



Tower Limited  
Climate Statement 2024



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# Introduction

Climate change is not just an environmental issue; it is a fundamental challenge to Tower's operations as a general insurer.



**Michael Stiasny**  
Chair



**Graham Stuart**  
Audit Committee Chair

More than any other industry, insurance is particularly exposed to the direct financial and operational consequences of climate-related changes, affecting both our business and the communities we serve. From rising sea levels and increased frequency of extreme weather events to shifts in temperature patterns, ecosystem disruptions and societal shifts, these changes directly affect the risks we underwrite and the claims we manage. This increasingly necessitates that climate-related issues are not peripheral concerns, but integral to our day-to-day business operations.

As a result, climate-related risks and opportunities are important to our operations, from underwriting and risk management to claims handling and corporate governance.

Tower's stated purpose is to inspire, shape, and protect the future for the good of our customers and communities. As we confront the realities of climate change and take decisive actions that we consider are in the best interests of our customers, shareholders, and stakeholders, this purpose takes on even greater significance.

## Managing climate-related risks and opportunities

For more than 150 years, Tower has operated across New Zealand and the Pacific. We have weathered catastrophic storms, innovated our technology and evolved our products to support customers through challenges. Managing climate-related risks and seizing opportunities, as illustrated by our climate change scenarios, will be increasingly important to our business as a general insurer.

In 2021, Tower was New Zealand's first insurer to announce the implementation of risk-based pricing for inland flooding. Since then, we have refined and expanded our modelling to encompass other climate-related risks. We have also empowered our customers by sharing hazard ratings, helping Kiwis understand the risks their homes face. In FY25, we will introduce ratings for landslide and coastal risks, further arming our customers with knowledge they need to prepare.

As we plan for the future, we budget for an increasing number of large weather events to manage their financial impacts with \$45m set aside in Financial Year 2024 (FY24). Although FY24 was unusual with Tower recording no large weather events, we understand that a future shaped by climate change will bring a range of extremes, including periods of deceptive calm. Tower remains steadfast in our conservative approach to managing these risks.

Our reinsurance programme is designed to shield us from the volatility of large events. In 2024, we secured comprehensive cover at competitive rates for our home, motor, boat, and commercial portfolios across New Zealand and the Pacific, backed by some of the world's largest reinsurers.

Innovation is key to our continued resilience. We are developing cost-effective alternatives to traditional insurance, including parametric insurance, which we have already successfully implemented in three Pacific nations. Beyond managing climate-related risks, Tower is committed to advancing our sustainability strategy, as detailed in our 2024 annual report, addressing our broader environmental, social, and governance (ESG) impacts.

While Tower has made significant strides in managing climate-related risks and opportunities, we are at the beginning of our climate reporting journey. We recognise we have much work to do as we embark on transition planning.

### Understanding our risks and opportunities

As Tower continues to implement our current climate-related strategies, we have taken significant steps over the past two years to deepen our understanding of the climate-related risks and opportunities that lie ahead.

The External Reporting Board (XRB) requires Tower to describe the scenario analysis we have undertaken to help identify these risks and opportunities and to stress-test our strategy's resilience. Tower has developed scenarios that allow us to rigorously examine our business model and strategy. Through this process, we have identified a comprehensive set of climate-related risks—both physical and transitional—and opportunities. Our analysis has revealed that the most pressing climate-related impacts for Tower are the financial and operational consequences of increasingly frequent and severe weather events. Alongside this, ensuring the continued availability of affordable insurance products is a critical focus area. We have also delved into the potential impacts of government interventions in the insurance market, keeping a watchful eye on developments in international markets. Tower is committed to providing expert advice to government representatives on the likely impacts of such interventions in New Zealand and the Pacific. We advocate for sensible actions that safeguard our customers and communities.

### Supporting a low-emissions and climate-resilient future

At Tower, we are committed to managing our climate-related risks and opportunities, with the objective of ensuring our business remains resilient for generations to come.

In the years ahead, we intend to expand risk-based pricing to help navigate the impacts of severe weather events. We will innovate our products to tackle affordability issues and address insurance retreat, while advancing our data and technology capabilities to enhance pricing, underwriting, and operational efficiencies during large events. Crucially, we recognise that earning the trust and support of our stakeholders in an uncertain world is vital to our resilience. We are committed to upholding strong relationships by delivering fair and transparent insurance services. A key challenge before us will be aligning our products and services with the transition to a low-emissions future while bolstering our resilience to climate change. In FY24, Tower took the first steps towards measuring emissions from our underwriting portfolios and parts of our supply chain. Over the coming year, we will further develop our emissions measurement and reduction plans as we embark on our transition journey.

### Strong governance and risk management underpin our climate change responses

Our Board of Directors provides Tower's highest level of climate change governance. Beyond ensuring compliance with the Climate Standards, the Board steers our response to climate-related risks and opportunities, setting appropriate metrics and targets. Tower's Board

and Management are committed to navigating the changing climate in support of our customers and communities in New Zealand and the Pacific, and in the long-term interests of our shareholders. We look forward to sharing our progress with you in future climate statements.

### Scope of the Climate Statement and Statement of Compliance

As a listed, licensed New Zealand insurer Tower qualifies as a climate reporting entity (CRE). This report is Tower Limited's first group climate statement and is prepared in accordance with section 461ZA of the Financial Markets Conduct Act 2013 and the Aotearoa New Zealand Climate Standards (NZ CS 1, NZ CS 2 and NZ CS 3) published by the XRB in December 2022 (CRD Regime). It covers our New Zealand and Pacific operations and outlines the steps we are taking in support of a low-emissions and climate-resilient business for the future.

This climate statement has been prepared for our primary users, who we have identified as primarily being potential and existing shareholders and asset managers. All financial information is provided in NZD. Our corporate structure is further explained under the Governance Section on page 34.

**Tower has chosen to use the following adoption provisions in this first Climate Statement**

Adoption provision	Rationale
1. Current financial impacts	This adoption provision has been used to provide additional time to develop a methodology linking financial impacts with climate-related risks and opportunities. Financial impacts information regarding 2023 weather events is included in this disclosure to help illustrate climate-related risks associated with future large weather events.
2. Anticipated financial impacts	As set out above.
3. Transition planning	Tower will provide a Transition Plan in its second-year Climate Statement based on work undertaken in FY24 and FY25.
4. Scope 3 greenhouse gas (GHG) emissions	Selected operational Scope 3 emissions have been included to maintain consistency with previous Annual Report inclusions,
5. Comparatives for Scope 3 GHG emissions	As described above, our material Scope 3 inclusions are in development.
6. Comparatives for metrics	Comparatives for all relevant metrics will be developed alongside our work on current and anticipated financial impacts and the development of our Transition Plan.
7. Analysis for trends	Trend analysis will be conducted as part of the ongoing development of metrics.

**Statement of Compliance**

These climate-related disclosures comply with Aotearoa New Zealand Climate Standards issued by the XRB. This Climate Statement is dated 28 November 2024 and is signed on behalf of Tower by:



**Chair,**  
Michael Stiassny



**Audit Committee Chair,**  
Graham Stuart



# Tower's business model and strategy

Tower's business model is customer-focused. We deliver general insurance products and services directly to customers via digital platforms and phone, using data to enhance customer service and streamline processes. Our commitment is to provide fair and transparent services, with customer care at the heart of everything we do.

Operationally Tower is structured around the ways our customers interact with our business: via claims, service (renewal, payments and queries) and new business (new and existing customers), both via our digital channels and our phone lines.

Tower provides general insurance products to customers in New Zealand, Fiji, Cook Islands, Samoa, American Samoa and Tonga.

## Tower's products cover:



House



Contents



Motor



Motorbike



Pet



Motorhome



Travel



Business



Caravan



Landlord



Boat



**Parametric cover**  
(for cyclone and rainfall - only in the Pacific)

## Our purpose

To inspire, shape and protect the future for the good of our customers and communities.

## Our vision

Ta tātou kaupapa  
To deliver beautifully simple and rewarding experiences that our people and our customers rave about.

## Our strategy

To be the best direct personal lines and SME insurer in our selected markets differentiated through digital and data, fair and transparent, and with customer care in everything we do.

## Our values



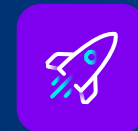
We do what's right



Our people come first



Our customers are our compass



Progress boldly

## Our strategic pillars

LEADING CUSTOMER EXPERIENCE

Succinct, easy customer experiences across the lifecycle

OPERATIONALLY EFFICIENT

Digitise and automate core processes and leverage geographical footprint

EFFECTIVE & DISTINCTIVE CULTURE

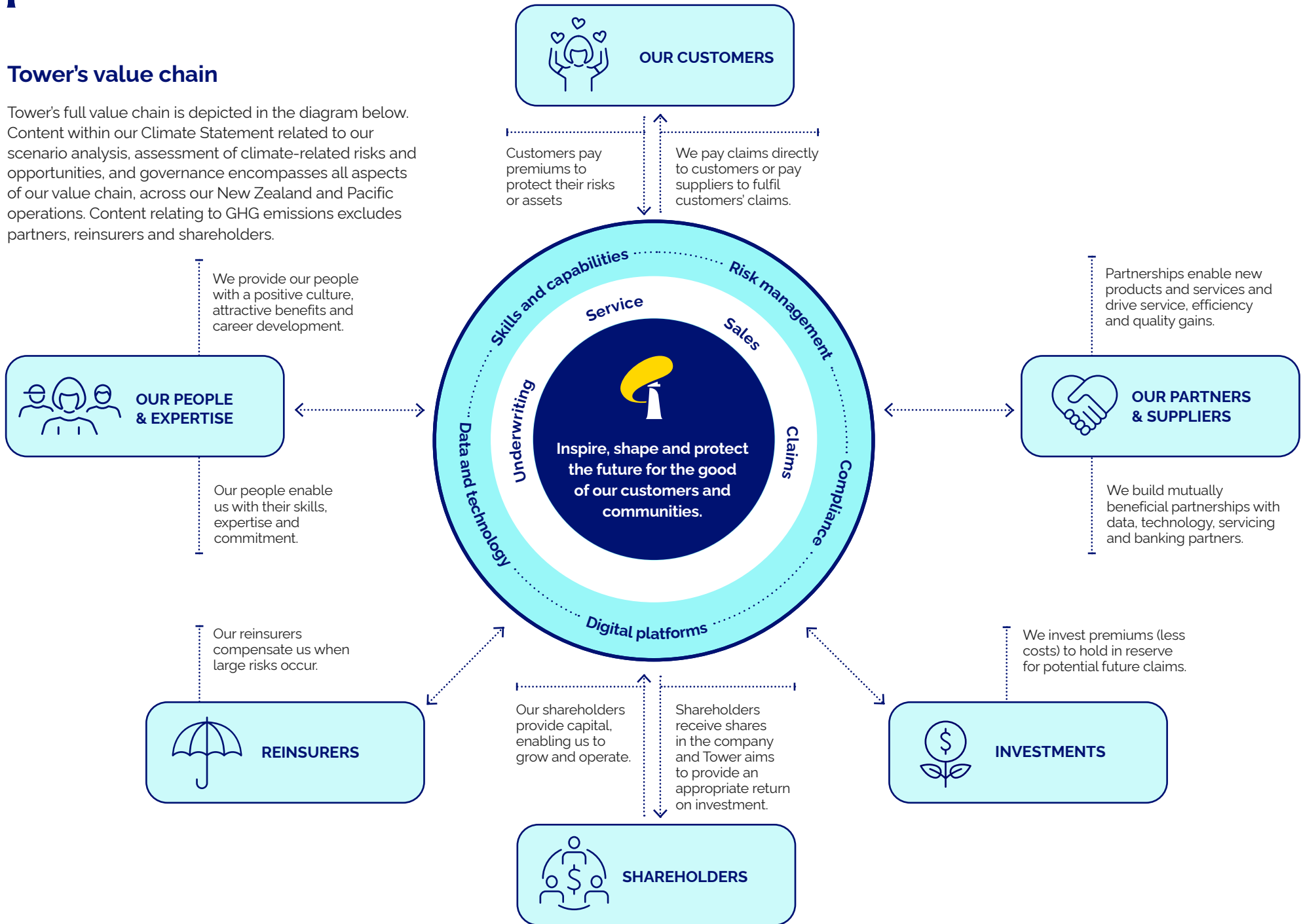
An inclusive, diverse and risk aware culture. Empower our people to achieve great things

RESILIENT

Manage volatility and deliver sustainable outcomes for all stakeholders

## Tower's value chain

Tower's full value chain is depicted in the diagram below. Content within our Climate Statement related to our scenario analysis, assessment of climate-related risks and opportunities, and governance encompasses all aspects of our value chain, across our New Zealand and Pacific operations. Content relating to GHG emissions excludes partners, reinsurers and shareholders.





## Tower's FY24 operational footprint<sup>1</sup>

### Pacific

\$48m

GWP<sup>2</sup>

35,000

policies

22,000

customers

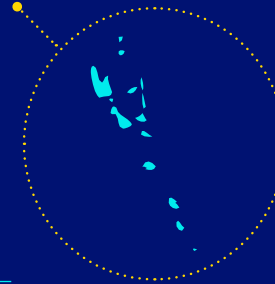
322

staff

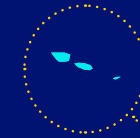
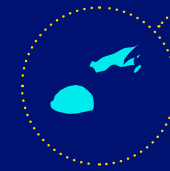
175

tCO<sub>2</sub>e<sup>3</sup>

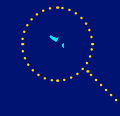
Vanuatu



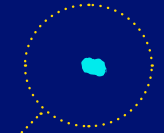
Fiji



Samoa & American Samoa



Tonga



Cook Islands

### New Zealand

\$547m

GWP<sup>2</sup>

575,000

policies

283,000

customers

593

staff

127

tCO<sub>2</sub>e<sup>3</sup>



New Zealand

<sup>1</sup> All figures are as at 30 September 2024.

<sup>2</sup> Gross Written Premium (GWP) includes all operations during the year.

<sup>3</sup> Scope 1 and 2 greenhouse gas emissions tonnes of carbon dioxide equivalent (tCO<sub>2</sub>e).

## Tower's approach to climate change

As the global and domestic economy transitions towards a low-emissions, climate-resilient future, Tower recognises the need to develop a climate resilient business for the long term.

Our strategy for managing climate-related risks and leveraging opportunities aligns with our broader business strategy and builds on our existing sustainability strategy.

It centres on four main approaches:

1.

**Risk-based pricing** – managing risk at an increasingly granular level.

2.

**Product innovation** – developing new products to help address affordability challenges and support the transition to lower emissions assets.

3.

**Data and technology** – investing in enhanced data and technology to continually improve our underwriting and pricing and to better support customers through large events.

4.

**Maintaining our social licence to operate** – upholding strong relationships with our shareholders, reinsurers, government representatives and industry stakeholders, and keeping pace with the changing expectations of customers and communities.

Reducing our emissions is an important aspect of our sustainability strategy and our operational emissions have reduced by 20% from our 2020 baseline year. Further details are provided in the Measuring our performance section on page 30. We will disclose further details in our FY25 transition plan and Climate Statement.



