Corporate Climate Change-Related Auditing and Disclosure Practices: Are Companies Doing Enough?

Shamima Haque

1 Introduction

While many natural factors continue to influence our climate, scientists have determined that human activities, in particular the burning of fossil fuels such as coal, oil and gas which increase greenhouse gas (GHG) concentrations in the atmosphere, are the dominant factor responsible for the changing climate (IPCC, 2007). Scientific evidence also shows that global emissions need to be cut by 80–95 % below 1990 levels by 2050 if we are to avert dangerous climate change and continued disruption to our weather patterns (Carbon Disclosure Project, 2013). One of the key contributors to climate change is the business community whose actions add to the global GHG concentrations. Since the majority of anthropogenic GHG emissions stem from energy use, the manufacturing sector, and the distribution and consumption of goods and services, the role of companies in helping to achieve the required emissions reductions is crucial. Not only are business sectors largely responsible for global climate change, they will also be affected by the potential risks associated with it. There are differential risks that climate change poses on businesses, which in turn affects their profitability and value and threatens their very survival and accountability (Bebbington & González, 2008; Carbon Disclosure Project, 2008; CERES, 2002; Labatt & White, 2007; Rolph & Prior, 2006). Consequently, there are now many international and national initiatives and guidelines provided by government bodies, non-governmental organisations (NGOs) and research organisations, which deal with the threat of climate change, and which raise a range of financial reporting and audit implications for corporations worldwide.

S. Haque (✉)
School of Accountancy, QUT Business School, Queensland University of Technology, 2 George Street, 4001 Brisbane, QLD, Australia
e-mail: shamima.haque@qut.edu.au

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Based on a review of media reports, archival documents and a case study on the joint actions of two well-known Australian companies, a bank (ANZ) and Whitehaven coal mine in New South Wales, this chapter explores whether the climate change-related audit and disclosure practices of corporations reflect real change in their corporate accountability practices for climate change. The findings suggest that although there is evidence of companies undertaking social and environmental audit practice and disclosing information in relation to their climate change related performance, there is limited real reform in corporate action. The study suggests that as social auditing is a voluntary activity, it is possibly sometimes used only as a legitimation tool by companies rather than making any real change in their actual practices. Therefore, without appropriate regulation or enforcement of social auditing standards, the accountability and obligations of global companies to mitigate climate change remains negligible. A radical (reform based) approach, such as mandatory monitoring (compliance audit) and disclosure requirements, is necessary to ensure corporate accountability in relation to climate change.

2 Global Concerns and Corporate Responses in Relation to Climate Change: An Overview

In recent years climate change has attracted increasing attention in the international scientific and policy arenas. As science has evolved, growing evidence of anthropogenic influences on climate change has been found. Correspondingly, the Intergovernmental Panel on Climate Change (IPCC[1]) has issued increasingly more authoritative reports about the human impacts on the earth's climate. This has led to the development of a set of policy imperatives in supra-national as well as national settings (Bebbington & González, 2008) which have created a range of reporting and audit implications for corporations worldwide.

The first international agreement on climate change, the United Nations Framework Convention on Climate Change (UNFCC) was established in 1992 at the Rio Earth Summit (The United Nations Framework Convention on Climate Change, 2004). Supported by 166 nations, the convention called for the stabilisation of GHG concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system. Consequently, business organisations were scrutinised for their contribution to climate change by a wide range of stakeholders including the public and governments (Kolk & Pinkse, 2007). Major companies initially opposed international efforts and regulations to control GHG

[1] The IPCC is a scientific intergovernmental body set up by the World Meteorological Organization (WMO) and the United Nations Environment Programme (UNEP). It provides scientific, technical and socio-economic information in a policy-relevant but policy-neutral way. It publishes regular Assessment Reports, the findings of which are well publicised and quoted around the world.

emissions (Jeswani et al., 2008, Wehrmeyer, & Mulugetta, 2008; Kolk, 2008; Kolk & Levy, 2001), especially energy-intensive sectors such as coal, oil, steel, aluminium, chemicals, automobiles and paper and pulp. They protested against climate change debate by forming lobby organisations such as the Global Climate Coalition, the American Petroleum Institute and the Coalition for Vehicle Choice (Greenpeace, 1998; Kolk, 2008). Their intention was to undermine the importance of climate science and to prevent the introduction of new government regulation (Greenpeace, 1998).

