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AdStandards.com.au

Ad Standards Limited
ACN 084 452 666

Case Report

1. Case Number :	0058-22
2. Advertiser :	Sheep Inc.
3. Product :	Clothing
4. Type of Advertisement/Media :	Internet
5. Date of Determination	13-Apr-2022
6. DETERMINATION :	Dismissed

ISSUES RAISED

AANA Environmental Code\1 Truthful and Factual

DESCRIPTION OF ADVERTISEMENT

This website for Sheep Inc includes statements relating to environmental aspects of the products, including:

- contemporary knitwear that has a positive impact on the world
- Our raw materials are carbon-negative and our manufacturing is completely powered by solar energy. This makes us the first people in the world whose process naturally saves and stores more carbon than it creates.
- While our sheep are living their best lives they also play a key role in the regenerative farming movement....all of the above means our Sheep are able to provide wool which has a carbon negative footprint. Making us the first naturally carbon negative fashion brand on earth.
- it's zero waste
- All of our products are naturally carbon negative, But we also invest 5% of our revenue into regenerative projects working to improve our future on this planet.
- The two brother owners, Francisco and Fernando, run everything on renewable energy through a solar panel array on the roof. Each garment is knitted using 3D Wholegarment® technology that ensures a totally seamless knit. This enhances comfort, makes the garment 100% biodegradable and reduces waste to <1%.
- We are able to naturally mitigate more CO2 impact than we produce, through working with strongly aligned partners who are committed to having a positive carbon impact. All our manufacturers work with 100% solar electricity, meaning the entire manufacturing stage accounts for only c.0.5kg CO2e. And we source wool only from farms that implement regenerative farming practices, meaning



that these farms and their wool is carbon-negative. This net emission profile at farm level far outweighs the negative impact of transport. Transport, if done by ship like we do, is actually a small part of our overall footprint, averaging about +0.6 kg of CO₂ impact per sweater (compared to an average of -10.5 kg of CO₂ mitigated at farm level). In general, whilst certainly problematic, transport is nowhere near the biggest issue in most fashion supply chains. In our industry, the raw material, production and use stages are areas where you can make the biggest improvements – which is what we aim to do. On top of our naturally positive impact, we also invest 5% of our revenue in biodiversity projects to ensure additional positive impact.

- Regenerative farming is a way of managing the land that results in more CO₂e getting taken out of the atmosphere than is emitted through the sheep's methane output and the daily farm operations. This is achieved through natural plant and soil sequestration that is carefully managed. By implementing rotational grazing practices that make sure the soil and plants get to rest enough that they can grow deep roots that sequester more carbon. In addition, we are also trialling additional practices like seaweed supplements for the sheep. In trial runs, this has cut their methane emissions by about 70%. This way of managing the land and livestock can ensure that agriculture can become part of the solution of the climate crisis, not part of the problem.

THE COMPLAINT

Comments which the complainant/s made regarding this advertisement included the following:

*Our investigation has found that even according to Sheep Inc's supplying farm and brand commissioned life-cycle-assessment, that their knitwear is neither naturally carbon negative or resulting in zero emissions.
Please see below for our full complaint.*

We're writing on behalf of Collective Fashion Justice and People for the Ethical Treatment of Animals (PETA) with a complaint against clothing retailer Sheep Inc, which makes garments out of Merino wool. The company states its pieces are "naturally carbon negative" and "zero harm". However, as detailed below, a number of the claims on the company's website, social media pages, and advertisements apparently breach the Australian Association of National Advertisers Environmental Claims Code.

Zero emissions

'Zero Emissions' Sheep Inc uses the term "zero emissions" regularly across its advertisements and website copy, a claim that would lead any reasonable consumer to believe there are indeed zero emissions in the production of the company's knitwear – however, this isn't the case.

A blog published by Sheep Inc (but not directly accessible via its website navigation) states that the company runs "a full product lifecycle analysis (LCA) on any garments [they] sell to assess their carbon footprint (30.8kg of CO₂ for medium knits and 17.9kg



for light knits)” (1). Here, Sheep Inc references CO₂ rather than carbon dioxide equivalents (CO₂e), but given the methane emissions from sheep farming, such an LCA should reference CO₂e. In fact, documentation (2) we received upon request from Sheep Inc by environmental consultants Carbon Footprint Ltd refers to CO₂e and reveals that the production of Sheep Inc knitwear does emit greenhouse gases (GHGs), refuting the company’s misleading claim that it produces no emissions.

