



Progressing Sustainability in Australian Business

Are you on track?

July 2024

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Chapter 01

Introduction

Introduction

The appetite for sustainability has never been greater.

It is often used as a buzzword for companies across the globe, but if we are to preserve the world as we know it, it's also a business imperative and a practical necessity. ABB's research shows that in every business sector, and from operations to the C-suite, Australians are eager to understand how they may contribute more to sustainability.

But the country has work to do. According to the 2024 Climate Change Performance Index¹, Australia ranked 50th out of 67 countries for its sustainability efforts. It may slowly be heading in the right direction – rising five spots since 2023 – but Australia is still ranked as 'low performing'. Change is needed for the country to meet its emissions targets in 2030 and 2050, and for Australian businesses to remain competitive in a global economy that is decarbonising fast.



If Australian businesses wait for external forces to force their hand on sustainability, their competitors will have already taken the lead.

Competitors already know there is a commercial benefit – indeed, a commercial imperative – to preserving resources, reducing energy consumption and total cost of ownership.

The good news is that businesses across the country show a huge willingness to prioritise and invest in sustainability.

ABB conducted a survey in April 2024 involving 359 respondents from a range of sectors, job functions and role types. We set out to discover Australian business' attitudes and perceptions towards sustainability, and more importantly, what progress they are making towards a greener future.

Our findings suggest that 83% of respondents plan to boost investment over the next three years, compared with 67% globally.ⁱⁱ 70% of respondents report having a sustainability plan and 79% track anywhere between one and six metrics. How do we make sure that willingness translates into action?

The survey has identified two key barriers that are holding businesses back:

- ▶ A fear of upfront costs and reliance on government incentives or customer driven demand.
- ▶ A disconnect between senior leaders and rest of the business that speaks to a need for education and engagement to allay scepticism.

Most tellingly, the survey tells us that to really make progress on sustainability, any organisation must consider its own unique business pain points.

In an economic environment marked by high costs and labour shortages, Australian businesses need sustainability solutions that can create competitive advantage by addressing these business challenges. Sustainability goals and initiatives should not be viewed as a cost - they are a sound investment in a business's future, creating a win-win of supporting our planet's resources and future.

There are many reasons to believe change is possible. Our survey shows that leading companies are already benefitting from the commercial potential of sustainability. They are investing in technology to monitor, automate and optimise their energy consumption. They are expecting to reduce their emissions, but they also expect to reduce operating costs and total cost of ownership.



Beyond this, leaders are also gaining transparency beyond their own direct emissions, by evaluating the sustainability of their partners and suppliers. In doing so, they are encouraging change and incentivising decarbonisation within the wider ecosystem.

We identified three main takeaways for Australian businesses:

- 01 Have a plan:** Work with a sustainability partner on a plan to meet targets and more importantly, bring employees along and make them a part of the journey.
- 02 Set targets and goals:** align sustainability targets with business goals.
- 03 Track goals against a plan:** measure and prove progress and investments by setting metrics and investing in automation and other technology solutions.

I hope you find the report valuable, and that it helps your business make meaningful progress on sustainability.



Kelvin Wong
Commercial Leader Electrification,
ABB in Australia



About ABB

ABB has enabled energy efficiency and electrification on multiple fronts for 140 years.

Today, we are focused on leveraging our leading technologies in electrification, automation and digitalisation to drive the ongoing energy transition. By helping our customers in industry, buildings, power and transport – sectors that account for the majority of the world’s energy-related carbon emissions – to electrify, optimise and decarbonise, we enable them to remain competitive while reducing their carbon footprints.

To support decarbonisation, we are innovating to integrate renewables into the energy mix and to provide customers with solutions that will enable them to electrify their operations. We also work closely with our suppliers and partners to help them save energy and reduce emissions across their value chains.

Our commitment to supporting energy security and the transition to a low-carbon society is also demonstrated by the work we are doing to increase energy efficiency and reduce emissions in our own operations. In addition, we provide our customers with information about the power consumed and emissions avoided by our offerings, the outcome of Life Cycle Assessments (LCAs) performed, and third-party-verified Environmental Product Declarations (EPDs), which are accessible via QR codes on our products.

[Find out more about ABB’s Sustainability Agenda here](#)

Chapter 02

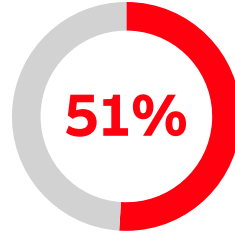
Key survey findings

Key survey findings



83%

of respondents plan to increase investment in sustainability over the next **3 years**



51%

C-suite, Owner/Directors ranked sustainability as highly important, but this is not reflected across the workforce



80%

of sustainability leaders use devices and smart systems to optimise energy consumption

46%

of respondents track 1-3 sustainability measures

33%

of respondents track 4-6 sustainability measures

9%

of respondents track 7-10 sustainability measures



80%

of sustainability leaders assess a suppliers' sustainability credentials prior to engagement



Cost savings through operational efficiencies is the top improvement Australian businesses want to achieve through sustainability



60%

of respondents believe high upfront costs are the biggest hurdle to sustainability



PLANET ARK

ABB and Planet Ark: a partnership

ABB proudly partnered with Planet Ark for the “Progressing Sustainability in Australian Business” report.

To drive survey completions, ABB pledged to plant five trees for the five minutes it took for respondents to complete the survey, with donations made in their names.

The donations have allowed Planet Ark to fund the planting of 1,795 seedlings across Australia as part of The Seedling Bank,ⁱⁱⁱ Planet Ark’s restoration grants initiative.

Report partners:





Chapter 03

Recommendations

Recommendations

Based on the findings from our survey, here are four recommendations to accelerate sustainable progress for your business.

01 **Set sustainability targets and align them with business goals**

Make the business case for sustainability at your organisation by aligning targets with key goals. Connecting sustainability initiatives with operational efficiency gains and cost savings are key to proving its value, particularly within an Australian context.

02 **Invest in technology to automate and optimise**

Measuring key sustainability metrics like energy consumption, waste reduction, and water use can be time-consuming, complex and tedious.

And in a business landscape where high costs and skills shortages abound, harnessing technology to accelerate progress is not only logical but smart. The right partner can assess your organisation's specific needs and develop a fit-for-purpose solution that will reduce total cost of ownership over time and reduce your reliance on headcount to deliver sustainability outcomes.

03 **Embed sustainability across your organisation to ensure everyone understands its importance.**

Sustainability is the collective responsibility of an organisation. Leaders can advocate and set the direction, but it needs the entire workforce's buy-in to turn any plan into a reality. Be consistent and regular with your communication and ensure that your people are clear on what they need to do day-to-day to contribute to overall goals. Celebrate wins, no matter how small, and reward those who go the extra mile to shape an organisational culture that prioritises sustainability.

04 **Work with a partner on a plan to meet targets**

A partner like ABB brings a track record working with the world's leading organisations on ground-breaking initiatives to enable greater energy efficiency and reduce emissions. Tap into the experience, technical expertise and innovative products, components and service solutions to enable your organisation to meet its sustainability goals.

A sustainability partner can give you the guidance you need on best practice, and what solutions have worked for businesses like yours both in Australia and overseas.



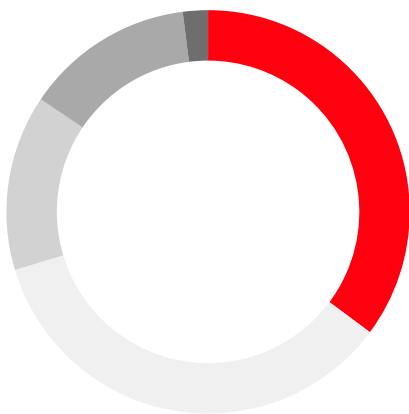
Chapter 04

Survey methodology

Survey methodology

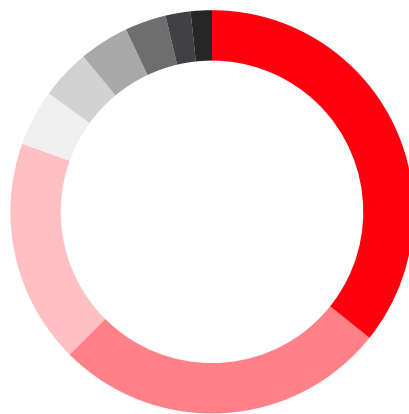
359 total respondents

Role type



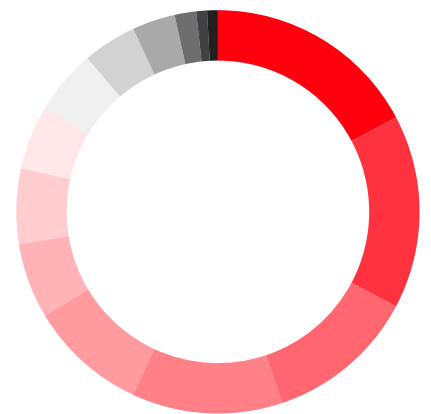
- **35%** Owner/Director
- **35%** Senior Manager
- **14%** Manager
- **14%** C-level
- **<2%** Partner

Job function



- **36%** C-Suite/Owner
- **27%** Operations/Facilities
- **18%** Engineering
- **5%** Procurement
- **4%** Consultant
- **<4%** Sustainability Officer
- **3%** Designer/Estimator
- **<2%** Builder/Developer
- **2%** Other

Company sectors



- **20%** Construction
- **18%** Energy/Utilities/Renewables
- **14%** Manufacturing/OEM
- **14%** Other (Education, Health and Personal Services)
- **11%** Design and Consulting Services
- **7%** Government
- **7%** Commercial Residential Buildings
- **6%** Mining
- **6%** Food and Beverage
- **5%** Transport
- **4%** Data Centres
- **2%** Oil and Gas Residential Buildings
- **1%** Water/Wastewater
- **1%** Rail/Infrastructure

Chapter 05

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Defining sustainability

What does sustainability mean for your organisation?

