



The Conscious Citizen

The Essential Value of Trust When Making Sustainable Consumption Choices

Deloitte Observatory on Sustainability and Innovation Trends

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Introduction

People's awareness of sustainability issues and their consequences on society and the economy is very high, as is the desire to redress this situation.¹

At a time when environmental issues are increasingly taking center stage, every company is called to make its operations and activities more sustainable. Recently, the notion has been gaining ground that organizations should proactively counter social and environmental issues by pursuing business activities and a goal of shared benefit, operating responsibly, sustainably, and transparently toward all stakeholders.

Given this context, the purpose of a company becomes a strategic asset on which to base a competitive advantage that can shape the bond of trust with its community and, consequently, affect individuals' likelihood to buy. More than 7 out of 10 CEOs consider trust paramount in making their customer base loyal. Indeed, it is not a coincidence that 88% of customers with high trust in a brand have repurchased from that brand, and 62% buy only from that brand.²

Sustainability is a critical factor that influences and shapes consumers' purchasing intentions, contributing to the planet's well-being and serving as a driver of growth for companies. That has led to the development of new marketing strategies whose ultimate goal is to promote a brand identity focused on society and conscious consumption. Sustainability claims referring to brands and the products or services marketed can be valuable for companies as they build consumer trust, provided they are

genuine as well as adequately articulated and conveyed. However, should there be even the slightest inconsistency between the values stated and those delivered, the higher the expectation of the company's customers, the greater the expected potential damage, whether financial or not.

The collective awareness for sustainable development is becoming increasingly widespread, and greenwashing is not only a misleading practice for consumers but is also very detrimental to companies, particularly to their reputation and future growth. Indeed, while it takes a lot of time and resources to win customers' trust, only one statement can shatter it irretrievably and generate negative externalities that go far beyond the company's boundaries.

On the other hand, consumers need to be sensitized to the issues of sustainability and cosmetic environmentalism and protected from possible abuses. In this regard, national and supranational institutions must play a crucial role, acting at the regulatory and educational levels with ex-ante and ex-post measures.

Deloitte undertook a quantitative survey to gather the opinions of Italian citizens on the relationship between sustainability and trust, to support organizations better as they navigate the intricacies of the issue and make strategic decisions that can build and foster lasting and valuable relationships with their customers, also contributing concretely to Italy's green transition. What makes a brand sustainable in the eyes of Italians? How important is trust to Italian consumers? How does greenwashing impact Italians'

purchase intentions? How can institutions protect consumers? In summary, how can companies interested in the Italian market achieve their sustainability goals by creating value for their business, customers, and society?

Trust and Sustainability: A Now Inseparable Pair

Italian citizens are sensitive to the increasingly evident signals of climate change and are gradually embracing lifestyles imbued with greater sustainability and ethics. Such individual changes, aimed at reducing one's ecological footprint, are meant to be a collective response to global environmental challenges.

For such a transformation to be as effective as possible, the business community is expected to play its part by integrating these values into its purpose and passing them on to the market. In this regard, the increased environmental awareness has prompted brands to rethink their strategies, focusing their attention on the sustainability of their actions. However, this change is not only a response to consumer demands but has become a strategic necessity to maintain relevance in the current market and prepare for the future.

The trust relationship between consumers and the brand is an intangible but crucial asset for a company's success, given its ability to influence customers' purchasing decisions. In this context, sustainability, which is no longer an alternative but a new way of doing business, increasingly plays a crucial role. Companies must be transparent regarding their sustainable strategies and practices if they want to establish and nurture this trust-based relationship. Consumers pay increasing

attention to the products themselves, the way they are made, and the business philosophy behind them.

Hence, trust is not just a bond between consumers and brands but also a symbol of authenticity and commitment to a more sustainable future. When adequately built and nurtured, such a relationship, based on mutual awareness and responsibility, can offer distinctive benefits to companies, including increased customer loyalty, a leadership position in the marketplace, and a stronger emotional connection with the public, enabling them to achieve their profit goals and also to pursue mutual benefit purposes that can generate a positive impact on society and the environment in the long run.

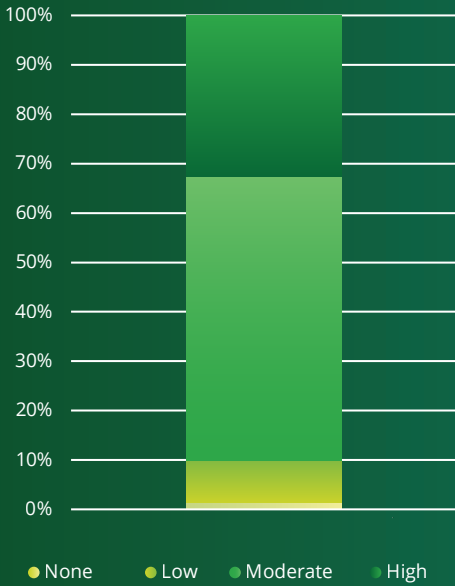
Widespread Conscious Lifestyles

The drive toward sustainable lifestyles and the adoption of such behaviors represent a radical and necessary response to environmental challenges. In Italy, citizens are introducing significant changes in several areas, ranging from increasing environmental, food, and social awareness to responsible purchasing,³ from saving energy⁴ to promoting sustainable mobility⁵. Besides being far-reaching, these changes overcome traditional consumption patterns, significantly reducing the overall environmental impact.

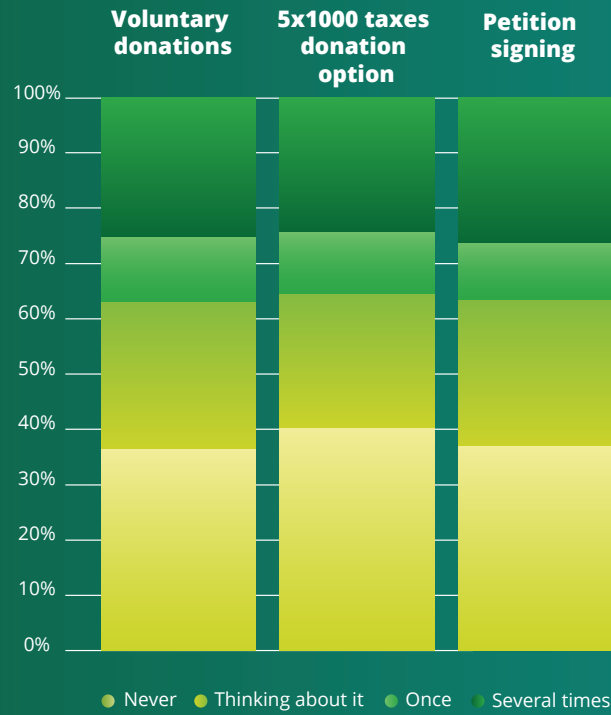
Italians have a particularly sustainability-conscious ecological profile: 16% describe themselves as firmly committed to the environment and a further 65% show moderate commitment. It is no coincidence that 90% of Italians confirm they have a personal interest in reducing their ecological footprint, and more than a third have already demonstrated this through tangible actions. This interest goes beyond personal life and encompasses the work sphere. Almost 9 out of 10 Italians believe that companies must help combat climate change actively, and 6 out of 10 have chosen to work at socially and environmentally virtuous organizations.

