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Greenwashing vs. Authentic ESG: How Mismatching Corporate Communication and Actual ESG Metrics Impacts Brand Equity

[a] **Muhammad Waqar Asghar**
International Islamic University Islamabad, Pakistan
Email: mwaqaras@gmail.com

Corresponding Author: Muhammad Waqar Asghar

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ABSTRACT

Environmental, Social and Governance (ESG) has emerged as a key factor for corporate reputation, stakeholder trust, consumer perceptions and brand equity. Concurrently, sustainability communication has grown at a fast pace with a major risk of greenwashing when corporate sustainability statements are more robust than the respective ESG results. This study investigates the influence of the ESG communication gap on the brand equity and looks at whether the brand credibility and stakeholder trust mediate between greenwashing and brand equity relationship. This study is of a quantitative and cross sectional type. The data was gathered using a structured questionnaire from 420 consumers with prior exposure to corporate sustainability, or ESG communications. Perceived sustainability claims were used to measure corporate communication and an ESG performance assessment was used to measure actual ESG performance. An index of communication–performance gap was created to reflect the level of perceived greenwashing. The measures of brand equity were brand awareness, perceived quality, brand associations, brand loyalty, and overall brand value perceptions. The data analysis technique used was descriptive, reliability analysis, correlation analysis, multiple regression, mediation analysis and structural equation modeling (SEM). The findings show that there is a strong negative correlation between the ESG communication–performance gap and brand equity. Greenwashing also has a tremendous negative impact on brand credibility and trust among stakeholders. The outcomes of the greenwashing-behaviour in the context of brand equity are highly mediated by brand credibility and stakeholder trust. However, consistency between sustainability communication and its measurable ESG performance is strongly linked to brand equity and is a characteristic of authentic ESG. The results suggest that sustainable communication that is backed by measurable environmental, social, and governance performance leads to better brand results. Based on the study, the findings contribute to signaling theory, stakeholder theory, legitimacy theory and literature on brand equity by showing that the value generated through the ESG communication is dependent on their perception of the credibility of the underlying signal.

Keywords: Greenwashing, authentic ESG, ESG performance, ESG communication, brand equity, brand credibility, stakeholder trust, sustainability, corporate reputation

INTRODUCTION

Environmental, social, and governance (ESG) principles are no longer a niche aspect of corporate responsibility, but are now an integral part of corporate strategy, investment evaluation, reputation management, and brand communication. There is a growing trend among organizations to share information about their environmental, social and governance (ESG) policies, their carbon-reduction efforts, their diversity policies, their responsible supply-chain practices and their sustainability goals with investors, employees, consumers, regulators and other stakeholders. ESG communication is thus not only a reporting process, but also a strategic tool to convey values, capacities and long-term orientation. (Friede et al., 2015; Gillan et al., 2021)

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But, as ESG becomes more of a strategic priority, greenwashing has become a growing concern. Greenwashing happens when the communication of corporate sustainability leads to a more positive perception about an organization's environmental, or more generally, its ESG performance, than the organization's actual practices. ESG is a disclosure issue that has been identified through research: when firms provide a high level of disclosure even though their ESG performance is relatively low (Yu et al., 2020). (Lyon & Montgomery, 2015; Parguel et al., 2015)

The issue is then not sustainability communication as such, but rather a lack of sustainability communication.The problem is thus lack of sustainability communication, not sustainability communication per se. The issue arises in situations where there's a mismatch between communication and performance. A company can report bold environmental targets, but still have high emissions; talk about renewables, but still have high dependency on fossil fuels; speak about employee well-being, but have poor labor indicators; or say that it has ethical governance, but still has governance controversies. The result of these differences is an information-quality issue when stakeholders are fed a positive signal that is not a true reflection of organizational behavior. (Nyilasy et al., 2014; Lyon & Montgomery, 2015)

This is especially relevant from a marketing point of view because consumer knowledge, associations, perceived quality, credibility, and loyalty are critical aspects of brand equity. Stakeholders' perceptions of a brand's sustainability claims are what drive brand associations. The empirical studies conducted in the past have shown that greenwashing can reduce green brand associations and green brand credibility, which further undermines green brand equity and purchase intention (Santos et al., 2018).

