

Climate Statement **2026**

AA Insurance
1 July 2025 – 30 June 2026

Introduction

AA Insurance Limited ('AA Insurance') is a New Zealand-based joint venture between Vero Insurance New Zealand Limited ('Vero') (68% ownership) and the New Zealand Automobile Association Limited ('NZAA Limited') (32% ownership).

AA Insurance is a Climate Reporting Entity (CRE) under the Financial Markets Conduct Act 2013 and the 2026 Climate Statement has been prepared to comply with the Aotearoa New Zealand Climate Standards (NZ CS1, NZ CS2 and NZ CS3).

The information presented covers our third climate reporting period from 1 July 2025 to 30 June 2026 (FY26) and all currency amounts shown are in New Zealand Dollars.

Certain disclosures have been excluded as permitted by the following adoption provisions.

Adoption provision 2

We have not disclosed the anticipated financial impacts of climate-related risks and opportunities reasonably expected and a description of the time horizons over which the anticipated financial impacts of climate-related risks and opportunities could reasonably be expected to occur.

Adoption provision 4

We have not disclosed certain categories of scope 3 gross greenhouse gas (GHG) emissions measured in metric tonnes of carbon dioxide equivalent (tCO_2e), although some have been disclosed voluntarily.

Adoption provision 5

We have not disclosed some scope 3 GHG emissions comparatives for the immediately preceding two reporting periods. Some scope 3 comparatives have been disclosed voluntarily where these have been previously disclosed in our first or second reporting periods.

Adoption provision 7

In some cases, we have not disclosed an analysis of the main trends evident from a comparison of each metric from previous reporting periods to the current reporting period. Analysis has been provided for all metrics other than those excluded under adoption provisions 4 and 5.



The 2026 Climate Statement was approved for and on behalf of the AA Insurance Board on 15 October 2026.

James (Jimmy) Higgins
Director

Nadine Tereora
Director

Contents

Introduction 1
Governance 2
Strategy 5
Risk Management 11
Metrics and Targets 13
Appendices 17



Governance

Our governance structure

The AA Insurance Board (the Board) is responsible for overseeing climate-related risks and opportunities, supported by the committees and teams outlined in Table 1.

Board members bring complementary skills, experience and perspectives. Collectively, they have extensive experience operating in complex and evolving regulatory environments and managing risks and opportunities through periods of uncertainty. Responsibility for climate-related matters does not sit with any individual Director; rather, the Board exercises its oversight responsibilities collectively.

To ensure the Board maintains the skills and competencies required to effectively oversee climate-related risks and opportunities, a Board skills matrix is completed to assess the individual and collective capabilities of Directors. The matrix includes areas such as risk management, corporate strategy, and sustainability.

Management provides climate-related disclosure updates to Directors at least five times a year through BARCC meetings, with matters escalated to the Board as appropriate. These updates may, from time to time, include training on climate-related topics to support the Board's ongoing capability development.

Table 1: Governance structure and climate-related responsibilities throughout FY26

Board level	**Board** Oversees climate-related risks and opportunities and approves strategy, risk appetite, metrics, targets, and external climate-related disclosures. During FY26, Board Directors Nadine Tereora and Jimmy Higgins acted as an interface between Management and the Board, providing guidance and feedback on climate-related disclosure matters.			
	Board Audit, Risk and Compliance Committee (BARCC) Reviews climate-related risks and opportunities and monitors responses, ensures operations are within risk appetite and reviews external climate-related disclosures.	**People, Culture and Remuneration (PCR) Committee** Investigates, considers and makes recommendations relating to remuneration policies and the performance of management, alongside monitoring the effectiveness of our broader people and culture policies and practices.	**Investment Committee** Oversees the management of our investment portfolios, including compliance with our Responsible Investment Policy.	**Nominations Committee** Assesses and plans Board composition including evaluation of skills, competencies, and independence.
Management level	**Executive Leadership Team (ELT)** Supports the Board with the day-to-day management of the business including management of climate-related risks and opportunities and ensuring responses are integrated into organisational strategy.			
	Risk Committee Assists with the management, oversight and monitoring of strategic, financial, insurance, operational and compliance risks, including climate-related risks.	**Sustainability Committee** Supports the transition to best-practice sustainability frameworks, practices, and governance.	**Other management committees** Other management-level committees support Product and Pricing, People and Business Performance.	
Business level	**Supporting governance** The Senior Leadership Team (SLT) supports the ELT day-to-day in managing climate-related risks and opportunities and delivering business unit priorities that support organisational strategy.			

Governance of climate-related risks and opportunities

During FY26, climate-related risks were governed through our annual strategic risk management process, which considers a range of strategic risk drivers, including climate change. The process is led by the Risk Team, with support from the Sustainability Team in relation to climate-related risks.

