Climate-related financial disclosure 2023

Great Southern Bank

Our approach to climate change

Our approach to climate change aligns closely with our 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.

Great Southern Bank continues to prioritise climate action, recognising that we need to act now. Through our 2022-24 Climate Action Plan, we have committed to actively managing the physical and economic impacts of climate change on the environment, as well as our business, customers and community.

We have chosen to focus on four key areas:

- Commit to climate action
- Build recovery and support resilience
- Manage climate risk
- Partner for impact

These are the areas where we believe we can deliver the biggest impact and where we can best connect climate action to the needs and expectations of our customers, and the priorities of our organisation. Our 2022-24 Climate Action Plan includes a commitment to achieve net zero emissions by 2040, 10 years earlier than the timeframe set by the Intergovernmental Panel on Climate Change (IPCC) Global Warming of 1.5°C Special Report.[1]

We believe it is important to disclose and clearly demonstrate the steps we are taking to achieve our commitments and manage our climate-related financial impacts. We support recommendations made by the Taskforce on Climate-related Financial Disclosures (TCFD)[2] and have used their framework to help guide our approach to this section of our report.

The TCFD provides a global framework for companies to communicate to investors, lenders and insurers about how climate change is expected to impact their business and how they are responding. It includes four key areas – Governance, Strategy, Risk Management and, Metrics and Targets.

Great Southern Bank released its first Climate-Related Financial Disclosure in 2022 using the global framework developed by the TCFD.

This year's disclosure builds on last year's and includes key activities undertaken between 1 July 2022 and 30 June 2023, as well as updated metrics and targets.

Financial year highlights 2023

SUBMITTED
near-term emissions reduction targets to the Science Based Targets initiative (SBTi) for validation.

COMPLETED
measuring and reporting total, operational and financed emissions.

COMPLETED
physical climate risk financial stress test on our mortgage portfolio.

MAINTAINED
carbon neutral certification under the Climate Active Carbon Neutral Standard.

COMPLETED
enterprise-wide climate risk-assessment, based on collaborative work led by Great Southern Bank for the customer-owned banking sector.

1. IPCC Global Warming of 1.5°C Special Report, 2018, https://www.ipcc.ch/sr15/
2. See more information on the TCFD and its recommendations in our 2022 Climate-Related Financial Disclosure, at https://www.greatsouthernbank.com.au, and the TCFD website at https://www.fsb-tcfd.org/

Governance

Board

Through the Board Risk Committee, the Board has oversight of the bank's climate-related risks and opportunities and how these issues are managed.

The Committee is updated twice yearly on key strategic and financial risks as well as the actions being taken by the bank now or proposed for the future. Climate-related risks and opportunities are included within these updates where appropriate.

In FY23, the Committee approved the outcome of the bank's first physical climate risk financial stress test on our mortgage portfolio. They also received a separate, dedicated climate-related update including an overview of industry developments, a summary of climate-related work completed by the bank during the year, and a roadmap of activity planned for FY24.

An external consultant also presented to the Board on climate-related disclosure frameworks, including the inaugural International Financial Reporting Standards (IFRS) S1 and S2 standards issued by the International Sustainability Standards Board (ISSB), and efforts to harmonise climate-related reporting requirements internationally.

Executive team

Great Southern Bank's executive team, led by our Chief Executive Officer and supported by several Executive-level committees, are accountable for climate-related matters. Together, they continue 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 team, supported by the Enterprise Risk Committee. Where required, material issues and decision-making are escalated to the Board Risk Committee.

The Chief Customer Officer and Chief Risk Officer are responsible for the review and implementation of the TCFD recommendations. They also oversee the steps the bank is taking to meet the commitments made in our 2022-2024 Climate Action Plan.

This year, the Enterprise Risk Committee oversaw our climate risk assessment while the Assets and Liability Committee supervised our physical climate risk financial stress test on our mortgage portfolio, including scope, financial impact and next steps.

The executive team also had oversight of the development of a new community partnership and new products we will launch in FY24, collectively aimed at promoting the uptake of renewable energy and improving energy efficiency for customers and community members.

This year, as we did last, we engaged external climate change experts to support the delivery of our climate-related commitments.

Review and outlook

During the year, we also engaged an external consultant to review our climate governance to ensure our management of climate-related risks and opportunities aligns with global best practice, including draft standards from the ISSB and the TCFD framework.

In June 2023, in line with recommendations from this review, our Board approved the establishment of a dedicated Board Committee to build upon the Board's existing governance of ESG matters. Beginning September 2023, this Committee will be responsible for overseeing Great Southern Bank's climate-related matters, including risks and opportunities, metrics, targets and measuring progress against commitments on a quarterly basis.

Strategy

Great Southern Bank has made responding to climate change a priority within our sustainability strategy and broader business.

