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ESG Rating Divergence, Stakeholder Trust, and Sustainable Decision-Making: Evidence from a Mixed-Methods Study

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ABSTRACT:
This study examines how Environmental, Social, and Governance (ESG) rating divergence affects stakeholder trust and sustainable decision-making. Rating agencies assign different ESG scores to the same company due to differing methodologies, indicators, and weighting systems. Using a mixed-methods design, we analysed quantitative survey data from 250 stakeholders using Partial Least Squares Structural Equation Modelling and gathered qualitative data through 20 semi-structured interviews. Results show that ESG rating divergence negatively affects stakeholder trust, corporate legitimacy, and sustainable decision-making. Stakeholder trust partially mediates the relationship between divergence and decision-making. Furthermore, institutional influence positively affects corporate legitimacy and sustainable decisions. The qualitative findings confirm that conflicting ratings reduce confidence in ESG information and compel stakeholders to seek additional sources before making decisions. The study contributes to stakeholder, legitimacy, and institutional theories by providing primary evidence on the behavioural effects of ESG rating inconsistency. The findings suggest that standardising mandatory corporate disclosure inputs, rather than proprietary rating methodologies, can strengthen stakeholder trust and support informed sustainability decisions.

Keywords: ESG ratings, ESG divergence, stakeholder trust, sustainable decision-making, PLS-SEM, corporate legitimacy

1. Introduction

Environmental, Social, and Governance (ESG) criteria influence corporate operations. Investment funds and financial institutions widely leverage ESG information to evaluate how companies address sustainability risks and opportunities (Li & Yang, 2025). In light of recent shifts, companies increasingly focus on environmental responsibility, social impact, and corporate governance practices (Shi & Yao, 2025). Investors, asset managers, and regulators use ESG ratings to assess corporate sustainability performance and guide capital allocation (Li et al., 2026). Rating agencies such as Sustainalytics, MSCI, and Refinitiv evaluate company data across environmental, social, and governance dimensions (Deng, 2025). The ratings influence investment decisions, corporate strategy, and stakeholder perceptions of responsibility (Lei & Ma, 2025).
Rating agencies use different methodologies, indicators, and weighting systems. These differences create scope divergence, which reflects measurement variance, and weight divergence, which reflects valuation variance. The same company can receive a high score from one agency and a low score from another, a phenomenon known as ESG rating divergence (Cesarone et al., 2024; Tian et al., 2025). Despite the popularity of ESG ratings in financial markets and corporate sustainability measurement, ESG rating divergence

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poses challenges for stakeholders. Rating agencies send misleading signals to stakeholders when they issue conflicting reviews of the same company. Conflicting reviews complicate efforts to determine whether a company is underperforming or simply benefiting from differences in assessment procedures. Rating disagreement confuses investors and other stakeholders. When ESG ratings differ among providers, comparing companies becomes challenging. Investors who rely on the ratings may be unable to identify which companies engage in good sustainability practices (Xiong et al., 2026).

The study examines whether ESG rating divergence undermines stakeholder trust and weakens sustainable decision-making by increasing information asymmetry between firms and stakeholders. Current literature lacks empirical data on stakeholder perceptions of ESG rating divergence. Past research relies on secondary financial data to measure market outcomes such as stock returns, market valuation, and portfolio allocation, offering little insight into stakeholders' interpretations (Gawęda, 2022). Theoretically, this study extends stakeholder, legitimacy, and institutional theories by positioning trust as the mechanism linking rating divergence to decisions; empirically, it adds primary behavioural evidence that market-based studies cannot capture. The research tests how ESG rating divergence affects stakeholder trust, corporate legitimacy, and sustainable decision-making. The analysis applies Stakeholder Theory, Legitimacy Theory, and Institutional Theory to evaluate how stakeholders process sustainability signals. The focus remains on stakeholder behaviour rather than rating agency methodologies. Poised to establish the consequences of rating inconsistency for investors, regulators, and managers, the results demonstrate the requirement for transparency in ESG assessments to build trust and support decisions.

The remainder of the paper proceeds as follows: Section 2 reviews the literature and develops the hypotheses; Section 3 details the mixed-methods research design, sample selection, and data collection procedures; Section 4 presents the quantitative and qualitative results; Section 5 discusses the findings and connects the outcomes to the theoretical framework; Section 6 concludes the study and outlines practical limitations and recommendations.

2. Literature Review and Hypothesis Development

2.1. ESG Ratings and Divergence

ESG ratings provide a composite assessment of corporate sustainability performance across environmental, social, and governance dimensions (Rubino et al., 2026). Investors use ESG ratings to choose sustainable and responsible companies. Regulators use ESG ratings to assess compliance and reporting levels. ESG ratings help companies improve corporate image, compare sustainability initiatives, and find socially aware investors (Deng, 2025). ESG rating agencies use different methodologies, indicators, measurement methods, and weighting mechanisms. A firm can score high with one agency and low with another (Bai et al., 2024). The differences make it difficult for stakeholders to interpret ESG information consistently.

