

# Greenwashing

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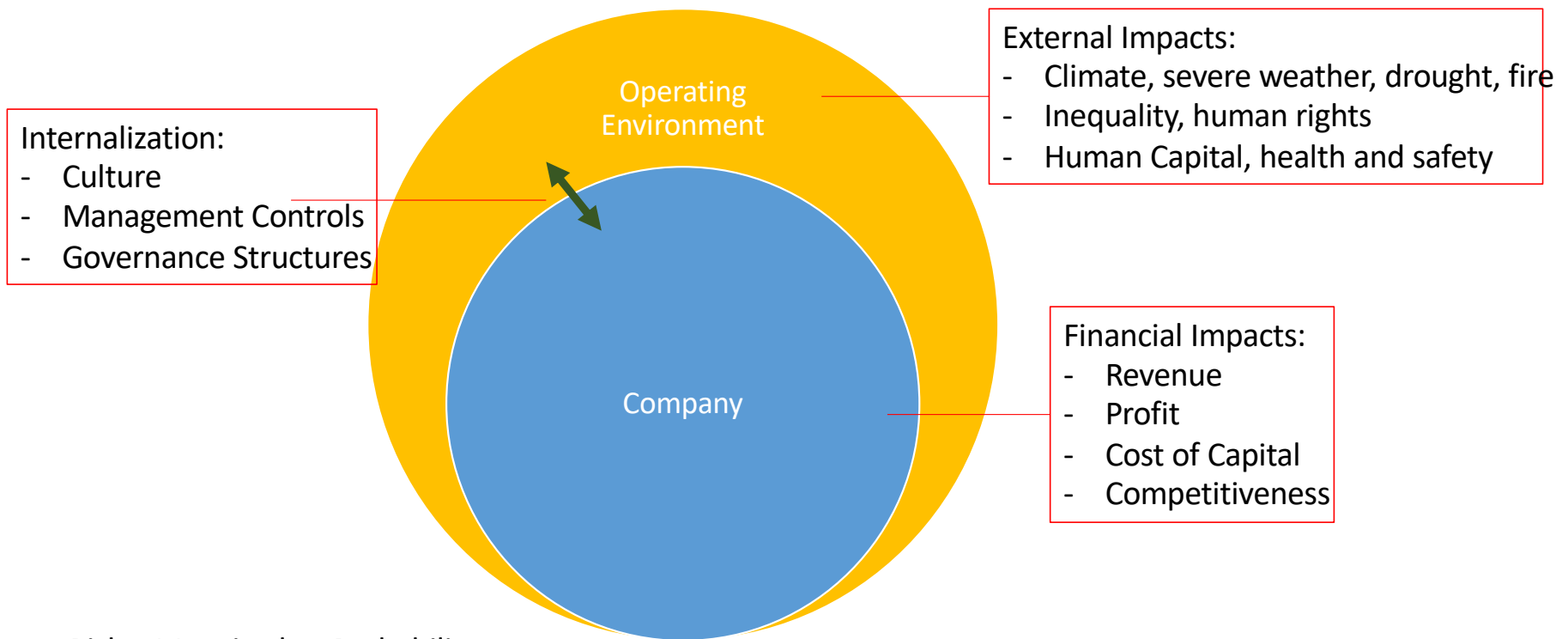
# GREENWASHING: KNOW THE SIGNS

The term “**greenwashing**” refers to the deceitful practice of marketing products as environmentally friendly, while in reality, they are not.



