

Financial Year Ended 30 June 2024

Climate Statement



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FEB 2024
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FEB 2024
Board charter updated to clarify climate-related responsibilities

FEB 2024
Routes & premises exposure assessments

JUN 2024
Controlled business climate risk assessments

2023 – 2024

FREIGHTWAYS FY24 CLIMATE-RELATED DISCLOSURE

1. CEO and Board preamble

In a world marked by increasing flux and uncertainty, climate change has emerged as a defining challenge of our time. The past few years have seen the impacts of the climate crisis felt across New Zealand, Australia, and the globe. The frequency and intensity of weather events are increasing, causing variations in rainfall, more frequent flooding, sea level rise, and drought¹. The forces associated with climate change are and will continue to have profound impacts across the economy, on ecosystems, communities, industry, and government alike, presenting numerous potential risks and opportunities. In the face of these challenges and evolving regulations Freightways sees it as essential to be proactive in adapting and mitigating these risks, whilst contributing to the creation of a more sustainable future.

Our experience of Cyclone Gabrielle, the Auckland Anniversary Floods in early 2023, and other localised events this past year are clear evidence of the ability of the changing climate to cause disruption across our operations. These events have allowed us to begin to better understand the risks and impacts of extreme weather events across our value chain, and how we can adapt and respond to future events. To address climate change and reduce emissions, organisations alongside government are taking action by enacting legislation and defining pathways to reach net-zero economies. Working collaboratively through industry-led initiatives like the Climate Leader's Coalition, which Freightways joined in 2019, will also play a crucial role in the transition.

The transport sector is a large source of emissions, accounting for 17.5% of total gross greenhouse gas (GHG) emissions in New Zealand² and 21.2% in Australia³. New Zealand and Australia have a long geography and widely distributed population resulting in roading networks being a central element of the transport system. As a major transport service provider, we move thousands of items each day through our core business of picking up, processing, and delivering goods. We understand that providing these services is currently emission-intensive and recognise the role we play as a part of the transition to a low-carbon, climate-resilient future.

Freightways has endeavoured to measure the Group's operational GHG emissions for ten years. Since 2014, we have been a certified Toitū carbonreduce organisation, and have measured and put in place strategies to manage our emissions. Since FY21, Freightways has had emission reduction targets based on its most significant Scope 1, 2 and 3 emissions. However, during the preparation for reporting under Aotearoa New Zealand Climate Standards, it became apparent that the range of data relating to scope 3 emissions, which are the vast majority of Freightways' emissions, required more work to be complete and exhaustive. For this reason, Freightways decided to only release Scope 1 and 2 emissions this year and to wait until Scope 3 emissions are fully measured to set new targets.

We have advanced with electrification of our company owned vehicles, with a plan to have 100% of company cars be either plug-in hybrid or electric by 2031. From FY26 we plan to implement charging ports and upgrade the transformer at our Penrose location. Specific funding is currently being sought under the EECA Low Emission Transport Funding scheme to increase the charging infrastructure to meet the demands of the electric vehicle transition.

As a climate reporting entity under the Aotearoa New Zealand Climate Standards, we view reporting as an opportunity to build resilience into our organisation and share how we are analysing and responding to our climate-related risks and opportunities. This FY24 Climate Statement builds on three years of voluntary disclosures by Freightways. Reporting will continue to develop as our understanding of climate-related risk and impact expands and as we improve our strategies and the sustainability of our organisation whilst collaborating with others to help to achieve our collective goals.



MARK CAIRNS
Chairman

MARK TROUGHEAR
Chief Executive Officer

¹IPCC, Sixth Assessment Report, 2023. https://www.ipcc.ch/report/ar6/wg1/downloads/factsheets/IPCC_AR6_WGI_Regional_Fact_Sheet_Australasia.pdf

²New Zealand Government, Ministry for the Environment, New Zealand's Green House Gas Inventory 1990-2022. <https://environment.govt.nz/assets/publications/GHG-Inventory/GHG-Inventory-2024/GHG-Inventory-2024-Vol-1.pdf>

³Australian Government, Department of Climate Change, Energy, Environment and Water, Quarterly Update of Australia's National Greenhouse Gas Inventory, 2023. <https://www.dcceew.gov.au/sites/default/files/documents/nggi-quarterly-update-sept-2023.pdf>

ABOUT THIS CLIMATE STATEMENT

Statement of compliance

Freightways Group Limited and its subsidiaries (together 'Freightways' or 'the Group') is a climate-reporting entity ('CRE') under the *Financial Markets Conduct Act 2013*.

This Climate Statement includes Freightways' climate-related disclosures to comply with Aotearoa New Zealand Climate Standards ('NZ CS') issued by the External Reporting Board in respect of the reporting period from 01 July 2023 to 30 June 2024 (the 'Reporting Period' and also referred to as 'FY24').

MARK CAIRNS
21st October 2024




ABBY FOOTE
21st October 2024




In preparing this Climate Statement under NZ CS Freightways has elected to use the following adoption provisions:

ADOPTION PROVISION 2: ANTICIPATED FINANCIAL IMPACTS

This adoption provision exempts Freightways from disclosing anticipated financial impacts of climate-related risks and opportunities reasonably expected by Freightways for our first reporting period. This provision also exempts Freightways from disclosing a description of the time horizons over which the anticipated financial impacts of climate-related risks and opportunities could potentially occur.

ADOPTION PROVISION 3: TRANSITION PLANNING

This adoption provision exempts Freightways from disclosing the transition plan aspects of our strategy, including how our business model and strategy might change to address climate-related risks and opportunities; and the extent to which transition plan aspects of our strategy are aligned with internal capital deployment and funding decision-making processes for our first reporting period.

ADOPTION PROVISION 4: SCOPE 3 GHG EMISSIONS

This adoption provision exempts Freightways from disclosing Scope 3 GHG emissions information during the first reporting period.

ADOPTION PROVISION 5: COMPARATIVES FOR SCOPE 3 GHG EMISSIONS

This adoption provision exempts Freightways from disclosing comparative Scope 3 emissions information of the prior two reporting periods.

ADOPTION PROVISION 6: COMPARATIVES FOR METRICS

This adoption provision exempts Freightways from disclosing comparative information of the prior two reporting periods for our disclosed metrics. Freightways has selected FY24 as its base year for this Climate Statement.

ADOPTION PROVISION 7: ANALYSIS OF TRENDS

This adoption provision exempts Freightways from disclosing analysis on the main trends in our disclosed metrics between previous reporting periods. Freightways is currently not disclosing comparative information for some metrics, utilising adoption provision 6, therefore we have no prior year data to provide trend analysis and commentary.

Date published:

This Climate Statement was published on 21st October 2024.

Important information for readers

Climate-related risk management is an emerging area, and often uses data and methodologies that are developing and uncertain. Freightways started climate reporting a few years ago. With the introduction of mandatory reporting and Freightways becoming a CRE, considerable effort has been made to uplift our assessment of climate risk. As a lean organisation, this has involved engaging expert external consultants to support with analysis and processes. As part of that engagement, we have received advice from external consultants and used third-party sources of information in conducting our internal processes and also for parts of the content of this Climate Statement.

This Climate Statement contains forward-looking statements, including climate-related metrics, climate scenarios, estimated climate projections, assumptions, forecasts and statements of Freightways' future intentions. These statements necessarily involve assumptions, forecasts and projections about Freightways' present and future strategies and the environment in which Freightways will operate in the future, which are inherently uncertain and subject to limitations, particularly as to inputs, available data and information which is likely to change. Freightways has used best efforts in the preparation of this Climate Statement to provide accurate information as at 30th June 2024, but cautions reliance being placed on representations that are necessarily subject to significant risks, uncertainties or assumptions. Climate-related forward-looking statements may therefore be less reliable than other statements Freightways may make in its annual reporting.

Descriptions of the qualitative impacts of climate change draw on and/or represent estimated impacts. In particular, the risks and opportunities described in this Climate Statement may not eventuate or may be more or less significant than anticipated and comments about potential reactions to those risks and opportunities should be read in that light.

There are many factors that could cause Freightways' actual results and outlook for the future to differ materially from that described, including climatic, government, consumer, technology and market factors outside of Freightways' control. Freightways also expects that some forward-looking statements made in this document may be amended, updated, recalculated, and restated in future documents as the quality and completeness of its data and methodologies continue to evolve and improve.

Nothing in this Climate Statement should be interpreted as capital growth, earnings or any other legal, financial, tax or other advice or guidance. For detailed information on our financial performance, please refer to our Annual Report, available at <https://www.freightways.co.nz/investor-relations/annual-reports/>.

2. Governance

Governance body oversight

Freightways Group Limited and its wholly-owned subsidiaries across New Zealand and Australia (together 'Freightways' or the 'Group') offer services in express package and business mail, waste renewal, information management, and refrigerated transport. The members of the Group comprise the 'Controlled Businesses' and this term is used throughout this Climate Statement. Freightways has grown organically and through acquisitions, and now has representation in every major town in New Zealand and every state in Australia. It operates trusted brands in the communities Freightways serves, the key brands of which are displayed in the organisational structure in Figure 1. The brands shown in Figure 1 (except those identified as Equity Share Entities) are the key brands operated by the Controlled Businesses during the Reporting Period.

FIGURE 1: FREIGHTWAYS GROUP KEY BRANDS



BOARD OF DIRECTORS

Freightways' Board of Directors is responsible for the long-term resilience and stewardship of the Group to ensure the proper direction and control of Freightways' activities. The Board's climate-related responsibilities were updated in the Board Charter in February 2024⁴. The Board has the responsibility for establishing corporate objectives and strategies, which includes managing risks and opportunities associated with climate change. Since February 2024, climate-related risks and opportunities have been formalised as a standard Board agenda item. Prior to February 2024, climate was regularly discussed by the Board at meetings, including as part of considering the monthly Health, Safety and Environment (HSE) update from the General Manager of Safety and Sustainability (GM S&S). The HSE update includes updates on topics relevant to Freightways' climate-related risks and opportunities, such as availability and progress in low-emissions vehicle technology.

The Board was updated on Freightways' contractors' emissions reduction plan in July 2023 and August 2024 and has had access to significant climate risk assessment work that was shared with the Audit and Risk Committee (ARC) and is described in the Risk Management section.

The Board is also responsible for approving a set of metrics and targets for managing Freightways' climate related risks and opportunities, as well as monitoring progress against those and approving reporting. The Board decided in August 2024 that targets initially set in 2021 are no longer appropriate and will approve future targets during FY25, with the benefit of further data. The Board will consider recommendations received from ARC, the CEO and GM S&S in relation to targets and will establish a cadence for monitoring targets after these are reset in FY25.

AUDIT AND RISK COMMITTEE

Freightways' ARC is responsible for the management, monitoring, and reporting of risks, including those that are climate-related. The Charter of the ARC requires that the ARC conduct an annual review of management's prioritisation of Freightways' business risks and mitigating actions as consolidated across the Group, and recommend to the Board for approval key risks for which risk management plans will be developed and implemented. Freightways' risk register is updated annually and taken to the ARC for the purposes of this review. During the Reporting Period, a climate risk register was created and shared with the ARC.

The ARC's climate-related responsibilities were updated in February 2024. Prior to February 2024, the ARC was responsible for climate-related risks as part of its general responsibilities regarding Freightways' risks. The ARC has further climate-related responsibilities that include the definition of scenarios and the measurement of financial impact⁵.

The ARC has responsibility for recommending the inclusion of climate-related risks and opportunities in Freightways' long-term strategy; metrics and targets for managing those risks; and also for undertaking a detailed review of Freightways' climate reporting. During this Reporting Period, the ARC was updated in relation to scenarios and scenario analysis, the Controlled Business Risk Assessments as well as the overall Freightways Climate-related Risk Assessment. The ARC will oversee significant work areas to come to meet NZCS requirements in FY25 and a regular cadence of climate-related reporting to ARC will be established, that includes progress in both measurement and reduction of GHG emissions.

