



**Great Southern  
Bank**

19 July 2021

General Manager, Policy Development  
Policy and Advice Division  
Australian Prudential Regulation Authority  
GPO Box 9836  
**SYDNEY NSW 2001**

By email: [PolicyDevelopment@apra.gov.au](mailto:PolicyDevelopment@apra.gov.au)

Dear General Manager,

**Re: Great Southern Bank response to APRA's consultation on draft Prudential Practice Guide on Climate Change Financial Risks**

Great Southern Bank welcomes to opportunity to provide feedback to APRA's consultation on the draft *Prudential Practice Guide CPG 229 Climate Change Financial Risks* (CPG 229).

### **Background**

CUA changed its trading name to Great Southern Bank on 1 June 2021, as part of a renewed focus on helping all Australians own their own home. As Australia's largest and oldest customer-owned bank, we offer responsible financial, health and insurance solutions to about 560,000 Australians. With roots dating back to 1946, Great Southern Bank has grown and evolved and today, has consolidated assets worth more than \$16.4bn and 1,100 team members. Whilst we are headquartered in Brisbane, our reach is national via our network of almost 40 branches. Our geographical spread is also amplified through our mortgage broker channel with Great Southern Bank having access to over 2,400 brokers across Australia.

Great Southern Bank is 100 per cent owned by its customers with each having an equal and unlisted share in the organisation. This structure means we don't have the conflict of needing to satisfy the whims of the share market and can remain constantly focused on the needs of our customer-owners.

### **Our changing climate**

As a customer-owned bank, we believe we best serve our customers if we understand the impacts of the changing climate and accept that, left unchecked, it can have a negative impact on our community at large.

Our changing climate is an external threat and risk to our financial resilience that we, as a bank, have an obligation to our customer-owners to identify and mitigate. As we learn more about how it impacts people and their surrounds, we will consider how it might impact our ability to deliver our purpose helping all Australians to own their own home. We believe we have an important role to play.

Our efforts in addressing climate change are part of our broader Sustainability Strategy, which is something that we constantly consider and update. We see our considerations as building on our long-standing work helping communities through our work on things like financial inclusion and our partnerships with groups like Australian Red Cross.

### **Draft CPG 229**

We believe CPG 229 will bring benefit and consistency as industry evolves its risk practices in response to the changing climate.

In considering our response to APRA's consultation we have been mindful of the leadership role we play on behalf of the customer-owned banking sector. We fully support APRA's intention to make CPG 229 proportional to the size, business mix and complexity of the entity, and tailored to the nature and magnitude of the risks. This is particularly important for the smallest customer-owned ADIs who are more likely to require more time, or be resource-constrained in their ability, to assess climate change financial risks. Equally, some of these entities will have exposures that are more concentrated to specific geographic areas and to specific threats – it's important to allow flexibility in the framework to cater for this.

To assist smaller ADIs, Great Southern Bank encourages APRA to consider an earlier implementation timeframe for disclosures for large ADIs. This will allow smaller ADIs, who do not have the resources and expertise, to develop and learn from the work undertaken by large ADIs who are better resourced.

Under the direction of our Board and as part of our rebrand to Great Southern Bank, we have been focused on our broader Sustainability Strategy and its connection to our organisational purpose of helping all Australians own their own home. A fundamental element of the strategy needs to be the bank's financial resilience and response to climate change risks. This begins by understanding our current risk exposure and how this might evolve over time under different climate change scenarios. Importantly, as a customer-owned bank, we also want to consider our role in helping our customers make informed decisions with respect to climate change and their home ownership journey.

As we complete our analysis and modelling, we are also considering how we can best assist the customer-owned banking sector. We intend to work with the Customer Owned Banking Association to explore how we might collaborate with other customer owned ADIs to help them better understand their risks and assist their customers.

We hope that over time APRA will be able to share industry insights on best practice and benchmarking in this area so as to better facilitate an understanding of the risks for smaller ADIs.

APRA's draft CPG 229 outlines better practice in monitoring climate risks which includes both a qualitative and quantitative approach (page 13). Great Southern Bank suggests having a consistent set of quantitative metrics for monitoring across the sector.

We also believe it would be in the sector's best interests to create consistency with definitions of short and medium term for the scenario analysis. We are currently looking at scenario impacts for 2030 and 2050.

Whilst we are waiting for our scenario analysis, our assumption is that it won't change frequently, and we believe that rather than reporting on the work annually, this reporting should be disclosed when a material shift is identified.

**Great Southern Bank's actions**

APRA's draft CPG 229 (page 6) outlines the five stages for *better practice in management of climate change financial risks*. This guidance supports Great Southern Bank's approach which is currently focused on creating awareness and a baseline understanding of our exposure to different climate-related threats.

To this end, we are completing a baseline analysis of our residential mortgage exposures to identify the main climate hazard risks impacting our portfolio and concentrations vulnerable to a single event. The analysis will also consider different climatic scenarios so that we can gain insight into how our climate hazard risks may evolve over time.

Once again, thank you for the opportunity to provide a submission to APRA's consultation on the draft CPG 229. If you have any questions or require additional information, please do not hesitate to contact [REDACTED], Government Affairs Manager on [REDACTED] [REDACTED] [REDACTED] or by email [REDACTED].

Kind regards

[REDACTED]

[REDACTED]  
Chief Executive Officer  
Managing Director