ABB's survey results show that sustainability is an umbrella term for a range of initiatives. Respondents saw all 12 options in the survey as relevant when it comes to sustainability within their organisation. These include corporate social responsibility, transforming waste or by-products, applying circular economy principles, reducing CO2, and regenerating natural resources – to name just a few.

Respondents primarily defined sustainability as:



Energy efficiency

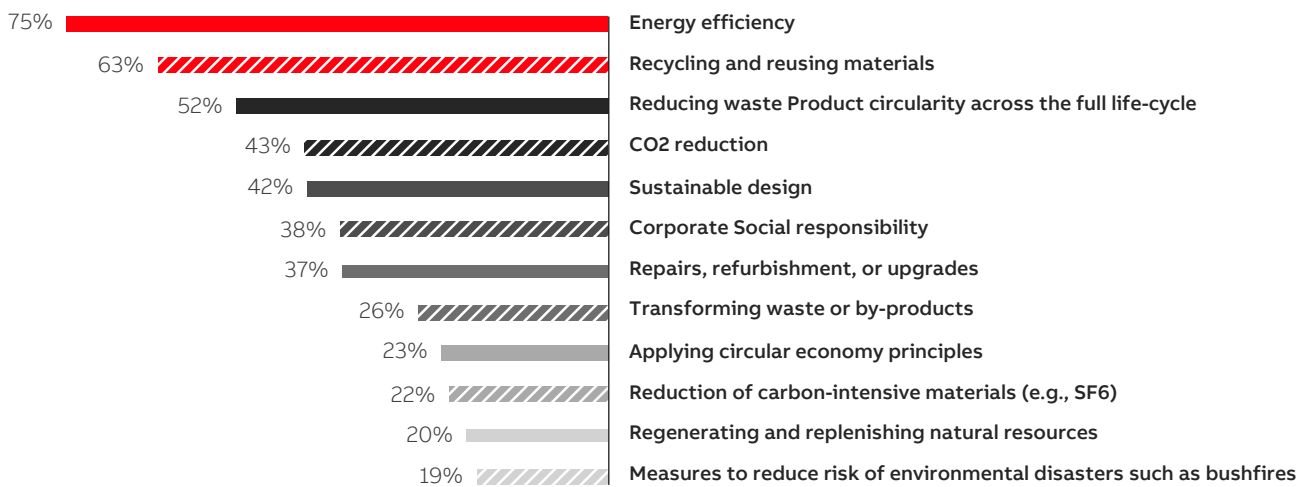


Recycling /reusing



Reducing waste

What does sustainability mean in the context of your organisation?





Notably, the definition changes depending on the sectors the respondent operates in. Those working in the energy, utilities, renewables sector identified energy efficiency as the primary definition of sustainability. But for the construction and manufacturing sectors, respondents rated recycling as the more important aspect.

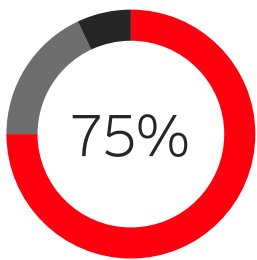
This suggests that an organisation defines sustainability based on its unique impact on the environment and society. This is influenced by the sector it operates in, the markets it targets, and their customers' expectations. For example, the construction sector uses raw materials and generates a lot of waste, so it makes sense that recycling and repurposing is a top priority. Therefore, each organisation will have its own priorities when it comes to addressing sustainability.

So, to taking meaningful action, it's important to clearly define what sustainability looks like for your organisation. It's also an opportunity to broaden your organisation's understanding of sustainability, so that a strategy can be devised to address it holistically.

More importantly, you need to bring all your relevant stakeholders on the journey, particularly internal ones.

As you'll see later in this report, there is a disparity between senior leadership compared to the rest of the organisation when it comes to the importance of sustainability, which can impact how effective any initiatives are at moving the dial.

The importance of sustainability



Encouragingly, 75% of respondents ranked sustainability as highly important, with only 7% considering it of low importance.

Over 50% of C-suite and Owner/Directors ranked sustainability as very important, however, this wasn't reflected among engineers and operational managers, who only ranked it of high importance. This pattern was consistent across the survey, where senior leaders appear to champion sustainability, but this enthusiasm isn't mirrored across the cohort. At best, this indicates a lack of communication from leadership to the workforce about its sustainability goals. At worst, it may suggest that leaders are paying lip service to the sustainability imperative, without supporting their words with action.

When we examine the results by industry, 90% of respondents in the energy/utilities/renewables sectors ranked sustainability of high or very high importance, with two-thirds ranking it very high. With energy (including transport energy) making up around 91% of total national emissions,^{iv} the sector is unsurprisingly in the front line of the transition to sustainability. As organisations across the board look to transition to renewable energy as part of their own sustainability efforts, the energy sector must play a starring role in Australia's journey to net zero.

In construction, 14% ranked sustainability of low importance to their organisations, which is twice the average when compared to other sectors. A lack of incentives and education, plus tight margins, as well as lower client demand for sustainability than in other sectors (although this is growing), may be some of the challenges faced by the industry.



Investment in sustainability

The next five years

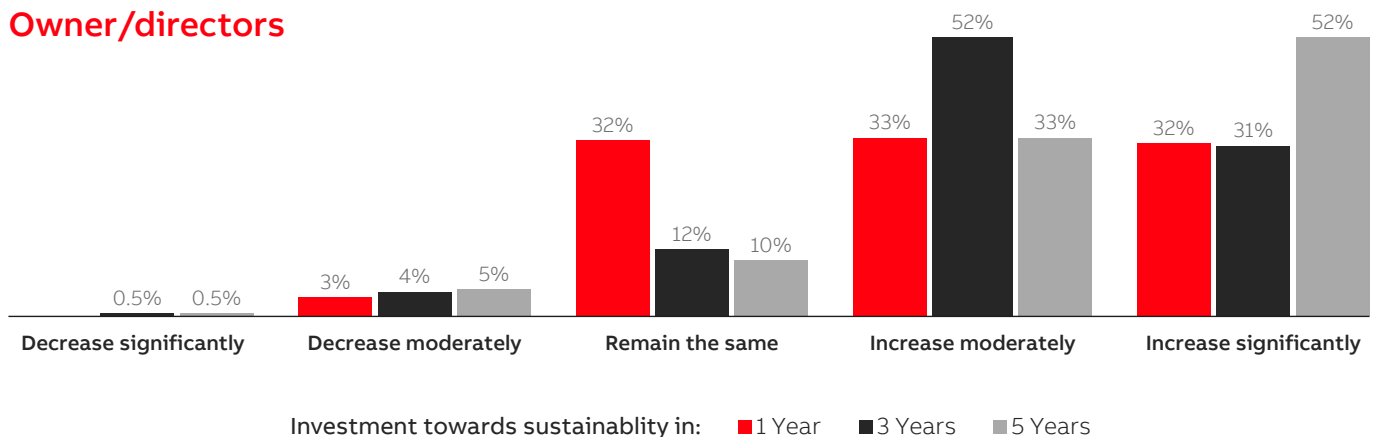
Our survey shows that there is growing recognition that businesses need to make progress on sustainability. Investment is set to rise, with over 51% of respondents agreeing that this will be significant over the next five years.

Owner/directors are more ambitious about boosting their investment, with over 52% planning to increase their spend significantly in the next year (compared to the average of nearly 32%). 50% will grow spend over the next three years (compared to the average of over 31%); and nearly 58% will substantially increase investment over the next five years (compared to the average of over 51%).

