

# Risks of Green Washing and the Importance of Sustainable Finance Taxonomies

Climate Bonds<sup>INITIATIVE</sup>

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## AGENDA

Greenwashing: what is it?

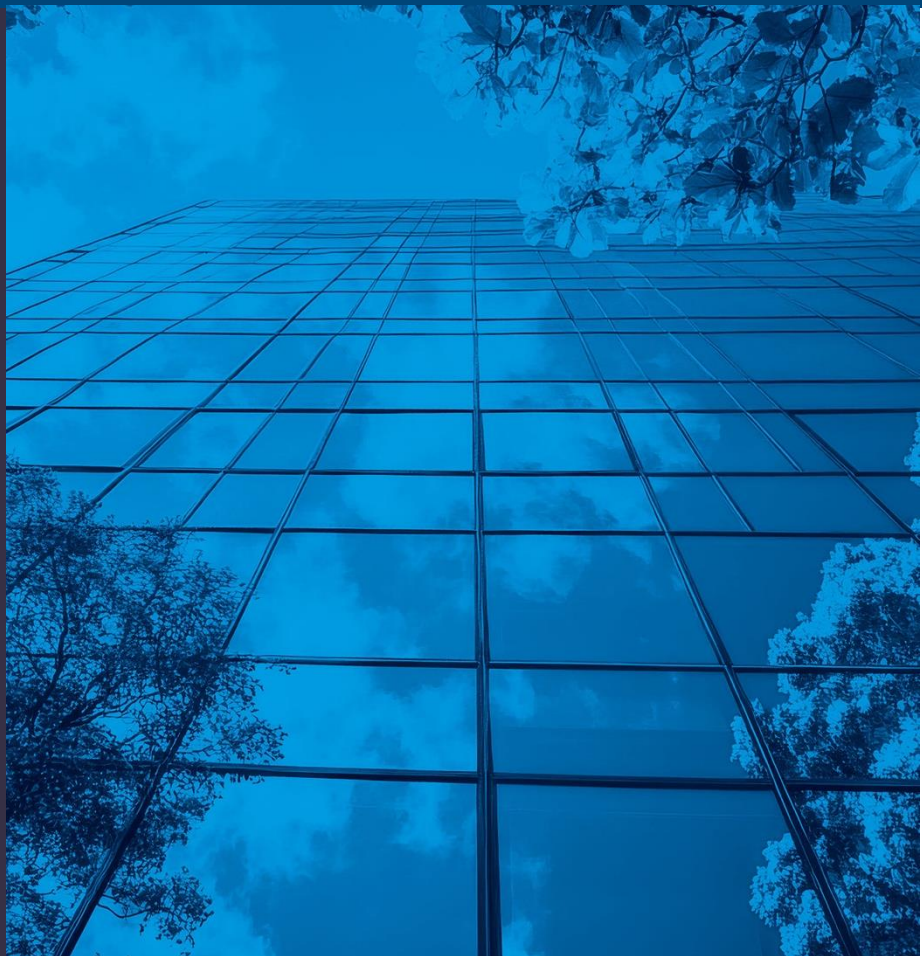
Taxonomy: What it is what it is not

Chronology, global developments and typologies

Structure

Uses

Prominent examples



# Greenwashing: Risks and Regulations



## Climate litigation and greenwashing: growing concern for investors and regulators

- Globally: As of May 31, 2022, nearly 2,000 climate change litigation cases globally, with the bulk of them filed in the U.S. A growing number related to financial lines exposures.
- One key category of climate change litigation involves allegations of inadequate environmental disclosures and disinformation. These claims are known as “greenwashing,” or sometimes “climate-washing.”
- Greenwashing or climate-washing claims generally fall into three categories of misrepresentations regarding: (i) corporate and governmental commitments, (ii) product attributes, and (iii) disclosure of climate change investments and related financial risks.
- India: Markets regulator Securities and Exchange Board of India (SEBI) set up an advisory committee on Environmental, Social, and Governance (ESG) matters. Its terms of reference include “continuous enhancement of disclosures specific to ESG Schemes of mutual funds with particular focus on mitigation of risks of mis-selling and greenwashing.”
- Taxonomies, standards and certification – act as a kind of due diligence, science based definitions reduce arbitrariness, third party verification and reporting add to transparency and credibility

## A few Examples of Greenwashing in Green Finance

- Green Bonds Misuse: Companies have issued green bonds claiming proceeds would fund renewable energy, but funds were used for projects with questionable environmental benefits or for general corporate purposes instead.
- Bank Financing: Prominent banks such as JP Morgan Chase publicly promoted sustainable finance while being the largest financier of fossil fuel companies post-Paris Agreement, contradicting its sustainability claims.
- Corporate Marketing: Fashion brands (e.g., H&M, Zara) and consumer goods companies (e.g., Nestlé, Coca-Cola) have been accused of overstating the environmental friendliness of their products or practices.

## International Greenwashing Regulations

- Europe: The EU's Sustainable Finance Disclosure Regulation (SFDR) mandates clear disclosures for investment products, categorizing funds by the stringency of their sustainability objectives to prevent ambiguous or misleading claims.
- Global: Other regions, including the UK (FCA), have also introduced anti-greenwashing measures requiring fair, clear, and correct sustainability-related claims.

