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Research on the Motivation and Consequences of Pandering Information Disclosure by Listed Companies -- A Case Study of Decathlon and H&M's Greenwashing

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Abstract: In recent years, green innovation and sustainable development have gained prominence, prompting listed companies to enhance green information disclosure to meet investor and societal expectations However, despite increased efforts by regulators to crack down, such as increasing interviews and sharing information with green groups, greenwashing—misleading claims about environmental practices—persists. This not only harms investors but also undermines corporate sustainability and image. This paper examines the greenwashing cases of Decathlon and H&M, analyzing motivations and impacts through business models. It finds that while greenwashing may temporarily boost corporate image, it ultimately erodes market trust, increases legal risks, and damages brand reputation. Based on these findings, the paper suggests making use of technical methods and improving supervision and governance mechanisms to guide companies in fulfilling their ESG responsibilities and promoting capital market health. This study enriches theoretical research on greenwashing and offers practical guidance for regulators, holding significant theoretical and practical value.

Keywords: Information disclosure, Greenwashing behavior, ESG, Listed companies

1. Introduction

With the rise of ESG (Environmental, Social, and Corporate Governance) concepts, companies are increasingly focusing on revealing their sustainability potential through information disclosure. However, some companies have taken advantage of this trend to "greenwash", that is, to improve their image through false or misleading publicity [1].

H&M and Decathlon are examples of well-known listed companies that have attracted attention for "greenwashing"[2-3]. In 2022, they were investigated by the Dutch Consumer and Market Authority (ACM) for using vague environmental terms in their product labels, found to be false propaganda, and had to amend the labels and pay compensation. This incident not only exposes the problems in ESG information disclosure but also highlights the urgency of strengthening supervision and governance mechanisms. This paper will analyze the greenwashing behavior of H&M and Decathlon and explore the forms of expression, to further analyze the motivation and consequences of their accommodating non-compliance disclosure, enrich and improve the theoretical research on

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information disclosure and ESG greenwashing behavior of listed companies, and provide a new perspective for understanding corporate behavior.

In order to better analyze their greenwashing behavior, this paper chooses to use the business model canvas to study their commercial essence [4]. In general, they focus on marketing, cost-effective sales models, and have matching commodity supply management and logistics capabilities, thus consolidating their market positions. However, Decathlon is more targeted at sports goods, so it focuses on sports enthusiasts and high-level consumers with quality of life [5]. H&M, as a fast fashion brand, is also favored by environmental protection enthusiasts because of its clothing recycling. Detailed analysis is shown in Table 1 [6]:

Table 1: Business model canvas of H&M and decathlon

Things to notice	H&M	Decathlon
Customer Segments	• Environmentally conscious consumers • Young fashion consumers • Families	• Young families • Sports lovers • Sports Beginners • Mid-to-High-End Consumers
Value Propositions	Lead the change.	Move People Through the Wonders of Sport.
Channels	• Online and offline stores • Social media • APP cooperation	
Customer Relationships	• Collaborations with designers, • Social media interactions • Discounts offered by VIP	• Member discount • Sports experience store • Community marketing
Revenue Streams	• Online and offline clothing sales, • Cooperative authorization to launch advanced limited clothing • Advertising to increase brand awareness	• Product sales • Membership service • Second-hand sale • Recycling service
Key Resources	• High brand reputation • Well-known designer team • Strong clothing supply management ability	• High brand reputation • Great designing power • Strong clothing supply management ability
Key Activities	• Fashion design • Optimize commodity supply capacity • Marketing promotion	
Key Partnerships	• Key supplier • Co-designers and celebrities • Client • Environmental protection organization	• Supplier • Environmental protection organization • Client • Sports brand co-branding
Cost Structure	• Production cost • Marketing expenses • Logistics cost	

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2. Performance: H&M's misleading ads and Decathlon's vague label

H&M's "Conscious" collection, launched in 2010, is one of H&M's major attempts to promote the green transformation of the fashion industry through sustainable materials and eco-friendly design. However, H&M's website states that its "Conscious" and "Conscious Choice" collections are sustainable, and also highlights its extensive use of environmentally friendly materials and recycling of tannin. However, according to official ACM documents, the environmental promotion of its "Conscious" series is misleading [3]. Although H&M's sustainability efforts are presented on its website, it does not provide sufficient evidence to distinguish whether products actually use "more sustainable" materials, which may mistakenly lead consumers to believe that these products have sustainable advantages and meet society's expected eco-friendly goals.

Similar to H&M, the concept of "Eco-design" was put forward by Decathlon in 2008 to reduce the resource consumption of products on the environment with environmentally friendly materials, efficient design, and sustainable production. At that time, it began using recycled polyester fibers in its products and gradually promoted the concept of eco-design, which officially became a core part of Decathlon's global sustainability strategy in 2020. Decathlon assigns grades A to E to "Eco-design" products in the "Environmental Labeling System" on its website, but these grades and the functions of the environmental labeling system are not explained. According to the accusation in the official document of ACM, Decathlon uses the concept of "Eco-design" sustainability on its website, but the explanation is not fully complete and the concept is vague, resulting in the sustainable nature of the product is not obvious and the basis is difficult to find [2].