## Current climate-related impacts

### Physical impacts

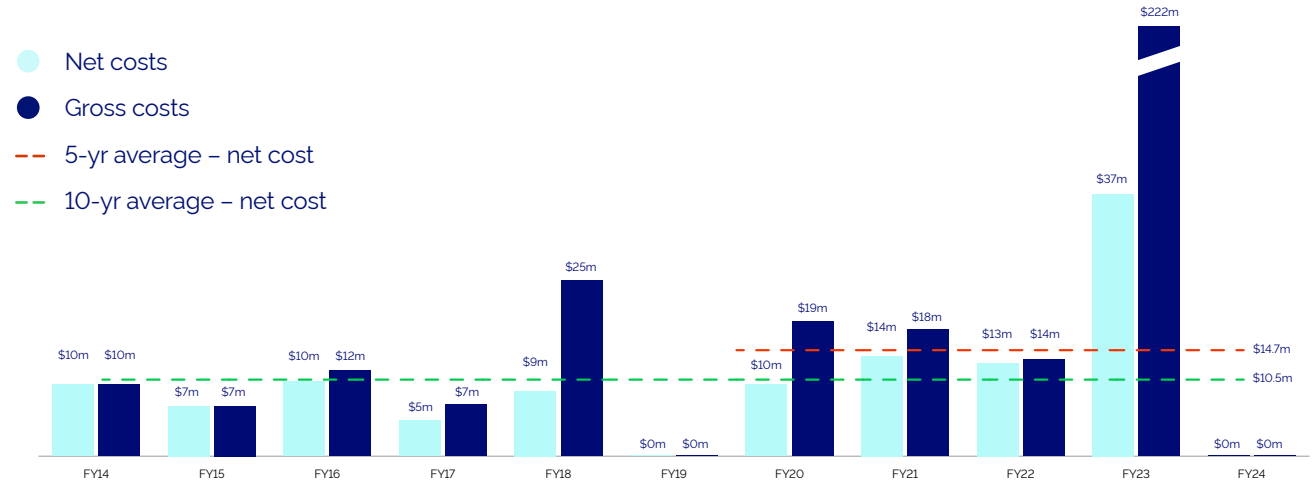
Over the past 10 years Tower has experienced an increasing frequency and severity of large weather events that may be linked to a changing climate. As shown in the graph, the five-year rolling average of large event costs for Tower up to the financial year ending 30 September 2024 increased by \$4.2m, compared to the ten-year average.

In a departure from recent norms, no large weather events were recorded in FY24 and Tower is reporting a profit of \$74.3m. This volatility related to climate change presents challenges for Tower in our modelling and financial planning. We continue to take a conservative approach to these to support our financial resilience.

Reinsurance costs increased following the events of 2023 due to the need to purchase additional reinsurance and price increases by reinsurers in response to the changed risk environment.

Similarly, Tower reviewed its risk appetite in affected areas, resulting in more properties being deemed to have high flood risk in our model. Combined with rising inflation, these impacts contributed to insurance pricing increases in FY23 and FY24 for customers with higher flood risks as policies renewed.

### Catastrophic and large weather events



NB Tower measures large events as those which have a net cost to Tower of more than \$2m. Division of net and gross values are approximate, based on internal records.

## 2023 Catastrophe event impacts

In 2023 New Zealand and the Pacific experienced several catastrophic weather events consistent with climate change projections. These were North Island weather events, Cyclone Gabrielle, Cyclones Judy and Kevin in Vanuatu, and the Auckland floods. The impacts on Tower were:

- \$38m net impact to Tower, excluding reinsurance reinstatement.
- \$1m loss after taxation, versus a profit of \$18.9m in the previous financial year.
- 10,057 claims of \$208 million from the Auckland and upper North Island weather event and Cyclone Gabrielle alone.
- Five years' worth of large house claims received in two weeks (Auckland floods and Cyclone Gabrielle).

These combined weather events put significant demand on our frontline claims teams and assessors, with flow on effects to other business units supporting the claims response. Tower demonstrated resilience by leveraging our geographically dispersed workforce, redeploying our Fiji and Rotorua employees to phone lines and utilising key supplier relationships. As of June 2024, 97% of all these claims were settled.

These events are detailed in our 2023 Annual report (page 12-14). The experience underscores how climate-related risks are already impacting our business and our customers.

## Transition impacts

An early indicator of the transition to a low emission, resilient economy is the development of the climate-related disclosure regime with mandatory requirements for climate reporting entities including Tower. While not currently material, Tower's resourcing and compliance costs have increased to meet the climate-related disclosure requirements.

Opportunities have also arisen from the increased focus on transparency on climate-related issues. These include a growth in the support services available to businesses such as GHG emissions calculation tools, climate adaptation solutions and collaboration opportunities.



# Understanding our possible futures

The NZ CS requires disclosure of the scenario analysis process Tower has undertaken to identify climate-related risks and opportunities. Scenario-based analysis explores how uncertain, forward-looking variables might logically interact to create plausible future states. The purpose of Tower’s scenarios is not to predict the future, but to identify and interrogate the assumptions underlying critical decisions.

Tower’s climate scenarios are based on the Insurance Council of New Zealand’s (ICNZ) shared climate scenarios for the insurance sector. In 2022, Tower participated in a New Zealand insurance industry initiative to co-design these industry scenarios.

## Scenario development

In 2023 Tower engaged KPMG to facilitate the entity-level scenario development and analysis process with a cross functional working group of executives and senior leaders. Through a series of workshops, this group translated the ICNZ climate change scenarios to Tower’s business, strategy and operations in New Zealand and our Pacific markets in line with XRB guidance.

Tower’s climate change scenarios use, as a base, the same framework architecture, quantitative and qualitative parameters, and narrative storylines as the ICNZ scenarios. However, they were adapted to better reflect our business operations, focusing on:

- The potential physical impacts of climate change in the Pacific, given our geographic distribution.
- Navigating financial markets during disruption to highlight possible impacts on our investment portfolio.

## Analysis undertaken

These scenarios were analysed in a series of workshops by a selected cross-functional group of Tower executives and senior leaders. The group assessed Tower’s strategy and operations against the three climate change scenarios, identifying a range of physical and transitional impacts. These impacts were then assessed against the three identified time horizons and prioritised by likelihood and potential impact.

Through this process, Tower identified a long list of 42 impacts and implications, which were further assessed via our climate-related risk management and strategy processes to develop the climate-related risks and opportunities outlined later in this section.

Tower’s climate change scenarios and climate-related opportunities were reviewed by the Sustainability and Climate Change Steering Committee and approved by the Tower Board. Tower’s climate-related risks were reviewed by the executive-level Management Risk and Compliance Committee (MRCC) and the Board Risk Committee.

The scenario analysis was a standalone process designed specifically to address the CRD Regime requirements. As our approach to climate reporting matures, Tower will consider integrating climate change scenario analysis into our business strategy development processes.

## Summary of scenario development process



## Scenario architecture, socioeconomic pathways and rationale for selection

Tower's climate change scenarios build upon the ICNZ scenarios which were based, in turn, on the Network for Greening the Financial System (NGFS) scenarios. The below table sets out Tower's scenario architecture, how Tower's scenarios align with relevant local and international socioeconomic pathway parameters and the rationale for selection.

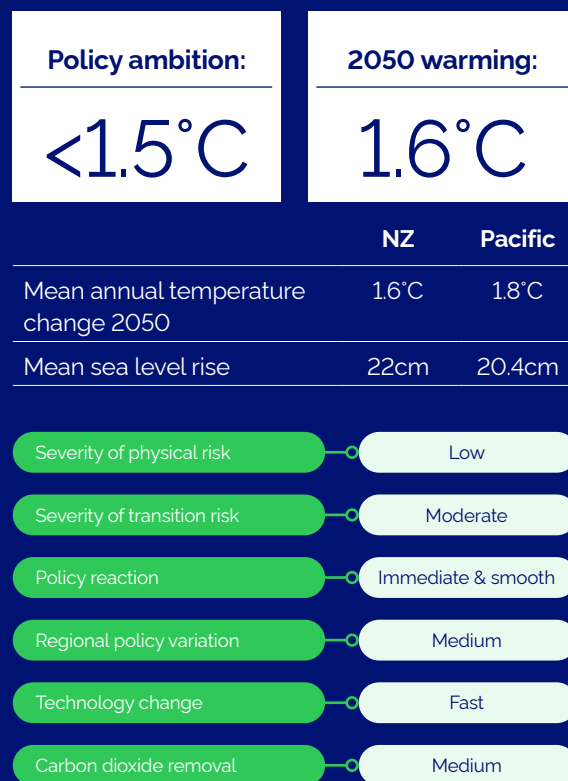
Tower's scenario architecture			
Parameters	Orderly 1.5°C	Disorderly >2°C	Hothouse >3°C
Global emissions and socioeconomic pathway parameters	Representative Concentration Pathway (RCP) 2.6 Intergovernmental Panel on Climate Change (IPCC) Shared Socioeconomic Pathway (SSP) 1-2.6	RCP4.5 IPCC SSP2-4.5	RCP7.0 IPCC SSP3-7.0
Global physical risk pathway parameters	Network for Greening the Financial System (NGFS) Net Zero 2050	NGFS Delayed Transition	NGFS Current Policies
New Zealand-specific emissions, transition and socioeconomic pathway parameters	NZ Treasury Shadow Price 'High' Pathway Climate Change Commission (CCC) 'Tailwinds' Shared Policy Assumptions for New Zealand (SPANZ) '100% Smart'	NZ Treasury Shadow Price 'Medium' Pathway CCC 'Headwinds' SPANZ 'Kicking, screaming'	NZ Treasury Shadow Price 'Low' Pathway CCC 'Current Policy Reference' SPANZ 'Homo Economicus'
Rationale for selection	Most commonly used scenario by financial institutions globally. Aligned with scenarios already selected by ICNZ for the General Insurance Sector (and other sectors). Meets XRB's requirement for a 1.5°C aligned scenario.	Commonly used scenario by financial institutions globally. Aligned with scenarios already selected by ICNZ for the General Insurance Sector (and other sectors). Meets XRB's requirements for a third climate-related scenario.	Commonly used scenario by financial institutions globally. Aligned with scenarios already selected by ICNZ for the General Insurance Sector (and other sectors). Meets XRB's requirements for a >3°C scenario.

## Tower's climate change scenarios

Our climate change scenarios are summarised in the high-level data points and narratives below.

### Orderly scenario – Net Zero 2050

International and domestic policy settings aim to limit total warming by end-of-century to less than 1.5°C.



**This scenario explores Tower's readiness to rapidly transform its business in the short term towards a low-emissions and climate-resilient future, and envisions that by 2050...**

New Zealand has invested in adapting to climate change, building the country's resilience. As a result, reinsurers remain in the region and view the growing population as a growth opportunity.

The requirement to decarbonise and build resilience rapidly put strain on some customers, resulting in financial challenges. However, governments and the financial sector helped to educate the general public on climate change, coupling innovative products and services with transparency around pricing increases. This meant most were open to new products that reflected different risks, and social policies were in place to support those who struggled to afford them.

The Pacific has benefitted from international support and funding to improve its resilience, but sea level rise and extreme weather events have impacted most nations. Migration has meant that new talent with regional knowledge has entered New Zealand's workforce. Collaboration across the Pacific region has been an important driver of action against climate change by government and businesses, as has emerging technology.

Across the region, offerings like parametric insurance and risk-based pricing emerged quickly, allowing insurers to better cost their risk and provide realistic cover to customers. New Zealand's substantiated 'clean, green' reputation, alongside its embrace of new technology such as AI, helped attract international and domestic talent.

Organisations that were early, vocal actors in the transition to a net zero economy benefitted from positive sentiment from customers, communities and stakeholders. Those that were able to fulfil and substantiate their commitments enjoyed increased market share. However, the window was small; those that didn't move quickly had to work harder to catch up and transition.

While capital markets underwent a sharp-but-short period of volatility and loss, organisations that prioritised climate-smart resilience in their investment portfolios were well-positioned to ride the post-transition wave. Organisations that stepped into the challenge of climate change and diversified their offerings early were attractive for investors.

## Disorderly scenario – delayed transition

Global emissions peak in 2030, then drop sharply. As a result of delayed action, deeply destabilising policies are required to keep total warming below potentially catastrophic levels.

<b>Policy ambition:</b>	<b>2050 warming:</b>	
<2.0°C	1.8°C	
	<b>NZ</b>	<b>Pacific</b>
Mean annual temperature change 2050	1.8°C	2.0°C
Mean sea level rise	25cm	22cm

Severity of physical risk	High
Severity of transition risk	Low
Policy reaction	Continuation of current policies
Climate technology change	Slow change
Carbon dioxide removal	Low use
Regional policy variation	Low variation

**The disorderly, delayed transition scenario explores Tower’s resilience to an especially condensed and disruptive transition in the medium term and depicts a future whereby 2050...**

The region (New Zealand and Pacific) is just starting to recover from a costly, painful and profoundly disruptive global transition to our low emissions, climate-resilient economy.

General Insurers were deeply bruised by the scope and scale of extreme flooding in 2037. However, most business models cope with the physical impacts of climate change.

Without leadership from, and timely investment by government, small insurers struggle to compete with more innovative peers with global backing, in terms of products, pricing models, regulatory compliance, or reputation.

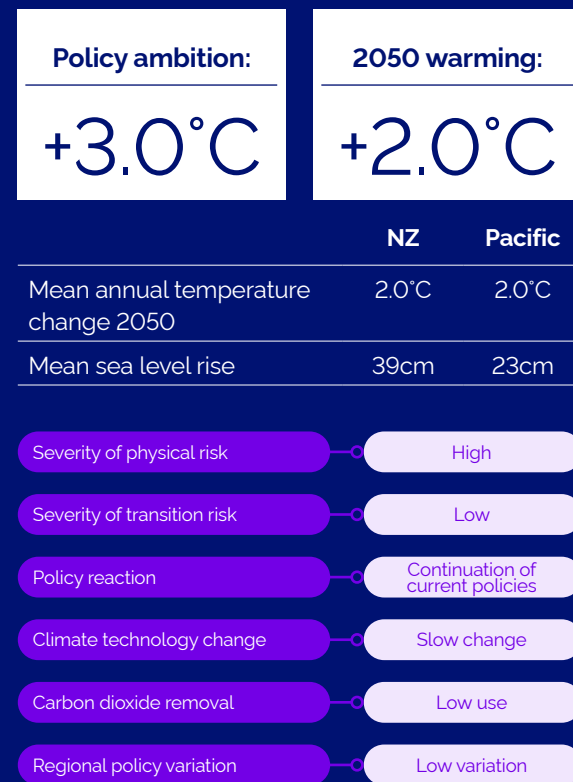
Some organisations were slower than others to acknowledge or address the enterprise level risks that climate change posed to their business model and strategy. Where different countries moved at different speeds, those taking a compliance-led approach found their response fragmented. Most organisations took several years to understand the full potential of transition plans and failed to achieve any first-mover (or even fast-follower) advantage. This also meant customers struggled to compare providers and understand how to improve the resilience of their assets until later in the transition.

Difficult decisions had to be made by organisations that suffered reputational damage during the transition. Streamlining business models and focusing on larger markets meant insuring higher risk areas like the Pacific became less feasible.



## Hot house scenario – current policies

Current climate policies in New Zealand and abroad are sporadic and weak. Any policy changes are insufficient to limit total warming to 2.0°C.



