## EPB2002 SUSTAINABILITY PROJECT

## Eco-Labelling and Greenwashing in the EU Fast-Fashion Industry

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- Assessment of the problem/challenge
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- An overview of challenges and recommendations for future research

# **Research Question and Sub-Questions**

RQ:

To what extent can the implementation of new eco-labelling standards reduce greenwashing practices in the EU fastfashion industry given the uncertainty of consumer behaviour?

SQs:

Why is greenwashing harmful? How does it impact consumption?

of sustainable claims made by major fashion brands in the EU were misleading or untrue (Changing Markets Foundation, 2021)

# 60%

# Greenwashing: The Challenge and Its Relevance



# Prevalence of Greenwashing in the EU's Fast Fashion Industry



• Corporate Greenwashing: the

practice of making false or misleading claims about the environmental benefits of their products or services

- Fast fashion: production of quickly disposable, cheap clothing at very fast rates following volatile new trends
- New form of EU-Ecolabeling: a mandatory, visible label on the package of every piece of clothing to be sold, using vibrant color displaying the X element for the consumer
- **Consumer Behavior:** the decisionmaking that determines purchasing choices of individuals/ households.

# Relevance

- Companies greenwashing makes it harder for legitimately sustainable companies to succeed (Peattie and Peattie, 2015)
- Makes it harder for groups trying to make the fashion industry more sustainable (Sadowski et al, 2021)
- The fashion industry harms the environment in many ways, using excessive amounts of and creating pollution (Sadowski et al, 2021).

# Literature Review

- Report from European Commission on stakeholder consultations found that half of products bearing environmental claims were non-compliant with EU rules (European Commission, 2018)
  - Most common environmental claim products related to use of natural resources (biodegradable, compostable)

- Growth in greenwashing led to identification methods for greenwashed goods
  - Seven Sins of Greenwashing "identified by Terrachoice to assist consumers in identifying and understanding false environmental claims" (Moran & O'Neill, 2022)



#### European Commission



#### Sourced derived from (Tim Dirven / Greenpeace)

# Literature Review

### **Seven Sins of Greenwashing**

- Analysing the prevalence of seven sins
  - Recent concept, limited data in EU therefore very similar
    North American fashion market is analysed
  - Sin of 'No Proof' was most prevalent (applied to 70% of greenwashed products
  - Refers to making environmental claims that cannot be substantiated (no factual data)
  - We believe new eco-labelling standards can lead to progressive reduction in greenwashing in EU fastfashion industry

#### Figure 1.0



(Source derived from: Greenwashing: Are we really buying green?)

# Literature Review

- More than 1,300 scholarly articles contain the word "greenwash" or research the topic
  - Majority have sole aim of debunking claims rather than offering solutions to the problem
  - Over 90 of these articles were researched with QDA (quantitative data analysis) to establish the focus of the articles



12%

of articles discussed greenwashing in the fields of articles focused on law and legislation of communication and marketing

Clearly wide disparity in research fields, thus our goal is to add to this 12% 0

All data on slide derived from: (Gatti et al., 2019)

# Why this approach?

### **Scenario development**

- Not standard for our topic of focus. (natural resource conservation)
- Still appropriate given:
  - **High uncertainty** in key drivers
  - The need to look ahead to assess solutions
- The creation of scenarios:
  - To support decision-making
  - Explore the potential of eco-labelling
  - Understand the impact of external drivers
- The main objective of scenario development is not to predict the future, it is to explore different coherent scenarios and learn from reflecting on the future to improve <u>decision-making</u> in the present. (Glenn & Gordon, 2009)





# **Overview of the framework**

Phase I. Process Preparation & Scoping

#### Steps

- 1. Identify the issue and establish a project team
- 2. Articulate the purpose of scenario planning and
- anticipated outcomes
- 3. Select or formulate a suitable approach
- 4. Complete the design and staging of the process

- problem or issues

- ✓ Budget

#### Phase II. Scenario Building & Refining

Multiple Scenarios	Steps      5. Refine scope and aims      6. Identify key drivers and variables of interest      7. Assess and prioritize critical drivers      8. Explore and select scenario logics      9. Develop detailed outlines    11. Evaluate scenarios      10. Develop scenario narratives    12. Quantify scenarios	Out ✓ Scenario sets r various ways, su • Narratives • Table of comp descriptions • Visualizations • Quantitative r
	Phase III. Using Scenarios	
Activity B De	cision C&D Activities C&D 13. Evaluate the potential impacts and implications of the scenarios	Out ✓Summary o implications f

Present 2020

2035

2050

- 14. Identify potential strategies or action options 15. Prioritizing options and selecting near-term strategies
  - and actions.
  - 16. Structuring monitoring and research around planning and decision-making

knowledge gaps Timeline

### Outcomes ✓ Improved understanding of ✓ Conceptual model of system ✓ Synthesis of information ✓ Work plan or scoping document itcomes represented in uch as: parative ns (e.g., maps) model outputs utcomes of scenario impacts for management List of research needs, Tactical plan, including: Actions to take now Indicators and monitoring plan

Rowland, E. R., Cross, M. S., & Hartmann, H. (2016). Considering multiple futures: Scenario planning to address uncertainty in natural resource conservation.

