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Senate Standing Committees on Environment and Communications PO Box 6100 Parliament House Canberra ACT 2600

Date: 16 September 2025

By email: ec.sen@aph.gov.au

Dear Committee Secretary,

Yours faithfully,

Subject: Senate Inquiry into Greenwashing

I am responding on behalf of the <u>Business Council for Sustainable Development Australia</u> (**BCSDA**), in our role as an advocate for sustainable development within the business sector and as a global network partner of the <u>World Business Council for Sustainable Development</u> (**WBCSD**).

Our collective mission is to champion sustainable business practices that are not only globally recognised but also carefully adapted to meet the unique demands of the Australian context.

Outlined in the following pages is our feedback to the Consultation you have requested on the **Subject**. We thank you for the opportunity to make this submission.

We confirm our submission can be made public.

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Andrew Petersen I CEO I Business Council for Sustainable Development Australia

Executive Summary

BCSDA is a network of 70 Australian businesses and non-government bodies advancing credible, science-aligned business practice across Australia and the WBCSD global network. We welcome the Committee's focus on greenwashing and its impacts on consumers and markets, and we note the implications for business' competitive neutrality and export readiness. Our recommendations aim to raise the integrity floor while reducing uncertainty and compliance friction for businesses operating domestically and across borders.

We support an approach that is evidence based, proportionate and interoperable with leading international regimes.

To balance robust consumer protection with efficient compliance, we recommend: a **good-faith safe harbour** to encourage candid sustainability communications and avoid greenhushing; **interoperability and mutual recognition** with EU/UK/US frameworks to minimise duplicative verification, especially for exporters and multinationals; **SME-appropriate tiering** (templates, thresholds and grace periods) to ensure proportionality; and **implementation support** (industry training, exemplars and tools) to build capability across the market.

Clear expectations, risk-based verification for high-impact claims, and alignment with ISSB/AASB disclosures will lower costs, improve comparability and reward companies that invest in performance improvements. Our submission responds to each term of reference with practical, systems-level measures that elevate integrity while encouraging innovation and transparency. We support a regulatory system that enforces compliance but also learns over time, adapting to changing sustainability claims, technologies, and consumer expectations.

Green claims have proliferated across sectors often using broad terms ("sustainable", "eco-friendly", "carbon neutral") without clear definitions, scope or verification. We argue that claims must be specific, evidence-based and life-cycle-aware; where high-impact claims are made (e.g., carbon neutrality, 100% recycled content), they should be linked to transparent methodologies and, where proportionate, independent assurance. This approach protects consumers, rewards credible firms, and reduces market information asymmetry dynamics that may disadvantage companies investing in real emissions reductions, circularity and responsible supply chains.

For consumers, greenwashing may lead to both informational and financial harm, weakening confidence in sustainability labels and advertising and undermining willingness to pay for better products. For business, variable claim integrity across sectors may depress return on authentic investment and lead to litigation, regulatory and reputational risks. Our position emphasises restoring trust through clarity and comparability of information while avoiding 'greenhushing': businesses should be encouraged—via clear rules and safe harbours—to disclose progress candidly, including limitations and next steps, rather than default to silence.

Australia can build on active enforcement under the Australian Consumer Law (ACL) and emerging disclosure reforms by aligning with international best practice. We support:

- resourced ACCC/ASIC oversight.
- the modernised Australian Association of National Advertisers (AANA) Environmental Claims Code.
- convergence with ISSB-aligned climate (and nature, over time) disclosures to improve comparability and reduce discretion in marketing claims.

We also note effective overseas levers—such as the EU's substantiation/verification requirements and the UK's Green Claims Code commitments—because interoperable expectations cut compliance costs for businesses operating across borders and raise the integrity floor at home.

Our recommendations are:

- 1. **mandate standardised, decision-useful disclosures** aligned to ISSB/TCFD (and TNFD as appropriate), with proportionate phasing
- 2. resource enforcement (proactive sweeps, substantiation notices, targeted infringement options)
- 3. third-party verification for high-impact claims and maintain a registry of credible verification schemes.
- 4. legislate clear definitions and usage conditions for common terms (e.g., "recyclable", "compostable", "carbon neutral")
- 5. **operationalise the updated AANA code** across all channels and strengthen advertiser education.
- 6. **increase transparency around corporate sponsorships** and fossil-fuel advertising, including disclosure of commercial arrangements with media and safeguards against misleading net-impact narratives
- 7. **invest in consumer education and traceability technologies** that make verification practical at point-of-choice. BCSDA would be willing to partner with government, regulators and industry to help implement these improvements.
- 8. **Introduce a good-faith safe harbour** for candid sustainability communications that meet specified conditions (clear scope, reasonable basis, timely correction of errors), to reduce greenhushing while maintaining accountability.
- 9. **Recognise interoperability and mutual recognition** of credible international rules and verification schemes (e.g., ISSB/ESRS-aligned disclosures; UK/EU green claims guidance) to cut duplicative audits and costs for exporters and multinationals.

- 10. **Apply SME-appropriate tiering** via proportional thresholds, model templates, and grace periods, with escalated requirements as capability and materiality increase.
- 11. **Fund implementation support** (co-designed with industry bodies) including training, sector exemplars, and open tools that translate rules into day-to-day practice.

Responses to Terms of Reference of the Inquiry

Greenwashing has become a concern in sustainability and consumer protection. It is broadly defined by regulators as any environmental or sustainability claim that is unsubstantiated or misleading. The Australian Competition and Consumer Commission (ACCC) has flagged greenwashing as a significant and prevalent issue, finding in 2022 that over half of reviewed companies made "concerning" environmental claims. Such practices have the potential to distort markets, erode consumer trust, and undermine genuinely sustainable businesses and products. They may also slow progress toward climate and sustainability goals by diverting support away from credible initiatives (ACCC, 2023a).