We assess climate-related risks and opportunities on an ongoing basis to help make well-informed and evidence-based strategic decisions on behalf of the bank, our customers and the community.

Our 2022-2024 Climate Action Plan articulates our commitment to achieving net zero emissions by 2040, with clear and meaningful emission reduction strategies, and transparency in the way we report our progress to our stakeholders.

We will review and refine our plan over time to ensure our emission reduction targets and other commitments remain meaningful, relevant, aligned to the latest climate science, and in the best interest of our stakeholders.

Table 1 maps out the progress we have made during FY23 against each of the key focus areas within our 2022-2024 Climate Action Plan.

Table 1
Progress against 2022-2024 Climate Action Plan

Actions in progress · Ongoing actions · Not yet commenced

COMMITMENT		STATUS	ACTIONS COMPLETED IN FY23
Commit to climate action	Align our GHG emission reduction targets with the Paris Agreement.	In progress	• Submitted near-term science-based targets for our operational emissions (Scope 1 and 2) and financed emissions (Scope 3, Category 15) to SBTi for validation (Metrics and Targets, p. 12).
	Source 100% renewable energy for our offices and branches by 2030.	In progress	• Engaged with relevant landlords and/or energy providers, allocated budget and developed a transition roadmap.
	Be net zero by 2040.	In progress	• Monitored the release of a net zero standard for financial institutions by the SBTi. • Integrated ESG criteria into procurement processes and developed new products to incentivise customers to adopt renewable energy and improve energy efficiency.
	Maintain carbon neutral certification under the Climate Active Carbon Neutral Standard for Organisations.	Ongoing	• Maintained our carbon neutral certification for our business operations in FY22 (Metrics and Targets, p. 12).
	Enable our team members to become agents of change.	Ongoing	• Key team members developed technical knowledge and skills through setting science-based targets and contributing to the climate risk assessment and physical climate risk financial stress test. • Key team members participated in the 2023 United Nations Global Compact Climate Ambition Accelerator program. • Key team members participated in sustainability-related events and conferences. • Raised awareness and delivered behavioural change campaigns to all team members, including a Paper Lite initiative and World Environment Day.
Build recovery and support resilience	Support our customers' access to housing upgrades that increase their physical resilience to extreme weather events.	In progress	• Engaged an insurance partner to help us understand which housing upgrades are likely to be most effective in increasing the physical resilience to extreme weather events.
	Promote affordable energy efficiency and the adoption of renewables.	In progress	• Developed two new personal loan products to incentivise customers to adopt renewables and invest in energy efficiency measures, including the purchase of electric and hybrid vehicles, solar panel systems, home battery storage, solar hot water systems and heat pumps. These will be launched to customers in FY24.
	Advocate for our customers to maintain appropriate levels of home and contents insurance.	In progress	• Engaged an insurance partner to scope the tools and resources required to help customers determine appropriate levels of home and contents insurance.
	Identify opportunities for the bank and our team members to support disaster responses.	In progress	• Commenced a review of existing employee giving opportunities available to team members, including donating, fundraising and volunteering. Allocated annual disaster relief budget for extreme weather events.
Manage climate risk	Embed climate risk governance across our business.	In progress	• Established internal and external governance to support our 2022-2024 Climate Action Plan. • Monitored for sustainability-related regulation, including greenwashing and climate-related financial reporting.
	Understand and manage climate risks and risk scenarios to ensure we are a sustainable bank for our customers today and in the future.	In progress	• Developed enterprise-wide climate risk register, including physical, transition and liability risks. • Conducted stress testing to determine the potential financial impact of physical climate risks on our mortgage portfolio (Strategy, p. 8).
	Report annually against the TCFD framework.	Ongoing	• Prepared 2023 Climate-Related Financial Disclosure based on the TCFD framework for inclusion in Great Southern Bank's 2023 Annual Report. • Engaged an external consultant to conduct pre-assurance over our FY22 climate-related metrics to strengthen our climate-related disclosure and prepare us for seeking limited assurance.
Partner for impact	Strategically partner with community, industry, NGOs and government to advance tangible climate action.	Ongoing	• Established a new community partnership with the goal to reduce emissions generated from community housing by adopting renewables and improving energy efficiency. This will be launched in FY24.
	Continue working with COBA and BCCM to strengthen industry capacity in climate action and climate-related risk.	Ongoing	• Led a project with the Customer Owned Banking Association (COBA) to identify climate-related risks and opportunities for the customer-owned banking sector (Strategy, p. 8). • Established and participated in the Business Council of Co-Operatives and Mutuals (BCCM) ESG Development Squad. • Became a signatory to the Co-Operatives and Mutuals Declaration of Climate Action facilitated through the BCCM.
	Partner with service providers to decarbonise our procurement and supply chains.	In progress	• Integrated ESG criteria into our procurement processes. • Facilitated opportunities for our third-party procurement partner Mutual Marketplace to build their capability in responsible procurement.
	Share success stories to inspire our business banking customers towards achieving net zero emissions.	Not yet commenced	• To be commenced in FY24

Assessing our climate risks and opportunities

During FY23, Great Southern Bank deepened our understanding of our climate-related risks and opportunities.

