Sustainability Report 2023–24

Freightways

This document is an extract of Freightways 2023 Annual Report

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Our Sustainability Report

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Environmental Statement

We recognise that our core business is reliant on transportation to service our customers. As an emissions intense organisation, our commitment to the TOITŪ certification process (which includes external audit and year-on-year carbon reduction) encourages our people and our partners to make environmentally positive decisions every day.

Guiding Principles

- We recognise that protecting the environment today is essential to creating a sustainable business future.
- We actively seek to minimise the environmental impact of all our activities.
- We work in partnership with all stakeholders to promote good environmental practice.
- We comply with relevant environmental legislation.
- We are a TOITŪ certified organisation. Our greenhouse gas emissions are measured in accordance with ISO 14064-1:2018 and we are committed to managing and reducing our relative emissions.
- We recognise that by gaining efficiencies for our core business model we enable our services to be delivered with as low environmental impact as possible.
- We regularly review our operational activities, systems and training to ensure our business practices are aligned with these guiding principles.

TOITŪ Certification

TOITŪ certification allows us to take a very positive step toward reducing our carbon emissions and further minimising our relative impact on the environment. We are currently committed to a 50% reduction to Scope 1,2 and 3 emissions by 2035.

01: Our Responsible Growth Strategy

GOAL:

To balance the commercial needs of our business with our responsibility to protect the environment in which we operate.

SUPPORTING POLICIES:

- When implementing our positioning, people, performance and profit strategies, we will incorporate tactics that support our environmental approach.
- We will ensure development, growth and capital projects align with our commitment to TOITŪ certification, so that as we grow, we reduce our carbon emissions and minimise our environmental impact.

02: Our Cleaner Air Strategy

GOAL:

To promote cleaner air by minimising carbon emissions.

SUPPORTING POLICIES:

- Our vehicle fleet will not be leased for a period longer than four years to ensure that it's within current technology.
- As part of this transition we are continuing to trial hybrid and electric vehicles.
- Our contractors are strongly encouraged to use later model, lower emission vehicles.
- Our hub & spoke network is segmented and reviewed on a continuous basis to ensure minimisation of kilometres.
- Our aviation business actively measures and manages its performance to ensure minimisation of fuel usage and emissions.
- We maintain TOITŪ certification by measuring our carbon emissions on a business-by-business basis and committing to managing and reducing them.

03: Our Conservation & Waste Management Strategy

GOAL:

To implement actions that, wherever practical, see us recycle, reuse and minimise waste of the products and resources we consume.

SUPPORTING POLICIES:

- Our range of recyclable courier satchels is currently transitioning to contain no less than 80% New Zealand sourced plastic waste.
- Wherever possible, our destruction business utilise 'best in class' recycling technologies to avoid resource waste and landfill solutions.
- We position and promote our document destruction business in the marketplace as 'secure recycling.'
- We encourage our customers to receive electronic invoices to minimise paper wastage.
- We commit to identifying, measuring and documenting our carbon emissions as part of our TOITŪ certification. We will continue to develop and refine systems to reduce emissions overtime.

OUR GOAL:

50%

reduction in C02e Scope 1, 2 and 3 by 2035

04: Our Education & Awareness Strategy

GOAL:

To promote education and awareness of better environmental practice among stakeholders.

SUPPORTING POLICIES:

- We promote our environmental approach among staff and ensure individuals understand their role with our environmental objectives.
- Our suppliers are actively encouraged to demonstrate their environmental practices to ensure they align with our objectives.
- We actively promote the benefits of good environmental practice among our customer base.
- We endeavour to actively educate and communicate with our staff, contractors, customers and suppliers, our commitment to TOITŪ certification, ensuring they understand our objectives and the role they can play in achieving these.

05: Our Responsible Partnership Strategy

GOAL:

To seek to partner and work with others who can demonstrate a commitment to the environment.

SUPPORTING POLICIES:

- To make our business partners aware of our environmental policy, our TOITŪ certification commitment, and the expectations arising from these.
- Where all other things are equal, to choose the partners and contractors who can demonstrate sound environmental policies.

Having a material impact

ASSESSING OUR MATERIAL ISSUES

Four years ago, we undertook an assessment of our material issues for stakeholders as we looked to incorporate more non-financial criteria into our decision-making and reporting. In FY23, we reviewed our materiality to check the relevance of our ESG activities.

Results will be published in FY24, and we will update our reporting then to reflect the findings. We expect the assessment to lead to some adjustments in how we report beyond the bottom line.

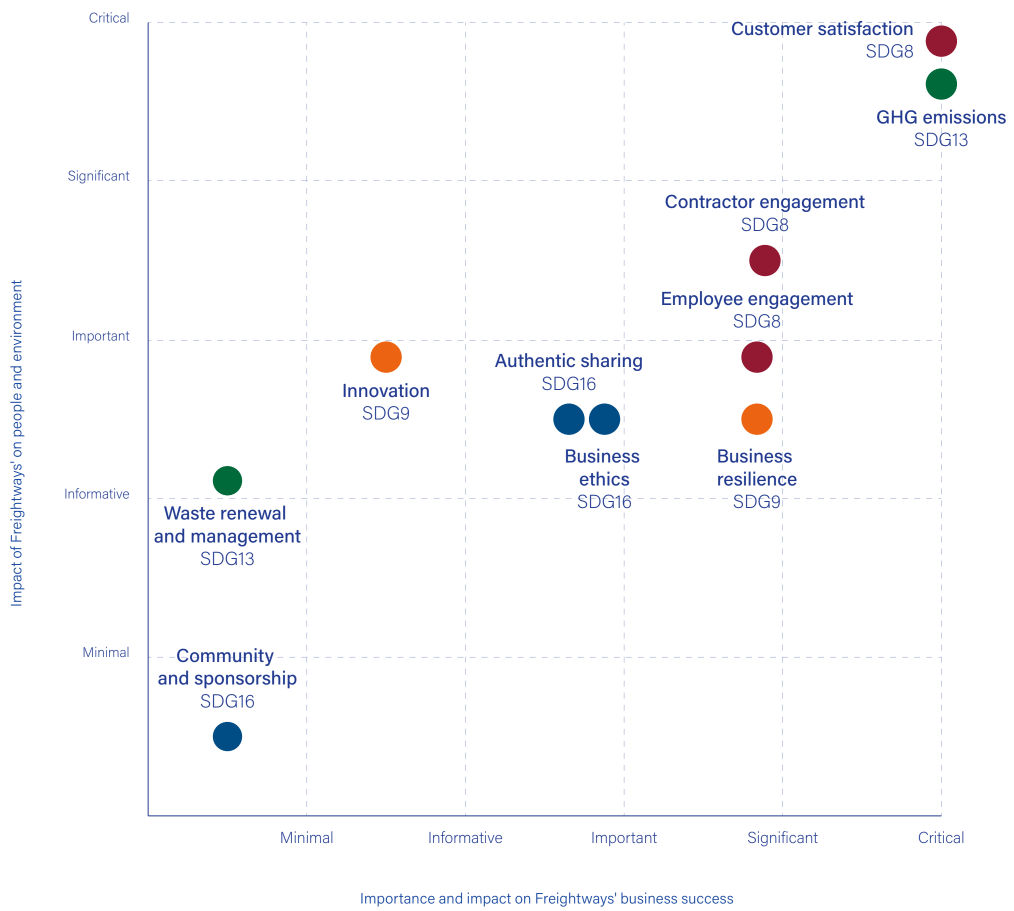
A DOUBLE APPROACH

The assessment has involved an external party engaging with various internal and external stakeholders – from board members and leadership to staff and contractors to customers, suppliers and investors – to get their opinions.

We've used a double materiality assessment approach because it provides greater insights and directly recognises that organisations such as ours have financial and non-financial impacts that are significant and that need to live alongside one another. As the name suggests, double materiality adopts different perspectives to gain a more holistic view:

- 'Inside out' impacts – which looks at the company's impacts on society and the environment by assessing scale (impact on health, the environment and society), scope (how many people are affected) and irremediability (the ability to fix issues or not)
- 'Outside in' financial materiality impacts – which examines size (the amount of financial impact) and likelihood (the chances of an impact happening).

2023 DOUBLE MATERIALITY MATRIX



Staying on course for 2023

This year we will continue to report on our existing SDG framework and Areas of Focus as part of our non-financial decision making and reporting in FY23.

SDG #3 Good health and wellbeing

- Health and safety in employment. Injury reduction TRIFR reduced from 8 to 6
- Deployment of handbrake alarm technology in all linehaul vehicles

SDG #8 Decent work and economic growth

- Delivered numerous training and skills development programmes
- Increased contractor earnings, ensuring sustainability
- Increased employee earnings

SDG #9 Industry, innovation and infrastructure

- Cybersecurity resilience
- Operating culture of accountability and ownership
- Significant linehaul network and building infrastructure investment
- Airfreight network upgrade

SDG #13 Climate action

- GHG Emissions reduction with a target to reduce Scope 1, 2 and 3 emissions by 50% by 2035 to ensure that our contribution to global warming is no greater than 1.5 degrees Celsius
- Reduced plastic usage and waste by replacing single use mother bags with multi-use bags

SDG #16 Peace, justice and strong institutions

- Ethics and integrity
- Transparency

SDG 3 — Good health & wellbeing

OUR AREAS OF FOCUS:

- Health and safety in employment. Injury reduction TRIFR reduced from 8 to 6
- Deployment of handbrake alarm technology in all linehaul vehicles

SDG3 & OUR BUSINESS:

People lie at the heart of who we are. Relationships, expertise and hard work are integral to our ability to add value on a daily basis. Our commitment to SDG3 reflects our intention to protect the health and wellbeing of those who work here and to minimise the adverse impacts that our vehicles have on communities. Applying this SDG to how we plan ensures that we always carefully consider the human implications in the acquisitions we make and the actions and initiatives we undertake.

We adopt a proactive approach to minimising physical and mental harm across our business. A crucial part of that is encouraging people to speak up when needed and providing external help and support when they need guidance.