Strategic risks are identified and assessed through workshops attended by members of the ELT and key members of the SLT. The outcomes of these assessments are reported annually to the Risk Committee and the BARCC to support governance and oversight.

Development of organisational strategy is delegated to the Chief Executive (CE). While there is not currently a formal process for integrating strategic risk outcomes into strategic planning, the CE attends Risk Committee, BARCC and Board meetings at least five times a year, in which strategic risks are discussed at least annually. The Board also considers strategic risk assessment results informally through oversight of organisational strategy development and its ultimate approval.

We have not yet established formal metrics or targets to manage identified climate-related risks and opportunities. The development of such metrics and targets will be considered as we continue to mature our climate-related risk and opportunity management practices.

Any new metrics or targets, or amendments to existing measures, are subject to Board approval. The metrics disclosed on page 16 are calculated and reported annually within the Climate Statement; however, they were not used for regular internal monitoring or decision-making during FY26.

Although not directly linked to a material climate-related risk or opportunity, the Sustainability Team monitors GHG emissions metrics and targets and reports progress monthly to the Chief Financial Officer (CFO). This information forms part of regular Executive reporting, which is shared with the CFO, CE and Board for oversight.

Additional updates are provided to the Sustainability Committee on an ad hoc basis where further management oversight or discussion is required. During FY26, climate-related metrics and targets were not incorporated into remuneration policies.





Strategy

Our business model and strategy

Since 1994, we have provided home, contents and car insurance in New Zealand and in 2018 we introduced small business insurance. We underwrite our own policies and sell directly to New Zealanders.

Our customers include individuals and small businesses who opt for insurance cover to protect their homes, belongings, and vehicles from unforeseen events.

Customers enter an insurance contract with us and pay their premium. In return, we provide cover for that customer within the limits of their insurance policy.

We have a comprehensive reinsurance programme and an investment fund to help pay out claims to customers when they need us, and to meet our capital solvency requirements as defined by the Reserve Bank of New Zealand (RBNZ).

Our long-term strategy is focused on growth and maintaining our trusted brand, underpinned by our vision to back more Kiwi and their communities to live life with confidence.



Current impacts of climate change

The impacts of climate change can be broadly categorised as either physical or transition impacts.

Transition impacts arise from changes in markets, technology, regulation, or stakeholder expectations associated with the transition to a lower-emissions economy. No material transition impacts were identified in FY26.

Physical impacts arise from both acute weather events and longer-term changes in climate patterns. In the absence of detailed climate attribution modelling, it is difficult to determine the extent to which climate change is contributing to observed impacts. However, comparing weather-related claims experience against long-term trends can provide a useful indicator of how climate-related risks may be evolving.

During FY26, natural hazard claims costs (excluding earthquake claims) totalled $62 million. This was above the long-term average of $43 million, representing the average annual cost over the past 20 years after adjusting for inflation and policy growth. This average includes significant events such as the 2023 Auckland Anniversary Weekend floods and Cyclone Gabrielle. Excluding these events, the long-term average would be materially lower at approximately $28 million.

We also monitor the frequency of weather-related natural hazard events, defined as non-earthquake natural hazard events expected to result in customer claims costs exceeding $1.5 million. During FY26, we experienced eight such events, compared with an average of three to four events per year over the previous 20 years. This increased frequency is consistent with the growing physical risks associated with climate change and highlights the importance of continuing to build resilience across our business.

In response to increasing reinsurance costs, we increased our reinsurance retention during FY26, raising the threshold at which reinsurance cover is triggered. This reduced reinsurance premium costs but increased the proportion of risk retained by us. Although the number of weather-related events experienced during the year was higher than expected, no individual event exceeded the threshold required to trigger reinsurance support.

Scenario analysis

Climate Scenario Analysis (CSA) is one of the tools we use to identify climate-related risks and opportunities. The scenarios are designed to provide a range of plausible futures based on how well the world mitigates and adapts to climate change, which helps us to better understand the resilience of our business model and strategy.

Last year, we refreshed our climate scenarios, drawing on recognised industry frameworks and tailoring them to reflect the nature of our business and operating environment. The same scenarios were used in FY26, with focus on embedding these into existing risk management processes.

The data sources used to construct these scenarios were largely drawn from several local and global frameworks: Network for Greening the Financial System (NGFS), the Intergovernmental Panel on Climate Change's (IPCC) Shared Socio-economic Pathways (SSP), the Climate Change Commission (CCC), and the Insurance Council of New Zealand Te Kāhui Inihua o Aotearoa (ICNZ) New Zealand General Insurance Sector Scenarios.