This climate change debate continued until the mid-90s. By the late 1990s, an increasing number of companies had steadily changed their position from opposition to a more positive approach, and many had started to prepare for regulation (Kolk, 2008; Kolk & Pinkse, 2004, 2007; Pinkse & Kolk, 2007). The Kyoto Protocol, adopted in 1997, contained legal limits on GHG emissions for developed countries. It arguably stimulated this change in corporate strategy, as well as prompting the development of climate change regulation and increasing the pressure from NGOs (Kolk & Pinkse, 2004). Under the Kyoto protocol, the major industrial nations were together required to reduce total emissions of six GHGs[2] to 5.2 % below their combined 1990 emissions by the end of the first commitment period (2008 through 2012). The Kyoto Protocol requires corporations to ensure proper monitoring and verification of its implementation, including stringent and elaborate reporting, review, and compliance procedures. With these increasing reporting and audit requirements many organisations started working with NGOs' on climate change issues as NGOs and business leaders realised that they could not tackle them alone (Pleon Climate Change Stakeholder Report, 2007). This phase has led to the formulation of cross-sector stakeholder partnerships (for example, the Greenhouse Gas Protocol Initiative) and has gained momentum at the beginning of the twenty first century. The climate strategies of major oil (such as BP, Shell) and automotive (such as General Motors, Toyota) companies have changed in response to increasing regulatory and public pressures to adopt a more open position towards climate science and the Kyoto Protocol (Kolk & Levy, 2001: Kolk, 2008).

Adoption of the Kyoto Protocol motivated the development of many new requirements at the international and state level (for example, in Australia, the Mandatory Renewable Energy Target (MRET), 2001). The climate change-related stance taken by corporations then gained momentum with the adoption of an emissions trading scheme by the European Union, which came into force in 2005. To meet the Kyoto commitments, the European Union GHG Emission Trading Scheme (EU ETS) imposes emission limits on utilities and big industrial emitters in the European Union (Jeswani et al., 2008). The first and second phases of the EU ETS run from 2005 to 2007 and from 2008 to 2012 respectively to coincide with the first Kyoto Commitment Period. A further 5-year period (or an alternative commitment period such as 2013–2020) has subsequently been implemented since 2012.

[2] The six GHGs are carbon dioxide, methane, nitrous oxide, halocarbons, per-fluorocarbons and sulphur hexafluoride.

In this carbon cap-and-trade system, each member state is required to set an emission cap and manage allocations for all installations in their country, if they are covered by the EU ETS.

With increasing concerns about how to account for emissions trading schemes, the accounting profession has also paid attention to the measurement and reporting framework required to assist different stakeholders such as investors, rating agencies and analysts (KPMG, 2008). The accuracy in monitoring, measuring and reporting companies' actions against climate change has become increasingly important to stakeholders. The international Carbon Disclosure Project (CDP[3]) is a good example of the activities undertaken by stakeholders, specifically institutional investors. Growing awareness of other stakeholder groups including consumers, media, the scientific community, competitors and companies in other industries has also emerged (Pleon Climate Change Stakeholder Report, 2007). The Stern Review (2006) was another important milestone in relation to the climate change debate that identified the economic impact of climate change and urged an immediate global response. This review estimated that if society does not act, the overall costs and risks of climate change will be equivalent to losing at least 5 % of global GDP (Gross Domestic Product) each year (HM. Treasury 2006). In 2012 Rio + 20, a follow up conference to the 1992 Rio Earth Summit, appeared to foster a deeper understanding that an effective response to climate change can be an engine for economic growth. One of the top global agendas at the Rio + 20 conference was corporate climate change-related disclosures and audit requirements. Consequently, corporate support for climate policies is evident in 'a wide range of positive actions including basic technological change, behavioural change, product and process-based innovations, emissions trading and public education' (Okereke, 2007, p. 484). However, a majority of companies are still at an early stage of taking action against climate change (Haque & Deegan, 2010; Pinkse, 2007).

