Appendix A206: Cabon Disclosure Pitch Example

Pitcher's Name	Ingrid Millar	FoR category	Accounting	Date Completed	08/06/2017

(A) Working Title	Do proactive carbon responses matter? Evidence from Australian high carbon emitters' carbon disclosures
(B) Basic Research Question	Are proactive carbon responses value relevant for high carbon emitting firms?
(C) Key paper(s)	Griffin, P. A., Lont, D. H., & Sun, E. Y. 2017. The Relevance to Investors of Greenhouse Gas Emission Disclosures. *Contemporary Accounting Research*, 34(2): 1265-1297. Matsumura, E. M., Prakash, R., & Vera-Muñoz, S. C. 2014. Firm-Value Effects of Carbon Emissions and Carbon Disclosures. *The Accounting Review*, 89(2): 695-724. Clarkson, P. M., Li, Y., Pinnuck, M., & Richardson, G. D. 2015. The valuation relevance of greenhouse gas emissions under the European Union carbon emissions trading scheme. *European Accounting Review*, 24(3): 551-580.
(D) Motivation/Puzzle	In studying the relationship between economic and environmental performance, the extant literature shows that capital markets appear to award a penalty to companies that are high carbon emitters due to the perceived presence of off-balance sheet liabilities. The scope of these studies however, is limited. That is, capital market participants are interested in information about the *future* economic performance of firms, while these studies rely on using *historic* carbon emissions data as a proxy for environmental performance that does not necessarily reflect the firms' future carbon footprint. There is therefore potentially a 'disconnect' between the firms' past carbon footprint as revealed by firms and its future carbon footprint that is of interest to investors and analysts. The question then arises: is the penalty for carbon emissions mitigated by the proactive carbon responses of firms to manage future carbon risks?
THREE	**Three** core aspects of any empirical research project i.e. the "**ID**io**T**s" guide
(E) Idea?	Central hypothesis. Publically available information on proactive carbon responses to manage carbon risks will mitigate the negative valuation impact of historic carbon emissions. Theoretical "tension" – the need to maintain a social licence to operate provides both legitimising and signalling incentives for voluntary carbon disclosures
(F) Data?	(1) **Country/setting**: Australia, **Why?** Regulatory uncertainty creates unique context that drives creation of specific set of proactive carbon responses indicators. **Unit of analysis?** Individual firms from the resources, transport and manufacturing sectors that were required to report their emissions under the NGER scheme. **Sample period**; 2014 to 2016, **sampling interval?** Annual. **Type of data**: firm specific. (2) What sample size do you expect? Approximately 180 observations from ASX200 high carbon emitting firms. (3)Is it a **panel dataset**? Yes, unbalanced panel data. (4) **Data Sources**? Morningstar DatAnalysis, Connect4; NGER database, hand collected proactive carbon response variables from sustainability and annual reports and websites based on self-developed index. **Research assistance**

	needed? Minor assistance, if possible cluster RA to assist with hand collection. **Funding/grants?** No. **Are they novel new data?** Some elements are novel. (5) Will there be any problem with **missing data/observations?** Standard issues of missing firm years. **Data manipulation/"cleansing" issues?** Carefully converting currency differences where applicable (6) **Will your "test" variables exhibit adequate ("meaningful") variation** to give good power? Yes. (7) Other data obstacles? E.g. external validity? construct validity? None conceived
(G) Tools?	**Basic empirical framework and research design**? Panel least squares regression analysis **Econometric software** needed/appropriate for job? Stata; licence held by UQBS **Knowledge of implementation of appropriate or best statistical/econometric tests**? Yes, together with internal collaboration **Compatibility of data with planned empirical framework**? Yes, already used in extant literature **Is statistical validity** an issue? No
TWO	**Two** key questions
(H) What's New?	The IDEA is novel. There has been little attention paid to operationalising proactive carbon responses of firms to manage future carbon risks in the accounting/finance literature to my knowledge. Previous studies have focused on the extent, nature and tone of environmental/sustainability/climate change and carbon-related disclosures.
(I) So What?	In the absence of reporting guidelines for non-financial carbon information preparers and users are interested in knowing what type of carbon-related information is incrementally informative. Knowing whether analysts and investors value disclosures that reveal the proactive carbon responses of firms to manage carbon risks has the potential to inform preparers on best practice carbon reporting.
ONE	**One** bottom line
(J) Contribution?	The primary source of contribution is the emergence of a forward-looking proactive carbon response construct and the development of an index to operationalise this construct.
(K) Other Considerations	Is **Collaboration** needed/desirable? – Idea: Yes, internal collaboration; Data: No Tools?: Yes, internal collaboration **Target** Journal(s)? *Journal of Accounting and Public Policy* or the *European Accounting Review* "**Risk**" assessment "no result" risk: LOW "Competitor" risk (ie being beaten by a competitor): MEDIUM/HIGH. Carbon disclosures is a very topical research space, with numerous publications in recent years, therefore need to be abreast of current literature risk of "obsolescence": LOW. Other risks? Nil conceived