The 8 most frequent greenwashing practices to appear in sustainability reports

When companies get creative with their sustainability reporting, the environment and consumer confidence suffer.

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In recent decades, the publication of corporate sustainability reports has become a standard practice in the business world in response to growing environmental awareness and demand

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for transparency from consumers, investors and other stakeholders. Through these documents, organizations detail both their environmental, social and governance (ESG) impact and their contribution to sustainable development. But not all companies are as transparent as they appear.

Some companies resort to making up or manipulating their sustainability credentials — otherwise known as greenwashing — to appear to be committed to the environment while failing to follow through with meaningful action.

IESE Prof. Joan Fontrodona and researcher Bruno Martinez reveal the most common greenwashing tactics, in their proposal for a regulatory framework to strengthen trust among companies (available here, in Spanish), published as part of the CaixaBank Chair of Sustainability and Social Impact collection.

Tricks and pitfalls in corporate sustainability reporting

The lack of verification mechanisms and clear regulations in some countries has led companies to slip various misleading tactics into their corporate sustainability reports. Here are the most common tricks:

1. **Making hollow promises.** Vague promises that fail to specify concrete objectives are used by companies to create a false impression of being more sustainable. By making it difficult to evaluate their real progress, they avoid responsibility and evade presenting actual results.
2. **Deceptive labeling.** Ecological. Sustainable. Zero emissions. Such terms don’t explain how a company plans to achieve sustainability. Nor do they provide detail or current data showing progress or actions taken. Instead, they prevent transparent, objective evaluation and verification of nonfinancial performance.
3. **Selective greenlighting.** This consists of directing attention to certain good practices or sustainable initiatives (such as the use of renewable energies or environmentally friendly materials) to divert eyes from less sustainable areas. In this way, companies project an image that doesn’t match the wider reality. This practice is particularly misleading when the selective approach focuses specifically on minor achievements, ignoring structural issues.
4. **Acquiring non-rigorous certifications.** Some companies advertise partnerships and certifications to project an image of social and environmental responsibility. In

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practice, some of these certifications have lax standards and minimal requirements. This is a common distraction technique in the textile sector, one of the most polluting in the world.

5. **Limited action with carbon offsetting.** Carbon offset programs can be a valuable complement to a sustainable strategy. But promoting carbon neutrality solely through offsets can be misleading if it is not accompanied by direct actions that lead to significant changes in internal operations.
6. **Philanthropy as distraction.** Although making donations is an undeniable contribution, it can't replace transforming internal practices with long-term impact. An example would be a fossil fuel company supporting reforestation projects or funding renewable energy research while continuing to expand its oil and gas production.
7. **Creating committees and departments with no real power.** More than 70% of the world's largest listed companies have a sustainability committee, according to data from 2021. While this is good news, too often the committee's role is merely symbolic, lacking the influence, resources and authority necessary to implement real changes in the organizational structure or participate in decision-making.
8. **Shifting negative impacts away.** Relocating polluting facilities abroad or outsourcing highly polluting steps to separate companies, usually located in countries with laxer environmental regulations, is a legal practice that allows companies to present more favorable metrics in their sustainability reports. However, this reinforces global environmental inequalities and hinders the implementation of effective policies to address climate change or biodiversity loss.

Identifying all these deceptions is the first step in becoming an agent of change. This will help bring deserved recognition to organizations that are truly committed to sustainability, and it will also encourage more organizations to be genuinely responsible. Regulatory frameworks can help guide decisions and strategies toward more sustainable development.

READ ALSO: Green reporting: getting the numbers to add up

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