Using the Australian Prudential Regulation Authority's (APRA) Prudential Practice Guide CPG 229 on Climate Change Financial Risks[3] for guidance, we led a project with 11 customer-owned banks (COBA members) and external climate change experts to better understand the climate-related risks and opportunities relevant to participating banks and the customer-owned banking sector more broadly.

We applied and expanded on the outcomes of this project to identify and assess the climate risks specific to Great Southern Bank. This involved a cross-functional team assessing climate-related impacts on our portfolios, strategy and financial plans. As per APRA's recommendation, transition impacts (policy, market and reputation), physical impacts (acute, extreme weather impacts and chronic, gradual long-term climate changes) and liability impacts (litigation) were considered. Risks were assessed in line with our Risk Assessment Matrix and existing controls were captured before being prioritised based on their residual rating.

Where necessary, enhanced or additional controls were proposed to further mitigate any impact to our business. Risk owners were engaged this year ahead of assigning the risks, controls and actions to their risk profiles in FY24.

Consistent with the TCFD recommendations, short, medium, and long-term timeframes were used to structure the risk assessment. These timeframes are based on Great Southern Bank's strategic planning horizons and capital allocation plans.

- **Short term (0 - 3 years)**
  Focusing on existing operations and conditions in Australia.
- **Medium term (3 - 10 years)**
  Focusing on potential climate driven changes to conditions in Australia to 2030.
- **Long term (10 - 30 years)**
  Focusing on additional large-scale changes, including substantial physical impacts of climate change on the mortgage portfolio (which considers a 30-year time horizon).

Table 2 summarises Great Southern Bank's key climate-related physical, transition and liability risks. Key actions to manage these risks are detailed under Strategy (page 6) and metrics and targets related to these risks are detailed under Metrics and Targets (page 12).

Management of these risks and opportunities has been considered in the design and execution of our 2022-24 Climate Action Plan.

Table 2 Great Southern Bank's climate-related risks

Climate risk type	Risk driver	Potential impacts	Time horizon	Other business impacts
Transition	Policy	• Resources required to meet current and emerging climate-related legislation. • Reduced value of mortgage portfolio if customers cannot meet more stringent environmental standards.	Short to medium term	Regulatory and Legal risk Credit risk Strategic risk Treasury and Financial risk
	Market	• Reduced demand for existing products perceived to be less 'green'. • Insufficient securitisation of mortgage portfolio. • Changes in value of assets and liabilities due to transition to low carbon economy. • Increased volatility of interest rates and commodity prices impacting mortgage and deposit portfolios. • Customers working in carbon intensive industries may experience disruption in employment.	Short to medium term	Strategic risk Treasury and Financial risk
	Reputation	• Reputational impact if third parties we procure from or invest in don't align to our climate commitments. • Reputational impact if we don't achieve our climate commitments.	Medium term	Strategic risk Operational risk Treasury and Financial risk
Physical	Acute	• Damage to properties in our mortgage portfolio. • Reduced land and asset value due to exposure to potential extreme weather events. • Increased customer withdrawals to fund repairs to their properties. • Increased insurance premiums and unaffordability resulting in increased customers having low or no insurance. • Peaks in demand for customer service during extreme weather events. • Disruption to business continuity.	Short to medium term	Credit risk Treasury and Financial risk Operational risk Strategic risk
	Chronic	• Increase in customers facing financial hardship due to property damage. • Corporate insurance and other operating costs increase. • Stranded and uninsurable assets in our mortgage and investment portfolios.	Medium to long term	Treasury and Financial risk
Liability	Litigation	• Regulatory action due to non-compliance with current and emerging climate-related legislation. • Legal action from financing environmentally harmful projects. • Legal action if 'greenwashing' is perceived. • Legal action if Directors fail to perform fiduciary duties.	Short to medium term	Regulatory and Legal risk

3. CPG 229 Climate Change Financial Risks: https://www.apra.gov.au/climate-change-financial-risks

Assessing the physical resilience of our mortgage portfolio

Great Southern Bank's residential mortgage portfolio is the largest asset in terms of outstanding loan amount on our balance sheet.

It is also the most exposed to the physical risks of climate change, including flooding, bushfires and storms. With the frequency and intensity of these natural hazards set to rise, these physical risks are only likely to further increase.

