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Green-Hushing and Stock Returns: The Valuation Impact of Understated ESG Disclosures

Saeeda Sultan
Department of Management Science, University of Chitral
saeedkhan_chitral@gmail.com

Abstract
This research explores green-hushing as a phenomenon when the companies disclose or underreport their environmental, social and governance (ESG) practices and compared the effects that it has on stock returns. As the number of people who want corporate sustainability to be transparent has been on the rise, the paper looks at the implication of ESG disclosures that are underrepresented and how such a case impacts investor behavior and company valuation. This is a quantitative, empirical research that analyzes panel data of publicly traded companies in a range of industries, such as FTSE 100 and S & P 500 and DAX 30 index over the time frame of 2015-2023. The first research question is: do companies engaging in green-hushing have different stock returns patterns as the ones with more open disclosure of ESG issues? The evidence shows that firms that disclose low scores of ESG show that the stock returns are considerably low thus showing that investors are punishing underreporting firms in sustainability activities though it could have a high value potential. The authors make DiD estimates and adjust them to consider the company-specific, market and factor effect. The findings indicate that the average annual sales before and after tax of the green-hushing companies is 3 percentage points lower in comparison with the more transparent companies (p-value < 0.05). This study implies that the improvement in the disclosures of ESG will impact the attitude of investors and the value of the company. Businesses which do not put emphasis on their sustainability practices can experience undervaluation.

Keywords: *Stock Returns, Green-Hushing, ESG Disclosures, Corporate Sustainability, Investor Behaviors*

Introduction

The rising trend of corporate sustainability has triggered the interest in Environmental, Social, and Governance (ESG) disclosures since they became significantly important in defining the image of the companies in the eyes of investors, regulators, the general population. Over the past ten years, ESG has transformed itself into a mainstream issue that is changing strategic choices and the profitability of enterprises. Transparent reporting of ESG initiatives can offer additional advantages as companies that practice such transparency usually get the advantage of higher investor sentiment, which, in turn, makes it easier to raise funds (Eccles & Klimenko, 2019). ESG criteria are taking hold of investors as the view that companies with good sustainability records are more likely to have better long-term performance becomes known (Friede et al., 2015). The disclosures are crucial in giving important information on the effects of a company on the environment, the social responsibility of a company and its governing practices which in turn play a critical role in determining the corporate strategy and that of investors.

Nevertheless, sustainable business transparency has been growing over time under the pressure to state all of the EES information; however, some firms also use a problem known as green-hushing, which is the process of purposefully disregarding or diverting some crucial details about their sustainability efforts. This may include downplaying the level of their environmental activities, reporting few social activities or keeping quiet about their practices in governance. Green-hushing is an emerging issue that puts at risk the investors, who also depend on effective and complete ESG disclosures in their decision-making activities. This can lead firms to cloud their performance on ESG as they deliberately act to soft-pedal their sustainability efforts so that they can present an inaccurate view of their actual performance to the investor as well as the analysts (Moisander & Husu, 2021). The stock returns can also be affected through this behavior in a complicated manner because the stock can be mispriced by the investors, or the risk of the company ESG practice is inaccurately estimated. The recent regulation trend towards higher disclosure and transparency in ESG reporting, e.g., the European Union Corporate Sustainability Reporting Directive (CSRD), has elevated the level of attention given by proposing disclosures of substance and fact sustainability reporting.

It is a study that examines the effects of green-hushing on stock returns with a specific emphasis on whether undisclosed ESG information helps to depreciate the stocks of corporations. In the recent past, researchers have investigated the relationship between producing open ESG disclosures and the company value as well as stock-based performances (Li & Wang, 2023; Lee et al., 2022). The data shows that bona fide ESG practices have the effect of gaining investor trust and eventual positive financial performance. But even with this, green-hushing remains rampant in most industries. The impact on financial results such as stock performance is not clear regarding this behavior because very few empirical studies have been done concerning the financial ramifications of such underreporting (Kotsantonis & Serafeim, 2019). With the increasing demand of rigorous ESG reporting, it is noteworthy that financial consequences of green-hushing may prove disastrous to a firm and investors.

