AUSTRALIAN COMPETITION & CONSUMER COMMISSION

Greenwashing by businesses in Australia

Findings of the ACCC's internet sweep of environmental claims

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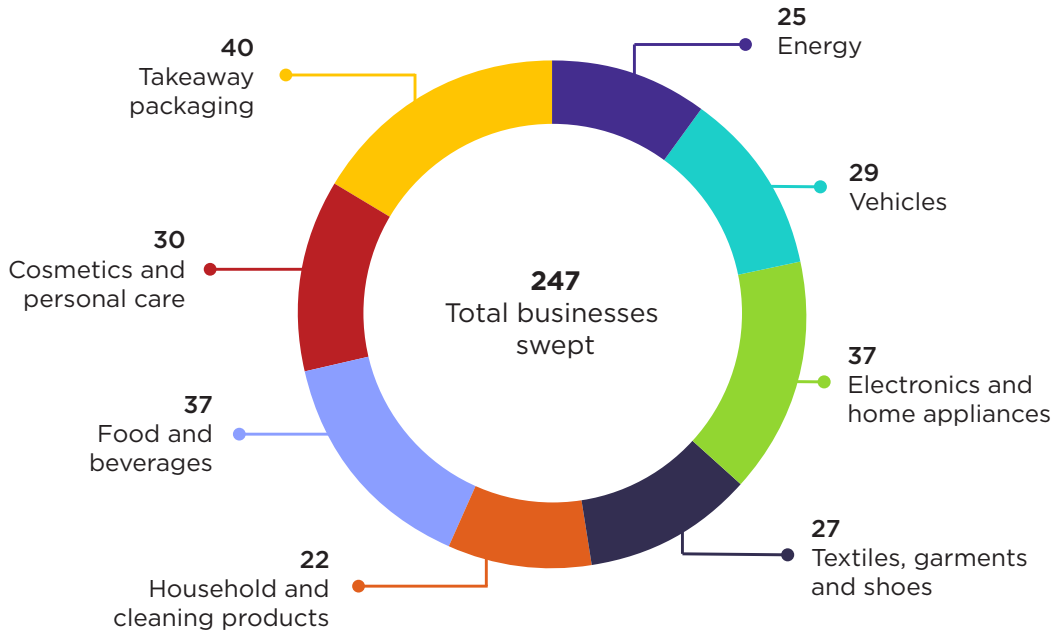
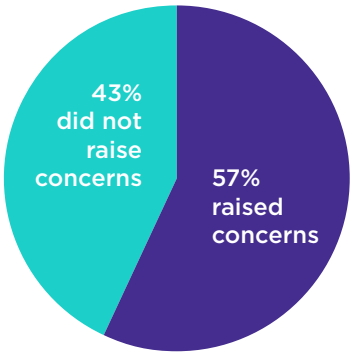
Snapshot of findings

BREAKDOWN OF BUSINESSES SWEPT



KEY TAKEAWAYS

Overall proportion of businesses identified as making concerning claims



SOME BUSINESSES ARE:

1. using vague or unclear environmental claims
2. not providing sufficient evidence for their claims
3. setting environmental goals without clear plans for how these will be achieved
4. using third-party certifications and symbols in a confusing way.

