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NAB Business Insights March 2023

The growing importance of sustainability as a consumer issue & are SMEs ready?

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NAB Behavioural & Industry Economics

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Over 1 in 3 Australian consumers strongly believe business bears a responsibility to operate sustainably and almost 1 in 5 SMEs strongly intend to make an investment to improve the sustainability of their business over the next 2 years. 1 in 4 consumers also strongly agree that sustainability has become more important to them and would choose an alternative, more sustainable product, service or brand, if available.

In this NAB Special Insight Report, we asked over 2,000 Australians about their attitudes to sustainability in general, and their opinions about what makes a product or service sustainable, the actions they're taking to lead a more sustainable lifestyle, and the main reasons they haven't adopted a more sustainable lifestyle. We also explore how SMEs view sustainability across some key themes and discover the most important actions their business will take to reduce carbon emissions in the next 5 years. The results are based on the responses from around 750 Australian Small & Medium-Sized business (SMEs).

Over 1 in 3 Australian consumers are in strong agreement that business bears a responsibility to them to operate sustainably, and 1 in 4 strongly believe sustainability has not only become more important to them but they would choose an alternative more sustainable product, service or brand if available.

A further 1 in 5 strongly consider the sustainability of a product/service, business or brand when making purchases and would change their shopping habits if they discovered that a business or brand wasn't operating sustainably. While consumers were in lower agreement they would pay more for a sustainable product/service, business or brand, almost 1 in 5 would do so. By age, consumer concern around sustainability issues was typically higher in the 18-29 and 30-49 age groups. Women were also somewhat more likely to agree that sustainability had become more important to them, and consider the sustainability of a product/service, business or brand when making purchases.

For those consumers who were least interested in sustainability issues, over 1 in 2 cited costs as the biggest challenge for them in supporting sustainable products/services, while 1 in 3 didn't believe their actions would make a difference. Interestingly, 1 in 4 were being held back because they didn't have enough information about whether products/services were indeed "sustainable". A further 1 in 5 simply had no interest in buying sustainable products/services, it was too inconvenient and required too much effort, or found it all too complicated. Less than 1 in 10 identified lower quality as a constraint.

Older consumers (over 65) were much more likely to believe their actions wouldn't make any difference or weren't interested in buying sustainable products/services. Significantly more in the 18-29 age group said it was too inconvenient or time consuming. By gender, a much higher number of men thought taking a stronger position on sustainability would not make any difference, weren't interested, or sustainable products/services were of lower quality.

Sustainability can mean different things to different people. In simple terms, a sustainable product is typically defined as one that that doesn't deplete natural non-renewable resources while offering environmental, social, and economic benefits throughout its life cycle. For a service to be sustainable, it should also incorporate environmental, social, and economic elements into service provider design, development, management, and implementation. But what do Australian consumers think makes a product or service sustainable?

Almost 1 in 2 believe a product or service was "sustainable" if it was recyclable or biodegradable. The next most common identifier (for around 1 in 3 consumers) was packaging (minimal, recyclable, compostable or biodegradable), being made of recycled/repurposed, natural or renewable resources/materials, durable and would last a long time or uses less energy or resources to make. Around 1 in 4 also said being responsibly sourced or harvested, carbon neutral, supports biodiversity, was made in a socially responsible way and locally produced. Over 1 in 10 consumers however didn't know what would characterise a sustainable good or service.

Finally, Australian consumers were asked to identify what they were currently doing to lead a more sustainable lifestyle. Most (over 1 in 2) said recycling household waste. The next most common actions were minimising food waste, minimising single use plastics, limiting water usage, and buying seasonal fruits and vegetables. The lowest number bought carbon offsets (fewer than 1 in 20), contacted a brand to raise an issue about their sustainability or ethical practices and value, or hired/rented items instead of buying them.

What about the perspective of business?

There is also growing recognition of the importance of sustainability as a business issue with almost 1 in 5 SMEs (17%) "strongly" expecting to make an investment to improve the sustainability of their business over the next 2 years. This rises to 1 in 3 in Accommodation & Hospitality, 1 in 4 in Personal Services and Transport & Storage, and 1 in 5 in Manufacturing and Retail. Only 3% in the Finance & Insurance sector intend to do so.

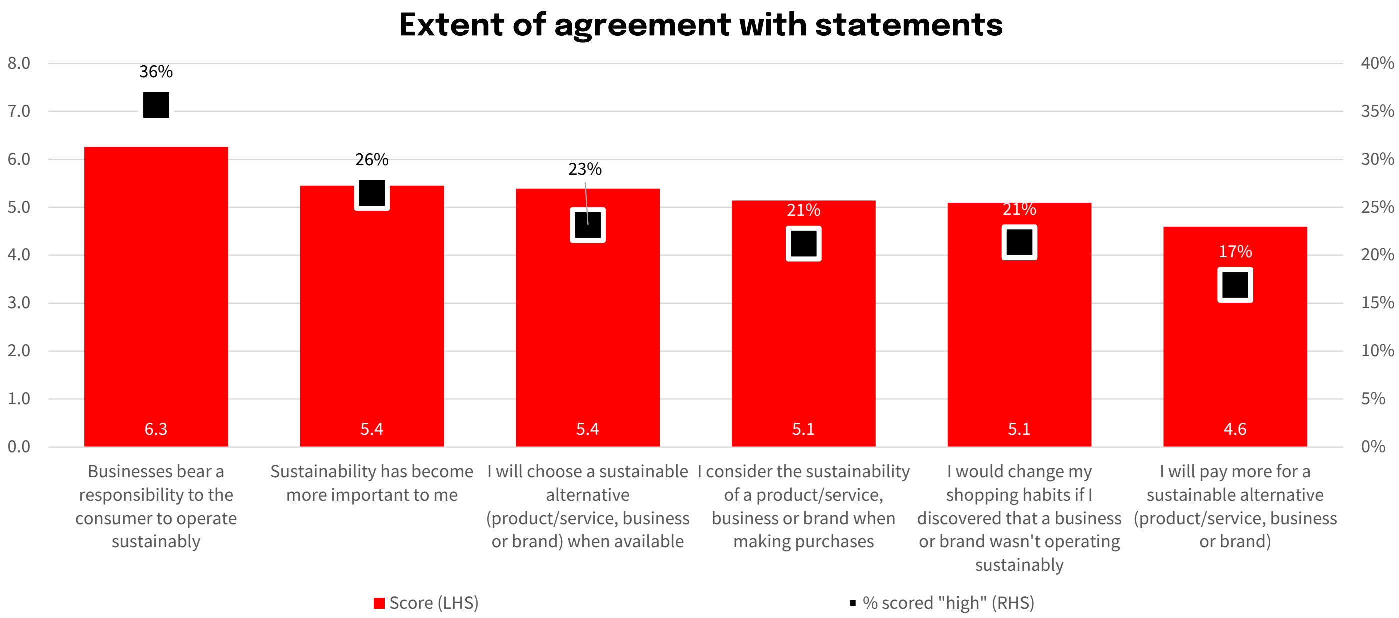
More investment may well be needed with only 14% of Australian SMEs in strong agreement about having a robust sustainability plan in place. By industry, almost 3 in 10 SMEs in the Personal Services sector strongly believe they do, followed by 1 in 5 in Manufacturing. In contrast less than 1 in 10 SMEs in Accommodation & Hospitality, Business Services, and Finance & Insurance Services have a robust plan in place.

