Effects of Climate Change Risk on Accounting, Finance, Auditing, and Corporate Governance – Special Issue Vol 1

Special issue call for papers from International Journal of Climate Change Strategies and Management

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Background

Climate change is a change in the pattern of weather, and related changes in oceans, land surfaces and ice sheets, occurring over time scales of decades or longer. (Australian Academy of Science) Latest reports issued by the Intergovernmental Panel on Climate Change (IPCC) provide multiple lines of evidence that the global climate is changing as a consequence of the rapidly increasing atmospheric concentrations of greenhouse gases (IPCC, 2013). The rate of greenhouse gases in the atmosphere started to increase after the industrial revolution that started in the 1750s, and the carbon dioxide rate increased by 40% to 280 ppm to 394 ppm. According to the Intergovernmental Panel on Climate Change (IPCC), the increase in carbon dioxide is primarily due to the use of fossil fuels. An essential second factor is a change in land use, especially deforestation. The Intergovernmental Panel on Climate Change has shown that global average temperatures increase as a result of the impact of human activities on the atmosphere. According to the IPCC, 56% of the human-sourced greenhouse gas emissions in 2004 belong to the carbon dioxide produced by fossil fuel use. (www.wwg.org.tr) In the fight against climate change, the responsible companies (carbon majors) has more important role than others because it is known that hundred companies responsible for 71% of global emissions. (climateaccountability, 2018)

Climate change has become a critical environmental narrative of the 21st century. The climate is no longer just the subject of meteorologists that this is also one of the critical risk factors for the business world. The use of nature as a raw material to meet the in-exhaustible needs of people and the failure to put this use in place have triggered climate change. Nowadays, there are new stakeholders besides creditors, tax authorities, shareholders, customers, suppliers that companies need to account for environment and future.

In the special issue, we will focus on the effects of climate change on corporate governance especially the regulations, application, reporting, and accountability on accounting, finance, and auditing. These three areas, which provide the preparation of the financial statements and financial accountability of the companies, have been under severe pressure for many years about the environment. Sakhel (2017) stated that regulated industries implement more regulatory response measures than firms that are part of non-regulated industries, while, interestingly, there are no significant differences between the two groups in exposure and responses to physical and market risks. Some regulations and rationality about CCR are as follows;

- **International Federation of Accountants** (IFAC) has presented a letter to United Nations Framework Convention on Climate Change (UNFCCC), IFAC issues its support of the UNFCCC’s facilitation of the forthcoming international climate negotiations at the 21st session of the Conference of the Parties. (IFAC, 2015) As the global organization for the accountancy profession, IFAC is advocating for a universal agreement and active international dialogue that encourages the transition toward resilient, low-carbon societies and economies. In addition to providing our commitment to climate action on long-term global emissions, IFAC is raising awareness of the important role played by the accountancy profession and professional accountants in facilitating governments, capital markets, and organizations to implement plans for climate change mitigation and adaptation. IFAC is comprised of over 175 Members and Associates in over 130 countries and jurisdictions, representing almost 3 million accountants in public practice, education, government service, industry, and commerce.

- **United Nations Global Compact** (UNGC) also plays a prominent role in the sustainable development of the global climate, and new multilateral, bilateral and domestic climate funds have emerged as well as growing private sector investments in clean technologies (Pickering et al., 2015). 13483 institutions promised to UNGC for following 17 Sustainable Development Goals (SDGs) that 381 companies among them primarily focused on Caring for Climate, 96 companies are Carbon Pricing Champions, 84 companies are in Responsible Climate Policy Engagement, but only one company is in Pathways to Low-Carbon & Resilient Development.
• G20's Financial Stability Board’s (FSB) has announced “Task Force on Climate-Related Financial Disclosures (TCFD)” which develops voluntary, consistent climate-related financial risk disclosures for use by companies in providing information to investors, lenders, insurers, and other stakeholders. (FSB, 2018) The TCFD has received significant support from leading companies and organizations around the world since its voluntary Recommendations were released in June 2017. The TCFD’s Final Report recommends to companies specific disclosures in four areas:
  a. Governance – an organization's governance around climate-related risks and opportunities;
  b. Strategy – the actual and potential impacts of climate-related risks and opportunities on an organization’s businesses, strategy, and financial planning;
  c. Risk Management – how an organization identifies, assesses and manages climate-related risks;
  d. Metrics and targets used to assess and manage relevant climate-related risks and opportunities. (TCFD, 2018)

• Another critical issue for the companies is carbon trade, pricing, and reporting that also carbon pricing is moving up the agenda for investors as a material risk that companies must consider in their decision-making which is mandated by the Financial Stability Board’s Task Force on Climate-Related Financial Disclosures (TCFD).

