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Protection Policy Strategy for Green Bond Investors Against the Risk of Greenwashing Practices in the Capital Market

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Abstract
The Green Bond is a financial instrument designed to raise funds for projects that are environmentally sustainable. It is governed by the Financial Services Authority Regulation Number 60/OJK.04/2017, which outlines the issuance and requirements for Environmentally Friendly Debt Securities (Green Bond). Nevertheless, the criteria for evaluating the viability of green projects remain inadequately defined in POJK 60/OJK.04/2017. Issues and practices related to sustainability have emerged as vital components and trends that garner global attention. In their business operations, companies must consider not only economic factors but also the importance of sustainability practices. This research aims to examine how corporate sustainability practices, viewed through the lens of the 3Ps (Profit, Planet, People), influence the decision to issue green bonds and their subsequent effect on company performance. The legal research conducted is of a normative juridical nature, employing a legislative approach, a conceptual approach, and a comparative approach. The anticipated outcome of this study is the identification of a protective policy strategy for Green Bond investors against the risks associated with greenwashing practices in the Indonesian Capital Market. A significant policy enacted by the Government is the Minister of Industry Regulation No. 51/M-IND/PER/6/2015. This standard acts as a guideline and foundation for industry stakeholders when formulating agreements on various matters, including production processes, raw materials, energy consumption, methodologies employed, waste management, and other relevant aspects. However, this regulation has not been effectively enforced due to the absence of specific rules addressing prohibited actions related to greenwashing practices. Consequently, the Government must develop a specific, centralized policy to regulate greenwashing in Indonesia to safeguard consumers.

Keywords: Policy Strategy, Legal Protection for Green Bond Investors, Greenwashing Practices

Introduction

The shift towards a sustainable national energy system represents one of the primary challenges confronting Indonesia's ongoing development. This initiative commenced with the 2015 Paris Agreement, which confirmed that in order to tackle global climate change, the countries involved committed to restricting the pace of global temperature rise.[1] Indonesia, as one of the countries involved in the Paris Agreement, has ratified the agreement through Law Number 16 of 2016.[2] The objective of addressing global climate change can be realized through a singular approach, specifically by advancing clean and eco-friendly energy sources, which are facilitated by New Renewable Energy (NRE).

These modifications directly affect the livelihoods and socio-economic conditions of communities that rely heavily on environmental stability and predictability. Therefore, tackling climate change and lowering greenhouse gas emissions is

[1] Faris Faza Ghaniyyu dan Nurlina Husnita. "Upaya Pengendalian Perubahan Iklim Melalui Pembatasan Kendaraan Berbahan Bakar Minyak di Indonesia Berdasarkan Paris Agreement". Morality: *Jurnal Ilmu Hukum* Vol. 7 No.1 (2021): 113.

[2] Indonesia, Undang-Undang Nomor 16 Tahun 2016 tentang Pengesahan Paris Agreement to the United Nations Framework Convention on Climate Change (Persetujuan Paris Atas Konvensi Kerangka Kerja Perserikatan Bangsa-Bangsa mengenai Perubahan Iklim), Lembaran Negara Republik Indonesia Tahun 2016 Nomor 204, Tambahan Lembaran Negara Republik Indonesia Nomor 5939.

essential for safeguarding ecosystems and human life. It is imperative to implement mitigation and adaptation strategies to counteract the adverse impacts of climate change, while also creating sustainable solutions that bolster community livelihoods and sustainability, enhancing their resilience to unavoidable environmental changes.[3]

The Intergovernmental Panel on Climate Change (IPCC) reported that over the 15-year period between 1990 and 2005, greenhouse gas emissions caused an increase in global temperatures on Earth of about 0.15°C to 0.3°C.[4] Without the concerted efforts of governments, the private sector, and communities to alter lifestyles reliant on fossil fuels that emit high levels of carbon, we will encounter a dire situation in the decades ahead. Consequently, the United Nations Framework Convention on Climate Change (UNFCCC) developed an amendment referred to as the Kyoto Protocol.

The primary objective of establishing the UNFCCC is to evaluate the necessary measures to be taken in order to mitigate global warming.[5] Therefore, it is crucial to take steps to reduce greenhouse gas emissions and enhance environmental sustainability in order to minimize the negative impacts caused by climate change. Various strategies can be implemented, such as utilizing renewable energy, improving energy efficiency, developing sustainable transportation systems, and reducing dependence on fossil fuels.[6]

