

## Green Branding or Greenwashing? A Review of Sustainability Communication Strategies in Developed Economies

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### ABSTRACT

The proliferation of environmental claims and sustainability commitments by corporations in developed economies has intensified scholarly and regulatory scrutiny of the distinction between authentic green branding and deceptive greenwashing. This qualitative literature review synthesizes contemporary research on sustainability communication strategies in the European Union, the United States, and other developed markets, examining how corporations communicate environmental initiatives and the consequences of misleading claims. Drawing on signaling, legitimacy, stakeholder, and institutional theories, this review analyzes the mechanisms, typologies, and sectoral manifestations of greenwashing in developed economies. The findings reveal that greenwashing has evolved from static consumer-facing claims to dynamic stakeholder management and forward-looking narratives such as net-zero pledges. Regulatory responses, particularly the EU's Corporate Sustainability Reporting Directive and Empowering Consumers for the Green Transition Directive, represent significant anti-greenwashing measures, though implementation challenges persist. Consumer skepticism toward environmental claims is rising, with educated consumers in developed markets increasingly adept at identifying misleading practices. This review identifies critical research gaps, including the need for longitudinal studies, cross-country comparative analyses, and empirical investigation of verification technologies. The findings contribute to theoretical understanding of sustainability communication while offering practical implications for corporations, policymakers, and stakeholders seeking to navigate the complex landscape of environmental claims in developed economies

## INTRODUCTION

### Background

The contemporary corporate landscape in developed economies is characterized by an unprecedented surge in sustainability communication, with firms increasingly emphasizing their environmental, social, and governance (ESG) commitments to attract environmentally conscious consumers, investors, and stakeholders. This phenomenon reflects broader societal expectations that corporations should contribute meaningfully to addressing environmental challenges, particularly climate change. In the European Union, the United States, and other OECD countries, sustainability communication has become a strategic imperative, fundamentally reshaping how corporations engage with their stakeholders and position themselves in competitive markets (Feghali et al., 2025).

The rise of green branding—defined as the strategic communication of genuine environmental practices to build positive brand associations and stakeholder trust—represents a legitimate response to growing environmental awareness. Corporations with authentic green credentials leverage transparent, verifiable, and substantive communication to differentiate themselves, attract capital, and build long-term stakeholder relationships. Research demonstrates that green brand image positively influences consumer loyalty, green trust, and brand equity, particularly among environmentally conscious consumers in developed markets (Alsaggaf, 2025; Vanessa & Ariestya, 2024).

However, the proliferation of environmental claims has simultaneously enabled a more troubling phenomenon: greenwashing. Defined as "any communication that misleads people into adopting overly positive beliefs about an organization's environmental performance, practices, or products," greenwashing represents a fundamental breach of stakeholder trust that undermines genuine sustainability efforts. A landmark study by the European Commission in 2020 found that 53.3% of examined environmental claims in the EU were vague, misleading, or unfounded, while 40% lacked substantiation. This pervasive phenomenon poses significant challenges for consumers seeking to make informed, sustainable choices, investors seeking to allocate capital responsibly, and regulators striving to ensure market integrity (Alsaggaf, 2025; Natapraja, 2022).

The distinction between authentic green branding and greenwashing is not merely semantic but carries profound implications for corporate accountability, consumer protection, and environmental outcomes. When corporations engage in greenwashing, they appropriate the language of sustainability without substantive action, thereby corrupting public discourse, delaying meaningful progress, and weakening collective efforts to address the climate crisis. In developed economies, where regulatory frameworks are more sophisticated and consumer awareness is higher, greenwashing presents particular challenges because stakeholders may reasonably expect greater transparency and accountability (Bukold, 2023).

## Urgency

Several converging factors underscore the urgency of examining sustainability communication strategies in developed economies. The regulatory landscape has undergone a dramatic transformation, particularly in the European Union, which has developed the most comprehensive anti-greenwashing framework globally. The Corporate Sustainability Reporting Directive (CSRD), effective from 2024, mandates detailed ESG disclosures aligned with the European Sustainability Reporting Standards (ESRS), requiring companies to report on environmental impacts, sustainability strategies, and transition plans aligned with the European Climate Law's net-zero objectives by 2050. The Empowering Consumers for the Green Transition Directive, adopted in March 2024 and applicable from September 2026, specifically targets greenwashing by prohibiting generic environmental claims without substantiation and banning misleading sustainability labels (Bray, 2026).

In the United States, regulatory approaches have evolved differently, with the Securities and Exchange Commission (SEC) intensifying scrutiny of ESG disclosure practices by enforcing against firms making misleading environmental claims. The SEC's enforcement actions against WisdomTree (\$4 million fine for ESG fund misrepresentations), Invesco, and Keurig Dr. Pepper signal increased attention to greenwashing across both the investment management and consumer products sectors. Meanwhile, California has enacted landmark climate disclosure laws (SB 253 and SB 261), creating a patchwork of state-level requirements that add complexity to the US regulatory environment (Mirza, 2024).