In FY21, we completed an initial assessment of climate-related physical risks that may impact our residential mortgage portfolio. This focused on understanding the proportion of our mortgage portfolio which could be impacted by natural hazards across three physical climate change scenarios out to 2030, 2050 and 2100. One of the key findings of the assessment was that the most material physical climate risk to our portfolio is river flooding, with 5% of security properties considered at very high risk, followed by flash flooding and storm surges. Please refer to our 2022 Climate-Related Financial Disclosure for more information on this initial assessment.

This year, we expanded on this work by undertaking stress testing to understand the potential financial impacts of climate-related physical risks on our residential mortgage portfolio. This helped us understand and assess our vulnerabilities and resilience against severe but plausible scenarios, particularly the adequacy of capital levels in line with regulatory requirements.

In the context of climate change, we adapted our standard approach and based the stress test on a hypothetical one-off 'shock' scenario, where a series of different natural hazards occurred across several concentrated regions in close succession. The impacts to our balance sheet were modelled, with and without intervention actions by management (see Figure 1). The results indicated that key regulatory measures would remain above the limits set by the Board should such a 'shock' scenario occur.

A key element of our stress test – assessing potential financial exposure to climate-related risks – was based on the APRA 2022 Climate Vulnerability Assessment. This was our first step in aligning to APRA's recommendations on quantifying climate-related risks. We will continue to align our climate risk management to APRA's recommendations where appropriate.

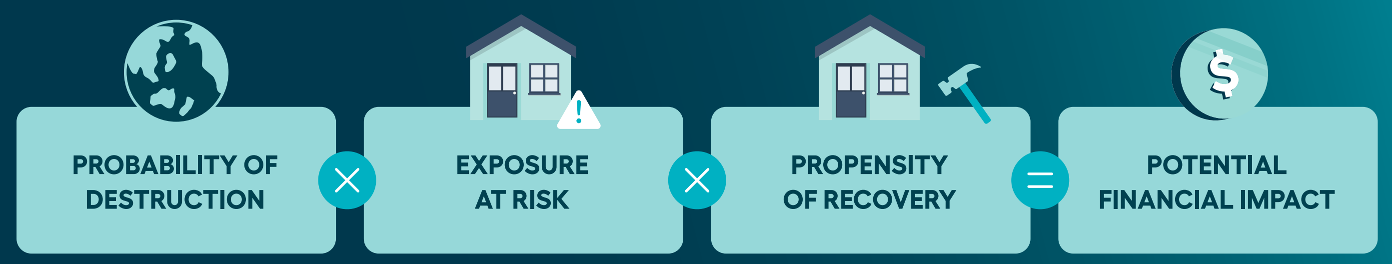


FIGURE 1: Stress test modelling

Risk management

Great Southern Bank's Risk Management Framework (RMF) governs the identification, management, control and monitoring of all risks, including those associated with climate change. The framework considers climate-related risks to the bank and our customers' ability to own and retain a home. The Board has ultimate responsibility for governance of the RMF.

The RMF brings together all our risk artefacts, including our Risk Appetite Statement (RAS), Risk Management Strategy (RMS), stress testing and strategic priorities.

The RMS outlines our material risk class assessment and strategies for managing our material risks. The RAS describes the key risks, acceptable appetite and tolerance levels approved by the Board i.e., the maximum level of risk we are willing to tolerate within each material risk class.

While climate risk is reflected in Great Southern Bank's risk management approach, it is currently not considered to be a separate material risk class. Rather, climate risk is defined in terms of other material risks, including strategic, credit, operational and regulatory and legal risk. This year, we developed a new enterprise-wide risk taxonomy which now includes climate-related risks, which will be embedded into our enterprise risk management in FY24.

Climate change is not specifically included in our residential mortgage risk assessments. However, our property valuation reports do take into account broader environmental factors, including flood or bushfire threats.

This year, we engaged third party providers to understand how we could enhance our identification of climate-related physical risk when assessing mortgage applications as part of our credit risk processes. This will be explored further in FY24. We do not have direct exposures to agriculture, nuclear power and the fossil fuel industry through our investment or business banking portfolios.

Furthermore, as outlined in our RAS, we have no appetite for direct investment or lending associated with fossil fuel extraction or fossil fuel energy production.

We are reviewing ways to enhance our management of climate-related risks next year, including more formal integration with enterprise risk management, credit risk and investment processes.

FIGURE 2: Great Southern Bank's Material Risk Classes

Metrics and targets

Great Southern Bank believes in being transparent and voluntarily disclosing our climate-related impacts.

Our operational emissions (Scope 1 and Scope 2) are those associated with our operations, i.e., our offices and branches in Queensland, New South Wales, Victoria and Western Australia and include relevant Scope 3 emissions.[4,5] These have been calculated in line with the World Resources Institute's Greenhouse Gas Protocol Corporate Standard and the Climate Active Carbon Neutral Standard for Organisations.