ESG rating divergence is the variation in ESG scores for the same company across rating agencies. Divergence arises from different indicators, priorities across ESG dimensions, data sources, and subjective scoring (Zhu & Liu, 2025). ESG divergence has implications for decision-making. Different ratings confuse stakeholders, making it difficult to compare

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companies. The confusion reduces the credibility of ESG ratings. Differences in ESG scores weaken market signals and shape corporate investment, financing, and operational strategies (Tian, 2024).

2.2. Stakeholder Trust and Sustainable Decision-Making

Stakeholder trust refers to trust in the integrity and quality of corporate information held by investors, consumers, regulators, and communities. Adopting sustainability practices requires trust. Trust indicates whether stakeholders respond to ESG disclosures (Xiong et al., 2026; Sun et al., 2025). Sustainable decision-making refers to decisions considering environmental, social, and governance concerns alongside financial goals. ESG ratings help stakeholders decide where to invest, which products to support, and which sustainability activities to endorse (Vasiu, 2024). ESG rating conflicts affect decision-making. Different scores confuse stakeholders, making it difficult to identify sustainable companies (Zhang & Hsu, 2025). Corporate legitimacy is the social license firms need to operate and maintain stakeholder support. Institutional influence represents the regulatory and normative pressures that shape corporate sustainability behaviour and reporting standards.

2.3. Theoretical Framework

The study uses three theories to explain how ESG rating divergence affects stakeholders. When ESG ratings conflict, effects extend across theoretical dimensions. Divergent ratings erode stakeholder trust by sending inconsistent signals about corporate sustainability, reducing the credibility of ESG information for investment and governance decisions (Hauch, 2026). Conflicting ratings undermine corporate legitimacy. Stakeholders question whether sustainability disclosures reflect performance or methodological artefacts (Wang & Wang, 2024). Institutional pressures, including regulatory frameworks, industry norms, and societal expectations, shape how stakeholders interpret the signals. Divergence weakens compliance and responsibility cues that ESG ratings intend to convey (Zhou et al., 2024; Lu et al., 2024).

2.4. Hypothesis Development

Based on the literature review and theoretical framework, this study proposes hypotheses to examine the relationships between ESG rating divergence, stakeholder trust, and sustainable decision-making. ESG rating divergence causes inconsistencies in sustainability information that undermine stakeholder confidence and complicate decision-making. Because stakeholder trust shapes sustainable decision-making, it affects whether stakeholders act on corporate ESG disclosures.

From this standpoint, ESG rating divergence reduces stakeholder trust. Conflicting ratings create uncertainty and reduce the reliability of ESG information, which undermines stakeholders' confidence in corporate sustainability claims. Thus, the following hypothesis is proposed:

H1*: ESG rating divergence negatively affects stakeholder trust.*

Differences in ESG ratings impact sustainable decision-making by confusing stakeholders. If stakeholders believe ESG information is inconsistent, they fail to make responsible decisions. Thus, the following hypothesis is proposed:

***H2**: ESG rating divergence negatively affects sustainable decision-making.*

Stakeholders' confidence is likely to contribute positively to sustainable choices. Stakeholders are more likely to invest in, support, or be interested in sustainable firms when they believe the ESG information is credible and reliable. Thus, the following hypothesis is proposed:

***H3**: Stakeholder trust positively influences sustainable decision-making.*

Stakeholder trust mediates the relationship between ESG rating divergence and sustainable decision-making. Different ratings lead to a lack of trust, which affects how stakeholders make sustainable decisions. Thus, the following hypothesis is proposed:

***H4**: Stakeholder trust mediates the relationship between ESG rating divergence and sustainable decision-making.*

Rooted in Legitimacy Theory, ESG rating divergence negatively affects corporate legitimacy by weakening the sustainability signals that firms rely on for social approval (Wang & Wang, 2024). Thus, the following hypothesis is proposed:

***H5**: ESG rating divergence negatively affects corporate legitimacy.*

Following Legitimacy Theory, corporate legitimacy positively influences stakeholder trust, as stakeholders place greater confidence in firms perceived as legitimate (Hauch, 2026). Thus, the following hypothesis is proposed:

***H6**: Corporate legitimacy positively influences stakeholder trust.*

In line with Institutional Theory, institutional influence positively affects corporate legitimacy, since regulatory frameworks and industry standards validate corporate sustainability actions (Zhou et al., 2024; Lu et al., 2024). Thus, the following hypothesis is proposed:

***H7**: Institutional influence positively affects corporate legitimacy.*

Reflecting institutional mechanisms, institutional influence positively affects sustainable decision-making because institutional norms and regulatory pressures guide stakeholder choices (Hu et al., 2026; Elghuweel, 2026). Thus, the following hypothesis is proposed:

***H8**: Institutional influence positively affects sustainable decision-making.*

These hypotheses form the conceptual model tested empirically to determine the effect of ESG rating divergence on stakeholder perceptions and decision outcomes. Figure 1 illustrates the direct and mediating structural paths.