Recent studies also show the relevance of the communication–performance relationship. Through a market-trust mechanism, Zhou et al. (2024) discovered that the environmental disclosure greenwashing lowers the premium in company value, while the environmental information generates the premium. Likewise, modern studies have emerged that offer quantitative methods to quantify the gap between communication about sustainability and its performance. Lagasio (2024) has for instance presented a Severity Index for ESG-washing that is constructed by using natural language processing and the connection between portrayed sustainability and sustainability-related content. (Pajuelo-Moreno et al., 2024)

The question is also related to brand value. However, a study in 2025 which looked at 120 world banks has shown that ESG commitment and brand value are not necessarily directly linked, meaning that active ESG activity does not necessarily lead to increased brand value. This discovery reinforces the case for requiring special scrutiny of the quality, credibility and authenticity of ESG communication.

In this context, the present study aims to answer the question:

What happens when the communication of ESG is misaligned with the metrics for ESG?

The study separates the conditions of 2 scenarios. Greenwashing is the first one, in which corporate communication is more credible than actual ESG performance. Second, it is true ESG, with the communication aligned with real measurable ESG practices. This separation is relevant because stakeholders are not just concerned about whether or not a company communicates sustainability. They look to see how well the organisation's "mouth and hands" are in sync.

There are several contributions made by the study. First, it takes a more nuanced view on greenwashing than focusing only on environmental claims, seeing this phenomenon as a communication–performance mismatch. Secondly, it empirically explores brand equity as a key organizational outcome. Third, it explores brand credibility and stakeholder trust as explanatory mechanisms. Fourthly, it combines ESG communication and performance in a single analytical model. Finally, it offers actionable suggestions for organizations to develop sustainable brand equity via credible ESG strategies.

LITERATURE REVIEW

ESG and Corporate Sustainability Communication

The three dimensions of an organization's sustainability are intertwined and known as ESG. The environmental dimension covers emissions of greenhouse gases, energy efficiency, waste management, water use, biodiversity, pollution and climate strategy. Social dimension refers to employee well-being, human rights, diversity, community relations, occupational safety, customer responsibility and practices of supply chains. In the context of governance, the main components include board structure, executive accountability, transparency, ethics, anti-corruption mechanisms, shareholder rights, and organizational controls.

Stakeholders are informed about such activities through the Corporate ESG communication. Important methods of communication are sustainability reports, annual reports, corporate websites, advertising campaigns, communication via social media, product labelling, investor presentations, press releases and ESG ratings. (Gillan et al., 2021; Pajuelo-Moreno et al., 2024)

The credibility of ESG communication is key to the strategic value. If stakeholders feel that information disclosed is a true and fair representation of the company's actions then communication can help reduce information asymmetry and enhance trust. However, when communication overemphasizes performance, there is a risk that stakeholders will view the organization as opportunistic. (Nyilasy et al., 2014; Christis & Wang, 2021)

Recently, Kachen et al. (2026) looked at the issue of ESG reporting from the perspective of virtue signaling versus authenticity. They conducted a multi-study research that involved both thematic and linguistic analyses as well as quantitative analyses and highlighted the need to consider ESG reporting as genuine sustainability or symbolic signaling.

Therefore, the volume of information provided in ESG communication is not the only criterion to consider; if it is inconsistent with measurable organizational outcomes, then it is not valuable.

Greenwashing

Greenwashing is a mismatch between sustainability statements and behaviour of an organization. This can include, but is not limited to, the ability to overstate positive performance, to only report positive information, to over-inflate sustainability language, to focus on minor gains and overlook major losses, or to make promises without follow-through on measurable results. (Lyon & Montgomery, 2015; Parguel et al., 2015)

Greenwashing does not have to be done with the intent of deception. It can also stem from incomplete measurement systems, ineffective internal controls, a lack of accountability for ESG issues across the organization, disparities in reporting practices, and ineffective communication between the sustainability and marketing functions.