BCSDA's analysis examines each item (a–f) of the Senate inquiry's Terms of Reference through the lens of sustainability-oriented business network, emphasising factual context, alignment with previous policy positions taken by BCSDA, and solutions to strengthen credible, science-aligned business practices in Australia.

(a) the environmental and sustainability claims made by companies in industries including energy, vehicles, household products and appliances, food and drink packaging, cosmetics, clothing and footwear;

BCSDA Response

These sectors have seen a proliferation of "green" claims as businesses respond to consumer demand for sustainable options. However, many such claims are **vague**, **exaggerated**, **or unsupported by evidence**. An ACCC internet sweep of 247 company websites in targeted sectors (energy, vehicles, household goods, packaging, cosmetics, clothing and footwear) found that **57% of businesses reviewed were making potentially misleading green claims**, with particularly high rates in cosmetics, fashion and food packaging sectors (ACCC, 2023a). Common examples include broad statements like "environmentally friendly", "green", or "sustainable" which are **not backed up with specific evidence**: https://www.accc.gov.au/media-release/accc-greenwashing-internet-sweep-unearths-widespread-concerning-claims (ACCC, 2023a). Companies have advertised products as "biodegradable", "natural", "eco-friendly", or "carbon neutral" without standardised definitions or verification — leaving consumers to take such claims on trust. For instance, terms like "biodegradable" or "compostable" on packaging can mislead if the product only breaks down under certain industrial conditions not met in household waste systems. Similarly, fashion and retail brands often promote clothing lines as "sustainable" or "conscious" with minimal disclosure of what those terms mean (e.g. a small percentage of recycled fabric).

Greenwashing observed across these industries includes highlighting a minor green attribute without acknowledging potential greater environmental harms (a "hidden trade-off"), making a product seem greener than it is by comparing to a worse alternative, using *misleading labels* or certifications that lack rigorous standards, employing *ambiguous marketing language* (e.g. "eco-friendly" without context), and even using *green imagery* or eco-themed branding to imply environmental benefit. For example,

- A cleaning product might display a leaf icon and claim "plant-based formula" while still containing harmful chemicals
- In the global vehicles sector, there have been instances of cars marketed as low-emissions that were later found to have misrepresented emissions tests.
- In the energy industry, companies have advertised "100% carbon neutral" energy plans which were still supplied from fossil fuels while relying on offsets to make the claim.
- Food and drink packaging often features claims like "recyclable" or "plastic-free" which may be true for part of the packaging or under ideal conditions but omit certain practical limitations (e.g. lack of recycling facilities).
- Cosmetics and personal care products frequently use terms such as "organic", "natural" or "non-toxic" in marketing terms that have little regulatory definition and can be used on products containing only a small fraction of truly organic ingredients.

These examples underscore that unverified and non-standardised claims are widespread across a range of industries.

Australian regulators have identified these sectors for scrutiny. The ACCC noted that in its 2022 sweep, **cosmetics**, **clothing/footwear**, **and food packaging had the highest proportion of problematic claims** (ACCC, 2023a). This indicates a need for clearer guidelines and oversight of the kinds of claims companies make in these domains. Industry-specific issues also emerge for instance, in the **household products** sector, misleading claims have led to enforcement action – a notable example being penalties against cleaning wipe manufacturers for falsely promoting "flushable" or environmentally safe wipes that did not break down as claimed (ACCC, 2023a).

Corporate environmental claims **must be truthful, specific, and backed by data** – for instance, if a clothing brand advertises a "sustainable collection", it should clearly disclose criteria such as per cent recycled content or certified materials. By tightening standards on what can be claimed and requiring evidence (e.g. lifecycle analyses or third-party certification, verification or independent second party opinion), it can ensure that green claims in these industries are credible. This, in turn, will reward companies making genuine improvements and drive others to move to real environmental performance improvements.

(b) Impact of Misleading Claims on Consumers

BCSDA Response

Misleading environmental and sustainability claims can have **significant detrimental impacts on consumers** and the public at large. Firstly, greenwashing may **undermine consumer trust** in both individual brands and sustainability claims in general. When consumers discover that a product's "green" promise was false or exaggerated, they may become more sceptical of similar claims across the market. A 2022 Australian consumer survey found that at least **50% of people were worried that many of the green claims they see are untrue**, across every product sector examined (CPRC, 2022). Such scepticism can lead to **consumer cynicism**, where truly sustainable products struggle to be recognised or valued because consumers doubt all green messaging. Indeed, regulators observe that a **misleading or unclear claim not only deceives consumers in that instance, but "hurts confidence in sustainability claims in general", making it harder for honest businesses to differentiate (ACCC, 2023a). This erosion of trust is particularly concerning given that a growing proportion of consumers actively seek environmentally friendly options – about 45% of Australians say they often consider sustainability in purchase decisions** (CPRC, 2022). If those consumers cannot trust product labels and advertisements, they are essentially disempowered from making informed choices aligned with their values.

Secondly, greenwashing has potential to lead to **consumer harm in economic and practical terms**. Consumers may pay a premium for products advertised as green (for example, "eco" appliances or "sustainable" fashion often cost more) under the false belief that they are making a more ethical or higher-quality choice. If those claims are false, consumers have effectively been misled into purchases that **do not deliver the environmental benefits they wanted**, wasting their money and good intentions. In some cases, there is also an **opportunity cost** – a genuinely greener alternative might be passed over in favour of a product with better marketing. For example, a household may choose a certain plastic-packaged "biodegradable" cleaning product believing it will break down harmlessly, when it might not – thus they forgo choosing a truly low-waste option. On a larger scale, when car buyers were sold "low emissions" diesel vehicles that emitted far beyond legal limits, those consumers were deceived and also **unwittingly contributed to pollution**, contrary to their intent. Greenwashing therefore **damages consumer autonomy and welfare**, because purchasing decisions are influenced by misinformation.

