Climate-Related Financial Disclosure 2022

Great Southern Bank

Great Southern Bank's Climate Change Commitments

At Great Southern Bank, we understand that climate change is one of the most significant challenges of our time. We support the goal of the United Nations Climate Change Paris Agreement to limit global warming to well below 2 degrees Celsius this century and achieve their goal of net zero emissions by 2050.

Climate change is a global issue, and we all need to be part of the solution. We are committed to reducing our greenhouse gas (GHG) emissions, and preparing for the physical and economic impacts of climate change on our business and community. This includes managing our investment and lending activities to align with the necessary transition to a net zero emissions economy.

Why do we need to act on climate change?

Our customers, communities and other stakeholders increasingly expect greater engagement and action from companies, including banks, on sustainability issues. This, in turn, is driving changes in regulation and supervisory expectations of banks.

We're already acting to limit our impact on the changing climate. Great Southern Bank became certified carbon neutral in 2021 and does not directly invest in or have lending exposure relating to fossil fuel extraction or fossil fuel energy production. We are also conscious that the changing climate could impact the wellbeing and prosperity of our communities, including our customers' ability to own and maintain a home.

Building team capability to better understand and drive our response in this fast-changing area is also important to us. Climate change briefing sessions have been held across the senior leadership team to drive a greater understanding of our own carbon impact on the climate, and the physical risks we've so far identified. This work has been done in partnership with Ndevr Environmental, who have supported our direct and indirect emissions evaluation and Climate Action Plan development. CoreLogic conducted the analysis, partnering with Munich Re to consider the physical climate risks to our mortgage portfolio. This included analysing different future climate scenarios and at fixed points in time. More information on these activities is provided in later sections of this report

Why does a bank need a view on climate change?

Our approach to climate change aligns closely with our strategic purpose of helping all Australians own their own home. After all, a house may not feel like a home without a safe environment and thriving community around it. This position also aligns with the expectations of our customers, employees, and regulators, all of whom are increasingly demanding greater action in this space.

We keep informed on regulatory and policy activities and engage in industry-wide discussions on climate-related matters, including through our membership of Australia's Customer Owned Banking Association (COBA) and the Business Council of Co-operatives and Mutuals (BCCM).

As Australia's largest customer-owned bank, we believe it is important that we clearly demonstrate the steps we are taking on climate-related matters. To this end, we are following the recommendations made by the Taskforce on Climate-related Financial Disclosures (TCFD) to help capture and demonstrate our approach.

What is the TCFD and how does it help us?

The Taskforce on Climate-related Financial Disclosures (TCFD) is an organisation created by the Financial Stability Board, an international body that monitors the global financial system and makes recommendations to promote financial stability.

The TCFD was given the important task of developing a framework for reporting on climate change which could be used by investors, lenders and insurers. Since the release of the TCFD's recommendations in 2017, many listed companies across a multitude of sectors have used the TCFD framework to communicate how climate change is expected to impact their business and how they are preparing to optimise their financial and strategic positions. The TCFD framework includes four key areas – Governance, Strategy,
Risk Management and Metrics and Targets.

Great Southern Bank first used the TCFD framework and its guidelines in 2022, helping to gather valuable information to assist in our approach to climate change management and in the development and implementation of a plan to act on identified focus areas.

[1]Taskforce on climate-related financial disclosures website: *https://www.fsb-tcfd.org/*

Governance

Board oversight

The Board has oversight of the climate-related risks within our business and our responses, supported by the Board Risk Committee. The Board receives half yearly reports from management on key strategic and financial risks and the actions the bank is taking or intends to respond. Climate-related risks and opportunities are addressed, as appropriate, within this framework.

In June FY21, the Board endorsed our inaugural sustainability strategy, 'Forever Home.' This strategy outlines how the bank will contribute to the Australian sustainable development agenda and prioritise actions across environmental, social, and governance (ESG) areas, including those related to climate change. It is outlined in our *Annual Report* page 6.

