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Perform To Disclose or Disclose To Perform: Which Drives Which?

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ABSTRACT

With corporate disclosure of carbon emissions rapidly increasing, there is a long standing question as to how carbon disclosure is associated with the development of carbon performance. Using a sample of Global 500 companies and their carbon emission and disclosure data released during 2008 and 2011, this study finds that from performance to disclosure, companies with poorer carbon performance (reflected as higher carbon intensity) in preceding years consistently achieve better carbon disclosure scores in subsequent years. However, from disclosure to performance, companies having better carbon disclosure in preceding years consistently improve their carbon performance subsequently. Putting these findings together, there may be a continuum between carbon disclosure and performance. The pattern may be that at first, poorer carbon performers try to achieve higher levels of carbon disclosure to legitimise and compensate their poor performance. Then once their disclosure is improved, they are motivated to use disclosure as an “outside-in” opportunity to create change and improve their carbon performance. This implies carbon disclosure is used as a “legitimacy” as well as a “management” tool.

Keywords: Carbon disclosure, Carbon performance, Carbon emissions, Environmental disclosure, Environmental performance