RepRisk

RepRisk
Identifying greenwashing and social washing



Funda E. Schirmacher, Senior ESG Account Manager, RepRisk
funda.schirmacher@reprisk.com
Jelena Junginger, ESG Account Manager, RepRisk
jelena.junginger@reprisk.com

Identifying greenwashing, social washing, and business conduct risks

RepRisk

1. Evolving ESG and business conduct risk landscape
2. Greenwashing trends
3. Social washing trends
4. Intro to RepRisk
5. The way forward



Confidential

Evolving ESG and business conduct risk landscape

ESG and business conduct risk: addressing double materiality

RepRisk

Financial materiality



Considers the reputational and financial impacts on the business

Environmental & social materiality



Considers adverse impacts on people and planet

Double materiality

Considers **material adverse reputational and financial impacts for a company and its shareholders, and adverse impacts for people and planet**

Confidential

Data challenges: accessing credible data

Financial market practitioners face challenges in collecting and applying comprehensive and credible data regarding actual and potential impacts associated with their investments, clients, and partners due to:

Time constraints

Time constraints due to increasing rapidity of transactions

Transparency

Challenges accessing information due to **lack of transparency** of clients

Methodologies

Differentiating methodologies applied by data and research providers

Missing data

Lack of information on unlisted companies

Self-disclosure

Limitations inherent with data **self-reported by companies**

Confidential

Greenwashing risk

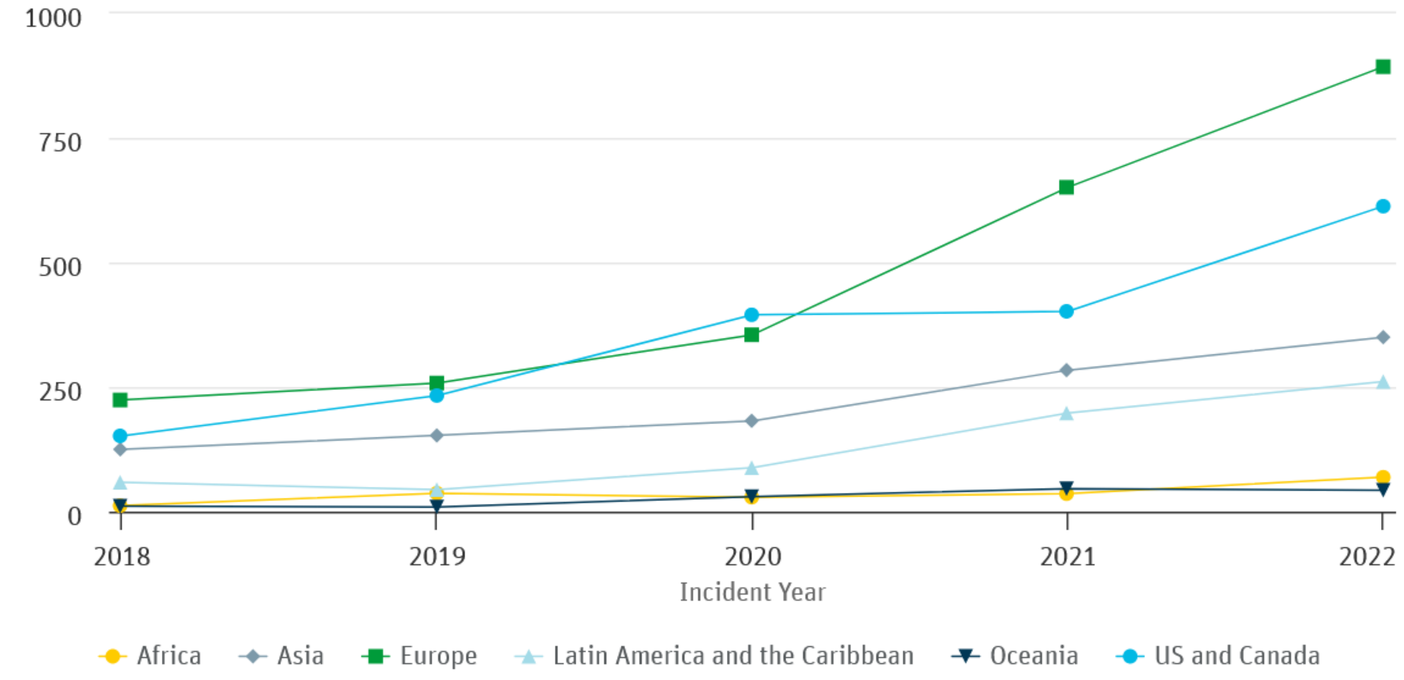
Our 2023 report finds greenwashing risk on the rise

Greenwashing across business and financial players is on the rise.

