



The a2 Milk Company

2024 CLIMATE STATEMENT

We pioneer the future of Dairy for good

2024 CLIMATE STATEMENT

Important information for readers

This disclosure is intended to inform readers about The a2 Milk Company Limited’s (the Company, a2MC’s) climate-related governance, strategy, risk management, and metrics & targets for the financial year ended 30 June 2024. It should not be interpreted as an offer of financial products or as capital growth, earnings or any other legal, financial, tax or other advice or guidance for investors and other primary users or any other reader.

This disclosure contains forward-looking statements and information, including climate-related scenarios, climate-related risks and opportunities, projections, metrics, targets, estimates, and assumptions about future climate-related conditions.

Forward-looking statements are not facts, but rather estimates and judgements regarding possible future actions, events and results that are based on current estimates and strategies, developed using methodologies, views and assumptions currently considered by a2MC to be most suitable. They are necessarily subject to risks, limitations, uncertainties and/or assumptions and change.

Accordingly, no forward-looking statements, or other information presented in this disclosure that is based on estimates, assumptions or judgements, should be taken as a guarantee of future outcomes or performance on the part of a2MC. In particular, actual results, outcomes, risks and opportunities may materially differ from those which have been described in this disclosure due to various factors such as socioeconomic and macroeconomic trends, climate change, customer behaviour, policy, legislative and regulatory change, geopolitical risks and events, and other events or conditions that are unforeseen as at the date of publishing this disclosure.

a2MC has sought to provide accurate and correct disclosures as at the date of publication (including all relevant material information as at the date of publication that could reasonably be expected to influence decisions that primary users make on the basis of this disclosure), but readers are cautioned not to place undue reliance on the information presented in this disclosure that is forward-looking or that is otherwise based on estimates, assumptions or judgements.

Given the novel and developing nature of the information contained in this disclosure, as well as the inherent uncertainty of the subject matter, “accurate and correct” does not entail certainty of outcome. It means that a2MC has undertaken appropriate measures and implemented adequate controls such that the information presented is believed to be free from material error or misstatement and is otherwise fairly presented.

All values are expressed in New Zealand dollars unless otherwise stated.



CLIMATE RELATED DISCLOSURES

The directors of The a2 Milk Company Limited are pleased to present the first Climate Statement for The a2 Milk Company Limited and its subsidiaries (together, a2MC or the Company or the Group) for the year ended 30 June 2024, including Mataura Valley Milk Limited (MVM), which owns a purpose-built nutritional facility and in which a2MC acquired a 75% interest in 2021.

The a2 Milk Company Limited is a Climate Reporting Entity under the Financial Markets Conduct Act 2013. The directors consider this Climate Statement of the Group to have been prepared in accordance with the Aotearoa New Zealand Climate Standards (NZCS) issued by the External Reporting Board (XRB). The Company also reports on climate-related and other sustainability considerations against elements of various voluntary international frameworks, including the Sustainability Accounting Standards Board (SASB) standards, Global Reporting Initiative (GRI), the IFRS Integrated Reporting Framework, and the United Nations Sustainable Development Goals (SDGs), in its Annual Report and other ESG reporting which can be found on our website.

Since FY22, the Company has aligned its reporting suite with the recommendations of the Taskforce on Climate-Related Financial Disclosures (TCFD), and has incorporated elements of the TCFD recommendations within this statement where they cross over with the requirements in the NZCS.

In line with its goal to enhance reporting with a more comprehensive view of its ongoing efforts to create and preserve long-term value, the Company, as a Climate Reporting Entity, is committed to continuously increasing the depth and breadth of its disclosures in this area in future reporting periods.

Disclosure provisions

The Company has applied the following adoption provisions available under the NZCS in this statement:

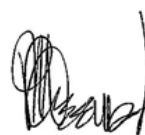
Adoption Provision 1: Current financial impacts (paragraphs 10-11 of NZCS 2) which provides an exemption in the first NSCS reporting period from the requirements to disclose the current financial impacts of its current climate-related physical and transition impacts identified.

Adoption Provision 2: Anticipated Financial Impacts (paragraphs 12-14 of NZCS 2) which provides an exemption in the first NZCS reporting period from the requirements to disclose the anticipated financial impacts of climate-related risks and opportunities, a description of the time horizons over which the anticipated financial impacts could reasonably be expected to occur, and (if relevant) an explanation as to why quantitative information cannot be disclosed.

Adoption Provision 3: Transition Planning (paragraph 15 - 16), which provides an exemption in the first NZCS reporting period from the requirements to disclose the transition plan aspects of an entity's strategy, including how its business model and strategy might change to address its climate-related risks and opportunities, and how the transition plan aspects of its strategy are aligned with its internal capital deployment and funding decision-making processes.

Adoption Provision 6: Comparatives for metrics (paragraph 20 of NZCS 2) which provides an exemption in the first reporting period from the requirement to disclose comparative information for metrics disclosed for the immediately preceding two NZCS reporting periods. The Company has disclosed some comparative information for its greenhouse gas (GHG) emissions and capital expenditure, financing and investment deployed to climate-related risks and opportunities. However, it has applied the Adoption Provision 6 exemption in relation to all other metrics disclosed in this Climate Statement.

Adopted Provision 7: Analysis of trends (paragraph 22 of NZCS 2) which provides an exemption in the first reporting period from the requirement to provide an analysis of the main trends evident from a comparison of each metric from previous reporting periods to the current reporting period. The Company has disclosed trend analysis information for its greenhouse gas (GHG) emissions. However, it has applied the Adoption Provision 6 exemption in relation to all other metrics disclosed in this Climate Statement.



Pip Greenwood
Chair

18 August 2024



David Bortolussi
Managing Director and CEO

INTRODUCTION

The a2 Milk Company's purpose is to pioneer the future of dairy for good with a vision to create an A1-free world where Dairy nourishes all people and our planet.

Embedded into a2MC's growth strategy, which was refreshed in FY21, is a 'Planet' goal to *protect our planet and cows, rethink packaging, achieve net zero and contribute to nature positive*.¹ This links to one of the Company's strategic priorities to *'invest in people and planet leadership'*, including *'taking direct action to lead the industry in GHG emissions reduction, farming practices and sustainability'*.

Climate change is a material risk for the dairy sector, as climate-related impacts on natural resources can directly impact the operations and production of the sector, and emissions from animals and farm operations can contribute to climate-related impacts. Therefore, the sector must take concerted action to manage the risks and opportunities associated with climate change and leverage innovative and regenerative practices to contribute to climate solutions for mitigation and adaptation.

Climate mitigation and adaptation are essential for building business resilience, ensuring that companies like a2MC can sustainably thrive in the face of environmental challenges and changing market needs. The Company is therefore proactively addressing the challenges posed by climate change through both mitigation and adaptation. Through comprehensive strategies and collaborative efforts, a2MC aims to build a resilient, sustainable future for the Company, ensuring long-term business viability and environmental stewardship.

The Company is committed to reducing its climate impacts. The Company's reported GHG emissions profile covers Scope 1, 2, and 3 emissions:

- The Company has set net zero GHG emissions targets for Scope 1 and 2 emissions by 2030.
- For Scope 3 GHG emissions, the Company's target is to achieve net zero by 2040, with an interim target of 30% emissions intensity reduction by 2030 (per kilogram of milk solids, from a FY21 base year). This interim intensity target reflects the Company's commitment to making meaningful progress towards the net zero target, while acknowledging the challenges presented to the dairy farming community in the short term of reducing Scope 3 emissions.

The Company has undertaken detailed assessments of its emissions across the value chain, and in FY24, Scope 1 and 2 emissions were found to represent approximately 5% of the Company's total GHG emissions, with Scope 3 representing approximately 95% of the Company's total GHG emissions.

On-farm activities represent approximately 80% of total Scope 3 GHG emissions, and off-farm activities (including third-party processing facilities, freight, warehousing, waste and water) represent approximately 20%.

The Company plans to appropriately apply a mitigation hierarchy and prioritise reductions within its operations and value chain. Scope 3 reductions will be driven through investing in value chain interventions and in-setting (that is, emissions reduction and carbon sequestration in the Company's *a2 Milk™* value chain) to pursue its target.

While the Company does not currently offset its emissions and does not have any immediate plans to do so in the short term, where residual emissions that remain after emissions reduction initiatives have been implemented cannot be further reduced due to technological, financial or other limitations, the Company will need to consider offsetting those emissions to reach net zero. The Company will disclose the use of any carbon credits for the purpose of offsetting in any future reporting periods in which this occurs.

Several key initiatives have been implemented in FY24 in progressing towards the Company's targets. The key Scope 1 and 2 emissions reduction initiative implemented in FY24 was the electrification of manufacturing operations at MVM through the installation of a high-pressure electrode boiler at its site in Gore to replace its coal-fired boiler, with co-investment from the Energy Efficiency and Conservation Authority under the New Zealand Government's Government Investment in Decarbonising Industry Fund.

Scope 3 emission reduction opportunities have also been progressed, including working closely with suppliers in New Zealand and Australia to provide farmers with funding so that they can implement more sustainable on-farm practices, such as improved manure management, optimised feed strategies, and water management practices. The Company also initiated an innovative feasibility study on a supplier farm in Victoria, Australia to learn more about the practical considerations of including a feed supplement that could reduce enteric methane in dairy cows. In FY24, the Company invested in AgriZero^{NZ}, a partnership between the New Zealand Government and other industry stakeholders to progress industry-wide opportunities and innovations relating to emissions reduction tools for methane and nitrous oxide. The Company published its first [net zero roadmap](#) in FY23, which is available in the ESG reporting library on the Company's website. In FY25, the Company will continue to develop and refine a detailed roadmap of initiatives required to achieve its Scope 1, 2 and 3 targets.

