The Impact of Canada's New Greenwashing Regulations

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New provisions in Bill C-59, an amendment to the Competition Act, aim to enhance transparency and accountability in environmental marketing claims. Companies are now required to substantiate their sustainability claims with reliable data and third-party verification to avoid fines that can reach up to 3% of annual global revenues, capped at $15 million, for each offense.

Canada's New Greenwashing Regulations Poised to Impact ESG Practices and Communications

There are pros and cons to Canada's recently passed amendments to the Competition Act but there is no doubt it will have an impact on ESG related communications and how companies position themselves and their products in the market. The amendments require companies, industry associations and company spokespeople (they can be held personally accountable) to ensure that communication of their ESG commitments (most notably around plans to reduce carbon output) are fact based and vetted for accuracy by an independent source.

As expected, views of the amendments vary. Pundits on one side of the debate call it a long overdue alignment with other jurisdictions (such as the UK, the US and China) that ensure publicly made claims can be trusted. Those on the other side have called it a poorly defined initiative that will curtail both ESG communications (reducing the information people have available to make decisions) and ESG investment and innovation; and in turn curtailing progress on carbon reduction and other environmental commitments.

Canada Follows Europe, China, & USA With Anti-Greenwashing Provisions, Oil & Gas Industry Freaks Out

Ottawa's ban on 'greenwashing' has already put a chill on climate disclosure targets

From a citizen and consumer perspective, the anti-greenwashing amendments and how companies and stakeholders respond, will likely raise awareness and interest in every company's ESG commitments and performance.

The number of Canadians searching for a company's or a product's credentials has been growing, with four in ten now doing so. In addition, we know that many Canadians are sceptical of ESG communications. Almost seven in ten are pre-disposed to believe that companies are making ESG commitments solely for the purpose of increasing sales. At the same time, they expect more from companies operating in Canada, with close to six in ten saying that companies are **not** doing enough in terms of supporting sustainability and ethical best practices.

What companies need to know about greenwashing.

In today's landscape, aligning a company's ESG communications and commitments is crucial, as it influences both consumer behaviour, driving sales growth, and citizen-trust, which is essential for attracting investment and top talent. However, effectively communicating and achieving ESG objectives is complicated by the fact that Canadians' attitudes towards ESG are not all the same. Ipsos' ESG Segmentation, based on behaviours and attitudes, shows that Canadians are divided into five distinct segments. The segments range from those who are disengaged and tuning out the ESG conversation to those who are already committed and acting to ensure they personally have a positive social and environmental impact. In between are three groups whose motivations and behaviours vary greatly. To navigate this complex landscape, companies must focus on the segments most relevant to their goals, as mass communications efforts are likely to fall on deaf ears.

It is essential to recognize that how we create products, what we say about them, and our broader ESG commitments rarely sit within the same corporate silo; yet they are intertwined and assessed in lockstep by the consumer. This raises critical questions: Does what you say about your company and brand align with your ESG commitments? If a consumer chooses your product over another, will they be making a decision that is in line with their values?

Finally, and for some counterintuitively, most companies are starting from a position of strength in the ESG space. In our assessment of over 100 companies operating in Canada, positive assessments of a company's ESG performance are typically two to three times greater than the negative. Canadians expect and anticipate that most companies want to and can have a positive impact on the environment and society while growing a profitable business. However, ESG discussions are still in their early stages, and this means that for most companies the white space (those who are neutral or say they "don't know") is between 50% and 70%. This creates an opportunity for companies to define their ESG position and a risk that they might be defined by others.

These new anti-greenwashing amendments will likely have a mixed impact, providing clarity for some while creating confusion for others. Regardless of the initial reaction, these changes will undoubtedly intensify scrutiny and interest in companies' ESG-related reporting and communications in the years to come.

For companies that are already on top of their ESG KPIs and with a strong track record, are you getting the credit, increased trust, and subsequent sales you deserve?

For companies just getting serious about their ESG efforts; are you focused on the areas of most interest to your investors, employees, and consumers? Do you have the facts and proof points that demonstrate the effectiveness of your ESG strategy? Can you effectively tell your ESG story to maximize your growth potential?

At Ipsos, we lead by example, ensuring our actions have a positive impact on the environment and society. In this world of rapid change, we recognize that the need for reliable information to make confident decisions has never been greater. ESG is a crucial driver of that change. Our passion lies in guiding clients along their ESG journey, leveraging our expertise and insights to drive meaningful growth for our clients and positive change for all Canadians.

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