Climate Statements for Citibank, N.A., New Zealand Branch

for the year ended 31 December 2023

Note: The purpose of this document is to satisfy the obligation of Citibank, N.A., New Zealand Branch, as a climate reporting entity, to prepare climate statements under section 461ZB of the Financial Markets Conduct Act 2013.

Summary

Citibank, N.A., New Zealand Branch ("**Citi NZ**"), as a climate reporting entity ("**CRE**"), is required to prepare climate statements under section 461ZB of the Financial Markets Conduct Act 2013 ("**FMCA**"), which are compliant with the climate-related disclosure framework ("**CRD Framework**").

Climate statements must be lodged with the Financial Service Providers Registrar ("**Registrar**") within 4 months after Citi NZ's balance date, in accordance with section 461ZI of the FMCA.

These climate statements ("**Citi NZ Climate Statements**") have considered the CRD Framework comprised of three Aotearoa New Zealand Climate Standards published by the External Reporting Board ("**XRB**"):

- Aotearoa New Zealand Climate Standard 1: Climate-related Disclosures ("NZ CS 1");
- Aotearoa New Zealand Climate Standard 2: Adoption of Aotearoa New Zealand Climate Standards ("**NZ CS 2**"); and
- Aotearoa New Zealand Climate Standard 3: General Requirements for Climate-related Disclosures ("**NZ CS 3**").

These Citi NZ Climate Statements have also considered the "Climate-related Disclosures Staff Guidance – Guidance for All Sectors" released by the XRB ("**XRB's Staff Guidance**") to assist CREs in understanding the requirements of NZ CS 1, NZ CS 2, and NZ CS 3.

The Citi NZ Climate Statements are for the annual reporting period beginning on 1 January 2023 to 31 December 2023.

The Citi NZ Climate Statements reflect a summary of Citi NZ's progress made to date towards Citi's global goal of incorporating climate-related risks and opportunities into Citi's overall business strategy and disclosure efforts.

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2023 Citi Climate Report

Disclaimers

The disclosures included in these Citi NZ Climate Statements are provided in response to the requirements of section 461ZB of the FMCA and the CRD Framework, as they relate to Citi NZ.

The approaches to the disclosures included in these Citi NZ Climate Statements may differ materially from those included in Citi's mandatory regulatory reports under the rules and regulations of the U.S. Securities and Exchange Commission ("**SEC**"). Therefore, while certain matters referred to in these Citi NZ Climate Statements may be significant, any materiality should not necessarily be construed as an increase in the level of materiality used by Citi to comply with U.S. federal securities laws and regulations, even if the word "material" or "materiality" is used in these Citi NZ Climate Statements.

Certain statements in these Citi NZ Climate Statements are forward looking statements, including climate related metrics, climate scenarios, estimated climate projections, targets, assumptions, forecasts and statements of Citi NZ's future intentions. These forward looking statements are based on the current expectations of Citi NZ and its management, and are subject to known and unknown risks, uncertainties, changes in circumstances and in assumptions that are difficult to predict and often beyond the control of Citi NZ. These Citi NZ Climate Statements are not guarantees of future results, occurrences or performance. Actual results may differ materially from those included in any forward looking statement due to a variety of factors, including but not limited to, any cautionary statements included in these Citi NZ Climate Statements, sociodemographic and economic trends, weather-related conditions and weather events, energy prices, technological innovations, consumer and customer behaviour, data limitations and uncertainty, legislative and regulatory changes, and other unforeseen events or conditions.

All forward looking statements made by or on behalf of Citi NZ speak only as of the date they are made, and neither Citi NZ nor Citi makes any commitment to update forward looking statements to reflect the impact of circumstances or events arising after the date those statements were made. These Citi NZ Climate Statements contain statements based on hypothetical or materially adverse scenarios and assumptions, and such statements should not necessarily be considered representative of actual risk or forecasts of expected risk.

Nothing in these Citi NZ Climate Statements should be interpreted as capital growth, earnings or any other legal, financial, tax or other advice or guidance. Citi NZ does not accept any liability whatsoever for any loss arising directly or indirectly from any use of the information contained in these Citi NZ Climate Statements.

1. Introduction

1.1. About This Report

Citibank, N.A., New Zealand Branch ("**Citi NZ**") is a climate reporting entity ("**CRE**") because it is a "large" New Zealand registered bank (as defined in the Financial Markets Conduct Act 2013 ("**FMCA**")). Citi NZ is a branch of an overseas incorporated bank.

All CREs must prepare climate statements under sections 461Z, 461ZA or 461ZB (as applicable) of the FMCA, which are compliant with the climate-related disclosure framework ("**CRD Framework**"). These climate statements must be lodged with the Financial Service Providers Registrar ("**Registrar**") within 4 months after Citi NZ's balance date, in accordance with section 461ZI of the FMCA.

These climate statements are for the annual reporting period beginning on 1 January 2023 to 31 December 2023 ("**Citi NZ Climate Statements**").

In preparing the Citi NZ Climate Statements, Citi NZ has considered the CRD Framework, comprised of three Aotearoa New Zealand Climate Standards published by the External Reporting Board ("**XRB**") – Aotearoa New Zealand Climate Standard 1: Climate-related Disclosures ("**NZ CS 1**"), Aotearoa New Zealand Climate Standard 2: Adoption of Aotearoa New Zealand Climate Standards ("**NZ CS 2**"), and Aotearoa New Zealand Climate Standard 3: General Requirements for Climate-related Disclosures ("**NZ CS 3**") - and the Climate-related Disclosures Staff Guidance – Guidance for All Sectors" ("**XRB's Staff Guidance**") released by the XRB.

The Citi NZ Climate Statements reflect a summary of progress made in New Zealand to date towards incorporating climate-related risks and opportunities into Citi NZ's overall business strategy and disclosure efforts. These Citi NZ Climate Statements represent an important first step upon which Citi NZ will continue to build in order to expand Citi NZ's understanding of climate-related risks and opportunities moving forward.

This document should be read in conjunction with the 2023 Citi Climate Report ("**TCFD Report**"), which provides additional information on climate-related risk management at the group level.

1.2. Applicability

The Citi NZ Climate Statements apply to Citibank, N.A., New Zealand Branch, which is a registered bank in New Zealand. Citi NZ is a branch of an overseas incorporated bank, Citibank, N.A.

Registered banks in New Zealand are regulated and supervised by the Reserve Bank of New Zealand ("**RBNZ**") under the Banking (Prudential Supervision) Act 1989, and the Financial Markets Authority ("**FMA**") under the FMCA.

1.3. Statement of Compliance

These Citi NZ Climate Statements comply with Aotearoa New Zealand Climate Standards issued by the XRB. In preparing the Citi NZ Climate Statements, Citi NZ has elected to use the following adoption provisions:

- *Adoption provision 1:*
  Current financial impacts. This adoption provision exempts Citi NZ from disclosing the current financial impacts of Citi NZ's physical and transition impacts, including an explanation of why Citi NZ is unable to disclose quantitative information.

- *Adoption provision 2:*
  Anticipated financial impacts. This adoption provision exempts Citi NZ from disclosing the anticipated financial impacts of climate-related risks and opportunities reasonably expected by Citi NZ, including an explanation of why Citi NZ is unable to disclose quantitative information; and the time horizons over which the anticipated financial impacts of climate-related risks and opportunities could reasonably be expected to occur.

- *Adoption provision 3:*
  Transition planning. This adoption provision exempts Citi NZ from disclosing the transition plan aspects of its strategy, including how its business model and strategy might change to address its climate-related risks and opportunities; and the extent to which transition plan aspects of its strategy are aligned with its internal capital deployment and funding decision-making processes.

- *Adoption provision 4:*
  Scope 3 GHG emissions. This adoption provision exempts Citi NZ from disclosing greenhouse gas ("**GHG**") emissions: gross emissions in metric tonnes of carbon dioxide equivalent ("**CO_2e**") classified as scope 3.

- *Adoption provision 5:*
  Comparatives for Scope 3 GHG emissions. This adoption provision exempts Citi NZ from disclosing comparative information for each metric disclosed for the immediately preceding two reporting periods.

- *Adoption provision 6:*
  Comparatives for metrics. This adoption provision exempts Citi NZ from disclosing comparative information for each metric disclosed for the immediately preceding two reporting periods.

- *Adoption provision 7:*
  Analysis of trends. This adoption provision exempts Citi NZ from disclosing an analysis of the main trends evident from a comparison of each metric from previous reporting periods to the current reporting period.

This report is dated 24 April 2024 and is signed on behalf of Citi NZ by:

Stefan Boisen

Citi NZ Citi Country Officer

2. Governance

2.1. Governance Body Responsible for Oversight of Climate-Related Risk and Opportunities (NZ CS 1 para 7(a))

Citi has a global approach to considering, evaluating, and integrating climate-related risks and opportunities throughout the global organisation, including overseeing Citi's Net Zero Plan. For more information on Citi's Net Zero Plan, please see the TCFD Report.

While the board of Citibank, N.A. is responsible for the Citi NZ Climate Statements on behalf of Citi NZ, from 29 March 2024 the Australia and New Zealand Country Coordinating Committee ("**CCC**") became the governance body responsible for the oversight of climate-related risks and opportunities in New Zealand. Prior to 29 March 2024, the New Zealand Country Coordinating Committee ("**NZ CCC**") was the governance body responsible for the oversight of climate-related risks and opportunities in New Zealand.

The NZ CCC merged with the Australia Country Coordinating Committee effective on 29 March 2024 and became the CCC for both countries. All references to the CCC below apply to the NZ CCC prior to 29 March 2024 as applicable unless otherwise specified.