**The hot house, current policies scenario was designed to explore how the collective failure to cut emissions might steadily erode value in the long term. This scenario depicts that by 2050...**

Startling new technologies (enabled by advances in AI) have benefited insurers, their customers, and the global economy. However, this formidable 'tailwind' has been overpowered by the cumulative impact of increasingly intense and frequent natural disasters and has not always been used for good.

Some assets have become stranded due to global changes to climate policies and insurers that were slow to capitalise on the opportunities that presented themselves during the climate transition are responsible for underwriting these with expensive insurance products.

General Insurers have been particularly hard hit – though less so in countries like New Zealand that benefit from a relatively benign climate (as compared, for example, to Australia). New Zealand also benefitted from the way in which its government facilitated early adaptation to the physical impacts of climate change.

Customer needs are more bespoke due to the changed environment with a greater need for specialist advice and specialist policies. Offerings in regional markets differ across insurance providers as the market for insurance becomes increasingly unprofitable and unaffordable for the average family. Data has become a commodity and has increased drastically in price.

Insurers withdrew early on from high-risk areas in New Zealand, leaving some communities stranded. After some time and concurrent natural disasters, the same approach is taken with the Pacific nations as they become less viable and the long-term outlook is poor.

# Climate-related risks and opportunities

Our work to identify potential climate-related risks and opportunities that may affect Tower commenced in 2023 and was further refined in 2024. These risks were assessed under the three climate-related scenarios outlined in the previous section.

Alongside the development of our three scenarios, Tower selected three time horizons to assess the related risks and opportunities. These time horizons were selected to align with the ICNZ scenarios and are independent of our business strategy and planning cycles, which are based on a three-year forward-looking view and reviewed annually.

Time horizon	Period
Short	2023-2025
Medium	2026-2035
Long	2036-2050



## Climate-related risks

In total, 26 climate-related risks were identified. Of these, five inherently high risks identified during our risk assessment process (see page 31 Risk management) are considered material and included in the table below on page 19.

### Physical and transition risks

Physical risks, as defined in NZ CS 1, relate to the physical impacts of climate change. These risks can be:

- Acute, such as those related to extreme weather events like Cyclone Gabrielle, or
- Chronic, due to longer-term shifts in weather patterns, such as changes in precipitation, temperature, or sea level at a regional or national level.

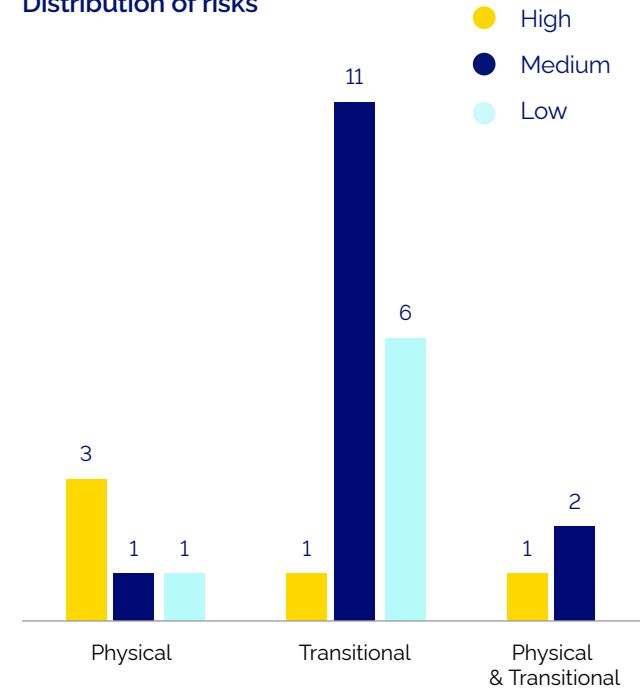
Tower does not directly own or lease assets that are materially vulnerable to acute or chronic climate-related physical risks. However, our customers do, and the potential risks to their assets – and the subsequent risks to our business – have been identified and assessed for disclosure. These risks comprise the largest proportion of Tower’s material risks.

As New Zealand and the world transitions to a low emission, climate-resilient economy, the context for insurance will likely alter and present new challenges. These challenges, defined as transition risks, include changes in government policy, legislation, markets, technology and societal behaviours and expectations. Transition risks make up a larger proportion of Tower’s climate risks than physical risks (69%). However only one transition risk has been assessed with a high inherent severity and therefore is considered material.

Tower recognises that transition risks may increase in severity over time. Tower will continue to monitor these and reassess their materiality in line with our Risk Management Framework. We also recognise that some risks can be categorised as both physical and transition and this is reflected in the material risks table below.

The following graph shows the distribution of risks according to risk type and severity.

Distribution of risks



### Identified climate-related risks and associated anticipated impacts

A description of our inherently high risks, their risk type, anticipated impact, existing mitigations and assessed magnitude against each scenario and time horizon are detailed in the table below.

Risk	Risk type	Description	Anticipated business impact	Current strategies	Regions affected	Scenario	Time horizons		
							Short	Med	Long
Operational stress from climate impacts.	Physical	Increasing extreme weather events subject Tower to substantial operational stress that reduces its ability to adapt.	Operational stress due to volume and complexity of claims. Reputational damage. Lack of specialist resource may affect operational response. Prioritising events responses over progressing business strategy.	Claims transformation programme to automate and streamline claims processes. Resource diversification via Suva Hub and strategic partners. Development of large event response plan.	New Zealand Pacific	Orderly			
						Disorderly			
						Hothouse			
Significantly larger scale extreme weather events in the Pacific region.	Physical	Extreme weather resulting in repeated large loss events.	Providing comprehensive insurance in Pacific markets becomes unviable.	Parametric insurance to diversify offering Efficient digital operations to manage costs. Divestment of Pacific subsidiaries at high risk from weather related large events.	Pacific	Orderly			
						Disorderly			
						Hothouse			

**Legend:** Risk remains the same Risk increases Continuing to assess change

Risk	Risk type	Description	Anticipated business impact	Current strategies	Regions affected	Scenario	Time horizons		
							Short	Med	Long
Financial stress from climate impacts.	Physical	Repeated large-scale extreme weather events subject to substantial financial stress due to high volume and costs of claims.	Accumulated financial losses. Insufficient reinsurance. Insufficient resources. Higher costs of capital. Reduced investor support.	Enhanced hazard data and risk selection, risk-based pricing to minimise exposure to high-risk assets and communication with reinsurers regarding improvements to risk profile. Increasing large events budget in financial planning. Increasing reinsurance cover. Product innovation such as parametric to diversify offering.	New Zealand Pacific	Orderly	↗	↗	↗
						Disorderly	↗	↗	↗
						Hothouse	↗	↗	↗
Affordability of reinsurance diminishes	Transition	Reduced access to reinsurance for all perils (or certain) perils and at short notice leads to price increases.	Increased reinsurance premiums. Increased product development costs to offer alternative cover.	Risk based pricing – as above.	New Zealand Pacific	Orderly	●	↗	↗
						Disorderly	●	↗	↗
						Hothouse	●	↗	↗

**Legend:** ● Risk remains the same    ↗ Risk increases    ○ Continuing to assess change

Risk	Risk type	Description	Anticipated business impact	Current strategies	Regions affected	Scenario	Time horizons		
							Short	Med	Long
Scope, speed and scale of climate change physical and/or transition impacts outpaces Tower's ability to adapt.	Physical/ Transition	New Zealand and the Pacific experience multiple large weather events in quick succession, flood risks and coastal hazards become frequent occurrences in increasing geographies.	<p>Diminished customer experience leads to brand and reputational impacts.</p> <p>Difficulty retaining staff due to increased workloads.</p> <p>Financial impacts resulting from claims errors and/or reduced customer growth.</p> <p>Substantial increase in operational costs for data and technology, models.</p> <p>Capital shortages pose challenges in optimising opportunities.</p>	<p>Geographical distribution of operations.</p> <p>Digitisation to automate processes and improve customer experience.</p> <p>Developing an agile culture.</p> <p>Robust strategic and financial planning to mitigate financial risks.</p>	<p>New Zealand</p> <p>Pacific</p>	Orderly			
						Disorderly			
						Hothouse			

**Legend:** Risk remains the same Risk increases Continuing to assess change

Transition risks currently assessed as medium	Risk type	Description	Anticipated business impact	Current strategies	Regions affected	Scenario	Time horizons		
							Short	Med	Long
Government intervention and/or societal shifts in behaviour.	Medium Transition	<p>High levels of government intervention.</p> <p>Attraction and attrition of skilled employees.</p> <p>Changes in technology.</p> <p>Changing motor vehicle ownership trends.</p> <p>Changes in banks' lending criteria.</p>	<p>Reputational damage from unintended consequences of interventions.</p> <p>Customer needs/expectations outpace product design as NZ transitions to net zero.</p> <p>Comprehensive insurance cover becomes unviable leading to customer impacts. Increased regulatory pressure adding to financial and human resource constraints.</p>	<p>Closely monitor societal trends.</p> <p>Product innovation/customer propositions.</p> <p>Participate in submissions on government proposals.</p> <p>Engagement with local and central government representatives directly and via ICNZ.</p> <p>Pricing transparency.</p>	New Zealand Pacific	All	○	○	○

**Legend:**  Risk remains the same  Risk increases  Continuing to assess change

## Climate-related opportunities

While climate-related risks are front of mind when developing climate strategy and mitigation, the scenario analysis process also identified potential opportunities for Tower. The highest priority identified opportunities are outlined below. These apply to all Tower's climate change scenarios, across all time horizons in New Zealand and our Pacific markets.

Our strategy to innovate will be increasingly important as the transition to a low emission, climate resilient economy presents the need for new products that

reflect societal and economic shifts. One example of our innovation is parametric insurance in the Pacific, which aims to enhance insurance affordability and accessibility in this market. While parametric insurance is currently only a small part of our business and revenue, Tower sees an opportunity to expand its market share in the future, both in New Zealand and the Pacific.

In the coming year, our transition planning will focus on refining our product innovation approach to bolster resilience and accelerate the move towards lower-emissions assets.

We have also identified the opportunity to develop industry partnerships that benefit customers and other stakeholders, which could strengthen the insurance industry's future resilience. Examples of this include:

- ICNZ's collaboration on government proposal responses for climate change adaptation and resilience.
- ICNZ's collaboration to estimate emissions from motor repairers, reducing the reporting burden on these suppliers.

### Tower FY24 climate-related opportunities

Opportunity	Opportunity type	Description	Business impact	Current strategies	Time horizons
Enhanced brand and reputation.	Transition	New products and attractive pricing that address affordability issues and / or support the transition to lower emissions assets.	Supports growth  Enhanced brand reputation	Parametric insurance	Short
				Risk-based pricing.	Medium
				Working towards B-Corp certification.	Long
				Contributing to public discourse on climate change impacts directly and via sustainability and climate-change focused corporate memberships.  Product innovation.	
A more resilient insurance industry.	Transition	Industry partnerships that benefit customers.	Supports efficiency for insurers, ability to offer improved pricing.	ICNZ collaboration on responses to Government proposals i.e. Climate Adaptation Framework.	Short
					Medium
				ICNZ pilot to estimate emissions from motor repairers.	Long



## Anticipated impacts

Tower used scenario analysis to model the expected impacts on its future business.

The modelling used a 'top down' approach, taking external data and trends from Tower's climate change scenarios and applying these to Tower's business with assumptions spanning out to 2050 relating to:

- Population growth
- Dwelling growth
- Transition to Electric Vehicles (EVs) and vehicle ownership rate assumptions
- Tower's expected market share of target markets
- Claims estimates
- Proportion of dwellings in high hazard risk areas
- Growth of multi-unit dwellings
- Stormwater infrastructure investments
- Potential public interventions in the general insurance market.

Tower notes there is significant uncertainty in assumptions spanning out to 2050. The benefit of using a top-down modelling approach is to identify the factors most likely to significantly impact Tower's business performance over the period. This model presented a practical solution, considering available data, extended time horizons, and systemic variables. This analysis was applied across the three Tower scenarios.

The potential impacts for Tower to monitor are summarised below:

- Financial and operational impacts from increased frequency and severity of weather events across NZ and the Pacific.

- Customer affordability challenges due to increasing insurance costs (through increased weather events, BAU frequency, increasing return on investments costs).
- Government intervention to mitigate affordability and/or insurance retreat.
- Societal shift in demand for products through changing transportation trends such as increased use of public transportation and uptake of EVs.

Tower has begun working with data suppliers to scientifically estimate the anticipated increase in climate change-related claims costs through to 2050.

### Our approach to transition planning

A key climate-related priority for 2025 is to develop a transition plan for Tower. Our preparation has commenced with actions to upskill key staff on transition planning, measure emissions from scope 3 sources and consider appropriate metrics and targets.

We have opted to apply Adoption Provision 3 under NZ CS 2 for the transition planning aspects of our strategy. We intend to integrate climate change transition planning into our 2025 business strategy and financial planning processes.

### Capital expenditure and investment

As a general insurer, managing climate-related risk is a core component of Tower's business as usual activities. Tower invests in enhancing our natural hazard modelling and pricing capabilities annually.

During Tower's annual strategic planning process, executive leaders evaluate material risks and opportunities, and strategic decisions. These are then escalated to the Board for oversight, guidance and investment decisions. This process includes assessing climate-related risks and opportunities, which in recent years has led to investments in parametric insurance and risk-based pricing. The Board approves funding for further proposition, investigation and development, and considers initiatives for inclusion in the business strategy and annual business plan.

The annual purchase of reinsurance to manage the financial impacts of large events, including potential climate-related events, is considered under Tower's reinsurance strategy and approved by the Board.

Tower's capital level is influenced by loss history, which in turn can be influenced by climate related risks and impacts. Capital requirements are determined by the products we develop and sell, and the risk levels associated with those assets. For instance, a house insurance policy requires Tower to hold more capital than a motor insurance policy, due to higher replacement costs. As the industry transitions to a low-emissions, climate resilient future, expanding into different asset classes, will result in different capital requirements. These decisions are made in accordance with Tower's capital management process.

Tower has an annual operational budget for sustainability initiatives and compliance with the Climate-related Disclosures (CRD) regime. This includes the costs of measuring emissions, consultancy support, and climate change and sustainability training.