Greenwashing deceives both consumers and stakeholders, making it difficult to accurately assess levels of risk exposure.

Stakeholders need information that goes beyond corporate policies and messaging and holds companies accountable by revealing their on-the-ground adverse impacts (e.g., deforestation, human rights violations, corruption) across their operations and supply chains.

Greenwashing risk accelerates for companies headquartered in Europe and North America



*Reflects the count of unique entities with at least one ESG risk incident linked to both environmental footprint and Misleading communication in a given year

Confidential

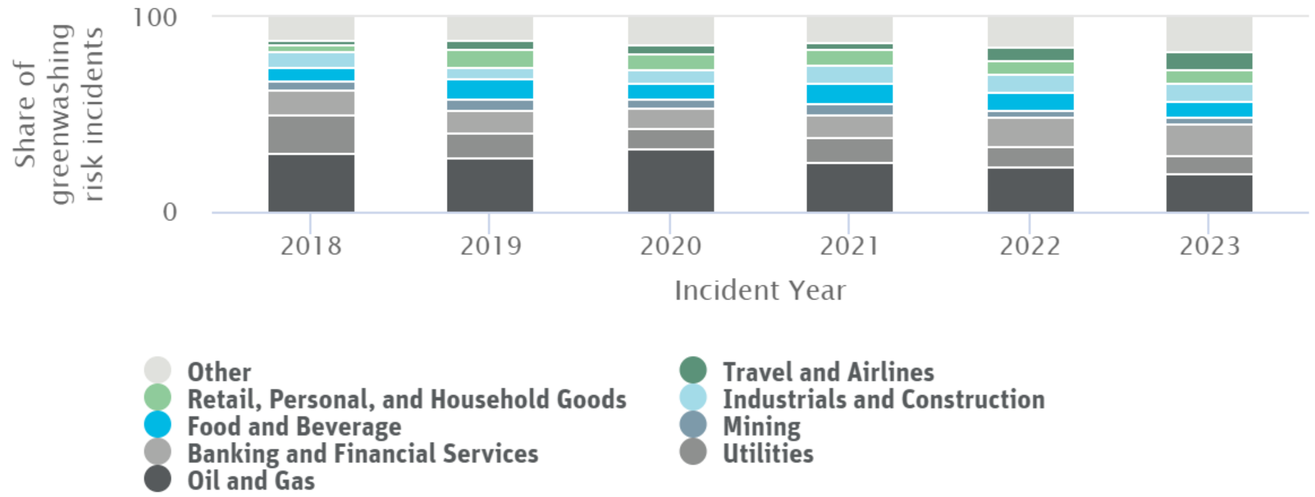
Shifting breakdown of sectors

While industrial and extractive sectors with a high environmental footprint continue to constitute a large portion of greenwashing risk captured by RepRisk, 2022 and 2023 so far show a continuation of the trend of more diffusion of greenwashing risk across sectors.

In particular, the Banks and Financial Services sectors displayed a notable increase in the number of greenwashing risk incidents, as also observed by the European Banking Authority.

Shifting breakdown of sectors linked to climate greenwashing

Based on count of ESG risk incidents linked to misleading communication surrounding climate change, GHG emissions, and global pollution. 2023 values reflect data from January to August at time of publication.



