denkstatt
create sustainable value

Disclose *the* INVISIBLE VISIBLE *in a* fair manner

Understanding the greenwashing and avoiding the traps, being truthful with your stakeholders

Content

'Happiness doesn‘t always come from a pursuit. Sometimes it comes when we least expect it.'

Dalai Lama

‘Communication messages start from people and are dedicated to people. They have a dedicated purpose whether they are written, audio, video, or just images. We act following our values. We guide our actions by our individual perceptions of right and wrong. We live in an information technology era and we want our messages to reach their target and create an impact. Do we think about the repercussions of messages released to the audience? What is their added value? Do they have a real basis determined by scientific methods? Everything you do now is part of a longer process! Do you have a projection of the future after the messages are sent? There are just a few questions that will make you curious to read this guide and change something in you and in your actions, dear reader.

We live in a world free of constraints, but we as individuals are the ones who have the obligation to radically change our communication to do good. We are in constant change and education. The important thing is that this change is for the good of those who will listen to or read your messages in the future. That way we will be happier’.

Gabriela Fistiș
Managing Director denkstatt România

'It‘s hardly news that scientists are addressing climate change and the need for a more sustainable economy from a very serious perspective. Apparently, it took some time for people to digest the scenarios presented 50 years ago that predicted that the Earth and its natural resources cannot keep up with the rapid expansion of our society if we don’t make systemic changes in our way of living.

Slowly, regulations, guidelines, and recommendations started to be implemented at national and international levels. But it was not until recently that private companies have started to flood the market with green, bio, eco-friendly alternatives to their older products. Do all these claims hold water? As consumers, we expect to figure it out only based on the information we have on the packaging, through labeling and communication materials. Colors, beautiful scenery, graphic symbols, and logos may all mislead customers and influence the buying process. Nonetheless, many customers lack the time and resources to analyze such information when it is vague or incomplete, making them ideal targets for greenwashing activities.

Almost every brand now claims to be doing its part for the planet and society, but customers sometimes see through their corporate efforts and assume that they are either exaggerating or attempting to deceive the audiences by disguising the true implications of their actions. How can businesses and individuals alike identify and prevent greenwashing messages? Accurate green statements are a core brand responsibility since they tackle an ethical component in the communication process and professionals inside organizations need to go beyond a surface-level understanding of the green terminology. Beyond communication goals and brand image, every company-produced material should properly reflect genuine, correct facts.

This guide equips any reader with the necessary concepts to critically assess the reliability behind the buzz words related to green claims. More than a set of instructions, the present guide helps you ask the right questions so that you can keep an eye out for red flags like sleazy communication and hidden intentions in the information you`re given.'

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Context

Recognizing that sustainability is an important issue for businesses and that climate change is becoming a critical subject for the planet, many organizations are becoming increasingly aware of the need to make decisions that reduce the national and global impacts of human activities that are leading to rapid increases in global warming – ***the greatest challenge of the 21st century***. This matter has led to several policies and legal requirements, some of which require certain companies to disclose the social and environmental impacts of their activities.

In light of this, some companies have shifted to invest capital in marketing their environmental friendliness rather than taking actual action to prevent or reduce their negative impact on global warming. This process is commonly referred to as greenwashing. Companies should be transparent and accurate when reporting on social and environmental issues.

This guide aims to explain what the term **greenwashing** means and what measures can be taken to avoid it. The guide is divided into three main chapters:

CHAPTER 1

Diving *into* concerns *of* greenwashing

CHAPTER 2

Practical steps *to* avoid greenwashing

CHAPTER 3

A helping hand *for your* greenwashing assessment

Being truthful with your stakeholder is a huge benefit for your business.

The way up to a regulation framework

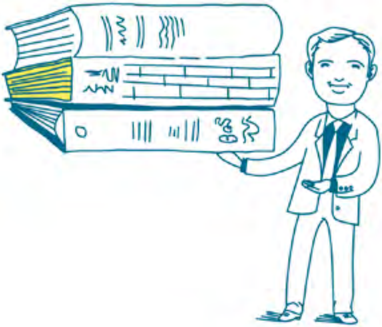
The issue of greenwashing is very important because it can lead to false advertising, which is prohibited by the laws and regulations on customer protection.

According to regulation **DIRECTIVE 2006/114/EC OF THE EUROPEAN PARLIAMENT AND THE COUNCIL OF DECEMBER 12, 2006:** ‚Misleading advertising' is defined as „any advertising that deceives or is likely to deceive the persons to whom it is addressed or reaches in any way, including its presentation, and which, due to its misleading nature, is likely to influence their economic behavior or which, for these reasons, harms or is likely to harm a competitor."

Additionally, the **EU Taxonomy** regulation published in 2021 defines specific objectives aimed at combating greenwashing.

Until now, investors had to dive into individual funds to assess their credentials, but financial watchdogs are forging new ground to prevent greenwashing and hold sellers accountable for giving detail on investments marketed as ESG. The EU Sustainable Finance Disclosure Regulation requires asset managers to achieve stringent requirements for funds to be considered sustainable. Labeling should be „concise and accessible," according to the UK regulator. The Swiss counterpart has released guidelines to help avoid and combat greenwashing (**FINMA Guidance 05/2021**). The Madrid-based International Organization of Securities Commissions urges its members to evaluate their laws and regulations. As a result, as the regime becomes more stringent, these restrictions become clearer, tougher, and more enforceable.

Limitations



This guide aims to help companies and their stakeholders better understand the phenomenon of greenwashing and to challenge their practices to better communicate their environmental impacts and mitigate the reputational, economic, and legal risks.

