

Climate disclosures

2022 HIGHLIGHTS

7.4 per cent reduction in Scope 1 and 2 market-based emissions, excluding the Health division

New WesCEF targets to reduce emissions by 30 per cent by 2030 relative to 2020 and net zero by 2050

Bunnings, Kmart Group and Officeworks agree to procure 100 per cent renewable electricity for almost 150 sites in Queensland

Divisions report full Scope 3 balances, for the first time

Construction underway at the Mt Holland lithium project, with minimisation of climate and environmental impacts



We believe that business has an important role to play, to support the transition of global economies to net zero by 2050, consistent with the Paris Agreement. We recognise the inter-connected and inter-dependent nature of many global systems, and that climate change has many, varied impacts on businesses including our supply chains, operations, teams, customers, communities and environment. We know that further action is needed to accelerate progress and prevent the worst impacts of physical climate change.

At Wesfarmers, we are committed to taking action and our businesses have long been managed with carbon awareness. During the year, we conducted detailed risk and opportunity assessments for various climate scenarios, to accelerate our progress and further integrate climate into our annual corporate and strategic planning framework. We measure and closely monitor energy use and emissions, and adopt targets which are supported by detailed roadmaps. These actions are helping to make Wesfarmers more climate resilient.

Our approach is aligned with Wesfarmers' purpose, supporting long-term returns to shareholders, including through better management of climate and energy-related risks. Our disciplined focus on emissions efficiency continues to support growth in our business without necessitating an increase or proportionate increase in emissions.

Since 2018, we have reported transparently using the Taskforce on Climate-related Financial Disclosures (TCFD) framework, knowing that our disclosures interest many stakeholders and that transparency supports broader decarbonisation ambitions. Our climate-related disclosures continue to evolve with TCFD an effective tool to assess and report on climate governance, strategy, metrics and targets, and risks and opportunities. We see value in extending this framework to broader nature considerations, consistent with recent proposals by the Taskforce on Nature-related Financial Disclosures (TNFD). Further information on Wesfarmers approach to climate is available at www.wesfarmers.com.au/sustainability

Greenhouse gas emissions

Including the Health division

SCOPE 1 & 2

● MARKET-BASED¹ ● LOCATION-BASED²

1,225.7 ktCO₂e

	2022	1,225.7	1,385.1
2021	1,308.9	1,475.6	
2020 ³	n.a.	1,620.5	
2019	n.a.	1,557.7	
2018	n.a.	1,435.9	

¹ Emissions based on GHG Protocol Scope 2 market-based reporting standard. In FY22 this includes 0.5 ktCO₂e from the corporate office and 13.9 ktCO₂e from the Health division.

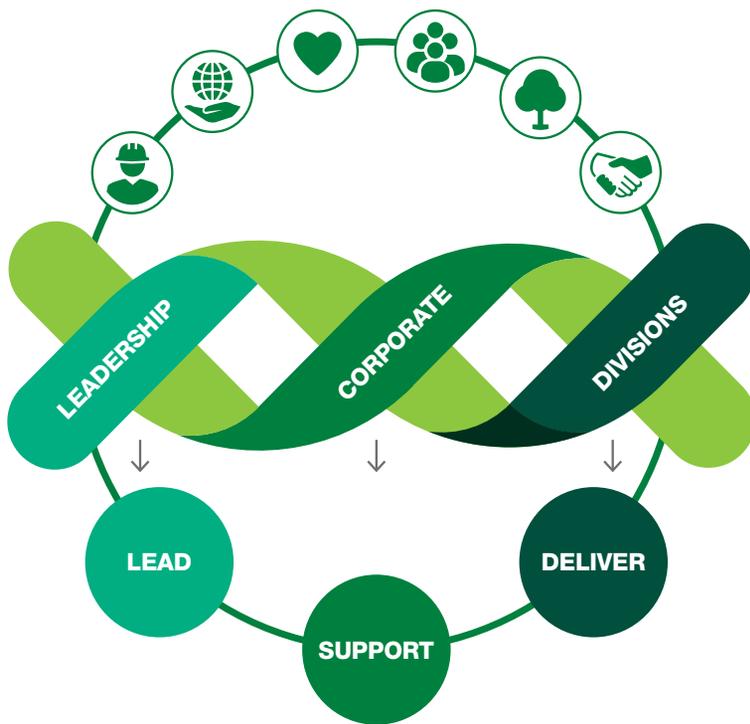
² Scope 1 and 2 data includes emissions for businesses where we have operational control under the NGER Act and emissions in international operations. In FY22 this includes 0.6 ktCO₂e from the corporate office, and 15.0 ktCO₂e from the Health division.

³ Data restated after NGER submission correction.

Strategy

Across the Group, Wesfarmers is continuing to work in a disciplined way to further embed consideration of climate into our strategies and culture. Given our diverse portfolio of businesses, each division develops its own climate strategy, tailored to its operations and material issues.

Our teams work in a connected, coordinated way, sharing learnings to accelerate action and impact. As a result, where relevant, our divisional strategies are often connected and aligned. Our approach also supports the identification of opportunities to collaborate across the Group, to drive impact. We are also receptive to opportunities to demonstrate leadership at business and Group levels.



Set the vision	Advocate for climate resilience	Integrate climate into strategy and operations
Support a culture of climate resilience	Oversee key policies to enable action	Track and leverage insights from data
Monitor progress	Invest in climate capability	Build capability in our teams
Reward performance	Support collaboration and information sharing	Advocate among suppliers
	Provide feedback on strategy	Enable and influence customers
	Oversee climate governance and risk management	

Embed climate resilience
Continue to further embed consideration of climate into strategy and culture

Focus on supply chains
Build strength in supply chains through collaboration and by adapting as the environment changes