Perhaps most critically, **misleading green claims erode the incentive for businesses to compete on genuine sustainability-based performance**, which ultimately has potential to harm consumers' long-term interests. The ACCC's Deputy Chair cautioned that businesses using false green claims harm not only environmentally conscious consumers but also **"those businesses taking genuine steps to implement more sustainable practices"**, undercutting fair competition (ACCC, 2023a). If a company can attract eco-minded customers with unsubstantiated claims rather than real action, it gains an unfair advantage. This **information asymmetry** dynamic can slow the overall shift to sustainable production that would benefit consumers (through better products and a healthier environment). It also risks disillusioning consumers who **want to support responsible companies** – if they repeatedly encounter greenwashing scandals, they may disengage entirely. Survey data bears this out: **47% of Australian consumers say they would stop buying from a business found to be greenwashing**, and 35% would actively **warn friends and family** against that company (CPRC, 2022). This indicates that once deception is exposed, companies face potential reputational and financial damage as consumers respond. From an investor perspective, trust in a company's sustainability claims is also crucial – greenwashing may expose companies to **investor lawsuits or divestment** if claims about climate action or ethical sourcing prove false, creating further potential for indirectly harming consumers (e.g. through share value impacts or reduced business stability).

Conversely, **credible claims and transparency empower consumers** and build loyalty. There is evidence that consumers reward honest sustainability efforts: for example, a UK survey found **over half of consumers will refuse to buy from companies that are not truthful about their green credentials, and nearly one in five have boycotted a brand over greenwashing concerns** (European Council, 2024). This reinforces the need for strong measures to **protect consumers from misleading claims**. In summary, the impact of greenwashing on consumers misguides purchasing choices, wastes consumer resources, diminishes confidence in sustainable products, and can ultimately **erode the trust that underpins efficient, fair markets**.

Protecting consumers from these harms is not only a matter of avoiding individual deception, but also of **safeguarding the broader consumer shift toward sustainability**. As a network of sustainable businesses, we advocate for restoring and maintaining trust: clear and honest communication is fundamental. When consumers can trust that "green" means *green*,

they can make choices that drive demand for truly sustainable innovation – a positive cycle that benefits both responsible companies and society.

(c) Domestic and International Examples of Regulating Claims

BCSDA Response

Around the world, regulators and standard setters have recognised greenwashing as an issue and are developing frameworks to **ensure companies' environmental claims are truthful and comparable**. Below are key examples from Australia and overseas, illustrating the regulatory landscape:

- Australia (ACCC and ASIC): Australia's existing laws notably the ACL under the Competition and Consumer Act 2010 prohibit businesses from making false or misleading claims, including environmental claims. The ACCC made greenwashing a priority enforcement area in 2023, conducting a nationwide review of green marketing and issuing new guidance. Following the 2022 internet sweep that found 57% of companies with suspect claims, the ACCC released detailed guidance in December 2023 outlining eight principles for trustworthy environmental claims (e.g. "make accurate and truthful claims", "have evidence to back up your claims", "avoid broad and unqualified claims") (ACCC, 2023b). The ACCC is signalling more aggressive enforcement, including use of powers like substantiation notices and infringement penalties for greenwashing (ACCC, 2023b). Already, several ACCC investigations are under way in sectors such as packaging, consumer goods and medical devices for alleged misleading green claims (ACCC, 2023a). In tandem, the Australian Securities and Investments Commission (ASIC) – which regulates financial services and corporate conduct – has pursued greenwashing in the investment sector. In a landmark case (Australia's first court action on greenwashing), the Federal Court in 2024 ordered Mercer Superannuation to pay AUD \$11.3 million in penalties after it admitted to misleading statements about the "sustainable" nature of certain investment options (ASIC, 2024). The case revealed that Mercer's supposedly climate-friendly funds still invested in coal, alcohol, and gambling companies, contradicting their marketed exclusions, and the court emphasised that such misrepresentations are serious breaches that undermine consumer confidence in ESG products (ASIC, 2024). ASIC has several other actions in progress (e.g. against Vanguard and Active Super) and has issued infringement notices totalling over \$250,000 to companies for greenwashing (including energy, superannuation, and finance firms) https://www.asic.gov.au/about-asic/newscentre/find-a-media-release/2024-releases/24-173mr-asic-s-first-greenwashing-case-results-in-landmark-11-3-millionpenalty-for-mercer/ (ASIC, 2024). These domestic examples show regulators using existing legal tools to crack down on greenwashing – backed by Australia's robust consumer protection laws that carry hefty penalties (recent amendments raise maximum ACL fines to the greater of \$50 million or 30% of turnover for breaches). Furthermore, Australian authorities are moving to improve disclosure standards: the government is working on mandatory climate-related financial disclosure requirements aligned with the International Sustainability Standards Board (ISSB) standards (which build on the Task Force on Climate-related Financial Disclosures, TCFD). This will require companies to report consistently on climate risks and sustainability metrics important to provide credible and high quality information on climate related risks, opportunities and performance.
- European Union: The EU is taking a leading role in legislating against greenwashing. In March 2023, the European Commission adopted a proposal for a Green Claims Directive to ensure that any voluntary environmental claim made by businesses is reliable, comparable, and verifiable across EU member states (European Council 2024). This proposal came after an EU market study found that 42% of "green" claims were exaggerated, false or deceptive, and 59% were vague or misleading, with 37% of claims having no supporting evidence at all (European Council 2024). In other words, well over half of green claims in the EU lacked credibility, prompting regulatory action. The new directive (expected to be in force by 2024–25, with enforcement by 2026) will require companies to substantiate claims with scientific evidence and possibly third-party verification or face penalties (European Council 2024). Notably, use of terms like "carbon neutral", "eco-friendly", or similar sweeping claims will be banned unless companies can prove them. Proposed penalties for non-compliance are steep – fines up to 4% of annual turnover, confiscation of profits from the offending products, and even exclusion from public procurement for repeat offenders (European Council 2024). The EU is also addressing specific sectors through other regulations, for example the Sustainable Finance Disclosure Regulation (SFDR) which compels financial institutions to disclose environmental, social, and governance information to prevent "greenwashed" investment products. Additionally, the EU's competition and consumer authorities have conducted coordinated "sweeps" of company websites (like the ACCC's) to identify misleading claims and found that over half of green product claims contained vague or unfounded information (European Commission, 2023). By mandating standardised methods to back up claims and increasing oversight of eco-labels (there are over 230 environmental labels in the EU, many with weak verification (European Commission, 2023)), Europe aims to create a level playing field where genuine sustainability efforts are transparent and rewarded.
- United Kingdom: The UK has used its consumer protection and advertising regulation frameworks to rein in greenwashing. The Competition and Markets Authority (CMA) issued a "Green Claims Code" in 2021 guidance for all businesses on how to avoid misleading environmental claims (built around principles like accuracy, clarity, and full information). The CMA then launched investigations in sectors such as fashion retail, given concerns that terms like "sustainable" were being applied loosely to clothing lines. In 2023, this led to a landmark outcome: the CMA secured formal commitments from major fashion retailers ASOS, Boohoo, and George at Asda to change their marketing

