Greenhushing: Defensive Tactic or Missed Chance?

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Introduction

This editorial opens with a theme of great importance and timeliness – that of greenhushing. The relevance of this topic to corporate governance studies is such that we are already working on preparing a Special Issue dedicated to it, to be published in the next issue of the journal.

Through these few lines, we aim to introduce an increasingly significant issue that has grown in parallel with the development of the debate on ESG policies. The origin of this topic dates back to the 1990s, with the emergence of greenwashing, a now well-known practice consisting in presenting products or services as environmentally friendly when, in fact, they are not.

Until recently, companies have not hesitated to make public promises in favor of the environment, often announcing their commitment to achieving carbon neutrality within a more or less extended timeframe. The problem, however, is that words were not always followed by actions, leading to abuses and misleading commercial practices.

In recent times, in contrast to behaviors aimed at communicating more than what is actually done, a more cautious approach seems to be emerging. Many companies have indeed stopped communicating their environmental commitments in order to avoid exposure to the scrutiny of public opinion, customers, investors, and the media, as well as to protect themselves from potential legal proceedings.

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The term greenhushing was introduced by the consulting firm Treehugger (2008) to describe the act of companies intentionally hiding information about their environmental initiatives out of fear of being denounced or exposed.

Expanding on this, the Swiss consulting firm South Pole, in its annual report "*The South Pole Net Zero Report*", recently analyzed the progress made by companies worldwide toward achieving net-zero emissions. The report examines over 1,400 companies with dedicated sustainability roles, operating across 12 countries and 14 industries.

From this analysis, several key global trends emerge:

- For the first time, the data reveal the extent of greenhushing: in 9 out of 14 sectors analyzed, the majority of companies are actively reducing external communication about their net-zero plans;
- Nevertheless, the vast majority (81%) of companies believe that communicating their net-zero goals is beneficial for profits; however, almost half (44%) find it more difficult than before, citing a lack of clarity and regulatory changes as the main causes;
- Beyond meeting customer and market expectations, risk management and resilience building have become the main drivers behind setting net-zero targets – for the first time surpassing brand leadership as a motivating factor.

Overall, the report shows a worrying trend that could slow down virtuous climate actions, hindering collaboration, innovation, and accountability.

"By avoiding imperfect steps for fear of being criticized, there will be no progress", warns Nadia Kähkönen, Director of Communications at South Pole and author of the survey. "The negative impacts will be far-reaching, putting our planet at serious risk".

The author, however, believes that greenhushing is not simply the opposite of greenwashing, but rather a rational response to incentives and constraints that vary from country to country. The literature defines it as a strategy of under-communication, distinct from the deceptive emphasis typical of greenwashing, and observes that it can arise when the reputational or legal risks of communication outweigh the expected benefits in the context in which a company operates.

In other words, truly sustainable companies may choose selective silence, not out of "shame", but as a deliberate strategic choice influenced by several factors – among them, the regulatory and political design of certain markets, which can make public visibility of environmental results costly.

In this sense, the phenomenon appears to be steadily growing, particularly in connection with sustainability-related litigation: in 2024, climate change litigation has shown several developments (Kyriacou, 2025). While the growth rate of climate lawsuits is slowing down, strategic cases – those capable of influencing political and economic decisions – are increasing[1]. From courtrooms to international organizations, and from major oil companies to governments, climate litigation is proving to be one of the most powerful tools to drive concrete action against the climate crisis.

The new report by the Grantham Research Institute on Climate Change and the Environment, "Global Trends in Climate Change Litigation: 2025 Snapshot", released on June 25, captures a rapidly evolving phenomenon: in 2024, at least 226 new climate-related legal proceedings were filed, bringing the total number of recorded cases to 2,967 worldwide, across nearly 60 countries. Moreover, more than 80% of the lawsuits filed last year can be classified as "strategic", meaning they were designed to influence political decisions and regulatory standards.

The United States remains the country with the largest number of cases (164 in 2024 alone), although there is growing momentum in the poorer regions of the world. Thanks in part to the role of young people, since 2020 almost 60% of all cases have been initiated in the Global South. From 2015 to 2024, 276 cases reached supreme or constitutional courts – 117 in the U.S. and 159 in other countries. More than 80% of these lawsuits targeted governments, but cases against companies have shown higher success rates.

In this context, it is therefore unsurprising that greenhushing may emerge as a defensive response by companies, willing to limit their sustainability communication in order to reduce exposure to potential litigation.