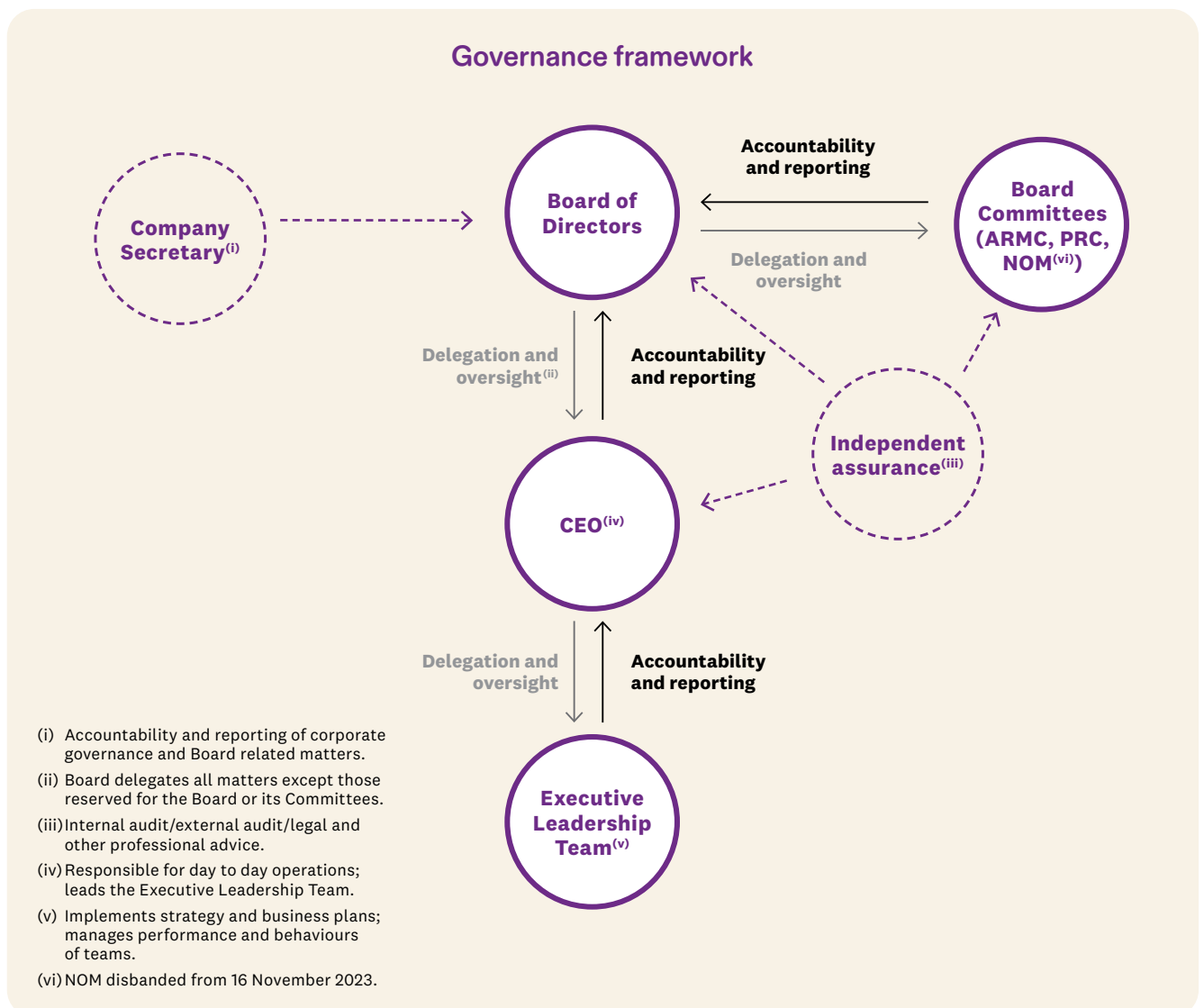
¹ a2MC investor presentation, dated 27 October 2021.

GOVERNANCE

Governance framework

The Company is committed to maintaining high standards of corporate governance. The Company’s corporate governance framework aims to ensure that directors, officers, and employees fulfil their functions responsibly, whilst protecting and enhancing the interests of shareholders. The diagram below illustrates the Company’s corporate governance framework.

For more information on the a2MC’s Corporate Governance framework, policies and charters please refer to the Company’s corporate governance section on the website. [Corporate governance – The a2 Milk Company](#)



CLIMATE GOVERNANCE

Board Responsible for overall governance of sustainability, including overseeing the Company's exposure to climate-related risks.		
Audit and Risk Management Committee Monitors performance against the Company's sustainability strategy and targets, including climate-related targets.		
Executive Leadership Team Responsible for monitoring and managing climate-related risks to the Company. Also responsible for development and management of sustainability strategy, including targets.		
Corporate Sustainability Team led by Group Head of Sustainability Responsible for day-to-day climate risk management, development and implementation of sustainability strategy, and monitoring sustainability targets.		
Supply Chain, including Farm Services Supports the Corporate Sustainability Team with management of on-farm, packaging and manufacturing-related targets and initiatives.	Group Head of Risk Supports the Corporate Sustainability Team with assessment and management of climate-related risks.	Business Units and other functions Supports with integration of climate-related risks across key business units.

Climate governance

Board oversight of climate-related risks and opportunities	<p>The a2MC Board is responsible for the overall governance and operations of the Company, guiding the Company's strategic direction, monitoring risk, and overseeing the activities of management. All issues of substance affecting the Company are considered by the Board, with advice from external advisors as required.</p> <p>The role and responsibilities of the Board are set out in the Board Charter, available on the Company's website. These include matters relating to the Company's strategic direction, financial performance, executive management, audit and risk management, business planning, corporate governance and disclosure, performance evaluation, workplace health and safety, ethical conduct, and climate risks and opportunities.</p> <p>Board responsibilities specifically related to climate include:</p> <ul style="list-style-type: none"> - Approving the Company's climate strategy, and key initiatives; - Approving the Company's non-financial measures of success, including climate and nature frameworks, metrics, commitments, targets and policies; and - Overseeing the Company's exposure to climate-related risks and opportunities, the climate resilience of the Company's strategy and business model, and climate-related implications for the Company's financial position, financial performance and cash flows. <p>The Board delegates certain functions to its Committees (Audit and Risk Management Committee (ARMC), People and Remuneration Committee and, prior to 16 November 2023, the Nominations Committee, which was disbanded at that time).</p> <p>The ARMC takes responsibility for overseeing risk management, including climate-related risks, and strategies (including those that respond to climate-related opportunities), and the Board is updated on the ARMC's proceedings following each ARMC meeting.</p> <p>The Board is also briefed on sustainability issues, including climate-related risks and opportunities, by the Executive Leadership Team (ELT) throughout the year. More detail about the information that management provides to the Board on climate is on the following page.</p>
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Climate governance (continued)

Audit and Risk Management Committee

The ARMC assists the Board in fulfilling its corporate governance and oversight responsibilities in relation to the Group's risk management and internal control systems, accounting policies and practices, sustainability and climate risk management and strategy implementation, internal and external audit functions, and corporate reporting, including climate-related disclosures and sustainability reporting.

The ARMC meets regularly throughout the year, holding meetings and workshops (FY24: six total). Under the ARMC Charter, the ARMC is required to meet at least twice per year. To ensure appropriate oversight and buy-in, all Board members have access to ARMC papers and are provided with the minutes of meetings for their review and timely decision-making.

ARMC responsibilities specifically related to climate-related risks and opportunities include:

- Reviewing the Company's climate strategy and monitoring the execution and effectiveness of initiatives against the strategy;
- Reviewing and monitoring performance against the Company's climate-related initiatives and targets (including Scope 1, 2 and 3 emissions targets);
- Overseeing management's processes for identifying, assessing, prioritising and managing the Company's climate risks and opportunities;
- Reviewing the Company's climate-related scenario analysis, including both physical and transition risks and opportunities across the specified scenarios;
- Evaluating the Company's capital allocation decisions to ensure alignment with the Company's climate targets; and
- Reviewing the Company's non-financial reporting disclosures and considering whether they are complete, consistent with information known to the Committee, comply with applicable laws and regulations, and otherwise provide a true and fair view of the position and performance of the Company.

For more details about the roles and responsibilities of the ARMC refer to the [ARMC Charter](#).

Management's role in assessing and managing climate-related risks and opportunities

The Company's Chief Legal and Sustainability Officer, a member of the Executive Leadership Team (ELT) reporting directly to the Chief Executive Officer, has responsibility for the Company's sustainability function. The Chief Legal and Sustainability Officer is responsible for reporting to the ARMC at each ARMC meeting on the Company's ESG reporting requirements (including climate-related disclosures) and progress against the Company's sustainability and climate strategy and targets.

The ELT makes recommendations to the Board in relation to climate-related risks and opportunities. Regular updates are provided to the ARMC and Board on the progress of the Group against the sustainability strategy and emissions reduction targets, including emissions reduction roadmaps. The Board then uses this information to review and consider progress against those targets and determine whether any changes need to be made to facilitate achievement of those targets.

The ELT also supports the Board's oversight of the setting, monitoring and achievement of metrics and targets for managing climate-related risks and opportunities. Regular updates are provided to the ARMC and Board on the progress of the Group against the sustainability strategy and emissions reduction targets, including emissions reduction roadmaps, and feedback is received from the Board through this engagement. The Board then uses this information to review and consider progress against those targets and determine whether any changes need to be made to facilitate achievement of those targets or whether additional targets need to be set.

The Corporate Sustainability Team is led by the Group Head of Sustainability, who reports to the Chief Legal and Sustainability Officer. The Corporate Sustainability Team is responsible for day-to-day climate risk management, development and implementation of sustainability strategies, and monitoring sustainability targets. The Corporate Sustainability Team presents updates, including about climate risks and opportunities, to the ELT regularly and to the ARMC twice a year as a minimum. This includes updates on the progress towards the Company's climate targets. As noted above, the ARMC reports back to the Board after each of its meetings.

A range of other functions within the Company support the Corporate Sustainability Team with delivery of the sustainability strategy. For example, the Farm Services team provides assistance in relation to on-farm initiatives, and the broader Supply Chain team plays an important role in engaging with third party manufacturers and suppliers, including through procurement.

The Risk function supports the Corporate Sustainability Team with assessment of climate and nature-related risks. These risks are then reflected in the Company's risk management register and risk control and monitoring programme. For further information in relation to a2MC's processes for identifying, assessing and managing climate-related risks, please refer to pages 18 to 19.

The Company monitors, tracks and discloses progress on emissions reduction targets within its Annual Report. The Chief Executive Officer, Chief Financial Officer, and Chief Legal and Sustainability Officer contribute to technical aspects of the Company's climate-related disclosures, including scenario analysis.

The ELT reviews and presents broader sustainability-related disclosures, including the Company's climate reporting requirements, to the Board as part of the Annual Reporting process and is responsible for evaluating and reporting to the Board the climate impact of the Company's strategic priorities, including how various business decisions might affect the Company's emissions reduction targets and climate risk exposure.

Climate governance (continued)

Board climate capabilities and understanding

The Board is comprised of directors with a diverse range of skills, experience and backgrounds to support the effective governance and robust decision-making of the Company. Annually, directors are assessed as having 'high capability' or 'medium capability' in skills outlined in the Board skills matrix. One defined capability is 'Environment and Social', which assesses directors' understanding and experience in sustainable practices to manage the impact of business operations on the environment and community and assess and manage climate and nature risks and opportunities. Directors provide initial self-assessment ratings, which are then reviewed by the Board each year. In FY24, 1/6 Board members noted a high level of capability in relation to Environment and Social, and 3/6 of Board members noted a medium level of capability. If any skills are not directly represented on the Board at 'medium capability' or above, they are supplemented through management and external advisors. The Board will continue to develop its climate-related expertise in the future.

The Board also leverages expertise from the ELT and the Corporate Sustainability Team.

For more details, refer to the skills matrix in a2MC's [2024 Annual Report here](#).

Management remuneration linked to climate-related risks and opportunities

Members of the ELT and selected other senior team members are eligible to participate in the Company's short-term incentive (STI) plan. Allocation of STIs is based on a balanced scorecard, which incorporates both financial and non-financial measures. The non-financial measures include measures linked to the Company's 'Planet' goal in its growth strategy, which make up 5% of the total scorecard. These measures include monitored and reported progress on Scope 3 GHG emissions reduction targets.



