

Climate | Sustainability Statement.

Southland Building Society and Subsidiaries
Year ending 31 March 2024.



Helping Kiwis find a place to call home.



Contents

Introduction	3
A Word from our Group CEO	4
Governance	
Board oversight	5
Governance overview	6
Management's role	7
Risk management	
Risk management	8
Climate risk management	9
Strategy	
Climate impacts	11
Group strategy	12
Climate scenario analysis	13
Scenario narratives	14
Scenario and risk profiles	15
Metrics and targets	
Emissions profile	16
Emissions targets	17
Metrics and targets	18
Sustainability Report	19
Appendix A – Adoption provisions	25
Appendix B – Emission methods	26

User statement:

This document includes both the SBS Group Climate-Related Disclosure statement and the Group Sustainability Statement for the year ending 31 March 2024.

The Climate statements within have been produced in line with the New Zealand Climate Standard (NZCS1:3) and draw from the Taskforce for Climate Related Financial Disclosures (TCFD). The order of statements may differ to that in NZCS1 with additional material information, not specifically required under NZCS1, included throughout. The “first time adoption provisions” have been used in this statement, and are detailed in Appendix A.

This ‘Climate | Sustainability Statement’ is led by the disclosures required in NZCS1:3, followed by SBS Group’s sustainability highlights. Though not standard in application, SBS feels that our Climate Statement is better presented in the context of our wider sustainability vision.



Introduction

Compliance statement

This is the Southland Building Society's (SBS) first Climate-Related Disclosure, required to be prepared under the Aotearoa New Zealand Climate Standard. This disclosure builds on previous Sustainability Reports published by SBS.

SBS Bank is a Climate Reporting Entity under the Financial Markets Conduct Act 2013. The disclosures made within these statements are made in line with the Aotearoa New Zealand Climate Standards issued by the External Reporting Board. SBS has elected to use several of the First Time Adoption Provisions allowed for in the Standards. These statements are approved as complete and in compliance with the Standards by the SBS Board on 26th June 2024.

A handwritten signature in blue ink, appearing to read "Joe O'Connell".

Joe O'Connell
Chairperson

A handwritten signature in blue ink, appearing to read "Linda Robertson".

Linda Robertson
Group Audit and Risk Chairperson

Important notice

Climate-related risk is an evolving field reliant on forward-looking projections with significant uncertainty and data availability challenges - particularly over longer time horizons. As such, this statement and disclosure rely on assessments on how risks and opportunities may materialise over time, which have inherent uncertainty. Where positions of risk have been presented, they are assessed based on SBS's position as of 31 March 2024, and are presented with descriptions of assumptions and uncertainties as they relate to each risk type.

Risks and opportunities presented in this statement, alongside SBS's strategy and targets, may not eventuate as presented, and we note that future statements may amend, update or restate our position based on better data and updates to climate risk management approach.

These statements contain narratives pertaining to how the future may develop (Strategy Section). The language used in these narratives is definitive as required. However, these narratives are based on assumptions and should be read as a story on how the future may develop under conditions of uncertainty.

Reporting entity

SBS was established in 1869, is incorporated under the Building Societies Act 1965, and is registered as a bank under the Banking (Prudential Supervision) Act 1989. The Climate-Related Disclosures presented here are for the reporting entity of the SBS Group comprising SBS Bank and its subsidiaries, SBS Insurance, SBS Wealth, Finance Now (FNL), and Fraser Properties.

SBS has disclosed information that is material to the Group as defined in NZCS3: "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that primary users make on the basis of an entity's climate-related disclosures." Primary users of this statement include SBS Bank Members and prospective Members, SBS Insurance, SBS Wealth, and FNL customers, and current and prospective- wholesale investors. Materiality is outlined in the Strategy section in relation to our scenario analysis.

A Word from our Group CEO

We are proud that our Members are at the forefront of our story and that we provide more reasons to bank with a mutual organisation that invests back into New Zealand. We take great pride in our purpose – helping Kiwis find a place to call home.



The past 18 months have seen a refined focus on sustainability at SBS with the development of our Group Environmental Policy, implementation of the first Group Environmental Strategy, achieving Carbon Reduce™ accreditation, and embedding climate risk management in our operations.

Climate change presents a future of uncertainty where both risks and opportunities will influence the strategy and operations of SBS. SBS has set a low appetite for exposure to climate-related risks, and we are confident in our current position. SBS has limited exposure to material physical risks, we have assessed our emissions exposure, and we are committed to measuring and disclosing our financed emissions in 2025. Where material climate risk exposure exists, SBS closely monitors our position and maintains robust controls to minimise potential impact.

SBS's focus on home ownership has remained a constant in our 155 years, and as such, SBS has no lending or funding exposure to the fossil fuel industry.

Our Sustainability vision has continued to be an important focus area for SBS, which is evidenced through our commitment to helping Kiwis find a place to call home. SBS has helped more than 1,950 new homeowners into their very own homes in financial year 2024, up from 1,449 in financial year 2023. We are proud of the difference we continue to make in Kiwis' lives, and we were delighted to have been recognised as the Canstar Bank of the Year for First Home Buyers for 2023.

This independent award from Canstar pays testament to the efforts of the entire SBS Bank team and provides our Members with yet another reason to bank with a mutual organisation that puts its Members at the heart of everything it does.

SBS continues to manage its own environmental impact and remains committed to an ongoing reduction in our environmental and carbon footprint. We continue to demonstrate a reduction in our environmental footprint, with a further 3% reduction in vehicle emissions, and a 7% reduction in Scope 2 emissions. Overall, SBS has seen an 6.4% reduction in our emissions intensity over the past two reporting years. SBS is committed to emissions reduction in line with the Paris Accord.

Our teams have also been getting out and volunteering in projects to help our environment through community working bees and sponsorships such as the Southern Coastal Charitable Trust that is dedicated to keeping our coastline clean.

We have continued to support local causes as demonstrated through our relationships with organisations such as the Southland Loss and Grief Centre, Chatbus South, YES Chamber of Commerce, and Ronald McDonald House.

I am proud of the sustainability work of the SBS team and are committed to doing our part for a sustainable future for our Members and New Zealand.

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

Mark McLean
SBS Group CEO

Governance



Board oversight of climate-related risks and opportunities

The SBS Board is the Governing Body ultimately accountable for the oversight of climate-related risks and opportunities. Profiles of our Board of Directors are published in the SBS Annual Report or on our website at sbsbank.co.nz/About-Us/Our-People.

The SBS Board is the approval body for the following:

- Group Environmental Policy – detailing risk management processes for environmental and climate-related risks and opportunities;
- Group Emissions Management and Reduction Plan – bringing the Group’s emissions management into one framework and setting Science Based initiative Targets;
- Group Climate Scenarios Narrative – internal document detailing the dimensions of SBS climate scenarios used in strategy development and risk management.

The SBS Board is responsible for the approval of risk appetite settings, including those related to climate risks, as they relate to the development and implementation of Group strategy.

The Board has set a ‘low appetite’ to climate-related risks meaning SBS must take all reasonable steps to minimise the consequence and/or likelihood of the specific risk and limit exposure.

In the 2024 reporting year, the Board allocated resource to identify, model, and manage climate-related risks and opportunities. SBS is at the beginning of our journey and, as such, no capital has yet been allocated or lending restrictions implemented in response to climate-related risks. SBS maintains a close watching brief on climate-related risks in relation to our strategy implementation.

The Board maintains skills and competencies related to climate risks and opportunities through the attendance of annual climate education sessions, with one session in the 2024 reporting year facilitated by the SBS Group Sustainability Manager. As the management and oversight of climate-related risks and opportunities is an evolving area, the Board will continue with education and close oversight.

