FMG's commitment to transparency and accountability on its path to a sustainable future, demonstrating its dedication to its clients, employees, and rural communities.

This Report covers three key areas:

Risk and Governance: How FMG identifies, manages, and monitors Climate-related risks, including the role of the Board and Senior Management in managing Climate risk.

Adaption and Mitigation: How FMG is responding to the risks and opportunities presented by Climate Change, notably the increase in claims due to the material and physical impacts on FMG's risk profile.

Greenhouse Gas Emissions: What FMG is doing to contribute to a lower-emissions economy in the future.

A handwritten signature in black ink, appearing to read 'Sarah von Dadelszen'.

Sarah von Dadelszen
Chair
23 July 2024

A handwritten signature in black ink, appearing to read 'Sinead Horgan'.

Sinead Horgan
Director
23 July 2024

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.

The Board have current knowledge of the regulatory requirements impacting all areas of the business, including climate change. To support the Board and ensure that the right skillsets and experience are available, sessions were facilitated by external consultants to upskill the Board on Climate-related risks and opportunities. It should be noted that a former Climate Change Commissioner, Nicola Shadbolt, is a member of the FMG Board adding to the Board's expertise on the matter.

Specific Climate-related risks and opportunities were discussed with the Board as part of FMG's annual strategy pre-work review, allowing these considerations to be explicitly considered and embedded alongside other business risks and opportunities for the first time in December 2023.

Executive and Management incentive plans are aligned to the achievement of strategic goals, but are not currently linked to specific Climate-related metrics or targets.

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 the 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 Enterprise Risk Management Policy (ERMP) and the ERMF which includes Climate risks. Business Climate-related risks and opportunities are formally reviewed at Board level annually to inform Board strategy discussions.



