

INSIGHTS FOR AUSTRALIAN CONSUMER GOODS, FOOD AND RETAIL ORGANISATIONS

# Making sustainability sustainable in Australia

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Driven by new regulations, heightened stakeholder scrutiny, and evolving market dynamics, the sustainability landscape is at an inflection point. The consumer goods, food and retail (CGFR) sector in particular is facing these pressures. DLA Piper recently surveyed over 600 C-suite executives in CGFR organisations globally to uncover the long-term commercial risks emerging from the short-term pressure to act on sustainability. It's not surprising that 71% of respondents in the global CGFR sector agree that 2024 is a "critical year" for sustainability.

For Australian CGFR organisations, navigating the complexities and demands of this evolving landscape presents both challenges and opportunities.

*“Who pays for the cost of compliance will come down to which players have the most bargaining power in the value chain. Some suppliers will be business-critical, and able to push the cost up to brands. Others may have to accept new conditions from the companies they sell to – and potentially transfer the cost of meeting them onto their own suppliers.”*



**Jyoti Singh**  
Co-Lead, Consumer Goods,  
Food and Retail Sector,  
Australia



# Finding – and leading – a sustainable way forward: prioritisation amidst pressure

Our global report, *Making Sustainability Sustainable: Shifting from short-term compliance to long-term strategy*, confirms the scale of the sustainability challenge for businesses in the CGFR sector. And with a sample size of Australian participants similar to other countries that participated, we can see the key themes, concerns and insights local organisations face when compared to their international counterparts.

## Compliance challenges and priorities

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New sustainability regulations and increasing stakeholder demands present difficulties for businesses, with a significant proportion (68%) of business leaders globally acknowledging they're unable to meet all their existing sustainability obligations today. Limited resources, the cost of compliance and the rapid pace of regulatory change only serve to compound these challenges.

These same challenges resonate equally – and in some areas more prominently and with greater urgency – amongst the cohort of Australian CGFR organisations surveyed.

Australian organisations expressed heightened concern about both the reputational and legal risks associated with sustainability leadership (73% compared to 69% globally) and carbon emissions and transition planning (26% compared to 21% globally).

Significantly, 78% of Australian respondents identify prioritising compliance efforts as their biggest sustainability issue (10 percentage points higher than the global average), highlighting the strain of balancing competing demands in a dynamic landscape.

In particular, and on par with global findings, Australian CGFR companies anticipate the greatest legal issues or compliance gaps for their organisations in packaging and labelling (63%); plastics – specifically single-use materials (62%); and marketing and advertising (56%). These concerns are both pressing – felt today – and enduring – expected to persist over the next 24 months.

## Leadership, culture and resources

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To transcend mere compliance, sustainability needs to be recognised as a core business opportunity. Strong leadership buy-in and a cultural shift within organisations are vital for sustainability practices to be effectively embedded. Moving beyond a compliance-focused mindset necessitates a strategic, top-down approach.

And yet, concerningly, very few CGFR organisations feel they have the required skills, systems or collaboration to comply with mandatory sustainability reporting by the required deadline. Around only a quarter of respondents in Australia (26%) and globally (24%) feel they have the external legal counsel to respond, with all other support systems, such as executive buy-in, receiving even lower ratings.

Australian respondents share a slightly more optimistic view of leadership buy-in than their global peers, with only 28% stating that their leadership teams don't fully grasp the level of investment required for sustainability compliance.



While, encouragingly, this suggests that a greater awareness and appreciation exists among Australian leaders than their global counterparts, cultural ‘red flags’ are also apparent. For example, a significant 64% of Australian respondents cite a low-risk appetite within their organisations as the biggest challenge in meeting sustainability requirements, suggesting a risk aversion that could hinder necessary progress.

## Data management and technology

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Data management and technology are critical to an organisation’s ability to meet growing sustainability reporting and compliance requirements. No longer a nice-to-have, robust systems for data collection, validation, analysis and reporting are vital in ensuring the accuracy and transparency that organisations must demonstrate.

However, many companies lag significantly in these areas: only 15% have completed upgrades to their data management systems and 36% have yet to take action in this area. Australian respondents mirror this global trend, and in some cases trail behind the pack. Of particular concern is a stark gap in technology capability, with only three per cent (compared to five per cent globally) of Australian CGFR organisations confident that they have adequate technology and systems in place for compliance.