The steps outlined in this guide do not cover all possible scenarios in which a company might greenwash, but they can improve your awareness of the phenomenon.

The following information is given to help companies in dealing with aspects concerning greenwashing.

This is not a legal guide nor does it provide the path to compliance. The guide should be understood as a good practice and a pool of awareness pieces of information. By reading it you can better position your communication actions to be truthful and aligned with your internal initiatives.

CHAPTER 1

Diving *into* concerns *of* greenwashing

'Things are not always as they seem;
the first appearance deceives many;
the intelligence of few perceives what
has been carefully hidden'

Phaedrus

Have you ever thought about what the term ’greenwashing’ means?

The *Oxford English Dictionary* has defined greenwashing as *‘Disinformation disseminated by an organization, etc., to present an environmentally responsible public image; a public image of environmental responsibility promulgated by or for an organization, etc., but perceived as being unfounded or intentionally misleading’.*

In other words, greenwashing is when a company or product is misleading about its environmental credentials to win votes, improve its reputation, or increase sales to voters or consumers. Buzzwords such as **sustainable**, **biodegradable**, **environmentally friendly**, **eco-friendly**, and **organic** are usually used, which we generally associate with sustainability. These are common terms seen on the packaging and in advertising which in most cases do not have a clear message and do not reflect the reality of the product in question. Moreover, there is no single definition for these terms; therefore, companies must back up their claims with evidence, which can be problematic.

Today, greenwashing may be found everywhere, and the number of consumer goods and services claiming to be sustainable, environmentally friendly, or carbon-neutral has exploded. Therefore, a constant increase in the awareness that we need to start acting for the planet is needed.

A journey into the past

The term 'greenwashing' was used for the first time by college student and environmentalist Jay Westervelt in 1986. He describes an experience he had in Fiji in an article published three years later about the hospitality industry. In the article, he mentions that one of the hotels on the island asked the customers to reuse towels to „help them help the environment“ and reduce ecological damage. Westervelt was stuck with the note‘s irony – the resort claimed to be protecting the island‘s ecosystem while at the same time, it conducted an environmentally destructive construction project behind the scenes to expand its territory. As a witness to this fake, he later wrote in his paper ***‘It all comes out in the greenwash’***. A local magazine picked up the term and spread it in the broader media [1].

Since then, the environmental movement has grown, and the amount of greenwashing has expanded.

Nowadays, greenwashing is known, also as green sheen or as a play on the term of whitewash, which can be sprinkled over products and services with detailed data or claims that are difficult to prove wrong without substantial investigation.

Below are two examples of greenwashing disclosures that might be found in a company‘s practices.

Focus on the unfocused
(Manipulative disclosure)

Thinking about today's actions in 10 years' future, what is your picture?

Companies may not look great right now, but it is important to make an effort to get better. ESG regulation along with different metrics covers a wide broad set of factors that are going to make an impact in terms of sustainable development.

It is difficult for regulators to choose which metrics to disclose because, while more information is great, we do not want to burden companies and fund managers with all of these administrative disclosures, particularly given that the methodology and understanding all of these are still in their first phases.

Moreover, disseminating large amounts of environmental information can lead to a ***manipulative disclosure*** that is seen as a type of greenwashing used as a business strategy in their attempt of disguising poor environmental performance. This is consistent with existing studies or information showing that social responsibility initiatives or green certifications hurt stock prices.

Hence, companies focusing on disclosing environmental information that are not relevant use this to hide their real performances by boosting and exaggerating ratings.

An interesting issue to be addressed when disclosing is: **what do you do when you have all this extra information?**

So far, we have seen that there are several interpretations of what greenwashing represents.

The first misconception is about how we define greenwashing, thus in general, **you must describe what you do; nothing more and nothing less; you should not mislead or overestimate your sustainable activities**.

The most difficult part comes when you see exactly what you do and you do not have anything misleading in your communication. In that instance, the issue is: **'Are you actually sustainable in what you are doing? Have you established a high enough goal?'**

And these are the kinds of concerns that have been raised, notably through Europe's Sustainable Finance Disclosure Regulation (SFDRF).

Everyone takes a different approach, but does this mean that those who are rolling clearing are greenwashing?

Hiding the obvious

(Selective disclosure)

Sometimes, the decisions we made while carrying out our responsibilities could drive unexpected and overlooked consequences. Greenwashing does not have a simple solution; it requires transparency and education, as well as the search for facts to back any claims that could make the company look more sustainable.

An inappropriate practice for companies is the tendency to strategically disclose positive aspects of their environmental profile while avoiding any mention of the negative aspects (and even concealing practices with poor environmental performance) to project a positive environmental image. This practice is known as ***selective disclosure*** and it cannot usually be considered a direct form of greenwashing. This is a common problem in reporting initiatives and communications. Due to the incompleteness of the legal framework, companies choose to selectively disclose environmental information, but this can have multiple consequences [6].

To avoid any repercussions, we simply have to continue with our efforts to disclose correctly and for this, we require both discipline from those who report and communicate about sustainability, as well as empowerment for people who use these findings and communications to better understand the situation.

Are you at risk of greenwashing due to your ESG disclosures?

'Greenwashing is no longer a trivial offense. Those who sell their products as "ESG compliant" must ensure they're fulfilling that promise – and they can expect significant fines in the future if they don't. This is bad for them, and bad for their investors'.

RepRisk's chief executive Philipp Aeby

ESG has grown in popularity in recent years. More customers are keen to invest in sustainability, fund managers are creating sustainable solutions to meet that demand, and more companies are becoming people and earth friendly.