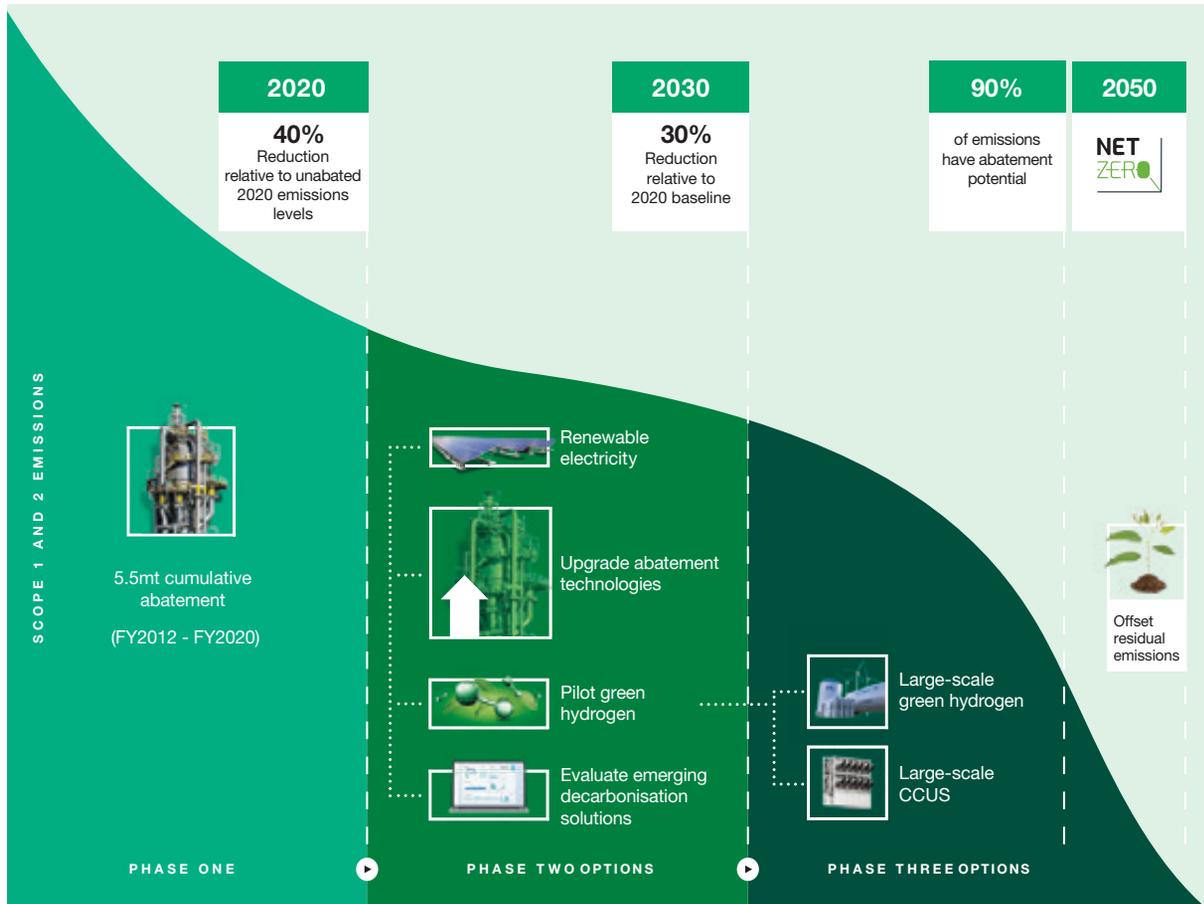
Leverage data and digital
Implement systems to support use of data and digital strategies

Combat physical impacts
Continue to reduce emissions and mitigate and adapt to physical risks

Invest for the future
Identify and pursue opportunities including circular and new business models

ACTIONS TO BUILD CLIMATE RESILIENCE AND CREATE LONG-TERM VALUE	TIMEFRAME	
	2022	2030
Set non-financial climate targets and monitor progress against targets.		
Facilitate cross-divisional collaborations to align on renewable energy options, supplier partnerships, and evolving consumer needs and risks, supported by regular climate and sustainability education.		
Develop a recruitment strategy to attract team members who will help mitigate and realise climate opportunities across the Group.		
Educate stakeholders on climate change, and build stronger partnerships with suppliers, customers and other partners to support their transition to net zero.		
Increase visibility of transition risk exposure within the supply chain, and partner for collaborative decarbonisation.		
Understand supply chain vulnerability and develop plans to address likely disruptions. Consider factors including acute and chronic risks. Evaluate the exposure of key raw materials to physical hazards.		
Develop partnerships with key suppliers and service providers (like freight and delivery suppliers, port operators and other stakeholders of shared infrastructure).		
Explore options for local manufacturing. These options could extend to chemicals, green ammonia (and hydrogen) and other low-carbon products.		
Implement a framework and systems to collect and analyse climate-related data and other ESG data (such as water, waste, sourcing, safety, people, community and nature) and leverage this data for better decision-making.		
Use scenario analysis to evaluate and respond to physical impact risks in our supply chain and operations, and to better incorporate these into strategy and capital processes.		
Incorporate energy efficiency and climate resilient design to combat current and future physical risks to team members, customers, inventory, assets and businesses.		
Invest in climate-resilient businesses, products and services to support and complement current offering. Strategically invest in new industries and sectors.		
Examine circular economy business models including opportunities for product reuse, more recyclable and recycled inputs, and emerging products as a service.		
Review capital allocation processes to support climate-related initiatives including by considering value lost through inaction and potential impact on returns.		

Chemicals, Energy and Fertilisers climate strategy



Through its portfolio of businesses, WesCEF supports agricultural, resources and household customers and communities to achieve a sustainable, healthy and safe future.

During the year, WesCEF released its three-phase decarbonisation journey which includes its 2050 net zero roadmap. This roadmap renewed WesCEF's existing, longstanding focus on climate.

The first phase of WesCEF's decarbonisation journey commenced in FY2012 with the installation of abatement catalysts in several manufacturing plants. This investment has delivered a 40 per cent reduction in emissions intensity and a cumulative absolute reduction in CO₂e emissions of 5.5 million tonnes by the end of FY2020. These outcomes have been achieved while WesCEF also grew its business and operating profit.

The second phase of WesCEF's decarbonisation journey includes a 30 per cent emissions reduction target by 2030 relative to its FY2020 baseline, and the third phase will see WesCEF target net zero Scope 1 and 2 emissions by 2050.

Through the second and third phases, WesCEF intends to invest to support the net zero roadmap which focuses on the decarbonisation of existing 'hard to abate' operations, incorporating new technologies like carbon capture utilisation

and storage (CCUS) and green ammonia and hydrogen, including by partnering with other organisations and engaging with policy makers. Over the period to 2050, WesCEF assumes that these technologies continue to advance and that they become commercially viable and capable of operating at scale well before 2050 and that Government policy is supportive of climate action. The roadmap also recognises the importance of emissions reductions across WesCEF's supplier and customer value chains and includes plans to develop a Scope 3 reduction pathway. Quality offsets may be used to offset any residual emissions in 2050.

WesCEF is also pursuing broader opportunities presented by decarbonisation which leverage WesCEF's capabilities and deliver long-term sustainable benefits to our team, customers, suppliers, communities and the environment. During the year, WesCEF partnered with Mitsui & Co, CSIRO and Jupiter Ionics to explore opportunities in ammonia and hydrogen technologies.