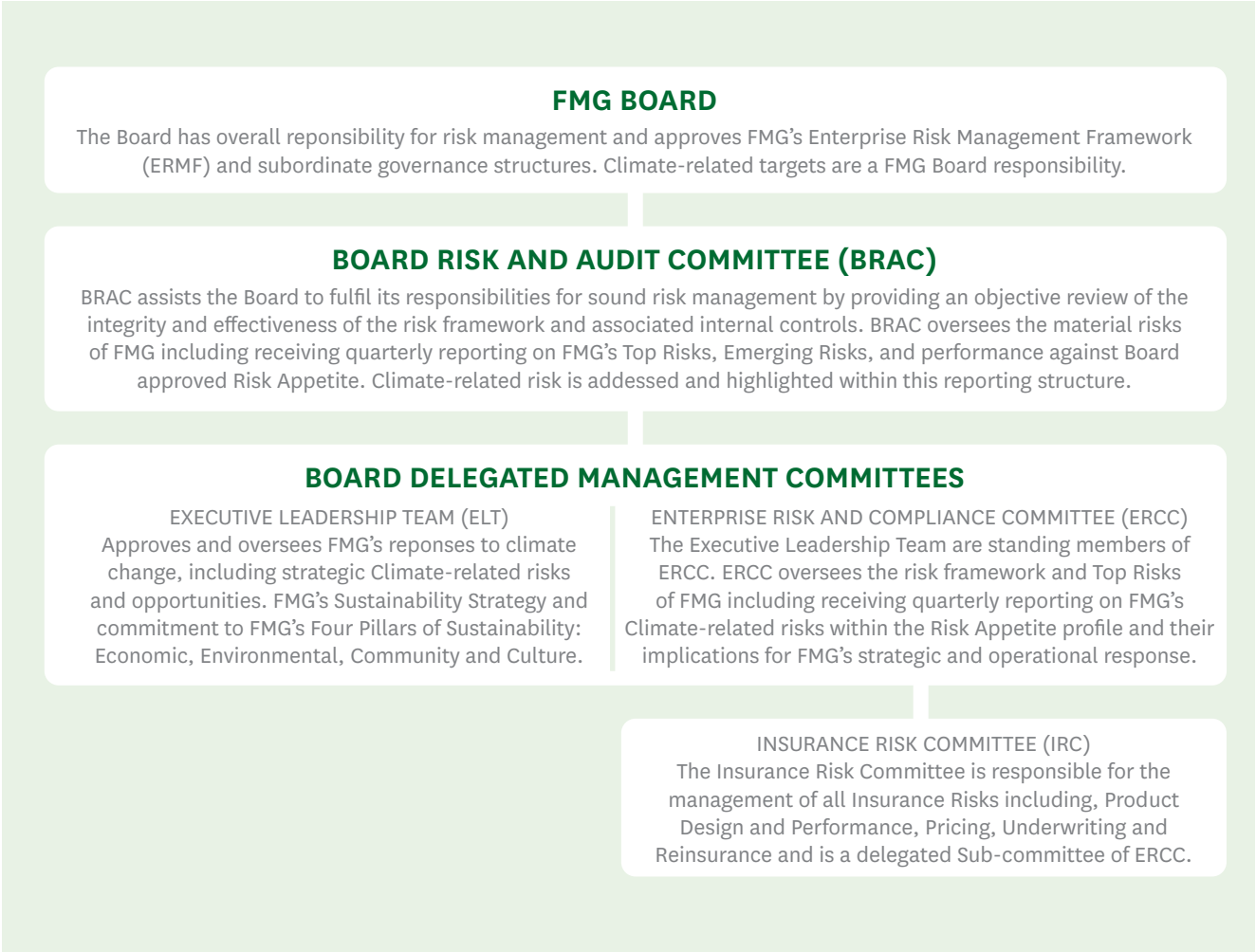
Management Responsibility

The Board delegates day-to-day management responsibilities 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 risks. Risks are monitored on behalf of the Board by the Enterprise Risk and Compliance Committee (ERCC) through quarterly Enterprise Risk Reports under the ERMF. A summary of which is tabled with BRAC on a quarterly basis.

In 2022, FMG established the 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, senior Insurance, Finance, Strategy, and Risk members, as well as climate and operational experts from across the business. The SSG meets at least bi-monthly, and its outputs help form the basis of reporting to the ELT and BRAC.

Neither the Board or Management have remuneration elements that are explicitly linked to Climate-related risks or opportunities. Noting that remuneration is linked to the initiatives on the Business Plan, many of which relate to ensuring that FMG is a sustainable business.

Figure 1. Board and Management responsibilities for 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 including Insurance, Credit, Market, Liquidity, Operational, Strategic, and Emerging Risk. In September 2023 a new risk category pertaining to Environmental, Social and Governance Risks was added to the Enterprise Risk Report, to increase visibility and consideration of Climate-related risks.

The scenario creation and analysis processes, discussed further in the Strategy section of this report, helped to identify and assess potential impacts of climate change and its associated Climate-related risks and opportunities.

Climate risks are identified, measured, prioritised, managed and reported on utilising the same methodology that is used for all other categories of risk affecting FMG as articulated in this section.

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 ultimately, 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 2. FMG's Enterprise Risk Management Framework (ERMF)



Enterprise Risk Management Standard

The purpose of the Standard is to support the ERMF by describing the expectations and Management's accountabilities for the assessment of risks impacting the Mutual. This 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 a 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 the 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 seeks to define the approach to managing risks in key areas and balance the needs of stakeholders, including FMG's clients, Members, third parties and employees. The ERAS is approved by the BRAC and adherence to it is measured through a series of metrics which are reported quarterly to the Enterprise Risk and Compliance Committee (ERCC) and then the BRAC.

Risk Reporting

FMG reports on risk to the ERCC quarterly. Reporting focuses on the risks that could impact the ability to achieve its objectives as set out in the Strategic Plan which is reviewed every five years.

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

Each Risk is reviewed by the ERCC for movements against Impact, Likelihood, and its position against Risk Appetite (Very Low, Low, Medium, High). Emerging Risks may, following review, become Top Risks which will then have a mitigation plan assigned. A summary of the work is included in reporting to the 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.



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 3. FMG's Risk Management Process

