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The Weaknesses of the Regulation on the Issuance of Green Bonds and Its Implications to Investor Protection: A Comparative Study Between Indonesia and France

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Abstract. The Financial Services Authority (OJK), as the authorized institution in the financial services sector, has issued POJK Number 18 of 2023 concerning the Issuance and Requirements of Debt Securities and Sukuk Based on Sustainability as a form of support for the environment, by integrating environmental, social, and governance (ESG) into financial relations. However, the regulation does not yet address the limitations of transparency and accountability of information for the public or investors, the registration and certification of external review providers in assessing business activities, and the prohibition of greenwashing. In contrast, France already has regulations that address these issues through harmonization, thereby closing the gaps that still exist in Indonesian regulations. This type of research uses a normative research method with two approaches, namely a legislative approach and a comparative law approach. The study concludes that regulations governing the issuance and requirements for environmental bonds in Indonesia are not yet fully optimal or comprehensive, which may affect investor protection. Meanwhile, in France, through the European Green Bond Standard, EU Taxonomy Requirements, Sustainable Finance Disclosure Regulation, and Code de la Consommation, regulations address the weaknesses in Indonesian regulations as a form of legal protection for investors.

Keywords: France, Green Bond, Greenwashing, Indonesia, Investor Protection.

Abstrak. *Otoritas Jasa Keuangan (OJK), sebagai lembaga berwenang di sektor jasa keuangan, telah menerbitkan POJK Nomor 18 Tahun 2023 tentang Penerbitan dan Persyaratan Efek Bersifat Utang dan Sukuk Berbasis Keberlanjutan sebagai bentuk dukungan terhadap lingkungan, mengintegrasikan aspek lingkungan, sosial, dan tata kelola (ESG) ke dalam hubungan keuangan. Namun, peraturan tersebut belum mengatur mengenai keterbatasan transparansi dan akuntabilitas informasi bagi publik atau investor, pendaftaran dan sertifikasi penyedia tinjauan eksternal dalam menilai kegiatan usaha, serta larangan praktik greenwashing. Sebaliknya, Prancis telah memiliki peraturan yang menangani isu-isu tersebut melalui harmonisasi, sehingga menutup celah yang masih ada dalam peraturan di Indonesia. Penelitian ini menggunakan metode penelitian normatif dengan dua pendekatan, yaitu pendekatan perundang-undangan dan pendekatan perbandingan hukum. Studi ini menyimpulkan bahwa peraturan yang mengatur penerbitan dan persyaratan obligasi lingkungan di Indonesia belum sepenuhnya optimal atau komprehensif, yang dapat memengaruhi perlindungan investor. Sementara itu, di Prancis, melalui European Green Bond Standard, Persyaratan Taksonomi UE, Sustainable Finance Disclosure Regulation, dan Code de la Consommation, peraturan yang ada mampu mengatasi kelemahan dalam peraturan Indonesia sebagai bentuk perlindungan hukum bagi investor.*

Kata Kunci: *Prancis, Obligasi Hijau, Greenwashing, Indonesia, Perlindungan Investor.*

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INTRODUCTION

Millennials and Generation Z dominate the shift towards financial and environmental, social, and governance ("ESG") issues, which have been on the rise in recent years[1], as evidenced by their willingness to pay more than the normal price for products or services that care for the environment.[2] Otoritas Jasa Keuangan ("OJK") as an independent financial services sector institution[3] has issued POJK Number 18 of 2023 concerning the Issuance and Requirements of Debt Securities and Sukuk Based on Sustainability ("POJK 18/2023") as a normative basis for issuers or publishers in issuing green bonds[4] and supporting regulatory reforms in the field of sustainable finance.[5] PT Sarana Multi Infrastruktur became the first corporation to issue a green bond in 2018, which was met with strong public enthusiasm and oversubscribed.[6] In addition, during the 2018-2022 period, there was a rapid increase in the issuance of green bonds, which were dominated by the government as the issuer, successfully reaching US$7 billion (seven billion US dollars).[7]

Behind the success of green bond issuance in Indonesia, there are issues that can impact investors, namely greenwashing[8] in the form of actions by issuers to deceive investors and use selective disclosure pressure[9], so that issuers give a good impression but cause financial losses to investors and undermine market confidence.[10] The potential risk of greenwashing under POJK 18/2023 arises from the absence of explicit

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[1] Ran Xiao, et.al., "Analyzing Contemporary Trends in Sustainable Finance and ESG Investment", *Law And Economy*, Vol. 2, No. 11 (2023): 44.