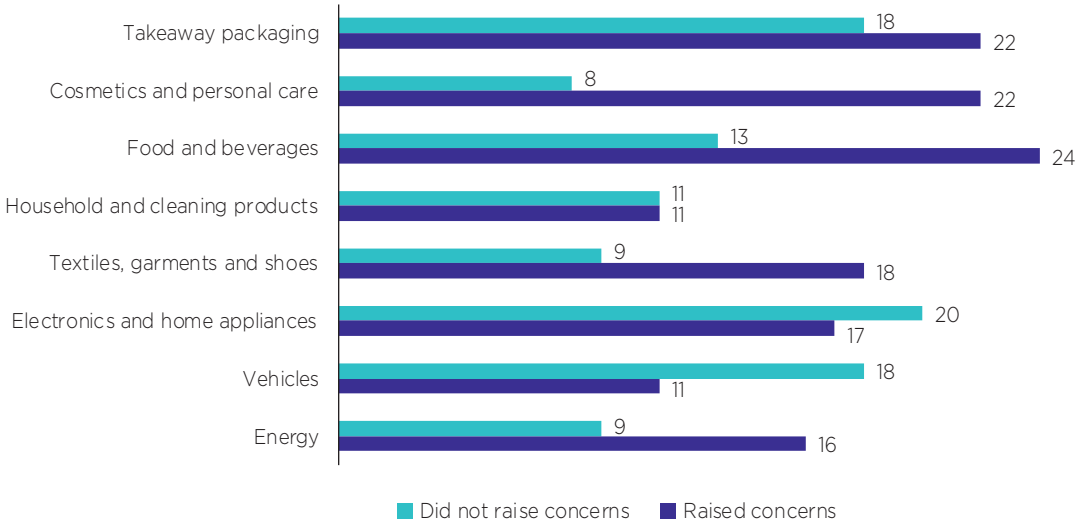
SECTORS WITH THE GREATEST PROPORTION OF CONCERNING ENVIRONMENTAL CLAIMS

Cosmetic and personal care

Textiles, garments and shoes

Food and beverages

NUMBER OF BUSINESSES MAKING CONCERNING CLAIMS BY SECTOR



Background

Sustainability is a topic of critical importance both in Australia and internationally. There is significant community support for the transition to a Net Zero economy, and to solve problems relating to climate change, emissions reduction, and product durability and recyclability. Consumers are also increasingly interested in purchasing sustainable or environmentally friendly products.

These sentiments are reflected in government commitments relating to emissions and waste reduction. The use of environmental and sustainability claims is also becoming more common in the marketing of consumer goods. However, there are concerns that a significant proportion of the claims made by businesses may be false, misleading, or have no reasonable basis. This is often known as 'greenwashing'.

Sustainability claims may be made in a variety of ways:

- **Product specific claims**: These may appear on packaging, websites, advertisements or social media posts by influencers.
- **Company-wide claims**: These will generally appear on websites or in corporate social responsibility statements and reporting documents.
- **Claims using logos and symbols (including certification trademarks)**: These can appear on product packaging, websites, or advertisements.

More consumers are now using sustainability claims to make purchasing decisions. However, consumers cannot readily verify the accuracy of a business' environmental credentials and must trust the claims or impressions made.

Environmental or sustainability claims will only help consumers make informed purchasing decisions if the claims are clear, are not misleading and do not omit relevant information. A misleading, meaningless, or unclear claim breaches consumer trust and hurts confidence in both the claim itself and sustainability claims in general.

Businesses genuinely pursuing more sustainable products and services often incur additional production or research costs. This fact combined with consumers' increasing interest in purchasing sustainable products means false or misleading sustainability claims unfairly disadvantage businesses making genuine claims. This undermines effective competition and can create a disincentive for businesses to invest in sustainability.

The sweep

To understand the nature and prevalence of environmental and sustainability claims made by businesses in Australia, the ACCC conducted an internet sweep ('the sweep'). The sweep took place between 4 October and 14 October 2022 and looked at 247 different businesses and/or brands across 8 sectors:

1. Energy
2. Motor vehicles
3. Electronics and home appliances
4. Textiles, garments and shoes
5. Household and cleaning products
6. Food and beverages
7. Cosmetics and personal care
8. Takeaway packaging.

The aim of the sweep was to identify industries or sectors which commonly use environmental and sustainability claims, and to assess whether these claims have the potential to mislead consumers. In looking at claims, the sweep focused on what the ordinary consumer would understand the claim to mean. The sweep also aimed to identify areas where further guidance for both businesses and consumers is needed.

The sweep was not intended to identify specific breaches of the *Australian Consumer Law* ('ACL'). The ACCC will undertake further work to determine whether individual environmental claims identified during the sweep may be a breach of the ACL.

Key issues identified in the sweep

1. Vague and unqualified claims

The most common issue identified in the sweep was the high proportion of vague and unqualified claims. Many businesses used vague terms like 'green', 'kind to the planet', 'eco-friendly', 'responsible' or 'sustainable' to describe their products. These claims have little value for consumers as they can have a variety of different meanings and rarely provide enough information to allow consumers to make an informed purchasing decision.

