

Greenwashing Unveiled: A Global And Indian Perspective On Deceptive Environmental Practices

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Abstract:

This study meticulously explores the pervasive issue of greenwashing within the global corporate landscape, shedding light on its origins, impact, and the specific challenges encountered in India. Greenwashing, characterized by the dissemination of misleading claims regarding a company's environmental practices, poses a significant threat to authentic sustainability endeavours. Originating in 1986, the term "greenwashing" refers to the dissemination of misleading or unverifiable claims regarding a company's environmental practices, creating a false perception of environmental responsibility. The research intricately navigates the complexities of greenwashing, examining its repercussions on both global and Indian businesses. It underscores the urgent necessity for robust regulatory frameworks, heightened consumer awareness, and collaborative initiatives to effectively counter deceptive environmental claims. The study encompasses an analysis of international efforts, highlights notorious cases spanning various industries, and provides a comprehensive overview of initiatives addressing greenwashing practices in India. In conclusion, the study emphasizes the pressing need for increased transparency, the establishment of clear standards, and independent verification processes to combat global greenwashing. It calls for stakeholders to unite in fostering authentic environmental stewardship.

Key Words: Greenwashing, Environmental Practices, Sustainability, Corporate Accountability, Regulatory Frameworks

Introduction

Greenwashing, a deceptive practice influencing consumer perceptions, has become a significant challenge in global business, particularly in India. As companies seek to align with environmentally conscious consumer preferences, the study delves into the motivations and consequences of greenwashing. From the lens of corporate sustainability and the pursuit of Environmental, Social, and Corporate Governance (ESG) objectives, the study navigates through debates on the centrality of environmental sustainability. The urgency of addressing greenwashing is underscored by the rising global demand for eco-friendly products and sustainable practices. The introduction sets the stage for an in-depth exploration of international and Indian initiatives, notorious cases, and recommendations to counter the prevalence of greenwashing.

The term "greenwashing" came into existence in 1986 through the insights of Jay Westerveld, a notable American environmentalist and researcher. Greenwashing involves the dissemination of misleading information or the assertion of unverifiable claims regarding a company's or government's actions and impact on climate change mitigation. This practice creates a false perception of environmental responsibility, enticing consumers with promises of sustainability that may lack substance or genuine commitment. The aggravation of environmental problems has led companies to seek the development and commercialization of green products. Some companies mislead their stakeholders through a phenomenon called greenwashing (de Freitas Netto, S.V., Sobral, M.F.F., Ribeiro, A.R.B. (2020).

In the ever-evolving landscape of corporate sustainability, companies grapple with environmental risks to secure their competitiveness and long-term survival. As global crises such as economic downturns, pandemics, and conflicts unfold, the pursuit of Environmental, Social, and Corporate Governance (ESG) objectives becomes imperative for resilience and value creation (Lee & Raschke, 2023). Sustainability emerges as a potential tool for resilience amid uncertainties, prompting researchers to delve into its role in economic and social value creation (Lee & Raschke, 2023). Recognizing the importance of corporate disclosure, there's a growing debate on the need for both voluntary and mandatory frameworks for ESG information (Mahoney, 2013; Perera, 2019).

Scholars remain divided on the centrality of environmental sustainability, debating whether it is a critical societal challenge or merely a strategic move for competitive advantage and financial performance (Bini et al., 2018; Lee & Raschke, 2023). Recent studies reveal mixed results on the impact of ESG practices on financial performance, raising questions about the efficacy of communication strategies (Li, 2023; Berrone, 2017).

Amid these debates, there's a call for a more robust theoretical foundation to define and understand greenwashing (Lyon & Montgomery, 2015; De Jong, 2020). The interdisciplinary nature of greenwashing prompts the need for a comprehensive theoretical path that extends beyond business economics, touching upon sociology, psychology, law, and other fields.