When asked specifically about climate change, around 1 in 10 SMEs were in strong agreement it represents a significant risk to their business. But attitudes vary widely by sector. Concern was highest for SMEs in the Accommodation & Hospitality sector where 16% viewed climate change as a key risk - over 5 times more than in Business and Health Services (3%), and almost 3 times as many than in the Personal Services (6%) and Construction (6%) sectors.

When asked what actions they will take to reduce carbon emissions in the next 5 years, around 1 in 4 SMEs identified renewable energy or solar power, followed by vehicles (e.g. moving to greater use of hybrid, electric or and zero emission vehicles). Around 1 in 10 aimed to focus on recycling and reducing waste and energy management (e.g. being energy aware or efficient, battery storage, purchasing green energy etc). Almost 1 in 4 said they would focus on a range of other themes such as improving productivity, travel, technology, compliance, best practice, and maintenance. However, almost 3 in 10 SMEs plan to do nothing or have no plans at this stage.

Sustainability - The view from consumers

In 1987, the United Nations Brundtland Commission defined sustainability as "meeting the needs of the present without compromising the ability of future generations to meet their own needs." But what does it mean for Australian consumers. In this survey, NAB asked over 2,000 Australians about their attitudes to sustainability in general, and their opinions about what makes a product or service sustainable, the actions they're taking to lead a more sustainable lifestyle, and main reasons why they haven't adopted a more sustainable lifestyle.



Australians were asked to score the extent they agreed with a range of statements relating to sustainability. Overall, they agreed most with the statement: **"Business bears the responsibility to the consumer to operate sustainably"**, scoring on average 6.3 pts out of 10 (10 = "completely" agree). Over 1 in 3 (36%) were in very high agreement with this statement (i.e. scored 8+ pts). Australians were in next highest agreement with the statements: **"Sustainability has become more important to me"** and **"I will choose a sustainable alternative (product, service or business brand) when available"**, scoring 5.4 pts for both questions - though slightly more scored importance (26%) than choice (23%) very high. Australians also scored their agreement equally for **"I consider the sustainability of a product/service, business or brand when making purchases"** and **"I would change my shopping habits if I discovered that a business or brand wasn't operating sustainably"** the same at 5.1 pts, with 21% also rating their agreement with both statements very high. Cost was however an issue, with Australians rating their agreement lowest for the statement: "**I will pay more for a sustainable alternative(product/service, business or brand)"** at just 4.6 pts, with less than 1 in 5 (17%) in very high agreement.

Extent of agreement with statements (score out of 10 & % scored high)

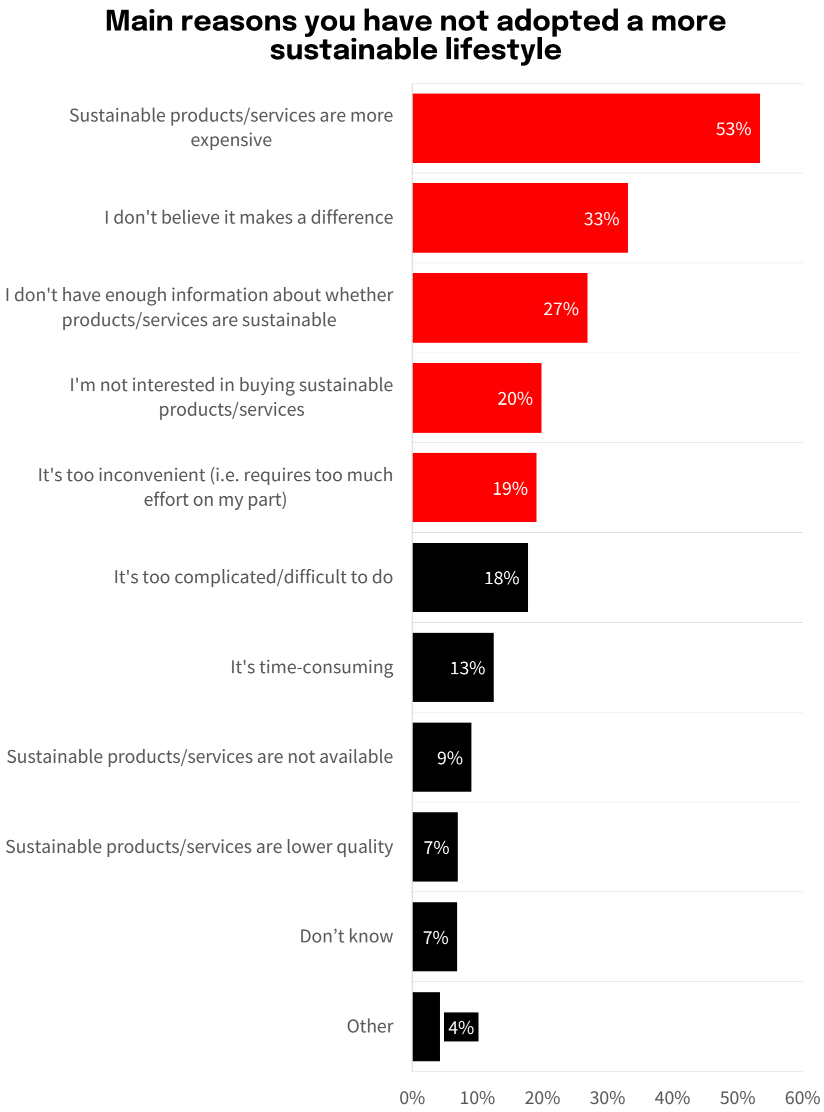
STATEMENT	All	Capital city	Regional city	Rural area	18-29	30-49	50-64	65+	Men	Women
Businesses bear a responsibility to the consumer to operate sustainably.	6.3 (36%)	6.4 (37%)	6.1 (35%)	6.0 (32%)	6.3 (34%)	6.3 (33%)	6.3 (39%)	6.2 (38%)	6.1 (34%)	6.4 (37%)
Sustainability has become more important to me.	5.4 (26%)	5.6 (27%)	5.3 (27%)	5.1 (25%)	5.7 (26%)	5.7 (29%)	5.1 (24%)	5.1 (25%)	5.2 (25%)	5.7 (28%)
I will choose a sustainable alternative (product/service, business or brand) when available	5.4 (23%)	5.5 (23%)	5.1 (23%)	5.1 (22%)	5.5 (23%)	5.6 (27%)	5.1 (20%)	5.1 (21%)	5.2 (21%)	5.6 (25%)
I consider the sustainability of a product/service, business or brand when making purchases.	5.1 (21%)	5.2 (22%)	5.0 (20%)	4.9 (20%)	5.4 (21%)	5.5 (24%)	4.7 (18%)	4.7 (19%)	4.9 (20%)	5.4 (22%)
I would change my shopping habits if I discovered that a business or brand wasn't operating sustainably	5.1 (21%)	5.2 (22%)	4.9 (21%)	4.7 (19%)	5.3 (21%)	5.4 (22%)	4.6 (21%)	4.8 (20%)	4.9 (22%)	5.2 (21%)
I will pay more for a sustainable alternative (product/service, business or brand).	4.6 (17%)	4.8 (18%)	4.3 (16%)	4.1 (13%)	5.0 (17%)	5.1 (22%)	3.9 (12%)	4.1 (13%)	4.5 (17%)	4.6 (16%)

Consumers in all regions, age groups and gender agreed most with the statement about business bearing a responsibility to the consumer to operate sustainably - and agreement levels were broadly consistent across all groups.

