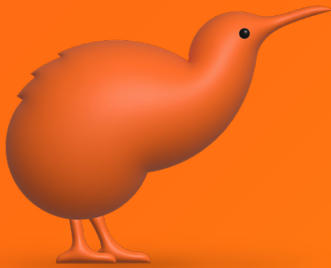




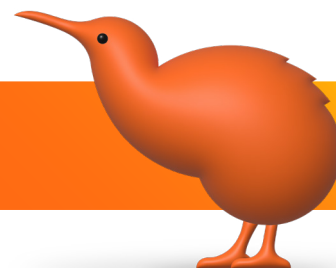
# Climate matters



**Voluntary  
climate-related  
risk disclosures**



This document is the beginning of Ando’s journey to voluntarily disclose our climate-related risks and financial impacts. It highlights our climate-related risks and financial impacts, drawing upon the strategy guidance from the Taskforce on Climate-Related Financial Disclosures (TCFD) recommendations.



## Introduction

To be fully transparent with our purpose, **‘To positively impact the wellbeing of New Zealanders’**, it is important we publicly disclose our organisations environmental impact, and as such, in 2022 we joined the Climate Leaders Coalition and began disclosing our carbon footprint.

The world’s climate is changing at a rate never seen before. The [International Panel for Climate Change \(IPCC\)](#) released its ground-breaking [AR6 Synthesis Report](#) in March 2023 revealing human activities have “unequivocally” caused global warming and the world is on track to breach the 1.5°C average

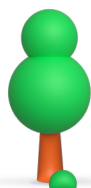
temperature increase in early 2030. In New Zealand, [NIWA](#) announced 2022 was the hottest year on record and predicts an increase in extreme rainfall events as well as cyclonic storms by 2100 whilst [Aspen Institute New Zealand](#) predicts Wellington could expect a 30cm sea level rise by 2040.

The Auckland Anniversary Weekend floods and Cyclone Gabrielle reinforced these reports and have been a timely reminder of the challenges we face as a business in the insurance industry and as New Zealanders. As a business that is in the business of supporting New Zealanders through tough times, it is our responsibility to ensure we understand how climate change may impact our ability to positively impact the wellbeing of New Zealanders, so that we may take the necessary steps to reduce or avoid these impacts.

## Timeframes



**Short-term  
= 1-2 years**



**Medium-term  
= 5-10 years**



**Long-term  
= 10+ years**

# Climate-related risks



As this is our first year of disclosures, our climate risk analysis was done at a high level across our whole business operations. A longlist was developed by a group of Ando leaders representing finance, risk, governance, sales, strategy, marketing, technology, actuarial, underwriting and claims in February 2023 with a shortlist of top priority risks identified for disclosures below.

Risk type	Category	Timeframe	Risk description	Financial impact(s)	Risk rating
<b>Physical</b>	Acute	Short, Medium & Long-Term	Increased frequency and severity of extreme weather events such as hail events, cyclones, floods, and landslips.	<ul style="list-style-type: none"> <li>Increased frequency and severity of weather events may cause disruption to our business operations.</li> <li>Reinsurance costs will rise (and therefore premiums for insurance policies) due to the increased frequency and severity of weather events.</li> <li>Market size reduces due to the affordability (higher premiums) and availability of insurance in high-risk locations for Ando policyholders.</li> <li>Prolonged stress on our staff (particularly our claims staff) due to the increased frequency and severity of weather events may impact staff wellbeing and retention.</li> </ul>	High
<b>Transition</b>	Market	Short, Medium & Long-Term	Increasing trend of new low carbon vehicles such as EVs (electric vehicles) and hydrogen trucks replacing ICEVs (internal combustion engine vehicles) as dominant vehicle type.	<ul style="list-style-type: none"> <li>Potential (short-medium term) increase in claim costs, due to higher EV parts and materials costs. There is also a risk of extended claim time for repair work due to insufficient specialised repair network.</li> <li>Insufficient data to accurately assess risk factors associated with EVs resulting in higher loss ratios and the associated decrease in business margins.</li> </ul>	Medium
	Policy & Legal	Medium & Long-Term	Regulatory push to deal with only strategic partners who are reporting, disclosing, and reducing emissions and/or climate risk.	The number of strategic partners in our supply chain that we can work with may reduce, potentially increasing the cost of capital, operational costs and reducing operational capacity. Additionally, if we fail to meet climate change regulation, strategic partners may not work with us or may impose unfavourable terms.	High
	Reputation	Medium & Long-Term	Increased significance to stakeholders regarding our climate change response and/or underwriting decisions.	This could have an impact on the demand for our insurance services, our ability to keep staff and hire new staff, the availability and cost of reinsurance and, in extreme circumstances, our social licence to operate.	Medium

