south pole The Climate Company

At the Crossroads of Climate Communications: Mastering Climate Claims in 2023

Corporate claims report 2023

Contents

1. Corporate climate communications: at the crossroads

Companies now need to show, not just tell, how they are delivering and implementing their critically important climate commitments. Since South Pole first started to monitor corporate net zero commitments in 2021, the essential triad of setting a net zero goal, establishing science-based reduction milestones, and setting a clear target date has become standard practice among sustainability-minded companies across all industries.

This encouraging trend has resulted in companies publicising their climate-related pledges at an unprecedented rate over the past few years. This has led to a new normal. Climate has become part of mainstream discussions, and announcing a corporate net zero emissions target is not exceptional; instead it's a minimum requirement to credibly claim a robust climate strategy. With only seven years left for the world to halve global emissions[1], the focus has shifted from ambition to action, and rightly so. We've seen the implementation of climate strategies gain centre stage alongside the demand for radical transparency and accountability.

Interestingly, in the past year, proliferating climate communications has gone hand in hand with an unprecedented level of scrutiny, accusations of greenwashing, climate litigation and heated debates on the credibility and authenticity of corporate climate claims and actual progress. In addition, a disturbing trend was recorded at scale for the first time: green-hushing. South Pole's 2022 net zero report found that an increasing number of climate-aware companies back their net zero commitments with science-based targets (SBTs), yet surprisingly, one in four do not plan to talk about them. This means many companies with robust targets are going green, and then going dark.

Considering these trends, it might seem that the corporate world is taking a step backwards instead of moving forwards on championing credible climate messaging. **It has never been more important for businesses and brands to get their climate communications right.**

"

Shifting systems starts with shifting mindsets. To achieve true climate impact, we must 'crowd in' the companies who are dramatically increasing the speed and scale of their climate action, and who feel comfortable talking about their achievements in a science-based way, without exaggerating or misleading their claims, to make net zero emissions desirable and acceptable among customers, the media, NGOs and legislators.

To move ahead, we need a future in which society has the ambition and ability – as well as the confidence – to fight climate change at the scale that is required. This is impossible if progress lacks speed and integrity, or if it happens in silence."

Renat Heuberger
CEO, Co-Founder of South Pole

2. A global snapshot of corporate climate commitments

The first step towards getting your climate communications right is figuring out what you can (and cannot) say. **Credible climate communications starts with building a robust foundation: a climate journey anchored in a long-term, science-based net zero trajectory, which is paired with meaningful action today.**

This means:

- understanding your company's impact on the planet, ie. your carbon footprint,
- measuring the material emissions associated with your operations, and analysing how to minimise them,
- reducing your emissions to the greatest extent possible and neutralising any residual emissions as you work towards net zero[2],
- and funding climate action all the way through your climate journey.

At the same time, there is ever-increasing pressure on the credibility of companies' green claims: progress must be comprehensively documented and regularly disclosed. As investors, customers, NGOs, and employees become increasingly aware of the climate crisis, companies need to be smart about taking science-based climate action and communicating their journey transparently. A climate claim that's not backed by science poses a serious reputational risk: it can lead to fines or accusations of greenwashing. The flip side is that claims which meet the strict criteria set by your company in line with leading global standards demonstrate a legitimate, meaningful, and credible commitment to climate action and can help boost your business and reputation.

Corporate climate claims are still flawed

Customer demand for low-carbon goods and services and the opportunity to build corporate brand leadership are still the leading drivers for companies to set net zero targets, according to South Pole's net zero report. It therefore does not come as a surprise that climate-conscious companies are looking for ways to translate their climate investments into brand and customer value: climate claims and commitments are an effective way for companies to realise their climate ROI.

Net zero drivers among surveyed companies

However, South Pole's 2023 analysis[3] of almost 70,000 company climate claims found that corporate climate commitments are still extremely flawed: out of the 8,900+ companies with net zero and other climate action-related commitments[4], **only a third backed their climate journey with science, which is the foundation for demonstrating a credible basis for true climate impact.** Most of the companies with science-backed commitments were from the EU/UK, North America[5], and East Asia regions. The leading industries in terms of credible climate commitments were: consumer durables and apparel; food, beverage and tobacco; and software and services companies. Businesses located in Africa and South East Asia and Latin America still have a big gap to close, as do the financial, chemical and pharma sectors.

Out of

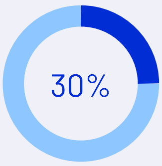
8,900+ companies

with public commitments to climate neutrality, net zero and/or buying carbon credits,

only 2,700+ (one-third)

have SBT commitments.

In other words:

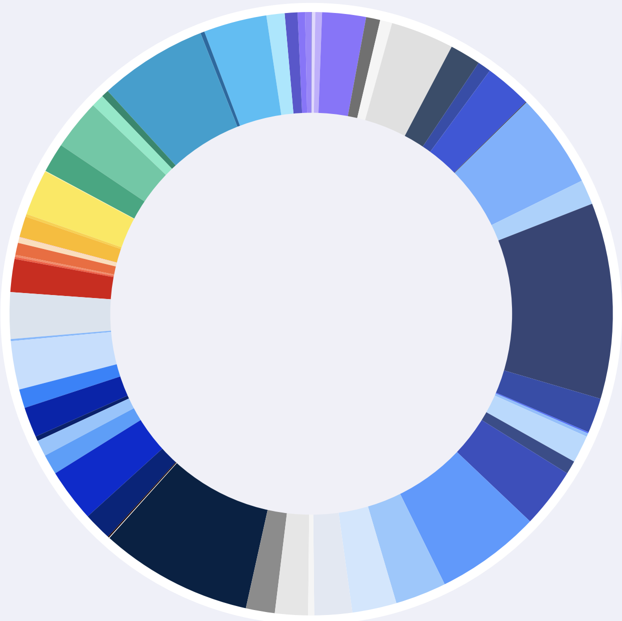


only 30% of climate leaders

underpin their climate commitments with science-based milestones and targets.