The financial services sector faces particularly acute greenwashing risks. The European Supervisory Authorities (ESAs) have identified growing concerns about greenwashing across the banking, investment, and insurance sectors, with ESG fund claims, engagement commitments, and sustainability labels emerging as key risk areas. Research indicates that the banking sector experienced a 70% increase in climate-related greenwashing incidents between 2022 and 2023, though more recent data suggest a potential decline. These developments highlight the systemic nature of greenwashing risks and the potential for broader market integrity concerns (Pfraff et al., 2023).

Consumer trust represents another critical dimension of urgency. Empirical research consistently demonstrates that perceived greenwashing increases consumer confusion, perceived risk, and green skepticism while undermining brand trust and purchase intentions. In developed markets, where consumers are generally more educated and have greater access to information, the reputational consequences of detecting greenwashing can be severe. Studies show that greenwashing leads to negative green word-of-mouth, with skeptical consumers spreading negative information that influences others' purchasing decisions. This erosion of trust extends beyond individual firms, affecting category-level credibility and the broader legitimacy of sustainability claims (Kovač et al., 2025; Promalessy & Handriana, 2024).

## Research Objectives

This qualitative literature review addresses the following research objectives:

First, to examine and synthesize the conceptualization and typology of greenwashing versus authentic green branding in developed economies, drawing on recent theoretical and empirical scholarship.

Second, to review and analyze sustainability communication strategies employed by corporations in developed markets, identifying patterns, mechanisms, and stakeholder dynamics across key sectors such as energy, financial services, and fashion.

Third, to evaluate the effectiveness of regulatory frameworks and institutional pressures in curbing greenwashing in developed economies, with particular attention to recent developments in the EU and the US.

Fourth, to identify research gaps and propose future research directions for scholars investigating sustainability communication in developed markets.

Three research questions guide these objectives:

1. RQ1: How do corporations in developed economies strategically communicate sustainability claims, and what distinguishes authentic green branding from greenwashing?
2. RQ2: What theoretical perspectives best explain the persistence of greenwashing despite heightened regulatory scrutiny and consumer awareness in developed markets?
3. RQ3: What are the emerging trends and research gaps in greenwashing scholarship focused on developed economies?

## LITERATURE REVIEW

### Conceptualizing Greenwashing and Green Branding

The conceptualization of greenwashing has evolved significantly since the term was coined by environmentalist Jay Westerveld in 1986, expanding from narrow consumer-facing deception to encompass broader corporate miscommunication strategies. Contemporary scholarship defines greenwashing as communication that misleads stakeholders into adopting overly positive beliefs about an organization's environmental performance, practices, or products. This definition encompasses not only explicit falsehoods but also omissions, vague claims, selective disclosure, and symbolic actions decoupled from substantive environmental improvements (Berrone et al., 2009).

Recent systematic reviews have identified an evolution in the conceptualization of greenwashing across three distinct phases. Phase 1.0 represents static, consumer-facing greenwashing through traditional channels such as advertising, product packaging, and eco-labels. This phase is exemplified by the TerraChoice "Seven Sins of Greenwashing" framework, which identifies common deceptive practices including the sin of hidden trade-off (highlighting one environmental attribute while ignoring more significant impacts), the sin of no proof (claims lacking accessible substantiation), the sin of vagueness (poorly defined or broad claims), the sin of worshipping false labels (misleading certification imagery), the sin of irrelevance (technically true but unhelpful claims), the sin of lesser of two evils (claims within inherently unsustainable

product categories), and the sin of fibbing (outright false claims) (Bladt et al., 2024; Montgomery et al., 2024).

Phase 2.0 extends greenwashing to dynamic stakeholder management, encompassing communications directed at investors, governments, NGOs, and intermediaries such as certification bodies and rating agencies. This phase recognizes that greenwashing operates not only through consumer marketing but also through ESG disclosures, sustainability reports, investor communications, and political lobbying that may be misaligned with public environmental commitments. Research demonstrates that firms may engage in "disclosure manipulation greenwashing" by presenting large quantities of environmental data to obscure actual performance, or "investment strategy greenwashing" by undertaking symbolic CSR projects that lack meaningful impact (Tang et al., 2023).

Phase 3.0 represents the emergence of "futurewashing" – forward-looking claims such as net-zero pledges, science-based targets, and future environmental commitments that are inherently difficult to verify when made. The proliferation of net-zero commitments among corporations in developed economies has created new opportunities for greenwashing through ambitious but potentially unsubstantiated future promises. Research indicates that none of the major oil companies analyzed have developed coherent strategies to achieve their stated net-zero goals, with the vast majority planning to maintain or increase oil and gas production through at least 2030 (Kent, 2022).

In contrast to greenwashing, authentic green branding involves transparent, verifiable, and substantive communication of genuine environmental practices. Green branding builds positive associations through consistent demonstration of environmental commitment across product development, operations, supply chain management, and stakeholder engagement. Research demonstrates that green brand equity – defined as intangible brand assets associated with pro-environmental initiatives that enhance consumer preferences – is driven by green trust, green brand image, and green satisfaction. Authentic green branding requires alignment between environmental communication and actual corporate practices, creating "strong signals" that reliably indicate genuine commitment (Rahman et al., 2025; Vieira et al., 2024).

### **Theoretical Frameworks**

Multiple theoretical perspectives inform scholarly understanding of greenwashing and sustainability communication in developed economies.

