

The Impact of ESG Disclosure on Brand Value: Evidence from Global Public Firms

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Abstract

This paper explores the correlation between Environmental, social, and governance (ESG) disclosure and corporate brand value. The panel data analyzed is comprised of 32 Global listed companies that featured in the Brand Finance Top 100 rankings from 2022 to 2024. ESG disclosure scores are sourced from the LSEG (formerly Refinitiv) ESG database, whilst brand value data is obtained from Brand Finance. Control variables included company size, profitability and leverage ratio, each of which was derived from information contained in the publicly available financial statement. Both pooled OLS and two-way fixed-effects panel models were used in the study. No significant correlation was found between the composite ESG score and brand value within this sample, which may be related to the little variation in the top global brands' ESG scores. But the governance pillar score was positive and significant ($\beta = 1.059$, $p < 0.05$). That is, when it comes to the world's most valuable brands, it is not environmental or social aspects that are the difference when it comes to driving brand value – it is the governance disclosure. The results offer an extension of communication theory into the field of brand valuation and offer some actionable advice for managers looking to improve their brands with ESG communication.

Keywords

ESG Disclosure; Brand Value; Corporate Governance; Signalling Theory; Panel Data; Global Firms.

1. Introduction

Environmental, social and governance (ESG) disclosure has made its way into various aspects of corporate reporting and external communications over the last ten years. The first step is to disclose ESG, because this became required and was influenced by institutional investors, and then it became a decision of management. In today's world, businesses often communicate their sustainability, business ethics and long-term value statements to different stakeholders through the disclosure of Environmental, Social and Governance (ESG) information.

In today's day, the activities of companies around the world are under the microscope of consumers, investors, regulators and public opinion. Esg reporting is no longer an afterthought for the financial report, but rather an integral part of transparency and a company's credibility. Thus, the role of ESG disclosure has become a very integral part of the corporate communication with capital markets and, no less importantly, reputation and branding management.

In real-world, many internationally listed companies are adopting different aspects of the ESG story in their sustainability reports, annual reports, marketing and informational websites. On one hand, these disclosures constitute a response to the expectations of external parties and, on the other hand, an intentional attempt to respond to the needs of those interested in learning more about the company, its values and its identity. ESG disclosure can even impact a brand

message for consumer-facing companies, and can relay a message that they are 'trustworthy, responsible and forward-looking'.

While ESG disclosure is extremely relevant in practice, the academic attention has been focused on the impact of ESG disclosure on the finance and capital markets and more specifically on corporate value, stock price reactions, cost of capital or risk. Somewhat less research has focused on the brand effect, although the brand is exactly one of the most significant intangible assets that the company can have in a competitive market. The starting point of this paper is this disconnect between business world practices and academia research focus. In this paper, the authors attempt to use the global firm-level data to address the following question: Does ESG disclosure lead to a positive effect on brand value?

Unlike the research that is widely available that focuses on the impact of ESG disclosure on share prices or corporate value, in this paper we aim to understand the question of whether ESG disclosure has an impact on brand value. In fact, many businesses in the world have long passed the stage of thinking about ESG disclosure as simply a piece of communication to investors and instead consider it as a core part of their brand and consumers' engagement. As more and more companies like Apple, Microsoft and Nike start communicating about sustainability and governance in their ads, annual reports and on their company websites. This new trend is prompting the author to pose the question – has ESG disclosure graduated in the capital markets to start impacting consumer brand perception?

The current literature also had the author somewhat unsatisfied: most studies were based on financial measures like stock returns or Tobin's Q or accounting performance, but relatively little work has been done on brand value, which is a major intangible asset. Brand value is not just a measure of market value, it's also a measure of the long-term consumer trust and reputation built up. This alone makes it worthy to be singled out for separate study.

Before starting the analysis, the author had thought that, overall, the level of environmental (E) and social (S) disclosure would have a positive impact on brand value. On the other hand, the empirical findings shown that only the governance (G) pillar is found to be statistically significant but not the overall ESG score. There is another potential interpretation of this result, though it contradicts the original hypothesis, which is that in a world of today's global regulation, governance transparency might be more important than many other traditional "ecological, social, and governance" narratives.