The stated warming trajectories are relative to a 1850-1900 baseline and refer to the temperature outcomes by 2100 unless otherwise stated.

Table 2: Scenario descriptions

	Orderly	Disorderly	Hot House
Key sources	ICNZ Orderly NGFS Net Zero 2050 IPCC SSP1 - 2.6 CCC HTHS	ICNZ Disorderly NGFS Delayed Transition IPCC SSP2 - 4.5 CCC HTLS	ICNZ Hot House NGFS Current Policies IPCC SSP3 - 7.0 CCC Reference
Description	An ambitious and coordinated transition aligned with a 1.5°C warming trajectory	Delayed action, followed by sudden and uncoordinated transformation, landing at <2.0°C[1]	Continuation of current policy settings, leading to uncontrolled warming of 3°C+
Key assumptions	• Government action to reduce emissions is strong, clear, and consistent • Physical impacts worsen, but outcomes are not as severe as they might have been without mitigation • Technology for mitigation and adaptation improves rapidly • Councils have the tools they need to effectively identify, assess, and manage climate risks • Home insurers are expected to play a stronger role in protecting homes from climate impacts • Some costs rise and sectors shrink (fossil fuels) or grow (horticulture) in response to the changing world • New policies incentivising electric vehicle (EV) uptake and home electrification are introduced • There are some isolated affordability issues in the most exposed areas • Reinsurance remains accessible for the New Zealand market, albeit at an increased price • Social and environmental wellbeing is inclusive and prioritised	• Government action is delayed initially until 2030, when worsening weather causes the need for rapid emissions reduction • Technology for mitigation and adaptation improves rapidly after 2030, but at high cost • Blunt government policy causes high inflation and living costs after 2030, some households drop their insurance • Slow growth in renewable energy, EV uptake and electrification, then rapid acceleration after 2030 • Government intervention impacts some of the market historically held by insurers • Reinsurers withdraw in some regions, and some are unable to offer cover for lower layers • The gap widens between rich and poor, and between urban and rural	• Minimal government action, emissions pricing is the main reduction policy tool in New Zealand • Technology improves but is generally focused on extraction and adaptation • Global emissions continue to rise and severe weather events intensify • The Government focuses on adaptation and intervenes in the insurance market, taking a large market away from general insurers • Reinsurers withdraw from covering certain perils in the New Zealand market • Insurance in parts of New Zealand becomes very expensive or unavailable • Economic growth is strong, but inflation rises and living costs grow • Renewables increase slowly along with EVs and electrification • Communities fracture and geopolitical tensions rise, driven by competitiveness and prioritisation of security over social goals

[1] Under IPCC SSP2 - 4.5, warming of >2.0°C is expected by 2100, but is limited to <2.0°C by 2050.

Climate-related risks

Climate-related risks and opportunities are identified and assessed across the short-, medium-, and long-term.

During FY26, we updated these time horizons to align with those used in our strategic risk management process. The short-term is designed to align with our strategic planning horizons and capital planning, explained further on page 9.

As part of this update, we have moved from fixed time periods to rolling time horizons, enabling a more consistent and forward-looking assessment of climate-related risks and opportunities.

- **Short-term:** 1-5 years
- **Medium-term:** 5-15 years
- **Long-term:** 15+ years

The integration of CSA into the strategic risk management process has enabled a more robust assessment of materiality. While all previously disclosed climate-related risks and opportunities were considered in FY26, some were combined into more streamlined descriptions and some were ultimately assessed as immaterial.

As a result of these changes, we identified three material climate-related physical risks across our business and value chain in FY26.



Information on how we are responding to these risks through transition planning aspects of our strategy is provided on pages **9** - **10**.

See **Risk Management section** for more detail on how we identify, assess, and manage climate-related risks.

