

Greenfraud as a New Governance Challenge: Unraveling Deviance in Sustainability Reporting

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ABSTRACT

The phenomenon of green fraud is increasingly gaining attention in the discourse on modern corporate governance, especially when sustainability practices become one of the main indicators for assessing organizational performance. Green fraud refers to corporate actions that deliberately manipulate, obscure, or present inaccurate sustainability information in order to create an environmentally friendly image that does not actually align with operational realities. This phenomenon arises as a consequence of growing stakeholder demands for environmental transparency, market pressures to adopt Environmental, Social, and Governance (ESG) principles, and the intensification of regulations requiring companies to present sustainability performance more openly. This study aims to unravel various forms of deviations in sustainability reporting, ranging from exaggerated green claims, emission data discrepancies, social indicator manipulation, to the concealment of material environmental impacts, and to analyze how these practices pose serious challenges to an ideal governance system. Through a comprehensive literature review, this study shows that green fraud often stems from weak verification standards, inconsistencies in global reporting frameworks, and economic incentives that encourage companies to portray sustainability as a reputational strategy rather than a substantial commitment. The impact not only undermines the integrity of ESG information, but also hampers the effectiveness of sustainable investments, reduces investor confidence, distorts risk assessments, and potentially slows down the transition toward a green economy. These findings underscore the need to strengthen sustainability governance through improving the quality of independent audits, harmonizing reporting standards, and enforcing stricter regulatory oversight

INTRODUCTION

Over the past two decades, sustainability issues have evolved into one of the main pillars of global corporate governance, reflecting a paradigm shift that increasingly emphasizes the importance of social and environmental responsibility in business activities. This shift marks a transition from a corporate orientation previously focused almost entirely on financial achievement toward a more holistic long-term value creation model. In this context, the integration of Environmental, Social, and Governance (ESG) aspects into corporate strategy has become a necessity, not merely a strategic choice. ESG is now considered a comprehensive framework that ensures companies not only pursue profitability but also take into account the impact of their operations on the environment, community well-being, and the quality of internal governance (Agbakwuru, 2024). Sustainability reporting has subsequently emerged as an important instrument to facilitate communication about these commitments and sustainability performance to the public. Through these reports, companies strive to demonstrate how they manage ESG risks, implement sustainability policies, and contribute to global development agendas such as the Sustainable Development Goals (SDGs). The function of sustainability reporting does not stop at providing information; these reports also serve as an accountability mechanism that allows stakeholders to conduct an objective evaluation of a company's sustainability commitments. In many cases, sustainability reports become a signal of credibility and management quality, enhancing investor confidence and strengthening the company's reputation in the eyes of regulators and the public (Abideen, 2025). As demands for transparency increase, the complexity of sustainability reporting continues to grow. Many companies face pressure to demonstrate positive ESG performance to remain competitive and meet market expectations. This pressure often comes from various parties, such as ESG rating agencies, institutional investors, regulators, and increasingly environmentally conscious consumers. These conditions create space for the emergence of new dynamics, including the potential for reporting deviations that do not always align with the goal of promoting authentic sustainability practices. Amid the need to demonstrate strong ESG performance, companies may be tempted to simplify, exaggerate, or even manipulate their sustainability information. This phenomenon ultimately gives rise to the risk of greenwashing and a newer, more systemic form, known as green fraud, which can threaten the integrity of sustainability reports and undermine public trust.