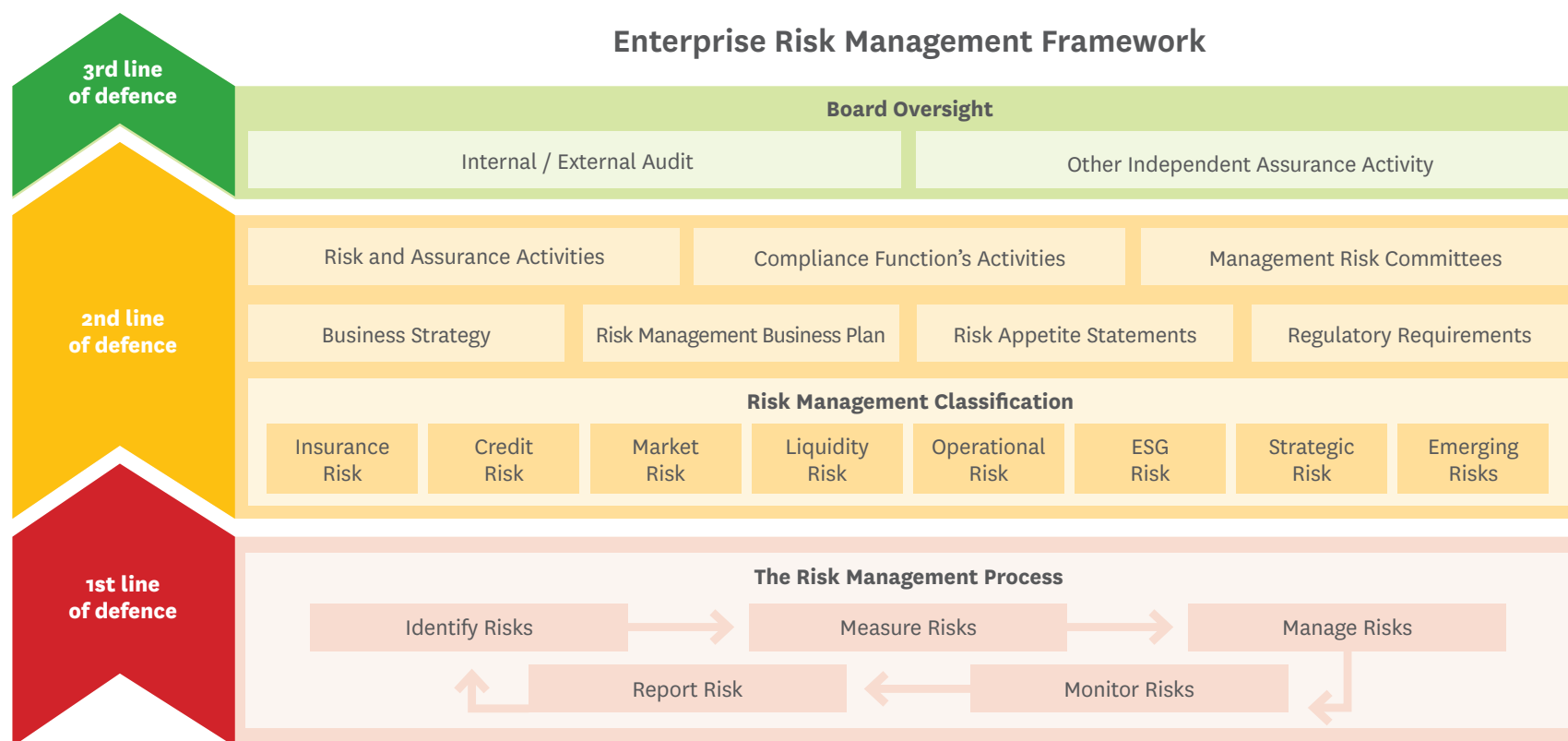
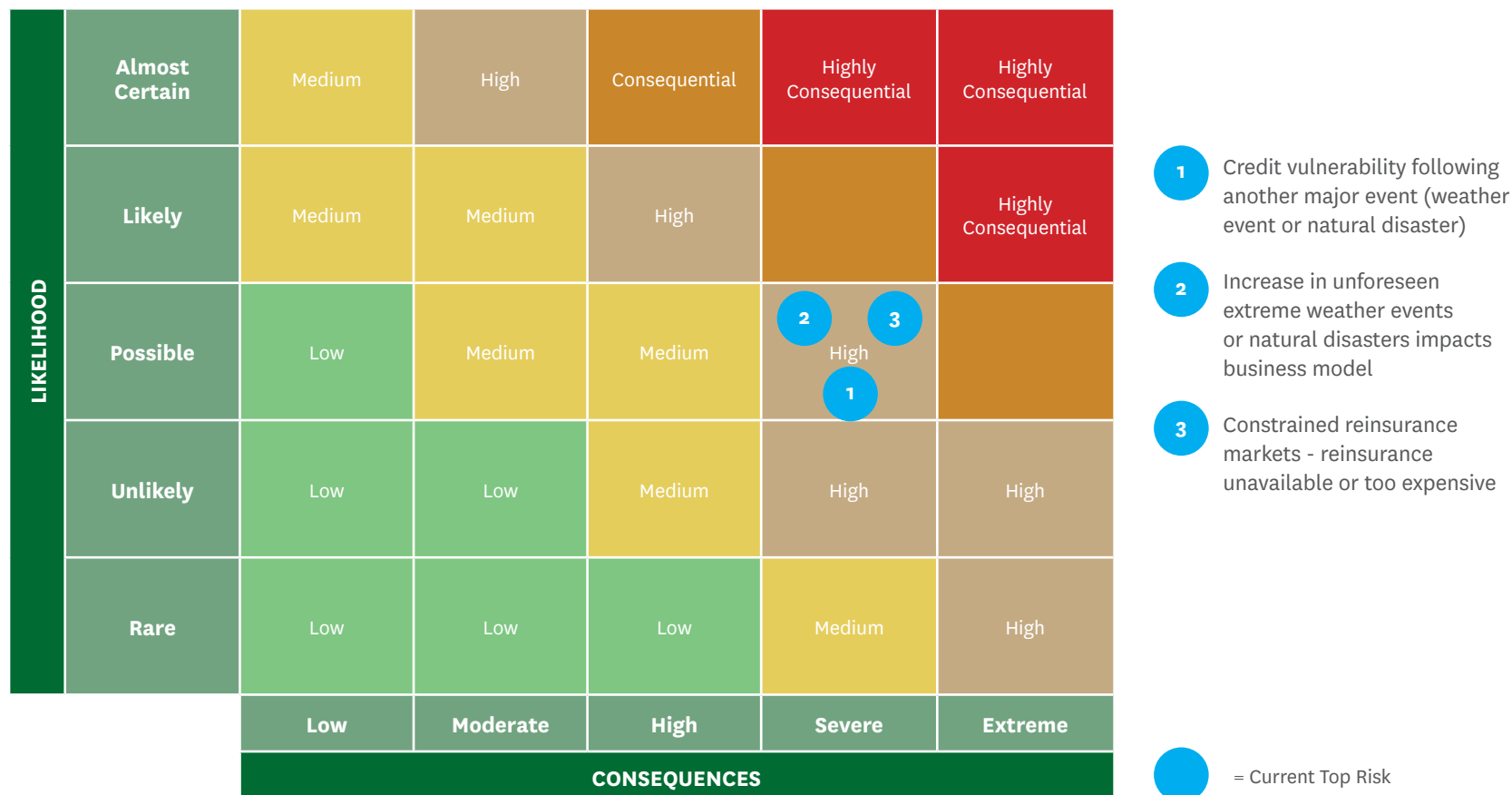