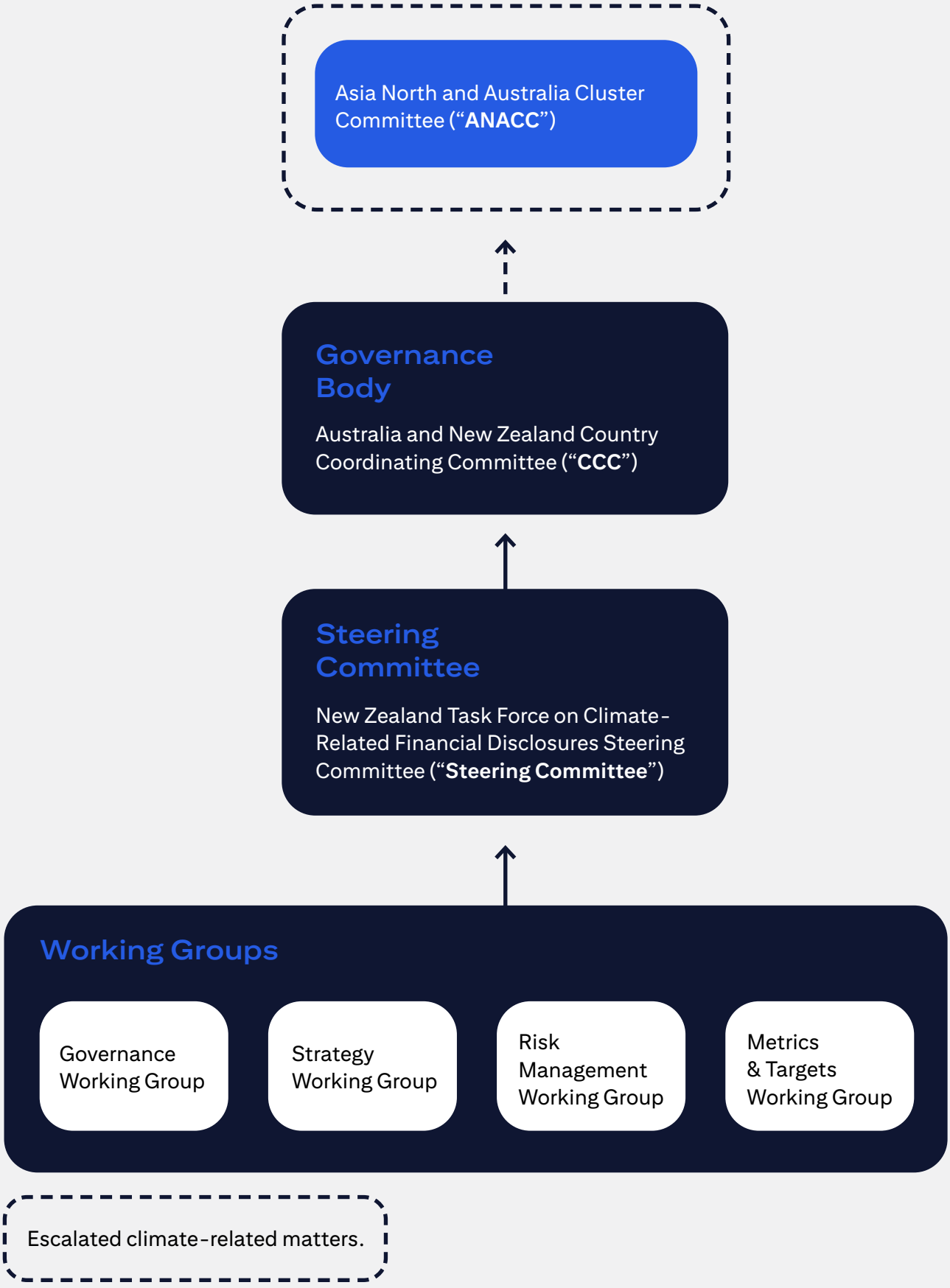
One of the CCC's roles is to consider actions recommended by Citi NZ's management in relation to all elements of the climate-related disclosure regime found in Part 7A of the FMCA ("**CRD Regime**") and approve when considered appropriate by the CCC members.

The Citi NZ Citi Country Officer ("**CCO**"), who was a member and chairperson of the NZ CCC prior to 29 March 2024 and a member of the CCC from 29 March 2024, is able, by way of delegated authority through a power of attorney ("**POA**") issued by Citibank, N.A. in New York, to approve any actions in New Zealand, including approving the final version of, and signing the Citi NZ Climate Statements. The POA is reviewed annually. The CCO leverages Citi NZ's governance framework to manage operations in New Zealand, a key component of that being a member of the CCC.

The Asia North and Australia Cluster Committee ("**ANACC**") was established on 29 March 2024. Matters relating to the CRD Regime can be escalated and/or referred, as required by the CCC to the ANACC.

Citi NZ's climate-related governance structure continues to evolve as the understanding of its climate-related risks and opportunities grows. The following diagram illustrates Citi NZ's governance structure for ensuring all elements of the CRD Regime are satisfied.

Climate-Related Governance at Citi NZ



2.2. Governance Body's Oversight of Climate-Related Risks and Opportunities (NZ CS 1 para 7(b))

2.2.1. Processes and Frequency (NZ CS 1 para 8(a))

The CCC generally meets monthly to discuss (among other things) as and when required escalations and compliance with all material elements of the CRD Regime, including the identification, assessment and management of climate-related risks and opportunities.

The New Zealand Task Force on Climate-Related Financial Disclosures Steering Committee ("**Steering Committee**"), which is made up of key members of management, legal, compliance and risk and was set up for the purpose of considering and informing the CCC about material aspects of climate related matters (e.g. climate related disclosure), meets quarterly (or more frequently as required) and reports as and when required to the CCC in relation to Citi NZ's progress to date with the CRD Regime. Prior to providing these reports, the Steering Committee will have discussed any relevant matters (e.g., the preparation of the Citi NZ Climate Statements) with any established working groups. As at the date of these Citi NZ Climate Statements, the established working groups include:

- the Governance Working Group;
- the Strategy Working Group;
- the Risk Management Working Group; and
- the Metrics and Targets Working Group

(together the "**Working Groups**").

Each of the Working Groups meets as needed to discuss the area assigned to it, and updates the Steering Committee regularly about its progress with the preparation of the Citi NZ Climate Statements and other aspects of the CRD Regime.

2.2.2. Skills and Competencies (NZ CS 1 para 8(b))

CCC climate expertise

Currently, CCC members have experience across their specific skill areas and contribute to relevant elements of the strategy and risk framework for Citi NZ, including environmental, social and governance ("**ESG**") risk. The CCC exercises its responsibilities in accordance with allocated risk expertise under the CCC's Charter.

As at the date of these Citi NZ Climate Statements, the CCC has not developed formal skills and competencies in relation to climate change at the governance level. However, in 2023, some members of the NZ CCC attended climate education and training sessions and events relating to ESG, green and sustainable banking, and climate change risks.

In 2023, Citi globally launched the Citi Sustainability Learning Centre, an online self-paced learning programme focused on climate, sustainability and ESG. It offers Citi employees across the globe the opportunity to increase their awareness about sustainable opportunities and risks faced by Citi and other financial institutions by learning about sustainability and ESG concepts.

2.2.3. Developing and Overseeing Implementation of Citi NZ's Strategy (NZ CS 1 para 8(c))

Citi NZ's strategy with respect to climate risk management is currently in the process of being developed (see paragraph 3.5.2 of the Citi NZ Climate Statements). However, the CCC's consideration of climate-related risks and opportunities is a key component of developing and overseeing the implementation of Citi NZ's strategy. The Steering Committee reports as required on aspects of the CRD Regime to the CCC. On recommendation of the Steering Committee, the CCC in turn considers what climate-related or sustainability initiatives should be incorporated into Citi NZ's overall business planning, how to implement such initiatives and monitors the execution of these initiatives.

2.2.4. Metrics and Targets (NZ CS 1 para 8(d))

The CCC will track Citi NZ's management team's progress annually against Citi NZ's climate-related metrics and targets (as set out in the Metrics and Targets section of this document) starting from the date of these Citi NZ Climate Statements.

At the end of the first annual period, the Metrics and Targets Working Group will meet to discuss and then update the Steering Committee on Citi NZ's progress in achieving the targets as set out at paragraph 5.3, which will then be shared with the CCC. The CCC will analyse the trends in the reports provided and may choose to set an interim goal for some or all of the targets found at paragraph 5.3, which the management team will work towards completing in the following year. This process will repeat until the Steering Committee, with the agreement of the CCC, decides that a different process is more appropriate.

The CCC is accountable for the business performance of Citi NZ's management team. At present, the CCC has not integrated climate-related metrics and targets within the management performance evaluation criteria.

2.3. Management's Role in Assessing and Managing Climate-Related Risks and Opportunities (NZ CS 1 para 7(c))

2.3.1. Assignment of Roles and Processes and Frequency of Engagement with the Governance Body (NZ CS 1 para 9(a))

Citi NZ's management team is represented on the Steering Committee and Working Groups.

The CCO's powers are delegated to the Heads of Business and specific functions in the management team within Citi NZ, as well as some persons offshore via POA. These delegations are for one year and are reviewed and renewed as and when personnel change.

As mentioned above, the Steering Committee is made up of key members of management, legal, compliance and risk.

The Working Groups are designed to deal separately with each of the four main thematic areas of the NZ Climate Statement, derived from NZ CS 1: governance, strategy, risk management and metrics and targets. Each Working Group is comprised of relevant stakeholders who have expertise in the relevant thematic area. Members of each Working Group will change from time to time.

The Working Groups' mission is to define, oversee and drive the implementation of actions to meet Citi NZ's climate-related strategic objectives and commitments aligned with regulatory expectations and standards.

Citi NZ's management team follows Citi's Climate Risk Management Framework ("**Climate RMF**"). Citi's NZ management team can escalate any material climate-related risk to the CCC. The Steering Committee reports as and when required to the CCC on any material climate-related matters that have been referred to the CCC. The CCC is responsible for overseeing the management of material impacts that climate risk drivers can have on each of the key risk categories under Citi's risk taxonomy as escalated/referred.

