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RELATIONS BETWEEN CORPORATE SOCIAL RESPONSIBILITY REPORTING AND THE CONCEPT OF GREENWASHING

Summary. This study focuses on the presentation of the relationship greenwashing and reporting practices of corporate social responsibility. The purpose of this publication is to present the concept of greenwashing, his practice and describe possibility of adulteration of CSR reporting practices by greenwashing. There is also an analysis of capabilities to counter the phenomenon.

Keywords: greenwashing, corporate social responsibility, corporate social responsibility reporting, sustainable development.

RELACJE POMIĘDZY RAPORTOWANIEM SPOŁECZNEJ ODPOWIEDZIALNOŚCI BIZNESU A KONCEPCJĄ GREENWASHING

Streszczenie. Niniejsze opracowanie koncentruje się na omówieniu relacji praktyk greenwashing i raportowania społecznej odpowiedzialności biznesu. Celami artykułu są: zaprezentowanie koncepcji greenwashing i jej działań, zwrócenie uwagi na możliwości zafałszowania raportów CSR w wyniku greenwashingu oraz analiza możliwości przeciwdziałania temu zjawisku.

Słowa kluczowe: greenwashing, społeczna odpowiedzialność biznesu, raportowanie społecznej odpowiedzialności biznesu, zrównoważony rozwój.

1. Introduction

The development of voluntary and mandatory reporting of Corporate Social Responsibility (CSR – Corporate Social Responsibility) has meant that many organizations want to fulfill national requirements, or get in the public consciousness the image of a socially

responsible organization, reports on its activities in this field. Taking action on CSR should be viewed positively, as it contributes to a better quality of life and better meet the expectations of all stakeholders of the organization. However, in some situations, organizations desiring to introduce ourselves as much more socially responsible as they really are, take a variety of actions aimed at stimulating more action on sustainable development and social responsibility than real action. These measures will gain a world literature in the name of greenwashing.

The purpose of this publication is to present the concept of greenwashing, his practice and describe possibility of adulteration of CSR reporting practices by greenwashing. There is also an analysis of capabilities to counter the phenomenon.

2. Reporting on Corporate Social Responsibility

Reporting on social responsibility of organizations (CSR) is now becoming a very important phenomenon, booming worldwide. The premise of CSR is voluntary respect for the ecological and social business decisions while taking into account the expectations of stakeholders of the company. Whereas CSR reporting is the practice of providing information internal and external stakeholders on the results achieved by the company in economic, environmental and social¹.

The current increase in the number of companies reporting data on CSR is caused by many factors such as pressure from stakeholders, legal acts issued by different countries regarding CSR reporting or economic crisis. Disclosure of non-financial enterprises is becoming an important and rapidly growing phenomenon. Currently, we are witnessing a global trend in the development of business practices in the field of sustainability reporting. In 2011 he published nearly 6000 reports, which is two times more than in 2006. The level of reporting of this kind differs from country to country.

The leader of sustainability reporting has always been and still is Europe (approximately 50% of all reports each year come from Europe). Fourteen of the 20 reporting countries are the most numerous European countries².

¹ Hys K., Hawrysz L.: Corporate Social Responsibility Reporting. „China-USA Business Review”, Vol. 11, No. 11, 2012; Hys K., Hawrysz L.: CSR in Poland as a important foundations of modern societies. „Management Study”, Vol. 1, No. 1, 2013; Hąbek P., Wolniak R.: Sprawozdawczość przedsiębiorstw w zakresie zrównoważonego rozwoju w Polsce – ocean stanu obecnego. Zeszyty Naukowe Politechniki Śląskiej, s. Organizacja i Zarządzanie, z. 73, Gliwice 2014.

² Hąbek P.: Sprawozdawczość wyników przedsiębiorstwa w formie zintegrowanej, [w:] Biały W., Zasadzień M. (red.): Systemy Wspomagania w Inżynierii Produkcji. Wspomaganie Zarządzania Systemami Produkcyjnymi. Wyd. P.A.Nova, Gliwice 2013.