Executive Team management

Great Southern Bank's CEO and Executive Team are accountable for the actions and commitments we are taking and will continue to take to embed climate change into our risk management, business strategy, planning and budgeting processes. Emerging risks related to climate change are monitored by the Executive Committee (EXCO) and Enterprise Risk Committee (ERCO), with material issues and relevant decision-making around required changes escalated to the Board Risk Committee.

The Chief Customer Officer and Chief Risk Officer champion the review and implementation of the recommendations of the TCFD and will oversee Great Southern Bank's forthcoming Climate Action Plan. This plan will detail our commitments and actions to manage climate change, including building upon our FY21 certification as a carbon neutral organisation under the Australian Government's Climate Active Program.

External expert support

Great Southern Bank engages external experts, as required, to support the upskilling of key team members who are involved in the delivery of its climate-related work and activities. This includes the provision of additional training in FY22, and ongoing access to current information, case studies, forecasts and other updates on climate science, climate risk identification and management, and local and international policy developments.

Strategy

Climate change poses both risks and opportunities for us at Great Southern Bank. We are continuously gathering and assessing climate-related financial information to ensure we make well-informed and evidence-based strategic decisions for the bank, our customers, and the community at large. The investment we have made towards achieving carbon neutrality and decisions to not directly invest in or lend to fossil fuel extraction activities are examples of strategic actions we have taken so far to build our resilience to climate change.

Managing our physical risks

Residential mortgages are the largest asset on our balance sheet. Homes are often an intergenerational asset, with an average investment period of 30 years. This naturally increases their direct exposure to the physical risks of climate change, such as floods, bushfires and storms. All of these severe weather events are expected to grow in frequency and intensity as the earth warms.

In June 2021, Great Southern Bank completed an initial assessment of the physical risks associated with its residential mortgage portfolio as at 31 March 2021. This work, carried out in partnership with CoreLogic and Munich Re, provides a valuable baseline as we seek to measure and manage the future impacts of climate change on our business, our customers and communities. The approach also incorporated guidance from the Climate Measurement Standards Initiative[2] for Australian banks, general insurers, and asset owners.

To date, we have assessed the impacts of natural hazards upon our mortgage portfolio across three climate change scenarios to 2030, 2050 and 2100. These were developed by the Intergovernmental Panel on Climate Change (IPCC) and represent potential emission pathways called Representative Concentration Pathways (RCPs).

The three RCPs we used in our assessments were:

- RCP2.6: Efforts to curb emissions are rapid and successful, aligned with a likely maximum global temperature increase of 2°C by the end of the century.
- RCP4.5: Efforts to curb emissions are slower and moderately successful, aligned with a likely maximum global temperature increase between 2°C, and 3°C, by the end of the century.
- RCP8.5: Efforts to curb emissions are largely unsuccessful, aligned with a likely maximum global temperature increase of 5°C by the end of the century.

This scenario-based modelling found that the most material threat to the bank's current home loan portfolio came from river flood with 5% of security properties considered at very high risk, followed by flash flooding and storm surges. See images on page 5. When future climate scenarios are applied, there was minimal shift in the risk profile.

The analysis will be reviewed again in the future but, at this stage, did not reveal significant differences in the risk profile between the three scenarios. The Senior Leadership has now begun working through these findings to understand and use the information to inform the development of our climate action plan.

Managing our transition risks

We are also considering our approach and assessment of risks and opportunities associated with the economic and social transition to a low carbon economy ('transition' risks).

We are proud to be one of the first banks in Australia to report using the Partnership for Carbon Accounting Financials (PCAF)[3] framework. PCAF is an industry-led global partnership of financial institutions working in collaboration to develop and implement a consistent approach to measure and disclose GHG emissions associated with the sector's investments and lending activities.

Using the PCAF accounting approach, we have begun measuring the GHG emissions of our lending and investment portfolio and are in the process of developing responses to the findings. Results of this analysis are provided in the Metrics and Targets section of this report, and we intend to continue reporting on these emissions.