## Greenwashing Regulations in ASEAN

- No ASEAN country has a dedicated “greenwashing law”—they instead rely on existing consumer protection, advertising, and fraud laws.
- In Vietnam, the Philippines, and others, greenwashing is only indirectly addressed, enforcement is limited and largely via civil remedies.
- Singapore uses CPFTA, Misrepresentation Act, SCAP, MAS/SGX, and is actively investigating green claims.
- Indonesia explicitly criminalizes fraudulent green claims via its Criminal Code

## Greenwashing Regulations in India

Central  
Consumer  
Protection  
Authority  
(CCPA)

### Prevention and Regulation of Greenwashing and Misleading Environmental Claims

Application to:

- All environment claims
- A manufacturer, service provider or trader, advertising agency or endorser

SEBI

### Do's and don'ts relating to green debt securities to avoid occurrences of greenwashing

Application to:

- An issuer of green debt securities

IFSCA

### Principles to mitigate the Risk of Greenwashing in ESG labelled debt securities in the IFSC.

Application to:

- An issuer of debt security in IFSC



## Definitions of some GSS+ bonds



**GREEN BONDS** are use-of-proceeds bonds that enable capital-raising and investment for new and existing projects with environmental benefits.



**SOCIAL BONDS** are use-of-proceeds bonds that raise funds for new and existing projects with positive social outcomes.



**SUSTAINABILITY BONDS** are bonds where the proceeds will be exclusively applied to finance or re-finance a combination of both green and social projects.



**TRANSITION BONDS** are use-of-proceeds bonds that finance activities that are not low- or zero-emission (i.e., not green), but have a short- or long-term role to play in decarbonizing an activity or supporting an issuer in its transition to Paris Agreement alignment.



**SUSTAINABILITY-LINKED BONDS** raise general-purpose finance and involve penalties/ rewards linked to not meeting/meeting pre-defined, time-bound sustainability performance targets and associated key performance indicators.

# Taxonomy Overview: What it is and What it is not

# 2

## A Taxonomy: A shopping list of climate/sustainable investment opportunities

### A Taxonomy is...



- A tool to identify 'green' or sustainable activities/ assets /investments
- Based on latest scientific and industry experience
- Publicly available and transparent, usually led by government
- Usually, granular, clear and detailed
- Dynamic, responding to changes in technology, science, new activities and data

### A Taxonomy is not...

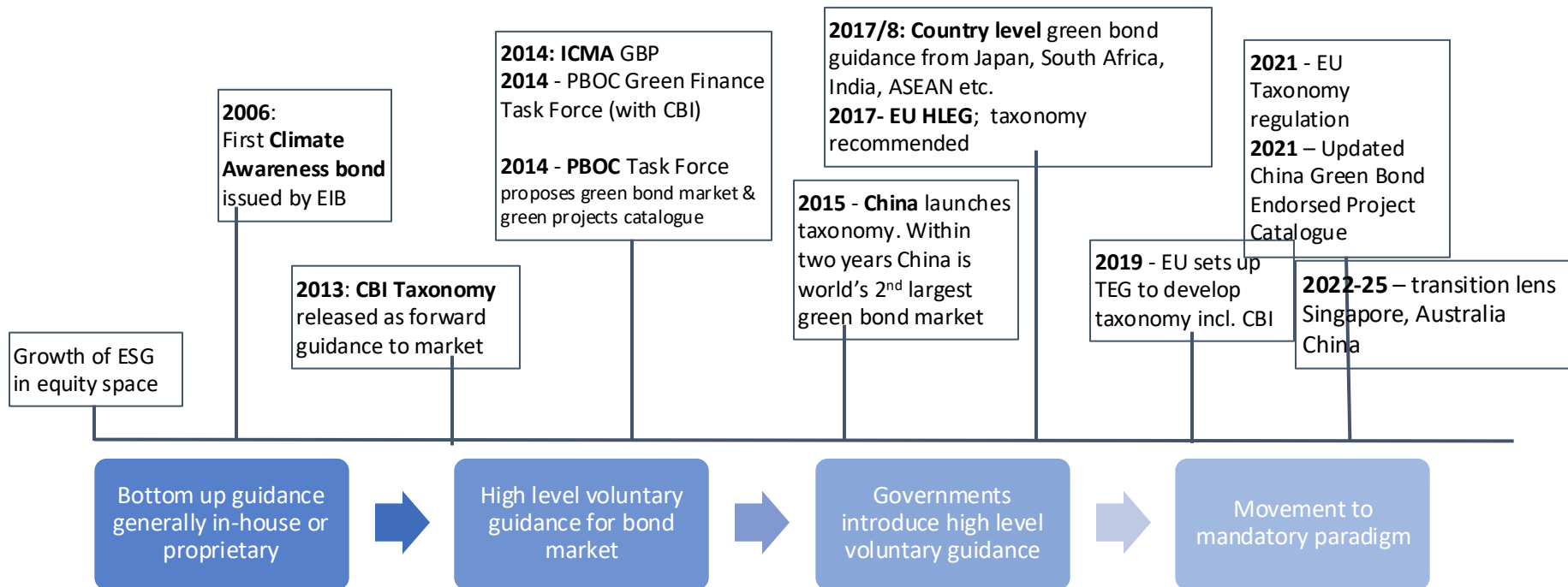


- A rating of good or bad companies
- A mandatory list to invest in
- Making a judgement on the financial performance of an investment - only the environmental performance
- Inflexible or static