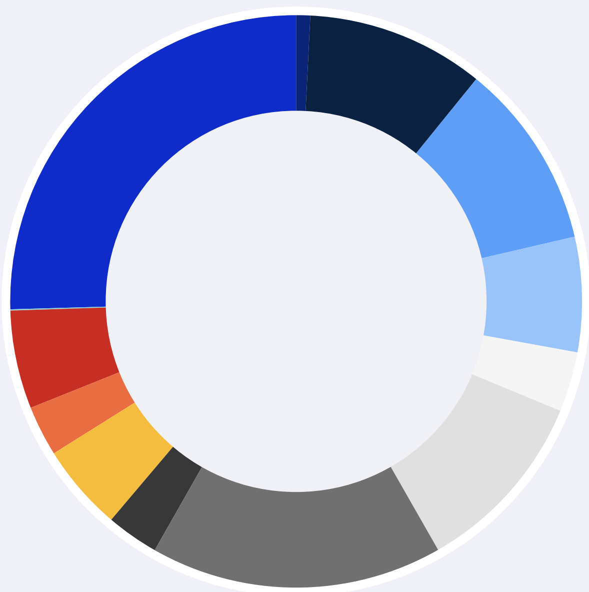
This is a very low percentage considering that these companies are the **leaders on climate action,** rather than the vast majority who have no climate strategy at all.

SBT Commitments by Industry



- Food, Beverage & Tobacco (8.2%)
- Hotels, Restaurants & Leisure (2.8%)
- Machinery (2.6%)
- Media & Entertainment (2.5%)
- Metals & Mining (1.8%)
- Pharmaceuticals, Biotechnology & Life Sciences (2.5%)
- Retailing (2.7%)
- Software & Services (5.8%)
- Technology Hardware & Equipment (3.4%)
- Air Freight & Logistics (2.3%)
- Automobiles & Component (3.4%)
- Chemicals (2.5%)
- Construction & Engineering (5.1%)
- Consumer Durables & Apparel (10.5%)
- Diversified Financial Services (3.2%)
- Diversified Professional Services (5.6%)
- Diversified Telecommunication Services (2.7%)
- Electric Utilities (2.4%)

SBT Commitments by Region



- UNITE (25.4%)
- Africa (0.8%)
- DACH (10.1%)
- East Asia (10.5%)
- FRABELUX (6.5%)
- Latin America & Caribbean (LAC) (3.4%)
- Nordics (10.5%)
- North America (16.5%)
- Oceania (3.0%)
- South Asia & Middle East (4.9%)
- Southeast Asia (2.8%)
- Southern Europe (5.5%)
- Undefined (0.1%)

Building a credible and robust climate journey

Companies need to **build a robust foundation** to make bold claims based on ambitious, measurable, and time-bound climate action. Claims must be built on a holistic climate strategy that clearly shows what your company is doing to meaningfully **reduce its carbon footprint to net zero by a specific date,** while compensating for any residual emissions, which is critical to funding global climate change mitigation and adaptation projects in parallel. It is important to note that your organisation's efforts to decarbonise its own emissions will draw the most scrutiny from investors, consumers, and civil society – and even employees.

At the same time, beyond-value-chain mitigation (ie. compensating for your residual emissions) is essential, and companies demonstrating a true commitment to climate finance will be rewarded by enhancements to their reputation and improved consumer trust and advocacy. According to the Science Based Targets initiative (SBTi): "companies must scale up investment and go beyond their science-based targets by channelling additional climate finance towards mitigation activities outside of their value chains now to contribute towards reaching societal net-zero."

Climate claims and progress may seem hard to scrutinise because of variations in ambition levels, timeframes, and sectoral or regional circumstances. Fortunately, we now have clearer definitions of what 'outstanding' climate action looks like, especially for the private sector.

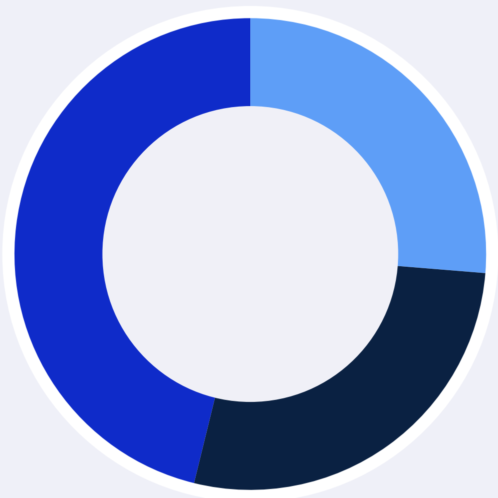
For the ambitious target of corporate net zero emissions, for example, the SBTi has published a clear standard against which it can (and will) evaluate businesses' net zero commitments and plans.

High-quality climate disclosure drives true climate impact

While only-one third of companies back their climate claims with science-led climate journeys, setting big, science-led commitments can accelerate progress and drive true climate impact:

Out of all CDP 2021 A scorers, 86% have ambitious commitments. Moreover, more than two-thirds of companies (73.7%) with credible climate claims maintained or increased their CDP scores between 2020 and 2021, which means they have successfully progressed on their climate journey.

CDP 2020 vs CDP 2021 Score Improvement



- Same (46.2%)
- Decreased (26.3%)
- Increased (27.5%)

Climate commitments set no later than 2020 which have CDP scores in either the 2020 or 2021 reporting year. **27.5% have increased their score.**

Transparency in corporate climate action is critical in tracking our collective progress towards global net zero emissions and a world where climate change is no longer a threat to life on earth. When corporate emission reduction plans are under scrutiny, it pushes corporate sustainability teams to pursue the best possible solutions for reducing a company's overall emissions.