LITERATURE REVIEW

In this context, the phenomenon of green fraud is increasingly emerging as a critical issue that threatens the integrity of sustainability reporting systems across various industry sectors (Khan, 2021; Steinmeier, 2016). Unlike greenwashing, which tends to be rhetorical by packaging sustainability narratives to appear more positive without substantial changes, green fraud operates on a much deeper and more systematic level. Green fraud involves acts of deviation that deliberately manipulate processes, data, or sustainability performance indicators, resulting in reports that are materially misleading (Sandha, 2023). These practices can include falsifying emission and carbon

footprint data, altering parameters for measuring social impact, presenting engineered performance indicators, and even omitting material information related to environmental incidents, labor rights violations, or regulatory noncompliance. With a more structured and planned nature, green fraud is no longer merely a form of misleading communication, but has become a form of corporate dishonesty that contains elements of fraud. Its impact is also much broader and more significant. Green fraud practices not only mislead the public and undermine societal trust, but also have the potential to trigger serious legal consequences, especially when companies are bound by international reporting standards or increasingly stringent ESG regulations (Kumar, 2024). The reputational risks that arise can affect the company's relationships with investors, business partners, regulators, and consumers, ultimately impacting both short-term and long-term financial performance. In the context of modern financial markets, green fraud also creates information distortions that disrupt market efficiency, especially when investors rely on ESG data to develop risk- and sustainability-based investment strategies. When the quality of ESG data is compromised, capital allocation can go astray, thereby reducing market efficiency and potentially hindering the overall development of sustainable finance (Junaidi, 2024; Oliver, 2024). This phenomenon ultimately highlights the urgency to reevaluate corporate governance capacity, internal oversight mechanisms, and the effectiveness of existing sustainability audit systems. Weaknesses in the verification process, lack of ESG auditor independence, and the absence of uniform reporting standards have the potential to increase the likelihood of misconduct. Thus, green fraud is not only a technical issue in reporting, but also a structural indicator of the still weak culture of integrity, accountability, and governance within the corporate sustainability ecosystem.

Although literature on sustainability has grown rapidly over the past two decades, there is a quite evident and fundamental research gap in the discussion of green fraud as a phenomenon distinct from greenwashing or technical reporting inaccuracies. Most previous studies tend to focus on greenwashing as a misleading communication strategy, so academic analyses have largely emphasized the symbolic, rhetorical, or marketing dimensions in the delivery of sustainability information. Consequently, the scientific discourse has not given adequate attention to the structural aspects of reporting misconduct, particularly when such misconduct is carried out in a planned, systematic, and integrated manner within operational processes and corporate governance. Studies on the integrity of sustainability reporting have so far generally been limited to methodological and technical issues, such as differences in reporting standards, misalignment of indicators, difficulties in measuring ESG impacts, or the limited capacity of external auditors to verify. This overly technocratic approach has resulted in ethical, organizational, and fraud dimensions in sustainability reporting being underexplored in research. Very few studies explicitly discuss green fraud as a form of corporate fraud closely related to governance mechanisms, the quality of board supervision, organizational culture, and the effectiveness of internal control systems. In fact, this governance-based approach is key to understanding why manipulation of sustainability reports can occur

repeatedly and systematically. Furthermore, research linking green fraud to broader macro-level impacts remains limited, whether at the level of markets, regulations, or institutional legitimacy. Sustainability information distortion caused by green fraud has the potential to disrupt the stability of sustainable investment markets, given that investors rely heavily on the accuracy of ESG data for risk assessment. Similarly, the emergence of green fraud can undermine the effectiveness and credibility of ESG regulations, especially if authorities do not yet have strong oversight frameworks to detect or address violations. Moreover, green fraud practices can erode public trust in the green economy agenda, hinder social acceptance of energy transition initiatives, and reduce public confidence in companies' commitment to conducting ethical and sustainable business. Thus, the existing research gap is not only conceptual but also strategic because it touches on crucial aspects in the development of the global sustainability ecosystem.