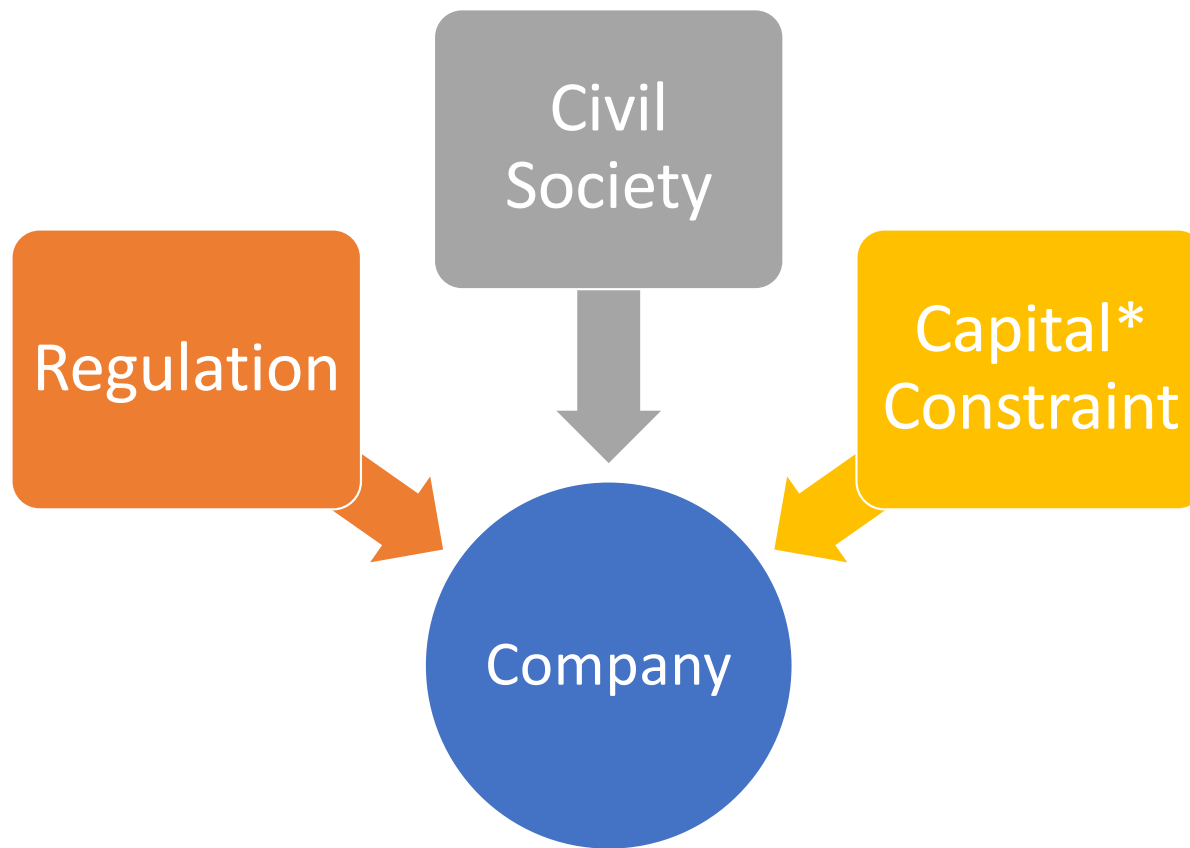
<https://solarcalculator.com.au/understanding-and-avoiding-greenwashing/>