For more please see <https://wescef.com.au/wescefs-roadmap-to-net-zero/>



Governance

EMISSIONS AND ENERGY USE

This year, Wesfarmers location-based Scope 1 and 2 emissions totalled 1,370 thousand tonnes of carbon dioxide equivalent (ktCO₂e) excluding the Health division. This represents a seven per cent reduction relative to FY2021. The acquisition of the API business during the year added an additional 15 ktCO₂e and including API, Wesfarmers achieved a six per cent reduction in emissions relative to FY2021.

Bunnings, Officeworks and Kmart Group reduced their emissions through energy efficiency projects (such as LED lighting), behind-the-meter solar generation and by procuring renewable electricity.

WesCEF reduced its emissions through frequent catalyst replacement and with efficiency projects. WIS reduced its emissions through energy efficiency, renewable energy generation and fuel switching projects.

This year, total energy use across the Group was stable with no change compared to the prior corresponding period and 20 petajoules of energy consumed.

MARKET-BASED REPORTING

Wesfarmers continues to dual-report under the global Greenhouse Gas Protocol Scope 2 Market-Based Emissions Standard (market-based reporting).

This standard allows Wesfarmers to accurately capture and disclose increased use of renewable power which is a key strategy to support the Group's decarbonisation goals. It captures increased behind-the-meter solar PV

generation and voluntary renewable energy purchases through various contractual arrangements.

GOVERNANCE FRAMEWORK

The Wesfarmers Board has responsibility for managing the Group's response to climate change. Climate change risk management is a permanent item on the divisional reporting framework and is discussed by the Wesfarmers Board and its Audit and Risk Committee. The Board approves the Group's climate change strategy including the **Group Climate Policy**, targets, strategic climate-related decisions and disclosures. The Board and Audit and Risk Committee receive regular reporting and oversee climate risk management.

A consolidated Group risk report is provided to the Wesfarmers Board and Audit and Risk Committee for review and approval, and climate change was identified as a high risk in the FY2022 Group Risk Profile. The Corporate Plan is approved by the Wesfarmers Board and includes emissions forecasts and decarbonisation plans. The Remuneration Committee makes recommendations to the Board regarding executive performance goals linked to performance against the Climate Policy and achievement of divisional emissions reduction targets.

LEADERSHIP FRAMEWORK

The Wesfarmers Leadership Team reviews emerging risks and opportunities, leads stakeholder engagement and facilitates the sharing of best practice. Each divisional board and management team is responsible for identifying and managing

material risks and opportunities and business performance, including against the climate strategy, in accordance with the Group's Risk Management Framework. Divisional audit and risk and compliance committees also oversee climate-related risks relevant to the division.

Since 2014, Wesfarmers has incorporated an internal shadow carbon price as part of capital allocation decisions for projects likely to result in direct carbon emissions. This carbon price is described on our sustainability website at www.wesfarmers.com.au/sustainability

During the year, Wesfarmers undertook a detailed climate resilience project to assess climate-related physical and transition risks and their relationship to other environmental and business risks. Updated climate scenarios, based on the latest Intergovernmental Panel on Climate Change guidance, were used to test the Group's climate strategies and identify new or additional strategies to drive climate resilience, along with opportunities for sustainable value creation and risks to existing businesses, as summarised on pages 82 and 83 of this annual report.

Climate resilience workshops were convened involving 160 team members from all divisions and diverse functions, including all of the Wesfarmers Leadership Team. These workshops identified risks at Group and divisional levels, and potential strategies and solutions to address them, along with hundreds of opportunities, acknowledging that climate resilience improves business resilience. The workshops support a culture where further decarbonisation is 'everyone's business'. Opportunities are summarised into five key levers, set out on pages 74 and 75 of this annual report.

GROUP

- Group Climate Policy sets minimum standards expected of our divisions
- Quarterly Carbon and Energy Forums are held to share best practice
- A shadow carbon price is built into Wesfarmers' Project Expenditure and Disposals Policy
- Risk tools are used to undertake scenario analysis

Wesfarmers Board, Audit and Risk Committee and Remuneration Committee

- Approve the Climate Policy
- Provide governance over climate change risks and set risk appetite
- Set performance goals and remuneration
- Receive regular reporting

DIVISIONS

Divisional boards and audit, risk and compliance committees

- Provide governance over climate change risks and support the prioritisation of opportunities
- Receive regular reporting of emissions and energy use to better understand trends in performance

Senior management and the corporate office

- Manage carbon and energy teams
- Set the strategies for the year ahead
- Facilitate training and recruitment of climate-related capabilities
- Report to their divisional boards, the Wesfarmers Board and Audit and Risk Committee

Carbon and energy teams

- Implement the Climate Policy
- Maintain systems and processes for recording emissions data
- Implement emissions reduction projects
- Meet regularly to share best practice through Wesfarmers' Carbon and Energy Forum

Metrics and targets

With the different emissions profiles of our diverse businesses, appropriate and ambitious targets have been set for each division or business. These targets are consistent with our desire to support the transition of global economies to net zero by 2050.

Each year, Wesfarmers reports transparently on emissions and progress made towards our targets. In FY2022, all divisions made good progress towards their targets through diverse strategies that included energy efficiency projects, behind-the-meter solar PV generation, renewable energy procurement, operational improvements and investments in abatement technology. In 2021, Bunnings, Kmart Group and Officeworks made significant commitments to achieving their targets for net zero Scope 1 and 2 emissions by 2030 and to source 100 per cent of their electricity needs from renewable sources by 2025.

During the year, WesCEF updated its ambition, committing to a 30 per cent reduction in Scope 1 and 2 emissions by 2030 relative to a 2020 baseline and net zero Scope 1 and 2 by 2050. WIS ex-Coregas committed to a 45 per cent reduction in Scope 1 and 2 emissions by 2025 relative to a 2018 baseline and net zero Scope 1 and 2 by 2035. Coregas committed to a 30 per cent reduction in Scope 1 and 2 emissions by 2035 relative to a 2022 baseline and net zero Scope 1 and 2 by 2050. WesCEF and WIS Scope 1 and 2 net zero targets assume key emissions reduction technologies continue to advance and become commercially viable and operate at scale well before 2050, and that Government policy remains supportive of climate action.

Pursuant to our Climate Policy, baselines and emissions reduction targets for Scope 1 and 2 may be adjusted including for material changes to our divisions or changes to greenhouse gas reporting protocols and factors. During the year, the WesCEF baseline was adjusted to reflect the current global warming potential of relevant greenhouse gases, and the WIS baseline was adjusted to reflect market-based reporting.