‘Naturally Carbon Negative’: Offsets

Sheep Inc’s environmental terminology becomes even more misleading when we consider its claim that its wool knitwear is “naturally carbon negative”. (3,4) For knitwear to be naturally carbon negative, its production would need not only to generate no emissions but also to sequester GHGs from the atmosphere. However, wool production is not carbon negative, as is shown by Sheep Inc’s LCA. In fact, the use of farmed animals in the fashion and food industries is responsible for such significant emissions that an official from the Food and Agriculture Organization of the United Nations has stated, “Livestock are one the most significant contributors to today’s most serious environmental problems. Urgent action is required to remedy the situation.”(5)

The company’s claim that its garments are “naturally carbon negative” is especially unclear given the conflicting information on its website. The Crewneck Light, for instance, is advertised as producing -1.74kg of CO₂e, (6) but the company’s own blog claims that 17.9kg of CO₂e is released into the atmosphere in the production of light knits (7). According to the same blog post, the reason for these greatly differing numbers is that the company “then mitigate[s] [its] impact by investing in biodiversity projects around the world, offsetting these CO₂ emissions tenfold.”

While the company’s investment in biodiversity projects is commendable, it’s clear that Sheep Inc knitwear is not “naturally carbon negative” – rather, it produces GHGs and then offsets carbon through financial contributions to international projects unrelated to the production of knitwear. The efficacy of carbon offsetting is also contested, (8,9) as planting trees isn’t equal to slashing GHG emissions from production to begin with.

‘Naturally Carbon Negative’: Sequestration

Carbon offsetting is not the only method Sheep Inc claims to use to reduce emissions in its supply chain. According to the Carbon Footprint Ltd documentation we requested of Sheep Inc, “[c]arbon sequestered at sheep farm[s]” supposedly mitigates the overall impact of the knitwear. This document cites a lower figure for emissions than what appears on the Sheep Inc website (8.55 kg of CO₂e as opposed to 17.9 kg for light knits), representing yet another way in which the company potentially misleads consumers. The LCA uses a global warming potential (GWP) value of 100 years, which is not always preferred (10) by the scientific community – especially when considering the GWP values of GHG emissions like methane, which has a significant impact on the environment, despite its shorter lifespan.



Sheep Inc is supplied by a wool-growing operation called Lake Hawea Station (11) as well as by Middlehurst Station and Omarama Station. Of these, Lake Hawea Station – which covers 65,000 hectares of land and has almost 10,000 sheep and 200 angus cows – is the most vocal about its efforts to be a carbon-zero farm. Its owners claim to have “increased stock numbers and wool production while increasing [their] tree planting and retiring of marginal land”. (12) Enteric fermentation resulting in methane release from sheep and cows accounts for 1,800 tonnes of carbon equivalent emissions from Lake Hawea Station. This makes up 71% of the operation’s emissions, while emissions from animal waste, fertiliser, supplements, and farm vehicles account for the remainder. Meanwhile, the farm claims to “lock up” 3,966 tonnes of carbon through tree planting and land-regenerating practices. (13) Lake Hawea Station uses carbon offsets more locally than Sheep Inc, planting trees on its own land rather than investing in international biodiversity projects. While its efforts are commendable, neither the wool nor the knitwear produced with that wool are “naturally carbon negative”. The sheep and their wool don’t sequester carbon – the trees being planted do. The sheep, in fact, emit GHGs and contribute to the climate crisis, and it’s the sheep and their wool that are in Sheep Inc’s supply chain.

Regenerative Agriculture: Knitwear That ‘Regenerates Our World. Not Destroys It’ There is significant deception involved in Sheep Inc’s claim that its knitwear and its production “regenerates our world. Not destroys it”. (14) Other questionable claims include that “[r]egenerative farming creates sustainable long-term ecosystems by raising livestock in a way that sequesters carbon and maximises soil health” and that, in relation to animal agriculture, “[t]he thinking behind regenerative practices as a climate mitigation strategy, is to remove carbon dioxide from the air by storing it as organic carbon in soils”. (15) Scientists refute claims like Sheep Inc’s that “this way of managing the land and livestock can ensure that agriculture can becomes [sic] part of the solution of the climate crisis, not part of the problem”. (16)

A report published by the University of Oxford’s Food Climate Research Network finds that animal-based regenerative agriculture simply doesn’t live up to the “extremely ambitious” and thus “dangerously misleading” claims made by its proponents. (17)

In addition to the inefficient use of land and subsequent carbon cost (18) of “regenerative” animal agriculture, soil carbon reaches equilibrium after a few decades. 19 At that point, no more carbon is sequestered using the methods Sheep Inc references, but sheep continue to release significant amounts of methane.

Tara Garnett, PhD, the primary author of the University of Oxford report, summarizes the key takeaway from the report:

[G]rass-fed livestock are not a climate solution. Grazing livestock are net contributors to the climate problem, as are all livestock. Rising animal production and consumption, whatever the farming system and animal type, is causing damaging greenhouse gas release and contributing to changes in land use. (20)

Sheep Inc cannot claim that its wool products are “naturally carbon negative”, that they result in “zero harm” to the planet, without misleading consumers. The company



may do less harm than others, but the production of its knitwear still actively harms the planet by contributing to GHG emissions.