Climate-related risks have been considered by the management team throughout 2023 and remain a key area of risk management going forward. The NZ CCC has received updates on climate risk, including the Citi Climate RMF, gap analysis results and implementation plan on GS-1 Climate Risk Management, climate risk appetite, client-level climate assessment methodology and results of the climate scenario analysis.

2.3.2. Organisational Structure(s) (NZ CS 1 para 9(b))

Refer to paragraph 2.1 on page 7 for the diagram illustrating where Citi NZ's management-level positions and committees lie within the broader governance structure for the CRD Regime.

2.3.3. Processes and Frequency (NZ CS 1 para 9(c))

The Steering Committee meets quarterly (or more frequently as required to discuss (among other things) as and when required climate related matters arise (e.g.climate related disclosure). As mentioned above, the Steering Committee reports as and when required to the CCC in relation to Citi NZ's progress to date with the CRD Regime. Prior to providing these reports, the Steering Committee will have discussed any relevant matters (e.g., the preparation of the Citi NZ Climate Statements) with the relevant Working Groups or members thereof.

Each of the Working Groups meets as needed to discuss the area assigned to it and invites relevant stakeholders to join these meetings to ensure they are appropriately informed about how to identify and monitor relevant climate-related risks and opportunities. In relation to the preparation of the Citi NZ Climate Statements, the Working Groups attended workshops in October – December 2023 with legal advisers to discuss and prepare the relevant sections of the Citi NZ Climate Statements.

3. Strategy

3.1. Current Climate-Related Impacts (NZ CS 1 para 11(a))

3.1.1. Current Physical and Transition Impacts (NZ CS 1 para 12(a))

In the context of its business model in New Zealand, Citi NZ has considered its current climate-related impacts and sets out below its current climate-related physical and transition impacts. Physical impacts refer to the consequences of climate change, including temperature, rainfall, storms, extreme events, and sea level rise on Citi NZ. Transition impacts refer to the consequences of economic, regulatory, social, technological, and legal responses to climate change on Citi NZ.

Transition impacts

Due to the shift in awareness with respect to climate change among Citi NZ's stakeholders and clients, and the increase in climate-related regulations (e.g., the CRD Regime), Citi NZ has made certain changes to its business. The transition impacts below have occurred from 2020 until the present day.

Citi NZ's clients are becoming increasingly conscious of climate change and how they can mitigate it due to climate change-related legislation and policy that has been implemented by the New Zealand government. This has resulted in Citi NZ:

- supporting these clients in meeting their sustainability goals, including assisting with their transition plans as needed to set GHG emission targets to reduce the client's emissions footprint consistent with their goals.
- issuing sustainability-linked loans and green bonds; and
- reducing its credit exposure to thermal coal mining companies.

Physical impacts

Due to the extensive flooding and property damage caused by the severe weather events (i.e., the Auckland Anniversary weekend floods in January 2023 and Cyclone Gabrielle in February 2023), Citi NZ was unable to access the physical office building it leases in downtown Auckland. Citi NZ staff have had to transition towards working from home and adapt to provide services to clients online rather than face to face.

3.1.2. Current Financial Impacts of its Physical and Transition impacts (NZ CS 1 para 12(b) and 12(c))

Citi NZ has elected to use adoption provision 1 and is therefore exempt from disclosing the current financial impacts of Citi NZ's physical and transition impacts, including an explanation of why Citi NZ is unable to disclose quantitative information.

3.2. Scenario Analysis Undertaken (NZ CS 1 para 11(b) and NZ CS 3 para 51(b)(i)-(iv))

In November 2023, Citi NZ engaged a law firm, Buddle Findlay, to facilitate three workshops with the CCO, the Strategy Working Group, relevant members of the Steering Committee and representatives from each business line to conduct scenario analysis.

The New Zealand Banking Association ("**NZBA**"), the industry body for the banking sector in New Zealand, engaged Ernst & Young to produce a report titled "Climate scenario narratives for the banking sector" that was published on 1 June 2023 ("**NZBA Report**"). The NZBA Report sets out relevant climate-related scenarios for the banking sector in New Zealand. Other example climate-related scenarios that were relevant to the banking sector were set out in reports published by the Intergovernmental Panel on Climate Change ("**IPCC**"), International Energy Agency ("**IEA**"), Central Banks and Supervisors Network for Greening the Financial System ("**NGFS**"), Climate Change Commission, and GIC and Ortec Finance ("**GIC Report**"). These reports are publicly available.

The above climate-related scenarios were reviewed by Buddle Findlay and, with Citi NZ's input, were used to construct three climate-related scenarios that were analysed in the workshops. These three scenarios were revised to be in line with the risks and opportunities specific to Citi NZ and included the assumptions noted below. These three climate-related scenarios were signed off by the CCO.

Citi NZ analysed a 1.5°C degree "orderly" scenario, a 3°C degrees "hothouse world" scenario, and a 2-3°C degrees "too little too late" scenario. Citi NZ then considered how Citi NZ's business model and strategy would play out in each scenario and the options Citi NZ could take to improve its performance.

Citi NZ added further detail to the scenarios by making further and different assumptions, particularly more focus on Citi NZ's largest business lines (approximately 10% of Citi NZ's business comprises of lending, and 90% is banking related services, including transactional services and cash management, custodial services, markets sales, mergers and acquisitions and capital market and advisory execution), and the competitive dynamics within those markets, including the actions and outcomes for the key competitors of strategic interest. See 3.2.1 to 3.2.2 below for more information about these three scenarios, including descriptions of the methods used and relevant assumptions.

Scenario analysis was a standalone analysis that was not integrated within Citi NZ's strategy processes. Citi NZ engaged in qualitative scenario analysis. Citi NZ did not specifically exclude any parts of its value chain, as the scope of Citi NZ's scenario analysis covered Citi's activity in New Zealand. The effects on Citi NZ's suppliers, partners and clients in New Zealand were also considered.

Following the completion of the scenario analysis process, the Steering Committee and the CCC were informed of its completion and the outcomes. Citi NZ is now conducting transition planning work that is leveraging the learnings from the scenario analysis process and includes changes to Citi NZ's strategy.

3.2.1 Scenario Narrative Descriptions (NZ CS 1 para 13, NZ CS 3 para 51(a)(i) and 51(a)(iii))

Below is a table describing each climate-related scenario Citi NZ used in conducting scenario analysis. The rows relating to the increase in global temperature by 2100, the net-zero emissions year, extreme weather events, and physical and transition risks briefly describe each scenario narrative. The rows relating to policy and socioeconomic assumptions, negative emissions technology, carbon sequestration from afforestation, energy pathways and macroeconomic trends describe the ways the world (including New Zealand) plans to reduce emissions in each scenario, and the expectations and assumptions of how these plans will develop over time.

	Climate-related scenarios		
Narratives/ pathways/ assumptions	**Orderly (1.5°C degree increase in global temperature)**	**Too Little Too Late (2-3°C degree increase in global temperature)**	**Hot House World (At least a 3°C degree increase in global temperature)**
Increase in global temperature by 2100	The global temperature has increased by 1.5°C.[1]	The global temperature has increased by 2.7°C.[2]	The global temperature has increased by 4.4°C.[3]
Net-zero emissions year	New Zealand will achieve net zero emissions (meaning the amount of GHG emissions that are produced is no more than the amount of GHG emissions that are removed from the atmosphere) by 2040, with the world achieving net zero emissions by 2050.[4]	New Zealand will achieve net zero emissions by 2050, but due to the rest of the world's indifference to climate change, the world will fail to achieve net zero emissions by 2100.[5]	New Zealand and the rest of the world will fail to achieve net zero emissions by 2100.[6]
Extreme weather events	From now until 2100 there will be no surges in extreme weather events.[7]	In the 2030s, the world will experience a series of extreme weather event shocks in the form of transition and physical impacts due to the world's lack of action, with each shock having a larger impact than the previous shock.[8]	From now until 2100, New Zealand will experience a series of extreme weather shocks, which rise in frequency and severity over time, as temperatures rise.[9]

	Climate-related scenarios		
Narratives/ pathways/ assumptions	**Orderly (1.5°C degree increase in global temperature)**	**Too Little Too Late (2-3°C degree increase in global temperature)**	**Hot House World (At least a 3°C degree increase in global temperature)**
Policy and socioeconomic assumptions – Law and regulation	Due to obvious shifts in weather and the widespread acceptance of the need to address climate change, the New Zealand government will take policy action between 2023 to 2025 to adopt low-carbon technologies.[10] The New Zealand government will enact policy from the present day until 2025, which will develop into law that requires the agricultural, transport, energy, manufacturing, and construction sectors (which comprise the main sectors of Citi NZ's lending portfolio) to adopt low-emission alternatives.[11]	While the New Zealand government will take a more proactive approach to climate change than the rest of the world, the transition to net zero emissions will be more challenging than the Orderly scenario.[12] The extreme weather events with increasing intensity between 2030 and 2040 will bring about policy action that results in peak global emissions.[13] Policy will be enacted by the governments in other countries when public pressure is high due to extreme weather shocks. The policy enacted will be delayed and of cascading intensity each time there is an extreme weather event, with multiple sudden and abrupt policy changes being made to decarbonise businesses in the 2030s.[14]	The New Zealand government will take minimal policy action and implement minimal technologies to combat climate change, except those that are already in place.[15] Minimal support for mitigating climate change from the public and the severe climate change-related physical impacts, including chronic risks due to rising temperatures impacting workplace productivity and acute risks due to extreme weather events will result in significant financial losses[16] that absorb all the New Zealand government's resources, resulting in a lack of transition risks.