INJURY / SICKNESS REDUCTION

TRIFR (Total Recordable Incident Frequency Rate) is a calculation that includes every incident relating to health and safety, including lost time, injuries, accidents, medical treatment, and medical practitioner visits - divided by manhours.

We use this metric because we regard it as a more transparent, holistic calculation: it records all injuries, not just lost time, giving us a more accurate view of how often incidents happen, not just the serious injuries.

This year, we are pleased to report that our TRIFR reduced from 8 to 6. We had a lot less COVID-19 cases this year.

ROAD SAFETY TOP-OF-MIND

On any given day, we have a significant number of drivers on the road in two countries. In the course of their work, they are subject to a range of pressures - weather, traffic, personal stress and deadlines – that have the potential to compromise their safety.

Mitigating the risks to our drivers and contractors is very important to us. We've had in-cab monitoring in place for well over 12 months. It's proven very successful, helping us to diagnose and eliminate driver behaviours such as fatigue and distraction that could put drivers at risk.

Cameras in cabins look in on the driver and out on the road, enabling us to quickly resolve situations if incidents occur.

We've also installed handbrake alarms in our linehaul and metro trucks across the New Zealand fleet. They sound if the driver's door opens and the handbrake hasn't been applied.

Another vital component for safety is vehicle age and maintenance. We have high minimum standards for our owned and contractor-owned vehicles. Our Pricing for Effort strategy (PFE) ensures our contractors are well compensated so they can afford to upgrade their vehicles regularly. Pride in their work and vehicles has proven a compelling motivation to our people to engender a duty of care towards their customers and us.

NEW AI TECH IS IMPROVING OUR FORKLIFT SAFETY

Forklifts are a safety focus for all companies that use them. They are responsible for most of the accidents and near misses in any depot situation.

We are currently trialing AI technology to analyse all our depot video footage retrospectively. After hours, the technology assesses CCTV footage of human versus forklift interactions and checks that a safety distance of three metres has been followed. Importantly, it captures near-miss situations where people may have breached the three-metre rule and loads those incidents into a reel for us to view the following day.

We use this technology primarily as an identification and education tool to keep safety in the depot front-of-mind for the people concerned. It helps us pick up patterns and gives us lead indicators of potential issues. It also enables us to identify repeat offenders so that we can take this up with them individually.

PSYCHOLOGICAL HEALTH AND SAFETY TRAINING

We are currently developing a training module to encourage open dialogue within our workplaces. We want people to speak up and ask questions, to forward ideas, concerns or mistakes, share feedback, and work through disagreements together — knowing that leaders value honesty, candour, and truth-telling and that team members will have one another's backs. The training will help leaders identify and control risks associated with psychological safety at work and how to respond to incidents. The new module will be available company-wide in 2023/24.

EMPLOYEE ASSISTANCE PROGRAMME (EAP)

EAP offers access to external confidential counselling professionals to help people address physical and mental health issues and provide financial advice and partner counselling. It's proven a powerful and practical resource for our people, especially during the last few years with the pressures of COVID-19, rising economic pressures and cost of living matters.

TRIFR REDUCTION FROM: **8-6**

All Total Recordable Injury Frequency Rates are based on 200,000 hours worked"

SDG 8 Decent work & economic growth

OUR AREAS OF FOCUS:

- Delivered numerous training and skills development programmes
- Increased contractor earnings, ensuring sustainability
- Increased employee earnings

SDG8 & OUR BUSINESS:

To be successful as a business, employer and as a partner to our contractor drivers, we need to foster an inclusive work environment and provide the services that meet the needs of our customers. Success depends on building an environment where a diverse team of committed Kiwis and Australians can contribute, develop their skills, and be paid fairly. Our businesses growth is fuelled by encouraging our team of professionals to consistently learn and develop.

It matters deeply to us that our people feel happy and safe in their work. Our people were paid fairly this year, and we competed effectively in the labour market to maintain our service levels. As part of that, we continued our serious commitment to training and developing our people at all levels.

GROUP LEARNING & DEVELOPMENT

Learning and development was in full swing this year, with a full range of courses and modules available across the business. Some of those programmes included:

- IGNITE - a customer experience programme initiated by New Zealand Couriers. A core team of customer experience (CX) experts representing different business areas come together to diagnose, implement and coach improvements in our customer experience delivery.
- Grow our People – a development course for budding people leaders at our Post Haste Group. This course covers both personal growth (via self-presentation and management) and business information (improving sales and reporting).
- Strengths Development - a Strengths-based approach is a powerful differentiator that helps companies attract top talent, bringing out the best performance in every employee and creating organic business growth.
- Manual Handling and Dangerous Goods – this training is for all Freightways staff who lift, hold and move freight. It also provides crucial learning for those who interact with dangerous goods.
- Driving Safety Culture (DSC) - a Health & Safety Culture awareness programme delivered to all operational managers and supervisors.

LEADERSHIP DEVELOPMENT

New Zealand Couriers are currently running a leadership development programme – Driving Ahead – a partially funded programme by the Tertiary Education Commission (TEC) through the employer-led Workplace Literacy and Numeracy fund. Driving Ahead focuses on core leadership skills like health and safety practices, feedback processes and problem-solving that leaders can directly implement into their roles. Graduates with 52 credits receive a New Zealand Certificate in Business (Introduction to Team Leadership) – Level Three, a nationally recognised qualification. Driving Ahead started with four groups in Auckland but is now rolling out nationally.

PEOPLE MANAGER TRAINING

This two-year course equips managers at all levels of TIMG NZ, DX Mail, Dataprint and Parceline in New Zealand with essential people management skills in the modern workplace. Immersive, hands-on and practical, the training covers employee relations, communication, conflict, mentoring and coaching techniques and problem-solving.

PAYING OUR PEOPLE WELL

It's important to us that our people feel remunerated fairly for their energy and expertise. We regularly review salaries and wages to ensure they are competitive. We offer clear pathways for anyone looking to increase their take-home pay and value to the business through learning and development.

Contractor remuneration is another area of ongoing focus for us. Through our groundbreaking PFE initiative, we ensure our contractors are fairly paid for their effort. Underpinning the initiative is the philosophy of loading rates to our customers where delivery involves extra time, care and resources. Examples include deliveries that are 25kg+ on Saturdays or in rural areas or regions that lack density to support delivery costs.

As customers adjust to this approach to pricing, we will continue to incrementally lift our rates. In doing so, we want to prepare our contractors to invest in alternatively fuelled vehicles. We want them to be able to move quickly when the right technology becomes available.

NUMBER OF PARTICIPANTS:

4400+

completed training and development, Group wide

PERCENTAGE INCREASE:

6.6%

in contractor remuneration for FY23

SDG 9 Industry, innovation & infrastructure

OUR AREAS OF FOCUS:

- Cybersecurity resilience
- Operating culture of accountability and ownership
- Significant linehaul network and building infrastructure investment
- Airfreight network upgrade

SDG9 & OUR BUSINESS:

Freightways businesses are focused on adding value for our customers at every opportunity. Whether it is working to constantly improve our transport businesses, helping our customers improve their supply chain and 'final mile' services, or introducing 'step-change' improvements in our Information Management businesses, we play an integral role in helping our customers work more efficiently, responsibly and profitably.

Our commitment to growing our horizon opportunities continued at a pace this year. Getting this right is about building our network to meet the needs of our expanding capacity. Businesses like ProducePronto successfully supply nationwide convenience stores and service stations daily and have outgrown their Auckland depot, while the new Ruakura depot for Big Chill is about accommodating their next ten years of growth.

SO MUCH HAPPENING ON THE HORIZON

Particularly exciting has been the steady emergence of the third horizon activities, with the launch of Stocka (a horizon 3 initiative for our Information Management businesses), textile waste as a high-value recycling opportunity in Australia for Shred-X (horizon 3 for our Waste Renewal activities) and the launch of Kiwi Oversize in New Zealand and ongoing growth of Allied Express in Australia (horizon 3 for the Express Package and Business Mail part of our Group). ProducePronto is also a horizon 3 business for Temperature Controlled.

At the same time, we have been careful to ensure our growth remains aligned with our sustainability responsibilities. The lease of the more fuel efficient 737-800 aircraft with lower emissions is a good example.

ACCOUNTABILITY AND OWNERSHIP

Our principles of Take Ownership, Think Commercially, and Work as a Family build accountability and ownership for staff and people leaders and are an intrinsic part of our shared cultural DNA.

Our growth strategy permits our people to take ownership and treat the business like their own.

Our experience is that promoting accountability and ownership motivates people to think in commercial ways, display good problem solving and stand by their decisions. Our goal for all our people is increased feelings of competency and commitment. Ownership for leaders means no overbearing or micro-management practices. We assess our leaders by their ability to build team confidence, trust and respect.

Together, these principles and ideas engender commercially strong, industrious, innovative companies resourced by confident problem solvers.

INFRASTRUCTURE INVESTMENT ACROSS THE BOARD

Our new 737-800 aircraft will allow us to carry more freight at better economies of scale. The remainder of the fleet will be steadily upgraded over the rest of this decade as part of a significant upgrade to our air network. Our goal is a fleet that is wider, longer and can shift more freight in fewer cycles.

Our new Big Chill facility in Ruakura is a 13,000 sqm 3PL cold store that will help us prepare for the next ten years of growth in that business. It also improves our links from the Port of Tauranga and the food-producing Waikato and Bay of Plenty and enables easy, daily links to Auckland.

We are making ongoing fleet improvements in linehaul and metro vehicles for our Express Package and Temperature Controlled businesses to cover replacement, increasing the fleet size for growth and having contingency vehicles available in times of need. These improvements are on top of our ongoing high quality and maintenance standards for our vehicles, which give us the best performance, better safety, lower emissions and positive brand association.

ProducePronto's new, much larger depot in Auckland will help them meet same-day delivery demands for convenience and QSR restaurants in Auckland and enable easier stock transfer nationally.

Allied Express is beginning its automation strategy through the purchase of the only automation belt for oversized items in Australia - for Sydney and Melbourne. They have also expanded facilities in all five major cities: Sydney, Melbourne, Adelaide, Perth and Brisbane.