However, when we look at the data from the worldwide investor surveys, we can see that worries about greenwashing, a lack of uniform and standard terminology, and a lack of data remain the most significant barriers to individuals investing sustainably.

The worry about greenwashing comes when there is not enough transparency in data.

If we look at greenwashing as a corporate activity, the danger is capital misallocation, which implies that money meant for sustainable reasons is diverted to non-sustainable activities, leaving less money for activities that might help establish a more sustainable economic system. As a result, the economy stagnates and confidence in long-term investing falls.

When it comes to greenwashing at the investment product level, the risk is mis-selling.

It takes time and effort to see through greenwashing, especially in passive tracker funds, and this is a concern. We have all seen the major index trackers that are classified as ESG or sustainable, but when you crack open the hood and take a thorough look inside, you may find that the truth of these trackers isn‘t what was stated.

One major issue is the absence of common standards in an industry flooded with ESG ratings and rankings, many of which are self-reported.

The topic of concern for regulators throughout the world is how to address these challenges by increasing clarity and transparency; they are all working towards the same objective – ***to prevent greenwashing.*** Companies usually have their frameworks and measuring mechanisms, or they use extra-financial rating agencies.

There is a frequent disagreement among the many suppliers of those ESG scores. ESG scores are a good place to start, but you must go deeper to grasp what they reveal and do not reveal.

In the midst of this confusion, the framework established by the ***United Nations Sustainable Development Goals***, known as ***SDGs***, is a crucial tool for precisely measuring a fund‘s ESG impact.

The United Nations Sustainable Development Goals are comprised of 17 goals with a time horizon of 2030. The goals set the environment, social development, and the economy in context, with the primary premise being that these aspects are not mutually exclusive, but rather support and interconnect one another.

This is a powerful tool for investors because it is binary: as an investor, you either invest to fulfill the SDGs or you work against them, which means you work to further destabilize the system we live in on social, environmental, and economic levels.

Setting achievable goals & targets and showing the true impact by communicating the *'progress against the targets'*, disclosures based on ESG and Sustainability metrics is a real step in avoiding reputational risks associated with greenwashing.

Can emerging technology put an end to greenwashing?

Technology has the potential to catalyze the existing information maze. This means that having more publicly available data can aid in determining the effect of existing ESG portfolios. ESG firms and funds are being tracked and evaluated using new technologies. Data technology is making it simpler for businesses to obtain information, and it also intends to assist investors and sectors in meeting their UN Sustainable Development Goals. Investors throughout the market are always inquiring about fund managers' ESG investments, compliance, and reporting practices. Another important step toward positive change is to seek out and invest in harder-to-find prospects. The knowledge and information required to avoid greenwashing are expanding, particularly for investors prepared to look under the surface.

The different shades of Greenwashing

'The future will either be green or not at all'

Bob Brown

Greenwashing can be presented in multiple forms. Based on a practical case described by Lyon and Maxwell (2011), greenwashing can be classified in:

- ***Behavioral-claim greenwashing*** – a discrepancy between environmental claims and environmental behavior;
- ***Motive greenwashing*** – a discrepancy between communicated and real reasons for an environmentally friendly appearance;

Concerning greenwashing can distinguish behavioral claims between organizations that told the truth, those that told half-lies, and those that lied.

The motive of greenwashing across organizations can be divided as follows:

- Organizations that acted green on their initiative;
- Organizations that took credit for complying with legal and environmental obligations;

The two variables (behavioral claim greenwashing and motive greenwashing) can be categorized into various *signs* [7].

What could be the outputs of your communication which might go wrong?

There are multiple examples of greenwashing. Each type, for the most part, falls into eight categories as listed below:

1

The symptom of Clickbait

This sign is defined as false environmental claims. It considers a straight-up fraud based entirely of misleads and lies. Under this sign, the companies use incorrect information in their messages and advertising materials.

Example: Companies label their products as certified organics, 100% recyclable, but in reality, they are not. In terms of misleading, companies may even go to the extent of making their certifications and self-declaring themselves as a sustainable business.

2

No proof

This sign is defined as the absence of significant information regarding product manufacturing. It happens when companies make completely unsupported or unsubstantiated claims about environmental performance and involve putting fake claims on their labels carrying no proof.

Example: Personal care products that claim that contain no bio-plastic yet are being sold in plastic bottles.

3 Lack of focus

You can fall into making claims or communicating targets for your company without specific information about how the organization will act strategically and/or achieve targets. Usually, businesses use terminology such as "green" to make their products sound good in the market and do not have a direct link with the product. Such claims need to be verified.

Example: Many companies use words such as 'environment friendly,' 'non-toxic,' 'sustainable,' 'biodegradable,' and 'eco-friendly,' which is vague as many factors must be considered to categorize a product as eco-friendly.

4 Irrelevant Claims

This sort of greenwashing includes corporations making false claims in their marketing and labeling while providing no evidence. When questioned, these assertions cannot be validated, and the firms would not verify them either. The companies facing this category of greenwashing may try different schemes to cover such claims. A standard method is companies ending up saying that nothing can be shared due to trade secrets. In other situations, they may commit fraud by making their certification program a certified label for their products.

Example: CFC Free certificates. The most common example of an irrelevant claim is chlorofluorocarbons (CFCs), a major cause of ozone depletion. Since CFCs have been officially prohibited for over 30 years, no items contain them. CFC-free pesticides, lubricants, and disinfectants were examples of such goods.