According to Yu et al., (2020), the characteristics of greenwashing in ESG disclosure include the high disclosure of ESG and the comparatively low performance in ESG. They conclude that the information on ESG is not reliable, posing problems for investors trying to incorporate sustainability into investment decisions.

The idea has grown beyond environmental considerations. ESG-washing can manifest in situations where the organisation's communication is positive on all three pillars of sustainability – environmental, social and governance – without any evidence of a substance in any of these areas. (Gillan et al., 2021; Pajuelo-Moreno et al., 2024)

Authentic ESG

Authentic ESG is the consistency between an organizations sustainability claims, commitments, actions and results. It is not a requirement that everything must be 100% perfect within ESG. Instead, honest, fair, and accurate communication of actual performance, progress, limitations, targets, and areas for improvement is needed. (Christis & Wang, 2021; Pajuelo-Moreno et al., 2024)

This means that even if a company's ESG score is not particularly high, they can still be considered to be maintaining good ESG authenticity if they communicate an accurate reflection of their current ESG position.

Services relate to a series of five characteristics of authentic ESG communication:

1. Consistency in claims and measurable outcomes.
2. Specificity, not general sustainability terms.
3. Open and honest reporting of progress and progressions (and progressions and progressions).
4. The measurability is through measurable indicators.
5. Governance, monitoring and assurance – accountability.

Authenticity consequently differs from promotional intensity. A company which communicates less but accurate and verifiable information can build more credibility than a company which claims lots of sustainability information when it's not backed by performance. (Ou et al., 2023)

Brand Equity

Brand equity is the value that is associated with a brand due to the knowledge, perception, associations and behaviour of the consumers. Aaker (1991) believed that brand equity could be understood as encompassing areas such as brand awareness, perceived quality, brand associations, brand loyalty, and other proprietary assets. Keller (1993) highlighted the importance of customer-based brand equity as the differential response of customer to the marketing activities because of their brand knowledge.

In the ESG sphere, sustainability can become a part of the brand knowledge. Consumers can relate a brand to environmental responsibility, ethical behaviour, social inclusion, responsible production or community development. But there are credibility concerns with sustainability associations. (Riva et al., 2024)

If stakeholders find out that sustainability claims are not congruent with actual performance, then negative associations can occur. This can lead to brand equity erosion in terms of decreased perceptions of quality, decreased credibility, negative word-of-mouth, decreased loyalty, and decreased purchase intentions. (Nyilasy et al., 2014; Parguel et al., 2015)

This mechanism is supported by empirical evidence from Santos et al. (2018), which shows that greenwashing has a negative impact on green brand associations, green brand credibility as well as green brand equity, and thus, on green brand purchase intention.

Theoretical Framework

Signaling Theory

The signaling theory is the main theoretical underpinning of this study. Organizations have information they might not share with external stakeholders about their sustainability activity. The purpose of ESG communication is as a signal to alleviate information asymmetry.

A signal should be plausible to send but not easily fakeable without investment in the organization. Resource and organisational effort are needed for genuine environmental improvement, measurable employee welfare programs, effective governance systems and independently verified ESG outcomes. In contrast, symbolic communication is relatively low cost.

If stakeholders understand that communication is not what it actually is, the communication signal becomes unreliable. The credibility loss impacts on what people think of the organisation and therefore its brand.

Stakeholder Theory

In this theory, stakeholders are the groups with whom organisations have a responsibility, not just to shareholders (Freeman, 1984). ESG performance is gaining traction as a lens through which consumers, employees, investors, communities, regulators, suppliers and civil society groups assess organizations.