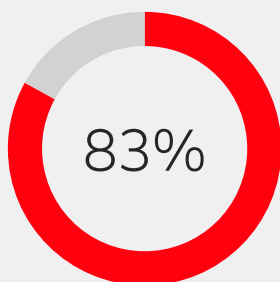
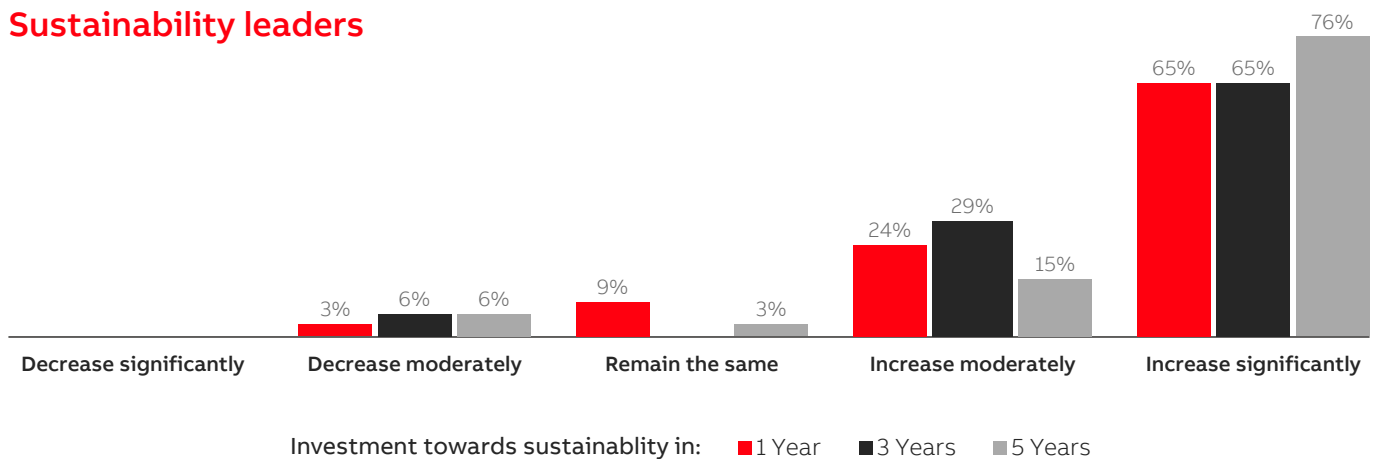
When it comes to sustainability leaders (respondents whose businesses have made advanced progress on sustainability - more to come on this later), they show over 30% more interest in increasing investing in it. Over 64% are significantly boosting spend in the next year and three years, with over 76% to do so over the next five years. This suggests that initiatives are delivering for sustainability leaders, and they want to keep up the pace of investment to maintain the rate of return. Given that senior leaders have the most influence on decision-making and budgets, that investment looks baked in for the long term.

Investments in sustainability over the next five years

Owner/directors



Sustainability leaders



The survey shows that 83% of the organisations in Australia will increase investment in sustainability over the next three years. This is significantly higher than 67% of global organisations.

That said, in Australia, 74% of respondents listed cost control as their top area of improvement, as compared to 36% globally.

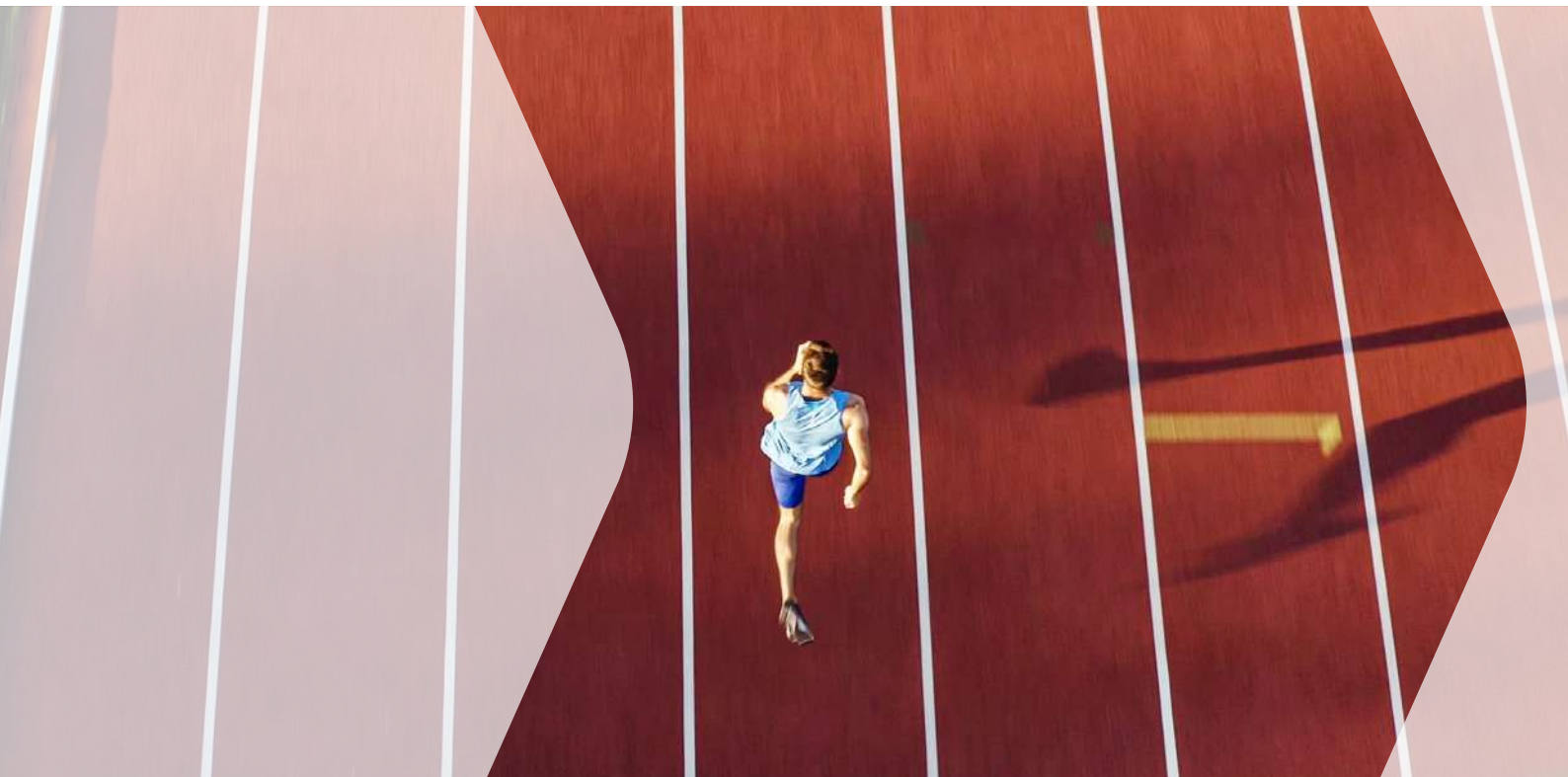
For Australian companies to see the value in investing in sustainability, it is clear there needs to be a tangible business outcome.

What it would take to increase investment

Although Australia's investment in sustainability is on the rise, 51% of survey respondents and 75% of leaders feel that this would increase if there were government regulations.

49% felt that customer-driven demand would also drive more investment. This suggests that sustainability is largely viewed as a 'nice-to-have', rather than a factor that drives business outcomes. So, until there is an unavoidable legislative or commercial imperative to invest more in sustainability, it seems that businesses choose to invest their money elsewhere.

However, 43% of respondents would boost investment in sustainability if they felt they had support with implementation from suppliers, and 39% would like proven Australian examples before they allocated spend to sustainability. This indicates that there is a lack of clarity around what initiatives businesses should be investing in, and the need for local success stories suggests a lack of precedent.





Broadening the definition of sustainability

Is the need for local success stories a genuine roadblock to Australian businesses investing more in sustainability?

With so many countries making innovative strides across a variety of sustainability projects, it would be limiting to think that similar initiatives can't work within an Australian context.

In fact, according to the CSIRO,⁹ Australia is uniquely positioned to succeed when it comes to sustainability.

We have an abundance of renewable energy and mineral resources, world-class research institutions, and well-developed skills in low emissions technologies.

ABB has worked with companies around the world to demonstrate what is possible when it comes to investing in sustainability.



Germany

Zero-emissions transport

Delivering Germany's first fully electrified bus terminal

The Challenge

Hamburg was one of the first cities to commit to free, zero-emission local transport by 2030. So, Hamburger Hochbahn AG needed to fully electrify its bus terminal for a 44-strong fleet of buses.

The Solution

Hamburger Hochbahn AG partnered with ABB on a turnkey solution involving 44 heavy vehicle charging stations, a transformer and switchgear. ABB led the planning and implementation of the electric infrastructure, connecting the bus depot to the power grid. All electrification equipment was installed on the terminal roof, delivering a space saving of around 30%.

The Outcome

The solution helped Hamburg achieve its vision of emission free local transport and also reduced bus downtime. ABB's heavy charging stations became an intelligent, cost-effective way to ensure all 44 buses could be simultaneously recharged in the central bus depot.



Indonesia

Boosting the reliability of renewable energy

Contributing to Indonesia's renewable energy generation target

The Challenge

Cirata floating solar power plant can generate enough clean energy to power 50,000 homes. Built on existing hydropower plants, floating solar power plants like Cirata are critical to Indonesia reaching its target of 23% renewable power generation by 2025. However, the plant needed a solution to ensure it could deliver energy reliably and consistently.

