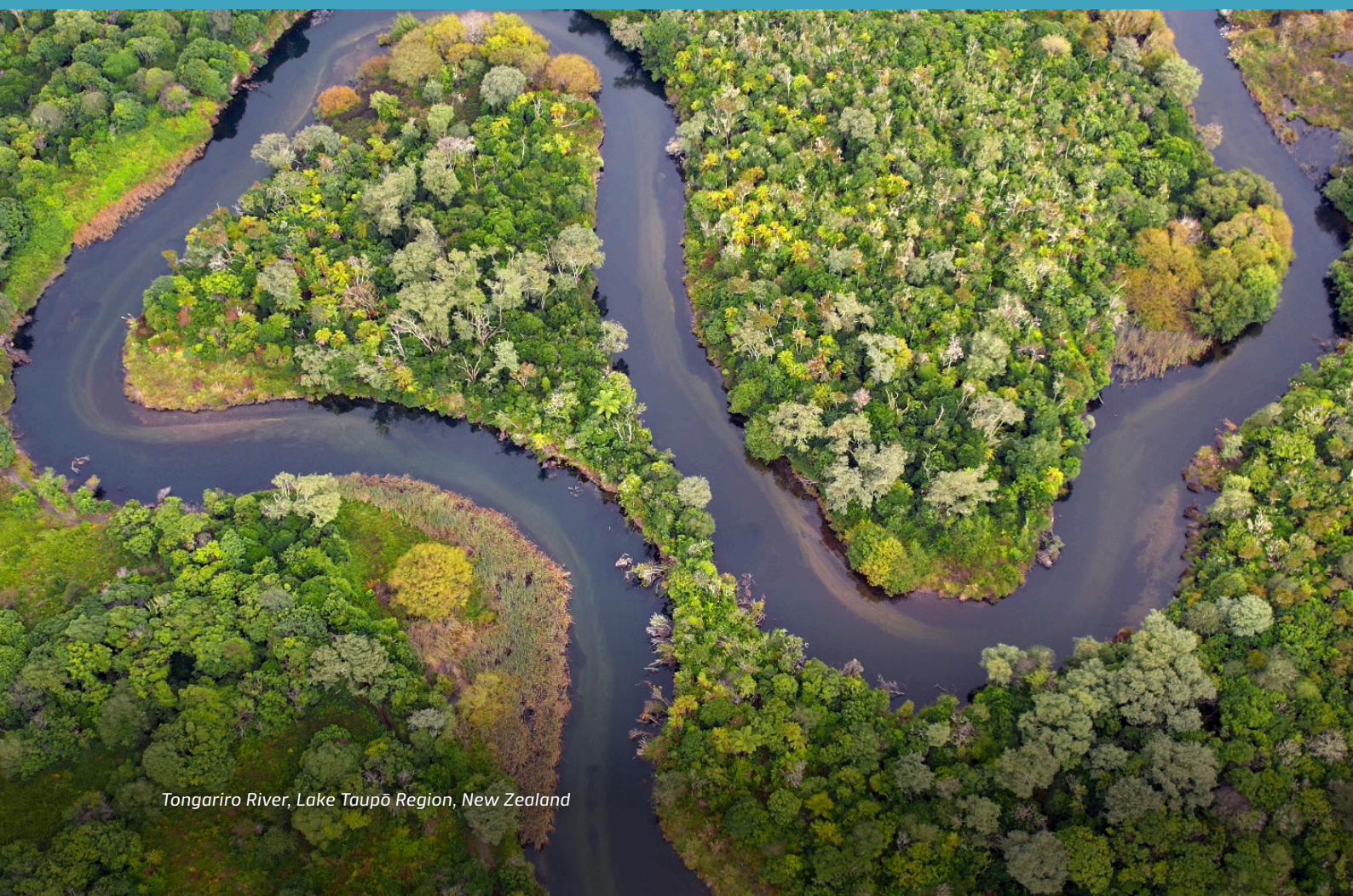


Tonkin + Taylor Group Climate Change Risk Assessment



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Tongariro River, Lake Taupō Region, New Zealand

1 Introduction

Climate change is predicted to have significant and wide-ranging impacts across New Zealand, Australia, and the world. Increasing variability, frequency, intensity, and duration of weather events can impact many aspects of the social, cultural, natural and built environment as well as the wider economy within which Tonkin + Taylor Group operates. Additionally, changing policy, technology, markets and reputation associated with a transition to a low-carbon economy may have significant impacts on how businesses operate and respond to climate challenges.

