

# Climate | Sustainability Statement

Southland Building Society and Subsidiaries  
Year ending 31 March 2025



Helping Kiwis find a place to call home.





# Contents

<b>Introduction</b>	3
A word from our Group CEO	4
<b>Governance</b>	
Board oversight	5
Governance overview	6
Management's role	7
<b>Risk management</b>	
Risk management	8
Climate risk management	9
<b>Strategy</b>	
Climate impacts	11
Group strategy	13
Transition Planning	14
Climate scenario analysis	15
Scenario narratives	16
Scenario and risk profiles	17
<b>Metrics and targets</b>	
Emissions profile	18
Emissions targets	19
Financed Emissions	20
Metrics and targets	21
<b>Sustainability Report</b>	22
<b>Appendix A – Adoption provisions</b>	28
<b>Appendix B – Emission methods</b>	29

## User statement:

This document includes both the SBS Group Climate-Related Disclosure Statement and the Group Sustainability Statement for the year ending 31 March 2025.

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. Several “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, the SBS Group 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 Group's (SBS) second Climate-Related Disclosure, required to be prepared under the Aotearoa New Zealand Climate Standard. This disclosure builds on previous Climate I Sustainability Statements published by the SBS Group.

The SBS Group is a Climate Reporting Entity under the Financial Markets Conduct Act 2013. The disclosures made within these statements are made in accordance with the Aotearoa New Zealand Climate Standards issued by the External Reporting Board. The SBS Group has elected to use several of the extended Adoption Provisions allowed for in the Standards. These statements are approved as complete and in compliance with the Standards by the SBS Bank Board on 25 June 2025.

A black ink signature, appearing to read "Joe O'Connell", written in a cursive style.

**Joe O'Connell**  
Chairperson

A blue ink signature, appearing to read "Linda Robertson", written in a cursive style.

**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 the SBS Group's position as of 31 March 2025 unless specified. Positions of risk are presented with descriptions of assumptions and uncertainties as they relate to each risk type.

Risks and opportunities presented in this statement, alongside the SBS Group's strategy and targets, may not eventuate as presented, and we note that risk position metrics presented may differ to previous or future statements based on better data and updates to climate risk management approach. In such cases, restatements will be identified and explained.

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 Bank 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.

The SBS Group 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 SBS Group is gaining momentum in our sustainability journey, with a clearer Group focus developing a new Sustainability Strategy. This Climate | Sustainability Statement is our second, and we are proud of our efforts to uplift our maturity in climate risk management in the past 12 months.

Climate change continues to present an uncertain future, where both risks and opportunities will influence how we deliver on our purpose - Helping Kiwis find a place to call home. The SBS Group maintains a low appetite for exposure to climate-related risks, and we are confident in our current position. The SBS Group, despite maintaining low exposure to material physical risks, continues to build robust controls into our portfolio to further reduce future exposure.

Our sustainability vision has continued to be an important focus area for the SBS Group, which is evidenced through our commitment to helping Kiwis find a place to call home. SBS Bank has helped 1,479 new homeowners into their very own homes in FY25. 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 the third year running.

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.

We have expanded the scope on our emissions disclosure with a wider inclusion of Scope 3 emissions and are proud to disclose our first assessment of financed emissions related to vehicle and residential lending.

Our focus on home ownership has remained a constant in our 156 years, and as such, we have no lending or funding exposure to the fossil fuel industry.

We have continued to see a reduction in aspects of our emissions in line with targets, with a further 16% reduction in bulk mail, 13% reduction in paper use, and 20% reduction in vehicle emissions - due to the complete phase out of the remaining diesel vehicles in our fleet. We continue to find areas to improve, and although we saw a 34% increase in our business travel as we grow, we are exploring options to reduce this and offset where appropriate. Overall, we have seen our emissions intensity remain steady year-on-year, based on comparable emission sources. The SBS Group 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, Young Enterprise Scheme Chamber of Commerce, Hawthorndale Care Village, and Ronald McDonald House.

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

**Mark McLean**  
SBS Group CEO



# Governance

## Board oversight of climate-related risks and opportunities

The **SBS Bank 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 the SBS Group Annual Report or on our website at [sbsbank.co.nz/About-Us/Our-People](https://sbsbank.co.nz/About-Us/Our-People)

The SBS Bank Board is the approval body for the following:

- Group Environmental Policy – detailing risk management processes for environmental and climate-related risks and opportunities,
- Group Sustainability Strategy – detailing the Groups' Sustainability focus for the next 5 years,
- 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 the SBS Group climate scenarios used in strategy development and risk management.

SBS Bank 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 requiring the SBS Group management to take all reasonable steps to minimise the consequence and/or likelihood of the specific risk and limit exposure.

In FY25 reporting year, the Board allocated resources to identify, model, and manage climate-related risks and opportunities. The SBS Group is still early in our climate risk management journey, and as such, no capital has yet been allocated or lending restrictions implemented in response to climate-related risks. We maintain a close watching brief on climate-related risks in relation to our strategy implementation.

The SBS Bank Board maintains skills and competencies related to climate risks and opportunities through information papers and attendance of climate education sessions. As the management and oversight of climate-related risks and opportunities is an evolving area, the Board will continue with education and close oversight.