FIGURE 1: FREIGHTWAYS GROUP KEY BRANDS

The brands of the Equity Share Entities are included in this Figure 1 for completeness. Freightways is a shareholder of 50% or less in the entities that operate these brands, so those entities are not Controlled Businesses, and they do not form part of the Group for the purposes of this Climate Statement.

⁴Freightways' Board Charter can be found at: <https://www.freightways.co.nz/about/corporate-governance>

⁵See Board Charter referred to in the footnote above for further details of ARC climate-related responsibilities.

Board skills and competencies

Freightways' Directors have governance expertise related to sustainability and climate change. The Board skills matrix on page 58 of the Annual Report outlines the skills of each Director, including relevant areas of expertise such as: Governance; Audit and Risk; and Environmental and Social matters. All our Board members are supporters of Chapter Zero⁶. To keep the Board informed of the latest climate data and aware of regulatory and sector updates, the Board's experience is supplemented by external support and training when required. Over the past year, this included the delivery of two climate-focused workshops by Tadpole to help upskill the Board and ensure they have sufficient knowledge to understand and make decisions informed by climate-related risks and opportunities. External support has been relied on to assist where internal resource is insufficient, in particular in relation to the risk assessments described in the Risk Management section (page 27), and to support content within this Climate Statement.

Integration of climate change into strategy

Freightways has yet to formally integrate climate-related risk and opportunities into its overall business strategy. Given the exposure and dependencies along Freightways' value chain, the Board has acknowledged the importance of integrating climate-related risks into the strategic direction of the Group, including allocation of responsibility to the ARC as noted above.

Remuneration

Freightways' Board is responsible for approving executive remuneration. Freightways has incorporated climate-related performance metrics in the remuneration as part of the short-term incentives of the CEO for FY24, FY23 and FY22 (with FY24 having a weighting of 5% and measured against the achievement of certain climate related strategic goals)⁷. In each of these years 100% of the incentive was paid, reflecting achievement against strategy.

The CFO and GM S&S have performance metrics that relate to integrating climate-change related considerations into Freightways' practices which, in FY24, had individual weightings of between 5% and 10%.

The Board will be exploring ways to further make climate-related risks and opportunities a tangible and meaningful component of wider management's core responsibilities and performance evaluation criteria in the future.

Management's role

Freightways' Chief Executive Officer (CEO) and Chief Financial Officer (CFO) have delegated authority from the Board to take responsibility for assessing and managing consolidated risks and opportunities related to all subsidiaries. As part of this role in the Freightways Executive Leadership Team (ELT), the CEO and CFO are engaged in structuring Freightways' strategic and risk management approach to potential climate-related risks and opportunities.

The CEO is responsible for the integration of sustainability considerations in the overall business strategy and will be responsible for recommending proposals for climate-related targets to the Board, alongside GM S&S. The CFO is responsible for the management of all business risks, including climate-related risks.

To assess and manage risks, Freightways' CEO and CFO work with General Managers to update the Group risk profile drawing on each of Group Controlled Business's documentation and report this to the ARC annually.

During the Reporting Period, GM S&S worked with the general managers of the Controlled Businesses (General Managers), supported by Tadpole, to conduct Controlled Business Climate Risk Assessments (see Risk Management section page 27). Having undertaken this significant project, the General Managers and executive teams of each of Freightways' Controlled Businesses will continue to be involved in identifying, assessing, and managing climate-related risks and opportunities, and developing future strategies at an operational level (Controlled Business level) to provide those to Freightways' CEO and CFO at least annually.

Over the Reporting Period, risks were reviewed, and new climate-related risks were considered and then analysed by Freightways' ELT and the ARC and reported to the Board.

At the Group level, the management of Freightways' sustainability metrics and strategy (including climate) is delegated to the GM S&S. The GM S&S prepares the monthly HSE reports which include relevant climate-related risks and opportunities. This monthly HSE report is shared with the ELT and the Board. The GM S&S also reports climate metrics to the Board and will also make proposals, alongside the CEO, in relation to climate-related targets for approval from FY25.

The People & Safety Committee reviews performance and terms and conditions of employment of the CEO and his or her direct reports, as well as making recommendations to the Board in relation to short-term incentives.

⁶The mission of Chapter Zero New Zealand is to mobilise, connect, educate and equip directors and boards to make climate-smart governance decisions, thereby creating long term value for both shareholders and stakeholders. See <https://www.chapterzero.nz/about>

⁷Page 61 of the Freightways Annual Report 2024 has further information about CEO remuneration.

Organisational structure

An overview of Freightways' governance structure in relation to climate-related risks and opportunities and relationship between the Board and management is displayed in Figure 2. Please see the Board Charter for further detail.

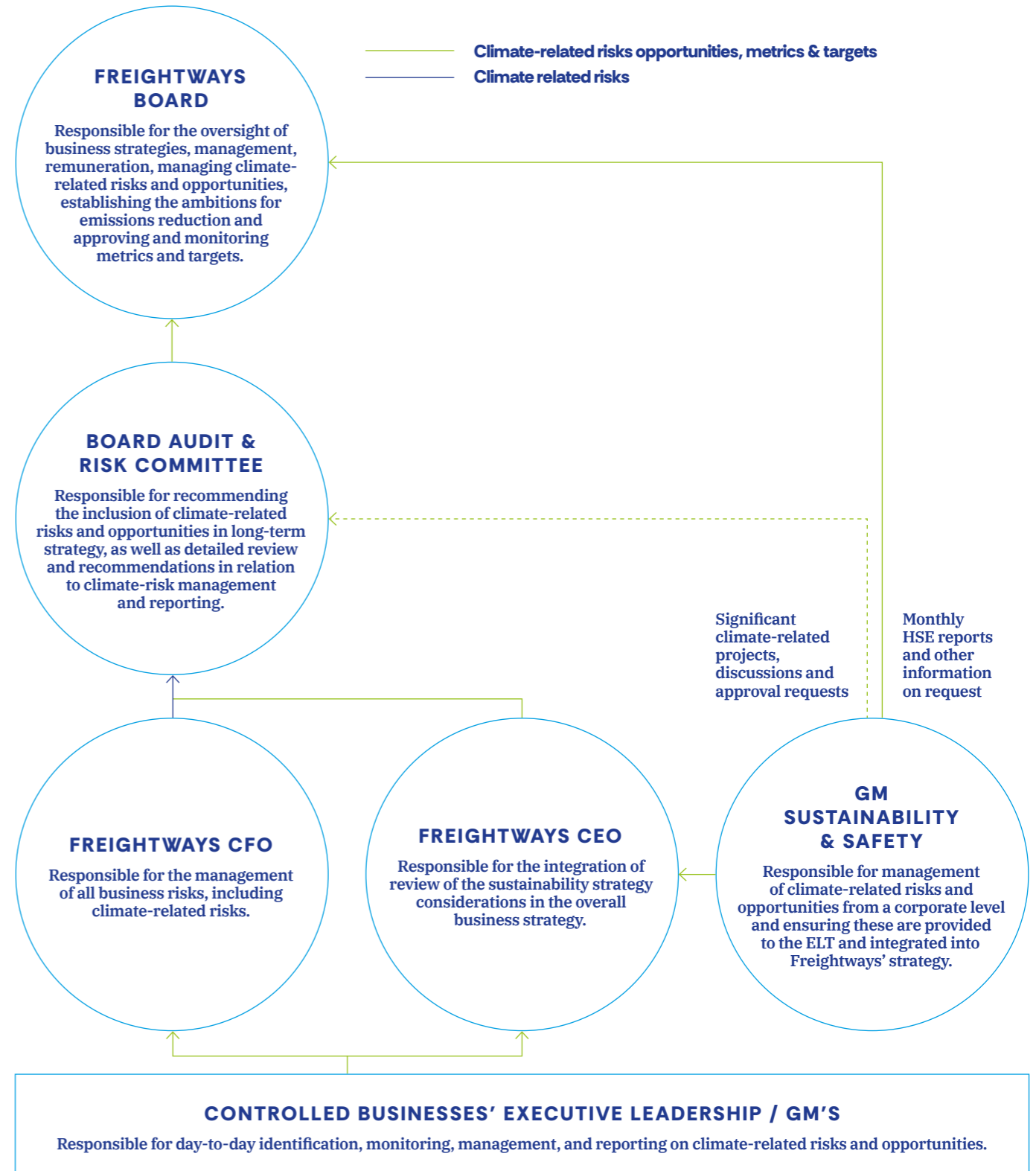


FIGURE 2: OVERVIEW OF GOVERNANCE STRUCTURE FOR CLIMATE-RELATED RISKS AND OPPORTUNITIES

3. Strategy

The changing climate has the potential to significantly impact Freightways' operations in Australia and New Zealand, and Freightways is committed to taking steps to further understand how climate change is currently impacting the business and how it could reasonably affect us in the future.

OUR BUSINESS MODEL AND STRATEGY

Freightways is a leading provider of express package, business mail delivery, and logistics services in New Zealand and across Australia, serving customers since 1964. Freightways caters to a range of consumers and businesses, offering services such as courier delivery, information management, and supply chain solutions. Our purpose is to always be on the move and everything we do is about moving you to a better place. Across the Group, we pick-up, process, and deliver physical and digital items providing a reliable and efficient service for our customers. In 2020, Freightways started investing in temperature-controlled transport, through the acquisition of Big Chill and later Produce Pronto. These businesses transport and store both chilled and frozen food.

Our business model relies on the use of contractors to deliver goods under our courier brands and involves utilising leased vehicles, trucks, and properties. Freightways' most material emissions come from the fuel we use across our vehicles and aircraft. The transition of our large trucks away from diesel is not progressing as quickly as expected due to the limited availability and viability of trucks to do the job required and lack of planned infrastructure to support alternative fuels. Our light vehicle model and associated assumptions away from internal combustion engines (ICE) is also likely to occur at a later date than initially planned. The proposed replacement of aircraft with more fuel-efficient models is on track, although the introduction of Sustainable Aviation Fuel (SAF) does not appear to be as soon as initially anticipated. These challenges have led Freightways to believe the transition to a low carbon model in the near future to be more difficult than previously anticipated.

Freightways' growth strategy revolves around delivering reliable and efficient express package and business services. We have adopted a customer-centric approach, striving to provide quality services that meet the evolving needs of our extensive customer base. Freightways' strategy places a heavy emphasis on operational efficiency. Freightways invests in diversified business activities not only to boost revenue streams but also to minimise risk. Our team and partners are united by three deeply held beliefs: everyone takes ownership,

we think commercially, and we work as a family. We also invest in businesses such as SaveBOARD (which allows us to recycle and repurpose plastic containers) and our electronic destruction businesses in Australia. We believe our strategy of operational efficiency and diversified business activities positions Freightways well to transition to a low-emissions climate-resilient future; however, we acknowledge the various challenges related to new technologies and infrastructure that underpin our transition pathway.

Current Climate Impacts

No material physical or transitional climate impacts were experienced in the Reporting Period, which commenced on 1 July 2023.

Shortly before the Reporting Period in February 2023, Cyclone Gabrielle was a significant weather event that produced widespread damage and destruction due to its heavy rains, strong winds, and extreme weather conditions. Cyclone Gabrielle caused significant disruptions to Freightways' transportation network affecting roads, bridges, and airports, making it harder to reach the Hawkes Bay, Gisborne, and surrounding areas. Our commitment to delivering for our customers and communities in these areas was resolute during this time, but for Freightways this severe weather event caused significant flooding and damage to some of our key transport routes, requiring us to implement lengthy detours or expensive alternatives to deliver to several regions.

