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# *Hush Washing Phenomenon in ESG Disclosure: A Comparative Case Study of Energy Enterprises in Central and Eastern Europe*

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***Abstract.*** In recent years, European energy companies have faced increasing pressure from investors and regulators to improve ESG transparency, particularly after the introduction of stricter reporting requirements. However, disclosure practices vary considerably across emerging markets, where regulatory enforcement remain uneven. This study examines ESG disclosure practices among major energy companies in Central and Eastern Europe (CEE), focusing on the hush washing phenomenon. Existing studies mainly focus on the overstatement of environmental credentials known as greenwashing. There remains notably deficient in attention to hush washing. And CEE is a region lack theoretical exploration and empirical examination when it comes to energy corporations. Even when firms possess reasonably sound environmental credentials, they may still practice deliberate under-disclosure of sustainability information. Through a comparative case study of three leading CEE energy companies, namely PKN Orlen (Poland), ČEZ Group (Czech Republic), and Romgaz (Romania), this research analyses publicly available sustainability reports, annual reports, and ESG ratings from 2018 to 2023, a period that covers the transition from NFRD to CSRD. The findings suggest that hush washing is prevalent in the CEE energy sector, with the contribution of weak regulatory frameworks, limited stakeholder pressure, and insufficient ESG literacy among management. This study provides targeted evidence to inform the implementation of the CSRD and the improvement of ESG disclosure regulation in the CEE region.

***Keywords:*** ESG disclosure, greenwashing, hush washing, Central and Eastern Europe, sustainable finance

## 1. Introduction

Over the past decade, ESG investing has grown significantly with global sustainable investment assets exceeding USD 35 trillion by 2020 [1]. Yet significant concerns persist regarding the authenticity of corporate sustainability claims. Greenwashing, known as the practice of bulging an environmentally responsible image that exceeds actual performance, has received large academic and regulatory attention since Lyon and Maxwell's discussion [2]. However, a less examined but equally important phenomenon is "hush washing," whereby companies strategically minimize or

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withhold sustainability information, not because their practices are poor, but rather to avoid increased scrutiny, regulatory obligations, or stakeholder expectations [3]. This intentional silence makes it harder for investors, regulators, and civil society to assess corporate environmental performance accurately. While extensive research on greenwashing has been conducted in mature Western markets, ESG studies in the CEE region remain rare. Comparative investigations into hush washing practices among CEE energy firms are even more virtually absent. This study aims to fill this critical gap.

The CEE energy sector presents a relevant context for this investigation. Although CEE countries are full members of the European Union (EU) subject to the Non-Financial Reporting Directive (NFRD) and its successor, the Corporate Sustainability Reporting Directive (CSRD), enforcement remains inconsistent, and ESG reporting quality varies considerably [4]. In the past, NFRD does not require compulsory disclosure. Nowadays, the CSRD introduces mandatory disclosure on dual materiality, TCFD alignment, and third-party audits of relevant disclosed information. The regulatory evolution from NFRD to CSRD is central to understanding this variation. Specifically, this study seeks to examine whether leading CEE energy companies engage in hush washing practices, and if so, which structural and institutional factors drive such behavior. By conducting a comparative case study of PKN Orlen, ČEZ Group, and Romgaz, this research aims to fill an existing gap in the literature concerning ESG disclosure quality in emerging European markets. The findings are expected to inform future regulatory reforms and investment decisions in the region.

## 2. Literature review

### 2.1. Greenwashing and its limitations as a concept

Greenwashing has been extensively studied within the corporate sustainability literature. Lyon and Maxwell define greenwashing as selective disclosure of positive environmental information while concealing negative performance [2]. Marquis, Toffel, and Zhou further demonstrate that greenwashing is more prevalent when regulatory enforcement is weak and stakeholder monitoring is limited [5]. Building on signalling theory, firms may manipulate ESG disclosures to attract socially responsible investors without incurring the costs of genuine environmental improvement [6].

Despite its prominence, greenwashing as a conceptual framework fails to capture the full spectrum of strategic disclosure behaviour. Not all firms that under-report sustainability information are attempting to project a false positive image; some may deliberately avoid disclosure to remain below the radar of ESG-sensitive investors and regulators [7]. This gap in the literature has given rise to the concept of hush washing.