3. Overview of international best practice and guidance on corporate climate claims

Credible and transparent climate disclosure can bolster companies' climate strategies. However, in the past few years, we have seen a maelstrom of changing rules and regulations, complicated disclosure mechanisms, mandatory reporting and emergent guidance on green claims. This evolution is important, but it can be daunting for companies wishing to adhere to best international or local practice and regulatory requirements.

As more companies recognise their role in addressing climate change, accurate and transparent climate claims reporting becomes increasingly important and governed by international guidance and regulation. These developments demonstrate a growing global consensus on the importance of transparent and consistent climate claims reporting, which can help businesses make informed decisions, reduce risks, and contribute to a more sustainable future.

But how can companies find their way in the complex, ever-changing environment of climate claims regulation and international guidance?

South Pole Expert talk

Judit Legrady

Senior Managing Consultant, Climate Policy, Finance and Carbon Markets

Emerging climate claims guidance can be daunting for companies to follow, but getting it right allows you to contribute to the net-zero economy in a meaningful way.

Q1: More and more countries have passed legislation on green claims, including the EU which has published its draft Green Claims Directive. Meanwhile, it has been reported that the US is seeking public comment on potential updates to its 'green guides' for the use of environmental marketing claims. What have the main claims-related regulatory developments been over the past few years?

Governments are increasingly receptive to civil society's demands for greater clarity around how organisations communicate climate action – particularly if such communication has the potential to mislead consumers and investors about the actions that organisations are taking (or not taking) to address their carbon footprint.

It comes as no surprise that this trend has resulted in the cumulative number of climate change-related litigation cases more than doubling since 2015[6]. Beyond the US, which accounted for the majority of green litigation cases, the past year has brought an increasing number of high-profile cases beyond the States[7]. While fossil fuel companies remain a primary target for litigation cases, climate litigants are now expanding their spectrum: corporations from the food and agriculture, plastics and packaging, transportation and financial sectors are among the top five most-targeted players[8].

Country-specific standards have also been evolving over the past few years. While no guidelines or legislation are yet in place in Australia, the country's consumer protection agency has announced a crackdown on greenwashing and its financial regulator is also stepping up its focus on environmental claims. According to a new consultation paper[9] launched by the Treasury, the government of Australia is planning to introduce mandatory climate-related reporting for companies as soon as 2024.

We see even more stringent standards across Europe, where consumer watchdogs in the Netherlands, Germany and the UK have published clear guidelines on companies' environmental claims. In fact, the EU parliament has just published its draft bill on green claims, and the French government has even passed legislation with strict requirements on when companies can claim 'carbon neutrality'.

The intensified focus on regulatory initiatives highlight the increasing scrutiny and emphasis placed on ensuring accurate and transparent communication of environmental claims in various regions. It is crucial for businesses to stay informed

about these developments and adapt their practices accordingly to ensure compliance and maintain consumer trust. Consumers need clear language and transparent communication from the brands they support – without exaggerated or misleading claims – to best inform their choices. Companies who wish to share their progress also need clear guidance on climate claims in order to avoid greenwashing. More countries are likely to follow in mandating transparent corporate reporting about how their climate action claims reflect emission reductions within and beyond their operations and value chains. South Pole welcomes any initiative that fosters transparency in how companies take and talk about climate action. We work closely with companies to navigate this landscape: tracking the regulatory environment and helping them formulate credible and compliant claims and disclosure.

Climate litigation on the rise

"New research shows that litigation against climate-related greenwashing, or 'climate-washing' litigation, which seeks to hold companies or states to account for various forms of climate misinformation before domestic courts and other bodies, is gaining pace (Benjamin et al., 2022). At least 20 climate-washing cases have been filed before courts in the US, Australia, France and the Netherlands since 2016, while a further 27 cases have been filed before non-judicial oversight bodies (such as advertising standards boards) (ibid.). Benjamin et al. divide this newly identified body of climate-washing litigation into three types of case, challenging 'misleading communications regarding (1) corporate and governmental commitments, (2) product attributes, and (3) disclosure of climate investments, financial risks and harm caused by companies'"[10].

Source: LSE 2023

Q2: Regulation is not the only concern for companies who want to follow best practice in climate claims. Emerging guidance is expected from the SBTi on beyond value chain mitigation (BVCM) and the Voluntary Carbon Markets Integrity Initiative (VCMI) on corporate climate claims or the ISO 14068 standard on carbon neutrality. Which guidance is it most important to follow and how should companies adhere to best practice?

As consumers and NGOs demand greater transparency, guidance from leading international organisations has emerged to help companies follow best practice in disclosing their climate journey. The SBTi has formulated a clear stance on the critical need for BVCM activities, and is currently working on its guidelines on how companies can go beyond their SBTs by channelling additional climate finance into mitigation activities outside of their value chains. This is a highly welcome development that will benefit the whole sector. To high anticipation, the VCMI has also recently published its updated VCMI Claims Code of Practice which guides companies on how to engage with voluntary carbon markets.

Parallel to but in close alignment with this, South Pole has developed a new vision for Paris-aligned corporate claims on funding climate action, compatible with and supportive of the overall goals of the Paris Agreement, which also recognises the call to action of the SBTi's Corporate Net Zero Standard guidance on 'beyond value chain mitigation'. This new claim is intended for use by companies who fund climate action beyond their value chain to cover their residual carbon emissions, using verified high-quality mitigation contributions

Q3: Contribution claims, impact claims, compensation claims, financial contributions, impact investment: these are just some of the most common concepts used by businesses to reference their BVCM activities. What is the main difference between them? How can companies decide which one best fits their business model?

Businesses use various terms to describe their efforts to mitigate climate change beyond their value chain. There is a growing trend among leading organisations to encourage engagement in voluntary carbon markets, and many organisations are driving this discussion by updating their guidance on credible climate claims. Even if the guidance differs on specific aspects, there is some common ground: the guidance all agrees on the fundamental principle of how companies should use carbon credits and the type of claim they should be making. South Pole has also published its principles of carbon credit use, to amplify and simplify best practice in this space.