	Climate-related scenarios		
Narratives/ pathways/ assumptions	**Orderly (1.5°C degree increase in global temperature)**	**Too Little Too Late (2-3°C degree increase in global temperature)**	**Hot House World (At least a 3°C degree increase in global temperature)**
Policy and socioeconomic assumptions – Competition/ new entrants/ disrupters	The bank that succeeds in decarbonising and complying will perform better than competitors, due to facing fewer penalties and widespread client behaviour favouring businesses that are making efforts to mitigate climate change.[17]	The bank that is slow to decarbonise and able to adapt its business model and strategy will fall behind due to the New Zealand government's rapid shift towards decarbonisation and sudden increases in climate policy and regulation.[18]	Due to low transition risks and high physical risks, the bank is likely to face increased operational costs to repair damage to buildings, higher insurance costs if the bank's assets are in a flood-prone zone, and lower staff productivity and fewer clients due to business disruption and weather impacts. Higher temperatures will see increased demand for air conditioning, leading to higher operational costs.[19]
Physical and transition risks	While physical risks will be low, transition risks will be medium, resulting in some operational expenditure as the banking sector is required to comply with regulatory requirements.[20]	Transition risks are high, and physical risks are high. Extreme weather events and rising temperatures will result in disruption to Citi NZ's day-to-day staff operations, closing of the branch and the corporate office and inability to contact clients.[21]	Physical risks are extremely high and there are minimal transition risks. Physical risks will also result in disruption to Citi NZ's day-to-day staff operations, the closing of the branch and corporate office and the inability to contact clients, leading to an increase in operational expenditure and loss of revenue as Citi NZ's IT systems, and data and call centres fail.[22]

	Climate-related scenarios		
Narratives/ pathways/ assumptions	**Orderly (1.5°C degree increase in global temperature)**	**Too Little Too Late (2-3°C degree increase in global temperature)**	**Hot House World (At least a 3°C degree increase in global temperature)**
Negative emissions technology	The New Zealand government will increase the carbon price in the Short Term, which motivates businesses and clients to use low emission technologies and to remove emissions from the environment.[23] The New Zealand government will enact other policies, such as the agricultural sector being required to adopt biogenic methane inhibitors, vaccines, and low emissions stock variants due to the increased cost of livestock farming due to the New Zealand government's limits on biogenic methane emissions and consequently increased demand to switch to alternative proteins.[24] The manufacturing sector will be encouraged to use electrification and green hydrogen as the cost of using low-emission energy is subsidised by the New Zealand government.[25]	New Zealand will suffer from limited development and accessibility of low-emission technology[26] and a hesitance to reduce emissions within certain sectors. Low-emission substitutes and low-emissions technologies will become more common in the New Zealand economy from 2050, and their adoption will be encouraged by emissions pricing and client behaviour change in the agricultural, energy, manufacturing, transport and shipping, and construction sectors.[27]	Under existing policies enacted by the New Zealand government, long-lived GHG emissions and biogenic methane emissions will decrease until 2050, although it is not enough to meet the 2030 and 2050 targets under the Zero Carbon amendment of the Climate Change Response Act.[28]

	Climate-related scenarios		
Narratives/ pathways/ assumptions	**Orderly (1.5°C degree increase in global temperature)**	**Too Little Too Late (2-3°C degree increase in global temperature)**	**Hot House World (At least a 3°C degree increase in global temperature)**
Carbon sequestration from afforestation	New Zealand is not dependent on afforestation to reduce emissions, resulting in higher rates of native afforestation.[29]	Afforestation will become one of the main methods to achieve net zero by 2050. Exotic forestry is the primary tool to lower net GHG emissions before 2050, offering better growth and carbon absorption rates. Unutilised rural land and unproductive farmland will be increasingly converted to exotic forestry. In the Medium Term, the world will become more supportive of low-emission technology, which will lower New Zealand's dependency on forestry, but a slower start than Orderly will mean New Zealand sees higher forestry rates.[30]	The New Zealand Emissions Trading Scheme ("**ETS**") and the high carbon price in the mid-2020s will continue to incentivise afforestation in the Short Term. However, this momentum will decline from the Medium Term onwards, due to a lack of carbon restrictive targets and the New Zealand ETS price remaining the same. Afforestation will continue for logging purposes due to global demand.[31]
Energy pathways	There will be an increase in investment in solar panels, decreasing reliance on energy from the grid. There will be renewable energy alternatives and energy storage options from the Immediate Term and Short Term. Fossil fuel-based energy will be phased out due to higher costs. [32]	Renewable energy alternatives will be limited in the Short Term, but will be rapidly brought in from the Medium Term, particularly renewable electricity and biomass and electricity.[33]	Low emissions alternatives such as electric vehicles and renewable electricity are adopted, but only to lower costs rather than to reduce emissions.[34]

	Climate-related scenarios		
Narratives/ pathways/ assumptions	**Orderly (1.5°C degree increase in global temperature)**	**Too Little Too Late (2-3°C degree increase in global temperature)**	**Hot House World (At least a 3°C degree increase in global temperature)**
Macroeconomic trends	The cost of goods and services will not be heavily affected, with transition and physical risks being smoothly incorporated into prices due to the government taking early action between 2022 and 2025.[35]	Due to sentiment shocks following policy actions and physical risks, there will be sharp increases in the prices of goods and services over the 2030s.[36]	Severe physical risks will have an extreme impact on the cost of goods and services more than the other scenarios.[37]

1 New Zealand Banking Association "Climate scenario narratives for the banking sector" (1 June 2023) New Zealand Banking Association <www.nzba.org.nz/wp-content/uploads/2023/06/NZBA-Climate-Scenario-Narratives-for-the-Banking-Sector-Final-report.pdf> at 31.

2 At 42.

3 At 53.

4 At 33.

5 At 44.

6 Rachel Teo and Willemijn Verdegaal "Integrating Climate Scenario Analysis into Investment Management: A 2023 Update" (April 2023) GIC <www.gic.com.sg/wp-content/uploads/2023/04/GIC-ThinkSpace-Climate-Scenario-Analysis.pdf> at 18.

7 At 18.

8 At 18.

9 At 18.

10 New Zealand Banking Association, above n 1, at 33.

11 At 33.

12 At 44.

13 Rachel Teo and Willemijn Verdegaal, above n 6, at 18.

14 At 18.

15 At 18.

16 New Zealand Banking Association, above n 1, at 15.

17 At 40.

18 At 51.

19 At 62.

20 At 40.

21 At 51.

22 At 62.

23 New Zealand Banking Association, above n 1, at 33.

24 At 33.

25 At 33.

26 At 44.

27 At 14.

28 At 55.

29 At 33.

30 At 45.

31 At 56.

32 At 38.

33 At 45.

34 At 55.

35 Rachel Teo and Willemijn Verdegaal, above n 6, at 18.

36 At 18.

37 At 18.

3.2.2 Time Horizons Considered (NZ CS 1 para 13 and NZ CS 3 para 51(a)(ii))

Citi NZ is required to provide the time horizons considered when conducting scenario analysis and evaluating each climate-related scenario. The time horizons for the different aspects of the three scenarios Citi NZ analysed are set out in the table above – as either a year, temperature or reference to "Immediate Term", "Short Term", "Medium Term" or "Long Term" as defined below.

	Immediate Term	Short Term	Medium Term	Long Term
Time horizon	3 years	10 years	30 years	50+ years
Year relative to 2023	2025	2030	2050	2080+

3.2.3 Relevance and Appropriateness of Chosen Scenarios (NZ CS 1 para 13 and NZ CS 3 para 51(a)(iv))

After reviewing scenarios found in the NZBA Report, the GIC Report and reports published by the IPCC, IEA, NGFS, and Climate Change Commission, Citi NZ decided to focus on the NZBA Report and the GIC Report because it was the most relevant to the banking sector in New Zealand, incorporated scenarios from the IPCC, IEA, NGFS and the Climate Change Commission, and complied with the temperatures prescribed for undertaking scenario analysis in NZ CS 1.

The GIC Report was useful in identifying further characteristics, risks, opportunities and impacts, and was the easiest to understand. The GIC Report discussed four scenarios, of which three are consistent with the NZBA Report and achieve fair presentation as required by NZ CS 3.

3.2.4 Sources of Data Used to Construct Each Scenario (NZ CS 1 para 13 and NZ CS 3 para 51(a)(v))

Citi NZ has inserted the sources used to construct each scenario in the footnotes of paragraph 3.2.1 above.

3.3. Climate-Related Risks and Opportunities Identified (NZ CS 1 para 11(c))

After conducting the scenario analysis as described above, Citi NZ identified climate-related risks and opportunities, characterised as either physical or transitional, which are set out in the table below. Physical risks and opportunities result from climate change itself, including temperature, rainfall, storms, extreme events, and sea level rise. Transition risks and opportunities result from economic, regulatory, social, technological, and legal responses to climate change.

	Risks		
Type	**Short Term**	**Medium Term**	**Long Term**
Transition	*Operational risk:* Due to the increased focus on climate policy, the New Zealand government may impose additional regulatory compliance requirements, resulting in increased costs and legal risk for Citi NZ and the businesses Citi NZ works with.	*Credit risk:* Agricultural businesses may face higher demand for alternative proteins and lower emissions substitutes, thereby increasing operating costs and decreasing the revenue of farming. This could result in these businesses defaulting on their loan/s with Citi NZ.	*Operational risk:* Citi NZ and its clients may experience sunk costs or lower returns on investment if capital expenditure does not align with the adoption of future technologies and requires earlier replacement, or if the technology required to analyse climate-related risks from a credit perspective is unavailable or not fit for purpose.