A subset of the SBS Board Members are members of the Group Audit and Risk Committee (GARC). The role of this body is to ensure the integrity of the SBS Group financial controls, reporting systems and internal risk and audit standards and processes, providing the SBS Board of Directors with additional assurance on the quality and reliability of financial information and risk management systems. The chairperson of the GARC is certified from Competent Boards:

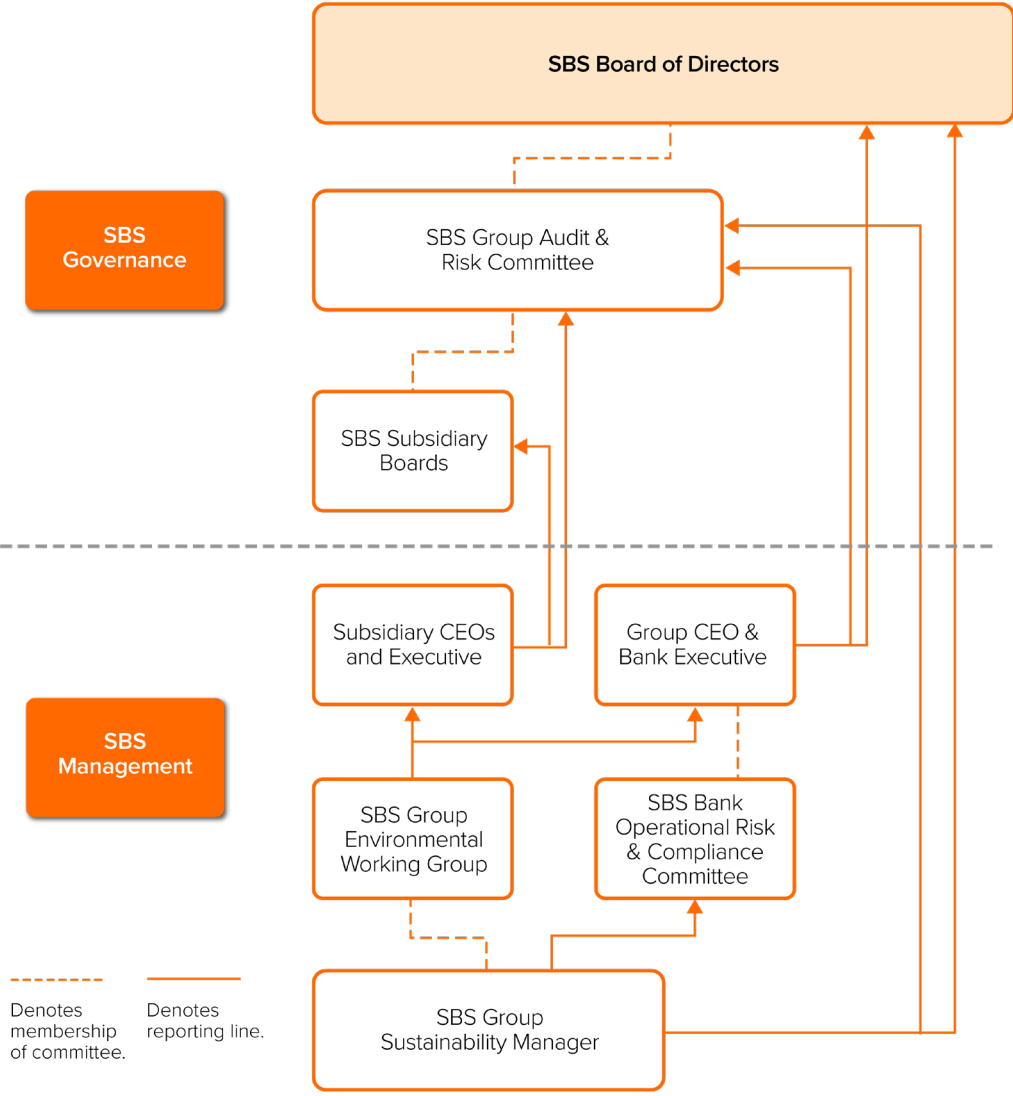
- Sustainability and ESG Designation
- Climate and Biodiversity Certificate

The SBS GARC meet quarterly, and climate-related risks are a standing agenda item at all meetings. In addition to climate change, this committee also considers Environmental | Social | Governance (ESG) issues and has oversight on continuing market research and strategy development in this area.

Remuneration and performance

Management of material risk profiles is a core performance metric of senior managers, however there are no climate-specific performance targets linked with remuneration.

Governance Overview



SBS Board

Ultimate accountability for climate-related risks and opportunities, approval body for Group Environmental Policy, Group Emissions Management and Reduction Plan, and Group Climate Scenario Narratives. The SBS Board sets and approves risk appetite. The SBS Board meets eight times per year and receives papers and updates on climate-related risks and opportunities.

SBS Group Audit and Risk Committee

Meets quarterly with a standing agenda item including climate-related risks and opportunities. Reports received include risk position, regulatory developments, and the performance of emissions reduction in line with the Group Emissions Management and Reduction Plan. Recommends risk appetite to Board.

SBS Subsidiary Boards

Receive reports specific to the operations of each subsidiary. The Subsidiary Boards contain Board members from the SBS Bank Board and Group Audit and Risk Committee.

SBS Group CEO and Executive

Responsible for integration of climate and environmental-related risk into management of risks within SBS. Executive members receive regular updates on climate-related operational matters. Bank Executive are members of the Bank Operational Risk and Compliance Committee.

SBS Group Environmental Working Group

Progress the climate and environmental-related work program. Committee members from SBS subsidiaries and business units provide communication channels and integrated initiatives to the wider business.

SBS Bank Operational Risk and Compliance Committee

This Bank committee's role is to ensure the Bank has systems in place to monitor and adequately control the Bank's risk profile and that those systems are being properly applied. The committee meets quarterly, with climate-related risk an agenda item.

SBS Group Sustainability Manager

The SBS Group Sustainability Manager is responsible for the implementation of the Environmental Policy, Environmental Strategy, emissions management and reduction, and the assessment and control of environmental and climate-related risks.

Governance



Pete Taylor
Sustainability Manager.

Management's role of climate-related risks and opportunities

Responsibilities related to climate risks and opportunities are delegated through both the Group Risk Strategy and Framework, and Group Environmental Policy. Responsibilities and reporting requirements are aligned with all other material risks.

Risk management in relation to climate change is cross functional and evolving with risk managers involved across the Group. Climate risk management is managed by the SBS Group Sustainability Manager with support and 2nd line responsibilities shared with risk managers at each entity. Risk review and control sessions occur either quarterly or annually depending on the inherent risk rating, with reporting pulling through to the Operational Risk and Compliance Committee.

Formal risk reporting for SBS occurs through the management comprised Operational Risk and Compliance Committee, and Group-wide through the GARC. This committee receives quarterly reports on inherent and residual risk ratings, control effectiveness reports, and status updates on actions related to the control of risks. This committee, alongside the GARC, receive quarterly updates on modelled risk exposure related to flooding and sea level rise – both presented in this Climate Statement.

Development of strategy

While climate-related risks are not considered in the development of strategy due to our low-level exposure, climate-related risks and opportunities are considered in the delivery of strategy and in operational decisions.

Risk management

Risk management at SBS is co-ordinated throughout the Group with a single overarching framework: the Group Risk Management Strategy and Framework.

Material risks are managed by each entity and reported through to the Group Audit and Risk Committee, supported by the Group Chief Risk Officer.

SBS uses an enterprise risk management platform to support our management and reporting of material risks and how these relate to our strategy.

SBS risk management

The Group Risk Management Strategy and Framework (the Framework) supports SBS in achieving its strategic priorities by clearly articulating our approach to managing risk consistent with our risk appetite. The Framework incorporates the Reserve Bank of New Zealand (RBNZ) Risk Management Guidelines and aligns to the AS/NZS ISO 31000 risk management standard.

For further detail on SBS risk management, please refer to the Annual Report, located: sbsbank.co.nz/About-Us/Annual-Reports-and-Disclosures

This Framework requires each entity and business unit to plan and manage the outcomes of its risk-taking activities including proactively managing its risk profile within appetite; using risk-adjusted outcomes and considerations as part of its day-to-day business decision-making processes; and establishing and maintaining appropriate risk controls.

The Framework supports a holistic approach to risk management and sets out minimum standards for managing the key risks that apply to SBS Group. As applicable, additional group-wide risk policies that give effect to this strategy are established and maintained in line with our risk management governance structure and delegations from the SBS Board.

