

Retail Marketing Society Webinar Series

GREENWASHING:

- *CRITICAL MISSTEPS IN COMMUNICATING BRAND VALUES*

- Prepared Exclusively for

The Retail Marketing Society

by

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United Nations:17 Sustainability Goals



The Sustainability Challenge

- Why is this so difficult;
- 1. It is very complicated and continues to evolve
- 2. There is no central authority
- 3 nation states have autonomy
- 4 There is no agreed upon language, standards or metrics
- 5 The very institutions causing the problem often police themselves (the apparel industry)
- 5. Who is to certify the Certification agencies?

The Certification Challenge

- There are certification agencies, some for profit, others are not-for-profit. The data doesn't suggest that one is more reputable than the other.
- Most are focused on a particular aspect of ESG/CSR initiatives...so when looking for an agency, before making a decision, compare apples to apples.
- The challenge to certification in general is as follows:
 1. Brands that self-certify.
 2. Brands that fund the agency which is responsible for assessing the brands progress.
 3. Agencies that purchase data from other agencies and repackage it as their own (the Higgs debacle!)

Fashion's Certification Problem

- **Changing Markets Foundation** has allegedly found that fashion certification schemes are *'acting as a smokescreen'* for the industry's environmental impact. The report finds that several of the biggest certification schemes – including the Ellen MacArthur Foundation (EMF), WRAP, and the Sustainable Apparel Coalition's Higgs Index – enabled *'greenwashing'*.

Let's Focus on Co2 Emissions, Carbon Footprints & Measuring Progress

- What are Co2 Emissions?
- How does this result in a Carbon Footprint?
- What's a "Carbon Footprint" How is it measured, and Who does the measuring?
- Why is this important for ESG/Sustainability?
- Why does it create a problem and often lead to...

GREENWASHING!

What is Greenwashing?

- Greenwashing typically occurs when companies, people or governments overstate or misrepresent their [climate credentials](#).
- The term has morphed in the past year to also include issues when organizations overhype their ESG commitments.
- This could be the result of
 1. intent to misrepresent
 2. failing to keep up with local market law and regulations
 3. excessive promises that can't readily be substantiated

An outcome is that consumers become confuse, especially when there are disclosures and then disengage from supporting ESG initiatives...which may include reasonable higher pricing.
- Can 3rd Party Certifications help here?...

What are Carbon Offsets

- Giving money intended to compensate for the emission of carbon dioxide into the atmosphere as a result of industrial or other human activity, especially when quantified and traded as part of a commercial program:
- Often takes the form of:
 1. supporting NGOs
 2. planting trees
 3. reinvigorating farm lands

Problems:

1. Are the trees being planted?
2. Who is measuring the NGO's?
3. Is proper Double Entry accounting taking place?

Is this merely a payoff which doesn't bind the big guys who can afford it?

What is Net Zero?

- The Net-Zero Standard covers a company's entire value chain emissions, including those produced by their own processes
- (scope 1), purchased electricity and heat (scope 2), and generated by suppliers and end-users
- (scope 3). Most companies will require deep decarbonization of 90-95% to reach net-zero under the Standard

What's Carbon Neutral & Net Zero?

- Carbon-neutral and net-zero are two similar terms. In both cases, **companies are working to reduce and balance their carbon footprint.**
- When carbon-neutral refers to **balancing out the total amount of carbon emissions,**
- net-zero carbon means **no carbon was emitted from the get-go, so no carbon needs to be captured or offset.** For example, a company's building running entirely on solar, and using zero fossil fuels can label its energy as "zero carbon."
- However, when referring to "net-zero", it is crucial to **specify net-zero carbon or emissions.** On the contrary, net-zero emissions refer to the **overall balance of greenhouse gas emissions (GHG) produced and GHG emissions taken out of the atmosphere.**
- In other words, **net-zero** describes the point in time where **humans stop adding to the burden of climate-heating gases in the atmosphere.**

Overview of How the FTC Sees Things

- In order to make a claim of environmental benefit, **marketers must have analyzed trade-offs** resulting from that benefit.
- The FTC takes the position that before a general claim of environmental benefit is made...
- **the marketer must be ready to prove that there is no negative environmental impact created during the product's life-cycle,"**

Some FTC Green Guides

Revisions are scheduled for 2022

General Environmental Benefit Claims

- Marketers should not make broad, unqualified general environmental benefit claims like ‘green’ or ‘eco-friendly.’ ***Claiming “Green, made with recycled content” may be deceptive if the environmental costs of using recycled content outweigh the environmental benefits of using it.***

Carbon Offsets

- Marketers should have reliable scientific evidence to support carbon offset claims.
- Use appropriate accounting methods to ensure they measure emission reductions properly..
- Disclose if the offset pays for emission reductions that won’t occur for at least two years.
- Marketers should not advertise a carbon offset if the law already requires the activity.