Figure 4. Heat map of top Climate-related risks



Risks are assessed in terms of the Likelihood of them occurring and the Consequence if they occur and are plotted on the matrix accordingly. The Heat Map above shows the Climate-related risks from FMG's Top Risks.

The 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 levels and FMG's objective to retain pricing positions within financial Tolerance and Risk Appetite.

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 modelling which informs business decisioning, including the size and structure of the reinsurance programme and planning for retained losses. It also conducts regular stress testing which includes climate-related scenarios.

Strategy

As the leading rural insurer for New Zealand/ Aotearoa, FMG operates as an advice-led business with an organic growth strategy. The success of this business model is underpinned by a strong brand and high levels of client satisfaction. FMG's belief in the importance of client relationships is demonstrated by the maintenance of an internal sales force responsible for all insurance acquisitions.

FMG recognises the impact that climate change has on both the insurance and rural sectors, particularly through the increasing frequency and severity of weather events. These impacts can be direct, through increased claims costs, and indirect, as regulations around land use and building standards change with the evolving understanding of future risk.

Despite these challenging times, FMG remains steadfast in its commitment to its rural clients. Concurrently, FMG acknowledges the need to reduce its own emissions profile as the country transitions to a low carbon future.

Climate Scenario Analysis

Working with KPMG, FMG developed a series of Climate Scenarios aligned with those that were developed by the Insurance Council of New Zealand (ICNZ) and New Zealand Agriculture (NZ Ag). These scenarios were designed to systematically explore the effects of a range of plausible future events under conditions of uncertainty. The ICNZ and NZ Ag scenarios were designed to challenge the insurance sector and agricultural sectors respectively. Bringing these together created a unique set of scenarios that present both challenges and opportunities across FMG's rural insurance portfolios.

These scenarios were workshoped with representatives across FMG to identify the risks and opportunities emerging over the period to 2050 and beyond.

The process included three key stages:

Identify FMG-specific drivers:

A core leadership group within FMG was responsible for the development of FMG's Climate-related scenarios and analysis. In September 2023, a wider group was brought in to assist in the creation of the scenario narratives. 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 (or 'drivers') included in the ICNZ sector scenarios for their relevance to FMG and to identify whether any drivers were missing for FMG.

Develop 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 incorporated to produce scenarios that best reflect the shape and nature of FMG's business.

The Aotearoa Circle Agri-Sector Scenarios were consulted to adequately reflect industry outcomes throughout the narratives. Additional guidance was 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.

Draft scenarios were provided to the core working group to validate the decisions made and parameters used.

Interrogate 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.

The participants identified risks and opportunities for each scenario across the three timeframes that would impact FMG's business model and strategy. Consideration was given to risks and opportunities across the value chain including for clients and suppliers. The specific items discussed within these disclosures are internal to FMG.

The participants highlighted key risks and opportunities within each scenario and noted key risk and opportunity themes across all three scenarios. They then identified the connections between the Climate-related risks and their existing Risk Register and determined key conclusions for the Mutual.

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.




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

Figure 5. 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

Figure 6. 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 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	Work completed in 2024 to better manage response in future		
Sharing Risk Advice with Clients	Looking at how best to share changing risk information with clients	Looking at how best to share changing risk information with clients	Looking at how best to share changing risk information with clients

In its first year of conducting Climate-related scenario analysis, FMG carried out this analysis independently of its broader strategic processes. The risks and opportunities from the scenario analysis were made available in December 2023, which allowed for their consideration during the business strategy sessions. Going forward, the scenario analysis and resulting risks and opportunities will be more integrated with FMG's strategic planning.