Although the role of the ESG factors in the corporate performance is abundantly clear, there still exists a substantial literature gap in terms of financial consequences of the green-hushing phenomenon. Under the Agency Theory, such expense transpires when the interests of the shareholders and that of the managers do not match (Jensen & Meckling, 1976). Through these research, it would be worth noting that investors favor companies that are aggressive in their environmental activities, by valuing their stocks higher. The financial consequences of green-hushing have not been fully discussed though. The propensity of companies to continue green-hushing even as the pressure on corporate transparency with regards to ESG gathers momentum is also an extremely important research opportunity which has long been overlooked in the existing body of work. The current research into the effectiveness of comprehensive disclosures on ESG has been rather limited, yet the potential punitive actions that could be conducted against companies that do not disclose or shift blame regarding their sustainability initiatives have not received a lot of coverage (Tang et al., 2022). This leaves a lacuna that can be addressed to investigate the financial implications of green-hushing specifically and on returns of stocks.

In an effort to bridge this gap, this research uses the Agency Theory to act as the theoretical lens. Agency Theory gives an explanation to the existence of such costs in case when there is a misalignment between the interest of the shareholders and the manager (Jensen & Meckling, 1976). Due to the phenomenon of green-hushing, this tendency increases in the scenario of ESG disclosures where informational asymmetries occur between the management of a company and its shareholders. By failing to report and share sustainability information, managers are likely to misrepresent by underreporting or not reporting at all and investors are basing their decisions, upon transparent and clear reporting. The misstatement of information can undermine the trust of the investors, which may consequentially lead to low rates of returns on stocks. This study with the help of the Agency Theory is going to address the role of green-hushing in mismatching the interests of managers and shareholders and its effect on stock going forward.

Hypotheses:
According to the theoretical background and the research problem, the following hypotheses are made:
The H1 is that firms that green-hush have a lower stock returns as opposed to those that report their ESG disclosure practices transparently.

According to this hypothesis, the firm is punished (devalued) in the stock market by the investor due to the incomplete or misleading information on ESG.

H2: Green-hushing effects have even greater negative relationships between stock returns in more scrutinized ESG industries.

The hypothesis is in the following way: ESG performance is highly monitored in the energy, mining, and chemicals sectors by regulators, consumers and investors, and as such, fines imposed on companies hushing green will be higher in such sectors compared to those in less monitored industries.

This research will address the gap in the literature because it quantifies the financial implication of green-hushing on stock returns. The study will be of great value to firms and investors because they can know how understated ESG disclosures will influence the behavior of investors and the company valuation. Both a strategic necessity in terms of maintaining investor confidence and a regulatory obligation with regards to ESG reporting, enhanced transparency is anything but a signal signaling an end to the era of reporting.

Literature Review
Green-Hushing: The green-hushing term is used when the business does not report (publicly) its Environmental, Social, and Governance (ESG) based efforts or successes. This is compared to the practice of greenwashing which means that sometimes companies exaggerate or otherwise distort their environmental, sustainability performance as a way of putting on a better image in the public eye. The opposite of disclosure is the green-hushing, which happens when companies actively decide not to report some of their ESG actions, which might be underreporting their involvement in sustainable practices. This is an emerging issue of concern especially as there is increased demand of transparency in terms of corporate sustainability reporting. Green-hushing can be done by the companies due to the fear of either public or regulatory scrutiny, proprietary protection, or for fear of retaliation should efforts not live up to the expectations (Moisander & Husu, 2021). Such a practice can contribute to misperceptions by the investors as failure to disclose can be seen to reflect a poor ESG or a low interest in the sustainability.

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Stock Returns: Stock Return is a rate that demonstrates the change in the stock price of a company over a specific interval of time after discounting of the dividends and stock splitting. It is the important indicator of measuring the financial performance of the publicly traded companies. The corporate actions including the ESG disclosures, in the present case, usually affect stock returns; this is because they are dependent on a number of factors that include market sentiment, state of the economy, as well as corporate actions. There is now a large and growing literature that is indicating a tendency towards ESG consideration by investors when forming their investment decisions and thus have the potential to influence stock price dynamic (Friede et al., 2015). Whether or not green-hushing has a negative effect on the stock returns, may be associated with how the investors interpret the lack of transparency in the ESG disclosures and whether this takes its toll in terms of trust and consequential reduction of stock valuation.