When companies look for ways to address their carbon dioxide emissions, it is essential that they consider their objectives. They should focus on measuring and reducing their emissions: that starts with assessing their capacity to make a meaningful contribution while measuring their impact, and aligning reduction efforts with their core business activities. Additionally, companies could consider industry standards, guidelines, and regulatory frameworks to ensure their claims are credible, transparent, and aligned with industry best practices.

Depending on how carbon credits are used, you can make either an offsetting or non-offsetting claim. A non-offsetting claim is used by companies that are funding climate action beyond their value chain, while covering their residual carbon emissions using high-quality verified mitigation contributions. This can include a contribution claim, impact claim or beyond-value-chain-mitigation claim.

As a global company focused on climate action and providing innovative climate solutions, South Pole recommends that companies build a solid foundation by following these key steps, building a climate journey that champions credible climate action, which can be transparently claimed as achieving such:

1. **Measure your footprint and risks:** In order to champion transparent and credible climate claims, an essential first step for companies is to establish and maintain a robust accounting system that accurately measures carbon emissions, product impact and climate risks.

2. **Set targets and roadmap:** Develop a robust sustainability roadmap, with smart near- and long-term milestones, which will keep you on track to create positive business and climate outcomes.

3. **Reduce footprint:** Start reducing your emissions, transition to renewable energy and learn how to engage your supply chain to do the same to achieve your net zero target before 2050.

4. **Finance climate action:** Finance meaningful climate action outside your value chain to go above and beyond science-aligned decarbonisation efforts and accelerate climate action worldwide.

5. **Communicate and lead:** We can only solve the climate crisis by getting everyone on board, today. It has never been more important for businesses to communicate on climate, share their successes and dilemmas, and engage their supplier and customer base so they form powerful coalitions, learn from and challenge each-other, and care.

   By following these steps, companies can set themselves up to contribute to a net zero economy in a meaningful and credible way.

4. The need for a Paris-aligned climate funding claim

While climate-conscious companies are doubling down on their climate budgets, the majority of climate action globally is still far from being sufficient to contain temperature rises to 1.5°C.

Even if governments deliver on their commitments under the Paris Agreement, the Intergovernmental Panel on Climate Change (IPCC) and the global scientific community expect that the emissions cuts will miss the 1.5°C target by a large margin[11]. **Current levels of climate investment need to increase by at least tenfold by the end of this decade[12]:** governments cannot do this alone.

The private sector therefore needs to step up and play a leading role. This is recognised by the Paris Agreement, particularly Article 6.4, and by the SBTi which recommends that companies 'take immediate action above and beyond their science-based targets to contribute to reaching global net-zero through beyond value chain mitigation (BVCM)'.

The voluntary carbon market offers a credible, proven way for companies to drastically scale up their climate action now while working on their science-led decarbonisation journeys.

However, recent history has shown that companies are unwilling or unlikely to invest in low-carbon technologies etc., unless they are able to claim credit for their actions by making clear, credible claims that the market supports.

The target of global net zero emissions by 2050 means we now have – for the first time – a goal that is shared between countries and companies alike. Governments are slowly catching up, making national commitments as part of the Paris Agreement, which means that the lines between voluntary markets and compliance markets, and voluntary corporate claims and government-level climate plans are becoming blurred. As a result, the investments that companies make beyond their value chains will increasingly contribute to and count towards national climate plans and funding global climate action. Corporate claims need to reflect this new reality if they are to accurately describe a company's actions.

A welcome development at the climate conference in Sharm El Sheikh brought this new reality even closer. In November 2022, COP27 shed light on a way forward for the private sector to contribute to the goals of the Paris Agreement. The United Nations recognises the impact of private mitigation actions in host countries, within and beyond countries' Nationally Determined Contributions (NDCs).

There is therefore an urgent need for companies to shift their climate language to be compatible with and supportive of the overall goals of the Paris Agreement.

As national climate action targets and NDCs gradually get translated into laws and regulations, the need for a new, ambitious and Paris-compatible corporate claim is clear: a claim that demonstrates how companies are "paying for their emissions on the way to net zero", and financing climate action in other parts of the world through verified mitigation contributions.

The new proposed claim:

"Funding Climate Action"

The new proposed tagline:

"with verified climate contributions"

The shift from climate neutrality to 'Funding Climate Action'

Traditional ways of talking about climate action are being challenged. This is understandable: claims about climate or carbon neutrality have proved prone to misinterpretation, and recent years have seen heated public debate around voluntary corporate climate action and corporate climate claims, resulting in calls to find viable alternatives.

Indeed, while the term 'carbon neutrality' has been a global success story, inspiring thousands of companies to engage in climate action over the past 20 years, South Pole has noted a rise in the misuse of such claims over the past few years, and is therefore recommending that companies use carbon neutral labels with caution – and ensure that they are backed by rigorous regulatory frameworks & standards, for example as is currently suggested by ISO 14068.

We therefore need to get back to basics: defining the language for a corporate climate funding claim that is compatible with and supportive of the overall goals of the Paris Agreement, and which also upholds the highest standards of integrity and transparency.

For this reason, South Pole launched a global stakeholder consultation in 2023, which proposed industry alignment around the phrase **'Funding Climate Action' (FCA)**. The result of this consultation led to a new claim and associated label, launched on 27 June 2023. This new claim is intended for use by companies who fund climate action beyond their value chain to cover their residual carbon emissions, using high-quality verified mitigation contributions. It provides companies with a clear pathway to scaling up climate investment without being criticised for it.

Funding climate action – stakeholder consultation results

Tested with over 130 companies, leading NGOs, policy experts and over 1500 consumers, the FCA label enables companies to invest in verified mitigation contributions to cover residual carbon emissions, while declaring genuine green credentials.