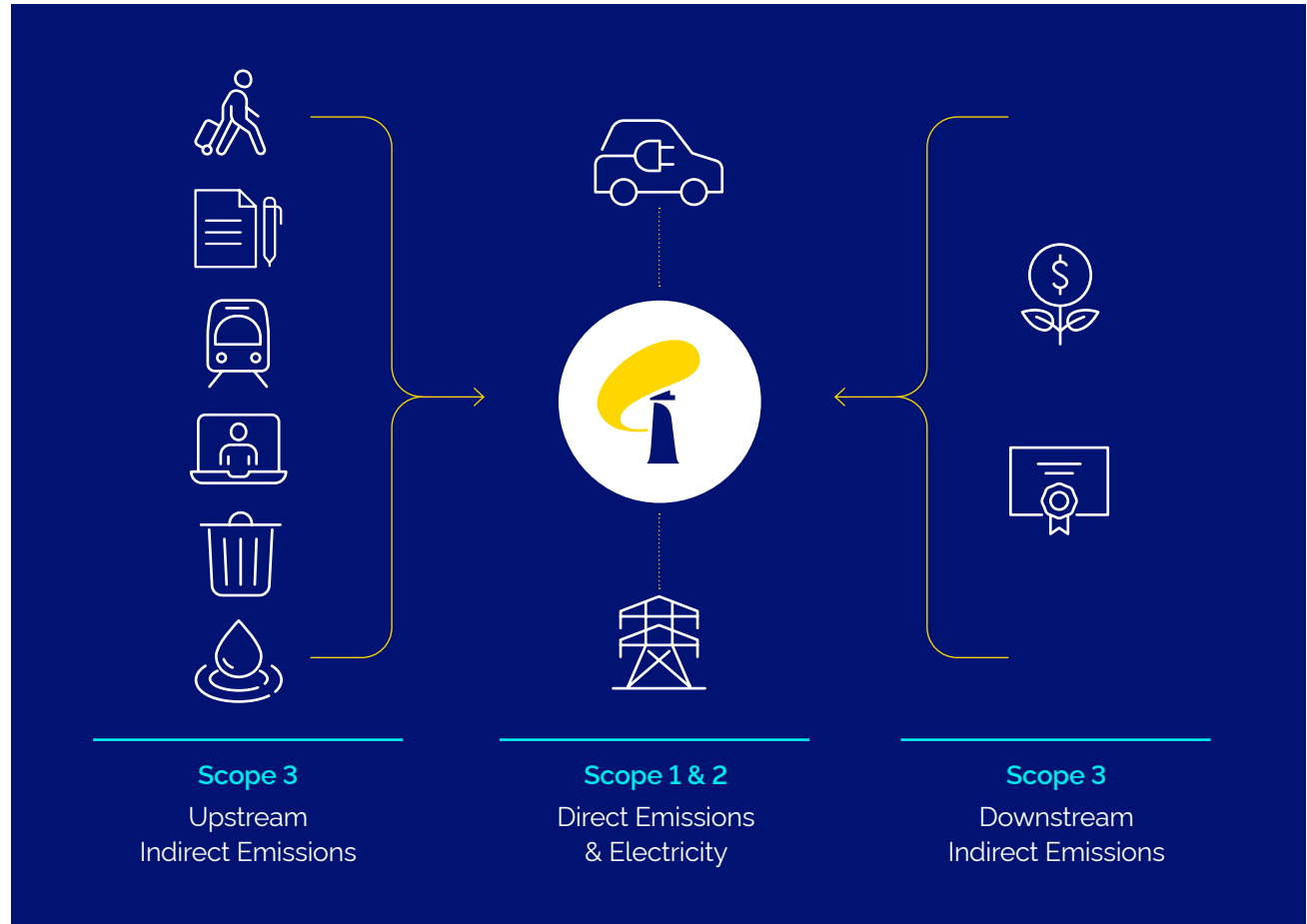
# Our greenhouse gas (GHG) emissions

Tower has been calculating its GHG emissions since 2020, in accordance with the requirements of the Greenhouse Gas Protocol. We used an operational control consolidation approach to account for emissions reported by both location and market-based emission factors. Total emissions are reported using the location-based approach.

To date our GHG inventory has included Scope 1 and 2 emissions for New Zealand and Pacific operations and selected Scope 3 emissions as detailed below. Our base year is 2020, the first year of our five-year Sustainability Strategy. Restatements made are provided in Appendix 4.

In our first year of climate-related reporting we have elected to apply adoption provision 4 of NZ CS 2 which exempts Tower from disclosing all or some of its Scope 3 GHG emissions. Tower has chosen to disclose a subset of Scope 3 emissions in line with previous annual report inclusions, please see Appendix 4 for the sources that have been excluded this year. The methods, assumptions and estimations used in calculating our GHG emissions are also included in Appendix 4.

The following illustration summarises relevant emissions sources for Tower's operations (it does not depict all potential emissions sources and includes sources that may be reported in future years).



Legend for icons provided in following tables.

Scope 3 sources disclosed for FY24 are detailed in Appendix 4 and include:

Emissions source	
	Business travel: flights and accommodation – NZ and Pacific, taxis and rental vehicles – NZ only
	Employee commute – NZ and Pacific
	Work from home – NZ and Pacific
	Waste – NZ only
	Purchased goods and services: paper use – NZ only
	Water supply – NZ and Pacific

All other relevant Scope 3 emissions from our upstream and downstream value chain will be assessed for materiality in FY25.

In 2024, we began assessing Scope 3 emissions related to our wider upstream and downstream business activities, focusing on emissions sources material to our business. Tower is currently working on four areas to prepare for disclosing material Scope 3 emissions in future disclosures:

	Calculation of emissions relating to our underwriting portfolio
	Purchased goods and services – ICNZ collaboration to pilot the assessment of motor repair provisions related to claims
	Assessment of investment emissions
	Purchased goods and services – assessment of supply chain emissions

### ICNZ/Cogo pilot for motor repair emissions

Tower is participating in an industry working group coordinated by the ICNZ, involving four other insurers. This group has launched a pilot programme to calculate claims emissions from motor repair services, in partnership with sustainability fintech Cogo. The pilot provides motor repair suppliers with free access to Cogo's Carbon accounting software, Carbon Manager, for a five-month period. Using supplier spend and activity data, the software generates emissions intensity figures for each participant. This enables insurers to calculate their share of emissions based on their spend with motor repair suppliers for customer claims.



### The aim of the pilot is to evaluate:

1. How effective is a carbon accounting tool in reporting supply chain emissions?
2. What are the benefits of adopting a collaborative approach within the insurance industry?
3. What opportunities exist to scale the pilot into a permanent collaboration across the wider claims supply chain?

The initiative seeks to simplify emissions reporting for collision repair businesses as businesses in the claims supply chain, as they will face increased pressure to measure and report their emissions footprint in response to climate-related legislation.

At the date of this climate statement, the pilot is ongoing, with participants set to evaluate the approach's feasibility for future disclosures in FY25.

## GHG emissions

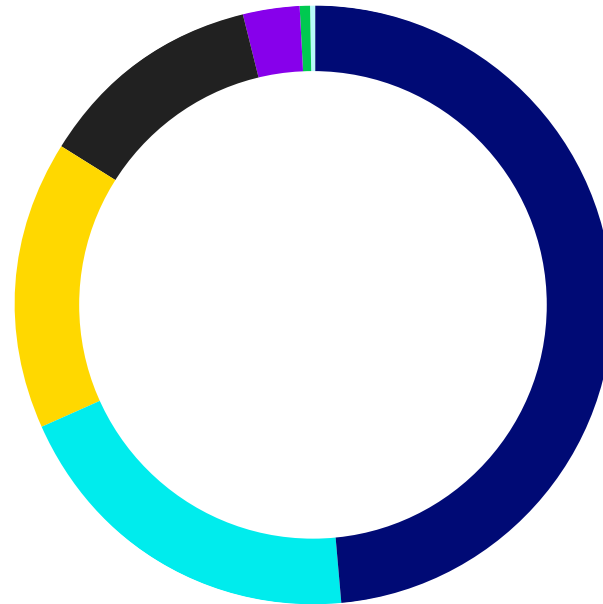
The following table summarises Tower's emissions from our FY20 baseline year to the FY24 reporting period

	FY20 (tCO <sub>2</sub> e)	FY21 (tCO <sub>2</sub> e)	FY22 (tCO <sub>2</sub> e)	FY23 (tCO <sub>2</sub> e)	FY24 (tCO <sub>2</sub> e)
Scope 1	169	115	300	165	160
Scope 2	207	179	146	166	142
Selected Scope 3	209	295	202	183	859
Total	585	399	649	514	1,161

Footnote: Tonnes of Carbon Dioxide equivalent (tCO<sub>2</sub>e) - unit of measurement for combined GHG emissions represented as carbon dioxide. FY20-23 no employee commute emissions, work from home, Pacific water, Pacific T&D losses reported.

The chart below shows the breakdown of Tower's GHG emissions by source.

- Employee commute
- Business travel
- Vehicle fleet
- Electricity
- Working from home
- Waste and water
- Paper



The largest proportion of Tower's GHG emissions come from travel. In FY24 14% of total emissions were from the operation of our vehicle fleets in New Zealand and the Pacific, while 17% came from business travel, including flights, accommodation, taxis and rental cars.

In our first year of undertaking an employee commute survey (FY24) we calculated associated emissions at 43% of our total footprint. This addition has resulted in a clear increase in our overall Scope 3 values along with work from home emissions.

Our fleet vehicles are crucial for our claims and assessing teams to meet the needs of our customers. Our business travel enables us to remain connected across our geographical locations with colleagues and business partners and our employee commute emissions reflect our people's journeys to work. As a result our approach to emissions reduction needs to maintain our service value in these areas. Initiatives to reduce emissions associated with these sources are provided in the table on page 29.

Scope 1 and 2 emissions are also calculated as an intensity figure using our total risk numbers as the key indicators<sup>1</sup>. The intensity results from our base year (FY20) to FY24 are outlined in the table below. The total emissions intensity per policy show a consistent value before decreasing for FY24. The decrease is related to maintaining policy numbers whilst reducing emissions.

Emissions intensity in tCO <sub>2</sub> e/risks insured (000s)	FY20	FY21	FY22	FY23	FY24
NZ intensity	0.21	0.24	0.13	0.19	0.22
Pacific intensity	6.14	3.86	8.55	5.07	4.55
<b>Total intensity</b>	<b>0.67</b>	<b>0.51</b>	<b>0.74</b>	<b>0.53</b>	<b>0.48</b>

<sup>1</sup> Calculated as Scope 1 & 2 emissions divided by average risk count for the year. In this context risk refers to the specific addressable property or risk covered by an insurance policy, e.g., the house, the motor vehicle, or a period of overseas travel. The Pacific intensity figures include emissions for the Suva hub which provides services in relation to NZ policies.

## GHG emissions target

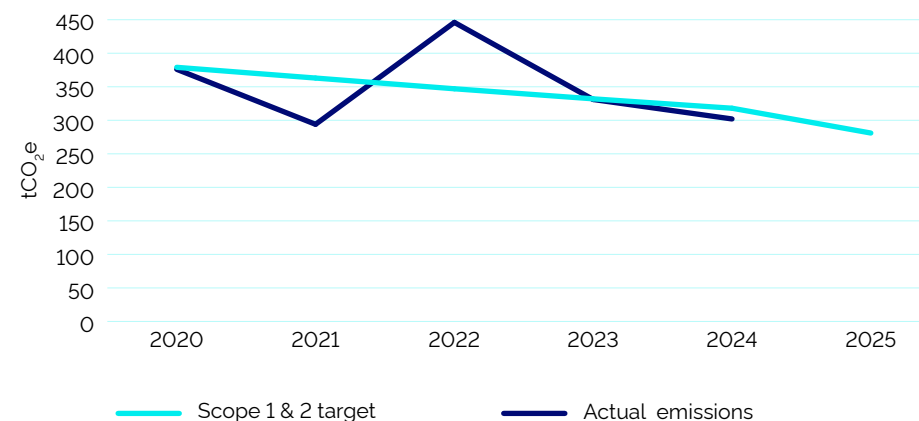
Tower has set an absolute, science-aligned reduction target of 21% for our Scope 1 and 2 emissions by the end of the 2025 financial year, using 2020 as the base year. Our FY24 Scope 1 and 2 emissions show a 20% reduction on 2020 levels and a 9% reduction on FY23.

This target was established based on the Paris Agreement goal to limit global warming to 1.5°C. The Paris Agreement goal (UNFCCC 2015) requires emissions to peak before 2025 at the latest and decline 43% by 2030. Tower calculated our reduction trajectory to 2025 on the basis of this ambition.

During FY25 we will revise our target against a 1.5°C global warming ambition using a science-based methodology and extend it to include our Scope 3 emissions. Assurance of the target will be obtained through the mandatory FY25 GHG emission disclosures, and we will explore the viability of an intensity-based metric and target as our understanding of our material Scope 3 emissions improves.

In taking responsibility for our emissions, our preferred approach is to invest in initiatives to reduce gross emissions as much as possible. Therefore, there are no offsets applied to our target.

## Current GHG target and tracking scopes 1 & 2



## Our emissions reductions initiatives

Tower has continued working towards reducing our Scope 1 & 2 emissions. Since 2022, Tower has had a policy commitment to purchasing only EVs or hybrid vehicles. In New Zealand our fleet was fully transitioned by 2023. In our Pacific locations, our fleet remains primarily internal combustion engine (ICE) vehicles.

We recognise that electricity generation in the Pacific Islands is primarily fossil fuel-based and therefore conversion to hybrid or EVs is unlikely to generate the same emission reductions as our New Zealand fleet. However, there are parallel benefits to moving away from petrol or diesel vehicles in all locations, including lower running costs and supporting improvements in local air quality.

The table below outlines completed or ongoing emissions calculation and reductions initiatives for FY23 and FY24. Initiatives slated for completion in financial year FY25 and disclosure in our second climate statement are highlighted in cyan.

Scope	Inventory item	Detail	2023	2024 to date
1	Vehicle fleet fuel	Tower Policy to only purchase hybrid, plug in hybrid or fully electric Vehicles. NZ vehicles transitioned, Pacific Island vehicles to follow.	165 tCO <sub>2</sub> e	160 tCO <sub>2</sub> e
2	Electricity	Greenstar Auckland office, Suva meter recently installed.	166 tCO <sub>2</sub> e	142 tCO <sub>2</sub> e
3	Business travel	Tower's Sustainable Travel Policy includes an intention (without a target) to reduce air travel. Tower's increased presence in Suva has required additional travel in FY24.	148 tCO <sub>2</sub> e	203 tCO <sub>2</sub> e
	Waste (landfill)	Employee initiatives such as Plastic Free July to encourage waste minimalisation. Waste volumes have increased in line with increased staff numbers and office attendance.	6 tCO <sub>2</sub> e	7 tCO <sub>2</sub> e
	2nd year employee commute/WFH	To be developed. Second survey to be completed.	Employee commute WFH	501 tCO <sub>2</sub> e 29 tCO <sub>2</sub> e
	2nd year supply chain	Review of existing ESG supplier requirements to include material emissions reporting.		
	2nd year underwriting	Current Generate Zero project.		

# Measuring our performance

Tower uses various metrics and tools to manage our business risk indicators, including those relevant to climate-related risks and opportunities and our GHG emissions. As we developed our scenarios, risks and opportunities, strategy and GHG emissions profile, we assessed the availability of relevant and appropriate metrics.

The following table describes key metrics related to the financial impacts of our physical and transition risks and opportunities, as well as capital deployment.

In our first reporting period we have focused on identifying the key physical and transition risks and opportunities and associated metrics. We did not

identify any relevant industry-based metrics in FY24. Targets related to GHG emissions are provided in Section 5 above.