Stakeholders therefore make a comparison between the claims of the company and the observable organizational behaviour. Lee and Raschke (2023) determined that stakeholder legitimacy is a precursor to the performance of ESG and firms with poor ESG performance are more likely to greenwash.

The theory is that, if done correctly, ESG can help cultivate positive connections with stakeholders, and greenwashing can undermine the legitimacy and trust.

Legitimacy Theory

Legitimacy theory is used to conceptualize corporate sustainability communication as a process of trying to keep organizational action in alignment with the expectations of society. Part of the way organisations communicate their ESG achievements is to show that they have activities that are aligned with social norms and expectations.

Because the organisation's actions may differ from what stakeholder expectations are, greenwashing leads to a legitimacy risk as information about pretending to be conforming is given out. If there are inconsistencies that become apparent, the legitimacy approach might backfire.

Conceptual Model

The conceptual model proposes:

ESG Communication–Performance Gap → Brand Credibility → Brand Equity

Once you have identified the issues in the ESG Communication–Performance Gap, you must build Stakeholder Trust, and only then can you achieve Brand Equity.

Authentic ESG is the inverse: a small communication–performance gap.

Control variables are age, gender, education, ESG awareness, frequency of exposure on corporate sustainability communication and familiarity with the focal brand.

Hypotheses Development

H1

There is a substantial relationship between ESG communication–performance gap and brand equity.

H2

This ESG communication–performance gap has a substantial impact on the credibility of the companies.

H3

Stakeholder trust is strongly impacted by the Communication–Performance Gap in ESG.

H4

Brand credibility is a key driver of brand equity with a positive influence.

H5

The trust of the stakeholders contributes greatly to brand equity.

H6

The relationship between the ESG communication–performance gap and brand equity is mediated by the brand credibility.

H7

The ESG communications–performance Gap is found to be indirectly related to brand equity through the intermediary of stakeholder trust.

H8

There is a significant positive relationship between Authentic ESG and brand equity.

RESEARCH METHODOLOGY

Research Design

This study was conducted with quantitative research design with a structured survey. The study targeted customers who had received ESG or sustainability information from well-known brands.

An online structured questionnaire was used to gather data. To ensure an audience of people with previous exposure to corporate sustainability communication, screening questions were included in the questionnaire.

Both perceived communication as well as perceived actual ESG performance was included in the empirical design. This was chosen because the essence of greenwashing is about what an organisation claims, and what is actually delivered to the stakeholders.

Population and Sample

The adult consumers who were familiar with corporate sustainability claims were the target population. 456 responses were received. Out of 446 questionnaires distributed, 420 questionnaires were used, for a usable response rate of 92.1%.

The respondents included people from various educational and occupational backgrounds. The gender distribution of the respondents was about 54.3% male and 45.7% female. The respondents aged between 25 and 34 were the largest group followed by the age group 35-44.

The sample size was determined to be adequate for regression and SEM analysis as it was greater than the minimum required for the proposed model.

Measurement of Variables

Five point scale from 1 (strongly disagree) to 5 (strongly agree) was used to measure all constructs.

ESG Communication

ESG communication was measured using items assessing:

• Addressing the needs of all stakeholders

• Extent of accountability for a sustainable future

• The consistency of ESG information

• Visibility of environmental and social commitments

• Communication of sustainability targets

Actual ESG Performance

Respondents' perception of actual ESG performance was measured through their assessment of the sustainability practices they could observe through the following metrics:

• Environmental performance

• Employee and social responsibility

• Ethical governance

• Responsible production

• Transparency

• Measurable sustainability outcomes

Greenwashing / Communication–Performance Gap

The greenwashing construct was enacted by the perceived difference between the ESG communication and the ESG performance.

A higher score indicated a greater mismatch.

The operationalization is in line with the recent greenwashing research which highlights the gap between apparent and actual sustainability performance. For instance, Lagasio (2024) created the quantitative ESG-washing index through NLP analysis of sustainability communication.

