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Greenwashing or Genuine? Understanding Stakeholder Reactions to Corporate Climate Pledges

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Abstract: Corporate climate pledges have become widespread as firms face increasing regulatory pressure, investor scrutiny, and public expectations regarding environmental responsibility. However, stakeholders frequently question whether these pledges represent meaningful commitments or strategic greenwashing. This paper examines how stakeholders—investors, consumers, employees, and NGOs—interpret, evaluate, and respond to corporate climate pledges. Drawing on signaling theory, legitimacy theory, and stakeholder theory, the paper explores the cognitive mechanisms and contextual factors shaping stakeholder judgments. The analysis synthesizes prior empirical findings and proposes an integrative framework explaining when climate pledges enhance trust and when they trigger skepticism. The study contributes to the literature by clarifying the boundary conditions under which climate commitments are perceived as credible, providing theoretical insights for scholars and practical implications for firms aiming to build authentic environmental reputations.

Keywords: Greenwashing; Corporate Climate Pledges; Stakeholder Reactions; ESG; Sustainability Communication

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1. Introduction

In recent years, climate change has emerged as a central concern for policymakers, organizations, and society at large. Corporations across industries increasingly announce climate pledges, such as commitments to carbon neutrality, science-based emissions targets, or investments in renewable energy. These pledges reflect the broader shift toward environmental, social, and governance (ESG) principles and the intensifying expectations placed upon firms to contribute to global climate mitigation efforts (Eccles & Klimenko, 2019). In addition, the institutionalization of sustainability reporting—through frameworks such as the Global Reporting Initiative (GRI) and the Task Force on Climate-Related Financial Disclosures (TCFD)—has encouraged companies to publicly disclose their climate strategies (Kolk, 2016). As a result, climate pledges have become a key tool for firms seeking legitimacy in the eyes of stakeholders concerned with environmental responsibility.

Despite their prevalence, corporate climate pledges often generate stakeholder skepticism. Many firms commit to climate goals without clear implementation plans, measurable milestones, or transparent accountability mechanisms (Furlow, 2010). This gap between rhetoric and action raises concerns about greenwashing—defined as the practice of misleading stakeholders regarding the environmental performance or intentions of an organization (Delmas & Burbano, 2011). High-profile examples of companies accused of overstating or misrepresenting their climate efforts have further fueled public distrust. Stakeholders increasingly question whether corporate climate commitments represent genuine strategic priorities or symbolic gestures aimed at reputation management.

Understanding how stakeholders interpret and respond to climate pledges is critical. Investors rely on credible environmental commitments to assess long-term risk exposure;

consumers factor sustainability into purchasing decisions; employees seek alignment between corporate values and environmental actions; and NGOs monitor firms' adherence to climate responsibilities. The reactions of these groups shape a company's legitimacy, reputation, and even financial performance (Flammer, 2013). Therefore, the credibility of climate pledges is central to the effectiveness of corporate sustainability communication.

Although corporate climate pledges are increasingly common, empirical evidence shows that stakeholders vary significantly in how they assess their credibility. Some stakeholders interpret climate commitments as positive signals of proactive environmental stewardship (Nyilasy et al., 2014). Others perceive them as empty promises or deliberate attempts to obscure environmentally harmful business practices. The ambiguity surrounding climate pledges is heightened by the voluntary nature of many environmental disclosures and the lack of consistent regulatory oversight (Lyon & Montgomery, 2015). Firms may selectively disclose favorable information while omitting details that could reveal inconsistencies between commitments and operations.

This variation in stakeholder reactions raises theoretical and practical challenges. First, existing research has not fully clarified the cognitive and contextual factors that drive stakeholder judgments of authenticity versus greenwashing. While signaling theory suggests that firms send climate pledges to communicate their environmental intentions (Connelly et al., 2011), signals can be noisy or costly to interpret. Legitimacy theory highlights the role of societal norms, yet it provides limited insight into how different stakeholders evaluate legitimacy claims. Stakeholder theory offers a framework for understanding diverse expectations, but the mechanisms through which stakeholders respond to sustainability communication remain underexplored.