Our new recycling facility for Shred-X in Victoria is in preparation for expected growth as the business continues finding new ways to find value in the stuff people throw away.

SECURING OUR CYBER-ENVIRONMENTS

We are aligning to industry best practices by adopting a risk-based approach to cybersecurity.

Recognising that each business within the Group has a different risk profile and appetite, we've taken a business-led risk-based approach to discovering, mapping, and applying risk measures for their services and the information and IT assets they manage. This approach enables us to leverage a consistent Group-wide baseline capability while also individually tailoring cyber risk management strategies that are suitable and appropriate for each business's unique risk profile within the Group.

To ensure the best outcome for our businesses and stakeholders, we've had the programme externally audited receiving feedback that the consistency and pragmatism of the program reflected a comprehensive and mature understanding of our diverse business functions and associated risks.

Compliance requirements remain different for each business and industry vertical, making external audits against security standards such as ISO27001, SOC2 and PCI DSS an essential part of our businesses offering. Customising the risk management and mitigation across the Group, and having a governance function across security, provides cost oversight and peace of mind for our businesses and investors. It also means cybersecurity is one less roadblock for sales because our customers are confident that we are operating at the correct levels of capability.

SDG 13 — Climate action

OUR AREAS OF FOCUS:

- GHG Emissions reduction with a target to reduce Scope 1, 2 and 3 emissions by 50% by 2035 to ensure that our contribution to global warming is no greater than 1.5 degrees Celsius
- Reduced plastic usage and waste by replacing single use mother bags with multi-use bags

EACH OF OUR BUSINESSES CONTRIBUTE INDIVIDUALLY TO OUR GREATER TRANS-TASMAN ENVIRONMENTAL FOOTPRINT

ALLIED EXPRESS COURIERS
CO2 EMISSIONS MEASURED FY24

BIG CHILL
TOITŪ CARBON REDUCE MEMBER

CASTLE PARCELS COURIERS
TOITŪ CARBON REDUCE MEMBER

DATAPRINT
TOITŪ ENVIROMARK DIAMOND

DX MAIL
TOITŪ CARBON REDUCE MEMBER

FIELDAIR
TOITŪ CARBON REDUCE MEMBER
LEASE OF 737 800 FOR FUEL EFFICENCIES AND LOWER EMISSIONS

KIWI EXPRESS
TOITŪ CARBON REDUCE MEMBER

MED-X
CLOSED LOOP SYSTEM FOR SHARPS AND SHARPS CONTAINERS

NOW COURIERS
TOITŪ CARBON REDUCE MEMBER

NEW ZEALAND COURIERS
TOITŪ CARBON REDUCE MEMBER
CUSTOMER EMISSION REPORTING-ISO14041 COMPLAINT
VIRGIN PLASTIC USAGE REDUCTION
MEMBER OF SOFT PLASTICS RECYCLING SCHEME
UPCYCLING OF USED COURIER SATCHELS INTO BUILDING-BOARD

PARCELINE
TOITŪ CARBON REDUCE MEMBER

PASS THE PARCEL
TOITŪ CARBON REDUCE MEMBER

POST HASTE COURIERS
TOITŪ CARBON REDUCE MEMBER
VIRGIN PLASTIC USAGE REDUCTION

PRODUCEPRONTO
TOITŪ CARBON REDUCE MEMBER
EURO 6 EMISSION STANDARD VEHICLES

SECURITY EXPRESS
TOITŪ CARBON REDUCE MEMBER

SHRED-X
PAPER / CARD RECYCLING
EWASTE AND IT ASSETS REPURPOSING AND RECYCLING
PRINTER'S WASTE RECYCLING

STUCK
TOITŪ CARBON REDUCE MEMBER

SUB60
TOITŪ CARBON REDUCE MEMBER

TIMG AU
PAPER / CARD RECYCLING

TIMG NZ
TOITŪ CARBON REDUCE MEMBER
PAPER / CARD RECYCLING

As a transport-focused business, we are well aware of the climate implications of our everyday business. One of the key reasons we instigated science-based targets was to look realistically at what reductions we could achieve over time in greenhouse gas (GHG) emissions. Elsewhere, we continue to make good progress with reducing our use of virgin plastics.

DOING WHAT WE CAN WITHIN LIMITATIONS

While there are strong expectations from customers and investors that logistics companies like us will address contributions to climate change within their businesses, there has been a noticeable slowdown from Government from a legislative / directional perspective this year. Our enterprise-sized clients are also looking for movement, or direction setting at the least, to comply with their international reporting standards. This is significant because the infrastructural support for all alternative fuels needs to rest with central Government.

There is a shared appetite between all stakeholders to address the climate change profile of the logistics sector. Indeed, we are feeling pressure from customers and investors to show progress in this area and to help our enterprise-sized clients to comply with their international reporting standards. We are also acutely aware of the reputational risk should they think we need to be faster to change.

We would move quickly and decisively if we could, but the reality is more complex. For example, there have been no significant technology improvements since last year for either EVs or hydrogen transportation in New Zealand. Hydrogen trucks were due to land last year. They haven't arrived yet – and, not surprisingly, there is corresponding reluctance for scaled first-mover investment from a range of parties. Some first-generation EV vans have arrived in the country, but they remain too small for our purposes, and once loaded, the battery doesn't last long enough.

Dialogue continues. We have engaged with Government about commercial infrastructure for EVs. We are also awaiting further details on the capacity of the power grid to handle the capacity that would be needed."

Creating our own infrastructure through Government funding, while an alternative, would also require us to make the refuelling centre publicly accessible around the clock. That's impractical given the items we carry 24/7 (dangerous goods, medicines, secure documents etc.)

Currently, the Government's EV rebate scheme caps out at $80,000 – far below the cost of the light commercial vehicles we need. However, we are in the process of putting together finance packages for our contractors to enable them to transit to alternatively fuelled vehicles once this becomes tenable.

We are prepared to move quickly and decisively. Still, any transition must make commercial sense, and the infrastructure has to be reliable. We can't afford to break down or not have the ability to recharge our vehicles – because of the types of products we move. We must play it safe. Our customers depend on us doing so.

PLASTICS REDUCTION

We continue to reduce our use of plastic waste through recycling and repurposing. In particular, we are now using less virgin plastic than ever before.

Our courier express packs across Express Package are made from up to 80% reclaimed New Zealand-sourced plastic diverted from landfills. All our courier brands are also part of the Soft Plastics Recycling Scheme.

Enviro360 is a New Zealand Couriers innovation that has been running for two years. Enviro360 allows customers to collect used express packs using our Enviro360 collection bag. When the bag is full, we pick them up, consolidate the load and linehaul them to saveBOARD, where they are upcycled into a new low-carbon building board.

Mother bags enable us to consolidate our express courier packs into destination/branch-specific bags, protecting them from the rigours of the network and improving security and accuracy by consolidating all items into one inter-branch movement. In the past, mother bags have been made of virgin, single-use soft plastic and were only good for two/three cycles. Thanks to the excellent work of our inventory team, we have now sourced reusable mother bags that can be used hundreds of times and last for years. We currently have over 14,000 of these bags in our branches and networks throughout our courier businesses, vastly reducing the amount of Class 4 plastics we use.

SDG13 & OUR BUSINESS

The efficiencies our transport business brings to our customers' supply chain substantially reduce emissions through the economy. Intensification of all our networks – increasing the business we do against the kilometres we travel – means growth doesn't necessarily equate to higher emissions. We are in an emissions-intensive industry – but long-term planning and collaboration, coupled with our modern, fuel efficient fleet of planes, trucks and vans means we are on track for a steady reduction in CO2e per item we carry.

SDG 16 Peace, justice & strong institutions

OUR AREAS OF FOCUS:

- Ethics and integrity
- Transparency

SDG16 & OUR BUSINESS:

As a publicly listed company that partners with numerous other institutions and contractors in both Australia and New Zealand, our geographic spread of brands, employees and worksites, and our desire to contribute to business and community leaves no flexibility in the context of ethics and legal obligations. Whether it be gender equality, diversity of thought and origin, or justice – we will be fair and accountable.

We place significant emphasis on being straight-up and acting as good corporate citizens. We pay our taxes in both countries we operate in and abide by all laws and regulations. We pay our suppliers on time, every time, and we seek to enter into responsible partnerships.

WORKING OPENLY

Our Annual Reports and investor presentations bring a high level of disclosure to our communications with regulators, investors, customers, communities and other stakeholders.

It's important to us that stakeholders know our stories and our intentions.

This year, we decided to combine our sustainability and annual reporting to give investors a clearer sense of what we are doing across our financial and non-financial activities. We are also in the middle of reviewing our materiality. This year, we've included TCFD filings for the third time. In Australia, we have filed our latest Modern Slavery Statement for our businesses.

We openly acknowledge our teams' hard work and commitment and the collective impact they have on our success. Our people make our success real. We maintain a focus on engagement, accountability and ownership to build duty of care and loyalty.

Finally, we know that we cannot affect change on our own. Our Climate Leaders Coalition and TOITŪ membership indicates our willingness to work alongside others to achieve cleaner ways of doing business.