practices (CMA, 2024). These companies agreed to remove or clarify broad eco-terms, ensure any "sustainable" ranges meet clear criteria, and improve transparency (e.g. only call a product "recycled" if it has a high percentage of recycled material, and publicly explain the criteria for any eco-friendly product line) (CMA, 2024). The CMA's CEO hailed this as setting a new benchmark for industry, signalling that all brands should review their green claims in light of these standards https://www.gov.uk/government/news/green-claims-cma-secures-landmark-changes-from-asos-boohoo-and-asda (CMA, 2024). Separately, the UK's **Advertising Standards Authority (ASA)**, the independent regulator for advertising, has actively enforced against greenwashing in advertisements. This includes a high-profile cases in the financial services, aviation and automotive sectors. The UK's approach thus combines **self-regulatory codes and direct enforcement**: the ASA's rulings, though not legal judgments, carry weight and companies almost always comply by withdrawing or correcting advertisements to avoid reputational damage. Moreover, planned legislative changes in the UK will grant regulators like the CMA stronger powers to directly penalise companies for consumer law breaches (including greenwashing), rather than having to go through courts (Stephenson Harwood, 2024).

• United States: In the US, the primary framework is the Federal Trade Commission's "Green Guides." These guides (first issued in 1992 and updated periodically) set out how businesses should substantiate environmental claims to avoid deceiving consumers. The FTC Green Guides require that claims be specific, truthful, and backed by competent evidence; for example, if a product is advertised as "recyclable," a substantial majority of consumers in most communities should have access to facilities to recycle it, otherwise the claim should be qualified. While the Guides themselves are not law, the FTC uses its authority under Section 5 of the FTC Act (prohibiting deceptive practices) to enforce against egregious greenwashing. The FTC is currently reviewing and planning to update the Green Guides (a process ongoing in 2023–24) to address newer claims like "carbon neutral" and "sustainable" more explicitly, reflecting the evolving market. Beyond the FTC, state attorneys-general and courts have also seen lawsuits related to greenwashing (for instance, cases around plastic products labelled "compostable" or oil companies' climate claims). These domestic and international examples show a clear trend: regulators are converging on the expectation that environmental claims must be transparent, evidence-based, and not overstate the positive or understate the negative. Where soft guidance is not heeded, authorities are increasingly willing to pursue investigations, impose fines, or force corrective action – to protect consumers and ethical businesses alike (FTC, 2012)

Overall, we believe, regulatory efforts in Australia and abroad are creating an environment supported by **standards and enforcement** to counter greenwashing. In Australia, BCSD Australia strongly supports the ACCC and ASIC in using existing laws to their full extent, and we support the introduction of standardised sustainability disclosure requirements (aligned with global frameworks like ISSB's climate and nature disclosure standards). Internationally, we see value in Australia **learning from and coordinating with these examples** – for instance, adopting best practices from the EU's proposed directive (e.g. independent verification of certain claims), embracing the clarity of the UK's Green Claims Code in our own advertising standards, and heeding the guidance of the FTC Green Guides as they align with fundamental principles of honesty in marketing. As a business network, we also note that many forward-thinking companies favour this regulatory clarity which levels the playing field by ensuring **everyone is held to the same high standard**, and it protects brands that invest in genuine sustainability from being impacted by the questionable claims of others. We encourage the Committee to consider these domestic and international precedents when formulating recommendations, aiming for Australian regulation that is **globally aligned** (facilitating trade and investment), where possible, and effective in practice at **addressing greenwashing while encouraging truthful disclosure**.