2. Literature Review

2.1. ESG Disclosure and Corporate Financial Performance

The international academic community has accumulated a wealth of research on the relationship between ESG disclosure and corporate financial performance. Early views tended to suggest that ESG disclosure could bridge the information gap between companies and investors, thereby reducing the cost of capital [1]. Subsequent studies further indicated that companies with higher levels of ESG transparency often exhibit superior stock market performance and lower downside risk [2,3].

Recent quantitative analyses continue to support these findings. Quintiliani [4], utilising panel data and Bloomberg ESG disclosure scores, confirmed a positive correlation between ESG performance and multiple corporate value metrics, including free cash flow, return on equity and share price. Aydogmus et al. [5], drawing on a large cross-national sample, found that the positive impact of composite ESG scores on Tobin's Q is significant. Looking at the individual pillars, social (S) and governance (G) scores showed a significant positive correlation with firm value, whereas environmental (E) scores did not exhibit such significance. Moussa and Elmarzouky [6], using a sample of companies listed on the UK's FTSE All-Share index, presented more nuanced findings. Overall, there is a positive relationship between ESG reporting and the

cost of capital; however, once corporate governance is sufficiently robust, this relationship is reversed to become negative. It is evident, therefore, that the quality of governance fundamentally alters the way in which ESG disclosures impact financial markets.

From a regulatory perspective, Akin and Akin [7] drew their own conclusions by utilising the differences in the timing of ESG disclosure rule implementation across EU member states. Their research indicates that mandatory ESG disclosure can improve earnings quality and reduce the cost of capital, with these improvements being more pronounced in larger companies. Turning our attention to the US market, Tahtamoni et al. [8] conducted a study of 200 Fortune 500 companies and found that ESG disclosure alters the relationship between executive remuneration, financial leverage and corporate performance. This precisely illustrates that, among large enterprises such as the world's leading brands examined in this paper, the financial effects triggered by ESG are highly complex.

2.2. Brand Value and Its Determinants

Brand value has long been a central topic in marketing research. Classical brand theory posits that brand value is rooted in consumers' perceptions, experiences and emotional responses to a company [9,10]. Extensive empirical research identifies advertising expenditure, product quality, innovation capacity and corporate reputation as key drivers of brand value. More recent literature further suggests that a company's performance in corporate social responsibility and ethical conduct can enhance brand equity and strengthen consumer loyalty [11,12].

How exactly brands should be measured and valued has itself become a distinct area of research. Gunther and Kriegbaum-Kling [13] conducted a questionnaire survey on brand accounting and control practices among 132 German firms, finding that companies increasingly treat brands as strategic assets requiring clear valuation methodologies. Yeung and Ramasamy [14], utilising panel data, established a direct link between brand value and corporate financial performance, confirming that stronger brand equity leads to higher shareholder returns, thereby demonstrating that brand investment does indeed create value. Burmann et al. [15] focused on internal brand-building and found that the maintenance of brand value is inseparable from cross-functional practices such as leadership, corporate culture and human resources; these aspects, however, overlap significantly with the content of disclosures in the governance dimension. At the firm level, research by Muqaddas and Ahmad [16] indicates that, for IT firms, advertising intensity and return on assets are the primary financial drivers of brand equity, whilst R&D expenditure does not exhibit a significant impact.

2.3. ESG, Corporate Reputation, and Intangible Assets

In recent years, some studies have begun to focus on the relationship between ESG activities and intangible assets such as reputation and legitimacy. These studies tend to suggest that ESG information can serve as a signal, conveying a firm's integrity and long-term commitment, thereby enhancing stakeholders' evaluations of the firm [17]. Aouadi and Marsat [18] extended this line of thinking to the realm of ESG controversies. Drawing on data from over 4,000 firms across 58 countries, they arrived at a rather counterintuitive finding: negative ESG news is, in fact, associated with an increase in firm value, though this effect varies depending on the firm's underlying social performance. In other terms, the reputation that can be achieved by the ESG disclosures can be a shield against the devaluation by media incidents.