The Solution

ABB worked with on-site engineers to commission, install and test a medium-voltage (MV) primary air-insulated switchgear (AIS). It controls, protects and isolates the electrical equipment to ensure reliable electricity supply. It can also be remotely operated and requires minimal maintenance and can scale with the plant as it grows.

The Outcome

The solution significantly boosts the reliability of Cirata's electricity supply and saves over 200,000 tonnes of carbon emissions a year. It has also contributed to making the future of more floating solar power plants a reality, as Indonesia progresses to its 2025 target.



Sweden

Electrifying the world's largest battery recycling facility

Reducing the carbon footprint of batteries

The Challenge

Northvolt, a supplier of lithium-ion batteries to the automotive, industrial and large-scale energy storage sectors, runs the world's largest battery recycling facility called Revolt Ett. Revolt Ett will be the largest battery recycling plant in the world with a capacity to process 125,000 tonnes of batteries and battery production waste a year. The facility plays a key role in Northvolt's sustainability goals and will run purely on electricity to reduce its carbon footprint.

The Solution

ABB provided switchgears and variable speed drives to Revolt Ett, which can match the speed of the factory's processes. They can increase or decrease power as required to save energy, reduce maintenance and strengthen performance.

The Outcome

ABB's solution has set Revolt Ett up to realise its future as the world's largest battery recycling facility. It has also helped Northvolt achieve its sustainability goals, and will contribute to reducing the carbon footprint of the company's batteries to around 90% lower than current industry levels by 2030.

How Australia measures up to the rest of the world

When comparing ABB's survey findings with global results, it is clear that Australia has its own set of challenges.

Cost

First and foremost is the issue of cost. The top improvement that Australian businesses want out of sustainability is cost savings, backed by 74% of respondents. Cost is also the top roadblock to Australian businesses adopting more sustainable practices, with 60% of respondents saying high upfront costs are the biggest hurdle. Globally, waste reduction is the most sought-after improvement, topping the list at 46%, followed very closely by energy efficiency/energy savings at 45%, and then cost control at 36%.

Resource scarcity

When it comes to resource scarcity, 91% of businesses are affected globally as opposed to 79% in Australia. For the latter, the resource they need most is skilled labour - not raw materials. 57% of respondents ranked labour as the top resource scarcity, followed by raw materials at 35%. Globally, labour shortages rank only third overall, preceded by energy at 34% and raw materials topping the list at 37%.

Perhaps more interestingly, Australia - a country known for being resource rich - still ranks raw materials second in terms of scarcity. So, there is a strong case for businesses to adopt circular economy principles, in which recycling and sustainable practices reduce waste to a minimum, creating a loop in which most materials are reused. ABB, for example is reshaping and improving its product portfolio by revealing the impact of its offerings through their complete lifecycle. 88% of Australian businesses already measure circularity in some way, although this is lower than the global average of 99%, suggesting Australia needs to do more around this issue. However, there are similarities in how both measure circularity, with energy consumption and percentage of recycled or reused materials topping the rankings at #1 and #2 respectively.



Sustainability investment

It is interesting to note that despite their concerns about cost, Australian businesses plan to increase their spend significantly in sustainability in the near future. 83% plan to increase investment over the next three years, compared with 67% globally.

So, with cost control being the top priority for many Australian businesses, this marked rise in investment indicates that they now recognise the tangible cost benefits of sustainability. This is a positive step forward, as the opportunity to achieve both environmental and business outcomes means that Australian business' journey to a sustainable future can only accelerate from here.

Key takeaways

- ▶ Organisations should define sustainability based on their own unique impact on the environment and society. That definition is the basis for identifying gaps and developing a more holistic, meaningful plan of action.
- ▶ Despite concerns around costs, Australian organisations are increasing investment in sustainability faster than their global counterparts.
- ▶ A lack of local success stories should not be a barrier to looking overseas for inspiration on how Australian businesses can become more sustainable.

Chapter 06

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Current challenges
and sustainability
roadblocks



The importance of sustainability – a disconnect

As we have seen, senior leaders prioritise sustainability more than the rest of their organisations, with over half the C-suite ranking it as of ‘very high’ importance compared to less than a quarter of engineers and operators. It is important to see this discrepancy within the context of the power different roles possess: senior leaders have more control over strategy and budgets, making them more empowered to take action on sustainability.

Senior leaders can set the strategic imperative for a business to become more sustainable, but it is dependent on the rest of the organisation to turn this strategy into actual results.

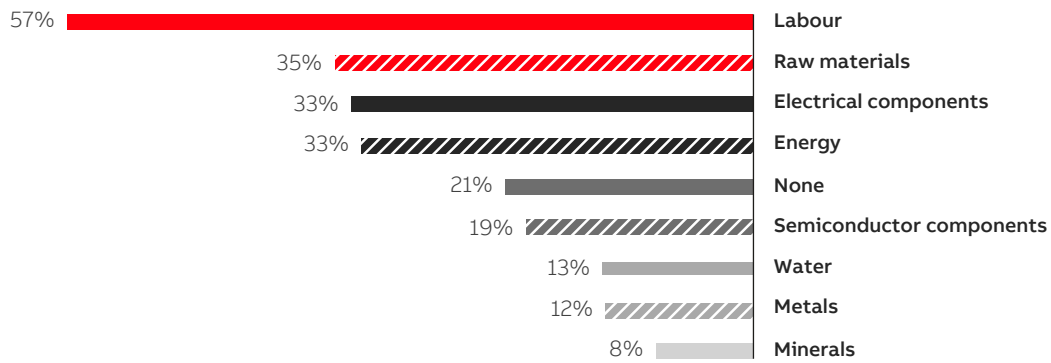
So, it is the responsibility of senior leaders to make sure that every team member is on the same page when it comes to making progress on sustainability. Expert partners like ABB can help by showing the benefits technology can bring, by providing education and solutions that impact every level of an organisation.

Resource scarcity

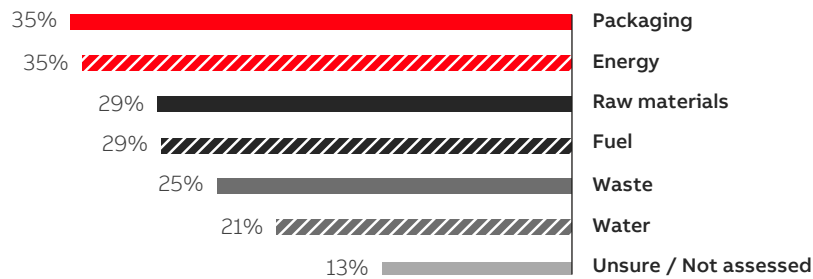
A shortage of resources will be a growing problem in the years to come, with the World Economic Forum estimating that we will need 2.3 planets by 2050, based on current rates of use.^{vi} The problem is already very real for many Australian organisations – indeed, only 21% say they do not face any scarcity of resources.

The most significant pressure is on labour, with 57% saying they have been impacted by its scarcity. Raw materials (35%), electrical components (33%) and energy (33%) are not far behind, with commodity prices increasing across raw materials including minerals.

Top resource shortages in Australian business



The biggest sources of waste in Australian business



However, the picture is not uniform. Around a third of Australian companies consider energy or raw materials their biggest area of waste, yet in the energy and utilities industry that figure is over two-thirds. In commercial and residential buildings, packaging represented the biggest wastage for half of companies, whereas only a third of construction businesses rated it as their top concern.

This variation reflects differences between sectors and their supply chains, and shows the limitations of ‘one size fits all’ approaches to waste management. Solutions must be tailored to the unique challenges of different industries and companies.





Success story

Reducing packaging with IPD

Circularity in action

The Challenge

IPD is a leading distributor of electrical and automation products across Australia, and a key channel partner for ABB products. Packaging material including cartons and plastic air pouches were going to waste in the deliveries IPD was receiving from ABB, and the process of unpacking products, marking them off and loading them onto trolleys was time-consuming.

The Solution

The two companies saw an opportunity to collaborate. Inspired by the reusable plastic crates used by supermarkets for home deliveries, IPD decided to trial 200 crates to manage their deliveries from ABB. Using the same crates throughout eliminated packaging and saved time in manual handling.

The Results

The success of these reusable crates demonstrates circularity in action as well as the importance of collaboration across supply chains. ABB and IPD are looking at other ways to make their operations more sustainable, including replacing the plastic pouches used as void fill with recyclable paper and employing reusable pallets with ABB and IPD branding.

What is your organisation’s biggest source of waste?



Raw Materials

according to
62%
in Energy, Utilities,
Renewables



Energy

according to
68%
in Energy, Utilities,
Renewables



Packaging

according to
62%
in Commercial,
Residential Building



Packaging

according to
32%
in Construction

Scarcity and waste are two sides of the same coin: both represent a misuse of resources and an opportunity for companies to evolve. Circularity, in which reuse relieves the strain on raw materials and reduces waste, can answer both challenges. As environmental problems grow and governments increasingly look to regulation, circularity is not only an ethical need – it is a business imperative.

