Accounting Forum 38 (2014) 227–240

Contents lists available at ScienceDirect

Accounting Forum

journal homepage: www.elsevier.com/locate/accfor

Disclosure on climate change: Analysing the UK ETS effects

Thereza Raquel Sales de Aguiar[a,1], Jan Bebbington[b,*]

[a] Accountancy & Finance University of Glasgow Adam Smith Business School (South), Room 682 University Avenue, Glasgow G12 8QQ, UK
[b] School of Management University of St Andrews The Gateway, North Haugh St Andrews, Fife KY16 9SS, Scotland, UK

ARTICLE INFO

Article history:
Received 19 April 2012
Received in revised form 8 October 2014
Accepted 8 October 2014
Available online 27 October 2014

Keywords:
Disclosure
Climate change
UK ETS and New Institutional Sociology

ABSTRACT

The objective of this paper is to explore the nature of disclosure on climate change in annual and standalone reports of organisations who took part in the UK Emissions Trading Scheme (UK ETS). This article uses content analysis to codify disclosure in order to compare disclosure in different media as well as the possible effect that membership in an emissions trading scheme may have had on reporting. The results suggest the UK ETS was associated with differences in disclosure. This study contributes to the literature by providing a longitudinal study in two disclosure media in the UK ETS context.

1. Introduction

The accounting literature is increasingly exploring topics related to society and the natural environment with a focus on disclosure. Studies exploring corporate disclosure of social and environmental issues vary, with some seeking to explore potential determinants of disclosure (Beck, Campbell, & Shrives, 2010; Bouten, Everaert, & Roberts, 2012). There are also debates about the advantages and disadvantages of voluntary versus compulsory social and environmental disclosure (Andrew & Cortese, 2011; Cowan & Deegan, 2011; Lodhia & Martin, 2012; Uddin & Holtedahl, 2013).

Despite the lively debate on the value of voluntary versus compulsory disclosure, a considerable emphasis is given to voluntary disclosure and the range of media in which this type of disclosure has been found (Coulson, 2008; Cowan & Deegan, 2011; Haque & Deegan, 2010). Annual reports are the most popular reporting media studied in this literature, typically because organisations produce annual reports more regularly than other sources of disclosure. However, attention has also been focused on standalone reports produced by organisations (Gray, Kouhy, & Lavers, 1995a; Hackston & Milne, 1996; Hooks & van Staden, 2011). These reports are variously described and are known as environmental reports, sustainability reports and corporate social reports. Recently studies focused on disclosure provided on webpages have also emerged (see for example Hooks & van Staden, 2011). Moreover, there is literature that explores how disclosure varies across these different media (Coulson, 2008; Haque & Deegan, 2010).

The literature also explores a diverse array of disclosure topics and perceptions of the quality of disclosures produced (Beck et al., 2010; Hasseldine, Salama, & Toms, 2005). Other studies describe aspects disclosed on a single topic, such as AIDS/HIV (Soobaroyen & Ntim, 2013) and climate change (Freedman & Jaggi, 2005; Haque & Deegan, 2010). Finally, the

* Corresponding author. Tel.: +44 0 141 330 3993.
E-mail addresses: Thereza.SalesDeAguiar@glasgow.ac.uk (T.R.S. de Aguiar), jan.bebbington@st-andrews.ac.uk (J. Bebbington).
[1] Tel.: + 44 0 1334 462 348.

http://dx.doi.org/10.1016/j.accfor.2014.10.002
0155-9982/

literature also contains articles that explore disclosure in particular countries (Bouten, Everaert, VanLiedekerke, DeMoor, & Christiaens, 2011; Gray et al., 1995a; Guthrie, Cuganesan, & Ward, 2008; Hackston & Milne, 1996).

This article also explores voluntary corporate disclosure. Our emphasis is to examine disclosure on climate change using a coding instrument (developed by the authors) to analyse (and compare) the nature of disclosures produced by different groups of organisations in different media (annual and standalone reports). This article summarises disclosures on climate change produced by direct participants in the UK Emissions Trading Scheme (UK ETS)[1], as well as a comparator group to these direct participants over five years. New Institutional Sociology is used as a lens to describe the possible influence that the UK ETS may have had on the nature of disclosure on climate change. In summary, our longitudinal analysis suggests the UK ETS was associated with differences in disclosure in two disclosure media. Our exploration of the impact of UK ETS on the nature of disclosure on climate change may provide insight into future practices because there is an expectation that more trading schemes will be implemented.