In short, the authenticity of the so-called sustainable concept of the two companies is not clear, indicating that their environmental publicity still needs to be further enhanced transparency, fully and accurately disclosing what kind of materials are used, how much is used, how to achieve sustainability, how much can be saved and other issues that investors have the right or want to know.

3. Analysis of key factor

3.1. Market competition pressure

The apparel industry and sports brands are extremely competitive industries, with many brands and dispersed market shares. McKinsey & Company stated that those markets are rich and diverse and tend to be saturated [7]. For example, ZARA, the competitor of H&M, and Addidas, the competitor of Decathlon, not only have a good commercial reputation but also have certain cost-effective and supply chain management capabilities. Therefore, clothing enterprises need to continuously improve product quality, cost performance, brand awareness and innovation ability in order to gain a foothold in the market [8-10].

Moreover, customer demand changes quickly and consumers have many choices, which leads to more and more personalized and diversified consumer demand for clothing, and brand loyalty is reduced. Companies need to respond quickly to market changes and provide more competitive products and services.

3.1.1. Theory’s introduction

A study constructed a Cournot model of incomplete information, assuming that multiple enterprises compete in the market of homogeneous products, and used the data of listed companies in the Shanghai and Shenzhen stock exchanges of China from 2010 to 2017 to carry out empirical analysis by using the binary Logit model and M-logit model [11]. It is found that when market competition intensifies, the profit gap between inefficient enterprises and efficient enterprises may further increase, because inefficient enterprises are more likely to choose illegal disclosure to cover up their real

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performance, resulting in an increase in the probability of information disclosure violations, affecting long-term earnings, and forming a vicious circle.

3.1.2. Market environment analysis

H&M and Decathlon, as well-known companies in the industry, are both in the over-saturated, highly dynamic clothing and sporting goods market, and there is a huge survival pressure [7]. H&M exaggerates the effect of sustainable materials to meet the requirements of environmentally friendly products in the market, trying to stand out in the fierce market competition [4].

Similarly, Decathlon uses labels such as "eco-design" in its products with misleading descriptions in an attempt to project an environmentally friendly, sustainable brand image to attract more sustainable consumers. [3] However, they are considered to be "greenwashing" under the pressure of market competition, which eventually led to investigations by regulators and demands for improved information disclosure.

3.2. Other factors causing greenwashing

Enterprises may also implement greenwashing for various other factors, such as improving image, reducing costs, management motivation, consumer demand and policies or regulations, as shown in Table 2 below [12]:

Table 2: Factors causing greenwashing

Motive	Manifestation	Theory	Explanation
Improving Image	H&M's "Conscious" collection promotes an eco-friendly image to enhance its brand reputation.	Stakeholder Theory	Companies can win the trust of consumers and investors by displaying an environmentally friendly image [13].
Investment Costs	Decathlon uses vague "eco-design" labels to reduce costs on environmental initiatives.	Cost-Benefit Theory	Companies may use greenwashing to decrease actual environmental investments while gaining higher market returns [14].
Management Motivation	-	Alderfer's ERG Theory	Ensures the survival of the enterprise, focuses on relationships with investors, consumers, and regulatory bodies, and demonstrates corporate social responsibility [15].
	-	Agency Theory	Enhances personal reputation for higher salaries and promotions, and focuses on short-term performance for performance rewards [16].

4. Serious consequence

4.1. Damage enterprise value

In the context of global sustainable development, as the core subject of economic activities, the realization of the business value of enterprises no longer depends on traditional financial indicators, and the quality of information disclosure related to environmental protection has gradually become a key factor affecting the business value of enterprises [17]. With the increasing social concern for environmental protection and sustainable development, stakeholders are paying more attention to the performance of companies in environmental management and social responsibility. The quality of information disclosure related to the ecological environment not only reflects the efforts and achievements of enterprises in environmental protection but also directly affects the market's expectations for the future development prospects of enterprises [18]. Therefore, if enterprises fail to effectively improve the quality of ecological environmental information disclosure, they may face problems such as reputation damage, declining investor confidence, and weakening market competitiveness, which will lead to the reduction of their business value.

Plumlee found that there is a significant positive correlation between the quality of voluntary environmental disclosure and corporate value, that is, high-quality environmental disclosure can enhance corporate value [19]. Moreover, the quality of environmental disclosure affects enterprise value through cash flow and cost of equity. Specifically, high-quality environmental disclosure can increase a company's expected future cash flows while reducing the cost of equity, thereby increasing the value of the company. On the contrary, improper environmental disclosure, such as "greenwashing" behavior, will have a direct adverse impact on enterprise value, and further aggravate the value effect of environmental information loss.