Scope 1, 2 and 3 emissions are reported by division, with more detail on our website at www.wesfarmers.com.au/sustainability. Emissions reporting for the new Health and OneDigital divisions will be included from FY2023.

Our journey so far

- Developed and adopted a Group Climate Policy
- Adopted divisional emissions targets
- Modified performance goals and remuneration for senior executives to include an assessment of their performance against the Climate Policy and divisional emissions and renewable electricity targets
- Strategies developed to deliver business growth without an increase or proportionate increase in emissions

Our journey from here

- Achieve divisional short-term emissions targets and long-term net zero targets
- Investigate technologies and opportunities to accelerate progress against targets
- Further develop our Scope 3 strategic response
- Further develop approach regarding our use of offsets including permitted offsets and when they may be used
- Support the new Health and OneDigital divisions to align with the Group Climate Policy and strategy

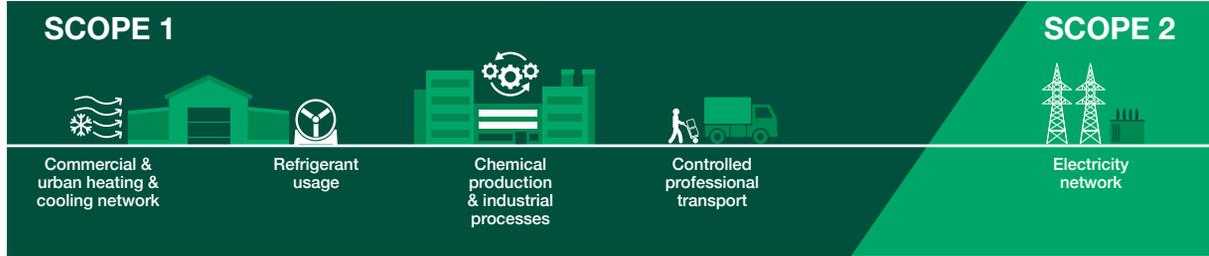
	2022 Scope 1 and 2 location-based emissions ¹	Change to prior year	2022 Scope 1 and 2 market-based emissions ¹	Scope 1 and 2 emissions reduction target (baseline)	Scope 1 and 2 emissions reduction relative to target	Net zero Scope 1 and 2 target	Renewable electricity used (where target exists)
Bunnings	220 ktCO ₂ e	-6%	105 ktCO ₂ e	10% by 2025 (2018)	15% Target achieved	2030	50%
Kmart Group	281 ktCO ₂ e	-4%	254 ktCO ₂ e	20% by 2025 (2018)	15%	2030	18%
Officeworks	37 ktCO ₂ e	-7%	31 ktCO ₂ e	25% by 2025 (2018)	24%	2030	22%
WesCEF	804 ktCO ₂ e	-9%	795 ktCO ₂ e	30% by 2030 (2020)	18%	2050	n/a
WIS (ex-Coregas)	10 ktCO ₂ e	-11%	10 ktCO ₂ e	45% by 2025 (2018)	35%	2035	n/a
Coregas	17 ktCO ₂ e	1%	16 ktCO ₂ e	30% by 2035 (2022)	n/a	2050	n/a

¹ Data has been rounded to the nearest 1 ktCO₂e. In some instances, the sum total for emissions may differ due to this rounding.

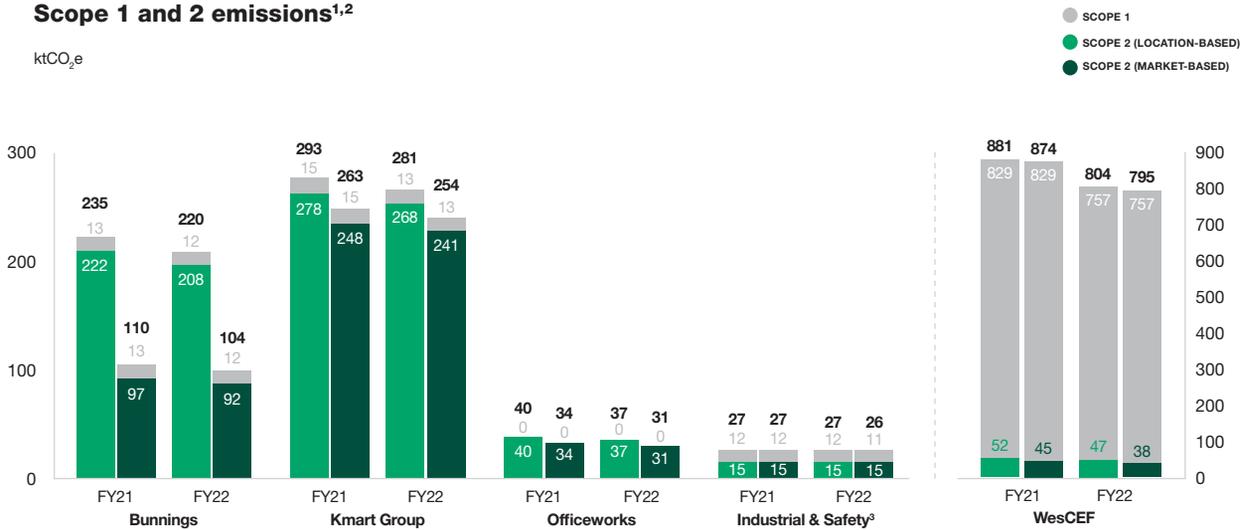
SCOPE 1 AND 2 EMISSIONS

Our Scope 1 emissions predominantly come from the manufacture of ammonia, ammonium nitrate, sodium cyanide, LNG and LPG at WesCEF; the manufacture and transport of industrial and medical gases by Coregas, as well as the use of natural gas and transportation fuels, such as diesel and petrol, in our retail businesses.

Our Scope 2 emissions come from electricity use, predominantly in our retail businesses.



Scope 1 and 2 emissions^{1,2}



¹ Scope 1 and 2 data includes emissions for businesses where we have operational control under the NGER Act, and emissions in New Zealand.

² Data has been rounded to the nearest 1 ktCO₂e. In some instances, the sum total for emissions may differ due to this rounding.

³ Includes Coregas.