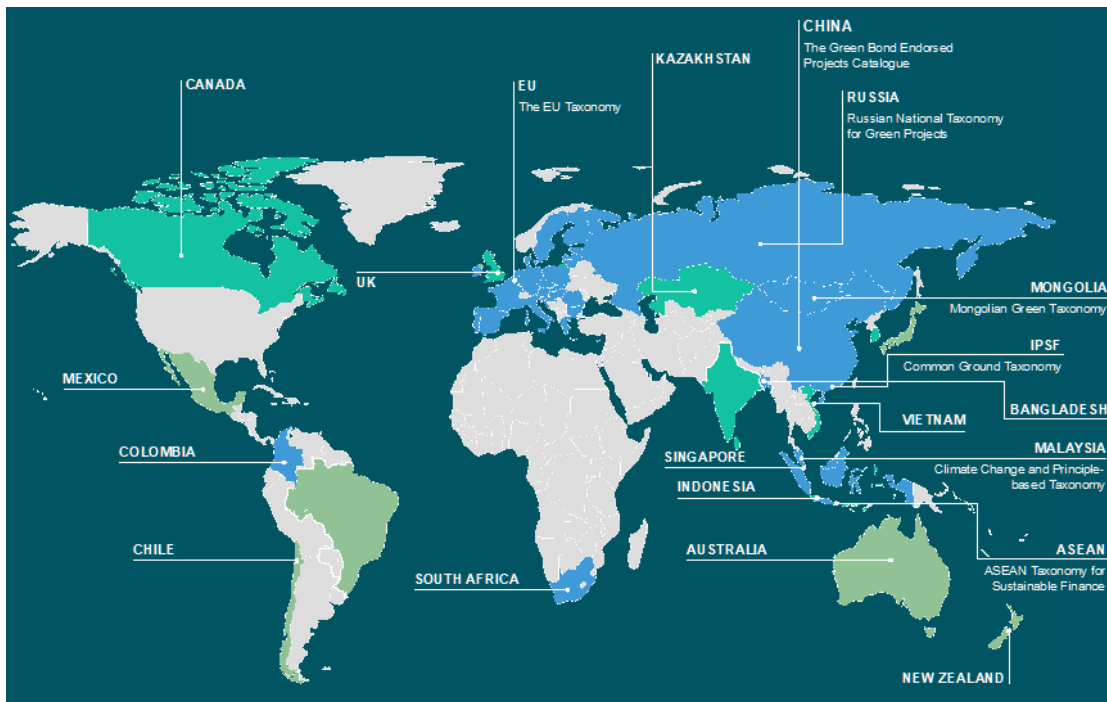
# History, Global Developments and Typologies

# 3

## Some of history: India as a major economy is a late entrant – advantages and expectations



# International developments: 50 countries



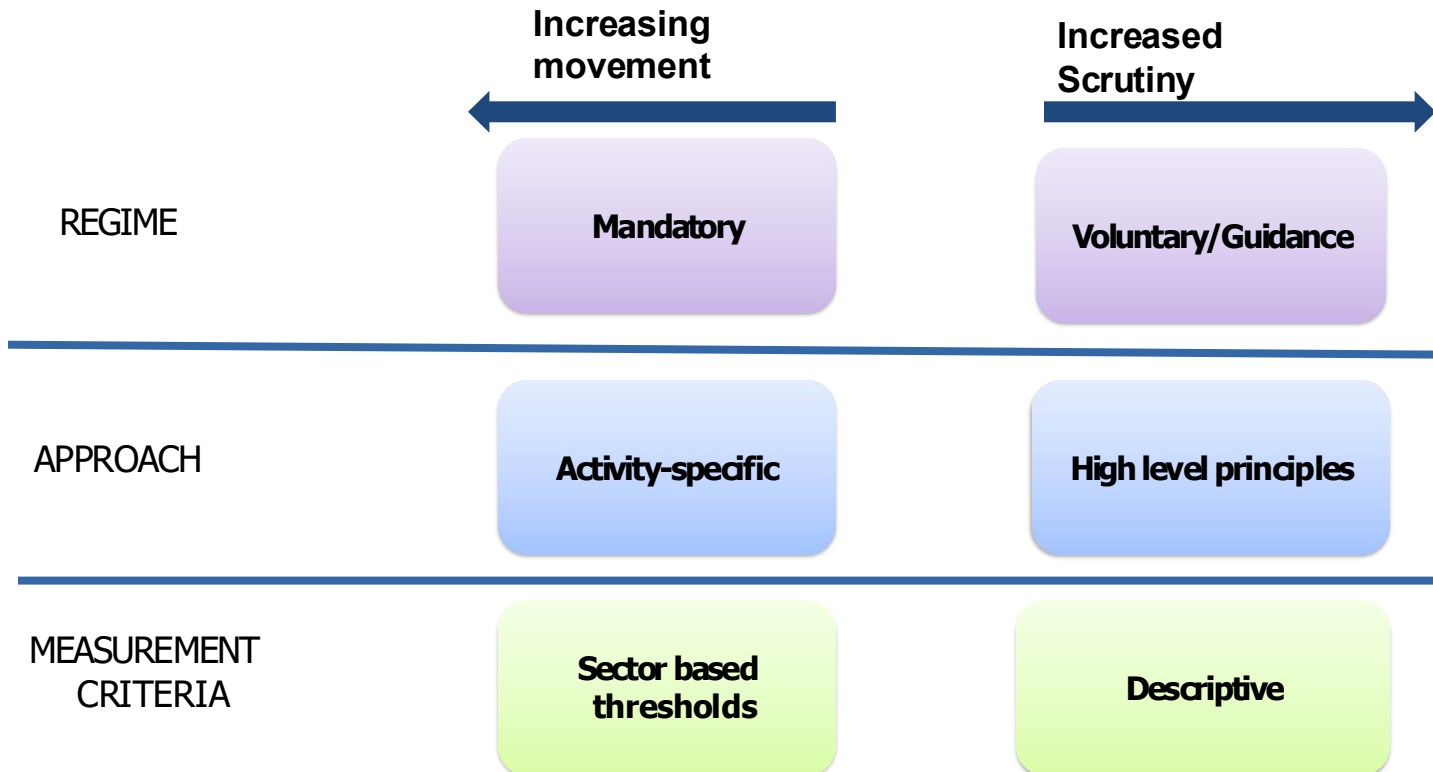
- Interoperability
- National taxonomy increases buy-in
- Common Ground Taxonomy
- Regional
- Voluntary
- Binary/Tiered

- UK: Green Technical Advisory Group

- In place
- In development
- In discussion

Climate Bonds is working in Australia, Brazil, Thailand, Fiji, Ghana, Senegal, Rwanda, Singapore, Australia among others on taxonomy development.