Signaling theory provides a foundational framework for understanding how corporations communicate environmental commitment to stakeholders. According to signaling theory, firms use sustainability claims and ESG disclosures to convey information about their environmental practices and reduce information asymmetry between corporations and stakeholders. Strong signals – characterized by verifiability, costliness, and consistency – reliably indicate genuine environmental commitment, while weak signals provide limited assurance and may facilitate greenwashing. Recent research extends signaling theory to explain how organizations may engage in "greenhushing" –

strategic under-communication of sustainability efforts due to fear of greenwashing accusations – while relying on third-party sustainability signals to maintain credibility. The quality and credibility of environmental signals depend significantly on verification mechanisms, with third-party certifications and independent assurance enhancing signal reliability (N. T. T. Ha et al., 2024; Khan et al., 2025; Xiao et al., 2025).

Legitimacy theory explains greenwashing as a strategy for gaining, maintaining, or repairing organizational legitimacy with stakeholders. According to this perspective, organizations must operate within societal norms and expectations to maintain their social license to operate. When firms face environmental legitimacy threats – whether from poor environmental performance, stakeholder activism, or regulatory pressure – they may resort to greenwashing to preserve legitimacy without bearing the full costs of genuine sustainability investments. Research demonstrates that poor environmental performers are more likely to engage in greenwashing to mitigate negative stakeholder perceptions and project an ethical image. Legitimacy theory also illuminates the relationship between greenwashing and corporate reputation, explaining how misleading environmental claims can ultimately damage legitimacy if stakeholders perceive a disconnect between stated commitments and actual practices (Javed et al., 2024; Lee & Raschke, 2023).

Stakeholder theory provides insight into how different stakeholder groups exert varying pressures on corporate sustainability communication. According to this perspective, corporations have responsibilities not only to shareholders but to a broader set of stakeholders, including employees, customers, suppliers, communities, and the environment. Research demonstrates that stakeholder pressures – particularly from investors and creditors – significantly influence sustainability reporting practices. In developed economies, institutional investors increasingly scrutinize corporate sustainability claims, while consumers exert pressure through purchasing decisions and advocacy. Stakeholder theory helps explain why firms may tailor sustainability communication to different audiences, potentially engaging in selective disclosure or differential greenwashing across stakeholder groups (Cooper & Owen, 2007; Sarairoh, 2023).

Institutional theory and the concept of decoupling are central to understanding greenwashing in developed economies. Institutional isomorphism explains why organizations adopt sustainability practices to conform to regulatory requirements, industry norms, and societal expectations. However, organizations may adopt these practices ceremonially – as symbolic gestures – while maintaining actual operations that diverge from stated commitments (decoupling). Research on symbolic versus substantive environmental actions demonstrates that symbolic policies decoupled from implementation allow firms to alter public perception of their legitimacy without genuine environmental improvements. Importantly, studies show that symbolic actions have weaker, shorter-term effects on legitimacy than substantive actions, and that combining symbolic and substantive actions yields greater legitimacy

benefits than either alone (Eitrem et al., 2024; Gull et al., 2024; Saraireh, 2023; Tariq, 2025).

Attribution theory informs understanding of consumer responses to greenwashing. According to this perspective, consumer reactions to environmental claims depend on attributions about corporate motives. When consumers perceive environmental initiatives as externally motivated (regulatory compliance, competitive pressure) rather than intrinsically motivated (genuine environmental commitment), skepticism increases, and trust diminishes. Research demonstrates that consumer attributions mediate the relationship between perceptions of greenwashing and behavioral outcomes, including purchase intentions and word-of-mouth (Javed et al., 2024; Kovač et al., 2025; Vayona et al., 2024).

### **Typology of Greenwashing**

Contemporary scholarship has developed comprehensive typologies for classifying greenwashing practices, facilitating more precise analysis and measurement.

Classification by mechanism distinguishes three primary forms of greenwashing. Selective disclosure involves revealing positive environmental information while strategically omitting negative impacts, thereby creating a misleading impression of overall environmental performance. Research using firm-level greenwashing measures demonstrates that selective disclosure is particularly common among firms with poor environmental performance facing disclosure mandates. Decoupling represents the gap between stated environmental values (symbolic actions) and actual corporate practices (substantive actions). Studies show that stringent environmental regulations can paradoxically increase decoupling behavior when firms have greater bargaining power and limited financial resources. Specific measures encompass industry-specific or context-specific greenwashing practices that exploit particular informational asymmetries or regulatory gaps (Bernini et al., 2024; Gull et al., 2024; Vieira et al., 2024).

Classification by level distinguishes firm-level, product-level, and claim-level greenwashing. Firm-level greenwashing involves entity-wide misleading representations of environmental performance through corporate communications, sustainability reports, and ESG disclosures. Recent advances in measurement methodology have enabled the development of firm-level greenwashing indicators based on the discrepancy between "green talk" in corporate communications and actual environmental performance, as measured by incident data. Product-level greenwashing involves specific claims about products or services that misrepresent their environmental attributes. Claim-level greenwashing focuses on individual statements or assertions, such as vague terms like "eco-friendly" or "sustainable" without substantiation (Sustainable Finance Alliance, 2024).