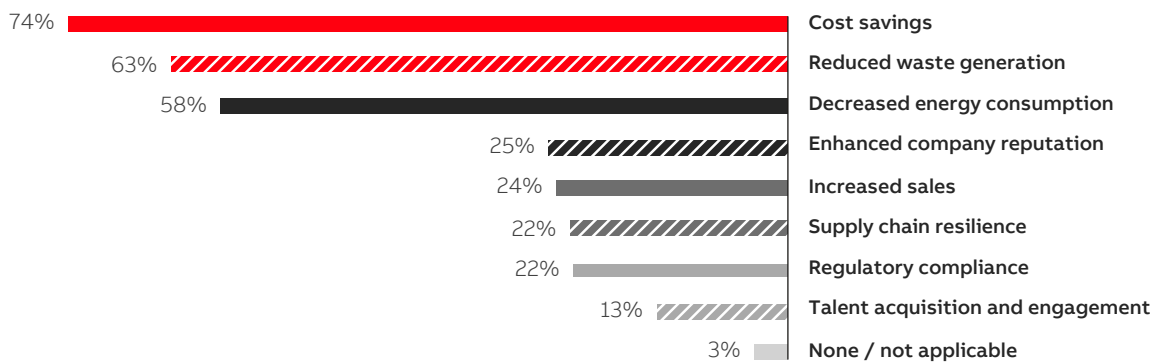
What do organisations want to achieve from sustainability initiatives?

Sustainability can bring many rewards, but three aims stand heads and shoulders above the rest for Australian businesses:

- 1.**
Cost savings through operational efficiencies
- 2.**
Reduced waste generation
- 3.**
Decreased energy consumption

Close to 60% of respondents mentioned one these targets. Other improvements, such as reputational or sales gains or better supply chain resilience, were only mentioned by around a quarter of respondents.

What Australian businesses want from sustainability





Leaders are particularly clear on the benefits of the ‘big three’ improvements. A substantial majority (88%) desire cost savings, with almost as many (80%) giving reduced waste as an aim and lower energy consumption (65%) in third place.

Interestingly, while the wider workforce delivered slightly lower figures for these aims, the order they placed them in was the same, suggesting cost savings are seen as an integral part of sustainability policies at every level of Australian companies.

Sustainability is not about being environmentally responsible at any cost, instead it is about efficiencies that enable both cost savings and greener outcomes.

As we saw in Chapter Five, where sustainability investment levels in Australian businesses are rising it is because real operational efficiencies are being realised. Businesses need an incentive to invest, and solutions that offer tangible and commercially visible rewards open the door to sustainability.

What's holding businesses back?

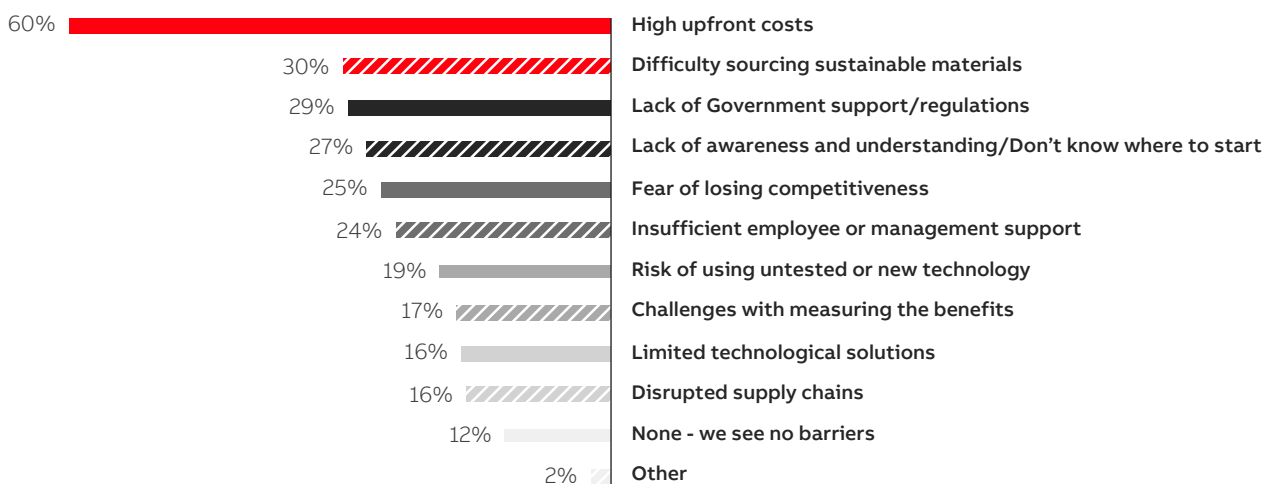
Change is rarely easy, and sustainability poses a unique set of challenges.

By far the biggest hurdle is upfront costs, with 60% of respondents flagging them as a problem. That's more than twice the size of issues such as the difficulty sourcing sustainable materials and the lack of government support. The latter is a particular challenge in Australia, which has sometimes lagged behind other nations in green policies.

Significantly, nearly a third of respondents indicated that a lack of awareness was a barrier that led them to feel uncertain where to start, while 17% saw challenges in measuring the benefits of sustainable initiatives. Education and the sharing of knowledge and best practice have a major role to play in the push for a sustainable future.

Other respondents presented doubts around competitiveness, employee or management support and the risks of using untested or limited technology to achieve their aims. Yet there was good news too, with 12% saying they faced no barriers in implementing more sustainable practices.

What is holding your business back from sustainable practices?



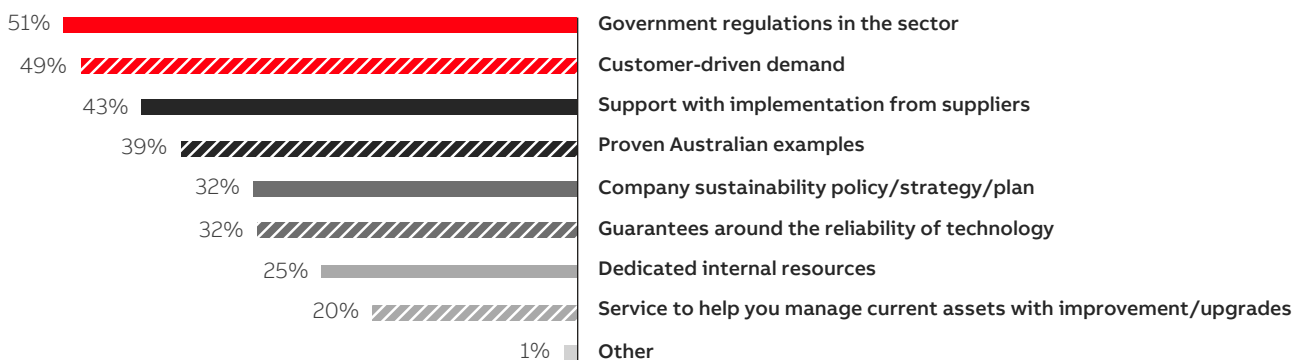
What would boost investment in sustainability?

Over half of respondents said that new government regulations in their sector would encourage them to increase their investment in sustainability.

That figure is even more pronounced at leadership level, with 75% of the C-suite highlighting regulations as a critical factor.

The feeling that Australia has work to do surfaces elsewhere in responses too, with 39% of respondents suggesting that more proven Australian examples of sustainability would help.

What could help increase your organisation’s investment in sustainability?



The results also highlight the need for change across partner organisations and consumers. Customer-driven demand (49%) and support with implementation from suppliers (43%) were given as leading factors, suggesting investment could snowball if conditions are right and appropriate solutions become available across different sectors and parts of the supply chain.

Other responses highlighted the need for careful planning and the use of the best sustainability tools. An appropriate sustainability plan (32%), reliable technology (32%) and dedicated internal resources (25%) all had significant levels of support, suggesting many believe increased sustainability is within reach if company strategies and tools are optimised.

New climate disclosure rules provide a big new driver for business action on emissions



Luke Menzel,
CEO of the Energy Efficiency Council

2025 marks a significant milestone on the journey to net zero for Australian businesses, with the first requirements for mandatory Climate Related Financial Disclosure (CRFD) commencing on 1 January.

These requirements are new in Australia but are becoming common overseas, with governments and regulators increasingly aware that a company's approach to managing climate risk is material information that should be provided to investors.

In Australia this new framework will see companies disclosing a raft of climate related information alongside their annual report, including their annual emissions, internal governance and processes around managing climate risk, and their overarching 'transition plan'. A transition plan generally includes emissions reduction targets, progress against key, sector relevant metrics, and guidance on near, medium- and long-term investments the company plans to make to ensure they play their part in achieving net zero across the economy by 2050.