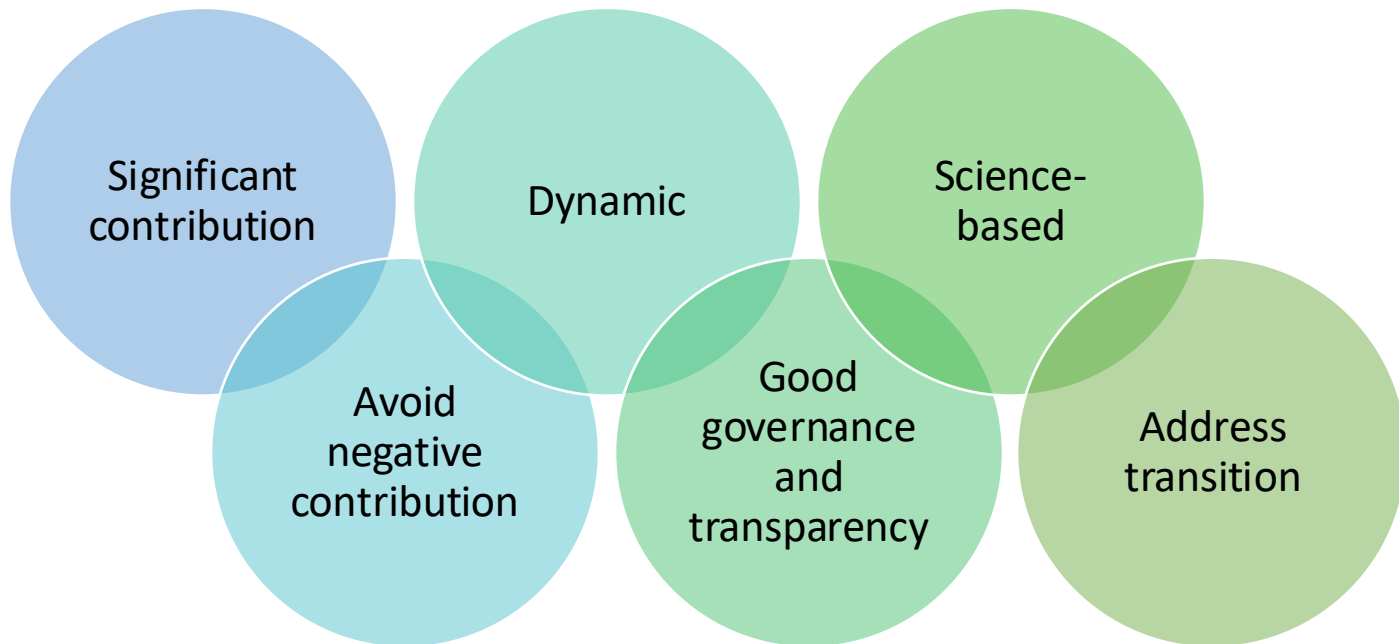
# Main features of taxonomies/frameworks globally



Examples: South Africa, Thailand, EU

# What makes a “robust” taxonomy?

## G20 Roadmap Principles





# Structure and Applications

# 4

# Taxonomy structure and components

## 1. Objectives

The objectives are the overarching environmental or social goals and ambitions a taxonomy seeks to address.  
Examples: Climate change mitigation, climate change adaptation, circular economy

## 3. Activities

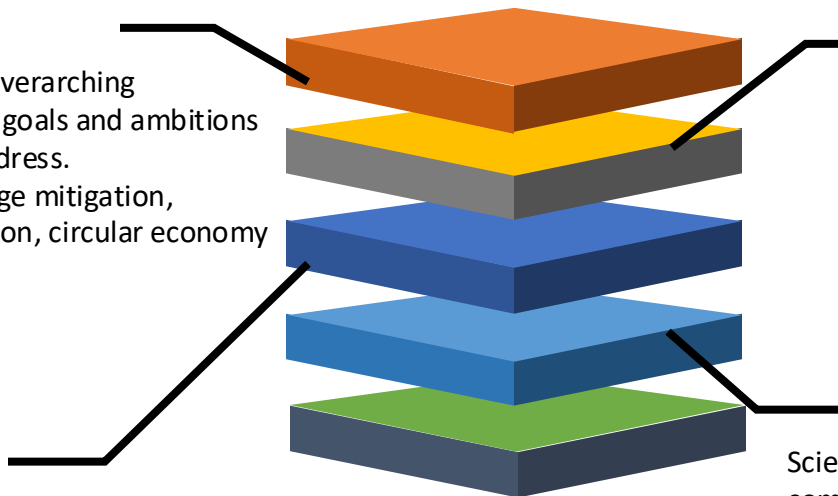
Granular sub sectors based on industry code e.g. electricity generation from solar PV (Energy), road freight transportation (Transport), manufacture of cement (Manufacture)