[2]Climate Measurement Standards Initiative website: *https://www.cmsi.org.au/*
[3]Partnership for Carbon Accounting Financials website: *https://carbonaccountingfinancials.com*

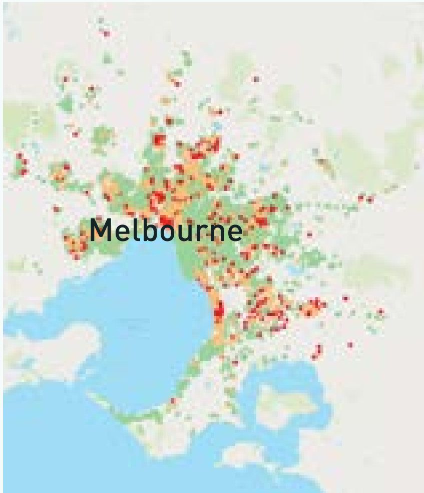
Natural Hazard impacts

Flash floods and river floods were identified as natural hazards most likely to affect our residential mortgage portfolio. These risks have been identified across large geographic areas suggesting the risk from a single natural hazard event would be less than the overall portfolio risk identified.

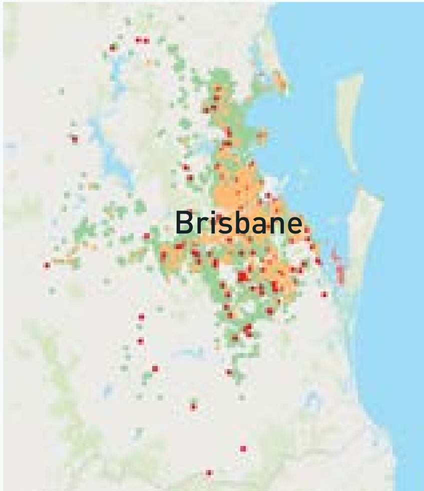
The exposure to river flooding and flash flooding across the bank's three largest markets of Sydney, Melbourne and Brisbane are shown, with the most material threat to a large-scale flash flood across the Greater Brisbane region. There is opportunity for Great Southern Bank to consider how best to support customers in these areas to secure their homes from such events.

River flood

Sydney

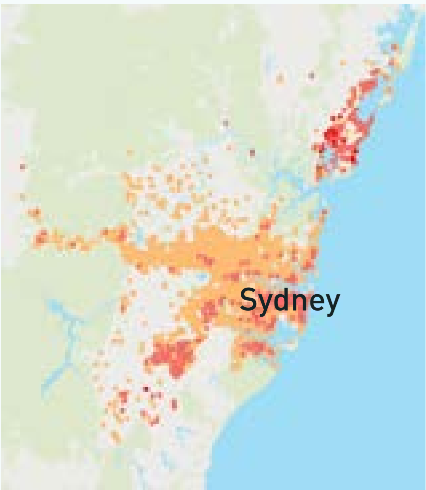


Melbourne

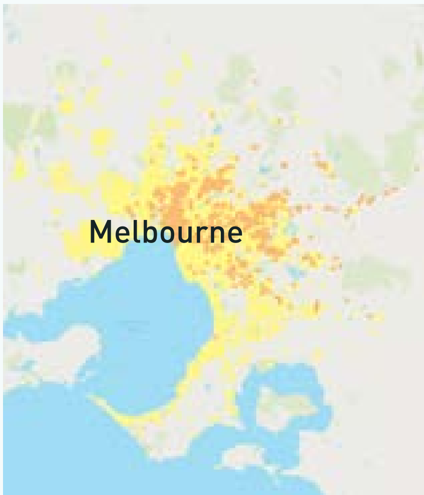


Brisbane

Flash flood



Sydney



Melbourne

Brisbane

No Risk | Very Low Risk | Low Risk | Medium Risk | High Risk | Very High Risk

Risk Management

Our evolution on managing climate change risks

Great Southern Bank's Risk Management Framework governs the identification, management, control and monitoring of all risks, including those associated with climate change. The framework includes understanding climate-related risks to the bank and our customers' ability to own and retain a home.