Initially these regulations will only apply to very large companies, but by 1 July 2027 any listed or unlisted company that is above any one of the following thresholds will need to disclose their approach to climate risk:

- ▶ Consolidated revenue of \$50 million or more;
- ▶ Consolidated gross assets of \$25 million or more; or
- ▶ Employees (FTE) of 100 or more.

However, even companies that are below these thresholds are likely to notice a change. In time, companies subject to CRFD will be required to disclose emissions in their supply chain, which means smaller companies that sell goods and services to these larger companies are likely to be quizzed on their emissions, and their plans for cutting them over time.



For organisations with robust emissions reduction plans already in place, this new disclosure regime provides a level playing field on which they can demonstrate their net zero bona fides.

For companies that are still working on their approach to emissions reduction, disclosure requirements are a prompt to get those plans in place.

And because around 80% of Australian emissions are associated with energy, that means many companies will be examining opportunities to cut their energy related emissions. The good news is most businesses have a lot of opportunity in that space, including energy efficiency, smart energy management that matches energy use with renewable energy, and electrification of business activities previously delivered by fossil fuels.

It is a big job, but CRFD should make it a lot easier. It will ensure companies have clarity around internal accountability, reliable, year on year emissions data to track progress and robust transition plans that will be enable them to make the transition to a prosperous, net zero future.

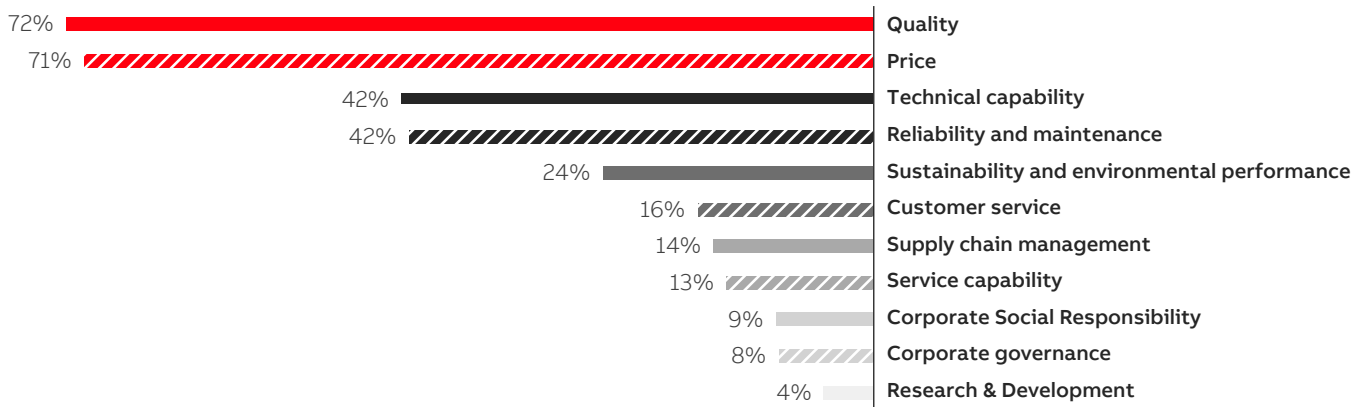
ABB is a proud member of the Energy Efficiency Council, Australia's peak body for energy efficiency, electrification and decarbonisation.

How much does sustainability influence supplier selection?

Currently, supplier selection appears to be driven more by a focus on business outcomes and ROI than it does on sustainability.

Indeed, only 24% consider sustainability when selecting suppliers. Quality (72%) and price (71%) rank far higher, with technical capability and reliability also edging out the push for environmentally friendly practices.

Most important factors for organisations when selecting suppliers



The survey asked respondents to rank their top three considerations when choosing suppliers, a weighting that saw quality, upfront and whole-of-life cost and reliability lead the way. Sustainability of materials and energy efficiency were significant factors, and sustainability plainly matters to respondents, but it must come hand-in-hand with materials that are high quality, reliable and cost-effective.

The gap between senior leaders and the rest of the workforce is again visible here. A third of the C-suite chose sustainability as one of their top three factors when choosing suppliers. Overall, 47% of the C-suite considered sustainability an important factor, while only 21% of non-leaders do. Making sure that all stakeholders prioritise sustainability in the same way is key if progress is to be made. Suppliers that have sustainability high on their agenda and that can provide full product lifecycle data have a competitive advantage over their rivals – one that future-proofs their long-term business.



Key takeaways

- ▶ When it comes to prioritising sustainability, there is a disconnect between senior managers and the rest of the organisation. Senior positions tend to rank it higher than those in operational roles.
- ▶ Cost savings are the #1 improvement Australian businesses want to see from sustainability initiatives. However, high upfront costs are the top barrier to implementing them.
- ▶ Australian businesses highlighted the need to reduce waste and address resource scarcity, which suggests circularity has a larger role to play.
- ▶ Government regulation and customer demand are the top two factors that would encourage Australian businesses to become more sustainable.

Chapter 07

Sustainability leaders



Key characteristics of sustainability leaders

An important part of examining the survey results was identifying respondents who work for organisations with a more mature approach to sustainability.

Although these 'sustainability leaders' made up only one in seven (14%) of respondents, they all shared six characteristics.

Sustainability leaders in Australian business:

- ▶ Are typically in upper management roles, such as C-suite, owner/director or partner.
- ▶ Rank sustainability as 'high' or 'very high' in their organisation's agenda.
- ▶ Have clearly defined sustainability in their organisation.
- ▶ Have a sustainability plan in place.
- ▶ Have implemented multiple metrics to measure sustainability in their organisation.
- ▶ Are measuring their suppliers' sustainability efforts.

Sustainability leaders prioritise sustainability and are making real, tangible efforts to improve it in-house and in their relationships with partners.

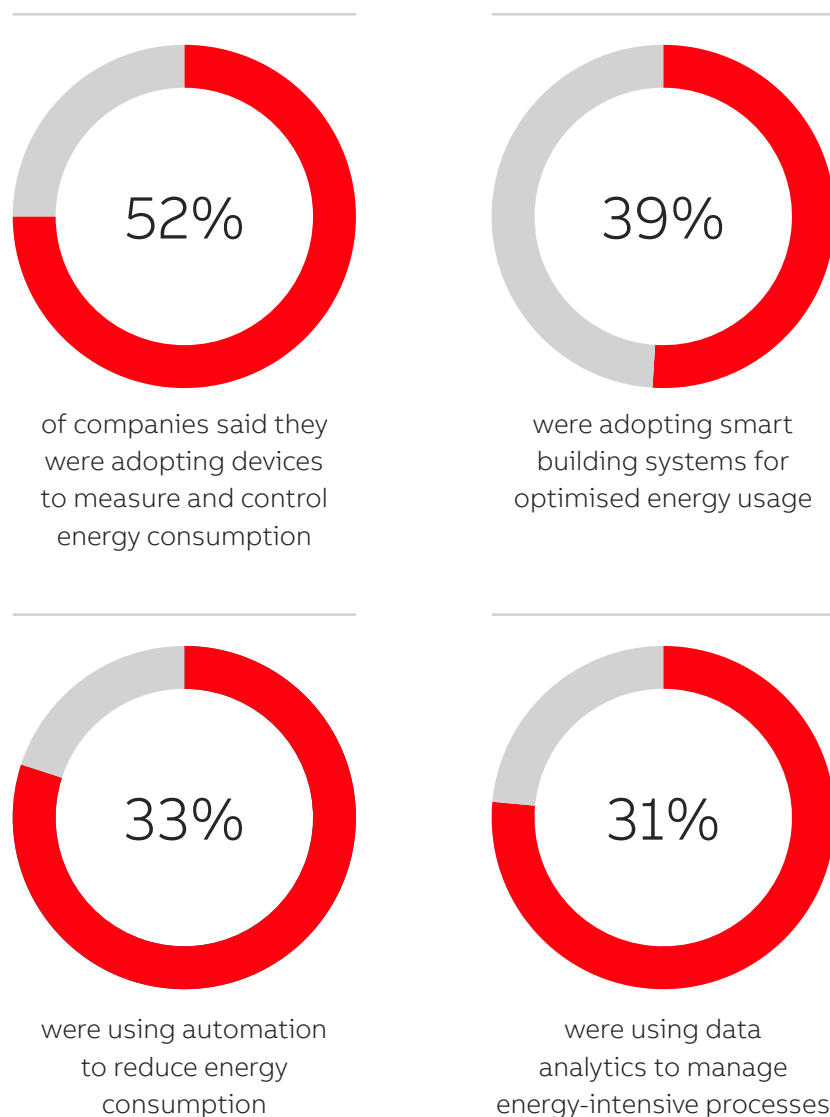
Crucially, these efforts are planned, strategic and measurable – key prerequisites for success.

Our analysis of how they plan to achieve these goals illustrates the role technology can play and shows that leaders are determined to drive short and long-term change. With the expectations of the workforce as a whole lagging behind the C-suite, that determination – alongside ongoing efforts to communicate the benefits of sustainability for different teams and divisions – will prove critical in the years to come.