OUR RANGE OF POLICIES AND PROCESSES INCLUDES THE FOLLOWING:

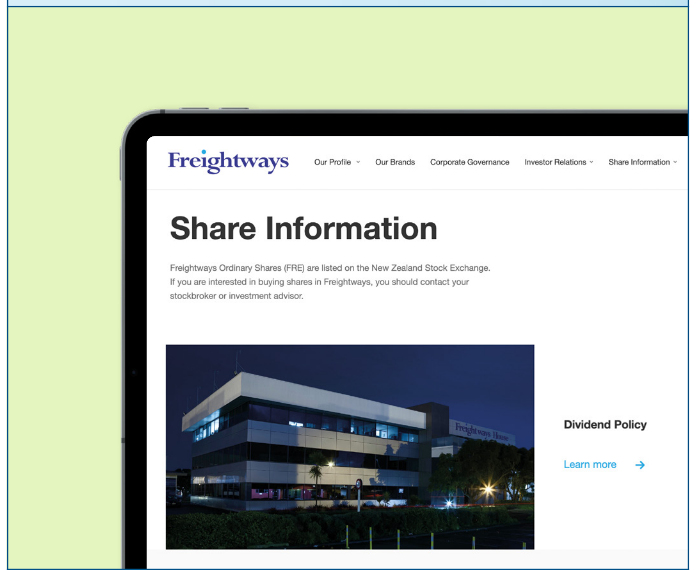
- Charters for our board and each of our sub-committees
- Code of Ethics
- Disclosure & Communication Policy
- Diversity & Inclusion Policy
- Insider Trading Policy
- Protected Disclosures (Whistleblower) Policy
- Remuneration Policy
- Risk Management

OUR WEBSITE INCLUDES DETAILED INFORMATION ABOUT THE FOLLOWING:

- Our Board of Directors
- Our leadership team
- Our brands
- Our results
- Our dividends – including our dividend history, reinvestment plan and policy

WE REPORT ON OUR ACTIONS THROUGH:

- Disclosures to the NZX
- Climate Leaders Coalition Annual Questionnaire



Climate–related disclosures

Background

CLIMATE CHANGE IS ONE OF THE MOST SIGNIFICANT CHALLENGES WE FACE AS A SOCIETY AND WILL RAISE MANY BUSINESS RISKS – AND OPPORTUNITIES – ACROSS THE ECONOMY.

Governments and businesses alike are taking steps to face these challenges in several ways: enacting legislation to foster a low-carbon economy, defining transition pathways and deadlines to achieve carbon neutrality, making the disclosure of greenhouse gas ('GHG') emissions inventories and reduction targets mandatory, and industry-led initiatives such as the Climate Leader's Coalition, which Freightways joined in 2019.

Aotearoa New Zealand's first Emissions Reduction Plan ('ERP') was published in June 2022, containing strategies, policies, and actions for New Zealand to achieve its first emissions budget as required by the Climate Change Response Act 2002[1]. The transport sector is responsible for 17% of New Zealand's total gross GHG emissions and 39% of total CO2 emissions[2]. To support New Zealand's emissions budget, the ERP states that the transport sector would need to achieve a 41% reduction in total emissions by 2035 from 2019 levels. For freight transport[3], this would mean a 35% reduction in emissions by 2035.

As one of New Zealand's major transport services providers, the bulk of Freightways' GHG emissions are generated from consuming transport fuels. We operate several businesses in New Zealand and Australia, covering express package and other complementary services in information management, business mail and chilled transport (Figure 1 displays our organisational structure). Freightways has grown organically and through acquisitions, and now has representation in every major town in New Zealand.

Our core business of picking up, processing, and delivering goods enables us to move thousands of items per day in a resource and emissions-efficient way. Our investments in technology to drive continuous improvement of fuel efficiency aligns with the objective of reducing our GHG emissions.

This is our third annual climate-related disclosure and describes our current governance and management approach to assessing and managing climate change risks and opportunities to our businesses.

FIGURE 1: FREIGHTWAYS GROUP LIMITED'S STRUCTURE

[1] New Zealand Government, 2022. Aotearoa New Zealand's First Emissions Reduction Plan. June 2022.
[2] Figures are 2019 emissions based on New Zealand's Greenhouse Gas Inventory 1990–2020.
[3] Freight transport includes emissions from trucks, rail, and ships. It excludes light vehicles and aviation.

Climate–related disclosures

Freightways' position on climate change

Freightways recognises that our core business of providing transportation services for our customers is currently emissions intensive.

We have an important role to play, both in building resilience to climate change impacts and in the transition to a low-carbon economy. We intend to make direct contributions to climate adaptation and mitigation efforts within our sector and the markets we operate in.

We will also work to be a strategic partner for our customers, supporting and enabling their responses to the climate change challenge.

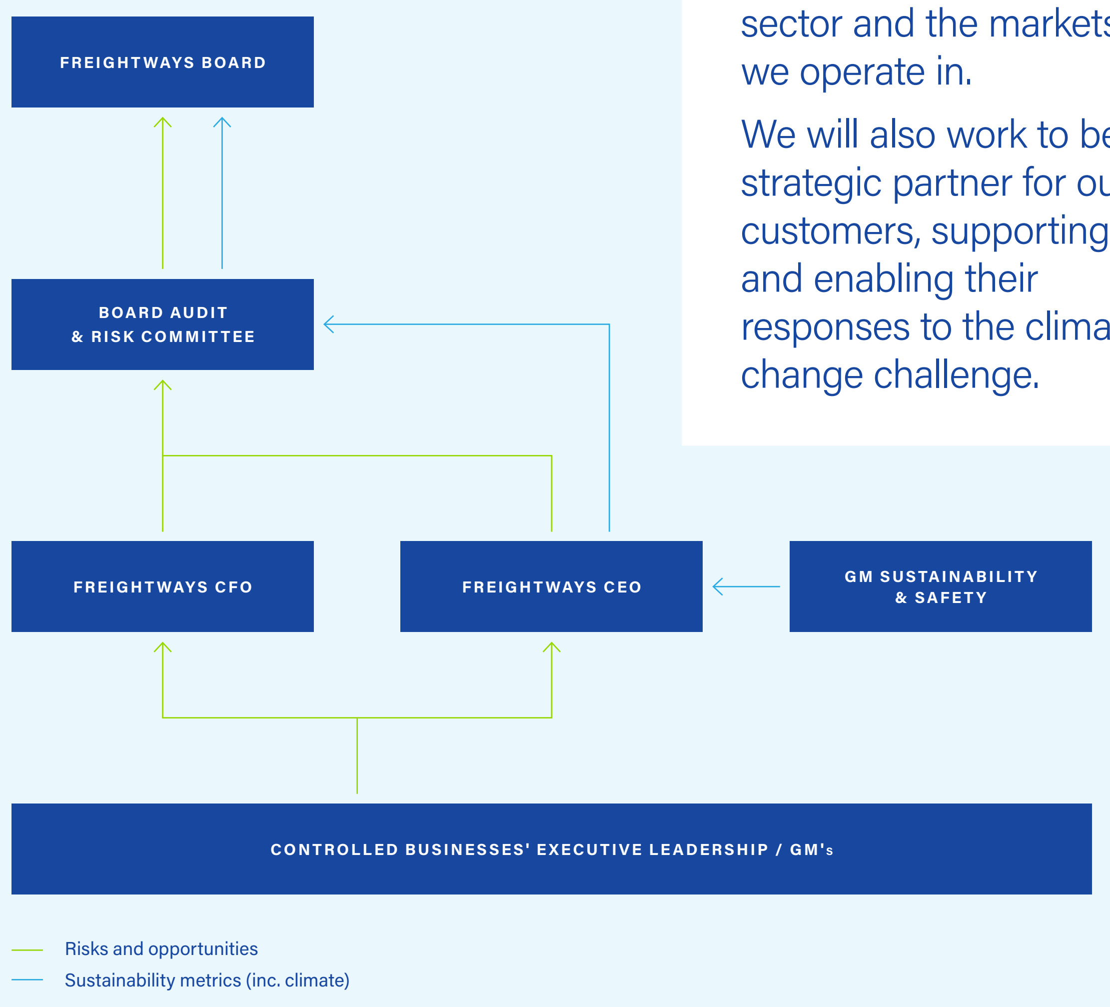


FIGURE 2: GOVERNANCE STRUCTURE FOR CLIMATE-RELATED RISKS AND OPPORTUNITIES, AND METRICS

Climate-related disclosures

Following the release by the New Zealand External Reporting Board ("XRB") of New Zealand Climate Standards ("NZ CS") in December 2022, mandatory climate-related reporting now applies to certain New Zealand entities – including Freightways - for reporting periods commencing 1 January 2023 onwards.

For Freightways, this means the first year of mandatory reporting is 1 July 2023 to 30 June 2024. The NZ CS follows the format of the Task Force on Climate-related Financial Disclosures ("TCFD") guidelines and is structured around four thematic areas that represent core elements of how organisations operate: governance, strategy, risk management, and metrics and targets.

Governance

GOVERNANCE BODY OVERSIGHT

Freightways' Board of Directors are responsible for overseeing the management of risk, including those related to climate change.

The Board is also responsible for approving the development of Freightways' GHG emission reduction target and strategic climate initiatives. The Board receives monthly updates on progress against climate-related metrics and reviews strategic objectives and climate targets annually. Freightways performs annual measurement and receives third-party assurance of our GHG emissions, which allows us to understand changes in our GHG emissions and our carbon price exposure year on year. The Board is also responsible for approving management remuneration, which is not currently linked to climate-related metrics.

The Audit and Risk Committee is responsible for the management, monitoring, and reporting of risks, as well as the review of risk management policy. Climate risks fit within Freightways' definition of risk and are assessed according to their likelihood and potential impact. Each Freightways-owned business is responsible for identifying their own risks and opportunities (including those relating to climate) and developing future strategies. These are then consolidated at corporate level and taken to the Board for review. The Audit and Risk Committee conducts an annual review of those risks and mitigating actions[4].

Our Directors have experience in climate change and sustainability matters and this is supplemented by specialist external third party when required. Third-party support has included advice related to our climate-related reporting.

MANAGEMENT'S ROLE

Freightways' Chief Executive Officer (CEO) and Chief Financial Officer (CFO) have delegated authority from the Board to take responsibility for assessing and managing consolidated risks and opportunities related to all controlled businesses. As part of this role, the CEO and CFO are engaged in structuring Freightways' strategic and risk management approach to these climate-related risks and opportunities. General Managers and executive teams at each of Freightways' controlled businesses are responsible for identifying and assessing risks at an operational level, including climate-related risks and opportunities, and providing those to Freightways' executive leadership team. This process occurs annually.

At the corporate level, the daily management of Freightways' sustainability metrics and strategy (including climate) is delegated to the General Manager ("GM") of Safety and Sustainability. The GM of Safety and Sustainability prepares monthly reports on progress against targets and relevant metrics, which is shared with the executive leadership and the Board.