## 2. Sector structure

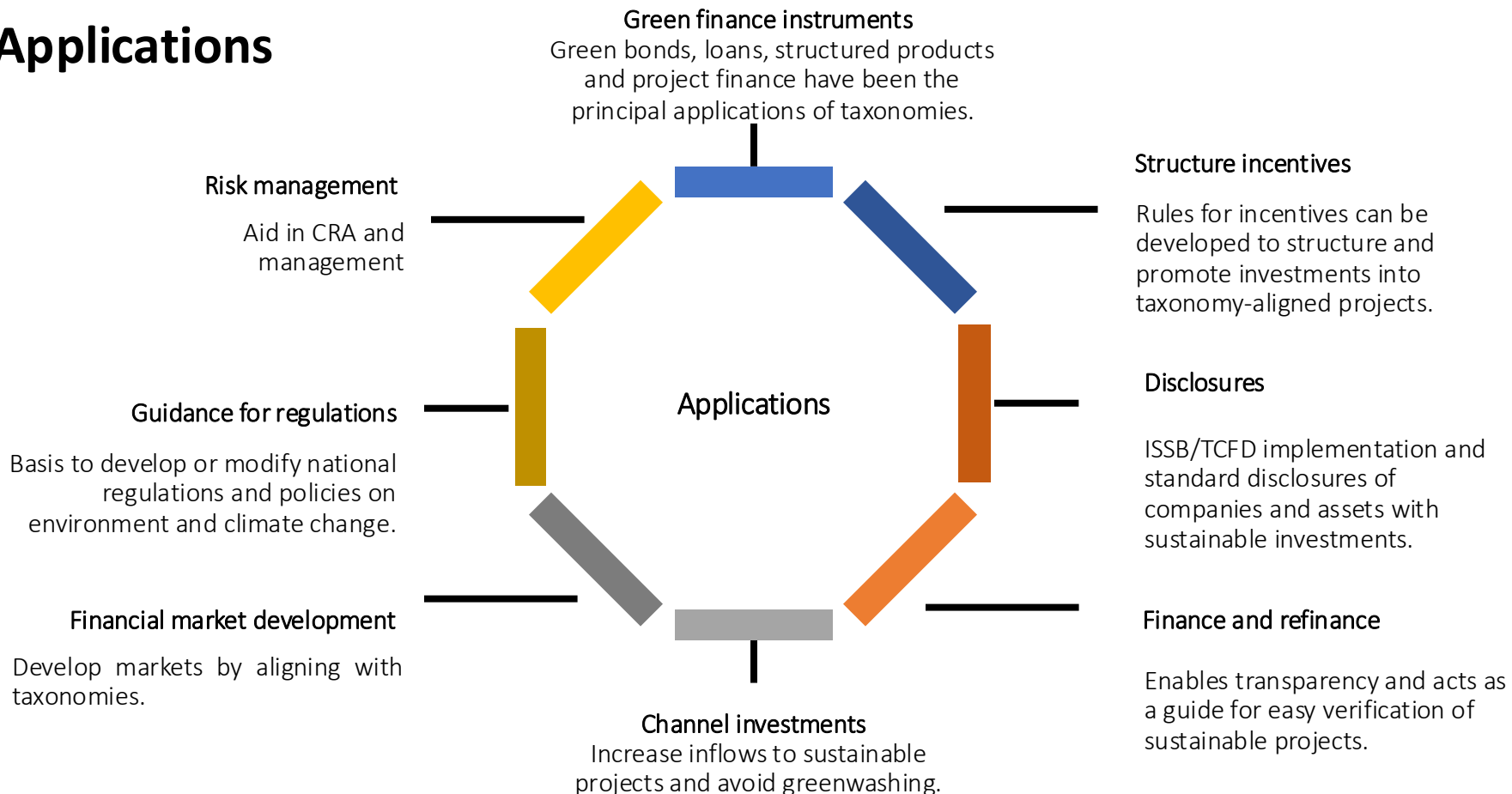
The sectors selected are prioritised based on their role in achieving the headline objective. Sectors are often categorised based on industrial classification (e.g. ISIC, NACE)  
Sectoral examples: Energy, Transport, Manufacturing.

## 4. Screening Criteria

Science-based criteria to assess typically three components of the taxonomy: **substantial contribution, do no significant harm (DNSH), and minimum social safeguards (MSS)**. Global examples:  
- DNSH principles/ guiding questions: **Malaysia, Philippines, Singapore, South Africa, EU**



# Applications



# Prominent Global Examples

# 5

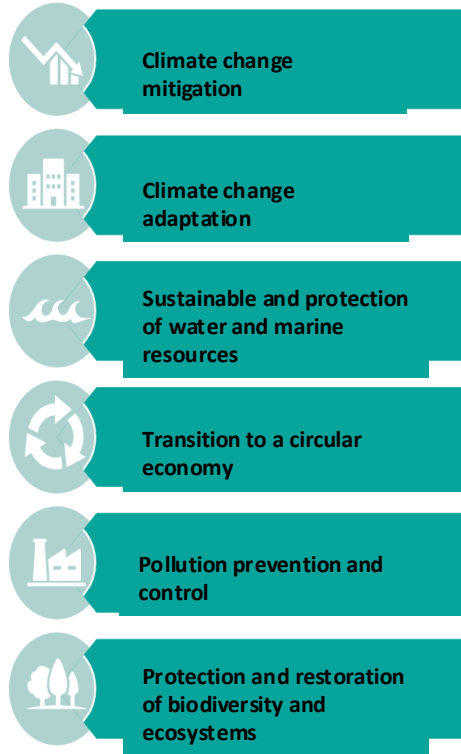
## Objectives across sustainable finance taxonomies

Objective	EU	ASEAN	South Africa	Colombia	Mexico	Peru
Climate Change Mitigation	X	X	X	X	X	X
Climate Adaptation and resilience	X	X	X	X	X	X
Circular economy	X	X	X	X	X	X
Pollution prevention	X	X	X	X	X	X
Protection of water resources	X		X	X	X	X
Biodiversity and ecosystems protection	X		X	X	X	X
Soil management				X		
Contribution to gender equality					X	