Many businesses also made unqualified claims. There was little explanation provided about what many businesses meant by the terms used, the aspect of the business or product the claim was referring to, and why it had the claimed benefit. For example, some businesses made claims that:

1. Their products are made using 'sustainable' materials. Without further qualifying information about which materials are being used, and why they are more sustainable, these claims can be confusing to consumers.
2. Their packaging 'contains post-consumer recycled plastic'. This type of claim will be confusing to consumers if there is no information about the proportion of post-consumer recycled plastic used.

Other unqualified claims included claims that a product or its packaging is biodegradable, compostable, or recyclable. Many consumers do not understand that these terms may have a technical meaning and are likely to assume that if they dispose of the product, it will achieve a specific outcome. Without further explanation of the steps needed to be taken by consumers to achieve the outcome, these claims may be misleading.

Claims relating to emissions reduction, offsets, or carbon neutrality were also common. It can be difficult for consumers to understand the differences between these terms. Many businesses also did not explain how their emissions reductions and offsets were calculated, the steps being taken to reduce their carbon footprint, or the types of offsetting projects being funded.

2. A lack of substantiating information

Many businesses made environmental and sustainability claims without providing any evidence to back up their claims. While some of the concerning claims identified in the sweep may be accurate, this was difficult to verify without evidence.

While some businesses did attempt to provide substantiating information, in many cases the evidence provided was not sufficient to validate the claims. Some businesses linked to information which consisted of further unqualified claims, didn't provide any additional detail, or was outdated. Some other businesses claimed to provide evidence, but the links provided were broken.

However, there were also businesses which did provide sufficient evidence to substantiate their claims. The most effective examples of this included information near the relevant claims, provided accessible click-through links, and presented the evidence in a way that was easy to understand.

3. Use of absolute claims

The sweep identified a range of businesses making absolute claims about their products or services. These included claims that products are:

- 100% plastic free
- 100% recyclable
- Made from 100% recycled content
- Non-polluting

- 100% carbon positive
- Zero emissions.

These types of absolute claims give a very strong impression to consumers. If the product does not live up to this impression, the claim may be misleading. For example, if a product states that it is 100% plastic free, but it does in fact contain small amounts of plastic, then this claim is likely to be false or misleading.

There were also concerns that many of the absolute claims identified during the sweep had the potential to be false. For this reason, businesses making absolute claims need to take particular care to ensure that these claims are clear and backed by robust evidence.

In addition, some businesses made strong claims about the sourcing or disposal of their products. This included claims that a product is 'kerbside recyclable' in cases where the product was not accepted by most kerbside recycling streams. Claims that products are made from 100% recycled materials were also common and will need to be examined further to determine if they are accurate.

4. Use of comparisons

Some businesses made claims which compared the benefits of their product to products sold by other businesses, or products made from other materials. Businesses also made comparisons between their own products to highlight improvements. However, there were many instances where these comparisons were not useful for consumers.

This included claims that:

1. The business uses fewer raw materials, or less water or plastic packaging to produce a product. It was not explained how much fewer resources are used, or what this was being compared to.
2. A product generates less waste when compared to conventional alternatives. There was no information available about how the figures provided were calculated.
3. Products made from certain materials have a lower environmental impact than products made from other materials. There was no source for this information, and it was unclear what environmental impacts were being considered.

These types of comparison claims have the potential to be misleading to consumers, as they may not allow consumers to accurately assess the merits of one product over another. They may also give an inflated impression of a particular product, even if there are only minor benefits.

5. Exaggerating benefits or omitting relevant information

Throughout the sweep, there were concerns that businesses may be exaggerating the sustainability benefits of their products or omitting negative attributes that might be relevant to a consumers' purchasing decision. Some examples of this included:

1. A business promoting its investments in renewable energy projects, but still sourcing most of its products from fossil-fuel based industries.
2. Stating that a product is recyclable or compostable when there is no system in place to collect it.
3. A business claiming that offsetting its carbon emissions has a 'positive' impact on the environment. However, the business has not taken steps to reduce its overall emissions.
4. Claiming a sustainability benefit based on broad scientific opinion, rather than the specific features of the product.
5. Statements about the environmental protection measures introduced by a business in cases where these actions were required by law. There were also explicit claims made about compliance with environmental regulations.

