ABSTRACT

Sustainability is gaining prominence in the corporate landscape as organizations face rising pressure to discuss concerns related to governance, the environment, and society (ESG). Sustainability disclosures have been released by an increasing number of businesses to demonstrate transparency and responsibility to their stakeholders. However, greenwashing where companies present misleading or inaccurate sustainability claims remains a persistent issue. POJK No. 51/POJK.03/2017 and other regulatory frameworks have required businesses to prepare sustainability reports. Meanwhile, It is assumed that digital transformation, combined with environmentally conscious leadership, can enhance the trustworthiness and openness of ESG disclosures.

This research investigates how digital transformation affects ESG related greenwashing behavior among firms in Indonesia.and to explore whether executive green cognition can enhance that relationship. The sample includes firms featured in the 2020-2022 IDXESGL Index., representing leading companies in ESG performance within the Indonesian stock market. To meet its research goals, this study uses panel data regression techniques as part of a quantitative approach. The study draws on data from annual and sustainability disclosures, utilizing text mining methods to quantify digital transformation and executive cognition. ESG greenwashing was measured by identifying discrepancies between reported ESG disclosures and actual ESG performance scores from independent agencies. Statistical tests were conducted to examine both direct and moderating effects among the variables.

The findings reveal that digital transformation, on its own, does not significantly reduce greenwashing. This occurs partly because digital solutions are often used in a symbolic manner by firms, such as publishing reports in appealing formats without sufficient verification mechanisms, for example, by presenting reports in narrative PDF formats without integrating digital audit systems. However, when executive awareness is high, digital technologies tend to be *deployed more strategically, leading to greater transparency and minimizing manipulative ESG reporting practices.*

This study enhances the body of ESG-related research in the context of developing economies and provides actionable recommendations for policymakers. It highlights the urgency of refining ESG reporting standards, particularly by incorporating globally recognized frameworks such as uniform disclosure guidelines and independent verification through third-party audits. Furthermore, it urges companies to integrate digital technologies not just for reputational purposes, but as a core component of sustainable reporting and auditing systems to strengthen accountability and build investor confidence over the long term.

***Keywords**: Digital Transformation, ESG Greenwashing, Executive Green Cognition, IDX ESG Leaders*