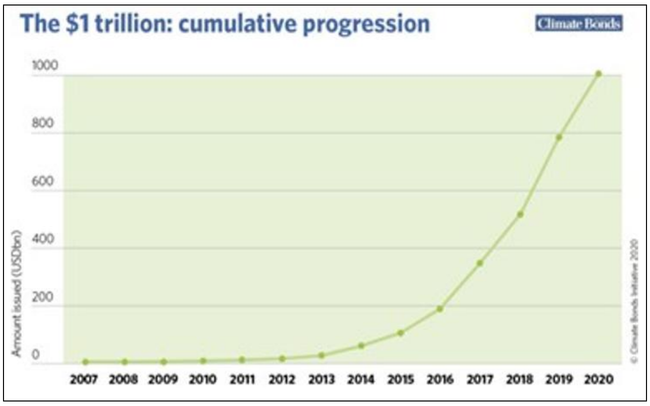
Companies must take into account various aspects in their operations to survive and maintain sustainability in the business world. Current global and industrial developments indicate a rise in environmental issues caused by climate change and industrial waste. The increasingly serious threats to the climate and environment have prompted society to accelerate the transition towards more sustainable development. Sustainability issues and practices have now become a primary focus worldwide.

Steps that can be taken to ensure sustainability include creating and maintaining conditions where humans and nature can coexist harmoniously and productively, in order to support both current and future generations. Sustainability practices are reflected in reports that outline the impacts companies have on economic, environmental, and social aspects, including both positive and negative contributions made. Referring to the triple bottom line approach introduced by John Elkington in 1990 as an accounting framework, companies must consider three key elements: profit, people, and planet. These three elements are interconnected, as society heavily relies on the economy and the profitability of businesses. Salas-Zapata and Ortiz-Muñoz assert that sustainability depends on society, the environment, and the global ecosystem.[7]

Sustainability involves the integration of social and ecological criteria that guide human behavior and the production of goods, aiming to achieve environmental, economic, and social objectives. The implementation of sustainability is based on The Paris Agreement and the 2030 Sustainable Development Goals (SDGs), which include commitments to address environmental challenges. One such commitment is the issuance of financial instruments known as green bonds. This instrument is based on a report released by the Climate Bonds Initiative regarding the ASEAN Green Finance State of the Market 2019.[8] Green bonds are debt instruments utilized to finance projects, assets, and activities that promote climate change adaptation and mitigation. Green bonds are a well-known instrument in the global market, having been introduced in 2007 when the European Investment Bank issued green bonds, also known as climate awareness bonds, worth EUR 1 billion.

However, the trend of issuing green bonds is just beginning to gain momentum in various developed countries, as global investor awareness of environmentally-focused instruments increases, as illustrated in the image below:

Global Growth of the Green Bonds Market



Source: www.climatebonds.net

According to Fig 1, it is evident that the global green bond market has shown remarkable growth. Since its inception in 2007, this market has experienced an annual growth rate that has nearly peaked after thirteen years, reaching 95%.

However, in developing countries, the market is still in its early stages, and the existing potential seems not to be fully recognized. This potential[9] is highlighted due to several key

[3] Ulfa, M. (2018). Persepsi masyarakat nelayan dalam menghadapi perubahan iklim (ditinjau dalam aspek sosial ekonomi). *Jurnal Pendidikan Geografi*, 23(1), 41-49.

[4] Mulyani, A. S. (2021). Antisipasi Terjadinya Pemanasan Global Dengan Deteksi Dini Suhu Permukaan Air Menggunakan Data Satelit. *Jurnal Rekayasa Teknik Sipil dan Lingkungan-CENTECH*, 2(1), 22-29.

[5] Gunawan, B., & Meiranto, W. (2020). Pengaruh Jenis Industri, Ukuran Perusahaan, Profitabilitas, dan Kepemilikan Pemerintah Terhadap Pengungkapan Emisi Gas Rumah Kaca (Studi Empiris Pada Perusahaan Sektor Non Keuangan yang teratat di Bursa Efek Indonesia (BEI) 2015-2017). *Diponegoro Journal of Accounting*, 9(4).

[6] Stefanus Dimas R. Saputro, Tinjauan Sistematis: Green Bonds di Asean dan Tantangan Yang Dihadapi, 6th NCBMA 2023 (Universitas Pelita Harapan, Indonesia) "Business Analytics and Artificial Intelligence for Supporting Business Sustainability" 31 Mei 2023, Tangerang.

[7] Salas-Zapata, W. A., & Ortiz-Muñoz, S. M. (2019). Analysis of meanings of the concept of sustainability. *Sustainable Development*. https://doi.org/10.1002/sd.1885

[8] Climate Bonds Initiative. (2019). ASEAN green finance state of the market. https://www.climatebonds.net/files/reports/cbi_asean_sotm_2019_final.pdf

[9] Banga, J. (2019). The green bond market: A potential source of climate finance for developing countries. *Journal of Sustainable Finance and Investment*. https://doi.org/10.1080/20430795.2018.1498617

barriers in developing nations, such as the lack of appropriate institutional regulations for managing green bonds, issues regarding minimum size, and the high transaction costs associated with issuing green bonds. Maltais dan Nykvist[10] in their study, state that the incentives for organizations to engage in the green bonds market are often driven by business strategies rather than financial performance.