Source: UNEP, 2023

# Regional and binary: EU Taxonomy

## Environmental objectives



## Taxonomy compliant



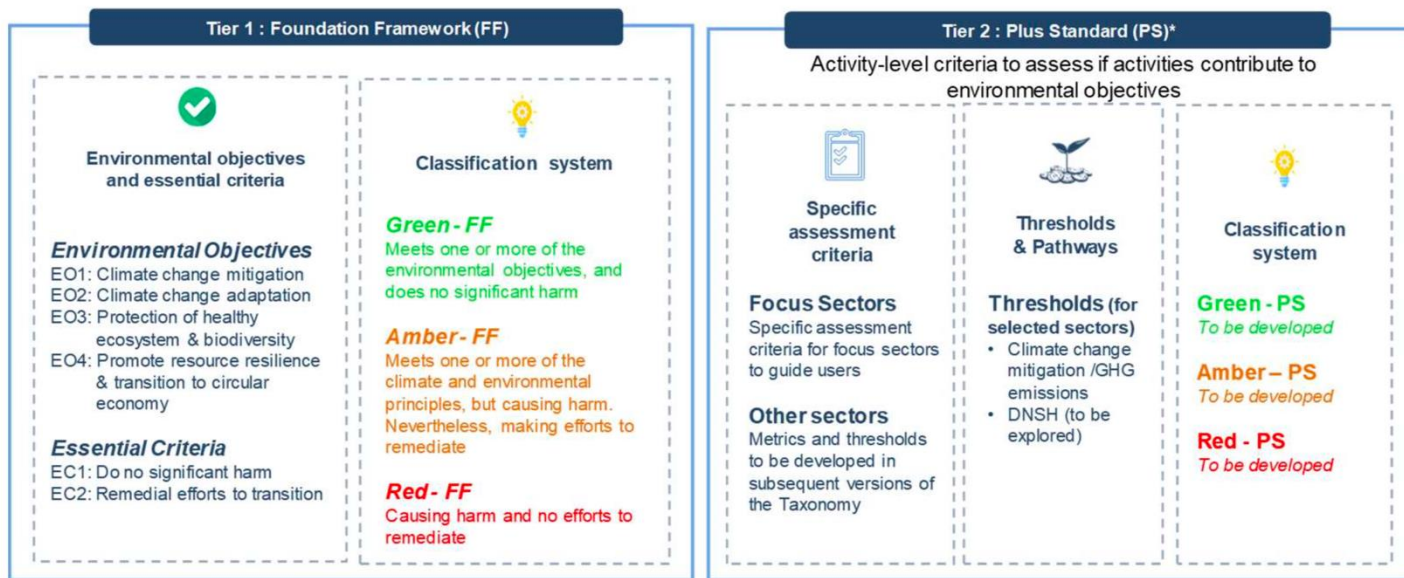
Defines whether an activity is eligible or not. E.g., criteria for Public Transport set a limit for tailpipe emissions of 50 gCO<sub>2</sub>/km.

Substantial contribution according to threshold  
(Quantifiable)



# Regional and Tiered: ASEAN multi-tiered Taxonomy

- Multi-tiered approach considering differences among member states as 'one-size-fits-all' Taxonomy won't be effective
- Two main elements – (a) Foundation Framework (FF) applicable to all members for qualitative assessment of activities (b) Plus Standard (PS) with metrics and thresholds to further qualify and benchmark eligible green activities and investments



Source: ASEAN Taxonomy for Sustainable Finance, ASEAN Taxonomy Board

## India and Indonesia

Parameter	India	Indonesia
Lead Institution	DEA, Ministry of Finance	Financial Services Authority (OJK)
Status	Draft framework released (2025)	Version 1.0 released (2022), Version 2.0 released in Feb 2025
Approach	Tiered approach	TSC: Traffic light
Classification System	Climate supportive tier 1, tier 2 and Transition supportive	Green and Transition
Sectors Covered	Agri, food and water security, Mobility, Buildings, Power, Steel and Cement	Energy, Waste, Industrial Processes and Product Use (IPPU), Agriculture and Forestry and Other Land Use (FOLU)
Do No Significant Harm	Listed as a principle	Yes, under essential criteria
Social Safeguards	Not explicitly defined	Yes, under essential criteria
Alignment with Global Frameworks	ASEAN, Singapore, EU, Indonesia, South Africa	EU, Australia, Canada, and South Africa.
Inclusion of Transition Activities	Yes	Yes (Category 2: Transition)
Proportionality Principle	Yes- For MSMEs (yet to be defined)	Yes – especially for SMEs- Separate TSC for MSMEs
Greenwashing	Stated under objectives	Stated under objectives and uses
Objectives	<ul style="list-style-type: none"> <li>• Mitigation</li> <li>• Adaptation</li> <li>• Transition</li> </ul>	<ul style="list-style-type: none"> <li>• Mitigation</li> <li>• Adaptation</li> <li>• Protection of Healthy Ecosystems and Biodiversity</li> <li>• Resource Resilience and the Transition to a Circular Economy</li> </ul>