• Recent global advances such as the 2015 United Nations Climate Change Conference (COP21) in Paris, the Kigali Amendment to the Montreal Protocol, and a pact to limit airline emissions under the International Civil Aviation Organization (ICAO) signal growing momentum toward a low-carbon transition. Platforms such as the U.N. Global Compact Business Leadership Criteria on Carbon Pricing, the World Bank’s Carbon Pricing Leadership Coalition, and business statements in support of the Paris Agreement illustrate that companies are preparing for this low-carbon future.

• International Federation of Accountants (IFAC)’s subcommittee IAASB asks auditors to pay attention to environmental issues. According to IAPS 1010, "The Consideration of Environmental Matters in the Audit of Financial Statements," the auditor needs to consider environmental matters in the audit of the financial statements.

• International Financial Reporting Standards Foundation (IFRS) announces standards for accounting however as mentioned in Jadg’s study (2017), the classic logic and virtues of the financial statement, according to the International Financial Reporting Standards (IFRS), can actually be reused and/or extended at least the following connotations to existing IFRS rules, for which the inner logic can be reused/extended through relatively simple means, thus obtaining quite good TCFD reporting for IFRS 7: Financial Instruments: Information, IFRS 9 Financial Instruments, IFRS 36 Impairment of Assets, IFRS 37 Provisions, Contingent Liabilities and Contingent Asset. According to some studies, there are also difficulties in understanding and using of IPCC reports, IAS 36. Budesco and colleagues mentioned in their study (2009) “the judgment literature indicates that there are large differences in the way people understand such phrases and that their use may lead to confusion and errors in communication” and they made some recommendations in their study on this issue.

• Integrated Reporting is supported by The International Integrated Reporting Council (The IIRC) ’s mission is to establish integrated reporting and thinking within mainstream business practice as the norm in the public and private sectors. The IIRC responded to consultation on the FSB Task Force on Climate-related Financial Disclosures recommendations on 10 February 2017: “The IIRC welcomes the recommendation that companies should ‘integrate’ their risk management in the face of the threat of climate change, made in the report from the FSB Task Force on Climate-related Financial Disclosures. The IIRC believes that genuine action to combat climate change can only be achieved by extending the disclosure horizon. We are committed to supporting efforts to align the Task Force recommendations with existing attempts to improve corporate governance by extending accountability for the management of multiple, interconnected resources and relationships. The implementation of these recommendations should lead to a fundamental realignment of corporate and investment behaviours and decision-making, as well as acting as a catalyst for a more cohesive and aligned corporate reporting system.” (IIRC, 2017)

However, ultimately, the Climate Change Risk (CCR) is one of the risk should be considered by companies. disasters caused by climate change are reflected in the financial statements. Due to disasters such as floods, whirlwind, freezing, tsunami, ice rains, the loss of the assets of the companies, the cancellation of the contracts, the loss of the customers requires the strategic decision of the management. CPA, CFO, external auditor, internal auditor, board, CFE, the actuary will be active in the process of budgeting, accounting, reporting and inspection of CCR applications because
they should govern, record, measure and report environmental issues. Corporate boards and executive management needs to understand, decide and implement new strategies against climate change risks that previous literature suggests classification in three categories: Physical risks, Regulatory risks, Market risks. (Busch et al., 2012, Ejijio-Ten, 2017, Nikolaou et al., 2015). The boards, and thus the audit committees, should ensure that environmental reporting is "subject to internal governance processes that are the same or substantially similar to those used for financial reporting. This will probably mean that some boards should be supplemented with new skill levels, and that audit and corporate governance structures should be upgraded in the nonfinancial area (PDF) TCFD = IFRS + Climate Risks. (Jadg, 2017) However yet managers and corporate understanding of climate change and related energy issues remains fragmented, incomplete, and lacks the urgency this problem deserves (Busch and Shrivastava, 2011) The international climate change regime started very constructively, but although there has been progressing over the last 25 years, this progress falls short of what is needed to address the climate change problem. (Gupta, 2016) The most important problem about “climate change management risk” in business is the estimate of time, place, amount, style of climate damage to the companies and its properties. Proactive methods are recommended to corporate boards and management, and also they need to redesign management system by "wearing eyeglass with climate perspective."