Second, firms face difficulties designing climate pledges that effectively convey authenticity. Without understanding how stakeholders interpret such commitments, companies risk damaging their reputations if pledges are perceived as insincere. In an era where environmental misinformation can rapidly spread through media channels, stakeholder backlash against perceived greenwashing can have severe consequences (Walker & Wan, 2012). Thus, the central problem lies in the lack of a comprehensive understanding of how and why stakeholders respond differently to corporate climate pledges.

Addressing this gap is essential for both scholars and practitioners. Academically, analyzing stakeholder reactions offers insight into the dynamics of trust, legitimacy, and communication within the domain of corporate sustainability. Practically, firms need actionable guidance on how to design climate pledges that stakeholders view as credible rather than symbolic.

This study addresses the following research questions:

How do stakeholders interpret and evaluate corporate climate pledges?

What factors influence whether climate pledges are perceived as genuine or greenwashing?

How do stakeholder reactions to climate pledges impact organizational legitimacy and reputation?

What communication strategies can enhance the credibility of corporate climate commitments?

This paper contributes to the literature in several significant ways. First, it synthesizes existing research on greenwashing, sustainability communication, and stakeholder perceptions to build a coherent understanding of how climate pledges are interpreted. By integrating insights from signaling theory, legitimacy theory, and stakeholder theory, the paper highlights the underlying mechanisms shaping stakeholder responses. Second, it proposes a conceptual framework that identifies key boundary conditions influencing stakeholder evaluations, including transparency, consistency, historical performance, and third-party verification. This framework clarifies when climate pledges function as credible signals and when they are dismissed as symbolic.

Third, the paper enriches the theoretical conversation by unpacking the heterogeneity of stakeholder reactions. While previous studies often focus on a single stakeholder group, this research accounts for the differing expectations and evaluative criteria applied by investors, consumers, employees, and NGOs. Fourth, it offers practical guidance for corporations seeking to communicate climate commitments responsibly and effectively. The findings emphasize the importance of measurable goals, credible timelines, and independent disclosure mechanisms in building stakeholder trust. Overall, this study advances scholarly understanding of corporate climate communication and provides actionable insights for organizations navigating growing expectations for environmental accountability.

2. Literature Review

Research on corporate climate pledges sits at the intersection of multiple literatures, including greenwashing, sustainability communication, stakeholder theory, and signaling theory. This section reviews these key areas to build a foundation for understanding stakeholder reactions.

The concept of greenwashing has received significant attention in management and environmental research. Delmas and Burbano (2011) define greenwashing as the misalignment between a firm's environmental communication and its actual environmental performance. Greenwashing may involve overstating achievements, selectively disclosing positive information, or using vague language to avoid accountability. Empirical studies show that greenwashing can damage trust and harm a company's legitimacy when stakeholders discover discrepancies (Walker & Wan, 2012). Firms accused of greenwashing often face consumer backlash, investor divestment, and reputational decline. These findings are relevant to climate pledges, which can be perceived as genuine commitments or as strategic misrepresentation.

Corporate climate pledges fall under the broader umbrella of sustainability communication. Research shows that stakeholders increasingly rely on sustainability disclosures to evaluate a firm's environmental responsibility (Kolk, 2016). However, voluntary disclosures lack standardization, making it difficult for stakeholders to assess credibility. Lyon and Montgomery (2015) argue that firms may strategically design sustainability communication to influence perceptions without altering substantive practices, leading to skepticism. Studies also indicate that transparent, specific, and measurable sustainability claims are perceived as more credible than broad or aspirational statements (Furlow, 2010). Therefore, the structure and content of climate pledges significantly affect stakeholder responses.

Stakeholder theory provides additional insight into how different groups interpret corporate environmental commitments. Freeman (1984) conceptualizes stakeholders as individuals or groups with claims on the firm. Each stakeholder group evaluates climate pledges based on its interests, values, and expectations. For example, consumers may respond positively to climate commitments when they align with personal environmental values, whereas investors may prioritize the financial implications of long-term climate risk (Flammer, 2013). Employees may view climate pledges as indicators of organizational ethics, influencing their identification with the firm. NGOs, on the other hand, often serve as watchdogs that scrutinize the credibility of corporate climate statements. The heterogeneity among stakeholders underscores the need to examine their reactions separately.