RepRisk.com

Confidential

Greenwashing risk in the EU financial and banking sectors on the rise

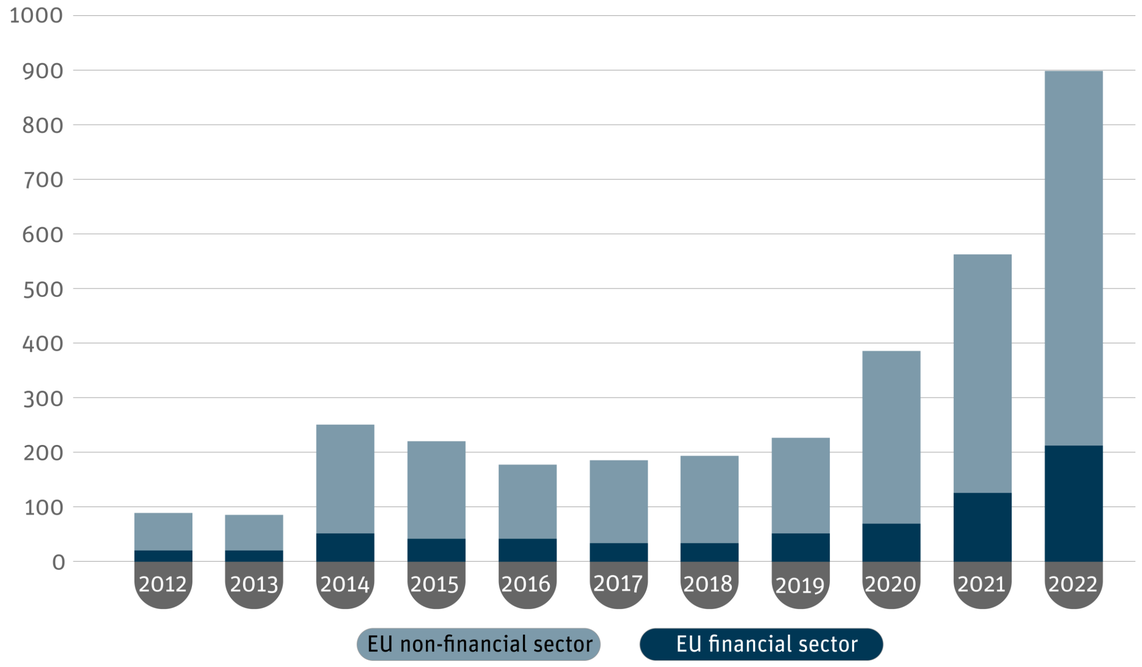
The **European Banking Authority** has identified three main types of **misleading claims in the financial and banking sectors:**

1. current approach to integrating sustainability
2. sustainability results and real-world impact
3. future commitments relying on medium or long-term plans

The Banks and Financial Services sectors saw a 70% increase in the number of climate-related greenwashing incidents in the past year, compared to the year prior (2022 vs. 2023).

Compliance functions find an increasing need **to mitigate the risk of greenwashing**, against the backdrop of regulatory developments and commitments voluntarily made.

Number of alleged greenwashing incidents in the EU financial and banking sector



Source: European Banking Authority (2023) Progress Report on Greenwashing and RepRisk

Confidential

Social washing risk

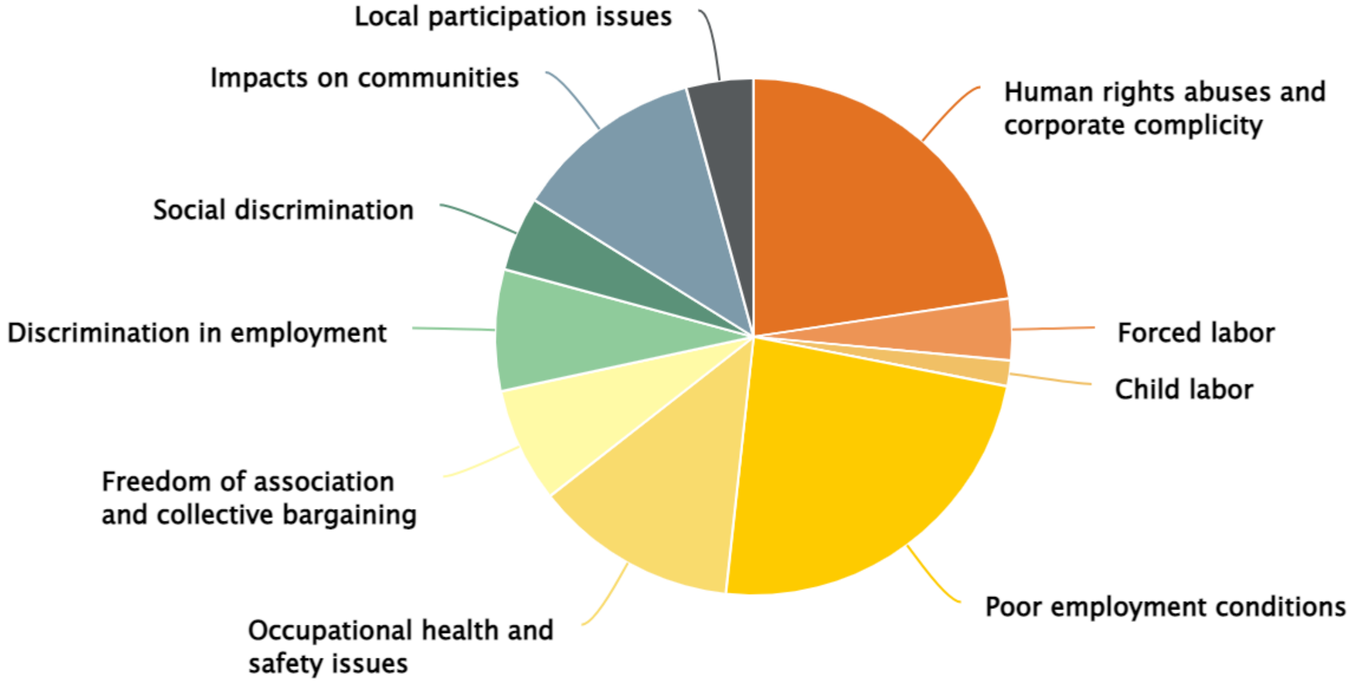
Social washing on the rise: trends and insights

Social washing takes place when companies paint themselves in a positive light by obscuring an underlying social issue in an attempt to safeguard reputation and financial performance.

