

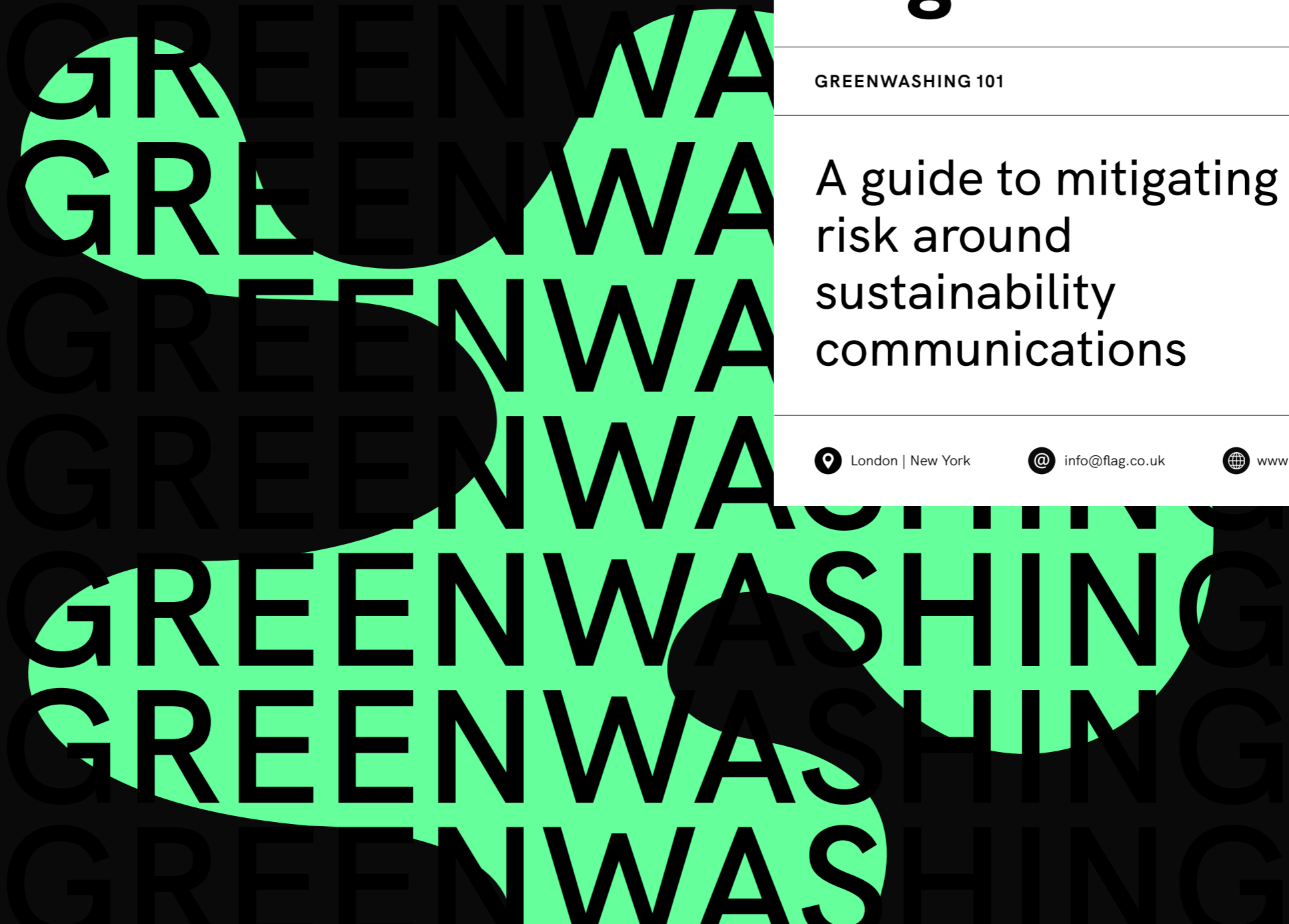
GREENWASHING 101

A guide to mitigating
risk around
sustainability
communications

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FOREWORD

The landscape of ESG regulation is constantly in flux. Pressures to disclose are greater than ever before. But so too are pressures to communicate from, and to, a diverse set of stakeholders. At times this can feel like being pushed and pulled in all directions.

New greenwashing regulations in the US, UK and EU mean that much of the wild west of sustainability communications is coming to a close, and companies who are doing outstanding work won't be lost in a sea of green. This is great news in many ways, but it can also be scary, and hard to know what, when and where to communicate about ESG.

At Flag, we have always believed in honest messaging with specificity and credibility at the forefront. Substantiating claims with clear communication and verifiable data is a key step in meeting greenwashing regulations, gaining consumer trust and improving company reputation.

