

2023 CLIMATE STATEMENTS



HEALTHIER, LONGER,
BETTER LIVES

EXECUTIVE SUMMARY

These climate statements constitute AIA New Zealand Limited (AIA NZ)'s first disclosures under the new Aotearoa New Zealand Climate Standards. The process of preparing these climate statements has been valuable, helping us explore the possible ways the future could evolve. Scenario analysis workshops with staff across the business have helped us to explore the ways in which both physical climate change and a transition to a low carbon economy might impact our organisation. This has allowed us to consider the resilience of our business model and strategy under conditions of uncertainty.

We are fortunate to be able to leverage our broader Environmental, Social and Governance (ESG) Strategy that has been established since 2021, localised from the ESG strategy of our parent company AIA Group Limited (AIA Group). Our Board Environmental, Social and Governance (BESG) Committee assists the AIA NZ Board of Directors (Board) in discharging its overall responsibility for ESG strategy and climate-related reporting with Executive Committee members tasked with the delivery of initiatives across the five pillars of our ESG strategy. Long-term consideration of risks and opportunities is fundamental to our business model as a life and health insurer and climate-related risks are managed as a transverse risk within the AIA NZ risk management framework.

At AIA NZ we are committed to helping New Zealanders live Healthier, Longer, Better Lives and our flagship AIA Vitality offering is a science-backed health and wellbeing programme that provides the guidance, tools, and rewards to support our customers and staff in improving their health. In 2023 we published “The Environment and our Health”, a report examining the inextricable link between our health and the environment.

Our scenario analysis highlights that over the long-term, the physical risks of climate change are likely to increase. In contrast, there may be benefits from an uplift in population health with a transition to a low carbon economy.

Intergovernmental Panel on Climate Change (IPCC)'s Sixth Assessment Report suggests that New Zealand will be less directly impacted by physical climate change than most countries. However, local extreme weather events and the challenges of managed retreat may impact on our operations and customers over the longer term. We also expect global effects such as the increasing incidence of disease, pandemic risk and socioeconomic pressures to have a flow-on impact to the New Zealand population and economy as well as our investment portfolio.

Despite anticipated long-term benefits from transition to a low-carbon economy, during the period of transformation we expect impacts on investment markets as well as the finances and mental health of our customers, particularly if transition is abrupt with less time for industries and individuals to adapt to the changes.

While we have made meaningful progress to date, we recognise that we are on a journey as best practice evolves over time, and more work is required to ensure climate-related considerations are seamlessly embedded into business processes.

AIA Group achieved significant milestones in 2023, becoming the first pan-Asian life and health insurer to have its near-term targets validated by the Science Based Targets initiative (SBTi) and publishing its first Climate Transition Plan.

To contribute towards AIA Group's targets and to support its commitments, AIA NZ has set local near-term targets for Scope 1 and 2 emissions reductions which are monitored as part of our Toitū Envirocare carbonreduce certification. We have also made progress in transitioning our investment portfolio towards ESG-benchmarked funds. However, we acknowledge that further development of our local transition strategy for Scope 3 emissions is required to meet our long-term commitment of net-zero greenhouse gas (GHG) emissions by 2050.

CLIMATE STATEMENTS

For the year ended 31 December 2023

The Directors are pleased to present the climate statements of AIA NZ and its subsidiaries for the year ended 31 December 2023. These climate statements comply with the requirements of the Aotearoa New Zealand Climate Standards (NZ CS) issued by the External Reporting Board (XRB).

In recognition of data constraints and further process development required, AIA NZ has elected to use the following adoption provisions contained in NZ CS 2 *Adoption of Aotearoa New Zealand Climate Standards* which exempt AIA NZ from disclosing:

1. Adoption provision 1: Quantification of current financial impacts (Section 2.1)
2. Adoption provision 2: Quantification of anticipated financial impacts of climate-related risks and opportunities (Section 2.10)
3. Adoption provision 3: The transition plan aspects of its strategy, instead describing current progress (Section 2.11)
4. Adoption provision 4: A selected subset of AIA NZ's gross greenhouse gas (GHG) emissions classified as scope 3 (Section 4.1)
5. Adoption provision 5: Comparative information for the Scope 3 GHG emissions (Section 4.1)
6. Adoption provision 6: Comparative information for metrics (Sections 4.1, 4.3)
7. Adoption provision 7: An analysis of the main trends for metrics (Sections 4.1, 4.3)

For and on behalf of the Board



THERESA GATTUNG
DIRECTOR

DATE: 22 APRIL 2024



TRACEY CROSS
DIRECTOR

DATE: 22 APRIL 2024

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Disclaimer

These climate statements have been prepared based on information available to AIA NZ and its subsidiaries as at 31 December 2023. They contain forward-looking statements and statements of opinion, including statements regarding potential climate-related risks and opportunities, anticipated impacts and statements regarding ESG strategy, planning and targets. These statements reflect our current views and expectations of future events as at the date of this report. They are subject to known and unknown risks, uncertainties and other factors, many of which are beyond AIA NZ's control. Actual impacts, circumstances and developments may differ materially from those expressed or implied in this report. Accordingly, you should not place undue reliance on any forward-looking statements in this publication. AIA NZ assumes no obligation to update such forward-looking statements, except as required by law.

ROBUST GOVERNANCE IS THE FOUNDATION FOR DRIVING OUR CLIMATE ACTIONS. THROUGH OUR GOVERNANCE STRUCTURE, WE ENSURE CLARITY, TRANSPARENCY AND ACCOUNTABILITY FOR DECISIONS MADE AT ALL LEVELS OF THE BUSINESS.

1.1 Board accountability

The Board has ultimate oversight over AIA NZ's ESG strategy and implementation and takes a leading role in setting our overall risk appetite, including in relation to climate-related risks and opportunities.

The Board comprises directors who bring a broad range of knowledge, skills and experiences to the governance of AIA NZ. At least half of the Board are independent non-executive directors. Responsibility for climate-related matters rests with the Board collectively.

Two permanent committees assist in the execution of the Board's responsibilities for climate-related risks and opportunities:

- BESG, and
- the Board Audit and Risk Committee (BARC).

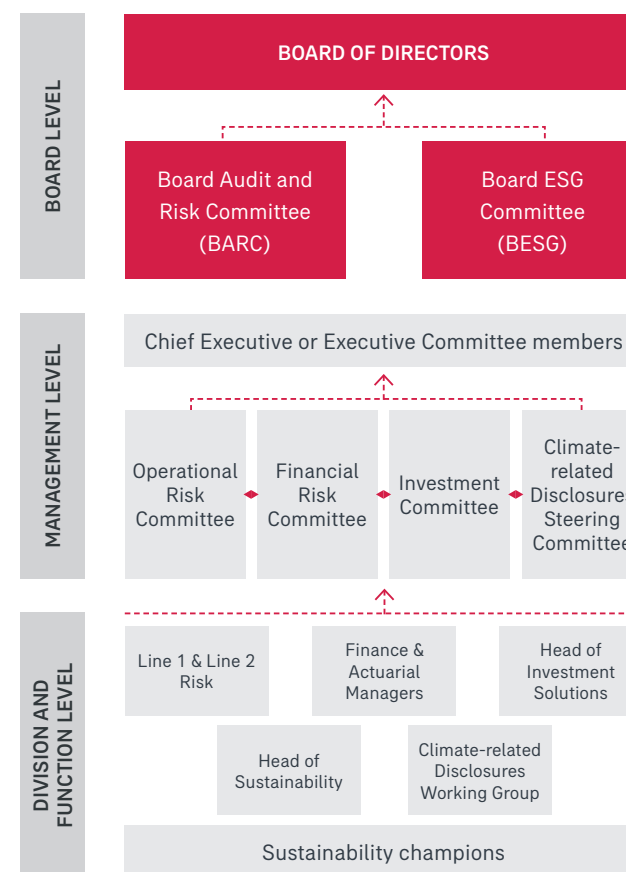
The operational responsibility for managing climate-related risks and opportunities rests with AIA NZ's management-level committees and functional bodies.