# Step 3: Select or formulate a suitable approach

• Hybrid scenario approach (qualitative method; would require expert judgement and interpretation)



- **Gather data** on current state of fast-fashion industry in EU, including;
  - The prevalence of greenwashing practices
  - The level of customer awareness and understanding
  - The resources currently dedicated to enforcing eco-labelling standards



- Identify the key drivers that could influence the effectiveness of the eco-labelling standards, such as;
  - The overall level of commitment to sustainability within the industry
  - The level of resources dedicated to enforcing the standards
  - The level of customer awareness and understanding

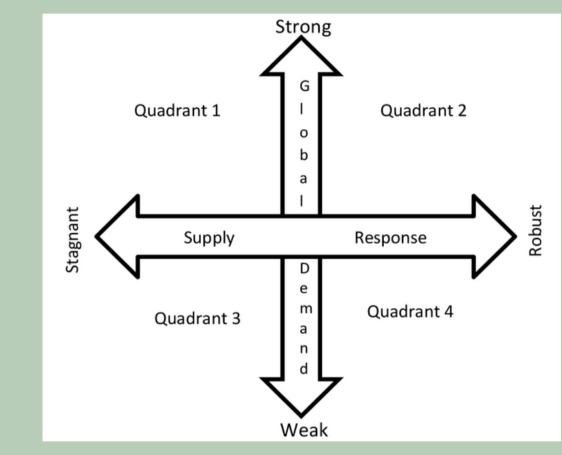
# Step 3: Select or formulate a suitable approach

- A set of scenarios are developed, each representing a different possible outcome
  - Figure 2.0 displays a template for the basic quadrant



- The scenarios are evaluated based on;
  - Likelihood of occurrence
  - Potential impact they have on greenwashing practices in the industry
- Would allow for comprehensive view of situation, identifying most likely outcome and best course of action

Figure 2.0



(Source derived from: Purdue University)

# Step 6: Identify key drivers and variables of interest related to the focus question

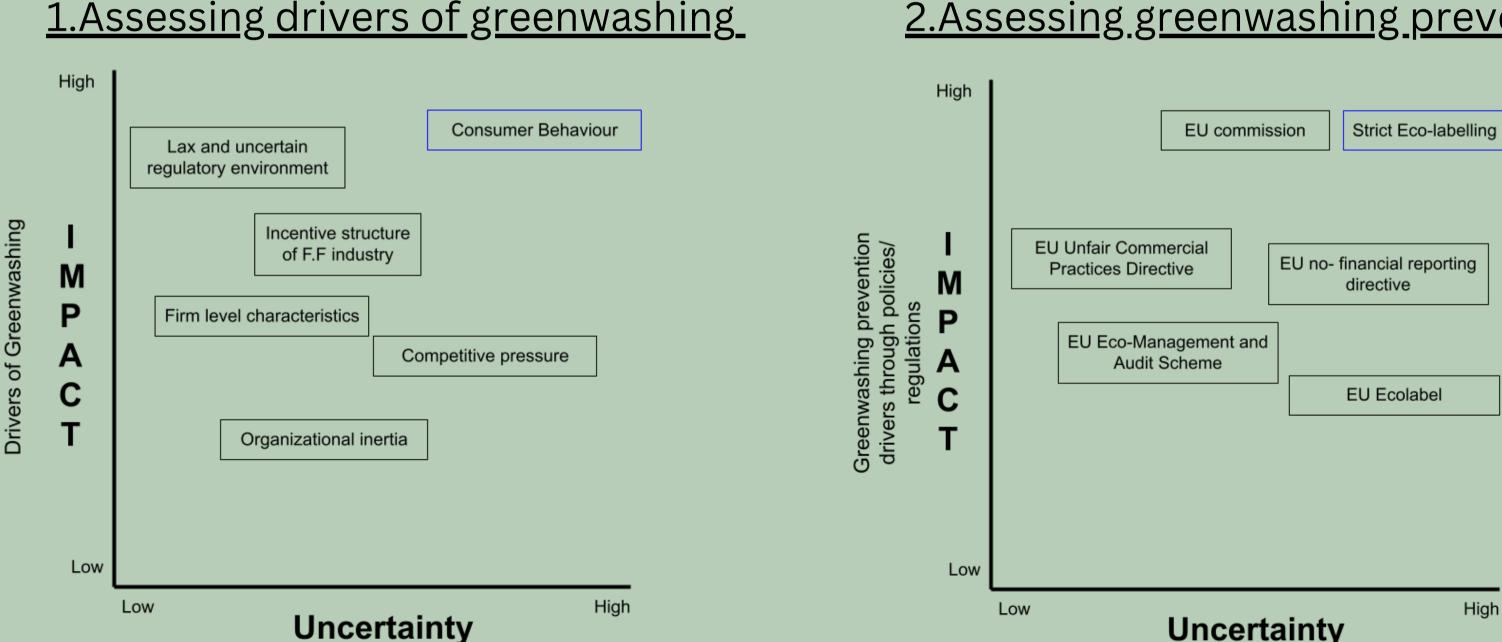
- Crucial to budling strong and accurate scenarios
- Non-climate factors are important in our scenario planning effort
  - <u>STEEP Analysis</u>
    - Societal, Technological, Environmental, Economic and Political

