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Australian firms quiet on climate as US rounds on ESG, but local regulation sharpening and media-marketing in supply chain spotlight; experts see financial opportunities for those taking lead

By Kalila Welch - Senior Journalist

US firms are jettisoning sustainability and ESG commitments as Washington lawmakers wage war on woke. But there's key reasons for Australian business leaders to stay the course when it comes to sustainability – and even hit the accelerator. Regulators locally and abroad are pursuing climate commitments as table stakes for trade and experts say it won't be long until even mid-size players find themselves under the scope of both watchdogs and their corporate customers. But procurement-led media pitches suggest something of a disconnect – with Net Zero significantly down-weighted over the last year. Climate consultant Lee Stewart, however, thinks the current doldrums are a result of firms staying quiet – while quietly getting on with climate mandates. He and agency boss turned advisor James Greet see immediate and longer-term financial gains for marketers that take a lead in steering those programs – even if they no longer shout about them externally.

What you need to know:

- Citi, JPMorgan, Alphabet, Microsoft, and Unilever have abandoned or substantially revised sustainability commitments – even before anti-'woke' US president Donald Trump took office.
- The relative absence of sustainability from Australia's national conversation in the lead up to a federal election has some concerned the local market will follow suit. Virtual professor Mark Ritson has suggested that a "marked change in environmentalism" may be widespread – and lasting.
- Trinity P3's latest State of the Pitch research recorded double digit decline in Net Zero requirements cited in RFPs in the second half of 2024, versus the year prior.
- But sustainability consultant Lee Stewart argues Australia has solid regulatory foundations, and with decades of global momentum for climate action, one country's "change in tack" won't derail progress, he suggests. But he laments a lack of "vision" and "leadership".
- The corporate quiet on climate, per Stewart and others, is largely a symptom of green washing fears, with companies' reluctant to push their sustainability efforts characterising a period of "greenhushing", going quiet for fear of being penalised by regulators.
- "I think there's a there is a difference between what businesses communicate and how they act," one consultant told Mi3.
- It comes as Australian regulators crackdown on greenwashing practices, alongside the phased rollout of mandatory emissions reporting – set to impact the majority of medium and large Australian businesses by July 2027.
- But the rollout of mandatory emissions reporting – set to impact the majority of medium and large Australian businesses by July 2027 – should rule out complacency for most firms, with those who aren't yet directly affected likely to be scrutinised by clients who are, as part of Scope 3 (supply chain) emissions disclosures.
- Stewart thinks that will concentrate corporate minds, because it will put contracts at risk. "If you

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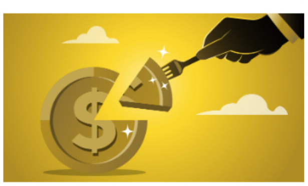

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don't even have the basics ready, you might not even get a ticket to the dance," he suggests
- Looking abroad, the EU is sending strong signals of what may be to come, expanding ecodesign requirements and implementing a "right to repair" for consumer goods. As one consultant tells Mi3, getting the wheels in motion now could help local businesses in the long term.
- Agency boss turned advisor James Greet and fashion designer and sustainability advocate Kit Willow urge businesses to consider the how climate change might impact supply chains and drive-up costs.
- But it's not just down to risk factors, or even altruism – there's commercial gains to be had from sustainability too. Lower energy costs are just the start, per Stewart.
- Greet reckons it's an opportunity for marketers to prove their chops in the boardroom. He says those who understand "how the climate emergency is basically going to change the market and the environment in which you operate" are best placed to "have an impact and a conversation about the evolution of [their] business".

Consumers have so far failed to deliver the sustainability drive that was once promised, with the cost-of-living crisis leaving fast commerce powerhouses to charge ahead, and millions of Australians piling billions of dollars into platforms for cheap clothes and goods that will largely end up as landfill.

Does consumer apathy and a choppy geopolitical environment leave corporate climate action dead in the water? With the US staging a full blown 180 on ESG, the conversation has gone eerily quiet locally.