'They'd Be Lying'

Sheep Inc states on its website that no other clothing brand can claim carbon-negative status – and “if they did, they'd be lying”. (21)

The act of offsetting harmful industries by planting trees began in 1989, when Applied Energy Services offset a coal-fired power plant by financing an agriforest. (22) As noted previously, carbon offsetting itself has questionable environmental credentials – but to say that no other clothing brand could offset emissions in a similar fashion is false.

1 “Regenerative Farming for Carbon Negativity,” Sheep Inc, accessed 11 January 2022, <https://nz.sheepinc.com/blogs/sheepinc/regenerative-farming-for-carbon-negativity>.

2 “Sheep Inc Product Carbon Footprint: Life Cycle Assessment Report for Sheep Inc’s Medium Knit, V-Neck, Light Knit, Cardigan, Beanie & Hoodie,” Carbon Footprint Ltd, 21 May 2021,

https://www.dropbox.com/s/hsnzn2n5f50oy7w/2021_05%20Sheep%20Inc.%205%20P%20roducts%20Product%20Footprint%20LCA%20Assessment%20v1.0.pdf?dl=0

3 “Nature Elevated,” Sheep Inc, accessed 11 January 2022,

<https://au.sheepinc.com/pages/nature-elevated>.

4 “About Us,” Sheep Inc, accessed 11 January 2022,

<https://nz.sheepinc.com/pages/about-us>.

5 “Rearing Cattle Produces More Greenhouse Gases Than Driving Cars, UN Report Warns,” United Nations News, 29 November 2006,

<https://news.un.org/en/story/2006/11/201222-rearing-cattle-produces-moregreenhouse-gases-driving-cars-un-report-warns>.

6 “Crewneck Light,” Sheep Inc, accessed 11 January 2022,

<https://sheepinc.com/collections/knitwear/products/crewnecklight?variant=35523956277397&gender=female&product-color=7>.

7 “Regenerative Farming,” Sheep Inc.

8 Alia Al Ghussain, “The Biggest Problem With Carbon Offsetting Is That It Doesn’t Really Work,” Greenpeace UK, 26 May 2020,

<https://www.greenpeace.org.uk/news/the-biggest-problem-with-carbon-offsetting-is-that-it-doesnt-really-work/>.

9 Eric Niller, “Do Carbon Offsets Really Work? It Depends on the Details,” Wired, 14 January 2020, <https://www.wired.com/story/do-carbon-offsets-really-work-it-depends-on-the-details/>.

10 “Understanding Global Warming Potentials,” United States Environmental Protection Agency, accessed 11 January 2022,

<https://www.epa.gov/ghgemissions/understanding-global-warming-potentials>.

11 “Carbon and Biodiversity,” Lake Hawea Station, accessed 11 January 2022,

<https://lakehaweastation.com/carbon-and-biodiversity>.

12 Esther Taunton, “How Lake Hawea Station Became New Zealand’s First Carbon Zero Farm,” Stuff.co.nz, 4 May 2021,



<https://www.stuff.co.nz/business/farming/125010482/how-lake-hawea-station-became-newzealands-first-carbon-zero-farm>.

13 Esther Taunton, "How Lake Hawea Station Became New Zealand's First Carbon Zero Farm," *Stuff.co.nz*, 4 May 2021,

<https://www.stuff.co.nz/business/farming/125010482/how-lake-hawea-station-became-newzealands-first-carbon-zero-farm>.

14 "Design Approach," *Sheep Inc*, accessed 11 January 2022,

<https://nz.sheepinc.com/pages/design-approach>.

15 "Regenerative Farming," *Sheep Inc*.

16 "FAQ," *Sheep Inc*, accessed 11 January 2022, <https://au.sheepinc.com/pages/faq>

17 Tara Garnett and Cécile Godde, "Grazed and Confused? Ruminating on cattle, grazing systems, methane, nitrous oxide, the soil carbon sequestration question – and what it all means for greenhouse gas emissions," *Food Climate Research Network*, (2017): 57,

https://www.oxfordmartin.ox.ac.uk/downloads/reports/fcrn_gnc_report.pdf.

18 Matthew N Hayek, Helen Harawatt, William J Ripple, and Nathaniel D Mueller, "The Carbon Opportunity Cost of Animal-Sourced Food Production on Land," *Nature Sustainability* 4 (2021): 21-24, doi: <https://doi.org/10.1038/s41893-020-00603-4>.

19 Tara Garnett and Cécile Godde, "Grazed and Confused?"

20 "Grazed and Confused? New Report Evaluates the Climate Impact of Grazing Livestock," *University of Oxford*, 2 October 2017,

<https://www.oxfordmartin.ox.ac.uk/news/2017-news-grazed-and-confused>.