The above discussion highlights the changing trends of climate change-related global concerns and policies and corporate responses to such concerns, as summarised in Table 1. There is now an increased level of public pressure and consequent policies to ensure better monitoring and reporting requirements by corporations worldwide. Initially companies opposed international efforts and regulations to control GHG emissions by questioning the scientific basis of the issue. However, this opposition has shifted to a gradual acceptance as evident in corporate actions and mechanisms to reduce their contribution to climate change.

[3] The Carbon Disclosure Project seeks information on the business risks and opportunities presented by climate change by sending questionnaires to the world's largest companies. This project has the support of a total of 385 institutional investors with a combined US$57 trillion of assets under management (www.cdproject.net).

Table 1 Global concerns and corporate responses in relation to climate change

Major climate change-related global policies	Trend of stakeholder engagement	Corporate attitudes towards climate change
United Nations Framework Convention on Climate Change (1992, came into force in March 1994)	• A wide range of stakeholders including public and government started to pay attention (Kolk & Pinkse, 2007). • Establishment of the Intergovernmental Panel on Climate Change (1988) to provide independent scientific advice on the issue of climate change (First IPCC Assessment report, 1990).	Companies opposed international efforts and regulations towards climate change issue (Jeswani et al., 2008; Kolk, 2008; Kolk & Levy, 2001).
Kyoto Protocol (1997) a. joint implementation b. emissions trading c. clean development mechanisms	• Adoption of Kyoto Protocol stimulated the development of regulation (Kolk & Pinkse, 2007). • Increased pressure from NGOs (PLEON, 2007). • Emergence of cooperation between NGOs and corporations (Pleon Climate Change Stakeholder Report, 2007). • Emerging new requirements at the international and state level. • Second IPCC Assessment Report (1995). • Emergence of cross-sector stakeholder partnerships (for example, Greenhouse Gas Protocol Initiative, 1998). • Third IPCC Assessment Report (2001).	• Companies gradually stopped their opposition against regulation and moved to more proactive climate strategies (Kolk, 2008; Kolk & Pinkse, 2004, 2007).
European Union GHG Emission Trading Scheme (EU ETS) (2005) Rio + 20 (2012)	• Growing stakeholder activism in demanding monitoring, measuring and reporting of climate change information (for example, The Carbon Disclosure Project, 2002).	• Companies now appear more concerned about the risks and opportunities associated with climate change (Jeswani et al., 2008; Okereke, 2007).

(continued)

Table 1 (continued)

Major climate change-related global policies	Trend of stakeholder engagement	Corporate attitudes towards climate change
	• Growing awareness of other stakeholder groups including consumers, media, the scientific community, competitors and companies in other industries. • Stern Review (2006). • Fourth IPCC Assessment Report (2007). • At Rio + 20 conference, corporate sustainability disclosure including climate change audit and disclosure was at the top of the global agenda (UNFCC, 2014).	Participation in voluntary emission reduction programs, assessment, monitoring and disclosure of GHG emission data publicly (such as through CDP) (Haque & Deegan, 2010; Pinkse, 2007).

3 Corporate Climate Change-Related Disclosure and Audit Practices

With increasing global concerns regarding climate change, different stakeholders are expressing their interests and expectations about organisations' climate change-related reporting and audit practices, including those of corporations (Haque & Deegan, 2010; Kolk, 2008; Kolk & Pinkse, 2004, 2007; The Association of Chartered Certified Accountants 2011). These groups include NGOs, consumers, media, scientific communities, shareholders, suppliers and professionals (Kolk & Pinkse, 2007; PLEON, 2007) who seek to hold organisations responsible and accountable for the issue. Focusing on the expectations for climate change-related information, Bebbington and González (2008, p. 707) stated that:

> Investors, policy makers and the public in general, therefore, could be expected to need information from which they can assess the carbon intensity of corporate products and services and estimate the regulatory and competitive risks that a corporation is likely to face. Moreover, there is also a need for information on how the organisation manages GHG emissions (and the risks associated with their approach). This is likely to require non-financial accounting and reporting of and about GHG emissions.

This statement demonstrates the expectations of different stakeholder groups for more information than that currently provided in financial reports. At the same time companies are increasingly expected to monitor and audit their own climate change related performance:

> An organization's entire sustainability program needs to be audited to ascertain that the program is not only meeting all its established goals and targets, but also its voluntary

commitments (e.g. the United Nations Global Compact, Carbon Disclosure Project, Sustainability Strategy, etc) (Ernst and Young, 2011, p. 3).