To ensure effective governance, the chair of the BESG is required to be an independent director of AIA NZ. A second independent director is also a member of the BESG. The chair of the BESG coordinates with the chairs of the BARC and the Board Remuneration

Committee (BREM) where necessary, ensuring that ESG and climate-related matters are discussed and considered at the Board level.

To ensure the Board collectively possesses the skills and experience necessary to make an effective Board, the BREM has adopted a Board Skills Matrix and Board Renewal Policy to assist in the review of Board composition. The Board Skills Matrix specifies the 'primary' and 'secondary' skills and experience that the Board should collectively possess. 'ESG proficiency' is specified as a primary or critical skill requirement. Currently all members of the Board are ESG proficient.

To support the continued development of knowledge, the Board participates in 'Deep Dive' sessions focusing on a range of topics, including ESG matters. Board members also develop experience through their executive roles or their governance roles at other organisations.



1.2 Board-level governance

The table below summarises the Board and Board Committee responsibilities for ESG, including climate-related risks and opportunities.

GOVERNANCE BODY	RESPONSIBILITIES	REPORTING LINE	REPORTING FREQUENCY
Board of Directors	<ul style="list-style-type: none"> Approves adequate risk management, compliance and control policies and procedures, and monitors and reviews their effectiveness. Approves AIA NZ's risk appetite, risk principles and risk tolerances. Approves AIA NZ's strategy and provides strategic guidance for the company. Reviews and approves climate-related reporting. 	<ul style="list-style-type: none"> Supported by BARC and BESG 	BESG reported to the Board twice in 2023
Board ESG Committee (BESG)	<ul style="list-style-type: none"> Assists the Board in discharging its overall responsibility for ESG strategy and climate-related reporting. <ul style="list-style-type: none"> Endorses AIA NZ's ESG strategy and positioning as well as strategic initiatives with the potential to support the implementation of AIA NZ's ESG strategy and positioning. Evaluates and oversees AIA NZ's climate-related risk assessment methodology, ESG-related policies or initiatives and ESG performance. Where appropriate, recommends to the Board objectives, targets and KPIs to embed ESG considerations within AIA NZ's business. Ensures ESG issues are incorporated into management's governance processes and decision making. 	<ul style="list-style-type: none"> Chaired by an Independent Non-Executive Director (INED) Discusses and escalates ESG risks to the Board, (through BARC) when needed BESG reports to the Board 	There were four BESG meetings in 2023
Board Audit and Risk Committee (BARC)	<ul style="list-style-type: none"> Assists the Board in discharging its responsibilities in relation to risk management, external reporting and conformance with legal requirements. <ul style="list-style-type: none"> Recommends the risk appetite, risk principles and risk tolerances to the Board for approval. Oversees the Risk Management Framework and compliance with that framework. Ensures that material risks, including ESG-related risks, are identified with mitigation actions put in place. Ensures the quality, credibility and objectivity of regulatory disclosure. 	<ul style="list-style-type: none"> Chaired by an INED BARC reports to the Board 	Climate Risks were discussed at five BARC meetings in 2023

1.3 The role of AIA Group

The governance bodies of our parent entity, AIA Group, have ultimate oversight of group-wide climate-related risks and opportunities, as well as AIA Group's ESG strategy and its implementation:

- **AIA Group Board** – oversees AIA Group's risk management activities, including climate related risks, monitors overall progress of AIA Group's climate commitments, reviews relevant ESG and climate-related matters and receives biannual updates on the ESG programme.
- **ESG Committee** – the overarching governance body for AIA Group's ESG matters, including climate-related matters. Monitors and reviews the Group's ESG and climate performance, sets ESG policies and objectives, endorses targets and key performance indicators.
- **Climate and Net-Zero Steering Committee** – supports AIA Group's Science Based Targets Initiative (SBTi) commitments including robust baselining and target setting. Oversees strategy and governance including driving AIA Group's Climate Transition Plan towards operational targets including AIA Group's validated near-term SBTi targets. Collaborates with the ESG Committee on key climate and net-zero decisions.
- **Group Investment Committee** – approves and oversees progress towards investment targets. Engages with the Climate and Net-Zero Steering Committee and the ESG Committee.
- **ESG Function** – supports the development of ESG initiatives and coordinates the various cross-functional programmes required to carry out AIA Group's ESG Strategy.

Representatives from AIA NZ maintain regular engagement with the AIA Group ESG Function to ensure alignment on ESG matters, including climate-related risks and opportunities.

1.4 Integrating climate into our strategy

Climate-related matters are integrated into AIA NZ's strategic planning and decision making through a dedicated ESG Strategy. The BESG is responsible for overseeing the development of a localised ESG Strategy which is closely aligned to AIA Group's ESG Strategy. The way in which the five pillars of our ESG strategy contribute to the management of climate risks and opportunities is discussed under Section 1.7. The BESG endorses strategic initiatives and oversees their implementation, and where appropriate recommends to the Board localised ESG policies, objectives, targets and metrics to embed climate considerations within AIA NZ's business.

The BESG reports to the Board periodically. The Chair of the BESG also coordinates with the respective Chairs of the Board, the BARC and BREM where necessary to help ensure that the Board and Committees have all information necessary to fulfil their respective duties and responsibilities.

1.5 Setting, monitoring and overseeing progress against metrics and targets

AIA NZ's metrics and targets for managing climate-related risks and opportunities are primarily derived from AIA Group's ESG ambitions as noted above and localised for the New Zealand business. Additional metrics and targets may be endorsed by the Board, BESG or BARC in relation to specific risks or opportunities for the New Zealand business. Management reports performance against these metrics and targets to the BESG, with BESG reporting back to the Board.

As part of a strong AIA Group-wide performance management framework, incentives and remuneration must balance both financial and non-financial aspects. In delivering our ESG strategy, initiatives are assigned to relevant senior management members based on their functional portfolios. ESG goals are further cascaded to the relevant teams and individuals, which are then supported by continuous check-ins and guidance from our leaders to ensure we remain on track to deliver effectively against expectations. Where specific ESG goals are set for an individual, the achievement of these goals has a direct correlation to remuneration outcomes through the performance rating process.

1.6 Management responsibility

In tandem with Board-level oversight, climate-related responsibilities have been assigned to management-level committees and positions. The following table outlines the various management committees along with their respective roles, responsibilities and reporting lines.