Table 3: Material climate-related risks

Risk name	Type	Description	Anticipated business impact	Anticipated customer impact	Time horizon[2]
Increased frequency and severity of weather events undermine profitability	Physical	The volume and severity of claims rise as the increasing frequency and severity of weather events causes more damage to our customers' insured assets. Profitability is impacted as the cost of customer claims and reinsurance rises, as well as putting strain on claims operations.	• Reduced profitability due to increasing customer claims and reinsurance costs • Reputational damage and reduced customer growth due to worsening claims response and resolution times	• Rising insurance premiums as increasing costs are passed through to customers • Longer claims response and resolution times	Short
Government intervention in the insurance market reduces our ability to price and cover based on risk	Physical	Governments or regulators make material changes to the private general insurance market, constraining the ability for insurers to price or provide coverage based on risk. E.g. requiring insurers to cover high-risk addresses, capping premium increases, or expanding public sector involvement in providing insurance such as changes to the scope of the Natural Hazards Commission Toka Tū Ake (NHC).	• Reduced profitability due to increasing customer claims costs and inability to adjust prices • Reduced customer growth due to the Government's provision of cover in markets historically served by private insurers • Reputational damage due to a worsening customer experience caused by operational disruption to adapt to a new business model	• Disruption to customer policies if their cover changes as a result of the intervention • Potential pricing increases for lower risk customers due to the return to broad-based community pricing	Short
Sustained decline in demand for insurance itself challenges the sustainability of our business model	Physical	Affordability pressures and increasing cost and risk exposure leads customers to reduce cover, underinsure or exit insurance altogether. Over time, this may reduce the size and effectiveness of the risk pool, challenging the sustainability of segments of our portfolio and, if persistent, the viability of our overall business model.	• Reduced customer growth and profitability due to declining insurance uptake among New Zealanders • Reputational damage and loss of social licence due to the expectation to provide affordable and accessible cover	• Uninsured or underinsured New Zealanders are exposed to significant financial impacts when events occur	Medium

[2] The time horizon stated is the earliest point that the risk becomes material.

Transition planning aspects of our strategy

Our strategic process

We review our organisational strategy annually, with a planning horizon of three to five years. During FY26, we refreshed our strategy, further embedding consideration of climate change alongside other key macroeconomic drivers. The strategy is supported by our annual financial plan, which helps ensure resources are allocated in line with strategic priorities.

While a formal mechanism to systematically incorporate strategic risk assessment outcomes into strategic planning and investment decision-making has not yet been established, strategic risks, including climate-related risks, are considered as part of strategy development.

Members of the ELT, who are responsible for developing organisational strategy, participate directly in the identification and assessment of strategic risks. Oversight is provided through the Risk Committee and BARCC.

We continue to enhance our strategic planning processes by exploring more formal approaches to ensure strategic risks are consistently embedded in business strategy and decision-making.

Our approach to transition planning is guided by three Board-approved principles. This report highlights the key actions and initiatives supporting these principles; however, it does not represent a comprehensive list of all activities undertaken across our business.

Decarbonisation

Guiding principle:
AA Insurance will take a proportionate role in reducing emissions using 1.5°C as a north star, provided our efforts do not have a materially detrimental impact on our customers or ability to operate.

Our business model and organisational strategy have not materially changed in response to our current decarbonisation target, and no material changes are currently planned. Based on our current emissions profile and reduction initiatives, we remain on track to achieve the target through operational improvements rather than fundamental changes to our business model or strategy.

Although we have already exceeded the emissions reduction required to meet our FY30 target, maintaining this position will depend in part on factors outside our direct control, including changes to emissions factors and other external influences on our reported emissions profile.

We recognise that certain activities, such as air travel, remain necessary to support effective business operations. Where in-person engagement is essential to achieving successful outcomes, travel may be required. We continue to actively monitor and manage air travel, and future emissions will reflect the balance between operational needs and our decarbonisation objectives.

We have not yet established a long-term emissions reduction target, as work is ongoing to measure and determine a baseline for our full scope 3 emissions inventory. As our understanding of these emissions improves, we will assess potential future decarbonisation pathways and targets consistent with our guiding principles. Any resulting implications for our business model, strategy, or operations will be reflected in future reporting.



Transition planning aspects of our strategy (continued)

Responding to climate-related risks

Guiding principle:
AA Insurance proactively considers short-, medium- and long-term climate risks and opportunities in our business strategies, plans and decisions.

As a general insurer, responding to the impacts of weather-related events is embedded within our organisational strategy. We actively manage our exposure to natural hazard risks through pricing, underwriting, and portfolio management, while continuing to strengthen our risk assessment capabilities through more granular, property-level analysis.

We use independent third-party models and address-level data to assess natural hazard exposure, including the level of flood, storm and earthquake risk at a property level.

To maintain financial resilience and effectively serve customers during large-scale events, we manage concentration risk while maintaining our fair share of higher risk properties. At times, this may include temporarily pausing new home and landlord policies in certain locations. These pauses are temporary, reviewed regularly, and apply only to new home and landlord policies. They do not affect existing customers, who can continue to renew, update their cover, and make claims under our standard underwriting criteria.

During FY26, we welcomed the opportunity to contribute to the Council of Financial Regulators' (CoFR) review into insurance affordability in New Zealand. We support its objectives to improve understanding of residential insurance market dynamics and the quality of data available to policymakers.

Contributing to an economy-wide transition

Guiding principle:
AA Insurance supports its people, customers and communities to adapt to the impacts of climate change through education, risk transparency, and the development of fit-for-purpose insurance products and services.