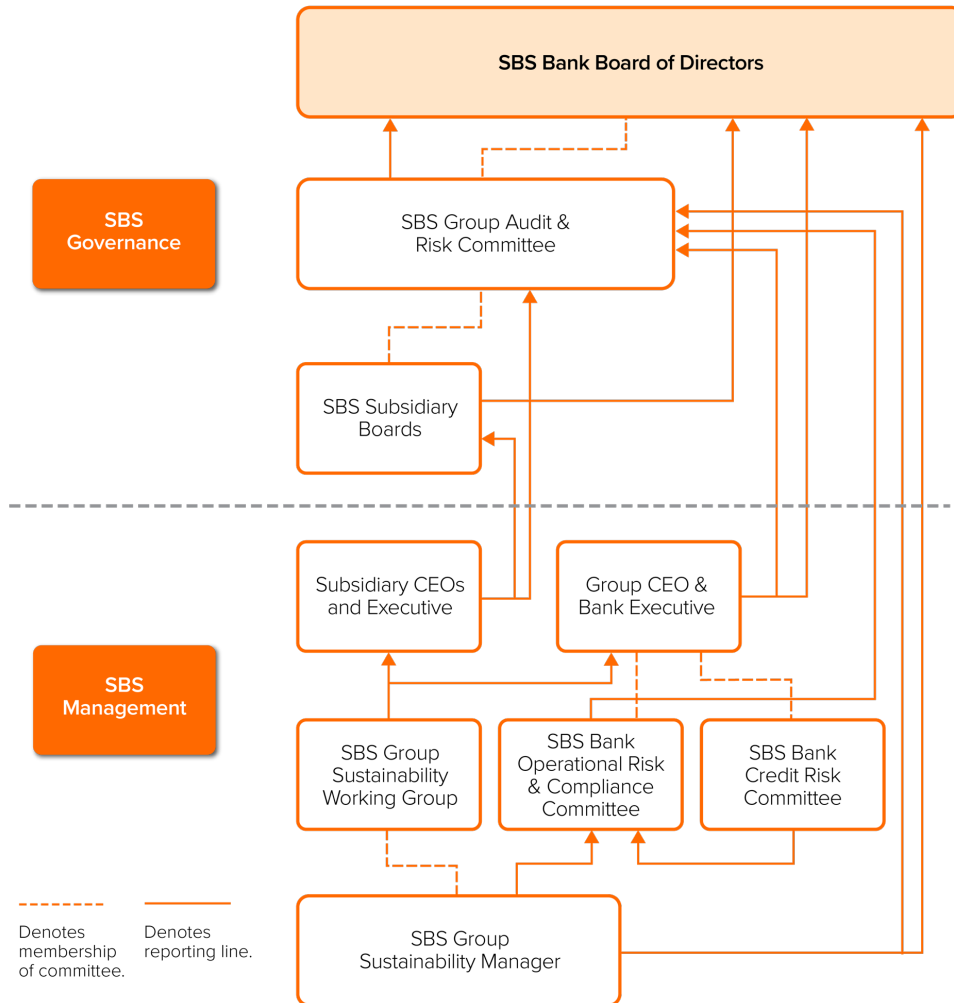
A subset of the SBS Bank Board Members are members of the **Group Audit and Risk Committee (GARC)**. The role of this body is to ensure the integrity of the SBS Group financial controls, reporting systems and internal risk and audit standards and processes, providing the SBS Board of Directors with additional assurance on the quality and reliability of financial information and risk management systems. The chairperson of the GARC has a Climate Change Governance Certificate from NZ Institute of Directors, and is a member of Chapter Zero.

The GARC meet quarterly with climate-related risks as a standing agenda item at all meetings. In addition to climate change, this committee also considers the Groups' wider Sustainability Strategy and has oversight on sustainability initiatives and 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 Bank Board

Ultimate accountability for climate-related risks and opportunities. The SBS Bank Board sets and approves risk appetite, meets eight times per year, and receives ad-hoc 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. Recommends risk appetite to Board.

## SBS Subsidiary Boards

Receive reports specific to the operations of each subsidiary. The Subsidiary Boards contain members from the Bank Board and Independent directors.

## SBS Group CEO and Executive

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

## SBS Group Sustainability Working Group

Progresses the Group Sustainability work program, including climate-related risks and opportunities. Committee members from SBS subsidiaries and business units provide communication channels and integrate 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 Bank Credit Risk Committee

Responsible for developing and maintaining policies with respect to the approval, management, and monitoring of credit risks including climate-related credit risks.

## SBS Group Sustainability Manager

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



# Governance



**Pete Taylor**  
SBS Group 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 second 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 through to the Operational Risk and Compliance Committee (ORCC).

Formal risk reporting for SBS Bank occurs through the management comprised ORCC, and Group-wide through the GARC. The ORCC receives quarterly operational reports on inherent and residual risk ratings, control effectiveness, 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, and emissions reduction metrics and targets – both presented in this Climate Statement.

## Development of strategy

While climate-related risks are not considered in the development of overarching strategy due to our low-level exposure, climate-related risks and opportunities are considered in the delivery of strategy and in operational decisions. Refer to Transition Planning on Page 14 for detail.

# Risk management

Risk management is coordinated 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.

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

## SBS Group risk management

The Group Risk Management Strategy and Framework (the Framework) supports the SBS Group 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 the SBS Group risk management, please refer to the Annual Report, located: [sbsbank.co.nz/About-Us/Annual-Reports-and-Disclosures](https://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

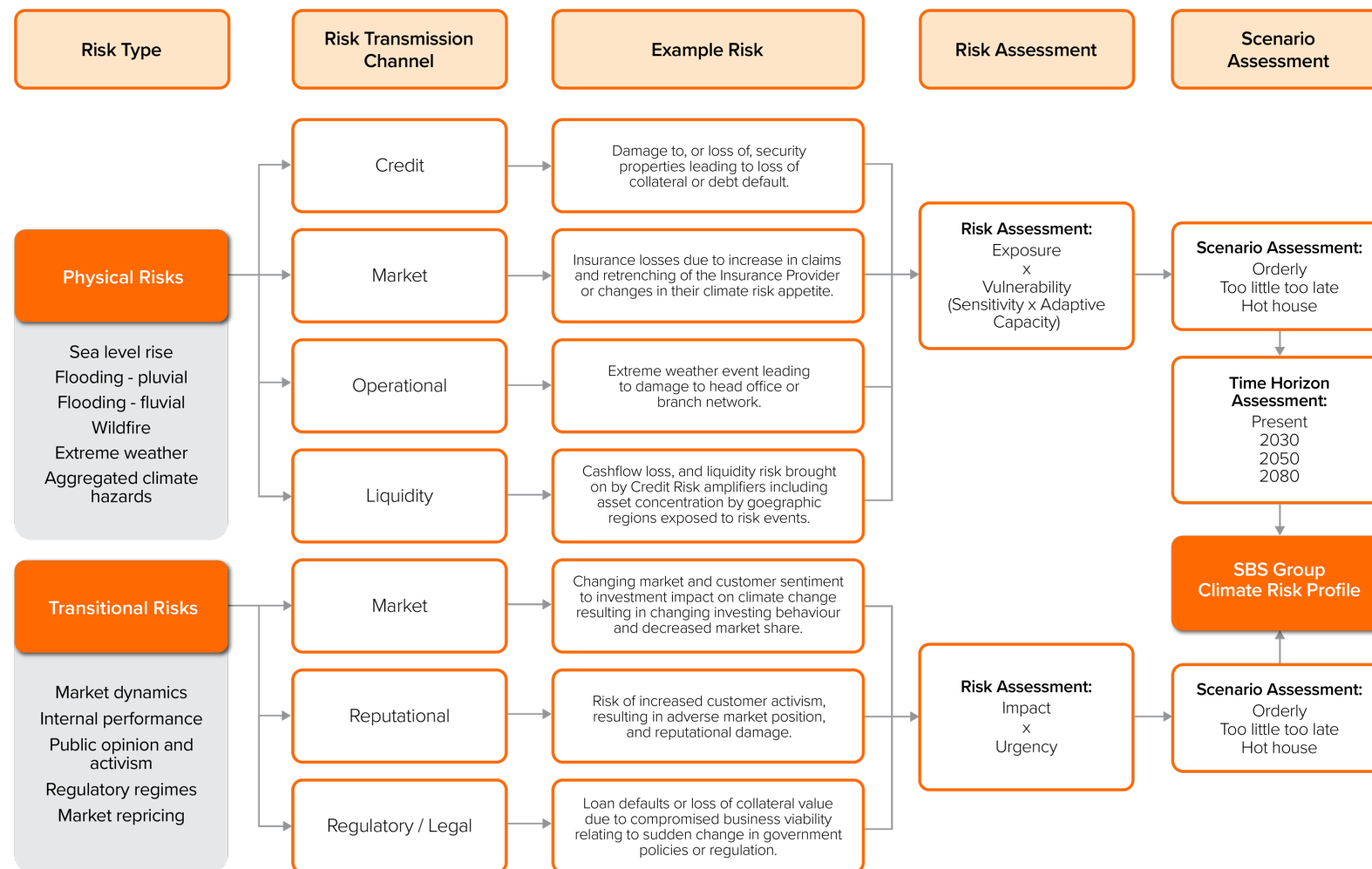
The SBS Group identifies and manages climate-related risks in line with our Group Environmental Policy, which gives effect to the Framework. As Climate Risk is deemed a material risk in the Framework it is managed as such with its own appetite statement, targets, and current state metrics. Climate-related risks are prioritised by the same criteria as other material risks.