[2] Sonya Sachdeva, et.al., "Green Consumerism: Moral Motivations to a Sustainability Future", *Current Opinion in Psychology*, Vol. 6 (2015): 60 quoted from Robin M. Rotman, et.al., "Greenwashing No More: The Case For Stronger Regulation of Environmental Marketing", *Administrative Law Review*, Vol. 72, No. 3 (2020): 418.

[3] Hengky Heriyadi, "Tinjauan Yuridis Peran dan Fungsi Otoritas Jasa Keuangan (OJK) dalam Sistem Keuangan di Indonesia", *Jurnal Hukum Progresif*, Vol. 11, No. 1 (2023):43.

[4] Sheila N. Baity, "Green Bond Investors Protection Against The Risk of Greenwashing Based on POJK 60 of 2017", *Journal of Private and Commercial Law*, Vol. 1, No. 2 (2024): 194.

[5] *Ibid.*

[6] CNBC Indonesia, *SMI Korporasi Pertama Terbitkan Surat Utang Ramah Lingkungan*, contained in https://www.cnbcindonesia.com/market/20180710122556-17-22797/smi-korporasi-pertama-terbitkan-surat-utang-ramah-lingkungan, accessed on September 2, 2025, at 17:04 WIB.

[7] Databooks Katadata, *Green Bond Indonesia Tumbuh Pesat, Pemerintah Jadi Aktor Dominan*, contained in https://databoks.katadata.co.id/transportasi-logistik/statistik/b57b815b2c60950/green-bond-indonesia-tumbuh-pesat-pemerintah-jadi-aktor-dominan, accessed on Desember 22, 2025, at 16.38 WIB.

[8] Niken Ayu Lestari, *Perlindungan Hukum Bagi Investor Green Bond Terhadap Risiko Greenwashing (Studi Perbandingan Hukum Green Bond Antara Indonesia dengan Republik Rakyat Tiongkok* (*RRT*)), Thesis (2019): 60.

[9] Mattia Lionello, *Green Bonds and the Rising Greenwashing Risk: An In-Depth Analysis*, Thesis (2023): 60.

[10] Lloyd Freeburn and Ian Ramsay, "Green Bonds: Legal and Policy Issues", *Capital Market Law Journal*, Vol. 15, No. 4 (2020): 4.

regulations prohibiting it, limited transparency and accountability of information to the public or investors, and the certification and registration of qualified external review providers for KUBL assessments.[11] In comparison, France has more comprehensive regulations on green bonds, which serve as a normative basis for preventing greenwashing[12], and has successfully ranked second-highest in green bond issuance.[13] These regulations are the result of harmonization through the European Green Bond Standard ("EuGBs"), the EU Taxonomy Requirements, the Sustainable Finance Disclosure Regulation ("SDFR"), and the Code de la Consommation, which form the normative basis for preventing greenwashing and protecting investors.

METHODOLOGY

In this study, the author uses a normative legal research method, examining data or literature based on primary legal materials, secondary legal materials, and tertiary legal materials. There are two research approaches used in this study, namely the statute approach and the comparative law approach. The statute approach is an approach that examines all laws and regulations related to the legal topic being studied.[14] The comparative law approach is an examination of the similarities and differences in law between several countries.[15] In this study, the country compared with Indonesia is France, with the focus of the study being an assessment of green bond regulations between Indonesia and France. The results of the study are then presented in the form of a clear narrative of the findings obtained through legal research conducted by the author.

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[11] Sheila N. Baity, *Loc.Cit*, p. 190.

[12] Wided Khiari, et.al., "CSR Committee, Women on The Board, and Green Bond Issuance: Evidence from France", *Journal of Risk and Financial Management*, Vol. 18, No. 180 (2025): 2.