In addition, we assess our financed emissions from our mortgage and investments portfolios (Scope 3, Category 15). In 2022, we were proud to become the first bank in Australia to report its financed emissions in line with the global best practice Partnership for Carbon Accounting Financials (PCAF) Standard for financed emissions.

This year, for the first time, we obtained independent limited assurance for our total FY23 financed emissions because they were our most material source of emissions (see pages 18 and 19).

In line with the commitment made in our 2022-2024 Climate Action Plan, we submitted our near-term science-based targets for our operational emissions (Scope 1 and 2) and financed emissions (Scope 3, Category 15) to the SBTi for validation. Validation of emission reduction targets by the SBTi is considered global best practice and will ensure our targets are in line with the most up to date climate science.

We are committed to disclosing and reporting our progress towards meeting these targets once they are approved by the SBTi. By signing the SBTi Commitment letter in September 2022, we have committed to setting net zero science-based targets, becoming part of the Business Ambition for 1.5°C campaign and joining the Race to Zero campaign.

Table 3 Total emissions [6, 7]

Metric		Units[8]	FY23	FY22	FY21	FY20[9]
Operational emissions	Scope 1 GHG emissions[10]	tCO_2-e	45	135	142	141
	Scope 2 GHG emissions	tCO_2-e	825	952	1,019	1,225
	Scope 3 GHG emissions	tCO_2-e	5,761	5,979	5,965	5,814
Financed emissions		tCO_2-e	297,503	378,977	220,768	–
Total emissions		**tCO_2-e**	**304,134**	**386,043**	**227,894**	**7,180**

4. Our reporting boundary for Scope 1 and 2 emissions is based on the World Resources Institute's Greenhouse Gas Protocol Corporate Standard and the Climate Active Carbon Neutral Standard for Organisations.
5. Scope 1 emissions include all GHG emissions from sources that are within Great Southern Bank's control boundary, including emissions from fuel use for transportation purposes and refrigerants during the use of air conditioning equipment. Scope 2 emissions include the use of purchased electricity in our offices and branches, reported using the location-based method from FY21. Scope 3 emissions are emissions that occur as a result of our activities but occur from sources outside the organisation's control boundary. These include computer software and equipment, professional services, postage, courier, and freight, employee commuting, business travel and waste generation and disposal.
6. Subsidiaries covered in FY20-FY22 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). CUA Health Limited was sold in FY22 and is not covered in FY23.
7. Figures stated in this report are calculations based on best practice methodology rather than precise measurements. These methodologies include estimations and assumptions.
8. All emissions values are in tonnes of carbon dioxide equivalent (tCO2-e). Emission factors were derived from the National Greenhouse Accounts (NGA) Factors and the Climate Active database.
9. In line with Climate Active requirements, FY20 performance data used to project FY21 emissions underwent a third-party technical assessment and audit. A second technical assessment has been performed for FY23, and the next technical assessment will be performed in FY26. A third-party audit will only be carried out if a base year recalculation is needed.
10. FY20 and FY21 Scope 1 and Scope 3 emissions have been restated to correctly account for refrigerant emissions.

Operational metrics and targets

Table 4 Operational metrics [11, 12]

Metric	Units[13]	FY23	FY22	FY21	FY20[14]
Scope 1 GHG emissions [15]	tCO_2-e	45	135	142	141
Scope 2 GHG emissions	tCO_2-e	825	952	1,019	1,225
Scope 3 GHG emissions	tCO_2-e	5,761	5,979	5,965	5,814
Total operational GHG emissions (Scope 1, 2 and 3)	tCO_2-e	6,631	7,066	7,126	7,180
Operational GHG emissions intensity by Full-Time Equivalent (Scope 1, 2 and 3)	tCO_2-e/FTE	4.83	5.78	5.10	6.22
Offsets used [16]	tCO_2-e	6,631	7,066	7,126[17]	-
Liquid fuel consumption	kL	17.38	35	39	41
Electricity consumption	MWh	1,114	1,186	1,220	1,506
Waste generated	Tonnes	30	21	27	22
Waste diverted from landfill[18]	Tonnes	12	8	0	0
Water consumption	kL	2,957	7,952	9,086	7,549

In FY23, 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 870 tonnes of carbon-dioxide equivalent emissions (tCO_2-e). This represents a 20% decrease from our FY22 emissions of 1,087 tCO_2-e, attributed to a reduction in electricity consumption and more accurate refrigerant data[19]. Combined Scope 1, 2 and 3 emissions from FY22 to FY23 decreased by 435 tCO_2-e, or around 6%.

Targets

The science-based targets we submitted to the SBTi for our operational emissions include achieving a 42% reduction in our Scope 1 and 2 absolute GHG emissions by 2030 from a FY22 base year. These are pending validation by SBTi.[20]

While our ongoing focus is to reduce our emissions in line with our science-based targets, we are committed to retaining our carbon neutral certification to mitigate our impact on the climate today.