By region, however we noted somewhat higher agreement in capital cities over statements relating to choosing a sustainable alternative when available (5.5 pts), and paying more for a sustainable alternative brand (4.8 pts) than in regional cities (4.3 pts) and rural areas (4.1 pts).

By age, agreement for all statements (except corporates bear a responsibility to consumers to operate sustainably) was higher in the 18-29 and 30-49 age groups than in the 50-64 and over 50 age groups. We also noted a significantly bigger number in the 30-49 age group in very high agreement over the statement about paying more for a sustainable alternative (22%) than all other age groups.

Agreement by gender varied most over the statements that sustainability has become more important to me (5.7 pts women; 5.2 pts men), and I consider the sustainability of a product/service, business or brand when making purchases (5.4 pts women; 4.9 pts men).



Like any other form of ideology or lifestyle concept, adopting a more sustainable lifestyle may not appeal to all for a variety of reasons.

In this survey, Australians that rated their extent of agreement "low" (i.e. less than 4 pts) with the statement: **"Sustainability has become more important to me"** were asked to identify the main reasons they had not adopted a more sustainable lifestyle.

According to over 1 in 2 (53%), cost was the biggest hurdle as they believe sustainable products or services are more expensive. Around 1 in 3 (33%) however simply don't believe it makes a difference, while 1 in 4 (27%) held back from doing so because they didn't have enough information about whether products/services are sustainable. Rounding up the top 5 was having no interest in buying sustainable products/services (20%), or that it was inconvenient and requires too much effort (19%).

For a significantly large number of people, it was also too complicated or difficult to do (18%), was time consuming (13%), or because sustainable products/services are not available (9%).

Around 7% had not adopted a sustainable lifestyle because they believe sustainable products/services are lower quality, whereas 7% simply did not know why.

Main reasons for not adopting sustainable lifestyle (%)

	All	Capital city	Regional city	Rural area	18-29	30-49	50-64	65+	Men	Women
Sustainable products/services are more expensive	53%	56%	51%	46%	53%	53%	56%	52%	53%	54%
I don't believe it makes a difference	33%	33%	31%	35%	21%	28%	33%	50%	38%	27%
I don't have enough information about whether products/services are sustainable	27%	29%	26%	22%	24%	24%	30%	31%	28%	26%
I'm not interested in buying sustainable products/services	20%	20%	15%	27%	15%	15%	21%	28%	24%	15%
It's too inconvenient (i.e. requires too much effort on my part)	19%	22%	12%	18%	30%	19%	12%	17%	20%	19%
It's too complicated/difficult to do	18%	20%	14%	13%	18%	18%	17%	18%	18%	18%
It's time-consuming	13%	14%	9%	11%	20%	16%	9%	6%	12%	13%
Sustainable products/services are not available	9%	10%	9%	7%	12%	11%	6%	8%	11%	7%
Sustainable products/services are lower quality	7%	7%	6%	9%	13%	5%	7%	4%	9%	4%
Don't know	7%	7%	8%	4%	6%	9%	8%	3%	6%	8%
Other	4%	3%	5%	8%	0%	2%	7%	8%	5%	3%

By region, noticeably more consumers (56%) in capital cities did not adopt a sustainable lifestyle because of cost, particularly when compared to rural areas (46%), or because it was too complicated or difficult (20%). Far more consumers in rural areas however didn't because they weren't interested in buying sustainable products/services (27%).

By age, key differences included the much higher number in the over 65 group that didn't think it made a difference (50%) or simply weren't interested in buying sustainable products/services (28%). Significantly more people in the 18-29 group however said it was too inconvenient (30%) or products/services were of lower quality (13%). Noticeably more people in the 18-29 (20%) and 30-49 (16%) age groups also chose not to adopt a sustainable lifestyle because it's time consuming.

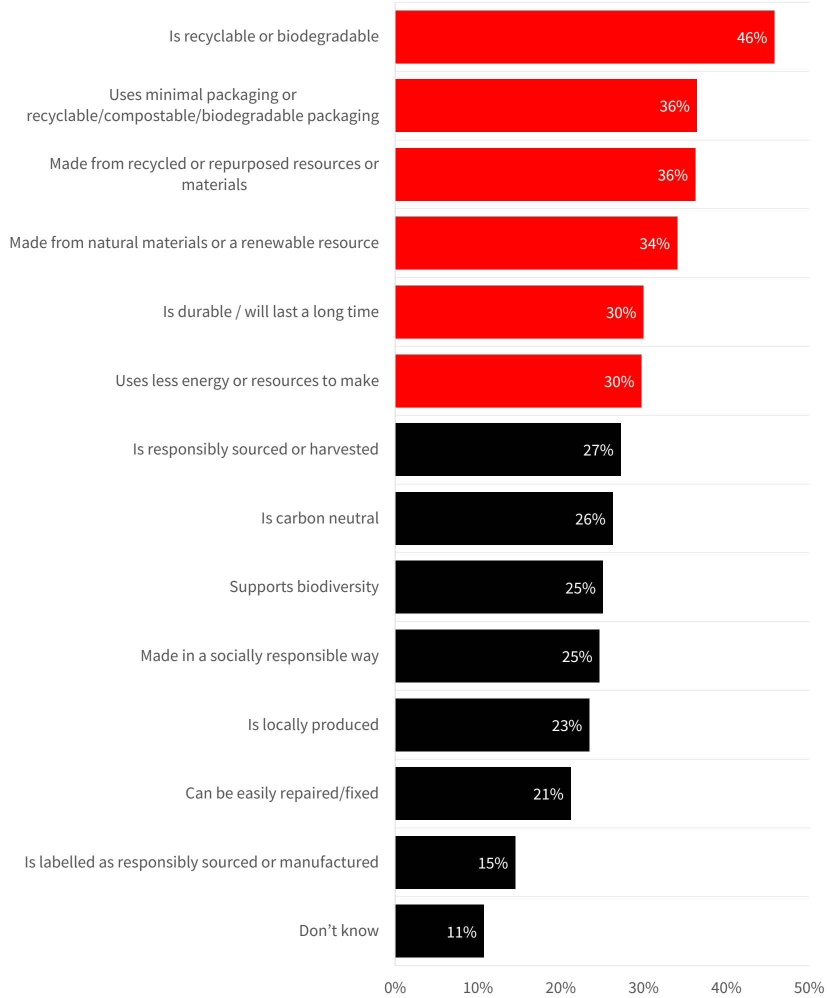
By gender. the main differences were the much higher number of men who thought it didn't make a difference (38% men; 27% women), weren't interested in buying sustainable products/services (24% men; 14% women), and thought sustainable products/services were of lower quality (9% men; 4% women).