(d) Advertising Standards in Relation to Environmental Claims

BCSDA Response

Advertising standards play a crucial role in curbing greenwashing, as they directly govern how companies communicate environmental claims in marketing and promotional materials. In Australia, industry self-regulation complements the law: the Australian Association of National Advertisers (AANA) sets codes of practice that all advertisers are expected to follow, and adjudication is handled by Ad Standards' Community Panel. Notably, the AANA Environmental Claims Code (originally introduced in 2010) was designed specifically to guide environmental marketing. It requires that any environmental claim in advertising be truthful, able to be substantiated, and presented in a manner that is not misleading or deceptive. However, given the rapid evolution of sustainability issues, this code has needed updating. In October 2024, AANA released a new Environmental Claims Code, aligned closely with the ACCC's Greenwashing Guidance and the ACL's prohibitions on misleading conduct. The new Code, effective from March 2025, reiterates that advertisers must use clear, accurate language and avoid unqualified claims. It mirrors the ACCC's definitions and any marketing that suggests a product or company has a neutral or positive environmental impact, or is less harmful than alternatives, must be factual and verifiable (Norton Rose Fulbright, 2024). This means, for example, that if an appliance is advertised as "energy efficient" or a shirt as "sustainable", such claims should be specific (e.g. "uses 30% less electricity than standard models", or "made with 70% organic cotton and produced in factories powered by renewables") and backed by evidence. The Code also cautions that all marketing materials, not just traditional advertisements, but also social media posts, packaging, in-store displays, and even corporate sustainability reports if used for public promotion, fall under its scope https://www.nortonrosefulbright.com/en-

<u>au/knowledge/publications/6f7c3bfd/aanas-new-environmental-claims-code--an-overview-and-practical-tips</u> (Norton Rose Fulbright, 2024).

Crucially, while the AANA Codes are voluntary, non-compliance can lead to significant reputational fallout. If Ad Standards upholds a complaint (for instance, finding that an advertisement's green claim is unsubstantiated or creates a false impression), the case report is published, and the advertiser is expected to withdraw or amend the advertisement. Companies almost always comply, because ignoring an adverse ruling would invite public criticism and potentially trigger ACCC intervention. This self-regulatory mechanism therefore works in practice as a first line of defence: **advertisements that are clearly non-compliant with guidance can be** addressed promptly through compliance action without a lengthy legal process. For example, if a car company ran an advertisement claiming a vehicle it produced had "zero emissions" (when in fact only the manufacturing emissions were offset, not the tailpipe emissions), a competitor or consumer could lodge a complaint to Ad Standards. The Community Panel would assess whether the claim, as presented, misleads; if yes, the advertisement would be banned until corrected. Such actions have occurred in the past via ASA in the UK. Similarly in Australia, complaints have led to removal of advertisements making unjustified "100% carbon neutral" claims for products where the neutrality was based solely on offsets.

Advertising standards internationally offer valuable benchmarks. The UK's Committee of Advertising Practice (CAP) Code contains explicit rules that environmental claims must consider a product's full life cycle and must be backed by a "high level of scientific evidence". The ASA has actively enforced this, acting against advertisements that do not sufficiently cover the product's full life cycle (for instance, advertisements for plastic products claiming "sustainable" without accounting for end-of-life pollution have been challenged). In the United States, as noted, the FTC's Green Guides serve a similar function by giving detailed examples of what counts as a non-compliant advertisement versus an acceptable one. For instance, under the Green Guides, it would be non-compliant to claim a product is "compostable" in general if it can only compost in commercial facilities and not in home compost bins, unless clearly stated. These advertising standards, while differing in form (self-regulation in Australia/UK, government-issued guidance in the US), converge on the principle that environmental claims in advertising must be honest and unambiguous.

From our perspective, **robust advertising standards are welcomed**. We encourage our member companies to **adhere to best practice codes**. BCSD Australia's membership criteria include commitments to responsible marketing (for example, ensuring any sustainability claims can be substantiated). Upholding these standards is not just about avoiding potential legal risk; it's about building consumer trust and brand integrity. Some leading companies have internal policies for marketing sustainability: for instance, **Nestlé** (a member of the World Business Council for Sustainable Development) has a global policy on environmental communications, requiring that any green claim in its advertisements be **accurate**, **substantiated**, **and compliant with local regulations**. Such corporate policies often go together with external codes. **Existing laws in Australia already make greenwashing illegal**. The ACL's sections on misleading or deceptive conduct apply to environmental claims just as to any false advertising. Recent court penalties (like the \$700k fines against an Australian company for false "flushable" wipe claims (ACCC, 2023a)) underscore that misleading green advertisements can and will be punished under consumer law. Thus, advertising standards should be seen as a proactive guide to ensure compliance and foster **truth in marketing**, rather than an extra burden. We believe that if businesses integrate these standards and *see them as part of their broader commitment to transparency, sustainability, and ethical conduct rather than a compliance exercise, it will not only reduce greenwashing incidents but also enhance public confidence in sustainable products.*

To strengthen advertising standards further, BCSD Australia supports a few practical measures. One is the **modernisation of the AANA Environmental Claims Code** (which is already under way) to keep it aligned with contemporary sustainability issues. For example, providing guidance on newer claims like "net zero" or use of carbon offsetting in advertisements, which were less prevalent a decade ago. The new Code's implementation in 2025 will be a test, and we recommend regular reviews as technology and language evolve. Another measure is ensuring **advertiser education**: free industry training on the Code (which AANA has committed to provide) and clear examples of compliant vs non-compliant green claims can help companies big and small get it right. Finally, it is worth noting the role of **consumer and competitor vigilance**: advertising standards enforcement is largely complaint-driven. Encouraging stakeholders to call out inaccurate or misleading green claims (through mechanisms like Ad Standards or even ACCC reporting) creates a deterrent for would-be greenwashers. The ACCC has noted an uptick in complaints by competing businesses about rivals' green claims (Norton Rose Fulbright, 2024), which suggests the market itself is starting to police greenwashing. Strong advertising standards which are effectively enforced are a cornerstone of preventing greenwashing. They have the potential to promote sustainability performance action and encourage others to do likewise.

To reduce friction, the AANA Code implementation should **reference interoperable definitions and qualifiers** (where consistent with Australian law) and encourage **use of standard claim templates** (e.g., "recyclable where facilities exist: ≥X% access" or "carbon neutral via [method]") with links to substantiation, particularly for SMEs.