Figure 5 shows how the FMG Scenarios align with the ICNZ Shared Climate Scenarios and other national and international scenario frameworks.

Each scenario was considered over three time horizons: Short (2023-2025), Medium (2026-2035) and Long (2036-2050). The impact of climate change will be felt beyond these timeframes, the extent of which will be influenced by business decisions made over the next 10 years.

FMG's strategic planning is broadly in line with these periods with current strategic objectives targeted for achievement by 2025. Strategy development currently underway within FMG is intended to re-set strategic objectives for the Mutual across the medium-term (i.e. out to 2030). Considerations for the longer-term (i.e. out to 2050) will also feature as part of this work.







FMG's strategic planning process sets the priorities for the business. The annual Business Plan establishes nearer term objectives aligned with FMG's Strategic Plan. Business initiatives look to respond to risks or capitalise on opportunities to achieve FMG's business strategy. Initiatives are prioritised through the Enterprise Portfolio Management Office (ePMO).

To date, initiatives have not been specifically categorised based on the Climate-related risk posed so they are not explicitly included in the prioritisation process. That said, there are several initiatives under way that form part of

FMG's response to Climate-related risk and opportunities, including Natural Hazards modelling and FMG's fleet transition which are discussed in these disclosures. Figure 6 above depicts FMG's response to the risks and opportunities identified.

Progress against FMG's business initiatives, including those that form part of FMG's response to Climate-related risk and opportunities, are referenced in FMG's CEO Report, ahead of every Board meeting.

Figure 7. Anticipated weather event impacts

					
Rising temperatures Temperatures are expected to continue to increase, particularly peak temperatures over the summer months. The occurrence of extreme heat events is likely to increase.	Changing rainfall patterns An increase in the west and south, less in east and north. Increasing temperatures mean atmospheric rivers are more likely, carrying more moisture and resulting in more intense rainfall when they occur.	Wind Extreme wind speed over the lower North Island and parts of the South Island is expected to increase by mid-century.	Sea level rise Ground water tables rise in response to increases in sea level, meaning coastal defences are overtopped more often with increased coastal flooding.	Flooding More intense rainfall is expected to result in an increase in frequency and severity of flooding events.	Wildfire Increase in drought conditions and higher wind speed are expected to increase the likelihood of wildfires and make them more damaging.

Most of the physical assets that FMG insures will be exposed to a degree of increased risk resulting from the changing climate. These physical assets represent 59% of Sums Insured in the 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. Without legal precedent it would not be possible to say that these products are not exposed to Transition risk. Liability business represents 40% of the insured portfolio by Sum Insured. Analysis of the financial impact of the physical risk posed by rising sea levels is discussed below. Other changes to physical risk will be discussed in future disclosures.

FMG's investment portfolio has a 10% exposure to equities through external fund managers. All companies 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.

FMG's business strategy already looks to respond to some of the risks and opportunities relating to the changing climate. However, a formal transition plan has not yet been prepared. This work will be conducted over the FY24/ 25 Financial Year.

FMG has not identified any measurable opportunities in the scenario work to date, and therefore has not assessed the amount or percentage of its value chain that may be impacted by opportunities in the future.

Climate risk is not currently an explicit consideration in FMG's capital deployment decisions, nor is an internal emissions price used as part of FMG's capital deployment framework.

This being the first year of Climate Related Disclosures, FMG is not aware of any established industry climate metrics relevant to its industry and/ or business model.

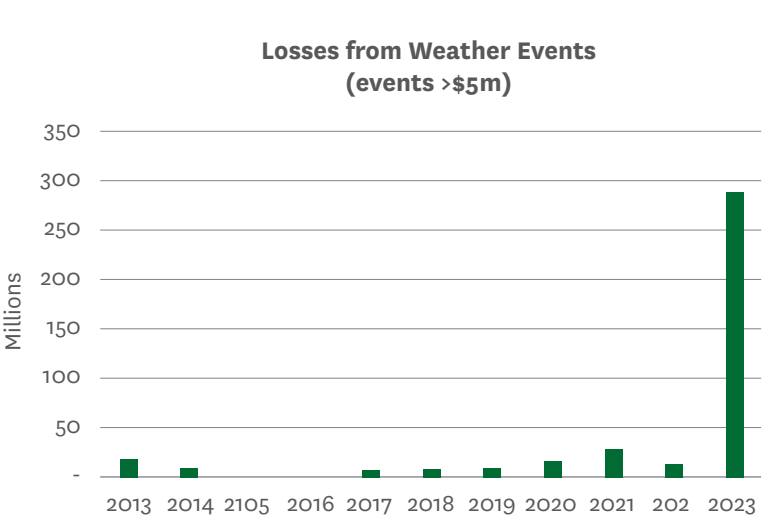
Anticipated Physical Impacts and Risks to FMG

Understanding the nuances of physical risk is fundamental for any general insurer. As climatic patterns evolve, so too, does the nature of this risk. The availability of reliable data on the impact of the changing climate is essential to continued adaption.