STRATEGY

Current business model and strategy

The Company produces a portfolio of products made with milk from specially selected cows that naturally produce milk containing only A2-type beta-casein protein and no A1.

These products include fresh milk, ultra-heat treatment (UHT) milk, extended shelf life (ESL) milk, infant milk formula (IMF), plain milk powders (including instant whole and skim milk powder), fortified milk powders providing nutrition for infants, children, adults, pregnant women and seniors and other dairy nutritional products primarily for the China, Australia, New Zealand and North America markets. Complementing its own fresh milk and nutritional production capability, the Company works closely with its partner processing suppliers and farming community to maintain a reliable and responsible sourcing and manufacturing supply chain. The Company believes this is critical to long-term success. The Company's primary business activities are:

- China and Other Asia: Sales of China label and English label IMF, liquid milk and other nutritional products in offline stores and domestic and cross-border e-commerce channels.
- Australia and New Zealand: Sales of English label IMF, plain and fortified milk powders for children, adults and pregnant women through reseller and retail channels, and sales of liquid milk across Australian and New Zealand retail channels. It is understood that the majority of the infant milk formula and milk powder sales to customers in ANZ are ultimately consumed in China.
- North America: Sales of liquid milk, IMF and other nutritional products in the United States of America and liquid milk in Canada.
- Matura Valley Milk: Production of nutritional and ingredient products for a2MC and other external customers in overseas markets.

The strategic priorities are:

- Invest in people and planet leadership
- Capture full potential in China Infant Milk Formula
- Ramp-up product innovation
- Transform our supply chain
- Accelerate path to profitability in USA and Matura Valley Milk

The Company has identified the key climate-related risks and opportunities to the strategy and business model using climate-related scenario analysis. In addition to scenario analysis, the Company has also considered its current climate-related impacts. While these processes will be refined further in future years, the Company also seeks to be transparent about current processes and vulnerabilities.

Description of current climate-related impacts

In FY24, the Company did not itself experience material physical or transitional climate-related impacts. However, there were climate-related impacts in its value chain, some examples of which are outlined below.

New Zealand

Physical impact (drought): A medium-scale adverse event was declared in Canterbury and Otago due to drought conditions in March 2024. While this did not directly affect the ability to meet demand for milk supply, the drought affected the growth and overall yield of fodder crops. Low water levels led to prolonged irrigation restrictions, and low feed levels resulted in financial impacts on farmers, who had to feed out winter supplementary feed early or invest in purchasing extra supplementary feed.

Australia

Physical impact (drought): Southwest Western Australia faced drought conditions from May 2023 to October 2023, resulting in an increased reliance on supplementary feeding and a reduction in crop yields. This weather pattern significantly affected the farms in the region financially as the demand for fodder and grain increased.

The Company has chosen to utilise Adoption Provision 1: Current financial impacts (paragraphs 10-11 of NZCS 2) which provides an exemption in the first year of NZCS reporting from the requirements to disclose the current financial impacts of its physical and transition impacts identified.

Scenario analysis undertaken

Scenario analysis is the process of exploring how an entity might perform under a range of plausible futures. In a world of uncertainty, scenario analysis is meant to challenge 'business as usual' assumptions. Climate-related scenario analysis does not predict the future, but rather provides a range of hypothetical outcomes to enable an entity to better assess how physical and transition risks and opportunities associated with climate change could impact its operations. This understanding can then be incorporated into decision making and business strategy.

Scenario analysis, as described below, was undertaken in FY24 across the Group to increase the Company's understanding of climate-related risks and opportunities for the a2MC business model and strategy.

The scenario analysis outputs are owned by the Corporate Sustainability Team which engages with other internal stakeholders, including finance, supply chain and risk. External stakeholders were not involved in this year's scenario analysis, but the Company will consider the role external stakeholders might play in future reporting years. In FY24 the findings of the analysis were presented to and discussed with the Managing Director and Chief Executive Officer, Chief Financial Officer and Chief Legal and Sustainability Officer, such that the findings can be considered in future decision making. An external consultant (Pollination) provided assistance in the development of the climate-related scenarios and the scenario analysis undertaken.

The governance process used to oversee and manage the scenario analysis process involved initial oversight of management's processes from the ARMC which reviewed the climate-related scenario analysis carried out by management. The Board received updates from the ARMC and ultimately approved this Climate Statement.

Scenario analysis is currently a standalone exercise that is not yet integrated within the Company's strategy processes. Future scenario analysis will be a consideration as the Company's long-term strategy and risk management processes evolve.

Whilst climate-related risks across the entire value chain are considered from a strategy and risk management perspective, the scenario analysis exercise only covers on-farm milk production and product processing facilities (both within and outside of a2MC's operational control) across all material geographies including New Zealand, Australia and the US.

The analysis does not include non-milk ingredients or packaging. These segments of the value chain are excluded from the FY24 analysis, which instead focuses on areas where the Company has more direct influence. As the Company continues to develop and enhance its climate-related disclosures and net zero strategy in the coming years, it expects to expand the boundary of the analysis to capture more segments that may have potential climate-related risks and/or opportunities relevant to a2MC's business model and strategy.

More information about where scenario analysis fits into the Company's risk management framework and the process by which scenario analysis was undertaken in FY24 is set out in the Risk section below.

The following three climate-related scenarios were developed to illustrate a wide range of climate-related risks and opportunities which might impact the Company over different time horizons and warming scenarios:

- Low emissions pathway, 1.5°C;
- Medium emissions pathway, 2°C; and
- High emissions pathway, >3°C.

Data sources

The scenarios were selected and tailored specifically to the Company after guidance from the Intergovernmental Panel on Climate Change's (IPCC) combined Shared Socioeconomic Pathways (SSPs) and Representative Concentration Pathways (RCPs), the International Energy Agency (IEA), Global Energy and Climate Model Scenarios and the New Zealand Aotearoa Circle Agri Sector Climate Change Scenarios ([Aotearoa Circle](#)). The specific data sets from these sources are referred to within each scenario below.

Subsequent carbon price pathways and tailored considerations of relevant on-farm and processing impacts under each scenario were modelled specifically for the Company.

The Company believes that this process has produced climate-related scenarios that are appropriate to its assessment of the resilience of its business model to climate-related risks and opportunities.

The external datasets used were sourced from MunichRe Climate Change subscription for physical risk data (an overview of the data service is provided [here](#)) and the IEA scenarios for transition risk.

Modelling

The climate-related scenarios were informed by location based modelling so as to cover all material geographies. For information relating to the modelling undertaken for the Company's scenario analysis exercise, refer to the Risk Management section of this disclosure.

Relationship to sector scenarios

The developed scenarios draw strongly from the Agri Circle Sector Scenarios developed by the Aotearoa Circle. These are the most highly relevant public scenarios as the relevant New Zealand initiative to support company climate disclosures in the agricultural sector. The Aotearoa Circle is a voluntary initiative which brings together leaders from the public and private sectors ([Aotearoa Circle](#)). Each internal scenario is therefore mapped to the Agri Circle scenario it is consistent with.

Scenario one – Low emissions pathway

1.5°C increase by the year 2100

Scenario description	Key features	Overview
Low emissions pathway (temperature rise limited to 1.5°C)	In this scenario, there is climate action sufficient to meet international goals including the Paris Agreement goals, with an immediate low carbon policy environment supported by technology innovation which limits physical climate change impacts. This is achieved through rapid and often disruptive transitioning to a lower-carbon economy through extensive policy, legal, technology, and market changes, that pose varying levels of financial and reputational risk to organisations that are unprepared.	
Transition dataset International Energy Agency (IEA) Net Zero by 2050 Scenario (NZE) (IEA) Physical dataset For the Physical Risk modelling, data from SSP1 – RCP2.6 ¹ is used via MunichRe physical risk subscription data as described here	Policy assumptions	Policy action to reduce emissions are implemented immediately or in the near term. The global ambition, particularly for the larger OECD economies, is to reach net zero emissions by 2050, to limit warming to 1.5°C. Government action is planned and swift.
	Carbon Pricing	Carbon prices rise rapidly, and this impacts costs for companies through multiple transmission mechanisms. It is expected that to keep emissions below 1.5°C or even 2°C above pre-industrial levels, Scope 3 emissions will be priced either at source or at consumption, which may also increase costs for the Company.
	Socioeconomic assumptions	Emphasis on the UN Sustainable Development Goals (SDGs) led to widespread social 'impact' investment, resulting in reduced inequalities across the world. Initiatives to scale up biodiversity and water protection, plus carbon sequestration have strengthened rural communities and driven an increase in jobs and overall wellbeing. There has been a widespread shift towards healthy and sustainable diets that include a diverse range of proteins, but proteins from alternative sources predominate. Consumers are increasingly seeking local produce with environmental labelling and provenance stories that embed sustainability.
	Macroeconomic trends	A gradual re-prioritisation of economic goals has occurred so that focus has shifted to broader human and planetary wellbeing. Measures of corporate, national, and global success now include social, environmental and cultural indicators that better reflect quality of life. New trade rules have emerged to drive emissions reductions.
	Sustainable technology assumptions (including negative emissions technology) and carbon sequestration	Technology change is fast. Research and development into innovative technologies that reduce the material carbon footprint, enhance food security, and increase the efficiency of food production is prioritised. There is widespread use of carbon capture and storage (CCS) globally, though only a few cases in New Zealand. Pine and native forestry grows strongly, with biodiversity protection a key criteria for approval of new forests.
	Climate and weather	There are some acute weather events causing physical impacts, in respect of some of which the supply chain for the Company is already experiencing (see Current Impacts section), but these impacts are more limited relative to warmer scenarios.
	Buildings	Building standards have been implemented that mandate the use of sustainable materials and construction methods in NZ, Australia and the USA. New buildings must be carbon-neutral and old buildings have been retro-fitted with efficient heating and cooling systems.
	Transport	Since 2032, all new light vehicles entering in NZ, Australia and the US have been electric, and integrated transport systems, including walking, cycling and public transport are common in urban areas.
	Energy pathways	Energy supply is mostly decarbonised, with 98% of electricity from renewable sources, and 89% of total energy from renewable sources, across NZ, Australia and the USA.
	Land use	Large areas of land have been protected to reverse ecosystem decline. Iwi/Māori have a strong voice in what happens to the land in their local area.
Relevant with Aotearoa Circle Agri Sector scenario	Orderly: Net Zero 2050 (Tū-ā-pae).	
Agri Circle Sector description	This scenario represents a world defined by a smooth transition to net zero CO ₂ (equivalent) by 2050. Global warming is limited to 1.5°C through stringent climate policies and innovation. Tū-ā-pae assumes climate policies are introduced immediately and become gradually more stringent as 2050 looms. Both physical and transition risks are relatively subdued. Achieving net zero by 2050 reflects an ambitious mitigation scenario.	

