

The Legal Aspects of Greenwashing in Indonesia and Its Relation Towards Corporate Social Responsibility

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Abstract

The growing public awareness of environmental issues has encouraged companies to implement Corporate Social Responsibility (CSR) as a form of social and environmental accountability. However, the rise of greenwashing a manipulative practice in which companies falsely claim to engage in environmentally friendly activities to build a positive image poses a serious challenge to the ethical implementation of CSR. This study aims to analyze the legal framework of greenwashing practices in Indonesia and to examine the corporate social responsibility in preventing and addressing them. The research employs a normative legal method with statutory and conceptual approaches. The findings indicate that although there is no specific regulation governing greenwashing in Indonesia, such practices can be sanctioned under Law No. 8 of 1999 on Consumer Protection and Law No. 32 of 2009 on Environmental Protection and Management. Furthermore, Law No. 40 of 2007 on Limited Liability Companies establishes CSR as a legal obligation rather than a voluntary action. Transparent, accountable, and sustainable CSR implementation serves as an effective preventive measure against greenwashing while strengthening public trust in corporations.

Keywords: *Corporate Social Responsibility, Greenwashing,
Environmental Law*

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A. Introduction

The With the rise of environmental issues and public awareness, many stakeholders are increasingly paying attention to environmental sustainability. Over the past decade, stakeholders such as investors, consumers, and governments have been putting pressure and demanding that companies produce environmentally friendly products. According to research by Nielsen Media Research, 66% of global consumers are willing to spend more to purchase environmentally friendly products.¹ Increasing public awareness, especially among consumers, of environmental issues has encouraged companies to compete to create environmentally friendly products.

To address these issues, corporate social responsibility (CSR) is gaining increasing attention among businesses. The concept of CSR can be understood as a company's efforts to integrate social and environmental concerns into its business activities. To achieve this integration, companies must be oriented toward sustainability and social responsibility, rather than solely economic aspects. Three main aspects (the triple bottom line) must be achieved: economic, environmental, and social performance, often known as people, planet, and profit.

Public awareness of sustainable development, which meets the needs of the present without compromising future generations, has encouraged companies to develop green marketing strategies. These strategies are implemented to demonstrate a positive corporate image to the public and consumers, as well as to integrate their social responsibilities. As the green market grows, so too does the number of consumers, capital markets, products, services, and companies oriented towards sustainable development. However, this positive movement, coupled with the rise of the green market, has also been accompanied by the emergence of the phenomenon of greenwashing.

Greenwashing can be understood as: The phenomenon of greenwashing then gives rise to green consumer confusion, a condition in which consumers experience confusion due to a failure to interpret information obtained regarding a product's benefits. This confusion arises from green claims issued by companies, which are actually made

¹ Netto et al., "Concepts and Forms of Greenwashing: A Systematic Review."

solely as a marketing strategy. This phenomenon causes consumers to perceive a greater risk of making mistakes when purchasing environmentally friendly products, even after paying a higher price. Therefore, legal protection mechanisms and corporate social responsibility are needed to address the phenomenon of greenwashing to protect the public, especially consumers.

This research is included in normative legal research which provides an explanation of the problem of legal norms, including the activities of describing legal norms, formulating legal norms (forming statutory regulations), and also enforcing legal norms.² A statutory approach was used because the research focuses on applicable laws and regulations. Furthermore, a conceptual approach was used to explain the concept of greenwashing and its implications for corporate social responsibility.

Furthermore, the phenomenon of greenwashing poses significant challenges to consumer protection and the strengthening of environmental regulations. This practice not only misleads consumers but also creates market distortions, where companies that genuinely operate environmentally friendly businesses can be disadvantaged by competitors who merely claim sustainability symbolically. This situation demands stricter law enforcement, including the imposition of administrative and criminal sanctions on companies found to be making false claims about environmentally friendly products. Several countries have begun implementing regulations specifically addressing greenwashing practices, for example, through requiring companies to provide independently verified sustainability reports and sanctions for providing misleading information to consumers. In Indonesia, although CSR and consumer protection regulations exist, their implementation and oversight still face various obstacles, such as limited resources and low legal awareness among business actors. This situation highlights the need for a regulatory strengthening strategy that is not only normative but also applicable in the field, including increasing the capacity of supervisory officials and providing education to consumers regarding their rights.

² I Made Pasek Diantha, *Metodologi Penelitian Hukum Normatif Dalam Justifikasi Teori Hukum*.