### 2.2. Hush washing: definition and mechanisms

Hush washing, a term introduced by Delmas, M. A. and Burbano, V. C. describes the strategic omission of sustainability information by firms that possess reasonably good or improving environmental credentials but choose not to publicise them [3]. Unlike greenwashing, hushwashing involves no overstatement of environmental outcomes. It merely consists of intentional non-disclosure. Potential motivations include avoiding regulatory scrutiny, managing stakeholder expectations, and preventing competitive disadvantage from disclosing proprietary environmental practices [8].

In the context of ESG ratings hush washing creates a systematic downward bias. Because rating agencies such as Sustainalytics and MSCI rely heavily on disclosed data. Companies that disclose

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less tend to receive lower ESG scores regardless of their actual performance, creating a paradox where transparent firms are penalised relative to silent ones [9]. This distortion weakens the reliability of ESG ratings as delegations for exposed corporate sustainability.

### 2.3. ESG disclosure in Central and Eastern Europe

Research on ESG practices in CEE remains limited relative to Western Europe and North America. Existing studies suggest that CEE firms exhibit lower ESG disclosure quality on average. It may be attributable to weaker institutional environments, less developed capital markets, and lower demand from domestic investors for sustainability information [4]. The energy sector lags particularly, given the historical dominance of state-owned enterprises with inadequate accountability to external stakeholders [10].

CSRD came into force in 2023 and will progressively apply to more and more large and listed companies. This represents a significant regulatory shift. However, concerns keep on about implementation capacity in CEE countries, where supervisory authorities lack resources and expertise to enforce complex sustainability reporting requirements effectively [4]. This regulatory uncertainty creates conditions conducive to both greenwashing and hush washing.

## 3. Methodology

### 3.1. Research design and case selection

This study adopts a qualitative comparative case study approach, which is appropriate for investigating complex institutional phenomena in under-researched contexts [11]. Three CEE energy companies are selected: PKN Orlen (Poland), ČEZ Group (Czech Republic), and Romgaz (Romania). The three firms were selected according to three criteria: leading market standing in their domestic energy industries, public listing status with full public access to official corporate documents, and divergent degrees of ESG reporting maturity across the CEE area.

PKN Orlen is Poland's largest energy company, with operations spanning refining, petrochemicals, and increasingly renewable energy. ČEZ Group is the dominant electricity producer in the Czech Republic, with a significant nuclear and coal portfolio undergoing transition. Romgaz is Romania's leading natural gas producer, majority state-owned, and among the least advanced in sustainability reporting of the three.

### 3.2. Data sources and analysis

Data are drawn from four primary sources: (1) annual and sustainability reports published by each company from 2018 to 2023, freely available on company investor relations pages; (2) ESG scores obtained from Yahoo Finance's sustainability section; (3) CDP (Carbon Disclosure Project) responses where available; and (4) regulatory filings submitted under the NFRD. Content analysis is employed to assess the scope, depth, and consistency of ESG disclosures across companies and over time [12].

Hush washing is operationalized through three indicators: (a) the volume and specificity of environmental disclosures relative to company size; (b) the gap between disclosed and estimated carbon emissions where third-party estimates are available; and (c) the consistency between ESG ratings and independently verifiable environmental performance metrics, such as emissions intensity

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data from the EU Emissions Trading System (ETS) registry, which is publicly accessible. Table 1 below provides a comparative overview of the three selected firms.

Table 1. Overview of selected CEE energy companies

| Company | Country | Primary Sector | Listed | CDP Participant |
|---|---|---|---|---|
| PKN Orlen | Poland | Oil & Gas / Refining | Yes (WSE) | Yes |
| ČEZ Group | Czech Republic | Electricity Generation | Yes (PSE) | Yes |
| Romgaz | Romania | Natural Gas | Yes (BVB) | No |

Note: CDP participation indicates whether a company voluntarily discloses climate-related data through the Carbon Disclosure Project platform. WSE = Warsaw Stock Exchange (Poland); PSE = Prague Stock Exchange (Czech Republic); BVB = Bucharest Stock Exchange (Romania).

## 4. Results and discussion

### 4.1. ESG disclosure volume and specificity

The three selected companies differ markedly in their ESG disclosure practices, with significant variation observed in the volume and specificity of their reporting. PKN Orlen publishes comprehensive annual sustainability reports aligned with GRI Standards, including detailed scope 1, 2, and 3 emissions data, energy intensity metrics, and forward-looking climate transition plans. This level of disclosure is consistent with the company's strategic pivot towards renewable energy and its ambition to attract ESG-focused institutional investors from Western European markets.