The closest previous study to this paper was conducted by Takacs [19] that researched the effect of different aspects of ESG performance on the brand value of 26 companies across the world from 2012 to 2021. Takacs [19] discovered that environmental and social dimensions positively and significantly influenced the consumer perception and brand value, while governance dimension did not significantly affect. This paper, however, comes to just the

opposite conclusion. This turnaround could be caused by a change in the thinking of stakeholders as a result of the intensive implementation of global ESG reporting regulations, and the unprecedented focus on corporate governance, since 2020. This is where the governance disclosures quality has emerged as the last point of differentiation for the world's leading brands. Despite these facts, empirical evidence directly connecting ESG disclosure and brand value is still rather scarce, with a few studies being done across different countries with standardised third-party brand value data.

2.4. Research Gap and Hypothesis Development

Takacs [19] was the first to try to integrate the different parts of ESG to the brand value but still there are some gaps. The study included the years 2012 to 2021 but was not able to examine the period after the mandatory disclosure regulations were enacted, and methodologically, it also did not account for unobservable at the firm level by using two-way fixed effects. On a more general level, most of the published literature has been about the effects of ESG disclosure on financial markets, and brand value is not widely explored as a dependent variable, particularly in a sample without significant international variation. This paper will seek to fill these gaps, using the most recent sample data from 2021 onwards, applying more robust panel estimation techniques and using Brand Finance brand valuations. On this basis, the paper tests Hypothesis H1, namely that ESG disclosure has a positive impact on corporate brand value.

3. Methodology

This study employs a quantitative empirical approach based on an unbalanced panel dataset. The core analytical method is panel data regression, which is used to examine the cross-period relationship between ESG disclosure and corporate brand value on a global scale.

3.1. Data Sources

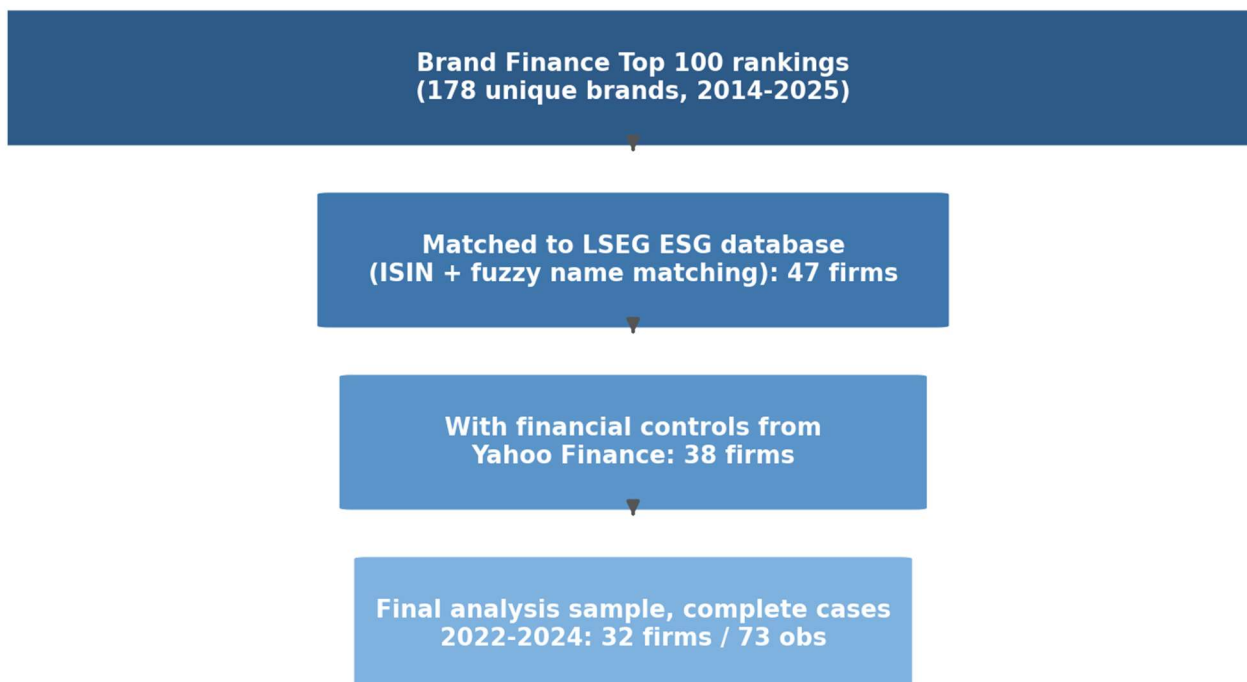


Figure 1. Sample selection process.