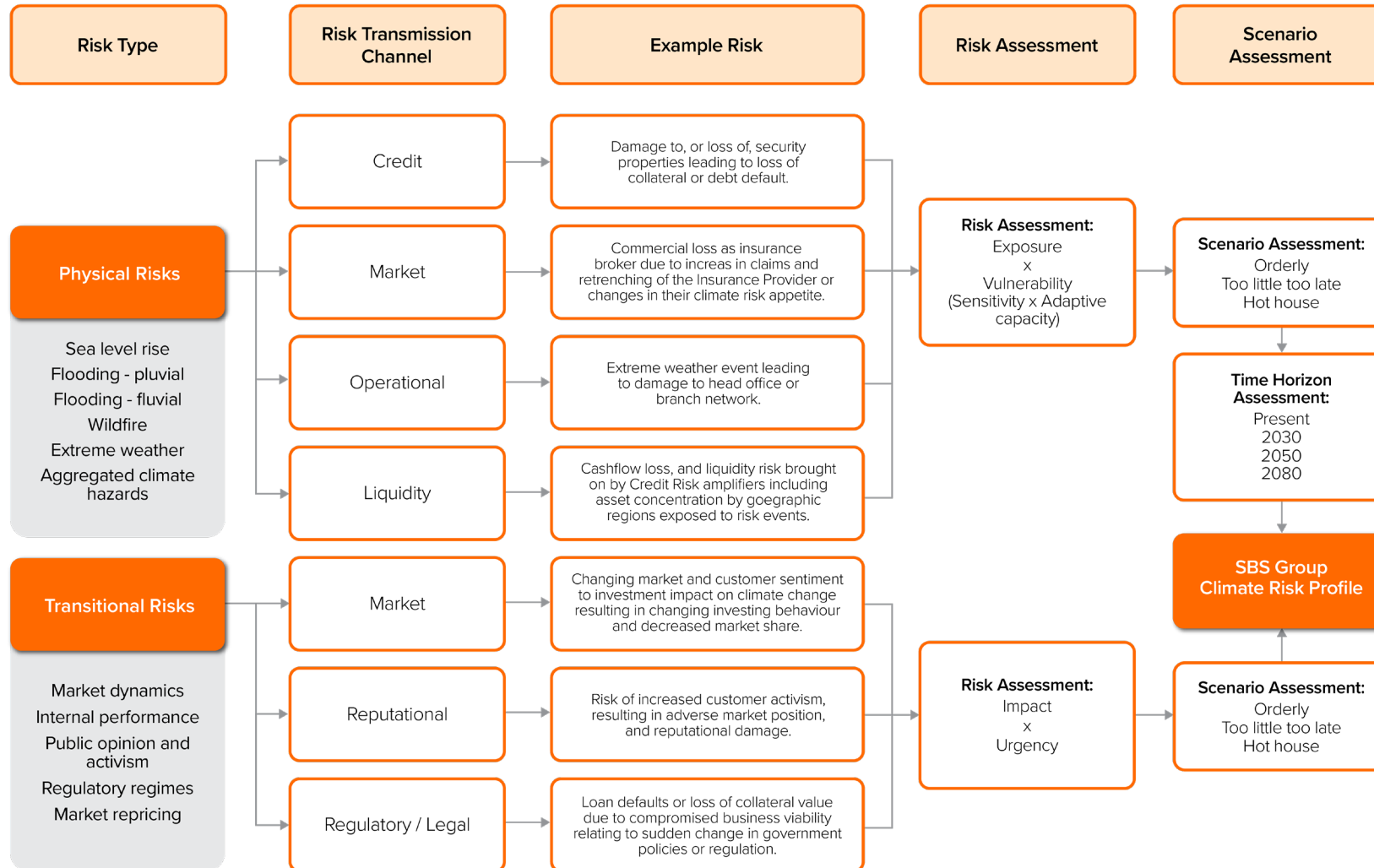
Climate risk identification

SBS identifies and manages climate-related risks in line with our Group Environmental Policy, which gives effect to the Framework. As Climate Risk is deemed a material risk in the Framework it is managed as such with its own appetite statement.

Early work identified climate-related risks in line with the TCFD recommendations, with consideration of three climate scenarios at four different time horizons: present, 2030, 2050, and 2080. This workshop was facilitated by external advisers and attended by senior managers and risk managers across the SBS Group. This workshop resulted in the identification of both transitional and physical risks and their relative significance.

All risks were assessed, refined and tested to determine relative materiality, with the most material risks being logged for active management. Material risks are disclosed in this Climate-Related Disclosure Statement.

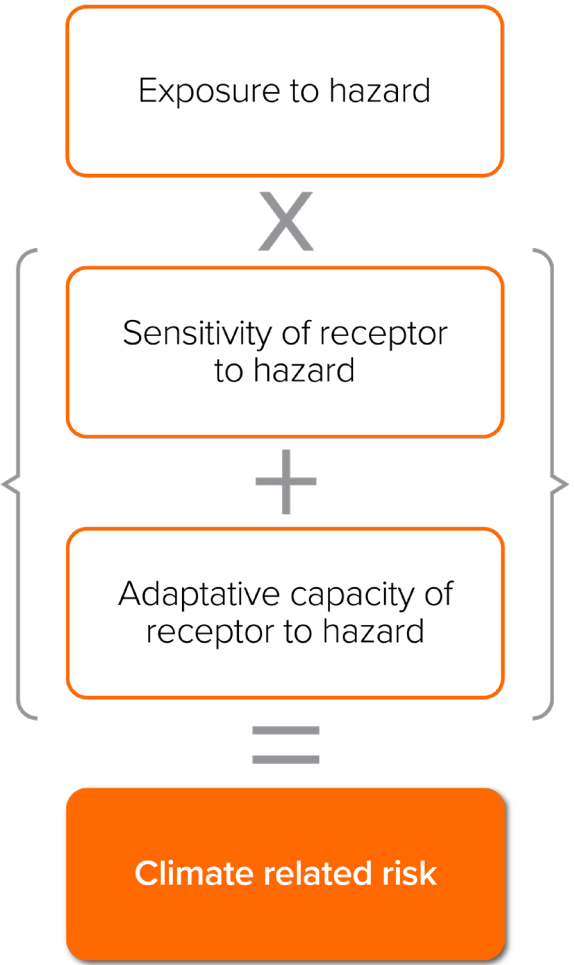
Climate risk management integration



Climate risks are managed through the following steps:

- Identification of the related physical or transitional hazard with consideration of material components of SBS operations.
- Identification of the risk transmission channel, amplification factors, and interaction or inflation factors with other risks or channels.
- Define risk statement, scope, and boundary with specific reference to material component of SBS operations.
- Assess the risk against the risk assessment matrix. For physical risks, assess against matrix of hazard exposure and vulnerability – with vulnerability being a function of sensitivity and adaptive capacity. Transitional risks are assessed as a matrix of impact (aligned with SBS Group Risk Strategy and Framework) and urgency (how soon the risk may materialise).
- Assess against climate scenarios and time horizons (physical risks only). Aggregate risks to create Climate Risk Profile.
- Risk profile managed in line with Group Policy and reported through Governance.

Climate risk management continued



Climate risk assessment

Climate-related risks are assessed against two criteria depending if they are physical or transitional.

1. Physical risks are assessed in a matrix of hazard exposure and vulnerability – being a function of sensitivity and adaptative capacity. Physical risks are assessed against the three climate scenarios, and at each time horizon.
2. Transitional risks are assessed based on their potential impact and the relative urgency of the risk based on the climate scenario.

Both physical and transitional risk assessment criteria are matrices giving an overall risk score in line with the Group Risk Management Strategy and Framework. Where data are available and necessary, modelling of physical risk exposure has been undertaken to inform our position.

Climate risks were assessed against material areas of the Group including, all Group operations, SBS Bank residential lending, and FNL vehicle lending. Non-material aspects have been considered and include other bank lending due to immaterial book size, SBS Wealth MIS funds due to not meeting reporting threshold, FNL personal lending due to distributed nature, and SBS Insurance-brokered third-party policies.

Risk reassessment

Environmental and climate-related risks and opportunities are required to be reviewed annually, with controls reviewed depending on individual risk ratings. All climate risk scenarios and future time horizons are comprehensively reassessed every four years. The outputs of continuous review will reinform risk appetite, SBS Group strategy, and the Climate Adaptation/Transition Plan to be developed.

Climate impacts

Current physical and transitional impacts

SBS has not experienced any material impacts resulting from either physical or transitional climate-related risks.

While the Auckland Anniversary Weekend flood event and Cyclone Gabrielle (although in the 2023 reporting year) were two of the most destructive climate-related events in recent New Zealand history, impacting some SBS Members and FNL customers, they resulted in minimal impact to both SBS Bank and FNL.

Transitional impacts have not been felt by SBS, with FNL vehicle lending following the market dynamics with an uplift in electric and hybrid vehicle lending. As SBS maintains negligible commercial and agriculture lending, and has no industrial lending, we are not exposed to the impacts of government policy directives towards a low-carbon economy.

We have experienced heightened interest in our sustainability and climate position from wholesale funders as fund managers decarbonise their portfolios. SBS is confident in our current position and trajectory to maintain wholesale funding access.

SBS is using the first-time adoption provision (NZCS2-10) in relation to current financial impacts related to climate impacts due to the non-material impacts experienced by the Group.

Sea level rise (SLR) & coastal inundation

SBS, using in-house models, assessed the exposure of our lending book to coastal inundation events and projected this to 2080 under our three climate scenarios. Of the current lending book composition, 1.6% is considered to have a risk exposure.

Coastal inundation exposure remains constant until 2050 where the different scenario pathways diverge. The exposure graph (right) is based on no risk control, amortisation, or lending composition changes for future projections. SLR and coastal inundation modelling provides data to understand how the insurance market may adapt to this chronic risk.