The relationship between the Board and Management in relation to climate risk and opportunities is provided in Figure 2.

[4] https://www.freightways.co.nz/about/corporate-governance/

Climate–related disclosures

Strategy

FREIGHTWAYS' BOARD OF DIRECTORS ARE RESPONSIBLE FOR OVERSEEING THE MANAGEMENT OF RISK, INCLUDING THOSE RELATED TO CLIMATE CHANGE.

Freightways conducted a qualitative assessment of its climate-related risks and opportunities in a low and high GHG emissions scenario, considering the physical, policy, technology, markets, and stakeholder impacts associated with those scenarios.

The scenario analysis process is led by Freightways' management, who engage a third-party consulting service with expertise in analysing climate-related risks and opportunities to support internal risk assessment activities.

The results of any scenario analyses are provided to the Freightways Board of Directors annually. Climate-related scenario analysis is currently a standalone process; however, Freightways will continue to look for ways to integrate scenario analysis into our strategy processes as the management of climate-related risks and opportunities matures. Our scenario analysis was first set in 2020 and will be updated prior to FY24 reporting.

Due to the qualitative nature of this assessment, the results do not speak to the impact on earnings and only assess the likelihood based on our enterprise risk management framework. Freightways will continue to develop an understanding of the full risk assessment rating to enable quantitative modelling of the financial impact of each risk in the future.

The scenarios outlined in Table 1 are informed by Intergovernmental Panel on Climate Change (IPCC) reports[5], the International Energy Agency (IEA) energy scenarios[6] and recommendations provided by the New Zealand Climate Change Commission on how New Zealand can meet its emissions budgets[7]. Leveraging the public reports from these organisations provides a transparent and credible source of information on physical climate change predictions, the energy and transportation transition, and potential New Zealand-specific policy settings. Because of this, we believe that the scenarios are relevant and appropriate for assessing the resilience of our business model and strategy in relation to climate-related risks and opportunities.

For our key transition risk – exposure to an increasing carbon cost – we conducted a quantitative assessment of the cost of fuel under the New Zealand Climate Change Commission's 'Headwinds' and 'Tailwinds' scenarios in combination with our in-house assessment of our fleet's transition to low emission vehicles (Table 1).

The tables that follow below describe the physical risks (Table 2), transition risks (Table 3) and climate-related opportunities (Table 4) that were identified, and their expected impacts on the business.

SCENARIO ANALYSIS

TABLE 1: CLIMATE-RELATED RISK AND OPPORTUNITY SCENARIOS RELEVANT TO THE TRANSPORTATION SECTOR

SCENARIO	THE PATH TO 2100 IN A HIGH EMISSIONS SCENARIO	THE PATH TO 2100 IN A LOW EMISSIONS SCENARIO
Physical impact	Emissions continue to rise Average global temperature rise of 3.2°C – 5.4°C by 2100	Global emissions decline from the short-term Average global temperature rise of 0.9°C – 2.3°C by 2100
Policy	Little / ineffectual policy action on climate change The Paris Agreement fails as major economies withdraw Australia continues its current climate and energy policy, e.g. no pricing on carbon emissions	Consistent with the International IEA Sustainable Development Scenario and NZ Climate Change Commission advice, which shows a carbon price of around US$80/tCO2e (NZD$110-120) by 2030 and NZD$160 by 2035 Strict regulatory requirements e.g. carbon budgets, fuel emission restrictions, increased monitoring and reporting obligations
Technology	Advancements in low-carbon technologies such as alternative transport fuels and energy mainly driven by market supply and demand mechanisms	The NZ Climate Change Commission's advice to the Government is for 100% of new light vehicles and 10% of heavy trucks be electric by 2035 Globally, IEA modelling projects EVs to reach 12.25% of global vehicle fleet, and 28.8% of sales by 2030
Market	Consumer and business purchasing behaviour is driven by quality / price ratio irrespective of the carbon footprint of the product or service	High demand for low-carbon products or services to reduce emissions, this could provide a competitive advantage / disadvantage depending on whether the business can meet the market demand
Stakeholder	Little to no expectations from stakeholders to act on climate change	High stakeholder expectations concerning climate mitigation efforts and resilient investments

[5] https://www.ipcc.ch/site/assets/uploads/2018/02/ipcc_wg3_ar5_chapter8.pdf
[6] https://www.iea.org/reports/energy-technology-perspectives-2020
[7] https://www.climatecommission.govt.nz/our-work/advice-to-government-topic/inaia-tonu-nei-a low-emissions-future-for-aotearoa/modelling/

Climate–related disclosures

PHYSICAL RISK DESCRIPTION 1: DISRUPTED TRANSPORT NETWORK

Freightways' business model relies on a network of transportation assets and logistics infrastructure to move goods for our customers.

The impacts of climate change, including more prevalent extreme weather events, sea level rise, increased average temperatures and high wind speeds all threaten to damage and disrupt the roads, airports and shipping ports that keep our customers' goods moving around the country and the world.

Extreme weather events such as storms combined with king tides are likely to increase temporary disruption to the transport network, especially coastal roads in New Zealand and Australia. This could lead to longer delivery times for customers and higher transport costs as freight is diverted to alternative routes. In the second half of this century, sea level rise and increased temperatures are expected to lead to long term or permanent damage to assets such as Auckland Airport or the Cook Strait ferry crossing and further amplify the impacts of extreme weather events (e.g. storm surges, surface flooding). This could cause cost increases and impacts on the resilience of our operations. Our planning of alternate routes or alternate runways is helping to address this risk.

Freightways understands this risk is greater under a high emissions scenario where physical climate impacts are more prevalent. According to the New Zealand National Climate Change Risk Assessment, the exposure to physical climate hazards experienced by New Zealand roads, airports and ports varies[8].

Ports are currently considered to have limited exposure to climate hazards; however, this increases to a moderate exposure in 2050. Roads and airports, on the other hand, are already considered to have a major exposure to climate hazards through to 2050. Under a low emissions scenario, this risk is expected to be significantly lower.

We are currently in the beginning stages of understanding this risk to our business, particularly in relation to our business strategy. Previous disruptions to the transportation network, most notably the 2016 Kaikoura Earthquake and 2023 flooding in Auckland and Hawkes Bay, have provided us with experience in managing disruption successfully.

PHYSICAL RISK DESCRIPTION 2: ASSET DAMAGE AND UTILITY SERVICES DISRUPTION

A core part of our business is the processing of items we deliver for our customers. To achieve this, we rely on a wide range of fixed assets and utilities services (e.g., fuel, electricity) across our network. Physical climate change impacts such as more prevalent extreme weather, sea level rise and heat stress threaten to damage and disrupt operations at our buildings or the utilities that support these buildings. This may limit our ability to process and deliver goods for our customers on time.

Due to the expansive nature of our network, our buildings are likely to experience different physical climate impacts depending on their location.

For buildings in Australia and the north of New Zealand, building failure due to heat may become an issue, making it difficult for buildings' electrical systems to operate and, in some areas, uncomfortable and unproductive for our staff during high temperature days.

For operational assets in low lying and coastal areas, damage from continued flooding caused by sea level rise and storm events may eventually render the buildings unusable or uninsurable from mid-century. These kinds of disruption could have a longer-term impact on our network while a suitable replacement building is found. At a country wide level, extreme weather events may lead to damage of electricity infrastructure that could impact several of our sites simultaneously.

Under a high emissions scenario the physical risk posed to buildings is expected to be greater than under a low emissions scenario.

According to the National Climate Change Risk Assessment, the exposure of New Zealand's buildings to climate hazards is already considered major and is expected to grow to an extreme exposure by 2050[9].

As with the risk of damage and disruption to the transportation network, we are currently still in the early stages of understanding this risk to our business. Going forward, we will need to assess the climate-related risks at a site level. This information will allow us to proactively manage our assets as climate change impacts materialise, as well as providing a better understanding of the overall impact of this risk on our business strategy.

Table 2, below, describes the significant physical risks that were identified, and their expected impacts on the business strategy.

PHYSICAL CLIMATE RISKS

TABLE 2: SIGNIFICANT PHYSICAL CLIMATE-RELATED RISKS

RISK TO FREIGHTWAYS	CLIMATIC DRIVERS	TCFD RISK TYPE	OPERATIONAL IMPACT	TYPE OF RISK ASSESSMENT	RISK ASSESSMENT AND TIMEFRAME	INITIAL RISK TREATMENT ACTIONS	BUSINESS MODEL AND STRATEGY RESPONSE
1. Extreme weather events and sea level rise cause prolonged/sustained disruptions to the transport network	Extreme weather Sea level rise Increased temperature	Acute/chronic	Temporary disruption to certain transport routes Delays in service delivery Higher costs for transportation Significant alteration to network design, routes and transport methods	Qualitative	**2035 Likelihood ratings** **Low emission scenario: Unlikely** **High emission scenario: Possible** **2050 Likelihood ratings** **Low emission scenario: Unlikely** **High emission scenario: Very likely**	Review our established processes for dealing with weather related events preparing alternate operational plans Review the capability of our experienced team who are involved in the decision-making process to prepare for future events	Build flexibility and redundancies through our network Build facilities to increase resistance to weather-related events
2. Higher temperatures and extreme weather impair operating assets and disrupt utility services	Extreme weather Sea level rise Increased temperature Heat Stress	Acute/chronic	Temporary disruption to processing activities at select buildings Increased delivery times for customers Higher insurance costs for certain buildings Certain buildings are no longer usable	Qualitative	**2035 Likelihood ratings** **Low emission scenario: Unlikely** **High emission scenario: Possible** **2050 Likelihood ratings** **Low emission scenario: Unlikely** **High emission scenario: Likely**	Further analyse our assets and associated utility services for their vulnerability to physical climate impacts	

[8/9] https://environment.govt.nz/publications/national-climate-change-risk-assessment-for-new-zealand-main-report

Climate–related disclosures

Our business model and strategy is reliant on efficient utilisation of various vehicles and assets to process and transport our customers' items at each step in our logistics network.