The growing attention to environmental issues is prompting companies to adopt environmentally responsible practices. This can be achieved by implementing sustainable management systems or by leveraging brand image and environmentally conscious marketing strategies. [11] Environmental concerns have encouraged consumers to be more proactive and discerning in their choices of eco-friendly products. As consumer interest in sustainable products and services rises, manufacturers have invested significant effort in marketing and selling items deemed "eco-friendly."[12]

This study aims to explore the role of corporate sustainability in the context of green bond issuance, focusing on three main aspects: profit, planet, and people. In light of the growing global attention to sustainability and the rise of green investments in Asia through green bonds, this research will analyze the impact of green bond issuance on the performance of the issuing companies. This study builds upon previous research that primarily analyzed the effects of green bond issuance on corporate performance.

This study differs from previous research as it analyzes companies in Asia that issue green bonds and examines the role of the 3Ps in the issuance of green bonds.[13] Research on green bonds in Indonesia has also been conducted to understand the role and potential of this instrument in supporting sustainable development. For instance, a publication by the National Research and Innovation Agency (BRIN) presents the developments of green bonds in Indonesia, along with the challenges and opportunities they face in financing sustainable projects. [14] Meanwhile, research conducted by Guild[15] examines the challenges and opportunities for developing green bonds in emerging countries like Indonesia. However, most of these studies tend to focus on single case analyses or specific sectors, which limits their ability to provide a comprehensive overview of the challenges and opportunities faced on a broader scale.

To address this knowledge gap, this research aims to conduct a comprehensive literature review of existing literature, focusing on the concepts, implementation, impacts, and challenges associated with the development of green bonds. Through this literature review, the study is expected to enhance understanding of the concepts and implementation of green bonds. The practical contribution of this research is to provide more technical guidance for policymakers in designing and implementing environmentally friendly green bond development strategies, which will subsequently play a role in sustainable financial development and environmental preservation in Indonesia. The starting point of the thoughts expressed in the background of the aforementioned issues, in order to facilitate the research, will specify the background by identifying the problems that will subsequently be formulated as questions in this article, namely: 1). What are the Policy Protection Strategies for Green Bond Investors Against the Risks of Greenwashing Practices in the Indonesian Capital Market?and 2). What challenges are faced in the implementation of policy strategies for the protection of green bond investors against the risks of greenwashing practices in the Indonesian capital market ?. The implementation of protection policies for Green Bond investors against the risks of greenwashing practices in the Indonesian capital market aims to provide a sense of fairness, certainty, and benefit for Green Bond investors regarding the risks associated with greenwashing.

Research Method

Legal research possesses unique characteristics that distinguish it from other types of research, particularly in its methodology. In the field of law, the research method is a fundamental component that is inherently integrated. This is due to the fact that the legal research method serves the purpose of analyzing the legal issues being investigated.[16] This research employs a legislative approach, a conceptual approach, and a comparative approach.

Discussion

1. Investor Protection Policy for Green Bonds Against Greenwashing Risks in the Indonesian Capital Market

The development of the financial sector, including the capital market, cannot be achieved solely by one country. This indicates that the advancement of the capital market in Indonesia must align with global capital market trends and even refer to the political direction of the global market. This is due to the current capital market system, which has evolved into a universal system. From another perspective, it is evident that a country's development should not only focus on the economy and human resources but must also consider environmental sustainability.

Awareness of this orientation is driven by a global consciousness regarding the significance of sustainable

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[10] Maltais, A., & Nykvist, B. (2021). Understanding the role of green bonds in advancing sustainability. *Journal of Sustainable Finance and Investment*, *11*(3), 233–252. https:// doi.org/10.1080/ 20430795.2020.1724864

[11] Berrone, P., Fosfuri, A., Gelabert, L. (2017). Does greenwashing pay off? Understanding the relationship between environmental actions and environmental legitimacy. Journal of Business Ethics, 144, 363–379.

[12] Alvin, Pengaruh Green Perceived Value, Green Product Innovation, Green Self Identity, Brand Credibility terhadap Green Purchase Intention Melalui Green Brand Equity pada Produk Skin-Care Korea di Indonesia. *Jurnal Manajemen Bisnis dan Kewirausahaan*, 2 (6), (2019), 40-43. Doi: 10.24912/jmbk.v2i6.4906

[13] Zhou, X., & Cui, Y. (2019). Green Bonds, Corporate Performance, and Corporate Social Responsibility. *Sustainability*, *11*(23). https://doi.org/10.3390/su11236881

[14] Prisandy, R. F., & Widyaningrum, *WGreen bond in Indonesia: the challenges and opportunities. In Indonesia Post-Pandemic Outlook: Rethinking Health and Economics PostCOVID-19*. (Jakarta, Penerbit BRIN. 2022). https://doi.org/10.55981/brin.537.c529

