

## PURPOSE

Wesfarmers acknowledges the scientific consensus on climate change and the diverse effects that climate change may have on its customers, businesses, the economy and the communities in which it operates.

Wesfarmers recognises that business has an important role to play in addressing climate change, and that its actions may deliver economic, social and environmental benefits over the long term.

Wesfarmers is committed to proactively managing the risks and to realising business opportunities associated with climate change. This policy is designed to ensure that the Group and its businesses are managed with a carbon awareness.

It also reflects the Group's desire to support the global goal of reducing greenhouse gas emissions (emissions), consistent with the 2015 Intergovernmental Panel on Climate Change Paris Climate Agreement (Paris Agreement).

This policy aligns with Wesfarmers' corporate objective of delivering a satisfactory return to shareholders. Wesfarmers believes it is only possible to achieve this over the long term by, among other things, taking care of the environment.

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## POLICY

- (a) The principles of this policy (including the Minimum Standards set out in Annexure A) must be complied with or incorporated into policies within each division and the Corporate Office (**division**). In the event of any inconsistency, this policy applies.
- (b) This policy aligns with Wesfarmers' model of divisional autonomy. Each division must set emissions reduction targets for the year ending 30 June 2025, based on 2018 emissions levels and report against those targets annually. This policy provides flexibility to accommodate significant changes to the scale of an existing business.
- (c) This policy recognises the dynamic and evolving nature of the Wesfarmers Group and specifically contemplates changes to the portfolio. Where Wesfarmers acquires a business or operation, that business or operation must, within a reasonable timeframe, comply with this policy.
- (d) This policy should be read in conjunction with the Wesfarmers Code of Conduct, the Wesfarmers Capital Expenditure Policy and the Wesfarmers Environment Policy.

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## POLICY AMENDMENT

This policy will be reviewed within three years, and the reviewed policy will include a requirement for each division to set emissions reduction targets beyond 2025.

This policy cannot be amended without approval of the Wesfarmers Managing Director.

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## LAST AMENDED

September 2019

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## ANNEXURE A – MINIMUM STANDARDS

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### GOVERNANCE

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Board and senior executive information	Senior executives must ensure that they and the Wesfarmers Board are provided with appropriate information to consider the potential impact of climate change on the business, including risks and opportunities.
Accountability and risk owner	Each division is accountable for addressing climate change issues in its business and operations and must nominate a role or roles to be responsible for coordinating the management of climate change risk, and appropriately resource that role or roles.
Reporting and review	<p>Each division must report its Scope 1 and 2 emissions and the progress against its emissions reduction targets in a format as stipulated by Wesfarmers.</p> <p>By 30 June 2021, each division must expand their reporting of Scope 3 emissions in line with the methodologies in the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting Reporting Standard.</p> <p>Each division must annually review its performance against this policy and its emissions reduction targets.</p>

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### TARGETS

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Targets	<p>By 30 June 2020, each division must adopt a Climate Change Policy including, as appropriate, Scope 1 and 2 emissions reduction targets for the year ending 30 June 2025, based on 2018 emissions levels.</p> <p>The targets must reflect the Group's desire to support the global goal of reducing greenhouse gas emissions, consistent with the Paris Agreement.</p> <p>The targets must be approved by the Wesfarmers Board and may be made public by Wesfarmers.</p>
Baseline changes	<p>Where divisions undertake significant growth opportunities that results in an increase in emissions, an increase to the 2018 emissions baseline will be considered.</p> <p>Where divisions exit certain operations (whether through a closure or asset sale or in any other way) that results in a decrease in emissions, a decrease to the 2018 emissions baseline will be considered.</p> <p>Changes to baselines may also be considered in other circumstances.</p> <p>Any change to a baseline requires the approval of the Wesfarmers Board and may be made public by Wesfarmers.</p>
Abatement opportunities	Each division must seek out opportunities to meet their emissions reduction targets rather than focus on offsetting emissions through abatement credits.

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### RISKS AND OPPORTUNITIES

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Risk assessment	<p>Each division must assess the risks associated with climate change across its business and operations as part of the annual risk review process.</p> <p>The risk assessment must address the risks in their own operations and businesses and within their supply chain, as appropriate.</p>
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Opportunity assessment	Each division must assess the opportunities associated with climate change across its business and operations annually.  The opportunity assessment must address the opportunities in their own operations and businesses and within their supply chain, as appropriate.
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## **BUSINESS DEVELOPMENT**

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Planning	Each division must forecast future emissions as part of the annual corporate planning process using the Wesfarmers internal carbon price.
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Carbon price	Each division must apply the Wesfarmers Capital Expenditure Policy to all relevant capital expenditure proposals.
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Mergers and acquisitions	Where Wesfarmers acquires a business or operation, that business or operation must, within a reasonable timeframe, comply with this policy.
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## **TEAM MEMBERS**

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Training	Each division must ensure that team members with responsibilities in relation to this policy receive adequate training and other required support.
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Performance goals	With effect from 1 July 2020, Wesfarmers senior executive performance goals to include the requirement to demonstrate progress on sustainability initiatives including an assessment of performance against this policy and towards the relevant emissions targets.
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