5

Lesser of two evils

This type of greenwashing is described as distracting customers from the real severe consequences of a product by using possibly valid claims. The companies claim that their methods are better than others, but they are still incredibly damaging to nature.

Example: The palm oil industry has always claimed that they are a lesser evil and that palm oil has a higher yield and is more energy dense than other oil crops. Meanwhile, palm oil production is one of the worst drivers of deforestation and biodiversity loss globally.

6

The Red Herring

This greenwashing is the most disturbing as companies use it to showcase their products as eco-friendly. In reality, just a tiny component of the product is eco-friendly, and the main product is destructive to the environment. The companies capitalize on the complete product by utilizing that small eco-friendly component. A different scenario is when companies use only eco-friendly packaging while the development is not sustainable. As such, by using environmentally friendly packaging, e.g., recyclable cardboard, the companies whitewash the fact that the product itself is not eco-friendly.

Example: Organic cigarettes with recycled boxes (are still extremely bad for the environment).

7

False labeling

This type of greenwashing describes when a company falsifies a certification or labeling to mislead customers.

Example: Claiming a brand, product or commodity is green based on unreliable, ineffective endorsements or eco-labels such as using certificates which has no specific proof (e.g. RSPO, Forest Stewardship Council - FSC or FairTrade).

8

Bait and switch

This greenwashing happens when companies manufacture small eco-friendly items to attract the attention of customers. After the first bait, clients are shown the rest of the product line, which is comprised of non-environmentally friendly items. Furthermore, the single eco-friendly product is priced higher in order to persuade people to switch to non-eco-friendly alternatives.

Example: A toilet paper producer sells a recycled paper product that is overpriced but still makes the company appear good. Customers may believe that all of their items are eco-friendly or that the company has strong ideals; nevertheless, this does not represent the company's reality [9].

How can my results impact my organization?

'As long as you're green, you're growing. As soon as you're ripe, you start to rot'.

Ray Kroc

Greenwashing might sound inoffensive, but the reality is far worse. One of the most decisive elements contributing to the success of an organization is how closely ethical values are deep into the organization's culture. In the long run, an honest firm builds loyalty and trust among its customers. However, even the largest corporates overlook these moral values by indulging in more extraordinary profiteering through greenwashing activities. The awareness of the drawbacks of greenwashing will help the consumers to make an informed decision in favor of genuine green products. It will also help the companies by educating them on how greenwashing activities negatively impact their brand image and loyalty, eventually decreasing revenues and market share.

From a corporate perspective, greenwashing can negatively impact the business by:

1 Tarnishing a brand's image

As an example, consider a customer who intends to make an environmentally friendly option and selects a product that makes an environmental declaration. Regardless, it was eventually determined that the product was not as ecologically beneficial as advertised. In this instance, the consumer would believe that the corporation has lied to them. Aside from avoiding the firm in the future, the consumer is likely to submit bad evaluations on online shopping platforms and share his stories of unpleasant customer experiences with other customers via social media or other sources of information. This circumstance might also lead to a drop in sales if customers go so far as to boycott a firm, they believe is fake. The negative effect greenwashing has on the brand‘s image should be severe enough for every business to consider the content and quality of their marketing mindfully.

2 Losing consumer trust

Because of the loss of customer trust, sustainable companies must invest considerably more effort in communicating precision, accuracy, and good environmental activities in order to separate themselves from greenwashing competition. The loss of customer trust impacts not just the brand caught greenwashing, but also other brands involved in similar activities.

3 Legal risks

In a worst-case scenario, misleading environmental claims can cause a company to be sued for the damages caused. Some businesses handle these sorts of disputes behind closed doors. However, this is not always a viable solution. Litigation is costly, and even if the court‘s decision results in an acquittal, suing in the first-place signals that the company is not afraid to take legal risks.

4 Losing business partners

Investors are more aware of greenwashing and want environmental transparency. When it comes to making difficult choices, all approaches are dangerous from the perspective of a possible partner. Banks, insurers, investors, and other firms with which a company may partner cannot distinguish if the greenwashing that occurred in a company was due to a lack of awareness of the seriousness of the situation or to malicious intent.

Before signing substantial partnership contracts, investing in a company, or obtaining a quote for insurance or business finance, businesses, investors, insurance firms, and banks will conduct due diligence on the company‘s past.

5 Losing money

Greenwashing can cause consumers to reject a product or brand, resulting in economic loss. Moreover, pulling an advertisement or a marketing campaign that results in greenwashing will make the company lose more money than it spent creating the advertising or the campaign. Furthermore, if the legal risks materialize, financial losses would arise from litigation expenses and potential penalty or damages payments.

6 Impact on innovation and healthy competition

A business starts a competition in an industry where competitors advise on their environmentally friendly practices. It needs to make at least the same marketing effort to be competitive. Fortunately, this appears to be improving, with more and more organizations making major efforts to enhance their ESG effects rather than focusing on their positive ones.

Rather than investing resources to create something eco-friendly, we may employ the same resources to accomplish meaningful and long-term innovative achievements in terms of environmental impact.

7 Adverse environmental impact

Consumers want to make environmentally conscious choices, and as a result, it is simple to select a product that claims to be „sustainable." However, loosely applied sustainability affirmations can lead consumers to choose less sustainable outcomes over more sustainable products with less pronounced marketing, resulting in unintended negative environmental impacts as a result of greenwashing.

8 Green hushing

Some companies have a legitimate positive impact out of specific green initiatives. But they are silent and cautious, being worried that a potential external communication could be categorized as exaggerated and even greenwashing. Managing green hushing is highly challenging. Raising awareness and educating customers about environmentally friendly company practices and production patterns may have a good real-world impact [5].