## Supplier and supply chain management

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Closer engagement between organisations and their suppliers is integral in ensuring CGFR organisations’ effective management of sustainability risks. This involves an understanding of supplier sustainability practices, ensuring compliance with regulations and fostering collaboration to enhance performance.

Australian respondents demonstrate a strong focus on managing sustainability risks within their supply chains. Interestingly, and possibly spurred in part by the requirements from Australia’s incoming mandatory climate reporting regime, Australian organisations uniquely identify “access to accurate supplier data” as their greatest practical challenge; again, underscoring the need for better supply chain data management.

Additionally, a significant 79% of Australian companies are seeking exclusivity arrangements with key sustainable suppliers (compared to 68% globally), and 43% are even considering acquiring sustainable suppliers through M&A.

This proactive approach suggests Australian companies are taking concrete steps to secure sustainable sourcing and mitigate risks associated with their supply chains. However, the survey also highlights the limited oversight Australian companies currently have over their suppliers’ sustainability practices, with the majority of respondents stating they have only a limited view of their suppliers’ sustainability efforts.

## Reputational and litigation risks

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Our report highlights the increasing reputational and legal risks associated with sustainability, particularly in the context of greenwashing and stakeholder scrutiny. Australian respondents are highly concerned about these risks, with 73% agreeing that reputational and legal risks are a deterrent to becoming leaders on sustainability. This cautious approach is reflected in their focus on mitigating risks through pricing strategies and supply chain management.

Interestingly, Australian companies also show a tendency towards ‘greenhushing,’ with 52% considering scaling back public comments on sustainability, suggesting a reluctance to invite exposure to potential scrutiny or accusations of greenwashing.

# Key recommendations for Australian CGFR organisations

Australian CGFR organisations can navigate the evolving sustainability landscape, mitigate risk and position themselves for sustainable, long-term sustainability success by:



## **Adopting a long-term, strategic approach to sustainability**

Integrate sustainability into core strategies and decision-making processes to create more sustainable practices, enhanced resilience and new market opportunities.



## **Proactively mitigating litigation risks**

Assess litigation risk exposure, strengthen governance and controls, enhance stakeholder engagement, and educate employees about sustainability risks to minimise the likelihood of legal challenges.



## **Securing leadership buy-in and fostering a culture of sustainability**

Prioritise embedding sustainability principles from the top down, fostering strong leadership commitment and a culture of transparency and accountability.



## **Mapping regulatory exposure and ensuring compliance**

Stay informed about relevant laws and compliance requirements. Mapping regulatory exposure and keeping up to date with rapidly evolving sustainability regulations can help develop a strategic approach to compliance.



## **Enhancing data management and quality assurance**

Invest in robust data management systems and upgrade organisational data capabilities to ensure effective data collection, management and analysis.



## **Avoiding greenwashing by reviewing communications and aligning actions with commitments**

Review all sustainability communications to ensure consistency between your organisation's statements and actions – and be prepared to fully substantiate any claims.



## **Strengthening stakeholder engagement**

Ensure open and transparent communication with a wide range of stakeholders, including customers, investors, employees and local communities to build trust and mitigate risk.

“CGFR organisations are hyper-aware of greenwashing risks. In the past six months, we’ve seen a growing number of enforcement actions and regulatory investigations, and litigation proceedings related to statements on sustainability and green marketing claims. Rolling back commitments is likely a response to companies having made claims about ‘green’ credentials, including forward-looking goals and targets, without the necessary evidence. But silence is not a viable long-term strategy. Instead, companies must ensure that their claims are specific and quantifiable and reflect the company’s broader strategic priorities.”



**Jessie Buchan**  
Co-Lead, Consumer Goods,  
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Australia

## Leading the change

The sustainability imperative facing all organisations presents Australia’s CGFR sector with distinct and unprecedented challenges and opportunities.

By shifting from a focus on short-term compliance to long-term strategy and taking proactive steps to address the key themes outlined here – and elaborated on in greater depth in our global report – CGFR organisations will not only ensure compliance and mitigate risks but also enhance their organisations’ performance, leading the charge in creating a more sustainable future – for organisations and consumers alike.

# Key contacts

## Authors

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