SCOPE 3 EMISSIONS

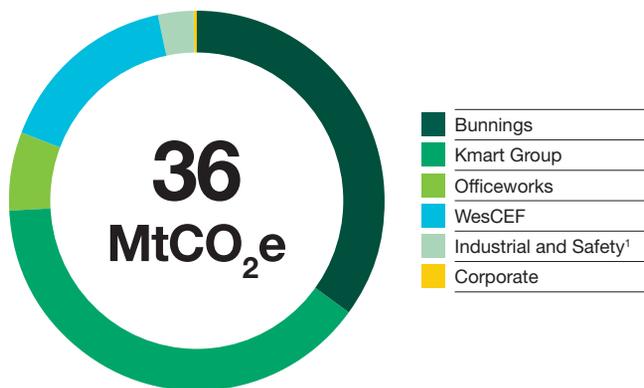
Our Scope 3 emissions relate largely to the production, transport, use and disposal of our products and waste generated across our operations.

This year, all of our businesses have completed their Scope 3 balance calculation. These are shown on pages 79 and 80 of this annual report by division and Scope 3 emission category.

Recognising that Scope 3 calculations are complex, in the coming year, we will continue to deepen our understanding of our Scope 3 emissions profile including by increasing the transparency and accuracy of assumptions used in Scope 3 balance calculations.

With increased visibility to our Scope 3 emissions, we are prioritising opportunities and partnerships to reduce these emissions. These opportunities and partnerships are expected to include suppliers and customers.

Scope 3 emissions by division



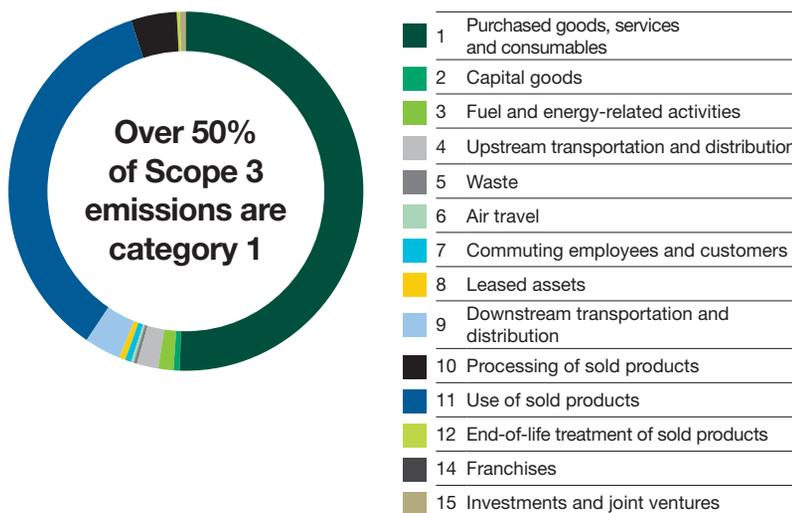
¹ Includes Coregas.

Metrics and targets (cont'd)

Our largest Scope 3 category is category 1, the purchased goods, services and consumables of our businesses. To address this category, our retail divisions are progressing opportunities including through improved design and by specifying lower emissions (including recyclable and recycled) materials and packaging, in collaboration with suppliers for branded product lines.

Our second largest Scope 3 category is category 11, use of sold products. To address this category, our retail divisions are pursuing opportunities to sell more emissions- and energy-efficient products and to support customers to use products efficiently. Our retail divisions are also supporting customers to recycle products at end-of-life, enabling a more circular business. Our Kleenheat business is offering carbon neutral product options to meet customer demand.

Scope 3 emissions by category



Risks and opportunities

During the year, we undertook a detailed assessment of climate risks and opportunities for our businesses, using three different climate scenarios. The three scenarios reflect the limiting of global average temperature increases above pre-industrial levels by 1.5°C, 2°C and 4°C by 2100. In the coming year, a similar assessment will be conducted with the new Health division.

The analysis identified various physical risks in Australia, New Zealand and our other major sourcing countries, including for our team members, customers, suppliers and communities, for assets and critical infrastructure (like ports and domestic freight systems), and for certain raw materials and products.

An increased frequency of extreme weather events, particularly heat, drought, flood, bushfire, storm surges and cyclones, may impact the availability and price of raw materials and the markets where we source products. Extreme weather may impact international and domestic freight and logistics systems causing delays, adding costs and impacting availability.

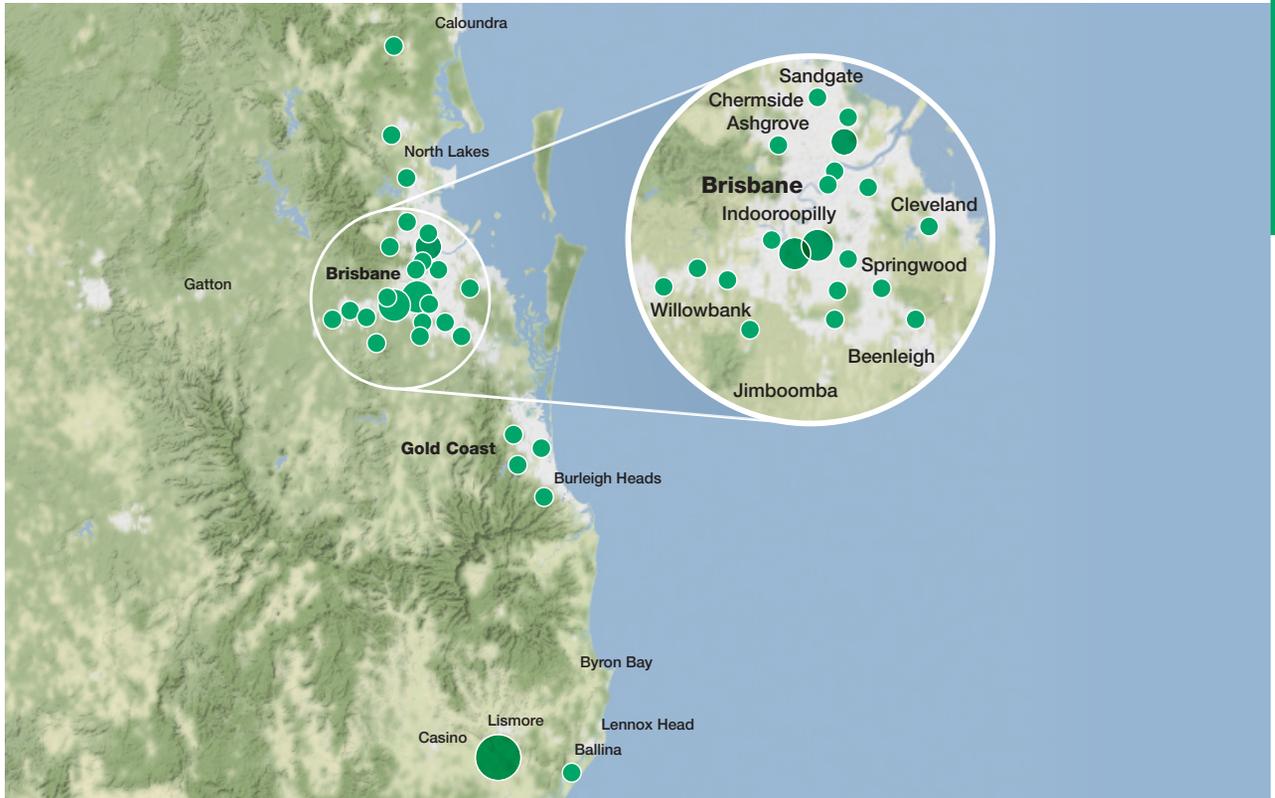
We also assessed extreme weather event risk across our Australian and New Zealand assets and operations. Extreme weather events may affect our stores, causing physical damage, loss of stock and our operations by impacting our team members and local communities. Extreme weather events may also impact our internal decisions including location of key assets.