But sometimes it's better to quietly get on with it.

Don't say ESG

'Woke' apex predator President Trump has recruited – arguably forced – much of corporate America to ditch sustainability and diversity commitments. But the rollback was already in motion well before the new US President took office as some US states enacted laws that effectively ban the consideration of ESG within financial and investment decision-making.

Further signals came when major US banks Citi, JPMorgan Chase, Wells Fargo and Bank of America last year made headlines after pulling out of the voluntary Equator Principles framework, which had set minimum industry standards for financial institutions to address environmental and social risk for two decades. All four have since ended their membership in the Net-Zero Banking Alliance as well.

In July Google parent Alphabet ended its carbon offset scheme after 17 years, citing the rapid expansion of AI data centres, which drove the company's greenhouse emissions up 13 per cent in 2023 alone.

Microsoft, Unilever, Walmart, Kraft Heinz, Coca Cola, and Shell are among those to have since publicly downgraded on abandoned sustainability commitments, and recent analysis from Bloomberg Green found mentions of sustainability related terms in S&P company earnings calls were down 76 per cent in the first quarter of 2025 versus three years earlier. 'Green chatter' had tracked steadily downwards since its 2022 peak, with mentions now hitting their lowest since the onset of the pandemic in Q2 2020.

Meanwhile, perhaps the biggest signal was BlackRock, the world's biggest asset manager with $11tn under management – and previously a vocal champion of ESG – in January bailing out of the Net Zero Asset Managers (NZAM) initiative, a $57tn investment alliance set up to drive decarbonisation.

Local fallout

With climate notably absent from the national dialogue ahead of Australia's federal election there's some firm pointers anti-ESG sentiment may be spreading.

But sustainability advocates like ESG strategy consultant Lee Stewart believe there's still a strong undercurrent for change, locally and globally. "The horse has definitely bolted," he says. "The direction is not going to change because one country changes its tack".

Australia has a strong foundation of regulation, per Stewart, with large polluters required to report scope one and two emissions for more than 15 years under the National Greenhouse and Energy Reporting Scheme.

But Stewart thinks the "vision and aspiration" among Australian business leaders to grasp the hard financial upsides of sustainable business models is lacking.

"There's a void of leadership of any company that wants to say, 'we're going to really make our mark with this, and we're going all in'… not just [to be altruistic] but be really profitable from this.

"That opportunity still exists in the Australian marketplace, across pretty much all categories."

ESG out of the pitch

A few years ago, publishers and platforms were fearful of a carbon tech tax being applied to media buying – essentially being pushed down the pecking order or off the plan if they couldn't show demonstrable efforts to reduce emissions and bolster environmental, social and corporate governance credentials.

GroupM was warning that publishers may have as little as 12 months before money started to move on that basis and IPG's Magna was saying pretty much the same thing.

It followed warnings by blue-chip brands like Telstra that media would be treated the same as any other supplier in its bid to massively reduce emissions across its supply chain, with the likes of Commbank, IAG, Suncorp, Telstra, Westpac and Woolworths likewise committing to decarbonise their operations.

But for the broader market, that urgency now appears diminished.

Trinity P3's latest State of the Pitch report found fewer pitch processes over the last 12 months assessed participating agencies' ESG policies and compliance than the year before, with Net Zero requirements cited in 47 per cent of tenders, down from 58 per cent.

CEO Darren Woolley says it's likely down to two factors: financial pressures overshadowing ESG risk in a challenging economic climate plus corporates reading the US runes.

There's no longer an "overriding drive or demand globally" for ESG, per Woolley, meaning "people are walking away from it very quickly".

Trinity P3's research, which captured 70 pitches held in the second half of 2024, found the deprioritisation of ESG in the pitching process was largely procurement-driven. Only 16 per cent of procurement-led pitches acknowledged Net Zero commitments – half as many as the prior year. DEI, data privacy, gender equality and modern slavery requirements also took a back seat on the procurement side.