# The Internal and the External



Risk = Magnitude x Probability

# ESG Internalization Pathways



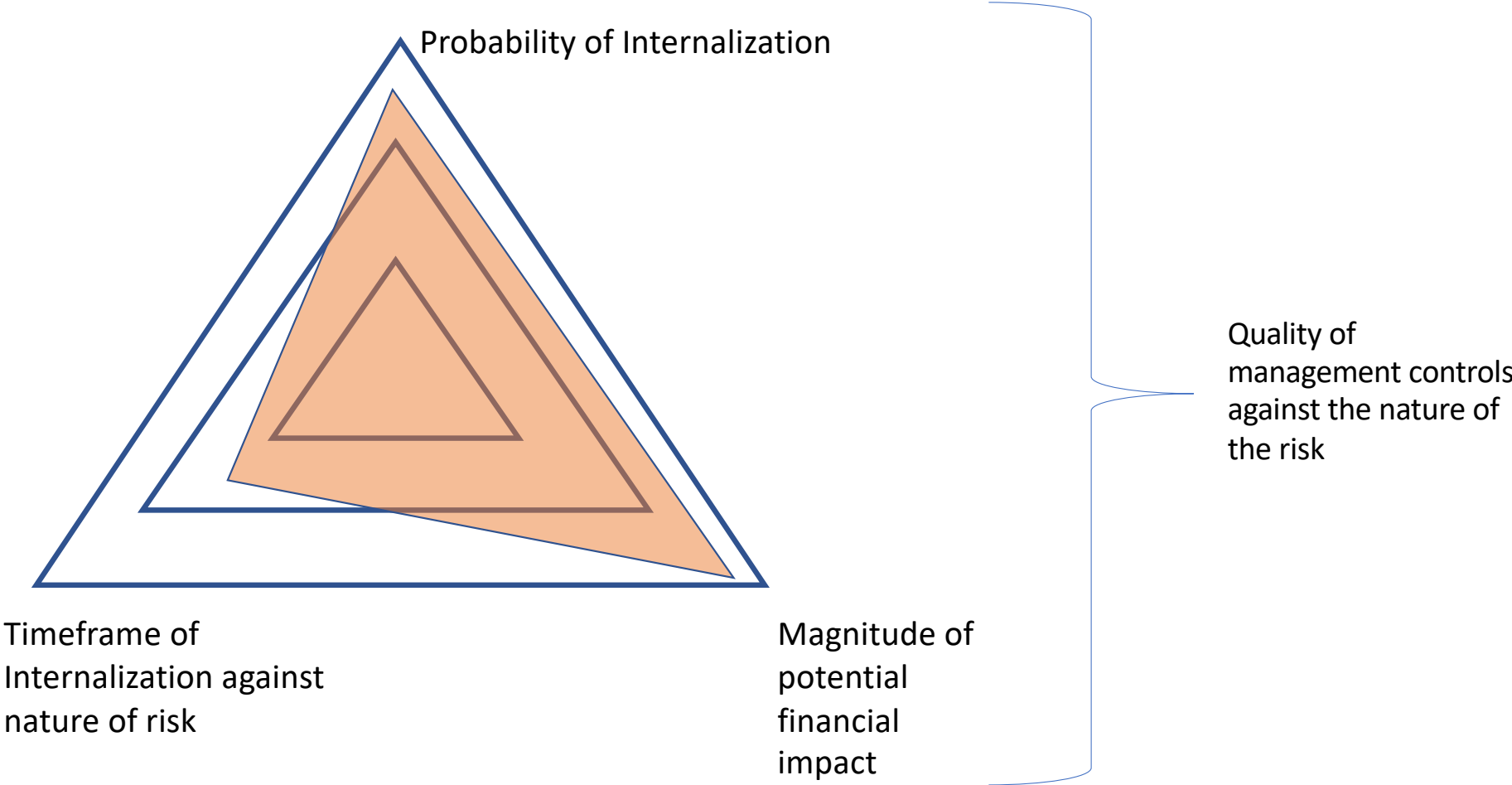
- Multi-Capital:
  - Financial
  - Manufactured
  - Social
  - Human
  - Natural
  - Intellectual

# Examples of Internalization Pathways

**SHEIN**

- Identified Human Rights Risk → Consumer Boycott → Revenue/sales
- Energy cost rise → Plastic commodity price rise → Cost of goods sold
- Increase frequency severe weather / sea level rise → move processing and/or manufacturing facilities → Cost of goods sold

# Assessing an Internalization Pathway



# Strategies

- Reduce the probability that the risk will occur (probability)
  - Health and safety management system to reduce likelihood of accidents
  - Invest in professional development to reduce likelihood of human capital depletion
- Reduce the magnitude of the financial impact
  - Hedge strategy
  - Insurance
  - Build 'Capital'
- Lengthen the timeframe over which the risk occurs
  - Diversification of supply chain logistics to counter severe weather
- Management Systems to prevent internalization
  - Business continuity planning
  - Communications/Public Relations