Key risks under 4°C climate scenario¹

	Extreme heat (by 2030) At least 7 additional hot days over 35°C across northern Australia.
	Droughts and long-term rainfall deficits (by 2030) At least 4% longer dry spells across Victoria and New South Wales and 2% longer dry spells across the North Island of New Zealand.
	Floods (by 2030) At least 10% increase in extreme rain days and at least 5% increase in extreme rain intensity across southern Australia and New Zealand.
	Bushfires (by 2030) Approximately 7 additional severe fire weather days in Queensland, New South Wales and Victoria.
	Storm surge (by 2050) 1-in-100-year present day storm surge event (2 to 5 metres in height) occurring every year in Kwinana (Western Australia), Rockhampton and Yeppoon (Queensland).
	Cyclones (by 2050) More intense category 5 cyclones for the North Atlantic (+11.3%), North East Pacific (+22.6 per cent) and North and South Indian Ocean (+4.5 to +5.3%).

¹ IPCC AR6, World Climate Research Programme Coupled Model Intercomparison Project (Phase 6), Voudoukas et al (2018), NASA Earth Data Knutson et al. (2020) and Copernicus Fire Weather Index Abatzoglou et al. 2019.

FINANCIAL RISKS OF CLIMATE CHANGE



The physical impact of climate change can have negative and positive impacts on our financial performance.

We minimise negative impacts through active risk management, implementation of mitigation strategies and by building climate resilience into our businesses. We plan for various possible climate scenarios as part of our annual corporate and strategic planning framework. As a result, we are adapting our approach to network expansion and store fit-outs, to mitigate the impact of future events.

In the medium-to-long term, the extent of any negative or positive financial impact will depend on how well we respond to the various risks and the effectiveness of strategies to capitalise on opportunities.

During the year, our businesses, communities and team members experienced the physical impact of climate change, which may have exacerbated the catastrophic flooding events in northern New South Wales and southern Queensland in late February 2022. The Insurance Council of Australia assessed the losses across the region as a result of these floods at approximately \$4.8 billion.

In this region, Wesfarmers' businesses operate across many sites which were impacted by the flooding. These impacts include forced closure for several days, property damage, stock damage and reduced customer traffic. In Lismore, several sites were inundated with very significant damage to property and stock. In these circumstances, sites can take months to reopen.

For Wesfarmers, many of these losses and impacts are insured. If the frequency and intensity of extreme weather events increases, we expect the cost (and availability) of insurance to be impacted.

In addition to the impact on Wesfarmers businesses, more than 300 team members in the region saw their homes and belongings damaged, as did many retail and business customers. Where possible, our businesses supported the local community and community organisations with the flood response and recovery.

Scale of financial impact on Wesfarmers sites of FY2022 flooding

- Nominal impact
- Significant impact

Risks and opportunities (cont'd)

Consistent with our value-creating strategies, the Group will continue to consider opportunities to invest in existing businesses and take advantage of the flexibility of the Wesfarmers conglomerate model to renew the portfolio through opportunistic and value-accretive acquisitions or divestments. In assessing these opportunities, climate-related issues are included in the evaluation of investment decisions. Across the Group, climate-related opportunities include improved resource efficiency and cost savings, increased use of renewable energy, the introduction of new products, services and markets and improved resilience in our supply chain.

The following table summarises key physical and transition risks, and their potential impact on Wesfarmers, and selected material opportunities for Wesfarmers.

Physical risks are driven by extreme weather and long-term shifts in climate patterns.	
Risk description	Potential impact on and opportunity for Wesfarmers
Acute physical impacts	
<ul style="list-style-type: none"> Heavy rainfall events are typically caused by weather systems such as thunderstorms, cyclones, low pressure troughs and east coast lows that can increase the risk of flooding. These are often compounded by storm surge events contributing to coastal inundation. Wesfarmers is exposed to the risk of increased extreme wet conditions including more frequent and intense flooding events, storm surge events and more intense tropical cyclones. The regions with the most frequent and intense extreme rain are across northern and eastern Australia, New Zealand, and Southeast Asia in Wesfarmers' supply chain. Extreme wet conditions can impact critical infrastructure (like road, railways and dams). 	<ul style="list-style-type: none"> There may be disruption to supply chain and transport logistics from extreme wet conditions including flooding, coastal inundation from storm surge events and tropical cyclones affecting port, road and rail operations, leading to transport delays and disrupting transport routes. There may be damage to assets and infrastructure associated with more frequent and intense extreme weather. There may be sourcing issues, particularly where sourcing is concentrated in certain markets. This may have implications for inventory held. When extreme weather events occur, temporary store closures may impact product availability and revenue, leading to reputational impacts and changes in consumer behaviour. There may be demand spikes in certain categories and at certain times. We may need to redesign or retrofit stores and warehouses to better withstand more frequent and intense extreme weather. Flooding may lead to production line disruptions, leading to delays in manufacturing, temporary closures of facilities and increased prices. There may be an opportunity to adjust product and service ranges to reflect new and emerging customer needs.
Chronic physical impacts	
<ul style="list-style-type: none"> Rising temperatures are associated with an increase in the frequency of very hot days which can result in the temporary closure of facilities for various reasons including power failures. Temperature rise is often associated with increases in the duration of dry spells which can affect water supplies for use in the manufacture of apparel and general merchandise and other water-intensive manufacturing processes. Wesfarmers is exposed to hot days (over 35°C) across most of Australia. The regions that are most exposed to severe dry spells (approximately 100 days) and currently experience frequent hot days are Western Australia domestically, and India, the Middle East, the Mediterranean and Pakistan. Wesfarmers is exposed to the risk of more hot days, longer droughts, and conditions linked to the risk of bushfires. 	<ul style="list-style-type: none"> Hotter temperatures increase operational costs from air-conditioning and temperature moderation in retail settings, particularly with less efficient building design. Customers may be less likely to visit our stores on hot days. Water shortages may impact water-intensive manufacturing activities and the quality and yield of raw materials. Droughts can lead to lower agricultural productivity or closure of water-intensive manufacturing facilities. Environmental workplace hazards such as heat stress and dehydration, and loss of labour productivity, may impact wellbeing of team members and business performance. There may be an opportunity to adjust product and service ranges to reflect emerging customer needs. Extreme heat may affect the operations of key business customers, reducing their demand for our products and services.
Transition risks are driven by policy, regulation, technology, reputation, and market changes as a result of progress to decarbonise, including where supported by diverse stakeholders.	
Risk description	Potential impact on and opportunity for Wesfarmers
Policy and legal	
<ul style="list-style-type: none"> As global carbon pricing regimes evolve and align, there may be increased risk and additional costs incurred associated with emissions. Climate change and resource scarcity may increase geopolitical uncertainty, bringing risks throughout supply chains. Policy uncertainty adds electricity supply and price risk. 	<ul style="list-style-type: none"> Products with a large carbon footprint or those transported long distances may become more expensive to procure, especially as emissions are costed, reducing margins. Increased supply chain vulnerability and geopolitical risk may introduce other legal risks and impact future supply security. By applying a carbon price now, our relative competitive position may be stronger in the future. Investment in energy-efficiency measures and solar PV systems reduces dependency on the electricity network.