Figure 1 | Attention to and relevance of sustainability

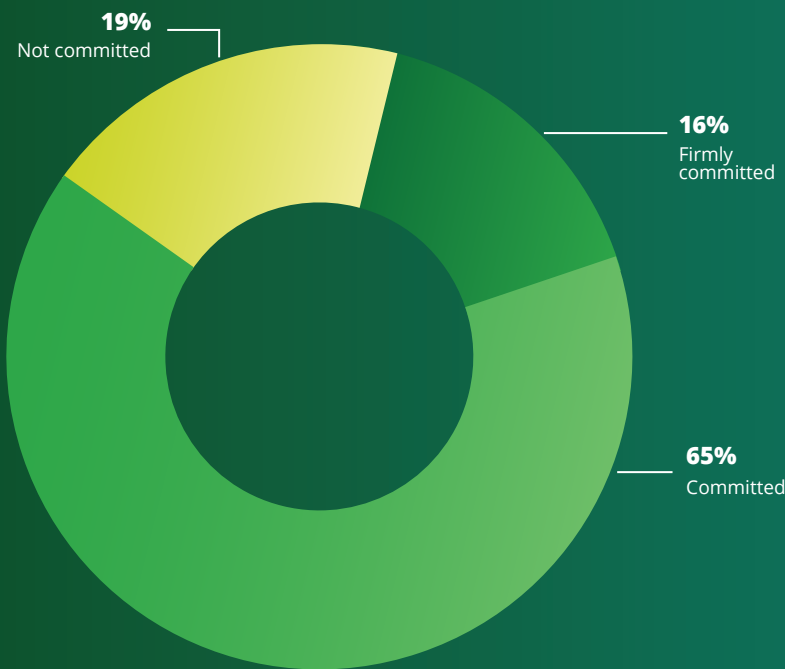
PERSONAL COMMITMENT



ACTIONS FOR SUSTAINABILITY



ENVIRONMENTAL PROFILE



Note: "Firm commitment" includes all those respondents who say they have implemented all three of the above sustainability actions in the past 3 years. "Moderate commitment," on the other hand, includes that portion of the sample who say they have performed or considered at least one of the above actions.

Source: Deloitte, "The Conscious Citizen" Observatory, 2024

The value of sustainability is increasingly becoming an indicator of corporate authenticity that, among other benefits, also helps build a solid foundation of trust with the end users of the products and services offered and the broader ecosystem of stakeholders. Indeed, for more than 9 out of 10 respondents, transparency regarding the sustainability strategies organizations adopt is a relevant aspect. Moreover, 78% of the sample say they trust companies that publicly share their sustainability goals more. Thus, we can infer that trust in a brand becomes stronger when citizens understand that their daily actions are integral to a more extensive network of committed efforts toward a better future. Here, transparency stands out as the cornerstone of this citizen-brand relationship whereby companies support their customers and openly communicate their challenges, efforts, and achievements in the journey toward sustainability. To summarize, conscious lifestyles are shaping a worldview in which fear of change gives way to the courage of sustainable choices. Trust, underpinned by sustainability, exemplifies this shared courage, serving as a bonding

agent between the increasingly virtuous citizens and the brands that prove trustworthy by taking tangible, sustainable actions. Based on awareness and responsibility, this connection is the driving force behind a transformation toward a future in which respect for our planet is the foundation of every choice.

Sustainability as a Cornerstone of Consumer Trust

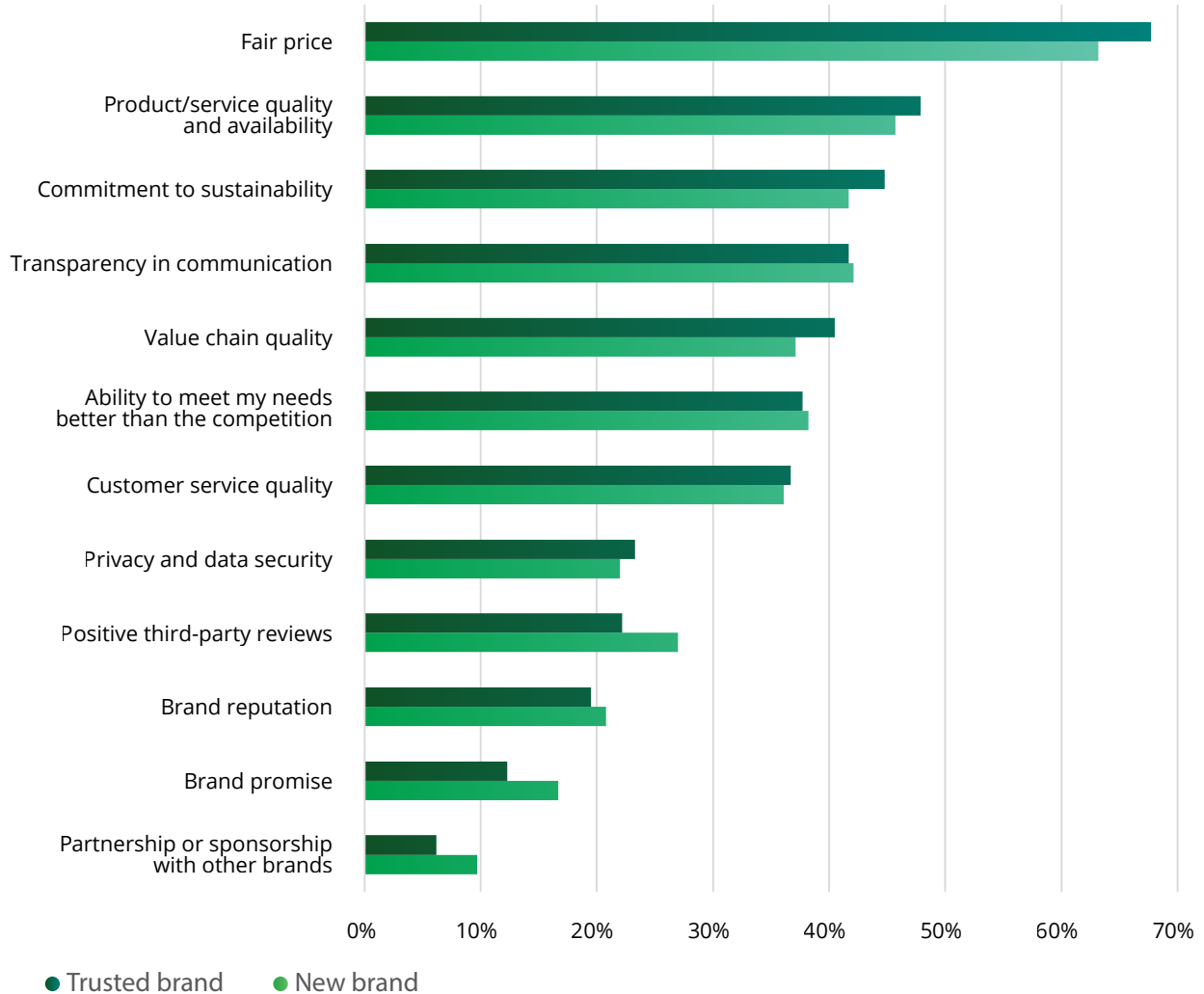
When one investigates the topic of trust toward companies, the picture appears quite varied. Forty-eight percent of respondents show spontaneous trust toward brands and report that brands would have to engage in deplorable behaviors for this bond to be affected. Alongside these, however, 40% do not put their trust in brands "by default" and believe that trust must be earned and built over time.

Trust is a theme that comes back again in purchasing choices. Trust is a relevant purchase driver for a third of Italian consumers - particularly the baby boomer

generation (42%). As a matter of fact, Italian consumers claim that when they trust a company, they go out of their way to buy from it. Joining these are an additional 55% - particularly among younger people (Gen Z, 67% and Millennials, 61%) - who confirm the importance of the bond of trust with a brand, although that does not necessarily translate into more purchases.

A company's positioning in terms of price and product/service is perceived to be largely a central aspect of trust. However, alongside this, the importance of sustainability emerges - both in relation to existing and new brands. Further corroborating the central role of sustainability in building a robust user-producer experience is the following: on the one hand, the emphasis Italians place on the need to be informed through the most transparent possible communication about how an organization is positioning itself; on the other hand, the importance of building a quality supply chain that is consistent with an organization's

Figure 2 | Trust enablers



Source: Deloitte, "The Conscious Citizen" Observatory, 2024

An organization's publicly voiced positions on sustainability have, in addition, a well-recognized relevance in affecting the relationship of trust toward the same, both positively in the case of shared positions and negatively in the case of adverse positions. Indeed, when an organization takes a public position regarding ESG issues, and consumers endorse that statement, their trust in that brand increases, sometimes markedly; this is true for 71% of respondents.

Conversely, if such a position is not endorsed, trust decreases - as indicated by 51% of Italians.

In times of great uncertainty and complexity, trust is essential to seal the relationship between a company and its customer base, simplifying and guiding its decision-making processes. A brand that inspires trust will be more likely to establish stable, lasting, and valuable customer relationships. Here, the importance of sustainability as a strategic

driver for companies comes into play; companies should not limit themselves to mere declarations of intent in the environmental sphere but should integrate sustainability systematically into their core business, truly rethinking governance, processes (manufacturing processes and others) and the relationship with other stakeholders - starting from their customers.