[13] *Ibid.*

[14] Inda Rahadiyan and Nikmah Mentari, "Keterbukaan Informasi Sebagai Mitigasi Risiko *Peer To Peer Lending* (Perbandingan Antara Indonesia dan Amerika Serikat)", *Jurnal Hukum IUS QUIA IUSTUM*, Vol. 2, No. 2 (2021): 331.

[15] *Ibid.*

RESULT AND DISCUSSION

The Weaknesses in The Regulation of The Issuance of Green Bonds in Indonesia and Its Implication to Investor Protecion

Indonesia has sought to integrate sustainability principles into the financial sector through POJK 18/2023, which serves as the normative basis for issuers when issuing green bonds.[16] Green bonds are instruments for financing Environmentally Friendly Business Activities ("KUBL")[17] with several business activities[18] aimed at protecting, improving, and/or enhancing the quality or function of the environment.[19]

Furthermore, issuers or publishers are required to establish processes and methods applied to identify risks that may impact the environment[20], and are required to obtain a review from an external review provider as a party that declares that KUBL is based on the intention to benefit the environment and/or provide benefits to the target population.[21] Then, issuers or publishers of green bonds are required to submit reports to the OJK, attached to their annual reports[22], and reviewed by external reviewers.[23]

One of the risks inherent in green bonds, as with other financial products, is greenwashing[24], which is marketing practices involving the misrepresentation of information by issuers or publishers[25] and the use of selective disclosure to only disclose information intended to give a positive impression of the company's environmental performance.[26]

Although POJK 18 of 2023 concerning the Issuance and Requirements of Debt Securities and Sukuk Based on Sustainability has regulated a number of issuer

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[16] Sheila N. Baity, *Loc.Cit*, p. 194.
[17] Article 1, point 3 of POJK 18/2023.
[18] Article 8 of POJK 18/2023
[19] Article 1, point 10 of POJK 18/2023
[20] Article 10 (b) of POJK 18/2023
[21] Article 13 (a) of POJK 18/2023
[22] Article 22, point 5 of POJK 18/2023
[23] Article 22, point 3 of of POJK 18/2023
[24] Niken Ayu Lestari, *Loc.Cit*, p. 60.
[25] Mattia Lionello, *Op.Cit*.
[26] Thomas P. Lyon and John W. Maxwell, "Greenwash: Corporate Environmental Disclosure under Threat of Audit", *UC Berkeley Working Paper Series*, Vol. 20, No. 1 (2011): 2.

obligations, the absence of regulations on the prohibition of greenwashing, limited transparency and information, certification and registration of qualified external review providers, and compensation mechanisms opens up opportunities for greenwashing.[27]

Normatively, Indonesia does not yet have specific prohibiting greenwashing. This prohibition is only generally regulated in Article 90 of Law Number 8 of 1995 concerning the Capital Market, as amended by Law Number 4 of 2023 concerning the Development and Strengthening of the Financial Sector, which prohibits providing misleading information in capital market transactions.

The weak regulation of green bonds through POJK 18/2023 may give rise to several risks that impact investor protection, namely:

1. Legal uncertainty;[28]
2. Obtaining information that is inadequate and does not comply with the principle of information disclosure;[29]
3. Injustice;[30] and
4. Decrease on the market value of green bonds.[31]

Comparison of The Regulation of The Issuance of Green Bonds between Indonesia and France

1. **Green Bond Regulation in Indonesia**

POJK 18/2023 is based on Law Number 8 of 1995 concerning Capital Markets as amended by Law Number 4 of 2023 concerning Development and Strengthening of the Financial Sector[32], with the aim of providing a legal framework for the issuance of

[27] Niken Ayu Lestari, *Loc.Cit.*, hlm. 37.

[28] LensaCendekia, *Bagaimana Aturan Indonesia Belum Menjamin Obligasi Hijau Bebas "Greenwashing*", contained in https://lensa.uii.ac.id/bagaimana-aturan-indonesia-belum-menjamin-obligasi-hijau-bebas-greenwashing/, accessed on September 30, 2025 at 18.34 WIB.