MANAGEMENT COMMITTEE	RESPONSIBILITIES	MANAGEMENT REPORTING LINE	REPORTING FREQUENCY
Operational Risk Committee (ORC)	<ul style="list-style-type: none"> Oversees the management of operational risk, including climate-related risks, and ensures that appropriate risk policies for the management of operational risk are in place. Reviews the adequacy and effectiveness of the Risk Management Framework that relates to the management of operational risk. Establishes priorities and coordinates the activities to manage operational risks. Reviews adherence to the Risk Management Framework, Risk and Compliance Policies and Standards that relate to the management of operational risks. Reports and provides information to the BARC as and when required. 	<ul style="list-style-type: none"> Reports to BARC. Chaired by Chief Risk Officer. Coordinates with chairs of BARC, FRC, IC and Operational and Business Risks Committee to help ensure that such committees have all information necessary to permit such committees to fulfil their duties and responsibilities. 	Climate risks were discussed at four ORC meetings in 2023.
Financial Risk Committee (FRC)	<ul style="list-style-type: none"> Oversees the management of financial and liability risks. Reviews the adequacy and effectiveness of, and adherence with, the Risk Management Framework. Reviews AIA NZ's risk appetite and risk profile in relation to financial and liability risks. Reviews, monitors and controls material risk exposures against the risk methodologies and management actions. 	<ul style="list-style-type: none"> Reports to BARC. Chaired by Chief Financial Officer. Coordinates with the chairs of the BARC, Investment Committee and ORC to help ensure that such committees have all information necessary to permit such committees to fulfil their duties and responsibilities. 	No climate related risks were raised at 2023 meetings.
Investment Committee (IC)	<ul style="list-style-type: none"> Responsible for implementing the AIA Group Investment Governance Framework (IGF) standards. Approves, maintains and monitors Investment Policies, Portfolio Mandates and Investment Procedures. Reviews and approves ESG-related investment requirements set out in the IGF standards. 	<ul style="list-style-type: none"> Chaired by Chief Product and Investments Officer. Reports to the Chief Executive Officer. Coordinates with the chairs of the FRC and ORC to ensure that such committees possess the information necessary to fulfil their duties and responsibilities. 	From Q3 2023 onwards, quarterly meetings include an ESG update as a standing agenda item.
Climate-related Disclosures (CRD) Steering Committee	<ul style="list-style-type: none"> Oversees the development and integration of climate-related risks and opportunities, and preparation for climate-related disclosures. Provides regular updates on climate-related matters to the Executive Committee, BESG, BARC and Board to ensure they have all the information necessary to fulfil their duties and responsibilities. Collaborates with committees, such as ORC, FRC and ESG pillar workstreams to provide input on matters relating to ESG. 	<ul style="list-style-type: none"> Chaired by Chief Risk Officer. Supported by the Effective Governance, Sustainable Investment and Sustainable Operations ESG workstreams. Comprises representatives from the following teams to provide input to overall working process to ensure adherence to Aotearoa New Zealand Climate Standards: <ul style="list-style-type: none"> ESG and Legal Investments Finance and Actuarial Risk 	Monthly meetings.

1.7 Management-level positions

In delivering AIA NZ's ESG Strategy, initiatives are assigned to relevant senior management members based on their functional portfolios. ESG goals are cascaded to the relevant teams and individuals with the following management-level positions engaged in assessing and managing climate-related risks and opportunities.

The Executive Committee leads the AIA NZ ESG Strategy in line with the AIA Group ESG Strategy across five pillars which contribute to management of climate risks and opportunities through:

- Effective Governance, led by the Chief Risk Officer (including the delivery of Climate Related Disclosures).
- People and Culture, led by the Chief People and Culture Officer (supporting employees and ways of working).

- Sustainable Operations, led by the Chief Financial Officer (improving the environmental performance of our operations).
- Sustainable Investment, led by the Chief Product and Investments Officer (incorporating ESG into investment decision making allocating capital to companies that commit to sustainable outcomes and reducing the risk of stranded assets in a future low-carbon economy).
- Health and Wellbeing, led by the Chief Customer Officer (engaging communities to improve their physical, mental and environmental wellbeing).

Line 1 Risk managers, supported by Line 2 Risk, identify, monitor and manage risks including Climate Related risks as described under the Risk Management Section. This is fed into quarterly reports presented by the Chief Risk Officer to the Operational Risk

Committee and Financial Risk Committee.

Finance and Actuarial Managers also provide input to quarterly reports presented by the Chief Financial Officer to the Financial Risk Committee.

The Head of Investment Solutions manages the investment strategy in line with ESG-related investment requirements set out in the AIA Group IGF standards.

The Head of Sustainability liaises with ESG working groups at AIA Group and supports the Executive Committee in delivering the AIA NZ ESG strategy as well as engaging sustainability champions across the business to drive change.

The CRD working group, under guidance from the CRD Steering Committee was set up to support the development of AIA NZ's climate statements for the year ending 31 December 2023 and to integrate these processes into the business for 2024 and beyond.



DURING THE PAST FEW DECADES, NEW ZEALAND HAS EXPERIENCED AN UNPRECEDENTED INCREASE IN SURFACE AIR TEMPERATURE WITH ITS RELATED ADVERSE WEATHER EVENTS, POSING A THREAT TO ITS SOCIAL AND ECONOMIC STABILITY.

2.1 Current climate-related impacts¹

Physical Impacts

In early 2023, the flooding experienced in Auckland and Northland, as well as Cyclone Gabrielle which impacted much of the North Island including the Hawkes Bay, highlighted New Zealand's vulnerability to extreme weather events. Widespread damage impacted infrastructure and supply chains, which came with a high economic impact from both disaster recovery costs and lost productivity. As a business, AIA NZ experienced relatively minor disruptions to operations, and was able to provide support to staff and customers affected by the events.