Table 1. Sample composition by country.

Country	Companies	Observation	Percentage of observations.
United States	19	47	64.4
Germany	6	13	17.8
Japan	3	6	8.2
Switzerland	1	3	4.1
South Korea	1	2	2.7
France	1	1	1.4
United Kingdom	1	1	1.4
Total	32	73	100.0

Note: Broken down by year, this sample comprises 27 observations for 2022, 30 observations for 2023 and 16 observations for 2024. These enterprises span 16 industry sectors.

This study integrates three data sources. ESG disclosure data is drawn from the LSEG (London Stock Exchange Group, formerly Refinitiv) ESG database, which provides a standardised set of ESG disclosure scores for publicly listed companies worldwide. Four ESG metrics were extracted from this database: the overall ESG score, and sub-scores for the three pillars of Environmental, Social and Governance. Brand value data was sourced from the annual Brand Finance Global 100 ranking (2022–2024). Brand Finance is a well-known independent brand valuation firm whose methodology is based on royalty relief valuation and is ISO 10668 certified. Financial control variables were constructed using publicly available annual financial statements of listed companies retrieved via the Yahoo Finance API.

The raw LSEG ESG data was delivered as a single large long-format file (approximately 22 GB), containing a vast number of disclosure fields. For the selected sample companies, the specific processing method involved reading the file in batches and retaining only the four scoring fields including ESG, Environment, Social and Governance while discarding all other information.

3.2. Sample Selection and Construction

The sample was built by matching companies from the three data sources as follows: ISIN codes, and name-based fuzzy matching. The final sample of companies included 32 companies listed in a global stock exchange during the three-year period 2022, 2023 and 2024, with a total of 73 company-year observations after removing companies with missing data on the core variables. Because the number of firms and years are so few, the empirical results should be regarded as exploratory. The sample companies are spread between seven countries with 47 observations for companies from the US, 13 from Germany, 6 from Japan, 3 from Switzerland, 2 from South Korea and 1 each from France and the UK, represented by 16 industry sectors and all of whom have been recorded on the Brand Finance Global Top 100 Brands list.

The overall selection of the sample is shown in figure 1. In particular, the companies were initially matched to the LSEG ESG database based on ISIN code (where available) and then by fuzzy match with the company name (where ISIN not available) from the Brand Finance Top 100 Brands. After this, 47 companies have been identified having available ESG scores. These companies were then cross-referenced with the financial information given by Yahoo Finance and the number of companies was capped at 38. Because Yahoo Finance only provides full financial information for the last few years of data, the years for which financial data overlaps with ESG scores and brand value data were limited to 2022 – 2024. In the end, having removed companies for which one or more core variables were missing - that is, those with incomplete annual data - 73 valid observations from 32 companies remained.

3.3. Variable Construction

The dependent variable is based on the annual brand value (in millions of US dollars) published by Brand Finance, using the natural logarithms ($\ln_brandvalue$). The right-skewed distribution seen in the brand value data is reduced with the logarithmic transformation. The explanatory variable is the ESG comprehensive disclosure score (esg_score) from LSEG which is uniformly transformed to the interval $[0,1]$. During the robustness analysis, the three pillar sub-scores-environment (e_score), social (s_score) and governance (g_score)-are included in the regression one by one to capture the specific effects of each dimension. On the control variables side, firm size is measured by the natural logarithm of total assets ($\ln_assets$); profitability is measured by return on assets (ROA); financial leverage ($leverage$) is calculated as total long-term debt divided by total assets; and growth opportunities are reflected by revenue growth rate (rev_growth).

Table 2. Definition and sources of variables.