Our assessment of our climate change risks follows the Climate Related Disclosure Framework developed by the New Zealand External Reporting Board (XRB)¹, which aligns closely with the international climate reporting framework developed by the Task Force on Climate-Related Disclosures (TCFD).

For more information on Tonkin + Taylor Group's companies, strategy, and operations, refer to our 2023 Sustainability Report.

2 Governance

2.1 Tonkin + Taylor Group Board

The Board provides governance across our four companies in four main roles:

- Setting our purpose, vision and strategy
- Setting the tone of our culture and ensuring effective relationships with management and shareholders
- Setting our risk appetite and holding management to account
- Ensuring effective compliance with our regulatory obligations.

The Board's governance requirements, roles and responsibilities are set out in our Board Charter. These include establishing effective policies and procedures for sustainability and ensuring appropriate risk management programmes are in place.

- The Board comprises up to six elected Directors, up to three independent Directors

and an appointed Managing Director. Current committees of the Board are the Risk & Assurance Committee (RAC) and the People & Culture (P+C) Committee.

Oversight of climate risk falls within the responsibility of the Risk & Assurance Committee. The Committee comprises a Chairperson and three members appointed by the Board. The Chairperson is usually an Independent Director and not the Chairperson of the Board. Additional members may be appointed to the Committee, subject to approval by the Chairperson, as the need arises to fulfil the duties and obligations of the Committee.

The Committee maintains a review and oversight role of climate risk to the business. The Committee also reviews and, where necessary, makes recommendations to the Board regarding risk management and compliance matters. Climate risks are incorporated into Tonkin + Taylor Group's existing risk management framework.

1. Tonkin + Taylor Group is not required to disclose under the NZ CS legislation. The NZ CS legislation is made up of the following three climate standards: NZ CS 1 Climate-related Disclosures, NZ CS 2 Adoption of Aotearoa New Zealand Climate Standards, NZ CS 3 General Requirements for Climate-related Disclosures.



Tongariro River, Lake Taupō Region, New Zealand

2.2 Group Leadership Team

Our Group Leadership Team manages Tonkin + Taylor Group’s operations and has accountability for development and delivery of our strategy. The Group Leadership Team comprises the Heads of each of our operating companies, Heads of internal functions that support the Group, and Executive Leaders of each of our strategy areas. Group Leadership Team members are supported by management teams in each of their operating areas.

The Executive Leader - Sustainability oversees sustainability activities across Tonkin + Taylor Group and directs the key work programmes. The Executive Leader is the voice for Sustainability in the Group Leadership Team and to the Board and coordinates activities with other strategic and operational areas of the business.

2.3 Sustainability Leadership Team

Our internal Sustainability Leadership Team coordinates and progresses Tonkin + Taylor Group’s sustainability strategy, including priority activities, day-to-day actions, and reporting progress to our internal and external stakeholders. See our 2023 Sustainability Report for more on our sustainability strategy.

The Sustainability Leadership Team reports jointly into the Risk and Finance team and the Executive Leader - Sustainability. The Sustainability Leadership Team comprises dedicated team members who develop and oversee the implementation of our sustainability strategy and representatives of each of our operating companies. The Sustainability Leadership Team manages climate risk action.

3 Risk management

Managing risk is central to our ability to achieve our strategic objectives and ensure the sustainability of our business. Oversight of risk and setting the company's risk appetite are two of the key roles of the Board. Acknowledging that a certain level of risk is required for growth and innovation, our enterprise-wide approach to risk management aims to:

- Identify risks faced by the business
- Understand the potential impact of these risks on processes, activities, stakeholders, and projects and services
- Minimise the adverse consequences of risks materialising and maximise the opportunities that risks present through effective assessment, control, and monitoring.

Our Risk Management Framework describes how Tonkin + Taylor Group, through effective risk management, will support achieving its strategic objectives. It is based on ISO management system standards, including ISO 31000 Risk Management Principles and Guidelines and ISO 9001 Quality management System. The Framework includes key committees and responsibilities for managing risk across Tonkin + Taylor Group. It provides a common set of principles and language for managing risk, as well as clarity around the roles of various interested parties and how these interplay across the organisation. Following our Framework, 'risks' include threats and opportunities. For consistency with our process, this language is used in our disclosure.