A study conducted in 2013³ in 45 countries indicate the existence of 180 national policies and initiatives related to CSR reporting, of which 72% is mandatory. European Union countries are among the top countries with the largest number of companies reporting in this area. Demonstrated its commitment to the European Commission on issues of corporate social responsibility and practices related to reporting results include published it in April 2013 years proposal amendments to the EU directive relating to accounting (Fourth and Seventh Directive, respectively 78/660 / EEC and 83/349 / EEC). Tightening disclosure requirements for non-financial data is provided for all large European companies.

Reports resulting from the process of disclosure relating to CSR are published usually under different names⁴, such as. Sustainability report, the triple bottom line report, corporate responsibility report, ESG (environmental, social, governance) report. The Polish nomenclature adopted the term corporate social responsibility report, CSR report (called Corporate Social Responsibility), sustainability report.

The usefulness and credibility of CSR report depends on the quality of the data and the information contained therein. Despite the fact that every year the number of published CSR reports increases, the quality is low. The contents of CSR reports are characterized by flexibility, which in turn intensifies the problem with the evaluation and comparison of results in this regard. This limits the usefulness of using this type of data, in particular in the context of increasing information needs in this area.⁵

The possibility of using the reports submitted by organizations in CSR, regardless of whether we are dealing with a mandatory or voluntary reporting of largely depend on the reliability of the data presented in the report. The method of describing data, the scope of the information contained therein or the readability of the report cannot be more important than the credibility and authenticity of the information that is contained in the report. However, in the literature increasingly recognized problems associated with the reporting CSR phenomenon resulting from the application greenwashing⁶. It is also emphasized that part of the organization consists of voluntary CSR reports partly to the use of practices greenwashing⁷. which will be discussed in the next section of this publication. Due to the fact that CSR reports contain data from both social and environmental as in the case of both the information we have to deal with greenwashing.

³ KPMG, UNEP, GRI and Unit for Corporate Governance in Africa, 2013: Sustainability reporting policies worldwide – today's best practice, tomorrow's trends, <https://www.globalreporting.org/resourcelibrary/carrots-and-sticks.pdf> [12.12.2014].

⁴ Davis G., Searcy C.: A review of Canadian corporate sustainable development reports. „Journal of Global Responsibility”, No. 1, 2010.

⁵ Hąbek P.: Ujawnianie wyników w zakresie zrównoważonego rozwoju przedsiębiorstw. „Przegląd Organizacji”, nr 12, 2013.

⁶ Laufer W.S.: Social Accountability and Corporate Greenwashing. „Journal of Business Ethics”, No. 3, 2003.

⁷ Mahoney L.S., Thorne L., Cecil L., LaGore W.: A research note on standalone corporate social responsibility reports: Signaling or greenwashing? „Critical perspectives on Accounting”, No. 4-5, 2013.

3. Greenwashing – the characteristics of the phenomenon

The term greenwashing was created by environmentalist Jay Westervelt in 1986 in an essay on the hospitality industry. The publication described the practice of placing labels on each room to encourage the re-use towels. It was argued that such action is supposed to serve environmental protection. The author pointed out that in most cases, these institutions have not taken any efforts to reduce energy losses. He stated that the purpose of the campaign was only an increase in profit and environmental issues were used marketing to encourage customers to activities beneficial for the company, actually do not have much bearing on the environment. Then the term was added (in 1999) to the dictionary *Angielski Oxford Dictionary*⁸.

The creation of the phenomenon greenwashing a direct result of the development of the concept of sustainable development and corporate social responsibility. Customer demand for environmentally friendly products and pro-social causes organizations wishing to take advantage of consumer demand take various actions. Some of them relate to the actual meeting the needs of consumers, their other fraudulent use to increase company profits. According to a study conducted by the Boston Consulting Group [Manget, Roche and Munnich, 2009] Consumers expect companies to meet the high ethical standards (75% of respondents), to provide information on the environmental impact (75%), fair treatment of employees (71%), participation in social projects (54%) or allocate funds for charity (43%). All of this means that there are organizations wishing to submit their action in this regard at a level much higher than they actually are.

In the area of corporate social responsibility in many cases greenwashing phenomenon is based on misinformation stakeholders in order to attract more customers, improve the company's image or to gain new investors. It does not have to entail violations of existing regulations or existing social regulation of ethical and environmental⁹.