So how can you be prepared? In this guide you will find support with the following:

- > first, what exactly greenwashing means alongside other types of "washing"
- > second, what the rules are in your country of operation, why it is important to abide by them, and what steps can you take to do so
- > third, if you are already using language that isn't in line with this guidance, or are called out by a stakeholder group, how you can rebound and address the criticism.

Having navigated these waters over the last 13 years of my career – including working with many leading companies and brands – I want to help you put yourself in your stakeholder's shoes and understand how to successfully navigate sustainability communications.

I hope this guide empowers you to shout about your achievements from the rooftops and understand how to avoid any missteps along the way. Please reach out to me or the Flag team if we can do anything to support you on your journey.



Rebecca Perkins

VP, strategy and communications
Flag



Greenwashing refers to misleading messages regarding a brand's sustainability efforts, whether intentional or not.

Something is considered "misleading" if the advertisement/content is likely to affect consumers' transactional decisions. It can include vague buzzwords, selective goals and key performance indicators, unspecified timelines and unsupported environmental claims.

A claim can be explicit or implicit; for example, an image of a tree may seem innocuous but if paired with unrelated texts, it could give the impression of being eco-friendly without explicitly saying so.

WHAT ABOUT OTHER TYPES OF 'WASHING'?

Greenwashing is not the only thing companies need to be aware of when communicating their sustainability actions. Sustainability goes beyond environmental protection and, as understanding of that grows, so too do the opportunities for overstating company efforts:

- > **purpose washing** - emphasising a company's meaningful purpose with no genuine action to support it
- > **rainbow washing** - adding rainbow imagery to communication visuals or signing up to Pride events to suggest progressive support for LGBTQ+ communities with minimal effort to make life easier for LGBTQ+ individuals in the workplace
- > **woke washing** - aligning with social justice movements as a way of improving company reputation and driving profit, without changing business practices
- > **social washing** - when companies exaggerate or make misleading comments about their commitments to social issues, such as labour rights or gender equality
- > **blue washing** - acknowledging and aligning with frameworks such as the UN Sustainable Development Goals (SDGs) and UN Global Compact (UNGC) without meaningfully contributing to achieving the goals.

These other types of washing can have similar legal and reputational risks as greenwashing and can be avoided by following similar disclosure principles.

Many companies have already suffered the legal consequences of misleading sustainability statements, with several big brands coming under scrutiny. While this can lead to legal action and financial consequences, the impact it has on company reputation is equally important.

Regulations are changing on a daily basis, so before we dig into the details, we recommend consulting with your legal teams and staying up to date with the changes in the areas where you operate to ensure your communications are aligned with all relevant greenwashing policies. As always, Flag is also here to help.

WHAT ARE THE LEGAL BOUNDARIES AROUND GREENWASHING?

The US

The **Federal Trade Commission's Green Guides** first came into effect in 1992, but are expected to be updated to include new guidance by the end of 2023. The guidance applies to companies making claims about the environmental attributes of a product, package or service in marketing to individuals or businesses in the US.

The guidelines intend to ensure that consumers receive accurate and reliable information about the environmental benefits and impacts of the products they purchase. These latest updates will provide new recommendations on claims around sustainable materials which apply to all environmental marketing.

The new guidelines are expected to include suggested disclosure of the following within marketing materials:

- > the percentage of **offsets behind 'carbon neutral' and 'net-zero' claims**
- > how, exactly, to **recycle or biodegrade products or packaging**
- > the exact proportion of **recycled content** alongside claims that products or packaging are recycled
- > qualifications around assertions such as **'compostable', 'biodegradable', 'ozone-friendly', 'organic', 'sustainable'** and claims in relation to energy use and energy efficiency.

Learn more about the [Federal Trade Commission's Green Guides](#).

The UK

As of February 2023, guidance by the **Advertising Standards Authority (ASA)** and the Committee of Advertising Practice (CAP) sets out principles to ensure advertisers don't make misleading claims about the environment, including carbon neutral and net zero claims.

The ASA refers cases to the Trading Standards, which determines whether there are breaches of law. The highest sanctions include criminal prosecution and confiscation of financial assets. Other sanctions include on-the-spot fines, court orders banning certain activity from continuing, and refusal, revocation or suspension of licences.

This applies to all businesses, from sole traders through to multinationals with UK advertisements and communications (including print, TV, cinema, websites and social media).