[29] Moh. Ali, et.al, "Protection Policy Strategy for Green Bond Investors Against the Risk of Greenwashing Practices in the Capital Market", *International Journal of Advanced Multidisciplinary Research and Studies*, Vol. 5, No. 5 (2025): 859.

[30] Amran Rabani Zubaidi, et.al, "Perlindungan Hukum bagi Investor yang Mengalami Kerugian Tidak Sah akibat Praktik Insider Trading di Pasar Modal", *Setara*: *Jurnal Ilmu Hukum*, Vol. 4, No. 1 (2023): 5.

[31] Kevin Sebastian J. L. T. and Wenny Setiawati, "Tinjauan Yuridis terhadap Efek Bersifat Utang Berwawasan Lingkungan (Green Bond) sebagai Instrumen Investasi dalam Penerapan Sustainable Investment di Pasar Modal Indonesia", *Technology and Economics Law Journal*, Vol. 1, No. 1, (2022): 38.

[32] *Ibid*, p. 29.

securities that not only provide economic benefits, but also have a positive impact on the environment.[33]

The regulations on green bond stipulated in POJK 18/2023 regulate the obligations of four main components that must be fulfilled by issuers[34], which must then be included in the green bond issuance policy framework[35], with the contents of the components as follows;

a. Use of proceeds from issuance

   All proceeds from the issuance may only be used for financing and/or refinancing, directly or indirectly, of KUBL in the issuance of green bonds[36], with the aim of protecting, improving, and or/enhancing the quality or function of the environment.[37]

b. Evaluation and selection process for the activities

   The issuer or publisher must establish an internal process for evaluating and selecting the KUBL to be financed[38], as well as the processes and methods applied to identify and manage potential material environmental and social risks related to business activities and/or other activities.[39]

c. Management of proceeds

   The issuer must ensure that the proceeds from the green bond are managed separately from other funds[40] and that the funds are only used for the specified KUBL.[41] Fund management is separated through a special account at the bank used.[42]

d. Reporting

[33] Niken Ayu Lestari, *Loc.Cit*, p. 60.
[34] Article 5, point 1 of POJK 18/2023.
[35] Article 5, point 2 of POJK 18/2023.
[36] Article 6 (a) of POJK 18/2023.
[37] Article 1, point 10 of POJK 18/2023.
[38] Article 10 (a) of POJK 18/2023.
[39] Article 10 (b) of POJK 18/2023.
[40] Article 11 (a) of POJK 18/2023.
[41] Article 8 of POJK 18/2023.
[42] Article 11 (a) of POJK 18/2023.

In issuing green bonds, issuers or publishers are required to submit reports containing periodic information after the issuance[43], included in the green bond issuance policy framework[44], and reviewed by an external reviewer.[45] The information contained in the report shall at least explain:

1) The realization of the use of funds for the selected KUBL and/or KUBS;
2) Achievements in the realization of business activities and/or other activities;
3) Changes in the realization of business activities and/or other activities, if any; and
4) The impact of the financed KUBL and/or KUBS. The report prepared by the issuer must then be submitted to the OJK and attached to the annual report.[46]

The report prepared by the issuer must be submitted to the OJK and attached to the annual report.[47]

Green bonds can be issued through two mechanism, namely public offering or private placement for securities with a maturity of more than one year.[48] There are several documents that must be prepared by the issuer, namely:

a. Registration Statement for Public Offering or Non-Public Offering Issuance Document

The registration statement for public offering or non-public offering issuance document must be accompanied by additional documents, namely:

1) statement of commitment from the issuer to use the proceeds from the public offering or non-public offering;
2) Framework for the issuance of green bonds;
3) review results from an external review provider; and
4) proof of competence or expertise of the external review provider.[49]

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[43] Article 12, point 1 of POJK 18/2023.
[44] Article 12, point 2 of POJK 18/2023.
[45] Article 22, point 3 of POJK 18/2023.
[46] Article 22, point 3 of POJK 18/2023.
[47] Article 22, point 5 and 6 of POJK 18/2023.
[48] Article 2 of POJK 18/2023.
[49] Article 15 of POJK 18/2023.