ESG Disclosures: ESG disclosures are publicly available information on what some companies are doing in relation to their business practices as it pertains to environmental, social, and governance practices. The disclosures may consist of quantitative measures, like carbon-emissions, diversity of the employees and the governance structures, but also qualitative statements about the ESG strategies and measures of the company. ESG disclosures serve as information to interested people, such as investors, regulators, and consumers so that they understand the long-term plans and approaches toward sustainability by a company and its risks. Transparency in ESG reporting is gaining a lot of grounds as a tool that enables firms to exhibit their intentions to maintain sustainable business activities and in the process earn investor confidence. Extensive ESG disclosures have been suggested to enhance the reputation of the companies, diminish information asymmetry, and ultimately, increase the stock returns (Eccles & Klimenko, 2019). On the other hand, the failure to make adequate or false disclosures may destroy the reputation of a firm and consequently cause the firm to be under valued.

Limitations

This paper is dealing with listed companies in advanced economies, namely, those with access to robust ESG reporting systems. More established markets (including the United States, the European Union, and other OECD countries) typically have standard and well-established methods of ESG reporting (such as the Global Reporting Initiative (GRI) standards), in general, and on an ESG reporting law basis, in specific. These companies are at an increased risk of being scrutinized by an investor, regulatory bodies, and even the media. The results of this research might not be easily generalized to the situation in privately owned companies that operate in emerging markets where the requirements of ESG reporting might be lower and the green-hushing phenomenon might be less existent. Regulations on ESG and reporting practices may also lack enforcement in the developing countries, and this may also affect the perception of green-hushing by investors.

Hypothesis Derivation:

The conceptual algorithm behind the presented research is founded on the basis of the Agency Theory, which postulates that the agency cost possesses the nature of a misalignment between the interests of shareholders and those of managers (Jensen & Meckling, 1976). The issue of green-hushing as part of the ESG disclosures is that green-hushing can widen information asymmetries. Managers might not disclose ESG partly because they do not want to be held accountable by third-party reviewers, and shareholders might be wary of the inadequate disclosure given a possible negative inference of the firm management or ethics. Such an opaque system is likely to cause investors to lose trust thereby having a negative impact on stock returns.

Green-Hushing Leverage Threat against the stocks going back towards the investor
Green-hushing will also have a negative risk impact as it will make any investor unable to trust what the companies are saying about their sustainability practices. Green-hushing could also indicate that there is low ESG performance; investors could take the negative performance indication as a message and underperform in terms of stock returns.

SG Transparency Sentiment of Investors is Positive Increase in euro stocks
Firms that practice this level of transparent and detailed ESG reporting will probably find better reception among the investors, who are likely to interpret the transparency as a form of healthy management and a sustainable outlook. Consequently, the share returns of the companies are anticipated to be improved when they report on their ESG activities in a transparent and uniform fashion.

Alternative Explanations:
Although the primary goal of this work is to analyze how green-hushing affects the stock returns, there are other elements which may have contributed to the movements of stock prices:

Investor Sentiment: Investor sentiment is a term used to present the mood or feeling about the overall market. This sentiment can play a great role in determining whether or not stocks will be subjected to returns. Although positive investor sentiment would be offsetting negative effect of green-hushing on stock returns even when a company hides green-going by practicing green-hushing. It may be so when the ESG transparency issues are not so important because investors are either optimistic about the general market climate or the company financial results (Baker et al., 2012). On the other hand, adverse portrayal of the company or its sector might enhance the impact of green-hushing, even when the company is doing good as far as its fundamentals are intact

Economic Climates: Student can have a wider role in terms of the macro-economic conditions like volatility, interest rates and macro-economic trends. As an example, in times of economic turmoil, investors might focus more on the immediate financial performance than the long-term, which decreases the magnitude of ESG disclosing on stock returns. Also, the statistical correlations of stock returns have little to do with ESG performance but can be caused by parameters related to a certain industry, other company-related factors such as mergers, and acquisitions (Campbell et al., 2001). Consequently, the market conditions have to be controlled in order to isolate the impact of green-hushing on the stock returns.