A few key requirements:

- > The **meaning of all terms** used in marketing communications or advertisements **must be clear** to consumers (assume average amount of knowledge) and not mislead in any way.
- > Environmental claims must be based on the **full life cycle of the advertised product**, unless communication states otherwise, and make clear the limits of the life cycle.
- > Avoid using **unqualified 'carbon neutral', 'net zero' or similar claims**. If such claims are made, they should be accompanied by information and evidence explaining their basis.
- > Future goals relating to net zero or carbon neutrality should be based on a **verifiable strategy**.
- > State whether claims are based on **carbon emissions reductions or offsetting**. When based on offsetting, information about the offsetting scheme used should be provided.
- > Claims that a **product can be recycled** must be substantiated and must make clear any limitations to this.

Learn more about the [ASA guidance](#).

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Europe

In March 2023, the European Commission adopted a proposal for a Directive on Green Claims. The Directive is now subject to approval and once it enters into force, Member States will have 18 months to transpose it into national legislation. The law would stop companies from making misleading claims about environmental merits of their products and services. The criteria ensures environmental claims of products and services are more reliable, comparable and verifiable across the EU.

This applies to businesses in EU member states with any voluntary claims stating or implying a positive environmental impact of their products, services or organisation. But this is only concerning claims not currently covered by other EU rules.

A few key requirements:

- > Claims must be **substantiated with scientific evidence** and verifiable methods.
- > Comparisons between products and organisations **must be fair** and based on equivalent information and data.
- > **Claims or labels with aggregate scoring** of environmental impact on biodiversity, climate, water, etc are not to be permitted, unless set in other EU rules.
- > **Environmental labelling schemes** should be transparent and reliable with third-party verification.

Learn more about the [EU directive on Green Claims](#).

WHAT CAN YOU DO TO AVOID GREENWASHING?

Simply put, do everything you can as a business to create meaningful change for the environment and society – and then accurately describe those efforts across your communications.

If you are doing what you say you are doing, and have the proof to back it up, you have nothing to worry about. Honesty is the best policy.

WHAT CAN YOU DO TO AVOID GREENWASHING?

For many industries, changing business as usual can be a slow and difficult process. Tackling global challenges like climate change and social justice is complex and requires systemic change and cross-sector collaboration. Your stakeholders will respect you more for being transparent about those difficulties rather than ignoring them.

Be sure that you do not state – or even imply – that you’re doing, or plan to do, more than you can back up with facts, figures and a clear plan of action.

Here are some specific actions to consider:

- > **Be clear and specific** – explain exactly what you’re doing to support your claims and avoid complicated jargon.
- > **Communicate honestly** – be honest about the journey you’re on: that you’re working to be better and do more.
- > **Support any claims** – don’t make statements about the positive environmental or social impacts that consumers can have by purchasing your products or taking part in an initiative unless you can back them up with data, ideally verified by a third party.
- > **Avoid generalisations** – don’t make a general claim that a product, package or initiative is ‘good’ for the environment based on one single attribute, while ignoring other potentially negative aspects.
- > **Steer clear of green buzzwords** – when describing your product, service or business, avoid terms like ‘sustainable’, ‘eco-friendly’, ‘earth-friendly’, or ‘green’ unless you’re able to explain how you have achieved that status.
- > **Be transparent** – make sure any data, proof points and examples are readily available for the public to read, for example, on your company website. Assume readers will do their own research to see if the sustainability claims you are making are supported by evidence.
- > **Choose images carefully** – pick visuals which appropriately convey your message. Avoid using generic ‘green’ images (eg trees, wildlife, mountains) that could be deceptive or overstate your positive impacts.
- > **Don’t exaggerate the uniqueness of a sustainability feature** – make sure you’re not implying a product or initiative is unique in its sustainability features if it’s not. Be conscious of what others are already doing in your industry.
- > **Avoid comparisons** – don’t compare your business to other products or brands unless the conditions of use of the compared product, component or package are identical.
- > **If you can’t support a claim, don’t use it in your marketing** – this is the hardest and perhaps simplest point of all. If you have a product or service that has some sustainable features but not enough data to back up meaningful claims, don’t market those attributes in your communications. You can still successfully market your product, service or business based on other non-environmental or social factors, while collating substantiated claims.