Eco	onomic	-The rising cost of ra increasing demand can affect the bottor -The growing marke creating new opport report by Grand Vie packaging is expect Research, 2020). A sustainability are mo sustainable company valuations than their

aw materials, energy, and labour, as well as the for sustainable and ethically-made products, m line of fast fashion companies. et for environmentally friendly products is tunities for companies to profit. According to a w Research, the global market for green ted to reach \$290 billion by 2025 (Grand View dditionally, companies that invest in ore likely to be rewarded by investors, with nies having a higher return on assets and higher ir peers (Bansal & Roth, 2000).

# **Step 7: Assess and prioritize critical drivers**

• Aim is to document high impact / high uncertainty driving forces (to embrace uncertainty) • Done through a graphical approach



### 2.Assessing greenwashing prevention drivers

# Step 8: Explore and select scenario logics

- This study will use the **Basic Quadrant** approach for simplicity
  - Method focuses on 2 key uncertain variables
  - Generates 4 different scenarios as a result

- This method allows for diverse range of scenarios to be developed
  - Figure 3.0 demonstrates the various scenarios that emerge based on the 2 drivers (new eco-labelling standards, consumer behaviour)

Figure 3.0

X-Axis: Consumer Behav

Y- Axis: New Eco-Labelin Standards

#### Eco-Friendly E

- Consumer behaviou to greenwashing
- Major New Eco-Lab implemented
- Costs from economi
- Reduction policies in effective
- Greenwashing is un

#### Worst-Cas

Unresponsive -

#### Wor

- Consumer behaviour is greenwashing
- No New Eco-Labeling po
- Economic cost due to da
- Short-term economic int greenwashing reduction
- Reduction policies in gre lacking
- Increase in greenwashi

**Blind Bear** 

Source figure 3.0 (Rigneus et al., Made for research)

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# Step 10: Develop scenario narratives

### **Risky Scenario (Lazy Lion)**

- Policies are lenient and consumer behaviour is responsive
  - Government prioritises economy over implementing new policies
- Would only impose new policies if greenwashing becomes greater threat to economy/environment
  - Increase in water pollution, carbon emissions, textile waste generation

### Worst-Case Prevention Scenario (Eco-Friendly Elephant)

- New eco-labeling is quickly implemented, but consumer behaviour is not responsive to it
- Less incentives for companies to innovate, given unresponsive consumer behavior
- Fast fashion companies greenwashing would not have profits much affected by the new eco-labeling
- Water, air pollution and textile waste generation would follow their current trend without much downards change

#### Figure 3.0

X-Axis: Consumer Beh

Y- Axis: New Eco-Labeling Standards

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ear I	_enient			

## Analysis

## Eco-friendly Elephant

- Unresponsive Consumers would not necessarily adjust their buying behavior
- Changes in perception remain unchanged
- Large government investments with relatively low return
- A slight overall increase in the prevalence of greenwashing

### Blind Bear

- No anticipated change in consumer behaviour
- Economic gains take favour to environmental concerns
- Increase in prevalence of greenwashing
- Long-term anticipated economic loss due  ${\color{black}\bullet}$ to environmental damages

### Strict

### Lenient

Unresponsive

### Green Giraffe

- Consumers with a pre-existing interest in sustainability would adjust purchasing behavior to labeling
- Changes in perception remain unchanged
- Large government investments with higher return
- Anticipated decrease in prevalence of greenwashing

### Lazy Lion

- No anticipated change in consumer behavior
  - Economic gains take favour to environmental concerns
- Long-term anticipated economic loss due to environmental damages
  - Slight increase in greenwashing

Responsive

Responsive

# **Key findings**

**Eco-labellings** in scenarios with strict policies would reduce prevalence of greenwashing

Effectiveness is contingent upon the customer's existing interest in sustainable clothing

Introducing eco-labeling without efforts to spread awareness would still lead to an overall increase in greenwashing



Consumers with little to no interest in sustainability would not be prone to change behaviour

## Key challenges

1

# 2

## Standardization and consistency

Verification and enforcement

4 Lack of education

Resistance from the industry

5



### Limited scope

# 6

## Cost and implementation challenges

# Recommendations

Develop a framework on a European level for standardization of labels Create a program for consumer education and awareness with involvement from stakeholders

Third-party verifications

### A more comprehensive approach

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