Market CSR reporting is considered to be particularly vulnerable to the possibility of greenwashing¹⁰. It has to do with the fact that there is a gap in information about the product, which has an organization and information that have consumers and stakeholders. Asymmetries existing information makes it not always easy to detect a prevalence presented in this publication practices. In addition, identify misleading information on CSR hampered by the fact that, in practice, most of the information provided in the reports of CSR is supported by evidence and only some may be presented in a way as to mislead the reader.

⁸ Witek L.: Zjawisko greenwashing a zachowania konsumentów. *Zeszyty Naukowe Uniwersytetu Szczecińskiego*, s. Problemy Zarządzania, Finansów i Marketingu, z. 32, 2013.

⁹ Pniewska K.M.: Greenwash – marketingowa odpowiedź koncernów na współczesne przemiany społeczne, ekologiczne i gospodarcze. „Marketing i Rynek”, nr 11, 2012.

¹⁰ Werther W.B.: Chandler D.: *Strategic corporate social responsibility. Stakeholders in a global environment*. SAGE, London 2011.

With the enormous amount of information contained in the report, it is easy reader to the non-adequate preparation, figure out which ones are wrong.

The first book devoted discussed a married in 1996 and was entitled *Greenwash: The Reality Behind Corporate Environmentalism*¹¹. According to the data collected in Google Scholar, each year a growing number of publications on topics related to greenwashing. In 2002-2006, it was published about 200 articles annually regarding this subject. From the year 2007 started with the rapid growth and rate reached almost 800 texts in the course of 2012¹².

Greenwashing phenomenon can be defined as – a conscious attempt to communicate to customers the positive environmental or social information, which are not covered by the actual activities of the organization, in so far as it has been communicated to.¹³

There are many activities which can be classified into practice greenwashing. Among them are worth mentioning such situations where an organization¹⁴:

- gives wrong information on the characteristics of the product relating to its environmental impact,
- indicates the ecological facts that have no relation to the actual state refers to something that has no sense,
- reduce their costs under the guise of caring about the environment,
- does not provide evidence of their ecology or prosocial,
- deliberately used general and imprecise wording in submitting reports which may be poorly understood by the reader,
- illegally and unjustifiably uses organic labels, corporate social responsibility and certificates
- the use of false labels on the product,
- apply too exaggerated, suggestive images, gives bogus data, having certified that the product is actually environmentally friendly, safe etc.,
- do not take into account the real impact of the product on the environment throughout the product life cycle,
- deliberately omits material information about the manufacturing process and its consequences (for the environment, local community and employees) that could negatively affect the image of the product.

¹¹ Greer J.: *Greenwash: The Reality behind Corporate Environmentalism*. Rowman & Littlefield Publishers, London 1997.

¹² Bowen F.: *After greenwashing. Symbolic Corporate Environmentalism and Society*. University of Cambridge, 2014.

¹³ Ibidem.

¹⁴ The sins of greenwashing home and family edition, 2010, Underwriters Laboratories, <http://sins-of-greenwashing.org/index35c6.pdf>; Witek L.: Zjawisko greenwashing a zachowania konsumentów. Zeszyty Naukowe Uniwersytetu Szczecińskiego, s. Problemy Zarządzania, Finansów i Marketingu, z. 32, 2013.

Greenwashing phenomenon is a serious problem that leads to a distortion of the concept of sustainable development and corporate social responsibility. In the literature distinguishes four types of companies with prospects for applying the phenomenon greenwashing (Table 1). As a result, there is greenwashing use practices to reduce the level of confidence in a given society (which is a confidence strongly affects the functioning of the economy) and has negative implications for the environment, customers and business (Figure 1).