Markets

- Customer preferences and expectations may change to favour low-carbon, more sustainable or circular and locally sourced products. For some products and market segments, customers may be unwilling to pay higher premiums for these features.
- Supply chain risks may increase. These include risks around supplier capability, price and availability of certain raw materials and added costs or disruption to freight systems requiring investment in storage and inventory.
- Various factors may require diversification and localisation of supply chains.
- It may become important to use new raw materials and technologies (like recycling) to support more circular business models.
- It may become important to engage more with community and other stakeholders.
- Changing customer preferences and expectations may impact demand for existing products and services including products that are emissions- or resource-intensive or which are not recyclable. Customers may increasingly favour locally sourced products.
- Evolving customer preferences may provide opportunities to develop more sustainable products and services including products which have stronger circular properties.
- New markets may emerge providing opportunities for investment. These might include products that support decarbonisation such as lithium, and blue or green ammonia and hydrogen.

Technology

- With increased global interest and investment, there may be discoveries and breakthroughs which impact incumbents in certain sectors, businesses, products and services or the long-term benefits of certain new technologies.
- Business may need to absorb short-term decarbonisation costs and diverse stakeholders may expect more detailed climate-related reporting.
- With discoveries and breakthroughs, there is a greater risk of stranded assets and business. It will be important to participate in research and consider this risk when making long-term investments and to reflect this insight into portfolio decisions.
- There are opportunities to invest in digital and data capabilities to collect more accurate, complete, comparable and timely sustainability data, for reporting purposes and to inform strategy.

Reputation

- There may be reputational risks associated with exposure to fossil fuels and emissions-intensive businesses or businesses which do not or cannot decarbonise or which decarbonise slowly.
- Businesses will seek to build climate-positive brands to align with changing consumer preferences, while also engaging customers on relevant concepts.
- There is an opportunity to engage openly with stakeholders around our climate-related strategies including at a portfolio level and within our divisions, and on results achieved.
- There is an opportunity to build a more climate-positive brand to better align with consumer preferences, while also engaging customers on relevant concepts.

Workforce

- It may be important to expand climate capabilities including with new climate roles, supporting the development of existing teams.
- There will be strong demand for team members with climate expertise and it may be difficult to attract these people.
- Some competitors and employers may be better at attracting and retaining climate-related talent, and at investing in the development of existing teams.
- There is an opportunity to invest in data and reporting systems, to support our teams when developing and implementing strategies which deliver climate-related plans and build resilience.

Resource efficiency

- With increased resource scarcity, the availability and cost of certain raw materials may change.
- Business may (or may be required to) be more resource efficient and to adopt more sustainable practices or contribute to environmental restoration.
- It will be important to identify and assess key risks and opportunities for more efficient resource use as resource efficient businesses will likely out-perform.
- There are opportunities to expand and strengthen partnerships including with suppliers, peers, governments and experts, and to support research in key areas with potential sustainability, emissions and nature benefits.

Energy source

- Interest among stakeholders in energy and associated emissions will continue to grow including where it is sourced and how it is used.
- Businesses and others will continue to evaluate and invest in emissions reduction technology and to collaborate on decarbonisation opportunities.
- There will be opportunities to partner and invest in new energy markets including ammonia and hydrogen.
- It may be important to establish carbon trading capabilities and strategies regarding the use of offsets (including offset 'quality'), to offset residual emissions after abatement strategies.



Agreement to purchase renewable electricity in Queensland

Bunnings, Kmart Group and Officeworks signed a 100 per cent renewable electricity contract for almost 150 sites with CleanCo Queensland in December 2021, supporting the realisation of this Queensland Government-sponsored project.

For Bunnings, the CleanCo agreement is for five years, commencing 1 July 2022 and covering large sites in Queensland. The agreement initially delivers 30 per cent renewable electricity then 100 per cent renewable electricity from 1 January 2025. It covers 26 per cent of Bunnings' total electricity consumption and reduces Bunnings' Scope 2 emissions by 30 per cent. For Kmart Group and Officeworks, the agreement is for 7.5 years, commencing 1 July 2023 and will reduce Scope 2 emissions by 17 per cent.



Bunnings and Coregas innovate their fleet

Bunnings has expanded its fleet adding two all-electric trucks, as part of a trial with Linfox. At least 60 tonnes of emissions will be avoided annually compared to a similar diesel truck. The trial will help Bunnings assess decarbonisation options for its operations and supply chain. The trucks will recharge using a fast charger at Bunnings' Laverton distribution centre, to 80 per cent capacity in an hour.

Coregas has partnered with European prime mover manufacturer Hyzon to conduct a hydrogen trial with two prime movers. These prime movers are due to join the Coregas fleet in late 2022, servicing New South Wales customers with bulk product deliveries and accessing hydrogen from Coregas' Port Kembla facility. They have a 650-kilometre range, can be refuelled within 15 minutes and will reduce emissions by approximately 50 per cent compared to similar vehicles. This strategic project supports the emerging hydrogen ecosystem in Port Kembla and Illawarra-Shoalhaven.