[15] Guild, J. The Political and Institutional Constraints on Green Finance in Indonesia. *Journal of Sustainable Finance and Investment*, 10(2), (2020). 157–170. https://doi.org/10.1080/20430795.2019.1706312

[16] Peter Mahmud Marzuki, *op.cit*, h. 213.

development. Similarly, a financial instrument focused on sustainable development has emerged in the capital market.[17] Currently, every development initiative across various countries adheres to the Sustainable Development Goals (SDGs). The SDGs represent a long-term global program initiated by the United Nations (UN) aimed at maximizing the potential and resources of each nation. There are 17 (seventeen) goals that need to be achieved under the SDGs. The Indonesian government has committed to and is actively participating in the success of the SDGs, one of the ways being the enactment of Presidential Regulation Number 59 of 2017 concerning the Implementation of Achieving Sustainable Development Goals.[18]

Based on the SDG Index Score, Indonesia's position has shown progress in achieving the Sustainable Development Goals, ranking 97th out of 165 countries. The SDG concept also influences the financial industry, which is developing sustainable financial systems. One aspect formulated within the sustainable financial system is the roadmap for finance, where the OJK, as the financial services authority, must outline a work program known as the sustainable financial framework. The Roadmap for Sustainable Finance includes four main principles: risk management principles, sustainable priority economic sector development principles, environmental and social governance and reporting principles, and capacity enhancement and collaborative partnership principles.[19]

As a follow-up to the roadmap for Sustainable Finance, POJK 60/POJK.04/2017 concerning Green Bonds has been published. Article 1, point 2 states that a Green Bond, also known as an Environmentally Sustainable Debt Security, is a debt security where the funds raised from its issuance are utilized for financing or refinancing part or all of the activities related to environmentally sustainable initiatives. The Green Bond instrument has rapidly evolved, with one notable instance being the Indonesian government's issuance of the world's first green sukuk worth USD 1.27 billion in 2018, and by 2019 and 2020, the total reached USD 2.75 billion.[20] According to data from the Indonesia Stock Exchange (IDX), the issuance of green bonds remains insignificant compared to other debt instruments such as bonds and sukuk. In the first half of 2024, out of 45 debt issuances, there were three transactions involving green bond issuances.

In 2022, Indonesia hosted the G-20 summit. One of the key topics discussed during Indonesia's G-20 Presidency was sustainable energy transition, which undoubtedly requires significant funding. Therefore, a solution for this funding is through investments using Green Bonds. In the same year, the Indonesian House of Representatives was drafting a Bill on New and Renewable Energy (EBT Bill) that has been included in the National Legislative Program for 2022. Consequently, there have also been various discussions about incorporating green bonds into the EBT Bill. There are several considerations regarding the proposal to include green bonds in a legal framework with a higher hierarchy, namely laws (UU), which are as follows:

1. The current development of green bonds is progressing rapidly. However, to support green bonds as a financial instrument in the capital market, a robust legal framework is necessary within the theory of investment law.[21] A robust legal framework refers to the legal system within the capital market sector. Its purpose is to offer legal protection and certainty to the public, particularly to investors. By ensuring legal protection and certainty for investors, it is anticipated that public trust in the capital market itself will be enhanced.[22]
2. Article 47 of the Renewable Energy Bill states that both the Central and Regional Governments are obligated to support research and development of New and Renewable Energy, which includes funding. Consequently, Green Bonds can serve as one of the solutions for financing renewable energy sources.

This discussion aims to understand the legal concept of Green Bonds in Indonesia. One way to achieve this is by examining the considerations outlined in the legal framework for Green Bonds in Indonesia, specifically the Financial Services Authority Regulation Number 60/POJK.04/2017 concerning the Issuance and Requirements of Environmentally Sustainable Debt Securities / Green Bonds (POJK Green Bond). In Indonesia, one of the financial institution systems is the Capital Market, where one of the instruments traded is Bonds.[23]

Following the enactment of the POJK Green Bond, it is anticipated that the Capital Market will implement sustainable finance principles as a manifestation of Law Number 32 of 2009 concerning the Protection and Management of the Environment. This aims to develop and apply economic instruments related to environmental issues, including planning for development and economic activities (such as policies that support the environment), funding for environmental initiatives, as well as incentives and/or disincentives. One of the legal foundations of OJK Regulation Number 60/POJK.04/2017 is Law Number 8 of 1995 regarding the Capital Market. In this law, we can observe that its existence arose because the regulations in the Capital Market sector at that time still referred to Law Number 15 of 1952 concerning the establishment of the "Emergency Law on the Stock Exchange (State Gazette of

[17] Budi Endarto, Fikri Hadi, Nur Hidayatul Fithri, Politik Hukum Green Bond di Indonesia the Politic of Law on Green Bond in Indonesia, *Jurnal Bina Hukum Lingkungan*, Volume 7, Nomor 1, Oktober 2022, Doi: https://doi.org/10.24970/bhl.v7i1.303

[18] Fahmi Irhamsyah. "Sustainable Development Goals (SDGs) dan Dampaknya Bagi Ketahanan Nasional". *Jurnal Kajian Lemhanas RI*. 38 (2019): 46-47.