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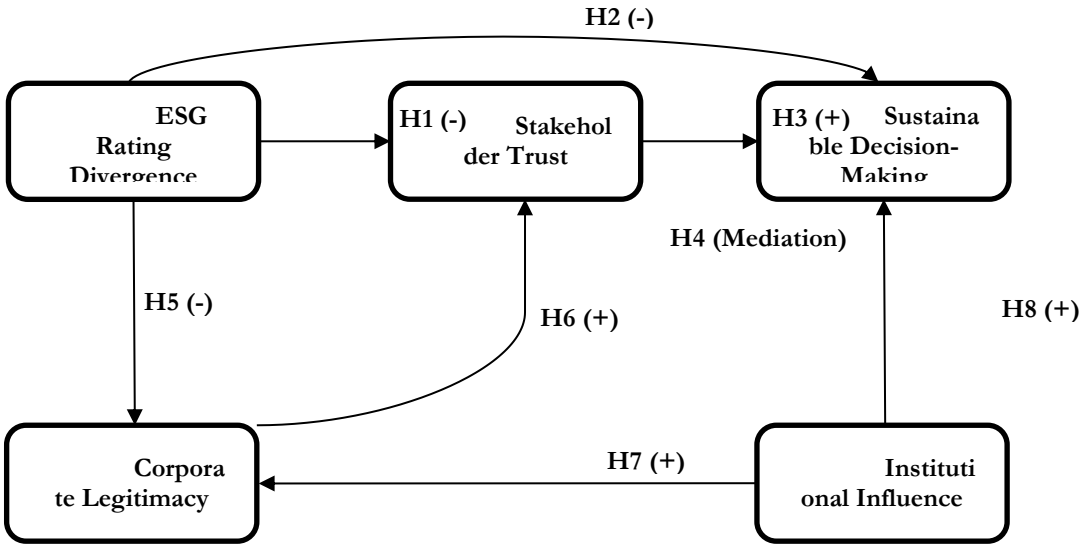

Figure 1. *Conceptual Model and Hypothesised Structural Paths.*

3. Methodology

3.1. Research Design and Sample

The research design employs a mixed-methods approach to investigate the impact of ESG rating divergence on stakeholder trust, perceptions of corporate legitimacy, and sustainable decision-making. The quantitative part examines hypothesised relationships between ESG rating divergence, stakeholder trust, corporate legitimacy, and sustainable decision-making practices. The qualitative part examines stakeholder perceptions, decision-making processes, and institutional influences. The study used Partial Least Squares Structural Equation Modelling (PLS-SEM) for quantitative analysis. The method tests complex models involving mediating effects.

This study includes the following constructs: ESG Rating Divergence (ERD), Stakeholder Trust (TR), Corporate Legitimacy (CL), Sustainable Decision-Making (SD), and Institutional Influence (INS). They are conceptualised as latent variables and measured using reflective indicators based on previously validated Likert-scale items.

Purposive sampling selected respondents with direct experience in corporate sustainability information and decision-making. Survey participants comprised sustainability managers, ESG analysts, and investment professionals across industries to ensure contextual diversity. Respondents were recruited through professional networks and direct invitations, with the sample spread across business, finance, sustainability, and academic roles (see Section 4) rather than fixed sector quotas; the expert profile may have produced more consistent responses across constructs. For the qualitative phase, we interviewed a smaller sample of stakeholders, including corporate sustainability officers and portfolio managers. We retained academics in the aggregate sample because they serve as advisory

stakeholders who evaluate sustainability performance and formulate ESG policy recommendations, making them active consumers of ESG ratings. We stopped qualitative data collection at 20 participants after reaching theoretical saturation. For the quantitative phase, we secured 250 responses. We stopped data collection after exceeding the G*Power threshold. Power analysis confirmed the sample has sufficient statistical power (0.80) to identify medium effect sizes ($f2 = 0.15$) at alpha = 0.05.

3.2. Data Collection

A structured online questionnaire collected quantitative data. Measures were based on peer-reviewed articles and evaluated on a five-point Likert scale (1 = strongly disagree to 5 = strongly agree). The online format enabled wide dissemination, real-time response monitoring, and data export for PLS-SEM analysis. The study collected qualitative data through semi-structured interviews with managers, investors, and sustainability officers. The semi-structured format followed a deductive design to validate experiences, perceptions of the reliability of ESG ratings, trust, and sustainability decision-making practices among stakeholders. The team recorded and transcribed interviews to ensure accuracy and support thematic analysis. All participants provided informed consent before data collection. The team anonymised and aggregated responses to ensure confidentiality and comply with standard ethical guidelines for human subjects research.

3.3. Construct Operationalisation

All constructs in this study are conceptualised at the organisational level, with the firm and its stakeholders as the unit of analysis. To ensure theoretical clarity and empirical rigour, each construct is defined and operationalised through validated measurement scales taken from recent peer-reviewed research (see Appendix A). The measurement scales capture stakeholder perceptions, organisational behaviour, and sustainability-related decision-making.