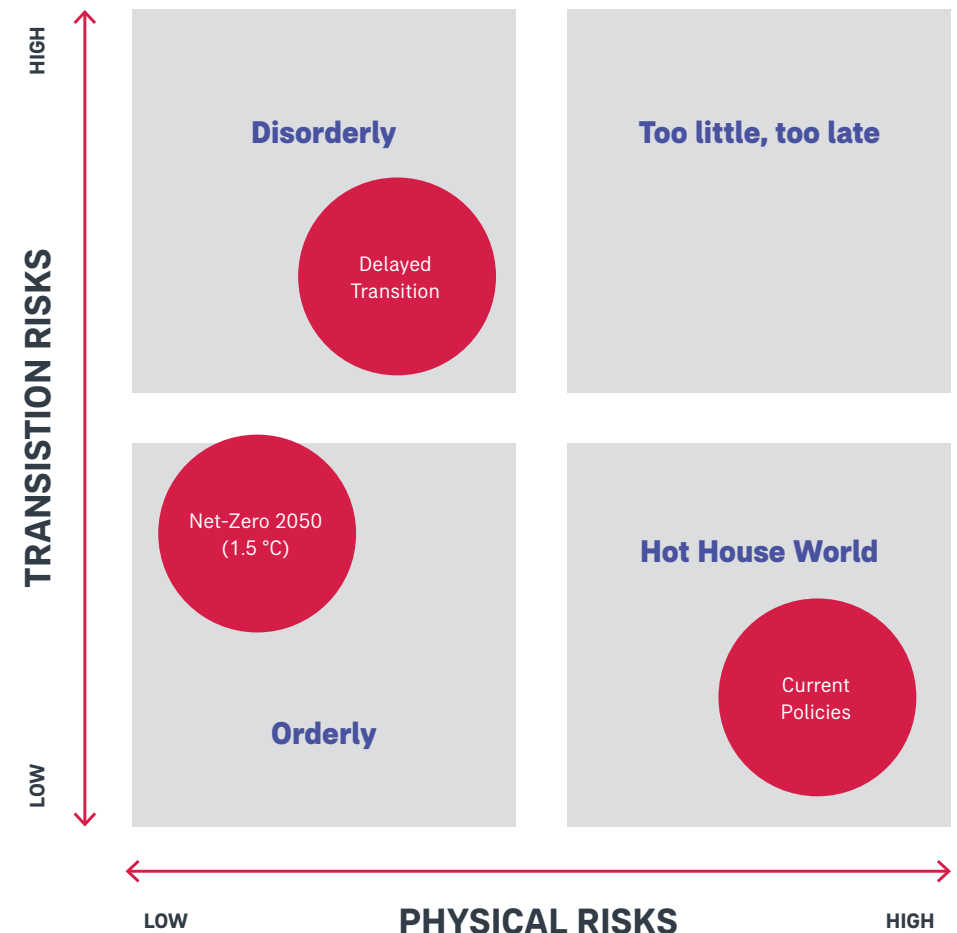
Transition Impacts

In line with our commitment as part of AIA Group to net-zero greenhouse gas emissions by 2050 and our Science Based Targets initiative (SBTi), AIA NZ is also pursuing decarbonisation of its operations and investments portfolio, as detailed in Section 2.12 under Our Climate Change Strategy.

2.2 Scenario analysis

In 2023 AIA NZ carried out a stand alone scenario analysis to assess our risks and opportunities under varying climate warming and transition trajectories and the timeframes shown, which align with those used by AIA Group.

The graphic adopted from the Network for Greening the Financial System (NGFS) depicts the relative magnitude of transition and physical risks under the scenarios identified by AIA NZ.



AIA NZ TIMEFRAMES (YEARS)		
Short	0-3	Aligns with strategic planning period
Medium	3-10	Aligns with capital management of risk insurance products, near-term science-based targets for emission reduction and our global ambition to engage a billion people to live Healthier, Longer, Better Lives by 2030
Long	10-30	Aligns with Net-Zero Commitment and the long-term nature of AIA NZ's life insurance business

¹AIA NZ has elected to apply adoption provision 1 of NZ CS 2. This exempts it from disclosing in its first reporting period the current financial impacts of the physical and transition impacts identified.

2.3 The climate scenarios used

The table below summarises the sources of data used in construction of our scenarios.

	SOURCES OF DATA	NET-ZERO 2050 (ORDERLY)	DELAYED TRANSITION (DISORDERLY)	CURRENT POLICIES (HOTHOUSE)
Global Climate and Socioeconomic parameters	Intergovernmental Panel on Climate change ("IPCC") Shared Socioeconomic Pathway ("SSP")	SSP1-1.9, RCP2.6	SSP1-1.9, RCP2.6	SSP5-8.5, RCP8.5
Global energy and emission pathway parameters	Network for Greening the Financial System ("NGFS") 2022 ²	NGFS Net Zero 2050 (1.5°C)	NGFS Delayed Transition (1.8°C)	NGFS Current Policies (>3°C)
NZ physical impact parameters	National Institute of Water and Atmospheric Research ("NIWA") Representative Concentration Pathway ("RCP") . (MfE 2018 ³ , MfE 2020 ⁴)	NIWA RCP2.6	NIWA RCP2.6	NIWA RCP8.5
NZ transition impact parameters	Climate Change Commission ("CCC") 2021 ⁵	CCC 'Tailwinds'	CCC 'Headwinds'	CCC 'Current Policy Reference'
Rationale for selection		<p>Meets NZ CS requirement for a 1.5°C aligned scenario</p> <p>Aligned with AIA Group scenario</p> <p>Aligned with Financial Services Council of New Zealand (FSC) scenario</p> <p>Explores high transition risk and opportunities over short time-frame</p>	<p>Aligned with AIA Group scenario</p> <p>Aligned with FSC 'too little too late' scenario on local transition risk</p> <p>Explores highest transition risk over medium timeframe</p>	<p>Meets NZ CS requirement for a greater than 3°C aligned scenario</p> <p>Aligned with AIA Group scenario</p> <p>Aligned with FSC scenario</p> <p>Explores highest physical risk</p>

²https://www.ngfs.net/sites/default/files/medias/documents/ngfs_climate_scenarios_for_central_banks_and_supervisors_.pdf

³Ministry for the Environment 2018. Climate Change Projections for New Zealand: Atmosphere Projections Based on Simulations from the IPCC Fifth Assessment, 2nd Edition. Wellington: Ministry for the Environment.

⁴Ministry for the Environment. 2020. National Climate Change Risk Assessment for Aotearoa New Zealand: Main report – Arotakenga Tūraru mō te Huringa Āhuarangi o Āotearoa: Pūrongo whakatōpū. Wellington: Ministry for the Environment.

⁵<https://www.climatecommission.govt.nz/public/Inaia-tonu-nei-a-low-emissions-future-for-Aotearoa/Inaia-tonu-nei-a-low-emissions-future-for-Aotearoa.pdf>

2.4 How the scenario analysis was conducted

AIA NZ participated in the FSC working group that developed industry scenarios for life and health insurers and fund managers. However, to ensure that scenario analysis was relevant to our business internally developed scenarios were utilised, with these cross-checked for consistency against the FSC scenarios.

Internally consistent scenarios were developed through aligning sources of data with reference to the XRB guidance. Summaries of the scenarios were produced outlining key physical and socioeconomic impacts both globally and for New Zealand.

Workshops were held with subject matter experts across the business to answer the focal question “How is AIA NZ impacted under different climate scenarios?”. The full value chain of our operations was considered including impacts on distribution and suppliers. The risks and opportunities generated during these workshops were collated into themes by the CRD working group. The list of the most material risks and opportunities facing our business was endorsed by the CRD Steering Committee.

The overall findings were presented to the AIA NZ Executive Committee and the BESG for discussion and endorsement before approval by the Board.

These initial scenarios helped us to identify potential climate-related risks and opportunities under different conditions. Further transition and physical risk and opportunity analysis will continue in the 2024 financial year including the quantification of financial impacts. AIA NZ continues to build on this scenario analysis to deepen its understanding of the impacts of climate change under different warming scenarios, the resilience of our business model and strategy in the face of these, and the potential resulting material financial implications.

2.5 Net-Zero 2050 (Orderly) scenario

This scenario assumes there is immediate stringent policy action and innovation to limit global warming. CO₂ removal is used to accelerate decarbonisation but is kept in line with sustainable levels of bioenergy production.

NZ physical impacts

Beyond the climate change already experienced by 2023, there is a further limited increase in both temperature and extreme events with the changes levelling off around 2040.