Bebbington and González (2008, p. 708) suggest that in order to reflect a "true and fair view" of corporate climate change-related performance, it is necessary to have performance monitored and reported accurately. Companies that do not disclose information about their climate change-related activities will be subject to various risks compared to their business counterparts who do disclose. For example, investors who rely on company reports may take action if a company's reporting on its GHG emissions, energy use and energy production statements are shown to be incorrect, insufficient or misleading (Liberty White Paper, 2010). Therefore, it is important to regularly review, monitor, and disclose the climate change-related practices of the company. This is reflected in the focus given to social auditing in recent literature (see for example, Deegan, 2002; Hunter & Urminsky, 2003; Merk & Zeldenrust, 2005), and in corporate practices, as many corporations worldwide have embraced social audits as a part of their social responsibility programs (GRI, 2011; Islam & McPhail, 2011). Previous studies in social and environmental accounting literature highlight that social and environmental reporting via annual reports takes place as a response to legitimacy threats or as a tool for maintaining legitimacy (see for example Patten, 1992; Deegan et al., 2000; Deegan, 2002). These studies suggest that the greater the chance of unfavourable shifts in community expectations, the greater will be the need to attempt to influence the process through corporate social and environmental disclosure. This notion appears equally applicable in the context of social auditing.

Social auditing is the process by which organisations can assess their performance in relation to society's requirements and expectations (Elkington, 1997). It can be undertaken with the aim of establishing whether an organisation is complying with its own or other recognised principles and standards (Gray, 2000). If there are concerns from stakeholders, organisations might be motivated to take such a strategy. Social audits might be undertaken for accountability purposes and to try to explain to stakeholders the various social and environmental impacts an organisation might be creating (Deegan, 2002). Social audits, therefore, can be defined as the process by which an organisation determines the impact of its activities on global climate change and measures and reports relevant information to its wider stakeholder groups. Thus, it can be beneficial for corporations to perform regular or annual audits and disclose information. In this context, they are a tool by which an organisation can plan, manage and measure its GHG accounting and reporting, and monitor both the internal and external consequences of these activities.

The precondition for a social audit is something against which companies can assess their performance (Kolk & van Tulder, 2002). Companies use various standards and guidelines for this purpose, while conducting social audits, and publicly disclose in reporting media such as annual reports, and individual social and environmental reports. There is a steadily expanding body of global forums and

initiatives that provide standards for corporations' monitoring and reporting of climate change issues. These include, but are not limited to,

- Climate Disclosure Standards Board (CDSB);
- Carbon Disclosure Project (CDP);
- Institutional Investors Group on Climate Change (IIGCC);
- UN and Coalition for Environmentally Responsible Economies (CERES);
- Investor Network on Climate Change (INCR);
- Global Framework for Climate Risk Disclosure;
- World Economic Forum (WEF);
- World Business Council for Sustainable Development;
- World Resource Institute's Greenhouse Gas Protocol; and
- Global Reporting Initiatives (GRI).

These are all working to provide disclosure and audit guidelines for companies who want to address climate change (Global Reporting Initiative, 2007; KPMG, 2008). For example, to enforce carbon-related reporting in annual reports, seven business and environmental organisations have formed a consortium named the Climate Disclosure Standards Board (CDSB), to create the Generally-Accepted Carbon Accounting Principles (GACAP); this provides a framework, called the Climate Change Reporting Framework (CCRF) for climate reporting in annual reports, similar to the generally accepted frameworks that have been created for corporate financial reporting. The proposed reporting framework focuses on the disclosure of climate issues in company annual reports, such as total emissions, assessment of the physical risks of climate change, assessment of the regulatory risks and opportunities from climate change, and strategic analysis of climate and emissions management (Climate Disclosure Standards Board, 2009). CCRF also specifies a minimum level of auditor involvement. This includes the requirement by the International Standards on Auditing (ISA 720) for the auditor of financial statements to read the information accompanying the statements to identify any material inconsistencies between it and the audited financial statements, and to consider any observed material misstatements of fact in those disclosures (Climate Disclosure Standards Board, 2012). However, CDSB encourages organisations to work with their professional advisors to agree on an appropriate assurance approach to disclosures made under the CCRF by reference to existing assurance standards (Climate Disclosure Standards Board, 2012). These include International Standards on Assurance Engagement (ISAE) 3000 and 3410, the International Organization for Standardization's ISO 14064-3:2006 and AccountAbility's AA1000 assurance standard (Climate Disclosure Standards Board, 2012). CDSB is aware of the demand from preparers and users for climate change-related disclosures to be assured, and is following the development of a standard for assurance of GHG statements by the International Auditing and Assurance Standards Board.

