



# From insight to action: A pragmatic approach to combat greenwashing



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# 1. What is greenwashing?

Greenwashing implies any dishonest practices used by organisations to represent themselves as more sustainable either by giving a false impression or providing misleading information regarding the sustainability of a product/service. This phenomenon can significantly undermine sustainability efforts, potentially deceive consumers, and impact the ability to make appropriate buying decisions.

The United Nations (UN) has acknowledged the critical importance of combating greenwashing. The Sustainable Development Goals (SDG 12) of United Nations specifically advocates sustainable consumption and production. In alignment with this goal, the UN Environment Programme has developed guidelines to help organisations avoid greenwashing and make credible environmental claims.<sup>1</sup>

## Greenwashing has emerged as a widespread issue globally:

- The number of climate-related lawsuits, has more than doubled since 2017, reaching nearly 2,500 globally<sup>2</sup>
- A recent market research report revealed that 59 per cent of top-level executives admit that their organisations are guilty of greenwashing, and 87 per cent of respondents wanted to incorporate better measurement into their organisations to help make more accurate targets<sup>3</sup>
- Research carried out in Europe found that 42 per cent of green claims were found to be exaggerated, false, or deceptive.<sup>4</sup>



1. Examining The Effects Of Greenwashing On Genuine Sustainable Entrepreneurs: A Comprehensive Study On The Impact Of False Sustainability Claims On Businesses Across All Sectors , Journal Of Emerging Technologies And Innovative Research (JETIR), March 2024

2. Corporate greenwashers beware, KPMG in Canada, Conor Chell, July 2024

3. Executives fear greenwashing and the economy will stall sustainability progress, 2023 Google Cloud Sustainability Survey, Google Cloud Blog, April 2023

4. How Greenwashing Affects the Bottom Line, Harvard Business Review, by Ioannis Ioannou, George Kassinis, and Giorgos Papagiannakis, July 2022

## 2. Reasons for greenwashing

Greenwashing has become a prominent issue as organisations seek to exploit the growing consumer demand for sustainability, navigate competitive pressures and manage cost constraints while taking advantage of regulatory gaps. The key drivers of greenwashing are listed below:

### Consumer demand for green products

In the recent years, there has been an increase in consumer demand for eco-friendly products, with 74 per cent of consumers in India willing to pay premium for environmentally friendly products<sup>5</sup>. Health, safety, and environmental protection have become a priority and consumers prefer to purchase and use products of ethical organisations.

### Competitive pressure

The market is highly saturated with many products with little differentiation and organisations vying for a slice of the market pie, creating conditions where organisations compete to make exaggerated claims about 'green' products.

### Offsetting

Organisations often employ greenwashing as a strategic tool to divert attention from the overall negative environmental impact caused by them. By highlighting minor eco-friendly initiatives or making small gestures towards sustainability, they aim to create a positive public image that obscures more significant environmental issues within their operations.

### Cost-cutting pressures

Genuine environmental improvements often require substantial investments. Some organisations resort to creating an appearance of sustainability without incurring the required costs associated with meaningful changes to their products or processes.

### Lack of standardisation and oversight

The lack of universally accepted standards for environmental claims and insufficient regulatory oversight creates opportunities for organisations to make vague or misleading green claims without facing consequences.



5. India: willingness to pay for sustainable products 2023, Statista, January 2024

### 3. Relevant laws, standards, and regulations in India

Quantitative evidence underscores persistent prevalence of greenwashing in India. A study by the Advertising Standards Council of India (ASCI) reported that 79 per cent of green claims made by organisations were exaggerated or misleading.<sup>6</sup> A survey by the market research firm indicated that 71 per cent of Indian consumers had encountered greenwashing, and 60 per cent expressed concern over it<sup>7</sup>.

India has established a framework of regulatory bodies, laws, and standards to combat greenwashing and ensure the integrity of environmental claims across various sectors. These measures are designed to protect consumers, investors, and the environment by promoting transparency and accountability in sustainability practices. By addressing deceptive practices and enforcing strict penalties, India's regulatory landscape plays a crucial role in fostering responsible environmental stewardship and such regulations are expected to become more stringent in the future. Below is an overview of some of the key regulatory bodies, relevant laws, and standards, along with the associated penalties for greenwashing in India.

#### Guidelines and notifications

##### Securities and Exchange Board of India (SEBI)

In February 2023, SEBI issued guidelines for publishers of green debt securities to ensure transparency, prevent greenwashing, and safeguard investor interests. While specific penalties are not mentioned, these guidelines focus on increasing transparency and reducing misleading environmental claims in the financial sector. This includes continuous monitoring of utilisation of funds raised through green bonds and adequate substantiation for green claims<sup>8</sup>.

##### Reserve Bank of India (RBI)

The RBI is playing a key role in identifying

greenwashing practices through monitoring and screening, scaling up sustainable finance, and providing credit facilities for green projects. Further, through its collaboration with the Global Financial Innovation Network (GFIN) and major international regulators, RBI is working on mitigating the risks of greenwashing in the financial services sector.