Green-marketing vs Greenwashing

Green marketing nowadays is a way for businesses to leverage their environmental and social practices to address key aspects of sustainability that are becoming increasingly important for consumers. The perspective of investors and consumers has changed dramatically today due to concerning aspects regarding Global Warming and the impact corporations and other businesses have on the environment. Many companies have pledged to reach net zero emissions to hold global warming to 1.5° Celsius. However, the efforts made by some companies to improve their environmental and social impact are many times overshadowed by the increasing practice of "greenwashing". Greenwashing or false advertising of green products or green practices that are unfounded or loosely based on some environmentally friendly practices, implies also forgetting the big picture of what it means to be a sustainable company. The temptation for companies to use greenwashing is in part due to financial gains. Many companies struggle to be relevant in these changing and challenging times and it is known that the cost of becoming sustainable and having net zero emissions is very high.

This can divide greenwashing companies into two categories:

1 ***Companies that partly invest and have sustainability targets.***

These companies are making an effort to become sustainable, but the financial costs of this change are high. They are lagging behind their competition and to stay relevant to their consumers and also profitable, they employ greenwashing tactics.

2 ***Companies that piggyback on the green-consumerism trend.***

These companies try to cash in quickly on the green trend by deceiving consumers with their so-called green products. The impact greenwashing companies have on environmentally friendly companies is very high because they cynically exploit the gap between public perception and scientific facts, referred to as the 'consensus gap'.

LIST HERE WHAT YOU WANT *TO AVOID* IN THE FUTURE

create sustainable value

CHAPTER 2

Practical steps *to* avoid greenwashing

'A checklist cannot fly a plane. Instead, they provide reminders of only the most critical and important steps'

Atul Gawande

Ask yourself these questions and then try to find the answers and solutions to them. Do this by being real, telling the truth, and challenging yourself. And then act in a truthful manner when communicating.

Are you aware?

The following list of questions might provide a good way to identify potential risks posed to your organization concerning greenwashing. However, these questions do not replace the need to conduct a full analysis of your products or services using science-based methods.

You can integrate into your risk management process the avoidance of greenwash, setting up checking criteria for all disclosures that you want to release.

Are you misrepresenting results and giving incomplete evidence?

A tactic used by companies and also by scientific researchers is to misrepresent data and deflect arguments by cherry-picking certain results, thus creating a deceptive image. A good way to avoid this trap is to be transparent with your findings and present a way to improve the areas you lagging. Even minor aspects that you might think are not important to your stakeholders, might turn out to be significant in the big picture [2].

Are you using images that misrepresent the reality of your initiatives?

Images are a powerful tool and many times misusing them can be very devastating to your company's reputation. And while it is easy to use high-quality stock images, these pictures might be used by someone else to communicate a different message than yours. It is best to use your images to portray the emotion you are expressing as well as your efforts and results of company initiatives.

Colors, Colors, how are you using them?

Green, Pink, Rainbow and Brown colors all have a deep meaning, and that is why some companies try to attract socially and environmentally conscious customers through color-washing techniques.

Color-washing will not only affect the customers but it will generate a negative impact on the whole industry, be it economically, environmentally, or socially.

Try to integrate into communication messages your corporate brand colors. This could be the most authentic release of communication messages without misleading your audience.

Is your message backed by an environmental achievement?

Many companies feel the need to show their public, ways how they are making a significant positive environmental impact. And while these claims might bring a positive reaction from their stakeholders in the short term, the chances that people will see the exaggerated words are high. Therefore, you will risk financial and reputation losses if the claims are not based on key indicators like resource allocation, scientifically proven methods and magnitude of results.

"One minute of patience, ten years of peace", meaning that developing a trustworthy message can take time and resources, but in the end bring a positive image to your organization.

Will those environmental issues be meaningful for your core business?

We live in an age of chatter and distraction where everything is a challenge for the ears and eyes. Relate the issue to your business and managing it; is a way to demonstrate that you are striving toward a sustainable business model and not creating a distraction from the environmental issues that your company might be facing.

Did you spend more money on communication and marketing than actual environmental and social initiatives?

Corporate Social Responsibility (CSR) and advertising are strategic components of many organizations. If a claim about the environmental or social benefits of a product or service is unsubstantiated or misleading, this practice is known as greenwashing. Investing considerable resources into the initiative and having a significant environmental and social impact shows you are determined to follow a sustainable path [7].

Investing more in marketing and communication than investing in improving your environmental and social performances is not a healthy business approach.

Have you reached the proposed targets ?

Achieving a proposed target might have a bigger impact because it shows you can deliver tangible results. Saying that an initiative or goal can have a positive effect in the future might be a sign of greenwash in comparison to reaching the set goals and showing the real results. Communicating the steps, you are taking towards reaching the proposed goals can have a positive impact.

Do you have a dedicated team that covers all company functions for environmental and social initiatives ?

When working on an initiative that can have an impact on your company from an environmental, reputational, social, and economic standpoint it is important to collaborate with various departments and functions. Having a dedicated team for these initiatives can bring to light certain aspects not foreseen by a singular function. Risk assessment is very important when communicating externally.

Are other activities in your company in line with the message that you release ?

Assess your products or services, your purchasing procedures, and your public positions. Hold off on these messages or determine if the other actions may be altered to be consistent with your claim if any of them contradict your message. The message might be interpreted as greenwash if the company‘s political activity or other goods do not match the promise.