The novelty of this research lies in its effort to position green fraud as a contemporary governance challenge that requires a new and more holistic analytical approach. Unlike previous studies that tend to focus attention on greenwashing as false green claims at the communication level, this study broadens the scope by outlining more subtle and structural forms of deviation, including manipulation in sustainability reporting systems, distortion of ESG data, and selective disclosure practices that systematically undermine corporate transparency and accountability. This approach enables a more comprehensive understanding of how companies construct sustainability narratives that are not aligned with their operational realities. This study examines the root causes of greenfraud from a governance perspective by examining various internal and external factors contributing to the emergence of this practice. The governance perspective used includes weaknesses in oversight mechanisms, suboptimal sustainability verification and audit systems, fragmented ESG standards, and conflicting incentives in the implementation of sustainability practices that often prioritize reputational goals over substantive compliance. By exploring these root causes, this study provides an analytical framework that can be used to understand greenfraud not as an individual deviation, but as a phenomenon rooted in an immature governance system and sustainability reporting ecosystem. Beyond problem identification, this study also seeks to put forward strategic implications for the business world and public policy. The research findings emphasize the urgency of harmonizing ESG reporting standards, improving the quality and independence of sustainability audits, digitizing environmental impact measurement systems, and establishing a stronger and more collaborative oversight ecosystem between regulators, auditors, and stakeholders. With these contributions, this study provides a new perspective that is not only theoretically relevant but also has practical value for strengthening sustainability governance in the green economy era.

Thus, this study makes an important contribution to the sustainability and corporate governance literature by providing a more comprehensive understanding of greenfraud as a new threat in the ESG ecosystem. This study not only broadens the conceptual perspective on the forms and mechanisms of

sustainability reporting irregularities but also offers a framework that can be used by regulatory agencies, auditors, and companies to design more transparent, standardized, and accountable ESG reporting systems. The multidimensional approach presented helps explain how greenfraud arises from the interaction of various factors ranging from regulatory weaknesses, internal governance design, data integrity, and market dynamics, so that the resulting solutions are not partial, but more systemic. This study is expected to open a broader discussion in the formulation of public policies and the design of governance instruments that promote the integrity of sustainability information. The research findings underscore the importance of strengthening independent verification mechanisms, improving the quality of sustainability audits, and ensuring that companies not only prioritize a sustainable image but truly internalize environmental, social, and governance principles in their daily business practices. By providing both theoretical foundations and practical implications, this research contributes to building a more credible ESG ecosystem, promoting corporate accountability, and strengthening public trust in the sustainable development agenda.

METHODOLOGY

This research uses a literature review approach to analyze the phenomenon of green fraud as a challenge in modern corporate governance. This approach was chosen because the issue of green fraud is still relatively new in the academic realm, so conceptual mapping, comparison of findings, and integration of various scientific sources are necessary to build a comprehensive analytical framework. The literature review allows researchers to delve deeply into the dynamics of sustainability reporting irregularities discussed in various recent publications and identify knowledge gaps that still require further study.

Research data was obtained from various relevant scientific sources, including reputable international journal articles, international organization reports, policy documents, academic books, and research results from independent institutions that examine sustainability, ESG, and corporate governance issues. Literature selection was conducted using inclusion criteria that include: Publications discussing the topics of greenfraud, greenwashing, sustainability reporting, and fraud in the context of ESG; Literature published within the last 15 years to ensure relevance; and Sources with strong academic and methodological credibility. Meanwhile, exclusion criteria were applied to opinion publications without empirical support, non-scientific popular articles, and documents that have no direct relevance to the research objectives.

The data analysis process involved three main steps. First, information extraction by identifying key themes such as forms of greenfraud, structural causes, weaknesses in reporting standards, and governance implications. Second, categorization and synthesis, which grouped findings based on conceptual similarities and differences, then integrated them to gain a holistic understanding. Third, critical analysis, which evaluated the strengths, weaknesses, and potential biases within each literature to produce more objective and robust arguments. The synthesis process employed a thematic analysis

approach to systematically link each finding to the research focus. This method enabled the study not only to describe empirical conditions but also to offer new theoretical perspectives on greenfraud as a complex governance issue. Thus, this literature review provides a strong conceptual foundation for formulating recommendations for strengthening regulations, sustainability audits, and more transparent and accountable reporting practices.