On average, misleading communication surrounding a social issue is 12% more severe than environmental claims, indicating the acuteness of the risk. When both environmental and social issues are involved, misleading communication risk incidents are 20% more severe than greenwashing alone.

Breakdown of social washing issues

Global ESG risk incidents linked to both misleading communication and a social issue, Sep 2018 - Sep 2023, 1115 incidents total



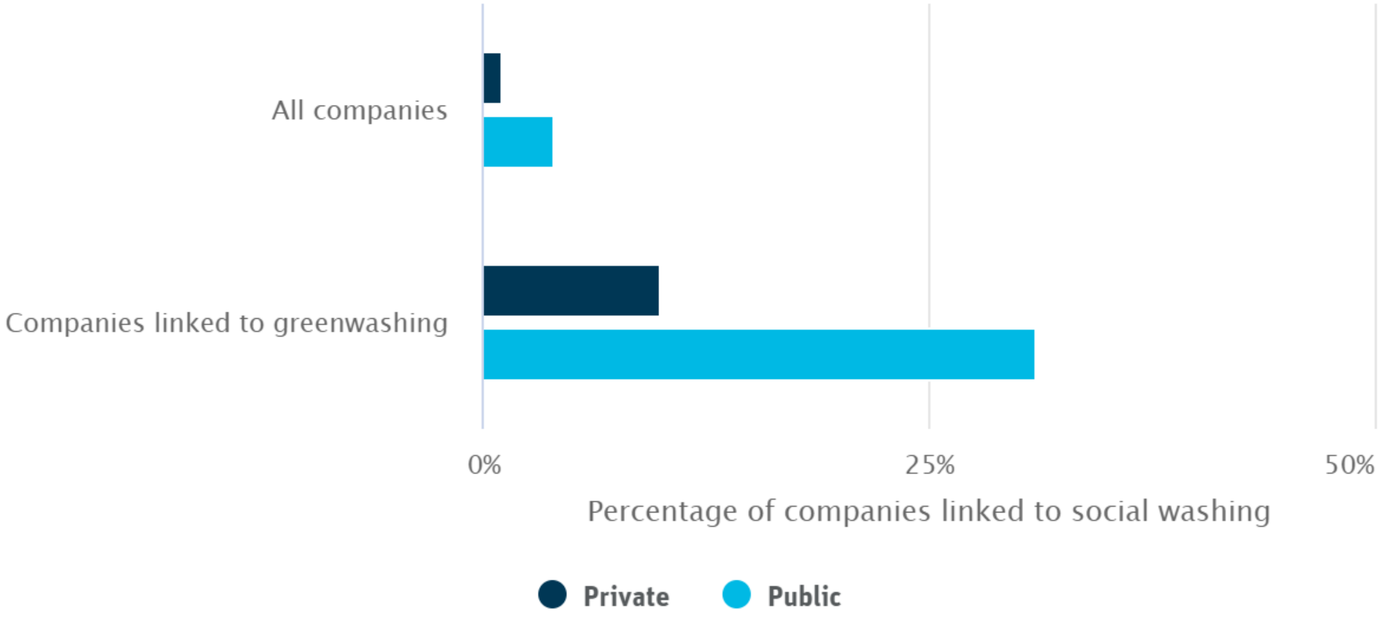
RepRisk.com

Confidential

Social washing on the rise: same players, same game

Greenwashers more likely to social wash

Share of companies linked to strict incidents of social washing from Jan 2018 - Aug 2023, based on whether they have been linked to greenwashing risk incidents.



Companies employ many of the same tactics in social washing as with greenwashing, such as selective disclosure or symbolic management.

When looking at cases in which incidents are linked to solely greenwashing and social washing respectively, 18% of companies linked to greenwashing in the period from 2018 to 2023 were also linked to social washing, increasing to 31% when only publicly listed companies are considered.