The term sustainability is a broad concept. In simple terms, a sustainable product is typically defined as one that that doesn't deplete natural non-renewable resources while offering environmental, social, and economic benefits throughout its life cycle. For a service to be sustainable, it should also incorporate environmental, social, and economic elements into service provider design, development, management, and implementation. But what do Australian consumers think makes a product or service sustainable? In this survey, we asked them to select their top 5 reasons.

The most common reason for nearly 1 in 2 (46%) is that a product/service is sustainable because it's recyclable or biodegradable. The next most common reasons were minimal packaging or recyclable, compostable or biodegradable packaging (36%), it's made from recycled or re-purposed resources or materials (36%), made from natural materials or a renewable resource (34%), is durable and will last a long time (30%), or it uses less energy or resources to make (30%).

Around 1 in 4 also said it was responsibly sourced or harvested (27%), carbon neutral or doesn't release carbon dioxide into the atmosphere (26%), supports biodiversity e.g. protects forest, rivers and oceans, wildlife and animal welfare etc. (25%), is made in a socially responsible way i.e. promotes human rights, fair labour practices etc. (25%) and is locally-produced (23%). Around 1 in 5 think it should be easily repaired or fixed (21%), and 15% labelled as responsibly sourced or manufactured e.g. "Fairtrade". But around 1 in 10 consumers don't know (11%) - **see chart below**.

Which if any of these do you think makes a product or service sustainable?



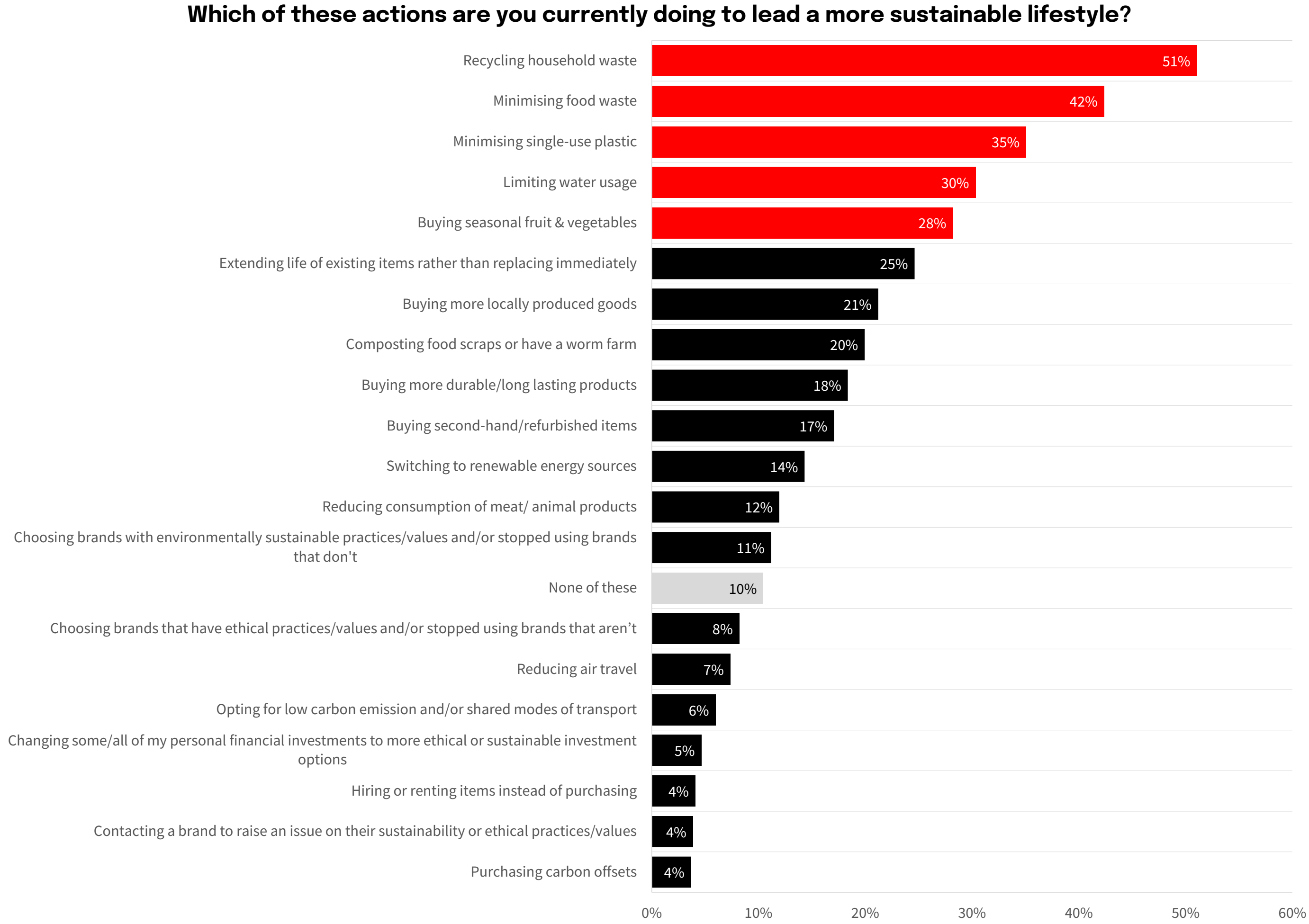
What makes a product or service sustainable did not vary materially by region, except being carbon neutral (22%) or made in a socially responsible way (21%), which was highlighted by less people living in rural areas than in capital or regional cities.

By age, a much higher number over people over 50 said a product/service was sustainable because it was recyclable or biodegradable (50%). Noticeably more people in the 50-64 age group also said it was made from recycled or repurposed materials (42%), in the 18-29 age group made in a socially responsible way (32%), and in the over 65 group could be easily fixed or repaired (28%). We also identified a somewhat lower number in the 50-64 group who said a sustainable product/service is sustainable if it's durable or lasts a long time (27%) relative to other age groups.

By gender, the key differences were the higher number of women who identified a product/service as sustainable if it was recyclable or biodegradable (49% women; 43% men), used minimal packaging or recyclable, compostable or biodegradable packaging (40% women; 33% men) and supported biodiversity (28% women; 23% men). Noticeably more men however said it could be easily repaired or fixed (26% men; 17% women).

What makes a product or service sustainable (%)

	All	Capital city	Regional city	Rural area	18-29	30-49	50-64	65+	Men	Women
Is recyclable or biodegradable	46%	46%	46%	44%	41%	44%	50%	50%	43%	49%
Uses minimal packaging or recyclable/ compostable/biodegradable packaging	36%	36%	39%	35%	37%	35%	36%	38%	33%	40%
Made from recycled or repurposed resources or materials	36%	35%	37%	39%	31%	36%	42%	37%	35%	38%
Made from natural materials or a renewable resource	34%	33%	36%	35%	32%	32%	35%	38%	34%	34%
Is durable / will last a long time	30%	30%	30%	32%	31%	31%	27%	31%	31%	29%
Uses less energy or resources to make	30%	30%	29%	27%	32%	27%	29%	33%	32%	28%
Is responsibly sourced or harvested	27%	27%	27%	28%	23%	26%	31%	29%	26%	28%
Is carbon neutral	26%	27%	26%	22%	26%	26%	25%	28%	28%	25%
Supports biodiversity	25%	24%	27%	28%	25%	23%	27%	27%	23%	28%
Made in a socially responsible way	25%	25%	27%	21%	32%	24%	21%	22%	22%	27%
Is locally produced	23%	23%	24%	26%	22%	25%	20%	27%	23%	24%
Can be easily repaired/fixed	21%	21%	21%	24%	15%	19%	23%	28%	26%	17%
Is labelled as responsibly sourced or manufactured	15%	14%	15%	13%	17%	15%	13%	14%	14%	15%
Don't know	11%	11%	9%	12%	8%	10%	14%	12%	10%	12%



Finally, Australian consumers were asked to identify the top 5 things they're currently doing to lead a more sustainable lifestyle. Most - over 1 in 2 - were recycling household waste (51%). The next most common actions were minimising food waste (42%), minimising single-use plastic (35%), limiting water usage (30%), with buying seasonal fruits & vegetables (28%) rounding out the top 5.