Climate risk is considered in Great Southern Bank's risk management approach, and we are developing active risk management practices for broader integration across our business, including in our strategic plans, policies and learning and development. This also includes working with industry to better identify, understand and develop good practices.

Climate change is not specifically included in our residential lending risk assessments; however property valuation reports do include consideration of broader environmental factors including flood or bushfire threats. We don't have a large business banking portfolio and have no direct exposures to agriculture, fossil fuels or nuclear power.

Metrics and Targets

We believe disclosure and transparency around the impacts of climate change are critical. As well as declaring all our direct impacts on climate change, Great Southern Bank is using carbon accounting methodology to measure indirect impacts.

This year, Great Southern Bank assessed its own direct (scope 1) and indirect (scope 2 and 3) emissions. We are now in the process of working through this information to determine if and how it can shape our services to customers into the future to reduce the GHG emissions across our entire value chain, including emissions from our lending and investments.

Measuring the direct and indirect impacts on climate change

Operational Greenhouse Gas Emissions and Resource Consumption

Operational GHG Emissions [1; 2]	**FY21**	**FY20**[3]
Scope 1 [4]	*87*	95
Scope 2	*1,019*	1,225
Scope 3	*6,020*	5,860
Gross GHG emissions (t CO_2-e)	*7,126*	*7,180*
Offsets retired	*7,676*	-
Total net GHG emissions (t CO_2-e)[5]	*-550*	*7,180*
Gross GHG emissions per FTE [6] (t CO_2-e)	*5.09*	*6.22*
Fleet fuel (kl)	*39*	41
Electricity in offices (MWh)	*509*	350
Electricity in branches (MWh)	*711*	1,156
Waste (t)	*27*	22
Water (kl)	*9,086*	7,549
Gross electricity per FTE (KWh / FTE)	872	1,305

1) Subsidiaries covered are CUA Health Limited (ABN 98 098 685 459), Credicorp Insurance Pty Ltd (ABN 50 069 196 756), CUA Management Pty Ltd (ABN 60 010 003 853) and Credicorp Finance Pty Ltd (ABN 79 010 052 981).

2) The GHG account is based on the World Resources Institute (WRI) *Greenhouse Gas Protocol* Corporate Standard and the Climate Active *Carbon Neutral Standard for Organisations*. All values in tonnes of carbon dioxide equivalent (tCO_2-e). Emission factors were derived from the National Greenhouse Accounts (NGA) Factors and the Climate Active database.

3) In line with Climate Active requirements the FY20 performance data underwent a third-party verification audit.

4) Scope 1 emissions include all direct GHG emissions from sources that are within Great Southern Bank's control boundary, including emissions from fuel use, refrigerants, and on-site electricity generation, Scope 2 emissions include purchased electricity in our offices and branches, and Scope 3 emissions are all indirect emissions that occur as a result of our activities, but occur from sources outside the organisation's control boundary. These are for example, postage, courier, and freight, employee commute, advertising, and business travel.

5) Great Southern Bank has been a certified carbon neutral organisation under Climate Active since FY21. More information on the *Climate Active website*.

6) Gross (pre-offset) GHG emissions per full time employee equivalent, over 1154.18 FTE in FY20 and 1398.6 in FY21.

Direct impacts

Since FY20, Great Southern Bank has been measuring operational GHG emissions and other environmental performance indicators (energy, water, waste) for our offices and branches in Queensland, New South Wales, Victoria and Western Australia.

For FY21, our combined scope 1 (directly released from our operations) and scope 2 (released from offsite generation of electricity consumed in our operations) GHG emissions were estimated at 1,106 tonnes of carbon-dioxide equivalent emissions (tCO_2-e). This represented a 16% decrease from our FY20 emissions of 1,320 tCO_2-e.