The prevalence of greenwashing can be attributed to the rising global demand for eco-friendly products and sustainable practices. Companies and governments, keen on aligning themselves with environmentally conscious consumer preferences, engage in greenwashing to enhance their public image and appeal. Unfortunately, greenwashing is a

widespread phenomenon, casting doubt on the legitimacy of various claims related to environmental stewardship. Entities often label their activities as climate-friendly without providing concrete evidence, which not only misleads consumers but also undermines the credibility of legitimate efforts to combat climate change.

The ubiquity of greenwashing poses significant challenges to the authenticity of global efforts against climate change. Verifying the environmental impact of actions becomes increasingly challenging as entities blur the lines between genuine sustainability practices and deceptive greenwashing strategies. This challenges the effectiveness of environmental initiatives and erodes trust in corporate and governmental commitments. Mitigating the impact of greenwashing requires increased transparency, clear standards, and independent verification of environmental claims. Both regulatory bodies and consumers play crucial roles in holding entities accountable for their environmental assertions. By fostering awareness and scrutiny, it is possible to encourage genuine efforts toward sustainability while discouraging deceptive greenwashing practices.

International Efforts Addressing Greenwashing Practices

Several global initiatives and efforts aim to address and combat greenwashing. These initiatives come from various stakeholders, including governments, non-governmental organizations (NGOs), and industry associations.

The ISO has developed guidelines, specifically ISO 14021 and ISO 26000, which provide principles and recommendations for environmental claims in marketing and communication. These standards offer a framework to help organizations make accurate and verifiable environmental assertions, discouraging deceptive practices.

Global Ecolabeling Network (GEN) is a network of ecolabeling organizations worldwide. It works to harmonize and promote credible environmental labelling and certification, helping consumers make informed choices. By establishing consistent criteria for ecolabels, GEN aims to prevent greenwashing and build trust in eco-friendly products.

The CGF, a global industry network, has set sustainability resolutions and guidelines for its member companies. These include commitments to transparency in labelling and communication, discouraging misleading environmental claims. The CGF encourages businesses to adopt sustainable practices genuinely.

The FTC in the United States has published the Green Guides, which provide guidance for businesses on making truthful and substantiated environmental claims. These guides help prevent deceptive marketing practices and ensure that consumers can trust the environmental claims made by companies.

The European Union's Green Deal and Circular Economy Action Plan outline comprehensive strategies to make the EU's economy sustainable. This includes measures to prevent greenwashing by establishing clear criteria for green investments and ensuring that environmental claims are backed by evidence.

The TCFD, established by the Financial Stability Board, encourages companies to disclose their climate-related financial risks and opportunities. This initiative aims to provide investors, lenders, and insurers with consistent and relevant information to assess climate-related risks, fostering transparency and reducing the potential for greenwashing.

The United Nations encourages businesses to align their activities with the SDGs and report on their contributions. Transparent reporting on sustainable practices helps mitigate greenwashing by holding companies accountable for their impact on environmental and social issues.

Various global initiatives focus on integrating environmental considerations into financial decision-making. For example, the Principles for Responsible Banking and the Green Bond Principles aim to guide banks and financial institutions in making environmentally sustainable investment decisions. These initiatives collectively contribute to raising awareness, establishing standards, and promoting responsible practices, reducing the prevalence of greenwashing globally. However, ongoing efforts are necessary to adapt to evolving challenges and ensure the effectiveness of these initiatives in combating deceptive environmental claims.

Comprehensive Overview: Addressing Greenwashing in India

Greenwashing, the deceptive promotion of false environmental claims, poses a significant challenge in India, exacerbated by the absence of specific regulations governing such practices. While global initiatives like the Securities and Exchange Board of India (SEBI) are taking steps, a regulatory gap challenges the penalization of deceptive practices.

In February 2023, SEBI issued guidelines for issuers of green debt securities, defining them as instruments supporting environmentally beneficial projects. These guidelines emphasize continuous monitoring of environmental impacts and strict adherence to defined projects. However, broader challenges persist due to regulatory gaps.