Brand Credibility

The brand credibility was assessed by respondents' perceptions on the following:

• Continues to fulfil its promises for sustainability

• Discloses reliable, relevant and verifiable ESG data

• Communicates honestly

• Carries out actions in consistency with words

Stakeholder Trust

Stakeholder trust was measured in terms of stakeholders' trust in the organization:

• Honesty

• Transparency

• Sustainability commitments

• Ethical behavior

• Reliability

Brand Equity

The following measures were used to measure brand equity:

• Brand awareness

• Perceived quality

• Positive brand associations

• Loyalty

• Willingness to recommend

• Perceived overall brand value

Descriptive Statistics

Table 1 presents the descriptive statistics.

Variable	Mean	SD	Minimum	Maximum
ESG Communication	3.71	0.74	1.40	5.00
Actual ESG Performance	3.28	0.81	1.20	5.00
Communication–Performance Gap	3.42	0.83	1.00	5.00
Brand Credibility	3.39	0.79	1.20	5.00
Stakeholder Trust	3.31	0.84	1.00	5.00

Brand Equity	3.48	0.76	1.40	5.00

The results show that the perceived communication of ESG by the companies has a fairly positive average score of 3.71. The mean of actual ESG performance was, however, lower at 3.28. This gap suggests respondents felt there was a significant disconnect between how companies communicate about their ESG performance and their actual actions.

The mean between the communication–performance gap was found to be 3.42, which was considered to be significant enough to warrant empirical investigation.

Reliability Analysis

The alpha reliability was determined for each construct. The reliability coefficients were higher than the typical 0.70.

Construct	Number of Items	Cronbach's Alpha	Composite Reliability
ESG Communication	5	0.88	0.90
Actual ESG Performance	6	0.91	0.93
Greenwashing Gap	5	0.89	0.91
Brand Credibility	5	0.92	0.94
Stakeholder Trust	5	0.90	0.92
Brand Equity	6	0.93	0.94

The results demonstrate strong internal consistency. All Cronbach's alpha values exceeded 0.80, indicating that the measurement items consistently captured their respective constructs.

Correlation Analysis

Pearson correlation analysis was conducted to examine relationships among the major variables.

Variable	1	2	3	4	5
Greenwashing Gap	1.00				
Brand Credibility	-.58**	1.00			
Stakeholder Trust	-.61**	.72**	1.00		
Brand Equity	-.55**	.76**	.79**	1.00	
Authentic ESG	-.68**	.74**	.77**	.81**	1.00

Note. p < .01.

The results reveal that a strong negative correlation exists between the communication–performance gap and brand equity ($r = -.55$, $p < .01$). There were strong negative relationships with brand credibility and stakeholder trust for greenwashing.

Conversely, the authentic ESG was positively and significantly correlated with brand equity ($r = .81$, $p < .01$). The results are preliminary support for the conceptual framework proposed.

9. Regression Analysis

The multiple regression analysis was performed to identify if greenwashing had a significant impact on brand equity, while controlling for demographic and consumer characteristics.

The regression model was statistically significant:

$F(8, 411) = 49.63$, $p < .001$

The model accounted for about 49% of the variance for brand equity:

$R^2 = .492$

The coefficient for the communication–performance gap was negative and large:

$\beta = -.41$, $p < .001$

The findings suggest that there was an inverse relationship between brand equity and perceived inconsistency between ESG communication and performance.

Also, brand credibility had a fairly large positive coefficient:

$\beta = .32, p < .001$

The other important positive influence that stakeholder trust had was:

$\beta = .36, p < .001$

The results showed that, brand credibility and trust were important mechanisms that mediated between ESG authenticity and brand equity.

Regression Results for Brand Credibility

To assess the influence of greenwashing on brand credibility, a second regression model was created.

The model was noteworthy:

$F(6, 413) = 51.87, p < .001$

The model accounted for 43% of the variance in brand credibility:

$R^2 = .430$

The communication–performance gap was found to have a significant negative effect:

$\beta = -.58, p < .001$

Thus, H2 was advocated.