b. Prospectus and Issuance Information Memorandum

The prospectus or information memorandum for green bonds must be disclosed in a separate chapter containing:

1) Description of the KUBL;
2) Summary of the green bond issuance policy framework; and
3) Summary of the review results from the external review provider.[50]

2. Green Bond Regulation in France

France, as a member state of the European Union, plays an important role in the global development of green bonds.[51] Regulations concerning green bonds in France are contained in the harmonization of several directly applicable European Union regulations and French national laws[52], namely EuGBs, Taxonomy Requirements, SDFR, and Code de la Consummation.

The harmonization of these various legal instruments creates a comprehensive legal framework for the issuance, management, and supervision of green bonds in France, each with a different legal substance. The explanation is as follows:

1) Regulation (EU) 2023/2631 European Green Bond Standard (EuGBs)
2) Article 4 Use of the proceeds of European Green Bonds, stipulates that the proceeds from the issuance of green bonds can only be used for activities that meet the EU Taxonomy Requirements through a gradual and portfolio approach;
3) Article 7 CapEx plans, requires issuers to prepare CapEx plans that set a deadline before maturity for all capital and operations funded through green bonds in accordance with EU Taxonomy Requirements, as well as obtain an assessment from an external review provider;
4) Article 8 Application of the technical screening criteria and grandfathering, regulates the application of technical screening criteria to ensure that financed

[50] Article 17 of POJK 18/2023.
[51] Wided Khiari, et.al, *Op.Cit.*
[52] *Ibid.*

activities remain in line with EU Taxonomy Requirements, even if there are changes in regulations regarding the issuance of green bonds;

5) Article 9 Environmental Objectives, establishes six environmental objectives as the basis for determining or assessing whether an activity can be categorized as environmentally sustainable;
6) Article 21 Periodic post-issuance disclosures for issuers of bonds marketed as environmentally sustainable or of sustainability-linked bonds, regulates transparency obligations through periodic reports on the use of funds and the achievement of environmental targets after the issuance of green bonds (post disclosure issuance);
7) Article 22 Registration, requires external review providers to be registered with ESMA, which are then listed in a public register to ensure their eligibility to assess business activities;
8) Article 23 Application for registration as an external reviewer for European Green Bonds, regulates the registration standards for external review providers at ESMA, which include independence, integrity, technical capacity, and transparent methodology, before ESMA assesses and approves their registration.

   a. Regulation (EU) 2020/852 of the European Parliament and of the Council of June 18, 2020 on the Establishment of a Framework to Facilitate Sustainable Investment and Amending Regulation (EU) 2019/2088

      1) Article 3 Criteria for Environmentally Sustainable Economic Activities, stipulates four criteria for assessing the feasibility of activities that can be categorized as environmentally sustainable, as referred to in Article 9, and forms the basis for assessing the issuance of green bonds;
      2) Article 5 Transparency of Environmentally Sustainable Investments in Pre-Contractual Disclosures and in Periodic Reports, regulates the obligation to report publicly, honestly and in detail, on the

environmental objectives supported and the investments allocated to environmentally sustainable activities;

3) Article 6 Transparency of Financial Products that Promote Environmental Characteristics in Pre-Contractual Disclosures and in Periodic Reports, requires transparency for financial products that do not fully meet sustainability standards and confirms that the principle of do no significant harm only applies to financial products in accordance with EU Taxonomy Requirements;
4) Article 9 Environmental Objectives, establishes six environmental objectives as the main benchmarks for activities that can be considered environmentally friendly;
5) Article 10 Substantial contribution to climate change mitigation, becomes a specific assessment framework for activities that comply with EU Taxonomy Requirements, particularly on climate change mitigation based on technical screening criteria;
6) Article 11 Substantial contribution to climate change adaptation, regulates activities that are considered to contribute to climate change adaptation if assessed through climate risk assessment and meet technical screening criteria without undermining other environmental objectives;
7) Article 12 Substantial contribution to the sustainable use and protection of water and marine resources, regulates the criteria for activities that contribute to the protection of water and marine resources;
8) Article 13 Substantial Contribution to the Transition to a Circular Economy, establishes criteria for activities that support the transition to a circular economy, including the use of recycled materials and the reuse of resources;
9) Article 14 Substantial Contribution to Pollution Prevention and Control, establishes criteria for activities that contribute to pollution

prevention and control through emission thresholds and the application of best available techniques;

