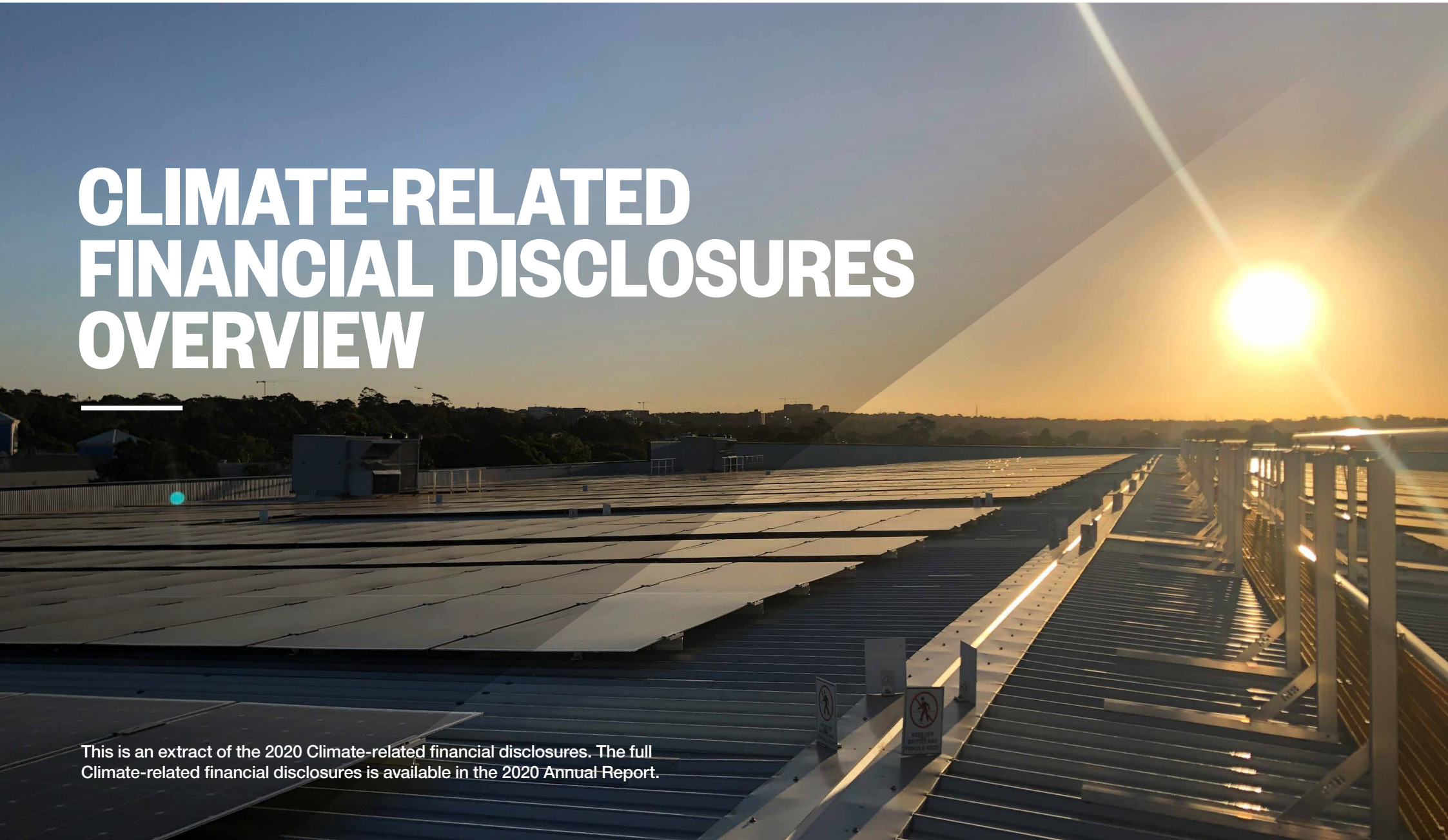
Wesfarmers



CLIMATE-RELATED FINANCIAL DISCLOSURES OVERVIEW

This is an extract of the 2020 Climate-related financial disclosures. The full Climate-related financial disclosures is available in the 2020 Annual Report.

Our climate change strategy

Wesfarmers adopts a proactive approach to managing climate-related risks and opportunities. We respond to changes in climate with diverse strategies, appropriate to each business, to reduce our environmental footprint while also realising opportunities and achieving long-term sustainable growth.

OUR JOURNEY SO FAR

Our climate-related disclosures and strategy have evolved significantly in the last four years. We have found the TCFD framework an effective tool to assess and respond to climate-risk across the Group.