ESG Rating Divergence. ESG rating divergence refers to differences in Environmental, Social, and Governance scores for the same company across rating agencies. Variations stem from differences in indicators, weighting systems, data sources, and analyst judgement. Divergence reflects stakeholders' uncertainty when assessing corporate sustainability performance. This construct is measured with a 6-item scale. Items reflect stakeholders' perceptions of the consistency, reliability, and comparability of ESG ratings. ESG rating divergence is regarded as a strategic information challenge that affects trust and decision-making. It is consistent with Stakeholder and Institutional theories, as it influences stakeholders' interpretation of sustainability signals (Yang et al., 2025).

Stakeholder Trust. Stakeholder trust reflects the level of faith investors, consumers, regulators, and communities have in the reliability, transparency, and integrity of ESG information firms provide. Trust drives sustainable behaviour and investment decisions (Zhou & Lei, 2025). The construct is measured using a 7-item scale. Questions assess the perceived credibility, dependability, and usefulness of sustainability information. Stakeholder trust mediates the relationship between ESG rating divergence and sustainable decision-making. The construct relies on Stakeholder and Legitimacy theories, as trust influences stakeholder behaviour and perception of corporate credibility.

Corporate Legitimacy. Corporate legitimacy describes the extent to which stakeholders perceive firm activities and sustainability practices as socially acceptable and credible. ESG

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disclosures and ratings convey legitimacy to stakeholders (Li & Yang, 2025). A 5-item scale measures the construct. This construct helps examine stakeholders' perceptions of a firm's social and ethical alignment. Corporate legitimacy aligns with Legitimacy Theory, which highlights the importance of ESG communication in sustaining social approval and organisational credibility.

Sustainable Decision Making. Sustainable decision-making reflects the extent to which stakeholders integrate ESG information into decisions, such as capital allocation, advisory recommendations, or adopting corporate sustainability initiatives (Zhou et al., 2024; Wang et al., 2024). The construct is measured using a 7-item scale. This construct helps measure the impact of ESG ratings on tangible decisions and behavioural intentions. Sustainable decision-making is the outcome variable, showing the behavioural impact of ESG information and trust. The construct connects to Stakeholder and Institutional theories, as decisions depend on perceived legitimacy and institutional norms.

Institutional Influence. Institutional influence represents pressure exerted on organisations by regulatory frameworks, industry standards, and social norms to adopt sustainable practices. ESG ratings signal compliance with institutional expectations. The construct is measured with a 3-item scale that assesses the strength of environmental pressures on corporate sustainability practices. Institutional influence aligns with Institutional Theory because ESG adoption and stakeholder interpretation depend on external regulatory and normative pressures.

Demographics. Demographics represent personal and organisational characteristics of respondents, such as age, gender, experience, and position. Using three items, respondents provide basic demographic information to contextualise their answers and ensure that the samples are representative.

3.4. Data Analysis Techniques

The measurement model was analysed for reliability (Cronbach's alpha and composite reliability, CR), convergent validity (average variance extracted, AVE), and discriminant validity. The model evaluated path coefficients, R2 values, and the mediating effect of stakeholder trust. We used bootstrapping to test the significance of direct, indirect, and interaction effects.

Thematic analysis, open coding, and axial coding were used to analyse qualitative data. Constructs served as primary categories for response classification, identifying shared themes in interpreting ESG ratings, building trust, perceiving legitimacy, and making sustainable decisions. Combining quantitative and qualitative results increased interpretive validity and methodological triangulation.

We tested for common method bias because the survey data were self-reported and cross-sectional. Harman's single-factor test indicated that the first factor explained less than 40% of the variance, below the 50% threshold. Also, the Variance Inflation Factor (VIF) values for all constructs were below 3.3, indicating no significant threats of multicollinearity or common method bias. Respondent anonymity, scale-item randomisation, and appropriate questionnaire design were the procedural remedies. Nevertheless, self-reported cross-sectional measures remain a limitation; future studies could add a marker variable or multi-source data to confirm that common method variance did not materially affect the estimated relationships.

4. Results

This section presents the results from the PLS-SEM analysis using SmartPLS. The analysis was carried out in two stages: the measurement model and the structural model. In terms of sample composition, 28.8% of respondents were business professionals, 26.4% were investors or finance professionals, 24.0% were sustainability professionals, and 20.8% were academics.

4.1. Measurement Model Assessment

We assessed the measurement model using indicator loadings, Cronbach's alpha, CR, and AVE. All constructs showed acceptable reliability and convergent validity (see Table 1).

Table 1. Measurement Model and Discriminant Validity

Panel A. Measurement Model

Construct	Items	Loadings Range	Cronbach's α	CR	AVE
ERD	6	0.72–0.86	0.91	0.93	0.66
TR	7	0.70–0.88	0.92	0.94	0.67
CL	5	0.73–0.87	0.90	0.92	0.69
SD	7	0.71–0.89	0.93	0.94	0.68
INS	3	0.74–0.88	0.88	0.91	0.71

Panel B. Discriminant Validity (HTMT)

Construct	ERD	TR	CL	SD	INS
ERD	—				
TR	0.71	—			
CL	0.64	0.73	—		
SD	0.69	0.76	0.74	—	
INS	0.58	0.62	0.66	0.63	—

All factor loadings exceeded recommended thresholds. Cronbach's alpha and composite reliability values exceeded 0.70, indicating strong internal consistency. The high reliability scores (Cronbach's $\alpha > 0.88$, $CR > 0.91$) indicate strong internal consistency, suggesting the expert sample provided high construct clarity. All AVE values exceeded 0.50, indicating acceptable convergent validity. The HTMT results show satisfactory discriminant validity for all constructs.