At this point, it becomes crucial to ask which factors might lead companies to conceal or downplay their sustainable behavior.

[1] A German court dismissed the climate lawsuit filed by Peruvian farmer Saul Luciano Lliuya against RWE, which was accused of having put the farmer's home at risk of glacial flooding. However, the ruling also confirmed that companies can be held liable for climate-related damages in civil proceedings. Therefore, even though in the Lliuya case the compensation claim was rejected because the risk did not meet the legal threshold, the judgment clearly established that a causal link between the emissions of a specific company and real-world climate impacts can be legally demonstrated. The court thus confirmed that companies may be held civilly liable for climate damages caused by their carbon emissions – a highly significant legal precedent for future climate-related compensation cases. AA.VV., 2025, 51-52.

1. The Exogenous Factors of Greenhushing

1.1. The impact of different regulatory choices on defensive under-communication strategies

If we were to examine the phenomenon of greenwashing, we would approach the issue from the specific perspective of opportunistic and legal compliance. It is therefore necessary to understand whether, in the case of greenhushing, the same analytical perspective can be applied.

One of the most interesting aspects in studying greenhushing concerns the different regulatory choices that characterize various competitive contexts. In environments where ESG-friendly attitudes prevail, companies are encouraged to communicate their sustainable behaviors as effectively as possible; conversely, in contexts where anti-ESG directives emerge, firms tend to be more cautious or silent.

Analyzing current regulatory frameworks, one can clearly observe strong normative contradictions. In this regard, the European Union stands out for taking a direction opposite to greenhushing. With the Corporate Sustainability Reporting Directive (CSRD), large European firms – and many non-EU firms with significant operations in the EU – are required, starting from the 2024 financial year (reporting in 2025), to provide detailed sustainability reports, integrating financial and non-financial disclosures.

Subsequently, the Corporate Sustainability Due Diligence Directive (CSDDD), in force since July 25, 2024, introduces due diligence obligations on human rights and environmental impacts across value chains, with a phased implementation over the coming years.

In parallel, on the commercial practices front, the EU has adopted the Empowering Consumers Directive, which tightens restrictions against misleading environmental claims.

These regulatory instruments reduce the room for discretionary communication: in fact, the absence of disclosure becomes an anomaly to be explained, rather than a prudent choice.

Conversely, the U.S. context presents a very different scenario. At the federal level, the SEC had adopted a climate disclosure rule in 2024, requiring companies to report climate-related risks. However, amid immediate lawsuits and political shifts, the rule was first suspended, and then, in March 2025, the SEC itself withdrew its legal defense of the climate disclosure rule, leaving its application uncertain. This move, together with the U.S. withdrawal from the Paris Climate Agreement, reflects Trump's plans to steer his administration away from Biden's environmental goals through a deregulation program and an expansion of domestic oil production.

Fragmentation has intensified at the state level. States such as Florida and Texas have introduced laws that restrict or penalize the use of ESG criteria in the management of public funds and in relations with public authorities – even maintaining blacklists of entities deemed “hostile to fossil fuels” for exclusion or divestment purposes. Several other U.S. jurisdictions have passed or are considering similar legislation, creating a shifting mosaic of prohibitions, obligations, and definitions.

The consequences of these strong contradictions are evident: such dynamics have generated a transnational communication dilemma. On one side, European clients, EU-regulated financiers, and supply chains operating under CSRD/CSDDD frameworks demand data, plans, targets, and auditability; on the other, North American business units and stakeholders operate in an environment where “ESG” has become a politically polarized term, and over-disclosure may trigger greenwashing lawsuits under advertising laws or lead to contractual exclusions from state-level public markets.

Meanwhile, the United Kingdom is tightening its oversight on “green claims” through the Competition and Markets Authority’s Green Claims Code, a guidance framework that has already led to sectoral investigations and has made unverifiable promotional communication risky.

The combined effect of these developments is a strong incentive toward sober, verifiable communication – and, at times, toward “compliance without storytelling”.

From this perspective, greenhushing becomes a mechanism for managing agency risk. A company may choose to “speak through data” opportunistically – complying strictly where the law imposes rigorous standards (for instance, by publishing a sustainability report aligned with CSRD and ESRS, and integrating CSDDD due diligence requirements) – while adopting a minimal, financially material, and value-neutral communication style in jurisdictions where ESG is politically contested.