1 Note: RCP1.9 is the most stringent mitigation scenario in which carbon dioxide emissions decline to net zero relatively quickly. It reflects a world in which warming is limited to around 1.5°C. Unfortunately there is no downscaled climate data for New Zealand for RCP1.9, so RCP2.6 was used. RCP2.6 is also a stringent mitigation scenario in which warming is limited to around 1.7°C, so the physical impacts of climate change are likely to be similar. The RCP2.6 dataset was therefore selected. This is in line with approach taken by the Aotearoa Circle Agri Sector guidance (refer to page 55 Aotearoa Circle Agricultural Scenarios) and therefore is still appropriate to use for the Low Emissions scenario. Where data from RCP2.6 was missing, data was interpolated between today's scores and RCP4.5 to generate an estimated RCP2.6 result. Both of these approaches generate results which are more conservative for stating physical risk and therefore this approach is considered appropriate for this scenario.

Scenario two – Medium emissions pathway

2°C increase by the year 2100

Scenario description	Key features	Overview
Medium emissions pathway (temperature rise limited to 2°C)	In this scenario, climate action is taken to limit global warming but with slower coordination and investment than a low emissions pathway scenario. This sees significant, though less rapid, transition towards a lower-carbon economy driven by the fulfilment of national climate pledges.	
Transition dataset International Energy Agency (IEA) Announced Pledges Scenario (APS)	Policy assumptions Policy action to reduce emissions is delayed. Emissions do not decrease until 2030. Strong policies are eventually needed to limit warming to below 2°C. Government action is delayed and disruptive.	
	Carbon Pricing Carbon prices still rise significantly, and unprepared organisations may still face considerable financial and reputational risks.	
Physical dataset For the Physical Risk modelling, data from SSP2 – RCP4.5 is used via MunichRe physical risk subscription data as described here	Socioeconomic assumptions Rural communities have had mixed experiences over the past two decades. Urbanisation has increased as smart cities began to emerge, making them desirable places to live. Strong policy incentivising carbon sequestration has led to significant forest growth in rural areas with displaced agricultural sector workers. This has also caused erosion of rural communities, services, and amenities. Global demand for cheap sources of protein has risen as the global population increases and food security becomes a priority, particularly in Asia and Africa. However, strong mitigation policy means that demand for low-footprint products has increased since the mid-2030s. Consumers are wanting to buy locally grown, or locally sourced products which are either fresh or lab-grown. A growing market emerges for sustainable, indigenous products.	
	Macroeconomic trends Markets are well connected generally, but some countries have introduced trade barriers to drive emissions reductions at pace. Countries that are not playing their part in the transition face higher trade barriers on global markets. Export markets have shrunk as a result. Nationalist policies emerge with a general desire to source goods and services produced locally to reduce emissions.	
	Sustainable technology assumptions (including negative emissions technology) and carbon sequestration Technology change is moderate, beginning slower then accelerating into the 2030s, with regional discrepancies. The rising price of food leading to food insecurity means the focus is on producing cheaper proteins from a more diverse range of sources. Focus on emissions reductions leads to large areas of pine monocultures. Rushed and costly global push for more CCS tech, though not really seen in NZ.	
	Climate and weather Physical impacts such as heat stress, drought and flooding which impact feed availability and milk production are still significant under this scenario. However, they are not as extreme as under the high emissions pathway.	
	Buildings Sustainable building standards in NZ, Australia and the USA are introduced in the 2030s. The costs of retrofitting existing buildings remains high, so only buildings new since 2035 are fitted out with low emissions in mind.	
	Transport After a delay, all new light vehicles in NZ, Australia and the USA have been electric since 2040, but private car ownership has declined. Buses and trains are decarbonising quickly.	
	Energy pathways 76% of total energy consumed is renewable across NZ, Australia and the USA.	
	Land use There is no national strategy for land use. Since 2030, some areas have been rewilded as unsustainable farms have gone out of business.	
	Relevant with Aotearoa Circle Agri Sector scenario Disorderly: 2°C (Tū-ā-hopo).	
	Agri Circle Sector description The Tū-ā-hopo scenario represents a world with little policy action until after 2030 after which strong, rapid action is implemented to limit warming to 2°C above pre-industrial levels. In Tū-ā-hopo, countries and territories use fossil-fuel heavy policies to recover from COVID-19, so emissions increase, and nationally determined contributions are not met. It is only after 2030 that new climate change policies are introduced, but not all countries take equal action. Consequently, physical and transition risks are higher. This is a costly and disruptive transition.	

Scenario three – High emissions pathway

>3°C increase by the year 2100

Scenario description	Key features	Overview
High emissions pathway, temperature rise of >3°C.	In this scenario physical climate impacts such as heat stress, drought and flooding become more frequent and intense. These impacts significantly affect vulnerable communities, global supply chains and drive operational disruption across economically productive assets, resulting in stranded assets in highly exposed regions.	
<p>Transition dataset</p> <p>International Energy Agency (IEA) Stated Policies Scenario (STEPS) (IEA STEPS)</p> <p>Physical dataset</p> <p>For the Physical Risk modelling, data from SSP5 – RCP8.5 is used via MunichRe physical risk subscription data as described here</p>	Policy assumptions	No policy changes to reduce emissions. Only currently implemented policies are maintained. Weakened direction on climate action as governments detract from mitigation. Adaptation becomes prioritised in the long term.
	Carbon Pricing	Carbon pricing costs are not as prominent in this scenario.
	Socioeconomic assumptions	Many rural communities with low adaptive capacity have been devastated by physical climate change. More people are moving to the cities where the focus of transformative adaptation is centred. Food production suffers as rural communities decline, and this exacerbates global food insecurity. Consumption of animal products has continued to increase since the 2020s. There is an increased demand for cheap protein to feed a growing population, while the consumption of plant-based foods is driven by health and wellbeing rather than climate.
	Macroeconomic trends	Economic growth is still prioritised by governments and is strong, driven by the exploitation of fossil fuel and other natural resources. Investment in education and healthcare has improved quality of life for some developing countries.
	Sustainable technology assumptions (including negative emissions technology) and carbon sequestration	Technology change is slow. The push for economic growth and increased productivity has pushed businesses and governments to innovate in more efficient energy technology and storage, but with slow mitigation technology progress. Little use of CCS globally. Pines continue to be planted for timber, but native forestry is not incentivised.
	Climate and weather	Large impacts on milk production caused by chronic weather events such as drought and heat stress, impacting feed availability and milk production and acute weather events such as extreme flooding impacting feed availability and milk production.
	Buildings	Building standards prioritise resilience to physical impacts rather than sustainability. Coal and gas boilers remain common and construction waste is high.
	Transport	There are still internal combustion engine vehicles entering the country in 2050. Roads have been upgraded to accommodate more vehicles and public transport is not prioritised.
	Energy pathways	Renewable sources provide 46% of total consumed energy across NZ, Australia and the USA.
	Land use	Land use continues to go to those who can derive the greatest profits from it. Urban sprawl ensues and livestock agriculture remains widespread.
Relevant with Aotearoa Circle Agri Sector scenario	Hot house: (Tū-ā-tapape).	
Agri Circle Sector description	The Tū-ā-tapape scenario describes a world in which emissions continue to rise unabated as no additional climate change policies are introduced. Fossil fuel use continues to increase, and so global CO ₂ emissions continue to rise and warming is expected to reach 3°C higher by 2080. The physical impacts of climate change are severe in Tū-ā-tapape. There are irreversible changes such as ice sheet loss and sea level rise.	

While these scenarios are hypothetical constructs and are not designed to deliver precise outcomes or forecasts, the analysis will assist the Company with strategic planning, including its plan to further develop a refined roadmap outlining the initiatives required to achieve Scope 1, 2 and 3 targets.

Description of the climate-related risks and opportunities identified over the short, medium and long term

The Company used the scenario analysis, alongside the Company's strategy and current operating model, to consider climate-related risks and opportunities over the short, medium and long-term horizons (refer to page 18 for a description of the specific time horizons used for climate-related risks and opportunities identification and further detail on how those time horizons link to a2MC strategic planning horizons and capital deployment plans).

In a low emissions pathway and medium emissions pathway, there is a climate-related transition opportunity to differentiate as a leader in sustainable dairy. There are no identified climate-related transition opportunities in a high emissions pathway scenario.

The Company has identified a range of climate-related risks and opportunities which are relevant to a2MC's business, strategy and financial planning. Set out in the table below is an overview of the identified risks and opportunities of moderate to high impact on the basis that these are assessed as the material risks and opportunities, together with a2MC's current or proposed efforts to mitigate these risks and/or leverage these opportunities.

The Company has not disclosed anticipated financial impacts of risks and opportunities in reliance on Adoption Provision 2: Anticipated Financial Impacts (paragraphs 12-14 of NZ CS 2) in this first year of reporting. This provides an exemption from the requirements to disclose the anticipated financial impacts of climate-related risks and opportunities, a description of the time horizons over which the anticipated financial impacts could reasonably be expected to occur, and (if relevant) an explanation as to why quantitative information cannot be disclosed.



Scenario output

Scenario 1 – Low emissions pathway

IMPACT AREA	IMPACT OVERVIEW	a2MC RESPONSE
<p>SUPPLIERS, MANUFACTURING AND SALE Increasing climate regulation and controls</p> <p>RISK OR OPPORTUNITY Risk (transition)</p> <p>TIMEFRAME Short term Medium term</p>	<p>High likelihood of an increase in carbon price or liabilities under existing or future climate legislation (e.g. New Zealand Emissions Trading Scheme (ETS), Australia Safeguard Mechanism – which requires Australia’s highest GHG emitting facilities to reduce their emissions in line with Australia’s national emission reduction targets) which could result in increased operational costs or impacts to supplier operations. This impact is across all relevant covered geographies (New Zealand, Australia and USA).</p> <p>If production-related emissions are priced, it may indirectly affect the business due to ETS costs being passed through to the Company from suppliers.</p>	<p>Investments in reducing Scope 1 and 2 emissions have already lowered short-term risks from current carbon price impacts related to operational emissions.</p> <p>To mitigate exposure to carbon tax on Scope 3 emissions, the Company must continue tracking against its net zero targets. This includes early-stage decarbonisation efforts such as methane reduction studies, environmental research, supporting farmers through the <i>a2™ Farm Sustainability Fund</i> and the Company’s investment in AgriZero^{NZ}.</p> <p>Additional initiatives will need to be assessed and invested in to fully mitigate this risk. In particular, mitigation is reliant on the successful implementation of novel technology development, which is not certain to be achieved.</p>
<p>RESEARCH AND DEVELOPMENT, MARKET ACCESS Customer demand for low carbon products</p> <p>RISK OR OPPORTUNITY Risk and opportunity (transition)</p> <p>TIMEFRAME Short term Medium term</p>	<p>Consumer preference is likely to shift towards low-carbon products as a result of the real or even perceived emissions intensity of natural dairy. This could impact a2MC’s market access, especially with climate-related policies like carbon border adjustments, which may increase operational costs or limit market access. These impacts are across all relevant covered geographies (New Zealand, Australia and USA).</p> <p>Opportunity to differentiate as a leader in sustainable dairy.</p>	<p>The Company is committed to reducing emissions within its value chain and is conducting ongoing research and development. Early efforts include methane reduction studies, research partnerships, the <i>a2™ Farm Sustainability Fund</i> to support sustainable agriculture practices and the Company’s investment in AgriZero^{NZ}.</p> <p>These initiatives are in their infancy, and the Company depends on external factors such as technological advancements for scalability, viability, as well as the appropriate regulatory approvals.</p> <p>Despite these challenges, the Company views this as an opportunity to lead the dairy sector in low-emission nutrition when compared to competitors, potentially mitigating risks of market share and revenue decline due to shifting consumer preferences.</p>
<p>SUPPLY CHAINS Increase in chronic¹ weather impacts</p> <p>RISK OR OPPORTUNITY Risk (physical)</p> <p>TIMEFRAME Long term</p>	<p>An increase in chronic weather events (at lower level than the other scenarios), including drought and heat stress, is likely to impact the Australian supply chain over the long term (15+ years).</p>	<p>The Company regularly assesses milk pool diversification to mitigate supply shock risks and maintain regional buffers. It also collaborates with farms on animal heat stress management, including milk shed upgrades and providing adequate shade.</p>

¹ In each table, chronic heat stress risk and drought are combined into a single category due to their similar impacts, including the geographical areas most affected. However, the Company acknowledges that these are distinct risks.