RBI has proposed measures to address greenwashing concerns in green deposits. These include the use of third-party verification and impact assessments to prove the veracity of eco-friendly claims. While the RBI has not specified penalties, it aims to increase transparency and consumer trust in green financial products.

6. Outlook Business ASCI Moves To Curb Greenwashing With New Guidelines, Outlook Business, May 2024  
 7. EXPLAINER | The fight against false green claims, The Financial Express, Geetika Srivastava, October 2024  
 8. Dos and don'ts relating to green debt securities to avoid occurrences of greenwashing, SEBI, Pradeep Ramakrishnan, February 2023

9. Supreme Court Mandates Self-Declaration by Advertisers/ Advertising Agencies Before Releasing Advertisements, Press Information Bureau | Government of India | Ministry of Information & Broadcasting, Saurabh Singh, June 2024  
 10. Greenwashing Guidelines, Central Consumer Protection Authority, 2024

## Advertising Standards Council of India (ASCI)

The ASCI monitors advertising practices and exercises reasonable jurisdiction over allegations of greenwashing, ensuring that advertisements are truthful and non-deceptive. ASCI requires all environmental claims to be substantiated by transparent factual evidence and research. While not specifying penalties, it places responsibility on advertisers and celebrities to verify claims, potentially leading to the removal of misleading advertisements. The ASCI guidelines cover various aspects of green claims, including the use of generic terms and technical jargons.

## Ministry of Information and Broadcasting

The ministry issued a notification in compliance with an order of the Supreme Court of India requiring that all advertisers/advertising agencies must affirm that the advertisements do not contain any misleading claims and are compliant with the relevant regulations.<sup>9</sup>

## Central Consumer Protection Authority (CCPA)

The CCPA has issued guidelines for the Prevention and Regulation of Greenwashing, or Misleading Environmental Claims 2024<sup>10</sup>. These guidelines include:

- A definition of greenwashing in the context of environmental claims
- Requirements for disclosures supporting environmental claims
- Ensuring claims are verified by an independent and recognised third party
- Guidance for making environmental claims.

The guidelines issued by CCPA provide a comprehensive framework to combat deceptive environmental claims. They define greenwashing as practices like exaggeration, downplaying, or concealing information about environmental impacts. Under these guidelines issued by CCPA, penalties are more severe, with first-time offenders facing up to imprisonment of two years and fine of INR 1 million, while repeat offenders may face imprisonment of up to five years and fine of INR 5 million.

## Laws



### The Trademarks Act, 1999

The act plays a significant role in preventing greenwashing by disallowing the registration of trademarks that use misleading "green" terminology. While the act does not specify penalties, it can prevent organisations from using deceptive environmental claims in their branding.

### Consumer Protection Act of 2019 (COPRA)

Under COPRA, consumers have the right to be

informed about the quality, quantity, potency, purity, standard, and price of products or services. The legislation further grants consumers the right to file complaints against manufacturers, traders, or service providers who engage in unfair trade practices, including greenwashing. COPRA addresses greenwashing which includes misleading environmental claims such as "carbon neutral" or "eco-friendly". Penalties for such practices include fines up to INR 1 million and imprisonment of up to two years.

## Standards



### Business Responsibility and Sustainability Reporting (BRSR)

SEBI's 2021 circular, Principle 6, focuses on the protection and restoration of the environment by Indian entities, by bringing out principle-based performance indicators.<sup>11</sup>

### Bureau of Indian Standards (BIS)

The BIS standard for eco-labelling of products and services mandates use of eco-labels and provides

guidelines to corporate houses making any environmental claims while advertising.

### Green Rating Project (GRP)

GRP, created by the Centre for Science and Environment (CSE), rates the environmental performance of organisations in India on the basis on an assessment of an organisation's environmental management systems, policies process, and performance.

9. Supreme Court Mandates Self-Declaration by Advertisers/ Advertising Agencies Before Releasing Advertisements, Press Information Bureau | Government of India | Ministry of Information & Broadcasting, Saurabh Singh, June 2024

10. Greenwashing Guidelines, Central Consumer Protection Authority, 2024

11. Annexure-1 of Business responsibility and sustainability reporting by listed entities, SEBI Circular, May 2021



## 4. Strategies for an authentic engagement with sustainability

Today, in this era of environmental consciousness, multiple organisations have aligned with sustainability and environment friendly plan for their products. Organisations must consider the following strategies while advertising, to earnestly engage with climate change initiatives and not fall under the pitfalls of greenwashing:

### Transparency

Being open about sustainability efforts, providing detailed and verifiable information about eco-friendly products.

### Third-party validation

Seeking third-party certifications or reviews to substantiate environmental claims and enhance credibility.

### Clarity in communication

Avoid the use of misleading and vague terms in promotion and marketing. Ensure that marketing claims are consistent with actual practices.

### Regulatory compliance

Adhere compliance to all relevant laws and regulations to maintain integrity and avoid legal repercussions.

### Employee education

Invest in education and awareness initiatives for employees to ensure that they understand and support the sustainability goals of the organisation.