Around 1 in 4 people were also extending the life of existing items rather than replacing them immediately (25%), and around 1 in 5 buying more locally produced goods (21%), composting food scraps or using a worm farm (20%), bought more durable or long lasting products (18%), or second-hand or refurbished products (17%).

The lowest number bought carbon offsets (4%), contacted a brand to raise an issue about their sustainability or ethical practices and values (4%), hired or rented items instead of buying them (4%), changed some or all of their personal investments to more ethical or sustainable investment options (5%), opted for low carbon emissions or shared modes of transport (6%), cut back air travel (7%), or chose brands with ethical practices and values or stopped using those that don't.

However 1 in 10 (10%) consumers had not adopted any of these actions.

By region, we noted a much lower number of people in capital cities who were recycling household waste relative to regional cities and rural areas (49%). Also apparent was the somewhat higher number in rural areas composting food scraps or who have a worm farm (25%).

Differences were more pronounced by age. Significantly, more over 50s were reducing household waste, and minimising food waste, single use plastic and water usage, especially compared to the 18-29 group. Noticeably more over 65s were also buying seasonal fruit & vegetables, more locally produced goods, and composting food scraps or using a worm farm than younger age groups. In the 18-29 group, however noticeably people more bought second-hand or refurbished items, and chose brands with environmentally sustainable practices and values, and stopped using brands that don't. Consumers in the 18-29 and 30-49 age group were also much more inclined to hire or rent items instead or buying them, and change personal financial investments to more ethical or sustainable investment options - **see table on next page**.

Actions currently doing to lead a more sustainable lifestyle (%)

	All	Capital city	Regional city	Rural area	18-29	30-49	50-64	65+	Men	Women
Recycling household waste	51%	49%	55%	54%	35%	47%	60%	65%	47%	55%
Minimising food waste	42%	42%	42%	43%	32%	41%	49%	49%	38%	47%
Minimising single-use plastic	35%	35%	38%	33%	29%	32%	40%	41%	34%	36%
Limiting water usage	30%	30%	31%	30%	22%	28%	37%	37%	30%	30%
Buying seasonal fruit & vegetables	28%	27%	30%	33%	22%	24%	29%	40%	25%	31%
Extending life of existing items rather than replacing immediately	25%	24%	24%	27%	24%	23%	26%	27%	23%	25%
Buying more locally produced goods	21%	20%	23%	25%	16%	19%	23%	28%	19%	24%
Composting food scraps or have a worm farm	20%	19%	20%	25%	12%	14%	24%	33%	18%	22%
Buying more durable/long lasting products	18%	18%	19%	19%	21%	19%	18%	15%	18%	19%
Buying second-hand/refurbished items	17%	16%	18%	21%	25%	16%	17%	10%	13%	21%
Switching to renewable energy sources	14%	14%	17%	11%	13%	16%	14%	14%	17%	12%
Reducing consumption of meat/ animal products	12%	12%	13%	11%	13%	13%	11%	11%	11%	13%
Choosing brands that have environmentally sustainable practices/values/stopped using brands that aren't	11%	12%	10%	10%	19%	12%	7%	6%	11%	11%
None of these	10%	11%	8%	11%	11%	10%	10%	11%	12%	9%
Choosing brands that have ethical practices/values and/or stopped using brands that aren't	8%	9%	7%	8%	12%	9%	5%	6%	8%	9%
Reducing air travel	7%	8%	5%	6%	8%	8%	8%	6%	8%	6%
Opting for low carbon emission and/or shared modes of transport	6%	7%	5%	4%	12%	6%	3%	3%	8%	4%
Changing some/all of my personal financial investments to more ethical or sustainable investment options	5%	5%	4%	3%	8%	6%	3%	1%	5%	5%
Hiring or renting items instead of purchasing	4%	5%	3%	2%	7%	6%	2%	1%	5%	4%
Contacting a brand to raise an issue on their sustainability or ethical practices/values	4%	4%	3%	3%	6%	5%	2%	1%	5%	2%
Purchasing carbon offsets	4%	4%	3%	2%	5%	5%	2%	3%	5%	2%

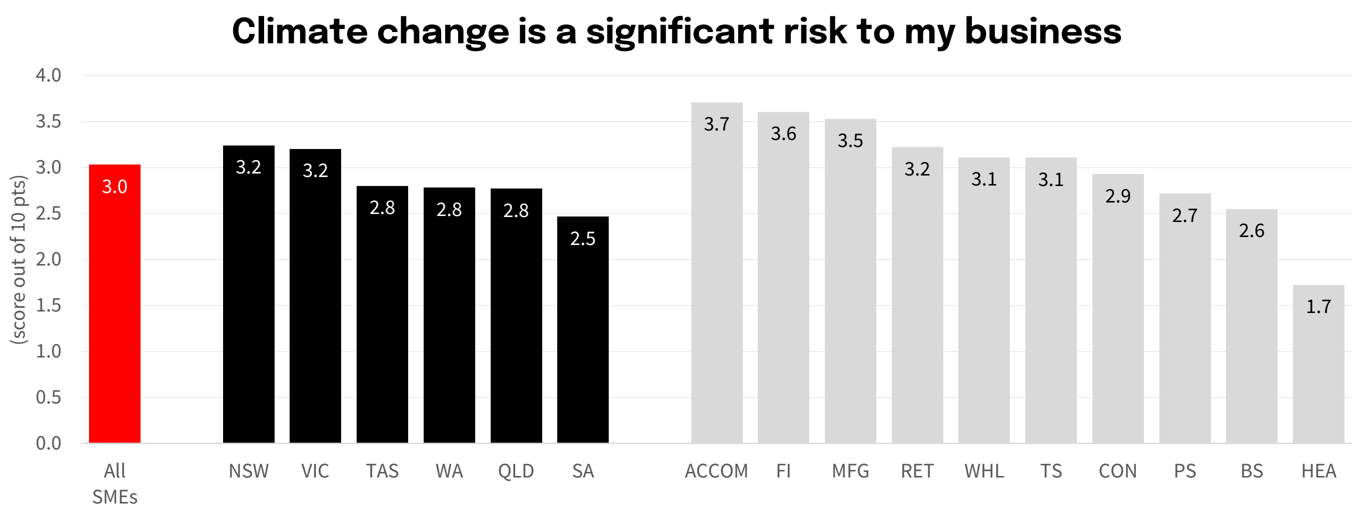
When it came to women and men, noticeably more women recycled household waste (55% women; 47% men), minimised food waste (47% women; 38% men), bought seasonal fruit & vegetables (31% women; 25% men), more locally produced goods (24% women; 19% men), and bought second-hand or refurbished goods (21% women; 13% men).

