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Toolkit Zone 3 Practical Modules

Reporting, Green Claims & Marketing

Green and Circular Economy in Business by
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Chapter 18 - Sustainability Reporting, Green Claims, and Marketing

As sustainability expectations rise, how SMEs communicate their environmental and social performance has become as important as what they do in practice. Customers, value-chain partners, public authorities and financial institutions increasingly scrutinise sustainability claims, while EU regulation is tightening to address misleading or unsubstantiated messaging. For SMEs, this creates a delicate balance: staying silent can weaken market position, but over-claiming exposes the business to legal, reputational and commercial risk. This chapter focuses on that critical interface between internal sustainability practices and external communication. It explains where communication risks typically arise, how the evolving EU framework on green claims reshapes what is acceptable, and how SMEs can use proportionate reporting and disciplined messaging to communicate progress credibly—supporting trust, competitiveness and long-term brand value without falling into greenwashing traps.

18.1 Why sustainability communication has become a strategic risk for SMEs

For many SMEs, sustainability communication has moved from a voluntary branding choice to a regulated and risk-sensitive business activity. Customers, business partners, public authorities, and financial institutions increasingly expect companies to communicate their environmental and social performance clearly, consistently, and credibly. At the same time, regulatory scrutiny of sustainability claims has intensified across the European Union, particularly in response to widespread concerns about greenwashing.

This creates a paradox for SMEs. On the one hand, remaining silent about sustainability efforts can weaken competitiveness, especially in supply chains where larger companies request ESG-related information from suppliers. On the other hand, making sustainability claims without adequate evidence exposes SMEs to legal, reputational, and commercial risks. As a result, sustainability communication is no longer simply a marketing matter but a strategic management issue that sits at the intersection of reporting, compliance, and brand trust.

Importantly, this chapter does not revisit how sustainability data are generated. That has already been addressed through reporting frameworks and management systems earlier in the toolkit. The focus here is instead on **how sustainability-related information is translated into external communication**, and how SMEs can do so responsibly.

18.2 From internal data to external claims: where risks arise

Most greenwashing cases do not stem from intentional deception but from misalignment between internal practices and external messaging. Common problems arise when marketing language runs ahead of actual performance, when claims are vague or exaggerated, or when improvements in one area are presented as evidence of overall sustainability.

For SMEs, these risks are heightened by limited internal capacity. Marketing materials, websites, and tender documents are often prepared without systematic cross-checking against environmental data or management processes. Claims such as “eco-friendly,” “green,” or “sustainable” may be used informally, without a clear definition or substantiation. In an environment of increased regulatory enforcement, such language can trigger investigations or complaints, even if the underlying intention was positive. The key lesson for SMEs is that **every sustainability claim implies an evidentiary burden**. If a claim cannot be backed up by verifiable information, it should not be used.

18.3 The evolving EU framework on green claims

The European Union has significantly strengthened its approach to regulating environmental claims. The legal landscape now reflects a shift from tolerance of broad, aspirational statements to a requirement for precision, transparency, and evidence.

Under EU consumer and unfair commercial practices law, environmental claims must be truthful, specific, and verifiable (European Commission, 2023a). Building on this, the proposed Green Claims Directive introduces stricter requirements, including prior substantiation of explicit environmental claims and independent verification before claims are communicated publicly (European Commission, 2023b).

For SMEs, the implications are practical rather than theoretical:

- Generic claims without context are increasingly considered misleading.
- Claims must relate to the full life cycle or clearly specify which aspect of a product or service they cover.
- Offsetting claims require transparency and cannot substitute for actual emission reductions.

Although enforcement practices vary across Member States, the direction of travel is clear. Sustainability communication must be treated with the same rigor as financial or safety-related information.

18.4 Right-sized sustainability reporting as a foundation for communication

While this chapter does not revisit reporting frameworks in detail, it is important to clarify their role in communication. Sustainability reporting is not an end in itself but a **source of structured, reliable information** that can underpin external claims.

For SMEs, proportionate reporting approaches such as simplified sustainability statements or voluntary frameworks provide a defensible basis for communication. The key is not the volume of disclosed data but its consistency and traceability. Claims made in marketing materials, tender responses, or websites should be aligned with what the company could reasonably document if challenged.

This alignment is particularly important in B2B contexts, where large customers increasingly rely on supplier-provided sustainability information to meet their own reporting and due diligence obligations. Inconsistent or inflated claims can lead not only to reputational damage but also to loss of contracts.

18.5 Avoiding greenwashing: common pitfalls for SMEs

Research and regulatory guidance consistently identify recurring greenwashing patterns, many of which are especially relevant for SMEs:

- **Vagueness:** Using broad terms without defining scope or impact.
- **Selective disclosure:** Highlighting one positive aspect while ignoring significant negative impacts.
- **Unsubstantiated future claims:** Promising carbon neutrality or sustainability targets without credible plans or milestones.
- **Misuse of labels or certifications:** Referring to standards or symbols without formal certification or outside their intended scope.

Avoiding these pitfalls does not require legal expertise but rather disciplined communication practices. SMEs benefit from adopting a conservative approach, focusing on factual descriptions of actions taken rather than aspirational language.

18.6 Communicating sustainability as progress, not perfection

One of the most effective ways for SMEs to communicate sustainability responsibly is to frame it as a **process of continuous improvement**. Rather than presenting the business as fully sustainable, communication can emphasize learning, incremental change, and transparency about challenges.

Examples of credible messaging include:

- “We have reduced energy consumption in our operations by X% since 2022.”
- “We are working with our main suppliers to reduce packaging waste.”

- “We currently focus on reducing emissions in our own operations and plan to expand this to logistics.”

Such statements are specific, verifiable, and proportionate. They also align with stakeholder expectations that sustainability is a journey rather than a fixed state.

This approach is particularly important for SMEs operating in complex value chains, where full control over impacts is limited. Communicating boundaries and limitations openly can strengthen trust rather than weaken it.

18.7 Branding, marketing, and stakeholder trust

When sustainability communication is credible, it can support differentiation and market positioning. Studies show that transparent environmental communication enhances customer trust and brand loyalty, particularly in B2B markets where reputational risk is shared across supply chains (Delmas & Burbano, 2011).

However, sustainability should support the brand narrative rather than dominate it. For SMEs, sustainability messaging is most effective when integrated into broader value propositions such as quality, reliability, innovation, or local presence. Overemphasizing green credentials without sufficient substance increases scrutiny and risk.

Responsible sustainability marketing therefore balances visibility with restraint. It uses sustainability as evidence of good management rather than as a standalone selling point.

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18.8 Key takeaways for SME managers

Sustainability reporting and sustainability communication serve different purposes but must remain aligned. Reporting generates structured information; communication translates that information into market-facing messages. The space between the two is where both opportunity and risk lie.

For SMEs, the strategic priority is not to say more, but to say **only what can be supported by evidence**. In a regulatory and market environment that increasingly penalizes overstatement, credibility has become a competitive asset in its own right.

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