Classification by type distinguishes false, vague, and hidden-tradeoff greenwashing. False greenwashing involves outright falsehoods about environmental attributes or performance. Vague greenwashing employs ambiguous, poorly defined terms that convey environmental benefit without

specific, verifiable meaning. The EU's Empowering Consumers Directive specifically targets this practice by prohibiting generic environmental claims such as "green" or "environmentally friendly" without substantiation. Hidden-tradeoff greenwashing highlights a single positive environmental attribute while ignoring other significant negative impacts, creating a misleading overall impression (European Commission, 2024).

### **Green Branding in Developed Economies**

Research on green branding in developed economies examines how authentic sustainability communication contributes to brand equity, consumer loyalty, and competitive advantage. Green brand equity – defined as intangible brand assets associated with pro-environmental initiatives – is driven by green trust (consumer confidence in environmental claims), green brand image (perceptions of environmental commitment), and green satisfaction (fulfillment of environmental expectations) (M.-T. Ha, 2022; Javed et al., 2024; Lyulyov et al., 2024).

Studies demonstrate that green brand image significantly influences consumer loyalty in developed markets, with effects partially mediated by green trust. Research on mainstream fast-food brands in France establishes a link between consumers' environmental values and brand loyalty via green brand image mediation. The effectiveness of green branding depends significantly on brand positioning; brands with authentic environmental credentials benefit more from green communication than those making peripheral environmental claims (M.-T. Ha, 2022; Watson et al., 2024).

National institutional contexts significantly shape green branding strategies in developed economies. Research on green country brand strength across EU countries and Ukraine reveals substantial variation driven by factors such as the regulatory environment, cultural values, and market development. Institutional theory explains how regulatory frameworks, industry norms, and societal expectations create differential pressures and opportunities for green branding across developed markets (Eitrem et al., 2024).

## **METHODOLOGY**

### **Research Design**

This study employs a qualitative literature review (QLR) methodology to synthesize contemporary research on greenwashing and sustainability communication in developed economies. A QLR provides a comprehensive, interpretive synthesis of existing research, emphasizing qualitative interpretation and thematic analysis rather than the strict systematic protocols characteristic of systematic literature reviews (SLR) (Pare & Kitsiou, 2017).

The choice of QLR methodology is appropriate for several reasons. First, greenwashing research spans multiple disciplines, including management, marketing, finance, law, and environmental studies, and thus requires an integrative approach that synthesizes diverse theoretical and methodological perspectives. Second, the rapidly evolving regulatory landscape in developed economies necessitates flexibility in incorporating recent developments that may not yet appear in peer-reviewed literature indexed by traditional databases. Third, the research objectives emphasize theoretical synthesis and pattern

identification rather than the quantitative aggregation of effect sizes, aligning with QLR's strengths in narrative synthesis and thematic integration (Hecker & Kalpokas, 2024).

The QLR methodology differs from SLR in several important respects. While SLR follows predefined protocols with explicit inclusion/exclusion criteria and may incorporate meta-analysis, QLR allows greater flexibility in source selection and emphasizes narrative synthesis and thematic interpretation. SLR is typically suited for clinical and intervention-focused research questions where systematic aggregation of quantitative findings is appropriate, whereas QLR is better suited for exploring complex, multifaceted phenomena where interpretive synthesis provides greater value (Zarei, 2025).

### **Literature Search Strategy**

The literature search employed multiple academic databases including Scopus, Web of Science, EBSCO Business Source Complete, ScienceDirect, Emerald Insight, and Taylor & Francis Online. Search terms included combinations of "greenwashing," "green branding," "sustainability communication," "environmental claims," "ESG disclosure," "corporate environmental communication," and "green marketing," combined with geographic limiters including "Europe," "European Union," "United States," "OECD," "developed countries," and "developed economies."

The search was limited to publications from 2020 to 2025 to capture recent developments, regulatory changes, and emerging research trends. This temporal focus is appropriate given the substantial regulatory developments in this period, including the CSRD, the Empowering Consumers Directive, and intensified SEC enforcement actions. Publications were limited to English-language peer-reviewed journal articles, with preference for journals indexed in Scopus or Web of Science and ranked in Scimago Journal Rank (SJR) Q1-Q3 categories.

### **Article Selection and Analysis**

The selection process involved iterative screening of titles, abstracts, and full texts to assess relevance to the research questions. Articles were included if they substantially addressed greenwashing, green branding, or sustainability communication in developed economy contexts, employed rigorous methodological approaches, and contributed theoretical or empirical insights relevant to the research objectives.

Analysis employed thematic synthesis, with articles coded both deductively (using the theoretical frameworks of signaling, legitimacy, stakeholder, and institutional theories) and inductively (identifying emergent themes related to regulatory responses, sectoral patterns, stakeholder dynamics, and communication strategies). Findings were synthesized narratively, integrating diverse perspectives to develop coherent understanding of the research questions (Eitrem et al., 2024; Lim, 2024).

### **Limitations**

The QLR methodology has inherent limitations, including potential selection bias, interpretive subjectivity in thematic coding, and possible omission of relevant grey literature or non-English publications. These limitations are

mitigated through transparent description of search and selection procedures, iterative refinement of thematic categories, and triangulation across multiple sources and theoretical perspectives (Pare & Kitsiou, 2017).