Have you involved stakeholders and taken their feedback into account ?

Stakeholders might contribute viewpoints that you may not have considered. They may not only assist make the effort more effective, but they can also teach you how to communicate effectively. These talks might take the shape of group gatherings or one-on-one encounters.

Can your demand be supported by a credible third party ?

Consider finding a reliable group to provide comments. Having a third party analyze your claim might assist in identifying indicators of greenwash that were previously ignored. A reliable source can also offer guidance to guarantee that the project is as effective as it claims.

Are you sending the right message ?

When sending a message about an initiative regarding the way your company is improving in reaching its sustainability goals, make sure the message is clear and easy to understand by most parties. If you have data backing up your claim, try presenting it in such a way that it is easy for most people to understand the results.

Do people think your company is trustworthy?

Otherwise, be careful. Even if you have a great initiative, people may immediately suspect it is greenwashing, and convincing them otherwise will take time and effort. Companies with a reputation for environmental stewardship have less to justify.

Do you have data to back up your claim?

Try to implement techniques for measuring effect, or check if you can back up your claim with actual evidence. A lack of statistics does not necessarily imply that your program is fraudulent, but it does make properly communicating its effects difficult. When your endeavor is called into question, data might aid to back up your argument. Data may also be used to compare performance to targets and offer a foundation for future progress. Data, on the other hand, should not be massaged to seem better than it is.

Do you convey your understanding of the big picture?

When describing a product or service, companies often highlight a single attribute („the lightest“), but the environment is an integrated system, and focusing on one attribute („energy efficient“) can lead the viewer to question others („What about the production process? What about the waste? What consumer behavior does this encourage?“). Overemphasizing one attribute could lead to skepticism about the other attributes.

Is the message honest and not self-glorifying?

In any circumstance, but especially in this one, bragging is a turn-off. The sustainability of our world is a huge problem, and taking too much credit might make you appear unconcerned about the seriousness of the situation.

Focus on knowledge with optimism

The following are some examples of how companies can reduce the risk of greenwashing.

Deep diving into specific subjects of your business

Materiality Analysis

A materiality analysis is a method to identify and prioritize the issues that are most important to an organization and its stakeholders.

Materiality assessment is a way for companies or organizations to analyze the economic, social, and environmental subjects that are relevant to decision-makers and stakeholders. The lists of subjects coming from these domains are prioritized and integrated to assess which areas are the most relevant.

It is very useful because it is a way to engage stakeholders while assuring quantitative and qualitative feedback is being integrated into the materiality analysis. It helps with setting boundaries of corporate responsibility and at the same time giving it a manageable dimension.

Contextual analysis

So why is this important? The reason such an analysis is important in greenwashing prevention is that it builds a framework for identifying, sorting, interpreting, and consolidating data to understand the work context for a product or initiative which will be designed in the future.

This step is important because it allows organizations better understand environmental, socio-cultural, economic, political, legal, technological, and geographic risks that can affect them or enable them to take better decisions on how they send a message to their stakeholders or present a new product.

Share evidence of your sustainability strategy and programs

It is often easier for investors and consumers to monitor famous companies than small businesses. You can easily find out what big companies are doing to source sustainable materials and reduce emissions in production, but you cannot so easily find out what small shop owners are doing. Are they sourcing their materials responsibly? Do they avoid waste in production and shipping?

Cross-functional meetings and interactive internal communication (between managers and members of the sustainability, product strategy, communications, sales, and other teams) may generate enthusiasm and align departments on sustainability concerns. Departmental alignment may assist businesses to prevent greenwashing, which occurs when one group communicates differently than another.

Get the help of sustainability specialists

A strong partnership with sustainability specialists can raise industry standards, facilitate a collaborative approach and establish participating companies as a driving force in improving practices. Through this collaboration, companies can establish communication guidelines to avoid greenwashing.

Building relationships for better results

Businesses should engage in open dialogue with NGOs and higher education institutions to gain a broader understanding of the issues - and subsequently stronger and more sustained environmental communication. Non-governmental organizations and educational institutions deal with these issues in depth, and with such partnerships, your communication strategies gain more weight.

Start small then build upon your achievements

Do not overdo it with your achievements, because that can lead to NGOs, journalists, and cynical interest groups targeting you.

Seeing the big picture

It is normal to address problems locally and directly; however certain challenges need a different approach. One major issue is climate change, which is driven by massive market failures. Most experts think that the most significant response to climate change is the creation of national policies in conjunction with a strong international treaty. It may be useful to make a concrete commitment to lower your emissions while doing so. However, when it comes to what you do to stop climate change, the message should also include a **political commitment, goals, targets and a clear roadmap of how you will achieve what you committed**.

Consider the changes in consumer behavior

We live in a world where information travels fast. It shouldn't be a novelty that everyone checks the labels of a product, the sustainability reports of a company, and the scandals involving corporate entities.

The world is changing and so is the consumer's view, who looks for eco-friendly products, sustainable companies to invest in, and a way to tax companies who are not doing the best for the environment.

It is a big challenge that requires taking action against risks posed to the environment since consumers pay more attention to these factors and are against the practice of greenwashing.