As communicated to the New Zealand Stock Exchange (NZX)⁸ in March 2023, the impact of Cyclone Gabrielle on Freightways' businesses has been in the region of \$2m in earnings before interest, tax, and amortisation as a result of lost revenue and additional operating costs to circumnavigate impacted roads.

On reflection after the cyclone and storms subsided, we were able to understand how we can better respond to significant weather events in the future, including establishing a prioritisation hierarchy for freight deliveries during disruptive periods, and therefore ensuring that regions receive the most critical items as a matter of urgency. In the Risk Management section page 27, we describe a Route and Premises Exposure Assessment which considered a range of risks such as flood plain risk, wind exposure, and other physical risks such as tsunami vulnerability and earthquake risk.

Scenario analysis

Freightways engaged Tadpole, specialist sustainability consultants, to assist with analysis of climate-related risks and opportunities, as well as the supporting data and workshops for the scenario analysis process. Freightways undertook scenario analysis with the assistance of Tadpole to enable it to understand the resilience of its business and value chain under possible future temperature, policy, technology, and societal changes. This process also allowed Freightways to better understand the extent of our climate-related risks and opportunities and to aid in the beginning phase of developing a transition plan.

SCENARIO ANALYSIS PROCESS UNDERTAKEN

Freightways has been working collaboratively with other transport sector organisations to undertake transport sector-level scenario analysis with the assistance of The Aotearoa Circle (the output of that work is the **Transport Sector Scenarios**⁹). While this sector work was underway, we have undertaken a refresh of our own scenario analysis process in 2024 in collaboration with Tadpole to meet the requirements of the Aotearoa New Zealand Climate Standards. Where possible, we have closely linked our scenario analysis to the Transport Sector Scenarios to make the scenarios appropriate and relevant to assess resilience to climate-related risks and opportunities, with alterations to make them relevant for our business and its operations.

The scenario analysis undertaken this year is a standalone process and is not currently integrated within Freightways' overall strategy processes.

The steps undertaken in our scenario development process involved:

STEP 1:

Key personnel and stakeholders in management positions including members of our ELT, sustainability and finance teams were brought together by Tadpole to be involved in the assessment of defining key outputs, roles, and responsibilities of the analysis process.

STEP 2:

Validated scenario analysis boundaries, including time horizons, geography, value chain, and framework architecture and to set the focus question "how could climate change plausibly affect our business, what should we do and when?"

STEP 3:

Relevant driving forces were assessed using the STEEP framework (Social, Technological, Economic, Environment, Political) to determine if any modified drivers are plausibly impacted by climate change.

STEP 4:

Three scenarios were developed by collating relevant sector-level pathways and data to determine how each scenario may affect the organisation's value chain. The three scenarios selected include a 1.4°C Net Zero 2050, a 1.6°C delayed transition, and a 3+°C current policies.

STEP 5:

Scenario narratives were crafted which are compelling, plausible, and internally consistent, including supporting data that had been developed or collated in the analysis process.

STEP 6:

The scenarios were systematically assessed for implications on our strategy and business model and options were explored for approaches to scenario reiteration for future changes in strategy and transition planning.

STEP 7:

The scenarios were reviewed by Freightways' management team and ARC and ultimately approved by the Board as part of the approval of this Climate Statement.

⁹The Transport Sector Scenarios are available at <https://www.theaotearoacircle.nz/reports-resources/transport-sector-climate-change-scenarios>.

OVERVIEW OF OUR CLIMATE SCENARIOS¹⁰

	ORDERLY / NET ZERO 2050 (1.5°C)	DISORDERLY / DELAYED TRANSITION (1.5°C)	HOT HOUSE WORLD / CURRENT POLICIES (3+°C)
TEMP. OUTCOMES (2050¹¹)	1.4°C ¹²	1.6°C	3+°C
SCENARIO ARCHETYPES*	NGFS – Orderly theme RCP1.9 SSP1: Sustainability CCC: Tailwinds IEA: NZE	NGFS – Disorderly theme RCP2.6 SSP3: Regional Rivalry CCC: Headwinds IEA: SDS	NGFS – Hot House World theme RCP8.5 SSP5: Fossil Fuel Development CCC: Current Policy Reference IEA: STEPS
POLICY REACTION	Immediate and smooth. Pre-emptive.	Reactive in real-time.	Retroactive reactions.
REGIONAL POLICY VARIATION	Collaborative. Broad agreement on policies.	Significant. Singular focus. Less collaboration. Focus on domestic priorities.	Low collaboration, limited variation. Minimal policy changes up to 2050.
SPEED OF TECHNOLOGY CHANGE	Rapid. High investment levels.	Delayed until 2030, rapid thereafter.	Slow
CONSUMER SENTIMENT/ BEHAVIOUR CHANGE	Broad re-orientation towards sustainable living and resource use.	Delayed until 2030, followed by significant shift to sustainable living.	Gradual shift, driven by future generations.
PHYSICAL RISK SEVERITY	Low	Medium	High
TRANSITION RISK SEVERITY	Medium (higher short-term)	High	Low
HEALTH IMPACTS OF PHYSICAL RISKS	Low. Preventative action in an equitable manner.	Medium	High
GLOBAL TRANSPORT EMISSIONS	Rapid, sustained and substantial decrease. Levels by 2050 are less than 10% current levels.	Steady decrease across all decades that does not kick in until the 2030s. Reductions significant but not substantial.	Increase in the 2030s followed by a small decrease in 2040s that is not sustained. Overall levels increase.
FREIGHT MODE SHARING	A strong shift to more rail and coastal shipping, most prevalent in the 2030s.	A minor shift away from road.	No modal shift. Road freight predominates across all decades.

TABLE 1: OVERVIEW OF OUR CLIMATE SCENARIOS

¹⁰Data to support the scenarios was sourced from the IEA and CCC in relation to transport and energy variables. Physical and socio-economic variables were sourced predominantly from NGFS, supplemented by data from IPCC, NIWA, NASA Sea Level Change Portal, the SSP database and NZ Treasury.

¹¹Temperature outcomes at 2050 are in alignment with climate scenario pathways and models (architectures) that have been used for the scenario analysis. The transport sector work modelled temperature outcomes at 2100. Note: there is a small degree of variance between the two models.

¹²This is used to represent the 1.5 degree scenario required in NZCS, as the rapid decarbonisation pathway considered in the Orderly scenario provides a scenario narrative consistent with the socio-economic, technological and climate drivers and outcomes of a 1.5 degree aligned scenario.

*The NGFS (Network for Greening the Financial System) archetypes identified in bold, were used in the scenario analysis, with broadly corresponding RCP, SSP, CCC and IEA alignment noted for reference. Please see Glossary for explanation of these terms.

ORDERLY SCENARIO

The world embarks on a swift and smooth transition towards a low carbon economy, driven by rapid advancements in low emissions technologies such as electrification, bioenergy, and hydrogen. Global cooperation fosters the development of a low emissions economy, marked by a moderately high carbon price and a strong international market for low emissions vehicles and fuels. In New Zealand and Australia, bipartisan political ambition sends clear signals to the market: immediate and rapid decarbonisation is imperative, as evidenced by the rising prevalence of climate litigation against non-compliant organisations.

Social expectations and policy initiatives drive the supply and demand for low emissions technology, shaping the financing landscape. Throughout the 2020s, heightened social expectations prompt a surge in consumer pressure for low emissions freight, compelling governments to develop freight strategies in consultation with industry stakeholders. Public-private partnerships emerge to encourage investment in low-emission fuels and technologies, yet competition for supplies intensifies, driving increased investment in local solutions. However, despite efforts, insufficient domestic capacity for alternative fuels persists in the short term, causing the price of low emissions technology to continue rising. Early adopters recognising societal expectations and evolving regulations, commit additional capital to decarbonise their fleet.

The intensifying physical impacts of climate change amplify political ambition, prompting decisive action on emissions reductions. Governments prioritise bipartisan climate leadership, enacting critical policies and funding initiatives to secure a low carbon economy. Targeted policies are introduced to tackle high-emitting sectors, with a focus on fostering the adoption of low emissions technology through subsidies, rebates, and co-financing. Access to finance undergoes a paradigm shift, with sustainability linked loans experiencing significant growth and lenders adopting greater scrutiny of environmental criteria. Funding prioritisation favours future-fit companies with robust transition plans, while the insurance sector reassesses asset vulnerability in the face of climate risks.

The convergence of social will and regulation accelerates innovation in the freight industry. Demand for low emissions freight and evolving regulations propel rapid development of solutions, leveraging artificial intelligence and data sharing to optimise freight systems. Collaborations between rail, coastal, and land-based freight providers drive the development of climate-resilient infrastructure, while value chain collaboration fosters the development of commercially viable infrastructure. Funding models like “book and claim” gain traction as freight companies collaborate to decarbonise the freight network. Freight providers are required at the very least to provide their customers with accurately determined, third party verified carbon data.

Further afield, the urgency to combat climate change reshapes global geopolitical and economic dynamics. Tariffs on high-emitting sectors and products become commonplace, influencing international freight dynamics. Carbon pricing agreements gain traction, while shifts in consumer demand and primary industries redefine freight routes and volumes.

As the impacts of climate change become more visible, workforce preferences and climate activism drive significant pressure on freight companies to rapidly decarbonise operations. Legislative responses align with public sentiment, imposing penalties on non-compliant organisations and creating risks for those failing to transition quickly enough.

In the 2030s, the prioritisation of climate action accelerates, bolstered by demographic shifts and tech-enabled transparency. Compliance becomes paramount, with directors and officers actively driving transition activities to mitigate legal and reputational risks. Ongoing weather events and consumer preferences for low-carbon solutions drive increased deployment of low emissions vehicles and fuels, while investments in infrastructure yield operational efficiencies and resilience.

The freight industry responds by focusing on adaptation as climate impacts escalate, ensuring critical routes remain operational. In terms of mitigation efforts, high levels of low emissions fuels in domestic supply chains, coupled with mode shifting and tech-enabled data sharing, drive efficiency and resilience. Green purchasing becomes the norm, as consumers prioritise locally sourced products, leading to the transition to a high value, low volume economy.



DISORDERLY SCENARIO

Climate action in the 2020s is characterised by conflicting governmental priorities and limited progress. The topic is highly politicised, see-sawing in response to political cycles and often overshadowed by other challenges. As climate change gradually slips lower down the priority list, the window of opportunity to make meaningful changes in the short term continually contracts. Large infrastructure projects that would be required to achieve significant transport emissions reductions are put on the backburner while small efficiency gains are made through data sharing and collaboration. Trends in consumer behaviour remain relatively unchanged, with export markets reflecting a similar state. The status quo is upheld. While most of the next six years sees minimal climate action taking place, in the background there are some companies going against the grain and choosing to transition ahead of the curve. Being an exception to the rule, however, means that this transition is often undertaken at their own cost.

As the 2030s begin to roll in, it becomes clear that the previous decade was the calm before the storm. The impacts of climate change are becoming more acutely felt across Australia and New Zealand, with land transport routes experiencing frequent disruptions and low lying and coastal infrastructure bearing the brunt of storm surges and tropical cyclones. These impacts, compounded by a lack of government action, sees societal unrest peak. Due to growing public demand, the government introduces a series of policies aimed at rapidly transitioning to a lower-carbon economy. While well-intentioned, the coordination of domestic policies goes about as well as one could hope when they were developed with minimal consultation and deployed as a matter of urgency. The consequences of this are apparent in the relatively stable carbon price increasing substantially by 2040¹³.