Beyond legal aspects, corporate social responsibility also plays a crucial role in preventing greenwashing. Companies that seriously implement CSR will not only focus on legal aspects but also emphasize transparency, accountability, and stakeholder involvement throughout their business processes. This approach can be realized through the regular publication of sustainability reports, certification of environmentally friendly products by independent institutions, and active consumer involvement in evaluating company claims. Strong CSR implementation will create added value for companies, including enhancing their reputation, consumer loyalty, and competitiveness in an increasingly environmentally conscious global market. In this context, green marketing should be viewed not merely as a promotional strategy, but as part of a company's commitment to real sustainable development. Companies that integrate triple bottom line principles into their green marketing strategies are more likely to build long-term relationships with consumers, reduce the risk of legal conflicts, and minimize potential losses from accusations of greenwashing.

Furthermore, greenwashing also has ethical implications that companies must consider. This practice creates injustice because it harms consumers who strive to make conscious choices for environmentally friendly products, while simultaneously reducing the incentive for other companies to invest in green innovation. From a business ethics perspective, greenwashing can be categorized as a violation of the principles of honesty, fairness, and social responsibility. Therefore, companies need to develop an organizational culture that emphasizes ethics and integrity, so that every marketing strategy, including green marketing, is based on verifiable facts and evidence. Strengthening internal ethics can be done through employee training, reward and punishment systems, and the development of internal audit procedures that ensure all sustainability claims align with reality on the ground.

In addition to internal corporate efforts, collaboration between the government, civil society, and independent institutions is key to reducing greenwashing practices. The government can establish more detailed regulations regarding the environmental information that must be included on products, while independent institutions play a role in verifying and certifying sustainability claims. On the public side,

increasing consumer literacy is an effective preventative strategy, enabling the public to critically assess companies' claims regarding environmentally friendly products. This collaboration creates a conducive ecosystem for the development of a sustainable and equitable green market. Therefore, strengthening corporate social responsibility, legal oversight, and consumer literacy must go hand in hand to ensure that green marketing strategies are not merely promotional tools but also a tangible means of supporting sustainable development.

B. Discussion

1. The Concept of Greenwashing

Coinciding with Earth Day 1990, more than 200 million people from 141 countries protested the declining health of the planet. A year earlier, in 1989, the New York Times stated that the goal of the protests was to direct investors and consumers to invest in and consume products from companies deemed most environmentally conscious.³ With this movement, it can be seen that companies are causing the potential for increasing levels of greenwashing carried out by companies.

Basically, greenwashing is a term that combines the words “green” which means green and “whitewash” which means false claims regarding a product, service, or practice that is claimed to be environmentally friendly.⁴ The term “greenwashing” was first coined in 1986 by environmental activist Jay Westervelt, who wrote an essay about the hotel industry. He criticized hotel policies promoting towel reuse as an environmentally friendly measure, when the real goal was to save on operating costs.⁵

Oxford learner's dictionaries defines greenwashing as an activity carried out by a company or organization that aims to make the public think that the effort is related to environmental sustainability, even

³ Valencia et al., “The Effect of Greenwashing on Brand Equity and Purchase Intention.”

⁴ Wongkar and Apsari, Sustainable Consumption and Production (SCP) Policy in Responding to the Greenwashing Phenomenon in Indonesia in the E-Commerce Era.

⁵ Netto et al., “Concepts and Forms of Greenwashing: A Systematic Review.”, p. 3.

though in reality it is actually harmful to the environment.⁶The most common form of greenwashing is public claims of environmental commitment, when in reality the goal is to circumvent the law. Corporate greenwashing can involve dishonest, dubious, misleading, or overstated environmental claims.

Greenwashing Many companies use greenwashing to manage public perception of their products. These promotions aim to create a positive image for the company, suggesting that it cares about environmental issues. The information presented in these promotions is, of course, only positive, without highlighting the negative aspects that could potentially harm the environment.

According to TerraChoice, there are six mistakes which are then referred to as the “6 sins” in green claim practices, these “sins” are divided into six categories as follows:⁷

- a. The sin of the hidden trade-off
- b. The sin of no proof of an environmental claim
- c. The sin of a vague environmental claim
- d. The sin of an irrelevant environmental claim
- e. Determining the worse of two evils (the sin of the lesser of two evils)
- f. Committing a lie (the sin of fibbing)

Greenwashing practices in everyday life take various forms, such as companies providing exaggerated or irrelevant information about a product's environmental benefits. Other practices can include concealing the negative environmental impacts of product production, even creating false environmental certifications to deceive consumers. Some companies also engage in dishonest standards, such as claiming their products use a large amount of organic or recycled materials when, in reality, only a small portion of the total product meets these

⁶Oxford Learner's Dictionaries, <https://www.oxfordlearnersdictionaries.com/definition/english/greenwash>, accessed 8 October 2025.