In FY21, Great Southern Bank was certified carbon neutral under the Australian Government's Climate Active Standard for Organisations. Climate Active is the Australian Department of Industry, Science, Energy and Resources' corporate climate action program, enabling businesses to account for their GHG emissions and seek independent verification and certification. To achieve carbon neutral status, our GHG emissions have been fully offset through carbon credits from a wind power project in India and a West Arnhem Land Fire Abatement (WALFA) project in Australia. We are also committed to developing emissions reduction targets over the coming year to drive further operational GHG emissions reductions.

Indirect impacts

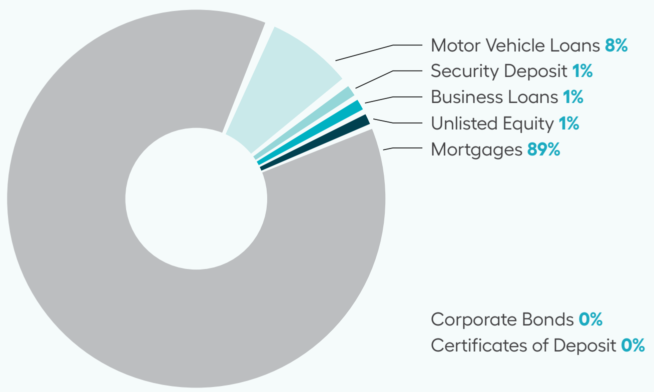
We recognise the indirect impacts that arise from our lending and how this plays a role in the decarbonisation of the economy. In FY22, we started an assessment of GHG emissions across our portfolio using PCAF guidance, with the following key findings:

- Total GHG emissions generated by Great Southern Bank's portfolio in FY21 were estimated to be 220,768 tCO_2-e. This covers scope 1, 2, and relevant scope 3 emissions.
- Weighted average carbon intensity (WACI) of each million Australian dollars lent or invested was estimated at 14.6 tCO_2-e. The carbon intensity varies across asset classes and sectors, with corporate bonds, security deposits and certificates of deposits being the least, and motor vehicle loans the most, GHG intensive asset class. Residential mortgages, Great Southern Bank's single largest asset class, had a GHG intensity of 14.96 tCO_2-e/A$million.
- One tonne of GHG emissions (in CO_2-e) is generated by $68,063 loaned or invested.

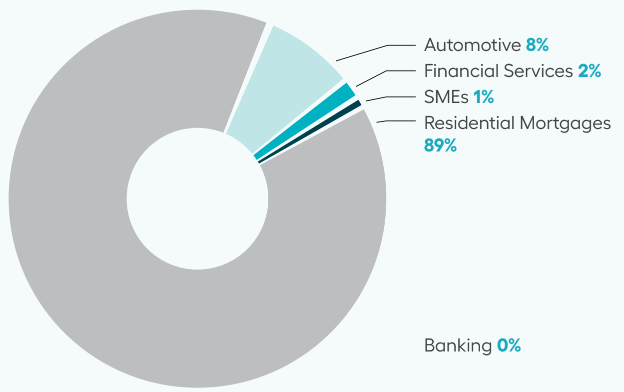
Results by asset class and sector are outlined below including the data quality scores and notable exclusions. We will continue to work to identify financial impacts and the optimum key metrics to measure and manage climate-related risks and opportunities. The process will be iterative, and we are committed to improving data quality and reporting metrics over time.