RESULTS AND DISCUSSION

Literature findings indicate that greenfraud has emerged as a new form of irregularity that is more subtle than traditional financial reporting practices (Reurink, 2019; Amiram, 2018; Kurpierz, 2020). While fraud is generally associated with the manipulation of figures for financial gain, greenfraud operates in the realm of non-financial representations of sustainability performance, making it more difficult to detect because it involves narrative claims, qualitative indicators, and policy interpretations. Many companies convey ESG achievement narratives that are not supported by empirical evidence, are selective, or even inconsistent with their operational activities. For example, companies claim emission reductions or energy efficiency improvements without providing transparent methodological data, or highlight minor social programs to mask significant environmental impacts. These findings emphasize that the sustainability reporting space remains affected by high information asymmetry, particularly because most ESG indicators have not been standardized globally. Variations in reporting standards, differing assessment frameworks, and flexible indicator interpretations create opportunities for companies to choose metrics that best benefit their image. The lack of independent verification mechanisms and low ESG literacy among stakeholders exacerbate this situation. As a result, a loophole is created for companies to project a green image without fundamentally changing core business processes. Greenfraud not only undermines the principle of transparency but also has the potential to undermine investor confidence, hinder the transition to a sustainable economy, and obscure the assessment of true sustainability performance (Hossain, 2025).

The literature also highlights that green fraud is not only related to exaggerated reporting but also encompasses corporate strategies to conceal or obscure negative environmental impacts (Kurpierz, 2020). One form of this practice is selective disclosure, whereby information is presented that only highlights positive data while deliberately omitting, obscuring, or placing potentially damaging data in less visible sections of the report. This practice creates significant information bias, as companies do not truthfully reflect the full dynamics of their performance. For example, a company might report successful tree-planting or energy efficiency programs, but fail to disclose increases in hazardous waste volume or emissions intensity in specific production lines. This incomplete information creates the illusion of sustainability, creating a public and investor perception that the company is committed to ESG principles, when in fact, operational realities reveal unaddressed impacts. This illusion weakens data-driven decision-making and exacerbates information asymmetry between

companies and stakeholders. The findings of this literature indicate that internal and external control mechanisms for ESG reporting remain weak, both in terms of data quality verification, sustainability audit independence, and incomplete reporting regulations. This situation indicates the need for systemic strengthening through improved reporting standards, stricter regulatory oversight, credible third-party certification, and increased stakeholder capacity to more critically assess the integrity of sustainability claims.

The study also identified differences in green fraud risk levels across industry sectors, indicating that sustainability reporting irregularities are not uniform. The extractive, energy, and manufacturing industries are most vulnerable because their operational activities inherently generate significant environmental footprints, such as carbon emissions, natural resource exploitation, and hazardous waste production (Burger, 2022). In these sectors, reputational pressures and increasingly stringent regulatory demands create incentives for companies to engage in green performance overclaiming, i.e., inflating their environmental achievements to quell criticism and maintain social legitimacy. Conversely, companies in the service sector, which generally have a lower environmental impact, are more likely to engage in green narrative inflation. This deviation occurs when companies exaggerate sustainability commitments through slogans, campaigns, or policy declarations without supporting relevant operational practices or tangible changes in governance. This is particularly common in the finance, retail, and technology industries, where sustainability claims serve more as branding tools than as a reflection of internal transformation. Thus, green fraud risk is not homogeneous, but rather influenced by the fundamental characteristics of each industry, the level of regulatory oversight, public expectations, and the magnitude of accompanying external pressures (Zhang, 2022). Understanding these risk variations is crucial for designing more targeted oversight approaches and mitigation mechanisms, allowing efforts to promote sustainability transparency to be more effective and contextualized.