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.

These risks were assessed, refined and tested to determine relative materiality, in accordance with the Risk identification flowchart on Page 9. Material risks identified and assessed in this process were 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 Group 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 Group 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 the governance team.

# 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 qualitatively assessed against material areas of the Group including, 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 modelling

Material physical climate risks including flooding and coastal inundation are modelled in-house to determine their exposure and provide a degree of sensitivity of the receptor. Two models are currently in use and are described:

### 1. Coastal Inundation

Exposure to coastal inundation is assessed using the NIWA 1% coastal inundation layers, sea rise Takiwa projections, and geolocation of SBS Bank securities. Each coastal security is assessed to which decade it will be **exposed** to a 1% annual exceedance probability (AEP) flooding event based on various climate scenarios. A 1% AEP represents a tipping point for insurability, with greater exposure experiencing insurance retreat earlier.

### 2. Flooding

Third party flood **exposure** data is used to determine the depth of flooding likely under various AEP scenarios and under various climate scenarios. Using a damage function, mapping the depth of flood water to a coefficient of damage, the sensitivity of securities is determined.

In both models, the adaptive capacity of securities is assumed to be high with full insurance coverage. Risk controls are working to determine a function of adaptive capacity from insurance.

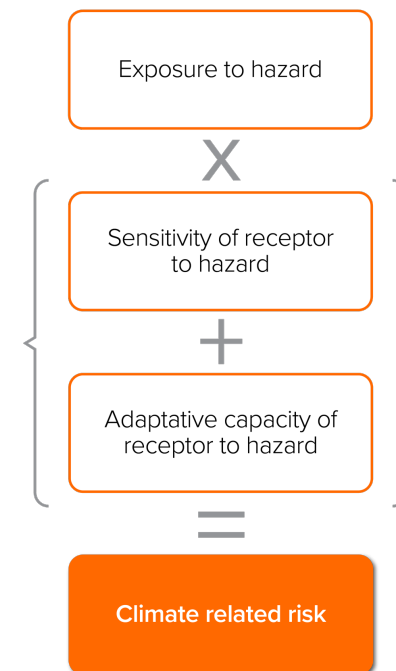
## Risk reassessment

Environmental and climate-related risks and opportunities and controls are to be reviewed depending on their individual risk ratings. Higher rated risks are assessed quarterly, with annual as a default for low rated risks.

All climate change scenarios and future time horizons are to be comprehensively reassessed every four years - SBS Group's first assessment was concluded in FY23

The models informing SBS Bank's security property exposure to flooding and coastal inundation are updated quarterly with presentation of metrics and targets to the Bank ORCC, and the GARC. Both trigger and limit targets have been set for internal reporting, with controls developed to maintain exposure within appetite.

The continuous review cycle informs risk appetite, and the development and implementation of controls, both of which form a component of the SBS Group climate transition.





# Climate Impacts and Exposure

## Current physical and transitional impacts

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

The SBS Group has not seen any credit impacts related to climate-related events. In FY25, there were two material climate related events - the June East Coast flooding, and October Otago Floods. The total insurance cost to the New Zealand economy from weather-related events in 2024 was \$63.5M, significantly lower than the \$3.87B experienced in 2023 (Insurance Council NZ). From these events, SBS Insurance facilitated 7 claims, and incurred no financial impact as these policies are held by a third-party.

Transitional impacts have not been felt by the SBS Group, with FNL vehicle purchases following the market dynamics with a decrease in electric and hybrid vehicle lending following changes in NZ Governmental Policy.

As the SBS Group maintains negligible commercial and agriculture lending, and has no industrial lending, we are not exposed to the impacts of government policy directives in relation to these industries.

We maintain heightened interest in our sustainability and climate position from fund managers as they decarbonise their portfolios. The SBS Group is confident in our current position and trajectory in relation to climate change and our sustainability journey and maintain a low-risk outlook to changes in our ability to secure or maintain wholesale funding access in relation to climate or sustainability.

## Sea level rise (SLR) & coastal inundation

The SBS Group, 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, 1.61% is considered to have a risk exposure.

Coastal inundation exposure remains consistent between climate scenarios until 2050 where the 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 scenario SLR.

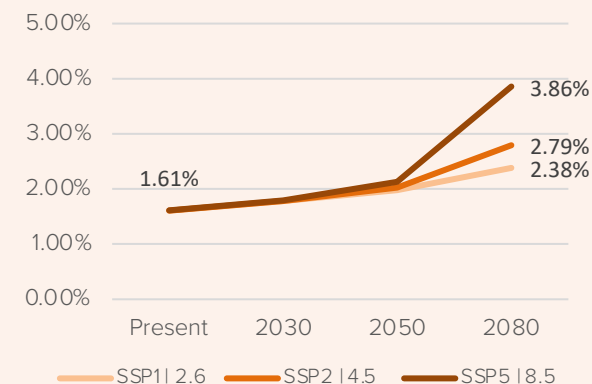
## Flooding

We use third party risk data, assessed flooding risk at present and projected this to 2080 under our three climate scenarios. Flooding exposure will not increase chronically, and exposure in different geographies are not expected to increase in a linear fashion. Of the current lending book composition, 0.71% is considered to have a high-risk exposure. This exposure remains consistent until 2050 where thereafter it diverges with the RCP8.5 scenario exposure increasing to 0.82%. The exposure graph (right) is based on no risk control, amortisation, or lending composition changes for future projections.