Apart from the initiatives taken by global organisations, government initiatives are also taking place in different national contexts. For example, the Australian government has introduced various mandatory and/or voluntary programs to encourage climate change-related corporate reporting (e.g. the Mandatory

Renewable Energy Target (MRET) and Greenhouse Challenge Plus). Another mandatory carbon-related reporting framework, the National Greenhouse and Energy Reporting Act 2007 (the NGER Act), has been established for Australian corporations to monitor, measure and report GHG emissions, reductions, removals and offsets, and energy consumption and production, from 1 July 2008 (The Parliament of the Commonwealth of Australia: Senate, 2007). Greenhouse and energy auditing is a key compliance monitoring measure under the NGER Act. A failure to comply with the National Greenhouse and Energy Reporting (NGER) Act can result in fines of up to $22,000 for Australian companies (Department of Climate Change and Energy Efficiency, 2011). Companies' chief executives will be held personally responsible for failing to report or failing to keep required records or providing false information, with daily penalties of $11,000 for each day of non-compliance. Failure to address these issues will not only leave organisations open to significant corporate and personal liabilities, but may also jeopardise corporations' competitive advantage, and adversely affect investor and financial institutional confidence (Department of Climate Change and Energy Efficiency, 2011).

Consistent with the increasing number of climate change-related standards and guidelines, many organisations worldwide incorporate these into their own practices, requiring the disclosure of relevant information. A number of research studies have examined the climate change-related disclosure practices adopted by corporations. These studies have identified increased levels of voluntary emission disclosures by companies worldwide (ACCA, 2007; Cowan & Deegan, 2011; Freedman & Jaggi, 2008; Friends of the Earth, 2006; Haque & Deegan, 2010; Kolk, Levy, & Pinkse, 2008; Stanny & Ely, 2008). Although there is a lack of extant research into companies' climate change-related audit practices, recent literature shows evidence of multi-national companies adopting social and environmental audit practices (Islam & McPhail, 2011). Considering the risks posed by climate change, companies appear to be faced with the challenge of assessing their own performance. Many companies are now voluntarily disclosing relevant information to stakeholders through media such as annual reports, CSR reports and corporate websites. For example, ANZ,[4] a leading Australian Bank, states on its website that:

> ANZ is committed to measuring, then reducing, and lastly offsetting the carbon emissions from our operations. We do this by: Measuring our global carbon footprint in a manner that is consistent with NCOS[5]; Reducing our carbon emissions with specific targets for reductions in those areas that represent the most significant impact (i.e. premises energy and air travel); and Offsetting our remaining emissions on an annual basis by purchasing and retiring internationally recognised certified carbon offsets, in alignment with NCOS requirements, within 90 days of measuring our annual global emissions...In 2013 KPMG was engaged to conduct independent assurance over ANZ's environmental data. Assurance

[4] ANZ is among the top 4 banks in Australia, the largest banking group in New Zealand and Pacific, and among the top 50 banks in the world (http://www.anz.com.au/about-us/our-company/profile/facts/history/).

[5] National Carbon Offset Standard (NCOS).

> was provided in accordance with International Standard on Assurance Engagements ISAE 3000 **Assurance Engagements other than Audits or Reviews of Historical Financial Information,** ISAE 3410 **Assurance Engagements on Greenhouse Gas Statements** and **National Greenhouse and Energy Reporting (Audit) Determination 2009**... SGS Australia was commissioned to conduct an independent assurance of the environmental data on the ANZ website. Assurance was provided using the following protocols from the GRI guidelines, AA1000 Assurance Standard and ISAE3000 (ANZ, 2014a).