## RESULTS AND DISCUSSION

### Greenwashing Mechanisms and Communication Strategies

Research reveals that corporations in developed economies employ diverse mechanisms to communicate sustainability claims, ranging from authentic green branding to various forms of greenwashing.

Selective disclosure and obfuscation represent a prevalent greenwashing mechanism in developed markets. Firms strategically reveal positive environmental information while omitting negative impacts or using linguistic complexity to obscure poor performance. Research on mandatory ESG disclosure in the EU suggests that while disclosure requirements have increased transparency, firms may engage in "compliance greenwashing" by meeting minimum reporting requirements without substantive environmental improvements. An empirical analysis of the EU's Non-Financial Reporting Directive found that affected firms increased greenwashing activity following the mandate, with the effects stronger for firms with poor CSR performance. This finding suggests that mandatory disclosure requirements, absent robust enforcement mechanisms, may paradoxically facilitate rather than constrain greenwashing (Roszkowska-Menkes et al., 2024; Sneideriene & Legenzova, 2025). Futurewashing and net-zero pledges represent a significant emerging trend in developed economies. Analysis of oil and gas majors in Europe and North America reveals a persistent mismatch between public discourse emphasizing the energy transition and actual investments, which remain overwhelmingly directed toward fossil fuel production. A 2022 analysis found that 60% of messaging from five major oil companies (BP, Chevron, ExxonMobil, Shell, TotalEnergies) contained at least one "green" claim, while on average only 12% of their capital expenditure went toward low-carbon or renewable activities. The landmark TotalEnergies case in France (2025) represents a watershed moment, with courts ruling that the company's net-zero claims were likely to mislead consumers given the gap between stated commitments and actual business practices (Jinliang et al., 2023; Vujasin, 2022).

Digital and social media greenwashing creates both opportunities and challenges for sustainability communication. Research indicates that organizations increasingly use digital platforms for sustainability messaging, enabling broader reach but also creating new avenues for misleading claims. Studies document a phenomenon known as "greenhushing," whereby some organizations strategically under-communicate their sustainability efforts on social media for fear of accusations of greenwashing, while relying on third-party sustainability signals to maintain credibility. This strategic under-communication may paradoxically reduce transparency while protecting firms from reputational risks associated with explicit environmental claims (Khan et al., 2025; Rusli et al., 2025).

## Sectoral Analysis

Greenwashing manifests differently across sectors in developed economies, reflecting varying regulatory pressures, stakeholder scrutiny, and informational asymmetries.

Energy sector companies in developed economies face intense scrutiny for greenwashing, with fossil fuel majors particularly exposed to litigation and regulatory action. Analysis of twelve European oil and gas companies found that a mere 0.3% of their combined 2022 energy production came from renewable power, despite extensive green messaging. The companies analyzed – including Shell, TotalEnergies, BP, Equinor, Eni, and Repsol – collectively directed only 7.3% (€6.57 billion) of 2022 investments toward green energy, with the remaining 92.7% (€81.52 billion) funding fossil fuel business expansion. Research shows that oil and gas companies employ a "deliberate cocktail" of greenwashing tactics, including misleading terminology, promotion of unproven technologies such as carbon capture and storage, selective data presentation, and images that misrepresent their business activities. The October 2025 ruling against TotalEnergies by a French court – finding that the company's carbon neutrality claims constituted commercial practices likely to mislead consumers – represents the first major judicial determination that an oil company's climate communications constituted greenwashing (Paim, 2025).

Financial services sector greenwashing has emerged as a significant concern in developed economies, with regulatory enforcement intensifying across the EU and the US. European Supervisory Authorities have identified ESG fund claims, engagement commitments, and sustainability labels as key areas of greenwashing risk. In the United States, the SEC's \$4 million fine against WisdomTree Asset Management for misrepresenting ESG fund investment strategies exemplifies the regulatory focus on fund-level greenwashing. The enforcement action found that prospectuses for three ESG-marketed funds stated they would not invest in companies engaged in fossil fuels and tobacco. Yet, the funds held securities in companies engaged in natural gas extraction, coal mining, and tobacco distribution. Additional enforcement actions against Invesco for overstating the percentage of assets under management that were "ESG integrated" further demonstrate regulatory attention to misrepresentations in the asset management sector (BAHR, 2024; Sneideriene & Legenzova, 2025).

Greenwashing in the fashion and textiles industry has attracted significant regulatory and litigation attention in developed markets. Studies indicate that the fashion industry is particularly prone to greenwashing due to complex global supply chains, limited traceability, and the difficulty of verifying environmental claims. The class action lawsuit filed against H&M in the United States alleged that the company's sustainability marketing – including claims about recycling programs and sustainable materials – was "misleading" and "designed to greenwash products". The lawsuit cited research findings indicating that more than half of H&M's sustainability profiles portrayed products as more environmentally friendly than they actually were. In the UK, the Competition and Markets Authority has investigated Asos, Boohoo, and other fashion brands over sustainability claims. The EU Strategy for Sustainable and Circular Textiles

and the forthcoming Ecodesign for Sustainable Products Regulation represent regulatory responses to address greenwashing in the fashion industry (Lara et al., 2026).

