



SUBMISSION FROM WESFARMERS TO SENATE INQUIRY INTO CURRENT AND FUTURE IMPACTS OF CLIMATE CHANGE ON HOUSING, BUILDINGS AND INFRASTRUCTURE

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Introduction

Wesfarmers Limited, one of Australia’s largest publicly listed companies is pleased to make a submission to the Senate inquiry into current and future impacts of climate change on housing, buildings and infrastructure. Wesfarmers welcomes this inquiry.

Wesfarmers and all its businesses strive to reduce the emissions intensity of their businesses and improve their resilience to climate change. We acknowledge that the world is changing and climate change will have serious implications for our customers, the economy and the communities in which we operate. We recognise that we have a role in investing in Australia’s response to climate change as this will deliver significant economic, social and environmental benefits for us all. For Wesfarmers, this is about good governance, prudent risk management and positioning competitively for the future.

Wesfarmers profile

From our origins in 1914 as a Western Australian farmers' cooperative, Wesfarmers has become one of Australia's largest listed companies and its operations cover: supermarkets; department stores; home improvement; office supplies; coal mining; chemicals, energy and fertilisers; and industrial and safety products. The primary objective of Wesfarmers is to provide a satisfactory return to its shareholders and to do so in a sustainable, ethical way.

The company aims to achieve this by:

- satisfying the needs of customers through the provision of goods and services on a competitive and professional basis;
- providing a safe and fulfilling working environment for employees, rewarding good performance and providing opportunities for advancement;
- contributing to the growth and prosperity of the communities in which it operates by conducting existing operations in an efficient manner and by seeking out opportunities for expansion;
- responding to the attitudes and expectations of the communities in which the company operates;
- placing a strong emphasis on protection of the environment; and
- behaving with integrity and honesty in dealings both inside and outside the company.

Given the breadth of our businesses, we have an interest in supporting strong and vibrant communities throughout our supply chain. We do this through the products we sell and the jobs we provide, as well as through our direct and indirect contributions to the community. Wesfarmers

makes a significant contribution to the communities in which it operates by providing goods and services that have an impact on the quality of life of all our customers and by providing a large number of jobs and paying taxes.

Terms of reference

Wesfarmers supports Australia's commitments under the Paris Agreement to work towards a global agreement to limit global warming to 1.5°C – 2°C above pre-industrial levels. We believe industry and governments must work together to achieve this outcome. Long-term policy certainty is a pre-requisite for decarbonisation to occur efficiently and affordably. We will continue to improve the greenhouse gas efficiency of our operations, which reduces our own business costs and risk, as well as contributing to climate change mitigation.

Increased weather volatility, more frequent, extreme weather events, higher average temperatures, changes in sea level rises and drier climates all have the potential to impact our operations and supply chains in a range of ways. We focus on testing the robustness of our businesses against climate change and integrate it into our company-wide risk management process. We use CSIRO data to inform climate resilience planning at a divisional level, improving understanding of the material climate change issues that face our divisions. In this formal risk assessment process, the risks and opportunities are ranked according to the level of significance to Wesfarmers and include physical, regulatory, reputational and competitive risks. In our formal risk review process, climate change is ranked as a moderate risk in the next 11-20 years.

Our annual risk review process has identified climate change as an emerging risk and our businesses are therefore taking steps to actively consider and monitor its potential impact on business operations, the community and the broader economy.

Our annual risk review process confirmed existing operational, strategic and compliance risk controls are adequate for managing climate change risk in our businesses. We believe appropriate action is being taken including appropriate disclosures.

The below examples about the risk of climate change to our business refer to our businesses directly and do not examine the impact of climate change risks to our supply chain.

- **recent and projected changes in sea level rises, and storm surge intensity;**
- **recent and projected changes in temperature and precipitation;**
- **recent and projected changes in extreme weather, including heatwaves, bushfires, floods, and cyclones;**

Our analysis has found that projected changes in sea level rises, storm surge intensity, temperature, precipitation and more frequent changes in extreme weather will exacerbate existing risks while also exposing our divisions to new risks as follows:

Energy infrastructure reliability

Extreme weather including heat waves will likely impact energy infrastructure, including generators and transmission and distribution lines. This will affect energy reliability.

