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22 June 2023

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

Via email: [ec.sen@aph.gov.au](mailto:ec.sen@aph.gov.au)

Dear Committee Secretary,

## **Property Council of Australia submission to the Inquiry into Greenwashing**

The Property Council of Australia welcomes the opportunity to provide feedback to the Senate Standing Committees on Environment and Communications on the issue of Greenwashing. We strongly support the intent of ensuring accuracy and strong evidence to underpin claims of sustainability credentials.

The comments made in the following submission are limited to the following directives included in the Terms of Reference:

- (a) the environmental and sustainability claims made by companies in industries; [...]
- (d) advertising standards in relation to environmental and sustainability claims; and
- (f) any other related matters.

### **About us**

The Property Council of Australia is the leading advocate for Australia's largest industry – property. Our industry represents 13% of Australia's GDP and employs 1.4 million Australians. Property Council member organisations are investors, owners and managers of real estate across all major asset classes including commercial offices, residential, industrial, hotels and more.

Australia's property industry leaders have a demonstrated commitment to sustainability. They have consistently led global ESG indices like the Dow Jones Sustainability Index and the Global Real

Estate Sustainability Benchmark, which they have topped since its inception twelve years ago. Most of our large members have ambitious net zero targets (for scope 1 & 2 emissions) by 2030 or earlier and are increasingly focusing on minimising their footprint on nature and delivering social impact.

### **General comments**

The Property Council commends the government on taking forceful action to reduce and eliminate instances of greenwashing. Our sector is committed to delivering genuine environmental outcomes through our activities and occurrences of greenwashing can provide unfair advantages to unscrupulous organisations.

The property sector, and the broader economy, are increasingly subject to pressure to deliver better sustainability outcomes across the spectrum of ESG. Corporates are now expected to use their influence, operations and procurement power to deliver positive change. As well as being internally driven by staff and executive, investors and customers now have heightened expectations for sustainability outcomes.

Our key issues in relation to this inquiry (outlined in further detail below) are the following:

- **The built environment is equipped with robust, trusted and independently verified rating tools** that can be used to support sustainability claims.
- **Large property companies support sustainability claims with detailed sustainability strategies** that outline their achievements, impacts and risks. This provides an additional layer of detail to underpin their claims.
- **There is yet some uncertainty and a diversity of approach in the use of terms** such as “green”, “sustainable”, “net zero” and “environmentally friendly”. While hard to define across sectors, industry would benefit from some government guidance on these terms.

### **Robust rating tools**

The property sector has not been sitting idle. Over the past two decades, the property sector, in partnership with the Australian and state and territory governments has delivered a comprehensive framework for measuring and reporting on good practice.

#### *NABERS*

The National Australian Built Environment Rating System (NABERS) is a national rating system that measures the environmental performance of Australian buildings and tenancies. Its rating tools measure the energy efficiency, water efficiency, waste management and indoor environment quality of a building or tenancy and its impact on the environment and provides simple, robust, and comparable sustainability measurement across several asset types that include offices, hotels and shopping centres. This is a national initiative managed by the NSW Government that operates the scheme on behalf of federal, state and territory governments. NABERS ratings are based on **actual performance**, are **trusted by industry** and government, and are **independently verified**.

The NABERS governance model has been uniquely successful at driving collaboration between governments and industry. The operation of NABERS is overseen by a National Steering Committee comprised of state and territory government representatives, the federal government and industry representatives. The Property Council is proud to occupy the position of Stakeholder Chair on the National Steering Committee and has been driving increased ambition.

For proponents that want to target a certain NABERS rating and market their premises as such, NABERS has strict terms and marketing rules that require a Commitment Agreement to be signed and fees paid along with an Independent Design Review Report approved before assets / projects are able to publish a target rating and prior to a rating being awarded on verified actual performance.