### **Regulatory Frameworks and Institutional Pressures**

Developed economies have implemented increasingly sophisticated regulatory frameworks to address greenwashing, with significant variation in approach and effectiveness.

European Union regulatory framework represents the most comprehensive anti-greenwashing regime globally. The Corporate Sustainability Reporting Directive (CSRD), effective from 2024, mandates detailed sustainability disclosures aligned with the European Sustainability Reporting Standards. The CSRD requires companies to report on environmental impacts using standardized digital formats, considers double materiality (how companies both impact and are impacted by sustainability issues), and mandates disclosure of scope 3 emissions and transition plans aligned with net-zero objectives. Importantly, CSRD disclosures must be audited by independent third parties, enhancing verifiability and reducing opportunities for unsubstantiated claims (Joss, 2025).

The Empowering Consumers for the Green Transition Directive, adopted in March 2024 and applicable from September 2026, directly targets greenwashing practices. The directive amends the Unfair Commercial Practices Directive and Consumer Rights Directive to prohibit specific deceptive practices including: displaying sustainability labels not based on certification schemes or established by public authorities; making environmental claims that are unsubstantiated or not based on product lifecycle analysis; failing to inform consumers about features designed to limit product durability; and inducing consumers to replace goods earlier than technically necessary. The directive's prohibition on generic environmental claims, such as "green" or "eco-friendly," without substantiation specifically addresses vague greenwashing that has proliferated in developed markets (Bladt et al., 2024; The Luxembourg Government, 2026).

The proposed Green Claims Directive would further strengthen the EU framework by requiring pre-approval of environmental claims through independent verification before marketing communication. However, the European Commission's June 2025 announcement of its intention to withdraw the proposal creates uncertainty about future regulatory direction. Despite this setback, the existing regulatory framework—combining CSRD disclosure requirements with the prohibitions under the Empowering Consumers Directive—provides substantial protection against greenwashing in EU markets (MHC, 2025).

The United States' regulatory approach diverges significantly from the EU's, characterized by fewer comprehensive mandatory requirements but increased enforcement activity. The SEC's proposed ESG disclosure rules remain subject to political contestation and legal challenge. The Federal Trade Commission's Green Guides provide guidance on environmental marketing claims but lack mandatory enforcement mechanisms and have not been

substantially updated since 2012. State-level initiatives, particularly California's climate disclosure laws (SB 253, which requires greenhouse gas emissions disclosure, and SB 261, which requires climate risk disclosure), are filling federal regulatory gaps for companies operating in the state (JDSupra, 2026; Sneideriene & Legenzova, 2025).

SEC enforcement activity has nonetheless intensified, with the agency's Climate and ESG Task Force (established in 2021, disbanded in 2024) resulting in notable enforcement actions. The enforcement approach relies on existing securities laws – particularly the antifraud provisions of the Securities Act of 1933 and the Investment Company Act of 1940 – rather than on greenwashing-specific regulations. This approach limits enforcement to cases involving material misrepresentations to investors rather than broader consumer protection concerns addressed by EU directives (Sneideriene & Legenzova, 2025; Zarb & Rambo, 2024).

Regulatory effectiveness remains contested in scholarly literature. Research on the EU's Non-Financial Reporting Directive found that mandatory disclosure requirements, absent robust enforcement, may increase rather than decrease greenwashing as firms engage in symbolic compliance. The granularity of CSRD reporting requirements raises the bar for transparency but also creates temptation to inflate sustainability performance through selective presentation. Studies suggest that regulatory effectiveness depends critically on enforcement mechanisms, third-party verification requirements, and penalties sufficient to deter misconduct (Tariq, 2025).

### **Consumer and Stakeholder Responses**

Consumer responses to sustainability communication in developed economies reveal complex dynamics of trust, skepticism, and behavioral adaptation.

Consumer skepticism and green trust are critical mediators of the effectiveness of sustainability communication. Research consistently demonstrates that perceived greenwashing increases consumer confusion and perceived risk while undermining brand trust and purchase intentions. Green skepticism – defined as consumer distrust toward environmental claims – moderates the relationship between environmental concern and green purchase behavior, with high skepticism attenuating the positive effects of environmental values on sustainable consumption. Studies show that prior incidents of greenwashing significantly erode trust in corporate sustainability claims, creating spillover effects that affect category-level credibility (Jinliang et al., 2023; Kovač et al., 2025; Wijaya & Maulana, 2025).

Consumer detection of greenwashing depends on environmental knowledge, access to information, and prior brand reputation. Educated consumers in developed markets are generally more adept at identifying misleading claims, though research indicates that distinguishing between genuine and greenwashed products remains challenging even for informed consumers. Studies using consumer experiments demonstrate that participants rate corporate reputation and credibility lower when companies engage in even

minor greenwashing, with effects persisting across varying levels of greenwashing severity (Alsaggaf, 2025; Keilmann & Koch, 2026).

Negative word-of-mouth is a significant consequence of detecting greenwashing. Research demonstrates that perceived greenwashing leads to negative green word-of-mouth, with skeptical consumers sharing negative experiences and information that influences others' purchasing decisions and brand perceptions. The stimulus-organism-response (S-O-R) framework explains this relationship: the perception of greenwashing (stimulus) generates green skepticism (organism), which in turn produces negative word-of-mouth behavior (response). This mechanism amplifies the reputational costs of greenwashing beyond directly affected consumers to broader stakeholder networks (Feghali et al., 2025; Javed et al., 2024; Kovač et al., 2025).

