

# TRUST AND INTEGRITY: THE ROLE OF CORPORATE ECOSYSTEM ACTORS IN PREVENTING GREENWASHING

Briefing paper

ANNEX

## TYPES OF GREENWASHING

Greenwashing can be distinguished along a continuum of misstatement: from **negligence** at one end through **recklessness**, reflecting a disregard for truth or accuracy, to **intentional**, where conduct is **fraudulent**. This distinction is critical for assessing accountability and regulatory responses, as each category carries different ethical implications and enforcement consequences.

Additionally, each category carries different implications for governance, reputation, and remediation. Regardless of intent, assessing greenwashing risk also requires consideration of its underlying causes, governance weaknesses, and the material impact on stakeholders and market integrity.

Classifying greenwashing by type or severity is rarely straightforward and requires careful consideration of all relevant facts, context, and circumstances. The following examples highlight ways in which greenwashing can manifest across organisational practices and disclosures.

- **Negligent greenwashing** may relate to unsubstantiated boilerplate statements or inconsistent application of legal or voluntary frameworks. Undertakings may act in good faith but miscommunicate or oversimplify complex issues. This type of greenwashing is less about deception and more about a lack of awareness or clarity in standards, often worsened by evolving regulations and non-binding reporting frameworks. Data and knowledge gaps further compound these risks, creating room for unintentional misrepresentation. While not fraudulent, it may nonetheless undermine transparency and stakeholder trust.
- **Reckless** misrepresentation occupies the middle ground between negligence and fraud, but whether it is treated as negligent or fraudulent depends on the facts and circumstances, particularly intent and outcome. Judgement is often a critical factor; being aware of a gap and concluding, albeit mistakenly, that is low risk or immaterial is very different from knowingly omitting information because it would reveal results that are undesirable.
- **Intentional or fraudulent greenwashing** involves deliberate misrepresentation sustainability characteristics, performance, or impacts of an organisation, activity, or product. In such cases, ethics are compromised, and the practice may cross into fraud, especially when deceptive claims are used to manipulate consumer or stakeholder perception.

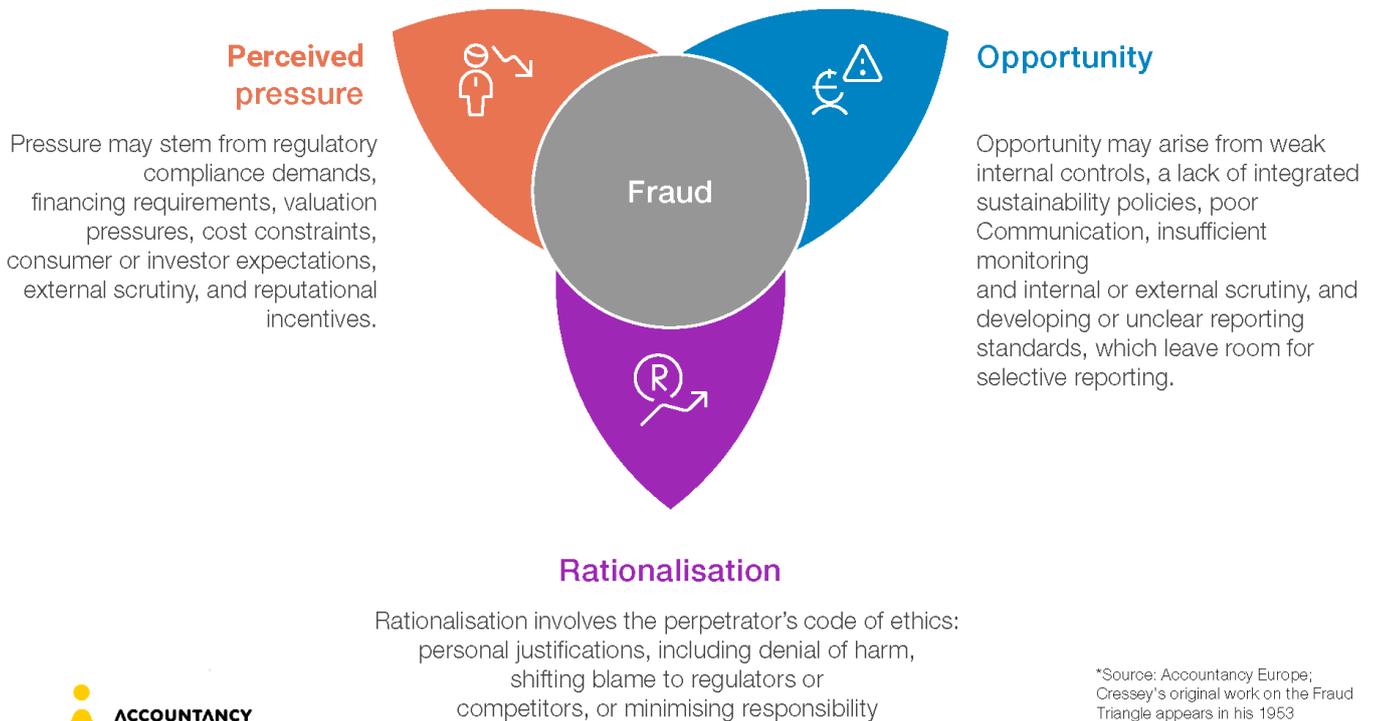
## GREENWASHING THROUGH A 'FRAUD TRIANGLE' LENS

It is worth considering Cressey's 'fraud triangle' to assess when fraudulent greenwashing is likely to occur<sup>1</sup>. According to the 'fraud triangle', fraud is driven by three underlying factors: perceived pressure, opportunity, and rationalisation.

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<sup>1</sup> Cressey's original work on the Fraud Triangle appears in his 1953 book "Other People's Money: A Study in the Social Psychology of Embezzlement", Free Press.

## GREENWASHING THROUGH A 'FRAUD TRIANGLE' LENS\*



\*Source: Accountancy Europe; Cressey's original work on the Fraud Triangle appears in his 1953 book *Other People's Money: A Study in the Social Psychology of Embezzlement*, Free Press.

The "fraud triangle" could also be used to reflect when negligent greenwashing is likely to occur. Pressure may stem from competitors engaging in sustainable practices or customers' or stakeholders' demands for sustainable performance. Also, opportunities can be created by the absence of robust internal controls, audits, or a clear regulatory framework. The absence of rationalisation in unintentional greenwashing differentiates it from fraudulent greenwashing. Organisations may lack full awareness or capacity, but they do not seek to justify deliberate misrepresentation.

The comparison is useful to highlight where reforms are needed the most: closing data gaps, clarifying reporting standards and strengthening oversight to reduce both negligence-driven and fraudulent greenwashing practices. In practice, concerns often arise in corporate disclosures such as financial statements, interim and annual sustainability reports, and related public-facing communications. Yet indirect signals, such as the use of green imagery or symbolic cues, warrant scrutiny, particularly where companies rely on third-party data.

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