Many claims made by businesses also did not reflect the entire lifecycle of a product. For example, some businesses made claims about their products generating zero emissions. However, these claims only considered the emissions associated with the use of the product, and did not include emissions from the production, transport, or disposal of the product.

While this is the case, other businesses provided full supply chain traceability or clearly stated the emissions generated from different parts of their operations. Some businesses were also transparent about the negative aspects of their operations and the steps being taken to address them.

6. The use of aspirational claims, with little information on how these goals will be achieved

A key trend identified in the sweep is that many businesses made aspirational claims about their environmental and sustainability goals. These included goals relating to reducing the amount of packaging, using energy from renewable sources, reducing waste to landfill, or improving supply chain traceability. Many businesses also made claims about Net Zero targets.

Several businesses clearly set out their goals, had comprehensive plans in place for how these would be achieved, and actively monitored their progress. However, in many other cases it was unclear what practical changes were being implemented to achieve these goals. In other cases, goals were very general and not able to be measured. Several businesses also did not have a clear plan to reach their Net Zero targets.

While some businesses provided updates about their progress against their aspirational targets, this information was often outdated. There were also examples where it was unclear which goals were still in progress and which had already been achieved.

7. Use of third-party certifications

Many businesses reviewed throughout the sweep claimed affiliation with a variety of certification schemes. This included the use of certification trade marks (CTMs). While many businesses used certifications appropriately, the sweep also identified several instances where the use of CTMs could potentially mislead consumers.

Several businesses did not clearly describe the nature of the certification scheme, or how it applied to their product or business. In many cases, it was unclear whether the certification applied to the entire product range, only certain products, or to business operations. It was also unclear how or why the certification was relevant to individual products.

There were also some concerns that businesses were using their certifications in a misleading or confusing way. For example, broad statements that a business is ‘certified’ may give the impression that the entire business is certified when this may not be the case. Similarly, it may be misleading where the word certified is used in relation to an entire product, when only certain components are certified.

CTMs are also becoming increasingly common, and a variety of different certification schemes may exist for the same type of product. For example, the sweep identified references to at least:

1. 4 different cocoa certification schemes
2. 4 different seafood or aquaculture certification schemes
3. 7 different textile certification schemes
4. 7 different carbon neutral certification or offsetting schemes.

It can be difficult for consumers to understand what every CTM means or to assess how robust the scheme is. Some businesses have also created their own certification schemes for their own products. This raises concerns that CTMs may be becoming meaningless, and no longer help consumers to distinguish between different products.

8. Use of images which appear to be trustmarks

Several businesses identified in the sweep used logos or symbols on their websites and packaging that appeared to be trustmarks. These symbols commonly used nature-based imagery such as leaves and the planet, and the colour green.

On closer examination, it was found that these images did not appear to be associated with a certification scheme. The use of these types of images raises concerns, as consumers may be misled into believing that the business or product is certified by a third-party, when this is not the case.

What the ACCC will do

The sweep has identified several high-level concerns across the range of industries targeted. The ACCC will be conducting further analysis of these issues and will undertake enforcement, compliance, and education activities where appropriate.

This will include producing updated economy-wide guidance material, as well as targeted guidance for specific sectors. The ACCC will also engage directly with businesses and industry associations to improve compliance with the ACL.

Where concerns have been identified with specific businesses, a more targeted assessment of the conduct will be undertaken to determine the appropriate compliance or enforcement approach. Depending on the circumstances, this may lead to an administrative resolution, issuing an infringement notice, or legal proceedings.

The ACCC encourages consumers and businesses to contact the ACCC to report any potentially misleading environmental or sustainability claims. Consumers and businesses can make a report through the ACCC website or by contacting the ACCC Infocentre on 1300 302 502. Data from these reports helps inform what we investigate and what enforcement action we may take. It also helps to inform our compliance and education activities, industry engagement, advocacy, and research.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