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4.2. Structural Model and Hypothesis Testing

The model fit and predictive relevance were assessed using R^2, Q^2, and effect sizes (see Table 2).

Table 2. Model Fit and Predictive Relevance

Construct / Path	R^2	Q^2	f^2 (Effect Size)
TR	0.46	0.29	—
CL	0.38	0.23	—
SD	0.57	0.36	—
ERD → TR	—	—	0.26 (Medium)
ERD → SD	—	—	0.12 (Small)
TR → SD	—	—	0.29 (Medium)
ERD → CL	—	—	0.10 (Small)
CL → TR	—	—	0.16 (Medium)
INS → CL	—	—	0.24 (Medium)
INS → SD	—	—	0.11 (Small)

The results indicate that the model accounts for 46% of the variance in stakeholder trust, 38% in corporate legitimacy, and 57% in sustainable decision-making. All Q^2 values exceed zero, confirming adequate predictive relevance. VIF values ranged from 1.18 to 2.54, below the recommended threshold of 3.3, indicating no multicollinearity concerns. We tested the structural model using bootstrapped path coefficients (β), t-values, and p-values (see Table 3 and Figure 2).

Table 3. Structural Path and Hypothesis Testing

Hypothesis	Relationship	β	t-value	p-value	Decision
H1	ERD → TR	-0.41	7.12	<0.001	Supported
H2	ERD → SD	-0.28	4.86	<0.001	Supported
H3	TR → SD	0.47	8.35	<0.001	Supported
H4 (Mediation)	ERD → TR → SD	-0.19	4.62	<0.001	Supported
H5	ERD → CL	-0.22	3.94	<0.001	Supported
H6	CL → TR	0.31	5.44	<0.001	Supported
H7	INS → CL	0.39	6.72	<0.001	Supported
H8	INS → SD	0.21	3.98	<0.001	Supported

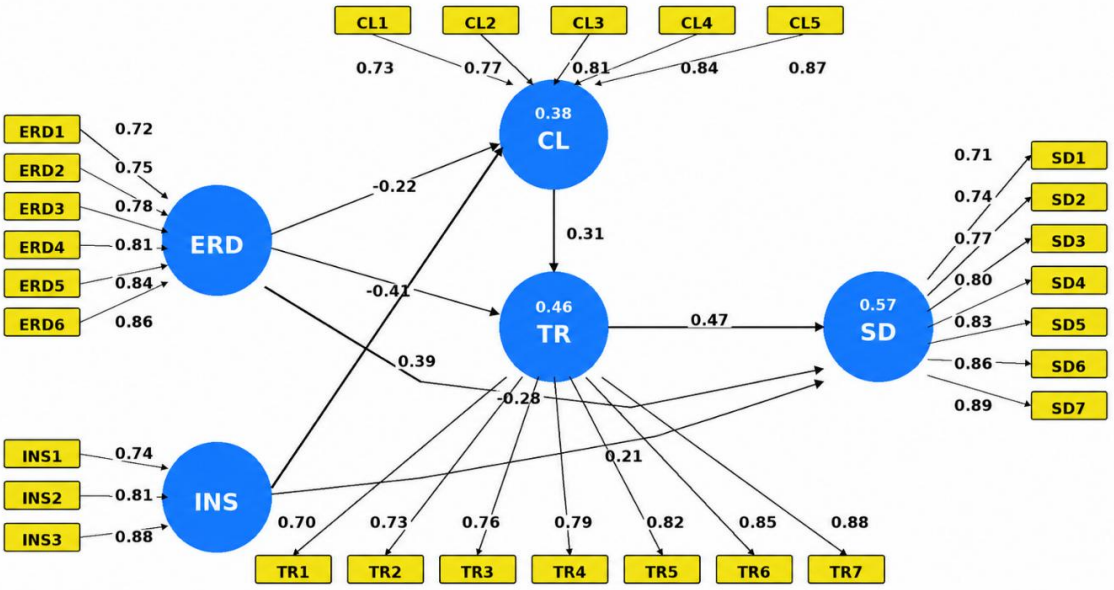

Figure 2. *PLS-SEM Structural Model Results*

The PLS-SEM results indicate that all hypotheses proposed in the conceptual model are supported, as shown by the statistical significance of the estimated path coefficients. The indirect path between ESG rating divergence and sustainable decision-making via stakeholder trust was statistically significant.

4.3. Qualitative Insights

The qualitative phase used a deductive, confirmatory interview protocol to validate causal mechanisms. Thematic analysis of the 20 semi-structured interviews identified five themes corresponding to the study constructs (see Table 4).

Table 4. Summary of Qualitative Themes

Theme	Description
ESG Rating Divergence	Perceived inconsistency across rating agencies
Trust Erosion	Reduced confidence due to conflicting ratings
Corporate Legitimacy	ESG ratings influence credibility and reputation
Decision Uncertainty	Divergence leads to cautious decision-making.
Institutional Influence	Need for regulation and standardisation.