Confidential

Social washing on the rise: same players, same game

RepRisk

Category	Social issue	Sample ESG risk incident
Selective disclosure	Discrimination in employment	While CEO of a US talent management company publicly pledges to achieve gender equality in leadership positions, nearly a dozen women have filed complaints alleging mistreatment and abusive behavior from managers.
Empty green claims and policies	Local participation	Liberian mining company criticized for reportedly failing to fulfill past promises to local communities.
Misleading narrative and discourse	Occupational health and safety	American apparel producer criticized for reportedly failing to sign collective agreement on safety standards after Rana Plaza incident, instead marketing their own plan.
Dubious certifications and labels	Poor employment conditions	Amid labor law violation at Polish software company, critics claim "Great Place to Work" certificates are paid advertising and underlying workplace evaluation surveys are allegedly inconsistent.
Corporate political action	Social discrimination	Animation studio employees accuse executives of allegedly censoring LGBTQ content and funding anti-LGBTQ legislators, contradicting inclusive public image.

Confidential

Brief introduction to RepRisk

RepRisk is beautifully simple
Helping to systematically identify and assess ESG risks

RepRisk

ESG through a risk lens

With an outside-in perspective

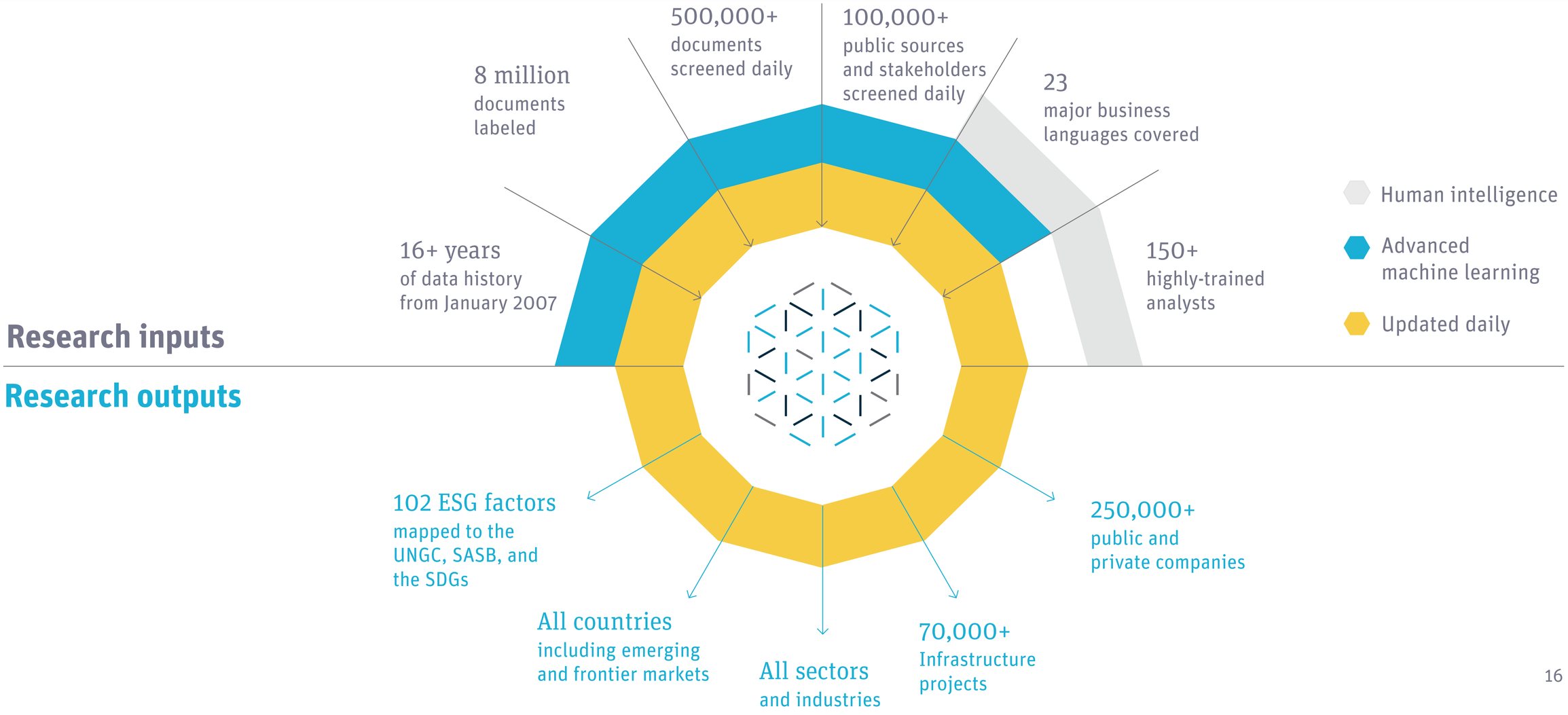
Daily-updated research and metrics, since January 2007