21 "About Us," *Sheep Inc*. 22 Grace Smoot, "The History of Carbon Offsetting: The Big Picture," *Impactful Ninja*, accessed 11 January 2022, <https://impactful.ninja/the-history-of-carbon-offsetting/>.

THE ADVERTISER'S RESPONSE

Comments which the advertiser made in response to the complainant/s regarding this advertisement include the following:

It is not clear whether the Complaint refers to general text on our Client's public facing website, social media tiles or other web media. Instead, the Complaint refers generally to all 'advertisements' that "include the terms 'naturally carbon negative', 'zero emissions' and 'zero harm'".

In the absence of complaints against specific, consumer facing advertisements, we will address these allegations thematically.

Comments in Relation to the Complaint

General note

Our Client is a leading ethical fashion brand and was extremely disappointed and surprised to receive the Complaint. Our Client has gained a global reputation for pioneering a new, sustainable approach to fashion and takes any accusations of "green washing" incredibly seriously.



Our Client is a highly sophisticated and well informed business with environmentalism at the heart of all of its practices. Through a network of leading experts, they have ensured that all claims made about its business are robustly supported with independently verified, scientifically backed data.

This document will lay out our rebuttal to the various misleading accusations made against our Client.

Advisors to Sheep Included Ltd.

To ensure impartial advice on our Client's impact as a fashion brand, they have worked with multiple independent scientific advisors to ensure their sustainable credentials are backed by thoroughly researched and peer reviewed papers on all areas of carbon sequestration. Advisors to Sheep include:

- *Professor Mark Maslin — Head of Climatology at University College London and author of "How to Save our Planet: The Facts" and "The Human Planet: How we Created the Anthropocene".*
- *[Dr. Gwen Grelet](#) — a scientist and soil ecologist who specialises in agroecosystems whose fellowship (funded by the European Commission) was jointly hosted by Harvard University, the University of Aberdeen, and Manaaki Whenua – Landcare Research ([MWLR](#)).*
- *Professor David Norton — a professor at Te Kura Ngahere | School of Forestry at the University of Canterbury. Professor Norton has taught and researched the ecology and conservation of New Zealand's native biodiversity for over 35 years. In the last couple of decades, Professor Norton's research has focused on enhancing native biodiversity within farming systems through remnant management, restoration and management planning, including publication of a 2013 book 'Nature and Farming'.*
- *Tom Popple — Senior Manager, Climate Change and Sustainability at Natural Capital Partners, who holds a degree in Environmental Management from at SOAS University of London.*

All of these advisors are available to provide further details on their involvement with Sheep and their support for Sheep's ethical practices. Our Client would be delighted to submit further evidence from each of these leading experts as required and submits to Ad Standards in this respect.

Independently Audited, Third Party Verified Data

In relation to carbon footprint analysis, our Client runs third party, independent audits of its entire supply chain impact with [Carbon Footprint Ltd.](#) and all relevant research is audited according to the Climate Neutral Protocol.



The Lifecycle Assessment (“LCA”) documentation is freely available on Sheep’s website and will be referred to again below. In addition, our Client’s LCA work on carefully selected farms has been done through independent analysis by TOITU research group. This is an entity totally independent of Sheep whose research is widely respected. This documentation has been included for your reference.

Research papers

Following receipt of the Complaint, we have compiled a list of research papers that provide commentary on the environmental benefits of regenerative agriculture and its associated carbon benefits. We reference these in our annexures in order to counter the limited number of historic papers referenced in the Complaint.

The word document provided in our annexures is a formal bibliography with clear citations whilst the pdf document is a more detailed bibliography providing the abstracts of the papers and URL links for your further consideration.

Awards Won for our Client’s Pioneering Sustainable Positioning

During the first two years of their existence, Sheep has won a number of awards for its sustainability and environmental attributes.

Each of these awarding bodies run a strict vetting process on all claims, including independent expert verification of any submission. On this basis, our Client was proud to be named “Best Supply Chain Initiative” by Draper’s and “Best Environmental Innovator” by Positive Luxury.

A note on the interpretation of CO₂e vs CO₂

Our Client is well aware of the distinction referenced in the Complaint between CO₂ and CO₂e. Indeed their recent LCA was performed on the basis of CO₂e methodology.

In some materials, the “e” may have been left out for the sake of simplicity – but the scientific foundation of our Client’s claims is always based on CO₂e. All the arguments set out herein are made on that basis.

THE CLAIMS

Further to the above summary of our Client’s wider position, we now submit our rebuttals to each of the wider claims made.

1. “Zero Emissions”/“Zero Harm”

The Complaint’s allegation that “zero omissions” is misleading references an article that the complainants themselves acknowledge is no longer accessible to the public. The complainants’ argument has also incorrectly misrepresented timelines.