Literature analysis also shows that weak regulations and reporting standards are structural factors that significantly strengthen the occurrence of green fraud (Masud, 2018; Rivers, 2015; Taqi, 2024). Although various reporting frameworks such as the GRI, SASB, and IFRS Sustainability Disclosure Standards have been developed to improve transparency and consistency in sustainability reporting, their implementation remains voluntary in many jurisdictions. This lack of obligation creates room for companies to choose the indicators, metrics, and reporting frameworks that best benefit their image, thus enabling information cherry-picking. In this situation, companies can not only avoid disclosing unfavorable aspects but also flexibly interpret standards to support their sustainability narratives. Several studies confirm that without regulatory harmonization across countries and industries, sustainability reporting has the potential to become a marketing tool that enhances a company's reputation, rather than an accountability instrument designed to objectively monitor environmental and social impacts. This regulatory gap is further exacerbated by the lack of sanctions for non-compliance or misrepresentation of ESG data, so the

risks companies face when engaging in green fraud are relatively small compared to the reputational benefits gained. Strengthening global standards and establishing mandatory reporting are strategic steps to minimize the potential for green fraud (Esteki, 2019; Buttigieg, 2024). These efforts should ideally be supported by independent audit mechanisms, data-driven verification systems, and regulatory harmonization across regulatory bodies to ensure that sustainability reporting truly reflects the reality of a company's operations.

The role of data technology and sustainability audits in preventing green fraud remains far from optimal (Ariwa, 2014; Mohd, 2025; Arustamyan, 2025). Even in large-scale companies with adequate technological resources, the digitization of processes for tracking emissions, waste, energy consumption, and other environmental indicators is still not holistically integrated across the value chain. Many systems still rely on manual reporting, the use of error-prone spreadsheets, or the separation of databases between units, leading to information fragmentation. This situation opens up opportunities for intentional or unintentional data manipulation, including the omission of certain variables, adjustments to unvalidated inputs, or the presentation of inaccurate data due to weak internal verification systems. In modern literature, green fraud is increasingly associated with data inaccuracy or inconsistency, reflecting weak data governance (Shafa, 2024). Poor data governance encompasses not only a lack of measurement standards but also the absence of data integrity protocols, minimal digital audits, and the underdevelopment of real-time monitoring mechanisms based on technologies such as IoT or blockchain. As a result, sustainability information, which should be the basis for strategic decision-making, lacks high reliability. Thus, this problem is not only a question of corporate ethics in disclosing information, but also reflects structural weaknesses in data management systems. Without improved data infrastructure and more rigorous sustainability audits, the risk of green fraud will remain high because ESG information cannot be validated objectively and transparently.

The discussion also shows that greenfraud has the potential to pose a serious systemic risk to investor confidence, particularly amidst the increasing reliance of institutional investors on ESG ratings to assess a company's long-term sustainability prospects (Chen, 2025). ESG ratings and reports are crucial instruments in determining risk profiles, portfolio diversification strategies, and capital allocation decisions to sustainable sectors. Inaccurate, incomplete, or manipulated data in ESG reports resulting from greenfraud practices can lead to mispricing of green assets, whereby unsustainable companies receive undue value and incentives (Márkus, 2024). This situation not only misleads investors but also creates market distortions that impair the efficient allocation of resources. Several studies warn that if greenfraud becomes widespread, the sustainability market could lose its legitimacy in the long term (Simion, 2024). This loss of trust has the potential to hamper the mobilization of green finance, a key pillar in the transition to a low-carbon economy and sustainable development. Inaccurate ESG data can spread to other market instruments, such as green bonds, sustainability-based mutual funds, and international climate finance mechanisms, thereby exacerbating market uncertainty. In other words,

the risk of green fraud is not only micro-organizational, harming individual companies, but also has macro-impacts that could potentially impact overall market stability. If left unchecked, green fraud can erode the credibility of the green investment ecosystem and slow the pace of the global economic transformation towards sustainability.