Powered by a unique combination of AI & machine learning + human intelligence (HI)

Confidential

RepRisk's combination of AI and machine learning with human intelligence delivers daily-updated, actionable insights

RepRisk



Confidential


RepRisk
A systematic, rules-based
methodology for ESG risks

Our research input: A daily screening of big data to systematically identify and assess ESG risks

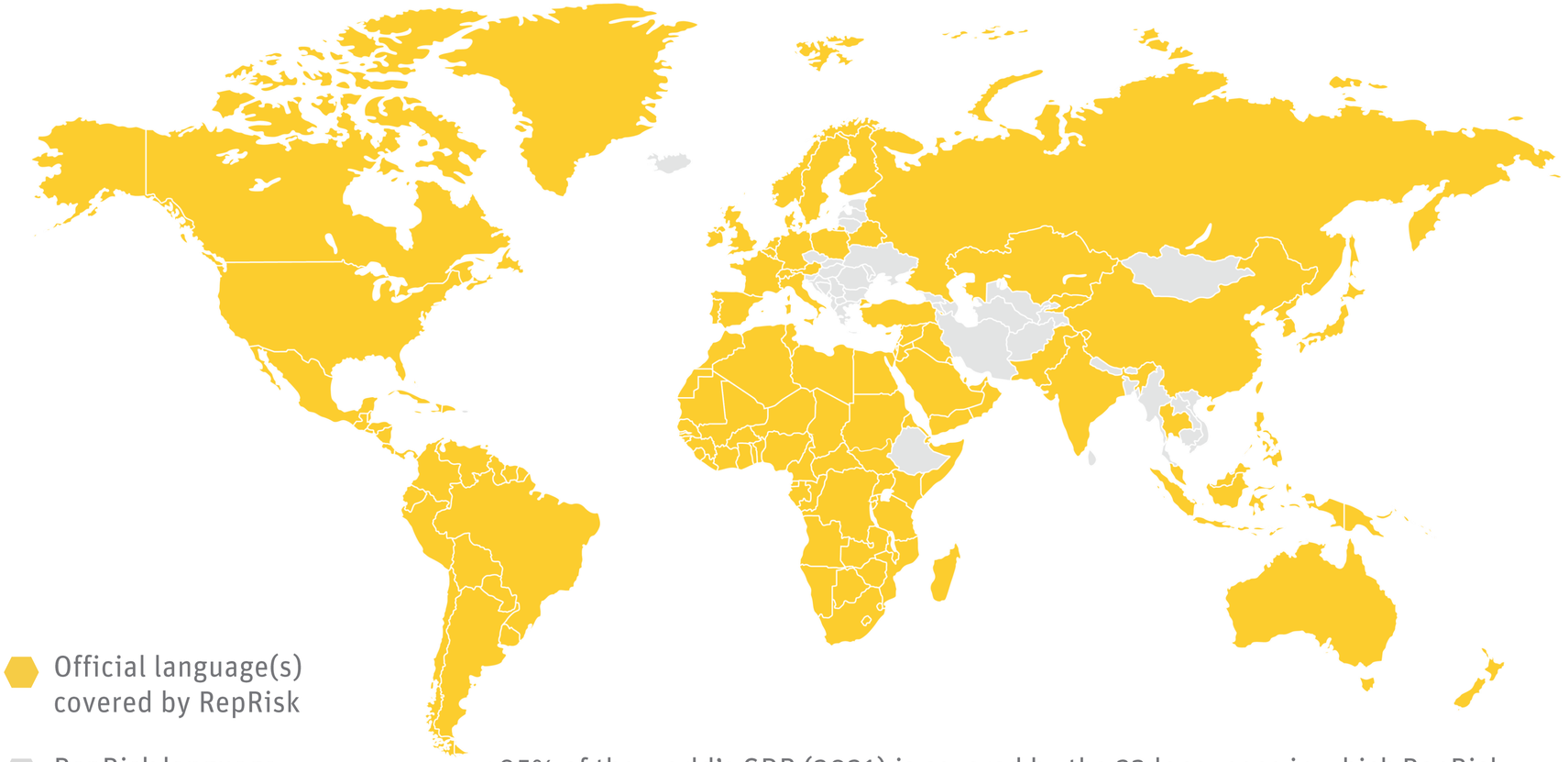
RepRisk

Big data: Daily screening of 100,000+ sources and stakeholders in 23 languages



Confidential

Research in 23 major business languages means risk identification at the local level in local languages



Official language(s) covered by RepRisk

RepRisk language coverage coming soon

+95% of the world's GDP (2021) is covered by the 23 languages in which RepRisk conducts its research, based on the official language indicated per country.