Our business operations for FY22 were certified carbon neutral under the Climate Active Carbon Neutral 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. Our FY23 Public Disclosure Statement is in progress and will be submitted according to the timeline established by Climate Active.

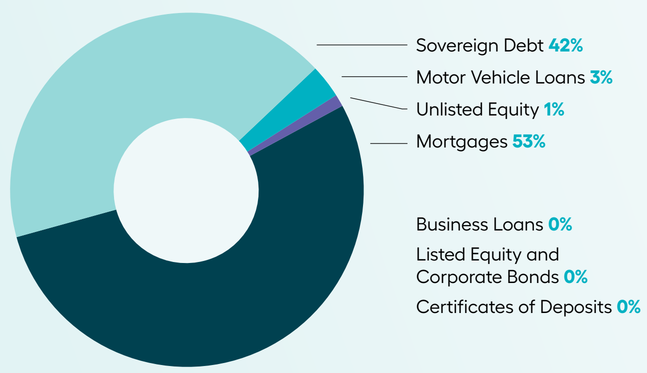
11. Subsidiaries covered in FY20-FY22 are CUA Health Limited (ABN 98 098 685 459), Credicorp Insurance Pty Ltd (ABN 50 069 196 756), CUA Management Pty Ltd (ABN 60 010 003 853) and Credicorp Finance Pty Ltd (ABN 79 010 052 981). CUA Health Limited was sold in FY22 and is not covered in FY23.
12. Figures stated in this report are calculations based on best practice methodology rather than precise measurements. These methodologies include estimations and assumptions.
13. All emissions values are 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.
14. In line with Climate Active requirements, FY20 performance data used to project FY21 emissions underwent a third-party technical assessment and audit. A second technical assessment has been performed for FY23, and the next technical assessment will be performed in FY26. A third-party audit will only be carried out if a base year recalculation is needed.
15. FY20 and FY21 Scope 1 and Scope 3 emissions have been restated to correctly account for refrigerant emissions.
16. Our FY22 and FY23 operational emissions have been fully offset through Certified Emission Reduction units from a wind power project in India and Australian Carbon Credit Units from a savanna burning project managed by First Nations rangers in Arnhem Land, in alignment with the quality requirements of Climate Active. More information is available on the Climate Active website.
17. Figure restated to only include the offsets used to obtain our Climate Active carbon neutral certification. Previously the figure reflected all offsets retired in FY21 which included offsets banked for use in future years.
18. Waste diverted from landfill was not reported in FY20 and FY21.

Financed metrics and targets

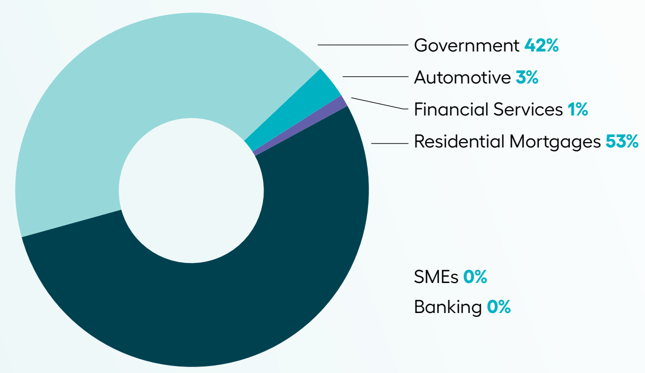
This year, we re-assessed the GHG emissions across our lending and investment portfolios, with the following key findings for our FY23 emissions:[21]

FIGURE 3: Financed metrics

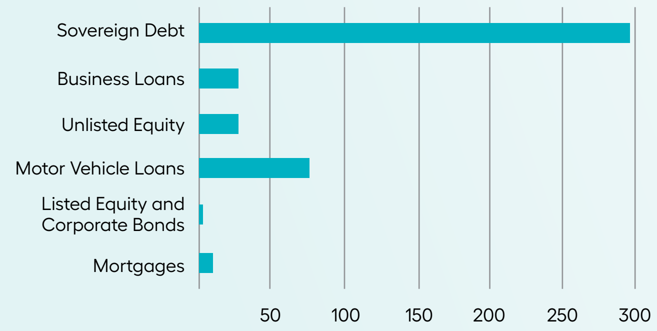
Emissions share by asset class



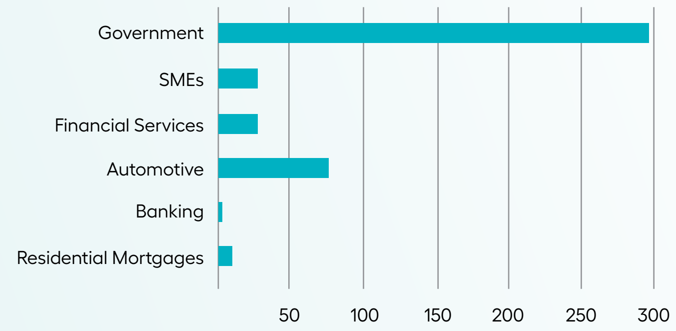
Emissions share by sector



Emissions intensity by asset class (tCO_2e/$M)