Accordingly, we consider the Complaint to be completed unfounded on this ground for the following reasons:

1. The article relates to a period prior to the timeframe specified by the complainants in the Complaint. The complainants have therefore presumably made a material error in their submission or recognise that their complaint has no merit.
2. Our understanding of the Advertiser Code of Ethics is that the Australian consumer is deemed to be sophisticated and well informed. Accordingly we consider Sheep's historic practice of offsetting 10x any carbon via certified biodiversity projects to be in line with the public's understanding of emissions being net rather than gross. This is supported by common and official parlance amongst environmental experts e.g. 'Net Zero'.
3. Notwithstanding the foregoing, the Complaint relates to the period from September 2021 onwards. Our Client is pleased to report that the LCA performed by Carbon Footprint in May 2021 (4 months prior to the period of the Complaint), based on Sheep's latest supply chain setup, resulted in a negative CO₂e footprint for our Client's products. Only at this point did our Client start using the terms "Naturally Carbon Negative", "Zero Emissions" and "Zero Harm".

The Complaint did not outline what grounds the claim of "Zero Harm" was being objected to so we are unable to substantively respond. However, we would reiterate the findings of our May 2021 LCA which demonstrated how our Client's carefully managed, carbon negative supply chain results in a net positive for the environment.

We therefore consider that our Client's use of the above terms is both appropriate, well understood by the public and supported by hard data.

Our Client therefore respectfully asks that the above complaint be dismissed.

2. "Naturally Carbon Negative: Offsets and Sequestration"

Due to the generic nature of the Complaint, we were unable to fully understand the allegations levelled on these grounds. However, to the best of our understanding, the arguments put forward by the complainants are that Sheep offsets carbon rather than being 'naturally carbon negative' and that sheep themselves do not sequester carbon.

For the avoidance of doubt, this assertion is categorically incorrect. Sheep have verified this claim independently through Carbon Footprint Ltd. Please find below the table of the LCA report: "Product Carbon Footprint: Life Cycle Assessment Report for Sheep Inc's Medium Knit, V-neck, Light Knit, Cardigan, Beanie & Hoodie".



Lifecycle Stage	GHG Emissions (kgCO ₂ e)				
	Cardigan	Hoodie	Medium knit & V-neck	Light knit	Beanie
Raw materials (embodied) – including sequestration at sheep farms ¹	-15.41	-10.50	-9.85	-3.85	-2.04
Raw materials transport	1.03	0.73	0.81	0.34	0.17
Manufacture	0.78	0.55	0.42	0.24	0.13
Product distribution	2.92	2.31	2.23	1.48	0.75
Usage	0.05	0.05	0.05	0.05	0.05
Disposal	0.01	0.01	0.01	0.01	0.01
Total Net Emissions – including sequestration	-10.62	-6.84	-6.34	-1.74	-0.93

¹ Relates to carbon sequestration through woody vegetation on the farmland based on a GWP of 100 years.

As can be seen in table, each Sheep product has a net negative carbon footprint, as there is more natural carbon sequestration happening on the farms that provide the wool for their products than is produced.

This sequestration does not happen through “offsetting” as is continuously and incorrectly claimed throughout the Complaint. Instead, a net negative emission profile is achieved through careful management of the farm’s vegetation, with the sheep providing a crucial role within a well-managed balanced regenerative biosystem, the value of which is laid out in the research paper titled [“Regenerative rotational grazing management of dairy sheep increases springtime grass production and topsoil carbon storage”](#).

This is not to say that the claim made that “Livestock are one the most significant contributors to today’s most serious environmental problems. Urgent action is required to remedy the situation” is not accurate. Our Client is well aware of the problems caused by less environmentally conscious livestock owners.

However, our Client uses selected sheep within a carefully managed ecosystem to ensure regeneration of the land. Please find an excerpt from the linked research above, alongside two other studies which may be of interest.

“A flock of 135 Latxa breed dairy ewes was evenly distributed over the two areas during six consecutive years. On the conventional rotational grazing section, the sheep were allowed to feed for 6–10 d followed by a 15-d rest period. On the regenerative rotational grazing section, the sheep were allowed to feed for 1–2 d followed by a 24-d rest period. Vegetation and soil were then sampled according to a grid design. Springtime grass production was estimated by cutting the vegetation, topsoil carbon storage was determined through elemental analysis of soil organic carbon, nutrient cycling was calculated by measuring the activity of six enzymes (β -glucosidase, β -glucosaminidase, sulfatase, acid phosphatase, L-alanine aminopeptidase, and L-leucine aminopeptidase), water flow regulation was calculated using a simplified water retention index, and biodiversity was determined via 16S rRNA metabarcoding of soil prokaryotes. Regenerative rotational grazing achieved 30% higher springtime grass production and 3.6% higher topsoil carbon storage than conventional rotational grazing.”