This special issue aims to highlight recent developments, problems, solutions on CCR in corporate governance, accounting, finance, and auditing. Studies that are of most interest, but not limited to, include the following:

- Determining and addressing physical risks, regulatory risks, market risks on CCR by publicly held companies,
- Rewriting corporate strategies against CCR,
- Developing a budget, plan, and programme against CCR,
- Training accounting, finance, and auditing staff on environmental issues, sustainability and CCR,
- Accounting and reporting for CCR,
- Valuating CCR,
- Budgeting precautions against CCR,
- Estimating the cost of CCR
- External Auditor planning, auditing, documenting on CCR,
- Governing, measuring, reporting on corporate energy efficiency and corporate carbon footprint,
- Investment decision against CCR,
- What is the role of the external auditor and auditing committee against CCR?
- How does external auditor will audit CCR, sustainability reporting?
- What is the role of the International Financial Reporting Standards (IFRS)?
- Difficulties in understanding and interpreting the Task Force on Climate-Related Financial Disclosures (TCFD), IAS 6, IAS 7, IAS 37, IAS 36?
- Information system for CCR
- The differences on approaching environmental and climate change managerial issues between developed, developing under developed countries,
- Classifying, valuating, booking, reporting stranded assets,
- Evaluating, classifying, addressing CCR in integrated reporting (IR) and role of accountant, auditor in preparing IR.
- Fraud examination on CRR valuating, planning, budgeting, costing, reporting, auditing.

Submission guidelines
Manuscripts should be prepared following the normal guidelines for the journal and may be submitted through the journal's online system: Scholar One Manuscript Central. Please ensure you check the "Effects of Climate Change on Accounting, Finance, Auditing and Governance" option when submitting your manuscript.

Presenting your paper at a conference or workshop
Submitted papers do not need to have been presented at conference but it is a good opportunity to meet and negotiate your paper in the 10th International Conference on Governance Fraud Ethics and Corporate Social Responsibility (10th IConGFESR) which will be held in Trakya University, Turkey on April 25-26, 2019. https://10thicongfesr.trakya.edu.tr/
Submissions and Schedule
- Sending synopses of papers about 1,000 words by March 15th, 2019
- Authors of papers selected for presentation will be invited to join 10th IConGFESR
- Papers to be submitted to Emerald by 30 November 2019 using http://mc.manuscriptcentral.com/aaaj
- Publication date 2020

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References:

**Recommended Readings**

Filling the information black hole: How are fossil fuel companies reporting on the stranded asset risk?

Integrated Reporting and Climate Change: A Perfect Marriage

**Guest Editor’s Biography**

Kıymet Tunca CALIYURT

Prof. Dr Kıymet Tunca Caliyurt, CPA, CFE, graduated from the Faculty of Business Administration at Marmara University, Istanbul, Turkey. Her Masters and Ph.D degrees are in Accounting and Finance Programme from the Social Graduate School, Marmara University. She has worked as auditor in Horwath Auditing Company, manager in McDonalds and finance staff in Singapore Airlines. After vast experience in private sector, he has started to work in academia. She is holding CFE and CPE titles. Her research interests are in accounting, auditing, fraud, social responsibility, corporate governance, finance and business ethics, with a special interest in aviation management, NGOs, women rights in business. She has been as visiting researcher in Massachusetts University Amherst Business School. She is the founder of the International Group on Governance, Fraud, Ethics and Social Responsibility (IGonGFE&SR) which was founded in 2009. In 2009, she also founded the International Women and Business Group, which organizes a global, annual conferences. Kıymet has published papers, book chapters and books both nationally and internationally on fraud, social responsibility, ethics in accounting/finance/aviation disciplines in Springer and Routledge. She is book series editor in Springer with the title Accounting, Finance, Sustainability, Governance & Fraud: Theory and Application, and book series editor in Routledge with the title Women and Sustainable Business. Some book titles: Emerging Fraud (with Sam Idowu), Corporate Governance: An International Perspective (with Sam Idowu), Women and Sustainability in Business: A Global Perspective, Sustainability and Management: An International Perspective (with Ulku Yuksel), Globalization and Social Responsibility (with David Crowther), Regulations and Applications of Ethics in Business Practice (with Dr Jiang Bian), Ethics and Sustainability in Accounting and Finance, Volume I. She is acting as member in editorial board Journal of Financial Crime, Social Reponsibility Journal, International Journal on Law and Management, Journal of Money Laundering Control. She is regular speaker at International Economic Crime Symposium in Jesus College, Cambridge University. She is member in editorial board Social Responsibility Journal, Journal of Financial Crime, International Journal of Law and Management. She is partner of Herme Consulting in Trakya University Technopark.