2024
PRESIDENTIAL TASK FORCE

The Effect of Greenwashing and Greenhushing on Brand Value

EXECUTIVE SUMMARY

INTA International Trademark Association

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Foreword

The creation and maximization of brand value is at the forefront of marketing and business strategies in most corporate organizations. At the same time, businesses have come to accept that consumers now expect them to prioritize Environmental, Social and Governance (ESG) principles. Indeed, ESG has become a crucial contributing factor to the creation of consumer trust and, consequently, a brand's commercial success.

Any such success depends on effective, engaging, communication about this commitment to consumers and the public. At the same time, consumer advocacy—including on social media—can be the death knell for brands that fail to embrace and effectively convey their ESG principles and activities. As investor and philanthropist Warren Buffet famously said:

> **"It takes 20 years to build a reputation and five minutes to ruin it. If you think about that, you'll do things differently."**

INTA has dedicated its work to the support of businesses in their endeavors to protect and improve their brand value, which is why the 2024 Presidential Task Force (PTF) is focused on the opportunities and pitfalls of brand communication around ESG strategies.

Navigating the legal, economic, and ethical parameters of effective brand communication is key to maximizing the benefits of any corporate investments, including those in ESG programs.

While the geopolitical developments may not currently prioritize certain aspects of the adoption of ESG principles in business, it is the consumer who ultimately decides which brand mission to support, and the research is clear: consumers will continue to demand that corporations lead with strategies towards long-term sustainability goals. Former Starbucks CEO and author Howard Schulz therefore aptly stated:

> **"If people believe they share values with a company, they will stay loyal to the brand"**

This report is intended to provide insights into the rationale of effective ESG communication from different perspectives and based on input from experts in the field. It is our goal for INTA members globally to fully appreciate the importance of ESG communication in order to bring greater value back to the companies and clients. We also aim to encourage in-house IP/legal teams to deepen their collaboration with their colleagues in communications, marketing, and public relations towards the goal of effective and engaging consumer outreach that fosters lasting and meaningful consumer trust. Thank you to our PTF Co-Chairs Adjoa Anim and Milan Milojevic, INTA liaison Iris Gunther and the PTF members for their work on this important project.

INTA CEO
Etienne Sanz de Acedo

2024 INTA
President Dana Northcott

Foreword

Introduction

Sustainability and ESG principles, i.e., principles that prioritize environmental issues, social issues, and corporate governance, are major components in the objective of "creating a better society through brands," and the International Trademark Association (INTA) has included this global set of principles in its Mission Statement. Today's consumers view brands through a holistic lens and insist on taking an active role in addressing the environmental and social challenges the world faces today.

The connection between a company's commitment to a mission-driven business strategy and the value of its brands is well documented. In the past few years, brands have increasingly recognized the importance of including solid sustainability strategies and ESG principles in their business operations. There is no longer any doubt that adopting and implementing ESG metrics will positively impact brand value. A 2023 study by Deloitte concluded:

> **Our analysis supports the existence of an "ESG value premium", and the notion that corporate investment and improvements in ESG practices within an organization are reflected in higher valuation multiples**[1]

A Forbes article from April 2024 found:

> **There's a growing body of evidence that suggests the success or failure of ESG efforts will materially impact (companies') share price performance and the long-term value of their businesses, particularly when it impacts financial outcomes in their business and the industry they serve according to academic research.**[2]

A study conducted by Deloitte in 2023 shows that when asked what their company's current sustainability efforts had a positive impact on, 52 percent of employees answered, "brand recognition and reputation."[3]

At the same time, experts agree that sustainability perception is as important, if not more important, than the actual ESG performance of a company.

> **"A bigger concern is the fact that how consumers, employees, and investors perceive a brand's environmental track record and performance can have a bigger financial impact than the actual results."**[4]

Consumer perception is also at the core of both greenwashing and greenhushing: while greenwashing describes the use of false or misleading ESG claims in brand presentation and marketing, greenhushing is the underreporting of a brand's ESG performance. In both cases, an inaccurate consumer perception is created—either overstating or underreporting a brand's ESG activities and results.

While greenwashing and the possible negative effects of the discovery of inaccurate, misleading, or false ESG-related claims on a brand's reputation and, consequently, on its value, are well-known, the same seems to be true for greenhushing. A recent study by Brand Finance on the "gap index" between a brand's actual ESG activities and performance and the public perception of them suggests that many brands are missing out on monetizing the positive impact of their activities on brand value:

1 Deloitte: "Does a company's ESG score have a measurable impact on its market value" https://www2.deloitte.com/ch/en/pages/financial-advisory/articles/does-a-company-ESG-score-have-a-measurable-impact-on-its-market-value.html

2 Stephen Diorio/Forbes, "Why Marketers need to better control the ESG narrative" https://www.forbes.com/sites/stephendiorio/2024/04/17/why-marketers-need-to-better-control-the-esg-narrative/

3 Deloitte 2023 CxO Sustainability Report www.deloitte.com/content/dam/assets-shared/legacy/docs/2023-deloitte-cxo-sustainability-report.pdf

4 Stephen Diorio in Forbes

Where performance exceeds perception, there is an opportunity to rapidly generate value, by communicating the brand's genuine commitment to sustainability more effectively. Conversely, where perception exceeds performance, value is at imminent risk, as brands leave themselves open to public backlash and a "correction" of their sustainability perceptions value.[1]

The Brand Finance report highlights the fact that consumer perception and trust are at the core of greenwashing and greenhushing. Consumer trust is therefore also the driving element that generates brand recognition and thereby brand value. In addition, creating widespread change requires a role model and positive movement—action inspires action. When role models fail to share their progress, opportunities to create industry-wide positive movement are missed.