BCSDA Response

Australia already has a solid legal foundation to address greenwashing through existing mechanisms (primarily through the ACL's prohibitions on misleading conduct). There is scope to **enhance and refine our legislative and regulatory toolkit** to better protect consumers.

Based on our analysis and global best practices, the following options are recommended for consideration:

- 1. Good-faith safe harbour for candid sustainability communications. We recommend a statutory or code-based safe harbour for companies that communicate sustainability information in good faith where claims are: (i) specific in scope and properly qualified, (ii) supported by a reasonable basis at the time (methods, data, assumptions), and (iii) promptly corrected if errors are identified. This would reduce greenhushing and encourage transparent progress reporting, while preserving regulator powers where conduct is reckless or deceptive.
- 2. Interoperability & mutual recognition. To minimise duplicative burden, Australia should align and mutually recognise equivalent international rules and verification pathways (e.g., ISSB-aligned reporting; recognition of credible EU/UK verification for product-level claims). Where Australian rules differ, provide clear mapping and accept equivalence where outcomes are substantially similar, especially for exporters and multinationals.
- 3. Proportionality and SME tiering. Adopt proportional thresholds and tiered obligations that scale with size and risk, supported by model claim templates and standard qualifiers for SMEs. Provide time-limited grace periods for new requirements, combined with practical guidance and helpline support to lift capability without compromising consumer protection.
- 4. Implementation support & capability building. Co-fund industry training, sector exemplar claims libraries, and open tools (e.g., simple substantiation checklists; LCA light templates) delivered via trusted intermediaries (industry associations, professional bodies). Implementation support improves compliance outcomes and reduces costs, particularly for SMEs.
- Strengthen Regulatory Oversight and Enforcement. Regulators need the resources and powers to actively detect, prevent, and penalise greenwashing. The government should consider enhancing the capabilities of the ACCC and ASIC to evaluate environmental claims and promptly address non-compliance. This could include providing additional funding for market surveillance (e.g. periodic "internet sweeps" of green claims in various sectors, as the ACCC has started doing) and greater use of investigative tools. The ACCC has foreshadowed using substantiation notices and its compulsory information-gathering powers (Section 155) to compel companies to prove their claims (ACCC, 2023b). We support use of these, however this should be balanced with seeking to avoid full litigation and action for minor cases where public warning notices may be a more immediate and appropriate deterrent. The ACCC could be mandated to report annually on the state of green claims in the market, keeping continuous pressure on companies. We also advocate critically reviewing industry self-certification schemes and labels: many companies create their own "green badges" or use industry-run certifications. ASIC and ACCC should jointly develop guidance or a certification of certifications, essentially vetting which eco-labels meet high integrity standards. Enhanced regulatory oversight has international precedent: for example, the UK's CMA has been proactively monitoring and contacting firms in sectors like fashion and food (CMA, 2024). The ACCC could adopt a similar approach, issuing sector-wide compliance advisories (as it did for the cosmetic and packaging industries in 2023). Australia's recent increase of ACL penalties (up to tens of millions of dollars) is a good step, but penalties only deter if enforcement is likely. Therefore, ensuring regulators have adequate staff and expertise (including scientific and lifecycle analysis expertise) is crucial. We note that the ACCC has been upskilling its team to assess green claims and even mentioned the rise of competitor complaints as an extra source of intelligence https://www.nortonrosefulbright.com/en-au/knowledge/publications/6f7c3bfd/aanas-new-environmental-claimscode--an-overview-and-practical-tips (Norton Rose Fullbright, 2024).
- Mandate Clear and Standardised Sustainability Disclosures. Requiring companies to publicly report their environmental impacts and claims in a standardised way, may be a strong preventive measure against greenwashing and leave less room for inconsistency. We recommend that Australia accelerate the implementation of mandatory disclosure frameworks sustainability information, in line with global standards. This aligns with the government's current moves to introduce TCFD-aligned climate risk disclosures for large companies and financial institutions. We suggest broadening this to cover key environmental metrics (carbon emissions, energy use, water use, waste, etc.) and even product-level disclosures where feasible (for example, a standard label or data set for consumer products indicating recyclability, carbon footprint, or other material environmental attributes). By institutionalising disclosures, companies will have to ensure green claims are backed up with data in their reports, which can be checked by regulators and stakeholders. This reduces the risk of misleading claims. Global best practice frameworks like the ISSB standards (Climate-related Disclosure \$1 and \$2) and the Taskforce on Naturerelated Financial Disclosures (TNFD) provide ready models. Additionally, sector-specific transparency measures could be legislated: for instance, requiring energy companies to disclose lifecycle emissions of their products, or requiring clothing retailers above a certain size to report the percentage of sustainable materials in their annual collections. A noteworthy international example is France's Grenelle II law, which s mandates large companies to include environmental and social information in annual reports. France is also moving to require carbon labels on