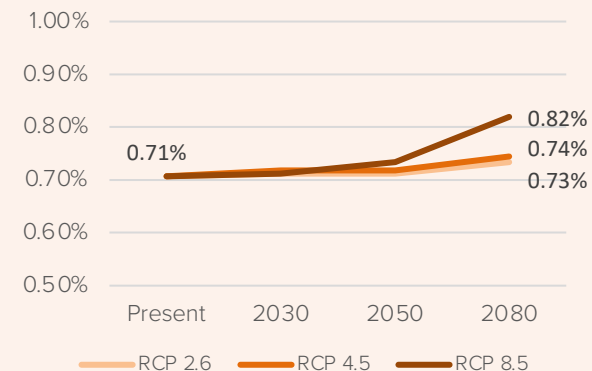
**Exposure** in this disclosure has changed from being any part of a property exposed in a 1% AEP flood event to a flooding depth greater than 0.5m to the house footprint being exposed to a flood with a flood depth likely to result in significant damage based on a modelled damage function.

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

### Properties exposed to coastal inundation



### Exposure to flooding

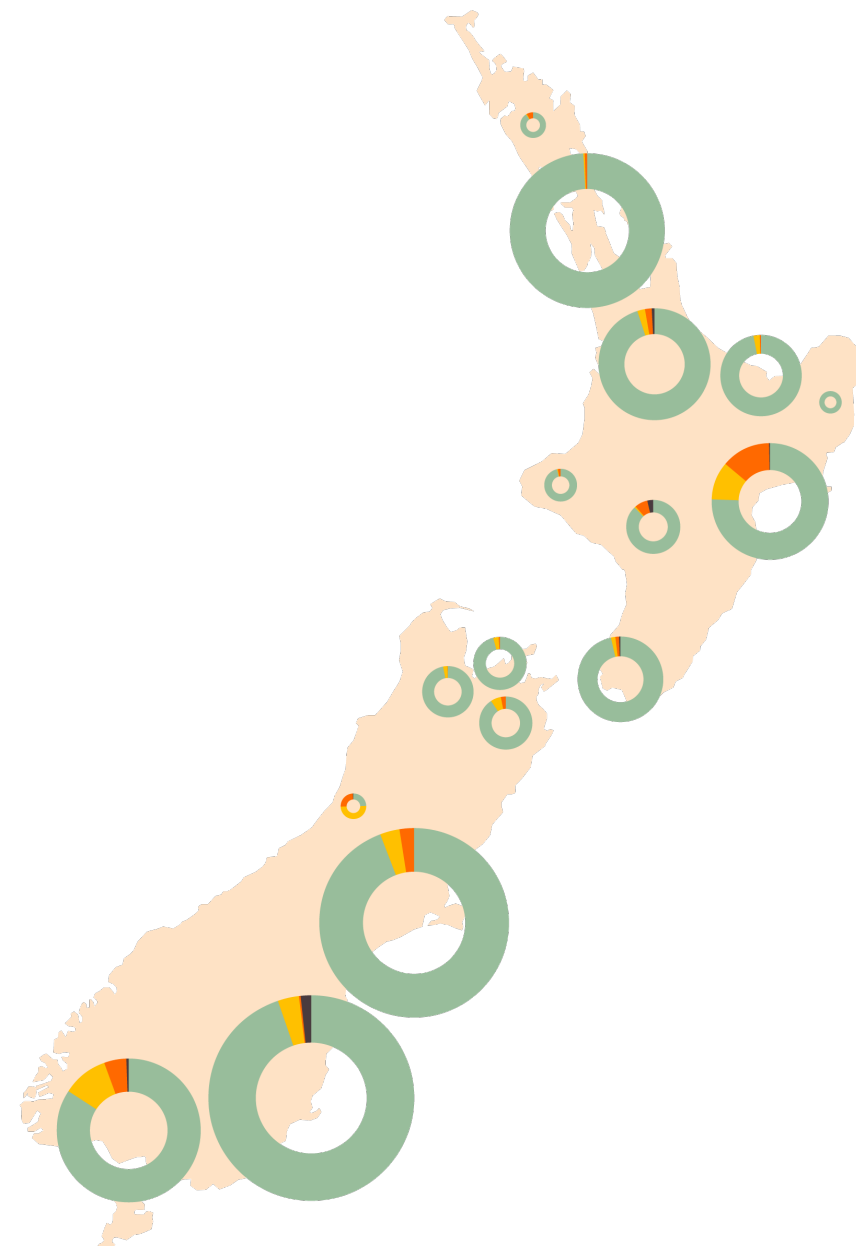


# Climate risks - flooding

SBS Bank's security properties have been assessed for their exposure to flooding – both fluvial (river) and pluvial (surface).

On this page the current exposure is expressed by regional council zones. The table below represents the proportion of security properties exposed in each region. The map (right) represents the value of lending exposed to flooding with each graph size proportional to the lending in each region.

	No exposure	Superficial damage	Repairable damage	Significant damage
Auckland	99.2%	0.5%	0.3%	0.0%
Bay of Plenty Region	97.2%	2.4%	0.4%	0.0%
Canterbury Region	94.2%	3.3%	2.5%	0.0%
Gisborne Region	100.0%	0.0%	0.0%	0.0%
Hawke's Bay Region	75.8%	10.6%	13.5%	0.2%
Manawatū-Whanganui Region	88.1%	0.7%	7.9%	3.4%
Marlborough Region	90.6%	6.6%	2.8%	0.0%
Nelson Region	96.0%	3.3%	0.7%	0.0%
Northland Region	90.8%	0.9%	8.3%	0.0%
Otago Region	94.8%	3.3%	0.5%	1.4%
Southland Region	84.2%	10.4%	4.9%	0.4%
Taranaki Region	96.5%	0.9%	2.7%	0.0%
Tasman Region	97.0%	2.8%	0.2%	0.0%
Waikato Region	95.1%	2.3%	1.9%	0.7%
Wellington Region	96.5%	1.6%	1.6%	0.3%
West Coast Region	25.5%	50.2%	24.7%	0.7%





# Strategy

## Our heritage

Our founder, James Walker Bain, established SBS Bank 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 156 years later, and while we've evolved into SBS Bank, our core values remain unchanged.

With branches, people and 24/7 banking right across New Zealand, SBS Bank 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 subsidiaries were established later, with SBS Insurance in 1987 as a specialist life insurance company providing life and disability insurance exclusively to SBS Bank Members. FNL was first launched in 2000 providing 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 license and launched 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 aligned to our purpose and that offer the best value to Members.

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



# Transition planning

## Transition plan setting

The SBS Group, in assessing and managing our climate-related risks, has assessed needs and priorities for transition as the global and domestic economy transitions towards a low-emission, and climate-resilient future state. Noting materiality as described in this climate statement, and the nature of the SBS Group, transition planning is facilitated through the following aspects:

### The SBS Group Environmental Management Policy

The purpose of this policy is to ensure that the SBS Group is positioned to effectively manage our contribution to, and the impacts of, climate change and other environmental issues and to foster sustainable economic growth.