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Theme 1: Perception of ESG Rating Divergence

Most respondents indicated ESG ratings vary across agencies for the same company. Interviewed analysts noted that differing assessments make it difficult to rely on a single score. Participants said providers assign different scores to identical firms. They cited methodological differences, indicator focus, and varied data sources as the main reasons.

Theme 2: Stakeholder Trust in ESG Ratings

Most participants considered ESG ratings valuable for evaluating corporate sustainability, yet many expressed reduced confidence when ratings conflicted. Corporate strategy managers reported that conflicting ratings instil caution and prompt them to triangulate multiple sources before trusting a score. Participants viewed ESG ratings as a guide rather than a final judgment. This aligns with Stakeholder Theory, as stakeholders need credible information to assess organisations and make decisions.

Theme 3: Corporate Legitimacy and Reputation

Interviewees stated that high ESG ratings reinforce perceptions of corporate responsibility and credibility. Firms with high scores are regarded as socially responsible and transparent. However, interviewed analysts observed that inconsistent ratings compromise corporate credibility, as stakeholders struggle to identify accurate performance measures. Consultants added that firms with inconsistent scores appear less credible, despite strong internal policies. The finding aligns with Legitimacy Theory, requiring organisations to remain credible to retain stakeholder support.

Theme 4: Sustainable Decision-Making

Participants noted ESG ratings are applied during investment screening and business decisions as part of a wider assessment. Portfolio managers reported ESG ratings identify risks but require integration with company disclosures and qualitative analysis for final decisions. Consequently, when ratings differ across agencies, decision-makers resort to alternative information sources to get a more complete perspective.

Theme 5: Institutional Influence

Interviews highlighted the role of regulatory frameworks, industry standards, and societal expectations in ESG reporting. Participants indicated a need to harmonise reporting systems and regulatory frameworks. Interviewees stated that consistent regulations increase the transparency and comparability of ESG ratings. The findings align with Institutional Theory, where regulatory pressures and societal expectations shape organisational practices.

5. Discussion

The discussion interprets the findings as a mechanism rather than independent relationships. In this context, ESG rating divergence acts as an information signal that introduces uncertainty, reduces stakeholder trust, and weakens sustainable decision-making. The process reflects a sequential mechanism where ESG rating divergence creates ambiguity, ambiguity reduces stakeholder trust, and reduced trust limits the ability of ESG information to influence decision-making.

The structural model confirms the negative effect of ESG rating divergence on stakeholder trust and the positive effect of stakeholder trust on sustainable decision-making. These findings support the notion that ESG rating conflicts create uncertainty among stakeholders and influence their evaluation of corporate sustainability performance (Ge et al., 2025; Shi & Yao, 2025). Inconsistent ESG signals create ambiguity, making it difficult

for stakeholders to interpret corporate sustainability performance and rely on ESG information (Rubino et al., 2026). This ambiguity is likely compounded by questionable industry practices, where firms selectively publish the highest scores to facilitate greenwashing, further eroding stakeholder trust. Interview participants corroborated the mechanism by describing confusion and difficulty relying on ESG ratings when agencies provided conflicting scores. Interviewees noted that ESG scores vary by rating agency for the same company, making comparisons difficult. This shows how divergence directly creates uncertainty in sustainability assessments. Compared with market-based studies linking divergence to outcomes such as crash risk and trading behaviour (Quotb et al., 2026; Sun et al., 2025), these results confirm the adverse effect of divergence but extend it by showing a moderate effect on trust ($f^2 = 0.26$) and a smaller direct effect on decisions ($\beta = -0.28$), which suggests that the impact operates largely through trust.

The positive relationship between stakeholder trust and sustainable decision-making showcases that the former enables stakeholders to rely on ESG information in decision-making (Cesarone et al., 2024; Deng, 2025). When stakeholders perceive ESG information as credible, they integrate it into investment and business decisions. Conversely, reduced trust weakens the influence of ESG ratings on decision-making (Dong et al., 2025). The qualitative findings support this explanation, as participants indicated they rely on ESG ratings only when they trust them. Conflicting ratings compel stakeholders to seek additional information and adopt cautious decision-making strategies. Interviewees expressed an unwillingness to rely on single ratings because of inconsistency, highlighting how reduced trust leads to complex, hesitant decision-making.

The mediating effect of stakeholder trust indicates that ESG rating divergence influences sustainable decision-making indirectly by reducing trust (Sun et al., 2025). This observation reflects a mechanism where higher divergence leads to greater uncertainty. Accordingly, reduced stakeholder trust weakens the impact of ESG ratings on decision outcomes (Quotb et al., 2026). In the qualitative analysis, participants described how rating disagreements reduce confidence and slow decision-making. As interviewees noted, they investigated further rather than relying on direct scores when ESG ratings differ; this demonstrates how divergence affects behaviour through trust. The observed reduction in trust aligns with Stakeholder Theory, which predicts that stakeholders rely on credible and consistent information when evaluating organisations (Ge et al., 2025). Conflicting ESG signals reduce stakeholders' ability to determine which rating reflects a company's actual sustainability performance, thereby lowering trust.

