What is Green Taxonomy?

April 29, 2024 • vajiramandravi.com

About Green Taxonomy:

- A green taxonomy is a **framework for defining** what can be called **environmentally sustainable investments.**
- It is a **classification system** that **defines which economic activities** and assets **are "green"** or environmentally sustainable.
- Green taxonomies are useful instruments, and they have several complementary purposes:
    - Taxonomies help **prevent greenwashing**;
    - Taxonomies **help investors make informed investment decisions**; and
    - Taxonomies **channel investment toward** sustainable or **green economic activities** and assets.
- Structurally, all taxonomies are similar. So far, they all **include the goals of climate mitigation and adaptation**, and some **also include other environmental objectives** such as biodiversity conservation, for example.
- To be considered green, an activity must substantially contribute to at least one of the environmental objectives.
- **Often, taxonomies also include "do no significant harm" criteria** (i.e., an activity that substantially contributes to one environmental objective should not harm another environmental objective) and **social safeguards** (i.e., compliance with human rights).

- **Some taxonomies only definewhat is green,** and **others,** such as the recently launched Indonesian taxonomy or the proposed Singaporean taxonomy, **use a "traffic light" approach,** where the **economic activities are split into different categories** (i.e. green, amber, or red) to classify their environmental sustainability.

What is Greenwashing?

- It is the process of **conveying a false impression** or **misleading information about how a company's products are environmentally sound**.
- Greenwashing involves making an unsubstantiated claim **to deceive consumers into believing that a company's products** are environmentally friendly or **have a greater** positive **environmental impact than they actually do**.
- In addition, greenwashing may occur when a company attempts to **emphasize sustainable aspects** of a product **to overshadow its i**nvolvement in **environmentally damaging practice**s.

Companies can also greenwash initiatives **with vague claims** that **don't provide real data** or scientific validation for the claims.

Q1: What is the Association of Southeast Asian Nations (ASEAN)?

It is a regional intergovernmental organisation of ten Southeast Asian countries. It was established on 8 August 1967 in Bangkok, Thailand, with the signing of the ASEAN Declaration (Bangkok Declaration). Member States: Indonesia, Malaysia, Philippines, Singapore, Thailand, Brunei, Laos, Myanmar, Cambodia and Vietnam. It promotes intergovernmental cooperation and facilitates economic, political, security, military, educational, and sociocultural.

Source: Towards a green growth: On the RBI and a green taxonomy

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