



Fifty Shades of Greenwashing

By SEERAM RAMAKRISHNAN

Greenwashing, or the process of conveying a false impression by providing misleading information about how a company's products are more environmentally sound than they actually are, can be damaging to a company's reputation. How can businesses ensure they remain focused on sustainability and keep their messaging authentic and accurate?

Sustainability has gained importance on the agenda of policymakers of countries as well as captains of industries and businesses. Net zero, a frequently cited business aspiration, is an economy-shaping, industry-shaping, and way-of-living-shaping trend. This stance featured heavily in discussions at the 2021 UN Climate Change Conference (COP26) in Glasgow.

What is net zero? Faced with compelling evidence that earth's vital signs are unduly affected, nations pledged to voluntarily reduce respective carbon emissions, undertake measures to adapt to the impacts of climate change, and transition to net zero carbon emissions economies. Expedient implementation by all stakeholders of economies is necessary to reach the tough goal of a net zero carbon world by 2050.

These developments provide perfect storm conditions for "Greenwashing"; wherein the greenwashing refers to superficial climate pledges not backed by transparent, verifiable, trustworthy and tangible commitments, targets and goals.

Fact or fiction?

Sceptics point to the hollow or vaguely worded climate change pledges of nations that are not backed by science-based lasting commitments. Business leaders are accused of embellishing companies' manifestos with green credentials to benefit from popular sentiment and get ahead of the competition for their own business and personal gains. Sadly, the public – customers and consumers – remain confused about what are truly sustainable choices.

A recent Youth Recovery Plan report by the Davos Lab, an initiative of the World Economic Forum's Global Shapers Community, a network of 14,000 young people, is noteworthy. Calling for international bodies to reduce greenwashing, the report claims that companies are increasingly projecting an

ecologically responsible image despite continuing environmentally harmful practices.

There are a multitude of reasons for greenwashing. Captains of industry may lack deeper knowledge and understanding of interrelation between financials and carbon neutral principles. Often, they are under pressure from equity shareholders of the companies who are primarily interested in rates of returns and dividends.

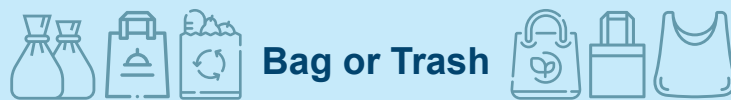
Company leaders are driven to take a short-term view of the business and produce quick results. Most businesses do not have competent managers who are knowledgeable about sustainability, and lack leaders who can reinvent supply chains and value chains with new business models to successfully transition to sustainable products and services.

There is a general lack of adequate checks and balances to improve corporate accountability for sustainability. While consumers may pay lip service to sustainable consumption, they may not be ready to accept carbon neutrality and climate change premiums.

The circular economy

Companies often have to make judicious trade-offs among the carbon footprint, circularity or recyclability, and human health effects of their products so as to improve their overall corporate sustainability performance. For example, a material with lower carbon emissions does not always have higher circularity. (See box, "Bag or Trash"). In other words, such trade-offs must be analysed properly while taking all factors into consideration.

Critics are quick to draw parallels with the earlier promulgations by corporations such as Corporate Social Responsibility (CSR), and Environmental, Social and Governance (ESG) reporting. These pledges are just feel-good initiatives designed to capitalise on the



The cotton tote bag is an example of unintended consequences of brands, retailers and consumers rushing to embrace an earth-friendly mindset while not being aware of the holistic view of the product. The media has successfully (and rightly so) raised the awareness of undesirable environmental effects and human health effects of single use plastics derived from non-renewable fossil fuels.

Substituting plastics, which take a very long time to degrade in the environment, with materials derived from the renewable sources first appeared to be a nice thing to do. Reducing the use of plastic bags could reduce littering and pollution, protect marine bio-diversity, and avoid the problem of overflowing landfills.

A life cycle assessment study by the Danish Environmental Protection Agency advised that a polypropylene plastic bag, a paper bag, and a cotton bag ought to be utilised 37, 43

and 7,100 times, respectively, for the same environmental benefits to accrue.

In another example, replacing plastic bags with paper bags is not as straightforward as it would seem. Contemporary analysis suggests that replacing plastic bags entirely with paper bags can actually increase the overall environmental impact, as paper production and recycling are associated with intensive usage of chemicals and energy.

Companies trying to be earth-friendly should be encouraged. However, they must be aware of counter-productive outcomes of greenwashing, as in the case of mass-producing cotton tote bags as an environmentally friendly option. Although the producers, retailers, and regulators are aware of the importance of sustainability, there is no global alignment on how to measure sustainability across these interlinked aspects.

flavour of the times, and based on favourable assumptions. They are not backed by transparent data, verifiable facts and methodology, and well-scrutinised assumptions.

Unintentionally, greenwashing perpetuates myths and generates quick fixes based on incomplete understanding, thus damaging the trust of the public and customers. (See box, "How to Avoid Greenwashing").

In a KPMG poll of 1,325 CEOs from 11 sectors worldwide last year, the report found that the climate agenda has grown in importance for CEOs around the world. Singapore CEOs,

however, are struggling to tell their ESG goals convincingly for their organisations. They find it difficult to raise reporting standards in ESG to match those in financial reporting. More than half of Singapore CEOs said the ESG programmes have reduced their financial performance.

Sovereign wealth funds collectively hold over US\$10 trillion (S\$13.5 trillion) worth of assets, mainly in sectors such as infrastructure, real estate and private equity. Hence, they are influential in future-proofing the world against climate risks. According to the International Forum of Sovereign Wealth Funds, the industry has invested about US\$10 billion dollars in

How to Avoid Greenwashing?



1. Deepen sustainability, net zero carbon and ESG literacy to all stakeholders of the company.



2. Integrate sustainability, net zero carbon and ESG into the business strategy, risk management and operational processes. Set science-based ESG targets and goals and explain clearly to all stakeholders of the company.



3. Integrate sustainability, net zero carbon and ESG targets and goals with financial reporting.



4. Ensure adequate resources and skills are in place to achieve the set targets and goals. Also, put in place accountabilities and incentives to deliver on sustainability goals and targets.



5. Develop a more robust, transparent, and fact-based approach for measuring sustainability performance so as to enable all stakeholders to make more informed decisions.

renewable energy since 2015, which is less than one third of funds invested in the oil and gas businesses. In other words, their investment decisions are not yet fully embracing the spirit of ESG and sustainability.

ASEAN is making efforts to transition from its heavy reliance on “dirty” fuel energy sources, namely coal, oil and gas to renewable energies. But according to the ASEAN Center for Energy, the region is projected to miss its aspirational goal of greening its energy mix so that 23 per cent will be from renewables by 2025.

Cited reasons include skills and technology lag, lack of sustainability and climate change premiums, and smaller economies of scale, which contribute to higher costs of renewables in the region when compared to the global averages. This underscores the role of governments in upgrading the transmission grids and ensuring reliability and security.

By performing well in terms of ESG, businesses can build reputation and deliver value to shareholders against the backdrop of the net zero carbon and sustainability agenda being pursued by nations. Moreover, they can resonate with the minds and hearts of people who are increasingly sensitised to climate change issues and the need for a carbon neutral world.

Carbon neutrality should be a core business principle alongside financial considerations and balance sheet, which has dominated the decision-making processes and strategies of corporate leaders for decades. Businesses must be encouraged to develop a thorough understanding of net zero carbon and sustainability, and to make deeper ESG commitments so as to unlock value for all stakeholders, including employees, customers and communities. ■

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