Governance

Developed our Climate Change Policy

Included additional reporting in the Operating and Financial Review in the annual report

Strategy

Analysed the impact of climate change under different scenarios

Identified risks, opportunities and strategic responses for our divisions

Risk management

Elevated climate change to a strategic risk

Reviewed our internal carbon price

Included climate change assessment in acquisition due diligence

Metrics and targets

Adopted divisional emissions targets

Made progress in measurement of some Scope 3 emissions by divisions

RETAIL BUSINESSES

Key strategies include:

- Improving the energy efficiency of our built environment through improved insulation and more efficient lighting and heating;
- Increasing focus on solar passive design principles for all new stores;
- Accelerating installation of solar generation on buildings where the rooftop is accessible under current leasing arrangements;
- Increasing our focus on modal shifts for transportation and logistics emissions; and
- Procuring renewable energy via green procurement options now available in the market.

NON-RETAIL BUSINESSES

Key strategies include:

- Identify opportunities to reduce emissions, for example, through alternate energy sources, energy efficiency and process optimisation technology;
- Increasing our focus on circular economy opportunities;
- Increasing our focus on modal shifts for transportation and logistics emissions;
- Continuously invest in technology improvements as they become available, for example the abatement catalyst technology; and
- Supporting efforts to develop emerging decarbonisation technologies through industry working groups as well as collaboration with universities and other research organisations, and our suppliers and customers. These include initiatives like green ammonia, hydrogen, biomass and carbon reduction technology.

SCENARIO ANALYSIS

At the centre of our climate change strategy, risk management approach, opportunity identification and emission reduction work is our scenario analysis. On an ongoing basis, we consider the latest scientific insight and implications for both the scenarios and our climate change strategy and our risks and opportunities. This year we built on the Group-wide scenario analysis undertaken in 2019. Each division reviewed their detailed risk assessments and strategic opportunity examinations and tested them to ensure they continue to reflect their key climate risks and opportunities under three climate scenarios. The output of this work is summarised on pages 76 to 78.

The three scenarios reflect, respectively, the limiting of global average temperature increases above pre-industrial levels by 1.5°C, 2°C and 4°C by 2100. Each scenario was assessed over the short term (one to five years), medium term (five to 15 years) and long term (15+ years). The scenarios combine elements of the International Energy Agency's 2017 World Energy Outlook, the Representative Concentration Pathways established by the Intergovernmental Panel on Climate Change (IPCC) Fifth Assessment Report and the Global Climate Models available from the Climate Change in Australia Projections for Australia's National Resource Management (NRM) Regions Report.

Each division has assessed its risks and opportunities against three distinct climate change scenarios. The scenarios are not forecasts or predictions nor are they intended to fully describe possible future outcomes. Rather, the scenarios are intended to draw attention to the key factors that may impact our businesses. While the scenarios draw upon global practice and scientific information, it is important to note that they are hypothetical, and the future may resemble none, one or some of the scenarios.

1.5°C scenario

Strong, very fast reduction in emissions driven by government policy, with a focus on minimising climate change.

The energy system rapidly transforms to zero emissions, via the uptake of renewables.

Carbon intensive industries can only continue if they invest in carbon capture and storage technologies and/or are among the most efficient in their industry.

Consumption of non-essential items falls and people reuse and recycle more.

2°C scenario

A market-led transition, enabled by a policy environment which drives rapid reductions in emissions.

A decentralised energy system emerges, dominated by demand management, renewable energy and storage technology.

Global trade flows remain strong, and the focus on circular economies grows with an increase in recycling and a decoupling of resource use and growth.

4°C scenario

No coordinated global action on emissions reduction.

Business does not change significantly to address climate change.

Fossil fuels deliver approximately 50 per cent of the global energy mix.

Acute (extreme) and chronic (long-term) physical impacts of climate change are felt, with significant cumulative impact on the economy.

Economic growth continues to 2030 and then declines as ecosystems struggle to support the increased environmental impact.

Resource depletion causes food and water scarcity and increases the risk of conflict.

Targets and aspirations

All divisions made steady improvements against absolute or intensity emissions targets set in 2019, by undertaking a range of projects designed to improve energy efficiency, increase our behind the meter generation of renewable power and prioritise green energy procurement. The targets reflect the Group's desire to support the global goal of reducing greenhouse gas emissions, consistent with the Paris Agreement.