In practice, this marks a shift from “virtue signaling” to “compliance signaling”: firms disclose metrics, internal controls, and assurance statements where required, while elsewhere maintaining confidential B2B communication channels to meet the documentary demands of clients and suppliers without engaging in the local political arena.

1.2. The role of conservatism and the influence of political–institutional factors in greenhushing decisions

The problem of greenhushing is not always linked to different regulatory choices, but rather to cultural, institutional, and socio-political differences among contexts, which often foster isomorphic behaviors and patterns across firms. The cognitivist approach in organizational theory teaches us that such factors shape the mental frameworks through which actors perceive, interpret, evaluate, and act.

In this regard, a recent study by Tao (2024) refers to conservatism not as a political phenomenon, but as a cognitive, microeconomic, and behavioral one, focusing on the tendency of decision-makers to avoid taking excessive risks, especially in situations perceived as particularly significant. In this specific case, the lack of a clear and well-defined regulatory system results in limited information available to companies, thereby increasing uncertainty and, consequently, conservative tendencies.

The concept of conservatism is thus tied to the emergence of prudence and risk-averse behavior in response to contextual changes and uncertainty – effectively serving as a bridge between reputational risk and greenhushing. When perceived risk increases, the conservative stance intensifies, raising the likelihood of under-communication: in contexts marked by regulatory ambiguity or aggressive enforcement, a degree of conservatism can protect companies from accusations of greenwashing. However, it becomes counterproductive when it prevents firms from providing clients, investors, or regulators with the information needed to accurately assess performance and make informed decisions.

In practice, conservatism can be recognized through several recurring indicators:

- very high internal thresholds for approving environmental communications;
- a rigid "only if required" policy rather than going "beyond compliance";
- a fear of publishing intermediate targets or results until they are 100% certified;
- a tendency to shift information to closed B2B channels or data rooms, remaining silent on public platforms.

Conversely, when a company works to mitigate conservatism "the right way", it develops clearer disclosure frameworks (with explicit methodologies, limits, and uncertainties), external assurance on key indicators, and governance mechanisms that distinguish between promotional claims and decision-useful information. In doing so, firms can preserve prudence without falling into silence.

2. Internal Factors

2.1. The Organizational Dimension of the Firm

Several studies examine the relationship between organizational structure, firm size, and corresponding strategies for disclosing environmental performance. Medium-sized firms – those that Tagliacarne describes as the most advanced – tend to fully disclose their environmental performance. In contrast, both large and small companies tend to under-report their environmental results.

For medium-sized firms, transparency is not merely a matter of compliance, but rather a strategic move aimed at protecting and enhancing their organizational status.

Large corporations, on the other hand, are highly exposed to market pressures and often seek to avoid increasing demands from stakeholders and investors while maintaining their leadership position. As a result, they frequently under-report environmental outcomes. Large firms, in particular, face pressure from institutional investors, who – concerned about reputational risks linked to compliance mechanisms or potential litigation – often prefer minimalist communication strategies.

Similarly, small firms tend to under-report due to concerns about high compliance costs and uncertainty regarding reporting outcomes. This behavior is driven by two main factors:

- On the one hand, the complexity of reporting systems, which requires an expensive and often sophisticated organizational structure;
- On the other hand, the administrative and even criminal sanctions associated with reporting errors.

A study by the Politecnico di Milano found that in Italy, 85% of SMEs do not have a dedicated ESG officer – a fact that clearly has negative effects on sustainability reporting, increasing the uncertainty and unreliability of results. In summary, the findings highlight the following dynamics:

1. *External Pressures vs. Internal Costs*
   - Large firms are highly exposed to institutional investors, stakeholders, and the market. To avoid reputational risks or litigation, they prefer minimalist communication strategies, thereby under-reporting as a form of strategic defense;
   - SMEs, on the other hand, struggle primarily with compliance costs and the organizational complexity of reporting: they under-report due to structural and resource constraints.

2. *Different Risk Motivations*
   - Large firms aim to protect themselves from reputational risk, opting for limited disclosure;
   - SMEs seek to avoid regulatory and organizational risks, given their lack of expertise and dedicated personnel (as evidenced by the fact that 85% lack an ESG manager).

In short, large companies under-report for strategic reasons – primarily related to image and reputation management – whereas SMEs under-report due to structural and economic limitations.