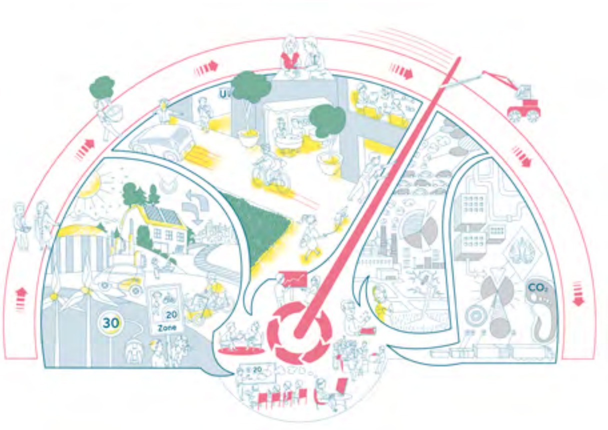
LIST HERE WHAT YOU WANT *TO IMPROVE* IN THE FUTURE

CHAPTER 3

A helping hand *for your* greenwashing assessment

'Practice makes perfect, and you will learn and find solutions in ways you never imagined possible'

Jo Bradford



The following tools can help your organization identify how sustainable your products or services are. Backing up your message with scientifically proven methods can tell your stakeholders you are taking the necessary steps to prove your products and business are made in a sustainable fashion. Transparency while doing such an assessment is paramount.

One method is not enough, but used together can make a greater impact.

Lifecycle assessment (LCA)

An LCA identifies the total environmental impact a product causes directly and indirectly throughout its life cycle, expressing it in categories such as eutrophication potential and photochemical oxidant formation potential. An LCA goes beyond the carbon footprint and can help you better understand the environmental impact of your specific product, from the global to the local level. Based on an LCA, you can develop an environmental product declaration to communicate the results in a structured format. The LCA results could also be used as input towards defining the best sustainability strategy which could better work out in improving your operational performances and mitigate resource consumption with very good environmental and economic benefits [3].

Benefits:

- This type of assessment provides stakeholders with credible data to back their sustainable claims;
- It can offer a great insight into the best methods for product innovation and sustainable product design;
- It will build a path to forge stronger ties with your suppliers and partners;
- It will add value to your Sustainability Strategy;
- It can enhance your company's image and give you a competitive advantage.

Greenhouse Gas Protocol (GHGP)

Decarbonization is gaining increasing attention in the business community, which we can see in the number of climate strategy projects being implemented across Europe. To communicate climate goals and achievements clearly and credible, a thorough understanding of climate change-related language is crucial.

Why is this important? There is a growing body of news exposing companies making false CO_2 neutrality claims and advertising with the term „climate neutral". As their actions are based on compen-

sation inventories, this advertising has been classified as misleading by the German Competition Authority. To prevent greenwashing and ensure the correct use of claims, we need to take a closer look at common terms and definitions.

Carbon neutral, climate neutral, GHG neutral, or net zero - these are some of the most commonly used and unfortunately misused terms. Although they sound very similar at first glance, they describe different states of affairs when it comes to reducing the carbon footprint of companies. For example, „carbon neutrality" is often equated with „net zero" or „climate neutrality", although they are fundamentally different terms.

To call itself „carbon neutral", it is sufficient for a company to offset CO_2 emissions through carbon offsets without having to reduce its emissions. The „net zero" state according to SBTi first requires deep decarbonization within Scopes 1, 2, and 3 (where relevant) within the company by about 90% before the remaining GHG emissions (according to the UNFCCC/Kyoto Protocol) can be neutralized. This is only a first insight into the different terminologies.

Benefits:

- A way for companies to assess how their product or service will change emissions in the real world;
- It improves consistency, transparency, and understandability of reported information;
- It enables you to improve your company's image and reputation;
- Can uncover risks and opportunities while tracking and benchmarking your progress.

Task Force on Climate-Related Financial Disclosures (TCFD)

TCFD, or Task Force on Climate-related Financial Disclosures, is an organization created by the Financial Stability Board (FSB) that addresses key issues regarding climate change and the significant financial risks that they pose to the global economy. It is estimated that the risk posed sums trillions of dollars in losses.

TCFD gives organizations an important guidance framework on how to disclose climate-related risks and economic risks to their stakeholders. The main areas TCFD is focused, are on **governance**, **risk management**, **strategy**, **metrics**, and **targets**.

Benefits:

- Can be adopted by all organizations;
- It can be included in financial filings;
- Better understanding of the climate risks and financial impacts. Should be part of the company risk management process;
- It is designed to request decisions and forward-looking information regarding financial impacts;
- It is focused on opportunities and risks concerning transitioning to a lower-carbon economy.

Carbon Disclosure Project (CDP)

The Carbon Disclosure Protocol is a non-profit charity that helps investors, companies, states, cities, and regions disclose their environmental impacts worldwide.

CDP focuses on **transparency**, **accountability** and **transformation**. This in other words is a good way for companies to have their data-driven decision-making at their core business, be it positive or negative, and thus tell the whole accountability story.

Benefits:

- The CDP helps companies and organizations benchmark, measure, and manage their environmental impact;
- It helps companies increase their operational efficiency and lower their costs;
- It helps organizations and their stakeholders achieve transparency in their reporting;
- The data gathered from these disclosures can help the executive management better plan and implement initiatives to combat the environmental impact;
- The CDP reporting and rating gives a clear overview for companies from B2C about the sustainability management in the companies (B2B) from their supply chain;
- The CDP reporting and rating gives insights to investors about the sustainability performances of a company.

Green Certification - BREEAM, LEED, DGNB

BREEAM, LEED, and DGNB certifications represent a set of rating systems and tools used to assess the environmental impacts and sustainability of construction projects and buildings. They help better improve the overall quality of buildings and infrastructures and achieve sustainability by integrating LCA (lifecycle assessment).