The article is organised as follows. The second section analyses the accounting literature on disclosure on climate change. The third section discusses how New Institutional Sociology can contribute to the current literature by describing changes in disclosure practices. The fourth section describes the UK ETS's origin and characteristics. The fifth section presents the research approach, including the research questions, sample and method used. The sixth section describes the empirical findings by comparing disclosure on climate change produced by the two sets of organisations in two different media. The seventh section presents the paper's final comments.

2. Accounting literature on climate change

A broad range of approaches can be identified in the accounting literature that explores issues related to climate change. As an illustration, Bebbington and Larrinaga-Gonzalez (2008) made a macro evaluation of risks and uncertainties that emissions trading schemes may have for financial and non-financial accounting; this theme was further developed in a special issue on *Accounting, Organisation and Society* in 2009. This area of the literature has been growing because there is still no financial accounting standard to guide the recognition of emissions allowances in financial statements.

More recently, there was another special issue on the *Accounting, Auditing and Accountability Journal* in 2011/12, which provided multiple perspectives on accounting for carbon. Aspects discussed in this special issue included footprinting by local authorities, different frameworks to account for carbon and a critical perspective on emissions trading. Another relevant special issue in *Journal of Cleaner Production* in 2012 made connections between climate accounting and sustainability management. In this issue, articles studied definitions of carbon accounting, the use of voluntary disclosure on climate change by investors and how to embed sustainability in disclosure on carbon emissions. Another special issue on carbon accounting was also recently published in the *Social and Environmental Accountability Journal*.

Two main subsets of the literature on disclosure on climate change are relevant to this research. The first relevant aspect in the literature relates to the quality of voluntary disclosure on climate change and the range of media in which this type of disclosure is presented. The articles exploring this topic suggest the quality in disclosure on climate change varies by media, such as annual reports, standalone reports and webpages. In addition, disclosure on climate change is identified as difficult to compare and of a poor quality overall. For example, Coulson (2008) analyse Lloyds' disclosure on climate change and observes that Lloyds uses multiple vehicles for communications, including annual reports, standalone reports (in the form of their corporate social reports and annual corporate responsibility reviews) as well as other documents (including the Carbon Disclosure Project and employee magazines). Coulson (2008) concludes that different information was provided in response to different stakeholder audiences. Similarly, Simnett and Nugent (2007) found that Australian organisations tend to provide more complete disclosure in standalone reports compared to annual reports (while noting that there are poor levels of disclosure and external assurance provided in both media–these findings were echoed by Haque & Deegan, 2010).

Some authors attempted to establish comparisons between organisations in order to evaluate their disclosures. Pinkse and Kolk (2009) find that some companies are not transparent with regard to the methodology used to calculate emissions and targets while others used different methodologies over time (hampering any comparative or trend analysis). Sullivan, Crossley, and Kozak (2008) also highlights that companies do not clearly describe how they treat emissions from their subsidiaries and do not include total operations when creating emissions inventories.

The second aspect from the literature that is relevant to this research is the relationship between regulations and corporate disclosure on climate change. Some authors identified that disclosure on climate change can influence the design of regulations. Andrew and Cortese (2011) applied critical dialogic engagement to suggest that different disclosure media could have an impact on mandatory and voluntary governance regimes because reports are a source of information to policymakers, educators, academics, investors and creditors. In a similar vein, Lodhia and Martin (2012) used an agenda-setting framework to analyse the disclosure made by organisations and other stakeholders at National Greenhouse and Energy Reporting (NGER) in Australia and conclude that disclosure may impact the design of future legislation.

[1] As background, the UK ETS was created by the UK Government, ahead of the European Union Emission Trading Scheme to explore how emissions trading could operate. Participation in the UK ETS was voluntary with 32 organisations (called direct participants) taking part. It could be assumed, therefore, that those organisations that actively participated in the emissions trading were likely to be more aware of climate change issues and more likely to be able to measure (and hence report) their emissions data, among other things.