In addition to investors, other stakeholders, such as consumers and local communities, are also severely disadvantaged by greenfraud practices (Santos, 2024; Isac, 2024; Akturan, 2018). For consumers, greenfraud creates the illusion that the products they purchase have been processed in an environmentally friendly manner, even though such claims often lack clear verification standards or are not supported by adequate scientific evidence. This leads consumers to make incorrect purchasing decisions, pay higher prices for products that appear to be sustainable, and lose their right to accurate information about the ecological impacts of the products they consume. In the context of market behavior, this also undermines public trust in green labels and environmental certifications, which should be credible instruments for making sustainable consumption decisions. Local communities surrounding companies' operations often experience direct impacts in the form of pollution, environmental degradation, or natural resource exploitation hidden through corporate sustainability narratives. Numerous case studies, ranging from the textile industry's concealment of chemical waste, the energy sector's downplaying of emissions, to the food industry's promotion of sustainable agriculture while expanding intensive monoculture practices, illustrate how greenfraud actively manipulates public perception and narrows the space for community advocacy. When companies disseminate misleading sustainability information, local communities lose the basis for demanding environmental protection or operational transparency. This phenomenon reinforces the argument that greenfraud is not simply a lapse in business ethics but also a form of information injustice with broad social impacts (Simion, 2024). This injustice arises because the groups most ecologically impacted lack access to accurate information to advocate for their environmental rights. Thus, greenfraud not only undermines corporate governance but also hinders social justice and inclusive sustainability.

Literature reviews also reveal that independent audits play a key role in mitigating green fraud, yet their implementation in sustainability reporting practices remains far from optimal (Mohammed, 2023; Bonrath, 2024; Hossain, 2025). Many sustainability reports undergo limited assurance, where auditors verify only a small subset of indicators without assessing the overall integrity of ESG data. In some cases, audits are limited to verifying narrative consistency or the availability of supporting documentation, rather than assessing the accuracy of the company's environmental impact measurement methodology. This situation undermines its fundamental function as a control mechanism for ensuring the reliability of sustainability information. Another widely highlighted issue is the limited competence of auditors in understanding increasingly complex ESG metrics. Many traditional auditors possess strong expertise in financial accounting but lack a thorough grasp of the technical aspects of calculating Scope 1, 2, and especially Scope 3 emissions, assessing supply chain

carbon footprints, or biodiversity impact measurement methodologies. This complexity often leads to reliance on company-provided data without adequate technical verification, opening the door to errors, bias, or even information manipulation. Several studies have suggested the need to develop a more specific, certified, and globally standardized sustainability assurance profession to enhance the integrity of sustainability audits. Strengthening auditor capacity through ESG technical training, standardizing audit procedures, and multidisciplinary collaboration, for example with environmental experts, engineers, or data scientists, is considered crucial to ensure that the audit process is not merely administrative but truly capable of in-depth testing of the validity and accuracy of ESG data. Without improving the quality and professionalization of the sustainability assurance function, independent audits will remain a mere formality, ineffective in preventing green fraud.

At the internal governance level, the study found that the board of directors' commitment to sustainability significantly impacts the risk of green fraud. Companies with clear governance structures, such as a board-level sustainability committee, a dedicated ESG unit with strategic functions, and cross-departmental oversight mechanisms, generally demonstrate more credible sustainability reporting. A transparent leadership structure and an incentive system that is not solely focused on financial returns but also incorporates sustainability performance indicators are crucial factors in reducing the potential for information manipulation. When company leaders truly understand and prioritize sustainability as part of their long-term business strategy, ESG practices are more likely to be based on accurate data and accountable processes. Conversely, when sustainability is merely a short-term image strategy or tool, the risk of green fraud increases dramatically (Inkaew, 2025). Under these conditions, the company's communications unit often dominates the sustainability narrative, while operational or environmental divisions are less involved in compiling ESG data. This creates an opportunity for symbolic disclosures that burnish reputations without real changes in business practices. Several studies have shown that companies with weak governance tend to rely on sustainability narratives that lack evidence, especially when facing reputational pressure or public pressure. Thus, the quality of internal governance is a key determinant in building the integrity of sustainability reporting. Strong governance not only prevents green fraud but also fosters a culture of accountability, promotes transparency in business processes, and strengthens stakeholder trust. This demonstrates that efforts to improve the integrity of ESG reporting are inextricably linked to strengthening the structure, processes, and leadership ethos within the company.

