KPMG

Making robust "Green Claims" – how to avoid Greenwashing

Green Claims – competitive advantage or corporate risk?

Greenwashing is not new, but there has been a **significant increase in consumer awareness and commitment to making sustainable purchases:** Products marketed as green often experience greater success, as shown by a global 71% rise in online-searches for sustainable goods. Changing attitudes towards **sustainable purchases have compelled many businesses to follow suit, adapting their marketing strategies to engage consumers in their sustainability efforts.** A study by the European Commission in 2020 highlighted that over 53% of examined environmental claims in the European Union were found to be vague, misleading or unfounded, and 40% were unsubstantiated. However, consumers, NGOs, government authorities and employees are increasingly aware of greenwashing and **have held companies accountable through litigation and other enforcement measures.**

New EU regulation is under way to fight greenwashing

Green Claims Directive: Companies should make environmental claims about their products transparent and substantiate impacts based on mandatory standards.

Customer Empowerment Directive: Strengthening consumer protection against unfair trade practices such as greenwashing or use of unreliable sustainability labels.

Some EU countries have implemented dedicated regulations

Advertising Code of Ethics: Prohibition of stretching claims regarding a product or service to cover the entire company.

Climate and Resilience Law: Prohibition against advertising claims stating that a good or service is carbon neutral.

Green Claims Code: Principles to prevent companies from making misleading environmental claims.

Sanctions are already imposed on the basis of laws protecting consumers or competition

- The **Association for Consumer Information** (VKI) has filed a lawsuit against a major Austrian beverage company after it advertised that one of its beers was brewed in a 100 percent CO_2-neutral process. According to the VKI, the advertising is misleading because fossil energy is only dispensed within the brewing process, not in the entire production process.
- **DWS,** Deutsche Bank's fund subsidiary, is suspected of having presented green products as more sustainable than they were. In the wake of these greenwashing allegations, the public prosecutor's office raided DWS in May 2022. Its head at the time subsequently resigned. The allegations originated from the former DWS head of sustainability.

Identifying relevant risks is key to avoid financial and reputational damage

Risk Screening

In a rapidly changing regulatory environment and due to the increased sustainability awareness of consumers, it is essential to prepare properly to be confident and successful as a company.
In order to eliminate possible sources of respective risk in advance, we support you with our **Green Claim Risk Screening:**

- Review of your green claims, e.g. in reporting and marketing, which are planned to be or have already been published
- Development of GAP analyses, heat maps and design of mitigating measures
- Review of applied methods, processes and structures that play a role in disseminating green claims
- Provide consulting, training and workshops to optimize review processes in the dynamic regulatory environment (leading practices, dos and don‘ts)
- Review of supplier contracts for compliance with existing guidelines

Make the organization greenwashing-proof

Collaborative development of an action plan for change

Given the broad range of potential risks, it is important for organizations to act decidedly against greenwashing. Our approach focuses on the following aspects:

Knowledge: Ensure that everyone in the organization understands what greenwashing risks are and how exposure happens, starting with top management.

Risk identification: Identify where greenwashing risks can occur in the organization.

Regulations: Review current regulations, including their applicability to greenwashing risks, and make sure you stay on top of things with regard to regulatory requirements.

Governance: Define the organization‘s risk appetite and build cross-functional structures to ensure this boundary is not overstepped.

Policies and practices: Develop a sustainability policy that addresses greenwashing risks, build respective risk management procedures and controls.

Communicate with confidence: Agree on a process for issuing public statements on ESG topics, with all claims supported by clear, accurate and up-to-date evidence.

Contact

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