



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