This statement is an example of how companies are voluntarily adopting audit practices and disclosing information about their climate change-related performance, despite scepticism about the actual measures taken by corporate managers and the effectiveness of their measures to mitigate climate change. We will examine whether the voluntary audit and reporting practices bring any real change in organisations' accountability for climate change in the next section through a case study.

4 Are Companies Doing Enough? The Case Context

While corporations are making commitments to mitigate climate change, measuring their own performance and disclosing relevant information via reporting media including annual reports, CSR reports, and press releases (Haque & Deegan, 2010; Rankin, Windsor, & Wahyuni, 2011), there appears little change in their actual performance. There are significant concerns from different stakeholders, including media and NGOs, about corporations' irresponsibility with respect to their GHG emissions (Greenpeace, 2013a).

To understand the particular context of companies' contributions to climate change, this study presents a case that examines the joint actions of two well-known Australian companies: a bank, ANZ, and Whitehaven coal mine, in NSW. The interactions of these two organisations attracted the attention of environmental NGOs and activist groups, and their local communities. The case specifically highlights the assessment of climate change impacts of the proposed expansion of Whitehaven.

ANZ Bank has been under scrutiny for its commitment to the environment for the last few years (Wilson, 2007). Since January 2008, ANZ has loaned over $2.3 billion to coal and gas export projects along Australia's eastern seaboard, including $1.1 billion to projects within the Great Barrier Reef World Heritage Area (Greenpeace, 2013b). In 2012 ANZ faced heavy criticism for investing $1.2b in Whitehaven Coal's Maules Creek coal mine in the Leard State Forest in NSW, a place where, according to the incumbent NSW Planning Minister Brad Hazzard, it was 'illogical' to situate an open cut mine (Sydney Morning Herald, 2013). ANZ is the leading lender to Whitehaven Coal's Maules Creek coal mine, which is twice as large as any other new coal mine currently under construction in Australia (The Australian, 2013). Whitehaven's Maules Creek mine is inherently risky and faces growing opposition due to its impacts on health, land use, water, native habitat, and

the climate, as the coal extracted from Maules Creek mine will release 30 million tonnes of CO_2 emissions per year. This is 7 million tonnes more than the entire transport sector in NSW (Greenpeace, 2013b). In addition, the Maules Creek coal mine would destroy up to 2,000 ha of the Leard State Forest, home to koalas and other vulnerable species (Climate Citizen, 2013).

The mine was opposed by the Maules Creek Community as well as a number of environmental organisations, including Greenpeace, the Lock the Gate Alliance, the Northern Inlands Council for the Environment, the National Parks Association and the Nature Conservation Council of NSW (The The Australian, 2013; Climate Citizen, 2013). These anti-coal mining activists have been campaigning against ANZ in order to stop its financing of the proposed Whitehaven coal mine. Community concerns regarding the climate change impacts of the Maules Creek coal mine were highlighted by local residents, bank customers, and NGOs, especially considering ANZ's previous commitment to mitigating climate change. Community activists and volunteers around Australia joined Greenpeace in a number of actions to pressure the big bank. For example, a blockade camp was established at the mine site, aiming to delay and eventually stop the project from proceeding (Greenpeace, 2013b). In protest against ANZ's fossil fuel lending policy to Whitehaven, dozens of ANZ customers have also reportedly closed their accounts (Greenpeace, 2013b).

ANZ adopted the Equator Principles on 15 December 2006, voluntarily committing to not lend money to projects that had a negative social or environmental outcome (ANZ, 2014a). The Equator Principles Financial Institutions (EPFI) voluntarily agree not to provide "project related loans and project finance advisory services to projects where the borrower will not, or is unable to comply with, the Equator Principles" (Equator Principles, 2014). The latest version of the Equator Principles, known as EP3, was published on June 4, 2013. It provides, for the first time, risk management tools whereby project finance lenders are able to ensure that climate change is addressed as a key aspect of the identification, assessment, and management of environmental risk in large, complex, and expensive projects (Equator Principles, 2014). In 2007, ANZ announced the launch of the ANZ Climate Change Trust (ACCT), Australia's first wholesale, capital protected climate change investment trust (ANZ media release, 2007). The ACCT is a 6-year fund which will invest in companies that offer products and services that support environmental sustainability and combat the impact of climate change (ANZ media release, 2012). ACCT is also linked to the performance of the Sustainable Asset Management (SAM) Sustainable Climate Fund based in Luxembourg (ANZ media release, 2012). In relation to ANZ's commitment to climate change, the bank's Head of Investor Sales (Institutional), Mr Angus Graham, announced:

> The ACCT will invest in a range of sustainable companies involved in areas such as products for the construction industry that reduce the energy use of buildings, new agricultural systems that help address the effects of drought as well as traditional sources of renewable energy ... The ANZ Climate Change Trust demonstrates that financial and environmental investments are not mutually exclusive (ANZ media release, 2007).