⁷ Wongkar and Apsari, Sustainable Consumption and Production (SCP) Policy in Responding to the Greenwashing Phenomenon in Indonesia in the E-Commerce Era.

standards. This discrepancy between claims and reality is the most common form of greenwashing.

Furthermore, there are four categories identified as greenwashing as follows: First, company-level executions involving the use of images or sounds that evoke a natural or environmental impression. Second, company-level claims that mislead consumers, such as stating that a company is carbon neutral without supporting evidence. Third, product-level executions involving packaging or marketing strategies that appear environmentally friendly. Fourth, product-level claims, namely making false claims regarding the environmental benefits of a product or service, for example, a company stating that its product is "100% recyclable," when in fact only a small portion is recyclable.⁸

Several large companies, such as H&M, Unilever, and Nestlé, have been accused of greenwashing in an attempt to project an environmentally conscious image. For example, H&M's "conscious collection" markets products claimed to be made from sustainable materials, but in reality, only a small portion of the products meet eco-friendly standards, and most lack transparency about their environmental impact. Furthermore, the use of the term "eco-friendly" and the color green in marketing campaigns create a false sense of sustainability. This contradicts the widely known fact that H&M's clothing business is part of the environmentally damaging fast fashion industry.

Unilever also faces similar accusations related to its environmentally friendly claims in its marketing of "sustainable palm oil." According to a Greenpeace investigation, Unilever's definition of sustainability does not meet international standards because its raw material suppliers are still involved in environmental damage. In addition to the palm oil case, Unilever also uses the "rainforest friendly" claim without providing clear sustainability standards in its marketing of Lipton Tea. The investigation also revealed human rights violations against its workers.

⁸ Ruggeri et al., "Facing the Risk of Greenwashing in the ESG Report of Global Companies: The Importance of Life Cycle Thinking."

The Nestle company has also been criticized for using the terms "100% pure" and "all-natural" in marketing Poland Spring mineral water. This criticism proved that the water used did not come from natural springs and had gone through various processes using chemicals.⁹ These three examples illustrate how large companies engage in greenwashing, namely by using environmentally friendly claims to create a good corporate image, when in reality they do not meet sustainable standards and even tend to damage and violate human rights.

2. Legal Aspects of Corporate Social Responsibility (CSR) and Greenwashing in Indonesia

In Indonesia's national legal system, regulations regarding greenwashing practices are not explicitly regulated in a single, specific law. However, this practice can be examined through a cross-sectoral legal approach encompassing aspects of corporate social responsibility (CSR), consumer protection, and environmental protection and management. These three legal domains are closely interconnected in building ethical and sustainable corporate governance. Therefore, greenwashing regulations should be viewed as part of a corporation's legal responsibility to implement sustainability principles and public disclosure.

This issue can be examined through various existing legal instruments, namely corporate social responsibility (CSR) law, consumer protection law, and environmental protection and management law. These three areas of law are interconnected in establishing ethical, transparent, and sustainable business principles.¹⁰

In the national legal system, the implementation of corporate social responsibility is regulated by Law Number 40 of 2007 concerning Limited Liability Companies. Article 74 of this law requires every company whose business activities involve natural resources to implement social and environmental responsibilities.¹¹ This provision

⁹ Zentoni et al., "Criminalizing Greenwashing: Addressing the Challenges of Consumer Protection in the Era of Sustainability."

¹⁰ Lestari, *Law and Corporate Social Responsibility in Indonesia*, p. 44.

¹¹ Law Number 40 of 2007 concerning Limited Liability Companies, Article 74 paragraph (1).

emphasizes that CSR is not simply a voluntary action, but a legal obligation that every company must fulfill. Through the implementation of CSR, companies are expected to focus not only on economic gain (profit), but also on the well-being of society (people) and environmental sustainability (planet).

However, in practice, many companies implement CSR programs solely to project a positive public image. This practice has the potential to lead to greenwashing, where companies claim to contribute to environmental conservation when, in fact, these activities have no actual positive impact or even cause environmental damage. This situation demonstrates that greenwashing substantially contradicts the basic principles of CSR, which emphasize transparency, honesty, and social responsibility.