“Regenerative food systems provide food for human use but also sequester carbon, preserve biodiversity, produce diverse diets to combat malnutrition, and build community well-being by maintaining farming livelihoods and the social reproduction of culture and farming communities.” From: [Food system narratives to end hunger: extractive versus regenerative](#).

Please see accompanying reference documentation for numerous articles on the value of regenerative farming, including but not limited to the following:

<https://f1000research.com/articles/10-115/v1>

<https://peerj.com/articles/12848/>

<https://www.sciencedirect.com/science/article/abs/pii/S0308521X19308856?via%3Dihub>

As supported by these papers and numerous others, a carefully managed biodiversity structure on a farm can lead to naturally more carbon sequestration taking place than CO₂e being emitted. This includes any methane produced by the sheep.

The research on farm impact is further independently verified by Toitu research that ran a full independent analysis of the farm’s net CO₂e impact, including historical analysis of land change and weather patterns. Such research and certification have been submitted as annexes to this document, and a summary of the relevant impact is shown in the table below.

EMISSIONS SUMMARY ¹

Lake Hawea Station’s emissions for this year (01 July 2019 to 30 June 2020) were 2,538.50 tCO₂e and removals this year were -3,966.40 tCO₂e. This establishes a net farm carbon balance of -1,427.90 tCO₂e.

Emissions as tonnes of carbon dioxide equivalents (tCO₂e) for this period were:

Emissions summary by scopes		Units
Scope 1 total	2,437.10	tCO ₂ e
Scope 2 total	4.24	tCO ₂ e
Scope 3 (mandatory)	97.15	tCO ₂ e
Scope 3 (additional)	0.00	tCO ₂ e
Scope 3 (one-time)	0.00	tCO ₂ e
Total gross emissions:	2,538.50	tCO₂e
Removals	-3,966.40	tCO ₂ e
Total net emissions	-1,427.90	tCO₂e

The above shows that on-farm natural sequestration happens through rich biodiversity and careful management of soil and vegetation, leading to a net emission profile of -1,427.9 tCO₂e. Sheep’s claims are therefore based on the natural negative emission profile of the farm.



In addition to the impact of the raw material stage of the supply chain, and as seen in the breakdown of impact per manufacturing stage in the LCA analysis, the rest of our Client's supply chain is optimised for minimal CO₂e emissions, including the use of manufacturers who run on 100% solar power. This leads to a final net negative CO₂e footprint being achieved for each and every product produced.

We note the claim in the Complaint that our Client's "LCA uses a global warming potential (GWP) value of 100 years, which is not always preferred (10) by the scientific community" we submit that this statement is without any merit. Whilst science rarely exists in unanimity, we consider the above to be settled and reputable methodology and would put the complainants to proof in establishing the alternative.

Moreover, in addition to our Client's naturally negative net CO₂e footprint within the supply chain, Sheep also invests in biodiversity projects, including ones that supply carbon credits. This is done as a supplementary impact investment, and the investment amount is annually around 3% of our Client's total revenue. These projects also include investments into the farms that our Client works with, including investing in waterway clean-up projects and the protection of local wildlife.

However, this 3% impact fund is not related to our Client's "naturally carbon negative" claims and is, as emphasised above, a supplementary investment amount made by Sheep, voluntarily, to increase positive impact. Not only is our Client carbon negative without need to offset but it chooses to make additional investments for the benefit of the planet. These investments are three times higher than widely lauded initiatives like "1% for Planet."

Taking the above into consideration, the term "naturally carbon-negative" therefore indicates the net negative CO₂e impact achieved through natural sequestration events happening within the supply chain, with no offsetting or additional investment required in carbon offsets to achieve this.

Our Client therefore respectfully asks that the above complaint be dismissed.

3. "Knitwear That 'Regenerates Our World. Not Destroys It'"

This claim appears to focus on a general critique of regenerative farming and concludes that Sheep's products cannot be said to be "naturally carbon negative". We have addressed the issue of our Client's products being naturally carbon negative above.

To the best of our knowledge, we fail to see a connection between the general issues associated with regenerative farming and our Client's business which, as shown above, does not contribute to GHG emissions and is, therefore, an exception to the general academic papers written on the topic so far.

If the complainants believe that livestock farming is an environmental threat then presumably, short of an immediate global ban, they would applaud the long term



efforts of our Client to make the industry more sustainable. This is one of a number of elements of the Complaint which our Client feels is hurtful and unjust, given the extraordinary efforts made to change the industry's view on the importance of the environment.

Our Client therefore respectfully asks that the above complaint be dismissed.

4. "They'd be Lying"

The complainants here have submitted that Sheep cannot claim to be the 'only' brand offsetting carbon emissions. However, that amounts to a broad misinterpretation of the statement on our Client's public website, which was deliberately taken out of context.

