

Consumers want independent verification of 'green' claims

Consumers want companies to prove their 'green' credentials through independent third party assurance. This is one of the key initial findings from new global research sponsored by Lloyd's Register, Marks & Spencer and the Co-operative Group. The research, titled *What Assures Consumers?* and conducted by Consumers International and AccountAbility, clearly shows that consumers want more information about the effects of products on climate change and independent, impartial assurance of corporations' environmental claims. The initial results show that proving 'green-ness' is important to consumers and will influence their decisions.

The 70% (63% in the US and 77% in the UK) of respondents wanting third party assurance are sending a clear signal that they do not wholly trust corporate claims and want them backed up via stringent audits performed by credible and independent third parties. But what does third party assurance entail and how does it benefit companies and provide trust to consumers and stakeholders?

Assurance providers offer a range of services from thorough, detailed audits as required by legislation, through to less stringent, but in-depth reviews of a company's environmental performance as disclosed in corporate social responsibility (CSR) reports.

Thorough verification is required for the European Union's Emissions Trading Scheme (EU ETS). This verification typically involves an accredited verifier visiting a company's site to audit that monitoring is in accordance with the approved monitoring plan and that data and information is 'true and fair', making sure any anomalies and material errors are corrected before the company submits their emissions report to the regulator and surrenders equivalent allowances. This process provides the integrity needed within a scheme that involves considerable sums of money. In this way, "Verification provides the equivalent of financial audits that are relied upon by investors and markets".

Third party verification for CSR reports involves experienced verifiers validating the material issues arising from stakeholder engagement. They assess the capability of the company's management systems to produce the required data and verify performance against objectives, key indicators,

regulatory and material issues. Although verifiers assure the data disclosed this is not to the same threshold levels applied in EU ETS. "The verification process and opinion becomes a powerful tool for corroborating company claims and providing the assurance sought by their customers," says Deborah Evans, Head of Corporate Reporting and Assurance for LRQA,

A lack of verification can undermine the credibility of carbon reduction schemes, as recently alleged by a Financial Times investigation (26 April 2007). Schemes that create 'carbon credits' are often used by companies to effectively 'offset' their own emissions. However, according to the Financial Times, a lack of credible and independent verification for some current projects is potentially leading to the purchase of worthless credits that do not yield reductions, and companies are benefiting from doing very little on the basis of improved efficiencies that they should be achieving in any case. Incidents such as these, however isolated, undermine public confidence in such schemes and their objectives to reduce global CO2 emissions. They also disillusion consumers who want to do the right thing, making it more difficult to engage individuals in efforts to mitigate global warming. Likewise because of consumer demand, companies need to obtain greater scrutiny of their assertions about their carbon footprint and efforts to reduce their environmental impacts. Some companies may be unwilling

to spend money on third party verification unless there is something in it for them. Results from the *What Assures Consumers?* research may provide just the wake up call to show that 'yes' – there will be something in it for them, but only if they can prove their 'green' credentials through independent verification.

Further information:

The *What Assures Consumers?* initial results, as well as a forum for feedback and discussion on the findings, can be found at www.businessassurance.com, the online management systems community website. The final report by Consumers International and AccountAbility is due to be published in June 2007.

Key findings available at www.businessassurance.com include:

- 60% of consumers want companies to provide more information at the point of sale about the effects of their products on climate change.
- 70% of consumers want climate change claims made by businesses to be proven by independent third parties.
- 50% of respondents would rather do business with companies that are working to reduce their contribution to global warming than with other companies.



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