Considering our climate risks is part of our risk management activity. We have considered our climate risks using the following methods:

- Exposure assessment to our facilities using a geospatial review of the extent of available mapping of areas prone to river and surface flooding, coastal inundation and coastal erosion
- Desktop screening of non-spatial risks to our property, staff, services and activities arising from physical and transition climate hazards
- Workshop and discussion of screening results with the following operational groups:
 - Risk team
 - Sustainability champions
 - Strategy leaders within the Group Leadership Team.

As a result of our assessment, we have established a new enterprise risk: the risk of not adapting to climate change. This risk is related to many other identified risks; however, we have chosen to call it out as a distinct risk to ensure we place appropriate attention and focus on it. We have defined the risk as: the risk of disruption to our daily operations from increasing frequency and intensity of climate events and our ability to adapt to or benefit from (financially and towards achieving Our Pathway) market changes related to physical climate events and increasing pressure from the legislative environment.

This summary represents the first disclosure of climate risks to Tonkin + Taylor Group.

4 Strategy

Climate related risks have been identified as they arise from physical and transition drivers. Broad categories of risks are presented as they relate to these categories:

- Direct and indirect physical risks: Risks to Tonkin + Taylor Group that directly result from climate hazards or the impact of climate change that are external to the business
- Transition risks: Risks to Tonkin + Taylor Group arising from a transition to a low-carbon economy.

We have also identified risks as they relate to the work we do with clients and those related to our operations. For each risk identified, we have identified actions to improve our responses and ensure ongoing assessment as the risks and our understanding of the risks evolve.

In line with our Risk Management Framework, 'risks' include threats and opportunities. The table below outlines the risks we have identified and if these represent threats, opportunities, or both (risks) to our business. Actions identified here are managed and tracked through our climate risk action plan, with responsibility for oversight and action allocated to the appropriate teams within Tonkin + Taylor Group.



Table: Identified climate change risks

Risk	Description	Physical	Transition	Actions
Risks related to the work we do with our clients				
Opportunity to provide goods/services that support responses to extreme events and minimise need for site visits .	Extreme events causing potential damage and disruption to client sites and activities may lead to increased demand for damage assessments, remediation advice , and related services. Increasing disruption and reduced access to project sites could lead to increased demand for solutions that provide information about sites in all weather and after events.	☑		Expand services that support client and community responses to extreme events.
Threat to project and service offerings due to climate related disruption to supply chains .	Threat to supply chains due to extreme weather (e.g. wind and storm events) causing delays in necessary goods that enable service offerings directly and as part of projects supported by our services.	☑		<p>Ensure project management capabilities and contracts reflect increased threats.</p> <p>Consider alternative approaches to reduce impacts of delays (e.g. stockpiles of critical products).</p>
Threat to reputation due to increased climate change related litigation .	Threat from reputational impacts and higher operating costs as a result of increased climate litigation. Tonkin + Taylor Group could be at risk of climate change related litigation, particularly if designs do not meet regulatory standards with increasingly severe and frequent climate hazard events.	☑		<p>Continual capability building on impacts of climate on client services.</p> <p>Application of purposeful decisions principles in determining work to be involved in and our approach.</p>
Risk arising from sector changes and changing client and regulatory expectations .	<p>Rapidly changing government policy, regulatory / legislative environment or economic conditions, including from political changes and lobbying may arise. Changes may drive changes in the sectors within which we operate, such as constraints on urban development to further promote urban intensification, rapid decarbonisation. Design standards and client expectations may change, resulting in increased project complexity.</p> <p>These changes may require significant input from staff to maintain their relevancy and cause changes to design standards that introduce uncertainty to delivery and can render recent work rapidly out of date.</p>	☑	☑	Continual assessment of likely changes and impacts on services, client plans and approaches, and capability needs.

