The Not-So-Bright Side of ESG: The Many Colours of Washing

CLAIMS • EVIDENCE • SCRUTINY • TRUST • PROOF

WHITE | GREEN | SOCIAL | BLUE | CARBON | GREENHUSH | RAINBOW | PURPOSE



1 THE LESS COMFORTABLE SIDE OF ESG

Throughout the year, this ESG & Sustainability Series has taken us through the different parts of ESG — from environmental and social impact to governance, due diligence, reporting and the way these issues increasingly affect business decisions. As we begin to close the series, I want to turn to **the less comfortable side of ESG**, through a few shorter and simpler articles. We have spent much of the year looking at what good ESG should look like; now it is worth asking what happens when **the language of ESG gets ahead of the evidence**. We begin with the many forms of "washing" — the words used when a company, product or investment appears greener, more responsible or more sustainable than it can actually prove.

2 THE MANY COLOURS OF WASHING

THE BROADER IDEA

Whitewashing

A broader attempt to cover up, minimise or present damaging conduct or an uncomfortable record in a cleaner or more favourable light. It is not a technical ESG term, but it is the broader idea from which many of the newer forms of "washing" have developed.

ENVIRONMENT

Greenwashing

Making a product, company or activity appear more environmentally friendly than the evidence supports.

A well-known example is **Volkswagen's 2015 "Dieselgate" scandal**. US regulators found that certain Volkswagen diesel vehicles contained software designed to recognise when the vehicle was undergoing an emissions test. Full emissions controls operated during the test, but during normal driving the vehicles could emit nitrogen oxides at levels **up to 40 times the permitted standard**. Volkswagen had also marketed the affected vehicles as "clean diesel", low-emission and environmentally friendly. The case illustrates greenwashing very simply: the environmental message presented to consumers was materially different from what the product was actually doing on the road.

THE LESSON

An ESG claim does not become true because it appears in an advertisement, sustainability report or corporate statement. **It must be capable of being supported by evidence.**

PEOPLE

Social washing

Exaggerating or misrepresenting a company's positive impact on workers, communities, human rights or inclusion without sufficient evidence or corresponding action.

UN ASSOCIATION

Bluewashing

Using association with the United Nations, particularly the UN Global Compact, or other respected ethical or sustainability principles to create an impression of responsible conduct that is not matched by the organisation's actual practices.

CLIMATE CLAIMS

Carbon washing

Making climate or carbon-related claims — such as "low carbon", "carbon neutral" or "net zero" — without adequate evidence about emissions, reductions, offsets, methodology or the boundaries used to support the claim.

SILENCE

Greenhushing

Deliberately saying very little about sustainability targets, commitments or progress, often to avoid public scrutiny, criticism or accusations of greenwashing. Unlike greenwashing, the issue here is not exaggeration but silence or under-disclosure.

INCLUSION

Rainbow washing

Using Pride, diversity or LGBTQ+ symbols and messaging prominently in branding or communications without corresponding policies, conduct or meaningful support for the communities being represented.

WHY WE EXIST

Purpose washing

Presenting a company as strongly driven by a social, ethical or sustainability purpose when that stated purpose is not meaningfully reflected in its strategy, decisions, operations or conduct.

3 FROM ESG CLAIM TO PROOF

The problem is not making an ESG claim. The problem is making a claim that is **broader, greener, cleaner or more socially responsible than the evidence can support**.

And the compliance risk does not always look like Volkswagen's Dieselgate. In **2023, the UK Advertising Standards Authority** considered two Toyota advertisements. In one, advertising for the electric bZ4X stated that the vehicle could reach 80% charge in around 30 minutes, but the regulator found that important real-world limitations affecting charging time and charger availability had not been made sufficiently clear. In another case, advertising for the Toyota Hilux showed the vehicles driving across natural landscapes in a way that the regulator considered demonstrated insufficient regard for their environmental impact. Neither case was another "Dieselgate". That is precisely the point. **ESG risk can arise from the wording, qualification and imagery used in an ordinary advertisement.**

2015	2023	2023	1 JAN 2027
VW "Dieselgate": NOx up to 40× the limit	UK ASA: Toyota bZ4X charging claims	UK ASA: Toyota Hilux imagery	IFRS S1 & S2 mandatory for PIEs

This brings us back to what we have been learning throughout this ESG & Sustainability Series. We began with the foundations — what ESG and sustainability mean and the global and African frameworks shaping them — before moving into how ESG affects commercial contracts, legal risk, fiduciary duties and the resolution of ESG disputes through mediation. We have considered materiality, governance and board oversight, the role of metrics and data, sustainability reporting and assurance, due diligence, and the practical challenge of identifying and demonstrating environmental and social impact. Throughout, one theme has remained constant: ESG is not simply about producing a sustainability report or adopting the right language. It is about identifying what matters, managing it properly, measuring it where possible and being able to demonstrate what the business is actually doing. That brings us naturally to the next question: once a business speaks publicly about ESG, can it prove what it has said?

MONTH 7	MONTH 8	MONTH 9
How investors test ESG claims	Identifying, measuring and demonstrating the "S"	Can a business prove what it has said?

That question will become increasingly important as Kenya moves into **mandatory IFRS S1 and S2 sustainability reporting** for Public Interest Entities for accounting periods beginning on or after **1 January 2027**. Words such as "green", "sustainable", "net zero", "community-

focused" and "responsible" cannot simply be attractive labels. Businesses should be able to explain exactly what they mean, identify the evidence supporting the claim and ask a simple question before publication: would this statement withstand scrutiny from an investor, regulator, court or consumer?

BEFORE YOU PUBLISH — THE THREE-PART TEST

1	2	3
What does it mean?	**What is the evidence?**	**Would it withstand scrutiny?**
Explain exactly what the word "green", "sustainable" or "net zero" means.	Identify the evidence that supports the claim.	From an investor, regulator, court or consumer.

4 SAY WHAT YOU CAN PROVE

Perhaps that is the simplest protection against all the different colours of ESG washing: start with the main and most material issues, make only the claims you can support, build the evidence behind them, and then grow gradually into the smaller and more detailed commitments as your systems, data and reporting become stronger.

> ***Say what you can prove — and grow from there.***