	Risks		
Type	**Short Term**	**Medium Term**	**Long Term**
	Operational risk: Shareholders, clients and investors may expect Citi NZ to reduce emissions and disclose their progress over time. If Citi NZ is not doing so sufficiently, Citi NZ may face litigation and reputation risk and fall behind its competitors for not adapting fast enough. The same may apply to Citi NZ's clients.	*Credit risk:* Transport businesses may face lower demand for fossil-fuelled vehicles due to fuel taxes, emissions pricing, higher carbon price and clients favouring lower emissions substitutes such as electric vehicles and public transport. This could result in these businesses defaulting on their loan/s with Citi NZ.	
	Operational risk: The growing culture of flight shaming among clients due to its contribution to GHG emissions may affect Citi NZ's reputation if they do not adapt to become flight-free. The same may apply to Citi NZ's clients.	*Credit risk:* Manufacturing companies may face significant restructuring costs to meet regulatory requirements and face criticism from clients for using carbon-intensive products such as steel and concrete. This could result in these businesses defaulting on their loan/s with Citi NZ.	

	Risks		
Type	**Short Term**	**Medium Term**	**Long Term**
		Credit risk: Construction businesses may face increasingly expensive carbon-intensive construction materials, such as concrete and steel within the supply chain and the implementation of sustainable design standards by the New Zealand government, delaying construction projects. This could result in these businesses defaulting on their loan/s with Citi NZ.	
		Credit risk: The energy sector may face increased costs of fossil fuel-based energy due to emissions pricing. This could result in these businesses defaulting on their loan/s with Citi NZ.	

	Risks		
Type	Short Term	Medium Term	Long Term
		Liquidity Risk: The high-quality liquid assets held by Citi NZ for liquidity management purposes may be subject to increased market volatility which may impact the value of these assets. Any depreciation of these assets may require capital actions to improve Citi NZ's local balance sheet.	
		Operational risk: Sudden regulation changes in 2050 may result in the agricultural, transport, manufacturing, construction and energy businesses collapsing and creating stranded assets.	

	Risks		
Type	**Short Term**	**Medium Term**	**Long Term**
Physical		*Operational risk:* Physical sites such as Citi NZ's branch in Auckland may close or be inaccessible due to weather impacts such as floods or heatwaves that damage assets. Staff may be stranded away from home. Disruption to electricity supply may impact call and data centres.	*Credit risk:* Droughts, storms, floods, heatwaves, precipitation change, temperature change, sea level rise and biodiversity loss may put resource pressure on farming systems, cause crop failures and worsen agricultural productivity for agricultural businesses. This could result in these businesses defaulting on their loan/s with Citi NZ.
		Operational risk: Staff may experience heat stress due to the increase in hot days.	*Credit risk:* Drought, storms, floods, precipitation change, temperature change and sea level rise may disrupt infrastructure and supply chain routes in the transport and shipping sectors, which will impact operational costs and revenue. This could result in these businesses defaulting on their loan/s with Citi NZ.

	Risks		
Type	**Short Term**	**Medium Term**	**Long Term**
		Operational risk: Insurance costs across all sectors of the economy may increase, especially for impacted sectors, and in some cases, some sectors of the economy may not be able to obtain adequate insurance coverage. This could impact both businesses and clients.	*Credit risk:* Acute climate risks may cause heat stress to workers, damage assets, and impact supply chains, which will disrupt manufacturing processes causing production delays and increase maintenance costs for the manufacturing sector. This could result in these businesses defaulting on their loan/s with Citi NZ.
			Credit risk: Storms, floods, heatwaves, precipitation change, temperature change, and sea level rise may damage construction sites, delay projects and lead to higher operational costs for the construction sector.

	Risks		
Type	**Short Term**	**Medium Term**	**Long Term**
			Credit risk: Droughts, storms, floods, heatwaves, temperature change and sea level rise may impact the energy sector through 'dry years' and damage to transmission lines and assets. Precipitation change will adversely affect New Zealand's reliance on hydropower generation. This damage will lead to higher operation costs for the energy sector.
Transition and Physical		*Credit Risk & Market Risk:* Increase in market volatility and lower projected returns on Citi NZ's investment portfolio may have a negative impact on all asset classes, particularly equities and real estate that are more sensitive to climate change, possibly affecting the capital markets division of Citi.	

	Opportunities		
Type	**Short Term**	**Medium Term**	**Long Term**
Transition	Citi NZ may act as an intermediary for carbon trading or facilitate the hedging of products (eg trading carbon credits), credit default swap hedging or traded loans.	The New Zealand government may increase investment in companies that are pivoting in the face of climate change, therefore creating opportunities for Citi NZ to advise the New Zealand government on those investments and to assist in the transition towards a net zero emissions future.	
	Citi NZ could structure new products for clients to facilitate their transition towards lower fossil fuel equities and assist with funding as they migrate to new locations and undertake capital expansion activities.	The capital markets division of Citi could invest in, or Citi NZ could offer loans, lend to, act as an intermediary for or transact with businesses in each sector that are developing, implementing and supplying low-emission technologies or alternatives (i.e. the agricultural, manufacturing, transport, construction and energy sectors).	

	Opportunities		
Type	**Short Term**	**Medium Term**	**Long Term**
	Citi NZ could finance green initiatives or infrastructure projects through the Citi Export and Agency Finance ("**EAF**") team (including sustainability-linked loans/green financing options) that facilitate New Zealand's transition towards a net zero emissions future.	Citi NZ could switch to using cheap renewables as the cost of electricity falls in the Medium Term.	
	Citi has existing teams that could also transact with clients in NZ, which includes investment banking, clean energy transition (providing advisory and equity advice) natural resources, capital markets and debt markets.	Citi NZ could purchase electric vehicles as company cars and implement incentives for staff to use electric vehicles and/or public transport in the Medium Term.	
	Citi NZ could advise the New Zealand government on the most efficient way to raise and deploy contingent funds, such as climate funds, in the Short Term in preparation for the more severe scenarios.	Citi NZ could use energy-efficient appliances and switch to a building that uses renewable electricity alternatives.	
Physical	Citi NZ could offer 'catastrophe bonds' to the New Zealand government.		

3.3.1 Short Term, Medium Term and Long Term (NZ CS 1 para 14(a))

The "Short Term", "Medium Term" and "Long Term" referred to in the above table are as defined in paragraph 3.2.2.

As Citi NZ operates as part of the Citi group, it aligns its goals with Citi's group business model and strategy. The Short Term and Medium Term timeframes (as defined in paragraph 3.2.2) align with Citi's 2030 and 2050 targets. This is because Citi is committed to achieving net zero GHG emissions by 2050, which is its Medium Term goal, and the interim 2030 targets are Citi's Short Term goals that are intended to assist Citi in achieving its 2050 net zero GHG emissions target.

Citi NZ's Long Term goal of 2080+ is based on the timeframes in the NZBA and the GIC Report and the approximate expected useful life of Citi NZ's assets and infrastructure.

3.3.2 Physical or Transition Risks (NZ CS 1 para 14(b))

The table in paragraph 3.3 above has identified whether the climate-related risks and opportunities identified are physical or transition risks or opportunities, including, where relevant, their sector (agricultural, transport, manufacturing, construction, or energy) and geography.

3.3.3 Internal Capital Deployment and Funding Decision-Making Processes (NZ CS 1 para 14(c))

Citi NZ follows an internal approval process whereby the Steering Committee, after discussing any relevant matters with the Working Groups, submits a request to the CCC when it requires approval for any funding-related decisions or capital expenditure to further Citi NZ specific targets (see the Metrics and Targets section of these Citi NZ Climate Statements for more information on Citi NZ's targets) that align with Citi's 2030 or 2050 climate-related targets. The CCC reviews and approves the request, with the CCO providing sign-off as the final stage of the approval process.

3.4. Potential Anticipated Impacts of Climate-Related Risks and Opportunities (NZ CS 1 para 11(d))

After identifying material climate-related risks and opportunities, Citi NZ identified potential anticipated impacts resulting from those climate-related risks and opportunities. These anticipated impacts have been separated into transition and physical impacts (as defined in paragraph 3.1.1 above).

3.4.1 Potential Anticipated Climate-Related Impacts from Risks and Opportunities Reasonably Expected (NZ CS 1 para 15(a))

Area	Potential Anticipated climate-related impacts from risks
Business model (including operations)	Potentially may seek to reduce face-to-face client interactions with international clients and the global Citi team in future in order to help meet emissions reduction targets.
Lending services	The possibility of a decrease in client-based profit and market share, due to a potential increase in operating costs for agricultural, transport, manufacturing, construction, and energy businesses, resulting in the possibility of impaired loans as businesses may be unable to repay loans and demand for new loans from market entrants decreases.
Climate policy	Operational expenditure may increase due to beginning new work programmes that align with the latest climate policy and associated costs of compliance.
Physical sites	Operational expenditure may increase, which may result in margin compression and reduced free cash flows to repair damage to assets or physical sites, assist stranded staff, and cover potential increases in insurance premiums if Citi NZ's assets are in a flood-prone zone (this impact is mitigated as Citi NZ has a backup site in the case of an emergency event).
Physical sites	Operational expenditure may increase as energy demand for cooling leads to higher energy costs.
Physical sites	Disruption to day-to-day business operations as Citi NZ may face climate change protestors in the office building if Citi NZ does not meet client expectations.
Staff productivity	Operational expenditure may increase due to lower staff productivity as a result of acute and chronic physical impacts, e.g., staff get stranded, face heat stress or lose their homes.
Data centres and IT systems	Citi NZ may face financial losses should network connectivity in the Auckland office fail, making it challenging to communicate with or conduct transactions for clients (this impact is mitigated as Citi NZ runs a Continuation of Business site in a different Auckland location and staff can access the Citi network remotely via the internet if required).

Area	Potential Anticipated climate-related impacts from risks
Supply chain and/or value chain	Citi NZ may experience disruption to its supply chain as its suppliers are faced with damage to physical sites.
Reputation	The ability to raise capital and grow the business may decrease due to reputation damage if Citi NZ does not reduce emissions or disclose its progress in line with shareholder, client, and investor expectations.
Reputation	Citi NZ may lose clients due to reputation damage if they work with difficult clients who are uncooperative or unable to adapt to climate change.