10) Article 15 Substantial Contribution to the Protection and Restoration of Biodiversity and Ecosystems, regulates the criteria for activities that contribute to the protection and restoration of biodiversity; and
11) Article 17 Significant Harm to Environmental Objectives, emphasizes that activities funded through green bonds must not have a negative impact on other environmental objectives as stipulated in Article 3.

b. Regulation (EU) 2019/2088 Sustainable Finance Disclosure Regulation (SDFR)
   1) Article 3 Transparency of Sustainability Risk Policies, requires green bond issuers to disclose reports or policies on their websites;
   2) Article 4 Transparency of Adverse Sustainability Impacts at Entity Level, requires issuers to publish the negative impacts of investments and due diligence statements on these risks on their websites;
   3) Article 8 Transparency of the promotion of environmental or social characteristics in pre-contractual disclosures, requires the disclosure of environmental characteristics to be financed with green bonds in accordance with EU Taxonomy Requirements;
   4) Article 10 Transparency of the promotion of environmental or social characteristics and of sustainable investments on websites, requires issuers to communicate the objectives of their business activities in an honest, measurable, and verifiable manner in pre-contractual documents, including prospectuses or memoranda, through their websites.
c. Code de la Consommation

   Article L121-2 Pratiques Commerciales Trompeuses, prohibits misleading advertising or information regarding the environment, in order to protect investors by making truthfulness of information an important element in economic activities in the capital market.

3. Comparison of Green Bond Regulations between Indonesia and France

An explanation of the comparative analysis of green bond regulations between Indonesia and France is described in the table below, as follows:

Table 3.1

Comparison of Green Bond Regulations between Indonesia and France

Aspects	Indonesia	France
Green Bond Regulation	POJK No. 18 of 2023 concerning the Issuance and Requirements of Debt Securities and Sukuk Based on Sustainability	Harmonization of several regulations, namely: a. Regulation (EU) 2023/2631 European Green Bond Standard (EuGBs); b. Regulation (EU) 2020/852 of The European Parliament and of the Council of June 18, 2020 on the Establishment of a Framework to Facilitate Sustainable Investment and Amending Regulation (EU) 2019/2088; c. Regulation (EU) 2019/2088 Sustainable Finance Disclosure Regulation (SDFR); and d. Code de la Consommation
Minimum Fund Allocation	100% (one hundred percent) of funds are directed to environmentally-friendly business activities (Article 6 paragraph 1 POJK 18/2023)	100% of funds must be in line with the EU Taxonomy Requirements (article 4 EuGBs)
Types of Green Projects	11 (eleven) KUBL categories (Article 8 POJK 18/2023)	6 (six) environmental objectives (article 9 EU Taxonomy Requirements)

Reporting	1 (one) time per year (Article 22 POJK 18/2023)	a. Annual allocation report and ESMA verification (article 11 EuGBs); b. Periodic post-issuance disclosure report (article 21 EuGBs); c. Report via website (Articles 3, 4, 8, and 10 SDFR)
Green Project Guidelines	*Taksonomi Keuangan Berkelanjutan Indonesia*	EU Taxonomy Requirements
CapEx Plan	None	Must prepare a CapEx plan and ensure alignment with EU Taxonomy Requirements before maturity (Article 7 EuGBs)
External Review Provider	There is an obligation to obtain an external review provider, but without specific standards for methods, registration, or certification (Articles 46-49 POJK 18/2023)	a. Must be registered with ESMA (article 22 EuGBs); and b. Must meet standards of integrity, independence, technical capacity, and transparent methodology (article 23 EuGBs).
Do no significant harm principle	None	Apply the do no significant harm principle, which prohibits causing other environmental damage (article 17 EU Taxonomy Requirements)
Prohibition and Sanctions for Greenwashing	Implicitly regulated in Article 90 of Law Number 8 of 1995 concerning *Pasar Modal* as amended by Law Number 4 of 2023 concerning the Development and Strengthening of the Financial Sector.	Explicitly regulated through Article L121-2 in the Code de la Consommation