This policy sets the framework for climate risk management alongside the Group Risk Management Strategy and Framework and covers:

- Climate-related risk and opportunity management, performance, and oversight.
- The Group's commitments to environmental management in the key areas of climate change, resource and asset efficiency, and products/markets.
- Strengthening the resilience of SBS Group's business model and by doing so, supporting the transition to a climate resilient economy.

- Carbon emissions measurement, science-based reduction to net-zero, assurance, and carbon offset portfolio.
- A complete exclusion for lending or funding to fossil fuel companies.

This policy includes requirements for continual climate-related education for both Governance and Management.

### Emissions Management and Reduction Plan

The purpose of this plan is to set and achieve a science-based roadmap for emissions reduction. The SBS Group's objective in GHG management is to achieve net zero operational emissions by 2050, with interim emissions reductions and targets in line with the science-based initiative.

## Transition targets and metrics

### Building capability and continual education

The Board maintains skills and competencies related to climate risks and opportunities through the information papers and attendance of climate education sessions. As the management and oversight of climate-related risks and opportunities is an evolving area, the Board will continue with education and close oversight.

### Key risk indicators and target states

We have set target states for two material risks; coastal inundation, and flooding. These are detailed further on page 21. As our current state evolves with new, refinanced, or discharged residential lending, controls may be implemented to maintain exposure below target state. SBS Bank is in the process of developing new climate risk-related credit policy restrictions to further limit the Group's exposure to climate risk.

### Emissions Targets

The SBS Group has set a net-zero operational emissions target by 2050, this target is set under the principals of the science based targets initiative, and as such interim targets are also set. Further detail on these targets, our progress to date, and commentary surrounding progress is disclosed on page 19.

The SBS Group is developing a new sustainability strategy in the early stages of the FY26.

# Strategy



## Climate scenario analysis

In 2022, the SBS Group 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 the SBS Group's first climate risk scenario analysis and was undertaken in a stand-alone process. SBS Bank 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 the SBS Group 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).

## Scenario dimensions

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

## Time horizons

	Present	Short-term	Medium-term	Long-term
<b>Year relative to 2022</b>	Present – Rolling	2030	2050	2080
<b>Rationale</b>	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, our 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 second-hand 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 Bank lending book exposed to a 1% AEP coastal flood from approximately 1.6% at present, to 2.38% 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 2.79% of the current SBS Bank 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 3.86% of the current SBS Bank 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

The SBS Group has measured emissions in accordance with the GHG Protocol, specifically:

- The Corporate Accounting and Reporting Standard
- Corporate Value Chain (Scope 3) Accounting and Reporting Standard
- Technical Guidance for Calculating Scope 3 Emissions (V1)

For assurance purposes, the SBS Group has elected to be audited at reasonable assurance standard for all scopes (excluding financed emissions) against the GHG Protocol, and NZSAE-3. The KPMG assurance report is in Appendix C.

This is the SBS Group second disclosure of emissions, with some new disclosures included, and detailed in the table (right). New disclosures and three year's comparative data are presented in the table (right). Emissions within our Scope 3 profile contain some assumptions in their calculation (refer Appendix B).

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.

## Emission baseline

The SBS Group continues to disclose against our Group baseline in FY23. In FY25, SBS has seen a significant reduction in our scope 1 emissions, continued reduction in scope 2, and an increase in scope 3 primarily driven by higher travel-related emissions. In this three year comparative view, total gross emissions increased primarily due to an increase in business-related travel. Refer "Emissions Targets" on the following page for further detail. Refer footnote for air travel emissions.

## Emissions pricing

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

As the SBS Group has limited exposure to emissions from industry or agriculture, emissions prices used follow the pricing guidance of the Climate Change Commission (2024 - \$64/tonne).

The SBS Group will continually review pricing as we investigate the need for offsets, renewable energy certificates, or carbon credits to assist in meeting these targets for emissions.

	FY23	FY24	FY25
	tCO2eq	tCO2eq	tCO2eq
<b>Scope 1</b>	<b>207.48</b>	<b>201.86</b>	<b>160.96</b> ↓
Transport fuels (petrol & diesel)	207.48	201.86	160.96
Stationary fuel	-	-	-
<b>Scope 2</b>	<b>125.75</b>	<b>118.49</b>	<b>113.27</b> ↓
Purchased electricity - location based approach	119.7	111.16	106.46
Data Centres	5.96	6.75	6.81
<b>Scope 3 - Comparative</b>	<b>406.54</b>	<b>447.17</b>	<b>394.65</b> ↑ (499.96) <sup>4</sup>
Electricity T&D Losses	13.88	12.95 <sup>1</sup>	7.33
Business travel (air)	271.39	308.74	254.53 (359.82) <sup>2</sup>
Business travel (ground)	2.53	2.24	2.87
Business travel (accommodation)	11.54	11.05	23.07
Printing	13.62	11.99	10.35
Bulk Mail	9.99	8.81	7.34
Water/wastewater	26.17	28.61	26.77
Waste	57.42	62.78	62.41
<b>Scope 3 - New Disclosures</b>	<b>43.63</b>	<b>38.45</b>	<b>1401.57</b>
Courier	-	-	4.13
Marketing Materials	-	-	255.20
Consultants	-	-	117.56
Staff commuting/WFH	43.63	38.45	466.36 <sup>3</sup>
Head Office Retrofit	-	-	555.95
<b>Comparative Total</b>	<b>739.77</b>	<b>767.52</b>	<b>668.89</b> ↑ (774.19) <sup>4</sup>
<b>Total</b>	<b>783.4</b>	<b>805.97</b>	<b>2070.46</b> ↑
<b>Intensity Metrics</b>			
FTE	496.68	541.92	539.00
Operating income	\$170.98	\$187.48	\$188.32
<b>Comparative Intensity tCO2/FTE</b>	<b>1.49</b>	<b>1.42</b>	<b>1.44</b> →
<b>Comparative Intensity tCO2/\$M</b>	<b>4.33</b>	<b>4.09</b>	<b>4.11</b> →

1. 12.88 - restatement due to duplicate values in emissions inventory
2. Actual usage of air travel has increased, but emissions decrease due to a material change in MfE Emission Factors (EF). To allow for a comparative analysis, the value in brackets is calculated with the same EF as 2023/2024.
3. Commuting emissions have increased in boundary from SBS Wealth only to whole Group.
4. To allow for a comparative analysis, the value in brackets is calculated with the same EF as 2023/2024.



# Metrics and targets: Emissions targets

The The SBS Bank 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 FY23 as our baseline, the SBS Group has committed to net-zero emissions by 2050. This is supported by an interim target of a 42% reduction in Scopes 1 and 2 absolute emissions by 2030, and a 25% reduction of scope 3 in accordance with the SBTi.