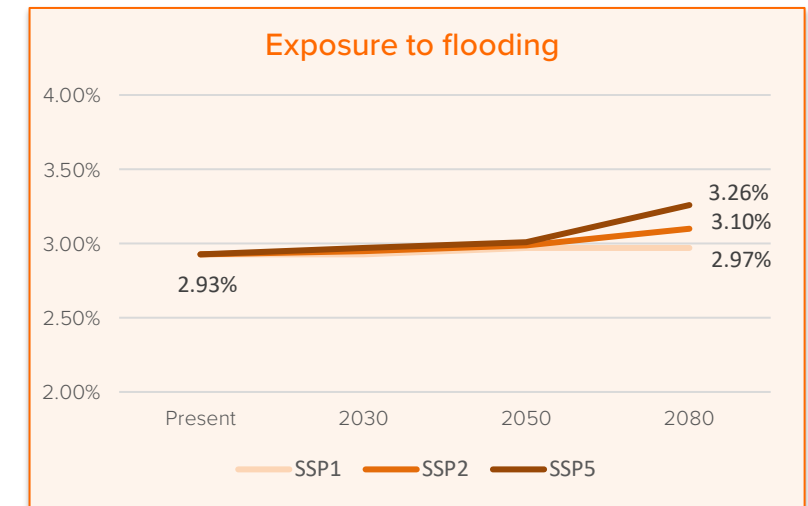
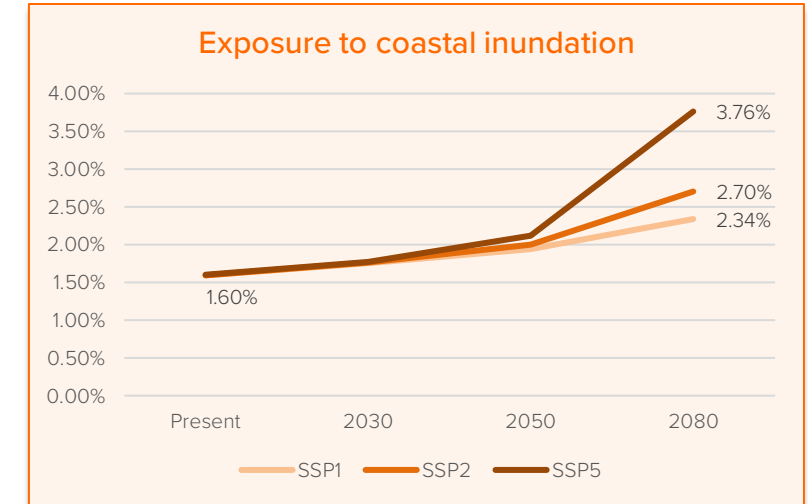
Exposure means >25% of each property's area would be inundated by a 1% annual exposure probability (AEP) event at present or >75% within 10 years of SLR.

Flooding

SBS, using third party risk data, assessed flooding risk at present and projected this to 2080 under our three climate scenarios. Unlike sea level rise exposure, flooding exposure is not chronic – and exposure in all geographies are not expected to increase in a linear fashion. Of the current lending book composition, 2.93% is considered to have a risk exposure remaining consistent under different scenarios. The exposure graph (right) is based on no risk control, amortisation, or lending composition changes for future projections.

Exposure means any part of a property is exposed in a 1% AEP flood event to a flooding depth greater than 0.5m. Building or foundation type is not considered in this assessment.

SBS is using the first-time adoption provision (NZCS2-12/13) in relation to anticipated financial impacts related to climate impacts, SBS will be incorporating climate risks into stress testing in 2024 to determine financial impacts resulting from climate change.



Strategy

Our heritage

Our founder, James Walker Bain, established SBS with a simple goal: to help people into their own homes.

The Southland Building Land & Investment Society was established in 1869 with that singular purpose. It's now 155 years later, and while we've evolved into SBS Bank and expanded to offer a full range of banking services across New Zealand, our core values remain unchanged.

With branches, people and 24/7 banking right across New Zealand, SBS is a mutual bank, wholly owned by our members, and here for New Zealanders.

As a member-owned bank, putting our Members at the heart of every decision and delivering exceptional value has always been a vital guiding principle.

We are very much in the heart of our communities, and we take pride in the broad portfolio of groups and charities as well as arts and sports events we sponsor, volunteering and our sustainability programme.

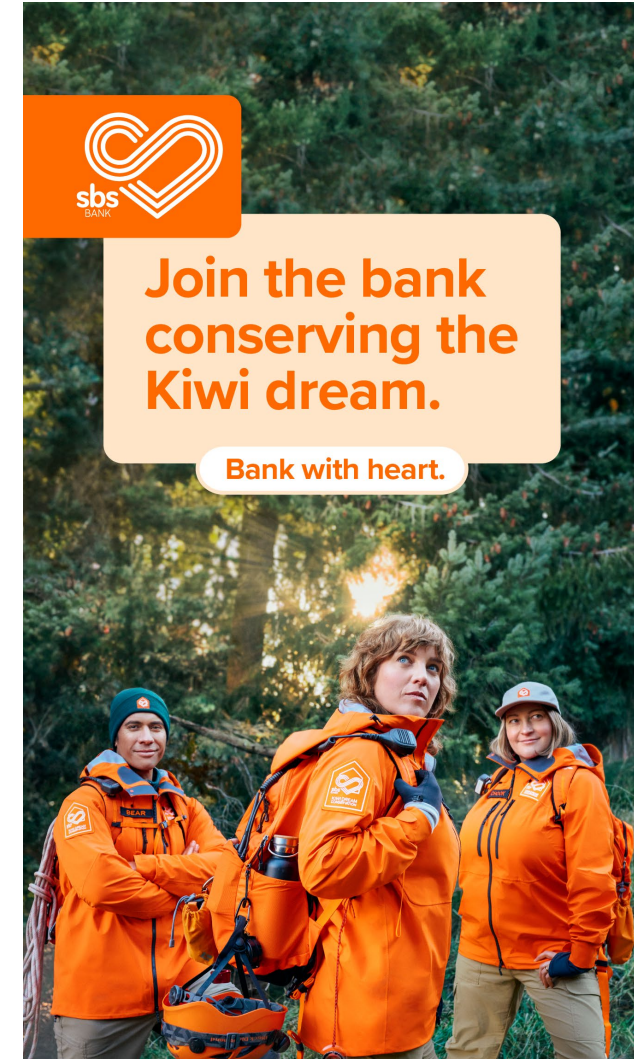
The SBS subsidiaries were established later, with SBS Insurance in 1987 as a specialist life insurance company providing life and disability insurance exclusively to SBS Bank. FNL was first launched in 2000 providing provide personal, quick, hassle-free financial products and services. And two years later, SBS Wealth, then Funds Administration New Zealand (FANZ) was launched as a private wealth and advisor scheme. In 2007, FANZ obtained a KiwiSaver licence and launches the Lifestages KiwiSaver Scheme.

Strategy

Our strategic focus is firmly on innovation and finding better ways to support our Members with their everyday banking needs. We are investing in the products and services to our purpose and that offer the best value to Members.

SBS's strategy will see the Bank grow in both residential lending and retail funding to achieve our purpose.

Helping Kiwis find a place to call home.



Strategy



Climate scenario analysis

In 2022, SBS engaged Deloitte New Zealand to facilitate workshops to scope the dimensions of climate scenarios and to identify climate-related risks for the Group. This engagement:

- Established the dimensions of SBS Group's climate change scenario assessment; and
- Identified physical and transition risks associated with these scenarios.

This first-pass risk assessment preceded the detailed New Zealand Banking Association (NZBA) scenario narrative, and relied on data and assumptions from the:

- Climate Change Commission – CCC.
- National Institute of Water and Atmospheric Sciences – NIWA.
- Intergovernmental Panel on Climate Change – IPCC.
- Network for Greening the Financial Sector (NGFS).

The scope of the climate scenario analysis considered SBS's operations, relative materiality, and focused on the regulatory and reputational elements of transition pathways, and physical risk pathways related to SBS's lending portfolio. As such, there is less reliance on emission abatement pathways, macroeconomic transitions, energy pathways, or nature-based solutions as these are not deemed material to the strategy and operations of the Group.

This was SBS's first climate risk scenario analysis and was undertaken in a stand-alone process.

SBS later participated in the NZBA scenario development. The scenario dimensions were chosen as appropriate for two reasons: firstly, they align with scenarios used across sectors in New Zealand with good data availability, and to ensure alignment with the NZBA sector scenarios. As SBS refines our understanding of the impacts of climate change and refines our climate scenarios, we will integrate this process with our strategy development.

Scenario development was led by members of the Environmental Working Group, with involvement from Group Executive members. The GARC was kept informed through standing agenda papers and received an in-depth session on climate scenarios in November 2023. The SBS Board received an in-depth overview of climate scenarios prior to their approval.

Components of the scenarios and relevant time horizons and rationale are presented (right).

Transition plan

SBS has developed an Emissions Management and Reduction Plan with coverage over our operations. This plan will be updated to encompass financed emissions in the 2025 reporting year. SBS does not have a full transition plan in place, we have not restricted lending or funding based on climate-related risks or opportunities. Transition plan elements, including changes to internal policy is in development. This plan will encompass physical and transitional risk controls, including how SBS positions itself in a low carbon-economy.

Scenario dimensions			
	Orderly 1.5°C	Too Little, Too Late >2°C	Hot House >3°C
Physical Impact	SSP1, RCP2.6	SSP2, RCP4.5	SSP5, RCP8.5
Transition Impact	NGFS: Orderly CCC 'Tailwinds'	NGFS: Disorderly CCC 'Headwinds'	NGFS: Hothouse CCC 'Current policy'

Time horizons				
	Present	Short-term	Medium-term	Long-term
Year Relative to 2022	Present – Rolling	2030	2050	2080
Rationale	Aligned with stress testing time horizons, insurance reassessment, and average vehicle loan terms. Current state assessment.	Aligned with emissions reductions targets, average term of residential loans, SBS growth strategy, and medium-term investments. Allows for assessment of insurance retreat risks, and strategic repositioning.	Aligned with international emissions reduction targets, international banking sector climate scenario guidance, and long-term investments.	Aligned with further materialisation of physical risks, allowing for strategic positioning across sectors.