Risk	Description	Physical	Transition	Actions
Risks related to the work we do with our clients				
Risk arising from changing technology .	New technologies may be introduced as part of the transition to a low carbon economy that disrupt the way we currently deliver services. For example, no- or low- carbon materials that require different methodologies to design or implement, or changing ways of working because of new technologies.		✓	Continual review of potential technologies and opportunities to support.
Risk arising from public/client sentiment and reputation.	<p>Increasing public interest in climate mitigation may drive increased litigation in the public domain, e.g. in relation to infrastructure that is not aligned to a low emissions society. Tonkin + Taylor Group may face reputation risk if it continues to work in carbon intensive sectors (e.g. aviation, roading), or does not achieve emissions reductions targets. Alternatively, reputational opportunities may arise from choices that lead to decarbonisation.</p> <p>Additional requirements relating to low carbon solutions and sustainability may be included in procurement and tendering, requiring increased input and making us less competitive if we cannot meet these requirements.</p>	✓	✓	Application of 'purposeful decisions principles' to support client and sector choices.



Aerial view of the Hawke's Bay Region in the aftermath of Cyclone Gabrielle

Risk	Description	Physical	Transition	Actions
Risks that relate to our own operations				
<p>Threat to access to sites/offices and staff wellbeing and productivity due to extreme rainfall and flooding, coastal inundation (sea level rise), increased landslide events, snow, extreme weather (wind and storm events), increased temperature, and increased fire weather.</p>	<p>Climate hazards may cause damage/disruption to road connections, resulting in reduced productivity, operational costs, and health, safety, and wellbeing impacts.</p> <p>Climate hazards may threaten staff health and safety, disruptions to office work and commuting, wellbeing impacts (including from associated stress and impacts to employees' residences), and reduced productivity of staff working from home.</p>			<p>Ensure robust processes and staff empowered to assess and appropriately respond to threats.</p> <p>Continual improvement and ongoing communication of staff wellbeing programme.</p> <p>Hybrid working capabilities and support.</p>
<p>Threat to buildings, facilities and equipment and access to sites / offices due to extreme rainfall and flooding, groundwater rise and salinity stress, increased temperature, extreme weather (wind and storm events), and drought.</p>	<p>Climate hazards may cause building leaks, flooding, damage to equipment, office power outages, uncomfortable working environments (e.g. air conditioning failure/overloading), and office water shortages. These impacts may result in increased insurance premiums, require replacement of damaged equipment, increase operational costs (e.g. energy costs), and cause disruption due office closures/relocation.</p>			<p>Ensure up to date and appropriate response plans for all facilities, including clear communication of the plans.</p> <p>Climate risk assessment for any new facilities.</p>
<p>Threat to operations due to climate related disruption to supply chains.</p>	<p>Threat to supply chains due to extreme weather (e.g. wind and storm events). Increased storm events in New Zealand (and globally) could cause direct disruption to data centres, electricity, or delays to goods, such as office equipment.</p>			<p>Assess services, procurement, and contracts for high risk areas and targeted actions to address the highest risks.</p>
<p>Risk arising from policy changes relating to emissions reduction.</p>	<p>Drastically increased carbon price may result in increased operational and emissions offsetting costs. Increased competition and scrutiny into the legitimacy of offsets may result in a higher cost for our transition to net zero.</p>			<p>Science-based GHG reduction targets and reduction plan.</p>
<p>Risk arising from employee sentiment and reputation.</p>	<p>Changing sentiment of employees may place increasing importance on low emissions and sustainability above other considerations. This may lead to difficulty in staff retention.</p>			<p>Continual improvement of sustainability strategy and communication of actions and performance.</p> <p>Embedding purposeful decisions principles into operational processes.</p>

5 Climate mitigation

We have tracked our greenhouse gas footprint since 2018. In 2022, we formally adopted the following targets for our operational emissions, which align with the science-based targets initiative:

- 51% reduction in greenhouse gas emissions compared to 2018 by 2030
- 90% reduction in greenhouse gas emissions compared to 2018 by 2040.

Our footprint covers the subsidiaries of Tonkin + Taylor Group. Our reporting boundary includes Scope 1 (mobile combustion), Scope 2 (Electricity), and Scope 3 (fuel and energy related emissions, business travel, transmission and distribution losses, and employees working from home). We are working to expand the scope of our footprint as we improve access to data.

