The Sustainability Illusion

Why do companies make environmental promises but fail to keep them?

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Here's a candidate for Least Surprising Headline of the Year: "Coca-Cola lowers ambition with new 2035 packaging sustainability targets."

Coca-Cola, the company that churns out sugary drinks in plastic bottles, is apparently not the eco-conscious planetary savior we'd been led to believe. I'm sure you're surprised to learn that a company responsible for inflicting 3.4 million metric tons of plastic on the environment each year will fail to hit its sustainability goals.

Coke originally promised to transform its operations by 2030, making itself much less of a destructive environmental force. The company originally said that, by that date, it would:

- Recycle a can or bottle for each one it produced
- Make its packaging out of 50% recycled content
- And package 25% of its beverages in reusable containers

But earlier this year in a press release titled, in exquisite corporate-speak, “Coca-Cola Company Evolves Voluntary Environmental Goals,” the corporation revealed its more modest ambitions, now pushed off until 2035:

Aim to use 35% to 40% recycled material in primary packaging (plastic, glass and aluminum), including increasing recycled plastic use to 30% to 35% globally.

Help ensure the collection of 70% to 75% of the equivalent number of bottles and cans introduced into the market annually.

There’s no mention in the “evolved” plan about using reusable containers — that pledge seems to have disappeared entirely. In the press release, Bea Perez, the “Executive Vice President and Global Chief Communications, Sustainability & Strategic Partnerships Officer” (what a title!) says, in perfect management-ese, “These challenges are complex and require us to drive more effective and efficient resource allocation and work collaboratively with partners to deliver lasting positive impact.”

You’ve got to give it up to Ms. Perez — you don’t get to be Coca-Cola’s Executive Vice President and Global Chief Communications, Sustainability & Strategic Partnerships Officer without learning to deliver a statement so perfectly designed to lull the reader to sleep. What Perez seems to be saying is that it was expensive and difficult for Coca-Cola to meet its sustainability goals, so they aren’t going to meet them. They’ll move the goalposts with new, less ambitious promises and then, when they get closer to 2035, likely move them again.

I don’t mean to pick on Coca-Cola exclusively here. They’re just doing what most of their corporate brethren are doing. Last decade, lots of companies picked 2025 as a target date for their sustainability pledges. Now, as that nice round number that once seemed so far away arrives, they’re all scrambling to redefine their goals. Unilever, Pepsi, Mars, Colgate, and others have all quietly announced a retreat from their once-ambitious plans for sustainability.

I don't think anyone's exactly shocked that these companies didn't hit their targets — after all, their business model relies on selling lots of single-use items packaged in plastic. Reading these news items made me wonder — why do companies like this make sustainability pledges in the first place? Why do they fail to meet them? And do they pay a price for missing their targets?

First — why do companies like Coca-Cola make sustainability pledges? Because customers want them — or at least they say they want them. Surveys routinely find that people want to live a "sustainable lifestyle" and would be willing to pay more for sustainably produced products. But it's a little more complicated than that. This paragraph from a PWC Global report says it all:

More than four-fifths (80%) of consumers say they are willing to pay more for sustainable produced or sourced goods. In terms of a price premium, some consumers are willing to pay on average 9.7% more for goods that meet specific environmental criteria, including locally-sourced, made from recycled or eco-friendly materials, produced in a supply chain with a lower carbon footprint, and more. However, this may not translate into actual spend due to factors including inflation, macroeconomic volatility, and cost-of-living concerns, among others.

So consumers *say* they want to buy more sustainable products and are willing to pay more for them. But this doesn't always translate into actual changes in purchasing patterns.

A recent McKinsey study breaks down consumer behavior in more granular detail. It says that:

- Consumers are buying more products that make "ESG [Environmental/Social/Governance]-related claims."
- Products that make "less common claims" experience more growth in sales than those that make more routine sustainability claims.
- And products that combine several sustainability claims do better than those that only make one.

So it does seem to benefit companies' bottom lines to at least *claim* that they're working on sustainability. And no company wants to be seen as a corporate villain — CEOs surely have nightmares about being the subject of a terrible expose that damages their brand identity.

But it's not just consumers that matter. An MIT study found that companies actually report more pressure from investors and governments to make sustainability pledges than from consumers, with investors the source of the most pressure toward sustainability goals. Many institutional investors prioritize sustainability as part of their mission statements, and individual investors seem to be moving toward ESG funds.