From a consumer protection law perspective, the practice of greenwashing can also be categorized as a violation of consumers' rights to correct and honest information. This is as regulated in Law Number 8 of 1999 concerning Consumer Protection, specifically Article 7 letters b and c, which requires business actors to act in good faith and provide correct, clear, and honest information regarding the condition of the goods and/or services being traded. Exaggerated, unfounded, or misleading claims—such as the statement “100% environmentally friendly” without scientific evidence—can be classified as a form of misleading information. As a legal consequence, business actors can be subject to sanctions as regulated in Article 62 paragraph (1) of the Consumer Protection Law, in the form of a maximum prison sentence of five years or a maximum fine of two billion rupiah.¹²

Furthermore, regulations regarding greenwashing practices can also be found within the environmental legal framework. Law Number 32 of 2009 concerning Environmental Protection and Management stipulates that all business activities must adhere to the precautionary principle, responsibility principle, and transparency

¹² Law Number 8 of 1999 concerning Consumer Protection, Article 62 paragraph (1).

principle.¹³ Companies are required to honestly disclose their environmental impacts through Environmental Impact Analysis (AMDAL) or Environmental Management and Monitoring Plans (UKL-UPL). If a company conceals or falsifies such information, it could constitute a violation of the principles of public information transparency and environmental accountability.¹⁴

The interconnectedness of CSR, consumer protection, and environmental law demonstrates that corporate social responsibility cannot be separated from broader legal obligations. CSR serves as a moral and social mechanism that ensures a company's economic activities align with the interests of society and the environment. Consumer protection law plays a role in ensuring honest information and preventing public fraud. Meanwhile, environmental law provides a legal basis for ensuring that all business activities do not damage the ecosystem. These three aspects, if implemented consistently, will strengthen the legal system, which can suppress greenwashing practices and foster a responsible corporate culture.¹⁵

Thus, it can be concluded that although greenwashing is not explicitly regulated in Indonesian law, the practice can still be sanctioned through a cross-sectoral approach. CSR provides a moral and legal basis for companies to act ethically; consumer protection laws protect the public from false claims; and environmental laws ensure the sustainability of ecosystems. Therefore, corporate social responsibility regarding greenwashing practices is not only moral but also a concrete legal obligation. The government, businesses, and the public need to work together to strengthen oversight mechanisms so that CSR implementation truly reflects a commitment to sustainability, not simply a corporate image-boosting tool.

3. Corporate Social Responsibility for Greenwashing Practices

¹³Law Number 32 of 2009 concerning Environmental Protection and Management, Article 2.

¹⁴ Hardjasoemantri, K., *Environmental Law*, p. 78.

¹⁵ Rahardjo, S, *Business Ethics and Corporate Social Responsibility*, p. 122.

Corporate social responsibility is a company's moral responsibility to both its internal employees and the external environment, namely society and the environment. The concept of CSR shows that a company is no longer an organization that prioritizes itself, but also involves itself in the environment and pays attention to the social impacts it causes. Furthermore, Corporate Social Responsibility (CSR) is known as a company or organization's commitment to always act ethically, operate legally, and contribute economically to improve the quality of life of employees as well as the sustainability of the environment for the wider community.

There is no standard definition of corporate social responsibility, but there are at least three main points to understand the concept of CSR as follows:¹⁶

- a. A company or organization does not stand alone or isolated from the environment, a company or organization cannot claim that it does not have responsibility for economic growth and environmental sustainability.
- b. The realization of sustainability efforts is determined by all stakeholders. These include shareholders, consumers, suppliers, clients, employees and their families, the surrounding community, and those directly or indirectly involved with the company (the local community and society at large).
- c. CSR implementation efforts are part of a company's daily tasks and activities to generate profits from its operations. Therefore, CSR is part of a business's integration to generate profits while still maintaining its responsibilities to internal and external employees, the community, and the environment.

Greenwashing refers to a strategy used by companies to exaggerate or falsely claim that their marketed products uphold sustainable efforts without actually making significant efforts, or simply to create a positive public image. This clearly contradicts the principle of CSR, which is

¹⁶ Ratna, *Tanggung Jawab Sosial Perusahaan (Corporate Social Responsibility)*.

responsible not only for the well-being of internal employees but also for the external sphere, namely the surrounding community and environment.

The practice of greenwashing can be done by companies through communication media, especially advertising and product promotion. Marketing of environmentally friendly products can be divided into two types of advertising: greenwashing claims and executive greenwashing. Greenwashing claims are made in an unlimited manner; claims can include errors in presenting information or excluding negative information about a product. In other words, these claims are lies due to omission or lies due to a lack of clarity. Executive greenwashing, on the other hand, involves the use of elements related to nature in advertising. This imagery can include colors such as blue or green, sounds such as birdsong or the sea, and natural landscapes represented as mountains and forests as green areas.