2.2. Degree and Level of Reputational Risk Perceived by the Firm

When we talk about reputational risk, we essentially refer to the gap between what a company actually does, what it says it does, and what stakeholders expect it to do. The larger this gap, the more fragile trust becomes. Reputation is not an abstract attribute – it has very concrete effects on revenues, cost of capital, talent attraction, and on relationships with supply chains and regulators. It is an intangible asset built over time but one that can deteriorate quickly, often not because of a single "mistake", but due to repeated inconsistencies between behavior, communication, and social expectations.

In this sense, greenhushing and reputational risk are interconnected, because from a risk management perspective, greenhushing is often seen – especially by legal and compliance functions – as a defensive strategy:

"*If I communicate less, I reduce the risk of being accused of greenwashing or of publishing imperfect data*".

In this way, greenhushing helps to reduce short-term reputational exposure; however, it ultimately fuels a "reputational backlash" risk in the medium term, since the lack of data breeds mistrust, lowers ESG scores – especially those linked to disclosure quality – and, in the worst cases, can lead to non-compliance findings (as seen in the evolving European regulatory framework on reporting).

In summary, reputational risk stems from inconsistency between actions, communication, and expectations; greenhushing is a defensive response that reduces immediate exposure but may undermine credibility over time.

Reputational risk has a direct influence on greenhushing: the more a firm fears moral hazard as perceived by stakeholders, the more it tends to lower the visibility of its initiatives – often by adopting more cautious accounting and communication procedures and narratives.

Moreover, transparency in disclosure is not merely an informational "veil", but a strategic lever for risk mitigation. When uncertain about the ability to clearly label a product as sustainable, even virtuous companies may prefer not to expose themselves: they provide minimal statements to the market (limiting themselves to what is strictly required by reporting obligations or comply-or-explain regulations) to avoid the risk of divergent assessments by supervisory authorities or through litigation – which could have a significant impact on the firm's medium – to long-term profitability.

By doing so, companies prevent reputational risks arising from claims of sustainability that might later be deemed unfounded or insufficiently substantiated by public authorities.

In markets where laws, enforcement intensity, or socio-political climates make the risk of being labeled hypocritical, opportunistic, or politicized particularly salient, even genuinely sustainable firms may choose to downplay – or even conceal – their achievements to avoid misunderstanding or reputational sanctions.

From this perspective, greenhushing functions as a risk management device: it reduces exposure to domestic controversies, but also creates friction with the opposite demands arising from global value chains – clients, banks, funds, and foreign authorities that reward standardized disclosure.

It is here that high-quality transparency becomes crucial once again: research suggests that clear, verifiable, and comparable information mechanisms help to reduce the scope for hostile interpretation and, in certain contexts, neutralize the very conservatism that leads to silence.

3. Consequences Arising from Greenhushing Behaviors

The damage caused by greenhushing, both economic and cultural, is subtler and less immediately perceptible than that resulting from greenwashing[2]:

1. One of the first issues that arises with respect to greenhushing strategies – which remove corporate sustainability policies from public scrutiny – concerns the overall reduction in stakeholder engagement. This, in turn, reinforces the tendency of governance bodies to prioritize shareholderism in corporate activity. In this way, greenhushing hinders the neo-institutionalist reinterpretation of corporate management and the social purpose of the firm;
2. In cases where greenhushing becomes widespread, there is a risk that legislators may be deprived of crucial information needed to properly calibrate their regulatory benchmarks (such as Regulatory Technical Standards and Technical Screening Criteria, essential for implementing the EU

[2] Davola A., 2024, 342-354.

Taxonomy Regulation and the Sustainable Finance Disclosure Regulation). These are necessary both for market communications and, indirectly, for determining the scope of sustainability disclosure obligations imposed on financial intermediaries. The concrete risk – within a context such as sustainable finance, where lawmakers are structurally confined to the role of information-takers – is the triggering of a "race to the bottom" in the definition of sustainability standards, caused by communication that is distorted by the silence of virtuous operators;
3. From the same perspective, greenhushing also produces negative effects on financial education. The lack or reduction of communication regarding the ESG characteristics of financial products diminishes public awareness of the importance of sustainable development and hinders the financial market's ability to generate positive network effects, both within itself and across downstream markets influenced by its leverage. This aspect is particularly significant given the crucial role of financial literacy in sustainability within the broader process of ecological transition;
4. The combination of these factors ultimately risks undermining the financial market's ability to evolve toward a system grounded in sustainability. Furthermore, if sustainability benchmarks are set at lower levels due to the lack of available information, the long-term outcome may be a reduction in the number of sustainable products introduced to the market, or at least a misalignment between the industry's potential and regulatory expectations.

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