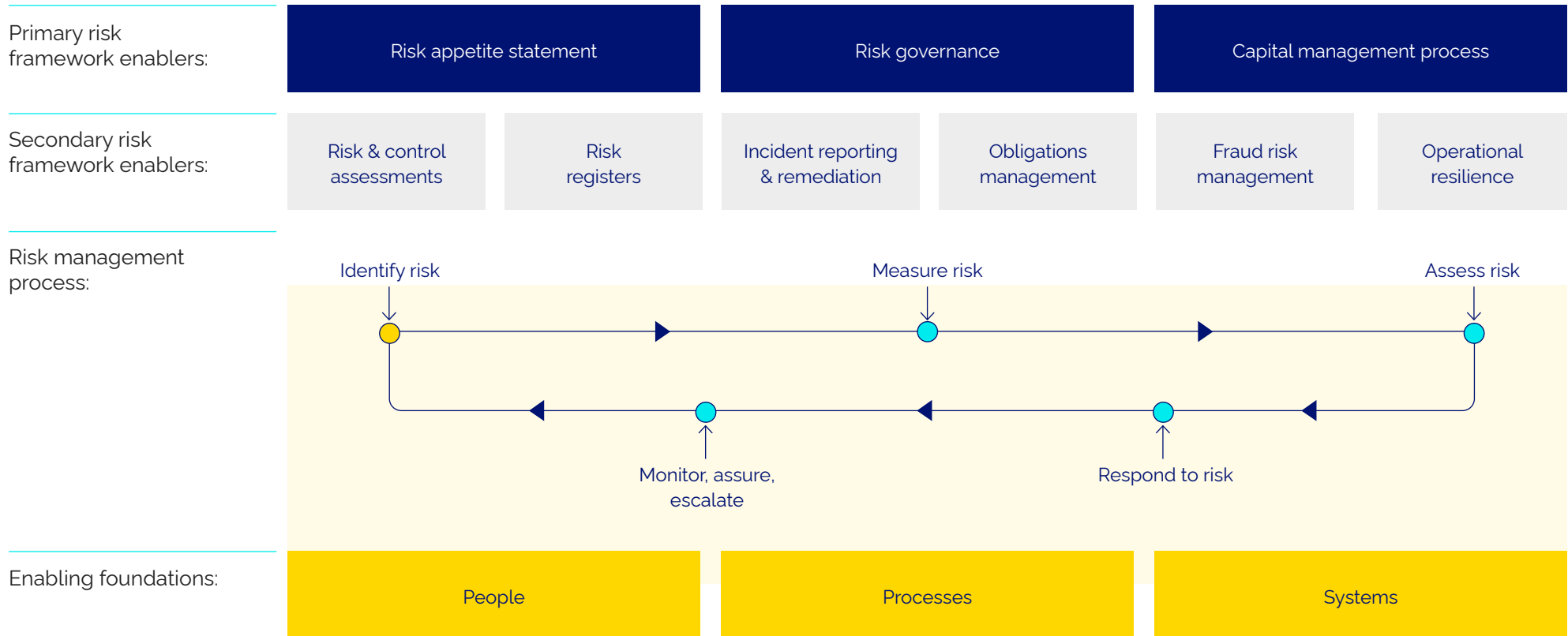
Type	Description	Metric	FY24 estimates
Transition risks	Amount or % of assets or business activities vulnerable to transition risks	% of vehicles insured that are internal combustion engines (ICEs)	91%
Physical risks	Amount or % of assets or business activities vulnerable to physical risks.	% of homes insured that are high flood risk <sup>1</sup>	3%
Opportunities – Current	Amount or percentage of assets, or business activities aligned with climate-related opportunities.	% of electric vehicle (EV) and plug-in hybrid (PHV) vehicles covered	9%
Capital deployment	Amount of capital expenditure, financing, or investment deployed toward climate-related risks and opportunities.	Capital or operating expenditure deployed towards: <ul style="list-style-type: none"> <li>• Risk Based Pricing</li> <li>• Parametric</li> <li>• Sustainability</li> <li>• CRD</li> <li>• Fleet transition</li> </ul>	Approx \$769K
Internal emissions price	Price per metric tonne of CO <sub>2</sub> e used internally by an entity.	Tower does not currently set an internal emissions price. To be considered in FY25.	
Remuneration	Management remuneration linked to climate-related risks and opportunities in the current period – %, weighting, description or amount of overall management remuneration.	Tower has not set any management remuneration linked to climate-related risks and opportunities. To be considered in FY25.	

<sup>1</sup> Limitation for use of flood risk ratings - the definition of "High Flood Risk" is Tower's own definition and not necessarily a consistent definition with any other public source. Specifically, it relates to insurance risk and cost to repair or replace property relative to the risk of flooding and not just the chances of flooding happening alone. It also relates to Tower's own risk appetite and what we consider is "High", which may differ to others risk appetites or interpretation of the level of risk.

# Risk management

Risk management is central to Tower’s strategic and operational activities and is underpinned by Tower’s enterprise-wide Risk Management Framework (RMF). The RMF is approved by the Tower Board and applies to all Tower employees and operations.

The RMF sets out guiding principles to enable Tower to identify, assess, monitor and manage its risk exposures to pursue its strategic objectives. The RMF and its key components are depicted below:





Fundamental to the application of the RMF is Tower's Risk Appetite Statement (RAS), which outlines the Board's risk appetite against key categories defined in the RMF. Tower's Board Risk Committee is responsible for monitoring the adequacy of the RMF, receiving reports on key risks, exposures and their management against the RAS.

The primary executive governance forum for the RMF is the Tower Management Risk and Compliance Committee (MRCC) which meets monthly and is governed by an annually reviewed Charter overseen by the Chief Risk Officer (CRO).

The RMF is implemented through risk, compliance, conduct and internal audit processes across each business function. The executive, senior management and staff must demonstrate that reasonable steps have been taken to effectively manage Tower's risks in line with the RMF. Responsibilities are assigned to individuals to manage identified risks, and material changes to Tower's risk profile are monitored.

Each business unit within Tower maintains a risk register that records the likelihood and consequence of risks, actively identifying, assessing and monitoring the risks and associated controls. These risks are recorded, maintained and managed within our Protecht risk management software platform with clear identification of the risk owner, inherent risk, risk mitigation(s) and residual risk scores.

Risk owners are responsible for updating their risks whenever changes occur that may alter the inherent or residual risk score. To ensure regular reviews, each risk is assigned an agreed time period for review. These time periods may range between 6-monthly and 2-yearly.

The Protecht platform also enables the prioritisation of all risks, ensuring appropriate escalation in a timely manner. Risks are prioritized as Low, Medium or High residual risk status. High residual risks are given priority for suitable mitigation and raised to the Board for acceptance or deployment of capital if the risk cannot be effectively mitigated, and then closely monitored.

## Integration of climate risks in Tower's Risk Management Framework

Tower revised its RMF in February 2024 to include climate-related physical and transition risks as a specific risk category along with the other key risks facing Tower across its full value chain. Tower also introduced a dedicated Climate Risk Forum to regularly review and monitor its climate risk profile. The Climate Risk Forum meets quarterly. Additionally, Tower revised its risk assessment matrix to enable a more focused approach to risk assessment across the business.

The process undertaken by Tower to assess climate-related risks followed the approach outlined under the RMF, as follows:

1. Identify
2. Measure and Assess
3. Respond
4. Monitor, assure and escalate

### Identify

Tower conducted a cross-functional workshop to consider the climate risks and opportunities as part of the climate change scenario development and analysis. The workshop and subsequent internal analysis included all material elements of Tower's value chain, covering both New Zealand and Pacific-based operations, as well as our core supply chain. Some 42 climate related risks and opportunities were identified during this exercise.

### Measure and assess

The identified risks served as the basis for further internal stakeholder meetings to:

- Refine the risks
- Assign ownership
- Identify key impacted business units
- Complete initial risk and control assessments across the short, medium and long-term time horizons with the same duration outlined in the Strategy section.
- Agree appropriate controls against each risk to mitigate the impact of the risks occurring

The data was also divided into specific areas to illustrate Tower's overall climate risk profile across each scenario and time horizon (as detailed within the Strategy section):

- Key Impacted Business Units – by climate related risks
- Climate Risk Categories – Transition & Physical Risks
- Climate Risk Ratings – high, medium, low
- High Inherent Risks – measured under the three climate scenarios and three time horizons.

### Respond

Tower's response considered each of the climate-related risks and assigned controls against them to arrive at a residual risk rating. In line with Tower's RMF, where a residual risk is High and cannot be managed through the control environment, it is reported to the Tower Board for risk acceptance or otherwise. No climate-related risks have been identified as unable to be managed effectively through appropriate controls and actions.

Accountability for managing these risks is assigned to Tower's executives and senior management. The suite of risks provides an overall climate-related risk profile for Tower and facilitates the monitoring of those risks over time. Where the nature of the risk changes, the response to managing that risk may change also.

### Monitor, assure and escalate

Due to the nature of Tower's business and our risk-based pricing approach, climate-related risks make up five of our high residual risks. All five of these climate-related risks have actions in place to monitor and help mitigate.

All material climate-related risks across each of the identified scenarios and time horizons (as detailed within the Strategy section) have been recorded in Protecht and will be reviewed as part of the usual cycle of risk reviews within each business unit. The Climate Risk Forum will assist in regular monitoring of the climate risk landscape and is described on the right.

A comprehensive review of identified risks and opportunities will be undertaken annually and following any updates to Tower's climate change scenarios.

### The Climate Risk Forum

The purpose of the Climate Risk Forum (CRF) is to facilitate discussion, collaboration, and action on climate-related risks and opportunities.

The CRF convenes internal stakeholders from various teams to review and share knowledge, best practices, and innovative solutions. Its goal is to ensure identified climate-related risks and opportunities remain current and relevant, and to address the challenges posed by climate change.

The CRF is composed of climate risk owners and the Sustainability Manager, with subject matter experts (SMEs) attending as required. The CRF meets quarterly to discuss specific climate-related risks and opportunities, with the first meeting held in July 2024.

Climate-related risks are considered over the short, medium and long-term time horizons identified in the Strategy section page 17.

# Governance

Strong governance underpins our management of climate-related risks and opportunities.

Tower's Board of Directors provides leadership within a framework of prudent and effective controls, enabling the assessment and management of all risks and opportunities, including those that are climate-related. The Board composition is provided in our Annual Report 2024, on page 50.

Details of our governance of climate-related topics in FY24 are detailed in the table on page 36.

## Governance framework

The Board is responsible for approving and overseeing Tower's ESG strategy and reporting. This includes considering sustainability strategies and oversight of Tower's climate-related risks, including physical and transition risks, and climate-related opportunities. The Board retains overall accountability for the development and ownership of climate-related strategy, transition planning, metrics and targets and climate-related disclosures.

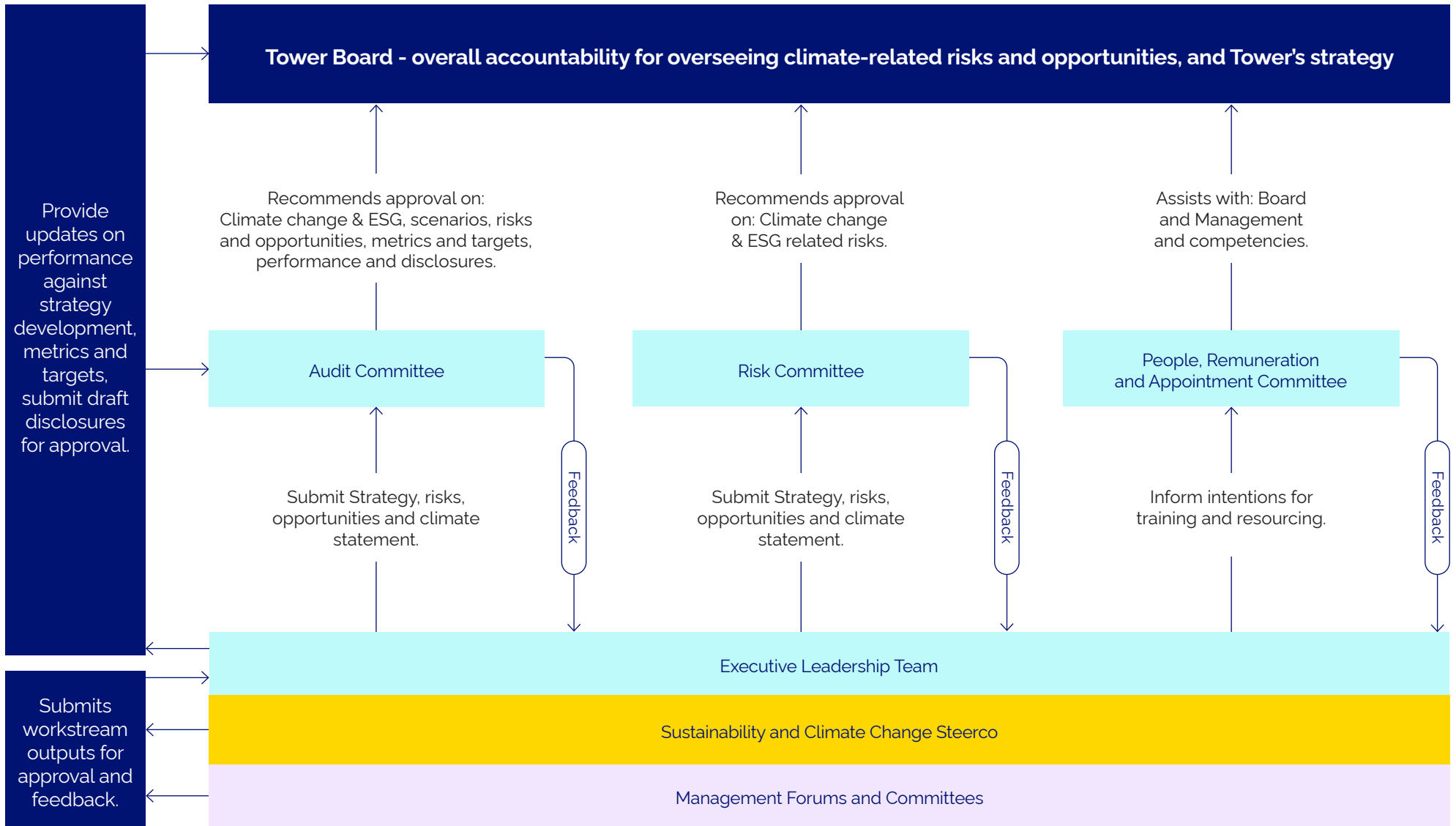
The Board is assisted in its oversight by its Audit, Risk and People, Remuneration and Appointments Committees. Additionally, Tower's Executive Leadership Team (ELT) led by our CEO, and topic specific management committees and forums, sponsor and direct key elements of our climate statement development. The roles and responsibilities of each of these bodies, along with key milestones over the reporting period are provided in the table on page 36.

In FY24, the Board approved a Climate and Sustainability Governance Framework, establishing the Company's structures and processes for effective oversight and management of climate-related risks and opportunities. The following diagram illustrates the key roles, responsibilities, communication, and decision-making processes that support the Board in fulfilling its climate-related governance obligations.

In FY24 climate change risks and opportunities were integrated into Tower's strategy development processes. This included:

- May 2024 – Board consideration of Tower's climate-related risks and opportunities identified through the risk management processes detailed on page 31, and the process for integrating these into Tower's overall strategy and business planning
- July 2024 – Annual Board strategy offsite including consideration of climate-related risks, opportunities and associated strategic priorities, alongside wider business considerations in developing the overall strategy and business planning.
- July – September 2024 -The outputs of these strategy discussions were incorporated into the three-year business strategy and FY25 operating plan, which the Board approved in October 2024.