OUR JOURNEY FROM HERE

Governance

Continue to implement and refine our Climate Change Policy

Embed divisional reporting against our Climate Change Policy

The performance goals and remuneration of the Wesfarmers Managing Director and the divisional managing directors include an assessment of their performance against the Climate Change Policy and divisional emissions targets and aspirations

Strategy

Further climate change scenario analysis based on updated scenarios and the latest available scientific information

Further analysis of the impact of climate change on our supply chains and product mix

Portfolio analysis and strategic analysis

Risk management

Continue to review and adjust the internal carbon price as necessary

Further analysis of climate change on our transport and product-value chains including selected detailed physical assessments

Metrics and targets

Develop a better understanding of our Scope 3 emissions and consider strategic responses for our businesses

Assess achievement of Divisional short-term emissions targets and long-term net zero targets and aspirations

Bunnings

Reflecting the strong expected growth in its store network over coming years, Bunnings is targeting a 10 per cent reduction in Scope 1 and 2 emissions from its baseline of 260 $ktCO_2e$*

2020 WHERE WE ARE NOW: **263** $ktCO_2e$

2025 WHERE WE WANT TO BE: **234** $ktCO_2e$

Kmart Group

While significant progress has already been made over many years, Kmart Group is targeting a 20 per cent reduction in Scope 1 and 2 emissions from its baseline of 331 $ktCO_2e$*

2020 WHERE WE ARE NOW: **304** $ktCO_2e$

2025 WHERE WE WANT TO BE: **265** $ktCO_2e$

Officeworks

Reflecting the opportunities associated with the physical characteristics of its store network, Officeworks is targeting a 25 per cent reduction in Scope 1 and 2 emissions from its baseline of 49 $ktCO_2e$*

2020 WHERE WE ARE NOW: **43** $ktCO_2e$

2025 WHERE WE WANT TO BE: **37** $ktCO_2e$

2030 Where we want to be:

NET ZERO TARGET

Our retail businesses are accelerating plans to reduce their emissions, targeting net zero Scope 1 and 2 emissions by 2030. Bunnings, Kmart Group and Officeworks will achieve this by improving their energy efficiency and moving to renewable power, while working simultaneously with suppliers and customers to better understand and then reduce Scope 3 emissions.

- Improving the **energy efficiency** of our built environment
- Increasing our focus on **modal shifts for transportation and logistics emissions**
- Increasing focus on **solar passive design principles** for all new stores
- **Accelerating installation of solar** generation where possible
- **Procuring renewable energy** via green procurement options

Chemicals, Energy and Fertilisers

WesCEF is largely a Scope 1 emitter and its target is intensity-based*

WesCEF's 2025 target is that its emissions per unit of production are below the mean of comparable peers

2020 WHERE WE ARE NOW: **965** $ktCO_2e$

2025 WHERE WE WANT TO BE: **Emissions per unit below mean of peers**

Industrial and Safety

Industrial and Safety (ex-Coregas) is targeting a reduction in emissions by 12 per cent from its baseline of 15 $ktCO_2e$*

Coregas is largely a Scope 1 emitter and its target is intensity-based. Coregas' target is that its emissions per unit of production are below the mean of comparable peers

2020 WHERE WE ARE NOW: **11**# $ktCO_2e$ ex-Coregas; **16** $ktCO_2e$ Coregas

2025 WHERE WE WANT TO BE: **13** $ktCO_2e$ ex-Coregas; **Emissions per unit below mean of peers** Coregas

2050 Where we want to be:

NET ZERO ASPIRATION

For WesCEF and Coregas, our aspiration is to achieve net zero Scope 1 and 2 emissions by 2050. For these businesses, the transition to net zero will take time, and we will invest and collaborate with others to support efforts to develop the new technologies that will drive the necessary transformation in these important sectors. For Industrial and Safety (ex-Coregas) we are targeting net zero Scope 1 and 2 emissions by 2050.

- A continued focus on **energy efficiency, emissions reduction and alternate energy sources**
- Increasing our focus on **circular economy and decarbonisation opportunities**
- Increasing our focus on modal shifts for **transportation and logistics emissions**
- Continuously invest in available **abatement catalyst technology**
- Supporting efforts to develop emerging **decarbonisation technologies**

Wesfarmers Industrial and Safety met its target in FY20 as a result of ongoing investment in energy efficiency projects and solar generation as well as one-off material impacts including due to COVID-19.

* Baselines have been derived based on emissions reported in the FY18 NGER submission, less discontinued operations, plus other known non-reportable emissions over which we have control, plus other known international Scope 1 and 2 emissions in New Zealand and Asia. For WesCEF, the baseline has been increased to normalise for production outages during FY18.