The findings additionally support Legitimacy Theory and confirm H5 and H6. ESG rating divergence negatively affects corporate legitimacy, as conflicting ratings create informational ambiguity that weakens the sustainability signals firms rely on for social approval (Hauch, 2026). When divergence undermines these legitimacy signals, stakeholders question whether sustainability disclosures reflect genuine performance or methodological artefacts (Hou & Xie, 2024). In turn, corporate legitimacy positively influences stakeholder trust because stakeholders place more confidence in firms they perceive as legitimate. Participants confirmed this pattern by noting that inconsistent ratings harm corporate credibility and reduce trust in ESG information.

The results also support Institutional Theory and confirm H7 and H8. Institutional influence positively affects corporate legitimacy, as regulatory frameworks and industry

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standards validate corporate sustainability actions and shape how stakeholders interpret ESG information (Hu et al., 2026). When rating methodologies differ across agencies, the institutional signals become fragmented, reducing comparability (Li et al., 2024; Lu et al., 2024). Institutional influence also positively affects sustainable decision-making, because institutional norms and regulatory pressures guide stakeholder choices. Participants emphasised the need for stronger regulation and standardised reporting to improve ESG credibility.

Overall, integrating quantitative and qualitative findings strengthens the interpretation of the results. While the quantitative analysis identifies statistical relationships among ESG rating divergence, trust, and decision-making, the qualitative findings explain how these relationships manifest in practice. The evidence shows divergence reduces trust and shapes stakeholder behaviour by creating uncertainty in ESG information (Hair et al., 2024; Rubino et al., 2026). Combining survey data and interview insights achieves methodological triangulation, in turn providing both generalisable findings and contextual insights that ultimately improve the validity and reliability of the results. Because the interview protocol was deductive, most themes confirm the model; the emergent insights were that participants treat ratings as a guide rather than a final judgment, triangulate multiple sources before deciding, and call for harmonised reporting, which informed the recommendation to standardise disclosure inputs.

5.1. Theoretical and Practical Implications

The study contributes to stakeholder, legitimacy, and institutional theories by demonstrating that ESG rating divergence affects stakeholder behaviour through a trust-based mechanism, where trust partially mediates the effect on decision-making. In particular, it builds on Stakeholder Theory by showing that the success of ESG ratings as informational signals depends on the degree of stakeholder trust. Inconsistent assessments create uncertainty among stakeholders and undermine the effectiveness of ESG information in guiding corporate judgment.

From another standpoint, the research contributes to Legitimacy Theory by demonstrating that ESG rating divergence undermines the legitimacy signals associated with corporate sustainability performance. ESG ratings serve as external signals of responsible corporate behaviour. When stakeholders doubt the validity of sustainability assertions because these signals conflict, businesses' legitimacy benefits from ESG performance are compromised.

The study also advances Institutional Theory by confirming that regulatory frameworks and industry norms shape how stakeholders process ESG information. The supported paths show that institutional influence positively drives both corporate legitimacy and sustainable decision-making. Accordingly, external standards help stakeholders overcome the uncertainty caused by rating divergence.

For investors, the results suggest ESG ratings should not be used as standalone decision tools but should be evaluated alongside multiple data sources and corporate disclosures (Cesarone et al., 2024). For regulators, the findings highlight the need to improve transparency by introducing unified global taxonomies; instead of standardising proprietary ESG rating methodologies, efforts should focus on standardising mandatory corporate disclosure inputs to reduce uncertainty (Shi & Yao, 2025). For ESG rating

agencies, the results indicate the importance of communicating methodologies and improving consistency to strengthen stakeholder trust (Hauch, 2026).
This study contributes to the literature by combining quantitative and qualitative evidence to examine ESG rating divergence, drawing on primary stakeholder data. Unlike prior research that relies on secondary financial data, this study offers insights into how stakeholders perceive and respond to conflicting ESG information, extending theoretical understanding of stakeholder behaviour, legitimacy, and institutional influence in the ESG context (Rubino et al., 2026; Ge et al., 2025).

6. Conclusion

This study examined the impact of ESG rating divergence on stakeholder trust and sustainable decision-making using a mixed-methods approach. The findings show that ESG rating divergence significantly and negatively affects stakeholder trust and sustainable decision-making. Conversely, stakeholder trust strongly and positively influences sustainable decision-making. Stakeholder trust also partially mediates the relationship between ESG rating divergence and decision-making, confirming that divergence affects decision-making by reducing confidence in ESG information.
Furthermore, the findings show that ESG rating divergence serves as a disruptive information signal that creates uncertainty and makes it difficult for stakeholders to interpret corporate sustainability performance. The resulting uncertainty reduces trust, which in turn weakens ESG information's ability to guide decision-making. The qualitative findings reinforce this mechanism by showing that stakeholders become confused and rely less on ESG ratings when they are inconsistent, instead seeking additional information before making decisions.
This study contributes to the literature by providing primary stakeholder evidence on the behavioural implications of ESG rating divergence and extending stakeholder, legitimacy, and institutional perspectives. Highlighting the central role of trust in linking ESG information to sustainable decision-making, the findings show that ESG ratings are most effective when consistent, transparent, and supported by stronger institutional frameworks.