### *Green Star*

The NABERS rating tool is complemented, and integrated within, the Green Star rating tool, operated by the Green Building Council of Australia (GBCA). Green Star is an internationally recognised Australian sustainability rating and certification system. Green Star is a holistic rating tool for the independent certification of buildings and communities, covering a wider range of criteria than NABERS. There are four Green Star rating tools, these provide a means of certification for building design and construction, operation, fitouts and communities. These tools were developed by GBCA in close consultation with industry and government, and continue to evolve.

Green Star is a Certification Trademark registered by GBCA. Only projects that have been assessed and certified by GBCA can use the Green Star Trademark or claim to be Green Star projects. GBCA have strict rules and licensing arrangements for the use of the Green Star Trademark.

As stated in the Commonwealth's 'Sustainable Procurement Guide - A practical guide for Commonwealth entities', *projects that claim to meet the requirements of Green Star but are not certified are potentially in breach of trademark rules and may be accused of 'greenwash'*. This issue has been particularly evident in the public sector in the past where there has been less take up of the Green Star rating certification as public entities have not recognised the value of independent certification process or trademark to prevent greenwash.

### *Climate Active*

Climate Active is an ongoing partnership between the Australian Government and Australian businesses to drive voluntary climate action. Climate Active certification can be obtained for organisations, buildings and precincts. It provides a government-backed certification for businesses to demonstrate their carbon neutrality by measuring, reducing, and offsetting carbon emissions. In May 2023, there were new restrictions Climate Active placed on using their trademark to better manage greenwashing risk.

The Property Council helped inform the establishment of Climate Active's buildings and precincts certifications, first introduced in 2016. We continue to advocate the scheme should adopt best practice carbon accounting practice and should limit the role of offsets to a "last, but not later" approach where offsets are used only after energy efficiency and renewable energy opportunities have been maximised, to deal with hard-to-abate residual emissions. The Property Council and GBCA will shortly be releasing some thought-leadership on the role and environmental integrity of offsets in the built environment. We suggest they will have a diminishing role over time as the built environment electrifies, but that significant due diligence must be applied to them when they are used.

These rating tools and certifications equip the property sector well to report on **tangible environmental achievements** delivered by the built environment.

## **A common language for achievements**

Terminology that is employed in advertising material to consumers or reporting frameworks can sometimes contain some uncertainty. There is currently a broad range of definitions that can apply to generic wording on claims of environmental credentials made by organisations. The widespread use of generic terms can lead to greenwashing using unspecific or not well defined use of some terms. This is particularly evident stating something is 'sustainable'. 'environmentally friendly' or 'green' without proper context or substantive evidence.

In the property sector, we seek to support environmental claims with contextual information that brings additional clarification on the terminology employed. For example, "Net zero" commitments generally apply to Scope 1 and 2 emissions with the potential for some Scope 3 emissions being included. The boundaries of the emissions can be drawn in various ways depending on the reporting organisation's approach. There is however a growing expectation that all, or a portion, of Scope 3 emissions would be accounted for in net zero claims. Much of this sophistication is available in the detail of sustainability strategies but not immediately visible to targets of advertising material.

The industry would benefit from a consensus around principles applied by all stakeholders, with an accepted definition of key terminology and how they would apply across industries.

## **Robust Sustainability Strategies and Disclosures**

Sustainability strategies across sectors should be **detailed, transparent** and **widely available** to stakeholders interested in interrogating commitments.

The Australian Government should support climate-related financial disclosure initiatives such as the International Sustainability Standards Board's reporting standards. There is an emerging consensus in industry that these standards will form the basis for reporting across all sectors and jurisdictions in a comparable way. They will further allow the financial sector and the public to access information that is clear, consistent and comparable across jurisdictions. In addition, clarity on definitions of these standards will allow businesses to properly invest the capital required in achieving these labels, whilst currently, a lack of clear requirements supports green washing.

The Property Council would welcome further engagement on this important issue. Please reach out to Tim Wheeler, National Policy Manager – Sustainability and Regulatory Affairs at [TWheeler@propertycouncil.com.au](mailto:TWheeler@propertycouncil.com.au) should you wish to discuss this submission in further detail.

Kind regards,



**Mike Zorbas**

Chief Executive

Property Council of Australia