Sustainability pledges also help keep the government off of companies' backs. They help corporations to comply with existing regulations and, importantly, allow them to tell the government that further regulation is no longer necessary. If companies appear to be focused on sustainability and are making progress on their own, there's less reason for regulatory agencies to engage in the long and combative process of drafting rules for them.

So, it's good for companies to *say* they're going to work on sustainability. But does it matter if they follow through?

I fear not.

Lots of companies seem to be stuck in a cycle of making pledges, failing to meet them, and quietly revising them. Our friends at Coca-Cola, for example, have. a long history of this. According to the Earth Day Network,

In 2018 Coca-Cola famously pledged that its World Without Waste campaign aimed, by 2030, to recycle a used bottle or can for every single can and bottle sold. But in the UK alone, local authorities charged with collecting public trash reported that Coca Cola never contacted them about any form of can or plastic give back, collection or recycling scheme. Ever.

Making pledges they don't keep is not new for Coca Cola, back in 1990 they pledged to use around 25% of recycled material in their PET bottles, and by 2020 that figure was still only 10%.

It's part of the nature of corporate communications that splashy sustainability pledges get a lot of attention — the PR and advertising departments make sure to trumpet them — while the moving of the goalposts (ahem, the *evolution* of the companies' strategies) is released in the quietest and most boring way possible. So the public may not ever find out that a company has failed to do what it promised.

On top of this, consumers may want to see sustainability pledges, but they likely aren't interrogating them very closely. If someone is standing in the grocery aisle deciding between brands of granola, they're likely not going to crunch the carbon numbers there and then.

Those of us who want the "sustainable" product are going to make a snap decision based largely on vibes, looking for language and imagery that makes us feel good about our purchase. This is understandable — nobody's going to spend hours in the grocery store carefully reading labels and googling the truth about the sustainability claims on the raisin package.