Green Trust: The Key to Success

When a company takes steps to be more sustainable, it mitigates damage to the ecosystem and society and invests in building trust with its current and potential customers. Such trust is not an abstract concept; organizations develop and maintain relationships with stakeholders through actions performed competently and intentionally. Competence refers to the company's ability to express and maintain its brand promise, while intent relates to the reasons behind actions, such as transparency.⁶

With sustainability being an increasingly important issue for citizens, concrete actions aimed at reducing environmental impact are a prerequisite for the success

of a brand. Indeed, from the consumer's perspective, a brand that shows genuine concern for the environment and society becomes a more desirable option because its values align with the consumer's own.

When we speak of trust based on sustainability, we mean "green trust." For this to be established and maintained, companies must be perceived by the public as trustworthy and authentic in their ecological commitment. Being a genuinely sustainable brand is more complex than it might seem. When asked about the distinguishing features of a sustainable brand, Italian consumers confirm, even in this year's edition of the Observatory, that they mainly care about essential aspects related to producing a good or service rather than formal ones. A focus on decarbonizing production processes (37%), the use of materials with reduced

environmental impact (37%), optimizing the use of scarce resources (34%), and a reduction in the use of fossil fuels (30%) are the characteristics that consumers primarily associate with brands identified as sustainable.

Integrating green trust into the branding strategy brings several unique benefits. Firstly, it positions the brand as a conscious choice for consumers. That can lead to greater customer loyalty and engagement with the brand in the long term. Secondly, it can provide opportunities for differentiation from competitors in the marketplace. Lastly, green trust can create an emotional connection with the public as consumers identify with the company's values.

FOCUS ON

From shareholder to stakeholder economy: the role of benefit corporations

Benefit Corporations were conceived in the United States in 2006 as a new business model designed to avoid the dispersion of a company's founding social and environmental values and safeguard the interests of shareholders and stakeholders. Thus, these companies show how an organization can simultaneously pursue its profit purpose, attain economic profitability, and serve a social purpose and mission.

On 1 January 2016,⁷ Italy became the first European country to introduce a new legal status for companies called "Società Benefit" (in the US, Benefit Corporation), alongside the possibility of applying for B Corp certification.¹ Companies that want to set up or become a Società Benefit must indicate in their Articles of Association a specific common benefit, defined as a tangible positive impact on society and the environment, that can be assessed by independent third parties both qualitatively and quantitatively. These companies must publish an annual impact report based on a shared standard to report on activities, achievements, and future objectives relating to the pursued common benefit. In the event of non-compliance, the implementation of sanctions falls within the remit of the Competition and Market Authority, which enforces regulations on misleading advertising and unfair commercial practices.

The B Corp movement has been growing steadily in Italy, with an increasing number of companies choosing to adhere to this responsible and sustainable business model either by becoming a Società Benefit and/or through B Corp certification. As a matter of fact, a company can opt for both or just one of the two. The most noticeable and significant difference is that companies with B Corp certification must periodically measure the company's impact performance through the so-called 'Benefit Impact Assessment' model. In contrast, Società Benefit safeguard their mission and purpose over the long term by including them in their Articles of Association. The first B Corp-certified company dates back to 2013, and by the end of 2023, there were 266 certified companies in Italy, rising to 280 in more than 90 sectors in April 2024.⁸ As for Società Benefit, 3,619 have been registered in Italy since the introduction of this legal status, posting an impressive growth of 248 entities in just one quarter - almost 1,000 more than the year before - and a CAGR20-23 of +65%.⁹

The success of Benefit Corporations in Italy clearly indicates the direction many companies are taking, increasing emphasis on social and environmental responsibility in line with the UN Sustainable Development Goals. Being a B Corp brings a number of advantages.

Firstly, B Corps have a higher level of resilience and a particularly virtuous performance. In this regard, in the three years between 2019 and 2021, despite the pandemic outbreak, the global added value of these companies almost quadrupled, and their net result increased by a multiple of 3.¹⁰ Secondly, they have a fundamental reputational advantage when building a bond of trust with their stakeholders and positioning themselves more effectively in the new competitive environment. Thirdly, these organizations can attract capital or investment more quickly and receive bonus points should they wish to participate in public tenders. Lastly, these com

¹B Corp is a certification issued in over 80 countries and 150 different sectors by B Lab, a US non-profit organization.



The Central Role of Sustainability: Challenges and Opportunities for Brands

Changes in the purchasing behavior of Italian consumers are pointing to a clear trend toward an increased preference for sustainable products and services. The importance of sustainability in the purchasing process indicates that the gap often observed between positive attitudes about implementing policies to protect society and actual purchasing behavior is increasingly narrowing.¹¹

However, this transition to more sustainable choices does not come without significant challenges. Many consumers, partly because of an uncertain economic environment, still struggle with the perceived barrier of the premium price associated with sustainable products compared to traditional ones. In addition, a lack of clear and accessible information regarding products' sustainable features can make it challenging to evaluate purchasing options fully.

Purchasing Behaviors Are Increasingly Driven by Sustainability

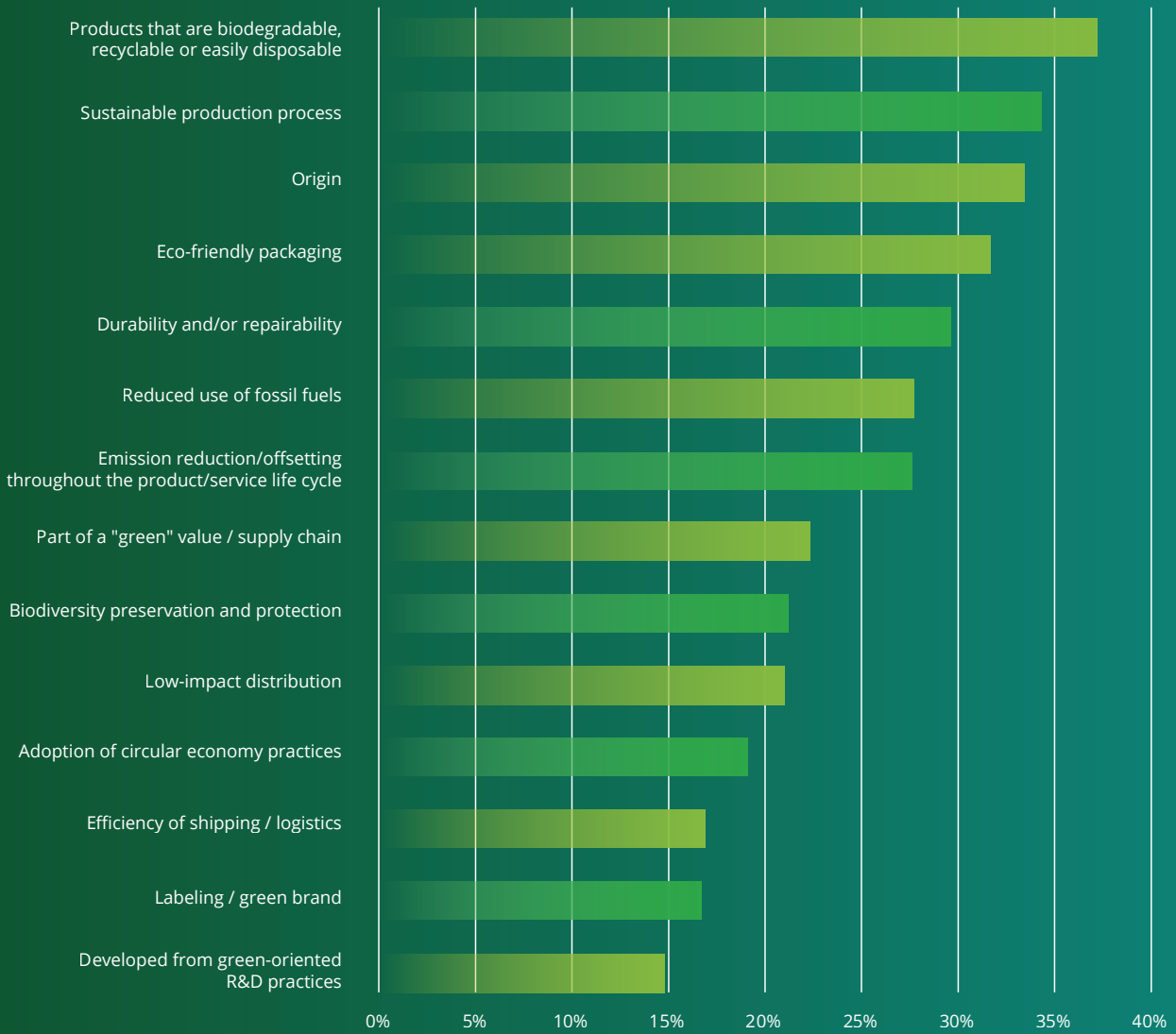
Growing concerns about the impact of one's lifestyle and consumption choices are changing consumer purchasing behavior. Indeed, there is a broad consensus among the public as to the importance of the products or services enjoyed not having negative consequences on environmental dynamics. More than 8 out of 10 Italians not only prefer environmentally conscious brands but also believe it is vital that the products purchased should not harm the environment.