Globally, there is a similar scramble to transition, with significant variation in policy speed and direction. As markets introduce tariffs and taxes to safeguard domestic interests, a rise in nationalism is observed. Increasing market access requirements create additional complexity and cost for importers and exporters, while freight volumes drop due to sourcing constraints, affecting distribution volumes. The influx of nations suddenly transitioning at the same time also leads to a significant imbalance in supply and demand for low emissions technologies and fuels. Australia and New Zealand are left with no choice but to compete on the global stage for these technologies and larger players regularly outcompete both countries. Like the carbon price, the cost of these technologies skyrockets and are not a feasible option for many businesses. The increase in the speed of technology change and adoption creates a shock to the domestic economy causing GDP to contract and inflation to spiral out of control.

¹³Reference: International Institute for Applied Systems Analysis (IIASA) Integrated Assessment Modelling (IAM) Scenarios: Carbon Price – SSP2-19

Meanwhile, the damaged infrastructure and disrupted transportation routes from extreme weather events begin to leach capital from affected businesses, with costs of repairing or servicing some routes becoming too expensive due to their frequent closures. Port infrastructure becomes less reliable, impacting imports and exports. Access to finance and insurance is predicated upon comprehensive transition planning and disclosure. Financing for high carbon activities or at-risk locations becomes increasingly expensive or unavailable as insurance companies retreat.

By 2040, national debt has increased to record levels as major infrastructure investments are made. Consumers are still mostly unwilling to pay, leading to many businesses and private finance shouldering the costs of the hasty transition to a lower-carbon economy. Those who transitioned earlier now begin to reap the benefits of their efforts in previous decades.

The effects of climate change on coastal infrastructure and roading networks continue to be felt through the 2040s. While land freight has largely managed to transition to a low emissions network, it has come with high costs. New Zealand and Australia are predominantly dependent on imported, high-cost fuels with only a modest domestic capacity for alternative options. Shipping and aviation gradually follow suit with decarbonisation, but due to the complexity, lengthy distances and significant capital lifetimes, progress is intermittent. Businesses continue to carry the costs that compound in this final decade.



HOT HOUSE WORLD SCENARIO

A lack of additional climate policies beyond the current policies of today has allowed global warming to spiral out of control, leading to a global focus on food and energy security. Highly cyclical governments hinder long-term planning, directing funding towards climate adaptation rather than mitigation. Slow and directionless technology development exacerbates the pressure on critical infrastructure, with society placing little value on low emissions technology.

In the early years, economics shapes policy decisions, with support for climate mitigation efforts dwindling amidst rising cost-of-living pressures. Government policies prioritise short-term GDP-focused growth, with unclear signals on decarbonisation. The Australian and New Zealand economies prioritise commodity growth, with subsidies common in agriculture, fossil fuels, and minerals. Government strategies focus on optimising existing freight systems and adapting to extreme weather events, rather than prioritising collaboration and decarbonisation. Investments aim at protecting critical infrastructure and assets. The lack of mitigation efforts and disagreement on climate action exacerbate social tensions, leading to increasing inequality, particularly for vulnerable communities.

As the 2030s unfold, consumption remains highly material and carbon intensive, driving demand for imported products despite growing urban populations. Growing congestion challenges last-mile deliveries, while the political focus on adaptation rather than mitigation sees unprotected infrastructure abandoned and delivery costs escalate. Climate impacts worsen, disrupting critical infrastructure and necessitating increased reliance on artificial intelligence and IoT devices. Adaptation efforts focus on preventative maintenance and fast repair, requiring a skilled workforce and selective access to finance.

During the 2040s, the physical impacts of climate change begin to disrupt all areas of the freight network. Road and bridge closures are no longer perceived as an 'if' but a 'when'. Legacy infrastructure becomes unreliable, leading to unusable routes and constant disruptions in international shipping and aviation. In this period, costs of maintaining freight networks reach critical levels, and customers are increasingly unable or unwilling to accept them. Access to finance presents significant challenges, with restrictions exacerbated by the difficulty in accurately forecasting climate impacts. Capital allocation leans heavily towards climate adaptation measures, akin to applying band-aids to plug holes. Heightened disruptions and cost pressures result in retreat from certain locations and industries, leaving some communities stranded.

Freight companies are making substantial investments in predictive technologies to streamline capital deployment and operational efficiency amidst these challenges. Political instability, brewing over the previous two decades, adds another layer of complexity.

This instability exposes freight operators to increasing fluctuations in resource and fuel prices, exacerbating the challenges.

Broadly, economies turn inward to secure domestic needs first, fostering low levels of cooperation and high regional rivalry. Individualistic perspectives on climate change become more prevalent, contributing to inconsistent international demand for New Zealand and Australian products, leading to challenges in freight planning and increased costs of servicing the domestic market.

WHY OUR THREE SCENARIOS?

Our three climate scenarios were chosen to meet the temperature outcomes required by the Aotearoa New Zealand Climate Standards and will allow us to test our current business strategy and identify possible impacts through different futures with varying levels of transition and physical risk. Freightways also considered our scenarios against the wider Transport Sector Scenarios developed by The Aotearoa Circle. Freightways has not applied any additional rationale e.g. capital deployment and/or fleet considerations, apart from alignment with NZ CS and the transport sector.



Time horizons used in our Scenario Analysis

The scenarios and scenario analysis process considered short-, medium- and long-term time horizons which were chosen to align with the Transport Sector Scenario time horizons.

These time horizons are longer than we use in our existing general business risk assessment process, given the long-term nature of many climate-related risks. We have endeavoured to align the assessment of climate risks identified through scenario analysis with our existing risk assessment process as much as made sense, even if both the time horizons considered and the nature of some of the impacts are different. As noted above, scenario analysis has been a standalone process rather than integrated with Freightways' overall strategy and the time horizons used in scenario analysis have not been integrated into our strategic planning horizons or capital deployment plans.



Significant climate-related risks and opportunities

Freightways identified and assessed climate-related risks and opportunities through our scenario analysis process with assistance from Tadpole and considered the physical, policy, technology, market, and stakeholder impacts on the business. The process of undertaking the identification and assessment is discussed in the Risk Management section on page 27 of this Climate Statement. The anticipated financial impacts of our climate-related risks and opportunities will be disclosed in FY25 as we develop a robust process to do so.

Information about Freightways' climate-related risks and opportunities, their potential impacts on the business, and the likely time period they are reasonably expected to occur are outlined within the following pages 22 to 25 of this Climate Statement.

Risk Rating	
Low	
Medium	
High	
Very High	

Category	Risk	ORDERLY			DISORDERLY			HOT HOUSE WORLD		
		Short	Medium	Long	Short	Medium	Long	Short	Medium	Long
PHYSICAL - 01	Extreme weather events causing sustained disruptions to the transport network									
PHYSICAL - 02	Higher temperature and extreme weather events damage assets and disrupt utility services									
TRANSITION - 01	Increasing fuel costs resulting from higher cost of carbon									
TRANSITION - 02	Climate compliance requirements raise barriers for new drivers, hindering business growth									

Climate-related risks are identified as:

- Physical climate impacts:** Physical climate impacts arise from extreme weather events (e.g., storm, flood, drought) or from the longer-term shifts in climate patterns (e.g., increasing temperatures). These changes may result in financial risks due to the direct and indirect impacts they can have on business operations, assets, markets, or to supply chains.
- Transition climate impacts:** Transition climate impacts refer to risks resulting from the policy, legal, value chain, reputation, technology, and market changes occurring in the transition to a low carbon economy. Depending on the nature, speed, and focus of these changes, transition impacts may pose varying levels of potential financial impacts to Freightways.

The table below gives a high level overview of climate-related risks and opportunities identified by reference to the climate-related scenarios used. Further description of these risks and opportunities and potential impacts follows after the table.

Physical climate risks

PHYSICAL RISK 01 – EXTREME WEATHER EVENTS DISRUPT THE TRANSPORT NETWORK

Extreme weather events such as storms, bushfires, and flooding cause temporary, or even sustained disruption to the transport network or infrastructure.

Potential Impact:

Freightways' business model relies on a network of transportation assets and logistics infrastructure to move goods for our customers. The impacts of climate change, including more prevalent extreme weather events, threaten to damage and disrupt the roads, airports, and shipping ports that keep our customers' goods moving around the country and the world. This could lead to delays in delivery times for customers and higher transport costs as freight is diverted to alternative routes.

Sea level rise and rising temperatures could amplify the impacts of extreme weather events and potentially lead to long-term or permanent damage to transport routes, such as the Cook Strait ferry or certain roading networks in New Zealand and Australia, and/or damage other assets and infrastructure including airports, further amplifying the impacts of extreme weather events. This could result in increases to our transportation costs and impact on the resilience of our operations.

Time horizon(s) with impact to Freightways:



Strategy Response:

Freightways have conducted a Route and Premises Exposure Assessment (see Risk Management page 27) to investigate the exposure of our assets and the transport routes we use to possible future changing weather conditions to help us understand where the risk is most significant along our network. The experience from events such as the 2023 flooding in Auckland and Cyclone Gabrielle in Hawkes Bay, has provided us with learnings in how to manage disruption for future extreme weather events. Freightways reviewed established processes, staff capabilities, and prepared alternate operational plans in preparation for future events. Our planning of alternate routes, runways, and an increase of communication through daily reporting during any event will also help to address this risk.

PHYSICAL RISK 02 – HIGHER TEMPERATURE AND EXTREME WEATHER EVENTS DAMAGE ASSETS AND DISRUPT UTILITY SERVICES

Due to the expansive nature of our network, our fixed assets and the utility services (e.g., fuel, electricity) that support these are likely to experience different physical climate impacts that threaten to damage and disrupt our operations. This may limit our ability to process and deliver goods for our customers on time or render assets uninsurable or no longer usable.

Potential Impact:

A core part of our business is the processing of items we deliver for our customers. To achieve this, we rely on a wide range of fixed assets and utilities services across our network. Physical climate change impacts such as more prevalent extreme weather, sea level rise, and heat stress threaten to damage and disrupt operations at our facilities and the utilities that support these buildings. It could also pose a health and safety risk for our staff located at these sites.

For operational assets in low lying and coastal areas, damage from continued flooding caused by sea level rise and storm events may eventually render the buildings unusable or uninsurable from mid-century. For buildings in Australia and the north of New Zealand, building failure due to heat may become an issue, making it difficult for buildings' electrical systems to operate and, in some areas, uncomfortable and unproductive for our staff during high temperature days.

Disruptions to our facilities and assets could have a longer-term impact on our network while a suitable replacement building is found. Increased costs to replace or repair assets and increased insurance costs could occur.

At a country wide level, extreme weather events may lead to damage of electricity infrastructure that could impact several of our sites simultaneously.

Time horizon(s) with impact to Freightways:



Strategy Response:

As with the risk of damage and disruption to the transportation network, we are currently still in the early stages of understanding the risk to our business. The Route and Premises Exposure Assessment has provided an assessment of the exposure of our assets to several weather events. For new facilities, Freightways will consider including features to increase resistance to weather-related events. Freightways will review established processes and staff capabilities in preparation for future events, including building flexibility and operational redundancies through our network.

Transition climate risks

TRANSITION RISK 01 – INCREASING FUEL COSTS RESULTING FROM HIGHER COST OF CARBON

As stricter regulations and taxes are introduced on carbon emissions to combat climate change, organisations that use fossil fuels, such as Freightways, may experience rising operational costs. Moreover, this will force companies to make more substantial investment in cleaner and more energy-efficient technologies to transition to a low-carbon economy.

Potential Impact:

Our business model and strategy are reliant on efficient utilisation of various vehicles and assets to process and transport our customers’ items at each step in our logistics network. Fuel costs at Freightways are largely paid by our independent contractor drivers as a cost of operating their vehicles. Regardless of how our fuel costs are paid, we understand that our business has significant financial exposure to changes in transport fuel prices. With the cost of carbon to potentially rise in New Zealand, increases in the carbon price will impact Freightways’ fuel costs and could make other forms of freight transport, such as electric vehicles more cost competitive.