It shows that when it comes to the brand, consumers feel less good when sustainability is not actually in line with what the brand does.

Stakeholder trust: 11. Regression Results for Stakeholder Trust

The third regression tested the effect of the communication–performance gap on stakeholder trust.

The model proved to be statistically significant:

$F(6, 413) = 58.41, p < .001$

The model was successful in explaining:

$R^2 = .459$

There was a large negative coefficient between communication and performance:

$\beta = -.61, p < .001$

So, H3 was won.

The strength of the coefficient suggests that any difference between ESG communication and performance is especially significant for the trust of the stakeholders.

MEDIATION ANALYSIS

Bootstrapped indirect effects (5,000 bootstrap samples) were performed for mediation analysis.

Brand Credibility as Mediator

The indirect effect of greenwashing on brand equity through brand credibility was large:

Indirect effect = −0.19

95% CI = [−0.25, −0.14]

The indirect effect was significant because the confidence interval did not contain the value of zero.

The result confirms the validity of H6.

The discovery shows that greenwashing dilutes the brand equity, in part, because it undermines the credibility of the sustainability statements.

The role of mediator is played by Stakeholder Trust.The mediators are Stakeholder Trust.

The indirect effect via stakeholder trust also had substantial impact:

Indirect effect = −0.22

95% CI = [−0.28, −0.17]

This indicated a statistically significant mediation effect as the confidence interval did not contain the null value of zero.

Thus, H7 was endorsed.

The mediation results show that trust is an important link between ESG authenticity and brand equity.

Structural Equation Modeling

The entire theoretical model was tested using SEM.

The measurement model was acceptable:

- $\chi^2/df = 2.31$
- CFI = .95

- TLI = .94
- RMSEA = .056
- SRMR = .049

Path	β	p-value	Result
Greenwashing → Brand Credibility	−.58	< .001	Supported
Greenwashing → Stakeholder Trust	−.61	< .001	Supported
Brand Credibility → Brand Equity	.32	< .001	Supported
Stakeholder Trust → Brand Equity	.48	< .001	Supported
Greenwashing → Brand Equity	−.21	< .001	Supported
Authentic ESG → Brand Equity	.67	< .001	Supported

The SEM results provide strong evidence that the relationship between ESG communication and brand equity is dependent on authenticity.

Hypothesis Testing Summary

Hypothesis	Statement	Result
H1	Greenwashing negatively affects brand equity	Supported
H2	Greenwashing negatively affects brand credibility	Supported
H3	Greenwashing negatively affects stakeholder trust	Supported
H4	Brand credibility positively affects brand equity	Supported

H5	Stakeholder trust positively affects brand equity	Supported
H6	Brand credibility mediates greenwashing–brand equity relationship	Supported
H7	Stakeholder trust mediates greenwashing–brand equity relationship	Supported
H8	Authentic ESG positively affects brand equity	Supported

All eight hypotheses were supported.

DISCUSSION

The results show that the main issue with greenwashing is not information communicated, but the information communicated vs. the performance.

The negative relationship between the communication–performance gap and brand equity suggests that the consistency of the communication of sustainability can become a problem if the stakeholders do not perceive it to be consistent. It is consistent with previous study that found that greenwashing also negatively affects green brand associations and the credibility of the brand (Santos et al., 2018).

The finding is also in line with the finding of Zhou et al. (2024) that environmental disclosure can create value, while greenwashing can diminish the value premium stemming from environmental information by decreasing market trust.

The present results support this argument in the brand-equity field. This doesn't mean that greater volume of sustainability communication will boost brand equity. Rather, the key to brand equity is about the credibility of the communication to stakeholders that it reflects corporate behavior.

This is a key aspect to differentiate, especially in the current ESG landscape, where sustainability communication is very visible. ESG commitments are conveyed in annual sustainability reports, advertisements, websites, social media, investor relations documents, public statements, product labelling and packaging. The more visible ESG becomes, the more damage it can cause to a company's reputation if there are inconsistences found.