Certifications and Seals of Approval

- Marketers should disclose any material connections to the certifying organization. A material connection is one that could affect the credibility of the endorsement.
- To prevent deception, marketers using seals or certifications that don’t convey the basis for the certification should identify, clearly and prominently, specific environmental benefits
- A marketer with a third-party certification still must substantiate all express and implied claims

Made with Renewable Energy

- Marketers shouldn’t make unqualified renewable energy claims based on energy derived from fossil fuels unless they purchase renewable energy certificates (RECs) to match the energy use.
- Unqualified renewable energy claims may imply that a product is made with recycled content or renewable materials. to minimize misunderstanding specify the source of renewable energy clearly and prominently say, (‘wind’ or ‘solar energy’)

Bio-Degradable

- Marketers may make an unqualified degradable claim only if they can prove that the “entire product or package will completely break down and return to nature within a reasonably short period of time after customary disposal.” The *“reasonably short period of time”* for complete decomposition of solid waste products? One year. Items destined for landfills & facilities that will not degrade within a year, unqualified biodegradable claims for them shouldn’t be made.

Some of What The SEC is Proposing to Clarify Investing in ESG/Sustainability

1. Update the so-called Names Rule to encompass characteristics related to ESG.

- The current Names Rule says that
- if a fund's name suggests it's focused on a particular class of investment, such as government bonds, then at least 80% of its assets must be in that class.
- The change would extend the rules to "any fund name with terms suggesting that the fund focuses in investments that have (or whose issuers have) particular characteristics." Therefore, **funds with "ESG"** in their name **would have to clearly define the term** and then ensure that 80% of the assets in the fund adhered to that definition.

2. Publicly traded companies must:

- [Disclose how climate change risks affect their business,](#)
- Provide more information on the impact their operations have on the environment and carbon emissions. (**so, for example separate Carbon Reduction data from Carbon Offsets**)
- Investors still need clarity on exactly what 'sustainable' and other terms like 'fossil-free,' 'low-carbon,' and 'ESG' mean," "It is critical that a fund's prospectus reflects its philosophy and intent in alignment with its name and holdings."
- What does it mean to invest in a fund whose marketing says it's 'sustainable,' 'green,' or 'ESG,'" "The lack of transparency for investors makes it hard to know how environmentally-friendly some of these products are."

Proposed New EU Rules Directed to the Fashion Industry

- **Prohibited from making an environmental claim related to future environmental performance without clear commitments and targets.**
- **Prohibited from conducting certain unfair commercial practices (blacklist):**
- **Making generic, vague environmental claims** (e.g. “environmentally friendly”, “eco” or “green”, “environmentally correct”, “climate friendly”, “gentle on the environment”, “carbon friendly”, “carbon neutral”, “carbon positive”, “climate neutral”, “energy efficient”, “biodegradable”, “bio-based”), where the environmental performance of the product cannot be demonstrated as well as broader statements such as “conscious” or “responsible” that suggest or create the impression of excellent environmental performance.
- Making an **environmental claim about an entire product** when it only concerns a certain aspect of the product.
- **Displaying a voluntary sustainability label which was not based on a third-party verification scheme or established by public authorities.**
- **For Global brands, the adoption of these rules will bind both members and non-members doing business in the EU...it would be prudent to chime in now as Jan 2023 is targeted as adoption date.**
- **Importantly, once adopted and transposed into the Member States' national legislation, consumers will be entitled to remedies in the event of breaches, in particular through the collective redress procedure under the [Representative Actions Directive](#).**

More Detailed Rules Proposed by the EU That Would Impact Fashion

[Consumer Rights Directive](#),

- consumers would have the right to know how long a product is designed to last and how, if at all, it can be repaired.
- Producers would be obliged to inform consumers about the guaranteed durability of products. For example, if the producer of a consumer good offers a commercial guarantee of durability of more than two years, the seller must provide this information to the consumer. For energy-using goods, The Commission explains that sellers must inform consumers when no information on a commercial guarantee of durability was provided by the producer.
- Proposals also outline requirements for consumer information on product repairs and updates. The Commission suggests that the seller must provide relevant information on the reparability score (where applicable), or other relevant repair information made available by the producer, such as the availability of spare parts or a repair manual. For smart devices and digital content and services, the Commission has advised that consumers must be informed about software updates provided by the producer.
- According to the Commission, producers and sellers will decide how best to provide information on durability, repairs and updates to the consumer. Information may be on packaging or in the product description online – whatever producers and sellers decide, the Commission has made it clear that the information must be provided before the purchase, in a clear and comprehensible way.