Emissions intensity by sector (tCO_2e/$M)



- The total GHG emissions generated by Great Southern Bank's portfolio in FY23 were estimated to be 297,503 tCO_2-e.
- The weighted average carbon intensity (WACI) of each million Australian dollars lent or invested was estimated at 16.19 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 10.18 tCO_2-e/A$million.
- One tonne of GHG emissions (in CO_2-e) is generated by $61,754 loaned or invested.
- The overall weighted data quality score improved from 4.63 out of 5 (FY22) to 4.57 (FY23), where 1 is high quality and 5 is low quality.

Key metrics by asset class and sector are outlined in Tables 5 and 6, including the data quality scores (as required by the PCAF Standard) and notable exclusions. We will continue to work to identify financial impacts and the most meaningful metrics to measure and manage climate-related risks and opportunities such as climate-related metrics linked to Executive remuneration. We are committed to improving data quality and reporting metrics over time.

Targets

The science-based targets we submitted to the SBTi for our financed emissions include targets for our Scope 3, Category 15 emissions. Specifically, these targets include a commitment to reduce the emissions intensity of our mortgage portfolio in terms of tCO_2-e per square metre by 43% by 2030 from a FY22 base year, to increase our investment in corporate bonds and deposit certificates to 47% by invested value and our investment in private equity portfolios to 33% by invested value, both by 2028. These are pending validation by the SBTi.[22]

19. In FY23, we incorporated actual data from one of our facilities to obtain a more accurate representation of the emissions resulting from the use of refrigerants across our organisation. Due to this improved methodology, emissions from refrigerants have decreased compared to previous years.
20. Targets submitted to SBTi are subject to change pending feedback from SBTi.
21. Financed emissions for FY23 are based on non-audited financial data.
22. Targets submitted to SBTi are subject to change pending feedback from SBTi.

Key metrics for financed emissions

Table 5 Financed emissions by asset class [23, 24]

Asset class	Total outstanding loans and investments covered ($M)			Total financed emissions (tCO_2-e)			Emissions intensity for financed emissions (tCO_2-e/$M)			Dollars lent/ invested per tonne of emissions generated ($/$tCO_2$-e) [25]		
	FY23	FY22	FY21	FY23	FY22	FY21	FY23	FY22	FY21	FY23	FY22	FY21
Residential mortgages	15,545	13,358	13,093	158,219	155,626	195,823	10.18	11.65	14.96	98,248	85,835	66,860
Listed Equity and Corporate Bonds	2,172	1,486	1,427	987	645	416	0.45	0.43	0.29	2,200,391	2,305,587	3,433,608
Motor vehicle loans	122	60	179	9,298	4,289	17,521	76.52	71.18	97.63	13,068	14,049	10,242
Certificates of deposit	0	0	160	0	0	912	0	0	5.70	0	0	175,390
Security deposit	0	0	90	0	0	1,133	0	0	12.56	0	0	79,632
Unlisted equity	62	61	50	1,609	477	3,229	26.10	7.79	64.20	38,313	128,412	15,577
Business loans	47	39	26	1,337	938	1,735	28.50	23.85	65.56	35,082	41,921	15,253
Sovereign bonds	425	562	-	126,052	221,734	-	296.41	394.80	-	3,374	2,533	-
Total	**18,372**	**15,567**	**15,026**	**297,503**	**383,709**	**220,768**	**16.19**	**24.65**	**14.69**	**61,754**	**40,570**	**68,063**

Table 6 Financed emissions by sector [26]

Asset class	Total outstanding loans and investments covered ($M)			Total financed emissions (tCO_2-e)			Emissions intensity for financed emissions (tCO_2-e/$M)			Dollars lent/ invested per tonne of emissions generated ($/$tCO_2$-e)		
	FY23	FY22	FY21	FY23	FY22	FY21	FY23	FY22	FY21	FY23	FY22	FY21
Residential mortgages	15,545	13,358	13,093	158,219	155,626	195,823	10.18	11.65	14.96	98,248	85,835	66,860
Banking	2,172	1,486	1,587	987	524	1,328	0.45	0.35	0.84	2,200,391	2,834,613	1,195,374
Automotive	122	60	179	9,298	4,289	17,521	76.52	71.78	97.63	13,068	14,049	10,242
Financial services	62	61	141	1,609	477	4,362	26.10	7.79	31.05	38,313	128,412	32,211
SMEs	47	39	26	1,337	938	1,735	28.50	23.85	65.56	35,082	41,921	15,253
Government	425	562	-	126,052	221,734	-	296.41	395	-	3,374	2,533	-
Total	**18,372**	**15,567**	**15,026**	**297,503**	**383,709**	**220,768**	**16.19**	**24.65**	**14.69**	**61,754**	**40,570**	**68,063**