Supporting resilient and connected communities is a key part of our organisational strategy. Through our community engagement and social impact programmes, including our partnership with the Student Volunteer Army (SVA), we are investing in practical education and preparedness initiatives that support risk reduction at a community level.

During FY26, our focus was on building a strong foundation that sets up the SVA Foundation and its clubs for long-term success. This included leveraging our expertise as an insurer to provide training resources and in-person support to help increase student participation at clubs around the country.

In partnership with NHC and other insurers, we are contributing to improvements in the way NHCover claims are delivered following natural hazard events. This includes initiatives to streamline land assessment practices and support more efficient claims processes, which are aimed at making the NHCover claims experience faster and simpler, where possible.

We have also placed a greater focus on building more deliberate customer communication plans for weather events, including through social channels, shifting to a clearer structure that gives customers the right information, when they need it. Our Customer Response Team (CRT) is an important part of this toolkit, bringing together specialists from across the business to support customers and communities after storms, floods, earthquakes and other significant events.





Risk Management

Risk management model

We employ a ‘three lines of defence’ model, which distinguishes risk management according to function:

Line 1

All staff are responsible for identifying, assessing, and managing the risk and control environment.

Line 2

The Line 2 Risk Team is responsible for providing policy, framework and standard settings, and overseeing, monitoring, guiding, and challenging Line 1 activities.

Line 3

Internal and external auditors who are responsible for providing independent and objective assurance to management and Board that risk management practices and internal controls are functioning as intended.

Risk tools and documents

Risk Management Programme (RMP)

The RMP sets out the strategies in place for the identification and management of key risks, including climate-related risk. It also identifies the teams responsible for risk management, together with controls for the identification and management of risk. Key risks within the RMP are categorised into strategic risks, financial risks, operational and compliance risks, and insurance risks.

Risk Appetite Statement (RAS)

The Board sets and approves risk appetite, defined as the level and nature of risk that they are willing to accept in the pursuit of our strategic objectives. The RAS sets the parameters, both qualitative and quantitative, that govern the acceptance of risk. The RAS documents the key risks, risk appetite dimensions and residual risk appetite settings for a number of potential risks, including climate-related risk.

Identifying, assessing and managing climate-related risks

Previously, climate-related risks were identified and assessed through a standalone, Sustainability Team-led CSA process and managed separately to other strategic risks. For the first time in FY26, the two processes were combined in order to improve the integration of climate-related risk management into business-as-usual.

These risks, including both physical and transition risks, are now identified, assessed and managed as strategic risks over the short– (1-5 years), medium– (5-15 years) and long-term (15+ years). We do not exclude any part of our value chain when identifying, assessing and managing climate-related risks.

Identification – Climate-related risks are identified as part of an annual strategic risk workshop led by the Line 2 Risk Team, using tools such as scenario analysis. A variety of drivers are considered including both the physical and transition impacts of climate change. The workshop is attended by the ELT, who are given the opportunity to challenge the completeness of the identified risks.

Assessment – Identified climate-related risks are assessed as part of the strategic risk workshop using our strategic risks matrix, which incorporates strategic risk impact ratings over strategic risk time horizons. Climate-related risks are prioritised against all other strategic disruption risks, with any assessed as having a ‘high’ or above impact in any horizon being deemed material. Mitigation expectations are based on the severity and velocity of the assessed impact.

Management – Guided by the Board-approved risk appetite, the ELT decides the strategic response to manage or mitigate the risk and are responsible for any strategic responses relating to their area of responsibility, ensuring these are integrated into individual business unit work plans and budgets.





Metrics and Targets

GHG emissions

GHG emissions measurement is informed by the GHG Protocol Corporate Accounting and Reporting Standard (revised edition), Scope 2 Guidance, and the Corporate Value Chain (Scope 3) Accounting and Reporting Standard.

We use the operational control consolidation approach, capturing emissions from our two offices and four customer service centres (CSCs) located in Auckland and Hamilton. We do not have operational control over AA Home Limited, a joint venture between AA Insurance and NZAA Limited.

We have measured scope 1, scope 2 and a subset of scope 3 emissions since FY20. In FY26, we expanded our scope 3 reporting to include emissions from capital goods, upstream transport and distribution, rental cars and mileage reimbursements.

Consistent with adoption provision 4, certain material scope 3 emission sources have been excluded from disclosure. These include emissions associated with operational spend, claims supply chain, investments and underwriting activities.

We are using the available adoption relief to refine our data and methodologies before disclosure, and we expect the inclusion of these categories to result in a significant increase in our reported emissions footprint. Other than the categories outlined, we have not excluded any material facilities, operations or assets from our emissions inventory.

Table 4 shows a summary of our currently measured and disclosed emissions in tonnes of carbon dioxide equivalent (tCO_2e). A full breakdown of emissions sources by category and the associated methods and assumptions is included in Appendix 1.