A higher carbon price may also provide an increased incentive to source goods locally, decreasing the demand for intercity freight. This, together with offering an adequate return to our contractor drivers, is influencing our approach towards adopting low-emission alternatives to reduce carbon costs from fossil fuel consumption.

Time horizon(s) with impact to Freightways:



Strategy Response:

To help reduce this risk over time, we have several initiatives underway. Firstly, we have annual measurement of our GHG emissions, which is expanding in coverage and allows us to understand the trajectory of our carbon exposure year-on-year. Secondly, Freightways is constantly exploring ways to improve the efficiency and utilisation of our routes and service offerings. Finally, we are developing an approach to progressively help to replace our fleet of vans and trucks of our contractors with cleaner energy models in a way to help us reduce our GHG emissions and exposure to increasing carbon price.

TRANSITION RISK 02 – CLIMATE COMPLIANCE REQUIREMENTS

As climate compliance requirements tighten in New Zealand, Australia, and across the globe, restrictions on the import and use of ICE vehicles, increased fuel costs, and higher upfront costs of low emission vehicles due to high demand lead to higher operational and capital costs for the business and our contractors.

Potential Impact:

A transition to a low carbon economy has the potential to undermine the competitiveness of our existing business model if we do not factor in costs that a transition could bring. To help meet the Nationally Determined Contributions for the Paris Agreement, regulations that emphasise reduction in emissions-heavy activities could be enforced. This may include stricter fuel efficiency standards, GHG monitoring, restrictions on emissions-intensive activities, climate reporting requirements, and investments for adaptation and resilience. We understand that transitioning to a low carbon economy will likely lead to higher upfront costs for contractors as they transition to low emission vehicles. These costs will have impacts for Freightways, contractors, customers, and consumers. Additionally, the projected carbon prices in New Zealand will increase fuel costs for our contractors who use fossil fuel vehicles, which may raise barriers to attracting new contractor drivers. This would limit many of our core business activities, causing delays in our services and reputational damage amongst our customers.

Time horizon(s) with impact to Freightways:



Strategy Response:

Freightways recognises the essential role that contractor drivers play in the success of our business model and strategy. To ensure we attract and retain the best people in the freight and logistics sector, we work to offer a competitive remuneration for our contractors. To help mitigate this risk of losing or failing to attract contractors in the future, we have designed agreements with our contractors to incentivise fuel-efficient driving, route choice, and vehicle maintenance. This helps to reduce the emission intensity of our operations and improves margins for our contractors. Having established our contractor’s emissions reduction plan (last updated August 2024), we can signal when we will require any new replacement vehicles to be low emissions to meet our emissions reduction ambitions. We aim to develop a plan that allows our current and future contractors to factor in the potential additional up-front cost of this transition early on in their financial planning.

Climate-related opportunities

OPPORTUNITY 01 – NEW MARKETS AND EFFICIENCIES

New markets and efficiencies spring up as part of the economic transition to net zero.

Potential Benefit:

As the world continues to invest in sustainability activities that reduce carbon emissions, the shift to a low carbon economy will open new markets that create opportunities for Freightways to offer low-carbon options for the increased need for transportation services. Also, Freightways’ experience as an acquirer of other businesses offers the opportunity to move into adjacencies through acquisition, for example businesses using waste byproducts within new products, such as saveBOARD. The transition to net zero could develop new business opportunities for Freightways, and in order to achieve strong emissions reductions, improved fleet utilisation and optimisation that reduce ‘empty kilometres’ vehicles travel will be required.

Time horizon(s) with impact to Freightways:



Strategy Response:

Scaling up increased investment and expansion of renewable, low emission, zero waste, and social equity activities could potentially offer both economic and sustainable growth. We will continue to monitor innovations in technological advancements necessary for low emission and zero waste products and also feasible technology to promote a reduction in our reliance on fossil fuels and decrease GHG emissions. It is essential to acknowledge the role our contractors have in the transition to a low carbon service, as mentioned.



OPPORTUNITY 02 – NEW OFFERINGS ENHANCE CUSTOMER RELATIONSHIPS

The changing climatic conditions will see new kinds of demands for transportation services including share and reuse models, pooling services, and fleet optimisation alongside innovative solutions to address the physical impacts of climate change such as ambient, refrigerated, or low-humidity logistics services. New offerings will enhance customer relationships by demonstrating that Freightways is committed to meeting customer needs and are adaptive to climate change behaviour.

Potential Benefit:

Our customers are becoming increasingly aware of not just their own direct carbon emissions but also of much larger indirect emissions from their suppliers and business partners. Leveraging our technology to provide customers with accurate data on the emissions embedded in their transported goods will provide benefits to customers. Additionally, as we become able to transition our fleet to low emissions, low cost-to-run vehicles could yield cost savings to our drivers and our business and allow our customers to report on the reduction in indirect transportation emissions. Low emissions and low cost-to-run vehicles align with our business strategy by strengthening our capability of striving for efficiency.

Time horizon(s) with impact to Freightways:



Strategy Response:

By measuring and reflecting the environmental costs of our services, we can guide our strategic decisions and investments towards meeting changing customer behaviours, building resilience to physical climate risks, and establishing a more sustainable transport service in the future. As technology continues to advance, it assists in measuring our emissions using reporting tools, supporting us to better manage our carbon footprint more effectively and provide the information our customer’s demand of us.



OPPORTUNITY 03 – CLIMATE RESILIENT TRANSPORT NETWORK PROVIDES AN IMPROVED COMPETITIVE ADVANTAGE

Climate resilient transport networks boost competitive advantage by providing stability through uninterrupted operations, in events such as extreme weather conditions. Reliable and resilient infrastructure can promote productivity, demonstrate a commitment to the environment, and assist in mitigating the impacts of climate change, creating a competitive advantage.

Potential Benefit:

As physical climate risks become more material, the importance of a resilient transport network will grow. If we continue to assess and are able to respond to our network’s vulnerabilities to physical climate change impacts with appropriate adjustments to fleet and routes, we can maintain our network resilience and flexibility. For example, future investment approval processes should ensure that new buildings are not in high climate risk zones and we could consider re-locating buildings if presented with significant challenges. If we can outperform peers on reliability in the face of increased physical climate impacts, this may see new customers leverage our network. This will work to support our business strategy by strengthening our capability of delivering reliably.

Time horizon(s) with impact to Freightways:



Strategy Response:

Understanding the impact of physical climate risks on the transport network will support Freightways in developing strategic responses. Investing in infrastructure resilience can reduce the impact of extreme weather events in the long-term, providing a competitive advantage. Further addressing customer needs for a reliable freight delivery network by building a dependable transport provider service leads to gaining a strong market share.



Capital deployment and funding

As opportunity allows, Freightways continues to convert our company cars to Hybrid Electric Vehicles (HEV) or Plug-in Hybrid Electric Vehicles (PHEV) and purchase electric forklifts. Capital expenditure in relation to this conversion to date have been immaterial, noting that most of these vehicles are leased. Outside of those actions, Freightways has not been treating climate risks and opportunities as an input to our internal capital deployment and funding decision making processes previously (bearing in mind that a capital light model is used within our Express Package business).

Freightways is considering how to incorporate the impact of climate-related risks and opportunities into our capital deployment and funding processes. These efforts are focused on managing the risks associated with higher carbon prices in fuel by setting a plan to enhance efficiency in the fleet and transition our fleet away from fossil fuels. We will be developing a plan to encourage our contractors to consider a shift to low emission models, including upgrading to EV models as soon as is practical and ensuring contractors receive fair remuneration rates which will enable them to participate in the transition of their fleet to low emissions vehicles.

Transition plan

Our business model and strategy is described at the beginning of the Strategy section above.

TRANSITION PLAN

Freightways has taken steps this Reporting Period that will provide foundations for formulating a transition plan in the future. This includes the extensive climate-related risk and opportunity assessment work described on page 27 in the Risk Management section and the regular updates in relation to low emissions technology that are provided by GM S&S in monthly HSE reports. In FY25 further work will be undertaken in relation to quantification of climate-related risks and opportunities, to further support transition planning.



4. Risk management

Freightways' operations inherently contain evolving risks which is why understanding and actively managing these is important. This also applies to the risks from climate change. Our approach to climate risk is detailed in the following pages.

Climate-related risk identification and assessment

Freightways has conducted significant climate-risk assessment projects across the Group during the Reporting Period. These assessment projects include:

Scenario analysis:

Freightways participated in an industry working group and partnered with Tadpole to conduct scenario analysis as a tool to identify, assess, and understand the impact of climate-related risks using three scenarios over three-time horizons (this is described further on page 20 of this Climate Statement). Scenario analysis had been conducted in the past but with only two scenarios.

The scenario analysis outputs from this Reporting Period will be revisited annually to confirm their ongoing relevance.

Route and Premises Exposure Assessment:

Freightways undertook an exposure exercise between November 2023 and June 2024 supported by Ernst & Young (EY) to understand the possible vulnerability of our business assets and activities to our identified climate-related physical and transition risks under varying climate projections and time horizons, as well as our alignment to the climate opportunities. The focus of the assessment was the exposure of our premises in Australia and New Zealand as well as the exposure of major routes in Australia and New Zealand. Further detail of this assessment is included in Appendix 2. This Route and Premises Exposure Assessment is considered a baseline assessment. We have not decided on future repetition of this exercise.

Controlled Business Climate Risk Assessment:

Freightways conducted an exercise between December 2023 and June 2024 to assess climate related risks and opportunities of each Controlled Business. The exercise was supported by Tadpole who, alongside the GM S&S, worked with each General Manager of

each Controlled Business to develop understanding of risks and report them into Group level. This work supported creation of a climate risk register during this Reporting Period.

This Controlled Business Climate Risk Assessment is also considered a baseline assessment. We are unlikely to repeat this entire exercise in the future but are embedding the involvement of Controlled Businesses in considering climate-related risks and opportunities in their units, as described further below.

The three risk assessment projects described above were all led by external experts, from whom we received advice and support to augment our internal resources.

In addition to the significant risk assessment uplifts described above, further risk assessment processes that are relevant to climate are described below.

Stakeholder engagement:

Freightways also conducted stakeholder materiality assessments to determine key areas of focus for stakeholders in 2017 and 2023. The output of the materiality assessment in 2023 was that climate-related risk was a leading concern. In addition, ELT and GM S&S regularly engage with other stakeholders to identify risks, including through external subject matter experts and through our involvement in the Climate Leaders Coalition and other industry groups.

External resources:

Key individuals within the business including the GM S&S refer to external resources to understand new or emerging risks including through briefings and reports produced by the transport sector and government agencies, such as the Decarbonising Transport Action Plan 2022-25, Emissions Reduction Plan, and the Climate Change Commission's Recommendations.

Controlled Business unit risk updates & register:

Each Controlled Business is responsible for undertaking their own review process to identify any relevant climate-related risks specific to their operations. Our subsidiaries are also required to maintain their own risk register which considers their specific mitigation responses. These risks are consolidated at the Group level annually and feed into our overall Group climate risk register. The ARC reviews risks identified by General Managers following ELT review. General Managers within the Group work to identify risks across our business and value chain.



Assessment of climate-related risks identified during scenario analysis

To assess the size, scope and potential impact of climate-related risks identified during scenario analysis, we used a risk rating matrix aligned with that used for general business risk (Figure 3).