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

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.

## Performance towards targets

The SBS Group has met some of our targets in the FY25 year, and failed to meet others. Overall, the emissions profile of the SBS Group has increased against both our baseline, and the previous reporting period. This year, the SBS Group saw significant international travel in support of our digital projects leading to an overall increase in emissions.

Objective	Action	Target	FYE25 Target	Progress	Comments
Reduce emissions from Group fleet vehicles	Convert remaining combustion fleet (43% of total) to hybrid.	40% reduction in (combustion) vehicle absolute emissions by 2030.	10% from baseline	22.4% Reduction from baseline	All remaining diesel vehicles retired from fleet.
	Convert 75% of current hybrid fleet vehicles to EV.	75% reduction in absolute emissions from rest of fleet vehicles by 2030.	N/A	N/A	Awaiting end of lease for options to renew.
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.	4% from baseline	9.6% Reduction from baseline	
Reduce electricity usage at SBS Bank 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.	N/A	N/A	Head office refit ongoing.
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.	4% from baseline	34% Comparable increase from baseline	Significant international travel, low baseline set. Note new emission factors.
Eliminate bulk mail across all business units.	Digitise all statements and disclosures.	100% reduction in bulk mail absolute emissions by 2028.	20% from baseline	26.6% Reduction from baseline	
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 emissions target.	33% from baseline	24% Reduction from baseline	Digitisation projects progressing.

# Metrics and targets: Financed Emissions

## Financed emissions

For the calculation of the SBS Group's first financed emissions disclosure, the Partnership for Carbon Accounting Financials standard (PCAF) - The Global GHG Accounting and Reporting Standard for the Financial Industry (First edition) was followed.

Two categories of financed emissions have been calculated and are presented in these statements:

## Vehicle Lending - emissions

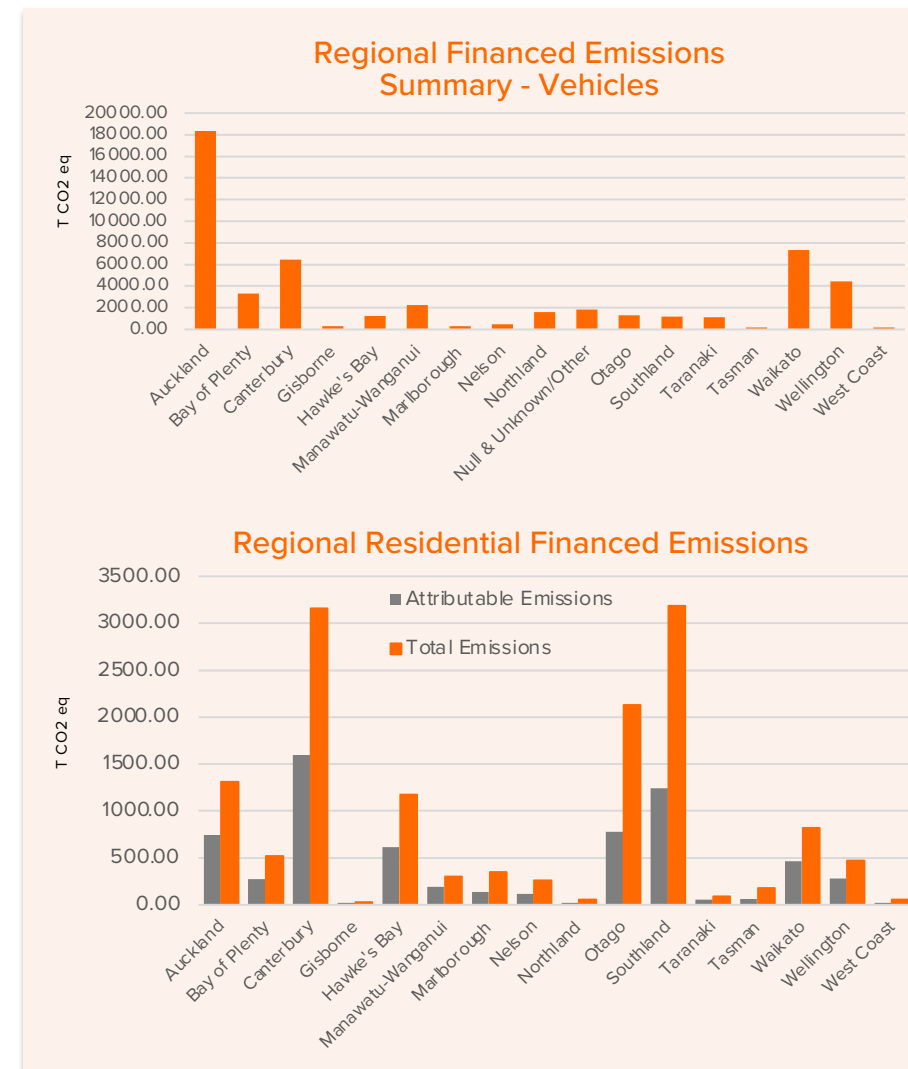
The SBS Group was unable to gather vehicle level emissions for FNL's vehicle lending portfolio, however we had make and model data on each vehicle. Accordingly, the SBS Group was required to estimate the average distance travelled per vehicle in each NZ region. Using vehicle specific emission factors, and regional travel statistics, an emission profile of the lending book was created, using a monthly loan to value ratio (LVR) as an attribution factor. These emissions were recalculated monthly due to the short term lending terms. This approach is consistent with a PCAF score of 3.0.

## Residential Lending - emissions

The SBS Group was unable to gather property level emissions or energy use data for the entire residential portfolio. Accordingly, to develop our residential lending financed emissions portfolio, we modelled the emissions factor of an 'average' residential dwelling in each of New Zealand's regions. These emission factors were derived using the following data sources:

- Statistics NZ: Data on the proportion of heating types per NZ region.
- Energy Efficiency and Conservation Authority NZ: Data on energy use by fuel type and end use.
- Electricity Authority NZ: Data on electricity use per household per region.

Applying the LVR as an attribution factor, we estimated the emissions attributable to each property. This approach is consistent with a PCAF score of 5.0.



# Metrics and targets

The SBS Group builds capability and maturity in the climate risk space, additional metrics and targets will be set. The SBS Group's approach 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 and appetite has been set encompassing the two key material risks for SBS Bank - Flooding and Sea Level Rise (SLR). These targets have been incorporated into the Risk Appetite Statement set by the SBS Bank. Climate physical risks are in the process of being included into financial stress testing models to both understand if climate change may impact our capital ratios, and what level of loan loss provisioning is required.

The SBS Group's exposure to SLR has increased slightly on the previous period, though remains well within appetite. Conversely, exposure to flooding has decreased due to a change in methodology allowing an assessment of damage probability rather than exposure to flood water.