Investor and financial market responses to greenwashing in developed economies reflect growing attention to ESG factors in investment decisions. Research demonstrates that firm-level greenwashing intensity is negatively associated with stock price reactions following earnings conference calls, such that higher greenwashing is associated with lower cumulative abnormal returns. Studies find that greenwashing news events generate negative stock market reactions, indicating that financial markets discount firms perceived as engaging in misleading environmental claims. However, ESG rating divergence and data quality issues complicate investor detection of greenwashing, as different rating agencies may reach conflicting conclusions about the same firm's environmental performance (Sneideriene & Legenzova, 2025; Xu et al., 2025).

### **Theoretical Insights**

Synthesis of findings through theoretical frameworks illuminates the mechanisms driving the persistence of greenwashing and the conditions enabling authentic green branding.

Signaling theory insights support the interpretation that greenwashing represents weak or misleading signals that exploit information asymmetries between corporations and stakeholders. Authentic green branding constitutes strong signaling backed by verifiable commitments, consistent behavior, and costly investments in environmental improvements. Third-party certifications and independent verification enhance signal credibility, but can also be manipulated when certification standards are weak or verification is superficial. The emergence of "greenhushing"—strategic under-communication of sustainability efforts—suggests that fear of greenwashing accusations may paradoxically reduce information flow, creating market inefficiencies that disadvantage both authentic green brands and informed consumers (Jinliang et al., 2023; Khan et al., 2025; Rainforest Alliance, 2024; Xiao et al., 2025).

Insights from legitimacy theory explain why greenwashing persists despite regulatory and reputational risks. Organizations face continuous pressure to demonstrate alignment with societal sustainability expectations. When genuine environmental improvements are costly or operationally challenging, greenwashing offers a lower-cost means of maintaining legitimacy through symbolic rather than substantive action. However, research on symbolic versus substantive environmental actions demonstrates that this strategy carries

significant risks: symbolic actions have weaker, shorter-term legitimacy effects, and the discovery of decoupling between communication and practice can severely damage organizational legitimacy (Gull et al., 2024; Hue & Oanh, 2023; Lin et al., 2025).

Institutional theory insights illuminate how regulatory frameworks, industry norms, and cultural contexts shape sustainability communication in developed economies. Institutional isomorphism explains convergence in sustainability reporting practices across firms in the same industry or jurisdiction. However, this convergence may be ceremonial—organizations adopting similar disclosure formats and terminology while maintaining divergent actual practices. Research suggests that mandatory disclosure requirements can reduce decoupling by increasing transparency and enabling stakeholder scrutiny, but effectiveness depends on enforcement mechanisms and verification requirements (Eitrem et al., 2024; Gull et al., 2024; Natapraja, 2022; Vieira et al., 2024).

Stakeholder theory insights explain how corporations navigate competing demands from different stakeholder groups. Investors, regulators, consumers, and employees may have varying information needs, scrutiny capabilities, and leverage over corporate behavior. This creates opportunities for differentiated communication strategies—potentially including selective greenwashing to certain audiences while providing more accurate information to others. The stakeholder theory perspective suggests that effective anti-greenwashing measures must address multiple stakeholder channels simultaneously rather than focusing narrowly on consumer marketing or investor disclosures (Hu et al., 2026; Hue & Oanh, 2023).

## CONCLUSIONS AND RECOMMENDATIONS

### Summary of Key Findings

This qualitative literature review has examined sustainability communication strategies in developed economies, analyzing the distinction between authentic green branding and greenwashing through theoretical and empirical lenses.

The conceptualization of greenwashing has evolved substantially, expanding from static consumer-facing claims (Phase 1.0) to dynamic stakeholder management (Phase 2.0) and forward-looking narratives such as net-zero pledges (Phase 3.0). Corporations in developed economies employ diverse mechanisms, including selective disclosure, decoupling between symbolic and substantive actions, and futurewashing through unverifiable future commitments. The TerraChoice "Seven Sins" framework continues to provide a useful classification of consumer-facing greenwashing, while newer typologies address firm-level, product-level, and claim-level manifestations.

Sectoral analysis reveals that greenwashing manifests differently across industries. The energy sector faces intense scrutiny over the gap between green messaging and continued fossil fuel investment. Financial services face increasing regulatory enforcement for ESG fund misrepresentations. The fashion industry faces litigation and regulatory action over sustainability claims that

misrepresent supply chain practices. These sectoral patterns reflect varying informational asymmetries, regulatory pressures, and stakeholder scrutiny capabilities.

Regulatory frameworks in developed economies have strengthened substantially, particularly in the European Union. The CSRD mandates detailed, audited sustainability disclosures, while the Empowering Consumers Directive specifically prohibits greenwashing practices, including generic environmental claims and misleading sustainability labels. The United States has taken a more enforcement-focused approach, with SEC actions against ESG fund misrepresentations demonstrating regulatory attention despite less comprehensive mandatory disclosure requirements. Research suggests that regulatory effectiveness depends critically on enforcement mechanisms, verification requirements, and penalties sufficient to deter misconduct.

