Media Release

Governance Institute of Australia

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Media Release | As organisations face increasing pressure and enforcement from regulators over their stated environmental credentials, the Governance Institute of Australia has today released a new guide on greenwashing, setting out a roadmap to help businesses mitigate risk.

Greenwashing: a governance perspective has been developed in response to a number of recent, high-profile actions taken by the corporate regulator ASIC and the consumer watchdog, the ACCC over misleading statements and claims.

Governance Institute CEO Megan Motto said the guide will help companies and organisations across all sectors avoid key failures when it comes to greenwashing.

"Given the seriousness of the possible consequences of greenwashing, it is essential that governance professionals equip themselves and their boards to tackle the issue," Ms Motto said.

"Having robust governance structures in place means that organisations are less likely to fall foul of accusations of greenwashing, which can in turn cause widespread reputational and economic damage."

Globally, a European Commission review of corporate websites found that 42 per cent of environment-related claims were exaggerated, false or deceptive, while a 2022 review of Australian corporate websites by the ACCC found that 57 per cent of businesses made concerning claims about their environmental credentials.

The new guide, adapted from a Corporate Governance Institute UK publication for Australia, and developed with assistance from Governance Institute members and law firm Clyde & Co, examines the extent of greenwashing in Australia, the legal and regulatory environment, the risks and guiding principles of how to manage environmental disclosures and statements.

“We know from our recent Ethics Index that accountability, transparency and misleading and deceptive advertising are the top three concerns for Australians when it comes to unethical behaviour,” Ms Motto said.

“Greenwashing is often understood as a marketing or public relations issue. But it has also moved up the investor agenda, and companies are experiencing increased investor scrutiny and even shareholder activism around their environmental and climate-related claims.”

As Australia moves toward mandatory climate-related reporting standards, its likely transparency will be improved, thereby reducing greenwashing risks.

But Ms Motto said governance professionals will need to be aware of these complex developments and translate the impacts into specific guidance for their own boards.

“While greenwashing may be deliberate, it can also be done inadvertently, for example because of a lack of understanding on the part of management about the rigour required to produce high-quality disclosure.”

“The distinction between what constitutes genuine reporting of an organisation’s legitimate attempts to address environmental and climate-related issues and what constitutes greenwashing, is somewhat nuanced.”

Examples of greenwashing can include: selective disclosure, meaningless targets, virtue signalling, baseless claims, hidden trade-offs and the ‘green-halo’ effect.

“The focus for boards is increasingly on how their duty is discharged. Disclosure alone is no longer sufficient,” Ms Motto said.

For interview requests, please contact media@governanceinstitute.com.au or call 0477 949 604.