India's National Action Plan on Climate Change (NAPCC) outlines a comprehensive strategy, promoting sustainable practices across sectors. Although not explicitly targeting greenwashing, these initiatives encourage genuine efforts towards environmental responsibility. The Bureau of Indian Standards (BIS) plays a crucial role by developing standards for various products and services, indirectly discouraging deceptive environmental claims and contributing to a more reliable marketplace.

India's CSR regulations encourage companies to allocate resources to socially responsible initiatives, including environmental sustainability. While not specifically aimed at greenwashing, genuine CSR efforts positively contribute to the environment and society. Non-governmental organizations (NGOs) and consumer awareness campaigns in India play a crucial role in educating the public about environmental issues. Increased awareness becomes pivotal in discerning genuine sustainability efforts from deceptive greenwashing practices.

Despite these initiatives, the lack of comprehensive regulations allows companies to engage in greenwashing, misleading consumers and undermining genuine sustainability efforts. A multifaceted approach, involving continuous efforts to refine and strengthen regulatory frameworks, enhance consumer awareness, and ensure stricter enforcement of existing laws, is essential.

The convergence of SEBI guidelines, national initiatives like NAPCC, regulatory bodies such as BIS, CSR regulations, and consumer awareness programs reflects a multifaceted effort to address greenwashing in India. Strengthening these initiatives and fostering collaboration between stakeholders will be critical in curbing greenwashing effectively and promoting authentic sustainability practices in the country.

Unveiling Greenwashing: Notorious Cases Across Industries

Greenwashing, the deceptive practice of portraying a company as environmentally responsible when its actions suggest otherwise, has become a widespread concern. Several notable cases expose the stark contrast between green marketing campaigns and the environmental impact of various corporations.

1. Volkswagen's Emissions Scandal: A classic example emerged when Volkswagen admitted to cheating emissions tests. The company fitted vehicles with a deceptive device that altered performance during tests, reducing emissions levels. While marketing its vehicles as eco-friendly, the reality was emissions up to 40 times the allowed limit for nitrogen oxide pollutants.
2. BP's "Beyond Petroleum" Rebrand: Fossil fuel giant BP changed its name to "Beyond Petroleum" and showcased solar panels on gas stations. Despite promoting low-carbon energy products, a complaint was lodged for misleading advertisements. Over 96% of BP's annual spend still focused on oil and gas.
3. ExxonMobil's Environmental Record: ExxonMobil, with a history of environmental damage, faced criticism for advertising experimental algae biofuels without comprehensive emission reduction targets. The company's actions contradict its claims of environmental responsibility.
4. Nestlé's Ambiguous Sustainability Claims: Nestlé's statement of making packaging 100% recyclable or reusable by 2025 faced scrutiny for lacking clear targets and timelines. Named a top plastic polluter, Nestlé's initiatives were criticized for insufficiently addressing the plastic waste crisis.
5. Coca-Cola's Plastic Pollution: Coca-Cola ranked as the world's number 1 plastic polluter. Despite announcing it would not abandon plastic bottles, the company faced a lawsuit for falsely advertising sustainability while being a major contributor to plastic pollution.
6. Starbucks' Contradictory Sustainability Efforts: Starbucks' introduction of a "straw-less lid" as a sustainability measure contained more plastic than the previous lid and straw combination. Critics argued against assuming all lids would be recycled, emphasizing the challenges of global recycling infrastructure.
7. IKEA's Sustainable Image Tarnished: IKEA, once considered a sustainable leader, faced allegations of illegal logging and sourcing conflict wood. Despite building its "most sustainable store," the demolition of a previous sustainable store within 17 years raised questions about true sustainability efforts.
8. Plastic Bottle Water Companies' Irony: Plastic water bottle companies like Poland Spring, Evian, and Deer Park, featuring nature on labels, contribute to the plastic waste crisis. The irony lies in their marketing of environmentally conscious imagery while producing single-use plastic bottles.
9. Major Banks' Green Investment Claims: Major banks like JP Morgan, Citibank, and Bank of America touted "green investment" opportunities while lending substantial sums to industries contributing to global warming. This contradiction exposes the gap between rhetoric and action.
10. Fast Fashion Brands' Misleading Initiatives: Fast fashion giants H&M, Zara, and Uniqlo faced accusations of greenwashing. Despite launching "green" clothing lines, critics argued that such initiatives were a small part of overall operations, emphasizing the need for more substantial sustainability efforts.

