



Organizational Commitment to Climate Change and GHG Reductions

Ken Bettenhausen,^a John Byrd,^b Elizabeth S. Cooperman^c

a.b.c. Business School, University of Colorado Denver, USA

Abstract: Under the CDP (formerly the Carbon Disclosure Project), companies provide assurance of their commitment to reduce future carbon emissions by responding to a CDP survey on their use of corporate governance measures to ensure their organizational commitment for carbon reductions. In this study we construct an overall measure for the level of a corporation's organizational commitment for a sample of 224 companies in the S&P to the CDP in 2009. We test a commitment-performance hypothesis by examining the relationship between a firm's level of commitment and its future performance in reducing carbon emission. Although we find an insignificant relationship between a firm's level of commitment and future emission reductions, the likelihood of emission reductions rises when a company gives its board or executives oversight for sustainability operations. Also, more profitable firms and those with previous success/targets set for reducing CO₂ emissions are more likely to show future reductions.

Keywords: Corporate Governance, Climate Change, Carbon Disclosure Project

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I. Introduction

As the risk of world temperatures rising greater than 2°C increases, which is associated with catastrophic climate change (Meinshausen, et al. 2009), stakeholders (institutional investors, customers, employees, governments, NGOs, and regulators), have urged corporations to take on more pro-active approaches to climate change and have initiated guidelines for responsible corporate engagement in climate policy (Kolk, Levy, and