The implications are twofold: chronic effects, such as the persistent rise in sea levels leading to the irreversible submersion of regions, and acute impacts stemming from meteorological phenomena, leading to more frequent and extreme weather events, such as what was experienced with Cyclone Gabrielle.

The potential increased losses, as a result of changing weather patterns caused by climate change are further summarised above.

Figure 8. Impact of past weather events



The physical impact of a changing climate is illustrated through the cost of weather events for FMG. The graph above shows these costs over the past 11 years.

Impact of Sea Level Risk on Future Claims Costs

To understand the increasing cost of flood claims related to Sea Level Rise (SLR) FMG worked with Finity Consulting, applying NIWA's research on SLR predictions for FMG scenarios.

This analysis considered current flood protection measures in their present state, without future mitigation efforts

Impact of sea level rise on the portfolio

		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	3.7m
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	3.7m

undertaken. It also assumes a constant number of insured items, their locations, and replacement/remediation costs throughout the forecast period.

This research is specific to a portion of total flood risk and does not include increased frequency and intensity of major weather events, which will be explored in separate research in future.

Climate-Related Risks and Opportunities

FMG purposely takes a holistic view of sustainability, encompassing economic, environmental, community and employee aspects. This ensures a robust and fair approach that aligns with the needs of clients, Members, and rural communities. With that in mind, and recognising the evolving nature of Climate risks, FMG's current focus is on obtaining high-quality climate data, enhancing in-house risk knowledge, capabilities, crucial for informed decision-making and event preparedness.

Furthermore, FMG is committed to attracting and retaining talented employees who share FMG's Values, recognising that a skilled and motivated workforce is essential for implementing any sustainability initiative effectively.

Development of Natural Perils and Spatial Underwriting

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

FMG has maintained a Natural Perils underwriting platform for several years. This platform enables underwriters in the corporate office to overlay information regarding geological and meteorological risk for an individual property when determining the insurance offered. A project is currently underway that will incorporate this information into the underwriting of all policies, streamlining the delivery of underwriting decisions and ensuring consistency of application across all of FMG's portfolio.

Sharing Risk Advice with Clients

As an advice-led insurer, the provision of risk advice is a fundamental part of FMG's client proposition. Drawing on in-house claims data, a dedicated Risk team, strategic industry partnerships and its own specialised rural knowledge, FMG offers guidance on reducing physical and human loss from natural perils, such as wildfires, flooding, windstorms, and preparedness for climatic phenomena such as El Niño.

To help ensure FMG's strategic growth in this space, research is currently underway to understand what additional risk information FMG's clients will benefit from.

Event Response Preparedness

The Auckland Anniversary Weekend floods, and Cyclone Gabrielle marked the largest scale of disaster response in FMG's 119-year history, surpassing claims from the Kaikoura and Canterbury earthquakes combined. As at 31 March 2024, FMG had settled over 95% of the claims opened from these two events, totalling \$260.6m in claims payments.

FMG's recovery efforts were characterised by a swift mobilisation of resources, with a focus on understanding the personal and economic impacts on rural clients. The magnitude of these events underscores the increasing importance of robust disaster recovery planning and insurance in the face of more frequent severe weather events.

To ensure FMG is well-positioned to respond to future events, an Event Response Preparedness (ERP) initiative is currently underway, assessing current and future event response processes. This includes governance and operational considerations, alongside claims and service commitments, communication strategies, community engagement and employee wellbeing.

B Corp Certification

FMG is proud to be the first and only B Corp Certified general insurer in New Zealand/ Aotearoa. This means FMG has tested itself against some of the highest standards of verified social and environmental performance, transparency, and accountability in the world.

Certifying in October 2023, FMG joins a global community of organisations that believe in using business as a force for good. This further aligns with FMG's long-standing dedication to the well-being and prosperity of rural communities, solidifying its role as a purpose-led and values-based insurer.

Obtaining B Corp certification required FMG to meet rigorous standards that assessed its impact on employees, clients, Members, community, industry, and the environment, as well as FMG's approach to governance, risk management, and its strategies for ensuring long-term sustainability.

Certification also demonstrates to stakeholders that sustainability is deeply integrated into FMG's business model and operations, while also supporting the reputation of New Zealand/ Aotearoa as a global leader in sustainable agriculture.

B Corp certification is a continuous journey, one that FMG is committed to by refining its strategies to enhance sustainability and reduce climate impact. FMG aims to enhance its sustainability score over the long-term.

Greenhouse Gas Emissions

FMG recognises the importance of reducing Greenhouse Gas (GHG) emissions as part of its commitment to environmental stewardship, and climate change mitigation more broadly.