Climate, sustainability governance framework



FY24 was a foundational year for establishing our governance processes. The Board approved the Climate and Sustainability Governance Framework in March 2024. Throughout the year, the full Board considered elements of the climate-related disclosure development on behalf of its committees to ensure progress within desired timeframes. The requirements of the framework will be fully embedded in FY25.

### Table of Governance bodies, frequency of meetings, their roles and responsibilities

Governance body	Roles and responsibilities	Activity
Tower Limited Board of Directors	Overall accountability for climate-related risk and opportunities, transition planning and strategy and all other disclosures in the company's Climate Statement.	<p><b>Monthly</b> progress update on sustainability and CRD.</p> <p><b>February 2024</b> Board review of CRD workplan and activities</p> <p><b>March 2024</b> Approval of climate change scenarios, consideration of climate change risks. Review of internal CRD record-keeping process and guidelines.</p> <p><b>July 2024</b> consideration of draft climate change strategy, draft metrics and targets and GHG emissions update. Director skills and capabilities survey completed.</p> <p><b>August 2024</b> update on Board and Management climate-related skills and capabilities and training.</p> <p><b>October 2024</b> Approval of metrics and targets.</p>
Audit Committee	<p>The Audit Committee assists the Board by:</p> <ul style="list-style-type: none"> <li>Overseeing climate-related disclosures and the adequacy of control systems for climate-related reporting.</li> <li>Reviewing climate change scenarios, risks and opportunities, metrics and targets, and disclosures, and recommending Board approval.</li> <li>Agreeing on the scope of the external auditor's limited assurance of GHG emissions for the climate statement.</li> </ul>	<p><b>May 2024</b> Consideration of progress towards CRD.</p>
Risk Committee	<p>The Risk Committee assists the Board by:</p> <ul style="list-style-type: none"> <li>Monitors climate-related risks.</li> <li>Assessing the effectiveness of Tower's Risk Management Framework, strategy, risk appetite, and risk profile. Ensuring compliance with relevant prudential regulatory requirements, including climate-related transition risks.</li> </ul>	<p><b>Monthly</b> Chief Risk Officer (CRO) report to Risk Committee or Board includes climate change and increased frequency of large events as both a key strategic risk and a compliance risk. This report provides updates on work on climate related risks.</p>

Governance body	Roles and responsibilities	Activity
People, Remuneration and Appointment Committee	<p>The People, Remuneration and Appointment Committee assists the Board in its oversight of remuneration strategy by:</p> <ul style="list-style-type: none"> <li>• Recommending whether climate metrics should be included in reward frameworks, and recommending potential metrics.</li> <li>• Recommending required skills, capabilities and experience for Board members to ensure the Board can effectively manage risks and opportunities arising from climate change.</li> </ul>	Climate metrics are not currently included in reward frameworks.
Executive Leadership Team	<p>With respect to the Climate Statement, the Executive Leadership Team is responsible for:</p> <ul style="list-style-type: none"> <li>• The development and execution of Tower's climate change strategy and transition plan;</li> <li>• Ensuring that sustainability and climate-related risks and opportunities are considered as part of investment, underwriting, product design, customer experience, pricing, supply chain and claims processes;</li> <li>• Ensuring that all employees are aware of their responsibilities for the identification of climate change risks and opportunities;</li> <li>• Ensuring that employees have relevant climate change and sustainability skills and capabilities.</li> </ul>	<p><b>December 2023</b> Climate change strategy discussion</p> <p><b>May 2024</b> Workshop on climate change strategy.</p> <p><b>June 2024</b> Completion of Management Skills and Capabilities Survey.</p> <p><b>July- September 2024</b> Climate-related training for management and employees.</p> <p><b>August/September FY25</b> Operating plan and 3-year strategic plan development</p>
<b>Management</b>		
Sustainability and Climate Change Steerco	<p>This Executive-level committee is chaired by the CEO and includes the CRO, Chief Underwriting Officer and Deputy CFO. It oversees:</p> <ul style="list-style-type: none"> <li>• Tower's progress and performance against sustainability strategy and climate change strategy/ transition plan/ metrics and targets.</li> <li>• The assignment of resources to ensure sustainability and climate change outcomes are achieved.</li> <li>• Delivery of Tower's sustainability reporting and climate-related disclosures to the Board and its Committees.</li> </ul>	<p><b>Minimum Monthly</b> meetings chaired by the CEO. Updates on Steerco activities are provided to the Board in the monthly CEO report.</p> <p>Key climate-related decisions and information are raised through appropriate governance committees as required.</p>
Management Risk and Compliance Committee	<p>The Management Risk and Compliance Committee (MRCC) assists Tower Limited to discharge its management and governance responsibilities for risk including climate-related risk. The primary purpose of the MRCC is to oversee, manage and approve Tower-wide risk, compliance, and conduct management practices.</p>	<b>Monthly</b> meetings with summary of Board CRO report discussed.
Climate Risk Forum	<p>The Climate Risk Forum is comprised of senior leaders from key functions including claims, sales and service, underwriting, pricing, finance and technology. The Forum will meet quarterly and is dedicated to identifying, assessing, and monitoring climate-related risks and opportunities and ensuring appropriate mitigating actions are incorporated into Tower's strategy and operating plan.</p>	<b>July 2024</b> First meeting and review of Terms of Reference

Governance body	Roles and responsibilities	Activity
Product, Pricing & Underwriting Committee	<p>This Committee oversees monitoring, reporting and management of emissions from Tower's underwriting portfolios. It will be responsible for:</p> <ul style="list-style-type: none"> <li>• Recommending targets for underwriting portfolio emissions reduction to the Sustainability &amp; Climate Steering Committee.</li> <li>• Directing underwriting, product and pricing actions to achieve Tower's sustainability strategy, climate change strategy, and transition plan (once developed).</li> <li>• Ensuring alignment of sustainability and climate change underwriting and pricing actions with Tower's business strategy and operations.</li> </ul>	<p><b>Monthly</b> meeting</p> <p>This committee's contribution to climate-related disclosures will commence in FY25.</p>
Claims Committee	<p>The Claims Committee will oversee monitoring, reporting and management of emissions from Tower's claims supply chain. It will:</p> <ul style="list-style-type: none"> <li>• Recommend targets for claims supply chain emissions reduction to the Sustainability &amp; Climate Steering Committee.</li> <li>• Recommend claims actions that will achieve Tower's sustainability strategy and climate change strategy, and transition plan (once developed) to the ELT/Sustainability Steering Committee.</li> </ul>	<p><b>Monthly</b> meeting</p> <p>This committee's contribution to climate-related disclosures will commence in FY25.</p>

## Climate-related skills and capabilities

### Board climate skills and capabilities

The Board aims to have an appropriate mix of relevant skills, with particular competencies in the insurance and financial services sector.

In FY24, Tower Directors completed an overview training session with KPMG on CRD Regime requirements.

Additionally, all Directors completed a targeted survey to assess their understanding and knowledge of climate-related topics, including:

- Climate change drivers, risks, and opportunities
- GHG emissions
- Climate and ESG legislation

Based on the survey results, where necessary Directors will undertake further training in FY25 on Climate and ESG Legal obligations and GHG Calculation and reporting.

### Management climate-related skills and capabilities

As an insurer, Tower's teams have existing skills and capabilities that are highly relevant to managing climate-related risks and opportunities including general risk management, actuarial, data management, natural hazard modelling, finance, governance, and strategy.

Tower has dedicated sustainability roles, including within senior management. Reporting to the Sustainability and Climate Steering Committee, Tower's Head of Corporate Affairs and Sustainability is responsible for:

- Developing and delivering Tower's sustainability strategy, incorporating climate-related goals and initiatives for the period 2020-2025.
- Leading the delivery of climate-related disclosures, with support from Tower's Sustainability Manager.

Since beginning work on the first Climate Statement in 2022, management has invested in building specific climate change competencies. In 2023, 32 Tower senior leaders were involved in developing Tower's climate change scenarios and risk and opportunity themes, thereby building awareness of relevant climate-related issues for Tower.

In August 2024, select members of the ELT and senior leaders completed training on climate-related disclosures and other ESG disclosure obligations with law firm MinterEllisonRuddWatts.

Between July and September 2024, 41 Tower employees including senior leaders and staff involved in delivering climate statements, completed training on the basics of climate change science. Additionally ELT and other senior staff involved in climate-related disclosures received training in sustainability foundations, including climate-related disciplines and GHG accounting standards.

Senior staff in our underwriting and sustainability teams have also completed role-specific training in sustainability and climate-related issues.

Senior leaders actively working on Tower's Climate Statement have included objectives in their FY24 performance plans related to resourcing and completing their contributions.

Tower also has access to a range of external consultants for specialist expertise and advice which has been noted in Board updates throughout the year as appropriate.



# Appendices

## Appendix 1

### Index – CRD way finder

CRD sections	CRD disclosures	Tower disclosure	Adoption provisions
<p><b>Governance - To enable primary users to understand both the role an entity's governance body plays in overseeing climate-related risks and climate-related opportunities, and the role management plays in assessing and managing those climate-related risks and opportunities.</b></p>	<ul style="list-style-type: none"> <li>(a) the identity of the governance body responsible for oversight of climate-related risks and opportunities;</li> <li>(b) a description of the governance body's oversight of climate-related risks and opportunities (see paragraph 8); and</li> <li>(c) a description of management's role in assessing and managing climate-related risks and opportunities .</li> <li>(a) the processes and frequency by which the governance body is informed about climate related risks and opportunities;</li> <li>(b) how the governance body ensures that the appropriate skills and competencies are available to provide oversight of climate-related risks and opportunities;</li> <li>(c) how the governance body considers climate-related risks and opportunities when developing and overseeing implementation of the entity's strategy; and</li> <li>(d) how the governance body sets, monitors progress against, and oversees achievement of metrics and targets for managing climate-related risks and opportunities, including whether and if so how, related performance metrics are incorporated into remuneration policies (see also paragraph 22(h)).</li> </ul>	<p>Section 10: Governance Framework pg 35. Section 10 pg 36</p>	
<p><b>Strategy - To enable primary users to understand how climate change is currently impacting an entity and how it may do so in the future. This includes the scenario analysis an entity has undertaken, the climate-related risks and opportunities an entity has identified, the anticipated impacts and financial impacts of these, and how an entity will position itself as the global and domestic economy transitions towards a low-emissions, climate-resilient future.</b></p>	<ul style="list-style-type: none"> <li>(a) a description of its current climate-related impacts;</li> <li>(b) a description of the scenario analysis it has undertaken</li> <li>(c) a description of the climate-related risks and opportunities it has identified over the short, medium, and long term</li> <li>(d) a description of the anticipated impacts of climate-related risks and opportunities ; and</li> <li>(e) a description of how it will position itself as the global and domestic economy transitions towards a low-emissions, climate-resilient future state.</li> </ul>	<p>Section 4: Strategy Pg 10 Pg 12 Pg 17-23 Pg 19, 24 Pg 9, 24</p>	<p>Adoption provision 1: Current financial impacts. Adoption provision 2: Anticipated Financial impacts Adoption provision 3: Transition planning Adoption provision 4: Scope 3 GHG emissions Adoption provision 5: Comparatives for Scope 3 GHG emissions</p>

CRD sections	CRD disclosures	Tower disclosure	Adoption provisions
<b>Risk management - To enable primary users to understand how an entity's climate-related risks are identified, assessed, and managed and how those processes are integrated into existing risk management processes.</b>	(a) a description of its processes for identifying, assessing and managing climate-related risks (see paragraph 19); and (b) a description of how its processes for identifying, assessing, and managing climate related risks are integrated into its overall risk management processes.  An entity must include the following information when describing its processes for identifying, assessing and managing climate-related risks: (a) the tools and methods used to identify, and to assess the scope, size, and impact of, its identified climate-related risks; (b) the short-term, medium-term, and long-term time horizons considered, including specifying the duration of each of these time horizons; (c) whether any parts of the value chain are excluded; (d) the frequency of assessment; and (e) its processes for prioritising climate-related risks relative to other types of risks.	Section 7: Risk management pg 31	
<b>Metrics and Targets: To enable primary users to understand how an entity measures and manages its climate-related risks and opportunities. Metrics and targets also provide a basis upon which primary users can compare entities within a sector or industry.</b>	To achieve the disclosure objective, an entity must disclose: (a) the metrics that are relevant to all entities regardless of industry and business model; (b) industry-based metrics relevant to its industry or business model used to measure and manage climate-related risks and opportunities; (c) any other key performance indicators used to measure and manage climate-related risks and opportunities; and (d) the targets used to manage climate-related risks and opportunities, and performance against those targets	Measuring our performance pg 30	Adoption provision 6: Comparatives for metrics  Adoption provision 7: Analysis of trends
<b>NZ CS 3</b>			
<b>Methods and assumptions, and data and estimation uncertainty</b>	(a) a description of the methods and assumptions used in the preparation of its climate-related disclosures where they are not apparent, including the limitations of those methods.  (b) aspects of its disclosure (including amounts) that involve data and estimation uncertainty, disclosing the sources and nature of data and estimation uncertainties.	Appendix 5 pg 50	

CRD sections	CRD disclosures	Tower disclosure	Adoption provisions
<b>NZ CS 3</b>			
<b>Scenario analysis methods and assumptions</b>	<p>(a) the climate-related scenarios it has used, including:</p> <ul style="list-style-type: none"> <li>i a brief description of each scenario narrative;</li> <li>ii. the time horizons considered, including endpoints and whether the endpoints are determined by a year or a temperature target;</li> <li>iii. a description of the various emissions reduction pathways in each scenario and the assumptions underlying pathway development over time, including the scope of operations covered, policy and socioeconomic assumptions, macroeconomic trends, energy pathways, carbon sequestration from afforestation and nature-based solutions and technology assumptions including negative emissions technology;</li> <li>iv. an explanation of why the entity believes the chosen scenarios are relevant and appropriate to assessing the resilience of the entity's business model and strategy to climate-related risks and opportunities; and</li> <li>v. the sources of data used to construct each scenario.</li> </ul> <p>(b) how the scenario analysis process has been conducted, including:</p> <ul style="list-style-type: none"> <li>vii. whether scenario analysis is a standalone analysis or integrated within the entity's strategy processes;</li> <li>viii. the governance process used to oversee and manage the scenario analysis process, including the role of the governance body and management;</li> <li>ix. if modelling has been undertaken, a clear description of what modelling was undertaken and why the model was chosen as the appropriate model; and</li> <li>x. which external partners and stakeholders are involved.</li> </ul>	<p>Section 3 Understanding our Possible Futures pg 12</p> <p>Appendix 2 Scenario Development pg 43</p>	
<b>GHG emissions methods, assumptions and estimation uncertainty</b>	<p>(a) a description of the methods and assumptions used to calculate or estimate GHG emissions, and the limitations of those methods. When choices between different methods are allowed, or entity-specific methods are used, an entity must disclose the methods used and the rationale for doing so.</p> <p>(b) uncertainties relevant to the entity's quantification of its GHG emissions, including the effects of these uncertainties on the GHG emissions disclosures.</p> <p>(c) an explanation for any base year GHG emissions restatements.</p>	<p>Section 5 Our greenhouse gas (GHG) emissions pg 25</p> <p>Appendix 4 GHG emissions methodology pg 45</p>	
<b>Statement of compliance</b>	An entity whose climate-related disclosures comply with Aotearoa New Zealand Climate Standards must include an explicit and unreserved statement of compliance.	Section 1 Introduction pg 4	

## Appendix 2

### Consideration of materiality

The NZ Climate Standards require disclosure of information if it is material according to the definition in NZ CS 3.