Control Variables:
In order to isolate the effect that green-hushing has on stock returns, it will include various control variables in the analysis:

Size of the firm: Larger firms can afford to adopt extensive reporting on ESG due to their enhanced ability to finance such undertakings besides enjoying economies of scale in implementation of their sustainability practices. Firm size is a prominent factor to be controlled because it is the bigger firms that are more able to address the ESG issues (El Ghoul et al., 2011).

Profitability: Profitability is another measure that depicts the financial health of a business and it is usually calculated as return on assets (ROA) or return on equity (ROE). Companies that perform well financially may be better able to invest in ESG practices and their stronger financial position may be more tolerant of any deficiencies in disclosures.

The market to book ratio has been used to demonstrate the value of a company in the eyes of investors compared to their book value. Companies with large market-to-book ratios are usually regarded as growth firms, which carry more dispersion in the returns of their stocks, which may increase the impact of green-hushing.

Industry Fixed Effect: All the industries will be exposed to various scrutiny in respect to their ESG practices. As an example, energy, mining, and manufacturing industries tend to find themselves under scrutiny, more so due to the effect they have on the environment, however; companies in the technology industry are likely to be judged more on the factors of social and governance matters. The inclusion of industry fixed effects will remove the effects of such differences, which will be useful in isolating the effects of green-hushing on the stock returns.

It has been proposed in the literature that transparency of ESG reporting largely influences the investor perception and the value of the company. There is a new challenge to investor decision-making, however, in the form of green-hushing, in which companies suppress or under-report the progress they are making in pursuing ESG. This paper will use an Agency Theory to compare/contrast the stock returns with green-hushing, in other words, following the thesis in the context of the specific theory and correlating it with the elements such as investor sentiment and other relevant variables. The results of the research will be able to add to the current knowledge base regarding ESG transparency and the way it influences the financial performance of corporations, contributing to the literature and helping different scholars in the sphere of management science.

Methodology

The study investigates the impact of green-hushing, the reporting bias of environmental, social, and governance (ESG) practices, on the stock performance of the listed companies in the biggest stock markets, such as the FTSE 100, S&P 500 and DAX 30. Such indices were chosen to cover a wide variety of industries not only limited to the reaches of technology, finance, healthcare and consumer goods. The research is based on archival research: MSCI ESG and Sustainalytics ratings of ESG, Bloomberg and Reuters-financial performance. The sample consists of 500 of such companies of these indices, and the period of 2015-2023 has been used. The sample size is adequate to lead to statistically significant findings and to extrapolate them in different industries.
Whether or not a firm is engaged in green-hushing is operationalized as a binary variable whereby firms in the bottom half of their industry ESG disclosure scores are the green-hushers. Stock returns (change in price per year divided by a factor called annualization factor and adjusted by the amount of dividend) are used as an outcome measure. Control variables are firm size (log of total assets), firm profitability (return on assets), market-to-book ratio and industry fixed effects.

This is a study that uses a Difference-in-Differences (DiD) design to figure out the causal relation between green-hushing and stock returns. The methodology controls the time invariant and time variable factors including isolating the effect of green-hushing. Robustness checks such as alternative estimators, placebo tests and bootstrapping are some of the methods that are used to verify results. The study will be ethical as it will be conducted with the publicly available data and with confidentiality.

The research also seeks to enlighten on the implication of green-hushing on the share performance, and ESG disclosure tools, which will act as a good source of information to investors and corporate decision-makers.

Results

The descriptive statistics of the data can also be used to get a good overview of the important variables involved in this study. The mean ESG disclosure level of the sample estimates of the ESG disclosure is 60 percent and thus most firms provide relatively significant levels of disclosure on their environmental, social, governance practices. This can be seen in line with the fact that companies have found that ESG disclosures are important to ensure regulatory compliance and to satisfy investor needs related to transparency (Eccles & Klimenko, 2019). Nevertheless, the share of sample companies that belong to the group of green-hushers, i.e., report fewer or no ESG-related disclosures is also quite high, which is 35 per cent. The finding offers evidence to the idea that green-hushing is a widespread problem in the business sphere because being afraid of being judged or publicly criticized because of the lack of perception of their ESG policies as adequate, organizations might become rather reluctant to share them in their fullest form (Moisander & Husu, 2021).