Signaling theory is particularly relevant to understanding why firms issue climate pledges. According to Connelly et al. (2011), firms use signals to convey information about unobservable qualities, such as environmental commitment. A credible signal must be costly to imitate; therefore, climate pledges with measurable targets and accountability mechanisms are more likely to be perceived as genuine. Conversely, low-cost signals—such as vague commitments without timelines—may trigger skepticism. The clarity of the signal, the firm's historical environmental performance, and third-party verification all influence whether stakeholders interpret climate pledges as credible.

Legitimacy theory further explains why firms engage in climate communication. Legitimacy reflects the perception that a firm's actions are desirable and appropriate within societal norms (Suchman, 1995). Climate pledges serve as tools for organizations to maintain or enhance legitimacy amid rising environmental expectations. Research shows that firms with legitimacy deficits may issue sustainability commitments to repair their reputation (Ashforth & Gibbs, 1990). However, legitimacy-seeking behaviors may be perceived as symbolic rather than substantive if not accompanied by concrete actions. This tension is central to stakeholder interpretations of climate pledges.

Finally, empirical research has examined stakeholder reactions to environmental claims. Studies show that consumers reward firms perceived as authentically sustainable but punish firms accused of greenwashing (Nyilasy et al., 2014). Investors similarly respond positively to credible sustainability strategies, viewing them as indicators of long-term risk management (Eccles & Klimenko, 2019). However, investors become skeptical of firms with inconsistent environmental messaging. Employees exposed to greenwashing may experience moral conflict, reducing organizational identification (Brouwer & Meijer, 2012). NGOs actively monitor climate pledges and publicly call out firms that fail to meet commitments, influencing public opinion.

Collectively, these literatures highlight the complexity of stakeholder responses to climate pledges. Greenwashing research emphasizes the consequences of misleading communication; sustainability communication studies focus on message characteristics; stakeholder theory addresses heterogeneous expectations; signaling theory explains credibility judgments; and legitimacy theory contextualizes climate pledges within broader societal norms. Together, they inform an integrated understanding of why corporate climate pledges may be received as either genuine or deceptive.

3. Research Methodology

This study adopts a conceptual qualitative methodology aimed at synthesizing existing theories and empirical findings to develop a framework for understanding stakeholder reactions to corporate climate pledges. Rather than collecting primary quantitative data, the research relies on a critical analysis of academic literature, organizational reports, and theoretical models. Such an approach is appropriate when the aim is not to measure specific outcomes but to build theoretical insight and identify patterns across prior studies (Snyder, 2019).

The research draws on several theoretical perspectives, including signaling theory, legitimacy theory, and stakeholder theory. These frameworks inform the coding and categorization of concepts as the analysis progresses. The methodology begins with a systematic search of peer-reviewed journal articles from databases such as Web of Science, Scopus, and Google Scholar, focusing on keywords including "greenwashing," "climate pledges," "stakeholder reactions," "ESG communication," and "sustainability reporting." Inclusion criteria ensure that selected papers directly address corporate environmental communication or stakeholder evaluation processes.

Following the literature search, an integrative review technique is applied. This approach allows for the synthesis of diverse research findings to produce new theoretical insights (Torraco, 2005). The integrative method is well suited to emergent research topics where empirical studies may be broad but fragmented, such as corporate climate commitments. The analysis identifies thematic patterns in stakeholder reactions and compares these across stakeholder groups. Special attention is paid to factors influencing credibility perceptions, such as transparency, specificity, historical performance, and verification systems.

Next, a conceptual framework is developed to unify the findings. This framework maps the relationship between climate pledge characteristics and stakeholder reactions, incorporating moderating variables from the literature. For example, stakeholder environmental values, issue salience, and the presence of third-party audits are included as contextual factors influencing interpretation. The framework also links stakeholder reactions to outcomes such as legitimacy judgments, reputation, and trust.

