

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 <u>carbon-neutral certified firms</u> 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?

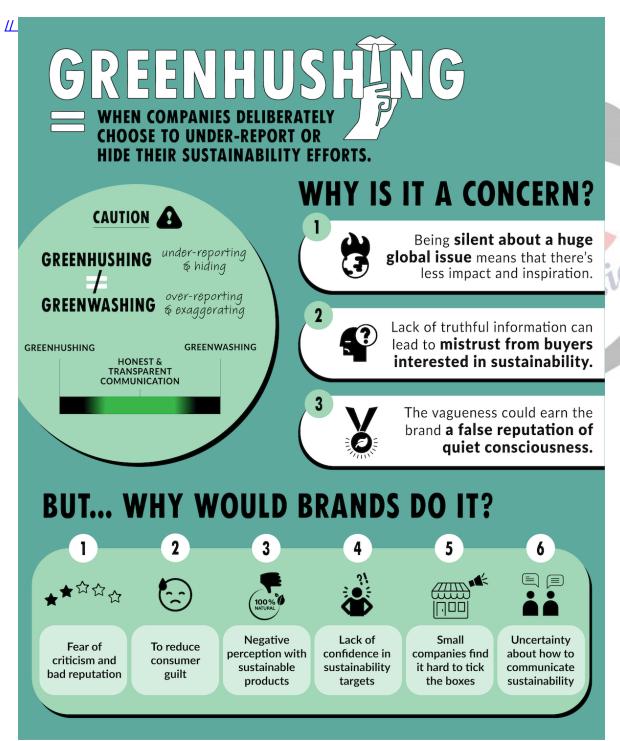
- Greenhushing occurs when firms under report or strategically withhold information about their environmental goals and achievements.
- Greenhushing firms **don't advertise their green credentials** or deliberately remain silent about their future commitments to environmental sustainability.

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 toavoid 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 <u>climate change</u> or <u>resource depletion</u>.
 - · 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 <u>sustainable</u> than they are in reality.
- Lack of Customer Demand: Many consumers are either unaware of <u>carbon neutrality</u> 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. <u>EU's Greenwashing directive</u> 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?

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