Therefore, sustainability is clearly not only one of the main elements underlying the fiduciary relationship with a brand but also represents one of the main drivers of purchase: 12% of Italian consumers always consider it when making a purchase, and

a further 37% often does. In the past six months, just over half of the panel surveyed said they had purchased sustainable products or services, and compared to the year before, this trend is on the rise, according to 3 out of 4 consumers. Greater interest in these specific products or services among the public is also evidenced by those who have not made any eco-friendly purchases in the last six months: more than two-thirds say they will definitely buy them (12%) or consider them alongside "traditional" ones (56%).

In line with their new habits and lifestyle, Italian consumers primarily pay attention to substantial aspects of producing or delivering a good or service. Indeed, the green choice depends on the intrinsic characteristics of the good: from the materials used, which must be biodegradable and recyclable, to the optimized production process with low environmental impact and the logistics and distribution processes.

Figure 3 | Criteria for choosing sustainable products and/or services



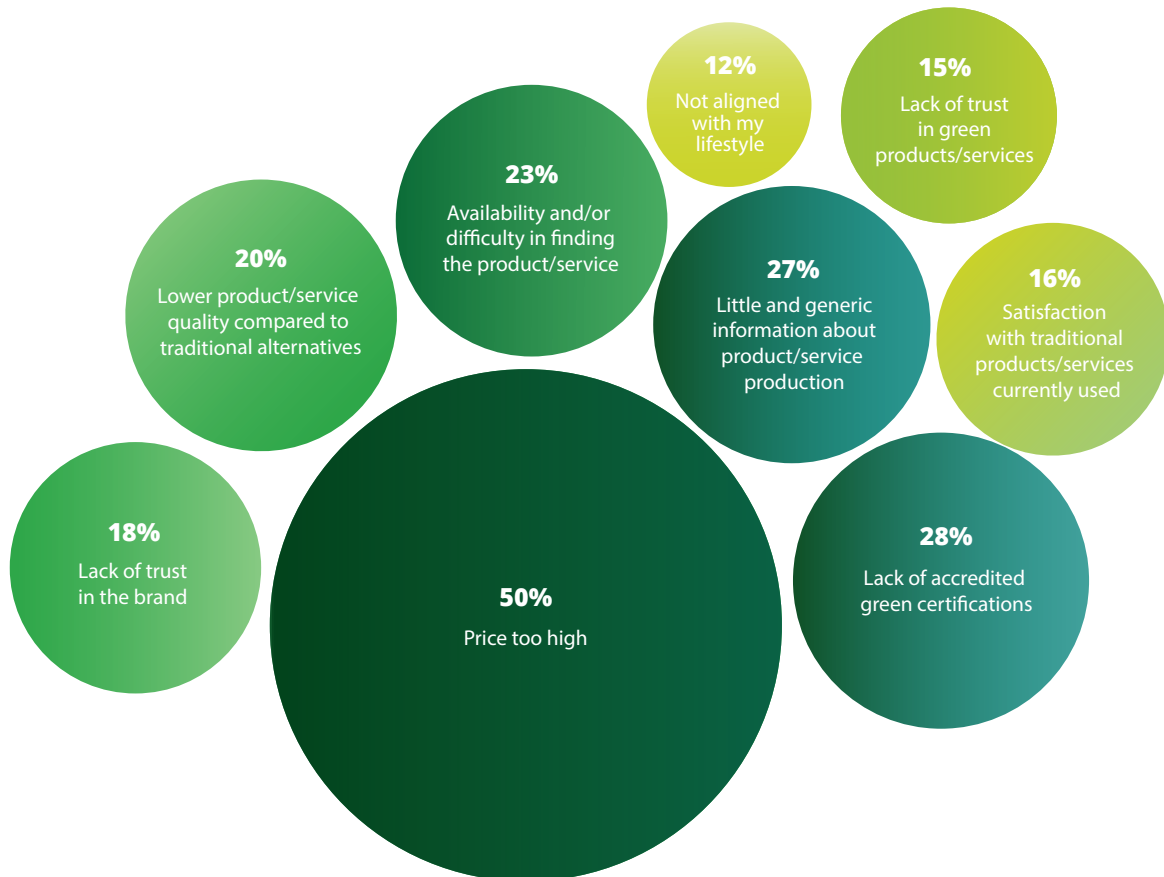
Source: Deloitte, "The Conscious Citizen" Observatory, 2024

However, several factors still exist that limit the further spread of sustainable purchasing behaviors. Half of the respondents appear discouraged by the excessively high prices of such products and services, which they find unattractive and unaffordable sometimes, with negative repercussions on the conversion process. This aspect should also be interpreted in light of the current

economic context and the asymmetry in the distribution of real consumer spending:¹² after two years of inflationary dynamics, Italian households are reviewing their savings strategies in the face of more significant economic and geopolitical uncertainty. The absence of accredited certifications and the scarcity of accurate information about the production of the product or the service

offered also count as significant barriers to purchase, especially given the request to pay a "premium" price.

Figure 4 | Factors hindering sustainable purchasing



Source: Deloitte, "The Conscious Citizen" Observatory, 2024

Hanging Between Green Marketing and Greenwashing

Growing awareness of environmental issues among stakeholders has led organizations to consider new approaches to marketing and communication, fostering the development and spreading of so-called green marketing. The latest marketing strategies aim to promote a corporate ethos and brand identity characterized by concern for the environment as a central element of corporate identity, operations, and communication efforts towards customers in the first place and the broader ecosystem of stakeholders in the second.

Thus, green marketing becomes a true market philosophy that reflects the ethics and value companies place on sustainability and goes beyond the mere promotion of products or services with a low environmental impact: it is the way companies combine innovation and sustainability, creating value for consumers and society. However, 84% of Italians still believe that companies talk about sustainability mainly to improve their image or financial performance.

For such strategies to be effective and build a genuine bond of trust with consumers, they must be based on truthful messages and demonstrate corporate responsibility through ethical and sustainable actions throughout the whole lifecycle of products or services, thus offsetting their environmental impact and contributing to the well-being of society. A green marketing strategy that is not perfectly aligned with the company's mission and rooted in its purpose might expose the organization to considerable risks, damaging its reputation permanently and resulting in significant financial losses.

Overcoming Mistrust through Information and Communication

Information and communication play a crucial role in helping to build a bond of trust between the consumer and the brand and ensuring a consistent buying process. That's all the more so when it comes to sustainable products and services, as they involve rather sensitive topics, and, therefore, any message must be credible, truthful, and consistent with the brand's purpose.

As mentioned, the lack of accredited certifications and the scarcity of information about a product's sustainability performance are two significant barriers to a more intensive use. In this regard, 40% of Italians - a figure that climbs to 63% among those who are highly dedicated to the environmental cause - would often consider changing the brand they purchase from if a lack of transparency in communication were to emerge. In addition, half of the sample surveyed say they would more easily and frequently buy a product or service with one or more green certifications.

Nowadays, Italian consumers use various channels to find information about the sustainability of the product or service they plan to buy. According to nearly 60% of the sample, the label is the primary source of information, followed by certifications

(52%). Thus, what is stated on the packaging is a critical element in building a bond of trust with the public. In this regard, 41% of citizens would like simple and user-friendly labels designed to help them quickly understand the "environmental performance" of the product or service. In addition, 30% would also like to see on the packaging a label with a scale showing sustainable characteristics from best to worst, as is done, for example, for household appliance energy classes. Numerical data detailing the ecological footprint is a preference for 26% of consumers.