The SBS Group will continue to scope additional targets, particularly related to financed emissions. Projects and targets are being scoped detailing improving the measurement of emissions, and how we may reduce the emissions intensity of each category.

Grouping	Metric	Target	Position	Comments
Emissions	Scope 1 & Scope 2 emission reduction	42% by 2030 6% in FY24	3% Scope 1 7% Scope 2	Targets set near end of FY24.
	Attain reasonable assurance on Emissions Disclosures.	Reasonable assurance achieved	Achieved	SBS has shifted to Assurance from KPMG, FY25 Reasonable Assurance achieved.
	Scope 3 emission reduction (excluding Financed Emissions)	25% by 2030 4% in FY24	(6%) Scope 3	Absolute emissions increased; emission intensity decreased 3.4%.
	Financed Emissions - Residential	TBD	6616.52 tCO2 PCAF Score 5	First statement, no target set
	Financed Emissions - Vehicles	TBD	51,931.7 tCO2 PCAF Score 3	First statement, no target set
Physical risks	Properties exposed to sea level rise, 2030, SSP2	<2.5% - Trigger <3.5% - Limit	1.79% (previous 1.6%)	Differs from present exposure (Page 11) as target and position relate to 2030, SSP2 Position.
	Properties exposed to flooding	<2.5% - Trigger <3.5% - Limit	0.71% (previous 2.93%)	Change of method (refer Page 11)
Financing / transition risks	No lending or funding to fossil fuel industry*	0%	0%	Maintain current position.

\*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" as per our Group Environmental Policy and Bank Liquidity Policy.



# Group Sustainability Vision

The SBS Group is in the process of developing and approving a new Group Sustainability Strategy: Growing with care for the prosperity of our Members and customers.

The evolving sustainability landscape underscores the need for businesses to integrate sustainability into their core strategies. Market research undertaken for the SBS Group indicates that New Zealanders believe that financial institutions should contribute to sustainability in varying ways, particularly financial education, accessibility and affordability of financial products, and supporting economic growth and prosperity.



The SBS Group is developing this Sustainability Strategy with four key pillars:



Financial  
education



Sustainable  
communities



Sustainability  
Accreditation



Environmental  
stewardship

# Sustainability highlights



Paris-aligned Emissions Reduction ongoing.



Emissions assurance – Year two.



Further 13% year-on-year reduction in paper use.



1,479 new homeowners welcomed by the SBS Bank team.



Over \$1 million donated or sponsored to partnerships and community groups.



SBS Bank was named as the 2024 Bank of the Year – First Home Buyers for the third consecutive year.



Further 16% reduction in bulk mail, supported by transition to paperless statements.

# Supporting first home buyers

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



First home buyers Sam and Sinead with their new home supported by the SBS First Home Combo.

## SBS FirstHome Combo

We are proud to be 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 Bank 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. The Foundation has 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 Bank 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.



# In our community

SBS Bank 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 Orphans Aid.
- Ronald McDonald House
- Hawthorndale Care Village
- Southland Loss and Grief Centre
- Chatbus South
- Volunteer leave - staff in the community
- YES Chamber of Commerce
- Southland Foundation



SBS Bank team members volunteering to help in the spring clean at Ronald McDonald House.



SBS Bank team members volunteering at the newly opened Hawthorndale Care Village in Invercargill.



SBS Bank team members volunteering at Invercargill City Council.



Team Nelson volunteered at the Brook Waimarama Sanctuary, to help set up their Xmas BBQ.



# Diversity, equity and inclusion

Building on last year's progress, we're excited to continue our journey with our Diversity, Equity, and Inclusion Strategy. Equity remains at the heart of our mission to achieve true inclusion, ensuring fairness and opportunity for all our teams and Members.

## Key focus areas:

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

## Other focus areas:

- Mental health and disability
- Modern families

With insights from our extensive research and the invaluable voices of our team members, we've zeroed in on key areas to drive impactful change. In order to ensure continuous improvement and maintain the correct focus areas and objectives, our strategy will undergo a review at the end of 2025.

## Creating understanding and awareness

Our Committee has been instrumental in formulating and delivering a programme of work that allows the business to recognise and celebrate events and initiatives throughout the year. This includes providing our teams with a better understanding of the history and cultural significance of certain days or raising funds and awareness for worthy causes. We are proud of the way our team members come together to support and participate in our events, demonstrating their commitment to our shared values and goals.

Members	SBS Bank	FNL	SBS Wealth	SBS Insurance
<b>All team members (excluding Executives)</b>				
Female	71%	59%	61%	82%
Male	29%	41%	39%	18%
<b>Executive</b>				
Female	20%	50%		75%
Male	80%	50%	100%	25%
<b>Board</b>				
Female	14%			
Male	86%	100%	100%	100%

\*Data as at 31 March 2025.

## Governance and leadership

Our SBS Bank Board of Directors, as at the end of March 2025, comprised of seven independent directors including six male and one female director 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

51%\* of our leadership positions are held by women across the SBS Group. Diverse leadership brings 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.

## 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 quarterly 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.

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

# Appendix

# Appendix A

## NZCS2 Adoption Provisions used:

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

**CS2 – 12:** The anticipated financial impacts of climate-related risks and opportunities reasonably expected by an entity.

- The SBS Group is using the first-time adoption provision (NZCS2-12/13) in relation to anticipated financial impacts related to climate impacts, the SBS Group will be incorporating climate risks into stress testing in 2025 to determine future 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.

- The SBS Group is using the first-time adoption provision (NZCS2-12/13) in relation to anticipated financial impacts related to climate impacts. The SBS Group will be incorporating climate risks into stress testing in 2025 to determine future financial impacts resulting from climate change.

**CS2 – 17:** Greenhouse gas (GHG) emissions: gross emissions in metric tonnes of carbon dioxide equivalent (CO<sub>2</sub>e) classified as: Scope 1, Scope 2, Scope 3.

- The SBS Group 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 KPMG under the GHG Protocol, and NZSAE-3. This is SBS Group's second disclosure of emissions, and as such emissions within our Scope 3 profile contain some assumptions in their calculation, and there are additional emission sources being scoped for measurement and disclosure in our third Climate Statement onwards.

# Appendix B



## Emission calculation and boundaries

This inventory has been prepared with the best available information, but there is inherent uncertainty of GHG quantification due to incomplete scientific knowledge. The standard calculation methodology has been used for quantifying the GHG emissions unless otherwise stated: emissions = activity data x emissions factor.

The SBS Group has increased the scope of our emission sources in our second disclosure, with four new Scope 3 sources, and full Group commuting data included. However, the SBS Group recognises that here are additional operational emission sources that have been omitted from this report that will be included in following reports, including:

- Products purchased – the SBS Group will continually expand the scope and breakdown of purchased products to ensure high quality data. Currently material sources of emissions are calculated on a gross spend based approach which results in reduced data quality and higher estimation uncertainty. As the SBS Group matures in our emissions measurement approach, these categories will be refined, and moved to an actual measurement basis.

