



# ESG and Greenwashing

**Risk Advisory**  
**Sustainability & Climate**

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## What is it?

Most of us are familiar with the concept of Greenwashing – the term used to describe the practice by which companies **overstate, misrepresent** about their ESG performance. Greenwashing is usually associated with products and services in the real economy, and the last few years has seen a spike in greenwashing accusations across industries and regions.

### LABEL TRAPS



## GREENWASHING IS BACK IN THE NEWS

Greenwashing is the practice used by companies and organizations to make themselves **appear environmentally responsible without actually taking substantial actions**. It involves clever **marketing** and **superficial gestures** that create the illusion of sustainability, deceiving consumers and undermining genuine environmental progress. We must critically examine the motives and authenticity behind the **"green" labels** we encounter to ensure we are not falling prey to greenwashing tactics.

### AND SOME STATISTICS ACCORDING EU

**53%**

of green claims contain misleading or unfounded information

**40%**

of environmental claims have no supporting evidence

**1 / 2**

of all green labels offer weak or non-existent verification

**230**

230 sustainability labels and 100 green energy labels in the EU, with vastly different levels of transparency

Regulators across the planet are starting to act to combat greenwashing

# Cases per industry

Greenwashing is seen in all type of industries, globally.



## **Banks and Financial Institutions**

Promoting ESG financial products while continuing to fund fossil fuel projects



## **Food & beverage companies**

Falsely claiming that product packaging is fully or partially recyclable



## **Fast fashion**

Incorrectly guaranteeing that a specific product is made with sustainable materials



## **Oil & gas Companies**

Promoting the investment in renewable energy projects when most of the revenue still derives from fossil fuels



## **Airline companies**

Making misleading and unverifiable carbon footprint claims



## **Manufacturing companies**

Falsely claiming that a product was less polluting that it is

# Green Claims Directive

The purpose of the “Green Claims Directive” by the European Commission is to oblige Member States to enact legislations at domestic level, to ensure that traders that make environmental claims do so in a substantiated and accurate manner.

## MEASURES

To ensure consumers receive reliable, comparable and verifiable environmental information on products:

- **clear criteria** on how companies should prove their environmental claims and labels
- **requirements for these claims and labels** to be checked by an independent and accredited verifier and
- **new rules** on governance of environmental labelling schemes to ensure they are solid, transparent and reliable

## OBJECTIVES

- Increase the level of **environmental protection** and contribute to accelerating the green transition towards a circular, clean and climate neutral economy in the EU;
- **Protect** consumers and companies from greenwashing
- Enable consumers to make **informed purchasing decisions** so they contribute to the green transition.
- Improve the **legal certainty** as regards environmental claims and the level playing fields on the internal market.
- Boost the competitiveness of economic operators that make efforts to increase the **environmental sustainability** of their products.
- Create **cost saving opportunities** for operators that are trading across borders.

## ACTIONS

Operators will have to:

- Identify if a claim is about part or the whole of a product.
- Rely on scientific evidence and accurate information.
- Consider all environmental aspects relevant to the environmental impact assessment.
- Demonstrate the significance of impacts, aspects and performance from a life-cycle perspective.
- Provide information on whether the product performs environmentally significantly better than what is common practice.
- Report GHG emissions in a transparent manner.
- Include accurate primary and secondary information.

# Green Claims Directive

## WHEN

MARCH  
2022

Commission adopts proposal for a Directive on Empowering Consumers for the Green Transition

*The proposal aims to ensure consumers get adequate information on products' durability and reparability before purchasing a product. It will strengthen consumer protection against untrustworthy or false environmental claims.*

MARCH  
2023

Commission adopts proposal for a Directive on green claims

*The proposal requires companies to substantiate claims they make about environmental aspects or performance of their products and organisations using robust, science based and verifiable methods.*

## RELEVANT POLICIES & Link to the ESG PERSPECTIVE



# Leadership Responsibilities in the ESG Journey

## How to avoid it?

It is a common misconception that greenwashing is solely a marketing issue. Although a significant portion of greenwashing occurs in the way marketers promote a product, greenwashing can take place anytime a manufacturer presents itself to job seekers, potential partners and investors. Transparency is the best way to fight greenwashing, and everyone should play a part in ensuring that this does not occur.

### Factors to Consider

- Make clear what sustainability benefits the product or service offers;
- Substantiate your sustainability claims with facts, and keep them up to date;
- Comparisons with other products, services, or companies must be fair;
- Be honest and specific about your company's efforts with regard to sustainability; and
- Make sure that visual claims and labels are useful to consumers, and not confusing



## Executives

- Foster and allocate resources to enhance sustainability practices and tools within the supply chain.
- Establish close collaboration with supply chain managers to actively support their efforts.
- Advocate for transparency throughout the entire organization.
- Provide guidance on identifying the most relevant key performance indicators (KPIs) for investors.



## Supply Chain Managers

- Employ surveys and media monitoring to gather comprehensive data on the supply chain.
- Conduct thorough due diligence to ensure suppliers are free from environmental, social, and governance (ESG) risks such as slavery and corruption.
- Provide guidance to marketers on claims that can be supported with evidence.
- Develop disclosures related to ESG factors and product composition.



## Product Marketers

- Craft targeted messaging based on data analysis to effectively connect with the intended audience.
- Ensure that the messaging aligns with established best practices for green marketing.
- Identify relevant third-party certifications that have been validated to enhance the product's appeal and credibility.

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