

PODCAST 1

GREENWASHING: REDUCING THE RISK OF MISLEADING ENVIRONMENTAL CLAIMS



Today we will look at a threat that is increasingly looming over corporations - greenwashing. This is a phenomenon that is becoming an increasingly pressing problem in the world of sustainable development. Stay with us as we expand on the risk of greenwashing in the context of ESG, present some examples and discuss what solutions can help minimize this risk.

BUT BEFORE WE GO ANY FURTHER, WHAT EXACTLY IS GREENWASHING?

Greenwashing is the practice in which organizations make false or misleading claims about the environmental benefits of their products, services or business practices. This is a type of deceptive marketing that is designed to make a company appear greener than it actually is.



WHY IS THIS A RISK?



Recently, due to society's growing interest in sustainable development, consumers and investors have been paying attention to company practices. Greenwashing is becoming a problem because we want to support companies' real commitment to sustainability, not just marketing tricks. This also applies to the practices of the tourism sector, where customers pay particular attention to eco-solutions, sustainable development and nature protection issues.

Companies may feel compelled to engage in ESG greenwashing for several reasons. Some people see the increased focus of individuals on environmentally friendly products and services as an opportunity to increase sales, especially if their competitors have already targeted this group. Others exaggerate their environmental impact in order to be perceived as responsible and sustainable, especially companies operating in industries perceived as harmful to the environment, such as the oil and gas industry. Finally, companies could greenwash to avoid regulation. Governments around the world are increasingly enacting laws and regulations to reduce environmental pollution. By making green claims, companies can give the impression that they are already taking steps to protect the environment and avoid the need for further regulation.

HOW TO RECOGNIZE THE PHENOMENON?



When engaging in ESG compliance and reputational risk management, internal auditors must understand what this practice looks like in the real world. In the corporate environment, ESG greenwashing goals can be subtle and difficult to detect. For example, a large corporation may claim to reduce its carbon footprint by 30% over the next two years, and then report that the corporate headquarters' carbon footprint has been reduced by 33%. Despite the broad focus, the results are narrowly defined, intended to mislead the general reader. In this case, the company could implement a work-from-home policy to reduce headquarters use and shift carbon emissions only to employees' homes.

How can we minimize the risks associated with greenwashing?

- 1. Setting clear sustainability goals:** One of the first steps in minimizing the risk of greenwashing is to establish clear and measurable sustainability goals. These goals should be developed in collaboration with stakeholders such as employees, customers and suppliers. It is crucial that they are visible and measurable, which helps avoid accusations of "eco-shame".
- 2. Clear ecological criteria:** It is also important to define clear criteria regarding environmental performance. Companies should clearly define what they mean by terms such as "sustainable" and "environmentally friendly". This avoids ambiguity and manipulation.
- 3. Confirmation of statements with data:** Supporting sustainability claims with complete and accurate data is a key element. Reliable information is as important as financial information, and providing it requires planning and monitoring systems.
- 4. Verification:** To build trust, it's a good idea to have your claims independently verified. Third-party reviewers or certification bodies check the company's claims to confirm their accuracy and reliability.
- 5. Control processes:** Finally, implementing audit processes in your organization helps detect any signs of greenwashing. Regular audits of marketing materials, production processes and supply chains are crucial.

Let's consider which of these solutions we can apply in our everyday lives to support companies that are truly committed to sustainable development.

The podcast was based on the article <https://www.wolterskluwer.com/en/expert-insights/greenwashing-mitigating-the-risk-of-deceptive-environmental-claims>

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