NZ transition impacts

There is rapid electrification of transport, starting with light vehicles and buses but widening to include trucks and some domestic aviation with over 90% of light passenger vehicles electrified and transport emissions close to zero by 2050. There is also a significant increase in cycling/walking, increased use of public transport and working from home.

Buildings are made more thermally efficient and domestic heating and cooking gradually switches away from fossil fuels between 2025-2050.

Over time, the reduction in transport emissions reduces air pollution and this, combined with healthier, drier homes and increased physical activity, results in improvements to the health of the

New Zealand population. Due to socioeconomic differences, impacts to the insured population may be less than those for the New Zealand population.

Industry decarbonises where possible, increasing the demand on electricity. There is a shift to a more circular economy with an increased waste economy and 50% of forestry waste repurposed to biomass for production heat. Steel production switches to green hydrogen technology by 2040 but technologies are not available to convert some sectors such as cement production.

There is a shift from exotic forestry towards native forestry, providing capacity for a long-term carbon sink and also benefiting the natural ecosystem. Improved farm management practices, as well as technologic developments such as low emissions breeding and methane inhibitors reduce emissions intensity enabling similar production levels for meat and dairy despite lower stocking levels and conversion of land to horticulture and forestry.

There are short term costs to the economy, but gains over the longer term largely offset the cost of transition. The toll is highest on those that live in remote areas and older workers, while younger workers gain from the transition.

2.6 Delayed Transition (Disorderly) scenario

This scenario assumes that annual emissions do not decrease until 2030 and strong policies are introduced to limit warming to below 2°C.

Climate policies and the level of actions vary widely across countries and regions with limited CO₂ removal. As a result, emissions exceed the carbon budget temporarily and subsequently decline faster than in other scenarios.

NZ physical impacts

The delayed action results in the temperature rise and extreme events continuing for longer (until 2050). However, longer term impacts are curbed with the temperature peaking above that for orderly but slowly reverting in the second half of the century.

NZ transition impacts

Transition activities are similar to those under orderly, albeit delayed, and there is a higher cost to the economy with the more abrupt changes providing less time for businesses and individuals to adapt.

Over the medium-term there are significant impacts on both the economy and mental health due to more rapid, less telegraphed changes. Over the longer-term, physical health improves from the same drivers as the orderly transition.

There is less technological advancement in this scenario, and steel production remains carbon intensive with agricultural gains also lower than in the orderly scenario.

There is also less of a transition between exotic and native forestry over the next few decades.

2.7 Current Policies (Hothouse) scenario

This scenario assumes the continuation of any currently implemented climate policies and no further action. There is slow technology uptake and low CO₂ removal, with emissions growing until 2080 leading to 3°C of warming and severe physical risks.

NZ physical impacts

The mean temperature continues to rapidly increase. The amount of warming is highest over the north-eastern North Island and most prominent in spring and summer. Variability in temperatures also increases. In the north (Northland, Auckland, Bay of Plenty) the number of hot days approximately doubles by 2040.

Changes in rainfall start impacting by 2040 with regional rainfall likely to increase in some parts of the west through winter and spring (particularly in the South Island), while rainfall may decrease in the north and east.

Changes in precipitation extremes generally follow the regional changes in rainfall. Meanwhile, a consistent increase in drought risk is seen over much of the North Island, with strongest changes over northern and eastern regions, and north-eastern and central South Island east of the main divide.

There is a moderate increase in physical health risks over time from extreme events, water supplies, vector-borne and zoonotic diseases. Mental health is highly impacted through lack of social cohesion, displacement of individuals, families, and communities.

There are major economic impacts from lost productivity and the cost of disaster relief. This is compounded by global financial system instability along with supply chain and distribution network disruptions.

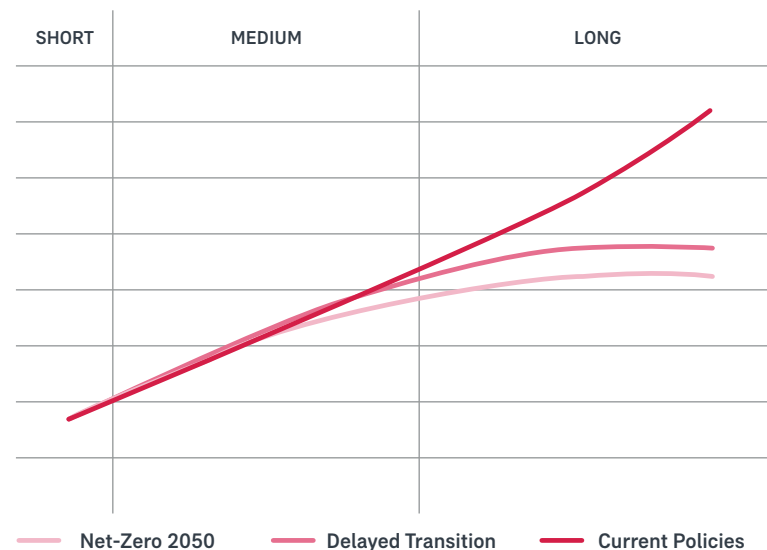
NZ transition impacts

Under this scenario, actions already committed to continue including closure of the methanol plant and aluminium smelter as well as a slow growth in electric vehicles and new renewable generation.

However, technological advances are limited and there is significant reliance on exotic forestry to help with meeting emissions targets to 2050 at a cost of reduced pastureland for sheep and beef farming.

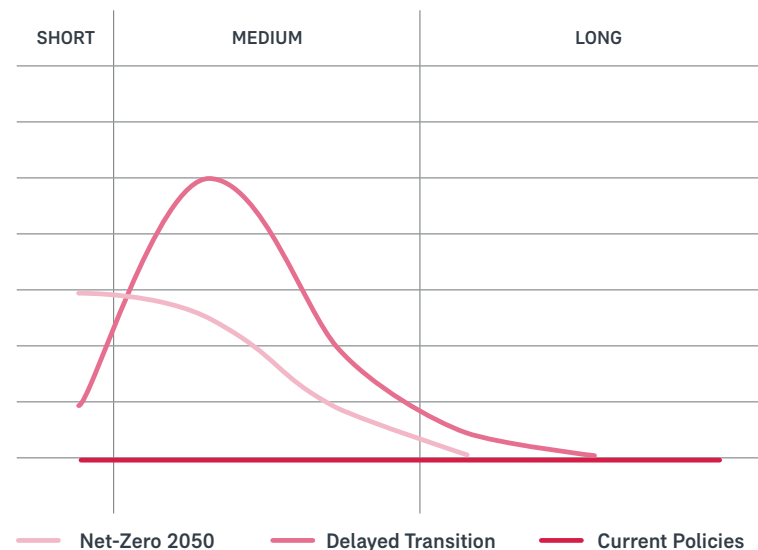
2.8 Relative timing and sizing of risks⁶ under the three different scenarios

Illustrative* Physical Risk and Opportunity



*Relative size of physical risk over time based on NIWA temperature projections

Illustrative* Transition Risk and Opportunity



*Relative size of transition risk based on NGFS graphic with timing based on NGFS descriptors of scenario

Under all scenarios, New Zealand is less directly impacted by physical climate change than most countries⁷, benefitting from its latitude and ocean cooling. However, global health impacts such as increasing incidence of zoonotic and vector borne disease as well as pandemic risk and global socioeconomic effects have a flow on impact on the New Zealand population and economy.