The practice of greenwashing has consequences for society, consumers, and even the companies themselves. Consequences for companies involved in greenwashing include reputational damage, loss of consumer trust, administrative sanctions, and even civil lawsuits. However, sometimes companies demonstrate transparency and accountability, but due to regulatory complexity and inconsistent standards, they can be accused of greenwashing even if they had no intention of doing so.

Greenwashing also impacts consumer purchasing decisions based on misinformation, thus reducing satisfaction and weakening trust in companies and environmental claims. Consumers will perceive buying products with environmental claims as equivalent to buying any other product, as a result of greenwashing. Furthermore, greenwashing practices impact society's social life and weaken the effectiveness of regulations.¹⁷ This may be due to many businesses evading the law by concealing their carbon footprints. As a result, economic development and transformation are slowed.

The implementation of CSR is inseparable from the principles of good corporate governance. Applying the principles of corporate social responsibility will provide several benefits, such as: First, for the long-term benefit of the company. If a company is sensitive to the needs of a society

¹⁷ KPMG Law, *The Challenge of Greenwashing: An International Regulatory Overview*.

that is increasingly concerned with environmental sustainability and provides products that truly prioritize sustainability, it will result in a society that benefits both the company and the environment.¹⁸ An increasingly environmentally conscious society will live more prosperous lives and have greater purchasing power. A secure and prosperous community will support companies to operate more optimally.

Second, Building a positive social image. Companies that are socially responsible and never engage in greenwashing practices will have a positive image in the community. This image will encourage people to become loyal consumers, subscribers, or partners. Third, for sustainability. Companies that are socially and environmentally responsible will always be respected by the community, which is crucial for maintaining the company's survival. When a company is proven to engage in greenwashing practices that harm the environment, the public will decide to switch from that company. Companies that lose customers are at risk of being unable to operate again.

Fourth, To avoid regulation. When a company fulfills its social responsibilities properly, the government does not need to further tighten regulations. Conversely, if a company ignores its social responsibilities and engages in greenwashing, the government will further tighten regulations that restrict the company's activities. Fifth, as a preventative measure. Companies that adhere to their responsibilities and refrain from greenwashing do not need to anticipate future problems, which are the cumulative result of various small issues that could jeopardize business activities and the company.

C. Conclusion

Greenwashing is a marketing strategy that projects an environmentally friendly image when a company's practices are not truly sustainable. This can take the form of false claims, misleading information, the use of green symbols or the color green, and even invalid environmental certifications, creating consumer confusion and undermining public trust. Meanwhile, corporate social responsibility (CSR) is not only a moral obligation but also

¹⁸ Nadapdap and Hutabarat, "Tanggung Jawab Sosial Perusahaan :Antara Kewajiban Dan Kesukarelaan."

a legal obligation under Law Number 40 of 2007, which emphasizes the principles of transparency, accountability, and sustainability, including the welfare of employees, communities, and the environment. Greenwashing practices contradict CSR principles because they prioritize corporate image over actual impact. Although there are no specific regulations regarding greenwashing in Indonesia, this practice can still be subject to sanctions under consumer protection and environmental laws. Companies that implement CSR properly reap long-term benefits, such as a positive reputation, consumer loyalty, business sustainability, and reduced legal and social risks. Addressing greenwashing requires the involvement of the government, companies, communities, and independent institutions through clear regulations, corporate transparency, consumer awareness, and CSR education for entrepreneurs, resulting in ethical and sustainable business practices.

Suggestion

The following are recommendations that need to be implemented regarding corporate responsibility to reduce the impact of greenwashing:

1. Strengthening government regulation and oversight: The government needs to strengthen regulations related to CSR and greenwashing and establish more detailed and clear standards for actual CSR implementation. Strict oversight is also needed to ensure companies don't treat it as a mere formality.
2. Transparency and accountability by companies, CSR reports must be transparent and include all clear data related to how the products they produce impact the environment.
3. The role of the public and independent institutions is also crucial in monitoring and pressuring companies to implement CSR seriously. Environmentally conscious communities can choose products from companies that are truly committed to sustainability.
4. CSR awareness education for entrepreneurs, CSR education among entrepreneurs must create awareness that CSR should be considered as integrity and responsibility, and not just a formality or marketing strategy.

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