ČEZ Group also publishes inclusive sustainability reports even if its disclosure has historically prioritised the low-carbon advantages of nuclear power while disclosing limited granular data on its coal assets scheduled for phase-out by 2033. This selective emphasis is indicative of partial greenwashing rather than hush washing, as the company actively publicises certain environmental achievements at the same time downplaying others.

Romgaz presents the starkest example of hush washing among the three cases. The company's sustainability reporting is minima Its annual reports contain a brief section on environmental compliance but lack quantitative emissions targets, scope 3 data, or third-party assurance. More critically, Romgaz does not participate in the CDP disclosure programme, and its ESG score on Yahoo Finance is rated negligible due to insufficient data disclosure. Nevertheless, EU ETS registry data indicate that Romgaz's direct emissions intensity is lower than sector averages, suggesting that the company's environmental performance may not be as poor as its disclosure record implies.

### 4.2. The ESG rating gap and evidence of hush washing

The divergence between disclosed ESG ratings and independently verifiable environmental data provides the most compelling evidence of hush washing in the CEE energy sector. As shown in Table 2, Romgaz receives a significantly lower ESG score than PKN Orlen despite having comparable or lower emissions intensity according to ETS data. This discrepancy supports the hypothesis that ESG ratings penalise non-disclosure rather than reflect actual environmental risk.

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Table 2. ESG scores versus EU ETS emissions intensity (2022)

| Company | Yahoo Finance ESG Score | ETS Emissions Intensity ($tCO_2/GWh$) | CDP Disclosure Status |
|---|---|---|---|
| PKN Orlen | 23.4 (Medium Risk) | ~180 | Disclosed |
| ČEZ Group | 28.1 (Medium Risk) | ~220 | Disclosed |
| Romgaz | N/A (Insufficient Data) | ~95 | Not Disclosed |

Note: ESG scores are sourced from Yahoo Finance (2022 fiscal year data). ETS emissions intensity figures are approximate, based on publicly available EU ETS registry data. Lower ESG scores indicate higher risk in the Sustainalytics methodology used by Yahoo Finance [13].

The institutional drivers of hush washing in the CEE context are multilayered. First, the dominant presence of state ownership reduces accountability to the diverse investor base that typically drives ESG disclosure improvement in fully private firms [10]. Second, domestic capital markets in Romania and, to a moderate degree, Poland have historically attracted fewer ESG-focused institutional investors, thereby diminishing external regulatory and market pressure for enhanced sustainability disclosure. Third, management teams in CEE energy companies have on average received less exposure to international sustainability reporting norms, creating capacity constraints even where willingness exists [4].

## 5. Conclusion

This study has examined ESG disclosure practices focusing on three leading energy companies in Central and Eastern Europe, with particular attention to the phenomenon of hush washing. The comparative case study reveals a clear difference in disclosure behaviors. PKN Orlen exhibits relatively comprehensive ESG reporting aligned with international standards. Conparatively, ČEZ Group demonstrates selective disclosure patterns with elements of greenwashing in coal operations. Romgaz conducted hush washing through its systematic under-disclosure of sustainability information despite its environmental performance may be superior to rated peers. These findings exemplifies as important implications for both investors and regulators. For investors, the systematic underrating of hush-washing firms undermines the informational value of ESG scores. Fund managers should complement third-party ratings with primary due diligence on disclosure quality, rather than relying solely on aggregated scores, to avoid potential capital misallocation in CEE markets. From a regulatory perspective, targeted institutional improvements are equally essential. For regulators, CSRD implementation in CEE must be reinforced by stronger supervisory capacity and enforcement. Mandatory disclosure alone is inadequate. Regulatory frameworks should also incentivize disclosure quality.

This study acknowledges several limitations. The sample is restricted to three large listed CEE energy enterprises. It cannot fully reflect the sector's overall heterogeneity. Besides, the analysis relies solely on publicly available secondary data, without access to proprietary ESG databases or internal corporate records. Future research could extend the sample to smaller or unlisted firms, examine temporal trends post-CSRD, and further investigate hush washing in other CEE industries. Despite the existence of these constraints, hush washing represents an underappreciated challenge to the integrity of ESG markets in Central and Eastern Europe as well as the rest of the world. Addressing this systematic issue requires joint efforts from regulators, investors and corporate

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management to foster a regional disclosure culture where transparency is not only legally mandated but also intrinsically prioritised.

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