FIGURE 3: RISK RATING MATRIX USED FOR CLIMATE-RELATED RISK

		5	4	3	2	1	
Likelihood: probability of occurrence	Very likely	Medium	Medium	High	Very High	Very High	A
	Likely	Low	Medium	High	High	Very High	B
	Possible	Low	Medium	Medium	High	High	C
	Unlikely	Low	Low	Medium	Medium	High	D
	Very unlikely	Low	Low	Low	Medium	High	E
		Minor	Moderate	Significant	Major	Catastrophic	
Impact when occurs (EBITA reduction)							



The assessment of risks identified during scenario analysis are not currently fully integrated into our existing risk assessment processes and used differing likelihood and impact ratings due primarily to the following features:

- time horizons that we use for climate-related risk are significantly longer than we have historically used for business risks (see explanation of Time horizons Used in Scenario Analysis on page 20 above)
- assessment of climate-related risks has so far been entirely qualitative.

The approach that we took to assess climate-related risks identified during the scenario analysis process assessment in this Reporting Period considered two variables: likelihood and impact. The likelihood ratings were applied to the time horizon specified within the relevant climate scenario. The impact rating considered a similar range of impacts as other business risks such as financial or reputational impact, noting however that climate-related risks and opportunities were assessed on a qualitative basis only.

A climate risk register was created in this Reporting Period based on this approach. At present there is no process to prioritise climate-related risks relative to other types of risks.

The scenario analysis process considering climate-related risks and opportunities did not omit any material parts of our value chain.





5. Metrics & targets

Background

Freightways has been focused on measuring and reducing its emissions for more than a decade. Since 2014, Freightways has been measuring its operational GHG emissions with Toitū Envirocare to meet the requirements of the Toitū carbonreduce certification, ISO 14064-1:2018 and Greenhouse Gas Protocol. In preparation for this first Climate Statement under NZ CS, Freightways has undergone a significant review of its emission measurement processes. This review identified a number of gaps in the measurement of Scope 3 emissions that are being addressed but led us to the decision to only report Scope 1 and 2 emissions this year.

The most significant Scope 1 emissions are diesel and petrol for company vehicles. The only Scope 2 emissions are from electricity consumption. Freightways operates a contractor model where the majority of our courier drivers own their vehicles. As such, the emissions from contractors are considered Scope 3 emissions.

Greenhouse gas emissions

Table 4 outlines our Scope 1 and Scope 2 emissions for our New Zealand and Australian businesses, subject to the exclusions listed below Table 6.

TABLE 4: FREIGHTWAYS' SCOPE 1 AND 2 EMISSIONS

	FY24 (base year)
Scope 1	34,187 tCO ₂ e
Scope 2 (location based)	5,051 tCO ₂ e
Total	39,238 tCO₂e

Freightways has selected a base year of FY24 for this disclosure because of the addition of newly acquired businesses and the review of its emission measurement process as described above. Although we are not providing FY23 metrics for comparison, for completeness we note that Freightways has reallocated some of Big Chill Distribution's emissions that had previously erroneously been recorded in Scope 3 and are now in Scope 1 (FY23: 25,838 tCO₂e; FY24: 23,519 tCO₂e).

The measure of emission intensity used by Freightways is tCO₂ / \$ million of operating revenue. With an FY24 revenue of \$1.2 billion, this leads to the intensity measure in Table 5.

TABLE 5: FREIGHTWAYS' GHG INTENSITY METRICS

	FY24
Scope 1 and Scope 2 emissions intensity (Scope 1 and Scope 2 tCO ₂ e / \$Millions operating revenue)	32.70

CRITERIA APPLIED – GHG EMISSIONS BOUNDARY, CALCULATION APPROACH, ASSUMPTIONS AND UNCERTAINTIES

Our GHG emissions are measured for the period from 01 July 2023 to 30 June 2024. Freightways applies an operational control consolidation approach when preparing its GHG inventory. All Australian and New Zealand Controlled Businesses are in our operational control, as defined by the Greenhouse Gas Protocol and ISO14064-1:2018, and therefore have been included in our emissions.

Freightways acquired Allied Express in October 2022, First Global Logistics (renamed Freightways Global) in November 2023, and OnSend in April 2024. Scope 1 and 2 emissions from these entities are included in the emissions disclosed above.

Quantifying GHG emissions is subject to inherent uncertainty because the scientific knowledge and methodologies to determine the emissions factors and processes to calculate or estimate quantities of GHG sources are still evolving. Known uncertainties and assumptions are explained in Table 6 below.

Emissions are calculated by multiplying activity data by an appropriate emission factor. Emission factors applied have been sourced from the Toitū carbonreduce programme and are noted for each category of emissions listed in Table 6 below. The sources for the emissions factors are New Zealand Ministry for the Environment (MfE (2024)), Australian Department of Climate Change, Energy, the Environment and Water (DCCEEW (2023 and 2024)) and UK Department for Business, Energy and Industrial Strategy (BEIS (2023)). These factors are based upon 100-year global warming potentials values from the International Panel on Climate Change’s (IPCC) fourth Assessment Report (AR4) for DCCEW (2023) and fifth Assessment Report (AR5) for all other sources.

TABLE 6: FREIGHTWAYS’ GHG EMISSIONS SOURCES, DATA UNCERTAINTIES AND ASSUMPTIONS

SCOPE 1	ISO 14604-1: 2018 category	GHG emissions source	Activity data overview	Explanations, uncertainties ¹⁴ and assumptions	Emissions factor source
	Category 1: Direct emission and removals	Mobile combustion in company owned and leased vehicles	Diesel, Regular petrol, Premium petrol, Adblue	Fuel consumption (litres) per fuel type is sourced from fuel card data and transaction reports. <i>Uncertainty: Low</i>	MfE (2024) and DCCEEW (2024)
		Mobile combustion in company owned or leased forklifts	LPG, Diesel	All LPG (kgs, litres) and diesel (litres). <i>Uncertainty: Low</i>	MfE (2024) and DCCEEW (2024)
		Fugitive emissions from refrigerant leakages in owned and leased air conditioning units and temperature controlled depots and vehicles	CO2, HFC-32, R-404A, R-407F, R-410A, R-448A, R-449A, R-452A,	Fugitive emissions are calculated using refrigerant top-up quantities (kgs) per refrigerant type sourced from maintenance contractors, invoices and on-site stock. Freightways relies on the refrigerant quantities provided by maintenance contractors to be complete and to include top-ups performed by sub-contractors, Freightways does not monitor top-ups. In addition, Freightways has limited visibility over refrigerant quantities taken from on-site stock. Refrigerant top-ups could be understated. Fugitive emissions contribute 3% of Scope 1 for FY24. <i>Uncertainty: Medium</i>	MfE (2024), DCCEEW (2023), BEIS (2023)
		Stationary combustion in owned and leased boilers and generators	Natural Gas, LPG, Diesel	Natural gas (kWh), LPG (litres, kWh), and Diesel (litre) quantities are sourced from invoices. <i>Uncertainty: Low</i>	MfE (2024) and DCCEEW (2024)
SCOPE 2	ISO 14604-1: 2018 category	GHG emissions source	Activity data overview	Explanations, uncertainties ¹⁴ and assumptions	Emissions factor source
	Category 2: Indirect emissions from imported energy	Purchased electricity used in owned and leased sites – including offices, distribution centres, branches, depots	Electricity (NZ), Electricity (Australia)	Electricity consumption (kWh) is sourced from electricity retailers, except in relation to some unmanned premises where electricity consumption is estimated based on sites of similar size and nature. <i>Uncertainty: Low</i>	MfE (2024) and DCCEEW (2024)

EXCLUSIONS

These numbers do not include emissions from:

- Natural gas use in a boiler at the Med-X Dandenong South site in Victoria, Australia. The boiler started operating in February 2024 and the emissions for FY24 are deemed immaterial. The emissions will be captured from FY25.
- Jet fuel related to our aviation services activities. These emissions from jet fuel are captured under Scope 3 and will be reported from FY25. Emissions related to the consumption of jet fuel are not included within Scope 1 emissions because we do not have full operational control of the aircraft, which are leased by us and also by others. Depending on the exact lease, Freightways does not have operational control over the flight operations, fuel procurement, or maintenance of leased aircraft.
- Equity Share Entities’ operations will be reported by share under Scope 3 Category 15 Investments from FY25 onwards (see Figure 1 page 9).

All Scope 3 emissions are excluded.

ASSURANCE

PwC provided an unqualified limited assurance opinion on our FY24 GHG emissions shown in Table 4 (see pages 43–46 of this climate statement for PwC assurance opinion).



¹⁴ The uncertainties identified have been assessed on a qualitative basis

Potential Exposure to Risks and Opportunities

Freightways has conducted risk assessments to consider the exposure of its business activities and assets to transition and physical risk. The Routes and Premises Exposure Assessment in particular analysed Freightways' risk exposure. See Risk Management section page 27 above and Appendix 2 for further detail of that process, the results and the significant assumptions and uncertainties involved.

By way of summary, the exposure of business activities and assets to climate-related risks and opportunities that were assessed are as follows:

- + Level of exposure of routes and premises to:
 - high daily temperatures
 - extreme rainfall events and
 - sea level rise
- + Level of exposure to transition risk related to dependency on fossil fuels
- + Alignment with opportunity to improve fuel efficiency, decarbonise and enhance customer relations.

KEY PERFORMANCE INDICATORS

Freightways does not use any other key performance indicators to measure and manage climate related risks and opportunities.

COST OF CARBON

Freightways does not utilise internal carbon emissions pricing in its internal decision-making for FY22, FY23 and FY24.

REMUNERATION

Please see page 11 Governance section of this disclosure.

Climate-related Targets

As work is underway to ensure we fully and accurately capture all Scope 3 emissions, noting that the fuel used by our contractor-drivers cause our most significant emissions, Freightways has taken the decision that the targets previously published need to be reassessed. We will wait until we are satisfied with the measurement of Scope 3 emissions to formulate new targets which we will report on next year.

Lower emissions will be achieved through a combination of direct initiatives, such as the electrification of our fleet of corporate cars, but also through the implementation of new technologies in the aircraft we use and in the vans and trucks used by our contractors. By ensuring our contractor-drivers are well remunerated and monitoring the availability and profitability of new technologies, Freightways will support the transition of the contracted fleet over time to electric/hybrid or hydrogen vehicles.



