



# Greenwashing TechSprint

## Why in News?

The [Reserve Bank of India \(RBI\)](#) will be among **13 international regulators** taking part in the Global Financial Innovation Network's (GFIN) first-ever Greenwashing TechSprint.

- The **RBI** has invited Indian companies to participate in the [Greenwashing TechSprint](#), an international initiative aimed at **tackling greenwashing in the financial services industry**.

## What is Greenwashing TechSprint?

- The **Greenwashing TechSprint** is organized by the **Global Financial Innovation Network (GFIN)**, a consortium of over **80 international organizations** committed to supporting **financial innovation for the benefit of consumers**.
  - The GFIN is currently chaired by the **Financial Conduct Authority (FCA)**, a leading regulatory body in the United Kingdom.
- TechSprint aims to develop a tool or **solution that can effectively help regulators and the market tackle the risks of greenwashing in financial services**.
- The TechSprint will launch on 5th June and will run for 3 months, ending with a showcase day in September 2023.

## What is the Global Financial Innovation Network?

- The **GFIN** was formally launched in January 2019 by an **international group of financial regulators and related organizations**.
- It is **a network of over 70 organizations** committed to supporting financial innovation in the interests of consumers.
  - It seeks to provide a more efficient way for **innovative firms to interact with regulators**, helping them navigate between countries as they look to scale new ideas.
- The GFIN is **overseen by the Coordination Group**. The Coordination Group is made up of GFIN Members and sets the overall direction, strategy and annual work programme of the GFIN.
  - The Coordination Group is currently being chaired by the Financial Conduct Authority (UK). **Membership in the Coordination Group lasts for two years**, and members meet twice a year to provide ongoing input and engagement into the work-streams.
- **Members from India:**
  - [International Financial Services Centres Authority \(IFSCA\)](#)
  - [Insurance Regulatory and Development Authority of India \(IRDAI\)](#)
  - [Pension Fund Regulatory & Development Authority](#)
  - **RBI**.

## What is Greenwashing?

- **About:**
  - **Greenwashing** refers to the practice of making **false or exaggerated claims about the environmental benefits of a product, service, or company** in order to present a **misleading image of sustainability or eco-friendliness**.
    - It is a form of **deceptive marketing** that aims to capitalize on the growing

- consumer demand for environmentally friendly products and practices.
- The RBI recognizes the increasing number of investment products marketed as **"green" or making wider sustainability claims.**
    - Exaggerated, misleading or unsubstantiated claims about **Environmental, Social and Governance (ESG)** credentials damage confidence of the public in the product
  - **Major Forms of Greenwashing:**
    - **Vague or Misleading Labels:** Companies may use terms like **"eco-friendly," "green," or "natural"** without providing specific information or clear standards for what those terms mean.
    - **Irrelevant Claims:** Companies may highlight a **minor environmental improvement while ignoring more significant environmental issues** related to their products or operations.
      - For example, a **car manufacturer might promote a fuel-efficient model** while downplaying the environmental impact of its manufacturing processes.
    - **Hidden Trade-offs:** This occurs when a product is marketed as **environmentally friendly in one aspect but neglects to mention other negative environmental impacts.**
      - For instance, a **disposable product might be labeled as biodegradable**, but the **production process still has a significant carbon footprint.**
  - **Impacts of Greenwashing:**
    - **Dilution of Genuine Efforts:** Companies genuinely committed to sustainability and implementing eco-friendly practices can suffer because greenwashing makes it **harder for consumers to differentiate between genuinely sustainable products and those that are falsely marketed.**
      - **Legitimate sustainability initiatives may be overshadowed** and undermined by companies engaging in greenwashing.
    - **Stifling Innovation:** Greenwashing can discourage genuine innovation in sustainability.
      - When companies can deceive consumers with superficial or misleading green claims, there may be **less motivation to invest in developing truly sustainable solutions.** This hinders the overall progress in creating environmentally friendly products and practices.

### UPSC Civil Services Examination, Previous Year Question (PYQ)

**Q. Which one of the following best describes the term "greenwashing:"?(2022)**

- (a) Conveying a false impression that a company's products are eco-friendly and environmentally sound
- (b) Non-Inclusion of ecological/ environmental costs in the Annual Financial Statements of a country
- (c) Ignoring the disastrous ecological consequences while undertaking infrastructure development
- (d) Making mandatory provisions for environmental costs in a government project/programme

**Ans: (a)**

**Source: LM**