



NEITHER BOASTFUL NOR BASHFUL:

MAKING EFFECTIVE SUSTAINABILITY CLAIMS





Neither Boastful Nor Bashful: *Making Effective Sustainability Claims*

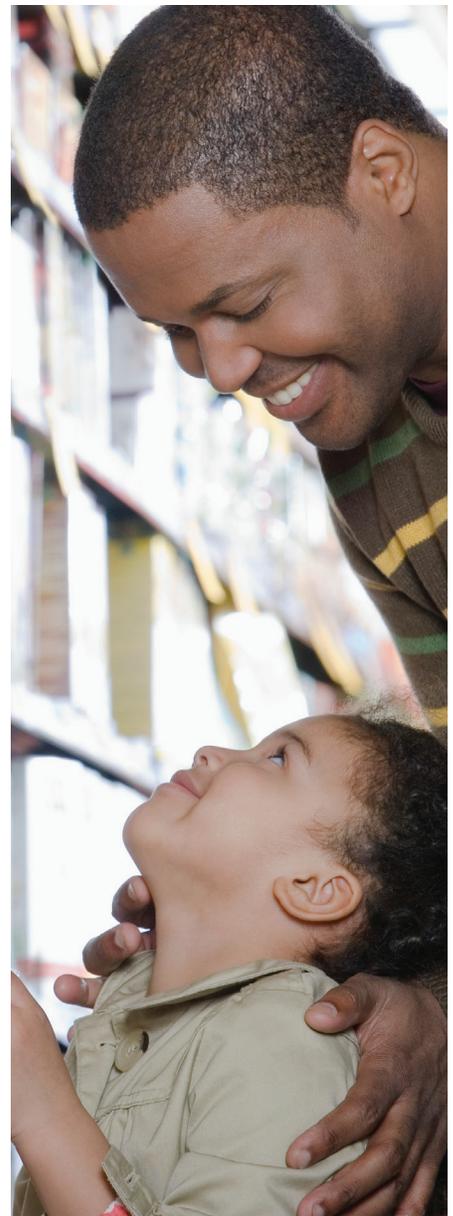
Since the U.S. Federal Trade Commission's (FTC's) last Green Guides revision in 2012, companies have been punished for "greenwashing" or making false or misleading claims about the sustainability of their products. But as FTC crackdowns on claims have risen, many companies have not fully leveraged their sustainability efforts to increase their business and drive demand for their products and services.

This UL white paper will look at "greenwashing" (overstating your product or company's sustainable attributes) and "green blushing" (not saying enough about your product or company's sustainable attributes), and discuss how companies can credibly position their sustainability programs in the marketplace.

The Growing Market for Sustainable Products and Practices

More than ever, social and environmental sustainability is good for business. According to 2015 research conducted by The Nielsen Company, two-thirds of global consumers say that they are willing to pay more for products and services that come from companies that are committed to positive social and environmental impact, up from just 50 percent in 2013. The importance of sustainable products and business practices is even more pronounced among millennial consumers, with 91 percent saying that they would switch to product brands associated with a sustainability cause.

At the same time, government entities are also adopting policies and programs to promote sustainable procedures and practices among suppliers. U.S. Presidential Executive Order (EO) 13693, Planning for Federal Sustainability in the Next Decade, was issued by President Obama in March 2015 to promote sustainable acquisition policies and practices by U.S. government agencies. And, according to the National Association of State Procurement Officials (NASPO), at least 30 states within the U.S. already have green purchasing programs or activities in place.



In tandem with these developments, major retailers are stepping up their commitment to sustainable products and practices. Some examples of corporate sustainability efforts include the following:

- **Target**—Target’s Sustainable Product Index assesses products based on their ingredients and their environmental impact, as well as several product category-specific criteria. The assessment also gives credit to products that have been certified by an independent third-party as meeting health or environmental standards.
- **Walmart**—Walmart’s Sustainability Index is based on key performance indicators (KPIs) developed by The Sustainability Consortium. The Index now covers more than 700 product categories and has been implemented or piloted in the U.S. and six additional international markets.
- **Lowe’s**—The retailer was the first winner of the ENERGY STAR® Sustained Excellence Award in Retail for its efforts to promote energy conservation and the purchase of ENERGY STAR program electronic products. Lowe’s is also a multi-year recipient of the WaterSense® Retail Partner of the Year Award for the promotion of WaterSense-labelled products.
- **Grainger**—This distributor of major industrial supplies promotes sustainable products in one of four categories – energy, water, waste and indoor air quality. With more than 50,000 products designated with a “green leaf,” and representing more than \$700 million in sales in 2014, Grainger has seen its list of environmentally preferable products grow more than five times since 2011.