GHG Reduction Targets

In line with pre 2021 Nationally Determined Commitments (NDC) for New Zealand/ Aotearoa under the Paris Agreement, FMG agreed to reduce its intensity Greenhouse Gas emissions by at least 30% per employee by 2030. This is against a FY19/ 20 base year measurement. FMG does not currently include offsets as part of its current GHG targets.

The updated NDC1 for New Zealand/ Aotearoa is a commitment to reducing net emissions 50% below gross 2005 levels by 2030. Further work is required to assess whether FMG's current targets are sufficient to align with this more ambitious commitment. This review will be conducted over the coming year, with the objective of updating reduction targets and setting a new baseline year if required by 31 March 2025.

FMG has not set interim targets, noting further analysis is required, to ensure these targets are appropriately determined.

Emission Sources Included in FMG's Reporting Boundary

In addition to measuring Scope1 (direct GHG emissions) and Scope 2 (indirect GHG emissions) FMG has also included limited Scope 3 (indirect emissions sources), where data is available, complete, and reasonably accurate. These are outlined in the table:

Figure 9. Emission sources included in FMG's reporting boundary

Emission Source Category	Emission Source
SCOPE 1	
Transport fuels	Company leased vehicles <ul style="list-style-type: none"> • Petrol • Diesel
Fugitive emissions	Refrigerated gas losses from <ul style="list-style-type: none"> • HVAC systems
SCOPE 2	
Electricity	Electricity consumed in owned or leased buildings
SCOPE 3	
Goods and services (purchased in the reporting period)	Purchased office paper
Waste generated in operations	Landfill waste
Business travel	Air travel
	Private vehicle use for business activity
	Rental car use
	Taxis and Ubers
	Accommodation
Upstream transportation and distribution	Courier deliveries of marketing merchandise
Staff commuting	Staff travel to and from work
Working from home	Staff working from home offices
Fuel and energy related activities not included in Scope 1 and 2	Electricity distribution losses
	Well to tank transport fuel

FMG's emissions inventory is produced in conformance 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).

The inventory presented in this report has been verified by McHugh & Shaw Ltd to the following Assurance levels:

- **Scope 1**
(ISO category 1) - Reasonable
- **Scope 2**
(ISO category 2) - Reasonable
- **Scope 3**
(ISO categories 3 and 4) - Limited

Organisation Description and Boundaries

Organisational boundaries for FMG's carbon footprint measurement were set with reference to the methodology described in the GHG Protocol and ISO 14064-1:2018 standards.

The GHG Protocol allows two distinct approaches to be used to consolidate GHG emissions: the equity share and control (financial or operational) approaches. Given FMG's structure and operating model, an operational control consolidation approach has been taken. This means the boundary is to include all operations and entities which FMG has operational control over, being all offices and the activities of its employees, including fleet vehicle use.

Figure 10. Emission sources omitted from the boundary

Emission Source Category	Emission Source	Reason for Omission
Stationary fuels (Scope 1)	LPG used in BBQs Omitted as de minimis	Omitted as de minimis
Goods and services	Office consumables	Office paper included All other consumables omitted as de minimis
	Potable water	Omitted as de minimis
Capital goods (purchased in the reporting period)	Buildings	n/a None purchased in the reporting period
	Vehicles	
	Contracted services • Vehicle repairs • Building repairs • Cleaning • Vet services • Glass repairs • Carpet and furnishing repairs	Exempt for FY23/ 24 reporting To be measured separately in FY24/ 25
Waste generated in operations	Wastewater	Omitted as de minimis
Downstream transportation and distribution	Delivery of goods from freight provider	Omitted as not a freight user
Processing of sold products		n/a to FMG’s operations
Use of sold products		
End of life treatment of sold products		
Downstream Leased Assets		
Franchises		
Investments	Investment portfolio emissions (Scope 1 and 2, potentially Scope 3)	Exempt for FY23/ 24 reporting To be measured separately in FY24/ 25 as part of an investment inventory
Supply chain emissions	Contracted services’ Scope 1 and 2 emissions • Vehicle repairs • Building repairs • Cleaning • Glass repairs • Carpet and furnishing repairs	Exempt for FY23/ 24 reporting To be measured separately in FY24/ 25 as part of a contracted services inventory
Underwriting	Insured Scope 1 and 2 emissions	Exempt for FY23/ 24 reporting To be measured separately in FY24/ 25 as part of an underwriting inventory

Stores and Potential Liabilities

Liabilities related to GHG stored within the organisational boundary have not been included. Airconditioning units in the occupied offices and storage spaces will hold small quantities of GHG containing refrigerant gas but quantities are unknown, and data is difficult to obtain.

Method of Calculation

FMG's GHG emission data is calculation based, determined by multiplying activity data by emission or removal factors.