Wide appreciation of South Pole's leadership in driving industry alignment around a Paris-aligned, scrutiny-proof corporate claim.

94%

of respondents agree on the need for compatibility in corporate claims to support the Paris Agreement.

69%

are supportive of the claim 'Funding Climate Action'.

73%

agree with the three fundamental criteria.

The majority of respondents (60%) see the claim being applicable for their business, products or services.

Click here to learn more about the results of the stakeholder consultation and the market reaction. →

In 2023, getting climate claims right is just as important as the climate action itself. Claiming ambition without clear disclosure is no longer possible – actions and words need to match the true scope and scale of our climate challenge. Authentic and credible communication around climate claims depends on ultimate transparency, accountability, and impact: you must ensure that what you say is what you can actually achieve, whether that's in terms of reaching net zero emissions or any other bold climate action targets.

South Pole's communication experts provide bespoke and strategic communications support from claim development, through stakeholder engagement strategies to storytelling concepts to make sure your climate success communication is best in class.

The following sections summarise our key learnings and advice for you to champion credible climate communications in 2023.

5. Mastering climate claims in 2023

Navigating the green claims crossroads

Corporate communication around climate saw steady growth from 2011 to 2020[13], especially around emissions disclosures (+174% in scope 1 disclosure) and decarbonisation targets across operations (+105% in CDP commitments). Yet we are now seeing some of these climate pledges from major companies crumble under scrutiny. How can we communicate our corporate claims credibly and not get caught out? Words with the telling 'green-' prefix have become increasingly popular in the world of business and sustainability, from greenwashing, green-wishing, and green-hushing to the new green-reversing. But what do they mean, and what are the implications for companies navigating this crossroads?

Greenwashing is probably the green buzzword of today, but it has been around for a long time: it means companies making false or misleading statements about their environmental credentials, whether unintentionally or as a deliberate marketing strategy[14]. The pressure to demonstrate climate efforts is the highest it has ever been. In a recent survey[15], 80% of 1,491 executives across 16 countries claimed their organisation was above average for environmental sustainability, and yet only 36% of respondents said that their organisations have the tools to measure and quantify their sustainability efforts. As companies race to make public commitments and outperform their competitors with ambitious climate targets, this has led to more unsubstantiated claims, with regulators around the world making moves to tackle the increasingly vague, misleading, and even inaccurate promises.

When consumers are asked if they care about buying environmentally and ethically sustainable products, **they overwhelmingly answer yes.**

McKinsey 2020

Products making ESG-related claims averaged

28% cumulative growth over the last five-year period,

vs

20% for products that made no such claims.

McKinsey and NielsenIQ 2023

So, how bad is it? In 2021, the topic of 'greenwashing' hit over 744,000 unique mentions across traditional and social media[16], an exponential growth compared to previous years. In some cases, greenwashing can lead to negative media coverage and stakeholder perception and even legal consequences – as false environmental claims can violate consumer protection laws and regulations. The number of court cases has in fact more than doubled since 2015[17]. Just recently, HSBC[18] added greenwashing to a list of risks it foresees in its future ability – and the future ability of other banks – to access capital markets. The focus on greenwashing is only going to increase and it should be avoided at all costs.

Drawing on the concept of 'wishful thinking', **green-wishing** is closely related to greenwashing, but is better intentioned, if ultimately naive. Duncan Austin, who coined the term in his [2019 paper](), defines it as "the earnest hope that well intended efforts to make the world more sustainable are much closer to achieving the necessary change than they really are". Green-wish may actually be much more widespread than greenwash for this reason, which makes it "every bit as harmful as greenwash, and possibly harder to unpick".

Try this exercise:
Does your business suffer from any of the below?

- ☐ Divided focus between achieving the longer term targets versus constantly measuring and collecting the data
- ☐ Tendency to just "run the numbers" and therefore comparatively little attention to detail on developing a strategy and action plan that works
- ☐ A lack of tangible, evidence-based actions to futureproof the claims and achieve these targets by the committed date

If you ticked any or all of the above, then it's very likely that you have fallen into the green-wish trap. Green-wishing can just be as damaging as greenwashing.

Green-hushing: Amidst the greenwashing/wishing and all the noise in this space, there is an increasing counter effect – too *little* noise around tangible progress. Research published by South Pole last year revealed a surprising new trend of green-hushing around corporate climate targets. It found that a growing number of climate-aware companies are supporting their net zero commitments with SBTs, yet one in four do not plan to talk about them.

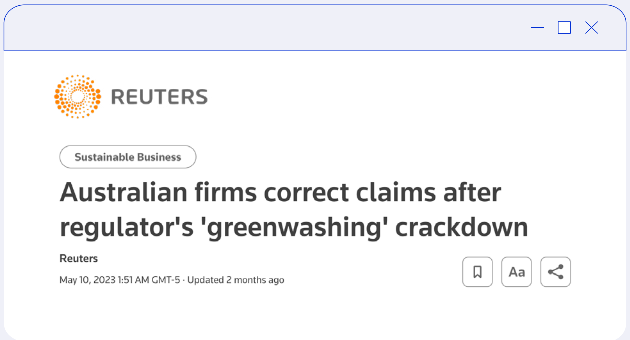
The stigma around greenwashing is so feared that corporate executives will do anything to avoid being accused of it. This means that many companies with robust targets are going green and then going dark – keeping quiet about their meaningful steps to reduce their environmental impact.