The Substance of The Regulation on The Issuance of Green Bonds in France that Can be Applied in Indonesia to Enhance Investor Protection

Based on a comparison between Indonesia and France, several important legal measures can be adopted to strengthen Indonesia's legal framework for green bonds, which France has in place to provide comprehensive legal protection to investors, with transparent, integrated regulations and strict technical standards.[53] The following are several provisions in the French legal framework that can be used as a reference to improve legal protection for investors in Indonesia, including:

1. The establishment of Measurable Technical Standards in Green Project Assessment POJK 18/2023 has not yet established technical standards for assessing the feasibility of KUBL, as it only contains general definitions and categories of business activities without verifiable criteria. In contrast, regulations in France through Regulation (EU) 2020/852 of the European Parliament and of the Council of June 18, 2020, on the Establishment of a Framework to Facilitate Sustainable Investment and Amending Regulation (EU) 2019/2088, have regulated standard criteria in assessments based on specific parameter[54], fulfilling the principle of do no significant harm[55], and 6 (six) environmental objectives as assessment benchmarks.[56] The application of a similar legal system in Indonesia will increase the objectivity of KUBL assessments and reduce the risk of subjectivity by external review providers, given the absence of specific benchmarks in their assessments.
2. Registration and Competency Standardization by External Review Providers POJK 18/2023 only requires reviews without any supervision or registration mechanism by external review providers. Unlike the EuGBs regulation in France, ESMA requires all external review providers to register with ESMA, its sets several criteria for integrity, technical expertise, and methodological transparency.[57] These provisions can be adopted by Indonesia to establish a

[53] Banque De France Bulletin, *The Green bond Market is Expanding Rapidly but Needs to be Measured More Accurately*, contained in https://www.banque-france.fr/en/publications-and-statistics/publications/green-bond-market-expanding-rapidly-needs-be-measured-more, accessed on October 3, 2025, at 18.32 WIB.

[54] Article 10-15 Regulation (EU) 2020/852 of The Eropean Parliament and of the Council of 18 Juni 2020 on the Establishment of a Framework to Facilitate Sustainable Investment and Amending Regulatin (EU) 2019/2088.

[55] Article 17 Regulation (EU) 2020/852 of The Eropean Parliament and of the Council of 18 Juni 2020 on the Establishment of a Framework to Facilitate Sustainable Investment and Amending Regulatin (EU) 2019/2088.

[56] Article 9 Regulation (EU) 2020/852 of The Eropean Parliament and of the Council of 18 Juni 2020 on the Establishment of a Framework to Facilitate Sustainable Investment and Amending Regulatin (EU) 2019/2088.

[57] Article 22 and 23 Regulation (EU) 2023/2631 European Green Bond Standard (EuGBs).

registration and accreditation system for external review providers, ensuring competence and independence under OJK's regular oversight.

3. Strengthening Transparency and Public Reporting Requirements under POJK 18/2023 only requires issuers to report to the OJK the use of funds from the issuance of green bonds, without any obligation to submit such reports to the public or investors. This condition has the potential to create information asymmetry between issuers and investors. In contrast, Article 21 in EuGBs and Articles 3, 4, 5, and 10 in SDFR require issuers to periodically publish reports on the use of funds and environmental impact to the public, thereby ensuring transparency and accountability of information for investors and the public.
4. Application of Normative Prohibitions on Greenwashing Practices. The prohibition of greenwashing in Indonesia is only implicitly regulated by Article 90 of Law Number 8 of 1995 concerning Capital Markets, as amended by Law Number 4 of 2023 concerning Development and Strengthening of the Financial Sector, without specific regulations related to the environment. In contrast, France has explicitly prohibited greenwashing practices through article L121-2 in the Code de la Consommation, which prohibites deceptive business practices by prohibiting misleading advertising or information about the environment. This provision can be incorporated into the Indonesian legal framework through POJK or a revision of the Capital Market Law in order to close legal loopholes and strengthen investor protection.
5. The integration of the Do No Significant Harm Principle Regulations in France applies the DNSH principle, which requires that every business activity not only contributes to one environmental objective, but also does not negatively impact on other environmental objectives.[58] Meanwhile, POJK 18/2023 does not yet regulate the application of the DNSH principle, so its integration into the Indonesian legal framework could strengthen the consistency and integrity of assessments of business activities and/or other cross-sector activities.