Net-Zero 2050

In the Net-Zero 2050 Scenario, there is immediate global policy action and innovation, limiting the degree of physical climate change over the next 30 years. The orderly transition supports affected sectors and individuals, reducing negative transition impacts. Behavioural change is also more pronounced, increasing benefits such as health improvements from active transport.

Delayed Transition

In this scenario physical climate change also levels off due to stringent policy action. However, negative transition impacts are exacerbated with many industries and individuals finding it challenging to adapt to the pace of change as governments push through changes in regulation to limit warming to below 2 °C.

Current Policy Scenario

In this scenario, climate change continues to increase to 2050 and to accelerate thereafter with significant climate adaptation action taking place. Only transition activities already committed to take place, minimising transition risk.

⁶Quantification of risks will be developed for 2024 financial year. Illustrative size and timing is based on scenario construction and AIA NZ risks may not be directly correlated with drivers of change.

⁷IPCC Sixth Assessment Report, as illustrated in <https://interactive-atlas.ipcc.ch/>

2.9 Climate related risks and opportunities

This table summarises the potential climate-related risks and opportunities over the short, medium and long-term that AIA NZ has identified through its scenario analysis, including how those impact on internal capital deployment and funding decision-making.

DRIVER OF CHANGE	RISK	MANIFESTATION OF RISK / OPPORTUNITY	RISKS AND OPPORTUNITIES FOR AIA NZ				IMPACT ON STRATEGY (CAPITAL DEPLOYMENT OR FUNDING)
			OPERATIONS	INSURANCE & REINSURANCE	INVESTMENTS	REPUTATION & REGULATORY	
Physical Risks and Opportunities	Environment - Acute	Local increase in extreme weather events (flood, cyclone)	Business disruption	Morbidity	Asset Values	Customers in vulnerable circumstances	Migration of data to the AIA Managed Cloud increasing business resilience
	Environment - Chronic	Local managed retreat & lack of social cohesion worsens mental health		Mortality	Market Volatility		
		Global increasing prevalence of disease		Lapse & Sales	Market liquidity		
		Global socioeconomic impacts (lost productivity, disaster relief, financial system instability) and supply chain disruption		Pandemic and Catastrophe			
	Opportunity	AIA Vitality supports customers' health	Mortality, Morbidity, Lapse & Sales				
Transition Risks and Opportunities	Social	Local economic transition worsens mental health particularly for customers in impacted sectors/regions	Talent acquisition and retention	Morbidity	Asset Values	Customers in vulnerable circumstances	Decarbonisation of Operations & Portfolio
	Political/Economic	Global economic transition increases inflation		Lapse & Sales	Market Volatility		
		Global disruption of investment markets		Expense	Market liquidity		
	Opportunity	Improvements in population health from lower transport emissions, healthier drier buildings	Mortality, Morbidity				
		AIA Vitality supports customers' health	Mortality, Morbidity, Lapse & Sales				
		Market leadership in Climate Transition	Lapse & Sales, Expense, Asset Values				
Liability Risk	Reputation/Regulatory	Increased local regulatory change and societal expectations of climate action		Lapse & Sales Expense		Regulatory Compliance Public perception	Climate Related Disclosure project

2.10 Our business model

AIA NZ aims to meet the long-term wealth protection and management needs of individuals by offering a range of products and services, including life and health insurance as well as management of our legacy suite of investment and participating products. AIA NZ's main distribution channels are through intermediaries. As a life and health insurer, long term risks and opportunities are fundamental to our business. The operational, insurance, investment and reputational risks noted under 2.9 are part of our risk landscape and are monitored and managed through product design and pricing, underwriting criteria, financial reporting and use of reinsurance.

Climate change could potentially change the size or nature of these risks and opportunities for our business. Climate-related risks and opportunities will continue to be monitored and assessed and strategies developed which seek to mitigate the physical, transitional and liability risks and make the most of opportunities presented by climate change and the transition to a low-carbon future.

2.11 Anticipated impacts⁸

In reflecting on anticipated impacts, we have considered which risks and opportunities are likely to be present across all scenarios. We have also considered impacts under the "Current Policies" scenario over the short term. Through monitoring of trends and emerging risk, AIA NZ can adapt its strategy if there is a shift to a more rapid climate transition pathway.

If action is not taken to address climate change, physical health risk is likely to increase over coming decades from increasing weather events and the increasing prevalence of disease both locally and globally (which will impact availability and cost of reinsurance). Mental health is also likely to be heavily impacted through lack of social cohesion and displacement of families and communities through managed retreat. This has a flow on impact on customer vulnerability.

These deteriorations in health are likely to reduce product profitability across the New Zealand life insurance industry, whilst any actions taken to manage the higher risk through pricing and/or policy terms and conditions will impact on insurance affordability or appeal, contracting the market. Our flagship AIA Vitality offering is a science-backed health and wellbeing programme that provides the guidance, tools, and rewards to support our customers and staff in improving their health. We expect this to soften the health impacts on our customers while also increasing the relative value and appeal of AIA NZ products compared to other New Zealand Life Insurance offerings.

AIA NZ has committed to pursuing decarbonisation of its operations and investment portfolio and takes a proactive approach to reduce the transition market risk of falls in asset values or stranded assets.

Claims, lapse, expense and other assumptions in the Financial Statements reflect historic experience and expectations of current and future experience. AIA NZ has considered the potential impact of physical and transition climate-related matters on its financial statements. AIA NZ has concluded that based on the information and methodologies currently used, climate-related risks and opportunities do not have a material impact on the judgements, assumptions and estimates for the year ended 31 December 2023.

The effect of climate change represents a source of uncertainty in the medium to long-term which may affect AIA NZ's financial statements in the future.

⁸AIA NZ has elected to apply adoption provision 2 of NZ CS 2. This exempts it from disclosing in its first reporting period the anticipated financial impacts of climate-related risks and opportunities, and the time-horizons over which these could reasonably be expected to occur.

2.12 Our climate change strategy⁹

First announced in 2021, AIA Group's ESG Strategy set forth a long-term programme including the identification, assessment and management of climate risks and opportunities. In 2021, AIA Group committed to net-zero emissions by 2050. In 2023 it became the first pan-Asian life and health insurer to have its near-term targets validated by SBTi and also published its first Climate Transition plan.

AIA NZ has developed a localised ESG Strategy which is closely aligned with the AIA Group Strategy incorporating climate related matters as noted in Section 1.7. This approach has paved the way for sustainability initiatives, climate commitments and improving the environmental performance of our operations and investments.

In 2022, AIA NZ set local near-term targets for Scope 1 and 2 emissions reductions with guidance from Toitū Envirocare. These are monitored as part of Toitū Envirocare carbonreduce certification. However, we acknowledge that further development of our transition strategy for Scope 3 emissions is required to meet our long-term commitment of net-zero GHG emissions by 2050.

2.13 Alignment of transition plan with capital deployment and funding decision-making process

AIA NZ's strategic asset allocation takes into consideration the nature of the liabilities to be matched and the capital charges under the Interim Solvency Standard 2023, resulting in a significant proportion of assets being held in New Zealand Government Bonds. Capital beyond target surplus levels is returned to AIA Group to promote the efficient use of capital. Initiatives targeting reductions in emissions for both operations and investments are noted in the table overleaf.