Arabic	Bahasa Indonesia
Bahasa Malaysia	Chinese
Danish	Dutch
English	Filipino
Finnish	French
German	Hindi
Italian	Japanese
Korean	Norwegian
Polish	Portuguese
Russian	Spanish
Swedish	Thai
Turkish	

Confidential

Our research scope comprises 28 ESG Issues in line with key international standards

RepRisk

Environment

Environmental footprint

- Climate change, GHG emissions, and global pollution
- Local pollution
- Impacts on landscapes, ecosystems, and biodiversity
- Overuse and wasting of resources
- Waste issues
- Animal mistreatment

Social

Community relations

- Human rights abuses and corporate complicity
- Impacts on communities
- Local participation issues
- Social discrimination

Employee relations

- Forced labor
- Child labor
- Freedom of association and collective bargaining
- Discrimination in employment
- Occupational health and safety issues
- Poor employment conditions

Governance

Corporate governance

- Corruption, bribery, extortion, money laundering
- Executive compensation issues
- Misleading communication (including greenwashing)
- Fraud
- Tax evasion
- Tax optimization
- Anti-competitive practices

Cross-cutting Issues

- Controversial products and services
- Products (health and environmental issues)
- Supply chain issues
- Violation of national legislation
- Violation of international standards

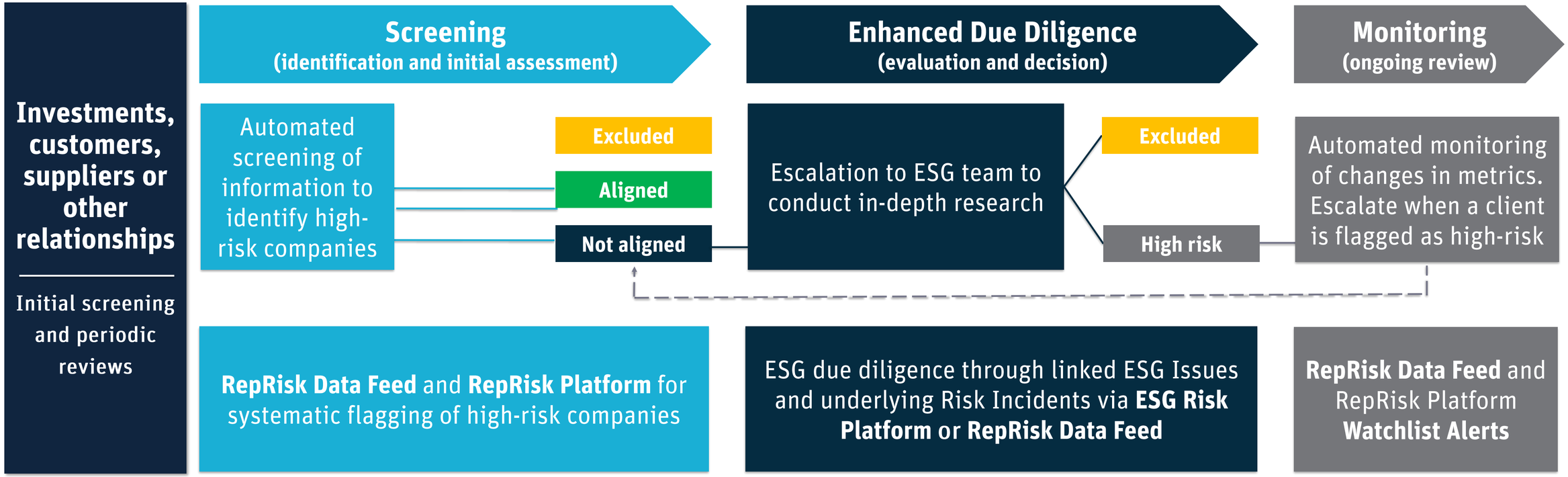
Note: The 28 RepRisk ESG Issues are mapped to the UN Global Compact Principles, the SASB Materiality Map, and the Sustainable Development Goals (SDGs)