A Ban on Greenwashing! ?

- **A ban on ‘greenwashing’**
- Proposals were also made by the European Commission to introduce ‘a ban on greenwashing and planned obsolescence’). The Commission brought forward an expansion of the list of product characteristics on which a trader cannot mislead consumers. It was recommended that this list should cover the environmental or social impact of a product, as well as its durability and reparability.
- Proposals also add to the range of practices considered ‘misleading’ after a case-by-case assessment, such as making an environmental claim related to future environmental performance without clear, objective and verifiable commitments and targets, and without an independent monitoring system.
- Making generic, vague environmental claims where the excellent environmental performance of the product or trader cannot be demonstrated. Examples of such generic environmental claims are ‘environmentally friendly’, ‘eco’ or ‘green’, which wrongly suggest or create the impression of excellent environmental performance;
- Making an environmental claim about the entire product, when it really concerns only a certain aspect of the product;
- Displaying a voluntary sustainability label that was not based on a third-party verification scheme or established by public authorities;
- These amendments, the Commission says, ‘aim at ensuring legal certainty for traders, but also at facilitating enforcement of cases related to greenwashing and early obsolescence of products’. The changes would also ‘encourage competition towards more environmentally sustainable products, thus reducing negative impact on the environment’.

EU Proposed ESG standards for Financial Institutions

- The standards include a “
- comply or explain” mechanism, which requires market participants to “comply” with the rules by providing specified qualitative and quantitative information describing efforts to reduce negative environmental and social impacts of investments, or
- “explain” why certain investments do not cause environment or social injustice.
- The standards also describe rules on website disclosures and product-level periodic disclosures on financial products.
- The technical standards will now be subject to review by the European Parliament and Council over the next three months, and in case of no objections, the RTS will then apply beginning January 1, 2023.

Carbon Offsets: Ugg's Green Marketing...or is it GreenWashing?

- “Soft on You, Softer on the Planet” declares an advertisement for the [Icon-Impact Collection](#) from UGG® which debuted this past fall 2021.
- Touted as an innovative product with a positive impact on the environment, the newly introduced collection uses **reclaimed wool**, a sole made of sugarcane, and repurposed plastic from **at least** two recycled plastic bottles. (How much of each?)
- It's all part of the brand's Feel Good initiative, and in partnership with One Tree Planted, UGG® **promises** to plant one tree for every pair of shoes bought at select UGG® stores and online. (Who monitors OTP & UGG... are the trees being planted?...independent certification + follow up by UGG is required)
- UGG® also claims [that](#) its newly designed **Icon-Impact shoe is carbon-neutral**, since it uses “**low-impact materials** with **offsets for the small amount** of emission they create.” (what is small... what's the # ?...do the offsets follow double entry accounting?)

Videos for Sustainability/Circularity

Eileen Fisher (“ReNew”)

<https://www.eileenfisher.com/waste-no-more>

Patagonia (“WornWear” ®)

<https://wornwear.patagonia.com/>

Allbirds (“Tree Dasher”)

<https://youtu.be/oo2BJB-AfA>

Timberland (“Earthkeepers®”)

https://www.youtube.com/watch?v=NIMmNANpfu4&ab_channel=Timberland

Lenzing™ (**Ecovero™**) (ReFibra™)

<https://vimeo.com/414630518>

H & M (“Loop”)

<https://imperfectidealist.com/sustainable-or-greenwashing-fashion-brands/>

Reformation (“Ref”)

<https://youtu.be/g5xh67nIZNU>

Everlane (“ReNew”)

<https://www.youtube.com/watch?v=H-8Bub8gyNo&ab>

Shein (“Wild Heart” Collection)

<https://imperfectidealist.com/is-shein-ethical-or-sustainable/>

<https://youtu.be/qxBW-omaguo>

DeBeers (“Forever”)

<https://www.debeersgroup.com/sustainability-and-ethics>

Washed Ashore (“Purpose Driven Jewelry”)

<https://www.washedashore.co/pages/sustainability>

Christy Dawn

<https://christydawn.com/collections/dresses>

Thank You!



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