Variable	Definition	Roots
LN (Brand Value)	Natural logarithm of annual brand value (in millions of US dollars)	Brand Finance
ESG Score	Comprehensive ESG Disclosure Score (range: 0–1)	LSEG
Environment (E)	Environmental Performance Disclosure Score, 0–1	LSEG
Social (S)	Social Pillar Disclosure Score, 0–1	LSEG
Governance (G)	Governance Pillar Disclosure Score, 0–1	LSEG
$\ln(\text{Total Assets})$	Natural logarithm of total assets (proxy for company size)	Yahoo Finance
Return on assets	Net profit divided by total assets	Yahoo Finance
Leverage	Long-term debt divided by total assets	Yahoo Finance
Revenue growth	Year-on-year growth rate of total revenue	Yahoo Finance

3.4. Empirical Model

The main regression model is set as follows:

$$\ln(\text{BrandValue}_{it}) = \beta_0 + \beta_1 \text{ESG}_{it} + \beta_2 \ln(\text{Assets}_{it}) + \beta_3 \text{ROA}_{it} + \beta_4 \text{Leverage}_{it} + \beta_5 \text{RevGrowth}_{it} + \alpha_i + \gamma_t + \varepsilon_{it}$$

Where α_i represents the firm-specific fixed effect, γ_t represents the year-specific fixed effect, and ε_{it} is the error term. The firm-specific fixed effect aims to capture firm-specific characteristics that do not change over time, whilst the year-specific fixed effect is used to control for common shocks faced across years. Given that intra-firm serial correlation may interfere with inference, standard errors have been clustered at the firm level.

This paper estimates three model specifications in turn. The first is a Pooled OLS model containing only year fixed effects (Model 1); the second is a two-way fixed effects model incorporating both firm and year fixed effects (Model 2); and the third replaces the ESG score with the lagged $\text{ESG}_{(it-1)}$ (Model 3), thereby addressing the reverse causality issue to some extent.

4. Empirical Analysis

4.1. Descriptive Statistics

Table 3 presents the descriptive statistics of all the major variables. The sample actually shows a wide variation in the values of brand in terms of brand value, ranging from a minimum value

of 9.894 to a maximum of 13.155, which equals US\$20 billion and US\$512 billion respectively. This average value of $\ln(\text{Brand Value})$ is 10.695 which corresponds to almost US\$44 billion, reflecting the nature of the Brand Finance Global Top 100 sample overall.

ESG scores were generally on the upside. The average value of the composite ESG score was 0.773 with a standard deviation of 0.102, the minimum value was 0.495 and the maximum score is 0.929. There were significant differences between the three pillars with respect to the spread of their scores. The highest mean score was obtained by the Social pillar with 0.819, but also with the lowest standard deviation at 0.084, meaning that globally there is a high level of convergence in how the leading brands disclose actions on the Social pillar. The Governance pillar had the highest standard deviation at 0.189, indicating that even among this select group of companies, there is still a large spread in the quality of governance. For the financial control variables, ROA has a mean of 0.085 and a standard deviation of 0.073 while leverage has a mean of 0.325 with a standard deviation of 0.212.

Table 3. Descriptive statistics.

Variable	N	Mean	SD	Mini	Median	Highest
$\ln(\text{brand value})$	73	10.695	0.817	9.894	10.418	13.155
ESG score	73	0.773	0.102	0.495	0.779	0.929
Environmental	73	0.783	0.126	0.440	0.787	0.985
Social	73	0.819	0.084	0.647	0.830	0.958
Governance	73	0.708	0.189	0.204	0.742	0.937
$\ln(\text{Total Assets})$	73	26.550	2.173	24.055	26.004	33.753
Return on assets	73	0.085	0.073	-0.031	0.061	0.277
Leverage	73	0.325	0.212	0.026	0.292	0.951

4.2. Correlation Analysis

Table 4. Pairwise Pearson correlation matrix.

Variable	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
(1) $\ln(\text{Brand Value})$	1.000							
(2) ESG Score	0.047	1.000						
(3) Environmental	-0.153	0.546	1.000					
(4) Social	-0.150	0.641	0.240	1.000				
(5) Governance	0.212	0.823	0.233	0.252	1.000			
(6) $\ln(\text{Total Assets})$	0.172	0.099	0.089	-0.059	0.102	1.000		
(7) ROA	0.322	-0.167	-0.369	-0.216	0.017	-0.327	1.000	
(8) Leverage	-0.024	-0.392	0.046	-0.307	-0.428	-0.469	0.179	1.000

Notes: Variables are numbered (1)-(8) as labelled in the first column. Lower triangle reported.