Area	Potential Anticipated climate-related impacts from opportunities
Products and services	The possibility of a different and wider client base as Citi NZ chooses to invest, transact with or lend to businesses that are adapting to climate change, and assist businesses with their transition towards a low carbon future.
Business model (including operations)	Cost savings and potential additional market growth opportunities due to a shift toward virtual rather than face-to-face client interactions.
Access to capital	If there is a demand for such services, provide sustainability-linked loans/green financing options to clients for capital as they become cheaper and more accessible.

3.4.2 Anticipated Financial Impacts of Climate-Related Risks and Opportunities Reasonably Expected and Time Horizons (NZ CS 1 para 15(b)–(d))

Citi NZ has elected to use adoption provision 2 and is therefore exempt from disclosing the anticipated financial impacts of climate-related risks and opportunities reasonably expected by Citi NZ, including an explanation of why Citi NZ is unable to disclose quantitative information; and the time horizons over which the anticipated financial impacts of climate-related risks and opportunities could reasonably be expected to occur.

3.5. Transition Plan Aspects of Strategy (NZ CS 1 para 11(e))

3.5.1 Current Business Model and Strategy (NZ CS 1 para 16(a))

In line with Citi's global strategy, Citi NZ's strategy is to be the preeminent banking partner for institutions with cross border needs. Citi NZ's business model is to provide services across Treasury and Trade Solutions, Security Services, Financial Markets and Investment and Corporate Banking.

3.5.2 Progress Towards Developing Transition Plan Aspects of Strategy (NZ CS 2 para 16(b) and 16(c)

Citi NZ has elected to use adoption provision 3 and is therefore exempt from disclosing the transition plan aspects of its strategy, including how its business model and strategy might change to address its climate-related risks and opportunities; and the extent to which transition plan aspects of its strategy are aligned with its internal capital deployment and funding decision-making processes. However, as Citi NZ has elected to use this exemption, Citi NZ must provide a description of its progress towards developing the transition aspects of its strategy in its first reporting period, which is captured in the paragraph below.

Citi NZ is currently developing a transition plan to mitigate climate-related risks and make the most of its climate-related opportunities, including:

- identifying mitigants for each anticipated climate-related impact of the climate-related risks identified above; and

- how it deploys and allocates capital (such as investments in infrastructure, low emission technology or projects), and make funding decisions.

4. Risk Management

4.1. Processes for Identification, Assessment and Management of Climate-Related Risks (NZ CS 1 para 18(a))

Citi's Risk Management function is responsible for identifying, measuring, monitoring, controlling, and reporting risks to Citi using the Enterprise Risk Management Framework ("**ERMF**"). The ERMF details Citi's approach to risk management, including governance, principles and requirements that promote the identification, measurement, monitoring, controlling and reporting of all risks. The ERMF views climate-related risks as cross-cutting i.e., it is a risk which can manifest through or amplify existing risks within Citi's Risk Taxonomy: Credit, Market, Liquidity, Strategic, Operational, Compliance and Reputation.

Citi's Climate RMF promotes a globally consistent approach to managing climate-related risks. The Climate RMF details the governance, roles, responsibilities and principles to support the identification, measurement, monitoring, controlling, and reporting of climate-related risks. The Climate RMF is being embedded into business-as-usual risk management processes across Citi, as well as relevant policies and standards over time.

Integrating climate risk into Citi's policies and sector standards provides the foundation to consistently identify and manage climate-related risks throughout Citi. Citi closely reviews biodiversity risks and impacts in its financing activities under its Environmental and Social Risk Management ("**ESRM**") Policy, first focusing on project-related financing and then adding sector-wide reviews to evaluate alignment with international standards in client management practices to avoid, minimise and mitigate potential biodiversity impacts.

Key principles of the Climate RMF have been incorporated into local risk management frameworks (like Citi NZ's), together with local regulatory requirements.

Citi NZ has adopted and is in the process of integrating, the Climate RMF into its existing day-to-day risk management practices. Updates are provided to the CCC to inform Citi NZ's management team of the exposures to climate-related risk vulnerable sectors, and global and local climate-related developments.

4.1.1. Tools and Methods (NZ CS 1 para 19(a))

Consistent with the Citi global approach, Citi NZ views climate-related risk as a crosscutting risk, which can manifest through or amplify existing risks in each of the risk categories in Citi NZ's risk taxonomy (which are found in the ERMF). The table below indicates the impacts that climate-related risks can have on each of the risk categories in Citi NZ's risk taxonomy.

Risk Category	Definition	Climate Drivers	
		Transition Risk	Physical Risk
Credit	Risk of loss resulting from the decline in credit quality or failure of a borrower, counterparty, third party or issuer to honor its financial or contractual obligations.	Transition risk can arise from changes in regulatory expectations, technology and stakeholder preferences impacting income for individuals and corporates.	Chronic and acute physical risks can lead to disruptions in operations and supply chain, deteriorating working conditions and damage to property causing a decrease in income and revenue and asset value.
Market	Risk of loss arising from changes in the value of Citi's assets and liabilities or reduced net interest revenues resulting from changes in market variables, such as interest rates, exchange rates, equity and commodity prices or credit spreads.	Transition risk such as changes in regulatory expectations and technology can result in market volatility and over-pricing of assets.	Chronic and acute physical risks can affect the viability and shareholder value of entire industries and companies in certain geographies and impact the output of key export industries causing changes in FX, equities, commodities, credit and securitized products.

Risk Category	Definition	Climate Drivers	
		Transition Risk	Physical Risk
Liquidity	Risk that the firm will not be able to efficiently meet both expected and unexpected current and future cash flow and collateral needs without adversely affecting either daily operations or financial conditions of the firm.	Climate drivers can trigger unexpected demand for funds by counterparties / customers to fund their obligations, a reduction in the value of assets owned by the bank, or limitations on the bank's ability to roll its debt, affecting the bank's ability to meet both expected and unexpected current and future cash flow and collateral needs.	Chronic and acute physical risks can increase client demand for emergency loans, customers reaching credit limits and demand for funds.
Strategic	Risks to current or anticipated earnings, capital or franchise or enterprise value arising from poor business decisions (in compliance with regulations, policies and procedures), an inability to adapt to changes in the operating environment (e.g., economic, regulatory, legislative or competitive), or other external factors that may impair the ability to carry out a business strategy.	Transition risk can arise from changes in regulation and legislation and technology advances.	Chronic and acute physical risks can deteriorate economic conditions such as unemployment and disposable income causing a shift in strategy.

Risk Category	Definition	Climate Drivers	
		Transition Risk	Physical Risk
Operational	Risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.	Climate drivers exacerbate several subcategories of operational risk, such as risk oversight errors (e.g., due to insufficient understanding of the impact of climate change), reporting risk (e.g., due to new voluntary or mandatory reporting requirements), data management risk (e.g., due to fragmented data and solution providers) or model risk (e.g., challenges in validation of complex and non-traditional climate models).	Chronic and acute physical risks can lead to physical damage to property and impact health and safety causing disruptions in normal operations.
Compliance	Risk to current or projected financial condition and resilience arising from violations of laws, rules or regulations, or from non-conformance with prescribed practices, internal policies and procedures or ethical standards.	Climate drivers can lead to increased regulatory requirements which increase the potential of non-compliance.	
Reputation	Risk to current or projected financial condition and resilience arising from negative public opinion associated with climate change.	Climate drivers can increase reputational risk if Citi is perceived not to be sufficiently progressing or providing sufficient transparency on its climate-related commitments and actions.	

Citi NZ uses a range of tools and methods to identify, and assess the scope, size and impact of, its identified climate-related risks. The tools and methods Citi NZ currently uses are explained below.

Heatmaps

Citi NZ adopts the climate risk heat map prepared for Citi globally ("**Global Heatmap**") to understand its credit exposure to vulnerable sectors.

For information on how the vulnerability scoring system (which is part of the heat mapping tool) can be used by Citi NZ, please refer to the Metrics and Targets section of paragraphs 5.1.3 and 5.1.4 of the Citi NZ Climate Statements.

Climate Risk Assessments and Scorecard

To help Citi understand the climate-related risk profiles of individual corporate clients, Citi has created a tool called the Climate Risk Assessment and Scorecard ("**CRAS**"), see the Scorecard components in the table below. In line with policy requirements, Citi NZ is progressively embedding this tool into the client onboarding and ongoing review processes to help inform Citi NZ's decision-making moving forward.

The CRAS was designed to identify the most material climate-related risks Citi's clients face and the management plans in place for adaptation and mitigation of those risks, using both quantitative and qualitative inputs. The tool assesses clients' vulnerability to climate-related risk, the feasibility of their plans to transition to a low-carbon environment and the quality of their governance and disclosure. It relies on information disclosed by clients, either publicly or privately, as well as output from third-party tools, Citi's sector heat maps and certain climate-related risk metrics.

Points are attributed based on vulnerability and mitigation considerations (the specific components that are considered can be found in the diagram below), as well as alignment with best practices, and are aggregated into a final climate-related risk score. This final score seeks to capture a company's degree of vulnerability from climate-related financial risks and the extent of a company's preparedness to mitigate these risks through its strategy, governance and disclosures.

Climate Risk Assessment & Scorecard (CRAS) Components	
Emissions Data	Scope 1-3 absolute emissions and emissions intensity data, including industry averages as applicable
Scenario-Based Inputs	Climate scenario-based inputs and emissions performance comparisons relative to industry
Transition Risk Drivers	Client's vulnerability to applicable transition risk drivers, including legal and regulatory risks and financial capacity
Physical Risk Drivers	Vulnerability to physical risk drivers both acute and chronic
Transition Risk Mitigants	Decarbonization targets, net zero commitments and transition plans
Capital Expenditures	Capital expenditures allocated to transition

Climate Risk Assessment & Scorecard (CRAS) Components	
Government Support	Available grants, subsidies and regulatory mechanisms to support transition
Physical Risk Mitigants	Client's adaptation measures for physical risk impacts
Governance	Senior-level climate-related oversight and ties to remuneration
Transparency	Disclosures aligned with TCFD or other recognized frameworks
Output	**Overall climate score with individual scores for:** Vulnerability; Management Mitigation & Adaptation; and Governance & Transparency

Scenario Analysis

Citi NZ uses climate-related risk scenario analysis to assess the potential impact of climate-related risk drivers on Citi NZ's risk profile across a range of plausible climate-related pathways.