These and other efforts highlight the growing influence of social and environmental sustainability as an essential factor in modern commerce. Indeed, the decision to embrace sustainable practices in business is no longer a reflection of a philosophical choice but is instead being driven by the economic imperative to remain relevant to buyers and consumers. In this context, the key challenges facing companies today is determining how to adopt sound sustainability policies and practices that complement and support business strategies and objectives, and how to effectively communicate sustainability efforts to stakeholders and the general public.



The Challenges of Effective Sustainability Claims

As buyer demand grows for sustainable products and services, so too does the number of terms and phrases used to describe various social and environmental characteristics of products and producers. Unfortunately, many of the terms used to connote some kind of social or environmental benefit are generally vague at best. Some companies exploit this to their advantage by making inaccurate or misleading claims about their sustainability practices or the environmental performance of their products. But even reputable companies can sometimes mislead buyers through the use of vague language that leads to misunderstanding or confusion.

The practice of making misleading sustainability claims is commonly referred to as “greenwashing.” Greenwashing typically takes one or more of the following forms:

The “hidden trade-off” claim—

This form of greenwashing occurs when a company suggests that a product or process is “sustainable” based on only one or two attributes, while ignoring other important characteristics.

The absence of proof claim—

Sustainability claims without proof cannot be substantiated by easily accessible supporting information, leaving it to a buyer to determine the validity of the claim.

The vague claim—

Some sustainability claims are so broad or so poorly defined that their real meaning is likely to be misunderstood or misinterpreted by a buyer.

The irrelevant claim—

Other sustainability claims may be truthful and accurate, but are unimportant or unhelpful for buyers attempting to evaluate competitive products.

The “lesser of two evils” claim—

In this case, a specific sustainability claim may be true but risks distracting a buyer from more significant sustainability aspects of a product or process.

The false claim—

Some claims of social or environmental sustainability are simply false or inaccurate.

False or misleading labeling—

Finally, some companies use images, words or logos that imply third-party endorsement of their sustainability characteristics, even though no such endorsement exists.

Unfortunately, the practice of greenwashing in connection with environmental claims is rampant in the marketplace. Using tests based on U.S. and Canadian regulatory frameworks for environmental claims and internationally accepted guidelines, UL has found that more than 95 percent of evaluated products found on in retail stores employed one or more forms of greenwashing. The “absence of proof” claim was found in more than 70 percent of products, followed by vague claims (about 65 percent). Examples of vague claims include use of the terms “eco-friendly,” “environmentally friendly,” and “earth friendly.” False or misleading labels were found in connection with more than 30 percent of products.

As part of the effort to combat greenwashing practices, regulators have recently stepped up efforts to warn companies about certain environmental certification seals that may contribute to buyer confusion. For example, the FTC sent letters in September 2015 to five providers of environmental seals and 28 companies using those seals, alerting them to its concerns that the certification seals might not comply with its environmental marketing guidelines. The letters also warned companies to review their marketing materials for any unqualified or unsubstantiated claims of environmental benefits.

The Consequences of Greenwashing

At a minimum, greenwashing undermines otherwise well-intentioned efforts to educate buyers, and leads to increased confusion and mistrust in the marketplace. But the practice may also expose companies to enforcement activities by government agencies. In the European Union (EU), the EU’s Directive on Unfair Commercial Practices (2005/29/EC) is intended to reduce instances of unfair business practices, such as providing untruthful or misleading information to consumers. The provisions of the Directive are enforced by regulators in individual EU member states. In the U.S., as previously noted, the FTC can take enforcement action against companies who use deceptive claims in the labeling, marketing or promotion of their products, potentially resulting in cease and desist orders and financial penalties.

In one case, the FTC imposed a \$450,000 civil penalty against a Michigan packaging company that made repeated environmental claims regarding its paper products’ biodegradability without “competent and reliable scientific evidence.” In a separate set of cases, the Commission ordered three mattress retailers to cease making unsupported claims that the mattresses they sell are free of potentially harmful volatile organic compounds (VOCs). And regulators in California have used that state’s



restrictions against false or misleading advertising to curb the use of any “untruthful, deceptive or misleading environmental marketing claim, whether explicit or implied.”