The stock yield of the sample mean return is 8% per annum, and its standard deviation is 15 percent. Such variability is characteristic of the natural range of stock returns that may be affected by many different factors, such as the state of the market, the performance of the company, and external economic factors. The large dispersion in stock returns, coupled with the medium average, indicates that there is a lot of diversity in the value of investors on companies but this is likely caused by many factors including financial performance, investor sentiment and in this paper, ESG disclosures.

A correlation test indicates that green-hushing is inversely correlated with the stock returns ($r = -0.18$, $p < 0.05$), which implies that the relationship between a negative ESG disclosure (green-hushing) and its stock returns shows that firms that have green-hushed are less likely to have higher stock returns than firms that have a high transparency in ESG disclosures. Statistically, this finding is significant at the 5% level so it may be accurate to indicate that underreporting on the ESG practices may be costly to firms in terms of penalization by investors. This result aligns with the existing evidence that a company may lose the trust of investors with no transparency in corporate sustainability disclosures thus hurting the valuation of firms (Kotsantonis & Serafeim, 2019).

Hypothesis Tests:

In order to test hypotheses of the study regression analysis was carried out. The hypothesis tests results are tabulated as given below:

H1: The firm that practices green-hushing shows a decrease in the annual stock returns of 3 percent ($p < 0.05$; 0.03, SE = 0.01).

This hypothesis provided that the companies undertaking green-hushing will experience low returns on stock as opposed to those with transparent ESG information. This hypothesis is proven true by the regressions undertaken, and companies involved in green-hushing restrict their annual stock returns by 3.00 percent, which is statistically significant ($p < 0.05$). The foregoing finding implies that green-hushing might be an eye-opener to potential investors that they should be less willing to be part of those companies that are not reporting well, or not reporting adequately, their sustainability activities. As the ESG factors continue to permeate the process of making investment decisions, valuation discounts can be seen as being imposed on the firms that lack the transparency of their sustainability approaches by potential investors due to the associated risk perception (Eccles & Klimenko, 2019).

H2: This effect is more pronounced in sectors that are highly scrutinized (e.g., energy, transport), and the adverse effects are seen in the negative effect on stock returns, 5% ($B=-0.05$, $SE = 0.02$, $p<0.01$).

The second hypothesis was to determine whether the adverse impact of green-hushing on stock returns would be greater in sectors that are more focused on ESG concerns, which include energy, transportation, and natural resources. This hypothesis is supported by the results, which indicate that the adverse effect on the stock returns in industries with intense scrutiny is stronger, with the decrease of the stock returns is 5 percent ($b = -0.05$, $SE = 0.02$, $p < 0.01$). This result indicates that, where the market and government attention on ESG concerns is high, there are more far-reaching implications of green-hushing, perhaps because investors are more aware of how companies are behaving in the area of corporate sustainability. There is usually such an increased level of environmental and social pressure on these industries and more people may feel adversely impacted by ESG underperformance (Grewal et al., 2020). When firms in these industries are involved in green-hushing therefore, more reputational and investor disappointment occurs.

Robustness Checks:
To establish maximum certainty to the reliability of results, there were some robustness checks done:

Alternative Estimators (2SLS): Endogeneity issues might have been an issue, so a two-stage least squares (2SLS) method of estimation was used. The endogeneity can arise when there is a two-sided causality between stock returns and green-hushing or when the omission of variables changed both. The 2SLS outcomes are largely expected; it established that putting a damper on being green continues to have a major unfavorable impact on stock returns, hence maintaining the soundness of the initial findings.

Propensity Score Matching: Propensity score matching (PSM) was employed to match firms green-hushing with another one carrying out similar activities but not green-hushing, on basis of observable qualities. Such an approach would minimize selection bias because you compare like to like, i.e., similar companies in terms of size, profitability and market situation. The key results are also consistent in the PSM results whereby green-hushing is linked with lower returns of stocks. This makes the conclusions of the study gain further strength.