The role of technology

Technology drove the industrial revolution, and it is the great enabler in building a sustainable future.

Respondents particularly prized its potential to monitor and save energy. When asked what technology solutions they were investing in to increase sustainability, the four most popular answers all related to energy use:



As we've seen, respondents tend to focus on their core dependencies, and you might expect to see energy near the top of the list given utility and renewable companies make up the largest single sector in the survey. Yet its utter dominance here shows that energy efficiency technologies and digitalisation are at the heart of sustainability efforts across the board.



Several other patterns emerge.

As the points on the previous page show, there's a strong desire to measure energy usage. Elsewhere in the survey, 26% of respondents underline the importance of lifecycle assessments to minimise environmental impact. Knowledge is power, and data and metrics are at the heart of these efforts. For Australian businesses to progress the sustainability agenda, key metrics need to be tracked and measured over time. However, doing this efficiently and effectively in a cost-sensitive environment is the challenge.



Many respondents have turned to technology and automation to track these metrics and deliver efficiency savings.

Artificial intelligence (AI) has emerged as a game-changer, and AI tools are being used to increase productivity and offer insights. The survey found that 27% of respondents used AI for predictive maintenance to minimise waste.

Other improvements include the replacement of older components (30%), the increased use of repurposed and recycled materials (27%) and the use of more sustainable energy sources including electric vehicles.



Success story

The role of automation at South Australia's largest private hospital

A smart way to manage lighting and reduce costs

The Challenge

Calvary Adelaide Hospital is a 12-storey, \$345m private hospital offering a complete range of healthcare services and Adelaide's only 24-hour emergency department. A facility of this scale is dependent on having a reliable, sophisticated lighting control and monitoring solution – both to deliver healthcare outcomes and improve operational efficiencies.

The Solution

ABB partnered with mySmart to provide Calvary Adelaide Hospital with a building automation solution. The solution uses the ABB i-bus KNX system for smart, safer more efficient lighting use. The solution can automatically turn off lights in the evening, keep lights off until a person enters a room, and adjust levels of lighting depending on the amount of sunlight in a room.

The Outcome

The solution allowed Calvary Adelaide Hospital to optimise its energy use, reduce operating costs, simplify lighting management and make changes remotely. All devices can communicate with each other, and the solution can be controlled through one common user interface.



Leaders believe in the value of sustainability

More than 80% of leaders feel that sustainability initiatives can produce costs savings and reduce waste.

And they are backing sustainability in both the short and long term. Almost two-thirds said their investment in initiatives would increase ‘significantly’ both in the next year and over the next three years. Across the next five years, support grows still further, with three-quarters saying they would increase their investment ‘significantly’ over the period.

Overall, around 90% of senior leaders said they expected investment to grow ‘slightly’ or ‘significantly’ over the coming years.

Yet if this conviction in the ethical and commercial value of sustainability is consistent among leaders, it dips slightly among other parts of the workforce. Of non-leaders, 65% believe investment will increase in the next year, while 85% believe it will rise over the next five years.

Similarly, while around four in five senior leaders said they were using devices and smart systems, less than half of the rest of the workforce said they had adopted these tools. An impressive 71% of leaders had used AI to reduce resource wastage, against only 20% of non-leaders.

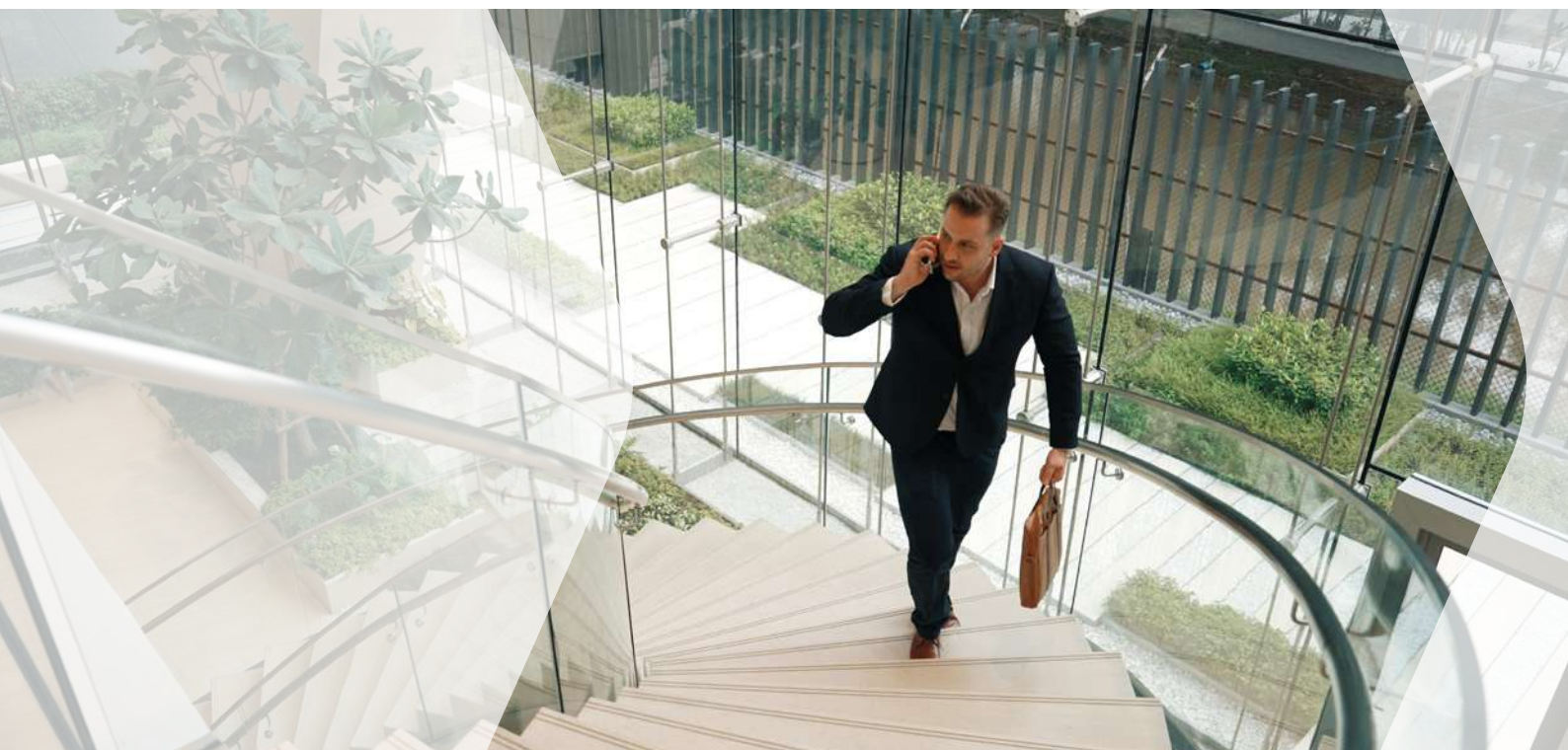
Leaders focus on the long-term

The survey shows that leaders are looking beyond short-term sales cycles and taking sustainability seriously.

Managing energy use is a key goal, but leaders take a holistic approach to sustainability, accounting for everything from recycling to increased electric vehicle use.

These aims are facilitated by automation and backed with a desire to measure and benchmark success. Even more importantly, there is an understanding that sustainability is neither a one-shot fix nor just a goal for tomorrow. Instead, sustained investment, starting now and continuing for years to come, is seen as the best approach, with leaders optimistic about its impact on operating costs.

It is clear that solutions must meet these business needs, offering sustainability, operational efficiencies and ROI. Belief in investment among the rest of the workforce lags behind the C-suite, yet this does not reflect lower enthusiasm for sustainability as much as a lack of awareness of what is being done. Solutions that show clear ethical and business benefits and align with international standards are by far an easier sell across the company. They can help foster an enthusiasm for and engagement with sustainability that reaches far beyond senior leadership and enables successful short-term initiatives as well as longer-term cultural change.





Success story

Building for future living today

Turning sustainability into a lifestyle choice

The Challenge

Property developer MFG Global had a vision for its new REMI Residences on the Gold Coast. It wanted the luxury apartment complex to offer residents a different lifestyle experience, one that provided high-end amenities that were supported by digital smart solutions that allowed residents to live a more sustainable, energy-efficient lifestyle.

The Solution

MFG Global needed a smart home solution that would meet the current and future needs of its residents. They chose ABB-free@home, enhanced by WE Wumbo's 'digital concierge' platform to bring a human-centric approach to delivering on MFG Global's vision for REMI Residences. Using a simple smartphone interface, residents can book cleaning and maintenance services, facilities, EV charging and parcel collection. They can also control the lights, heating and cooling in their apartments and connect with neighbours.

The Outcome

The fully integrated solution allows REMI Residences to achieve a high level of energy efficiency, and contributes to creating an innovative, efficient living experience for residents. It allows REMI Residences to meet the present needs of residents while laying a robust foundation for their future needs.