Next to labels, there are also other channels used to gather information. These include official corporate channels (32%), online reviews on specialized websites (32%), the opinions of reviewers or subject matter experts (29%), and conventional media (27%). However, distinctions emerge between generations, with the very young showing more inclination to use digital and alternative channels, such as corporate channels (42%), influencers/activists (28%), or public events and trade shows (24%).

As a general rule, the information on the packaging must be authentic, verifiable, and, if possible, certified; otherwise, it is likely to generate disillusionment and mistrust toward the brand, thus undermining the relationship of trust built over time and negatively affecting the company's performance.



Environment

- Climate Change
- Natural Resources
- Pollution & Waste
- Energy Efficiency
- Renewable Energy
- Biodiversity
- Water Management
- Air Quality

ESG

Social

- Workplace Health and Safety
- Inclusion and Diversity
- Data Privacy
- Human Rights
- Community Relations
- Supply Chain Labor

Governance

- Supply Chain Management

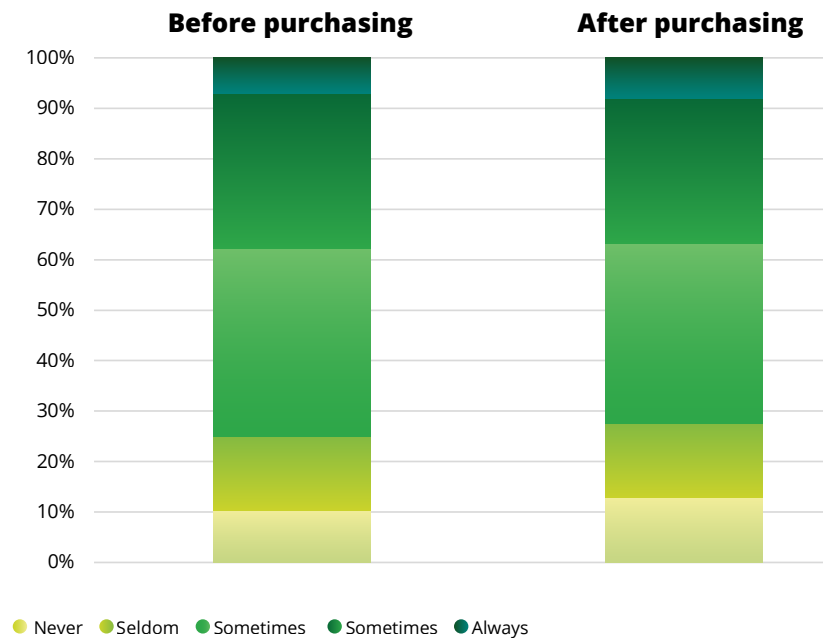
The Importance of Verifying Sustainability Claims

Nine out of 10 consumers would like to have comprehensive information about what qualifies a product as sustainable, and they would also like to have access to tangible, verifiable evidence to substantiate this. However, Italians' trust in environmental claims is still segmented: while about 60% express confidence in this regard, the remaining 40% remain skeptical - particularly the Baby Boomer generation.

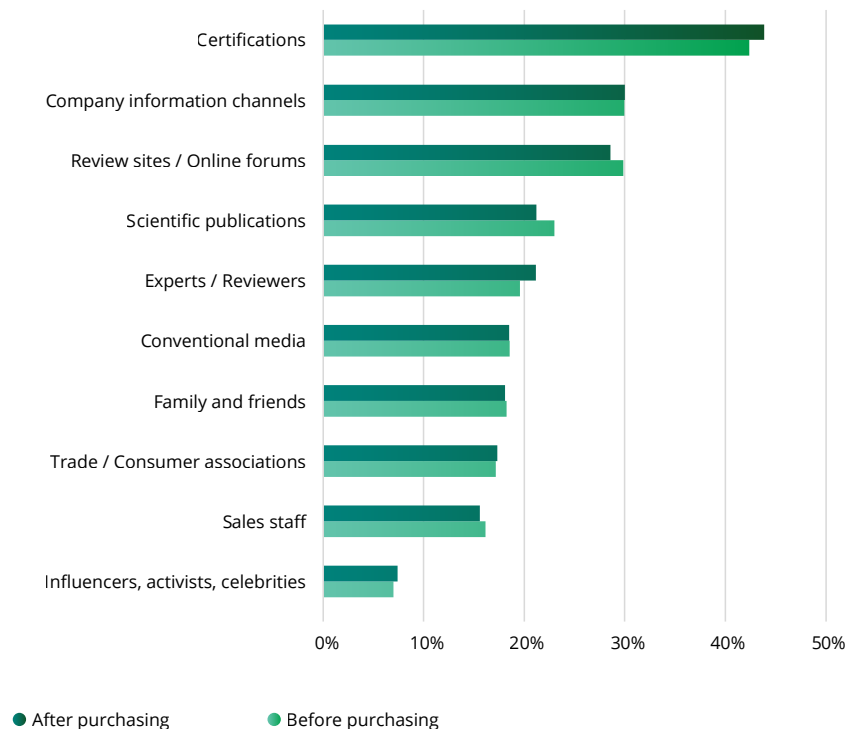
A brand's credibility depends on the possibility of verifying the truthfulness of the information shared - a fundamental aspect of building a genuine relationship based on trust. Slightly more than a third of the sample surveyed, especially Gen Z, say they often verify environmental claims and do so by checking certifications, official company channels, or review sites. Yet, a quarter of the respondents are less careful, never or only rarely verifying sustainability claims and relying on brand claims. Overall, the ease of finding information to substantiate green claims is in the sufficiency range, with 53% of respondents saying they are satisfied in that respect.

Figure 5 | Sustainability claims: information check and verification tools

INFORMATION CHECK



VERIFICATION TOOLS



Greenwashing According to Italian Consumers

A green marketing strategy must align with the company's values, mission, and purpose to be viable and represent a true competitive advantage. The slightest inconsistency between stated values and those delivered can create a reputational rift, fostering customer skepticism and eroding trust.

Hence, brands must be careful not to fall into the trap of greenwashing, that is, promoting a positive and virtuous image regarding ecological impact and sustainability, which is not reflected - wholly or partially - in the corporate mission and how the company operates.

The topic appears relevant to Italian consumers: 25% declare having extensive knowledge of this phenomenon, while 49% say they have general knowledge. As the surveys show, Italians approach the

topic without prejudice or bias. Indeed, they mainly express interest in (76%), awareness of (66%), and satisfaction (59%) with it, and the topic itself does not trigger negative emotions. Calm (67%), tolerance (62%), optimism (62%), and trust (59%) complete the emotional profile of the surveyed sample.

Greenwashing can take several forms, each potentially detrimental to the relationship of trust between brand and consumer. As perceived by Italians, the most severe forms of this phenomenon include, on the one hand, the sharing of false information (35%), the use of generic and ambiguous claims (30%), and the use of images (or sounds) evocative of nature (24%); on the other hand, the counterfeiting of certifications (35%) and the use of images/ words designed to imply the existence of third-party certification (24%). The overall impression is that it is a fact with resounding implications and illegal connotations.

Although no "dominant" instance emerges, the most frequent cases of greenwashing

experienced by Italians can be traced back to the omission of relevant information about the sustainable characteristics of the product or service (30%), the emphasis on a single and non-crucial sustainable feature of the good (26%), the use of vague and imprecise language in describing the product or service (24%), and the use of terms that imply the existence of certification (24%). While, on the whole, greenwashing is perceived as a practice with illegal implications, in everyday life, Italians seem to be experiencing less egregious forms of it.