The associated effects are expected to feed through the economy via two principal channels – transition and physical risks – which are both characterised by deep uncertainty and non-linearity. A description of the difference between a transition and physical risk can be found in paragraph 3.3.

These risks are generally foreseeable based on prevailing scientific studies, but exhibit a high degree of uncertainty driven by a lack of clarity around the precise outcomes in terms of time horizon/ future pathways and their associated impact on the valuation of financial assets and borrowers' creditworthiness. This uncertainty elevates scenario analysis as a critical tool to reflect the broad range of possible outcomes and model the complex linkages across climate drivers, economic and financial variables, and sector/counterparty-level responses needed to estimate quantitative impact.

Citi NZ carried out its first scenario analysis (working through three scenarios with the Strategy Working Group) in November 2023. This was required by NZ CS 1 and is explained in more detail in the Strategy section of these Citi NZ Climate Statements.

4.1.2. Short Term, Medium Term, and Long Term Time Horizons (NZ CS 1 para 19(b))

The Short Term, Medium Term, and Long Term time horizons Citi NZ has considered for identifying, assessing and managing climate-related risks are set out in the Strategy section of these Citi NZ Climate Statements (in paragraph 3.2.2).

4.1.3. Exclusion of Parts of the Value Chain (NZ CS 1 para 19(c))

Citi NZ's value chain has been discussed in detail as part of the scenario analysis Citi NZ was required to carry out in the preparation of these Citi NZ Climate Statements. Citi NZ's value chain and any parts that were excluded from the assessment are set out in the Strategy section of these Citi NZ Climate Statements (in paragraph 3.2).

Citi NZ does not intend to specifically exclude any parts of its value chain when using the Global Heatmap and CRAS.

4.1.4. Frequency of Assessment (NZ CS 1 para 19(d))

A CRAS should be carried out on Citi NZ clients:

1. every time a new client joins Citi NZ; and
2. annually, where certain criteria is met.

A heatmap should be carried out for sectors:

1. annually, and
2. for each new sector.

Scenario analysis will be carried out annually, 1-3 months before the Citi NZ Climate Statements are required to be lodged.

4.1.5. Processes for Prioritising Climate-Related Risks (NZ CS 1 para 19(e))

While Citi NZ recognises that climate-related risks are distinct from other types of business risks, as mentioned above, it sees them as just as important (but not more or less important) than other business risks. This means as at the date of these Citi NZ Climate Statements, Citi NZ does not have a process for prioritising climate-related risks relative to other types of risks (all identified risks are assessed and managed appropriately). However, depending on the impact this approach has on Citi NZ's portfolio, this approach could change.

4.2. Overall Risk Management Processes (NZ CS 1 para 18(b))

As mentioned above, Citi views climate-related risk as a crosscutting risk under Citi's ERMF, which can manifest in each of the risk categories in Citi's risk taxonomy: Credit, Market, Liquidity, Strategic, Operational, Compliance and Reputation. Citi NZ adopts Citi's Climate RMF, which sits within Citi's ERMF, which is designed to promote a globally consistent approach to managing climate-related risk. The Climate RMF details the governance, roles and responsibilities, and principles to support the identification, measurement, and assessment of climate-related risks.

Key principles of the Climate RMF have been incorporated into Citi NZ's risk management practices together with the New Zealand requirements.

5. Metrics and Targets

5.1. Metric Categories (NZ CS 1 para 21(a) and 21(b))

This section includes metrics for all entities regardless of industry and business model for Citi NZ.

To date, Citi NZ has not used industry-based metrics for the banking or financial services industry to measure and manage climate-related risks and opportunities.

Citi NZ has elected to use adoption provision 6 and is therefore exempt from disclosing comparative information for each metric disclosed for the immediately preceding two reporting periods.

Citi NZ has also elected to use adoption provision 7 and is therefore exempt from disclosing an analysis of the main trends evident from a comparison of each metric from previous reporting periods to the current reporting period.

5.1.1. Greenhouse Gas Emissions (NZ CS 1 para 22(a))

GHG emissions: gross emissions in metric tonnes of CO_2e classified as:

I. scope 1; and

II. scope 2 (calculated using the location-based method),

are set out in the table below for the financial year ended 31 December 2023 ("**FY2023**").

Citi NZ has elected to use adoption provision 4 and is therefore exempt from disclosing GHG emissions: gross emissions in metric tonnes of CO_2e classified as scope 3.

GHG gross emissions in metric tonnes of CO_2e	FY2023
	Not assured
Scope 1 (Direct Energy)	0[38]
Scope 2 (Indirect Energy)	25.46MTCO_2e[39 40]

Standard(s) (NZ CS 1 para 24(a))

Citi NZ's GHG emissions have been calculated in accordance with the Greenhouse Gas Protocol's Corporate Accounting and Reporting Standard (revised version).

Citi NZ's GHG emissions have been calculated in accordance with ISO 14064-3:2019. Greenhouse gases – Part 1: Specification with guidance at the organisation level for quantification and reporting of GHG emissions and removals.

GHG Emissions Consolidation Approach Used (NZ CS 1 para 24(b))

Citi NZ used the operational control consolidation approach.

Source of Emission Factors and Global Warming Potential (NZ CS 1 para 24(c))

Emissions factors

Citi NZ sources emission factors for "Non-US Electricity Consumption" from the IEA. At the time of 2022 assurance, the 2020 IEA factors were available. These are updated annually as governing bodies release updated factors.

Global warming potential ("**GWP**")

GWP is applied to CH_4 and N_2O emissions to calculate the total CO_2e emissions. The GWP values used in the calculation of Citi NZ's scope 1 and 2 GHG emissions are currently from the IPCC's Fifth Assessment Report ("**AR5**").

Specific Exclusions of Sources (NZ CS 1 para 24(d))

Citi NZ does not exclude any emission sources.

5.1.2. GHG Emissions Intensity (NZ CS 1 para 22(b))

Citi NZ's GHG Emissions intensity for FY2022 and FY2023 are set out below. The methods and assumptions for GHG Emissions intensity figures disclosed below are in footnotes 43 and 44.

	FY2023
tCO_2e (tonnes of carbon dioxide equivalent) per full-time equivalent (FTE)[41]	0.97$MTCO_2e$/FTE
tCO_2e per dollar of sales revenue [42]	0.00000003$MTCO_2e$/Total Revenue

5.1.3. Transition Risks (NZ CS 1 para 22(c))

Transition risks are risks resulting from economic, regulatory, social, technological, and legal responses to climate change, which may result in financial losses or other adverse organisational impacts. Transition risks arises from the process of adjustment towards a low-carbon economy and could prompt the reassessment of the value of a large range of assets. When applying a vulnerability score of 3 or 4 (referring to the climate risk heat mapping vulnerability score chart below, and overlaying the scores with the December 23 portfolio exposures) the Metrics and Targets Working Group considered the sectors most relevant for Citi NZ and identified 16.4% of Citi NZ's business activities as being vulnerable to transitional risks.

5.1.4. Physical Risks (NZ CS 1 para 22(d))

Physical risks are risks resulting from climate change itself, including temperature, rainfall, storms, extreme events, and sea level rise, which may result in financial losses or other adverse organisational impacts. When applying a vulnerability score of 3 or 4 (referring to the climate risk heat mapping vulnerability score chart below, and overlaying the scores with the December 23 portfolio exposures), the Metrics and Targets Working Group considered the sectors most relevant for Citi NZ and identified 18.9% of Citi NZ's business activities as being vulnerable to physical risks.

Identification of vulnerability to Transition and Physical Risks

As mentioned in the Risk Management section of these Citi NZ Climate Statements (see paragraph 4.1.1), Citi NZ adopts Citi's Global Heatmap to understand its credit exposure to vulnerable sectors and is in the process of integrating the use of heatmaps into its climate-related risk management processes.

The heat mapping tool used by Citi at the global level has a vulnerability scoring system as set out in the climate risk heat mapping vulnerability score chart below. This vulnerability scoring system categorises sectors under one of four vulnerability scores, ranging from "low" to "high." Citi has established sub-scores using the rubric in the following table for various aspects of transition and physical risks.