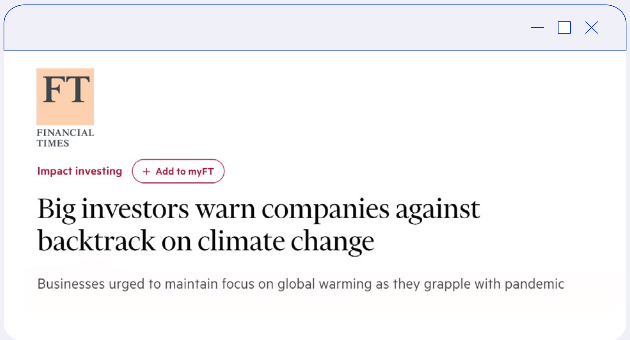
New research by Brand Finance[19] has found that many brands are failing to align their customers' sustainability perceptions with the actual company performance and are therefore missing out on billions of dollars. The study shows that better communication of their ambitious and transparent targets could be a huge financial driver.

For example, Microsoft has the highest positive gap value of any brand (USD 1.5 billion), meaning that their sustainability performance exceeds their sustainability perception. So, while they have engaged extensively in climate initiatives, including committing to becoming carbon neutral, water positive, and zero waste by 2030, sustainability has not yet been positioned as an inherent part of the company's brand identity.

Green-reversing may sadly be the new kid on the block. With only 5% of FTSE100 companies having published credible decarbonisation plans[20], the number of companies with a detailed, well thought-through, resourced plan to deliver their lofty ambitions is lagging behind. Green-reversing is a backtracking phenomenon that refers to companies that previously made bold environmental commitments, but are now, due to the risk of greenwashing, reverting to the more risk-averse approach of green-hushing.

Companies backtracking on their ambitious commitments and dialling down their climate-related communications in order to avoid scrutiny





Whether it is due to genuine constraints or poor planning, we may begin to see more retraction, the shifting of original targets or the delaying of net zero goals. Not only will this undermine a company's credibility, but more importantly, it will hinder our collective progress on reaching global net zero.

Fear not, this report is not about discouraging you from doing climate comms. On the contrary, it gives you some tips on how to do it right. Ultimately, the business implications for each are clear. **We need to move away from vague and broad-sweeping statements, and strive for transparent and consistent communications that will lead to true green impact.**

South Pole expert talk

Nadia Kähkönen

Global Director, Communications

Our global communications expert, Nadia, shares exclusive insights from the net zero report published by South Pole last year around green-hushing.

Q1: What is South Pole's take on green-hushing?

There won't be any advances on climate change if we refrain from making mistakes out of fear of criticism. In the words of our CEO, Renat Heuberger: "we need companies making progress on sustainability to inspire their peers to make a start – and that is impossible if progress happens in silence."

Our 2022 net zero report really brought green-hushing to the mainstream and the term went viral across the corporate world as it resonated with so many. We are proud to have ignited the debate on what credible communication around net zero needs to look like, and put such an important issue back to the top of the climate agenda.

At the same time, we also know how dangerous green-hushing can be. So, why is it happening?

Zooming out, we can see that widespread media coverage has been central to bringing important debates around climate action into the public eye, and played a significant role in keeping corporate climate ambition high and sincere.

Yet we also see brands being increasingly scrutinised, versus encouraged, when it comes to their climate efforts. This increased media scrutiny, coupled with changing legislation on corporate claims and NGO critique, may be deterring companies who are voluntarily setting targets from being more open – as our research has found.

So, while some companies are setting science-based net zero targets, a significant portion – a quarter of surveyed businesses – indicated that they will not be publicising them, due to the fear of getting it wrong. What if this number triples in the near future? Now is not the time to slow down or 'hush' progress. We need everyone everywhere to play an active role in climate action.

Q2: Why is green-hushing so critical, and how has it evolved?

The emergence of the green-hushing trend seems to point to a pivot in corporate thinking about the environment. As a society, we only tend to coin new terms to describe phenomena or changes that truly resonate with us. And that phenomenon, in the case of green-hushing, is that companies don't quite know how to talk about what they are doing on climate anymore. This is concerning.

From a corporate communications perspective, companies engaging in green-hushing risk eroding their credibility and public perception: the way a company presents its climate efforts sends signals to its stakeholders on how committed they are to sustainability – beyond compliance requirements.

Staying silent limits knowledge-sharing and restricts opportunities for businesses to collaborate. It also makes it harder to scrutinise targets and gain an understanding of how a company is truly progressing on critically important climate goals, which may lead to companies setting less ambitious targets. Green-hushing can also result in missed opportunities for industries to collaborate effectively on tackling shared environmental challenges.

On the other hand, there are tangible benefits to embracing transparent, proactive climate communications – not least when it comes to upping corporate ambition. Recent research by Lazard[13] reveals that companies disclosing emissions data have, on average, 21% lower emissions the following year compared to those that don't. This highlights the power of

public pressure, and the link between open disclosure and emission reductions. And with more carbon pricing schemes being launched by governments, those having to pay for less emissions over time will also benefit financially.

In fact, increasing government action and evolving climate legislation around reporting and claims, for example, is one of the drivers of green-hushing.

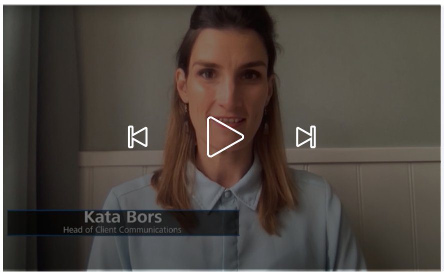
As governments worldwide intensify their focus on sustainability, the disclosure of accurate and comprehensive climate data becomes increasingly important. Understanding regional trends in green-hushing is also significant as this sheds light on why some regions engage in green-hushing more than others. While France has been identified as one of the leading regions for organisations to set SBTs, South Pole's 2022 net zero research reveals that respondents from France were ironically among those less likely to publicise their SBTs, ie. to "hush" progress. This is likely due to France being one of the few countries to have explicit regulation in place on corporate climate claims. Companies may be unsure about how to comply with this legislation and are afraid of being sued: they therefore give up talking about their targets altogether.

We expect the regulation of climate claims to continue – not least given the recently proposed EU Green Claims Directive. Our hope is that, instead of green-hushing, it will lead to clearer language for ambitious businesses to safely share their progress – while also protecting consumers who may find certain claims confusing or misleading, or not reflective of a company's climate efforts.