TRANSITION RISK DESCRIPTION 1: INCREASING FUEL COSTS RESULTING FROM HIGHER COST OF CARBON

Fuel costs at Freightways are largely paid by our independent contractor drivers as a cost of operating their vehicles.

We believe that this model promotes efficient fuel usage, reducing the amount of transport fuel used by our businesses.

However, regardless of how our fuel costs are paid, we understand that our business has significant financial exposure to changes in transport fuel prices.

With the cost of carbon expected to rise in New Zealand, increases in the carbon price will impact Freightways' fuel costs and could make other forms of freight transport, such as electric vehicles more cost competitive. A higher carbon price may also provide an increased incentive to source goods locally, decreasing the demand for freight.

This, together with offering an adequate return to our contractor drivers, is driving our transition strategy of adopting low-emission alternatives to reduce carbon costs from fossil fuel consumption.

In 2021 we undertook quantitative modelling to better understand the approximate financial impact that higher carbon prices would have on our fuel costs by 2035.

Table 3, below, describes the significant transition risks that were identified, and their expected impacts on the business.

CLIMATE TRANSITION RISKS

TABLE 3: SIGNIFICANT TRANSITIONAL RISKS

RISK TO FREIGHTWAYS	TRANSITION DRIVERS	TCFD RISK TYPE	OPERATIONAL IMPACT	TYPE OF RISK ASSESSMENT	RISK ASSESSMENT AND TIMEFRAME	RISK TREATMENT	BUSINESS MODEL AND STRATEGY RESPONSE
1. Increasing cost of fuel as a result of higher carbon costs	Reduced availability of New Zealand Units (NZUs) Reducing carbon allowance under national carbon budgets Higher costs of operating ICE vehicles	Technology Policy and Legal	Higher operational costs Increased costs for customers Loss of competitive advantages over other freight companies that have lower carbon footprints Exacerbation of the cost of inefficiencies across the delivery network	Quantitative (2035 assessment) Qualitative (2050 assessment)	2035 Low **emission** scenario: Medium High **emission** scenario: High 2050 Likelihood rating Low **emission** scenario: Unlikely High **emission** scenario: Possible	Achieve reductions in line with our science-based targets Currently planning to transition the fleet to low emissions vehicles in line with targets set using the Paris-aligned targets Continue ongoing optimisation and utilisation improvements to our routes and service offerings Frequent upgrading of linehaul units to lower emitting vehicles In the past year, we have managed to decrease our fleet by 4% while increasing the number of items sent through our networks[10]	Progressively replace our fleet of vans and trucks with cleaner energy models Continue to optimise our network to reduce energy consumption Support our contractors to acquire clean-energy vehicles Ensure drivers are enabled to switch to cleaner energy vehicles
2. Climate compliance requirements raise barriers for new drivers, hindering business growth	Restrictions on import and use of internal combustion engine vehicles Increasing fuel costs (due to cost of carbon) High upfront cost of low emissions vehicles	Technology Reputation	Inability to retain or attract drivers or higher cost to contract drivers due to their need for EVs Delays and a loss of reliability for our services Reputational damage	Qualitative	2035 Low **emission** scenario: Possible High **emission** scenario: Very Unlikely 2050 Likelihood rating Low **emission** scenario: Likely High **emission** scenario: Possible	Designing of contracts to incentivise efficient driving, route choices and proper vehicle maintenance Providing early signals to contractors about when replacement vehicles must be low emission Reviewing and adapting contractor remuneration rates to support them into low emission vehicle	

[10] Freightways 2020 Sustainability Report

Climate–related disclosures

Assessment methodology

We have assessed the net present value (NPV) of our financial exposure to increasing fuel costs resulting from an increasing cost of carbon under two different scenarios as of 2021 – note this will expand to three scenarios for FY24. These scenarios took into consideration the estimated rates of low-emission vehicle uptake within our fleet, our Paris-aligned targets work, and the "Headwinds" and "Tailwinds" scenarios released as part of the draft advice from the New Zealand Climate Change Commission in February 2021.

Our methodology assumes that 100% of the carbon price is translated to the cost of fuel.

'Tailwinds' and 'Headwinds'

New Zealand Climate Change Commission Scenarios used for modelling the impact of carbon price changes on fuel costs:

'TAILWINDS'

- The most optimistic emissions reductions scenario with a steady and clear reduction to net zero emissions by 2050.
- Presents a future where there are fewer barriers to the uptake of new vehicle technology and widespread behaviour change amongst the population.
- Freightways can follow its planned transition to low emissions vehicles, beginning in 2024.

'HEADWINDS'

- The least optimistic emissions reductions scenario with a much more sudden and aggressive reduction to net zero emissions by 2050.
- Presents a future where there is delayed uptake of new vehicle technology and slow behaviour change amongst the population.
- Freightways' planned transition to low emissions vehicles is delayed by five years, beginning in 2029.

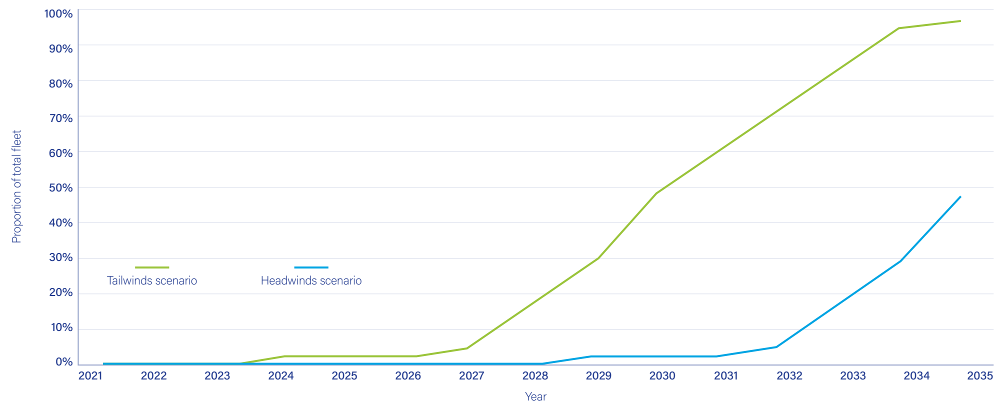
Due to Australia not having a carbon price at this time, this modelling was limited to our New Zealand operations. As a reference point, Freightways estimated exposure to the cost of carbon (embedded in fuel prices) based on 2019 fuel consumption was approximately NZD1.3m. Work is under way to capture all emissions from our Australian businesses and model the financial impact.

Low emission vehicle adoption rates

Freightways' (and its driver-contractors') adoption of low emissions vehicles varies between the Headwinds and Tailwinds scenarios. This reflects the differing rate of change between the two scenarios as illustrated in Figure 3 below. Under a Tailwinds scenario, Freightways acts early to reduce emissions with relevant technology being widely available, while a Headwinds scenario sees us delay our emissions response. This is based on the differing availability and costs of technology between the Headwinds and Tailwinds scenario, with low emissions vehicle technology costs decreasing more quickly under Tailwinds than Headwinds. Due to uncertainties surrounding the adoption of low emissions technologies for heavy vehicles and aircraft, the costs associated with transitioning the fleet to low-carbon fuel sources is currently excluded from this analysis.

FIGURE 3: LOW EMISSIONS VEHICLE ADOPTION COMPARED FOR A HEADWINDS AND TAILWINDS SCENARIO. SOURCE: FREIGHTWAYS MODELLING

Low emissions vehicles as a proportion of total fleet (Tailwinds vs Headwinds)

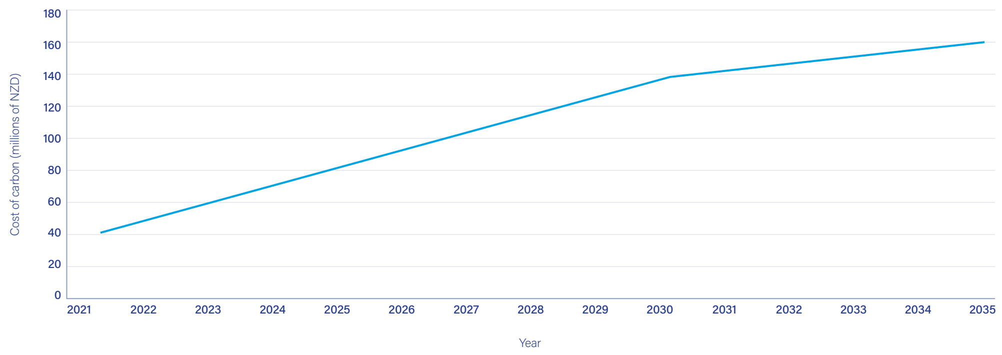


Carbon price

The annual carbon price in the Climate Change Commission's analysis is consistent across both the Headwinds and Tailwinds scenarios. They are a yearly prediction of what the price of carbon could be to create economic incentives to meet emission reduction targets. This is presented in Figure 4 below:

FIGURE 4: ESTIMATED CARBON PRICE (2021-2035) UNDER HEADWINDS AND TAILWINDS SCENARIOS. SOURCE: CLIMATE CHANGE COMMISSION

Estimated Carbon Price (2021-2035)



Climate–related disclosures

Assessment findings

Under a "Tailwinds" scenario, by 2034 all vehicles in the motorbike, passenger vehicle, and van fleets are expected to be fully electric. The 2021 NPV of our financial exposure to the cost of carbon in transport fuels over the 2022 to 2035 period is approximately NZD 68.3m with a peak financial exposure of approximately NZD 10.1m in 2029 when the risk subsides as the proportion of EVs in the fleet increases steadily. Despite this, continued growth in aviation fuel use means the cost of carbon to the business in 2035 is 33% higher than 2019 levels. By 2050, it is expected that all land-based light transport fleets will be fully electric (or similar low emissions technology), which will considerably reduce Freightways' exposure to this risk. While we have not made any commitments at this time to invest in low-emission aviation fuels or propulsion types, we anticipate more of these options becoming available from 2030 onwards.