Scope 1 emissions have decreased due to the electrification of our fleet vehicles.

Scope 2 emissions have also decreased, although predominantly due to favourable changes to electricity emissions factors.

Scope 3 emissions have increased due to the addition of new emissions sources in FY26, most notably the inclusion of emissions associated with capital goods purchases and postage and courier services. Comparative information for prior years has not been restated to include these additional categories. The inclusion of additional scope 3 categories has also caused total emissions and intensity metrics to increase.

Increases in scope 3 emissions are partially offset by material decreases to the emissions factors impacting air travel, working from home, hotel stays and transmission & distribution (T&D) losses. Emissions factors are set externally, therefore we do not have control over these changes.

All figures displayed have been independently assured by McHugh & Shaw Limited. We have obtained reasonable assurance over scope 1 and 2 emissions, and limited assurance over scope 3 emissions. More information on the scope can be found in the assurance reports, which are published on the sustainability page of our website.

Table 4: Currently measured emissions footprint

	FY26 tCO_2e		FY25 tCO_2e		FY24 tCO_2e	
Metric	**Location based**	**Market based**	**Location based**	**Market based**	**Location based**	**Market based**
Scope 1	23.16	23.16	83.31	83.31	98.87	98.87
Scope 2	55.44	22.50	67.06	18.61	50.83	7.15
Scope 3	1,018.68	1,012.62	701.87	688.22	475.40	441.60
Total emissions	**1,097.28**	**1,058.28**	**852.24**	**790.14**	**625.10**	**547.62**
Intensity of emissions per 1000 policies	0.94	0.91	0.74	0.69	0.56	0.49
Intensity of emissions per million dollars of insurance revenue	1.08	1.05	0.86	0.80	0.73	0.64

GHG targets

We have a short-term target to reduce certain emissions sources by 42% between our FY20 base year and FY30.

The target covers emissions sources that we have measured since FY20: scope 1 (fuel), scope 2 (electricity) and some scope 3 sources (paper, T&D losses, waste and air travel). No other emissions sources are covered by this target.

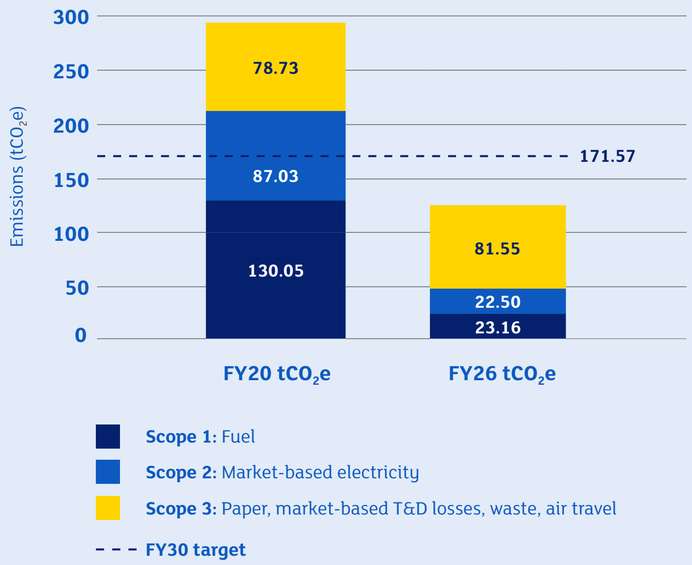
While this target is not accredited by the Science Based Targets initiative (SBTi) as science-based, we aligned with their guidance for limiting global warming to 1.5°C since pre-industrial times to set it. The targeted reduction is on an absolute basis, therefore we are not relying on any offsets to meet it.

Emissions covered by the target have decreased by 57% since FY20. Over the last six years, key reduction initiatives have included the electrification of our vehicle fleet and the transition to renewable energy[3] to power our offices and CSCs.

In previous years, progress against the target was measured and reported using location-based emissions. During FY26, the Board approved a change to measure and report progress using market-based emissions.

Given we did not use renewable energy in FY20, the change to our base year is minimal and the reduction between FY20 and FY26 is larger than what would have been reported under the location-based method. This new approach, however, better reflects the original intent of the target, and reflects our investment into renewable energy.

Figure 1: Summary of movement in emissions covered by our FY30 target



The scope 3 figures do not include any scope 3 emissions that are not covered by this target. In FY26, the reported scope 3 market-based emissions not covered by this target total 931.07 tCO_2e. This is larger than prior years due to the addition of new scope 3 emissions categories to our inventory during FY26. Further information can be found in Appendix 1.