Scenario 2 – Medium emissions pathway

IMPACT AREA	IMPACT OVERVIEW	a2MC RESPONSE
<p>SUPPLIERS, MANUFACTURING AND SALE Increasing climate regulation and controls</p> <p>RISK OR OPPORTUNITY Risk (transition)</p> <p>TIMEFRAME Medium term</p>	<p>Rising carbon prices or liabilities as described in scenario one (but felt at a more moderate level than scenario one). These effects will likely be felt in the medium term, over a period of 5 to 15 years. These impacts are across all relevant covered geographies (New Zealand, Australia and USA).</p>	<p>Since the Company should have achieved its Scope 1 and 2 net zero targets, the primary focus will shift to Scope 3 emissions.</p> <p>To mitigate exposure to carbon tax on Scope 3 emissions, the Company must continue tracking its net zero targets (details in Scenario One).</p> <p>To fully address this risk, additional initiatives, including the development and investment in novel technologies, will need to be assessed. Although the risk is lower in the 2°C scenario due to the extended timeline, it still depends on external uncertainties. Refer to scenario one for uncertainties.</p>
<p>RESEARCH AND DEVELOPMENT, MARKET ACCESS Customer demand for low carbon products</p> <p>RISK OR OPPORTUNITY Risk and opportunity (transition)</p> <p>TIMEFRAME Medium term</p>	<p>Consumer preference may shift towards low-carbon products as described in scenario one (but felt at a more moderate level than scenario one). This may impact a2MC's market access in the medium term, over a period of 5 to 15 years.</p> <p>Opportunity to differentiate as a leader in sustainable dairy. These impacts are across all relevant covered geographies (New Zealand, Australia and USA).</p>	<p>Expand on early decarbonisation efforts (refer to scenario one for detail). These initiatives are currently in their infancy, and the outcomes may still depend on external factors such as advancements for scalability, viability, as well as the appropriate regulatory approvals.</p> <p>Despite these challenges, the Company views this as an opportunity to lead the dairy sector in low-emission nutrition, potentially mitigating risks of market share and revenue decline due to shifting consumer preferences.</p>
<p>SUPPLY CHAINS Increase in chronic¹ weather impacts</p> <p>RISK OR OPPORTUNITY Risk (physical)</p> <p>TIMEFRAME Medium term</p>	<p>Meaningful increase in chronic weather events related to both temperature-humidity index (THI) and drought, impacting the Australian supply chain over the medium term.</p>	<p>The Company regularly assesses milk pool diversification to mitigate supply shock risks and maintain regional buffers. It also collaborates with farms on animal heat stress management, including milk shed upgrades and providing adequate shade.</p>

¹ In each table, chronic heat stress risk and drought are combined into a single category due to their similar impacts, including the geographical areas most affected. However, the Company acknowledges that these are distinct risks.

Scenario 3 – High emissions pathway

IMPACT AREA	IMPACT OVERVIEW	a2MC RESPONSE
<p>MILK SUPPLY Increase in chronic¹ weather impacts</p> <p>RISK OR OPPORTUNITY Risk (physical)</p> <p>TIMEFRAME Medium term Long term</p>	<p>Material increase in chronic weather events related both to temperature-humidity index (THI) and drought. Impacting supply chains in Australia, the USA and parts of New Zealand. Higher THI rates lead to reduced milk production in cows, especially in regions experiencing extreme heat and humidity. Lack of shade or shelter exacerbates this impact.</p> <p>Reduced water availability on-farm compromises pasture growth, affecting milk production. Furthermore, water shortages may also affect processing capacity.</p> <p>These on-farm challenges may result in compromised business continuity, reduced production, and increased operational costs or complexity for the Company.</p>	<p>The Company regularly assesses milk pool diversification to mitigate supply shock risks and maintain regional buffers. It also collaborates with farms on animal heat stress management, including milk shed upgrades and providing adequate shade.</p> <p>Additionally, the Company partners with supplying farms on drought management activities, including herd management, feed sourcing and budgeting.</p> <p>In New Zealand and Australia, these mitigation actions can be further supported by the <i>a2™ Farm Sustainability Fund</i>, which helps farmers enhance on-farm resilience.</p>
<p>SUPPLY CHAINS Acute weather impacts</p> <p>RISK OR OPPORTUNITY Risk and opportunity (physical)</p> <p>TIMEFRAME Medium term</p>	<p>Increased acute adverse weather events, particularly in New Zealand. Including storms and floods, which may result in farm damage/ disruption, loss of productivity, decreased milk supply, or compromised milk quality. The Company may also face impacts on processing operations from acute weather events including damage to infrastructure compromising milk collection and processing or access to energy, or distribution of products.</p> <p>The scenario analysis indicated that some locations in New Zealand may be less impacted by flood risk. This represents an opportunity for the Company to be less impacted by acute weather events relative to competitors, due to the strategic locations of the Company's suppliers and the extra supply buffers in its milk pools.</p>	<p>The Company regularly assesses milk pool diversification to mitigate supply shock risks and maintain regional buffers.</p> <p>The Company works with supplying farms on flood management activities such as infrastructure improvements and natural flood management interventions.</p> <p>In New Zealand and Australia, this is also supported through the <i>a2™ Farm Sustainability Fund</i> which supports farmers in enhancing on-farm resilience.</p> <p>In addition, the Company provides farmers with ad hoc crisis support following weather-related events. This support is a one-time payment designed to assist farmers in their recovery.</p>

¹ In each table, chronic heat stress risk and drought are combined into a single category due to their similar impacts, including the geographical areas most affected. However, the Company acknowledges that these are distinct risks.

The impacts of climate risks and opportunities identified over the short, medium and long term

Risk	Product Line	LOW EMISSIONS PATHWAY		MEDIUM EMISSIONS PATHWAY		HIGH EMISSIONS PATHWAY	
		Impact level	Time Horizon ¹	Impact Level	Time Horizon	Impact Level	Time Horizon ¹
Physical: Acute Weather Events	Powder and Liquid Milk	Low	Long	Low	Long	Moderate	Medium to long term
Physical: Chronic Heat Stress	Powder and Liquid Milk	Moderate	Long	High	Medium	High	Medium
Physical: Chronic Drought Impacts	Powder and Liquid Milk	Moderate	Long	High	Medium	High	Medium
Transition: Regulatory	Powder and Liquid Milk	High	Short	High	Medium	Low	Long
Transition: Market	Powder and Liquid Milk	High	Short	Moderate	Medium	Low	Long
Transition: Differentiation as a leader in sustainable dairy	Powder and Liquid Milk	High	Medium to long term	High	Medium to long term		N/A – limited opportunity under high emissions

¹ Short-term is defined as up to 5 years, medium term is 5 to 15 years, and long term is 15+ years.

Developing a climate-resilient business model (transition planning)

The Company acknowledges that climate change poses a significant risk to the dairy sector. Climate-related impacts on natural resources can directly affect the sector's operations and production, while emissions from animals and farm activities contribute to these climate challenges. To proactively address these challenges, the Company aims to build a resilient and sustainable future. This approach demonstrates environmental stewardship and ensures long-term business viability.

Recognising that climate change presents both risks and opportunities, the Company will continuously monitor and review its impacts on the business. This includes assessing the associated risks and opportunities to navigate the uncertainties effectively. The Company has chosen to utilise Adoption Provision 3: Transition Planning (paragraph 15 and 16) in its first year of reporting. This decision allows time for considering the output of further financial analysis, including modelling, related to the anticipated financial impacts of identified climate-related risks and opportunities.

Capital deployment and funding decision making

The Company considers climate-related risks and opportunities when making decisions regarding capital deployment and funding. It focuses on both transition and physical risks when making these decisions.

Working towards and ultimately achieving net zero targets mitigates transition risks. The Company invested \$16 million and is decommissioning its coal-fired boiler with an electrode boiler at MVM, powered by 100% renewable energy¹, which is expected to reduce Scope 1 emissions by approximately 98%, from a FY21 base year. Additionally, in FY24 the Company invested \$3.5 million in AgriZero^{NZ} to help farmers reduce on-farm emissions. Such emissions make up approximately 80% of the Company's Scope 3 emissions.

To mitigate physical risks, the Company supports farmers in reducing their on-farm impact through the *a2TM Farm Sustainability Fund*. This fund helps farmers enhance their resilience and promotes sustainable agriculture practices. The Company also collaborates with farmers and invests in initiatives such as methane reduction studies and research partnerships. To mitigate risks to manufacturing facilities, the Company continues to invest in various strategic partnerships.

¹ MVM purchases Meridian's Certified Renewable Energy product to enable it to match the amount of electricity it uses on an annual basis with an equivalent amount of electricity put into the national grid from one of Meridian's hydro stations or wind farms (which have been independently verified as producing 100% renewable electricity).

RISK MANAGEMENT

A description of the Company's processes for identifying, assessing and managing climate-related risks, and how they are integrated into its overall risk management processes

The Company recognises that effective risk management anticipates and strategises for risks, enabling the Company to capitalise on opportunities, which is crucial for long-term value creation.

The Company's risk management approach follows ISO 31000 principles, ensuring robust processes and allowing the Board to make balanced assessments. Financial and non-financial risks are identified, assessed, and monitored through a risk register, with regular workshops with senior management and the ARMC. Mitigating actions and controls are designed to reduce the likelihood and impact of key risks.

The Company's Risk Management Policy is available at www.thea2milkcompany.com/corporate-governance.

Process for prioritising climate-related risks relative to other risks

The Company's risk management process rates risks, including climate-related risks, using a conventional five by five risk matrix assessing a) the probability of risk events occurring and b) the impact should the risk eventuate, allowing for risk prioritisation and the development of mitigating actions to reduce the likelihood of risks occurring, and controls to reduce risk impacts. Risks are regularly assessed and monitored through workshops with senior management and the ARMC.

The Company has identified 'climate and nature' as one of its nine key risk and opportunity areas. Management is responsible for designing and implementing risk management and controls related to climate, sustainability and nature. Management also develops and executes action plans to address material business risks across the Company.

Tools and methods used to identify and assess the scope, size and impact of climate-related risks

Scenario analysis is the primary analytical tool leveraged to identify and assess climate-related risks and opportunities, including their scope, size and impact.