Scenario narratives

Orderly scenario

The 'Orderly scenario' represents a world where collective global action is agreed as the best course for humanity with immediate action towards a low-carbon global economy to prevent exceeding the 1.5°C threshold. Proactive and collective action sees New Zealand meet a target of CO₂ reduction of 92% by 2050. This is achieved through a steady but heavy policy directive, including the decarbonisation of the transport sector. Successive governments progressively increase taxation on fuel and introduce a prohibition on new and imported secondhand internal combustion vehicles by 2030.

These actions result in the physical impacts being at the lower end of the scale. New Zealand's average temperature increases until 2050 and reaches a new equilibrium at 0.7°C relative to 1986-2005 and remains constant out to 2090, compared with a global temperature increase of 1.5°C.

Although temperature increase outcomes meet the target of the Paris Agreement, New Zealand still faces the impacts of sea level rise, particularly in the second half of the century. By 2050, the median sea level rise around New Zealand will average 0.23m, increasing to 0.46m by 2100 relative to 1986-2005 levels. This rise poses a threat of inundation for low-lying coastal areas, increasing the current SBS lending book exposed to a 1% AEP coastal flood from approximately 1.6% at present, to 2.34% in 2080.

Too little, too late scenario

The 'Too little, too late' scenario represents a world where collective global action is delayed due to continued lobbying and weak regulatory action. Economic shocks resulting from mounting losses to climate-related events leading to 2030 results in global collective agreement to meet Nationally Determined Contributions (NDCs) followed by a roadmap to net zero emissions. This action is seen as too little and initiated too late, and is met with continued significant public disruption including legal challenges against corporations and governments. Global warming exceeds 2.7°C, with New Zealand exceeding 1.4°C by 2090.

New Zealand continues to take a path towards net zero, achieving a 67% reduction in net emissions by 2050 with the focus on reducing transport emissions through a continuation of current policies. Following 2030, the transition becomes more aggressive, largely catching up to and following the 'Orderly' scenario pathway.

Properties and assets at risk exceed that in the Orderly scenario towards 2080, with 2.7% of the current SBS lending book exposed to a 1% AEP coastal flood in 2080. Insurance coverage rapidly retreats, with high premiums and uncertainty due to uncertainty in the global market.

Hot house scenario

The Hot House scenario represents a world where no collective global action is taken to reduce emissions, and NDCs are not met. There is consensus on the causes of climate change, but effort is focused on impact adaptation rather than net zero emissions. Localised action continues, but any global action is driven by resource scarcity, technological advances, and cost, rather than a collective call to action for lower emissions. This lack of action see global temperature rise 4.4°C.

In New Zealand, transport emissions would halve by 2050 through a continuation of current policies, with modest emission reductions in other key sectors. Net emissions fall faster than gross emissions due to an over-reliance on forestry to carbon capture.

Physical impacts are high in this scenario, with rapid insurance retreat, community retreat, and market unease across all sectors. Sea level rise intensifies post 2050 with 3.76% of the current SBS lending book exposed to a 1% AEP coastal flood in 2080.

Scenario and (relative) risk profiles



	Risk Transmission	Orderly	Too Little – Too Late	Hot-house
2030	Credit	Low physical risk exposure, high opportunity for control implementation.	Low physical risk exposure, high opportunity for control implementation.	Low physical risk exposure, limited opportunity for control implementation.
	Market	High transitional risk exposure to vehicle lending due to regulatory and market changes. High opportunity in sustainable products/finance.	High transitional risk exposure to vehicle lending due to rapid regulatory and market changes later in decade. High opportunity in sustainable products/finance.	Low transitional risk exposure to vehicle lending due to slow/no regulatory changes. Moderate opportunity in sustainable products/finance due to lack of incentive.
	Operational	Low physical risk to operations.	Low physical risk to operations.	Low physical risk to operations.
	Regulatory / Legal	Moderate risk with predictable regulatory change, but moderate social and reputational pressure.	High risk with uncertain regulatory change, and high social and reputational pressure.	Moderate risk with limited regulatory change, but high social and reputational pressure.
2050	Credit	Low physical risk exposure, good opportunity for control implementation.	Moderate physical risk exposure, insurance retreat uncertain.	High physical risk exposure, insurance retreat rapid.
	Market	Assumed private vehicle market in NZ contracts. Moderate transitional risk due to continued market changes. High opportunity in sustainable products/finance.	Assumed private vehicle market in NZ contracts. High transitional risk due to volatile market changes. High opportunity in sustainable products/finance.	Moderate transitional risk exposure to vehicle lending due to global market changes. Moderate opportunity in sustainable products/finance.
	Operational	Low physical risk to operations.	Moderate physical risk to operations.	High physical risk to operations.
	Regulatory / Legal	Moderate risk with continued predictable regulatory change, and moderate social and reputational pressure.	Moderate risk with more predictable regulatory change, and moderate social and reputational pressure.	Moderate risk with limited regulatory change, but high social and reputational pressure.
2080	Credit	Moderate physical risk exposure, good opportunity for control implementation, insurance market stable.	High physical risk exposure, insurance retreat rapid.	High physical risk exposure, insurance market uncertain.
	Market	Assumed private vehicle market in NZ no longer exists. Low transitional risk due to successful global effort to new low carbon economy. Opportunity exposure unknown.	Assumed private vehicle market in NZ no longer exists. Low transitional risk due to successful global effort to new low carbon economy. Opportunity exposure unknown.	Assumed private vehicle market in NZ no longer exists. Uncertain market conditions due to technological changes and high global costs of climate impacts.
	Operational	Moderate physical risk to operations.	High physical risk to operations.	High physical risk to operations.
	Regulatory / Legal	Uncertain market and regulatory environment exists.	Uncertain market and regulatory environment exists.	Uncertain market and regulatory environment exists.

Metrics and targets – emissions profile

Emissions calculation

SBS has measured emissions in line with the GHG Protocol, and presents these as Scope 1, 2, and 3 emissions. These emissions were subject to assurance by Toitū under the ISO14064 standard, with SBS achieving CarbonReduce™. This is SBS's first disclosure of emissions, and as such we have disclosed two years of data as a comparison. Emissions within our Scope 3 profile contain some assumptions in their calculation (refer Appendix B), and there are additional emission sources being scoped for measurement and disclosure in our second Climate Statement onwards.

Emissions are consolidated using the 'Financial control' approach detailed in the GHG Protocol. Under this approach, all emissions associated with SBS Bank, SBS Wealth, SBS Insurance, FNL, and Fraser Properties are included. Additional emissions associated with equity shares and financing activities will be included as Scope 3 emissions in our next Climate Statement.

There are no commonly referenced industry-wide metrics and targets beyond the Net-Zero Banking Alliance, to which SBS is not a signatory.

SBS emissions

SBS set its Group baseline in the 2023 reporting year. This year was selected for two key reasons:







- To prevent Covid impacted years from skewing data; and
- To prevent inflating our baseline, because in financial year 2020 SBS Bank converted its fleet entirely to hybrid resulting in a 40% reduction in Scope 1 emissions.

Between these two years, total gross emissions increased primarily due to an increase in business-related travel. Direct emissions associated with fuel use decreased 3% and purchased electricity-related emissions decreased 7%.

Emissions intensity decreased against both measured metrics, indicating efficiency against the Group's growth target.

Emissions pricing

As SBS has limited exposure to emissions from industry or agriculture, emissions prices used follow the pricing guidance of the Climate Change Commission (2022 - \$51/tonne). SBS will review this after considering financed emission calculation in the 2025 reporting year.

	2023	2024	
	tCO2eq	tCO2eq	
Scope 1	207.48	201.86	
Transport fuels (petrol & diesel)	207.48	201.86	
Scope 2	119.79	111.16	
Purchased electricity	119.70	111.16	
Scope 3	450.19	485.14	
Electricity T&D Losses	13.88	12.88	
Business travel (air)	271.39	308.74	
Business travel (ground)	2.53	2.24	
Business travel (accommodation)	11.54	11.05	
Printing, freight, mail	23.62	20.38	
Staff commuting/WFH	43.63	38.45	
Water/wastewater	26.17	28.61	
Waste	57.42	62.78	
Total	777.45	798.17	
Intensity Metrics			
FTE	495.68	541.92	
Operating income	\$170.98M	\$187.48M	
Intensity tCO2/FTE	1.57	1.47	
Intensity tCO2/\$M	4.55	4.26	

Metrics and targets: Emissions targets

The SBS Board commits to managing and reducing our emissions through a science-based target (SBTi) to meet the Paris Agreement targets of limiting warming to 1.5°C.