False or misleading claims regarding sustainability can also expose companies to civil legal actions. For example, California’s State Attorney General’s office filed a lawsuit in 2011 against two bottled water companies for allegedly claiming that their plastic water bottles were 100% biodegradable and recyclable. Regardless of whether similar civil claims filed by government officials or consumers are upheld in court, they are time-consuming and costly to defend.

Finally, the “court of public opinion” may present the most damning of all consequences for companies and organizations that rely on false or misleading sustainability claims. Adverse publicity stemming from enforcement actions or civil litigation can result in quick and precipitous loss of market share, as buyers switch allegiances to other competing products. Such losses can almost immediately reverse long-term efforts to build brand and product reputation.

Making Effective Sustainability Claims

The FTC's Green Guides provides guidance on acceptable labeling and marketing claims for the environmental sustainability characteristics of products. First issued in 1992 and most recently revised in 2012, the Green Guides outline general principles that apply to all labeling and marketing claims as well as recommendations on how marketers can qualify their claims to avoid misleading buyers. The general principles include:

Qualifications and disclosure—

All qualifications or disclosures regarding claims should be clear, prominent and understandable, using plain language and large type. Such statements should also be in close physical proximity to the relevant claim and avoid the use of visual elements that could distract attention from the disclosure itself.

Distinction between benefits of product, package and service—

Claims should make clear whether the claim applies to the product, the product package, a service, or to just one or two of those elements.

Overstatement of environmental attribute—

Claims should not be overstated, either directly or by implication. Claims regarding benefits that are negligible should not be stated or implied.

Comparative claim—

Any comparative claims should be clear and supported by substantive information.

The Green Guides also offers detailed guidance and specific examples for various types of environmental sustainability claims, including compostable or degradable claims, recyclable and recycled content claims, renewable energy and materials claims, and source reduction claims.

While not a substitute for FTC regulations, the Green Guides provides extensive information that can help companies develop and promote valid sustainability claims. Compliance with the guidance detailed in the Green Guides has also been effectively used as a defense in regulatory and civil actions related to the use of false or deceptive claims. Therefore, companies should thoroughly evaluate their sustainability claims against the principles detailed in this important Commission guidance.



The Other Challenge: Greenblushing

While many organizations fall prey to the greenwashing temptation when it comes to promoting their sustainability efforts, a growing number are susceptible to what is commonly called “greenblushing.” Greenblushing is the opposite of greenwashing; instead of providing buyers with misleading information about their sustainability efforts, companies that engage in greenblushing disseminate little or no information about their social and environmental sustainability practices or the environmentally-positive characteristics of their products.

According to public relations firm Dix & Eaton, greenblushing is about “walking the walk, but being too shy or unsure to talk the talk.” Other symptoms of greenblushing include:

- **FAILING** to believe that a company’s sustainability efforts are important or noteworthy;
- **RELUCTANCE** to speak about or otherwise promote a company’s sustainability track record, even when invited to do so;
- **NEGLECTING** to communicating sustainability accomplishments with employees;
- **ASSUMING** that stakeholders don’t share the same values or don’t care about sustainability efforts;
- **BEING FEARFUL** of potential negative consequences of active communications;
- **BELIEVING** that a corporate social responsibility statement about sustainability is sufficient.

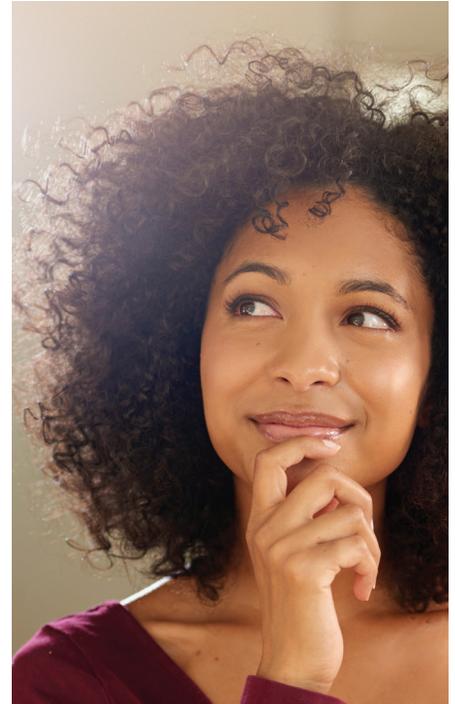
Actively communicating and promoting a company’s sustainability initiatives and accomplishments can have important benefits. First, it serves to affirm corporate sustainability values in the minds of employees, resulting in stronger employee engagement and commitment to sustainability goals. Second, it establishes a dialogue with all stakeholders, inviting constructive feedback and a providing a channel for ongoing communications. Finally, it can be an effective method to strengthen a company’s brand reputation in the marketplace, providing a competitive advantage over companies that don’t engage in sustainable practices or those that fail to promote their efforts.



