Greenhushing and its Implications

For Prelims: Greenhushing, ESG (environmental, social, and governance), Greenwashing, Carbon Neutrality, EU's Greenwashing Directive.

For Mains: Implications of greenhushing in global sustainability transition.

Source: DTE

Why in News?

Recently, there has been an increase in carbon-neutral certified firms across the globe, but many **choose not to promote** their environmental achievements, leading to a global trend known as "**greenhushing.**"

- Firms motivated by **altruism** and a desire to maintain their **social salience** are reluctant to communicate and tend to greenhush.

What is Greenhushing?

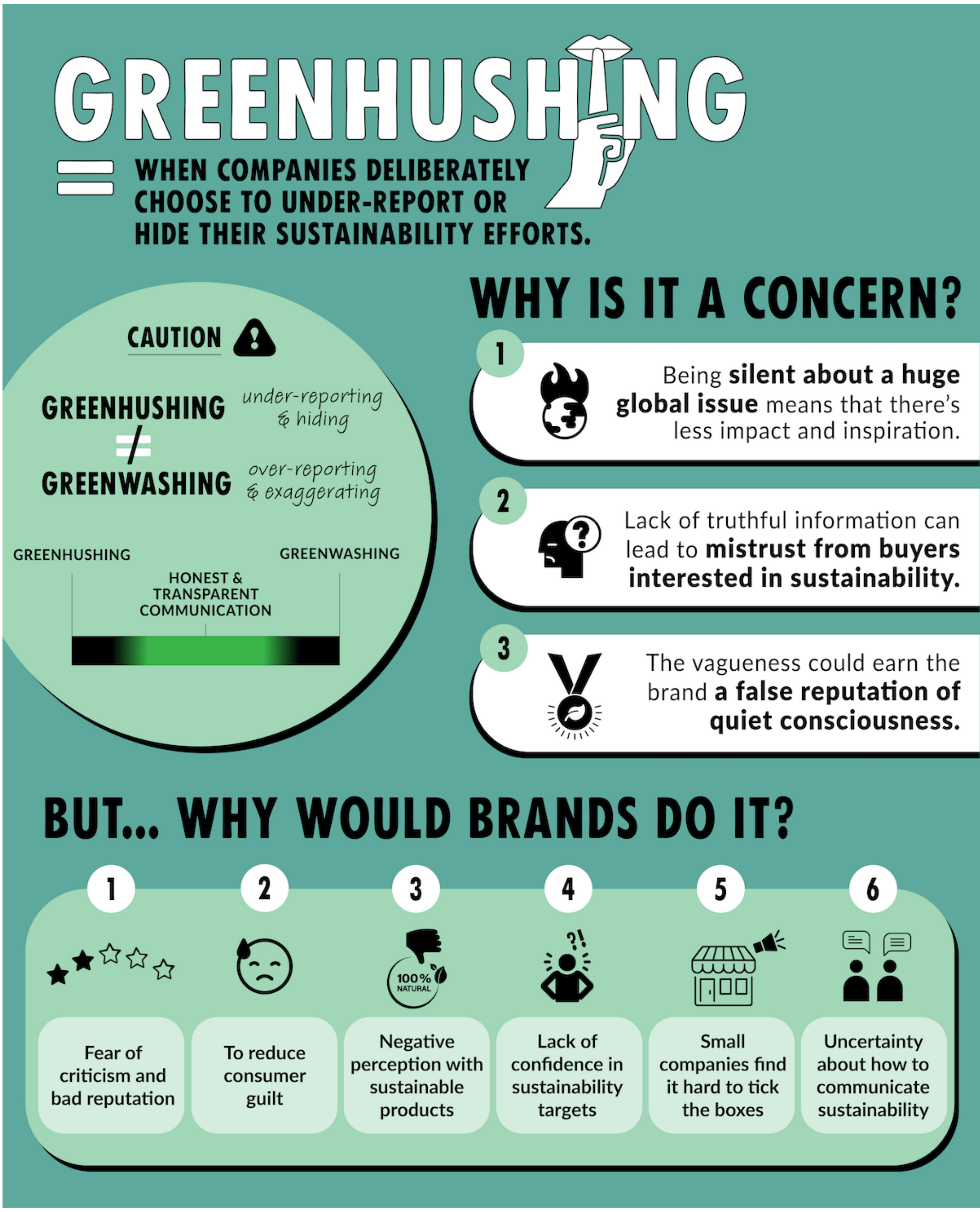
- Greenhushing occurs when firms **under report or strategically withhold information** about their environmental **goals and achievements.**
- Greenhushing firms **don't advertise their green credentials** or deliberately remain silent about their future commitments to environmental sustainability.