Consumer responses to sustainability communication reveal rising skepticism toward environmental claims, with perceived greenwashing undermining trust, increasing perceived risk, and generating negative word-of-mouth. Educated consumers in developed markets are more adept at identifying misleading claims, increasing reputational risks for greenwashing firms. Financial markets similarly penalize greenwashing, with negative stock price reactions following the disclosure of misleading environmental claims.

### **Theoretical Contributions**

This review contributes to the theoretical understanding of sustainability communication by integrating multiple perspectives—signaling, legitimacy, stakeholder, and institutional theories—to explain greenwashing mechanisms and the conditions that enable authentic green branding. The analysis advances understanding of the evolution from static to dynamic to future-oriented greenwashing, illuminating how corporate sustainability communication has adapted to changing stakeholder expectations and regulatory environments. The review highlights the theoretical importance of distinguishing between symbolic and substantive sustainability actions, with research demonstrating that symbolic actions decoupled from substantive improvements yield weaker, shorter-term legitimacy benefits and pose significant risks if the decoupling is exposed.

### **Practical and Policy Implications**

The findings carry important implications for corporations, policymakers, and stakeholders in developed economies.

For corporations, the research underscores that authentic green branding—grounded in transparent, verifiable, and substantive environmental practices—provides a more sustainable competitive advantage than greenwashing strategies, which risk reputational damage and regulatory penalties. Firms should prioritize consistency between environmental communication and actual practices, invest in third-party verification to enhance credibility, and avoid vague claims that may attract regulatory scrutiny under frameworks like the EU's Empowering Consumers Directive. The evidence suggests that a combination of symbolic and substantive actions produces greater legitimacy benefits than either alone, reinforcing the importance of backing environmental messaging with genuine operational improvements.

For policymakers, the research highlights the importance of comprehensive regulatory frameworks that address multiple greenwashing mechanisms across different stakeholder channels. The EU's approach—combining mandatory disclosure requirements (CSRD) with specific prohibitions on deceptive practices (Empowering Consumers Directive) and verification requirements—provides a model for other jurisdictions. However, research suggests that mandatory disclosure without robust enforcement may increase greenwashing, underscoring the importance of adequate enforcement resources and meaningful penalties.

For investors and consumers, the findings emphasize the importance of critical evaluation of corporate environmental claims, particularly forward-looking commitments that may be difficult to verify. Stakeholders should demand standardized, comparable, and independently verified sustainability data, and should be attentive to gaps between corporate communications and observable actions.

### **Research Gaps and Future Directions**

This review identifies several significant research gaps warranting future scholarly attention.

Longitudinal research designs are needed to assess the long-term impacts of greenwashing on brand equity, consumer trust, and environmental outcomes. Most existing research employs cross-sectional designs that capture associations at single points in time; longitudinal studies would enable analysis of how greenwashing detection affects firms over time and how regulatory interventions influence corporate behavior.

Behavioral research that connects perceived greenwashing to actual purchase behavior, rather than stated intentions, represents a critical gap. While substantial research documents attitudinal responses to greenwashing, less is known about whether and how these attitudes translate into observable behavioral changes.

Cross-country comparative research examining regulatory effectiveness, cultural factors, and institutional contexts across developed economies would enhance understanding of how different approaches shape sustainability communication. Comparative analysis of EU and US regulatory approaches—and their effects on corporate behavior—would be particularly valuable.

Futurewashing research represents a nascent but critical area. Academic attention to net-zero claims and forward-looking environmental commitments remains limited, yet these represent increasingly prevalent forms of sustainability communication. Research on accountability mechanisms, verification challenges, and stakeholder responses to future commitments is essential.

Technology and verification research should examine the role of blockchain, artificial intelligence, and other technologies in detecting greenwashing and enhancing transparency. Emerging tools for natural language processing and machine learning show promise for identifying greenwashing in corporate communications, but more research is needed on their reliability and practical application.

Research on the intermediary role should examine how ESG rating agencies, auditors, and certification bodies can enable or constrain greenwashing. The divergence in ESG ratings across agencies and the varying quality of sustainability certifications create opportunities for both authentic signaling and manipulation.

### **Concluding Remarks**

The distinction between authentic green branding and greenwashing carries profound implications for corporate accountability, consumer protection, and environmental outcomes in developed economies. As regulatory frameworks strengthen and stakeholder scrutiny intensifies, corporations face both heightened risks from greenwashing and substantial opportunities from authentic sustainability communication. The evidence reviewed here suggests that genuine environmental commitment—backed by transparent communication, verifiable practices, and substantive operational improvements—provides more sustainable competitive advantage than deceptive strategies that risk reputational damage, regulatory penalties, and erosion of stakeholder trust. For scholars, the evolving landscape of sustainability communication presents rich opportunities for research that can inform both theoretical understanding and practical guidance for navigating the complex relationship between corporate environmental claims and authentic environmental action.

### **FURTHER STUDY**

This study still has limitations, so further research is needed on the topic of Green Branding or Greenwashing? A Review of Sustainability Communication Strategies in Developed Economies to improve this study and increase insight for readers and writers.

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