Furthermore, according to people's perceptions, the sector in which such practices are most prevalent proves to be consumer goods. Specifically, the food (29%) and fashion (15%) sectors, due to their inherent characteristics, are the main "suspects". The agri-food sector is among the most polluting in the world: its entire value chain is responsible for 34% of global greenhouse gas emissions.¹³ Against this background, attention to sustainability

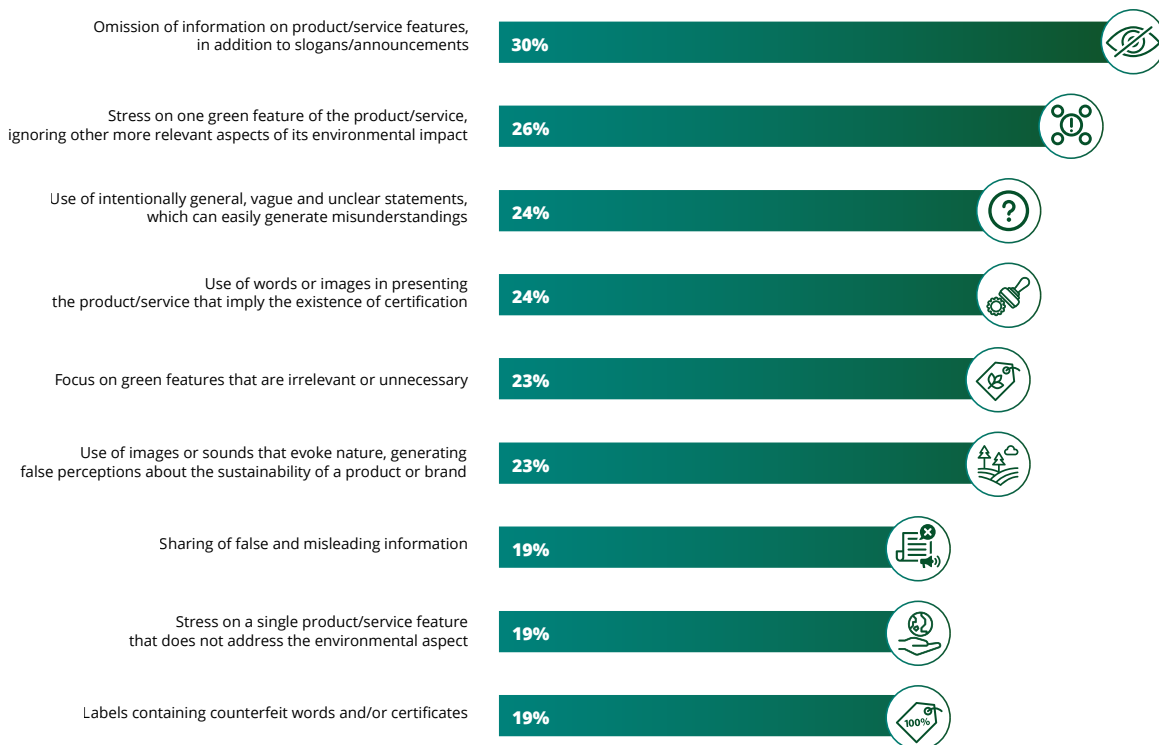


is partly attributable to the new eating habits among the population - with the share of vegans/vegetarians now standing at around 7%¹⁴ - and a growing focus on organic products - Italy, for example, has the highest proportion of areas under organic farming in Europe (18.7%).¹⁵ Even the textile industry heavily contributes to environmental pollution and the depletion of natural resources. For example, consider that the fashion industry is responsible for 20% of the world's drinking water pollution

- producing a cotton T-shirt requires 2,700 liters of water - and 10 % of global CO2 emissions. In addition, only 1% of used garments are recycled into new clothes.¹⁶ Greenwashing instances are identified by consumers mainly through online information searches (35%) and on social media (26%). However, the opinion of subject matter experts (24%), as well as support from NGOs (21%), trade associations (20%), or conventional media (20%), are always well appreciated, as

indicated by about 1 in 5 respondents. Here, the generation gap is quite visible: on the one hand, Gen Z relies heavily on their ability to search for information online (41%) and on social media (36%) independently; on the other hand, baby boomers seek more support from third parties, such as trade associations (24%).

Figure 6 | First-hand experience of greenwashing



Source: Deloitte, "The Conscious Citizen" Observatory, 2024

Beyond Corporate Boundaries: the Potential Harms of Greenwashing

The exploitation of environmental sensitivity is an increasingly common occurrence nowadays and can have consequences not only on the performance of organizations but also on society as a whole.

Companies often use sustainability to boost their reputation, gain market legitimacy, and improve performance. However, these considerations are valid as long as the brand does not succumb to greenwashing practices. In that case, problems can arise that go beyond corporate boundaries, sometimes resulting in widespread skepticism among consumers, even toward

companies that are genuinely committed to pursuing environmentally friendly initiatives.

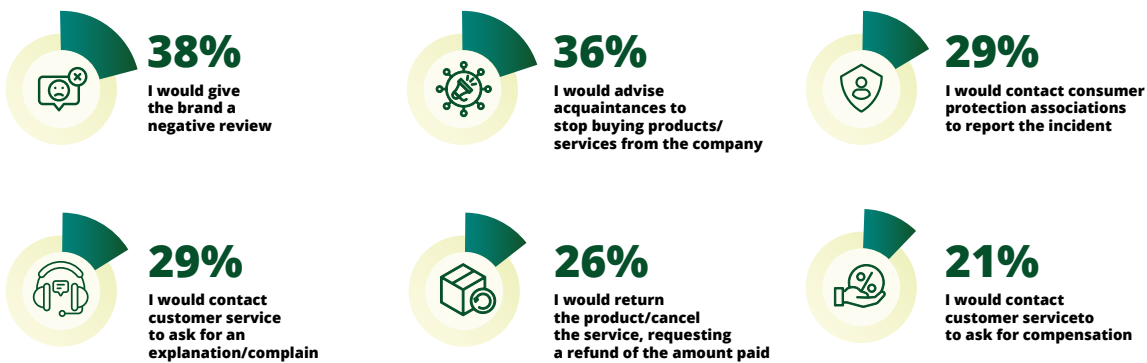
Greenwashing can entail high social costs, triggering negative externalities that can slow down the green transition of the entire country. About a quarter of Italians say they are ready to stop buying and enjoying sustainable products following an instance of greenwashing.

Each company also has to deal with several negative consequences resulting from changes in their customers' purchasing behaviors, which can result in a decline in sales and a scaling down of brand value and market positioning. In the event of non-compliance with green claims, 17% of the sample surveyed would no longer buy any products from the company, an additional 42% would limit all future purchases from

the brand, and 28% would continue to buy only traditional products that are not declared as sustainable.

Along with the change in the purchasing behavior of those directly affected, companies then have to address several additional consequences attributable to negative word-of-mouth among consumers, grievance, and refund practices, all the way to managing possible "class actions" that may be triggered by consumer associations. In this area, however, distinct behavior patterns emerge depending on generations. On the one hand, Gen Z emphasizes the desire to interact with the brand directly in a seemingly more utilitarian manner. In contrast, baby boomers say they would prefer interaction mediated by parties with relevant expertise (e.g., trade / consumer associations).

Figure 7 | Reaction to greenwashing incidents



Source: Deloitte, "The Conscious Citizen" Observatory, 2024

Consumer Empowerment: The Role of Institutions

As we have seen, environmental claims can frequently steer people's preferences and choices, leading them to choose one brand over another. While these claims underpin the producer-consumer bond of trust, they also have the potential to trigger greenwashing incidents.

Consumer advocacy, protection, and education are paramount in such a context. Moreover, they are aspects that companies cannot neglect as they are the constituents of consumer's trust in the brand and the basis of corporate marketing strategies. That is also confirmed by evidence gathered by the Deloitte Observatory, which suggests that Italians do not perceive that they are protected from greenwashing episodes, and it is relatively easy to be caught up in them. Indeed, about 55% of respondents say they have little or no protection from increasing greenwashing along the whole purchasing journey.