The information provided in our climate disclosure is material to Tower's primary users, who we have defined as existing and potential shareholders and asset managers. Contextual information is also provided as it supports the key elements of the climate statement.

### Considerations we use when determining materiality:

- Primary users – existing and potential shareholders and asset managers
- Geographical distribution of our operations
- Level of influence
- Level of impact or anticipated impact
- Combined effects

## Appendix 3

### Scenario sources of data

ORDERLY: NET ZERO 2050 – NEW ZEALAND	Boundary condition factor	2022-2025			2026-2035			2036-2050			Data source	
		2022-2025	2026-2035	2036-2050	2022-2025	2026-2035	2036-2050	2022-2025	2026-2035	2036-2050		
Physical climate changes (RCP 2.6)	Average NZ temperature (1986-2006 baseline + 7° C)	+1.3° C	+1.5° C	+1.6° C							NGFS Climate impact explorer. 'Absolute change in air temperature in New Zealand, RCP 2.6.'	
	Labour productivity due to heat stress (lower bound)	-0.1%	-0.2%	-0.3%							NGFS Climate impact explorer. 'Change in labour productivity due to heat stress in New Zealand, RCP 2.6.'	
	NZ land exposed to flooding (1986-2006 baseline) (upper bound)	0.08%	0.15%	0.2%							NGFS Climate impact explorer. 'Change in land annually exposed to river floods in New Zealand RCP 2.6.'	
	Snowfall (1986-2006 baseline)	-41%	-45%	-48%							NGFS Climate impact explorer. 'Relative change in snowfall in New Zealand RCP 2.6.' Retrieved from:	
	Sea level rise NZ (1986-2006 baseline)	10cm	17cm	22cm							Ministry for the Environment.(2017). 'Coastal Hazards and Climate Change. Guidance for Local Government'.pp.105.	
	Days above 25° C	Estimated.	Estimated.	40%							Climate Change Projections for New Zealand	
Social, economic factors	NZ GDP (Billion US\$2022/year)	232.41 (NZD 355.15)	297.55 (NZD 454.69)	438.18 (NZD 669.58)							Riahi, K et al.(2017). 'The Shared Socioeconomic Pathways and their energy use, land use and greenhouse gas emissions implications: an overview. Global Environmental Change, Volume 42.	
	NZ population (million)	5.1	5.5	6.0							As above	
	Carbon price (NZ\$ 2021)	\$132	\$230	\$343							New Zealand Treasury.(2021). CBAX Tool User Guidance. CBAX Tool User Guidance - September 2021 (orderly follows a high price path) (Assumptions taken from price path noting this is not a market indication of supply and demand)	
	Travel by EVs (light passenger vehicles)	3%	46%	100%							Climate Change Commission.(2021). 'Draft advice report charts data and scenario dataset. Tailwinds.'	
	Change in person-km travel (greatest modal increase)	Public rail	Cycle	Cycle							As above	
	Global governance and institutions	Strong and flexible, focus on mitigation and adaptation										
	Market access and trade settings	Moderate free-trade, balanced between globalisation and local communities										
	Lifestyle	Human wellbeing										Climate Scenarios. 'To The Toolkit, 'Socioeconomic Development'. Retrieved from: Primer to Climate Scenarios (Orderly follows SSP1)
	Consumer preferences	Select for corporates with more sustainability attributes										
	Technology and innovation	Medium. High uptake in sustainable technologies										
Land use	Strong land use regulation. Tropical deforestation strongly reduced.											
Tiriti o Waitangi	Indigenous wellbeing and property rights are protected										Frame, B, et al. (2018). 'Adapting global shared socio-economic pathways for national and local scenarios'. Climate Risk Management. Volume 21. Retrieved from: https://doi.org/10.1016/j.crm.2018.05.001 (Orderly follows '100% Sustainability')	

ORDERLY: NET ZERO 2050 – PACIFIC	Boundary condition factor	Location	2025 (short-term)			2035 (medium-term)			2050 (long-term)			Data Source
			2025 (short-term)	2035 (medium-term)	2050 (long-term)	2025 (short-term)	2035 (medium-term)	2050 (long-term)	2025 (short-term)	2035 (medium-term)	2050 (long-term)	
Physical risk data	Mean Annual Temperature Change (Average annual temperature (°C) change from pre-industrial baseline)	Pacific <sup>1</sup>	1.5°C	1.7°C	1.8°C							NGFS Climate impact explorer. 'Absolute change in mean air temperature in Fiji.' RCP 2.6. Retrieved from: NGFS Climate Impact Explorer plus 0.87 °C (Global average temperature change pre-industrial baseline)
	Temperature Days Above 35.0°C (Annual average number)	Pacific	0.25	0.52	2.06							Climate change knowledge portal (World bank). Projected Days with Heat Index Exceeding 35°c – Fiji RCP2.6.
	Precipitation (Median) (% increase in precipitation per year vs 1986-2006 baseline)	Pacific	+6.1%	+6.1%	+6.2%							NGFS Climate impact explorer. 'Relative change in precipitation (%) in Fiji. RCP 2.6.'
	Mean Sea Level Rise (Centimetres vs 1986-2006 baseline)	Pacific	5.5cm	10.4cm	20.4cm							The IPCC AR6 Sea-Level Rise Projections. SSP1-2.6 2020, 2030 and 2050 Fiji (Suva) . Retrieved from: Sea Level Projection Tool – NASA Sea Level Change Portal
	Expected Damage from River Flooding (% change vs 2015 baseline) <sup>2</sup>	Pacific	-8.4%	23.7%	38.3%							NGFS Climate impact explorer. 'Relative change in annual expected damage from river floods in Fiji. RCP 2.6.'
Socioeconomic data	Population (Millions)	Pacific	0.89m	0.88m	0.82m							Fiji population, SSP1.
	GDP (Billion US\$2005/year)	Pacific	\$5.07(NZD 8.57b)	\$7.71b (NZD 13.04b)	\$14.02b (NZD 23.71b)							Fiji GDP, OECD Env-Growth – SSP1. Exchange rate of 1.69 was used to convert US dollar to NZ dollar
	Productivity due to Heat Stress (lower bound) (% change vs 1986-2006 baseline)	Pacific	-5.2%	-6.5%	-8.1%							NGFS Climate impact explorer. 'Relative change in labour productivity due to heat stress in Fiji.'

<sup>1</sup> Fiji used as an index for the Pacific to avoid gaps in data availability

<sup>2</sup>Expected Damage from River Flooding 1986-2006 baseline data was not available

DISORDERLY: DELAYED TRANSITION – NEW ZEALAND	Boundary condition factor	2022-2025	2026-2035	2036-2050	Data source
		Physical climate changes (RCP 4.5)			
	Average NZ temperature (1986-2006 baseline + .7° C)	+1.3° C	+1.6° C	+1.8° C	NGFS Climate impact explorer. 'Absolute change in air temperature in New Zealand. RCP 4.5'.
	Labour productivity due to heat stress (lower bound)	-0.1%	-0.2%	-0.4%	NGFS Climate impact explorer. 'Change in labour productivity due to heat stress in New Zealand. RCP 4.5'.
	NZ land exposed to flooding (1986-2006 baseline) (upper bound)	0.06%	0.1%	0.2%	NGFS Climate impact explorer. 'Change in land annually exposed to river floods in New Zealand RCP 4.5'.
	Snowfall (1986-2006 baseline)	-41%	-45%	-56%	NGFS Climate impact explorer. 'Relative change in snowfall in New Zealand RCP 4.5'.
	Sea level rise NZ (1986-2006 baseline)	10cm	17cm	25cm	Ministry for the Environment. (2017). 'Coastal Hazards and Climate Change. Guidance for Local Government.' pp.105.
	Days above 25° C	Estimated.	Estimated.	Estimated.	Ministry for the Environment.(2018). Climate Change Projections for New Zealand: Atmosphere Projections Based on Simulations from the IPCC Fifth Assessment, 2nd Edition. Wellington: Ministry for the Environment. Table 1, pp.17.
Social, economic factors					
	NZ GDP (Billion US\$2022/year)	220.57 (NZD 337.05)	247.22 (NZD 377.78)	293.11 (NZD447.9)	Climate Change Commission. (2021). 'Draft advice report charts data and scenario dataset. Headwinds'.
	NZ population (million)	5.3	5.8	6.2	New Zealand Treasury.(2021). CBAX Tool User Guidance. CBAX Tool User Guidance - September 2021 (treasury.govt.nz)
	Carbon price (NZ\$ 2021)	\$99	\$173	\$343	New Zealand Treasury.(2021). CBAX Tool User Guidance. CBAX Tool User Guidance - September 2021 (treasury.govt.nz) (Disorderly follows a central price path till 2035 then high price path onwards) (Assumptions taken from price path noting this is not a market indication of supply and demand)
	Travel by EVs (light passenger vehicles)	2%	28%	94%	Climate Change Commission.(2021). 'Draft advice report charts data and scenario dataset. Headwinds'.
	Change in person-km travel (greatest modal increase)	Public rail	Public rail	Cycle	As above
	Global governance and institutions	Global and national institutions make slow progress towards SDGs.			Climate Scenarios. 'To The Toolkit, 'Socioeconomic Development'. Retrieved from: Primer to Climate Scenarios (Disorderly follows SSP2)
	Market access and trade settings	Current trends, intermediate globalization.			
	Lifestyle	Current trends, some consumerism but also lifestyle			
	Consumer preferences	Current trends, general push for ESG and climate but intention to action gap			
	Technology and innovation	Moderate technology development, disparities between regions.			
	Land use	Current trends, land use incompletely regulated			
	Tiriti o Waitangi	Ad-hoc protection for indigenous rights			Frame, B. et al.(2018). 'Adapting global shared socio-economic pathways for national and local scenarios'. Climate Risk Management. Volume 21. Retrieved from: <a href="https://doi.org/10.1016/j.crm.2018.05.001">https://doi.org/10.1016/j.crm.2018.05.001</a> (Disorderly follows 'Kicking, screaming').

DISORDERLY: DELAYED TRANSITION - PACIFIC	Boundary condition factor	Location	2025 (short-term)	2035 (medium-term)	2050 (long-term)	Data source
			Physical risk data			
	Mean Annual Temperature Change (Average annual temperature (°C) change from pre-industrial baseline)	Pacific <sup>1</sup>	1.5°C	1.7°C	2.0°C	NGFS Climate impact explorer. 'Absolute change in mean air temperature in Fiji.' RCP 4.5. Retrieved from: NGFS Climate Impact Explorer plus 0.67° C (Global average temperature change pre-industrial baseline)
	Temperature Days Above 35.0°C (Annual average number)	Pacific	0.55	1.47	3.18	Climate change knowledge portal (World bank), Projected Days with Heat Index Exceeding 35°c – Fiji RCP4.5. Retrieved from: <a href="https://climateknowledgeportal.worldbank.org/country/fiji/cmp5">https://climateknowledgeportal.worldbank.org/country/fiji/cmp5</a>
	Precipitation (Median) (% increase in precipitation per year vs 1986-2006 baseline)	Pacific	+6.1%	+6.1%	+7.8%	NGFS Climate impact explorer. 'Relative change in precipitation (%) in Fiji. RCP 4.5'.
	Mean Sea Level Rise (Centimetres vs 1986-2006 baseline)	Pacific	5.3cm	10.1cm	22cm	The IPCC AR6 Sea-Level Rise Projections. SSP2-4.5 2020, 2030 and 2050 Fiji (Suva). Retrieved from: Sea Level Projection Tool – NASA Sea Level Change Portal
	Expected Damage from River Flooding (% change vs 2005 baseline) <sup>2</sup>	Pacific	-8.4%	23.7%	57.9%	NGFS Climate impact explorer. 'Relative change in annual expected damage from river floods in Fiji.' RCP 4.5'.
Socioeconomic data						
	Population (Millions)	Pacific	0.94m	0.97m	0.97m	Fiji GDP, OECD Env-Growth – SSP2.
	GDP (Billion US\$2005/year)	Pacific	\$5.01b (NZD 8.47b)	\$7.01b (NZD 11.85b)	\$11.33b (NZD 19.16b)	Fiji GDP, OECD Env-Growth – SSP2. Exchange rate of 1.69 was used to convert US dollar to NZ dollar.
	Productivity due to Heat Stress (lower bound) (% change vs 1986-2006 baseline)	Pacific	-5.2%	-6.5%	-9.7%	NGFS Climate impact explorer. 'Relative change in labour productivity due to heat stress in Fiji.' RCP 4.5.

1.Fiji used as an index for the Pacific to avoid gaps in data availability  
2.Expected Damage from River Flooding 1986-2006 baseline data was not available

## Appendix 4

### GHG emissions methodology

Tower's GHG emissions have been calculated and reported in line with the requirements of the GHG Protocol. We have adopted an operational control consolidation approach with our accounting boundary incorporating all Tower offices in NZ and the Pacific.

Tower has contracted the services of Bravegen to assist with the collation, assessment and loading of emissions source data into their online Corporate Sustainability Reporting (CSR) tool.

Bravegen CSR has been developed to meet the requirements of the GHG Protocol and ISO 14064-1:2018 Greenhouse gases — Part 1: Specification with guidance at the organization level for quantification and reporting of greenhouse gas emissions and removals.

The CSR software uses a calculation methodology for quantifying the emissions inventory using emissions source activity data multiplied by emission or removal factors. Emissions factors are primarily sourced from the 2024 Ministry for the Environment's (MFE) Measuring Emissions: A Guide for Organisations unless otherwise stated. Tower has procured electricity emissions factors for our Pacific Island facilities from the International Energy Agency (IEA) derived from the 2006 Intergovernmental Panel on Climate Change (IPCC) Guidelines and the IEA World Energy Balances data. The Oceania total emissions factor has been selected for use.

Quantities of each GHG are converted to tonnes of CO<sub>2</sub> equivalent (tCO<sub>2</sub>e) using the global warming potential from the IPCC Fifth Assessment Report (AR5). The time horizon is 100 years.