Food safety

As an owner of a food retailer food safety is of paramount importance to us. Any extended outage of power leads to large-scale food spoilage. This in turn means food is not available to customers and cannot easily be re-supplied to stores. Even without power outages, heatwaves may mean refrigeration temperature cannot be maintained and food spoils again leading to shortages. The flow on consequences of food shortages, albeit temporary in this example impact public health and safety.

Energy costs

The cost of refrigeration, heating, ventilation and air conditioning increase each year due to an increased number of hot days.

Store openings

More severe and frequent extreme weather events will likely mean roads and buildings rendered temporarily unusable. During these extreme weather events people are unable to reach stores to get essential items, stores are unable to open, stores cannot be re-supplied and in the case of Coles, food in stores spoils.

- **the impact of these changes on the vulnerability of infrastructure in coastal areas;**

Creation of denser urban environments particularly around coastal areas will impact how customers live, commute and shop. Efforts to establish integrated low carbon buildings will affect existing stores and the way new stores are built. Residential developments will become higher density precincts, connected to public transport nodes and see the rise of digital commuting. Customers will shift their transportation, buying behaviour and lifestyles.

One potential impact will be an increase in demand for smaller stores located in higher density precincts, over the conventional suburban large-scale supermarkets or department stores.

Wesfarmers agrees with the Australian Sustainable Built Environment Council (ASBEC)¹ recommendation to review minimum energy performance standards in the National Construction Code and the potential establishment of minimum energy performance standards for existing buildings.

- **the impact of these changes on transportation, including railways, roads and airports;**

As described above, more severe and frequent extreme weather events will likely mean roads and buildings rendered temporarily unusable. During these extreme weather events people are unable to reach stores to get essential items, stores are unable to open, stores cannot be re-supplied and in the case of Coles, food in stores spoils.

Minimum energy performance standards driven by the need to adapt transport to climate change are focusing on light vehicle fleets that will affect the passenger vehicle fleets leased by our businesses. This will also affect our customer's cars as we recognise that with changing energy efficiency standards in vehicles and innovation in technology, there will be increased availability and demand for electric cars. At Wesfarmers owned sites with car parking, supporting

¹ ASBEC (2016) 'Low Carbon, High Performance: How buildings can make a major contribution to Australia's emissions and productivity goals' <http://www.asbec.asn.au/wordpress/wp-content/uploads/2016/05/160509-ASBEC-Low-Carbon-High-Performance-Summary-Report.pdf>

infrastructure such as electric vehicle charging stations and/or hydrogen refuelling stations may have to be provided. As many of our retail premises are leased, decisions regarding car parking modifications will remain with the landlords.

Wesfarmers expects that minimum energy performance standards could potentially extend to heavy vehicle road freight fleets in the medium-long term as well affecting the logistics associated with our supply chain in all our businesses. There will also be an increased emphasis upon shifting from road to electric rail freight. Our businesses are working to improve the efficiency of their freight logistics to reduce carbon emissions and traffic movement by improving freight density and reducing transport packaging.

- **the impact of these changes on energy infrastructure, including generators and transmission and distribution lines;**

Extreme weather including heat waves will likely impact energy infrastructure, including generators and transmission and distribution lines. This will affect energy reliability. Some of our retail business units are working to include solar systems into new stores as standard and on existing stores where feasible and with landlord agreement. Some of our retail business units are also working to improve the efficiency of their electricity supply which reduces demands on distribution networks.

Most retail outlets have detailed equipment-level energy consumption monitoring in place. Intelligent management systems will go beyond the equipment level, to optimise overall site operations, interfacing with preventive maintenance, proactive energy management and forward planning of energy efficiency opportunities.

As Australia moves to be more reliant on renewable energy, the ability of our generators to provide stable electricity supply during peak demand times such as extreme heat waves is becoming more challenging. Our Distribution Centres and retail store network are investigating the option to provide back-up generation to support the wider network during periods of peak demand.

Further contact

We will be pleased to further engage the Committee directly on the issues raised here. Should you wish to clarify any particular issue raised in this submission please contact Executive General Manager - Corporate Affairs, Alan Carpenter