These cases underscore the urgency of addressing greenwashing, as companies with misleading environmental claims continue to contribute to significant environmental challenges. The need for transparent, accountable, and genuine sustainability practices remains paramount in combating deceptive greenwashing tactics.

Greenwashing in the Indian Business Landscape

Greenwashing practices are observed across various industries in India, including energy, fashion, consumer goods, food and agriculture, automobiles, and construction. Each sector faces challenges such as vague eco-friendly claims, misleading information, and inadequate transparency regarding environmental impact. Following are the few famous examples

Hindustan Unilever Limited (HUL): Accused of greenwashing in personal and home care brands, with concerns about sustainability in the palm oil supply chain and the effectiveness of the "Clean India" campaign.

Adani Power: Accusations of false environmental compliance claims at the Mundra power plant, despite fines and evidence of environmental violations, raising concerns about the company's commitment to sustainability.

Patanjali Ayurveda Limited: Noted for claims of "natural" and "herbal" products, while some were found to contain harmful chemicals, leading to a ban on the sale of specific items.

These examples underscore the varied nature of greenwashing practices, emphasizing the need for increased regulatory scrutiny, consumer awareness, and transparency measures to address deceptive environmental claims in the Indian business landscape

Conclusion

In the realm of corporate sustainability, the deceptive practice of greenwashing casts a formidable shadow over genuine efforts to address environmental concerns. This comprehensive exploration has journeyed through the intricacies of greenwashing in the Indian business landscape and on a global scale. The term "greenwashing," born out of a fusion of "green" and "whitewashing," encapsulates a strategy employed by entities to portray an exaggerated commitment to environmental responsibility. From Volkswagen's emissions scandal to Nestlé's ambiguous sustainability claims, and from India's HUL to Adani Power, these cases underscore the urgency of addressing this challenge. These cases highlight a stark contrast between green marketing campaigns and the true environmental impact of corporations, emphasizing the critical need for transparent, accountable, and genuine sustainability practices.

International efforts, such as ISO guidelines, the Global Ecolabeling Network, and the Consumer Goods Forum, work collectively to establish standards, raise awareness, and discourage deceptive practices globally. However, challenges persist, demanding ongoing adaptability to combat evolving greenwashing strategies.

In India, despite initiatives like SEBI guidelines and the National Action Plan on Climate Change, a regulatory gap allows greenwashing to persist, necessitating a multifaceted approach. The convergence of SEBI guidelines, national initiatives, regulatory bodies, CSR regulations, and consumer awareness reflects a commendable effort, but further collaboration is crucial to fortify these initiatives.

The conclusion drawn is clear: the prevalence of greenwashing poses significant challenges to the authenticity of global efforts against climate change. It erodes trust, undermines credibility, and hampers the effectiveness of environmental initiatives. Mitigating this impact requires a united front involving regulatory bodies, consumers, and businesses. Increased transparency, clear standards, and independent verification of environmental claims are essential pillars in the fight against greenwashing.

As we navigate the complex landscape of sustainability, this study serves as a call to action. It urges stakeholders to remain vigilant, adapt to evolving challenges, and strengthen collaborative efforts. Unveiling greenwashing is not just about exposing deceptive practices; it is about fostering a genuine commitment to environmental responsibility. The journey towards a truly sustainable future demands unwavering dedication, shared responsibility, and a collective resolve to ensure that the green we see is not merely a shade but a vibrant reflection of authentic environmental stewardship.

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