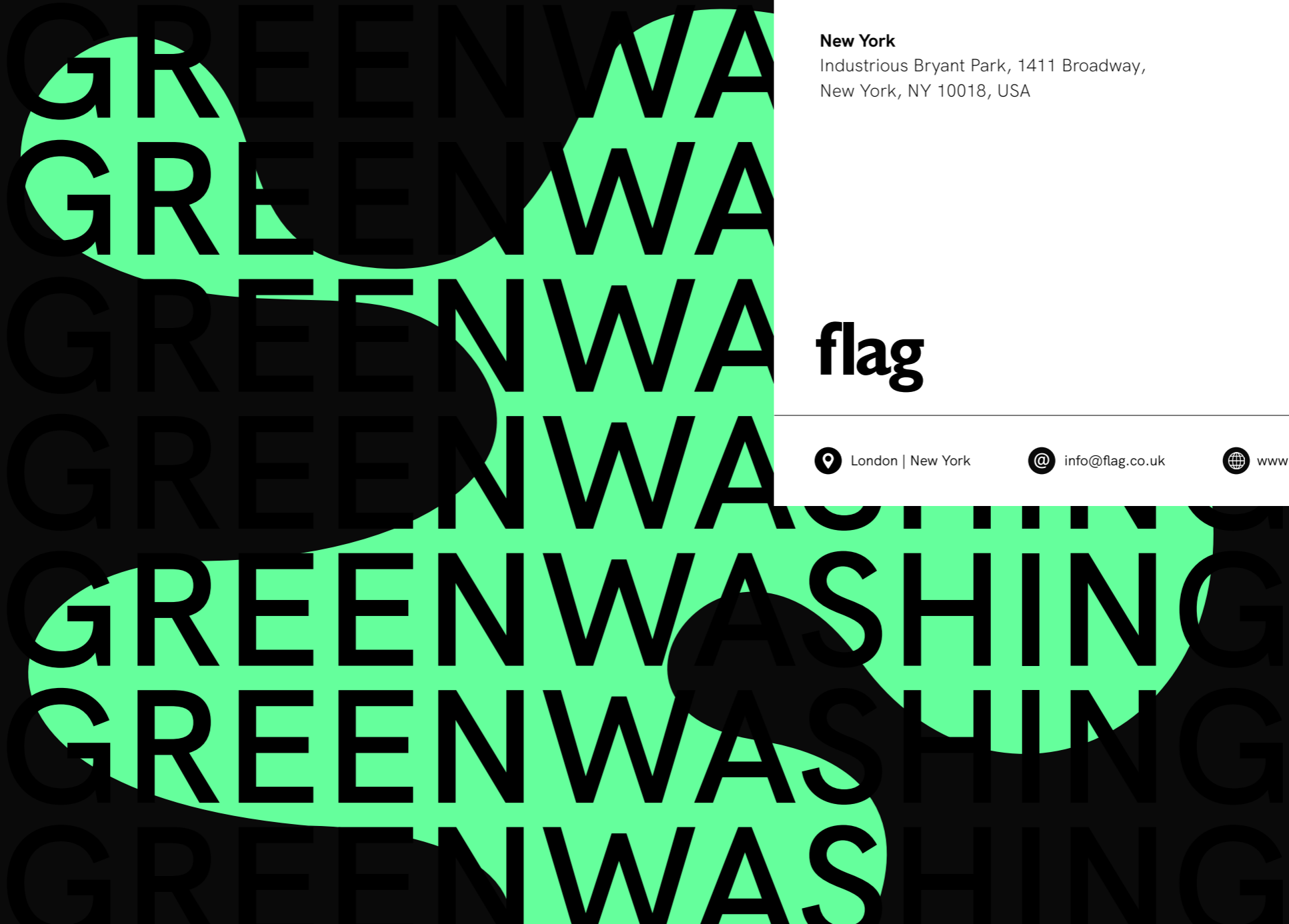
IF YOU DO MAKE A MISTAKE, WHAT CAN YOU DO TO MANAGE YOUR REPUTATION?

If you do make a mistake and are called out publicly, you're not alone. Some of the most respected companies in the world have been called out recently for greenwashing, and many have responded to potentially company-ending media coverage with actions that put them back on top. Here are some tips to help you navigate the situation:

- > **Lead with transparency and authenticity** – your stakeholders would prefer to know that you didn't meet your targets and that you're working to improve for the future. Being authentic about what went wrong and why is better than making misleading or untrue statements about your efforts.
- > **Come clean** – if you have made a mistake, either intentionally or unintentionally, the best thing to do is to acknowledge it and apologise. Writing a blog post or open letter on social media, including a personal message from senior leadership, will allow you to express your thoughts to followers, stakeholders and customers.
- > **Take meaningful steps to do better** – discuss as a company what immediate action you can take to clarify your position, mitigate negative impacts and make your claims a reality.
- > **Communicate your plans** – plans to be better won't make a difference if you keep them to yourself. Tell your audience how you will improve and provide regular updates on your progress.
- > **Learn from your mistakes** – it's never too late to make positive change. There are countless examples of companies whose apparent downfall was a catalyst for drastic change in policy and action. Use the experience to drive change internally.

Even with this guide, we know it can be difficult to effectively communicate your ESG efforts and decide on the best course of action. Flag's team of ESG experts, designers, copywriters and account managers can be your partner in this journey and help answer any questions you may have.

Get in touch if you're looking for guidance. We'd be happy to help.
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