[3] Since FY24, we have purchased renewable electricity from electricity retailers. In FY26, this included purchases from Ecotricity and Meridian, the latter through Renewable Energy Certificates (RECs). They can't guarantee that customers only receive the renewable energy they purchase, because all electricity is supplied through the National Grid. However, they measure how much energy their customers are using and how much they need to purchase from renewable sources on an annualised basis, so the net effect is that customer purchases are equivalent to their purchased renewable electricity.

Other metrics

Physical risks

Our material physical climate-related risks stem from increasingly severe and frequent weather events and the impact these have on our customers and our business.

To assess our exposure to physical risk, we analysed address-level data to understand the portion of our home and contents portfolios that are deemed high or very high risk of flooding (including surface water, riverine and coastal inundation) and storm damage. We considered but ultimately excluded our motor portfolio as the impact was deemed immaterial.

The definitions of 'high' or 'very high' risk are our own definitions based on the chances of damage occurring and the subsequent repair cost. The definition is used internally and is not necessarily a consistent definition with any other public source. Our 'high' and 'very high' risk definitions are set separately for each peril, so the flood and storm thresholds are not the same. As a result, the exposure percentages for flood and storm are not directly comparable.

As at 30 June 2026, 4.7% (2025[4]: 4.9%) of our home and contents portfolios were classified as either at high risk or at very high risk of flooding. Separately, 9.7% (2025: 10.0%) were classified as being at high or very high risk of storm damage. Our proportion of exposure to natural hazard risk has decreased year-on-year driven primarily by our improved risk-based pricing capability, supported by our broader risk management and underwriting approach.

Capital deployed

During FY26, we invested $496k (FY25: $1.56 million) in climate-related activities, including initiatives to respond to climate-related risks. Investment can include both operating and capital expenditure and in FY26 key areas included address-level modelling and data, consultancy support, natural hazards awareness, and community resilience partnerships.

Total investment decreased compared with the prior year, primarily because a significant portion of FY25 expenditure related to fleet transition activities.

Consultancy costs were also lower in FY26 as climate-related activities continue to be embedded into core business operations and capabilities.

This metric is limited to expenditure that is directly attributable to our climate-related response. It excludes expenditure incurred for other business purposes that may indirectly support climate outcomes, such as operational efficiency improvements. It also excludes the attribution of employee salary and related personnel costs.

Beyond these metrics, we do not currently use any other climate-related metrics or key performance indicators (KPIs) within our business. We have not identified any material transition climate-related risks or climate-related opportunities, we do not use an internal emissions price, we have not linked management remuneration to any climate-related metrics or targets and there are no other industry-based metrics that we are aware of.



[4] Prior year figures have been standardised using our latest natural peril risk ratings to achieve a like-for-like comparison across time and policy systems.



Appendices

Appendix 1: Emissions breakdown and supporting information

Table 5 breaks down emissions by source and outlines the methods, emissions factors and global warming potential (GWP) rates source, assumptions and estimation uncertainty. When choosing the method to apply, we choose the method that gives us the most accurate and specific calculation based on data that is available and reliable. Beyond the uncertainties noted below, we understand there is inherent uncertainty in the emissions factors GWP rates that we use.