Our biggest emission sources are our vehicle travel, flights, and electricity. While we have reduced the intensity of our footprint compared to our

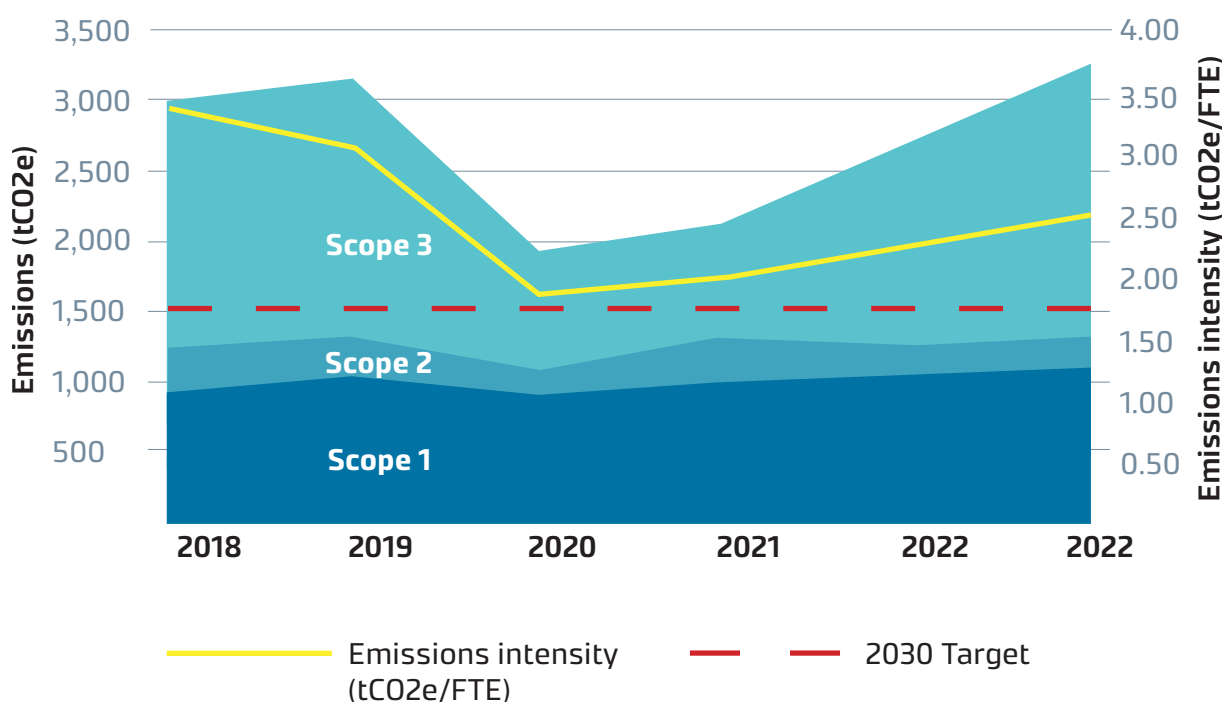
2018 year, our absolute 2023 footprint increased compared to our 2018 baseline year. We are committed to our science-based targets, and will be working hard in 2024 to reduce the emissions associated with our operations.

Our efforts to reduce our emissions include transitioning of our offices to carbon neutral electricity, and our car fleet to EVs. We address our travel through the hierarchy of avoid, reduce, replace, offset, with all flights requiring management sign off. We are working towards establishing a system to allow us to track our emissions on a more frequent (monthly) basis, to better support day-to-day decision making.

As we work towards reducing our emissions, we are also buying high-quality offsets for emissions we haven't been able to avoid (certified by [Ekos](#)).

For more on our greenhouse gas reduction and wider sustainability activity, see our 2023 Sustainability Report.

Tonkin + Taylor Group Greenhouse Gas Emissions 2018-2023¹



1. Greenhouse gas emissions data audited as part of Ekos carbon zero certification, with reasonable assurance over scopes 1 and 2, and limited assurance for scope 3.

6 Conclusion

As our first climate risk disclosure, this document provides the first step in the journey towards climate resilience for Tonkin + Taylor Group. It identifies areas where climate change introduces threats to what's important to us, and opportunities for the company to grow and thrive.

We are now working on progressing the actions we've identified and growing our understanding of our risks with more detailed assessments.

Our next steps include:

- Implementing the actions identified in this document
- Screening identified physical risks and undertaking a risk rating exercise where necessary
- Developing scenarios to further assess climate risks to Tonkin + Taylor Group
- Developing climate related metrics and targets to track our progress.