Table 7 Other key metrics

Asset class	Emissions intensity for residential mortgages (tCO_2-e/m^2)		
	FY23	FY22	FY21
Residential mortgages [27]	32.86	30	–

23. The weighted data quality score (as defined under the PCAF standard) for FY23 data has been estimated at 4.57. 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"*. We will continue to investigate options to improve data quality over time.
24. Asset classes not covered by this inventory are personal loans and investments in derivatives and authorised deposit-taking institutions because there is no current methodology under the PCAF standard. The total loan and investment value for FY23 as per June 30, 2023, is $368M.
25. Dollars lent for mortgages, motor vehicle loans and business loans reflect the total outstanding loan amount as of June 30, 2023. Dollars invested for corporate bonds, certificates of deposits, security deposits, unlisted equity and sovereign bonds reflect the total investment value as of June 30, 2023.
26. The weighted data quality score (as defined under the PCAF standard) for FY23 data has been estimated at 4.57.
27. In FY21, data for emissions intensity was not available.

Independent Limited Assurance Report to the Directors of Credit Union Australia Ltd (trading as Great Southern Bank)

Conclusion

Based on the evidence we obtained from the procedures performed, we are not aware of any material misstatements in the information subject to assurance, which has been prepared by Great Southern Bank in accordance with the criteria for the period ended 30 June 2023.

Information Subject to Assurance

The information subject to assurance, is presented in the 2023 Basis of Preparation for Financed Emissions and in the 2023 Annual Report, available on the Great Southern Bank website and is shown in the table below and covers the year ended 30 June 2023:

Information subject to assurance	Value assured
Total financed emissions (tCO2e)	297,503
Emissions intensity for financed emissions (tCO2e/$M)	16.19
Dollar lent/ invested per tonne of emissions generated ($M/tCO2e)	61,754

Criteria Used as the Basis of Reporting

The criteria used for the preparation of the information subject to assurance is described in the 2023 Basis of Preparation for Financed Emissions ("the Criteria").

Basis for Conclusion

We conducted our work in accordance with Australian Standard on Assurance Engagements ASAE 3000 (Standard). In accordance with the Standard, we have:

- used our professional judgement to plan and perform the engagement to obtain limited assurance that we are not aware of any material misstatements in the information subject to assurance, whether due to fraud or error;
- considered relevant internal controls when designing our assurance procedures, however, we do not express a conclusion on their effectiveness; and
- ensured that the engagement team possesses the appropriate knowledge, skills, and professional competencies.

Summary of Procedures Performed

Our limited assurance conclusion is based on the evidence obtained from performing the following procedures:

- enquiries with relevant Great Southern Bank personnel to understand the internal controls, governance structure, and reporting process of the information subject to assurance;
- reviews of relevant documentation including the Basis of Preparation for Financed Emissions;
- analytical procedures over the information subject to assurance;
- walkthroughs of the information subject to assurance to source documentation;
- evaluating the appropriateness of the criteria with respect to the information subject to assurance; and
- reviewed the information subject to assurance in the 2023 Annual Report in its entirety to ensure it is consistent with our overall knowledge of assurance engagement.

How the Standard Defines Limited Assurance and Material Misstatement

The 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.

Misstatements, including omissions, are considered material if, individually or in the aggregate, they could reasonably be expected to influence relevant decisions of the Directors of Great Southern Bank.

Use of this Assurance Report

This report has been prepared for the Directors of Great Southern Bank for the purpose of providing an assurance conclusion on the information subject to assurance and may not be suitable for another purpose. We disclaim any assumption of responsibility for any reliance on this report, to any person other than the Directors of Great Southern Bank, or for any other purpose than that for which it was prepared.

Management's responsibility

Management are responsible for:

- determining that the criteria is appropriate to meet their needs and the needs of their stakeholders;
- preparing and presenting the information subject to assurance in accordance with the criteria; and
- establishing internal controls that enable the preparation and presentation of the information subject to assurance that is free from material misstatement, whether due to fraud or error.

KPMG

KPMG

30 August 2023

Our Responsibility

Our responsibility is to perform a limited assurance engagement in relation to the information subject to assurance for the period ended 30 June 2023, and to issue an assurance report that includes our conclusion.

Our Independence and Quality Management

We have complied with our independence and other relevant ethical requirements of the *Code of Ethics for Professional Accountants (including Independence Standards)* issued by the Australian Professional and Ethical Standards Board, and complied with the applicable requirements of Australian Standard on Quality Management 1 to design, implement and operate a system of quality management.

Great Southern Bank

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