Noticeably more men however indicated they had switched to renewable energy sources (17% men; 12% women), opted for low carbon emission or shared modes of transport (8% men; 4% women), contacted a brand to raise an issue on their sustainability or ethical practices and values (5% men; 2% women), or purchased carbon offsets (5% men; 2% women).

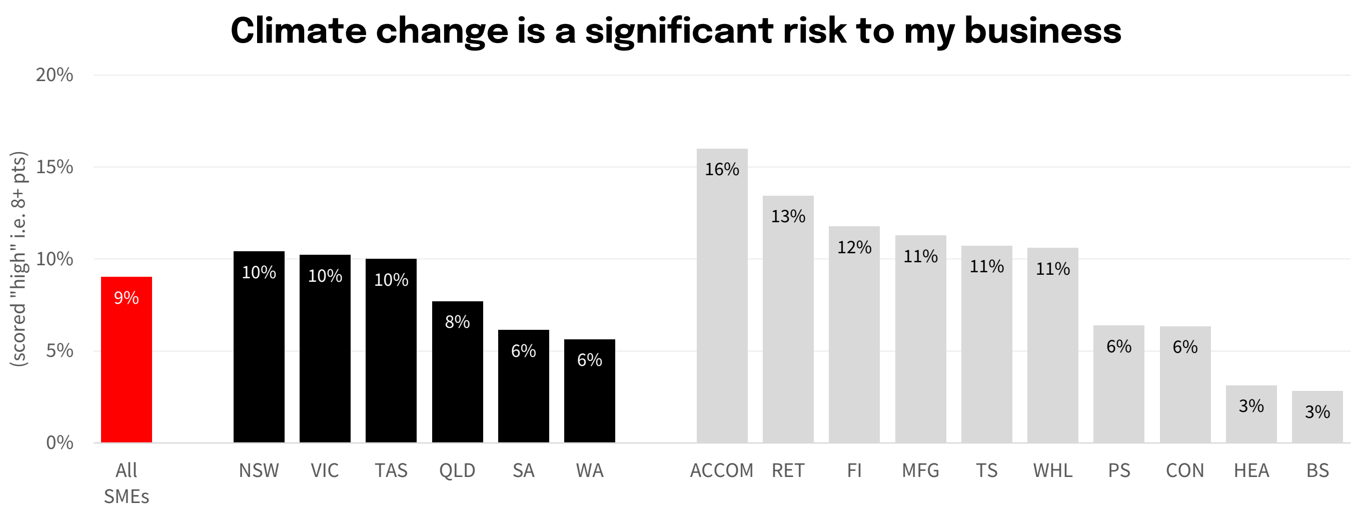
Sustainability - The view from SMEs

According to the OECD, Small & Medium Sized Enterprises (SMEs) are critical actors in global climate efforts, not only as drivers of technological change, but also as adopters of green business models and practices to reduce their environmental footprint.

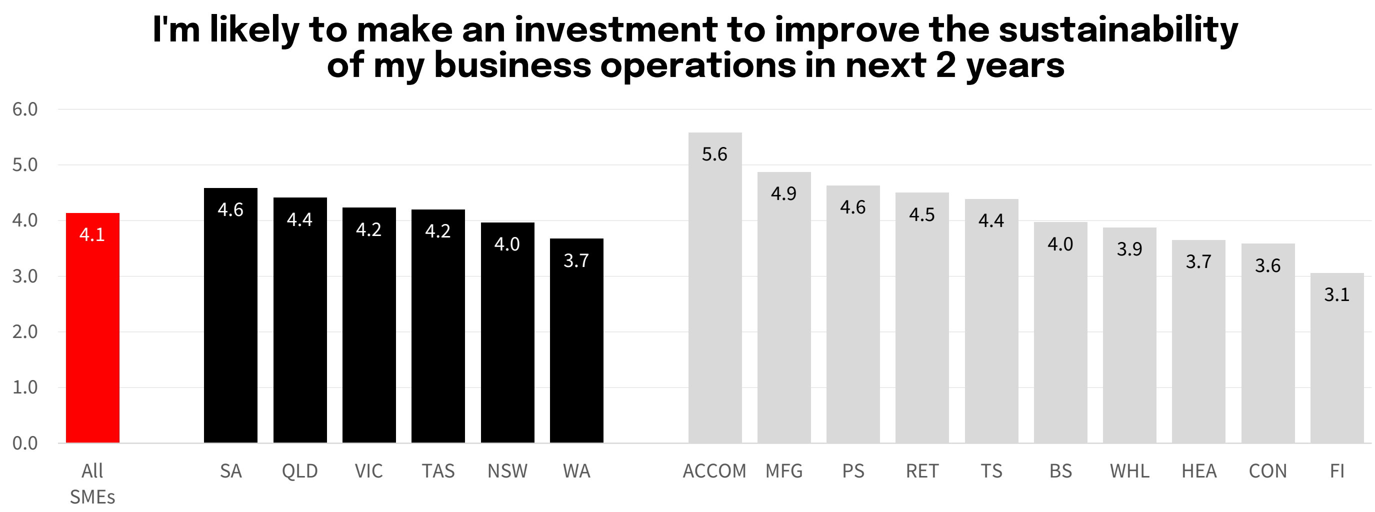
In this section, we explore how SMEs view sustainability across some key themes, and discover what the most important actions their business will take to reduce carbon emissions in the next 5 years. The results are based on the responses from around 750 surveyed Australian SMEs in NABs Q4 SME Survey.



SMEs were asked to rate the extent they agreed with the statement: **"Climate change is a significant risk to my business"**. Overall, they don't believe it's a very significant risk. On average, they scored the extent of agreement at just 3.0 pts out of 10 (10 = "completely" agree). Agreement was scored "low" in all states, ranging from 3.2 pts in NSW and VIC to 2.5 pts in SA. It varied somewhat more by industry, but overall still relatively "low", Agreement was highest in Accommodation & Hospitality (3.7 pts), Finance & Insurance (3.6 pts) and Manufacturing (3.5 pts), and lowest by some margin in Health Services (1.7 pts).