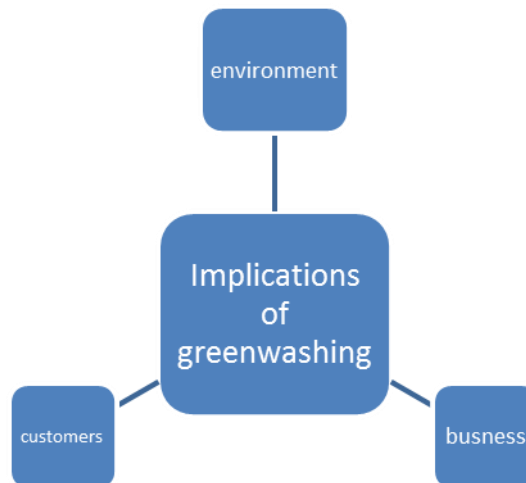
Table 1

Types of companies using greenwashing

Business type	Characteristics
Misguided	Categories include companies that have made considerable efforts to improve the environmental present their products and processes, but they can not effectively communicate them. These companies resorted to large generalizations in the transmission of information.
Unsubstantiated greenwash	These companies show different kinds of data, but spend more on communication than on the actual activities related to environmental and social issues. These efforts are fake sooner or later unmasked as consumers are becoming more educated and sensitive to greenwashing.
Greenwash noise	Companies that put a lot of effort and take various steps in order to create a corporate image of environment policy and social objectives, but the real value of these activities is low and limited communication effectiveness.
Effective environmental communications	Organizations that take a lot of real action to improve their products and processes with environmentally friendly and pro-social point of view and ability to apply them in a skillful way to communicate.

Źródło: Horiuchi R., Schuchard R., Schea L.: Understanding and preventing greenwash: a business guide. Report 2009; Witek L.: Zjawisko greenwashing a zachowania konsumentów. Zeszyty Naukowe Uniwersytetu Szczecińskiego, s. Problemy Zarządzania, Finansów i Marketingu, z. 32, 2013, s. 123-134.

In terms of its negative environmental effects relate to the fact that the activities greenwashing can encourage customers to take actions that are harmful, or at best indifferent to the environment under the guise of advantage them. From a consumer perspective, these actions are a fraud disturbing environmentally conscious customers make the right choices shopping. From a business perspective the use by some companies greenwashing exerts downward pressure on the others. In such a situation, companies that? such practices are finding that environmental and pro-social activities are expensive. Then it is difficult to compete with companies who only pretend to be this kind of activity using greenwashing. Also for companies using this kind of practice can be dangerous. When consumers realize that the organization uses greenwashing, its reputation could be harmed and consequently the financial results. This kind of damage to the reputation can be difficult to rebuild.



Rys. 1. Implikacje greenwashing

Fig. 1. The implications of greenwashing

Source: Greenwashing index. How keep advertising honest, <http://www.greenwashingindex.com/about-greenwashing/#score>.

Greenwashing, according to global research it is a practice very common. For instance, the report on Canadian companies, using a test based on ISO 14012 (Guidelines for Environmental Claims) came to the conclusion that more than 95% of products marketed as environmentally friendly, we had to deal with at least one of these in this chapter practices on greenwashing¹⁵. Similarly, TerraChoice Environmental Marketing report presents data which shows that the analysis of more than 1,000 commercials in which there were pro-environmental declarations showed that only one of them was completely flawless¹⁶.

4. Prospects for the fight against the greenwashing

The phenomenon greenwashing met with a negative reaction from pro-environmental and pro-social organizations, which use a variety of measures to prevent such practices and to publicize it (to get the effect described earlier losses reputation of the company applying greenwashing). One such organization is Greenpeace's StopGreenwash.org, which carries out activities in monitoring environmental and social abuses made by organizations. The organization aims, inter alia, the creation of standards for CSR reporting, advertising etc.¹⁷.

A very large role in drawing attention to the practice greenwashing played online. According to some experts in times of universal access to information is very difficult in the long term applied consistently greenwashing practice on a large scale, because universal

¹⁵ The sins of greenwashing home and family edition, 2010, Underwriters Laboratories, <http://sins-of-greenwashing.org/index35c6.pdf>

¹⁶ Lane E.L: Green marketing goes negative: the advent of reverse greenwashing. „Intellectual Property & Tehnology Law Journal”, No. 1, 2013.

¹⁷ Introduction to StopGreenwash.org, <http://stopgreenwash.org/introduction#> [12.12.2014].

access to information makes the difference between data reported in the reports and the actual activities relatively quickly come to light. As shown by the cases of companies such as Chevron, giving false data on CSR and consistently use greenwashing sooner or later comes to light and has a negative impact on the image of the organization¹⁸.

An important role in the fight against greenwashing also plays education for sustainable development. The knowledge gained since it helps consumers better evaluation of the data content of messages and increase their ability to detect material misstatements in the underlying data¹⁹. Sometimes, preventive measures regarding greenwashing can be stored directly in strategic documents concerning CSR organizations. For example, the CSR policy of the European Union is dedicated point greenwashing and the need to take appropriate action to prevent this phenomenon²⁰.