HOT HOUSE WORLD: CURRENT POLICIES – NEW ZEALAND		Boundary condition factor			Data source
		2022-2025	2026-2035	2036-2050	
Physical climate changes (RCP 6.0)	Average NZ temperature (1986-2006 baseline +.7° C)	+1.3° C	+1.6° C	+2.0° C	NGFS Climate impact explorer. 'Absolute change in air temperature in New Zealand. RCP 6.0'.
	Labour productivity due to heat stress (lower bound)	-0.1%	-0.2%	-0.4%	NGFS Climate impact explorer. 'Change in labour productivity due to heat stress in New Zealand. RCP 6.0'.
	NZ land exposed to flooding (1986-2006 baseline) (upper bound)	0.06%	0.09%	0.2%	NGFS Climate impact explorer. 'Change in land annually exposed to river floods in New Zealand RCP 6.0'.
	Snowfall (1986-2006 baseline)	-41%	-45%	-56%	NGFS Climate impact explorer. 'Relative change in snowfall in New Zealand RCP 6.0'.
	Sea level rise NZ (1986-2006 baseline)	10cm	17cm	30cm	Ministry for the Environment. (2017). 'Coastal Hazards and Climate Change. Guidance for Local Government'. pp.105.
	Days above 25° C	Estimated.	Estimated.	Estimated.	Ministry for the Environment. (2018). Climate Change Projections for New Zealand: Atmosphere Projections Based on Simulations from the IPCC Fifth Assessment, 2nd Edition. Wellington: Ministry for the Environment. Table 1. pp.17.
Social, economic factors	NZ GDP (Billion US\$2005/yr)	242.77 (NZD 370.98)	339 (NZD 518.03)	577.33 (NZD 882.22)	Riahi, K et al. (2017). 'The Shared Socioeconomic Pathways and their energy use, land use and greenhouse gas emissions implications: an overview. Global Environmental Change, Volume 42.
	NZ population (million)	5.3	5.9	6.9	New Zealand Treasury. (2021). CBAX Tool User Guidance. CBAX Tool User Guidance - September 2021 (treasury.govt.nz) (Hot House World follows a low price path) (Assumptions taken from price path noting this is not a market indication of supply and demand)
	Carbon price	\$67	\$116	\$173	Climate Change Commission. (2021). 'Draft advice report charts data and scenario dataset. Current Policy Reference'. Retrieved from: Climate Change Commission
	Travel by EVs (light passenger vehicles)	2%	15%	81%	As above
	Change in person-km travel (greatest modal increase)	Public rail	Public rail	Public rail	As above
	Global governance and institutions	Strong investment in institutions globally and nationally to enhance human and social capital			Climate Scenarios. 'To The Toolkit, 'Socioeconomic Development'. Retrieved from: <a href="#">Primer to Climate Scenarios (Hot House World follows SSP5)</a>
	Market access and trade settings	Highly globalised trade			
	Lifestyle	Consumerism driven, disjoint from nature			
	Consumer preferences	Economic and social preferences			
	Technology and innovation	High rates of technology and innovation, including in adaptation			Frame, B, et al. (2018). 'Adapting global shared socio-economic pathways for national and local scenarios'. Climate Risk Management. Volume 21. Retrieved from: <a href="https://doi.org/10.1016/j.crm.2018.05.001">https://doi.org/10.1016/j.crm.2018.05.001</a> (Hot House World follows 'Homeoconomics').
Land use	Incomplete regulation, historic trends followed				
Tiriti o Waitangi	Lacking commitment from Government				

HOT HOUSE WORLD: CURRENT POLICIES – PACIFIC		Boundary condition factor			Data source	
		Location	2025 (short-term)	2035 (medium-term)	2050 (long-term)	
Physical risk data	Mean Annual Temperature Change (Average annual temperature (°C) change from pre-industrial baseline)	Pacific <sup>1</sup>	1.5°C	1.7°C	1.9°C	NGFS Climate impact explorer. 'Absolute change in mean air temperature in Fiji. RCP 6.0'.
	Temperature Days Above 35.0°C (Annual average number)	Pacific	0.28	0.26	4.34	Climate change knowledge portal (World bank). Projected Days with Heat Index Exceeding 35°C – Fiji RCP6.0.
	Precipitation (Median) (% increase in precipitation per year vs 1986-2006 baseline)	Pacific	+6.1%	+6.1%	+7.1%	NGFS Climate impact explorer. 'Relative change in precipitation (%) in Fiji. RCP 6.0'.
	Mean Sea Level Rise (Centimetres vs 1986-2006 baseline)	Pacific	5.1cm	10cm	23cm	The IPCC AR6 Sea-Level Rise Projections. SSP3-7.0 2020, 2030 and 2050 Fiji (Suva). Retrieved from: Sea Level Projection Tool – NASA Sea Level Change Portal
	Expected Damage from River Flooding (% change vs 2005 baseline) <sup>2</sup>	Pacific	-8.4%	23.7%	55.9%	NGFS Climate impact explorer. 'Relative change in annual expected damage from river floods in Fiji.' RCP 6.0'.
Socioeconomic data	Population (Millions)	Pacific	0.97m	1.04m	1.12m	FUJI GDP, OECD Env-Growth – SSP3.
	GDP (Billion US\$2005/year)	Pacific	\$5.07b (NZD 8.57b)	\$6.52b (NZD 11.02b)	\$9.17 (NZD 15.51b)	FUJI GDP, OECD Env-Growth – SSP3. Exchange rate of 1.69 was used to convert US dollar to NZ dollar
	Productivity due to Heat Stress (lower bound) (% change vs 1986-2006 baseline)	Pacific	-4.7%	-6.5%	-9.2%	NGFS Climate impact explorer. 'Relative change in labour productivity due to heat stress in Fiji.' RCP 6.0.

1. Fiji used as an index for the Pacific to avoid gaps in data availability  
 2. Expected Damage from River Flooding 1986-2006 baseline data was not available

## Restatements

The following emissions source have been restated for the period 2020 to 2023:

- Closure of Papua New Guinea facilities 2023. Base year emission have been adjusted to exclude Papua New Guinea to enable comparable assessment against FY24 emissions.
- Estimation of Vanuatu and Suva retail offices' Scope 2 emissions in 2024 and applied to all years from FY20. The estimation is based on the average Pacific office kwh electricity consumption per FTE and multiplied by the FTE numbers for each office. The restatement ensures completeness in Scope 2 reporting for our Pacific Island facilities.

Scope & GHG protocol category	GHG emission source	Business units	Data collection unit	Methodology	Estimates/assumptions/uncertainty	Quality
1	Vehicle fleet fuel	All business units	Litres	Using litres of fuel report and MfE emissions factor for vehicle classes and fuel types.	<p><b>NZ</b> – fuel types and volumes reports provided by fleet card provider. Electricity used to charge EVs is not captured or estimated for charging offsite.</p> <p><b>Pacific</b> – fuel card data is reported in fuel types and volumes or spend data from finance system with current average fuel price to calculate litres where fuel card data not available. MfE emissions factor used in absence of Pacific specific factors.</p>	<p><b>NZ</b> – high</p> <p><b>Pacific</b> – moderate</p>
2	Electricity consumption (location based)	All business units	kWh	<p>Apply MfE purchased electricity annual average emissions factor to kwh reports from suppliers for Auckland, and Rotorua</p> <p>Pacific emissions factor sourced from IEA.</p>	<p><b>NZ</b> – invoices from electricity supplier. Auckland shared space 17.3% attribution to Tower based and net leased area as a % of total floor area.</p> <p><b>Pacific</b> – kWh extracted from invoices or estimated using average per capita energy use for invoiced Pacific offices.</p>	<p><b>NZ</b> – high</p> <p><b>Pacific</b> - moderate</p>
3 Category 3 Fuel- and energy-related activities	T&D losses electricity	New Zealand	GJ/kWh	<p>Apply MfE purchased electricity T&amp;D losses to New Zealand energy consumption data.</p> <p>Apply IEA T&amp;D emissions factor for Pacific.</p>	Supplier invoices.	<p><b>NZ</b> – high</p> <p><b>Pacific</b> – low/moderate</p>

Scope & GHG protocol category	GHG emission source	Business units	Data collection unit	Methodology	Estimates/assumptions/uncertainty	Quality
3 Category 6 Business Travel	Air travel	All business units	<b>NZ</b> – pkm <b>Pacific</b> – pkm	Apply MfE 2024 emissions factor for appropriate flight class with radiative forcing to travel agent reports on pkm.	<b>NZ</b> – Air travel booked through contracted provider. All flight categories (domestic, short haul, long haul), pkm distances and class of travel reported. <b>Pacific</b> – Flights primarily booked through travel agent and reported as above. The remainder are captured through financial reports on expenditure. Trip distance is estimated based on most common trips and \$ value where direct supplier data is not available.	<b>NZ</b> – high <b>Pacific</b> – low
3 Category 6 Business Travel	Hotel stays	All business units	<b>NZ</b> – room nights <b>Pacific</b> – spend data	Apply MfE 2024 emissions factor to reported room nights or MfE 2023 for locations excluded in 2024.	<b>NZ</b> – Accommodation booked through contracted provider and reported as night stays per person. <b>Pacific</b> – Estimated room nights based on spend captured in financial reports. Assumed all spend included.	<b>NZ</b> – high <b>Pacific</b> – low
3 Category 6 Business Travel	Rental cars	New Zealand only	<b>NZ</b> – kms + uplift	Apply MfE 2024 rental car emissions factor to kms.	<b>NZ</b> – Rental car provider report and annual uplift estimated to take account of bookings made with other providers based on expense data.	<b>NZ</b> – high
3 Category 6 Business Travel	Taxi travel	New Zealand only	kms & \$ spend	Apply MfE 2024 emissions factor for taxi journeys to reported or estimated kms.	<b>NZ</b> – All taxi travel booked through Corporate Cabs & Taxi Charge and reported as km travelled in vehicle category. Expenses also assessed annually to estimate other journeys based on spend.	<b>NZ</b> – high
3 Category 7 Employee Commuting	Employee Commute	All business units	kms travelled per transport mode	Apply MfE 2024 emissions factors for each transport category using the Abley Carbonwise commute emissions web based survey.	<b>NZ &amp; Pacific</b> – Estimated total employee commute emissions data using employee commute survey to provide an average commute emissions per employee extrapolated to total employee numbers. 48% survey response rate across NZ and Pacific	<b>NZ</b> – moderate <b>Pacific</b> – moderate



Scope & GHG protocol category	GHG emission source	Business units	Data collection unit	Methodology	Estimates/assumptions/uncertainty	Quality
3 Category 7 Employee Commuting	Working from home	All business units	Employee day	Apply MfE 2024 emissions factor for employee days worked from home.	<b>NZ &amp; Pacific</b> – Estimated WFH data calculated using employee commute survey data extrapolated to total employee numbers. 48% response rate across NZ and Pacific.	<b>NZ</b> – moderate <b>Pacific</b> – moderate
3 Category 1 – Purchased goods and services	Paper purchased	New Zealand only	kg	Apply EPA Victoria 2019 emissions factor for premium grade paper kg.	Reports provided by paper providers. Primarily carbon neutral paper purchased with small quantities of premium quality paper.	<b>NZ</b> – high
3 Category 5 – Waste generated in operations.	Waste to landfill	New Zealand only	t	Apply MfE 2024 landfilled waste emissions factor to actual and estimated tonnes.	Reports provided by waste providers. Auckland landlord agent provides waste quantities from contracted waste removal contractor based on 17.3% attribution for shared office space. The % allocation is based on the Net Leased Area for each tenant as a proportion of overall floor area.	<b>NZ</b> – high
3 Category 1 Purchased Goods & Services.	Water supply	New Zealand and some Pacific locations	kL	Apply MfE 2024 water emissions factor to reported and estimate quantities.	Reports provided by water providers. Auckland office applies a 17.3% share of data provided based on the landlord agents report.	<b>NZ</b> – high <b>Selected Pacific locations</b> – moderate

Scope	GHG emission source	Reason for exclusion
1	Hydrofluorocarbon (HFC) emissions from refrigeration or heating, ventilation, and air conditioning (HVAC) (NZ and Pacific)	<p>These were estimated to be 0.03% of emissions in FY20 for NZ operations.</p> <p>We have been unable to clarify the nature of HVAC systems in our Pacific Island offices in FY24. However the largest office in Suva is newly refurbished and it is considered unlikely any leaks or top ups will have occurred. As a result we do not believe this will be a significant emissions source.</p>
1	Stationary diesel related to back up generators (Pacific)	Insufficient data available to calculate related emissions. Due to the size of Pacific offices considered likely to be immaterial.
3	Employee vehicle claims (NZ)	In previous years these emission sources were calculated to be less than 1% and continue to remain an immaterial emissions source.
3	Waste generated in operations (Pacific)	We have been unable to obtain data for waste generated in our Pacific Island operations in FY24. We do not believe this will be a significant emissions source.
3	Value chain emissions from: <ul style="list-style-type: none"> <li>• Purchased goods &amp; services</li> <li>• Capital goods</li> <li>• Transportation &amp; distribution – upstream and downstream</li> <li>• Use of sold products</li> </ul>	<p>We have not yet developed our whole of value chain reporting processes. We have included working from home and paper for our NZ operations in the FY24 year.</p> <p>In FY24, we commenced workstreams to capture broader scope 3. These will include emissions from our underwriting portfolios, supply chain and investment portfolios.</p>

Footnote: There are inherent data uncertainties with emissions data due to the limited availability of information and Tower's reliance on external sources, which means that there may be a lag in the data, the data is over or understated, and/or the quantification may be unreliable. The Quality score is assigned based on the availability, certainty and completeness of data.

## Appendix 5

### Assumptions, Methodologies and Limitations Statement

#### Forward looking statements

This climate statement contains climate-related and other forward-looking statements and metrics, which are not and should not be considered guarantees, predictions or forecasts of future climate-related outcomes or financial performance.

There remains significant uncertainty in climate data, metrics, and modelling. The forward-looking statements are inherently subject to uncertainties, risks, and assumptions, many of which are beyond our control. These may include, but are not limited to, economic conditions, market trends, regulatory developments, and other known and unknown factors. The many underlying risks and assumptions may cause actual outcomes to differ materially.

As a result, readers are cautioned not to place undue reliance on any forward looking statements contained within this climate statement. All information stated within this climate statement is relevant at the date of publication only.

#### Further Clarifications

Current climate-related impacts have been derived from internal categorization and quantification of claims data alongside known catastrophic and large weather events.

Climate-related risks & opportunities were developed on the basis of the ICNZ Climate-related scenarios, Tower's scenarios, internal expertise and knowledge and guidance from scenario source data. These are limited by the current lack of clear modelling.

Anticipated Impacts were derived using a combination of internal and external data sources.

- **Population growth** - Projections for scenario development as detailed in Appendix 3.
- **Dwelling growth** - Internal analysis based on forecasted population growth above.
- **Transition to EV vehicles and vehicle ownership rate** assumptions based on internal data and market trends.
- **Tower's expected market share of target markets** - Management's best estimate based on internal data and knowledge.
- **Claims estimates** - Management's best estimate based on internal data and knowledge.
- **Proportion of dwellings in high hazard risk areas** - Management's best estimate based on internal data and knowledge.
- **Growth of multi-unit dwellings** - Management's best estimate based on internal data and knowledge
- **Stormwater infrastructure investments** - Management's best estimate based on internal data and knowledge.

#### Measuring our Performance - Metrics

- **Transition risks** - % of vehicles insured that are internal combustion engines (ICEs) derived from categorized motor policies as sourced from the underlying vehicle data obtained from RedBook.
- **Physical risks** - % of high flood risk homes insured. The definition of 'High Flood Risk' is Tower's own definition and not necessarily consistent with other public sources. Specifically it relates to insurance risk and cost to repair or replace property relative to the risk of flooding and not just the chances of flooding occurring in isolation. It also relates to Tower's own risk appetite or interpretation of the level of risk.
- **Opportunities current** - % of EV and PHV vehicles covered. Data is derived from categorised motor policies as sourced from the underlying vehicle data obtained from RedBook.
- **Capital Deployment** has been calculated based on FY24 operational expenditure on climate-related activities identified by the Sustainability and Climate Steerco.