However, it seems those principles do not go far enough in stopping the funding of projects which destroy biodiversity and add substantially to carbon pollution and climate change (Climate Citizen, 2013). ANZ's lending policy to Whitehaven indicates that the bank would be deemed to be failing to comply with its environmental and climate change commitments, including the Equator Principles. Despite these inconsistencies, in September 2012, ANZ was ranked the most sustainable bank globally in the 2012 Dow Jones Sustainability Index (DJSI) for the fifth time in 6 years (ANZ media release, 2012).

ANZ's lending to Whitehaven Coal carries heavy risks, given Whitehaven's declining performance, including a drop in its share price of 66 % since January 2012 and a net loss of $82.2 million in 2013 (Greenpeace, 2013c). On 7 January 2013, a media release, purportedly from the bank, announced the bank was withdrawing its $1.2 billion loan for Whitehaven for the development of the new coal mine at Maules Creek. The announcement also highlighted ANZ's current undertaking of a review of coal and gas investments on productive agricultural lands and areas of high biodiversity (Climate Citizen, 2013). However, the announcement was proved to be a hoax, sent out by an anti-coal activist claiming to represent the ANZ Bank, using bank letterhead (Climate Citizen, 2013). Shortly after the bogus announcement, shares in Whitehaven plummeted on the Australian Stock Exchange, with the company stock losing almost 9 % from $3.52 to $3.21 in a fall that reduced the value of the company by about $314 million. Whitehaven was put into a trading halt, but trade later resumed in the afternoon with the share price closing at $3.50, just 2 cents down on the day (Brisbane Times, 2013).

The ANZ Bank responded with a brief media statement on its website:

> ANZ today became aware of a fraudulent media release purporting to be from ANZ falsely stating that funding has been withdrawn from Whitehaven Coal. This media release is a hoax and was not issued by ANZ. There have been no announcements from ANZ regarding Whitehaven Coal. ANZ remains fully supportive of Whitehaven Coal (ANZ media release, 2013).

Consequently, activist groups demanded that ANZ Bank should not fund the project as "the mines do not comply with the Equator Principles for Financial Institutions in relation to cumulative assessment, biodiversity conservation, health, occupational safety, cultural heritage, land conservation and the promotion of renewable energy" (Climate Citizen, 2013). In response to ANZ's investment policy Greenpeace stated on its website that:

> ANZ is the biggest investor in polluting coal power in Australia. To solve the climate crisis we need to ensure no new coal power stations are built, as they will lock us into decades more of pollution. We've been calling on ANZ to make a commitment not to finance any new coal power stations in Australia and instead lead the clean energy revolution (Greenpeace, 2013d).

An investigation of ANZ's entire reporting media including annual reports, CSR reports and its own websites revealed that there was no recognition of Whitehaven Coal's Maules Creek mine within ANZ annual reports or on their website despite ANZ being the leading lender to the project. While ANZ's own GHG reductions

between 2011 and 2012 amounted to 15, 313 tonnes, coal from the Maules Creek coal mine project will generate annual emissions almost 2000 times greater than those saved by ANZ staff (ANZ, 2012). Despite that, ANZ's 2011, 2012 and 2013 Annual Reports did not discuss any involvement in the Maules Creek coal mine project as well as the possible impacts of its operation on the GHG emissions and climate change (ANZ, 2014a).