Arriving at your destination: communicating true green impact

Delivering true green impact requires a real and sustained commitment to reducing greenhouse gas emissions across all greenhouse gas scopes. The key to successfully communicating this is to always ensure that your messaging is clear, transparent, and consistent, and always backed by tangible activities or impacts.

It has never been more important for businesses and brands to get their climate communications right, as it is only by getting everyone involved that we will avert climate catastrophe.



We know stories form the heart of all successful communications. Every business goes on a climate journey. Hear from our Head of Client Communications Kata Bors on how we help global brands craft their unique story and communicate their true climate impact.

How do you safeguard your reputation along your journey?

Follow our key climate communications principles to build credible claims:

1.

Transparency – Make sure you are transparent about successes and the industries your business operates in. Transparency doesn't mean sharing every detail. It means providing the context for the decisions you make. So ensure that you have clear, measurable proof points to back all your claims – both globally and locally.

2.

Authenticity – Even if you only focus on communicating just a few key activities that resonate with your stakeholders, you must first take climate action to earn the right to communicate and inspire.

3.

Accountability – Transparent communication, disclosure, and honest updates on progress (both the good and the not-so-good) are essential to upholding the integrity and accountability of any corporate climate action and related claims.

4.

Impact – Avoid vagueness at all costs. Show, don't tell. What real actions are you taking to substantiate your claim? Your audience needs to be convinced that you are really walking the walk. Sound operational evidence and verified impact data are an important way to provide that assurance.

NEW for 2023

5.

Vulnerability - Companies that demonstrate a genuine willingness to show vulnerability in their climate claims are likely to earn greater credibility and public trust. In today's environmentally conscious world, acknowledging mistakes and learning from them is a crucial step towards sustainable practices.

When companies openly admit their vulnerabilities and take responsibility for their past missteps, it signals a commitment to transparency, accountability, and continuous improvement. This authentic vulnerability not only humanises companies but also fosters a sense of empathy and understanding among stakeholders. The ones making change are also more willing to share and collaborate to speed up the transition. So, that's a win-win for all!

"

We expect increasing scrutiny of our claims and our commitment, if we avoid taking imperfect steps because we're afraid of being criticised, there will be no steps at all within this area."

Anna Eklöf-Asp
Group Transparency Lead, H&M

How do you engage the world around you?

As we navigate the green claims crossroads, it is evident that credibility remains paramount to establishing trust and delivering accurate information. However, the power of creativity should not be underestimated. While credibility is king, creativity serves as the queen in engaging and captivating the world around us.

South Pole expert talk

Vicki Nice

Principal Consultant, Climate Communications, Engagement & Leadership

When credibility meets creativity. Our esteemed creative expert, Vicki Nice, dives into the delicate art of finding the perfect balance between creativity and credibility when it comes to communicating climate impact.

Q1: How do you balance creativity and factual accuracy when communicating climate claims to diverse audiences?

Start by being really clear about what you want to say. Define the purpose. What is the key message you want to convey? What evidence do you have to substantiate it? Who are you talking to?

You don't need to make bold statements that are unsubstantiated to gain cut-through with your sustainability claims. You can connect in so many other ways. From storytelling, metaphor, humour and self-deprecation to stark honesty, surprise or even suspense. A memorable message with creative cut-through doesn't need to be a bold claim. In fact, often the brands that cushion a win with the failures that got them there or the challenges that they're yet to overcome do a better job of connecting with consumers and winning customer loyalty.

When it comes to climate science, it's critical to pitch it just right for your audience. If you're speaking to a bunch of sustainability professionals, you can throw in as many 'scopes' and 'emission factors' as you like. But when you're talking to anyone else, it's critical that you make it accessible, and park the jargon. As with communications on any other topic, you simply need to meet your audience where they are. Metaphors work well when trying to explain complex climate principles and impacts. So, instead of talking emission reductions or removals in terms of a percentages, talk about them in terms of 'how many cars off the road' that percentage equates to. Make it relatable.

Q2: What role do creative communications play in advancing corporate climate action and sustainability, and how do you see this role evolving in the future?

That's an interesting question. I think creativity plays a huge role in advancing corporate climate action and sustainability. From effective stakeholder engagement to capacity building, pedagogy and creativity are critical. Creativity is our strongest tool for capturing hearts and minds and galvanising the billions of change-makers we need to solve this crisis.

A lot of brands make the mistake of going too broad. Tackling climate change is a sweeping, multi-generational issue that requires big solutions to big problems. Yet, the bigger it seems the less we engage. This is in some part due to a mix of cognitive dissonance and the avoidance that occurs when we simply feel overwhelmed by the scale of a problem. So, when you're communicating your actions, make it pointy, make it tangible, and demonstrate real-world outcomes.

And if we want to empower, and inspire and equip people to play that role, we won't do it with grey papers, inaccessible data and stats, or complex jargon. We need to apply the power of storytelling, metaphor, and the visual world. We need to paint pictures that demonstrate a world 'with us' and 'without us'. We need to communicate with messaging that cuts through the clutter and stops people in their tracks (even in the midst of an inbox mountain and back-to-back meetings). If we've learnt anything from the likes of Blue Planet, it's that telling a simple, salient, captivating and inspiring story (along with some achievable, micro actions) does create results.

The Climate Communications team at South Pole advises some of the world's most ambitious organisations on how to bring their climate action alive, through powerful and credible storytelling. Get in touch with us and find out how we can support you with your climate communication in a unique and authentic way.

6. Championing radical transparency: South Pole's 'Funding Climate Action' label

Climate labels are an effective tool to display your company's, products' and event's climate credentials. But this is only the case if the labels are based on integrity and radical transparency. South Pole's new **'Funding Climate Action' labels** provide a viable, new application for future-proof climate claims.