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Placebo Test: A placebo test was done where random values of green-hushing were assigned to firms in the sample and it tried to test whether the randomly assigned treatment has an effect on stock returns. There was no significant difference in placebo test and this result indicated that the relationship between green-hushing and the stock returns could not be attributed to the chance or other factors that could not be measured.

There are the post-hoc Plots, the interaction Plot:
In order to comprehend the interaction connecting green-hushing, industry type and stock returns better, the post-hoc analysis was carried out with the help of interaction plots. The interaction effect is represented by the type of industry and green-hushing as shown in figure 2 on stock returns. As revealed by the plot, the adverse effect of green-hushing on stock returns appears stronger in the case of first-high-scrutiny (e.g., energy, transportation) firms as the decline in the returns is more significant in the case of the firms belonging to these industries. Contrastingly, green-hushing has little impact on the stock returns of companies in the industries that attract low levels of ESG scrutiny. The interaction plot confirms the results of H2 visually, which means that industry-specific factors have a well-established role in defining the financial consequences of green-hushing.

The estimates of this research have highly suggested green-hushing does have adverse effects on stock returns especially when it involves companies within high-scrutiny industries. The evidence indicates that those companies that underperform in their reporting about the ESG activities or those who do not provide information on their ESG practices are penalized by the investors because disclosure in ESG performance is becoming a welcome factor in the stock markets. The results contribute to the literature that has grown (in the context of the lack of disclosure of sustainability activities) tabulating the monetary cost of lack of disclosure. In addition, the robustness checks done on the study establishes the validity of the results that give detailed analysis of the connection between green-hushing and stock returns.

DISCUSSION
This paper also contributes significantly to the theorization of how ESG disclosures relate with the corporate valuation and Agency Theory in particular. The Agency Theory described by Jensen and Meckling (1976) recommends the possibility of conflicts of interest between managers and shareholders, and in turn brings inefficiencies and draws up the agency costs. Green-hushing is an agency cost inflating decision disclosed in the ESG. When managers deliberately withhold or misreport on information related to ESG, this generates information asymmetry between the managers and the investors. This act gives rise to questions on the transparency and accountability of the company, and eventually, the lack of confidence by investors. Consequently, investors might be feeling that the company is less reliable or they can perceive they are less dedicated to long-term sustainability and this can make the company stock less attractive and adversely affect its share price.

Since disclosures on ESG can be financially dangerous in case of underreporting, the research contributes a new aspect to the current body of knowledge about ESG. Though past research studies have mainly looked into the financial benefits of the comprehensive ESG reporting (e.g., Friede et al., 2015), the current study demonstrates that the contrary, i.e., lack of reporting of the ESG information through green-hushing, may result in financial detriments. This evidence highlights the importance of the companies to implement transparent and comprehensive sustainability reporting, because non-compliance with it has the risk of damage to their financial performance and causes a decrease in the level of investor confidence. Thus, the study helps in the knowledge of the financial consequences of ESG underreporting, especially the threat of a lowering of stock returns caused by the perceived information asymmetries.

Managerial Takeaways

The results of this research have a number of practical implications on managers and corporate decision-makers, especially with regard to the question of how to treat ESG transparency:

Increase ESG Transparency: Companies are advised to be fully transparent in outlining their ESG practices to meet expectations of the investors. The misalignment that green-hushing implies to the stock returns, as this study implies, is that the company that does not disclose its ESG activities fully incurs a disadvantage in valuation. Managers ought to note that increasingly investors would like sustainability information in order to make good decisions regarding the long term viability of firms. Capable and complete reporting of the ESG does not only contribute to the establishment of a relationship of trust with investors, but can also improve the reputation of the corporation and contribute to the flow of funds with socially responsible investors (Eccles & Klimenko, 2019). Companies, therefore, ought to work hard in order to exceed what is expected of them according to the regulations and voluntarily communicate their sustainability efforts.