The Pearson correlation coefficient matrix of the different variables is shown in table 4. There are a number of interesting observations to be drawn from the table. Firstly, there is only a weak positive correlation between the ESG composite score and $\ln(\text{Brand Value})$, with a correlation coefficient of 0.047. This indicates that, in isolation looking at the extent of ESG disclosure, there is a rather weak correlation between the extent of ESG disclosure and brand value amongst these elite companies. Second, looking at each of the pillars, the Governance score shows the highest positive correlation with $\ln(\text{Brand Value})$ (0.212); for the other two

pillars, the figure is -0.153 (Environmental) and -0.150 (Social). This preliminary evidence suggests, at the very least, that within the sample under consideration in this paper, governance quality is likely the ESG dimension most closely associated with brand value. Thirdly, firm size ($\ln_assets$) and profitability (ROA) are also positively correlated with brand value, with correlation coefficients of 0.172 and 0.322 respectively, which is broadly consistent with the findings of existing research. Fourthly, the correlation between governance sub-scores and the composite ESG score is quite high, reaching 0.823. This implies that including all three pillars simultaneously in the regression is likely to result in multicollinearity issues. For this reason, in the subsequent robustness tests, it is a more reasonable approach to conduct separate regressions for each pillar individually.

4.3. Main Regression Results

Table 5 summarises the estimation results of three panel models with $\ln(\text{Brand Value})$ as the dependent variable. Model 1 estimates a positive but non-significant effect of the ESG score, with a coefficient of $\beta = 1.063$ ($SE = 0.775$, $t = 1.37$, $p = 0.170$) and fixed effects for the year. The sign of this coefficient is as expected in Hypothesis H1, but the estimate of this coefficient does not reach the traditional level. The overall percentage of variance explained by the entire model is about 13.5% ($R^2 = 0.135$), and out of all the predictor variables, firm size ($\beta = 0.135$, $p < 0.01$) is the most robust.

Model 2 contains firm-level and year-level fixed effects and is the preferred model used in this study as it filters out all firm-specific constant characteristics and common year effects. In this two-way fixed-effects model, the coefficient for ESG is close to zero ($\beta = 0.018$, $p = 0.983$), meaning that the value changes of firms' internal ESG score of the last 3 years in the sample were practically powerless in explaining the changes of their brand value. Adding the firm-specific effect of the presumably more stable firm-specific characteristics raises the R^2 of this model to 0.290, meaning that brand value is already explained by quite a large share of the variation in firm-specific effects.

Model 3 varies from Model 1 in that it substitutes the explanatory variable $ESG_{(t-1)}$ for the lagged version of this variable, and otherwise maintains all of the same specifications as Model 1, which is a pooled OLS model with year fixed effects. Results again, show a positive but not significant coefficient ($\beta = 1.214$, $p \approx 0.29$), which is generally in line with the signals from Models 1 and 2.

Table 5. ESG Disclosure and Brand Value: Main Panel Regression Results.

Variables	Pooled OLS	Between OLS	Two-way FE	Lagged ESG
ESG score	1.063	0.952	0.018	1.214
	(0.775)	(1.618)	(0.875)	(1.128)
$\ln(\text{Total Assets})$	0.135***	0.113	0.983*	0.159***
Observation	73	32	73	41
R-squared	0.135	0.022	0.290	0.183
Year FE	Yes	No	Yes	Yes
Firm FE	No	No	Yes	No

Note: The dependent variable is $\ln(\text{brand value})$. Control variables (ROA, leverage ratio, revenue growth rate) are included in all models but are not listed in the report. Standard errors are shown in brackets at the firm level. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.10$.

4.4. Robustness Tests: ESG Pillar Decomposition

Table 6 does not use the overall score anymore, but includes all three pillars individually in a pooled OLS regression to analyze on which ESG dimension the relationship to brand value exists. There are significant differences in outcomes across the different pillars. The Governance sub-score is the only indicator that shows significant positive correlation with brand value, i.e. $\beta = 1.059$, $SE = 0.416$, $t = 2.55$, and $p = 0.011$ which is significant with the 5% level. The Environmental sub-score ($\beta = -0.222$, $p = 0.729$) and the Social sub-score ($\beta = -0.232$, $p = 0.841$) both failed to pass the significance test. It is evident that, amongst this group of world-leading enterprises, it is the quality of governance disclosure that truly drives the differentiation in brand value. The lack of significance in the Environmental and Social pillars is likely due to the fact that top brands have already converged to a high degree in their environmental and social disclosures; in reality, the only dimension that retains significant variability is governance-the standard deviation for the Governance pillar reached 0.189, whilst that for the social pillar was only 0.084 and for the Environmental pillar 0.126.