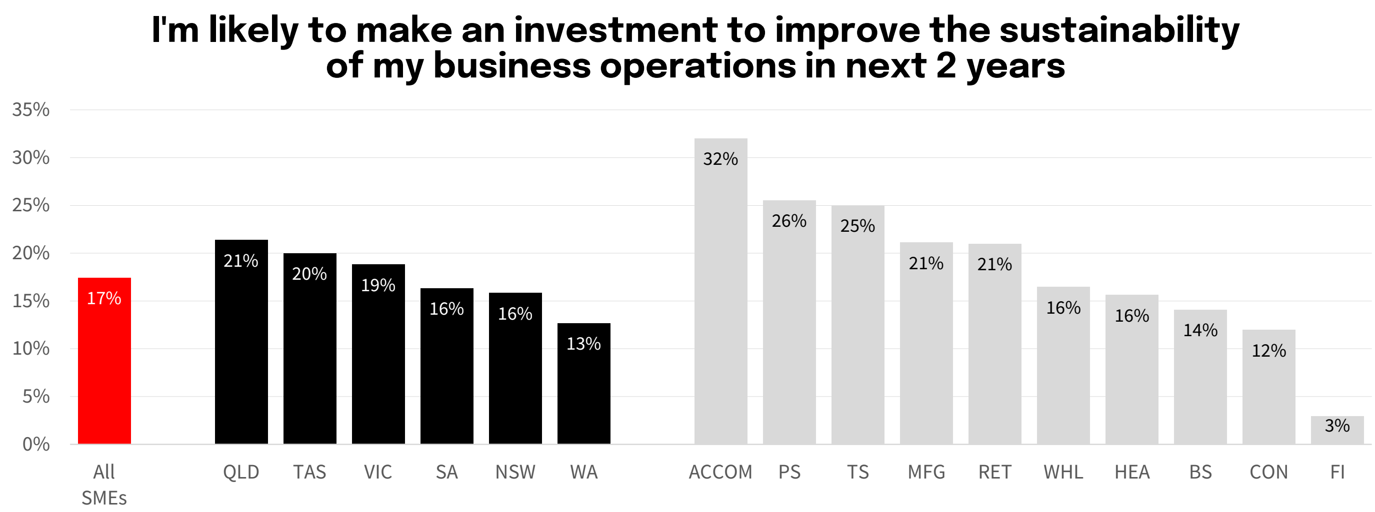
Raw scores do however mask much larger differences when looking at the number of SMEs that are in "high" agreement (i.e. scored 8+ pts). Overall, around 1 in 10 (9%) SMEs scored their agreement with this statement "high". By state, however around 1 in 10 in NSW, VIC and TAS were in "high" agreement, or nearly twice as many than in SA and WA (6%). The spread was much wider by industry. Around 16% of SMEs in the Accommodation & Hospitality sector were in "high" agreement, or over 5 times more than in Business Services and Health Services (3%), and almost 3 times as many than in Personal Services (6%) and Construction (6%).



SMEs that integrate sustainability into their core business strategy can benefit from lower costs, reduced risk, and new opportunities. But are SMEs planning to do so in the short-term? When SMEs were asked to rate the extent they agreed with the statement: **"I am likely to make an investment to improve the sustainability of my business operations in the next two years"**, agreement was only "moderate". On average, they scored just 4.1 pts out of 10.

Agreement also scored "moderately" in all states, ranging from 4.6 pts in SA to 3.7 pts in WA.

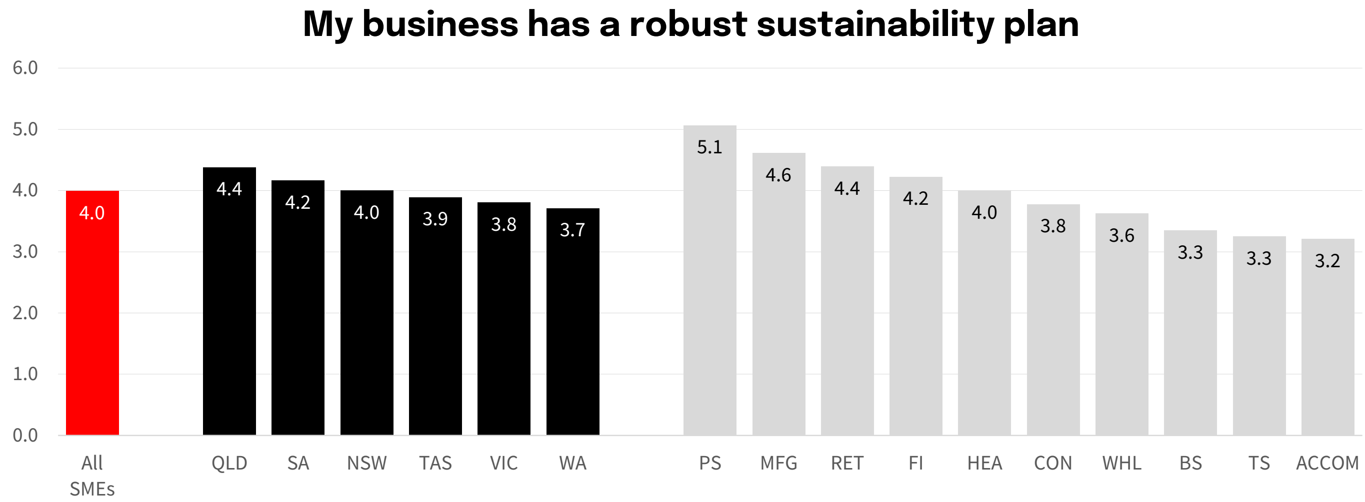
Scores did however vary more noticeably by industry. SMEs in the Accommodation & Hospitality sector were most likely to make an investment to improve their business sustainability (5.6 pts), and somewhat more likely to do so than those in Manufacturing (4.9 pts) who were next most likely to do so. Agreement was lowest for SMEs in the Finance & Insurance sector (3.1 pts).



Nearly 1 in 5 (17%) of all SMEs however scored their agreement with this statement "high".

By state, around 1 in 5 SMEs were in "high" agreement in QLD (21%), TAS (20%) and VIC (19%), with this falling to just 13% in WA.

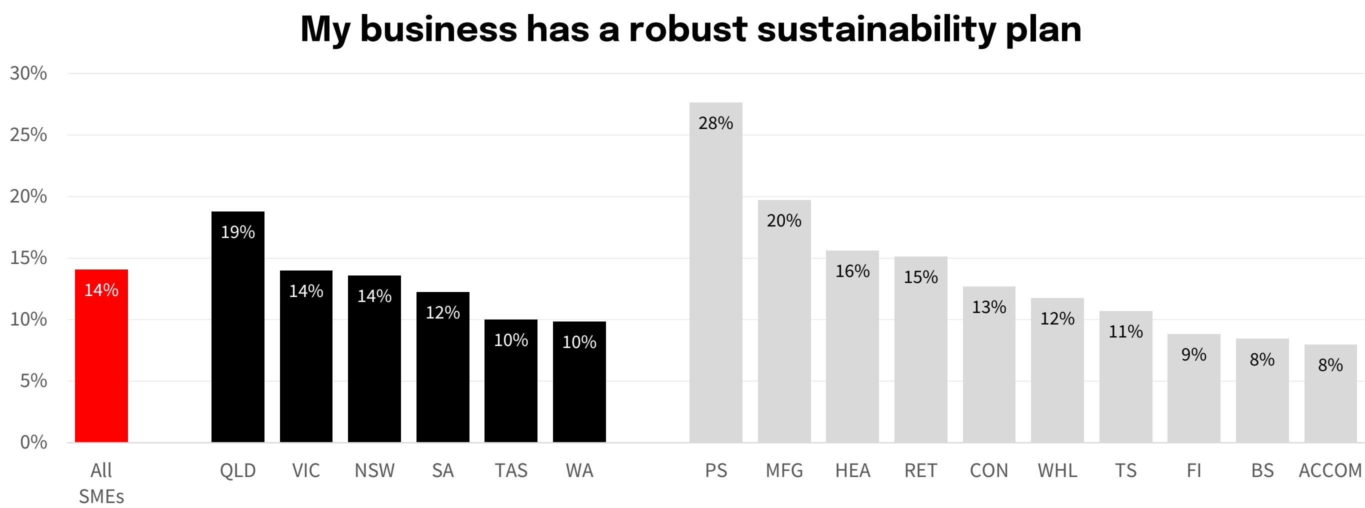
By industry, around 1 in 3 (32%) SMEs in Accommodation & Hospitality signalled a strong intent to invest in sustainability over the next 2 years, and around 1 in 4 in Personal Services (26%) and Transport & Storage (25%). Around 1 in 5 SMEs in Manufacturing (21%) and Retail (21%) also indicated they were highly likely to do so. But only 3% in the Finance & Insurance sector agreed strongly with this statement, with Construction next lowest (12%).