4.2. Legal risks and fines

In the context of today's global economic integration, the authenticity and compliance of information disclosure have become one of the important legal challenges faced by enterprises. Whether it is a listed company or a multinational enterprise, false information disclosure will not only harm the interests of investors but also may lead to serious legal consequences, including huge fines and criminal penalties [20]. Internationally, a number of regulatory bodies and legal frameworks have strictly regulated the non-implementation of information disclosure to maintain market fairness and transparency.

4.2.1. The role of the international legal framework

At the international level, several national and regional legal systems have established clear penalties for non-compliance with information disclosure. For example, the Sarbanes-Oxley Act in the United States imposes strict requirements on the truthfulness of public company disclosures, and violations of the act can face fines of up to millions of dollars and criminal imprisonment [21]. Similarly, the European Union's Market Abuse Regulation strictly regulates non-compliance with information disclosure, and violators can face hefty fines and market bans [22-23].

4.2.2. Supervision from the CSRC and the market supervision department

Within countries, securities regulators such as the US Securities and Exchange Commission (SEC) and the China Securities Regulatory Commission (CSRC) are the most active regulators of disclosure. These agencies crack down on non-disclosure through strict enforcement actions. China's newly amended Securities Law, for example, imposes fines of ¥1m to ¥10m on information disclosure agents who make false records, misleading statements, or material omissions. In addition, directly responsible supervisors and other responsible personnel may also face fines of 500,000 to 5 million yuan [24].

4.2.3. Legal consequences of false information disclosure

There are many possible legal consequences caused by false information disclosure, including civil liability, administrative liability and criminal liability. From the perspective of civil liability, the losses suffered by investors due to false statements or withholding of information. Can require the information disclosure obligor to compensate [25-26]. In terms of administrative responsibility, regulators can impose heavy fines on companies that violate the rules and take measures such as banning market entry [27-28]. The most serious is criminal responsibility, according to the "Criminal Law Amendment (XI)", information disclosure is not implemented for may constitute the crime of "fraudulent issuance of stocks and bonds" or "illegal disclosure, failure to disclose important information", the relevant responsible person may face up to ten years in prison [29].

4.2.4. Cases and lessons

In recent years, several cases have highlighted the serious consequences of false information disclosure. In the case used in this article, H&M and Decathlon were also fined a total of 900,000 pounds each by the ACM, and the relevant advertising and labels were removed under the supervision of the authorities and consumer associations [30].

5. Suggestion for authorities

5.1. Make use of information technology

The problem of enterprise information disclosure reflected in the case (exaggerated environmental publicity and misleading label guidance) indicates that relevant departments should further strengthen the supervision of information disclosure, increase the penalty cost of violations, and improve the efficiency of supervision by using digital technology. For example, Big Data technology can help with data integration and risk identification, regulatory decision support, and solving information asymmetry[31]; Artificial Intelligence can also carry out risk identification and early warning, intelligent supervision and automation, and intelligent decision assistance[32]; Blockchain technology can achieve data transparency and immutability, information sharing and collaborative supervision, and improve regulatory efficiency[33]; Digital platforms and intelligent systems can build regulatory platforms, conduct early warning and linkage, and enhance public participation[34].

Through these technologies, the work efficiency and scope of supervision departments can be effectively improved, the interests of investors can be protected, and the healthy development of capital markets can be promoted.

5.2. Strengthen the intervention of internal control and governance of enterprises

Information asymmetry refers to the information asymmetry between internal management and external investors. Management typically has more information, while investors rely on corporate disclosures to make decisions. This kind of information asymmetry may lead the management to take advantage of information to conduct improper behavior, such as financial fraud, insider trading, etc., thus harming the interests of investors [35].

It is suggested that the supervision department should further improve the relevant laws and regulations, clarify the specific requirements of internal control and governance of enterprises, refine the penalty standards for violations, and carry out spot checks and return visits to some high-risk enterprises from time to time. For example, the Chinese stock exchange conducts inspections and inspections of high-polluting enterprises on the greenwashing list.

In addition, it is also necessary to strengthen the punishment of violations and increase the cost of violations. For financial fraud, insider trading and other serious violations should be given severe administrative penalties, and even criminal responsibility, such as the United States SEC ordered Luckin coffee delisted [36].

6. Conclusion

Through the analysis of H&M and Decathlon, this paper finds that the motivation for their greenwashing behavior is the high expectations of consumers for the two companies and the fierce market competition activities, which directly leads to the quality control and investigation of the two companies by the ACM authorities, the serious consequences of legal risks and corporate value crisis, and finally the total penalty of 900,000 pounds. Finally, it puts forward suggestions that the regulatory authorities can apply emerging technologies to strengthen supervision, and even strengthen guidance or intervention in the internal control and ESG governance of enterprises when necessary. In order to guide enterprises to fulfill ESG responsibility honestly and promote the healthy development of the capital market. This has not only enriched the theoretical research on enterprise greenwashing behavior but also provided practical guidance for regulators and enterprises, which has important theoretical and practical significance.

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