Why do Firms do Greenhushing?

- **Litigation Concerns in the United States:** In the US, **public companies may face lawsuits** if they are seen as prioritising **sustainability over shareholder profits.**
    - This legal risk discourages companies from openly discussing their environmental initiatives.
- **Backlash Against ESG:** In conservative states within the US, there has been **backlash against** ESG (environmental, social, and governance) efforts.
    - It has prompted some firms to stop discussing their environmental goals to**avoid political and regulatory scrutiny.**
- **Lower Quality of Green Products:** Many consumers associate green products **with lower quality or higher prices.**
    - Therefore, many companies are reluctant to promote the environmental benefits of their products which may **harm their brand** by reinforcing these negative perceptions.
- **Avoiding Future Commitments**: Companies that are vocal about their sustainability efforts often **attract attention** and are held to **higher standards.**
    - By remaining silent, firms can **avoid** expectations of **future commitments** or pressure to achieve more ambitious environmental goals.
- **Avoiding Customer Discomfort:** When people are on vacation, they often want to escape from problems like climate change **or** resource depletion.
    - Hence, many businesses in the tourism industry prefer **not to communicate** their

environmental efforts to avoid making their customers **uncomfortable.**

- **Greenwashing Accusations:** Public accusations of greenwashing can harm a firm's image and cause reputational damage to brands. To avoid the negative impacts of criticism, these firms prefer to **hide** their achievements from **external audiences.**
    - **Greenwashing** is a term used where a company makes **false or misleading statements** that their products/services are more sustainable than they are in reality.
- **Lack of Customer Demand:** Many consumers are either unaware of carbon neutrality or rarely ask for **carbon neutral products** when making purchasing decisions.
    - Without the demand from customers, companies are reluctant to spend money on advertising their carbon neutrality.



Why Firms Become Carbon Neutral Certified?

- **Competitive Advantage**: Carbon neutrality helps to **differentiate** themselves from

competitors, attract talent and access finance at better terms.

- **Maintaining Social Salience:** Some firms seek carbon neutrality to maintain their **social salience** and build stronger relationships with stakeholders to improve **public perception** and stakeholder trust.
- **Ethical Commitment:** Ethically motivated firms pursue **carbon neutrality** because they believe it is the right thing to do.
    - These companies are driven by a **passion for environmental sustainability** and a **sense of responsibility** to protect the planet.

What are Concerns with Greenhushing?

- **Rising Global Trend:** A report by climate consultancy **South Pole** found that **58%** of companies surveyed are reducing their **climate communication** due to increased regulation and scrutiny.
- **Reduced Transparency**: When companies do not openly communicate their sustainability efforts, it becomes **difficult to assess** the progress they are making in reducing carbon emissions.
    - It reduces the ability to **track and verify** climate action progress.
- **Slowing Global Sustainability Transition:** If these businesses withhold information about their environmental efforts, it could **delay the adoption of sustainable practices,** weakening the overall global effort to combat climate change.
- **Domino Effect**: Fear of **backlash and retaliation** from regions or industries that oppose sustainability efforts **deter other businesses and companies** from adopting sustainable practices.
- **Impact on Consumers:** When companies are silent about their sustainability achievements, it may lead to consumers continuing to **buy products** that are **less sustainable,** inadvertently slowing down the demand for eco-friendly alternatives.

What can be Done to Address Greenhushing?

- **Highlighting Sustainability:** Companies should emphasise that environmental sustainability is a **journey and not a destination.**
    - Engaging their audiences and highlighting their efforts for continuous improvement can **reduce criticism** and **allay concerns** about greenwashing accusations.
- **Stronger Regulations and Guidelines:** Better regulations can bring **clarity,** build trust and level the playing field. Eg. EU's Greenwashing directive bans misleading advertisements and provides consumers with **better product information.**
- **Consumer Education on Sustainability:** Increasing consumer awareness about sustainability can help **reverse negative perceptions** of green products and choose companies that are more sustainable.

Drishti Mains Question:

Q.Discuss the concept of "greenhushing" in the context of corporate environmental responsibility. What are its implications for sustainability reporting?