This view is further supported by recent empirical studies. A 2026 study revealed that greenwashing has a negative direct and indirect impact on green brand equity via green skepticism, and that CSR can mitigate these negative effects of green skepticism.

The findings of the present study also confirm the presence of credibility and trust as important mechanisms.

Brand Credibility as a Mechanism

Brand credibility was found to be a major mediator.

As consumers become more confident in a company's sustainability promises, when they feel that the business is actually doing what it says it is doing. Thereby credibility makes the ESG information an important brand association.

On the other hand, if the claims seem too good to be true, customers doubt the credibility of other brand's claims. All the skepticism that follows can impact on overall brand assessments.

This is why it is not uncommon for greenwashing to have effects beyond a simple environmental reputation issue. If a consumer finds out that a company's environmental claims are exaggerated, he or she might start to doubt the quality of their products, ethical beliefs, company transparency, and overall integrity.

The discovery thus provides evidence in favor of signalling theory. Any sustainability signal becomes less useful if the stakeholders find out it is not necessarily reflective of the actual behavior of the organization.

As a Mechanism, Stakeholder Trust.

Compared with the effect of brand credibility, the effect of stakeholder trust was even stronger.

The outcome shows that there is a need for trust in the individual sustainability claims, but also in the entire organization.

Trust is a greater relational assessment. It contains attitudes towards honesty, transparency, reliability, consistency and ethical conduct.

Stakeholders' trust in a company can be seen as a key factor in their perception of ESG communication. However, if trust falls, even the best and most well-intentioned sustainability projects can come under suspicion.

This result aligns with the study results indicating that market trust is a buffer between environmental disclosure greenwashing and its adverse effects.

Authentic ESG and Brand Equity

One of the most significant results is the positive correlation between authentic ESG and brand equity.

An organization will not be considered to be authentic ESG if it does not have optimal sustainability performance. Instead, it's about communicating what companies do in an authentic manner.

It is better to have a weakness and report measurable improvement, targets and evidence of progress than to present the perfect image of sustainability to an organization.

This is another reason why it's not a good idea to report bad news in a transparent manner that negatively impacts a brand. Transparency regarding the challenges can be seen as a sign of honesty and accountability by stakeholders.

Authentic ESG therefore builds a better standing for brand equity than symbolic sustainability communication.

THEORETICAL IMPLICATIONS

The research will help to support several theoretical frameworks.

Contribution to Signaling Theory

The results show that ESG communication is a credible signalling mechanism, whose value is contingent on its credibility. The further apart the claims and performance are from stakeholders, the weaker the communication signal.

The results thus confirm the idea that material ESG investing enhances the believability of sustainability signals.

Contribution to Stakeholder Theory

The findings indicate that stakeholder relationships can be a function of the authenticity of ESG communication. Organizational behaviour and organisational communication are assessed by consumers and other stakeholders.

Authentic ESG is a relational approach, not just a reporting exercise.

Contribution to Legitimacy Theory

The results suggest that greenwashing can help establish legitimacy through the production of positive perceptions and can have a rebound effect when discrepancies are detected by stakeholders.

This requires some consistency among organisational behavior and external communication, therefore legitimacy.

Contribution to Brand Equity Literature

The study builds on brand equity research by establishing this authenticity of ESG as a key brand value driver. It proves that sustainability can add value to brand equity, not just by communicating, but also by being credible and building trust.

Managerial Implications

The results have a number of implications to managers.

Ensure Communication is Linked to Measurable Performance

The organisations must make sure that each key sustainability claim is backed by quantifiable ESG metrics. Any claims of sustainability, green, responsible or environmentally friendly should be linked to evidence.

Establish ESG-Marketing Coordination

There is no point in having the marketing departments working separately from sustainability or ESG teams. ESG communication should be pre-reviewed by sustainability, finance, legal/compliance and governance functions.

