

Attachment 4 Question and Answer Transcript – Session One



Q&A Facilitator: Martin Haese

Question 1 | What do you say to South Australian SME business owners in many industries when they say “I’m just too busy. I’m running my business and when you talk to me about climate change, it just sounds expensive, complex and difficult. Where do I start”?



Dr Graham Green: There was an understandable reluctance in previous decades to invest and prepare to make your business more resilient.

But I think now that events have started to occur and we’re seeing the changes eventuate, there’s plenty of evidence that now is the time to act and to increase your business’s resilience to climate risks.

My bias is always to look at quantitative information. Look at the numbers. See how much your individual business conditions have changed already, there’s always uncertainty about how it’s going to change in the future, but we’ve got lots of good information on how climate has already changed.



Sarah Barker: I truly understand that one of the issues with climate change is that it seems like such a huge issue, so uncertain, and so complicated. But in this area, perfect is very much the enemy of good, and to mix my metaphors, ‘You don’t have to eat the elephant’. You start very, very small.

And it’s as simple as asking yourself two questions:

First of all, if things happen quickly, if the economy changes quickly to a decarbonised norm, what does that mean for my business? What are the risks and what are the opportunities?

And at the other end of the spectrum. What happens if things don’t change and we’re subject to much higher physical risks? What does that mean for my business, and how would I respond strategically?

Those two very simple questions don’t take too long to think about.

Question 2 | What would your advice be to a business owner to address the complexity, understand the risk, and get on with the job?



Tennant Reed: Time and head-space are the most precious resources we've got, and they are diminishing resources.

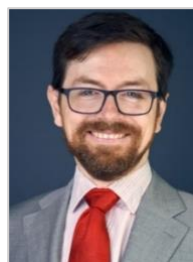
There is a lot to demand attention. And what is realistic to ask of hard-pressed businesses, especially SMEs, is to build these issues into their processes and set up their capital equipment. That way they don't need to be actively engaged every day with the climate debate, which is something that most people will never have time for and is inappropriate.

- So, as much as the way a business might thinking about fire risk, or a range of ordinary hazards in the business, you could start thinking about:

- Have you got the appropriate insurance cover?
- Have you got capital equipment that is fit for the range of circumstances your business is going to need to operate in?
- Have you got procedures for your staff that are going to keep them safe and meet your obligations to them in a changed environment?

If you have those good processes in place and take a fresh look at them as better data becomes available, that's a realistic thing to aim for. We are not all going to have a little climate commission in our heads, informing us every day, and making us think every day, about the full body of scientific and technical information; but we can rebuild our basic processes to make sure they fit the purpose today and tomorrow.

Question 3 | Tennant, you mentioned in your presentation the concept of ESG policy. Would you mind sharing with our listeners what an ESG policy is, and what does it mean to the SME sector? Because I sense that corporate Australia might be a few steps ahead.



Tennant Reed: ESG refers to Environmental Social and Governance issues. It's a concept that has been used a lot in the in the finance sector and investment community to denote a basket of issues that can create big problems for companies that they invest in, and that they want confidence in the management of.

Now, this can blur with corporate social responsibility, and some people find that a very meaningful concept, and some people find it a bit vague. But this is not really about ticking boxes, this is about avoiding landmines that may come from not being ready for issues that will confront a business around the expectations of governments, community and other investors, around how they do their core business.

So there's a lot bound up in all of that, issues become relevant around the treatment of communities, broader sustainability issues, and community impacts from business activities. But in the climate space, is an expectation that you're going to be able to keep providing your economic function in Australia (which is experiencing climate change), and that you're going to be able to adapt your business be part of, and help build a net zero emissions economy.



Sarah Barker: I'd also invite everyone to consider: "This is about maintaining your ticket to play in the first place".

Because the landscape for business is very much different going forward from what it has been.

Question 4 | What are the top three things a SME business owner could contemplate doing?



Sarah Barker: The first is look forward. And that doesn't mean look forward to 2050 or even 2030. Look forward first to what your industry is potentially going to look like, in the next two or five years.