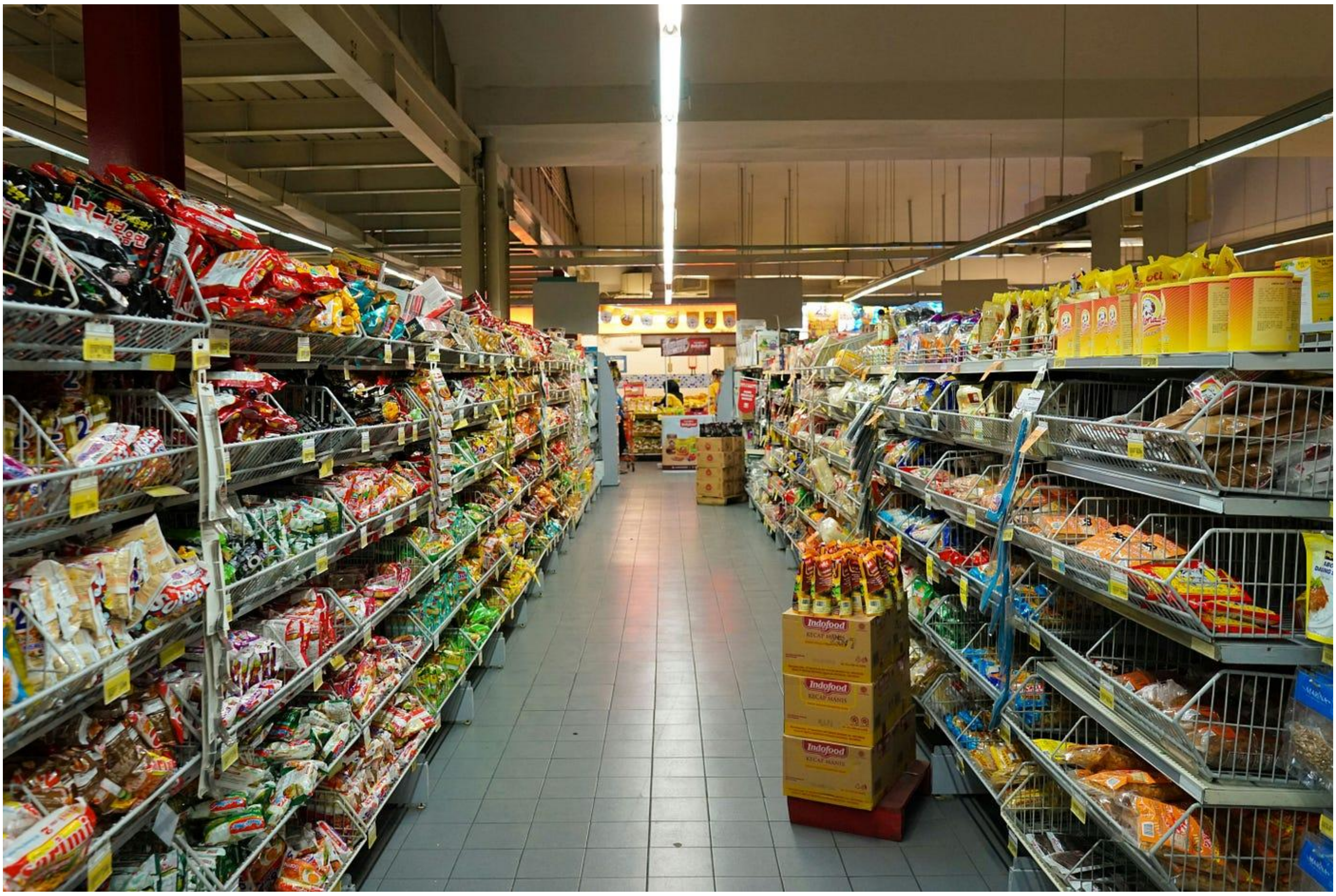

Photo by Fikri Rasyid on Unsplash

Many consumers are likely not even closely reading the text of sustainability claims or thinking about them at all. Marketers know this. They understand that most people won't interrogate the difference in meaning between terms like "natural," "organic," and "low carbon." They'll just pick the product that *seems* green.

So companies slap these terms on products and hope for the best. Some of the claims around "sustainable" products are clearly meant to mislead the consumer. Take, for example, "compostable" bags. Many people purchase these, thinking they're doing a good thing. They expect that if they throw them in their backyard compost or in the trash, the bags will biodegrade.

But that's often not true — these forms of packaging need to be sent to a very specific kind of industrial composting facility; in the UK, only 3% of these packages were successfully composted. In this case, companies were able to claim that they were making a shift to 100% compostable packaging — but the actual impact of this packaging was close to zero.

It's even better for companies when they can throw some impressive-looking but relatively meaningless numbers in there, too. My favorite example of this is the cereal brand Cascadian Farm, which trumpeted on every package that it was restoring "25 million square feet" of farmland. Sounds great… except for the fact that this is only 574 acres, or an area a little larger than the size of the average farm in America. Not all that impressive.

So what about the other reasons for sustainability pledges? Will investors and governments keep companies honest? Well, I suspect investors are like consumers; they aren't necessarily looking very closely into a lot of these pledges. When pitted against easy-to-measure financial data, the often less-tangible benefits of sustainability lose out. Combine this with the conservative backlash against the entire idea of ESG investing, and it seems unlikely that investors will hold companies' feet to the fire.

And as for governments, in the United States, at least, I would imagine that many corporate leaders have recently become much less worried about the prospect of federal environmental regulation. If they were making these pledges primarily to keep Joe Biden's EPA off of their backs, they may now be happy to abandon their promises.

Corporations know that we want to feel good about the products we buy and the companies we buy them from. They want to be seen as green. But they also know that most consumers and investors aren't really going to look that deeply into their pledges, and the intensity of government scrutiny varies wildly with each new administration.

Columbia business professor Shivaram Rajgopal says that,

"There's an accumulating body of evidence that suggests that these pledges about being a responsible member of society are not actually being followed through. And that's quite serious. If you're discussing the role of

business in society, and if you have no way to make people accountable for the commitments they make, then why bother with it?"

In fact, a recent paper co-authored by Rajgopal found that:

"Relative to peers, signatories [to a Business Roundtable pledge] violate environmental and labor laws more frequently, have higher carbon emissions, rely more on government subsidies, and are more likely to disagree with proxy recommendations on shareholder proposals."

I don't want to be overly cynical about these pledges. There are, I'm sure, good people working sincerely to make these companies as sustainable as possible. But sustainability is always only an ancillary goal — profits come first, second, and probably third. Sustainability is nice if you can make it happen while keeping the cash flowing in. As long as this is the way corporations operate, sustainability pledges will likely not be worth the (100% post-recycled content) paper they're printed on.