In fact, the statement made by our Client is as follows: "All of the above means our Sheep are able to provide wool which has a carbon negative footprint. Making us the first naturally carbon negative fashion brand on earth. No other clothing brand can say this; if they did, they'd be lying." [emphasis added]

The above statement does not mention offsetting in the round, but rather refers to Sheep being the first carbon negative clothing brand. This is correct. Our Client was, and is, the first naturally carbon negative fashion brand. At no point has our Client claimed to be the 'only' carbon negative fashion brand. In a free-market economy which is fortunately, albeit slowly, moving towards a more environmentally conscious outlook, clearly our Client cannot claim permanent exclusivity over this term (nor does it seek to).

Our Client would further point to the reference made in the Complaint to the efforts of Applied Energy Services in 1989. Our understanding of Applied Energy Services (now the AES Corporation) is that they are a Fortune 500 energy company. We are unclear as to what relevance this has to our Client's assertions of being the first carbon negative fashion brand. We are unaware of Applied Energy Services having any position in the fashion market.

We would therefore respectfully but strongly submit that 'being the only brand offsetting carbon' and 'being the first naturally carbon negative clothing brand' are two fundamentally different statements. We believe this part of the Complaint to be deliberately intended to mislead and would ask that it be dismissed.

Final Remarks on the Complaint

Our Client hopes that the evidence listed above has shown that Sheep lives up to its claims and can provide sufficient evidence to support any and all statements made to the Australian public. Our Client remains more than happy to provide additional context or evidence (including commentary by any of the experts stated) as required by Ad Standards, at its discretion.



Our understanding is that the average Australian consumer is deemed to be “an informed, observant and reasonably circumspect person”. All of the claims brought against Sheep are not only unsupported by the science but also lack any potential to mislead a reasonably informed individual. What is more, in our view, not only will consumers be able to understand the statements made, but they will also be engaged in the end result, which is the transition to a more sustainable fashion industry.

We are grateful for your consideration and hope that you see fit to dismiss all allegations against our Client.

THE DETERMINATION

The Ad Standards Community Panel (the Panel) considered whether this advertisement breaches the AANA Environmental Claims in Advertising and Marketing Code (the Environmental Code).

The Panel noted the complainant’s concerns that:

- The advertisement uses the term ‘zero emissions’ which is misleading as the production of clothing does emit greenhouse gases
- The advertisement’s claims that the wool knitwear is ‘naturally carbon negative’ is misleading as the production does give off greenhouse gases, and the company’s use of carbon offsetting does not mean the product is naturally carbon negative.
- The advertisement’s claims that the wool knitwear is ‘naturally carbon negative’ due to the farms used in production using sequestering measures of tree-planting and land-regenerating practices is also misleading as the production of the wool itself is still not carbon negative.
- The advertisement claims that no other fashion brand can claim carbon-negative status, which is incorrect.

The Panel viewed the advertisements and noted the advertiser’s response.

Is an environmental claim being made?

The Panel considered whether the advertisements made an Environmental Claim.

The Environment Code applies to 'Environmental Claims' in advertising and marketing communications.

The Code defines Environmental Claims as “any express or implied representation that an aspect of a product or service as a whole, or a component or packaging of, or a quality relating to, a product or service, interacts with or influences (or has the capacity to interact with or influence) the Environment”.



Zero emissions

The Panel noted that the complainant makes reference to claims made in a blog post that was no longer available at the time the complaint was made. The Panel considered that its role is to make determinations relating to current advertising material and whether that material is in line with the Code. As such, the Panel noted that the scope of this case was limited to material published on the advertiser's website at the time the complaint was made.

The Panel noted that the term 'zero emissions' did not appear on the information provided on the 'about us', 'FAQ', 'regenerative farming,' or any other pages available on the website at the time the complaint was received.

The Panel considered that the website advertisement did not include a claim of zero emissions.

Naturally carbon negative

The Panel noted that the website advertisement included the statement the products were 'naturally carbon negative' in several places. The Panel considered that this statement was making an Environmental Claim.

First naturally carbon negative brand

The Panel noted that the advertisement included the line, "All of the above means our Sheep are able to provide wool which has a carbon negative footprint. Making us the first naturally carbon negative fashion brand on earth. No other clothing brand can say this; if they did, they'd be lying".

The Panel considered that this line was making the claim that the advertiser was the first fashion brand to be naturally carbon negative, and that this was making an Environmental claim about environmental aspects of the advertiser's business.

Zero waste

The Panel noted that in addition to the claims referred to by the complainant and the advertiser, the advertisement also makes several claims relating to the product being biodegradable and zero waste. The Panel considered that this also constitutes an environmental claim.