[58] Article 17 Regulation (EU) 2020/852 of The Eropean Parliament and of the Council of 18 Juni 2020 on the Establishment of a Framework to Facilitate Sustainable Investment and Amending Regulatin (EU) 2019/2088.

CONCLUSION

Based on the analysis of the discussion above, the conclusion is as follows:

1) POJK 18/2023 is a step forward in the development of green bonds compared to previous regulations. However, its provisions are still administrative and declarative in nature, particularly regarding the absence of prohibitions on greenwashing practices, limited transparency and accountability of information for the public or investors, certification and registration of external reviewers who are qualified to assess KUBL, and legal mechanisms to seek compensation if issuers or publishers are proven to have engaged in greenwashing. Which could lead to several risks that affect investor protection, such as loss of legal certainty, inadequate information (information asymmetry), a decline in the market value of green bonds, and increased complexity in proving investor compensation claims in court.
2) Based on a comparison of green bond regulations between Indonesia and France, several legal differences arise, leading to differences in the optimal legal protection for investors. Green bond regulations in Indonesia are still administrative and declarative in nature, which could potentially lead to greenwashing due to legal loopholes. In contrast, regulations in France are standardized and strict, providing more effective legal protection for investors. The differences in the legal substance of the regulations between Indonesia and France lie in the limitations on transparency in the use of funds and reporting, the registration and supervision of external review providers, technical standards for KUBL assessment, the integration of the do no significant harm principle, and the prohibition on greenwashing.
3) There are several legal substances in the regulations regarding green bonds in France that can be adopted by Indonesia to improve legal protection for investors, namely the establishment of measurable technical standards in KUBL assessment, regulations on the registration and competency standards of external review providers, strengthening of transparency and public

reporting obligations, integration of the "do no significant harm" principle, and the explicit addition of a prohibition on greenwashing.

Based on the analysis of the discussion above, the recommendations are as follows:

1) OJK needs to conduct a critical evaluation of the regulations governing green bonds to address existing weaknesses, thereby strengthening legal protection for investors and preventing potential problems or losses arising from legal loopholes.
2) The OJK can consider France a reference country for comparative analysis, as its regulations are more comprehensive and provide optimal legal protection to investors.
3) Through the renewal or refinement of regulations on green bonds, the OJK can adopt the legal substance of the regulations of France as a reference country, particularly regarding technical standards in KUBL assessments, transparency and accountability obligations to the public or investors, certification and registration of external review providers, integration of the do no significant harm principle, and prohibition of greenwashing.

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This research is expected to make relevant theoretical and practical contributions to the development of capital market law studies, particularly regarding the regulation of green bond issuance and efforts to prevent greenwashing. Theoretically, the findings of this study have the potential to enrich legal scholarship by positioning greenwashing as a legal issue closely related to the principles of information disclosure, disclosure standards, and investor protection mechanisms in the capital market. This approach provides a new analytical perspective that emphasizes the importance of transparency and accountability of information as key elements in maintaining the credibility of sustainable financial instruments. In practical terms, this research is expected to serve as a reference and basis for comparison for stakeholders, including regulators, legal practitioners, and capital market players, in understanding

the weaknesses of green bond regulations in Indonesia and their implications for investor protection. Furthermore, by comparing regulations with those in France, this study is expected to provide an overview of the substance of regulations that could be adopted to strengthen the legal framework for green bond issuance and minimize the risk of greenwashing in the future.

COMPETING INTEREST

There are no conflicts of interest involved in the publication of this article.

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