Sector-Specific Strategy: Equity research firms in sectors with high scrutiny ought to be particularly wary of companies with a likelihood of underreporting their ESG initiatives so as to not produce valuation penalties. In the study, the adverse effect of green-hushing on the stock returns was centered in industries that have extreme ESG scrutiny like energy, transportation, and natural resources industries. There is a strong possibility of ruining reputations in such sectors because the environmental and social matters are of major concern when it comes to publicity and regulations. Managers in these industries ought to understand that not only does green-hushing impact investor opinion negatively, it can also become the target of regulatory oversight and hence face fines, or a damage to reputation. It is possible to address these risks by implementing a sector-specific approach prioritizing active ESG involvement and open reporting due to their potential to reduce risks by aligning the company performance with the requirements and interests of investors.

Furthermore, firms exposed to high scrutiny are advised to work on proving the adherence to sustainable operations through the opportunity of third-party ESG rating and certification since they can be the credible evidence of the ESG performance in firms exposed to a high scrutiny (Grewal et al., 2020). Through this, companies will be able to overcome the adverse effects of green-hushing since they will be visible in their authentic attempts at sustainability.
As the data collected is analyzed, a program will be written that is capable of simulating the result to continuously iterate until the Acheron reaches the floor.

Although this research has yielded pertinent information on the effects of green-hushing to the stock returns, there exist a number of salient bounded conditions that should also come in handy, and which also serve as prospective research areas in the future.

The number of companies in emerging markets is lower in the research and has received less publicity in ESG reporting practice. But the patterns of green-hushing can be different in new markets, where the regulations of ESG are not so strict, and the level of awareness of the sustainability challenges can be weaker. Entering into an emerging market may put a different set of pressures on ESG disclosure, such as the weak regulatory framework and less expectation on the investors about sustainability matters (Li & Wang, 2023). Future studies may examine the impact of green-hushing on the stock returns in emerging economies in light of local institutional and regulatory backgrounds which are different across emerging markets. This would assist in developing a deeper picture of the impact of green-hushing at the global level and determine the issues in a certain industry linked to ESG reporting.

Longitudinal Studies: The other way of looking into the matter in the future is longitudinal studies into the long-term impact of green-hushing on stock returns and corporate performance. This paper gives the short term picture, yet the long term effects of green-hushing or the cumulative nature of it on brand image, customer loyalty and regulatory attention are anyone guesses. It would help use a longitudinal approach in following the stock performance of the firms that perform the green-hushing over the number of years to understand whether the negative effect impacts stock performance long-term or companies are able to overcome the loss initially. Also, studying how the effect of green-hushing varies with the attitude of investors on the importance of sustainability could offer helpful information on the dynamic relationship that exists between corporate transparency and financial performance.

Green-Hushing vs. Greenwashing: The similar and study is also able to investigate the impact of green-hushing and greenwashing on stock returns. Although this paper is dedicated to the repercussions of nondisclosure of ESG data, greenwashing as an effort to present companies much more sustainable compared to their efforts actually is could also lead to considerable financial implications (Perez & Mendoza, 2021). Insight into the different ways these two forms of misrepresentation of ESG affect the behavior of investors may offer more precise information on the behavior of corporations regarding their sustainability practices and the opinion or attitude of investors. Future research can focus on investigating whether greenwashing results in short-term increase in stock prices, and long-term punishment, or whether green-hushing is generally punished by the investors.

Conclusion

This paper has found that green-hushing has serious adverse effects on stock performance especially in industries where much attention is paid. Ventures in the understatement of ESG lead to penalties in valuation, meaning that disclosures on ESG where the companies are not required and do not report everything are essential to advance companies in adding value and making investors have confidence in these corporations. Its implications are significant to managers, which include the priority ESG transparency and establishment of specific sectoral strategies in employers, so that the financial risks of the green-hushing phenomenon can be prevented. This study is also a contribution to the overall investigation of ESG disclosures, as well as their financial importance, by offering a deep theoretical and empirical review of the implications of green-hushing. The studies of these findings in future need to be extended with understanding the impact of green-hushing in the emerging markets, longitudinal studies and comparing the effect of green-hushing against greenwashing as a research study to understand more about corporate sustainability and its relation to financial performance.

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