[19] Nadiyah Amatul Haq. dkk., "Promoting Sustainable Financial System in Indonesia Towards SRI-KEHATI Index", *SSRN Electronic Journal* (2019): 2.

[20] Kementerian Keuangan Republik Indonesia. Studi Mengenai Green Sukuk Ritel di Indonesia. Jakarta: Direktorat Jenderal Pengelolaan Pembiayaan dan Risiko, Kementerian Keuangan, 2020.

[21] Irsan Nasarudin dan Indra Surya, *Aspek Hukum Pasar Modal Indonesia*, Jakarta: Kencana Prenada Media Group,2011, 32-37.

[22] Budi Endarto, "Hakekat Kewajiban Konsultan Hukum Sebagai Profesi Penunjang Pasar Modal Dalam Penyusunan Legal Due Diligence yang Independen", Disertasi: Doktor Ilmu Hukum, Universitas 17 Agustus 1945 Surabaya, (2020): 5.

[23] Noviasih Muharam, "Perlindungan Hukum Bagi Investor Dalam Pembelian Kembali Sahamnya", *Jurnal Ilmu Hukum (JIH) Pranata Hukum* 13, no. 1, (2018): 62.

1951 Number 79) as a law." This law is no longer aligned with the economic developments of the 1990s.

To achieve a sustainable green economic transition in the mining sector, it is crucial to provide incentives to renewable and environmentally friendly energy companies to ensure benefits for all stakeholders. Additionally, the government must ensure that the relevant authorities effectively monitor the review process to guarantee the targeted use of financing.[24] Therefore, the Indonesian government must recognize the potential of infrastructure in developing a sustainable green economy. Strengthening collaboration in the transition to green energy with the private sector and relevant financial institutions is essential to enhance innovation in this financial field. This also aligns with the implementation of Law No. 4 of 2023 concerning the Development and Strengthening of the Financial Sector, which serves as a robust legal foundation to promote financial innovation.

This principle emphasizes the optimization of resources, minimizing environmental impact, and responsibly managing waste.[25] The implementation of sustainability principles in the mining sector can assist companies in reducing negative environmental effects while enhancing their reputation and competitiveness in an increasingly demanding global market for eco-friendly products. To achieve a transition towards a green economy in sustainable mining, it is crucial to provide incentives for renewable and environmentally friendly energy companies to benefit all stakeholders. Furthermore, the government must ensure that the relevant authorities effectively oversee the review process to guarantee targeted financing utilization.[26] Therefore, the Indonesian government must take into account the potential of facilities and infrastructure when developing a sustainable green economy in the mining sector.

The Financial Services Authority (OJK) regulation, specifically POJK No. 18/POJK.04/2023 concerning debt securities and/or environmentally friendly sukuk, has established a legal foundation for the issuance of green bonds in Indonesia. However, this regulation remains sectoral and has not been comprehensively integrated into the national legal system, particularly regarding fiscal policy, environmental considerations, and foreign trade. The absence of specific legislation governing green bonds also results in weaknesses in enforceability, fiscal incentives, and legal protection for investors.

2. Challenges Faced in Implementing Policy Strategies for Protecting Green Bond Investors Against Greenwashing Risks in Indonesia's Capital Market

The global economic recovery is encountering various challenges due to the effects of aggressive monetary policies in developed countries. Global economic uncertainty remains high, accompanied by uneven recovery risks and a shift in global growth sources from several key nations. Some countries continue to demonstrate resilience amid the relatively declining global commodity prices, alongside increased domestic consumption and positive trade performance. Meanwhile, other nations are still experiencing a slowdown in recovery due to the impacts of re-opening that did not meet expectations, inflation rates remaining above targets—particularly in food inflation—ongoing economic and geopolitical fragmentation, technological disruptions, and other negative factors that have accumulated from aggressive policies in developed countries over the past three years.

The potential for debt traps poses a risk that must be monitored moving forward. Difficulties in accessing foreign financing and high bank interest rates could have negative repercussions for Emerging Markets, which are perceived to have high levels of debt, potentially undermining economic prospects. From a domestic viewpoint, Indonesia's economy remains robust due to a combination of economic indicators that reflect improvement, reinforcing the signs of successful economic recovery policy responses. Amidst the instability of the global economic landscape, Indonesia's economy continues to be well-monitored, bolstered by strong domestic demand and stable export performance.