Further, an investigation of Whitehaven Coal's annual reports and websites for evidence of ANZ's involvement in the project was also revelatory. Whitehaven's annual report 2009 and 2010 disclosed that ANZ was among its top 20 largest shareholders, but did not recognise whether and how ANZ was involved in the Maules Creek project. This information was not found in Whitehaven's 2011, 2012, and 2013 annual reports either, despite the fact that Whitehaven was financed by ANZ. Whitehaven's annual reports did not mention anything about the likely impact/amount of GHG emissions from the project, nor did they discuss the continued activist/community campaigns or protests against their project, or what corrective actions they might be taking in response to communities' complaints of likely GHG emissions. Thus, Whitehaven did not acknowledge any likely impact of climate change from the Maules Creek project within its reporting media.

ANZ online disclosures suggested that one important set of guidelines the bank rigorously embraced was the Equator Principles. ANZ developed Sensitive Sector policies for Energy, Extractives, Forests and Forestry and other sectors, committing to ensure that social and environmental considerations are incorporated into their lending decisions:

> The Equator Principles is a set of voluntary standards designed to help banks identify and manage the social and environmental risks associated with the direct financing of large infrastructure projects such as dams, mines or pipelines. We have been signatories to the Equator Principles since 2006. The Principles are applied to all project structured finance transactions. Their use provides a clear, structured process to identify, mitigate, manage and monitor social and environmental risks. Use of the Principles across the banking industry means customers are able to provide social and environmental assessments to one standard, acceptable to banking syndicates (ANZ, 2014b).

According to this statement, ANZ should only finance projects within the Principles' scope, developed according to sound social and environmental standards. However, ANZ is a continuing financier of Whitehaven Coal, yet did not acknowledge this within its reporting media. While ANZ promised to implement Equator Principles, it is doubtful to what extent it has really done this. Equator Principles explicitly require banks to assess and disclose each and every aspect of their impacts upon the community and local stakeholders. Although there was a massive community protest on its continued funding to the Whitehaven project, ANZ did not integrate and acknowledge these issues in its reports.

The case of ANZ leads us to conclude that there has not been enough done to make corporations accountable for their impact on climate change. ANZ's audit and disclosure practices appear to be symbolic or ritual strategy for maintaining legitimacy rather than being a means of discharging corporate accountability, or improving the welfare of stakeholder groups. Symbolic legitimation strategy

involves organisations achieving acceptance without actually changing the way they perform or their activities. They 'appear consistent with social values and expectations' but no real change has taken place (Ashforth and Gibbs, 1990, p. 180). The commitment made by ANZ about mitigating, managing and monitoring climate change does not seem to actually reflect the underlying processes and motivations. There is an apparent disconnection between the claimed adoption of social standards such as the Equator Principles and the disclosure of information on one hand, and the real change in corporate accountability in relation to mitigating climate change on the other.

Conclusion

This chapter has examined the way the expectations of different stakeholder groups have changed over recent years in relation to corporations' climate change-related audit and disclosure practices, and the consequent increase in climate change-related monitoring and reporting guidelines worldwide. Research has found that with this increasing trend, corporations appear to incorporate global standards and guidelines into their climate change-related audit practices as part of their social auditing, and disclose relevant information. However, through a case study, the chapter has demonstrated that little has been done to create actual corporate accountability in relation to climate change. Corporate discourse on climate change can be termed as a 'symbolic legitimation' strategy rather than creating any change on the ground. Where corporate auditing and disclosure on climate change has evolved over the years, it has not necessarily reflected real action and effectiveness, and therefore has not demonstrated true accountability to society. Hence it is argued that international organisations and government bodies are not doing enough to create change in corporate accountability as they only recommend voluntary disclosure in this area. As social audits are a voluntary activity, possibly sometimes used only as a legitimation tool by companies, one can be skeptical about whether such audits can make a real change in their actual practices. Without appropriate regulation or enforcement of social auditing standards, the accountability and obligations of global companies to mitigate climate change remains negligible. A radical approach, such as mandatory monitoring (compliance audit) and disclosure requirements, is necessary to ensure corporate accountability in relation to climate change. There should be uniform carbon accounting, monitoring and reporting guidelines across the globe. Regulation and mandatory enforcement of social auditing standards is necessary to discipline corporate operations and related disclosures in relation to climate change.

The issue deserves more research attention. More investigation is needed into areas and aspects of carbon emissions measurement, integration, reporting and auditing that may ultimately contribute to a body of evidence

(continued)

which will be compelling, and to encourage, organisations to increase their transparency in this important area.

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