Woolley thinks it's evidence that procurement's interest in ESG was little more than a tick box exercise – which under heightened risk and financial imperatives is rapidly evaporating.

"[ESG initiatives] often land as a cost to business rather than opportunity, and so it's the first thing that gets dropped when things get tough," he says.

Which some argue is no different to consumer behaviour. Nobody wants to kill the planet, but… money, or lack of it, talks.

However, the procurement walk back has been partially offset by marketers, who led half of the pitches covered in Trinity P3's latest report. While they came out as the weaker proponents of ESG in the inaugural study, the firm's new research suggests marketers are firming their stance – the ratio of marketer-led pitches that incorporated ESG quadrupled to 19 per cent.

Greenwash to greenhush

A sustainability consultant from a major holding company told Mi3 that there has been a distinct decline in corporates willing to communicate on social and environmental issues.

Speaking to Mi3 on background, they said many companies had grown cautious of tying their brand to sustainability for fear of being called out by consumers – and regulators that have aggressively cracked down on claims that cannot be proven.

Two years ago, AANA CEO Josh Faulks admitted marketers were "terrified to put their heads above the parapet" on sustainability following the ACCC's move to put greenwash at the top if its agenda – with corporate regulator ASIC likewise taking a tougher stance and taking firms to court.

But the consultant thinks firms are still committed to sustainability – they are just far more careful about how they frame those commitment.

"I think there's a there is a difference between what businesses communicate and how they act," they told Mi3.

Lee Stewart, who last year authored business sustainability guide 'How to Build Sustainability into Your Business Strategy', agrees. He says the evolution of local regulations has created uncertainty that's shaped the current phase of "green hushing" – but he's confident it will be short-lived.

"I can understand why some of the boards I'm talking to are saying: 'we're carrying on with this, but we're actually not going to shout it from the rooftops', which is a good, conservative approach. But if you do that for too long, you're missing out on the advantage [of being early movers]."

The bigger picture

Political and economic factors aside, the sustainability rollback is at least partially symptomatic of a shift in consumer priorities, as Mi3 explored last month. Young people have done a particularly poor job of backing their values with action when it comes to shopping more sustainably – powering the likes of Shein and Temu to circa $3bn in Australian sales last year.

But they weren't the only demographic flocking to near-future landfill goods in a cost-of-living crisis and market fundamentals dictate there is no supply without demand.

Nevertheless, experts are urging businesses not to take the short-term view – because regulation will soon mean doing the right thing by climate won't long be a 'nice to have'.

Former media agency boss James Greet has spent the last two years advising marketing, media and agency leaders on transitioning the media supply chain to net zero.

Marketers, he says, should be key power brokers in the sustainability conversation. Problem is, majority of them don't have the big picture view on how climate change is going to impact the environment in which they operate.

"Marketers sit between being the voice of the customer and driving business growth amongst that customer base... but they also have the board, and in most cases the C- suite above them. I think what we have in Australia at this moment is a disconnect, because mainstream Australia isn't directly calling out for change," Greet acknowledges.

Meantime, just about everybody – CMO, agencies, media – is being asked to do more with less amid sustained pressure.

But Greet says there is a growing risk of kicking bigger problems down the line by focusing on the short-term.

"Obviously, [Climate change] gets passed on in costs through businesses and the cost of goods. Then you've obviously got product shortages as a consequence of supply chain disruption, food [prices] going up, and so that automatically is not just a problem for consumers... the cost of living is impacted by climate change, which is affecting marketers because that's a smaller wallet."

Australia fashion designer and sustainability advocate, Kit Willow subscribes to that view.

Using the example of the fashion industry, she argues the environmental cost of using "cheaper" materials will inevitably cost businesses – and the planet – far more in the long run.