⁹AIA NZ has elected to apply adoption provision 3 of NZ CS 2. This exempts it from disclosing the transition plan aspects of its strategy, including how its business model and strategy might change to address its climate-related risks and opportunities; and the extent to which transition plan aspects of its strategy are aligned with its internal capital deployment and funding decision-making processes. Instead, in its first reporting period AIA NZ provides a description of its progress towards developing the transition plan aspects of its strategy.

The table below describes our progress towards transition plan aspects of our strategy

	DECARBONISATION IN OUR OPERATIONS	DECARBONISATION IN OUR INVESTMENT PORTFOLIO
COMMIT	<ul style="list-style-type: none"> Committing to net-zero emissions and SBTi by setting targets under the SBTi methodology as part of AIA Group. 	<ul style="list-style-type: none"> Committing to net-zero emissions and SBTi by setting targets under the SBTi methodology as part of AIA Group.
ASSESS	<ul style="list-style-type: none"> As part of our commitment to net-zero by 2050 and to the SBTi, we have measured our baseline emissions from our operations and set demonstrably robust targets to reduce Scope 1 and 2 GHG emissions in line with the SBTi methodology. This involved evaluating the levers available to our premises and our corporate vehicle fleet to help us achieve our commitments. There has also been a focus on digitalisation, with budget allocated to Technology, Data and Analytics (TDA) projects. 	<ul style="list-style-type: none"> Embedding and explicitly considering ESG factors, including climate change, as part of our bottom-up investment decision making process. We have assessed the ESG impact of our general account (shareholder) direct fixed income investments and implemented an exclusion for companies that engage directly in coal mining and coal-fired power generation. We have also committed to considering ESG factors for all of our unit-linked portfolios. Currently we are working with our fund management provider to transition our existing investments to track ESG benchmarks, including: Global Equities, NZ Equities, Emerging Market Equities, US Equities, European Equities and Australian Equities.
TRANSFORM	<ul style="list-style-type: none"> Through the actions outlined above, the aim is to activate the viable and available levers across our premises and our corporate vehicle fleet in order to decarbonise and meet our near term Science Based Targets for Scope 1 and 2 emissions as noted under Section 4.4. AIA NZ's Our Future Workplaces Project is delivering a refurbished head office for our main leased building. This is expected to result in a decrease in emissions with the removal of natural gas, and other sustainability upgrades, as well as reducing the building footprint. Ongoing implementation of approved TDA projects. 	<ul style="list-style-type: none"> Where plausible, collective investment schemes are being transitioned to align to sustainability benchmarks; all apply exclusions for United Nations violations. <ul style="list-style-type: none"> Non-Linked Global Equities are invested in the Betashares Global Sustainability Leaders Fund (currency hedged and unhedged) and the Betashares Australian Sustainability Leaders Fund. The objective of these funds is to track the performance of indices (before fees and expenses) that include a portfolio of stocks that have passed Betashares' positive screens as well as negative screening to exclude companies with direct or significant exposure to fossil fuels or which engage in activities deemed inconsistent with responsible investment considerations. Work is underway to transition the remainder of the equities portfolio to ESG benchmarked funds where available. Further embedding the consideration of ESG factors in our bottom-up investment process in relation to our investment portfolio, which has resulted in favouring renewable energy producers and green bonds where available. Developing open and transparent climate-related disclosures including ongoing progress on our commitments. Working with Smartshares to align our NZ equities exposure to the S&P/NZX 50 ESG Tilted 15/40 Capped Index.

AT AIA NZ, CLIMATE CHANGE RELATED RISKS ARE ASSIMILATED INTO OUR RISK MANAGEMENT FRAMEWORK. CLIMATE-RELATED RISKS ARE MANAGED AS A TRANSVERSE RISK WITHIN THE AIA NZ RISK MANAGEMENT FRAMEWORK. RISKS ARE REPORTED WITHIN THE BUSINESS AREA WHERE THE RISK IS REALISED AS WELL AS COLLATED FOR MONITORING AND REPORTING AS “CLIMATE RISK”.

3.1 Risk identification, assessment and management

AIA NZ’s primary mechanism for identifying, assessing, and controlling risk is the Risk and Control Assessment (RCA).



The RCA is a forward-looking process involving business subject matter experts which is used to understand risks and considers the full AIA NZ value chain including third parties, internal processes, people, systems, and external events and trends. To ensure a comprehensive and robust approach, the overall RCA is comprised of a high-level (“top-down”) assessment at the enterprise level that is supported (and validated) by a detailed (“bottom-up”) assessment at the functional level.

In 2023 we carried out our first scenario analysis process. Engagement with business leaders and subject matter experts across AIA NZ supported identification and assessment of inherent key climate-related risks. This ensures a proportionate focus on the most material risks, particularly those that apply over the short-term or are consistently present in all scenarios regardless of time horizons. See Section 2.4 for a description of the methodology applied and Section 2.2 for time horizons. With annual scenario analysis going forward, we expect to grow the skills and knowledge of staff across the business in understanding, identifying and managing climate-related risks.

Current risks (over coming 12 months) are further assessed according to the AIA NZ likelihood and impact criteria, while emerging and longer-term risks are monitored and assessed if or as they become current. Climate-related risks are mapped to AIA’s risk landscape, respective Executive owners, and prioritised in the same manner as other risks, and where required additional management action is undertaken. Oversight over the risk assessments and any actions undertaken is provided by the Board and Management level governance bodies described in Section 1 “Governance”.

AIA NZ has a Risk Management Framework which is made up of the systems, policies, people and processes that AIA NZ has in place. AIA NZ has adopted the Three Lines of Defence model which defines the key risk management roles within its business.

Each RCA is performed annually or more frequently upon the identification of a trigger event such as a change in the internal or external operating environment.

THREE LINES OF DEFENCE	ROLE	RESPONSIBILITY
First line	Executive Management	Work together to ensure ESG-related risks are anticipated and managed, regardless of the ownership over any specific ESG issue.
Second line	Risk and Compliance	
Third line	Internal Audit	Internal review of risk management.

WE HAVE BEEN MEASURING OUR EMISSIONS SINCE 2021 THROUGH TOITŪ ENVIROCARE CARBONREDUCE CERTIFICATION. WE ARE CONFIDENT THAT WE WILL MEET OUR SCOPE 1 AND SCOPE 2 NEAR-TERM TARGETS THROUGH THE LEVERS IDENTIFIED BUT RECOGNISE THAT MORE WORK IS NEEDED TO MONITOR AND REDUCE OUR SCOPE 3 EMISSIONS

4.1 Energy and Emissions¹⁰

To make sure we are following best practice, we partnered with Toitū Envirocare in 2021 to improve the efficiency, accuracy and integrity of our emissions management and reporting process. The results of our work with Toitū Envirocare carbonreduce certification showed that last year our operational carbon emissions were 1,530t CO₂e (tonnes of carbon dioxide equivalent). This is primarily derived from the resources and materials that we consume.