Finally, the methodology ensures rigor through triangulation. By incorporating multiple theoretical lenses and empirical findings, the study reduces reliance on any single perspective. This enhances the validity of the conceptual framework and ensures that conclusions reflect a broad spectrum of scholarly insights. While the methodology does not include empirical testing, it lays the groundwork for future research by identifying key variables and relationships that can be explored through quantitative or qualitative empirical methods.

4. Results

The analysis reveals several key findings regarding stakeholder reactions to corporate climate pledges. First, stakeholders evaluate the specificity and transparency of climate pledges as primary indicators of credibility. Commitments that include measurable targets, short- and long-term milestones, and detailed implementation plans are more likely to be perceived as genuine. In contrast, vague or overly aspirational pledges often trigger suspicion of greenwashing.

Second, historical environmental performance significantly shapes stakeholder expectations. Firms with a strong record of sustainability initiatives are granted more credibility, whereas companies with histories of environmental violations or controversial practices face heightened scrutiny. Across studies, stakeholders appear more sensitive to inconsistencies between past behavior and current pledges than to the pledge content itself.

Third, the presence of third-party verification—such as alignment with science-based targets or external certifications—enhances the perceived legitimacy of climate commitments. Independent audits reduce information asymmetry and signal that the firm is willing to incur additional costs for transparency, thereby increasing trust.

Fourth, stakeholder reactions differ meaningfully across groups. Consumers rely heavily on affective and value-driven judgments, responding positively when climate pledges align with personal environmental values. Investors focus on financial relevance, such as long-term climate risks and regulatory exposure. Employees interpret climate pledges as reflections of organizational ethics and identity, influencing morale and attachment. NGOs apply the strictest evaluative criteria, frequently challenging climate commitments and exposing inconsistencies.

Fifth, stakeholder reactions produce significant organizational outcomes. Positive reactions strengthen corporate legitimacy, enhance brand reputation, and may improve financial performance through increased customer loyalty and investor confidence. Negative reactions, particularly accusations of greenwashing, can lead to reputational crises, boycotts, regulatory penalties, and declines in shareholder value.

Overall, the results illustrate that stakeholder reactions to climate pledges depend on a combination of signal characteristics, firm attributes, and stakeholder values. Credibility is highest when firms demonstrate consistency, transparency, and external accountability.

5. Conclusions

This study explored how stakeholders interpret and respond to corporate climate pledges, synthesizing insights from multiple literatures to develop a comprehensive understanding of the mechanisms underlying credibility judgments. The findings demonstrate that while climate pledges can enhance corporate legitimacy and stakeholder trust, they also carry significant reputational risk when perceived as greenwashing.

The analysis underscores the importance of specificity, transparency, and external verification in shaping stakeholder perceptions. Firms that articulate clear, measurable, and time-bound climate commitments are more likely to be viewed as genuine. In contrast, vague or symbolic pledges invite skepticism and may undermine credibility. Stakeholder interpretations are also strongly influenced by a firm's historical environmental performance, highlighting the need for consistency between past actions and future commitments.

Importantly, this study reveals that stakeholders do not interpret climate pledges uniformly. Each stakeholder group applies distinct evaluative criteria based on its interests and values. Investors emphasize financial implications, consumers rely on value alignment, employees focus on ethical congruence, and NGOs serve as critical watchdogs. Understanding these differences is essential for designing effective climate communication strategies.

The paper contributes to the literature by integrating perspectives from signaling theory, legitimacy theory, and stakeholder theory to explain when climate pledges function as credible signals and when they are dismissed as symbolic. The conceptual framework developed here offers theoretical clarity and provides a foundation for future empirical research. Potential avenues for further study include analyzing how media coverage mediates stakeholder interpretations, examining cross-cultural differences in climate pledge perceptions, and testing the framework through organizational case studies or surveys.

For practitioners, the findings emphasize that credibility must be earned through substantive action rather than symbolic communication. Firms should adopt verifiable climate strategies, engage in transparent reporting, and align climate pledges with actual operational changes. Doing so not only strengthens stakeholder trust but also contributes to meaningful progress in addressing global climate challenges.

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