The improvement of the domestic economy is also fueled by maintained optimism in the real sector, such as the recovery of consumer confidence, the expansion of the Manufacturing Purchasing Managers' Index (PMI), and the continued surplus in the current account. Indonesia's inflation is gradually decreasing and at a faster rate than anticipated, a situation that is also supported by stability measures as well as government and financial sector incentives to sustain recovery prospects. In response to these challenges, to optimize the role of digital economy and finance in the national economy, five supporting policy proposals have been put forward to complement the main policies at the national level.

1. Strengthening digital regulations based on the principle of shared responsibility between authorities and relevant associations to achieve effective regulation that facilitates market entry while simultaneously enhancing discipline within the existing industrial ecosystem.
2. Implementing inclusive and decentralized digital education and training programs across various regions.
3. Optimizing digitalization in the development of an efficient and integrated logistics system.
4. Integrating digital capacity-building programs for MSMEs to enhance uniqueness and competitiveness.
5. Continuing the development of strategic digital infrastructure that also supports the expansion of digital literacy and financial inclusion at the national level.[27]

Confronting multidimensional challenges, efforts to accelerate the green economy in Indonesia must be carried out integratively, including through a two-pronged approach that involves various interconnected directions. This approach encompasses enhancing the participation of the financial sector in supporting the development and deepening of markets for various environmentally related instruments, as well as strengthening the productivity of the real sector to boost economic capacity in promoting

[24] Mihálovits, Z., & Tapaszti, A. Green Bond, the Financial Instrument that Supports Sustainable Development. Public Finance Quarterly. 2018.

[25] Priyadarshi, Harit, Nasim, B. N. Dubey and Meenali Modi. "Green Mining: Environmental Ethics in Mining Engineering." *Tuijin Jishu/Journal of Propulsion Technology* (2023): n. page.

[26] Mihálovits, Z., & Tapaszti, ibid, p.34.

[27] ISEI, Kajian Kebijakan Publik 4.0: Peran Isei Memperkuat Sinergi Untuk Ketahanan dan Kebangkitan Ekonomi Menuju Indonesia Maju, Pengurus Pusat Ikatan Sarjana Ekonomi Indonesia, 2023, h.xvii.

alternative green-based business activities. The optimization strategy for the green economy mentioned above aligns with the initiatives being undertaken by the government to ensure a balanced, fair, and transparent transition process towards a green economy.

Companies must take into account various aspects when conducting their business to ensure survival and maintain sustainability in the marketplace. The current global era and industrial developments indicate that an increasing number of environmental issues are arising due to climate change and industrial waste. The escalating climate and environmental shocks that threaten the existence of living beings have prompted society to hasten the transition towards more sustainable development. Sustainability issues and practices have now become a trend that captures global attention. Efforts to ensure sustainability can be made by creating and maintaining conditions where humans and nature can coexist harmoniously and productively, supporting both current and future generations.

Changes in consumption patterns that once focused on price and functionality are now beginning to take into account sustainability and the environmental impact of purchased products. This phenomenon has led to the emergence of various products claimed to be "environmentally friendly," "eco-friendly,"[28] and "sustainable," or that have a minimal carbon footprint. These labels often serve as a primary attraction in marketing strategies aimed at environmentally conscious consumers or have a minimal carbon footprint. These labels often serve as a key attraction in marketing strategies aimed at environmentally conscious consumers. However, in reality, not all of these claims are backed by scientific evidence or verifiable certifications.

However, in reality, not all of these claims are backed by scientific evidence or verifiable certifications. Amidst the surge of environmentally friendly marketing, a practice known as greenwashing has emerged.[29] Greenwashing refers to the practice where companies, organizations, or other entities attempt to make claims or create the impression that their products or services are environmentally friendly or sustainable, while in reality, these claims do not hold true. This term is often used in the context of marketing or branding, where the entity seeks to cultivate a positive image related to sustainability without taking genuine actions to mitigate the environmental or social impacts of their products or services. It may involve the use of terms such as "environmentally friendly," "sustainable," or "green" without substantial backing from actual practices that support these claims. Greenwashing can mislead consumers and blur the lines between truly sustainable products and those that are not.[30]

Sustainable finance can also take the form of issuing green bonds, which are bonds where the funds raised are allocated to projects that support sustainable goals, such as climate change mitigation or pollution reduction. Greenwashing in sustainable finance can occur when financial institutions use the labels "sustainable" or "green" to attract the attention of investors or consumers without meeting the standards that align with those claims. For instance, this may manifest as misleading marketing practices. When financial companies use the terms "sustainable" or "green" in their marketing strategies without providing concrete evidence or transparency regarding how their investments or products align with sustainable objectives, it can mislead investors and consumers.

Companies may make broad claims such as "we support sustainability" without providing specific information or evidence on how their investments or products genuinely contribute to sustainable goals. They might also manipulate data or statistics to make their investments or products appear more sustainable than they actually are. This can be achieved by highlighting achievements that are separate from overall performance or by using vague metrics. Additionally, companies may use terms like "green" or "sustainable" without obtaining certifications or independent verification to back up these claims. In the absence of external verification, such claims can become meaningless.