Communicate Progress and Limitations

Organizations should be clear about the areas where they are lacking in their ESG performance. A balanced reporting approach can help build credibility as stakeholders know that sustainability improvement is a continuous journey.

Use **Independent Assurance**

External assurance of ESG information can help to alleviate information asymmetry and build stakeholders' trust. High impact environmental claims and numerical sustainability targets are especially important for independent verification.

Avoid Symbolic Sustainability

Organisations should not focus on small-scale environmental gains when overlooking large-scale environmental impacts. The communication strategy should be based on the overall ESG profile.

(**ESG Target 1): Link ESG Targets to Executive Accountability**

Governance and executive performance systems should include ESG targets. This generates internal motivational factors for doing a good job, not merely for communicating symbolically.

Regulators and Investors Implications.

Regulators should increase the rigor of ESG reporting and enhance consistency between ESG assertions and delivery.

The increased application of NLP and quantitative greenwashing metrics offer further regulatory and investor chances. A body of research has established that automated textual analysis can detect possible discrepancies in the sustainability communication.

Investors should also not only focus on the volume of disclosures from ESG. There is no single correlation between disclosure and performance on the ESG issues. Yu et al. (2020) note that if the disclosure is extensive, but the performance of the ESG is inadequate, this could pose a risk of greenwashing.

Investors can thus compare:

- ESG disclosure scores;
- actual ESG performance;

- emissions data;
- ESG controversies;
- governance indicators;
- third-party ratings;
- assurance statements;
- Sustainability objectives and achievements.

Practical ESG Authenticity Framework

The results suggest that five stages can be established when creating an ESG authenticity framework.

Stage 1: Measure

The first step taken by organizations to measure actual ESG performance is to use consistent measures.

Stage 2: Verify

Internal controls and, if applicable, independent assurance are conducted on reported metrics.

Stage 3: Compare

The effectiveness of communications is compared to real-world ESG outcomes.

Stage 4: Communicate

Communication to the outside is limited to claims which are supported by measurable evidence.

Stage 5: Monitor

Responses from stakeholders, brand credibility, trust and brand-equity indicators are monitored on an ongoing basis.

This framework will move ESG communication away from promotion story-telling and towards evidence-based corporate communication.

LIMITATIONS

There are some limitations of the study.

One limitation of the research is that it is conducted using cross sectional data and therefore does not allow for the establishment of long-term causal relationships. The value of brand equity and trust of stakeholders may shift over time as a consequence of any shifts in ESG performance.

Secondly, the research is based on consumer perceptions, in part. Perceptions are crucial for brand equity, but are not always aligned with actual ESG performance.

Thirdly, the study does not go into much depth in examining employees, institutional investors, regulators and suppliers separately from consumers.

Fourth, there is significant variation in ESG performance across industries. Governance and social indicators can be more significant in financial services, while environmental metrics are more significant in manufacturing and energy.

Lastly, the analysis does not discuss the role of each of the types of greenwashing, e.g., selective disclosure, ambiguous language, symbolic targets, misleading visual imagery and omission of negative information, separately.

Longitudinal firm-level ESG and brand-value data should be used in future empirical studies and objective ESG scores should be combined with sustainability-report text analysis, consumer perceptions and financial market indicators.

CONCLUSION

It investigated the impact of mismatching of corporate ESG communication and ESG performance on brand equity. The empirical results show that there is a significant negative relationship between green washing and brand equity. The communication–performance gap also has a major impact on the credibility of the brand and the trust of the stakeholders. Both mechanisms then have an impact on brand equity.

The correlation between authentic ESG and brand equity, on the other hand, is positive. The results show that stakeholders don't just accept the sustainability message handed to them. They will be rewarding consistency of what organizations say and what they do.

The findings reinforce the primary difference between ESG communication and ESG authenticity. Communication creates value when it accurately represents measurable performance. If communication dies before performance, then the same communication system can cause skepticism, distrust, negative brand associations and degradation of brand equity.

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