The SBS Group will also expand our financed emissions profile to include:

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

These two exclusions form part of a partial use of the first time adoption provision: CS2 – 17.

Emission source	Data source	Emission factor reference <sup>1</sup>	Data confidence
Fleet fuel (petrol, diesel)	Actual fuel use derived from supplier fuel reports	MfE 2024 – emission factors for each fuel type	High – all data represents actual use.
Electricity	Energy supplier usage reports Data centre actual power usage reports	MfE 2024 – grid average, location-based approach	High – all data represents actual use.
Business travel (flights, accommodation, transfers)	Travel provider reports, credit card reconciliations	MfE 2024 – emission factors for flight types, accommodations, and taxi transfers	Moderate, approximately half data is through a travel provider, half through credit card reconciliations – some flights required an assumption to distance travelled.
Printing & bulk 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 2024 – emission factors	Moderate, survey a snapshot in time, extrapolated annually.
Water/waste/wastewater	FTE counts	MfE 2024 – emission factors	Low, using FTE method assumes national average applies. Actual measurement preferred.
Courier	\$ spent - general ledger	Spend based approach - ThinkStep ANZ Emission Factors	Moderate, GL codes assumed to be high quality, using single EF per \$ known to be lower quality than actual figures.
Marketing Material	\$ spent - general ledger	Spend based approach - ThinkStep ANZ Emission Factors	Moderate, GL codes assumed to be high quality, using single EF per \$ known to be lower quality as marketing outputs vary (e.g. TV advertising, vs branding materials).
Consultants	\$ spent - general ledger	Spend based approach - ThinkStep ANZ Emission Factors	Moderate, GL codes assumed to be high quality, using single EF per \$ known to be lower quality than actual figures.
Head Office Retrofit	\$ spent.	Spend based approach - ThinkStep ANZ Emission Factors	Moderate, waste metrics are deemed to be high with actual volume recorded, remaining spend based deemed to be low due to single factor for all works.

1 - MfE 2024 emissions factors use global warming potential values from IPCC's Fifth Assessment Report (AR5). ThinkStep ANZ emissions factors use AR4.



# Assurance statement - KPMG



## Independent Reasonable Assurance Report to Southland Building Society Limited

### Opinion

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

In our opinion, in all material respects, the scope 1, 2 and 3 gross greenhouse gas emissions (excluding financed emissions), additional required disclosures and greenhouse gas emissions methods, assumptions and estimation uncertainty disclosures included in the Climate | Sustainability Statement on pages 18 and 29 (GHG disclosures) are fairly presented and prepared in accordance with the Aotearoa New Zealand Climate Standards (NZ CSs) issued by the External Reporting Board (the criteria) for the period 1 April 2024 to 31 March 2025.

### Information subject to assurance

We have performed an engagement to provide reasonable assurance in relation to Southland Building Society Limited and its controlled subsidiaries ("SBS Group") GHG disclosures for the period 1 April 2024 to 31 March 2025. The GHG disclosures include:

- Scope 1, 2 and 3 gross GHG emissions (excluding financed emissions) contained within page 18 and accompanying footnotes; and
- The basis on which the Scope 1, 2 and 3 gross GHG emissions (excluding financed emissions) have been identified and calculated, and the associated methodology as described in appendix B on page 29.

Our opinion on the GHG disclosures does not extend to any other information included, or referred to, in the Climate | Sustainability Statement or other information that accompanies or contains the Climate | Sustainability Statement and our assurance report (other information). We have not performed any procedures with respect to the other information.

### Criteria

The criteria used as the basis of reporting include the NZ CSs. As disclosed on page 18 of the Climate | Sustainability Statement, the greenhouse gas emissions have been measured in accordance with:

- Scope 1 emissions have been measured in accordance with The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (revised edition)
- Scope 2 emissions have been measured in accordance with The Greenhouse Gas Protocol: GHG Protocol Scope 2 Guidance: An amendment to the GHG Protocol Corporate Standard
- Scope 3 emissions have been measured in accordance with The Greenhouse Gas Protocol: Corporate Value Chain (Scope 3) Accounting and Reporting Standard

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

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### Standards we followed

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

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

### Other Matter – Prior year comparatives not assured

The GHG disclosures for the 2022 / 2023 and 2023 / 2024 years were not subject to our reasonable assurance engagement and, accordingly, we do not express an opinion, or provide any assurance on such information.

Our opinion is not modified in respect of this matter.

### How to interpret reasonable assurance and material misstatement

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

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

### Inherent limitations

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

### Use of this assurance report

Our report is made solely for Southland Building Society Limited. Our assurance work has been undertaken so that we might state to Southland Building Society Limited those matters we are required to state to them in the assurance report and for no other purpose.

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

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

Our opinion is not modified in respect of this matter.

### Southland Building Society Limited's responsibility for the GHG disclosures

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

# Assurance statement – KPMG (continued)



The Directors of Southland Building Society Limited are also responsible for selecting or developing suitable criteria for preparing the GHG disclosures and appropriately referring to or describing the criteria used.

## Our responsibility

We have responsibility for:

- planning and performing the engagement to obtain reasonable assurance about whether the GHG disclosures are free from material misstatement, whether due to fraud or error;
- forming an independent opinion based on the procedures we have performed and the evidence we have obtained; and
- reporting our opinion to Southland Building Society Limited.

## Summary of the work we performed as the basis for our opinion

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

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

A reasonable assurance engagement includes:

- assessing the suitability of the circumstances of SBS Group's use of the criteria as the basis for preparation of the GHG disclosures;
- considering relevant internal controls when designing our assurance procedures, however we do not express an opinion on the effectiveness of these controls;
- evaluating the appropriateness of reporting policies, quantification methods and models used in the preparation of the GHG disclosures and the reasonableness of estimates made by SBS Group; and
- evaluating the overall presentation of the GHG disclosures.

## Our independence and quality management

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

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

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

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

Our firm has also provided other services to SBS Group in relation to financial statement audit, review of the Banking Group's half-year Disclosure statement, limited assurance over Capital Adequacy and Regulatory Liquidity disclosures, and a subsidiary's tax compliance. Subject to certain restrictions, partners and employees



of our firm may also deal with SBS Group on normal terms within the ordinary course of trading activities of the business of SBS Group. These matters have not impaired our independence as assurance providers of SBS Group for this engagement. The firm has no other relationship with, or interest in, SBS Group.

As we are engaged to form an independent opinion on the GHG disclosures prepared by Southland Building Society Limited, we are not permitted to be involved in the preparation of the GHG disclosures as doing so may compromise our independence.

The engagement partner on the assurance engagement resulting in this independent assurance report is Sonia Isaac.

KPMG

Wellington

25 June 2025