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

Emission factors have been sourced from the New Zealand Ministry for the Environment (released July 2023) and from the UK Government's Department of Business Development, Energy and Industrial Strategy (released 2023, version 1.1).

Figure 11. Breakdown of current Emissions Footprint

Scope	ISO Emissions Category	FY24
1	ISO Cat 1: Direct GHG emissions	1,324.86
2	ISO Cat 2: Indirect GHG emissions from imported energy (location based)	100.20
3	ISO Cat 3: Indirect GHG emissions from transportation and distribution	1,049.84
	ISO Cat 4: Indirect GHG emissions from products and services used by the organisation	47.53
	ISO Cat 5: Indirect GHG emissions from the use of products used from the organisation	0
	ISO Cat 6: Indirect GHG emissions from other sources	0
Total gross GHG emissions		2,522.42
ISO Cat 1 GHG removals		0
Total Net GHG emissions		2,522.42
Carbon credits/offsets purchased		0

Emission factors are provided in terms of CO2 equivalent (CO2e) emissions. The emissions of different GHGs are calculated separately and converted to CO2 equivalents on the basis of their Global Warming Potential (GWP).

The emission factors used are the 100-year GWPs in the IPCC Fifth Assessment Report (AR5), as required to comply with reporting under the Paris Agreement.

While this inventory has been prepared with care and accuracy, there is inherent uncertainty in the data and/ or calculations presented in the report.

Absolute Net GHG Emissions in FY24 were 2,522.42 Tonnes CO2e

Scope 1 emissions in FY23/ 24 account for 52.5% of total emissions. The source of these emissions is company owned or leased vehicles used by the client-facing employees and Management.

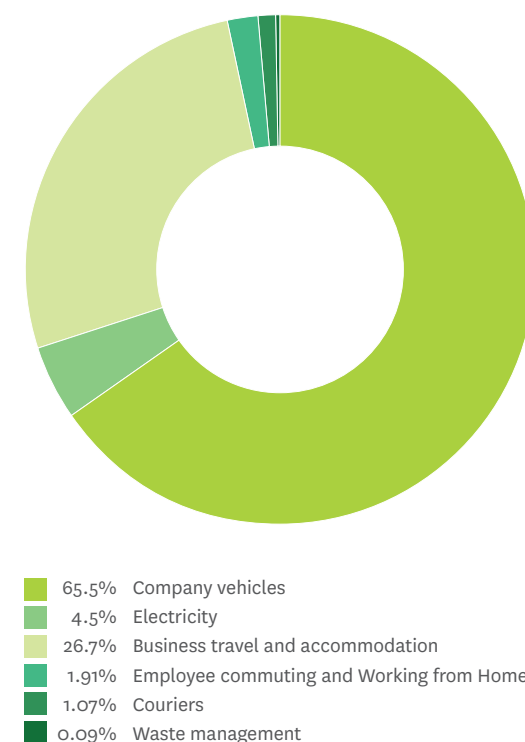
Scope 2 emissions from the use of purchased electricity account for 4.0%.

The remaining 43.5% is from Scope 3 emission sources, being:

- Air travel (18.0%)
- Well to tank fuel emissions (16.6%)
- Private vehicle use (2.5%)
- Rental cars (1.5%)

Absolute net GHG emissions in FY23/ 24 were 2,522.42 tonnes CO2e. This represents an increase of 17% on (base year) Absolute net GHG emissions in FY19/ 20, which were 2,159.42 tonnes CO2e.

Figure 12. Breakdown of FMG's Emissions Sources





Progress Against the Reduction Target

With the target of reducing intensity GHG emissions by 30% by 2030 (based on FY19/ 20 Targets), a reduction of approximately 3% per year is required.

Intensity net GHG emissions in FY23/ 24 were 2.78 tonnes CO₂e per FTE. This represents a 13.7% decrease on (base year) Intensity net GHG emissions in FY18/ 19, which were 3.22 tonnes CO₂e per FTE. The 13.7% is tracking slightly below a reduction of 3% per year, but FMG's fleet transition will significantly accelerate decarbonisation over the next three years.

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, trust-building, and relationship management throughout rural and provincial New Zealand/ Aotearoa.

Contributing to over 65% of FMG's GHG emissions inventory, transitioning the existing Internal Combustion Engine (ICE) fleet, to a Hybrid fleet (Toyota Rav4 Hybrid), represents the single, most significant contribution to meeting FMG's 30% reduction target by 2030.

The transition of 214 vehicles started in February 2024 and is expected to take around 3 years to complete. With the Rav 4 Hybrids' fuel economy of 5.0 L/100km, compared to the existing fleet's 8.3 L/100km, FMG expects to save approximately 64.65 tCO₂e annually¹ (ceteris paribus).

¹ Calculated based on a MFE (2022) Petrol emissions factor of 2.46 kgCO₂e /L