- certain advertisements (e.g. car advertisements must include messages about emissions or alternatives) approaches Australia could consider. By mandating reliable data disclosure, we equip consumers with **the means to verify claims**. Over time, as open data on corporate sustainability performance would serve to minimise the frequency of greenwashing.
- 7. Independent Verification of Green Claims. Another option is to embed third-party verification into the claims process. Simply put, for certain types of environmental claims, companies should have to obtain certification or audit by an independent accredited body before making the claim publicly. This could be encouraged through incentives or even required by law for high-impact claims. For example, if a company wants to advertise a product as "Carbon Neutral", legislation could require that this claim be certified under a government-recognized standard (such as Climate Active in Australia, or an ISO 14064 carbon neutrality certification) to ensure consistent methodology. Claims like "100% sustainably sourced" could likewise require certification from credible schemes (e.g. Forest Stewardship Council for timber, Roundtable on Sustainable Palm Oil for palm oil). The government could maintain a registry of approved environmental certification schemes, including internationally recognised equivalents, giving consumers confidence that when they see a certain ecolabel or verifier's logo, the methodologies behind the claims have been vetted.
- 8. Clarify and Tighten Definitions for Common Environmental Terms. A more targeted step could be to develop legal definitions or standards for frequently used environmental marketing terms. Terms like "recyclable", "biodegradable", "carbon neutral", "compostable", "organic" (in non-food context), and even "sustainable" could benefit from formal definition or guidelines in Australian law or regulations. For instance, the term "recyclable" could be legally defined (as some jurisdictions have done) to mean a product is collected and processed in practice by many local councils, not just technically recyclable. "Compostable" could be tied to an Australian standard (AS 4736 for industrial composability or AS 5810 for home composability) so that advertisers must specify which standard their claim meets. Clear definitions reduce the risk of companies using vague labels. This approach is reflected in the EU's draft rules, where certain generic claims like "environmentally friendly" will be banned unless detailed evidence is provided (European Council, 2024). In Australia, these definitions could be enshrined via standards (e.g. under Standards Australia codes) and referenced in regulation. It would effectively make some forms of greenwashing explicitly illegal. For example, calling a product "carbon neutral" based purely on unverified offsets would violate the law unless those offsets meet recognised quality criteria and the claim is certified. Definitional clarity also aids consumer understanding; it sets consistent expectations.

In implementing these options, proportionality and practicality will be important. Broadly, BCSDA's position is that new regulations should complement existing laws and global norms - not create duplicative burdens. We note that the ACL already provides a strong general prohibition against misleading claims, so some of these measures (like definitions or required substantiation) serve to operationalise that law for the specific context of green claims. They do not impose entirely new obligations but rather spell out how to comply in the sustainability arena. Also, any new rules should involve consultation with industry, consumer groups, and technical experts to ensure they are workable and truly target the deceptive conduct without discouraging companies from talking about sustainability altogether. In fact, one risk to manage is "greenhushing" where companies become so wary of being accused of greenwashing that they say nothing at all about their sustainability efforts. Clear guidelines and safe harbors can help avoid greenhushing by giving companies confidence about how to communicate honestly. Ultimately, the goal of these options is to protect consumers' right to accurate information and enable them to make informed choices, while fostering an environment in which businesses compete on genuine environmental performance. If done well, this will stimulate innovation (companies will invest in real sustainability improvements to win customers) and build a marketplace of trust. BCSD Australia is very happy to contribute to this process for example, by convening business input on workable standards, sharing international case studies, and helping educate companies on compliance. Through a combination of stronger oversight, mandated transparency, third-party verification, and precise rules, Australia can significantly reduce greenwashing and build consumer trust in the green claims that drive our shift to a sustainable economy.

(f) Other Related Matters

BCSDA Response

In considering greenwashing and how to combat it, a holistic approach is important. Beyond the specific regulatory and enforcement issues outlined above, there are **additional systemic factors and complementary measures** that warrant discussion:

• Education and Awareness: Empowering consumers (and indeed employees and investors) with the knowledge to identify and avoid greenwashing is a critical supplement to regulation. Many Australian consumers struggle to verify green claims and may not understand which are meaningful. Interestingly, research by the Consumer Policy Research Centre found 45% of Australians assume some authority is checking green claims before they are published (CPRC, 2022) which is not always true. This underscores a need for public education initiatives about greenwashing. Governments, consumer groups, and business networks could collaborate on campaigns to explain common greenwashing examples and what credible claims look like. For example, creating a public guide on "How to spot

greenwashing in an advertisement". Educated consumers are less likely to be misled, which in turn pressures companies to only publish accurate claims. Likewise, **business education** is key: many instances of greenwashing (especially by smaller companies) may stem from ignorance or over-enthusiasm rather than an intention to mislead. Outreach programs, perhaps led by industry associations or the ACCC, can help companies understand the boundaries of acceptable claims. We recommend co-funded implementation support (training, exemplar claims, and open tools) to translate rules into practice, with a focus on SME needs. BCSD Australia itself routinely advises members on best practices in sustainability reporting and marketing, reinforcing that doing the right thing ethically is also good business in the long run.