As stakeholders become increasingly aware of the climate crisis, they are more actively seeking out ways to act. They are calling for **complete transparency** and insight into the value chains of the products they choose, the companies they support and the events they attend.

At South Pole, we are proposing a new way for companies to confidently champion corporate climate action. To this end, we have developed the new 'Funding Climate Action' label to futureproof claims and meet the need for **more climate action** and **transparency.**

Putting true climate impact front and centre

Hear from our 'Funding Climate Action' label Solution Owner, Carolin Fischer, on the latest developments of this groundbreaking offering:

Carolin Fischer

Managing Consultant, Climate Labels at South Pole

"Credible labels provide instant and full transparency to the customer, spelling out the steps the company has taken and the climate action projects they have supported. Solutions like these empower customers to look more closely at the details and to utilise their purchasing power to make a difference.

With our **'Funding Climate Action' label** you can use this opportunity to raise environmental awareness and win over climate-conscious stakeholders by showing that you are actively taking action on climate change. The 'Funding Climate Action' label is a marker of quality. It illustrates that an organisation is taking responsibility for its emissions and has progressed through a comprehensive process to ensure credible climate action has been taken, including verified climate contributions. The QR code and landing page provide a transparent process to **substantiate** the new 'Funding Climate Action' claim, providing the **instant** and **full transparency** your stakeholders are looking for."

Achieving the label

We have designed the label to be accessible and transparent, allowing your organisation to make significant progress on its climate journey. You can achieve the label in four simple steps:

1. Measure

Define boundaries and quantify the greenhouse gas emissions associated with your company, product or event according to a defined scope.

2. Reduce

Commit to progress on a climate journey and transparently show how your company is striving to reduce emissions over time.

3. Contribute

Make a verified climate contribution by investing in high-quality climate action projects that reduce emissions beyond your company's value chain.

4. Communicate

Communicate your sustainability vision and achievements and perform an annual review to renew your label each year.

With the right strategy, you can align with your most important stakeholders and provide transparency about your climate journey while unlocking benefits to your business. Telling your customers about your climate action is important, and it can help you attract new ones. In fact, research conducted on the South Pole label found that **84% of consumers say they are more likely to buy a product with the label on it.**[21*]

To find out more about what consumers think about the ‘Funding Climate Action’ label, watch this video!

The ‘Funding Climate Action’ label by South Pole has passed consumer tests on transparency and desirability with flying colours:

(research conducted in December 2022 with 1,500 participants across Europe and the US)

84% of consumers say they are more likely to buy a product with the label on it.

83% feel well informed by the label's landing page.

82% understand the label's meaning immediately.

South Pole encourages ambitious climate action. Let us help you show your impact and be confident in your communications with the 'Funding Climate Action' label.

Find out more by visiting our webpage

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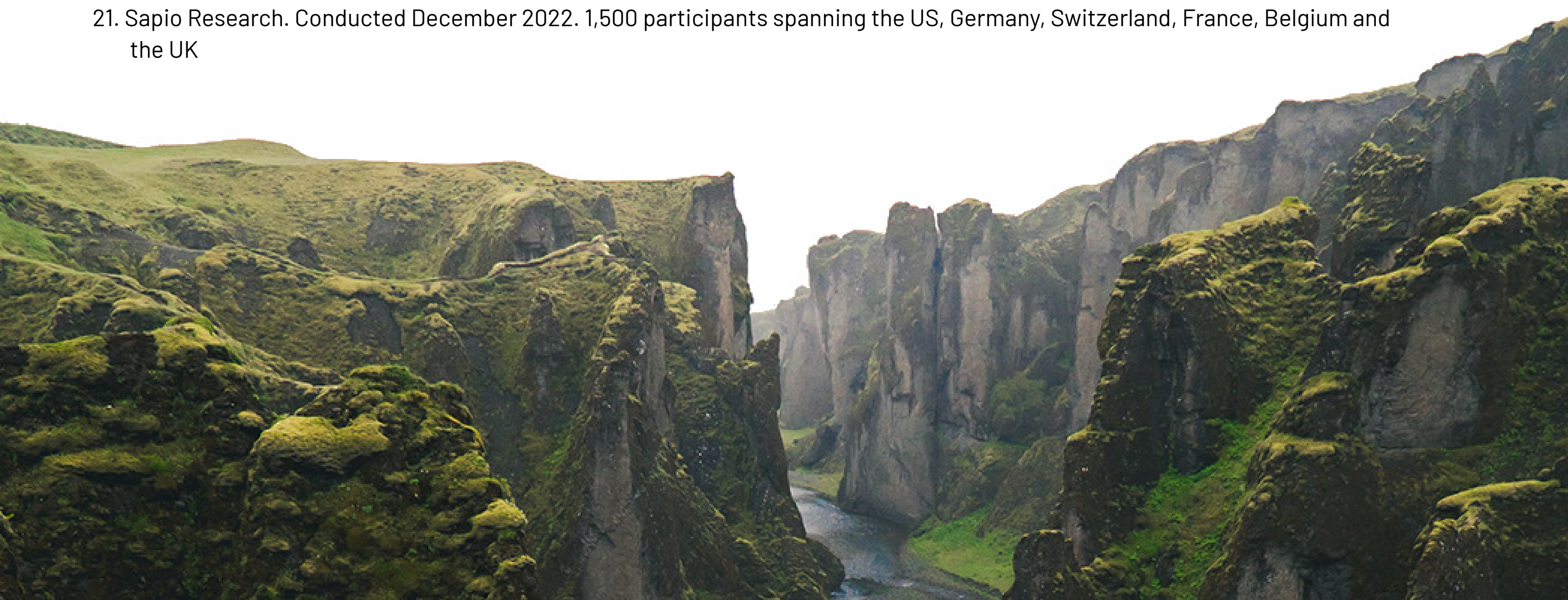

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