Overall, the study's findings confirm that greenfraud is not a single phenomenon that can be explained through a single perspective, but rather a multidimensional problem involving regulatory aspects, corporate governance, data integrity, global market dynamics, and stakeholder behavior. The complexity of greenfraud arises from the interaction between weaknesses in reporting standards, reputational pressures, economic incentives, and the information imbalance inherent in the sustainability ecosystem (Malmlund,

2024). Without strengthening the integration of digital technologies such as real-time data-based emissions tracking systems, blockchain for supply chain transparency, and AI-based auditing, loopholes for ESG data manipulation will remain open and difficult to address (Eric, 2024; Asif, 2023; Rehman, 2025). Similarly, harmonization of ESG reporting standards across countries and industries is a crucial prerequisite for aligning definitions, metrics, and reporting expectations to prevent arbitrage between standards, which companies exploit to artificially enhance their green image. Furthermore, accountability in sustainability audits needs to be strengthened so that report review becomes not an administrative formality, but a control mechanism capable of in-depth data integrity verification. Literature consistently demonstrates that without strong audit governance, the sustainability market risks eroding its legitimacy. The novelty of this finding lies in the assertion that greenfraud risk cannot be understood solely as reporting irregularities, but rather as a systemic threat that impacts public trust, corporate legitimacy, investment direction, and even the sustainability of global development. Therefore, addressing greenfraud requires a holistic approach that integrates technology, regulation, internal governance, and market mechanisms to ensure that the green economy transition is credible, equitable, and sustainable.

CONCLUSIONS AND RECOMMENDATIONS

The overall results of the literature review indicate that green fraud represents a new challenge in sustainability reporting governance, with serious implications for transparency, accountability, and stakeholder trust. This phenomenon is not simply related to the delivery of exaggerated information, but also includes the systematic manipulation of environmental, social, and governance (ESG) data aimed at creating a falsely green image. Disintegration of reporting standards, weak regulations, and limited independent verification mechanisms are structural factors that open up room for irregularities, particularly in industrial sectors with high environmental impacts. These findings confirm that sustainability reporting still faces significant information asymmetry, necessitating a more rigorous and measured oversight approach.

In terms of its impact, greenfraud has the potential to have far-reaching consequences for the sustainability market. Inaccurate ESG information can distort investor decision-making, create mispricing, and hinder capital allocation to sectors truly committed to the green transition. Furthermore, consumers and the general public are harmed by misleading claims, which can undermine public trust in corporate sustainability initiatives. This situation demonstrates that greenfraud is not only an internal reporting issue but also a reputational, market, and social risk. This study emphasizes the importance of strengthening corporate governance, harmonizing sustainability reporting standards, and enhancing the role of independent audits to minimize the potential for greenfraud. The development of technology-based data tracking systems, such as the digitization of environmental data and the use of automated verification platforms, is a strategic step in improving reporting reliability. Therefore, the results of this study emphasize that greenfraud prevention efforts must be multidimensional

and involve collaboration between regulators, companies, auditors, and other stakeholders. These findings are expected to serve as a foundation for strengthening sustainability practices that are more credible, responsible, and oriented towards an authentic green economic transformation.

FURTHER STUDY

This research still has limitations, so it is necessary to conduct further research related to the topic of Greenfraud as a New Governance Challenge: Unraveling Deviance in Sustainability Reporting in order to perfect this research and increase insight for readers.

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