The primary tool for monitoring the identified risks is the enterprise risk register. The Company's enterprise risk register is updated throughout the year and fully updated annually to coincide with the Company's annual strategic refresh process with oversight by the ARMC. These processes include input from the ESG risk register, which is itself another tool to identify risks and which incorporates outcomes from the Company's scenario analysis.

Use of scenario analysis in risk management

The Company completed its second climate-related scenario analysis in FY24, to apply updated forecast data and refresh any key assumptions within the analysis, which was first conducted in FY22.

The Company's scenario analysis is based on specific modelling carried out by a2MC for physical and transition risks:

- For physical risk, regional milk pools are the largest input and value driver for both liquid milk and powders. Physical risk was assessed based on a detailed risk score assessment of the raw milk supplier regions and locations (by coordinates). These risk scores were sourced from the MunichRe climate change database platform which is a paid subscription. This risk score was then applied to the relative contribution of suppliers to assess the potential impact on milk availability and the subsequent impact on business revenues and costs.
- Transition risk is assessed using carbon pricing risk factors for the key product categories (liquid milk and powders) which have been based on a detailed breakdown of emissions calculations. Internal emissions data used is for FY23, and therefore sales volumes, unit price and cost of goods sold (COGS) is also FY23 (actuals) projected to 2050, with an assumption of price elasticity based on engagement with internal stakeholders. Carbon price curves are sourced from the relevant IEA dataset identified in the scenario descriptions (<https://www.iea.org/reports/world-energy-outlook-2023>).

Both financial assessments are then overlaid with qualitative analysis of potential impacts including non-financial risks and opportunities. The relevant size and scope of these opportunities and risks is then discussed internally with appropriate stakeholders including the finance, risk and supply chain, key members of the ELT, the Chief Legal and Sustainability Officer, the Chief Financial Officer and the Managing Director and Chief Executive Officer.

Time horizons: Climate-related risks and opportunities have been assessed across three-time horizons: 'short term' – defined as up to 5 years, 'medium term' – defined as 5 to 15 years, and 'long term' – defined as 15+ years.

The Company strategy includes medium-term measures of success, where medium-term is defined as FY27+, a period that is described as including GHG emissions reduction targets of net zero Scope 1 and 2 by 2030, with a 30% intensity reduction in Scope 3 by 2030 (from a FY21 base year), with a target of net zero Scope 3 emissions by 2040.

This target period covers the short to long term in the three time horizons used in climate-related risk and opportunity assessment. Capital deployment plans are developed with specificity in the short term time horizon.

Value chain exclusions: Milk production is the primary value driver of the Company's products and business. The scenario analysis in FY24 (the tool for identifying climate-related risks) has been conducted only on the milk inputs of liquid milk and powdered products. Accordingly, the analysis presented in this statement includes on-farm milk production and processing facilities. It does not include non-milk ingredients or packaging, which means that there may be a range of material climate-related risks and opportunities in the wider value chain that have not yet been identified and disclosed, a2MC plans to consider inclusion of relevant non-milk inputs as the Company expands its assessment of climate risks in future years.

Frequency of assessment: The Company's climate-related risk assessment process has evolved over time. In FY22, the Company completed its initial scenario analysis and climate-related risk assessment against the TCFD framework. In FY24, the Company conducted its second analysis in the context of the NZCS, refining its understanding of climate-related risks and opportunities. Moving forward, the Company plans to conduct scenario analyses and climate-related risk and opportunity assessment on an annual basis to ensure it is aligned to best practice and to comply with its regulatory requirements.



METRICS AND TARGETS

A description of the Company's metrics and targets

Scope 1 and 2 emissions account for approximately 5% of the Company's total GHG emissions profile, with Scope 3 emissions comprising approximately the other 95%. The largest proportion of Scope 3 emissions is from on-farm activities (including methane from the rumination of cows, nitrous oxide that arises from dung and urine, losses from soils and energy used to run farm operations).

The Company has included a GHG inventory report as an appendix in this statement which shows a detailed breakdown of Scope 1, 2 and 3 emissions and some other metrics, including a description of the Company's organisational boundary, assurance, methodologies and uncertainties underpinning data collection and measurement of GHG emissions. The purpose of the inventory report is to provide transparency on the Company's emissions profile as well as communicate any estimation uncertainties and assumptions.

The Company has a net zero roadmap, outlining current initiatives aimed at achieving its targets. These initiatives include investments in decarbonisation, electrifying manufacturing facilities where possible, partnering with processors, and on-farm efforts such as methane reduction studies and continued support for farmers through the *a2™ Farm Sustainability Fund*. The Company has already achieved tangible reductions in Scope 1 and 2 emissions, with further decreases expected over time.

In FY25 the Company plans to further develop and refine a detailed roadmap to achieve its Scope 3 emission reduction targets, as well as any remaining Scope 1 and 2 emissions. This roadmap will build on existing programmes, investments, and initiatives. However, achievement of these reductions and meeting targets is subject to uncertainties and risks. Progress towards these targets is likely to be non-linear. The Company's Scope 1 and 2 targets are dependent upon successful transition of manufacturing and distribution assets and activity to renewable sources, as well as enhanced efficiency measures. The Company's Scope 3 target is dependent upon suppliers delivering upon their emission reduction commitments and the successful implementation of novel technology developments. To enable implementation, these novel solutions (which may include methane inhibitors, feed additives, breeding programmes, vaccines or capture/destruction tools) must be proven effective, scalable, viable and have secured relevant regulatory approvals. This is subject to uncertainties and risks that will impact the Company's emissions reduction trajectory.

Emissions data and assurance

GHG Emissions tCO ₂ e ¹	FY24	FY23	FY22	FY21
Assurance (Scope 1 & 2)	Reasonable	Limited	Not assured	Not assured
Scope 1	13,412	24,343	22,972	30,144
Scope 2 (market-based)³	149	153	-	-
Scope 2 (location-based)³	4,507	3,356	3,221	3,426
Assurance (Scope 3)	Limited	Limited	Not assured	Not assured
Scope 3	440,392	476,595	490,153	459,749

1 Numbers are subject to rounding.

2 MVM purchases Meridian's Certified Renewable Energy production values product to enable it to exclusively match the amount of electricity it uses on an annual basis with an equivalent amount of electricity put into the national grid from one of Meridian's hydro stations or wind farms (which have been independently verified as producing 100% renewable electricity). Actual electricity received on location is from mixed renewable and fossil fuel sources, due to the nature of the electricity transmission and distribution system.

3 Scope 2 emissions are dual reported using both the market-based method and location-based method. The location-based method reflects the average emissions intensity of grids on which energy consumption occurs (using mostly grid-average emissions factor data). The market-based method reflects emissions from electricity that companies have purposefully chosen. It derives emission factors from contractual instruments, such as renewable energy contracts.

Emissions data and assurance

The Company also acknowledges the increasing expectations of internal and external stakeholders to ensure that non-financial metrics disclosed externally are done so with a similar level of rigour as financial reporting.

Over the past several years, the Company has taken steps to improve the robustness of its internal processes for capturing and reporting non-financial data to be included in external materials, in response to the identified material topics. The Company has obtained reasonable assurance over its Scope 1 and 2 emissions, and limited assurance over Scope 3 emissions, amongst other metrics. For the Company's external assurance statement on climate-related metrics, refer to page 27 of this report. For the external assurance statement on other metrics, see page 85 of the Annual Report.

FY24 progress

Scope 1 Emissions: In FY24, the Company achieved a 45% reduction in Scope 1 from FY23 emissions, primarily due to the electrification of the coal-fired boiler at MVM. Since this transition occurred mid-year, this downwards trend is anticipated in FY25.

Scope 2 Emissions: The electrification of the coal-fired boiler led to a 32% increase in electricity usage, which is expected to rise further in FY25. All electricity for the MVM site is matched with certified renewable² sources.

Scope 3 Emissions: The Company's Scope 3 emissions profile is largely influenced by on-farm emissions, which fluctuate based on external varying factors. These fluctuations are not a result of the Company's current decarbonisation efforts within its supply chain.

The Company has decided to utilise Adoption Provision 6: Comparatives for metrics in respect of the metrics set out below (paragraph 20 of NZ CS 2). Adoption Provision 6 provides an exemption in the first reporting period from the requirement to disclose comparative information for the immediately preceding two NZ CS reporting periods. This is because the Company has not tracked and reported on all of the below metrics on a consistent basis. The Company intends to report all metrics on a comparative basis in accordance with the XRB going forward.

Accordingly, the Company is also utilising Adoption Provision 7 analysis of trends set out below (paragraph 21 of NZCS 2).

Adoption Provision 7 provides an exemption in the first reporting period from the requirement to disclose an analysis of the main trends evident from a comparison of each metric from previous reporting periods to the current reporting period.

Key metrics and target development

Key metrics and target development	a2MC disclosure
Scope 1, 2 and 3 emissions intensity (tCO ₂ e per tonne of milk solids)	FY24: 15.24 FY23: 18.65 FY22: 18.99 FY21: 19.35
Amount of capital expenditure, financing, or investment deployed to climate-related risks and opportunities (NZD).	FY24: \$6,597,583 FY23: \$7,252,285 This includes activities related to investment in the electrode boiler as a replacement for coal-fired boiler at MVM, investment in AgriZero ^{NZ} , investment in farmer grants programmes across New Zealand and Australia, and on-farm research in partnership with a specialist agriculture university in NZ. The reduction in spend from FY23 to FY24 is primarily due to the majority of the boiler-related expenses occurring in FY23. The Company remains committed to investing in climate-related risks and opportunities moving forward.
Amount or % of assets/activities vulnerable to transition risks	Based on the scenario analysis outputs, 100% of the Company's products are vulnerable to transition risks under a 1.5°C scenario and 2°C scenario. However the impact in the 2°C scenario is reduced. This includes regulatory risk driven by a higher price on carbon or liabilities under existing or future climate legislation. Under the >3°C scenario there is no transition risk. For further detail in relation to the anticipated impacts of climate-related transition risks on the Company's products, refer to the strategy section of this Climate Statement on page 14.
Amount or % of assets/activities vulnerable to physical risks	Based on the scenario analysis outputs, 100% of the products are vulnerable to physical risks under a >3°C scenario. New Zealand is more susceptible to acute weather events such as flooding, while Australia and the USA are more susceptible to chronic heat and drought stress. Under other scenarios, the vulnerability to physical risks is significantly lower, with Australia likely to be most impacted. For further detail in relation to the anticipated impacts of climate-related physical risks on the Company' products, refer to the strategy section of this Climate Statement on page 16.
Amount or % of assets/activities aligned with climate-related opportunities	Given that the identified climate-related opportunities in the 1.5°C scenario is in the medium to long term (5-15+ years), the Company cannot calculate the amount or percentage of assets in FY24 that are aligned with climate-related opportunities.
Emissions Pricing	The Company considers carbon prices in the regions where it operates – but it does not currently use a formal internal emissions price. Moving forward, it will develop an internal carbon price based on scenario analysis modelling, so that carbon pricing can be more consistently integrated into decision making.