"It might be a lot cheaper to use genetically modified cotton seed and spray it with insecticides and pesticides, but then the expense is biodiversity loss. It's health of drinking water, its water contamination. Twenty per cent of the world's water contamination comes from cotton production, insecticides and pesticides. It's land that's contaminated – so farmers then can't revert it back to organic. It takes 10 years for the soil to recover. The health of workers is affected as well," she says.

"It's the same with polyester – cheap synthetic fibres but they have huge impact on carbon dioxide emissions... Then when you wash it, micro plastics are going into the ocean, causing problems in marine life."

Which is becoming a major problem in parts of the world where synthetic clothing is dumped.

Supply chain stakes rising

Political and market winds can be fickle. But Australia does have solid policies that may yet force companies to take concrete steps – at least on climate.

Lee Stewart suggests requirements for organisations to report Scope 3 emissions across their supply chain end-to-end could spell danger for businesses that don't have their own climate targets and policies in check – even if they're not directly impacted by regulations themselves.

The federal government last September passed legislation ushering in mandatory climate-related financial reporting.

It means Australia's largest businesses, listed and unlisted, were bound by more stringent reporting requirements from 1 January 2025, with reporting periods coming in 2026 and 2027 for smaller firms that meet key thresholds.

Unless the next government unpicks that legislation, that means whatever the US does or wants has no bearing locally – hence Stewart's assertion that taking climate seriously, and being able to prove it through hard measurement and reporting across the organisation (including media and advertising, which for marketing departments is often the single largest supply chain carbon emitter – with generative AI threatening an order of magnitude more Co2) will become table stakes.

"Companies now are making those decisions now longer term on their suppliers, about who to keep, who to invest in, and who potentially to dump because they're never going to get there, because they've got this mandated climate target to hit," per Stewart. "And if you're not willing to work with them, or if you don't even have the basics ready, you might not even get a ticket to the dance, so to speak, in the future supply contracts."

Stewart says business leaders need to be across the actions their customers are taking, and the commitments they might have made about their supply chain, because "it's only a matter of time before that flows downhill to you".

"It could happen to your next tender response, which has happened quite quickly to some of my customers, where they just simply can't answer it – and some of these tender weightings are upwards of 20 per cent on sustainability.

"Basically, if you don't have a policy or a procedure or a carbon baseline – or even a very draft strategy in place – you're on the back foot."

Regulatory environment

Mandatory emissions reporting has been rolling out since 2024 via a phased approach and will impact the majority of medium and large Australian businesses by July 2027.

Entities meeting two of three criteria – consolidated revenues of $500m or more, consolidated gross assets of $1 billion or more, and 500 or more employees – were the first to come under the scheme and are now required to disclose their Scope 1, Scope 2 and Scope 3 emissions.

Those thresholds will be halved for the second tranche in July 2026, with the third and final group to include all entities – besides charities – that tick off two of the following: $50 million or more in consolidated revenue, $25 million or more in consolidated assets and 100 or more employees – which brings in a substantial chunk of larger SMEs.

On the enforcement side, the ACCC has been active on greenwashing under Australian Consumer Law, which prohibits businesses from engaging in 'misleading conduct' or more serious 'misleading representations'.

While the law has been in place since 2011, the consumer watchdog has provided clear guidance in recent years as to how the law relates to environmental claims and 'green marketing'. And it's taken several major brands to Federal Court to prove the point – **Clorox** is the latest to feel the heat.

The Australian Securities and Investments Commission (ASIC) last month won its third greenwashing case in the country's highest court, which saw **Active Super whacked with a $10.5 million fine**. **Vanguard Investments Australia** and **Mercer Superannuation** last year became the first to be penalised for dodgy environmental claims in accord with existing laws under the Corporations Act 2001 and Australian Securities and Investments Commission Act 2001, capping off 47 regulatory interventions already made by the corporate regulator in the 15 months to 30 June 2024.

Less bitey for marketers to consider is the AANA's **Environmental Claims Code** for marketers to consider – though of course, it's not legally enforceable.