1 a) Environmental Claims in Advertising or Marketing Communication...shall not be misleading or deceptive or be likely to mislead or deceive

The Panel noted that the Practice Note for this Section includes:



“It is not intended that legal tests be applied to determine whether advertisements are misleading or deceptive, or likely to mislead or deceive, in the areas of concern to this Code. Instead, consideration will be given as to whether the average consumer in the target market would be likely to be misled or deceived by the material.

Factors to consider include:

- An advertisement may be misleading or deceptive directly or by implication or through emphasis, comparisons, contrasts or omissions. It does not matter whether the advertisement actually misled anyone, or whether the advertiser intended to mislead – if the advertisement is likely to mislead or deceive there will be a breach of the Code.*
- The target market or likely audience of the advertising or marketing communication should be carefully considered when making environmental claims. Therefore all advertising should be clear, unambiguous and balanced, and the use of technical or scientific jargon carefully considered.”*
- Environmental claims relating to future matters or commitments should be based on reasonable grounds as at the time the claim was made, even if the future matter does not come to pass. The fact that a person may believe in a particular state of affairs does not necessarily mean that there are reasonable grounds for the belief.*

Naturally carbon negative

The Panel noted the complainant’s concerns that:

- The advertisement’s claims that the wool knitwear is ‘naturally carbon negative’ is misleading as the production does give off greenhouse gases, and the company’s use of carbon offsetting does not mean the product is naturally carbon negative.
- The advertisement’s claims that the wool knitwear is ‘naturally carbon negative’ due to the farms used in production using sequestering measures of tree-planting and land-regenerating practices is also misleading as the production of the wool itself is still not carbon negative.

The Panel noted the advertiser’s response that each product has been independently verified to have a net negative carbon footprint as there is more natural carbon sequestration happening on the farms that provide the wool than is produced in the production and distribution of the garment. Further, the advertiser’s response noted that the carbon negative status is not achieved through carbon offsetting but through natural sequestration events happening within the supply chain.

The Panel noted that environmental claims made in the advertisement should be understood by the likely audience for the advertisement. In this case, the Panel



considered that the likely audience for the advertisement was people visiting the brand's website who had an active interest in the environmental impact of fashion choices.

The Panel considered that most people would understand that the phrase 'carbon negative' is used when carbon offsetting has been used, but the addition of 'natural' to this claim would not suggest that this is inclusive of offsetting.

The Panel considered that most people would consider the phrase 'naturally carbon negative' as being that the production of the product would store or sequester more carbon than it produces naturally, without offset intervention.

The Panel noted that the advertiser had provided independent evidence that the products sold had a net negative carbon footprint which is achieved through carbon sequestration events happening in the supply chain.

The Panel acknowledged the complainant's concern that the phrase 'naturally carbon negative' may be interpreted to mean that the sheep themselves sequester carbon, or that the sheep do not produce greenhouse gasses. However, the Panel considered that the audience of the advertisement were people already on the advertiser's website, who had access to information showing that the carbon negative status was achieved through farming practices and was not a suggestion that the sheep themselves did not produce greenhouse gasses.

The Panel acknowledged that if the phrase 'naturally carbon negative' was used in a context with a more general audience, or where additional information on how this is achieved was not available, that it may have the potential to mislead consumers. However, the Panel considered that the environmental claim was not misleading or deceptive considering the overall content and context of the advertising material, and the audience of consumers likely to be affected.

The Panel determined that the claims of 'naturally carbon negative' were not misleading or deceptive or be likely to mislead or deceive.

First naturally carbon negative brand

The Panel noted the complainant's concern that the statement in the advertising material "Making us the first naturally carbon negative fashion brand on earth", was a claim that no other fashion brand can claim carbon-negative status.

The Panel noted the advertiser's response that the advertising states that they are the first naturally carbon-negative fashion brand, not the only carbon-negative fashion brand.



The Panel considered that the statement being made was a reference to the advertiser being the first fashion brand to be able to claim this status, not that they are the only brand able to claim this. The Panel considered that the advertiser had provided reasonable grounds for this claim.

The Panel therefore determined that the claim of being the first naturally carbon negative fashion brand was not misleading or deceptive or likely to mislead or deceive.

Zero waste

The Panel noted that neither the complainant nor the advertiser had made reference to the claims of zero waste being made in the advertisement.

The Panel considered that the advertisement provides the claim of zero-waste is made in the context that the products are 100% biodegradable. The Panel considered that this claim is substantiated by the material provided on the website.

The Panel determined that the claims of the products being 'zero-waste' were not misleading or deceptive or likely to mislead or deceive.

Section 1 a) conclusion

The Panel determined that the advertisement did not breach Section 1 a) of the Environmental Code.

Conclusion

Finding that the advertisement did not breach the Environmental Code on any other grounds the Panel dismissed the complaints.