In terms of dealing with greenwashing practices helps the phenomenon of so-called reverse-greenwashing. It involves the submission of statements of detecting illegal practices concerning greenwashing. More and more social organizations are involved in the planned tracking corporate practices and identifying any irregularities in the greenwashing that they can find. The appearance of the reverse-greenwashing in conjunction with the development of CSR reporting is the hope that socially and environmentally aware consumers will have access to more accurate and reliable data on the activities undertaken by the organization in the field of CSR. These data can be the basis for them to take concrete decisions on the market. Therefore, the development of this concept should be considered a positive trend of generating social pressure on organizations to increase their involvement in CSR and avoiding practices in greenwashing.

In the case of CSR reporting more often it is not enough that the organization submitted a report, but the report was credible it must be audited by another external organization. To do this, not only to present the final figures, but also provide appropriate documentation demonstrating that the organization actually take environmental and social activities described in the report. That's why at international level and in individual countries creates a special devoted to auditing standards for CSR reports.

Currently, there are two standards for the certification of the issue of corporate social responsibility: ISAE 3000 and AA1000AS. However, in the particular standard ISAE is widely used in accounting. Name of the standard ISAE stands for – the International Standard on Assurance Engagement – The international standard for ensuring commitment. The first version of the standard was established in 2004. The Standard it can be used in ensuring the involvement in areas not related to finance. It is used by many accountants as a base in the area to ensure commitment to corporate social responsibility/sustainability. In some countries

¹⁸ Cherry M.A., Sneirson F.: Chevron, Greenwashing and the Myth of „green Oil Companies. „Journal of energy, climate and environmental”, No. 7, 2012.

¹⁹ Pabian A.: Greenwashing i astrofunding. Zielona dezinformacja w działalności promocyjnej. „Marketing i Rynek”, nr 4, 2014.

²⁰ Visser W.: CSR 2.0. Transforming Corporate Sustainability and Responsibility. Springer, London 2014.

there are even more advanced auditing standards for CSR reports. As one of the most advanced lists the Dutch standard COS 3410N – Ensure commitment for reporting on sustainable development²¹. The standard is based on the basic principles of the ISAF 3000, but concentrated more on ensuring an adequate commitment to report on corporate social responsibility, in other words on the process of auditing the reports of CSR certification of the reliability of the data contained in these reports. Its main aim is to ensure that the report will meet the required criteria.

5. Conclusion

To cope with this problem, whose importance is growing in the last decade and to a lesser or greater extent for most organizations, take different actions to counteract it. In particular, the very important measures to be taken to limit greenwashing include:

- the use of reverse-greenwashing or social monitoring reports and functioning of the organization and the public informed of any irregularities found,
- educate consumers on CSR enables them to greater awareness of the phenomenon,
- external verification of CSR reports according to strictly determined standards aimed at, inter alia, to test the reliability of the data contained in the reports.

Taking into account the development of mobile communications, which makes the information found irregularities can quickly reach the consumer, it is hoped that the implementation of these measures will not solve it if at least significantly reduce the prevalence of the use of greenwashing. Organizations for the sake of their image because they will be afraid to provide false information, because if the output revealed this fact may incur losses branding, which are very time consuming and costly to catch.

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²¹ Wolniak R., Hąbek P.: Holenderski standard zaangażowania w zakresie raportowania społecznej odpowiedzialności biznesu, [w:] Brzóska J., Pyka J. (red.): Nowoczesność przemysłu i usług w warunkach kryzysu i nowych wyzwań. TNOiK, Katowice 2013.

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Omówienie

W publikacji zaprezentowano problemy greenwashingu i ich implikacje z punktu widzenia związków z implementacją w organizacjach koncepcji CSR. Jest to istotne, ponieważ w wielu krajach europejskich składanie raportów CSR jest obowiązkowe, co często prowadzi do sytuacji, że są one pisane w taki sposób, aby przedstawić organizację w świetle lepszym, niż ma to miejsc w rzeczywistości. W tym celu podejmowane są różne działania, zwane greenwashingiem, dezinformujące strony zainteresowane i potencjalnych czytelników raportu.