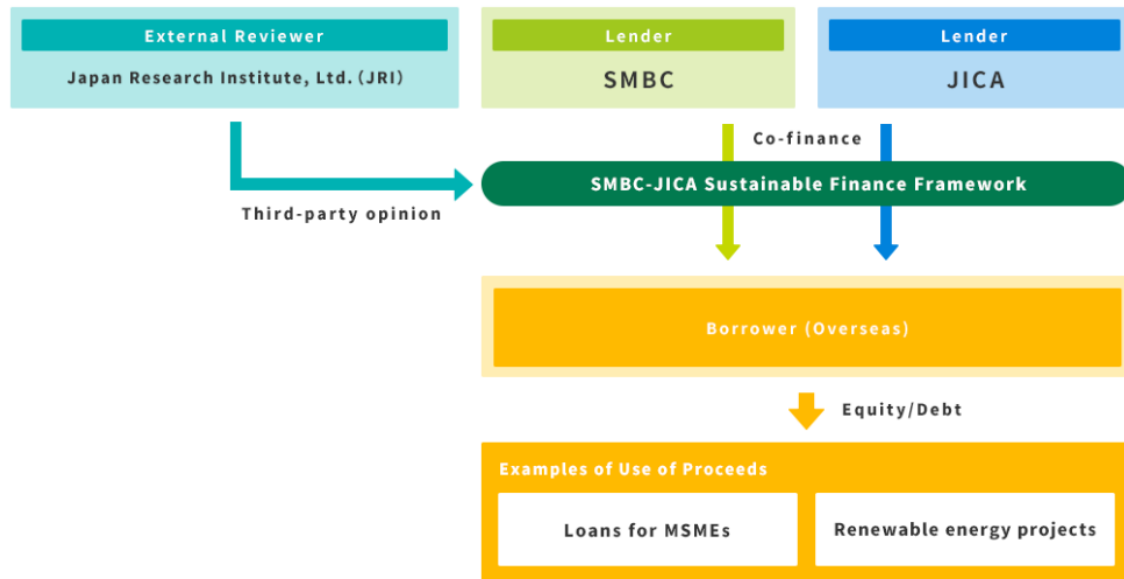


## Japan: Transition Finance (1)

### SMBC-JICA Sustainable Finance Framework- Four Components:

1. Use of Proceeds;
2. Process for Project Evaluation and Selection;
3. Management of Proceeds; and
4. Reporting

### SMBC-JICA Sustainable Finance Framework- Structure:



## Japan: Transition Finance (2)

In June 2023, Ministry of Economy, Trade and Industry formulated the **Transition Finance Follow-up Guidance** for financial institutions and investors to secure the steady accomplishment of transition strategies and the financing of corporate transition journeys.

The guidance aims to achieve carbon neutrality by engaging in **regular dialogue between financiers and fund providers** on the progress made and how future progress should be made.

The Japanese government recognizes that JPY150 trillion-yen (\$990 billion) will be needed over the next 10 years to meet the Japanese GX (Green Transformation) roadmap, jointly by the public and private sectors, and plans to finance JPY20 trillion of this amount through Climate Transition Interest-Bearing Bonds, the world's first transition-labeled government bonds.

# Thank You!

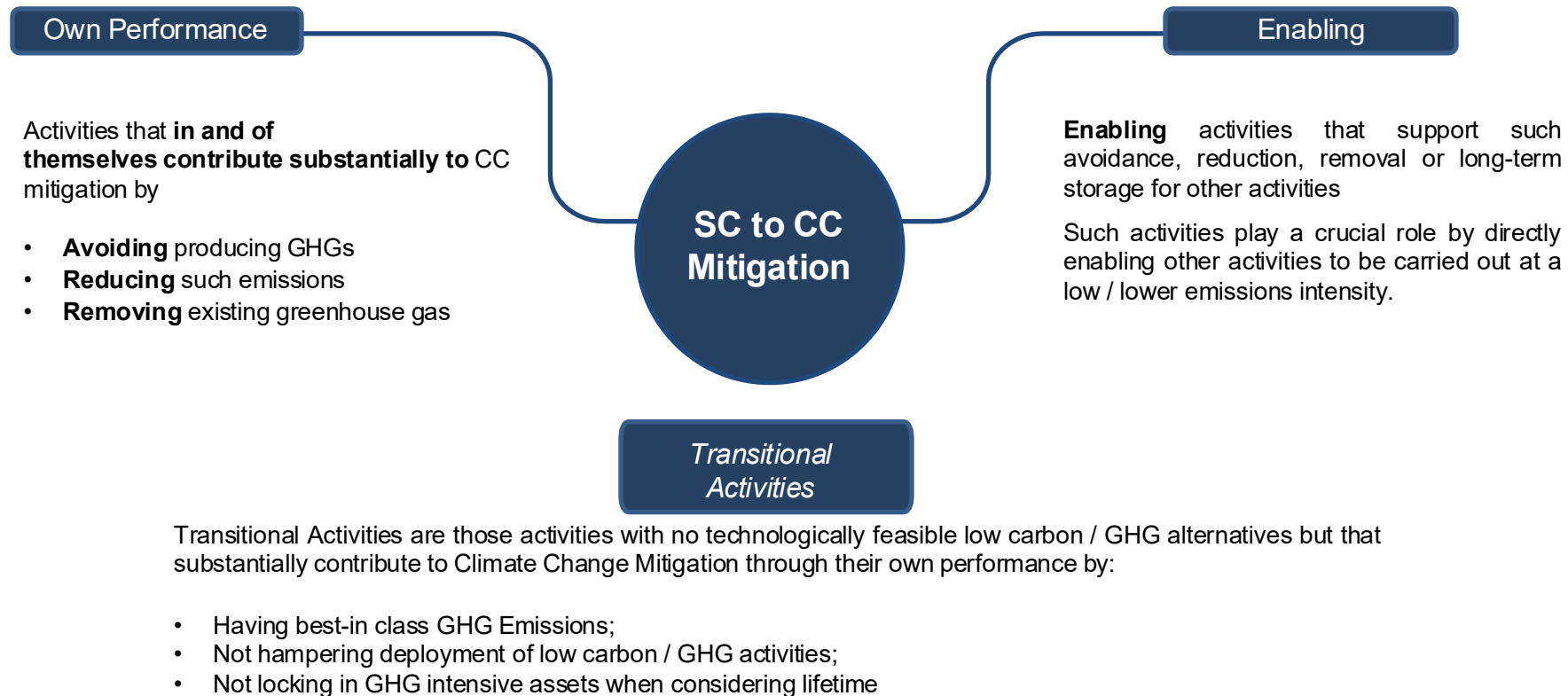




# Annexure



# Substantial Contribution to CC Mitigation



# Substantial Contribution to CC A&R

## Own Performance

Activities that **in and of themselves contribute substantially by:**

1. Reducing the risk and vulnerability to climate hazards.
2. Reducing or preventing the adverse impact of current and future climate risks and hazards on the activity itself or on nature, assets and peoples (system level).
3. Improve the adaptive capacity and strengthen resilience of assets, people