### Collaborations

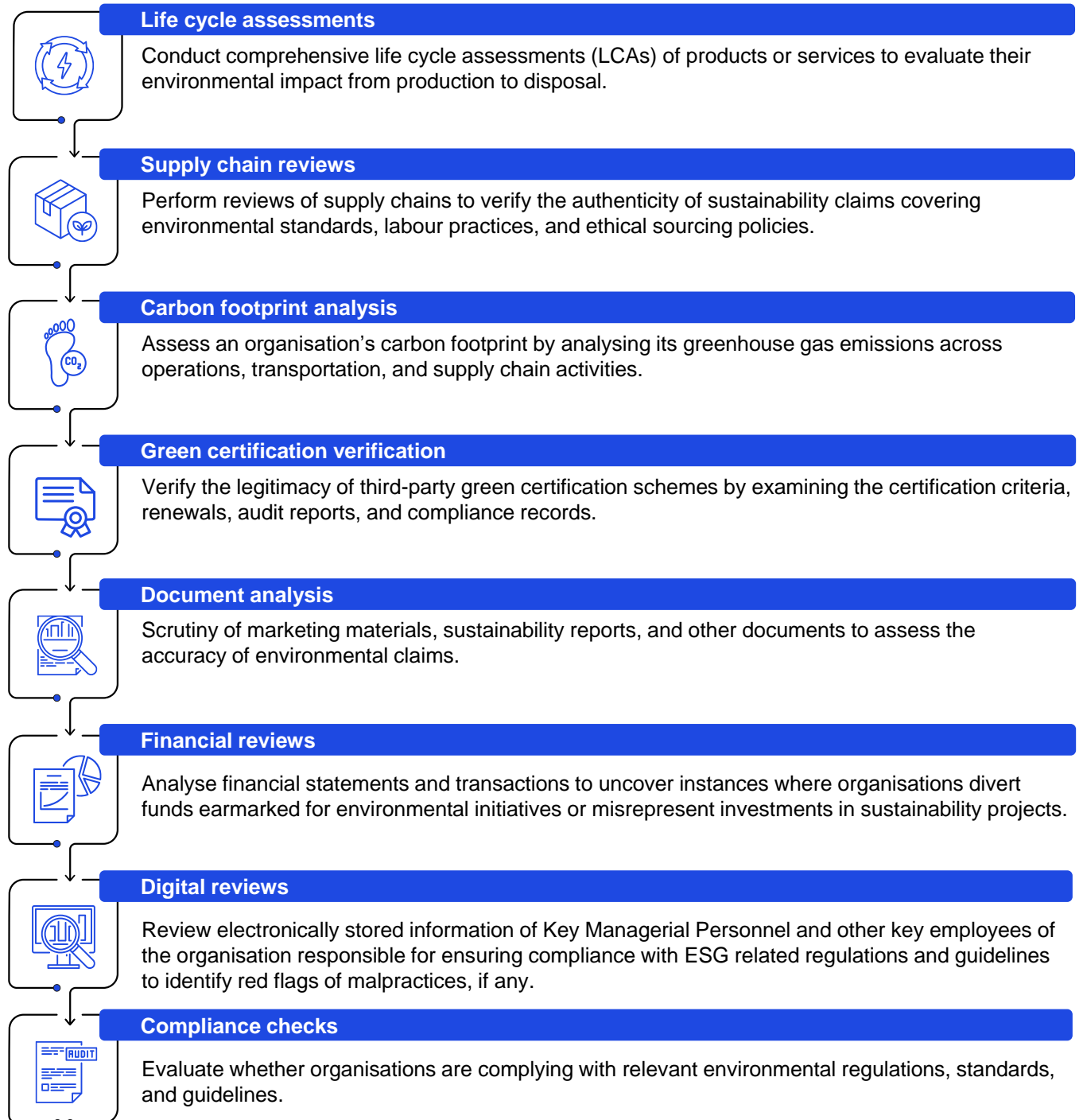
Partner with environmental organisations, subject matter experts, and research institutions to receive regular guidance and keeping updated of best practices in sustainability.

By implementing these strategies, organisations can contribute to climate change mitigation and foster trust and loyalty among consumers.



# 5. Steps organisations should take to build a sustainable and green environment

Organisations should embed adequate risk assessment and monitoring framework to ensure compliance with applicable regulations and prevent greenwashing. The below proactive steps/reviews could be undertaken to enhance compliance:





## 6. Conclusion

Greenwashing has multiple negative consequences. In addition to regulatory action, it could also result in loss of business, consumer trust and reputation loss to the organisation. It also weakens sustainability efforts by brands that are genuinely contributing to the environment and harms legitimate eco-friendly brands.

It tends to mislead consumers into making wrong buying decisions under the pretence of environmental benefits and could result into making environmentally harmful choices. It could damage the environment and impact the society at large.

To combat greenwashing, it is imperative for regulators and organisations to collaborate and take proactive measures. Organisations should adopt transparent and credible sustainability practices. Educating consumers and raising awareness about greenwashing practices can significantly mitigate this problem, ultimately benefiting the society and the environment.



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