Appendix

Appendix 1: Glossary

GLOSSARY PART 1: TERMS USED IN THIS CLIMATE STATEMENT NOT RELATED TO GHG EMISSIONS	
ARC	Freightways Audit and Risk Committee
CCC	Refers to the Climate Change Commission.
Controlled Business	Means a wholly owned subsidiary of Freightways Group Limited
Controlled Business Climate Risk Assessment	Refers to the exercise between December 2023 and June 2024 to assess climate related risks and opportunities of each Controlled Business. The exercise was supported by Tadpole who, alongside GM S&S, worked with each General Manager of each Controlled Business.
EY	Refers to Ernst & Young.
ELT	Freightways Executive Leadership Team, comprising the Freightways CEO and CFO, other Freightways Executives and the General Managers.
FY	Financial year. Freightways' financial year starts on 1 July and ends on 30 June.
GHG inventory	A quantification of an organisation's greenhouse gas sources, sinks, emissions, and removals.
IEA	International Energy Agency (IEA) – The International Energy Agency is an autonomous intergovernmental organisation that provides policy recommendations, analysis and data on the entire global energy sector.
NGFS	Network for Greening the Financial System is a group of central banks and supervisors, which on a voluntary basis are willing to share best practices and contribute to the development of environment and climate risk management in the financial sector, and to mobilize mainstream finance to support the transition toward a sustainable economy. NGFS publishes climate scenarios on its portal https://www.ngfs.net/ngfs-scenarios-portal/ which aim to provide a coherent set of transition pathways, climate impact projections, and economic indicators at country-level, over a long time horizon and under varying assumptions.
NIWA	National Institute of Water and Atmospheric Research.
NZ CS	Aotearoa New Zealand Climate Standards.
Physical risks	Risks related to the physical impacts of climate change. Physical risks emanating from climate change can be event-driven (acute) such as increased severity of extreme weather events. They can also relate to longer-term shifts (chronic) in precipitation and temperature and increased variability in weather patterns, such as sea level risk.
RCP	Refers to Representative Concentration Pathways that describe four different 21st century pathways of GHG emissions and atmospheric concentrations, air pollutant emissions and land use. RCPs were developed under the auspices of the IPCC in its Fifth Assessment Report.
Route and Premises Exposure Assessment	Refers to the exposure exercise between November 2023 and May 2024 supported by EY to understand the possible vulnerability of our business assets and activities to our identified climate-related physical and transition risks under varying climate projections and time horizons, as well as our alignment to the climate opportunities. Further detail of this Assessment is included in Appendix 2.
Scenario analysis	A process for systematically exploring the effects of a range of plausible future events under conditions of uncertainty. Engaging in this process helps an organization to identify its climate-related risks and opportunities and develop a better understanding of the resilience of its business model and strategy.
SSP	Shared Socioeconomic Pathways (SSPs) are five different ways in which the world might evolve in the absence of climate policy and how different levels of climate change mitigation could be achieved when the mitigation targets of RCPs are combined with the SSPs. These pathways were used by IPCC to explore projected climate responses in its Sixth Assessment Report.
tCO₂e	Tonnes (t) of carbon dioxide (CO ₂) equivalent (e).
Transition plan	An aspect of an organization's overall strategy that describes an entity's targets, including any interim targets, and actions for its transition towards a low-emissions, climate-resilient future.
Transition risks	Risk related to the transition to a low-emissions, climate-resilient global and domestic economy, such as policy, legal, technology, market and reputation changes associated with the mitigation and adaptation requirements relating to climate change.
Transport Sector Scenarios	Refers to output of the collaborative transport sector work in relation to transport sector-level scenario analysis, conducted with the assistance of The Aotearoa Circle.

GLOSSARY PART 2: TERMS USED IN THIS CLIMATE STATEMENT RELATING TO GHG EMISSIONS ¹⁵	
Base year	A historic datum (a specific year or an average over multiple years) against which a company's emission are tracked over time.
Boundaries	GHG accounting and reporting boundaries can have several dimensions, i.e. organizational, operational, geographic, business unit, and target boundaries. The inventory boundary determines which emissions are accounted and reported by the company
Control	The ability of a company to direct the policies of another operation. More specifically, it is defined as either operational control (the organization or one of its subsidiaries has the full authority to introduce and implement its operating policies and the operation) or financial control (the organization has the ability to direct the financial and operating policies of the operation with a view to gaining economic benefits from its activities).
CO₂e	Carbon dioxide equivalent. The universal unit of measurement to indicate the global warming potential (GWP) of each of the six greenhouse gases, expressed in terms of the GWP of one unit of carbon dioxide. It is used to evaluate releasing (or avoiding releasing) different greenhouse gases against a common basis.
Direct GHG emissions	Emissions from sources that are owned or controlled by the reporting company.
Emissions	The release of GHG into the atmosphere.
Estimation uncertainty	Uncertainty that arises whenever GHG emissions are quantified, due to uncertainty in data inputs and calculation methodologies used to quantify GHG emissions.
GHG	Greenhouse gases (GHG's) are the six gases listed in the Kyoto Protocol: carbon dioxide (CO ₂); methane (CH ₄); nitrous oxide (N ₂ O); hydrofluorocarbons (HFCs); perfluorocarbons (PFCs); and sulphur hexafluoride (SF ₆).
GWP	Global Warming Potential; a factor describing the radiative forcing impact (degree of harm to the atmosphere) of one unit of given GHG relative to one unit of CO ₂ .
Indirect GHG emissions	Emissions that are a consequence of the operations of a reporting company, but occur at sources owned or controlled by another company.
IPCC	Intergovernmental Panel on Climate Change.
Inventory	A quantified list of an organisation's GHG emissions and sources.
Inventory boundary	An imaginary line that encompasses the direct and indirect emissions that are included in the inventory. It results from the chosen organisational and operational boundaries.
Operational boundaries	The boundaries that determine the direct and indirect emissions associated with operations owned or controlled by the reporting company. This assessment allows a company to establish which operations and sources cause direct and indirect emissions, and to decide which indirect emissions to include that are a consequence of its operations.
Scope	Defines the operational boundaries in relation to indirect and direct GHG emissions.
Scope 1 inventory	A reporting organisation's direct GHG emissions.
Scope 2 inventory	A reporting organisation's emissions associated with the generation of electricity, heating/cooling, or steam purchased for own consumption.
Scope 3 inventory	A reporting organisation's indirect emissions other than those covered in Scope 2.
Structural change	A change in the organisational or operational boundaries of a company that result in the transfer of ownership or control of emissions from one company to another. Structural changes usually result from a transfer of ownership of emissions, such as mergers, acquisitions, divestitures, but can also include outsourcing/insourcing.
Uncertainty (inventory)	A general and imprecise term which refers to the lack of certainty in emissions-related data resulting from any causal factor, such as the application of non-representative factors or methods, incomplete data sources and sinks, lack of transparency etc. Reported uncertainty information typically specifies a quantitative estimate of the likely or perceived difference between a reported value and a qualitative description of the likely causes of the difference. Note that in this Climate Statement the uncertainties are qualitative only.

¹⁵Source: The Greenhouse Gas Protocol – A Corporate Accounting and Reporting Standard.

Appendix 2: Route and premises exposure assessment

This Appendix contains details and summarises findings of the Route and Premise Exposure Assessment conducted with support of EY, as referred to above Risk Management, page 27.

The exposure exercise conducted relies on significant assumptions and uncertainties. It is expected that this analysis will improve in accuracy over time, as more granular climate data becomes available, and our exposure methodologies are refined.

This screening included defining business activities of Freightways as the movement of goods in our network while business assets were deemed our physical premises (either leased or owned).

This exercise has been conducted on New Zealand and Australian assets and activities at the time of the assessment. It does not account for any future growth in our network or to our assets.

Physical Risks Exposure – Extreme Weather Events and Sea Level Rise

As described in our climate-related risks, extreme weather events pose a material threat to Freightways' current and future operations, with climate change increasing the frequency and severity of these events across our network. We undertook a screening to understand the possible number of our premises and daily long-haul truck and aircraft movements in New Zealand and Australia that are exposed to significant weather events (such as heat stress, bushfires, rainfall, and storms) under different climate projections and timeframes. Our screening is limited to the routes travelled by long-haul freight trucks and aircraft as Freightways see this as core component in our delivery chain and has flow on effects if disruptions occur. The exposure screening does not currently include our city-based delivery network such as NZ Couriers or MSL (New Zealand), or Allied Express, Shred-X and Med-X (Australian).

The exposure screening presents inherent risk exposure and therefore does not account for any mitigation actions. Our strategies to mitigate climate risks are described in our Strategy section of this Climate Statement.

The timeframes used in this screening aligns with the timeframes used in our scenario analysis.

For New Zealand, the climate and sea level rise projection data was sourced from the National Institute of Water and Atmospheric Research (NIWA)¹⁶ and the NZ SeaRise Programme¹⁷. For Australia, the climate and sea level rise projection data was sourced from the CSIRO and Bureau of Meteorology Australia¹⁸, World Bank Group¹⁹, and IPCC²⁰.

We assessed the projected frequency and severity of the extreme weather events for New Zealand and Australia described in Table 7 under different representative concentration pathways (RCPs), shared socio-economic pathways (SSPs) and timeframes²¹.

Exposure ratings are based upon the thresholds defined for New Zealand in Table 8, and for Australia in Table 9 which were assigned to each region and then to the routes which travel through each region and to each premises. These thresholds have been developed by Freightways and are key assumptions in this methodology. They contain significant uncertainty due to the availability of detailed research on the impact of these risks and opportunities at a granular level. We expect accuracy to improve over time.

TABLE 7: PHYSICAL RISK EXPOSURE DRIVERS AND METRICS

PHYSICAL RISK DRIVER	NEW ZEALAND EVENT MEASURED	AUSTRALIA EVENT MEASURED
Heat Stress / Increased Temperature	Hot Days (Number of Days where the daily maximum temperature is above 25C)	Hot days (Number of Days with Heat Index >35C)
		Hot days (Number of Severe Fire Danger Days)
Extreme weather	Wet Days (Number of Days with Precipitation >25mm)	Wet days (Number of Days with Precipitation >20mm)
		Extreme Wind Intensity Change
	Increased frequency and severity of storms (wind)	Tropical Cyclone Intensity
Sea level rise	Projected relative sea level rise	Projected sea level rise

TABLE 8: NEW ZEALAND PHYSICAL RISK EXPOSURE RATINGS AND THRESHOLDS FOR FREIGHTWAYS' ROUTES

EXPOSURE RATING	HOT DAYS	WET DAYS	INCREASED FREQUENCY AND SEVERITY OF STORMS	PROJECTED RELATIVE SEA LEVEL RISE ON ROADING NETWORK
No / Minimal	Between 0 and 50 hot days per year	Between 0 and 15 days per year where the total rainfall is greater than 25mm	Future changes are likely to be less than or comparative to 2023	Roading network is either not projected to be affected by sea level rise or only at minimal parts of the network
Low / Moderate	Between 51 and 100 hot days per year	Between 16 and 30 days per year where the total rainfall is greater than 25mm	Future changes expected to increase but less than 25%	Low or partially localised projected impact to the roading network from sea level rise
High / Extreme	Over 101 hot days per year	31+ days per year where the total rainfall is greater than 25mm	Future changes expected to be severe, increased frequency over 25%	Wide-spread projected impact to the roading network from sea level rise

TABLE 9: AUSTRALIA PHYSICAL RISK EXPOSURE RATINGS AND THRESHOLDS FOR FREIGHTWAYS' ROUTES

EXPOSURE RATING	HOT DAYS	HOT DAYS (SEVERE FIRE DANGER DAYS)	WET DAYS	INCREASED INTENSITY OF WIND AND TROPICAL CYCLONES	PROJECTED RELATIVE SEA LEVEL RISE ON ROADING NETWORK
No / Minimal	Between 0 and 50 hot days per year	Between 0 and 10 fire danger days per year	Between 0 and 15 days per year where the total rainfall is greater than 20mm	Future changes are likely to decrease or be minimal	Roading network is either not projected to be affected by sea level rise or only at minimal parts of the network
Low / Moderate	Between 51 and 100 hot days per year	Between 11 and 20 fire danger days per year	Between 16 and 30 days per year where the total rainfall is greater than 20mm	Future changes expected to increase	Low or partially localised projected impact to the roading network from sea level rise
High / Extreme	Over 101 hot days per year	Over 21 fire danger days per year	31+ days per year where the total rainfall is greater than 20mm	Future changes expected to be severe	Wide-spread projected impact to the roading network from sea level rise

A binary exposure threshold described in Table 10 was applied to the sea level rise exposure screening of Freightways' premises in both New Zealand and Australia.

TABLE 10: SEA LEVEL RISE EXPOSURE AND THRESHOLDS FOR FREIGHTWAYS' PREMISES

EXPOSURE RATING	EXPOSURE THRESHOLD DESCRIPTION
No/Minimal Exposure	No area of the premises is exposed to sea level rise
Exposed	The premises is either partially or fully exposed to sea level rise

¹⁶NIWA, Climate Change scenarios for New Zealand, 2024, [Climate change scenarios for New Zealand | NIWA](#)

¹⁷NIWA, Aotearoa-New Zealand 1% AEP extreme sea level flooding viewer, 2024, [NZ NIWA Sea Level App \(arcgis.com\)](#)

¹⁸CSIRO and Bureau of Meteorology, Climate Change in Australia Information for Australia's Natural Resource Management Regions: Technical Report, CSIRO and Bureau of Meteorology, Australia, 2015, <https://www.climatechangeinaustralia.gov.au/en/communication-resources/reports/>

¹⁹The World Bank Group, Climate Change Knowledge Portal, Australia, n.d., <https://climateknowledgeportal.worldbank.org/country/australia/climate-data-projections>

²⁰IPCC, IPCC Sixth Assessment Report, Chapter 11: Australasia, 2022, <https://www.ipcc.ch/report/ar6/wg2/chapter/chapter-11/>.