Table 6. Robustness tests: ESG pillar decomposition.

Variables	Environmental	Social	Governance
ESG pillar score	-0.222	-0.232	1.059**
	(0.639)	(1.156)	(0.416)
Observations	73	73	73
R-squared	0.121	0.120	0.172

Note: Each column represents an independent pooled OLS regression analysis, including year fixed effects and all control variables. The dependent variable is $\ln(\text{brand value})$; standard errors are shown in brackets. ** $p < 0.05$.

4.5. Discussion of Findings

The finding that the governance dimension is the only significant ESG pillar was indeed somewhat unexpected at first. After all, both academic discourse and public opinion tend to focus more on environmental sustainability and social responsibility, and consumers are more likely to notice a company's environmental initiatives or social programmes rather than aspects of its governance structure. However, when the data is examined in light of the actual characteristics of the sample, this result becomes more reasonable. Among the companies examined, environmental and social scores were already generally high, with relatively limited variation between them, whilst the dispersion of governance scores remained considerable ($SD = 0.189$). Consequently, for companies already in the top tier of global brands, governance disclosure has become one of the few remaining ESG dimensions capable of widening the gap in brand value.

One possible interpretation is that environmental and social disclosure is increasingly becoming the 'baseline expectation' among the world's leading brands. If the E and S dimensions are to be clear differentiators, it is difficult in the vast majority of cases in the sample to see how they can be used, since companies are already reporting extensively on sustainability and social responsibility activities. The rise of governance disclosure on the other hand is quite different in the information that is being conveyed. Whether a company is regarded as trustworthy and well-run is directly correlated to issues such as Board independence, executive remuneration, shareholders' rights and internal control. This is in line with the signalling theory [21] and the reputation-value chain theory [22] (the reputation of the governance will be passed along, and its value will be expressed as brand value). Environmental or social stories are unlikely to provide additional reputational premiums in the

regulatory landscape after 2020, while the reputational image that good governance brings can be a much bigger value. Beyond the ESG, the characteristics of the control variables are as expected, and firm size and profitability are positively and significantly characteristic of all model specifications ($p < 0.01$) [23].

There are probably a number of reasons for this, contrary to the conclusions drawn by Takacs [19]. Firstly, the time frame. There is far more focus on corporate governance than there ever has been, particularly since 2020, and a number of corporate governance issues as well as the new wave of ESG disclosure requirements have compounded the trend. This latter variable difference in composition between samples is responsible for the second. The study only considers the Brand Finance Global Top 100 brands: Because these brands are already highly standardised with regard to their environmental and social reporting, the other key area of variability lies in the governance aspect. Additionally, measurement and level differences cannot be neglected, as there might be different aspects and different criteria in capturing ESG quality and brand reputation using different ESG databases and brand valuation methods.

In the data analysis process, it became even more evident that limitations were being introduced due to sample truncation. After performing descriptive statistics, it was seen that the ESG scores of most of the companies in the sample were already quite high, and hence, there was very low scope for any variation in their scores, especially in the environmental and social dimensions. At first this was not totally envisaged, and the Brand Finance Global 100 looked like a very good proposition in terms of coverage and availability of data. But in the regression analysis stage, the very high density of the ESG scores may have affected the power of the analysis model and made it harder to distinguish relationships that may have been significant. In the econometrics literature such a problem is called 'range restriction' or 'truncation bias'. [20].

5. Conclusion

5.1. Summary of Findings

This paper focuses on the effect of ESG disclosure on the brand value of a company, using a panel data of 32 Companies whose brands are most valuable among listed companies from the year 2022 to 2024. By employing a combination of pooled OLS, two-way fixed effects and lagged ESG models, supplemented by robustness tests at the pillar level, the analysis yielded two main findings. First, the composite ESG score did not exhibit a significant relationship with brand value in this elite sample, primarily due to truncation in the distribution of ESG scores. Second, the sub-score for the Governance pillar has a positive and significant impact on brand value ($\beta = 1.059$, $p < 0.05$), whilst the scores for the Environmental and Social pillars do not show significant associations. Across all model specifications, firm size and profitability remain robust positive predictors.