6.1. Limitations and Future Research

This study has several limitations. First, it uses cross-sectional data, which limits the ability to determine causal relationships over time. Second, reliance on self-reported survey data may introduce response bias despite efforts to mitigate common method bias. Third, the sample includes only stakeholders experienced with ESG information, which may limit the applicability of the findings to other contexts. Fourth, the study does not control for regional regulatory frameworks, which may limit the generalisability of the findings across jurisdictions. Fifth, the research measures rating divergence broadly without identifying which specific agencies are compared.
To address the cross-sectional data constraint, future research should use a 3-year longitudinal design that tracks actual capital reallocation. Additionally, the high statistical reliability across all constructs likely reflects the sample's expert composition; future studies should test the model with non-expert populations to assess generalisability. To

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address regulatory constraints, future research should replicate the structural model across diverse geographic regions to determine how local institutional frameworks moderate stakeholder trust. Finally, future studies should isolate specific pairs of rating providers to test whether divergence between major agencies causes greater trust erosion than divergence among smaller providers. Among these extensions, the longitudinal design is the priority for testing causality, followed by non-expert samples for generalisability and cross-regional replication for jurisdictional differences.

Declaration:

Conflict of Interest: The author reported no potential conflict of interest.

Ethics Statement: This study involved human participants. All participants provided informed consent before data collection. We anonymised survey and interview responses and reported them in aggregate to protect participant confidentiality.

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Appendix A. Measurement Items

Table A1. Survey Construct Measurement Items and Sources

Construct	Code	Item	Source
ESG Rating Divergence (ERD)	ERD1	ESG rating agencies often provide different ratings for the same company	Shi & Yao (2025); Rubino et al. (2026)
	ERD2	ESG ratings vary depending on the rating agency used	Shi & Yao (2025); Rubino et al. (2026)
	ERD3	Differences in ESG methodologies lead to inconsistent scores	Shi & Yao (2025); Rubino et al. (2026)
	ERD4	ESG rating disagreement makes evaluation difficult	Shi & Yao (2025); Rubino et al. (2026)
	ERD5	ESG rating divergence creates uncertainty when comparing companies	Shi & Yao (2025); Rubino et al. (2026)
	ERD6	ESG ratings from different agencies are often inconsistent	Shi & Yao (2025); Rubino et al. (2026)
Stakeholder Trust (TR)	TR1	I trust ESG ratings as reliable indicators of sustainability	Hauch (2026); Hu et al. (2026)
	TR2	ESG ratings help evaluate responsible corporate behaviour	Hauch (2026); Hu et al. (2026)
	TR3	ESG ratings provide credible information about companies	Hauch (2026); Hu et al. (2026)
	TR4	I rely on ESG ratings in sustainability assessment	Hauch (2026); Hu et al. (2026)
	TR5	ESG disagreements reduce my confidence in ESG information	Hauch (2026); Hu et al. (2026)
	TR6	My trust decreases when ESG ratings differ	Hauch (2026); Hu et al. (2026)

Construct	Code	Item	Source
	TR7	ESG ratings should be standardised to improve trust	Hauch (2026); Hu et al. (2026)
Corporate Legitimacy (CL)	CL1	High ESG ratings signal social responsibility	Bai et al. (2024); Lu et al. (2024)
	CL2	ESG ratings influence corporate legitimacy	Bai et al. (2024); Lu et al. (2024)
	CL3	Strong ESG ratings increase public trust	Bai et al. (2024); Lu et al. (2024)
	CL4	ESG disclosures improve corporate reputation	Bai et al. (2024); Lu et al. (2024)
	CL5	Conflicting ESG ratings harm credibility	Bai et al. (2024); Lu et al. (2024)
Sustainable Decision-Making (SD)	SD1	ESG ratings influence my decisions	Cesarone et al. (2024); Ge et al. (2025)
	SD2	I prefer companies with strong ESG performance	Cesarone et al. (2024); Ge et al. (2025)
	SD3	ESG information supports responsible decisions	Cesarone et al. (2024); Ge et al. (2025)
	SD4	I consider ESG ratings when comparing companies	Cesarone et al. (2024); Ge et al. (2025)
	SD5	Conflicting ratings make me more cautious	Cesarone et al. (2024); Ge et al. (2025)
	SD6	I avoid companies with poor ESG ratings	Cesarone et al. (2024); Ge et al. (2025)
	SD7	Reliable ESG ratings support sustainable decisions	Cesarone et al. (2024); Ge et al. (2025)
Institutional Influence (INS)	INS1	Government regulations influence ESG reporting	Deng (2025); Dong et al. (2025)
	INS2	Industry standards shape ESG ratings	Deng (2025); Dong et al. (2025)

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Construct	Code	Item	Source
	INS3	Social expectations influence ESG performance	Deng (2025); Dong et al. (2025)