

ABSTRACT

Greenwashing has gained increasing attention in corporate sustainability discourse due to its harmful impact on both corporate reputation and stakeholder trust. This phenomenon reflects a manipulative strategy in which companies claim environmental responsibility without providing concrete evidence, solely to construct a misleading green image. This study analyzes the influence of modified audit opinion, sustainability disclosure (ESG disclosure), and internal control systems on the intensity of greenwashing in non-financial companies listed on the Indonesia Stock Exchange (IDX) during the 2021–2023 period. Environmental performance is introduced as a moderating variable to assess the effectiveness of these three mechanisms in curbing greenwashing practices.

Using a quantitative approach with panel data regression through the Random Effect Model (REM), the study covers 138 company observations. The data were collected from sustainability reports, GRI-based disclosures, annual reports, and PROPER ratings. The findings indicate that both modified audit opinion and internal control systems have a significant negative effect on greenwashing, suggesting that high-quality audits and strong internal controls can suppress manipulative environmental claims. In contrast, sustainability disclosure does not show a significant effect, implying that ESG reporting does not always reflect a company's genuine environmental commitment.

Environmental performance is found to strengthen the negative influence of modified audit opinion and internal controls on greenwashing, while also directly reducing the intensity of greenwashing practices. This implies that companies with strong environmental performance and effective governance are better equipped to avoid misleading sustainability narratives. These findings emphasize the importance of rigorous oversight, skeptical auditing, and ethical internal control systems in producing credible sustainability reporting. The study contributes to the development of more accountable corporate governance in facing current sustainability challenges.

Keywords: Greenwashing; Audit Opinion; ESG Disclosure; Internal Control; Environmental Performance