Emissions Targets

Using 2023 reporting year as our baseline, SBS has committed to net-zero emissions by 2050. This is supported by an interim target of a 42% reduction in both scope 1 and 2 absolute emissions by 2030, and a 25% reduction of scope 3 in line with the SBTi.

Using the SBTi framework, SBS is confident that our emissions-reduction initiatives contribute towards limiting global warming to 1.5°C. These emissions and targets are subject to assurance by Toitū.

Specific objectives and actions towards meeting these targets are presented here based on the currently measured emissions profile. Additional actions and targets will be implemented as more emission sources are measured.

SBS will investigate the need for offsets, renewable energy certificates, or carbon credits to assist in meeting these targets for emissions.

Performance towards targets

SBS set our first emission management plan and targets in late reporting year 2024, as such any performance towards targets has been both a natural reduction and continuation of existing actions.

To achieve our Scope 1 and 2 2030 target, SBS was required to reduce emissions by 6% each year. SBS reduced Scope 1 emissions by 3%, and Scope 2 emissions by 7% in this reporting year.

Continuing in the current reporting year, performance against emission targets will be reported through to the GARC quarterly.

Financed emissions

SBS has commenced the measurement of our Financed Emissions Profile. Material aspects of this include our residential lending book, FNL vehicle lending, equity-based emissions, and investments.

Details of these emissions will be included in our 2025 reporting year Climate Statement.

Objective	Action	Target
Reduce emissions from Group fleet vehicles.	Convert Group vehicle fleet to 57% hybrid and 43% EV.	60% reduction in vehicle absolute emissions by 2030.
Reduce electricity usage across all sites.	Implement energy-saving measures, education, and efficiency gains through operational changes.	Progressive 10% reduction in absolute electricity usage across all sites (ex-Head Office) by 2030.
Reduce electricity usage at SBS Head Office.	Complete head office re-fit, thermal efficiency project, and upgrade of HVAC.	20% reduction in absolute electricity usage from the Head Office by 2026.
Reduce and rationalise business travel.	Implement travel rationalisation policies and introduce travel offsets for flights.	15% reduction in emissions from Group travel-related activities by 2030.
Eliminate bulk mail across all business units.	Digitise all statements and disclosures.	100% reduction in bulk mail absolute emissions by 2028.
Reduce printing across all sites.	Digitise all operations and implement policies to reduce paper use at all sites.	90% reduction in printing by 2030, and 50% by 2026. Absolute target.

Metrics and targets

As SBS builds capability and maturity in the climate risk space, additional metrics and targets will be set. SBS’s approach to date has been to understand our position, scope market opportunities, and firmly develop and implement our strategy focused on First Home Buyers.

Risk targets will be set once SBS understands the financial element of climate risk. These targets will be incorporated into the Risk Appetite Statement set by the SBS Board. Climate physical risks are to be included in stress testing models to both understand if climate change may impact our capital ratios, and what level of loan loss provisioning is required.

An analysis of the aftermath from the Auckland Anniversary Weekend floods and Cyclone Gabrielle indicated that the impacts of these two events were immaterial to both the FNL vehicle lending portfolio and SBS residential lending, noting that both portfolios are regionally diversified.

SBS has explicitly ruled out lending or funding of the fossil fuel industry* through our Group Environmental Policy, and Bank Liquidity Policy. SBS Bank is investigating the feasibility of green lending products to support our Members in line with our strategy.

*fossil fuel industry defined as: “any company directly involved in or that gets the majority of their business revenue from the extraction, production and manufacturing of coal, oil and gas.”

Grouping	Metric	Target	Position	Comments
Emissions	Scope 1 & Scope 2 emission reduction	42% by 2030 6% in 2023/2024	3% Scope 1 7% Scope 2	Targets set near end of the 2024 reporting year.
	Achieve Toitū CarbonReduce™	Achieve certification	Certified	First year of certification for SBS Group.
	Scope 3 emission reduction	25% by 2030 4% in 2023/2024	(6%) Scope 3	Absolute emissions increased; emission intensity decreased 3.4%.
Physical Risks	Properties exposed to sea level rise	TBD	1.6%	Target awaiting stress testing to inform position.
	Properties exposed to flooding	TBD	2.93%	Target awaiting stress testing to inform position.
	Properties exposed to landslip hazards	TBD	0.3%	Target awaiting stress testing to inform position.
Financing / Transition Risks	Lending or funding to fossil fuel industry*	0%	0%	Maintain current position.

Sustainability Vision

Environmental

SBS is committed to understanding our impacts on the environment and reducing our footprint. We have made strides in delivering the foundation to environmental management in the last year.

This is our second year of measuring our carbon emissions and first public disclosure, and we are proud to state we have achieved CarbonReduce™ with Toitu.

We have seen a further 17% reduction in paper statements being posted out this year, as we improved our digital offering and provided our Members with the guidance and tools to use our online banking platforms more confidently. Our vehicle fleet have contributed to an ongoing reduction in emissions by 3% from the 2023 to 2024 reporting year.

Social

Our branch teams across the North and South Islands have remained focused on our Members through challenging economic conditions.

We are partnered for social good in the community through our support of community causes, and sponsorships to charitable initiatives including the Ronald McDonald House, Loss and Grief Centre, Hawthorndale Care Village, and through our Staff volunteer leave scheme.

Governance

Our SBS Environmental Working Group has progressed well on detailed market research to inform our revised ESG assessment. This assessment will inform the development of our new Sustainability Strategy, embedding actions internally and within our community to be the best corporate citizens we can be.

The Environmental Working Group has provided the direction to assist with climate change management, with reporting lines through the Group Sustainability Manager to the Board and GARC – who are accountable for climate related risks and opportunities.



Sam Colyer and Maree Sims from our Invercargill branch were delighted to gift some recycled SBS Bank computers to Caroline Loo from the Southland Loss and Grief Centre.

Sustainability highlights



Paris-aligned Emissions Reduction Plan endorsed.



1950 new homeowners welcomed by the SBS team.



Group Toitū CarbonReduce™ Certification achieved.



\$900k given out to partnerships and community groups.



Further 11% reduction in paper use.



Canstar Bank of the Year – First Home Buyers.



17% reduction in bulk mail, supported by transition to paperless statements.

Helping Kiwis find a place to call home.

Supporting first home buyers

SBS's strategy and vision is: Helping Kiwis find a place to call home. To achieve this, SBS offers products and services specifically designed to help Kiwis realise this dream.



First home buyers Hamish and Haylee, who purchased their home in Christchurch through our SBS FirstHome Combo.

SBS FirstHome Combo

SBS is proud of our market-leading FirstHome Combo, enabling us to make an authentic impact for our members. The FirstHome Combo draws benefits from the SBS Group, and includes:

- A discounted interest rate fixed for the first year.
- \$2,000 cash.
- \$1,000 towards home and contents insurance with SBS Insurance.
- \$1,000 KiwiSaver top-up with SBS Wealth

Kainga Ora partnership

Kāinga Ora brings together the people, capabilities and resources of the KiwiBuild Unit, Housing New Zealand and its development subsidiary HLC. This is designed to enable a more cohesive, joined-up approach to delivering the Government's priorities for housing and urban development in New Zealand. These priorities include addressing homelessness and making homes more affordable for New Zealanders.

Queenstown Lakes Community Housing Trust

The Queenstown Lakes Community Housing Trust (QLCHT) was formed in 2007. This trust is an independent, not-for-profit, community-owned

organisation. QLCHT has a range of housing programs, each designed to assist eligible low-to-moderate income households that contribute to the social, economic and environmental wellbeing of this district and are genuinely struggling to commit to the area because of housing affordability. SBS is a supporter and lender into the Secure Home assisted ownership programme. The objective of Secure Home is not only to provide decent and affordable housing, but long-term housing stability and security in the same way that home ownership does.

Housing Foundation

Housing Foundation is a not-for-profit, charitable trust that helps lower income renting households towards home-ownership. They have successfully helped hundreds of households into affordable housing, mainly in Auckland and Christchurch through shared ownership and rent-to-own scheme, and by managing the construction of more than 800 new affordable homes.

SBS offers loans to members as part of the NZHF Shared Ownership Scheme. NZHF become co-owners of the property and will provide a minimum of 20% equity with the member able to apply for a home loan for the remainder or the purchase price.

Helping Kiwis find a place to call home.

In our community

SBS is proud to support community groups, non-profits, and organisations in our community.

- Donation of surplus office equipment and furniture to the Salvation Army and Orphan Aid.
- Donation of computer equipment to the YMCA Invercargill.
- Support the Ronald McDonald House
- Hawthorndale Care Village
- Loss and Grief Centre
- Volunteer leave - staff in the community
- Young Enterprise Trust
- Southland Chamber of Commerce

Helping Kiwis find a place to call home.



Group Chief Executive Mark McLean with the Salvation Army's Corps Office and Director, Community Ministries, Murray Sanson receiving our donation.