# Greenwashing Strategies

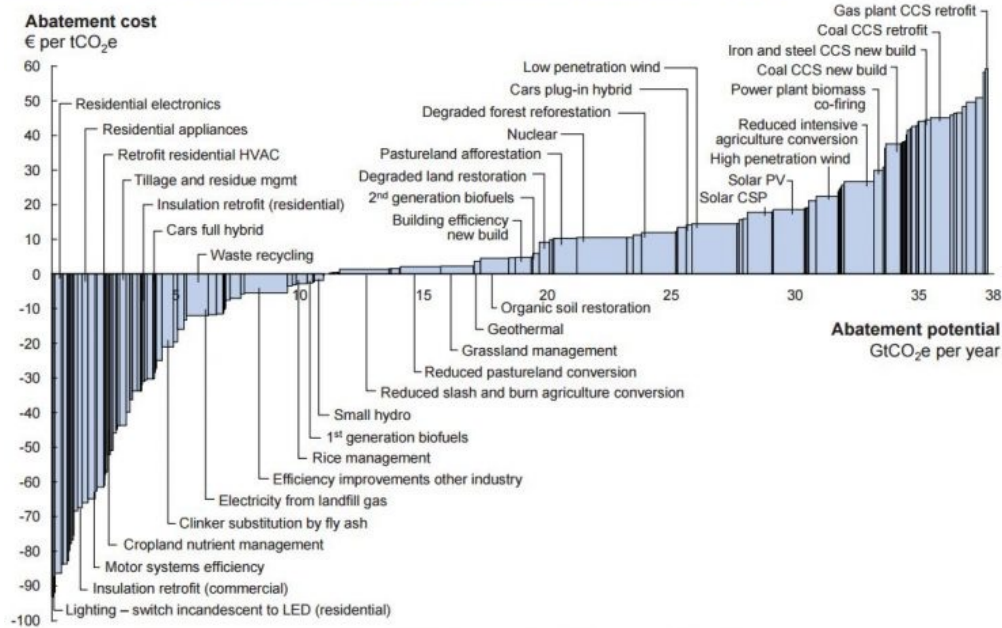
- What does greenwashing potentially get you:
  - Build brand capital/reputation
  - Mitigate internalization when a perception-based risk occurs
- Greenwashing strategies only work for a limited number of internalization pathways
  - NOT for resource constraints
  - NOT for physical risks
- Caveat Emptor
  - Capital built on greenwashing unravels more quickly when the risk materializes
  - We are rapidly moving to a place of radical transparency.
  - Most influential stakeholders (whose opinions have the most impact on internalization) are much less likely to rely on unsubstantiated information.
  - Consumers/civil society/policy makers appear to be most susceptible, but also most difficult to control perception.



Flip the Script:  
What a more Genuine Approach to  
Sustainability can Create

# SUSTAINABILITY ADVANTAGE PLAYS

Global GHG abatement cost curve beyond business-as-usual – 2030



Note: The curve presents an estimate of the maximum potential of all technical GHG abatement measures below €60 per tCO<sub>2</sub>e if each lever was pursued aggressively. It is not a forecast of what role different abatement measures and technologies will play.  
Source: Global GHG Abatement Cost Curve v2.0

- Cut costs
- Lower risks
- Drive growth

# DRIVE GROWTH

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- Spur innovation
- Expand sales
  - Add value to products/services
  - New “sustainability” marketplace offerings
- Increase margins
- Drive bottom-line profitability
- Add “value” from customer perspective



# NEED TO BE STRATEGIC

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# WHY SUSTAINABILITY INITIATIVES FAIL



- Failing to be strategic
- Misunderstanding the market
- Bearing costs ahead of the competition
- Execution falters
- Over-promising
- Exposure/transparency pushback
- Communications shortcomings

# Avoiding the Trap of Greenwashing

**Make your claims clear and easy to understand.** Include details such as specific units of measurement (e.g., “70% organic cotton” rather than “made with organic cotton”)

**Back up your sustainability claims with data.** Only use data that can be verified.

**Compare apples to apples.** When comparing your product’s sustainability to a competitor’s, make sure to compare the same product type so you’re not misleading consumers.

**Clean up your operations.** If you want to market your products as eco-friendly, you need to walk the walk by [making sustainability part of your business model](#).

**Be honest about your brand’s sustainability practices and plans.** Inform consumers about how green your individual products are, as well as your company’s overall sustainability practices.

**Make sure images on ads and packaging are not misleading.** Don’t use the color green or images from nature, like trees and flowers, to imply that your products or brand are eco-friendly if that’s not the case.

# Thank You

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