Key metrics and target development (continued)

Key metrics and target development	a2MC disclosure
Management remuneration linked to climate-related risks and opportunities	<p>The ELT and selected other team members are eligible to participate in the Company's short-term incentive (STI) plan. Allocation of STI is based on the Group performance scorecard which incorporates an assessment of both financial and non-financial measures. The non-financial measures, which include Planet measures are linked to the Company strategy. Planet measures include an employee rating of a2MC's sustainability impact, and progress towards packaging and Scope 3 GHG emissions goals. The Planet measures have a weighting of 5% within the Group performance scorecard.</p> <p>Other than the Group performance scorecard, there are no further KPIs used by the Company to measure and manage climate-related risks and opportunities that link to management remuneration.</p>
Any other industry-based metrics relevant to industry or business model and/or key performance indicators used to measure and manage climate-related risks and opportunities	<p>The Company refers to the Sustainability Accounting Standards Board Food and Beverage (Alternative Products in Food & Beverage – SASB and Meat, Poultry and Dairy standards (Volume B23 – Meat, Poultry & Dairy) for its public ESG disclosures, and the Global Reporting Standards for sustainability reporting disclosures. These industry based metrics inform a2MC on disclosure and can be found on the Company's website. Refer to SASB index and GRI index.</p>
All targets must include time frame, any interim targets, base year and a description of performance. Each GHG emissions target must also include whether the target is absolute or intensity, a view as to how the target contributes to limiting global warming to 1.5°C, and the basis for this view including any reliance on the opinion or methods provided by third parties and the extent to which the target relies on offsets	<p>The Company's targets were developed to make a contribution to the goal for global GHG emissions to reach net zero around 2050, with the aim of limiting the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit global warming to 1.5°C above pre-industrial temperature levels, as set out in the Paris Agreement. The Company has taken a conservative approach to assessing what its proportionate global contribution should be, setting ambitious emissions reductions targets. Specifically, the Company's targets are absolute targets set for net zero Scope 1 and 2 by 2030, with an interim target of a 30% reduction in Scope 3 emissions (on an intensity basis), per kilogram of milk solids, from an FY21 base year. The Scope 3 net zero target is set for 2040.</p> <p>These targets were established through peer benchmarking exercises, an analysis of current decarbonisation opportunities relative to the Company's GHG inventory, and consideration of potential opportunities available in 2030 and 2040.</p> <p>In FY24, the Company achieved:</p> <ul style="list-style-type: none"> - a 56% reduction in scope 1 emissions from FY21 base year - a 32% increase in Scope 2 from FY21 emissions, due to the conversion of the boiler at MVM from coal (Scope 1) to electricity (Scope 2) - a 4% reduction in Scope 3 emission from FY21 base year - a 19% reduction in Scope 3 emissions intensity from FY21 base year (against the 2030 interim target of a 30% reduction in Scope 3 emissions intensity). <p>In terms of achieving net zero targets, the Company aims to reduce its carbon footprint through various emission reduction activities (refer to the Company's net zero roadmap for further detail). Additional reductions which will also support meeting these targets will likely be driven through grid decarbonisation and technology advancements over time. The Company plans to prioritise reductions within its operations and value chain, investing in value chain interventions and in-setting. Where residual emissions cannot be further reduced, the Company may need to offset residual emissions to reach net zero, and will disclose any use of credits for the purpose of offsetting. The Company does not currently use emissions offsets and has no immediate plans for procurement of emissions offsets in the short term.</p>

APPENDIX

GHG Emissions Inventory Report

Introduction

This report is the annual greenhouse gas (GHG) emissions inventory report for The a2 Milk Company (a2MC, the Company). The inventory is a complete and accurate quantification of the amount of GHG emissions that can be directly attributed to the organisation's operations within the declared boundary and scope for the specified reporting period.

The inventory has been prepared in accordance with the requirements of the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard and leveraged emission factors from New Zealand Ministry for Environment emission factors, The National Greenhouse Energy Regulator (NGER) Determination factors and US Environmental Protection Agency (EPA).

Statement of intent

This inventory forms part of The a2 Milk Company's commitment to measure and manage emissions.

Organisation description

The a2 Milk Company is a dairy nutritionals company, fuelled by its purpose to pioneer the future of Dairy for good.

The Company produces a portfolio of products made with milk from specially selected cows that naturally produce milk containing only A2-type beta-casein protein and no A1. These products include fresh milk, ultra-heat treatment (UHT) milk, extended shelf life (ESL) milk, infant milk formula (IMF), plain milk powders (including instant whole and skim milk powder), fortified milk powders providing nutrition for children, adults, pregnant women and seniors and other dairy nutritional products primarily for the New Zealand, Australia, China and North American markets.

Emission factors

The Company has adopted the AR5 Global Warming Potentials (GWPs) from the Intergovernmental Panel on Climate Change (IPCC). For some emission factors, the Company has utilised specific alternative sources, including the UK Government's Department for Environment, Food & Rural Affairs (Defra) and New Zealand's Ministry for the Environment (MfE), applying the appropriate GWPs from these sources.

The Company's primary business activities are:

- China and Other Asia: Sales of China label and English label IMF, liquid milk and other nutritional products in offline stores and domestic and cross-border e-commerce channels.
- ANZ: Sales of English label IMF, plain and fortified milk powders for children, adults and pregnant women through reseller and retail channels, and sales of liquid milk across Australian and New Zealand retail channels. It is understood that the majority of the infant milk formula and Milk Powder sales to customers in ANZ are ultimately consumed in China.
- North America: Sales of liquid milk, IMF and other nutritional products in the United States of America and liquid milk in Canada.
- Mataura Valley Milk: Production of nutritional and ingredient products for a2MC and other external customers in overseas markets.

Organisational boundaries included for this reporting period

Organisational boundaries were set with reference to the methodology described in the GHG Protocol which allows two distinct approaches to consolidate GHG emissions:

- the equity share; and
- control (financial or operational) approaches.

The a2 Milk Company has used an operational control consolidation approach to account for emissions.

External Assurance

The company has appointed EY to provide Reasonable Assurance over Scope 1 and 2 GHG emissions in accordance with the Aotearoa New Zealand Climate Standards ("NZCS"). In addition, Limited Assurance has been provided over Scope 3 GHG emissions and the Climate Governance disclosures in accordance with the NZ CS. For further information please see EY's assurance statement on page 27 and 28.

GHG Inventory summary for FY24¹

GHG emissions by scope (tCO₂e)²:

Scope	Classification	FY24	FY23	FY22
Scope 1	Direct GHG emissions	13,412	24,343	22,972
Scope 2	Indirect emissions from purchased electricity (market based)	149	153	-
Scope 2	Indirect emissions from purchased electricity (location based)	4,507	3,356	3,221
Scope 3	On farm	360,919	374,168	403,429
Scope 3	Total Scope 3	440,392	476,595	490,153
Total	GHG emissions³	453,953	501,090	516,345

GHG emissions by activity (tCO₂e)²:

Emission sources	FY24	FY23	FY22	
Scope 1	13,412	24,343	22,972	
Diesel	26	33	18	
CO2	70	213	104	
LPG	2	4	2	
Natural gas	222	233	226	
Lignite coal stationary	13,062	23,830	22,621	
Fuel	30	30	-	
Scope 2 Location based⁴	4,507	3,356	3,221	
Scope 2 Market based⁴	149	153	-	
Scope 3	440,392	476,595	490,153	
Category 1	Purchased goods and services	378,693	404,119	461,567
Category 2	Capital goods	496	1,593	-
Category 3	Fuel and energy-related activities	1,642	872	254
Category 4	Upstream transportation and distribution	55,862	62,738	27,746
Category 5	Waste generated in operations	80	658	51
Category 6	Business travel	1,273	4,116	535
Category 7	Employee commuting	447	359	-
Category 8	Upstream leased assets - location based	327	299	-
Category 8	Upstream leased assets - market based (not included in total)	218	179	-
Category 13	Downstream leased assets	1,571	1,662	-

1 Numbers are subject to rounding.

2 Greenhouse gas emissions, calculated as tonnes of carbon dioxide equivalent (tCO₂e), have been estimated using considerations from The GHG Protocol guidelines. Emissions and conversion factors were sourced from the National Greenhouse Accounts Factors for Australia, the New Zealand Ministry for the Environment for New Zealand and a range of other country specific sources. Where required, non direct emissions sources have been estimated using default and/or extrapolated emissions intensity rates to provide a more complete picture of the Company's Scope 1, 2 and 3 emissions. Total emissions calculations exclude packaging and non-milk raw ingredients.

3 Total GHG emissions have been calculated using a market based method for Scope 2.

4 A location-based method reflects the average emissions intensity of grids on which energy consumption occurs (using mostly grid-average emission factor data). A market-based method reflects emissions from electricity that companies have purposefully chosen. It derives emission factors from contractual instruments, such as green energy contracts.

Operational boundary

The GHG emissions sources included in this inventory were identified with reference to the methodology in the GHG Protocol. The a2 Milk Company also recognises the importance of measuring and reporting on Scope 3 emissions. Therefore, the Company has chosen to declare any exclusions from its GHG emission profile.

Scope	GHG Protocol Category	Description
1	Direct emissions from operations	GHG emissions from stationary combustion of lignite coal, diesel, LPG, packaging gas and natural gas from both offices and manufacturing facilities.
2	Indirect emissions from purchased electricity	Indirect GHG emissions linked to purchased electricity for all sites under a2MC's operational control: MVM, Smeaton Grange, Sydney office, Melbourne office, Auckland office, Boulder office and Shanghai office have been included in the inventory.
3	Category 1 – Purchased goods and services	<p>The inventory includes GHG emissions from a2MC's:</p> <ul style="list-style-type: none"> – Emissions from on-farm activities. – Stationary combustion and purchased electricity of milk processes in processing facilities outside a2MC's operational control have been included in the inventory. – Emissions associated with water and wastewater from Smeaton Grange, Melbourne office, Sydney office, Auckland office, MVM, Shanghai office and Boulder office have been included in the inventory. <p>Purchased services such as marketing, professional service fees and education have been excluded due to the level of assumption involved when calculating these emissions.</p>
3	Category 2 – Capital goods	Emissions from capital assets such as the electric boiler investment for MVM are included in the inventory.
3	Category 3 – Fuel and energy-related activities	This includes indirect emissions from stationary combustion, transport combustion and network distributions.
3	Category 4 – Upstream transportation and distribution	All inbound, outbound and inter-warehouse freight by road, air and sea.
3	Category 5 – Waste generated in operations	Emissions linked to landfill and recycling waste generation for all sites in a2MC's operational control have been included.
3	Category 6 – Business travel	<ul style="list-style-type: none"> – GHG emissions from car hire and rideshare for all sites within a2MC's operational control have been included in the inventory. – Hotel stays, including domestic and international accommodation for all sites within a2MC's operational control have been included in the inventory. – Air travel including domestic and international flights for all sites within a2MC's operational control have been included in the inventory.
3	Category 7 – Employee commuting	<p>Staff commuting to and from work for all sites within a2MC's operational control have been included in the inventory.</p> <p>Emissions associated with working from home have also been included in the inventory.</p>
3	Category 8 – Upstream leased assets	GHG emissions for base building electricity for leased spaces (as a lessee) have been included in the inventory.
3	Category 9 – Downstream transportation and distribution	Emissions from transportation and distribution services that are not paid for by the Company are excluded from the inventory as no reliable information is available at the time to estimate these emissions.
3	Category 10 – Processing of sold products	Processing of sold products by downstream companies was excluded since the Company does not have full oversight or control on how their products are processed.
3	Category 11 – Use of sold products	End use of goods sold were excluded since the Company does not have full oversight or control on how their products are used.
3	Category 12 – End-of-life treatment of sold products	Waste disposal and treatment of products sold by the Company were excluded since the Company does not have full oversight or control on how their products are used.
3	Category 13 – Downstream leased assets	Emissions from stationary combustion and purchased electricity for leased buildings (as a lessor) have been included in the inventory.
3	Category 14 - Franchises	Not applicable for a2MC
3	Category 15 - Investments	a2MC has engaged with its investment partner AgriZero ^{NZ} , which has only office-based operations for a small team. The a2MC portion of these emissions is considered immaterial to the Company's total Scope 3 emissions.