The importance of companies promoting their sustainability practices has grown alongside the increasing trend of implementing them across various industries. As a result of these marketing strategies, companies are likely to experience greater differentiation within their industry, thereby achieving higher profitability. However, it is quite rare for companies to rely heavily on attention-grabbing tactics, often referred to as gimmicks, without consistently demonstrating the level of environmental responsibility they claim to possess. This particular method has gained significant recognition thus far, often referred to as greenwashing.[31]

Green Business Bureau identifies seven concepts of greenwashing, commonly referred to as the seven sins of greenwashing. This explanation is presented in the table below.[32]

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[28] Alamsyah, D.P. Othman, N.A. Mohammed, H.A.A. "The Awareness of Environmentally Friendly Products: The Impact of Green Advertising and Green Brand Image." *Management Science Letters*. (10)9, 2020: 1961–1968. https://doi.org/10.5267/j.msl.2020.2.017

[29] Akturan, U. "How Does Greenwashing Affect Green Branding Equity and Purchase Intention? Empirical Research." *Marketing Intelligence and Planning*, (36)7, 2018: 809–824. Doi: https://doi.org/10.1108/MIP12-2017-0339

[30] Hartmann, P. Ibáñez, V.A. Sainz, F.J.F. "Green Branding Effects on Attitude: Functional Versus Emotional Positioning Strategies," *Marketing Intelligence & Planning*. (23)1, 2005: 9–29. https://doi.org/10.1108/02634500510577447

[31] Ahmed, A., Vij, D. S., Qureshi, S., & Nargis., S. (2022). Green Marketing or Greenwashing: An Illusion. International New York Academic Congress (4), 17-22.

[32] Raynold Sebastian Hasiholan Gultom, Muthia Sakti, Praktik Greenwashing: Perlindungan Hukum dan Tanggung Jawab Korporasi Ditinjau Dari Hukum Indonesia, *Jurnal Interpretasi Hukum* Vol. 4, No3, (2023), h. 626-641, Doi: https://doi.org/10.55637/juinhum.4.3.8331.626-641

Types of Greenwashing

Types	Definition
The Sin of the Hidden Trade Off	When corporations advertise a product as "green," yet the product has other features or employs methods that are not environmentally friendly.
The Sin of No Proof	Claims about the environment that lack strong evidence or reliable third-party certification.
The Sin of Vagueness	Claims that are unclear and poorly articulated, leading consumers to misunderstand them
The Sin of Worshiping False Labels	Claims that falsely apply third-party labels to products as certifications to deceive customers into believing that the product is endorsed by a trustworthy third party.
The Sin of Irrelevance	Accurate environmental statements that ultimately serve only to distract from the real issues at hand
The Sin of Lesser of Two Evils	When a product's claims are accurate, it diverts attention from more serious health or environmental issues.
The Sin of Fibbing	When claims are false or misleading.

Source: Green Business Bureau, 2021

Based on the explanation above, it can be concluded that the phenomenon of greenwashing has a significant impact. In a study published in the Harvard Business Review, Loannis Loannou [33] it is claimed that greenwashing negatively impacts various aspects of customer behavior, including customer satisfaction, brand reputation, brand loyalty, purchase intentions, and repeat purchases. In his research, Chen[34] explains that greenwashing creates a situation known as green consumer confusion, where consumers are perplexed because they cannot interpret the information gathered about the benefits of the products. This also affects people's attitudes towards green products and fosters a negative social climate.[35]

Independent verification and certification by credible third parties can assist in validating sustainability claims of products or investments. Independent certification can provide assurance to investors that sustainable claims are backed by actual practices. Furthermore, transparency and reporting must also be enhanced. Strengthening reporting and transparency requirements for financial companies, including the disclosure of complete and clear information about investments or products claimed to be 'sustainable', allows investors and the public to better assess the real impact of those investments. On the oversight side, collaboration among various parties is essential, involving stakeholders such as investors, civil society organizations, and academic institutions, to help strengthen oversight and improve accountability. Oversight should also be supported by law enforcement against greenwashing practices. The imposition of strict penalties on companies found to be engaging in greenwashing can serve as an effective deterrent against unethical practices.

The existing regulations tend to impose administrative or civil penalties, such as fines or other administrative sanctions, and rarely result in criminal consequences for companies found guilty. Consequently, there is no sufficiently robust mechanism to penalize companies that mislead consumers with false environmental claims. Furthermore, the legal void exacerbates the challenges in addressing greenwashing practices. These practices are often difficult to prove, particularly because companies exploit regulatory loopholes to make unverifiable environmental claims. Without specific regulations, courts lack a solid legal foundation to penalize companies that engage in fraud. This situation jeopardizes consumer protection and hinders efforts to maintain environmental sustainability.