Benefits:

- Such certifications will help improve your building performance and minimize the environmental impact;
- It provides a set of standards and benchmarks that assess constructions objectively;
- It brings to light new sustainable designs and construction principles throughout the building lifecycle.

Science Based Target initiative (SBTi)

A science-based method of checking emission reduction targets can be a helping hand for investors to identify companies with credible transition plans.

Such a tool helps companies and financial institutions set net-zero targets and make progress towards them, based on the best available science data.

Benefits:

- The SBTi certification is the first of its kind and in line with the Paris Agreement;
- It brings a set of guidelines and tools that help companies reach net-zero emissions by 2050;
- The SBTi standard can give companies a way to ensure future-proof growth, and resilience against regulation, boost investors' stakeholders' confidence and lay the ground for innovation and competitiveness.

Environmental, Social, and Governance (ESG)

What is ESG? We all hear it, Environment, Social, and Governance. Together, these three aspects form a framework. The three core pillars are people, process, and product. In other words, it is a set of criteria that investors are taking into consideration while searching for companies that are ‘socially responsible` or `sustainable`. But it’s not just that, it is also a way to ascertain risks regarding products and services. Each ESG factor represents an important role and can be used to evaluate how companies are managing their sustainability performance and impact.

Benefits:

- It allows companies to evaluate their business sustainability performance;
- Measuring the financial stability in the market;
- ESG can reduce costs in the long run, such as operating expenses;
- It can attract and retain quality employees;
- Can attract consumers for future growth.

Social return on investment (SROI)

SROI is a methodology used for measurement and monetary valuation of the broad concept of value creation. It has the aim of identifying the real impacts of a project or initiative by calculating and comprehending an organization‘s potential financial effect. SROI is based on the same reasoning as cost-benefit analysis, with the exception that it‘s intended to gauge the similar responsibility and worth of businesses whose outcomes aren‘t always easily quantified in monetary terms. Despite the challenges which the monetization of natural and social capital may pose, broadening the range of metrics and communicating values in financial terms facilitate the consideration of these impacts by decision-makers.

Benefits:

- Builds a complete picture of the impacts of the projects – activities and direct results;
- Financial measurement of impacts;
- Enhances the image of the company;
- Improves opportunities for attracting partners and fundings;

- Generates positive impacts of planned and to-be-implemented initiatives.

Natural Capital Protocol

The Natural Capital Protocol, launched in 2016, provides a standardized guidance for assessing the monetary value of impacts on the world's stock of natural resources. It is supplemented by the Social Capital Protocol, which provides a framework for further including business impacts on people beyond purely financial returns - for shareholders, for other businesses, and for society at large. These external impacts are referred to as natural and social capital. The Protocol is a framework for generating trusted, credible, and actionable information for informing business decisions. They are the result of the collective work of the Natural Capital Coalition and the World Business Council for Sustainable Development - together offering a common table for discussion between academia, NGOs, and over 200 business organizations, with multiple global leaders in their respective sectors.

Benefits:

- It enables you to quantify, evaluate, and integrate the impacts of natural capital into existing business processes such as risk mitigation, sourcing, supply chain management, and product creation;
- The value created by the company for society may be presented to stakeholders in a general framework that includes all material aspects.
- Trade-offs between impacts can be quantified and managed toward optimizing shared value creation.
- Important non-monetary considerations can be integrated into financial analyses;
- It is relevant to any business sector to organizations of all sizes and in all operational geographies;
- It is applicable at multiple organizational levels and scopes;
- Provides information for business decisions that will assist in defining and carrying out your strategy, which may then flow into external transparency and stakeholder involvement.

Building your trust and key takes for your journey

Reaching sustainability is not easy, and combating greenwash is not easy, but every journey has a start. Nowadays humanity has realized the importance of addressing these issues and is looking for ways of keeping our planet safe from any dangers, especially those created by human beings. Thus, keeping up with the changing tide requires perseverance, strength, and patience. The future is today and if you are not taking a wide look at your organization and its way of doing business, you can be left behind.

We encourage you to take another look at the questions posed in this guide and then focus on how to combat each of them while seeing the big picture.

It's not easy we know, but acting now will bring fulfillment later.

LIST HERE WHAT *INITIATIVES* WILL HELP YOU DRIVE A BETTER COMMUNICATION

Conclusion

'There are many still undefined pieces in the sustainability field. Thus, new definitions and regulations will likely be introduced in the near future. Having a critical thinking and regularly challenging the vague claims may benefit you more in the long run than memorizing the current categorizations and theories on greenwashing.

This is not a guide that attempts to cover every possible situation of greenwashing; rather, it is a synthesis of important ideas, suggestions, and questions to bear in mind whenever you come across potentially deceptive rhetoric. Whether you are a consumer or a professional working inside an organization, you now have the resources to assess the messages you encounter, create, and promote them with a more critical awareness'.

Miruna-Elena Iliescu, PhD
Associate Lecturer at the National University of Political Studies and Public Administration

Glossary

EU – European Union

FINMA – Swiss Financial Market Supervisory Authority

ESG – Environmental Social and Governance

SBTi – Science Based Targets initiative

CDP – Carbon Disclosure Protocol

CSR – Corporate Social Responsibility

TCFD – Task Force on Climate-related Financial Disclosures

FSB – Financial Stability Board

SFDRF – Sustainable Finance Disclosure Regulation

LEED – Leadership in Energy and Environmental Design

DGNB – German Sustainable Building Council

LCA – lifecycle assessment

GHG Protocol – Greenhouse Gas Protocol

NGO – Non-governmental organization

Whitewash – is the act of glossing over or covering up vices, crimes or scandals

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