Success story

Transitioning to net zero

Clean water requires a clean energy fleet

The Challenge

For Sydney Water, its top priority is to provide all customers in greater Sydney with high-quality drinking water and 24/7 wastewater treatment. The organisation also plans to achieve net zero across its operations and supply chain by 2040.

The Solution

To achieve this goal, Sydney Water partnered with Origin Zero to launch energy demand response operations incorporating a transition to an electric vehicle (EV) fleet. To ensure its service is never compromised, the right solution had to maintain supply and demand balance, support the electricity grid during peak periods, and help Sydney Water transition to renewable energy.

The Results

Sydney Water has progressed its plans to electrify its fleet by acquiring subsidised vehicles and funding for charging infrastructure. This has contributed to helping the organisation reduce its carbon emissions and boost the rate of change to achieve its net zero goal.



Success story

Helping employees contribute to a net zero vision

Prepping for an EV future

The Challenge

ABB is transitioning to a zero emissions future. And as a global leader in electrical vehicle (EV) charging solutions, the business wanted its employees to benefit from its technology and support a more sustainable future.

The Solution

ABB installed its Terra 124 DC Fast chargers, Terra 24 Wallbox DC chargers and Terra AC Wallbox chargers with load management capability at its Notting Hill office in Victoria, Australia. Employees can now use a swipe card or download an app to access the chargers, and visitors also have access through a guest pass or a QR code.

The Results

The charging stations allow ABB employees to switch to EVs because the office is now a convenient place for charging. It offers the flexibility employees need to manage their charging time, particularly if charging is difficult at home, as many residences, particularly apartment complexes, don't offer EV infrastructure.



Key takeaways

- ▶ One in seven respondents were classed as sustainability leaders. These senior managers have clearly defined sustainability, have a plan in place and are measuring their own and their suppliers' sustainability efforts.
- ▶ Yet while leaders are taking sustainability seriously, belief in investment among the rest of the workforce lags. Publicising the success of solutions that show clear business and ethical benefits can help foster an enthusiasm for and engagement with sustainability, driving cultural change.

Chapter 08

Measuring progress



The importance of having a plan

Acknowledging the importance of sustainability but then only announcing one-off initiatives may seem like big steps for an organisation, but they rarely move the dial in the long term.

To enact real change, sustainability measures must be part of a clearly defined and communicated sustainability plan.



Globally, 70% of respondents say they have a sustainability plan.

The uptake varies by sector, with the figure highest for energy and renewables (92%), while manufacturing (64%) and construction (56%) lag behind.






Different sectors operate in different contexts, so we would expect some variation in these figures. For example, energy is a highly scrutinised sector for its contribution to global emissions, so there is pressure from customers and investors to transition to renewable sources. Having a sustainability plan is not just a 'nice to have' – it's crucial to the sector's long-term viability. And while the manufacturing and construction sectors also feel this pressure, the level of scrutiny is not felt to the same degree.

The devil is in the detail: the importance of metrics

Metrics are critical to any business' sustainability journey. They play a huge role in tracking progress, which form the basis of reporting and can also build stakeholder engagement, communicate goals and help organisations meet regulatory requirements.

However, there is no universally agreed way to measure sustainability in Australia. There are similarities across sectors, but by and large, each company can decide what, and how many, metrics they will track. So, while key metrics may vary from organisation to organisation, the survey shows that most companies track several: 46% track 1–3 measures, 33% track 4–6 measures, and only 9% track seven or more. 11% had no measures.

The most popular metrics measured were:

-  Energy consumption **58%**
-  Proportion of reused or recycled materials **43%**
-  Waste generation **43%**
-  Use of renewables **39%**
-  Carbon footprint **39%**

Process efficiency, product recyclability, asset lifetime, water usage and travel round out the list, which demonstrates the same focus on energy, waste and circularity that has run right through our survey. Sustainability moves fast, and targets should be constantly reviewed as technology develops and investment shifts, with new solutions in some cases accelerating the achievement of goals.

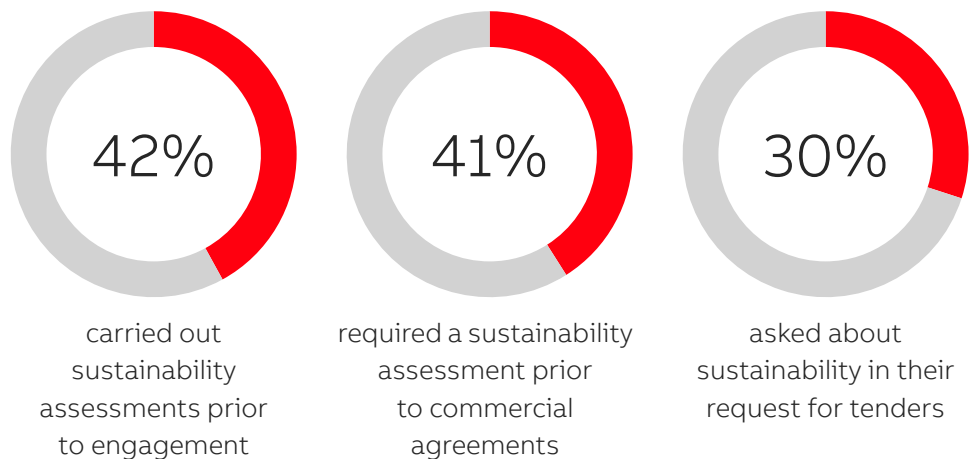
Perspectives and partners: how metrics vary

Different job roles have different perspectives, suggesting metrics may not be consistent (or consistently communicated).

Almost two-thirds of sustainability officers said they measured the proportion of reused or recycled materials, compared to the 43% average across the survey.

Meanwhile, 50% of sustainability officers and around 46% of leaders and engineers said their company used carbon footprint as a metric, but only 27% of people working in operations agreed.

Additionally, an organisation’s sustainability efforts are interconnected with those of its partner organisations. But a third of respondents said they weren’t currently measuring their partner’s sustainability efforts. Those that are take three approaches:



The disjunction between senior managers and the rest of the workforce is again visible here, as it is elsewhere, with the former more than twice as likely to carry out a sustainability assessment before an engagement or a commercial agreement. These assessments are increasingly becoming the norm in commercial discussions, giving organisations that can demonstrate clear sustainability plans a clear competitive advantage over their rivals.



Correlating progress on sustainability with business results

Sustainability metrics are intended to measure an organisation's environmental impact, but increasingly they are being monitored for their impact on operational efficiencies.

Metrics that track energy use, energy efficiency, minimising waste and reusing materials are not just good for the planet, but they also enable cost savings and profitability.

Organisations that are transparent about sustainability are also more attractive to consumers, partners and investors.



Success story

Connecting sustainability with business results

The Challenge

Vietnam's state-owned telecommunications company, Viettel saw that energy use was multiplying in dense, rapidly growing cities such as Hanoi, the Vietnamese capital. The company wanted to explore the potential of smart technology to reduce the environmental impact of its Hanoi headquarters, which houses around 1,000 employees.

The Solution

Viettel worked with ABB to install the i-bus® KNX system to optimise the building's energy efficiency and control all building operations – including lighting, heating, security and energy management. ABB's ACH580 drives were installed to ensure the motors driving the building's heating, ventilation and air conditioning application ran efficiently, boosting energy and cost savings.

The Outcome

The solution reduced Viettel's carbon footprint. But crucially, it also fulfilled other business objectives:

- ▶ Keeping employees comfortable and secure
- ▶ Ensuring operational reliability
- ▶ Saving up to 20% in energy costs
- ▶ Showcasing Viettel's headquarters as a symbol of cutting-edge innovation



Success story

A sustainability project with wider benefits

The Challenge

Mindful of the hotel group's global sustainability targets, Qatar's Four Seasons Hotel wanted to undertake an energy upgrade to reduce its carbon emissions and make better use of predictive maintenance for the range of electrical systems on site.

The Solution

The team turned to ABB for support with specification and installation. ABB's cloud solution Ability Energy & Asset Manager consolidated the hotel's asset and energy management needs into a single dashboard. This provided the Qatar Four Seasons Hotel visibility into their electrical system's behaviour, helping them minimise risk and cost while maximising performance.

The Outcome

ABB's solution transformed the reliability of the Four Seasons' energy grid and provided the hotel with long-term energy savings, demonstrating that sustainability measures can have a significant environmental impact while also driving efficiencies.

Sustainability and efficiency have more in common than you'd think

These global case studies show how sustainability gains and organisational efficiencies are closely linked. The best way to ensure both is to plan carefully and use appropriate metrics – it's hard to improve something that you can't track. Companies that do both will have a framework that can help them find the right solution for their business objectives, controlling costs while working towards a sustainable future.

Key takeaways

- ▶ Sustainability measures must be part of a clearly defined and communicated sustainability plan – 70% of respondents already have one.
- ▶ Metrics are critical to any sustainability plan's success. They track environmental impacts, but increasingly also measure operational efficiencies. Solutions that optimise both areas allow organisations to control costs and hit business objectives while building a sustainable future.

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