Legal protection for consumers in Indonesia is fundamentally well-established, particularly through the Consumer Protection Law. This law encompasses several basic rights for consumers, including the right to comfort, safety, and security when consuming goods and/or services, as well as the right to receive accurate, clear, and honest information. These provisions become crucial when discussing greenwashing practices. In the context of legal protection, consumers are entitled to accurate information as stipulated in Article 4 letter c of the Consumer Protection Law. Furthermore, Article 8 paragraph (1) letter f of the Consumer Protection Law prohibits businesses from producing and/or trading goods and/or services that do not align with the claims or guarantees stated on labels, tags, or product descriptions.

This means that any method of conveying information that can mislead regarding the environmental characteristics of a product may be viewed as a violation of consumer rights. However, in practice, the enforcement of laws that explicitly address greenwashing is still quite rare, primarily due to a lack of understanding and specific legal references. Furthermore, Article 10 of the Consumer Protection Law prohibits businesses from producing and/or trading goods and/or services in a manner that is false and/or misleading. Therefore, businesses engaged in greenwashing may potentially violate more than one provision of the Consumer Protection Law.

Additionally, the government could consider issuing a Presidential Regulation or Ministerial Regulation that specifically addresses green labeling, including criteria, verification mechanisms, and penalties for violations. Furthermore, the synergy between consumer protection policies and national environmental policies needs to be strengthened. One way to achieve this synergy is by integrating oversight of greenwashing into the National Consumer Action Plan and the National Sustainability Action Plan. The government can also promote the establishment of independent verification bodies under the auspices of national certification agencies to ensure the quality and accuracy of environmentally friendly labels available in the market.

Enhancing institutional capacity is also crucial. Organizations such as BPKN and LPKSM must be provided with resources and training to identify greenwashing

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[33] Loannou, L., Kassinis, G., & Papagiannakis., G. (2022, July 21). How Greenwashing Affects the Bottom Line. *Retrieved from Harvard Business Review*: https://hbr.org/2022/07/how- greenwashing-affects-thebottom-line

[34] Chen, Y.-S., & Chang, C.-H. (2013). Greenwashing and Green trust: The Mediation Effects of Green Consumer Confusion and Green Perceived Risk. *Journal of Business Ethics* (114), 489-500.

[35] Moslehpour, M., Chau, K. Y., Du, L., Qiu, R., Lin, C.-Y., & Batbayar., B. (2023). Predictors of Green Purchase Intention Toward Eco-Innovation and Green Products: Evidence from Taiwan. *Economic ResearchEkonomska Istrazivanja*, 36(2), 1-22.

practices, conduct investigations, and educate the public. Furthermore, law enforcement and judges need to be introduced to the concepts and techniques of evidence in greenwashing cases to make fairer decisions based on scientific facts. In today's digital age, approaches that leverage information technology can also serve as a solution.

This approach indicates that combating greenwashing is not solely about prohibitions, but also involves strengthening the information systems and accountability of Indonesian producers. As a nation committed to the sustainable development agenda (SDGs), Indonesia should integrate the fight against greenwashing into its national strategy for sustainable consumption and production. It is insufficient to rely solely on general norms outlined in the UUPK and UU PPLH; the Indonesian government must establish more specific and progressive legal frameworks to address the increasingly complex and digital market realities. Furthermore, products with environmentally friendly claims are now marketed not only physically but also through e-commerce platforms, social media, and other online channels that have a very broad reach.

Conclusion

The Indonesian government has made efforts to develop the green bond market; however, the results have not yet been optimal. Regulations and technical policies have not been approved, remaining only as outlines or roadmaps. Challenges that have arisen include the low capacity and experience of financial institutions, an institutional design that does not yet accommodate the management of green bonds, and political interests. Investor diversification, investor loyalty, and the potential for innovation in the rapidly growing market are some of the advantages that can be leveraged from green bonds. Furthermore, the issuance of green bonds aligns with the political focus on sustainable growth and can enhance transparency and understanding regarding sustainable products/investments.

Considering the extensive scope of greenwashing, particularly in the context of the e-commerce era, it is crucial to recognize the significance of anti-greenwashing measures across various policy domains. This necessitates a revision of consumer protection laws and regulations. An examination of corporate errors in greenwashing can be facilitated through an analysis of product responsibility concepts, as well as the legislative framework governing environmental management and protection. In such situations, it is vital to hold corporations accountable for disseminating inaccurate or misleading environmentally friendly claims to consumers. The Environmental Protection and Management Act establishes a comprehensive legal structure regarding corporate responsibility for environmentally harmful greenwashing techniques. Furthermore, product responsibility principles can effectively hold corporations accountable for deceptive or false environmentally friendly statements made to customers. In this context, there is an urgent need to expand responsibility, regulate accountability concerning greenwashing practices, and develop a comprehensive understanding of corporations as business actors, recognizing that such practices are misleading actions.

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