- Collaboration and Partnerships: Tackling greenwashing is not the job of regulators alone. It requires cooperation between businesses, government, NGOs, and academia to create a culture of transparency. We suggest fostering multistakeholder partnerships to develop sector-specific guidelines or certification programs. A strong example of collaboration is the Sustainable Apparel Coalition, an international alliance of brands, retailers, and NGOs that created the Higg Index to measure garment sustainability. By working together, they set common standards for what "sustainable fashion" means, reducing the risk of companies making inaccurate claims. Australia could encourage or fund similar coalitions in key industries (e.g. an alliance for sustainable packaging or a roundtable on green marketing in the food sector). These forums could share data and agree on terminology. Peer accountability within industries can also be powerful. For example, companies monitoring each other's claims through industry bodies can often achieve faster action than regulatory activity. Government can support this by endorsing industry codes that meet high standards, and by giving a platform for such partnerships to feed into policy (for instance, a standing advisory committee on green claims). BCSD Australia strongly believes in leading by example: our member companies commit to upholding principles that exceed legal minimums, and in turn we showcase their authentic sustainability stories. Celebrating companies that communicate transparently and achieve real impact, through awards, public procurement preferences, or consumer campaigns, can shift the narrative. Essentially, we need a race to the top, where being the most transparent and impactful is rewarded.
- Innovation and Technology: New technologies offer promising tools to increase transparency and combat greenwashing. For instance, blockchain and other traceability technology can track products through supply chains and allow consumers to verify claims of origin or materials. A blockchain ledger could confirm if a "recycled plastic" product indeed used recycled inputs and in what proportion, with data accessible via a QR code scan. Companies like Provenance (UK) have pioneered using blockchain to give products a digital "passport" of environmental and social attributes. Similarly, developments in remote sensing and satellite monitoring mean that claims like "zero deforestation" can be checked against land-use data. We encourage the government to support the uptake of such technologies, perhaps via grants or pilot programs, especially among supply chains of critical importance (e.g. beef, timber, palm oil or where deforestation claims are made). Another area of innovation is data science and AI. Regulators could employ AI to scan and flag unsubstantiated claims online (for example, an algorithm could crawl company websites for keywords like "100% natural" or "certified green" and alert human analysts to those that lack substantiation or third-party links). The ACCC's digital capacity in this regard could be expanded as part of its enforcement toolkit. From the business side, embracing technology can also streamline compliance: companies can use life-cycle assessment software to accurately calculate claims (like carbon footprint reductions) and share those calculations transparently with consumers. Digital product labels accessible via smartphone could provide the detailed backup data behind a simple claim on a package. Overall, leveraging technology will make the verification of claims more efficient and accessible, reducing the room for companies to make false claims undetected.
- Addressing "Greenhushing": As mentioned under legislative options, it's important that in cracking down on greenwashing we do not inadvertently discourage companies from communicating their legitimate sustainability initiatives. So-called greenhushing can be counter-productive it deprives consumers of information and slows the spread of best practices. To address this, regulators and business leaders should aim to create a climate where transparency is rewarded. The ACCC's guidance itself tries to strike this balance, noting it wants to reduce greenwashing and greenhushing by clarifying what accurate claims entail (ACCC, 2023b). One idea is for government to provide recognition or safe channels for companies to report progress in a factual way (for instance, a public registry of corporate climate targets and verified progress). Companies that are unsure about how to message their sustainability could be encouraged to use such official platforms or annual sustainability reports as the primary place for detailed claims and keep marketing slogans simple and link to those reports. The inquiry might consider recommending that any new rules come with clear guidance and perhaps grace periods so that companies can adjust rather than shut down communications. BCSD Australia's mission is aligned with this: helping businesses be transparent about both achievements and gaps. We find that CEOs leading on sustainability are often keen to tell the full story, not just highlight the achievements, because stakeholder trust is built on authenticity. A well-designed good-faith safe harbour will encourage transparent, candid disclosures while preserving enforcement against deceptive conduct.

Overall, addressing greenwashing comprehensively means **changing the system that allows it to occur**. By educating market participants, encouraging cooperation on standards, deploying technology for transparency, and creating an environment where transparent disclosure is valued, Australia can address the root causes of greenwashing and not just the symptoms. This systems approach resonates with the ethos of BCSDA: **we envision a market where credible, transparent, science-aligned business practices are the norm**, and greenwashing is eliminated.

The recommendations in sections (a)–(e) coupled with these broader initiatives will collectively move us toward that vision. The transition to a sustainable economy depends on trust – trust that when a company claims to be sustainable, it genuinely is. We can ensure that trust is not misplaced by implementing pragmatic improvements and fostering a culture of accountability and collaboration.

Further Recommendations

Embedding Evaluation and Systemic Learning in Regulatory Responses to Greenwashing

To effectively combat greenwashing and build lasting trust in sustainability claims, Australia's regulatory response must not only be robust and enforceable but also evaluable. Embedding evaluation into the regulatory cycle ensures that interventions are evidence-based, outcomes-focused, and continuously improved.

BCSDA supports a future-fit green claims framework that integrates the principles of the 2022 OECD Recommendation on Public Policy Evaluation and the Commonwealth's Regulatory Policy, Practice and Performance Framework. We recommend:

- Mandating ex-ante and ex-post evaluations of major environmental marketing regulations, to assess whether policy
 objectives such as increased consumer trust, reduced misleading claims, and improved sustainability performance are
 being achieved.
- Institutionalising responsibility for evaluation, by assigning oversight to a designated "Green Claims Evaluation Champion" or central coordination unit (e.g. within the ACCC, ASIC, or a cross-agency taskforce), like models used in the Netherlands and Portugal (e.g. PlanAPP). This body should be empowered to coordinate reviews, share good practices, and advise on evaluation standards.
- **Embedding evaluation clauses** in new legislation and codes of conduct governing environmental and sustainability claims. These clauses should specify when and how reviews will occur, and what performance indicators will be tracked (e.g. number of substantiated claims, enforcement actions taken, consumer confidence metrics).
- **Developing a public-facing evaluation agenda** for sustainability claims regulation, aligned with broader sustainability reporting reforms. This should include clear metrics, timelines, stakeholder engagement plans, and transparent reporting mechanisms.
- **Using a whole-of-system approach** that links policy evaluation to other accountability and performance mechanisms, including consumer research, compliance monitoring, and industry feedback loops.
- Engaging non-governmental actors and knowledge brokers—including universities, consumer groups, and professional evaluators—to co-design evaluation questions and synthesise learning. Evaluation must go beyond compliance to understand what works, for whom, and under what conditions.
- Assess SME impacts and administrative burden in ex-ante/ex-post evaluations, with adjustments to templates, thresholds and grace periods where evidence shows disproportionate cost.
- Track interoperability outcomes, including measures of duplicated verification avoided and acceptance of equivalent overseas evidence.

We further recommend that Australia draw on the OECD Evaluation Toolkit's rubrics and self-assessment tools to benchmark the maturity of its greenwashing response system and establish a roadmap for continuous regulatory learning and adaptation.

This approach will ensure that greenwashing responses are not only reactive and punitive, but also **proactive**, **evidence-based**, **and capable of evolving over time** to meet new consumer expectations, business practices, and sustainability standards.

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