Financed GHG emissions

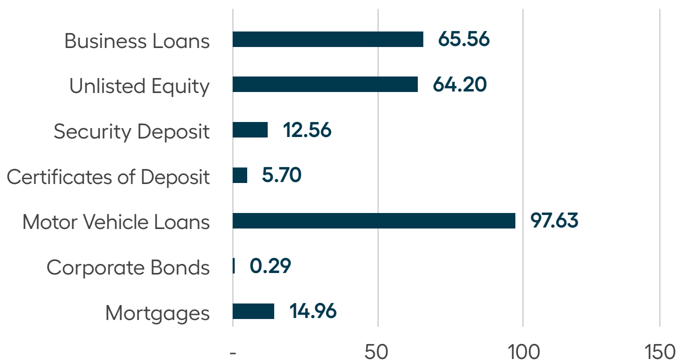
Emissions share by asset class



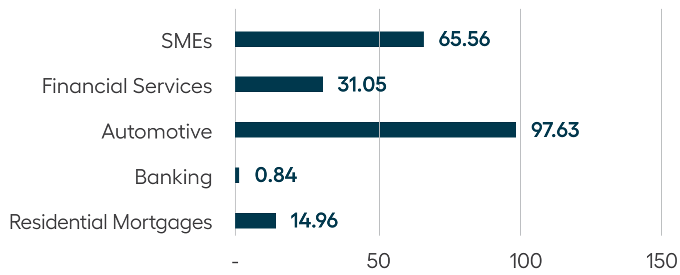
Emissions share by sector



Emissions intensity by asset class ($tCO_2e/\$M$)



Emissions intensity by sector ($tCO_2e/\$M$)



Data tables FY21

Data Table by asset class[4]

Asset Class	Total outstanding loans and investments covered ($M)	Total Financed Emissions (tCO_2e)	Emissions intensity ($tCO_2e/\$M$)	Dollars lent/invested per tonne of emissions generated ($\$/tCO_2e$)
Mortgages	13,093	195,823	14.96	66,860
Corporate Bonds	1,427	416	0.29	3,433,608
Motor Vehicle Loans	179	17,521	97.63	10,242
Certificates of Deposit	160	912	5.70	175,390
Security Deposit	90	1,133	12.56	79,632
Unlisted Equity	50	3,229	64.20	15,577
Business Loans	26	1,735	65.56	15,253
Total	15,026	220,768	14.69	68,063

[4]Weighted data quality scores (as defined under the PCAF standard) for this data has been estimated at 1.6 for Corporate bonds, and ranges from 4.2 to 5 for the remaining asset classes, where 1 is high quality and 5 is low quality. Great Southern Bank has elected to disclose this information, in line with the PCAF's position in its Reporting Standard that recognises "high quality data can be difficult to come by when calculating financed emissions, particularly for certain asset classes. However, data limitations should not deter financial institutions from taking the first steps toward preparing their inventories, as even estimated or proxy data can help them identify carbon-intensive hotspots in their portfolios, which can inform their climate strategies" (*https://carbonaccountingfinancials.com*). We will continue to investigate options to improve data quality over time.

Data Table by sector[5]

Asset Class	Total outstanding loans and investments covered ($M)	Total Financed Emissions (tCO_2e)	Emissions intensity ($tCO_2e/\$M$)	Dollars lent/invested per tonne of emissions generated ($\$/tCO_2e$)
Residential Mortgages	13,093	195,823	14.96	66,860
Banking	1,587	1,328	0.84	1,195,374
Automotive	179	17,521	97.63	10,242
Financial Services	141	4,362	31.05	32,211
SMEs	26	1,735	65.56	15,253
Total	15,026	220,768	14.69	68,063

[5]Weighted data quality scores (as defined under the PCAF standard) for this data has been estimated at 1.9 for Banking, and ranges from 4.7 to 5 for the remaining sectors, where 1 is high quality and 5 is low quality. Please see footnote 4 above for further context.

Next Steps

Further assess climate-related risks and opportunities and develop strategic responses and control measures to minimize impacts to our business

Become signatory to TCFD and PCAF

Consider customer and business opportunities created through the transition to net zero e.g. products and investments

Develop Climate Action Plan and understand a pathway to net zero in line with the Paris Agreement

greatsouthernbank.com.au