5.2. Theoretical Contributions

This study advances the existing literature in several respects. The first contribution is that it provides preliminary evidence of the relationship between ESG and brand value in a predominantly US sample with limited international variation, thereby filling a gap left by previous research, which has largely focused on the financial market effects of ESG disclosure. At the same time, this study builds upon the work of Takacs, which is most relevant to this topic, and, by utilising updated data following the implementation of mandatory disclosure regulations and a more rigorous panel fixed-effects methodology, provides a meaningful contrast to the former. The second contribution lies in the specific findings regarding the governance pillar, which extend the scope of signalling theory to the level of brand value, revealing that governance disclosures themselves serve as credible signals capable of

distinguishing between the world's top brands. The third contribution is that, by treating brand value as assessed by independent third parties as an independent outcome variable distinct from share prices and accounting metrics, this paper also makes a contribution to the literature on intangible assets.

5.3. Implications for Practice

The implications of these results are easily transferable to brand strategies and management. For companies aiming to enhance their brand through ESG disclosure, the findings indicate that a company might want to allocate resources to improve the quality and transparency of the governance content of its disclosure – which might be more effective in creating tangible gains in brand value – rather than general enhancements to the disclosure of ESG. In the world's top brands, both environmental and social disclosures have increasingly become a prerequisite and it will be hard for brands to stand out with these alone. Especially in the case of Multinational Corporations in a highly competitive unique brand environment. In terms of the regulatory aspects, the research also signals that the effects of disclosure requirements that stem from principles like those of IFRS S1/S2 may not be confined to capital markets, but even reach the level of brand equity. The one word of advice that this study could give to brand managers is that having transparency in governance shouldn't be seen just as a compliance thing, it should rather be an integral part of the long-term brand building efforts. In the case of leading companies, the reputation gap that can be achieved by clear and strong governance disclosures is likely to already be outpacing the benefits of blurry ESG talking points.

5.4. Research Limitations

It has several limitations in this study which need to be acknowledged. The first problem is that it was only 32 companies from the top 100 companies in the Brand Finance Top 100 list; truncation of the data directly affected the statistical power and thus the conclusions' generalisability. If it had been done on a more diverse group of companies in terms of their ESG performance, then the relationship between ESG and brand value could have been more evident. The second drawback is the time horizon of only three years (2022 - 2024) leading to a rather thin panel. This poses huge challenges in order to differentiate between the short- and long-term impact of ESG on brand value. The third one is that the financial control variables are obtained from public APIs which may be measured with a higher degree of error than data from institutional databases (especially for non-US firms).

The fourth restriction is that the sample is highly skewed towards US companies, with 47 of the 73 samples taken from US companies, implying that country-level confounding factors are hard to fully eliminate with regard to a cross-sectional comparison. The most limiting of the above is in the author's opinion, the very limited range of the sample. The study was limited to companies in the Brand Finance Top 100 as a result of which ESG scores are tightly grouped at the high end of the score range. This makes it nearly impossible to measure the impact that differences in ESG performance – especially those with more divergent sustainability outcomes – have on brand value. Perhaps the study only illustrated the process of differentiation in the premium brand segment in the global market as opposed to the overall ESG and brand value.

5.5. Future Research Directions

Understanding the circumstances, one would expect the next logical move to be to scale the sample up beyond the Brand Finance Top 100 and analyse event studies around shifts in ESG ratings and/or governance controversies. The benefit of this is that this would test to see if there is even a short-term causal relationship between ESG disclosure and brand value as opposed to long-term cross-sectional correlation.

Furthermore, by using a wider range of ESG scores, one could test if the ESG and Brand Value are more closely correlated or not among non-top brands specifically. Some of the other

moderating variables could be added to the analysis in future research. For example, a business could be a consumer market, or B2B, it could be voluntary or required disclosure, and perhaps developed or emerging market. Last but not least, as tools for AI-assisted ESG reporting are gaining in popularity, it would be interesting to further explore whether the format and structure of governance disclosures has an impact on the effectiveness of the disclosures in determining brand value.

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