Until 2014, the Italian legislation lacked regulations specifically addressing consumer protection from feigned environmentalism practices. Moreover, regulatory evolution has followed a varied and lengthy course, extending beyond what was initially provided for in the Constitutionⁱⁱ and Civil Code.ⁱⁱⁱ The very first protection directed explicitly at the consumer in the area of "misleading advertising" dates back to Legislative Decree No. 74 of 25 January 1992¹⁷ and was followed by the Consumer Code (Articles 20-23)¹⁸ and the subsequent enactment of Legislative Decree No. 145/07 (Articles 2-3).¹⁹ However, not until 2014 did Italy come up with a first draft of

legislation to protect consumers from the greenwashing phenomenon through the publication of the 58th edition of the "Self-Discipline of Commercial Communication" code by the Istituto Autodisciplina Pubblicitaria, whereby the principle of abuse of environmental sustainability claims was introduced (Articles 2, 12).²⁰

Citizens' opinions about who should be responsible for better protection of consumer rights are clearly delineated. No single entity is in charge of this task. On the contrary, this responsibility is shared among various subjects representing demand and supply within the ecosystem - each acting in their respective areas. A primary role is played by companies (55%); they must be as transparent and fair as possible in managing the relationship with the customer, avoiding greenwashing situations. In second place are trade associations in charge of protecting consumer interests (41%). Next comes the contribution of institutions at the national (government, 28%; independent administrative authorities with a safeguarding function, 26%) and supranational levels, the EU first and foremost (26%). Consumers rank at the bottom (22%): this figure highlights how people today prefer to delegate actions to fight greenwashing to other parties. Perhaps this is attributable to a "fatigue" or "disillusionment" factor on the part of citizens who, in the current context, believe they have already put in place all the necessary behaviors and actions to enable a green transition and now perceive that

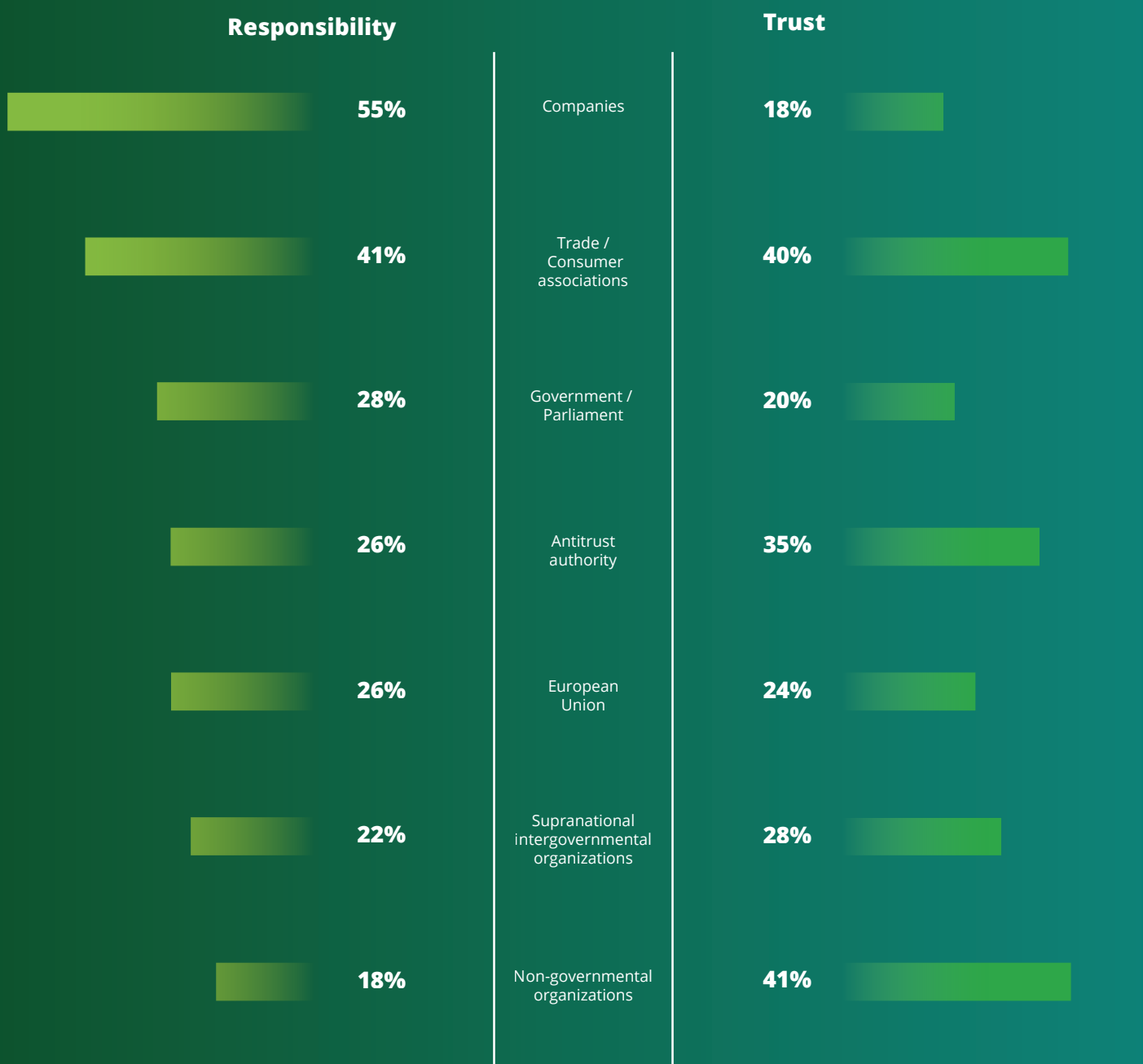
they lack additional tools, which should be provided by third parties that can facilitate or support them further.

Overall, the trust ratings of the various stakeholders appear to be low. On the one hand, the highest values are recorded for those that are directly or indirectly actively engaged in advocacy actions: NGOs (41%), trade associations (40%), and independent administrative authorities with a safeguarding function (35%) - just under 9 out of 10 Italians, however, demand better representation of their concerns to critical public institutions from these entities. In contrast, citizens express some misgivings about the actions of companies and the government: fewer than 1 in 5 respondents express satisfaction with their contribution to combating greenwashing. This finding partly reflects the impact of the economic environment, where inflation and reduced economic growth have highlighted that few centralized and concrete actions have been taken to support end consumers.

ⁱⁱ See Articles 2-3, where a core set of rights of the individual as a consumer comes to the fore, and Article 41, where it is recognized that although there is freedom of economic initiative, the latter must be pursued without causing harm to health, the environment, safety, freedom, and human dignity.

ⁱⁱⁱ See Article 2598 - Acts of unfair competition.

Figure 8 | Consumer protection: stakeholder responsibility and trust ratings



Note: The level of trust shows ratings such as "extremely high" and "very high"

Source: Deloitte, "The Conscious Citizen" Observatory, 2024

According to Italian citizens, there are three main areas in which the government and national institutions will have to intervene to counter the greenwashing phenomenon and other related unfair practices so as to ensure better protection for the consumer:



Laws and regulations

First and foremost, nearly 80% of the sample demands greater protection through increasingly stringent national and supranational rules and also through tighter and more pervasive control by the institutions in charge with associated harsher penalties and sanctions. Pending the new Green Claims Directive and its enactment into Italian law, the Competition and Market Authority can impose fines of up to 4% of the company's turnover,²¹ to which claims for damages from the ordinary courts must be added. Only through an effective, modern, and up-to-date regulatory framework will it be possible for Italian consumers to make genuinely conscious and environmentally friendly purchasing choices with full safeguards.



Communication

Secondly, citizens demand more effective communication and better education from institutions on greenwashing and the tools available for consumer protection. In this regard, institutions should encourage the dissemination of civic education on sustainability throughout Italy by exploiting online and offline channels through local communities. Suffice it to think, for example, of how educational institutions could contribute to changing the attitudes of the younger generations. .



Certification

As a third point, more than 8 in 10 Italians want greater clarity and prior assurance on green claims through suitable certification and increasing company accountability, thereby making their sustainability claims easily verifiable but also binding. To achieve these goals, 85% of Italians interviewed say they favor the use of advanced digital solutions such as, for example, the "digital passport."

A solution to the problem might be the growing spreading of digital applications powered by blockchain and Artificial Intelligence, aimed at giving consumers access to information concerning the sustainability, traceability, and origin of a brand's product. Furthermore, this could be an opportunity for brands to build and nurture a healthy relationship of trust with their customers by creating a new direct interaction channel with consistent and certified storytelling.

Figure 9 | Main areas of intervention for institutions

LAWS AND REGULATIONS



77% Stricter laws and more controls are needed to combat greenwashing



79% Harsher penalties/sanctions should be introduced for offenders in cases of greenwashing

COMMUNICATION

There is a need for better education and communication by institutions on the issue of greenwashing and the tools available to protect the consumer



CERTIFICATION



89% Before being marketed, products/services should mandatorily undergo certification according to objective, reliable, and shared standards



85% Green claims made by brands should be allowed only if they are binding and verifiable, holding the company accountable for its actions



85% Products/services should have a digital passport enabling access to all data relating to the product/service

● Strongly agree ● Somewhat agree ● Somewhat disagree ● Disagree

Note: The percentage figure represents the sum of the "Strongly agree" and "Somewhat agree" answers.