Under a "Headwinds" scenario, none of our vehicle fleets become fully electric by 2035. The NPV of our financial exposure to the cost of carbon in transport fuels between 2022 and 2035 is approximately NZD 82.1m, with a peak financial exposure of approximately NZD 13.4m in 2032, when the reduction in fuel use from the introduction of plug-in hybrid electric vehicles (PHEVs) in the passenger vehicle fleet (from 2029) begins to counteract the rising cost of carbon. Combined with the growth in aviation fuel use, the cost of carbon in 2035 remains at 86% higher than 2019 levels. By 2050, this risk is expected to have reduced from 2035 levels. However, the delay in adoption of low emission heavy vehicles and the continued use of hydrocarbons in the aircraft fleet mean that Freightways may have exposure to the risk posed by the increasing cost of carbon in transport fuels.

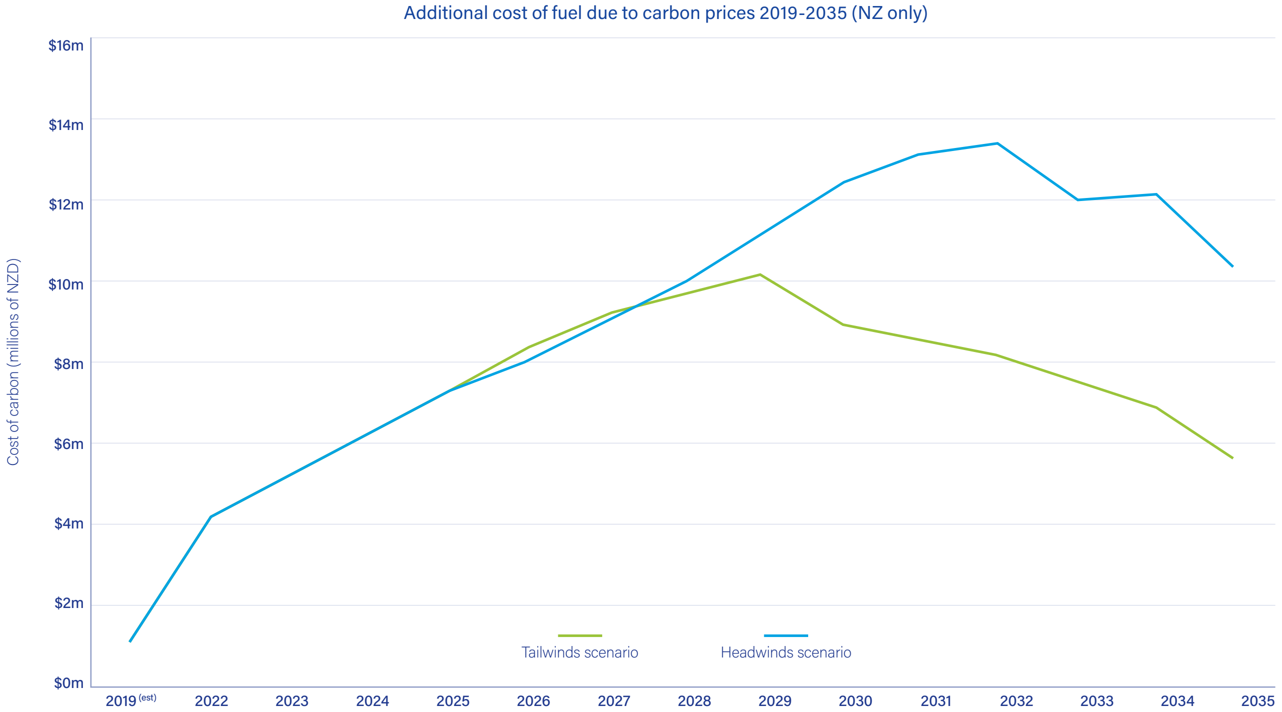
The overall financial impact of this increasing carbon cost exposure will depend on the extent to which this cost can be passed onto consumers. Freightways' ability to pass this cost on to consumers will itself depend on the impact that these higher carbon costs have on the demand for transportation services and the speed at which our competitors decarbonise their fleets.

Our transition initiatives

To help reduce this risk over time, we have several initiatives underway. Firstly, we have annual measurement and third-party assurance of our GHG emissions, which allows us to understand the trajectory of our carbon exposure year-on-year. Secondly, Freightways has developed its emissions reduction using Paris-aligned targets. This work includes planning our transition towards low emissions vehicles. Lastly, Freightways is constantly exploring ways to improve the efficiency and utilisation of our routes and service offerings.

Figure 5, to the right, shows the projected financial exposure that Freightways has to a rising cost of carbon in transport fuels. The New Zealand dollar amount represents only the carbon cost component of the cost of fuel. The remaining components embedded in the price per litre (i.e., other taxes and the cost of the fuel itself) are in addition to the amount show.

FIGURE 5: FINANCIAL IMPACTS OF CARBON CONTENT IN TRANSPORT FUELS (2019-2035). SOURCE: FREIGHTWAYS MODELLING



Climate–related disclosures

TRANSITION RISK DESCRIPTION 2: CLIMATE COMPLIANCE REQUIREMENTS IMPACT POOL OF CONTRACTOR DRIVERS

Freightways recognises the essential role that our contractor drivers play in the success of our business model and strategy. To ensure we attract and retain the best people in the freight and logistics sector, we work to offer a competitive package for our contractors. A transition to a low carbon economy has the potential to undermine this competitiveness if we do not factor in costs that a transition could bring. In particular, we understand that a low carbon economy will likely lead to higher upfront costs for contractors as they transition to low emissions vehicles.

Additionally, the projected carbon prices in New Zealand will increase fuel costs for those who continue to use fossil fuel vehicles, which may raise barriers to attracting new contractor drivers. This would limit many of our core business activities, causing delays in our services and causing reputational damage amongst our customers.

To help mitigate this risk in the future, Freightways is leveraging several initiatives. Firstly, we have designed the agreements with our contractors to incentivise fuel-efficient driving, route choice and vehicle maintenance. This helps to reduce the emission intensity of our operations and improves margins for our contractors. Having established our emissions reduction plan, we can signal to our contractors when we will require any new replacement vehicles to be low emissions to meet our reduction targets. This allows our current and future contractors to factor in the potential additional up-front cost of this transition early on in their financial planning. Finally, to support the upcoming changes to our fleet, we have been improving the remuneration rates for contractors to help them meet any higher upfront costs of transitioning to low emissions vehicles when the time comes.

Table 4, to the right, describes the climate-related opportunities that were identified, and their expected impacts on the business.

TABLE 4: CLIMATE-RELATED OPPORTUNITIES

OPPORTUNITY FOR FREIGHTWAYS	OPPORTUNITY DRIVERS	TCFD OPPORTUNITY TYPE	POTENTIAL BENEFITS	TYPE OF OPPORTUNITY ASSESSMENT	OPPORTUNITY MATERIALISATION TIMEFRAME	BUSINESS MODEL AND STRATEGY RESPONSE
1. New markets and efficiencies spring up as part of the economic transition to net zero	Increased investment and expansion of renewable, low emission, zero waste and social equity activities throughout the economy	Markets Products and Services	Market growth Market share Improved fleet utilisation Greater breadth of revenue streams	Qualitative	5 to 10 years	Ensure that our contractors are sufficiently rewarded and incentivised to be able to invest in cleaner energy vehicles
2. New offerings enhance customer relationships	Freightways being a partner in its customers' emission reduction Customer demand for greater emissions transparency Improved emissions measuring and reporting tools	Resource Efficiency Products and Services	Additional/ enhanced service offerings for customers Lower prices for freight services for customers Improved company reputation	Qualitative	5 to 10 years	Measure and reflect the environmental cost of services
3. Climate resilient transport network provides Freightways a strategic advantage	Impact of physical climate risks Customer demand for a reliable freight delivery network Investment in the resilience and adaptability of Freightways' network	Resilience	Improved reputation amongst both current and potential customers Overall business resilience against climate change	Qualitative	20 to 30 years	Invest in clean energy infrastructures and fleet

OPPORTUNITY 1: NEW MARKETS AND EFFICIENCIES

The drivers of climate change are known to extend beyond simply emissions from transport. As the world continues to invest in sustainability activities that reduce carbon emissions, we believe that there will be new markets and customers that our business can serve. For example, the rise of product stewardship and producer responsibility is increasing the need for reverse logistics. Not only will this develop new business opportunities for Freightways, but it will also support improved fleet utilisation and optimisation through a reduction in 'empty kilometres' vehicles travel. This will work to support our business strategy by strengthening our capability of striving for efficiency.

OPPORTUNITY 2: CUSTOMER GROWTH AND IMPROVED RELATIONSHIPS

Our customers are becoming increasingly aware of not just their own direct carbon emissions but the often much larger volume of indirect emissions of their suppliers and business partners. Leveraging our technology to provide customers with accurate data on the emissions embedded in their transported goods is a transition action we are already fielding requests for. As low emissions vehicles enter the fleet over the coming decade, customers will also be able to report on the reduction in indirect transportation emissions. Additionally, transitioning our fleet to low emissions, low cost-to-run vehicles could yield cost savings to our drivers and our business. As with the new markets and efficiencies opportunity, this will work to support our business strategy by strengthening our capability of striving for efficiency.

OPPORTUNITY 3 - IMPROVED COMPETITIVE ADVANTAGE

As physical climate risks become more material, the importance of a resilient transport network will grow. Through investing in our network over the coming decade, including assessing and responding to our network's vulnerabilities to physical climate change impacts, we can improve our network resilience and flexibility. This has the potential to give Freightways an advantage amongst others in our sector who do not attempt to invest in their network's resiliency. The result would likely see new customers leverage our network as they seek our reliability in the face of increase physical climate impacts. This will work to support our business strategy by strengthening our capability of delivering reliably.

Climate–related disclosures

Risk management

Freightways' process of identifying, assessing, and managing climate-related risks and opportunities takes into consideration activities occurring across its value chain. This approach requires Freightways to consider both the upstream and downstream risks of its direct operations. For example, physical risks impacting upstream infrastructure such as ports are considered due to their impact on our ability to deliver packages to our customers.

