

# Journal of Business Ethics – Special Issue

## Call for Papers

### Corporate GHG Emissions' Estimation, Reporting, Accountability and Integrity

Submission deadline: **November 30, 2020**

#### Guest Editors

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*“[T]he consequences for climate policy and for sharing the responsibility of reducing global CO<sub>2</sub> emissions can only be drawn in combination with judgments about equity, fairness, the value of future generations and our attitude towards risk.”*

*Knutti & Rogelj (2015: 361)*

Climate change mitigation and adaptation is not exclusively an issue of natural science and policy making, it is also very much an ethical issue with its significant implications for aspects such as human livelihoods, equal development opportunities of emerging nations and intergenerational fairness (Knutti & Rogelj 2015; Stern & Taylor 2007; McKinnon 2015). With this call for papers, we invite research that advances a discussion regarding the availability, accuracy, accountability, honesty, integrity, deceptiveness, prudence, relevance, and ‘investability’ of self-reported and/or third-party curated corporate greenhouse gas (GHG) emissions data, as well as any ethical dilemmas, underlying conflicts and unintended consequences that are inherent in the process of estimating and reporting GHG emissions. In doing so, we follow Greenwood and Freeman (2018) in encouraging researchers to display epistemic awareness and reflect on the paradigm from which they study corporate GHG emissions instead of assuming paradigm singularity. Furthermore, we welcome interdisciplinary approaches with regards to theoretical framework or research method.

The urgency of this call is grounded in the important role financial markets can play in the climate change context in general (Busch 2019; Busch, Bauer, & Orlitzky 2016) as well as in the reports issued by the European Union’s Technical Expert Group for Sustainable Finance on June 18<sup>th</sup> 2019, which require any index provider inside or outside the EU who intend to sell an index in any listed asset class to European asset owners to report the weighted average GHG intensity of all their constituents (Hoepner et al., 2019). While European asset owners much like CalPERS or Ontario Teachers in North America have a long tradition of integrating environmental aspects in their investment decision making (Hoepner & Schopohl 2018; forthcoming), there is a substantial risk that they end up being commodified and shaped by the practices of business and finance (King & Gish 2015, Michelon, Rodrigue & Trevisan, forthcoming), or captured by corporate actors (O’Dwyer 2003), contributing little to the social and environmental betterment of the planet. Therefore, such mandatory reporting will require scientists, investors, activists and other stakeholders alike to establish a much deeper understanding of the factors that drive quality criteria of GHG data as those listed above, and the underlying ethical challenges affecting the process of reporting. Only with such an understanding, estimation procedures can be developed to estimate accurate GHG emissions for those firms that either underreport or avoid reporting.

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<sup>1</sup> Editors are listed alphabetically. Cho is contact editor. Hoepner is member of the EU’s Technical Expert Group for Sustainable Finance. Rogelj is coordinating lead author of the IPCC’s Special Report on Global Warming of 1.5°C and member of the UN Secretary-General Climate Science Advisory Group.

Even though information about corporate GHG emissions has become increasingly important in the political, academic, and business sphere, the challenges associated with data quality and comparability remain widely unresolved (Busch 2011; Busch, Johnson, Pioch, & Kopp 2018) and have been one of the key challenges for the work of the European Commission's Technical Expert Group (TEG) for Sustainable Finance, on which one of the co-editors serves as academic member. Concepts such as honesty, integrity and prudence are very prominently featured in the Code of Ethics of the Chartered Financial Analysts Association.<sup>2</sup> However, it appears that – in practice – financial conflicts of interest of those paid directly or indirectly by corporations may prevail over ethical standards in determining a polluting firm's approach to GHG reporting (Hoepner & Yu 2018; Liesen et al. 2015). Despite an already 2013 published report from the United Nations Environment Programme – Finance Initiative (UNEP FI, 2013) highlighting severe shortcomings in the quality, access, and comparability of corporate GHG data and despite attempts to harmonize corporate carbon emissions accounting and reporting practices through standard accounting methods (e.g., the GHG Protocol), there is little evidence that corporate GHG reporting even just at Scope 1 level has significantly improved. In fact, the pro bono academic ClimateDisclosure100.info initiative only trusts 21 firms worldwide to have reported 100% of their Scope 1 GHG emissions.

Given the just introduced mandatory GHG reporting for index providers and institutional investors,<sup>3</sup> the prevalence of inconsistent carbon data as well as finding of meaningful climate risks indicators have become very big concerns for investors (Bonetti et al. 2018; Busch et al. 2018; Liesen et al. 2017). This very strong emphasis on climate risk transparency has its roots in the 2015 Paris Agreement and is also reflected in the 2017 Taskforce for Climate Related Financial Disclosure (TCFD) and the World Economic Forum's Global Risk report, whose top 3 most likely risks are all directly associated to the global climate crisis.<sup>4</sup> Similarly, the United Nations' supported Principles for Responsible Investing (PRI) – the world's largest association of investors – has made the climate crisis and the EU's Technical Expert Group for Sustainable Finance a central part of its current work (Hoepner et al. forthcoming).