GREENHOUSE GAS EMISSION	TCO ₂ E 2023 FINANCIAL YEAR	LEADING SOURCES OF EMISSIONS FOR AIA NZ
Scope 1	128tCO ₂ e	Fuel emissions from our vehicle fleet
Scope 2	263tCO ₂ e	Electricity usage and gas heating at our offices
Scope 3*	1,139tCO ₂ e	Primarily air travel and employee commuter emissions.
Operational emissions intensity per employee	1.94tCO ₂ e per employee	

¹⁰AIA NZ has elected to apply adoption provision 4 of NZ CS 2. This exempts it from disclosing Scope 3 GHG emissions in its first reporting period. AIA NZ has chosen to disclose a subset of Scope 3 emissions, with excluded sources outlined above. AIA NZ has also applied adoption provisions 5, 6 and 7 of the NZ CS 2 which exempt it from disclosing comparative information for prior reporting periods and analysis of trends for GHG emissions and other metrics disclosed.

4.2 Emission measurement

All purchased and generated energy emissions are dual reported using both the location-based method and market-based method. AIA NZ's GHG emissions reporting aligns with ISO 14064-1:2018 and the GHG Protocol.

An operational control consolidation approach was selected.

We utilise Toitū's Emanage software to calculate our emissions. The sources of emissions factors and associated Global Warming Potential (GWP) rates for our most material emissions were:

- New Zealand Ministry for the Environment's 2023 Guidance for Voluntary Greenhouse Gas Reporting (electricity, gas heating, air travel via our supplier, employee commuting)
- Our fuel emissions were calculated by our fleet supplier based off our fuel consumption and manufacturers' emissions data per vehicle model

The main data limitations and sources of uncertainty were reliance on third party supplier reports, reliance on staff survey for calculating employee commuter emissions, and estimation of Scope 3 waste and employee emissions for regional offices where data was not available (5% of headcount).

* As part of our Toitū carbonreduce certification, we carried out significance screening based on 2023 spend. Some sources of Scope 3 emissions were excluded due to our limited ability to influence these sources of emissions. The following excluded sources were identified as potentially contributing greater than 5% to operational emissions.

- Data and software services
- Consultancy services
- Advertising and sales
- Events and entertainment

Emissions from distribution and financed emissions were also excluded from 2023 reporting and are likely to significantly increase our Scope 3 emissions once included from 2024 onward.

4.3 Risk and opportunities metrics¹¹

Risk Metrics

The most material impacts identified from transition risk are mental health impacts on our claims experience (which mainly impacts our Disability Income portfolio, representing 12.8% of annual premium income), as well as impacts on our investment portfolio.

The most material impacts identified from physical risk are longer-term health impacts on our claims experience (which impacts across all protection products), as well as impacts on our operations and investment portfolio. The effect of climate change represents a source of uncertainty in the medium to long term.

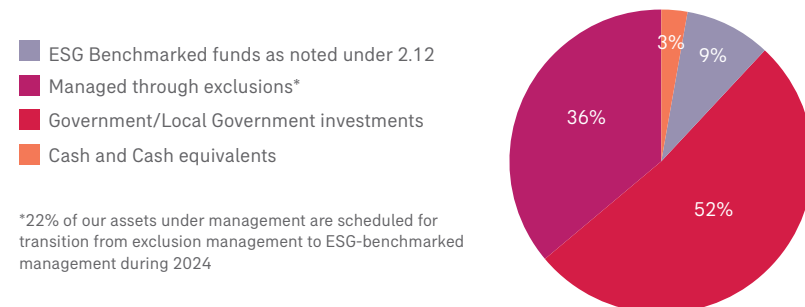
Opportunities Metrics

The improvement in health that may come about through transition activity would impact across all protection products. Over 55,000 customers currently have AIA Vitality with the number growing over the last few years and a continued focus on growth in AIA Vitality as part of our AIA One Billion initiative for supporting Healthier, Longer, Better Lives.

Capital expenditure and Investment

Spend on projects associated with climate-related risks and opportunities, as listed in Section 2.9, was \$11.5m during 2023. AIA NZ did not apply an internal emissions price in the 2023 financial year.

Our \$1.6b assets under management at 31 December 2023 were split as shown below:



*22% of our assets under management are scheduled for transition from exclusion management to ESG-benchmarked management during 2024

4.4 Targets

Toitū Envirocare helped us set targets grounded in science aimed at limiting the increase in global average temperature to below 1.5°C above pre-industrial levels. We track and monitor our emissions annually. In 2023, our emissions increased compared with the previous year. Part of the increase reflected business operations returning to “normal” with more onsite working and travel for in person meetings.

Progress on our decarbonisation strategy is described under Section 2.12. With this roadmap and the levers identified below, we have confidence we will meet our near-term target without reliance on offsets. AIA NZ has begun transitioning its fleet to hybrid vehicles to reduce fuel usage, with about half of the fleet transitioned during 2023, and the remaining vehicles expected to transition at lease expiry dates (with the last of these being in January 2026). In 2024, our main office will undergo refurbishment and when we return to the building, as well as improved efficiency we will occupy a smaller floorspace, right-sizing our footprint for hybrid working. We recognise that further work is required in developing AIA NZ’s Climate Transition Plan, particularly for Scope 3 emissions, in order to meet our long-term targets.

AIA NZ localisation of AIA Group SBTi & net-zero commitments

NET ZERO ALL CATEGORY	NEAR-TERM ABSOLUTE EMISSIONS TARGET:		LONG-TERM ABSOLUTE EMISSIONS TARGET:	
	2030: 46.2% REDUCTION OF SCOPE 1 & 2 EMISSIONS FROM 2019 BASELINE		2050: NET ZERO EMISSIONS BY 2050	
Levers for near-term target.	Improve efficiency for building operations.	Improve efficiency for land transport (hybrid or EV vehicles to reduce petrol or diesel use).	Improve digitilisation (reducing paper use).	Improve data quality to enable greater insight.

¹¹AIA NZ has elected to apply adoption provisions 6 and 7 of NZ CS 2 which exempt it from providing comparative information for the immediately preceding two reporting periods and an analysis of trends for each metric disclosed.

AIA Group	AIA Group Limited
AIA NZ	AIA New Zealand Limited
BARC	Board Audit and Risk Committee
BESG	Board Environmental, Social and Governance
Board	AIA NZ Board of Directors
BREM	Board Remuneration Committee
CCC	Climate Change Commission
CRD	Climate-related Disclosures
ESG	Environmental, Social and Governance
FRC	Financial Risk Committee
FSC	Financial Services Council of New Zealand
GHG	Greenhouse gas
IC	Investment Committee
IGF	Investment Governance Framework
INED	Independent Non-Executive Director
IPCC	Intergovernmental Panel on Climate Change
NGFS	Network for Greening the Financial System
NIWA	National Institute of Water and Atmospheric Research
NZ CS	Aotearoa New Zealand Climate Standards
ORC	Operational Risk Committee
RCA	Risk and Control Assessment
RCP	Representative Concentration Pathway
SBTi	Science Based Targets Initiative
SSP	Shared Socioeconomic Pathways
tCO₂e	Tonnes of carbon dioxide equivalent
TDA	Technology, Data and Analytics
XRB	External Reporting Board





HEALTHIER, LONGER,
BETTER LIVES