Because this stuff, particularly the economic transition risks, shift very, very quickly. And here Dr Google is your friend; there are so many resources online, you don't need to be an expert. The resources that Dr Green referred to are fabulous; and even if you type the name of your industry and climate change into Google, there is a raft of information available.

The second thing: Talk to your bank. Talk to your bank about where they perceive the risks to your industry to be, and what they would like to see from you, in terms of being able to demonstrate resilience that you are a better risk a better credit bet than the business next door who's not thinking about these issues.

And the last thing is: Talk to your big business partners. Look up the supply chain to your big business suppliers, look down the supply chain to your big business customers. Because they do have access to the expertise, they will be (as a gross generalisation), further along in the journey. And they will be able to say to you: "This is where we're heading and so this is what we'd like to see from you in order to support us on that journey".

Question 5 | How can the Climate Change Projections and the South Australian Climate Change Science and Knowledge Plan (recently developed by Department for Environment and Water), assist SMEs of any industry in their strategic planning?



Dr Graham Green: The key is to look at the exposure that your business has to risk. So if you're exposed to flooding, bushfire and heat risks, and your ability to operate is affected by extremes of that nature (so if, for example, you're not able to operate when it's an extreme or catastrophic bushfire danger day, or

you're not able to send your employees to work outside because it's a 40+ degree day and that triggers your heat policy for workers), it's key to understand how these things will look in the future and how they might change.

In a three-year timeframe, the projections documents are possibly not that useful, because they project climate on a decadal timescale. So they're perhaps more useful for longer-term business planning, for looking at the lifetime that you expect for your business, and seeing how things are going to change over the longer term.

What State Government is proposing to do under the Climate Change Science and Knowledge Plan, is to increase the availability of spatial mapping information. For understanding the changing risks under climate change such as: bushfires, flooding, coastal inundation, coastal erosion, and urban heat (where that exists mostly in the urban environment on those hot days). Through implementing that Plan, we will provide more and more mapping information which businesses can then use to understand how their risk is changing; to look at their location, the location of their assets, their operations; and to see what the specific changes are that they might experience there.

Further than that though, we're also undertaking studies to look at what the impacts of the change are. The projection studies say how the climate is changing, how the weather will change; but all those changes are going to have impacts on individual things, such as water supply. Water security becomes more and more of an issue, particularly in regional South Australia, and water security obviously affects agricultural and horticultural businesses quite profoundly. The Climate Change Science and Knowledge Plan will implement a number of studies searching for better understanding of those impacts, and what they mean for individuals, communities and businesses.

Question 6 | What role does consumer demand play in helping business owners adapt their strategies?



Tennant Reed: It's a very big role indeed. And there's a difference between businesses who are directly consumer facing, and businesses whose customers are other businesses in this regard.

So, the businesses with *big business customers* (the supermarkets, for instance); those sophisticated

customers are increasingly making big commitments of their own, because of the consumer-facing role they have, and they are driving change in their supply chains.

For the *directly consumer-facing businesses*: there's a significant market there for companies with a good story to tell on climate, but customers can also be very price-sensitive. So it is a bigger challenge that we as a country and globally, still need to adapt to, to drive the demand.

For instance, clean steel, clean aluminium, basic materials where there's currently still a significant cost increment between an existing process and a fully clean process; that's going to be the work of the next couple of decades, building that market up from a niche to the market.



Sarah Barker: It's really interesting. Usually the law is a lag indicator. The law reflects shifts in societal expectations. And laws in relation to renewables and plastics are no exception, and I certainly commend South Australia for having taken very much the lead around Australia in reflecting that shift in consumer sentiment into the law, and making them consistent.

We only need to look at what has happened in the past two years at a consumer level, in terms of attitudes to single-use plastic and single-use plastic bags; how quickly did that shift? How quickly did Coles supermarkets for example, after they announced that the single-use plastic bag ban, they then reversed that because people were whinging that they hadn't bought their reusable bag and it was such an inconvenience. But then there was such an outcry from the community within 24 hours, to say no, this is the right thing to do, that they were forced to switch again.

So, it can only be a good thing for the economy in South Australia to have everyone rowing in the same direction, for the regulatory signals are reflecting that there is swiftly changing consumer sentiment.