The NAB survey also found many businesses don't have a robust sustainability plan in place. When SMEs were asked to rate the extent they agreed with the statement: **"My business has a robust sustainability plan"** on average they scored just 4.0 pts.

Agreement was again scored "moderately" in all states, ranging from 4.4 pts in QLD to 3.7 pts in WA.

By industry, SMEs operating in the Personal Services sector were in highest agreement (5.1 pts), followed by Manufacturing (4.6 pts), Retail (4.4 pts), and Finance & Insurance Services (4.2 pts). The extent of agreement was scored lowest in Accommodation & Hospitality (3.2 pts), Transport & Storage (3.3 pts) and Business Services (3.3 pts).

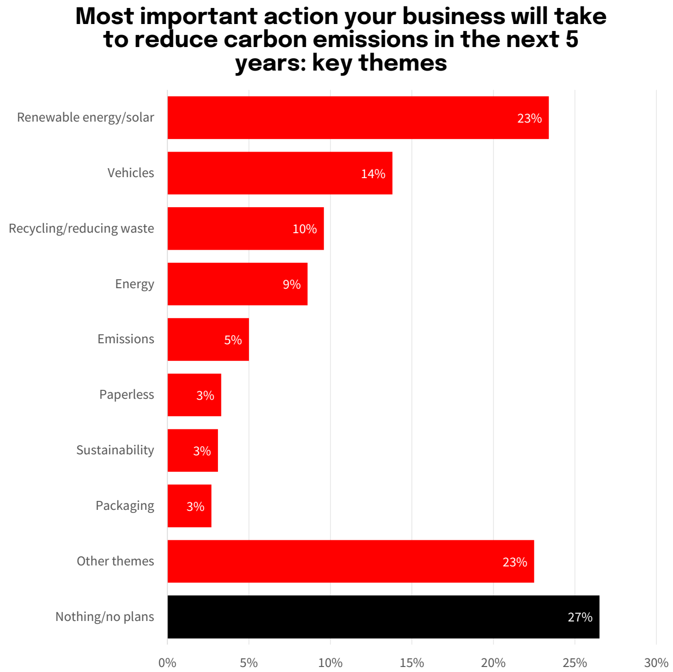


Around 14% of SMEs overall scored their agreement with this statement "high".

By state, however, around 1 in 5 were in very "high" agreement in QLD (19%), significantly more than in the next best states VIC and NSW (14%). In contrast, only 1 in 10 SMEs in WA (10%) and TAS (10%) agreed strongly that their business has a robust sustainability plan.

By industry, almost 3 in 10 (28%) SMEs in the Personal Services sector agreed strongly that they had a robust sustainability plan, followed by 1 in 5 in Manufacturing (20%). In contrast less than 1 in 10 SMEs in Accommodation & Hospitality (8%), Business Services (8%), and Finance & Insurance Services (9%) had a robust plan in place.

Emissions of carbon dioxide and other greenhouse gases are a primary driver of climate change and present one of the world's most pressing challenges. In isolation, the impact of one SME may seem minimal, especially when compared to large corporations and the heaviest polluters. But of the 2.6 million businesses in Australia, the majority (98%) are SMEs. As a collective, actions taken by SMEs to reduce carbon emissions are significant. In this survey, SMEs were asked what the most important action is their business will take to reduce carbon emissions in the next 5 years?



Almost 1 in 4 (23%) SMEs will reduce carbon emissions in the next 5 years based on the theme of renewable energy or solar power. The next most common theme was vehicles (14%), e.g. moving to greater use of hybrid, electric or and zero emission vehicles. Around 1 in 10 aimed to focus on recycling and reducing waste (10%), and energy management (9%) e.g. being energy aware or efficient, battery storage, purchasing green energy etc.

Around 1 in 20 (5%) will prioritise low emissions inputs, and 3% move to paperless, sustainability (e.g. dealing with responsible suppliers, offering sustainable products in their stock etc.), or packaging (e.g. increased use of recycled packaging, reducing plastic packaging etc.).

Almost 1 in 4 (23%) said they would focus on other themes such as improving productivity, travel, technology, compliance, best practice, and maintenance.

However, almost 3 in 10 (27%) SMEs planned to do nothing or had no plans at this stage.

Examples of the most important actions SMEs will take to reduce carbon emissions in the next 5 years

"Use green environmentally friendly products in guest service, either in room products or in our restaurant." **(Accommodation & Hospitality)**

"We have recommended solar panels to the strata. We have people working from home, so we are not using as much power and they're not using as much fuel driving to and from work." **(Business Services)**

"We're being more energy efficient by moving premises to one fitted to a higher standard." **(Business Services)**

"Recycle as much as we can for a building company. Use solar wherever we can and more sustainable products where we can. Usually however the materials are more expensive and customers sometimes don't want to pay the extra." **(Construction)**

"We use renewables and have solar already. I've not yet given it much thought. As a builder, there's not much more we can do. I disagree that there's a 7-star energy rating looming. I think it will mean that house prices will go up and people may not be able to afford them. The cost in getting to 7 stars will far out-weigh the benefits. I think the costs in carbon will be more than what the ratings will save." **(Construction)**

"We have built a fund where we only invest in shares that offer value to sustainability." **(Finance & Insurance)**

"Moving from plastic disposable items to paper based ones. Limitations due to industry and infection control requirements." **(Health Services)**

"We are very advanced in this area, with an LGC registered solar panel power plant. Though our company is very advanced in the reduction of environmental impacts from the business, we continue to look to enhance existing measures or add new initiatives to further strengthen the business in this area." **(Manufacturing)**

"We've already put in solar units on our roof. We'll probably expand our solar capacity and probably install a battery. We may put in car charging facilities depending on the rollout of electric vehicles." **(Retail)**

"We're trying to reduce use of electricity, not because of the emissions issues but because it has become expensive. My business is practical. We do what makes financial sense. We're not interested in woke and ideological grandstanding." **(Retail)**

"Raw materials are all carbon offset - from farm to manufacturing are all carbon-neutral. Raw ingredients are ethically sourced. We're continuing to reduce our waste and single use disposables. We're also targeting our lighting making sure everything is low voltage. **(Wholesale)**

"We're going totally green. We're not removing any native plants. We design our projects around current infrastructure and work around existing trees without removing them". **(Property Services)**

"Looking at availability of electric vehicles - not currently available that are suitable, but certainly looking at it." **(Transport & Storage)**

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