Sue Downing (SBS Invercargill Branch Manager) and Pete Thompson with SBS sponsored computers for community use at YMCA, Invercargill.



SBS Bank Invercargill staff volunteers at the 2023 Tour of Southland.



SBS Group CEO, Mark McLean with Helen Walker from Ronald McDonald House.

Diversity and inclusion

In 2023, we revised our Diversity and Inclusion Strategy to include Equity. We made this change because equity is a foundation block. We understand that to achieve true inclusion, we need to ensure fairness for our teams and members first.

Through research, including listening to the voices of our team members, we were able to determine the areas we needed to focus on. Following this feedback, we have changed our key focus areas to now include rainbow diversity. All our other focus areas remain the same, and we continue to work on our objectives under each area.

Key focus areas:

- Cultural diversity
- Generational diversity
- Gender diversity
- Rainbow diversity

Minor focus areas:

- Mental health and disability
- Modern families

Creating understanding and awareness

Our Committee has been instrumental in formulating and delivering a programme of work that sees the business recognise and celebrate events and initiatives throughout the year. This can be in the form of providing our teams with a better understanding of the history and cultural significance of certain days or raising funds and awareness for worthy causes.

Governance and leadership

Our SBS Board of Directors, as at the end of March 2024, comprised seven independent directors including five male and two female directors who are responsible for the overall governance of the organisation. We believe it's important to have a diverse range of backgrounds and viewpoints to fully represent all our stakeholder groups and we remain committed to improving this.

Diversity in management – SBS Bank

62%* of our leadership positions are held by women within SBS Bank (an increase of 12% from the previous report). This helps bring a different perspective to our workforce and is an area in which we are continually focusing, not just through gender diversity, but across all areas such as age, ethnic background and perspective.

*leadership positions include; executive, direct executive report, team leader, or senior influencer within the Bank.

Diversity, Equity and Inclusion Committee

Our Diversity, Equity and Inclusion Committee comprises a mix of team members and senior leadership, ensuring a range of perspectives at the table. The committee meets monthly to work on our action plans and goals. This collaborative approach has been instrumental in widening and deepening our understanding of key issues, prejudices, cultural differences and the other challenges that many of us face in different ways. Through the exceptional work that this committee has done, our team are learning and developing every day.

Appendix

Appendix A

First Time Adoption Provisions used:

SBS has employed the use of the following First Time Adoption Provisions as allowed for in NZCS2 – Adoption of Aotearoa New Zealand Climate Standards.

- **CS2 – 10:** The current financial impacts of its physical and transition impacts identified in NZCS1:12.a
 - SBS is using the first-time adoption provision (NZCS2-10) in relation to current financial impacts related to climate impacts due to the non-material impacts experienced by the Group.
- **CS2 – 12:** The anticipated financial impacts of climate-related risks and opportunities reasonably expected by an entity.
 - SBS is using the first-time adoption provision (NZCS2-12/13) in relation to anticipated financial impacts related to climate impacts, SBS will be incorporating climate risks into stress testing in 2024 to determine financial impacts resulting from climate change.
- **CS2 – 13:** Description of the time horizons over which the anticipated financial impacts of climate-related risks and opportunities could reasonably be expected to occur.
 - SBS is using the first-time adoption provision (NZCS2-12/13) in relation to anticipated financial

impacts related to climate impacts. SBS will be incorporating climate risks into stress testing in 2024 to determine financial impacts resulting from climate change.

- **CS2 – 15:** The transition plan aspects of its strategy, including how its business model and strategy might change to address its climate-related risks and opportunities.
 - SBS has developed an Emissions Management and Reduction Plan with coverage over our operations. This plan will encompass financed emissions in the 2025 reporting year with a full transition plan in development. This plan will encompass physical and transitional risk controls, including how SBS positions itself in a low carbon economy.
- **CS2 – 16:** The extent to which transition plan aspects of its strategy are aligned with its internal capital deployment and funding decision-making processes.
 - As per CS2 – 15.
- **CS2 – 17:** Greenhouse gas (GHG) emissions: gross emissions in metric tonnes of carbon dioxide equivalent (CO₂e) classified as: Scope 1, Scope 2, Scope 3.
 - SBS has measured emissions in line with the GHG Protocol, and presents these as Scope 1,

2, and 3 emissions. These emissions were subject to assurance by Toitū under the ISO14064 standard, with SBS achieving CarbonReduce™. This is SBS Group's first disclosure of emissions, and as such we have disclosed two years' of data as a comparison. Emissions within our Scope 3 profile contain some assumptions in their calculation (refer Appendix B), and there are additional emission sources being scoped for measurement and disclosure in our second Climate Statement onwards.

- **CS2 – 18-21:** For each metric disclosed in the current reporting period an entity must disclose comparative information for the immediately preceding two reporting periods.
 - As per CS2 – 17.
- **CS2 – 22:** An entity must disclose an analysis of the main trends evident from a comparison of each metric from previous reporting periods to the current reporting period.
 - As per CS2 – 17.

Appendix B

Emission boundaries

SBS has strived to include all material operational emission sources in our first disclosure, including those in Scope 3. However, SBS recognises that there are additional operational emission sources that have been omitted from this report that will be included in following reports, including:

- Data centres – SBS used data centres who source their electricity with 100% renewable energy certificates.
- Consultants and services – SBS will include emissions related to travel and services related to 3rd parties such as audits and consultants.
- Products purchased – SBS will expand the scope and redo a materiality assessment on goods purchased.
- Staff commuting – SBS will expand reporting on staff commuting beyond that of SBS Wealth.

SBS will also include in following reports our financed emissions profile including:

- Residential lending – calculated through the PCAF standard.
- Vehicle lending - calculated through the PCAF standard.
- Equity share – of companies SBS owns an equity share in, for example Raizor Global Limited.
- Investments – calculated through the PCAF standard.

Emission factors

Emission source	Data source	Emission factor reference	Data confidence
Fleet fuel (petrol, diesel)	Fuel reports from suppliers, credit card reconciliations	MfE – emission factors	High, some potential for error in CC data
Electricity	Energy supplier usage reports	MfE – grid average, location-based approach	High, some potential for error when switching supplier
Business travel (accommodation, flights, transfers)	Travel provider reports, credit card reconciliations	MfE – emission factors	High, some potential for error in CC data
Printing/freight/mail	Bulk mail supplier, internal BI reports	13.7g/A4 sheet, mail/freight certified CarbonZero	High, emission factor assumed to be higher than actual
Staff commuting	Internal surveys	MfE – emission factors	Moderate, survey a snapshot in time, extrapolated annually.
Water/waste/wastewater	FTE counts	MfE – emission factors	Low, using FTE method requires a lot of assumptions. Actual measurement preferred.

Assurance Statement 2023/24



INDEPENDENT AUDIT OPINION Toitū carbon programme certification

TO THE INTENDED USERS

Organisation subject to audit: Southland Building Society

Toitū Carbon Programme: Toitū carbonreduce organisation certification

Audit Criteria: ISO 14064-1:2018
ISO 14064-3:2019
Toitū Programme Technical Requirements 3.1
Audit & Certification Technical requirements 3.0
Certification Mark Guide v 3.0

Responsible Party: Southland Building Society

- SBS Group Board & Management
- Regulators

Intended users:

- General Public
- Our Members and Customers

Registered address: 51 Don Street, Invercargill, 9810, New Zealand

Inventory period: 01/04/2023 to 31/03/2024

Inventory report: IMR_2223 and 2324_Southland Building Society_CR_Org

We have reviewed the greenhouse gas emissions inventory report ("the inventory report") for the above named Responsible Party for the stated inventory period.

RESPONSIBLE PARTY'S RESPONSIBILITIES

The Management of the Responsible Party is responsible for the preparation of the GHG statement in accordance with ISO 14064-1:2018 and the requirements of the stated Toitū carbon programme. This responsibility includes the design, implementation and maintenance of internal controls relevant to the preparation of a GHG statement that is free from material misstatement.

VERIFIERS' RESPONSIBILITIES

Our responsibility as verifiers is to express a verification opinion to the agreed level of assurance on the GHG statement, based on the evidence we have obtained and in accordance with the audit criteria. We conducted our verification engagement as agreed in the audit letter, which define the scope, objectives, criteria and level of assurance of the verification.

The International Standard ISO 14064-3:2019 requires that we comply with ethical requirements and plan and perform the verification to obtain the agreed level of assurance that the GHG emissions, removals and storage in the GHG statement are free from material misstatement.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the ISO 14064-3:2019 Standards will always detect a material misstatement when it exists. The procedures performed on a limited level of assurance vary in nature and timing from, and are less in extent compared to reasonable assurance, which is a high level of assurance. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of the information we audited.

GHG quantification is subject to inherent uncertainty because of incomplete scientific knowledge used to determine emissions factors and the values needed to combine emissions of different gases.

BASIS OF VERIFICATION OPINION

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

VERIFICATION

We have undertaken a verification engagement relating to the Greenhouse Gas Emissions Inventory Report (the 'Inventory Report')/Emissions Inventory and Management Report of the organisation listed at the top of this statement and described in the emissions inventory report for the period stated above.

