Voluntary disclosure of GHG emission information

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ABSTRACT

Purpose

The purpose of this paper is to determine the nature of Australian public companies' voluntary environmental management disclosures for companies making disclosures about their greenhouse gas emission performance and management in the year before and the year after the introduction of Australia's National Greenhouse and Energy Reporting legislation, and to empirically test the hypothesized influence of several company characteristics on the quality of these disclosures.

Design/methodology/approach

The content of GHG performance and management disclosures made in annual reports and stand-alone sustainability reports of 1,766 (1,853) publicly listed Australian companies in 2007 (2009) is determined using an index of quality based on GRI guidelines. The relationship among the quality of disclosures and various company characteristics taken from information asymmetry, agency, political cost and proprietary cost theories is examined using an OLS-regression model.

Findings

Results indicate that voluntary disclosure of GHG information is significantly related to companies requiring increased debt and having higher leverage, companies belonging to some politically sensitive industries and to the age of companies' fixed assets. Disclosure of greenhouse gas emission information is also significantly associated with lower ROA, higher Tobin's *q* and with having dual (overseas) stock exchange listings.

Research limitations/implications

The time period is limited to the year before and the year after the introduction of the NGER legislation.

Originality/value

This study examines the voluntary disclosures of GHG information of every listed Australian company in 2007 and 2009. It establishes companies' climate change credentials at these points of time and sets the baseline against which future disclosures can be measured.