Climate Risk Heat Mapping

		Low ← Vulnerability Score → High			
		1	2	3	4
Transition Risks	**Regulatory**	No regulatory/ policy changes are expected to meaningfully impact the sector financially such as through asset devaluation, increased expenditure (e.g., compliance costs) and/ or loss of revenue	Minor impact to the sector expected from potential regulatory/ policy changes (e.g., building efficiency) resulting in financial impact asset devaluation, increased expenditure (e.g., compliance costs) or loss of revenue; impact only on a subset of the sector, subset of geographies and/or only indirect impact	Moderate impact to the sector expected from regulatory/ policy changes (e.g., carbon taxes) relating to the sector's carbon intensity; direct impacted with noticeable economic implications on the sector through impacted asset valuation, increased expenditure (e.g., compliance costs) and/or revenue loss	Major impact to the sector expected due to expected regulatory/ policy changes relating to the sector's carbon intensity; significant shift expected in the business model or economics of the sector impacting asset valuation, expenditures (e.g., increased compliance costs) and/or revenue
	Technology	Outside of general modernization of technology, no technology shifts are expected for the sector	Minor impact to the sector expected from technology changes (i.e., impact only on a small subset of the sector, or only indirect impact through supply chain) that result in market share loss	Moderate impact to the sector expected from technology changes, resulting in some shift in the economics of some companies in the sector leading to market share loss	Major impact to the sector expected from technology changes, resulting in substitution of a significant portion of existing companies (i.e., market share loss)

		Low ← Vulnerability Score → High			
		1	2	3	4
	Stakeholder	There is no expectation of stakeholder composition or preferences changing for the industry	Minor stakeholder impact due to expected shift in preferences, with minor financial impact on companies (e.g., revenue, vendor pricing)	Moderate stakeholder impact is expected for the sector in terms of stakeholder preferences and composition with modest financial impact (e.g., revenue, vendor pricing)	Major stakeholder impact is expected in terms of both client preferences and composition of stakeholders resulting in significant financial impact (e.g., revenue loss, vendor pricing)
	Legal	No increased litigation concerns are expected to Impact the industry that would lead to increased financial burden (e.g., legal fees, settlements)	Minor litigation concerns are expected to impact the sector with minor financial consequences (e.g., legal fees, settlements)	Moderate litigation concerns are expected to impact the sector with modest financial impact (e.g., legal fees, settlements)	Major litigation is expected to impact the sector, with significant financial impact (e.g., legal fees, settlements)
Physical Risks	**Acute Hazard**	Acute physical hazards have no impact on the day-to-day operations of companies in the sector	Sector would experience minor impact from acute physical hazards on operations (e.g., revenue loss due to business disruption), or minor damage to assets (e.g., asset devaluation)	Sector would experience moderate and protracted impact from acute physical hazards on operations (e.g., revenue loss due to business disruption), or moderate damage to assets (e.g., asset devaluation)	Sector would experience major and protracted impact from acute physical hazards on operations (e.g., revenue loss due to business disruption), or significant damage to assets (e.g., asset devaluation)
	Chronic Hazard	Chronic physical hazards have no impact on the operations or valuation of assets/ companies in the sector	Chronic physical hazards have minor potential impact on the operations (e.g., increased insurance cost) or valuation of assets/ companies in the sector	Sector would experience moderate and sustained Impact on the operations (e.g., increased insurance cost) or valuation of assets/ companies in the sector	Sector would experience major and irreversible Impact on the operations or valuation of assets/ companies in the sector

An overall vulnerability score is determined by assigning the highest sub-score as the sector's overall score. While this may result in some sectors being assigned a vulnerability score that is higher than the average of all climate risks, Citi (and therefore Citi NZ) has decided to take this more conservative approach in order to recognize that the sector is exposed to climate risks up to that highest level under Citi's methodology.

5.1.5. Climate-Related Opportunities (NZ CS 1 para 22(e))

Physical opportunities are created from climate change itself, including temperature, rainfall, storms, extreme events, and sea level rise. Transition opportunities are created from economic, regulatory, social, technological, and legal responses to climate change. When considering the climate-related strategy and the resultant climate related opportunities identified for Citi NZ above at paragraph 3.3, the Metrics and Targets Working Group identified business activities representing 5-10% of Citi NZ's 2023 Total Revenue as being aligned to climate-related opportunities.

5.1.6. Capital Deployment (NZ CS 1 para 22(f)

The amount of capital expenditure, financing or investment deployed towards Citi NZ's climate-related risks and opportunities is determined from time to time, as needed, in line with Citi NZ's climate strategy that is currently being developed. To date, Citi NZ has not specifically deployed capital expenditure, financing or investment towards making Citi NZ's business model resilient to transition risk or to capture climate-related opportunities.

5.1.7. Internal Emissions Price (NZ CS 1 para 22(g))

Citi NZ does not employ a fixed internal emissions price in its decision making.

5.1.8. Remuneration (NZ CS 1 para 22(h))

Citi NZ has not yet linked climate-related risks and opportunities to management remuneration.

5.2. Any Other Key Performance Indicators (NZ CS 1 para 21(c))

No other key performance indicators outside of remuneration are used to measure and manage climate-related risks and opportunities.

5.3. Targets (NZ CS 1 para 21(d) and paras 23(a)-(e))

Citi NZ will use the below targets to manage climate-related risks and opportunities.

The Metrics and Targets Working Group tracks Citi NZ's progress against these targets and updates the Steering Committee annually, which is then shared with the CCC. At the end of each year, the CCC will consider targets for the next year.

The base year from which progress is measured is 2010.

Citi NZ has set goals for waste, management performance and sustainable building certifications. These targets speak to the ways Citi is creating tangible results.

Cross-industry metric category	Climate-related metric targets	Associated interim targets	Description of progress against the targets
Operational Footprint Goals	Citi NZ's office space will be certified by Leadership in Energy and Environmental Design ("**LEED**") or an equivalent certification by the end of 2030.	NA[43]	NA[44]
Waste	To reduce 20% of Citi NZ's waste that is being sent to landfill by the end of 2030.[45]	Citi NZ intends to set interim targets that include educating staff on reducing and reusing waste by April 2025.[46]	NA[47]
Executive performance	A 'goal' related to climate-related targets is to be included in the CCO's Performance Evaluation in Workday by the end of April 2025.	NA	NA[48]

Citi NZ contributes to achieving Citi's global $1 Trillion Sustainable Finance Goal by 2030. For more information on the $1 Trillion Sustainable Finance Goal, please see the Metrics and Targets section of the TCFD Report.

38 This value is zero, as the GHG emissions are not within Citi NZ's operational control boundary, which arises from operations that Citi controls or owns. As Citi NZ leases the building they are currently in as their branch office, the owner of the building is responsible for the building's emissions.

39 Citi purchases Renewable Energy Certificates ("**RECs**") on behalf of Citi NZ to mitigate Scope 2 emissions.

40 This value has been calculated using the location based method as required by paragraph 22(a) of NZ CS 1.

41 tCO_2e is classified as the aggregate of Citi NZ's Scope 1 and Scope 2 (using the location-based calculation method) emissions. This intensity metric calculated per FTE is performed by dividing tCO_2e by a snapshot of headcount for Citi NZ taken on 31 December of the reporting year, which is 2023.

42 This intensity metric is calculated by dividing tCO_2e by Citi NZ's revenue as reported in Citi NZ's filings for the reporting year, which is 2023.

43 Please refer to paragraph 2.2.4 of these Citi NZ Climate Statements for more information on the process by which the CCC and the management team will set interim targets on an annual basis beginning from the date of these Citi NZ Climate Statements.

44 This is the first year Citi NZ has set targets, therefore progress will be tracked each year from the current period. Progress to date will be disclosed in future climate statements.

45 Citi NZ's office currently employs approximately thirty people.

46 Please refer to paragraph 2.2.4 of these Citi NZ Climate Statements for more information on the process by which the CCC and the management team will set interim targets on an annual basis beginning from the date of these Citi NZ Climate Statements.

47 This is the first year Citi NZ has set targets, therefore progress will be tracked each year from the current period. Progress to date will be disclosed in future climate statements.

48 This is the first year Citi NZ has set targets, therefore progress will be tracked each year from the current period. Progress to date will be disclosed in future climate statements.

Glossary of Terms and Acronyms

ANACC	Asia North and Australia Cluster Committee
AR5	IPCC's Fifth Assessment Report
CCC	Australia and New Zealand Country Coordinating Committee
CCO	Citi NZ Citi Country Officer
Citi	Citigroup Inc and its subsidiaries, which includes Citibank, N.A.
Citi NZ	Citibank, N.A., New Zealand Branch
Citi NZ Climate Statements	Climate Statements for the Annual Reporting Period beginning on 1 January 2023 to 31 December 2023
Climate RMF	Citi's Climate Risk Management Framework
CO_2e	Carbon Dioxide Equivalent
CRAS	Climate Risk Assessment and Scorecard
CRD Framework	Climate-Related Disclosure Framework
CRD Regime	Climate-Related Disclosure Regime in Part 7A of the Financial Markets Conduct Act 2013
CRE	Climate Reporting Entity
EAF	Citi Export and Agency Finance
ERMF	Citi's Enterprise Risk Management Framework
ESG	Environmental, Social and Governance
ESRM	Environmental and Social Risk Management
ETS	New Zealand Emissions Trading Scheme
FMA	Financial Markets Authority
FMCA	Financial Markets Conduct Act 2013
FY2023	Financial Year Ended 31 December 2023
GHG	Greenhouse Gas

Glossary of Terms and Acronyms

GIC Report	GIC and Ortec Finance Report
Global Heatmap	Citi's Climate Risk Heat Map
GWP	Global Warming Potential
IEA	International Energy Agency
Immediate Term	Year 2025
IPCC	Intergovernmental Panel on Climate Change
LEED	Leadership in Energy and Environmental Design
Long Term	Year 2080+
Medium Term	Year 2050
NGFS	Central Banks and Supervisors Network for Greening the Financial System
NZBA	New Zealand Banking Association
NZBA Report	"Climate scenario narratives for the banking sector" Report published by Ernst & Young
NZ CCC	New Zealand Country Coordinating Committee
NZ CS 1	Aotearoa New Zealand Climate Standard 1: Climate-Related Disclosures
NZ CS 2	Aotearoa New Zealand Climate Standard 2: Adoption of Aotearoa New Zealand Climate Standards
NZ CS 3	Aotearoa New Zealand Climate Standard 3: General Requirements for Climate-Related Disclosures
POA	Power of Attorney
RBNZ	Reserve Bank of New Zealand
RECs	Renewable Electricity Certificates
Registrar	Financial Service Providers Registrar
Short Term	Year 2030

Glossary of Terms and Acronyms

Steering Committee	New Zealand Task Force on Climate-Related Financial Disclosures Steering Committee
TCFD	Task Force on Climate-Related Financial Disclosures
TCFD Report	2023 Citi Climate Report
WELL	International WELL Building Institute
Working Groups	Governance Working Group, Strategy Working Group, Risk Management Working Group, and Metrics and Targets Working Group
XRB	External Reporting Board
XRB's Staff Guidance	Climate-related Disclosures Staff Guidance – Guidance for All Sectors