Confidential

RepRisk

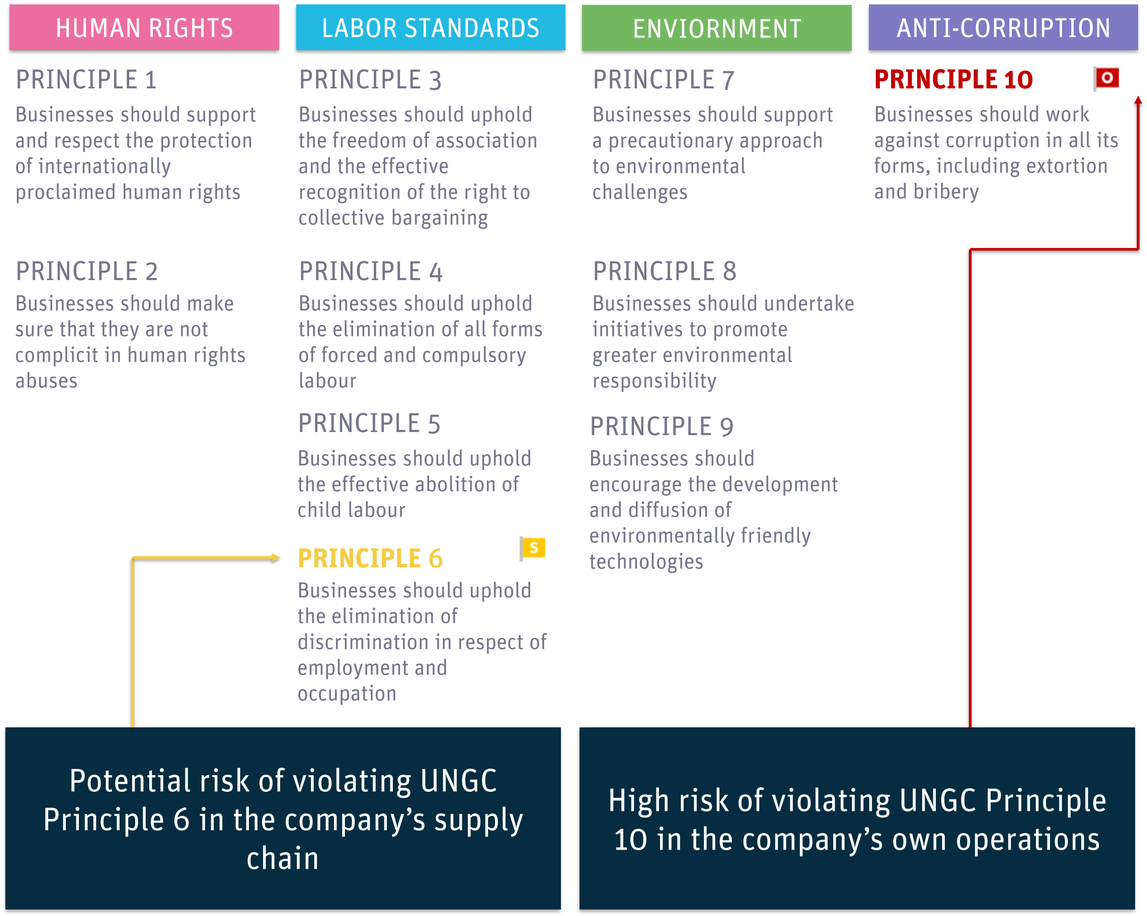
Examples and demo

Example integration of RepRisk metric: Automating screening for investments, customers, or suppliers



Confidential

Example: identifying companies with UN Global Compact Violator Flags



- Use the RepRisk UNGC Violator Flag to identify companies with a high-risk or potential risk of violating the UNGC Principles
- Analyse companies' risks of violating one or more of the 10 UNGC Principles before being flagged by the mapping of 10 UNGC to underlying risk incidents

United Nations Global Compact

Confidential

The way forward

Get in touch

RepRisk

Zurich Headquarters
RepRisk AG
Stampfenbachstrasse 42, 8006
Zurich, Switzerland

EMEA Hubs
RepRisk Germany GmbH
Oranienstraße 185, 10999
Berlin, Germany

RepRisk UK Ltd.
Thanet House 231-232 Strand,
London WC2R 1DA, Unit 411

Americas Hub
RepRisk North America Inc.
2 Berkeley St., Suite 403,
Toronto, ON M5A 4J5, Canada

RepRisk USA Inc.
10-113, WeWork
450 Park Avenue South
New York, NY, 10016, USA

Asia Pacific Hub
RepRisk Philippines Inc.
20th Floor Accralaw Tower
30th Street corner 2nd Avenue, Bonifacio Global City
Taguig City, Philippines 1630

East Asia Pacific Hub
RepRisk Japan Ltd.
Spaces Otemachi 1F-3F Otemachi Building
1-6-1 Otemachi Chiyoda-ku
100-0004 Tokyo, Japan

Phone +41 43 300 54 40
E-mail contact@reprisk.com
Website www.reprisk.com
Follow us

RepRisk AG, Zurich, Switzerland | reprisk.com | RepRisk® is a registered trademark