Think Differently: A New Approach to Sustainability

Sustainable products and practices are having a transformative effect on businesses, driving both innovation and financial performance. A report from the United Nations Global Compact found that 93 percent of 1000 international chief executive officers (CEOs) believe that sustainability is essential to their business strategy. In a separate study, 44 percent of business executives see sustainability as a source of innovation and 39 percent see sustainability as a source of new business opportunities. And a 2015 study concludes that “a greater engagement in sustainability practices leads to an increased innovation performance, which in turn, leads to financial and market performance.”

Of course, sustainability as a driver for success in business is about more than just properly promoting products that are socially and environmentally responsible. Instead, sustainability must be an essential component of a company’s overall business strategy, and factor into every aspect of its operation. Beginning with sourcing of materials and supply chain management, through product development, manufacturing and packaging, and concluding with product end of life considerations, incorporating sustainability considerations can help to support the achievement of a company’s sustainability goals and objectives.



UL takes this holistic approach to sustainability through its Greener Product Framework. The Framework allows companies to monitor sustainability-related activities and initiatives and measure specific sustainability accomplishments. Individual aspects of UL’s Greener Product Framework include:

Product— Includes the development of sustainability criteria for products and processes, including an implementation plan, measurable environmental performance indicators, and associated benefits.

Organization— Creates an organization-wide protocol that can be used to evaluate adherence to a company’s sustainability program’s goals and objectives. Components can include a pilot assessment and evaluation, a supplier support program and team training.

Designing for Sustainability— Designing for Sustainability training can help product design teams think about sustainability issues at the beginning of the product design process, so that sustainability is a fundamental aspect of each newly developed product.

The sustainability approach embodied in the Greener Product Framework has the added benefit of actively engaging employees in support of sustainability goals, thereby embedding sustainable thinking as an integral part of each operation.

Validating Innovative Sustainability Claims

Eco-labels have long been used as a method of substantiating environmental product claims. Today, there are an estimated 463 different eco-labels in use by 25 industry sectors in 199 countries around the world. Legitimate eco-labels indicate a product's compliance with the requirements identified in a specific standard, and compliance is typically validated through testing and certification by an independent third-party laboratory.

However, validating claims resulting from many innovative sustainability practices can be more complicated. In many cases, independently developed standards addressing specific sustainability product characteristics or practices may not exist, leaving companies without a suitable method to measure or validate results of sustainability initiatives. This can lead to the greenblushing dilemma identified earlier in this paper, in which companies are unable or unwilling to promote their sustainability accomplishments.

In recent years, UL has actively addressed this challenge by developing independent, procedure-based protocols to assess and validate a variety of innovative sustainable practices. These environmental claims validation procedures (ECVPs) can be used to verify product-specific sustainability attributes, as well as attributes that are process/technology based or facility/company based. Some examples of UL's ECVPs include:

UL 2789—Estimated recyclability rate (product)

UL 2799—Zero waste to landfill (facility/company)

UL 2809—Recycled content (product)

UL 2884—Substance content claims, such as halogen, formaldehyde, phthalates (product)

UL 2980—Zero ODS manufacturing process (process/technology)

UL 2990—By-product synergy (facility/company)

Based on the requirements of the specified ECVP (or one expressly developed to address a unique sustainability claim), UL can independently evaluate a product or a process and provide third-party validation for an innovative sustainability claim. This independent validation can then be used to promote the success of a company's sustainability initiative in public communications. UL is also continuously developing additional ECVPs to validate new, innovative sustainability claims.

Summary and Conclusion

Making effective social and environmental sustainability claims is complex and can leave many companies open to charges of greenwashing. But greenblushing can be just as damaging when companies fail to actively promote their sustainability accomplishments, especially when it comes to innovative sustainability initiatives. Environmental claims validation protocols developed by UL can provide companies with a legitimate path to obtain third-party verification of sustainability claims, even in the absence of existing standards.

UL has been in the forefront of validating social and environmental sustainability claims for companies around the world. UL's innovative claim validation process provides companies with additional options for obtaining third-party validation of achievements in sustainability. For more information about UL's sustainability validation services, contact (contact information here).