Freightways uses climate scenario analysis to support our identification and assessment of climate related risks. Climate-related risks are identified as:

PHYSICAL CLIMATE IMPACTS:

Physical climate impacts arise from extreme weather events (e.g., storm, flood, drought) or from the longer-term shifts in climate patterns (e.g., increasing temperatures). These changes may result in financial risks or opportunities due the direct and indirect impacts they can have on business operations, assets, markets or to supply chains.

TRANSITION CLIMATE PACTS:

Transition climate impacts refer to risks and opportunities resulting from the policy, legal, technology, and market changes occurring in the transition to a low carbon economy. Depending on the nature, speed, and focus of these changes, transition impacts may pose varying levels of financial and reputational risk or opportunity.

For example, the New Zealand's Ministry of Transport's *Pathway to Net Zero by 2050* document[11] sets out three themes to phase out emissions across our transport system. Table 5 below shows Freightways' actions in line with them (where applicable).

TABLE 5: PATHWAYS TO ZERO CARBON BY 2050 – INITIATIVES BY THEME

TRANSPORT SECTOR EMISSION REDUCTION THEMES		FREIGHTWAYS INITIATIVES
Theme 1 Changing the way we travel	Land-use changes; improvements to walking, cycling, and public transport networks; and demand management levers (including parking, congestion, and distance-based pricing).	N/A
Theme 2 Improving passenger vehicles	Phasing out the importation of Internal Combustion Engine (ICE) light vehicles by 2035; banning the use of all ICE light vehicles in 2050; adoption of biofuels in light vehicles and buses and electrifying the Public Transport bus fleet by 2035.	Our plan for EV uptake starts in 2024 and ramps up as availability of alternatives allow. With early action our entire fleet can be made up of low emission vehicles by 2035.
Theme 3 Supporting a more efficient freight system	Energy saving and logistic improvements (such as freight routes optimisation; freight consolidation and improved last mile efficiency); mode-shift from road freight to rail and to coastal shipping; adoption of biofuels for road freight and accelerating uptake of electric medium trucks.	Freightways have systems in place to enable optimisation, such as freight consolidation and last mile efficiency and driver training. As a consolidation business we understand the economic and environmental benefit of being resource efficient.

[11] Ministry of Transport – Transport Emissions: Pathway to Net Zero by 2050

Risk management

Climate-related risks are identified through multiple internal and external sources. These include:

INTERNAL SOURCES

- Our disaster recovery and business continuity plans assess the impacts of acute events.
- Regular reviews of critical risks assessments.

EXTERNAL SOURCES

- Our involvement in the Climate Leaders Coalition[12] and other industry groups focused on addressing climate change.
- Briefings and advice from climate change specialists.
- Reports produced by government agencies, such as the Emissions Reduction Plan and the Climate Change Commission's recommendations.

[12] https://www.climateleaderscoalition.org.nz/who/signatories/signatories/freightways

Climate–related disclosures

Risk management

LIKELIHOOD AND IMPACT

To determine the risk rating of climate-related risks, we use our general business risk matrix (Figure 6). This approach considers two variables: likelihood and impact (Table 6 and Table 7). The ratings reflect our short, medium, and long-term timeframes and the financial impact on the company; scenario analysis is also included in assessing risks. As most of our risks and opportunities assessments are currently only qualitative, we only use the likelihood rating elements. The likelihood rating produced from the assessment of each identified climate-related risk is used to determine the relative significance of all climate-related risks. Because we also use the likelihood rating as part of our determination of other risks Freightways faces, we can also determine the relative likelihood of climate-related risks in relation to other risks.

TABLE 6: FREIGHTWAYS' RISK LIKELIHOOD RATINGS

LIKELIHOOD	DEFINITION	COULD HAPPEN WITHIN:	TIME HORIZON
Very unlikely	Only expected to happen in exceptional circumstances	10 years	Long-term
Unlikely	Has been known to occur, including in other organisations	3 to 5 years	Medium-term
Possible	Has happened before within the company or the industry	1 to 2 years	Short-term
Likely	Regular occurrence within the industry or company	1 year	Short-term
Very likely	Happens with high frequency	1 month	Short-term

TABLE 7: FREIGHTWAYS' RISK IMPACT RATINGS

IMPACT	FINANCIAL IMPACT COULD > EBITA BY:	REPUTATION	H&S	COMPLIANCE
Minor	<1%	Can be ignored or managed through informal communication	Minor physical injury or emotional impact or near miss; can be managed at team level	Breach of internal policy only
Moderate	<5%	Minor but credibility/integrity of FRE questioned and requires formal response	Lost time injury less than 5 days; emotional impact requiring EAP assistance; minor increase in absenteeism or turnover	Breach of external guidelines; non-notifiable breach of privacy law; breach of administrative or non-material provision of other statute or regulation
Significant	<10%	Moderate incident that could damage FRE's reputation and lead to some media coverage	Lost time injury between 5 and 10 days, professional/medical treatment required; incident attracts some media attention; WorkSafe investigation with risk of improvement or prohibition notice	Breach of statutory or regulatory obligation; relevant regulator aware or must be notified (e.g. privacy breach requiring notification to privacy regulator)
Major	<33%	Credibility/integrity of FRE challenged with national/sustained media coverage; shareholder enquiries likely	Serious harm with hospitalization/lost time injury of more than 10 days; WorkSafe investigation with risk of prosecution/significant penalties	Breach of NZX Listing Rule or other material legislative breach with risk of financial penalty and/or restriction on operation
Catastrophic	33%+	Significant and sustained negative media coverage; requires communications to shareholders and/or NZX	Severe accident involving multiple hospitalisations/permanent disability or death; WorkSafe investigation with risk of prosecution/significant penalties	Breach of NZX Listing Rule or other material legislative breach with risk of trading suspension, high profile court proceeding, FMA/SFO investigation and/or criminal penalty

Climate–related disclosures

Risk management

RISK REGISTER

We conducted our scenario analysis in 2020, and the resulting climate risks were incorporated into Freightways' risk register. Each controlled business is required to maintain their risk register which also considers mitigation and risk trends, including climate related risks. Freightways' executive leadership team is required to reflect on each risk at least annually. A collective agreement on prioritisation follows, which informs the decisions on how to mitigate, transfer, accept or control each risk. Note that the scenario analysis and risk register will be updated prior to FY24 reporting to reflect the XRB requirement to analyse three scenarios (currently Freightways has considered two).

During our initial scenario analysis, we identified that climate risks will peak in impact beyond the upper 10-year limit of our risk assessment framework with a reasonably high degree of certainty. Therefore, it is possible that these risks may not be rated sufficiently using our current risk framework. Given this, and the fact that Freightways has acquired new businesses, we will update our risk assessment approach over the next year to review time horizons, risks and opportunities identified, and use most up-to-date scientific data.

FIGURE 6: RISK RATING MATRIX

Likelihood: probability of occurrence		5	4	3	2	1	
	Very likely	Medium	Medium	High	Very high	Very high	A
	Likely	Low	Medium	High	High	Very high	B
	Possible	Low	Medium	Medium	High	High	C
	Unlikely	Low	Low	Medium	Medium	High	D
	Very unlikely	Low	Low	Low	Medium	High	E
		Minor	Moderate	Significant	Major	Catastrophic	
		Impact when occurs (EBITA reduction)					

Metrics and targets

Freightways uses emissions data and targets to measure and assess our climate related risks, as well as emissions price. Emissions price used (NZD per tonne of CO2e) are as per Climate Change Commission's advice, set as NZD140 in 2030, NZD190 in 2040 and NZD250. Below, we outline our Scope 1, 2 and 3 emissions, and our Paris-aligned targets.

SCOPE 1, SCOPE 2, AND 3 EMISSIONS

To understand and report transparently against our emissions reduction goals, we are committed to managing and reducing our carbon footprint and have been measuring Scope 1, 2, and 3 GHG emissions since 2014 for our New Zealand operations, meeting the requirements of TOITŪ Carbonreduce^{TM} certification and ISO 14064-1:2006. Table 8 provides a summary of emissions.

Our emissions calculation approach can be found here (https://www.toitu.co.nz/our-members/members/freightways-limited). Freightways' emissions calculation uses an operational control consolidation approach and only includes fuel, electricity, and refrigerants. Emissions factors and Global Warming Potentials (GWPs) were provided by TOITŪ and reference the IPCC fifth assessment report (AR5). Remaining sources have been excluded on the basis that they are de minimis. The following business unit was excluded:

- Prior to FY22, GHG emissions below excluded Big Chill Distribution Limited and the Group's Australia operations.
- Freightways acquired Allied Express Transport Pty Limited (Allied) effective 30 September 2022. The GHG emissions below exclude Allied. Freightways intends to include Allied's GHG emissions from FY24.

TABLE 8: SUMMARY OF GHG EMISSIONS *FY23 GHG emissions data to be audited in November 2023

	BASELINE 2019	FY20	FY21	FY22	FY23*
Scope 1 (tCO2e)	3,912.34	3,679.88	4,151.34	10,083.61	11,700.31
Scope 2 (tCO2e)	873.07	825.95	802.04	4,485.67	3,549.33
Scope 3 (tCO2e)	40,277.60	46,118.74	47,483.49	71,502.15	68,271.04
Total absolute emissions (tCO2e)	45,063.01	50,624.57	52,436.87	86,071.43	83,520.68
Total emissions intensity (gross tCO2e / $Millions operating revenue)	**90.85**	**102.98**	**94.16**	**98.58**	**89.38**

EMISSIONS REDUCTION TARGETS

In FY21, we set 2030 and 2035 emission reduction targets, which were supported by a third-party consultant. We are working toward a 2030 target of 30% reduced GHG emissions and a 2035 target of 50% reduction in absolute GHG emissions from a 2019 baseline. Over 95% of our emissions come from the fuel we use in our fleet cars, our contracted courier vans and trucks, and the aircrafts we use. Freightways' efforts to achieve our targets are dependent on low emissions technology, which is not yet available to allow for meaningful progress made against the targets.

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Freightways