Methodologies and uncertainty

The below table gives an overview of how data was collected for each GHG emissions source, the source of the data and an explanation of any uncertainties or assumptions.

Scope	Category Name	Sub-Category	Data Process/uncertainties
Company Facilities (Scope 1)	Direct emissions	-	Monthly invoices were used to provide Scope 1 data.
Purchased Electricity (Scope 2)	Purchased electricity	-	Monthly invoices were used to provide Scope 2 data.
Purchased Electricity (Scope 2)	Market based emissions factor	-	Market based emission factor was calculated using the emissions and energy usage data provided by the energy suppliers.
Category 1 (Scope 3)	Purchased goods and services	Water	Monthly invoices were used to provide water consumption.
Category 1 (Scope 3)	Purchased goods and services	Waste water	Monthly invoices were used to provide waste water data.
Category 1 (Scope 3)	Purchased goods and services	On farm emissions	In the calculation of on-farm emissions, emissions intensity factors are multiplied by litres of milk produced for each facility. For production at a2MC's own processing facilities in New Zealand, which accounts for the largest proportion of emissions, the emission factor applied is as per the New Zealand Climate Change (Agricultural Sector) Regulations. Noting uncertainty in this factor may arise as it was last updated in 2012. For production via the processing facilities of strategic partners in New Zealand, emissions factors are derived from data captured through Overseer platform. For the USA, emission factors are derived from life cycle analysis conducted by USA industry associations and academic studies. For Australian production which accounts for a small proportion of supply, an average emission factor has been derived from all other location's factors.
Category 1 (Scope 3)	Purchased goods and services	Fuel and energy related activities - electricity	For third party processors, the Company obtained fuel and energy related activities from third party processors via a template. If unable to obtain this information, estimations were used.
Category 2 (Scope 3)	Capital goods	-	Category 2 relied upon data from the Trial Balances.
Category 3 (Scope 3)	Fuel and energy related activities	-	Calculated using monthly invoices provided for Scope 1 and 2 data.
Category 4 (Scope 3)	Transport & distribution	Freight and warehouse data	Calculated from supplier emission reports, if supplier emission reports were not available, further detail such as tonne/km was used. In the absence of data, the tCO ₂ e were estimated using freight data from other providers or an alternate method was used to calculate, such as spend.
Category 5 (Scope 3)	Waste generated in operations	-	Monthly invoices were used to obtain waste data.
Category 6 (Scope 3)	Car hire and ride share	-	Emission reports from ride share providers were used. Emissions reports from the Company's travel agent were used for majority of car hire information. If not available, invoices from car hire providers were used to calculate kms travelled.
Category 6 (Scope 3)	Accommodation	-	Emissions data was downloaded from the Company's travel agent. If not available, spend data was used.
Category 6 (Scope 3)	Flights	-	Emissions from flights were downloaded from the Company's travel agent in an emissions report. If not available, flight information was obtained through invoices, using an emission factor based on class of flight.
Category 7 (Scope 3)	Employee commuting & working from home	-	Survey was sent out by a third party provider to measure employee commuting and working from home emissions.
Category 8 (Scope 3)	Upstream leased asset	-	Estimated based on Nabers ratings.
Category 13 (Scope 3)	Downstream leased asset	Processor emission data	Consumption details obtained from a2MC sites owned and leased out.



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Independent Assurance Report to the Directors of The a2 Milk Company Limited

Our Conclusions:

Reasonable assurance: In our opinion, the Reasonable Assurance Subject Matter for the year ended 30 June 2024 is fairly presented and has been prepared, in all material respects, in accordance with the Aotearoa New Zealand Climate Standards ("NZ CSs").

Limited assurance: Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe the Limited Assurance Subject Matter for the year ended 30 June 2024 is not fairly presented and has not been prepared, in all material respects, in accordance with the Aotearoa New Zealand Climate Standards ("NZ CSs").

What we assured

Ernst & Young ('EY', 'we') were engaged by The a2 Milk Company ('a2MC') to provide reasonable assurance over the Subject Matter disclosed in a2MC's 2024 Climate Statement (the 'Report') for the year ended 30 June 2024 in accordance with the noted Criteria, as defined in the following table:

Reasonable Assurance Subject Matter	Criteria
Total Scope 1 Direct greenhouse gas (GHG) emissions: 13,412 tCO ₂ -e (as per pages 20, 24 in the Report)	Aotearoa New Zealand Climate Standards ("NZ CSs")
Total Scope 2 Indirect emissions from purchased electricity (as calculated using the location-based method): 4,507 tCO ₂ -e (as per pages 20, 24 in the Report)	

In addition, we were engaged by a2MC to provide limited assurance over the following subject matter in accordance with the noted Criteria, as defined in the following table:

Limited Assurance Subject Matter	Criteria
Total Scope 3 GHG emissions: 440,392 tCO ₂ -e (as per pages 20, 24 in the Report)	Aotearoa New Zealand Climate Standards ("NZ CSs")
a2MC's Climate Governance disclosures (as per pages 4-7 in the Report)	

In applying NZCS it is necessary to make judgements related to the standards adopted in the measurement and reporting of GHG emissions. The methods and assumptions used by

a2MC are described on pages 23 to 26 of the Report, as are the estimation uncertainties inherent in the methods used. The Report includes web links to information related to our subject matter which is included in the scope of our assurance.

Other than as described in the preceding paragraphs, which set out the scope of our engagement, we did not perform assurance procedures on the remaining information included in the Report, and accordingly, we do not express an opinion or conclusion on this information.

Key responsibilities

a2MC's responsibility

The Directors are responsible, on behalf of a2MC, for the preparation and fair presentation of the Report in accordance with NZ CSs. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the Report, such that it is free from material misstatement, whether due to fraud or error.

EY's responsibility and independence

For the limited assurance engagement, our responsibility is to express a conclusion on the Limited Assurance Subject Matter based on the evidence we have obtained. For the reasonable assurance engagement, our responsibility is to express an opinion on the Reasonable Assurance Subject Matter based on the evidence we have obtained.

We have complied with the independence and relevant ethical requirements which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

EY applies Auditing Standard ASQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information or Other Assurance or Related Services Engagements*, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.



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Our approach to conducting the assurance procedures

We conducted our assurance procedures in accordance with the Australian Auditing and Assurance Standards Board's *Australian Standard on Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* ('ASAE3000'), and where relevant *Assurance Engagements on Greenhouse Gas Statements* ('ASAE3410').

For the reasonable assurance engagement, these standards require that we plan and perform our engagement to obtain reasonable assurance about whether, in all material respects, the Reasonable Assurance Subject Matter is presented in accordance with the Criteria, and to issue a report.

For the limited assurance engagement, these standards require that we plan and perform our engagement to express a conclusion on whether anything has come to our attention that causes us to believe that the Limited Assurance Subject Matter is not prepared, in all material respects, in accordance with the Criteria, and to issue a report.

The nature, timing and extent of the assurance procedures selected depend on our judgement, including an assessment of the risk of material misstatement, whether due to fraud or error.

Description of assurance procedures performed

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the Limited Assurance Subject Matter and related information and applying analytical and other appropriate procedures.

The Limited Assurance procedures we performed were based on our professional judgement and included, but were not limited to:

- ▶ Conducted interviews with personnel to understand the business and reporting process
- ▶ Conducted interviews with key personnel to understand the process for collecting, collating and reporting the Subject Matter during the reporting period
- ▶ Assessed that the calculation criteria have been correctly applied in accordance with the methodologies outlined in the Criteria
- ▶ Undertook analytical review procedures to support the reasonableness of the data
- ▶ Identified and tested assumptions supporting calculations
- ▶ Tested, on a sample basis, underlying source information to assess the accuracy of the data
- ▶ Checked the aggregation of selected disclosures and transcription to the Report
- ▶ Checked the appropriateness of the presentation relating to the Subject Matter in the Report.

Additional reasonable assurance procedures we performed were based on professional judgement and included, but were not limited to:

- ▶ For our reasonable assurance of Scope 1 and Scope 2 greenhouse gas emissions, on a sample basis, agreed underlying data to source information to assess completeness of performance data, which included invoices, system extracts and other records.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusion and reasonable assurance opinion.

Inherent limitations

While we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls.

Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

The greenhouse gas emissions quantification process is subject to scientific uncertainty, which arises because of incomplete scientific knowledge about the measurement of greenhouse gases. Additionally, greenhouse gas procedures are subject to estimation and measurement uncertainty, as described on pages 23 through 26 of the Report, resulting from the measurement and calculation processes used to quantify greenhouse gas emissions within the bounds of existing scientific knowledge.

Additional inherent limitations - limited assurance scope

Procedures performed in a limited assurance engagement vary in nature and timing from and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

Additional inherent limitations - reasonable assurance scope

While our procedures performed for our reasonable assurance engagement are of a higher level of assurance, due to the use of sampling techniques, it is not a guarantee that it will always detect material misstatements.

Other matters

Our review included web-based information that was available via web links as of the date of this statement. We provide no assurance over changes to the content of this web-based information after the date of this assurance statement.

Use of our Assurance Report

We disclaim any assumption of responsibility for any reliance on this assurance report to any persons other than management and the directors of a2MC, or for any purpose other than that for which it was prepared.

Nicky Landsbergen
Partner

Ernst & Young
Sydney, Australia
18 August 2024

Referenced documents throughout this Climate Statement

DOCUMENT REFERENCED	LINK TO DOCUMENT
Corporate Governance Statement	Corporate governance (thea2milkcompany.com)
Board Charter	Board Charter (thea2milkcompany.com.au)
Audit and Risk Management Committee Charter	ARMC Charter (thea2milkcompany.com.au)
Annual Report	Annual reports and financial results - (thea2milkcompany.com.au)
Net Zero roadmap	ESG Reporting (thea2milkcompany.com)
GHG inventory report	ESG Reporting (thea2milkcompany.com)
SASB index	ESG Reporting (thea2milkcompany.com)
GRI Index	ESG Reporting (thea2milkcompany.com)





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