Table 5: Emissions breakdown and supporting information

			FY26 tCO_2e		FY25 tCO_2e		FY24 tCO_2e				
GHG Protocol scope and category	**Source**	**Measured since**	**Location based**	**Market based**	**Location based**	**Market based**	**Location based**	**Market based**	**Method**	**Emissions factor and GWP source[5]**	**Assumptions and estimation uncertainty**
Scope 1	Fuel	FY20	23.16	23.16	83.31	83.31	98.87	98.87	Fuel based	MfE	Calculations are based on actual litres and types of fuel purchased.
Scope 2	Electricity	FY20	55.44	22.50	67.06	18.61	50.83	7.15	Location based and market based	MfE (location based) Ecotricity, Meridian RECs and BraveTrace (market based)	Calculations are based on actual kilowatt hours (kWhs) used.
Scope 3 category 1	Paper	FY20	12.36	12.36	11.34	11.34	9.20	9.20	Average data	DESNZ	Calculations are based on the actual number or weight of units we buy, however the emissions factor we use is not specific to New Zealand.
Scope 3 category 2	Capital goods	FY26	236.84	236.84					Spend based	Thinkstep	Calculations are based on actual spend.
Scope 3 category 3	T&D losses	FY20	4.20	1.30	5.10	0.63	5.89	0.56	Location based and market based	MfE[6]	Calculations are based on actual kWhs used (as per scope 2).
	Upstream energy and fuel	FY24	10.53	7.37	31.56	22.38	55.75	27.28	Location based and market based (upstream energy) Average data (upstream fuel)	CaDI (upstream energy)[6] DESNZ (upstream fuel)	Upstream energy calculations are based on actual kWhs used (as per scope 2). Upstream fuel calculations are based on actual litres of fuel consumed (as per scope 1), however the emissions factor we use is not specific to New Zealand.
Scope 3 category 4	Upstream transport and distribution	FY26	96.39	96.39					Spend based	Thinkstep	Calculations are based on actual courier and postage spend.
Scope 3 category 5	Waste	FY20	9.45	9.45	6.63	6.63	7.05	7.05	Waste type specific	MfE, DESNZ	Calculations are based on the weight and type of waste collected where available; however, some weights are estimated. We assume they are materially accurate.
Scope 3 category 6	Flights	FY20	58.44	58.44	61.87	61.87	73.75	73.75	Distance based	MfE	Calculations are based on actual kilometres travelled (international and domestic) and class of fare.
	Taxis	FY24	1.67	1.67	1.07	1.07	1.28	1.28	Spend based	MfE	Calculations are based on actual spend.
	Accommodation	FY24	8.54	8.54	6.20	6.20	9.98	9.98	Average data	MfE	Calculations are based on the country and number of nights that a person stays in accommodation away from their usual working location.
	Rental cars and mileage reimbursements	FY26	3.58	3.58					Distance based	MfE	Calculations are based on actual kilometres travelled. For mileage reimbursements, we assume the vehicles use petrol.
Scope 3 category 7	Employee commute and working from home (WFH)	FY24	576.68	576.68	578.10	578.10	312.50	312.50	Distance based (commute) Average data (WFH)	MfE	Calculations are based on responses to a survey that 75% of employees responded to. The survey ran in March 2026 and the information gathered included how often people work from home, how they commute and distances travelled. Survey responses have been extrapolated over the total number of employees at 30 June 2026 and we assume that the results of the survey and subsequent extrapolation are materially accurate.
Total			**1,097.28**	**1,058.28**	**852.24**	**790.14**	**625.10**	**547.62**			

[5] MfE = New Zealand Ministry for the Environment's (MfE) Measuring Emissions Guidance May 2026 (v2), BraveTrace = BraveTrace Residual Supply Mix, CaDI = Carbon Database Initiative country electricity factors, DESNZ = Department for Energy Security and Net Zero United Kingdom Government GHG Conversion Factors, Thinkstep = Thinkstep-anz Emission Factors for New Zealand

[6] For market-based calculations, no T&D losses or upstream energy and fuel emissions are calculated for Ecotricity powered sources as the Ecotricity factor used for scope 2 calculations is a full lifecycle factor.

Appendix 2: Important information

This report contains forward-looking statements in relation to AA Insurance's strategy, business operations and targets. Forward-looking statements may be identified with words such as 'anticipate', 'commit', 'continue', 'expect', 'may', 'plan', 'potential', 'target', 'will' and other similar terms and phrases.

AA Insurance has sought to provide accurate information in respect of the year ended 30 June 2026 as at the date of publication but would caution against reliance being placed on representations that are necessarily subject to significant risks, uncertainties or assumptions. Climate change is an evolving challenge, with high levels of uncertainty and significant data challenges, particularly over long-term horizons. Descriptions of the current and anticipated impacts of climate change on AA Insurance necessarily involve estimates and uncertain projections. Risks and opportunities described in this report, and AA Insurance's strategies to achieve its targets, may not eventuate or may be more or less significant than anticipated.

The standards and methodologies around estimating and calculating greenhouse gas emissions remain under development with different stages of adoption across the financial services industry. There are also several complexities, limitations and assumptions involved in the future modelling and projections of climate states and pathways. National and international standards and frameworks, practices and requirements are subject to different interpretations at a given point in time, including AA Insurance's own understanding and circumstances when setting its climate-related ambitions and targets.

Any forward-looking statements should not be considered a guarantee of future climate-related outcomes but rather reflect our understanding, as of the date of this report's publication, within the limitations, uncertainties and assumptions of current climate models and scenarios. Actual results, performance and outcomes may differ materially from those expected or targeted in any forward-looking statements and rely on factors which are, in many cases, beyond AA Insurance's control. AA Insurance expects that some forward-looking statements made in this document may be amended and updated in future documents as the quality and completeness of its data and methodologies continue to evolve and improve.

AA Insurance maintains that reliance should not be placed on any forward-looking statements. The forward-looking information and opinions in this report do not offer an invitation or solicitation or recommendation to buy financial products in relation to AA Insurance. AA Insurance gives no representation, guarantee, warranty or assurance about future business performance, or that the outcomes expressed or implied in any forward-looking statements made in this document will occur. AA Insurance does not accept any liability whatsoever for any loss arising directly or indirectly from any use of the information contained in this report.



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