Progress at the Mt Holland lithium project

As one of Wesfarmers key platforms for long-term growth, our 50 per cent stake in the Mt Holland lithium project will support global decarbonisation ambitions for many years.

Mt Holland, acquired in 2019 via the \$776 million acquisition of Kidman Resources, is a large-scale, long-life and high-grade lithium hydroxide project in Western Australia. Construction of the mine, concentrator and refinery is underway with first production expected in 2024. Wesfarmers has committed an additional \$950 million to the development of the project.

The lithium hydroxide produced from the Mt Holland lithium project will power about one million battery-operated electric vehicles each year, helping the world to transition to greener sources of energy and to reduce emissions. Wesfarmers is also continuing to assess expansion opportunities to help meet strong demand for lithium hydroxide.



More sustainable building design

Bunnings continues to expand its network, with a more sustainable approach to building design. During the year, new stores opened in Victoria, New South Wales, Western Australia and New Zealand that include design elements such as enhanced levels of insulation, energy efficient lighting, heating, ventilation and cooling systems, on-site solar PV systems and internal segregation to improve the efficiency of thermal comfort systems.

Bunnings Melton East in Victoria piloted the new design elements. The store generates one third of its electricity behind the meter with rooftop solar which, together with other energy efficiency measures, reduces energy costs by approximately 38 per cent on a per-square-metre basis. Scope 1 emissions at Bunnings Melton East have reduced by 32 per cent compared to the previous store format and Scope 2 emissions are 34 per cent lower.

Reducing the emissions intensity of the network is an important step in meeting Bunnings' net zero target by 2030.



Independent Limited Assurance Statement to the Management and Directors of Wesfarmers Limited

Our Conclusion:

Ernst & Young ('EY') was engaged by Wesfarmers Limited ('Wesfarmers') to undertake limited assurance, hereafter referred to as a 'review', over selected disclosures (detailed below) published in the Wesfarmers Annual Report and the Wesfarmers sustainability website for the financial year ended 30 June 2022. Based on our review, nothing came to our attention that causes us to believe that the subject matter for our review has not been prepared, in all material respects, in accordance with the criteria defined below.

What our review covered (subject matter)

EY reviewed:

- Wesfarmers' approach to defining report content ('materiality assessment')
- Wesfarmers' reported alignment to 'core' level of 'in accordance' requirements of the Global Reporting Initiative's ('GRI') Sustainability Reporting Standards ('GRI Standards')
- Selected disclosures in the Annual Report, limited to the following:
 - 'Sustainability' and 'Climate disclosures' sections of the Operating and Financial Review
 - The divisional sections for Bunnings (pp 28-30), Kmart Group (pp 34-37), Chemicals, Energy and Fertilisers (pp 42-44), Officeworks (pp 48-50), and Industrial and Safety (pp 54-56)
- Selected sustainability disclosures, including the performance metrics set out in the table below, presented on Wesfarmers' website under wesfarmers.com.au/sustainability as at 25 August 2022.

Performance metrics

- Scope 1, Scope 2, and Scope 3 greenhouse gas emissions in tonnes of carbon dioxide equivalent (ktCO₂e)
- Energy consumption (petajoules)
- Waste disposed and recovered (kt)
- Water consumption (megalitres)
- Workplace health and safety data (Total Recordable Injury Frequency Rate ('TRIFR') and workers compensation claims)
- Community contributions (AUD)
- Aboriginal and Torres Strait Islander team members
- Aboriginal and Torres Strait Islander procurement spend (AUD)
- Ethical sourcing program data
- Employment and People data

Criteria

In preparing its sustainability disclosures, Wesfarmers applied the following criteria:

- GRI Standards, including the Reporting Principles for defining report quality and content
- *National Greenhouse and Energy Reporting Act 2007* for Scope 1 and 2 greenhouse gas data
- GHG Protocol guidance for Scope 3 greenhouse gas data and Scope 2 market-based emissions
- Other selected Criteria, as determined by Wesfarmers, and as set out in its sustainability disclosures.



Terence Jeyaretnam FIEAust
Partner

Melbourne, Australia
25 August 2022

Key responsibilities

EY's responsibility and independence

Our responsibility was to express a conclusion on the subject matter described in this statement.

We were also responsible for maintaining our independence and confirm that we have met the requirements of the *APES 110 Code of Ethics for Professional Accountants*, including independence, and have the required competencies and experience to conduct this assurance engagement.

Wesfarmers' responsibility

Wesfarmers' management was responsible for selecting the Criteria and preparing and fairly presenting the subject matter in accordance with that Criteria. This responsibility includes establishing and maintaining internal controls, adequate records, and making estimates that are reasonable in the circumstances.

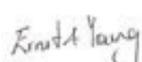
Our approach to conducting the review

We conducted our review 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* ('ASAE 3000'), *Assurance Engagements on Greenhouse Gas Statements* ('ASAE 3410'), and the terms of reference for this engagement as agreed with Wesfarmers on 11 March 2022.

Summary of review procedures performed

A review consists of making enquiries, primarily of persons responsible for preparing the selected sustainability disclosures and related information in the Annual Report and applying analytical and other review procedures. Our procedures included:

- Evaluating Wesfarmers' adherence to the GRI Standards Reporting Principles for defining report quality and report content, including the processes involved at a divisional and corporate level
- Checking whether material topics and performance issues identified during our procedures had been adequately disclosed
- Interviewing selected personnel from divisional and corporate offices, to understand the key sustainability issues related to the subject matter and processes for collecting, collating and reporting the performance data during the reporting period
- Where relevant, gaining an understanding of systems and processes for data aggregation and reporting
- Performing analytical tests and detailed substantive testing to source documentation for material qualitative and quantitative information
- Checking the accuracy of calculations performed



Ernst & Young

- Obtaining and reviewing evidence to support key assumptions in calculations and other data
- Reviewing selected management information and documentation supporting assertions made in the subject matter
- Checking that data and statements had been accurately transcribed from corporate systems and/or supporting evidence
- Reviewing the presentation of claims, case studies and data against the relevant GRI principles contained in the criteria.

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

Limited Assurance

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.

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.

Use of our Assurance Statement

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

The extent of our review included the information available at www.wesfarmers.com.au/sustainability as at 25 August 2022. We provide no assurance over changes to the content of this web-based information after the date of this assurance statement, nor over any information available through web-links that are beyond the boundary of the selected sustainability disclosures and related information in the Annual Report.