The Inventory Report provides information about the greenhouse gas emissions of the organisation for the defined measurement period and is based on historical information. This information is stated in accordance with the requirements of International Standard ISO 14064-1 Greenhouse gases – Part 1: Specification with guidance at the organisation level for quantification and reporting of greenhouse gas emissions and removals ('ISO 14064-1:2018') and the requirements of the stated Enviro-Mark Solutions Limited (trading as Toitū Envirocare) programme.

VERIFICATION STRATEGY

Our verification strategy used a combined data and controls testing approach. Evidence-gathering procedures included but were not limited to:

- activities to inspect the completeness of the inventory;
- interviews of site personnel to confirm operational behaviour and standard operating procedures;
- sampling of air travel data;
- recalculation of electricity, vehicle, waste and water emissions;
- analytical procedures.

The data examined during the verification were historical in nature.

QUALIFICATIONS TO VERIFICATION OPINION

The following qualifications have been raised in relation to the verification opinion:

The opinion is unmodified

VERIFICATION LEVEL OF ASSURANCE

	TCO ₂ e Location based	Level of Assurance
Category 1	201.86	Reasonable
Category 2	111.16	Reasonable
Category 3 (mandatory)	319.36	Reasonable
Category 3 (additional)	49.49	Reasonable
Category 4 (mandatory)	75.66	Reasonable
Category 4 (additional)	40.60	Reasonable
Total Inventory	798.14	

RESPONSIBLE PARTY'S GREENHOUSE GAS ASSERTION (CERTIFICATION CLAIM)

Toitū carbonreduce organisation certified: Southland Building Society. Toitū carbonreduce certified means measuring emissions to ISO 14064-1:2018 and Toitū requirements; and managing and reducing against Toitū requirements.

VERIFICATION CONCLUSION

We have obtained all the information and explanations we have required. In our opinion, the emissions, removals and storage defined in the inventory report, in all material respects:

- comply with ISO 14064-1:2018 and the requirements of the stated Toitū Envirocare Toitū carbon programme; and
- provide a true and fair view of the emissions inventory of the Responsible Party for the stated inventory period.

ADDITIONAL INFORMATION RELEVANT TO INTENDED USERS

Without qualifying our opinion expressed above, we wish to draw the attention of the intended users to the following:

The disclosures required by the Aotearoa New Zealand Climate Standards 1-3 were not included in the scope of the Toitū audit. We therefore did not assess consistency between these disclosures and the Greenhouse Gas inventory report which is the subject of this report. We do not express an opinion on the accuracy and completeness of these disclosures.

OTHER INFORMATION

The responsible party is responsible for the provision of Other Information to meet Programme requirements. The Other Information may include climate related disclosures around Governance, Strategy and Risk management, emissions management, reduction plan and purchase of carbon credits, but does not include the information we verified, and our auditor's opinion thereon.

Our opinion on the information we verified does not cover the Other Information and we do not express any form of audit opinion or assurance conclusion thereon. Our responsibility is to read and review the Other Information and consider it in terms of the programme requirements. In doing so, we consider whether the Other Information is materially inconsistent with the information we verified or our knowledge obtained during the verification.

Verified by:	Authorised by:
Name: Natalie Clee	Name: Billy Ziemann
Position: Verifier, Toitū Envirocare	Position: Certifier, Toitū Envirocare
Signature:	Signature:
Date verification audit: 6 - 8 May 2024	Date: 24 June 2024
Date opinion expressed: 25 May 2024	

Assurance Statement 2022/23



INDEPENDENT AUDIT OPINION Toitū carbon programme certification

TO THE INTENDED USERS

Organisation subject to audit: Southland Building Society

Toitū Carbon Programme: Toitū carbonreduce organisation certification

Audit Criteria: ISO 14064-1:2018
ISO 14064-3:2019
Toitū Programme Technical Requirements 3.1
Audit & Certification Technical requirements 3.0
Certification Mark Guide v 3.0

Responsible Party: Southland Building Society

- SBS Group Board & Management
- Regulators

Intended users:

- General Public
- Our Members and Customers

Registered address: 51 Don Street, Invercargill, 9810, New Zealand

Inventory period: 01/04/2022 to 31/03/2023

Inventory report: IMR_2223 and 2324_Southland Building Society_CR_Org

We have reviewed the greenhouse gas emissions inventory report ("the inventory report") for the above named Responsible Party for the stated inventory period.

RESPONSIBLE PARTY'S RESPONSIBILITIES

The Management of the Responsible Party is responsible for the preparation of the GHG statement in accordance with ISO 14064-1:2018 and the requirements of the stated Toitū carbon programme. This responsibility includes the design, implementation and maintenance of internal controls relevant to the preparation of a GHG statement that is free from material misstatement.

VERIFIERS' RESPONSIBILITIES

Our responsibility as verifiers is to express a verification opinion to the agreed level of assurance on the GHG statement, based on the evidence we have obtained and in accordance with the audit criteria. We conducted our verification engagement as agreed in the audit letter, which define the scope, objectives, criteria and level of assurance of the verification.

The International Standard ISO 14064-3:2019 requires that we comply with ethical requirements and plan and perform the verification to obtain the agreed level of assurance that the GHG emissions, removals and storage in the GHG statement are free from material misstatement.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the ISO 14064-3:2019 Standards will always detect a material misstatement when it exists. The procedures performed on a limited level of assurance vary in nature and timing from, and are less in extent compared to reasonable assurance, which is a high level of assurance. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of the information we audited.

GHG quantification is subject to inherent uncertainty because of incomplete scientific knowledge used to determine emissions factors and the values needed to combine emissions of different gases.

BASIS OF VERIFICATION OPINION

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

VERIFICATION

We have undertaken a verification engagement relating to the Greenhouse Gas Emissions Inventory Report (the 'Inventory Report')/Emissions Inventory and Management Report of the organisation listed at the top of this statement and described in the emissions inventory report for the period stated above.

The Inventory Report provides information about the greenhouse gas emissions of the organisation for the defined measurement period and is based on historical information. This information is stated in accordance with the requirements of International Standard ISO 14064-1 Greenhouse gases – Part 1: Specification with guidance at the organisation level for quantification and reporting of greenhouse gas emissions and removals ('ISO 14064-1:2018') and the requirements of the stated Enviro-Mark Solutions Limited (trading as Toitū Envirocare) programme.

VERIFICATION STRATEGY

Our verification strategy used a combined data and controls testing approach. Evidence-gathering procedures included but were not limited to:

- activities to inspect the completeness of the inventory;
 - interviews of site personnel to confirm operational behaviour and standard operating procedures;
 - reconciliation of air travel data to invoices;
 - sampling of electricity records to confirm accuracy of source data into calculations;
 - recalculation of petrol emissions.
- The data examined during the verification were historical in nature.

QUALIFICATIONS TO VERIFICATION OPINION

The following qualifications have been raised in relation to the verification opinion:
The opinion is unmodified.

VERIFICATION LEVEL OF ASSURANCE

	tCO ₂ e Location based	Level of Assurance
Category 1	207.48	Reasonable
Category 2	119.79	Reasonable
Category 3 (mandatory)	283.92	Reasonable
Category 3 (additional)	55.16	Reasonable
Category 4 (mandatory)	71.31	Reasonable
Category 4 (additional)	39.79	Reasonable
Total Inventory	777.45	

RESPONSIBLE PARTY'S GREENHOUSE GAS ASSERTION (CERTIFICATION CLAIM)

Toitū carbonreduce organisation certified: Southland Building Society. Toitū carbonreduce certified means measuring emissions to ISO 14064-1:2018 and Toitū requirements; and managing and reducing against Toitū requirements.

VERIFICATION CONCLUSION

We have obtained all the information and explanations we have required. In our opinion, the emissions, removals and storage defined in the inventory report, in all material respects:

- comply with ISO 14064-1:2018 and the requirements of the stated Toitū Envirocare Toitū carbon programme; and
- provide a true and fair view of the emissions inventory of the Responsible Party for the stated inventory period.

OTHER INFORMATION

The responsible party is responsible for the provision of Other Information to meet Programme requirements. The Other Information may include climate related disclosures around Governance, Strategy and Risk management, emissions management, reduction plan and purchase of carbon credits, but does not include the information we verified, and our auditor's opinion thereon.

Our opinion on the information we verified does not cover the Other Information and we do not express any form of audit opinion or assurance conclusion thereon. Our responsibility is to read and review the Other Information and consider it in terms of the programme requirements. In doing so, we consider whether the Other Information is materially inconsistent with the information we verified or our knowledge obtained during the verification.

Verified by:		Authorised by:	
Name:	Natalie Cleo	Name:	Billy Ziemann
Position:	Verifier, Toitū Envirocare	Position:	Certifier, Toitū Envirocare
Signature:		Signature:	
Date verification audit:	6 - 8 May 2024	Date:	24 June 2024
Date opinion expressed:	25 May 2024		