These insights serve as the motivation for the proposed Special Issue. The overall objective is to derive academically sound suggestions that will grant investors, policymakers and regulators a more informed appraisal of emission data and related carbon risks, regardless if these are self-reported by corporations or curated by third parties. These suggestions can be rooted in empirical investigations and observations as well as focus in conceptual thought-provoking analyses.

Submissions may focus on, but must not be limited to, one of the following domains and research questions:

- Which theoretical frameworks exist or can be developed to enhance our analysis of ethical issues in GHG emission data estimation and reporting?
- Which epistemological perspectives exist or can be developed to study corporate GHG reporting?
- How does epistemological divergence between different subdisciplines of accounting affect our understanding of GHG emission reporting practices?
- What are the ethical challenges (such as financial conflicts of interest) underlying corporate greenhouse gas reporting?
- How do accountants manage the conflicting between their accountability to stakeholders and the commercial interests of their employers?
- Do firms' ethical values as practiced by their staff and/or encapsulated in their codes of ethics affect their GHG emissions reporting?
- How does ethical leadership affect GHG emission reporting?

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<sup>2</sup> <https://www.cfainstitute.org/ethics/codes/code-of-ethics-standards-of-conduct-guidance>

<sup>3</sup> The Institutional Investor legislation was passed on March 7<sup>th</sup> 2019 though exact procedural guidance is not expected before January 2020.

<sup>4</sup> <https://www.weforum.org/reports/the-global-risks-report-2019>

- How do the levels of honesty and integrity displayed by corporations affect GHG emissions reporting? What are factors determining firms' abilities to report accurate GHG emissions?
- How do organizations set moral commitments and address ethical dilemmas in GHG emission estimation and reporting? What are the policies, processes and practices firms use to collect and/or estimate Scope 1 GHG emissions and how reliable are these?
- What are the policies, processes and practices firms use to motivate their suppliers to report relevant Scope 2 or 3 GHG emissions to them and how effective are these?
- To what extent are firms accountable for accurate reporting of their suppliers GHG emissions (Scope 2, Scope 3)?
- What are the factors determining a lack of willing by firms to report complete greenhouse gas information?
- How useful is assurance of corporate GHG reporting, if the assurer is exposed to a financial conflict of interest?
- What lobbying activities do corporations undertake to resist GHG reporting and have they influenced any of the organizations involved, including but not limited to the Carbon Disclosure Project?
- How widespread is the adoption of the European Non-Financial Reporting Directive and/or TCFD? Does it enhance corporate accountability with respect to GHG emissions?
- What are suitable denominators for GHG intensity computations that normalize for firm size without creating a bias towards polluting sectors (e.g. revenue)?
- What does dual materiality mean in the GHG reporting context? Are all emission scopes equally material for a financial purpose? Are all types of emissions equally material for the purposes of achieving the Paris Agreement targets?
- What are current best practices on financial markets to align investment processes with the Paris Agreement? Will the EU's proposed Paris-Aligned Investment Benchmark have an impact?
- What are the best methods to estimate GHG emissions at Scope 1, 2 or 3 level when the reported data is missing or incomplete? How do third party data providers differ in this regard?
- What should be the underlying philosophy of estimating GHG emissions data: precautionary principle, scenario analysis or single best estimate?
- Do specific investors groups through their engagement or benchmark choices affect the quality of their investee companies' GHG reporting?
- How can asset managers make the existing GHG data most investable?
- What are the GHG related impacts of investment in different asset classes (with diverging investment styles)?

Authors should refer to the [Journal of Business Ethics website](#) and follow the author instructions when submitting a paper. Manuscripts should be submitted through the [Editorial Manager](#). Upon submission, please make sure to indicate that your submission is to this Special Issue. Authors should note that a submission which is rejected from a *Journal of Business Ethics* special issue cannot be resubmitted to a regular issue.

The special issue guest editors recommend that authors familiarize themselves with the journal's publication objectives by consulting the following two editorials:

- Greenwood, M., & Freeman, R.E. 2017. [Focusing on ethics and broadening our intellectual base](#). *Journal of Business Ethics*, 140(1), 1-3.
- Greenwood, M., & Freeman, R.E. 2018. [Deepening Ethical Analysis in Business Ethics](#). *Journal of Business Ethics*, 147(1), 1-4.

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