## SC to CC A&R

## Enabling

**Enabling** activities that remove barriers to adaptation and activities to contribute via their own performance .

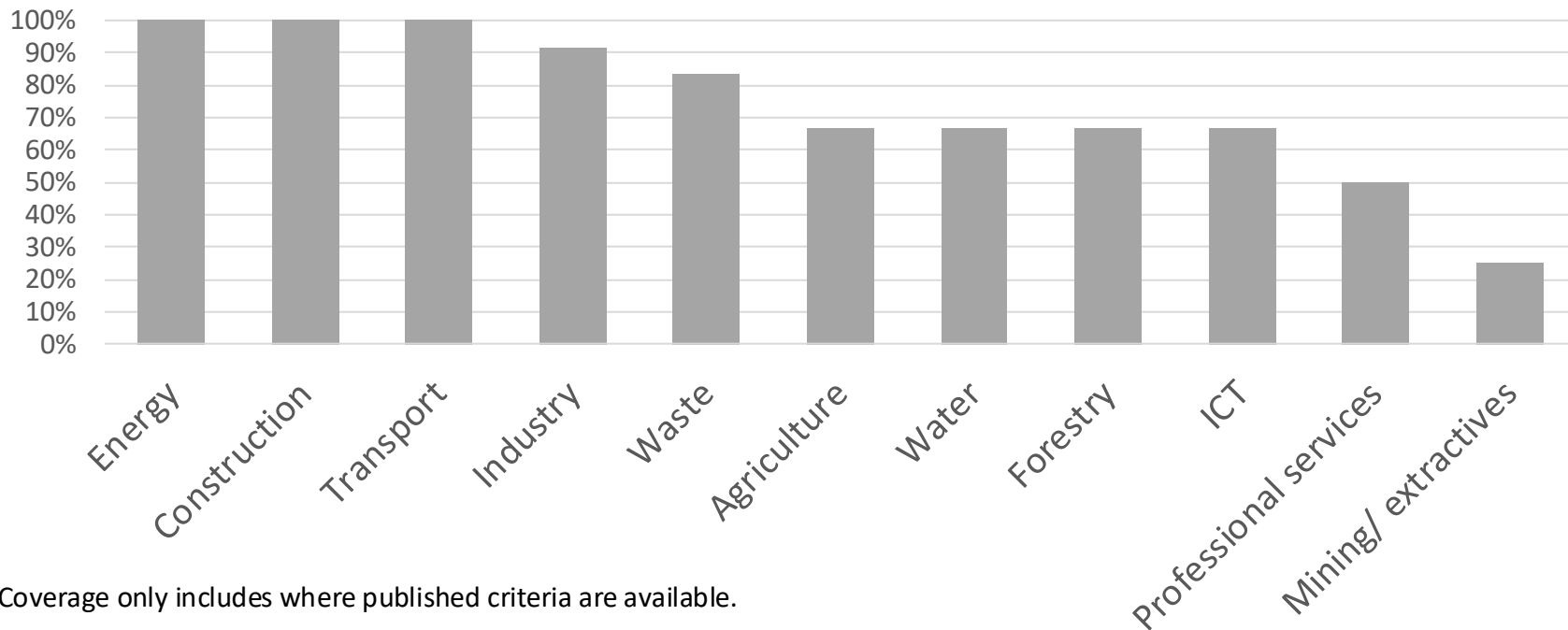
## Key Aspects

1. Reducing material physical climate risks identified through a risk assessment.
2. Interdependencies between the project and the system need to be determined
3. Measures should do no significant harm to the resilience of the defined system
4. Consideration should be given to the viability of 'green' or 'nature-based-solutions' over 'grey' measures to address adaptation.
5. adaptation measures are consistent with sectoral, regional, and/or national adaptation efforts.
6. Monitoring the reduction in risks through a system of indicators
7. Monitoring resilience/improvement of assets, people

## Singapore and Australia (1)

	Conceptual Wireframe	Objectives	Sectors
<b>Australia</b>	<p>Technical Screening Criteria for climate change mitigation (Green, Amber, Red)</p> <ul style="list-style-type: none"> <li>• Criteria for Do No Significant Harm</li> <li>• Criteria for Minimum Social Safeguards</li> </ul>	<p>Climate change mitigation initially, with a view to incorporating other environmental and social criteria over time.</p>	<ul style="list-style-type: none"> <li>• Built environment and construction</li> <li>• Minerals, mining, and metals</li> <li>• Energy</li> <li>• Agriculture</li> <li>• Manufacturing</li> <li>• Transport</li> </ul>
<b>Singapore</b>	<p>Technical Criteria, using a traffic-light system.</p> <ul style="list-style-type: none"> <li>• Criteria for Do No Significant Harm</li> <li>• Criteria for Minimum Social Safeguards</li> </ul>	<ul style="list-style-type: none"> <li>• Climate Change Mitigation</li> <li>• Climate Change Adaptation</li> <li>• Protect Healthy Ecosystem and Biodiversity</li> <li>• Promote Resource Resilience and circular economy</li> <li>• Pollution Prevention and Control</li> </ul>	<ul style="list-style-type: none"> <li>• Energy</li> <li>• Real Estate and Construction</li> <li>• Transport</li> <li>• Agriculture and Forestry</li> <li>• Industry</li> <li>• Waste and Water</li> <li>• Information and Communications</li> <li>• Technologies</li> <li>• CCS</li> </ul>

## Sector coverage



Sample of 12 taxonomies: EU, China, Mexico, ASEAN, Singapore, Colombia, Rwanda, South Africa, Panama, Climate Bonds Initiative, Australia, Brazil



## India: Developments So Far

- Draft Concept Note circulated
- Technical Sectoral Committees formed and have met once
- Second round of TSC meetings started

The framework has been prepared based on

- The consultations and inputs received on the initial concept note.
- Existing taxonomies from various countries, regions, and organizations have also been reviewed

with respect to the objectives, principles and approach.

## Next Steps

Comments by 25th June 2025 with the Subject “Comments on the Draft Framework for the Taxonomy” in the format shared by DEA.

After consideration of comments DEA will release the Framework of India’s Climate Finance Taxonomy.