²¹RCPs are scientifically based projections of plausible future climates for a region based upon the IPCC AR5 assessment, while the SSPs are based upon the AR6, with the value referring to the total solar radiative forcing by 2100 (e.g., an RCP 2.6 refers to concentration of carbon that delivers global warming at an average of 2.6 watts per square meter across the globe). The higher the RCP, the higher global warming, and a more pronounced impact of climate change. RCPs form a core part of our scenario development process, as noted in Table 1. We have used RCP/SSP2.6 and RCP/SSP4.5 to align with the projections used in our scenarios and RCP6.0, SSP7.0 and RCP/SSP8.5 for a stretch test of our possible exposure. More information on RCPs and SSPs and the uncertainty in the projections is available on the NIWA website.

ROUTE EXPOSURE RESULTS

New Zealand

Under the worst-case climate scenario projections (RCP8.5), our assessment shows that 2% of our routes will have a low to moderate exposure to high daily temperatures in the short-term, increasing to 27% in 2050. None of our routes are likely to be exposed to a high to extreme level of hot days during these time periods. Areas of concern for heat stress in our New Zealand network will include Whangarei, Auckland, Tauranga, and Napier.

Our New Zealand network is also exposed to low levels of extreme rainfall events in the short- and medium-term with 5% of our routes exposed to moderate or high levels of daily rainfall under the most extreme climate warming projections in 2050. This higher level of risk exposure is predominantly occurring in our Westport network.

Relative sea-level rise does pose a risk on our extensive roading network in New Zealand. Our assessment shows that in 2050, 18% of our routes could be exposed to a high to extreme level of disruption caused by relative sea-level rise under all possible climate scenarios considered. Severe storms will become more frequent across most of our network in the medium-term under the worst-case climate projections, with 69% of routes likely to expect a low to moderate increase in the severity of storms and the remaining 31% of routes facing a high to extreme increase.

Australia

Our roading network results shows that hot days and extreme rainfall events pose a minimal risk to all our routes. In 2030 and under a worst-case projection, 6% could experience conditions that pose a moderate exposure to wildfires, with all other routes having minimal exposure. All our routes in 2090 will see a moderate increase in exposure to tropical cyclone intensity. Our assessment also shows that 21% of our road network could be exposed to a moderate level and 9% to higher level of impact due to rising sea levels under a RCP8.5 projection in 2050.

PREMISES EXPOSURE RESULTS

New Zealand

Our exposure assessment showed that in the 2050 and under the worst-case climate projections, none of our premises are likely to be exposed to a high-extreme level of high daily temperatures, 1% to a high-extreme level of extreme daily rainfall events, and 45% to a high-extreme level of increase in the severity of storm events. Our assessment noted that 6% of Freightways' New Zealand premises are likely to be exposed to sea level rise over the short- and medium-term and under all climate projections.

Australia

Our premises will likely experience minimal exposure to hot days and extreme daily rainfall events in 2050 and under the worst-case climate projection. 100% of our premises are situated in regions of Australia where fire danger poses a minimal risk (in 2030 and under a RCP8.5). Sea-level rise does not pose a significant risk to Freightways' premises in Australia, with our assessment noting that under the worst-case climate projections for sea level rise, none of our depots are exposed in 2050. In 2090, all our locations could see moderate increase in tropical cyclones intensity.

TRANSITION RISKS EXPOSURE – CARBON COSTS IN FUEL

As described in our Strategy section of this climate-related disclosure, Freightways currently has a dependency on fossil fuels in our transport fleet, and this exposes the business to possible increases in fuel prices with future governments raising carbon costs in fuel.

While fuel costs at Freightways are largely paid by our independent contractor drivers as a cost of operating their vehicles, we undertook an exposure screening to track our progress across our network to operate in a low-carbon environment. We have ambitions over the long term to decarbonise our fleet, with interim milestones that utilise hybrid technology and alternative fuel sources, and therefore reduce our dependency on fossil fuels. We are at the early stages of this plan, and this is reflected in our percentage breakdown across our fleet types that have shifted to hybrid or electric.

Table 11 presents our New Zealand and Australian fleet broken down by their engine type. Our exposure to increased carbon costs in fuels is represented as the percentage of our fleet that either have an internal combustion engine or is hybrid (but the exposure is reduced in this instance). We do not currently use alternative fuels, such as hydrogen, across our fleet. Company fleet are smaller vehicles operated across all our brands (largely on a leased arrangement), long-haul trucks operate across our network and between our delivery depots, and our contractor fleet is a mix of cars, vans, and mid-sized trucks across our brands.

TABLE 11: PERCENTAGE OF OUR COMPANY FLEET, LONG-HAUL TRUCKS, AND CONTRACTOR FLEET BY ENGINE TYPE

	NZ Company Fleet	AUS Company Fleet	NZ & AUS Long-haul Trucks	NZ & AUS Contractor Van Fleet Measured
FULLY ELECTRIC	1%	0%	0%	0%
HYBRID OR PLUG-IN HYBRID	18%	0%	0%	0%
INTERNAL COMBUSTION ENGINE (FOSSIL FUEL)	81%	100%	100%	100%

Freightways leases four aircraft in New Zealand, all of which are currently fuelled by jet fuel, as shown in Table 12. We do not have full operational control of these aircraft but can track our exposure to jet fuel prices through our contract terms with the lessor.

TABLE 12: PERCENTAGE OF LEASED AIRCRAFT BY FUEL TYPE

	LEASED AIRCRAFT (NEW ZEALAND)
Other	0
Sustainable Aviation Fuel (SAF)	0
Jet Fuel	100%

OPPORTUNITY ALIGNMENT – IMPROVING EFFICIENCIES AND ENHANCING CUSTOMER RELATIONS

The fuel consumed across our network is the greatest contributor to our GHG emissions each year. As the transport sector sees increasing demands from their customers to improve the efficiencies in the network and to decarbonise, Freightways is committed to operate low cost-to-run vehicles to yield cost savings to our drivers and allow our customers to report on the reduction in indirect transportation emissions.

The fleet break down figures presented in Table 11 and 12 allow us to track our alignment to these climate opportunities. Our alignment to this opportunity is currently low, but as previously outlined, our fleet renewal model and associated assumptions have a proposed pathway dependent on technological improvements and the costs of accessing these new technologies.



Independent Assurance Report



Independent Assurance Report To the Directors of Freightways Group Limited

Limited Assurance Report on Freightways Group Limited's Scope 1 and Scope 2 Greenhouse Gas Emissions

Our conclusion

We have undertaken a limited assurance engagement of the accompanying Scope 1 and Scope 2 Greenhouse Gas Emissions (the Subject Matter Information) of Freightways Group Limited (the Company) and its subsidiaries (the Group) for the year ended 30 June 2024, comprising the Scope 1 and 2 Emissions presented in Table 4 on page 32 and the related explanatory notes in *Criteria Applied – GHG Emissions Boundary, Calculation Approach, Assumptions and Uncertainties* on page 33 and *Exclusions* on page 34, as disclosed in the Freightways Climate Statement 2024 (the Climate Statement).

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Group's Scope 1 and Scope 2 Greenhouse Gas Emissions for the year ended 30 June 2024 are not prepared, in all material respects, in accordance with the Aotearoa New Zealand Climate Standards (the Criteria) applied as explained on pages 33 and 34 of the Climate Statement.

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

Basis for conclusion

We conducted our limited assurance engagement in accordance with 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. That standard requires that we plan and perform this engagement to obtain limited assurance about whether the Subject Matter Information is free from material misstatement.

Directors' responsibilities

The Directors are responsible on behalf of the Company for the preparation of the Subject Matter Information in accordance with the Criteria, applied as explained on pages 33 and 34 of the Climate Statement. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of the Subject Matter Information that is free from material misstatement, whether due to fraud or error.

Our independence and quality management

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) issued by the New Zealand Auditing and Assurance Standards Board, which is founded on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

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

We are independent of the Group. Other than in our capacity as statutory financial statement auditors, assurance practitioners and providers of other assurance related services, we provide no other services to the Group. Certain partners and employees of our firm may deal with the Group on normal terms within the ordinary course of trading activities of the Group. These relationships have not impaired our independence.



Assurance practitioner's responsibilities

Our responsibility is to express a limited assurance conclusion on the Subject Matter Information based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with ISAE (NZ) 3410, issued by the New Zealand Auditing and Assurance Standards Board. That standard requires that we plan and perform this engagement to obtain limited assurance about whether the Subject Matter Information is free from material misstatement.

A limited assurance engagement undertaken in accordance with ISAE (NZ) 3410 involves assessing the suitability in the circumstances of the Group's use of the Criteria as the basis for the preparation of the Subject Matter Information, assessing the risks of material misstatement of the Subject Matter Information whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the Subject Matter Information. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

The procedures we performed were based on our professional judgement and included enquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records.

Our limited assurance procedures included the following:

- Enquiries of management to obtain an understanding of the overall governance and internal control environment, risk management processes and procedures relevant to the Group's Subject Matter Information;
- Evaluation of the appropriateness of the Criteria, quantification methodology and reporting policies used, and the reasonableness of estimates made by the Group;
- Analytical reviews and trend analysis of the Group's Subject Matter Information;
- Recalculation of the Group's Subject Matter Information on a sample basis;
- Sample testing the underlying source data to supportive evidence; and
- Evaluation of the overall presentation of the Group's Subject Matter Information and its Criteria.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement.

Accordingly, we do not express a reasonable assurance opinion about whether the Group's Subject Matter Information has been prepared, in all material respects, in accordance with the Criteria applied as explained on pages 33 and 34 of the Climate Statement.

Inherent limitations

Because of the inherent limitations of an assurance engagement, together with the internal control structure, it is possible that fraud, error or non-compliance may occur and not be detected.

As discussed on pages 33 and 34 of the Climate Statement, GHG quantification is subject to inherent uncertainty because of incomplete scientific knowledge used to determine emissions factors and the values needed to combine emissions of different gases.

Use of Report

This report, including our conclusions, has been prepared solely for the Directors of the Company.



Our report should not be used for any other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility for any reliance on this report to anyone other than the Directors of the Company, as a body, or for any purpose other than that for which it was prepared.

PricewaterhouseCoopers

PricewaterhouseCoopers
21 October 2024

Wellington, New Zealand

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Telephone: +61 2 9882 0600
www.timg.com
www.filesaver.com.au
www.litsupport.com.au

Company particulars

BOARD OF DIRECTORS

Mark Cairns (Chairman)
Abby Foote
David Gibson
Peter Kean
Fiona Oliver
Mark Rushworth

REGISTERED OFFICE

32 Botha Road
Penrose
DX CX10120
Auckland
Telephone: (09) 571 9670
www.freightways.co.nz

AUDITORS

PricewaterhouseCoopers
15 Customs Street West
Auckland CBD
Auckland 1010

SHARE REGISTRAR

Computershare Investor
Services Limited
159 Hurstmere Road
Takapuna
North Shore City 0622
DX CX10247

STOCK EXCHANGE

The fully paid ordinary shares of Freightways Group Limited are listed on the New Zealand Stock Exchange (NZX) and Australian Securities Exchange (ASX).

Freightways