Source: Deloitte, "The Conscious Citizen" Observatory, 2024

FOCUS ON

The EU Green Claims directive

In 2023, the European Commission outlined new criteria for combating greenwashing by publishing a proposal for a Green Claims Directive with more specific rules aimed at regulating environmental claims made by companies on their products.²² In January 2024, the EU Council approved the proposed directive against greenwashing and misleading label information. On 12 March, during the first reading, the EU Parliament ratified, with amendments, the legislative resolution on the directive proposal made by the Commission.

The directive complements the one on "Empowering Consumers for the Green Transition through better protection against unfair practices and through better information" or EU Directive 2024/825 on greenwashing, published in the Official Journal of the European Union on 6 March 2024.²³ By regulating only green claims in the B2C context, it aims, on the one hand, to protect consumers from greenwashing and ensure their role as agents and drivers of change through more sustainable choices and, on the other hand, to foster free competition among companies by making environmental claims reliable, comparable and verifiable throughout the EU, thus contributing to a genuinely circular and green economy in the EU.

Environmental claims must be clear, specific, unambiguous, and accurate, as already provided in Directive 2005/29/EC. However, the new Directive requires that all

explicit environmental claims be assessed beforehand by the entity that intends to use them and then certified by dedicated, accredited third-party bodies. Within this scope, the Directive defines 4 fundamental requirements for the proper use of environmental claims:

- **Attestation** (Articles 3-4): To be certified, green claims must undergo a 30-day evaluation process - conducted by accredited auditors - designed to prove that such claims are accurate, scientifically based, meaningful, and not self-evident. In addition, in the case of comparative claims, it is required that the data used and the environmental aspects being compared are equivalent.
- **Disclosure requirements** (Articles 5-6): These constitute a new aspect of the regulations and cover information about the product or professional concerned by the environmental claim; such information must be made available together with the claim either in physical form or in the form of a link, QR code or equivalent. Notable among the disclosure requirements are the following: environmental aspects, impacts, and performance covered by the claim; studies and calculations used to assess environmental impacts; an explanation of how the claimed improvements were achieved; the certificate of compliance; and the auditor's contact information.

- **Review** (Article 9): Since environmental claims must always reflect the actual environmental impacts, aspects, and performance of the relevant product or service, the regulations require professionals to review their claims at least once every five years, and this review must be, in turn, verified by a third-party body.
- **Verification and certification** (Article 10): Businesses and professionals are required to have the environmental claims they use to advertise their product or service verified and certified by a third-party verification body accredited under Regulation (EC) No. 765/2008.

Furthermore, the Directive provides for penalties in the event of violations; such penalties must be determined at the national level and be as effective, discouraging, and proportionate as possible. Specifically, under Article 17, they are to consider the offender's financial strength, the nature and gravity of the violation, the resulting economic benefits, and, not least, the environmental damage caused by it. Lastly, a kind of "warning" is envisaged through which the competent authorities require that all corrective measures be taken within 30 days of notification of the violation.



Conclusions

The picture emerging from the Deloitte study is complex but clear: green trust is crucial to the relationship between consumers and brands in today's market environment. Based on environmental awareness and mutual responsibility, this connection symbolizes authenticity and commitment to a sustainable future and is also a key to business success.

Italians appear to be increasingly mindful of their ecological footprint, as evidenced by their adoption of a more ethical and conscious lifestyles and the growing importance of sustainability when evaluating a brand and its product range. That translates into a clear and elevated pressure on companies, for which sustainability is no longer a chase after compliance but rather the foundation of a potential competitive advantage. Indeed, those organizations that publicly share their sustainability goals and communicate challenges, efforts, and achievements on the path to sustainability generate higher levels of trust in their customers.

Companies must integrate green trust into their marketing strategy to meet the new demand arising from the shift in purchasing behaviors that are becoming increasingly sustainable. This survey by Deloitte, indeed,

indicates that sustainability has become a key element in the purchasing process, with the majority of respondents preferring those brands that infuse the essence of the brand into every initiative and action that is traceable to the environmental sphere, so as to differentiate themselves and establish a unique market positioning.

To preserve green trust and ensure the effectiveness of green marketing strategies, it is imperative that brands deliver truthful messages and that they genuinely operate ethically and sustainably throughout the entire products lifecycle. That requires total transparency in communication and a tangible commitment to sustainability, which is essential to avoid the negative consequences of greenwashing, maintain consumer trust, and support a transition to a more sustainable and conscious model of production and consumption.

Lastly, it is worth mentioning that critical strategic decisions made by companies must be consistent with the evolving regulatory environment - both at the national and EU level - which is increasingly moving toward empowering consumers and protecting them from the growing spread of greenwashing practices.

The Way Forward

The mechanisms and initiatives needed to establish this green trust vary from company to company depending on multiple factors, e.g., company size, the complexity of the ecosystem (to which it belongs), and the industry in which it operates. Below are the general principles that organizations should follow on their journey toward building a solid and lasting relationship with their customers and stakeholders based on the importance and centrality of sustainability:



Develop an ambitious roadmap that enables the company to integrate sustainability into every aspect of the business in a distinctive and differentiating way - from purpose to services and products provided to the community - without undermining the brand's strength. A bond of trust with one's customers can only be created when commitments remain faithful to the company's purpose and are deeply rooted in business strategy.



Structure marketing and communication strategies in the most transparent, consistent, and reliable manner. In this regard, developing appropriate storytelling to convey one's values to the market and support the engagement and education of one's current and potential customers becomes crucial. It is always a good idea to submit these strategies - particularly their output - for review by a team with legal expertise capable of anticipating any critical issues.

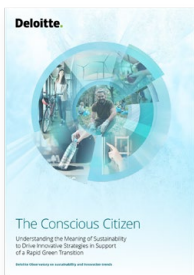


Understand obligations regarding environmental claims in a rapidly changing regulatory context and integrate a model for managing and mitigating the risk of greenwashing across the board. In this regard, there is no single, optimal approach for incorporating greenwashing into the risk management framework used by the company - e.g., as an expected risk or subset of an existing risk, cause or consequence of other risks.



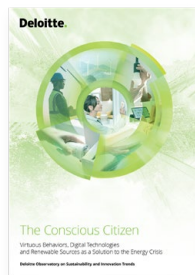
Invest in developing and implementing a compliance framework with an internal audit function that covers the entire life cycle of sustainable products and all environmental claims and also extends to touch points with key stakeholders. Only in this way will companies be able to measure and substantiate sustainability claims.

“The Conscious Citizen” Observatory: Previous Publications



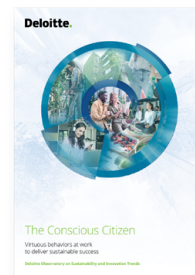
Understanding the Meaning of Sustainability to Drive Innovative Strategies in Support of a Rapid Green Transition

The first report based on the data from “The Conscious Citizen” Observatory analyzes comprehensively the perception of the climate emergency among the Italian population, the practices implemented in daily life to counter it, the role of businesses and institutions in the ecological transition, and the role of innovation as a crucial factor for sustainability.



Virtuous Behaviors, Digital Technologies, and Renewable Sources as a Solution to the Energy Crisis

Based on the data from “The Conscious Citizen” Observatory, the second report analyzes how greener and more conscious behavior and lifestyle are supporting Italian citizens to curb the adverse effects of the energy crisis on their daily lives. In particular, the focus is on three areas: the adoption of more virtuous and sustainable behaviors and consumption patterns, the role of digital technologies, especially in the domestic sphere, and the emphasis on renewable sources.



Virtuous behaviors at work to deliver sustainable success

Based on the data from “The Conscious Citizen” Observatory, the third report analyzes the sustainability behaviors and practices adopted by Italians in the workplace and investigates how companies are responding to workers' needs on this issue.

Methodology

The data in this report refer to Deloitte's "The Conscious Citizen" Observatory. The present report draws on a quantitative survey conducted in March 2024, whose objective was to explore the relationship existing between sustainability and trust. The sample analyzed consists of 2,000 respondents interviewed using the CAWI methodology. More specifically, the target population comprises individuals aged 18 to 75 years residing in Italy, with quotas set - according to the ISTAT system - by geographical area, gender, and age group.

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