Abroad, regulation has been coming down even harder and faster. The EU is driving the change, having last year expanded its ecodesign rules, requiring environmental considerations to be integrated into product development in almost every category. Per the legislation, Digital Product Passports will be assigned to goods to provide consumers with details of each product's environmental impact. The rule was accompanied by a new 'right to repair' directive, which will require manufacturers to make it easier for consumers to repair rather than replace goods.

Meanwhile, the French have banned fast fashion advertising and are looking to go even further. The nation's lower house last year passed a bill that would see a levy applied to fast fashion items, starting at €5 (A$9) gradually increasing to €10 (A$18) by 2030.

According to experts, they are signals worth paying attention to if business leaders want to be prepared for what might come down the line – or for any of the multinationals that want to do business in Europe.

The business case for change

Locally and internationally, Lee Stewart says the strongest incentive for businesses to put sustainability on the agenda is commercial opportunity, in turn sharpened by the turning of the regulatory screw pretty much everywhere bar the US.

"It's not the altruism aspect – it's linking it to the business strategy, and once again, to come back to where the money comes into the business. What are your key customers' pain points, drivers, risk and opportunities around, for instance, climate change or modern slavery?"

He points to instances where he has created private partnerships with companies and research institutions to look at joint funding opportunities for technology innovation and carbon reduction. "All these things make your client stickier to you and you become their trusted partner."

On the consumer side, he says businesses can track customer sentiment to identify opportunities for new sustainable product lines and offerings. There's plenty of case studies as to how that's been done meaningfully overseas, like French grocery giant Carrefour's work to support sustainable agricultural practices as part of its 'Act for Food' project, which took out the Grand Prix for Creative Business Transformation at the 2021 Cannes Lions.

The initiative, first commenced in 2018, saw the supermarket finance the transition of 2,000 farmers to organic farming, remove 'questionable substances' from home label products, and build a market-leading own brand vegan label, among other actions. Carrefour has kept up the momentum, reporting on achievements like the reduction of in-store food waste by 50 per cent one year ahead of its 2025 target, and last year achieving a 48 per cent reduction in scope one and two emissions, as well as driving €621m in sales of plant-based alternatives – up from approximately €300m in 2022 – underlining the hard commercial case.

But for smaller firms, Stewart says the easiest win is the cost-savings that come with greater energy efficiency for little capital outlay.

"It's pretty much the standard thing I go to with any company – I can definitely find the money left on the table."

Sustainability in the boardroom

James Greet argues there's a major opportunity for marketers to make their mark at the top levels of business.

"There's absolutely no doubt that sustainability is well out of the department and into the boardroom. It has to be, because the role of the board is to take a longer-term view," he says. "I get that marketers are in a tough economic crisis and looking at today's numbers... it's probably more short-term focus than ideally it would be. But climate has an impact on business."

While ESG policy is often outside the scope of marketing, decision-making inevitably trickles down to the department – whether its changes to supply chain and materials and how that might impact product prices or positioning, or how the business chooses to communicate (or not communicate) those changes.

Hence, the best marketers, Greet reckons, can prove their chops by putting a stake in the ground on the sustainability issue – and, per Professor Scott Galloway, future-proof their own careers (**the only CMOs left standing, he reckons, are those knee deep in the "boring shit" of supply chain, product and analytics**.)

Marketers who understand "how the climate emergency is basically going to change the market and the environment in which you operate", per Greet, are "in a position to have an informed conversation with the board" about how regulatory and supply chain issues will impact the business' ability to turn a profit.

The environmental footprint of marketing via scope 3 emissions associated with production and media is an obvious place to start, particularly where there's cost-efficiencies to be had, and now they are being counted under mandatory carbon reporting, emissions efficiencies.

"If marketers are just positioning themselves as the people to do the short-term stuff, then they're never going to have a material impact on the future of their business," says Greet. "So, if you want to have an impact and conversation about the evolution of your business, then you actually need to understand what those macros are."

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