All this means the emphasis of ESG programs needs to shift from executing the strategy to creating, communicating, and controlling the message to these key stakeholders. Marketing leaders need to become more involved in developing and delivering a clear and consistent message around their sustainability goals and roadmap.[2]

(2024 Sustainability Size of Prize Report, Glow 2024)[3]

Experts agree that effective ESG messaging and communication are key to gaining consumer trust, leveraging ESG performance, and managing reporting requirements. According to 3BL, a leading sustainability and social impact communication company, nearly 70 percent of consumers want more communication from businesses about their sustainability efforts. The three steps to good communication, therefore, should be: "Gather data, verify it, tell the story."[4]

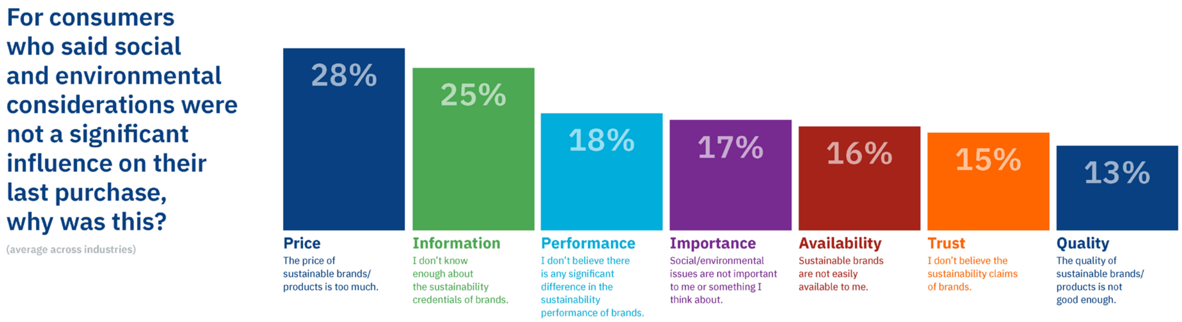
According to Mike Johnston, Managing Director of Data Products at Glow:

Even during tough economic times, consumers still care about their impact on people and the planet. A growing number of consumers will choose more sustainable products when they can, especially if businesses can lower price barriers and communicate more effectively to bridge trust and information gaps. Businesses can only activate this desire if they understand what consumers think of them, which requires measurement. This is why we developed the Social Responsibility Score®—the 'NPS for sustainability.' It allows businesses to gauge perceptions of their sustainability performance, quantify the financial risks associated with it, and pinpoint areas to focus on to enhance perceptions. Once you measure, you can begin to shift attitudes and behaviour and reap returns.[5]

1 Brand Finance "Sustainability Gap Index: Greenwashing versus Greenhushing", June 2023
2 Stephen Diorio in Forbes
3 "2024 Sustainability Size of Prize Report," Glow 2024
4 "2024 Consumer Insights and Sustainability Benchmark: the Missed Consumer Opportunity" 3BL/Glow
5 Glow Social Responsibility Score https://srsmetric.glowfeed.com/

How effectively and transparently brands are communicating with the public and their customers is therefore key to harnessing the positive effect of their ESG performance:

> **Finding the right messaging strategy that connects with consumers will help sustainable brands grab a larger piece of the sustainability prize. (...) Even sustainability leaders are missing opportunities to amplify their message and educate consumers. How brands communicate their sustainability efforts is nearly as important as the sustainability strategy itself.**[1]



(2024 Sustainability Size of Prize Report, Glow 2024)

The above chart shows the importance of information and messaging to consumers in the creation of consumer trust, and thereby clearly outlines the challenge for brands: Where consumers are missing necessary information or do not trust the information they do have, ESG considerations do not factor in their purchase decisions.

According to a 2024 Report by 3BL and Glow, "The 100 Best Corporate Citizens Beat the S&P 500, But the Message Doesn't Always Reach Consumers,"

> **A significant percentage of the 100 Best Corporate Citizens—those investing in sustainability programming and disclosing about it—are either not reaching consumers with their message, or their communications fail to resonate. While disclosure alone correlates with higher stock prices, within the 100 Best Corporate Citizens and beyond, companies that miss the consumer connection fail to capitalize on a growing revenue opportunity.**

1 The 44 Billion $ Sustainability Opportunity for Brands report, Glow/3BL, TriplePundit, Cint 2024

The Presidential Task Force

The 2024 Presidential Task Force (PTF) was charged with a review of the effects of greenwashing and greenhushing on brand value. Both greenwashing and greenhushing are effects of ESG communication, in both positive and negative ways. The PTF was interested in understanding how brands communicated their ESG activities, and how the content of the communications affected consumer perception and brand loyalty, thereby directly impacting brand value.

The PTF Team therefore focused on factors and stakeholders that directly impact brand communication, i.e., recent legislation and reporting obligations, right holder positions and policies, and third-party feedback. These were the focus areas of the PTF's three sub-teams:

Team 1 reviewed the legislation and policies in eight important jurisdictions, namely Australia, Brazil, China, the European Union (EU), Indonesia, Mexico, the United Kingdom, and the United States.

Team 2 focused on input from brand owners and surveyed 20 companies on their ESG communication strategies and activities.

Team 3 collected feedback—in the form of surveys or interviews—from third-party stakeholders, namely certification providers, the UN Global Compact, financial advisors, marketing agencies, and ESG consultants.

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